

# BOTSWANA TELECOMMUNICATIONS CORPORATION LIMITED

ABRIDGED AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018



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## 2018 in numbers

Revenue <b>P1.59 billion</b>	Profit for the Year <b>P217.35 million</b>	Dividend Declared <b>9.70 thebe per share</b>
Total Assets <b>P2.43 billion</b>	Gross Profit Margin <b>63%</b>	ROCE <b>11%</b>

## COMMENTARY

### Our Business

BTC is a Botswana Stock Exchange listed telecommunication solutions provider offering fixed and mobile services (voice, data and broadband) to individual consumers, enterprises and other licensed service providers.

### Review of the Results

The Audited Financial Statements of the company for the year ended 31 March 2018 were approved and authorised for issue by the Board of Directors on 21 June 2018.

### Performance Overview

The overall economic environment for the year was subdued, which led to the reduction in ICT spend from enterprises and government entities, with most entities negotiating for lower prices on new and existing services. The slowdown in spending also impacted the consumer segments as households were faced with prioritizing their income on basic necessities. Competition in the telecommunications sector continued to intensify with the entry of new internet service providers leading to a downward pressure on prices. This had an impact on our performance for the year.

The company recorded an 8% decrease in profit after tax to P217m (FY17: P237m) on the back of a 3% decline in revenue to P1 567m (FY17: P1 615m), a 9% increase in administrative expenses to P440m (FY17:P402m) and a P10m increase in the tax charge from prior year.

Gross profit, however, grew by 3% due to 11% reduction in cost of sales to P601m (FY17:P676m). The company made significant savings on transmission and bandwidth costs on negotiated and competitive price offerings from our suppliers.

The revenue decline is mainly attributable to pressure on mobile revenue, other revenue lines remained relatively flat. We however saw an increase in the uptake of data-centric products in line with market trends. The business during the year made P121m worth of investments in fixed broadband expansion and LTE/4G mobile broadband optimization to increase network coverage and enhance our value proposition.

Total comprehensive income increased by 13% to P269m as a result of the revaluation of land and buildings which is done every 3 years. The increase in the valuation is supported by investment in real estate, which included Head Office refurbishment and Retail Store transformation. These investments were made to improve the work and retail environment and are expected to improve employee productivity, performance and customer experience. In response to technology trends, we have adopted modernized, faster and cheaper technologies which are aligned with our customer demands. During the year, we migrated customers to new technologies which are scalable and more efficient. We expect that efficiencies and usage will improve as we complete the migration phase and retire old technologies. We anticipate increased demand of our services in the long term as a result of improved network quality of service.

### Outlook

The company is optimistic about its outlook on the back of positive economic forecasts and significant investments in the network, IT enterprise systems, retail shops and working environment. We are optimistic that these investments will allow us to seize the opportunities that exist in the market, enhance customer experience and create value for our shareholders. The company has realigned its organisational structure to deliver improved efficiencies in support of our business strategy. Our strategic focus remains that of Growth and Transformation, anchored by cultural, commercial and technology transformation.

### Presentation of Annual Financial Statements

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

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

31 March 2018

	March 2018 Pula '000	March 2017 Pula '000
Sale of goods and services	1,566,908	1,615,022
Interest income	21,131	23,075
<b>Revenue</b>	<b>1,588,039</b>	<b>1,638,097</b>
Cost of services and goods sold	(600,895)	(675,572)
<b>Gross profit</b>	<b>987,144</b>	<b>962,525</b>
Other income	30,908	35,547
Selling and distribution costs	(41,096)	(48,728)
Administrative expenses	(439,728)	(402,311)
Other Expenses	(273,313)	(272,489)
<b>Profit before tax</b>	<b>263,915</b>	<b>274,543</b>
Income tax expense	(46,564)	(37,194)
<b>Profit for the year</b>	<b>217,351</b>	<b>237,349</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>51,763</b>	<b>-</b>
<b>Total comprehensive income for the year</b>	<b>269,114</b>	<b>237,349</b>
Basic and diluted earnings per share (thebe):	20.70	22.60

## STATEMENT OF FINANCIAL POSITION

31 March 2018

	March 2018 Pula '000	March 2017 Pula '000
<b>ASSETS</b>		
<b>Non current assets</b>		
Property, plant and equipment	1,418,095	1,208,312
Intangible Asset	70,236	71,176
Deferred tax assets	51,633	87,947
	<b>1,539,964</b>	<b>1,367,435</b>
<b>Current assets</b>		
Inventories	48,398	77,459
Trade and other receivables	394,431	278,428
Related party prepayment	-	80,000
Income tax receivable	-	6,153
Cash and cash equivalents	450,074	516,549
	<b>892,903</b>	<b>958,589</b>
<b>TOTAL ASSETS</b>	<b>2,432,867</b>	<b>2,326,024</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>		
Stated capital	478,892	478,892
Revaluation reserve	360,056	322,720
Accumulated profits	1,223,715	1,147,547
	<b>2,062,663</b>	<b>1,949,159</b>
<b>Non current liabilities</b>		
Development grants	79,625	109,077
Employee related provisions	34,273	21,245
	<b>113,898</b>	<b>130,322</b>
<b>Current liabilities</b>		
Trade and other payables	198,401	197,583
Income tax payable	3,072	-
Current portion of development grants	29,453	29,453
Employee related provisions	25,381	19,507
	<b>256,307</b>	<b>246,543</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2,432,867</b>	<b>2,326,024</b>

## STATEMENT OF CASH FLOW

31 March 2018

	March 2018 Pula '000	March 2017 Pula '000
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Operating profit before working capital changes	403,163	369,765
Working capital adjustments:		
Decrease in inventories	29,060	14,893
Increase in trade and other receivables and prepayments	(42,417)	(44,299)
Decrease in trade and other payables	(16,914)	(6,127)
Cash generated from operations	372,892	334,232
Ordinary dividend paid to shareholders	(144,539)	(89,765)
Net income tax (paid)/refunded	(15,100)	23,260
<b>Net cash from operating activities</b>	<b>213,253</b>	<b>267,727</b>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES:</b>		
Investment to expand operations:		
Purchase of property, plant and equipment	(277,450)	(351,270)
Purchase of intangible assets	(22,343)	(47,699)
Proceeds from disposal of property, plant and equipment	2,064	7,026
Interest income received	19,629	23,075
<b>Net cash used in investing activities</b>	<b>(278,100)</b>	<b>(368,868)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Share issue	-	250,000
<b>Net cash from financing activities</b>	<b>-</b>	<b>250,000</b>
(Decrease) / Increase in cash and cash equivalents	(64,847)	148,859
Net foreign exchange difference on cash and cash equivalents	(1,628)	(22,339)
Net cash and cash equivalents at beginning of the year	516,549	390,029
<b>Cash and cash equivalents at end of the year</b>	<b>450,074</b>	<b>516,549</b>

## STATEMENT OF CHANGES IN EQUITY

31 March 2018

	Stated Capital Pula '000	Revaluation Reserve Pula '000	Accumulated Profits Pula '000	Total Pula '000
<b>Balance at 1 April 2016</b>	<b>228,892</b>	<b>337,147</b>	<b>986,071</b>	<b>1,552,110</b>
Profit for the year/total comprehensive income	-	-	237,349	237,349
Issued shares during the year	250,000	-	-	250,000
Ordinary dividend declared	-	-	(90,300)	(90,300)
Depreciation transfer for land and buildings	-	(14,427)	14,427	-
<b>Balance at 31 March 2017</b>	<b>478,892</b>	<b>322,720</b>	<b>1,147,547</b>	<b>1,949,159</b>
Profit for the year	-	-	217,351	217,351
Other Comprehensive Income	-	51,763	-	51,763
<b>Total Comprehensive Income</b>		<b>51,763</b>	<b>217,351</b>	<b>269,114</b>
Ordinary dividend declared	-	-	(155,610)	(155,610)
Depreciation transfer for land and buildings	-	(14,427)	14,427	-
<b>Balance at 31 March 2018</b>	<b>478,892</b>	<b>360,056</b>	<b>1,223,715</b>	<b>2,062,663</b>

## 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:4201).

## Dividend Declaration

The BTC Board has approved a final dividend of 9.70 thebe per share. This follows an interim dividend of 3.73 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 13.43 thebe per share. The final dividend is payable to all shareholders registered in the books of the company at close of business on 20 July 2018. The dividend will be paid net of applicable withholding taxes under the Botswana's Income Tax Act on or before 31 August 2018.

## BY ORDER OF THE BOARD

Lorato Boakgomo-Ntakhwana  
Board Chairperson

Anthony Masunga  
Managing Director

## BOARD OF DIRECTORS

Lorato Boakgomo-Ntakhwana (Chairperson), Anthony Masunga (Managing Director), Serty Leburu, Maclean Letswiti, Andrew Johnson\*, Ranjith Priyalal De Silva\*\*, Choice Pitso

\*South African \*\*Sri Lankan

## COMPANY SECRETARY

Sidney Mganga

## COMPANY REGISTRATION NUMBER

CO2012/12936

## TRANSFER SECRETARIES

PriceWaterhouseCoopers  
Plot 50371 Fairgrounds Office Park,  
P O Box 294, Gaborone, Botswana

## AUDITORS

Ernst & Young, 2nd Floor, Plot 22 Khama Crescent,  
P O Box 41015, Gaborone, Botswana

## REGISTERED OFFICE

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