

# OUR VALUES

## BOTHO

We act with respect, courtesy and humility in our dealings with each other and our stakeholders.

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## INTEGRITY

Our everyday actions are guided by honesty, transparency and the highest ethical standards.

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## COURAGE

We dare to dream, to think big, to embrace change, and to stand by our convictions.

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## INNOVATION

We continuously seek ways to do our work better and improve our service to our customers and partners.

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## SERVICE EXCELLENCE

We take pride in our work and strive for the highest standards of quality as befitting an icon of excellence.

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## EXECUTION

We are decisive, focused and deliberate to ensure implementation of our plans, policies and programmes.

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## MISSION

To provide communities with Financial, Logistics, Postal, Communications and Agency services, throughout our network and partnerships with Government and business.

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## VISION

We are an Icon of Excellence connecting people to each other and the Globe.

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[www.botspost.co.bw](http://www.botspost.co.bw)

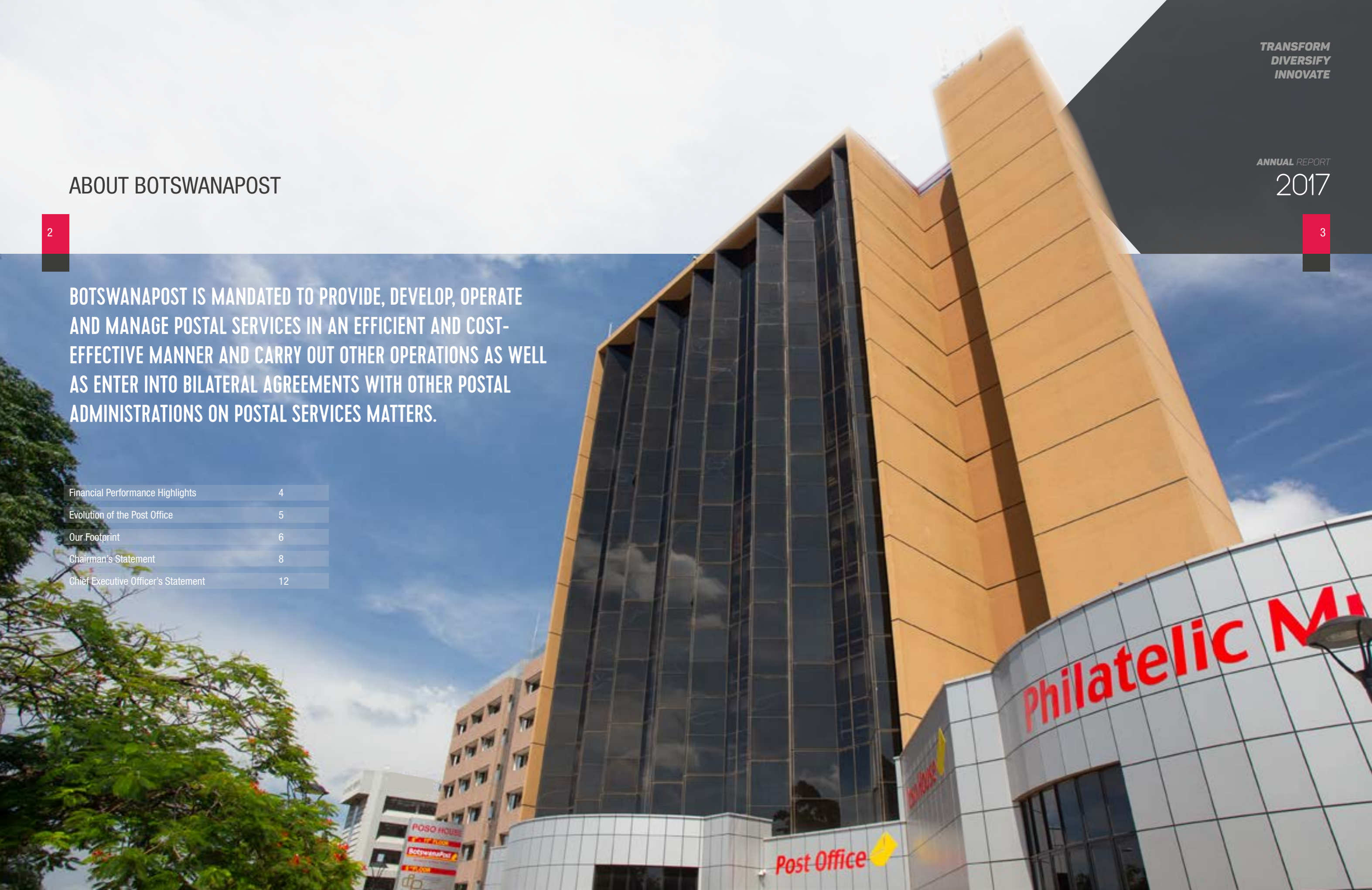
## ABOUT BOTSWANAPOST

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BOTSWANAPOST IS MANDATED TO PROVIDE, DEVELOP, OPERATE AND MANAGE POSTAL SERVICES IN AN EFFICIENT AND COST-EFFECTIVE MANNER AND CARRY OUT OTHER OPERATIONS AS WELL AS ENTER INTO BILATERAL AGREEMENTS WITH OTHER POSTAL ADMINISTRATIONS ON POSTAL SERVICES MATTERS.

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## FINANCIAL PERFORMANCE HIGHLIGHTS

for the Year Ended 31 March 2017

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### REVENUE 2017

6.8%↑

Revenue grew to P457.7 million

### LOSS BEFORE TAX 2017

51.9%↓

Loss before Tax down to P12.9 million

### OPERATING COSTS 2017

7.9%↓

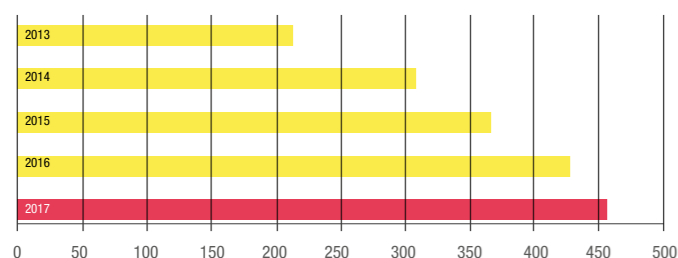
Operating costs down to P125.5 million (Administrative + other operating expenses)

### TOTAL ASSETS 2017

9.9%↑

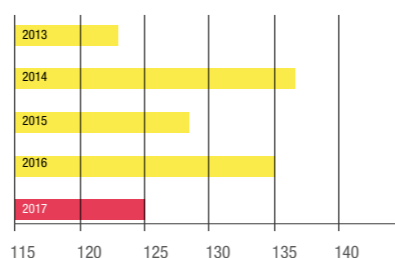
Assets grew to P538.6 million

#### REVENUE



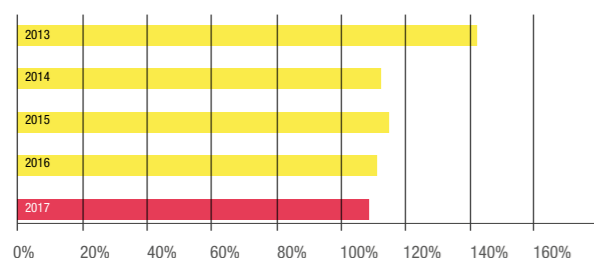
BWP million

#### OPERATING COSTS



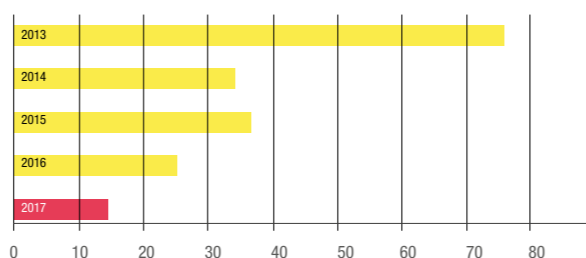
BWP million

#### COST TO INCOME RATIO



0% 20% 40% 60% 80% 100% 120% 140% 160%

#### LOSS BEFORE TAX



BWP million

## BOTSWANAPOST: 142 YEARS OF SERVICE LEADERSHIP TO THE NATION

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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

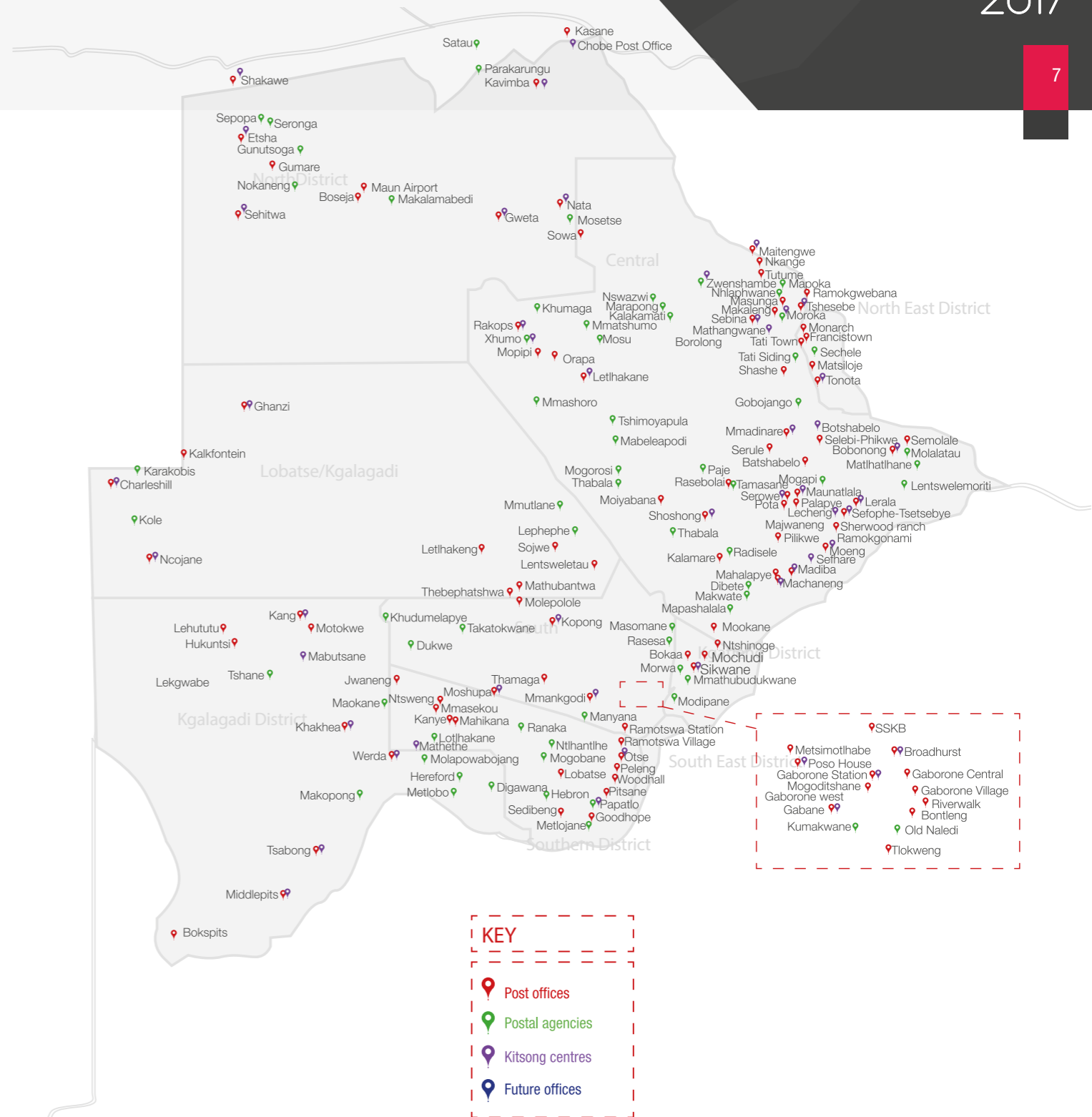
<b>VC North</b>	Maun	<b>VC South</b>	Lentsweletau	Ntshinoge	RamotswaStation	<b>VC Central</b>	Piikwe
Blue Jacket	Maun Airport	Bontleng	Lethakeng	Oodi	RamotswaVillage	Bobonong	Pota
Boseja	Monarch	Bokaa	Lobatse	Otse	RiverWalk	Botshabelo	Rakops
Charleshill	Nata	Bokspits	Mabule	Pitsane	Sedibeng	Kalamare	Ramokgonami
Chobe	Ncojane	Broadhurst	Mabutsane	Poso House	Sefalana Hyper	Lecheng	Rasebolai
Etsha	Nkange	Digawana	Mathikana		Shoppers GWest	Lerala	Sefhare
Francistown	Pandamatenga	Gabane	Mathubantwa		Shoppers Tlokweng	Lethakane	Sefhophe
Francistown Airport	Ramokgwebana	GaboroneCentral	Metshimothabe		Sikwane	Machaneng	SelebiPhikwe
Ghanzi	Sebina	GaboroneStation	Middlepits		Sojwe	Madiba	Semolale
Gumare	Sehithwa	GaboroneUB	Mmankgodi		SSKAirport	Mahalapye	Serowe
Gweta	Seronga	GaboroneVillage	Mmasekou		Takatokwane	Maokatumo	Serule
Kalkfontein	Shakawe	GoodHope	Mmathethe		Thamaga	Maunatlala	SherwoodRanch
Kasane	Shashe	Hukuntsi	Mochudi		Thebephatswa	Mmadinare	Shoshong
Kavimba	Sowa	Jwaneng	Mogoditshane		Tlokweng	Moeng	Tsetsebye
Maitengwe	Tatitown	Kang	Molapowabojang		Tomela	Moiyabana	Tumasera
Makaleng	Tonota	Kanye	Molepolole		Tsabong	Mookane	
Masunga	Tshesebe	Khakhea	Moshupa		Werda	Mopipi	
Mathangwane	Tutume	Kopong	Motokwe		Woodhall	Orapa	
Matsiloje		Lehututu	Nkoyaphiri			Palapye	

Kitsong Centres

<b>VC North</b>	Seronga	Mabule	<b>VC Central</b>	Ramokgonami
Blue Jacket	Shakawe	Mabutsane	Bobonong	Rasebolai
Charleshill	Tonota	Masa	Botshabelo	Sefhare
Chobe	Tshesebe	Middlepits	Lecheng	Sefhophe
Etsha	Tutume	Mmankgodi	Lerala	Shoshong
Ghanzi		Mmathethe	Lethakane	Tsetsebye
Gumare		Moshupa	Machaneng	
Gweta		Otse	Madiba	
Maitengwe	<b>VC South</b>	Poso House	Maunatlala	
Masunga	Gabane	Railpark	Mmadinare	
Mathangwane	Gaborone UB	RiverWalk	Moiyabana	
Nata	GoodHope	Sikwane	Mookane	
Ncojane	Hukuntsi	Kang	Mopipi	
Sebina	Kopong	Lethakeng	Rakops	
Sehithwa	Lethakeng	Werda		

Postal Agencies

<b>VC North</b>	Mosuo	<b>VC South</b>	Gakutlo	Sekoma	Molalatau	Mmashoro
Borolong	Moroka	Morwa	Mokolodi	Makopong	Mmaphashalala	Mogorosi
Chadibe	Nhlaphwane	Rasesa	Karikubis	Hereford	Radisele	Thabala
Kalakamati	Khumaga	Mosomane	Tshane	Loggwabe	Dibete	Tshimoyapula
Marapong	Xhumo	Modipane	Kcagae	Ranaka	Makwate	Paje
Mapoka	Zwenshambe	Sikwane	Hebron	Lotlhakane	Pallaroad	Seleka
Mosetse	Makalamabedi	Malotwane	Metlojane	Lotlhakane	Majwaneng	
Nswazwi	Nokaneng	Mathubudukwane	Molapowabojang	Metlobo	Ratholo	
Tatisiding	Sepopa	Dutlwe	Nthantlhe	Boravast	Tamasane	
Marobela	Seronga	Lephephe	Mogobane		Seleka	
Parakarungu	Gunotshoga	Takatokwane	Ramatlabama	<b>VC Central</b>	Moshopha	
Satau	Shorobe	Khudumelapye	Maokane	Gobojango	Mogapi	
Kachikau	Tsau	Manyana	Sese	Lentswe - le- Moriti	Tobane	
Mmatshumo		Kumakwane	Lorlwane	Mathathane	Mabeleapodi	



## CHAIRMAN'S STATEMENT

# FORWARD THINKING APPROACH

Until our stakeholders understand where BotswanaPost has come from, it is impossible for them to appreciate where we are going. In 2015, when Cornelius Ramatlhakwane was appointed to the position of Chief Executive Officer after a rigorous selection process, he assumed the role with a wealth of ideas in mind to carry this Company forward.

At the time, we were running under our Icon of Excellence Strategy, and the Company was undertaking a critical repositioning exercise from being a traditionalist postal operator to that of a service provider.

What Cornelius and his team gave us was an abundance of fresh ideas and it is clear that the Company is beginning to reap the rewards of such application.

### Strategic review: 2016-2017

We embarked on an organisation-wide Operational Efficiency and Performance Improvement Scan to identify gaps. What is a gap? It is the empty space one has to cross to get from where one is to where one wants to be.

Crossing any gap comes with uncertainty. However, under the leadership of Cornelius and his team, the Company took its first steps on the Operational Efficiency Execution Plan. We steadily began to grow our revenues, improved our profitability and became more efficient. We have become more efficient by being more customer-centric in our business approach.

It did not happen overnight. Steadily, we became *'Fit-to-Serve and Fit-for-Growth,'* which is what we called this process internally.

We already know that this simple change is yielding results which customers can see and feel. However, in the year ahead, we will be embarking on a comprehensive survey process to measure these improvements in customer service in a more quantitative way.

### Financial Review

The period under review was one of immense progress for BotswanaPost. Although the Company recorded a loss of P12.9 million in 2016-2017, it is important to appreciate that we are rapidly climbing out of this loss-making position.

For example, in the two years, 2015/16 and 2016/17, since the Operational Efficiency Execution Plan was implemented, losses have significantly diminished with the current year reducing by 51.9%. Controllable costs for the period under review are down by 7.9%. The comprehensive income also improved due to revaluation of assets to P30.8 million. This is amazing progress in a short space of time — a credit to the vision and leadership of the Company.

Even in the face of difficult economic conditions (for Botswana, the region and the world) and the general decline in traditional mail volumes, sales revenue for the Company has grown to an all-time high: P457.7 million. I am confident that in the near future, we will be able to reach the P500 million mark.

In addition, the total assets of the Company grew by 9.9% to P538.6 million.

### Improving efficiencies

In our quest to diversify our product range and drive revenues in previous years, we may have taken on a handful of extra agency services that have not created a lot of value for the Company, given what they cost us to provide.

In the near future, we will be revisiting these products and re-evaluating them in light of their ultimate contribution to our bottom line. As we move forward into the next financial year, the emphasis is on *efficiency*. Not all revenue streams are created equally — and we want to be able to grow this Company on our own terms.

Our cost-to-income ratio is still too high. This means that we will be exploring relationships and opportunities that do not have such a heavy impact on our cost of sales.

## CHAIRMAN'S STATEMENT

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### Universal Service Obligation

This is a big issue for us. We need to see more willingness on the part of Government to reimburse us for the services we provide on a nationwide level, as agreed.

We fulfill our side of this obligation on a daily basis, but what we need is to secure our reimbursements in full and where there is a shortfall, enable us to be funded from the Universal Service and Access Fund which is overseen by Botswana Communications Regulatory Authority (BOCRA).

### New strategy for 2017-2020

Our new strategy for the period 2017-2020, specifically the perspectives and objectives, is perfectly aligned with that of the Ministry of Transport and Communications.

This strategy is also fully compliant with the Istanbul World Postal Strategy for 2017-2020 as defined by the Universal Postal Union Congress of September 2016 that we attended. This event is held every four years to define and craft the future business direction of postal services worldwide.

Apart from the usual deliberations and engagements about how postal services can be made better, the UPU develops a consensus document which is designed to bring all postal operators around the world on board in terms of how they should be carrying out their mandates.

These are the standards we are aspiring to, especially in terms of the use of technology to add value to the lives of our customers.

Doing this effectively requires us to answer this important question: *'What business are we in?'*

At BotswanaPost, as much as we are a postal operator, we must embrace the philosophy that we are in the *communications* business. And that means we are adopting technology which will enable us to carry our mandate forward.

We also need to think strategically in terms of where new revenue may come from. In the near future, the major growth opportunities for BotswanaPost will be realised through regional diversification. This means creating revenue sources beyond our own borders through the provision of services like warehousing, logistics and transportation and money transfer.

### Merger with Botswana Couriers and Logistics and Botswana Savings Bank

Conversations between the affected entities and the relevant stakeholders are ongoing with regard to the merger.

When these talks are finalised — and a comprehensive plan is in place — we will be in a position to comment fully on what a possible merger would mean for the entities.

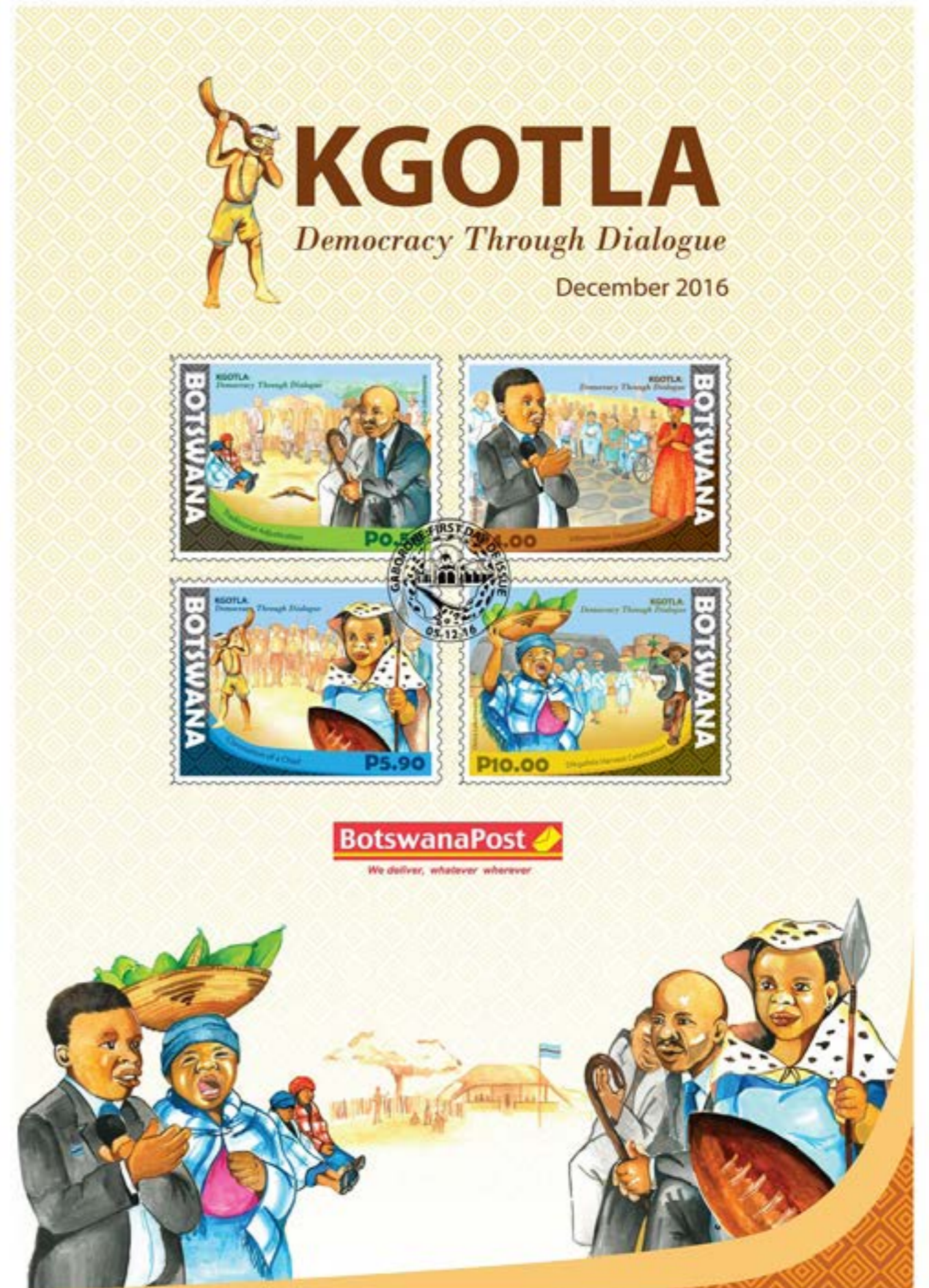
### Message of thanks

It would be remiss of me not to show appreciation to my colleagues and fellow members of the Board for their strength, wisdom and leadership skills. Their commitment to BotswanaPost, and the journey we are on, is unwavering.

I am also thankful for the enduring support of our holding Company Botswana Post and Savings Group Limited and Ministry principals.

I would also like to thank our business partners for their honest dealings with the Company in this time of change. Together, we are improving the lives of our customers and changing forever the way they interact with our brand.

**Polokoetsile P. Motau**  
Chairman



## CHIEF EXECUTIVE OFFICER'S STATEMENT

# SUSTAINING OUR GROWTH

In November 2015, we asked ourselves three simple questions:

- *Can we increase our revenues?*
- *Can we be more efficient?*
- *And can we be profitable to create an operationally-efficient BotswanaPost that is Fit-to-Serve and Fit-for-Growth?*

I am glad to report that we have been able to answer all three of these questions during the period under review. Our loss position has reduced by 51.9% compared to last year, controllable costs are down by 7.9% and revenue is up by 6.8%. There are many reasons to celebrate. Take a look at our progress.

### Financial performance and position

There was significant improvement in many areas of the business during the financial year under review. We recorded a year-on-year revenue growth of 6.8% and revenues climbed strongly to BWP 457.7 million — the highest in the history of this organisation. This sends a clear message to our stakeholders: *we are continuing to grow*. And we are doing so even in the face of a slightly depressed economic environment — domestically, regionally and globally.

Furthermore, we have managed to expand our revenue despite the fact that our Mail business has taken a large hit during this period. Mail revenue has declined by 9.1%, as many of our large institutional clients such as the commercial banks and Government agencies have recently migrated to electronic platforms. However, we at BotswanaPost see this setback as *temporary*. We now have access to leading edge innovations such as Reverse Hybrid Mail which will enable us to pivot and revive these relationships with the important clients we served for many years — while still giving them the cost savings they desire. Through technology, we are confident in our ability to recover these income streams — and even grow them.

When it comes to our direct controllable costs, we continue to achieve the necessary reductions. This year, these costs are down by 7.9% and this is our second consecutive year of real improvement in this area. BotswanaPost is currently halfway through our two year Turnaround Strategy (Operational Efficiency Execution Plan) which began in the

2015-2016 financial year. In the first financial year since this plan was implemented, our operating losses reduced by 24.7%. In the current year, our losses have reduced by a further 51.9% to P12.9 million. As we dig ourselves out of this loss-making position, this has a healthy impact on our balance sheet. Today, BotswanaPost finds itself in a far superior financial situation than any other time in our recent history. Our total assets have increased by 9.9% this year, mostly in respect of our properties, which has the impact of improving retained earnings and solvency, valuing BotswanaPost at P538.6 million at the end of March 2017.

In conjunction with our regulators at Botswana Communications Regulatory Authority (BOCRA), we have established a process to disclose two sets of financial reports. The first reports show how we are performing under the Universal Service Obligation (USO) which we carry with pride despite the financial toll it puts on us. This obligatory service is a heavy loss-maker to the tune of P54 million in 2016-2017.

The second set of reports focuses purely on the commercial activities which my team and I pursued aggressively in the same time period. They tell a *very different* story about our Company. Commercial activities have yielded a profit of P41 million: another record. The message here is clear for all our stakeholders to see: when it comes to the type of business model in which we have a fighting chance to make money, we are getting very, very good at doing so.

### Icon of Excellence

The Icon of Excellence Strategy was born in 2011. This was the point at which BotswanaPost started to reposition itself from being a traditionalist postal operator to a service provider. The philosophy was (and still is) to leverage technology to diversify revenue streams and enhance existing products through smart partnerships.

Of course, the driving force behind this very important change was technology in general, and mobile technology in particular. A traditionalist postal business model cannot survive in the face of advanced communication systems, advanced payment systems and multichannel access — however, under the Icon of Excellence, these 'threats' became golden opportunities for our business. The Icon of Excellence Strategy has enabled our Company to deliver a wide range of new products and services and to capitalise on the changing technological environment we find ourselves in.

## CHIEF EXECUTIVE OFFICER'S STATEMENT

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Whether it is our new BotswanaPost App (available for download on both Android and iOS devices) ePost, eCommerce, eGovernance, or a wide range of affordable and easy to use financial services — these innovations have redefined what can be accomplished in Botswana through dialogue with key stakeholders. I am particularly proud of the technological solutions we have delivered in partnership with organisations ranging from Government departments and parastatals to the private sector. This ongoing process has created a wide range of new income streams and growth opportunities for the business, which is evidenced by our increasing revenue. Furthermore, it has totally revolutionised the way that customers interact with BotswanaPost.

One of the reasons I find the Icon of Excellence Strategy so compelling is that it forever changes the way we look at the world — and the way the world looks at us. We cannot go back, and we do not want to.

However, we are still faced with three major priorities:

- How do we become more efficient?
- How do we become more profitable?
- How do we increase our revenue?

### Sustaining Operational Efficiency

BotswanaPost finds itself in an interesting position: our revenues are growing steadily, it is clear that our customers appreciate (and are using) our new and existing range of products and services, but we are still recording losses — even though these are rapidly reducing. To this end, my team and I have adopted organisation-wide measures such as Customer Service Excellence, System For Managing (SFM), process reengineering and product profitability under a new organisational model called the Value Centre Model. The goal is to aggressively control costs, boost efficiency, improve profitability and increase our revenue-generating activities per employee (revenue per labour cost).

We made the decision to reassign many of our most talented, qualified and motivated people away from Head Office and onto the front line. We made them customer-facing and gave them authority to make decisions at branch level. This simple move has had a large impact on costs across the organisation. Our International Mail Exchange Centre is also running more efficiently due to various measures we have introduced at operational level. Our team on the ground is getting more work done in less time thereby reducing Company expenditure on unnecessary overtime. Everyday cost-saving measures around the office also help. We have closed the taps on unnecessary travel, corporate wear, paper

wastage — even refreshments. Our aim is to increase the level of accountability for every staff member so they understand that everything they do has a financial impact on the organisation. This is working very well. A sustainable performance evaluation system at all levels of the organisation has also been implemented. This is called System For Managing (SFM). Every employee knows that his or her performance is being measured and closely monitored. Every employee, including myself, is intimately aware of the behaviour they need to model, and the results they need to create.

### Leveraging on technology to deliver service excellence

One of the biggest challenges we face is to increase the uptake and usage on all our mobile channels. This is a customer acquisition issue. How do we encourage people to change their transaction patterns and explore better ways of sending money, buying electricity, paying their water bills, and renewing their vehicle licences? How do we make sure that the BotswanaPost App is downloaded onto every smartphone in Botswana?

This puts the spotlight on our Marketing and Communications team. We have built the systems, now we need higher levels of activity on those systems. Our growth plans go beyond Botswana. We are in the process of generating revenue streams from within the region by successfully completing money transfers between us and our fellow Postal Operators. We are already transacting with Zimbabwe, South Africa, Lesotho and Swaziland. We believe we can connect the entire region and will be in Malawi soon. Our intention is to do that, and more: ultimately reaching out beyond the diaspora.

There are further innovations on the horizon. We will resuscitate our PosoCloud offering. We will create more solutions for the financially excluded. We will make it quicker and cheaper for Botswana to communicate, do business, stay in touch with family and complete daily tasks without setting foot in a Post Office.

### Response to declining Mail Services

Being the nation's designated Postal Operator comes with significant responsibilities. Chief among these is the Universal Service Obligation (USO), which declares that all Botswana — no matter where they may live in the country — are entitled to the benefit of our services, regardless of how financially viable (or not viable) it may be to provide those services. There is one important aspect within the Icon of Excellence Strategy which stakeholders often overlook. Despite the diverse revenue streams which we have created in recent times through the use of

technology, our Mail business should still, at all times, account for half of our revenue.

This means that as we take steps towards increasing our revenues, Mail should account for half of those revenues, and we believe we can make this happen, even in the face of the general decline in mail volumes worldwide. We have to find more proactive ways to grow the Mail business. We have opened four new kiosks in Sefalana retail outlets to increase our reach. This has proved to be very successful, so we will definitely continue to expand this partnership. We have created a Mail Business Value Centre with its own dedicated General Manager. And, most notably, we are using our Commercial Postal Operator's licence to make our presence felt in the commercial postal business landscape. I am confident that all of these measures will have a significant impact and enable us to meet the 50% Mail target that, even in these times of change, is at the heart and soul of this Company.

### Beyond the Icon of Excellence

I am very excited to build on the great achievements that we have accomplished through the Icon of Excellence Strategy so far. In order to do this, we will have to focus on four key areas:

#### • Our Organisation

In order to be *Fit-for-Growth*, we must be *Fit-to-Serve*. Our Company setup and operational processes must enable accessibility, convenience and relevance to the needs of our customers. We must keep the lines of communication between the Company and the customers open at all times. How else can we hope to create value for money for them? That is what a Value Centre Company stands for.

#### • Our People

As the leadership of this Company we are committed to Lead Simply by Modelling the behaviour we want, Connecting with our People and Involving them in everything we do. Our people in turn are empowered to be Free To Grow by Choosing to Commit, Working hard, Focusing and being Resilient. This combination provides a platform for a consistently high performance culture.

#### • Our Technology

We will continue to develop and explore value-adding opportunities for our customers in everything we do. Technology will continue to be the key driver of our service delivery both for existing products as well as new revenue streams.

#### • Our Products

We will make the lives of Botswana better with every new product we introduce, and we will continue to enhance our existing products and position ourselves for continued sustainable growth.

#### Our culture: Smile & Move

BotswanaPost is *'smoving'*. We like to smile — and we like to move.

At this Company, we strive for a positive outlook on life while serving others. It is important to shine a light on what it means to have a positive attitude and genuinely take action on a daily basis.

When we began to conduct the Operational Efficiency and Performance Improvement Scan towards the end of 2015, it was like a health check-up for our business. We identified many areas where we could be more accountable, more focused, more generous, more energetic, more aggressive.

#### And that is where Smile & Move was born.

To 'smile' does not just mean to wear a welcoming expression on our faces. 'Smiling' goes much deeper than that.

#### We 'smile' by being awake

Opportunities to serve the community are all around us. Being awake to new technologies, new products, new relationships and new thought processes is what enables us to create value for our customers in ways we could never have dreamed of just a few years ago.

In times of change, no progress can be made unless we are awake.

#### We 'smile' by being grateful

At BotswanaPost, we believe in the law of gratitude: *being grateful for what we have gives us more*. Gratitude leads to greatness. It turns what we have into more than enough. It turns jobs into joy, chaos into order, uncertainty into clarity.

We make it a habit to express gratitude for our staff, our relationships, our resources. For our nation, its people and its values. For the customers we serve and who keep us in business. For the promise (and even the challenge) that each new day brings.

#### We 'smile' by being approachable

It is an interdependent world. We depend on each other, and as a result, we need to make ourselves more accessible and approachable to

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## CHIEF EXECUTIVE OFFICER'S STATEMENT



everyone — and this applies as much to our face-to-face interactions as it does online.

If we create a situation where people find it hard to talk to us (asking for help, guidance or a solution), eventually they will look for someone they can talk to easily. This is how competition works.

### We 'smile' by complaining less

Ours is not easy work. It can be complex, time consuming, stressful and — at times — unprofitable. However, complaining affects anyone negatively: we stop thinking straight, we start cutting corners, we forget what life is about. The journey away from loss and towards profit has changed the way we think. Every Company has its own threats and setbacks. At BotswanaPost, we choose to learn from them, adapt and assert ourselves — not be defined by negative circumstances such as declining mail volumes or hyper-competitive market conditions. At BotswanaPost, that is what it means to 'smile'. Now, what is our definition of 'move'?

### We 'move' by starting early and going long

We take immense pride in being Botswana's oldest public service entity. 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 is not what we do, *it is who we are.*

### We 'move' by going beyond expectations

Exceptional results come from exceptional effort. Moving rapidly towards P500 million in annual revenue is the fruit of this effort. Plain and simple: in 2017-2018 (and beyond), nothing less will do. Our staff know this.

### We 'move' by having a sense of urgency

Every day, thousands of customers come to us in their hours of need. They require urgent help from staff who are committed, responsive and fully engaged. In these everyday interactions, we strive to make every moment count.

### We 'move' by being resourceful and resilient

We are resourceful in our attempts to make what we want happen. The difficulty of our jobs is an excuse we can never accept. A lack of sleep, the weather, the traffic, a tough day, week, month or year does not excuse us from delivering.

At BotswanaPost, 'moving' is to move forward, refusing to complain or make excuses. It is remembering that service is about results, no matter what.

### Message of thanks

Thank you to BotswanaPost customers for trusting our brand. We appreciate your support and feedback. We will continue to transform to meet your demands and create value for your money.

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

I extend my heartfelt thanks to BotswanaPost staff, management and the C-Suite for believing in our hard work and effort to transform this Company. We have embraced our resolve to Cross the Line with an Extra Degree of effort as we Smile & Move. To the entire staff, thank you for working hard (being Smovers & Sales tough), and to management and C-Suite - thank you for Loving our People by Leading Simply.

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



**Cornelius Ramathlakwane**  
Chief Executive Officer



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## COMMERCIAL REVIEW

OUR  
COMMITMENT  
TO INNOVATION  
CONTINUES TO  
DRIVE REVENUE  
FOR THE  
COMPANY

### Online opportunities

Any brand wanting to be relevant in today's market needs to embrace mobile technology. At BotswanaPost, we are no different. During the year under review, we upgraded our mobile offering significantly: the BotswanaPost App has become like a post office in your pocket.

Whether our customers are sitting at the Main Mall or travelling half way around the world, they can use the App to purchase prepaid electricity, airtime, settle their water bills, and renew their post box rentals. The functionality is amazing, this is something which has never been seen in Botswana.

And there is more on the horizon. Coming soon to the App: PosoCloud, TV subscriptions, vehicle licence renewals and Money Transfer — so our work is not yet over. Our multichannel strategy lines up perfectly with the needs of our customers.

For the year under review, nearly 50% of the Company revenue was generated through the e-services — about P20 million a month. Yes, we acknowledge that our profit margin on these transactions is low, but there is a strategy in place. Providing e-services gives us the opportunity to cross-sell other products and services, educate the customer, impress them with our service — and earn a better margin accordingly. For example, thanks to the online integration systems we have built with Botswana Power Corporation, a good proportion of the electricity rendered by commercial banks is provided by BotswanaPost.

Building these relationships with the banks also creates efficient revenue streams for other parts of the business. We can now leverage the banks' platforms to easily collect money for post box renewals. We can collect commissions from Water Utilities Corporation and the Department of Road Transport & Safety in the same way. Convenience is King.

### Growth on the ground: The Kiosk model

We have negotiated and concluded a deal with Sefalana Holdings to install Post Office Kiosks in their stores countrywide. Today we are proud to be present in four Sefalana Stores in Gaborone.

Our rollout plan: Ten more kiosks in Sefalana stores nationwide by the end of the 2017-2018 financial year. These stand-alone mini Post Offices are already reducing congestion in branches, which is the exact outcome we were aiming for. With efficiency being our number one priority going forward, the kiosks will come to the fore. They are cost-effective to run and have the capacity to generate more than their fair share of revenue for the Company.

### Financial Solutions

We have rolled out international Money Transfer services between postal operators in Zimbabwe, South Africa, Lesotho and Swaziland — which is an excellent way to generate revenue from within the region. We are widening our horizons geographically and Malawi is our next stop. Mobile transfer is a great way to create economic growth opportunities for people in rural areas who are currently unbanked. BotswanaPost continues to make great strides as a market leader in this area, even in the face of stiff competition.

### Mail Business: still a priority

However, in these times of change, diversification and technology, it is also important to protect our core Mail Business. This encourages us to ask these questions:

- *How can we evolve* the Mail Business to be in line with the times?
- *How do we take advantage* of e-commerce to create streams of revenue for the Mail Business?
- *What partnerships can we nurture* with stakeholders to ensure that our core business is protected?

### Value Centre Model

The Value Centre Model deployed by BotswanaPost applies all the way down to branch level. Now, Branch Managers have the responsibility to run their outposts like self-contained businesses, with their own profit and loss reports to be filed regularly. Branches have their own budgets to work with, their own targets to reach. This forces them to think (and act) entrepreneurially. They develop deeper relationships within their communities. They make sure their equipment and systems are maintained. They take active steps to increase their sales. They demand

## COMMERCIAL REVIEW

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more from the Marketing and Communications Unit. It is amazing how staff are energised by these new incentives, and how they upgrade their work habits once they become truly accountable for the satisfaction of every customer they meet. I am proud to report that the commercial spirit is alive and well at BotswanaPost.

### The road ahead: making the Customer the centre of everything we do

In the 2017-2018 financial year, customer service will move to the forefront of our strategy for the business as a whole.

Although great strides have already been made in this area, we believe that our new Customer Services Framework will perfect our service culture.

This will enable us, among other things, to upgrade the telephone reception etiquette and exceptional skills for all customer-facing personnel, as well as improve turnaround times on all queries. In addition, we now have clearly documented Service Standards and Complaints Management guidelines. Long story short: we anticipate that great strides will be made in customer service, which will cement the BotswanaPost brand as a leader for others to emulate. We also plan to pilot an Electronic Service Measurement Tool in selected post offices. If this proves effective, we will extend this throughout our branch network and other critical service points, such as the International Mail Exchange Centre.

### Philately

Over the past few years, we have embarked on a reinvigoration initiative for our philately business. The goal: to bring Botswana's stamps in line with international best practice. The Stamp Production Policy we have developed is yielding fruit: we are releasing four or five new issues per year. Phase 2 of this Policy is to implement an aggressive marketing strategy aimed at stimulating demand with the public — and international collectors.

There is an aspect of the business that people often overlook, which is as follows: philately is a powerful (and cost-effective) way to market Botswana worldwide. Our stamps are compelling. They showcase our rich cultural and environmental heritage. Our achievements. Our vision for the future. People all over the world see them and want to learn more about visiting Botswana. This means we are doing our job well.

### Marketing and Communications

There is a saying that any well-seasoned Marketing practitioner should know: *go where the fish are*.

The Marketing and Communications Unit has embraced the mobile revolution happening in our customers' lives and has become far more active online with aggressive social media campaigns driven primarily through Facebook and Twitter.

Not only are efforts like these cost effective, they also target our customers exceptionally well: downloads for the BotswanaPost App grew from 1252 to 7561 in the 2016-2017 financial year. This is a result we are very pleased with, but one which we aim to exceed in 2017-2018. We are also proud to continue our traditional sponsorship of the BTV Dumela Botswana Breakfast Show, an excellent tool to educate Botswana about new products and services especially those in far flung parts of the country.

With so many changes and innovations happening at BotswanaPost, our Marketing and Communications Strategy is carefully designed to make absolutely sure that no customer - no matter his or her age, income level or location - is ever left behind.

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# LEOPARD IN BOTSWANA

## The Big Five

28 February 2017



Official First Day Cover



## HUMAN CAPITAL & SKILLS DEVELOPMENT REVIEW

# IMPROVING OPERATIONAL EFFICIENCY AND EFFECTIVENESS

It is our belief that service is a partnership and our maxim is: *'Bringing human capital closer to you.'*

For the period under review, 2016-2017, BotswanaPost continued to strive for a high performance culture throughout the organisation by focusing on four major themes:

- Improving operational efficiency and effectiveness
- Maximising employee potential and enhancing performance
- Promoting employee health and wellness
- Improving services for staff.

### IMPROVING OPERATIONAL EFFICIENCY AND EFFECTIVENESS

#### Business reorganisation & new Value Centre Model

In line with the Icon of Excellence strategy, BotswanaPost conducted the Operational Efficiency and Performance Improvement Scan towards the end of 2015. The scan identified issues that we needed to address, as well as opportunities that we could capitalise on. In order to take action effectively, we developed the Performance Improvement Execution Plan to drive things that we felt are low hanging fruits. This ran for 12 months, parallel to the extended Icon of Excellence Strategy. The main outcome of this was an improved focus on customer service. We hired more customer-facing staff and reengineered processes to improve Mail efficiency.

The Company adopted an ambitious new way of doing business and serving the community: the Value Centre Model. Here, the emphasis was on *efficiency*. The Value Centre Model's main objectives were compelling, and best summarised here:

- To create an organisational structure that positions BotswanaPost as *'Fit to Serve'* and *'Fit for Growth'*. We revised our organisational structure with five functional areas; Governance, Operations and Technology, Commercial, Finance & Administration and, finally, Human Capital and Skills Development.

- Decentralisation of support, to empower Post Offices to run like individual businesses or Value Centres. This resulted in the expansion of the existing four countrywide regions into 12.

- To create an organisational structure that will ensure that BotswanaPost has closer interaction with customers and can respond more swiftly to their needs. This meant deploying more of our most talented and reliable people away from our Headquarters in Gaborone, towards the customer-facing front-line, often far away.

- The new operation model also enabled the Company to create more employment opportunities as 107 new positions were created. This allowed us to absorb our full complement of graduate trainees, temporary employees and interns. This is not just about full time jobs — we have given them *careers*.

- Previously, we ran the organisation with five organisational values: Botho, Courage, Service Excellence, Innovation and Integrity. This year, we added a sixth: Execution.

- BotswanaPost also introduced a Performance Management System called System for Managing (SFM), across the Company to ensure that we build (and maintain) a high performance culture, operational efficiency, customer service excellence, and improved profitability.

- We moved all staff between Bands 2 and 7 away from Fixed Term Contracts to Permanent and Pensionable Terms. This had a great impact on morale, now that job security is improved for these individuals and their families.

In order to gain staff buy-in during this time of change, we embarked on a comprehensive staff consultation process. We wanted to hear from all the affected employees, including their representatives. Because of this commitment to dialogue, we were able to roll out the Value Centre Model while minimising unnecessary friction and stress for our people. In fact, we believe that the process actually energised the team immensely: they know why they are here, and they know why this work matters.

## HUMAN CAPITAL & SKILLS DEVELOPMENT REVIEW

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### MAXIMISING EMPLOYEE POTENTIAL & ENHANCING PERFORMANCE

#### Performance Management & Systems for Managing Training

We are committed to nurturing a high performance culture here at BotswanaPost. Accomplishing this requires all of us to continue learning and growing. And most of all, to reflect on the way we do our jobs. Following the Performance Scan and introduction of the Value Centre Model, we embarked on a Change Management exercise to ensure that staff adapt, settle in and embrace the new direction for the Company.

One of the key areas to address was Performance Management. We introduced Systems for Managing and rolled out a new training programme to ensure that:

- All staff understood the Performance Management and Systems for Managing processes and the expected impact on their day-to-day activities
- We increased the level of productivity for all staff, putting profitability and sustainability where they belong: at the top of our list of priorities
- We encouraged our employees, in all departments, to achieve superior standards of work performance and pride in their hearts for the Company
- We promoted a two-way system of communication between supervisors and their teams. Staff had the opportunity to clarify expectations, talk openly about their new targets and create opportunities for continuous coaching
- We created a basis for succession planning, promotions and performance-based rewards
- We identified the barriers to effective performance and resolved them through constant monitoring, coaching and development interventions.

Along with all these changes came a new way of setting business objectives and reaching our goals. We made them SMART: Specific, Measurable, Achievable, Realistic, and Time-Bound.

*‘What is not measured cannot be managed’* — an idea pioneered by management guru Peter Drucker — is a foundational principle of Systems for Managing. We are proud to say that BotswanaPost, as a focused, results-driven organisation, now embraces this philosophy.

We firmly believe that what gets measured is what gets done, and we have the evidence to prove it. Great things are happening. We have seen marked improvements in the level of daily planning, execution, up-selling, cross-selling, reporting integrity, decision-making and general productivity.

#### MAIL PROCESSING, QUALITY MANAGEMENT SYSTEM, TRANSPORT AND SECURITY TRAINING

As a member of the Universal Postal Union (UPU), BotswanaPost is expected to comply fully with international Mail standards. It is therefore critical for us to continue improving the quality of inbound letter-mail flows, making national postal services and international mail flows faster, more reliable and better secured.

In order to comply with these global standards, we rolled out Mail Operations training for the Mail Processors and Customer Service Assistants across the country. The objectives of the training were to:

- Encourage staff to appreciate and embrace the standardisation of our mail processes
- Improve efficiency, productivity and effectiveness (more mail in less time)
- Continue to cement our status of being an Icon of Excellence
- Promote Quality of Standards (QoS) across all our business operations
- Understand Quality Management principles like customer focus, leadership, employee engagement and evidence based decision-making
- Minimise the risk of loss, damage, or delay of mail.

### FREE TO GROW: EMPLOYEE ENGAGEMENT TRAINING

In line with the learning and growth perspective, we also conducted employee engagement training for the C-Suite and Management team in 2016-2017. We see this as an ongoing process. BotswanaPost will continue to roll out and cascade the training to both supervisory and general staff to equip them with skills to handle the modern workplace and the challenges that come with it.

When we define employee engagement, what we want to understand is the extent to which employees 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?

We feel encouraged about the current level of employee engagement. We feel confident in the strength of the bonds between us. However, more can always be done. That is why 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.

These are three very important words for us: model, connect, involve.

### PROMOTING EMPLOYEE HEALTH & WELLNESS

#### BotswanaPost staff counselling services

BotswanaPost is committed to creating a healthy, safe and fulfilling work environment.

We take every opportunity we can to improve the overall health of all our employees — including their mental and emotional health — because we understand the link between productivity and wellness.

Counselling services are regularly available, where staff can:

- Learn to manage their thoughts and feelings in tough circumstances
- Develop healthy day-to-day habits and mental patterns
- Get access to professionally accredited counsellors in a confidential environment, at no cost.

### PRE-EMPLOYMENT MEDICAL EXAMINATION - CENTRES

It is a condition of employment that applicants being considered for positions at BotswanaPost undergo a medical examination prior to taking up employment. These are carried out by medical practitioners, and the costs are also handled by the Company.

The only question we want to answer is this: ‘Is the candidate physically able to carry out the duties of the role they are applying for?’

In line with the laws of the country regarding privacy for certain ailments, BotswanaPost does not test employees for HIV/AIDS, but we do strongly encourage staff to know their status.

### IMPROVING SERVICES FOR STAFF

#### Leave management module

Leave management is an area that the Human Capital Department focused on in 2016-2017. We do not want our employees to accumulate a vast number of leave days. Everyone needs a break for the body and mind. Furthermore, leave costs place a significant financial burden on the Company. It was clear that we needed a more comprehensive leave programme. The first step was to encourage staff to reduce their leave accruals in accordance with the provisions of Section 95 of the Employment Act which requires that:

- A minimum of 8 leave days should be taken during every interval of 18 months. Failure to take these leave days leads to forfeiture
- At the end of 4 years, all leave accumulated is forfeited and employees re-start on a clean slate
- Leave carry-over into the next financial year is capped at five working days as opposed to 10 as originally outlined in our Conditions of Service.

These measures have benefitted both parties. Staff members get the rest they need (and deserve) - and the organisation has significantly reduced its leave liability.

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# HUMAN CAPITAL & SKILLS DEVELOPMENT REVIEW

## REVIEW OF HUMAN CAPITAL POLICIES AND CONDITIONS OF SERVICE

The Human Capital Department also found it fit to review the Conditions of Service and Human Capital Policies in line with the Labour laws, recent court pronouncements and best practice.

For the year under review, Human Capital revised and implemented the following policies:

- Recruitment and Selection Policy
- Salary Administration Policy
- Salary Structure (banding)
- Reward Policy
- Standby Policy
- Credit Card Policy
- Amendment to Conditions of Service to align the definition of Management to the Trade Union & Employers' Organisations and Trade Disputes Acts.

## HUMAN CAPITAL HIGHLIGHTS 2016-2017

Numerous fundamental milestones are worth celebrating and below are the Human Capital highlights for the 2016-17 year;

### IMPROVED SERVICE DELIVERY

We have improved our turnaround times for conducting disciplinary and grievance hearings from the stipulated 14 days as per the Disciplinary Policy, to 10 days. This has not only contributed significantly to effective and efficient handling of the industrial relations issues within the Company, it has also saved costs.

### CORPORATE WEAR

We also rolled out corporate wear to the rest of the staff members in this financial year. It is so gratifying to see the team immaculately presented to customers, and we know that initiatives like this go a long way in improving staff engagement. The new uniform most importantly instills pride, unity and a sense of belonging.

## AUDIT 2016 - 2017

The Human Capital Department scored highly because we had a clean audit; an excellent achievement of nil findings in the 2016 Audit by the Auditor General.

Records keeping and data integrity is one of our strengths although we are still not fully automated. Throughout the year, we performed self-audits and data cleaning to ensure that staff information is always up to date. In this way, we are able to manage our risks and maintain 100% compliancy in everything we do.



## FINANCE & ADMINISTRATION REVIEW

**SUSTAINING  
IMPROVED  
PROFITABILITY** ▲ 1.56

### Financial Performance Highlights for the Year Ended 31 March 2017

As our Company continues to implement the Operational Efficiency Improvement Plan, the results are plain to see: this has been another year of important financial progress here at BotswanaPost.

#### Performance

A summary of the Company's key financial performance highlights:

<b>457.7</b>	Company revenue growth of 6.8%
	<b>BWP MIL</b>
<b>12.9</b>	Losses reduced by 51.9%
	<b>BWP MIL</b>
<b>3.1%</b>	Cost to income ratio improvement
<b>538.6</b>	Total assets growth of 9.9%
	<b>BWP MIL</b>

In 2016-2017, BotswanaPost sales revenue increased by P29 million, achieving year-on-year growth of 7%. This was achieved despite the subdued economy and the decline in our traditional Mail business.

The Company has realised an average 29% reduction in its losses before tax over the last five years. For the year under review, these losses reduced by a further P14 million (51.9%) to P12.9 million. A major accomplishment under the Operational Efficiency Improvement Plan is our ability to bring under control the Company's administrative expenses during the year under review: these fell by P10.8 million, a 7.9% decline. Cost of sales increased by 15% in line with the non-mail growth arrears of agency services. The control in administrative expenses and a once-off release of pension provisions ensured that our overall costs were 6% better than the inflation rate of 3.4%. This helped improve our cost to income ratio from 105.8% to 102.6%.

Government is making an effort to reimburse BotswanaPost for the Universal Service Obligation — albeit at a much lower amount than the true cost which is determined in line with an agreed method with our regulator. The disbursement for 2015-2016 was P38 million, P2 million lower than the previous year.

In line with its accounting policy, BotswanaPost revalued its assets in the period under review. This resulted in a revaluation gain of P43.8 million. The revaluation gain improved the Company's comprehensive income to P30.8 million — a significant improvement from the prior year.

The improved performance for the year under review helped increase the Company's assets by P48.6 million to P538.6 million. The Company's liquidity has remained just above P0.81 current assets to every P1 current liability.

#### Cash Flow Management

We continue to ensure that management of our cash flows is effective so that different areas of the business have access to the resources they need to run. We are happy to say that we have been able to create excellent results in this area.

Accelerating our cash inflows has helped the company to create a more efficient cash conversion rate and meet the financial demands that come when running a business of this size. This was on the backdrop of a 17% improvement on our debtors days. This means that we are now comfortable on a month to month basis.

## FINANCE & ADMINISTRATION REVIEW

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### Other Significant Achievements

Thanks to the System for Managing which we use to measure our performance regularly, we have identified bottlenecks in our processes, workflows and systems.

The result: we are systematically breaking down the barriers which, in the past, would have limited our effectiveness. This enables us to communicate with the business timely and complete processes like audits, management reporting and outside stakeholder engagements better than before.

However, more can be done. We still need to integrate our front and back office systems. This will give us accurate information at our fingertips at any point in time, with a minimum of human intervention.

### Universal Service Obligation (USO)

As reported in last year's annual report, the Company has separated its USO and commercial activities in consultation with the regulator Botswana Communications Regulatory Authority (BOCRA). Suffice to say the USO activities improved the loss situation from last year by P11.5 million to P54 million whereas the commercial activities improved profitability by P3 million to P41 million.

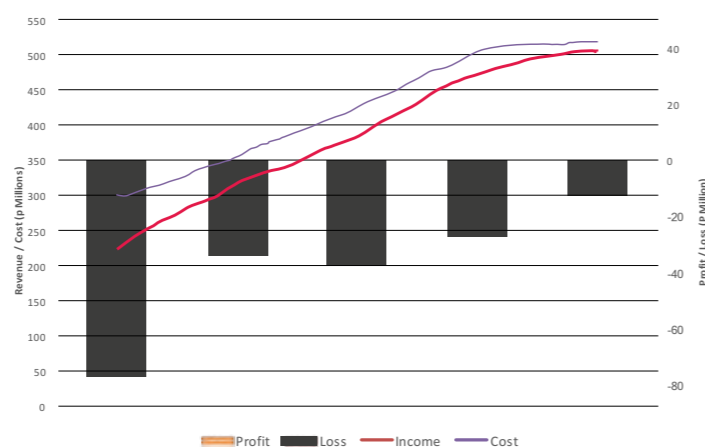
BotswanaPost needs to secure the required (and previously agreed-upon) level of USO reimbursement from Government for the services we provide. This will have a dramatic impact on the financial health of the Company as a whole.

### Going Forward

Building on the improvements of the Operational Efficiency Improvement Plan, as well as going into the new strategic period, we will be consolidating our systems to ensure management information dissemination is efficient. Efficiencies within the Company's operational processes will be pursued to ensure that the cost containment efforts continue in the new strategic period.

As announced in the latest budget speech, Government will be weaning away State Owned Enterprises from its funding programmes, which obviously includes us. This means that BotswanaPost will be exploring new funding avenues with financial institutions in the private sector, which we will leverage to ensure that both cost effective and sustainable financing is achieved.

INCOME / COST / PROFIT COMPARISON WITHOUT USO



15.7% | Income CAGR | 9.4% | Cost CAGR

INCOME / COST / PROFIT COMPARISON WITH USO



16.4% | Income CAGR | 9.4% | Cost CAGR



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## OPERATIONS & TECHNOLOGY REVIEW

INNOVATION  
FOR AN  
OPTIMISED AND  
PROFITABLE  
NATIONAL  
SERVICE  
PROVIDER

### Technology

The Technology team has accomplished a wide variety of key milestones in the financial year 2016-2017.

These achievements include system upgrades and enhancements, product and service roll outs and improvements to the corporate network infrastructure.

One of the primary goals of the Technology team is to help the organisation achieve its efficiency and profitability goals. We see ourselves as important contributors in this area.

First on our agenda for the year was cutting costs. With this in mind, we built a highly responsive contact centre and automated service help desk which enabled web-managed incident tracking and resolution. This reduced our communication inefficiencies and telephone costs between branches and departments, and allowed us to turn around customer service queries faster than ever before.

In the future, this will also function as a corporate customer service desk, as well as the ideal way to handle any inbound call handling needs without making any further investments.

Internal telephone costs have been further reduced thanks to our new Voice over Internet Protocol (VoIP) service which is available in most departments. We also deployed a centralised printing and print management solution which created further financial efficiencies.

We have also slashed the running costs for our IT Support team. Today, we can optimise any desktop computer in the organisation, anywhere in the country from right here in our corporate headquarters. This makes it much easier, not only to fix faults, but also to standardise the applications we run. Result: the time and money we used to spend on travelling to far-flung corners of the country have come under control.

As many of our stakeholders may be aware, one of our key national products is vehicle licencing, which we provide in partnership with the Department of Road Transport and Safety. This year, we were able to expand our service points in response to demand, meaning that customers will have to travel (and queue) less in order to renew their vehicle licences. We also opened more channels for international money

transfers, and broadened online payment gateways for other partners, such as Botswana Power Corporation and Water Utilities Corporation.

These developments collectively placed a new weight on the shoulders of the Technology team. We responded by expanding our wide area network. In this way, we could accommodate the additional services whilst maintaining the desired reliability, uptime and customer satisfaction levels that are synonymous with our brand and the promises we make to customers every day.

Today, we are proud to say that all Post Offices countrywide are connected online and the number of offices that still use slower connections such as satellite connectivity have reduced greatly during the year. We are packing more services into every Post Office as a result.

### Mail Operations

Mail Operations' mandate is to manage the BotswanaPost mail processing, printing and production within set standards.

Mail Operations is the backbone of the Company's daily Mail Business functionality — and future growth. Without it, we would not be able to meet part of the Universal Service Obligation.

As a proud member of the Universal Postal Union (UPU), we are striving to continuously improve our mail processes through effective manpower productivity and efficient workflows.

Manpower productivity for sorting staff has continued to show improvements because of the planning process for daily routines. The results clearly show that we are now moving more of our mail in less time.

### System for Managing

The System for Managing has been embraced by Operations and Technology Department and fully utilised in measuring the performance of each member of the team.

This tool has optimised workforce usage, assisted in objective appraisals, and helped in identification of bottlenecks in the Mail Operations processes. All bottlenecks that we have identified will form part of the activities for improvement in the next financial year.

## OPERATIONS & TECHNOLOGY REVIEW

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### Manpower redeployment

In order to move more mail in less time, the Mail Operations team embarked on an exercise of manpower redeployment.

This exercise was completed with the assistance of the Human Capital Department. The purpose: to give our staff a clear reporting structure, improve individual accountability, to sensitise them on the importance of end-to-end delivery standards and to ensure that our processing staff can specialise and excel.

We began in the final quarter of the financial year and will continue with this initiative knowing that better results are just around the corner.

### Hybrid

The Hybrid unit is responsible for the printing of electronic bills into hard copy format so that they can be mailed to their different customer destinations.

In the year 2016-2017, we made physical improvements to the Hybrid Processing Centre: investing in new equipment, and upgrading electricity supply to the facility.

This positions us well for future growth.

### Universal Postal Union (UPU) Quality Management Report

In July 2016, BotswanaPost was audited by Universal Postal Union and awarded a B-Level Score (or Silver Grading) for the quality of our service.

The scope of the audit included all aspects of our business. Three Post Offices, the International Mail Exchange Centre, the Company's strategy and leadership, human capital, security, transport, customer service, quality and statistics, addressing, post code and home delivery, technology and knowledge management were all investigated in depth.

### Quality Management System (according to ISO 9001:2015)

The journey towards ISO certification for BotswanaPost is well underway. This will not only result in process consistency and improved turn-around times, but it will also have an impact on future audits and ratings by the UPU.

The ISO Certification Plan has been developed. So far, a Steering Committee has been appointed from the relevant sections. Training has been conducted for team leaders and line workers at the main sort centres. The Implementation/Quality Cycles committee members have also been trained. Initial certification is planned for Q3 of the year 2017-18, which we eagerly await.

### 2016/17 Express Mail Service (EMS) quarterly reports feedback results:

Generally, we have identified the need to improve the performance of the EMS Business. Work has begun in this area: delivery times, responding to customer queries and accurate data capturing are areas we have identified which need specific attention.

Customer Service, IT and other departments have identified ways to improve in this area going forward.

A new system for receiving and clearing packages through customs has been developed with the help of our Technology team and the Botswana Unified Revenue Services.

This will give us an important advantage in the marketplace. We know enough about our customers to say for sure that customs processing delays is a major point of pain. With these improvements made, we are expecting EMS to turn around.

### Introduction of home mail delivery

In an effort to create convenience for the customer and increase delivery channels, BotswanaPost introduced physical delivery of mail and parcels in Gaborone Block 7 (Peolwane) & 8 (Marapoathutlwa).

A year-long pilot project began in July 2016 with the aim of rolling out the service nationwide.

This development aligns well with the ongoing nationwide initiative by Ministry of Lands & Housing under the LAPCAS Location Addressing Project. We chose Blocks 7 and 8 because plots are well-surveyed and street names are well sign-posted.

Individual residential mail boxes have been installed in 6240 households as well as cluster boxes in nine multi-residential areas — giving us another 1120 boxes.

Mail and parcels are now delivered three times a week. The public's growing trust in this service has created an interesting opportunity for the business: a dramatic increase in parcel deliveries. At the start of the pilot project, parcels accounted for just 6% of our volumes, with mail accounting for the remainder. However, within months, parcels quickly rose to 25% — which is in line with international trends and the popularity of e-commerce.

More Batswana shopping online will be a great source of revenue for BotswanaPost: we specialise in what we call the 'last mile' — the final link in the chain between online stores and their customers.

### Security

Security at our Post Offices remained a top priority in 2016-2017, and going forward there will be increased emphasis in this area.

We have recruited a Security and Investigations Manager so that we can proactively reduce potential incidents and build an organisational culture which celebrates security, in all its forms, at all levels of the organisation.

We are also aware of escalating criminal activity in the country and are well-gearred to protect Company staff and assets.

### Conducting records audit at post offices

In an effort to address issues relating to the proper availability of records and the retrieval of information, the Knowledge and Information Management Unit embarked on a nationwide exercise in Post Offices to audit and align the current records systems to the new Value Centre Model. During this exercise, we trained and sensitised 133 staff members. The audit revealed a current performance level in this area of 64%, which is fair, but not in line with the accepted level for this organisation.

In order to improve our performance in this area, we need more records storage facilities. The Unit has begun to transfer all non-current records to offsite storage for safe-keeping in an effort to create space for current records.

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### 2016-17 Safety, Health and Environment Report

BotswanaPost continues to put one extra degree of effort to make the difference in the health and safety field. Our goals are to:

- Maintain a Zero Accident work environment, and reduce damage to Company property
- Cut absenteeism due to suboptimal office ergonomics
- Foster a safe work environment to improve our business profile with customers, clients, insurers and other stakeholders.

During the year under review, we trained 133 Safety, Health and Environment representatives, as well as enabled first aiders and fire marshals in all Post Offices countrywide. We also refurbished all the Company's fire suppression systems. In compliance with the provisions of the Factories Act, all our line workers in the sorting centres and back offices have been provided with two sets of overalls, as well as first aid kits. To date, no occupational illnesses have been reported.

## 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.

The BotswanaPost Foundation, which was founded in 2011, is carefully aligned to national development priorities and by extension to BotswanaPost's mandate.

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

- Primary, secondary and tertiary education
- Community Development and Welfare
- Arts and culture programmes
- Development of Information and Communications Technologies
- Employee volunteerism
- Youth Development and Empowerment and
- Environmental issues.

In the 2016-2017 accounting period, the Foundation was not as active as it has been in previous years, owing to integration and alignment with the newly adopted business model - Value Centre.

Now that the business model is fully integrated in the organisation the Foundation will be very active and record impressive results in the next reporting period.

As the organisation powers its way out of a loss-making position, we do believe that our anticipated growth in profitability will enable us to do more for communities in need. We firmly believe in reinvesting a portion of our profits back into the communities we serve.

Our corporate social activities for 2016-2017, undertaken through the Foundation — and indeed through generation of donations from our staff— is summarised below.

### Distribution of 'deskbuddies' in the North region

The Deskbuddies Project was undertaken by the BotswanaPost Foundation and officially launched in 2015 by the Board of Trustees in partnership with the Ministry of Education and Skills Development. Deskbuddies are lap-based study desks suitable for pupils in under-

resourced primary schools where the learning environment is still not conducive. Under this initiative, 500 desks for primary school pupils across the country were donated to the Ministry of Education and Skills Development. BotswanaPost staff also contributed in their personal capacities, buying stationery to donate during the handover.

Pupils from the following schools were beneficiaries in the North Region: Supang Primary School in Lethakane, Kasane Primary School, Makuta Primary School, Goshwe Primary School and Dagwi Primary School.

This roll-out was completed between the months of June and November 2016.

### Donation to Thamaga and surrounding villages

At the World Telecommunications and Information Society Day (WTISD) celebration in Thamaga village in June 2016, our Company donated three projectors, three projection screens and 12 4-in-1 printers to the WTISD stakeholders pool for further distribution to deserving Government departments and organisations in the area.

### Donation of cash to Ranokanyane Junior Secondary School

Officiating at the School's Prize Giving ceremony in September 2016, BotswanaPost donated P5000 to the School. Additionally, the Company provided three book vouchers and some hampers to the best overall students in Forms 1-3 .

### Donation of cash to traditional choirs

During the World Post Day celebrations in October 2016, BotswanaPost sponsored a choir competition in Mookane and the surrounding villages of Dovedale, Dibete, Pallaroad and Mmaphashalala. At the event, first prize was awarded to Pallaroad choir, who went home with P4500, and second prize went to Mookane choir, who won P3500.



CHANGING  
PEOPLE'S LIVES

## CORPORATE SOCIAL RESPONSIBILITY REVIEW

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### Donation of cash and laptops to students and schools

At the World Post Day commemorations in October 2016, our Company presented three laptops to young winners of the International Letter Writing competition by the Universal Postal Union, a UN agency regulating Post Offices around the world.

On the same occasion, BotswanaPost also donated a total of P30 000 to Ntshe Primary School (Francistown), High Ridge English Medium School (Thamaga) and Monarch Primary School (Francistown) where the winning students were enrolled.

### Donation to Goodhope Primary School

In October 2016, seven of the best overall performing pupils in Standards 1-7 were awarded prizes in the form of stationery and BotswanaPost branded merchandise.

### Donation of clothes and shoes to Bokspits residents

Needy children and adults in Bokspits received clothing and shoes as part of a corporate social responsibility initiative called 'Clean the Closet' where our staff donated second hand clothing in good condition. Collection of new shoes and sneakers was made possible through an initiative called "Steps of Hope", with which staff donated new shoes for primary school pupils.

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## CORPORATE GOVERNANCE

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## CORPORATE GOVERNANCE



REPUTABLE  
GOVERNANCE  
STRUCTURES

### Introduction

Botswana Postal Services Limited was incorporated as a Public Company limited by shares in August 2015, under Section 355(4) of the Companies Act. A single cycle of a complete financial year has thus been concluded since the transition into a Company.

The Board, as appointed by the Shareholder, provides strategic direction for the Company. The Board of Directors and its Committees are the focal point of corporate governance and are responsible to ensure that the Company complies with relevant laws, regulations, codes of best business practice by ensuring that there is adequate manpower, processes and systems in place to facilitate the successful implementation of the strategy of the Company — while ensuring its sustainability. The Board has oversight over its Committees and is supported by robust and independent risk control functions.

The governance instruments which the Board commits to include Board and respective Committee Charters, all of which are informed by the King III Code of Corporate Governance.

### Compliance

The Company operates within a highly regulated environment that entities with the same or similar business objectives around the world operate under. This extensive legislation is necessary to ensure the appropriate level of internal controls and oversight.

Considerable focus has been devoted to building the governance and support structures with the right people who are able to support the growth of the business.

The Company continues to provide universal postal services in accordance with standards as outlined in the UPU Conventions Article 3 Sections 1 and 3 and Part VIII of the Communications and Regulatory Authority Act.

Furthermore, the Company has obligations to comply with the following Financial, Accounting and Audit statutes:

- Communications Authority Regulatory Act
- Finance and Audit Act
- Accountants Act
- Financial Intelligence Act
- Income Tax Act
- Non-Banking Financial Institutions Regulatory Authority Act and
- Value Added Tax Act.

### Board Skills and Experience

The Board has a comprehensive and ongoing training and development programme, which is facilitated and provided by external service trainers on the various areas of the business of the Company. The annual plan for ongoing training focuses on continuous professional development relating to the governance of risk and the needs identified during the annual assessment process. The Board is also trained to be able to respond to the rapidly changing risk, regulatory and legal environment, as well as monitoring initiatives.

### Code of Ethics

The Board commits, through the Code of Ethics and Conduct, to subscribe to and promote the principles of good ethical behaviour, during Board deliberations and when dealing with stakeholders.

The Board is dedicated to encourage and ensure behaviour that is consistent with the BotswanaPost Code of Ethics, business philosophy and corporate culture.

### Internal Audit

There exists within the Company an autonomous Internal Audit function through which the Board commits to ensuring that an effective and sound system of internal control is in place. The Internal Audit function also assists Executive Management and the Finance, Audit and Risk Committee to improve the effectiveness of the Company's risk management, control and governance processes.

## BOARD OF DIRECTORS

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**Polokoetsile P. Motau**  
Chairman

Mr. Motau was first appointed to the Board on 1 July 2010, followed by two successive renewals. During his tenure, he has ascended through the ranks serving as Chairperson of the Finance and Audit Committee and later being appointed Vice Chairperson of the Board in 2013. He is a qualified Accountant currently lecturing at the University of Botswana in the Accounting and Finance Department. He also holds an MSc in Computer Auditing and Computerised Accounting from the University of East Anglia (United Kingdom) in 1992. He is a member of the Institute of Directors, Southern Africa.



**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.



**Boiki Tema**  
Director

Mr. Tema is one of the latest appointments to the Board having been appointed in April 2016. He is a well-established investment banker having acquired the majority of his professional experience within the banking sector. He holds a Master of Science in Strategic Management awarded by the University of Derby. Beyond this, he holds Diplomas in Financial Management and Banking. His undergraduate studies were a Bachelor of Arts, majoring in Economics.



**Colleen Motswaiso**  
Director

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



**Ntosi Moseitlhe**  
Director

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



**Thabane Ndlovu**  
Director

Mr. Ndlovu was appointed to the Board in April 2016. His value to the Board is that he is trained as an Engineer and holds a Bachelor of Science degree awarded by the University of Botswana and a second degree in Computer Engineering. He also holds a post graduate degree in Business Administration. He is currently Technical Director at NTR Technology Holdings (Pty) Ltd.



**Christopher Mokgware**  
Director

Mr. Mokgware was appointed to the Board in April 2016. He is an accountant by profession with 27 years of experience, currently serving as Senior Finance Manager and Company Secretary at the De Beers Global Sightholder Sales (Pty) Ltd (DBGSS). His highest qualification is an MSc in Information Management and Finance awarded by the University of Westminster.

**Gontse Kgosiemang**  
Retired Director

Mr. Kgosiemang was appointed to the Board in April 2016. He holds a Bachelor's degree in Quantity Surveying, with over 23 years of experience in this specialised field. He is currently a Partner at Pego Consultants.

**Hilda Mocuminyane - Rabashwa**  
Retired Director

Ms. Mocuminyane - Rabashwa is an attorney by profession, having been awarded a Bachelor of Laws (LLB) from the University of Botswana. She also holds an MSc in Strategic Management (University of Derby, United Kingdom). She is currently the Registrar of Companies and Business Names at CIPA - the Companies and Intellectual Property Authority. She is a member of the Institute of Directors, Southern Africa.

**Abel Monnakgotla**  
Retired Director

Mr. Monnakgotla is a well-respected entrepreneur with an excess of 20 years experience in the transportation business. He holds a Master's degree in Business Administration (MBA) from De Montfort University, Leicester (United Kingdom) in collaboration with the Sandton Business School. He is the founder of AT&T Monnakgotla, a travel and hospitality business which he has built into one of the most recognisable brands in the country. He is a member of the Institute of Directors, Southern Africa.

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## CORPORATE GOVERNANCE

### Board Committees

The Board has increased in size from four directors to nine in the current financial year, with five additional members being appointed in April 2016.

The Board has delegated its powers to three Committees to monitor and advise on specific areas of the Company's activities. The composition of these Committees has undergone alterations throughout the financial year due to changes brought about by the appointment of new directors and vacation of office by two directors.

Below is a brief synopsis of the mandate of each Board Committee:

### Finance, Audit and Risk Committee

Members: C. Motswaiso, A. Monnakgotla, C. Mokgware

The Committee is responsible for assisting the Board in its oversight of:

- The integrity of the Company's financial statements and the financial reporting process, including the system of disclosure controls
- The Company's compliance with legal and regulatory requirements
- The performance of the Company's Internal Audit function and the external auditor, including its appointment, qualifications, compensation and independence
- The effectiveness of the Company's systems of internal controls and policies and procedures for risk assessment and risk management, and
- The effectiveness of the Company's procedures for risk assessment and risk management of material credit, interest rate, liquidity, operational, legal and compliance, and other material risks, and the adequacy of capital available to absorb such risks.

### Human Resources Committee (HRC)

Members: N. Moseithe, H. M-Rabashwa, T. Ndlovu, B. Tema

The role of the Committee is to assist the Board in fulfilling its corporate governance responsibilities in regard to remuneration and strategic human resources matters, including but not limited to:

- Establishing and implementing a Human Resources strategy to ensure that appropriately talented and trained people are available to achieve the business strategy
- Undertaking the appropriate performance management, succession planning and talent development activities and programmes, and

- Providing effective remuneration policies having regard to the creation of value for the Shareholder(s) and the external remuneration market.

### Tender Committee (TC)

Members: H. M-Rabashwa, A. Monnakgotla, G. Kgosiemang

The role of the Committee is to ensure that there is compliance with policies formulated by the Company in respect to procurement of goods and services, awards of tenders and appointment of consultants.

The Committee ensures that the Company acts with integrity and accountability in accordance with ethical obligations in line with Company policies.

### Board Attendance

Members	Board	Finance and Audit Committee	Human Resources Committee	Human Resources Committee	Total Sitting Fees Paid	Other Fees
Mr. P. P. Motau	4/4				5656	36077
Ms. C. Motswaiso	1/4	5/5			5590	1680
Ms. H. M-Rabashwa	2/4		3/5	1/2	7325	2030
Ms. N. Moseithe	2/4		5/5		6430	840
Mr A. Monnakgotla	4/4	5/5		2/2	10923	973
Mr. C. Mokgware	2/4	4/4			5040	840
Mr. G. Kgosiemang	2/4			1/1	2520	840
Mr. B. Tema	1/4				1680	1680
Mr. T. Ndlovu	3/4		3/3		5040	2520
Mr. C.Ramatlhakwane (Ex Officio)	4/4	5/5	5/5	1/2	-	-

### Corporate Governance Checklist

Below is an outline of the organisation's compliance with key King III principles and the mitigation plans in place to address any shortcomings.

#### Chapter 1 - Ethical Leadership and Corporate Citizenship

King III Principle	Status	Level Of Compliance
1.1 The Board should provide effective leadership based on an ethical foundation	The Directors Code of Ethics and Conduct has been formulated. Through the Charters, which are reviewed periodically, the Board commits to high standards of integrity and ethical conduct.	Full
1.2 The Board should ensure that the Company is and is seen to be a responsible corporate citizen	BotswanaPost Foundation, endorsed by the Board, was established so that the Company could be fully involved in Corporate Social Responsibility.	Full
1.3 The Board should ensure that the Company's ethics are managed effectively	Company policies exist to manage ethics and integrity within the Company.	Full

#### Chapter 2 - Board and Directors

King III Principle	Status	Level Of Compliance
2.1. The Board should act as the focal point for and custodian of Corporate Governance	The Board through its Charter is committed to the principles of best corporate practices and conduct.	Full
2.2. The Board should appreciate that strategy, risk, performance and sustainability are inseparable	The Board is committed to standards of integrity and ethical conduct through its Charters, Committee terms of reference as well as Board Procedures Manual. However greater effort is required in terms of effectively managing risk within the Company.	Full

## CORPORATE GOVERNANCE

### Chapter 2 - Board and Directors (cont.)

2.3 The Board should ensure that the Company has an effective and Independent Audit Committee	The Board has established the Finance, Audit and Risk Committee with a Charter in order to comply with this principle. The Committee is empowered to invite independent specialists to advise the Committee on points of clarity. The Committee is comprised of Non-Executive Directors.	Full
2.4 The Board should be responsible for the governance of risk	Currently there is no robust Risk Management function within the Company. Risk is managed at an operational level.	Full
2.5 The Board should ensure that the Company complies with applicable laws and considers adherence to non-binding rules, codes and standards	The Governance function has developed a comprehensive Compliance Universe which details Compliance undertakings of the Company. A compliance framework is also in operation.	Full
2.6 The Board should ensure that there is an effective risk-based Internal Audit	An Internal Audit function exists within the Company's structure. The Company experienced challenges due to lack of capacitation of the department.	Full
2.7 The Board should ensure the integrity of the Company's Integrated Report	A comprehensive report of the Company's performance is made by the Board in the Annual Report. This is done in line with the principles of corporate governance.	Full
2.8 The Board and its Directors should act in the best interests of the Company	All Directors are thoroughly inducted upon appointment on the behavioural and ethical conduct expected of them. They further commit to this principle by signing a Declaration of Interest form.	Full
2.9 The Board should elect a Chairman of the Board who is a Non-Executive Director. The CEO of the Company should not also fulfill the role of the Chairman of the Board	The Board is composed of Non-Executive Directors including the Chairman. The Chairman and other Directors are appointed in consideration of a balance of skills, experience, professional and industry knowledge necessary to realise the corporate task of operating and managing postal services along commercial lines.	Full

### Chapter 2 - Board and Directors (cont.)

2.10 The Board should appoint the CEO and establish a framework for the delegation of authority	The Board has appointed a CEO and a delegation of authority is outlined in the Board Charter. The accountability clauses are clearly outlined and the Board is responsible for the evaluation of the CEO's performance on an annual basis.	Full
2.11 The Board should comprise a balance of power, with a majority of Non-Executive Directors. The majority of Non-Executive Directors should be independent	The Company Board is composed of six Non-Executive Directors. On determining the directors, a balance of skills, experience, professional and industry knowledge necessary to realise the corporate task of operating and managing postal services along commercial lines are considered.	Full
2.12 The Board should be assisted by a competent, suitably qualified and experienced Company Secretary	The Company Secretary possesses the requisite competency, qualifications, skills and experience necessary for the effective administration of the role in accordance with the Companies Act.	Full
2.13 The Board should delegate certain functions to well-structured committees but without abdicating its own responsibilities	The Board has established three committees to manage some of its functions. Committees are mandated through their terms of references and Board Charter to report to the Board as frequently as necessary.	Full
2.14 Companies should disclose the remuneration of each individual director and certain senior executives	The full disclosures of directors' remunerations are contained in the Annual Report. Disclosure of executive remuneration is not required.	Full
2.15 The Shareholder should approve the Company's Board remuneration policy	The Board is remunerated in accordance with the remuneration practices of the Government of Botswana as the sole Shareholder.	Full

## CORPORATE GOVERNANCE

### Chapter 3 - Audit Committees

King III Principle	Status	Level Of Compliance
3.1 The Board should ensure that the Company has an effective and Independent Audit Committee	The Board has established the Finance, Audit and Risk Committee.	Full
3.2 The Audit Committee is responsible for recommending the appointment of the external Auditor and overseeing the external audit process	The Finance, Audit and Risk Committee is responsible for the appointment of the external auditor. It also reviews the external audit process including external audit plan.	Full
3.3 The Audit and Risk Committee should report to the Board and Shareholder on how it has discharged its duties	A periodic report on the performance of the Committee by the Chairperson of the Committee is submitted to the Board.	Full

### Chapter 6 - Compliance with Laws, Codes, Rules and Standards

King III Principle	Status	Level Of Compliance
6.1 The Board should ensure that the Company complies with applicable laws and considers adherence to non-binding rules, codes and standards	A comprehensive Compliance Universe which details compliance undertakings of the Company is in place. A compliance framework is also in operation.	Full





# C-SUITE

## C-SUITE

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**Cornelius  
Ramathlakwane**  
Chief Executive Officer



**Ofentse Mabote**  
Chief Financial Officer



**Dzuke Baliki**  
Company Secretary



**Clifford Lekoko**  
Chief Commercial Officer



**Thato Kewakae**  
Chief Operations Officer



**Bonang Seame**  
Chief Human Capital  
Officer



**Ngele Gabriel Ngele**  
Head of Internal Audit &  
Risk

ANNUAL FINANCIAL

# STATEMENT

for the year ended 31 March 2017

**TRANSFORM  
DIVERSIFY  
INNOVATE**

ANNUAL REPORT

2017

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**STATEMENT**

for the year ended 31 March 2017

**GENERAL INFORMATION**

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BOTSWANA POSTAL SERVICES LIMITED was incorporated in Botswana in terms of the Botswana Postal Services Act No 22 of 1989 - Laws of Botswana CAP 72:01. On 5 August 2015 the corporation changed to a Company limited by shares in terms of the Companies Act CAP 32:01.

**Members of the Board**

Polokoetsile Pedro Motau	Chairman	
Ntoti Moselethe	Director	
Colleen Motswaiso	Director	
Hilda Mocominyane-Rabashwa	Director	(resigned 31/03/2017)
Abel Monnakgotla	Director	(resigned 30/04/2017)
Boiki Tema	Director	(appointed 01/04/2016)
Christopher Mokgware	Director	(appointed 01/04/2016)
Thabane Ndlovu	Director	(appointed 01/04/2016)
Gontse Kgosiemang	Director	(appointed 01/04/2016)
Cornelius Ramathakwane	Chief Executive Officer	

**Registered Office**

Poso House  
Plot 53952, Khama Crescent  
Government Enclave,  
Gaborone

**Bankers**

Barclays Bank of Botswana  
First National Bank of Botswana  
Standard Chartered Bank of Botswana

**Auditor**

Office of the Auditor General

**STATEMENT**

for the year ended 31 March 2017

**RESPONSIBILITY FOR AND APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS**

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The Board of management is responsible for the annual financial statement and all other information presented therewith. Its responsibility includes the maintenance of true and fair financial records and the preparation of annual financial statements in accordance with International Financial Reporting Standards and provisions of the Botswana Postal Services Act.

The Auditor General has the responsibility to give an independent opinion on the reasonableness of the financial statements based on the audit of the affairs of the organisation. The Board Finance and Audit Committee which consists of two non-executive members of the Board and the Chief Executive Officer met senior management as well as the external auditors as and when it deemed necessary to evaluate matters concerning accounting, internal controls, auditing and financial reporting.

At its meeting held on 2 August 2017, the Board supported by the Finance and Audit Committee satisfied itself that management introduced and maintained adequate internal controls to ensure that dependable records exist for the preparation of the financial statements, safeguard assets of the organisation and to ensure that all transactions are duly authorised.

The financial statements have been prepared on the going concern basis, since Members of the Board have every reason to believe that the organisation has adequate resources to continue the operation for the foreseeable future. Against this background, the Members of the Board accept responsibility for the financial statements on page 5 to 31 for the year ended 31 March 2017 which were approved on 2 August 2017 and signed on their behalf by:



P.P. Motau  
Chairman



C. Motswaiso  
Finance & Audit Committee Chairman



C. Ramathakwane  
Chief Executive Officer

Date: 25 August 2017

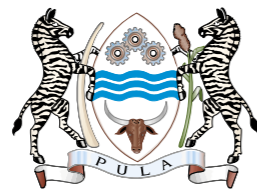
## STATEMENT

for the year ended 31 March 2017

## AUDIT REPORT OF THE AUDITOR GENERAL TO THE MEMBERS OF THE BOARD OF BOTSWANA POSTAL SERVICES

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 Vasha House  
 Lot 54357, CBD  
 Website: www.oag.org.bw  
 Email: oag@gov.bw



REPUBLIC OF BOTSWANA

Office of the Auditor General  
 Private Bag 0010  
 Gaborone  
 Botswana

**Opinion**

I have audited the financial statements of Botswana Postal Services Limited for the year ended 31 March 2017. These financial statement comprises the statement of financial position as at 31 March 2017, the statements of comprehensive income, cash flows and changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 March 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

**Basis for Opinion**

I conducted the audit in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. I am independent of the Company in accordance with the Code of Ethics of International Organization for Supreme Audit Institutions (INTOSAI Code) together with the ethical requirements that are relevant to our audit of the financial statements in Botswana, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the INTOSAI Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide basis for my opinion.

**Key Audit Matters**

I have determined that there are no key audit matters to communicate in my report.

**Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards and legislation, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity'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 management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

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

**Auditor's Responsibility for the Audit of the Financial Statements**

My 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 my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards for Supreme Audit Institutions will always detect

## STATEMENT

for the year ended 31 March 2017

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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 financial statements.

As part of an audit in accordance with International Standards for Supreme Audit Institutions, I exercise professional skepticism throughout the audit. I 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 my 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 controls
- 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 Entity's internal control
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- Conclude on the appropriateness of management's 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 Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Entity 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.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I 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 my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or, when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PULANE D. LETEBELE  
 AUDITOR GENERAL

Dated: 25 August 2017

## STATEMENT

for the year ended 31 March 2017

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2017

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		2017	2016
	Notes	P	P
Revenue	2	457,771,857	428,717,256
Cost of Sales	3	(389,690,590)	(336,068,759)
<b>Gross profit</b>		<b>68,081,267</b>	<b>92,648,497</b>
Other income	4	45,768,005	48,088,228
Administrative expenses	5	(125,207,440)	(134,959,313)
Other operating expenses	6	(244,142)	(1,285,786)
<b>Operating profit/(loss)</b>		<b>(11,602,311)</b>	<b>4,491,626</b>
Finance cost	7	(15,023,252)	(22,214,087)
Finance income	8	721,102	480,583
Loss on disposal of investment - subsidiary	21	-	(10,230,280)
Restructuring Costs	25	12,908,785	(5,105)
<b>Loss before taxation</b>		<b>(12,995,676)</b>	<b>(27,477,263)</b>
<b>Other comprehensive income:</b>			
Revaluation gains on property, plant and equipment	9	43,807,921	-
<b>Total comprehensive income /loss</b>		<b>30,812,245</b>	<b>(27,477,263)</b>

## STATEMENT

for the year ended 31 March 2017

STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2017

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		2017	2016
	Notes	P	P
<b>ASSETS</b>			
<b>Non current assets</b>			
Property, plant and equipment	9	349,127,724	301,150,778
Intangible assets	10	3,484,358	4,781,049
		352,612,082	305,931,827
<b>Current assets</b>			
Inventories	11	11,589,082	13,461,212
Trade and other receivables	12	137,033,849	96,568,181
Cash and short term deposits	13	37,350,243	74,083,513
		185,973,174	184,112,906
<b>TOTAL ASSETS</b>		<b>538,585,256</b>	<b>490,044,733</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Stated capital	14	38,431,729	38,431,729
Revaluation reserve	14	172,650,937	128,843,016
Other capital reserves	14	-	199,761
Retained earnings		(126,492,823)	(113,497,147)
		84,589,843	53,977,359
<b>Non current liabilities</b>			
Interest bearing loans and borrowings	15	185,399,916	182,442,092
Government grants	16	39,459,591	31,030,700
		224,859,507	213,472,792
<b>Current liabilities</b>			
Trade and other payables	17	216,063,956	215,805,432
Interest bearing loans and borrowings	15	4,163,546	3,603,238
Government grants	16	742,665	2,914,222
Bank overdraft	13	8,165,739	271,690
		229,135,906	222,594,582
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>538,585,256</b>	<b>490,044,733</b>

## STATEMENT

for the year ended 31 March 2017

STATEMENT OF CASHFLOWS  
FOR THE YEAR ENDED 31 MARCH 2017

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		2017	2016
		P	P
	<b>Notes</b>		
<b>Cash flows from operating activities</b>			
Cash (utilised) in operating activities :-	19	(63,037,639)	47,760,278
<b>Net cash from operating activities</b>		<b>(63,037,639)</b>	<b>47,760,278</b>
<b>Investing activities</b>			
Proceeds from sale of property, plant & equipment		-	783,272
Purchase of property, plant & equipment		(16,109,907)	(10,200,827)
Purchase of intangible assets		(137,686)	(318,725)
Finance income		721,102	480,583
Dividend received		370,000	-
<b>Net cash flows from investing activities</b>		<b>(15,156,491)</b>	<b>(9,255,696)</b>
<b>Financing activities</b>			
Loan financing		7,770,959	11,476,163
Receipt of government grant		45,071,930	47,042,477
Repayment of borrowings		(4,252,827)	(3,918,520)
Finance lease payments		-	(1,012,753)
Finance cost		(15,023,252)	(22,214,087)
<b>Net cash flows from financing activities</b>		<b>33,566,810</b>	<b>31,373,280</b>
Net increase in cash and cash equivalents		(44,627,320)	69,877,862
Cash and cash equivalents at beginning of the year		73,811,823	3,933,961
<b>Cash and cash equivalents at end of the year</b>		<b>29,184,503</b>	<b>73,811,823</b>

## STATEMENT

for the year ended 31 March 2017

STATEMENT OF CHANGES IN EQUITY  
AS AT 31 MARCH 2017

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	Stated share capital	Other capital reserves	Revaluation Reserve	Retained earnings	Total
	P	P	P	P	P
<b>RESTATED</b>					
Balance as at 1 April 2015	38,431,729	199,761	128,843,016	(86,019,884)	81,454,622
Loss for the year	-	-	-	(27,477,263)	(27,477,263)
<b>Balance as at 1 April 2016</b>	<b>38,431,729</b>	<b>199,761</b>	<b>128,843,016</b>	<b>(113,497,147)</b>	<b>53,977,359</b>
Loss for the year	-	-	-	(12,995,676)	(12,995,676)
Replacement Reserve	-	(199,761)	-	-	(199,761)
Utilisation of reserve of impaired assets	-	-	(946,000)	-	(946,000)
revaluation adjustments			44,753,921	-	44,753,921
<b>Balance as at 31 March 2017</b>	<b>38,431,729</b>	<b>-</b>	<b>172,650,937</b>	<b>(126,492,823)</b>	<b>84,589,843</b>

**STATEMENT**

for the year ended 31 March 2017

**SUMMARY OF SIGNIFICANT  
ACCOUNTING POLICIES  
31 MARCH 2017**

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**1. BASIS OF PREPARATION**

Financial statements have been prepared on a historical cost basis, except for property, plant and equipment that have been measured at revalued amounts. The financial statements are presented in Botswana Pula (P).

**1.1 FOREIGN CURRENCY TRANSLATION**

Botswana Postal Services Ltd's financial statements are presented in Botswana Pula (P), which is the corporation's functional currency. That is the currency of the primary economic environment in which Botswana Postal Services operates.

Transactions in currencies other than the Botswana Pula are initially recorded at the rate of exchange prevailing on the date of transaction. Foreign denominated monetary assets and liabilities are retranslated at the Botswana Pula spot rate of exchange at the balance sheet date. Foreign exchange gains and losses arising on translation of foreign currencies are dealt with in the income statement in the year in which they arise. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

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**

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

Revaluations are performed in the following manner:

Immovable Assets	3 years
Movable Assets	2 years

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

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

**STATEMENT**

for the year ended 31 March 2017

**SUMMARY OF SIGNIFICANT  
ACCOUNTING POLICIES  
31 MARCH 2017 (cont.)**

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

Buildings	50 years
Motor vehicles	5 years
Furniture and equipment	3 -7 years
Computer hardware	3-5 years

Depreciable amount is the cost or revaluation amount of the asset, less its residual value.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year in which the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively if appropriate.

Work in progress is stated at cost.

**1.3 INTANGIBLE ASSETS**

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

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

The estimated useful lives and residual values are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

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

**1.4.1 Botswana Postal Services Ltd as lessee**

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

**STATEMENT**

for the year ended 31 March 2017

**SUMMARY OF SIGNIFICANT  
ACCOUNTING POLICIES  
31 MARCH 2017 (cont.)**

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**1.4.2 Botswana Postal Services Ltd as lessor**

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

**1.5 FINANCE LEASES**

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

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

**1.6 BORROWING COSTS**

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

**1.7 INVENTORIES**

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

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

**1.8 GOVERNMENT GRANTS**

Government grants are recognised when there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. When the grant relates to an asset, it is recognised as deferred income and released to income in equal amounts over the useful life of the asset.

Where non-monetary grants are received, the asset and the grant are recorded at nominal amounts and released to the income statement over the expected useful life of the asset by equal annual instalments.

**STATEMENT**

for the year ended 31 March 2017

**SUMMARY OF SIGNIFICANT  
ACCOUNTING POLICIES  
31 MARCH 2017 (cont.)**

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**1.9 IMPAIRMENT OF NON-FINANCIAL ASSETS**

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

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

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

**1.10 REVENUE RECOGNITION**

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

**1.10.1 Box and bag rentals**

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

**1.10.2 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.

**1.10.3 Express Mail Service (EMS) revenue**

This is an express courier service and revenue is recognised upon delivery of the parcel to its intended destination.

**STATEMENT**

for the year ended 31 March 2017

**SUMMARY OF SIGNIFICANT  
ACCOUNTING POLICIES  
31 MARCH 2017 (cont.)**

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**1.10.4 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 Ltd 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.

**1.10.5 Sale of philatelic products**

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

**1.10.6 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.

**1.10.7 Interest income**

Revenue is recognised as interest accrues (using the effective interest method). Interest income is included in finance revenue in the income statement.

**1.10.8 Rental income**

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

**1.11 CASH AND CASH EQUIVALENTS**

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

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

**1.12 FINANCIAL ASSETS****1.12.1 Initial recognition**

Financial assets within the definition of IAS39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments available-for-sale financial assets or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The corporation determines the classification of its financial assets at initial recognition.

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

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

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

**STATEMENT**

for the year ended 31 March 2017

**SUMMARY OF SIGNIFICANT  
ACCOUNTING POLICIES  
31 MARCH 2017 (cont.)**

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**1.12.2 Subsequent measurement**

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

**1.12.2.1 Cash and Cash Equivalents**

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

**1.12.2.2 Trade and other receivables**

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

**1.13 FINANCIAL LIABILITIES****1.13.1 Initial recognition**

Financial liabilities within the scope of IAS39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The corporation determines the classification of its financial liabilities at initial recognition.

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

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

**1.13.2 Subsequent measurement**

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

**1.13.2.1 Interest bearing loans and borrowings**

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

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

**1.13.2.2 Trade and other payables**

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

**1.13.2.3 Offsetting of financial instruments**

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

**STATEMENT**

for the year ended 31 March 2017

**SUMMARY OF SIGNIFICANT  
ACCOUNTING POLICIES  
31 MARCH 2017 (cont.)**

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**1.13.2.4 Impairment of financial instruments**

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

**1.13.2.5 Trade and other receivables**

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

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

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

**1.14 DERECOGNITION OF FINANCIAL INSTRUMENTS**

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

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

**1.15 PROVISIONS**

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

**1.16 TAXATION**

Botswana Postal Services Limited is subject to income tax in terms of the income Tax Act.

**STATEMENT**

for the year ended 31 March 2017

**SUMMARY OF SIGNIFICANT  
ACCOUNTING POLICIES  
31 MARCH 2017 (cont.)**

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**1.16.1 Income tax**

Income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and laws used to compute the amount are those enacted or substantively enacted by the balance sheet date.

Income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

**1.16.2 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 (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

**1.17 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

The preparation of the corporation'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 entities' accounting policies and have the most significant effect on the amounts recognised in the financial statements:

**1.17.1 Revaluation, useful lives and residual values of property, plant and equipment**

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

**1.17.2 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 Corporation with similar assets and the intention of management.

**1.17.3 Provisions**

Management estimated provisions based on information available.

**STATEMENT**

for the year ended 31 March 2017

**SUMMARY OF SIGNIFICANT  
ACCOUNTING POLICIES  
31 MARCH 2017 (cont.)**

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**1.17.4 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.

**1.17.5 Impairment of trade and other receivables**

The impairment of trade and other receivables was based on a combination of specifically identified doubtful debtors and providing for older debtors.

**1.17.6 Impairment of slow moving inventory**

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

**1.17.7 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 corporation 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.

**1.18 NEW 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 1 April 2016 or later periods.

**IFRS 9 Financial Instruments**

The new standard is the first of the three phase project to replace IAS 39 Financial Instruments : Recognition and Measurement. To date ,the standard includes chapters for classification , measurement and derecognition of financial assets and liabilities. The following are main changes of IAS 39. Financial Assets will be categorized as those subsequently measured at fair value or at amortized cost.

Financial Assets at amortised cost are those financial assets at where the business model for managing the asset is to hold the assets to collect contractual cashflo (where the contractual cashflows represent payments of principal and interest only). All other financial assets are to be subsequently measured at fair value.

**STATEMENT**

for the year ended 31 March 2017

**SUMMARY OF SIGNIFICANT  
ACCOUNTING POLICIES  
31 MARCH 2017 (cont.)**

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Under certain circumstances, financial assets may be designated as at fair value.

For hybrid contract, where the host contract is an asset within the scope of IFRS 9, the whole instrument is classified in accordance with IFRS 9, without separation of the embedded derivative. In other circumstances, the provision of IAS 39 still applies.

Voluntary reclassification of financial assets is prohibited. Financial assets shall be reclassified if the entity changes its business model for the management of financial assets. In such circumstances reclassification takes place prospectively from beginning of first reporting period after the date of change of the business model.

Financial Liabilities shall not be reclassified.

Investment in equity instruments may be measured at fair value through other comprehensive income. When such an election is made, it may not subsequently be revoked, and gains and losses accumulated in equity are not recycled to profit and loss on de-recognition of investment. The election may be made per individual investment.

**IFRS 9 does not allow for investment in equity instruments to be measured at cost**

The classification categories for financial liabilities remain unchanged. However where a financial liability is designated as at fair value through profit and loss, the change in fair value attributable to changes in the liabilities credit risk shall be presented in other comprehensive income. This excludes situations where such presentations will create or enlarge an accounting mismatch, in which case, the full fair value adjustment shall be recognised in profit and loss.

The standard has mandatory effective date for annual periods on or after 1 January 2018.

**IFRS 16 LEASES**

IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 month or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

The standard has mandatory effective date for annual periods on or after 1 January 2019.

## STATEMENT

for the year ended 31 March 2017

NOTES TO THE FINANCIAL  
STATEMENTS  
31 MARCH 2017 (cont.)

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	2017	2016
	P	P
<b>2. REVENUE</b>		
Agency services	106,213,899	105,241,697
Box and bag rentals	29,791,947	25,398,535
Bulk mail	24,642,689	30,973,441
Business services	222,369,791	186,183,847
EMS revenue	10,815,841	8,245,359
Mail revenue	43,043,157	46,799,099
Money transfer commission	13,201,332	16,980,337
Philatelic products	2,211,347	2,528,276
Terminal and transit dues	5,481,854	6,366,665
	<b>457,771,857</b>	<b>428,717,256</b>
<b>3. COST OF SALES</b>		
Advertisement and promotion	5,266,891	3,974,107
Airtime expense	42,756,907	38,016,579
Compensation to customers	33,141	212,247
Depreciation	1,225,497	1,377,819
Discount allowed	5,077,162	4,335,600
Electricity purchases	210,901,766	178,203,790
Fees paid postal agencies	(600)	(1,300)
Mail bags and other consumables	4,084,050	2,820,798
Mail conveyance costs	31,590,523	29,198,440
Maintenance post boxes	790,234	734,470
Merchandise expense	1,608,522	1,180,685
Printing of stamps	888,329	891,278
Salaries	63,153,560	51,261,636
Staff transport	543,400	549,000
Defalcation	5,803	561,261
Technical partner's fees	19,890,818	22,752,350
Stock adjustment	1,874,589	-
	<b>389,690,590</b>	<b>336,068,759</b>

## STATEMENT

for the year ended 31 March 2017

NOTES TO THE FINANCIAL  
STATEMENTS  
31 MARCH 2017 (cont.)

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	2017	2016
	P	P
<b>4. OTHER INCOME</b>		
Directors' fees received	-	2,630
Government grant	742,665	2,914,222
Operating lease income	3,152,034	2,506,308
Newspaper and periodicals registration fees	40,419	57,674
Profit on disposal of assets	-	8,786
Sale of merchandise	1,479,745	1,287,788
Staff housing rental recoveries	174,966	318,775
Sundry income	1,241,557	647,013
Discount received	494,690	345,032
USO recovery	38,071,930	40,000,000
Dividend Received	370,000	-
	<b>45,768,005</b>	<b>48,088,228</b>

**STATEMENT**

for the year ended 31 March 2017

**NOTES TO THE FINANCIAL  
STATEMENTS  
31 MARCH 2017 (cont.)**

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	2017	2016
	P	P
<b>5. ADMINISTRATIVE EXPENSES</b>		
Audit fees	255,000	719,452
Cleaning	3,550,639	2,373,290
Depreciation	12,149,760	21,357,665
Directors fees and board expenses	349,607	230,654
Doubtful debts	(3,331,769)	1,085,543
Electricity	3,070,003	2,830,275
Insurance	1,037,206	1,981,658
Loss on disposal of assets	-	658,545
Office expenses	3,067,202	3,729,292
Printing and stationery	4,312,720	4,116,697
Professional and legal fees	5,769,068	7,839,570
Rent and rates	3,618,731	3,730,953
Repairs and maintenance	9,363,219	7,682,144
Sales promotion and advertising	856,230	650,561
Security and alarm	8,614,138	7,391,888
Staff costs	50,313,213	50,282,523
Strategy costs	3,347,391	452,755
Subscriptions and licences	1,217,860	918,613
Telephone and fax	9,458,915	7,687,543
Training	2,043,842	3,104,620
Travelling	5,739,760	5,730,407
Water	404,707	404,665
	<b>125,207,440</b>	<b>134,959,313</b>

**STATEMENT**

for the year ended 31 March 2017

**NOTES TO THE FINANCIAL  
STATEMENTS  
31 MARCH 2017 (cont.)**

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	2017	2016
	P	P
<b>6. OTHER OPERATING EXPENSES</b>		
Donations	237,632	1,067,626
Other expenses	6,510	218,161
	<b>244,142</b>	<b>1,285,786</b>
<b>7. FINANCE COST</b>		
Bank charges and interest	1,225,295	868,009
Motor vehicle lease charges	-	62,273
Interest on borrowings	13,797,957	21,283,805
	<b>15,023,252</b>	<b>22,214,087</b>
<b>8. FINANCE INCOME</b>		
Interest income from short term deposits	708,997	453,272
Interest income on call accounts from banks	12,105	27,311
	<b>721,102</b>	<b>480,583</b>

**STATEMENT**

for the year ended 31 March 2017

**NOTES TO THE FINANCIAL STATEMENTS  
31 MARCH 2017 (cont.)**

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**9. PROPERTY, PLANT AND EQUIPMENT****9.1 COST OR VALUATION**

	Land and buildings at valuation P	Motor vehicles at valuation P	Leased Motor Vehicles P	Furniture & equipment at valuation P	Project (Kitsong) Assets P	BAPS Assets P	IFS Assets P	Work in progress at cost P	Total P
Balance as at 1 April 2015	267,489,858	1,176,998	1,636,687	40,543,276	18,935,100	2,770,996	777,424	46,282	333,376,621
Additions	4,466,936	-	-	1,568,159	-	-	-	4,165,731	10,200,826
Transfers	-	392,458	-	578,491	-	-	-	(970,949)	-
Disposals	-	-	(1,636,687)	(10,800)	-	-	-	-	(1,647,487)
Balance as at 1 April 2016	271,956,794	1,569,456	-	42,679,126	18,935,100	2,770,996	777,424	3,241,064	341,929,960
Additions	6,211,240	-	-	1,177,678	-	-	-	8,720,989	16,109,907
Transfers	817,367	-	-	75,176	-	-	-	(892,543)	-
Disposals	-	-	-	-	-	-	-	-	-
Elimination*	(11,570,277)	(1,210,214)	-	(9,897,172)	(18,935,100)	(2,770,996)	(777,424)	-	(45,161,183)
Impairment	(1,963,431)	-	-	(87,853)	-	-	-	-	(2,051,285)
Revaluations adjustments	34,842,316	494,795	-	9,416,809	-	-	-	-	44,753,921
At 31 March 2017	300,294,009	854,037	-	43,363,763	-	-	-	11,069,510	355,581,320

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

Elimination \* - Elimination of accumulated depreciation to reflect revalued amounts  
BAPS and IFS assets are fully amortized and not in use  
Kitsong Centre assets have been revalued with other BotswanaPost assets

Revaluation	P
Revaluation Surplus	44,753,921
Impairment reserve	(946,000)
<b>Total revaluation surplus</b>	<b>43,807,921</b>

**STATEMENT**

for the year ended 31 March 2017

**NOTES TO THE FINANCIAL STATEMENTS  
31 MARCH 2017 (cont.)**

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**STATEMENT**

for the year ended 31 March 2017

**NOTES TO THE FINANCIAL STATEMENTS  
31 MARCH 2017 (cont.)**

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**9. PROPERTY, PLANT AND EQUIPMENT (cont.)****9.2 DEPRECIATION**

	Land and buildings at valuation P	Motor vehicles at valuation P	Leased Motor Vehicles P	Furniture & equipment at valuation P	Project (Kitsong) Assets P	BAPS Assets P	IFS Assets P	Work in progress at cost P	Total P
Balance as at 1 April 2015	8,035,514	-	-	-	18,932,260	2,770,996	777,380	-	30,516,150
Depreciation charge for the year	4,879,608	565,995	212,259	4,816,743	2,839	-	45	-	10,477,490
Disposals	-	-	(212,259)	(2,197)	-	-	-	-	(214,456)
Balance as at 1 April 2016	12,915,122	565,995	-	4,814,546	18,935,099	2,770,996	777,427	-	40,779,185
Depreciation charge for the year	5,108,752	644,218	-	5,082,626	-	-	-	-	10,835,597
Disposals	-	-	-	-	-	-	-	-	-
Elimination*	(11,570,277)	(1,210,214)	-	(9,897,172)	(18,935,099)	(2,770,996)	(777,427)	-	(45,161,185)
At 31 March 2017	6,453,597	-	-	-	-	-	-	-	6,453,596
<b>CARRYING VALUE</b>									
At 31 March 2017	293,840,412	854,037	-	43,363,763	-	-	-	11,069,510	349,127,724
At 31 March 2016	259,041,672	1,003,461	-	37,864,580	1	-	-	3,241,064	301,150,778

**STATEMENT**

for the year ended 31 March 2017

**NOTES TO THE FINANCIAL STATEMENTS  
31 MARCH 2017 (cont.)**

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## STATEMENT

for the year ended 31 March 2017

NOTES TO THE FINANCIAL  
STATEMENTS  
31 MARCH 2017 (cont.)

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## 10. INTANGIBLE ASSETS

10.1 COST	Software	Counter automation software	Poso card	Total
	P	P	P	P
<b>COST</b>				
At 1 April 2015	6,484,303	33,753,155	5,253,726	45,491,184
Additions	318,725	-	-	318,725
At 1 April 2016	6,803,028	33,753,155	5,253,726	45,809,909
Additions	137,686	-	-	137,686
At 31 March 2017	6,940,714	33,753,155	5,253,726	45,947,595
<b>AMORTISATION AND IMPAIRMENT</b>				
At 1 April 2015	4,975,258	23,584,713	247,427	28,807,398
Amortisation	1,097,351	9,989,437	1,134,676	12,221,464
At 1 April 2016	6,072,609	33,574,150	1,382,103	41,028,862
Amortisation	232,792	66,908	1,134,676	1,434,376
At 31 March 2017	6,305,401	33,641,057	2,516,779	42,463,237
<b>NET BOOK VALUE</b>				
At 31 March 2017	635,313	112,098	2,736,947	3,484,358
At 31 March 2016	730,419	179,006	3,871,624	4,781,049

## STATEMENT

for the year ended 31 March 2017

NOTES TO THE FINANCIAL  
STATEMENTS  
31 MARCH 2017 (cont.)

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	2017	2016
	P	P
<b>11. INVENTORIES</b>		
Definitive stamps	263,736	489,012
Postal orders and postal stocks	12,067	12,771
Kiosks, nests, pillar boxes and equipment	24,611	112
Stock, phone cards and other consumables	15,062,636	15,782,721
Less: Provision for stock adjustment	(3,773,969)	(2,823,404)
Total inventories at lower of cost and net realisable value	11,589,082	13,461,212
<b>12. TRADE AND OTHER RECEIVABLES</b>		
Trade receivables	65,509,916	59,039,594
Less: Provision for Doubtful Debts	(5,384,010)	(8,715,779)
	60,125,906	50,323,815
Staff advances	1,551,687	503,931
Prepayments and deposits	1,912,079	2,993,692
Other receivables	73,444,177	42,746,743
	137,033,849	96,568,181
Trade receivables are non-interest bearing and are generally on 30-60 day terms. Staff advances may be up to 6 month.		
<b>12.1 Trade Receivables</b>		
Neither past due nor impaired between 30 days and 60 days	17,917,920	17,458,116
between 60 days and 90 days	6,838,044	10,317,538
more than 90 days	2,980,155	2,361,697
Provision for Doubtful Debts	37,773,796	28,902,243
Net Carrying Amount	(5,384,010)	(8,715,779)
	60,125,906	50,323,815

The movement in the provision for impairment of trade and other receivables is set out below:

## STATEMENT

for the year ended 31 March 2017

NOTES TO THE FINANCIAL  
STATEMENTS  
31 MARCH 2017 (cont.)

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	2017	2016
	P	P
<b>12.2 Provision For Doubtful Debts</b>		
	2017 Collectively impaired	
At 31 March 2015	(7,630,237)	
Charge for the year	(1,085,542)	
At 1 April 2016	(8,715,779)	
Reversal - Provision	3,331,769	
At 31 March 2017	(5,384,010)	
<b>13. CASH AND SHORT-TERM DEPOSITS</b>		
Cash at banks and on hand	21,420,792	58,665,574
Short-term deposits	15,929,451	15,417,939
Cash and Short term deposits	37,350,243	74,083,513
Bank overdraft	(8,165,739)	(271,690)
	29,184,503	73,811,823
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.		
<b>14. STATED CAPITAL AND RESERVES</b>		
Stated share capital		
Stated capital held 100 % by the government of Botswana	38,431,729	38,431,729
Other capital reserves		
Balance as at 31 March 2017	-	199,761
Revaluation reserve	172,650,937	128,843,016

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.

## STATEMENT

for the year ended 31 March 2017

NOTES TO THE FINANCIAL  
STATEMENTS  
31 MARCH 2017 (cont.)

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	2017	2016
	P	P
<b>15. INTEREST BEARING LOANS AND BORROWINGS</b>		
Held at amortized cost		
Current		
First National Bank of Botswana	4,163,546	3,603,238
	4,163,546	3,603,238
Non- current		
First National Bank of Botswana	22,556,902	27,370,037
Government of Botswana - PDSF Loan 2015	162,843,014	155,072,055
	185,399,916	182,442,092

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

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

## STATEMENT

for the year ended 31 March 2017

NOTES TO THE FINANCIAL  
STATEMENTS  
31 MARCH 2017 (cont.)

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	2017	2016
	P	P
<b>16. GOVERNMENT GRANTS</b>		
Balance as at 1 April 2016	33,944,921	29,816,666
Received during the year	45,071,930	47,042,477
Released to income statement	(38,814,595)	(42,914,222)
Balance as at 31 March 2017	40,202,256	33,944,921
Current	742,665	2,914,222
Non-current	39,459,591	31,030,700
	40,202,256	33,944,921
<b>17. TRADE AND OTHER PAYABLES</b>		
Trade payables	177,358,954	163,166,884
Other payables	38,705,002	52,638,549
	216,063,956	215,805,432
<b>18 INCOME TAX EXPENSE</b>		
Botswana Company taxation		
Normal taxation at 22%	-	-
Normal taxation - prior year	-	-
Charge for the year	-	-
Deferred taxation		
Charge for the year	-	-
Reconciliation for tax expense		
Loss before tax		
August 2015 - March 2016	(12,181,326)	-
April 2016 - March 2017	(12,995,676)	-
Total loss	(25,177,002)	-
Tax calculated @ 22%	-	-
Normal taxation - prior year	-	-
Deferred taxation - prior year	-	-
	-	-

Botswana Postal Services Limited was incorporated as a Company limited by shares in August 2015, therefore the tax workings represent 20 months. (August 2015 to March 2017)

## STATEMENT

for the year ended 31 March 2017

NOTES TO THE FINANCIAL  
STATEMENTS  
31 MARCH 2017 (cont.)

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	2017	2016
	P	P
<b>19 CASH UTILISED IN OPERATIONS</b>		
Loss before taxation	(12,995,676)	(27,477,263)
Adjustment to reconcile loss before tax to net cash flows		
Non-cash:		
Depreciation and impairment of property and equipment	11,940,882	10,477,490
Amortisation and impairment of intangible assets	1,434,376	12,221,464
(Profit)/Loss on disposal of property and equipment	-	649,760
(Profit)/Loss on disposal of subsidiary	-	10,230,280
Finance income	(721,102)	(480,583)
Finance cost	15,023,252	22,214,087
Amortisation of government grants	(38,814,595)	(42,914,222)
Dividend Received	(370,000)	-
Working capital adjustments:		
Decrease in inventories	1,872,130	(3,655,340)
Increase in trade and other receivables	(40,465,668)	40,168,619
Increase in trade and other payables	58,763	26,325,986
Cash generated from operating activities	(63,037,639)	47,760,278
<b>20 COMPENSATION OF KEY MANAGEMENT PERSONNEL</b>		
Short-term employee benefits	6,916,166	8,231,627
	6,916,166	8,231,627
<b>21 LOSS ON DISPOSAL OF SUBSIDIARY</b>		
	-	10,230,280
	-	10,230,280

Botswana Postal Services Ltd lost control of Botswana Couriers and Logistics Ltd on 5th September 2015. An Investment of P10 230 280 in Botswana Couriers and Logistics Ltd was disposed at P1 as part of the merger process, hence loss on disposal value of P10 230 280. All Shares were transferred to Botswana Post and Savings Group Ltd.

**STATEMENT**

for the year ended 31 March 2017

**NOTES TO THE FINANCIAL  
STATEMENTS  
31 MARCH 2017 (cont.)**

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**22 GOING CONCERN**

Botswana Postal Services Limited incurred a loss of P12 995 676. (2016: P27 477 263.) and have net current liabilities of P43 162 732. These conditions indicate material loss which may cast significant doubt about Botswana Postal Services Limited to continue as a going concern.

The going concern of Botswana Postal Services Limited is dependent on continued government support. In the current year 2016/17 Botswana Government provided financial support to ensure that Botswana Postal services remains a going concern and meets its financial obligations as they fall due. Botswana Postal Services Limited was given support of P38 071 930. The Government has committed to provide support of P46 000 000.00 in financial year 2017/18.

**23 LEGAL AND REGULATORY REQUIREMENTS**

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

**24 BOTSWANA SAVINGS BANK AND BOTSWANA POSTAL SERVICES MERGER**

The merger follows Government decision to rationalise some parastatals and public entities. The Government recognizes the historical evolution of the two entities that have seen them utilise strategic synergies to improve efficiency in service delivery. The merger was instituted after thorough public consultations coordinated by PEEPA. The merger exercise commenced in the fiscal year 2009/10.

Botswana Postal Services Ltd registered as a Company on 5th August 2015 under companies Act CAP 32:01 as part of merger process. Botswana Postal Services Ltd and Botswana Savings Bank are to be merged and fall under a holding Company. Botswana Couriers will also be registered as a subsidiary of the holding Company. The holding Company has since been registered under the name Botswana Post and Savings Group Limited and the process is still on going.

**25 PENSION PROVISION/ CONTRIBUTION**

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

Realease	16 617 959
Current year expenses	(3 709 174)
	<u>12 908 785</u>

**STATEMENT**

for the year ended 31 March 2017

**NOTES TO THE FINANCIAL  
STATEMENTS  
31 MARCH 2017 (cont.)**

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**26 BOTSWANA POSTAL SERVICES LTD UNIVERSAL SERVICE OBLIGATION SEGMENTATION**

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

**NOTES TO THE FINANCIAL  
STATEMENTS  
31 MARCH 2017 (cont.)**

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**ADDITIONAL INFORMATION**

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

**USO RECOVERY MODEL SUMMARY REPORT POST AUDIT FY 2016/17- MARCH YTD**

NAME	TOTAL COST			TOTAL REVENUE			PROFIT		
	USO	NON USO	TOTAL	USO	NON USO	TOTAL	USO	NON USO	TOTAL
VC North	44,613,041	43,970,407	88,583,448	28,104,953	50,058,440	78,163,393	(16,508,088)	6,088,033	(10,420,056)
VC Central	34,299,100	33,806,994	68,106,094	14,029,727	38,105,054	52,134,782	(20,269,372)	4,298,060	(15,971,312)
VC South	92,429,071	104,326,761	196,755,832	36,858,318	65,863,971	102,722,289	(55,570,753)	(38,462,790)	(94,033,543)
USO	-	-	-	38,071,930	-	38,071,930	38,071,930	-	38,071,930
Philatelic Post Office	1,411,108	-	1,411,108	-	-	1,610,538	199,429	-	199,429
Hybrid	-	6,920,395	6,920,395	-	13,754,129	13,754,129	-	6,833,734	6,833,734
Property Services	-	25,004	25,004	-	3,821,689	3,821,689	-	3,796,685	3,796,685
Other	-	155,454,797	155,454,797	-	213,982,255	213,982,255	-	58,527,457	58,527,457
<b>TOTAL</b>	<b>17,752,321</b>	<b>344,504,359</b>	<b>517,256,679</b>	<b>118,675,466</b>	<b>385,585,537</b>	<b>504,261,003,34</b>	<b>(54,076,854)</b>	<b>41,081,179</b>	<b>(12,995,676)</b>

**USO RECOVERY MODEL SUMMARY REPORT POST AUDIT FY 2015/16- MARCH YTD**

NAME	TOTAL COST			TOTAL REVENUE			PROFIT		
	USO	NON USO	TOTAL	USO	NON USO	TOTAL	USO	NON USO	TOTAL
North Region	38,525,226	55,745,440	94,270,666	28,806,982	44,985,277	73,792,259	(9,718,243)	(10,760,164)	(20,478,407)
Central Region	28,860,235	59,735,234	88,595,469	19,787,417	31,577,975	51,365,445	(9,072,765)	(28,157,260)	(37,230,024)
Gaborone Region	63,816,853	54,422,535	118,239,388	27,804,144	38,295,145	66,099,289	(36,012,709)	(16,127,389)	(52,140,099)
Lobatse Kgalagadi Region	22,641,165	42,979,013	65,620,178	11,328,811	32,687,260	44,016,070	(11,312,354)	(10,291,753)	(21,604,107)
Philatelic Post Office	112,391	-	112,391	758,884	-	758,884	636,494	-	636,494
Hybrid	-	9,704,509	9,704,509	-	15,556,405	15,556,405	-	5,851,896	5,851,896
Property Services	-	104,383	104,383	-	3,170,115	3,170,115	-	3,065,732	3,065,732
Other	-	128,106,346	128,106,346	-	222,577,598	222,577,598	-	94,421,252	94,421,252
<b>TOTAL</b>	<b>153,965,870</b>	<b>350,797,461</b>	<b>504,763,330</b>	<b>88,486,292</b>	<b>388,799,774</b>	<b>477,286,066,26</b>	<b>(65,479,578)</b>	<b>38,002,314</b>	<b>(27,477,264)</b>