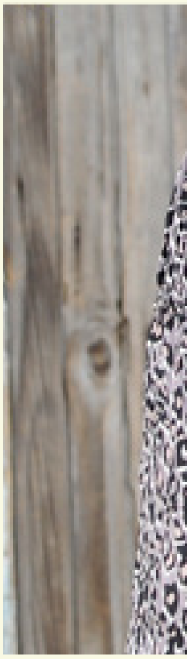
Botswana Telecommunications Corporation Limited

Annual Report 2017

btc
Live connected.

BTC BUSINESS STORY



OUR VISION

Market leader in communication services

OUR MISSION

We provide superior customer experience through innovative communication solutions

OUR VALUES

TEAMWORK	We work effectively and efficiently, collaborating in the work place with the pursuit of reaching a common goal
OWNERSHIP	We exhibit a sense of pride in the work we do and take accountability for the quality of our efforts and the organisation as a whole
DELIVERY	We commit to the best customer experience through effective, efficient and agile service delivery within defined timeframes
SIMPLE	We provide seamless, easy to understand solutions and services to both our internal and external customers
INNOVATION	We are agile to embrace and adapt to environmental changes

"We are known and trusted by Batswana to handle their communication needs"

During the review period, all our **brands** were integrated into **one,** reflecting our position as a **one-stop shop communication business.** We no longer go to market as beMOBILE, fixed lines or Broadband, but as one united BTC, with a united brand.

A New BTC brand

We have come a long way as a brand, from being the only telecommunications company operating in the country to being the only telecommunications corporation listed on the Botswana Stock Exchange.

It is for this reason that it has become important for us to see ourselves as an evolving organisation with different services and products and have the world see us as such too. We are known and trusted by Batswana to handle their communication needs. Now looking to the future, it's important that we continue to be a trusted brand and there is no better way to build trust than having a symbiotic and synchronised organisation.

During the review period, all our brands were integrated into one, reflecting BTC's position as a one-stop shop communication business. There is therefore no more beMOBILE, fixed lines or Broadband, but one BTC with the same colours, icon and, most importantly, the same values. BTC is one brand with one future and one team with a strong will to deliver the best possible service to our customers.

From...

BTC | be MOBILE

...to

btc

Live connected.

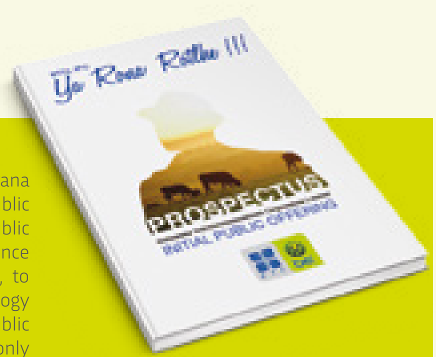
About Our Business

BTC was established in 1980 as a body corporate by the BTC 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, fixed and mobile, as well as National and International Internet, data services, virtual private networks and customer equipment to residential, Government and business customers.

"BTC is the only PTO Licence holder operating both traditional fixed and mobile networks"

2016

In April 2016 BTC was listed on the Botswana Stock Exchange following an Initial Public Offering. BTC is permitted under the Public Telecommunications Operator (PTO) licence issued by the regulatory authority, BOCRA, to offer services of any kind, using any technology (technology neutral), connected with public telecommunications. At present, BTC is the only PTO Licence holder operating both 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.



BTC's business is managed along its three main lines of business: Fixed, Mobile and Data. Data is offered over both fixed and mobile networks.

These business revenues are further analysed into revenue sources: voice call revenues (whether being national or international); access network incomes (whether fixed line networks, private circuits or mobile platforms); and data and customer premises equipment. This analysis is designed to assist management and other readers to compare the operating results and financial performance in a meaningful way.

BTC offers its products and services through two operating business units: BTC Wholesale, and Home & Office.

FINANCIAL HIGHLIGHTS

6%
Cost of Sales

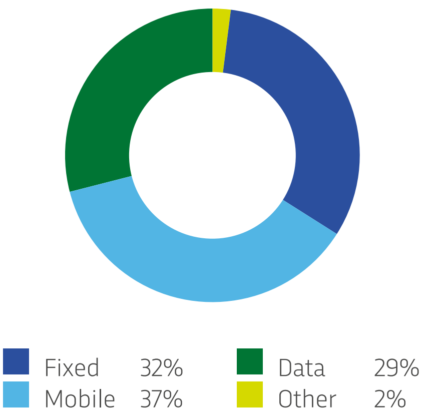
4%
Fixed Sales

5%
Mobile Sales

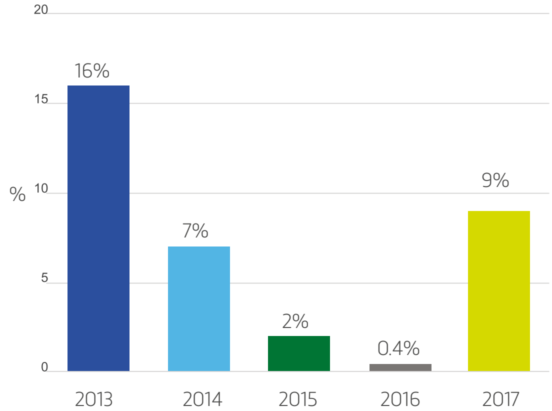
21%
Data Sales

7%
Other Revenue

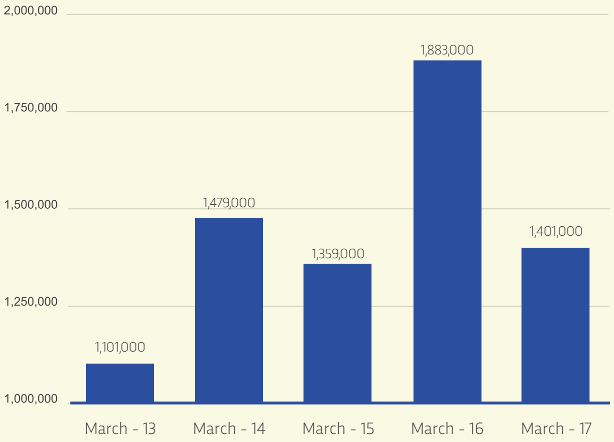
Sales Contribution



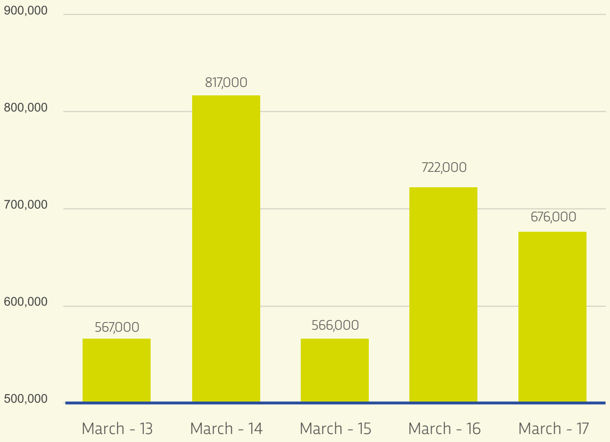
Sales Growth



Total Costs (P'000)



Direct Costs (P'000)



MOBILE SALES

Sales continue to grow in line with the growing use of social media platforms

Market share - **17%** against **15%** FY 2016

Blended ARPU - **P98** against **P88** FY 2016

OTHER REVENUE

Includes directory services and third party collection fees

BALANCE SHEET

Liquidity Ratio **3.97 times**

Cash injection from share issue of **P250m**

Return on Capital Employed at **12%** against prior year of **-29%**

Return on Assets at **13%** against prior year of **-22%**

5 YEAR PERFORMANCE INDICATORS (In summary)

Margins	FY2017	FY2016	FY2015	FY2014	FY2013
Sales growth	9%	0.4%	2%	7%	16%
Gross profit margin	58%	51%	62%	44%	58%
Net profit margin	15%	-25%	10%	0%	20%
EBITDA margin	23%	18%	23%	28%	32%
EBIT margin	16%	-33%	12%	-2%	20%
Working capital ratio	3.97	3.67	2.94	2.29	2.33
ROCE	12%	-29%	8%	-8%	12%
Asset Turnover	0.70	0.76	0.62	0.68	0.52

OUR PERFORMANCE

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CHAIRPERSON'S STATEMENT

It is with great pleasure that I present to you our 2016/17 Annual Report. The 2016/17 financial reporting period marked the first full year since Botswana Telecommunications Corporation Limited welcomed approximately 50,000 new shareholders and debuted on the Botswana Stock Exchange ("BSE"). Though the year has been quite eventful, I am happy to report that it has been successful on many fronts.

Lorato Boakgomo-Ntakhwana
BTC Board Chairperson

P237 million Profit After Tax

P369 million EBITDA Increased by 40%

P1.6 billion Revenue Increased by 8%

Our Performance

The financial results for the year ended 31 March 2017 showed a significant improvement in the performance of the Company. The Company registered an impressive Profit After Tax ("Profit After Tax") of P237 million, a 164% increase year-on-year. BTC's main target for the first-year post listing was to ensure the return of value to shareholders by delivering on its financial commitments as outlined in the Initial Public Offering (IPO) Prospectus. I am pleased to report that we have honoured that commitment and even greatly surpassed it. BTC had forecasted a Profit After Tax of P116 million for the year under review and the reported Profit After Tax of P237 million is more than double the forecast.

This solid bottom line growth was a result of good performance on many key financial indicators; revenue increased by 8% year on year to P1.638 billion, costs decreased by 26% to P1.401 billion from P1.883 billion in the prior year, and EBITDA increased by 40% year-on-year to P369 million. Overall the Company's profitability margins have improved. In addition, cash balances increased by 32% year-on-year to P516 million.

I am delighted to report that this overall improvement in performance is a combination of both better business focus and improved operational efficiencies. Overall the Company performed very well against the main strategic objectives of growing mobile market share and revenue, data and broadband revenue, optimising costs, and improving customer satisfaction levels.

During the year, the Board also adopted changes to the Company's dividend policy to provide guidance and ensure consistency and predictability in the declaration and payment of dividends. The revised policy prescribes a dividend pay-out of 50-65% of earnings subject to the financial position of the Company, investment strategy, future capital requirements, availability of cash and other factors that the Board may consider. The Board approved that Dividends will be declared twice a year in June and December.

In light of the strong financial performance this year as highlighted above, the Board recommended a year end dividend of 11.09 thebe, following an interim dividend declaration of 3.6 thebe per share, bringing total dividend declared for the year to 14.69 thebe per share. The declaration, makes BTC stock, one of the highest dividend yields on the BSE during the year under review.

Strategy Revamp

I am also pleased to report that the Board has approved a 3-year strategy to year 2020 for the Company. The Board saw it necessary to revamp BTC strategy post listing, to focus more on the transformation and growth agenda in the short to medium term.

Under the revamped strategy, the Company will focus on five strategic themes; Business growth, Customer Experience, Operational Efficiency, Innovation, and High-Performance Culture. These five themes will serve as the Organisations' road map for the next 3 years.

Corporate Governance and Risk

The Board invested time reviewing the Company's risk management processes and reporting, to ensure they are in line with best practice and industry standards. Broad based risk management is central to company performance and business sustainability, hence efforts to embed risk management into the day to day operations of the business continue.

The Audit and Risk Committee of the Board, supported by the Company's Internal Audit division, has been tasked with ensuring that all potential risks are identified, monitored and managed.

> **"We had forecasted a Profit After Tax of P116 million for the year under review. We achieved a Profit After Tax of P237 million which is more than double the forecast"**

The regulatory environment remains an area of importance to our business. Though we are pleased, given the solid relationships we enjoy with our Regulators, the Company continues to keep an eye on all changes and developments within the regulatory space to ensure compliance, and where possible, to help influence the environment. As is the case globally, the Telecommunications regulatory landscape in Botswana, continues to evolve.

In the year under review, Mr. Maclean C. Letshwiti and I joined the Board of BTC as Independent non-executive directors. To further strengthen and broaden the Board's skills, post year end, the Board appointed two additional non-executive directors; Mr. Andrew Johnson, a Telecommunications expert and Mr Ranjith Priyalal De Silva, a Chartered Accountant whose expertise covers Auditing, Accounting, Tax Planning, Financial Investigations and Fiscal Management. On behalf of the Board, I welcome them to the Board of BTC.

Our Employees

The good performance reported for the year is due to the combined efforts of all our employees. The Board appreciates the role of employees in delivering the Company's mandate and strategy. To that effect, we have increased our investment in training and leadership development, especially of our senior talent, to equip them with the necessary skills to deliver the revamped strategy. We are working on enhancing the Company's organisational structure to ensure it is aligned with the new strategy.

The results of our annual employee satisfaction survey show an improved engagement level and alignment, which is key to the delivery of our strategy going forward.

The Company is also working to establish a more results based remuneration policy as part of efforts to promote a high performance culture. The revised remuneration policy aims to attract and retain leaders of the highest calibre, while making sure that our executives are compensated according to their performance. It is part of our new strategy to attract, reward and retain the right calibre of people within the organisation.

During the year under review, the Board was pleased to announce the appointment of Mr. Anthony Masunga as the substantive Managing Director of the Company, after holding the position on an Acting capacity for 6 months following the departure of the previous Managing Director.

CHAIRPERSON'S STATEMENT

(continued)

The year also saw the appointment of Ms. Mmamotse Monageng as General Manager – Human Resources and Shared Services. We wish them well as they take on their respective responsibilities. The recruitment to fill the remaining vacant executive level positions is at an advanced stage, as we ensure that all Executive vacancies are filled with the right calibre candidates to safeguard a continued high-level performance of the business.

Our Customers

Our customers are the backbone of our success, hence BTC is increasingly focusing on initiatives that improve customer satisfaction levels. Our goal is to give our customers a world class experience with every encounter, hence significant investments continue to be made to enhance the BTC customer experience.

I am happy to report that our customer satisfaction levels have improved since last year as we continue to address customer service challenges, however we are by no means where we would like to be with respect to customer engagements. This will continue to be an area of focus. I can assure you that we endeavour to deliver a true world class customer experience.

Community

As BTC we recognise that for us to be sustainable, we cannot grow alone, and through the BTC Foundation, which has an independent Board of Trustees, we continue to make positive impacts across communities in Botswana. This year alone, the foundation has supported 24 community projects and initiatives to the value of P1,711,48.74 through donations of cash and technology equipment, sponsorships and partnerships. Our foundation's primary focus areas remain health and education, followed by sports development, arts and culture, environment and poverty alleviation as secondary focus areas.

BTC's view is that a healthy, knowledgeable and skilled citizenry not only determines the growth and economic success of a country, but helps build a stronger open society. To this end BTC is the proud sponsor of the annual BTC Francistown Marathon

Conclusion

The financial year under review was a positive one for the business. Our shareholders received a good return for their investments. The value delivered by BTC goes beyond the numbers that we discussed but our business also contributes to the wider economy through taxes, job creation, infrastructural development etc. BTC as a telecommunications service provider is one of the key enablers for economic growth.

Outlook

As the transformation journey continues, we need to transform our network, our culture and the way we do business. The year 2017-18 will bring with it new opportunities and new challenges, but we remain optimistic about the future. The company has strong business fundamentals, and with our revamped strategy in place, we are confident that we shall continue creating value for our shareholders and customers. We are very much focused on our vision to become "Market Leader in Communication Services".

Word of Thanks

I would like to take this opportunity to thank my predecessor Ms. Daphne Matlakala for her dedication and hard work, ensuring a successful listing of BTC, the first parastatal to be privatised in Botswana and setting a solid foundation for us future Board Members.

To our stakeholders, key among them our employees and customers, we could not have delivered these positive results without your support. We look forward to an even stronger relationship based on mutual beneficiation and respect in the future.

Thank you.

Ms. Lorato Boakgomo-Ntakhwana
BTC Board Chairperson

BOARD OF DIRECTORS

Ms. Boakgomo-Ntakhwana is a career banker whose professional experience spans over 30 years, former Deputy CEO of FNB International and Portfolio Executive for Emerging Countries. Prior to this role, she was the CEO of First National Bank of Botswana Limited. From August 2008, she served the First Rand group as a Board member and Board Committee member in several countries.

Currently she is the Managing Director of Sally Dairy and her qualifications are a Bachelor of Commerce from the University of Botswana and an MBA from Loyola College in Baltimore USA, and holds several professional qualifications.

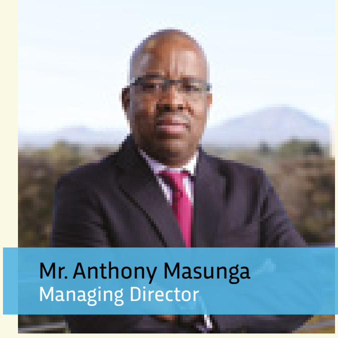
Ms. Lorato Boakgomo-Ntakhwana
Board Chairperson

Chairperson -Technology and Investment Committee

Mr. Nthebolan, is an Information Communications Technology expert. He is currently Debswana's Head of Information Management. His career spans over 18 years in the industry, he was previously Project Manager responsible for the overall implementation of SAP (software) in all Debswana diamond operations.

Mr. Nthebolan holds a BSC Honours Computer Science from Leicester Polytechnic and an MBA with De Montfort University.

Mr. Gerald Nthebolan
Independent Board Member

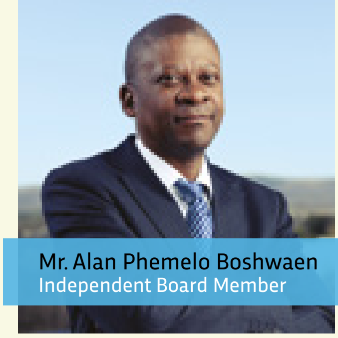


Mr. Masunga is Managing Director at Botswana Telecommunication Corporation (BTC) tasked with leading the transformation of optimising the value of BTC for all stakeholders. He was previously Chief Operating Officer credited with leading strategic projects such as the turnaround strategy of beMOBILE (BTC MOBILE) and delivery of BTCL IPO as the project manager.

Anthony has over twenty years' experience in the ICT field, he has worked in various projects with roles ranging from strategy formulation, program management, product development, technology innovation to business planning.

He holds a BSc Computer Science from McGill University (Canada) and an MBA from DE Montfort University (UK).

Mr. Anthony Masunga
Managing Director



Chairperson - Audit and Risk Committee

Mr. Boshwaen joined the BTCL Board of Directors in 2010. He is the founding Chief Executive Officer of the Botswana Innovation Hub, an organisation intended to transform Botswana into a technology-driven and knowledge based economy. He previously served as founding CEO of Botswana International Financial Services Centre (IFSC). He has held senior management positions with several organisations of repute.

He holds a BA (Honours) in Industrial Psychology from the University of Kent, Canterbury and a Masters Degree in Business Administration from the University of Capetown. Currently serves as the Chairman of the Advisory Board of the University Of Botswana Faculty of Business.

Mr. Alan Phemelo Boshwaen
Independent Board Member

KEY

Board Member | Audit and Risk Committee Member | Human Resources, Remuneration and Nomination Committee Member | Technology and Investment Committee Member | Citizenship

Ms. Choice Pitso
Independent Board Member

Chairperson - Human Resources, Remuneration and Nomination Committee

Ms. pitso 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.

Professor Rejoice Tsheko
Independent Board Member

Prof. Tsheko is acting Deputy Vice Chancellor at Botswana Univesity of Agriculture and Natural Resources (BUAN). He is a member of the Editorial Board of WaterSA Journal. Besides lecturing, he is doing research work and has authored over 26 research products in scientific journals.

His area of interest is in the application of Earth Observation data for the management of resources. He holds a Doctor of Philosophy in Agricultural Engineering from University of Newcastle upon Tyne and a Bachelor of Science in Agricultural Engineering from McGill University. He has attained other professional qualifications locally and abroad.

Mr. Maclean C. Letshwiti
Independent Board Member

Mr. Letshwiti is a respected entrepreneur whose expertise spans business management, commercial and industrial development. Mr. Letshwiti holds a Bachelor of Arts degree in Administration from the University of Botswana and Swaziland and other professional and leadership qualifications. He has served on a number of Boards of listed companies including Botswana Insurance Holdings Limited as Chairman and Botswana Housing Corporation among other entities.

He is currently a Director of several companies namely; Kalahari Mining and Machinery, Laurelton Diamonds Botswana a subsidiary of Tiffany and Co, a company listed on the New York Stock Exchange, and Avis Rent A Car.

Mrs. Serty Leburu
Independent Board Member

Mrs. Leburu joined the BTCL Board of Directors in 2009. She is currently Executive Director at Botswana Accountancy College. She was previously a Deputy Chief Executive Officer-Support Services at Botswana Housing Corporation and served as Deputy Chief Executive Officer at Standard Chartered Bank of Botswana before joining BHC. Prior to joining Standard Chartered Bank, she had been part of the Diamond Mining Business for 17 years.

She is an accountant by profession hence an expert in financial matters. Mrs. Leburu hols a Bachelor of Commerce from the University of Botswana and a professional qualification, CIMA.

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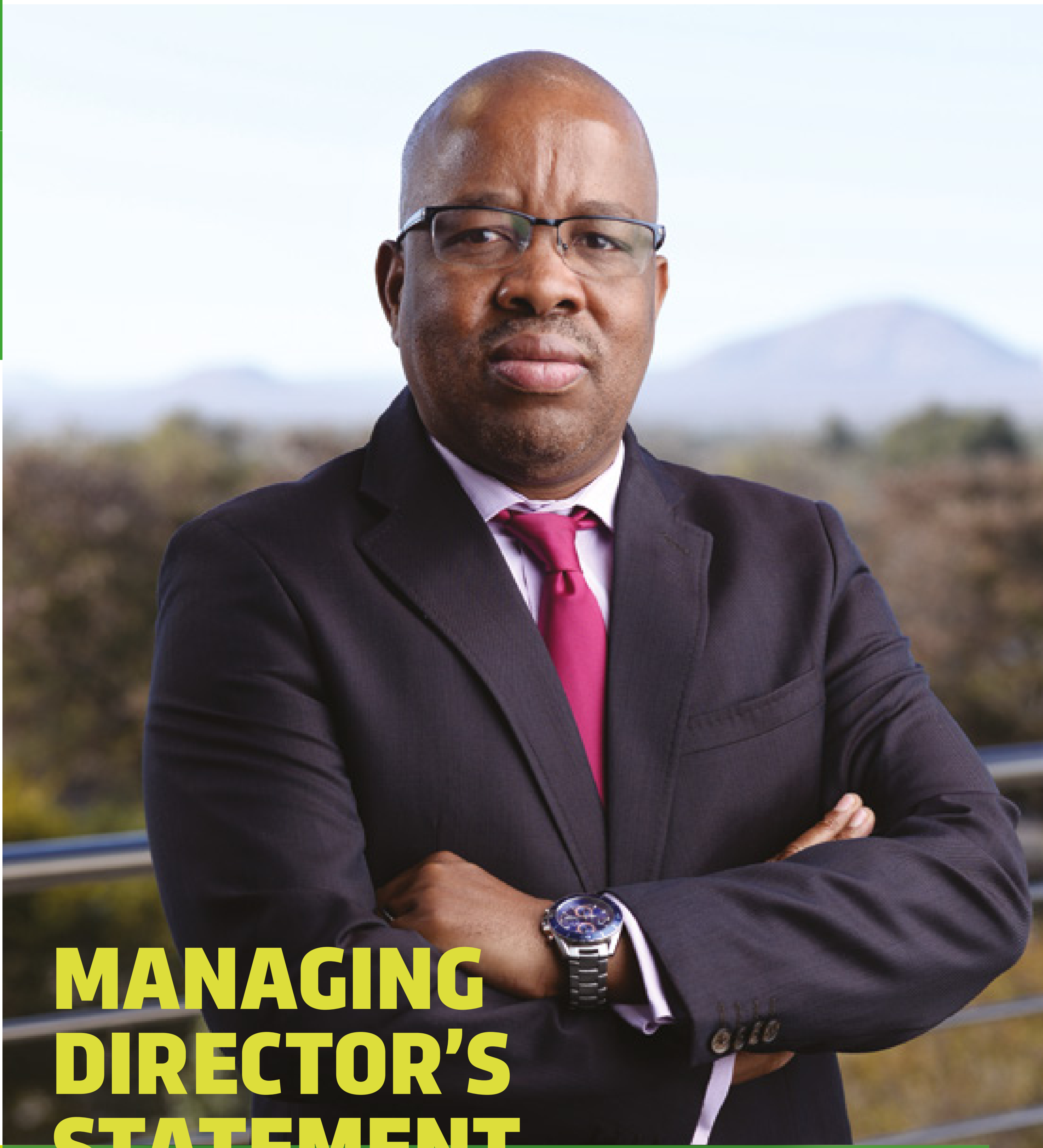
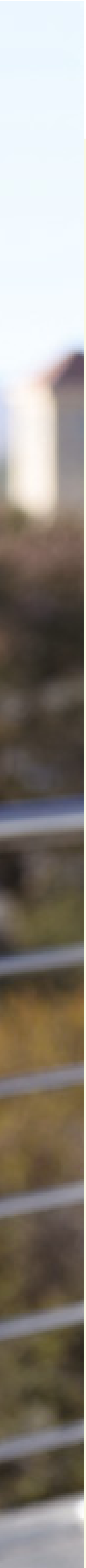


MANAGING DIRECTOR'S STATEMENT

The financial reporting period 2016/17 marked a full year since Botswana Telecommunications Corporation Limited ("BTC") became a public listed company. What an exhilarating year it has been. As some would say, it is only after you have stepped outside your comfort zone that you begin to appreciate change, growth, and transformation.

For us at BTC, we can indeed attest to that. Privatisation propelled us out of our comfort zone, and the year under review saw the beginning of our transformation process. I am happy to report that we have gotten off to a good start: BTC's performance for the financial year 2016/17 has been remarkable, both financially and commercially.

Anthony Masunga
Managing Director



4% Fixed Telephony Revenues

21% Data Services Revenue

5% Mobile Revenues

Financial Performance Overview

The Company registered an impressive 164% increase in Profit After Tax (PAT) to P237million from a loss of P371million in the previous year. Most importantly, we fulfilled our promise to shareholders as per the Initial Public Offering ("IPO") prospectus. We had forecast a PAT of P116million for the year, but delivered the exceptional PAT of P237 million. This is no small feat, especially against the backdrop of the intensely competitive environment in which we operate. It took a lot of commitment and concerted effort of all our employees and stakeholders to achieve.

Total Revenues for the review period increased by 8% year-on-year, to P1.64 billion. The increase was anchored by an across-the-board increase in Fixed, Data, and Mobile revenues as follows:

- Fixed Telephony Revenues increased by 4%;
- Data Services Revenue increased by 21%;
- Mobile Revenues increased by 5%.

Our cost-saving initiatives yielded a remarkable 26% decrease in Total Costs year-on-year. No impairment adjustment was recognised for the year, compared to the P522 million impairment in the previous year. Total Costs (excluding impairment) declined by 4% year-on- year. Further, Cost of Sales declined by 6%. The decrease in Costs of Sales was mainly due to a 57% decrease in depreciation of network assets and a 60% decrease in mobile handset subsidy.

Overall Profit Margins have improved; EBITDA margin for the year under review was 23%, up from 18% in the previous year. EBIT margin stands at 16% up from -33% in the prior year.

Cash balances increased by 32% to P516 million. Cash Generated from Operations increased by 5% to P267 million. We paid out P90 million in dividends during the reporting period, comprising a March 2016 final dividend of P52 million and a September 2016 interim dividend of P38 million. A final dividend of P116 million was declared for the financial year.

Total Assets increased by 19% to P2.3 billion, and Return on Assets stands at 13% compared to -22% in the prior year. Property, Plant and Equipment grew by 23% to P1.208 billion owing to the roll-out of Mobile Network Expansion (3G and LTE), Billing platforms convergence and other strategic programmes.

Strategic Performance and Developments

The impressive annual results for the year were a result of our focus on the main strategic objectives for the year. For the year under review, we identified the following five strategic objectives:

1. **Improvement of customer service**
2. **Mobile business growth**
3. **Data and broadband growth**
4. **Cost optimisation**
5. **Return on assets**

I am more than pleased to report that as indicated in the financial performance review, we have been able to achieve these objectives; we grew our mobile business, data and broadband services, reduced costs and improved our return on assets. Although our customer satisfaction level has improved, this area requires more work to ensure that we far exceed customer expectations.

We operate in an intensely competitive environment, where customers want more for less. For BTC to remain viable, we must provide our customers with a world-class customer experience through improved processes and competitive product offering. To this end, we are working on a detailed customer segmentation initiative to get insight and gain an intimate understanding of our various customer segments, their behaviours and needs to be able to provide them with relevant products.

We have consolidated all our business units under one umbrella and brand. The consolidated BTC brand aims to ensure a consistent and seamless customer experience throughout BTC customer touch points. To further enhance the customer experience, we have started refurbishing most of our service centres.

Mobile sales continue to rise in line with growing use of social media platforms, contributing 37% total revenues. In our efforts to further enable this growth, we launched our 4G/LTE network and its products and services during the review period.

Data remains our fastest growing revenue line: data sales increased by 21% and contributed 29% to total sales, up from 26% in the previous years. Data usage increased by 38% whilst access revenues remained flat as the provision of access has become increasingly competitive with the introduction of new players in this sector.

Despite the increasing technological switch to mobile and data services, fixed voice is still a significant contributor to revenues at 32% of total revenues. However, this is expected to grow marginally in the future.

The quality of internet service to the residential and SMMES sectors (provided through ADSL technology) remains a challenge and we are working on initiatives to improve performance.

For the year under review, the Company set aside P452 million for Capital Expenditure geared towards improving the BTC network, through improved operational performance, and commissioning of next generation networks such as LTE/4G. Currently BTC has 600 2G sites, 149 3G sites and 106 4G sites, with more 4G sites to be commissioned in the 2017-18 financial year, further densifying access.

The business rationalisation programme of converging the various business units under one roof and brand, amongst other initiatives, has improved organisational efficiency and reduced costs. We are focused on cost efficiency and continue to explore cost reduction opportunities. Our cost structure is expected to continue to improve over the coming years, as we keep on transforming the way we do business.

> **"Data remains our fastest growing revenue line: data sales increased by 21% and contributed 29% to total sales"**

MANAGING DIRECTOR'S STATEMENT
(continued)

Mobile sales continue to rise in line with growing use of social media platforms, contributing 37% total revenues.

Strategy Revamp

Although the Company has been remarkably successful in its first year as a Listed entity and delivered on the promises it had made in its Prospectus, the re-engineering process continues. The Company still needs to transform on many fronts: network, culture and commercial outlook. As indicated in the Chairperson's Statement, the Board deemed it necessary to revamp the BTC strategy to focus more on the transformation and growth agenda in the short to medium term. Under the revamped strategy, the Company will focus on five strategic themes of Growth, Customer Experience, Operational Efficiency, Innovation and a High-Performance Culture. We will also be realigning the organisational structure to the revamped strategy.

Partnerships

The 3-year partnership agreement between BTC and Vodafone of the United Kingdom will come to an end in April 2018. BTC and Vodafone will jointly evaluate the relationship and decide on the way forward. During the year under review, we made significant net revenue savings from the partnership, mainly derived from Terminals, Procurement & Carrier Services Interconnect.

BTC continues to leverage its relationship with its suppliers to deliver improved service efficiencies, customer experience and reduce service costs to the end user.

Local Regulatory Environment

The regulatory environment remains an area of importance to our business and the following are updates on some of the regulatory developments in the telecommunications sector:

1 BTC has applied for migration to new licensing framework under the Unified Licensing Framework. Migration deadline for the new framework has been extended to the 2017-2018 financial year. This development further liberalised the market, presenting entry opportunities for other players in the sector.

2 The BOCRA commissioned study for the Development of Cost Models and Pricing Framework for ICT Services has been completed. Implementation of the new pricing models is scheduled for 2017/2018 financial year. These new pricing models include reduced Fixed Termination rates, removal of Off Net Premium for all Off Net Mobile Voice Calls, and Implementation of Retail Minus Pricing ADSL Services, etc.

3 The BOCRA study on the extent of implications of Over-the-top (OTT) services on the business operations of all operators has been completed and the outcomes are still to be shared with the sector.

Outlook

BTC remains very optimistic about its future as it continues to leverage its unique product offering and wide network coverage to consolidate its position and become a market leader in communication services. The company will continue to make significant investments in its network and people, to provide quality, reliable and affordable services to its customers, while creating value for its stakeholders.

Word of Thanks

I would like to thank the BTC Board of Directors for their confidence in me to take this company forward. Thank you to our employees, Botswana Telecommunications Employees Union (BOTEU), BTC executive team and our Board for their continued support.

Anthony Masunga
Managing Director

EXECUTIVE MANAGEMENT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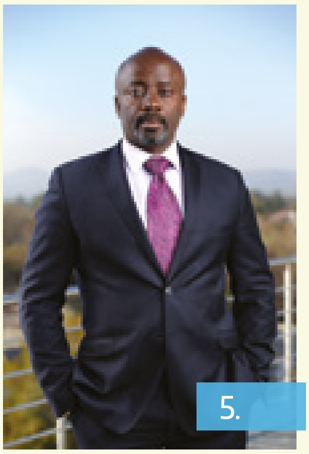
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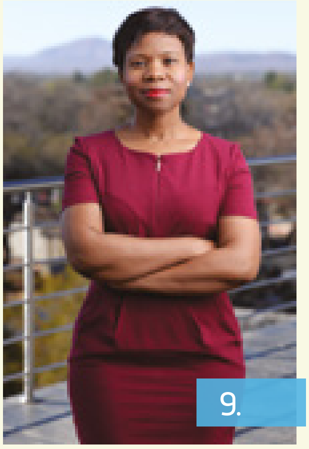
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1. Anthony Masunga
Managing Director

Anthony Masunga is Managing Director at Botswana Telecommunication Corporation (BTC) tasked with leading the transformation of optimising the value of BTC for all stake-holders. He was previously Chief Operating Officer credited with leading strategic projects such as the turnaround strategy of beMOBILE (BTC MOBILE) and delivery of BTCL IPO as the project manager.

Prior to this assignment, he held a double role as Acting Group General Manager Commercial and Privatisation Program Manager respon-sible for giving strategic direction to BTC's three strategic business units covering group marketing direction and repositioning of wholesale functions. The founding Gener-al Manager- of beMOBILE (BTC Mobile) is credited for growing the new market entrant by attaining 605% annual revenue growth and 10% market share in the first year.

He successfully led negotiations and secured the most sought after Botswana Premier League sponsorship from an established market leader. His most recent successes include launch of the new BTC brand, delivery of the historic BTCL IPO as the project manager, establishment of the corporate risk committee to strengthen the discipline of risk manage-ment at BTC, and transforming the wholesale function into a business unit.

With over twenty years' experience in the field of Telecommunications and Information Technology, he has worked in various projects with roles ranging from strategy formulation, program management, product development, technology innovation to business planning.

He holds a BSc Computer Science from McGill University (Canada) and an MBA from DE Montfort University (UK). He recently com-pleted an Executive Development Program with Stellenbosch University Business School.

2. Abel Bogatsu
General Manager: Finance

As General Manager Finance, Abel's duties includes providing professional finance inputs to the creation and maintenance of the BTC business strategy, to direct BTC 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.

3. Goitseone Tshiamiso
General Manager: Customer Care (Acting)

Goitseone's role as General Manager Customer care is to provide professional customer care inputs to the creation and maintenance of a BTC strategy. This aims to create and deliver shareholder value, direct BTC's customer activities within an agreed framework, meeting targets for return on investment, profitability and customer satisfaction. The division comprises Post Sales Services, Billing & Collections Management, Contact Centre and Integrated Channel Management.

4. Mokgethi Nyatseng
General Manager: Wholesale

Mokgethi's role as General Manager Wholesale includes leading a team of senior managers in creating a viable BTC Wholesale business strategy which delivers customer satisfaction, and creating and maintaining a comprehensive business strategy for BTC Wholesale that will contribute to the delivery of shareholder value for BTC.

5. Thabo Nkala
General Manager: Technology

As General Manager Technology, Thabo's role includes designing, acquiring, adapting and implementing appropriate network and IT related technologies to support the strategic business objectives of BTC. He is also responsible for developing policies and directives that enable the efficient and effective Technology divisional operations. Thabo directs BTC technical operations within the framework of an agreed business strategy to meet operational targets for service quality and reliability, customer satisfaction and financial performance through 7 departments. These include: Technology Planning, Network Build, Core Network Operations, Access Network Operations, Network Performance, IT Services and Mobile Network Operations.

6. Christopher Diswai
General Manager: Strategy/Chief Operating Officer (Acting)

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

7. Boitumelo Masoko
General Manager: Sales

Boitumelo's key role is to contribute to the delivery of the Shareholder value for BTC 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 BTC total revenue. She manages a strong team of Account Managers, Sales Engineers and Bid Specialists, BTCL stores front line staff who provide sales and customer care to retail customer including Government, Corporates, SME and SOHO customers for mobile and fixed products and services. Boitumelo is also responsible for production and distribution of the BTC telephone directory.

8. Same Read Kgosiemang
General Manager: Internal Audit

As General Manager Internal Audit, Same's key role is to ensure that BTC 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.

9. Goitseone Modise
Company Secretary (Acting)

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

10. Mmamotse Monageng
General Manager: Support Services and Human Resources

Mmamotse has 13 years' experience in the Human Resources industry. She is highly experienced in Human Resources Management and Industrial Relations, Administration and Strategy Management.

Mmamotses role is to lead the Support Services & Human Resources division which consists of Employee Relations, HR Strategy & Policy, HR Services, HR Partners, Shared Services (SHEQ, Properties and Facilities) and Rewards and Logistics.

11. Pilot Yane
General Manager: Marketing (Acting)

Pilot is currently charged with accelerating the transformation of BTC's marketing function into a customer focused, innovative and effective delivery engine that supports revenue generation and the existing customer satisfaction efforts of BTC. He is currently leading the BTC rebranding exercise that is meant to usher in a single BTCL brand that will drive the Fixed Mobile Convergence vision of the Company.

OUR STRATEGY

BTC is committed to compliance and regulation

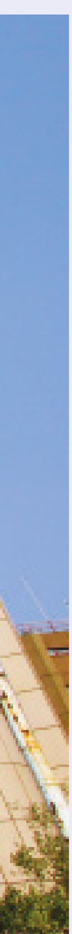
BTC has set up structures to pay keen attention to compliance issues emanating from these establishments. BTC will continue to improve its processes to ensure a smooth transition of its operations to the converged regulatory framework.


Powering cloud connections
btc

STRATEGY & BUSINESS REVIEW

BTC's Headquarters are at Megaleng House. This building was first occupied in 1990.

Our History



BTC is Established

Botswana Telecommunications Corporation (BTC) is established in 1980 through the BTC Act, to provide, develop, operate and manage Botswana's National and International telecommunications services.

Telecommunications Act

In 1996 the Telecommunications Act was enacted to accommodate other service providers in the telecommunications industry, effectively annulling the monopoly of BTC.

beMOBILE is set Up

The liberalisation of the telecommunications industry enables BTC to enter the mobile space through the establishment of beMOBILE in 2008.

BTC Listed on the BSE

BTC was listed in April 2016 on the Botswana Stock Exchange (BSE) as a public corporation, following a hugely successful and oversubscribed Initial Public Offering (IPO).

KEY MILESTONES

1980

BTC formed through an Act of Parliament from the then Department of Post and Telecommunications

1981

The Earth Station was commissioned connecting Botswana to overseas directly. A new Telex exchange was also commissioned. BTC makes a loss of P 5.2 million.

1986

Installation of automatic Public Payphones commissioned. A new link to South Africa was also commissioned.

1999

BTC records an all-time high profit of P 75 million. BTC enters into interconnect and backhaul network agreement with mobile operators.

2008

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

2011

BTC revenues surpass one billion Pula mark.

2012

Government announces separation of network assets from BTC into a special purpose vehicle and announces privatisation plan for BTC within 2 years.

2016

BTC lists on the BSE, becoming the most successful privatisation initiative in Botswana's history, bringing over 50,000 Batswana Shareholders to BTC.

STRATEGY & BUSINESS REVIEW

Global Telecommunications Trends

Growth in the mobile industry has been dramatic by virtually any measure, and despite some reports of a slowdown, further growth is expected in 2017. Simple innovations such as advanced wearables and more complex ones like fully autonomous vehicles may take a few years to emerge but one thing is undeniable: penetration and use across the telecommunications ecosystem continues to increase in many key categories

According to the latest industry reports, operators should continue to focus on the following areas:

- Provision of high quality, reliable, and affordable data and voice services
- Upgrading of core connectivity infrastructure in anticipation of the shift to fifth generation (5G) mobile networks (a potentially costly but necessary exercise in the medium term)
- Building significant capital resources to fund such areas as the Internet of things (IoT), autonomous vehicles, industry verticals, M&A, and international expansion, in the longer term
- Developing and executing a clearly articulated strategy and an efficient approach to capital spending to maximise return on investments

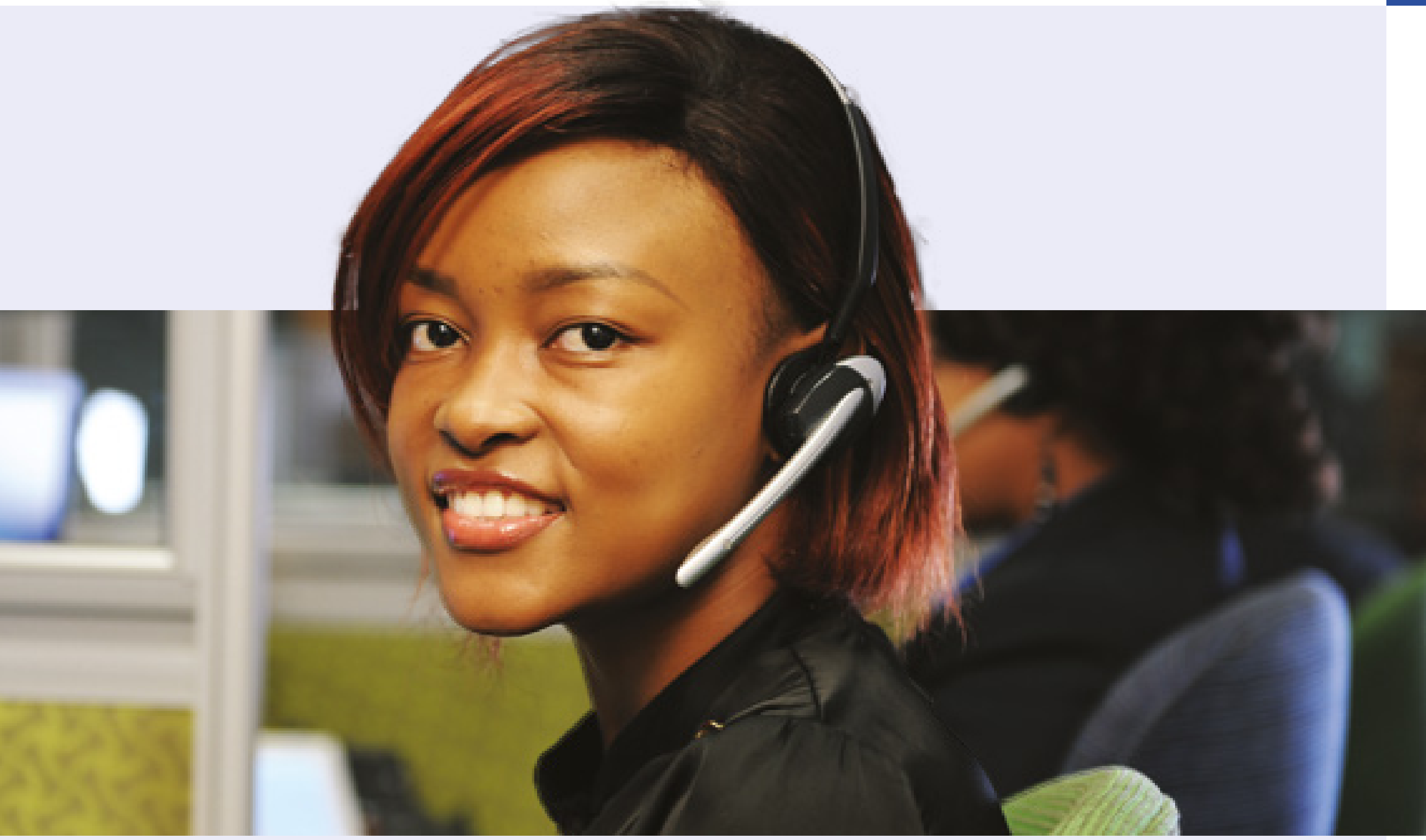
As operators seek to remain competitive, operations present an area that is ripe for improvement. Many telecom companies continue to rely heavily on manual processes but it is clear that given the availability of new technologies and innovations in 2017, this could be the year of digital transformation for operators globally.

Areas with the greatest potential for automation and digital improvement include customer care, sales, and billing. For instance, an opportunity exists on the customer care side to use the Internet and social media channels to serve customers directly (versus relying on a call centre).

Beyond operations, telecom companies will not achieve rapid growth without upgrading their network infrastructure. This is a key strategic consideration given the dramatic increase in data usage, a trend that is expected to continue globally in the years ahead.

Despite these developing market trends, core connectivity remains the key driver of income, and the future of connectivity will remain central to telecom strategies in 2017 and beyond.

Other important dimensions of growth in the mobile space will be the 5G trials and initial market deployment of the technology. This dictates that operators would consider rationalising their networks and offering



improved and expanded services to customers through small cells, network densification (adding more cells to serve more customers), installing more fibre infrastructure, and improving spectrum efficiency.

The rise of 5G networks promises to transform the global telecommunication space, starting in 2017. While the technology has not yet been fully defined, leading global mobile operators are proceeding with lab and field trials of the basic connectivity elements in their race to stay competitive.

The promise of 5G, which is characterised by superior speed, greater efficiency, and less latency, will be essential for supporting connected things in the future. Some operators may begin to push a launch of 5G to consumers in trial markets by the end of 2017. Mass market 5G coverage and acceptance is expected by 2020.

Finally, there will be a gradual move away from proprietary, hardware-based network equipment to software-based network functions using technologies such as software defined networking (SDN) and network function virtualization (NFV). This shift should allow operators to manage their networks more efficiently and effectively, and be more responsive to changes in consumer preferences.

> **"Areas with the greatest potential for automation and digital improvement include customer care, sales, and billing. For instance, an opportunity exists on the customer care side to use the Internet and social media channels to serve customers directly (versus relying on a call centre)."**

STRATEGY & BUSINESS REVIEW
(continued)

Our Strategic Direction

The refocused BTC Strategic Direction (2017 - 2020) represents a simple, understandable and implementable strategy that focuses on business transformation and growth as a basis for delivering value to all stakeholders (and most importantly to customers and Shareholders). The refocused strategic plan focuses on five key strategic themes:

"...the Board has approved a 3-year strategy to year 2020 for the Company. The Board saw it necessary to revamp BTC strategy post listing, to focus more on the transformation and growth agenda in the short to medium term."

Lorato Boakgomo-Ntakhwana
BTC Board Chairperson

- Business Growth
- Customer Experience
- Operational Efficiency
- Innovation
- High Performance Culture

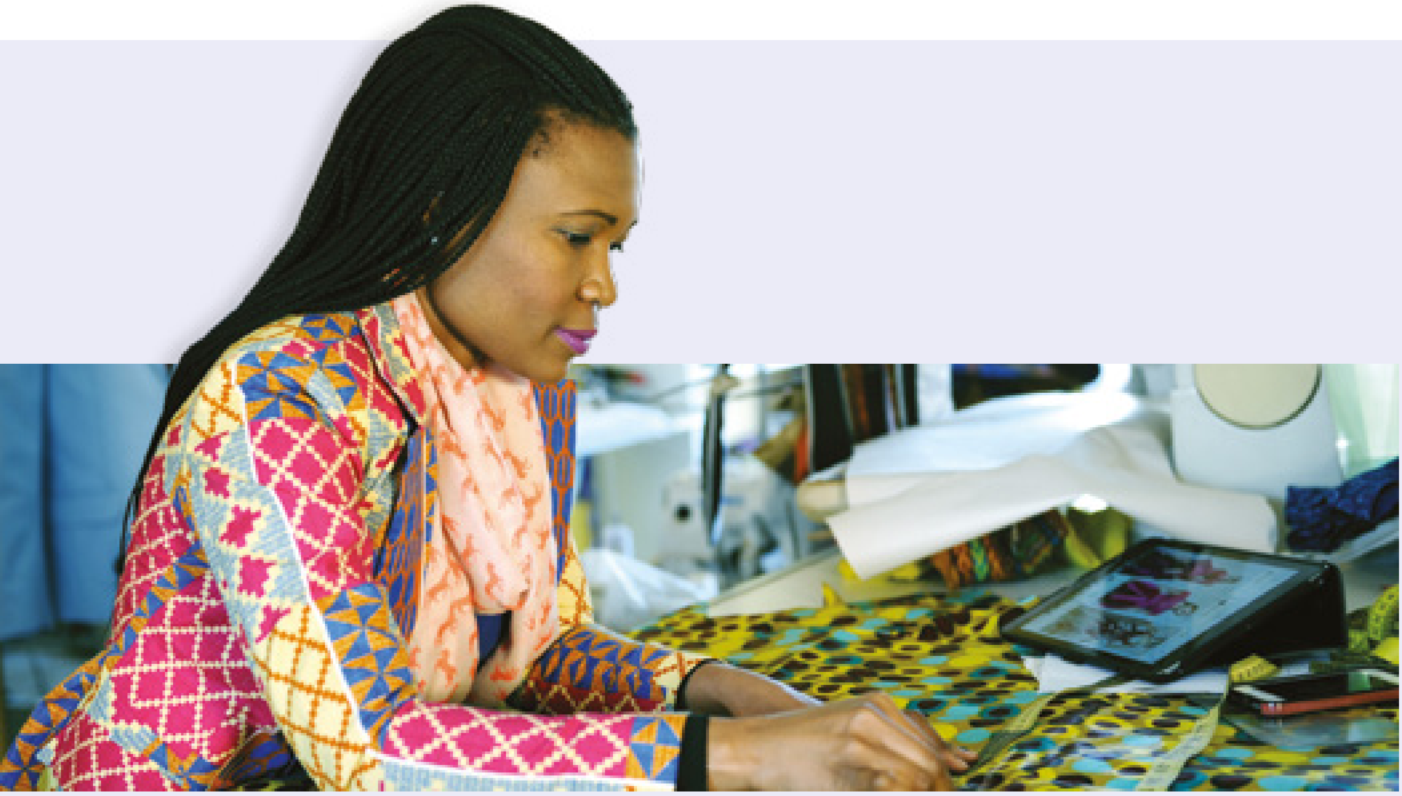
These five themes will serve as the Organisations' road map for the next 3 years.

01 Business Growth

BTC's growth will be driven by an improved mobile and broadband customer experience, new products, and new market growth locally and regionally. The development of new markets and channels will be anchored by effective market intelligence, market research, clear criteria for market entry, and a compelling business case. The strategy will also ensure that BTC's traditional revenue streams are protected through effective retention schemes. In the long term, BTC will pursue opportunities for mergers and acquisitions in the region as a way of closing strategic gaps.

02 Customer Experience

BTC will create a superior customer experience by improving the customer touchpoints and delivering the right products and services to customers in response to established needs. This will be enabled by getting the basics right to ensure superior customer care, service delivery and network quality.



03
Operational Efficiency

The Company will demonstrate cost leadership through improved revenue margins, reduced operational costs, improved returns and a high dividend yield for its Shareholders. In addition, significant investment will be made into the mobile network, fixed broadband network and supporting IT infrastructure to ensure improved quality of service and automation levels.

04
Innovation

As a way of minimising strategic risk, BTC will develop new products and lines of business that give the Company a competitive advantage. The Company intends to diversify its product offering by committing dedicated resources to Research and Development as well as developing organisation-wide programmes that drive innovation.

05
High Performance Culture

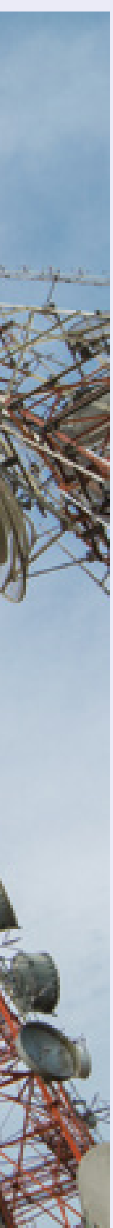
BTC seeks to transform into a high performing organisation that is characterised by superior leadership ability and talented people who are results-oriented. This will enable BTC to achieve results that are above its peers in a sustainable manner. These results will be aligned to the strategic intent of the Company and driven through a functional talent management agenda that drives a culture of results.

The intention is to create a transformed business environment with emphasis on driving the strategic agenda with the complete support of key stakeholders. The new BTC transformation and growth strategy will allow BTC to leverage and forge value adding strategic partnerships with both the public and private sector, in pursuit of superior returns, contribution to economic growth and creation of jobs in Botswana.

BTC AND REGULATORY COMPLIANCE

Compliance with regulatory rules is one of the BTC's strategic priorities

BTC continues to adhere to the requirements and dictates of the regulatory regime which pertains currently. The applicable Acts as well as the License Conditions are essential for BTC to maintain its existence and offer quality and efficient services to its customers. Compliance is managed and monitored from the Company's Regulatory and Competition Affairs arm. For the year under review there has not been any regulatory breaches or impediments in the BTC business.



Regulatory Highlights

1 BTC's business activities are mainly regulated by BOCRA (Botswana Regulatory and Communications and Regulatory Authority). BOCRA, the converged regulator, came into being on 1 April 2013 and regulates the Telecommunications, Broadcasting, Postal Services and ICT sectors in Botswana under the Communications Regulatory Authority Act of 2012. BOCRA manages regulatory compliance with applicable regulations and monitors the provision of quality and affordable services within the country.

2 BTC currently operates under a technology and service-neutral Public Telecommunications Operations Licence granted by BOCRA for a period of 15 years. The market has been liberalised and the advent of the New Licensing Framework to be implemented in the year 2017 will liberalise the market even further.

3 BOCRA has been consulting on the Cost Model and Pricing for ICT in Botswana since 2015 and has now issued a directive for the implementation of same.

4 In December 2016, BTC launched its 4G Long Term Evolution network as a way of providing fast and reliable data services to its customers. The new technology is expected to bring fast and affordable data services in the broadband arena.

5 These introductions bring about new regulatory challenges and opportunities for which the Company is prepared and ready to tackle for the benefit of its customers and Shareholders.

6 For its continued operation and maintenance of its Licence, BTC is expected to pay licence fees which currently include the following:

- A Universal Access and service levy of 1% of BTC's annual gross turnover;
- An annual fee for the operation of the licenced system;
- An annual fee for the provision of the licenced services;
- A turnover related fee equal to 3% of annual net turnover of BTC payable quarterly in arrears; and
- Spectrum fees (inclusive of 4G/LTE spectrum fees).

BTC AND REGULATORY COMPLIANCE
(continued)

BTC's Other Regulatory Obligations

COMPETITION AUTHORITY

While acknowledging BOCRA as the main regulator, there are several other Authorities that impact on how BTC services are offered to consumers. The Competition Authority which was constituted in 2009, through the Competition Act of 2009, exists to ensure fair and equitable competition within Botswana's economic arena. There have not been any anti-trust findings from the Competition Authority against BTC in the review period.

BOTSWANA STOCK EXCHANGE

BTC is now listed and Botswana Stock Exchange Listing rules apply to how the Company does its business and conducts its affairs relative to its Shareholders.

GAMBLING AUTHORITY

The Gambling Authority, although established in 2012, has started operating and its enforcement rules affect BTC's running of competitions and promotional activities.

All the above require particular attention and BTC has set up structures to pay keen attention to compliance issues emanating from these establishments.

Universal Service and Access

In January 2014, BOCRA announced the imposition of the Universal Service and Access Levy contributions by select Service Providers effective 1 April 2014. The Levy has been set at 1% of the Operators' annual gross revenues, is paid into a Universal Access and Service Fund.

Levy of the Operators Annual Gross Revenues

1%

(Goes into a Universal Access and Service Fund)

The Way Forward

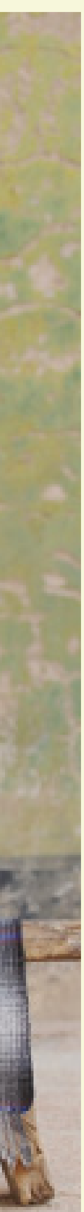
BTC will continue to improve its processes to ensure a smooth transition of its operations to the converged regulatory framework.

SUSTAINABILITY REPORT

BTC's is a story of growth, progress and advancement

Corporate Social Responsibility (CSR) is about how we manage business processes to produce an overall positive impact on society and is the basis on which the business renegotiates and aligns the boundaries of its accountability. Societies are the very reasons why we exist.

SUSTAINABILTY REPORT



Sustainable Development and Corporate Social Responsibility - A Shared Accountability at BTC

Introduction

We are committed to building and promoting sustainable development that looks at all aspects of our performance and key corporate indicators. We are determined to ensure that alongside our financial performance, the business recognises its impact on the environment and the communities in which it operates. It is imperative for BTC to ensure in its operations the safety of its employees and the environment while delivering innovative communication products and services for the benefit of all its stakeholders. The Business is alive to the fact that it needs to manage its affairs in a transparent ethical manner, protect the environment, improve the quality of life and positively impact all its stakeholders. At BTC, there is a growing recognition of the significant effects of our activities – on our employees, customers, communities, environment, competitors, business partners, investors, shareholders, trade unions, Government and other stakeholders.

> **"Our philosophy is that the business can contribute to its own wealth creation and, at the same time, create overall societal wealth by considering the positive effects our actions have on other stakeholders around us."**

Corporate Social Responsibility (CSR)

At BTC, we believe that Corporate Social Responsibility (CSR) is about how companies manage the business processes to produce an overall positive impact on society. CSR is the basis on which business renegotiates and aligns the boundaries of its accountability, hence societies are the very reasons why we exist.

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 the 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 behaviour including affordable and competitive prices. Aspiring investors and future shareholders will be searching for enhanced financial performance in a company that integrates social and environmental considerations with its risks and opportunities.

We, at BTC, believe that we have all these attributes, enabling us to become one of the most recognised socially responsible corporate citizens in Botswana. BTC's philosophy is that its business can contribute to its own wealth creation and, at the same time, create overall societal wealth by considering the positive effects our actions have on other stakeholders around us. We believe that our business is about inclusiveness of all stakeholders. While 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.

Compassionate Citizen

We recognise that for us to be sustainable, we cannot grow alone. We have disbursed millions to deserving charities and needy causes through the BTC Foundation and continue to make positive impact across communities in Botswana supporting community projects and initiatives through donations of cash and technology equipment, sponsorships and partnerships. Our primary focus areas are health and education whilst sports development, arts and culture, environment and poverty alleviation, remain our secondary focus areas.

Sponsorships

Our brand has become synonymous with football development in Botswana and we continue our sponsorship and partnership with the different sporting bodies. We also continue to leverage on our relationships with other partners and suppliers to deliver improved service efficiencies, customer experience and reduce service costs to the end user.

SUSTAINABILITY REPORT

(continued)

BTC has been a an active contributer towards Botswana's development agenda

– Looking forward to its continued support as Botswana moves towards it's next 5 years of independence

Botswana Telecommunications Corporation Limited has been part of the Botswana's development journey since inception in 1980, providing the latest, quality telecommunications services. We are proud to stand as a responsible corporate citizen with the rest of the nation to celebrate the many milestones achieved. Looking back at how far Botswana has come since independence in 1966, we can only be inspired as a corporation to do all we can to continue on that sustainable development path.

Corporate Citizenship

We designed and implemented Botswana's modern telecommunications network and we will continue to modernise the network into the future providing the latest digital technology opening a world of opportunities for our stakeholders. We have embarked on several sustainable projects towards the attainment of the National Vision pillars. We will do this through continued and relentless introduction of communication products and services, and initiatives that can support the pillars of a prosperous, innovative, healthy compassionate and educated nation. We will not only help boost digital inclusiveness but also increase efficiency and provide access to new markets creating new opportunities towards an empowered, knowledge based society.

Towards a prosperous, educated, informed nation

Information Communication Technology (ICT) is a socio-economic enabler and by bringing such services to Batswana, BTC has ensured that Batswana live connected. Apart from providing communication services in all major towns and villages, with over 150 Kitsong Centres/ telecentres set up in previously under developed regions as part of the Nteletsa project, we provide data and voice services to communities in the form of Internet access, payphones, charging of mobile phones, and sale of mobile airtime and SIM cards. The Kitsong Centres, are also equipped with photocopiers, printers and faxes.

Innovation

As a technology driven company, BTC has introduced service offerings comparable to those that are the major drivers of economies throughout the world, underpinned by robust mobile, broadband and voice telecommunications services which are available countrywide. Around 95% of the population has access to telecommunications facilities through BTC networks in Botswana. We have injected millions for Capital Expenditure geared towards improving the BTC network operational performance; commissioning the next generation networks such as LTE/4G and enhancing BTC's Asymmetric Digital Subscriber Line (ADSL) service offering, to improve reliability and speed to our diverse market segments in both retail and business sectors

Healthy Nation

Those who are healthy are more productive and live longer. BTC's view is that that a healthy, knowledgeable and skilled citizenry not only determines the growth and economic success of a country, but helps build a stronger open society. BTC has helped the major hospitals, clinics and health posts to be connected to each other and to the Ministry responsible for health via various networks.

"Around 95% of the population has access to telecommunications facilities through BTC networks in Botswana."

"ICT is a socio-economic enabler. By bringing such services to Batswana, BTC has not only ensured that Batswana keep in touch but has created employment as well."

Batswana (citizen) Empowerment

In December 2015, BTC invited Batswana to take ownership in the Company through an IPO and a record number of Batswana, more than 50,000 responded. On 8th April 2016, BTC was listed on the Domestic Main Board of Botswana Stock Exchange (BSE) with 1,050 million shares. This marked the first major privatisation of a state entity and part of Government's ambition for greater inclusiveness of Batswana in the economy. Currently, BTC has the largest shareholder base among the BSE's listed companies.

SUSTAINABILITY REPORT
(continued)

Leadership Commitment
– The choices we make

We, at BTC, believe that an efficient and dependable telecommunications system in Botswana is essential for the country's sustained economic success and human progress. Information technology and telecommunications (ICT) brings direct and indirect benefit to communities. We are optimistic about developing a sustainable future for our company, the industry and Botswana. We, as one of the major ICT players, wholeheartedly believe that we hold the power to deliver a shared promise to our country's children and the generations that follow. Delivering on that promise will not be easy. We therefore ensure that we run our businesses in a sustainable manner that will enable us and future generations to prosper. BTC's vision, values and mission set out our quest to shape the Company so that it becomes an integral part of the communities in which we serve well into the future.

Sustainable Business Practices – Living up to our Commitments

In BTC, we subscribe to the view that a commitment to ethical conduct and governance provides the foundation on which to earn the trust of our various stakeholders. We also believe businesses play a pivotal role both in the efficient use of natural capital and in wealth creation within a society. Hence, the management of CSR is important for us, especially in regard to our markets, corporate reputation, brands and the broad engagement of stakeholders.

Creating a Different Kind of Company

BTC's technology provides infrastructure for enabling environmental improvements throughout the Botswana economy. Principally, as a technology company, we support sustainable development in every facet of our operations, bearing in mind that people are at the heart of quality service delivery. Through mindful application of the advances offered by industry technology, we work hard to promote balanced and sustainable ICT development in Botswana.

Our aim is to achieve a technically and ecologically sustainable country, region and world for future generations. For BTC, sustainable development also means creating good environmental and social results that are financially supportable. BTC's goal is business profitability based on safe and ethical conduct, while simultaneously demonstrating its social responsibility and environmental awareness.
State-of-the-art Technology to Botswana

BTC's aim is to deliver state-of-the-art technology wherever possible at affordable prices, with an aim of achieving a balance between economy, ecology and society. In today's telecommunications arena, it is important to provide the latest innovative technological solutions to all customers in keeping with the highest world standards.

Infrastructure Investments

BTC's main line of business requires substantial investment in telecommunications infrastructure. Over the years, BTC has invested billions of Pula to this and at present, the value of the Company's telecommunications network is over P2.0 billion.

Network Coverage

We supply fixed and mobile communications to a large population base. As at October 2016 we had 4G sites across the country, covering all the major centres including Gaborone, Molepolole, Ramotswa, Lobatse, Mochudi, Mahalapye, Palapye, Serowe, Tonota, Phikwe, Francistown, Kasane, Maun, Jwaneng, Kanye, Moshopa and Thamaga.

Rural Telecommunications Development

Botswana's small population is spread across a vast geographical region. Where feasible, BTC utilises its resources to provide services to remote villages that have a population of 250 or more. To date, under the Nteletsa Project, BTC has connected over 300 villages around the country at a cost of more than P300 million. These projects were a partnership between the Government of Botswana and BTC where the Government funds the capital cost and BTC maintains the infrastructure on an ongoing basis.

Supporting Small and Medium Size Enterprises and Service Providers

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

"...ensure that we run our businesses in a sustainable manner that will enable us and future generations to prosper."

FAST FACTS

- BTC employs **924** people
- BTC has connected **300** rural villages as part of the **Nteletsa Project**
- BTC's physical network is worth over **P 2 billion**

We also encourage citizen empowerment through a preference scheme for purchasing goods and supplies. In addition, by buying local goods and services, we promote an efficient supply industry.

Economic Performance - Value creation

BTC's aim is to create value for its shareholders, customers and employees. BTC's revenue from sale of goods and services for the review period was P1 615.0 million. BTC's value addition has grown from P799.6 million in 2012/13 to P8041.7 million in 2016/17. Of the value created during the year, P371.6 million was paid to staff as salaries. BTC employs 924 staff all over the country and also creates indirect employment opportunities to a much larger community. The Government received P40.7 million in licence fees and P37.2 million in direct taxation.

		2017	2016	2015	2014	2013
VALUE CREATED						
Sale of goods and services	Pula 000s	1,615,022	1,485,840	1,495,244	1,463,931	1,384,222
Interest income	Pula 000s	23,075	26,451	26,066	25,144	18,451
Bought out cost of services	Pula 000s	(833,421)	(803,160)	(738,087)	(648,932)	(603,034)
Total value created (added)	Pula 000s	804,676	709,131	783,223	840,143	799,639
VALUE DISTRIBUTED						
Employee cost	Pula 000s	371,576	373,454	360,344	329,134	302,097
Depreciation	Pula 000s	117,868	756,693	177,673	472,352	182,215
Licence fees	Pula 000s	40,689	46,931	44,636	35,429	31,220
Interest	Pula 000s	-	-	-	208	184
Taxation	Pula 000s	37,194	(97,127)	53,814	2,880	10,277
Dividend (paid and proposed)	Pula 000s	154,245	52,500	-	-	59,216
Retained earnings	Pula 000s	83,104	(423,320)	146,756	140	214,430
Total value distributed		804,676	709,131	783,223	840,143	799,639
Employees		924	944	943	932	962
Revenue per employee (P000's)	Pula 000s	1,748	1,574	1,586	1,571	1,439
Value created per employee (P000's)	Pula 000s	871	751	831	901	831
Average cost per employee	Pula 000s	402	396	382	353	314

SUSTAINABILITY REPORT
(continued)

Customer Focused
Best and Fair Business Practice

Connecting with our customers is an important part of our business process. BTC is committed to best and fair business practices to achieve customer's total trust. Wherever we do business, we see ourselves as member of the local society, and as a good corporate citizen we actively contribute to the community and its environment.

BTC is mindful of the prices it charges to its customers and strives to strike a balance between affordability and profitability. We consider that every interaction our team members have with our customers is an opportunity to listen, gather feedback and determine whether our products and services are delivering the value the customers want.

A New BTC Brand

We have come a long way as a brand, from being the only telecommunications company operating in the country to being the only telecommunications corporation listed on the Botswana Stock Exchange.

It is for this reason that it has become important for us to see ourselves as an evolving organisation with different services and products and have the world see us as such too. We are known and trusted by Batswana to handle their communication needs. Now looking to the future, it's important that we continue to be a trusted brand and there is no better way to build trust than having a symbiotic and synchronised organisation.

During the review period, all our brands were integrated into one reflecting BTC position as a one-stop shop communication business. There is therefore no more beMOBILE, fixed lines or Broadband, but one BTC with the same colours, icon and, most importantly, the same values. BTC is one brand with one future and one team with a strong will to deliver the best possible service to our customers.

Product Responsibility

We ensure that our products and services are easily accessible and meet the needs of the broad range of our customers, connecting them to the greater world. BTC's basic products and services (including voice telephony both fixed and mobile and Internet) are available in most population centres across the country. Once the availability of network and the creditworthiness of a customer is positively assessed, there are no further barriers for obtaining basic telephony services. BTC participates in several Trade Fairs in Botswana to help educate its customers and society at large about its offerings.

Building Customer Confidence

BTC continues to benchmark itself against the world's best telecommunications operators to create a culture within the Company that it is world class, customer-focused and delivers acceptable quality.

SUSTAINABILITY REPORT
(continued)

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 service delivery.

To that end, we strive to deliver services that depict our brand values. With the use of the BTC customer care centres, we are able to service clients across the country with all BTC products and services. With a fully resourced and 24hr call centre servicing our clients, we are able to provide a unique and helping service experience to our customer at all times.

BTC has special customer equipment for people with disabilities and those who require assisted services. Our new energised, and fresh monolithic brand, reflects our revamped strategy focused on enhancing customer experience. We have consolidated all our business units under one roof to ensure consistent and seamless customer experience throughout all BTC customer touch points.

Pricing

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

Customer Complaints

Customer complaints are received via the 24 hour call centres or any one of the BTC offices. Complaints can range from service delivery and service levels, to billing queries, misuses and abuses. There is a procedure for registering and resolving complains. Most customer complaints are resolved within 72 hours of receipt. There is also an escalation process for those complaints that require further investigation such as abuse of phones, vandalism etc.

> **"Our aim is to offer our customers the best technological solutions at affordable prices."**

"We strive to deliver services that depict our brand values."

Distribution Network

One of the cornerstones of the BTC products is their visibility and accessibility in most parts of the country. The procedure for obtaining any products or services are set out in the Botswana Telephone Directory and its website www.btc.bw.

BTC has a far bigger footprint of service centres than any other operator in Botswana with outlets countrywide to handle direct distribution. BTC branded stores in major urban centres service mobile customers specifically. As we expand our network, the distribution channel will continue to grow in line with our coverage.

Customer Information Sharing

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

SUSTAINABILITY REPORT
(continued)

Engaging Our People
- A Team With a Difference

Employee Engagement

BTC strictly adheres to a code of ethical business conduct. All employment contracts, around 924 of them, are governed by a comprehensive Conditions of Employment which prohibits any corrupt behaviour including the acceptance of substantial gifts and money laundering. We provide our employees with learning opportunities through our e-learning initiatives that focus on upskilling and leadership development, to enable them to lead inside as well as outside the organisation. Volunteerism recognises employee contributions to the community and improves their recognition and quality of life in their respective communities.

Employee Empowerment

Empowering employees to engage in ethical business practices whilst living their personal values is the key to employee satisfaction. BTC promotes engagement by staff members in areas of volunteerism, community participation, activism and involvement. Employee engagement is about strengthening the spirit and capturing their hearts and minds, thereby improving overall company performance. We believe that the success of our business is inextricably linked to the success of our employees.

BTC adheres to all human rights legislation and upholds all human rights practices enshrined in Botswana labour legislation. For example, BTC's minimum age for recruitment of permanent staff is eighteen years.

Employment Policy and Employee Involvement

At the core of BTC success lies its employees. Because of the critical role played by motivated and satisfied employees to the Company's ability to retain its strong market position, BTC pursues employment practices which are designed to attract, retain and develop the highest calibre talent who are able to have the most positive impact on the Company by building and operating the most incredible teams.

The executive management, in conjunction with the Human Resources and Remuneration and Nomination Committee takes responsibility for employment matters and has established suitable policies and guidelines. Wherever possible, the Company seeks to benchmark itself against industry best practice.

Employee Volunteerism

BTC encourages employees to donate their private time, talents and resources to support the initiatives of deserving local non-profit organisations. Generally, this are done through BTC sponsored projects.

Rewards and Remunerations

The executive management in conjunction with the Human Resources and Remuneration and Nomination Committee, continuously reviews the reward and incentive schemes. The Performance Appraisal System has already been implemented with a 360 degree feedback from peers and subordinates. The output from the Performance Appraisal System is used as inputs for training the employees and the reward system.

With almost 40% female employees, BTC is an equal opportunity, equal access employer. BTC encourages female employees to attain higher positions of responsibility.

As an equal opportunity employer, BTC's rewards structure is competitive and matches the market. Temporary and casual employees are remunerated at similar rates to permanent staff but without benefits such as housing allowance, transport concessions, pensions benefit, medical insurance etc. There are no differences in salary between male and female employees for jobs with similar responsibilities. BTC upholds equal reward and opportunity schemes.

> **"Empowering employees to engage in ethical business practices whilst living their personal values is the key to employee satisfaction"**

Training and Development

BTC's priority is to develop a comprehensive needs-based training programme. To this end, it has implemented an e-learning programme, accessible to all staff members. Apart from job-related skills development, BTC also conducts seminars, workshops and courses aimed at providing our employees with broader personal development and improvements to their quality of life.

In the telecommunications field where skills are in relatively short supply, BTC is committed to enhancing local skills through provision of technical and management training. Since its inception, the Company has spent millions of Pula training engineers, accountants, business graduates and artisans. BTC runs its own training school.

BTC - Training School gets Revamped

BTC training school has undergone a significant revamp. The school was redesigned and refurbished to the latest standards to be attractive in the market place.

Safety and Health

We are committed to health and safety in our work place as part of our social responsibility towards our employees and our customers. The telecommunications industry requires the very highest safety and work standards, and we work to ensure that everyone in the Company has a clear understanding and focus on safety. Achieving operational excellence and safety can only be accomplished when all stakeholders are involved. We test our safety performance and operational methods

consistently and conduct independent surveys throughout the Company. A Health and Safety Committee is currently being formed to which the heads of departments will appoint staff representatives. As such, all staff will have equal opportunity to be represented in such initiatives.

Staff Welfare and Development

Sport plays an important part in support of our HR policy and the development of teamwork. The company also promotes inter-country sporting competition among Botswana, Lesotho, Swaziland and Namibia. We also make the creation of social interaction among employee families a priority, which impacts positively on employee motivation.

Contribution to HIV/Aids Related Activities

BTC is a founder member of the Botswana Parastatal Aids Forum and also has an active Aids awareness programme in the work place. Through this forum, BTC has thus far achieved commendable results.

Staff Retrenchments

As a result of changes in the market and business, certain rationalisation in human resources is necessary from time to time. All staff retrenchments are adequately discussed with relevant stakeholders, such as unions, the Board and Ministry of Labour before final decisions are made.

Information sharing

Employees receive regular updates on corporate performance and developments through various formal and informal channels of communication, including monthly manager's forums, weekly divisional meetings, the Company's website (intranet). The intranet contains all BTC's policies, functional procedures, forms, statutory information, job advertisements and other human resources issues.

The 2016 Inter-Telecommunications games held in Port Elizabeth over the Easter holidays was enormous FUN and a great bonding experience for BTC employees who represented the Company with distinction.

STAKEHOLDER RELATIONS REPORT

For the Year Under Review, the Company developed and implemented a stakeholder engagement plan, the result of which are as follows:

2016/17 Stakeholder Engagement

Stakeholder	Mode of Engagement	Area of Interest
Customers	• Customer week visits • Focus groups • Social media	• Quality of service • Service turnaround times • Company and product competitiveness • Impact of Innovation of Company performance
Communities	• Public events e.g. World Telecommunications and Information Society Day (WTISD) commemorations and Business Botswana Fair • Events to deliver donations	• Access to services • Support and donations for community driven initiatives
Employees	• Staff addresses • Managers forums • Intranet	• Conditions of service • Customer service
Media	• Financial results presentations • Continuous engagements with Editors/business writers	• Quality of service • Company performance • Allocation of adverts
Policy maker	• Formal meetings • Courtesy visits to the Minister of Telecommunications and Communications	• Internet prices • Quality of service • Optimal use of BTC assets • Unbundling of the local loop • Products • CSI Initiatives
Regulatory Bodies - BOCRA - BSE - Gambling Authority	• Formal meetings to discuss specific issues • Courtesy visits to the CEOs by MD and Board Chair • Ad hoc meetings	• Regulatory compliance • Tariff levels • Quality of service
Shareholders	• One on one meetings with Fund Managers and select high net worth investors • Analysts financial results presentation • Annual General Meeting • Radio Botswana call-in programmes targeting retail investors • Social media	• Corporate Governance • Strategy • Shareholding restriction • Quality of management • Current and future performance of Company • Return on Investment • Dividend policy • Shareholder engagement
Suppliers	• Breakfast meetings • Meetings with suppliers e.g. BOFINET, Huawei	• Payment terms • Collaboration in service delivery
Competitors	• Ad hoc meetings with BOFINET, Orange and Mascom	• Industry service level performance • Infrastructure sharing

Maintaining Stakeholder relationships is a strategic objective for BTC and key to building a sustainable business. BTC has a broad stakeholder base which includes, individuals, groups and organisations.

These are individuals or groups that have an interest in the business of BTC: whether as partners, regulators, investors, suppliers or consumers of BTC products and services, they are affected by the performance of BTC. It is important for the Company to be aware and responsive to the needs and expectations of these various stakeholders. Stakeholder perception or corporate reputation is a significant value driver, and therefore relationships with stakeholders must be well managed.

The Company maintains these key relationships through direct and indirect engagement on various platforms. These platforms include workshops, investment / business forums, media and analysts briefings, website, social media and updates on X-News etc.

The engagements are also an opportunity for the Company to share information and receive feedback about its performance, prospects or any material developments/changes within the Company. These message include BTC's:

- Adherence to the highest corporate and governance standards;
- Contribution to the economy;
- Support for local businesses;
- Viability as an investment option which delivers value to Shareholders;
- Business Sustainability;
- Responsibility as a corporate citizen.

STAKEHOLDER RELATIONS REPORT
(continued)

Stakeholder Engagement

The ultimate goal of such engagement is to improve Stakeholder satisfaction. At the end of the year, the Company conducts a Stakeholder satisfaction survey to determine the satisfaction level of our stakeholders. Our Stakeholder satisfaction level for the year under review has shown significant improvement.

> **"Maintaining Stakeholder relationships is a strategic objective for BTC and key to building a sustainable business."**

BTC enjoys other benefits beyond the stakeholder satisfaction level. These include:

- Increased awareness of BTC as a key player in the telecommunications industry;
- Building market confidence in the Company as an investment option;
- Enhanced transparency of information;
- Increased support for Company strategy, management, and the Board of Directors;
- An opportunity to build and maintain relationships with existing and potential investors;
- Receiving important feedback and early warning of potential issues; and
- Acknowledgement of BTC in the development of Botswana.

Going forward the Company intends to intensify and maintain these relationships and develop and implement a Stakeholder Feedback Action Plan.

GOVERNANCE

The Board strives to provide reasonable assurance regarding the achievement of objectives in the effectiveness and efficiency of the Company's operations, reliability of financial reporting and compliance with laws and regulations.

CORPORATE GOVERNANCE STATEMENT

TOWARDS DYNAMIC AND HIGH STANDARDS OF CORPORATE GOVERNANCE

BTC's devotion to high standards of business integrity, ethical values and professionalism in all its activities cannot be overemphasized. As a listed entity, the Company strives to achieve and uphold the highest principles of business ethics, and Corporate Governance and reporting.

Adherence to sound principles of Corporate Governance by BTC is critical to earning and maintaining the trust of key stakeholders and, ultimately, achieving its performance goals. The methods it employs to achieve the goals are as important as the goals themselves.

The key features of BTC'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 Board invested significant time reviewing the Company's risk management processes and reporting, to ensure they are in line with best practice and industry standards."

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

- The King Code III
- The Companies Act
- The BSE Listings Requirements
- The International Financial Reporting Standards
- The Global Reporting Initiative's (GRI) Sustainability Reporting - guidelines on economic, environmental and social performance

CORPORATE GOVERNANCE STATEMENT
(continued)

Board Organisation and Structure

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

BTC has a single Board of Directors, comprising Executive and Non-Executive Directors (the Unitary Board) with the majority being Non-Executive Directors. The Board is led by an independent Non-Executive chairperson providing direction for an effective Board. The business and affairs of the Company are managed under the direction and supervision of the Board. When determining the number of Directors to serve on the Board, considerable thought is given to the balance and composition, knowledge, experience, skills and resources required to fulfil all the duties of the Board. The Board believes that the current Board is adequately equipped to lead the Company effectively.

The BTC 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 its responsibility for the management of relationships with its various stakeholders.

The BTC Board has seven 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 in the day-to-day business activities of BTC and are responsible for implementation of the decisions, strategies and views of the BTC Board. To ensure objectivity and in line with corporate governance principles, the Managing Director cannot hold the position of the Chairman of the Board.

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.

Mr. Paul Taylor was the Managing Director for BTC during the first quarter of the year under review and resigned on 19 July 2016. The Chairperson for the same period was Ms Daphne Motlagomang Matlakala who retired on 31 October 2016.

The BTC Board for the year under review comprised of the following members:

Member	Position	Date of Appointment	Qualifications
Ms. Lorato Boakgomo Ntakhwana	Chairperson, Independent Board Member	Appointed October 2016	BA Commerce(UB) MBA Loyola College(USA)
Mr. Maclean C. Letshwiti	Independent Board Member	Appointed October 2016	BA Administration(BOLESWA)
Mr. Gerald Nthebolan	Independent Board Member	Appointed August 2013	BSc (Hon) (Computer Science) Leicester Polytechnic, MBA (De Monfort)
Mr. Anthony Masunga	Managing Director, Executive Board Member	Appointed January 2017	BSs (Computer Science, MBA) McGill University (Canada) MBA DE Montfort University (UK)
Mr. Alan Boshwaen	Independent Board Member	Appointed September 2010	BA (Industrial Psychology) University of Kent at Canterbury(UK) MBA
Ms. Serty Leburu	Independent Board Member	Appointed April 2009	B Com (UB), ACMA
Professor Rejoice Tsheko	Independent Board Member	Appointed April 2014	BSc (Agriculture Engineering) (McGill University) PhD (University of Newcastle)
Ms. Choice Pitso	Independent Board Member	Appointed April 2012	BA (Soc Sciences) (UB), Ms.c (HR management) (Manchester)

CORPORATE GOVERNANCE STATEMENT

(continued)

Nominations and Appointment of Directors

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

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

The Chairperson, or if appropriate, the Nomination Committee charged with responsibility for Director selection:

- Makes recommendations to the BTC Board on the size and composition of the BTC Board generally, and the balance between Executive and Non-Executive Directors appointed to the BTC Board;
- Makes recommendations to the BTC Board on the appointment of new Executive and Non-Executive Directors, (skill and experience, demographics and diversity being considered 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 BTC Board's and the Chairperson's expectations of them.

Shareholders are ultimately responsible for the composition of the Board and it is in their own interests to ensure that the Board is properly constituted. Procedures for appointments to the Board are formal and transparent and a matter for the Board assisted by the Nomination Committee, subject to shareholder approval in a general meeting of the Company.

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

Responsibilities of the Board and the Executive Management

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

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

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

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

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

As part of its responsibility, the Board also ensures that BTC 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 judgements and estimates that are reasonable and prudent;
- Followed applicable International Financial Reporting Standards; and
- Prepared financial statements on a going-concern basis.

The Chairperson 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 BTC Board for ensuring that BTC 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 BTC Board. The Executive Directors and the Executive management have responsibility for the daily operations of the business and the execution of the Company's strategy, subject always to the policies and positions adopted by the BTC Board.

Ethical Standards

Members of the Board and staff members are required to conduct themselves in accordance with the highest ethical standards. The Company always strives to make relevant disclosures of information to stakeholders in a transparent manner.

Board Committees

The BTC 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 BTC Board as to their membership, scope of authority, responsibilities and duties. These committees are chaired by Non-Executive Directors and comprise a majority of Non-Executive Directors. The Board is supported by specialist committees as follows:

Audit and Risk Committee

The 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 and internal audit processes; and are familiar with corporate law, risk management, sustainability issues, information technology governance and general governance processes within the Company. There are no relationship overlaps 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;
- Risk management; and
- Internal audits. The Audit and Risk Committee sets the principles for recommending the use of external auditors for Non-audit services. BTC occasionally uses external auditors for some non-audit services, namely taxation advice and associated services.

The Committee meets at least quarterly 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 BTC's business strategy.
- Determining remuneration packages needed to attract, retain and motivate high performing staff without paying more than is necessary for this purpose; and
- Ensuring that remuneration levels relative to other comparable companies are pitched at the desired level taking relative performance into account.

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

- Reviews remuneration levels of staff;
- Reviews performance-based incentive schemes, 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 BTC Board.

The Committee meets quarterly.

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

CORPORATE GOVERNANCE STATEMENT

(continued)

Technology and Investment Committee

The Company's Technology and Investment Committee is composed of not less than three Non-Executive Board members. The role of the Committee is to assist the Board to ensure that it fulfils its corporate governance and oversight responsibilities for the Company's strategy in relation to Technology and Investment opportunities.

The duties of the Committee include the following:

On Technology to:

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

- Review the performance of BTC investments linked to the overall investment strategy;
- Consider capital projects, acquisitions and disposal of assets in line with the BTC's overall strategy;
- Consider changes in the scope of projects that exceed limits as may be determined by the Board from time to time in approving the tender regulations, whether once-off or collectively, of the approved project estimate;
- Approve and advise the Board on any other investment;
- Consider the viability of 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 ensure that the expected return on investment from significant technology investments and projects is delivered and that the information and intellectual property contained in the information systems are protected.

On mergers and acquisitions activities to:

- Evaluate and revise mergers and acquisitions approval policies for investment, acquisition, enterprise services, joint venture and divestiture transactions, and consider requests from management to approve such proposed transactions;
- Evaluate the execution, financial results and integration of completed investment, acquisition, enterprise services, joint venture and divestiture transactions;
- Report to the Board and make recommendations to the Board as to 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; and
- Oversee investor relations activities.

On material tender decisions to:

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

The Members of the Board Technology and Investment Committee during the reporting year were Mr. Gerald Nthebolan (Chairman), Ms. Serty Leburu, Mr. Maclean Letshwiti and Professor Rejoice Tsheko.

Ad hoc Committees

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

Board Meetings

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

CORPORATE GOVERNANCE STATEMENT

(continued)

	MAIN BOARD	TECHNOLOGY & INVESTMENT COMMITTEE	AUDIT AND RISK COMMITTEE	HUMAN RESOURCES & REMUNERATION COMMITTEE
Member	Member	Member	Member	Member
Ms. Lorato Boakgomo Ntakhwana	✓			
Mr. Gerald Nthebolan	✓	✓		
Mr. Anthony Masunga	✓	✓	✓	✓
Mr. Alan Boshwaen	✓		✓	✓
Ms. Serty Leburu	✓	✓	✓	
Professor Rejoice Tsheko	✓	✓		✓
Ms. Choice Pitso	✓		✓	✓
Mr. Maclean C. Letshwiti	✓	✓		

Directors; Remuneration and Shareholding

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.

The aggregate number of Botswana Telecommunications Corporation Limited shares held directly or indirectly by Directors as at August 2017 is 410,000 Details of the shareholding are as appears in the following table:

MEMBER	POSITION	DIRECTORS REMUNERATION (AMOUNT IN PULA)	DIRECTORS SHAREHOLDING (NUMBER OF SHARES)
Ms. Lorato Boakgomo Ntakhwana	Chairperson	220,000	NIL
Mr. Gerald Nthebolan	Director	79,410	40,000
Mr. Anthony Masunga	Managing Director	NIL	250,000
Mr. Alan Boshwaen	Director	80,210	20,000
Ms. Serty Leburu	Director	63,090	NIL
Professor Rejoice Tsheko	Director	133,980	NIL
Ms. Choice Pitso	Director	110,190	100,000
Mr. Maclean C. Letshwiti	Director	55,000	NIL
Daphne Matlakala	Chairperson (retired 31-10-2016)	21,700	N/A

INTERNAL CONTROLS

The Board strives to provide reasonable assurance regarding the achievement of objectives in the effectiveness and efficiency of the Company's operations, reliability of financial reporting and compliance with laws and regulations. To meet its responsibility with respect to providing reliable financial information, BTC maintains financial and operational systems of internal control. Management is tasked with identifying the risks that could hinder them from achieving the set goals, and making sure that appropriate internal controls are in place to alleviate those risks.

Management is also responsible for ongoing monitoring of internal controls to make sure that controls are effective and whether risks have changed, requiring new controls. These controls are designed to provide reasonable assurance that transactions are concluded in a transparent manner and in harmony with management's sanctions. They ensure protection of assets from theft, unsanctioned use, acquisition and disposal, material loss, inadvertent destruction and any such occurrence.

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

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

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

Internal Audit Function

According to King III Code of Governance, the key responsibility of Internal Audit is to the Board and/or its committees in discharging its governance responsibilities. It is for this reason that BTC has an independent Internal Audit function which administratively reports directly to the Managing Director, with a dual reporting responsibility to the Audit and Risk Committee. The Internal Audit process provides an assurance that significant risks are subject to periodic review, 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 unit, strategic business unit, department, 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 relation 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.

CORPORATE GOVERNANCE STATEMENT

(continued)

Monitoring Results and Management Reporting

Effective internal controls should be aimed at keeping in mind the timing of information required as per the applicable laws and needs of the management. All reporting of financial and other results is carried out as an effective monitoring mechanism; actual results are compared against the annual plans and against the historical trends 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 involving segregation of duties, transaction supervision, monitoring, financial and managerial reporting are in place to manage operating risk exposure.

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 facilitate 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 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 Chairperson 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 one of the two registered staff unions. Regular consultative meetings between management and the two registered trade unions are conducted to share relevant information and consult on several 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.

Prevention & Detection of Fraud and Errors

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

To improve the corporate governance principles and to enhance the Board's accountability, the Company voluntarily decided to subject itself to world-class codes on Corporate Governance (the 2009 King III Code on Corporate Governance (www.kingIII.co.za). The statement below, which is based on the codes published by the King Committee, measures the degree of its compliance to the respective codes. The Company has complied with the Codes of Best Practice throughout the financial year ended 31 March 2017, other than with the exceptions stated below:

Principle	Description of Principle	Compliance	Compliance status and additional comments
1. Ethical Leadership and Corporate Citizenship			
1.1	The Board should provide effective leadership based on an ethical foundation.	✓	In accordance with the Board Charter, the Board is the curator of the values and ethics of BTC. BTC recognises that good governance emanates from effective, responsible leadership, which is characterised by ethical values.
1.2	The Board should ensure that the Company is and is seen to be a responsible corporate citizen.	✓	BTC Corporate Social Responsibility reports adequately reflect the Company's commitment to Corporate citizenship.
1.3	The Board should ensure that the Company's ethics are managed effectively.	✓	BTC 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. BTC's risk management process considers 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.		See 1.1 above
2.4	The Board should ensure that the Company is and is seen to be a responsible corporate citizen.	✓	See 1.2 above
2.5	The Board should ensure that the Company's ethics are managed effectively.	✓	See 1.1 above
2.6	The Board should ensure that the Company has an effective and independent Audit and Risk Committee.	✓	BTC has an effective and independent Audit and Risk Committee reporting to the Board and chaired by a Non-Executive Director.
2.7	The Board should be responsible for the governance of risk.	✓	The Board, through its Audit and Risk Committee, oversees the management of risks companywide.
2.8	The Board should be responsible for information technology (IT) governance.	✓	A Technology and Investment Committee responsible for this function established
2.9	The Board should ensure that the Company complies with applicable laws and considers adherence to Non-binding rules, codes and standards.	✓	A compliance framework is monitored by the BTC legal team. In the Board's view, BTC is in compliance with all laws and regulations (see also 6.1).
2.10	The Board should ensure that there is an effective risk-based internal audit.	✓	Internal Audit Division handles this function prudently
2.11	The Board should appreciate that stakeholders' 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.
2.12	The Board should ensure the integrity of the Company's integrated report.	✓	Annual financial statements are reviewed by the Audit and Risk Committee and the Board. Further, the significant components of the Annual Report are reviewed by the Board before being officially released.

CORPORATE GOVERNANCE STATEMENT
(continued)

COMPLIANCE WITH CORPORATE GOVERNANCE CODE (continued)

Principle	Description of Principle	Compliance	Compliance status and additional comments
2. Boards and Directors			
2.13	The Board should report on the effectiveness of the Company's system of internal controls.	✓	As part of the internal audit charter, the internal auditors review the Company's internal control systems and provide a report to the Audit and Risk Committee and to the Board. The Audit and Risk Committee, as part of its reporting, confirms the adequacy of the internal controls in operation at the Company.
2.14	The Board and its Directors should act in the best interests of the Company.	✓	The terms of appointment and the acceptance of appointment as the Directors dictates that the Directors act in the best interest of the Company and that all conflict of interests are declared and/or reported and adequately dealt with.
2.15	The Board should consider business rescue proceedings or other turnaround mechanisms as soon as the Company is financially distressed as defined in the Act.	✓	The Company always ensures that it meets the solvency tests. The Company also prepares a three-year business plan incorporating financial forecasts 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 fulfil the role of chairman of the Board.	✓	The Board chairperson is an independent Non-Executive Director chosen at the annual general meeting of the Company. The managing Director, the equivalent of the CEO, is not the chairperson of the Board.
2.17	The Board should appoint the Chief Executive Officer and establish a framework for the delegation of authority.	✓	The managing Director (equivalent to the Chief Executive) is appointed by the Board on a fixed period contract basis. The Company has a well-defined organisational structure with strategies, targets and authority to achieve them.
2.18	The Board should comprise a balance of power, with a majority of Non-Executive Directors. The majority of Non-Executive Directors should be independent.	✓	Currently, all but one of the positions in the Board are filled by Non-Executive Directors.
2.19	Directors should be appointed through a formal process.	✓	Currently, Directors are selected by the Human Resources, Remuneration & Nomination Committee and approved by the Shareholders at the annual general meeting.
2.20	The induction of and ongoing training and development of Directors should be conducted through formal processes.	✓	Currently, the Directors are inducted through a process of dissemination of relevant and pertinent company information, which is yet to be formalised.
2.21	The Board should be assisted by a competent, suitably qualified and experienced Company Secretary.	✓	The Company Secretary is a 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.
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 Technology and Investment Committee and the Human Resources, Remuneration and Nominations Committee.
2.24	A governance framework should be agreed between the group and its subsidiary Boards.	✓	Each committee has terms of reference. All memberships to these committees are approved by the Board.
2.25	Companies should remunerate Directors and Executives fairly and responsibly.	✓	Currently, except for the managing Director, all Directors are remunerated only for the time spent at the meetings in line with the fees approved by the Shareholders.
2.26	Companies should disclose the remuneration of each individual Director and certain senior Executives.	✓	The Annual report adequately discloses all remuneration paid to Directors, their shareholdings and other relationships to the Company.
2.27	Shareholders should approve the Company's remuneration policy.	✓	The Company's remuneration policies are approved only by the Board.

Principle	Description of Principle	Compliance	Compliance status and additional comments
3. Audit Committees			
3.1	The Board should ensure that the Company has an effective and independent Audit Committee.	✓	BTC has an effective and independent Audit and Risk Committee reporting to the Board and chaired by a Non-Executive Director.
3.2	Audit Committee members should be suitably skilled and experienced independent Non-Executive Directors.	✓	BTC has an effective and independent Audit and Risk Committee whose 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 co-ordinated approach to all assurance activities.	✓	The Audit and Risk Committee ensures that the internal audit function provides the umbrella guarantee in col-laboration with other assurance providers namely: Risk management, Regulatory compliance, Revenue Assurance and Fraud Management .External auditors also review the work done by the Internal Audit function to determine the level of reliance to be placed on internal audit work
3.6	The Audit Committee should satisfy itself of the expertise, resources and experience of the Company's finance function.	✓	All members of the of the Audit & Risk Committee are adequately qualified.
3.7	The Audit Committee should be responsible for overseeing of internal audit.	✓	The internal audit function's annual audit plans are approved by the Audit and Risk Committee. The internal audit function periodically reports to the Board and has unfettered access to the Committee.
3.8	The Audit Committee should be an integral component of the risk management process.	✓	The Audit and Risk Committee periodically reviews the Company's risk profile and 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.

CORPORATE GOVERNANCE STATEMENT

(continued)

COMPLIANCE WITH CORPORATE GOVERNANCE CODE (continued)

Principle	Description of Principle	Compliance	Compliance status and additional comments
4. The Governance of Risk			
4.1	The Board should be responsible for the governance of risk.	✓	The Board is aware of this risk and has delegated this task to the Audit and Risk Committee.
4.2	The Board should determine the levels of risk tolerance.	✓	The Board has established levels of risks, their impact and the likelihood. The risk that can be tolerated and the risks that it is willing to take are continuously reviewed by the Audit and Risk Committee. A risk register is in place to address this.
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 assists the Board in its responsibility for the governance of risks.
4.4	The Board should delegate to Management the responsibility to design, implement and monitor the risk management plan.	✓	The Board has delegated to Management the responsibility to design, implement and monitor the risks.
4.5	The Board should ensure that risk assessments are performed on a continual basis.	✓	The Audit and Risk Committee meets periodically to consider various matters including discussions of the risk assessments, 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 however, is on-going.
4.7	The Board should ensure that Management considers and implements appropriate risk responses.	✓	The annual risk management report containing the risk responses is submitted to the Audit and Risk Committee and to the Board. These are periodically monitored.
4.8	The Board should ensure continual risk monitoring by Management.	✓	A risk register is in place for purposes of managing all risks.
4.9	The Board should receive assurance regarding the effectiveness of the risk management process.	✓	The Audit and Risk Committee provides the required level of comfort in the evaluation of the effectiveness of the risk management process.
4.10	The Board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders.	✓	A risk management report containing all high level and operational risks, their impact and the level of responses are included in the Annual Report.

Principle	Description of Principle	Compliance	Compliance status and additional comments
5. The Governance of Information Technology (IT)			
5.1	The Board should be responsible for information technology (IT) governance.	✓	The Board understands the importance of the information technology risks and its governance. It has delegated the responsibility for IT governance issues through the managing Director to the Boards Technology and Investment Committee.
5.2	IT should be aligned with the performance and sustainability objectives of the Company.	✓	IT is a significant component of BTC's operations. Most of its operations are based on IT platforms, technologies and processes and are important to its performance and sustainability. As such, adequate attention is being given to IT by BTC.
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 as well as other functions relating to IT infrastructure is delegated to Management.
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.
5.5	IT should form an integral part of the Company's risk management.	✓	The management of IT-related risk is the duty of Management. Risks relating to IT are part of the overall risk management function within BTC. IT Management ensures good project management principles are applied.
5.6	The Board should ensure that information assets are managed effectively.	✓	In BTC, the IT assets are an integral part of the overall 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.

Principle	Description of Principle	Compliance	Compliance status and additional comments
6. Compliance with Laws, Rules, Codes and Standards			
6.1	The Board should ensure that the Company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	✓	A compliance framework is monitored by the BTC legal team. In the Board's view, BTC is compliant with all laws and regulations.
6.2	The Board and each individual Director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the Company and its business.	✓	The induction process for new Board members attempts to sensitise the Directors to all laws and regulations affecting the Company.
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.
6.4	The Board should delegate to Management the implementation of an effective compliance framework and processes.	✓	BTC has adequate level of responsibilities for ensuring that compliance to laws and regulations are attended to.

CORPORATE GOVERNANCE STATEMENT

(continued)

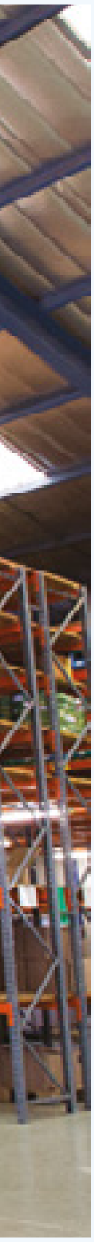
COMPLIANCE WITH CORPORATE GOVERNANCE CODE (continued)

Principle	Description of Principle	Compliance	Compliance status and additional comments
7. Internal Audit			
7.1	The Board should ensure that there is an effective risk based internal audit	✓	The company has a dedicated Internal Audit function responsible for this detail
7.2	Internal audit should follow a risk based approach to its plan.	✓	See 7.1 above
7.3	Internal audit should provide a written assessment of the effectiveness of the Company's system of internal control and risk management.	✓	The Internal Audit reports to the Audit & Risk Committee quarterly on audits carried out to assess effectiveness of the internal controls.
7.4	The Audit Committee should be responsible for overseeing internal audit.	✓	See 7.1 above
7.5	Internal audit should be strategically positioned to achieve its objectives.	✓	See 7.1 above

Principle	Description of Principle	Compliance	Compliance status and additional comments
8. Governing Stakeholder Relationships			
8.1	The Board should appreciate that stakeholder's perceptions affect a company's reputation.	✓	The Board is aware of reputational risk and its effect on the Company's operations, performance and results. It takes reputational issues seriously and these are discussed regularly at the Board meetings.
8.2	The Board should delegate to Management to proactively deal with stakeholder relationships.	✓	BTC Management and the organisational responsibility structure adequately deal with 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 and, in some instances, to Management to address the relationship with stakeholders.
8.4	Companies should ensure the equitable treatment of Shareholders.	✓	BTC is an equal opportunity employer and carries out its activities with utmost impartiality based 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.	✓	BTC 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.	✓	BTC has dispute resolution mechanisms with various stakeholders, such as customers, employees, suppliers, community, Shareholders etc.

Principle	Description of Principle	Compliance	Compliance status and additional comments
9. Integrated Reporting and Disclosure			
9.1	The Board should ensure the integrity of the Company's integrated report.	✓	The Board upholds high standards of reporting recognised globally and also rigorously ensures the integrity of the data before disclosure for reporting purposes
9.2	Sustainability reporting and disclosure should be integrated with the Company's financial reporting.	✓	Done and included as part of the Annual Report.

RISK MANAGEMENT REPORT



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

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

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

- The integration of the culture of risks management throughout BTC'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; and
- Comprehensive approach to all risks, both internal and external, and drawing up a periodical complete list of risks – their nature, impact and management.

BTC 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.

BTC Risk Philosophy

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

Understanding strategic, operational, compliance and financial risks is a vital element of BTC's risks management and oversight process. BTC's risk management and oversight programme is not an end in itself, but a process to support management in achieving its set goals. BTC understands that no matter how comprehensive its risk management and control system can be, it cannot be assumed to be exhaustive, nor can it provide certainty that it will prevent negative developments in BTC's business or that its mitigating actions will be fully effective. It is important to note that new, as yet unknown, risks 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 BTC's

RISK MANAGEMENT REPORT
(continued)

financial position, results of operations, liquidity or the actual outcome including those referred to in the forward looking statements contained in this annual report.

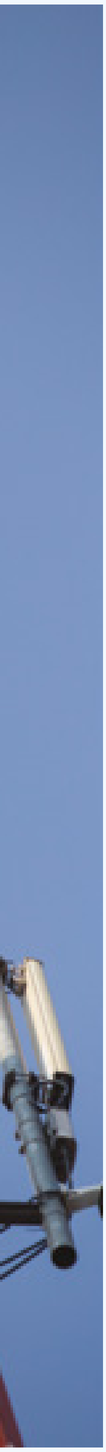
Risk Management Responsibility

The effective management of risks within BTC is essential to and underpins the delivery of the BTC'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 Company's operating divisions and business units and are coordinated by the Head of Risk management and Divisional Risk Champions. The Company's risk management policy requires all operating divisions and business units to identify and assess the risks to which they are exposed. Risk registers are used to document identified 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. Action plans 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 units. 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.

BTC Enterprise-wide Risk Management Process

In order to manage risk, BTC identifies and analyses the risks it faces, ranks them by the likelihood of occurrence and significance of consequences, and determines the most effective ways to manage them. BTC's Headline Risk Register groups the risks into five broader perspectives - people, processes, technology, customers and Shareholders. High level Risk Assessment also takes place under different dimensions. This analyses could include core risks; market risks; network obsolescence risks; and internal processes risks, regulatory /compliance risks etc. (see page 73). 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 below:

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

BTC'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 management assesses the acceptability of BTC's consolidated risks profile.

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

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

4. Assessing the likelihood of the risks happening

Risks are assessed based on the impact and 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

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

6. Monitoring and reporting the risks

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

Some of the routine processes that are part of the normal day-to-day operations to enable early identification, prevention and control of risks are:

- Planned and preventive maintenance programmes
- Compliance and assurance audits
- Regular monitoring of the market and financial Indicators
- Internal and external audit reviews
- Structured training
- Business continuity and disaster recovery programmes
- Loss control security programmes
- Safety awareness programmes (SHE)
- Environmental impact assessments

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

RISK MANAGEMENT REPORT
(continued)

Principal Risks and Risk Management

As part of the implementation of the Company's strategy to grow and protect the business, BTC management has identified the need to respond to the changing business environment. It has sought to do so by diversifying the markets in which the Company operates as well as its products. BTC is an important player in the telecommunications sector in Botswana and faces a multitude of risks and therefore understanding and managing the risk is important for BTC to achieve its goals. At BTC, managing risk is part of its corporate culture, and is embodied in every job. BTC 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 monitored on an ongoing basis.

Risks that Could Affect BTC Business

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

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 BTC's ability to execute its strategic business objectives and growth strategy	One of BTC's key strategic pillars is to build a high performance and customer centric culture, by among other things, capitalising on the BTC workforce profile, skills and competencies; seeking and fostering strategic alliances and partnerships to facilitate and realise the skills and talent in our workforce. 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 BTC'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.	BTC 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.
BTC 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. BTC 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 BTC margins and threaten BTC profitability	As a means of mitigating the threat posed by margin erosion resulting from the introduction of the backbone provider, in the service provision value chain, BTC 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.

Context	Risk Description	Mitigating Factors
Core Risks (continued)		
Increased competition in the Botswana telecommunications sector	One of the Government's objectives, expected to be achieved by privatising BTC 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 BTC may have an impact on BTC's pricing.	• BTC will need to adapt in order to thrive in this new environment. To address this, BTC is strengthening its brand, and accelerating the introduction of new products and converged services that will promote customer loyalty and increase BTC's market share. • BTC 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 BTC's continued competitiveness, as represented by the Vodafone partnership.

Context	Risk Description	Mitigating Factors
Market Risks		
Strategy and planning risks - The risks are not peculiar to the operations of BTC. They are general market risk that apply to all companies operating in the Botswana telecommunications sector.	There is a risk that BTC 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 risks are not peculiar to the operations of BTC. They are general market risks that apply to all companies operating in the Botswana telecommunications sector.	Weak economic conditionsw 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, BTC 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 market liberalisation. This has led to loss of some key customers and revenue with potential adverse effects on BTC profitability. Wholesale customers migrating to BoFiNet. Retail customers migrating to new market entrants.	The risk mitigation is for BTC to develop compelling tariff plans and innovative products whilst further enhancing customer service and experience.

RISK MANAGEMENT REPORT

(continued)

Risks that Could Affect BTC Business (continued)

Context	Risk Description	Mitigating Factors
Financial Risks		
Liquidity, capital and finance risks	High cost of capital resulting in high volatility of cash inflows and outflows may have an adverse impact on BTC implementing its strategic plan. This presents challenges of cash flow, interest risk, liquidity risk and 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.	BTC must continue to maintain capital at optimal levels as well as ensuring that the timely management of the Company's capital expenditure programme and the related payment commitments, cash balances, and cash conversion cycle are continued in order to mitigate these risks.
Credit risk	In the event of a failure to collect revenue or of a counter party defaulting on its contractual obligations, BTC 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.	BTC must maintain a well-managed credit policy with credit evaluations performance on customers requiring credit in order to mitigate such risks.

Context	Risk Description	Mitigating Factors
Network Obsolescence, Failures and Quality of Service		
Rapid technological changes and ineffective information technology infrastructure	This may diminish BTC's ability to support its customer's current and future needs in an efficient and effective manner. This will, in turn, affect BTC'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 BTC's ability to provide modern 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. BTC is subject to business continuity risk, including through single points of failure such as the Network Operation Centre. BTC endeavours to deliver 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 BTC to prioritise network modernisation and optimisation, deployment of cost efficient technology and further rollout of power back-up systems including an enhanced implementation of a robust business continuity framework.

Context	Risk Description	Mitigating Factors
Internal Process Risks		
BTC has committed process optimisation and process automation for efficiency and effectiveness and to further create and deliver shareholder value	Non-adherence to these new processes and the slow implementation of process automation affects internal controls and smooth operations as processes drive forward the realisation of BTC's business objectives.	To mitigate this risk, BTC 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 the Company maintains its competitive edge. This will be further harnessed through the promotion of innovative ideas within the business to avoid missing opportunities and slow adaptation to market dictates and dynamics.

Context	Risk Description	Mitigating Factors
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 BTC to carry on the part of its business to which the revoked licence relates.	BTC 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 BTC's market share, competitive position and future profitability.	On-going initiatives to improve operational efficiency and the quality of information would enable BTC 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.
Potential non-compliance to Listing Requirements	As a listed Company, BTC is expected to comply with various regulations as per the Botswana Stock Exchange ('BSE') Listings Requirements, in relation to reporting and disclosure requirements. There is a higher expectation on disclosure of information and accountability to public Shareholders.	Continuous induction of BTC Board and management on the BSE listing requirements.

HUMAN RESOURCES REPORT

Focus

BTC's Human Resources strategy aims to develop the capability of its team to deliver improved customer services at all levels. The Company rolled out the High-Performance Culture (HPC) programme as a key enabler for BTC to become a high performing company and for it to secure the premier position in the market. There are 12 behaviours under HPC which all employees must uphold and display. The first four HPC behaviours were rolled out in the year under review namely: Teamwork, Innovation, Customer Service and Competitiveness. The remaining behaviours will be rolled out and entrenched over the coming years.

Staffing Profile

The total staff complement at 31 March 2017 was 924.

	Year Ended 31 March		
	2017	2016	2015
Total Employees at 31 March	924	944	943
Productivity			
Revenue per employee (in Pula 000s)	1,748	1,579	1,627
Value created by employee (in Pula 000s)	871	752	852
Average employee cost (in Pula 000s)	402	396	392

Pension

BTC operates a contributory pension scheme for all permanent staff. BTCL Staff Pension Fund is a defined contribution scheme. At 31 March 2017, the fund stood at P465.6 million with 630 active members and 777 deferred members.

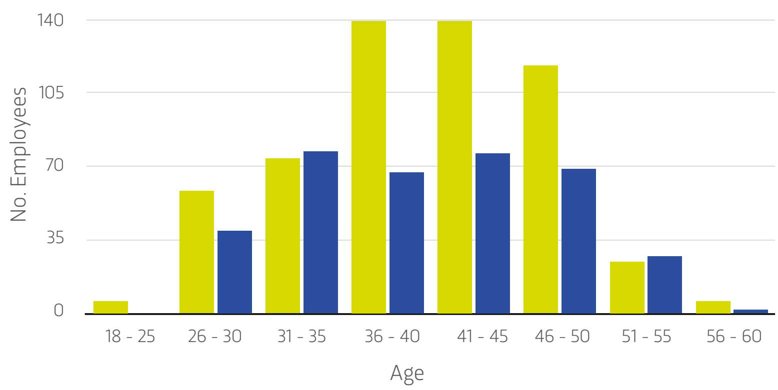
Employee Relationship

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

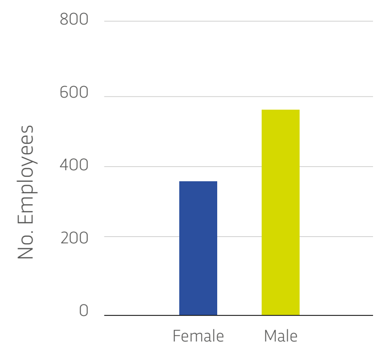
In the Year Under Review, the parties amicably consulted on policies and negotiated salary increases, benefits, allowances and policies affecting employees' conditions of service.

The parties held a number Union Management Forums (UMF) to share updates on strategic and developmental issues within the business as the need arose and subsequently conducted joint briefings for BTC employees through countrywide Staff addresses.

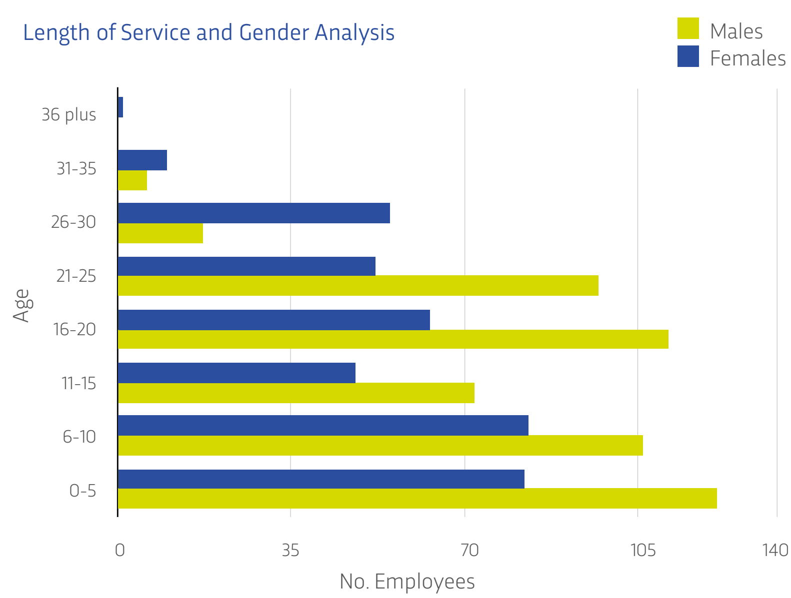
Age and Gender Analysis of BTC team



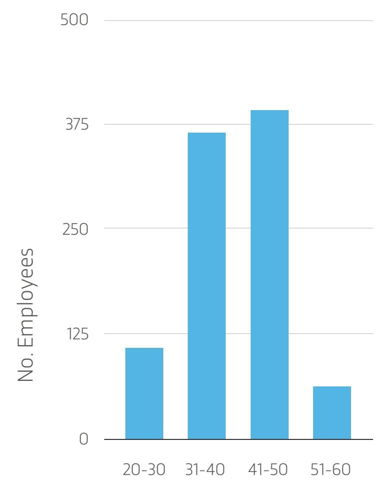
Gender Analysis



Length of Service and Gender Analysis



Age Analysis



Safety, Health and Environment

The BTC 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.

There has been an increase in SHE awareness resulting in a steady decrease of injuries on duty. In the year under review there were only nine injuries on duty (IOD), none of which required hospitalisation or lost time beyond two days. Of the nine IODs, three involved contractors.

Staff Welfare

We continue to be committed to wellness promotion amongst our Employees. 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:

- Moshoeshoe Walk
- Inter Telecoms Games
- Y-Care Walks
- BTC North Games

KEY

- Males
- Females
- Males & Females

FINANCIAL REVIEW

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management Discussion and Analysis (MD&A) is intended to help the reader understand the results of operations and financial condition of BTC. MD&A is provided as a supplement to, and should be read in conjunction with, our Financial Statements and the accompanying notes.

Throughout this document, references to "we," "our," the "Company," and "BTC" refer to Botswana Telecommunications Corporation Limited and its various divisions. BTC is a solitary company established under the Companies Act and, presently does not have any subsidiaries or associates. All businesses are carried out under BTC.

FINANCIAL REVIEW
(continued)

Caution Regarding Forward Looking Information

This presentation contains forward-looking statements that reflect the current views of BTC management with respect to future events. These forward-looking statements include statements with regard to the expected development of revenue, earnings, profits from operations, depreciation and amortisation, cash flows and employee-related measures. These should be considered with caution. Such statements are subject to risks and uncertainties, most of which are difficult to predict and are generally beyond BTC's control. Among the factors that might influence our ability to achieve our objectives are the progress of our revenue earning projects as well as other cost-saving measures, and the impact of other significant strategic or business initiatives and our network upgrade and expansion initiatives.

In addition, stronger than expected competition, technological change, legal proceedings and regulatory developments, among other factors, may have a material adverse effect on our costs and revenue development. Further, the economic downturn in our markets, and changes in interest and currency exchange rates, may also have an impact on our business development as well as the availability of financing on favourable conditions. Changes to our expectations concerning future cash flows may lead to impairment write-downs of assets carried at historical cost, which may materially affect our results. If these or other risks and uncertainties materialise, or if the assumptions underlying any of these statements prove incorrect, our actual performance may materially differ from the performance expressed or implied by forward-looking statements. We can offer no assurance that our estimates or expectations will be achieved. Without prejudice to existing obligations under Botswana Stock Exchange regulations, we do not assume any obligation to update forward-looking statements to take new information or future events into account or otherwise.

Forward-looking statements, by their very nature, are subject to inherent risks and uncertainties and are based on several assumptions, both general and specific, which give rise to the possibility that actual results or events could differ materially from our expectations expressed in, or implied by, such forward-looking statements and that our business outlook, objectives, plans and strategic priorities may not be achieved. As a result, we cannot guarantee that any forward-looking statement will materialise and we caution against relying on any of these forward-looking statements. Forward-looking statements are presented in this BTC 2017 annual report, including in this MD&A, for the purpose of assisting investors and others in understanding our objectives, strategic priorities and business outlook as well as our anticipated operating environment. Readers are cautioned, however, that such information may not be appropriate for other purposes.

BTC cautions that the list of important factors is not exhaustive and other factors could also adversely affect its results. Readers are urged to consider the risks, uncertainties and assumptions carefully in evaluating the forward-looking information, and are cautioned not to place undue reliance on such forward-looking information without consulting the BTC Investor Relations Department.

These forward-looking statements include the following items:

- BTC's expectation that its operational and capital structure is sufficient to satisfy its ongoing business requirements, which could be impacted by a significant change in the current economic environment in Botswana;
- BTC's belief that its cash and cash equivalents, future operating cash flows and available credit facilities will enable the Company to fund future capital investments, pension fund contributions, working capital and ongoing business requirements, and its belief that it has sufficient funding in place to meet these requirements and other long-term obligations, all of which could be impacted by changes in the economic environment;
- BTC's belief that it has sufficient unused capacity under its credit facilities to satisfy its financial obligations as they come due, which could be impacted by changes in the economic environment;
- BTC's expected use and estimated fair values of financial instruments, which could be impacted by, among other things, changes in interest rates, foreign exchange rates and commodity prices;
- BTC's expectations relating to business improvement and rationalisation initiatives, which could be impacted by the final scope and scale of these initiatives;
- BTC's expectations that the timing of the new investments and costs reduction initiatives under consideration will reduce overall business running costs, which could be impacted by delays and other difficulties during implementation stages;
- BTC's expectation that the strength of BTC's relationship with the Regulator (Botswana Communications and Regulatory Authority) will not deteriorate from the current levels; and
- BTC's expectations of continued sales growth in FY 2018 and beyond, which could be impacted by changes in the economic, market and competitive environment.

FINANCIAL REVIEW
(continued)

Other Measures

In addition to figures prepared in accordance with IFRS, BTC also presents other financial performance measures, including, among others, EBITDA, EBITDA margin, adjusted EBITDA, adjusted EBITDA margin, adjusted EBIT, adjusted revenue, free cash flow, gross debt and net debt. Other companies may define these terms in different ways.

There are measures included in this analysis that do not have a standardised meaning under IFRS and therefore may not be comparable to similarly titled measures presented by other publicly traded companies. The Company includes these measures because it believes certain investors use these measures as a means of assessing financial performance:

- Adjusted revenue is reported revenues sales together with those revenue elements reflected as deferred revenue under "other income".
- Gross profit is calculated as adjusted revenue less costs of goods and services.
- Gross margin is gross profit divided by adjusted revenue.
- Operating income, or earnings before interest and taxes (EBIT), is calculated as net earnings before finance costs (net of finance income) and income taxes.
- Earnings before interest, taxes, depreciation and amortisation (EBITDA) are calculated as EBIT plus depreciation and amortisation of intangibles and government grants.
- EBITDA margin is EBITDA divided by adjusted revenue.
- Funded debt is all interest-bearing debt, which includes bank loans, long-term debt and debt related to assets held for sale.
- Net debt is funded debt less cash and cash equivalents

About Our Business

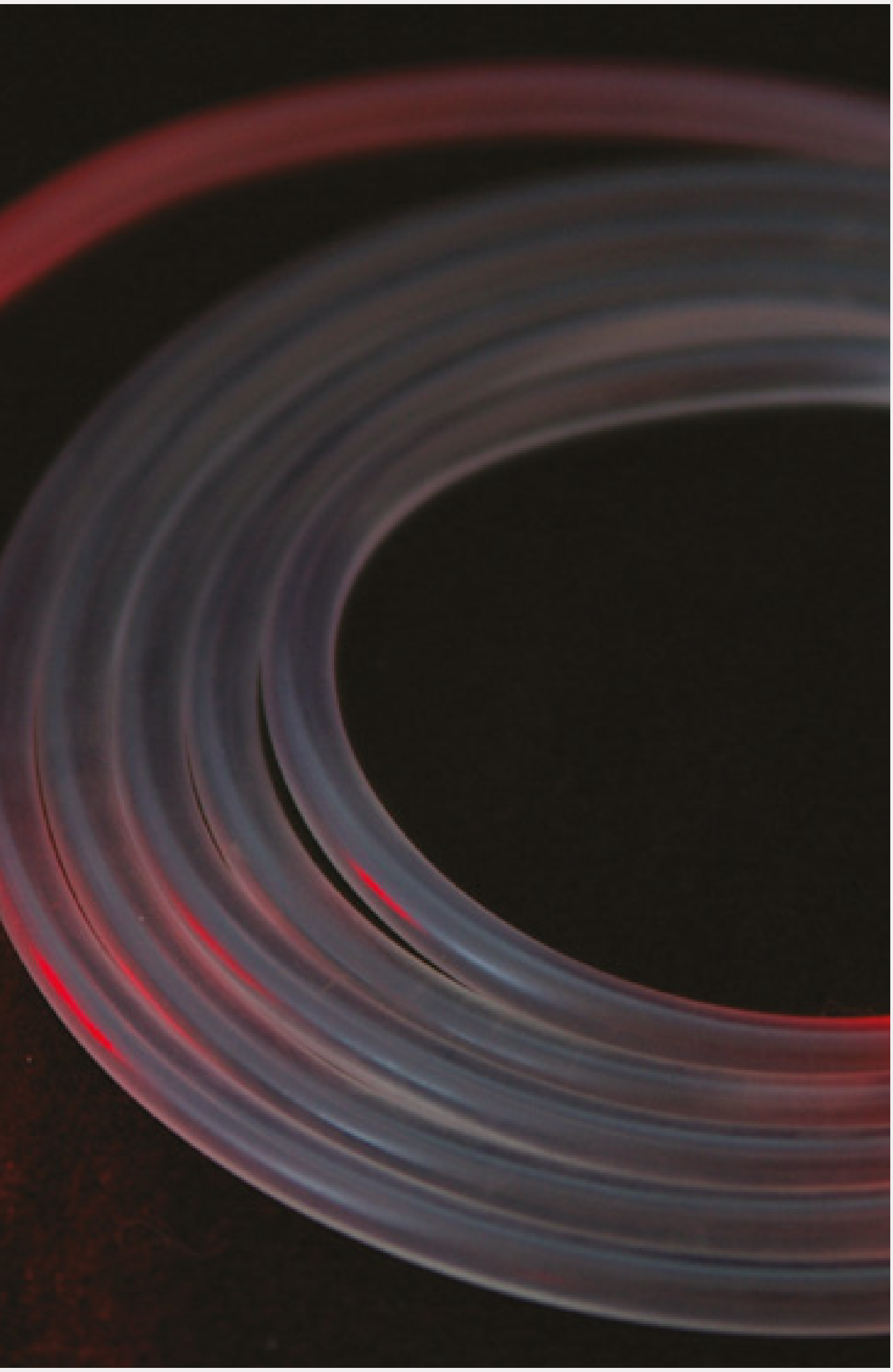
BTC was established in 1980 as a body corporate by the BTC Act to provide, develop, operate and manage Botswana's National and International telecommunications services. Since then, the Company has evolved to become one of the leading providers in Botswana of voice telephony, fixed and mobile, as well as national and international Internet, data services, virtual private networks and customer equipment to residential, Government and business customers.

In November 2012, BTC was converted to a public company limited by shares and became a corporate tax payer, obligated to pay all taxes as would be required under the Income Tax Act of Botswana.

In April 2016 BTC was listed on the Botswana Stock Exchange following an Initial Public Offering. BTC is permitted under the Public Telecommunications Operator (PTO) licence issued by the regulatory authority, BOCRA, to offer services of any kind, using any technology (technology neutral), connected with public telecommunications. At present, BTC is the only PTO Licence holder operating both 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. BTC offers its products and services through two operating business units: BTC Wholesale, and Home and Office.

BTC's business is managed along its three main lines of business: Fixed, Mobile and Data. Data is offered over both fixed and mobile networks.

These business revenues are further analysed into revenue sources: voice call revenues (whether being national or international); access network incomes (whether fixed line networks, private circuits or mobile platforms); and data and customer premises equipment. These analyses are designed to assist management and other readers to compare the operating results and financial performance in a meaningful way.



Basis of Financial Analysis

In this analysis and discussion, some of the income and costs items per the financial statements are grouped and regrouped by the origin and nature of revenues, expenditures and cost drivers. The new groupings have reduced the need for analysing the "other income and other expenses", as most of its components are now included under appropriate headings as far as is meaningful. The following explain the basis of such groupings and re-groupings:

Depreciation and Development Grants

All depreciation charges for plant, machinery, equipment and non-telecommunications assets are grouped together with the amortisation of development grants (included under other income – note 3) as they all relate to the non-current assets of the Company. The development grant recognised as income during the year amounted to P29.5 million (2016 – P24.4 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 and Adjusted Revenue

In the prior year, the "deferred revenue", as included under "Other Income" (note 3) has been added to operating revenue (other).

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 2015/16 and 2013/14, the impairment charges relating to plant and machinery of P522.4 million (note 9) and P266.1 million respectively, together with restructuring costs of P31.2 million in 2013/14 have been grouped together under the heading one-time impairment and re-structuring costs, as these expenses are significant, of one time and are not recurring in nature.

FINANCIAL REVIEW
(continued)

Shares and Share Capital

At the time of the Initial Public Offering (IPO), the number of shares that were in issue were 800,000,000 shares. A further 250,000,000 shares were issued to the public as part of the IPO (8 April 2016), thus increasing the shares in issue, post IPO, to 1,050,000,000. For the purpose of consistency, the analysis and indicators included for the past five years are based on 1,050,000,000 shares.

Executive Overview

With revenue in excess of P1.6 billion, we are one of Botswana's leading telecommunications enterprises for fixed and mobile telecommunications. Our services, technology and expertise enable customers – from small businesses to large global enterprises – to focus on their core business and operate more effectively. We offer fixed and mobile voice calls, data and Internet services, and inter-connection of calls between our network and other service providers. We also provide extensive leading-edge private local and national access networks, both using fixed and wireless technologies, customer premises equipment and directory publishing. We are the only telecommunications services provider offering fixed, wireless and mobile technology services in Botswana.

We organise our business around two main operating business units: Wholesale, and Home & Office.

Our Wholesale business unit comprises other network services providers, Internet Service Providers (ISPs), Government Ministries, Departments and Parastatals and major corporate customers.

The Home & Office business unit covers all other customers. The diversity of our offerings gives us a differentiated solution and delivers greater value to our customers.

A key priority in 2016/17 was continued growth in our customer base and hence an increase of our revenue base. Revenue from products and services offerings grew 8.7%, reflecting growth from all three lines of business – Fixed, Mobile and Data services. Growth in mobile services benefited from the modernisation of the network to 4G capability, promotions, and pricing initiatives. Consistent with our strategy, we continued diversifying our services portfolio away from the traditional fixed line network and to expand data services over both fixed and mobile networks nationally.

In 2016/17, total revenue increased by 8.7% and revenue from mobile network represented 32% of our total revenue. Products margins began to improve during 2016/17 with increased cost control.

In 2016/17, as a result of economic uncertainties in several sectors and shifts in the marketplace, we focused our efforts on process improvements resulting in reductions in our cost base, as well as steadily expanding distribution channels. As a result, we maintained market leadership in the fast growing, most attractive segments of data services.

This led to the net results after taxes improving from a loss position of P370.8 million last year to a profit of P237.4 million this year.
During the first half of 2017/18, we will launch further 4G refreshed products that enhance our portfolio of mid-range customers. In addition, we are continuing with our initiative to launch a new, improved billing system bringing all our customers onto one platform. We expect that these initiatives together with the existing pricing based strategies will further enhance the profit potential for the coming year.

Some of the key indicators of revenue growth include:

- New business signings, which reflects year-on-year increase in estimated future revenues from contracts signed during the period.
- Services renewal rate, which is defined as the annual recurring revenue (ARR) on contracts that are renewed during the period, calculated as a percentage of ARR on all contracts that were up for renewal during the period.
- Services pipeline growth, which measures the year-on-year increase in new business opportunities.
- Instalment sale and leasing of customer premises equipment as well as handsets.

Financial Overview

During 2016/17 we focused on aligning our costs, investments and operations with our services-led strategy that is designed to accelerate growth in customer services while maximising the profitability of our technology based business.

Total revenue of P1.6 billion in 2016/17 is an increase of P130.0 million, from the prior year, reflecting 8.7% growth in our revenue as a result of strong performance in all three income streams; Fixed, Mobile and Data services. The Fixed and Mobile streams revenues in 2016/17 increased moderately by 4% and 5% respectively from the prior year. These streams continued to be impacted by the weak macro-economic environment as well as an increasing migration of customers to Mobile services (see Analysis of Revenue by Business Streams).

Net profit attributable to BTC shareholders for 2016/17 was P237.3 million and included P37.2 million tax expense. The depreciation of tangible and intangible assets amounted to P127.6 million (2015/16 – P230.8 million) and P19.8 million (2015/16 – P28.8) respectively. In comparison, these charges amounted to a decrease of P103.2 million and P9.0 million respectively, due to to the significant impairment charge of property, plant and equipment of P522.4 million in the prior year.

Cash generated from operations was P334.2 million in 2016/17 compared to P254.1 million in 2015/16. The increase in cash was primarily due to the improvement in revenue as well as due to reductions in costs. The cash flows from operating activities was reduced by P89.8 million dividends paid to shareholders and an increase in trade and other receivables of P44.3 million. Cash used in investing activities of P368.9 million primarily reflects capital expenditures of P351.3 million on equipment and further acquisitions of P47.7 million in software and intangible assets. Cash flows from financing activities was P250.0 million, which primarily reflects the effects of share issue.

Summary of Significant Achievements

In summary, the following are key achievements during the year:

- BTC increased its sale of goods and services to more than P1,615 million from P1,486 million, despite strong competition and lack of significant national economic growth
- BTC increased its profit after tax to P237.3 million against the loss after tax of P370.8 million in the prior year
- BTC reduced its total cost of operations from P1,487.3 million to P1,399.1 million, against the backdrop of lower depreciation charges – P147.3 million compared to the previous year's P259.6 million. It should also be noted that the prior year financial results contained an impairment charge of P522.4 million
- BTC continued to self-finance its capital expenditure and remained a debt free enterprise

FINANCIAL REVIEW
(continued)

Results of Operations Based on Income Statements as Published

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

	2017 P mill	2016 P mill	2015 P mill	2014 P mill	2013 P mill
Revenue - Sales of goods and services	1,615.0	1,485.8	1,480.0	1,454.5	1,356.9
Cost of sales	(675.6)	(721.6)	(566.1)	(551.2)	(566.8)
Gross profit margin	939.4	764.2	913.9	903.3	790.1
Other Income	35.5	29.4	39.7	52.1	66.6
Selling and distribution costs	(48.7)	(42.2)	(46.7)	(43.0)	(34.5)
Administrative expenses	(402.3)	(406.4)	(416.7)	(376.2)	(357.9)
Other expenses	(272.5)	(317.0)	(315.7)	(260.9)	(198.7)
Operating profit margin	251.4	28.0	174.5	275.3	265.6
Interest income	23.1	26.5	26.1	25.1	18.5
Financing costs including preference dividend	0.0	0.0	0.0	(0.2)	(0.2)
Profit before one-time charges	274.5	54.5	200.6	300.2	283.9
Impairment of property, plant and equipment	-	(522.4)	-	(266.0)	-
Restructuring costs and one-time charges	-	-	-	(31.2)	-
Profit / (loss) before taxation	274.5	(467.9)	200.6	3.02	83.9
Taxation	(37.2)	97.1	(53.8)	(2.9)	(10.3)
Profit / (loss) for the year	237.3	(370.8)	146.8	0.1	273.6
Number of shares in issue	1,050,000,000	1,050,000,000	1,050,000,000	1,050,000,000	1,050,000,000
Basic and diluted earnings/ (loss) per share (P)	0.23	(0.47)	0.18	0.00	0.34
Earnings before Interest, Depreciation, Taxation and Amortisation (EBIDTA)	369.3	263.2	342	413	440

2017 compared to 2016

The 2016/17 operating results were significantly higher than the previous year 2015/16, in many respects. BTC revenue during 2016/17 was P1,615.0 million, compared to P1.485.8 million in the previous year, a good 8.7% increase. It was also pleasing to note that Fixed stream income rose to P520.7 million compared to P500.1 million, an increase of 4.1%.

Mobile revenue now accounts for 36.7% (2016: 31.9%) whilst Data Revenue now accounts for 29.2% (2016 – 26.3%) of the Company's revenue. As expected, it is forecast that both of these streams will continue to grow in future. The Fixed Network revenue which comprises the local access and call revenue now accounts for P32.2% (2016: 33.6%).

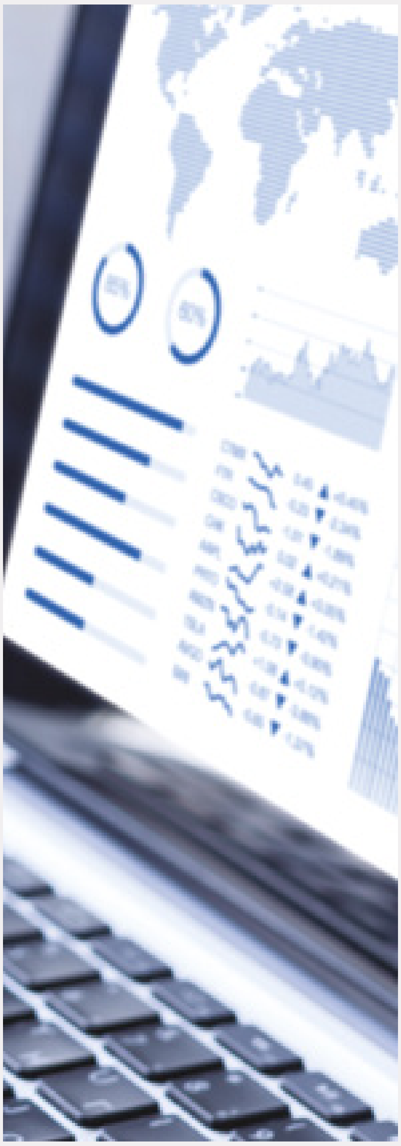
The cost of sales decreased in Pula terms as well as a percentage of overall revenue at 41.8% compared to 48.5% in the previous year. Primarily, the costs of sales at P675.6 million (2016: P721.6 million) registered a decrease of 6.4% whilst the depreciation was P134.1 million compared to P250.2 million in the previous year, (resulting from the lower asset values following the impairment charge in the previous year).

As a result of the increase in revenue as well as profit, the Earnings before Interest, Depreciation, Amortisation and Taxation increased to P369.3 million from P263.2 million, a significant increase of 40.8%.

As a result of the improved earnings attributable to the shareholders, the earning per share (adjusted for weightage) improved from a loss of 46.3 thebe to an earning of 22.6 per share.

2017 Performance Compared to 2016 Forecast Per IPO (December 2015)

The revenue registered for the year 2016/17 of P1,615.0 million was 6.2% higher than the IPO forecast of P1,520.3 million, reflecting a surplus of 6.2%. This resulted in a higher than anticipated profit, significantly higher than the forecast of the IPO Prospectus in December 2015, with the profit before tax recorded at P237.3 compared to the forecast of P114.9 million, a growth of 106.5%.



	IPO Forecast for 2016/17 in Pula million	Actual Results for 2016/17 in Pula million	Difference in Pula million
Revenue	1,520.3	1,615.0	94.7
Operating costs excluding impairment charges	(1,389.0)	(1,399.1)	(10.1)
Operating profit	131.3	215.9	84.6
Interest income	16.0	23.1	7.1
Other income	(0.0)	35.5	35.5
Profit before tax	147.3	274.5	127.2
Taxation	(32.4)	(37.2)	(4.8)
Profit after tax	114.9	237.3	122.4

FINANCIAL REVIEW
(continued)

Revenue Results Summary by products

KEY FACTORS AND OBSERVATION

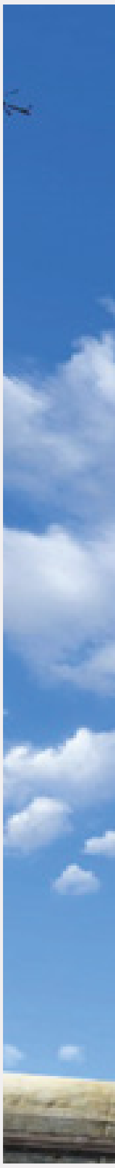
- The total revenue increased significantly by 8.7% to P1,615.0 million from P1,485.8 in the previous year:
- Mobile revenue is the consistent performer registering a growth of 5% to P593.4 million. Mobile revenue now accounts for 36.7% (2016: 32%);
- The fixed line call revenue increased by 4%
- Revenue from data services increased to P472.0 million from P391.4 million.

Analysis of Revenue by Business Streams

As of this year, BTC has released additional financial information in order to better inform readers about the three major business streams – Fixed, Mobile and Data – and identifying all revenue streams to these groupings. The management analysis that is included under this section is based on this analysis, as it is found more appropriate to compare performance on this basis.

The revenue analysed by the three main revenue streams is as follows:

In Pula millions	Year ended March 31		
	2017	2016	2015
Fixed	520.7	500.1	490.5
Mobile	593.4	567.5	492.2
Data	472.0	391.4	471.3
Other	28.9	26.9	19.0
Total	**1,615.0**	**1,485.9**	**1,473.0**



FINANCIAL REVIEW
(continued)

Analysis of Revenue by Business Streams (continued)

Fixed Line

Fixed Line networks continue to increase and provide a base for networks to be integrated. The Fixed revenue line stream, comprising voice, access, inter-connect calls and customer premises equipment, increased from P500.1 million last year to P520.7 million this year, mainly through the access lines. The increase in new take-ups together with the increased rental charges contributed to most of this growth. This stream now accounts for nearly 30% (2016: 29%) of revenue and grew at a rate of 4.1% (2016: 2.0%).

The Fixed Network is predominantly copper cable supplemented by radio and fibre.

KEY FACTORS AND OBSERVATION

- Fixed Line calls charges are still the cheapest and highest quality voice service in Botswana.
- Fixed line voice calls revenue grew from P262.9 million to P278.2 million, an increase of 5.8%. In the previous year, this sub-segment registered a decline of 3.5%.
- Access revenue has increased following new customer take-up and increased rentals for lines.
- Greater share of revenue from customer premises equipment is still derived from Fixed Line business segment.

	2017 P mill	2016 P mill	2015 P mill
Voice	278.2	262.9	272.5
Access	115.1	89.3	121.4
Inter-connect	19.4	18.5	15.4
Customer Premises Equipment	108.1	129.4	81.2
Total Fixed revenue	520.7	500.1	490.5

Mobile

Mobile revenue at P593.4 million (2016: P433.5 million) is the largest and important revenue stream for BTC. It accounts for 36.7% (2016:32%) of the total revenue.

The network, which was initially based on 2.5G/3G platform is being speedily upgraded to 4G, particularly in the metropolitan areas and, eventually throughout the country.

KEY FACTORS AND OBSERVATION

- Mobile revenue comprising voice calls, data, customer equipment and short messaging services grew from P440.3 million to P593.4 million, an increase of 1.6%.
- Average Revenue Per User (ARPU) is in the region of P98.
- BTC recognises that traditional pricing models for mobile services need to evolve to better match mobile data revenue with the corresponding use of mobile networks and spectrum. This will help to promote the necessary infrastructural investments
- 4G is already providing a platform for greater and faster data transmission for those on-the-move.

	2017 P mill	2016 P mill	2015 P mill
Voice	440.3	433.5	383.0
Interconnect	42.5	40.5	37.1
Data	66.3	46.4	24.3
Short Message Services (SMS)	40.3	43.9	44.1
Customer Equipment	4.0	3.2	3.8
Total Mobile revenue	593.4	567.5	492.2

Data

Data revenue has recovered from its slip last year to P472.0 million (2016: P391.4 million), with the increase primarily coming from increased revenue from customer premises equipment attached to data networks.

Network revenue includes charges for data networks including those managed and unmanaged, and Internet bandwidth wholesale and retail. The private data network services and high-speed Internet access service provided through Asynchronous Digital Subscriber Line (ADSL) technology and managed data networks for residential, Government and business customers were the main contributors to this revenue stream.

KEY FACTORS AND OBSERVATION

- Access charges for data networks still contributes the bulk of data revenue.
- BTC's fixed-line broadband products remained customers' preferred choice because of their capacity, reliability and quality.
- The customer premises equipment attached to data networks, substantially increased to P72.1 million (2016: P18.6 million), primarily contributing to the increase in the Data revenue stream

	2017 P mill	2016 P mill	2015 P mill
Usage	99.5	72.0	51.0
Access	300.4	300.8	408.8
Customer premises equipment	72.1	18.6	11.5
Total Data revenue	472.0	391.4	471.3

Other

Miscellaneous revenue sources, although not the primary business drivers, are nevertheless an important stream for BTC profitability.

The other income sources comprise directory services, customer networks (commonly known as cost of works) and a number of other value-added services.

KEY FACTORS AND OBSERVATION

- Revenues from directory services continue to maintain the level of P12.0 million per annum over last few years.
- BTC continues to build networks for customers, which contributed a net revenue of P10.5 million (2016: P6.0 million)

	2017 P mill	2016 P mill	2015 P mill
Directory services	12.3	12.8	12.0
Customer networks (cost of works)	10.5	6.0	0.0
Others	6.1	8.1	7.0
Total revenue	28.9	26.9	19.0

FINANCIAL REVIEW
(continued)

Operating Costs

Operating costs comprise costs of services and goods sold; direct selling and distribution costs; net employee costs; depreciation; and other operating costs.

In this analysis, all depreciation charges whether directly involved with the services provided or connected with ancillary functions, are accumulated and dealt with as a single item. Further, as the amortisation of development grants are linked to the costs of the plant and equipment, they are also subtracted from the total depreciation charge and considered as a single cost line – net depreciation charge.

Total operating costs before impairment and re-structuring costs – P1,399.0 million (2016 – P1,458.8 million)

The total operating costs before one-time restructuring and impairment charges and net of development grants for the year was P1,399.0 million compared to P1,458.8 million (2016) and P1,320.5 million (2015) in the previous two years (see table below). At this level, the overall costs have decreased from last year by 6.0% as against an increase of 12.6% in 2016 over 2015. Overall, the increase of expenses from the 2015/16 year to 2016/17 was 6.0%.

The reduction in operating costs was the result of the following:

- Reduction in the net employee cost from P373.5 million last year to P371.6 million this year, resulting in a decrease of P1.9 million
- Increase in total cost of services by P67.9 million (2017: P533.1 million compared to P465.3 million in 2016); This increase mainly resulted from the increased handset subsidies and commission structures
- Decrease in the depreciation charge resulting from a lower capital base following the impairment of assets last year. The total depreciation this year was P117.7 million compared to P234.3 million last year
- Other operating costs also decreased from P336.5 million to P283.9 million this year
- There was no impairment charge this year as opposed to last year's P522.4 million

The following analysis of costs is based on net amounts following adjustments of amortisation grants (against depreciation) and profits from disposal of property, plant and equipment (against other operating costs).

KEY FACTORS AND OBSERVATION

- Overall the total operating costs without one-time restructuring and impairment charges decreased by 6.5% from P1,458.8 million to P1,363.7 million.
- The depreciation charge for the year was P117.9 million compared to P235.2 million in the previous year, a drop of P117.3 million, following the reduction in values of assets after an impairment charge of P522.4 million.
- Cost of goods and services increased from P471.4 million to P541.4 million, amounting to an increase of 14.9%.
- Other operating costs decreased by P52.6 million 15.6% from P336.5 million to P283.9 million.

Operating costs	2017 P mill	2016 P mill	2015 P mill
Cost of goods and services (excluding depreciation)	541.4	471.4	399.9
Selling and distribution	48.7	42.2	38.2
Net employee costs	371.6	373.5	360.3
Depreciation less recognised capital grant	117.9	235.2	177.6
Other Operating Costs	283.9	336.5	344.6
Operating costs prior to impairment	1,363.7	1,458.8	1,320.5
Restructuring and one-time impairment charges	0.0	522.4	0.0
Total operating costs (adjusted for recognised capital grant)	1,363.7	1,981.2	1,320.5
Costs as published	1,399.0	2,006.7	1,345.1

Cost of Goods and Services

Cost of goods and services comprises mainly costs directly attributable to international carriers and national operators on out-bound and transit calls, space segment rentals, licence fees to the regulator, cost of phones and phone cards for mobile oper-ations, cost of directory publishing and direct material costs. It excludes depreciation charges on network plant and machinery.

	2017 P mill	2016 P mill	2015 P mill
Payment to carriers	289.3	268.3	221.5
Space segmental rentals	12.4	16.1	13.9
Licence fees	40.7	46.9	44.6
Cost of phones and phone cards	25.6	58.2	29.2
Cost of directory sales	2.4	2.5	2.9
Equipment material costs	157.4	80.3	70.4
Cost of inventory, recognised as an expense	5.4	(7.0)	8.8
Installation cost customer equipment	8.3	6.1	8.6
Total cost of services	**541.4**	**471.4**	**399.9**

Payment to international and national carriers and operators, which amount to almost half of all direct costs, increased to P289.3 million from P268.3 million and P221.5 million in the last two years respectively. The increase is also attributable to the increasing traffic between the mobile network and other operators resulting from the growing customer base in mobile. Although this cost has increased, this is a welcome trend, which points to the rise in revenue for mobile.

The licence fees paid to BOCRA now amount to P40.7 million compared to P46.9 million, a decrease of 13.2%.

Employee Cost

The total employee cost for the year was P371.6 million (2016: P373.5 million). The decrease was the result of lower staff numbers compared to last period – 924 employees against 944 last year.

	2017 P mill	2016 P mill	2015 P mill
Salaries and wages	334.2	341.9	317.8
Pension fund and group life contribution	18.0	17.2	15.7
Training costs	2.8	9.5	5.7
Other related costs	16.7	24.7	21.5
Total employee costs	371.6	393.2	360.7
Own work capitalised		(19.7)	(0.3)
Total employee costs charged	371.6	373.5	360.3

Selling and Distribution Costs

Direct selling and distribution costs were more or less in line with forecast at P48.7 million, compared to P42.2 million. The increase was due mainly to increased marketing costs attached to mobile customers as part of the new customer take-on drive.

	2017 P mill	2016 P mill	2015 P mill
Product Marketing costs	48.7	42.2	38.2
Total selling and distribution	48.7	42.2	38.2

FINANCIAL REVIEW
(continued)

Other Operating Costs

This category of costs includes billing costs (P52.1 million), consultancy (P43.5 million), dealer rebates and commissions (P97.5 million) and others. The other operating costs amounted to P283.9 million compared to P330.5 million, a drop of 14.1% or P52.6 million.

	2017 P mill	2016 P mill	2015 P mill
Audit fees and Board members fees	3.7	2.7	1,7
Consultancies	43.5	51.4	41.1
Financial charges	13.3	21.7	8.2
Billing costs	52.1	36.4	24.7
Licence systems and software	13.6	21.0	15.6
Utilities - electricity and water	6.2	18.2	13.3
Operating lease rentals	14.0	13.9	11.8
Dealer rebates	97.5	91.3	72.0
Foreign exchange net gains	(26.3)	(7.4)	(3.7)
Others	54.9	67.8	131.0
Total other operating costs	272.5	317.0	315.7

Gross, Operating and Net Income and Margins

The operating performance recorded depicts the turn-around performance of BTC over the year resulting from the improved revenues and re-duced costs.

Gross margin trend

The gross margin, excluding the interest income, posted a steady performance, reflecting a healthy 67.0% (2016 – 68.7% and 2015 – 73.8%). The continued performance in the upper 60% range is encouraging and reflects the maturity of the business strategies adopted by BTC relating to pricing policies and direct costs containment over the years. BTC was able to maintain this trend despite increased competition.

Operating margin trend

The operating margin, excluding the interest income but prior to impairment charges and restructuring costs, has significantly increased to P251.5 million (2016 – P28.0 million and 2015 – P174.5 million). Expressed as a percentage of revenue, the ratio has increased to 15.6% from 1.9% and 11.7% in the two previous years respectively. The total operating costs as a percentage of total income was 84.4% compared to 98.1% and 88.3% in the previous two years respectively.

Profit margin trend

The profit before taxation was P274.5 million compared to a loss of P467.9 million and a profit of P200.6 million in the previous two years respectively. The loss in the previous year was due to the one-time impairment charge of P522.4 million.

BTC has returned to profitability and has a sound business model. Its revenues are evenly split between the three streams, Fixed, Mobile and Data. It has a modern and robust network and is now more customer-centric than ever before. The costs have also been contained with a much-reduced asset base.

Earnings before Interest, Depreciation, Taxation and Amortisation

Operating margins based on Earnings before interest, depreciation, taxation and amortisation (EBIDTA) reflected a decline to 17.7% compared to the 23.6% and 30.0% in the previous two years.

	2017 P mill	2016 P mill	2015 P mill
Revenue – Sales of goods and services	1,615.0	1,485.8	1,495.2
Earnings before interest, depreciation, taxation and amortization (P mil) (EBIDTA)	369.3	262.3	352.2

Interest Income and Financing costs

Interest income

The current year's interest income was P23.1 million compared to P26.5 million and P26.1 million in the previous two years.

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

	2017 P mill	2016 P mill	2015 P mill
Interest earned on			
- on short term deposits	23.1	26.5	26.1
Cash balances			
- Cash at bank and on hand	16.8	32.3	19.0
- Short term deposits	499.7	357.7	347.0
Total cash balances	516.5	390.0	366.0

Financing cost

BTC is debt-free and has no financing costs. BTC has a good credit rating and therefore will be able to source necessary funding from traditional banking sector and capital markets.

Capital Expenditure

Capital expenditure for the year under review was P399.0 million compared to P254.6 million in the previous year.

The cash available for investments of P334.2 million (generated during the year from operations), expressed as a percentage of the capital expenditure during the year amounted to 83.8% (2016 – 99.8%), indicating that all the internally generated funds during the year were entirely utilised to fund the capital expenditure. Expressed as a percentage of revenue, the capital expenditure amounted to 24.7% (2016: 17.1 and 2015 – 17.8%) of revenue.

Creation of Shareholder Value and Return on Shareholder's Funds

One of BTC's objectives is to achieve a comparable market-based return for the shareholders, which will provide a top notch return in terms of share price and dividends.

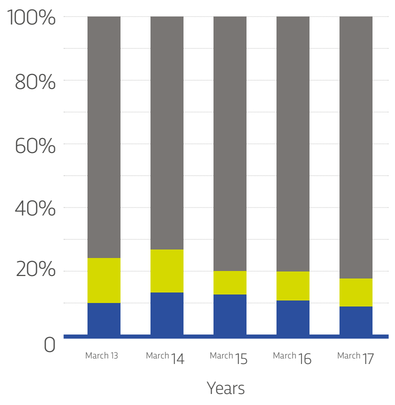
Return on shareholder funds

Shareholder's equity, at 31 March 2017, stood at P1,949.2 million compared to P1,552.1 million in March 2016. The shareholder's equity increased by 25.6%. Part of the increase was due to the new IPO proceeds amounting to P250.0 million.

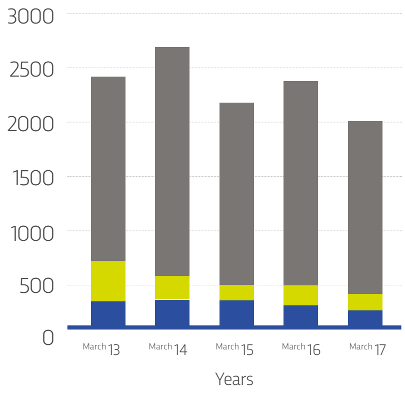
The Board of Directors has set a dividend policy aligned to market expectations as well as to meet BTC's commitments and other obligations to achieve the desired growth in shareholder value, which will require profits to be retained and reinvested within the business.

Basic and diluted profit per share (including impairment charges and restructuring costs) was 22.6 thebe based on 1,050,000,000 shares compared to a loss of 46.4 thebe in the previous year (based on 800,000,000 shares).

Capitalisation Ratio (Year Ended 31 March)
(Percentage)



Capital Structure (Year Ended 31 March)
(Pula million)



KEY
Shareholders equity
Grants and deffered revenue
Current liabilities

FINANCIAL REVIEW

(continued)

Creation of Shareholder Value and Return on Shareholder's Funds (continued)

Return on capital employed and total assets

Return on average capital employed was 12.5% compared to a negative 19.3% last year. In comparison, the 2015/16 year registered 7.5%. Hence, there had been significant improvements following improved profitability coupled with the reduction in the capi-tal employed following the impairment of assets in 2016.

The Company's actual cost of capital is reported as 13.0% (see note 9 to the annual financial statements). The return on total assets also improved from 6.5% in 2015/16 to the current level of 11.1%.

Earnings, dividends and share value

Profit attributable to the shareholders on ordinary shares for the current financial year was P237.3 million compared to the loss of P370.8 million in the previous year. An interim dividend of 3.6 thebe per share was paid in December 2016. The Board has proposed a final dividend of 11.09 thebe, totalling an annual dividend of 14.69 thebe per share.

Liquidity and Capital Management

Solvency

Solvency ratio, expressed as an enterprise's ability to meet its debt and other obligations, which indicates whether a company's cash flow is sufficient to meet its short-term and long-term liabilities stood at 96%, almost equalling that of the previous year.

Development grants stood at P138.5 million at the end of the year (2016: P168.0 million). As the Company has already discharged its obligations with re-spect to the projects that were funded by the Government, this liability is unlikely to become payable.

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.

Off-Balance Sheet Arrangements

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

- Operating leases in the normal course of business. The nature of these lease arrangements is discussed in Note 19 – Operating Lease Commit-ments – Company as Lessee
- Development Grants for additional information regarding grants provided by the Government of Botswana for the development of rural telephony, which in the opinion of the management, does not significantly alter the profitability (see Note 14)
- Unused banking facilities amounting to P110.0 million (see Note 17.4)

Pension and Other Employment Benefit Plans

We sponsor defined contribution pension plans under which the Company contributes 16% to the BTC Staff Pension Fund with employees contributing 4% (see under Accounting Policies). The Pension Fund is a separate legal entity managed by trustees. As such it does not have any liabilities or commitments towards post-employment benefits. The employee related provisions for the accrued gratuities, severance pay and leave pay are included in the Statement of financial positions, amounting to P40.7 million, of which P19.5 million is expected to be paid by March 31, 2018 and, the balance of P21.2 million, expected to be paid after that date (see Note 16 to the financial statements).

Capital Resources and Liquidity

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

- 31 March 2017, total cash and cash equivalents were P516.5 million and we had no borrowings. There were no outstanding borrowings or letters of credit under our P110.0 million banking facility either at year end. The increase in our cash balance in 2017 was largely from the revenue and resulting profits, partially run-off by trade and other receivables. Barring the last financial year 2015/16, over the years, BTC has consistently delivered strong cash flow from operations driven by the strength of our revenue model. Cash flows from operations were P267.7 million, P256.9 million and P243.9 million for the three years ended 31 March 2017.

- **Cash Flow Analysis**
  The following summarises our cash flow positions for the three years ended March 31, 2017, as reported in our Statement of Cash Flows in the accompanying Financial Statements:

In P millions	Year ended March 31		
	2017	2016	2015
Cashflow from operating activities	267.7	256.9	243.9
Cashflow used in investing activities	(368.9)	(224.0)	(238.4)
Cashflow from financing activities	250.0	0.0-	(2.3)
Increase in cash and cash equivalents	148.9	32.9	3.1
Net foreign exchange differences on cash and cash equivalents	(22.3)	(8.9)	9.4
Cash and cash equivalents at beginning of the year	390.0	366.0	353.5
Cash and cash equivalents at end of the year	516.5	390.0	366.0

Cash Flows from Operating Activities

Net cash provided by operating activities was P267.7 million for the year ended 31 March 2017. The P10.8 million increase in cash from the previous year was primarily due to the follow-ing:

- P27.3 million increase in working capital, primarily due to increase in trade and other receivables
- P89.8 million in payment of dividends
- P20.5 million increase over the prior year in the income tax refunds

Cash Flows from Investing Activities

Net cash used in investing activities was P368.9 million for the year ended 31 March 2017. The P144.9 million increase in the use of cash from the prior year was primarily due to the increase in purchase of plant and equipment and other intangible assets.

Cash Flows from Financing Activities

Net cash received from financing activities was P250.0 million, arising from the issue of shares via the Initial Public Offering.

FINANCIAL REVIEW
(continued)

Liquidity and Financial Flexibility
We manage our liquidity using internal cash management best practices. At March 31, 2017, we had P16.8 million (2016: 32.3 million) in bank current accounts readily available and P499.7 million (2016: 357.7 million) in short-term term deposits, maturing at three to seven months.

Loan / Banking Facilities Covenants and Compliance
At March 31, 2017, we were in full compliance with our covenants and other provisions of our Banking Facilities, which amounted to P110.0 million.

Capital Market Activity

Share Issue and Purchase Programs
During the year, BTC issued 250,000,000 shares to the public through an Initial Public Offering. These shares were listed on the Botswana Stock Exchange on 8 April 2016.
In terms of the IPO, the shares are only offered and transferable to citizens and citizen-owned entities.

Refer to Note 12 – Stated Capital – for additional information regarding the shares in issue.

Dividends
The Board of Directors declared an aggregate dividend of P90.3 million during the financial year under reporting, as follows:

- Final dividend for 2015/16 fiscal year – 5 thebe per share - P52.5 million;
- Interim dividend for 2016/17 fiscal year – 3.6 thebe per share - P37.8 million

The Board of Directors is proposing a final dividend of 11.09 thebe per share for the fiscal year 2016/17, making it an aggregate dividend of 14.69 thebe, reflecting a dividend yield of 14.7% on the IPO issued price of P1 per share. The total dividend of 14.69 thebe reflects 65.0% dividend payout for the year.

Financial Risk Management
The risks to which the Company is exposed are:

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

Recent market events have not caused us to materially modify or change our financial risk management strategies with respect to our exposures to interest rate and foreign currency risk. Refer to Note 13 – Financial Instruments in the Financial Statements for additional discussion on our financial risk management.

Foreign Exchange Risk Management
We manage our exposure to these foreign exchange risks through our regular operating and financing activities and, when appropriate, through the use of forward exchange contracts. The regular operating activities include space segment leasing, termination of calls, purchase of plant and equipment, and other software products etc.

The effect of any future depreciation of the Pula against all major trading currencies on the operations of the Company are difficult to predict as the level of these expenses can vary.

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

Trade debtors and receivables consist of a large number of customers, mostly post-paid, spread across diverse and large number of customers from many industries and geographical areas. Management manages the credit risk through on-going credit evaluations and monitoring of these receivables. Credit risk from balances with banks are managed through placement of funds in banks with high credit ratings.

At 31 March 2017, the maximum credit risk that the Company is exposed to on account of trade debtors and receivables was P205.6 million (2016 – P339.1 million); short-term call deposits with the banks of P499.7 million (2016 – P347.0 million; and cash balances with the banks of P16.8 million (2016 – P19.0 million).

At 31 March 2017, of the P205.6 million trade debtors and receivables, P32.8 million (2016 – P30.9 million) belongs to the Government agencies.

Liquidity Risk Management
The liquidity risk relates to the difficulty the Company may face in meeting the obligations associated with the Company liabilities, mainly trade and other payables. The Company manages this by continuously monitoring and analysing its financial obligations and by maintaining adequate matching reserves, banking facilities and reserve borrowing facilities.

At March 31, 2017, the Company's liquidity was P521.8 million (i.e financial assets of P722.1 million against the financial liabilities of P200.3 million). The table detailing the Company's contractual maturities of its financial liabilities based on the earliest date on which the Company may be required to pay the debts and the matching trade and other receivables and cash balances at banks is disclosed in the financial statements (see Note 21.8 to the annual financial statements).

Interest Rate Risk Management

The Company has no significant exposure to interest rate risk as it does not have any debts payable to third parties other than the trade and other payables whilst the Company has significant cash resources with various banks. Hence, the consolidated weighted-average interest rates related to our total debt for 2016 and 2017 was nil.

At 31 March 2017, the trade and other payables on which there is no interest exposure, amounted to P191.4 million (2016 – P173.3 million), whilst the deposits and cash balances with the banks amounted to P516.5 million (P390.0 million). The call deposits had effective interest rates of between 0.4 % and 1 % (2016: 1 % and 3 %), based on the periods of such deposits which varies between 30 days and 210 days. The balances held with the banks in the current accounts do not receive any interest.

At 31 March 2017, a 1% change in market interest rates would change the fair values of the such financial instruments by approximately P19.5 million (see note 21.9 to annual financial statements).

Adoption of new major Accounting Standards and their impact on Earnings

IFRS 16 – Leases

IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g. personal computers) and short-term leases (i.e. leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). The standard is effective for annual periods beginning on or after 1 January 2019.

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

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

The effect of implementing this standard is not expected to be significant.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 "Revenue from Contracts with Customers" was issued in May 2015. It is effective for accounting periods beginning on or before 1 January 2018. IFRS 15 will have a material impact on the Company's reporting of revenue and costs as follows:

- IFRS 15 will require BTC to identify deliverables in contracts with customers that qualify as "performance obligations". The transaction price receivable from customers must be allocated between the Company's performance obligations under the contracts on a relative stand-alone selling price basis. Currently revenue allocated to deliverables is restricted to the amount that is receivable without the delivery of additional goods or services; this restriction will no longer be applied under IFRS 15. The primary impact on revenue reporting will be that when the Company sells subsidised devices together with airtime service agreements to customers, revenue allocated to equipment and recognised when control of the device passes to the customer will increase and revenue recognised as services are delivered will reduce.
- Under IFRS 15, certain incremental costs incurred in acquiring a contract with a customer will be deferred on the balance sheet and amortised as revenue is recognised under the related contract; this will generally lead to the later recognition of charges for some commissions payable to third party dealers and employees.
- Certain costs incurred in fulfilling customer contracts will be deferred on the balance sheet under IFRS 15 and recognised as related revenue is recognised under the contract. Such deferred costs are likely to relate to the provision of deliverables to customers that do not qualify as performance obligations and for which revenue is not recognised; currently such costs are generally expensed as incurred. This will give rise to increase in total assets on first-time adoption due to the capitalisation of contract assets and customer acquisition costs.
- BTC is currently working on the effects of the implementation of IFRS on the profitability.

AUDITED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017


89.635
632.33
12.569
89.635
.3320
9.334

BOARD APPROVAL OF THE **ANNUAL FINANCIAL STATEMENTS**

For the year ended 31 March 2017

BOARD APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

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

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

The Audit and Risk Committee, which consists of three members of the Board and the Managing Director, meets at least 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 Audit and Risk Committee, are satisfied that management introduced and maintained adequate internal controls to ensure that dependable records exist for the preparation of the annual financial statements, to verify and maintain accountability of assets of the 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 during the period under review.

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

Against this background, the Members of the Board accept responsibility for the financial statements and the information on pages **110 to 148** which were approved on 22 June 2017 and are signed on its behalf by:

LORATO BOAKGOMO-NTAKHWANA
Chairperson

ANTHONY MASUNGA
Managing Director

GENERAL **INFORMATION**

For the year ended 31 March 2017

DIRECTORS

Lorato Boakgomo-Ntakhwana	Chairperson (appointed 31 / 10 / 2016)
Daphne Matlakala	Chairperson (retired 31 / 10 / 2016)
Paul Taylor	Managing Director (resigned 19 / 07 / 2016)
Anthony Masunga	Managing Director (acting 20 / 07 / 2016, appointed 01 / 01 / 2017)
Maclean C. Letshwiti	(Appointed 31 / 10 / 2016)
Gerald Nthebolan	
Serty Leburu	
Alan Boshwaen	
Choice Pitso	
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 1 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 (CAP 42 : 01).

COUNTRY OF INCORPORATION AND DOMICILE

Botswana

REGISTERED OFFICE

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

COMPANY NUMBER

CO2012/12936

NATURE OF BUSINESS AND PRINCIPAL ACTIVITES

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

BANKERS

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

AUDITOR

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

PRESENTATION CURRENCY

Botswana Pula

INDEPENDENT **AUDITORS REPORT**

For the year ended 31 March 2017

TO THE SHAREHOLDERS OF BOTSWANA TELECOMMUNICATIONS CORPORATION LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Botswana Telecommunications Corporation Limited set out on pages **110 to 148,** which comprise the statement of financial position as at 31 March 2017, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 March 2017, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Botswana (CAP 42:01).

Basis for Opinion

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

Key Audit Matters

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

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

INDEPENDENT **AUDITORS REPORT**

For the year ended 31 March 2017

Key Audit Matter	*How the matter was addressed in the audit*
Consideration of impairment of network assets An impairment of P522 million in the prior year, together with an analysis indicating that the market capitalisation at balance sheet date was marginally lower than the carrying amount of the net assets, resulted in management performing an impairment assessment of the network assets in the current year. Management calculated the recoverable amount, using a discounted cash flow calculation which involves management assumptions around the cash flow forecasts, specifically expectations for revenue and margin developments, as well as assumptions, including the discount rate and Weighted Average Cost of Capital (WACC). Refer to Note 9 Asset Impairment for details of the impairment considerations.	Our audit procedures included, amongst others the following: • We considered whether the methods and models used to determine the recoverable amount are appropriate. • We involved our EY valuation experts to assist us in assessing the appropriateness of the model used and to assist in challenging the assumptions applied within that model. • Together with our EY valuation expert we challenged whether the discount rate and WACC used were appropriate. • We considered the appropriateness of the revenue and margin growth rates by comparing the rates with the historic trends in revenue and margins within the company and taking into account our own understanding about developments in the industry. • We also compared the company's margin percentage to similar sized companies in the region and to historical trends in the industry. • We performed a sensitivity analysis to understand the effect of changes in key variables on the outcome of the model. • We also considered the adequacy of the disclosures of the assumptions and judgements applied.
Revenue recognition due to complexity and volume in the revenue process The Company's revenue is primarily generated from the provision of mobile and fixed-line voice and related value-added services, broadband and other Internet related services, information communications technology services and sales of telecommunication products. Revenue also includes customised bundles for certain subscribers. Further, the billing systems are complex and process large volumes of data with a combination of different products sold during the year, through a number of different systems. Significant management judgement is required in determining the appropriate measurement and timing of recognition of different elements of revenue within bundled sales packages. Refer to the accounting policy note which describes the revenue recognition accounting policy as well as the significant accounting judgements and estimates relating to revenue.	Our audit procedures included, amongst others the following: • We tested key controls in the overall IT environment in which the billing systems reside. • We tested the key controls over the accuracy in calculation and allocation of revenue to separable elements in bundled transactions under contracts with customers. • We assessed the judgement exercised by the Company on allocation of separable elements in bundled transactions under contracts with customers, with reference to standalone selling price and other observable market data. • For a sample of transaction records in the systems, we agreed the amounts recorded in the system to their respective customer contracts, underlying invoices and cash receipts. • We tested key reconciliations used by management to assess the completeness and accuracy of revenue. • We tested the billing system parameters to assess that network activity was appropriately recorded in the correct period. • We considered whether revenue was appropriately deferred by inspecting the unused airtime report extracted from the billing system to assess the amount of revenue that should be deferred. • We agreed the total amount of revenue from the billing reports to the general ledger for the whole year. • We also considered the adequacy of the disclosures on the assumptions and judgements applied.

INDEPENDENT **AUDITORS REPORT**

For the year ended 31 March 2017

Other Information

The Directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act of Botswana (CAP 42:01), which we obtained prior to the date of this report, which is expected to be made available to us after that date. Other information does not include the financial statements and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Botswana (CAP 42:01), and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

INDEPENDENT **AUDITORS REPORT**

For the year ended 31 March 2017

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

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

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

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

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

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

Ernst + Young

Ernst & Young
Practicing Member: Bakani Ndwapi
Partner
Certified Auditor
Membership number: 19980026
Gaborone
Date: 5 July 2017

STATEMENTS OF **COMPREHENSIVE INCOME**

For the year ended 31 March 2017

	Notes	2017 P'000	2016 P'000
Sale of goods and services	1	1,615,022	1,485,839
Interest income	4	23,075	26,451
Revenue		1,638,097	1,512,290
Cost of services and goods sold	2.1	(675,573)	(721,632)
Gross profit		962,524	790,658
Other income	3	35,547	29,425
Selling and distribution costs	2.2	(48,728)	(42,188)
Administrative expenses	2.3	(402,311)	(406,400)
Impairment of property, plant and equipment	8	-	(522,404)
Other expenses	2.4	(272,489)	(317,038)
Profit/(loss) before tax		274,543	(467,947)
Income tax (expense)/credit	6	(37,194)	97,127
Profit/(loss) for the year		237,349	(370,820)
Total comprehensive income/(loss) for the year		237,349	(370,820)
Basic and diluted earnings/(loss) per share (Thebe):	5	22.60	(46.35)

STATEMENT OF **FINANCIAL POSITION**

As at 31 March 2017

	Notes	2017 P'000	2016 P'000
ASSETS			
Non current assets			
Property, plant and equipment	7	1,208,312	985,520
Intangible asset	8	71,176	43,251
Deferred tax assets	6.1	87,947	123,738
		1,367,435	1,152,509
Current assets			
Inventories	10	77,459	92,352
Trade and other receivables	11	278,428	218,129
Related party prepayment	11	80,000	96,000
Cash and cash equivalents	17.3	516,549	390,029
		952,436	796,510
Total assets		2,319,871	1,949,019
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital	12	478,892	228,892
Revaluation reserve	13	322,720	337,147
Accumulated profits		1,147,547	986,071
		1,949,159	1,552,110
Non current liabilities			
Development grants	14	109,077	143,586
Employee related provisions	16	21,245	37,256
		130,322	180,842
Current liabilities			
Trade and other payables	15	191,430	173,290
Current portion of development grants	14	29,453	24,397
Employee related provisions	16	19,507	18,380
		240,390	216,067
Total equity and liabilities		2,319,871	1,949,019

STATEMENT OF **CHANGES IN EQUITY**

For the year ended 31 March 2017

	Notes	Stated Share Capital P'000	Revaluation Reserve P'000	Accumulated Profits P'000	Total P'000
Balance at 1 April 2015		228,892	351,574	1,342,464	1,922,930
Loss for the year/total comprehensive income		-	-	(370,820)	(370,820)
Depreciation transfer for land and buildings	13	-	(14,427)	14,427	-
Balance at 31 March 2016		228,892	337,147	986,071	1,552,110
Profit for the year/total comprehensive income		-	-	237,349	237,349
Issued shares during the year		250,000	-	-	250,000
Ordinary dividend declared		-	-	(90,300)	(90,300)
Depreciation transfer for land and buildings	13	-	(14,427)	14,427	-
Balance at 31 March 2017		478,892	322,720	1,147,547	1,949,159

STATEMENT OF **CASH FLOWS**

For the year ended 31 March 2017

	Notes	2017 P'000	2016 P'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating profit before working capital changes	17.1	369,765	262,450
Working capital adjustments:			
Decrease in inventories		14,893	1,576
(Increase)/decrease in trade and other receivables and prepayments		(44,299)	47,259
Decrease in trade and other payables		(6,127)	(57,104)
Cash generated from operations		334,232	254,181
Ordinary dividend paid to shareholders		(89,765)	-
Net Income tax refunded	17.2	23,260	2,721
Net cash from operating activities		267,727	256,902
CASH FLOWS USED IN INVESTING ACTIVITIES:			
Investment to expand operations:			
Purchase of property, plant and equipment	7	(351,270)	(223,573)
Purchase of intangible assets		(47,699)	(30,997)
Proceeds from disposal of property, plant and equipment		7,026	4,121
Interest income	4	23,075	26,451
Net cash used in investing activities		(368,868)	(223,998)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Share issue		250,000	-
Net cash from financing activities		250,000	-
Increase in cash and cash equivalents		148,859	32,904
Net foreign exchange difference on cash and cash equivalents		(22,339)	(8,852)
Net cash and cash equivalents at beginning of the year		390,029	365,977
Cash and cash equivalents at end of the year	17.3	516,549	390,029

ACCOUNTING **POLICIES**

For the year ended 31 March 2017

PRESENTATION OF FINANCIAL STATEMENTS

The annual financial statements are presented in Botswana Pula which is the Company's functional currency. All financial information and values are rounded to the nearest thousand (P'000) except when otherwise indicated. The Financial Statements of the Company for the year ended 31 March 2017 were authorised for issue by the Members of the Board in accordance with a resolution on 22 June 2017.

CORPORATE INFORMATION

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

BASIS OF PREPARATION

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

Statement of compliance

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

Changes in accounting policy and disclosures

The accounting polices adopted are consistent with those of the previous year, except that during the current financial year the Company has adopted and implemented the following standards interpretations and amendments to standards that are mandatory for financial years on or after 1 January 2016.

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

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

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 profit or loss and OCI. The standard requires disclosure of the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. Since the Company is an existing IFRS preparer and is not involved in any rate-regulated activities, this standard does not apply.

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 Business Combinations principles for business combination accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation if 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 applied prospectively. These amendments do not have any impact on the Company as there has been no interest acquired in a joint operation during the period.

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

The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than 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 applied prospectively and do not have any impact on the Company, given that it 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 Agriculture. 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

ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 March 2017

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants (continued)

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 applied retrospectively and do not have any impact on the Company as it does not have any bearer plants.

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments 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 their separate financial statements have to apply that change retrospectively.

These amendments do not have any impact on the Company's financial statements.

Annual Improvements 2012-2014 Cycle

IFRS 7 Financial Instruments: Disclosures

(i) 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 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.

(ii) Applicability of the amendments to IFRS 7 to financial statements

The amendment clarifies that the offsetting disclosure requirements do not apply to financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively.

IAS 19 Employee Benefits

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. This amendment must be applied prospectively.

These amendments do not have any impact on the Company as it does not have a defined benefit plan.

IAS 34 Interim Financial Reporting

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. This amendment is applied retrospectively. These amendments do not have any impact on the Company.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 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(s) of profit or loss and OCI 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 OCI of associates 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 profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments do not have any impact on the Company.

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

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments are applied retrospectively and do not have any impact on the Company as the Company does not have subsidiaries.

Standards issued but not effective

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

ACCOUNTING **POLICIES (CONTINUED)**

For the year ended 31 March 2017

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The Company is still assessing the impact of this standard on the financial statements.

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

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explains in which circumstances taxable profit may include the recovery of some assets for more than their carrying amount. The amendment is effective for annual periods beginning on or after 1 January 2017.

Overall, the Company expects no significant impact on its balance sheet and equity except for the effect of applying the impairment requirements of IFRS 9. The Company expects a higher loss allowance resulting in a negative impact on equity and will perform a detailed assessment in the future to determine the extent.

IFRS 16 Leases

IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The standard is effective for annual periods beginning on or after 1 January 2019.

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

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

IFRS 15 Revenue from Contracts with Customers

IFRS 15 "Revenue from Contracts with Customers" was issued in May 2015; It is effective for accounting periods beginning on or before 1 January 2018. IFRS 15 will have a material impact on the Company's reporting of revenue and costs as follows:

- IFRS 15 will require BTCL to identify deliverables in contracts with customers that qualify as "performance obligations". The transaction price receivable from customers must be allocated between the Company's performance obligations under the contracts on a relative stand-alone selling price basis. Currently revenue allocated to deliverables is restricted to the amount that is receivable without the delivery of additional goods or services; this restriction will no longer be applied under IFRS 15. The primary impact on revenue reporting will be that when the Company sells subsidised devices together with airtime service agreements to customers, revenue allocated to equipment and recognised when control of the device passes to the customer will increase and revenue recognised as services are delivered will reduce.

- Under IFRS 15, certain incremental costs incurred in acquiring a contract with a customer will be deferred on the balance sheet and amortised as revenue is recognised under the related contract; this will generally lead to the later recognition of charges for some commissions payable to third party dealers and employees.

- Certain costs incurred in fulfilling customer contracts will be deferred on the balance sheet under IFRS 15 and recognised as related revenue is recognised under the contract. Such deferred costs are likely to relate to the provision of deliverables to customers that do not qualify as performance obligations and for which revenue is not recognised; currently such costs are generally expensed as incurred. This will give rise to increase in total assets on first-time adoption due to the capitalisation of contract assets and customer acquisition costs.

- IFRS 15 will impact prepaid arrangements with customers by earlier recognition of breakage elements in such arrangements. This is a result of BTCL not necessarily being required by customers to fully satisfy their service performance obligations. When the Company expects to be entitled to a breakage amount, the expected breakage would be recognised as revenue in proportion to the pattern of rights exercised by the customer.

ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 March 2017

IFRS 15 Revenue from Contracts with Customers (continued)

This estimation would also take into account if this will result in a significant reversal of revenue, in which case breakage revenue is recognised when the prepaid voucher expires.

The Company is currently assessing the impact of these and other accounting changes that will arise under IFRS 15; however, the changes highlighted above are expected to have a material impact on the statement of comprehensive income and statement of financial position. It is expected that the Company will adopt IFRS 15 on 1 April 2018.

IAS 7 Disclosure Initiative – Amendments to IAS 7

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and help users of financial statements better understand changes in an entity's debt. The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The amendments are intended to provide information to help investors better understand changes in an entity's debt. These amendments are not expected to have an impact on the Company's financial statements as the Company does not have borrowings on the statement of financial position. The amendments will be effective for annual periods beginning on or after 1 January 2017.

IFRS 2 Classification and Measurement of Share-based Payment Transactions - Amendments to IFRS 2

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Company is assessing the potential effect of the amendments on its financial statements.

Transfers of Investment Property (Amendments to IAS 40)

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. Currently this amendment has no impact on the Company's financial statements as the Company does not have investment properties or intends to transfer assets into investment properties. The standard is effective for periods beginning on or after 1 January 2018.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The amendments are intended to eliminate diversity in practice, when recognising the related asset, expense or income (or part of it) on the derecognition of a non-monetay asset or nonmonetary liability relating to advance consideration received or paid in foreign currency. The Company is assessing the impact of this interpretation on its financial statements. The interpretation is effective for annual period beginning on or after 1 January 2018.

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

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. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. These amendments are not applicable to the Company as the Company has no Joint Ventures or Associates.

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.

ACCOUNTING **POLICIES (CONTINUED)**

For the year ended 31 March 2017

SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

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 amortising existing government grants received at reporting date and assuming that there will be no grants received and no additional capital expenditure in the financial year 2016/2017. Further details are given in Note 14.

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.

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 20.

Finance leases

The Company has transferred some of the immovable property to Botswana Fibre Networks (BOFINET) (see Note 7) as per presidential directive (CAB 21 /2012). 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 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 of Botswana is still a related party as the shareholding is 54.16% as at 31 March 2017. Significant management judgment is required to determine as to who qualifies for being a related party, based on the type of the relationship especially on entities also controlled by the Government.

Allowances for slow moving inventory

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

ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 March 2017

SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

its expected life as prescribed by internal experts. The depreciation method reflects the pattern in which economic benefits attributable to the asset flows to the entity. The useful lives of these assets can vary depending on a variety of factors, including but not limited to technological obsolescence, maintenance programs, refurbishments, customer relationship period, product life cycles and the intention of management.

The 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 11.

Impairment of non-financial assets

The Company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. Management expresses judgement and estimates on the impact of technological changes and expected nature of use of the respective assets in the generation of revenue in the near future.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and chooses a suitable discount rate in order to calculate the present value of those cash flows.

Initial Fair Value of financial Instruments

Financial liabilities have been valued based on the expected cash flows discounted at current rates at grant date applicable for items with similar terms and risk characteristics. This valuation requires the Company to make estimates about expected future cash flows and discount rates, and hence they are subject to uncertainty. Further details are given in note 21.

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 Company contributes to the fund 16% of the pensionable earnings of the members. Pension contributions on behalf of employees are charged to profit or loss in the year to which they relate to and as the related service is provided.

Short-term employment benefits

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

Termination benefits

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

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

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 postpaid 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

ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 March 2017

REVENUE RECOGNITION (continued)

calls and data usage 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. 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 recognised 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.

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

ACCOUNTING **POLICIES (CONTINUED)**

For the year ended 31 March 2017

REVENUE RECOGNITION (continued)
Interconnect (continued)

solutions include both domestic and international telephone services and ISDN services. Revenue is recognised 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 customer premises equipment used in the construction or maintenance of plant (including work-in-progress), and consumable stores and other inventories. Inventories are stated at the lower of cost, determined on the weighted average basis, and estimated net realisable value after due consideration for slow moving and obsolete items.

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

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.

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

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

ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 March 2017

PROPERTY, PLANT AND EQUIPMENT (continued)

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 assets. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is land or buildings, in which case the impairment loss is treated as a decrease in the revaluation reserve to the extent of the value of this reserve relating to this particular asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or have decreased. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as an increase in the revaluation reserve after reversing the portion previously recognised in profit or loss.

INTANGIBLE ASSETS

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

ACCOUNTING **POLICIES (CONTINUED)**

For the year ended 31 March 2017

INTANGIBLE ASSETS (continued)

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.

Computer & billing software and network system

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

Derecognition of intangible asset

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

FOREIGN CURRENCY TRANSLATION

Transactions in currencies other than Botswana Pula are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are translated at the rates of exchange approximating those ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. 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 value of the SDR is determined by summing the values in US Dollars based on the market exchanged rates of basket of major currencies (the US Dollars, EUR, Japanese yen, sterling pound).

INDEFEASIBLE RIGHT OF USE (IRU)

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

The assets are not specified under the IRU arrangements and 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 Limited, a statutory body, was converted to a public company limited by shares issued on the 1 November 2012. On 8 April 2016 the Company was listed on Botswana Stock Exchange with 1,050,000,000 shares. Out of the total number of shares listed, 250,000,000 shares were issued on the day of listing. As at 31 March 2017 the Company had 1,050,000,000 shares (2016: 800,000,000 shares). The Government of Botswana remains the majority shareholder with 54.16% shareholding.

ACCOUNTING **POLICIES (CONTINUED)**

For the year ended 31 March 2017

RELATED PARTY TRANSACTIONS

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

Current Income tax

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

Deferred tax

Deferred 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.

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 are trade and other payables.

ACCOUNTING **POLICIES (CONTINUED)**

For the year ended 31 March 2017

FINANCIAL INSTRUMENTS (continued)

Trade and other payables

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

Gains and Losses for Financial Liabilities

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

Equity instruments

Equity instruments are recorded net of direct issue costs.

Offsetting of financial assets and financial liabilities (Interconnect balances)

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

Derecognition of financial assets and liabilities

The Company derecognises a financial asset when the right to receive cash flow from the asset have expired and it has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass through arrangement and either the Company has transferred substantially all the risks and rewards of the the asset or the Company has neither transferred nor retained substantially all the risks and rewards of the the asset but has transferred control of the asset. The asset is only recognised to the extent that the Company has a continuing involvement in the asset. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

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

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

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

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

Management determines the amount of dividends to be distributed to the shareholders. Dividends shall be declared in respect of each financial period based on the operating results of the period, financial position of the Company, investment strategy, future capital requirements and other factors that the BTCL. 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 declared.

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.

ACCOUNTING **POLICIES (CONTINUED)**

For the year ended 31 March 2017

LEASES

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

Company as a lessee

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

Company as lessor

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

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 recognised less cumulative amortization.

NOTES TO THE FINANCIAL **STATEMENTS**

For the year ended 31 March 2017

	2017 P'000	2016 P'000
1 SALES OF GOODS AND SERVICES		
Telephone - national	243,823	228,806
Telephone - international	34,328	39,196
Interconnect (fixed and mobile)	61,869	54,174
Local and access services	102,336	85,788
Mobile revenue (excluding interconnect)	550,916	473,580
Data	367,618	384,180
Private circuits	38,222	33,835
Customer Premises Equipment (CPE)	173,342	147,935
Directory services	12,351	12,828
Other Services	30,217	25,518
	1,615,022	1,485,839
Analysis of Revenues by Business Streams is as follows:		
Fixed		
Voice	278,152	262,899
Access	115,092	89,311
Interconnect	19,356	18,493
Customer Premises Equipment (CPE)	108,075	129,355
	520,676	500,058
Mobile		
Voice	440,268	433,492
Interconnect	42,513	40,451
Data	66,349	46,365
Short Message Service (SMS)	40,263	43,923
Customer Premises Equipment (CPE)	4,032	3,222
	593,425	567,453
Data		
Usage	99,502	72,007
Access	300,427	300,810
Customer Premises Equipment (CPE)	72,119	18,557
	472,047	391,374
Other Revenue		
Directory services	12,351	12,828
Value Added Services	2,740	2,596
Propery rentals	2,312	3,164
Cost of works	10,456	5,980
Third party collection fees	1,015	2,386
	28,874	26,954
	1,615,022	1,485,839

NOTES TO THE FINANCIAL **STATEMENTS (CONTINUED)**

For the year ended 31 March 2017

	2017 P'000	2016 P'000
2 OPERATING COSTS		
2.1 Cost of services and goods sold :		
Payment to International carriers and local operators (interconnection)	289,301	268,327
Depreciation:		
Land and buildings	25,391	15,216
Network Assets	88,926	206,171
Amortisation of Intangible assets	19,809	28,818
Equipment and material costs	157,400	80,307
Installation of Customer Premises Equipment (CPE)	8,306	6,144
Write up/(down) of inventories	5,337	(6,993)
Cost of directory sales	2,393	2,511
Cost of prepaid cards	3,290	2,710
Cost of phones	22,295	55,440
License fee - BOCRA	40,689	46,931
Space segment rentals and other licence fees	12,435	16,051
Total cost of services and goods sold	675,573	721,632
Space segment rentals relates to access to some satelites which the entity rents. Licence fees relates primarily to such licences as computer software licences.		
2.2 Selling and distribution costs:		
Product Marketing costs	48,728	42,188
	48,728	42,188
2.3 Administrative expenses:		
Employee costs:		
Salaries and wages	334,197	322,139
Pension fund and group life contributions (defined contribution plans)	17,961	17,201
Training costs	2,758	9,459
Other related employee costs *	16,660	24,656
Total employee costs charged to profit or loss	371,576	373,455
Depreciation - other equipment	13,195	9,388
Repairs and maintenance - non-telecommunications equipment	17,540	23,559
Total administrative expenses	402,311	406,401

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2017

		2017 P'000	2016 P'000
2	OPERATING COSTS (continued)		
2.4	Other expenses		
	Other operating expenses	272,489	317,038
	Total other operating expenses	272,489	317,038
	Other operating expenses analysis is as follows:		
	Audit and directors fees	3,725	2,706
	Billing costs	52,099	36,445
	Consultancy	43,504	51,434
	Exchange gain	(26,346)	(7,368)
	Financial charges	13,338	21,727
	Radio Licence fees - BOCRA	5,179	4,924
	Operating lease charges - rentals	13,998	13,932
	Stationery	7,271	6,336
	Miscellaneous expenses*	9,454	4,614
	Property upkeep	10,008	10,747
	Travel and entertainment	14,698	31,904
	Dealer rebates and commission	97,501	91,328
	Vehicle running costs	8,202	9,039
	Utilities - electricity and water	6,241	18,274
	Licenses - system and software	13,617	20,996
	TOTAL	272,489	317,038

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

		2017 P'000	2016 P'000
3	OTHER INCOME		
	Development grant recognised as income (note 14)	29,453	24,397
	Deferred revenue recognised as income	-	907
	Profit on disposal of property, plant and equipment	6,094	4,121
		35,547	29,425
4	INTEREST INCOME		
	Interest from short-term and call accounts deposits	23,075	26,451
		23,075	26,451
5	EARNINGS PER SHARE		
	Profit/(loss) attributable to ordinary shareholder for basic and diluted earnings per share	237,349	(370,820)
	Stated capital - number of shares (note 12)	1,050,000,000	800,000,000
	Earnings per share (Thebe)	22.60	(46.35)

The Company has stated capital of 1,050,000,000 shares as at 31 March 2017 (2016: 800,000,000 shares). The Government of Botswana is still the majority shareholder with 54.16% shareholding.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2017

	2017 P'000	2016 P'000
6 INCOME TAX		
The components of income tax expense for the year ended are:		
Statement of Comprehensive income		
Taxation expense		
Corporate tax	1,403	-
Deferred taxation	35,791	(97,127)
Taxation expense	37,194	(97,127)
Tax rate reconciliation		
Profit before tax	274,543	(467,947)
Company tax at 22%	60,399	-
Tax loss brought forward	(5,926)	-
Non-taxable income	(96,055)	-
Non-deductible expenses	42,986	(97,127)
Taxation expense	1,404	(97,127)
6.1 DEFERRED TAX		
Accelerated depreciation for tax purposes	(87,449)	(28,584)
Unrealised gain	5,522	1,648
Indefeseable right of use	(3,520)	21,121
Unutilised scratch cards	(2,500)	(2,994)
Impairment	-	(114,929)
Deferred tax assets	(87,947)	(123,738)
Assessed loss		
Balance brought forward	(123,738)	(26,611)
Movement for the year	35,791	(97,127)
Total	(87,947)	(123,738)
6.2 MOVEMENT IN DEFERRED TAX ASSET		
Opening balance	(123,738)	(26,611)
Movement in profit and loss	35,791	(97,127)
Movement in other comprehensive income	-	-
Closing balance	(87,947)	(123,738)

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 2017

2017	Land & Buildings P'000	Network Assets P'000	Plant & Other Equipment P'000	Capital Work in Progress P'000	Total P'000
7 PROPERTY, PLANT AND EQUIPMENT					
COST OR VALUATION					
At beginning of the year	648,661	2,382,761	200,614	67,850	3,299,885
Additions	1,841	189,282	25,397	134,749	351,270
Disposals	-	-	(13,260)	-	(13,260)
At end of the year	650,502	2,572,043	212,751	202,599	3,637,895
DEPRECIATION AND IMPAIRMENT					
At beginning of the year	185,048	1,960,609	168,709	-	2,314,366
Depreciation charge for the year	25,391	88,926	13,230	-	127,547
Disposals	-	-	(12,329)	-	(12,329)
At end of the year	210,439	2,049,535	169,610	-	2,429,584
NET BOOK VALUE					
At beginning of the year	463,613	422,152	31,905	67,850	985,520
At end of the year	440,063	522,508	43,141	202,599	1,208,312

2016	Land & Buildings P'000	Network Assets P'000	Plant & Other Equipment P'000	Capital Work in Progress P'000	Total P'000
COST OR VALUATION					
At beginning of the year	647,398	2,269,220	189,514	849	3,106,981
Additions	203	139,332	17,037	67,001	223,573
Reclassification - Intangible assets	1,060	(16,878)	-	-	(15,818)
Disposals	-	(8,913)	(5,937)	-	(14,850)
At end of the year	648,661	2,382,761	200,614	67,850	3,299,886
DEPRECIATION AND IMPAIRMENT					
At beginning of the year	169,273	1,246,010	165,258	-	1,580,541
Reversals	-	-	-	-	-
Depreciation charge for the year	15,216	206,171	9,388	-	230,774
Impairment (note 9)	-	522,404	-	-	522,404
Reclassification -Intangible assets	559	(5,063)	-	-	(4,504)
Disposals	-	(8,913)	(5,937)	-	(14,850)
At end of the year	185,048	1,960,609	168,709	-	2,314,366
NET BOOK VALUE					
At beginning of the year	478,125	1,023,210	24,255	849	1,526,439
At end of the year	463,613	422,152	31,905	67,850	985,520

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2017

7 PROPERTY, PLANT AND EQUIPMENT (continued)

A fixed asset registration project was undertaken to ensure that BTCL's fixed asset register complied with the requirements of IFRS as at 31 March 2017. This entailed:

The revaluation of land and buildings was performed on 31 March 2015 by Willy Kathurima Associates. The revaluation adjustment regarding the prior year revaluation is reflected in Note 13 and is reported in the prior year 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 registration 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 in 2015 and the remaining assets were disposed in 2016 and 2017.

Revaluation of Land and Buildings

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

	2017 P'000	2016 P'000
Cost	175,548	173,707
Depreciation	(107,024)	(104,724)
Carrying amount	68,524	68,983

NOTES TO THE FINANCIAL **STATEMENTS (CONTINUED)**

For the year ended 31 March 2017

	Computer & Billing Software P'000	Network Systems P'000	Total P'000
8 INTANGIBLE ASSETS			
31 MARCH 2017			
COST			
At beginning of the year	128,441	123,828	252,269
Additions	3,364	44,335	47,699
At end of the year	131,805	168,163	299,968
AMORTISATION			
At beginning of the year	111,306	97,712	209,018
charge for the year	9,746	10,028	19,774
At end of the year	121,052	107,740	228,792
NET BOOK VALUE			
At beginning of the year	17,135	26,116	43,251
At end of the year	10,753	60,422	71,176

	Computer & Billing Software P'000	Network Systems P'000	Total P'000
30 MARCH 2016			
COST			
At beginning of the year	110,965	94,488	205,453
Additions	17,476	13,521	30,997
Reclassification from land and buildings	-	(1,060)	(1,060)
Reclassification to network assets	-	16,878	16,878
At end of the year	128,441	123,827	252,268
AMORTISATION			
At beginning of the year	97,078	78,617	175,695
charge for the year	14,228	14,591	28,819
Reclassification from land and buildings	-	(559)	(559)
Reclassification to network assets	-	5,063	5,063
At end of the year	111,306	97,712	209,017
NET BOOK VALUE			
At beginning of the year	13,887	15,872	29,758
At end of the year	17,135	26,115	43,251

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2017

9 ASSET IMPAIRMENT

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

During the prior year ended 31 March 2016, management performed a valuation of the Company based on discounted cashflow technique in determining the recoverable amount which resulted in an impairment of P522,404,393. The impairment calculations were done in accordance with IAS 36 (impairment of assets).

In determining the recoverable amount of BTCL cash generating unit (CGU) a discounted Cash flow valuation method was used. The whole business was regarded as one CGU .The recoverable amount was lower than a carrying amount indicating that the assets are impaired. Impairment amount of P522,404,393 was determined and it represents a write-down of some of the network assets. The whole impairment was allocated to network assets category as the properties and buildings were fair valued during the prior year. The fair values of property and buildings were done by Willy Kathurima Associates on 31 March 2015 (note 7) and the valuation remained relevant for the year ended 31 March 2017.

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 5% was applied .

Assumptions

Discount rate (WACC) 2017: 13% (2016 : 12.79%)

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

	2017 P'000	2016 P'000
10 INVENTORIES		
Comprising:		
Consumable stores	43,877	38,562
Customer premises equipment	27,142	39,999
Other inventories	6,441	13,697
	77,459	92,258

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2017

	2017 P'000	2016 P'000
11 TRADE AND OTHER RECEIVABLES		
Trade receivables	101,433	149,385
Receivables from related parties	94,881	43,837
Trade receivables from interconnect balances	65,049	68,846
Staff advances	10,362	11,978
Receivables from Global connectivity projects (EASSy & WACS)	9,455	9,455
Other receivables	66,100	60,711
	347,281	344,211
Prepayments and deposits	72,816	13,479
Debtors impairment	(141,669)	(139,561)
	278,428	218,129
Related party prepayment (Indefeasible Right of Use)	80,000	96,000
	358,428	314,129

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

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

	2017 P'000	2016 P'000
Trade and other receivables at 31 March 2016		
Neither past due nor impaired	24,182	52,547
Past due but not impaired		
less than 30 days	12,288	26,899
between 30 days and 60 days	9,944	15,256
between 60 days and 90 days	101,881	39,047
more than 90 days	57,315	70,901
Net carrying amount	205,612	204,650

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

	Individually Impaired P'000	Collectively Impaired P'000	Total P'000
31 March 2017			
At beginning of year	76,122	63,439	139,561
Additional amounts raised	852	9,003	9,855
Amount recovered during the year	-	(7,747)	(7,747)
At end of year	76,974	64,695	141,669
31 March 2016			
At beginning of year	75,633	89,293	164,926
Additional amounts raised	489	949	1,438
Amount recovered during the year	-	(26,803)	(26,803)
At end of year	76,122	63,439	139,561

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2017

	2017 P'000	2016 P'000
12 STATED CAPITAL		
Balance at the beginning of the year	228,892	228,892
Share issue during the year	250,000	-
Balance at the end of the year	478,892	228,892
Authorised and issued capital		
Authorised shares		
1,050,000,000 (2016: 1,050,000,000) ordinary shares of no par value	478,892	228,892
Ordinaly shares issued and fully paid		
1,050,000,000 (2016: 800,000,000) ordinary shares of no par value	478,892	228,892

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

	Number of shares	
	2017	2016
Shares of no par value in issue at the beginning of the year	800,000,000	1,000,000
Share split during the year	-	799,000,000
Share issue during the year	250,000,000	-
Shares of no par value in issue at the end of the year	1,050,000,000	800,000,000

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

During the prior year a share split was effected on 27 November 2015 in terms of which each share in BTCL was split into 800 shares. This share split was effected in anticipation of the listing.

Cash dividends on ordinary shares paid:		
Final dividend for 2016: 5 Thebe per share (2015: nil)	52,500	-
Interim dividend for 2017: 3.6 Thebe per share (2016: nil)	37,800	-
	90,300	-

	2017 P'000	2016 P'000
13 REVALUATION RESERVE		
Properties revaluation reserve		
Balance at the beginning of the year	337,147	351,574
Depreciation transfer for land and buildings	(14,427)	(14,427)
Balance at the end of the year	322,720	337,147
Total other reserves	322,720	337,147

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2017

		2017 P'000	2016 P'000
14	DEVELOPMENT GRANTS		
	Balance at the beginning of the year	167,983	192,380
	Recognised as income during the year	(29,453)	(24,397)
	Balance at end of the year	138,530	167,983
	Current portion of development grant	29,453	24,397
	Non-Current portion of development grant	109,077	143,586
		138,530	167,983

The cumulative grants received to date are P509,325,984 (2016: P509,325,984). These grants are for the purpose of funding the Company's expansion in rural districts in terms of National Development Plan 8 called Nteletsa projects. The portion of the grants recognised as income during the year is based on the useful life of plant and equipment which was funded by the above grants.

15 TRADE AND OTHER PAYABLES

	2017 P'000	2016 P'000
Trade payables	133,801	118,038
Interconnection balances	10,723	1,208
Accruals and other payables	46,906	54,044
	191,430	173,290

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

Interconnection balances relates to terminating charges owing on BTCL outgoing calls to international operators and for other local mobile networks. These are settled on a 30-90 day term and are not secured. Included in accruals and other payables is the mobile deferred revenue amounting to P11,364,444 (2016: P13,608,612).

16 EMPLOYEE RELATED PROVISIONS

	Leave Pay P'000	Gratuity P'000	Other P'000	Total P'000
Opening balance **(2016)**	15,219	37,256	3,162	55,637
Charged to employee expenses	9,920	32,537	2,544	45,001
Utilised	(7,955)	(48,548)	(3,383)	(59,886)
Closing balance **(2017)**	17,184	21,245	2,323	40,752

Employee related provisions comprise of leave pay, gratuity and other. In terms of BTCL policy, employees are entitled to accumulate vested leave benefits .Of the leave days earned in respect of any period of twelve (12) months, not less than eight (8) days shall be taken no later than six months immediately after the period in respect of which leave is earned. This leave shall be forfeited if not taken. Gratuities are normally paid at the end of an employee's contract which in the case of BTCL is on average between 1 to 3 years.

NOTES TO THE FINANCIAL **STATEMENTS (CONTINUED)**

For the year ended 31 March 2017

	Notes	2017 P'000	2016 P'000
17 STATEMENT OF CASH FLOWS			
17.1 Operating profit before working capital changes:			
Net profit/(loss) before financing costs		274,543	(467,947)
Adjustment for non cash movements:			
Depreciation and amortisation of intangible assets	7-8	147,321	259,593
Impairment of property plant and equipment	7	-	522,404
Profit on disposal of property, plant and equipment	2.4	(6 095)	(4,121)
Interest income	4	(23,075)	(26,451)
Exchange loss unrealised		21,408	8,852
Development grant recognised as income	16	(29,453)	(24,397)
Deferred revenue recognised as income	17	-	(907)
Movement in provisions	19	(14,8854)	(4,576)
Operating profit before working capital changes		369,765	262,450

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.

17.2 Net Income tax refunded

		2017 P'000	2016 P'000
Opening balance		30,535	33,106
Charge for the year		(1,402)	-
Withholding tax on interest		280	150
Closing balance		(6 153)	(30,535)
Net cash received as tax refund		23,260	2,721

17.3 Net cash and cash equivalents at end of the year:

		2017 P'000	2016 P'000
Cash at bank and on hand		16,847	32,295
Short term deposits		499,702	357,734
Net cash and cash equivalents at end of the year		516,549	390,030

The call deposits had effective interest rates of between 0.4% and 1% (2016: 1% and 3%). 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 to 210 days (2016: 90 days).

17.4 Banking Facilities

The Company has facilities with its bankers amounting to P110,000,000 (2016: P110,000,000) in respect of letters of credit and guarantees. The banking facilities are unsecured.

	2017 P'000	2016 P'000
18 CAPITAL COMMITMENTS		
Contracted but not paid	343,589	219,854
Authorised but not contracted	211,305	212,704
Total capital commitments	554,894	432,558

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2017

	2017 P'000	2016 P'000
19 OPERATING LEASE COMMITMENTS-COMPANY AS LESSEE		
Future minimum lease payments payable under non-cancellable operating leases are as follows:		
Operating leases	25,111	24,192
	25,111	24,192
Balance due within one year	5,656	10,318
Balance due between two and five years	12,089	9,490
Balance due after five years	7,366	4,384
	25,111	24,192
OPERATING LEASE COMMITMENTS-COMPANY AS LESSOR		
Future minimum lease receivables under non-cancellable operating leases are as follows:		
Operating leases	3,213	4,733
Balance due within one year	482	1,520
Balance due between two and five years	1,395	1,877
Balance due after five years	1,336	1,336
	3,213	4,733

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2017

20 RELATED PARTY TRANSACTIONS

Relationships

Shareholder with 54.16% ownership	Government of Botswana
Members of the Board of Directors	Refer to General information Page 105
Members of Key management	Anthony Masunga
	Abel Bogatsu
	Thabo Nkala
	Mokgethi Nyatseng
	Christopher Diswai
	Same Kgosiemang
	Boitumelo Masoko
	Mmamotse Monageng
	Kaelo Radira
	Goitseone Tshiamiso
	Pilot Yane

Trading transactions

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

	Revenue billed		Balance due	
	2017 P'000	2016 P'000	2017 P'000	2016 P'000
Sales and outstanding balances from related parties				
The Government of the Republic of Botswana	406,664	345,134	82,891	34,267
Parastatals	96,869	66,860	11,990	9,571
	503,533	411,994	94,881	43,837
Purchases from related parties				
Parastatals	201,853	214,710	16,310	16,521

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 P9,455,478 (2016: P9,455,478) 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 P340 million for 10 years which translates to an annual charge of P34 million. The cumulative payments to date amount to P260 million (2016: P164 million).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2017

20 RELATED PARTY TRANSACTIONS (continued)

	2017 P'000	2016 P'000
Compensation of key management personnel		
Short-term benefits	11,446	14,429
Termination benefits	4,690	4,565
	16,136	18,994

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

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

Directors' Interests

Emoluments per director (in Pula) (2017)

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

Directors' Interests

Emoluments per director (in Pula) (2016)

Director	Fees	Remuneration	Performance bonus	Fringe and other benefits	Total
Paul Taylor (Managing Director)	-	2,903,700	1,486,225	355,392	4,745,316
Daphne Matlakala	38,768	-	-	-	38,768
Alan Boshwaen	22,470	-	-	-	22,470
Choice Pitso	40,110	-	-	-	40,110
Serty Leburu	20,160	-	-	-	20,160
Rejoice Tsheko	35,490	-	-	-	35,490
Gerald Nthebolan	29,400	-	-	-	29,400
Total emoluments paid	186,398	2,903,700	1,486,225	355,392	4,931,714

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2017

21 FINANCIAL RISK MANAGEMENT

21.1 Financial risk management objectives and policies

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

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

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

21.2 Currency risk:

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

	Exchange Rates		Amount in Foreign Currency	
	2017	2016	2017	2016
Currency				
Liabilities:				
Euro	0.0790	0.0910	(639,256)	(313,360)
Rand	1.3245	1.1875	(2,916,271)	(3,746,886)
SDR	0.0674	0.0703	(2,729,267)	(2,754,133)
US Dollar	0.0885	0.0970	(3,445,569)	(1,859,354)
Assets:				
SDR	0.0628	0.0750	3,438,318	3,445,973
US Dollar	0.0950	0.1035	2,338,256	665,926
Euro	0.0825	0.0950	51,686	-
Combined Net Liability Position			(3,902,103)	(4,561,834)

The Company's currency risk exposure is partly hedged by USD ,EURO and RAND deposit accounts held which at 31 March 2017 amounted to USD 9,213 (2016: 31,078) ; EURO 2,931 (2016:719,484) and RAND 798,597 (2016: 2,472,672).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2017

21 FINANCIAL RISK MANAGEMENT (continued)

21.3 Foreign Currency sensitivity analysis

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

The following table details the 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.

	2017 Pula	2016 Pula
10% decrease		
Euro	(5,050)	(2,852)
Rand	(386,260)	(444,943)
Special Drawing Rights (SDR)	(18,404)	(19,362)
United States Dollar	(30,493)	(18,036)
Net Effect	(440,207)	(485,191)
10% increase		
Euro	5,050	2,852
Rand	386,260	444,943
Special Drawing Rights (SDR)	18,404	19,362
United States Dollar	30,493	18,036
Net Effect	440,207	485,191

21.4 Credit Risk

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

Trade receivables

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

Cash & cash equivalents

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

Significant concentrations of credit risk

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

Below is the significant concentration of credit risk per counterparty:

- Government agencies: P32,789,703 (2016: P30,948,413)
- Banks: P1,743,823 (2016: P3,903,679)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2017

21 FINANCIAL RISK MANAGEMENT (continued)

Significant concentrations of credit risk (continued)

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.

	2017 P'000	2016 P'000
Financial assets and other credit exposures		
Trade debtors and other receivables	205,612	339,142
Short term call deposits	499,702	346,969
Cash and bank	16,847	19,008
	722,161	705,118

21.5 Financial instruments designated at fair value through profit and loss

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

21.6 Financial assets held or pledged as collateral

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

21.7 Interest income and expense by financial instrument category

	Loans and Receivables P'000
2017	
Interest income	23,075
Net interest income	23,075
2016	
Interest income	26,066
Net interest income	26,066

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2017

21 FINANCIAL RISK MANAGEMENT (continued)

21.8 Liquidity and interest risk management

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

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

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

Financial Assets	Less than 1 month P'000	1 - 3 months P'000	3 months to 1 year P'000	Total P'000
2017				
Trade and other receivables	24,182	124,114	57,315	205,611
Cash at bank and on hand	16,847	-	499,702	516,549
	41,029	124,114	557,017	722,160

	Less than 1 month P'000	1 - 3 months P'000	3 months to 1 year P'000	Total P'000
2016				
Trade and other receivables	52,547	81,201	70,901	204,649
Cash at bank and on hand	32,294	357,734	-	390,028
	32,294	438,935	70,901	594,678

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.

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
2017						
Trade and other payables	-	200,300	-	-	-	200,300
	-	200,300	-	-	-	200,300

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
2016						
Trade and other payables	-	227,672	-	-	-	227,672
	-	227,672	-	-	-	227,672

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2017

21 FINANCIAL RISK MANAGEMENT (continued)

21.9 Interest rate sensitivity analysis

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

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/ (decrease) in pre tax profit/(loss) for the year P'000
2017		
Interest rate risk		
Change in interest rate	+1%	19,492
	-1%	(19,492)

		Increase/ (decrease) in pre tax profit/(loss) for the year P'000
2016		
Interest rate risk		
Change in interest rate	+1%	19,229
	-1%	(19,229)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2017

22 FAIR VALUE HIERACHY

The revalued land and buildings consist of:

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

Management determined that these constitute one class of assets under IFRS 13, based on the nature, 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. The properties' were revalued on 31 March 2015, 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) 2016 P'000
Land & Buildings	31/3/2015	339,807

		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	100	2500	209,163	592
Rural areas	Pula	10	65	566,424	34

Significant increases (decreases) in estimated price per square metre in isolation would result in a significantly higher (lower) fair value.

Significant unobservable inputs for the revaluation done on 31 March 2015 have been disclosed above.

Valuation techniques used to derive level 3 fair values

The comparable market valuation method was used to value land, land improvements, buildings, building improvements in urban areas and land in rural areas. Valuation inputs as disclosed above are for the comparable method approach. Rural land improvements were valued on the basis of the replacement cost of the land improvements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2017

23 CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure continuity as a going concern for the Company while at the same time maximising the shareholders' return through the optimisation of the debt and equity balances. The Company has access to financing facilities, the total unused portion amounting to P110 million (2016: 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.

	2017 P'000	2016 P'000
Debt		
Trade and other payables	191,430	227,672
Total debt	191,430	227,672
Equity		
Stated Capital	478,892	228,892
Revaluation reserve	322,720	351,574
Accumulated profits	1,147,547	1,342,464
Total equity	1,949,159	1,922,930
Total capital	2,140,588	2,150,602
Gearing ratio	10%	12%

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

24 SEGMENT REPORTING

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.

25 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 P340 million over the 10 years thus P34 million per year. The payment schedule is as below:

Payment to date	- P164 million as at 31 March 2016
Third payment	- P96 million payable on 1 April 2016
Final payment	- P80 million payable on 1 April 2017

26 EVENTS AFTER THE REPORTING PERIOD

There are no significant subsequent events after the reporting period.

NOTES

TEN YEAR **REVIEW**

For the year ended 31 March 2017

	2017	2016	2015
Statement of operational data (P 000's)			
Sale of goods and services	1,615,022	1,485,839	1,495,244
Cost of services excluding depreciation	533,142	465,283	391,346
Selling and distribution costs	57,034	48,332	46,746
Employee costs	371,576	373,454	360,344
Other operating costs, repairs and maintenance	283,934	336,476	344,632
Earnings before interest, depreciation, taxation and amortisation (EBIDTA)	369,336	262,295	352,176
Depreciation net of amortisation	117,868	234,289	177,673
Operating profit	251,468	28,006	174,503
Interest income	23,075	26,451	26,066
Earnings before interest and taxation (EBIT)	274,543	54,457	200,569
Interest costs (Financing costs)	-	-	-
Earnings (Net income) before restructuring costs	274,543	54,457	200,569
Impairment of property ,plant and equipment	-	522,404	-
Restructuring costs and retrenchment costs	-	-	-
Profit/loss before tax (PBT)	274,543	(467,947)	200,569
Income tax	(37,194)	97,127	(53,814)
Profit/loss for the year	237,349	(370,820)	146,755
Capital expenditure	254,570	262,489	264,498
Balance sheet data (P 000's)			
Total assets	2,319,871	1,949,019	2,404,101
Current liabilities	191,430	173,290	227,672
Long-term debts	-	-	-
Employee related provisions	40,752	55,636	60,212
Tax liabilities	-	-	-
Development grant and deferred income	138,530	167,983	193,287
Shareholder's equity	1,949,159	1,552,110	1,922,930
Total Equity and Liabilities	2,319,871	1,949,019	2,404,101
	-	-	-
Earnings ratios			
Revenue (Turnover) growth (%)	8.7	(0.6)	2.1
Earning per share (Pula) (1,050,000,000 shares)	0.23	(0.46)	0.18
EBIDTA to revenue margin (%)	22.9	17.7	23.6
Operating profit to revenue (%)	15.6	1.9	11.7
Return on average equity (%)	15.7	(26.9)	11.4
Return on average capital employed (%)	14.4	2.8	10.2
Return on average operating assets (%)	12.9	2.5	8.8
Other operational data			
Staff strength	924	944	934
Economic data			
Inflation (consumer price inflation)	3.40	2.50	4.50
Value of Pula (1 Pula equals to US $)	0.09	0.09	0.10
Cash and cash equivalents	516.5	390.0	366.0

2014	2013	2012	2011	2010	2009	2008
1,463,931	1,384,222	1,173,909	1,065,112	958,444	835,900	799,173
361,909	386,644	353,857	290,386	291,595	248,512	217,533
42,955	34,510	36,098	11,883	6,443	7,853	8,598
329,134	302,097	262,937	251,567	209,835	196,274	190,557
279,497	213,631	146,657	161,000	130,803	114,538	106,292
450,436	447,340	374,360	350,276	319,768	268,723	276,193
175,112	181,684	150,729	141,330	159,377	151,653	152,933
275,324	265,656	223,631	208,946	160,391	117,070	123,260
25,144	18,451	13,415	21,311	30,891	45,873	59,252
300,468	284,107	237,046	230,257	191,282	162,943	182,512
208	184	184	2,866	10,228	21,228	29,168
300,260	283,923	236,862	227,391	181,054	141,715	153,344
266,051						
31,190	–	–	–	–	22,761	95,017
3,020	283,923	236,862	227,391	181,054	118,954	58,327
(2,880)	(10,277)	–	–	–	–	–
140	273,646	236,862	227,391	181,054	118,954	58,327
194,846	333,896	380,456	401,915	348,318	167,727	371,994
2,129,932	2,607,343	2,383,432	1,947,461	1,823,075	1,658,263	1,643,236
234,085	218,976	193,312	175,242	272,420	194,344	204,887
1,416	1,416	1,416	1,416	58,734	107,273	200,813
73,175	42,065	42,414	39,519			
–	10,277					
232,936	340,980	367,087	270,831	213,596	228,220	239,301
1,588,320	1,993,629	1,779,203	1,460,455	1,278,325	1,128,426	998,235
2,129,932	2,607,343	2,383,432	1,947,463	1,823,075	1,658,263	1,643,236
–	–	–	–	–	–	–
5.8	17.9	10.2	11.1	14.7	4.6	7.4
0.00	0.34	0.30	0.28	0.23	0.15	0.07
30.8	32.3	31.9	32.9	33.4	32.1	34.6
18.8	19.2	19.1	19.6	16.7	14.0	15.4
0.2	15.1	14.6	16.6	15.0	11.2	5.9
13.0	12.7	12.4	14.1	12.7	9.7	6.0
11.4	11.4	10.9	12.2	11.0	8.5	5.4
932	962	942	950	905	905	1,057
8.20	6.20	8.20	6.20	9.20	10.60	9.80
0.11	0.15	0.14	0.15	0.15	0.13	0.16
353.5	405.6	292.863	283.3	344.1	399.7	404.1

BOTSWANA TELECOMMUNICATIONS **CORPORATION LIMITED**

For the year ended 31 March 2017

Share Analysis - Ordinary Shareholders

	Shareholders		Shares held	
Shareholder Spread	Number of holders	% of holders	Shares held	% of issued shares
1-2000	27,162	56.81%	34,097,978	3.25%
2001-5000	11,570	24.20%	49,513,360	4.72%
5,001-10,000	4,696	9.82%	43,481,246	4.14%
10,001- 50,000	3,443	7.20%	87,529,784	8.34%
50,001-100,000	549	1.15%	46,042,517	4.39%
100,001- 500,000	320	0.67%	79,660,362	7.59%
500,001 - 1,000,000	42	0.09%	33,298,545	3.17%
1000,001 - 100,000,000	29	0.06%	107,645,408	10.25%
over 100,000,000	1	0.00%	568,730,800	54.16%
Total	47,812	100.00%	1,050,000,000	100%

Top 25 shareholders

GOVERNMENT OF BOTSWANA	568,730,800	54.16%
BOTSWANA PUBLIC OFFICERS PENSION FUND: ACB BPOPF EQUITY	22,123,775	2.11%
FNB BOTSWANA NOMINEES (PTY) LTD RE:AA BPOPF EQUITY	17,739,339	1.69%
FNB BOTSWANA NOMINEES (PTY) LTD RE: BIFM BPOPF-EQUITY	10,746,769	1.02%
FNB BW NOMS(PTY) LTD RE: IAM BPOPFP 10001031	8,711,891	0.83%
FNB BOTSWANA NOMINEES (PTY) LTD RE: ACB BPOPF WPPP	6,362,166	0.61%
BOTSWANA POLICE SAVINGS AND LOANS GUARANTEE SCHEME	4,951,243	0.47%
MOTOR VEHICLE ACCIDENT FUND	4,232,400	0.40%
BOTSWANA PRIVATISATION ASSET HOLDINGS	3,950,000	0.38%
INVESTEC RE: DPF	3,850,181	0.37%
FAROUK ISMAIL	2,363,139	0.23%
SCBN (PTY) LTD RE: FAM BARCLAYS BANK STAFF PENSION FUND	1,782,824	0.17%
STANBIC NOMINEES RE: BIFM	1,447,313	0.14%
FNBBN (PTY) LTD RE:AFENA ALEXANDER FORBES RETIREMENT FUND	1,383,519	0.13%
FAIZEL ISMAIL	1,369,513	0.13%
SCBN (PTY) LTD RE:FAM BURS PENSION FUND	1,369,393	0.13%
REGINAH DUMILANO SIKALESELE	1,312,256	0.12%
FNB BOTSWANA NOMINEES (PTY) LTD RE: IAM BBDCSPF	1,157,740	0.11%
BIFM RE: DEBSWANA PENSION FUND	1,151,247	0.11%
JAMALUDDIN KADER	1,140,482	0.11%
BAITSENG DIRENG	1,114,545	0.11%
FNB NOMINEES BOTS RE: ACB-AON PR 10001064	1,098,997	0.10%
SILVER SHADOWS (PTY) LTD	1,089,588	0.10%
Stanbic Nominees RE:ACB NPF	1,043,006	0.10%
JUSTICE TAKONGWA MARUBA TAWANA	1,025,967	0.10%
OTHERS	378,751,907	36.07%
	1,050,000,000	100%

Class of shareholders

	Shareholders		Shares held	
Category	Number	%	Number	%
Corporate bodies	383	0.80%	41,388,317	3.94%
Nominees companies	53	0.11%	97,040,415	9.24%
Private individuals	47,368	99.07%	341,955,468	32.57%
Trusts	3	0.01%	475,000	0.05%
Non Public shareholders (includes Directors)	5	0.01%	569,140,800	54.20%
	47,812	100%	1,050,000,000	100%

NOTICE OF THE 2017 ANNUAL GENERAL MEETING

Notice is hereby given that the 2017 Annual General Meeting of BOTSWANA TELECOMMUNICATIONS CORPORATION LIMITED will be held at TRAVEL LODGE, Block 3, Gaborone, Botswana on Tuesday, 31st October 2017 at 09:00hrs, to transact the following business:

Agenda:

ORDINARY BUSINESS

1. To read the notice convening the meeting.

2. Ordinary Resolution No.1
   To receive, consider and adopt the Audited Financial Statements for the year ended 31st March 2017, together with the Report of the Auditors.

3. To ratify the appointment of the following individuals to the Board as additional directors in accordance with the provisions of Clause 17.4 of the Constitution.

   a. Ordinary Resolution No.2
      Andrew Johnson - Non-Executive Director
   b. Ordinary Resolution No.3
      Ranjith Priyalal De Silva - Non-Executive Director

4. To re-elect the following Director of the Company, who retire by rotation in terms of Clause 17.4.1 of the Constitution and, being eligible, offer herself for re-election.

   a. Ordinary Resolution No.4
      Choice Pitso

5. To note the retirement of the following directors of the Company, who retire by rotation in terms of Clause 17.4.1 of the Constitution and, being unavailable, do not offer themselves for re-election.

   a. Gerald Nthebolan
   b. Rejoice Tsheko

6. To note the resignation of Alan Boshwaen as director of the Company with effect from 31 October 2017.

7. To note the appointment of Anthony Masunga as the Managing Director of the Company with effect from 1 January 2017.

8. Ordinary Resolution No.5
   To consider and approve the remuneration paid to Non-Executive Directors for the year ended 31 March 2017.

9. Ordinary Resolution No.6
   To ratify the distribution of dividend as recommended by the Directors and paid by the Company.

10. Ordinary Resolution No.7
    To approve the remuneration paid to the auditors for the year ended 31 March 2017 and appoint Ernst& Young as auditors for the ensuing financial year.

SPECIAL BUSINESS

11. Special Resolution No. 1
    To consider and, if thought fit, pass with or without amendment the in terms of Section 128 of the Companies Act Cap 42:01 and ratifying the donations made by the Company to the BTC Foundation in the sum of Pula 1.6 million for the year ended 31 March 2017.

12. Any Other Business
    To answer any questions put by shareholders in respect of the affairs and the business of the Company.

13. To close the meeting

Voting and Proxies

A member entitled to attend and vote may appoint a proxy (who need not be a member of the Company) to attend and vote for him/her on his/her behalf. The instrument appointing such a proxy must be lodged at or posted to the Transfer Secretaries at the below stated address not less than 48 hours before the meeting. PricewaterhouseCoopers, are authorized to receive and count postal votes.

By order of the Board

GOITSEONE MODISE

Company Secretary (A)

Transfer Secretaries
PricewaterhouseCoopers
P.O. Box 295
GABORONE
Plot 50371
Fairgrounds Office Park
Gaborone

PROXY FORM

For completion by holders of Ordinary shares

For completion by holders of Ordinary shares
Please read the notes overleaf before completing this form
For use at the Annual General Meeting of Shareholders of the Company to be held at ________________________________

I/We ______________________________
(Name in block letters) ______________________________
Of (Address) ______________________________

Hereby appoint 1. ______________________________
or failing him/her, ______________________________
or failing him/her, ______________________________

The Chairman of the meeting ______________________________

As my /our proxy to act for me/us at the 2017 Annual General Meeting, to vote for or against the resolutions and/or abstain from voting in respect of the Ordinary Shares registered in my/our name in accordance with the following instruction

	Number of ordinary shares			
		For	Against	Abstain
Ordinary resolution 1	Agenda No 2			
Ordinary resolution 2	Agenda No 3			
Ordinary resolution 3	Agenda No 3			
Ordinary resolution 4	Agenda No 4			
Ordinary resolution 5	Agenda No 8			
Ordinary resolution 6	Agenda No 9			
Ordinary resolution 7	Agenda No 10			
Special resolution 1	Agenda No 11			

Signed at:
Date: ______________________________

Signature: ______________________________
Assisted by (where applicable)

Each shareholder who is entitled to attend and vote at a General Meeting is entitled to appoint one or more persons as proxy to attend speak and vote in place of the shareholder at the Annual General Meeting and the proxy so appointed need not be a member of the Company.

Please read notes 1 -7 on the reverse side hereof

NOTES TO THE **PROXY FORM**

1. A Shareholder must insert the names of two alternative proxies of the Shareholders choice in the space provided with or without deleting "Chairman of the Annual General Meeting". The person whose name appears first on the form of proxy and whose name has not been deleted shall be entitled to act as proxy to the exclusion of those whose names follow.
2. A shareholder's instruction to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the Shareholder in the appropriate space provided. Failure to comply herewith will be deemed to authorize the proxy to vote at the General Meeting as he/she deems fit in respect of the Shareholders votes exercisable thereat, but where the proxy is the Chairman, failure to comply will be deemed to authorize the proxy to vote in favour of the resolution. A Shareholder or his/her proxy is obliged to use all the votes exercisable by the Shareholder or by his/her proxy.
3. The completion and lodging of this form will not preclude the relevant Shareholder from attending the General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms thereof.
4. The Chairman of the Annual General Meeting may reject or accept any form of proxy not completed and/or received other than in accordance with these notes provided that he/she is satisfied as to the manner in which the Shareholder concerned wishes to vote.
5. An instrument of proxy shall be valid for the Annual General Meeting as well as for any adjournment thereof, unless the contrary is stated thereon.
6. The authority of a person signing the form of proxy under power of attorney or on behalf of a company must be attached to the form of proxy.
7. Where Ordinary Shares are held jointly, all Shareholders must sign. A minor must be assisted by his/her guardian.

ANNEXURE A

Mr. Andrew Johnson-Member

Mr. Johnson is a South African Telecommunications expert whose career in the industry spans over 30 years, with a special focus on mobile telecommunications and fibre infrastructure development. Currently he is a Principal consultant at Tubitayeho Telecomms Consulting in South Africa. He was previously a Director for several MTN subsidiaries. He has worked as Chief Technical Officer for the MTN Group, Chief Executive Officer for MTN Rwanda, Chief Technical officer for MTN Uganda and a Senior Telecommunications Engineer for Eskom. Mr. Johnson holds a BSc (Eng) Electrical – Light Current, from the University of the Witwatersrand in South Africa with a specialization in Telecommunications and Alternative Energies.

Mr. Ranjith Priyalal De Silva-Member

Mr. De Silva is a Chartered Accountant whose expertise covers Auditing, Accounting, Tax Planning, Financial Investigations and Fiscal Management. He has over 36 years' experience in the profession mainly spent at PricewaterhouseCoopers (PwC) Botswana where he was partner for 19 years and Chief Operating Officer for nine years. Mr. De Silva is an Independent Non-Executive director for three Old Mutual Subsidiaries in Botswana and Debt Participation Capital Funding Limited. He is a member of numerous professional bodies including, Associate member of the Chartered Institute of Management Accountants of UK and Fellow member of the Botswana Institute of Chartered Accountants and the Institute of Charted Accountants of Sri Lanka.

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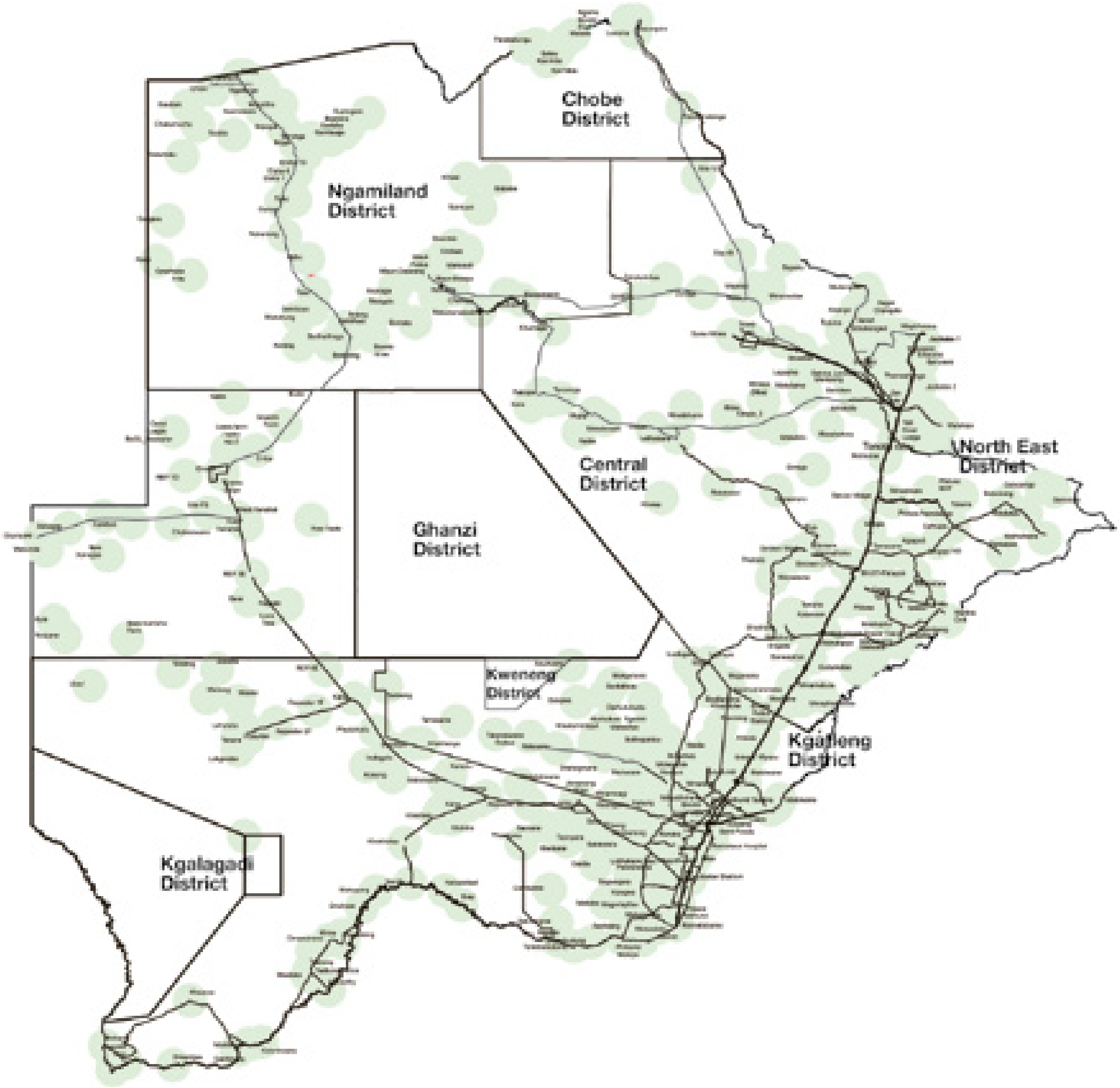
Network Footprint

A fundamental competitive advantage of BTC 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. BTC has a PTO Licence issued by the regulator, BOCRA. BTC is, however, the only PTO Licence holder operating both the traditional fixed and mobile networks. BTC has gained significant competitive advantage in the mobile domain, particularly in remote areas because of its extensive mobile coverage (c.90% population coverage).

BTC 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.



btc

Live connected.