



Botswana Telecommunications Corporation Limited

ABRIDGED AUDITED CONSOLIDATED FINANCIAL RESULTS FOR THE YEAR ENDED 31 MARCH 2020

The Board and Management of BTC are pleased to release the audited consolidated financial results for the year ended 31 March 2020

2020 IN NUMBERS

Revenue
P1.4 billion

Profit for the Year
P106 million

EBITDA Margin
24.4%

Total Assets
P2.6 billion

ROCE
13%

COMMENTARY

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, enterprise and other licensed service providers.

The financial statements were authorised for issue by the Board of Directors on 24 July 2020 and duly signed by the Chairperson and the Managing Director on behalf of the Board.

Highlights of performance

- Revenue from contracts with customers of Pula 1.4 billion, a decline of 4%
- Gross Profit Margin of 56%
- Reported EBITDA of Pula 340 million, down 2%
- Improved EBITDA margin to 24.4%
- Operating Expenditure increased by 1%
- Depreciation was up by 21%
- Liquidity (current ratio) at 2 times.

Performance Overview

The results for the financial year ended 31 March 2020 were lower than prior year delivering a profit before tax of Pula 127 million, which is a decline of 35% when compared with Pula 197 million reported in the previous year.

The overall decline in revenue from contracts with customers of 4%, was as a result of a shortfall in voice revenues for both fixed and mobile in the latter part of the year. Amid this, broadband services grew at double digits reflecting superior fixed and mobile data network performance offerings to customers through reliability, speed and coverage.

This follows the completion of the rollout of major capital projects such as Data Centre, Fixed broadband and Mobile broadband (4G). However, these investments also led to an increase in depreciation on network assets. Coupled with depreciation of right of use assets, Cost of services and goods sold increased by 7% leading to Gross Profit slowing down to 11% below prior year.

With the revenue decline of 4%, EBITDA was only 2% down, reflecting the continued focus on cost containment to protect margins in the face of subdued revenues. Selling and Distribution costs, Administrative and other expenses were below prior year by 32%, 3% and 6% respectively.

Outlook

Looking ahead, BTC will continue to focus on leveraging its network investments to build digital solutions that enable businesses to operate, and our people to live connected. Opportunity exists to increase share in the data consumption arena in particular upscaling customers to 4G platforms to lessen impact of headwinds on the voice performance. The fixed and mobile networks will continue to provide a superior customer experience as we create seamless services using a combination of fixed broadband and wireless technologies to meet customer needs in homes, offices, and on the go. The recent investments in fixed and mobile broadband put BTC in pole position for the next phase of growth by differentiation through reliability, speed and coverage, laying a foundation for the 4th Industrial Revolution.

BTC will undertake a structural cost reduction programme enabled by digital transformation and automation in order to drive EBITDA growth. Efforts to improve free cash flow will be supported by expansion in EBITDA margin with benefit of reduction in operating expenditure, focused working capital management and disciplined capital investment.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020	Mar 2020 P '000	Mar 2019 P '000
Revenue from contracts with customers	1,396,360	1,448,224
Cost of services and goods sold	(616,652)	(576,353)
Gross Profit	779,708	871,871
Interest income	7,303	17,606
Interest expense	(9,494)	-
Other income	31,967	29,903
Selling and distribution costs	(25,385)	(37,332)
Administrative expenses	(408,734)	(422,893)
Other expenses	(247,887)	(262,443)
Profit before tax	127,478	196,712
Income tax expense	(21,094)	(34,652)
Profit for the year	106,384	162,060
Other comprehensive income for the year	-	-
Total comprehensive income for the year	106,384	162,060
EBITDA	340,448	348,815
Basic and diluted earnings per share (thebe)	10.13	15.43

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020	Mar 2020 P '000	Mar 2019 P '000
ASSETS		
Non-current assets		
Property, plant and equipment	1,522,918	1,590,979
Intangible assets	231,923	153,715
Right of use assets	134,362	-
Deferred tax assets	8,237	27,502
	1,897,440	1,772,196
Current assets		
Inventories	49,256	54,594
Trade and other receivables	464,346	409,280
Contract assets	19,512	21,940
Income tax receivable	13,100	12,013
Cash and cash equivalents	119,700	305,456
	665,914	803,283
TOTAL ASSETS	2,563,354	2,575,479
EQUITY AND LIABILITIES		
Capital and Reserves		
Stated Capital	478,892	478,892
Revaluation reserve	320,092	340,683
Accumulated profits	1,294,875	1,261,392
	2,093,859	2,080,967
Non - Current Liabilities		
Development grants	28,301	58,368
Lease liabilities	132,570	-
Employee related provisions	12,622	36,951
	173,493	95,319
Current Liabilities		
Trade and other payables	192,289	322,053
Contract liabilities	33,357	20,030
Lease liabilities	16,409	-
Current portion of development grants	29,862	29,657
Current portion of employee related provisions	24,085	27,453
	296,002	399,193
TOTAL EQUITY AND LIABILITIES	2,563,354	2,575,479

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020	Mar 2020 P '000	Mar 2019 P '000
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating profit before working capital changes	320,122	370,263
Working capital adjustments:		
Decrease/(Increase) in inventories	5,338	(6,196)
Decrease/(Increase) in trade and other receivables, contract assets and prepayments	48,623	3,592
(Decrease)/Increase in trade and other payables and contract liabilities	(122,239)	76,058
Cash generated from operations	251,844	443,717
Interest income	(7,303)	(17,606)
Interest paid	9,494	-
Related party prepayment (IRU)	(107,000)	-
Ordinary dividend paid to shareholders	(93,089)	(138,303)
Net Income tax paid	(2,076)	(23,348)
Net cash from operating activities	51,870	264,460
CASH FLOWS USED IN INVESTING ACTIVITIES		
Investment to expand operations:		
Purchase of property, plant and equipment	(117,400)	(321,846)
Purchase of intangible assets	(112,568)	(106,478)
Proceeds from disposal of property, plant and equipment	2,608	335
Interest income received	10,427	18,133
Net cash used in investing activities	(216,933)	(409,856)
CASH FLOWS FROM FINANCING ACTIVITIES		
Grants received	-	2,865
Repayment of lease liabilities	(18,970)	-
Net cash from financing activities	(18,970)	2,865
Decrease in cash and cash equivalents	(184,033)	(142,531)
Net foreign exchange difference on cash and cash equivalents	(1,723)	(2,087)
Cash and cash equivalents at beginning of the year	305,456	450,074
Cash and Cash equivalent at the end of the year	119,700	305,456

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

31 March 2020	Stated Share Capital P '000	Revaluation Reserve P '000	Accumulated Profits P '000	Total P '000
Balance at 1 April 2018	478,892	360,056	1,223,715	2,062,663
IFRS 15 adoption adjustment	-	-	(1,279)	(1,279)
IFRS 9 adoption adjustment	-	-	(3,562)	(3,562)
Balance at 31 March 2018	478,892	360,056	1,218,874	2,057,822
Profit for the year	-	-	162,060	162,060
Total /Other Comprehensive Income			162,060	162,060
Ordinary dividend declared	-	-	(138,915)	(138,915)
Depreciation transfer for land and buildings	-	(19,373)	19,373	-
Balance at 31 March 2019	478,892	340,683	1,261,392	2,080,967
Profit for the year	-	-	106,384	106,384
Other reserves**	-	-	4,158	4,158
Total /Other Comprehensive Income			110,542	110,542
Ordinary dividend declared	-	-	(97,650)	(97,650)
Depreciation transfer for land and buildings	-	(20,591)	20,591	-
Balance at 31 March 2020	478,892	320,092	1,294,875	2,093,859

** Relates to the BTC Foundation reserves for the prior year. The results of the BTC Foundation have been consolidated from the current year.

Presentation of Annual Financial Statements

The Financial Statements are presented in Botswana Pula which is the Group'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 accounting policies adopted for the period comply in all material respects with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), interpretations issued by the International Financial Reporting Standards Interpretations Committee and in the manner required by the Companies Act of Botswana (CAP 42:01).

The annual financial statements include those of the Group comprising of Botswana Telecommunications Corporation Limited and Botswana Telecommunication Corporation Foundation. Transactions and balances are eliminated on consolidation and consistent accounting policies are used throughout the Group for the purposes of the consolidation.

BTC has adopted the following new accounting pronouncements as issued by the IASB, which were effective for the Group from 01 April 2019:

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 April 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application.

The Group also elected not to use the recognition exemptions for lease contracts that, at the commencement date have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

COVID-19 review

Latest economic estimates are indicating economic contraction as opposed to pre COVID-19 growth of 4.4% for Botswana and 3.3% for global growth. We continue to monitor developments related to the COVID-19 pandemic, including Government requirements and recommendations to evaluate possible extensions to all or part of such recommendations. BTC has taken several steps to further strengthen the financial position and balance sheet, and maintain financial liquidity and flexibility by:

- Improving on product offerings/service areas to optimise product offerings
- Review of the Capital Investment and strict monitoring of Cash Flow projections monthly
- The recoverability of the current assets is dependent on financial health of the companies using BTC products and services. As at 31 March 2020 the current assets far exceed the current liabilities and thus BTC can meet its working capital requirements.

Final dividend

Due to the uncertainties presented by the COVID-19 pandemic, the Board has recommended that out of prudence no final dividend be declared in order to retain cash in the business.

Audit report

The financial information set out in this announcement has been extracted from the statutory annual consolidated financial statements which have been audited by Ernst & Young, The Group's external auditors. Their unqualified audit report is available for inspection at the Group's registered office.

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 Pitsa, Thari Pheko and Bafana Molomo.

*South African **Sri Lankan

Company Secretary

Sidney Mganga

Company Registration Number

CO2012/12936

Transfer Secretaries

Central Securities Depository Company of Botswana

Plot 70667, Fairscape Precinct, 4th Floor, Fairgrounds, Gaborone

Private Bag 00417, Gaborone

Contact Details:

3674400/ 09/11/12

Contact Person: Nonfo Phalatsa or Ambrosia Khupe

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

