



BOTSWANA TELECOMMUNICATIONS CORPORATION LIMITED

ABRIDGED UNAUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019



BOTSWANA TELECOMMUNICATIONS CORPORATION LIMITED

ABRIDGED UNAUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

2019 Performance

Revenue P1.46 billion	Profit for the Year P162 million	Dividend Declared 5.73 thebe per share
Total Assets P2.58 billion	EBITDA Margin 24%	ROCE 16%

Our Business

Botswana Telecommunications Corporation Limited ("BTC") is a converged telecommunications operator offering fixed (voice and data), mobile (voice and data) and broadband services to consumers, enterprises and other licensed service providers.

Review of Results

The Financial Statements of the Company for the year ended 31 March 2019 were authorised for issue by the Board of Directors on 21 June 2019.

Performance Overview

The Company recorded a profit after tax of P162m for the financial year ended 31 March 2019, a decline of 25% compared to P217m recorded in the previous year. This is mainly attributable to an 8% decline in total revenue to P1,466m (FY18:P1,588m), and a 28% increase in depreciation to P199m (FY18:P156m) due to an increase in investment on mobile and fixed networks. Operating costs were under control and declined by 4% to P693m (FY18:P723m). This resulted in a 5% decline in earnings before interest, taxation, depreciation and amortisation (EBITDA) to P349m (FY18:P368m).

The overall decline in revenue is mainly attributable to unfavourable trading conditions which saw restrained consumer spend, resulting in a 12% decline on the mobile business despite the introduction of new products and services in the market and other initiatives to promote uptake. Other revenue lines such as, fixed voice remained relatively flat whilst fixed broadband declined marginally.

The telecommunications sector in general registered suppressed revenues for the period due to the reduced spending power of consumers. In line with global trends, consumers continued to switch to newer and cheaper alternative products with lower margins i.e. shift from voice to data centric services thus increasing pressure on margins.

Recovery from the challenges experienced during the year was further exacerbated by mobile customer migration into the new converged billing system which took longer than expected.

On a positive note, the Company made efforts to contain overall costs. Major cost savings were realised in installation, staff, network and transmission costs and efficiencies in inventory management.

Transformation efforts to position the Company for sustainable growth through significant investments in network technology, modernisation of IT Enterprise systems, roll out of relevant and impactful products and instilling a high-performance culture which started in the previous year continued into the year under review.

As a result of the expansion of our 4G (LTE) network during the year, BTC has the widest 4G coverage with more than 400 sites covering economically viable parts of Botswana delivering mobile data speeds of up to 75Mbps. The Company saw an increase in smartphone penetration on the network as customers continue to switch from feature and basic phones to our affordable 4G enabled devices in line with our mobile device strategy. The overall mobile subscriber base increased by 6%.

The FTTx expansion of an additional 87 sites has enabled the Company's capability to offer higher speed fixed data products such as the improved home internet (now at 4.20 & 50Mbps) and the Netconnect product suite for key market segments. We have started to realise some of the anticipated returns as our fixed broadband subscriber base increased by 7% and we expect the positive trend to continue.

As part of our digitalisation program, BTC commercially launched its Data Centre and improved VSAT services and has already experienced increased uptake of these services. The new VSAT service offer improved geographical reach (where terrestrial technologies are not available) and is capable of delivering high speed and affordable internet connectivity of up to 50Mbps anywhere in Botswana. These services have improved service quality and customer experience and BTC has seen an increase in customer retention.

As competition intensifies, the Company continues to launch new and improved products in line with demands for the various customer segments. During the year

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019	2019 P '000	2018 P '000
Revenue from contracts with customers	1 448 223	1 566 908
Interest income	17 606	21 131
Revenue	1 465 829	1 588 039
Cost of services and goods sold	(576 353)	(600 895)
Gross Profit	889 476	987 144
Other income	29 903	30 908
Selling and distribution costs	(37 332)	(41 096)
Administrative expenses	(422 900)	(439 728)
Other expenses	(262 436)	(273 313)
Profit before tax	196 711	263 915
Income tax expense	(34 652)	(46 564)
Profit for the year	162 059	217 351
Other comprehensive income not to be reclassified to profit/loss in subsequent periods		
Gains on property revaluation	-	66 363
Income tax effect	-	(14 600)
Other comprehensive income for the year, net of tax	-	51 763
Total comprehensive income for the year	162 059	269 114
EBITDA	348 568	367 974
Basic and diluted earnings per share (thebe):	15,43	20,70

STATEMENT OF FINANCIAL POSITION

As at 31 March 2019	2019 P '000	2018 P '000
ASSETS		
Non-current assets		
Property, plant and equipment	1 590 979	1 418 095
Intangible asset	153 715	70 236
Deferred tax assets	27 503	51 634
	1 772 197	1 539 965
Current assets		
Inventories	54 593	48 398
Trade and other receivables	409 280	394 431
Contract assets	21 940	-
Income tax receivable	12 013	-
Cash and cash equivalents	305 456	450 074
	803 282	892 903
TOTAL ASSETS	2 575 479	2 432 868
EQUITY AND LIABILITIES		
Capital and Reserves		
Stated Capital	478 892	478 892
Revaluation reserve	345 629	360 056
Accumulated profits	1 256 997	1 223 715
	2 081 518	2 062 663
Non - Current Liabilities		
Development grants	58 368	79 626
Employee related provisions	36 951	34 273
	95 319	113 899
Current Liabilities		
Trade and other payables	321 502	198 401
Contract liabilities	20 030	-
Income tax payable	-	3 072
Current portion of development grants	29 657	29 452
Current portion of employee related provisions	27 453	25 381
	398 642	256 306
TOTAL EQUITY AND LIABILITIES	2 575 479	2 432 868

Performance Overview (continued)

we launched Live Social, revamped Turnup Bundles, Live Freely, Video bundles & other mobile and fixed data products. The Company has focused on its customer service strategy during the year under review and implemented a customer service programme to improve turn-around times for installations and repairs thus enhancing customer experience.

As part of our cultural transformation programme, BTC continued to make strides in building a strong and capable leadership supported by a robust leadership succession plan. A new organisational Structure was approved by the Board and rolled out during the year. Furthermore, the Company rolled out behavioural change programmes to improve work culture and productivity levels.

Outlook

The focus for the 2019/2020 financial year is to monetise/commercialise the significant investments made in networks (mobile and fixed) and IT infrastructure to position the company to deliver unparalleled customer experience to the consumer and to position the company for sustainable growth.

The completion of the Fixed and Mobile Broadband Network (FBB & MBB) has positioned BTC as the best and widest data network in the country, which enables us to offer higher speed internet through mobile and fixed broadband. We will continue to launch

STATEMENT OF CASHFLOWS

For the year ended 31 March 2019	2019 P '000	2018 P '000
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating profit before working capital changes	370 097	483 164
Working capital adjustments:		
Increase/(Decrease) in inventories	(6 196)	29 061
Increase in trade and other receivables and prepayments	(63 318)	(122 416)
Increase/(Decrease) in trade and other payables	143 131	(16 914)
Cash generated from operations	443 714	372 895
Ordinary dividend paid to shareholders	(127 884)	(144 539)
Net Income tax paid	(23 348)	(15 100)
Net cash from operating activities	292 482	213 256
CASH FLOWS USED IN INVESTING ACTIVITIES		
Investment to expand operations:		
Purchase of property, plant and equipment	(349 342)	(277 450)
Purchase of intangible assets	(106 478)	(22 343)
Proceeds from disposal of property plant and equipment	335	2 061
Interest income received	17 606	19 629
Net cash used in investing activities	(437 879)	(278 103)
CASH FLOWS FROM FINANCING ACTIVITIES		
Grants received	2 865	-
Net cash from financing activities	2 865	-
Decrease in cash and cash equivalents	(142 532)	(64 847)
Net foreign exchange difference on cash and cash equivalents	(2 086)	(1 628)
Cash and Cash equivalent at beginning of the year	450 074	516 549
Cash and Cash equivalent at the end of the year	305 456	450 074

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019	Stated Share Capital	Revaluation Reserve	Accumulated Profits	Total
Balance at 1 April 2017	478 892	322 720	1 147 547	1 949 159
Profit for the year	-	-	217 351	217 351
Other comprehensive income	-	51 763	-	51 763
Total Comprehensive Income	-	51 763	217 351	269 114
Ordinary dividend declared	-	-	(155 610)	(155 610)
Depreciation transfer for land and buildings	-	(14 427)	14 427	-
Balance at 31 March 2018	478 892	360 056	1 223 715	2 062 663
IFRS 15 adoption adjustment	-	-	(727)	(727)
IFRS 9 adoption adjustment	-	-	(3 562)	(3 562)
Balance at 31 March 2018(restated)	478 892	360 056	1 219 426	2 058 374
Profit for the year	-	-	162 059	162 059
Total /Other Comprehensive Income	-	-	162 059	162 059
Ordinary dividend declared	-	-	(138 915)	(138 915)
Depreciation transfer for land and buildings	-	(14 427)	14 427	-
Balance at 31 March 2019	478 892	345 629	1 256 997	2 081 518

more innovative offerings that will capitalise on our high-speed internet and grow data usage. We will also continue to expand the value proposition that we offer to all our key market segments.

We expect to see an increase in the volume of transactions from the newly launched digital channels of Mobile Financial Services (SMEGA) and the BTC Mobile Application which offer more convenience to the customer.

To improve profitability margins, the Company will focus more on driving efficiencies in the areas of transmission, billing systems convergence, and consolidation of system support contracts. As part of the digital transformation, we intend to automate most of our processes to give customers a seamless digital experience through easier access and usage of our communication technologies.

We believe that given the investments that have been made, BTC is now better positioned to deliver value to its stakeholders in the future.

Presentation of Annual Financial Statements

The annual financial statements are presented in Botswana Pula (BWP) which is the Company's functional currency.

Basis of Preparation and Accounting Policies

The financial statements have been prepared on a historical cost basis, except as modified by the measurement of certain financial instruments at fair value and the revaluation of certain assets, and on the going concern basis. 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 and in the manner required by the Companies Act (CAP 42:01)

Dividend Declaration

The BTC Board has approved a final dividend of 5.73 thebe per share. This follows an interim dividend of 3.53 thebe per share which the Company declared and paid for in the interim results taking the total annual dividend in respect of the financial year to 9.26 thebe per share. The dividend is payable to all shareholders registered in the books of the Company at close of business on 30 July 2019. The ex-dividend date will be 26 July 2019. The dividend will be paid net of applicable withholding taxes under the Botswana's Income Tax Act on or before 9 August 2019.

By Order of The Board

Lorato Boakgomo-Ntakhwana

Chairperson

Anthony Masunga

Managing Director

Board of Directors

Lorato Boakgomo-Ntakhwana (Chairperson), Anthony Masunga (Managing Director), Serty Leburu, Maclean Letshwiti, Andrew Johnson*, Ranjith Priyalal De Silva**, Choice Pitso, Thari Pheko and Bafana Molomo.

*South African **Sri Lankan

Company Secretary

Sidney Mganga

Company Registration Number

C02012/12936

Transfer Secretaries

PriceWaterhouseCoopers(Pty) Limited,

Plot 50371, Fairgrounds Office Park

P.O. Box 294, Gaborone, Botswana

Auditor

Ernst & Young

Plot 22, Khama Crescent

P.O. Box 41015, Gaborone, Botswana

Registered Office

Megaleng House

Plot 50350, Khama Crescent

P.O. Box 700, Gaborone, Botswana