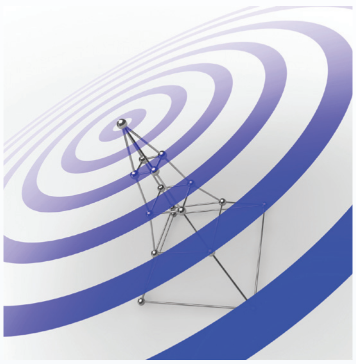
CONTENTS

Milestones



1999

BTC records an all time high profit of Pula **75.0 million**. BTC enters into interconnect and backhaul network agreement with mobile operators

2000

BTC loses market share. The new billing system creates doubts. BTC's image slides. Mobile operators sky rocket with their connections.

2001

Despite resolution of billing system problems, net profit declines to Pula **2.2 million.** Wireless technology introduced in the local loop. BTCL realised that it has lost significant market share to mobile operators. Introduces pre-paid technology.

2002

IDI of Ireland is invited to steady BTC Group. Restructuring commences with **600** staff retrenched, staff numbers dropping to less than **1,000.** Government engages BTC Group for its Rural Development Programme (Nteletsa Project) BTC Group records an all time high loss of **Pula 39 million**

2003

VSAT technology introduced. Measures to improve technology and quality introduced.

2004

Profitability returns. Total restructuring cost Pula **162.0 million.** International connectivity established via SAT 3 through South Africa. BTCL endorses Government of Botswana's ICT plan – Maitlamo Initiatives.

2005

BTC adopts Intelligent Network Platforms strategy and refocuses its strategy based on broadband data. Broadband is rolled out with ADSL in Gaborone. Profitability returns to **P139.0 million**

2006

Telecommunication liberalisation annoucement by the minister responsible for science, Communication and Technology

Milestones

BTC brings together all business under one umbrella structure.

Launch the Accelerating change program with the intent to increase the focus & urgency of the business Transformation.

Exceed 500 000th Subscriber mark for beMOBILE.

2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014

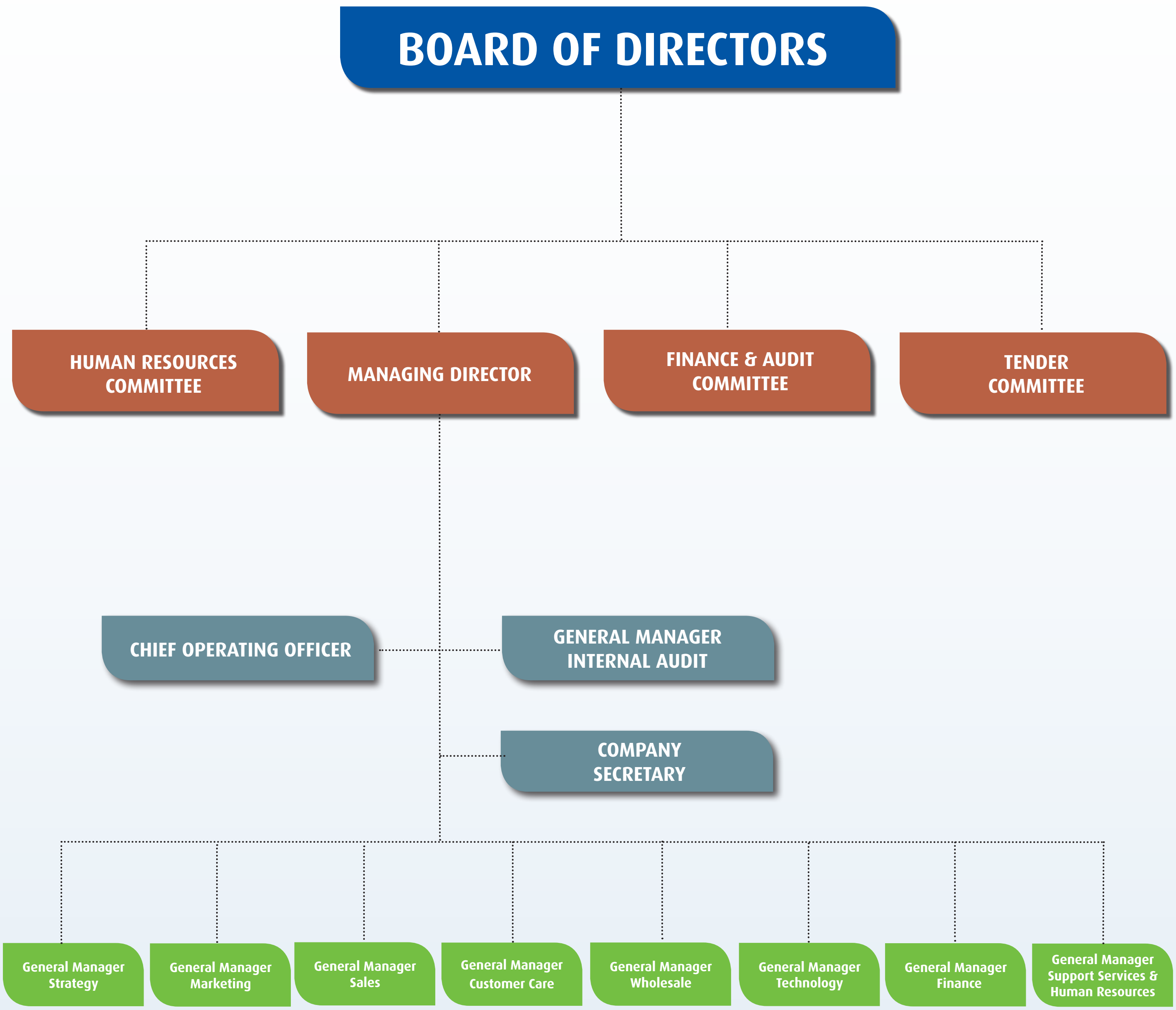
BTC awarded a Public Telecommunications Operator licence.

BTC launches its mobile service under the brand name “beMOBILE”.

BTC revenues surpass billion Pula mark.

BTC records highest revenue and profit in its history, this also the best results from a parastatal organisation in Botswana. Government announces separation of network assets from BTC into a special purpose vehicle and announces privatisation plan for BTC within 2 years.

Top Management **STRUCTURE**



OUR **PERFORMANCE**

02 | OUR PERFORMANCE

OUR PERFORMANCE

Board Of
DIRECTORS

Gerald Nthebolan

DEPUTY BOARD CHAIRPERSON

Mr. Gerald Nthebolan, an Information Communications Technology expert is currently Debswana's Head of Information Management providing strategic leadership for the information management discipline. With a career spanning over 18 years in the industry, he was previously Project Manager responsible for the overall implementation of SAP (software) in all Debswana diamond operations. The project scope included enabling of a Shared Services Centre, a strategic project to address the business imperative for cost containment by driving standard processes and also the significant change management issues relating to technology adaptation, resource transition and labour rationalization. He has also served as chairman of the Board Tender Committee (Head Office). Mr. Nthebolan holds a BSC Honors in Computer Science from Leicester Polytechnic and an MBA with De Montfort University.

Professor Rejoice Tsheko

BOARD MEMBER

Prof. Rejoice Tsheko was the Head of Department- Agricultural Engineering and Land Planning at Botswana College of Agriculture from 2001 to 2007. He has been an active member of the BCA Governing Council from 2008 to 2011. Prof. Tsheko is a member of the Editorial Board of Water SA Journal which is published by the Water research council of South Africa. He holds a Doctor of Philosophy in Agricultural Engineering from University of Newcastle upon Tyne, a Bachelor of Science in Agricultural Engineering from McGill University. He has attained other professional qualifications and attended several short courses and workshops locally and abroad.

Choice Pitso

BOARD MEMBER

Ms. Choice Pitso, a Human Resources Manager at Metropolitan has 12 years diverse industry experience as Human Resources Manager in various organizations with a stint in Public Relations. Her experience includes development and implementation of human resources strategies across human resources functional areas such as Human Resources Operations Management, Talent and Change Management, Rewards Management and Employee Relations as well as provision of HR internal consultancy. She holds MSc Human Resource Management from the University of Manchester (UK), a Bachelor of Arts (Social Sciences) from the University of Botswana. She is also a professional member and served as a Publicity Secretary at Botswana Institute of Human Resources Management (IHRM).

Serty Leburu

BOARD MEMBER

Ms. Serty Leburu joined the BTCL Board of Directors in 2009. An accountant by profession; Ms. Leburu is currently Deputy Chief Executive Officer-Support Services at Botswana Housing Corporation. She 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 working at different levels of management. She held the position of Finance Manager at both Jwaneng mine and Botswana Diamond Valuing Company with a strong focus on commercial and business issues. She is an expert in financial matters with broad experience in all areas of strategy, finance, governance, supplier chain, risk management, general administration, leadership, recreation and corporate real estate. Ms. Leburu graduated with a Bachelor of Commerce from the University of Botswana and later acquired a professional qualification, Chartered Management Accountant (GCMA).

Board Of DIRECTORS



Alan Phemelo Boshwaen

BOARD MEMBER

Mr. Alan Phemelo Boshwaen joined the BTCL Board of Directors in 2010. He is the founding Chief Executive Officer of the Botswana Innovation Hub; An organization intended to transform Botswana into a technology-driven and knowledge based economy. Prior to that, he served as the founding CEO of the Botswana International Financial Services Centre (IFSC). He has held senior management positions with both Barclays Bank of Botswana and Standard Chartered Bank of Botswana. He has previously worked for Debswana Diamond Mining Company. Mr Boshwaen holds a BA (Honours) in Industrial Psychology from the University of Kent at Canterbury and a Master's Degree in Business Administration from the University of Cape Town. He is currently serving as the Chairman of the Advisory Board of the University Of Botswana Faculty of Business.

Paul Taylor

MANAGING DIRECTOR

Paul Taylor is a seasoned Business Leader with over 30 years' experience in the Telecommunications sector. He has significant international exposure having lived in Asia, The Middle East, UK, Turkey, Mainland Europe and the Caribbean, and worked in circa 60 countries. Prior to his assignment at BTCL he worked for the most part, as the Deputy Chief Commercial Officer with Turk Telekom responsible for the development of Sales, Marketing and Customer Care capabilities, taking Turk Telekom from immediate post privatisation to an organisation that competed effectively in a fully liberalised market and led the Commercial and Operations team working on the successful IPO of 15% of Turk Telekom. He has also led a significant number of Corporate Acquisitions and successful licence bids across the world. His educational background began in telecommunications engineering with significant post-graduate studies in both business and marketing. He is a Fellow of the UK's Chartered Institute of Marketing, an Incorporated Engineer and a Member of the Institute of Engineering and Technology.

Kaelo Biki Radira

COMPANY SECRETARY

Kaelo Radira, an attorney by profession, has been in the corporate world for over 16 years. He has held various executive management roles including leading the Credit Risk and Legal functions of National Development Bank and now the Company Secretary Division, BTCL, which comprise Legal, Regulatory and Competition, Corporate Communication, Investor Relations and Enterprise Risk Management portfolios. Mr Radira supports the internal team on privatization of BTCL, currently preparing for the initial Public Offering of BTCL shares in the Botswana Stock Exchange. He is a member of the Law Society of Botswana and holds a Bachelor of Laws from the University of Botswana among professional qualifications.

Senior
MANAGEMENT

Anthony Masunga
Chief Operating Officer

Christopher Diswai
General Manager - Strategy

Abel Bogatsu
General Manager - Finance

Masego Mathambo
General Manager - Customer Care

Pilot Shimane Yane
General Manager - Marketing (Acting)

Senior **MANAGEMENT**

Kaelo Radira
The Company Secretary

Mokgethi Nyatseng
General Manager - Wholesale

Kgosiemang Read Same
General Manager - Internal Audit

Boitumelo Bambino Masoko
General Manager - Sales

Thabo Nkala
General Manager - Technology

Joy - Marie Marebole
General Manager - Support Services & Human Resources

Chairperson's **REPORT**

"I am pleased to submit my first report as Chairperson of Botswana Telecommunications Corporation Limited, which also embodies a full year of it's operations"

New Company

This is quite an exciting time for us at BTCL. We are now a new Company as of this financial year – from being a Government owned enterprise to a public company that will in the near future be owned by citizens of Botswana.

With this transformation, our outlook and focus will not change. We will remain focused and relentless in our pursuit of being a world class telecommunications service provider.

We will endeavour to remain competitive by offering services and products that provide excellent value for money and steadfast in our commitment to contribute to economic growth, job creation and social development while creating shareholder value.

We are alive to the fact that many sectors of the economy rely on telecommunications services and our investments to operate their businesses.

The continued growth of other sectors of the economy is underpinned by robust mobile, broadband and voice telecommunications services that are provided by BTCL countrywide.

The transition will therefore not derail us from continuing to strive to meet customer demands and provide quality service.

National Presence

BTCL still commands a leadership position in the country as the preferred choice for voice telephony. It also has one of the best managed data network services in the country. BTCL continues to expand its network; Our mobile services reach more than 90 per cent of the Botswana Population.

Our capabilities have enabled growth not only to large multinational corporates, but to citizen owned companies which play key roles in the country to utilize our services, linking their offices and driving efficiency without compromise on quality.

We will continue to partner with Government to expand infrastructure to make a difference in people's lives. ICT is critical for the economic survival of the Nation.

Giving back to the community

BTCL prides itself on being a good corporate citizen that ploughs profits back into the community. We are a company that continues to be responsive to the needs of the communities in which we operate and will continue to donate to different charitable organizations across Botswana. To that end, we have established a Foundation to better manage our Corporate Social Investment.

Challenging year 2013/14

With the asset separation and funding the establishment of BOFINET, the year 2013/14 posed a number of challenges – mainly the uncertainties surrounding the network separation and its effect on the revenue and cost drivers..

Chairperson's **REPORT**

The assets separation exercise has almost concluded and BOFINET established to manage the backbone network. Against this backdrop, we continue on our path working seamlessly without compromising quality of service to the customer. The customer remains at the forefront of all that we do.

Strategy Execution

Communications play an important and integral role in the development of the modern societies. In BTCL, we have recognition that, we need to evolve into a Company facilitating such next wave of communications development with a strategy focussed on innovations, investments in right technologies and solutions.

I am sure that, our past sustained success in the market place together with the robust financial performance thus far will support the achievement of the required change.

To our shareholders

With the upcoming privatisation, it is important that we execute our strategies well enough to create long term sustainable cash flows that can create value for the new investors of the Company.

Our goal remains to create sustainable revenue growths which can deliver returns on all investments we make. Collectively, such returns will provide an overall long term value to the Company and to the investors.

Going forward

With the network separation and the upcoming public listing, the year 2014/15 will be a challenging year for BTCL. We however, have a strategy in place to offset the revenue loss due to network separation.

Our strategy focuses on costs savings, defending our traditional revenue drivers like voice and growing revenue from mobile and data services.

With hard work and commitment of our people across all spectrums of the human resources of the Company, we are confident that we can overcome the challenges, deliver shareholder value while satisfying our customers.

In essence BTCL will:

- Embrace the digital technologies even more;
- Accelerate mobile services and it's concentration by making them more modern, efficient and reliable;
- Leverage on wireline momentum by investing in our local area networks and technologies which support sustainable local business models with emphasis on capacity, quality with the aim to make them more robust
- Create further gains in the convergence of the fixed – mobile technologies.
- Improve our ability to service our customers faster
- Reduce the overall cost of structure

I want to assure you that together with my fellow Board Members , we look forward to working with all stakeholders, management and staff to steer the Company towards more prosperity and technological advancement.

Daphne Motlagomang Matlakala

BOARD CHAIRPERSON

In the views of
MANAGING DIRECTOR

As I write this report, BTCL is undergoing a major transformation. We have just concluded the asset separation and are busy preparing BTCL for privatization. The separation involved the newly deployed Dense Wave Division Multiplex system, the East Africa Sea System (EASSy) and West Africa Cable System (WACS), the complete dark fibre systems and associated ducts and distribution systems, the end-to-end connectivity of the international links and the related supplier agreements.

It is certainly a very challenging and exciting time for us at BTCL. Notwithstanding that, BTCL will rise to the challenge and transform into a more customer centric, world class operator that aspires to meet and exceed customer demands.

The Company

Botswana Telecommunications Corporation Limited (BTCL) is the leading ICT services provider in Botswana and the region. It has an infrastructure that is one of the most modern in Africa with a network, composed of an all-digital microwave and fibre optic System with digital exchanges providing high quality service. beMOBILE, the mobile arm of BTCL, was established in 2008. It has the widest network coverage in Botswana reaching almost 90% of the population.

Privatisation

As part of the privatisation process, Botswana Telecommunications Corporation Limited (BTCL) was converted from a statutory body into a public company limited by shares, and renamed Botswana Telecommunications Corporation Limited on 1st November 2012.

Though the Company is still 100 percent government owned, the Botswana Government is selling 49% of its shares to citizen and citizen owned companies through an Initial Public Offering (IPO). The process of privatisation is at an advanced stage and the IPO is to commence in the near future.

The Change within

As the nation's foremost provider of Telecommunications, BTCL is ready for the transformation.

Managing the different facets of change is the key to our success and to that end we have put in place a number of initiatives to help deliver and change BTCL into a truly competitive business.

The Accelerating Change (AC) initiative will direct, coordinate and manage all efforts across the business. Through the process re-engineering and organisational change exercise we will transform BTCL into a much more market oriented organisation.

Through AC we have moved our Company into a more integrated Fixed Mobile Convergence (FMC) model which is much more market oriented and delivers bundled products to delight of our customers.

Only through FMC, BTCL will we be able to differentiate our product offering from that of the competitors.

In the views of
MANAGING DIRECTOR

FMC is not only about process re-engineering and delivering new systems capabilities; it also involves moving human resource to a more integrated entity that will remain competitive.

It also involves automating our systems to provide speedier and more effective service to customers.

Though we are going through challenging times, I am optimistic that our goal to deliver on our vision of being a truly fixed mobile converged company with access and capability to combine mobile fixed and broadband products into attractive packages is reachable.

We are alive to the fact that the harsh weather of competition, asset separation and privatisation will impact on our revenues.

We however, remain resolute to achieve our vision of being simply the best.

The Plan

The year 2015, will be about delivering the vision in terms of revenue from FMC products and services

In some ways, our focus will shift slightly. We will focus on expanding our data services, increasing our mobile footprint and defending our traditional fixed line business while offering bundled products and services.

Our journey to further position BTCL as an organisation that offers attractive packages is key to attaining our vision.

Our mission to transform into a one stop telecommunications shop is gaining momentum. We are confident that the initiatives we have in place will help deliver new capabilities while turning BTCL into truly competitive environment.

Getting the basics right

The past two years were about basics. It was about making sure that we have the right skills in the right places, with the right processes, a piece of work that is still underway.

The whole company now needs to focus on doing basic things brilliantly.
We have introduced a service excellence initiative called "Itlole" to raise awareness and promote service culture internally.

Customer service is a responsibility of all at BTCL. We pride ourselves as one team with two kinds of people "those that serve the customer and those that serve those who serve the customer.
As a team, we embrace service improvement and delivery to our customers. We have also embarked on a paradigm shift to develop an organizational culture change. Development of a high performance culture will in our view culminate in a number of improvements key among them clear communication to customers, improved efficiency and delivery.

BTCL will continue to operate in both retail and wholesale markets.

The Accelerating Change programme will deliver improved levels of automation across all of the areas of our business, which in turn will lead to further efficiencies. By the end of the programme automation, we should be at, or close to, world class standards.

Our Accelerating Change programme which is now entering its second phase will see all our billing systems converged onto a single billing platform, bringing cost benefits to BTCL and convenience benefits to our customers.

The Results

BTCL overall performance has been very impressive in the past, registering over 11% compounded growth in revenue on a year on year over last four years and almost similar levels in terms of growth in EBITDA .

These level of profitability will, somewhat, reduce in the coming years, mainly resulting from asset separation and increase in costs.

In the views of
MANAGING DIRECTOR

Our fixed business, like most other incumbents around the world, is not growing.

Our major revenue drivers will be realised from offering bundled data services and through our mobile business which currently has 15% market share.

Revenue from the mobile business constitutes about 25% of the company's turnover, which is obviously a significant contribution.

BTCL carried out an impairment exercise which resulted in write down of Property, Plant and Equipment by Pula 266 million. The same amount was charged to Profit and Loss account as cost of sales during the year.

The Future

The harsh weather of competition, asset separation and eventually privatisation will impact on our performance.

To remain competitive, we have re-aligned strategy within the Company; we are now One Team focussed on process improvements and customer satisfaction.

Over the coming months we aim to further innovate and improve efficiencies.

Our strategy will continue to incorporate aspects of assets minimisation. The pillars of this strategy are core business optimisation, furtherance and advancement of, operational excellence and the leveraging of strategic opportunities.

The primary objective still remains to grow the mobile business through a focused strategy on quality of service offerings.

To achieve all of the above we will have to develop and assimilate a robust financial fundamentals and a capital market strategy that is prudent and responsive.

Our Vision is about being "Simply the Best". That means we will continue to strive for cost efficiencies whilst we build an advanced converged portfolio of products supported by world class IT and network infrastructure.

We must put even greater emphasis on customer service; putting the customer at the very centre of what we do. This customer-centricity is key to maintaining our position in the market and our place in the hearts and minds of the customers.

Paul Taylor

MANAGING DIRECTOR

In the views of **MANAGING DIRECTOR**

“ I think two things really will affect our future: the success of our mobile operation and the consolidation of our networks and platforms to offer a fixed mobile convergence – to delight the customer experience and to grow them.”

SUSTAINABILITY **REPORT**

03 | SUSTAINABILITY REPORT

SUSTAINABILITY REPORT

Corporate Social
RESPONSIBILITY

COMMUNITY AT HEART

The BTCL is responsive to the needs of the communities in which it operates and has donated millions of pula to different charitable organizations and sponsored various activities to uplift the lives of Batswana.

SUPPORTING SPORT

- BTCL through beMOBILE made a decision to plough back its profits into the community. BTCL has put up a substantial amount of sponsorship money for the elite Botswana Premier League in proportion to our market share and returns. The inaugural beMOBILE sponsorship was at a record BWP 15 million for three years, a first by Botswana standards in 2008. BTCL continued its support to football increasing the sponsorship by a hefty 60% in the sponsorship period 2011 - 2014, making it BWP24million in three years, breaking its previous record.
- BTCL promoted and supported sports by sponsoring Mochudi Centre Chiefs in their CAF participation; the biggest African club competition, where they played against African giants in March 2013. The sponsorship was valued at BWP150,000.00.
- Amongst the sporting entities assisted by BTCL was the BNSC; where BTCL procured twenty tickets to the BNSC sports awards, valued at BWP20,000.00. These awards were held on the 29th May 2013, in Gaborone.

PROMOTING ARTS

- BTCL also supports the arts at grassroots level by inviting Primary and Secondary Schools to design the cover of the BTCL phone book. The company promotes the visual arts, by running a competition with a total prize money of BWP55, 000.00. The artwork, which could be in any medium photography, painting, or graphic design, must be original. The winning Art piece is destined to be used as the BTCL's phonebook cover page for 2014.

GIVING BACK TO THE COMMUNITY

- beMOBILE Jazz Festival proceeds of BWP100,000.00 we awarded to five charities in Palapye and surrounding areas, in May 2013.
- BTCL participated in the Makgadikgadi charity walk of July 2013, and contributed BWP160,000.00 to various charitable organizations.
- BTCL supported education at grassroots by donating 12 computers worth BWP94,184.97 to Tonota Primary School's special education unit in August 2013. BTCL believes in that Disability is not necessarily inability.
- BTCL supported Princess Marina Hospital (abandoned children) with sanitary hampers valued at BWP10,000.00 in October 2013.
- BTCL was engaged in conducting the Measles, Vitamin A and deworming campaign throughout the country, and donated BWP10,000.00 airtime to the course , in October 2013.
- BTCL also took part by assisting statistics Botswana to publicize through-SMS alerts/Notification marketing for Botswana Literacy survey at a value of P120,000.00. The Statistics Botswana SMS education survey campaign, done in January 2014, was a huge success.
- BTCL as a good corporate citizen, in November 2013, contributed BWP400,000.00 to build houses and provide shelter for the less fortunate.

SKILLS DEVELOPMENT

- BTCL took part in the World Telecommunication and Information Society Day (WTISD) in Shorobe to promote policies and encourage the use of Information, Communications and Technology. The Corporation donated ten computers, four printers and three laptops to Shorobe Community at a cost of BWP180,000.00. The World Telecommunication and Information Society Day (WTISD) was celebrated on the 2nd May 2013. In support of the girls in ICT Day, BTCL donated three laptops.
- BTCL supports skills development and took part in the Innovation summit of 11th October 2013, hosted by Ministry of Education. BTCL provided 20Mbps dedicated Internet services for the duration of the summit (6 days) valued at BWP62,700.00.

SUPPORTING BUSINESS GROWTH

BTCL participates in different forums to promote economic diversification, growth and attract investment into the country. As such , sponsored the official opening of the Botswana Confederation of Commerce and Industry (BOCCIM)'s northern trade fair at P100,000.00. The fair aims to provide exhibitors with an opportunity to actively promote their business and network.

Corporate Social
RESPONSIBILITY

Customer
SERVICE

CUSTOMER FOCUSED – A BETTER EXPERIENCE

Best and Fair Business Practice

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

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

Products and services

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

Building customer confidence

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

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

Customer care and after-sales service

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

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

Pricing

Tariffs for BTCL main products are included in the BTCL Telephone Directory. A detailed tariff guide is available from BTCL Service centres nationwide, or from BTCL website www.btc.bw. Changes in tariffs are regularly published in the media. BTCL's charges are mostly usage related and hence easily understood. BTCL's tariffs take into account the affordability of customer groups it services.

Customer Complaints

Customer complaints are received via the 24 hour call centres or any one of the BTCL offices. Such complaints can range from service delivery to service level, billing queries, misuses and abuses. There is a procedure in use for registering and resolving complaints. Most customer complaints are resolved within 72 hours of receipt. There is also an escalation process for those irate customers who need further investigations such as abuse of phones, vandalism etc.

Distribution Network

One of the cornerstones of the BTCL products is the visibility and accessibility in most parts of the country. The procedure for obtaining any products or services are set out in the BTCL Phonebook or it's website www.btcphonebook.co.bw

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

Customer Information Sharing

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

Environmentally **RESPONSIBLE**

SUSTAINABILITY EVOLUTION - OUR STRATEGY

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

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

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

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

BTCL's belief is that environmental protection and preservation of the natural systems is part of doing business and needs to be managed systematically under a continuous improvement process. The process contains principles that support our commitment, varying from exercising due diligence to meeting or exceeding environmental legislations that applies to us, preventing pollution and promoting cost-effective initiatives that minimises resources and waste. We continue to commit to the improvements in developing our operations to become a major supporting player in the environmental sustainability initiatives in Botswana. This is a step by step integration initiative.

To do this, we will meet or exceed all relevant legislations and regulations and build on our current commitments, which include respect for environment, commitment to future generations and above all provide benefits to the society in which we operate

Making the Connections

BTCL respects the environment and is mindful of the support programmes designed to encourage environmental awareness and protection through effective resource management, energy efficiency, waste minimisation and recycling initiatives. We ensure that our systems and processes are environmental friendly and the operations and products cause the minimum detrimental impact to the environment. We believe that we have an obligation towards the future generations to have in place, processes that are both environmentally sound and sustainable.

Environmental Impact Assessments of Telecommunications Developments

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

Product Approval

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

Equipment Standards

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

Waste minimisation

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

Recycling of materials

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

Stakeholder
RELATIONSHIPS

Sustainable Alliances And Partnerships

BTCL's growth has depended greatly on our ability to initiate and build successful partnerships, forging highly valued relationship with a multitude of associates. Whether it is global giants or a local supplier of a service in a remote village, sustainable relationship plays a vital role in our quest to provide world class service. This philosophy has enabled us to forge, secure and maintain unique partnerships throughout our existence.

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

Our Valued Business Partners cover a wide range of suppliers, principals, agents and institutions and these relationships are built over a number of years. In the financial market, we have worked with nearly all banking institutions in Botswana.

Stakeholder Relationship

We value the opportunity to engage in dialogue with the key stakeholders. Stakeholder engagement is increasingly recognised as creating value and contributing to BTCL's resilience.

We are in continuous consultation with our shareholders, the Government of Botswana through a number of its organs, the Ministry of Transport and Communications, the Public Enterprises Evaluation and Privatisation Agency (PEEPA), Botswana Telecommunications Authority etc, to name a few. Through our ongoing open dialogue and relationship of trust, integrity and respect, we chart the progress of the Company during the most challenging times.

Government

The Government of Botswana is the only shareholder of BTCL. Under the current structure, BTCL reports to the Ministry of Transport and Communications which directs BTCL in terms of overall communications industry policy decisions.

Privatisation issues are co-ordinated by the Public Enterprise Evaluation and Privatisation Agency (PEEPA).

Matters relating to regulations are dealt through the Botswana Communication Regulatory Authority (BOCRA).

Membership to National and International Bodies

BTCL is a member of Botswana Confederation of Commerce Industry and Manpower. BTCL also participates in activities of International Telecommunications Union and Commonwealth Telecommunications Union as Botswana's representative through BOCRA.

Economic PERFORMANCE

ECONOMIC PERFORMANCE - VALUE CREATION

BTCL's aim is to create value for its shareholders, customers and employees. BTCL's revenue from sale of goods and services for the year was Pula 1,464 million. BTCL's value addition has grown from Pula 579 million in 2010 to Pula 840 million in 2014. Of the value created during the year, Pula 626 million was paid to staff as salaries costs. The Government received Pula 35 million in the form of licence fees and BTCL funded the formation of BoFiNet to the tune of Pula 405.5 million (see dividend in specie).

VALUE ADDED STATEMENT

	2014	2013	2012	2011	2010
Sale of goods and services	**1,463,931**	**1,384,222**	**1,173,909**	**1,065,112**	**958,444**
Interest income	**25,144**	**18,451**	**13,415**	**21,311**	**30,891**
Bought out cost of services	(648,932)	(603,034)	(511,002)	(444,244)	(410,382)
Value created (added)	**840,143**	**799,639**	**676,322**	**642,179**	**578,953**
Employee cost	(626,374)	(302,628)	(262,937)	(251,567)	(209,835)
Depreciation	(175,112)	(181,684)	(150,729)	(141,330)	(159,377)
Licence fees	(35,429)	(31,220)	(25,610)	(19,025)	(18,459)
Earnings before interest and tax (EBIT) (after retrenchment)	3,228	284,107	237,046	230,257	191,282
Interest	(208)	(184)	(184)	(2,866)	(10,228)
Earnings	**3,020**	**283,923**	**236,862**	**227,391**	**181,054**
Dividend	-	-	(59,216)	(56,848)	(45,264)
Retained earnings	**3,020**	**283,923**	**177,647**	**170,543**	**135,791**
Employees	920	962	942	950	905
Revenue per employee	1,591	1,439	1,246	1,121	1,059
Value created per employee	913	831	718	676	640

Human Resources
REPORT

BTCL's human resources strategy aims to continually develop the capability of the team to deliver shareholder value and to continuously improve the level of employee engagement contributing to improved customer service levels. The Company has transitioned to the Fixed Mobile Conversion (FMC) structure to support the transition to being a converged entity. As part of the transition processes are re-engineered and supported by the new structure.

Key pillars that drive BTCL's strategic intent are as regards its people reflected below, building vital skills and capabilities, strengthening efficiencies in the operating platforms, building a performance based culture and growing talent.

BTCL PEOPLE

BTCL People, BTCL passion - building a climate for action

PEOPLE

STRATEGIC COMPETENCIES

- Build key skills and capabilities to grow the business

CLIMATE FOR ACTION

- Deliver efficiences in our operating climate on people processes procurement and shared services platform to drive business value
- Build a competitive reward system
- Build and sustain a performance based culture where teams pull together for our customers as one team in a stable ER environment

LEADERSHIP & GOVERNANCE

- Grow leaders who grow people ,grow people who grow careers

The strength of employee key competencies is BTCL's greatest differentiating factor in the telecoms market. BTCL has provided cross-training for multiple roles which provides enhanced job satisfaction providing employees the opportunity for career advancement within BTCL. Through restructuring the whole organisation, employees were mapped against each role in the FMC structure. The majority of employees especially at the managerial level were assessed to ensure their level of fitness for the role. Development plans are being designed for each individual's needs. These inform the overall training plan that is aligned to the business strategy.

Being an employer of choice BTCL provides a fun, flexible and positive workplace by ensuring that there is work, life balance through various wellness initiatives that build teams as a priority. The culture is driven by our values being, fun, teamwork, simple, delivery, pride and ownership. In the new world of FMC BTCL has ensured:

- transfer of skills to teams on their new roles, through process training and knowledge transfer
- systems training prior to the start of the new role
- focus on technology, customer and sales continue to be our highest priority in developing customer centricity and product knowledge
- Supervisory and executive and management training have recently commenced and delivered through leading institutions to build leadership bench strength.

Human Resources
REPORT

BTCL continues to upskill its teams from world class institutions to assist us to have the best placed employees, such institutions include collaboration with: Botswana Accountancy College, Botswana International University of Science and Technology, Human Resource Development Council, Institute of Development Management - Botswana Campus, University of Botswana.

BTCL's technical training partners continues to upskill our Technicians in mobile, wireless and data Training such as IT/IP, Mobile Training, GSM = Global System for Mobile Communications, GPRS, (General Packet Radio Services) VSAT (very small aperture terminal, VoIP (voice over Internet protocols) are some of the courses that help in implementing our mobile strategy.

BTCL's technicians continue to be upskilled with skills transferred from our technical training partners such as: Cisco Networking Academy, Commonwealth Telecommunications Organisation - Programme for Development and Training, Ericsson Academy, Huawei University of Technology and Torque IT.

The Company's focus remains on building talent. The business launched an integrated talent framework that defined key competencies that we wish to develop within our people and defined a talent matrix that demonstrated key strengths and weaknesses of the talent mix. This contributes to ensuring BTCL has the right people in the right roles.

OUR PEOPLE

The BTCL staff complement currently stands at 920, with an average tenure in the Company of 15 to 20 years. 85% of the total staff possesses tertiary level qualifications. Staff turnover at BTCL has consistently been below 5% benchmark and has been consistent for the past two years.

BTCL STAFF TURNOVER STATISTICS	AMOUNT
Staff turnover during the last financial year	1.98%
Staff that have worked continuously within the relevant business area for over 3 years	92.48%
Staff head count March 2014	920

The Company has a low level of discipline and grievance matters with both discipline issues and grievances below 1% every year. BTCL has seen an increase in the employee engagement survey from a low participation rate of 36% in 2012 to 91% in 2014 with an increase in the engagement score from 2.68 to 2.91 in 2014 and subsequently 3.1 in 2015.

	2014	2015
Employee Engagement Index	Average Score Index	
Internal Communications	3.30	3.30
Inclusion and Fairness	2.81	2.98
Personal Development	2.75	2.92
Pay Satisfaction	2.32	2.62
Work Motivation	3.07	3.09
Future Optimism	3.19	3.31
Overall	**291**	3.1 (+0.18)

Pension

BTCL operates a contributory pension scheme for all permanent staff. As at 31st March 2014, the Fund stood at BWP402, 416, 702 with 615 active members and 843 deferred members.

Training

BTCL has spent P10 million over the period 2010/11 to 2014/15 on training with the range of courses including both vocational technology training and academic. Additionally all members of the team are measured by objectives on a yearly basis with a strong interlock between individuals' objectives and the overall company strategy.

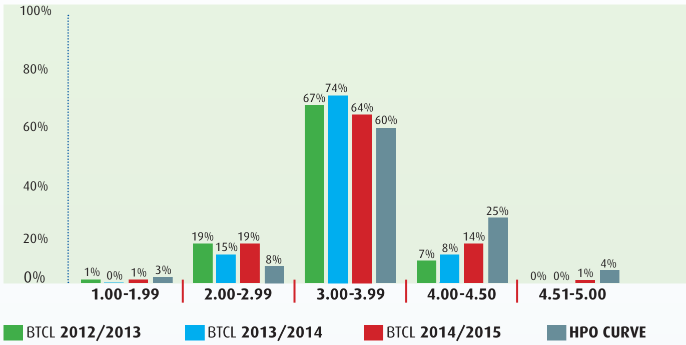
Employee relations

BTCL enjoys a stable employee relations and cordial industrial relations. BTCL recognises Botswana Telecommunications Employees Union (BOTEU) as the sole employee representative. Parties signed a recognition agreement in March 2012 that is valid until 2016. This agreement stipulates rules of engagement and adherence to such has promoted the cordial relations that prevail in the Company. The parties to the agreement have engaged recently in major projects such as the recent FMC restructuring exercise, salary negotiations, and policy review amongst others.

The bargaining unit extends over certain categories of employees

Human Resources
REPORT

in the organisation amounting to a total possible membership of around 57% of the total staff complement. As of 31 March 2014, 430 members of the bargaining unit are union members representing c.80% of eligible employees.



Range	Descriptor
1.00 – 1.99	Poor performance
2.00 – 2.99	Scope for improvement
3.00 – 3.99	Good
4.00 – 4.50	Above average
4.51 – 5.00	Exceptional

Reward Management

Non cash recognition scheme has been introduced to drive a performance based culture, incentivise employees and ensure desired behaviours consistent with our values are reinforced. Under this scheme employees are empowered to nominate employees for these awards. Mahube and Letlhabile awards are awards related to display of behaviours consistent with our values, while long service shows our appreciation for long serving employees. In 2014/15 the following awards were issued:

Award	Number
Mahube	11
Letlhabile	73
Long service awards	165

As part of performance based reward BTCL operates a bonus scheme which is the key enabler to drive performance that aims to reward and motivate employees to deliver improved performance, ultimately resulting in a high performing organization.

The incentive scheme has evolved to be aligned to a high performance culture that aims to ensure BTCL is a high performing organization by first aligning performance against targets for each Division and its respective Units to ensure the contribution to bottom-line results is commensurate to the level of bonus awarded. The Company has to reach its budgeted net profit (before tax) in a given year for a bonus to be approved. The bonus model includes all levels including the Executive, subject to Board approval.

Building a climate for change

We have striven to improve employee engagement through various initiatives that build teamwork within BTCL and within the community. Inter telecoms games has been one such event that involve regional countries, Namibia, Lesotho and Swaziland. "Itlole"(a customer centric behaviour culture change initiative has been launched to embed a companywide change in culture. This is supported through the ongoing high performance culture project.

Operational efficiencies have been gained to date in procurement and property maintenance to build a climate for performance.

- To manage our properties more efficiently 15 local contractors have been engaged to manage property maintenance. This has since improved turnaround times on property maintenance.

- Mini Warehouses in strategic areas including Maun, Palapye and Jwaneng have been opened to bring materials closer to work areas to minimize long travel by Technicians to collect materials and improve customer service.

Human Resources **REPORT**

Technology **STRATEGY**

THE FUTURE IS SIMPLE... CONVERGED AND UNIFIED COMMUNICATIONS

Telecommunications technology is undergoing a fundamental change driven by market demand for services whenever, wherever and with whoever. The increasing number of customer devices connecting to telecommunication networks demands better and faster services. Increased bandwidth utilization coupled with mobility means that the future networks have to be revolutionary; convergence and unification of communications has begun.

Converging Customer Devices

Most users would prefer to use a single phone access offering to a common directory, a common voice mailbox and a common set of services. When the user is at home or in the office, this phone would offer Voice over IP (VoIP) through a broadband connection, but would switch automatically to a mobile network when the user is on the move. Although dual-mode phones are part of the answer, new network solutions need to be deployed to allow and fully exploit the capabilities of these phones. Dual-mode phones combining cellular and WiFi / Bluetooth connectivity with VoIP require appropriate network solutions to realize their full potential. Depending on the targeted users (residential or enterprise) and the nature of the operators (fixed, mobile, MVNO), various solutions are possible. Flexible authentication and identification mechanisms are crucial in a converged environment. The nomadic lifestyle of the end user requires a suitable solution. The use of SIM-card based authentication will be expanded into this new domain. One solution is wireless communication between a personal SIM¬card holder and the device being used. The SIM-card would be carried as a personal item, being present with the user at all times.

Device evolution can be seen as mirroring network and access evolution. Applications will be made available at the device level and it is therefore the point where access capabilities need to exist and where identification and security mechanisms will need to be implemented. Another possible functionality for mobile device convergence, in the short/medium term, is to support Unlicensed Mobile Access (UMA) which will allow mobile phones to access local fixed broadband nodes through WLAN/Bluetooth. In the future, IP telephony is likely to be implemented in the communications protocol of devices in order to allow future convergence opportunities to be fully utilized.

The pace of evolution in device convergence will increase in the coming years, as new access technologies are introduced. It can be expected that additional access technologies will lead to more costly devices. Device and network economy must therefore be considered when introducing new access technologies. Storage requirements and capabilities will dramatically increase in both devices and networks. Some key network characteristics will also be available to devices connected to the fixed network. The evolution of connected home networks with a multitude of applications, such as interactive TV, games, music downloads, shopping and home security, to name a few, will require some of the characteristics that are delivered by IMS (e.g. quality of service, user management, charging and security) also in the fixed network and to stationary devices.

The Network is the Key

Networks being the backbone of any solution are key success drivers in the telecommunications revolution. An increasingly connected world with multiple customer devices means that future networks must be fast, superior and capacity unlimited.

With the increase of broadband internet services coupled with higher penetration of mobile and fixed phones means high volumes of data traffic. The number of connected devises already in the market from smart phones to net computers to desktop devices spurs the need for higher speed broadband internet services and thus necessitates virtually unlimited capacity networks. Network expansion is key to resolving the growth in an accelerated pace of transmitting and receiving high volumes of data traffic.

Networks are also central in connecting the developed world to the remotest part of the country or a corporate business office to a remote back office in another part of the world. The convergence of the network which requires the increasing interoperability of networks is being driven by the expansion of mobility, the growth of high-speed broadband, the convergence of fixed and mobile services, and the increased use of Internet Protocol as a transmission protocol. The challenge is to develop a high performance, faster, superior network that can expand easily over time. Future networks must be flexible, responsive and able to grow and diversify with little effort and incremental investment so as to deliver new services whether it be voice, internet access, high speed video and data services - simplicity is the key.

BTCL's Path Towards Converged Networks and Services

The telecommunications industry has grown and evolved at an incredible pace during the last twenty years, dramatically changing the way people communicate and transforming everyday life. Mobile phone penetration is approaching 60% globally, with some mature markets surpassing 100% penetration. In Botswana, it has surpassed 140%, which means that every inhabitant has more than one phone. Mobile broadband subscribership has topped 200 million worldwide. And the

Technology STRATEGY

rollout of 4G networks in emerging markets means that there is the potential for mobile broadband subscribers to outnumber Wireline broadband subscribers within the next decade. This rapid growth has created a dynamic and competitive industry with continually evolving technology. The shift of revenue from fixed to mobile and from voice to data is accelerating the growth in powerful new mobile devices delivering a combination of previously unimagined functions through multiple tools. High speed internet is rapidly making its way into households and is poised to become the leading revenue earner in the industry. The era of Social Network is posing greater challenges and offering greater opportunities to mankind.

Our products strategy is premised on enabling simple, collaborative and effective communication. BTCL has a unique opportunity to offer its customers Fixed Mobile Converged (FMC) solutions. FMC is about adopting new ways of doing business. It involves bundling fixed, mobile and content service elements to offer solutions that either improve the efficiency of Botswana's businesses or enrich the lifestyle of our customers. However, FMC will have implications for our systems, processes, skills and networks. A transition to an FMC is a journey that will take some time. The move towards FMC does not mean that we will stop creating or supporting single product offerings but that our focus, over time, will move towards an FMC service portfolio.

BTCL'S CURRENT INLAND NETWORK INFRASTRUCTURE

Transport Network

The National Transport network is a Synchronous Digital Hierarchy (SDH) network of capacity STM-64. The ring passes through Gaborone, Jwaneng, Ghanzi, Maun, Orapa, Francistown, Palapye, and Mahalapye and back to Gaborone. There are regional fibre SDH rings around the country that connect to the national backbone at different points.

Copper Cable Network

Most of the BTCL external network is made up of copper cables, typically primary cables between the exchange and the street cabinet and distribution cables between the street cabinets and the customers' premises. Transmitted signals over copper cables significantly degrade over long distances, directly affecting the bandwidth capability.

Fibre Cable Network

The fibre cable network in BTCL is used in the Transport network and to connect customers to the Metro network, which is already in operation in Gaborone. There are fibre loops installed around the city, linked back to their relevant exchanges. Customers who want to link to the metro network, pay for the last mile fibre installation. There is also a plan to build a metro Ethernet network in Francistown.

Other Wireless technologies

Over the years BTCL has deployed a number of wireless access systems to meet basic telephone demand in areas where copper access was not available. These wireless systems offer only narrowband services (POTS and Basic Rate ISDN). Most of these systems have reached their end of life. Because of their proprietary nature some of these systems cannot work in the IP based environment that is being implemented. The other Fixed Wireless Access (FWA) systems although only offering narrowband services can work in an NGN (Next Generation Network) environment as they are built upon open interfaces. The systems have been replaced by Fixed wireless terminals (FWT) through Bemobile and WDSL deployed countrywide through point to multi point radio network.

IP Network

The IP Network is built upon an Internet Protocol (IP) platform. All the devices on the IP Network support the world standard TCP/IP. The global trend is increased migration of all telecom and computer networks to IP. BTCL as an operator is on the way to moving from a non-IP based network to a fully IP based network.

The IP Network is made up of the core backbone network as well as Metro Ethernet rings and provides IP transport around the country. The Metro Ethernet networks link up to each other through the IP backbone. Metro Ethernet deployment has been completed in Gaborone , Francistown Jwaneng, Orapa, Mahalapye, Palapye, Ghanzi, Lobatse, Kasane, Selebi Phikwe, Kanye and deployment of metro to other areas will done in the next financial year (2015). Currently BTCL is migrating from Asynchronous Transfer Mode (ATM) transmission technology to IP based technology for its data services.

Wireless Technology-GSM

The current network is based on second generation cellular network digital technology. BTCL's current network is primarily based on 2.5G technology but is being upgraded to 3G. 3G technology is currently available in 14 sites countrywide. This third generation mobile technology allows for simultaneous transmission of voice and data. It allows for Data transfer rates of 144kbps to peak 384kbps rates. Peak rates of 14.4 Mbps can be attained using HSPA (High Speed Packet Access). BTCL is adopting this technology as a wireless broadband strategy in order to supplement its DSL cable based

Technology
STRATEGY

Broadband strategy. 4G Technology is in the pipeline. 4G is a fourth Generation mobile technology which is set to supersede 3G technology. The key features of this technology are that it will be based on IP and will support what is called IMS (IP Multimedia Subsystem). 4G GSM is evolving to LTE (Long Term Evolution). Long Term Evolution will allow for much faster data rates of up to 100Mbps. BTCL's wireless broadband strategy is to move to LTE over time.

beMOBILE NETWORK

2.5G Base Station Rollout
There are currently four hundred and forty six (446) Radio Base Stations in operation countrywide delivering both voice and data (GPRS and EDGE). BTCL will complete additional 66 sites by March 2015.

Optimization Activities /Capacity upgrades
The Radio Access Network is the critical part of the mobile network in providing a high-quality user experience for mobile operators. The increasing usage of the beMOBILE Radio Access network due to increasing beMOBILE subscriber growth will need to be expanded to meet increasing demand.

The Radio Access network expansion has increased data service capacity, improved network performance, and is supporting commercial initiatives which will deliver new revenue streams.

Network optimization is being carried out as an ongoing activity to improve network performance. This allows users to receive improved beMOBILE Network services in terms of network stability and voice quality.

VSAT
VSAT stands for Very Small Aperture Terminal. The satellite used for VSAT is Intelsat 28 satellite @33 Degrees East and operates in the KU Band. The VSAT systems consist of the Hub NOC and access equipment. The VSAT network is used for provision of voice and data services in areas where there is no network coverage, the network also provide services to customers outside the country e.g Botswana Embassy in Zimbabwe.

BTCL Strategy with regards to Next Generation Networks and Devices
BTCL's network has been built over time, based on a number of technologies and platforms such as a Voice platform, IP platform, Data platform etc. These platforms can interface with each other but do so very inefficiently. For this reason BTCL has adopted a strategy to modernize the network based on Next Generation Network (NGN) architecture. The NGN network modernization project has been completed. The voice services have been migrated from the old TDM based architecture to the NGN architecture. BTCL is taking advantage of the Broadband capability in the NGN network in order to diversify the provisioning of broadband services so that it can be offered through both the Data and the NGN networks on a complementary basis.

NGN aims to facilitate the convergence of voice and data networks into a single unified packet based multiservice network. It enables the development of advanced IP based multimedia services quickly and independently of the transport layer. Broadband services and IP voice are key features of the NGN network. BTCL is now in position to evolve the network to the next stage of development where fixed, mobile internet networks are offered over a single unified platform termed IP-Multimedia subsystem (IMS). Once it is implemented the customer will have a seamless communications platform for the provisioning of services. In conjunction with the deployment of NGN BTCL is rolling out an IP (Internet Protocol) transport network around the country. This will cater for all the IP transport requirements of BTCL's entire customer base.

Having one converged network for all access types is a significant benefit of layered architecture. This can improve service quality and allows for the efficient introduction of new multimedia services based on IMS.

What are Network Threats and BTCL's Strategy Towards a Unified Threat Management Solution
While the Internet is revolutionizing communication and commerce, its open and ubiquitous nature has made computer systems and networks more vulnerable to internal and external attacks. Spanning the globe, the Internet has made it possible for a single cyber criminal to wreak havoc from anywhere in the world using only a personal computer and a modem. The most common security threats include:

Technology **STRATEGY**

- Viruses, worms, and Trojan horses
- Spyware and adware
- Hacker attacks
- Denial of service (DOS) attacks
- Data interception and theft
- Identity theft
- Man in the middle attack

These internet security threats present real problems and serious risks to organizations including:

- Potential legal liabilities
- Compliance to regulation and legislation
- Growing complexity and the inherent increase in the costs of systems needed to protect IT infrastructure
- Lowered productivity, as these threats puts pressure on network resources and internet links.

BTCL HOSTED SERVICES

We offer a wide array of Hosted services including:
- Domain registration & hosting
- Web development & hosting
- Email-hosting

BTCL hosted services allow start up and small to medium organizations to enjoy Enterprise rich communication solutions without having to invest in IT hardware/infrastructure. Our solutions also provide customers with:

- Credibility – businesses that have emails that represent their company names look more credible in the eyes of consumers
- The ability to receive Email on your website – no matter where you are in the world – all you need is a computer with a browser to send and receive email.
- Affordability – No upfront Capital Investment requirements
- Security – secured information

BTCL Products
& SERVICES

BTCL WHOLESALE SERVICES

BTCL Wholesale is a separate business unit within BTCL that provides telecommunications solutions to other service providers in Botswana and Internationally. BTCL wholesale offers regulated and commercial products covering national and International voice and data, dedicated internet colocation and roaming. Most of these products and services are tailor made to meet the unique requirements of local and international telecommunication providers and internet service providers (ISP's).

WHO ARE OUR CUSTOMERS

BTCL Wholesale has developed its services over the years to support a range of major customers, including telecommunications carriers, resellers, ISPs, VANs and broadcasters. In today's ever changing environment, our wholesale customers increasingly combine a number of these models.

Private Telecommunications Operators (PTOs)

PTOs own their own network facilities - in particular telephone switches (exchanges) - to provide services to end users. BTCL provide PTOs with international voice gateway services, national interconnection and data services such as point to point backhaul bandwidth, tower spaces rentals etc.

Value Added Network Service Providers (VANS)

A number of services are available to VANS who use them as inputs in the provision of internet based services to their end-users.

International Operators

The customers in this segment are a mix of operators with telephone switches and those who primarily focus on internet based services. We provide them with international voice gateway, international data transit & voice services and internet bandwidth.

WHAT ARE OUR PRODUCTS

BTCL Wholesale provides several products and services to its customers. Many of these can be customised in terms of the base product as well as provisioning and customer service. The broad descriptions of our main products and their respective services are detailed below.

Voice

BTCL's current range of voice wholesale services are National and International Interconnection services which connect BTCL telephone networks to those of other licensed operators so that calls can be exchanged between different networks. This includes calls from BTCL/ beMOBILE networks, transit calls from Botswana PTOs and Transit calls from neighbouring countries. BTCL is best positioned to offer the services to the region by virtue of its geographical location and multiple international links ensuring greater reach and high quality of service. BTCL currently has 12 international interconnects with major operators in the world.

Data

BTCL's comprehensive portfolio of wholesale data services recognizes the wide-ranging needs of service providers. The service providers use them to provide complete end-to-end solutions to connect their customers' sites, or to connect to each other. The following services support a wide range of applications and business needs.

BTCL Products
& SERVICES

PRODUCT MODEL	PRODUCTS DESCRIPTION	PRODUCTS BENEFITS	PRODUCT BRANDS
Retail: ADSL Services	BTCL ADSL uses the copper loop to provide high speed internet access, BTCL, through various Internet Service Providers (ISPs) uses BTCL's ADSL access to put together broadband packages that includes DSL access and internet bandwidth, so as to provide an all inclusive value added internet access service. Additionally, BTCL offers internet bandwidth to ISPs at the wholesale level to allow them to self provision their customers. Currently, only one ISP has adopted the later model. The long term goal is get all ISPs to self provide their internet bandwidth.	**High Speed Data Access** BTCL ADSL & WDSL provides speeds of up to 20Mbps downstream and 512Kbps upstream, depending on line length from a service point as well as line condition. **Simultaneous Voice and Data Connections** BTCL ADSL enables the customer to make telephone calls and access the internet simultaneously or even send a fax while browsing. **Available Across the Country** BTCL ADSL is currently available in all major exchanges serving more than 80% of the country's cities and villages (refer to ANNEXURE). Over 16000 customers now use BTCL ADSL in Botswana.	BTCL currently provides three different wholesale packages (bronze, silver and gold). A brief description of the product range is shown below: **Replaced by Fast Broadband** Download speed of 0.5-Mbps-1Mbps **Faster Braodband** Download speed of 2Mbps-4Mbps **Fastest Broadband** Download speed of 10Mbps-20Mbps
Leased Line Data Service Model	A BTCL leased line is a committed bandwidth service suitable for supporting dedicated point-to-point links through a private symmetric, secure and dedicated communication channel connecting two in-country location points leased from BTCL. It offers a fixed bandwidth service between the two points, with speeds ranging from 256kbps to STM4 and can be used to provide voice, data and internet services. BTCL's leased line offering varies depending on the capacity of the link provided. The service is offered through Transmission Division Multiplexing (TDM) technology for bandwidths less or equal to 2Mbps and through Asynchronous Transfer Mode (ATM) technology for bandwidths greater than 2Mbps. The medium of delivery is copper and fiber/ Ethernet respectively.	**High-speed data transfer** Cost management – a fixed predictable monthly cost rental **Guarantee and confidence** a tried and tested solution with a guaranteed high level of service with vastly reduced latency **Multimedia** A single network can carry all data and image traffic **Reach** Uses the extensive BTCL network to reach hundreds of locations. Private point to point service with dedicated bandwidth – traffic enjoys exclusive use of the circuit 24hrs a day 7 days a week **Symmetrical bandwidth for optimization** upload and download of business critical data **Scalability** Can easily be upgraded or downgraded at the customer's request.	**Local** – within an area; the two end points are connected to local BTCL exchanges **National** – within a country; the two end points are connected to national BTCL exchanges

BTCL Products
& SERVICES

PRODUCT MODEL	PRODUCTS DESCRIPTION	PRODUCTS BENEFITS	PRODUCT BRANDS
Metro Ethernet	Data applications demand higher bandwidth for increased flexibility and value added services. Metro provides a diversified range of Internet and Virtual Private Network (VPN) services over a converged IP/ Multi Protocol Label Switching (MPLS) infrastructure. The network deploys a tiered IP/MPLS architecture ensuring that it is both scalable and resilient. The BTCL Metro Ethernet service provide a diversified range of VPN services over a converged IP/MPLS infrastructure, to cater for the data communication requirements of a wide spectrum of enterprises, service providers and all businesses in general.	**MPLS combines the best of both worlds** privacy (security) and Quality of service (QoS) of an ATM network; flexibility, higher availability and scalability of IP **BTCL Metro Ethernet offers a converged network** which consolidates multiple networks (voice, video, data, internet) potentially enabling a single access circuit per site. This dramatically reduces the need for managing multiple networks and their associated complexities as well as eliminates duplication in network infrastructure. A Metro Ethernet Network creates a converged platform for providing business grade MPLS VPNs or IP VPNs, QoS and internet services. The access technology of Metro can be frame relay, leased lines, ATM and Ethernet, offering a wide range of possible access speeds that caters for most customer requirements.	**Layer 2 VPNs (L2 VPN)** L2 VPNs provides an end to end connection to an enterprise over the metro network. L2 VPNs based on MPLS emulates frame relay, leased lines and ATM access circuits. **Layer 3 VPNs (L3 VPN)** L3 VPNs provide IP connectivity between customers' branches. L3 VPNs are a foundation for managed services as BTC is able to participate in the customer's routing. **Internet VPN** This is an internet VPN service offered to BTCL Wholesale customers. This enables BTCL to offer internet access to customers at very high bandwidth capacities. An internet VPN can either be a L2 or L3 VPN. **Quality of Service (QoS)** BTCL offers QoS only on L3 VPNs as they are able to view customers' traffic streams. The BTCL Metro service offers 4 different QoS packages that are applied to customers' applications. **Managed CPE** A managed CPE involves managing the customer's wide area network link, including the router (CPE). Managed IP telephony within enterprises **Managed LAN services** Managed Network Security – managed network based firewall and access control services. Hosting – data centre based storage and hosting services.

BTCL Products
& SERVICES

PRODUCT MODEL	PRODUCTS DESCRIPTION	PRODUCTS BENEFITS	PRODUCT BRANDS
Global Internet Gateway (Botsgate)	The BTCL Botsgate service is the internet access service for customers requiring internet connectivity with the international community.	**Reduced capital & operating costs** (no need to outlay capital on acquiring expensive access technology i.e. modems, telephone lines and routers, (no administration overheads and maintenance costs are also required). **Focus on core activities** **Re-focus to be competitive (ISP)** **Increased Reach**	BTCL offers the Botsgate service in capacities ranging from 1Mbps to 622Mbps, through three different links: • Frame Relay, at a minimum bandwidth of 1Mbps • Leased Line, at a minimum bandwidth of 1Mbps • Metro Ethernet, at a minimum bandwidth of 3Mbps • Wifi, at a minimum bandwith of 5Mbps
beMOBILE Products and Services	beMOBILE provides cost effective voice, SMS and communication services in the country.	**Widest Network Coverage** beMOBILE provides the widest network footprint and is available in the most rural areas. **Best Value** beMOBILE provides quality at the most affordable prices making communication affordable for Batswana **Corporate Social Responsibility** beMOBILE is giving back to the community through sponsorship of the Premier League to the value more than P24 Million.	Best Promotions – through promotions and discounts beMOBILE customers enjoy heavily discounted calls on the beMOBILE network during the day, night and even during weekends) Mobile Internet browsing – internet bundles for both prepaid and postpaid segments. Automatic Credit loaded prepaid airtime for corporate employees and unions Bulk SMS – enabling third party providers to send bulk sms to mobile subscribers Private APNs - provide a private connectivity environment for wireless Point Of Sale terminals or ATMs to the core banking system or payment systems Mobile Office Manager-MOM (Pay fixed fee –get unlimited staff to staff local calls). International roaming (With over 200+ destination countries, beMOBILE customers will remain connected, make and receive calls just as if they are in Botswana. beMOBILE also provide inbound roaming service to visitors from over 150 countries)

Acronyms & **Abbreviations**

KEY BUSINESS TERMS	
NET BORROWINGS / DEBT	Net interest bearing debt / liabilities less liquid funds and interest bearing receivables (see also Financial Review)
CAPITAL EMPLOYED	Total assets less current liabilities, which equals shareholder's funds plus long term liabilities
FIXED CAPITAL	Ordinary shareholders equity interest
TOTAL ASSETS	Property, plant and equipment, assets under construction, investments and current assets
OPERATING ASSETS	Total assets less investment and cash
TOTAL LIABILITIES	Sum of all interest and non-interest bearing liabilities
NET ASSET VALUE PER SHARE	Ordinary shareholders funds divided by the number of ordinary shares in issue at year-end
OPERATING INCOME	Net income before adding investment income and deducting financing cost
EARNINGS (PROFITS)	Net income attributable to ordinary shareholders as disclosed in the income statement
EARNINGS PER SHARE	Net income attributable to ordinary shareholders divided by weighted average number of ordinary shares in issue during the year
NET OPERATING CASH FLOW (EBIDTA)	Operating income plus income from investments and depreciation and amortisation (EBIDTA). It is not the same as cash flow from operating activities in the statement of cash flow (see also Financial Review)
FREE CASH FLOW	Cash flow from operations less capital expenditure and interest

KEY BUSINESS RATIO	
GROSS MARGIN	Operating income before depreciation expressed as a percentage of operating revenue
OPERATING MARGIN	Operating income after depreciation expressed as a percentage of operating revenue
NET MARGIN (PROFIT MARGIN)	Net income after financing costs expressed as a percentage of operating revenue
INTEREST COVERAGE RATE	Operating income after depreciation plus investment income divided by financing costs
DIVIDEND COVER	Net income attributable per ordinary share divided by ordinary dividend per share
RETURN ON CAPITAL EMPLOYED	Operating income after depreciation plus investment income adjusted for financing cost on short term portions of loans and overdrafts expressed as a percentage of average capital employed
RETURN ON SHAREHOLDER'S EQUITY	Net income attributable to ordinary shareholders divided by average total assets
SELF-FINANCING RATIO	Cash available from operating activities (available for investments) divided by capital expenditure funded by BTCL
GEARING RATIO (DEBT / EQUITY)	Interest-bearing liabilities / debt divided by adjusted shareholder's equity. Balances on Development Grants are excluded.
SOLIDITY RATIO (EQUITY / ASSET)	Shareholder's equity expressed as a percentage of total assets
CURRENT RATIO	Current assets divided by current liabilities
LIQUIDITY RATIO	Trade and other receivables and cash balances divided by current liabilities
CAPITALISATION RATIO	Debt divided by debt plus equity
FREE CASHFLOW RATIO	Profit after tax plus interest plus depreciation, less capital expenditure, less increase in net working capital expenditure, less increase in net working capital

Acronyms & **Abbreviations**

ADSL	Asymmetric Digital Subscriber Line. Broadband data transmission technology on existing conventional telephone networks. It enables broadband data transmission via copper cable
API	Application Programming interface
ARPU	Average Revenue Per User. A measure used which states how much income is derived from the average user
ATM	Asynchronous Transfer Mode
Backbone	The main telecommunications network consisting of transmission and switching facilities connecting several network access nodes. The transmission links between notes and switching facilities include microwave, optic fibre, submarine cable, satellite and other transmission technology
Bandwidth	The capacity of a communication link
Broadband	A signaling method that includes or handles a relatively wide range (or band) of frequencies
BSC	Base Station Controller, an equipment responsible for radio resource allocation to mobile station, frequency administration and handover between BTSs controlled by the BSC
BOCRA	Botswana Communications Regulatory Authority
BLOG	a “weblog”, or personal journal kept on a website
CDMA	Code Division Multiple Access. A transmission technology where each transmission is sent over multiple frequencies and a unique code is assigned to each data or voice transmission, allowing multiple users to share the same frequency spectrum
Centrex	Central Office Exchange
CPE	Customer Premise Equipment, any handset, receiver, set-to-box or other equipment used by the consumer of wireless, fixed line or broadband services, which is located on the customer premises
CTI	Computer Telephony Integration
CTP	Cordless Telephony Profile
DECT	Digitally enhanced cordless telecommunications
DSL	Digital Subscriber Line a technology that allows combinations of services including voice, data and one way full motion video to be delivered over existing copper feeder distribution and subscriber lines
DWDM	Dense Wave Division Multiplex equipment
e-business	Electronic Business Solutions, including electronic payment services, internet data centres and content and application solutions.
e-commerce	Electronic Commerce the buying and selling of products or services over electronic systems such as the internet and other computer networks
e-money	Electronic Money, money or script that is only exchanged electronically
e-payment	Also known as electronic funds transfer the electronic exchange or transfer of money from one account to another, either within a single financial institution or across multiple institutions through computer-based system
Earth Station	The antenna and associated equipment used to receive or transmit telecommunications signals via satellite.
EASSY	Eastern Africa Submarine System
Ethernet	the most widely used technology for local network connections
EVDO	Evolution Data Only
Fixed Line	Fixed wireline and fixed wireless
FMC	Fixed mobile convergence
Gateway	A peripheral that bridges a packet based network (IP) and a circuit based network (PSTN)
Gb	Gigabyte, a unit of information used, for example, to quantify computer memory or storage capacity

Acronyms & **Abbreviations**

Gbps	Gygabyte per second, the average number of bits, characters or blocks per unit time passing between equipment in a data transmission system. This is typically measured in multiples of the unit bit per second or bytes per second.
Ghz	Gigahertz, the hertz (symbol Hz), the international standard unit of frequency defined as the number of cycles per second of a periodic phenomenon
GPRS	General Packet Radio Service, a data packet switching technology that allows information to be sent and received across a mobile network and only utilizes the network when there is data to be sent.
GSM	Global System for Mobile Communications. European 2nd generation mobile technology that operates in the 900-1800 Mhz frequency
HSPA / HSDPA	High speed downlink packet access, it supports high speeds in packet mode on the down link, usually 10 times faster than 3G technology
HLR	Home Location Register
HMC	Hosted Messaging and Collaboration
IP	Internet Protocol, the basic communications protocols used for sending data on the internet.
ICT	Information and Communication Technology
IMS	Information Multimedia Subsystem
Intelligent Network	A service-independent telecommunications network where the logic functions are taken out of the switch and placed in computer nodes distributed throughout the network. This provides the means to develop and control services more efficiently allowing new or advanced telephony services to be introduced quickly
Inter-connection	The physical linking of a carrier's network with equipment or facilities not belonging to that network
ISDN	Integrated Services Digital Network, a network that provides end-to-end digital connectivity and allows simultaneous transmission of voice, data and video and provide high speed internet connectivity
ISP	Internet Service Provider, an organization that provides access to the internet
Kbps	Kilobyte per second, a measure of speed for digital signal transmission expressed in thousands of bits per second
LAN	Local Area Network
Leased Line	A dedicated telecommunications transmission line linking one fixed point to another, rented from an operator for exclusive uses
LTE	Long Term Evolution, 4th generation of mobile technology, a standard for high-speed wireless data communication for mobile phones and data terminals
Mbps	Megabyte per second, a measure of speed for digital signal transmission expressed in millions of bits per second.
MHz	Megahertz, a unit of measure of frequency equal to one million cycles per second
MDN	Managed Data Network
MMS	Multimedia Messaging Service
MPLS	Multi-Protocol label switching
MSAN	Multi Service Access Networks, represents the third generation of optic access network technology and are single platforms capable of supporting traditional, widely deployed, access technologies and services as well asc emerging ones, while simultaneously providing a gateway to a NGN core.
Mobile Broadband	The marketing term for wireless internet access through a portable modem, mobile phone, USB wireless Modem or other mobile devices
Network Access Point	A public network exchange facility where ISPs connected with one another in peering arrangement
NGN	Next Generation Network, a general term that refers to a packet based network able to provide services including telecommunications services, and be able to make sure of multiple broadband, quality of service enabled transport technologies and in which service-related functions are independent from underlying transport related technologies. A NGN is intended to be able to, with one network transport various services (voice, data, and various media such as video) by encapsulating these into packets, similar to how such packets are transmitted on the internet. NGNs are commonly built around the Internet Protocol.

Acronyms & **Abbreviations**

OSS	Operational support system
OPEX	Operating Expenditure
OSP	Open Service Platform
POTS	Plain Old Telephone Sets
PBX	Private Branch Exchange
PDA	Personal Digital Assistant
PSTN	Public Switched Telephone Network, conventional voice transport network
QoS	Quality of Service
Radio Frequency Spectrum	The part of the electromagnectic spectrum corresponding to radio frequencies
SDH	Synchronous Digital Hierarchy
SIM	Subscriber Identity Module, a smart card designed to be inserted into cellular phone that uniquely identifies a GSM network subscription and contains subscriber-related data such as phone numbers, service details and memory for string messages
SOHO	Small Office Home Office
Smartphone	A mobile phone offering advanced capabilities, converging telephone functionalities with features such as calendars, email, internet access and many more
SMS	Short (written) messaging service that can include short messages, text, video and audio exchanged between mobile phones and between fixed wireless phones
SMME	Small and Medium Scale Enterprises
TDM	Time Division Multiplex
Triple play	A broadband subscription package including three services – internet access, VOIP and IPTV for triple play – plus mobile telephony for quadruple play
UMTS	Universal Mobile Telecommunications Service, one of the 3G mobile systems being developed within the ITU's IMT-2000 framework
VOD	Video on Demand, digital video content that can be downloaded from a central server
VoIP	Voice-over-Internet Protocol, a means of sending voice information using IP
VPN	Virtual Private Network, a secure private network connection, built on top of publicly-accessible infrastructure such as the internet or the public telephone network
VSAT	Very Small Aperture Terminal. A relatively small antenna, typically 1.5 to 3.0 metres in diameter, placed in the user's premises and used for two-way communications by satellite which is able to provide both voice and data services.
WAN	Wide Area Network
WAFS	West African Festoon System
WCDMA	Wideband Code Division Multiple Access
WiMax	Worldwide Interoperability for Microwave Access a telecommunications technology that provides wireless transmission of data using a variety of transmission modes, from point-to-point links to portable internet access
WiFi	Wireless Fidelity, a local wireless network available within a given area (public space, company, home) for broadband internet connection.
WLAN	Wireless local area network
2G / 3G	Second and third generation mobile communications network based on UMTS standard
4G	Fourth generation mobile communications network based on LTE (long term evolution) technologies which are able to deliver ultra-fast speeds of over 100 Mb/s

GOVERNANCE

GOVERNANCE

Privatisation
& SEPARATION

PRIVATISATION AND SEPARATION

The Government intended to implement a reform programme to improve the efficiency, productivity and competiveness of the public sector through the Privatisation Policy. Following the Government's decision to privatize BTC, in 2008, the BTC (Transition) Act was passed by parliament to assist the privatisation process. The Government made a pronouncement in second quarter of 2010 through Presidential Directive CAB28B/2010 to privatise BTC in the form of an initial public offer. The Ministry of Finance, through PEEPA, and Ministry of Transport and Communications were mandated with the implementation of this decision. Some of the key points from the BTC privatization model included, inter alia:

- Government retains 51% equity while 49% will be made available for ownership by citizens of Botswana via the Botswana Stock Exchange (BSE);
- An Employee Share Option Plan was to be established and allocated up to 5% of the total shares to be listed;
- Free trade of shares in BSE will be allowed amongst citizen investors;
- The Government will establish an investment vehicle called the "Botswana Privatisation Assets Holding" that will act as a market player;
- The Government has also further decided that the BTCL backbone infrastructure including the rights to international connectivity capacity (EASSY and WACS) will not be privatized; and

On 1 August 2012, the MTC announced that BTCL was to relinquish some of its existing assets to a new Government-owned infrastructure company, called BoFiNet which would house and operate these assets. A series of various separation models were recommended to Government and the Government settled for a form which is commonly known as structural separation. In August 2012, the Government further expanded the scope of assets to include all backbone and access fibres.

The assets that have been transferred to BoFiNet include the DWDM network, International Capacity contracts (EASSY and WACS), Internet Point of Presence equipment in Gaborone and London, the backbone fibre network, access fibre network, all ducts and poles carrying fibre and 201 physical sites together with the titles to the properties.

A commercial trading relationship has been established between the two entities, namely BTCL and BoFiNet, in the form of a Master Services Agreement. The agreement defines how BTCL will buy the requisite services for its operations such as IPT and IPLC from BoFiNet.

BoFiNet operates under a substantive licence as issued by BOCRA called Facilities Based Operator. The Government has also restricted the commercial operations of BoFiNet to cover Public Telecommunications Operators and VANS only. BTCL will in the financial year 2014/2015 trade under a new arrangement with BoFiNet now adding on to its key supplier database and without the assets that have already been transferred to the new company. BTCL will continue to operate under a Public Telecommunications Operator (PTO) License and its services will range from mobile, fixed retail and will still offer wholesale services. On 1 November 2012, BTCL was registered as a company in terms of Section 3 of the Transition Act. The Transition Act empowered BTCL to apply to the Registrar in accordance with Section 355 of the Companies Act to be registered as a public company limited by shares. Upon registration, the name Botswana Telecommunications Corporation Limited (BTCL) was adopted in line with Section 3 (4) of the Transition Act as a result the Company duly changed its trading name to Botswana Telecommunications Corporation Limited. Botswana Telecommunications Corporation Act [Cap 72:02] was accordingly repealed on 1 November 2012 in terms of Section 12 of the Transition Act and now BTCL continues to exist as a public company governed by the Companies Act.

Privatisation
& SEPARATION

BTCL and Regulatory **COMPLIANCE**

The avoidance of regulatory risk is one of the BTCL's strategic priorities

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

Regulations in Botswana

The Botswana Communications Regulatory Authority (BOCRA), the converged regulator, came into being on 01 April 2013 and regulates the Telecommunications, Broadcasting, Postal Services and ICT sectors in Botswana under the Communications Regulatory Authority Act of 2012. BOCRA, among others things, develops and implements regulations in order to create a level playing field, promote competition, enhance availability of wider range of services and, above all, ensures that the customer's interests are protected and upheld. Such regulations take the form of Licence Conditions and Directives issued by the BOCRA from time to time to all telecommunications operators and service providers in Botswana.

BOCRA from time to time engages Botswana Telecommunications Corporation Limited (BTCL) and other stakeholders on issues intended to develop frameworks for the efficient running of the sector.

Currently three Public Telecommunication Operators (PTOs) provide local, international, national and mobile services. The market structure for local services, domestic long distance services, market for international long distance services and market structure for mobile services has been partly liberalised. The market for private networks is fully liberalised as Value Added Network Services may provide services using any technology including VSAT. The market for terminal equipment trade is also fully liberalised as no telecommunications licence is required to sell terminal equipment, however, terminal equipment have to be type-approved by the BOCRA, as one of the functions of the BOCRA is type-approval.

BTCL's Regulatory Policy

BTCL is committed to full compliance with the regulatory framework under which it operates. These comprises of the Communications Regulatory Authority Act 2012 and the PTO Licence (the Licence). BTCL continues to closely monitor and ensure it's compliance to the PTO Licence Conditions.

The Service Neutral Licensing Framework

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

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

Universal Service and Access

BOCRA during January 2014 announced the imposition of the Universal Service and Access Levy contributions by select Service Providers effective 01 April 2014. The Levy has been set at one percent (1%) of the Operators annual gross revenues and shall go into a Universal Access and Service Fund.

REGULATORY ACTIVITIES

BOCRA during April 2013 consulted on the Development of a National Broadband Strategy for Botswana. The National Broadband Strategy (NBS) provides a holistic and coordinated approach to Information and Communication Technologies (ICTs) broadband ecosystem in Botswana with a view to achieve long-term national strategic outcomes. The aim is to facilitate the construction and use of faster speeds, high-quality and reliable ICT networks which are able to carry large volumes of digital data and information.

The National Broadband Strategy for Botswana has been developed with reference to the Government's ICT Policy of 2007 (Maitlamo), e-Government Strategy, National Vision 2016 and the United Nation's Millennium Development Goals, which all advocate for high speed infrastructure, provision of online services and creating a knowledge society. BTCL has actively participated in the development of the NBS.

BOCRA, during May 2013, announced the commencement of the review of the existing licensing framework to be conducted by the World Bank Group. This review is carried out as part of the Government of Botswana Economic Diversification Drive initiatives. BTCL believes the review is appropriate at this time in order to align the new Act to the existing licensing framework.
During June 2013 BOCRA consulted on the Regulatory Impact

BTCL and Regulatory **COMPLIANCE**

Assessment (RIA) on Mobile Number Portability (MNP) in Botswana. The RIA sought to assess viability of Mobile Number Portability in underserved areas and explore viable alternatives to Mobile Number Portability in underserved areas. During September 2013, BOCRA directed that PTOs implement Mobile Number Portability under commercial arrangements. The Regulatory Impact Assessment (RIA) had established that there were no compelling reasons for making Mobile Number Portability mandatory and recommended that Mobile Number Portability be implemented as commercially negotiated.

BOCRA during September 2013 published and directed immediate implementation of the Quality of Service Guidelines that would guide PTOs in their reporting of Network Performance Indicators. During November 2013, BOCRA conducted an audit of network performance standards for all mobile providers against set parameters.

BOCRA consulted on the sector on availing frequency spectrum for Long Term Evolution (LTE) or 4G during October 2013. BTCL actively participated and contributed to the consultation process providing valuable inputs to enable BOCRA to make an informed decision on the spectrum identification and allocation.

THE WAY FORWARD

It is the view of BTCL that, the "converged regulatory body", BOCRA, should now move to align the existing Licensing Framework to the new Communications Regulatory Authority Act.

BTCL will continually improve its processes to ensure a smooth transition to its operations under a converged regulatory framework.

Risk
MANAGEMENT

BTCL consider risk as a natural part of any business and the management of risk as a key operating component for BTCL. The manner in which this is carried out will determine how best we have utilised the opportunity.

BTCL as an organisation faces a wide range of risks, both internal and external to the organisation, which can have an impact on the outcome of its operations. BTCL considers risk management to be fundamental to good management practices and as an integral part of corporate governance process. BTCL recognises that the process of risk management is crucial for the business to achieve and meet its short term and long term objective and add value to various operations.

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

RISK MANAGEMENT AND CONTROL SYSTEMS AND PROCESS

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

RISK MANAGEMENT RESPONSIBILITY

The effective management of risks within BTCL is essential to, and underpins the delivery of, the BTCL's objectives. The Board is responsible for the oversight of the risk management process which includes that risks are identified and appropriately managed across the Company. It has delegated the responsibility to the Finance and Audit Committee for reviewing the effectiveness of the Group's internal controls, including the systems established to identify, assess, manage and monitor risks. Risk Management Department periodically reviews the risks and ensures that they are managed according to the agreed risk management process. Day-to-day responsibility for risk identification, analysis, evaluation, mitigation, reporting and monitoring rests with the operating divisions and business units of the Company's and coordinated by 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 risk events identified, their cause, possible consequences and the controls.

Risks are then analysed as to the likelihood of occurrence and also their potential impact on the business. Actions are developed and put in place to mitigate or eliminate unwanted exposure. Individual Managers are allocated responsibility for assessing and managing the risks identified within their business areas. Risks and their corresponding mitigating actions are subject to review within the Company and established business reporting systems exist to ensure that significant risks are escalated through operating division/business units to senior management and to the Board.

PRINCIPAL RISKS AND RISK MANAGEMENT

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

BTCL RISK PHILOSOPHY

BTCL recognises that an effective risk management process is fundamental to achieving its business goals. The Company is aware that business opportunities can be enhanced through better management of risks. The Risk Management process therefore aims to ensure that a more inter-dependent and more explicit connection exist between managing the business and managing the risks. BTCL also believes that it can manage risks only if its employees are equipped to manage risks. BTCL believes that it is the corporate culture which facilitates the

Risk
MANAGEMENT

enterprise wide risk management process. BTCL also recognises that in order to add value to its business, it needs to take business risks. There are risks in every activity it is involved in. Business risks that carry no compensating gains are therefore avoided or minimised. BTCL's view is that it is not possible to eliminate the risks entirely and therefore manage risks rather than to eliminate completely the risks of failure, providing only reasonable and not absolute assurance.

BTCL ENTERPRISE-WIDE RISK MANAGEMENT PROCESS

In order to manage risk, BTCL identifies and analyses risks it faces, ranks them by the likelihood of occurrences and significance of consequences, and determines the most effective ways to manage the risk universe. BTCL's Headline Risk Register groups the risks into five broader perspectives on people, processes, technology, customers and shareholders. High level Risk Assessment takes place as an integral part of the Company's annual strategic planning phase. These are followed up by a more detailed systematic analysis and identification at business unit or departmental levels.

The Risk Management Programme at BTCL embodies the following steps:-

1. Discussion of the Company's vision and strategic goals so that they are well understood by all senior managers.
2. Identifying the events (or risks) that could positively or negatively impact on the achievement of the strategies.
3. The likelihood of frequency and consequence / impact of the events (or risks) on the Company's operation, profitability and it's image and the likelihood of such events detected through the existing internal controls and processes.
4. Maintaining a Risks Register for the Company.
5. The headline risks, being the most hierarchical in the risks structure, are tested for the following:-

- What is the likelihood of occurrence / frequency of such risks?
- What will be the consequence or impact of such occurrences?
- Should the Company accept the risks?
- What control measures could be adopted to avoid or mitigate the gross risks?
- Who is accountable for managing the risk, maintaining and managing the control measures?
- What is the residual risks that is the remaining risk after the application of control measures?
- What is the cost of control and does the benefit exceed the cost?
- What are the early warning mechanisms?

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

7. 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

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

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

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

Risk MANAGEMENT

Item no	Corporate dash board	Objective/ Initiatives	BTCL High Level Risks	Control Measures
1	People	• Capability and talent management • Build a High Performance Culture • Complete the FMC Organisation Transformation • Implement reward and recognition.	**1. Delayed implementation of Talent management, retention & reward scheme** **2. Limitation of Critical Skills on Sales, Cost/Pricing**	Defined performance development plan linked to a retention and reward programme. FMC Structure and Process signed off and education at all levels.
2	Process	• Optimise FMC Processes and • Complete Process Automation	**3. Delay in the implementation of Business Process Management System, (Process automation) and slow migration to the new process**	Commitment to FMC by all the Stakeholders. Process change to be owned from EXCO level Close monitoring by Strategy, Accerating Change (AC) team Availability of Vision to all machines
3	Process	• Enhance corporate governance • Review the adequacy of the Business Continuity (BCP) and Disaster Recovery (DR) mitigation plans in place	**4. Inadequate Compliance to Regulatory requirement.** **5. Unavailability of BCP and DR Plans**	Full Compliance to Regulatory requirements and education on Competition. Documented and implementation of BCP and DR Plans. Regular testing of the plans for reliability of redundancy of the network, disaster recovery, ability to work for off sites
4	Technology	• Enhance Technology Capabilities • Enhance Network Coverage and capacity • Enhance Network Quality of Service	**6. Obsolescence, Network Failure and Network Performance.** **7. Poor Quality of Service, Lack of converged billing platform ,VAS Layer**	Network modernization and optimization, power back up roll out and Converged billing platform, investment in VAS layers to support product innovation and flexibility

Risk MANAGEMENT

Item no	Corporate dash board	Objective/ Initiatives	BTCL High Level Risks	Control Measures
5	Customer	• Minimise Brands • Grow Mobile and Broadband • Customer Management • Innovative Service Creation • Unify Brand • Achieve Service Fulfilment • Achieve Service Assurance • Build Customer Satisfaction	**8. Stiff competition by VANS providers, churn and cost cutting measures by key customers.**	Fast tracking of the deployment of converged billing platform, investment in VAS layers to support product innovation and flexibility Optimize network efficiency
6	Customer	• Focus on Profitability	**9. Bad Debt**	Revised and sign off new Credit Management Policy. Develop and implement a debt management plan
7	Customer (WHOLESALE)	• Improve international partner relationships	**10. Unavailability of traffic reports from Billing (internally and externally)**	Assurance of the Mediation and billing system
8	Shareholders	• Privatization • Focus on Profitability -Sales to deliver agreed budget and profits through market driven and profitable products portfolio.	**11. Delayed Listing.** **12. Financial Liquidity- Revenue and Profitability Loss**	Monitoring and adherence to IPO plan. Launch new products, improve visibility in market, Technology to invest in VAS layers to support product innovation and flexibility.

Financial Review & **Management Discussion**

05 | FINANCIAL REVIEW

Financial Review &
Management Discussion (CONTINUED)

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

This review and the discussion include the Company, BTCL, and its predecessor Botswana Telecommunications Corporation (BTC). BTCL was incorporated under the Companies Act on 1 November 2012 taking over all of the assets, liabilities and the operations of BTC. For purpose of this review and discussion, the entities are assumed to be one single entity and continuing and referred to as BTCL.

This Financial Review and Management Discussion reviews the financial and operating performance of BTCL business units and other financial conditions for the year ended 31 March 2014 in comparison with the previous two (and in some cases four years) as considered necessary. It explains the performances of BTCL and its various business segments using a variety of measures. It provides commentary on the revenue, the operating profit performance, the asset bases, the financing and the capital structures and analyses it over operating segments or line of business. BTCL believes that such analysis provides a narrative description of the trends and performances. It also analyses the risks associated with the business, its view on those risks and the actions that are taken by BTCL to mitigate them.

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

ABOUT OUR BUSINESS

BTC was formed under the BTC Act of 1980 as a State Owned Enterprise or Parastatal. BTC was a licensed Public Telecommunications Operator offering services of voice telephony (i.e. fixed and mobile and national as well as international), internet (i.e. wholesaling and retailing), data services (i.e. fixed and mobile and national as well as international), virtual private networks and customer equipment to residential, government and businesses. On 1 November 2012, in line with the decision of Government of Botswana to commercialise and privatise BTC, it was converted to a Company limited by shares, continuing with the assets, liabilities, operations, licences etc. (refer to BTC Transition Act). The new legal form assumed the name Botswana Telecommunications Corporation Ltd or, in short, BTCL. Currently, BTCL is the only fixed line service provider in the country. On that date, the Company also became a corporate tax payer, obligated to pay all taxes as would be required under the Income Tax Act of Botswana.

On 1 November 2012, the Minister of Transport and Communications announced that BTCL is to relinquish some of its existing assets to a new Government owned infrastructure entity, Botswana Fiber Network (BoFiNet). BoFiNet will be responsible for the international and national backbone fibre network including the metropolitan fibre networks comprising the dark fibre. The national dark fibre system will include the Trans-Kalahari Optic Fibre, the metropolitan loops as well as the associated dense wave division multiplex fibre equipment. Such separation was implemented on 31 December 2013. In terms of the arrangement, the fibre network assets and related liabilities were transferred to the new outfit BoFiNet at their net book values (see note 7 to the Annual Financial Statements). Further, as a result of this separation, BTCL reduced the carrying value of the related transmission assets by Pula 266.0 million, through a one-time impairment charge (see financial impact of the separation).

BASIS OF ANALYSIS

Depreciation and development grants

All depreciation charges for plant, machinery, equipment and non-telecommunications assets are grouped together with the amortization of development grants (included under other income – note 3) as they all relate to the non-current assets of the Company, amounting to Pula 42.7 million (2013 – Pula 38.7 million).

Repairs and maintenance – other equipment

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

Deferred revenue

Deferred revenue, as included under "Other Income" (note 3) has been added to operating revenue (other), amounting to Pula 9.4 million (2013 – Pula 27.4 million).

Profit / loss on disposal of assets

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

One-time impairment and re-structuring costs

The impairment charges relating to plant and machinery of Pula

266.1 million (see note 2.1 and 7) together with restructuring costs of Pula 31.2 million (note2.4) have been grouped together under the above heading, as these expenses are significant, of one time and not recurring in nature.

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

CAUTIONARY ANNOUNCEMENT

These analysis and discussions are provided based on full year results, which also included part periods of before and after "the separation of the back bone fibre network to BoFiNet". The financial impacts of the separation of network assets on BTCL's revenue sources , its cost structure and its profitability are expected to be significant. At the time of writing this report, the financial and other impacts are under assessment and have not been quantified. Readers of this Annual Report are therefore, requested to exercise extra care when interpreting the results or when taking investment decisions, as the post separation results (as of financial year 2014/15) could be materially different from the trends thus far experienced. The following are major impacts explained in the relevant notes to the Annual Financial Statements:

Detail of transaction	Amount	Impact during current year	Impact during the future years
Transfer of assets(note 7 and 11)	Pula 334.9 million	No impact on income statement, reduction of value of assets	Savings in terms of depreciation and impairments
Transfer of inventory (note 11)	Pula 5.3 million	No impact on income statement, reduction of value of assets	Savings in terms of inventory usage
Transfer of deferred income (note 11 and 18)	(Pula 52.0 million)	No impact on income statement, reduction of value of liabilities	Loss of profit to the stated amount
Transfer of deferred grant (note 11 and 17)	(Pula 4.0 million)	No impact on income statement, reduction of value of liabilities	Loss of profit to the stated amount
Funding to BoFiNet (note 11)	Pula 121.2 million	No impact on income statement, reduction of value of assets	No impact in future years
One time impairment of related plant and equipment	Pula 266.1 million	Reduction of profit in the income statement.	No impact in future years

Shares and Share capital

Prior to formation of BTCL, the predecessor BTC, in terms of the BTC Act, was not required to have a share capital account. As a result, and in line with an agreement with the Government of Botswana which was the sole owner of the Corporation, a notional share capital structure was set in operation. Under this system, the Corporation allocated 21,033,733 ordinary shares of Pula 1 each to Government of Botswana.

Subsequent to the conversion of the Corporation into a Company under the Companies Act, 1,000,000 shares of Pula 1 each have been issued to the shareholder, the Government of Botswana. For purpose of consistency, the analysis and indicators included herein are based on 1,000,000 shares.

Financial Review &
Management Discussion (CONTINUED)

Summary of Significant Achievements

A few years ago, the Company made a significant choice to create – one single, focused and integrated company geared towards sustainable market share and profitability. As part of this strategy, the previously separately run companies for internet and mobile telephony were brought together under one corporate structure. This facilitated the Company to employ strict financial disciplines and focused execution of its plans in pursuit of these strategic intents. This has guided BTCL towards achieving exceptional results over the years.

However, during this financial year, with the transfer of the backbone fibre network and associated financial interests, the Company's balance sheet has shrunk. Further, as explained previously, the Company's overall profit has substantially reduced following the onetime charge of its restructuring cost. However, the results before restructuring costs were impressive.

Against this backdrop, the Company achieved the following significant milestones:

- Increased profitability (before restructuring costs and one time impairment charges) to Pula 300.2 million;
- Continuing to be a debt free enterprise;
- Increased Earnings Before Interest, Depreciation, Taxes and Amortisation (EBIDTA) (before onetime impairment and restructuring cost) to Pula 475.6 million with a free cash flow of Pula 282.5 million;

However, it did not achieve:

- The revenue growth that was anticipated. The current year's revenue grew by a mere 7.6 per cent (adjusted 5.8 per cent) against the compounded annual growth rate of 11.1 per cent per annum which it achieved over the last four years. Nevertheless, the growth was above the national inflation during the year.

These results for financial year 2013/14 indicate that, BTCL did achieve an outstanding progress toward these goals. Net sales were Pula 1,454.5 (adjusted 1.463.9 million), compared with Pula 958.0 million four years ago (i.e. in fiscal year 2010/11).

As we enter the financial year 2014/15, BTCL will articulate its four long-term financial targets and priorities:

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

Financial Review &
Management Discussion (CONTINUED)

The following table illustrates the achievements of these key financial targets over the past five years:

	NET REVENUE (adjusted)	NET PROFIT AFTER TAX	ADJUSTED RETURN ON AVERAGE CAPITAL EMPLOYED	ADJUSTED EBITDA MARGIN	FREE CASH FLOW	CAPITAL EXPENDITURE	NET DEBT MANAGEMENT
DEFINITION	Net revenue from all sources including those deferred from previous years but relating to the current accounting period	Net profit after tax including exceptional and extra-ordinary items	Operating profit before exceptional items divided by average capital employed, expressed as a percentage.	Earnings before interest, tax, depreciation, amortization and exceptional items divided by revenue, expressed as a percentage	Cash flow from operations after capital expenditure and loan re-payments, but before payment of dividend and any significant capital investments.	Capital expenditure funded by the Company	Net debt divided by earnings before interest, tax, depreciation, amortisation and exceptional items
TARGET	To increase revenue on a year on year basis, at minimum above the national inflation levels	To increase net profit, particularly relating to the profit available to the shareholders, at a level which can support an increasing dividend payout and retention within the business.	To achieve an adjusted return on average capital employed over the business cycle that is comfortably in excess of the Company's ideal weighted average cost of capital, which we estimate to be 16.0 %	To generate an adjusted EBITDA margin which enable us to provide funds for development and to grow our dividends.	To achieve a positive free cash flow after funding capital expansions and in order to create a dividend growth model.	To manage the capital expenditure at a sustainable level and to fund it out of internally generated funds or greater portion thereof.	To maintain a healthy balance sheet, sufficient to support our capital expenditure and dividend through the business cycle
KEY TRENDS	2009-10: 14.7 % 2010-11: 11.1 % 2011-12: 10.2 % 2012-13: 17.6 % 2013-14: 5.8 %	2009-10: Pula 181.1 mil 2010-11: Pula 227.4 mil 2011-12: Pula 236.8 mil 2012-13: Pula 273.6 mil 2013-14: Pula 0.1 mil	2009-10: 12.0 % 2010-11: 13.7 % 2011-12: 12.0 % 2012-13: 12.4 % 2013-14: 0.2 %	2009-10: 33.4 % 2010-11: 32.9 % 2011-12: 31.9 % 2012-13: 32.4 % 2013-14: 3.6 %	2009-10: Pula 23.4 mil 2010-11: Pula 30.6 mil 2011-12: Pula 16.9 mil 2012-13: Pula 164.6 mil 2013-14: Pula 155.2 mil	2009-10: Pula 348.3 mil 2010-11: Pula 401.9 mil 2011-12: Pula 380.5 mil 2012-13: Pula 333.9 mil 2013-14: Pula 194.8 mil	2009-10: nil 2010-11: nil 2011-12: nil 2012-13: nil 2013-14: nil
	Without impairment and re-structuring costs (if different)	2013-14: Pula 297.3 mil	2013-14 14.0 %	2013-14 30.8 %			
WHERE TO	Grow revenue at a rate above national inflation and the average compounded annual growth rate over the previous four years	To get back to previous years profitability levels comparable to those telecommunications companies in developing countries.	To reach a return on averaged capital employed of 16 per cent.	To reach above 40 per cent, which will indicate sufficient free cash available within the Company.	Ability to fund capital expenditure and payment of dividend at market rates.	To be able to self fund capital expenditure.	Nil debt structure.

Financial Review & **Management Discussion** (CONTINUED)

STRATEGIC OVERVIEW

BTCL's profit is derived mainly from three operating segments – i.e. BTCL Fixed, beMOBILE and BTCL Data. During the year, all three segments showed positive signs of growth, whilst the costs were contained somewhat within a reasonable range. The revenue from Data and related networks have surpassed the traditional voice telephony as the biggest revenue earner, at Pula 550.7 million. beMOBILE, the mobile arm of BTCL, provided the second biggest revenue and is the fastest growing unit within BTCL. The revenue from this sector increased by 12.6 per cent to Pula 366.3 million.

The increasing revenue streams of BTCL indicate that its brands are achieving growth in terms of its awareness in the market place.

The operating profit, prior to the restructuring costs and one time impairment charge was at the highest level in history of BTCL and its predecessor BTC, at Pula 375.6 million.

One of BTCL's key tenets of its strategy is to derive an increasing proportion of its revenue growth from data related products. BTCL did achieve this during the year in terms of volume and value.

BTCL's income derived from traditional voice call businesses, which shows reasonable level of growth. With the expected drop in interconnection rates and the network provision between and to the other public telecommunications operators, the impact of these factors on revenue is still not known.

Operating Environment Overview

During the financial year, the general economic climate remained stagnant with continuing slow economic recovery worldwide. These conditions generally contributed to lower or reduced customer demand for telecommunications services in Botswana. Further, the separation of the backbone fibre network from BTCL also has created uncertainty in terms of customer retention, pricing, loss of control over network and loss of revenue etc. With the introduction of BoFiNet, the regulatory landscape is expected to change.

Financial Review &
Management Discussion (CONTINUED)

Results of Operations based on income statements as published
BTCL's results for the past three years, as presented in the annual financial statements are summarised below:

	2014	2013	2012	2011	2010	% change	
	P mill	P mill	P mill	P mill	P mill	**14:13**	**13:12**
Revenue - Sales of goods and services	1,454.5	1,356.9	1,173.9	1,065.1	958.4	**7.2**	**15.6**
Interest income	25.1	18.5	13.4	21.3	30.9	**35.7**	**38.1**
Revenue	**1,479.6**	**1,375.4**	**1,187.3**	**1,086.4**	**989.3**	**7.6**	**15.8**
Cost of sales	(551.2)	(566.8)	(512.3)	(427.7)	(452.6)	**(2.7)**	**10.6**
Gross profit margin	**928.4**	**808.6**	**675.0**	**658.8**	**536.7**	**14.9**	**19.8**
Other Income	52.1	66.6	42.0	25.3	29.4	**(21.8)**	**58.6**
Selling and distribution costs	(43.0)	(34.5)	(36.1)	(11.9)	(6.4)	**24.6**	**(4.4)**
Administrative expenses	(376.2)	(357.9)	(309.2)	(297.9)	(252.1)	**5.1**	**15.8**
Other expenses	(260.9)	(198.7)	(134.6)	(144.0)	(116.3)	**31.3**	**47.6**
Operating profit margin	**300.4**	**284.1**	**237.1**	**230.3**	**191.3**	**5.7**	**18.7**
Financing costs incl preference dividend	(0.2)	(0.2)	(0.2)	(2.9)	(10.2)	-	-
Profit before staff retrenchment and Impairment costs	**300.2**	**283.9**	**236.9**	**227.4**	**181.1**	**5.7**	**19.8**
Restructuring costs and one time charges	(297.2)	-	-	-	-	**-**	**-**
Profit before taxation	**3.0**	**283.9**	**236.9**	**227.4**	**181.1**	**(99.9)**	**19.8**
Taxation	(2.9)	(10.3)	-	-	-	**(71.8)**	**-**
Profit attributable to Ordinary Shareholders	**0.1**	**273.6**	**236.8**	**227.4**	**181.1**	**(96.3)**	**15.5**
Number of shares in issue	**1,000,000**	**1,000,000**	**1,000,000**	**1,000,000**	**1,000,000**		
Basic earnings per share (Pula)	**0.14**	**273.64**	**236.80**	**227.10**	**181.10**	**(94.1)**	**15.6**
Earnings before Interest, Depreciation, Taxation and Amortisation (EBIDTA)	**475.6**	**466.9**	**387.8**	**371.6**	**350.7**	1.9	20.4
EBIDTA as a percentage of operating revenue (%)	**32.5**	**34.4**	**33.0**	**34.9**	**36.6**		
Average capital employed	**2142.1**	**2256.7**	**1916.0**	**1629.0**	**1507.0**		
Return on Capital Employed (%)	**14.0**	**12.6**	**12.4**	**14.1**	**12.6**		

Financial Review & **Management Discussion** (CONTINUED)

2014 compared to 2013

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

The cost of sales as a percentage of revenue was lower than that of the previous year. Primarily, the costs of sales including direct depreciation was 37.9 per cent as opposed to 41.8 per cent in the previous year. The gross margin, excluding the one-time impairment of the network (see below), increased by Pula 119.8 million to Pula 928.4 million (2012/13: Pula 808.6 million). Further increases were also noticed in other operating costs at Pula 260.9 million (excluding restructuring costs of Pula 31.2 million) from Pula 198.7 million. The resulting operating profit before restructuring and one-time impairment costs increased from P283.9 in 2012/13 to P300.2 million in 2013/14. This is impressive given the uncertainty that surrounded the network separation and escalating trend in costs. The profit attributable to ordinary shareholders was, however, at the lowest level at Pula 0.1 million (2012/13 – 273.6 million) .

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

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

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

2013 compared to 2012

The increase in the Company's revenue during 2012/13 compared to 2011/12 was impressive, at 15.6 per cent or Pula 1,356.9 million, primarily due to increase in data products, which increased by Pula 54.7million or 12.0 per cent. Data products accounted for nearly 37 per cent. Comparatively, the costs of sales were down to 41.7 per cent as opposed to 43.6 per cent in the previous year (2011/12). The gross margin increased by a staggering Pula 133.6 million to Pula 808.6 million. However, the administrative expenses, which included the employee cost increased by Pula 48.7 million or 15.8 per cent. The resulting operating profit at Pula 284.1 million was up Pula 47.2 million from the previous year, resulting in an almost similar increase in the Profit attributable to ordinary shareholders. The profit attributable to ordinary shareholders was Pula 273.6 (2011/12 – Pula 236.8 million).

At the end of the year, on 31 March 2013, the shareholder equity stood at a healthy Pula 1,993.3 million to reflect its strong capital base.

Financial Review &
Management Discussion (CONTINUED)

Results of Operations based on re-grouped financials

It is traditional for BTCL to re-group and analyse its results based on revenue and costs drivers. BTCL's results for the past four years based on such basis are summarised below:

	2014	2013	2012	2011
	P mill	P mill	P mill	P mill
Revenue - Sales of goods and services (adjusted)	1,463.9	1,384.2	1,173.9	1,065.1
Cost of sales (excl depreciation and impairment)	(361.9)	(386.6)	(353.9)	(290.4)
Depreciation charge - direct	(146.6)	(141.4)	(118.0)	(112.0)
Gross profit *	**955.4**	**856.2**	**702.0**	**662.7**
Employee costs	(329.1)	(302.1)	(262.9)	(251.6)
Selling and distribution costs	(43.0)	(34.5)	(36.1)	(11.9)
Depreciation charge - indirect	(28.5)	(40.2)	(32.8)	(29.3)
Other operating costs	(279.5)	(213.3)	(146.5)	(161.0)
Operating profit *	**275.3**	**266.1**	**223.7**	**208.9**
Financing costs incl preference dividend	(0.2)	(0.2)	(0.2)	**(2.9)**
Interest income	25.1	18.5	13.4	21.3
Profit before restructuring costs *	**300.2**	**284.4**	**236.9**	**227.3**
Restructuring costs	(297.2)	(0.5)	-	-
Profit before taxation	**3.0**	**283.9**	**236.9**	**227.3**
Taxation	(2.9)	(10.3)	-	-
Profit after taxation, attributable to ordinary shareholders	**0.1**	**273.6**	**236.9**	**227.3**
Average number of shares in issue	1,000,000	1,000,000	1,000,000	1,000,000
Basic earnings per share (thebe)	**0.14**	**273.64**	**236.90**	**227.30**
Earnings before Interest, Depreciation, Taxation and Amortisation (EBIDTA)	**475.6**	**466.9**	387.8	**371.6**
EBIDTA as a percentage of operating revenue (%)	**32.5**	**34.4**	33.0	**34.9**
Average capital employed	**2142.1**	**2256.7**	**1916.0**	**1629.0**
Return on Capital Employed (%)	**14.0**	12.6	12.4	14.1

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

Financial Review &
Management Discussion (CONTINUED)

SALES OF PRODUCTS AND SERVICES

BTCL derives its revenues from:

- voice (mobile and fixed and includes both national and international calls),
- network rentals and services (local access and data services including managed data network, ADSL and internet bandwidth wholesaling and retaining); and;
- Sale and rental of customer equipment.

Key Trends

- Total product revenue rose to Pula 1,454.5 million up from Pula 1,356.9 million in the previous year, reflecting an increase of 7.2 per cent. The increase in revenue for 2012/13 over its previous year was 15.6 per cent.
- Revenue from data networks at Pula 560.0 million has surpassed the voice revenue, reflecting the changing business model of the Company
- Mobile revenue is the highest performer registering a growth of 13 %. This stream facilitated a growth in voice revenue to P 645.3 million or 6.7 % increase over the previous year.
- The compounded annual growth rate was almost 10.0 per cent over the last three years.

	2014	2013	2012	% change	
Sales of Goods and Services	P mill	P mill	P mill	14:13	13:12
Network revenue – local access	103.3	101.5	101.1	1.8	0.4
Private circuits - data	550.7	509.5	454.8	8.1	8.3
Total network revenue	**653.9**	**611.0**	**555.9**	**7.0**	**9.9**
Voice revenue – national calls	229.1	221.6	225.1	3.4	(1.5)
- mobile	366.3	325.4	205.8	12.6	58.1
- international calls	49.9	57.6	62.2	(13.4)	(40.3)
Total voice revenue	**645.3**	**604.6**	**493.1**	**6.7**	**22.6**
Equipment sales and rentals	**107.6**	**91.7**	**85.0**	**17.3**	**7.8**
Other services	**57.1**	**76.9**	**39.9**	**(25.7)**	**92.7**
Total revenue	**1463.9**	**1384.2**	**1,173.9**	**5.7**	**17.9**

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

Mobile revenue registered the highest growth as expected at 12.6 per cent to Pula 366.3 million (2013 – Pula 325.4 million), making it the best performer among the revenue streams. Mobile revenue now accounts for 25.0 per cent (2013 – 23.5 per cent) of the overall revenue of the Company. This was expected and it is forecasted that this stream will continue to grow in future. The Network revenue which comprises the local access and data networks now accounts for Pula 653.9 million (2013 – Pula 611.0 million) or 44.7 per cent (2013 – 44.1 per cent). The two growing sectors now demonstrate stability towards the BTCL's new business model. The fact that BTCL was able to grow its overall revenue by over each of the last few years in a near saturated and competitive market with challenging economic conditions indicates the resilience and the revenue potential of services it provides.

Financial Review & **Management Discussion** (CONTINUED)

VOICE CALL REVENUE

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

Key Trends

- Voice call revenue is still a major source of income at Pula 645.3 million (2013 – Pula 604.6 million), registering an impressive 15.9 % growth.
- Main contributor for this growth is from the mobile sector, which has grown 12.6 % from the previous year to Pula 366.3 million.
- Call income from international operations decreased as expected by 13.4 % to Pula 49.9 million from Pula 57.6 million and Pula 62.2 million respectively. The international telephone call income as a percentage of all revenue reduced to 3.4 per cent as compared to 4.2 per cent in 2012/13.

	2014	2013	2012	% change	
Voice revenue – national calls	229.1	221.6	225.1	3.4	(1.5)
- mobile	366.3	325.4	205.8	12.6	58.1
- international calls	49.9	57.6	62.2	(13.4)	(40.3)
Total voice revenue	**645.3**	**604.6**	**493.1**	**15.9**	**8.2**

What it means?

The increase in voice call income was predicted in BTCL's forecasting models. The introduction of beMOBILE services is a major contributor to this increase. With competitive and attractive pricing of calls within the beMOBILE network and between beMOBILE and BTCL network, the traffic will increase in the future. On a national level, BTCL still offerS the cheapest tariff with a superior voice quality as compared to other operators. The international call revenue is no longer a significant source of income for BTCL. This trend will continue in the future.

Financial Review & Management Discussion (CONTINUED)

NETWORK SERVICES AND DATA REVENUE

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

Key Trends

- data revenue continued to increase, principally driven by the demand for private networks, ADSL and Internet. Currently, these services account for 45.0 of the overall income.
- income from data services alone registered a growth of 8.0 per cent

	2014	2013	2012	% change	
Sales of Goods and Services	**P mill**	**P mill**	**P mill**	14:13	13:12
Network revenue – local access	103.3	101.5	101.1	1.8	0.4
private circuits - data and	550.7	509.5	454.8	8.1	8.3
Total network revenue	**653.9**	**611.0**	**555.9**	**7.0**	**9.9**

What it means?

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

Other Income Sources

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

Key Trends

- Revenues from equipment sales and other revenues increased by 10.7 % to Pula 156.3 million (2012/13 – Pula 141.2 million).

	2014	2013	2012	% change	
Sales of Goods and Services	**P mill**	**P mill**	**P mill**	14:13	13:12
Equipment sales and rentals	107.6	91.7	**85.0**	**17.3**	**7.8**
Other services	57.1	76.9	39.9	**(25.7)**	**92.7**
Total revenue	164.7	**168.6**	**124.9**	**(2.4)**	**35.0**

What it means?

Equipment sales facilitates sale of other products and constitutes a significant driver of these services for the Company.

Financial Review &
Management Discussion (CONTINUED)

OPERATING COSTS

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

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.

Further, as the one-time impairment charges on non-current assets (i.e plant and equipment) arising out of the separation of the backbone network to BOFINET, is dealt here as a separate line item, since by nature, it is of one time and exceptional.

The total operating costs before one-time restructuring and impairment charges and net of development grants for the year was Pula 1,179.2 million as compared to Pula 1,091.1 and Pula 950.3 million in the previous two years (see table below). The overall costs escalated by 8.1 per cent (2012/13 – 14.8 per cent), higher than the rate of inflation of approximately 5.0 per cent and the growth in revenue during the year of 7.2 per cent.

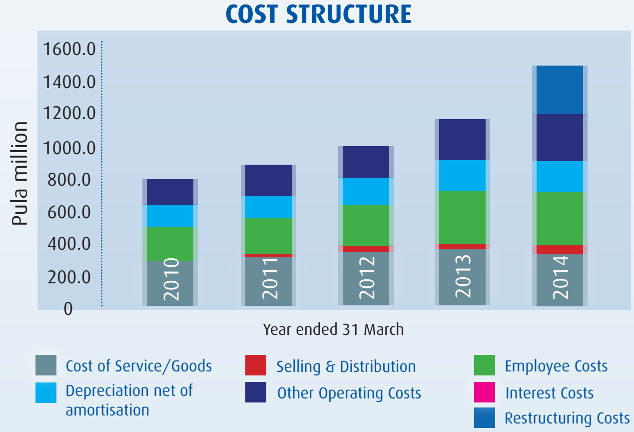
The increase in other operating costs was the main reason for the increase in total operating costs. The legal costs, attributable to the Initial Public Offering (IPO) (Pula 6.0 million), together with the increased impairment charges on customer balances (Pula 20.8 million) contributed for most of this increases. The net employee cost too increased by 8.9 per cent during the year.

Key Trends

- Overall the total operating costs without one-time restructuring and impairment charges is within acceptable limit of increase – 6.2% last year as compared to 17.6 % in the previous year.
- The overall increase in costs of 6.2 % is higher than the inflation (5%) and the increase in the overall revenue (7.2 %).
- Direct cost of goods and services reduced from Pula 386.6 million to P 361.9 million, amounting to a decrease of 6.1 %. However, this drop is temporary as the usage charges for backbone networks are likely to be charged from the next year.
- Other operating costs escalated by 31.3 to Pula 279.5 million. This category excludes the anticipated retrenchment costs of Pula 31.2 million, which is analysed under restructuring and one time charges. The main contributors to this increase are the legal costs associated with the IPO and the impairment charges on customer account balances.

	2014	2013	2012	% change	
	P mill	P mill	P mill	14:13	13:12
Cost of goods and services (excl depreciation)	362.9	386.6	353.9	(6.1)	9.2
Selling and distribution	43.0	34.5	36.1	24.6	(4.5)
Net employee costs	329.1	302.1	262.9	8.9	14.9
Depreciation less recognized capital grant	175.1	181.6	150.7	(3.6)	20.5
Other Operating Costs	279.5	213.3	146.5	31.3	45.6
Operating costs prior to restructuring	**1,187.6**	**1,118.1**	**950.3**	**6.2**	**17.6**
Restructuring and one time impairment charges	297.2	-	-		
Total operating costs (adjusted for recognized capital grant)	**1,484.8**	**1,118.1**	**950.3**	**32.7**	**17.7**

COST STRUCTURE



What it means?

Direct cost of goods and services reduced this year. However this drop is temporary as the usage charges for backbone networks are likely to come into force next year, The depreciation charge is likely to drop as a result of lower capital base. As the charging structure is not yet known, the impact on the separation of backbone network cannot be quantified with any accuracy.

Financial Review &
Management Discussion (CONTINUED)

COST OF GOODS AND SERVICES

Cost of goods and services as analysed above comprises mainly of costs directly attributable to international carriers and national operators on outbound and transit calls, licence fees and space segment rentals and other equipment and material costs (depreciation excluded).

Payment to international and national carriers and operators, which amounts to more than half of this category, increased to Pula 191.4 million from Pula 175.5 million and 173.6 million in the last two years, reflecting a significant increase in traffic between networks. Whilst this is a welcome trend, it also indicates the customers varied choices in the market place. The increase is also attributable to the increasing traffic between the beMOBILE network and other operators resulting from the increasing customer base of beMOBILE and the take up of its services. The increase of cost of prepaid cards also increased by Pula 5.6 million (2013/14 – Pula 28.0 million as compared to 2012/13 of Pula 22.4 million).

There has been a significant reduction in the space segment rentals and the licence fees from Pula 66.9 million in the previous year to Pula 29.6 million this year. The BOCRA licence fee is proportionately related to the revenue earned.

Net Employee Cost

The net employee cost at Pula 329.1 million (2012/13 - Pula 302.1 million), after capitalisation for time spent on capital jobs, increased by Pula 27.0 million or 8.9 per cent from that of the previous year. The increase is in line with the expectation and the pay structures generally correspond to the industry standards.

The total number of employees at end of March 2014 stood at 920 as compared to 962 a year ago.

Selling and distribution costs

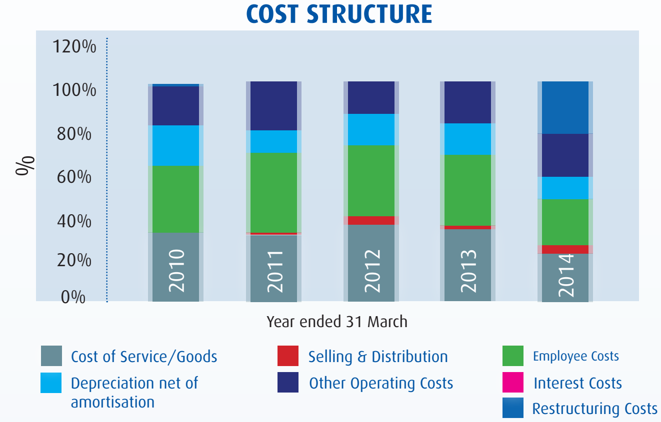
The direct selling and distribution costs accounted for Pula 43.0 million, in comparison to Pula 34.5 million and Pula 36.1 million in the previous two years. The increase was due mainly as a result of the increased discounts and promotions offered to beMOBILE customers as part of the new customer take-on drive.

DEPRECIATION

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

	2014	2013	2012	% change	
	P mill	P mill	P mill	12:11	11:10
Land and building	8.4	8.4	3.8	(0.0)	121.1
Plant and machinery	175.4	164.9	142.7	6.6	15.6
Other equipment	28.5	40.2	32.8	(29.1)	22.6
Intangible assets (software and network management systems)	5.5	6.8	12.0	(19.1)	(43.3)
Less: amortization of development grant	(42.7)	181.6	150.7	(3.5)	20.5
Total charge					

COST STRUCTURE



Excluding the one-time impairment charge of Pula 266.1 million, the depreciation charge relating to plant and machinery is a significant component of the operating costs and indicates the nature of capital intensity of the business. The depreciation charge, as a component of the overall cost, has also decreased over the years and, now accounts for 15.0 per cent, reflecting the stabilised cost structure in BTCL business model.

With the transfer of the backbone networks to BOFINET, it is now expected that, more and more funds will now be spent on customer-end related equipment. Consequently, the depreciation charge as a percentage of the overall costs is likely to reduce although, in monetary terms, may remain at the same level. BTCL will continue to rationalise its investments through vendor partnerships, life cycle costing, and competitive purchasing of capital assets.

Other operating costs

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

The main components of other operating costs were the impairment provision on customer account balances (Pula 42.6 million as compared to Pula 21.8 million in the previous year), the legal and consultancy costs relating to privatisation and IPO (Pula 6.8 million as compared to Pula 0.9 million in the previous year), mobile service and other performance improvement initiatives. These costs are essential for BTCL to position itself for the impending privatization and IPO to public.

The other operating costs amounted to Pula 279.5 million (2012/13 - Pula 213.3 million; 2011/12 – P 146.5 million).

Financial Review &
Management Discussion (CONTINUED)

GROSS, OPERATING AND NET INCOME AND MARGINS

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

	2014	2013	2012	2011	2010
	P mill	P mill	P mill	P mill	P mill
Revenue - Sales of goods and services (adjusted)	1,463.9	1,384.2	1,173.9	1,065.1	958.4
Gross profit margin prior to impairment charges (incl interest income)– in Pula mil	980.5	874.7	715.4	684.0	562.6
%	**67.0**	**63.2**	**61.0**	**64.2**	**58.7**
Gross profit margin prior to impairment charges (excl interest income)–in Pula mil	955.4	856.2	702.0	662.7	531.7
%	**65.3**	**61.9**	**59.8**	**62.2**	**55.5**
Operating profit margin prior to impairment charges (excl interest income)– in Pula mil	275.3	266.1	223.7	208.9	160.4
%	**18.8**	**19.2**	**19.1**	**19.6**	**16.7**
Net Profit margin before restructuring costs – in Pula mil	300.2	283.9	237.0	227.3	181.1
%	**20.5**	**20.5**	**20.2**	**21.3**	**18.9**
Net profit margin before tax - in Pula mil	3.0	283.9	236.9	227.4	181.1
%	**0.2**	**20.9**	**20.2**	**21.3**	**18.9**

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

The performance recorded indicates improvements from that of the previous year, showing the mature state of the operations.

Gross margin trend

The gross margin excluding the interest income posted a steady performance, reflecting a healthy 65.3 per cent (2012/13 – 61.9 per cent and 2011/12 – 59.8 per cent). The continued performance in the upper 50.0 per cent range is encouraging and reflects the pricing policies and cost containment strategies adopted by BTCL over the years. BTCL was able to maintain this trend despite the severe competition and the uncertainty over the separation of the back bone networks.

Operating margin trend

The operating margin, excluding the interest income but prior to impairment charges and restructuring costs, increased to Pula 275.3 million (2012/13 - Pula 266.1 million and 2011/12 - Pula 223.7 million). Expressed as a percentage of revenue, the ratio maintained at around 19.0 per cent for last three years. The total operating costs as a percentage of total income was 81.2 per cent in the current year as opposed to 80.8 per cent and 80.9 per cent in the last two years respectively.

Net profit margin trend

The net profit margin at Pula 300.2 million, excluding one-time impairment charges and restructuring costs was at 20.5 per cent, almost at the same level as that of the previous two years, at 20.5 per cent and 20.2 per cent respectively. The steady margin reflects the effects of the pricing and other strategies adopted. As the customers shift from the traditional service platforms to alternative technologies such as mobile and VoIP, the net profit margin will come under pressure. BTCL's strategy is to offset any losses from migration of services and customer churn through increased income via data and internet. Additionally, BTCL will also have the opportunity to increase the revenue from mobile services through beMOBILE.

Earnings before Interest, Depreciation, Taxation and Amortisation

Operating margins calculated based on Earnings before interest, depreciation, taxation and amortization (known as the EBIDTA) reflected steady performance at 30 per cent range.

	2014	2013	2012	2011	2010	% change	
	P mill	P mill	P mill	P mill	P mill	14:13	13:12
Revenue - Sales of goods and services (adjusted)	1,463.9	1,384.2	1,173.9	1,065.1	958.4	**5.7**	**17.9**
Earnings before interest, depreciation, taxation and amortization (Pula mil) (EBIDTA) (excluding interest income)	**450.4**	**447.7**	**374.5**	**350.2**	**319.7**	**0.6**	**19.5**
EBIDTA as a percentage of operating revenue	**30.8**	**32.3**	**31.9**	**32.9**	**33.4**		

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

Financial Review &
Management Discussion (CONTINUED)

INTEREST INCOME AND FINANCING COSTS

Interest Income

The interest income increased to Pula 25.1 million as compared to Pula 18.5 million and Pula 13.4 million in the previous two years, resulting from the improved management of bank balances and the interest rates. The bank balances averaged Pula 380.0 million (2013/12 – Pula 340.0 million) yielding approximately 6.6 per annum (2013/12 – 5.5 per cent). This was expected following the slight improvement in the interest rates for money market funds in Botswana. The reduction in the bank balances, despite the increase in profitability, is due to the fact that BTCL financed most of BOFINET initial capital expenditure amounting to Pula 121.1 million in cash.

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

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

	2014	2013	2012	2011	2010	% change	
Interest earned on	P mill	P mill	P mill	P mill	P mill	13:14	13:12
- on short term deposits	25.1	18.5	13.4	21.3	30.9	35.7	38.1
Total Interest Income	**25.1**	**18.5**	**13.4**	**21.3**	**30.9**	35.7	38.1
Cash balances							
- Cash at bank	19.6	28.8	24.8	16.3	89.3	(31.9)	**16.1**
- Cash at bank (short term deposits)	333.9	376.8	376.8	267.0	254.8	(11.4)	**40.5**
Total cash balances	**353.5**	**405.6**	**292.9**	**283.3**	**344.1**	(12.8)	**38.5**

Financing Cost

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

	2014	2013	2012	2011	2010	% change	
Interest earned on	P mill	P mill	P mill	P mill	P mill	13:14	13:12
Profit before financing costs but including interest income (Pula mill)	300.4	284.6	237.1	230.2	191.3	5.5	20.0
Financing costs (Pula mill)	(0.2)	(0.2)	(0.2)	(2.9)	(10.2)	(0.0)	(0.0)
Net Income after financing costs (Pula mill)	**300.2**	**284.4**	**236.9**	**227.3**	**181.1**	**5.6**	**20.1**
Earnings before interest, depreciation, taxation and amortization (Pula mil) (EBIDTA) (excluding interest income)	**450.4**	**447.7**	**374.5**	**350.2**	**319.7**	0.6	19.5
Interest cover (times) EBIDTA : interest							
Interest cover (times) Profit before financing costs : interest	**1502.0**	**1423.0**	**1185.5**	**79.4**	**18.8**		

Net income before financing costs stood at Pula 300.4 million (2012/13 - Pula 284.6 million and 2011/12 - Pula 237.1 million).

Financial Review &
Management Discussion (CONTINUED)

CAPITAL EXPENDITURE

Capital expenditure for the year under review was Pula 194.8 million (2012/13 - Pula 333.9 million and 2011/12 – Pula 380.5 million) – a level much lower level than that of the previous years).

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

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

	2014	2013	2012	2011	2010	% change	
	P mill	P mill	P mill	P mill	P mill	12:11	11:10
Revenue - Sales of goods and services (adjusted)	1,463.9	1,384.2	1,173.9	1,065.1	958.4	**5.7**	**17.9**
Earnings before interest, depreciation, taxation and amortization (Pula mil) (EBIDTA) (excluding interest income) (D)	**450.4**	**447.7**	**374.5**	**350.2**	**319.7**	**0.6**	**19.5**
Cash flow available for operations during the year after payment of income tax (A)	350.0	476.7	282.6	361.5	320.5	(26.6)	68.7
Grant funding (B)	nil	21.8	114.8	71.1	51.2	0.0	(81.0)
Total cash flow available	350.0	333.9	397.4	432.6	371.7	(29.8)	25.4
Capital expenditure (Pula mill) (C)	194.8	21.8	380.5	401.9	348.3	(41.6)	(12.3)
Free cash flow	155.2	498.5	16.9	30.7	23.4	(5.7)	897.6
Self-financing from operations ratio (%) (A / C)	179.7	142.8	74.3	90.0	92.0		
Grant and revenue financing ratio (%) (B/C)	nil	6.5	30.1	17.7	14.7		
EBIDTA : Capital expenditure multiple (D/C)	2.31	1.35	0.98	0.87	0.92		
Capital expenditure to revenue (%)	13.3	24.1	32.4	37.7	36.3		

Financial Review & **Management Discussion** (CONTINUED)

CREATION OF SHAREHOLDER VALUE AND RETURN ON SHAREHOLDER'S FUNDS

One of the BTCL's stated objectives is for it to achieve a comparable market based return on the shareholder's funds, with potential for future growth.

Return on shareholder funds

Shareholder's equity, at end of 31 March 2014, was Pula 1,588.3 million as compared to Pula 1,993.6 million in March 2013 and Pula 1,779.2 million by end of March 2012. The shareholder's equity declined by approximately 21.8 per cent from the previous year, primarily due to the "dividend in specie" of Pula 405.5 million – the funds which were used for funding the BOFINET separation. Going forward, the shareholders have set a dividend policy to match the market expectation as well as to help BTCL to achieve the desired growth in the shareholder's equity, which will require profits to be retained and reinvested within the business.

Return on average shareholder's equity was 15.4 per cent (before one-time charges for restructuring and impairment), up from 14.1 per cent in 2012/13. However, the challenge for BTCL will be to maintain or increase the profit margin and also increase the return on the shareholder's funds invested.

Basic earnings per share (including impairment charges and restructuring costs) reduced to 14 thebe from 274 thebe and 237 thebe per share in the previous two years.

Earnings, dividends and share value

Net income attributable to the shareholder - Government of Botswana - on ordinary shares for the current financial year was Pula 140,000 (after one-time impairment and re-structuring costs of Pula 300.2 million) as compared to Pula 273.6 million in the previous year. The Company was subject to Income tax as of last year and there was a one-time impairment and restructuring cost of Pula 297.0 million, which almost eliminated the profit. In the view of the Company, such one-time charge is exceptional of nature and is unlikely that it will recur in the future.

The Company will pay a dividend in specie totalling Pula 405.4 million arising out of the funding for BOFINET. There will be no further dividend that will be declared for the year. Further the Company tax for the year ended 31 March 2014 was estimated at P 2.9 million as compared to P 10.3 million in the previous year. An additional payment of Pula 0.2 million (8 thebe per share) is payable on the preference shares.

Return on capital employed and total assets

Return on average capital employed, before one-time impairment charge and restructuring costs, was 14.0,up from 12.6 per cent (2012/13) and 12.4 per cent (2011/12) in the previous two years. The Company's actual cost of capital is reported as 14.3 per cent (see note 9 to the annual financial statements). The return on total assets, prior to one-time impairment charge and restructuring costs, also improved from 10.9 per cent to 14.1 per cent during the year. These ratios are calculated on average balances and based on the net income prior to one time impairment charge and restructuring costs. It is always the aim of BTCL to achieve a return around 16 % on its capital employed.

FINANCING AND CAPITAL MANAGEMENT

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

Cash flow

The Company continued to remain cash positive. The cash provided by the operations was Pula 111.5 million as compared to Pula 399.1 million (2012/13) and Pula 212.3 million (2011/12) in the previous two years. BTCL's operational capability to generate cash flow combined with the well-managed conservative debt structure ensures that BTCL has significant capital capacity that can be tapped quickly and effectively as new opportunities emerge.

Financial Review & **Management Discussion** (CONTINUED)

	2014	2013	2012	2011	2010	% change	
	P mill	P mill	P mill	P mill	P mill	**14:13**	**13:12**
Net cash flow from operations	111.5	399.1	212.3	297.6	269.9	(72.1)	88.0
Net cash flow used in investing activities	(169.7)	(314.5)	(364.8)	(377.0)	(313.8)	46.0	(13.8)
Cash flow from financing activities	-	21.8	156.8	8.4	(18.8)	0.0	(86.1)
Increase or (decrease) in cash resources	**(58.2)**	**106.4**	**4.3**	**(71.0)**	**(62.7)**		

Liquidity

Cash flows provided by operating activities of continuing operations, prior to working capital changes and dividend payment, Pula 446.3 million as compared to Pula 421.5 million in the previous year.

BTCL believes that its internal resources coupled with the unutilised borrowing capacity, is sufficient to finance its operating requirements, anticipated capital expenditure, and dividend payments during the financial year 2014/15.

Financial Position

	2014	2013	2012	2011	2010	% change	
	P mill	P mill	P mill	P mill	P mill	**14:13**	**13:12**
Long term debt including current portion	-	-	-	-	57.3	0.0	0.0
Total Shareholders' Equity	1,588.3	1,993.6	1,779.2	1,460.5	1,278.4	(20.4)	12.1
Total Capital Employed (average)	**2,142.0**	**2,289.2**	**1981.2**	**1661.4**	**1507.3**	**(6.4)**	**15.5**
Total Assets	**2,130.0**	**2,607.5**	**2,383.4**	**1947.5**	**1823.1**	**(18.3)**	**9.4**
Return on Capital Employed % (before impairment and restructuring costs)	**14.0**	**12.4**	**12.0**	**13.7**	**12.0**		

Financial Review &
Management Discussion (CONTINUED)

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

BTCL's recorded current liabilities (excluding current portion of loan term loans) was Pula 343.6 million as compared to Pula 309.4 million as at end of the last financial year. The current assets however, increased from the previous year figure of Pula 721.2 million to Pula 788.4 million this year, mainly as a result of increased trade receivables.

The cash and cash equivalents decreased to Pula 353.5 million from Pula 405.5 million last years, as a result of payment of taxes and the "dividend in specie". Various assets and liabilities including cash and short-term debt can fluctuate significantly on a month-to-month basis depending on short-term liquidity needs.

Net Debt

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

	2014	2013	2012	2011	2010	% change	
	P mill	P mill	P mill	P mill	P mill	14:13	13:12
Long-term debt including current portion	**Nil**	**Nil**	**Nil**	**Nil**	**57.3**	**0.0**	**100.0**
Cash and bank	19.6	28.8	24.8	16.3	89.3	52.2	(71.8)
Short-term deposits	333.9	374.8	268.1	267.0	254.8	0.0	4.8
Total cash and short-term deposits	**353.5**	**405.6**	**292.9**	**283.3**	**344.1**	(3.3)	(17.7)
Net debt	nil	nil	nil	nil	nil		
	nil	nil	nil	nil	nil		

Capital Commitments

At end of March 2014, the contracted capital commitments that had not been delivered amounted to Pula 123.9 million (2013: Pula 227.5 million). Further, an amount of Pula 317.6 million (2013 – Pula 175.4 million) remained authorised but not contractually committed by that date.

Financial Review &
Management Discussion (CONTINUED)

Off-Balance Sheet Arrangements

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

- Operating leases (note 23)
- Capital commitments and guarantees (note 21)
- Banking facilities (note 21.2.1)

RETIREMENT BENEFIT COSTS AND PENSION FUND

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

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

FINANCIAL RISK MANAGEMENT

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

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

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

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

Interest rate risk management

BTCL has interest bearing financial assets and financial liabilities which exposes it to interest cash flow volatility.

At the end of the year, the BTCL was debt free. At the same date, the Company's assets, which are subject to interest rate risk, amounted to Pula 24.8 million of cash and bank balances (variable interest rate deposits) and Pula 268.1 million in short-term deposits.

During the year, BTCL received Pula 25.1 million in interest income whilst it's financing cost was Pula 0.2 million. The volatility arising from 1 per cent change in either direction of the interest rate is considered not significant (see note 25.11 to the Annual Financial Statements).

Foreign currency risk management

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

BTCL is exposed mainly to South African Rand, US Dollar and SDR (Special Drawing Rights). At the end of the year, the net exposure to foreign currencies, after setting-off corresponding effects on assets denominated in foreign currencies, amounted to Pula 3.7 million (see note 25.2 to the Annual Financial Statements), with a 10 per cent increase or decrease in foreign exchange rates expected to have an effect equivalent to Pula 0.5 million.

BTCL's exposure to foreign currency liabilities and assets are set out in note 25.3 of the Annual Financial Statements.

Credit risk management

BTCL's exposure to credit risk arises mainly from its trading related receivables and liquid funds with banks. Trade receivables, net of impairment (Pula 325.0 million at end of March 2014), consists of amounts receivables from a large number of customers, spread across diverse industries and geographical areas. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

BTCL's significant credit risk exposure relating to a single counterparty or groups of counter parties having similar characteristics is restricted to the Government of Botswana and its various operating agencies. At end of the year, the amount owed by this group amounted to Pula 75.3 million. The Government of Botswana credit rating is considerably high, hence, poses no credit risk.

On the other hand, the credit risk on liquid cash funds (Pula 353.3 million) is similarly limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

Liquidity risk management

BTCL ensures that its liquidity is maintained by entering into short and medium term financial instruments to support operational and other funding requirements. Short-term funding requirements are reviewed on a monthly basis through cash flow forecasts. At end of March 2014 the Company also had Pula 110.0 million in un-drawn facilities with various banks (see note 21.2.1 – Annual financial statements).

OPERATING ENVIRONMENTS AND TRENDS OF BUSINESS

2014/15 Revenue Trends

BTCL expects its operating environment in 2014/15 to be tough as a result of continued and weakening recovery of world and Botswana economic conditions as well as the uncertainty arising from the network separation . As a result, competition will be intense and the prices, particularly for mobile calls, will come under more pressure. Despite these challenges, BTCL expects the revenue to increase further, as data and related products are expected to show stronger growth. We expect our primary growth driver for the next two years to be data and mobile.

We also expect the internet usage to escalate which, we expect, will drive further growth in broadband / data services. By next year, almost half of our revenue is expected to come from data related products.

Against these positive outlooks, the likely impact in terms of revenue loss resulting from the separation of network will have to be considered, which is difficult to quantify at this stage

2014/15 Expense Trends

The costs, particularly those which are locally based, are expected to rise with the imminent increases in the local inflation and the utility costs. BTCL will continue to focus on the cost reduction and cost control measures, particularly those related to employees and carrier costs.

Against these trends, the possible charges resulting from the fibre utilization and the reduction in depreciation charges will have to be considered.

2014/15 Operating and Net margins

BTCL expects our operating and net margins to remain at the same levels next year.

RISKS THAT COULD AFFECT BTCL BUSINESS

Strategies, Plans and Operation

BTCL plans to achieve its business goals through a number of varied strategies. Our strategic direction involves significant changes in our internal processes to suit how we service the customers and how we build network solutions to offer such services.

Our market is unpredictable, characterised by rapid technological changes and evolving standards, and, if we fail to address changing market conditions, our business and operating results will be affected.

The possible negative impact of the asset and service separation announced by the Government can have significant impact on how we offer services to customers, our service quality and the prices that are to be charged. Because of the above, it is difficult to predict its potential impact on BTCL's future growth rate.

Our success in generating revenues in this market will depend on, among other things:

- Maintaining an up-to-date technology in the provision of services;
- Maintaining and enhancing our relationship with our customers; and,
- Our ability to accurately predict and develop our product range to meet the industry standards.

Our future success will also depend on our ability to provide services to customers that can generate increased volumes of revenue and decrease the cost base. If we are unable to realise greater volumes of traffic and revenue and lower costs, our operating results may decline.

The inability to reduce expenses and to contain our costs in the required areas could harm our business. Additional measures to contain costs and reduce expenses may be undertaken if revenues and market conditions do not continue to improve. A number of factors could preclude us from successfully bringing the costs and expenses in line with our revenues, such as our inability to accurately forecast business, deterioration of our revenue, increasing cost structure etc. If we are unable to continue to reduce expenses and contain costs, the operating results can also decline.

Other risks that could affect our business include:

- Privatisation
- World economic and market condition
- Increase competitiveness of the local market
- Major technological changes
- Network security
- Changes in laws and regulations

FINANCIAL **STATEMENTS**

06 | FINANCIAL STATEMENTS

Financial Statements

FINANCIAL
STATEMENTS

BOTSWANA TELECOMMUNICATIONS CORPORATION LIMITED

BOARD APPROVAL OF THE **ANNUAL FINANCIAL STATEMENTS**

31 March 2014

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

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

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

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

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

Against this background, the Members of the Board accept responsibility for the financial statements and the information on pages 64 to 120 which were approved on November 10, 2014 are signed on its behalf

....

DAPHNE M. MATLAKALA

CHAIRPERSON

....

PAUL TAYLOR

MANAGING DIRECTOR

FINANCIAL **STATEMENTS**

BOTSWANA TELECOMMUNICATIONS CORPORATION LIMITED

GENERAL INFORMATION

31 March 2014

DIRECTORS

Daphne Matlakala Chairperson (Appointed 14th July 2014)
Leonard Makwinja Chairman (Retired 14th July 2014)
Paul Taylor (Managing Director)
Serty Leburu
Alan Boshwaen
Dr Geoffrey Seleka (Retired 20 December 2013)
Choice Pitso (Retired 20 December 2013)
Cecil Masiga (Retired 20 December 2013)
Gerald Nthebolan (Appointed 15 August 2013; retired 20 December 2013)

INCORPORATION OF BOTSWANA TELECOMMUNICATIONS CORPORATION LIMITED

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

REGISTERED OFFICE

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

BANKERS

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

AUDITOR

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

FINANCIAL
STATEMENTS

31 March 2014

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF

BOTSWANA TELECOMMUNICATIONS CORPORATION LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the annual financial statements of Botswana Telecommunications Corporation Limited, which comprise the statement of financial position as at 31 March 2014, the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 65 to 120

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

OPINION

In our opinion, the financial statements give a true and fair view of the financial position of Botswana Telecommunications Corporation Limited as of 31 March 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of Botswana. (Companies Act, 2003)

Ernst + Young

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

FINANCIAL
STATEMENTS

BOTSWANA TELECOMMUNICATIONS CORPORATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2014

	Notes	2014 P'000	2013 P'000 Restated
Sale of goods and services	1	1,454,487	1,356,855
Interest income	4.1	25,144	18,451
Revenue		1,479,631	1,375,306
Cost of services and goods sold	2.1	(817,231)	(566,760)
Gross Profit		662,400	808,548
Other Income	3	52,114	66,600
Selling and distribution Costs	2.2	(42,955)	(34,510)
Administrative expenses	2.3	(376,240)	(357,863)
Other Expenses	2.4	(292,091)	(198,669)
Operating profit		3,228	284,106
Finance costs	4.2	(208)	(184)
Profit before tax		3,020	283,922
Income tax expense	6	(2,880)	(10,277)
Profit for the year		140	273,645
Other comprehensive income for the year		-	-
Total comprehensive income for the year		140	273,645

FINANCIAL **STATEMENTS**

BOTSWANA TELECOMMUNICATIONS CORPORATION LIMITED

STATEMENT OF FINANCIAL POSITION

At 31 March 2014

	Notes	2014 P'000	2013 P'000
ASSETS			
Non current assets			
Property, plant and equipment	7	1,246,163	1,851,663
Intangible asset	8	5,630	34,452
Deferred tax assets	6.1	89,750	-
		1,341,544	1,886,114
Current assets			
Inventories	10	91,347	63,478
Trade and other receivables	12	343,579	252,202
Cash and cash equivalents	21.2	353,462	405,548
		788,387	721,228
Total assets		2,129,932	- 2,607,343
EQUITY AND LIABILITIES			
Capital and reserves			
Stated Capital	14	228,892	228,892
Preference Share Capital	13.2	885	885
Revaluation reserve	15	174,267	185,701
Accumulated profits		1,184,275	1,578,151
		1,588,319	1,993,628
Non current liabilities			
Development grants	17	174,108	224,740
Preference shares-liability portion	13	1,416	1,416
Deferred revenue	18	6,716	50,203
Employee related provisions	20	15,810	17,701
Deferred tax liabilities	6.1	-	10,277
		198,050	304,337
Current liabilities			
Trade and other payables	19	233,692	218,792
Interest payable on preference shares	16	392	184
Current portion of development grants	17	42,670	38,669
Current portion of deferred revenue	18	9,444	27,368
Employee related provisions	20	57,365	24,364
		343,563	309,377
Total equity and liabilities		2,129,932	2,607,343

FINANCIAL
STATEMENTS

BOTSWANA TELECOMMUNICATIONS CORPORATION LIMITED

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 March 2014

	Notes	Stated Share Capital P'000	Preference Share Capital P'000	Notional Share Capital P'000	Equity Application Account P'000	Revaluation Reserve P'000	Accumulated Profits P'000	Dividends P'000	Total P'000
Balance at 1 April 2012		-	-	21,919	207,858	198,677	1,350,745	-	1,779,199
Profit for the year/Total comprehensive income		-	-	-	-	-	273,645	-	273,645
Depreciation transfer for land and buildings	15	-	-	-	-	(12,976)	12,976	-	-
Ordinary dividend proposed		-	-	-	-	-	(59,216)	59,216	-
Ordinary dividend declared		-	-	-	-	-	-	(59,216)	(59216)
Transfer to Stated Capital	13	-	-	(21,034)	(207,858)	-	-	-	(228,892)
Transfer to Preference Shares		-	-	(885)	-	-	-	-	(885)
Transfer from Notional Share Capital		-	885	-	-	-	-	-	885
Transfer from Notional Share Capital		21,034		-	-	-	-	-	21,034
Transfer from Equity Application Account		207,858	-	-	-	-	-	-	207,858
Balance at 31 March 2013		**228,892**	**885**	**-**	**-**	**185,701**	**1,578,150**	**-**	**1,993,628**
Profit for the year/Total comprehensive income						-	140	-	140
					-	-	140	-	140
Depreciation transfer for land and buildings	15	-	-	-	-	(11,434)	11,434	-	-
Dividend in specie proposed	16	-	-	-	-	-	(405,449)	405,449	-
Dividend in specie declared	16	-	-	-	-	-	-	(405,449)	(405,449)
Balance at 31 March 2014		**228,892**	**885**	-	-	**174,267**	**1,184,275**	**-**	**1,588,318**

BOTSWANA TELECOMMUNICATIONS CORPORATION LIMITED

STATEMENT OF CASH FLOWS

for the year ended 31 March 2014

	Notes	2014 P'000	2013 P'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating profit before working capital changes	21.1	446,252	421,495
Working capital adjustments:			
(Increase)/Decrease in inventories		(33,125)	11,897
Increase in trade and other receivables and prepayments		(91,377)	(18,233)
Increase in trade and other payables		3,323	43,296
Cash generated from operations		325,074	458,455
Ordinary dividend paid to Government	16	-	(59,216)
Dividend paid	16	(121,245)	-
Interest on preference shares paid	17	-	(184)
Income tax paid	6	(92,318)	-
Net cash from operating activities		111,511	399,056
CASH FLOWS USED IN INVESTING ACTIVITIES:			
Investment to expand operations:			
Purchase of property, plant and equipment	7	(192,837)	(317,708)
Purchase of intangible assets		(2,009)	(16,188)
Proceeds from disposal of property, plant and equipment		-	970
Interest income	4 .1	25,144	18,451
Net cash used in investing activities		(169,702)	(314,475)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Grants received during the year	17	-	21,818
		-	21,818
(Decrease)/Increase in cash and cash equivalents		(58,191)	106,398
Net foreign exchange difference		6,105	6,268
Net cash and cash equivalents at beginning of the year		405,548	292,882
Cash and cash equivalents at end of the year	21.2	353,462	405,548

FINANCIAL
STATEMENTS

BOTSWANA TELECOMMUNICATIONS CORPORATION LIMITED

ACCOUNTING POLICIES

31 March 2014

PRESENTATION OF FINANCIAL STATEMENTS

The financial statements are presented in Botswana Pula. The functional currency is also the Botswana Pula. All values are rounded to the nearest thousand (P'000) except when otherwise indicated. The Financial Statements of the Company for the year ended March 31,2014 were authorized for issue by the Members of the Board in accordance with a resolution on the 10th of November 2014.

CORPORATE INFORMATION

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

BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis, except as modified by the measurement of certain financial instruments at fair value and the revaluation 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 interpretations Committee.

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 2013.

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

IFRS 1 Government Loans — Amendments to IFRS 1

These amendments require first-time adopters to apply the requirements of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, prospectively to government loans existing at the date of transition to IFRS. Entities may choose to apply the requirements of IFRS 9 (or IAS 39, as applicable) and IAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for that loan. The exception gives first-time adopters relief from retrospective measurement of government loans with a below-market rate of interest. The amendment is effective for annual periods on or after 1 January 2013. This amendment has not impacted Botswana Telecommunications Corporation Limited as the company has not received any government loans in the current year and has no outstanding loans.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. The interpretation is effective for annual periods beginning on or after 1 January 2013. The new interpretation has had no effect on the Company.

IAS 1 Presentation of Items of Other Comprehensive Income — Amendments to IAS 1

The amendments to IAS 1 required changes to the presentation of other comprehensive income. Items that would be reclassified to profit or loss at a future point in time would be presented separately from items that will never be reclassified. The effective date of the amendment was 1 July 2012. This amendment has not impacted Botswana Telecommunications Corporation Limited as there are no remeasurements through profit & loss.

IFRS 7 Disclosures — Offsetting of Financial Assets and Financial Liabilities — Amendments to IFRS 7

These amendments required an entity to disclose information about rights of set-off and related arrangements (e.g. collateral agreements). The disclosures provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set off in accordance with IAS 32. The amendments does not have any impact on the disclosures as the Company does not have netting off arrangements.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in IFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries. IFRS 12 is applied retrospectively from 1 January 2013 for disclosures of interests in other entities. BTCL does not have interests in other entities therefore this disclosure has had no effect on financial position or performance of the Company.

IFRS 13: Fair value measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has been adopted, refer to note 25. IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments Disclosures. IFRS 13 is applied prospectively from 1 January 2013 for all fair value measurement.

IAS 19 Employee Benefits Revised

The amendments of IAS 19 remove the option to defer the recognition of actuarial gains and losses, the corridor mechanism. All changes in the defined benefits plans will be recognised in profit or loss and other comprehensive income. The effective date of the standard is 1 January 2013. The adoption of these amendments will have no impact as the Company participates in a defined contribution scheme. The amendment also clarifies the short-term employee benefits will be classified to this category on the basis of expected settlement and no longer when the benefit is due to be settled. Consequently some short-term benefits could be classified as other long-term benefits. A change in classification of the employee benefits could impact the measurement and disclosures of the related benefits.

BOTSWANA TELECOMMUNICATIONS CORPORATION LIMITED

ACCOUNTING POLICIES (CONTINUED)

31 March 2014

Changes In Accounting Policy And Disclosures **(Continued)**

IFRIC 21 Interpretation of Levies

IFRIC 21 is effective for annual periods beginning on or after 1 January 2014 and is applied retrospectively. It is applicable to all levies imposed by governments under legislation, other than outflows that are within the scope of other standards (e.g. IAS 12 Income Taxes) and fines or other penalties for breaches of legislation. The interpretation clarifies that an entity recognises a liability for a levy no earlier than when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, no liability is recognized before the specified minimum threshold is reached. IFRIC 21 will not impact the Company's financials as the levy being paid does not have a threshold.

IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32

The amendments clarify that rights of set-off referred to in IAS 32 must not only be legally enforceable in the normal course of business, but must also be enforceable in the event of default and the event of bankruptcy or insolvency of all of the counterparties to the contract, including the reporting entity itself. The amendments also clarify that rights of setoff must not be contingent on a future event.

These amendments are not expected to impact the Company's financial position or performance because BTCL does not offset financial assets and liabilities. The standard becomes effective for annual periods beginning on or after 1 January 2014.

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation —Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 requires management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. IFRS 10 has no impact on the company as BTCL does not present consolidated financial statements.

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

These amendments are effective for annual periods beginning on or after 1 January 2014 provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. This amendment will not have an impact on the Company.

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

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014. The Company does not have derivatives and does not expect the standard to have material financial impact in future financial statements.

IFRS 11 Joint Arrangements, IAS 28 Investments in Associates and Joint Ventures

Effective for annual periods beginning on or after 1 January 2013.

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. Joint control under IFRS 11 is defined as the contractually agreed sharing of control of an arrangement, which exists only when the decisions about the relevant activities require the unanimous consent of the parties sharing control. 'Control' in 'joint control' refers to the definition of 'control' in IFRS 10. IFRS 11 also changes the accounting for joint arrangements by moving from three categories under IAS 31 to the following two categories: Joint operation and Joint venture. This amendment has no impact to the Company as BTCL does not have any joint operations or joint ventures.

Standards issued but not yet effective

Standard issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards when they become effective.

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

Effective for annual periods beginning on or after 1 January 2014.

Key requirements

The amendments clarify the disclosure requirements in respect of fair value less costs of disposal. When IAS 36 Impairment of Assets was originally changed as a consequence of IFRS 13, the IASB intended to require disclosure of information about the recoverable amount of impaired assets if that amount was based on fair value less costs to sell. An unintended consequence of the issuance of IFRS 13 was that an entity would be required to disclose the recoverable amount for each cash - generating unit for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit was significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives. This requirement has been deleted by the amendments to IAS 36.

In addition, the IASB added two disclosure requirements:

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

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9, as currently issued, reflects the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial

Standards issued but not yet effective **(Continued)**

liabilities as defined in IAS 39 and hedge accounting. The adoption of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

The estimated effective date of IFRS 9 is 1 January 2018.

IFRS 15 revenue recognition

The core principle of IFRS 15 is that revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 establishes a fivestep model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgements and estimates.

The standard will apply to annual periods beginning on or after 1 January 2017 (15 December 2016 for public entities reporting under US GAAP). Early adoption is permitted under IFRS. Entities will transition following either a full retrospective approach or a modified retrospective approach. The impact had not yet been determined, but that it would include moving revenue recognition from the currently applied cash cap method to the relative Fair Value method in terms of Mobile revenue.

IAS 19 Defined Benefit Plans: Employee Contributions — Amendments to IAS 19

Effective for annual periods beginning on or after 1 July 2014.

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. IAS 19 requires such contributions that are linked to service to be attributed to periods of service as a negative benefit. The amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such. contributions include those that are a fixed percentage of the employee's salary, a fixed amount of contributions throughout the service period, or contributions that depend on the employee's age. This will not have an impact as the Company has a defined contribution plan.

The amendments are applied retrospectively, in accordance with the requirements of IAS 8 for changes in accounting policy. Early application is permitted and must be disclosed.

IFRS 14 Regulatory Deferral Accounts

Effective for annual periods beginning on or after 1 January 2016.
IFRS 14 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. Existing IFRS preparers are prohibited from applying this standard. 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 other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate regulation and the effects of that rate regulation on its financial statements. IFRS 14 is applied retrospectively. Early application is permitted and must be disclosed.

Improvements to International Financial Reporting Standards – 2010-2012 cycle (issued in December 2013)

In the 2010-2012 annual improvements cycle, the IASB issued seven amendments to six standards, summaries of which are provided below. Other than amendments that only affect the standards' Basis for Conclusions, the changes are effective from 1 July 2014.

IFRS 2 Share-based Payment
Definitions of vesting conditions

• Performance condition and service condition are defined in order to clarify various issues, including the following:
• A performance condition must contain a service condition
• A performance target must be met while the counterparty is rendering service
• A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
• A performance condition may be a market or non-market condition
• If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied
• The amendment becomes effective for the annual periods beginning on or after 1 July 2014 and will therefore be applied in the Company's first annual report after becoming effective.

IFRS 3 Business Combinations
Accounting for contingent consideration in a business combination

• The amendment clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable).
• The amendment becomes effective for the annual periods beginning on or after 1 July 2014 and will therefore be applied in the Company's first annual report after becoming effective.

IFRS 8 Operating Segments
Aggregation of operating segments

• The amendment clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.

ACCOUNTING POLICIES (CONTINUED)

31 March 2014

Standards issued but not yet effective **(Continued)**

• The amendment becomes effective for the annual periods beginning on or after 1 July 2014 and will therefore be applied in the Company's first annual report after becoming effective.

Reconciliation of the total of the reportable segments' assets to the entity's assets

• The amendment clarifies that the reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

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

Revaluation method – proportionate restatement of accumulated depreciation/amortisation

• The amendment to IAS 16 and IAS 38 clarifies that the asset may be revalued by reference to observable data on either the gross or the net carrying amount.

• The amendment also clarifies that accumulated depreciation/ amortisation is the difference between the gross and carrying amounts of the asset.

The amendment becomes effective for the annual periods beginning on or after 1 July 2014 and will therefore be applied in the Company's first annual report after becoming effective.

IAS 24 Related Party Disclosures

Key management personnel

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

• The amendment becomes effective for the annual periods beginning on or after 1 July 2014 and will therefore be applied in the Company's first annual report after becoming effective.

Improvements to International Financial Reporting Standards

2011-2013 cycle (issued in December 2013)

In the 2011-2013 annual improvements cycle, the IASB issued four amendments to four standards, summaries of which are provided below. Other than amendments that only affect the standards' Basis for Conclusions, the changes are effective 1 July 2014. Earlier application is permitted and must be disclosed.

IFRS 1 First-time Adoption of International Financial Reporting Standards

Meaning of 'effective IFRSs'

• The amendment clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements.

• The amendment becomes effective for the annual periods beginning on or after 1 July 2014 and will therefore be applied in the Company's first annual report after becoming effective.

IAS 40 Investment Property Interrelationship between IFRS 3 and IAS 40 (ancillary services)

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

• The amendment becomes effective for the annual periods beginning on or after 1 July 2014 and will therefore be applied in the Company's first annual report after becoming effective

SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATE

Estimates and Judgments

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

Revenue recognition and presentation

Revenue arrangements including more than one deliverable:

This relates to fixed lines and mobile installations. In revenue arrangements including more than one deliverable, the deliverables are assigned to one or more separate units of accounting and the arrangement consideration is allocated to each of the units of accounting based on the cash cap method.The cash cap method is applied to multiple element post-paid mobile arrangements.Under the cash cap method, revenue is allocated to the different elements of the agreement, but the value allocated to the handset is limited to the amount of cash received for it, which may be zero, because the remainder of the revenue in the transaction is contingent upon the 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.

BOTSWANA TELECOMMUNICATIONS CORPORATION LIMITED

ACCOUNTING POLICIES (CONTINUED)

31 March 2014

Significant Accounting Judgements And Estimates **(Continued)**

Presentation: Gross versus Net

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

Development grants

Grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Initial capitalisation of costs is based on management's judgment that the attached conditions will be complied with. Revenue is recognised over the useful lives of the assets purchased using the grant. The current portion of development grant is estimated by amortizing existing government grants received at reporting date and assuming that there will be no grants received and no additional capital expenditure in the financial year 2014/2015. Further details are given in Note 17.

Revaluation of land and buildings

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

That the property are free from any structural fault, rot, infestation or defects of any other nature, including inherent weaknesses due to the use in construction of deleterious materials. That the properties are not contaminated and that the sites have stable ground conditions.
Further details are given in Note 7.

Lease classification

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 11 and 23. The company has transferred some of the immovable property to Botswana Fibre Networks (BOFINET) (see Note 7) as per government directive. BTCL entered in to a possession and use agreement that gives BOFINET full control of these assets pending legal tittle transfer. BTCL does not charge BOFINET for the use of these assets nor have the right to control physical access to the underlying assets. Subsequent to year end, BTCL has entered into a ten year indefeasible right of use (IRU) agreement with effect from 01 April 2014 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.

Deferred lease

The current portion of deferred lease is based on the assumption that there will be no additions to operating lease contracts in the financial year 2014. Further details are given in Note 11.

Related parties

Government, parastatals and key management personnel are considered as being related to the company. The government is still a related party despite privatisation as the shares are currently held 100% by the Government of Botswana. Significant management judgment is required to determine as to who qualifies for being a related party, based on the type of the relationship especially on entities also controlled by the Government. Further details are given in Note 24.

Allowances for slow moving inventory

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

Depreciation Charges and Residual Values

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

The residual value of an asset is determined by estimating the amount that the entity would currently obtain from the disposal of the asset after deducting the estimated cost of disposal, if the asset were already of age and in the condition expected at the end of its useful life. The estimation of the useful life and residual value of an asset is a matter of judgment based on the past experience of the company with similar assets and the intention of management. Further details are given in Note 7.

Debtors impairment

This allowance is created where there is objective evidence, for example the probability of insolvency/bankruptcy or significant financial difficulties of the debtor, that the company will not be able to collect all the amounts due under the original terms of the invoice. An estimate is made with regards to the probability of insolvency and the estimated value of debtors who will not be able to pay. Financial assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Further details are given in Note 12.

BOTSWANA TELECOMMUNICATIONS CORPORATION LIMITED

ACCOUNTING POLICIES (CONTINUED)

31 March 2014

Significant Accounting Judgements And Estimates **(Continued)**

Impairment of non-financial assets

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

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

Initial Fair Value of financial Instruments

Financial liabilities, such as preference shares – liability portion have been valued based on the expected cash flows discounted at current rates at grant date applicable for items with similar terms and risk characteristics. This valuation requires the company to make estimates about expected future cash flows and discount rates, and hence they are subject to uncertainty. Further details are given in note 25.9.

ACCOUNTING POLICIES

Employee Benefits

Post employement benefits

The company operates a defined contribution pension fund for its eligible citizen employees. The fund is registered under the Pension and Provident Funds Act (Chapter 27:03). The Corporation contributes to the fund 14% of the pensionable earnings of the members. Pension contributions on behalf of employees are charged to profit or loss in the year to which they relate to and as the related service is provided.

Short-term employment benefits

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

Termination benefits

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

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

REVENUE RECOGNITION

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

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

Prepaid products

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

Postpaid products

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

Interconnect - national and international

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

BOTSWANA TELECOMMUNICATIONS CORPORATION LIMITED

ACCOUNTING POLICIES (CONTINUED)

31 March 2014

Revenue Recognition **(Continued)**

Local and Access Services comprise of the following products and or services:

Subscriptions, connections and other usage for fixed line 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.

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 solutions include both domestic and international telephone services and ISDN services. Revenue is recognized based on usage. All post paid products are sold by BTCL, there are no dealers or agents involved.

Interconnect - national and international

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

Handset Revenue

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

Customer Loyalty Programmes

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

INVENTORIES

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

Work-in-progress includes contracts carried out for customers and is stated at the lower of cost and estimated net realisable value after due consideration for provisions for any foreseeable losses. Advance payments in respect of such work-in-progress are included under trade and other payables. Further details are given in Note 10.

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. For the land and buildings stated at cost ,the carrying value approximates the fair value.

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

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

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

DEPRECIATION

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

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

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

Buildings - 40 years
Leasehold land and buildings - unexpired portion of lease or 50 years, whichever is shorter
Plant and equipment - 5 to 20 years
Other 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 in profit or loss through income.

NON-CURRENT ASSETS HELD FOR SALE

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

Interest and other expenses attributable to the liabilities of an asset held for sale continues to be recognised.

INTANGIBLE ASSETS

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

The useful lives of intangible assets are assessed as either finite or indefinite.
Armotisation 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. Armotisation period and armotisation method are reviewed at least at the end of each reporting period for all intangible assets with a finite useful life. The armotisation expense on intangible asset with finite lives is recognised in the statement of 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 armotised, but are tested for impairement annually,either individually or at the cash-generating unit level.

Licences

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

Derecognition of intangible asset

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

FOREIGN CURRENCY TRANSLATION

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

The International Telecommunications Union uses USD as the currency to settle international operator debts. The USD rate is linked to the Special Drawing Rights (SDR) rate, which is fixed at 1.51824:1 (SDR).

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. Further details are given in Note 17.

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. Further details are given in Note 18.

ACCOUNTING POLICIES (CONTINUED)

31 March 2014

STATED CAPITAL

Botswana Telecommunications Corporation, a statutory body, was converted to a public company limited by shares issued on the 1st November 2012.The financial interest of the Botswana Government in the Corporation, (being the Notional Share Capital, Equity Portion of Preference Shares and Equity Application Account) was converted into one million shares in the capital of the company. As at the date of conversion to date, the Government of Botswana remains the sole shareholder. Any act lawfully performed by the Corporation under the BTC Act and before the conversion date, shall continue to be valid and shall be performed by the Company as per the BTC Transition Act.

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

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

RELATED PARTY TRANSACTIONS

The Government of the Republic of Botswana and its various local authorities and Parastatals constitute a significant portion of the company's revenues. Other related parties are the members of key management personnel. Services to Government, other local authorities, Parastatals and subsidiaries, are provided at arm's length. For further information refer to Note 24.

TAXATION

Current Income tax

Taxation is provided in the financial statements using the gross method of taxation. Current taxation is charged on the net income for the year after taking into account income and expenditure, which is not subject to taxation, and capital allowances on fixed assets.

Deferred tax

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

Deferred tax liabilities are recognised for all taxable temporary differences except when the deffered 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 deferred 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.

Deferred tax assets and deferred 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, directly 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.

ACCOUNTING POLICIES (CONTINUED)

31 March 2014

Financial Instruments **(Continued)**

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 INSTRUMENTS

Liabilities and Equity Instruments

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

Compound financial instruments

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

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

Trade and other payables

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

Gains and Losses for Financial Liabilities

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

Equity instruments

Equity instruments are recorded net of direct issue costs.

Offsetting of financial assets and financial liabilities (Interconnect balances)

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

Derecognition of financial assets and liabilities

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

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

Impairment of financial assets

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

Assets carried at amortised cost

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

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

BOTSWANA TELECOMMUNICATIONS CORPORATION LIMITED

ACCOUNTING POLICIES (CONTINUED)

31 March 2014

DIVIDENDS AND DIVIDENDS IN SPECIE

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

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

PROVISIONS

General

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

Restructuring provisions

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

LEASES

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

Corporation as a lessee

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

Corporation as lessor

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

GENERAL POLICIES

Business Combinations

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

Financial Guarantee Contracts

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

BOTSWANA TELECOMMUNICATIONS CORPORATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2014

	2014 P'000	2013 Restated P'000
1 SALES OF GOODS AND SERVICES		
Telephone - national	229,108	221,627
Mobile Revenue	366,349	325,420
Telephone - international	49,908	57,620
Local and Access Services	103,276	101,522
Data	463,130	401,033
Private circuits	87,433	108,461
Customer Premises Equipment	107,601	91,674
Other Services	47,682	49,497
	1,454,487	1,356,854
2 OPERATING COSTS		
2.1 Cost of services and goods sold:		
Payment to International carriers and local operators (Interconnection)	191,371	175,480
Depreciation:		
Land and buildings	8,391	8,420
Plant and Machinery	180,880	171,694
Impairment of Property ,Plant and equipment	266,051	-
Equipment and material costs	77,554	82,012
Write(up)/down of inventories - Note 10	(2,949)	5,569
Cost of directory sales	2,872	3,097
Cost of phones & prepaid cards	28,006	22,401
Licence fee - BTA	35,429	31,220

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 March 2014

	2014 P'000	2013 Restated P'000
2 OPERATING COSTS		
2.1 Cost of services and goods sold:		
Space segment rentals and other licence fees	29,626	66,865
Total cost of services and goods sold	817,231	566,759
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:		
Installation of Customer Premises Equipment	13,145	10,861
Product Marketing costs	29,810	23,649
	42,955	34,510
2.3 Administrative expenses		
Employee costs:		
Salaries and wages	296,322	264,321
Pension fund and group life contributions (defined contribution plans)	15,199	15,244
Training costs	4,302	8,721
Other related costs	14,671	15,187
Total employee costs	330,494	303,473
Employee costs relating to assets constructed capitalised	(1,360)	(1,376)
Total employee costs charged to profit or loss	329,134	302,097

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 March 2014

	2014 P'000	2013 Restated P'000
2.3 Administrative expenses		
Depreciation - Other equipment	28,511	40,239
Repairs and maintenance- Non Telcom equipment	18,596	15,527
Total Administrative expenses	376,240	357,863
2.4 Other expenses		
Other operating expenses-Note 3	282,000	198,669
Loss on disposals	10,091	
Total other expenses	292,091	198,669
Total operating costs	1,528,517	1,157,801
Operating costs include the following items:		
Audit fees -Current year	1,400	1,730
Prior year	252	300
Board members' fees	110	114
Restructuring costs	31,190	531
Consultancies	29,558	39,215
Legal costs	6,839	856
Debtors impairment	42,648	21,862
Funds transferred to Botswana Fibre Network (BOFINET)	-	4,503

BOTSWANA TELECOMMUNICATIONS CORPORATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 March 2014

	2014 P'000	2013 Restated P'000
2.4 Other expenses		
Operating lease charges - rentals	10,172	5,763
Foreign exchange net gains	(7,216)	(9,682)
3 OTHER INCOME		
Development grant recognised as income - Note 16	(42,670)	(38,669)
Deffered revenue recognised as income	(9,444)	(27,368)
Profit on disposal of property, plant and equipment	-	(565)
	(52,114)	(66,600)

Deferred revenue recognised as income has been reclassified from other operating expenses(note 2.4) to Other income

An error was noted in respect of the presentation and disclosure of deferred revenue recognised as income in the financial statements- 31 March 2014 P 9,443,721.87, (31 March 2013- P27, 368,060.94). In prior years, this was included under other expenses instead of being recognised as other income. By reclassifying deferred revenue to other income, other income line item has increased by P 9,443,721.87, (31 March 2013- P27, 368,060.94) and other expenses has decreased by the same balances.

4 INTEREST INCOME/ FINANCE COSTS

	2014 P'000	2013 Restated P'000
4.1 Interest income:		
Call Accounts	(25,144)	(18,451)
	(25,144)	(18,451)

	2014 P'000	2013 Restated P'000
4.2 Finance costs:		
Preference shares interest	184	184
Accrued interest (13%)	24	
	208	184
5 EARNINGS PER SHARE		
Profit attributable to ordinary shareholder for basic and diluted earnings per share	140	273,645
Stated Capital-Number of shares	1,000,000	1,000,000
Notional share capital-number of shares	-	-
Earnings per share(Pula)	0.14	273.64
Earnings per notional share(Pula)	-	-

Notional ordinary share capital has been converted into Stated capital of 1,000,000 shares during the previous (2013) financial year. The Government of Botswana is still the sole shareholder

BOTSWANA TELECOMMUNICATIONS CORPORATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 March 2014

	2014 P'000	2013 Restated P'000
6 INCOME TAX		
The components of income tax expense for the year ended 31 March 2014 are:		
Consolidated income statement		
Taxation expense		
Corporate tax	102,906	0.00
Deferred taxation	(100,026)	10,277
Taxation expense	2,880	10,277
Tax rate reconciliation		
Profit before tax	3,020	80,384
Company tax at 22%	664	17,685
Non-taxable income	(5,968)	(6,964)
Non-deductible expenses	7,530	22
Citizen training allowance	465	(465)
Assets not qualifying for capital allowances	188	
Taxation expense	2,880	10,277

BOTSWANA TELECOMMUNICATIONS CORPORATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 March 2014

	2014 P'000	2013 Restated P'000
6.1 DEFERRED TAX		
Accelarated depreciation for tax purposes	(91,021)	20,714
Unrealised gain	3,527	806
Prepayments (PABX)	-	(717)
Provision for doubtful debt	-	1,555
Unutilised scratch cards	(2,256)	(120)
Assessed loss	-	(11,960)
Deferred tax (assets) liability	(89,750)	10,277
Assessed loss		
Balance brought forward	54,365	-
Movement for the year	(54,365)	54,365
Total	0	54,365
Expiring as follows:		
30-Jun-18	0	

The Corporation was converted to a company with effect from 01 November 2012 and from this date the company effectively became a corporate tax payer at a tax rate of 22%. All income taxes and deferred tax were computed at the statutory tax rate of 22% for corporates. For 2013 financial year, profit before tax used in the deferred tax calculation is for the period 1st November 2012 to 31st March 2013(5 months) and as such will differ from the one in the Statement of Comprehensive Income.

The 2013 financial year assesed loss(P54,365,000) was utilised in the 2014 financial year taxable income. The significant movement in deferred tax is due to the asset impairment of P266,050,988(Note 9).

BOTSWANA TELECOMMUNICATIONS CORPORATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 March 2014

	Land & Buildings P'000	Plant & Equipment P'000	Other Equipment P'000	Plant and Equipment in the course of Construction P'000	Total P'000
7 PROPERTY, PLANT AND EQUIPMENT					
COST OR VALUATION					
At beginning of the year	266,265	3,492,810	513,184	1,198	4,273,457
Disposals (Transfers to BOFINET)	(49,058)	(706,116)	(10,715)	-	(765,889)
Other Disposals	-	(115,405)	-	(1,198)	(116,603)
Additions	-	167,617	25,214	6	192,837
Reclassification	11,857	194,391	(160,239)	-	46,009
At end of the year	229,064	3,033,297	367,444	6	3,629,811
DEPRECIATION AND IMPAIRMENT					
At beginning of the year	30,163	2,000,138	391,493	-	2,421,794
Depreciation charge for the year	8,391	175,372	28,511	-	212,274
Impairment		266,051			266,051
Disposals (Transfers to BOFINET)	(7,631)	(415,614)	(7,768)	-	(431,013)
Other disposals	-	(106,144)	-	-	(106,144)
Reclassification	(11,155)	158,535	(126,694)		20,686
At end of the year	19,768	2,078,338	285,542	-	2,383,648

	Land & Buildings P'000	Plant & Equipment P'000	Other Equipment P'000	Plant and Equipment in the course of Construction P'000	Total P'000
NET BOOK VALUE					
At beginning of the year	236,102	1,492,672	121,691	1,198	1,851,663
At end of the year	209,296	954,959	81,902	6	1,246,163

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

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

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

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

BOTSWANA TELECOMMUNICATIONS CORPORATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 March 2014

	Land & Buildings P'000	Plant & Equipment P'000	Other Equipment P'000	Plant and Equipment in the course of Construction P'000	Total P'000
31 March 2013					
Cost or valuation					
At beginning of the year	265,922	3,221,467	467,864	2,732	3,957,985
Additions	-	270,017	46,493	1,198	317,708
Tranfers	343	1,326	1,063	(2,732)	-
Disposals	-	-	(2,236)	-	(2,236)
At end of the year	266,265	3,492,810	513,184	1,198	4,273,457
Accumulated Depreciation					
At beginning of the year	21,743	1,835,271	353,235	-	2,210,249
Charge for the year	8,420	164,867	40,239	-	213,526
Disposals	-	-	(1,981)	-	(1,981)
At end of the year	30,163	2,000,138	391,493	-	2,421,794
Net book value					
At beginning of the year	244,179	1,386,196	114,629	2,732	1,747,736
At end of the year	236,102	1,492,672	121,691	1,198	1,851,663

Land and buildings were revalued at 31 March 2012 by an accredited independent value, on an open market existing use basis (note 26).

	2014 P'000	2013 P'000
Revaluation of Land & Buildings		
If land & buildings were measured using the cost model, the carrying amount would be as follows:		
Cost	95,179	95,179
Depreciation	(58,165)	(55,865)
Carrying amount	37,014	39,314

	Computer & Billing Software P'000	Network Management System P'000	Total P'000
8 INTANGIBLE ASSETS			
COST			
At beginning of the year	135,367	27,750	163,117
Additions	1,742	267	2,009
Reclassification	(28,431)	(17,578)	(46,009)
At end of the year	108,678	10,439	119,117
AMORTISATION			
At beginning of the year	103,980	24,685	128,665
charge for the year	4,839	669	5,508
Reclassification	(5,046)	(15,640)	(20,686)
At end of the year	103,773	9,714	113,487

BOTSWANA TELECOMMUNICATIONS CORPORATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 March 2014

	Computer & Billing Software P'000	Network Management System P'000	Total P'000
NET BOOK VALUE			
At beginning of the year	31,387	3,065	34,452
At end of the year	4,905	725	5,630
31 March 2013			
COST			
At beginning of the year	122,369	24,560	146,929
Additions	12,998	3,190	16,188
Disposals	-	-	-
At end of the year	135,367	27,750	163,117
AMORTISATION			
At beginning of the year	97,655	24,183	121,838
charge for the year	6,325	502	6,827
At end of the year	103,980	24,685	128,665
NET BOOK VALUE			
At beginning of the year	24,714	377	25,092
At end of the year	31,387	3,065	34,452

9 ASSET IMPAIRMENT

During 2014, the company reduced its fixed line incumbent's assets base due to technology changes which is in line with global trend. The company is also facing increased competition from other operators as well as the tightened regulatory environment.

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

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

Valuation key assumptions

The recoverable amount was determined based on value in use. The calculations used cash flow projections over a period of five (5) years based on financial forecasts and the growth rate of 6% was applied.

Assumptions

Discount rate (WACC) 2014: 13 %
Management determined these rates based on past experience as well as external sources of information.

	2014 P'000	2013 P'000
10 INVENTORIES		
Comprising:	32,245	25,739
Consumable stores	32,535	19,109
Customer premises equipment	26,565	18,630
Other inventories	91,347	63,478

The above inventory is disclosed at the lower of cost and estimated net realisable value. The inventory write up was P2,949,000 in the current year and in 2013 there was a write down amounting to P5,569,000. The Government of Botswana transferred inventory worth P5,257,080.16 from BTCL to BOFINET warehouse from the available stock in hand as at 31 March 2014. The split of inventories between the two companies was as per the agreed percentage split. The split was influenced by the service each company had as at 31 March 2014.

	2014 P'000	2013 P'000
11 DEFERRED LEASE		
Comprising:	-	8,375
Consumable stores	-	322
Customer premises equipment	-	(8,697)
Other inventories	-	-

Deferred leases arise from operating leases on the company sites, where the company is the lessor. Deferred lease balance arise from the difference between actual payments made in accordance with the lease agreement and the straight lining of operating leases in accordance with IAS 17.

BOTSWANA TELECOMMUNICATIONS CORPORATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 March 2014

	2014 P'000	2013 P'000
12 TRADE AND OTHER RECEIVABLES		
Trade receivables	180,523	146,596
Receivables from related parties	76,233	36,271
Trade receivables from interconnect balances	98,470	63,093
Staff advances	1,586	1,585
Receivables from Global connectivity projects (EASSy & WACS)	14,024	17,357
Other receivables	54,391	28,781
	425,227	293,683
Prepayments and deposits	18,622	14,617
Debtors impairment	(100,270)	(56,097)
	343,579	252,203

The company's trade and other receivables are non-interest bearing. For terms and conditions relating to related party receivables, refer to Note 24. Trade receivables from interconnect balances and other receivables are generally 30 to 90 days terms, interest free, unsecured and settlement occurs in cash. Staff advances may be up to six months and they are non interest bearing. Staff advances and other receivables carrying value approximate the fair value.

Further details on receivables from Global connectivity projects (EASSY and WACS) have been disclosed in note 24.

	2014 P'000	2013 P'000
Trade and other receivables at 31 March 2014		
Neither past due nor impaired	120,858	15,598
Past due but not impaired		
less than 30 days	47,868	92,076
between 30 days and 60 days	36,925	15,007
between 60 days and 90 days	21,846	19,579
more than 90 days	97,458	95,325
Net carrying amount	324,956	237,585

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

	Individually Impaired P'000	Individually Impaired P'000	Total P'000
At 31 March 2014			
At beginning of the year	25,595	30,502	56,097
Additional amounts raised (note 2)	34,183	13,620	47,803
Release of the provision during the year	-	(3,630)	(3,630)
At end of the year	59,778	40,492	100,270
At 31 March 2013			
At beginning of the year	9,200	36,775	45,975
Additional amounts raised	18,276	3,586	21,862
Release of the provision during the year	(1,881)	(9,859)	(11,740)
At end of the year	25,595	30,502	56,097

BOTSWANA TELECOMMUNICATIONS CORPORATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 March 2014

	2014 P'000	2013 Restated P'000
13 NOTIONAL ORDINARY SHARE CAPITAL		
Balance at the beginning of the year	-	21,919
Transfer to Stated Capital - ordinary shares	-	(21,034)
Equity portion of preference shares disclosed separately - note 13.2	-	(885)
Balance at the end of the year	-	-
13.1 Equity Application Account		
Balance at the beginning of the year	-	207,858
Transfer to Stated Capital	-	(207,858)
Balance at the end of the year	-	-
13.2 Preference Shares		
2 301 000 - 8% redeemable cumulative preference shares of P1 each, held by the Government of Botswana		
Total nominal value	2,301	2,301
Equity portion of preference shares disclosed under non current liabilities	(1,416)	(1,416)
Equity portion of preference shares disclosed separately - note 13	885	885

BOTSWANA TELECOMMUNICATIONS CORPORATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 March 2014

	2014 P'000	2013 P'000
14 Stated Capital		
Balance at the beginning of the year	228,892	-
Transfer from Notional Ordinary Share Capital - ordinary shares	-	21,034
Transfer from Equity Application Account	-	207,858
Balance at the end of the year	228,892	228,892
Stated capital is made up as follows: **Issued and fully paid**		
1,000,000 ordinary shares of no par value	228,892	228,892
Preference shares		
2,301,000- 8% redeemable preference shares	2,301	2,301

The movement within the number of shares issued during the year:	**Number of shares**	
	2014	**2013**
Shares of no par value in issue at the beginning of the year	1,000,000	1,000,000
Shares of no par value in issue at the end of the year	1,000,000	1,000,000

Botswana Telecommunications Corporation, a statutory body, was converted to a public company limited by shares on the 1st November 2012. The financial interest of the Botswana Government in the Corporation were converted into shares in the capital of the company. As at date of conversion the Government of Botswana remained the sole shareholder. Any act lawfully performed by the Corporation under the BTC Act and before the conversion date, shall continue to be valid and shall be performed by the Company as per the BTC Transition Act.

BOTSWANA TELECOMMUNICATIONS CORPORATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 March 2014

	2014 P'000	2013 Restated P'000
15 REVALUATION RESERVE		
Properties revaluation reserve		
Balance at the beginning of the year	185,701	198,677
Depreciation transfer for land and buildings	(11,434)	(12,976)
Increase for the year	-	-
Balance at the end of the year	174,267	185,701
Total other reserves	174,267	185,701
16 DIVIDENDS AND PREFERENCE SHARE INTEREST		
Preference share interest		
Preference share interest owing at the beginning of the year	184	184
Accrued interest -13% on outstanding balance	24	-
8% redeemable cumulative preference shares- declared during the year	184	184
Amount paid during the year	-	(184)
Amount payable at end of year	392	184
Equity dividends:		
Dividend declared (ratified by Board)	405,449	-
Total dividends	405,841	184
Dividend per share	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 March 2014

	2014 P'000	2013 P'000
Dividends in specie:		
Fixed Assets transferred to BOFINET	334,875	-
Inventory transferred to BOFINET	5,257	-
Deferred Revenue and grants amortized	(55,928)	-
BOFINET Funding	121,245	-
	405,449	-
Dividends declared	405,449	-

The current preference dividend amounting to P184,000 is payable as approved by the Board of the company. The preference shares are a part of a compound financial instrument comprising an equity portion and a liability portion. Consequently, the compound financial instrument has been split into the equity and liability components (Note 13). The dividends on preference shares have been classified as interest cost and are included as part of finance cost (Note 4.2). The dividend bears no interest and it is unsecured.

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

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

BOTSWANA TELECOMMUNICATIONS CORPORATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 March 2014

	2014 P'000	2013 Restated P'000
17 DEVELOPMENT GRANTS		
Balance at the beginning of the year	263,408	280,259
Grants received during the year	-	21,818
Transfer to BOFINET	(3,960)	-
Recognised as income during the year	(42,670)	(38,669)
Balance at end of the year	216,778	263,408
Current portion of development grant	42,670	38,669
Non-current portion of development grant	174,108	224,740
	216,778	263,408

The cumulative grants received to date are P509,325,983.70 (2013:509,325,983.70). These grants are for the purpose of funding the Company's expansion in rural districts in terms of National Development Plan 8 called Nteletsa projects. The portion of the grants recognised as income during the year is based on the useful life of plant and equipment which was funded by the above grants.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 March 2014

	2014 P'000	2013 P'000
18 DEFERRED REVENUE		
Balance at beginning of the year	77,571	104,939
Deferred revenue transferred to BOFINET	(51,968)	-
Deferred revenue recognised as income		
- Fibres	(123)	(123)
- Network Upgrade -Government of Botswana (GOB)	(15,501)	(15,701)
-Transkalahari Upgrade (DWDM)	6,181	(11,544)
Balance at end of the year	16,160	77,571
Current portion of deferred revenue	9,444	27,368
Non-current portion of deferred revenue	6,716	50,203
	16,160	77,571

The deferred revenue comprises an amount received from the Water Utilities Corporation of P7,059,000 (2013:P7,059,000) for the usage of four fibres from Mmamashia to Letsibogo Dam for a period of 25 years. The ownership of the equipment utilised to provide these services vests with the Company. Network upgrade comprise of P151,495,933 from the Government of Botswana to upgrade the network and systems; and a further P42,000,000 to upgrade the DWDM network.

The deferred revenue is recognised in income over the useful life of the plant and equipment. The deffered revenue recognised as income relating to Transkalahari Upgrade (DWDM) was re-assessed and decreased to P6,181,000 at the reporting date.

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

BOTSWANA TELECOMMUNICATIONS CORPORATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 March 2014

	2014 P'000	2013 P'000
19 TRADE AND OTHER PAYABLES		
Trade payables	32,364	77,829
Interconnection balances	36,126	24,552
Accruals and Other payables	165,202	116,411
	233,692	218,792

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 the mobile networks. These are settled on a 30-90 day term and are not secured. Included in accruals and other payables is the mobile deffered revenue amounting to Pula 10,253,091 (2013: 7,172,602).

	Leave Pay P'000	Gratuity P'000	Restructuring Costs P'000	Other P'000	**Total P'000**
20 EMPLOYEE RELATED PROVISIONS					
Opening balance (2013)	19,653	17,701	-	4,712	42,066
Charged to employee expenses	9,787	23,887	25,000	12,377	71,051
Utilised	(9,207)	(25,778)	-	(4,957)	(39,942)
Closing balance (2014)	20,233	15,810	25,000	12,132	73,175

Employee related provisions comprise of leave pay, gratuity and other. In terms of BTCL policy, employees are entitled to accumulate vested leave benefits, there is no cap to the number of days that can be accumulated within the leave cycle. Gratuities are normally paid at the end of an employee's contract which in the case of BTCL is on average between 1 to 3 years. The company has completed its restructuring exercise which led to the creation of new roles and some roles becoming redundant.The restructuring costs reflected above were incurred as a result of employees on roles that have been made redundant and employees who are excess to complement structure requirements. The restructuring plan was communicated to the affected employees and there is a valid expectation in them that the Company will carry out the restructuring.

BOTSWANA TELECOMMUNICATIONS CORPORATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 March 2014

	Notes	2014 P'000	2013 P'000
21 STATEMENT OF CASH FLOWS			
21.1 Operating profit before working capital changes:			
Net Profit before financing costs		3,228	284,106
Adjustment for non cash movements:			
Depreciation	7-8	217,782	220,353
Impairment of Property, Plant and Equipment	7	266,051	-
Profit on disposal of property, plant and equipment	3	-	(565)
Loss on disposal of property, plant and equipment	2.4	10,091	-
Interest income	4	(25,144)	(18,451)
Exchange loss unrealised		(6,105)	(6,286)
Development grant recognised as income	16	(42,670)	(38,669)
Deferred revenue recognised as income			
- fibres	17	(123)	(123)
- Network Upgrade -GOB	17	(15,501)	(15,701)
- Transkalahari Upgrade(DWDM)	17	6,181	(11,544)
Deferred lease	9	-	8,374
Profit from miscellaneous sale		404	-
Movement in provisions	19	31,109	-
Adjustment for deffered revenue		949	-
Operating profit before working capital changes		446,252	421,496

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. 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.

	Notes	2014 P'000	2013 P'000
21.2 Net cash and cash equivalents at end of the year:			
Cash at bank and on hand		19,571	28,784
Short term deposits		333,891	376,764
Net cash and cash equivalents at end of the year		353,462	405,548

The call deposits had effective interest rates of between for 0.25% and 4.15% (2013: 0% and 3.75%). Short- term deposits are made for varying periods of between one day and three months,depending on the immediate cash requirements of the Company. At year end the short term deposits were maturing within 90 days (2013:90 days).

21.2.1 Banking Facilities

The Corporation has facilities with its bankers amounting to P110,000,000 (2013 : P110,000,000) in respect of letters of credit and guarantees. The banking facilities are unsecured.

	2014 P'000	2013 P'000
22 CAPITAL COMMITMENTS		
Contracted but not paid	123,943	227,538
Authorised but not contracted	317,615	175,436
Total capital commitments	441,558	402,974

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

	2014 P'000	2013 P'000
23 OPERATING LEASE COMMITMENTS-COMPANY AS LESSEE		
Future minimum lease payments payable under non-cancellable operating leases as at 31 March 2014 are as follows:		
Operating leases	23,635	25,568
Balance due within one year	8,538	7,509
Balance due between two and five years	9,011	12,418
Balance due after five years	6,086	5,641
	23,635	25,568
OPERATING LEASE COMMITMENTS-COMPANY AS LESSOR		
Future minimum lease receivables under non-cancellable operating leases as at 31 March 2014 are as follows:		
Operating leases	7,616	10,750
Balance due within one year	1,502	10,750
Balance due between two and five years	3,804	-
Balance due after five years	2,310	-
	7,616	10,750

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

BOTSWANA TELECOMMUNICATIONS CORPORATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 March 2014

24 RELATED PARTY TRANSACTIONS

Relationships

Owner with 100% ownership	Government of Botswana
Members of the Board of Directors	Refer to General information Page 3
Members of Key management	Paul Taylor
	Anthony Masunga
	Abel Bogatsu
	Joy-Marie Marebole
	Thabo Nkala
	Mokgethi Nyatseng
	Christopher Diswai
	Same Kgosiemang
	Boitumelo Masoko
	Masego Mathambo
	Kaelo Radira

	Revenue billed 2014 P'000	2013 P'000	Balance due 2014 P'000	2013 P'000
Trading transactions				
The following related party transactions were on an arm's length basis:				
Sales and outstanding balances from related parties				
The Government of the Republic of Botswana	396,809	348,035	71,238	31,596
Parastatals	59,491	63,182	4,995	4,675
	456,300	411,217	76,233	36,271

BOTSWANA TELECOMMUNICATIONS CORPORATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 March 2014

24 Related Party Transactions **(Continued)**

	Revenue billed 2014 P'000	2013 P'000	Balance due 2014 P'000	2013 P'000
Purchases from related parties				
Parastatals	257,179	140,818	35,317	13,526

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 P14,024,933.82 (2013 : P17,357,090.46) 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.

	2014 P'000	2013 P'000
Compensation of key management personnel		
Short term benefits	10,383	8,894
Termination benefits	3,692	2,983
	14,074	11,877

The Compensation of Key management personnel figures above are inclusive of remuneration paid to members of the Board of Directors of BTCL and executive management. The remuneration for key management staff is determined by the remuneration committee and that of directors is consistent with Government rates. The non-executive members of the Board do not receive pension entitlement from the Company.

BOTSWANA TELECOMMUNICATIONS CORPORATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 March 2014

24 Related Party Transactions **(Continued)**

Directors' Interests

Emoluments per director (in Pula) (2014)

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

Directors' Interests

Emoluments per director (in Pula) (2013)

Director	Fees	Remuneration	Performance bonus	Fringe and other benefits	Total
Leonard Makwinja	29,400	-	-	-	29,400
Paul Taylor (Managing Director)	-	1,540,519	465,549	357,706	2,363,774
Alan Boshwaen	8,400	-	-	-	8,400
Choice Pitso	13,440	-	-	-	13,440
Serty Leburu	13,440	-	-	-	13,440
Cecil Masiga	10,920	-	-	-	10,920
Dr Geoffrey Seleka	16,800	-	-	-	16,800
Daphne Matlakala	20,160	-	-	-	20,160
Total emoluments paid by BTCL	112,560	1,540,519	465,549	357,706	2,476,334

25 FINANCIAL RISK MANAGEMENT

25.1 Financial risk management objectives and policies

The Company's principal financial liabilities, are preference shares, trade payables and government loans received. 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, cash and short-term deposits, which arise directly from its operations.

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

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

25.2 Currency risk:

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

	Exchange Rates		Amount in Foreign Currency	
Currency	**2014**	**2013**	**2014**	**2013**
Liabilities:				
Euro	0.0810	0.0965	(8,530)	(1,470,524)
Rand	1.1705	1.1540	(3,562,138)	(3,457,107)
SDR	0.0737	0.0889	(3,438,599)	(2,894,991)
US Dollar	0.1100	0.1250	(1,145,992)	(12,953,590)
GBP	0.0672	0.0812	(46,440)	(115,155)
Assets:				
SDR	0.1737	0.0889	3,540,216	3,703,403
US Dollar	0.1175	0.1250	924,120	405,399
Combined Net Liability Position			(3,737,363)	(16,782,565)

The Company's currency risk exposure is partly hedged by USD ,EURO and RAND deposit accounts held which at 31 March 2014 amounted to USD 42,231 (2013: 3,884) ; EURO 739(2013:70,782) and RAND 652,260 (2013: 364,839).

BOTSWANA TELECOMMUNICATIONS CORPORATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 March 2014

Financial Risk Management **(Continued)**

25.3 Foreign Currency sensitivity analysis

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

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

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

	2014 P'000	2013 P'000
Pre Tax Profit/(Loss)		
10% decrease		
Euro	(69)	14,191
Rand	(416,948)	398,950
Special Drawing Rights (SDR)	(25,342)	25,736
United States Dollar	(12,606)	161,920
British Pound	(312)	935
Net Effect	(455,277)	601,732
10% increase		
Euro	69	(14,191)
Rand	416,948	(398,950)
Special Drawing Rights (SDR)	25,342	(25,736)
United States Dollar	12,606	(161,920)
British Pound	312	(935)
Net Effect	455,277	(601,732)

25.4 Credit Risk

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

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

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

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

Below is the significant concentration of credit risk per counterparty:
Government agencies: P71,237,816.54 (2013: P31,596,032)
Banks: P4,021,793.40 (2013: P4,873,544)

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 company has since stopped the practice of being a guarantor for employee loans since 2010 thus there is no credit exposure as at year end : Nil (2013: P122,000)

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.

	2014 P'000	2013 P'000
Financial assets and other credit exposures		
Trade debtors and other receivables	324,956	237,585
Short term call deposits	333,891	376,764
Cash and bank	19,571	28,784
	678,418	643,133

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

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

25.8 Interest income and expense by financial instrument category

	Loans and Receivables P'000	Financial Liability at Amortised Cost P'000	Total P'000
2014			
Interest income	(25,144)	-	(25,144)
Interest expense	-	208	208
Net interest (income) / expense	**(25,144)**	**208**	**(24,936)**
2013			(18,451)
Interest income	(18,451)	-	(18,451)
Interest expense	**-**	184	184
Net interest (income) / expense	**(18,451)**	**184**	**(18,267)**

25.9 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.

BOTSWANA TELECOMMUNICATIONS CORPORATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 March 2014

Financial Risk Management **(Continued)**

	Less than 1 month P'000	1 - 3 months P'000	3 months to 1 year P'000	Total P'000
Financial Assets				
2014				
Trade and other receivables	-	224,900	118,679	**343,579**
Cash at bank and on hand	19,571	-	-	**19,571**
Short term deposits	-	333,891	-	**333,891**
	19,571	**558,791**	**118,679**	**697,041**
2013				
Trade and other receivables	-	172,908	79,294	**252,202**
Cash at bank and on hand	28,784	-	-	**28,784**
Short term deposits	-	376,764	-	**376,764**
	28,784	**549,672**	**79,294**	**657,750**

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.

BOTSWANA TELECOMMUNICATIONS CORPORATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 March 2014

Financial Risk Management **(Continued)**

	Less than 1 month	1 - 3 months P'000	3 months to 1 year P'000	1 - 5 years P'000	5+ years P'000	Total P'000
Financial Liabilities						
2014						
Trade and other payables	-	233,692	-	-	-	**233,692**
Preference share liability	-	-	-	-	1,416	**1,416**
Preference share dividends	-	-	392			**392**
Guarantees given to financial						
Institutions in respect of staff loans	-	-	-	-	-	-
		233,692	**392**		**1,416**	**235,500**

	Less than 1 month	1 - 3 months P'000	3 months to 1 year P'000	1 - 5 years P'000	5+ years P'000	Total P'000
Financial Liabilities						
2013						
Trade and other payables	-	218,792	-	-	-	**218,792**
Preference share liability	-	-	0	-	1,416	**1,416**
Preference share dividends	-	-	184			**184**
Guarantees given to financial						
Institutions in respect of staff loans	122	-	-	-	-	**122**
	122	**218,792**	**184**		**1,416**	**220,514**

25.10 Interest rate sensitivity analysis

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

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

The table below has been determined based on the exposure of financial instruments to interest rates at the reporting date. For variable rate assets, the analysis is prepared assuming the amount of the assets held at the reporting date was outstanding for the whole year. A 1% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment 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
2014		
Interest rate risk		
Change in interest rate	+1%	15,874
	-1%	(15,874)
2013		
Interest rate risk	+1%	19,927
Change in interest rate	-1%	(19,927)

	Date of Valuation	Significant unobservable inputs (level 3)	Significant unobservable inputs (level 3)

26 FAIR VALUE HIERACHY

Assets measured at Fair Value

		2014 P'000	2013 P'000
Assets measured at Fair Value			
Land & Buildings	31/3/2012	236,102	244,179

The fair values of the properties are based on valuations performed by Stocker Fleetwood- Bird, an accredited independent commercial property valuer. Stocker Fleetwood- Bird is a specialist in valuing these types of commercial properties. The valuation model in accordance with that recommended by the International Valuation Standards Committee has been applied.

Valuation techniques used to derive level 3 fair values

The approach adopted in the valuation exercise was a combination of comparison method and construction cost approach.

The comparable method was applied mainly for properties located in areas considered to be fairly active in the property market. Comparable properties considered formed a basis for analyzing achievable sales for the type of property in consideration whilst value influencing factors such as nature of improvements were analyzed to derive the rates utilized in the insurance value. The adopted values were what was considered to be a readily achievable values on the basis of not just the existing use but also on the basis of the best use for the property at that time.

The construction cost approach was applied for properties located in areas considered to be fairly in active in the property market and where undeveloped land and was easily available for sale and the character of occupation in developed properties was heavily owner occupied as opposed to income/investment based. In these instances, depreciated replacement cost was combined with what an undeveloped piece of land in the neighbourhood would normally exchange hand at to arrive at the open market value.

27 CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure continuity as a going concern for the Company while at the same time maximising the shareholders' return through the optimisation of the debt and equity balances. The Company has access to financing facilities, the total unused portion amounting to P110 million (2013: 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. This will be achieved through the increased use of bank loan facilities and utilisation of government grants. The capital structure of the Company consists of trade and other payables (note 18), Share capital, reserves and retained earnings.

	2014 P'000	2013 P'000
Debt		
Interest rate risk		
Trade and other payables	233,692	218,792
Preference shares liability portion	1,808	1,600
Total debt	235,500	220,392
Equity		
Stated Capital	228,892	228,892
Revaluation reserve	174,267	185,701
Accumulated profits	1,184,275	1,578,151
Total equity	1,587,434	1,992,744
Total capital	1,822,933	2,213,136
Gearing ratio	15%	11%

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

28 SEGMENT REPORTING

Prior to 2013, the executive management committee monitored the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. However, in November 2013, BTCL introduced Fixed Mobile Convergence (FMC) strategy in other 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.

29 EVENTS AFTER THE REPORTING PERIOD

1.Offer for subscription and Government support
BTCL intends to raise up to P250m through an offer for subscription to finance its operations. The Government of Botswana has approved the offer for subscription. Furthermore, the Government of Botswana has confirmed that should the IPO or the offer for subscription be unsuccessful, that they will ensure that BTCL is or will be put in a position to meet its financial obligations as they fall due and that BTCL will duly perform and comply with all its financial obligations in the year 2016 going forward. The Government has issued the letter of support of up to P250 million.

2.Possession, Occupation and Use agreement
BTCL and BOFINET entered into a possession, occupation and use agreement (signed 4th March 2015) in relation to movable and immovable property. Immovable property comprises of 195 sites. BTCL and BOFINET have already agreed, as part of the process of implementation of the separation exercise and in accordance with the terms of the Presidential Directive, that BOFINET should take possession and occupation of the sites pending the legal transfer process. This agreement will be valid until the legal transfer process has been completed. The assets are deemed to have transferred at 1st January 2014.

3.Dividend in Specie
The presidential directive cab 21/2012 approved the transfer of some telecommunications infrastructure which includes all fibre and duct networks and related inventories, cash funding of P121m and the management of both East Africa Sea Cable (EASSY) and West Africa Cable System (WACS) to Botswana Fibre Networks (PTY), LTD (BOFINET), a wholly owned Government company. The assets were transferred at Netbook Value. The Government of Botswana has confirmed that it will settle the value of the assets disposed and funding to BOFINET by a set-off against future dividends due to it from BTCL. BTCL has declared a dividend of P405 449 080.00 to be set off against value of assets disposed and funding to BOFINET.

4.Preference Shares Redemption
BTCL board has approved the redemption of its 2 301 000 8% redeemable cumulative preference shares of P1 par value held by the Government of Botswana.

5.Listing Disclosures
BTCL is in the process of being listed in the Botswana Stock exchange. The Initial Public offer (IPO) is to be launched in the financial year 2015/16. The government and the company will be offering a total of 49% of the company shares, of which 44% will be available for purchase by citizens and citizens companies. The remaining 5% will be offered to BTCL citizen employees through an Employee Share Scheme (ESP).

6.Indefeasible rights of use (IRU)
BTCL has entered into a ten year indefeasible right of use agreement with effect from 01_April 2014 to acquire capacity from Botswana Fibre Networks (BOFINET) relating to the assets transferred to BOFINET.

BOTSWANA TELECOMMUNICATIONS CORPORATION LIMITED

NOTES