

**btc****BOTSWANA TELECOMMUNICATIONS CORPORATION LIMITED****UNAUDITED INTERIM FINANCIAL STATEMENTS**

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

Revenue

**P704 million**

Profit for the Period

**P86 million**

Interim Dividend Declared

**3.53 thebe per share**

Total Assets

**P2.4 billion**

Total Costs

**P618 million**

Profit Margin

**12%**

ROCE

**9%****COMMENTARY****OUR BUSINESS**

Botswana Telecommunications Corporation Limited ("BTC") is a Botswana Stock Exchange listed telecommunication solutions provider offering fixed voice, fixed broadband and mobile products and services to consumers, enterprises and other internet service providers.

**REVIEW OF RESULTS**

The Interim Financial Statements of the Company for the six months period ended 30 September 2018 were authorised for issue by the Board of Directors on the 14th December 2018.

**Performance Overview**

The Company recorded a profit for the period of P86m, a 12% decline from the P98m recorded in the same period last year. Total revenue declined by 11% to P704m from P794m in the prior period, and total costs declined by 11% to P619m from P697m in 2017, led by a 19% decline in administration expenses.

The overall decline in revenue is mainly attributable to the challenges experienced in the mobile business. During the first quarter of the year (between April and June 2018), we experienced some teething problems relating to the migration of mobile customer accounts to the new converged billing system. The problems encountered included compromised product performance, which led to compromised customer experience and partner (i.e. distribution channel) confidence. The Company also experienced delays in billing and launching new products. The above negatively impacted mobile revenues for the period. However, the challenges have since been resolved and we have been able to launch new innovative products and services such as Live Social and My Connek bundles and we are now seeing an increased uptake of mobile data services.

For the period under review, we also saw a switch in usage from voice and SMS to more data-centric usage in line with market trends. The mobile data usage increased by more than 100% from the same period last year, albeit from a low base and on lower margins compared to voice.

Fixed voice remains a significant revenue contributor, though marginally down for the period. Fixed broadband remained flat compared to prior period. However, we are seeing broadband growth in the residential segment in line with our strategy. Revenue and subscriber base increased by 12% and 13% respectively. Competition continued to intensify, especially in the broadband space, putting downward pressure on margins.

To cater for the increased demand for data services, we will continue to make investments in enhancing the mobile and fixed broadband capabilities. We will expand the 4G & FTTx networks to reach over 400 and 114 sites respectively by the end of the financial year. These investments have already begun to bear fruit as our fixed and mobile broadband subscriber base increased by 13% and 9% respectively. The Company also saw an increase in the smartphone penetration on the network as customers continue to switch from feature phone and basic phones to our affordable 4G enabled devices in line with our mobile data strategy. The overall mobile subscriber base increased by 4%.

We also completed the organisational structure alignment exercise with the overall objective of building a customer centric and high-performance organisation.

**Outlook**

We are optimistic about the second half of the year and beyond. We remain focused on our two-pronged strategy of Growth and Transformation, with a more concerted effort in improving customer experience by diversifying our product portfolio and value propositions to retain and acquire new customers.

The continued roll out of the Fixed and Mobile Broadband Network will enable us to offer higher speed internet and strengthen our position as the widest and fastest 4G network operator. To further grow our data, we will be introducing more innovative broadband packages. We will also be launching our improved mobile money services.

We have made significant investments in improving the reach and capabilities of our VSAT services. The soon to be launched enhanced VSAT services will mostly benefit sectors operating outside major cities such as the Tourism and Agricultural sectors. To improve margins, the Company will focus on driving efficiencies in the areas of transmission costs, billing system convergence, and consolidation of system support contracts.

**Presentation of Interim Financial Statements**

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

**Basis of Preparation and Accounting Policies**

The interim 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 interim financial statement has been prepared in compliance with the International Accounting standard IAS 34.

The accounting policies are consistent with those of the most recent annual financial statements except for:

- Implementation of international financial reporting standards - Revenue from contracts with customers (IFRS 15). The company has adopted a modified retrospective basis requiring an adjustment to equity on the date of adoption.

**Interim Dividend Declaration**

The Board has approved a dividend of 3.53 thebe per share, payable to all shareholders registered in the books of the company at close of business on 11 January 2019. The dividend will be paid net of applicable withholding taxes under the Botswana's Income Tax Act on or before 21 February 2019.

BY ORDER OF THE BOARD

**Lorato Boakgomo-Ntakhwana**  
Chairperson

**Anthony Masunga**  
Managing Director

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

for the six months ended 30 September 2018

	Unaudited September 2018 P'000	Unaudited September 2017 P'000	Audited March 2018 P'000
Sale of goods and services	693,697	784,310	1,566,908
Interest income	10,694	10,670	21,131
<b>Revenue</b>	<b>704,391</b>	<b>794,980</b>	<b>1,588,039</b>
Cost of services and goods sold	(266,578)	(271,365)	(600,895)
<b>Gross profit</b>	<b>437,813</b>	<b>523,615</b>	<b>987,144</b>
Other income	19,914	14,033	30,908
Selling and distribution costs	(15,480)	(18,970)	(41,096)
Administrative expenses	(209,218)	(258,739)	(439,728)
Other expenses	(125,982)	(149,371)	(273,313)
<b>Profit before tax</b>	<b>107,047</b>	<b>110,568</b>	<b>263,915</b>
Income tax expense	(21,455)	(12,601)	(46,564)
<b>Profit for the period</b>	<b>85,592</b>	<b>97,967</b>	<b>217,351</b>
<b>Other comprehensive not to be reclassified to profit/loss in subsequent periods</b>			
Gains on property revaluation	-	-	66,363
Income tax effect	-	-	(14,600)
<b>Other comprehensive income for the year, net of tax</b>	<b>-</b>	<b>-</b>	<b>51,763</b>
<b>Total comprehensive income for the period</b>	<b>85,592</b>	<b>97,967</b>	<b>269,114</b>
Basic and diluted earnings per share (Thebe):	8.15	9.33	20.70

**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**

CO2012/12936

**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, Khama Crescent, Plot 50350, P O BOX 700, Gaborone, Botswana



# BOTSWANA TELECOMMUNICATIONS CORPORATION LIMITED

## UNAUDITED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

**btc**

### STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

	Unaudited September 2018 P'000	Unaudited September 2017 P'000	Audited March 2018 P'000
<b>ASSETS</b>			
<b>Non current assets</b>			
Property, plant and equipment	1,459,595	1,214,853	1,418,095
Intangible asset	58,838	98,189	70,236
Deferred tax assets	41,927	87,947	51,634
	1,560,360	1,400,989	1,539,965
<b>Current assets</b>			
Inventories	66,087	79,618	48,398
Trade and other receivables	364,839	353,014	394,431
Income tax receivable	9,419	32,000	-
Cash and cash equivalents	371,758	487,578	450,074
	812,103	952,210	892,903
<b>Total assets</b>	2,372,463	2,353,199	2,432,868
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Stated Capital	478,892	478,892	478,892
Revaluation reserve	352,843	322,720	360,056
Accumulated profits	1,211,247	1,129,941	1,223,715
	2,042,982	1,931,553	2,062,663
<b>Non current liabilities</b>			
Development grants	72,673	111,152	79,626
Employee related provisions	35,448	30,957	34,273
	108,121	142,109	113,899
<b>Current liabilities</b>			
Trade and other payables	171,880	240,506	198,401
Income tax payable	-	-	3,072
Current portion of development grants	19,635	14,472	29,452
Current portion of employee related provisions	29,845	24,557	25,381
	221,360	279,535	256,306
<b>Total equity and liabilities</b>	2,372,463	2,353,199	2,432,868

### STATEMENTS OF CHANGES IN EQUITY

for the six months ended 30 September 2018

	Stated Capital P'000	Revaluation Reserve P'000	Accumulated Profits P'000	Total P'000
<b>Balance at 1 April 2017</b>	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
<b>Total Comprehensive Income</b>	-	51,763	217,351	269,114
Ordinary dividend declared	-	-	(155,610)	(155,610)
Depreciation transfer for land and buildings	-	(14,427)	14,427	-
<b>Balance at 31 March 2018</b>	478,892	360,056	1,223,715	2,062,663
Profit for the period	-	-	85,592	85,592
<b>Total Comprehensive Income</b>	-	-	85,592	85,592
Ordinary dividend declared	-	-	(101,850)	(101,850)
IFRS 15 Opening adjustment	-	-	(3,424)	(3,424)
Depreciation transfer for land and buildings	-	(7,214)	7,214	-
<b>Balance at 30 September 2018 (Unaudited)</b>	478,892	352,843	1,211,247	2,042,982

### STATEMENT OF CASH FLOWS

for the six months ended 30 September 2018

	Unaudited September 2018 P'000	Unaudited September 2017 P'000	Audited March 2018 P'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Operating profit before working capital changes	180,058	215,548	483,164
Working capital adjustments:			
(Increase)/Decrease in inventories	(17,690)	(4,899)	29,061
Decrease/(Increase) in trade and other receivables and prepayments	20,236	34,039	(122,416)
Decrease in trade and other payables	(34,163)	(23,768)	(16,914)
Cash generated from operations	148,441	220,920	372,895
Ordinary dividend paid to shareholders	(93,768)	(113,655)	(144,539)
Net Income tax paid	(23,347)	(5,815)	(15,100)
Net cash from operating activities	31,326	101,450	213,256
<b>CASH FLOWS USED IN INVESTING ACTIVITIES:</b>			
Investment to expand operations:			
Purchase of property, plant and equipment	(118,200)	(86,876)	(277,450)
Purchase of intangible assets	(421)	(37,014)	(22,343)
Proceeds from disposal of property, plant and equipment	460	1,506	2,061
Interest income received	10,694	10,670	19,629
Net cash used in investing activities	(107,467)	(111,714)	(278,103)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Grants received	2,865	-	-
Net cash from financing activities	2,865	-	-
Decrease in cash and cash equivalents	(73,276)	(10,264)	(64,847)
Net foreign exchange difference on cash and cash equivalents	(5,040)	(4,139)	(1,628)
Net cash and cash equivalents at beginning of the year	450,074	501,982	516,549
Cash and cash equivalents at end of the half year	371,758	487,579	450,074