LESOTHO
COMMUNICATIONS
AUTHORITY

Annual Report

2013 - 14

LESOTHO
COMMUNICATIONS
AUTHORITY

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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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

LIST OF ABBREVIATIONS

ITU	International Telecommunication Union
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

- **3G**: Third-generation mobile communication system. A generic name for mobile network or service based on the IMT-2000 family of global standards.

- **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.

- **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.

DEFINITION OF TERMS

- **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.

- **Network**: combination of telecommunications resources, for example, exchanges, wire links (copper cable, optical fibre) and terrestrial or satellite radio transmission links.

DEFINITION OF TERMS

- **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

The reporting period marked the first year of the Lesotho Communications Authority 2013/14 -2015/16 Strategic Business Plan. The Plan was anchored on 11 strategic objectives that articulated the core business of the Authority for the three years of the planning cycle. Some of these strategic objectives are: 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); and promotion of quality communications services. These objectives are fully listed in the body of this report.

The Authority embarked upon a major project of building its own office complex in Maseru. The building is expected to be complete at the end of March 2015. The location of the new head-office of the Authority is at Old Europa, Maseru.

On licensing issues, a licence that had been issued to Bethlehem Technologies Lesotho (BTL) in 2002, was revoked and this led to a reduction of major network operators from three to two. The Authority granted various licences and authorisations. In broadcasting, two more sound broadcasting licences in the community broadcasting category were granted and three other entities were licenced under the Network Services category for the diffusion of internet in Lesotho. The Authority worked on public education, consumer protection, corporate social investment and public relations issues. Regular visits were made to operators to monitor compliance to their licence conditions as well as audits of their product offerings. In order to ensure provision of quality services, consultations were conducted on the Quality of Service (QoS) draft legislation. Concurrently, equipment to monitor the QoS was acquired.

Lesotho is on course to migrate from analogue to digital terrestrial television broadcasting. A digital migration implementation unit was established within the Ministry of Communications, Science and Technology (MCST) and the Authority worked closely with this unit. Once the digital migration process is concluded, it would have a bearing on radio frequency spectrum.

EXECUTIVE SUMMARY

The Authority carried out its regular work of radio frequency spectrum and numbering resource allocation, management and monitoring. Policy documents in these areas were under revision. Work is continuing to resolve cross-border signal spillage with the Republic of South Africa (RSA).

The number of fixed and mobile telephony subscribers reached 1,803,776 in a population of 1,880,661. This translated into growth in teledensity figure from 87% in 2012/13 to 96% in 2013/14. The sector also grew in terms of new products and services, the most notable ones were mobile money services. New geographic areas which enjoyed services of communications networks also contributed in the growth that the sector registered.

Three new communications infrastructure projects were completed by the Universal Service Fund (USF) for extending mobile network coverage to unserved areas. The Fund also embarked on a Wireless Network Broadband project to provide broadband internet access to communities, 44 schools and 29 health institutions in partnership with the International Telecommunication Union (ITU). It further supported the operations of the Lesotho Internet Exchange Point (LIXP) and acquired infrastructure for the national domain name registry, which will be operated as a service under the LIXP.

Lesotho hosted the Meeting of the Ministers for Telecommunications, Postal and ICT of the Southern African Development Community (SADC), which was convened in May 2013 in Maseru. The Ministers approved several initiatives in the communications sector. Some of these initiatives include: SADC Home and Away Roaming (SHAR) under which the Guidelines on Transparency became effective on the 1st June 2013; the SADC Frequency Allocation Plan (FAP) based on the 2012 World Radio Conference (WRC-12) decisions and the latest frequency allocation and utilization needs of the SADC Region; Digital Terrestrial Television (DTT) Migration through the implementation of the SADC Roadmap for Digital Broadcasting Migration and SADC Model Framework on Universal Postal Reforms and the various initiatives implemented by the SADC Postal Operators in order to improve quality of their services and also reduce prices.

LCA participated in a number of international fora on behalf of Lesotho. These included: the World Summit on the Information Society (WSIS) Forum 2013; the 13th Global Symposium for Regulators (GSR); Communications Regulators' Association of Southern Africa (CRASA) meetings; Commonwealth Telecommunications Organisation (CTO) events and Board meetings of the West Indian Ocean Cable Company (WIOCC) ❍

CHAIRMAN'S STATEMENT

Statement from the Chairman of the Board of Directors

It is once again that time of the year to present the Annual Report of the Lesotho Communications Authority (LCA) for the financial year 2013/14. The report is made pursuant to section 18 (1) of Communications Act, 2012 and presents the activities of the Authority, audited financial statements and an overview of the performance of the communications sector.

The report comes at the time when the global economy that has shown positive signs over the past year. In recent years, Lesotho has maintained a steady economic growth at an average of 4% with moderate inflation of around 5%. Though the global and national economic environment has been difficult, the communications sector has remained strong and resilient.

The National Vision 2020 document states that Lesotho will expand its usage of applied technology in all aspects of life and that ninety percent of Basotho households will have access to electricity and thereby to communication and

CHAIRMAN'S STATEMENT

development technology. The Government of Lesotho (GOL) has, in the current National Strategic Development Plan (NSDP), covering the period of 2012/13 – 2016/17, recognized that Information and Communication Technologies (ICTs) can play an important role in increasing competitiveness of a country through increased efficiency in the production processes and reduction of transaction costs. ICTs can also be used to improve coverage and efficiency in the provision of e-services in areas such as health, education and trade in general. The Authority remains committed to contribute towards implementation of this plan. The Strategic Business Plan of LCA has outlined strategic direction through which the Authority aims to attain these goals.

The USF continues to develop communications infrastructure to reach remote parts of the country. In some communities and institutions, the Fund is also supporting broadband access projects. The ICT sector is undergoing a significant transformation as consumers are now using more data applications than ever before. There is an increasing adoption of smartphones and tablets. The sector has widened the coverage of value added services into areas such as mobile money.

The forgoing notwithstanding, the sector still faces some challenges. Development of communications infrastructure is constrained by, among other things, difficult terrain, lack of financial resources, roads and access to the national electricity grid. With the adoption of smart devices, reliable electricity supply has become more critical.

The new SBP is the document through which the Board would ensure that the Authority fulfills its mandate. It charts a new direction for the Authority such as in the promotion of broadband. In order to strengthen its corporate governance, the Board embarked on the revision of its charter and charters of its committees. The Board encountered no major challenges in the execution on its duties.

The Board is ever grateful to the government (GOL) for its support. Special support and guidance was received from the Minister of Communications, Science and Technology. The end of my tenure as the Chairman of the Board of LCA and that of Director Malie is fast approaching. Our time in the Board of the Authority had many rewarding moments as well as some challenges. We have seen the Authority and the sector grow from strength to strength. We have worked with numerous individuals and learned a lot with such interactions. It has been a privilege to be the Chairman of the LCA Board over the past three years. LCA is a strong organisation, with a dedicated workforce and a robust strategy that will ensure continued growth of the sector. I will be leaving the Authority with optimism for its bright future ❍

Ms. Refiloe Lehohla
Chairman of the Board

BOARD OF DIRECTORS

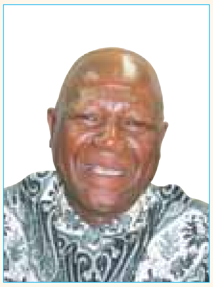
Ms. Refiloe Lehohla
Chairperson

Mr. Mpho Malie
Member

Mr. Paseka Khetsi
Member

Mrs. Teboho 'Mokela
Member

Mr. Motlalehi Letlotlo
Member



Mr. Lefa Mokotjo
Member

Mr. Monehela Posholi
Member & CEO

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

Human Resources and Remuneration Committee

Mrs. Teboho 'Mokela	Chairman
Mr. Mpho Malie	Member
Mr. Morathane Monyamane	Member
Ms. Mamello Phomane	Member*
Mr. Monehela Posholi	Member

*resigned

Universal Service Fund Committee

Mr. Tšeliso Molise	Chairman
Mr. Paseka Khetsi	Deputy Chairman
Mr. Mosito Khethisa	Member
Mr. Ntai Makoetje	Member
Mr. Mbele Hoohlo	Member

Finance and Audit Committee

Mr. Mpho Malie	Chairman
Mr. Lefa Mokotjo	Member
Ms. Motšeoa Masheane	Member
Mr. Nkau Matete	Member**
Mr. Monehela Posholi	Member

**term expired

Broadcasting Disputes Resolution Panel

Mr. Tsebo Matšasa	Chairman
Mr. Pius Molapo	Member
Mrs. Julia L. Sehloho	Member
Mr. Samonyane Ntsekele	Member
Rev. Poulo Martin Masasa***	Member

*** deceased

REPORT ON CORPORATE GOVERNANCE

Lesotho Communications 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. The Chairman and other members of the Board are non-executive directors except for the Chief Executive Officer. The selection and appointment of members rests with the Minister of Communications, Science and Technology. Members of the Board represent a diverse range of relevant professional skills, experience and views relevant to the communications sector.

Role and functions of the Board

The Board has the ultimate responsibility and accountability for the 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.

In the reporting period, there were no changes in the composition of the Board. It held sixteen (16) meetings in 2013/14. The Board held more meetings during the reporting period due to the projects, which demanded its attention and licensing issues.

During the year, the Board among other things:

- approved the 2014/15 budget and received management reports for monitoring the implementation of the 2013/14 budget;
- approved the audited financial statements for 2012/13 financial year;
- granted licences;
- approved policies and the SBP;
- approved the Risk Assessment and Management Plan (RAMP);
- approved funding and appointed the construction company for the LCA office complex;
- approved the engagement of the consultant for conducting competition management regime study; and
- revoked the BTL licence.

Board Committees

The Board has four Committees, which are: the Human Resources and Remuneration Committee (HRRC), the Finance and Audit Committee (FAC), the Universal Service Fund Committee (USFC) and the Broadcasting Disputes Resolution Panel (BDRP).

REPORT ON CORPORATE GOVERNANCE

Human Resources and Remuneration Committee

The HRRC was established to assist 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 on the human resources policies to be adopted by the Board in order to recruit high calibre employees, retain and motivate employees so as to achieve enhanced performance.

The committee worked on the remuneration policy of the Authority as well as the remuneration strategy. It also reviewed the remuneration structure of the staff of the Authority. The committee held five meetings. At year-end, the committee had one vacancy occasioned by the resignation of Ms. M. Phomane.

Finance and Audit Committee

The role and functions of the FAC are to assist the Board in fulfilling its oversight function in the financial reporting process; 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 on the processes for identification and assessment of the general risk profile, reviewing the outcomes of risk management processes and to advise the Board accordingly. LCA has adopted the Risk Assessment and Management Plan (RAMP) for dealing with its organisational risks.

The RAMP model as an enterprise-wide risk management framework addresses the entire risk profile of the Authority. It entails identification of potential events that may affect the operations of the Authority and the management of risk outcomes in case of occurrence. The process of risk management is based on the Risk Management policy of the Authority. Table 1 summarises the risk profile of LCA.

Table 1: Status of LCA risk profile

Priority Rating in Colour code	Residual in 2012/13	Residual in 2013/14
Very High	1	5
High	8	9
Medium	16	9
Low	0	2

The change in status to high risk in 2013/14 in relation to 2012/13 was mainly due to the absence of secondary legislation in relation to the Communications Act of 2012.

During the year under review, the committee considered the LCA management accounts and the annual budget as well as the internal audit plan, the RAMP and audit reports. It held four meetings. At the close of the year, the committee had one vacancy following the expiry of the term of Mr. N. Matete.

Universal Service Fund Committee

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

REPORT ON CORPORATE GOVERNANCE

In 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 under review.

Broadcasting Disputes Resolution Panel

BDRP is a body established under the Communications Act 2012. 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.

In the 2013/14, the Panel held 10 meetings which were mainly dedicated to developing the code and resolving broadcast content disputes. The Panel lost one member, Rev. Father Poulo Masasa who passed-on in December 2013 following a car accident. The panel had one vacancy at year-end ❍

Radio and television stations are expected to observe the stipulations of the broadcasting code.

CHIEF EXECUTIVE OFFICER'S REPORT

Report of the Chief Executive Officer

The reporting period marks the first year of the fifth strategic business plan on the Authority. The 2013/14 - 2015/16 Strategic Business Plan is anchored to 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 country and the Authority assumed greater responsibility in regional affairs. Lesotho became the chairman of SADC Ministers of Telecommunications, Postal and ICT while LCA became the chairman of the Communications Regulators' Association of Southern Africa (CRASA). These roles entail steering the affairs of these regional bodies during the year following the assumption of the chairmanship.

The Authority is organised into four divisions: namely Corporate Services; Licensing, Compliance and Consumer Affairs; Regulatory Resources and Technologies; and Economics and Market Development. The detailed reports of these divisions, inclusive of the Universal Service Fund and the departments of the Chief Executive follow below:

CHIEF EXECUTIVE OFFICER'S REPORT

CORPORATE SERVICES

Human Resources Management

There were no major additions to the staff complement of the Authority in 2013/14 except for the recruitment of the Executive Secretary of the Universal Service Fund. Three staff members resigned. These were the Manager – Information and Communications Technologies (ICT) who resigned to take the position of the Executive Secretary of the Universal Service Fund, the Registrar and the Internal Auditor. At year-end, the staff complement of the Authority stood at 38. Efforts were underway to recruit new employees to fill the vacant positions of Manager ICT and the Registrar. The Board took a decision to outsource the Internal Audit functions and the procurement of an independent company to provide such services was underway.

During 2013-14, the Authority continued to focus on further strengthening its human resources management processes, internal monitoring and review system. The organisation continued to implement its performance management system (PMS) and made further refinements of the system for its organisation-wide implementation.

Staff training and meetings

The Authority continued to invest in the training of its staff members in order to keep them abreast of the latest developments in their various fields and to improve their work skills. Staff attended various training programmes and workshops geared towards capacity building. Staff of the Authority also attended regional and international meetings related to the sector to represent the country.

The Board also attended a week-long Regulatory Masterclass programme in Bath, United Kingdom in October 2013. This was to equip the Board members with requisite skills in regulation of the sector.

Capital Projects

LCA has been renting its office premises at 6th Floor, Moposo House, since its establishment in 2000. Over the years, its staff complement has increased as a result of its broadened mandate and growth of the sector, resulting in increased rented space at increasing costs. It has been a longstanding decision of LCA that it should have its own office building. The Government of Lesotho allocated the LCA a site at Old Europa in Maseru for this project.

Construction of the office complex commenced in January 2014 and LSP Construction (Pty) Ltd was engaged as the civil contractor following a rigorous bidding process. The project will comprise 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 construction of the building is expected to be completed by the end of March 2015.

The Authority continued to improve its IT infrastructure. The Geosystems company was engaged by the Authority to provide Geographic Information System (GIS) for conducting research in the development of the sector. The Authority has also improved its network systems, hardware and software systems as well as its IT governance.

CHIEF EXECUTIVE OFFICER'S REPORT

LICENSING, COMPLIANCE AND CONSUMER AFFAIRS

The Authority oversees the development of the sector by, among other things, granting licences and authorisations for communications services in Lesotho to service providers as well as ensuring that licensees comply with their licence requirements and applicable laws.

Licensing matters

The number of major network licensees decreased by one from three to two due to the revocation of the licence held by Bethlehem Technologies Lesotho (BTL). The status of two other major network operators, Econet Telecom Lesotho (ETL), Vodacom Lesotho (VCL) remained unchanged. ETL and VCL provide converged communications services. The two major network operators are Lesotho registered companies and subsidiaries of two major international communications companies which are Vodafone PLC and Econet Wireless International, respectively. Vodacom Lesotho is owned by the Vodacom Group which holds 80% shares with Sekhametsi Enterprises, a local investment company, holding 20% shares. Econet Telecom Lesotho is owned by Econet Wireless International and the Government of Lesotho at a share-holding ratio of 70:30 respectively. The Lesotho Electricity Company (LEC) was granted a licence in the category of Network Infrastructure (facilities). LEC owns an optic fibre network that can be leased to other service providers.

In broadcasting, two sound broadcasting licences in the community broadcasting category were granted to Motjoli FM in Thaba-Tseka and Moeling FM in Botha-Bothe. One licence application for broadcasting television services was received.

Three new licences for Network Services were granted to Mojalema ICT, Browse Wise (Pty) Ltd and Corporate Systems Solution. There was a significant drop in number of authorisations for Premium Rate Message Services (PRMS). PRMS refers to value-added service provided over a public telecommunications network which consists of:

- the provision of content to any person including information, news, updates, data, quizzes, jokes, greeting messages, ringtones, wallpapers, logos and games and other issues of national interest for which charges are imposed over and above the standard network charges of the relevant network operator;
- the provision of a facility to any person including chat services, contest participation, charitable fundraising and vote-lines for which charges are imposed over and above the standard network charges of the relevant network operator; or
- a combination of (a) and (b) above. Table 2: provides a number of licensees and authorisations and registered communications providers and Table 3 provides a list of broadcasting licensees by different categories.

Migration to Digital Terrestrial Broadcasting

The Ministry of Communications, Science and Technology (MCST) has established the Digital Migration Unit (DMU) which is tasked to oversee the implementation of the project for migration from analogue to digital terrestrial television. The unit worked closely with the Authority on issues of migration to digital television through the Ministerial Advisory Committee on Migration to Digital Terrestrial Television and in bilateral collaboration.

CHIEF EXECUTIVE OFFICER'S REPORT

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

Type of Licence or Authorisation	March 2013	Apr – June 2013	July - Sept 2013	Oct – Dec 2013	March 2014
Public Communications Service Providers	2	2	2	2	2
Data Communications	1	1	1	1	1
Network Services	0	0	0	1	3
Premium Rate Services	17	19	19	17	7
Radio Alarms	3	3	3	3	3
Television Broadcasting	2	2	2	2	2
Sound Broadcasting	13	13	13	15	16
ISPs Class C	6	6	6	6	5
Two way radios	65	65	65	63	63
Radio Amateurs	55	55	57	57	57
Telemetry Stations	3	3	3	3	3
Private Network	2	1	1	1	1
Radio Pagers	2	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

Universal Service Fund site at Qhoasing in Mohale's Hoek district.

CHIEF EXECUTIVE OFFICER'S REPORT

Table 3: Licensed radio and television stations in Lesotho

Broadcaster	Initial licensing	Licensing renewal	Classification
Radio Lesotho	2002	2013	Public
Peoples' Choice FM	2002	2012	Private
MoAfrika FM	2002	2012	Private
Catholic Radio FM	2002	2012	Private
Joy FM	2002	2012	Private
Harvest FM	2002	2012	Private
DOPE FM	2004	-	Community
Thaha-Khube FM	2004	-	Private
Jesu ke Karabo FM	2004	-	Private
KEL Radio FM	2004	-	Private
Ultimate FM	2006	-	Commercial
Mafeteng Community Radio	2012	-	Community
Tšenolo FM	2012	-	Private
Lifetime Music (LM) Radio	2012	-	Private
Moeling FM	2013	-	Community
Motjoli FM	2013	-	Community
Trinity Broadcasting Network (TBN)	2002	2013	Private
Lesotho Television (LTV)	2002	2013	Public

Lesotho has developed the draft digital migration policy. The country has also drawn-up the roadmap to follow in the implementation process. A tender for the provision of infrastructure for digital equipment for Lesotho National Broadcasting Service (LNBS) was awarded to Rhode and Schwarz of Germany. Public education and awareness campaigns have started. Collaboration with the Southern African Development Community (SADC) countries on a harmonised approach to the migration process took place through the SADC Digital Broadcasting Migration Forum and other fora. Furthermore, SADC has established a Project Management Office (PMO) based in Botswana to assist member states in the migration process. It has also established a Task Team of Experts to finalise the draft concept note on the SADC TV bouquet in order to respond to one of the key issue of generating programme content to fill-up channels created by migration to digital broadcasting.

At the start of the World Radiocommunication Conference in 2012 (WRC-12), the African and Arab groups tabled proposals for a new mobile allocation immediately below the existing 800 MHz mobile band (known as the digital dividend band because it was created by migrating the analogue terrestrial television platforms which formerly occupied this band to more spectrally-efficient digital platforms). WRC-12 concluded with a decision to reallocate the frequency band 694–790 MHz to mobile services in, ITU Region 1 comprising Africa, Europe, Middle East and the Islamic Republic of Iran. The reallocation is proposed to come into force in 2015.

CHIEF EXECUTIVE OFFICER'S REPORT

Enforcement of consumer rights legislation

During the reporting period, complaints were received telephonically and in writing. These were mostly related to poor quality of service (QoS) from communications service providers, in particular, billing errors, drop calls and call success rate. Complaints related to billing were resolved with the network operators. The rest of QoS complaints would be adequately dealt with under the QoS Rules that were being developed.

Regarding broadcasting, the majority of complainants requested copies of recordings of radio programmes from various radio stations with the purpose of verifying the validity of their complaints or take legal action against such broadcasters. No recordings were availed, instead the complainants were advised to follow the consumer complaints procedures.

Review of legal framework

Following the approval of the Quality of Service Rules by the LCA Board, the Authority embarked on a process of obtaining feedback from the general public on these Rules, with an ultimate objective of gazetting them. Consultations with the public commenced through various avenues: newspapers, LCA website, post-office distribution throughout the country and public gatherings in the districts. Public gatherings were to be held in the districts of Leribe, Mohale's Hoek, Thaba-Tseka and Maseru.

Cybersecurity is a major concern for all nations and the ICT sector. Therefore issues of Cybersecurity need to be addressed in a comprehensive manner. SADC and CRASA engaged in a sensitisation campaign for key ICT stakeholders and acknowledged that raising awareness to all ICT stakeholders such as policymakers (legislators and parliamentarians) judges, lawyers, operators, regulators, investors, civil society and consumers by equipping them with sufficient information and subsequently building expertise was imperative. LCA organised consultative fora and workshops for the above mentioned stakeholders within and outside the communications industry. The fora were aimed at disseminating the three draft laws, namely, Computer Crime and Cybercrime Bill, Data Protection Bill, and Electronic Transactions and E-Commerce Bill.

The Authority also participated in the radio programmes, where the nation was informed and educated about these draft laws and the need to adopt cybersecurity measures. Furthermore, the national cybersecurity strategy was adopted following consultations with stakeholders. The cybersecurity programme was co-financed by LCA and the European Commission through a project implemented by ITU called "Support for Harmonization of ICT Policies in Sub-Sahara Africa" (HIPSSA).

Compliance issues

The Authority conducts regular visits to its licensees to ensure that they comply with their licensing obligations. During these visits, it was established that Motjoli FM was operating outside its assigned frequency and was ordered to fix the problem. Another radio station, Tšenolo FM, was found to be operating its transmission equipment next to its broadcasting studios in violation of its licence conditions. It was given a grace period to relocate to LNBS transmission towers at Berea Plateau. It was also established that Joy FM was operating sporadically and the situation was being monitored.

CHIEF EXECUTIVE OFFICER'S REPORT

In order to ensure that consumers are charged correct tariffs, the Authority conducts tariff audits on various products being offered by network operators on a regular basis. During the current reporting period, tariff audit on Vodacom Lesotho was conducted and some irregularities were found and brought to the attention of the operator to correct.

REGULATORY RESOURCES AND TECHNOLOGIES

The Authority is mandated to regulate resources required for communication services such as the radio frequency spectrum and numbering. The radio frequency spectrum is the range of frequencies used for wireless applications such as broadcast television and radio, satellite radio and television, wireless computer networks, Bluetooth, Global Positioning System (GPS), mobile telephony and many general and specialised applications used in everyday life. Telephone numbers are the addresses of participants in a telephone network.

The current radio frequency spectrum policy of the Authority came into effect in 2008. Since then, the nature of use and deployment of spectrum has changed due to new economic and business requirements. The Authority is currently reviewing its spectrum policy in order to enable wider national broadband diffusion in deployment of proven, less costly and reliable wireless broadband networks that are also quick to rollout. The Authority is also reviewing its type approval rules in order to improve efficiency and to enhance the protection of consumers.

Spectrum planning and management

Radio frequency spectrum was assigned to various categories of users such as: major network operators, community radio stations, security companies, amateur radio and network services.

Newly assigned spectrum for the year was 581.625 MHz compared to 465 MHz which was assigned in the last reporting period. Table 4 below shows spectrum assigned in 2013/14.

Table 4: Spectrum Assignment for the Year 2013/14

Term	2-way radios	Broadcasting	Access	Fixed links
Q1	0.025 MHz	0 MHz	100 MHz	12 MHz
Q2	0 MHz	0 MHz	0 MHz	140 MHz
Q3	0 MHz	0.3 MHz	40 MHz	273 MHz
Q4	0 MHz	0.3 MHz	9 MHz	7 MHz
Sub-Total	**0.025 MHz**	**0.6 MHz**	**149 MHz**	**432 MHz**

Radio frequency spectrum analyser

The digital dividend refers to the spectrum which is released in the process of digital television migration from analogue to digital. Full utilisation of the first digital dividend in the 800 MHz band for Long Term Evolution (LTE) could not proceed since a South African television station is still broadcasting in this band from Ladybrand. Meanwhile, alternative frequencies in the 1800 MHz band have been assigned to operate LTE platform. Operating in the 800 MHz band will be fully implemented after June 2015.

CHIEF EXECUTIVE OFFICER'S REPORT

Implementation of type approval guidelines

The Authority type-approved or granted certificates of conformity to devices that meet a minimum set of regulatory, technical and safety requirements for devices that use both licensed and unlicensed bands. These devices were all low power units that were not expected to cause any harmful interference. In 2013/14, thirty (30) certificates for type-approved equipment were issued.

QoS Monitoring

In order to ensure that consumers of phone services received good quality of service from the network operators, the Authority acquired QoS monitoring equipment. The equipment has been installed and commissioned at the LCA monitoring station at Ha Abia. The installation and testing of the software component was on-going. Full functionality of the equipment is expected in the next reporting period.

Spectrum Monitoring

Spectrum monitoring activities included signal spillage control, monitoring of harmful interference and spectrum auditing. In this period, most spectrum monitoring activities focussed on signal spillage control.

LCA and the Independent Communications Authority of South Africa (ICASA) continued to address the spillage of GSM frequencies through a Memorandum of Understanding (MoU) signed by both parties as well as an implementation agreement signed by network operators of both countries. The MoU has established a Technical Steering Committee (TSC) which meets twice a year to address these issues. Following the TSC meeting in December 2013, new measurements were conducted. Based on these measurements and the reports of the technical experts, the joint Cross-border Co-ordination Forum (CCF) decided to set a target of June 2015 to have the issues of spillage between Maputsoe and Ficksburg areas resolved. The CCF further agreed to revise the CCF Working Document to include control of spillage from all mobile technologies as the current document is limited to GSM technology only. To facilitate the work of the committee, GSM signal spillage drive tests were conducted in the northern and southern districts.

Numbering resources

The Authority allocates numbering resources to service providers for use by the subscribers and users. In 2013/14, an audit was carried out on level 3 numbers, often referred to as Premium Rate Messaging Service (PRMS) numbers. This was precipitated by the coming into effect of the Classification and Licensing Rules of 2013 which introduced fees for this category of communications resources. The audit revealed that several service providers have not used their allocated numbers, hence they were reclaimed.

CHIEF EXECUTIVE OFFICER'S REPORT

ECONOMIC AND MARKET DEVELOPMENT

Sector Performance

The overall performance of the sector registered a steady growth in terms of users and geographic coverage of services. The number of subscriptions to telephone services increased. The bouquet of value added services also widened, most notably, with the introduction of mobile money services.

The total number of subscribers increased from 1,631,003 to 1,803,776. The growth was driven mostly by mobile subscriptions, which are also referred to as SIM-penetration. Mobile subscribers increased from 1,580,234 to 1,753,323 while the fixed service subscribers registered a marginal increase from 50,769 to 50,932. The mobile subscribers accounted for 97% of market share compared to fixed subscribers at 3%. Table 5 presents some indicators of sector performance including subscriber numbers.

Teledensity has been widely used as a measure of communications sector performance. Teledensity refers to the number of subscribers for either or both fixed and mobile services per every 100 inhabitants, and was computed here as the total number of telephones divided by population of the country. During the period under review, overall sector teledensity for both fixed and mobile subscribers increased from 87% to 96% based on the 2006 population census figure of 1,880,661. The geographic coverage area with access to communications service has also increased. This is reflected in the coverage maps of the two major network operators, depicted in Figures 2 and 3. The next two sections deal with the fixed and mobile services on their own.

Fixed services

Teledensity for fixed voice services has remained at 3%, similar to the previous year. Most of the fixed subscribers were on prepaid (Pay-As-You-Go) subscription and represent 59% while those on post-paid (Contract) accounted for 41%. Post-paid subscribers show an increase compared to 40% of last year. Fixed services internet subscribers such as hotspots, ADSL and EVDO are starting to penetrate the market gradually and they have since registered a market share of 1%.

Mobile services

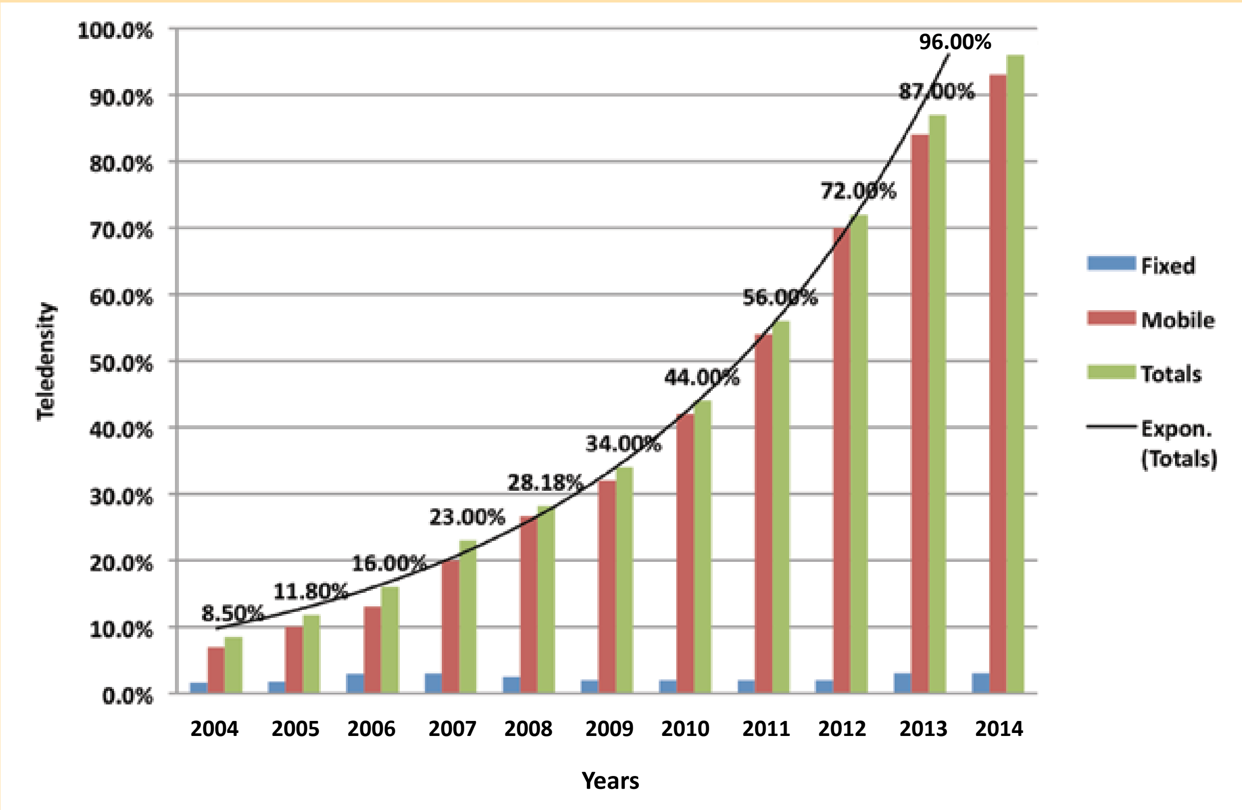
Mobile subscribers reached a total of 1,753,323 from 1,580,713 reported last year, which translates to a teledensity of 93%. During the period under review, the prepaid subscribers on mobile services continued to retain a higher share representing 98% while post-paid subscribers accounted for 2%. Internet users on mobile services, mainly 3G and Wi-Max, realised an exponential increase from 238, 008 to 551,425 (132%) due to rising popularity and penetration of smart mobile handsets. These users made up 99% of the overall users of internet. The introduction of smaller recharge denominations and somewhat affordable data bundles by the operators have also spawned an increase in the internet users.

CHIEF EXECUTIVE OFFICER'S REPORT

Table 5: Summary of selected ICT indicators as at end of March 2014

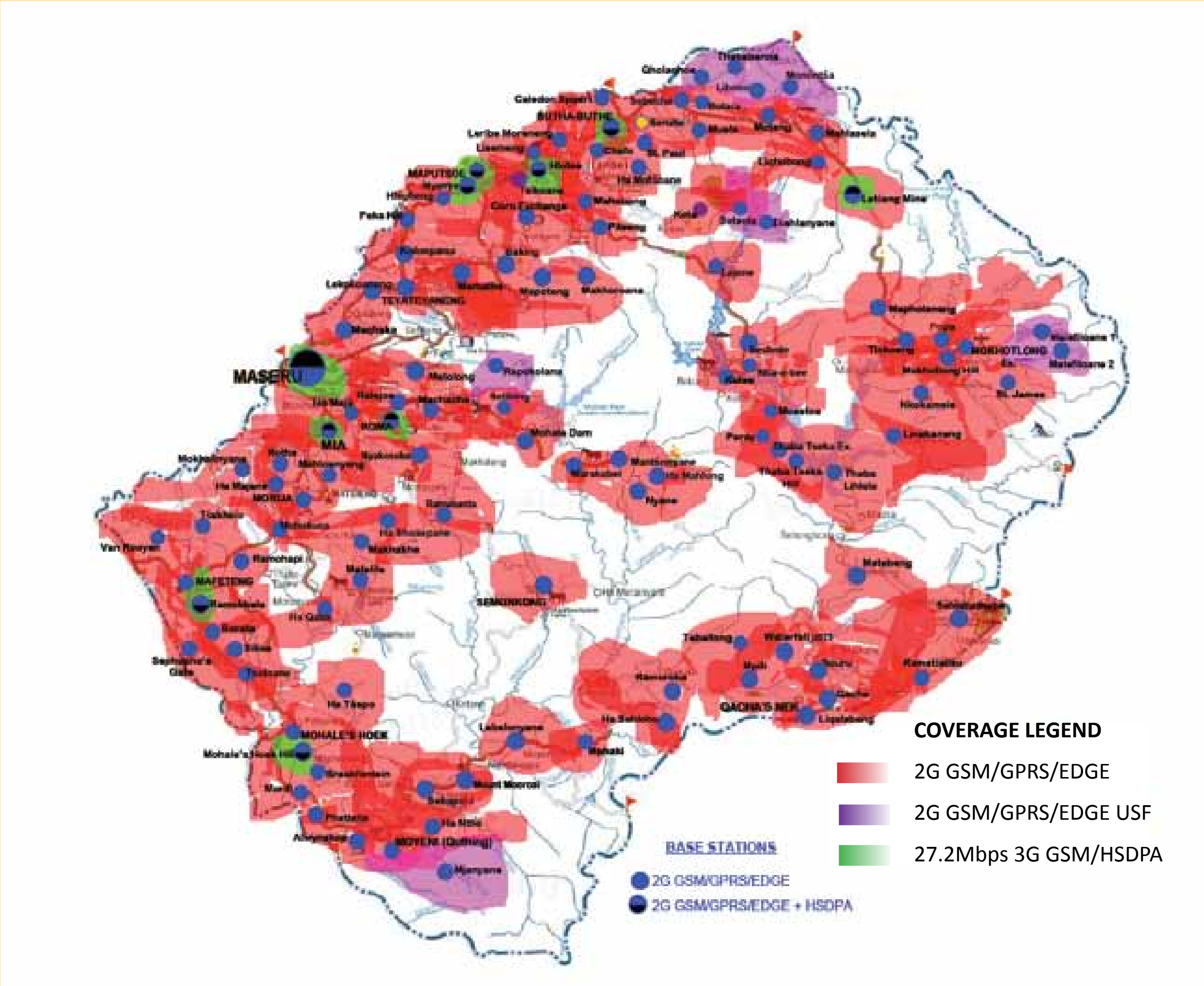
Indicator	Fixed Services 2012/13	Fixed Services 2013/14	Mobile service 2012/13	Mobile services	Total 2013/14
Voice subscribers	50,769	50,453	1,580,713	1,753,323	1,803,776
Teledensity –Voice (%)	3	3	84	93	96
Internet users	2,830	3,373	234,702	554,798	554,798
Teledensity – Internet (%)	1	1	12	29	30
Leased line subscribers	345	350	128	197	547
Public phones and tele-bureaus	18	18	8,103	15,832	15,850
Number of BTSs			344	411	411

Figure 1: Sector teledensity trends 2004-2014



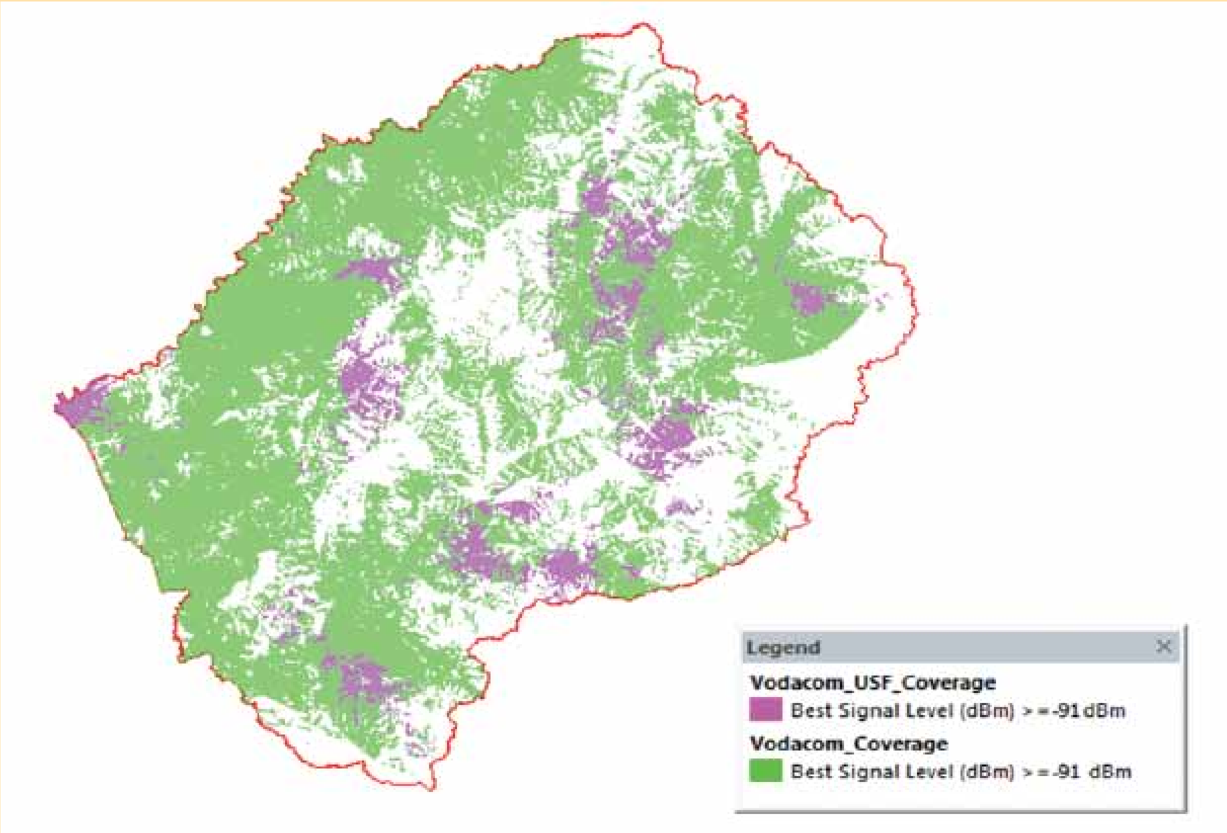
CHIEF EXECUTIVE OFFICER'S REPORT

Figure 2: Econet Telecom Lesotho coverage map as at 31st March 2014



CHIEF EXECUTIVE OFFICER'S REPORT

Figure 3: Vodacom Lesotho coverage map as at the 31st March 2014



Tariff Regulation

Network operators continued to file their proposals on tariffs with the Authority regarding new services, variations and promotions on existing products. In total, the Authority received about 73 requests, most of which were approved (97%).

Interconnection rates

Interconnection rates are the fees that the network operators pay to each other for terminating calls on each other's networks. Following the determination made by the Authority on interconnection rates in 2012, their first anniversary came into effect on the 15th October 2013 whereby the interconnection rates were reduced by 19% from M0.58 to M0.47 per minute. The second and last anniversary of this three-year glide path of interconnection rates falls due in October 2014 at which time the reduction would be a further 19% to M0.38 per minute. These rates form a critical component of the retail tariffs that operators charge to the consumers.

CHIEF EXECUTIVE OFFICER'S REPORT

STUDIES AND SURVEYS

Two major studies were undertaken in the period under review. These entailed Competition Management Regime (CMR) study and ICT Indicators Survey in the four subsectors of the economy. In addition, the Authority undertook bi-annual surveys on Internet Cafés.

Competition Management Regime Study

The Authority is in the process of establishing a Competition Management Regime (CMR) in line with the Communications Act 2012. Amongst others, the Authority is embedded with powers to identify and classify dominant players in identified relevant markets and to develop competitive safeguards that would deter abuse of dominant position. To this end, the Authority is in the process of engaging services of a consultancy firm to conduct the study on CMR. The procurement processes has started and is due to be completed by the beginning of the next financial year. The study is expected to be completed in the next reporting period.

ICT Indicators Survey in Business, Health, Education and Accommodation

The Authority has embarked on a nationwide survey on ICT Indicators to assess the state of information and communication technologies within the four sub-sectors of the economy, namely, business, education, health and tourism sectors. In the last reporting year, data collection and data entry were completed. In this reporting period, data cleaning, editing and tabulation were completed. Data geocoding and draft report have been started and will be completed in the next reporting period.

Internet Cafés Surveys

Internet cafes provide public access points for internet services. The Authority is responsible for keeping track of the growth and behaviour of internet cafés throughout the country. To achieve this, the Authority undertakes a bi-annual survey on statistics related to the number and attributes of functioning internet cafés throughout Lesotho. The latest survey, which was conducted during the period under review indicated that the number of Internet cafes has declined in five of the ten districts, and these were Maseru, Leribe, Mokhotlong, Mohale's Hoek and Thaba-Tseka. On the overall, there are currently 69 operating internet cafés compared to 77 in the previous reporting period. Factors that might contribute to the decline in the number of internet cafés include perpetually high costs of bandwidth as well as increasing use of tablets and smartphones among others. The Authority has also engaged in recording the coordinates of the physical location of the internet cafés on geographical information systems (GIS) as one way to enhance tracking mechanisms. Table 6 gives a snapshot of the trends of internet cafés by district in the past five years.

CHIEF EXECUTIVE OFFICER'S REPORT

Table 6: Number of Internet Cafès in Lesotho 2009/10 -2013/14

District	2009/10	2010/11	2011/12	2012/13	2013/14
Botha-Bothe	2	4	6	5	5
Leribe	5	5	9	12	11
Berea	2	2	3	4	6
Maseru	11	15	23	34	29
Mafeteng	3	3	3	6	6
Mohale's Hoek	2	3	3	3	2
Quthing	0	2	2	2	2
Qacha's Nek	2	2	5	3	3
Mokhotlong	1	1	2	6	4
Thaba-Tseka	0	1	2	2	1
Total	**28**	**38**	**58**	**77**	**69**

UNIVERSAL SERVICE FUND

The mandate of the Universal Service Fund is prescribed in the Communications Act 2012 and could be summarised as being to ensure that all areas of the country have access to voice telephony services, internet access, broadcasting services and basic postal services.
In order to achieve this mandate, in 2013/14, the Fund:

- Undertook projects aimed at extending mobile network coverage to unserved areas;
- Embarked on a Wireless Network Broadband project for providing broadband internet access to communities, schools and health centres in partnership with the ITU; and
- Continued its support to the operations of the LIXP and acquired infrastructure for the national domain name registry, which will be operated as a service under the LIXP.

The total expenditure on projects was M10.6 million.

The Fund faced the challenge of inadequate funding as the demand for its services were high in unserved areas against the financial resources that were available for projects. As a result of this situation, six projects for mobile network expansion which were planned had to be deferred to 2014/15.

The Fund continued developing mobile network expansion in unserved areas, setting up the top-level country code domain (ccTLD) name infrastructure elements and establishing a broadband wireless network in partnership with the ITU. The Fund also continued with the process of profiling unserved and underserved areas.

Infrastructure Projects

Since its establishment in 2009, the Fund has subsidised 20 GSM projects, which have benefited at least 63,400 people in some 320 villages in the rural areas of the country. It has also continued to support the LIXP.

CHIEF EXECUTIVE OFFICER'S REPORT

Mobile (GSM) Projects in 2013/14

In 2013/14 the USF profiled several areas in the country and out of these, nine projects were put for tender. These were: Mahlachaneng (Quthing), Rankakala (Qacha's Nek), Motete (Botha-Bothe), Ha Nthapo (Maseru), Kubake (Maseru), Qhoasing (Mohale's Hoek), Ha Tšilo (Maseru), Manemaneng (Thaba-Tseka), Moremoholo (Mokhotlong).

The nine projects were put on tender on the basis of available funds and the funding that had been anticipated from the African Development Bank (AfDB) as a grant to the Government of Lesotho. The total cost of all these projects was M17,765,459.78. However, it then transpired that the AfDB grant would not be available during 2013/14. At the time, the Fund had only M4.3 million. As a result, tenders were awarded for only three projects, which were: Kubake, Ha Nthapo and Qhoasing. These were completed at a total subsidy cost of M5,408,045.20. This amount included a 10% retention which is payable one year after project closure. Thus it was possible to undertake the three (3) projects despite the apparent budget cash shortfall at the time.

Table 7: Projects awarded and completed in 2013/14

Project Name	District	Awarded to	Number of Target Villages	Number of Sites	Total Population
Kubake	Maseru	VCL	17	1	1,569
Qhoasing	Mohale's Hoek	ETL	16	1	1,638
Ha Nthapo	Maseru	VCL	28	1	2,269
		Total	61	3	5,476

Universal Service Fund site at Kubake in Maseru district.

The three completed projects bring the total number of project subsidised by the USF to 20 and they are distributed across the 10 districts as shown below:

Another picture of USF can fit well here.

CHIEF EXECUTIVE OFFICER'S REPORT

Figure 4: Distribution of projects by district as at March 2014

Colour	District	No. of project	Percentage
•••	Maseru	4	20%
•••	Berea	1	05%
•••	Mafeteng	2	10%
•••	Leribe	2	10%
•••	Botha-Bothe	2	10%
•••	Mokhotlong	2	10%
•••	Thaba-Tseka	2	10%
•••	Qacha's Nek	1	05%
•••	Quthing	2	10%
•••	Mohale's Hoek	2	10%

The Wireless Broadband Project

The Government of Lesotho, under MCST, entered into an agreement with the ITU to implement a project for Broadband Wireless Network. The deliverables of the project were:

- deployment of wireless broadband infrastructure for identified areas in Lesotho;
- development of ICT applications for Lesotho;
- training of local experts on the operation of deployed wireless communication networks; and
- development of low cost internet access for schools and hospitals whereby 44 schools and 29 health centres were earmarked for the project.

The budget for the project was US$855,000 of which the USF contributed US$377,000 as counterpart contribution of Lesotho to the project and the rest was provided by the ITU. The project was expected to be completed in December 2013, but suffered administrative delays. It is expected that it would be completed in the 2014/15 financial year.

CHIEF EXECUTIVE OFFICER'S REPORT

Lesotho Internet Exchange Point and Country Code Top-level Domain (ccTLD) Name

The Fund continued with support in the operation of the Lesotho Internet Exchange Point (LIXP). In addition, it supported the establishment of the country code top-level domain name (ccTLD) or dot LS in short, which is also hosted at the LIXP. An internet exchange point assists in routing the internal internet traffic within the country and thus conserving the international bandwidth while an internet domain name system is a component of the internet infrastructure which is used to convert internet protocol (IP) addresses from numbers to names that are easy to remember (e.g. 41.203.190.166 compared with www.lca.org.ls).

A domain name is made-up of a series of alpha-numerics separated with dots. For instance, the domain name for the Authority is lca.org.ls. The right-most sequence (.ls) is the top level domain for Lesotho, based on the ISO 3166-1 standard of two letter country codes. This is a convention that the Internet Corporation for Assigned Names and Numbers (ICANN) adopted for top level domains assigned to countries. The country's top level domain is a national resource that should be managed in the public interest. This resource is critical in the development of electronic commerce, education and governance.

During 2013/14, the LIXP was moved to a more suitable space provided within the Maseru campus of the National University of Lesotho (NUL). The space was renovated to make it fire-proof and to provide controlled room temperature. Network components for the dot LS were acquired. Specifically, these were servers, switches, routers and the relevant software licences. The total cost for all these components was around M1.5 million which was provided by the Authority as a grant to the Fund.

The network was configured and the dot LS primary servers were ready to operate from the LIXP. The dot LS has over the years operated from Rhodes University in South Africa and the process to relocate this function to Lesotho is underway.

Profiling of Areas

The USF profiled areas which need communications services by surveying and collecting data on underserved and unserved villages in all the ten districts of Lesotho. The data was obtained through various sources, including direct requests from residents and from local authorities. Profiling involved site visits to assess the communication needs of the respective areas. The assessment considered basic infrastructure, economic activity, area topography and demographics.

CHIEF EXECUTIVE OFFICER'S REPORT

Table 8: GSM projects funded by the USF from 2009 to 2014

Projects Sites by Year	District	Operator	No. of Villages	No. of Sites	Population
2009/10			**59**	**5**	**9,436**
'Malefiloane	Mokhotlong	ETL	21	2	4,488
Makhaleng	Maseru	VCL	26	1	2,966
Tebellong	Qacha's Nek	VCL	12	2	1,982
2010/11			**112**	**9**	**23,940**
Hloahloeng	Mohale's Hoek	VCL	28	3	3,957
Litsoetse	Thaba-Tseka	VCL	10	1	3,363
Makhunoane	Botha-Bothe	ETL	13	2	2,507
Tsatsane	Quthing	VCL	36	1	6,796
2011/12			**34**	**2**	**8,890**
Malibamatšo	Leribe	VCL	20	1	5,155
Malumeng	Mafeteng	VCL	14	1	3,735
Pulane	Berea	VCL	14	1	5,390
Rapokolana	Maseru	ETL	11	1	1,927
Semena	Thaba-Tseka	VCL	24	1	6,238
2012/13			**119**	**8**	**15,681**
Bolikela	Mafeteng	VCL	22	1	2,451
Matsoku	Mokhotlong	VCL	20	1	1,522
Mjanyane	Quthing	ETL	13	1	1,011
Monontsa	Botha-Bothe	ETL	28	2	2,627
Tšehlanyane	Leribe	ETL	12	2	1,832
2013/14				**3**	**5,476**
Ha Nthapo	Maseru	VCL	28	1	1,569
Kubake	Maseru	VCL	16	1	1,638
Qhoasing	Mohale's Hoek	ETL	17	1	2,269
Grand Total			**324**	**24**	**63,423**

CHIEF EXECUTIVE OFFICER'S REPORT

MAJOR INTERNATIONAL EVENTS

SADC Meeting of Ministers of Telecommunications, Postal and ICT

The Meeting of SADC Ministers responsible for Telecommunications, Postal and ICT was convened from the 20th to the 23rd May 2013 in Maseru, Lesotho, hosted by the Ministry of Communications, Science and Technology (MCST). The meeting was officially opened by Honourable Tšeliso Mokhosi, the Minister for Communications, Science and Technology of Lesotho and was attended by Honourable Ministers from SADC member states. The LCA formed part of the Lesotho delegation to the meeting.

The meeting focused on the review of the implementation of the decisions of the ministers meeting convened in November 2012 in Balaclava, Mauritius. It also facilitated policy dialogue which sought to ensure that the implementation of regional telecommunications, postal and ICT programmes contributed meaningfully to regional integration, socio-economic development and to the attainment of the World Symposium on the Information Society (WSIS) targets and the MDGs in the SADC Region. The meeting also deliberated over a number of issues and:

- Approved the SADC Home and Away Roaming Guidelines on Transparency for implementation from the 1st June 2013;
- Approved the SADC Frequency Allocation Plan (FAP) based on the WRC-12 decisions and the latest frequency allocation and utilisation needs of the SADC region and approved the proposal for a time and proactive allocation of frequency spectrum at cost-based principle so as to support the on-going affordability initiatives and service universality especially for broadband;
- Noted that SADC member states were among the leading African nations in terms of Digital Terrestrial Television (DTT) Migration through the implementation of the SADC Roadmap for Digital Broadcasting Migration. They noted that some member states were at the advanced stage while others have some constraints and were behind schedule. Member states were urged to continue their efforts to migrate to DTT by the ITU deadline of the 17th June 2015.
- Noted the progress made in relation to the development of the SADC Model Framework on Universal Postal Reforms and the various initiatives implemented by the SADC Postal Operators in order to improve their quality of services and also reduce pricing. These initiatives include: the Regional Special Parcel Services, Global Monitoring System (GMS), Regional Road Transport Network (RTN) and the diversifying of portfolios with the Regional Electronic Money Transfer Project, which aims at easing the plight of the unbanked, especially in rural areas.

World Summit on the Information Society Forum 2013

Lesotho participated in the WSIS Forum 2013 which was held from the 13th to the 17th May 2013 at the ITU Headquarters in Geneva, Switzerland. This annual gathering of WSIS stakeholders, which was co-organised by ITU, UNESCO, UNCTAD and UNDP, reviewed the Implementation of the WSIS Outcomes (WSIS+10) under the theme: "Turning targets into action". Lesotho delegation was led by the Minister of Communications, Science and Technology and LCA formed part of the delegation.

CHIEF EXECUTIVE OFFICER'S REPORT

During the WSIS Summits in 2003 and 2005, governments, private sector, civil society and international organisations had declared their common desire and commitment to build a people-centred, inclusive and development-oriented information society, where everyone can create, access, utilise and share information and knowledge, enabling individuals, communities and peoples to achieve their full potential in promoting their sustainable development and improving their quality of life, premised on the purposes and principles of the Charter of the United Nations.

13th Global Symposium for Regulators

LCA participated in the 13th Global Symposium for Regulators (GSR-13), organized by ITU's Telecommunication Development Bureau (BDT), in collaboration with Poland's Ministry of Digitization and Office of Electronic Communications (UKE), held in Warsaw, Poland, from the 3rd to the 5th July 2013. The theme of GSR-13 was "4th Generation Regulation: Driving Digital Communications Ahead". The symposium examined challenges that regulators face in a networked and converged world, where information and communication technologies (ICTs) cut across virtually every sector of society and the economy — for example, health, finance, education, trade, agriculture and tourism — and where there is a growing need for bandwidth and for more investment in new technologies.

Panellists and participants examined smart opportunities in traditional areas, such as spectrum, standards, universal service funds, financing and investments, interconnection charges, as well as new topics such as digital transactions, new applications, delivery platforms, revenue schemes, Internet Protocol (IP) addresses and 4th generation regulations. As in all previous GSRs, the national regulatory authorities which were present at the Symposium reached consensus on an output document: GSR-13 Best-Practice Guidelines on the evolving roles of regulation and regulators in a digital environment.

Communications Regulators' Association of Southern Africa

The Communications Regulators' Association of Southern Africa (CRASA) is an association of regulators dealing in telecommunications, broadcasting and postal sectors. LCA hosted the two workshops which preceded the 3rd Annual General Meeting of CRASA as well as the AGM of the Association. The workshop on "Turning the Post Office into a Force for Financial Inclusion in SADC" was held on the 24th March 2014 and followed by another one on "Leveraging Mobile Money for Financial Inclusion in SADC" on the 25th March 2014. The AGM was held on the 26th and 28th March 2014 and looked into a wide range of issues such as country progress reports; CRASA operations and strategic plan; specialised committee reports on electronic communications, postal, consumer affairs, human resources development, universal access and universal service and legal and policy matters. At the close of the AGM, Lesotho assumed the chairmanship of the Association.

The Authority participated in the work of the Association through its committees and technical programmes such as migration to digital terrestrial television, SADC home and away roaming, review of SADC frequency band plan and the development of the SADC model framework on postal reforms.

CHIEF EXECUTIVE OFFICER'S REPORT

Commonwealth Telecommunications Organisation Events

Commonwealth delegates and ICT industry leaders met for three days in Abuja, Nigeria during the 11th Annual CTO Forum, in a collective effort to find ways to accelerate universal access to affordable broadband internet connectivity for all. Over 200 participants from Asia-Pacific, Africa, Europe, North America and the Caribbean converged in Abuja for the event. Also present at the event were ICT regulators from Commonwealth countries, as well as civil society organisations, whose role had been critical in recent years in promoting wider access to ICTs.

'Innovation through broadband' was the overall theme for the event. Speakers and exhibitors at the Forum provided critical updates and insight into infrastructure, security and application challenges facing the ICT sector.

The ministers and their advisors met in London on the 3rd and the 4th March 2014 at the first Commonwealth ICT Ministers' Forum, with the consensus model based on the values and aspirations expressed in the Commonwealth Charter, which are democracy, sustainable development, human rights and the rule of law. Ministers also agreed on the Commonwealth Plan for Broadband Inclusion, a strategy for advancing broadband across the 53-country membership, as well as ICTs and disability and ICTs in education. At the forum, the Lesotho delegation was led by the Minister of Communications, Science and Technology, Hon. Selibe Mochoboroane and LCA formed part of his delegation.

West Indian Ocean Cable Company

LCA attended the meetings of the WIOCC Board where Lesotho is a shareholder and is represented by LCA. WIOCC is a special purpose vehicle investment company owned by 14 telecommunications members and is the largest investor in the EASSy cable. EASSy is a 10,000 km submarine cable system deployed along the east and south coast of Africa linking South Africa with Sudan via landing points in Mozambique, Madagascar, the Comoros, Tanzania, Kenya, Somalia and Djibouti. Lesotho is connected to the cable through a terrestrial connection from Mtunzini in South Africa.

Asia Global Leaders Broadband and USF Forum

Intel Corporation organised a series of fora as part of its social investment programmes. Amongst these fora was the Asia Global Leaders Forum, which it organised in association with the Universal Service Obligation Fund and Department of Telecommunication of the Government of India. Its purpose was to enable key leaders from Asia's Ministries of Information and Communications Technology (ICT) and Universal Service Access Funds from around the world to share experiences, current challenges and ideas. Intel Corporation granted a sponsorship to Lesotho and was represented by LCA, which participated at this forum to initiate discussions on how Intel Corporation can extent its assistance to Lesotho. The forum discussed two key thematic topics and these were: broadband and its benefits and using a universal service fund to deliver broadband to unserved and underserved communities.

CHIEF EXECUTIVE OFFICER'S REPORT

Public Relations

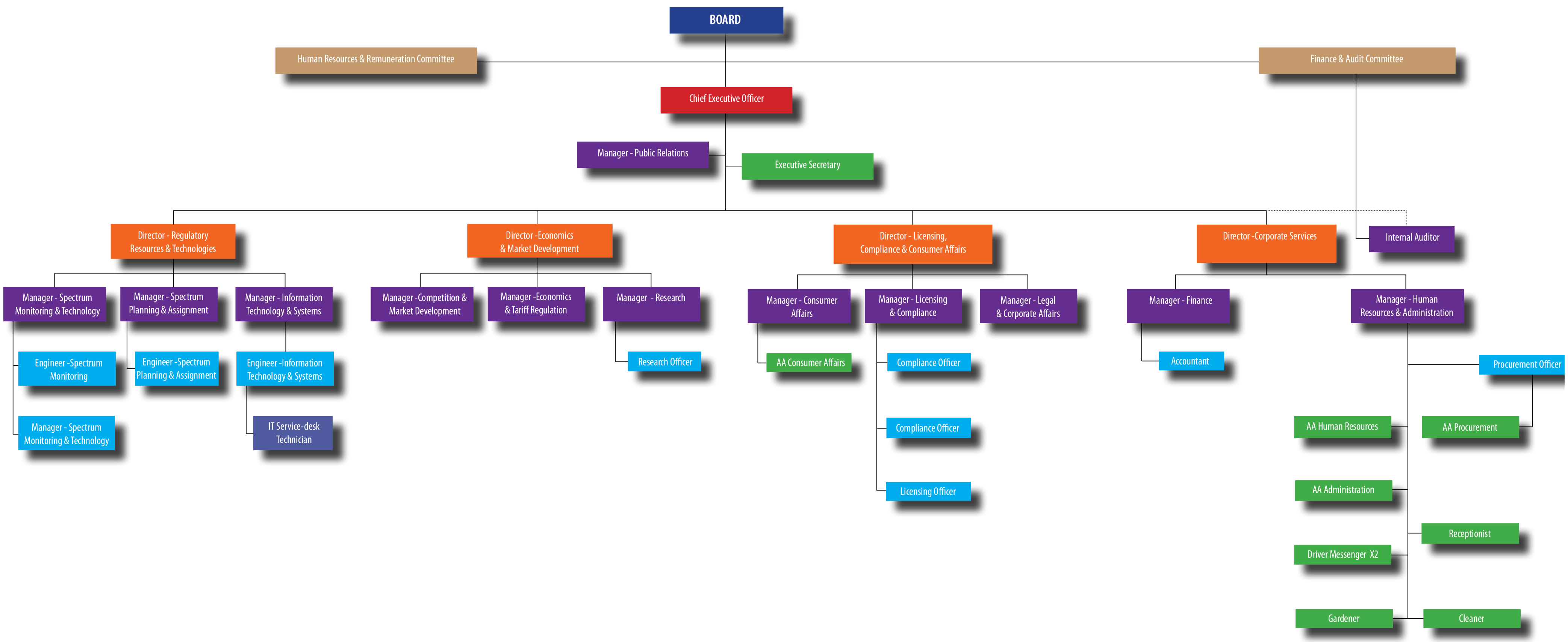
The Authority commemorated the World Telecommunication and Information Society Day which took place at Lesotho Cooperative College on the 16th May 2013 under the theme, "ICT and improving road safety". The theme was drawn from the United Nations resolution on The Decade of Action for Road Safety 2011–2020. The day was jointly organised by the LCA and the Ministry of Public Works and Transport and received wide media coverage. The LCA was also involved in a variety of public relations events and activities throughout the year such as exhibitions, magazine articles, television and radio shows, the Annual Report, press releases, newsletter and the newly revamped LCA corporate website, www.lca.org.ls which was periodically updated.

Computer equipment to the value of about M120,000 comprising six laptops, 10 desktops, 11 printers and operating systems software was donated to Scott Hospital in Morija in commemoration of His Majesty's 50th birthday celebrations. This hospital would also be part of the broadband project sponsored by the ITU and the USF. Seven used computers and two printers as well as internet subscription for a year, valued at M4,500, were donated to Botha-Bothe Community Primary School. LCA commemorated the 2013 World Aids Day with two communities of Ha Raliopelo and St. Cecilia Orphanage by providing education on HIV and AIDS as well as donating food packages, medicines, vegetable seeds, bedding and general household items worth over M80,000. These items were donated by the Authority to assist the sick and vulnerable children. The beneficiaries at Ha Raliopelo were 31 double orphans, 32 single orphans, six vulnerable children and 27 sick people while the orphanage accommodated 50 children. The Authority sponsored its annual award for the Best Graduating Student in Information and Communications Technology studies at NUL.

CHIEF EXECUTIVE OFFICER'S REPORT

LESOTHO COMMUNICATIONS AUTHORITY

ORGANOGRAM



FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014
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 2014 set out on pages 44-60 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 42 to 43.

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 44-60 which are stated in Maloti, the Lesotho currency, have been approved and authorised for issue on the 25th September, 2014 by the Board and signed on its behalf by:

CHAIRMAN

CHIEF EXECUTIVE OFFICER

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014
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)
Mrs. Teboho 'Mokela
Mr. Paseka Khetsi
Mr. Mpho Malie
Mr. Molahlehi Letlotlo
Mr. Lefa Mokotjo
Mr. Monehela Posholi (Ex-officio)

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 2014

I have audited the accompanying financial statements of Lesotho Communications Authority which comprise the statement of financial position as at 31 March 2014, 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 53.

Management's Responsibility for the Financial statements

Management is 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 2014, 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.

30 September 2014

OFFICE OF THE AUDITOR-GENERAL
AUDITOR GENERAL
2014 -09- 30
P.O. BOX 502
MASERU 100 LESOTHO

Lucy. L. Liphafa (Mrs)
Auditor General

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2014

ASSETS	Notes	2014 M	2013 M
Non-Current Assets			
Property, Plant & Equipment	7	27,333,573	6,999,618
Current Assets			
WIOCC Capacity-Lesotho Portion	8	11,618,977	7,811,712
Investment in WIOCC	9	3,615,100	3,615,100
		15,234,077	**11,426,812**
Current Assets			
Trade and other receivables	10	21,682,397	14,606,202
Cash and cash equivalents	11	44,831,523	65,215,717
		66,513,920	**79,821,919**
Total Assets		**109,081,570**	**98,248,349**
Funds			
Capital Fund	12	2,331,822	2,331,822
Revaluation Surplus		1,542,350	1,542,350
Accumulated Fund		67,801,996	60,810,604
Capital Grant	13	6,266,187	6,748,200
		77,942,355	**71,432,976**
Non-Current Liabilities			
Deferred Income	14	6,754,584	8,424,584
Current Liabilities			
Trade and other payables	15	15,911,633	10,352,557
UA Reserve Fund		2,308,315	2,412,193
Provisions		6,164,683	5,626,040
		24,384,631	**18,390,790**
Total Funds and Liabilities		**109,081,570**	**98,248,350**

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2014

	Notes	2014 M	2013 M
Income			
Regulatory Fees	2	51,663,304	48,824,494
Other Income	3	33,739	-
Amortisation of Capital Grant	4	482,013	482,000
		52,179,056	**49,306,494**
Expenditure			
Staff Costs	5	24,157,925	23,422,074
Depreciation	7	1,208,843	3,642,646
Directors Emoluments		1,007,506	813,659
Audit Fees		54,575	49,613
Other Administrative Costs	6	19,137,963	15,104,243
		45,566,812	**43,032,235**
Surplus/Deficit before finance income & cost		6,612,244	6,274,259
Finance Income		2,621,016	3,374,512
Surplus/Deficit after finance income & cost		**9,233,260**	**9,648,771**
Transfer to UAF	18	2,308,315	2,412,193
Retained surplus for the year		**6,924,945**	**7,236,578**

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2014

	Capital Funds Maloti	Revaluations Reserve Maloti	Accumulated Funds Maloti	Capital Grants Maloti
Balance at 31/03/2011	**2,331,822**	**1,854,515**	**39,870,241**	**-**
Prior Year Adjustment		-	466,150	-
Surplus for the year		-	12,674,816	-
Grants received during the year	-	-	-	7,230,200
Balance at 31/03/2012	**2,331,822**	**1,854,515**	**53,011,207**	**7,230,200**
Prior Year Adjustment	-	-	562,819	-
Surplus for the year	-	-	7,236,578	-
Disposal of re-valued assets	-	(312,165)	-	-
Amortisation for the year	-	-	-	(482,000)
Balance at 31/03/2013	**2,331,822**	**1,542,350**	**60,810,604**	**6,748,200**
Prior to Adjustment	-	-	66,447	-
Surplus for the year	-	-	6,924,945	-
Disposal of re-valued assets	-	-	-	-
Amortisation for the year	-	-	-	-
Balance at 31/03/2014	**2,331,822**	**1,542,350**	**67,801,996**	**(482,013)**

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2014

	31.03.14 Maloti	31.03.13 Maloti
Surplus for the period	6,924,945	7,236,578
Prior period adjustments	66,447	562,819
Depreciation	1,208,843	3, 642,646
Amortisation of capital grant	(482,013)	(482,000)
Increase/(Decrease) in receivables	(7,076,195)	(2,193,150)
Increase/(Decrease) in payables	5,993,841	7,184,816
Profit on sale on assets	-	-
Net cash inflow/outflow from operating activities	**6,635,868**	**15,951,709**
Investing Activities		
Purchase of Plant, Property and Equipment	(21,542,797)	(2,109,416)
Purchase of intangible assets	(3,807,265)	(691,612)
Proceeds from disposal of assets	-	-
Net cash flows from investing activities	**(25,350,062)**	**(2,801,028**
Financing Activities		
Capital Grant	-	-
Initial licence fees	(1,670,000)	(1,336,666)
Movement on revaluation surplus	-	(312,165)
Net cash flows from financing activities	**(1,670,000)**	**(1,648,831)**
Net increase in Cash & cash equivalents	**(20,384,194)**	**11,501,850**
Cash & cash equivalents at the beginning of the year	**65,215,717**	**53,713,867**
Cash & cash equivalents at the end of the year	**44,831,523**	**65,215,717**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

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 are 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 2014

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 Derecognition of assets and liabilities

Financial assets are derecognised 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 2014

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 2014

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.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

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, 2008.

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 2014

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 armortised 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 2014

		31.03.14 Maloti	31.03.13 Maloti
2.	**Regulatory fees**		
	Application Fee	187,943	143,392
	Licence Fee	2,816,520	2,333,850
	Spectrum Fee	16,911,683	16,049,125
	Royalty Fee	31,747,158	30,298,127
		51,663,304	**48,824,494**

3. Other Income

Sale of tender documents and proceeds from insurance company for broken ipads.

4. Armotisation of Capital Grant

This represents an amount amortised during the year for the WIOCC investment and WIOCC capacity paid the Government of Lesotho.

		31.03.14 Maloti	31.03.13 Maloti
5.	**Staff Costs**		
	Salaries	14,503,802	13,742,232
	Allowances	4,577,629	4,859,594
	Pension	1,295.711	1,295,711
	Severance Pay	433,556	471,832
	Leave Pay	224,882	158,800
	Medical Aid	1,514,427	1,355,073
	Gratuity	897,014	636,947
	Staff Refreshments & Welfare	155,388	374,078
	Sports & Recreation	445	310
	Staff cell phone airtime	357,580	400,359
	Fringe Benefit Tax	116,950	97,376
	Housing	45,335	29,762
		24,157,925	**23,422,074**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

	31.03.14 Maloti	31.03.13 Maloti
6. Other Administration Costs		
Bank Charges	237,247	183,719
Communication	1,368,283	1,368,882
Postage	4,526	14,558
Stationery	103,780	137,112
Repairs and maintenance	258,878	293,687
Software Licenses	571,363	198,593
Operation and Maintenance (WIOCC)	1,801,548	1,087,350
Water and Electricity	135,431	117,537
Office Rent	1,320,692	1,055,380
Insurance	597,890	545,797
Station Maintenance	837,703	1,007,690
Other Expenses	2,317,360	17,817
Books and Journals	50,667	42,133
Fuel	138,370	108,589
Car Running	117,863	66,415
Staff Uniform	113,769	190,120
Subscriptions	1,169,602	889,154
Travel and Accommodation	2,796,470	3,008,196
Staff Training	1,865,272	1,590,178
Business Entertainment	162,957	420,778
Cleaning & Security	94,620	107,755
Public Relations	1,199,947	970,785
Consultancy Fees	386,791	397,969
Board Expenses	779,998	19,577
Legal Fees	150,813	459,889
Research	133,951	786,168
Donations	181,138	18,550
Bad debts	241,036	-
Total Expenses	**19,137,963**	**15,124,170**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

7. Property, Plant and Equipment

	Cost at 31.03.13	Additional Revisions of value	Disposal	Cost at 31.03.14	Dep'n at 31.03.13	Disposal	Charge this year	Dep'n at 31.03.14	NCV at 31.03.13	NCV at 31.03.14
	Maloti	Maloti	Maloti	Maloti	Maloti	Maloti	Maloti	Maloti	Maloti	Maloti
Office Equipment	341,568	4,000	-	345,568	206,038	-	49,715	255,753	135,530	89,816
Computer Equipment	6,540,662	650,090	-	7,190,752	4,269,274	-	1,254,323	5,523,597	2,271,388	1,667,155
Motor Vehicles	1,702,462	-	-	1,702,462	1,041,395	-	47,740	1,089,135	661,067	613,327
Office Furniture	1,205,633	-	-	1,205,633	919,269	-	93,731	1,013,000	286,364	192,633
Land & Buildings	3,627,499	95,630	-	3,723,129	426,88	-	111,863	538,751	3,200,611	3,184,378
LCA new Office Complex-WIP	-	16,273,232	-	16,273,232	-	-	-	-	-	16,273,232
Monitoring Equipment	10,402,004	4,519,834	-	14,921,838	9,957,345	-	(348,529)	9,608,816	444,659	5,313,032
	23,819,828	**21,542,797**	**-**	**45,362,625**	**16,820,209**	**-**	**1,208,843**	**18,029,052**	**6,999,619**	**27,333,573**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

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.

	31.03.14 Maloti	31.03.13 Maloti
10. Trade and Other Receivables		
Trade receivables	20,257,095	8,775,370
Deposits	88,624	45,869
Other Receivables	1,183,817	5,595,098
Staff Loans	152,861	189,866
	21,682,397	**14,606,203**
11. Cash and cash equivalents		
Petty Cash	1,013	1,082
Current Accounts	1,299,334	23,051,140
Short term deposits	43,531,176	42,163,495
	44,831,523	**65,215,717**

12. Capital Fund

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

13. Capital Grant

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	6,748,200	7,230,200
Less: Amortisation of Capital Grant for the year	482,013	482,000
Closing balance	**6,266,187**	**6,748,200**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

		31.03.14	31.03.13
		Maloti	**Maloti**
14.	**Deferred Income**		
	These are initial licence fees for 15 and 20 years:		
	Bethlehem Technologies	-	466,667
	Econet Telecom Lesotho	5,921,250	6,791,250
	Vodacom Lesotho	833,334	1,166,667
		6,754,584	**8,424,584**
15.	**Trade and other Payables**		
	Trade Payables	1,400,024	998,805
	Fringe benefit tax	36,586	27,641
	Other payables	14,475,023	9,326,111
		15,911,633	**10,352,557**
16.	**Prior Year Adjustments**		
	WIOCC	-51,383	-
	Communications	154,447	-
	Donations	-	700
	Staff uniform	-	8,000
	Creditors	-22,428	6,817
	Provision for outstanding expenses	-	235,137
	Directors fees	-14,189	-
	Revaluation surplus	-	312,165
	TOTAL	**66,447**	**562,819**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

17. 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 8,102,602.4 at 31 March 2014.

Corporation Tax

The Authority is contingently liable to the Lesotho Revenue Authority (LRA) in respect of corporation tax of M 11,444,520.50.

Value Added Tax (VAT)

The Authority is further contingently liable to the Lesotho Revenue Authority (LRA) with respect to five (5) years VAT which was not charged on issuing invoices to its licensees. The contingent liability is M 13,326,496.15.

18. Universal Service Reserve Fund

In accordance with Lesotho Communications Authority (Universal Access Fund Rules) Rules of 2009, 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.

19. Operating Lease

At 31 March 2014 the totals of future minimum lease payments under non – cancellable operating leases were:

	Due: - Within one year
	M
Land & Buildings	1,413,045

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

20. 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 year.

21. 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.

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

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 2014
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 2014 set out on pages 65-76 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 63 and 64.

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 65-76 which are stated in Maloti, the Lesotho currency, have been approved and authorised for issue on the 25th September, 2014 by the Board and signed on its behalf by:

CHAIRMAN

CHIEF EXECUTIVE OFFICER

UNIVERSAL SERVICE FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014
DIRECTORS APPROVAL AND STATEMENT OF RESPONSIBILITY
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)
Mrs. Teboho 'Mokela
Mr. Paseka Khetsi
Mr. Mpho Malie
Mr. Molahlehi Letlotlo
Mr. Lefa Mokotjo
Mr. Monehela Posholi (Ex-officio)

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 2014

I have audited the accompanying financial statements of Lesotho Communications Authority which comprise the statement of financial position as at 31 March 2014, 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

Management is 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 2014, 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

30 September 2014
OFFICE OF THE AUDITOR-GENERAL
AUDITOR GENERAL
2014 -09- 30
P.O. BOX 502
MASERU 100 LESOTHO

STATEMENT OF FINANCIAL POSITION - UNIVERSAL SERVICE FUND
AS AT 31 MARCH 2014YEAR ENDED 31 MARCH 2014

ASSETS	Notes	2014 M	2013 M
Non-Current Assets			
Property, Plant & Equipment	6	84,171	71,087
		84,171	**71,087**
Current Assets			
Trade and other receivables	7	15,556,330	15,600,240
Cash and cash equivalents	8	7,384,372	6,470,953
		22,940,702	**22,071,193**
Total Assets		**23,024,873**	**22,142,280**
Funds			
Accumulated Fund		10,981,043	11,370,240
		10,981,043	**11,370,240**
Current Liabilities			
Trade and other payables			
Provisions		11,961,515	10,772,040
		82,315	-
		12,043,830	**10,772,040**
Total Funds and Liabilities		**23,024,873**	**22,142,280**

STATEMENT OF COMPREHENSIVE INCOME - UNIVERSAL SERVICE FUND
FOR THE YEAR ENDED 31 MARCH 2014

	Notes	2014 Maloti	2013 Maloti
Income			
Fund Contributions	2	11,482,314	12,879,964
Other income		1,525,557	-
		13,007,871	**12,879,964**
Expenditure			
Fund Disbursements	3	11,078,426	15,453,062
Staff Costs	4	699,120	502,003
Depreciation		692	78,256
Committee fees		186,030	60,585
Other Administrative Costs	5	254,500	132,002
		12,218,768	**16,225,908**
Surplus/Deficit before finance income & cost		**789,103**	**(3,345,944)**
Finance Income		120,609	230,446
Surplus/Deficit after finance income & cost		**909,712**	**(3,115,498)**
Retained surplus for the year		**909,712**	**(3,115,498)**

STATEMENT OF CHANGES IN EQUITY - UNIVERSAL SERVICE FUND
FOR THE YEAR ENDED 31 MARCH 2014

	Accumulated Funds
Balance at 31/03/2012	**14,886,439**
Surplus/(Deficit) for the year	(108,685)
Balance at 31/03/2012	**14,777,754**
Surplus/(Deficit) for the year	(3,115,498)
Prior year Adjustment	(292,016)
Balance at 31/03/2013	**11,370,240**
Surplus/(Deficit) for the year	909,712
Prior year Adjustment	(1,298,909)
Balance at 31/03/2014	10,981,043

STATEMENT OF CASH FLOWS - UNIVERSAL SERVICE FUND
FOR THE YEAR ENDED 31 MARCH 2014

	2014 Maloti	2013 Maloti
Deficit for the period		
Depreciation	**909,712**	**(3,115,498)**
Increase/(Decrease) in receivables	692	78,256
Increase/(Decrease) in payables	43,910	(1,778,905)
Prior Year Adjustment	1,271,790	4,412,266
Net cash inflow/outflow from operating activities	(1,298,909)	(292,016)
	927,195	**(695,897)**
Investing Activities		
Purchase of Plant, Property and Equipment	(21,476)	(7,700)
Disposal of fixed assets	7,700	-
Movement in Cash & cash equivalents	**913,419**	**(703,597)**
Cash & Cash Equivalents at the beginning of the year	**6,470,953**	**7,174,550**
Cash & Cash Equivalents at the end of the year	**7,384,372**	**6,470,953**

NOTES TO THE FINANCIAL STATEMENTS - UNIVERSAL SERVICE FUND
FOR THE YEAR ENDED 31 MARCH 2014

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 are in accordance with IFRS requires the use of certain accounting estimates and assumptions.

1.2 Adherence of new and revised standards

The Universal Service Fund 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 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.

NOTES TO THE FINANCIAL STATEMENTS - UNIVERSAL SERVICE FUND
FOR THE YEAR ENDED 31 MARCH 2014

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 derecognised 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.

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 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 - UNIVERSAL SERVICE FUND
FOR THE YEAR ENDED 31 MARCH 2014

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 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

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

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.

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 the personnel rules of the Universal Service Fund.

NOTES TO THE FINANCIAL STATEMENTS - UNIVERSAL SERVICE FUND
FOR THE YEAR ENDED 31 MARCH 2014

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 statement of comprehensive income in the period in which they are incurred.

1.17 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 - UNIVERSAL SERVICE FUND
FOR THE YEAR ENDED 31 MARCH 2014

		31.03.14 Maloti	31.03.13 Maloti
2.	**Fund Contributions**	11,482,314	12,879,964
		11,482,314	**12,879,964**
3.	**Fund Disbursements**		
	These are monies paid to the network operators for constructing Base Receiver Stations (BTS).		
	LIXP Equipment	1,525,557	207,723
	ITU Wireless Broadband Project	4,138,690	-
	Kubake	1,800.000	-
	Ha Nthapo	1,800,000	-
	Qhoasing	1,808,046	-
	USF Frequencies for VCL	9,133	-
	Mjanyane	-	2,441,847
	Monontša	-	5,179,026
	Tšehlanyane	-	2,152,013
	Bolikela	-	2,340,000
	Matsoku	-	2,670,000
	Makhunoane	-	462,453
		11,078,426	**15,453,062**
4.	**Staff Costs**		
	Salaries	430,191	286,131
	Allowances	144,153	115,239
	Pension	19,887	17,072
	Medical Aid	12,414	13,598
	Gratuity	82,315	62,176
	Staff Cellphone Airtime	10,160	7,787
		699,120	**502,003**

NOTES TO THE FINANCIAL STATEMENTS - UNIVERSAL SERVICE FUND
FOR THE YEAR ENDED 31 MARCH 2014

	31.03.14 Maloti	31.03.13 Maloti
5. Other Administrative Costs		
Bank Charges	9,066	2,819
Insurance	2,945	11,710
Fuel	24,064	30,829
Car Running	4,621	18,052
Travel & Accommodation	137,867	58,816
Business Entertainment	68,237	702
Committee Expenses	-	9,074
Loss on disposal of fixed assets	7,700	-
	254,500	**132,002**

6. Property, Plant & Equipment

	Motor Vehicles	Computer Equipment	Total
Balance at 31.03.13	368,704	32,174	400,878
Additions	-	21,476	21,476
Disposals	-	(7,700)	-
Balance at 31.03.14	368,704	45,950	422,354
Accumulated Depreciation			
Balance at 31.03.13	305,317	24,474	329,791
Charge for the year	-	692	692
Balance at 31.03.14	305,317	25,166	330,483
Net Carrying Values			
Balance at 31.03.13	63,387	7,700	71,087
Balance at 31.03.14	63,387	20,784	84,171

NOTES TO THE FINANCIAL STATEMENTS - UNIVERSAL SERVICE FUND
FOR THE YEAR ENDED 31 MARCH 2014

	31.03.14 Maloti	31.03.13 Maloti
7. Trade and Other Receivables		
Trade Receivables	15,554,830	15,598,740
Sundry Deposits	1,500	1,500
	15,556,330	**15,600,240**
8. Cash and cash equivalents		
Nedbank Current Account	57,433	84,623
Nedbank 24hr Call Account	7,326,939	6,386,330
	7,384,372	**6,470,953**
9. Prior year adjustments		
Invoices adjustments	(1,534,341)	(321,850)
Leave pay	-	29,833
Fund disbursement	513,837	-
	(1,020,504	**(292,017)**
10. Trade and Other Payables		
Trade Payables	1,081,609	3,542,426
Other Payables	5,458,217	3,886,950
Retention	5,421,689	3,342,664
	11,961,515	10,772,040

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).

NOTES TO THE FINANCIAL STATEMENTS - UNIVERSAL SERVICE FUND
FOR THE YEAR ENDED 31 MARCH 2014

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.

Contact details:

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