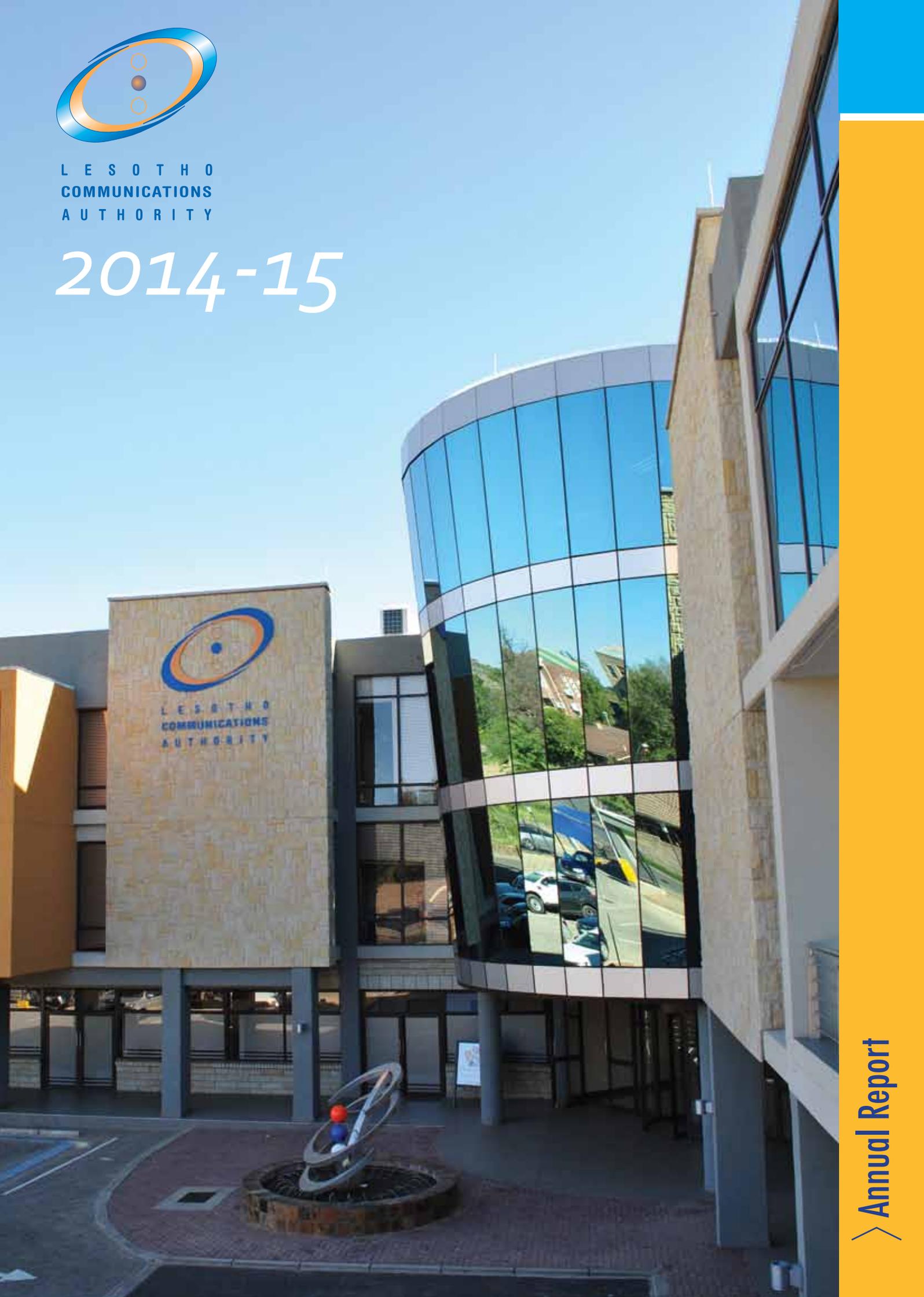


LESOTHO  
COMMUNICATIONS  
AUTHORITY

2014-15







**L E S O T H O  
C O M M U N I C A T I O N S  
A U T H O R I T Y**

## **CORPORATE MANDATE**

Lesotho Communications Authority (LCA) is a statutory body, established in June 2000, with the mandate of regulating the communications sector in Lesotho. This mandate entails: granting licences to operators; promoting fair competition; approving tariffs; managing the radio frequency spectrum; empowering and protecting consumers; type-approving terminal equipment and other related responsibilities.

### **Vision**

To be an effective, efficient and stakeholder responsive communications regulator whilst ensuring sustainability of the environment.

### **Mission**

The Authority shall effectively manage finite resources and promote competition while protecting consumers.

### **Value statement**

The Authority shall maintain integrity and professionalism in regulatory and corporate affairs.

### **Motto**

Fairness to all and allegiance to none.

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A digital copy of this publication is available from our website.

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## LIST OF ABBREVIATIONS

3G	Third Generation Networks
ADSL	Asymmetric digital subscriber line
AfDB	African Development Bank
AGM	Annual General Meeting
BDT	Telecommunication Development Bureau
BTL	Bethlehem Technologies Lesotho
BTS	Base Transceiver Station
ccTLD	Country Code Top Level Domain
CEO	Chief Executive Officer
CRASA	Communications Regulators' Association of Southern Africa
CMR	Competition Management Regime
CSI	Corporate Social Investment
CTO	Commonwealth Telecommunications Organisation
DMU	Digital Migration Unit
DOPE	Department of Physics and Engineering (National University of Lesotho)
DTT	Digital Terrestrial Television
EASSy	East African Submarine System
ETL	Econet Telecom Lesotho
EVDO	Enhanced Voice-Data Optimized
FAC	Finance and Audit Committee
FM	Frequency Modulation
GIS	Geographical Information Systems
GMS	Global Monitoring System
GRS	Global Symposium for Regulators
GPS	Global Positioning System
GSM	Global System for Mobile Communications
GOL	Government of Lesotho
HIPSSA	Harmonization of ICT Policies in Sub-Saharan Africa
HR	Human Resources
HRRC	Human Resources and Remuneration Committee
ICASA	Independent Communications Authority of South Africa
ICANN	Internet Corporation for Assigned Names and Numbers
ICT	Information and Communication Technologies
ISP	Internet Service Provider
IP	Internet Protocol
ISO	International Organisation for Standardisation
IT	Information Technology
ITU	International Telecommunication Union



## LIST OF ABBREVIATIONS

LCA	Lesotho Communications Authority
LIXP	Lesotho Internet Exchange Point
LEC	Lesotho Electricity Company
LM	Lifetime Music Radio
LNBS	Lesotho National Broadcasting Services
LTV	Lesotho Television
LSP	LSP Construction (Pty) Ltd.
MCST	Ministry of Communications, Science and Technology
MHz	Megahertz
MoU	Memorandum of Understanding
NSDP	National Strategic Development Plan
NUL	National University of Lesotho
PMS	Performance Management System
PMO	Project Management Office
PLC	Public Limited Company
PRMS	Premium Rated Messaging Service
QoS	Quality of Service
RATT	Regional Alliance Task Team
RAMP	Risk Assessment and Management Plan
RF	Radio Frequency
RSA	Republic of South Africa
RTN	Regional Road Transport Network
SADC	Southern African Development Community
SHAR	SADC Home and Away Roaming
SRD	Short Radio Devices
TSC	Technical Sub-committee
TV	Television
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
USF	Universal Service Fund
USFC	Universal Service Fund Committee
VCL	Vodacom Lesotho
WIOCC	West Indian Ocean Cable Company
WRC-12	World Radio Conference of 2012
WRC-15	World Radio Conference of 2015



## DEFINITION OF TERMS

- **2G:** Second-generation mobile network or service. Generic name for second generation networks, for example GSM. .
- **3G:** Third-generation mobile communication system. A generic name for mobile network or service based on the IMT-2000 family of global standards.
- **3GPP:** Third Generation Partnership Project. A cooperation between regional standards bodies to ensure global interworking for 3G systems.
- **4G:** Fourth-generation mobile network or service. Mobile broadband standard offering both mobility and very high bandwidth.
  
- **Access point:** wireless communication hub that allows users to connect to a Wi-Fi network.
- **Analogue:** signal whose value varies continuously over time or communications signal represented by the pitch and the volume of a voice.
  
- **Base Transceiver Station:** often referred to as cellular tower, contains the equipment for transmitting and receiving radio signals.
- **Bandwidth:** is a measure of the quantity of signals that can travel over a transmission medium such as copper or a glass fibre strand. It is the space available to carry a signal. The greater the bandwidth, the greater the information carrying capacity. Bandwidth is measured in bits per second.
- **Broadband:** transmission capacity with sufficient bandwidth to permit combined provision of voice, data and video. It refers to bandwidth speeds of greater than 128kbps in at least one direction.
  
- **Call Drop Rate:** the proportion of successfully established voice calls that are dropped by the network before they can be ended normally by users.
- **Call Success Rate:** is defined as the ratio of successful calls to the total number of call attempts in a specified time period.
- **Carrier:** a company that owns a transmission medium and rents, leases or sells portions for a set tariff.
- **Channel:** an electrical transmission path between two or more stations. Channels may be furnished by wire, radio, fibre or a combination of all three.
- **Competition:** refers to a situation in a market in which firms or sellers independently strive for the patronage of buyers in order to achieve a particular business objective, e.g., profits, sales and or market share.
- **Convergence:** has been defined as the ability of one or different networks to carry different services or the bringing together of industries in the communications area, which were previously viewed as separate and distinct in both the commercial and the technological sense.
- **Converged regulation:** refers to a trend in regulation that seeks to define a single regulatory structure for telecommunications, broadcasting and information technology.
- **Cost-based pricing:** the general principle of charging for services in relation to the cost of providing the services.
- **Country Code Top Level Domain:** A top-level domain (TLD) name on the internet that is reserved for a country or territory.
- **Coverage:** refers to the area on earth capable of effectively receiving transmission of network. Often used for cellular or satellite network.

## DEFINITION OF TERMS

- **Digital:** any type of information that can be output, transmitted and interpreted as individual bits of binary information (the use of the numbers 0 and 1), using electrical or electromagnetic signals that can be modulated to convey their specific content. A TV picture will be more like a rectangle and have up to 1,080 lines of resolution, producing a crisper picture.
- **Electronic commerce:** also referred as e-commerce, refers to commercial transactions occurring over open networks, such as the internet. Both business-to-business and business-to-consumer transactions are included.
- **Fibre optics:** is where messages or signals are sent via light rather than electrical signals down a very thin strand of glass. Light transmission enables much higher data rates than conventional wire, coaxial cable and many forms of radio. Signal travel at the speed of light and do not generate nor are subject to interference.
- **Frequency:** the rate at which an electrical current alternates, usually measured in Hertz. It is also used to refer to a location on the radio frequency spectrum, such as 800, 900 or 1800 Mhz.
- **FM:** stands for frequency modulation, a method of generating sounds from simple wave forms.
- **Geographical Information Systems (GIS):** a geographical information system (GIS) can be seen as a system of hardware, software and procedures designed to support the capture, management, manipulation, analysis, modelling and display of spatially referenced data.
- **Global Systems for Mobile Communications (GSM):** it is the European-developed digital mobile cellular standard.
- **Information and Communication Technologies (ICT):** consists of the hardware, software, networks, and media for the collection, storage, processing, transmission and presentation of information (voice, data, text, images), as well as related services.
- **Interconnection:** the physical connection of telecommunication networks owned by different operators.
- **Interconnection rate:** a charge levied by network operators on other service providers to recover the costs of the interconnection facilities (including the hardware and software for routing, signalling, and other basic service functions) provided by the network operators.
- **Information Technology (IT):** refers to the hardware and software of information collection, storage, processing, and presentation.
- **Internet:** is a global system of interconnected computer networks that use the standard Internet protocol suite (TCP/IP) to link several billion devices worldwide.
- **Internet Service Provider (ISP):** a company which provides a client with an internet connection, either for fixed monthly fee or for the cost of local call charges.
- **Intranet:** has the look and feel of an internet website and can be explored with a browser such as Internet Explorer or Netscape Navigator. Unlike the web, access is limited to pages on a company's internal network.
- **Leased line:** a telecommunications channel leased between two or more points at a flat monthly rate. Also called dedicated or private line.
- **MPEG:** stands for Motion Picture Experts Group and describes a method of compressing digital video.



## DEFINITION OF TERMS

- **Network:** combination of telecommunications resources, for example, exchanges, wire links (copper cable, optical fibre) and terrestrial or satellite radio transmission links.
- **Penetration:** a measurement of access to telecommunications. It is usually calculated by dividing the number of subscribers by the population, and multiplying by 100. Also referred to as teledensity.
- **Online:** being connected to the internet.
- **Signal:** the combination of waves that travel along a transmission channel and act on the receiving unit.
- **Spectrum Management:** the spectrum or range of radio frequencies available for communication, industrial, and other uses. Frequency bands or segments are assigned to various categories of users for specific purposes, such as commercial radio and television, terrestrial microwave links, satellites and other services.
- **Tariff:** prices that service providers levy to consumers.
- **Teledensity:** a measurement of how many telephones are available, expressed as the number of telephone subscribers for every 100 people in a country. It is sometimes referred to as SIM penetration or the measurement of the number of active SIM cards in the country expressed as a percentage of the total population.
- **Type-approval:** type-approval or certificate of conformity granted to a product that meets a minimum set of regulatory, technical and safety requirements. Generally, type-approval is required before a product is allowed to be sold in a particular country.
- **Universal Service:** refers to availability and widespread affordability of ICTs services. The level of universal services is statistically measured as the percentage of households with ICTs.
- **Website:** A collection of web pages, normally on a single theme, on the internet.

## EXECUTIVE SUMMARY

This report covers the period from the 1<sup>st</sup> April 2014 to the 31<sup>st</sup> March 2015. It is aligned to and provides an account of the implementation of the programme of the second year of the LCA three-year Strategic Business Plan covering 2013/14 -2015/16. This Plan has 11 strategic objectives for the planning cycle. The strategic objectives that are articulated in the plan include those on broadband development, promotion and management of competition, promotion of universality of services, protection and empowerment of consumers and promotion of good quality communications services.

A project for building the office complex of the Authority was still in progress at the end of the reporting period. However, the completion date of the project had been revised from the initial completion date of the 30<sup>th</sup> March 2015 to the end of May 2015. The building comprises office space, a gymnasium and a restaurant. The project is financed by LCA and Nedbank Lesotho.

The number of major network operators remained unchanged during the period under review; these operators are Econet Telecom Lesotho and Vodacom Lesotho. In the area of broadcasting, the Authority renewed sound broadcasting licences of the Department of Physics and Engineering (DOPE FM) at the National University of Lesotho, Fill the Gap Ministries and Lesotho Evangelical Church of Southern Africa for a period of ten years each and Thaha -Khube FM for a period of two years. New sound broadcasting licences were granted to Onyx 357 Broadcast & Decor, Tabernacle FM, Maha Group, Prophetic Voice as well as a television licence to MultiChoice Lesotho for the provision of digital terrestrial television services in Lesotho.

A number of regulatory instruments are currently under development. These include Quality of Services Rules, the LCA General Rules, Competition Management Framework and the Broadcasting Code. The Authority assisted MCST to develop appropriate draft legislation. The following Bills geared towards improving security in the cyberspace are at an advanced stage: Computer Crime and Cybercrime Bill, Electronic Transactions and e-Commerce Bill and Data Protection Bill.



LCA office complex.



## EXECUTIVE SUMMARY

Furthermore, consumer protection was enhanced through the complaints handling system. A number of complaints were received and attended to. Educational programmes were propagated through the media to provide consumers with necessary information and consultative forums were held to consult the public on important regulatory issues. Additionally, the Authority embarked on a programme of capacity building for broadcasters in order to empower them with necessary skills to enhance adherence to licensing terms and conditions. To this end, three training sessions were conducted prior to the national elections.

The Authority worked with the Digital Migration Unit in MCST on issues concerning migration from analogue to digital terrestrial television. Some of the activities in this regard, included the development of a broadcasting network, public education, investigation on the manufacturing of set-top boxes locally, digital television regulations and the promotion of local content.

The Authority continued to assign the radio frequency spectrum and numbering resources and also monitored the spectrum use and occupancy. In this regard, more radio frequency spectrum was licensed for Long Term Evolution (LTE) services. Furthermore, the Authority engaged the Independent Communications Authority of South Africa (ICASA) and the network providers with a view to resolving cross-border signal spillage issues between the Republic of South Africa (RSA) and Lesotho. Other activities involved the commissioning of quality of service equipment, deployment of electromagnetic field (EMF) measuring tool and the upgrading of broadcast logging equipment.

The sector continued to register steady growth especially in the mobile services. For the first time, the total number of connections for both fixed and mobile services surpassed the population of Lesotho at 2,330,438. This translated into a teledensity figure of 124%. However, a subscription for fixed services registered a decline.

The Authority had three major studies at different stages of completion during the financial year. Competition Management Regime (CMR) study was completed while the study on ICT Indicators in Business, Health, Education and Accommodation and the other on ICTs in Higher Education were in progress. The Universal Service Fund (USF) completed five new projects which were aimed at extending mobile network coverage to areas that previously had none. This was in pursuit of the objective of bridging the digital divide. It also supported the operations of the Lesotho Internet Exchange Point (LIXP) and developed the infrastructure for the national domain name. Other activities of the Fund included the profiling of areas which were deemed to lack access to communications services.

The Authority has the mandate to represent Lesotho, in consultation with the Minister, in international matters relating to telecommunications. It participated in a number of international forums where issues of communications development and regulation were discussed. It was part of the Lesotho delegation led by the Lesotho Ambassador to Japan at the ITU Plenipotentiary Conference. It was also part of the delegation led by the Deputy Prime Minister in the High Level Forum on South-South Cooperation, ICT and Financing for Development. It represented Government in the Commonwealth Telecommunications Organisation (CTO) events and Board meetings of the West Indian Ocean Cable Company (WIOCC). It also participated in the Global Symposium for Regulators (GSR) and the Communications Regulators' Association of Southern Africa (CRASA) meetings.

The Board attaches great value to good corporate governance. Given the evolving and dynamic nature of the sector, capacity building remains as the core success factor of the Authority. The financial status of the Authority is reflected in the audited financial statements of the Authority attached to this report 

## CHAIRPERSON'S STATEMENT

*"The communications sector plays a pivotal role in the economy and the development of Lesotho."*



It is my pleasure to present the Annual Report of the Lesotho Communications Authority (LCA) for the 2014/15 Financial Year. The report is made pursuant to section 18 (1) of the Communications Act, 2012. It provides a comprehensive review on the activities of the Authority, an overview on the performance of the communications sector and the audited financial statements of the Authority.

The communications sector plays a pivotal role in the economy and the development of Lesotho. Information and communications technologies (ICTs) play the key role of being enablers in the economic activities of all countries including Lesotho. The rapid spread of digital tools in such diverse areas as manufacturing, transportation, tourism, finance, banking, governance, health, education and even in traditional sectors like agriculture is transforming the economies of developing countries. In Lesotho, services in these sectors of the economy now increasingly rely on ICTs for rapid development and provision of services.



## CHAIRPERSON'S STATEMENT

A testimony that Lesotho recognises the importance of ICTs is its declaration in the national strategic development plan 2012/13 – 2016/17, which states that:

Lesotho has experienced a decade of high growth in the sector, driven by mobile phone technology. The main goal is to build on this success and continue to improve the operating environment and backbone infrastructure. The government will facilitate access to high-speed broadband.

Similarly, the National Vision 2020 recognises that the future of Lesotho shall depend on “well established technology.” The strategic business of the Authority, through objectives such as promotion of broadband, promotion and management of competition in the communications sector, promotion of universality of services and promotion of emerging ICTs, has taken on-board these goals of the national development agenda.

The attainment of a teledensity of 124% in Lesotho, over a period of less than fifteen years since the liberalization of the sector and the establishment of the Authority, is a result of the forward-looking policies implemented by the Government of Lesotho (GoL) and the value of appropriate regulatory interventions. This remarkable sector development has been achieved despite challenges of the difficult terrain of Lesotho and lack of requisite facilities such as road infrastructure and supply of grid electricity in rural areas. The Authority, through the Universal Service Fund (USF) continued to make inroads in providing communications services to communities beyond urban and “economically viable” areas. For some inhabitants of these areas, communicating with a mobile phone was a “first”.

The development of broadcasting by non-state actors such as business, private entities and communities continued to flourish and played a meaningful role in Lesotho. The Authority continued to develop the industry through the licensing of new entities and capacity building initiatives.

As already indicated, the sector is not without challenges. Communications development cannot occur in isolation from other sectors of the economy. Slow economic development means some communication products are beyond the reach of some members of society. Security of the national network remains critical, as is the case in other parts of the world due to cybercrime. It is, therefore, imperative that the Authority should ensure that communications regulation adapts to these developments. The Authority is yet to regulate the postal sector as the corporatization of the Lesotho Postal Service is under consideration by GoL.

The Board is always grateful to the Government of the Kingdom of Lesotho (GoL) for its support and especially that of the Ministry of Communications, Science and Technology. The Board is indebted to Ms R. Lehohla, Mr. M. Malie, Mr. M. Letlotlo and Mrs. 'Mokela who retired during the course of the financial year, and wishes to thank them wholeheartedly for their contribution and dedication towards the business of the Board and the Authority. The Board is equally grateful for the support it receives from the management and staff of the Authority 

**Mr. Paseka Khetsi**

Acting Chairman of the Board

# BOARD OF DIRECTORS



**LESOTHO  
COMMUNICATIONS  
AUTHORITY**



*Mr. Paseka Khetsi*

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*Chairperson - a.i.  
1 September 2014*



*Ms. Refiloe Lehohla*

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*Chairperson  
31 August 2014*



*Mrs. Teboho 'Mokela*

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*Member*



*Mr. Molahlehi Letlotlo*

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*Member*



*Mr. Mpho Malie*

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*Member*



*Mr. Lefa Mokotjo*

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*Member*



*Mr. Monehela Posholi*

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*Member & CEO*

**Board Committees:** In the reporting period, the membership of the Board's committees was as follows:

### Human Resources and Remuneration Committee

Mr. Mpho Malie ••• Chairman (until 17.06.2014)  
 Mrs. Teboho 'Mokela ••• Chairman (from 18.06.2014)  
 Mr. Molahlehi Letlotlo\* ••• Member (\* Retired)  
 Mr. Morathane Monyamane ••• Member  
 Ms. Retšelisitsoe Motlojoa ••• Member  
 Mr. Monehela Posholi ••• Member

### Finance and Audit Committee

Mr. Mpho Malie ••• Chairman (until 17.06.2014)  
 Mr. Lefa Mokotjo ••• Chairman (from 18.06.2014)  
 Ms. Motšeo Masheane ••• Member  
 Mr. Phaane Mosae ••• Member  
 Mr. Monehela Posholi ••• Member

### Universal Service Fund Committee

Mr. Mpho Malie ••• Chairman  
 Mr. Paseka Khetsi ••• Deputy Chairman (until 11.09.2014)  
 Mr. Khosi Letsie ••• Member  
 Mr. Ntai Makoetje ••• Member  
 Mr. Mbele Hooхло ••• Member

### Broadcasting Disputes Resolution Panel/Committee

Mr. Tsebo Matšasa ••• Chairman  
 Mr. Pius Molapo ••• Member  
 Mrs. Julia L. Sehloho ••• Member  
 Mr. Samonyane Ntsekele\* ••• Member (\* Retired)



## REPORT ON CORPORATE GOVERNANCE

The Board of Directors of the Lesotho Communications Authority recognises the importance of corporate governance in discharging its responsibilities through promoting and practising high standards of corporate governance. The Authority subscribes to principles and practices of good corporate governance as developed under the King III Code. It is guided in this endeavour by the Communications Act 2012, its own Board Charter, Committee Charters, Policies and Rules.

### The Board of Directors

In terms of the Act, the Authority is governed by a unitary Board of Directors consisting of seven members appointed by the Minister of Communications, Science and Technology. The Chairman and other five members of the Board are non-executive while the Chief Executive Officer is the only executive member. All directors are considered to be independent with no material interest in the Authority. Members of the Board represent a diverse range of professional skills and experience relevant to the communications sector.

### Role and functions of the Board

The Board has the ultimate responsibility and accountability for the stewardship, performance and affairs of the Authority and is responsible for effectively safeguarding and promoting the interests of the Authority and the communications sector. In addition, the Board has responsibility to the broader community of stakeholders, which includes its licensees, consumers, employees and policy makers. Detailed functions of the Board are stated in the Act and elaborated in the Board Charter.

Three Board members retired during the reporting period, thus resulting in three vacancies at year end. The Board held a total of eight meetings in 2014/15, which were ordinary and extra-ordinary.

During the year, the Board, among other business, transacted the following:

- Approved the 2015/16 budget;
- Approved the audited financial statements for 2013/14;
- Considered and granted licences for television, radio broadcasting and network services;
- Reviewed the charters of the Board and of the Committees;
- Considered various policies and administrative rules; and
- Reviewed the implementation of the strategic business plan of the Authority.

### Committees

The Board has two Committees, namely: the Human Resources and Remuneration Committee (HRRC) and the Finance and Audit Committee (FAC). The Communications Act provides for the establishment of two additional committees which are statutory in nature. These are the Universal Service Fund Committee (USFC) and the Broadcasting Disputes Resolution Panel (BDRP) which committees oversee specific aspects of the communications sector.

# REPORT ON CORPORATE GOVERNANCE

## Human Resources and Remuneration Committee

The HRRC assists the Board to ensure that the Authority adopts appropriate human resources strategies and policies consistent with best practices and business requirements. The HRRC makes recommendations concerning the human resources policies to be adopted by the Board in order to recruit high calibre employees, and retain and motivate employees so as to achieve enhanced performance.

The committee held three meetings during which it worked on the remuneration strategy. It also reviewed the remuneration structure of the staff of the Authority.

## Finance and Audit Committee

FAC assists the Board in fulfilling its oversight function in financial reporting; the system of internal control; the audit process; the monitoring of LCA for compliance with laws and regulations; and risk management. Furthermore, the FAC, on behalf of the Board, is responsible for the oversight function in connection with processes for the identification and assessment of the Authority's general risk profile, for reviewing the outcomes of risk management processes and for, thereafter, advising the Board accordingly.

The business of the committee in this reporting period included the review of the committee charter, the review of the budget of the Authority for the 2015/2016 financial year and reviewing quarterly management reports.

## Universal Service Fund Committee

The USFC was established under the Communications Act 2012 and is responsible for the management and administration of the Fund (USF); for consulting with operators on their annual expansion programmes; selecting areas for infrastructure development under the Fund, and for allocating funds for projects.

During the reporting period, the committee considered the budget of the Fund, considered and approved areas earmarked for development of communication services infrastructure under the support of the Fund, awarded projects to the competing network operators and reviewed progress reports on the activities of the Fund. The committee held five meetings during the year.

## Broadcasting Disputes Resolution Panel

The duties of the Panel, as outlined in the Act, are:

- to prepare a broadcasting code; and
- to resolve disputes regarding broadcasting content and refer all unresolved disputes to the Authority.

The Panel met 12 times where it considered the draft broadcasting code, complaints on broadcasting content, corporate identity of the panel (BDRP logo), studio guidelines for broadcasters and ways of developing a BDRP Charter. The code has been completed and is ready for presentation to the Minister. All complaints were resolved. The charter, studio guidelines and the corporate identity were not completed at year-end. The charter will guide the conduct of the Panel while studio guidelines will assist broadcasters on how to conduct live broadcasts in a professional manner. The corporate identity will assist the Panel in its marketing programme.



## REPORT ON CORPORATE GOVERNANCE



Honourable Minister of Communications, Science and Technology, Mr. Khotso Letsatsi, during the official opening of Onyx 357 FM.

### Internal Audit

The Internal Audit function provides assurance on governance, risk and internal controls. The function reports directly to the Finance and Audit Committee to enhance its independence.

During the year under review, the Authority resolved to outsource the services of the Internal Audit function under a two-year contract to a preferred service provider, namely, Moteane, Quashie and Associates. The intention is to harness various internal audit skills available from a company. The Authority developed the LCA Risk Register for 2015/16 which is aligned to the strategic business plan of the Authority

## CHIEF EXECUTIVE'S REPORT

*"In 2014/15, mobile services in Lesotho continued to grow and mobile connections reached a total of 2,289,315 from a figure of 1,753,323 reported last year."*



This report covers activities of the financial year 2014/15 which is the second year of the fifth strategic business plan of the Authority. The 2013/14 - 2015/16 Strategic Business Plan is anchored on 11 strategic objectives that articulate the core business of the Authority for the three years of the planning cycle. The eleven strategic objectives of the plan were: promotion of broadband; promotion and management of competition; promotion of universality of services; protection and empowerment of consumers; promotion of local participation and corporate social investment (CSI); promotion of quality communications services; monitoring of developments and performance of the sector; enforcement of regulatory framework; ensuring efficient management of finite resources; promotion of emerging ICTs and management of related issues, and ensuring efficiency and sustainability of LCA's business.

The year had a flurry of activities in pursuit of the above mentioned objectives. These activities are elaborated further in this report. These included quality of service regulation, competition management regime study, commissioning of quality of service equipment, deployment of electromagnetic field (EMF) measuring tool, and upgrading of broadcast logging equipment in addition to the regular programmes of the Authority.



# CHIEF EXECUTIVE'S REPORT

## CORPORATE SERVICES

### Human Resources Management

The Authority places great value on its human resources. It is through human resources that it is able to provide services to various stakeholders and to deliver on its mandate.

The total staff compliment of the Authority as at end of March 2015 stood at 38, out of which 28 were professionals and with one vacancy of Manager Licensing and Compliance. The gender composition of staff was at 18 female and 20 male staff members. The staff total of 38 was similar to that of the last reporting period. The Authority filled the positions of Manager ICT and Registrar with Mr. Molupe Molupe and Mr. Moshoeshoe Ntaote, respectively.

The Authority continued to implement the performance management system (PMS) in order to maintain an environment where performance and productivity are enhanced. The system aims at ensuring that corporate goals and objectives are achieved. The system is now integrated into the remuneration policies of the Authority.

### Staff training and meetings

The Authority invests in the skills development of its staff members. It also attaches great importance to their training given the dynamic nature of the sector it regulates. Training is provided to staff through individual courses, attendance of workshops and conferences. It is also provided through in-house training and below are some of the workshops which were held for staff.

**Table 1: In-house training**

Title of the training workshop	Dates held	Venue	Objectives
Geographic Information System (GIS)	13 – 14th May 2014	Maseru	Designing data collection tools using the data collection gadgets
Long Term Evolution – Part II	19 – 21st May 2014	Maseru	Regulatory aspects of the Long Term Evolution
Performance Management System	5-6th August 2014	Maseru	Improving performance management issues

### Construction of LCA Office Complex

The construction of the LCA office building at Old Europa in Maseru was still underway at the end of the reporting period. Construction work commenced in January 2014 and was expected to be complete at end of March 2015. However, this did not happen and original completion date was extended into the next financial year (2015/16). The office building project comprises a three storey concrete frame building with a basement car park, external parking bays, external hard-standing areas and soft landscape areas. The total area of the building will be 7,230 square metres. The building will provide offices to staff of the Authority and some rental space. The construction work is carried out by LSP Construction under the supervision of LMJ Consulting and the project is funded by the Authority and a loan from Nedbank Lesotho.

# CHIEF EXECUTIVE'S REPORT

## LICENSING, COMPLIANCE AND CONSUMER AFFAIRS

It is the mandate of the Authority to facilitate entry of service providers into the Lesotho communications sector and facilitate provision of new communications services. The Authority does this, through, among other things, granting licences and authorisations for communications services. The Authority is also charged with the responsibility of ensuring that licensees comply with legal and licence requirements.

### Licensing matters

The telecommunications market is still dominated by two major network operators which have been issued with communications licences. These are Econet Telecom Lesotho (ETL) and Vodacom Lesotho (VCL) and both provide converged communications services. The two are Lesotho registered companies. ETL shareholders are Econet Wireless Holdings at 70% and the Government of Lesotho at 30%. VCL shareholders are Vodacom International Holdings and Sekhametsi Investment Consortium, which hold 80% and 20% equity stakes respectively.

Comnet Lesotho (Pty) Ltd was granted a network services licence authorising the licensee to source international bandwidth directly. Furthermore, the licences for landing rights for Orbcomm International Holdings and MultiChoice South Africa were renewed. The former provides fleet management applications while the latter provides digital satellite television broadcasting services.

Vodacom Lesotho has submitted an application for renewal of its Public Communications Service Licence which is classified as a Unified Licence in the current licensing classification and fee structure. Licences for major network operators are valid for 20 years and the current licence of VCL expires in June 2016. The evaluation process of VCL's application for license renewal was underway and the Authority would make its determination in due course.

The Authority renewed sound broadcasting licences for the Department of Physics and Engineering (DOPE) at the National University of Lesotho, Fill the Gap Ministries and the Lesotho Evangelical Church of Southern Africa for a period of ten years each after the expiry of their initial ten-year licence period. The licence of Thaha-Khube FM was renewed for two years due to failure by the licensee to fulfil its licence obligations. New sound broadcasting licences were granted to Onyx 357 Broadcast & Decor, Tabernacle FM, Maha Group trading as "MXXL FM", Molisa Ea Molemo and Voice of God trading as "Prophetic Voice" for a period of ten years.

The Authority has also granted a ten-year television licence to MultiChoice Lesotho for provision of digital terrestrial television services in Lesotho. Table 2 list the number of licensees in each category while table 3 lists all broadcasting licensees as at end of March 2015.



## CHIEF EXECUTIVE'S REPORT

**Table 2: Number of licensees, authorisations and registered service providers**

Type of Licence or Authorisation	March 2014	April – June 2014	July - September 2014	October – December 2014	March 2015
Public Communications Service Providers	2	2	2	2	2
Data Communications	1	1	1	1	1
Network Services	3	5	5	5	5
Applications & Numbers (Premium Rate Services & Toll-free Numbers)	7	7	8	8	10
Radio Alarms	3	3	3	2	2
Television Broadcasting	2	2	2	3	3
Sound Broadcasting	16	15	15	19	20
Two way radios	63	63	63	62	62
Radio Amateurs	57	57	57	57	61
Telemetry Stations	3	3	3	3	3
Private Network	1	1	1	1	1
Radio Pagers	1	1	1	1	1
Landing Rights	2	2	2	2	2
Aircraft Stations	6	6	6	6	6
Aeronautical Services Radio Determination	1	1	1	1	1



Two way radio.

# CHIEF EXECUTIVE'S REPORT

**Table 3: Licensed radio and television stations in Lesotho**

No.	Broadcaster	Owner	Established	Licensed Period	Classification
1	Radio Lesotho	Lesotho Government	1964	2012-2022	Public
2	Peoples' Choice FM	People's Choice Broadcasting Studios	1998	2012-2022	Private
3	Moafrika FM	Third World Evangelical Movement	1999	2012-2022	Private
4	Radio Spes Nostra	Roman Catholic Church	1999	2012-2022	Private
5	Joy FM	Multi-Media Communications	1999	2012-2017	Private
6	DOPE FM	National University of Lesotho	2004	2012-2022	Community
7	Harvest FM	Harvest FM	2004	2012-2022	Private
8	Thaha-Khube FM	Thaha-Khube FM	2004	2014-2016	Commercial
9	Jesu ke Karabo FM	Fill the Gap Church	2004	2014-2024	Private
10	KEL Radio	Lesotho Evangelical Church of Southern Africa	2004	2014-2024	Private
11	Ultimate FM	Lesotho Government	2006	2006-2016	Commercial
12	LM Radio	LM Radio	2013	2012-2022	Private
13	Tšenolo FM	Tšenolo FM	2012	2013-2022	Private
14	Mafeteng Community Radio	Mafeteng Multi-Media Association	2012	2012-2022	Community
15	Motjoli FM	Motjoli FM	2013	2013-2023	Community
16	Moeling FM	Botha-Bothe Multi-Media Association	2013	2013-2023	Community
17	Onyx 357 FM	Onyx Broadcast and Decor	2014	2014-2024	Commercial
18	Molisa ea Molemo FM	Molisa ea Molemo	2014	2014-2024	Private
19	Tabernacle FM	Tabernacle Christian Association	2014	2014-2024	Private
20	Prophetic Voice	New Testament Church	2014	2014-2024	Private
21	MXXL	Maha Group	2015	1015-2025	Private
22	Lesotho TV	Lesotho Government	1988	2012-2022	Public
23	TBN	TBN	2000	2012-2022	Private
24	Go-TV	MultiChoice Lesotho	2014	2014-2024	Commercial

## Migration to Digital Terrestrial Broadcasting

The MCST established the Digital Migration Unit (DMU) to implement the national programme on the digital terrestrial broadcasting. The Authority works in collaboration with the unit. For its part, the Authority has put in place the licensing framework which would accommodate new services and changes brought about by digital broadcasting. It provides for separation of broadcast services; broadcast content, signal distributors and multiplexers. When the migration to digital broadcasting project is completed, more channels for television broadcasting will be available. One of the most important spinoffs of the process will be to free some spectrum for use in mobile communications services.



## CHIEF EXECUTIVE'S REPORT

MCST has awarded contracts for the development of digital transmitters countrywide, commissioned the development of set-top boxes and embarked on a public education programmes. The Unit and the Authority also collaborated to prepare draft regulations on digital broadcasting for adoption by Cabinet and Parliament.

### Complaints on broadcasting content

The Broadcasting Disputes Resolution Panel has been established as per the Communications Act 2012 to receive and resolve disputes on broadcasting. In order to publicise the work of the Panel and the procedure for complaint handling and resolution on broadcasting matters, broadcasters were directed to air a notice on a three stage broadcasting complaints procedure. The notice informed listeners to lodge their complaints with the radio station and where a resolution is not found, to approach the Panel. The Panel is expected to resolve all complaints brought to it. However, where it is unable to resolve a dispute, it shall refer such matter to the Authority with a recommendation within 90 days.

The Panel received a total of four complaints lodged against People's Choice FM, Moafrika FM, Harvest FM and Tšenolo FM during the year under review. All the complaints were resolved and most of these resolved around the release of recordings by broadcasters to complainants.

### Other complaints on communication services

The Authority continued to receive complaints from members of the public but the majority of them were not formal complaints. Some were resolved by advising complainants on the procedure to follow in order to have their complaints addressed and resolved. Some of these complaints were resolved through interactions with the service providers who were expected to attend to their customers. Table 4 outlines complaints which were received.

**Table 4: Complaints received and status**

Service provider	Nature of complaint	Status of resolution
Vodacom Lesotho	The complainant continued receiving bulk SMS despite request to be omitted from such service	Resolved
Econet Telecom Lesotho	Service was terminated repeatedly despite availability of funds in the account	Resolved
Econet Telecom Lesotho	Alleged security hacking by ETL into complainant's communications systems	Not resolved

### Review of legal framework

The Authority has developed subsidiary legislation in the form of Rules in terms of Communications Act 2012. These Rules address issues of licensing, spectrum assignment and usage, numbering resources, type approval of equipment, fair competition, interconnection, roaming regulation, infrastructure sharing, Universal Service Fund, broadcasting, consumer protection, inter-operator relations, administrative issues, general provisions and enforcement. The Rules will come into operation once published in the gazette.

The Authority has further developed a legal framework through which Quality of Service in the communications sector of Lesotho would be regulated. The QoS refers to the totality of characteristics of a telecommunications service that bear on its ability to satisfy stated and implied needs of the service. Through this framework, the

## CHIEF EXECUTIVE'S REPORT

Authority aims to achieve minimum guaranteed levels of standards that consumers of communications services may expect in Lesotho. This legal framework is also awaiting publication in a gazette.

The Authority assisted MCST in transposing the SADC model laws into draft Bills and these were: Computer Crime and Cybercrime Bill, Electronic Transactions and e-Commerce Bill and Data Protection Bill. The rationale behind the drafting of these bills is that cybersecurity is a national policy matter because the illicit use of cyberspace could hamper economic, public health, safety and national security activities. The draft bills are ready for presentation to Parliament during its sittings. Furthermore, the Authority assisted MCST in the development of the Broadband Policy for Lesotho. This policy will further assist in the development of the sector.

The Broadcasting Disputes Resolution Panel has drafted a Broadcasting Code. The code will be used in regulating the broadcasting subsector. The Authority assisted the panel in its public consultation and finalisation prior to submission of the draft Code to the Hon. Minister for consideration.

### Compliance issues

The Authority employs a variety of measures to ensure that its licensees comply with their licence conditions. During the year under review, some of the measures that the Authority employed included capacity building for the licensees, meetings and monitoring.

The Authority organised three training workshops within a period of five months to empower and build capacity amongst broadcasters on compliance with broadcasting regulatory requirements during elections period. The workshops were held on the 7th October 2014, 5th December 2014 and 3rd February 2015. These measures were employed because conflicts around election time often play themselves out on airwaves, resulting in some broadcasting stations compromising their licence obligations. Collaboration with international cooperating partners like the United Nations Educational, Scientific and Cultural Organization (UNESCO) and United Nations Development Programme (UNDP) was enlisted. Furthermore, group and individual meetings were held with broadcasters where the main subject was compliance.

The Authority also monitors its licensees to ensure that they comply with their licensing obligations by conducting visits to their premises. Inspections were carried out with various radio stations and some of the measures taken were as follows:

- Inspections were undertaken at LNBS where the majority of radio stations are hosted to verify that the radio stations were broadcasting at the authorised broadcasting power. Each licensee's broadcast power is stipulated in its licence.
- Tšenolo FM was directed to relocate their transmission equipment to LNBS site at Berea plateau as per its licence requirements;
- Dope FM at NUL was directed to comply with its licence renewal obligations.
- Thaha-Khube FM was directed to correct its programme recording obligations.
- A follow-up was made on Moeling FM to ensure that it commenced operations as licensed and that it fulfilled its obligations. The licensee took measures to commence operations.



# CHIEF EXECUTIVE'S REPORT

## REGULATORY RESOURCES AND TECHNOLOGIES

It is the mandate of the Authority to ensure efficient and equitable allocation of finite resources which are necessary for the provision of communication services such as the radio frequency spectrum and numbering. The radio frequency spectrum and numbers facilitate wireless communication.

In the year under review, the Board approved the Radio Frequency Spectrum Management Policy of 2014. This policy replaces a similar policy of 2008. The objectives of the policy are to implement desired world best practices in spectrum management principles for the Authority. These are as follows:

- To protect national interests through coordination and harmonization of the Lesotho National Frequency Spectrum Allocation Plan (NFAP) with international and regional band plans;
- To ensure efficient and effective allocation and use of radio frequency spectrum resource through rationalization strategies;
- To support and promote innovation, research and development in radiocommunication especially to enable broadband technology diffusion and uptake in Lesotho; and
- To assure the end users of good quality services.
- Subsequently, the Radio spectrum management guidelines were developed. The policy and the guidelines were publicised to stakeholders and they open the market for new business opportunities.

### Spectrum planning and management

In the year under review, radio frequency spectrum was assigned to major network operators; television broadcasting; sound broadcasting; visiting television broadcasters for major events; network services, security companies; amateur radio and network services. The Authority first assigned spectrum for Long Term Evolution (LTE) to Vodacom Lesotho in the 1,800 MHz band in the last reporting period. During the reporting period, Econet Telecom Lesotho also rolled out its LTE network and was assigned spectrum as well. The total amount of spectrum that was newly assigned for all services, totalled 1189.2 MHz and that figure represents a significant increase from that of last year, which was 581.625 MHz. Table 5 below shows spectrum assigned in 2014/15.

Table 5: Spectrum Assigned in 2014/15				
	MHz	Broadcasting (MHz)	Access Links (MHz)	Fixed Links (MHz)
<b>Term</b>				
Q1	0	0.6	0	605.5
Q2	0.0125	88.0	50.0	168.0
Q3	0.0125	0.6	0	258.1
Q4	0.075	1.2	0	17.1
<b>Sub-Total (MHz)</b>	<b>0.1</b>	<b>90.4</b>	<b>50</b>	<b>1,048.7</b>
<b>Total (MHz)</b>				<b>1,189.2</b>



# CHIEF EXECUTIVE'S REPORT

## Spectrum Monitoring

Spectrum monitoring is one of four key spectrum management functions which include spectrum planning, spectrum engineering and spectrum authorisation. Spectrum monitoring assists in planning and use of frequencies, avoiding incompatible usage and identifies sources of harmful interference. Key spectrum monitoring activities explained in this section include data collection and compliance enforcement.

Lesotho is faced with a challenge of signal spillover given its enclave location within South Africa. In order to address this position, the Authority and the Independent Communications Authority of South Africa (ICASA) signed a Memorandum of Understanding (MoU) through which they address spillage of GSM frequencies between the two countries. The committee tasked with dealing with these issues, the Cross-Border Communication Forum (CCF), had decided that in order to solve the signal spillage of the Maputsoe/Ficksburg area, network operators of both countries, should re-engineer their base stations in order to reduce spillage into each other's territory without compromising coverage in each country. Where a re-engineering solution was not possible, the base stations were to be relocated to suitable alternative places. These measures were expected to be completed by June 2015.

Throughout the year, drive tests aimed at monitoring the levels of the GSM signal spillage were undertaken specifically in the Maputsoe area. These tests were done by the joint LCA and ICASA teams. The exercise was carried out for the purpose of monitoring whether there was any change after the RSA operators had implemented the agreed action plans of the CCF. The results of the tests indicated significant improvements though more work still needs to be done in this area.

The Authority has acquired an electromagnetic field (EMF) measuring tool. The tool will measure the levels of electromagnetic radiation emanating from transmission towers to ensure that the levels comply with the safety limits. The International Agency for Research on Cancer (IARC), a specialized unit of the World Health Organisation (WHO), has set standards for electromagnetic fields which the Authority will use as a guide for measurements. Trial measurements were taken within Maseru to check the levels of electromagnetic radiation emanating from transmission towers for broadcasting and mobile BTSs, and the trial sites were found to be in compliance with International Commission on Non-Ionizing Radiation Protection (ICNIRP) guidelines for human exposure (safety limits).

The Authority also took field measurements in the 1,800MHz frequency band to establish the status of the unassigned spectrum in these bands. This was undertaken to facilitate processing of spectrum application by ETL.

## Implementation of type approval guidelines

The Radio Spectrum Policy of 2014 states that in order to attain good quality services, for public health, safety and protection of the environment, radio equipment operators are required to use equipment which has been type approved by the Authority, or which bears the type approval marks recognised by the Authority. Type-approving refers to the testing and certification process of equipment for its conformity to meet a minimum set of regulatory, technical and safety requirements. In 2014/15, fifty (50) type approvals were made on devices that use both licensed and un-licensed bands. The high numbers of these devices were low power units that pose minimal threats of harmful interference such as car head units, mobile phones and immobilizers.



## CHIEF EXECUTIVE'S REPORT

### Quality of Service Monitoring

The Authority has acquired equipment to monitor the quality of services (QoS) provided by network operators. The equipment has been set-up and has already been used to conduct trial tests. During the trial tests, the parameters were being processed into a legal framework, the equipment was tested to measure the following parameters: call setup time, dropped calls and blocked calls. In the meantime, the Authority is in the final stages of determining the appropriate guidelines on performing QoS test measurements which will be used for enforcement of QoS regulation. These regulations (QoS Rules) are expected to be legislated in the 2015/2016 financial year.

### Numbering Resources

The Authority allocates numbering resources to service providers for use by the subscribers and other users. In order to monitor whether the level 3 or the Premium Rate Messaging Service (PRMS) numbers were being used efficiently, the Authority carried out an audit of these numbers. The result of the audit revealed that some service providers were not using the allocated numbers and these numbers were therefore reclaimed by the Authority. Seven new numbers were provided to service providers.

## ECONOMICS, RESEARCH AND MARKET DEVELOPMENT

### Sector Performance

The communications sector continued with its overall growth with the number of subscribers for mobile services recording the greatest increase. The number of communications towers increased and thus broadened the geographic area receiving services and the number of people having access to mobile services.

The year commenced with 1,800,776 and ended with a total of 2,330,438 subscriptions as at 31st March 2015. The growth pattern followed the trend of the past years whereby the mobile subscriptions were the drivers behind the growth while there was contraction in the growth of fixed services. Mobile subscribers increased to 2,289,315 while the fixed service subscribers decreased to 41,123. The market share of mobile connections increased to 98% compared to that of fixed connections at 2%. Table 6 presents some indicators of sector performance including number of subscriptions.

In Lesotho, the number of connections for both fixed and mobile services per every 100 inhabitants, normally referred to as teledensity, or in case of mobile services only, as SIM card penetration, has been growing steadily over the years. Teledensity provides an objective and fair reflection about the development of a communications sector. During the period under review, overall sector teledensity for both fixed and mobile subscribers increased from 96% to 124% based on the 2006 population census figure of 1,880,661<sup>1</sup>. The teledensity trends are reflected in Figure 1. Similarly, the geographic area coverage which has access to communications service has also increased given the development of new base transceiver stations (BTSS) in new areas by both network operators, on their own, or through the assistance of the Universal Service Fund. It is estimated that the land coverage is now just

<sup>1</sup> Data based on BOS Census, 2006.

## CHIEF EXECUTIVE'S REPORT

over 90% of the country. The areas which have services of mobile network services are reflected on the coverage maps of the two network operators and the consolidated coverage map depicted in Figures 2, 3 and 4 respectively.

### Fixed Services

Fixed services continued to decline and by the end of March 2015, subscribers for fixed voice services had fallen to 41,123 from 50,453 in the corresponding period in 2014. Fixed teledensity declined to 2% while the market share for fixed services remained also at 2%. Internet subscription for fixed services remained at 1% of the total internet subscribers. On the other hand, internet usage on mobile handsets stood at 38%.

### Mobile Services

In 2014/15, mobile services in Lesotho continued to grow and mobile connections reached a total of 2,289,315 from a figure of 1,753,323 reported last year. This translates into a mobile teledensity of 122%. During the year, the prepaid subscribers on mobile services continued to retain a higher share (98%) of all mobile subscribers compared to 2% for post-paid subscribers. Internet users on mobile services, mainly on Long Term Evolution (LTE) or 4G, 3G and Wi-Max, realised an exponential increase from 551,425 to 709,491, driven mostly by popularity and penetration of smart mobile handsets. Mobile internet subscribers continued to represent the majority of internet users and accounted for 99% of the total subscribers.

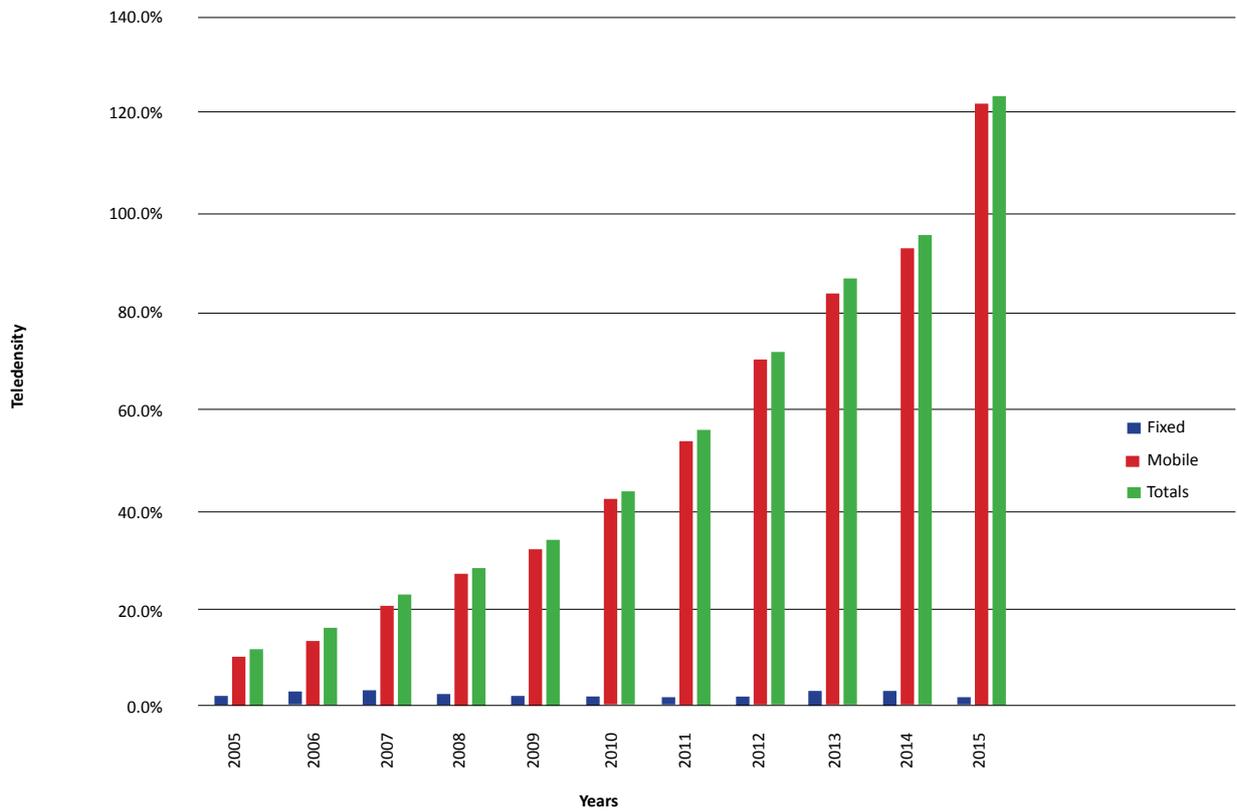
Table 6: Summary of selected ICT indicators as at end of March 2015					
Indicator	Fixed Services 2013/14	Fixed Services 2014/15	Mobile services 2013/14	Mobile services 2014/15	Total 2014/15
Voice subscribers	50,453	41,123	1,753,323	2,289,315	<b>2,330,438</b>
Teledensity –Voice (%)	3	2	93	122	<b>124</b>
Internet services	3,373	2,254	554,798	709,491	<b>711,745</b>
Internet users per 100 inhabitants	1	2.2	29	38	<b>40</b>
Leased line subscribers	350	75	197	253	<b>328</b>
Public phones and tele-bureaus	18	18	15,832	16,399	<b>16,417</b>
Number of BTSs	-	-	411	447	<b>447</b>





# CHIEF EXECUTIVE'S REPORT

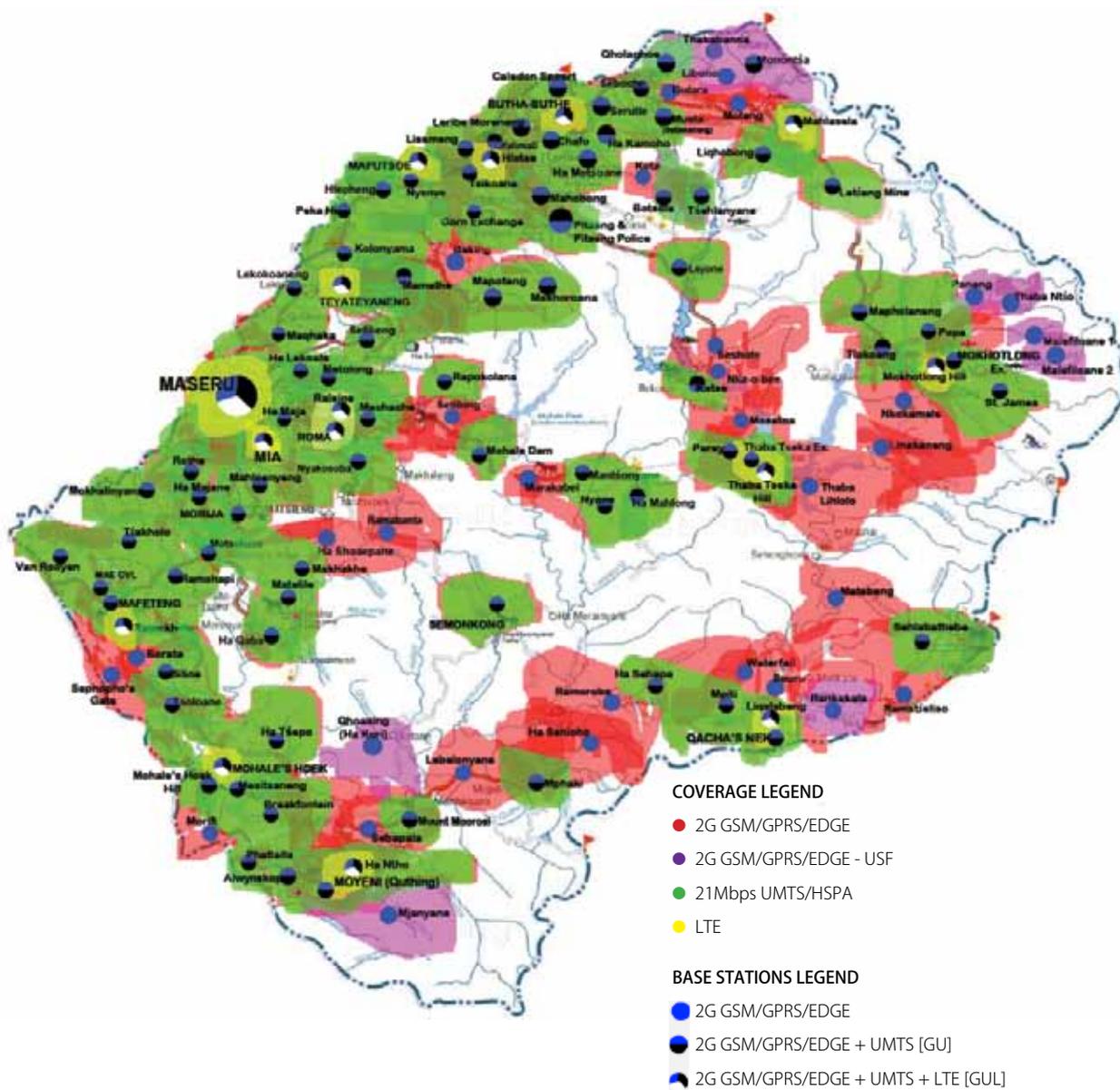
Figure 1: Sector teledensity trends 2005-2015



Fixed phone.

# CHIEF EXECUTIVE'S REPORT

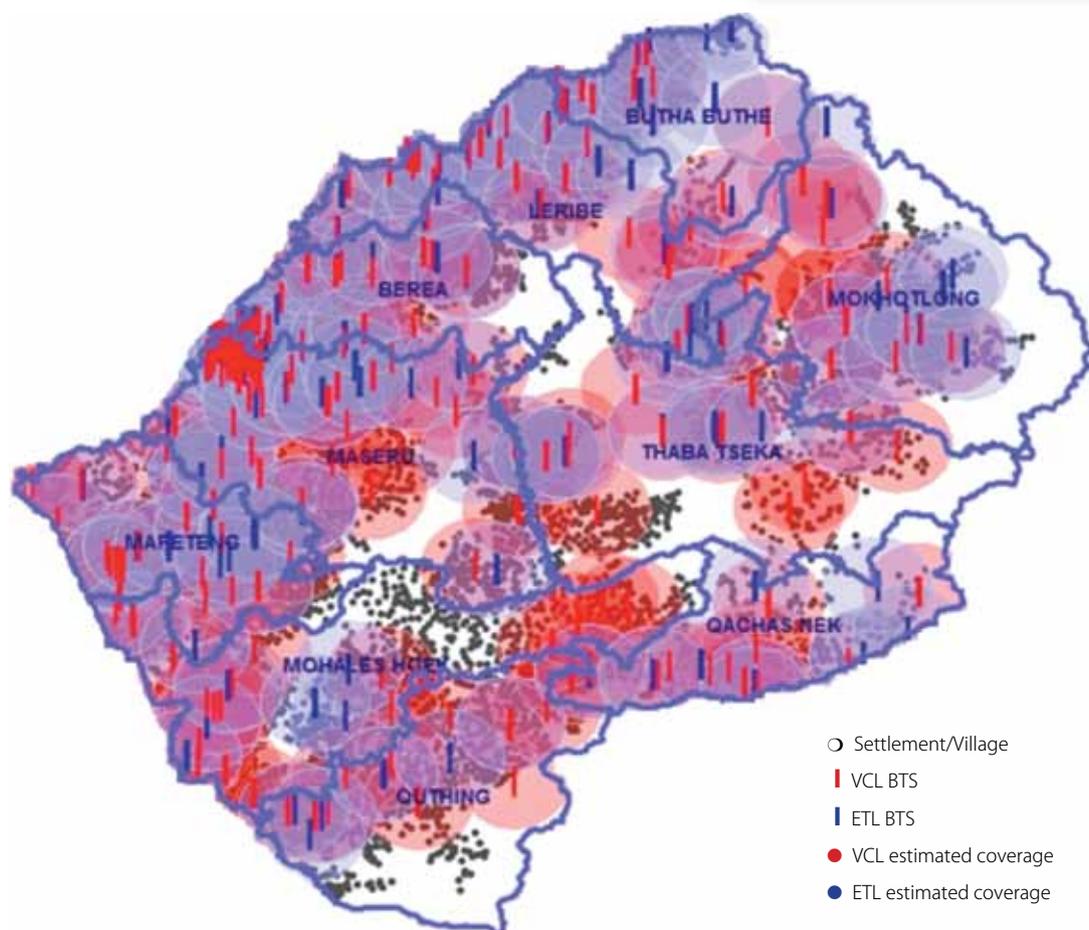
Figure 2: Econet Telecom Lesotho coverage map as at the 30<sup>th</sup> June 2015





# CHIEF EXECUTIVE'S REPORT

Figure 4: Combined ETL and VCL coverage map as at the 31st March 2015



## Tariff Regulation

In compliance with their regulatory obligations, network operators are required to submit to the Authority proposed tariffs of new services, variations or promotions before they could implement them. In the reporting period, the operators continued to make such filings and these were considered by the Authority. When considering the new filings the Authority is guided by, amongst other things, the sustainability of the sector, relevant costs of service providers, the need to protect consumers and promote competition in the telecommunications market.

## Interconnection rates

In general, interconnection allows that people at two different places anywhere in the world communicate across different networks. Interconnection rates are the fees that the network operators pay to each other for terminating calls on each other's networks. In 2012, for the first time, the Authority made a determination on interconnection rates following a three-year glide-path. The last rates of this determination entered into force on October 2014 and the rates that were applicable were Mo.38. This glide-path ends on the 14th October 2015, and the Authority will issue a new determination. The reduction of interconnection rates has had a ripple effect in that some retail tariffs were also reduced.



# CHIEF EXECUTIVE'S REPORT

## STUDIES AND SURVEYS

During the reporting period, the Authority undertook three major studies, namely, the Competition Management Regime (CMR) study; the ICT Indicators Survey in Business, Health, Education and Tourism and the ICT in Higher Education study. In addition, the Authority continued monitoring the performance of internet cafes through its bi-annual surveys.

### Competition Management Regime

The Authority engaged Incyte Consulting, a specialist consultancy firm on telecommunications policy, regulation and strategy, to prepare a Competition Management Regime for the telecommunications sector in Lesotho. The study would be used to develop regulatory tools that would be used to regulate competition in telecommunications and apply remedies to ensure a vibrant competition in the market.

Incyte, as a first step, completed an Inception Report which contained an overview of the market for telecommunications services in Lesotho and a high level record of the regulatory environment applicable to licensees and to competition. An introduction to market analysis and the factors leading to a designation of operators with significant market power (SMP) was also included. At this stage, Incyte also conducted a series of interviews with stakeholders in the market.

Subsequently, Incyte, produced the First Report which followed extensive interrogation of data provided by the network operators and which examined the following key issues which formed part of the CMR:

- The appropriate time horizon for the market review;
- An outline of the process for consultations on the matters to be dealt with in a CMR;
- The manner in which markets have been determined and analysed to determine their individual susceptibility to competition including the hypothetical monopolist test (HMT) and the three criteria test (3CT) as applied in other jurisdictions and what might be best for Lesotho, with a resulting list of 14 recommended markets; and
- A general approach to determine “dominance” (as defined in the Act) in each relevant market, which resulted in the identification of each of Vodacom Lesotho (VCL) and Econet Telecom Lesotho (ETL) as having significant market power (SMP) and therefore dominance.

The Second Report considered the potential for harm and the type of harm that might occur if dominance was abused by an operator with SMP in each relevant market. It then considered what remedies might be available to LCA or appropriate even if not specifically mentioned in the Act, and concluded with recommendations for consultation with stakeholders and for consideration by LCA.

In the Final Report, Incyte has identified the 14 markets that LCA approved for analysis along with the dominant licensee in each market, and the list of potential remedies to address the potential harm identified in the Second Report. The Final Report sought to conclude by presenting recommendations on final remedies for the use by LCA to prevent the risk of harm arising from a position of dominance in any market in Lesotho.

# CHIEF EXECUTIVE'S REPORT

## ICT Indicators Survey in Business, Health, Education and Accommodation

The Authority had earlier embarked on a nationwide survey on ICT Indicators to assess the state of information and communication technologies (ICTs) within the four sub-sectors of the economy, namely, business, education, health and tourism sectors. The importance of the information collected on these sectors of the economy is to have reliable data for planning and developmental purposes. For the present reporting period, data geocoding and report writing were completed and the final report will be completed in the next reporting period.

## ICT in Higher Education

The Authority has an ongoing study on the state of ICTs in the higher education institutions in Lesotho. This data is essential in the development of education at tertiary level as well as in implementing programmes for use of ICTs in higher education. The data collection instrument for the ICT in Higher Education study was finalised and consequently, the data collection exercise was started. Data collection has been done for all but two of the 22 institutions of higher learning in the study. In the meantime, the development of the data entry code book was completed and the data capturing has been started.

## Internet Cafés surveys

The Authority has been tracking the growth of internet cafés throughout the country since 2009. The importance of internet cafes is their value in providing public access points for internet services. The Authority undertakes this study by collecting statistics on bi-annual basis relating to the number and attributes of functioning internet cafés throughout Lesotho.



The number of internet cafés declined from 69 to 62 during the reporting period. This decline could be attributable to many factors including high rental rates for business premises, increasing use of tablets and smartphones and the proliferation of hotspots. Table 7 below gives a snapshot of the trends of internet cafés by district in the past six years.

Table 7: Number of Internet Cafés in Lesotho 2009/10-2014/15						
District	March 2009	March 2010	March 2011	March 2013	March 2014	March 2015
Botha-Bothe	2	4	6	5	5	5
Leribe	5	5	9	12	11	7
Berea	2	2	3	4	6	7
Maseru	11	15	23	34	29	25
Mafeteng	3	3	3	6	6	5
Mohale's Hoek	2	3	3	3	2	2
Quthing	0	2	2	2	2	3
Qacha's Nek	2	2	5	3	3	4
Mokhotlong	1	1	2	6	4	3
Thaba-Tseka	0	1	2	2	1	1
<b>Total</b>	<b>28</b>	<b>38</b>	<b>58</b>	<b>77</b>	<b>69</b>	<b>62</b>



# CHIEF EXECUTIVE'S REPORT

## UNIVERSAL SERVICE FUND

The mandate of the Universal Service Fund (USF) is to ensure that all inhabitants of Lesotho have access to voice telephony services, internet services, broadcasting services and basic postal services. In order to achieve this mandate, during the financial year 2014/15, the Fund implemented projects whose aim was to extend mobile network coverage to unserved areas and provide broadband internet access to schools. During the reporting period, the total expenditure on network expansion projects was M10.6 million. The Fund also supported the operations of the Lesotho Internet Exchange Point (LIXP) and developed the infrastructure for the national domain name. The national domain name will be hosted with the LIXP.

### Programme for 2014/15

In the 2014/15 financial year, the bulk of the activities of the Fund focused on the profiling of areas which were in need of mobile network services and the implementation of mobile network projects. During this period, 25 areas were profiled and five projects were completed. The Fund continued to provide support to the development of critical internet infrastructure in the country by supporting the Lesotho Internet Exchange Point (LIXP) and developing the infrastructure for the top-level country code domain (ccTLD) name.

### Mobile Network Expansion

#### Profiling - Mobile Network Expansion

In 2014/15, the Fund embarked on a process of profiling areas that had been reported to have insufficient or lacked mobile network services. The list of areas was based on submissions from District Administrations and District Council Offices following a request made by the Fund. Other sources of information about areas in need of mobile network services were Parliamentary questions as well as requests made by village representatives to the Fund.

Out of the 25 areas which were profiled, 16 were found to be unserved or had no services at all while the other nine had service except for a few pockets where the signal could not reach certain locations due to topography. At some areas, there were claims of lack of service where there was only one network operator or absence of a preferred network service. The total number of villages which were found to be in need of mobile network services was 318 and with a total population of about 47,400. Districts in which profiling took place were: Berea, Botha-Bothe, Leribe, Maseru, Mohale's Hoek, Mokhotlong, Quthing and Thaba-Tseka. The remaining districts of Mafeteng and Qacha's Nek would be assessed in the next reporting period.

#### Projects - Mobile Network Expansion

During the period under review, the Fund implemented four mobile network expansion projects. These projects were aimed at extending mobile network coverage to areas of Manemaneng in the Thaba-Tseka district; Rankakala in Qacha's Nek district; Moremoholo in Mokhotlong district; Ha 'Matsa in Mohale's Hoek district, and Mahlachaneng in in Quthing district. In all, five sites were built in 2014/15. The Moremoholo project had two sites while others had one each. This extended coverage to about 9,560 people in 91 villages. Table 8 and Figure 5 show the distribution of projects by year and by district.

## CHIEF EXECUTIVE'S REPORT

Table 8: USF GSM Projects 2009 - 2015						
Year	Project Name	District	Operator	Number of Villages	No. of Sites	Population
2009/10	'Malefiloane	Mokhotlong	ETL	21	2	4,488
2009/10	Makhaleng	Maseru	VCL	26	1	2,966
2009/10	Tebellong	Qacha's Nek	VCL	12	2	1,982
2010/11	Hloahloeng	Mohale's Hoek	VCL	28	3	3,957
2010/11	Litsoetse	Thaba-Tseka	VCL	10	1	3,363
2010/11	Makhunoane	Botha-Bothe	ETL	13	2	2,507
2010/11	Tsatsane	Quthing	VCL	36	1	6,796
2011/12	Malibamatšo	Leribe	VCL	20	1	5,155
2011/12	Malumeng	Mafeteng	VCL	14	1	3,735
2011/12	Pulane	Berea	VCL	14	1	5,390
2011/12	Rapokolana	Maseru	ETL	11	1	1,927
2011/12	Semena	Thaba-Tseka	VCL	24	1	6,238
2012/13	Bolikela	Mafeteng	VCL	22	1	2,451
2012/13	Matsoku	Mokhotlong	VCL	20	1	1,522
2012/13	Mjanyane	Quthing	ETL	13	1	1,011
2012/13	Monontša	Botha-Bothe	ETL	28	2	2,627
2012/13	Tšehlanyane	Leribe	ETL	12	2	1,832
2013/14	Kubake	Maseru	VCL	17	1	1,569
2013/14	Qhoasing	Mohale's Hoek	ETL	16	1	1,638
2013/14	Ha Nthapo	Maseru	VCL	28	1	2,269
2014/15	Manemaneng	Thaba Tseka	VCL	18	1	2,430
2014/15	Ha 'Matsa	Mohale's Hoek	VCL	31	1	2,878
2014/15	Mahlachaneng	Quthing	VCL	11	1	936
2014/15	Rankakala	Qacha's Nek	ETL	16	1	1,362
2014/15	Moremoholo	Mokhotlong	ETL	15	2	1,957
<b>Grand Total</b>				<b>324</b>	<b>33</b>	<b>72,986</b>

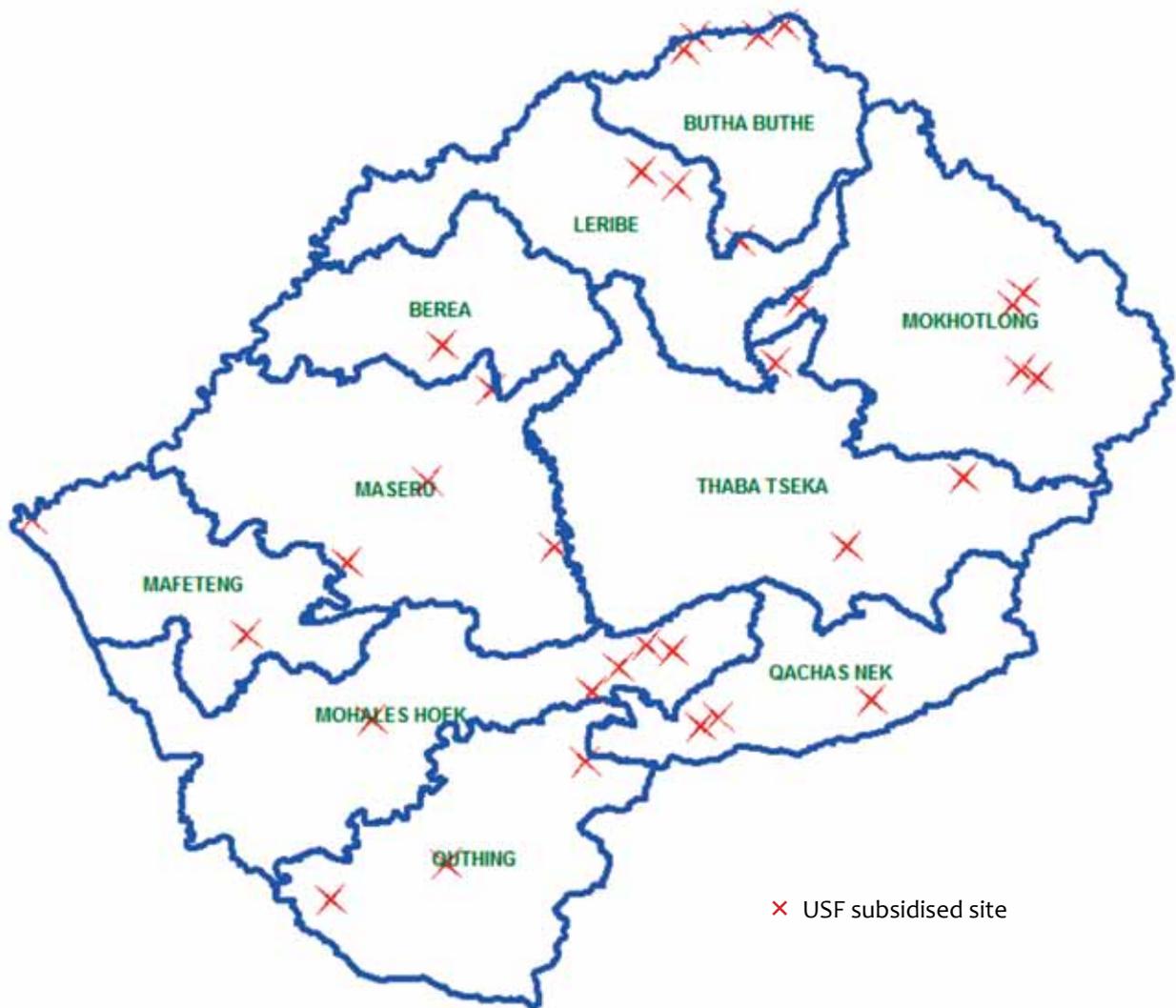
The total cost of projects undertaken in 2014/15 was M12,382,732.33 and the Fund provided a total subsidy of M8,995,059.04 to the network operators to implement the projects with the winning bidder providing the remaining amount. The average subsidy levels stood at 72% of the total cost. The average cost per site was M2.5 million. Each of these projects took between three and five months to complete. Table 9 below gives a breakdown of costs for the 2014/15 projects.



# CHIEF EXECUTIVE'S REPORT

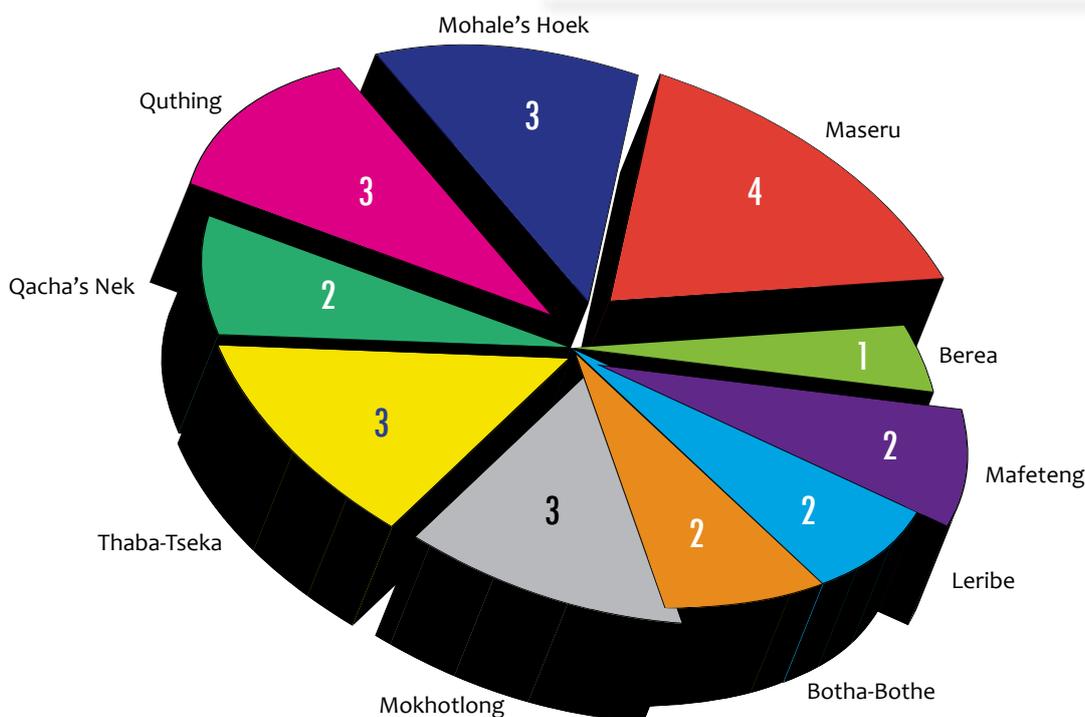
Table 9: Project cost breakdown				
Project	Project total	Subsidy	Network Operator contribution	Subsidy % of Project
Manamaneng	2,677,000.00	2,020,000.00	657,000.00	75%
Ha 'Matsa	2,331,406.00	1,820,000.00	511,406.00	78%
Mahlachaneng	2,442,000.00	1,765,000.00	677,000.00	72%
Moremoholo	4,734,526.98	3,489,829.15	1,244,697.83	74%
Rankakala	2,529,205.35	1,720,229.89	808,975.46	68%

Figure 5: Location of USF sites by district



# CHIEF EXECUTIVE'S REPORT

**Figure 6: Distribution of projects by district 2009-2015**



## Other Communications Development Activities

The Fund collaborated with the Ministry of Education and Training (MoET) in providing Internet connectivity to secondary and high schools. MoET had a target of 100 schools for Internet connection by 2015. Out of this total, the Fund facilitated the connection of 20 schools by VCL. This was in lieu of VCL participating in the ITU Wireless Broadband Network (WBN) Project because VCL had opted out of this project on account of the technology to be deployed not being compatible with the company's technology architecture. ETL was to continue as the implementing partner for the WBN project. However, the project was delayed by the late shipment of equipment from a supplier in the United States of America. During the period of delay, ETL also expanded broadband coverage to some of the areas targeted for the WBN and new project sites had to be identified. The project was still not completed at the end of March 2015.

The Fund covered the running costs of the LIXP and ccTLD. The Fund also facilitated in the acquisition of a new switch for the LIXP which was donated by the Internet Society. The Fund secured the donation and paid the value added tax (VAT) and customs duty when the equipment arrived in Lesotho.

The Fund held consultations with its stakeholders in pursuance of its mandate. Key stakeholders with whom most of the consultations took place were: the Ministry of Communications, Science and Technology; mobile network operators; Ministry of Education and Training; Ministry of Local Government; and the Rural Electrification Unit. Other key stakeholders that the Fund had to deal with were community council representatives, members of parliament and area chiefs. The latter group of stakeholders mainly interacted with the Fund to make requests for mobile network coverage in their areas. All requests were evaluated during the profiling exercise and would be addressed in the following financial year, depending on availability of financial resources.



## CHIEF EXECUTIVE'S REPORT

A notable development in 2014/15 was the launching ceremonies for the 2013/14 USF projects. The celebrations, led by the Minister of Communications, Science and Technology, were held in Kubake (Maseru) and Qhoasing (Mohale's Hoek) under the sponsorship of VCL and ETL respectively. The events promoted the sector and gave positive publicity for the Authority, the network operators and the Fund. It also provided a marketing and consumer education opportunities to the network operators.

### MAJOR INTERNATIONAL EVENTS

#### Communications Regulators' Association of Southern Africa (CRASA) Business

Communications Regulators' Association of Southern Africa (CRASA) has thirteen (13) members and these are ICT and Postal regulators from the following SADC countries: Angola, Botswana, Democratic Republic of the Congo (DRC), Lesotho, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Tanzania, Zambia, and Zimbabwe. LCA was elected the chair of CRASA for the reporting period at the annual general meeting held in Maseru in March 2014. Some of the activities of CRASA are reported below:

#### The Fourth AGM of CRASA

The fourth annual general meeting (AGM) of CRASA was held on the 27th and the 28th March, 2015 in Mozambique. The AGM dealt with the business of the Association and received reports on CRASA activities, country reports, audited financial statements, reports of specialised committees and also elected a new executive committee. The AGM was preceded by two workshops, one being on electro-magnetic fields (EMF) and health and the other on postal quality of service as well as a roundtable discussion on Southern Africa Home and Away Roaming (SHAR).

#### The Roundtable Discussion on Southern Africa Home and Away Roaming

The roundtable discussion on SHAR resolved to develop, through CRASA, a model legislation that could be considered and used by SADC Member States in amending or introducing legislation or regulation on the retail and wholesale roaming tariffs by the 30th April 2015. It also directed the CRASA Secretariat to develop guidelines on implementation of the SADC Glide Paths so as to allow for greater clarity on the common parameters to be used in the calculation of the retail and wholesale roaming price caps. It further urged national regulatory agencies to coordinate the removal of surtax on inbound international calls and harmonise taxes on incoming regional telecommunication traffic with the other SADC Countries.

#### The 19<sup>th</sup> Plenipotentiary Conference of the International Telecommunication Union (ITU)

The 19th Plenipotentiary Conference of the ITU was held in Busan, Republic of Korea from the 20th October to the 7th November 2014 and Lesotho was represented at the conference. The Lesotho delegation was led by the Ambassador of the Kingdom of Lesotho to Japan and LCA was part of the delegation. The ITU is a United Nations specialized agency of the United Nations with headquarters in Geneva, Switzerland that has been operating since 1865. Every four years, the ITU hosts a treaty conference called the ITU Plenipotentiary Conference. This

## CHIEF EXECUTIVE'S REPORT

conference is the highest policy-making event of the ITU. At the conference, ITU member states elect the ITU official leadership, set the strategic plan of the organisation, adopt resolutions related to policy and other telecommunication matters, map out the financial plan of the Union including membership fee structures and address staffing matters for the Union. In addition, Member States may amend the basic Treaty texts of the organisation, called the ITU Constitution and Convention

The conference reaffirmed the essential role of ITU in global ICT development and extended the Union's mandate in emerging areas such as harnessing ICTs to promote gender empowerment and to help address urgent issues such as youth unemployment, global disease control and aeronautical safety. The conference attracted 2,505 delegates from 171 countries. Detailed report on the agreements reached at the conference is contained in its report entitled the Final Acts of the 2014 ITU Plenipotentiary Conference which is accessible from the ITU website, [www.itu.int](http://www.itu.int).

### **The High Level Forum on South-South Cooperation, ICT and Financing for Development**

This forum featured a panel of world leaders, ambassadors and business persons who discussed the transformative role of South-South Cooperation in promoting broad social and economic development among countries in the global South. It also stressed the critical ways that ICTs are helping states meet their developmental goals and targets. Lesotho delegation was led by the Deputy Prime Minister and LCA was part of his delegation. It was held in Hong Kong, on the 13th April, 2014.

The panellists noted the changing development landscape, particularly when it comes to financing development. It agreed that South-South Cooperation and ICTs, should offer new and innovative forms of collaboration for long-term financing as a supplement to traditional aid.

### **Commonwealth Telecommunications Organisation Forum**

The Commonwealth Forum was held in Dhaka, Bangladesh from the 8th to the 10th September 2014 and the Authority was represented. The forum discussed issues on: building a sustainable ICT Infrastructure; evaluating the benefits of e-commerce in emerging markets; mobile technologies, applications and value-added services (VAS); creating an efficient e-governance system; transparency and open government; cloud-based business process outsourcing and financing as well as technological developments in the Commonwealth.

### **The 14<sup>th</sup> Global Symposium for Regulators**

The Global Symposium for Regulators (GSR) is an annual international event focusing on key telecommunications and regulatory trends on the global stage. The 14th GSR took place in Manama, Bahrain from the 3rd until the 5th June 2014.

The symposium was organized by the ITU in collaboration with the Government of Bahrain. At this event, participants delved into the theme of "Capitalizing on the potential of the Digital World" where multitudes of benefits from the digital world were explored.



## CHIEF EXECUTIVE'S REPORT

Discussions also took place regarding the changing ICT consumer behaviours, consumer empowerment and protection in the digital age; the opportunities and challenges of big data and what it meant from a regulatory perspective; why competition matters; rethink on spectrum licensing; how to meet the demand for capacity and what are the new business models driven by digital communications and services. On the last day, regulators focussed on spurring regulatory efficiency by conducting regulatory impact assessment; new types of converged regulators and how to monitor broadband plan or implementation of digital agendas. GSR also included two debates, the opening debate one on redefining responsibilities in a data driven world and the network debate focusing on meeting the demand for capacity.

### West Indian Ocean Cable Company

West Indian Ocean Cable Company (WIOCC) is a special purpose vehicle company owned by 14 telecommunications shareholders. WIOCC holds shares in a unique high-capacity fibre-optic cable on the east and southern coast. It is the largest shareholder in the Eastern Africa Submarine System (EASSy) submarine cable, at more than 10Tbps the largest cable serving Africa, and has also made strategic investments in West Africa Cable System (WACS) and Europe India Gateway (EIG), which are two high-capacity submarine cable systems linking Africa's East and West coasts to Europe and the world. In 2005, LCA on behalf of Lesotho took shareholding in WIOCC, with funds provided by the Government of Lesotho as part of a strategic investment in telecommunications infrastructure. During the reporting year, LCA attended the meetings of the WIOCC board and its shareholders' meetings.

In Lesotho, WIOCC commenced with implementation of a project of creating a Virtual Land Point (VLP) in July 2014. The aim of a VLP is to cut costs of backhaul in bringing the EASSy bandwidth inside the country. The project started in July 2014 and involved developing infrastructure to land the international bandwidth at two sites in Maseru at Maseru border and Mabote LEC station. The bandwidth capacity will be relayed via Mpilo Hill and terminate at LIXP at the Institute of Extra Mural Studies. The project is expected to be completed in the next reporting period.



Maseru.

# CHIEF EXECUTIVE'S REPORT

## Public Relations

The World Telecommunication and Information Society Day (WTISD) is commemorated globally to mark the founding of United Nation's International Telecommunication Union (ITU) and the signing of the first International Telegraph Convention in 1865. It is marked annually on the 17th May. Lesotho marked the WTISD by launching a USF base transceiver station at Kubake, Ha Ramabanta in the Maseru district. The launch was officiated by the Hon. Minister of Communications, Science and Technology. The event was attended by local communities and schools.

Other public relations activities were carried out through radio, television, corporate website, corporate events, international magazines and directories, brochures and leaflets, as well as on the corporate website: [www.lca.org.ls](http://www.lca.org.ls).

## Corporate Social Responsibility

The Authority is cognizant of its obligation in undertaking corporate social responsibility within the Lesotho society. To this end, the Authority continues to make donations to deserving institutions, organisations and individuals in the community in line with its programme on corporate social responsibility. These programmes are meant to make a meaningful and positive impact on the affected communities. Some of the programmes which were carried out during the year include the following:

- The Authority entered into a partnership with the Rotary Club of Maseru whereby the Rotary club will develop computer laboratories in schools in Lesotho. The initial target is five schools and LCA has donated seed funding of M54,900 towards this programme.
- The Authority commemorated the World Aids Day in two districts of Lesotho. In Maseru district, it commemorated with communities of Ha Phalole, Majoe Matšo and six surrounding villages and in Leribe district, it commemorated with ten support groups of Leribe. All these communities received food packages, medical supplies and vegetable seeds packages for the elderly, the sick and orphaned children.
- LCA continued in its sponsorship for the award of the best graduate student in information and communication technology (ICT) related subjects at the National University of Lesotho. This was the fifth year of the award, whose recipient receives a laptop, as an award prize.

## Annual Financial statements

The 2013/14 annual audit was completed for LCA and USF, and in both cases, the Authority received unqualified opinion from the Office of The Auditor General. These reports reaffirmed the good management of the finances of the Authority and the sound financial position of the Authority.

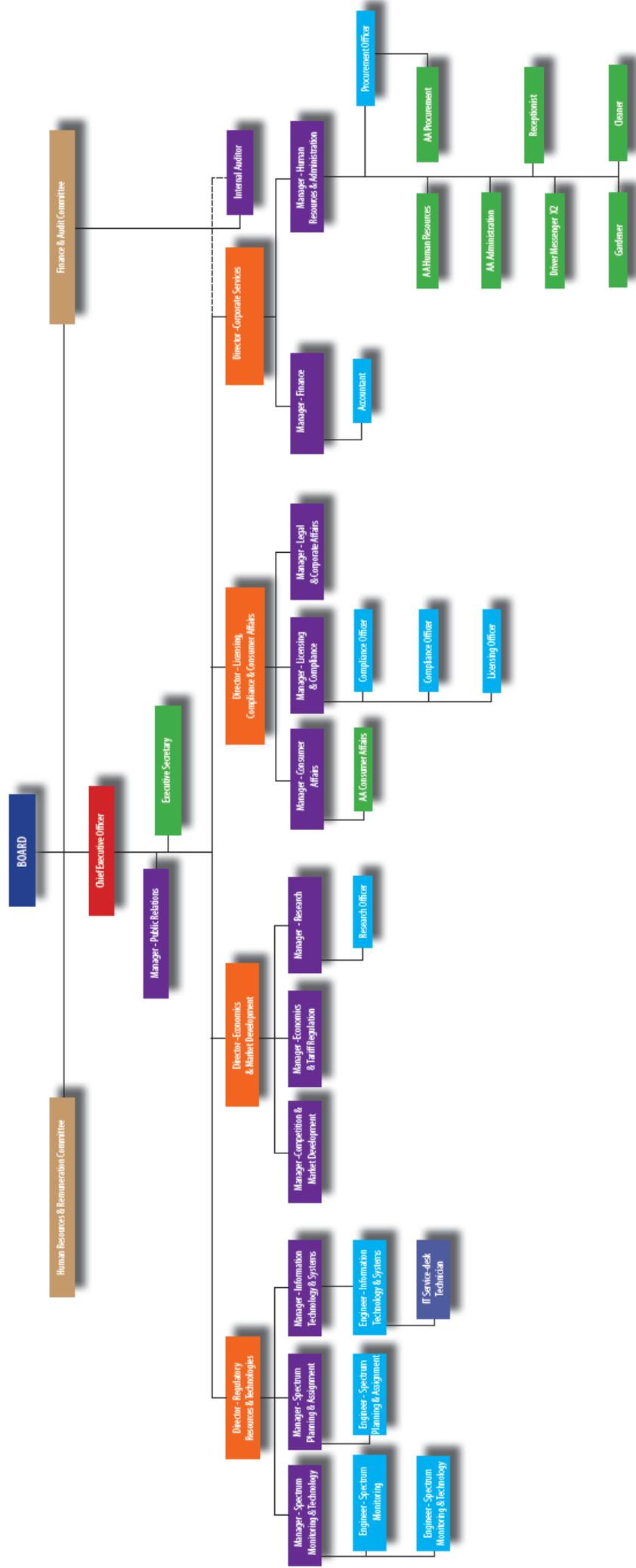
## CHIEF EXECUTIVE'S REPORT



World Telecommunication and Information Day commemoration at Maseru Sun Cabanas

# CHIEF EXECUTIVE'S REPORT

## ORGANOGRAM





## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 DIRECTORS APPROVAL AND STATEMENT OF RESPONSIBILITY

The Communications Act No.4 of 2012 requires the Authority to prepare financial statements for each financial year that present a true and fair picture of the state of its affairs at the end of each financial year. The Board is responsible for taking such steps that are reasonably open to them to safeguard the assets of the Authority and to prevent and detect fraud and other irregularities.

The Board considers that in preparing the financial statements for the year ended 31 March 2015 set out on pages 48-64 the Authority has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. The Board also considers that all applicable International Financial Reporting Standards have been followed and confirms that the financial statements have been prepared on the going concern basis.

The Board reviewed the Authority's cash flow forecasts for the year to 31 March 2015, and, in the light of this review and the current financial position, it is satisfied that the Authority has adequate resources to continue in operational existence for the foreseeable future.

The auditors' responsibilities are stated in their report on pages 46 to 47.

The Board acknowledges that it is responsible for the system of internal control and places considerable importance on maintaining a strong control environment. To enable management to meet these responsibilities, the Board sets internal controls aimed at reducing the risk of error or loss in a cost effective manner. The controls include proper delegation of responsibilities, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk.

The Authority has made progress with respect to Risk Management. To this end, it has developed a risk profile that identified the risk areas and mitigating factors.

The risk management framework will assist the Authority to identify, assess, manage and monitor all known forms of risk across the Authority. This in turn will assist the Board to assess the risk management process of the Authority. The Authority now conducts risk based internal audits that are intended to provide reasonable assurance to the Board that there are adequate working controls to mitigate and manage the Authority's risks.

Based on information and explanations supplied by management, the Board is of the opinion that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements.

Against this background, the financial statements set out on pages 48-64 which are stated in Maloti, the Lesotho currency, have been approved and authorised for issue on the 28th September, 2015 by the Board and signed on its behalf by:

**CHAIRMAN (a.i)**

**CHIEF EXECUTIVE OFFICER**



## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 DIRECTORS' REPORT

### Directors

In terms of the Communications Act No.4 of 2012, the Board shall consist of the Chairman and five other members appointed by the Minister. The Chief Executive Officer shall be an ex-officio member. During the period under audit, Board of Directors were:

- Ms. Refiloe Lehohla (Chair - until 31st August 2014)
- Mr. Paseka Khetsi (Chair a.i. – from 1st September 2014)
- Mr. Lefa Mokotjo
- Mr. Mpho Malie (up to 17th June 2014)
- Mr Molahlehi Letlotlo (up to 10th March 2015)
- Mrs. Teboho 'Mokela (up to 15th June 2015)
- Mr. Monare Thulo (from 27th July 2015)
- Mr. Machela Nkhethoa (from 27th July 2015)
- Mr. Thabiso Zwane (from 27th July 2015)
- Ms. Bokang Lethunya (from 27th July 2015)
- Mr. Monehela Posholi (Ex-officio – up to 31st August 2015)
- Mr. Tšeliso 'Mokela (Ex-officio – from 1st September 2015)

### Secretary

- Ms. 'Mapule Mokoena

### Disclosure of Interest

The Authority is a government regulatory agency for communications sector with no shareholding. The Board of Directors do not hold any financial interest in the Authority.

### Auditors' Appointment

In terms of the aforesaid Act, the Auditor General is the Auditor of the Authority and can appoint an independent and qualified auditing firm to audit the annual accounts of the Authority.



Office of The Auditor General  
P.O. Box 502, Maseru 100, Lesotho

## REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF LESOTHO COMMUNICATIONS AUTHORITY FOR THE YEAR ENDED 31 MARCH 2015

I have audited the accompanying financial statements of Lesotho Communications Authority which comprise the statement of financial position as at 31 March 2015, and the statement of comprehensive income, the statement of changes in equity and cash flow statement for the year ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 48 to 64.

### **Directors' Responsibility for the Financial statements**

The Authority's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on the audit. The audit has been conducted in accordance with International Standards on Auditing. Those standards require auditors to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risks assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion to the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

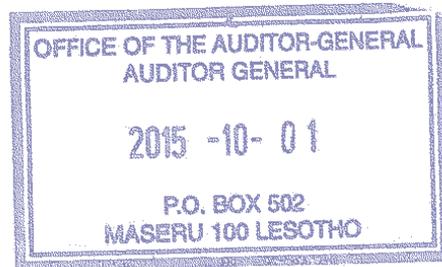
### Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Lesotho Communications Authority at 31 March 2015, and of its financial performance and its cash flows for the year ended in accordance with International Financial Reporting Standards and in the manner required by the Lesotho Communications Authority Act No. 4 of 2012.



**Lucy. L. Liphafa (Mrs)**  
Auditor General

1 October 2015





## STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2015

ASSETS	Notes	2015 M	2014 M
<b>Non - Current Assets</b>			
Property, Plant & Equipment	7	76,741,504	27,333,573
<b>Intangible Assets</b>			
WIOCC Capacity-Lesotho Portion	8	17,335,639	11,618,977
Investment in WIOCC	9	3,615,100	3,615,100
		<b>20,950,739</b>	<b>15,234,077</b>
<b>Current Assets</b>			
Trade and other receivables	10	28,234,851	21,682,397
Cash and cash equivalents	11	22,864,472	44,831,523
		<b>51,099,323</b>	<b>66,513,920</b>
<b>Total Assets</b>		<b>148,791,566</b>	<b>109,081,570</b>
<b>Funds</b>			
Capital Fund	12	2,331,822	2,331,822
Revaluation Surplus		-	1,542,350
Accumulated Fund		70,751,750	67,801,996
Capital Grant	13	5,784,173	6,266,187
		<b>78,867,745</b>	<b>77,942,355</b>
<b>Non-Current Liabilities</b>			
Deferred Income	14	5,551,251	6,754,584
Loan for LCA office complex	15	23,332,827	-
		<b>28,884,078</b>	<b>6,754,584</b>
<b>Current Liabilities</b>			
Trade and other payables	16	28,355,692	15,911,633
Bank overdraft		-	-
UA Reserve Fund		3,384,418	2,308,315
Provisions		9,299,633	6,164,683
		<b>41,039,743</b>	<b>24,384,631</b>
<b>Total Funds and Liabilities</b>		<b>148,791,566</b>	<b>109,081,570</b>



## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2015

	Notes	2015 M	2014 M
<b>Income</b>			
Regulatory Fees	2	54,157,295	51,663,304
Other Income	3	-	33,739
Amortisation of Capital Grant	4	482,013	482,013
		<b>54,639,308</b>	<b>52,179,056</b>
<b>Expenditure</b>			
Staff Costs	5	26,594,203	24,157,925
Depreciation	7	4,109,566	1,208,843
Directors Emoluments		550,998	1,007,506
Audit Fees		57,000	54,575
Other Administrative Costs	6	20,428,712	19,137,963
		<b>51,740,479</b>	<b>45,566,812</b>
<b>Surplus/Deficit before finance income &amp; cost</b>		2,898,82	6,612,244
Finance Income		1,405,583	2,621,016
<b>Surplus/Deficit after finance income &amp; cost</b>		<b>4,304,412</b>	<b>9,233,260</b>
Transfer to UAF	19	1,076,103	2,308,315
<b>Retained surplus for the year</b>		<b>3,228,309</b>	<b>6,924,945</b>



## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2015

	Capital Funds Maloti	Revaluations Reserve Maloti	Accumulated Funds Maloti	Capital Grants Maloti
<b>Balance at 31/03/2013</b>	<b>2,331,822</b>	<b>1,542,350</b>	<b>60,810,604</b>	<b>6,748,200</b>
Prior Year Adjustment	-	-	66,47	-
Surplus for the year	-	-	6,924,945	-
Disposal of re-valued assets	-	-	-	-
Amortisation for the year	-	-	-	(482,013)
<b>Balance at 31/03/2014</b>	<b>2,331,822</b>	<b>1,542,350</b>	<b>67,801,996</b>	<b>6,266,187</b>
Prior Year Adjustment	-	-	(278,555)	-
Surplus for the year	-	-	3,228,309	-
Disposal of re-valued assets	-	(1,542,350)	-	-
Amortisation for the year	-	-	-	(482,013)
<b>Balance at 31/03/2015</b>	<b>2,331,822</b>	<b>-</b>	<b>70,751,750</b>	<b>5,784,174</b>



## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2015

	31.03.15 Maloti	31.03.14 Maloti
<b>Surplus for the period</b>	3,228,309	6,924,945
Prior period adjustments	(278,555)	66,447
Depreciation	4,109,566	1,208,843
Amortisation of capital grant	(482,013)	(482,013)
Increase/(Decrease) in receivables	(6,552,454)	(7,076,195)
Increase/(Decrease) in payables	16,655,112	5,993,841
Profit on sale on assets	-	-
<b>Net cash inflow/outflow from operating activities</b>	<b>16,679,965</b>	<b>6,635,868</b>
<b>Investing Activities</b>		
Purchase of Plant, Property and Equipment	(53,517,497)	(21,542,797)
Purchase of intangible assets	(5,716,662)	(3,807,265)
Loan from the bank for office complex	23,332,827	-
<b>Net cash flows from investing activities</b>	<b>(35,901,332)</b>	<b>(25,350,062)</b>
<b>Financing Activities</b>		
Capital Grant	-	-
Initial licence fees	(1,203,333)	(1,670,000)
Movement on revaluation surplus	(1,542,350)	-
<b>Net cash flows from financing activities</b>	<b>(2,745,683)</b>	<b>(1,670,000)</b>
<b>Net increase in Cash &amp; cash equivalents</b>	<b>(21,967,051)</b>	<b>(20,384,194)</b>
<b>Cash &amp; cash equivalents at the beginning of the year</b>	<b>44,831,523</b>	<b>65,215,717</b>
<b>Cash &amp; cash equivalents at the end of the year</b>	<b>22,864,472</b>	<b>44,831,523</b>



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

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### 1. ACCOUNTING POLICIES

#### 1.1 Presentation of annual financial statements

The principal accounting policies of the Authority, which are set out below, have been consistently followed in all material respects and comply with International Financial Reporting Standards (IFRS) and the Communications Act No.4 of 2012. The financial statements are prepared on a going concern basis. The financial statements have been prepared on the historical cost basis except for financial assets, which are stated at fair values and incorporate the principal accounting policies, set out below:

The preparation of financial statements in accordance with IFRS requires the use of certain accounting estimates and assumptions

#### 1.2 Adherence of new and revised standards

The Authority adhered to the following revised standards during the year and comparative figures have been restated where applicable. However adherence to these standards did not have any effect on the funds and reserves as at 31 March 2014.

IAS 1	Presentation of financial statements
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 16	Property, plant and equipment
IAS 17	Leases
IFRS 20	Government grants
IAS 24	Related party disclosures
IAS 37	Provisions, contingent liabilities and contingent assets
IAS 39	Financial instruments: Recognition, measurement
IFRS 7	Financial instruments – disclosures

#### 1.3 Significant judgements

In preparation of financial statements, management is required to make estimates and assumptions that affect the amounts presented in the financial statements and related disclosures. It also requires management to exercise its judgement in applying the Authority's accounting policies. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results in future could differ from these estimates.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

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### **Valuation of property, plant and equipment**

The estimated useful lives of property, plant and equipment which are translated into depreciation rates are shown in these financial statements. These rates, residual values and possible impairment are reviewed annually.

### **Provision for impairment of receivables**

A provision for impairment of trade receivables is established when there is objective evidence that the Authority will not be able to recover amounts due according to the rules of the Authority which are translated into terms of receivables. The calculation of the provision amount for impairment of receivables requires the use of estimates and judgements.

### **Contingent liabilities**

Management applies its judgement to the facts it receives from advisors and third parties in assessing if an obligation is probable, more likely or remote. Judgement is used to determine if the obligation is recognized as a liability or disclosed as a contingent liability.

### **1.4 Recognition of assets and liabilities**

Assets are recognized if it is probable that future economic benefits associated with the asset will flow to the Authority and the cost or fair value can be measured reliably.

Liabilities are only recognized if it is probable that future economic benefits associated with the liability will flow from the Authority and the cost or fair value can be measured reliably.

### **1.5 De-recognition of assets and liabilities**

Financial assets are de-recognised when the contractual rights to receive the cash flows have been transferred or have expired or when substantially all the risks and rewards of ownership have passed.

All other assets are recognised on disposal or when no future economic benefits are expected from their use.

Financial liabilities are derecognized when the relevant obligation has either been discharged, cancelled or has expired.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

### 1.6 Property, Plant and Equipment

Property, plant and equipment are stated at cost/valuation less accumulated depreciation and adjustment for any impairment losses where applicable. Depreciation is calculated on straight – line basis from the time the property, plant and equipment are available for use, so as to write off their cost over their expected useful lives, taking into account their residual values. The following annual rates are used:

Item	Average useful life
Office Equipment	5 years
Computer Equipment	3 years
Monitoring Equipment	6 years
Motor Vehicles	4 years
Office Furniture	5 years
Land & Buildings	20 years

Consumable items are written off in the period of purchase.

Repairs and maintenance are charged to the statement of comprehensive income in the period in which they are incurred.

### 1.7 Impairment of Assets

The Authority assesses at each financial year end as to whether there is any indication that an asset may be impaired. If such an indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. An impairment loss is recognized in the income statement immediately.

### 1.8 Foreign Currency Translation

Transactions in foreign currencies are translated to Maloti at the foreign exchange rate ruling at the date of the transaction. All exchange gains and losses arising on translation are dealt with in the income statement.

### 1.9 Financial Instruments

#### Initial recognition and measurement

Initial measurement of financial instruments is at cost, which includes transaction costs. Subsequent measurement of the different classes of financial instruments are dealt with below.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

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### **Financial Assets**

The principal financial assets are cash and bank balances, trade and other receivables. These assets are originated by the enterprise and are accounted for at trade date.

### **Financial Liabilities**

Financial liabilities are classified according to the substance of the contractual arrangements entered into. The principal financial liabilities are trade and other payables.

#### **1.10 Trade and other receivables**

Trade and other receivables originated by the enterprise are stated at fair value of consideration receivable less impairment for trade receivables if any. A provision for impairment of trade receivables is established when there is objective evidence that the Authority will be able to recover all amounts due according to the rules of the Authority which are translated into terms of receivables.

#### **1.11 Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at hourly call with the banks. Cash and cash equivalents are measured at fair value.

#### **1.12 Trade and other payables**

Trade and other payables are stated at their fair values.

#### **1.13 Employee Benefits**

The Authority operates a defined contribution pension scheme for its eligible employees. The pension contributions on behalf of its employees are charged to the statement of comprehensive income. The Authority contributes 10.58% of each member's pensionable salary for permanent staff and a 6.04% of each member's pensionable salary for contract employees to a defined contribution fund. The fund is administered by Metropolitan Employee Benefits Scheme.

Terminal gratuities are provided for contract employees as per the terms of their respective employment contracts and 4% for permanent staff.

Severance pay is payable on termination of employment according to the Lesotho Labour Code and it is provided for on an annual basis.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

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### 1.14 Provisions

Provisions are recognized when the Authority has a present legal or constructive obligation as a result of past events, when it is probable that outflow of resources embodying economic benefits will be required to settle the obligation, and reliable estimate of the amount of the obligation can be made.

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for estimated leave liability according to the Human Resources Rules of the Authority.

### 1.15 Revenue Recognition

#### Regulatory Fees

Regulatory fees comprise service and radio frequency spectrum licences fees charged to communications service providers. Initial fees charged in relation to the issuance of new licences are recognized as deferred income and are transferred to the income and expenditure on the basis of matching them with related costs over the licence period. Annual service and systems licence fees which are recognized in the period to which they relate. Royalty fees are charged as a percentage of the Net Operating Income of a network operator. The basis of the fees is the LCA (Licensing Fees) Rules, 2013.

#### Interest income

Interest is recognized on a time proportion basis taking into account the effective yield on the financial asset.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

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### **Government grants**

Revenue grants are recognized as income in the year in which they have been received. Capital grants are recognized as deferred credit and are recognized in the statement of comprehensive income in order to match them with the related costs for which the grants are intended to cover. They are amortised over the useful lives of assets.

### **Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under the operating leases are charged to the income statement on a contracted amounts basis over the period of the lease.

### **Borrowing costs**

Borrowing costs are dealt with in the statement of comprehensive income in the period in which they are incurred.

### **1.16 Comparative Figures**

Figures for the previous year have been stated on the second column to allow ease of comparison with the current year and where either in the current or previous year there were no figures a (-) sign has been put.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

	<b>31.03.15</b>	<b>31.03.14</b>
	<b>Maloti</b>	<b>Maloti</b>
<b>2. Regulatory fees</b>		
Application Fee	42,950	187,943
Licence Fee	2,574,823	2,816,520
Spectrum Fee	18,472,566	16,911,683
Royalty Fee	33,066,956	31,747,158
	<b>54,157,295</b>	<b>51,663,304</b>
<b>3. Other Income</b>		
The amount represents sale of tender documents and proceeds from insurance company for broken ipads in 2013/14. No income was earned in the 2014/15 financial year.		
<b>4. Armotisation of Capital Grant</b>		
This represents an amount amortised during the year for the WIOCC investment and WIOCC capacity paid the Government of Lesotho.		
<b>5. Staff Costs</b>		
Salaries	15,862,717	14,503,802
Allowances	5,027,892	4,577,629
Pension	1,459,335	1,332,916
Severance Pay	499,452	433,556
Leave Pay	225,834	224,882
Medical Aid	1,658,520	1,514,427
Gratuity	1,065,628	897,014
Staff Refreshments & Welfare	167,249	155,388
Sports & Recreation	1,500	445
Staff cell phone airtime	501,673	357,580
Fringe Benefit Tax	98,121	116,950
Housing	26,282	45,335
	<b>26,594,203</b>	<b>24,157,925</b>



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

	<b>31.03.15</b>	<b>31.03.14</b>
	<b>Maloti</b>	<b>Maloti</b>
<b>6. Other Administration Costs</b>		
Bank Charges	558,062	237,247
Interest Paid	758,031	-
Communication	1,318,798	1,368,283
Postage	12,984	4,526
Stationery	141,680	103,780
Repairs and maintenance	230,590	258,878
Software Licenses	522,191	571,363
Operation and Maintenance (WIOCC)	1,379,524	1,801,548
Water and Electricity	161,589	135,431
Office Rent	1,449,010	1,320,692
Insurance	631,415	597,890
Station Maintenance	979,687	837,703
Dispute Resolution fees	235,549	289,685
Other Expenses	235,955	2,027,675
Books and Journals	50,245	50,667
Fuel	153,628	138,370
Car Running	113,370	117,863
Staff Uniform	273,390	113,769
Subscriptions	1,718,014	1,169,602
Travel and Accommodation	3,327,258	2,796,470
Subsistence allowance	43,001	1,350
Staff Training	663,549	1,865,272
Business Entertainment	85,507	162,957
Cleaning & Security	72,843	94,620
Public Relations	731,695	1,199,947
Consultancy Fees	190,497	386,791
Board Expenses	94,864	779,998
Legal Fees	804,898	150,813
Research	3,278,033	133,951
Donations	212,855	181,138
Bad debts	-	241,036
<b>Total Expenses</b>	<b>20,428,712</b>	<b>19,137,963</b>



## LESOTHO COMMUNICATION AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

### 7. Property, Plant and Equipment

	Cost at 31.03.14		Additional Revisions of value	Disposal		Cost at 31.03.14		Dep'n at 31.03.14	Disposal	Charge this year	Dep'n at 31.03.15		NCV at 31.03.15	
	Maloti			Maloti	Maloti	Maloti	Maloti				Maloti	Maloti	Maloti	Maloti
Office Equipment	345,568		-	-	345,568	255,753	-	33,705	-	289,458	89,815	56,110		
Computer Equipment	7,190,752		145,783	-	7,336,535	5,523,597	-	1,172,331	-	6,695,928	1,667,155	640,607		
Motor Vehicles	1,702,462		388,701	-	2,091,163	1,089,135	-	198,587	-	1,287,722	613,327	803,441		
Office Furniture	1,205,633		1,948,512	-	3,154,145	1,013,000	-	42,123	-	1,055,123	192,633	2,099,022		
Land & Buildings	3,723,129		-	-	3,723,129	538,751	-	83,161	-	621,912	3,184,378	3,101,217		
LCA new Office Complex-WIP	16,273,232		50,217,533	-	66,490,765	-	-	-	-	-	16,273,232	66,490,765		
Monitoring Equipment	14,921,849		816,968	-	15,738,817	9,608,816	-	2,579,659	-	12,188,475	5,313,033	3,550,342		
	<b>45,362,625</b>		<b>53,517,497</b>	-	<b>98,880,122</b>	<b>18,029,052</b>	-	<b>4,109,566</b>	-	<b>22,138,518</b>	<b>27,333,573</b>	<b>76,741,504</b>		



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

### 8. Western Indian Ocean Cable Company (WIOCC) Capacity-Lesotho Portion

This represents the capacity that LCA holds in WIOCC to date. The amount is made up of M 3,615,100.00 paid by the Lesotho Government on behalf of LCA and M 4,196,612 which was paid by LCA.

### 9. Investment in Western Indian Ocean Cable Company (WIOCC)

The Lesotho Government paid M 3,615,100.00 (USD 500,000.00) on behalf of LCA for acquisition of 5% shareholding in WIOCC. Therefore, the Authority holds 5% shareholding in the Western Indian Ocean Company.

	31.03.15 Maloti	31.03.14 Maloti
<b>10. Trade and Other Receivables</b>		
Trade receivables	26,509,487	20,257,095
Deposits	98,624	88,624
Other Receivables	1,429,610	1,183,817
Staff Loans	197,130	152,861
	<b>28,234,851</b>	<b>21,682,397</b>
<b>11. Cash and cash equivalents</b>		
Petty Cash	1,899	1,013
Current Accounts	747,362	1,299,334
Short term deposits	22,115,211	43,531,176
	<b>22,864,472</b>	<b>44,831,523</b>
<b>12. Capital Fund</b>		
The Government of Lesotho transferred office furniture and equipment and the assets together with the Zozo building at Ha Abia Monitoring Station as part of establishment of LCA and the costs of those assets were capitalised to Capital Fund.		
<b>13. Capital Grant</b>		
The Lesotho Government paid M 3,615,100.00 (USD 500,000.00) for acquisition of Pre-purchase capacity in the Western Indian Ocean Cable Company (WIOCC) and 5% shareholding in WIOCC for M 3,615,100.00 (USD 500,000.00). The Grant has been amortised over estimated economic useful life of 15 years starting from the financial year 2013.		
Opening balance in financial year 2014	6,266,187	6,748,200
Less: Amortisation of Capital Grant for the year	482,013	482,000
<b>Closing balance</b>	<b>5,784,174</b>	<b>6,266,187</b>



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

	31.03.15 Maloti	31.03.14 Maloti
<b>14. Deferred Income</b>		
These are initial licence fees for 15 and 20 years:		
Bethlehem Technologies	-	-
Econet Telecom Lesotho	5,051,250	5,921,250
Vodacom Lesotho	500,001	833,334
	<b>5,551,251</b>	<b>6,754,584</b>
<b>15. Loan for LCA office complex</b>		
Nedbank Lesotho approved a loan of M53.5 million towards construction of LCA office complex. The amount represents what has been disbursed from the loan as at 31 March 2015.		
<b>16. Trade and other Payables</b>		
Trade Payables	5,181,070	1,400,024
Fringe benefit tax	24,884	36,586
Other payables	23,149,738	14,475,023
	<b>28,355,692</b>	<b>15,911,633</b>
<b>17. Prior Year Adjustments</b>		
Travel and accommodation-accountable	14,762	-
office furniture accountable change	(735)	-
other expenses -accountable	(4,500)	-
Board expenses	(1,296)	-
Creditors	(4,200)	-
WIOCC	-	-51,383
Provision for outstanding expenses	11,782	-22,428
Directors fees	-	-14,189
Communications	-	154,447
Licence fees	(42,000)	-
Provision for fringe benefit tax	15,497	-
Severance pay	(1,780,000)	-
Fixed assets revaluation reversal	1,542,350	-
Staff welfare and refreshments	(30,000)	-
<b>TOTAL</b>	<b>(278,555)</b>	<b>66,447</b>



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

### 18. Contingent Liabilities

#### Staff Loans

The Authority is contingently liable to Nedbank Lesotho and Standard Lesotho Bank in respect of vehicle and housing loans respectively provided by the banks to its employees which amount to M 5,880,779 at 31 March 2015.

#### Corporation Tax

The Authority is contingently liable to the Lesotho Revenue Authority (LRA) in respect of corporation tax of M 11,944,403.31

#### Value Added Tax (VAT)

The Authority is further contingently liable to the Lesotho Revenue Authority (LRA) with respect to the years that VAT was not charged on issuing invoices to its licensees. The contingent liability is M 20,545,932.86.

### 19. Universal Service Reserve Fund

In accordance with the 2012 Communications Act, the Authority is required to contribute 25% of its annual surplus into the Universal Service Fund.

Separate financial statements have been prepared for the Universal Service Fund.

### 20. Operating Lease

At 31 March 2015 the totals of future minimum lease payments under non – cancellable operating leases were:

	<b>Due: - Within one year</b>
	<b>M</b>
Land & Buildings	M375,000



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

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### 21. Capital Commitments

The Authority is desirous to construct its offices building. It acquired a site adjacent to Manthabiseng Convention Centre. The lease for the site was issued in the name of the Authority during the year ended 31 March 2008. During the preliminary arrangements for construction, it was felt that the site was not ideal for the Authority. The Authority has since been allocated another site in town which has been exchanged for the site next to Manthabiseng Convention Centre. The lease has now been issued to LCA by the Land Administration Authority during the 2011/2012 financial year. The construction work for the office complex has commenced during the last financial year and it is anticipated to be completed during the first quarter of the next financial year.

### 22. Financial risk management

Exposure to credit, interest rate risk and currency risk arises in the normal course of the Authority's business.

#### Foreign currency risk

In the normal course of business, the Authority enters into transactions denominated in foreign currency. As a result, the Authority is exposed to fluctuations in foreign currency. However, there were no foreign currency assets or liabilities outstanding at year end.

#### Interest rate risk

The Authority is exposed to various risks associated with the effect of fluctuations in the prevailing levels of market rates of interest on its cash resources and investments. The cash resources are managed to ensure that surplus funds are invested in a manner that achieves maximum returns while minimizing risks.

#### Credit Risk

The financial assets of the Authority that are subject to credit risk consist mainly of cash resources, receivables and investments. The cash resources and investments are placed with reputable financial institutions. Where appropriate, adequate provisions for impairment of receivables are made.

#### Fair values

The fair values of most financial instruments are substantially identical to carrying values reflected in the balance sheet.



## UNIVERSAL SERVICE FUND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 BOARD APPROVAL AND STATEMENT OF RESPONSIBILITY

The Communications Act No.4 of 2012 requires the Authority to prepare financial statements for each financial year that present a true and fair picture of the state of its affairs at the end of each financial year. The Board is responsible for taking such steps that are reasonably open to them to safeguard the assets of the Authority and to prevent and detect fraud and other irregularities.

The Board considers that in preparing the financial statements for the year ended 31 March 2015 set out on pages 68-82 the Authority has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. The Board also considers that all applicable International Financial Reporting Standards have been followed and confirms that the financial statements have been prepared on the going concern basis.

The auditors' responsibilities are stated in their report on pages 67 and 68.

The Board acknowledges that it is responsible for the system of financial internal control and places considerable importance on maintaining a strong control environment. To enable management to meet these responsibilities, the Board sets internal controls aimed at reducing the risk of error or loss in a cost effective manner. The controls include proper delegation of responsibilities, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk.

The Universal Service Fund has made progress with respect to Risk Management. To this end, it has developed a risk profile that identified the risk areas and mitigating factors for the approval of the Board.

The risk management framework will assist the Universal Service Fund to identify, assess, manage and monitor all known forms of risk across the Universal Service Fund. This in turn will assist the Board to assess the risk management process of the Universal Service Fund. The Fund conducts risk based internal audits that are intended to provide reasonable assurance to the Board that there are adequate working controls to mitigate and manage the Universal Service Fund's risks.

Based on information and explanations supplied by management, the Board is of the opinion that that the systems of internal control provide reasonable assurance that the financial records may be relied on for the preparation of the financial statements.

Against this background, the financial statements set out on pages 5-17 which are stated in Maloti, the Lesotho currency, have been approved and authorised for issue on the 28 September, 2015 by the Board and signed on its behalf by:

**CHAIRMAN (a.i)**

**CHIEF EXECUTIVE OFFICER**



## UNIVERSAL SERVICE FUND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

### Directors

In terms of the Communications Act No.4 of 2012, the Board shall consist of the Chairman and five other members appointed by the Minister. The Chief Executive Officer shall be an ex-officio member. During the period under audit, Board of Directors are:

Ms. Refiloe Lehohla (Chair - until 31st August 2014)  
Mr. Paseka Khetsi (Chair a.i. – from 1st September 2014)  
Mr. Lefa Mokotjo  
Mr. Mpho Malie (up to 17th June 2014)  
Mr Molahlehi Letlotlo (up to 10th March 2015)  
Mrs. Teboho 'Mokela (up to 15th June 2015)  
Mr. Monare Thulo (from 27th July 2015)  
Mr. Machela Nkhethoa (from 27th July 2015)  
Mr. Thabiso Zwane (from 27th July 2015)  
Ms. Bokang Lethunya (from 27th July 2015)  
Mr. Monehela Posholi (Ex-officio – up to 31st August 2015)  
Mr. Tšeliso 'Mokela (Ex-officio – from 1st September 2015)

### Secretary

Ms. M. Mokoena

### Disclosure of Interest

The Authority is a government regulatory agency for the communications sector with no shareholding. The Board of Directors do not hold any financial interest in the Authority.

### Auditors' Appointment

In terms of the aforesaid Act, the Auditor General is the Auditor of the Authority and can appoint an independent and qualified auditing firm to audit the annual accounts of the Authority.



Office of The Auditor General  
P.O. Box 502, Maseru 100, Lesotho

REPORT OF THE AUDITOR GENERAL  
ON THE FINANCIAL STATEMENTS OF  
LESOTHO COMMUNICATIONS AUTHORITY - UNIVERSAL SERVICE FUND  
FOR THE YEAR ENDED 31 MARCH 2015

I have audited the accompanying financial statements of Lesotho Communications - Authority Universal Service Fund, which comprise the statement of financial position as at 31 March 2015, and the statement of comprehensive income, the statement of changes in equity and cash flow statement for the year ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 69 to 76.

#### **Management's Responsibility for the Financial statements**

The Authority's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### **Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on the audit. The audit has been conducted in accordance with International Standards on Auditing. Those standards require auditors to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risks assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion to the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Lesotho Communications Authority - Universal Service Fund at 31 March 2015, and of its financial performance and its cash flows for the year ended in accordance with International Financial Reporting Standards and in the manner required by the Lesotho Communications Authority Act No. 4 of 2012.

**Lucy. L. Liphafa (Mrs)**  
Auditor General

1 October 2015





UNIVERSAL SERVICE FUND  
STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2015

ASSETS	Notes	31.03.2015 M	31.03.2014 M
<b>Non-Current Assets</b>			
Property, Plant & Equipment	6	392,130	84,171
		392,130	84,171
<b>Current Assets</b>			
Trade and other receivables	7	21,402,418	15,556,330
Cash and cash equivalents	8	4,517,743	7,384,372
		<b>25,920,161</b>	<b>22,940,702</b>
<b>Total Assets</b>		<b>26,312,291</b>	<b>23,042,873</b>
<b>Funds</b>			
Accumulated Fund		14,886,476	10,981,043
		<b>14,886,476</b>	<b>10,981,043</b>
<b>Current Liabilities</b>			
Trade and other payables			
Provisions		11,198,914	11,961,515
		226,901	82,315
		<b>11,425,815</b>	<b>12,043,830</b>
<b>Total Funds and Liabilities</b>		<b>26,312,291</b>	<b>23,024,873</b>



UNIVERSAL SERVICE FUND  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2015

	Notes	2015 Maloti	2014 Maloti
<b>Income</b>			
Fund Contributions	2	13,255,652	11,482,314
Other income		105,513	1,525,557
		<b>13,361,165</b>	<b>13,007,871</b>
<b>Expenditure</b>			
Fund Disbursements	3	8,994,929	11,078,426
Staff Costs	4	1,050,831	699,120
Depreciation		70,417	692
Committee fees		125,738	186,030
Other Administrative Costs	5	650,110	254,500
		<b>10,892,025</b>	<b>12,218,768</b>
<b>Surplus/Deficit before finance income &amp; cost</b>		<b>2,469,140</b>	<b>789,103</b>
Finance Income		90,866	230,446
<b>Surplus/Deficit after finance income &amp; cost</b>		<b>2,560,006</b>	<b>909,712</b>
<b>Retained surplus for the year</b>		<b>2,560,006</b>	<b>909,712</b>



UNIVERSAL SERVICE FUND  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2015

	<b>Accumulated Funds</b>
<b>Balance at 31/03/2013</b>	<b>11,370,240</b>
Surplus/(Deficit) for the year	909,712)
Prior year Adjustment	(1,298,909)
<b>Balance at 31/03/2014</b>	<b>10,981,043</b>
Surplus/(Deficit) for the year	2,560,006
Prior year Adjustment	1,345,427
<b>Balance at 31/03/2015</b>	<b>14,886,476</b>



UNIVERSAL SERVICE FUND  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2015

	31.03.2015 Maloti	31.03.2014 Maloti
<b>Deficit for the period</b>	<b>2,560,006</b>	<b>909,712</b>
Depreciation	70,417	692
Increase/(Decrease) in receivables	(5,846,088)	43,910
Increase/(Decrease) in payables	(618,015)	1,271,790
Prior Year Adjustment	1,345,427	(1,298,909)
<b>Net cash inflow/outflow from operating activities</b>	<b>(2,488,253)</b>	<b>(292,016)</b>
<b>Investing Activities</b>		
Purchase of Plant, Property and Equipment	(441,763)	(21,476)
Disposal of fixed assets	63,387	7,700
	<b>(378,376)</b>	<b>(21,476)</b>
<b>Movement in Cash &amp; cash equivalents</b>	<b>(2,866,629)</b>	<b>913,419</b>
<b>Cash &amp; Cash Equivalents at the beginning of the year</b>	<b>7,384,372</b>	<b>6,470,953</b>
<b>Cash &amp; Cash Equivalents at the end of the year</b>	<b>4,517,743</b>	<b>7,384,37</b>



## UNIVERSAL SERVICE FUND

### NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2015

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#### 1. ACCOUNTING POLICIES

##### 1.1 Presentation of annual financial statements

The principal accounting policies of the Universal Service Fund, which are set out below, have been consistently followed in all material respects and comply with International Financial Reporting Standards (IFRS) and the Communications Act No.4 of 2012. The financial statements are prepared on a going concern basis. The financial statements have been prepared on the historical cost basis except for financial assets, which are stated at fair values and incorporate the following principal accounting policies, set out below:

The preparation of financial statements in accordance with IFRS requires the use of certain accounting estimates and assumptions.

##### 1.2 Adoption of new and revised standards

The Universal Service Fund has adhered to the following revised standards during the year and comparative figures have been restated where applicable. However adherence to these standards did not have any effect on the funds and reserves as at 31 March 2014.

IAS 1	Presentation of financial statements
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 16	Property, plant and equipment
IAS 24	Related party disclosures
IAS 37	Provisions, contingent liabilities and contingent assets
IAS 39	Financial instruments: Recognition, measurement
IFRS 7	Financial instruments – disclosures

##### 1.3 Significant judgements

In preparation of financial statements, management is required to make estimates and assumptions that affect the amounts presented in the financial statements and related disclosures. It also requires management to exercise its judgement in applying the Universal Service Fund's accounting policies. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results in future could differ from these estimates.

##### Provision for impairment of receivables

A provision for impairment of trade receivables is established when there is objective evidence that the Fund will not be able to recover all amounts due according to the rules of the Universal Service Fund which are translated into terms of receivables. The calculation of the provision amount for impairment of receivables requires the use of estimates and judgements.

##### Contingent liabilities

Management applies its judgement to the facts it receives from advisors and third parties in assessing if an obligation is probable, more likely or remote. Judgement is used to determine if the obligation is recognized as a liability or disclosed as a contingent liability.



## UNIVERSAL SERVICE FUND

### NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2015

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#### 1.4 Recognition of assets and liabilities

Assets are recognized if it is probable that future economic benefits associated with the asset will flow to the Authority and the cost or fair value can be measured reliably.

Liabilities are only recognized if it is probable that future economic benefits associated with the liability will flow from the Universal Service Fund and the cost or fair value can be measured reliably.

#### 1.5 Derecognition of assets and liabilities

Financial assets are de-recognised when the contractual rights to receive the cash flows have been transferred or have expired or when substantially all the risks and rewards of ownership have passed.

All other assets are de-recognised on disposal or when no future economic benefits are expected from their use.

Financial liabilities are de-recognized when the relevant obligation has either been discharged, cancelled or has expired.

#### 1.6 Property, Plant and Equipment

Property, plant and equipment are stated at cost/valuation less accumulated depreciation and adjustment for any impairment losses where applicable. Depreciation is calculated on straight – line basis from the time the property, plant and equipment are available for use, so as to write off their cost over their expected useful lives, taking into account their residual values. The following annual rates are used:

Item	Average useful life
Computer Equipment	3 years
Motor Vehicles	4 years

Consumable items are written off in the period of purchase.

Repairs and maintenance are charged to the income statement in the period in which they are incurred.

#### 1.7 Impairment of Assets

The Universal Service Fund assesses at each financial year end as to whether there is any indication that an asset may be impaired. If such an indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. An impairment loss is recognized in the income statement immediately.

#### 1.8 Foreign Currency Translation

Transactions in foreign currencies are translated to Maloti at the foreign exchange rate ruling at the date of the transaction. All exchange gains and losses arising on translation are dealt with in the income statement.



## UNIVERSAL SERVICE FUND

### NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2015

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#### 1.9 Financial Instruments

##### Initial recognition and measurement

Initial measurement of financial instruments is at cost, which includes transaction costs. Subsequent measurement of the different classes of financial instruments is dealt with below.

##### Financial Assets

The principal financial assets are cash and bank balances, trade and other receivables. These assets are originated by the enterprise and are accounted for at trade date.

##### Financial Liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into. The principal financial liabilities are trade and other payables.

#### 1.10 Trade and other receivables

Trade and other receivables originated by the enterprise are stated at fair value of consideration receivable less impairment for trade receivables if any. A provision for impairment of trade receivables is established when there is objective evidence that the Universal Service Fund will not be able to recover all amounts due according to the rules of the Universal Service Fund which are translated into terms of receivables.

#### 1.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at hourly call with the banks. Cash and cash equivalents are measured at fair value.

#### 1.12 Trade and other payables

Trade and other payables are stated at their fair values.

#### 1.13 Employee Benefits

Terminal gratuities are provided for contract employees as per the terms of their respective employment contracts.

The Universal Service Fund pays a thirteenth cheque as a Christmas bonus to all eligible employees according to its Human Resources Rules.

#### 1.14 Taxation

No provision for taxation is required as the Universal Service Fund is exempt from taxation.



UNIVERSAL SERVICE FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2015

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**1.15 Provisions**

Provisions are recognized when the Universal Service Fund has a present legal or constructive obligation as a result of past events, when it is probable that outflow of resources embodying economic benefits will be required to settle the obligation, and reliable estimate of the amount of the obligation can be made.

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for estimated leave liability according to the personnel rules of the Universal Service Fund.

**1.16 Revenue Recognition**

**Revenue**

Revenue comprises contributions from network operators which represents 1% of their net operating incomes and the Authority which represents 25% of its annual surplus.

**Interest income**

Interest is recognized on a time proportion basis taking into account the effective yield on the financial asset.

**Borrowing costs**

Borrowing costs are dealt with in the income statement in the period in which they are incurred.

**1.17 Comparative Figures**

Figures for the previous year have been regrouped and stated wherever necessary to conform to the current year's presentation.



UNIVERSAL SERVICE FUND  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 31 MARCH 2015

	<b>31.03.15</b>	<b>31.03.14</b>
	<b>Maloti</b>	<b>Maloti</b>
<b>2. Fund Contributions</b>		
Annual contributions	13,255,652	11,482,314
Other income	105,513	-
	<b>13,361,165</b>	<b>11,482,314</b>
<b>3. Fund Disbursements</b>		
These are monies paid to the network operators for constructing Base Receiver Stations (BTS) .		
Moremoholo	3,489,698	-
Rankakala	1,720,231	-
Manamaneng	2,020,000	-
Mahlachaneng	1,765,000	-
LIXP Equipment	-	1,525,557
ITU-Wireless Broadband Project	-	4,135,690
Kubake	-	1,800,000
Ha Nthapo	-	1,800,000
Qhoasing	-	1,808,046
USF Frequencies for VCL	-	9,133
	<b>8,994,929</b>	<b>11,078,426</b>
<b>4. Staff Costs</b>		
Salaries	578,344	430,191
Allowances	251,083	144,153
Pension	34,932	19,887
Medical Aid	20,286	12,414
Gratuity	144,586	82,315
Staff Cellphone Airtime	21,600	10,160
	<b>1,050,831</b>	<b>699,120</b>



UNIVERSAL SERVICE FUND  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 31 MARCH 2015

	31.03.15 Maloti	31.03.14 Maloti	
<b>5. Other Administrative Costs</b>			
Bank Charges	10,017	9,066	
Insurance	17,496	2,945	
Fuel	2,700	24,064	
Car Running	17,014	4,621	
Travel & Accommodation	273,817	137,867	
Business Entertainment	65,206	68,237	
Loss on disposal of fixed assets	-	7,700	
Other expenses (LIXP expenses)	263,861	-	
	<b>650,110</b>	<b>254,500</b>	
<b>6. Property, Plant &amp; Equipment</b>			
	<b>Motor Vehicles</b>	<b>Computer Equipment</b>	<b>Total</b>
Balance at 31.03.14	368,704	45,950	414,654
Additions	441,763	-	441,763
Disposals	(368,704)	-	(368,704)
<b>Balance at 31.03.15</b>	<b>441,763</b>	<b>45,950</b>	<b>487,713</b>
<b>Accumulated Depreciation</b>			
Balance at 31.03.14	305,317	25,166	329,791
Disposals	(305,317)	-	(305,317)
Charge for the year	66,264	4,153	70,417
Balance at 31.03.15	<b>66,264</b>	<b>29,319</b>	<b>94,891</b>
<b>Net Carrying Values</b>			
Balance at 31.03.13	63,387	20,784	84,171
<b>Balance at 31.03.14</b>	<b>375,499</b>	<b>16,631</b>	<b>392,130</b>



UNIVERSAL SERVICE FUND  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 31 MARCH 2015

	31.03.15 Maloti	31.03.14 Maloti
<b>7. Trade and Other Receivables</b>		
Trade Receivables	21,400,918	15,554,830
Sundry Deposits	1,500	1,500
	<b>21,402,418</b>	<b>15,556,330</b>
<b>8. Cash and cash equivalents</b>		
Nedbank Current Account	175,077	57,433
Nedbank 24hr Call Account	4,342,666	7,326,939
	<b>4,517,743</b>	<b>7,384,372</b>
<b>9. Prior year adjustments</b>		
Invoices adjustments	-	(1,534,341)
Adjustments on retention	1,345,427	-
Fund disbursement	-	513,837
	<b>1,345,427</b>	<b>(1,020,504)</b>
<b>10. Trade and Other Payables</b>		
Trade Payables	1,798,986	1,081,609
Other Payables	7,777,630	5,458,217
Retention	1,622,298	5,421,689
	<b>11,198,914</b>	<b>11,961,515</b>

Retention represents an amount retained from network operator's payments. The amount retained will be paid after one year of commissioning the base transceiver station (BTS).



UNIVERSAL SERVICE FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2015

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**9. Financial risk management**

Exposure to credit, interest rate risk and currency risk arises in the normal course of the Universal Service Fund's business.

**Foregin current risk**

In the normal course of business, the Universal Service Fund enters into transactions denominated in foreign currency. As a result, the Fund is subjected to exposure to fluctuation in foreign currency. However, there are no foreign currency assets or liabilities outstanding at the year end.

**Investment rate risk**

The Universal Service Fund is exposed to various risks associated with the effect of fluctuations in the prevailing levels of market rates of interest on its cash resources and investments. The cash resources are managed to ensure that surplus funds are invested in a manner to achieve maximum returns while minimizing risks.

**Credit risk**

The financial assets of the Universal Service Fund that are subject to credit risk consist mainly of cash resources, receivables and investments. The cash resources and investments are placed with reputable financial institutions. Where appropriate, adequate provisions for impairment of receivables are made.

**Fair values**

The fair values of most financial instruments are substantially identical to carrying values reflected in the balance sheet.





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