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# INDEPENDENT AUDITOR'S REPORT
# TO THE SHAREHOLDERS OF BOTSWANA TELECOMMUNICATIONS CORPORATION LIMITED

## REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS

### Opinion

We have audited the annual financial statements of Botswana Telecommunications Corporation Limited (the Company) set out on pages 12 to 80, which comprise the statement of financial position as at 31 March 2024, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the annual financial statements, including material accounting policy information.

In our opinion, the annual financial statements give a true and fair view of the financial position of Botswana Telecommunications Corporation Limited as at 31 March 2024 and its financial performance and cash flows for the year then ended in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board (IASB).

### Basis for Opinion

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual financial statements of the current period. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, and we do not provide an opinion on these matters.

<table>
<tr><th>Key Audit Matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><td>Revenue recognition</td><td></td></tr>
<tr><td>
The Company's revenue streams are characterised by small transactions and high data volumes. The billing processes are automated, and dependent on IT systems.
Due to the complexity involved and materiality of the revenue balance, revenue recognition has been identified as a key audit matter which is subject to significant audit effort.
Revenue recognition with respect to fixed voice, data and mobile revenue streams is complex because of the following:
<ul>
<li>During the current year and prior years, management processed manual revenue adjustments/reversals due to errors in billings previously made. Since these revenue adjustments/reversals are material, this poses a risk in relation to revenue recognition. Management assessed that, because these billing errors will take time to clean up and close process gaps, the Corporation developed an estimate of the future revenue adjustments/reversals to be processed relating to revenues already billed as at year end and build these into the revenue recognition process. Significant judgement is made in the processes of determination of future revenue adjustments affecting current year and prior years.</li>
<li>The deferral of prepaid revenue which is dependent on various automated systems and manual processes around unused airtime on scratch cards sold to the dealers.</li>
<li>The billing system does not have an end-to-end interface functionality with the general ledger system resulting in manual upload of data using a preformatted csv file.</li>
<li>The potential impact of small errors is significant due to the possibility of automated replication through the large volumes of transactions.</li>
</ul>
</td><td>
To address this risk, we performed various procedures, including the following:
<ul>
<li>Evaluated the design and implementation and operating effectiveness of relevant controls around revenue recognition, focusing on the process used in the determination of deferred revenue for unused airtime, determination of provision for revenue adjustments and processing of manual revenue journals.</li>
<li>Discussed with management and evaluated the reasons for the revenue adjustments processed in the current year and prior years.</li>
<li>Discussed with the Revenue Assurance Team and obtained an understanding of the controls in place to ensure the completeness, accuracy, and occurrence of the recorded revenue.</li>
<li>Involved IT and Data Analytics specialists to test controls in the overall IT environment around the billing systems.</li>
<li>Tested the design and implementation of certain automated controls with respect to routing of billing data and calculation of invoices.</li>
</ul>
In addition, we performed the following substantive procedures:
<ul>
<li>Performed detailed testing by selecting samples of the revenue adjustments processed in the current year and tracing them to supporting documentation to analyse and evaluate their validity, nature, cause and to assess historical trends.</li>
<li>Performed tests of detail on the revenue adjustments made after year end and evaluated their impact on the current financial year and evaluated whether their effect on the current year was accurately adjusted for.</li>
</ul>
</td></tr>
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| Key Audit Matter | How the matter was addressed in the audit |
|---|---|
| Revenue recognition (continued) | |
| • Revenue is a significant balance on the annual financial statements and is a key performance indicator.<br><br>Related disclosures in the annual financial statements:<br><br>• Revenue recognition and presentation section of the significant accounting judgements and estimates.<br><br>• Revenue Recognition accounting policy.<br><br>• Note 1 – Revenue from contracts with customers.<br><br>• Note 15 – Trade and other receivables – Provision for credit notes/revenue reversals. | • Performed analytical procedures and independently determined the estimate of the future revenue reversals affecting the current and prior financial years using the historical information.<br><br>• Performed a retrospective review of the prior year revenue adjustments provision and evaluated its adequacy.<br><br>• Challenged management's assumptions made in the estimation of the revenue adjustments provision.<br><br>• Performed test calls and compared these to the billing parameters to verify accuracy.<br><br>• Tested reconciliations between the billing system reports and the general ledger.<br><br>• Reviewed the revenue related journals processed and assess them for validity and accuracy.<br><br>• Tested the reasonableness of assumptions and judgements used by management in the determination of unused airtime on scratch cards.<br><br>• Tested the billing system parameters to assess that network activity was appropriately recorded in the correct period.<br><br>• Tested the completeness and accuracy of the data used in the determination of deferred revenue.<br><br>• Reviewed and considered the adequacy of the disclosures on the assumptions and judgements applied in relation to revenue recognition.<br><br>In conclusion, we considered the amount recorded as revenue and the related annual financial statements disclosures to be appropriate. |

| Key Audit Matter | How the matter was addressed in the audit |
|---|---|
| **Impairment of property, plant and equipment and intangible assets** | |
| Significant judgements are involved in the assessment and determination of impairment of the non-financial assets of the Company.<br><br>The Company's shares trade at a discount to their book value. The market capitalisation was below the net asset value throughout the financial year. This, together with a current depressed economy are indicators of possible impairment of the entity's non-financial assets.<br><br>IAS 36: Impairment of Assets (IAS 36) requires that an entity's assets should not be carried at a value more than their recoverable amount and therefore requires an assessment at the end of each reporting period if there are any indicators that non-financial assets may be impaired.<br><br>The Directors carried out an impairment assessment and used the Discounted Cash Flows Model (DCF) to determine the recoverable amount of the assets. The value in use amount calculated using the DCF is particularly sensitive to changes in future cash flow assumptions, future growth rates, terminal growth rates and the Weighted Average Cost of Capital (WACC) discount rate.<br><br>Property plant and equipment and intangible assets consist mainly of network equipment together with the related software infrastructure. The network equipment within the Company does not generate cash inflows that are independent of those from other assets. This resulted in property plant and equipment and intangible assets being assessed for impairment as part of the company cash generating unit. The recoverability of property plant and equipment and intangible assets is largely dependent on macro-economic factors, which include cash flows to be generated through the network assets, as well as internal assumptions and estimates related to income generation and operating costs. The impairment test included assessing the recoverable amount of property, plant and equipment and intangible assets, with reference to all cash flows and comparing this to the carrying amount of the property, plant and equipment and intangible assets. | In evaluating the impairment assessment of property, plant and equipment and intangible assets, we reviewed the accuracy of the value in use calculations and reasonableness of inputs used by management. We performed various procedures, including the following:<br><br>• Discussed with management and obtained their understanding and justification of the financial and non-financial reasons why the Company's market value is significantly discounted compared to the book value.<br><br>• Tested the design and implementation of management's controls around the impairment assessment process.<br><br>In addition, we performed the following substantive procedures:<br><br>• We tested the mathematical accuracy of the value in use model used by management.<br><br>• Through involvement of our internal valuation specialists, assessed the appropriateness of the valuation model applied by management, and assumptions adopted for reasonableness with reference to market practice and the requirements of IAS 36.<br><br>• Obtained and reviewed for reasonableness, the quantitative and qualitative factors included in the reconciliation of the market value to the book value.<br><br>• Performed recalculations and tested the underlying data used in the assessment for accuracy and completeness.<br><br>• Reviewed and compared the projected cash flows against the historical performance to test the reasonableness of management's projections. |

| Key Audit Matter | How the matter was addressed in the audit |
| --- | --- |
| **Impairment of property, plant and equipment and intangible assets (continued)** | |
| Due to the materiality of the non-financial assets' account balances, the complexity of the cash flow forecasts, significant judgements and estimation uncertainty involved in the determination of the value in use and impairment assessment, this is considered a key audit matter.<br><br>Related disclosures in the annual financial statements:<br><br>• Impairment of non-financial assets section of the significant accounting judgements and estimates.<br><br>• Note 10 – Property, plant, and equipment.<br><br>• Note 11 - Intangible assets.<br><br>• Note 12 – Asset impairment. | • Using valuation specialist, we independently calculated a WACC discount rate using our independently sourced data. This was compared to the discount rate used by management. We found the discount rate used by management to be within an acceptable range of our independent calculations.<br><br>• Tested the reasonableness of the key inputs used in the computations which included the future growth rates, and Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) and took into consideration the impact of current macroeconomic factors on future projections.<br><br>• Compared the revenue growth rates and EBITDA margins used to calculate the cash flow forecasts to the latest board approved budgets, both of which cover a period of five years. We further benchmarked the revenue growth rate assumptions to industry data and historical trends to assess comparability.<br><br>• Evaluated whether the assumptions used, such as working capital and capital expenditure, had been determined and applied consistently. We evaluated the appropriateness of capital expenditure by comparing to the approved budget and historical trends of maintenance capital expenditure.<br><br>• Compared the terminal growth rates to forecast industry trends and to past growth rate trends.<br><br>• Reviewed and assessed the impact of contradictory evidence as well as subsequent events which may have an impact on the recorded amounts.<br><br>• Performed sensitivity analysis of the headroom using key inputs (discount rates, future growth rates and volatility in future cash flows).<br><br>• Evaluated the computations and disclosures in the annual financial statements for compliance with IAS 36.<br><br>In conclusion, the inputs used in the calculation of the value in use were appropriate. We considered the valuation of property, plant and equipment and intangible assets impairment disclosures to be appropriate. |

## Other Information

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

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

In connection with our audit of the annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Directors for the Annual Financial Statements

The directors are responsible for the preparation and fair presentation of the annual financial statements in accordance with IFRS Accounting Standards as issued by the IASB, and for such internal control as the directors determine is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

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

The directors are responsible for overseeing the Company's financial reporting process.

## Auditor's Responsibilities for the Audit of the Annual Financial Statements

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

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

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

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE SHAREHOLDERS OF BOTSWANA TELECOMMUNICATIONS CORPORATION LIMITED

Auditor's Responsibilities for the Audit of the Annual Financial Statements (continued)

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

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

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

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

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

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

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

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Firm of Certified Auditors
Practicing Member: Cecilia Veeta Ramatlapeng (CAP 008 2024)

28 June 2024
Gaborone