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

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Botswana Telecommunications Corporation Limited (the Company) and subsidiaries (the Group) set out on pages 13 to 94, which comprise the consolidated and separate statements of financial position as at 31 March 2021, and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of Botswana Telecommunications Corporation Limited as at 31 March 2021 and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards.

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 Consolidated and Separate Financial Statements* section of our report. We are independent of the Group and 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 consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the matter was addressed in the audit
Revenue recognition (Group and Company)	
The Group and Company's revenue streams are characterised by small transactions and high data volumes. The billing processes are highly automated, complex in nature and significantly dependent on complex IT systems. The completeness, accuracy and occurrence of revenue recognised in the financial statements is an inherent industry risk. Due to the complexity involved and materiality of the revenue balance, revenue recognition risk 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: • During the current year and prior years, management processed revenue adjustments due to errors in billings previously made. Due to fact that these revenue adjustments are material, this poses an inherent risk in relation to revenue recognition. Management assessed that, because these billing errors, will take time to clean up and close, the Group and Company developed an estimate of the revenue adjustments to be made and built these it into the revenue recognition process. Significant judgement is made in the processes of determination of future revenue adjustments affecting current year and prior years; • The billing system is complex and processes a large amount of data which creates an inherent risk; • The revenue recognition criteria require management's judgement in the allocation of revenue to the various revenue streams; • The potential impact of small errors is significant due to the possibility of automated replication through the large volumes of transactions; • The deferral of prepaid revenue which is dependent on various automated and complex systems and processes; and • Revenue is a significant balance on the financial statements and is a key performance indicator.	To address this risk, we performed various procedures, including the following: • Evaluated the design and implementation of relevant controls around revenue. • Discussed with management and evaluated the reasons for the revenue adjustments processed in the current year and prior years. • 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. • Involved IT specialists who tested controls in the overall IT environment around the billing systems. • Evaluated the design and implementation of relevant controls around revenue, including the process of updating and application of new tariffs and the master file change controls in the billing process. Tested the design and implementation of certain automated controls with respect to routing of billing data and calculation of invoices. In addition, we performed the following substantive procedures: • Performed detailed testing of the revenue adjustments processed in the current year and prior year and evaluated the validity completeness and accuracy of the adjustments. • Performed tests of detail and substantive analytical procedures to independently determine the estimate of the future revenue reversals affecting the current financial year and prior years incorporated in the revenue recognised and evaluated the validity, completeness, and accuracy of the adjustments. • Performed tests of the revenue adjustments made after year end evaluated their impact on the current financial year and evaluated whether their effect on the current year was accurately adjusted for. • Performed test calls and compared these to the billing parameters to verify accuracy. • Reviewed revenue contracts with customers and evaluated the accounting treatment. • Tested key reconciliations between the billing system reports and the general ledger used by management to evaluate the completeness and accuracy of recorded revenue.

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Key Audit Matter	How the matter was addressed in the audit
Revenue recognition (Group and Company) (continued)	
Related disclosures in the financial statements: • Revenue recognition and presentation section of the significant accounting judgements and estimates. • Revenue Recognition accounting policy. • Note 1 – Revenue from contracts with customers.	• Reviewed the revenue related journals processed and assessed them for validity and accuracy. • Tested the accuracy of the calculation and allocation of revenue to separate elements in bundled transactions under contracts with customers in accordance with IFRS 15: *Revenue from contracts with customers* • Tested the billing system parameters to assess that network activity was appropriately recorded in the correct period. • Through assistance from our Data Analytics specialists, independently re-computed selected revenue lines using data analytical methods. • Reviewed and considered the adequacy of the disclosures on the assumptions and judgements applied in relation to revenue recognition. In conclusion, we considered the amount recorded as revenue and the related financial statements disclosures to be appropriate.

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Key Audit Matter	How the matter was addressed in the audit
Impairment of property, plant and equipment and intangible assets (Group and Company)	

Significant judgements are involved in the assessment and determination of impairment of the non-financial assets of the Group and Company.

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 because of the COVID-19 pandemic, are indicators of possible impairment of the entity's non-financial 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.

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 and the Weighted Average Cost of Capital (WACC) discount rate.

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 has been considered to be a key audit matter.

Related disclosures in the financial statements:

- Impairment of non-financial assets section of the significant accounting judgements and estimates.
- Note 10 – Property, plant, and equipment.
- Note 11 - Intangible assets.
- Note 12 – Asset impairment.

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:

- 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.
- Tested the design and implementation of management's controls around the impairment assessment process.

In addition, we performed the following substantive procedures:

- Obtained and reviewed for reasonableness, the quantitative and qualitative factors included in the reconciliation of the market value to the book value.
- Performed recalculations and tested the underlying data used in the assessment for accuracy and completeness.
- Through involvement of our internal valuation specialists, reviewed management's methodology used and the assumptions adopted for reasonableness.
- Reviewed and compared the projected cash flows against the historical performance to test the reasonableness of management's projections.
- Tested the reasonableness of the key inputs used in the computations which included the future growth rates, the discount rates, and gross profit margins and ratios used and took into consideration the impact of COVID-19 on future projections.
- Reviewed and assessed the impact of contradictory evidence as well as subsequent events which may have an impact on the recorded amounts.
- Performed sensitivity analysis of the headroom using key inputs (discount rates, future growth rates and volatility in future cash flows).
- Evaluated the computations and disclosures in the financial statements for compliance with IAS 36.

In conclusion, the inputs used in the calculation of the value in use were appropriate. We considered the property, plant and equipment and intangible assets impairment disclosures to be appropriate.

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Key Audit Matter	How the matter was addressed in the audit
Valuation of expected credit losses on trade and other receivables (Group and Company)	
The Group has significant trade and other receivables, including contract assets. Specific areas of risk include: • The determination of trade receivables expected credit losses is inherently judgmental and relies on management's assumptions and best estimate of a variety of inputs. • Management has been experiencing challenges in relation to the accuracy and integrity of data used as well as the effect of revenue adjustments due to billing errors; and • The measures to combat COVID-19 are expected to impact the economy adversely going forward which will impact the forward-looking information. Due to the complexity in developing the model, the level of estimation uncertainty and the materiality of the balance, this has been considered to be a key audit matter. Related disclosures in the financial statements: • Provision for expected credit losses of trade receivables and contract assets section of the significant accounting judgements and estimates. • Trade and other receivables accounting policy. • Note 15 – Trade and other receivables	We performed various procedures, including the following: • Evaluated the design and implementation of credit origination processes and controls, specifically focusing on client portfolios identified as carrying increased risk. Assessed the quality of the data used in credit management and modelling for completeness and accuracy through data analytics and appropriate substantive procedures. • Assessed the appropriateness of revisions to the impairment model. • Reviewed controls in respect of model governance in addition to substantive tests. • Tested the accuracy of inputs such as probability of default and loss given default ratios used based on historical experiences of the entity. • Developed an independent point estimate using data from collections and compared this against management's model. • Reviewed and assessed the impact of contradictory evidence as well as subsequent events which have an impact on the recorded amounts. • Tested the reasonableness of the assumptions around the forward-looking information used taking into consideration the adverse impact of COVID-19 on economic performance. • Evaluated the adequacy and appropriateness of the financial statements' disclosures relating to the impairment of trade and other receivables. In conclusion, we considered the judgements applied on the valuation of expected credit losses on trade receivables, the application of the standard thereof and related financial statements disclosures to be appropriate.

Emphasis of matter

We draw attention to the matter below. Our opinion is not modified in respect of this matter.

Note 24 to the consolidated and separate financial statements indicates that the previous financial statements for the year ended 31 March 2020, have been restated.

Other Matter

The consolidated and separate financial statements for the Group and Company for the year ended 31 March 2020 were audited by another auditor who expressed an unmodified opinion on those statements.

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Other Information

The directors are responsible for the other information. The other information comprises the Board Approval of the Consolidated and Separate 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 consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate 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 consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate 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 Consolidated and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's and 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 Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

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

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

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Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements (continued)

- 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 Group's and 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 consolidated and separate 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 Group and / or the Company to cease to continue as a going concern.

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

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

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 consolidated and separate 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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Certified Auditors
Practicing Member: Cecilia Ramatlapeng (CAP 008 2021)

Gaborone
30 July 2021