We deliver, whatever wherever

# Innovation for a sustainable future.

Annual Report

17/18

# Contents



www.botspost.co.bw

# OUR **MANDATE**

BOTSWANAPOST IS MANDATED TO PROVIDE, DEVELOP, OPERATE AND MANAGE POSTAL SERVICES IN AN EFFICIENT AND COST-EFFECTIVE MANNER AND TO CARRY OUT OTHER OPERATIONS SUCH AS PROVISION OF FINANCIAL SERVICES TO THE UNBANKED COMMUNITIES THROUGHOUT BOTSWANA IN COMPLIANCE WITH REGULATED SERVICE STANDARDS.

# FINANCIAL **PERFORMANCE HIGHLIGHTS**

for the Year Ended 31 March 2018

## REVENUE

3.8%

REVENUE GREW TO

**P260 MILLION**

## COST TO INCOME RATIO

5.8%

RATIO IMPROVEMENT FROM

**104.4%**

## CONTROLLABLE COSTS

6.8%

OPERATING COSTS DOWN TO

**P117.6 MILLION**

(ADMINISTRATIVE & OTHER OPERATING EXPENSES)

## BALANCE SHEET GROWTH

2.9%

ASSETS GREW TO

**P559.8 MILLION**

## POSTING PROFIT AFTER TAX

139.4%

IMPROVEMENT FROM LOSS TO PROFIT OF

**P 3.1 MILLION AFTER TAX**



# BOTSWANAPOST: **143 YEARS OF SERVICE LEADERSHIP TO THE NATION**

Established in 1875 by the London Missionary Society, BotswanaPost is the country's oldest public service entity. We are proud of where we have come from, but even more proud of where we are going.

Since those very early days, when mail was delivered on foot over long distances and harsh terrain, our organisation has been at the centre of communication, commerce and economic inclusion for all Batswana.

That was a long time ago. Everything has changed. Everything, except our commitment to the communities we serve.

We have built the foundations of this organisation on two words: *service leadership*.

In a world where the only certainty is that tomorrow will be different from today, service leadership is the powerful force that drives and unites us. BotswanaPost has stood the test of time because we honour the voice in our hearts to serve. We answer the call to lead. And we summon the courage to engage. Our heart to serve opens doors which were previously locked. Our heart to serve makes it possible for our customers to enjoy higher levels of convenience, enhanced cost savings, greater peace of mind — and more meaningful human connections. But these are not just things which we do: *this is our way of life.*

Our call to lead compels us to step forward into the unknown when it would be easier to stand still. Our call to lead transforms our ideas into purposeful actions which customers can see, feel and experience.

And our courage to engage means that we embrace *collaboration,* not isolation. Today, we are taking our customer relationships to the next level: this is no longer just a face-to-face business, but also one which is underpinned by meaningful, value-adding e-services through multiple online channels. The courage to engage is enabling us to build solutions which address both community and business needs.

Our history is rich. We are proud of the legacy we have built. But we are ready for tomorrow: it's challenges, it's opportunities, it's lessons. Life can only be lived forwards.

Heart to Serve + Call to Lead + Courage to Engage =

**SERVICE LEADERSHIP**

# OUR **FOOTPRINT**

## ...AN ORGANISATION LIKE NO OTHER, WE ARE IN EVERY COMMUNITY EVERYWHERE, AND WE DELIVER MAIL TO EVERY ADDRESS.

### Post Offices

**VC North**
Blue Jacket
Boseja
Charleshill
Chobe
Etsha
Francistown
Francistown Airport
Ghanzi
Gumare
Gweta
Kalkfontein
Kasane
Kavimba
Maitengwe
Makaleng
Masunga
Mathangwane
Matsiloje
Maun
Maun Airport
Monarch
Nata
Ncojane
Nkange
Pandamatenga
Ramokgwebana
Sebina
Sehithwa
Seronga
Shakawe
Shashe
Sowa
Tatitown
Tonota
Tshesebe
Tutume

**VC South**
Bontleng
Bokaa
Bokspits
Broadhurst
Digawana
Gabane
GaboroneCentral
GaboroneStation
GaboroneUB
GaboroneVillage
GoodHope
Hukuntsi
Jwaneng
Kang
Kanye
Khakhea
Kopong
Lehututu
Lentsweletau
Letlhakeng
Lobatse
Mabule
Mabutsane
Mafhikana
Mathubantwa
Metsimotlhabe
Middlepits
Mmankgodi
Mmasekou
Mmathethe
Mochudi
Mogoditshane
Molapowabojang
Molepolole
Moshupa
Motokwe
Nkoyaphiri
Ntshinoge
Oodi
Otse
Pitsane
Poso House
RamotswaStation
RamotswaVillage
RiverWalk
Sedibeng
Sefalana Hyper
Shoppers GWest
Shoppers Tlokweng
Sikwane
Sojwe
SSKAirport
Takatokwane
Thamaga
Thebephatswa
Tlokweng
Tomela
Tsabong
Werda
Woodhall

**VC Central**
Bobonong
Botshabelo
Kalamare
Lecheng
Lerala
Letlhakane
Machaneng
Madiba
Mahalapye
Maokatumo
Maunatlala
Mmadinare
Moeng
Moiyabana
Mookane
Mopipi
Orapa
Palapye
Pilikwe
Pota
Rakops
Ramokgonami
Rasebolai
Sefhare
Sefhophe
SelebiPhikwe
Semolale
Serowe
Serule
SherwoodRanch
Shoshong
Tsetsebye
Tumasera

### Kitsong Centres

**VC North**
Blue Jacket
Charleshill
Chobe
Etsha
Ghanzi
Gumare
Gweta
Maitengwe
Masunga
Mathangwane
Nata
Ncojane
Sebina
Sehithwa
Seronga
Shakawe
Tonota
Tshesebe
Tutume

**VC South**
Gabane
Gaborone UB
GoodHope
Hukuntsi
Kang
Kopong
Letlhakeng
Mabule
Mabutsane
Masa
Middlepits
Mmankgodi
Mmathethe
Moshupa
Otse
Poso House
Railpark
RiverWalk
Sikwane
Tsabong
Werda

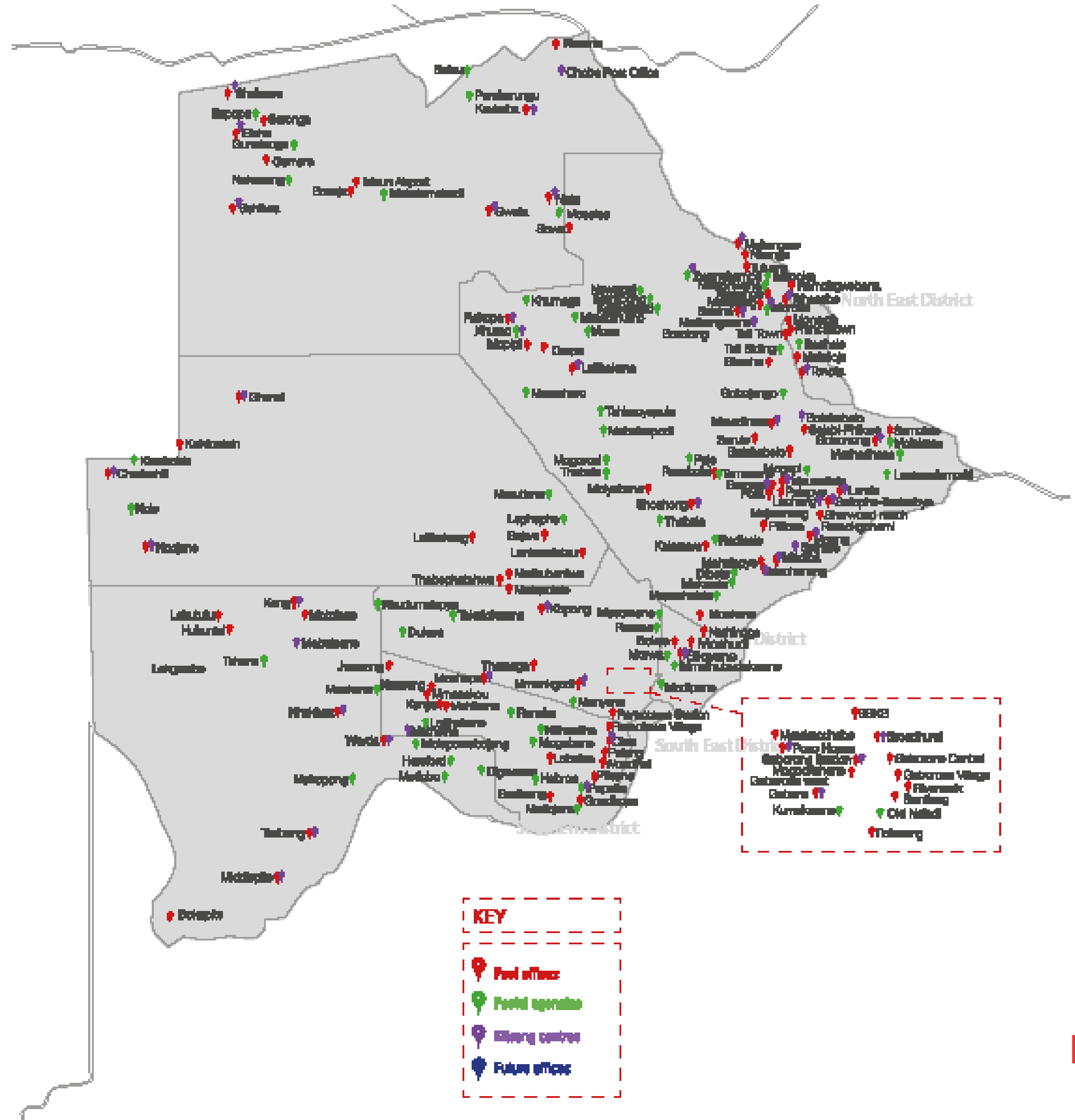
**VC Central**
Bobonong
Botshabelo
Lecheng
Lerala
Letlhakane
Machaneng
Madiba
Maunatlala
Mmadinare
Moiyabana
Mookane
Mopipi
Rakops
Ramokgonami
Rasebolai
Sefhare
Sefhophe
Shoshong
Tsetsebye

### Postal Agencies

**VC North**
Borolong
Chadibe
Kalakamati
Marapong
Mapoka
Mosetse
Nswazwi
Tatisiding
Marobela
Parakarungu
Satau
Kachikau
Mmatshumo
Mosu
Moroka
Nhlaphwane
Khumaga
Xhumo
Zwenshambe
Makalamabedi
Nokaneng
Sepopa
Gunotshoga
Shorobe
Tsau

**VC South**
Morwa
Rasesa
Mosomane
Modipane
Sikwane
Malotwane
Mathubudukwane
Dutlwe
Lephephe
Takatokwane
Khudumelapye
Manyana
Kumakwane
Gakutlo
Mokolodi
Karikubis
Kole
Kcagae
Hebron
Metlojane
Molapowabojang
Ntlhantlhe
Mogobane
Ramatlabama
Maokane
Sese
Lorolwane
Sekoma
Makopong
Hereford
Tshane
Lokgwabe
Ranaka
Lotlhakane
Metlobo
Boravast

**VC Central**
Gobojango
Lentswe - le- Moriti
Mathathane
Molalatau
Mmaphashalala
Radisele
Dibete
Makwate
Pallaroad
Majwaneng
Ratholo
Tamasane
Seleka
Moshopha
Mogapi
Tobane
Mabeleapodi
Mmashoro
Mogorosi
Thabala
Tshimoyapula
Paje
Seleka



## The best way to define our business strategy from 2017 to 2020 is with these three words: **Executing Innovative Excellence.**

What does this mean? There are different ways of interpreting this directive.

We can break it down financially: by 2020, our goal is to generate revenues in excess of P311 million, with a cost to income ratio of 96 percent.

We are already well on the way to achieving this. Right now, we have just surpassed the P260 million revenue mark, we are continuously reducing our costs, generating healthy cash flows and, ultimately, a profit — as is well outlined in other parts of this report.

As a Company and as a family, BotswanaPost is united by this imperative: we are determined that our hard-earned financial stability be sustained into the future.

The cycle of loss-making is over — and crossing that crucial tipping-point has been our greatest achievement of the past decade.

### Supporting the Execution of Company Strategy

The Board has participated actively in the crafting of a Company strategy that works in real life — not just on paper — and provides necessary support and oversight to ensure that strategy is executed.

I'm proud of the strong relationship that we've been able to build between the Board and the C-Suite. We work regularly with the managers on the ground, and we rely on their expertise in terms of the operational issues which they face.

Together, we have fine-tuned constant system of feedback with strong reporting mechanisms which breeds a strong environment for goal-setting, accountability and professional growth. There are three Committees within the Board: Finance, Audit and Risk; Human Resources and Tender, which all add value to our mandate as a Board.

### Amalgamation

From a historical perspective, it has always made sense for us to merge with our subsidiary, Botswana Couriers and Logistics. We expect that this process will be complete within this financial year.

We strongly believe that attractive commercial opportunities will present themselves as a result of the amalgamation process. Although an exercise of this nature does cost money and will need to be capitalised correctly in order for the investment to pay off, our goal is to generate improved economies of scale as we begin to share our resources such as warehousing, office space, technology, accounts and managerial oversight. For the public and the business community, we will embark on all the necessary engagement efforts to ensure that we retain every client from Botswana Couriers and Logistics as we bring them under one unified brand and service provider.



# CHAIRMAN'S **STATEMENT**

## Stakeholders

It would be remiss of me not to show appreciation to my colleagues and fellow members of the Board for their wisdom and leadership skills. Their commitment is unwavering.

At the end of this reporting period, on behalf of myself and the Board, we also thank our Principal, the shareholder — the Ministry of Transport and Communications, as well as all Government entities for the business they entrust us with, and for their prompt payments.

Thanks also go to our regulatory partners, BOCRA, who provide the framework and guidance under which we operate. They have helped us to comply with the best interests of the public in an ever-evolving competitive environment, for which we are grateful.

To our customers of all shapes and sizes who have been doing business with us for many years, again, I thank you — and assure you that best is yet to come.

I would also like to take this opportunity to express my appreciation for our Chief Executive Officer, Cornelius Ramatlhakwane, who has always communicated his ideas to us in a clear, emphatic and energetic way. Through his visionary leadership, energy and tireless commitment to excellence, he has willed so many positive changes into existence. Cornelius has been absolutely vital in the monumental task of turning this organisation around.

Polokoetsile P. Motau
**Chairman**

# CHIEF EXECUTIVE OFFICER'S **STATEMENT**

## Reaching the Break-even Point — and going beyond

**BotswanaPost is profitable again.**

In order for our stakeholders to understand and appreciate the full significance of where we are today, we have to remember where we came from. This is the ideal opportunity to reflect on that journey.

In 2015, I said that BotswanaPost's position was at a critical point. I emphasised that we could move forward and achieve our full growth and innovation potential — but only if we could tame our controllable costs through operational efficiency.

Indeed, the past three years have been very important in the history of BotswanaPost, as the entire team and I have devoted ourselves to the Company's Operational Efficiency Execution Plan.

2016 was the year in which we shifted from an Icon of Excellence into an operationally efficient Company that is ***Fit-to-Serve and Fit-for-Growth.***

This momentum continued in 2017. In that year, we recorded significant improvements in many areas of our business. We were sending a clear message to our stakeholders that we continue to grow and we were in a position to increase our revenues, be more efficient and were set to become profitable.

During this period of time, our goals and priorities came into focus. Our awareness of the market, and our role in it, grew deeper. Our vision for the future became sharper. And the gaps we needed to close started to come within reach.

The work we did to reduce our loss-making position and bring the Company's Turnaround Strategy into fruition can be summarised in these four steps:

- We hunted down additional sources of revenue growth and enhanced existing ones, especially leveraging new technology and strategic relationships to do so
- We took bold steps to decrease our controllable costs
- We applied a wide variety of performance improvement measures to instill a culture of high performance in every staff member, and
- We re-arranged our human resources and restructured the organisation to deliver maximum value and customer impact at ground level.

What we were chasing *was the Break-even Point.* The moment at which we could say, with conviction, that the organisation had changed direction forever.

**Well, we are here.**




# CHIEF EXECUTIVE OFFICER'S **STATEMENT**

Today I'm proud to announce that BotswanaPost has not just broken even in the financial year under review, but is profitable again.

We have taken significant steps to adjust the cost of sales of our e-services business and align with international accounting standards. (This service offering focuses primarily on the sales of prepaid electricity and virtual airtime, among many other new and value-added offerings that members of the public can now complete online.)

The result: a 3.8% increase in year-on-year revenue, and another year of aggressive reduction in controllable costs — this time by 6.8% for the period under review. By simultaneously addressing both revenue and costs, we have been able to yield a year-on-year improvement in our cost-to-income ratio of 5.8% — which now sits at 98.7%.

Our balance sheet has grown by a further 2.9% and I'm proud to announce that for the first time in ten years, BotswanaPost can confidently announce a profit of P4.1 million. This represents a 139.4% improvement in our bottom line.

However, while we are immensely satisfied with the progress we have made, we will not pause for long to enjoy this moment. The journey continues.

## Executing Innovative Excellence Strategy

Our next strategy is called Executing Innovative Excellence. It runs from 2017 until 2020, and has been designed to continuously deliver financial growth and stability for BotswanaPost.
Having stabilised our cost base and driven revenue growth across key channels, we have rapidly gone from the inflection point, beyond the break-even point, to a healthy profitable position.

In fact, we have built upon our existing Icon of Excellence strategy from previous years, and have taken it to another level; Executing Innovative Excellence. The key themes of this strategy were built around; Our Organisation, Our people, Our Technology and Our Products.
This means looking more closely at all these areas of our business and going deeper into understanding them using SWOT analyses.

As a result, we've been able to develop strategic goals for each theme, particularly products and services. We understand the gaps that exist, the roadmap for closing them, and the strategy for bringing each product and service line to the market.

Understanding these dynamics has a real impact on the business.

## Our People are Committed to Excellence

In previous years, one of our biggest challenges was to put the right people in the right places. Now, we are reaping the harvest.

The System For Managing (SFM) performance management tool, which we have implemented to inculcate a high performance culture has become a core sustainability tool for the Value Centre Model that drives this organisation. Our people now know that there is no room for mediocrity at BotswanaPost. They have embraced their own goal-seeking nature and the accountability for reaching them. My team and I have focused on making sure that each member of staff has the necessary tools to help them give that extra degree of effort on a daily basis.

As Chief Executive Officer, my duty is to **Love My People** and **LEAD SIMPLY**, by **modelling** the behaviour I want to see in others, **connecting** with the people I lead — and **involving** them in everything I do. This is the leadership style and culture that the Executive Team at BotswanaPost embraces. In turn the people are committed to **crossing the line** with an **extra degree** of effort as they **Smile and Move** because they understand that they are **Free To Grow.**

This culture is conducive for high performance — and the results are clear to see. We now have a BotswanaPost that is operationally efficient, profitable, **Fit-To-Serve** and **Fit-For-Growth**.

Thank you to Botswana Post customers for their continued loyalty and trust in our brand. We will continue to develop initiatives that meet your demands and create value for your money.

I extend our gratitude to the Chairman and the Board of BotswanaPost, the Chairman and the Board of the Botswana Post and Savings Group, the BOCRA CEO and his team, the Honourable Minister of Transport and Communications, his Permanent Secretary and their team for their leadership, encouragement and support.

To my staff, management and the C-Suite you know how I feel about you; You are **Sales Tough**. We did it. Thank you for your belief, your creativity, your loyalty and your transformative ideas.

Finally I thank God the Almighty for sustaining us all through these tough and exciting times, and I also thank my family for their support that gave me strength and hope.

Cornelius Ramatlhakwane
**Chief Executive Officer**

THE
# REVIEWS


Post Office
Letlhakeng
Money order service
Prepaid electricity
Parcel Mail
Letter Mail
Post boxes
Express Mail Service
Banking
Airtime
Pensions
Stamps

# FINANCE & ADMINISTRATION **REVIEW**

In the first year of our 2017-2020 strategy period, during which we are striving to 'Execute Innovative Excellence', BotswanaPost certainly turned the corner in both operational and financial performance. Most financial indicators are positive as we continue to ensure that we sustain the improvement in the Company's performance over the past three years.

BotswanaPost recorded a profit after tax of P3.1 million in the year under review – a significant 139.4% turnaround from the previous year's loss.

During the year there has been a change in revenue recognition of our virtual sales, mainly electricity and airtime. The change has necessitated that revenue recognition should be on a net instead of a gross basis. This was due to the fact that these items are now determined to be advance payments rather than stock items as the Company has little control of the tokens sold. Since these were recognised on a gross basis, it means that the cost of sales reduces the revenue previously recognised and therefore had no impact on profitability.

## Revenue and Other Income

**Revenue**
Revenue was 3.8% up on the previous year. This was largely driven by the non-traditional revenue lines of business services and agency services, which grew 6% against 1.8% for traditional revenue lines. This is in line with the direction in which the Company places itself in the postal development phases of a service provider. Two revenue lines contributed to the growth of the traditional revenue lines, being money transfer (stiff competition from mobile money transfers) and international mail transit dues (general decline in mail volumes worldwide). However, local mail revenue stabilised and was also helped by an increase in tariffs.

**Other Income**
The major contribution of the 23% increase in this line was due to the 21% improvement in the Universal Service Obligation recovery. Continuous discussion with Botswana Government on the full recovery of the Universal Service Obligation has borne fruit and will contribute positively going forward.

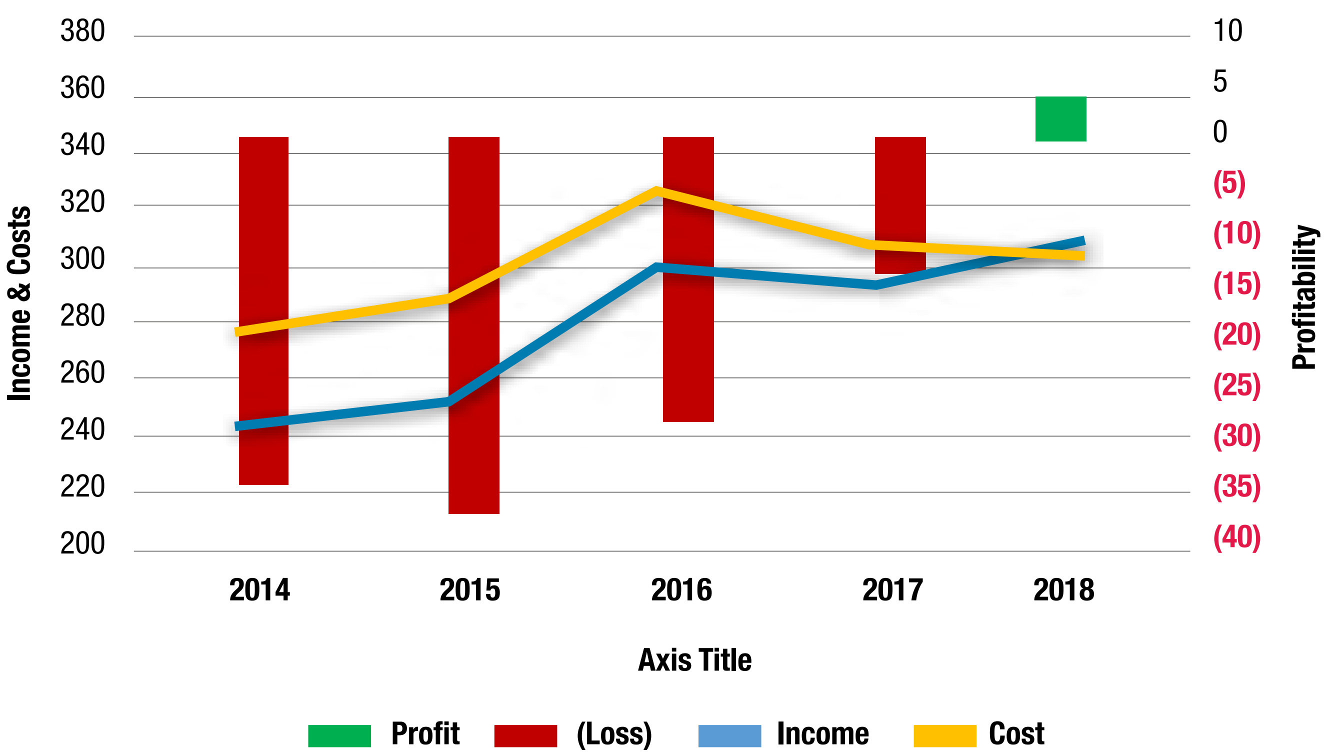
## Costs

Cost containment initiatives continued during the year. These initiatives, combined with efficiencies from the performance improvement project, continue to yield good results.

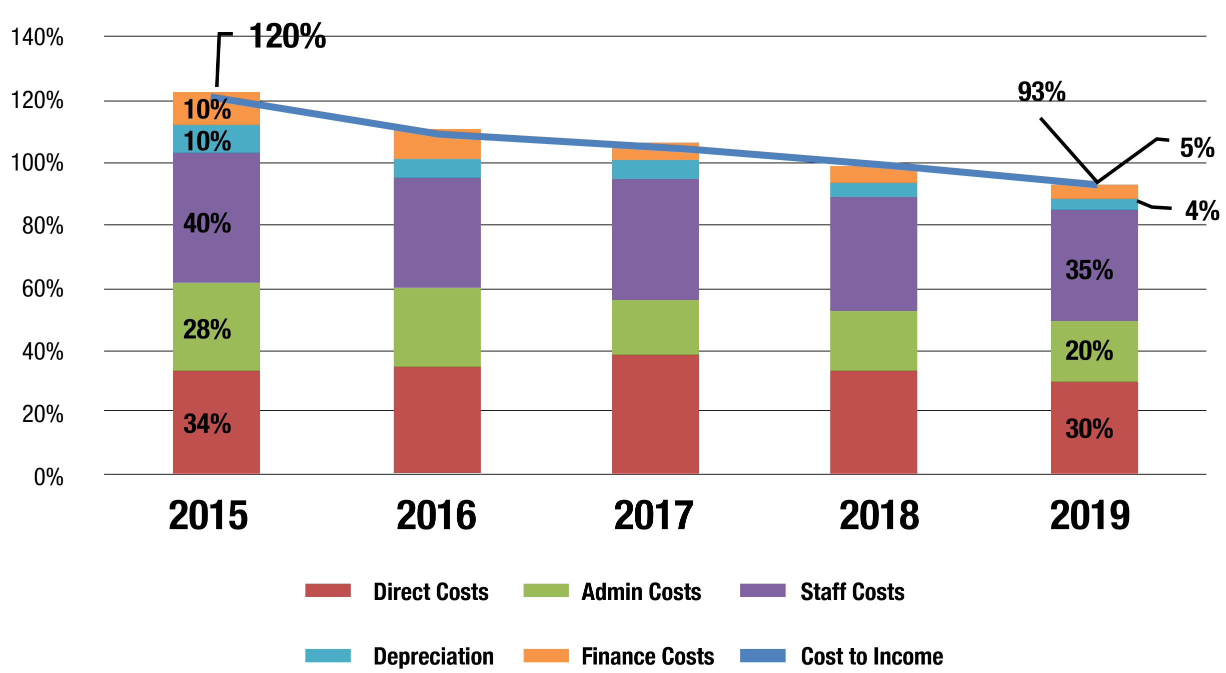
**Ofentse Mabote**
Chief Finance Officer

***"BotswanaPost recorded a profit after tax of P3.1 million in the year under review***
– a significant 139.4% turnaround from the previous year's loss."

# INCOME, COST & **PROFITABILITY**

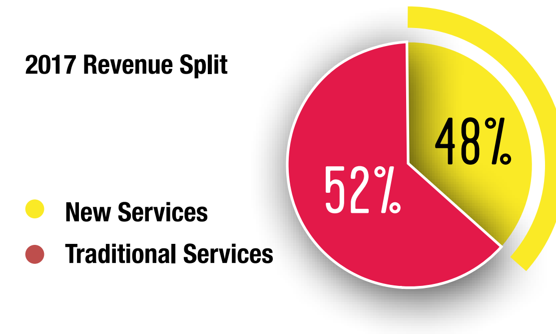


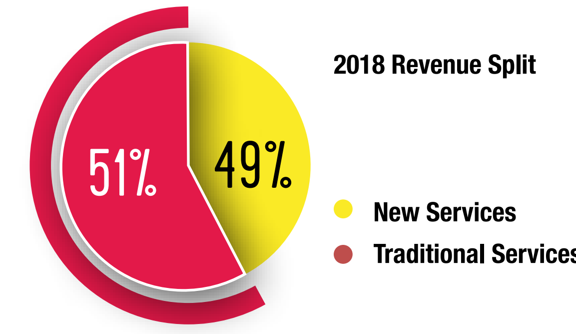

# COST **STRUCTURE**






# FINANCE & ADMINISTRATION **REVIEW**




**Cost of Sales**

Cost of Sales was 4.4% down on the previous year and was slower than revenue growth. The decline was largely due to Airtime cost of sales decrease of 2.1%, and lower hybrid mail production cost that helped the slower growth in cost of sales. Enhancements made during the year in the technology used to provide services resulted in reduced technical fees expenses by 2.8%. The full impact of this reduction will be realised in the coming year.

**Administrative Costs**

Being costs that are largely under the control of management it is imperative that these are well managed. Overall, these costs were 6.8% lower than in the previous year. Cost control initiatives significantly reduced were travel, telephone and consultancy costs. Management continues on this path of cost reduction, augmented by ongoing efficiencies and high productivity levels across the Company.

## Profitability

The growth in revenue, combined with reduced cost of sales and stabilisation of the mail contributed to a 23.8% improvement in gross margins to P89.9 million.

All these three elements are critical to the continuing good financial performance of BotswanaPost.

In addition, the increase in the Universal Service Obligation reimbursement by Botswana Government, the savings in controllable costs, as well as reduced depreciation, helped turn the loss in the previous year to a profit in the year under review. This is a 131.7% swing to a profit before tax of P4.1 million – a 'first' achievement in 10 years. Overall, this has resulted in a 98.7% cost to income which is an improvement of 5.8% on the previous year. These positive results are testament to the performance improvement opportunity project that started in 2015, premised as it was on being operationally efficient, profitable, Fit-To-Serve and Fit-For-Growth.

BotswanaPost became a taxable entity in 2015 after its transition. Due to losses in the previous year there was no taxable income. However, in the profitable year under review the Company experienced its first tax liability, resulting in a profit after tax position of P3.1 million.

## Financial Position

Cash flows continue to improve as a result of prudent working capital management as well as the increase in the USO reimbursement. The continued investment and improved profitability has given impetus to an increase in the financial position by 2.9%. However, the Company continues to be highly geared due to the PDSF loan that also subdues profitability.

Return on equity was 10.5% against -34% in the previous year and return on shareholders' funds was 4.3% compared to -14.4% in the previous year.

## Executing Innovative Excellence

As BotswanaPost gets into full swing with its strategy of 'Executing Innovating Excellence' and against the backdrop of very good results it is imperative that efficiencies are maintained to sustain profitability. The Company has embarked on improving its systems to ensure effective management information for enhanced decision making. An investment of USD13.9 million has been committed to system development to keep up with advances in information technology over the next 10 years.

# CORPORATE GOVERNANCE **REVIEW**

BotswanaPost understands that good corporate governance is the cornerstone of successful organisations. That is why, in its journey of executing innovative excellence it strives to ensure that its Board and executive management subscribe to globally accepted standards such as the King Code on Corporate Governance.

The Company has devised up-to-date governance tools to regulate the affairs of the Board, and has provided resources to enable the Board to execute its oversight and fiduciary duties effectively and efficiently.

The Board and its committees are responsible for providing good corporate governance by ensuring that the Company has in place processes, procedures, policies and is adequately resourced to carry out its mandate. In addition, it has an obligation to ensure that the Company conducts its business in an ethical manner and in compliance with all the regulatory requirements.

## Board Skills & Experience

Non-Executive Directors are drawn from a wide range of industries and backgrounds. A key requirement of an effective Board is that it comprises a range and balance of skills, experience, knowledge, gender and independence, with individuals that are prepared to challenge each other and work as a team. This needs to be backed by a diversity of personal attributes, including character, intellect, sound judgement, honesty and courage.

A dynamic governance system is essential to provide inherent checks and balances and to ensure sustainability of the Company and compliance with all relevant laws and regulations. At BotswanaPost this is overseen by the Secretary.

## The Company Secretary

The Company Secretary plays an important governance role in ensuring that both the Board and the Company adhere to Corporate Governance. The role and function of the Company Secretary, although diverse is centered on three core areas:

**Dzuke Baliki**
Company Secretary

> "***The Board and its committees are responsible for providing good corporate governance*** by ensuring that the Company has in place processes, procedures, policies and is adequately resourced to carry out its mandate."

- Guiding the Board Members, collectively and individually with respect to their duties and responsibilities;
- Ensuring the Company complies with all relevant laws and regulations; and
- Conducting ongoing strategic communications between the Company and its key shareholders so that the Board and Management are informed about shareholders' legitimate and reasonable needs, interest and expectations of the Company.

At BotswanaPost the Company Secretary is in a unique position to facilitate information flow to the Board and is the interface between Board and Management. The Company Secretary enjoys being the voice of the Board and performs a valuable role of helping Management understand expectations of and the value brought by the Board.

The Company Secretary also understands the long-term strategy of the Company's business and the sustainability issues pertinent to that business and how those sustainability issues have been embedded in the Company's long-term strategy.

## Legal

The Principal Legal Officer is the Company Secretary, and is responsible for the legal risk management of the Post by ensuring the provision of independent legal advice in the best interests of the Post consistent with its legal obligations.

## Risk Management

Risk management is an integral part of all business undertakings to ensure sustainability. BotswanaPost has adopted a risk-based approach in the conduct of its business as entrenched in its Enterprise Risk Management framework. To further underscore the importance of this function, the Company has taken a decision to establish a Business Risk Sub Committee as a Management structure to provide adequate monitoring of risk in the business and ensure all risks identified are adequately and timely addressed.

## Compliance

The Compliance function ensures adequate monitoring to adherence to both the internal policies, procedures, processes as well as the external compliance environment. It plays a key advisory support to the various business units.

The Company operates in a highly regulated environment where there is continued scrutiny by regulators and other oversight authorities and maintains a compliance universe for continuous monitoring of compliance obligations. The Company constantly monitors changes in legislation and regularly updates its compliance universe.

## Board of Directors

**Profiles**
**Board Committees**
The Board in ensuring that they discharge their duties efficiently and effectively has delegated some of these functions to various committees, without abdicating its own functions. These are the Finance, Audit and Risk Committee, the Human Resources Committee and the Tender Committee

**Finance, Audit and Risk Committee (FARC)**
**Members: C. Motswaiso, T. Tau, P. More**
The Committee is responsible for assisting the Board in its oversight on the integrity of the Company's financial statements and the financial reporting process, including the system of disclosure controls, the Company's compliance with legal and regulatory requirements as well as the performance of the Company's Internal Audit function and the external auditor, including its appointment, qualifications, compensation and independence.

The Committee further ensures that the effectiveness of the Company's systems of internal controls, policies and procedures for risk assessment and risk management of material credit, interest rate, liquidity, operational, legal and compliance, and other material risks, and the adequacy of capital available to absorb such risk.

**Human Resources Committee (HRC)**
**Members: N. Mosetlhe, T. Ndlovu, B. Tema**
The role of the Committee is to assist the Board in fulfilling its corporate governance responsibilities in regard to remuneration and strategic human resources matters, including but not limited to, establishing and implementing a Human Resources strategy to ensure that appropriately talented and trained people are available to achieve the Company strategy, Undertaking the appropriate performance management as well as succession planning and talent development activities and programs.

The Committee further ensures provision of effective remuneration policies having regard to the creation of value for the Shareholder(s) and the external remuneration market.

**Tender Committee (TC)**
**Members: T. Ndlovu, B. Tema, P.More**
The role of the Committee is to ensure that there is compliance with policies formulated by the Company in respect to procurement of goods and services, service providers, awards of tenders and appointment of consultants.

## Board Meetings

The Board Chairman requires that the Board meet at least 4 (four) times in the calendar year. In practice, the Board meets more than 4 (four) times annually, and the number of meetings is dictated by the demands of the business.

Meetings of the Boards are held at Poso House, the head office for BotswanaPost. The Chairman sets with the CEO and Company Secretary, the Boards' agenda, ensures the Directors receive accurate, timely and clear information, and promotes effective relationships and open communication between the Executive and Non-Executive Directors.



# CORPORATE GOVERNANCE **REVIEW**

## Board Attendance

| Members | Board | Finance and Audit Committee | Human Resources Committee | Tender Committee | Total Sitting Fees Paid |
|---|---|---|---|---|---|
| Mr P.P Motau | 8/8 | | | | P12,600.00 |
| Mr C Mokgware | 4/8 | 6/6 | | | P12,600.00 |
| Ms C Motswaiso | 5/8 | 6/6 | | | P16,002.00 |
| Ms N Mosetlhe | 6/8 | | 8/8 | | P20,160.00 |
| Mr B Tema | 8/8 | | 8/8 | 3/3 | P21,420.00 |
| Mr T Ndlovu | 8/8 | | 8/8 | 2/3 | P24,885.00 |
| Mr C Ramatlhakwane | 6/8 | 5/6 | 6/8 | 2/3 | |

# BOARD OF **DIRECTORS**

1.

### Polokoetsile P. Motau
Chairman

During his tenure, Mr. Motau has ascended through the ranks serving as Chairperson of the Finance and Audit Committee and later being appointed Vice Chairperson of the Board in 2013.

He is a qualified Accountant currently lecturing at the University of Botswana in the Accounting and Finance Department. He also holds an MSc in Computer Auditing and Computerised Accounting from the University of East Anglia (United Kingdom) in 1992. He is a member of the Institute of Directors, Southern Africa.

2.

### Cornelius Ramatlhakwane
Chief Executive Officer

CR, as he is affectionately known, has over 20 years of experience in the banking and postal services sectors. He has an impressive skill set in the areas of business development, customer service, credit, risk management, sales and marketing. He has an MSc in Strategic Management from the University of Derby, as well as Executive Development Programmes.

3.

### Boiki Tema
Director

Mr. Tema is a well-established investment banker having acquired the majority of his professional experience within the banking sector.

He holds a Master of Science in Strategic Management awarded by the University of Derby. Beyond this, he holds Diplomas in Financial Management and Banking. His undergraduate studies were a Bachelor of Arts, majoring in Economics.

4.

### Colleen Motswaiso
Director

Ms. Motswaiso is a Chartered Accountant and a member of the Association of Chartered Certified Accountants (ACCA) from the Emile Woolf International Group (London). She is a Fellow of the Institute of Chartered Certified Accountants (UK) (FCCA) and a Fellow of Botswana Institute of Chartered Accountants (BICA). She has significant experience in the financial and accounting industry. Ms. Motswaiso is currently the Corporate Services General Manager at the Motor Vehicle Accident (MVA) Fund. She is a member of the Institute of Directors, Southern Africa.

5.

### Ntoti Mosetlhe
Director

Ms. Mosetlhe is a Human Resources practitioner with over 20 years experience in both the private and public sector. She holds an MBA from the University of Botswana, and is committed to her continuous professional development by attending an array of short courses to stay abreast of industry developments. She is currently the Group Human Resources Manager at Debswana. She is a member of the Institute of Directors, Southern Africa.

6.

### Thabane Ndlovu
Director

Mr. Ndlovu's is a trained Engineer and holds a Bachelor of Science degree awarded by the University of Botswana and a second degree in Computer Engineering. He also holds a post graduate degree in Business Administration. He is currently Technical Director at NTR Technology Holdings (Pty) Ltd.

7.

### Tabuya Tau
Director

Ms. Tau is a member of the Association of Chartered Certified Accountants (ACCA). She is a Fellow of the Institute of Chartered Certified Accountants (UK) (FCCA) and a Fellow of Botswana Institute of Chartered Accountants (BICA). She has more than 15 years as a finance professional in the financial services industry. She is currently the Group Chief Financial Officer at Hollard.

8.

### Paul More
Director

Mr. More is a seasoned property professional with over 25 years experience in management and development of commercial office, industrial, leisure and residential property. He has served in various leadership roles for several state owned enterprises and private companies. He holds BSc (Hons) and MSc degrees awarded by the University of Reading and City University respectively, both based in the United Kingdom.




BotswanaPost
We deliver, whatever wherever

# COMMERCIAL **REVIEW**

## The Commercial Department, as central player in all the revenue created by the business, remains fully committed and closely involved in implementing the turnaround strategy defined by the Board for execution by Management.

The strategy, initiated late in the 2016/17 financial year, was energetically actioned in the year under review, with some notable achievements.

The road to recovery is an exciting challenge for the organisation as a whole, calling as it does for individual and collective application in full measure if we are to reach our goal of profitability and sustainability.

Major developments that significantly repositioned BotswanaPost during the year include the following:

### Online Opportunities

The importance of technology and its assimilation in our operations as a key differentiator has been at the centre of our business strategic focus. E-platforms have played a role in our positive developments as far as our multi-channel approach is concerned.

**Web Portal**
BotswanaPost is favourably positioned as a notable services aggregator because of its skills and its physical presence in the most remote locations of the country. Seeing an opportunity in the market to address the growing demand for convenience, and the demand for ease of access to services – whether native or third party – we set out to pursue a strategy of digitalization of services enacted through the post office network.

As part of the first phase of development, we have digitalized most bill payments and critical government services, answering and meeting the market demand for ease of transacting. Through the BotswanaPost web portal, the following services are now available to the public in real time:

- Online vehicle licence renewal
- Online Postal box renewal
- Online water bill presentment and payment
- Prepaid electricity purchases
- Online KYC
- Online money transfer
- Insurance premium payment
- Kwese TV subscription payments

**E-Services Strategic Partnership Collaboration**
We continue to explore value-addition partnerships that could enhance our proposition. This has seen us collaborating with our shared-value partners, Sefalana online on the web portal and online shopping, with the goods being delivered by Botswana-Post, in Gaborone initially.



**Clifford Lekoko**
Chief Commercial Officer

> ***"Seeing an opportunity in the market to address the growing demand for convenience***, and the demand for ease of access to services – whether native or third party – we set out to pursue a strategy of digitalization of services enacted through the post office network."

**BotswanaPost Mobile Application (APP)**
Since 2016, we have had our mobile application on the leading mobile platforms, IOS and Android. The APP continues to grow, with about 12 000 downloads and subscribers to date, turning over P300 000 a month. The services offered almost mimic what is on the web portal, which includes airtime purchase from all mobile network operators, postal box renewal, water bill payment and prepaid electricity. With the ongoing enhancements, we look ahead to an even better customer experience and better returns.

The advent of the mobile app and the web portal-based services has allowed BotswanaPost to see a different business light to opportunities and grow in the strategic formulation process to harness market possibilities.

**Full Automation – Third Party Services**
BotswanaPost has embarked on an exercise to enhance the client experience (third party services), under our Agency Services classification, by way of increased technical capacity and in-sourcing our IT developments' requirements. This has enabled the organisation to have direct system interface, away from manual/semi-manual processes, with third party entities for whom BotswanaPost has been contracted to do business on their behalf.

This development will lead to improved data integrity, overall client records and improved relationships with their stakeholders, with BotswanaPost being the preferred partner. This strategic development will allow the business to be responsive to market challenges and opportunities due to increased technical flexibility.

## Improving Access to Postal Services

**The Property Strategy**
The business has grown over the years to appreciate the full extent of costs involved in setting up a building or a post office. Being a state-owned enterprise, BotswanaPost relies to some extent on Government funding to carry out some elements of it's mandate. Equally, the shareholder has over time sensitised state-owned enterprises to the need to observe prudent financial management, and promulgated a PPP model to minimise their dependency on the Government purse.

Through its strategic collaboration with Sefalana in 2016 BotswanaPost piloted setting up post office kiosks, with an initial four being put in place. In the year under review ten more kiosks were constructed in Sefalana stores at a marginal cost. This smart (and growing) partnership has improved service access for Batswana using Sefalana stores in targetted villages.

**Enabling of the SMME/Informal Sector**
BotswanaPost has undertaken to revisit its empowerment initiatives against a backdrop of proven research on the informal sector being a key enabler to success due to higher mobile telephony penetration. We intend to leverage on this and build a strong agent/SMME market by extending most if not all post office services through mobile technology platforms, targeting the low-end market especially.

One of the notable innovative developments during the year was the introduction of a SMS vendor channel called 'Mobile Vend' – a service that enables the purchase/sale of prepaid electricity through SMS technology. This facility works on both smartphones and feature phones and the vendor is not required to make any investment on the infrastructure required. Since its inception in the third quarter of the year the platform is processing transactions amounting to about P1 million a month, and the figure is rising steadily with more than 1000 agents already registered. This has done away with the cost of procuring point-of-sale devices and is a significant saving for the street vendor.

With the further development of SMS technology lowering rates, more informal sector operators, commonly street vendors, will be gainfully employed as they offer sub-vending services on the understanding that they will retain higher margins and therefore earn more.



## Customer Service

BotswanaPost Customer Service Day has been introduced and will be marked every year across the country to appreciate and educate our customers. We have also introduced a Customer Service Management tool that gives real-time feedback and computes Net Promoter Score (NPS). The pilot is ongoing at selected branches, with the rollout expected to start in the coming financial year. The current NPS score is at 79%.

BotswanaPost has had good reviews from Consumer Watchdog and members of the public despite the challenging environment in which we operate.

**Service Measurement Tool**
The pilot project was launched in six post offices (Riverwalk, Poso House, Broadhurst, Gaborone Central (CPO), Francistown and Palapye) in September 2017. The tool is designed to get instant feedback from customers as they get service at the post office, with daily performance reports measuring Net Promoter Score and Customer Satisfaction Index. The pilot project delivered the desired results and the tool will be rolled out in 70 more post offices in the coming financial year.

**Customer Service Week**
The inaugural BotswanaPost Customer Service Week was launched in November 2017 to demonstrate our appreciation to our customers, to reaffirm our commitment to service excellence, and to share our newly launched Customer Care Programme, which covers many areas of customer service. Customer Service Week will be observed every year, with the intention to make it bigger and better and to reinforce a culture of service excellence within the entire organisation.

**Customer Education Programme**
Newly launched, this programme is an effective awareness exercise to familiarise the public on how to get full benefit from the operations and services of BotswanaPost. Feedback has been excellent, with customers appreciating issues that were of concern to them. BotswanaPost co-hosted the popular RB 1 Masa-a-Sele radio programme with BURS and the BTV morning show. The programme is designed to enable customers to understand fully the type of service that they are buying when transacting at any post office.

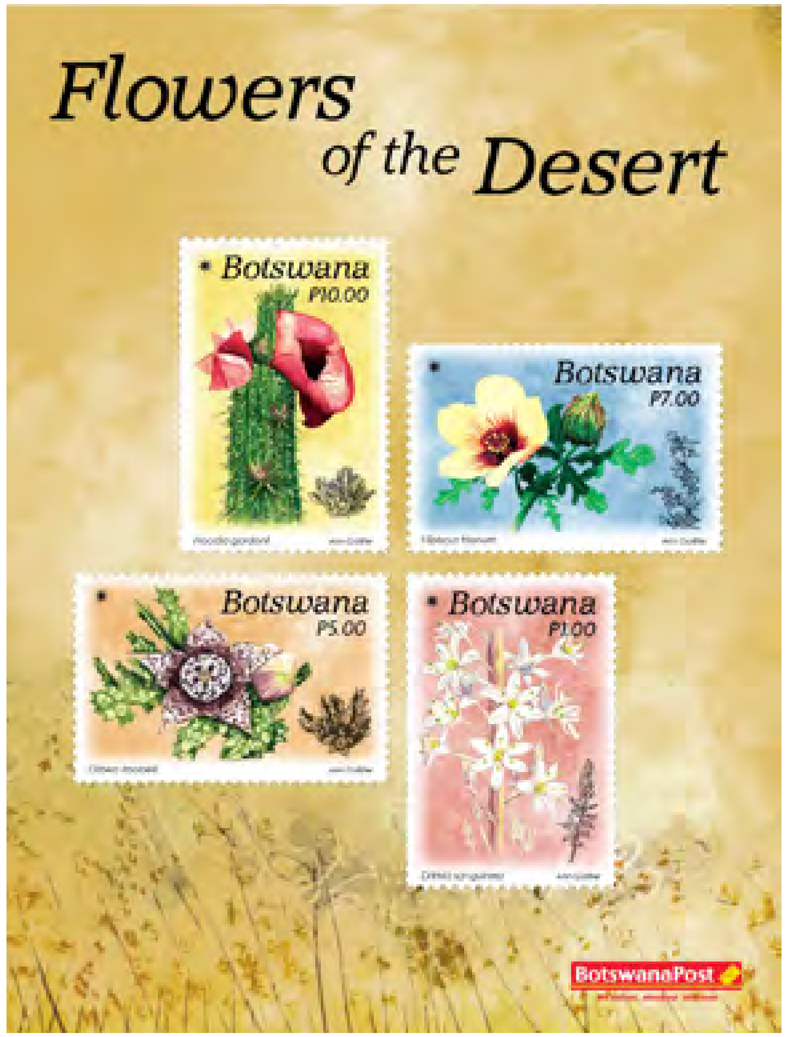
**Know Your Customer**
We resuscitated this initiative to have a close look at our database to improve communication with our customers and to know how they feel about our service. The database will enable us to keep in touch with our customers regularly and to manage our relationship better. This is an ongoing exercise, which we will keep updating annually to always have a relevant and fresh database.

**A Day in the Life**
This initiative sees management posted to different post offices and units to work with staff for a day, to experience their working conditions and to interact with customers. This motivates staff, who see that management appreciate the issues they face and are able to address them. It also results in good customer service.

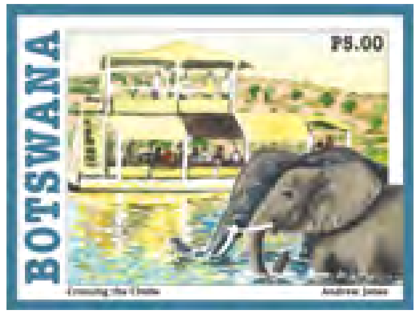
**Service Protocols**
This initiative was introduced and rolled out to standardise telephone, reception and elevator etiquette to give the customer a good service experience. The objective is to instill the desired service culture across the organisation.

## Philately

There were four special stamp issues during the year:
- **Netball World Youth Cup** – held for the first time in Africa, and the first time that Botswana has hosted a world cup tournament. A special post office was set up at the venue and was well used. The stamp was released in May 2017.








- **The Bustards** – the second in the Endangered Birds series that was launched in 2015 with the 'Save Botswana's Vultures' stamp issue. The series is designed to raise awareness of threatened bird species and to promote conservation. The Bustards stamp was released in August 2017.

- **Crossing Rivers** – depicting the beauty of Botswana's rivers and wildlife, to stimulate interest in the country and promote tourism. The special stamps were issued in October 2017.

- **Flowers of the Desert** – issued to celebrate Christmas and featuring the unique and beautiful flowers indigenous to the Kgalagadi.

## Events

BotswanaPost is closely involved in the communities in which it operates and was an active participant at the following special events through the year:

- **World Telecommunications and Information Society Day** – an international event to heighten awareness and broaden knowledge of the use of information and communication technologies to benefit societies and economies and bridge the 'digital divide'.

- **Business Botswana Northern Trade Fair** – an important annual expo in Francistown to showcase products and service offerings in the north of the country, and to encourage public and private sector dialogue.

- **Ghanzi Agricultural Show** – a rural platform that is gaining in popularity for participants and the public. It is not confined to agriculture and increasingly attracts exhibitors from other business sectors to show their products and services.

- **Consumer Fair** – BotswanaPost makes a good habit of being well visible at this busy annual expo, showcasing its products and services and interacting with the public. The BotswanaPost stand featured a 'live' post office which was well used and helped win the award for best exhibitor in the parastatals category.

- **World Post Day** – marked this year in Seronga under the auspices of the Department of Telecommunications and Postal Services, it was also the important occasion for BotswanaPost to officially hand over Seronga Post Office, a facility that the local community had requested so as to avoid having to travel to Shakawe to access postal services. So badly did they want a post office that the community used their trust to invest in securing land for the project.

- **Banking and Wealth Expo** – BotswanaPost took part for the first time in this event hosted by the Bankers Association of Botswana. The expo brought together financial service providers, policy makers and the public under the theme 'Bridging the inclusion gap through financial literacy'. BotswanaPost used the platform to create awareness of its financial service product offering – International Financial System (IFS) Money Order – which caters for both local and international customers.

## Future Outlook

As part of the preparation to disrupt the market on electronic payment services, especially mobile wallets, we managed to get approval from Bank of Botswana for the rollout of Mobile Money that is not MNO specific. Complementary to the mobile money service BotswanaPost also obtained approval for the rollout of:

- Virtual teller machines
- Social services payment services
- Mobile wallet and payments.

# OPERATIONS & TECHNOLOGY **REVIEW**

The mandate of Mail Operations is to manage BotswanaPost mail processing, printing and production within set standards. The department plays a pivotal role as an enabler of mail business growth and service inclusion through the Universal Service Obligation. As a member of the Universal Postal Union (UPU), BotswanaPost strives to continuously improve its mail processes to meet standards through effective productivity and efficient workflows.

The productivity of sorting staff has continued to show good results because of the planning process for daily routines. Initiatives were also put in place to address challenges shown by the decline in end-to-end operations standards. The following initiatives were undertaken in the year:

**Customs Clearing**

Botswana Unified Revenue Service (BURS) introduced a new customs clearing system for imports and exports called Customs Management System (CMS). The system was interfaced with the International Postal System (IPS) application to help streamline customs clearance by allowing BotswanaPost and BURS to exchange data in advance and calculate required duties and taxes. This interface was developed internally within BotswanaPost and it has helped automate the current manual process of sending postal/courier information to Customs. The objective of the BotswanaPost interface with the BURS CMS system was to automate the process of postal declaration creation.

Completion of the interface required BotswanaPost to set up an in-house clearing capability to replace the clearing that was previously performed by BURS. Since in-house clearing started in the last quarter of the previous plan period, 22 653 mail items have been cleared through the new system. This translates to about P2 million collected on mail imports on behalf of BURS.

**Mail Operations Improvements**

The Operations department embarked on projects to improve mail performance. The issue of compliance with the process of recording mail events at offices was attended to through abolition

**Thato Kewakae**
Chief Operations Officer

> ***The productivity of sorting staff has continued to show good results*** because of the planning process for daily routines.

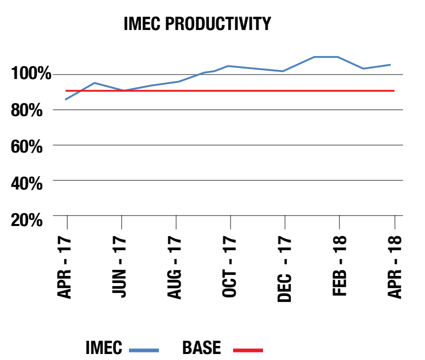
of some manual processes and replacing them with automated processes at delivery offices. This was carried out under a project codenamed 'Pusha Lekwalo'. The result of this initiative was better visibility of controlled (trackable) mail and the exercise is ongoing to close identified gaps.

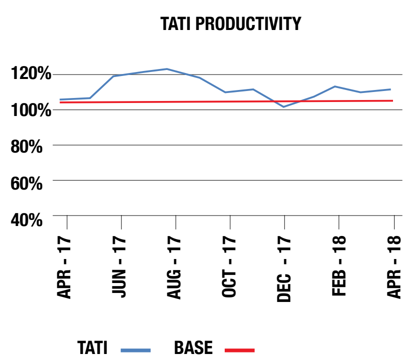
A team of UPU experts visited BotswanaPost to carry out a review of the department and identify areas for improvement in the mail process. The results were generally positive and the gaps that were identified have been addressed. These include the mapping of processes, making improvements on the transport leg (particularly Leg 2 between the originating and destination offices of mail exchange) in different countries and customs/postal relationship improvements.

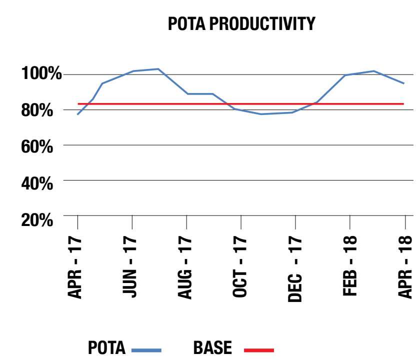
All mail processes have been mapped to make process compliance by employees easier, and as a result the productivity rate is at an average of 95%.

In an effort to improve outbound transportation (Leg 2) and reduce dependence on a single route, new routes have been identified through signing a transportation service level agreement (SLA) with Ethiopian Airlines. Some other alternatives are under discussion. These initiatives will help in shortening outbound transport lead-time.

The department also proposed a streamlined structure to align it to the BotswanaPost Value Centre Model. The new structure augments value centres' capability of efficient mail performance. This initiative will help increase mail performance accountability, increased mail traceability, reduced customer complaints as well as timely response to customer queries, and general value centre efficiency regarding mail related issues.




# OPERATIONS & TECHNOLOGY **REVIEW**

**Hybrid Mail**

The hybrid mail unit is responsible for converting electronic billing information into printed customer hard copy bills so that they can be mailed to their different destinations. Physical improvements were made in the hybrid mail processing centre. These upgrades included works on the electrical supply of the centre and the acquisition of newer printing equipment. This has not only allowed customers to be served better but it has prepared BotswanaPost to grow this mode of business. It is also worth noting that hybrid is continuously exploring other optimization opportunities to be pioneers in the printing business and ensure that it is a turnkey hybrid centre with the latest software in printing and mailing equipment. This includes mail integrity, track and trace of all mail with flexible architecture that is capable of adapting to the customers' specific mailing requirements without compromising integrity, quality and performance.

## Operational Readiness for E-Commerce

BotswanaPost is a participant in the international project facilitated by the Universal Postal Union named Operational Readiness for E-Commerce (ORE). The aim of this project is to ensure that postal operators streamline their processes, systems, logistics and transport in order to become a formidable force in the e-commerce space. The world has evolved from traditional trade practices to modern electronic trade facilitation due to digital global connectivity, global demand for goods and services, and supply chain modernization. This has led to the advent of e-commerce, which has revolutionized business transactions. Designated operators in the postal sector have been central in trade facilitation and therefore are not immune to this digital evolution – hence the importance of the postal sector positioning itself in preparation for this commercial phenomenon. The Universal Postal Union has recognised and embraced this commercial product and believes that it is the future of postal transformation. The main pillars of this project are to use the vast international postal network to achieve:

- Supply chain visibility
- Data quality
- Supply chain integration
- End-to-end value chain reliability
- Process improvement

This project will play a key role in stimulating the country's economy through:

- Economic participation (SMMEs, individual entrepreneurs)
- Economic inclusion (remote area dwellers, youth, women)
- Visibility (global network accessibility).

## Security

The Security Unit, which is tasked with the responsibility of providing a safe and secure environment to BotswanaPost, its employees and customers, developed a comprehensive three-year strategy that seeks to guide performance and execution excellence. This security strategy is aimed at addressing the key issues that were identified through the enterprise risk management process. The pillars of the strategy are:

- Operational excellence
- Cost containment to achieve return on investment
- People
- Process efficiency
- Risk management
- Compliance to Universal Postal Union standards
- Intelligence capability.

Noticeable improvement has been realised in the form of a reduction of cash and merchandise losses for the financial year 2017/18 compared to the year before. The International Mail Exchange Centre received an x-ray machine capable of detecting narcotics and explosives. Plans are at an advanced stage to commission this unit, to make BotswanaPost fully compliant with Standard 59 of the Universal Postal Union security guidelines of 2016 and Botswana's Communications Regulatory Authority Act of 2012, especially as it relates to the conveyance of dangerous and harmful substances through our mail.

## Knowledge and Information Management

The Knowledge and Information Management department is mandated to provide effective knowledge and information management services to BotswanaPost, ensuring proper preservation of and access to both structured and unstructured records, and a reliable corporate memory pool for appropriate support to decision making and service delivery to customers. During the year a notable achievement was the review and implementation of the Business Classification System, a system that enhances access and easy retrieval of records for better decision making.

The unit also reviewed the Records Retention and Disposal Programme for financial and accounting related records in an effort to ensure that information management conforms to legislative and regulatory standards. This programme is a tool for managing the process of evaluation and selection of records for preservation or destruction.

## Technology

The Information Technology department continues to strive to ensure security, integrity and availability across all hosted services and applications. In efforts to improve availability the Infrastructure unit has deployed several connectivity technologies to maintain 96% network availability and stability despite power challenges across the country. This includes fibre connectivity, which is significantly more reliable than other technologies. This has also improved the availability of applications, attaining 98% availability on both core and line of business applications due to systems automation and continuous monitoring.

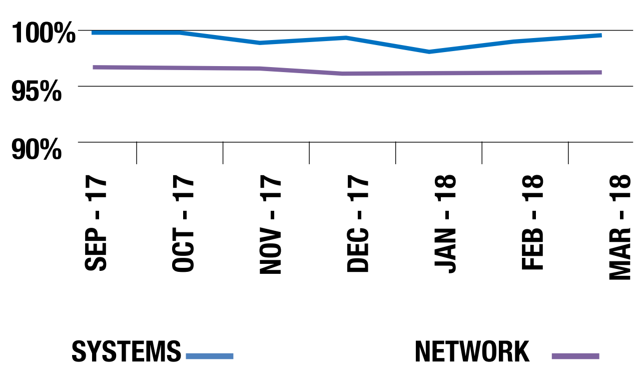
Several initiatives have been taken to reduce operational costs and improve efficiency, such as VoIP and managed printing. New branches such as Bokspits, Seronga, Shoshong, all VC regional offices and all Sefalana kiosks are using VoIP. Implementing this technology resulted in a 30% decrease in telephony costs from the 2016/17 year.

For the existing services, BotswanaPost has re-developed interfaces to improve performance and reporting capabilities. The Botswana Power Corporation prepaid web service was redeveloped in house, and the two insurance service interfaces (Botswana Life and Hollard) were developed and are now online. In addition, development is taking place on the Botswana Tourism levy collections service interface, which it is confidently expected will be completed on schedule.

Cyber security risks have increased due to these ground-breaking developments, and to mitigate these the department has procured and deployed several tools to ensure security visibility, continuous monitoring and active defence.

The Service Desk continues to be a pivotal function, linking the department and internal and external customers, with an impressive 95% customer satisfaction rate.

**SYSTEMS & NETWORK AVAILABILTY**




Another significant development is that a start has been made on implementing Enterprise Resource Planning (ERP) and Counter Automation Systems, expected to be successfully completed within the planned 12 months and on budget.



# OPERATIONS & TECHNOLOGY **REVIEW**

Plans have also been made to restructure the data centre to ensure better system availability in the coming year.

Over the past months, the department has introduced several innovative and exciting online services, including the e-Services and e-Commerce platforms, to improve delivery for various BotswanaPost services.

BotswanaPost realised increasing use of services that are offered online in the past year. Some of the popular online services include the renewal of postal boxes and vehicle licences as well as bill payments.

One of the notable innovative developments was the introduction of a vendor channel where merchants can use sms self-service to purchase products such as electricity and airtime for resale. The number of these online transactions is growing at a steady rate.

# HUMAN CAPITAL AND SKILLS DEVELOPMENT **REVIEW**

‘Engagement’ is a well-used word at BotswanaPost. Employee engagement – the personal deep connection of members of staff, individually and collectively, with the organisation – is at the very heart of who we are and how we do things. Attracting, developing, retaining and rewarding employees in all capacities is the challenging mandate and mission of the Human Capital function.

Employee engagement for efficiency, effectiveness and productivity is a central theme in the BotswanaPost Turnaround Strategy, reflecting the vital role that it plays in the organisation’s day to day operations.

Employee engagement is pivotal to the achievements that have been made by BotswanaPost in terms of improved productivity, cost structure, cost to income ratio and revenue per labour cost.

The 2017-18 financial year was a satisfying, encouraging, ‘more-of-the-same’ sort of year as we built steadily on the solid platform laid in the previous year, which was the first of the three-year Turnaround Strategy. With our commitment to transform, diversify and innovate, we focused during the year on our greatest asset – our employees – to maximize operational efficiency and effectiveness, and so drive Innovative Excellence.

In line with our strategic objective of a high performance culture, Human Capital focused on four key themes:

- Improving revenue per labour cost
- Improving human capital service delivery
- Building a high performance culture
- Improving employee efficiency and effectiveness

## Improving Revenue Per Labour Cost

**Improving the Cost Structure**
We are committed to developing an organisation that is ‘Fit to Serve and Fit for Growth’. A key fundamental to achieving this is to improve the cost structure by improving revenue per labour cost.

**Bonang Seame**
Chief Human Capital Officer

> ***“Employee engagement is pivotal to the achievements that have been made by BotswanaPost in terms of improved productivity,*** cost structure, cost to income ratio and revenue per labour cost.”

# HUMAN CAPITAL AND SKILLS DEVELOPMENT **REVIEW**

During the year significant savings were realised in staff operational expenditure. This came about as a deliberate cost saving as we postponed our annual #SMOVE staff get-together. Other cost savings of 10% were realised from commission income received from third parties, recruitment freeze, training levy recoveries, staff rental recoveries and industrial relations recoveries.

**Overtime Management**
As a corporate citizen BotswanaPost takes the welfare of staff as one of its top priorities. We make every effort to plan and execute work within normal working hours, restricting overtime wherever possible to emergency work or planned work that cannot be carried out during normal hours.

We do this recognising that our Values must reflect in the way work is planned and executed. Our response to the call of duty is demonstrated by our shared commitment to innovative excellence. The management of overtime is characterized by integrity, mutual tolerance and humility and a desire for service excellence, with due regard to good labour practice.

**Leave Management**
In line with our strategic objective to drive a healthy, productive and high performance workforce, while improving our operational cost, we are committed to creating an organisation centred on staff who are 'fit to serve' and 'fit to grow'.

Building on the previous financial year, we continued to strive to encourage and empower staff to manage their wellbeing and welfare, with the goal of attaining a work-life balance and sustained performance. We do this by ensuring that annual leave plans are in place and executed to remain within limits in terms of the Employment Act and reducing costs associated with large leave balances.

## Improving Human Capital Service Delivery

**Access to Human Capital Information**
In the spirit of openness and teamwork, information on Human Capital is made available to all members of staff. As we continue to review our policies, processes and procedures, updates are loaded onto the intranet and can be accessed at any time. We also try to ensure that our customers are made aware of these policies, for the execution of their mandates and compliance. We will continue to improve access to information by our employees to promote efficiency and operational effectiveness.

**Improving Employee Satisfaction**
Our employees are of course our greatest asset and we strive to create an attractive Company to work for – built on harmonious, credible relationships and trust. For a worthwhile customer experience, we continue to engage our staff to get feedback through what we term 'Your Say is Important! or loosely translated 'Bua Maikutlo a Gago! To achieve this we conducted an Employee Climate Survey which recorded a response rate of 67.6% against a target of 50% and an Employee Satisfaction Rate of 3.27 against a 3.7 benchmark. A Net Promoter Score of 89.69% was achieved in the survey and we are certainly proud of this milestone.

## Building a High Performance Culture

**Performance Management and Systems for Managing**
BotswanaPost is passionate about nurturing a high performance culture and this has been our top priority over the past years to support staff transformation.

We continue to enhance our performance management tools in an effort to accurately measure how we do things. In the year under review 92% of staff were trained in Performance Management and Systems for Managing, and we are confident that they now have a good understanding of these important concepts (noting as we do the famous dictum of the American management guru Peter Drucker that 'you cannot manage what you cannot measure').

## Improving Employee Efficiency And Effectiveness

**Implementation of Change Management Plan**
Learning is growth – and we never stop learning at BotswanaPost. To this end, Human Capital conducted several training courses as part of ensuring that skills match roles for employee performance and effectiveness. The training covered employees across the organisation and included employee engagement workshops, service excellence, Riposte postal software induction, mail processing, competency based interview, labour relations, Microsoft Office, Master Manager and anti-money laundering.

This demonstrates that we are committed to learning and development to equip staff with necessary soft skills for enhanced productivity and improved morale.

## Human Capital Highlights

Human Capital achieved some notable milestones during the year that were worth celebrating, including:

**Audit**
We conducted an audit on relationship management and the outcome showed no material findings. We are excited about this achievement as it shows that Human Capital continues to maintain sound internal controls and adherence to compliance with the policies and statutory requirements. This high score was the result of Human Capital continuing to reflect on the way we do things.

**Customer Complaints**
Service delivery and turnaround times improved during the year, reflecting our commitment to service standards. This has contributed significantly to improved customer satisfaction.

**Employee Engagement – 'Free to Grow'**
BotswanaPost is passionate about the engagement of its workforce. The Company has embarked on equipping its leaders with skills to inspire, lead and engage. We continue on this journey, engaging the hearts and minds of the wider workforce.

A total of 245 supervisory and managerial employees have so far been taken through the 'Free to Grow' engagement programme. The objectives of the programme include the two pathways to full engagement – emotional and rational – and why both are needed to ensure a high engagement culture and to understand the roles of the various leadership levels in building a high engagement culture.

The benefits of the programme were discussed through a 4Cs model:

**Credibility –** To help leaders understand what impact their credibility has in the eyes of their team members and how they should walk the employee-engagement talk using the credibility model.

**Connection –** To develop a strong connection with individual team members, applying the SCARF model (status, certainty, autonomy, relatedness, fairness). This involves building strong connections between team members, linking them to a common purpose, facilitating dialogue between them and creating a fun working environment – connecting the team to their work and the organisation, shortening the line of sight between their work and the organisation's needs to make their work more meaningful, and deploying six approaches to help them continuously learn and grow.

**Contribution –** Acquire the skills to use the elements of the formula (Strengths, Ability, Opportunity, Motivation and Constraints) to enhance individual and team contributions. Take developmental feedback to a higher level to turn it into a tool for growth. Explore the role of recognition to sustain positive contributions, compare various forms of recognition and learn to apply personal recognition in a way that is meaningful and impactful.




# HUMAN CAPITAL AND SKILLS DEVELOPMENT **REVIEW**

**Communication –** Apply the 4Is engaging communication model to their communication, to enhance intimacy, interactivity, inclusion and intentionality. Practice the art of conversation, learn to conduct seven conversations with your team to meet both their needs and that of the organisation.

**Visibility Felt Leadership**

Senior executives of BotswanaPost, led by the Chief Executive Officer, visited staff across branches at their workplaces to discuss informally and frankly the challenges that they experience in their day-to-day work. The tour made an impact in improving employee engagement and morale, with staff appreciating that they are seen as valued members of the organisation. The exercise was also a valuable experience for the executive visitors, giving them a first-hand insight into the operations and working conditions of staff in the branches.

# CORPORATE SOCIAL RESPONSIBILITY **REVIEW**

BotswanaPost is unique in being an essential service provider that operates throughout the country, from busy city to remote village.

As such, the Company is closely involved in the communities in which it lives and works, and is intimately familiar with their needs.

BotswanaPost is keenly mindful of its corporate social responsibilities, and through the BotswanaPost Foundation reaches out a helping hand to needy individuals and communities with a wide-ranging programme of support aimed primarily at:

- Primary, secondary and tertiary education
- Community welfare and development
- Arts and culture
- Development of Information and Communications Technology
- Youth development and empowerment
- Environmental issues

The BotswanaPost Foundation, formed in 2011, raises funds for its social investment mandate through different initiatives.

A central feature of the Foundation's support initiatives is the active involvement of BotswanaPost staff, who readily volunteer their time, resources and energies in helping to undertake community projects. Staff volunteers carry out fundraising activities for particular projects. The Foundation also works with stakeholders to identify and address community needs.

In the coming financial year (2018/19), the Foundation will step up its activities in implementing its new strategic plan. This will involve more diversified fundraising initiatives and align the Foundation's mandate with BotswanaPost's current Corporate Strategy, with Vision 2036 and National Development Plan 11.

During the year under review, BotswanaPost as an organisation and through the BotswanaPost Foundation carried out a range of community projects including:

# CORPORATE SOCIAL RESPONSIBILITY **REVIEW**

### Maaloso-A-Ngwana Ward, Mmaphashalala

In partnership with the Office of the President, BotswanaPost built a shelter (leobo la kgotla) for Maaloso-A-Ngwana Ward in Mmaphashalala. This project was initiated when the ward headman appealed to former President Ian Khama for help, because it was difficult for the ward members to carry out their duties outdoors when weather conditions are harsh. The shelter was built at a cost of more than P76 000.

### Mookane Day Care Centre, Mookane

Through the Ministry of Transport and Communications Community Service Day initiative, BotswanaPost identified Mookane Day Care Centre as their beneficiary. The centre was refurbished, including furniture and bedding for the sick bay, toys, stationery and furniture for the children and the teaching staff.

### Masunga Community

World Telecommunications and Information Society Day was held in Masunga. All corporate stakeholders who took part in the event were asked to donate IT equipment to a pool of donations which were then shared among the needs of the hosting community by the Ministry of Transport and Communications, the event coordinator. BotswanaPost donated a flat screen television set and two projectors.

### Molefhi Secondary School Girls

Girl students were given sanitary towels from BotswanaPost Foundation South Committee. On the day of the donation. BotswanaPost employees joined forces with the students and went on a litter picking exercise around the school.

### Taung Village

BotswanaPost Foundation South Committee employees bought stationery and donated it to the residents of Taung at the village kgotla.

### Ngwatle Settlement

Through its partnership with Hukuntsi Social and Community Development Office and the Department of Education, BotswanaPost Foundation South Committee employees gave food hampers, toiletries, clothing, shoes and stationery to some residents of Ngwatle settlement, about 85km from Hukuntsi. The team also identified other needs in the area, such as pupils who have no shoes at all. The committee is working on meeting these needs.

### Children's Ark Pre-School, Kazungula

The North Value Centre committee gave the children mattresses and classroom furniture, and North Value Centre employees added swings, toys and stationery.

### Mother Pontsho Foundation, Mmopane

BotswanaPost Foundation Gaborone Committee staff gave food and toiletries valued at P18 000 to Mother Pontsho Foundation in Mmopane, a welcome gift just before Christmas.

# C SUITE

1.
Cornelius Ramatlhakwane
Chief Executive Officer

2.
Ofentse Mabote
Chief Financial Officer

3.
Dzuke Baliki
Company Secretary

4.
Clifford Lekoko
Chief Commercial Officer

5.
Thato Kewakae
Chief Operations Officer

6.
Bonang Seame
Chief Human Capital Officer

7.
Bothepha Kgosidiile
(A) Head of Internal Audit & Risk


BotswanaPost
We deliver, whatever wherever

# ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2018

## GENERAL INFORMATION

**Country of incorporation and domicile**

Botswana

**Nature of business and principal activities**

Postal Services

**Members of the Board**

| | |
|---|---|
| Polokoetsile Pedro Motau | (Board Chairman) |
| Ntoti Mosetlhe | |
| Colleen Motswaiso | |
| Boiki Tema | |
| Thabane Ndlovu | |
| Cornelius Ramatlhakwane | (Chief Executive Officer) |
| Christopher Mokgware | (Resigned 31 March 2018) |
| Gontse Kgosiemang | (Resigned 20 July 2017) |
| Tabuya Tau | (Appointed 01 April 2018) |
| Paul More | (Appointed 01 April 2018) |

**Registered office**

Plot 50370
Acumen Park Fairgrounds
Gaborone, Botswana

**Business address**

Poso House
Plot 53952, Khama Crescent
Government Enclave,
Gaborone, Botswana

**Postal address**

P O Box 100
Gaborone, Botswana

**Bankers**

Barclays Bank of Botswana
First National Bank of Botswana
Standard Chartered Bank of Botswana
Stanbic Bank Botswana
Banc ABC
Botswana Savings Bank

**Auditors**

Grant Thornton
Chartered Accountants
Member firm of Grant Thornton International Ltd

**Secretary**

R K Accountants (Proprietary) Limited

**Company registration number**

CO2015/12389

**Functional currency**

Botswana Pula “P”

**Date of incorporation**

5 August 2015

**Ministry**

Ministry of Transport and Communications





## BOARD OF MANAGEMENT RESPONSIBILITIES AND APPROVAL

The Board of Directors are required in terms of the Companies Act (CAP 42:02) to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the Company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Board of Directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Company and place considerable importance on maintaining a strong control environment. To enable the Board of Directors to meet these responsibilities, the Board of Directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Company and all employees are required to maintain the highest ethical standards in ensuring the Company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Company is on identifying, assessing, managing and monitoring all known forms of risk across the Company. While operating risk cannot be fully eliminated, the Company endeavors to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Board of Directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Board of Directors have reviewed the Company's cash flow forecast for the year to 31 March 2019 and, in light of this review and the current financial position, they are satisfied that the Company has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the Company's annual financial statements. The annual financial statements have been examined by the Company's external auditors and their report is presented on pages 58 to 61.

The annual financial statements set out on pages 62 to 110, which have been prepared on the going concern basis, were approved by the Board of Management on **28 June 2018** and were signed on their behalf by:

Approval of financial statements

| | | |
|---|---|---|
| P.P. Motau | C. Motswaiso | C. Ramatlhakwane |
| Chairman | Finance, Audit and Risk Committee Chairman | Chief Executive Officer |

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**Chartered Accountants**

**Grant Thornton**
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F +267 397 2357
linkedin.com/Company/Grant-Thornton-Botswona
twitter.com/GrantThorntonBW

## INDEPENDENT AUDITOR'S REPORT

To the shareholders of Botswana Postal Services Limited

**Opinion**

We have audited the annual financial statements of Botswana Postal Services Limited set out on pages 62 to 110, which comprise the statement of Financial Position as at 31 March 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the Financial Statements, including a summary of significant accounting policies.

In our opinion, the annual financial Statements give a true and fair view of, the financial position of Botswana Postal Services Limited as at 31 March 2018, and its financial performance and 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Annual Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B) (IESBA Code) and other independence requirements applicable to performing audits of financial statements in Botswana. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in Botswana. 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 annual financial Statements of the current period. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, and the report below is not intended to constitute separate opinions on those key audit matters.

GRANT THORNTON CHARTERED ACCOUNTANTS GABORONE





## INDEPENDENT AUDITOR'S REPORT (CONT.)

| Key audit matter | How the matter was addressed in our audit |
|---|---|
| **Revenue recognition and impairment of trade and other receivables**<br>The revenue recognition criteria carries an inherent risk of being inappropriately accounted by management, thus it has been identified as an area of higher assessed risk of material misstatement.<br><br>Revenue from rendering of services is recognized when all the following conditions have been satisfied:<br><br>• the amount of revenue can be measured reliably;<br>• it is probable that the economic benefits will flow to the Company;<br>• the stage of completion at the statement of financial position date can be measured reliably; and<br>• the costs incurred, or to be incurred, in respect of the transaction<br>• can be measured reliably.<br><br>When the above criteria are not met, revenue arising from the rendering of services should be recognized only to the extent of the expenses recognized that are recoverable (a "cost-recovery approach".<br><br>Further, considering that recording of revenue involves more than one accounting IT application, "revenue transactions not recorded" has been flagged as a significant risk and thus the matter has been considered key to this audit.<br><br>The trade and other receivables impairment provision inherently contains a significant amount of estimation uncertainty as significant judgement is required of management regarding the inputs into the calculation. As a result, the impairment provision was considered a significant risk in our audit. | Our audit procedures included:<br>• Testing of the appropriateness of the application of the revenue recognition criteria in line with the requirements of International Accounting Standard 18: Revenue for all significant revenue streams.<br>• We sampled transactions and verified that the revenue recognition criteria is being properly applied.<br>• We obtained an understanding of controls surrounding recording of revenue from the sub systems into the general ledger.<br>• We obtained a listing of revenue from the sub system and compared to the revenue recorded in the general ledger for each revenue stream considered to be significant.<br>• We obtained an invoice listing per revenue stream and tested for gaps and duplicates in the same.<br>• We considered the appropriateness of adopted accounting policies and assessed the impairment methodologies applied, and compared these to the requirements of the International Financial Reporting Standards,<br>• We obtained an understanding and tested the relevant controls over the impairment process. Our testing included testing of debtors aging listing obtained from the system.<br>• Developed an independent estimate of the allowance for impairment of trade and other receivables and compared with the amounts provided for in the financial statements,<br>• We tested for subsequent receipts for certain trade and other receivables. |
| **Inventory**<br>The operations of the Company are supported by significant expenditure and hence compliance with the procurement policies and procedures is key. We considered fraud perpetrated through vendor payments as a significant risk. Thus the matter has been considered to be key to the audit. | Our audit procedures included:<br>• Obtaining an understanding of and testing the relevant controls surrounding procurement process of the Company and compliance to procurement policies.<br>• We verified that the purchases were appropriately authorized as per the Company's authorization matrix.<br>• We obtained the accounts payables subsidiary ledger, sorted the file by vendor and invoice number, tested the ageing of accounts payable and checked invoices with entries from unusual sources and invoices from the same vendor with sequential invoice numbers.<br>• We tested vendor Masterfile from the Company's financial accounting application for duplicate vendor accounts.<br>• Attended inventory counts at year end for physical verification of inventory.<br>• Tested the purchases to supporting documentation and performed appropriate analytics. |

GRANT THORNTON CHARTERED ACCOUNTANTS GABORONE

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## INDEPENDENT AUDITOR'S REPORT (CONT.)

| | |
|---|---|
| **Employee compensation**<br>Labour activities form an integral part of the Company's operations and the related costs are susceptible to fraud through payments to fictitious employees, resultantly the matter has been identified as a significant audit matter. | Our audit procedures included:<br>• We obtained an understanding of and tested the relevant controls in relation to payroll costs with emphasis placed on payments made to casual labour.<br>• We also analysed the payroll data from the Company's system using our data analysis tool, with the intention of identifying duplicate bank accounts, as well as identifying employees without email addresses or not subjected to withholding tax deduction.<br>• Further, we obtained a listing of casual labour payments made throughout the year and sampled casual/ temporary workers from different Post Offices. For the sampled employees, we obtained supporting documentation and or time sheets for the wages paid and determined whether the casual and temporary employees were hired and paid in accordance with the Company policy. |
| **Cash and cash equivalents**<br>The Company has significant cash and cash equivalent balances due to cash held in various Post Offices for operations. We considered the existence of cash as a significant risk. | Our audit procedures included:<br>• We obtained an understanding of and tested the relevant controls in place to safeguard cash and cash equivalents. This was done mainly through physical verification of cash on hand balances at year end and surprise cash counts for certain Post Offices sampled.<br>• We also tested compliance with the Company policy on holding of cash balances with respect to limit matrix.<br>• We confirmed all bank balances with the relevant financial institutions. |

**Responsibilities of the directors for the Annual Financial Statements**

The directors are responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Annual Financial Statements, the directors are responsible for assessing 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 Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

**Auditor's responsibilities for the audit of the Annual Financial Statements**

Our objectives are to obtain reasonable assurance about whether the 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 International Standards on Auditing 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 on the basis of these annual financial statements.

GRANT THORNTON CHARTERED ACCOUNTANTS GABORONE



ANNUAL FINANCIAL **STATEMENTS**
for the year ended 31 March 2018

## INDEPENDENT AUDITOR'S REPORT (CONT.)

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial s tatements, 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 Company's internal control.
- 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 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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current year 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.

GRANT THORNTON
Chartered Accountants
Aswin Vaidyanathan
Certified Auditor: Memb No: 19980110
Certified Auditor of Public Interest Entity: Certificate No : CAP 0016 2018

28 JUN 2018
Gaborone

## for the year ended 31 March 2018

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| Figures in Pula | Note | 2018 | 2017 |
|---|---|---|---|
| Revenue | 3 | 260 172 382 | 250 631 922 |
| Cost of sales | 4 | (170 266 409) | (178 028 485) |
| **Gross profit** | | **89 905 973** | **72 603 437** |
| Other operating income | 5 | 50 679 218 | 41 136 227 |
| Other operating losses | 6 | (2 551 619) | (1 149 098) |
| Administrative expenses | | (117 309 408) | (125 207 440) |
| Other operating expenses | | (312 352) | 1 014 562 |
| **Operating profit (loss)** | **7** | **20 411 812** | **(11 602 312)** |
| Finance income | 8 | 509 224 | 721 102 |
| Finance costs | 9 | (16 803 465) | (15 023 252) |
| Restructuring Costs | | - | 12 908 785 |
| **Profit (loss) before taxation** | | **4 117 571** | **(12 995 677)** |
| Taxation | 10 | (1 004 833) | 5 103 918 |
| **Profit (loss) for the year** | | **3 112 738** | **(7 891 759)** |
| **Other comprehensive income:** | | | |
| **Items that will not be reclassified to profit or loss:** | | | |
| Gains on property revaluation | | - | 43 807 921 |
| **Other comprehensive income for the year net of taxation** | | **-** | **43 807 921** |
| **Total comprehensive income (loss) for the year** | | **3 112 738** | **35 916 162** |





## STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

| Figures in Pula | Note | 2018 | 2017 | 2016 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Non-Current Assets** | | | | |
| Property, plant and equipment | 11 | 355 446 595 | 349 127 724 | 301 150 778 |
| Intangible assets | 12 | 532 130 | 3 484 358 | 4 781 049 |
| Deferred tax | 13 | 4 099 085 | 5 103 918 | - |
| | | **360 077 810** | **357 716 000** | **305 931 827** |
| **Current Assets** | | | | |
| Inventories | 14 | 5 140 922 | 8 559 179 | 11 653 384 |
| Trade and other receivables | 15 | 85 713 799 | 140 063 751 | 97 993 472 |
| Cash and cash equivalents | 16 | 108 890 081 | 37 350 243 | 74 083 513 |
| | | **199 744 802** | **185 973 173** | **183 730 369** |
| **Total Assets** | | **559 822 612** | **543 689 173** | **489 662 196** |
| **Equity and Liabilities** | | | | |
| **Equity** | | | | |
| Stated capital | 17 | 38 431 729 | 38 431 729 | 38 431 729 |
| Revaluation reserve | 18 | 172 650 937 | 172 650 937 | 128 843 016 |
| Other capital reserves | | - | - | 199 761 |
| Accumulated loss | | (118 276 168) | (121 388 906) | (113 497 147) |
| | | **92 806 498** | **89 693 760** | **53 977 359** |
| **Liabilities** | | | | |
| **Non-Current Liabilities** | | | | |
| Interest bearing loans and borrowings | 19 | 176 322 946 | 185 399 916 | 182 442 092 |
| Amortisation of government grants | 20 | 38 700 421 | 39 459 592 | 33 944 922 |
| | | **215 023 367** | **224 859 508** | **216 387 014** |
| **Current Liabilities** | | | | |
| Trade and other payables | 21 | 228 019 119 | 216 063 955 | 215 422 895 |
| Interest bearing loans and borrowings | 19 | 7 711 745 | 4 163 546 | 3 603 238 |
| Amortisation of government grants | 20 | 742 665 | 742 665 | - |
| Bank overdraft | 16 | 15 519 218 | 8 165 739 | 271 690 |
| | | **251 992 747** | **229 135 905** | **219 297 823** |
| **Total Liabilities** | | **467 016 114** | **453 995 413** | **435 684 837** |
| **Total Equity and Liabilities** | | **559 822 612** | **543 689 173** | **489 662 196** |

## STATEMENT OF CHANGES IN EQUITY

| Figures in Pula | Stated capital | Revaluation Reserve | Other capital reserve | Total reserve | Accumulated loss | Total equity |
|---|---|---|---|---|---|---|
| **Balance at 01 April 2016** | **38 431 729** | **128 843 016** | **199 761** | **129 042 777** | **(113 497 147)** | **53 977 359** |
| Loss for the year | - | - | - | - | (7 891 759) | (7 891 759) |
| Other comprehensive income | - | 43 807 921 | - | 43 807 921 | - | 43 807 921 |
| **Total comprehensive Loss for the year** | **-** | **43 807 921** | **-** | **43 807 921** | **(7 891 759)** | **35 916 162** |
| Replacement of reserve | - | - | (199 761) | (199 761) | - | (199 761) |
| **Total contributions by and distributions to owners of Company recognised directly in equity** | **-** | **-** | **(199 761)** | **(199 761)** | **-** | **(199 761)** |
| **Balance at 01 April 2017** | **38 431 729** | **172 650 937** | **-** | **172 650 937** | **(121 388 906)** | **89 693 760** |
| Profit for the year | - | - | - | - | 3 112 738 | 3 112 738 |
| **Total comprehensive income for the year** | **-** | **-** | **-** | **-** | **3 112 738** | **3 112 738** |
| **Balance at 31 March 2018** | **38 431 729** | **172 650 937** | **-** | **172 650 937** | **(118 276 168)** | **92 806 498** |
| **Note** | **17** | **18** | | | | |





## STATEMENT OF CASHFLOWS

| Figures in Pula | Note | 2018 | 2017 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from/ (utilised in) operations | 22 | 57 807 496 | (63 037 646) |
| **Net cash from operating activities** | | **57 807 496** | **(63 037 646)** |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | 11 | (16 816 739) | (16 109 901) |
| Loss on sale of property, plant and equipment | | (1 205 423) | - |
| Purchase of other intangible assets | 12 | (112 443) | (137 684) |
| Dividend income | | - | 370 000 |
| Finance income | | 509 224 | 721 102 |
| **Net cash from investing activities** | | **(17 625 381)** | **(15 156 483)** |
| **Cash flows from financing activities** | | | |
| Proceeds from interest bearing loans and borrowings | | - | 7 770 959 |
| Repayment of interest bearing loans and borrowings | | (5 528 771) | (4 252 827) |
| Receipt of government grant | | 46 336 480 | 45 071 930 |
| Finance costs | | (16 803 465) | (15 023 252) |
| **Net cash from financing activities** | | **24 004 244** | **33 566 810** |
| **Total cash and cash equivalents movement for the year** | | **64 186 359** | **(44 627 319)** |
| Cash and cash equivalent at the beginning of the year | | 29 184 504 | 73 811 823 |
| **Total cash and cash equivalents at end of the year** | **16** | **93 370 863** | **29 184 504** |

## ACCOUNTING POLICIES

### 1. Basis of preparation

Annual financial statements have been prepared on a historical cost basis, except for property, plant and equipment that have been measured at revalued amounts and certain financial instruments at fair value, and incorporate the principal accounting policies set out below. The financial statements are presented in Botswana Pula (P).

### 1.1 Translation of foreign currencies

**Foreign currency transactions**
A foreign currency transaction is recorded, on initial recognition in Pula, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Pula by applying to the foreign currency amount the exchange rate between the Pula and the foreign currency at the date of the cash flow.

Transactions with other postal administrators are governed by the Universal Postal Union (UPU) which uses Special Drawing Rights (SDR) as the currency to settle international balances.

### 1.2 Property, plant and equipment

Property, plant and equipment are tangible assets which the Company holds for its own use or for rental to others and which are expected to be used for more than one year.

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the Company, and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate.





## ACCOUNTING POLICIES (cont.)

### 1.2 Property, plant and equipment (continued)

Land and buildings, motor vehicles, furniture and equipment are measured at revalued amounts less accumulated depreciation and impairment losses recognised after the date of revaluation. Revaluations are performed in stages as the operations of the Company are dispersed all over the country.

Revaluations are performed in the following manner:

| | |
|---|---|
| Immovable Assets | 3 years |
| Movable Assets | 2 years |

Any revaluation surplus is credited to the revaluation reserve included in equity in the balance sheet, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement. A revaluation deficit is recognised in the income statement, except to the extent that it offsets an existing surplus on the same asset recognised in the revaluation reserve.

Accumulated depreciation as at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Depreciation is calculated on the depreciable amount on a straight line basis over the useful life of the asset as follows:

| Item | | Average useful life |
|---|---|---|
| Buildings | Straight line | 50 years |
| Furniture and fixtures | Straight line | 3 - 7 years |
| Motor vehicles | Straight line | 5 years |
| IT equipment | Straight line | 3 - 5 years |

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

### 1.3 Intangible assets

Intangible assets consist of purchased software and are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets are amortised over 3 years and assessed for impairment whenever there is an indication of impairment. The amortisation expense on intangible assets is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognised in the income statement when the asset is derecognised.

## ACCOUNTING POLICIES (cont.)

### 1.4 Operating leases

Leases where the Company does not transfer substantially all the risks and benefits of ownership are classified as operating leases.

**Botswana Postal Services Limited as a lessee**
Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term. The difference between the expense determined on a straight line basis and the actual lease payments is recognised as a deferred lease asset or liability in the balance sheet.

**Botswana Postal Services Limited as a lessor**
Operating lease payments received are recognised as rental income in the income statement on a straight line basis over the lease term. The difference between the income determined on a straight line basis and the actual lease payments received is recognised as a deferred lease asset or liability in the balance sheet.

### 1.5 Finance leases

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower at the present value of minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the income statement.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

### 1.6 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### 1.7 Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is purchase cost, determined on a first in first out basis, including transport and handling costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.





## ACCOUNTING POLICIES (cont.)

### 1.8 Government grants

Government grants are recognised when there is reasonable assurance that:
- the Company will comply with the conditions attaching to them; and
- the grants will be received.

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable.

Government grants relating to assets, including non-monetary grants at fair value, are presented in the statement of financial position by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

Grants relating to income are presented as a credit in the profit or loss (separately).

Repayment of a grant relating to income is applied first against any un-amortised deferred credit set up in respect of the grant. To the extent that the repayment exceeds any such deferred credit, or where no deferred credit exists, the repayment is recognised immediately as an expense.

### 1.9 Impairment of assets

The Company assesses at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, an estimate of the recoverable amount is made. An asset's recoverable amount is the higher of the asset's fair value less costs to sell, and its value in use and is determined for an individual asset unless the asset does not generate cash flows that are largely independent of those from other assets or groups of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses are recognised in the income statement in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation surplus was taken to equity. In respect of that asset, the impairment is also recognised in equity up to the amount of any previous revaluation surplus.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

## 1.10 Revenue recognition

Revenue is recognised only when it is probable that the economic benefits associated with the transaction will flow to the Company and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, value added tax or duty. The following specific recognition criteria should also be met before revenue is recognised:

**Box and bag rentals**
These are amounts paid by customers for the rental of private post boxes and bags. Revenue is recognised on an accrual basis over the rented period.

**Mail revenue and bulk mail revenue**
Mail services include both letter and parcel delivery and revenue from these services is recognised upon delivery of the mail or parcel to its destination. Bulk mail is a mail sorting and delivery service offered to customers with large mailing lists such as banks. Revenue from bulk mail services is recognised upon delivery of the mail to its destination.

**Express Mail Service (EMS) revenue**
This is an express courier service and revenue is recognised upon delivery of the parcel to its intended destination.

**Terminal and transit dues**
Terminal dues are amounts due to Botswana Postal Services Limited for mail received from foreign postal administrators whose destination is Botswana. Transit dues are amounts due from international postal administrators for international mail which passes through Botswana Postal Services Limited in transit to its destination out of Botswana. Revenue from terminal and transit dues is recognised once the mail has been delivered to its destination in the case of terminal dues, and once it has been sent off to its next stop with regard to the latter.

**Sale of philatelic products**
Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

**Agency fees and commissions**
Revenue from rendering of agency services is recognised as the services are provided in accordance with the terms of the agency agreement.

**Interest income**
Revenue is recognised as interest accrues (using the effective interest method). Interest income is included in finance revenue in the statement of profit or loss and other comprehensive income.

**Rental income**
Rental income arising from operating leases is accounted for on a straight line basis over the lease terms.

## 1.11 Cash and cash equivalents

Cash and short term deposits in the statement of financial position comprise of cash at banks and on hand and short term deposits with an original maturity of three months or less.





## 1.11 Cash and cash equivalents (continued)

For the purpose of the statement of cash flows, cash and cash equivalents consist of short term deposits, as defined above, net of outstanding bank overdrafts.

## 1.12 Financial assets

**Initial recognition**
Financial assets within the definition of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments available-for-sale financial assets or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

Financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way purchases) are recognised on the trade date, i.e. the date that the Company commits to purchase or sell the asset.

The Company financial assets include cash and short term deposits and trade and other receivables.

**Subsequent measurement**
The subsequent measurement of financial assets depends on their classification as follows:

**Cash and Cash Equivalents**
Cash on hand and cash equivalents are carried at amortised cost. Deposits held on call are classified as loans originated by the Company and carried at amortised cost.

**Trade and other receivables**
These are classified as loans and receivables. Subsequent to initial recognition, trade and other receivables are measured at amortised cost, which approximates the original invoice amount less an allowance for any uncollectable amounts.

## 1.13 Financial liabilities

**Initial recognition**
Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognised initially at fair value and in the case of loans and borrowings, directly attributable transaction costs.

## ACCOUNTING POLICIES (cont.)

### 1.13 Financial liabilities (continued)

The Company's financial liabilities include trade and other payables, bank overdraft and loans and borrowings.

**Subsequent measurement**
The subsequent measurement of financial liabilities depends on their classification as follows:

**Interest bearing loans and borrowings**
After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

**Trade and other payables**
Liabilities for trade and other payables are subsequently measured at amortised cost which is the present value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

**Offsetting of financial instruments**
Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

**Impairment of financial instruments**
The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

**Trade and other receivables**
For amounts due from trade and other receivables carried at amortised cost, the Company first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial that are not individually significant. If the Company determines that no objective evidence of impairment of assets exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss or continues to be recognised, are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognised in profit or loss.





## ACCOUNTING POLICIES (cont.)

### 1.13 Financial liabilities (continued)

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced accordingly. If a future write off is later recovered, the recovery is recognised in the income statement.

### 1.14 Derecognition of financial instruments

The Company derecognises a financial asset when it loses control over the contractual rights that comprise the asset and consequently transfers the substantive risks and benefits associated with the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

### 1.15 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the income statement.

### 1.16 Taxation

**Current tax assets and liabilities**
Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

**Deferred Income Tax**
Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial (other than in a business combination) recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and laws that have been enacted by the balance sheet date.

## ACCOUNTING POLICIES (cont.)

### 1.17 Significant judgements and sources of estimation uncertainty

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The following are critical judgements and estimates that management has made in the process of applying the Company's accounting policies and have the most significant effect on the amounts recognised in the financial statements:

**Key sources of estimation uncertainty**

**Revaluation, useful lives and residual values of property, plant and equipment and useful lives of property, plant and equipment**
The Company engaged independent valuation experts to determine the market values of the revalued assets at 31 March 2017. The results of this valuation exercise were used as the basis for revaluation of the assets. The estimation of the useful life and residual value of an asset is a matter of judgement based on past experience of the Company with similar assets and the intention of management.

**Useful lives of intangible assets**
The estimation of the useful life of an intangible asset is a matter of judgement based on past experience of the Company with similar assets and the intention of management.

**Provisions**
Provisions are inherently based on assumptions and estimates using the best information available.

**Contingent liabilities**
Management applies its judgement to information received from its attorneys and other advisors in assessing if an obligation is probable, more likely than not, or remote. This judgement application is used to determine if the obligation is recognised as a liability or disclosed as a contingent liability.

**Impairment of trade and other receivables**
The Company assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the Company makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from the financial asset.

The impairment (or loss allowance) for trade receivables is calculated on a portfolio basis, except for individually significant trade receivables which are assessed separately. The impairment test on the portfolio is based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio.





## ACCOUNTING POLICIES (cont.)

### 1.17 Significant judgements and sources of estimation uncertainty (continued)

**Impairment of slow moving inventory**
Management assumed inventory that has not moved for a 12 month period to be obsolete and have no value. The basis for the provision raised is the full cost or net realisable value of the product.

**Deferred tax assets**
Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Company recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realise the net deferred tax assets recorded at the balance sheet date could be impacted.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 2. New Standards and Interpretations

### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the Company has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

**Amendments to IAS 7: Disclosure initiative**
The amendment requires entities to provide additional disclosures for changes in liabilities arising from financing activities. Specifically, entities are now required to provide disclosure of the following changes in liabilities arising from financing activities:

- changes from financing cash flows;
- changes arising from obtaining or losing control of subsidiaries or other businesses;
- the effect of changes in foreign exchanges;
- changes in fair values; and
- other changes.

The effective date of the amendment is for years beginning on or after 01 January 2017.

The Company has adopted the amendment for the first time in the 2018 Annual Financial Statements. The impact of the amendment is not material.

**Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses**
In terms of IAS 12 Income Taxes, deferred tax assets are recognised only when it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. The following amendments have been made, which may have an impact on the Company:

If tax law restricts the utilisation of losses to deductions against income of a specific type, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type.

Additional guidelines were prescribed for evaluating whether the Company will have sufficient taxable profit in future periods. The Company is required to compare the deductible temporary differences with future taxable profit that excludes tax deductions resulting from the reversal of those deductible temporary differences. This comparison shows the extent to which the future taxable profit is sufficient for the entity to deduct the amounts resulting from the reversal of those deductible temporary differences.

The amendment also provides that the estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this.

The effective date of the amendment is for years beginning on or after 01 January 2017.

The Company has adopted the amendment for the first time in the 2018 Annual Financial Statements.

The impact of the amendment is not material.





### 2.2 Standards and interpretations not yet effective

The Company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Company's accounting periods beginning on or after 01 April 2018 or later periods:

**IFRS 16 Leases**
IFRS 16 Leases is a new standard which replaces IAS 17 Leases, and introduces a single lessee accounting model. The main changes arising from the issue of IFRS 16 which are likely to impact the Company are as follows:

Company as lessee:

- Lessees are required to recognise a right-of-use asset and a lease liability for all leases, except short term leases or leases where the underlying asset has a low value, which are expensed on a straight line or other systematic basis.
- The cost of the right-of-use asset includes, where appropriate, the initial amount of the lease liability; lease payments made prior to commencement of the lease less incentives received; initial direct costs of the lessee; and an estimate for any provision for dismantling, restoration and removal related to the underlying asset.
- The lease liability takes into consideration, where appropriate, fixed and variable lease payments; residual value guarantees to be made by the lessee; exercise price of purchase options; and payments of penalties for terminating the lease.
- The right-of-use asset is subsequently measured on the cost model at cost less accumulated depreciation and impairment and adjusted for any re-measurement of the lease liability. However, right-of-use assets are measured at fair value when they meet the definition of investment property and all other investment property is accounted for on the fair value model. If a right-of-use asset relates to a class of property, plant and equipment which is measured on the revaluation model, then that right-of-use asset may be measured on the revaluation model.
- The lease liability is subsequently increased by interest, reduced by lease payments and re-measured for reassessments or modifications.
- Re-measurements of lease liabilities are affected against right-of-use assets, unless the assets have been reduced to nil, in which case further adjustments are recognised in profit or loss.
- The lease liability is re-measured by discounting revised payments at a revised rate when there is a change in the lease term or a change in the assessment of an option to purchase the underlying asset.
- The lease liability is re-measured by discounting revised lease payments at the original discount rate when there is a change in the amounts expected to be paid in a residual value guarantee or when there is a change in future payments because of a change in index or rate used to determine those payments.
- Certain lease modifications are accounted for as separate leases. When lease modifications which decrease the scope of the lease are not required to be accounted for as separate leases, then the lessee re-measures the lease liability by decreasing the carrying amount of the right of lease asset to reflect the full or partial termination of the lease. Any gain or loss relating to the full or partial termination of the lease is recognised in profit or loss. For all other lease modifications which are not required to be accounted for as separate leases, the lessee re-measures the lease liability by making a corresponding adjustment to the right-of-use asset.
- Right-of-use assets and lease liabilities should be presented separately from other assets and liabilities. If not, then the line item in which they are included must be disclosed. This does not apply to right-of-use assets meeting the definition of investment property which must be presented within investment property. IFRS 16 contains different disclosure requirements compared to IAS 17 leases.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (cont.)

### 2.2 Standards and interpretations not yet effective (continued)

Company as lessor:

- Accounting for leases by lessors remains similar to the provisions of IAS 17 in that leases are classified as either finance leases or operating leases. Lease classification is reassessed only if there has been a modification.
- A modification is required to be accounted for as a separate lease if it both increases the scope of the lease by adding the right to use one or more underlying assets; and the increase in consideration is commensurate to the stand alone price of the increase in scope.
- If a finance lease is modified, and the modification would not qualify as a separate lease, but the lease would have been an operating lease if the modification was in effect from inception, then the modification is accounted for as a separate lease. In addition, the carrying amount of the underlying asset shall be measured as the net investment in the lease immediately before the effective date of the modification. IFRS 9 is applied to all other modifications not required to be treated as a separate lease.
- Modifications to operating leases are required to be accounted for as new leases from the effective date of the modification. Changes have also been made to the disclosure requirements of leases in the lessor's financial statements.

Sale and leaseback transactions:

- In the event of a sale and leaseback transaction, the requirements of IFRS 15 are applied to consider whether a performance obligation is satisfied to determine whether the transfer of the asset is accounted for as the sale of an asset.
- If the transfer meets the requirements to be recognised as a sale, the seller-lessee must measure the new right-of- use asset at the proportion of the previous carrying amount of the asset that relates to the right-of-use retained. The buyer-lessor accounts for the purchase by applying applicable standards and for the lease by applying IFRS 16.
- If the fair value of consideration for the sale is not equal to the fair value of the asset, then IFRS 16 requires adjustments to be made to the sale proceeds. When the transfer of the asset is not a sale, then the seller-lessee continues to recognise the transferred asset and recognises a financial liability equal to the transfer proceeds. The buyer-lessor recognises a financial asset equal to the transfer proceeds.

The effective date of the standard is for years beginning on or after 01 January 2019.

The Company expects to adopt the standard for the first time in the 2020 annual financial statements.



ANNUAL FINANCIAL **STATEMENTS**
**for the year ended 31 March 2018**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (cont.)

### 2.2 Standards and interpretations not yet effective (continued)

The impact of this standard is currently being assessed.

**Amendments to IFRS 15: Clarifications to IFRS 15 Revenue from Contracts with Customers**
The amendment provides clarification and further guidance regarding certain issues in IFRS 15. These items include guidance in assessing whether promises to transfer goods or services are separately identifiable; guidance regarding agent versus principal considerations; and guidance regarding licenses and royalties.

The effective date of the amendment is for years beginning on or after 01 January 2018.

The Company expects to adopt the amendment for the first time in the 2019 annual financial statements.

It is unlikely that the amendment will have a material impact on the Company's annual financial statements.

**IFRS 9 Financial Instruments**
IFRS 9 issued in November 2009 introduced new requirements for the classification and measurements of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a)impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the outstanding principal are generally measured at amortised cost at the end of subsequent reporting periods. Debt instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on outstanding principal, are measured at FVTOCI. All other debt and equity investments are measured at fair value at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of the liability is presented in other comprehensive income, unless the recognition of the effect of the changes of the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Under IAS 39, the entire amount of the change in fair value of a financial liability designated as at fair value through profit or loss is presented in profit or loss.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (cont.)

**2.2 Standards and interpretations not yet effective (continued)**

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. It is therefore no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principal of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The effective date of the standard is for years beginning on or after 01 January 2018.

The Company expects to adopt the standard for the first time in the 2019 Annual Financial Statements.

It is unlikely that the standard will have a material impact on the Company's Annual Financial Statements.

**IFRS 15 Revenue from Contracts with Customers**
IFRS 15 supersedes IAS 11 Construction contracts; IAS 18 Revenue; IFRIC 13 Customer Loyalty Programmes; IFRIC 15 Agreements for the construction of Real Estate; IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue - Barter Transactions Involving Advertising Services.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation.





## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (cont.)

**2.2 Standards and interpretations not yet effective (continued)**

IFRS 15 also includes extensive new disclosure requirements.

The effective date of the standard is for years beginning on or after 01 January 2018.

The Company expects to adopt the standard for the first time in the 2019 annual financial statements.

It is unlikely that the standard will have a material impact on the Company's annual financial statements.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (cont.)

| Figures in Pula | | 2018 | 2017 |
|---|---|---|---|
| **3.** | **Revenue** | | |
| | Box and bag rentals | 32 349 669 | 29 791 947 |
| | Business services | 12 383 845 | 11 468 025 |
| | Philatelic products | 2 777 859 | 2 211 347 |
| | Money transfer commission | 14 193 470 | 14 603 081 |
| | Operating lease income | 3 907 115 | 3 152 034 |
| | Merchandise | 51 269 816 | 52 995 290 |
| | Mail revenue | 79 311 478 | 78 501 686 |
| | Agency services | 59 684 699 | 52 426 658 |
| | Terminal and transit dues | 4 294 431 | 5 481 854 |
| | | **260 172 382** | **250 631 922** |
| **4.** | **Cost of sales** | | |
| | **Cost of sales** | | |
| | Employee costs | 64 503 862 | 64 154 813 |
| | Depreciation | 568 935 | 1 225 497 |
| | Cost of sales - expenses | 105 193 612 | 112 648 175 |
| | | **170 266 409** | **178 028 485** |
| | **Cost of sales - Employee costs** | | |
| | Employee costs - salaried staff | 64 503 862 | 64 154 813 |
| | **Cost of sales - Depreciation** | | |
| | Property, plant and equipment | 568 935 | 1 225 497 |
| | **Cost of sales - Expenses** | | |
| | Advertisement and promotion | 3 349 104 | 5 266 891 |
| | Airtime expense | 42 585 977 | 43 495 482 |
| | Compensation to customers | 71 689 | 33 141 |
| | Defalcation | (302) | 5 803 |
| | Discount allowed | 5 105 932 | 5 077 162 |
| | Fees paid postal agencies | (600) | (600) |
| | Mail bags and other consumables | 215 174 | 299 562 |
| | Mail conveyance costs | 30 258 968 | 30 698 878 |





## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (cont.)

| Figures in Pula | | 2018 | 2017 |
|---|---|---|---|
| **4.** | **Cost of sales (continued)** | | |
| | Maintenance post boxes | 751 360 | 790 234 |
| | Hybrid production costs | 635 396 | 3 784 488 |
| | Printing of stamps | 588 531 | 888 329 |
| | Staff transport | 475 714 | 543 400 |
| | Stock adjustment | 1 822 462 | 1 874 587 |
| | Technical partner's fees | 19 334 207 | 19 890 818 |
| | | **105 193 612** | **112 648 175** |
| **5.** | **Other operating income** | | |
| | Discount received | 598 003 | 494 690 |
| | Dividend Received | - | 370 000 |
| | Government grants | 759 170 | 742 665 |
| | Newspaper and periodicals registration fees | 67 089 | 40 419 |
| | Staff housing rental recoveries | 360 585 | 174 966 |
| | Sundry income | 2 557 891 | 1 241 557 |
| | USO recovery | 46 336 480 | 38 071 930 |
| | | **50 679 218** | **41 136 227** |
| **6.** | **Other operating losses** | | |
| | **Loss on disposal** | | |
| | Property, plant and equipment | (1 486 483) | - |
| | **Foreign exchange gains (losses)** | | |
| | Net foreign exchange loss | (1 065 136) | (1 149 098) |
| | **Total other operating gains (losses)** | **(2 551 619)** | **(1 149 098)** |
| **7.** | **Operating profit (loss)** | | |
| | Operating profit (loss) for the year is stated after charging (crediting) the following, amongst others: | | |
| | **Auditor's remuneration - external** | | |
| | Audit fees | 237 924 | 255 000 |

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (cont.)

| Figures in Pula | 2018 | 2017 |
|---|---|---|
| **7. Operating profit (loss) (continued)** | | |
| **Employee costs** | | |
| Salaries, wages, bonuses and other benefits | 76 502 723 | 70 167 089 |
| Short term benefit | 30 025 076 | 34 838 370 |
| Retirement benefit plans: defined contribution expense | 9 645 305 | 8 203 861 |
| **Total employee costs** | **116 173 104** | **113 209 320** |
| Less: Employee costs included in cost of sales | (64 503 862) | (64 154 813) |
| **Total employee costs expensed** | **51 669 242** | **49 054 507** |
| **Depreciation and amortisation** | | |
| Depreciation of property, plant and equipment | 10 216 808 | 10 835 597 |
| Amortisation of intangible assets | 1 462 398 | 1 434 376 |
| **Total depreciation and amortisation** | **11 679 206** | **12 269 973** |
| Less: Depreciation included in cost of sales | (568 935) | (1 225 497) |
| **Total depreciation and amortisation expensed** | **11 110 271** | **11 044 476** |
| **Expenses by nature** | | |
| Employee costs | 116 173 104 | 113 209 320 |
| Operating lease charges | 4 008 834 | 3 618 731 |
| Depreciation, amortisation and impairment | 11 679 206 | 13 375 258 |
| Other expenses | 106 237 179 | 112 648 174 |
| Advertising | 139 873 | 856 230 |
| Auditors remuneration | 237 924 | 255 000 |
| Bad debts | (1 882 758) | (3 331 769) |
| Cleaning | 3 960 009 | 3 550 639 |
| Consulting and professional fees - legal fees | 734 107 | 1 613 340 |
| Consulting and professional fees | 1 664 763 | 4 155 728 |
| Donations | 156 191 | 237 632 |
| Other expenses | 3 663 | 6 510 |
| Directors fees and board expenses | 505 698 | 349 607 |
| Insurance | 2 285 556 | 1 037 206 |
| Municipal expenses | 3 461 999 | 3 474 710 |
| Office expenses | 2 608 090 | 3 067 202 |
| Printing and stationery | 4 655 517 | 4 312 720 |
| Repairs and maintenance | 7 355 006 | 9 363 219 |
| Security | 9 894 605 | 8 614 138 |
| Strategy costs | - | 3 347 391 |
| Subscriptions | 664 431 | 1 217 860 |
| Telephone and fax | 6 801 260 | 9 458 915 |
| Training | 2 144 511 | 2 043 842 |
| Travel expenses | 4 399 401 | 5 739 760 |
| | **287 888 169** | **302 221 363** |



ANNUAL FINANCIAL **STATEMENTS**
for the year ended 31 March 2018

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (cont.)

| Figures in Pula | 2018 | 2017 |
|---|---|---|
| **8. Finance income** | | |
| **Interest income** | | |
| **From investments in financial assets:** | | |
| Interest income on call accounts | 16 901 | 12 105 |
| Interest income from short term deposits | 492 323 | 708 997 |
| **Total interest income** | **509 224** | **721 102** |
| **9. Finance costs** | | |
| Bank charges and interest | 1 922 933 | 1 225 295 |
| Interest on borrowings | 14 880 532 | 13 797 957 |
| | **14 880 532** | **13 797 957** |
| **Total finance costs** | **16 803 465** | **15 023 252** |
| **10. Taxation** | | |
| **Major components of the tax expense** | | |
| **Deferred** | | |
| Originating and reversing temporary differences | 1 401 453 | (2 122 178) |
| Arising from previously unrecognised tax loss | - | (2 981 740) |
| Utilisation of recognised tax loss carryforwards | (396 620) | - |
| | **1 004 833** | **(5 103 918)** |
| **Reconciliation of the tax expense** | | |
| Reconciliation between accounting profit and tax expense. | | |
| Profit/(lLoss) before tax | 4 117 571 | (12 995 677) |
| Tax at the applicable tax rate of 22% (2017: 22%) | 905 866 | (2 859 049) |
| **Tax effect of adjustments on taxable income** | | |
| Deferred tax on brought forward losses | - | (2 679 891) |
| Expenses not deductible for tax | 98 967 | 435 022 |
| | **1 004 833** | **(5 103 918)** |

ANNUAL FINANCIAL **STATEMENTS**
for the year ended 31 March 2018

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (cont.)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (cont.)

### 11. Property, plant and equipment

| | 2018 Cost or revaluation | 2018 Accumulated depreciation | 2018 Carrying value | 2017 Cost or revaluation | 2017 Accumulated depreciation | 2017 Carrying value |
|---|---|---|---|---|---|---|
| Land and buildings | 309 769 897 | (11 257 459) | 298 512 438 | 300 294 009 | (6 453 597) | 293 840 412 |
| Furniture and equipment | 46 164 546 | (5 087 736) | 41 076 810 | 43 363 762 | - | 43 363 762 |
| Motor vehicles | 472 535 | (153 470) | 319 065 | 854 040 | - | 854 040 |
| Capital - Work in progress | 15 538 282 | - | 15 538 282 | 11 069 510 | - | 11 069 510 |
| **Total** | **371 945 260** | **(16 498 665)** | **355 446 595** | **355 581 321** | **(6 453 597)** | **349 127 724** |

**Reconciliation of property, plant and equipment - 2018**

| | Land and buildings | Furniture and equipment | Motor vehicle | Capital work in progress | Total |
|---|---|---|---|---|---|
| **Opening balance** | | | | | |
| Cost | 300 294 009 | 43 363 762 | 854 040 | 11 069 510 | 355 581 321 |
| Accumulated depreciation and impairment | (6 453 597) | - | - | - | (6 453 597) |
| **Net book value at 01 April 2017** | **293 840 412** | **43 363 762** | **854 040** | **11 069 510** | **349 127 724** |
| Additions | 700 817 | 2 341 808 | 71 295 | 13 702 819 | 16 816 739 |
| Disposals and scrappings - cost | - | - | (452 800) | - | (452 800) |
| Disposals and scrappings - accumulated depreciation and impairment | - | - | 171 740 | - | 171 740 |
| Transfers | 8 775 071 | 458 976 | - | (9 234 047) | - |
| Depreciation | (4 803 862) | (5 087 736) | (325 210) | - | (10 216 808) |
| **Net book value at 31 March 2018** | **298 512 438** | **41 076 810** | **319 065** | **15 538 282** | **355 446 595** |
| | | | | | |
| **Made up as follows:** | | | | | |
| Cost or revaluation | 309 769 897 | 46 164 546 | 472 535 | 15 538 282 | 371 945 260 |
| Accumulated depreciation and impairment | (11 257 459) | (5 087 736) | (153 470) | - | (16 498 665) |
| | **298 512 438** | **41 076 810** | **319 065** | **15 538 282** | **355 446 595** |

ANNUAL FINANCIAL **STATEMENTS**
for the year ended 31 March 2018

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (cont.)

## 11. Property, plant and equipment (continued)

**Reconciliation of property, plant and equipment - 2017**

| | Land and buildings | Furniture and equipment | Motor vehicle | Project (Kitsong) assets | IFS Assets | BAPS Assets | Capital work in progress | Total |
|---|---|---|---|---|---|---|---|---|
| **Opening balance** | | | | | | | | |
| Cost | 271 956 795 | 42 679 141 | 1 569 458 | 18 935 100 | 777 424 | 2 770 996 | 3 241 053 | 341 929 967 |
| Accumulated depreciation and impairment | (12 915 121) | (4 814 547) | (565 995) | (18 935 100) | (777 424) | (2 770 996) | - | (40 779 183) |
| **Net book value at 01 April 2016** | **259 041 674** | **37 864 594** | **1 003 463** | **-** | **-** | **-** | **3 241 053** | **301 150 784** |
| Additions | 6 211 234 | 1 177 678 | - | - | - | - | 8 720 989 | 16 109 901 |
| Transfers | 817 356 | 75 176 | - | - | - | - | (892 532) | - |
| Revaluations | 35 330 709 | 9 416 793 | (939 581) | - | - | - | - | 43 807 921 |
| Depreciation | (6 543 129) | (5 082 626) | 790 158 | - | - | - | - | (10 835 597) |
| Impairment loss | (1 017 432) | (87 853) | - | - | - | - | - | (1 105 285) |
| **Net book value at 31 March 2017** | **293 840 412** | **43 363 762** | **854 040** | **-** | **-** | **-** | **11 069 510** | **349 127 724** |

**Made up as follows:**

| | Land and buildings | Furniture and equipment | Motor vehicle | Project (Kitsong) assets | IFS Assets | BAPS Assets | Capital work in progress | Total |
|---|---|---|---|---|---|---|---|---|
| Cost or revaluation | 300 294 009 | 43 363 762 | 854 040 | - | - | - | 11 069 510 | 355 581 321 |
| Accumulated depreciation and impairment | (6 453 597) | - | - | - | - | - | - | (6 453 597) |
| | **293 840 412** | **43 363 762** | **854 040** | **-** | **-** | **-** | **11 069 510** | **349 127 724** |

**Revaluations**

In line with the Company accounting policies, movable and immovable assets were revalued in financial year 2016/17. This exercise was carried out by Willy Kathurima Associates on 31 March 2017 for all asset classes.
It is management's considered view that the carrying values shown as at 31 March 2018 are a fair representation of the amounts that are expected to be recovered through the use or sale of the assets.

ANNUAL FINANCIAL **STATEMENTS**
for the year ended 31 March 2018

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (cont.)

## 12. Intangible assets

| | 2018 Cost | 2018 Accumulated amortisation | 2018 Carrying value | 2017 Cost | 2017 Accumulated amortisation | 2017 Carrying value |
|---|---|---|---|---|---|---|
| Software | 7 053 156 | (6 569 193) | 483 963 | 6 940 713 | (6 305 401) | 635 312 |
| Counter automation software | 33 753 154 | (33 704 987) | 48 167 | 33 753 154 | (33 641 056) | 112 098 |
| Poso Cards | - | - | - | 5 253 726 | (2 516 778) | 2 736 948 |
| **Total** | **40 806 310** | **(40 274 180)** | **532 130** | **45 947 593** | **(42 463 235)** | **3 484 358** |

| | 2016 Cost | 2016 Accumulated amortisation | 2016 Carrying value |
|---|---|---|---|
| Software | 6 803 028 | (6 072 608) | 730 420 |
| Counter automation software | 33 753 154 | (33 574 149) | 179 005 |
| Poso Cards | 5 253 727 | (1 382 103) | 3 871 624 |
| **Total** | **45 809 909** | **(41 028 860)** | **4 781 049** |

**Reconciliation of intangible assets - 2018**

| | Opening balance | Additions | Armotisation | Impairment loss | Total |
|---|---|---|---|---|---|
| Software | 635 312 | 112 443 | (263 792) | - | 483 963 |
| Counter automation software | 112 098 | - | (63 931) | - | 48 167 |
| Poso Cards | 2 736 948 | - | (1 134 676) | (1 602 272) | - |
| | **3 484 358** | **112 443** | **(1 462 399)** | **(1 602 272)** | **532 130** |

**Reconciliation of intangible assets - 2017**

| | Opening balance | Additions | Amortisation | Total |
|---|---|---|---|---|
| Software | 730 420 | 137 684 | (232 792) | 635 312 |
| Counter automation software | 179 005 | - | (66 907) | 112 098 |
| Poso Cards | 3 871 625 | - | (1 134 677) | 2 736 948 |
| | **4 781 050** | **137 684** | **(1 434 376)** | **3 484 358** |

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (cont.)

| Figures in Pula | 2018 | 2017 |
|---|---|---|
| **13. Deferred tax** | | |
| **Deferred tax asset** | | |
| Accelerated tax allowances | 720 725 | 2 122 178 |
| Tax losses available for set off against future taxable income | 3 378 360 | 2 981 740 |
| **Total deferred tax asset** | **4 099 085** | **5 103 918** |
| **Reconciliation of deferred tax asset / (liability)** | | |
| At beginning of year | 5 103 918 | - |
| Increases (decrease) in tax loss available for set off against future taxable income | (396 620) | 2 981 740 |
| (Deductible)/taxable temporary difference movement on tangible fixed assets | (608 213) | 2 122 178 |
| | **4 099 085** | **5 103 918** |
| **14. Inventories** | | |
| Stock, phone cards, and other consumables | 6 827 749 | 12 032 680 |
| Postal orders and postal stocks | 62 924 | 24 611 |
| Difinitive stamps | 62 275 | 263 790 |
| Postal orders and postal stocks | 10 436 | 12 067 |
| | 6 963 384 | 12 333 148 |
| Less: Provision for stock adjustment | (1 822 462) | (3 773 969) |
| | **5 140 922** | **8 559 179** |
| **15. Trade and other receivables** | | |
| Trade receivables | 57 891 274 | 65 542 902 |
| Less: Provision for Doubtful Debts | (8 102 705) | (5 384 010) |
| | 49 788 569 | 60 158 892 |
| Staff advances | 778 258 | 1 551 687 |
| Prepayments | 1 784 554 | 1 748 538 |
| Deposits | 6 664 238 | 3 193 443 |
| Value added tax | 1 021 096 | 3 472 196 |
| Accrued income | 21 274 642 | 14 751 367 |
| Other receivables | 4 402 442 | 55 187 628 |
| | **85 713 799** | **140 063 751** |





## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (cont.)

| Figures in Pula | 2018 | 2017 |
|---|---|---|
| **15. Trade and other receivables (continued)** | | |
| **Trade and other receivables**<br>Trade receivables are non-interest bearing and are generally on 30-60 day terms.<br>Staff advances may be up to 6 months. | | |
| Neither past due nor impaired | 43 417 718 | 17 950 907 |
| between 30 days and 60 days | 1 404 014 | 6 838 044 |
| between 60 days and 90 days | 1 726 644 | 2 980 155 |
| more than 90 days | 11 342 898 | 37 773 796 |
| Provision for Doubtful Debts | (8 102 705) | (5 384 010) |
| | **49 788 569** | **60 158 892** |
| The movement in the provision for impairment of trade and other receivables is set out below: | | |
| **Reconciliation of provision for impairment of trade and other receivables** | | |
| Opening balance | (5 384 010) | (8 715 779) |
| Reversal of provision | - | 3 331 769 |
| Increase in provision | (2 718 695) | - |
| | **(8 102 705)** | **(5 384 010)** |
| **16. Cash and cash equivalents** | | |
| Cash and cash equivalents consist of: | | |
| Cash on hand | 13 822 802 | 16 809 101 |
| Bank balances | 83 645 505 | 4 611 691 |
| Short-term deposits | 11 421 774 | 15 929 451 |
| Bank overdraft | (15 519 218) | (8 165 739) |
| | **93 370 863** | **29 184 504** |
| Current assets | 108 890 081 | 37 350 243 |
| Current liabilities | (15 519 218) | (8 165 739) |
| | **93 370 863** | **29 184 504** |

Short term deposits are made at varying periods between one day and three month, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (cont.)

| Figures in Pula | 2018 | 2017 |
|---|---|---|
| **17. Stated capital** | | |
| **Issued** | | |
| Stated capital held 100% by Botswana Post and Savings Group Limited, which is wholly owned by the Government of the Republic of Botswana | 38 431 729 | 38 431 729 |
| **18. Revaluation reserve** | | |
| Revaluation reserve | 172 650 937 | 172 650 937 |

The revaluation reserve is used to record revaluation surpluses recognised on revaluation of property, plant and equipment as well as deficits to such an extent that such deficit relates to an increase on the same asset previously recognised in equity plant and equipment as well as deficits to such an extent that such deficit relates to an increase on the same asset previously recognised in equity.

### 19. Interest bearing loans and borrowings

| | 2018 | 2017 |
|---|---|---|
| **Held at amortised cost** | | |
| First National Bank of Botswana | 21 822 179 | 22 556 902 |
| Government of Botswana - PDSF Loan 2015 | 162 212 512 | 167 006 560 |
| | **184 034 691** | **189 563 462** |

Government loan is unsecured and consists of an advance given to Botswana Postal Services Ltd by the Government of Botswana under the Public Debt Service Fund (PDSF). The Government loan of P140 million was obtained in December 2014 at bank rate +2%. The loan period is 25 years and has a 2 year moratorium during which interest shall be capitalised. The principal amount and capitalised interest shall be paid over the remaining 23 years.

First National Bank of Botswana loan to Botswana Postal Services Ltd is secured with interest at Prime Less 1% per annum with a 2 year moratorium on repayment commencing on the date of final drawn down. The loan term is 12 years. The loan was obtained in March 2010 and is secured by first covering mortgage bond for P 18 800 000 over Lot 20577 Gaborone and first covering mortgage bond for P 27 000 000 over Lot 53592 Gaborone.

Other Security
- Fire policy ceded and cession of insurance registered in favour of RMB Botswana.

| | 2018 | 2017 |
|---|---|---|
| **Non-current liabilities** | | |
| At amortised cost | 176 322 946 | 185 399 916 |



ANNUAL FINANCIAL **STATEMENTS**
for the year ended 31 March 2018

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (cont.)

| Figures in Pula | 2018 | 2017 |
|---|---|---|
| **19. Interest bearing loans and borrowings (continued)** | | |
| **Current liabilities** | | |
| At amortised cost | 7 711 745 | 4 163 546 |
| | **184 034 691** | **189 563 462** |
| **20. Amortisation of Government grants** | | |
| Non-current liabilities | 38 700 421 | 39 459 592 |
| Current liabilities | 742 665 | 742 665 |
| | **39 443 086** | **40 202 257** |
| **Reconciliation of Government Grants** | | |
| Balance at the beginning of the year | 40 202 256 | 33 944 921 |
| Received during the year | 46 336 480 | 45 071 930 |
| Released to income statement | (47 095 650) | (38 814 595) |
| | **39 443 086** | **40 202 256** |
| **21. Trade and other payables** | | |
| Trade payables | 162 063 580 | 152 090 280 |
| Amounts received in advance | 31 546 983 | 25 096 429 |
| Other payables | 27 010 633 | 30 781 954 |
| Accrued leave pay | 3 662 656 | 4 895 671 |
| Provision for gratuity | 3 608 237 | 3 149 621 |
| Deposits received | 127 030 | 50 000 |
| | **228 019 119** | **216 063 955** |

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (cont.)

| Figures in Pula | 2018 | 2017 |
|---|---|---|
| **22. Cash generated from/(utilised in) operations** | | |
| (Loss) profit before taxation | 4 117 571 | (12 995 677) |
| **Adjustments for:** | | |
| Depreciation and amortisation | 11 679 206 | 12 269 973 |
| Losses on disposals of assets | 1 486 483 | - |
| Finance income | (509 224) | (721 102) |
| Finance costs | 16 803 465 | 15 023 252 |
| Impairment losses | 1 602 272 | 1 105 285 |
| Amortisation of Government grants | (47 095 650) | (38 814 595) |
| Dividend received | - | (370 000) |
| **Changes in working capital:** | | |
| Inventories | 3 418 257 | 1 872 129 |
| Trade and other receivables | 54 349 952 | (40 465 673) |
| Trade and other payables | 11 955 164 | 58 762 |
| | **57 807 496** | **(63 037 646)** |

### 23. Related parties

**Relationships**

| | |
|---|---|
| Ultimate holding Company | Government of Botswana |
| Shareholder | Botswana Post and Savings Group Limited |
| Related companies | Smartswitch Botswana<br>Botswana Savings Bank<br>Botswana Post Trust Foundation<br>Botswana Couriers & Logistics |
| Board of Directors | Polokoetsile Pedro Motau (Board Chairman)<br>Ntoti Mosetlhe<br>Colleen Motswaiso<br>Boiki Tema<br>Thabane Ndlovu<br>Christopher Mokgware (Resigned 31 March 2018)<br>Gontse Kgosiemang (Resigned 20 July 2017)<br>Tabuya Tau (Appointed 01 April 2018)<br>Paul More (Appointed 01 April 2018) |





## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (cont.)

| Figures in Pula | | 2018 | 2017 |
|---|---|---|---|
| **23. Related parties (continued)** | | | |
| Members of key management | Cornelius Ramatlhakwane (Chief Executive Officer)<br>Ofentse Mabote<br>Dzuke Baliki<br>Clifford Lekoko<br>Thato Kewakae<br>Bonang Seame<br>Bothepha Botsile Kgosidiile | | |
| **Related party balances** | | | |
| **Amounts included in Trade and other receivable regarding related parties** | | | |
| Smartswitch Botswana | | 277 019 | 942 611 |
| Botswana Savings Bank | | 4 014 | (24 646) |
| Botswana Couriers & Logistics | | - | 42 465 |
| | | **281 033** | **960 430** |
| **Amounts included in Trade and other payable regarding related parties** | | | |
| Smartswitch Botswana | | (55 248) | (267 062) |
| Botswana Savings Bank | | (16 649 129) | (11 769 687) |
| Botswana Couriers & Logistics | | (2 427 709) | (2 681 418) |
| | | **(19 132 086)** | **(14 718 167)** |
| **Related party transactions** | | | |
| **Commission earned from/ services paid to related parties** | | | |
| Botswana Savings Bank | | 2 623 839 | 2 800 344 |
| Botswana Couriers & Logistics | | 27 071 429 | 27 056 250 |
| | | **29 695 268** | **29 856 594** |
| **Grants received from related parties** | | | |
| Universal Service Obligation - Government of the Republic of Botswana | | 46 336 480 | 38 071 930 |
| **Compensation to directors and other key management** | | | |
| Short-term employee benefits | | 6 906 267 | 6 916 166 |

## 24. Prior year adjustment

There were changes to the groupings of Revenue, Cost of Sales, Other operating income and Administrative expenses and the comparative for the year ended 31 March 2018 have been restated as follows:

| | As per 2017 Company Financials | Reclassified amounts | 2017 Restated |
|---|---|---|---|
| Revenue | 457 771 856 | (207 139 934) | 250 631 922 |
| Cost of sales | (389 690 590) | 211 662 105 | (178 028 485) |
| Other operating income | 45 768 006 | (4 631 779) | 41 136 227 |
| Other operating losses | - | (1 149 098) | (1 149 098) |
| Administrative expenses | (125 207 440) | - | (125 207 440) |
| Other operating expenses | (244 145) | 1 258 707 | 1 014 562 |
| Finance income | 721 102 | - | 721 102 |
| Finance costs | (15 023 252) | - | (15 023 252) |
| Restructuring Costs | 12 908 785 | - | 12 908 785 |
| Taxation | - | 5 103 918 | 5 103 918 |
| Gains on property revaluation | 43 807 921 | - | 43 807 921 |
| | **30 812 243** | **5 103 919** | **35 916 162** |

There were changes to the groupings of trade and other receivables and inventories and the comparative for the year ended 31 March 2018 have been restated as detailed below.

Furthermore, a deferred tax asset of P 5 103 918 associated with accelerated capital allowances and tax losses available for set off against future taxable income was not recognised for the year ended 31 March 2017. This amout has now been reflected in the Statement of Financial Position for the year ended 31 March 2017.

| **Assets** | As per 2017 Company Financials | Reclassified amounts | Adjustments | Total |
|---|---|---|---|---|
| Property, plant and equipment | 349 127 724 | - | - | 349 127 724 |
| Intangible assets | 3 484 358 | - | - | 3 484 358 |
| Deferred tax | - | - | 5 103 918 | 5 103 918 |
| Inventories | 11 589 082 | (3 029 903) | - | 8 559 179 |
| Trade and other receivables | 137 033 848 | 3 029 903 | - | 140 063 751 |
| Cash and cash equivalents | 37 350 243 | - | - | 37 350 243 |
| | **538 585 255** | **-** | **5 103 918** | **543 689 173** |



## 24. Prior year adjustment (continued)

| **Equity and liabilities** | As per 2017 Company Financials | Reclassified amounts | Adjustments | Total |
|---|---|---|---|---|
| **Stated capital** | 38 431 729 | - | - | 38 431 729 |
| Revaluation reserves | 172 650 937 | - | - | 172 650 937 |
| Retained earnings | (126 492 825) | - | 5 103 918 | (121 388 907) |
| Total equity | 84 589 841 | - | 5 103 918 | 89 693 759 |
| Interest bearing loans and borrowings | 185 399 916 | - | - | 185 399 916 |
| Government grants | 39 459 592 | - | - | 39 459 592 |
| Trade and other payables | 216 063 956 | - | - | 216 063 956 |
| Interest bearing loans and borrowings | 4 163 546 | - | - | 4 163 546 |
| Government grants | 742 665 | - | - | 742 665 |
| Bank overdraft | 8 165 739 | - | - | 8 165 739 |
| | **538 585 255** | **-** | **5 103 918** | **543 689 173** |

There were changes to the groupings of trade and other receivables and inventories for the year ended 31 March 2017, this also has an effect on the comparative figures for the year ended 31 March 2016. As a result, the comparative for the year ended 31 March 2017 have been restated as follows:

| **Assets** | As per 2016 Company Financials | Reclassified amounts | Total |
|---|---|---|---|
| Property, plant and equipment | 301 150 778 | - | 301 150 778 |
| Intangible assets | 4 781 049 | - | 4 781 049 |
| Inventories | 13 461 212 | (1 797 828) | 11 663 384 |
| Trade and other receivables | 96 568 181 | 1 425 291 | 97 993 472 |
| Cash and cash equivalents | 74 083 513 | - | 74 083 513 |
| | **490 044 733** | **(372 537)** | **489 672 196** |

| **Equity and liabilities** | | | |
|---|---|---|---|
| Stated capital | 38 431 729 | - | 38 431 729 |
| Revaluation reserves | 128 843 016 | - | 128 843 016 |
| Other capital reserves | 199 761 | - | 199 761 |
| Retained earnings | (113 497 147) | - | (113 497 147) |
| Total equity | 53 977 359 | - | 53 977 359 |
| Interest bearing loans and borrowings | 182 442 092 | - | 182 442 092 |
| Government grants | 31 030 700 | 2 914 222 | 33 944 922 |
| Trade and other payables | 215 805 432 | (382 537) | 215 422 895 |
| Interest bearing loans and borrowings | 3 603 238 | - | 3 603 238 |
| Government grants | 2 914 222 | (2 914 222) | - |
| Bank overdraft | 271 690 | - | 271 690 |
| | **490 044 733** | **(382 537)** | **489 662 196** |

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (cont.)

### 25. Categories of financial instruments

| | Note | Loans & receivables | Financial Liabilities at armotised cost | Equity & non-financial assets & liabilities | Total |
|---|---|---|---|---|---|
| **Categories of financial instruments - 2018** | | | | | |
| **Assets** | | | | | |
| **Non-Current Assets** | | | | | |
| Property, plant and equipment | 11 | - | - | 355 446 595 | 355 446 595 |
| Intangible assets | 12 | - | - | 532 130 | 532 130 |
| Deferred tax | 13 | - | - | 4 099 085 | 4 099 085 |
| | | - | **-** | **360 077 810** | **360 077 810** |
| **Current Assets** | | | | | |
| Inventories | 14 | - | - | 5 140 922 | 5 140 922 |
| Trade and other receivables | 15 | 76 243 911 | - | 9 469 888 | 85 713 799 |
| Cash and cash equivalents | 16 | 108 890 081 | - | - | 108 890 081 |
| | | **185 133 992** | **-** | **14 610 810** | **199 744 802** |
| **Total Assets** | | **185 133 992** | **-** | **374 688 620** | **559 822 612** |
| **Equity and Liabilities** | | | | | |
| **Equity** | | | | | |
| Equity Attributable to Equity Holders of Parent: | | | | | |
| Stated capital | 17 | - | - | 38 431 729 | 38 431 729 |
| Revaluation reserve | 18 | - | - | 172 650 937 | 172 650 937 |
| Accumulated loss | | - | - | (118 276 168) | (118 276 168) |
| | | **-** | **-** | **92 806 498** | **92 806 498** |
| **Total Equity** | | **-** | **-** | **92 806 498** | **92 806 498** |
| **Liabilities** | | | | | |
| **Non-Current Liabilities** | | | | | |
| Interest bearing loans and borrowings | 19 | - | 176 322 946 | - | 176 322 946 |
| Amortisation of Government grants | 20 | - | - | 38 700 421 | 38 700 421 |
| | | **-** | **176 322 946** | **38 700 421** | **215 023 367** |
| **Current Liabilities** | | | | | |
| Trade and other payables | 21 | - | 189 074 213 | 38 944 906 | 228 019 119 |
| Interest bearing loans and borrowings | 19 | - | 7 711 745 | - | 7 711 745 |
| Amortisation of Government grants | 20 | - | - | 742 665 | 742 665 |
| Bank overdraft | 16 | - | 15 519 218 | - | 15 519 218 |
| | | **-** | **212 305 176** | **39 687 571** | **251 992 747** |
| **Total Liabilities** | | **-** | **388 628 122** | **78 387 992** | **467 016 114** |
| **Total Equity and Liabilities** | | **-** | **388 628 122** | **171 194 490** | **559 822 612** |





## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (cont.)

### 25. Categories of financial instruments (continued)

| | Note | Loans & receivables | Financial Liabilities at armotised cost | Equity & non-financial assets & liabilities | Total |
|---|---|---|---|---|---|
| **Categories of financial instruments - 2017** | | | | | |
| **Assets** | | | | | |
| **Non-Current Assets** | | | | | |
| Property, plant and equipment | 11 | - | - | 349 127 724 | 349 127 724 |
| Intangible assets | 12 | - | - | 3 484 358 | 3 484 358 |
| Deferred tax | 13 | - | - | 5 103 918 | 5 103 918 |
| | | **-** | **-** | **357 716 000** | **357 716 000** |
| **Current Assets** | | | | | |
| Inventories | 14 | - | - | 8 559 179 | 8 559 179 |
| Trade and other receivables | 15 | 131 649 574 | - | 8 414 177 | 140 063 751 |
| Cash and cash equivalents | 16 | 37 350 243 | - | - | 37 350 243 |
| | | **168 999 817** | **-** | **16 973 356** | **185 973 173** |
| **Total Assets** | | **168 999 817** | **-** | **374 689 356** | **543 689 173** |
| **Equity and Liabilities** | | | | | |
| **Equity** | | | | | |
| Equity Attributable to Equity Holders of Parent: | | | | | |
| Stated capital | 17 | - | - | 38 431 729 | 38 431 729 |
| Revaluation reserve | 18 | - | - | 172 650 937 | 172 650 937 |
| Retained income | | - | - | (121 388 906) | (121 388 906) |
| | | **-** | **-** | **89 693 760** | **89 693 760** |
| **Total Equity** | | **-** | **-** | **89 693 760** | **89 693 760** |
| **Liabilities** | | | | | |
| **Non-Current Liabilities** | | | | | |
| Interest bearing loans and borrowings | 19 | - | 185 399 916 | - | 185 399 916 |
| Amortisation of Government grants | 20 | - | - | 39 459 592 | 39 459 592 |
| | | **-** | **185 399 916** | **39 459 592** | **224 859 508** |
| **Current Liabilities** | | | | | |
| Trade and other payables | 21 | - | 182 872 234 | 33 191 721 | 216 063 955 |
| Interest bearing loans and borrowings | 19 | - | 4 163 546 | - | 4 163 546 |
| Amortisation of Government grants | 20 | - | - | 742 665 | 742 665 |
| Bank overdraft | 16 | - | 8 165 739 | - | 8 165 739 |
| | | **-** | **195 201 519** | **33 934 386** | **229 135 905** |
| **Total Liabilities** | | **-** | **380 601 435** | **73 393 978** | **453 995 413** |
| **Total Equity and Liabilities** | | **-** | **380 601 435** | **163 087 738** | **543 689 173** |

| Figures in Pula | | 2018 | 2017 |
|---|---|---|---|

## 26. Risk management

**Capital risk management**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Company consists of debt, which includes the borrowings disclosed in note 19, cash and cash equivalents disclosed in note 16, and equity as disclosed in the statement of financial position.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholder, return capital to shareholder, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non- current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

There are no externally imposed capital requirements.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

The gearing ratio at 2018 and 2017 respectively were as follows:

| | | 2018 | 2017 |
|---|---|---|---|
| **Total borrowings** | | | |
| Other financial liabilities | 19 | 184 034 691 | 189 563 462 |
| Less: Cash and cash equivalents | 16 | (93 370 863) | (29 184 504) |
| Net debt | | 90 663 828 | 160 378 958 |
| Total equity | | 92 806 498 | 89 693 760 |
| **Total capital** | | **183 470 326** | **250 072 718** |
| Gearing ratio | | 49% | 64% |



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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (cont.)

| Figures in Pula | 2018 | 2017 |
|---|---|---|

## 26. Risk management (continued)

**Liquidity risk**

The Company's risk to liquidity is a result of the funds available to cover future commitments. The Company manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

| At 31 March 2018 | Less than 1 year | Over 1 year |
|---|---|---|
| Borrowings | 7 711 745 | 176 322 946 |
| Trade and other payables | 189 074 213 | - |
| Overdraft | 15 519 218 | - |

| At 31 March 2017 | Less than 1 year | Over 1 year |
|---|---|---|
| Borrowings | 4 163 546 | 185 399 916 |
| Trade and other payables | 182 872 234 | - |
| Overdraft | 8 165 739 | - |

## 26. Risk management (continued)

**Interest rate risk**
As the Company has significant interest-bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

The Company's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk.

At 31 March 2018, if interest rates on Pula-denominated borrowings had been 1% higher/lower with all other variables held constant, pret-tax profit for the year would have been P 1 966 891 (2017: P 1 562 449) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

**Credit risk**
Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The Company only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards.

Financial assets exposed to credit risk at year end were as follows:

| Financial instruments | 2018 | 2017 |
|---|---|---|
| Trade and other receivables | 76 243 911 | 131 649 574 |
| Cash and cash equivalents | 95 067 279 | 20 541 142 |

**Foreign exchange risk**
Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their entire foreign exchange risk exposure with the Company treasury. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Company use forward contracts, transacted with Company treasury. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

At 31 March 2018, if the currency had strengthened by 10% against the US dollar with all other variables held constant, post-tax profit for the year would have been P 2 962 (2017: P 12 172) lower, mainly as a result of foreign exchange gains or losses on translation of US dollar denominated financial assets and financial liabilities.

At 31 March 2018, if the currency had weakened by 10% against the US dollar with all other variables held constant, post-tax profit for the year would have been P 2 424 (2017: P 9 959) higher, mainly as a result of foreign exchange gains or losses on translation of US dollar denominated financial assets and financial liabilities.





| Figures in Pula | 2018 | 2017 |
|---|---|---|

## 26. Risk management (continued)

At 31 March 2018, if the currency had strengthened by 10% against the South African Rand with all other variables held constant, post tax profit for the year would have been P 24 415 (2017: P 32 809) lower, mainly as a result of foreign exchange gains or losses on translation of US dollar denominated financial assets and financial liabilities.

At 31 March 2018, if the currency had weakened by 10% against the South African Rand with all other variables held constant, post-tax profit for the year would have been P 19 976 (2017: P 26 843) lower, mainly as a result of foreign exchange gains or losses on translation of US dollar denominated financial assets and financial liabilities.

At 31 March 2018, if the currency had strengthened by 10% against the CHY with all other variables held constant, post-tax profit for the year would have been P 70 849 (2017: P Nil) lower, mainly as a result of foreign exchange gains or losses on translation of US dollar denominated financial assets and financial liabilities.

At 31 March 2018, if the currency had weakened by 10% against the CHY with all other variables held constant, post-tax profit for the year would have been P 57 967 (2017: P Nil) lower, mainly as a result of foreign exchange gains or losses on translation of US dollar denominated financial assets and financial liabilities.

At 31 March 2018, if the currency had strengthened by 10% against the SDR with all other variables held constant, post-tax profit for the year would have been P 874 756 (2017: P 1 476 059) lower, mainly as a result of foreign exchange gains or losses on translation of US dollar denominated financial assets and financial liabilities.

At 31 March 2018, if the currency had weakened by 10% against the SDR with all other variables held constant, post-tax profit for the year would have been P 715 710 (2017: P 1 207 685 ) lower, mainly as a result of foreign exchange gains or losses on translation of US dollar denominated financial assets and financial liabilities.

**Foreign currency exposure at the end of the reporting period**

| | 2018 | 2017 |
|---|---|---|
| **Current assets** | | |
| Balances with other foreign banks USD 80 668 (2017: USD 67 181) | 768 996 | 707 167 |
| Other Financial Assets SDR 568 417 (2017: SDR 930 289) | 7 872 808 | 13 284 532 |
| **Liabilities** | | |
| Other Financial Liabilities USD 77 871 (2017: USD 56 773) | 768 587 | 598 391 |
| Other Financial Liabilities ZAR 273 572 (2017: ZAR 378 561) | 219 731 | 295 277 |
| Other Financial Liabilities CHY 59 364 (2017: CHY Nil) | 637 632 | - |

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (cont.)

| Figures in Pula | 2018 | 2017 |
|---|---|---|

### 27. Contingencies

As at the year ended 31 March 2018 the Company had 16 cases pending at the courts and at various stages of completion. However there was one significant matter which is outlined below:

**Botswana Postal Services Workers Union Matters.**
Applicant filed an application for an order declaring and entitling holders of positions under Bands 2-5 in the employ of Botswana Post not to be members of management and thus qualified for membership to the Union.

Pleadings closed. Matter to be set down for Argument by the High Court. Attorneys have written correspondences to the same effect. Judgment is yet to be delivered on the preliminary point raised.

### 28. Commitments

**Authorised capital expenditure**

| | 2018 | 2017 |
|---|---|---|
| **Already contracted for but not provided for (in USD)** | | |
| • Intangible assets - ERP system | 5 120 000 | - |

This committed expenditure relates to intangible assets and will be financed by available bank facilities, existing cash resources and funds internally generated.

### 29. Going concern

Botswana Postal Services Limited incurred a profit/(loss) of P 2 875 054 (2017: (P7 891 759).) and have net current liabilities of P 49 856 828 (2017: P40 180 992). These conditions indicate material loss which may cast significant doubt about Botswana Postal Services Limited to continue as a going concern.

The going concern of Botswana Postal Services Limited is dependent on continued government support. In the current year 2017/18 Botswana Government provided financial support to ensure that Botswana Postal Services Limited remains a going concern and meets its financial obligations as they fall due. Botswana Postal Services Limited was given support of P 46 336 480. The Government has committed to provide support of P 78 000 000.00 in financial year 2018/19.

### 30. Legal and regulatory requirements

Under the Universal Service Obligation (USO), Botswana Postal Services Limited continues to provide postal services on non- commercially viable terms and conditions.



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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (cont.)

| Figures in Pula | 2018 | 2017 |
|---|---|---|

### 31. Botswana Savings Bank and Botswana Postal Services Limited Merger

The merger follows Government decision to rationalise some parastatals and public entities. The Government recognizes the historical evolution of the two entities that have seen them utilise strategic synergies to improve efficiency in service delivery. The merger was instituted after thorough public consultations coordinated by PEEPA. The merger exercise commenced in the fiscal year 2009/10. Botswana Postal Services Limited registered as a Company on 5th August 2015 under companies Act CAP 32.01 as part of merger process.

The Government on 01 November 2017 passed a directive inter alia declaring that:

(a) The decision by Government to merge Botswana Postal Services Limited and Botswana Savings Bank into a single entity be rescinded with immediate effect;

(b) Botswana Postal Services Limited and Botswana Couriers and Logistics be amalgamated into a single entity falling under the Ministry of Transport and Communications and that the amalgamated entity be a Company limited by shares and operate in accordance with the Companies Act;

(c) Botswana Savings Bank be transferred back to the Ministry of Finance and Economic Development with immediate effect and it be mandated to contract Botswana Postal Services Limited as an agent for the purpose of driving financial inclusion of the unbanked and rural populace; and

(d) Botswana Post and Savings Group Limited be dissolved and deregistered at the Companies and Intellectual Property Authority (CIPA).

The implementation process is on going and still at the planning stage.

### 32. Pension provision/contribution

Botswana Postal Services Limited has a defined contribution fund for it employees. During the 2012 restructuring programme some employees who had part of their pension fund from the Botswana Postal and Telecommunication era registered a dispute. An P18 829 149 contingent liability was raised due to them entering a litigation process. During the 2016/17 financial year the quantum of the claim has now been established at P2 211 190 and a contingent liability for the same amount remains in the financial statements. The Company therefore released P16 617 959 during the 2016/17 financial year.

| | 2018 | 2017 |
|---|---|---|
| Release | - | 16 617 959 |
| Current year expenses | - | (3 709 174) |
| | **-** | **12 908 785** |

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (cont.)

| Figures in Pula | 2018 |
|---|---|

### 33. Botswana Postal Services Limited Universal Service Obligation Segmentation

During the financial year under review Botswana Postal Services Limited presented its Universal Service Obligation (USO) segmented statements for review. This is in line with its recent designation as a postal operator. In Botswana the obligation is imposed by the Communications Regulatory Act (section 67), whereat the Minister appoints from postal operators licenced by the Botswana Communication Regulatory Authority, a designated postal operator to provide universal postal services. Section 67(2), recognising the burden of the appointment states that designation shall be under such conditions as may be set by the Minister. It can be inferred that such conditions include financial support and quality of service standards.

**Additional Information**
The regulatory USO report shows the financial activity of the Company by post offices, Value Centre and commercial activity. Since some costs are shared across the business, the Company uses activity based costing to apportion them to business activity.

USO recovery model summary report post audit for the year ended 31 March 2018

| **Revenue** | **USO** | **Non USO** | **Total** |
|---|---|---|---|
| VC North | 11 726 971 | 39 057 632 | 50 784 603 |
| VC Central | 9 995 624 | 31 221 077 | 41 216 701 |
| VC South | 32 715 173 | 55 033 017 | 87 748 190 |
| Head Office | 78 719 717 | 49 445 516 | 128 165 233 |
| | **133 157 485** | **174 757 242** | **307 914 727** |
| **Cost** | | | |
| VC North | 56 512 550 | 28 013 989 | 84 526 539 |
| VC Central | 48 420 575 | 18 738 609 | 67 159 184 |
| VC South | 109 745 502 | 35 812 115 | 145 557 617 |
| Head Office | 4 027 226 | 2 526 592 | 6 553 818 |
| | **218 705 853** | **85 091 305** | **303 797 158** |
| **Profit/(loss) before tax** | | | |
| VC North | (44 785 579) | 11 043 644 | (33 741 935) |
| VC Central | (38 424 951) | 12 482 469 | (25 942 482) |
| VC South | (77 030 329) | 19 220 902 | (57 809 427) |
| Head Office | 74 692 491 | 46 918 924 | 121 611 415 |
| | **(85 548 368)** | **89 665 939** | **4 117 571** |





NOTES TO THE ANNUAL FINANCIAL STATEMENTS (cont.)

| Figures in Pula | 2017 |
|---|---|

### 33. Botswana Postal Services Limited Universal Service Obligation Segmetation (continued)

USO recovery model summary report post audit for the year ended 31 March 2017

| **Revenue** | **USO** | **Non USO** | **Tota** |
|---|---|---|---|
| VC North | 12 031 543 | 37 186 977 | 49 218 520 |
| VC Central | 10 086 833 | 29 206 879 | 39 293 712 |
| VC South | 28 199 084 | 51 772 610 | 79 971 694 |
| Head Office | 73 823 940 | 48 434 409 | 122 258 349 |
| | **124 141 400** | **166 600 875** | **290 742 275** |
| **Cost** | | | |
| VC North | 52 993 838 | 32 020 571 | 85 014 409 |
| VC Central | 48 285 184 | 20 612 979 | 68 898 163 |
| VC South | 101 229 393 | 39 628 435 | 140 857 828 |
| Head Office | 3 527 470 | 5 440 083 | 8 967 553 |
| | **206 035 885** | **97 702 068** | **303 737 953** |
| **Profit/(loss) before tax** | | | |
| VC North | (40 962 294) | 5 166 406 | (35 795 888) |
| VC Central | (38 198 350) | 8 593 900 | (29 604 450) |
| VC South | (73 030 308) | 12 144 175 | (60 886 133) |
| USO | 70 296 470 | 42 994 326 | 113 290 796 |
| | **(81 894 482)** | **68 898 807** | **(12 995 675)** |

The total revenue disclosed in this note includes amounts in revenue line item and other income. Total cost includes amounts disclosed in cost of sales and administration expenses.

### 34. Events after the reporting period

Post Balance sheet date, as part of the amalgamation, Government has directed that a new Board of Directors of Botswana Postal Services Limited as a surviving entity should be appointed effective 01 July 2018.

| Figures in Pula | Note | 2018 | 2017 |
|---|---|---|---|

## Detailed Income Statement

| | Note | 2018 | 2017 |
|---|---|---|---|
| **Revenue** | **3** | **260 172 382** | **250 631 922** |
| **Cost of sales** | **4** | **(170 266 409)** | **(178 028 485)** |
| **Gross profit** | | **89 905 973** | **72 603 437** |
| | **5** | | |
| **Other operating income** | | | |
| **Other operating gains (losses)** | | **50 679 218** | **41 136 227** |
| Loss on disposal of assets | | (1 486 483) | - |
| Foreign exchange losses | | (1 065 136) | (1 149 098) |
| | **6** | **(2 551 619)** | **(1 149 098)** |
| Other operating expenses | | | |
| Advertising | | (139 873) | (856 230) |
| Amortisation | | (1 462 398) | (1 434 376) |
| Auditors remuneration - external auditors | 7 | (237 924) | (255 000) |
| Bad debts | | (2 718 695) | 3 331 769 |
| Cleaning | | (3 960 009) | (3 550 639) |
| Consulting and professional fees - legal fees | | (734 107) | (1 613 340) |
| Consulting and professional fees | | (1 664 763) | (4 155 728) |
| Depreciation | | (9 647 873) | (9 610 100) |
| Donations | | (156 191) | (237 632) |
| Employee costs | | (51 669 242) | (49 054 507) |
| Other expenses | | (3 663) | (6 510) |
| BSB/Botswana Post merger | | 3 557 886 | - |
| Directors fees and board expenses | | (505 698) | (349 607) |
| Universal service access fund | | (1 149 861) | (1 226 815) |
| Operator licence fees | | (724 500) | (670 882) |
| Impairment | | - | (1 105 285) |
| Insurance | | (2 285 556) | (1 037 206) |
| Lease rentals on operating lease | | (4 008 834) | (3 618 731) |
| Municipal expenses | | (3 461 999) | (3 474 710) |
| Office expenses | | (733 729) | (1 169 504) |
| Printing and stationery | | (4 655 517) | (4 312 720) |
| Repairs and maintenance | | (7 355 006) | (9 363 219) |
| Security | | (9 894 605) | (8 614 138) |
| Strategy costs | | - | (3 347 391) |
| Subscriptions | | (664 431) | (1 217 860) |
| Telephone and fax | | (6 801 260) | (9 458 915) |
| Training | | (2 144 511) | (2 043 842) |
| Travel expenses | | (4 399 401) | (5 739 760 |
| | | **(117 621 760)** | **(124 192 878)** |
| **Operating profit (loss)** | **7** | **20 411 812** | **(11 602 312)** |
| Finance income | 8 | 509 224 | 721 102 |
| Finance costs | 9 | (16 803 465) | (15 023 252) |
| Restructuring Costs | | - | 12 908 785 |
| **Profit (loss) before taxation** | **4** | **117 571** | **(12 995 677)** |
| Taxation | 10 | (1 004 833) | 5 103 918 |
| **Profit (loss) for the year** | | **3 112 738** | **(7 891 759)** |



**The supplementary information presented does not form part of the annual financial statements and is unaudited**

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