

LESOTHO
COMMUNICATIONS
AUTHORITY



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ANNUAL REPORT 2007/08



Corporate Mandate

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

Vision

LCA strives to become an efficient, fair and transparent communications regulator.

Mission Statement

LCA views itself as facilitating the development and provision of affordable and sustainable communications services while promoting free and fair competition, and ensuring consumer protection.

Value Statement

LCA shall be resolute at all times whilst maintaining professionalism and integrity in regulatory and corporate aspects.

Motto

Fairness to all and allegiance to none.

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Glossary of terms:

ADSL	- Asymmetric Digital Subscriber Line	MDG	- Millennium Development Goals
AFMS	- Automated Frequency Management System	MFDP	- Ministry of Finance and Development Planning
AGM	- Annual General Meeting	MHz	- Megahertz
AIDS	- Acquired Immuno-Deficiency Syndrome	MMS	- Multimedia Message Service
BCCSA	- Broadcasting Complaints Commission of South Africa	MOET	- Ministry of Education and Training
BTL	- Bethlehem Technologies Limited	NEPAD	- New Partnership for Africa's Development
BTS	- Base Transceiver Station	NGN	- Next Generation Networks
CEPT	- European Conference of Postal and Telecommunications	NUL	- National University of Lesotho
CPE	- Customer Premises Equipment	SADC	- Southern African Development Community
CRASA	- Communications Regulators' Association of Southern Africa	SBP	- Strategic Business Plan
CCF	- Cross-border Coordinating Forum	SPV	- Special Purpose Vehicle
EASSy	- Eastern Africa Submarine Cable Systems	TAF	- Tariff for Africa
EEL	- Econet Ezi-Cel Lesotho	TL	- Telecom Lesotho
EPA	- Economic Partnership Agreement	UK	- United Kingdom
ETSI	- European Telecommunications Standards Institute	UN	- United Nations
EU	- European Union	USD	- United States Dollar
FAC	- Finance & Audit Committee	USTTI	- United States Telecommunications Training Institute
GATS	- General Agreement on Trade in Services	VCL	- Vodacom Lesotho
GSM	- Global System for Mobile Communications	WRC	- World Radiocommunication Conference
GSR	- Global Symposium for Regulators	WSIS	- World Summit on the Information Society
HIV	- Human Immuno-deficiency Virus	WTO	- World Trade Organisation
HR	- Human Resources		
ICASA	- Independent Communications Authority of South Africa		
ICT	- Information and Communications Technology		
IIA	- Institute of Internal Auditors (Lesotho)		
IMT	- International Mobile Technologies		
IPBX	- Internet Protocol Branch Exchange		
IPTV	- Internet Protocol Television		
ISM	- Industrial, Scientific and Medical		
ISP	- Internet Service Provider		
ITU	- International Telecommunication Union		
ITR	- Interconnection and Tariff Rationalisation study		
LCA	- Lesotho Communications Authority		
LCCU	- Lesotho Child Counselling Unit		
LTA	- Lesotho Telecommunications Authority		
LURP	- Lesotho Utilities (Sector) Reform Project		
MCST	- Ministry of Communications, Science and Technology		

Organisational Structure

Board of Directors



Dr. P. Mangoaela
Chairman



Ms. R. Lehohla
Member



Mr. P. Khetsi
Member



Mr. M. Malie
Member



Mrs. T. 'Mokela
Member



Mr. M. Posholi
Chief Executive

Management

Chief Executive

Director
Technical

Director
Strategic Planning

Registrar
Regulatory Telecom
Services

Director
Corporate Services

Departments

Chief Executive

Manager Regulatory
Compliance/Internal Audit
Manager Public Relations
Executive Secretary

Technical

Manager Frequency Spectrum
Manager Technology & Standards
Manager ICT
Engineer
ICT Officer
Admin. Assistant

Strategic Planning

Manager Telecom Development
Manager Market Analysis
Data Officer

Regulatory Telecom Services

Manager Telecom Services
Manager Legal Services
Customer Services Officer
Admin. Assistant

Corporate Services

Manager Human Resources & Administration
Manager Finance
Accountant
Admintrative Assistant
Receptionist
Messenger/Driver

Chairman's statement

“The communications sector in Lesotho continued to grow steadily despite global and local pressures in other sectors such as food and energy. In telecommunications, most of the growth came from the mobile sector due to the operators’ aggressive investment plans”

Dr. Percy Mangoela



It is once again an honour for me to introduce and present an Annual Report of the Lesotho Communications Authority (LCA) for the year ended 31st March 2008. The report highlights notable developments and the growth of the sector as well as those of the Authority during the reporting period. It is worth noting that this is the eighth year market liberalisation was introduced in Lesotho and the regulator for the sector was established.

During the year under review, the Board of Directors was challenged by many important tasks such as mapping the future direction of the Authority in the next three years. In this connection, the Board approved the Authority’s Strategic Business Plan (SBP) 2007/08-2009/10. A few years ago, we agreed with our network operators that the implementation of the Universal Service Fund (USF) should be postponed in order to allow them to roll out services according to their own implementation plans. We believe that the time has now arrived for us to aggressively implement the USF in order to reach those areas which have, up to now, not been provided with communications services. We, therefore, approved the policy underpinning the Universal Service Strategy during the reporting year. It is our obligation to ensure that the benefits of new technologies, especially information and communication technologies are available to all in our country, in line with our national plans and our commitments to the World Summit on Information Society (WSIS) and the UN Millennium Development

Goals.

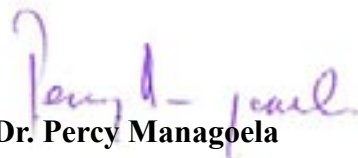
I recently highlighted the need for the Authority to review its regulatory framework and align it with the changes in the communications technologies. The most notable change in this regard is the advent of convergence of technologies whereby video, voice and data are transmitted over one platform, a process called “triple-play”. It is gratifying to note that concrete steps are now underway to review the communications policy and legislative framework with the view to adopting an integrated regulatory regime governing telecommunications, broadcasting and the postal sector. This regime will be premised on the principles of convergence, universal access and competition. The communications sector in Lesotho continued to grow steadily despite global and local pressures in other sectors such as food and energy. In telecommunications, most of the growth came from the mobile sector due to the operators’ aggressive investment plans. We witnessed additional investments into the sector by the current investors as well as the public sector, showing confidence in our communications market and the investment climate in Lesotho. We have also witnessed relative stability in the sector as we have had the same operators over a number of years. Our operators have continued to offer new products to the benefit of consumers. We are conscious that with greater investment into the sector, more and more people

Chairman's statement

will have access to communications services, especially those who reside outside our urban and densely populated centres. Overall, Lesotho still lags behind regional and global standards in terms of Internet connectivity and access to broadband, due mainly to the incomplete liberalisation and reliance on one source for wholesale provision of bandwidth. However, following further liberalisation marked by the end of TL's exclusivity in 2007, the situation should change in the near future. During the reporting year, Lesotho Communications Authority (LCA) Board of Directors underwent changes brought about by the Amendment of the LCA Act of 2006 and the filling of vacancies within the Board. The amendment raised the number of Board members from five to seven. I welcome the new members who have been appointed to the Board: Mr. Mpho Malie, Mr. Paseka Khetsi and Mrs. Teboho 'Mokela. I am

confident that they bring to the Board a wealth of knowledge, skills, expertise and experience.

I am grateful to my fellow Board members for their total and unwavering commitment and dedication to the Authority's activities and their contributions in serving their country. I also wish to extend my gratitude to the members of the Finance and Audit Committee, Management and staff of Authority for their support to the Board and in carrying out the work of the Authority in a manner which makes us all proud.



Dr. Percy Managoela
Chairman LCA Board of Directors.



LCA Board of Directors addressing the media at a press conference.

Chief Executive's report

“*The Ministry of Communications, Science and Technology (MCST) and the Authority jointly funded a Policy and Legislative Review Consultancy being undertaken by Analysys Mason & Squire Sanders consultants. The objective of the exercise is to overhaul the communications policy and legal framework of the ICT sector in order to align them with technological developments, the liberalised communications market, convergence of technologies and other changes occurring globally in the sector.*”



This year's report is issued under the new name of Lesotho Communications Authority (LCA). The name change from Lesotho Telecommunications Authority (LTA) was effected pursuant to Legal Notice No. 31 of 2007. The mandate, powers, and general duties, as stipulated in the Lesotho Communications Authority Act No. 5 of 2000 remain the same.

Strategic Business Plan 2007/08-2009/10

The Board of Directors approved the Authority's new SBP 2007/2008 – 2009/10 and this reporting period marks the first year under the plan. The SBP outlines the nine-point strategic objectives which the Authority will follow in the next three years in pursuit of its mandate of facilitating the development and provision of affordable and sustainable communications services throughout Lesotho. The plan also outlines strategies to meet the identified challenges and provides a comprehensive action plan and an implementation plan.

Human Resources Management

Performance management system and its processes

The Authority has adopted a Performance Management System (PMS) policy. The purpose of this policy is to establish and maintain an environment where performance and productivity of the Lesotho Communications Authority (LCA) is enhanced in order to ensure the achievement of corporate goals and objectives. This policy is meant to facilitate the integration

of employee performance with the Authority's corporate objectives and thus maximise efficiency.

Orientation courses were conducted for different divisions and sections on the use of the PMS tools and a pilot phase was effected in the last quarter of the year.

Recruitments and appointments

Mr. Tšiu Tšiu was appointed to the position of Manager – Public Relations with effect from 1 June 2007; Mr. Rankobane Mathule to the position of Director – Technical Division with effect from 1 July 2007 and Mr. Tlali Manosa to that of Manager – Frequency Management & Monitoring Bureau with effect from 1 November 2007.

Computerisation of the human resource functions

The Authority is continuing with the process of automation of its human resources (HR) and payroll system in order to reduce the amount of routine work performed by the HR office in managing activities like leave, training, pay-roll and personnel data administration. An automated payroll system was installed and commissioned and thereafter followed by staff training on the use of the software.

The Authority also made further hardware and software investments to its other operations such as installation of an Internet

Chief Executive's report

Protocol Branch Exchange (IPBX), replacement of servers of the Automated Frequency Monitoring System (AFMS) and computers.

Training and development

In its SBP, the Authority identified the strengthening of its human resource management systems as one of its priority areas. One of the key strategies is to optimise training opportunities offered both from own resources and from those offered by international organisations. Towards this end, the following courses were held:

1. The Authority organised a course titled "Spectrum Management Overview for Non-Technical Personnel". The course was conducted by a local consultancy firm and was funded from the Authority's own resources. The course was aimed at equipping the non-technical staff of the Authority with requisite appreciation skills on radio spectrum management. The course, as well as a few others, had been earmarked for funding under the Lesotho Utilities Sector Reform Project (LURP) of the World Bank. However, delays in the procurement process frustrated all efforts to have these courses during the life-span of the LURP before it wound up in December 2007.

2. An external consultant conducted ATDI Software training course for the technical staff of the Authority in Maseru for five days in June 2007. ATDI software facilitates analysis of network traffic, quality of service, GSM architectural aspects, spectrum efficiency, spectrum planning, radio interference and network coverage plots analysis.

3. The staff members of the Authority were introduced to different aspects of the Microsoft Office 2007 package through a series of courses conducted by its IT office.

4. Workshops: The staff members of the Authority participated in a number of regional and international workshops to share experiences with their peers and enhance their skills in different aspects of communications regulation.

Legal and Regulatory Issues

Communications policy and legislative review

The Ministry of Communications, Science and Technology

(MCST) and the Authority jointly funded a Policy and Legislative Review Consultancy being undertaken by Analysys Mason & Squire Sanders consultants. The objective of the exercise is to overhaul the communications policy and legal framework of the ICT sector in order to align them with technological developments, the liberalised communications market, convergence of technologies and other changes occurring globally in the sector.

The consultants presented an inception report at a stakeholders' workshop following consultations with the joint team of the Authority and MCST. The next stage will be the submission of the Draft Communications Policy by the consultants, a process which will be followed by the drafting of the legislative framework. The consultancy is due to be concluded in July 2008.

The consultancy was initially planned for funding by the World Bank under the LURP. However, delays in the procurement process which were caused by a breakdown in negotiations between the preferred bidder and the MCST team resulted in the abandonment of the project as the LURP wound up operations in December 2007.

Broadcasting issues

In order to strengthen its regulatory function, the Authority has acquired broadcasting monitoring and logging equipment which records programmes from all sound broadcasting licensees. The equipment will assist the Authority in monitoring content in relation to regulatory compliance.

The Authority continued to receive an increasing number of complaints related to broadcasting content of its licensees. During the reporting period, four such complaints were successfully concluded. To mitigate this growing trend, the Authority issued advisories, held consultative meetings and mounted training for broadcasting licensees.

As a way of empowering sound and television broadcasting licensees on broadcasting regulation, the Authority organised a one-day workshop on Broadcasting Regulation in Maseru. The resource person for the workshop was Prof. Kobus van Rooyen, a Councillor at Independent Communications Authority of South Africa (ICASA) and Chairperson of Broadcasting Complaints Commission of South Africa (BCCSA). In atten-

Chief Executive's report

dance at the workshop were some members of the LCA Board of Directors, the LCA Executive and media personnel.

Following the promulgation of Broadcasting Classification Regulations of 2007, which provide for classification of broadcasting services into: public, private, commercial and community broadcasting services, broadcasting licensees submitted applications to the Authority indicating their preferred choice of classification.

Licensing issues

There is little change in the make-up of the Lesotho telecommunications market. It continues to be made up of three network operators, namely, Telecom Lesotho (TL), which provides fixed network services, Vodacom Lesotho (VCL) and Econet Ezi-Cel Lesotho (EEL) which provide mobile network services. Following the end of the exclusivity period of TL in February 2007, Vodacom Lesotho applied for an amendment to its licence to include the operation of the International Gateway and provision of data services. This amendment was completed in the third quarter of the year and provided for further investment opportunities into the sector.

The deregulation of telebureau and Customer Premises Equipment (CPE) services was approved by the Board and the public was notified through the media on the deregulation of the aforementioned services. The telebureau services have been deregulated because satisfactory levels of competition had been realised while the convergence of technologies have rendered the continued regulation of customer premises equipment redundant and counterproductive. The deregulation of telebureau services would also ease entry into the market by smallholder business owners with the net effect of improving access to telephone services.

The delisting of the telebureaus was concluded at the second quarter of the reporting period. At that time, the number of operators had increased to 3300 in just six months. Another significant growth has been for two-way radio operators¹. The statistics for licences for the current and past years is provided in Table 1 below:

Table 1: Number of licensed and registered telecommunications service providers since 2000

Category	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Fixed line network	1	1	1	1	1	1	1	1
Mobile networks	1	2	2	2	2	2	2	2
Data communications	-	1	1	1	1	1	1	1
Television broadcasting	2	2	2	2	2	2	2	2
Sound broadcasting	6	6	7	7	8	9	10	10
ISPs	3	3	3	4	5	6	6	6
Customer premises equipment	10	17	8	11	11	12	13	Delisted
Telebureaus	112	465	628	1,213	2,605	2,543	3,081	Delisted
Two-way radios	-	-	-	8	14	16	20	59
Telemetry stations	-	-	-	-	-	-	-	2
Amateur radios	-	-	-	-	3	5	9	12
Radio pagers	-	-	-	-	-	-	-	3

¹ The total reflects only the registered operators. However, underway is a process of bringing those who are operating illegally to be licensed.

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Technical operations

Review of numbering plan

In recognition of the end of TL's exclusivity and imminent Communications Sector liberalisation, the Authority undertook an audit of the numbering and spectrum resources allocated to the network operators with the view of assessing the extent of their deployment and ensuring availability of these resources to new entrants and new services. The outcome of the audit revealed that the numbering resources were adequate to accommodate new entrants and services. The Authority is studying numbering regulation of other organisations such as "European Conference of Postal and Telecommunications" (CEPT) to ensure adoption of best practices in the planning and management of numbering resource. The audit of the spectrum resources is continuing.

The numbering plan has been fully developed with minor changes being effected. These include allocating new numbers (opening up new levels) for emerging services such as value added services (VAS): GOLDEN NUMBERS such as 800HELP, 800FLOWERS, 800AIDS, and Premium rated Message Services (PrSMS) at level 3.

Management and monitoring of spectrum

Since the commissioning of the frequency management system, LCA has been able to effectively audit the occupancy and the use of the radio frequency spectrum and ensure interference-free frequency assignments. During the reporting period, the Authority assigned, coordinated and registered frequencies for various network operators for radio links and the assignment of the total spectrum of 97 MHz. It also undertook GSM drive test measurements in the North and Southern Districts of the country for signal spillage in order to control the spill-over to acceptable levels. It further coordinated, assigned and registered frequencies for three FM broadcasting stations, 8 VHF two-way radios and 2 HF two-way radio communications. Through spectrum monitoring, a number of illegal users were discovered and corrective measures were instituted against them.

Under the Memorandum of Understanding (MoU) between LCA and the Independent Communications Authority of South Africa (ICASA), the Cross-border Coordinating Forum (CCF)

met and approved GSM recommendations from the technical subcommittee (TSC). The recommendations are captured in "The working operational document for the technical subcommittees between Lesotho and South African network operators". Efforts are underway to have the document signed by parties from both Lesotho and South Africa.

Review of national frequency band plans

In order to accommodate new services, the band plan has been reviewed and channelization of some bands done to respond to operators' needs. Also, a few bands for IMT services were introduced in the plans as per WRC-07 resolutions. An example of this is the assignment of frequencies in the 800MHz band to Telecom Lesotho for data services. The band has traditionally been used for television broadcasting. The plans are reviewed and updated on a continuous basis to address the need created by introduction of new services.

Adopt technical standards from the recognised authorities

In line with CRASA deliberations on harmonised standards, the Authority undertook and prepared documentation to the European Telecommunications Standards Institute (ETSI). This will facilitate accessing the database/information online in order to address problems related to network standards and adoption.

The LCA continued to type-approve equipment and provide an assessment of applications with regard to technical equipment and specifications. Whilst Lesotho does not have laboratories for verifying compliance of equipment to set standards, electronic and wireless communications equipment is type approved using set standards for compatibility with network equipment.

The Authority has established advisory committees as required by the LCA Act 2000. The Terms of Reference of the second and the third Radiocommunications Technical Sub-Committees have been drawn up. These subcommittees are for radio operators including network operators and disciplined forces respectively whilst the first subcommittee is for broadcasting. The subcommittees advise the Authority on matters concerning radio frequency spectrum management.

The LCA Board approved the Radio Frequency Spectrum Policy document. The document was developed in consultation

Chief Executive's report

with relevant stakeholders. It outlines the value of the radio frequency spectrum to Lesotho, the need for its efficient and effective use, the protection of the national interests and strategies for its good management.

Economic and Tariff Regulation

New licensing fee structure

The new fee structure which repealed the 2003 fee structure was gazetted and came into effect on 1 February 2008 after due consultations with stakeholders. The new fee structure takes into account the convergence of technologies, re-classification of services and provides incentives for efficient use of resources such as the frequency spectrum. The new fees were introduced following a public consultation process that solicited comments from all key stakeholders and the public in general. Presentations were also made before the Parliamentary Portfolio Committee.

Interconnection agreements

Following the conclusion of the Interconnection and Tariff Rationalisation (ITR) study conducted under the auspices of the World Bank through the LURP, the Board approved new interconnection agreements and rates between network operators. The new agreement will facilitate commensurate review of retail rates charged by network operators to end-users. The agreements took effect from 1 July 2007.

Tariff regulation

In 2006, TL had reduced its international tariffs by 40 percent and in 2007 the two mobile network operators, VCL and EEL accordingly reduced their rates as their interconnection rates were based on TL's international tariffs.

During the reporting period, none of the three major network operators filed for tariff increases on existing products. This is a result of further liberalisation of the sector and the fact that the market is more competitive. On the contrary, the network operators filed for the downward revision of tariffs, seasonal promotions, and introduction and launching of value added services. These services included a varied range of products that brought down tariffs for Government departments, radio stations and payphones. The Authority duly approved these

products and services.

Included in the new products was the introduction of Asymmetric Digital Subscriber Line (ADSL) in the country. There was a high expectation that the introduction of ADSL will result in dramatic changes in the level of Internet usage. It is, however, still too early to say whether or not this is actually the case.

Subscriber growth

The Authority continues to monitor the growth of the sector through collection of the key ICT indicators on a quarterly basis from licensed communications service providers. Statistics on these indicators for the year under review is reflected in Table 2 below.

The mobile networks have realised an increase in the number of subscribers by 22.5%, a decline from the previous year when they recorded a year on year growth of 28%. The subscriber base of the communications sector is dominated by pre-paid customers, a phenomenon that is more prominent for mobile services (96%) than for fixed (71%). Prepayment allows low and middle income users to use a mobile phone service with a lower monthly threshold and without fixed minimum monthly charges. Mobile operators have also increased the number of Base Transceiver Stations (BTS) by 17%.

The number of the fixed operator's subscribers has decreased by 10.45% from the last reporting period. The stagnant growth of fixed subscribers is similar to other markets in SADC and Africa as a whole. The local situation has been exacerbated by the migration of Lekomo Flexi² subscribers to mobile networks.

Public payphone connections increased significantly from 3,727 in last reporting period, reaching a total of 5,742 at year-end. The value of the payphone and telebureau services lies in the provision of communications services to people who cannot afford telephone sets and individual connectivity at reasonable rates.

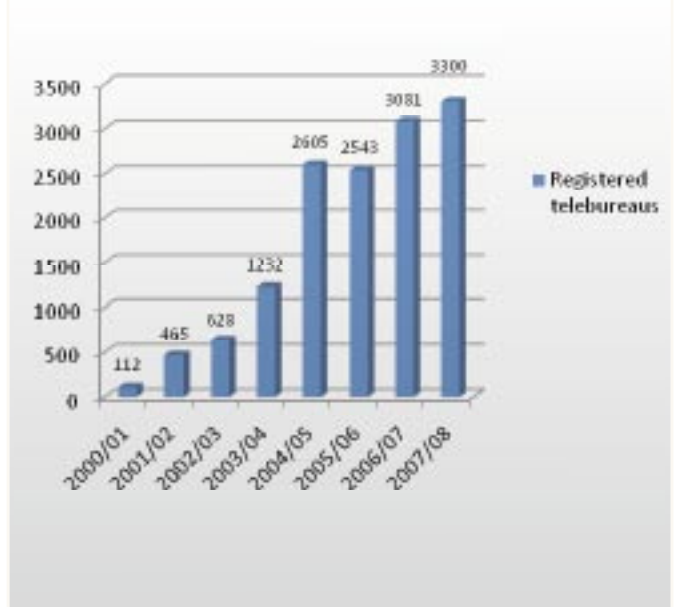
² Lekomo Flexi: was launched by TL in 2005 as a prepaid GSM product provided with a free cell phone. The service has a limited mobility and is BTS sector locked and SIM card locked as per LCA authorization. However, most customers had the BTS sector and SIM card locking reversed, enabling them to migrate to the mobile operators.

Chief Executive's report

Table 2: ICT Indicators Statistics as at end of March 2008

Indicator	Fixed Operator	Mobile Operators	Total
Total number of subscribers	47,582	482,455	530,037
Teledensity (%)	2.53	25.65	28.18
Public pay-phones	706	5,036	5,742
Number of BTSs	23	135	158
Internet dial-up subscribers	1,360	Not applicable	1,360
Leased Line subscribers	401	Not applicable	401

Figure 2 Telebureau performance since 2000 until 2008



Sector teledensity has shown significant growth over the last five years (Fig. 1). That is, in the current year 28 people out of every hundred have a telephone compared to 8 people in every hundred in 2003/04. The mobile sector has been the driving force behind this commendable trend.

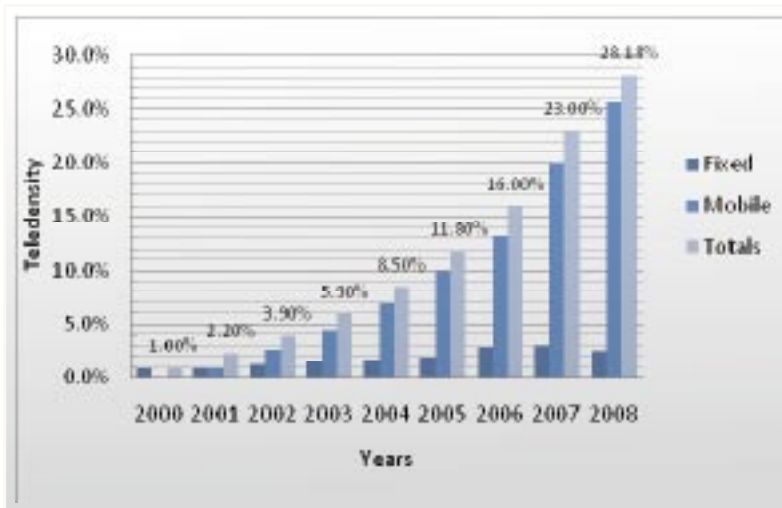
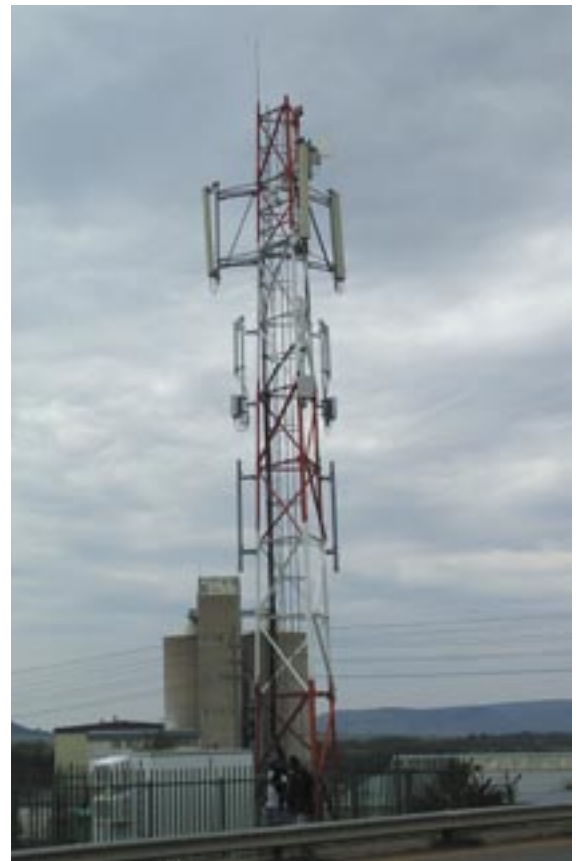


Figure 1: Sector teledensity trend from 2000 to 2008

The current estimate for land coverage of communications services stands at 40% of the country. However, more than 70% of the population resides in areas that have access to communications services. Figures 3 and 4 depict the coverage maps of the two mobile operators.



Base transceiver station in Maseru urban area.

Chief Executive's report



Figure 3: Vodacom Lesotho coverage map as at 31st March 2008

EEL Coverage: March 2008

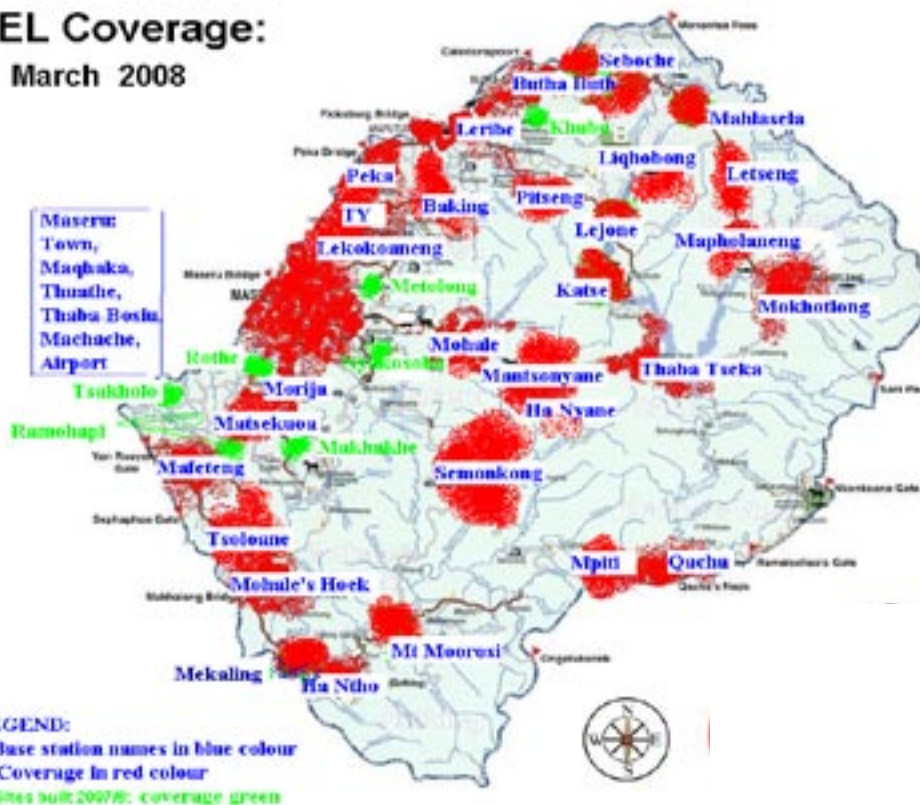


Figure 4: Econet Ezi-Cel Lesotho coverage map as at the 31st March 2008

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Universal service strategy

The Authority has developed a Universal Service Strategy which will be introduced once the necessary consultations and approval processes have been concluded. The strategy seeks to extend access to basic communications services to areas deemed unprofitable by the service providers. This is a regulatory safety net targeting communities living in remote areas, high cost areas and vulnerable groups.

Subsequent to the approval of the Board, the strategy document was subjected to a public consultation process and stakeholders were afforded an opportunity to file their inputs and comments on the document with the Authority. However, only Bethlehem Technologies Lesotho (Pty) Ltd. (BTL), TL and VCL submitted comments. The consultation process was completed and processes are underway to set up the Universal Service Fund as the component of the Universal Service Strategy. The Strategy and Fund Guidelines were approved by the Board and are awaiting the approval of the Ministry of Communications, Science and Technology.

ICT indicators and e-readiness survey

The Authority, in collaboration with the National University of Lesotho (NUL), conducted an ICT and e-Readiness Survey. The survey was meant to measure ICT infrastructure, access to and use of ICT services, and assess e-readiness in the country. The survey should highlight the penetration, access to and use of ICTs in the country. Data drawn from the survey will be used for planning purposes by the Authority, policy makers, business and academic community and international organisations.

Data entry has been completed within the projected period. The second phase of the survey was to collect ICT data from Internet Service Providers and all the Internet cafes throughout the country and has also been completed. Data entry for this second phase is scheduled to start at the close of the reporting period and is to be completed in April 2008. This stage would be followed by data editing and cleaning and report writing as the final step.

International Cooperation

1. In September 2007, the Authority was represented in CRA-

SA Special Annual General Meeting (AGM) that was held in Mozambique to discuss the rescue plan for CRASA by the member states. It was in the Special AGM where a resolution was passed that each Member State should contribute US\$ 15,400 towards rescuing the operations of CRASA.

2. In October 2007, the Authority participated in the Executive Council meeting of NetTel@Africa held in Maputo, Mozambique. NetTel@Africa assists the members with capacity building programmes and LCA benefits from the initiative.

3. Lesotho took part in Connect Africa Summit in Kigali, Rwanda at the end of October 2007 which was hosted by ITU, the objective being to bridge the digital divide. The summit was attended by governments, industry, development banks and international organizations and the summit undertook to mobilize the human, financial and technical resources needed to expand access to ICT infrastructure across the continent. Planned investments totalling USD 55 billion were announced to expand ICT connectivity and services to the entire continent by 2015, including a goal of interconnecting cities to broadband by 2012.

4. In March 2008, an AGM of CRASA was held in Angola, and the Authority was represented. Prior to the AGM, several subcommittee meetings and workshops were held in Johannesburg, at which different divisions of the Authority participated. Technical Division attended the e-numbering workshop and also a workshop on Technical Standards while the Human Resources Manager (HRM) from Corporate Services Division participated in a meeting for human resources practices for regulators.

5. The 8th Global Symposium for Regulators (GSR-08), organised by ITU, was held in Pattaya, Thailand from 11 to 13 March 2008 and the Authority was represented at this forum. The main goal of GSR-08 was to examine a new wave of regulatory reforms to encourage investment, promote widespread and affordable broadband access and adapt time-tested regulatory tools to meet the needs of developing countries, and explore liberalization of international gateways; opening access to submarine cable networks; passive sharing of mobile towers and rights of way for fibre backbones to reach rural users; balancing reduced costs through promotion of active and passive network sharing in a competitive environment in order to provide real consumer choices; goals and role of functional

Chief Executive's report

separation; regulating international mobile roaming rates; improving spectrum practices to promote IMT services; sharing end-user devices and innovative applications in developing countries and addressing new regulatory issues raised by IPTV and mobile broadcasting.

6. LCA continued its participation in the affairs and meetings of the Eastern Africa Submarine Cable Systems (EASSy) Project. EASSy is an undersea fibre optic cable project linking the countries of Eastern Africa to the rest of the world. The project construction started in March 2008 and its projected completion date is mid-2010. In March 2008, the Construction and Maintenance Agreement was signed by the parties to the project. The agreement defines, amongst other things, co-ownership, rights and obligations, the structure of the project and of the consortium and the Special Purpose Vehicle (SPV) that has been used as an investment tool for small investors.

7. The Authority was represented at a Southern African Development Conference (SADC) workshop in Swaziland on services and investment from 27 to 29 March 2008. The workshop was in preparation for phase two negotiations between SADC and the European Union (EU) on trade in services and investment. The highlights of the workshop were the current trends in the SADC sub-region on the General Agreement on Trade in Services (GATS) of the World Trade Organisation (WTO) and the commitments of the SADC states which were parties to the Economic Partnership Agreement (EPA) with the European Union and how these commitments could be utilized by both the EU and SADC states in trade in services and investment. Member states were urged to identify specific sectors which could be the starting point on negotiations of the Economic Partnership Agreement with the EU. Communications was identified as one of the sectors which Lesotho could commit for foreign investment with the advent of the expiry of the exclusivity period of Telecom Lesotho. One of the conclusions of the workshop was that SADC Member states should identify those areas under the Economic Partnership Agreement which could be opened up for foreign investment. Follow-up meetings will be undertaken by the SADC Secretariat with the SADC contact points in member countries.

8. The Authority was represented at the World Radio Conference 2007 (WRC-07) in Geneva, Switzerland, in October-November 2007. The objective of WRC-07 was to decide on the future of international wireless communications, which will

allow each country to use the spectrum for its own needs as long as it does not interfere with other countries that share the resource.

The WRC-07 was preceded by the regional meetings where regional positions were adopted. As part of the SADC's preparations for WRC-07, a meeting was convened in South Africa to finalise the regional position which would constitute an input into the position of the African continent. The Authority participated in all preparatory meetings. Following on the resolutions of WRC-07, the frequency band plan of the region and the country will be revised.

Corporate governance

It is the resolve and commitment of the Authority to maintain the highest standards of corporate governance.

In June 2007, the Authority arranged for the Finance & Audit Committee (FAC) members to attend a capacity building workshop on the subject of Corporate Governance in Maseru. The workshop was organised by the Institute of Internal Auditors (IIA Lesotho). Regulatory Compliance and Internal Audit staff of the Authority are members in this organisation.

World Bank support

The LURP which was funded by the World Bank and managed by the Privatisation Unit of the Ministry of Finance and Development Planning closed in December 2007. The project enabled the Authority to acquire regulatory equipment and in capacity building activities. The Authority will henceforth be expected, from its own resource, to finance all purchases of new equipment and all activities for capacity building.

Audit activities

The Authority commissioned an audit of communications tariffs being implemented by the network operators. The scope of the audit exercise was to examine the billing information for the three major network operators namely: TL, EEL and VCL with respect to various categories of products they offer to a range of customers during the period of June to November 2007. The billing information being implemented by the network operators was examined to test its validity and its level of conformity to the tariffs that were filed and approved by the

Chief Executive's report

Authority as required by the LCA Act of 2000 and as per each operators' licence conditions. The resulting audit report would indicate the levels of compliance or variance and where such variance exists, the report would provide a basis for engaging the operators.

LCA on social responsibility

1. During the last reporting period the Authority extended assistance to the Ministry of Education and Training (MOET) towards education bursaries of eight double-orphaned and vulnerable children selected from the districts of Quthing, Qacha's Nek, Mokhotlong, Mohale's Hoek, Thaba Tseka and Leribe. The donation cheque for the first year was handed over to the Minister of Education and Training by the Chief Executive at a ceremony in Maseru. During the current reporting period, the Authority has continued with its assistance as the students are now completing their high school studies.

2. The Authority also provided assistance to Lesotho Child Counselling Unit (LCCU) orphanage in Mazenod whose building was destroyed by fire and the Authority's assistance was used towards reconstruction. It also donated blankets to two other orphanages, one at Maseru East run by Mr. Tšeliso Ratšolo and the other, Centre for the Poor and Less Privileged located at Sekamaneng in the Maseru district.

Financial performance

The reporting period marked the fifth year in succession of a positive financial performance by the Authority. However, the registered surplus of 1.27 million was lower relative to the previous two years' surplus of around M4 million and M1.98 million for 2005/06 and 2006/07 respectively. Viewed against the good financial position of the Authority attained thus far, the decline in surplus levels should not be a cause for

concern.

The detailed financial report of the Authority follows under the Audited Financial Statements for the Year Ended 31 March 2008.



Monehela Posholi
Chief Executive



The Chief Executive, Mr. Posholi, handing-over blankets to Sr. Margarita Mahapang, of Centre for the Poor and Less Privileged orphanage located at Sekamaneng.

Financial statements for the year ended 31 March 2008

Tel.: 22323904
Cable: Audit, Maseru
Fax: 22310366



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 2008

I have audited the accompanying financial statements of Lesotho Communications Authority, which comprise the balance sheet as at 31 March 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes as set on pages 19 to 30.

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.

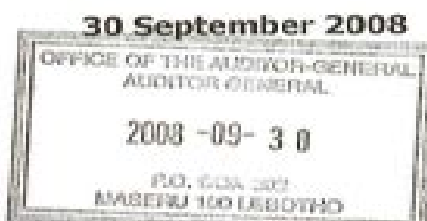
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls 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 on 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 2008, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Lesotho Telecommunications Authority Act No. 5 of 2000 as amended.


KOPANO L. MOU
F/AUDITOR GENERAL



Financial statements for the year ended 31 March 2008

DIRECTOR'S REPORT

Directors

In terms of the Lesotho Telecommunications Authority Act No.5 of 2000 (as amended) the Board of Directors for the period under audit were:

Dr. P.M. Mangoela (Chair)

Ms. R. Lehohla

Mrs. T. Mokela (from 1 May 07)

Mr P. Khetsi (from 1 May 2007)

Mr M. Malie (from 1 June 2007)

Mr S. Phafane (from 1 May to 29 June 2007)

Mr. M. Posholi (CE & Secretary)

Disclosure of Interest

The Authority is a government regulatory agency with no shareholding. The 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.

BOARD APPROVAL AND STATEMENT OF RESPONSIBILITY

The members of the board are required by law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Authority as at the end of the financial year end and of the income & expenditures and cash flows of the Authority for that period. The annual financial statements set out on pages 18-30 are the responsibility of the members of the board.

The members of the board are responsible for ensuring that the Authority keeps accounting records which disclose with reasonable accuracy, at any time, the financial position of the Authority and which enable them to ensure that the financial statements comply with the Lesotho Communications Act No 5 of 2000 as amended.

The members of the board are also 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 members of the board consider that in preparing the financial statements for the year ended 31 March 2008 set out on pages 18-30, the Authority has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judge-

ments and estimates. The members of the board also consider that all applicable International Financial Reporting Standards have been followed and confirm that the financial statements have been prepared on the going concern basis.

The auditors' responsibilities are stated in their report on page 18.

The members of the board are satisfied that management introduced and maintained adequate internal controls to ensure that dependable records exist for the preparation of the annual financial statements, to safeguard the assets of the Authority and to ensure that all transactions are duly authorised.

Against this background, the financial statements set out on pages 18-30 which are stated in Maloti, the Lesotho currency, have been approved and authorised for issue on 29th September 2008 by the members of the board and signed on its behalf by:


DIRECTOR


DIRECTOR

Financial statements for the year ended 31 March 2008

INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2008

		31.03.08	31.03.07
	Notes	Maloti	Maloti
INCOME			
Government Subvention	2	-	2,683,692
Licence Fees	3	19,973,840	18,024,944
Other Income		11,845	147,039
Foreign currency gain		-	11,502
Amortisation of Capital Grant		1,759,133	1,759,133
Profit on Disposal of Fixed Assets		78,429	-
Interest Income	4	2,650,446	1,184,278
		24,473,693	23,810,588
EXPENDITURE			
Staff Costs	5	10,841,635	8,031,736
Depreciation	7	2,123,553	2,586,737
Directors Emoluments		236,650	84,519
Audit Fees		7,100	30,000
Other Costs	6	9,996,499	11,096,056
		23,205,437	21,829,048
Surplus/Deficit for the period		1,268,256	1,981,540

BALANCE SHEET AS AT 31 MARCH 2008

		31.03.08	31.03.07
	Notes	Maloti	Maloti
ASSETS			
Non Current Assets			
Property, Plant & Equipment	7	10,138,273	8,211,388
Other Assets	7	-	355,676
		10,138,273	8,567,064
Current Assets			
Non Current Assets held for sale		7,200	9,678
Investments	8	11,727,408	13,909,222
Accounts Receivable	9	3,741,037	5,157,078
Cash at bank and on hand	10	24,970,328	16,946,454
		40,445,973	36,022,431
Total Assets		50,584,246	44,589,495
Funds and Liabilities			
Capital Fund	11	1,646,622	1,646,622
Revaluation surplus		1,854,515	-
Accumulated Fund		13,028,173	11,215,047
Capital Grant	12	4,812,753	6,571,887
Total Funds		21,342,063	19,433,556
Non-Current Liabilities			
Deferred Income	13	15,107,917	13,277,915
UA Reserve Fund		9,774,000	9,084,500
		24,881,917	22,362,415
Current Liabilities			
Accounts Payable	14	4,360,266	2,793,525
Total Funds and Liabilities		50,584,246	44,589,496

Financial statements for the year ended 31 March 2008

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2008

	31.03.08	31.03.07
	Maloti	Maloti
Net cash inflow/outflow from operating activities	5,081,896	6,992,904
Investing Activities		
Purchase assets	(2,308,603)	(1,103,045)
Transfer of assets	452,542	-
Acquisition of investments	-	(11,766,222)
Net cash flows from investing activities	(1,856,061)	(12,869,267)
Financing Activities		
Sale of investments	2,181,813	-
Proceeds from sale of assets	96,725	-
Initial licence fees	1,830,001	(1,003,333)
UA Reserve Fund	689,500	7,584,500
	4,798,039	6,581,167
Net increase in Cash & cash equivalents	8,023,874	704,804
Cash & cash equivalents at the beginning of the year	16,946,454	16,241,650
Cash & cash equivalents at the end of the year	24,970,328	16,946,454
Reconciliation of operating surplus to net cash inflow from operating activities		
Operating Surplus	1,181,046	1,981,540
Prior Period Adjustments	544,875	283,936
Decrease in accounts receivable	1,416,034	3,032,116
Increase in accounts payable	1,566,740	867,708
Depreciation	2,123,553	2,586,737
Profit on disposal of assets	(78,429)	-
Transfer from capital grant	(1,759,133)	(1,759,133)
	5,081,896	6,992,904

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2008

	Notes	Accumulated Funds	Accumulated Funds
		31.03.08	31.03.07
		Maloti	Maloti
Balance as at 31 March 2007		11,215,047	8,949,577
Prior-Period Adjustments	16	544,870	283,930
Adjusted Balance as at 31 March 2007		11,759,917	9,233,507
Surplus for the year		1,268,256	1,981,540
Balance as at 31 March 2008		13,028,173	11,215,047

Financial statements for the year ended 31 March 2008

1. 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 Financial Reporting Standards and the Lesotho Communications Act no 5 of 2000 as amended. These financial statements have been prepared on the historical cost basis except for some investments, which are stated at fair values and incorporate the following principal accounting policies, set out below. The financial statements are prepared on a going concern basis.

1.1 Property, Plant and Equipment

Property, plant and equipment are stated at cost/valuation less accumulated depreciation less 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:

Fixtures & Fittings	20%
Office Equipment	20%
Computer Equipment	33.33%
Monitoring Equipment	16.67%
Motor Vehicles	25%
Office Furniture	20%
Land & Buildings	4%

Consumable items are written off in the period of purchase.

1.2 Non Current Assets held for sale

These are assets which have been approved for disposal by management but which have not yet been disposed. They are recognised in the balance sheet at the lower of carrying amounts or net reliable value.

1.3 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.

1.4 Investments

Investments held by the Authority are classified as available for sale. Investments available for sale are stated at fair value with any resultant gain or loss being in the income statement.

1.5 Fair Value Surplus/Deficit

Any surplus or deficit if any arising from revaluation of investment property are taken into account in the income statement.

1.6 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at hourly call with the banks and bank overdrafts.

1.7 Employee Benefits

The Authority operates a defined benefit pension scheme for its eligible employees. The pension contributions on behalf of its employees are charged to the income statement in the year in which they relate to. The Fund is administered by Lesotho National Life Assurance Company.

Terminal gratuities are provided for contract employees as per the terms of their respective employment contracts and for permanent employees as per the Authority's personnel rules.

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 personnel procedures manual.

Financial statements for the year ended 31 March 2008

1.8 Taxation

No provision for taxation is required as the Authority is exempt from taxation.

1.9 Revenue Recognition

Revenue

Income comprises service and radio frequency spectrum licences fees charged to telecommunications service providers. Initial fees charged in relation to the issue 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 are recognized in the period to which they relate.

Interest income

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

Grants

Revenue grants are recognized as income to match them with related costs, which they have been intended to compensate. Capital grants are recognized as deferred credit and are recognized in the income and expenditure on the basis of matching them with the related costs for which the grants are intended to cover. They are amortised over the useful lives of assets.

Leases

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

Borrowing costs

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

1.10 Financial Instruments

Initial recognition and measurement

Financial instruments are recognized when the Authority becomes a party to the transaction. Initial measurement is at cost, which includes transaction costs. Subsequent measurement of the different classes of financial instruments are dealt with below.

Financial assets

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

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.

Cash and cash equivalents

Cash and cash equivalents are measured at fair value.

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.

Financial statements for the year ended 31 March 2008

Trade and other payables

Trade and other payables are stated at their fair values.

1.11 Previous Year's Figures

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

1.12 Financial Risk

Exposure to credit, interest rate risk and currency risk arise in the normal courses of 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 subjected to exposure to fluctuation in foreign currency. However, there are no foreign currency assets or liabilities outstanding at the 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 to achieve 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 are made for bad debts.

Fair values

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

2. Government Subvention

These are monies from the Government paid on behalf of the Lesotho Communications Authority by the Lesotho Utilities Reform Project.

	31.03.08	31.03.07
	Maloti	Maloti
Staff Training	-	-
Consultancy Fees	-	2,683,692
	-	2,683,692
3. Licence Fees		
Application Fee	55,190	18,175
Licence Fee	1,690,974	1,768,166
Usage Fee	49,900	40,450
Spectrum Fee	2,721,286	2,745,106
Royalty Fee	15,456,490	13,453,047
	19,973,840	18,024,944
4. Interest Income		
Amount received	2,624,494	1,112,130
Amount receivable	25,952	72,148
	2,650,446	1,184,278

Financial statements for the year ended 31 March 2008

	31.03.08	31.03.07
5. Staff Costs	Maloti	Maloti
Salaries	7,214,393	5,124,736
Allowances	2,550,280	1,957,030
Pension	459,677	345,143
Severance Pay	220,761	161,238
Leave Pay	396,524	443,589
	10,841,635	8,031,736
6. Other Costs		
Medical Aid	464,439	403,455
Gratuity	765,833	523,174
Staff Refreshments & Welfare	32,066	51,109
Sports & Recreation	11,526	6,508
Staff cell phone airtime	120,000	-
Fringe Benefit Tax	39,553	29,302
Bank Charges	74,567	110,956
Interest Paid	2,952	731
Telephone	452,764	509,170
Postage	9,644	8,318
Stationery	59,041	159,157
Repairs to Equipment	373,379	125,355
Office Maintenance	101,280	5,204
Water and Electricity	46,903	47,770
Office Rent	623,303	720,618
Insurance	234,365	324,965
Station Maintenance	464,126	448,838
Compliance & Monitoring	-	835
Other Expenses	108,850	74,250
Books and Journals	15,523	50,321
Fuel	51,896	45,887
Housing	14,919	17,999
Car Running	27,665	24,088
Staff Uniform	73	55,000
Subscriptions	760,889	561,207
Travel and Accommodation	918,864	1,278,366
Staff Training	779,565	368,887
Business Entertainment	67,896	81,233
Cleaning & Security	108,908	80,237
Public Relations	253,562	260,402
Consultancy Fees	952,416	2,771,192
Board Expenses	134,913	670
Legal Fees	25,140	4,205
Research	135,894	-
Donations	49,471	74,745
Cash stolen	2,988	-
Bad Debts	-	28,000
Provision for Doubtful Debts	1,711,325	1,843,002
Total Expenses	9,996,499	11,096,056

Financial statements for the year ended 31 March 2008

7. Plant, Property and Equipment

	Cost at 31.03.2007	Depreciation at 31.03.2007	Net carry- ing value at 31.03.2008	Cost at 31.03.2008	Depreciation at 31.03.2008	Net carry- ing value 31.03.2008
Fixtures & Fittings	289,185	192,319	96,866	-	-	-
Office Equipment	67,617	30,637	36,979	104,716	6,624	98,093
Computer Equipment	1,521,923	1,000,227	521,696	1,616,539	388,372	1,228,167
Motor Vehicles	1,325,546	861,075	464,471	1,078,993	-	1,078,993
Office Furniture	736,178	640,001	96,177	988,563	78,759	909,804
Office Building	1,224,059	163,150	1,060,909	2,255,512	28,205	2,227,307
Monitoring Equipment	11,174,910	5,240,620	5,934,289	6,217,525	1,621,593	4,595,932
	16,339,418	8,128,030	8,211,387	12,261,848	2,123,553	10,138,273
Movement in net book values						
	Net carry- ing value at 31.03.2007	Additions	Revaluation Surplus	Disposals/Im- pairment	Depreciation for the year	Net carry- ing value at 31.03.2008
Fixtures & Fittings	96,866	-	-	96,866	-	-
Office Equipment	36,980	23,971	43,766	-	6,624	98,093
Computer Equipment	521,676	1,094,839	-	-	388,372	1,228,167
Motor Vehicles	464,471	395,400	234,916	15,817	-	1,078,970
Office Furniture	96,177	11,894	880,492	-	78,759	909,804
Office Building	1,060,909	499,263	819,090	123,750	28,205	2,227,307
Monitoring Equipment	5,934,290	283,235	-	-	1,621,593	4,595,932
	8,211,369	2,308,602	1,978,264	236,433	2,123,552	10,138,273

Financial statements for the year ended 31 March 2008

8. Investments	31.03.08	31.03.07
	Maloti	Maloti
Nedbank 1 Year Deposit A/c	3,217,500	3,000,000
Standard Bank RSA – 1 Year Fixed Deposit	5,452,621	5,000,000
Std Lesotho Bank – 1 Year Fixed Deposit	-	3,000,000
Std Bank income fund	3,057,287	2,909,222
	11,727,408	13,909,222
9. Trade and Other Receivables		
Prepayments and Deposit	11,198	76,414
Trade receivables	8,575,579	9,086,281
Less: Impairment of trade receivables	(5,397,411)	(4,375,588)
Interest Receivable	25,952	72,148
Other Receivables	214,489	68,214
Staff Loans	139,384	88,017
Building Contractor	133,647	133,647
Withholding Tax – 5% source tax	38,199	7,945
	3,741,037	5,157,078
10. Cash and cash equivalents		
Petty Cash	2,149	2,349
Nedbank Current Account	224,970	2,260,506
Nedbank 24hr Call A/C	3,080,811	34,868
Nedbank 31 days Call A/c	4,371,116	3,636,317
Nedbank 32 days Call A/c	10,759,154	7,891,095
Stanlib money market	6,532,128	3,121,314
	24,970,328	16,946,454

11. Capital Fund

The Government of Lesotho transferred office furniture and 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.

12. Capital Grant		
Amount received	11,647,216	11,647,216
Amortisation of Capital Grant	6,834,463	(5,075,330)
	4,812,753	6,571,886

Financial statements for the year ended 31 March 2008

13. Deferred Income	31.03.08	31.03.07
	Maloti	Maloti
These are initial licence fees for 15 & 20 years respectively:		
Bethlehem Technologies	1,133,334	1,266,667
Telecom Mobile	3,025,000	3,250,000
Telecom Lesotho	8,116,250	8,761,250
Vodacom Lesotho	2,833,333	
	15,107,917	13,277,917
14. Accounts Payable		
14.1 Creditors		
Supplier of Assets	250,903	357,838
Fees to be refunded	9,000	9,100
	259,903	366,938
14.2 Other Payables		
Provision for Fringe Benefit Tax	9,983	7,687
Provision for Long Service Gratuity	1,439,506	749,937
Provision for Audit Fee	-	30,000
Provision for Severance Pay	794,380	573,619
Provision for Leave Pay	396,524	443,589
Retention	47,812	47,812
Consultancy Fees	952,417	87,500
Rent	-	60,051
Communication	28,954	18,120
Stationery	-	10,891
Fuel	7,969	3,630
Car Running	1,505	-
Other Expenses	62,563	-
Housing	703	2,352
Water & Electricity	-	6,865
Staff Welfare & Refreshments	-	1,143
Staff Training	92,357	154,097
Books & Journals	-	2,816
Staff Uniform	-	40,184
Subsistence Allowance	500	-
Cleaning & Security	-	4098
Repairs to Equipment	140,216	6,803
Business Entertainment	12,613	-
Publicity and Public Relations	90,078	124,363
Travel & Accommodation	2,770	46,043
Postage	-	147
Directors Fees	1,000	4,840
Staff cell phone airtime	16,000	-
Salaries	1,013	-
Research	900	-
	4,100,363	2,426,587
Grand Total	4,360,266	2,793,525

Financial statements for the year ended 31 March 2008

	31.03.08	30.03.07
15. Prior Period Adjustments	Maloti	Maloti
Licence Fee	-	4,400
Leave Pay	443,587	274,190
Stale cheques	833	5,346
Long Outstanding Expenses	100,450	-
	544,870	283,936

16. Valuation of Assets

Valuation of property at Ha Abia station and assets at Moposo House were done by Peter Marfleet on 30.09.2007 and the assets have been disclosed in the balance sheet at the valuation values less depreciation.

17. Contingent Liabilities

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 1,001,096 at 31 March 2008.

18. Pension Scheme Arrangements

The Authority contributes 8% of each member's pensionable salary and a fixed amount for the Chief Executive to a defined benefit fund. The fund is administered by Lesotho National Life Assurance Company.

19. Long Service Gratuity

The Authority provides for gratuity of contract staff as per the terms of their respective employment contracts and 4% for permanent staff.

20. UA Reserve Fund

The fund that appears in the balance sheet is amount that is being set aside by the Authority for communication sector development; a separate bank account is maintained for the fund.

21. Related Party Transactions

The Authority related parties includes the Government of Lesotho and other local authorities. Revenue earned from the related parties is transacted at arms length.

22. Operating Lease

At 31 March 2008 the totals of future minimum lease payments under non – cancellable operating leases were:

	Land & Buildings	Other
Due: - within one year	M 663,444	M 1,500
- Later than one year and within five years	M 716,520	-

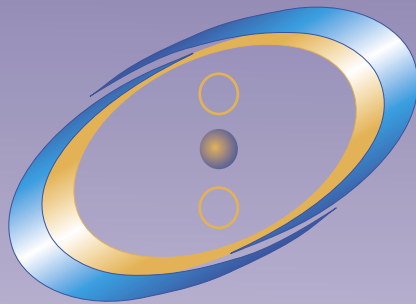
23. Capital Commitments

The Authority is in the process of constructing its offices. As at 31 March 2008 M 499,263 had been paid to the estate agent towards the acquisition of the site at Manthabiseng Convention Centre, the lease has been issued in the name of the Authority. Construction will begin immediately upon completion of other processes. The Authority will finance construction through its funds and a loan.

Financial statements for the year ended 31 March 2008

24. Consultancy

The Authority has jointly with the Ministry of Communications, Science & Technology and Postal Services contracted a consultancy firm in the Policy and Legislative Review consultancy. The contract entails the development of a new policy for the communications sector and legislative framework that would regulate the communications sector. The total consultancy cost is USD 394,866 and the Authority has committed M 1,000,000 towards this consultancy. As at 31 March 2008 M 952,417 has been incurred.



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

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