BotswanaPost

We deliver, whatever wherever

# Annual Report 18/19

# SUSTAINING A PROFITABLE MINDSET

# Contents

# 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 2019

## REVENUE

**16.5%**

REVENUE GREW TO
**P 292 MILLION**
**(2018: 3.8%)**

## COST TO INCOME RATIO

**0.7%**

FLAT AT
**98.6%**
**(2018: 5.8%)**

## CONTROLLABLE COSTS

**33.7%**

OPERATING COSTS UP TO
**P157.3 MILLION**
**(2018: 6.8%)**

## BALANCE SHEET GROWTH

**2.9%**

ASSETS GREW TO
**P576.1 MILLION**
**(2018: 2.9%)**

## POSTING PROFIT BEFORE TAX

**51.5%**

IMPROVEMENT OF PBT TO
**P6.2 MILLION**
**(2018: 139.4%)**





# BOTSWANAPOST: **144 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 CENTRE

**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

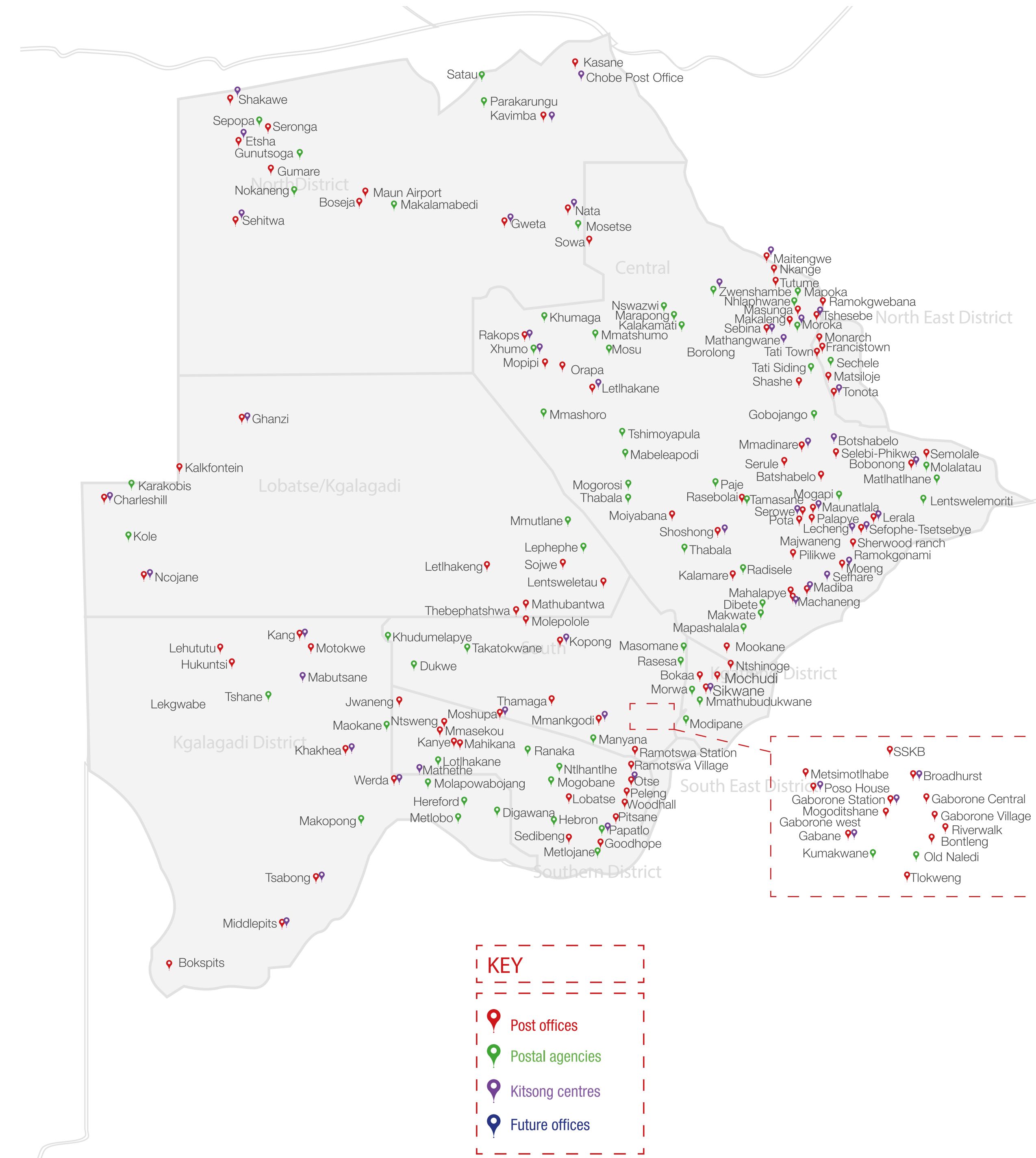
**VC Central**
Bobonong
Botshabelo
Lecheng
Lerala
Letlhakane
Machaneng
Madiba
Maunatlala
Mmadinare
Moiyabana
Mookane
Mopipi
Rakops
Ramokgonami
Rasebolai
Sefhare
Sefhophe
Shoshong
Tsetsebye

## POSTAL AGENCIES

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

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

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



# CHAIRMAN'S **STATEMENT**

**"The amalgamation meant we could optimise our national resources coupled with a reduction in overall public expenditure. It has created a platform for a robust, effective and efficient service delivery system for our customers."**

During the year under review, we experienced a successful amalgamation of Botswana Postal Services Limited and Botswana Couriers & Logistics (BC&L) into BotswanaPost, which marked a notable milestone for us.

This provided us a significant opportunity to have a diversified commercial opportunity to provide postal, financial, courier and logistics services to the entire nation, in our quest to remain relevant. The amalgamation meant we could optimise our national resources coupled with a reduction in overall public expenditure. It has created a platform for a robust, effective and efficient service delivery system for our customers. Thus, we are now able to harness and deploy innovative technologies to boost productivity, delivery and operational capability.

The exercise demanding as it was, marked another milestone of our final 2017-20 strategic period. We remain fixated upon continued improved profitability, overall efficiencies and financial soundness of the Company. Refocusing our efforts through amalgamation has allowed us to explore improvements in policy co-ordination and make oversight by the Shareholder easier.



## Financial Position

The amalgamated entity officially began trading on the 1st October 2018, as such, the financial statements published in this Annual Report will reflect six (6) months of the Couriers and Logistics part of the business.

As a result of the amalgamation process, to some extent, we had largely anticipated a rise in operational costs and unpredictable prices. This is precisely why major steps were taken to reinforce our fundamental strengths, that is, efficient utilisation of resources. This resulted in a significant improvement in our profitability to P6.2m. A 51.5% increase on prior year profit before tax of P4.1m. However, higher tax charges due to unrecognised tax losses from BC&L resulted in a marginal loss for the reporting period.

We continue to exercise prudence through various cost optimisation and portfolio rationalisation initiatives. This resulted in a slight improvement of approximately 0.7% in our cost to income ratio. This has improved from 98.6% in the 2017/18 financial year to 97.9% for the year under review. Going forward, our financial situation is expected to improve significantly.

## Execution of Company Strategy

Our Board was formed with the amalgamation process already underway and we managed to successfully build strong relations with the Senior Management Team, "C-Suite", in support to fulfill its operational mandate and see the project through to completion. We are proud that the execution was largely done internally, and this proves that we have a very good team to deliver the set mandate.

The Board, in its provision of strategic guidance and oversight to Executive Management for carrying out of daily business, has helped to steer the C-Suite to achieve the Company's Executing Innovative Excellence Strategy (2017-2020).

## Stakeholders

As we wrap up the financial year (2018/19), I wish to take this opportunity on behalf of the Board to thank our Shareholder, the Ministry of Transport and Communications for its unwavering support and commitment it has shown during our year of transition and transformation.

It was not an easy year, but through collaborative efforts, we have yet another success story to celebrate. I extend my gratitude to our Regulator, Botswana Communications Regulatory Authority (BOCRA), for painstakingly ensuring that BotswanaPost operates within its mandate. Furthermore, our strategic partners and customers, who contributed towards the improvement of our service offering cannot go without being thanked for their sterling abilities and commitment.

My profound appreciation of the Company's Executive Management as led by an innovative Chief Executive Officer, Cornelius Ramatlhakwane, goes without saying once again. It is through his hard work and focus that we see BotswanaPost where it is today, and I have no doubt that this is just the beginning of greater things to come.

The team has consistently demonstrated their leadership in championing not only transformation, but also growth and sustainability of the business. Under the strategic stewardship of the Board and Senior Management, I am confident that the teams on the ground will further strengthen our position as a sustainable profitable business and a responsible corporate citizen.

I would like to express my sincere gratitude to our Board, our Shareholder, Partners in growth, business associates, and Employees who have walked with us to positively deliver BotswanaPost to where it is today, and well positioned to where we aspire to be in the future. To this end, I thank you all.

Nathan Kgabi
**Chairman**

# CHIEF EXECUTIVE OFFICER'S **STATEMENT**

**BotswanaPost achieves good results amid times of organisational change**

At the beginning of 2017, BotswanaPost had entered into brave new territory.

We had nurtured a high-performance, rewards-based culture driven by a team of talented postal services experts at every level. We had managed our controllable costs through effective control measures and a zero-tolerance approach to wasted resources.

And we had simultaneously and aggressively grown our revenue base; protecting our core business while seeking out new and innovative technologies with a laser-focus on value creation for the customer and profitability in every product line.

This, in a nutshell, is what the Operational Efficiency Execution Plan was all about; being Fit-to-Serve and Fit-for-Growth. And the results, both on the ground and on paper, were plain to see. After spending years chasing the 'break-even point', we had gone beyond it.

***BotswanaPost was making a profit.***



## Amalgamation: yet another dramatic turning point in the history of BotswanaPost

### Amalgamation and Executing Innovative Excellence

They say that you can only help others from a position of strength. When we received the directive from the Shareholder to amalgamate Botswana Couriers & Logistics and BotswanaPost under one team, one brand and one common set of values, we did so with firmer foundations than ever before.

Such an all-encompassing project presented us with yet another dramatic turning point in the history of BotswanaPost. It's a great story that needs to be told. I call it the New Inflection Point. Under my tenure as Chief Executive Officer, the team had been fighting day and night to break even for the past four years, and we had finally won that war.

Amalgamating with another entity was a big step into the unknown. I am very proud to note that the vast majority of the amalgamation procedures were handled internally, with restricted input from outside consultants. I wanted to ensure that we, as a team, owned this process of change. We found the then existing Botswana Couriers & Logistics entity with its own fair share of challenges, many of which were characterised by weak operational performance, sub-optimal staff productivity and a loss-making financial position.

However, when we began to roll out the Executing Innovative Excellence Strategy in 2017, we made the decision to suspend couriers and logistics from our suite of services in anticipation of amalgamation. Today, this presents a massive opportunity. We can bring back this offering and do so in a way that gives us latitude and leverage to make the service everything it can and should be.

One of the key aspects of amalgamation often emphasised by the Shareholder was clear: regardless of the cost incurred, there should be no job losses.

I am proud to say that we achieved this goal.

For many years, one of the biggest hallmarks of our success has been talent management: putting the right people, with the right skills, into the right places. Amalgamation presented us with even more opportunities to put this principle into practice, re-map our human capital resources, close gaps and unlock value across the board.

Adding 317 employees to our staff complement overnight caused us to examine each department under a microscope. We drew up detailed Departmental Operating Instructions, tools which lay the framework for greater effectiveness of our staff within their workstreams and give them a step-by-step approach to every task. This has enabled us to fine-tune the habits and behaviours of the staff who were arriving from Botswana Couriers & Logistics and to strengthen what we do best.

### The impact of amalgamation

Amalgamation came with its financial implications.

Botswana Couriers & Logistics, as an enterprise, was insolvent. We absorbed approximately P12.4 million worth of operating losses in prior year balances and over P30 million in unrecoverable bad debts. We inherited a worrying creditors' book — a large portion of which came with genuine litigation risks. Additionally, we found ourselves in an information vacuum as every executive at Botswana Couriers & Logistics resigned before amalgamation happened. We were, for a time, working in the dark in terms of resolving many of these issues.

Crucially, we are yet to receive P7.5 million in amalgamation costs that was pledged to us by the Shareholder when this process began. This has left our Balance Sheet in a severely weakened financial position.

However, herein lies the opportunity. We are calling for a significant capital injection from the Shareholder. This will enable us to dramatically improve our cash flow, our gearing and re-structure our Balance Sheet.

# CHIEF EXECUTIVE OFFICER'S **STATEMENT CONT.**

This will position us as a truly 'blue-chip' entity and possibly, the fastest growing parastatal in Botswana.

## Outputs of amalgamation

Despite the mountain we have had to climb, BotswanaPost was still able to generate record profits for the year under review: approximately P6.2 million, an increase of 51.5% compared to the previous year.

This is the level of profitability we have been striving towards and visualising since the days of the Icon of Excellence Strategy. (One wonders how high this figure could have risen, had it not been for amalgamation.)

As we reflect on lessons learned during the past year, my team and I have come to this conclusion: now is the perfect time to re-strategise.

With the Logistics function now under our belt, we are positioning ourselves to capitalise on this asset and leverage it to its full potential. This will create new revenue streams with a very high upside, especially now that we can provide logistics services using our own operational culture.

What are the outcomes we are aiming for? They are the same as they have been for the past four years: growth in revenue, higher performance levels, reduction of costs, overall sustainability and, of course, a possible payment of a dividend.

At the end of the day, BotswanaPost wants to get back onto its growth trajectory.

The new strategy we are working on will be built on familiar foundations: excellence in execution, technology and smart partnerships.

We look forward to sharing this with all our stakeholders.

## Our winning culture: this is who we are

At BotswanaPost, our results are not driven by the fact that we have an amazing corporate culture. No. Our culture is not something we merely have — it's something that we are.

This organisation is made up of a committed and dynamic group of people who are united in their service to others. The more we serve, the more we grow.

In the spirit of giving that extra degree of effort at all times, we take immense pride in being Botswana's oldest public service. That reputation is built on countless late-night shifts, break-of-dawn cross country deliveries and thousands of hours of overtime away from our homes and families.

This is the nature of our work. It's who we are.

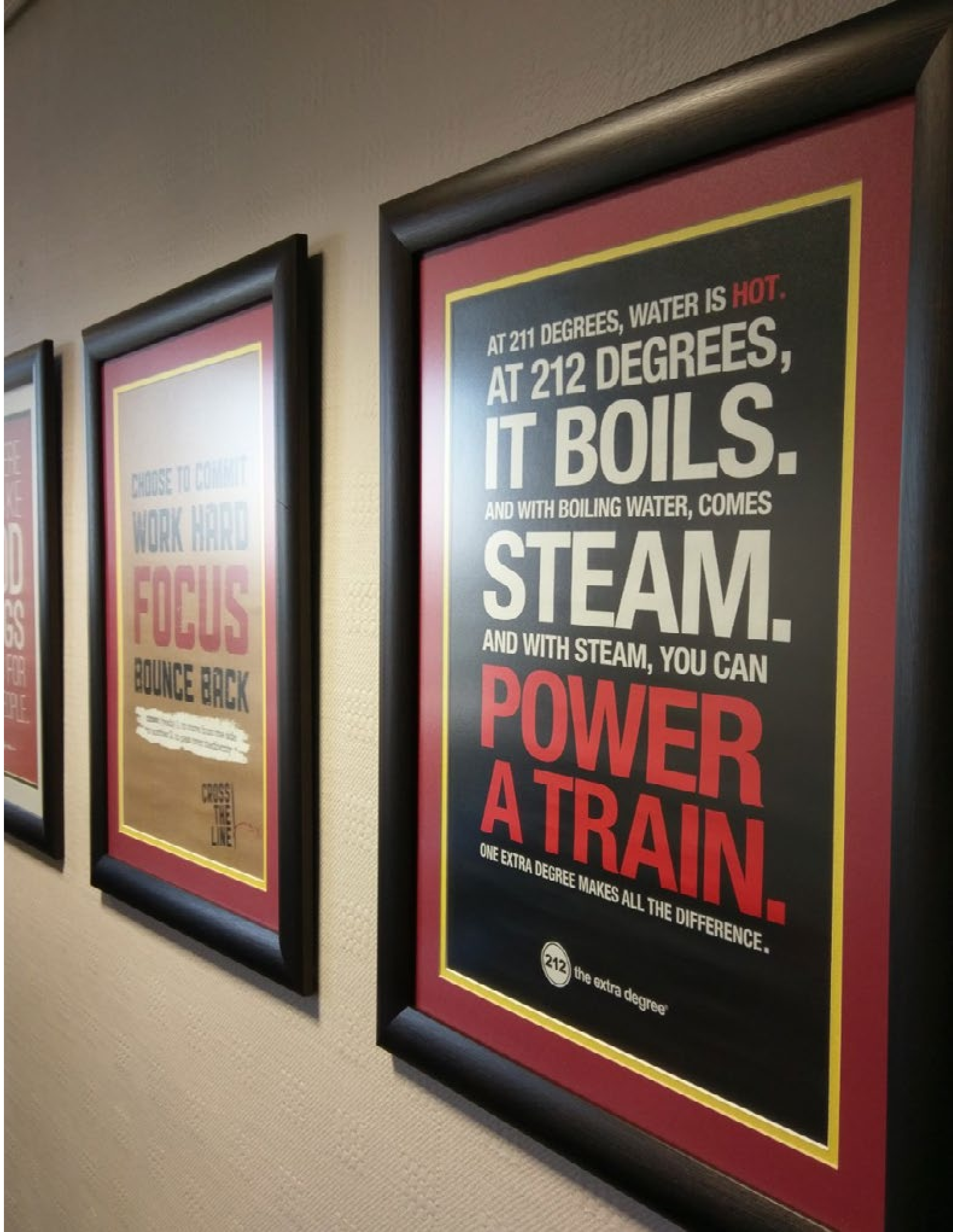
To embody these values, we are coaching individuals in leadership positions to model the behaviour they want to see, connect with their subordinates through honest and regular communication, and involve them in decision-making responsibilities.

This is how we keep moving — with smiles on our faces. (We call it 'smoving'.) Without a positive attitude, many of the growth opportunities we have grasped with both hands would have eluded us.

For this, I am eternally grateful for everyone who is a part of this organisation — that means our Board, management team and every member of staff.

Here's to you, to a job well done in this financial year — and to our shared future which we are creating together.

Cornelius Ramatlhakwane
**Chief Executive Officer**



# THE
# REVIEWS

# FINANCIAL REVIEW AND OUTLOOK

**Ofentse Mabote**
Chief Finance Officer

**Overview**

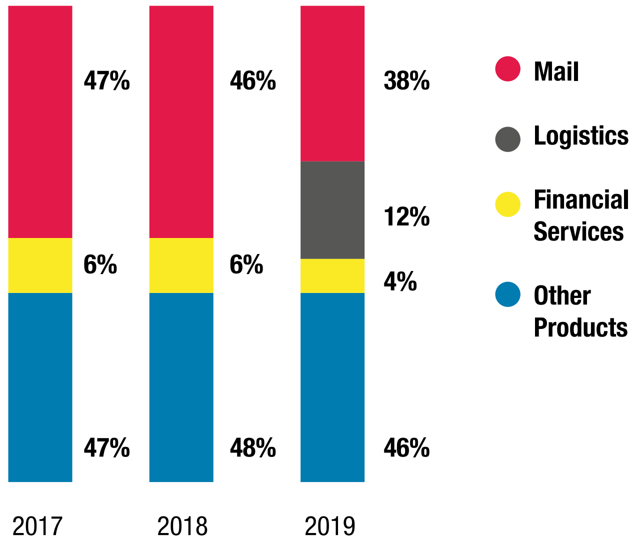
According to the UPU Postal Economic Outlook of 2019, all key factors that underpin the activities of the postal sector worldwide continue to expand. Therefore, in this environment, postal operators are trying to adapt their business models, shifting their focus to parcels, logistics and financial services. The amalgamation of BotswanaPost and Botswana Couriers & Logistics is well-timed — it positions us to capitalise on this trend. We envisage the creation of synergies and efficiencies that will benefit the new entity to adapt in this changing environment. The Company continued to sustain the profitability trajectory as well as ensuring that cashflow challenges are reduced. Revenue grew by 16.5% largely due to the addition of the courier business line. Profit before tax significantly improved from the previous year by 51.5% signifying that even through a year of significant change, we were able to strengthen our fundamentals: revenue growth and cost containment. Our cashflow improved 6% whilst the financial position improved moderately by 2.9%.

## REVENUE & OTHER INCOME

**Revenue**

Revenue for the reporting period grew by 16.5%. Of this increase, 83% was due to the revenue from the courier and logistics business. Growth from business before inclusion of courier and logistics was 2.8%. This moderate growth was largely driven by non-traditional revenue lines which grew by 10% while the traditional revenue lines shrank by 7%. Both traditional and non-traditional lines of business continue to face stiff competition. In response, the launch of PosoMoney as well as low cost money transfer products will help in protecting our market positioning. In terms of the mail business, the company is engaging international and regional partners to improve service delivery.

The graph below details the changes in revenue structure over the strategy period 2017-2020.




**Other Income**

At BotswanaPost, as a Designated Postal Operator, we honour the Universal Service Obligation (USO) by providing our services to all far-flung corners of our country — regardless of the financial losses that come with it.

Government of Botswana continues to recognise this important service which we provide to under-privileged communities — many of whom rely on their local post offices for contact with the outside world.

The significant increase of 191.6% in other income is mainly from the increase in USO and amalgamation cost recoveries. Rentals also continue to grow by (77.5%) as we realise the potential of our available space.





# FINANCIAL REVIEW AND OUTLOOK **CONT.**

## COSTS

Costs continued to be monitored closely during the reporting period. However, as reported above, we did incur a significant increase in non-controllable costs due to the amalgamation.

Apart from the additional costs of amalgamation, cost of sales increased by 23.6% mainly due to 50% increase in employee costs and 22.5% increase in airtime expenses. The latter increased because of 23.3% growth we experienced in that revenue line. Employee costs increased mainly because of two reasons: firstly, because we increased our staff complement — and secondly due to pay alignment at the time of amalgamation. Other operating expenses increased by 33.7%. In addition to amalgamation, these were caused by employee costs (up by 39.2%), security expenses (up by 15%), debtors impairments (up by 62.9%) and other expense increases. Debtors' impairments were mainly due to the application of IFRS 9. Employee costs are 45% of the total cost of sales and other operating costs. This is an increase of 6% from the 40.8% ratio from the previous financial year. The Company has put in place measures to reduce this ratio to reasonable levels. Finance costs increased by 7.1% mainly due to increased utilisation of overdrafts to cover the cost of amalgamation which was recovered close to the end of the financial year.

**Profitability**

The profitability of BotswanaPost continues to improve as our revenue grows. We are working hard to monitor and contain costs across all categories. We are happy to note that Botswana Government reimburses us for the Universal Service Obligation at a level which approximates the true costs incurred on the ground. Our Gross Profit margin slowed by 4.1% albeit growing by 2.9% in absolute numbers due to higher cost of sales explained under the cost review. Profit before tax grew by 51.5% despite amalgamation costs being not fully recovered. This is an indication of the strong foundation built over the last three years which continue to be sustained. Our tax charge was higher this year due to the recognition of assessed losses that could not be claimed during the amalgamation process leading to a total comprehensive loss for the year.

**Financial Position**

The Financial position of the company improved slightly by 2.9%. However, the Company continues to be highly geared due to the Public Debt Service Fund (PDSF) loan that has also subdued our profitability due high interest rate charges. The return on shareholders' funds improved from 4.3% to 7.5% because of increased cumulative losses as a result of Botswana Couriers & Logistics losses. The return on equity dropped from 10.5% to 9.1% due to increased equity after amalgamation despite improved profitability. Cash flows continue to improve as a result of prudent working capital management, which was albeit relaxed slightly during the year due to the delayed funding of the amalgamation process.

**Outlook**

We are focusing on two key performance areas to close off the strategic period. Firstly, we will be able to improve our financial management even further due to the implementation of the Counter Automation System which is integrated with the Enterprise Resource Planning system. This will not only see improved effective controls but will also bring about efficiencies. Secondly, we will ramp up our focus on cash flow improvement to ensure that any new ventures that the business embarks on are well-resourced, as a result, more likely to succeed.

**Corporate Governance serves as the purpose of facilitating effective and prudent management that can deliver the long-term success of the Company. As the overarching structure, BotswanaPost's corporate governance comprises of the Company Secretarial & Legal Services, Internal Audit and Risk & Compliance Unit.**

# COMPANY SECRETARIAL & LEGAL SERVICES **REVIEW**

**Yarona Sharp**
Company Secretary

In an effort to ensure that BotswanaPost operates with the confines of the law at all times, the Company Secretarial and Legal Services office ensures an adherence of corporate governance structures for both the Board and the Company.

We ensure that the relevant governing instruments which regulate, and guide Board activities are in place. Furthermore, our department benchmarks itself against the latest trends in the corporate governance industry so that we are best-placed, and accordingly proffer advise.

## Key Achievements: Amalgamation

During the year under review, the office of the Company Secretarial and Legal Services office facilitated and oversaw the amalgamation of BotswanaPost and Botswana Couriers and Logistics. Our department was responsible for ensuring that all due processes and procedures were followed in smoothly implementing the project. We are proud to announce that no job losses were incurred, nor lawsuits were filed against BotswanaPost during and following amalgamation. This is testament to a seamless and professional service that the Company Secretary provided during this time.

The amalgamation has given the office of the Company Secretary an opportunity to revise and introduce new governing instruments in order to add value to the overall strategic objectives of BotswanaPost.

## Board of Directors

Chief to the role of the Company Secretary is to ensure that the organisation is run on good corporate governance practices.

In order to align the newly constituted Board with the strategy of the Company, the office of the Company Secretary has devoted itself to orientating the Board and bringing them up to full speed with the operations and business practices here at BotswanaPost. The Board was enrolled on training to help them fully understand and embrace King III and IV principles, as well as the charters within which they operate. This ensures that every member is well-equipped in the dispensation of its oversight and fiduciary duties, effectively.

At BotswanaPost, the Board of Directors is manned by skilled professionals selected from varied educational backgrounds and trades: information technology, legal and financial experts — just to scratch the surface. The knowledge, aptitude and confidence that the Board brings to our enterprise is of enormous value. The Company Secretarial and Legal Services office will continue to provide world-class corporate legal advisory and compliance services to the Board and the Company. We will ensure that we play a critical role in delivering value to BotswanaPost by safeguarding against and alleviating corporate legal risk, and embedding it into the strategic objectives of the business.





# CORPORATE GOVERNANCE REVIEW **CONT.**

## The Board

**Board Committees**
In the diligent and efficient execution of the mandate of the Board, the Chairperson has delegated some functions to various Committees, whose role is to carry out duties for and on behalf of the Board and report directly thereto. Members of Committees have a duty to act in the best interest of the Company and with integrity.

The Post Board Committees are:
- the Tender Committee
- the Human Resources Committee, and
- the Finance, Audit and Risk Committee.

**Tender Committee**
**Members: T Ntsatsi, S Bobeng, T Tladi**
The role of the Committee is to ensure that there is compliance with policies formulated by the Company in respect with procurement of goods and services, award of tenders and appointment of consultants.

**Human Resources Committee**
**Members: Dr. T Motshegwa, MJ Kgosi, T Tladi**
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 business strategy
- Undertaking the appropriate performance management, succession planning, and development programmes and activities
- Providing effective remuneration policies having regard to the creation of value for the Shareholder and with external remuneration market in mind.

**Finance, Audit & Risk Committee**
**Members: M Dimbungu, M Phetogo, Dr. B Tacheba**
The role of the Committee is to assist the Board to oversee:
- The integrity of the financial statements of the company
- External auditor's qualifications and independence
- Performance of the Company's Internal Audit and external functions
- Compliance of the Company with legal and regulatory requirements
- Company policies and practices with respect to major financial exposures, and
- The development of internal controls, policies and procedures in the management of enterprise-wide risk.

## Board Meetings

In liaison with the Chief Executive Officer and the Company Secretary, at the behest of the Chairperson, there are four (4) ordinary meetings per financial year. The frequency of meetings is dictated by business needs and demands, whereby in extraordinary circumstances, as and when it is deemed fit to do so, special and closed Board meetings are convened. All meetings are preceded by notice and at every sitting Directors make a declaration of interest, or otherwise, on the topic(s) of the Agenda. The meetings are quorate on a simple majority. The Company Secretary ensures that a true record of the proceedings is kept during meetings, timely dispatched, and duly signed.

All Board and Committees meetings are held at Poso House.

# BOARD OF **DIRECTORS**


1.

2.

3.

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1.

## Nathan Kgabi
Chairman

Nathan M. Kgabi is the present day Chairman of the Board of Directors for BotswanaPost following his appointment in July 2018. He previously served as Managing Director of Metropolitan Life Botswana, prior to which he was the Managing Director of CBET (Pty) Ltd., a privately owned publisher of Botswana Guardian and Midweek Sun newspapers.

He has served as Executive Officer for Botswana Institute of Accountants and Company Secretary and Public Relations Manager at Standard Chartered Bank. In addition, he has also served as Corporate Services Manager at Botswana National Productivity Centre and Industrial Relations Manager at BOCCIM. He holds Bachelor of Arts degree in Economics from the University of Botswana. He is the founder and Group Managing Director at Thito Holdings, and his fields of expertise are transformational change and operational turnarounds.

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.

## Mpho Judith Dimbungu
Director

Mpho Judith Dimbungu is a Fellow Member of Botswana Institute of Chartered Accountants. She has also been awarded a Master of Business Administration degree from University of Derby, UK.

She is also a Director of Phokoje Enterprises (Pty) Ltd and she joined BotswanaPost as a Director in July 2018. She is the Chairperson of the Finance, Audit and Risk Committee.



4.

## Shingani Bobeng
Director

Shingani Bobeng joined BotswanaPost as a Director in July 2018.

He has earned a Master's degree in Transportation and Logistics Management from University of Arkansas, United States. He also holds a Bachelor Arts in Economics and Public Administration from the University of Botswana, as well as a diploma in Law and Advanced Certificate in Alternative Dispute Resolution.

5.

## Jennifer Matlho Kgosi
Director

Jennifer Matlho Kgosi has Master's degree in Public Administration and Bachelors Degree in Sociology.

Having joined BotswanaPost as a Director in July 2018, she is a certified and practicing executive coach and also a General Manager at Botswana National Productivity Centre.

6.

## Dr. Budzanani Tacheba
Director

Dr. Tacheba joined BotswanaPost as a Director in July 2018.

He holds a Phd in Environmental Science from the University of Botswana as well as a certificate in Science, Technology and Innovation Policy from Harvard University.

7.

## Tebogo Tladi
Director

Tebogo Tladi is a member of the Law Society of Botswana and an Attorney of the Courts of Botswana. He holds a Bachelor of Laws Degree from the University of Botswana and Master of Studies Degree (International Human Rights Law) from the University of Oxford, United Kingdom. He is a Partner at Ramalepa Attorneys and heads the Corporate & Commercial Law Department.

Mr. Tladi joined BotswanaPost as a Director in July 2019, and is a member of both the Tender Committee and Human Resources Committee.

8.

## Mathews Phetogo
Director

Mathews Phetogo joined BotswanaPost as a Director in July 2018. He is the Head of Operations of the Rand Merchant Bank (RMB) Botswana. He is a Fellow Member of the Association of Chartered Certified Accountants (FCCA) and Fellow Member of the Botswana Institute of Chartered Accountants. He possesses a Senior Management Development Programme qualification from the University of Stellenbosch Business School.

9.

## Dr. Tshiamo Motshegwa
Director

Dr. Motshegwa joined BotswanaPost as a Director in July 2018.

He holds a Phd in Computer Science from University of London.

He is lecturer and researcher at the University of Botswana.

10.

## Thulaganyo Ntsatsi
Director

Thulaganyo Ntsatsi joined BotswanaPost as a Director in July 2018.

He holds a Master of Science in Computer Communications and Networks from Leeds Metropolitan University, United Kingdom.

His special interest is strategy in the context of Botho.

# INTERNAL AUDIT **REVIEW**

**Bothepha Kgosidiile**
Head of Internal Audit

The role of Internal Audit is to provide independent assurance that BotswanaPost's risk management, governance and internal control processes are operating effectively.

The Board is ultimately responsible for overseeing the establishment of effective systems of internal control in order to provide reasonable assurance that the Company's financial and non-financial objectives are achieved. Executing this responsibility includes the establishment of a risk-based Internal Audit function. Internal Audit function however can only provide reasonable and not absolute assurance against material misstatements or loss. Internal Audit follows a risk-based approach to planning, as opposed to a compliance approach (which is limited to procedural adherence).

The status of Internal Audit at BotswanaPost is sufficient to permit objectivity, and to assure the accomplishment of its audit responsibilities. The function reports administratively to the Chief Executive Officer and functionally to Finance, Audit and Risk Committee. The Internal Audit function is established by the Board and its responsibilities are defined by the Finance, Audit & Risk Committee and stipulated in the Internal Audit Charter.

The Internal Audit function has full, free and unrestricted access to management, employees, and to any of the organisation's financial and operational activities, records (either manual or electronic), physical properties relevant to a review, but subject to strict accountability for safekeeping and confidentiality thereof.

Internal Audit follows a risk-based methodology to develop the annual Audit Plan, which is reviewed and approved by the Finance Audit and Risk Committee. The Chairperson of the Finance Audit and Risk Committee appraises the Board on the duties of the Internal Audit function on a quarterly basis.

Our approach is informed by the strategy of the Company and is aligned with business performance. Internal Audit, as a significant role player in the governance process, contributes to the effort to achieve strategic outcomes and provides effective challenge to all aspects of the governance, risk management and internal control environment.

Internal controls are established not only over financial matters but also operational and sustainability issues in order to manage the risks facing the Company.

The Internal Audit function, through Finance, Audit & Risk Committee assures to the Board that the combined assurance model embedded within the Company is coordinated so as to best optimise costs, avoid duplication and prevent assurance overload.





# RISK AND COMPLIANCE **REVIEW**

**Kesegofetse Molatlhegi**
Head of Risk & Compliance

At BotswanaPost, we understand that Risk Management plays a major role as a cornerstone for overall business performance and long term sustainability.

With these dual priorities at the top of our minds, we continue to embed risk management into the day to day operations of the business by ensuring the business takes calculated risks in a manner that maximises value creation.

The Risk Management function continues to support the business in this regard by playing a part in all major projects that the business embarks on, coupled with close monitoring of risks identified by the respective business units. Heads of functions are tasked with ensuring that risks emanating from their areas of responsibility are adequately identified, assessed, mitigated and continuously monitored.

Key risks and their necessary mitigation measures are reported to the Finance, Audit and Risk Committee of the Board on a regular basis.

## Amalgamation

The amalgamation exercise ushered in a new direction culminating in the redeployment of the Risk and Compliance function from the office of the Company Secretary, to be an independent function reporting directly to the CEO and the Board of Directors.

The department was enhanced with additional resourcing to further underscore the importance of this role in the Company.

## Key Performance Highlights

BotswanaPost has made significant strides towards compliance with Anti-Money Laundering and Counter-Financing of Terrorism and Proliferation in terms of the Financial Intelligence Act and related legislation.

This has been achieved through Board approved governance instruments, awareness campaigns, system configurations and adhering to reporting obligations. The department continues to ensure these important measures and interventions are embedded into the operations of the business to protect the integrity of our money transfer platforms.

## Goals for the upcoming financial year

For the upcoming year, the Company, through the support of the Risk and Compliance function, aspires to achieve the highest levels of maturity in all risk and compliance matters.

We will continue to play a major role in providing advisory support to key decision makers at BotswanaPost, allowing the enterprise to run in harmony with all the laws, regulations, and industry standards in Botswana.

The function will continue to perform regulatory scanning for changes and developments within the regulatory space, with due consideration to the ever-changing and complex regulatory and legislative landscape in which we operate.

We endeavour to align ourselves with best practice in these matters.

# COMMERCIAL REVIEW

**Clifford Lekoko**
Chief Commercial Officer

The Commercial Department formulates and implements the commercial strategy of the business to deliver continued growth and long-term sustainability.

At the Commercial Department, one of our main goals is to position ourselves at the forefront of innovation and technology in the postal services and payment processing industries.

This puts research firmly in the spotlight for my team and I. We scan the globe for emerging trends which we can implement in a local context to create a better experience for our customers, both in-store and online.

In this way, we can deliver sustainable growth for the business — along with new and exciting revenue streams.

## Key performance highlights

In the year under review, the Commercial Department focused its efforts in one key area: to defend one of our core products — Money Transfer — from the competitive pressure being exerted on it by other mobile money services.

We are always looking for more innovative ways to reach out to our customers and provide them with convenience using strategies which go beyond traditional brick-and-mortar post offices.

This year we introduced PosoMoney, a mobile money service to counter the declining volumes in our traditional over-the-counter money transfer services.

Our comparatively late entry into the market proved to be an advantage. Uptake of PosoMoney was rapid because our customer base was already familiar with this type of offering.

What we were able to bring to the market in this area is superior technologies which are more secure, faster and cheaper to use.

These benefits are perfectly in line with the BotswanaPost brand promise, and we are currently processing approximately 10 thousand money transfers a month. The beauty of PosoMoney is that the system is a neutral entity — it provides a money transfer platform that does not discriminate between mobile networks. At the office, we call this 'interoperable'.

This puts every Motswana with a mobile phone under our umbrella, unlike other services. This gives us fertile ground in which to grow and establish a position of superiority in the market.

Research shows that platforms just like PosoMoney create significant economic growth opportunities for people in rural areas who are currently unbanked.

This year, we have built on our partnership with Sefalana Holdings. For the past 2-3 years, these standalone mini post offices have been reducing congestion in branches, which is the exact outcome we wanted. With efficiency being our number 1 priority going forward, the Kiosks are coming to the fore as formidable value centres. They are cost-effective to run and strong revenue earners for the business.

## Amalgamation

Amalgamation opens up new possibilities for the Commercial Department especially in terms of logistics. We have enjoyed integrating new members of staff into our team who are especially well-versed in the transportation of larger mail items.





# COMMERCIAL REVIEW **CONT.**

Because of amalgamation, customers with specialised needs can look forward to enhanced services — while still maintaining relationships with the people they already know and trust.

## Goals for upcoming financial year

Although great strides have already been made in this area, customers can look forward to more ways to interact with the BotswanaPost brand in the year ahead. This will come in the form of enhanced digital functionality and an even greater presence on the ground.

We will roll out point-of-sale devices making it even easier for customers to transact. This is yet another innovative tool to relieve pressure on the branches.

We will also introduce a platform known as Virtual Post, which will drive demand for post boxes — an innovation designed specifically for the youth and start-up businesses who are currently underserved.

The Commercial Department also intends to capitalise on the continued demand for online shopping by Batswana. This does not just apply to parcels coming into the country: we firmly believe in the power of our services to open up global markets for local exporters.

Our new Enterprise Resource Planning system will also enable us to better understand trends as they unfold within our own business. Using this functionality, we can make faster decisions, achieve better margins and take advantage of sudden shifts in demand as they happen on the ground.

Our commitment to innovation continues to drive revenue for the Company. In these times of change, the appetite for opportunity is alive and well at BotswanaPost as we continue to explore every possible way to deliver on our commercial mandate.

# OPERATIONS AND TECHNOLOGY **REVIEW**

**Jonathan Raheem Hosseini**
Chief Operations Officer

The Operations and Technology team services the BotswanaPost business through the work of the following functional areas teams:

- Information Technology
- Mail Operations including
  - Transport
  - Customs Clearing
  - Hybrid and Bulk Mail
  - Terminal Dues
  - Partner Logistics
- Hub Operations
  - Including Courier and Logistics Operations
- Customer Service
- Quality and Standards
- Knowledge Information Management
- Security Management
- Sustainability

## Overview

**Highlights of Activity and Accomplishments**

While maintaining and improving ongoing operational standards and advancing key strategic projects and initiatives, the past year was heavily influenced by the demands placed on Operations through the amalgamation of Botswana Couriers & Logistics with BotswanaPost. The reality of 2018 was a combination of major achievements within or alongside the context of the amalgamation. An expected amount of 'organisational turbulence', arising from the amalgamation has resulted in some deterioration in the quality of some services, towards the end of the year. These challenges are being responded to nimbly.

The Operations absorbed the largest number of people and processes from Botswana Couriers & Logistics. The year represented a high level of risk and uncertainty to the achievement of a smooth integration with minimum turbulence to service.

The Operations and Technology team has now incorporated the entire Botswana Couriers & Logistics Operations. The Customer Service function for all of BotswanaPost has been moved to Operations, and a new BotswanaPost Sustainability function has been created.

Key accomplishments for the year and plans for the upcoming year include:

## Information Technology:

**Disaster Recovery Site**

A new Disaster Recovery Data Centre Site was established in Phakalane to provide redundancy and fail over capability in the event of any failures at the main Data Centre located at Poso House. This capability will be further strengthened and continually tested during the upcoming year.

**Primary Data Centre Hardware Refresh**

In the last year, an almost complete hardware refresh was conducted, upgrading the infrastructure at the BotswanaPost Primary Data Centre. This upgrade positions BotswanaPost with one of the best IT infrastructures in the country, capable of delivering high levels of reliability and performance as we onboard new digital offerings, and transition to our new Post Global Counter Automation and ERP systems.

**System Optimisation, Security and Service Level Management**

In the upcoming year, we will invest in world class testing and validation of our system configuration. International leaders in infrastructure and system architecture and configuration have been engaged to identify weaknesses in our configurations and establish roadmaps to further optimise our infrastructure.





# OPERATIONS AND TECHNOLOGY REVIEW **CONT.**

A similar exercise will subject our security systems to extreme security penetration testing, to identify and plug all vulnerabilities.

In 2019, we will invest in a state-of-the-art in-house Service Management Centre with live 24/7/365 monitoring of every aspect of our system to ensure that any problem is identified before it affects service, and to ensure that responses to any system failure initiate almost immediately.

**Post Global Counter Automation and Dynamics 365 ERP System**

Successful alignment of resources has led to a record time for deployment of Dynamics 365 Enterprise Resource Planning (ERP) system that went live with the first modules on 01 April 2019. The remainder of the ERP modules and the new Post Global counter Automation system will go live during 2019/20.

The nationwide deployment of the new Post Global Counter Automation System integrated with the new ERP system, introduces efficiencies that are felt in increased quality and speed of service that the customer experiences, more accurate financial reporting at all levels, and accessibility to data for business intelligence purposes.

**Software Development**

The BotswanaPost IT team has developed its own solutions for management of the integration with Botswana Power Corporation for the sale of electricity. This new solution will save cash for BotswanaPost on every one of the hundreds of thousands of electricity sales that we manage each year. The solution will be deployed early in the new year.

We continue to develop depth and breadth in competency in our in house development team.

## Mail Operations and Hubs Post Amalgamation Change Management

**New Operations Value Centre Managers**

As part of the amalgamation exercise, Operations aligned itself more closely with the Value Centre model by appointing four Operations Value Centre Managers to service each of the Value Centres covering South, Central, North East and North West. This has resulted in closer, more business focused, service relationship between operations and the customer facing business Value Centres.

**End to End Process Mapping**

An End-to-End Process Mapping and Review exercise was conducted for the purposes of the amalgamation. This exercise engaged Value Centres around the country, and will be built upon in the transformation plans in the new year.

**Central Medical Stores (CMS) Contract**

The amalgamated BotswanaPost Operations, was awarded a new five year contract for the continued management of the Government of Botswana's Central Medical Stores and distribution of medical supplies nationwide. We continue to service all health facilities in the farthest corners of Botswana with an efficient management of the Central Medical Stores (CMS) facility in Gaborone West, and daily fulfillment of orders placed on the CMS.

**Upgraded International Postal System (IPS) installation**

The International Postal System (IPS) software at BotswanaPost was updated and configured to eliminate a number of system and process anomalies that were affecting service levels.

# OPERATIONS AND TECHNOLOGY REVIEW **CONT.**

**Cultural Assimilation of Botswana Couriers & Logistics Staff**
The Botswana Couriers & Logistics drivers and all operational staff have been absorbed into the core BotswanaPost Operations. A cultural assimilation exercise was conducted with senior Operations leaders engaging with staff face to face, nationwide to ensure that the integration of the human resources took place with minimum turbulence.

A major focus of activity in 2019/20 will be continuing cultural assimilation and alignment, training to standards and review of processes, standards and organisational structure to respond to any disruption or dysfunction that has arisen from the amalgamation of the two teams.

## Customer Service and Knowledge Information Management

The amalgamation process saw the early departure of the managers in both Customer Service and Knowledge Information Management. Recruitment of new leadership was aggressively pursued with placements to take place early in 2019/20. Customer Service has been moved to function within the Operations team, with the view to increase attention on "end-to-end" customer service thinking and management. The Customer Service team has started to work very closely with the Operations team and the Commercial team to more directly respond to and deliver on customer needs at every stage in the value chain.

2019/20 will see a review and overhaul of policies, standards, measurement, feedback/reporting and action cycles. Review, development and training to standards for front line customer service culture and communication will take place. Investment will be made to strengthen the relevance, measurement and reporting of customer service indexes, for both international and domestic mail performance, and overall customer satisfaction ratings. In the Knowledge Information Management (KIM) Unit in the new financial year, incoming leadership is being tasked to create a much tighter integration between information management on the production floor, where you directly find customer value chain needs and information processing by the Business Intelligence and Management Information resources within the Commercial team and the Information Technology team.

KIM will take the lead to specify, ensure strategic effectiveness and quality assure the Enterprise Content Management (ECM) modules in the new ERP system. This accountability extends to the effectiveness and uptake of user friendly interfaces for staff and customers to make information visible, available and actionable.

## Quality and Standards

**E-Commerce Readiness**
BotswanaPost has been chosen within a group of 65 countries globally to lead the way to spearhead provisioning of e-commerce service needs within national postal services. The Quality and Standards team is the BotswanaPost management lead on this front. BotswanaPost is now ready to pilot advance customs clearance of small parcels using information from the international Customs Declaration System (CDS).

Additionally, BotswanaPost is directly establishing bilateral agreements with the five countries that send us the most amount of e-commerce business to integrate customer data captured by them with our information systems to dramatically accelerate the processing and clearance steps once items arrive in country. The same agreements will also facilitate outbound e-commerce.





OPERATIONS AND TECHNOLOGY REVIEW **CONT.**

**Lean Thinking**
The adoption of Lean Transformation principles and tools is being supported by industrial engineers within the Quality and Standards team who are building on foundational work that has been done towards cultural alignment over the last few years. The team is leading a process of review of our entire operating model, to create tightened daily execution norms for integration between culture, process standards, customer focus, strategic goals, measurement, communication/visibility/ change management, risk management and problem solving/ continuous improvement. The net result of this effort to be realised during the upcoming financial year will be a sharpened ability to execute to standard and to more nimbly continuously improve through large and small projects most of which will be initiated by frontline team members, improving service where it really matters.

**UPU Quality of Service (QOS) Standard Recertification**
Preparations for recertification during the 2019/2020 financial year have been made. The UPU QOS certification is aligned with ISO 9000 quality standards, and provides an international standard validation of BotswanaPost's quality and quality management systems. BotswanaPost will maintain its QOS Silver rating during 2019/2020.

## Security

**Reconfiguration of Branch Security and Cash in Transit (CIT)**
Security Operations has continued to implement the 2017 Security Strategy roadmap. Reconfiguration of the physical equipment and security at post offices around the country resulted in year on year reductions in attempted security breaches at post offices.

The reconfiguration of the physical equipment at the branches will be further complemented by the rollout this year of a new Cash In Transit (CIT) plan resulting in much less cash being held at any one facility at any one time. The CIT project developed over the last year and being launched in the first half of the new year, reduces risk of financial losses as well as the risk to the safety of BotswanaPost staff nationwide. The CIT plan will also result in improved cash availability for the business, and a net overall savings in operational costs.

**Retooling for Financial and Digital Security**
2019/2020 will see Security Operations with BotswanaPost begin to retool its competencies to incorporate cyber crime, financial fraud, and money laundering. This is a proactive effort as BotswanaPost as a whole increasingly goes to market with digital solutions and the PosoMoney mobile money solution. The Security competency is necessary to mitigate internal risks and for anticipated increase in demands for such capabilities from regulators.

## Sustainability

A gap identified in the preparatory work for the amalgamation during the year was the need for a dedicated capacity taking a holistic view of end-to-end business sustainability and business continuity. A function has been created within Operations which will be fully staffed in the upcoming year. The function will begin by helping to manage all end-to-end process transitions that were identified as necessary during the amalgamation, and then will turn attention to business continuity, disaster preparedness, and lead the process of developing BotswanaPost's formal holistic system thinking in Sustainability Policy and Standards.

# HUMAN CAPITAL **REVIEW**

**Margaret Otukile**
Chief Human Capital Officer

In this Department, our role is to inspire every member of staff at BotswanaPost at every level to strive for excellence.

The Human Capital function at BotswanaPost contributes to the wider organisational strategy through building a high performance culture.

We are driven to attracting and retaining the very best talent in the job market, then providing a wealth of recognition opportunities and rewards in a stimulating environment of continuous learning.

## Key performance highlights

During the year under review, we effectively completed the all-important amalgamation exercise with Botswana Couriers & Logistics.

In order to drive the organisation to higher levels of performance as an amalgamated entity, we needed to place the right talent (with right skills) into the right positions.

In addition, we successfully developed and implemented comprehensive Departmental Operating Instructions. This detailed framework has effectively reduced complaints and disputes from staff, as well as improving the overall work experience for everyone who is employed by BotswanaPost.

In our ongoing pursuit to position ourselves as a high performing employer of choice, we also conducted an Employee Climate Survey during the year under review. This exercise was essential to help us collectively:

- Focus on our needs and leverage our strengths
- Encourage employee feedback on the internal health of the organisation
- Motivate employees and improve job satisfaction
- Simultaneously boost our analytical and creative thinking.

Instilling a high performance culture requires all of us to continue learning and growing. And most of all, to reflect on the way we do our jobs. With this in mind, we reviewed job descriptions at all levels to align to the new structure and ensure that all staff understand their roles in precise detail.

## Amalgamation

Our amalgamation with Botswana Couriers & Logistics was an excellent experience for the Human Capital Department. Not only did we deliver amalgamation, we did so while staying true to the principal of zero retrenchments. Mission successful.

This process was also very positive because we were able to increase the number of human resources practitioners working in this Department from 14 to 20 committed personnel.

What this has done is bring Human Capital, as a department, closer to the people we serve.

## Goals for the upcoming financial year

In the upcoming financial year, my team and I will improve the cost structure of this department through more effective overtime and leave management to promote staff welfare and improve work-life balance.





# HUMAN CAPITAL REVIEW **CONT.**

We do not want our employees to accumulate a vast number of leave days. Everyone needs a break for body and mind. Furthermore, overtime costs place a significant financial burden on the company.

The first step was to encourage staff to reduce their leave accruals in accordance with the provisions of section 95 of the Employment Act. These measures will benefit both parties. Staff members get more of the rest they need (and deserve) — and the organisation will significantly reduce leave liability.

Training, of course, is also a big component of what we do. BotswanaPost will continue to roll out and cascade training to both supervisory and general staff to equip them with skills to handle the modern workplace and the challenges that come with it.

Part and parcel of this is ensuring that we collect all training levies that are due to us.

A Human Capital Contingency Plan will also be delivered next year. This is a people-oriented business continuity plan for handling emergencies and other workplace disruptions that could affect staff in a variety of ways.

Having this in place will reduce exposure to risk, promote a safer work environment, and enable staff to follow through on their daily mandates in the event of unforeseen circumstances such as a natural disaster, or even a terrorist threat.

We will also review our Human Capital policies and processes to take organisational performance to the next level here at BotswanaPost.

In order to make this real, we will refine our approach to performance management so that we can continue to innovate on the ground.

The key here is measurement: what gets measured gets done. What we are looking for is even better daily planning, execution, up-selling, cross-selling, reporting integrity, decision-making and general productivity.

In this way, we can tie remuneration to rewards.

We are committed to improving our Staff Satisfaction Index and developing an even stronger Talent Management Strategy. At the end of the day, this adds up to higher employee engagement.

When we define employee engagement, what we want to understand is the extent to which our people commit to this organisation, how hard they work and how long they stay as a result of that commitment.

How strongly do our people feel connected to this Company? Are they prepared to make sacrifices for its success? Do they believe that BotswanaPost cares about them and has their best interests at heart?

In the Human Capital Department, these are the questions we ask that shape everything we do.

# CORPORATE SOCIAL RESPONSIBILITY **REVIEW**

Deeply embedded into the character of this organisation is our firm commitment to engage with and uplift the lives of the communities which we serve, especially those in under-privileged areas of the country.

The BotswanaPost Foundation, which was founded in 2011, is designed to operate in harmony with Botswana's National Development Plan 11 and the Millennium Development Goals as outlined by the United Nations.

The BotswanaPost Foundation focuses on areas in which it can make a difference, such as:

- Primary, secondary and tertiary education
- Arts and culture programmes
- Development of information and communications technologies
- Employee volunteerism, and
- Environmental issues.

As the Company powers its way into a position of long-term financial sustainability, we believe that our continued growth in profitability will enable us to do more for communities in need — especially now that the amalgamation process has been completed.

At BotswanaPost, we are firmly committed to reinvesting a portion of our profits back into the communities we serve.
Our corporate social activities for the financial year under review, undertaken through the Foundation — and indeed through generous donations from so many of our community-minded staff members — is summarised below.

## Sekokwe Settlement Handover

The Value Centre North CSR Committee, through the North East sub-Committee, completed this project on June 9th, 2018. Here, the team focused on primary school children living in a settlement approximately 3km from Matshelagabedi Village. The children walk to Matshelagabedi Primary School every day.

Twenty beneficiaries between the ages of 6 and 12 received toiletries, school shoes, beanies and tracksuits to brave the harsh winter elements.

## BotswanaPost Foundation Inaugural Sponsored Walk

BotswanaPost Foundation held its inaugural Sponsored Walk on September 8th, 2018. The event took place simultaneously in four locations around the country: Palapye, Francistown, Molepolole and Gaborone.

We attracted walkers from all segments of society including some Chiefs, captains of industry from the private sector and high-level Government officials.

Through their determination and the goodwill of various sponsors, over P120,000 was raised at this inaugural event. We look forward to next year's event.

## Tshesebe Community

World Post Day was held in Tshesebe on October 9th, 2018.

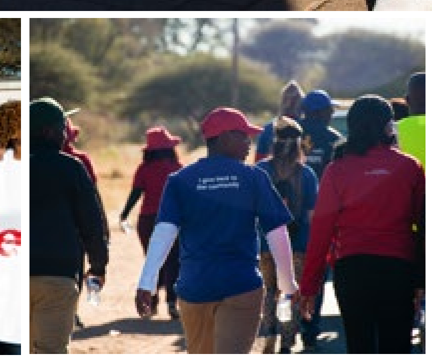
Pledges were made to the Village Development Committee during the commemoration following a comprehensive needs assessment exercise.

In line with the objectives of the BotswanaPost Foundation, we were pleased to donate a desktop computer, along with a 3-in-1 printing solution as well as a projector screen.





## CORPORATE SOCIAL RESPONSIBILITY REVIEW **CONT.**

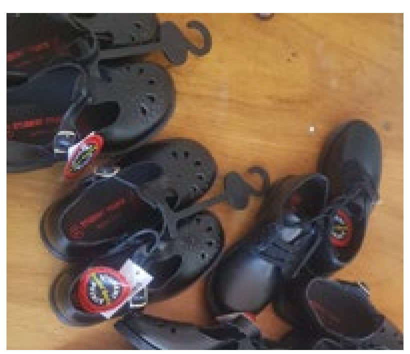



**BotswanaPost Foundation Inaugural Sponsored Walk Molepolole**

## CORPORATE SOCIAL RESPONSIBILITY REVIEW **CONT.**




**BotswanaPost Foundation Inaugural Sponsored Walk**
**Gaborone, Palapye & Francistown**


**Sekokwe Settlement Handover**





## C-**SUITE**

1. Cornelius Ramatlhakwane
Chief Executive Officer

2. Ofentse Mabote
Chief Financial Officer

3. Yarona Sharp
Company Secretary

4. Clifford Lekoko
Chief Commercial Officer

5. Jonathan Raheem Hosseini
Chief Operations Officer

6. Margaret Otukile
Chief Human Capital Officer

7. Bothepha Kgosidiile
Head of Internal Audit

8. Kesegofetse Molatlhegi
Head of Risk & Compliance


# ANNUAL FINANCIAL **STATEMENTS**

for the year ended 31 March 2019

## GENERAL INFORMATION

| | |
|---|---|
| **Country of incorporation and domicile** | Botswana |
| **Nature of business and principal activities** | Postal Services |
| **Members of the Board** | |
| Nathan Monametsi Kgabi | (Board Chairman) (Appointed 01 July 2018) |
| Bobeng Shingani | (Appointed 01 July 2018) |
| Dr Budzanani Tacheba | (Appointed 01 July 2018) |
| Dr Tshiamo Motshegwa | (Appointed 01 July 2018) |
| Mathews Titus Phetogo | (Appointed 01 July 2018) |
| Jennifer Matlho Seitshiro | (Appointed 01 July 2018) |
| Mpho Judith Dimbungu | (Appointed 01 July 2018) |
| Tebogo Edison Tladi | (Appointed 01 July 2018) |
| Thulaganyo Ntsatsi | (Appointed 01 July 2018) |
| Cornelius Ramatlhakwane | (Chief Executive Officer) |
| Polokoetsile Pedro Motau | (Resigned 30 June 2018) |
| Ntoti Mosetlhe | (Resigned 30 June 2018) |
| Colleen Motswaiso | (Resigned 30 June 2018) |
| Boiki Tema | (Resigned 30 June 2018) |
| Thabane Ndlovu | (Resigned 30 June 2018) |
| Christopher Mokgware | (Resigned 30 June 2018) |
| Gontse Kgosiemang | (Resigned 30 June 2018) |
| Tabuya Tau | (Resigned 30 June 2018) |
| Paul More | (Resigned 30 June 2018) |
| **Registered office** | Plot 50370<br>Acumen Park Fairgrounds<br>Gaborone, Botswana |
| **Business address** | Poso House<br>Plot 53952, Khama Crescent<br>Government Enclave,<br>Gaborone, Botswana |
| **Postal address** | P O Box 100<br>Gaborone, Botswana |
| **Bankers** | Barclays Bank of Botswana Limited<br>First National Bank of Botswana Limited<br>Standard Chartered Bank of Botswana Limited<br>Stanbic Bank Botswana Limited<br>BancABC Limited<br>Botswana Building Society |
| **Investment Bankers** | Botswana Insurance Fund Management |
| **Auditors** | Grant Thornton<br>Chartered Accountants<br>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 |





## DIRECTORS' RESPONSIBILITIES AND APPROVAL

The members of the Board are required in terms of the Companies Act (CAP 42:01) 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 members of the Board 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 Management to meet these responsibilities, the members of the Board 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 endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The members of the Board 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 members of the Board 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 44 to 47.

The Annual Financial Statements set out on pages 48 to 105, and supplementary information on page 106 which have been prepared on the going concern basis, were approved by the members of the Board on 29 July 2019 and were signed on their behalf by:

| | | |
|---|---|---|
| N.M. Kgabi<br>Chairman | M.J. Dimbungu<br>Finance, Audit and Risk Committee Chairman | C. Ramatlhakwane<br>Chief Executive Officer |

Chartered Accountants

**Grant Thornton**
Acumen Park, Plot 50370
Fairgrounds, Gaborone
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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 48 -105, which comprise the statement of Financial Position as at 31 March 2019, 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 2019, 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.

### Emphasis of matter

The Company has an accumulated loss amounting to P 159 236 453 (2018: P 118 276 168) and a net current liability position of P 78 887 161 (2018: P 52 247 945). The continued deterioration of the net liquidity position of the Company raises a concern of the ability of the Corporation to continue as a going concern. The Government of Republic of Botswana has committed in writing through the Ministry of Transport and Communication that it will continue to support the Company and has committed to provide a Universal Service Obligation grant of P 85 million to ensure it continues as a going concern in financial year 2019/2020.

### 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.





## INDEPENDENT AUDITOR'S REPORT (CONT.)

| Key audit matter | How the matter was addressed in our audit |
|---|---|
| **Impairment of trade and other receivables-IFRS 9**<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 matter of significance in our audit. | In regard to impairment provision for trade and other receivables, our audit procedures included considering the appropriateness of the debtors impairment provision.<br><br>We assessed the adequacy of the methodology used by the entity to identify debtors' impairment and calculate provision. Effective 01 April 2018, the entity has adopted the Expected Credit Loss Model for calculation of impairment.<br><br>In our audit response we formed an independent view on levels of provisions required by performing an independent calculation of the impairment provision and relevant inputs in the models used by management to estimate the future cash flows, discount rate, probability of default, which is an area of significant judgement as well as management's other adjustments. We found management's provision to be within an acceptable range of outcomes. |
| **Payables**<br><br>Agency payables are significant to the entity due to the complexity around the reconciliation process and the significance of the amount involved. Thus, the matter has been considered key to the audit. | Our audit procedures included obtaining an understanding of and testing the relevant controls surrounding agency payables and the reconciliation process of the payables.<br><br>We further reviewed the year-end reconciliations for all significant agency payables and we did not identify any exceptions from these reviews. |
| **Business Combinations**<br><br>During the current year, Botswana Couriers & Logistics (Pty) Ltd was amalgamated into the company as per the directives of Government of Botswana. The company adopted the analogy provided by IFRS 3 on pooling of interest method and accordingly accounted for the transactions. Due to the significance of the amounts involved, this matter was considered key. | We reviewed the necessary approvals and the directives issued by Government of Botswana. We gained an understanding about the process followed by the entity in accounting using the pooling of interests method. From our examination, the accounting records portray the transactions and no exceptions were noted. |

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## INDEPENDENT AUDITOR'S REPORT (CONT.)

### 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.

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 statements, 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.





## INDEPENDENT AUDITOR'S REPORT (CONT.)

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

Certified Auditor: Aswin Vaidyanathan (Memb No: 19980110)
Certified Auditor of Public Interest Entity: Certificate No. : CAP 0016 2019

28 JUN 2019
Gaborone

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| Figures in Pula | Note | 2019 | 2018 |
|---|---|---|---|
| Revenue | 4 | 292 611 730 | 251 159 335 |
| Cost of operations | 5 | (203 494 385) | (164 562 474) |
| **Gross profit** | | **89 117 345** | **86 596 861** |
| Grant income | 6 | 133 000 000 | 46 336 480 |
| Other operating income | 6 | 24 453 500 | 7 651 850 |
| Other operating losses | 7 | (2 786 108) | (2 551 619) |
| Other operating expenses | | (157 306 557) | (117 621 760) |
| **Operating profit (loss)** | **8** | **86 478 180** | **20 411 812** |
| Finance income | 9 | 849 953 | 509 224 |
| Finance costs | 10 | (18 069 293) | (16 803 465) |
| Amalgamation costs | 12 | (63 020 640) | - |
| **Profit (loss) before taxation** | | **6 238 200** | **4 117 571** |
| Taxation | 11 | (7 186 554) | (1 004 833) |
| **(Loss) profit for the year** | | **(948 354)** | **3 112 738** |
| **Other comprehensive income:** | | | |
| **Items that will not be reclassified to profit or loss:** | | | |
| Losses on property revaluation | | (414 963) | - |
| **Other comprehensive income for the year net of taxation** | | **(414 963)** | **-** |
| **Total comprehensive (loss) income for the year** | | **(1 363 317)** | **3 112 738** |





## STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

| Figures in Pula | Note | 2019 | 2018 |
|---|---|---|---|
| **Assets** | | | |
| **Non-Current Assets** | | | |
| Property, plant and equipment | 13 | 361 841 087 | 355 446 595 |
| Intangible assets | 14 | 13 194 215 | 532 130 |
| Deferred tax | 15 | - | 4 099 085 |
| | | **375 035 302** | **360 077 810** |
| **Current Assets** | | | |
| Inventories | 16 | 10 774 108 | 5 140 922 |
| Trade and other receivables | 17 | 86 378 761 | 85 650 164 |
| Operating lease asset | 25 | 258 863 | 63 634 |
| Current tax receivable | | 1 053 837 | - |
| Cash and cash equivalents | 18 | 102 592 591 | 108 890 081 |
| | | **201 058 160** | **199 744 801** |
| **Total Assets** | | **576 093 462** | **559 822 611** |
| **Equity and Liabilities** | | | |
| **Equity** | | | |
| Stated capital | 19 | 68 662 009 | 38 431 729 |
| Revaluation reserves | 20 | 173 118 639 | 172 650 937 |
| Accumulated loss | | (159 236 453) | (118 276 168) |
| | | **82 544 195** | **92 806 498** |
| **Liabilities** | | | |
| **Non-Current Liabilities** | | | |
| Borrowings | 21 | 171 332 130 | 176 322 946 |
| Operating lease liability | 25 | 2 064 084 | - |
| Government grants | 23 | 37 554 352 | 38 700 421 |
| Deferred tax | 15 | 2 653 380 | - |
| | | **213 603 946** | **215 023 367** |
| **Current Liabilities** | | | |
| Trade and other payables | 24 | 243 698 069 | 228 019 118 |
| Borrowings | 21 | 31 572 955 | 7 711 745 |
| Finance lease liabilities | 22 | 171 973 | - |
| Operating lease liability | 25 | 193 546 | - |
| Government grants | 23 | 742 665 | 742 665 |
| Bank overdraft | 18 | 3 566 113 | 15 519 218 |
| | | **279 945 321** | **251 992 746** |
| **Total Liabilities** | | **493 549 267** | **467 016 113** |
| **Total Equity and Liabilities** | | **576 093 462** | **559 822 611** |

## STATEMENT OF CHANGES IN EQUITY

| Figures in Pula | Stated capital | Revaluation Reserve | Accumulated loss | Total equity |
|---|---|---|---|---|
| **Balance at 01 April 2017** | **38 431 729** | **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** | **(118 276 168)** | **92 806 498** |
| Opening balance as previously reported | 38 431 729 | 172 650 937 | (118 276 168) | 92 806 498 |
| Adjustments | | | | |
| Adjustment from the adoption of IFRS 9 | - | - | (1 410 275) | (1 410 275) |
| Deferred tax effects on from the adoption of IFRS 9 | - | - | 310 261 | 310 261 |
| **Balance at 01 April 2018 as restated** | **38 431 729** | **172 650 937** | **(119 376 180)** | **91 706 486** |
| Loss for the year | - | - | (948 354) | (948 354) |
| Other comprehensive income | - | (414 963) | - | (414 963) |
| **Total comprehensive Loss for the year** | **-** | **(414 963)** | **(948 354)** | **(1 363 317)** |
| Business amalgamation (note 36) | 30 230 280 | 882 665 | (38 911 919) | (7 798 974) |
| **Total changes recognised directly in equity** | **30 230 280** | **882 665** | **(38 911 919)** | **(7 798 974)** |
| **Balance at 31 March 2019** | **68 662 009** | **173 118 639** | **(159 236 453)** | **82 544 195** |
| Note | 19 | 20 | | |





## STATEMENT OF CASHFLOWS

| Figures in Pula | Note | 2019 | 2018 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 26 | 38 452 126 | 104 143 976 |
| Tax paid | | (1 053 837) | - |
| **Net cash from operating activities** | | **37 398 289** | **104 143 976** |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | 13 | (21 533 375) | (16 816 739) |
| Profit/(disposal) on sale of property, plant and equipment | | 54 854 | (1 205 423) |
| Purchase of other intangible assets | 14 | - | (112 443) |
| Business amalgamation | 34 | (9 521 769) | - |
| Finance income | | 849 953 | 509 224 |
| **Net cash from investing activities** | | **(30 150 337)** | **(17 625 381)** |
| **Cash flows from financing activities** | | | |
| Net movement on borrowings | | 3 821 526 | (5 528 771) |
| Finance lease payments | | (354 845) | - |
| Finance costs | | (5 059 018) | (16 803 465) |
| **Net cash from financing activities** | | **(1 592 337)** | **(22 332 236)** |
| **Total cash and cash equivalents movement for the year** | | **5 655 615** | **64 186 359** |
| Cash and cash equivalent at the beginning of the year | | 93 370 863 | 29 184 504 |
| **Total cash and cash equivalents at end of the year** | 18 | **99 026 478** | **93 370 863** |

## 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).

These accounting policies are consistent with the previous period, except for the new standards and interpretations effective and adopted in the current year as set out in note 2.

### 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 (buildings) 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.





## ACCOUNTING POLICIES (cont.)

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

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.

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 | 3 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 | Depreciation method | 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.

It is company policy to hold buildings that are partially occupied by tenants as property, plant and equipment, unless the sections occupied by tenants can be separately sold or leased.

### 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 which is estimated to be their useful life 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.

## ACCOUNTING POLICIES (cont.)

### 1.3 Intangible assets (continued)

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.

### 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 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 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 the estimated costs of completion and the estimated costs necessary to make the sale.



ANNUAL FINANCIAL **STATEMENTS**
for the year ended 31 March 2019

ACCOUNTING POLICIES (cont.)

### 1.7 Inventories (continued)

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.

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

Grants related to income are presented as a credit in the profit or loss.

Repayment of a grant related 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 end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset.

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.

## ACCOUNTING POLICIES (cont.)

### 1.9 Impairment of assets (continued)

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 from contracts with customers

The Company recognises revenue from the following major sources:

- Provision of Postal services

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The company recognises revenue when it transfers control of a product or service to a customer.

#### 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 rental 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.





## ACCOUNTING POLICIES (cont.)

### 1.10 Revenue from contracts with customers (continued)

#### Sale of philatelic products and merchandise

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.

#### Logistics

The Company has a contract with one of the government departments to provide warehousing management services. Revenue is recognised when the performance report issued to the client has been approved and the government purchase order issued.

### 1.11 Cost of operations

The related cost of providing services recognised as revenue in the current period is included in cost of operations. Contract costs comprise:

- costs that relate directly to the specific contract;
- costs that are attributable to contract activity in general and can be allocated to the contract; and
- such other costs as are specifically chargeable to the customer under the terms of the contract.

### 1.12 Financial instruments

Financial instruments held by the Company are classified in accordance with the provisions of IFRS 9 Financial Instruments. Broadly, the classification possibilities, which are adopted by the Company ,as applicable, are as follows:
Note 30 Financial instruments and risk management presents the financial instruments held by the Company based on their specific classifications.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

## ACCOUNTING POLICIES (cont.)

### 1.12 Financial instruments (continued)

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the Company are presented below:

**Trade and other receivables**

**Classification**

Trade and other receivables, excluding, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost (note 17).

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the Company's business model is to collect the contractual cash flows on trade and other receivables.

**Recognition and measurement**

Trade and other receivables are recognised when the Company becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

**Application of the effective interest method**

For receivables which contain a significant financing component, interest income is calculated using the effective interest method, and is included in profit or loss in finance income (note 9).

The application of the effective interest method to calculate interest income on trade receivables is dependent on the credit risk of the receivable as follows:

- The effective interest rate is applied to the gross carrying amount of the receivable, provided the receivable is not credit impaired. The gross carrying amount is the amortised cost before adjusting for a loss allowance.
- If a receivable is a purchased or originated as credit-impaired, then a credit-adjusted effective interest rate is applied to the amortised cost in the determination of interest. This treatment does not change over the life of the receivable, even if it is no longer credit-impaired.
- If a receivable was not purchased or originally credit-impaired, but it has subsequently become credit-impaired, then the effective interest rate is applied to the amortised cost of the receivable in the determination of interest. If, in subsequent periods, the receivable is no longer credit impaired, then the interest calculation reverts to applying the effective interest rate to the gross carrying amount.





## ACCOUNTING POLICIES (cont.)

### 1.12 Financial instruments (continued)

**Impairment**

The Company recognises a loss allowance for expected credit losses on trade and other receivables, excluding VAT and prepayments. The amount of expected credit losses is updated at each reporting date.

The Company measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

**Measurement and recognition of expected credit losses**

The Company makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate.

The customer base is widespread and does not show significantly different loss patterns for different customer segments. The loss allowance is calculated on a collective basis for all trade and other receivables in totality. Details of the provision matrix is presented in note 17.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is included in other operating expenses in profit or loss as a movement in credit loss allowance (note 8).

**Write off policy**

The Company writes off a receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Receivables written off may still be subject to enforcement activities under the Company recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

**Credit risk**

Details of credit risk are included in the trade and other receivables note (note 17) and the financial instruments and risk management note (note 30).

**Derecognition**

Refer to the derecognition section of the accounting policy for the policies and processes related to derecognition.

Any gains or losses arising on the derecognition of trade and other receivables is included in profit or loss in the derecognition gains (losses) on financial assets at amortised cost line item (note ).

## ACCOUNTING POLICIES (cont.)

### 1.12 Financial instruments (continued)

**Trade and other payables**

**Classification**

Trade and other payables (note 24), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

**Recognition and measurement**

They are recognised when the Company becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

Trade and other payables expose the Company to liquidity risk and possibly to interest rate risk. Refer to note 30 for details of risk exposure and management thereof.

**Derecognition**

Refer to the "derecognition" section of the accounting policy for the policies and processes related to derecognition.

**Cash and cash equivalents**

Cash and cash equivalents are stated at carrying amount which are recognised at fair value and subsequently measured at amortised cost.

**Bank overdrafts**

Bank overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

**Derecognition**

**Financial assets**

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.





## ACCOUNTING POLICIES (cont.)

### 1.12 Financial instruments (continued)

**Financial liabilities**

The Company derecognises financial liabilities when, and only when, the Company obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

**Reclassification**

**Financial assets**

The Company only reclassifies affected financial assets if there is a change in the business model for managing financial assets. If a reclassification is necessary, it is applied prospectively from the reclassification date. Any previously stated gains, losses or interest are not restated.

The reclassification date is the beginning of the first reporting period following the change in business model which necessitates a reclassification.

**Financial liabilities**

Financial liabilities are not reclassified.

### 1.13 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.

### 1.14 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 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 recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

## ACCOUNTING POLICIES (cont.)

### 1.14 Taxation (conitnued) Deferred income tax

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.

### 1.15 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

#### Impairment of financial assets

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, refer to the individual notes addressing financial assets.

#### Allowance for slow moving, damaged and obsolete inventory

Management assesses whether inventory is impaired by comparing its cost to its estimated net realisable value. Where an impairment is necessary, inventory items are written down to net realisable value. The write down is included in cost of sales.

#### Revaluation, useful lives and residual values of property, plant and equipment

The Company engages independent valuation experts to determine the market values of those assets that are revalued. 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

#### 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.



ANNUAL FINANCIAL **STATEMENTS**
for the year ended 31 March 2019

ACCOUNTING POLICIES (cont.)

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

#### 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.

#### 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.

#### Amalgamation

The financial statements have been prepared based on the continuity of interests principle with respect to Botswana Postal Services Limited and Botswana Couriers & Logistics (Proprietary) Limited, which requires the continuing entity, Botswana Postal Services Limited, to report the current financial statements. Botswana Postal Services Limited and Botswana Couriers & Logistics (Proprietary) Limited had complementary operating mandates prior to the amalgamation, which are being continued by Botswana Postal Services Limited. All assets and liabilities of Botswana Couriers & Logistics (Proprietary) Limited were transferred to Botswana Postal Services Limited on amalgamation.

Accordingly, the current year financial statements include the entire year of operations for Botswana Postal Services Limited and 6 months operations from 1 October 2018, which was the effective date of the amalgamation with Botswana Couriers and Logistics (Proprietary) Limited.

### 1.16 Business under common control

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory and are accounted for using the predecessor method of accounting.

Under the predecessor method of accounting, the results of the entities or businesses under common control are presented as if the business combination has been effected from the effective date. The assets and liabilities combined are accounted for prospectively, based on the carrying amounts applying the Company's accounting policies at the date of transfer. On consolidation, the cost of the business combination is cancelled with the values of the net assets received. Any resulting differences are classified as equity.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 2. Changes in accounting policy

The annual financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year except for the adoption of the following new or revised standards.

**Application of IFRS 9 Financial Instruments**

In the current year, the Company has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRSs. IFRS 9 replaces IAS 39 Financial Instruments and introduces new requirements for
1) the classification and measurement of financial assets and financial liabilities, 2) impairment for financial assets and 3) general hedge accounting. Details of these new requirements as well as their impact on the Company's financial statements are described below.

The Company has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

**Classification and measurement of financial assets**

The date of initial application (i.e. the date on which the Company has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 01 April 2018. Accordingly, the Company has applied the requirements of IFRS 9 to instruments that have not been derecognised as at 01 April 2018 and has not applied the requirements to instruments that have already been derecognised as at 01 April 2018. Comparatives in relation to instruments that have not been derecognised as at 01 April 2018 have not been restated. Instead, cumulative adjustments to retained earnings have been recognised in retained earnings as at 01 April 2018, if required.

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The measurement requirements are summarised below:

Other financial assets 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 principal amount outstanding, are subsequently measured at amortised cost.

Trade receivables that are subsequently measured at amortised cost are subject to new impairment provisions using an expected loss model. This contrasts the incurred loss model of IAS 39.

**Impairment of financial assets**

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 the Company 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 of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.





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

### 2. Changes in accounting policy (continued)

Specifically, IFRS 9 requires the Company to recognise a loss allowance for expected credit losses on debt investments subsequently measured at amortised cost or at fair value through other comprehensive income, lease receivables, contract assets and loan commitments and financial guarantee contracts to which the impairment requirements of IFRS 9 apply. In particular, IFRS 9 requires the Company to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. On the other hand, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Company is required to measure the loss allowance for that financial instrument at an amount equal to 12 months expected credit losses. IFRS 9 also provides a simplified approach for measuring the loss allowance at an amount equal to lifetime expected credit losses for trade receivables, contract assets and lease receivables in certain circumstances.

As at 01 April 2018, the directors reviewed and assessed the Company's existing financial assets, amounts due from customers and financial guarantee contracts for impairment using reasonable and supportable information that was available without undue cost or effort in accordance with the requirements of IFRS 9 to determine the credit risk of the respective items at the date they were initially recognised, and compared that to the credit risk as at 01 April 2017 and 01 April 2018.The result of the assessment is as follows:

| | | | Cumulative additional loss allowance recognised on: |
|---|---|---|---|
| **Items existing on 01 April 2018 that are subject to the impairment provisions of IFRS 9:** | **Note** | **Credit risk attributes at 01 April 2017 and 01 April 2018** | 01 April 2018 |
| Trade and other receivables | 17 | The company applies the simplified approach and recognises lifetime expected credit losses for these assets. | 1 410 275 |
| Impact of deferred tax | | | (310 261 ) |
| **Decrease in retained earnings** | | | **1 100 014** |

**Classification and measurement of financial liabilities**

The application of IFRS 9 has had no impact on the classification and measurement of the company's financial liabilities.

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

### 2. Changes in accounting policy (continued)

**Reconciliation of the reclassifications and remeasurements of financial assets as a result of adopting IFRS9**

The following table presents a summary of the financial assets as at 01 April 2018. The table reconciles the movement of financial assets from their IAS 39 measurement categories and into their new IFRS 9 measurement categories. "FVPL" denotes "fair value through profit or loss" and "FVOCI" denotes "fair value through other comprehensive income."

| | Previous measurement | New measurement category: IFRS 9 | | |
|---|---|---|---|---|
| | IAS 39 | Amortised cost | Re-measurement changes - Adjustment to equity | Change attributable to: |
| **Previously Loans and receivables:** | | | | |
| Trade and other receivables | 76 243 911 | 74 833 636 | (1 410 275) | Change in measurement attribute |
| Cash and cash equivalents | 108 890 081 | 108 890 081 | - | No change |
| | **185 133 992** | **183 723 717** | **(1 410 275)** | |

**Reconciliation of the reclassifications and remeasurements of financial liabilities as a result of adopting IFRS9**

The following table presents a summary of the financial liabilities as at 01 April 2018. The table reconciles the movement of financial liabilities from their IAS 39 measurement categories and into their new IFRS 9 measurement categories. "FVPL" denotes "fair value through profit or loss".

| | | | | |
|---|---|---|---|---|
| Previously Amortised cost: | | | | |
| Trade and other payables | 196 472 137 | 196 472 137 | | No change |
| Financial liabilities at amortised cost | 184 034 691 | 184 034 691 | | No change |
| Bank overdraft | 15 519 218 | 15 519 218 | | No change |
| | **396 026 046** | **396 026 046** | | |





### 2. Changes in accounting policy (continued)

**Financial impact of initial application of IFRS 16 - Leases**

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 will supercede the current lease guidelines including IAS 17 Leases and the related interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The date of application of IFRS 16 for Botswana Post Limited will be 1 April 2019.

Botswana Postal Services Limited has chosen the modified retrospective application of IFRS 16 in accordance with IFRS 16:C5 (b) with the cumulative effect being recognised at the date of initial application.

**Impact of the new definition of a lease**

Botswana Postal Services Limited will make use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to apply to those leases entered or modified before 1 April 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

The right to obtain substantially all of the economic benefits from the use of an identified asset; and

The right to direct the use of that asset.

Botswana Postal Services Limited will apply the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 April 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, Botswana Postal Services Limited has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not change significantly the scope of contracts that meet the definition of a lease for the Company.

**Impact on Lessee Accounting**

**Operating leases**

IFRS 16 will change how Botswana Postal Services Limited will accounts for leases previously classified as operating leases under IAS 17, which were off-balance sheet.

On initial application of IFRS 16, for all leases (except as noted below), Botswana Postal Services Limited:

a) Recognise right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments;

b) Recognise depreciation of right-of-use assets and interest on lease liabilities in the statement of profit or loss;

c) Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

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

**2. Changes in accounting policy (continued)**

Lease incentives (e.g. rent-free period) will be recognized as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under IFRS 16, right-of-use assets will be tested for impairment in accordance with IAS 37 Impairment of Assets. This will replace the previous requirements to recognize a provision for onerous lease contract.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Company will opt to recognise a lease expense on a straight-line basis as permitted by IFRS 16.

As at 31 March 2019, Botswana Postal Services Limited has operating lease commitments of P21.5 million for leases other than short-term leases and leases of low-value assets.

Hence Botswana Postal Services Limited will recognise a right-of-use asset of P19.786 million and a corresponding lease liability of P22.044 million in respect of these leases. The impact on profit or loss is to decrease rental expenses by P5.684 million, to increase depreciation by P4.453 million and to increase interest expense by P1.653m.

Under IAS 17, all lease payments on operating leases are presented as part of cash flows from operating activities. The impact of the changes under IFRS 16 would be to reduce the cash generated by operating activities by P19.786 million and to increase net cash used in financing activities by the same amount.

**3. New Standards and Interpretations**

**3.1 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 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 has adopted the amendment for the first time in the 2019 annual financial statements. The impact of the amendment is not material but lead to additional disclosures.





NOTES TO THE ANNUAL FINANCIAL STATEMENTS (cont.)

**3. New Standards and Interpretations (continued)**

**IFRS 9 Financial Instruments**

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurements of financial assets. IFRS9 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.

- 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.

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

3. New Standards and Interpretations (continued)

- 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 has adopted the standard for the first time in the 2019 annual financial statements. The impact of the standard is set out in note 2 Changes in Accounting Policy.

**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. 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 has adopted the standard for the first time in the 2019 annual financial statements. The impact of the standard is not material.





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

3. New Standards and Interpretations (continued)

3.2 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 2019 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.

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

### 3. New Standards and Interpretations (continued)

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

- 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.

  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:





NOTES TO THE ANNUAL FINANCIAL STATEMENTS (cont.)

3. New Standards and Interpretations (continued)

- 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. The impact of this standard has been assessed and its impact has been disclosed in note 2.

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

| Figures in Pula | | 2019 | 2018 |
|---|---|---|---|
| **4.** | **Revenue** | | |
| | **Revenue from contracts with customers (sale)** | | |
| | Box and bag rentals | 39 276 745 | 32 349 669 |
| | Business services | 16 604 032 | 12 383 845 |
| | Merchandise | 57 067 160 | 46 163 884 |
| | Philatelic products | 1 625 647 | 2 777 859 |
| | Mail revenue | 65 842 768 | 79 311 478 |
| | Agency services | 61 417 984 | 59 684 699 |
| | Money transfer commission | 10 861 910 | 14 193 470 |
| | Terminal and transit dues | 5 645 494 | 4 294 431 |
| | Courier and logistics | 34 269 990 | - |
| | | **292 611 730** | **251 159 335** |
| **5.** | **Cost of sales** | | |
| | Discount received | - | (598 003) |
| | Cost of sales | 203 494 385 | 165 160 477 |
| | | **203 494 385** | **164 562 474** |
| | **Cost of sales - Employee costs** | | |
| | Employee costs - salaried staff | 96 771 190 | 64 503 862 |
| | **Cost of sales - Depreciation** | | |
| | Property, plant and equipment | 1 804 026 | 568 935 |
| | **Cost of sales - expenses** | | |
| | Technical partner's fees | 16 477 637 | 19 333 607 |
| | Printing of stamps | 802 453 | 588 531 |
| | Compensation to customers | 48 101 | 71 689 |
| | Mail conveyance cost | 26 792 166 | 30 258 968 |
| | Airtime expense | 52 158 475 | 42 585 977 |
| | Stock adjustment | 581 545 | 1 822 462 |
| | Hybrid production costs | 1 830 857 | 635 094 |
| | Staff transport | 585 884 | 475 714 |
| | Mail bags and other consumables | 579 630 | 215 174 |
| | Maintenance post boxes | 626 474 | 751 360 |
| | Advertisement and promotion | 4 002 039 | 3 349 104 |
| | Franking machine | 433 908 | - |
| | | **104 919 169** | **100 087 680** |





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

| Figures in Pula | | Notes | 2019 | 2018 |
|---|---|---|---|---|
| **6.** | **Other operating income** | | | |
| | Other rental income | | 6 937 731 | 3 907 115 |
| | Grant income | | 133 000 000 | 46 336 480 |
| | Sundry income | | 15 536 409 | 2 557 891 |
| | Newspaper and periodicals registration fees | | 36 589 | 67 089 |
| | Income from Smartswitch Botswana | | 378 864 | - |
| | Staff housing rental recoveries | | 417 838 | 360 585 |
| | Amortisation of Government grants | | 1 146 069 | 759 170 |
| | | | **157 453 500** | **53 988 330** |
| **7.** | **Other operating losses** | | | |
| | **Losses on disposals, scrappings and settlements** | | | |
| | Property, plant and equipment | 13 | (3 627 793) | (1 486 483) |
| | **Foreign exchange gains (losses)** | | | |
| | Net foreign exchange gains (losses) | | 841 685 | (1 065 136) |
| | **Total other operating losses** | | **(2 786 108)** | **(2 551 619)** |
| **8.** | **Operating profit** | | | |
| | Operating profit (loss) for the year is stated after charging (crediting) the following, amongst others: | | | |
| | **Auditor's remuneration - external** | | | |
| | Audit fees | | 786 033 | 237 924 |
| | **Employee costs** | | | |
| | Salaries, wages, bonuses and other benefits | | 94 766 655 | 76 502 723 |
| | Short term benefit | | 62 433 529 | 30 025 076 |
| | Retirement benefit plans: defined contribution expense | | 11 573 653 | 9 645 305 |
| | **Total employee costs** | | **168 773 837** | **116 173 104** |
| | Less: Employee costs included in cost of sales | | (96 771 190) | (64 503 862) |
| | **Total employee costs expensed** | | **72 002 647** | **51 669 242** |
| | **Depreciation and amortisation** | | | |
| | Depreciation of property, plant and equipment | | 12 215 494 | 10 216 808 |
| | Amortisation of intangible assets | | 214 892 | 1 462 398 |
| | **Total depreciation and amortisation** | | **12 430 386** | **11 679 206** |

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

| Figures in Pula | | 2019 | 2018 |
|---|---|---|---|
| 8. | **Operating profit (continued)** | | |
| | Less: Depreciation included in cost of sales | (1 804 026) | (568 935) |
| | **Total depreciation and amortisation expensed** | **10 626 360** | **11 110 271** |
| | **Other** | | |
| | Operating lease charges | 4 616 637 | 4 008 834 |
| | Advertising | 418 222 | 139 873 |
| | Bad debts | 11 900 508 | 2 718 695 |
| | Cleaning | 4 214 004 | 3 960 009 |
| | Consulting and professional fees - legal fees | 813 909 | 734 107 |
| | Consulting and professional fees | 1 246 873 | 1 664 763 |
| | Donations | 137 473 | 156 191 |
| | Directors fees and board expenses | 816 780 | 505 698 |
| | Insurance | 2 368 370 | 2 285 556 |
| | Municipal expenses | 4 125 568 | 3 461 999 |
| | Office expenses | 567 636 | 733 729 |
| | Printing and stationery | 4 597 882 | 4 655 517 |
| | Repairs and maintenance | 7 834 892 | 7 355 006 |
| | Security | 11 435 981 | 9 894 605 |
| | Subscription | 614 886 | 664 431 |
| | Telephone and fax | 7 640 111 | 6 801 260 |
| | Training | 817 258 | 2 144 511 |
| | Travel expenses | 5 315 911 | 4 399 401 |
| | CMS | 1 782 325 | - |
| 9. | **Finance income** | | |
| | **Interest income** | | |
| | **Investments in financial assets:** | | |
| | Interest income on call accounts | 365 221 | 16 901 |
| | Interest income from short term deposit | 484 732 | 492 323 |
| | **Total interest income** | **849 953** | **509 224** |
| 10. | **Finance costs** | | |
| | Interest on borrowings | 15 676 741 | 14 880 532 |
| | Bank charges | 2 392 552 | 1 922 933 |
| | **Total finance costs** | **18 069 293** | **16 803 465** |
| 11. | **Taxation** | | |
| | **Major components of the tax (income) expense** | | |
| | **Deferred** | | |
| | Originating and reversing temporary differences | 1 402 697 | 1 401 453 |
| | Arising from unrecognised tax loss | 5 349 768 | - |
| | Utilisation of recognised tax loss carry forwards | - | (396 620) |
| | Derecognition of deferred tax | 434 089 | - |
| | | **7 186 554** | **1 004 833** |





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

| Figures in Pula | | 2019 | 2018 |
|---|---|---|---|
| 11. | **Taxation (continued)** | | |
| | **Reconciliation of the tax expense** | | |
| | Reconciliation between accounting profit and tax expense. | | |
| | Accounting profit | 6 238 200 | 4 117 571 |
| | Tax at the applicable tax rate of 22% (2018: 22%) | 1 372 404 | 905 866 |
| | **Tax effect of adjustments on taxable income** | | |
| | Assessed loss not recognised | 5 349 768 | - |
| | Expenses not deductible for tax | (353 080) | 98 967 |
| | Derecognition of deferred tax | 434 089 | - |
| | Prior period adjustment | 383 373 | - |
| | | **7 186 554** | **1 004 833** |
| 12. | **Amalgamation cost** | | |
| | Amalgamation cost | 63 020 640 | - |

Amalgamation cost arose as result of the amalgamation of the company and Botswana Couriers and Logistics (Proprietary) Limited. The amalgamation follows the 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 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 was successfully completed in the current year.

ANNUAL FINANCIAL **STATEMENTS**
for the year ended 31 March 2019

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (cont.)

### 13. Property, plant and equipment

| | 2019 Cost or revaluation | 2019 Accumulated depreciation | 2019 Carrying value | 2018 Cost or revaluation | 2018 Accumulated depreciation | 2018 Carrying value |
|---|---|---|---|---|---|---|
| Land and buildings | 318 868 025 | (15 971 154 ) | 302 896 871 | 309 769 897 | (11 257 459) | 298 512 438 |
| Furniture and fixtures | 45 319 262 | (9 887 234) | 35 432 028 | 46 164 546 | (5 087 73) | 41 076 810 |
| Motor vehicles | 16 228 444 | (11 878 47) | 4 349 966 | 472 535 | (153 470) | 319 065 |
| Capital - Work in progress | 19 162 222 | - | 19 162 222 | 15 538 282 | - | 15 538 282 |
| **Total** | **399 577 953** | **(37 736 866)** | **361 841 087** | **371 945 260** | **(16 498 665)** | **355 446 595** |

**Reconciliation of property, plant and equipment - 2019**

| | Land and buildings | Furniture and equipment | Motor vehicle | Capital work in progress | Total |
|---|---|---|---|---|---|
| Cost or revaluation | 318 868 025 | 45 319 262 | 16 228 444 | 19 162 222 | 399 577 953 |
| Accumulated depreciation and impairment | (15 971 154) | (9 887 234) | (11 878 478) | - | (37 736 866) |
| **Net book value at 31 March 2019** | **302 896 871** | **35 432 028** | **4 349 96** | **19 162 222** | **361 841 087** |
| | | | | | |
| **Net book value at beginning of year** | **298 512 438** | **41 076 810** | **319 065** | **15 538 282** | **355 446 595** |
| Additions | 878 120 | 2 178 762 | 1 975 543 | 16 500 917 | 21 533 342 |
| Additions through amalgamation | 9 002 900 | 1 292 814 | 3 755 517 | - | 14 051 231 |
| Disposals - cost | (209 993) | (9 216 852) | (1 357 198) | - | (10 784 043) |
| Disposals - accumulated depreciation | 4 801 | 6 007 750 | 1 088 845 | - | 7 101 396 |
| Transfers (to) and from intangible assets | - | - | - | (12 876 977) | (12 876 977) |
| Revaluations | (414 963) | - | - | - | (414 963) |
| Depreciation | (4 876 432) | (5 907 256) | (1 431 806) | - | (12 215 494) |
| | **302 896 871** | **35 432 028** | **4 349 966** | **19 162 222** | **361 841 087** |

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

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

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

| | Land and buildings | Furniture and equipment | Motor vehicle | 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) |
| **Net book value at 31 March 2017** | **293 840 412** | **43 363 762** | **854 040** | **11 069 510** | **349 127 724** |
| **Net book value at beginning of year** | **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 scrapping's - cost | - | - | (452 800) | - | (452 800) |
| Disposals and scrapping - 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) |
| | **298 512 438** | **41 076 810** | **319 065** | **15 538 282** | **355 446 595** |

**Revaluations**

In line with the company accounting policies, movable and immovable assets were revalued in financial year 2017/18. This exercise was carried out by Willy Kathurima Associates, independent valuers not related to the company on 31 March 2017 for all movable assets . It is management's considered view that the carrying values shown as at 31 March 2019 are a fair representation of the amounts that are expected to be recovered through the use or sale of the assets.

Further, there was a revaluation for Portion 89 (a portion of portion 65) ( a portion of portion 3 ) of the Farm Forest Hill No. 9 - KO - a building previously held by Botswana Couriers & Logistics (Proprietary) Limited was done on 01 April 2019. Revaluations was performed by an independent valuer Curtis Matobolo Bsc (Hons) MRICS, MREIB of Knight Frank who are not connected to the Company and have recent experience in location and category of the building being valued. The valuation was based on open market value for existing use. Since there is no substantial change in the economic scenarios between the balance sheet date and the valuation date, the Company has adopted the value.





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

| Figures in Pula | 2019 | 2018 |
|---|---|---|

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

In possession of Botswana Post are heritage assets (Stamp collection) which were valued by a curator in June 2018 at a value of P5 839 000. The amount has not been recognised in the financial statements because it is not probable that future economic benefits will flow to the entity.

**Capital Work In Progress**

The Company is in the process of building some postal offices and a project of installing postal boxes at residential stands in Gaborone. Further, it is also developing an economic resource planning system and this has been disclosed as work in progress under note 14 - intangible assets.

**Fully depreciated assets in use**

| | 2019 | 2018 |
|---|---|---|
| Motor vehicles | 1 862 555 | - |
| Leasehold improvements | 6 649 850 | - |

**Partial own use of Poso House**

The Company generates substantial amount of its rental income from Poso House - 55% of which, is occupied by a tenant. However, the building is still classified under PPE as the portions of the building cannot be sold or leased out separately under finance lease.

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (cont.)

### 14. Intangible assets

| | 2019 Cost | 2019 Accumulated amortisation | 2019 Carrying value | 2018 Cost | 2018 Accumulated amortisation | 2018 Carrying value |
|---|---|---|---|---|---|---|
| Software | 7 172 700 | (6 855 462) | 317 238 | 7 053 156 | (6 569 193) | 483 963 |
| Counter automation software | 33 753 154 | (33 753 154) | - | 33 753 154 | (33 704 987) | 48 167 |
| Work in progress | 12 876 977 | - | 12 876 977 | - | - | - |
| **Total** | **53 802 831** | **(40 608 616)** | **13 194 215** | **40 806 310** | **(40 274 180)** | **532 130** |

**Reconciliation of intangible assets - 2019**

| | Opening balance | Transfer property from plant and equipment | Armotisation | Total |
|---|---|---|---|---|
| Software | 483 963 | - | (166 725) | 317 238 |
| Counter automation software | 48 167 | - | (48 167) | - |
| Work in progress | - | 12 876 977 | - | 12 876 977 |
| | **532 130** | **12 876 977** | **(214 892)** | **13 194 215** |

**Reconciliation of intangible assets - 2018**

| | Opening balance | Additions | Amortisation | 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** |

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

| Figures in Pula | 2019 | 2018 |
|---|---|---|
| **15. Deferred tax** | | |
| **Deferred tax liability** | | |
| Accelerated tax allowances | (6 445 801) | - |
| Deferred tax on leases | (56 950) | - |
| **Total deferred tax liability** | **(6 502 751)** | **-** |
| **Deferred tax asset** | | |
| Temporary timing differences | 1 056 467 | 720 725 |
| Deferred tax on unrealised exchange gains | 215 694 | - |
| Deferred tax on government grant | 2 464 957 | - |
| Deferred tax balance from temporary differences other than unused tax losses | 3 737 118 | 720 725 |
| Tax losses available for set off against future taxable income | 112 253 | 3 378 360 |
| | 3 849 371 | 4 099 085 |
| **Total deferred tax asset** | **3 849 371** | **4 099 085** |
| Deferred tax liability | (6 502 751) | - |
| Deferred tax asset | 3 849 371 | 4 099 085 |
| **Total net deferred tax asset (liability)** | **(2 653 380)** | **4 099 085** |
| **Reconciliation of deferred tax asset / (liability)** | | |
| At beginning of year | 4 099 085 | 5 103 918 |
| Increases (decrease) in tax loss available for set off against future taxable income | (3 266 107) | (396 620) |
| Taxable / (deductible) temporary difference movement on tangible fixed assets | (7 657 565) | (608 213) |
| Temporary timing differences | 1 056 467 | - |
| Deferred tax on unrealised exchange gains | 215 694 | - |
| Deferred tax on government grant | 2 464 957 | - |
| Provision for loss allowance (IFRS 9 initial adjustment) | 310 261 | - |
| Adjustment in respect of amalgamation during the year | 123 828 | - |
| | **(2 653 380)** | **4 099 085** |





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

| Figures in Pula | 2019 | 2018 |
|---|---|---|
| **16. Inventories** | | |
| Stock, phone cards, and other consumables | 10 701 559 | 6 827 749 |
| Postal orders and postal stocks | 63 752 | 62 924 |
| Definitive stamps | - | 62 275 |
| Postal orders and postal stocks | 8 797 | 10 436 |
| | 10 774 108 | 6 963 384 |
| Less: Provision for stock adjustment | - | (1 822 462) |
| | **10 774 108** | **5 140 922** |
| **17. Trade and other receivables** | | |
| **Financial instruments:** | | |
| Trade receivables | 70 651 908 | 68 659 560 |
| Loss allowance | (14 959 457) | (8 102 705) |
| Trade receivables at amortised cost | 55 692 451 | 60 556 855 |
| Deposits | 6 012 732 | 6 664 238 |
| Other receivables | 20 207 391 | 14 845 163 |
| **Non-financial instruments:** | | |
| Value added tax | - | 1 021 096 |
| Staff advance | 467 241 | 778 258 |
| Prepayments | 3 998 946 | 1 784 554 |
| **Total trade and other receivables** | **86 378 761** | **85 650 164** |

**Exposure to credit risk**
Trade receivables inherently expose the company to credit risk, being the risk that the company will incur financial loss if customers fail to make payments as they fall due.

In order to mitigate the risk of financial loss from defaults, the company only deals with reputable customers with consistent payment histories. Sufficient collateral or guarantees are also obtained when appropriate. Each customer is analysed individually for creditworthiness before terms and conditions are offered. Statistical credit scoring models are used to analyse customers. These models make use of information submitted by the customers as well as external bureau data (where available). Customer credit limits are in place and are reviewed and approved by credit management committees. The exposure to credit risk and the creditworthiness of customers, is continuously monitored.

There have been no significant changes in the credit risk management policies and processes since the prior reporting period.

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

### 17. Trade and other receivables (continued)

A loss allowance is recognised for all trade receivables, in accordance with IFRS 9 Financial Instruments, and is monitored at the end of each reporting period. In addition to the loss allowance, trade receivables are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation. Trade receivables which have been written off are not subject to enforcement activities.

The company measures the loss allowance for trade receivables by applying the simplified approach which is prescribed by IFRS 9. In accordance with this approach, the loss allowance on trade receivables is determined as the lifetime expected credit losses on trade receivables. These lifetime expected credit losses are estimated using a provision matrix, which is presented below. The provision matrix has been developed by making use of past default experience of debtors but also incorporates forward looking information and general economic conditions of the industry as at the reporting date.

The estimation techniques explained have been applied for the first time in the current financial period, as a result of the adoption of IFRS 9. Trade receivables were previously impaired only when there was objective evidence that the asset was impaired. The impairment was calculated as the difference between the carrying amount and the present value of the expected future cash flows.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period. The loss allowance provision is determined as follows:

| Expected credit loss rate: | 2019 Estimated gross carrying amount at default | 2019 Loss allowance (lifetime expected credit loss) | 1 April 2018 Estimated gross carrying amount at default | 1 April 2018 Loss allowance (lifetime expected credit loss) |
|---|---|---|---|---|
| **Bulk mail Services debtors** | | | | |
| Current | 1 387 410 | 39 309 | 1 772 495 | 50 220 |
| 30 Days | 663 959 | 26 737 | 1 077 978 | 43 409 |
| 60 Days | 418 071 | 61 418 | 114 978 | 16 891 |
| 90 Days | 59 740 | 25 133 | 190 511 | 81 009 |
| Over 90 Days | - | - | 763 873 | 763 873 |
| | **2 529 180** | **152 597** | **3 919 835** | **955 402** |





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

### 17. Trade and other receivables (continued)

| Expected credit loss rate: | 2019 Estimated gross carrying amount at default | 2019 Loss allowance (lifetime expected credit loss) | 1 April 2018 Estimated gross carrying amount at default | 1 April 2018 Loss allowance (lifetime expected credit loss) |
|---|---|---|---|---|
| **Express mail service debtors** | | | | |
| Current | 441 229 | 10 625 | 357 952 | 8 466 |
| 30 Days | 392 866 | 11 478 | 113 128 | 3 305 |
| 60 Days | 46 483 | 3 044 | 96 892 | 6 346 |
| 90 Days | 66 128 | 8 955 | 41 312 | 5 594 |
| Over 90 Days | 255 632 | 255 632 | 547 970 | 547 970 |
| | **1 202 338** | **289 734** | **1 157 254** | **571 681** |
| **Hybrid mail service debtors** | | | | |
| Current | 1 472 223 | 92 812 | 2 335 960 | 147 264 |
| 30 Days | 869 478 | 73 941 | 1 074 856 | 91 407 |
| 60 Days | 49 450 | 10 828 | 104 019 | 22 777 |
| 90 Days | 30 019 | 10 833 | 174 697 | 63 045 |
| Over 90 Days | 481 015 | 481 015 | 1 507 739 | 1 507 739 |
| | **2 902 185** | **669 429** | **5 197 271** | **1 832 232** |
| **Rental and agency debtors** | | | | |
| Current | 4 836 881 | 294 528 | 544 567 | 136 432 |
| 30 Days | 2 871 513 | 83 382 | 496 323 | 137 771 |
| 60 Days | 290 149 | 110 073 | 436 807 | 165 710 |
| 90 Days | 316 642 | 146 248 | 227 165 | 104 921 |
| Over 90 Days | 1 820 691 | 1 820 691 | 1 506 314 | 1 506 314 |
| | **10 135 876** | **2 454 922** | **3 211 176** | **2 051 148** |
| **Botswana Couriers** | | | | |
| Current | 4 425 478 | - | - | - |
| 30 Days | 6 057 929 | 181 096 | - | - |
| 60 Days | 507 698 | 163 439 | - | - |
| 90 Days | 366 393 | 159 952 | - | - |
| Over 90 Days | 2 193 097 | 2 193 097 | - | - |
| | **13 550 595** | **2 697 584** | **-** | **-** |

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

### 17. Trade and other receivables (continued)

| Expected credit loss rate: | 2019 Estimated gross carrying amount at default | 2019 Loss allowance (lifetime expected credit loss) | 2018 Estimated gross carrying amount at default | 2018 Loss allowance (lifetime expected credit loss) |
|---|---|---|---|---|
| **Trade debtors- other** | | | | |
| Current | 1 555 775 | 1 367 | 2 421 311 | 2 123 |
| 90 Days | - | - | 901 978 | 84 764 |
| Over 90 Days | 1 209 514 | 1 209 514 | - | - |
| | **2 765 289** | **1 210 881** | **3 323 289** | **86 887** |
| **SDR** | | | | |
| Current | 975 298 | - | 575 497 | - |
| 30 Days | 108 549 | - | 2 | - |
| 60 Days | 1 702 679 | - | 616 240 | - |
| 90 Days | 6 393 381 | - | 5 | - |
| Over 90 Days | - | - | 6 681 064 | - |
| | **9 179 907** | **-** | **7 872 808** | **-** |
| **Other debtors** | | | | |
| Specific provision | 28 386 538 | 7 484 310 | 4 251 571 | 4 015 630 |
| **Total** | **70 651 908** | **14 959 457** | **28 933 204** | **9 512 980** |





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

| Figures in Pula | 2019 | 2018 |
|---|---|---|

### 17. Trade and other receivables (continued)

**Reconciliation of loss allowances**

The following table shows the movement in the loss allowance (lifetime expected credit losses) for trade and other receivables:

| | 2019 | 2018 |
|---|---|---|
| **Opening balance in accordance with IAS 39 Financial Instruments:** | | |
| **Recognition and Measurement - Trade debtors** | (4 087 075) | - |
| Adjustments upon application of IFRS 9 | (1 410 275) | - |
| **Opening balance in accordance with IFRS 9** | **(5 497 350)** | **-** |
| Provision raised on new trade receivables | (1 977 797) | - |
| **Closing balance** | **(7 475 147)** | **-** |

The following table shows the movement in the loss allowance (lifetime expected credit losses) for trade and other receivables:

| | 2019 | 2018 |
|---|---|---|
| **Opening balance in accordance with IAS 39 Financial Instruments:** | | |
| **Recognition and Measurement - other debtors** | **(4 015 630)** | **-** |
| Adjustments upon application of IFRS 9 | - | - |
| **Opening balance in accordance with IFRS 9** | **(4 015 630)** | **-** |
| Provision raised on new trade receivables | (15 459 832) | - |
| **Closing balance** | **(19 475 462)** | **-** |

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

| Figures in Pula | 2019 | 2018 |
|---|---|---|

### 17. Trade and other receivables (continued)

**Credit risk disclosures for comparatives under IAS 39**

The following sections provide comparative information for trade and other receivables which have not been restated. The information is provided in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

**Trade and other receivables impaired**

Trade receivables are are non-interest bearing and are generally on 30-60 day terms. Staff advances may be up to 6 month.

| | 2019 | 2018 |
|---|---|---|
| Neither past due nor impaired | | 43 417 718 |
| between 30 days and 60 days | | 1 404 014 |
| between 60 days and 90 days | | 1 726 644 |
| more than 90 days | | 11 342 898 |
| Provision for Doubtful Debts | | (8 102 705) |
| | | **49 788 569** |

**Reconciliation of provision for impairment of trade and other receivables**

| | 2019 | 2018 |
|---|---|---|
| Opening balance | | (5 384 010) |
| Increase in provision | | (2 718 695) |
| | | **(8 102 705)** |

**Fair value of trade and other receivables**

The fair value of trade and other receivables approximates their carrying amounts.



ANNUAL FINANCIAL **STATEMENTS**
for the year ended 31 March 2019

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

| Figures in Pula | 2019 | 2018 |
|---|---|---|

### 18. Cash and cash equivalents

Cash and cash equivalents consist of:

| | 2019 | 2018 |
|---|---|---|
| Cash on hand | 17 649 221 | 13 822 802 |
| Bank balances | 84 704 493 | 83 645 505 |
| Short-term deposits | 238 877 | 11 421 774 |
| Bank overdraft | (3 566 113) | (15 519 218) |
| | **99 026 478** | **93 370 863** |
| Current assets | 102 592 591 | 108 890 081 |
| Current liabilities | (3 566 113) | (15 519 218) |
| | **99 026 478** | **93 370 863** |

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.

**Bank overdraft**

Facilities of the bank overdraft has been disclosed under borrowings note 21.

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

| Figures in Pula | 2019 | 2018 |
|---|---|---|
| **19. Stated capital** | | |
| **Reconciliation of number of shares issued:** | | |
| Reported as at 01 April | 38 431 729 | 38 431 729 |
| Capital of amalgamating company | 30 230 280 | - |
| | **68 662 009** | **38 431 729** |
| **Issued** | | |
| Stated capital held 100% by Ministry of Transport and Communications | 68 662 009 | 38 431 729 |
| **20. Revaluation reserve** | | |
| Opening balance | 172 650 937 | 172 650 937 |
| Business amalgamation | 882 665 | - |
| Losses on property revaluation | (414 963) | - |
| | **173 118 639** | **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.

| Figures in Pula | 2019 | 2018 |
|---|---|---|
| **21. Borrowings** | | |
| **Held at amortised cost** | | |
| **Secured** | | |
| Stanbic Bank Botswana Limited | 1 465 024 | - |
| First National Bank of Botswana Limited | 16 913 856 | 21 822 179 |
| Government of Botswana - PDSF Loan 2015 | 184 526 205 | 162 212 512 |
| | **202 905 085** | **184 034 691** |
| **Split between non-current and current portions** | | |
| Non-current liabilities | 171 332 130 | 176 322 946 |
| Current liabilities | 31 572 955 | 7 711 745 |
| | **202 905 085** | **184 034 691** |



ANNUAL FINANCIAL **STATEMENTS**
for the year ended 31 March 2019

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (cont.)

| Figures in Pula | 2019 | 2018 |
|---|---|---|

### 21. Borrowings (continued)

**Government**
Government loan is unsecured and consists of an advance given to Botswana Postal Services Limited 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 Limited**
First National Bank of Botswana loan to Botswana Postal Services Limited 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 27 200 000 over Lot 53592 Gaborone.

**Other Security**
- Fire policy ceded and cession of insurance registered in favour of RMB Botswana
- Letter of approval from the Ministry of finance and Development planning to borrow.

**Stanbic Bank Botswana Limited**
Stanbic loan is secured and carries interest at prime rate per annum. The loan of P4.6 million has a long term of 10 years. The loan was obtained in August 2014 and is secured as follows:

1) First continuing covering mortgage bond over portion 89, aportion of portion 65, (a portion of portion 3), of farm forest hill No. 9-KO, Gaborone International Commerce Park for P 8 000 000.

2) Cession of MDP over portion 89, a portion of portion 65, (a portion of portion 3) of farm forest hill No. 9-KO, Gaborone International Commerce Park

3) Cession Debts due and payable to debtor by Botswana Postal Service Limited

4) Unrestricted cession of funds due and become due

5) Pledge restricted to P 140 000 of call account in the name of Botswana Postal Service Limited, account number: 9060000964676

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

| Figures in Pula | 2019 | 2018 |
|---|---|---|

### 21. Borrowings (continued)

6) Lien over financial assets

7) Unrestricted cession of contracts monies

8) Comprehensive cover over the assets purchased.

**Barclays Bank of Botswana Limited**

1) Notarial Deed of cession of book debts passed by Botswana Postal Services in favour of Barclays Bank of Botswana for P 60 000 000 dated 27/06/2013.

2) Unlimited security Cession agreement in respect of book debts between Botswana Postal Services and Barclays Bank of Botswana Limited dated 10/07/2014.

3) Non-guaranteed loan scheme dated 30/07/2012 to offer employees of personal loans and housing loans with the Company maximum exposure limit of P18 000 000 Pula Eighteen million pula - Plus addendum to the agreement dated 18/05/2017.

4) Addendum for non-guaranteed loan scheme for Botswana Post Employees dated 18/05/2017

### 22. Finance lease liabilities

| | 2019 | 2018 |
|---|---|---|
| **Minimum lease payments due** | | |
| - within one year | 175 363 | - |
| | 175 363 | - |
| less: future finance charges | (3 390) | - |
| **Present value of minimum lease payments** | **171 973** | **-** |
| **Present value of minimum lease payments due** | | |
| - within one year | 171 973 | - |

It is company policy to lease certain motor vehicles under finance leases.
The average lease term was 4-5 years and the average effective borrowing rate was 7% (2018: 0%)

The company's obligations under finance leases are secured by the lessor's charge over the leased assets.



ANNUAL FINANCIAL **STATEMENTS**
for the year ended 31 March 2019

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (cont.)

| Figures in Pula | 2019 | 2018 |
|---|---|---|

### 23. Government grants

| | 2019 | 2018 |
|---|---|---|
| Non-current liabilities | 37 554 352 | 38 700 421 |
| Current liabilities | 742 665 | 742 665 |
| | **38 297 017** | **39 443 086** |
| **Reconciliation of Government Grants** | | |
| Balance at the beginning of the year | 39 443 086 | 40 202 256 |
| Amortised during the year | (1 146 069) | (759 170) |
| | **38 297 017** | **39 443 086** |

### 24. Trade and other payables

| | 2019 | 2018 |
|---|---|---|
| **Financial instruments:** | | |
| Trade payables | 32 387 258 | 18 832 250 |
| Agency payables | 128 801 921 | 143 458 711 |
| Other payables | 56 032 828 | 26 783 251 |
| Accrued leave pay | 4 704 477 | 3 662 656 |
| Provision for gratuity | 1 344 888 | 3 608 237 |
| Deposits received | 127 030 | 127 030 |
| Non-financial instruments: | | |
| Amounts received in advance | 18 900 032 | 31 546 983 |
| Value added tax | 1 399 635 | - |
| | **243 698 069** | **228 019 118** |

### 25. Operating lease asset (accrual)

| | 2019 | 2018 |
|---|---|---|
| Current assets | 258 863 | 63 634 |
| Non-current liabilities | (2 064 084) | - |
| Current liabilities | (193 546) | - |
| | **(1 998 767)** | **63 634** |

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

| Figures in Pula | 2019 | 2018 |
|---|---|---|
| **26. Cash generated from operations** | | |
| (Loss) profit before taxation | 6 238 200 | 4 117 571 |
| **Adjustments for:** | | |
| Depreciation and amortisation | 12 430 386 | 11 679 206 |
| Losses on disposals of assets | 3 627 793 | 1 486 483 |
| Finance income | (849 95) | (509 224) |
| Finance costs | 18 069 293 | 16 803 465 |
| Movements in operating lease assets and accruals | 475 367 | 198 890 |
| Impairment losses | - | 1 602 272 |
| Amortisation of Government grants | | |
| **Changes in working capital:** | | |
| Inventories | (1 146 069) | (759 170) |
| | (5 633 186) | 3 418 257 |
| Trade and other receivables | 40 397 278 | 54 151 062 |
| Trade and other payables | (35 156 983) | 11 955 164 |
| | **38 452 126** | **104 143 976** |

### 27. Related parties

| | |
|---|---|
| Relationships | |
| Ultimate holding | Government of Botswana |
| Shareholder | Ministry of Transport and Communications |
| Related companies | Smartswitch Botswana (Proprietary) Limited<br>Botswana Savings Bank<br>Botswana Post Trust Foundation<br>Botswana Couriers & Logistics (Proprietary) Limited |
| Board of Directors | Nathan Monametse Kgabi (Board Chairman)<br>Bobeng Shingani<br>Dr Budzanani Tacheba<br>Dr Tshiamo Motshegwa<br>Mathews Titus Phetogo<br>Jennifer Matlho Seitshiro<br>Mpho Judith Dimbungu<br>Tebogo Edison Tladi<br>Thulaganyo Ntsatsi |





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

| Figures in Pula | 2019 | 2018 |
|---|---|---|
| **27. Related parties (continued)** | | |

| | |
|---|---|
| Members of key management | Cornelius Ramatlhakwane (Chief Executive Officer)<br>Ofentse Mabote<br>Clifford Lekoko<br>Bothepha Botsile Kgosidiile<br>Dzuke Baliki (Resigned 31 January 2019)<br>Thato Kewakae (Resigned 31 March 2019)<br>Bonang Seame (Resigned 31 March 2019) |

| Figures in Pula | 2019 | 2018 |
|---|---|---|
| **Related party balances** | | |
| Amounts included in Trade and other receivable regarding related parties | | |
| Smartswitch Botswana (Proprietary) Limited | - | 277 019 |
| Botswana Savings Bank | 302 083 | 4 014 |
| | **302 083** | **281 033** |
| **Amounts included in Trade and other payable regarding related parties** | | |
| Smartswitch Botswana (Proprietary) Limited | - | (55 248) |
| Botswana Savings Bank | (31 262 118) | (16 649 129) |
| Botswana Couriers & Logistics (Proprietary) Limited | - | (2 427 709) |
| | **(31 262 118)** | **(19 132 086)** |
| **Related party transactions** | | |
| **Other income** | | |
| Smartswitch Botswana (Proprietary) Limited | 378 864 | - |
| **Commission earned from/ services paid to related parties** | | |
| Botswana Savings Bank | 2 783 854 | 2 623 839 |
| Botswana Couriers & Logistics (Proprietary) Limited | - | 27 071 429 |
| | **2 783 854** | **29 695 268** |
| **Grants received from related parties** | | |
| Universal Service Obligation - Government of the Republic of Botswana | 78 000 000 | 46 336 480 |
| Amalgamation - Government of the Republic of Botswana | 55 000 000 | - |
| | **133 000 000** | **46 336 480** |

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

| Figures in Pula | 2019 | 2018 |
|---|---|---|

### 27. Related parties (continued)

| | 2019 | 2018 |
|---|---|---|
| **Compensation to directors and other key management** | | |
| Remuneration and other emoluments | 8 317 173 | 6 906 267 |

Botswana Postal Services Limited act as a collection Agency on behalf of other Government bodies. The transactions with these bodies are not considered to be related transactions.

### 28. Contingencies

As at 31 March 2019, the company had various cases pending at the courts and at varying stages of completion and as per the entity's attorneys, these cases exposed the company to a total contingency of P 2 600 000. The signficant of these cases being the following:

The company is being sued by a fleet management company for P 1 200 000 for full payment of maintenance leasing agreement of various motor vehicles previously held under Botswana Couriers & Logistics. The matter is still at the preliminary stage.

The claims of the company against other parties were noted to be trivial.

### 29. Commitments

**Authorised capital expenditure**

| | 2019 | 2018 |
|---|---|---|
| **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.

**Operating leases – as lessee (expense)**

| | 2019 | 2018 |
|---|---|---|
| **Minimum lease payments due** | | |
| - within one year | 5 540 530 | 5 059 706 |
| - in second to fifth year inclusive | 15 989 172 | 16 364 780 |
| | **21 529 702** | **21 424 486** |





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

| Figures in Pula | 2019 | 2018 |
|---|---|---|

### 29. Commitments (continued)

**Operating leases – as lessor (income)**

| | 2019 | 2018 |
|---|---|---|
| **Minimum lease payments due** | | |
| - within one year | 5 152 659 | 1 923 900 |
| - in second to fifth year inclusive | 3 678 372 | 3 192 633 |
| | **8 831 031** | **5 116 533** |

### 30. Financial instruments and risk management

**Categories of financial instruments**

**Categories of financial assets**

**2019**

| | Note | Amortised cost | Total | Fair value |
|---|---|---|---|---|
| Trade and other receivables | 17 | 81 912 574 | 81 912 574 | 81 912 574 |
| Cash and cash equivalents | 18 | 102 592 591 | 102 592 591 | 102 592 591 |
| | | **184 505 165** | **184 505 165** | **184 505 165** |

**2018**

| | Note | Amortised cost | Total | Fair value |
|---|---|---|---|---|
| Trade and other receivables | 17 | 82 066 256 | 82 066 256 | 82 066 256 |
| Cash and cash equivalents | 18 | 108 890 081 | 108 890 081 | 108 890 081 |
| | | **190 956 337** | **190 956 337** | **190 956 337** |

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

| Figures in Pula | 2019 | 2018 |
|---|---|---|

### 30. Financial instruments and risk management (continued)

**Categories of financial liabilities**

| 2019 | Note | Amortised cost | Leases | Total | Fair value |
|---|---|---|---|---|---|
| Trade and other payables | 24 | 223 398 403 | - | 223 398 403 | 223 398 403 |
| Borrowings | 21 | 202 905 085 | - | 202 905 085 | 202 905 085 |
| Finance lease obligations | 22 | - | 171 973 | 171 973 | 171 973 |
| Bank overdraft | 18 | 3 566 113 | - | 3 566 113 | 3 566 113 |
| | | **429 869 601** | **171 973** | **430 041 574** | **430 041 574** |

**2018**

| | Note | Amortised | Total | Fair value |
|---|---|---|---|---|
| Trade and other payables | 24 | 196 472 134 | 196 472 134 | 196 472 133 |
| Borrowings | 21 | 184 034 691 | 184 034 691 | 184 034 691 |
| Bank overdraft | 18 | 15 519 218 | 15 519 218 | 15 519 218 |
| | | **396 026 043** | **396 026 043** | **396 026 042** |

**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 21, cash and cash equivalents disclosed in note 18, 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.





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

| Figures in Pula | 2019 | 2018 |
|---|---|---|

### 30. Financial instruments and risk management (continued)

**Capital risk management (continued)**

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 noncurrent 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 2019 and 2018 respectively were as follows:

| | Note | 2019 | 2018 |
|---|---|---|---|
| Borrowings | 21 | 202 905 085 | 184 034 691 |
| Finance lease liabilities | 22 | 171 973 | - |
| **Total borrowings** | | **203 077 058** | **184 034 691** |
| Cash and cash equivalents | 18 | (99 026 478) | (93 370 863) |
| Net borrowings | | 104 050 580 | 90 663 828 |
| Equity | | 82 544 195 | 92 806 498 |
| **Total capital** | | **186 594 775** | **183 470 326** |
| Gearing ratio | | 57 % | 49 % |

## 30. Financial instruments and risk management (continued)

**Credit risk**

Credit risk consists mainly of cash deposits, cash equivalents 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.

The maximum exposure to credit risk is presented in the table below:

| | | | 2019 | | | 2018 | |
|---|---|---|---|---|---|---|---|
| | | Gross carrying amount | Credit loss allowance | Amortised cost | Gross carrying amount | Credit loss Allowance | Amortised cost |
| Trade and other receivables | 17 | 103 904 289 | (14 959 457) | 88 944 832 | 83 504 723 | (8 102 705) | 75 402 018 |
| Cash and cash equivalents | 18 | 102 592 591 | - | 102 592 591 | 108 890 081 | - | 108 890 081 |
| | | **206 496 880** | **(14 959 457)** | **191 537 423** | **192 394 804** | **(8 102 705)** | **184 292 099** |

**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.





## 30. Financial instruments and risk management (continued)

**Liquidity risk (continued)**

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.

| **2019** | | Less than 1 year | Over 1 year | Total | Carrying amount |
|---|---|---|---|---|---|
| **Non-current liabilities** | | | | | |
| Borrowings | 21 | - | 171 332 130 | 171 332 130 | 171 332 130 |
| **Current liabilities** | | | | | |
| Trade and other payables | 22 | 247 254 570 | - | 247 254 570 | 223 398 403 |
| Borrowings | 21 | 31 572 955 | - | 31 572 955 | 31 572 955 |
| Finance lease liabilities | 22 | 171 973 | - | 171 973 | 171 973 |
| Bank overdraft | 18 | 3 566 113 | - | 3 566 113 | 3 566 113 |
| | | **282 565 611** | **171 332 130** | **453 897 741** | **430 041 574** |
| **2018** | | | | | |
| **Non-current liabilities** | | | | | |
| Borrowings | 21 | - | 176 322 946 | 176 322 946 | 176 322 946 |
| Current liabilities | | | | | |
| Trade and other payables | 24 | 196 472 133 | - | 196 472 133 | 196 472 134 |
| Borrowings | 21 | 7 711 745 | - | 7 711 745 | 7 711 745 |
| Bank overdraft | 18 | 15 519 218 | - | 15 519 218 | 15 519 218 |
| | | **219 703 096** | **176 322 946** | **396 026 042** | **396 026 043** |

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

| Figures in Pula | 2019 | 2018 |
|---|---|---|

### 30. Financial instruments and risk management (continued)

**Foreign currency risk**

Management has set up a policy to manage their foreign exchange risk against their functional currency. The company hedges its tentire foreign exchange risk exposure with the treasury department. 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 2019, if the currency had strengthened by 10% against the US dollar with all other variables held constant, pre-tax profit for the year would have been P 629 426 (2018: P 2 962) 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 2019, if the currency had weakened by 10% against the US dollar with all other variables held constant, pre-tax profit for the year would have been P 629 426 (2018: P 2 424) higher, mainly as a result of foreign exchange gains or losses on translation of US dollar denominated financial assets and financial liabilities.

At 31 March 2019, if the currency had strengthened by 10% against the South African Rand with all other variables held constant, pre-tax profit for the year would have been P 40 208 (2018: P 24 415) lower, mainly as a result of foreign exchange gains or losses on translation of ZAR denominated financial assets and financial liabilities.

At 31 March 2019, if the currency had weakened by 10% against the South African Rand with all other variables held constant, pre-tax profit for the year would have been P 40 208 (2018: P 19 976) lower, mainly as a result of foreign exchange gains or losses on translation of ZAR denominated financial assets and financial liabilities.

At 31 March 2019, if the currency had strengthened by 10% against the CHF with all other variables held constant, pre-tax profit for the year would have been P 1 077 (2018: P 70 849) lower, mainly as a result of foreign exchange gains or losses on translation of CHF denominated financial assets and financial liabilities.

At 31 March 2019, if the currency had weakened by 10% against the CHF with all other variables held constant, pre-tax profit for the year would have been P 1077 (2018: P 57 967) lower, mainly as a result of foreign exchange gains or losses on translation of CHF denominated financial assets and financial liabilities.

At 31 March 2019, if the currency had strengthened by 10% against the SDR with all other variables held constant, pre-tax profit for the year would have been P 1 158 733 (2018: P 874 756) lower, mainly as a result of foreign exchange gains or losses on translation of SDR denominated financial assets and financial liabilities.





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

| Figures in Pula | | 2019 | 2018 |
|---|---|---|---|

### 30. Financial instruments and risk management (continued)

At 31 March 2018, if the currency had weakened by 10% against the SDR with all other variables held constant, pre-tax profit for the year would have been P 948 055 (2018: P 715 710 ) lower, mainly as a result of foreign exchange gains or losses on translation of SDR denominated financial assets and financial liabilities.

**Exposure in foreign currency amounts**
The net carrying amounts, of foreign currency in pula of the above exposure was as follows:
**Exposure:**

| | | | |
|---|---|---|---|
| **Current assets:** | | | |
| Balances with other foreign banks USD | 17 | 6 473 830 | 768 996 |
| Other Financial Assets SDR | 18 | 9 179 901 | 7 872 808 |
| **Non-current liabilities:** | | | |
| Other Financial Liabilities USD | 21 | 179 674 | 768 587 |
| Other Financial Liabilities ZAR | | 402 078 | 219 731 |
| Other Financial Liabilities CHF | 24 | 10 773 | 637 632 |
| Other Financial Liabilities SDR | | 1 248 700 | - |
| Net exposure | | **17 494 956** | **10 267 754** |

**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 and short term deposits. Borrowings issued at variable rates expose the company to cash flow interest rate risk.

At 31 March 2019, if interest rates on Pula-denominated borrowings had been 1% lower with all other variables held constant, pre-tax profit for the year would have been P 2 259 883 (2018: P 1 966 891) lower, mainly as a result of lower interest expense on floating rate borrowings.

At 31 March 2019, if interest rates on Pula-denominated borrowings had been 1% higher with all other variables held constant, pre-tax profit for the year would have been P 2 259 883 (2018: P 1 966 891) higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

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

| Figures in Pula | 2019 | 2018 |
|---|---|---|

### 31. Going concern

For the year ended 31 March 2019, the Company generated comprehensive profit before tax of P 6.2 million (2018: P 4.1 million). The net current liabilities were P78.9 million (2018: P52.2 million). The cause of the deterioration of the Company's liquidity position is both due to weak financial position as a result of many years of loss making and inability to quickly generate enough revenue to cover costs mainly related to universal service obligation. These conditions indicate material weakness that may cast significant doubt of the Company's ability to continue as a going concern unless relief is provided by shareholder.

The Board continues to drive the turnaround strategy that includes implementation of revenue up-liftment initiatives and cost containment measures. The Board also continues to engage the shareholder in providing capital injection to alleviate the already eroded capital base.

The shareholder (Government of Botswana) continues to help reduce the universal service obligation cost by reimbursing the Company a portion of the cost. This support will ensure that the Company meets some of its financial obligations as they fall due. In the current year 2018/19 the Company was reimbursed P78 million and Government of Botswana has committed to reimburse the company P85 million in the financial year 2019/20.

### 32. Botswana Postal Services Limited Universal Service Obligation Segmetation

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), whereas 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.



ANNUAL FINANCIAL **STATEMENTS**
for the year ended 31 March 2019

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (cont.)

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

USO recovery model summary report post audit for the year ended 31 March 2019

| **Revenue** | **USO** | **Non USO** | **Total** |
|---|---|---|---|
| VC North | 13 087 852 | 1 875 126 | 54 962 978 |
| VC Central | 10 472 698 | 33 147 763 | 43 620 461 |
| VC South | 36 831 526 | 63 938 558 | 100 770 084 |
| Head Office | 107 420 049 | 147 387 099 | 254 807 148 |
| | **167 812 125** | **286 348 546** | **454 160 671** |

| **Cost** | **USO** | **Non USO** | **Total** |
|---|---|---|---|
| VC North | 105 741 395 | 35 462 460 | 141 203 855 |
| VC Central | 69 060 698 | 22 198 315 | 91 259 013 |
| VC South | 152 141 098 | 52 691 410 | 204 832 508 |
| Head Office | 6 097 95 | 4 529 123 | 10 627 081 |
| | **333 041 149** | **114 881 308** | **447 922 457** |

| **Profit/(loss) before tax** | **USO** | **Non USO** | **Total** |
|---|---|---|---|
| VC North | (92 653 543) | 6 412 666 | (86 240 877) |
| VC Central | (58 588 000) | 10 949 448 | (47 638 552) |
| VC South | (115 309 572) | 11 247 148 | (104 062 424) |
| Head Office | 101 322 091 | 142 857 976 | 244 180 067 |
| | **(165 229 024)** | **171 467 238** | **6 238 214** |

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 | 31 221 007 | 41 216 631 |
| 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** | **174 757 172** | **307 914 657** |

| **Cost** | **USO** | **Non USO** | **Total** |
|---|---|---|---|
| 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** |

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

| Figures in Pula | 2019 | 2018 |
|---|---|---|

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

| Profit/(loss) before tax | USO | Non USO | Total |
|---|---|---|---|
| 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** |

### 33. Events after the reporting period

There were no past balance sheet events identified, that should be disclosed.

### 34. Business amalgamation

Botswana Couriers Limited

On 1 October 2018, Botswana Postal Services Limited and Botswana Couriers and Logistics (Proprietary) Limited was amalgamated and continued as a under the name of Botswana Postal Services Limited under section 227(1) of the Company's Act 2013, Chapter 42:01.

As explained in accounting policy note 1.14, the amalgamation of Botswana Postal Services Limited and Botswana Couriers and Logistics (Proprietary) Limited has been accounted for using the continuity of interests method. Under this method, the carrying value of the assets and liabilities of each of the combining entities have been carried forward at their book values.





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

| Figures in Pula | 2019 | 2018 |
|---|---|---|

### 34. Business amalgamation (continued)

The figures of the current year are not comparable with those of the previous year in view of amalgamation made.

**Fair value of assets amalgamated and liabilities assumed**

| | | |
|---|---|---|
| Property, plant and equipment | 14 051 198 | - |
| Deferred tax | 123 828 | - |
| Trade and other receivables | 42 536 151 | - |
| Cash and cash equivalents | 308 882 | - |
| Borrowings | (2 565 410) | - |
| Operating lease liability | (1 587 034) | - |
| Trade and other payables | (50 835 936) | - |
| Bank overdraft | (9 830 651) | - |
| Total identifiable net assets | (21 850 170) | - |
| | **(7 798 972)** | **-** |

### 35. Comparative figures

The prior year amounts of certain line items in the statement of financial information has been reclassified for better presentation purposes

| | 2018 Audited | Reclassified | 2018 total |
|---|---|---|---|
| Revenue | 260 172 382 | (9 013 047) | 251 159 335 |
| Cost of sales | (170 266 409) | 5 703 935 | (164 562 474) |
| Grant income | - | 46 336 352 | 46 336 352 |
| Other operating income | 50 679 218 | (43 027 240) | 7 651 978 |
| Other operating losses | (2 551 619) | - | (2 551 619) |
| Administrative expenses | (117 309 408) | - | (117 309 408) |
| Other operating expenses | (312 352) | - | (312 352) |
| Finance income | 509 224 | - | 509 224 |
| Finance costs | (16 803 465) | - | (16 803 465) |
| Taxation | (1 004 833) | - | (1 004 833) |
| | **3 112 738** | **-** | **3 112 738** |

| Figures in Pula | Note | 2019 | 2018 |
|---|---|---|---|
| **Revenue** | 4 | **292 611 730** | **251 159 335** |
| **Cost of sales** | 5 | **(203 494 385)** | **(164 562 474)** |
| **Gross profit** | | **89 117 345** | **86 596 861** |
| **Other operating income** | 6 | **157 453 500** | **53 988 330** |
| **Other operating gains (losses)** | | | |
| Loss on disposal of assets | | (3 627 793) | (1 486 483) |
| Foreign exchange gains (losses) | | 841 685 | (1 065 136) |
| | 7 | **(2 786 108)** | **(2 551 619)** |
| **Other operating expenses** | | | |
| Advertising | | (418 222) | (139 873) |
| Amortisation | | (214 892) | (1 462 398) |
| Auditors remuneration - external auditors | 8 | (786 033) | (237 924) |
| Bad debts | | (9 849 533) | (2 718 695) |
| Cleaning | | (4 152 023) | (3 960 009) |
| Computer expenses | | (9 222) | - |
| Consulting and professional fees | | (1 246 873) | (1 664 763) |
| Consulting and professional fees - legal fees | | (813 909) | (734 107) |
| Depreciation | | (10 411 468) | (9 647 873) |
| Donations | | (137 473) | (156 191) |
| Employee costs | | (72 002 647) | (51 669 242) |
| Office expenses | | (567 636) | (733 729) |
| Other expenses | | (2 193 019) | (3 663) |
| BBS/Botswana Post merger | | - | 3 557 886 |
| Directors fees and board expenses | | (816 780) | (505 698) |
| Universal service access fund | | (1 049 858) | (1 149 861) |
| Operator licence fees | | (683 194) | (724 500) |
| CMS | | (1 782 325) | - |
| Fines and penalties | | 967 | - |
| Insurance | | (2 368 370) | (2 285 556) |
| Lease rentals on operating lease | | (5 287 558) | (4 008 834) |
| Motor vehicle expenses | | (80 000) | - |
| Municipal expenses | | (4 125 568) | (3 461 999) |
| Printing and stationery | | (4 597 882) | (4 655 517) |
| Repairs and maintenance | | (7 834 892) | (7 355 006) |
| Security | | (11 435 981) | (9 894 605) |
| Subscriptions | | (614 886) | (664 431) |
| Telephone and fax | | (7 640 111) | (6 801 260) |
| Training | | (871 258) | (2 144 511) |
| Travel expenses | | (5 315 911) | (4 399 401) |
| | | **(157 306 557)** | **(117 621 760)** |
| **Operating profit (loss)** | 8 | **86 478 180** | **20 411 812** |
| Finance income | 9 | 849 953 | 509 224 |
| Finance costs | 10 | (18 069 293) | (16 803 465) |
| Restructuring Costs | | (63 020 640) | - |
| **Profit (loss) before taxation** | | **6 238 200** | **4 117 571** |
| Taxation | 11 | (7 186 554) | (1 004 833) |
| **(Loss) profit for the year** | | **(948 354)** | **3 112 738** |

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

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