

VISION

We shall strive to be:

An efficient and financially sustainable telecommunications regulator recognized for excellence nationally, regionally and internationally for a regulatory framework that meets consumer, investor and Government expectations.

MISSION STATEMENT

We are committed to:

- Ensuring the development and provision of affordable and reliable Info-communications services throughout the country on a sustainable basis;
- Promotion of free and fair competition through effective regulation, that strives to strike a balance between a business/investment promotion and guarding against uncompetitive business practices. We shall therefore endeavour to create an environment that is conducive to business investment within the telecommunications sector;
- Promoting local human resource capacity within the sector, particularly with regard to women and people living with disabilities, with the aim of increasing and preserving the wealth of knowledge and expertise within the sector;
- Striking the best deal for the most important, and yet most vulnerable player in the market; the consumer. We shall be committed to ensuring an affordable, reliable and high quality ICT services delivery to Lesotho consumers.

VALUE STATEMENT

The Authority shall be guided by the following values:

- Being resolute at all times and maintaining professionalism and integrity in all our dealings;
- Fairness to all and allegiance to none

MOTTO

- From Telephony to ICT and Multi-media

LESOTHO TELECOMMUNICATIONS AUTHORITY

ANNUAL REPORT

&

FINANCIAL STATEMENTS

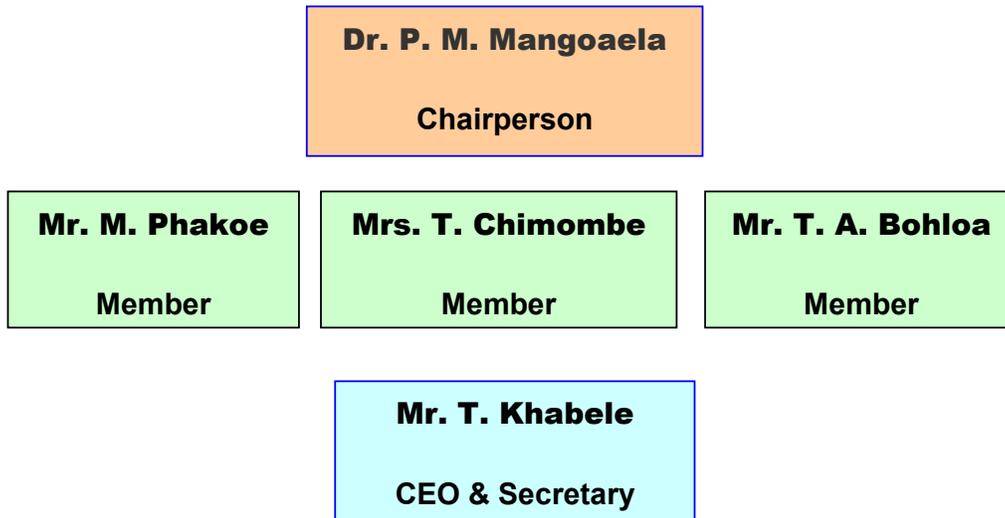
**FOR THE YEAR ENDED
31 MARCH 2003**

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BOARD OF DIRECTORS 2002 – 2003

In terms of LTA Act No. 5 of 2000 (amended 2001) the Board of Directors for the period under review was:



DISCLOSURE OF INTEREST

The Authority is a regulatory body established by Government with no shareholding. The Directors do not hold any financial interest in the authority. They are the decision makers with the assistance of the Authority's management.

CHAIRMAN'S STATEMENT

Getting into the third year of operation for the Authority one may think that things would begin to run smoothly. However, this was the year when the challenges of regulating the telecommunications sector became apparent to the Authority. This has, in some instances, led to the review of some regulating practices so that while they maintain key values and objectives of regulation, they also serve to promote and facilitate, rather than simply restrict.

During the reporting year, Lesotho Telecommunications Authority (LTA) Board of Directors underwent a change. New members were appointed and terms expired for other existing members. At the beginning of the reporting year there were only four Board of Directors as opposed to five members required by the LTA Act. In the previous year, the position of Mr. Mochekonyane J. Sebatane was left vacant after he was appointed to the position of Chairperson. However, it was only filled by Mrs Chimombe to bring members to five. Mr. Sebatane's occupancy of the position of Chairperson ended when his term ended and Dr. Percy Mangoaela Chairperson replaced him. Mr. Masilo Phakoe got a renewal of full twelve months after his term had ended.

2002/03 fiscal year was an exciting year for the telecommunications industry in Lesotho. Competition was introduced in mobile services, with the market entry of Econet Ezi-Cel Lesotho (EEC) in May 2002. The impact of a second mobile operator proved monumental. For 6 years, coverage for mobile subscribers was primarily confined to Maseru and surrounding areas. In an attempt to gain a competitive advantage in the marketplace, EEC rolled out base stations around the country covering areas that had never been covered before by fixed, let alone mobile, networks. In just a few months, coverage was expanded to Mokhotlong, Thaba Tseka, Marakabei, Mafeteng, Mohales's Hoek, Qacha's Nek and Moyeni. Vodacom Lesotho quickly followed suit expanding its own network to meet the challenge.

Consumers further benefited from a range of new products and services offered by both mobile operators as well as Telecom Lesotho in 2002 and early 2003. In June 2002, Telecom Lesotho launched its first prepaid product – Lekomo. This product was developed with those of limited incomes in mind who could not afford to pay a monthly subscription fee. For just M25 per month, subscribers could begin to experience the social and economic benefits of being connected. Long-time providers of prepaid services, EEC and VCL, launched a host of value added services, including conference calls, international roaming, short message services and voice mail, thus bringing the telecoms services widely available around the world to the people of Lesotho.

2002/03 also saw an impressive increase in the country's teledensity from 4% to 6%. By March 2003, there were a total of 135,575 fixed and wireless subscribers. This is an increase of 80% from the previous year. Although the most of the growth was in new mobile subscribers, Telecom Lesotho also made significant progress connecting approximately 17,000 new customers during the period. Service levels also improved dramatically as old network components were systematically replaced.

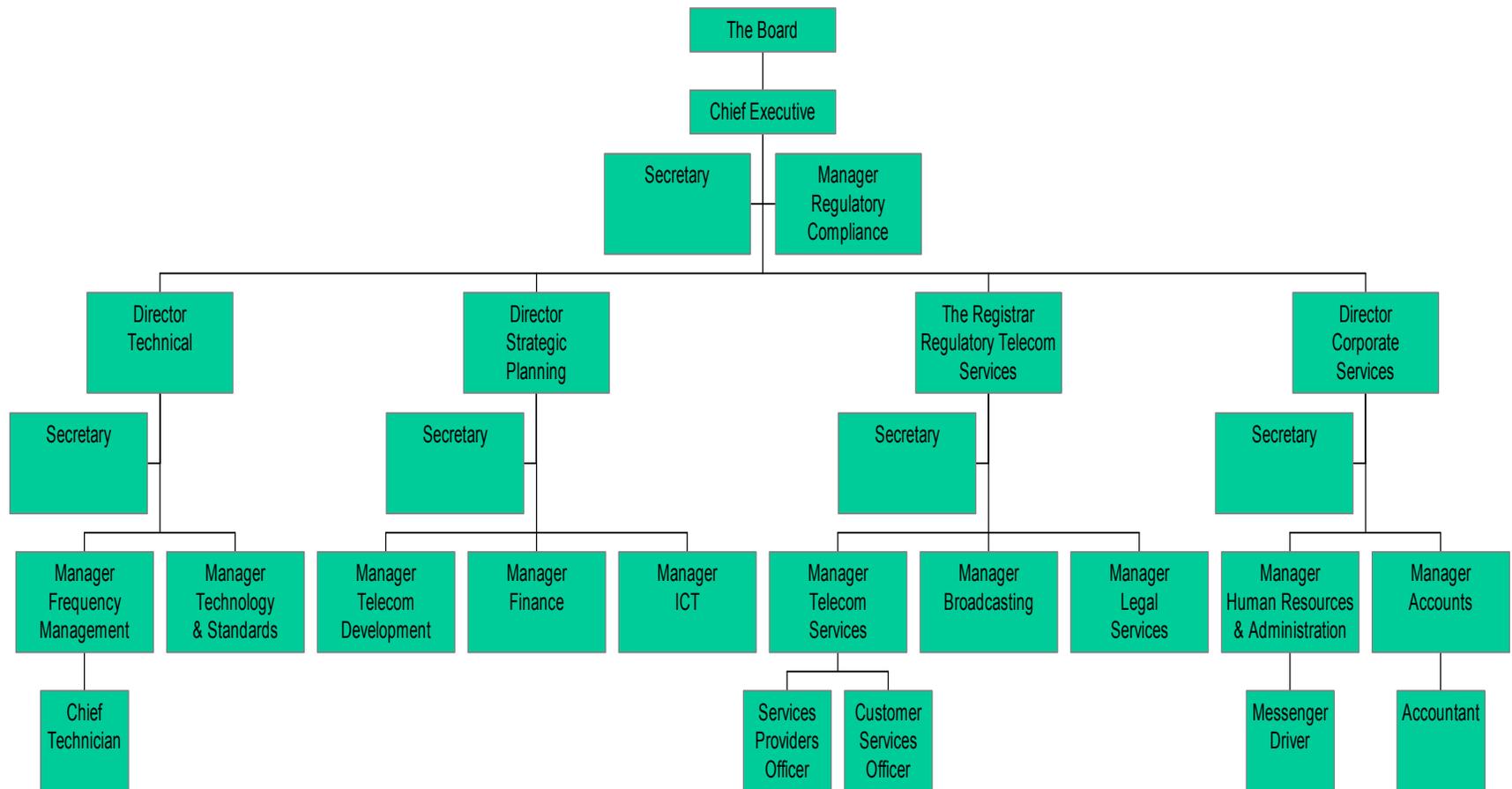
The growth in the number and location of telebureaus throughout the country also played an important role in increasing the accessibility of telecoms services. By March end 2003, 628 entrepreneurs were providing a range of services in every district of the country. This compares favourably against a figure of 465 for end of March 2002.

The broadcasting sector made a successful transition from public to private ownership. This in itself presented the Authority with special challenges. Unanticipated demand for FM frequencies in Maseru, for example, has led to international cooperative efforts in order to make new bands available that are free of interference.

The Authority has made important strides over the past year in channelling the growth of the sector to ensure that a balance is reached between the interests of consumers and service providers. In March 2003, the Board approved a strategy to promote universal access and universal service of telecommunications services. While this strategy delays the paying of a universal service charge, it requires all network operators to meet location specific coverage goals. The Authority believes that increasing network coverage to include all major towns, roadways, tourist centres and designated minor towns and villages is key to increasing access to telecoms services. Without coverage, even the wealthiest individual cannot access available services. Another key component of this strategy is to promote access to the Internet by encouraging operators and service providers to design tariff packages that are non-discriminatory and that encourage usage. It further requires operators and service providers to offer discounted tariffs for Internet services for schools, clinics and other community access centres.

The Authority looks forward to the upcoming year with the expectation that the fruits of competition will yield lower prices for consumers as well as an expanded basket of services that are available to an ever-increasing portion of the population.

ORGANISATIONAL STRUCTURE



CHIEF EXECUTIVE'S REPORT

The first part of this report will highlight progress of the LTA with regard to implementing its Business Plan (operating review) while the Second part of the reports shows the performance of the telecommunications sector.

1.0 LTA OPERATING REVIEW

1.1 INTRODUCTION

The period under review has been one of LTA's progressions from infancy towards maturity. Whereas maturity still remains a distant goal, the period saw some promising discernible trends and challenges characterized by inter alia coming to terms with new technologies, their potential and implications.

1.2 BUSINESS PLAN

The operations of LTA have been guided by the seven core strategic objectives. The objectives are: fair competition, interconnection, universal service/access, overseeing the overall management and implementation of the numbering plan, ensuring efficient and effective use of the spectrum, and ensuring delivery of affordable products and services to the general public while simultaneously creating a business environment that fuels growth and promotes commerce.

The Authority has a three years business plan that is used as a guiding tool in its operations annually. Cognisant of that fact, LTA's performance was mainly based on the seven strategic activities in the business plan that is on its second year of operation. It is important to note that most instruments are in place. The strategies include promoting competition in all telecom markets, to promote universal service /access to basic info-communications technologies and to promote national connectivity, to manage the electromagnetic spectrum in the public interest, to promote opportunities for all Lesotho citizens to benefit from information revolution with particular reference to women and the disabled, to ensure good corporate governance

1.2.1 COMPETITION

In its strategic objective to promote competition in all markets, the LTA seeks to ensure elimination of barriers to entry and exit; deregulate as competition takes root; ensure interconnection of networks and services; ensure that there is transparent, non discriminatory and cost orientated interconnection agreements and prevent major operators from abusing their dominant position.

In promoting competition in the telecom markets, one of the initial market segment the Authority addressed was the mobile sector. For the past five years this sector was served by one operator, but in May 2002 the coming on board of Econet Ezi-Cel Lesotho (EEC), the country's second mobile operator after, fuelled the much-needed competition in the sector. The benefits have manifested themselves in new services, expanded network coverage, reduced costs in the purchase of terminal equipment, etc. Meanwhile, Telecom

Lesotho has also joined the race by going beyond the traditional post-paid billing system. Over and above installing public pay phones, it has also introduced a prepaid service called Lekomo.

The Authority played its part by levelling the playing field through facilitating the process towards an interconnection agreement between the two mobile operators.

This agreement will be completed by the early part of the next financial year. The operators reached an agreement on non-pricing issues in March but anticipated that pricing issues would be more complex.

Negotiations aimed at establishing a similar interconnection agreement between Telecom Lesotho, the country's only fixed line operator, and the two mobile operators are also scheduled for the coming financial year.

1.2.2 UNIVERSAL SERVICE ACCESS

One of the Authority's strategic objectives is the promotion of Universal Service/Access. It is expected that the proliferation of service or access to telecommunications services will help eliminate disparity between rural and urban areas.

In the spirit of availing basic services to the public, a strategy to promote Universal Service /Access for basic info-communications technologies in Lesotho was approved by the Board in March 2003. This strategy was developed through an interactive process with stakeholders. Government, industry and the general public were invited to comment on the preliminary recommendations raised in a Consultation Document issued in December 2002.

The Authority's Universal Access/Service strategy suspended a universal service charge payable by network operators until 2006. In its place, both mobile and fixed operators will be required to meet location-specific rollout or system expansion targets. Additional goals include improving access to and usage of the Internet as well as providing a universal basket of high quality services that are affordable to the majority of subscribers. The strategy is effective from the 1 April 2003 to 31 March 2006.

1.2.3 RESOURCES MANAGEMENT

LTA is tasked with managing national resources including the electro-magnetic spectrum and the numbering for the interest of people of Lesotho. The objective would be achieved by: employing modalities for minimising inefficiencies in the use of the spectrum and the adoption of an efficient and sustainable numbering plan.

1.2.3.1 NUMBERING PLAN

With effect from 1 August 2002, Lesotho increased the capacity of its telephone numbering resources by implementing an 8-digit National Significant Number Length (NSNL) from the then 6-digit NSNL. The reason for a new plan was to provide sufficient numbering capacity, provide flexibility, support full range of services and enable effective

competition by current operators and new entrants. The plan is in conformity with ITU-T Recommendations on Numbering Resources E.164 and others.

The effected changes are as follows:

- Telecom Lesotho numbers now have a Network Destination Code (NDC) of “2”,
- Vodacom Lesotho numbers have an NDC of “5”
- Econet Ezi-Cel Lesotho numbers have an NDC of “6”.

1.2.3.2 SPECTRUM MANAGEMENT AND RADIO MONITORING SYSTEM

LTA awarded a contract to Spectrocan Solutions Ltd. of Canada for the supply, installation, testing and commissioning of spectrum management and radio monitoring equipment. The equipment includes the Main Control Centre based at the LTA Headquarters, a Remote Monitoring Station at Ha Abia and a Mobile Monitoring Station. Financing for this project was obtained from the World Bank through the Lesotho Utilities Reform Project (LURP). The contract’s value is in the amount of US\$ 1,197,257.00.

A contract to erect the station at Ha Abia was awarded on 17th January 2003. The Authority had inherited monitoring equipment from the Lesotho Telecommunications Corporation operator whose capacity was limited to range of measurements from 9KHz to 1000 MHz. The new equipment that is expected to be operational in the coming year will cover radio frequency range of 9 KHz to 3 000 MHz. The new equipment will have added capacity for billing and licensing.

1.2.4 CREATE INVESTMENT ENVIRONMENT

The Authority’s strategies under investment promotions include continually subjecting its model to a test of transparency, objectivity, professionalism, efficiency and independence and harmonising its regulatory model with regional and global trends. The Authority recognises the significant role telecommunications plays in economic development. Good regulation will in itself promote investment. The Authority has consulted operators and services providers in development of its guidelines and strategies so as to assess the impact of its decision from the investors’ point of view. The Authority has aligned itself with both regional and international practices in its decisions.

1.2.5 PROVISION OF OPPORTUNITIES

One of the Authority’s strategic objectives is the provision of opportunities to Lesotho citizens to benefit from information revolution. The year was faced with challenges of infrastructure development by all operators, which is critical before other value adding services can be introduced. This strategic objective will be visited in the ensuing year.

1.2.6 GOOD GOVERNANCE

The Authority intends to adopt best practice in corporate governance. During the reporting period, the Board and some members of management attended workshops on

corporate governance. Induction courses have been held for the Board and good practices in financial management and reporting have been implemented. The Board is yet to appoint Board committees in the ensuing year.

1.3 INTERNATIONAL RELATIONS

In February 2002, LTA and its South African counterpart, The Independent Communications Authority of South Africa (ICASA) signed a Memorandum of Understanding (MoU) on coordination on Telecommunications and Radio-communication Services. This MoU was to serve both parties in their wish to promote cooperation in the field of the regulation of Telecommunications and Broadcasting.

Resulting from the MoU, various committees were established to deal with major issues of mutual concern such as: cross-border spill over of Global System for Mobile Communications (GSM), Wireless Local Loop (WLL), Fixed Wireless Access (FWA) and other radio-communication systems, roaming agreements, interconnection agreements, no-man's land services, and broadcasting services. Consequently, there has been some achievement in the control of GSM signal spill-over at border areas and work in this regard is continuing.

One of the strategies of LTA is to strive to play a leading role in influencing the direction in the development of African telecommunications. Towards this end, LTA has continued to participate in all forums of Commonwealth Telecommunication Organisation (CTO), International Telecommunications Union (ITU), African Telecommunications Union (ATU), and Telecommunications Regulators Association of Southern Africa (TRASA).

1.4 HUMAN RESOURCES

To effectively carry out its mandate, the Authority has intensified its training programme by sending staff to various workshops, training courses; study tours and meetings aimed at addressing skills needs of staff. The training programmes were co-funded by LTA and other international telecommunications organisations such as Commonwealth Telecommunications Organisation (CTO) and the International Telecommunications Union (ITU). LTA also received financial support from the government through the Lesotho Utilities Reform Project (LURP).

At the end of the reporting period, the staff complement for the Authority was 25 while the total establishment is 30. The Authority does not intend to fill the vacant positions until its financial position improves. In the interim, the existing staff will be stretched to cope with job demands.

To introduce them to the concepts of telecommunications regulation staff members of the Authority attended training programmes in the form of workshops, study tours and meetings. The programmes were co-funded by LTA and other international telecommunications organisations to which LTA is affiliated. Board Members also

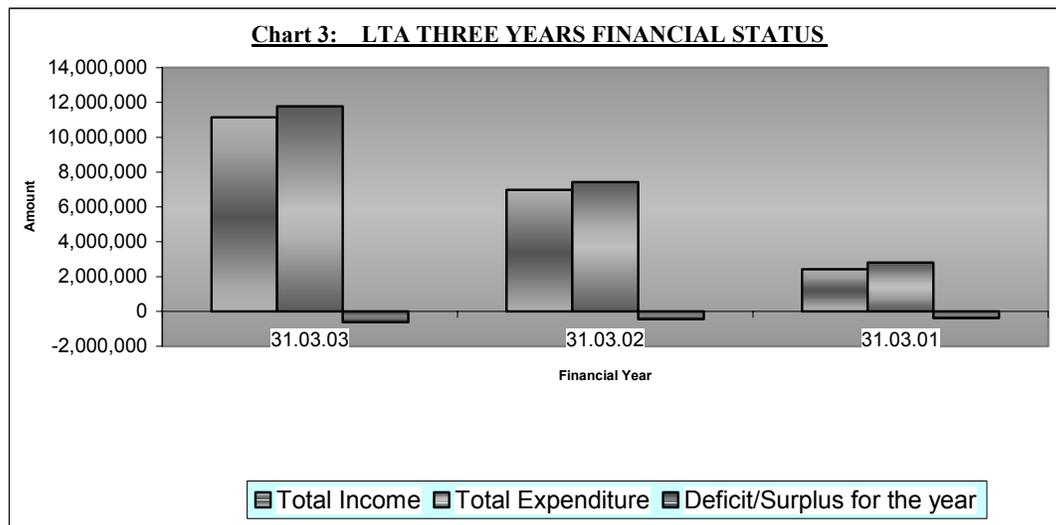
participated in some of the sessions as part of their induction into the sector and appreciation of the challenges of telecommunications regulation. Due to financial constraints, however, some of the programmes planned for building capacity of board member were postponed.

The Board approved several schemes during the year with the objective of improving the remuneration packages of the staff of LTA. The expectation is that the enhanced packages would enable the Authority to attract and retain good quality staff. The schemes include housing and car schemes arranged with local commercial banks at favourable conditions.

1.5 FINANCIAL MATTERS

1.5.1 FINANCIAL PERFORMANCE

LTA needs to be financially sustainable as an organisation if it is to be effective in the execution of its mandate. The LTA Act in section 19(1) stipulates the sources of finance for LTA as parliamentary allocations; regulatory fees; fines and penalties; grants, contributions or endowments; and loans. The LTA income of M11, 148,111 has been obtained mainly from regulatory fees and financing under Lesotho Utilities Reform Project (LURP). LTA is a service sector organisation; consequently, a greater part of its costs is made up of staff costs that constitute about 40% of the total costs. The Authority recorded a deficit of M625, 837 for the reporting period compared to a deficit of M455, 177 for the previous year.



Source: LTA

1.5.2 LICENSING FEE STRUCTURE

LTA has in place licensing fee structure that generates revenue for its operations. After the fee structure was operational for a few years, the Authority as well as the operators realised that the initial fee structure needed to be reviewed in order to make it simpler and to remove the inherent complication that imposed a disincentive to system expansion. A new fee structure was approved under which all licences classified as Class One will no

longer be charged Usage fee and annual operating fees with effect from 1st April 2003. This resulted in the increase of the royalty fee from 1.5% to 3.5% of turnover; A Spectrum fee will be charged at M1, 000 per MHz for fixed services and M5, 000 per MHz for mobile services.

Universal Service obligation fee of 2% was suspended until 2005/06. Operators are instead required to meet system expansion targets meant to provide a countywide coverage of the telephone services. For suppliers of Customer Premises Equipment (CPE) annual licence fees were reduced by 50% from M16, 500 to M8, 000. The reduction has been justified by the fact that the business is reducing due to convergence of technologies.

Payment of licence fees by owners of sound and television receivers has been abolished owing to the cost involved in collecting them and the convergence of technologies. E.g. it is now easy to obtain TV or sound signals from a home computer. The Board of Directors passed a resolution to this effect. In the same vein, all resale services including non-commercial and privately owned services were exempted from the Royalty fees.

TELECOMMUNICATIONS SECTOR DEVELOPMENT

2.1 OPERATING ENVIRONMENT

There are currently three network operators in the telecom market, viz. Telecom Lesotho (TL), Vodacom Lesotho (VCL) and Econet Ezi-Cel Lesotho (EEC). The broadcasting sector is made up of seven radio and two television broadcasters. The licences issued since LTA was established are as per table 1 below:

Table 1: Licenses Issued – 2000-2003

TYPE OF LICENCE	2001/ 2002	2002/ 2003
Fixed line network	1	1
Mobile network	1	2
Data Communications,	1	1
ISPs	3	4
Tele-Bureaus	465	628
Calling card services	-	1
Customer Premises Equipment Suppliers	17	8
Sound Broadcasting	6	7
Television Broadcasters	2	2
V Sat Operators	3	3

Source: LTA March 2003

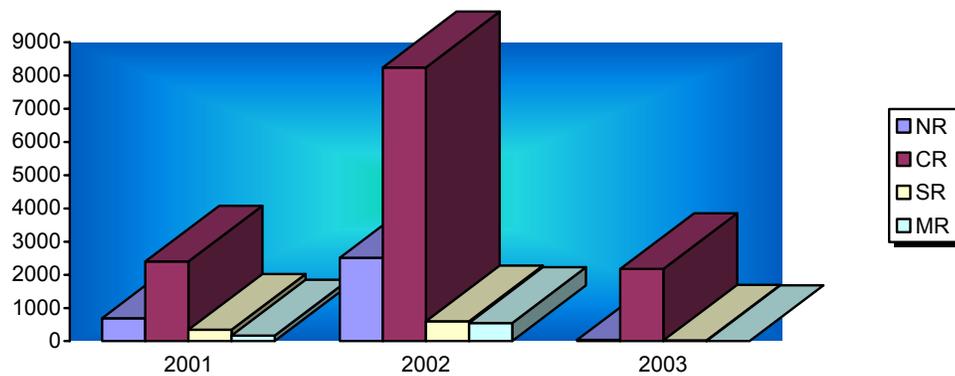
2.2 SECTOR PERFORMANCE

2.2.1 FIXED LINE NETWORK

Telecom Lesotho (TL), the fixed line operator, is required by its licence to meet certain rollout targets in exchange for exclusivity of basic data and basic voice services up to February 2006. These rollout targets came into effect during the company's second year of operations.

In February 2003, TL had made 21,119 new connections since it began operations in February 2001. Approximately 17,000 of these new connections occurred during the 2002/03 fiscal year. It also increased its subscriber base significantly from 19,005 in March 2002 to 35,101 by March end 2003 – an increase of 85 percent.

Chart 2: TL Connections by Regions



NR - Northern Region covering Berea Leribe and Butha-Buthe districts
CR - Central Region - Maseru
SR - Southern Region covering Mafeteng, Mophale'shoek and Quthing
MR - Mountain Region covering Mokhotlong, Thaba-Tseka and Qacha'snek

Source: Telecom Lesotho

The chart above, which depicts total subscribers as at March 2003, indicates that the majority of subscribers and new connections took place in the Central Region, followed by the Northern Region. The Southern and Mountainous regions' connection rate remains low. The discrepancies in regional roll-out which pertained since 2001 is caused mainly by a mix of factors such as the level of economic activity (industrialisation and LHDA project), good infrastructure base and high population density in Central and Northern regions as compared to other regions.

2.2.2 Payphones and Telebureaus

The penetration of both telebureaus (i.e. public telecoms facilities and services licensed to private individuals) and pay phones (typically supplied and operated by TL) is approximately 0.04% of the population as indicated in table 3 below. The location of these public facilities is also primarily in the country's most densely populated areas. For example, there are 739 telebureaus and pay phones in the district of Maseru serving a population of 486,582. By contrast, there are only 16 pay phones and telebureaus in the district of Mokhotlong where 89,705 people reside.

Table 2: Number of Telebureaus & Pay Phones in Lesotho as of March 2003

District	Telebureaus	Pay Phones	Total	Population	Penetration
Berea	55	72	172	300,557	0.042%
Butha Buthe	22	17	39	126,907	0.031%
Leribe	58	22	80	362,339	0.022%
Mafeteng	35	10	45	238,946	0.019%
Maseru	400	183	583	477,599	0.122%
Mohale's Hoek	18	18	36	206,842	0.017%
Mokhotlong	11	5	16	89,705	0.018%
Qacha's Nek	8	0	8	80,323	0.010%
Quthing	9	10	19	140,641	0.014%
Thaba Tseka	12	0	12	133,680	0.009%
TOTAL	628	337	965	2,157,539*	0.045%

Source: LTA & TL, March 2003; Bureau of Statistics 2001

* Population figures are for 2001 as per data supplied by the Bureau of Statistics. LTA has not made projections on the data for subsequent years, as information regarding population growth in Lesotho is inconclusive.

The teledensity of fixed lines has improved from 1.2% in the previous year to 1.63% by March 2003. However, 66% of all fixed line subscribers are located in the district of Maseru. The average fixed teledensity in other districts hovers around 1.0 percent. The districts of Thaba Tseka, Mokhotlong and Quthing had the lowest teledensities at under 0.5 percent. Table 4 shows the fixed line teledensities of each district, including wireless local loop and fixed cellular connections.

Table 3: Fixed line Tele-density by District

District	Population	Subscribers	Teledensity
Berea	300,557	2,263	0.75
Butha Buthe	126,907	1,328	1.05
Leribe	362,339	2,932	0.81
Mafeteng	238,946	1,571	0.66
Maseru	477,599	23,078	4.83
Mohale's Hoek	206,842	1,572	0.76
Mokhotlong	89,705	423	0.47
Qacha's Nek	80,323	676	0.84
Quthing	140,641	671	0.48
Thaba Tseka	133,680	567	0.42
TOTALS	2,157,539	35,101	1.63

Source: Telecom Lesotho, March 2003; Bureau of Statistics 2001

2.2.3 MOBILE NETWORK OPERATORS

Approximately 5 people in a hundred had a mobile phone by March end 2003, i.e. there were approximately 101,474 active subscribers as indicated below in table 4.

Table 4: Mobile Subscribers

OPERATOR YEAR	ECONET	VCL	TOTAL MOBILE SUBSCRIBERS
2001	0	27,000	27,000
2002	0	56,549	56,549
2003	24,000	77,474	101,474

Source: VCL March 2003; EEL March 2003

2.2.3.1 Mobile network teledensity

It can be argued that the fast growth in the mobile market was fuelled by a slow growth in the fixed line market. Since liberalisation of telecom market, the tele-density in the mobile market is approximately threefold. In 2001 there were 1.32 people per hundred of population owning mobile phones, by 2002 the teledensity had increased to 2.69 people per hundred of population. The teledensity under the reporting year has shown an ownership of 4.7 people per hundred of population.

2.2.4 MOBILE AND FIXED SUBSCRIBER GROWTH

Table 5: Mobile/Fixed Teledensity

	2001/2002	2002/2003
Fixed	1.2	1.63
Mobile	2.69	4.70
Total	3.89	6.33

Source: VCL March 2003; EEC March 2003; TL March 2003.

The majority of subscriber growth has occurred in wireless services. From 2001 to 2003 for example, the wireless subscriber base grew by 276% from 27,000 to 101,474. Fixed line subscribers have increased less rapidly from 21,725 in 2000 to approximately 35,101 by March end 2003. Chart 2 displays the growth of both services since 1990.

The new radio stations brought a new consumer-oriented broadcasting dimension in which the guiding factors are market forces and competition, as compared to public service broadcasting in which the emphasis is on democratic values and social objectives. Since the coming on board of new players, increased competition for listeners has emerged. Competition for advertising has also been experienced among radio stations, and between local and South African stations that are widely accessed by local listeners. Another evident advantage resulting from the introduction of these new players is higher competition, and diversity of content.

In response to the new challenge of regulating broadcasting content, the Authority developed a set of broadcasting rules that were gazetted during the reporting period. These rules offer invaluable guidelines on such matters such as code of practice, advertising, and sponsorship. The rules are also immensely beneficial as guidelines on the rights of the general public as consumers of broadcasting services.

The challenge that lies ahead of the Authority is for provide more effective ways that allow wide range of new player as possible to compete fairly. For instance, due to, scarce resources, all radio stations with the exception of Radio Lesotho do not broadcast countrywide, this defeats LTA's goal of enabling universal access to information that for poverty reduction. For genuine access to take place, all communication channels need to be empowered to deliver effective, far-reaching, and affordable messages. It is in view of this imbalance in coverage that the Authority has found it fit to facilitate negotiations between Radio Lesotho and private stations aimed at enabling the independent stations to utilise the infrastructure of Radio Lesotho.

Finally, the Authority has studied an agreement between Multichoice (MNET) and Lesotho National Broadcasting Services (LNBS) with the view to design an appropriate licensing model for Multichoice Africa, a South African company that markets its services to consumers in Lesotho through a direct-to-home satellite broadcasting facility. Multichoice Africa, formerly operating as MNET, was originally authorised by the Lesotho National Broadcasting Services to operate both a terrestrial television rebroadcast service, and a direct-to-home satellite service. The 14-year-old agreement under which Multichoice (MNET) was mandated to operate in Lesotho ended in May 2002.

AUDITOR'S REPORT

LESOTHO TELECOMMUNICATIONS AUTHORITY

FINANCIAL STATEMENTS FOR YEAR ENDED 31ST MARCH 2003

ACCOUNTING POLICIES

Basis of accounting

The principal accounting policies of the Authority, which are set out below, have been consistently followed in all material respects and comply with International Accounting Standards. These financial statements have been prepared on the historical cost basis.

Fixed assets and depreciation

Fixed assets are stated at cost less depreciation. Depreciation is calculated on straightline basis from the time they are available for use, so as to write off their cost over their expected useful Lives, taking into account their residual values, at the following rates:

Fixtures & Fittings	20%
Office Equipment	20%
Computer Equipment	33.33%
Monitoring Equipment	25%
Motor Vehicles	25%
Office Furniture	20%
Office Building	4%

Consumable items are written off in the period of purchase.

Licence Fees

Income comprises service and systems licence fees charged to telecommunications operators, and radio Licence fees. Initial fees charged in relation to the issue of a new licences are recognised as deferred income and are transferred to the income & expenditure on the basis matching them with related costs over the Licence period. Annual service and systems licence fees are recognised in the period to which they relate.

Interest

Interest is recognised on a time proportion basis taking into account the effective yield of the investment/
Asset

Grants

Revenue grants are recognised in the income & expenditure on receipt. Capital grants are recognised as a deferred credit and are recognised in the income & expenditure on the basis matching them with the related costs for which the grants are intended to cover. They are amortised over a period of five years.

LESOTHO TELECOMMUNICATIONS AUTHORITY

BALANCE SHEET AS AT 31ST MARCH 2003

		31.03.03	31.03.02
	Notes	Maloti	Maloti
ASSETS			
Non Current Assets			
Fixed Assets	5	2,366,851	1,863,770
		2,366,851	1,863,770
Investments	6	4,538,609	-
Current Assets			
Accounts Receivable	7	13,414,557	6,953,580
Cash at bank and on hand	8	588,295	214,291
		14,002,852	7,167,871
Total Assets		20,908,312	9,031,641
Funds and Liabilities			
Capital Fund	9	1,646,622	1,646,622
Accumulated Fund		-124,987	-843,490
Capital Grant	10	359,403	493,740
Total Funds		1,881,038	1,296,872
Non-Current Liabilities			
Deferred Income	11	17,291,248	6,808,333
Current Liabilities			
Accounts Payable	12	1,736,026	926,436
Total funds and liabilities		20,908,312	9,031,641

LESOTHO TELECOMMUNICATIONS AUTHORITY

INCOME & EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31ST MARCH 2003

		31.03.03	31.03.02
	Notes	Maloti	Maloti
INCOME			
Government Subvention	1	1,161,796	740,944
Licence Fees	2	9,383,158	6,071,906
Other Income		37,088	12,943
Armortisation of Capital Grant		134,337	134,337
Interest Income		418,622	16,311
Profit on Disposal of Fixed Assets		13,110	
TOTAL		11,148,111	6,976,441
EXPENDITURE			
Staff costs	3	4,653,635	3,382,893
Depreciation		737,834	521,686
Directors Emoluments		128,714	76,310
Audit Fees		45,000	30,000
Other Costs	4	6,208,765	3,420,729
		11,773,948	7,431,618
Deficit for the year		-625,837	-455,177

STATEMENT OF CHANGES IN FUNDS

FOR THE YEAR ENDED 31ST MARCH 2003

	17	Accumulated	Accumulated
		Funds	Funds
		31.03.03	31.03.02
		Maloti	Maloti
Balance as at 31 March 2001		-843,490	-376,476
Prior -Period Adjustments		1,344,340	-11,837
Adjusted Balance as at 31 March 2001		500,850	-388,313
Surplus for the year		-625,837	-455,177
Balance as at 31 March 2002		-124,987	-843,490

LESOTHO TELECOMMUNICATIONS AUTHORITY

CASHFLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2003

	31.03.03	31.03.02
	Maloti	Maloti
<i>Net cash inflow/outflow from operating activities</i>	-4,322,452	-6,924,395

Returns on investments and servicing of finance		
Interest received		
Interest paid		
Investing Activities		
Air conditioner for motor vehicle	-239,361	-9,800
Purchase of furniture	-180,464	-50,892
Purchase of office equipment	-29,514	-4,091
Purchase of computer equipment	-572,761	-88,052
Purchase of fixtures & fittings	-168,531	-3,048
Building Costs	-57,219	
Acquisition of investments	-4,538,609	
Net cash flows from investing activities	-5,786,459	-155,883
Financing		
Government capital grant receipts		
Initial Licence Fees	10,482,915	6,808,333
	10,482,915	6,808,333
Cash & Cash equivalents	374,004	-271,944
1. Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	-625,837	-455,177

Prior Period Adjustments		1,344,340	
Proceeds from insurance (as compensation of stolen goods)		20,045	
Increase in debtors		-6,460,977	-6,036,406
Increase in creditors		809,590	-820,160
Depreciation		737,834	521,686
Transfer from capital grant		-134,337	-134,337
Profit on Disposal of Fixed Assets		-13,110	
		-4,322,452	-6,924,394
2. Cash and cash equivalents			
	31.03.03	31.03.02	Increase/ Decrease
Petty Cash	1,000	352	648
Nedbank Current Account	547,082	203,877	343,205
Nedbank Call Account	40,213	10,062	30,151
	588,295	214,291	374,004

LESOTHO TELECOMMUNICATIONS AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2003

1. Government Subvention

This relates to monies from the Government and/or paid on behalf of LTA by the Lesotho Utilities Reform Project

	31.03.03	31.03.02
	<u>Maloti</u>	<u>Maloti</u>
Staff Training	598,428	311,711
Consultancy Fees	563,368	
Funds from Govt (subscriptions to international Organisations)		429,233
	1,161,796	740,944

	31.03.03	31.03.02
	<u>Maloti</u>	<u>Maloti</u>
2. Licence Fees		
Application Fee	46,500	86,640
Licence Fee	3,073,688	1,465,889
Usage Fee	1,163,100	725,633
Spectrum Fee	1,762,479	1,734,187
Royalty Fee	3,327,591	2,059,557
Type Approval	9,800	
	9,383,158	6,071,906

	31.03.03	31.03.02
	<u>Maloti</u>	<u>Maloti</u>
3. Staff Costs		
Salaries	3,600,772	2,548,326
Allowances	690,378	586,004
Pension	243,993	161,084

Severance Pay	118,492	82,600
Housing		4,879
	4,653,635	3,382,893

LESOTHO TELECOMMUNICATIONS AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2003

	31.03.03	31.03.02
	Maloti	Maloti
4. Other Costs		
Medical Aid	304,395	55,743
Gratuity	104,517	66,150
Staff Refreshments & Welfare	27,215	11,266
Fringe Benefit Tax	362,576	313,222
Bank Charges	17,737	12,831
Telephone	344,215	155,119
Postage	2,450	2,619
Stationery	143,075	127,166
Repairs to Equipment	6,752	11,067
Office Maintenance	27,364	19,237
Water & Electricity	61,639	35,121
Office Rent	765,789	388,450
Insurance	74,358	28,973

Other Expenses	129,632	52,075
Books & Journals	16,913	9,092
Fuel	18,019	17,496
Housing	5,129	163
Car Running	6,093	2,257
Uniform		8,713
Subscriptions	904,116	617,883
Travel & Accommodation	1,483,464	1,100,543
Staff Training	627,972	311,711
Withholding Tax		-90
Subsistence Allowance	4,520	4,114
Business Entertainment	5,921	
Cleaning & security	21,674	6,000
Public Relations	158,843	57,968
Consultancy Fees	572,773	5,840
Board Expenses	11,614	
Total Expenses	6,208,765	3,420,729

LESOTHO TELECOMMUNICATIONS AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2003

5. Fixed Assets

	Cost at			Cost at	Dep'n at	Charge		Dep'n	NBV	NBV
	2-Apr-01	Additions	Disposals	31-Mar-03	31-Mar-02	this year	Disposals	31-Mar-03	2-Apr-01	31-Mar-03
Fixtures & Fittings	83,927	168,531		#####		35,184	-	56,914	62,197	195,544

			-		21,730					
Office Equipment	93,353	5,395	3,471	95,277	25,838	18,039	1,528	42,349	67,515	52,928
Computer Equipment	293,941	596,880	9,628	881,193	126,319	211,266	4,636	#####	167,622	548,244
Motor Vehicles	75,307	239,361	-	#####	28,754	67,191	-	95,945	46,553	218,723
Office Furniture	481,706	180,464	-	662,170	119,475	121,741	-	241,216	362,231	420,954
Office Building	25,000	57,219	-	82,219	1,000	1,000	-	2,000	24,000	80,219
Monotoring Equipment	1,417,065	-	-	#####	283,413	283,413	-	#####	1,133,652	850,239
	2470299	1247850	13099	3705050	606529	737834	6164	1338199	1863770	2366851

6. Investments	31.03.03	31.03.02
	Maloti	Maloti
Nedbank 31 Days Call A/C	38,609	
Nedbank 1 Year Deposit A/C	4,875,000	
Interest Accrued	-375,000	
	4,538,609	

7. Accounts Receivable	31.03.03	31.03.02
	Maloti	Maloti
Petrol Deposit	500	500
Electricity Deposit	6,000	6,000
Insurance Prepaid	3,398	43,654
Licence owing	13,029,130	6,885,397
Interest receivable	375,000	

Accountable Advances	529	529
Salary Advances		17,500
	13,414,557	6,953,580

	31.03.03	31.03.02
	Maloti	Maloti
8.Cash in bank and in hand		
Petty Cash	1,000	352
Nedbank Current Account	547,082	203,877
Nedbank Call Account	40,213	10,062
	588,295	214,291

9. Capital Fund

The Government of Lesotho transferred office furniture & equipment and the assets together with the Zozo building at Ha Matala Monitoring Station as part of establishment of LTA and the costs of those assets were capitalised to Capital Fund.

LESOTHO TELECOMMUNICATIONS AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2003

	31.03.03	31.03.02
	Maloti	Maloti
10.Capital Grant		
Amount received	671,686	671,686

Armortisation of Capital Grant	-312,283	-177,946
	359,403	493,740

	31.03.03	31.03.02
	Maloti	Maloti
11. Deferred Income		
This are initial licence fees for 15 & 20 years respectively:		
Bethem Technologies	1,804,860	1,933,333
Telecom Mobile	4,145,138	4,875,000
Telecom Lesotho	11,341,250	
	17,291,248	6,808,333

	31.03.03	31.03.02
	Maloti	Maloti
12. Accounts Payable		
12.1 Creditors		
Quadrant Computers		4,565
Licence prepaid	4,278	
Application fees to be refunded	6,050	7,425
TBN Overpayment	900	
	11,228	11,990
12.2 Other Payables		
Provision For Fringe Benefit Tax		79,283
Provision For Long Service Gratuity	217,916	113,400

Provision For Audit Fee	105,000	60,000
Provision For Severance Pay	178,652	82,600
Provision For Leave Pay	207,208	
Retention	2,000	1,500
P.A.Y.E.	62,346	1,400
Rent	200,578	293,510
Communication	12,054	19,924
Stationery		25,233
Fuel		400
Subscriptions	651,514	177,925
Other Expenses		900
Housing	264	264
Salaries	7,266	
Publicity & Public Relations	80,000	40,000
Advertisement of posts		18,107
	1,724,798	914,446
Grand Total	1,736,026	926,436

LESOTHO TELECOMMUNICATIONS AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2003

13.Valuation of Assets

Valuation of property at Ha Matala station was done by Oxbow Land & Property Consultants at 31/03/2001 and the assets have been disclosed in

the Balance sheet at the valuation values less depreciation charge for the year.

14. Contingent Liabilities

The Authority is contingently liable to Nedbank Lesotho and Lesotho Bank in respect of vehicle and housing loans respectively provided by the banks to its employees which amount to M 478, 963.23 at 31 March 2002.

15. Pension Scheme Arrangements

The Authority operates a defined benefit pension scheme with effect from 1 July 2000 for its eligible employees to which the Authority contributes 8% of members' pensionable salary. The Scheme is administered by Lesotho National Life Assurance Company.

16. Long Service Gratuity

The Authority provides for CEO's Gratuity at 25% of every monthly salary which is payable at the end of three years and 4% of every monthly salary

17. Prior Period Adjustments	2002/2003	2001/2002
	Maloti	Maloti
Licence Fees		12,900,000
Provision for Doubtful Debts		-12,900,000
Office Equipment		-3,892
Depreciation		-7,945
Rent	270,000	
Printing & Stationery	9,572	

Licence Fee - Initial Licence Fee	913,750	
Licence Fee - Royalty	152,661	
Licence Fee	-1,643	
	1,344,340	-11,837