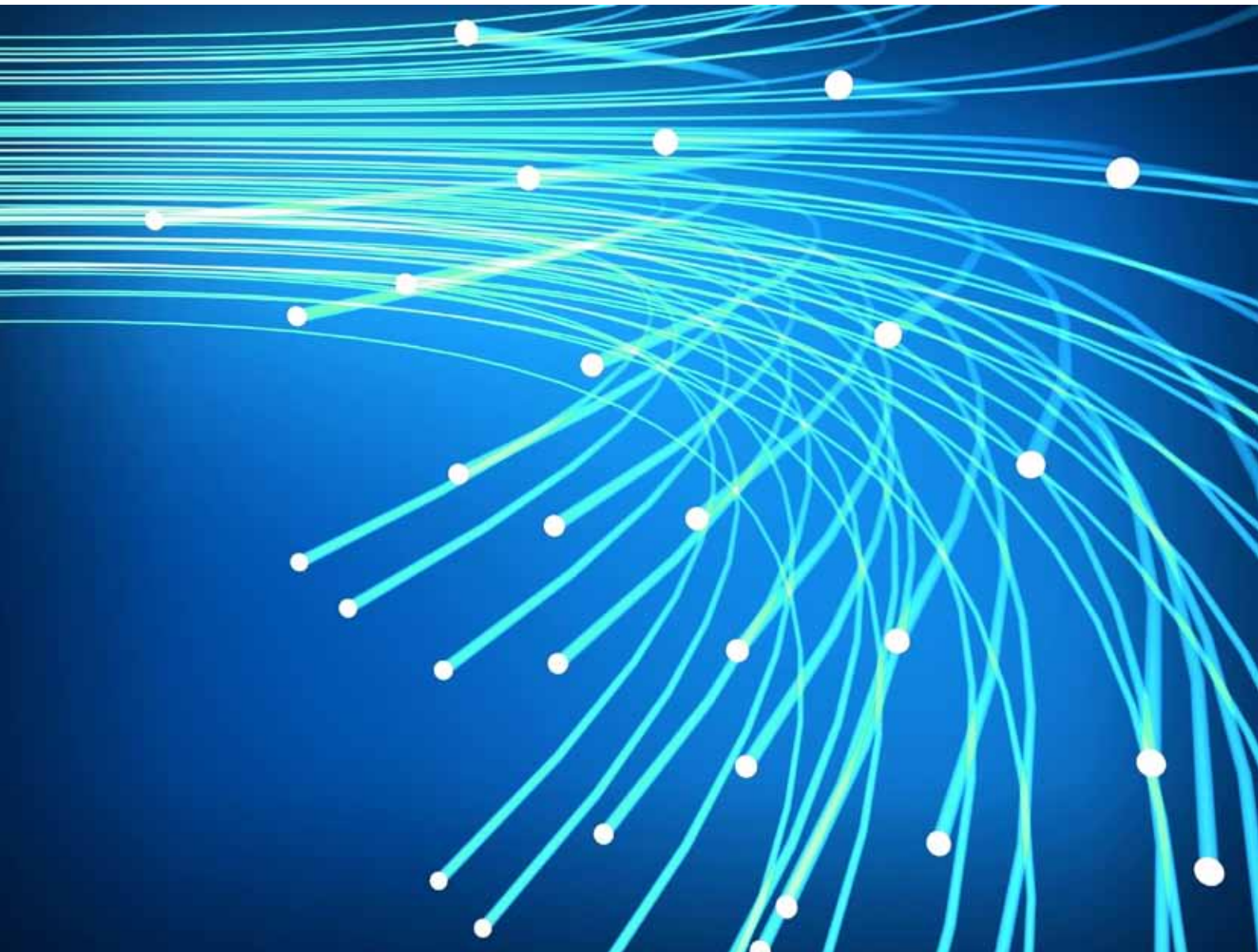




LESOTHO
COMMUNICATIONS
AUTHORITY

LESOTHO COMMUNICATIONS AUTHORITY
ANNUAL REPORT 2009/10



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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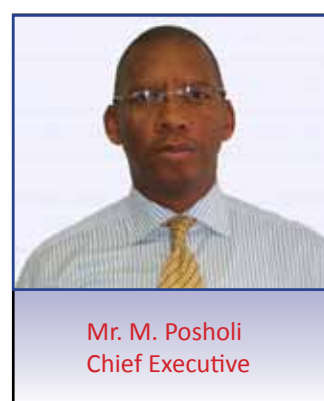
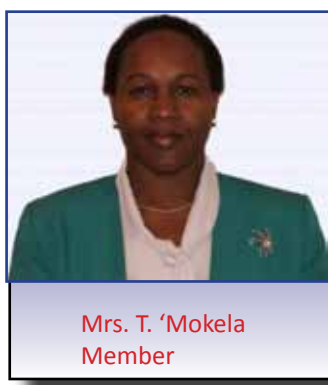
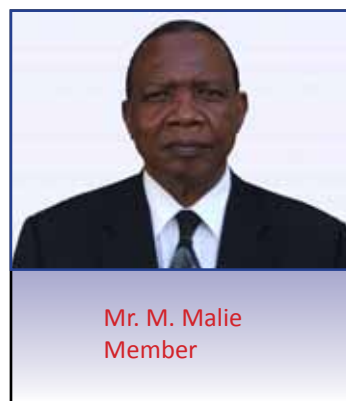
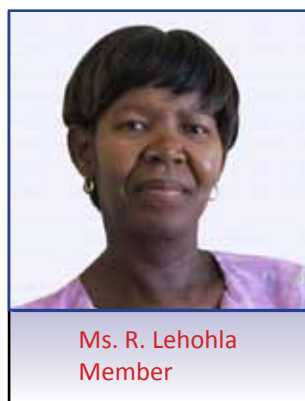
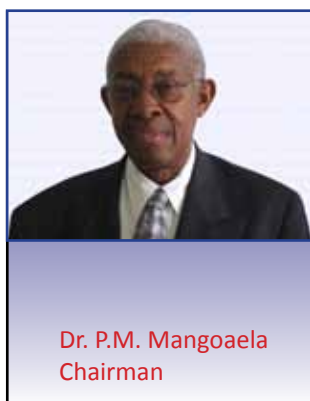
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Glossary of terms:

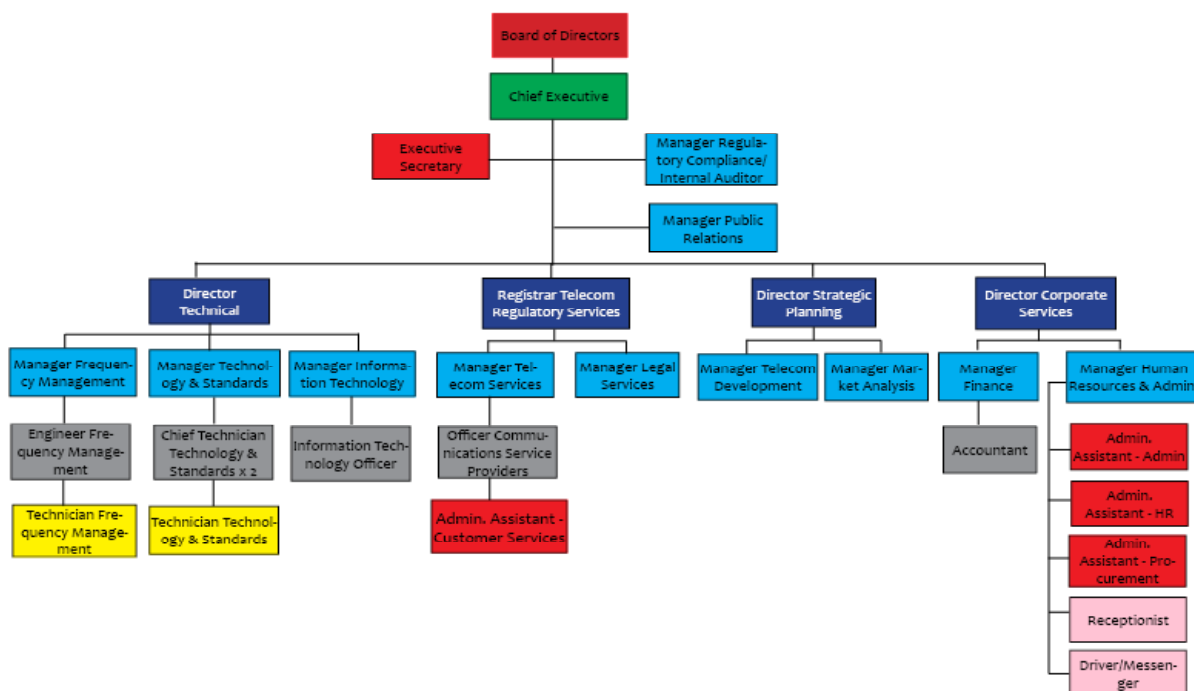
3G	Third Generation	LTA	Lesotho Telecommunications Authority
AFMS	Automated Frequency Management System	LTC	Lesotho Telecommunications Corporation
AFRALTI	African Advanced Level Telecommunications Institute	MCST	Ministry of Communications, Science and Technology
AG	Attorney General (of Lesotho)	MHz	Megahertz
AGM	Annual General Meeting	MM-ICTPR	Master of Management in ICT Policy and Regulation
BDT	Telecommunication Development Bureau (of ITU)	MoU	Memorandum of Understanding
BTS	Base Transceiver Station	NGN	Next Generation Networks
CEO	Chief Executive Officer	NRC	National Radio-communication Committee
CDMA	Code Division Multiple Access	PMS	Performance Management System
CRASA	Communications Regulators' Association of Southern Africa	QoS	Quality of Service
CTO	Commonwealth Telecommunications Organisation	RATT	Regional Alliance Task Team
DOPE	Department of Physics and Engineering (National University of Lesotho)	RSA	Republic of South Africa
DTT	Digital Terrestrial Television	SADC	Southern African Development Community
EASSy	Eastern Africa Submarine Cable Systems	SATA	Southern Africa Telecommunications Association
EEL	Econet Ezi-Cel Lesotho	SBP	Strategic Business Plan
ETL	Econet Telecom Lesotho	TBN	Trinity Broadcasting Network
ETSI	European Telecommunications Standards Institute	TL	Telecom Lesotho
FAC	Finance & Audit Committee	USA	United States of America
FM	Frequency Modulation	UAFC	Universal Access Fund Committee
GHz	Gigahertz	USF	Universal Service Fund
GOL	Government of Lesotho	USFC	Universal Service Fund Committee
GPRS	General Packet Radio Service	VCL	Vodacom Lesotho
GSM	Global System for Mobile Communications	WCDMA	Wireless Code Division Multiple Access
GSR	Global Symposium for Regulators	WIOCC	West Indian Ocean Cable Company
HF	High Frequency	WRC	World Radiocommunication Conference
HR	Human Resources		
ICASA	Independent Communications Authority of South Africa		
ICT	Information and Communications Technology		
IFRS	International Financial Reporting Standards		
IoD	Institute of Directors		
IP	Internet Protocol		
ISM	Industrial, Scientific and Medical		
ISP	Internet Service Provider		
ITU	International Telecommunication Union		
ITR	Interconnection and Tariff Rationalisation study		
KEL	Kereke ea Lesotho		
LCA	Lesotho Communications Authority		
LEC	Lesotho Evangelical Church		
LNBS	Lesotho National Broadcasting Service		

Organisational structure:

Board of Directors



Organisational chart



Chairman's Statement:



“The Universal Access Fund (UAF) was launched at the beginning of the financial year to accelerate the development of communications sector in remote and unserved areas. After its first year of operations, significant results have been achieved.”

- Dr. Percy Mangoaela

The year under review marks a special year for communications development as the Lesotho Communications Authority (LCA) is about to reach a milestone of a decade since its inception. The next financial year marks a ten-year period of the successes of the institutional framework brought about by the 1999 Lesotho Telecommunications Policy which introduced the separation of roles for policy-making, sector regulation and service-provision by government, regulator and service-providers respectively. During this period, the communications sector has gone through four major developments which are regulatory reform, market liberalisation, privatisation, and regulation in a converged environment. It is against this background that Lesotho realised phenomenal developments in the sector.

Noteworthy in this period, were the establishment of the LCA as an independent communications sector regulator, the privatisation of the then Lesotho Telecommunications Corporation (LTC) and the

introduction of multiple players in a liberalised market. The ten years are filled with milestones of many ground-breaking achievements which have brought about many benefits to consumers.

The current reporting year was characterised by turbulence in the world and local markets brought about by the global financial crisis. Despite these negative factors, the sector recorded significant growth in some areas.

In carrying out its statutory functions, the Board deemed it necessary to adopt and promote the principles of corporate governance in its business as well as that of the Authority. Two additional committees were established, namely, the Universal Access Fund Committee (UAFC) and the Human Resources and Remuneration Committee (HRRC). These committees have attracted people with the requisite skills, experience and abilities to guide the work of the Authority in these areas.

The Universal Access Fund (UAF) was launched at the beginning of the financial year to accelerate the development of communications sector in remote and unserved areas. After its first year of operations, significant results have been achieved. Another significant development was the start of the construction phase of the Eastern Africa Submarine Cable Systems (EASSy) project of which Lesotho is a participant. We are hopeful that the completion of the EASSy cable will result in further development in the sector through the enhancement of broadband infrastructure.

As it has always been the case, the reporting year was not without challenges. The economic challenges were in the forefront and somehow influenced the regulatory environment within the sector. The fixed telephony market continued to decline and the uptake of the Internet services in our country remain low.

May I, in conclusion, express my gratitude to my fellow Board Members and members of our various committees for their dedication to the work of the Authority towards the attainment of its mandate. I am appreciative of their commitment and devotion. In equal measure, it is always gratifying to work with the dedicated Management and staff of the Authority.

Dr. Percy Mangoaela
Chairman – LCA Board

Statement on Corporate Governance:

The Lesotho Communications Authority subscribes to the highest standards of corporate governance, ethical values and professionalism in all of its activities. Accordingly, LCA is fully committed to the principles of good corporate governance as set out in the King's Reports on Corporate Governance (King Code) whose purpose is to promote the highest level of corporate governance in Southern Africa. In supporting the code, the Board recognises the need to conduct the affairs of the Authority with integrity and in accordance with generally accepted corporate governance principles and practices.

The Board

The LCA has a collegial Board consisting of seven members including the Chairman and the Chief Executive. During the reporting period, it had a vacancy of one member. All directors, excluding the Chief Executive, are non-executive directors. In June 2009, the Board adopted a Board Charter, which, among other things, outlines the responsibilities of the Board in addition to those stipulated in the Lesotho Telecommunications Authority Act 2000 (as amended).

The Charter seeks to clarify the role of the Board as the ultimate accounting authority of LCA with some powers delegated to the Chief Executive as the Chief Accounting Officer. Furthermore, the Charter delineates the role of Chairman of the Board as different from that of the Chief Executive.

In line with the King Code, the Charter allows the Board to establish committees to advise it on specialist areas such as, Finance, Risk Management and Human Resources. However, the Board assumes ultimate responsibility for all areas delegated to the committees. The Board, according to the Charter, provides strategic direction for the Authority and members are required to discharge a fiduciary responsibility and perform their duty with integrity and to uphold highest values and ethics.

Meetings of the Board

The Board held three Ordinary and three Extra-Ordinary meetings during the course of the year.

Board Committees

During the reporting year, the Board had three committees which were the Finance and Audit Committee (FAC); the Human Resources and Remuneration Committee (HRRC) and the Universal Access Fund Committee (UAFC).

Members of the FAC were: Ms. R. Lehohla (Chairperson), Ms. M. Masheane, Mr. N. Matete and Mr. M. Posholi. The committee held four meetings during the reporting period.

Members of the HRRC were: Mrs. T. 'Mokela (Chairperson), Mr. M. Malie, Ms. M. Phomane, Mr. M. Monyamane and Mr. M. Posholi. The committee is newly established and held no meetings during the reporting period.

Members of the UAF Committee were: Dr. P. Mangoela (Chairman), Mr. T. 'Mokela, Mr. M. Khethisa, Mrs. K. Matsepe and Mr. L. Jimson. The committee held six meetings during the reporting period.

Directors' Training and Education

The Board members are mindful that they should receive appropriate and continuous training by attending seminars and briefings in order to broaden their perspectives and to keep abreast of developments in the sector and in corporate governance matters. To this end, the Board attended the following events:

1. Two Board members attended an annual conference of the Institute of Internal Auditors Lesotho. The emphasis of the conference was on corporate governance and risk management.
2. Three Board members including the Chief Executive attended the Accelerated Directorship Programme offered by the Institute of Directors (IoD) Southern Africa in October and November 2009.

Chief Executive's Report:



“In pursuit of its mandate of facilitating development and provision of affordable and sustainable communication services, the Authority established the Universal Access Fund (the Fund) through the promulgation of the Lesotho Communications Authority (Universal Access Fund) Rules of 2009 adopted by Parliament in May, 2009 The main objective of the Fund is the development and expansion of communications services, including broadcasting services, in the unserved areas considered non-viable by the service providers.”

- Mr. Monehela Posholi

The 2009/10 annual report marks nine years since the establishment of the Lesotho Communications Authority in June 2000. In the main, it covers corporate activities of the Authority and gives a general overview of the development of the communications sector. It follows the format of previous Annual Reports which were aligned to the Authority's Strategic Business Plans (SBP). The 2009/10 report corresponds with and reports on activities outlined for the third year of the LCA Strategic Business Plan 2007/08 – 2009/10.

Regulatory Environment

The reporting year began in the midst of the global financial crisis which spilled over from the previous year, putting many telecommunications and/or ICT businesses and enterprises at risk. Global indications are that of reduced sales of ICT equipment and slower manufacturing but buoyant activity in mobile and Internet markets. Slower economic recovery has been experienced in the region and locally. In the last quarter of the reporting period, economic activities in Lesotho showed signs of recovery, in line with the global economic developments.

New Strategic Business Plan

The reporting year coincides with the end of the LCA Strategic Business Plan 2007/08 - 2009/10 and the Authority's staff held a three-day strategic planning workshop to draft the new SBP covering the period 2010/11 – 2012/13. The workshop produced a draft document with the following strategic objectives:

- Promotion of universal access to communications services;
- Promotion of free and fair competition in the communications sector;
- Promotion of investment in the communications sector;
- Efficient management of scarce resources;
- Empowerment and protection of consumers;
- Organisational efficiency of Lesotho Communications Authority;
- Monitoring of the sector performance, and
- Promotion of emerging ICT issues.

Human Resources Management

Recruitment

The recruitment process of the Executive Secretary of the Universal Access Fund was concluded and Mr. Lehlomla Mohapi was appointed and assumed duty in June 2009. There was no significant movement in the

Chief Executive's Report:

staffing situation of the Authority.

Review of the Organisational Structure

The Lesotho Communications Policy 2008 stated that the Authority would adopt a converged regulatory regime and would be restructured to integrate and accommodate the regulation of telecommunications, broadcasting and postal services. A draft Lesotho Communications Authority Bill has been developed drawing from the policy document. In preparation for the enactment of the new Bill, the Authority is engaged in the review of its organisational structure. The review entails the development of the new organisational structure, job descriptions and job specifications, recognition and reward strategy and remuneration packages. This process was handled through an engagement of an independent consultancy firm. At the close of the year, only two out of four deliverables

had been completed.

Implementation of Performance Management System

The Authority began a fully-fledged implementation of the Performance Management System (PMS) during the reporting period, having successfully completed the trial phase of the system in the previous year. In adopting the system, the Authority strives to achieve sustained employee performance and productivity.

Training and Development

The Authority's training programme was aimed at enhancing the productivity of its staff in order to equip them with necessary skills that enable them to be up-to-date with the fast-changing developments in ICT and its regulatory environment. Many of the courses were held in-house to facilitate wider participation of staff and reduce cost. During the reporting period, the staff of the Authority received training as outlined in Table 1.

Table 1: Training and development in 2009/10

Course Title	Duration	Venue	Number of trainees
Certificate in Telecommunications Policy, Regulation and Management	3 weeks	RSA	2
Applying 21st Century ICTs in Emerging Markets	1½ weeks	USA	1
Type Approval Attachment	1 week	RSA	1
Fundamental Interconnection Principles	1 week	RSA	1
Next Generation Networks	1 week	Maseru	18
Designing Windows Server 2008 Active Directory Infrastructure & Services	1 week	RSA	1
Spectrum Management Sequence Courses	6 weeks	USA	1
ACCPAC	3 days	Maseru	6
eWorkflow training	2 days	Maseru	25
VIP Payroll Software update and enhancements	1 day	RSA	2
GSM/GPRS/WCDMA SURVEY (Ericsson)	1 week	RSA	2
Southern Africa Telecommunications Association (SATA) Human Capital Development	3 days	Maseru	2
CTO Digital Broadcasting Course	1 week	RSA	1
AFMS technical modules	2 weeks	Maseru	8
Human Resources Management	1 week	RSA	1
International Financial Reporting Standards (IFRS)	1 week	RSA	1
Cybersecurity Forum for Africa & Arab states	2 days	Tunisia	1
AFRALTI & ITU/BDT Cost Model Development	1 week	Maseru	4
MM-ICTPR	Part-time	RSA	2
Softline ACCPAC User – Annual Seminar	1 day	RSA	1

Chief Executive's Report:

Information Technology Support Systems

The Authority continued to expand the number of internal and external services provided through information technology as well as the necessary systems maintenance and technical backup. Some of these services are in human resources, procurement and accounts. These included user training as part of the commissioning process.

To enhance the Authority's communication with external stakeholders, documents such as notices, forms and other information were posted on the LCA's website: www.lca.org.ls.

Legal and Regulatory Issues

Review of Communications Legislation

The Lesotho Communications Bill aimed at ushering in a converged regulatory regime was drafted, drawing upon the Lesotho Communications Policy 2008. The draft Bill was subjected to a stakeholder review process and later submitted to the office of the Attorney General for further processing.

The Bill provides for a new legislative framework for the regulation of telecommunications, broadcasting and postal services under a converged regulatory regime. It further clarifies the division of responsibilities between the Ministry and the Authority and provides for the establishment of transparent, proportionate, and non-discriminatory regulatory principles and procedures to be used by the Authority. It also aims to facilitate ease of entry into the market; promotion of competition; protection of consumers; cooperation among service providers in infrastructure; promotion of universal service through establishment of Universal Service Fund (USF) to be managed by USF Committee (USFC); and strengthening of the Authority's enforcement powers. In addressing the broadcasting services, the Bill provides for the establishment of a Broadcasting Disputes Resolution Panel. Consequent to the above process, the Authority will revise the statutory rules to align them with the draft Bill.

Licensing

The Lesotho communications market has two major network operators, namely, Econet Telecom Lesotho (ETL) and Vodacom Lesotho (VCL), both of which provide converged communications services. In the last reporting period, the reported significant change was the consolidation of operations by Telecom Lesotho (TL) and its mobile subsidiary Econet Ezi-Cel Lesotho (EEL) under one name Econet Telecom Lesotho. During the present reporting period, the consolidated

company introduced converged services to the market.

No changes were recorded in the number of broadcasting licensees as indicated in Table 2. Developments in this subsector were mainly in the expansion of the footprint of individual broadcasters.

Table 2: Radio and television stations in Lesotho

Broadcaster	Year Licensed	Classification
Radio Lesotho	1964	Public
Peoples' Choice FM	1999	Private
Moafrika FM	1999	Private
Catholic FM	1999	Private
Joy FM	1999	Private
Khotso FM*	2000	Private
DOPE FM	2004	Community
Harvest FM	2004	Private
Thaha-Khube FM	2004	Private
Jesu ke Karabo FM	2004	Private
KEL Radio	2004	Private
Ultimate FM	2006	Commercial
Lesotho TV	1990	Public
TBN	2000	Private

* Not functional at present.

However, there were no major changes during the year in other licence categories. The following ones, however, are worth noting.

- Following a consultation process initiated by the Authority concerning ORBCOMM's licence application, the Board considered the application and resolved to recommend to the Hon. Minister to grant ORBCOMM the licence under the category of "landing rights". The licence was duly granted to provide non-voice tracking services.
- The number of Internet Service Providers (ISPs) decreased from six to five. Victory Computers, a licensed ISP, did not renew its licence and has gone out of business. This leaves the following as the only licensed ISPs: Adelfang, Comnet, Leo, Datacom and Newlands¹.
- Other changes include increased number of licensees in the following categories: land mobile radios, radio amateurs and landing rights for satellite based services and aviation. During this period, new services under Premium Rate Services

1. It provides Internet café services mainly even though it holds an ISP licence.

Chief Executive's Report:

were registered.

Migration to Digital Broadcasting

The Authority continued taking part in activities pertaining to migration from analogue to digital television broadcasting. The process is meant to migrate television broadcasting from analogue to a more spectrum-efficient and high quality digital platform by 2015. In this regard, a draft strategy document for Lesotho was developed, discussed with stakeholders and adopted by the Ministerial Advisory Committee on Digital Migration. To consolidate work being done in this regard, the Advisory Committee established two sub-committees, namely, the Public Education Sub-Committee and the Technical Sub-Committee.

Table 3 below provides a summary of licensed and registered communications service providers which have been granted the authorisations since 2000.



Rural communications network infrastructure

Table 3: Licensed and registered communications service providers since 2000

Category	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Fixed line network	1	1	1	1	1	1	1	1	1	1
Mobile network	1	2	2	2	2	2	2	2	2	2
Public Comms. Service Provider	3	3	3	3	3	3	3	3	3	2
Data Communications	-	1	1	1	1	1	1	1	1	1
Television Broadcasting	2	2	2	2	2	2	2	2	2	2
Sound Broadcasting	6	6	7	7	8	9	10	10	12	12
ISPs	3	3	3	4	5	6	6	6	6	5
Customer Premises Equipment	10	17	8	11	11	12	13	Delisted	Delisted	Delisted
Telebureaus	112	465	628	1,213	2,605	2,543	3,081	Delisted 5,742	Delisted 8,443	Delisted 8,244
Two-way radios	-	-	-	8	14	16	20	59	67	70
Telemetry Stations	-	-	-	-	-	-	-	2	3	3
Radio Amateurs	-	-	-	-	3	5	9	12	16	33
Radio Pagers	-	-	-	-	-	-	-	3	3	2
V-Sats	-	-	-	-	-	-	-	-	1	1
Landing Rights	-	-	-	-	-	-	-	-	1	2
Aircraft stations	-	-	-	-	-	-	-	-	-	5
Premium Rate Services	-	-	-	-	-	-	-	-	-	2

Chief Executive's Report:

Complaints and Consumer Protection Issues

All complaints received by the Authority were in relation to radio frequency interference and are shown in Table 4. These complaints were resolved by the Authority except for one which persists and will be resolved in the next financial year.

Table 4: Breakdown of complaints handled

Type of complaint	Sub-sector	Party affected	Status
Interference	Broadcasting	Local station	Complete
Interference	Broadcasting	two local and one RSA station	Complete
Interference	Telecoms	Fixed line operator (RSA)	Complete
Self-interference	Telecomms	Fixed line operator	Complete
Interference	Broadcasting	Two stations, one in Lesotho and one in RSA	Incomplete

The Authority has developed a Consumer Bill of Rights policy document which was subjected to stakeholder consultation. The document is aligned with the draft ICT Consumer Protection Guidelines developed by the Communications Regulators' Association of Southern Africa (CRASA), the Lesotho Communications Policy 2008 and the 1998 SADC Telecommunications Policies and Model Telecommunications Bill. The document provides for the timely provision of reliable, effective, adequate and sustainable basic and advanced telecommunications services oriented to meet the developmental needs of the region including a policy framework for affordable, efficient and high quality services. The document will be adopted when all necessary processes are complete. These processes include stakeholder consultations and the adoption by the Board.

Some of the principles embodied in the document are: the right to be informed, the right to choose; the right to safety; the right to reliable and quality service; the right to be heard; the right to redress; the right to privacy; the right to basic consumer education and the right to secure networks.

Technical Regulation

Type Approvals and Standards

The Authority type-approves communications equipment and evaluates technical specifications for new licence applications as part of its mandate. During the year under review, 41 applications were received and approved. These were mostly for technical equipment and/or devices operating in the license free Industrial, Scientific and Medical (ISM) band. This is an increase of 25 compared with the 16 applications which were processed in the last reporting period.

To enhance the capacity of the Authority in regard to handling issues of technical standards for communications equipment, the Authority continued its participation in activities of the International Telecommunication Union (ITU) and the European Telecommunications Standards Institute (ETSI). Some useful technical standards from these standards Authorities apply to migration to digital terrestrial broadcasting which Lesotho is pursuing.

Spectrum Management

The Authority is responsible for national frequency planning, the assignment of frequencies as well as related technical analysis. During the reporting year, the Authority coordinated, assigned and registered assignments of the RF spectrum as follows:

1. FM sound Broadcasting, Fixed links, Access spectrum, Land mobile and call signs to Radio Amateur stations.
2. Technical analysis was done for HF frequencies to determine suitable frequencies for use. New frequencies were identified, coordinated and assigned.
3. Channel arrangements in the 8 GHz and 15 GHz bands were revised to accommodate the increasing demand of fixed links in these bands. The revised channel arrangement will reduce possibilities of interference.
4. Path profile simulations were made to assist operators and UAF in planning of new sites for extending coverage to selected unserved areas.

The Authority actively participated in the SADC Band Plan activities held under the auspices of CRASA. The new SADC Band Plan was endorsed by the Annual General Meeting of CRASA held in Zimbabwe in March 2010. The plan will be presented to the meeting of SADC Ministers responsible for Telecommunications,

Chief Executive's Report:

Postal and ICTs due to be held in Angola in May 2010. Once approved, the plan will be adapted by member states in the development of their national band plans.

Spectrum Audit

During the year under review, the Authority conducted a spectrum audit for fixed links. The audit was to verify the records of LCA against what is obtaining on the ground. This entailed field trips to inspect operators' sites and collect and verify the data that was in the Authority's records. The investigation revealed that there was illegal occupation of frequencies by network operators who have since been brought to book.

Automated Frequency Management System

The Authority maintains an Automated Frequency Management System (AFMS) which is an integrated frequency management solution that assists in the administration of the radio frequency spectrum. In order to get maximum benefit from the system, the band plans into the AFMS were updated. Furthermore, the AFMS database was updated.

National Numbering Plan

During the year, the network operators were requested to submit a record of their network numbering plans in order to update the National Numbering Plan (NNP) and the ITU Numbering database. Any changes to the NNP are to be communicated to the ITU for the record and for notification to other member states through the ITU website.

Throughout the year, a number of organisations and administrations informed the Authority about their numbering plans changes in their countries and this was duly communicated to network operators to effect these changes on the network switching routing tables.

Numbers for Premium Rate Services

The Authority has put in place the conditions that apply to all premium rate services provided by premium rate service providers and carried by Lesotho network operators. These conditions specify the obligations of the premium rate service providers in their promotion and provision of premium rate services. They also specify the obligations of the network operators in the provision of network facilities to premium rate service providers. However, these conditions do not absolve premium rate service providers from their responsibility of ensuring that their conduct, content of their services and advertisements comply with all applicable laws of the country. These were allocated 'level 3' numbering with five digits (e.g. 3XXXX).

Economic and Tariff Regulation

The Network Operators Performance

The Authority continued to monitor the growth of the sector through the collection of quarterly statistical data provided by network operators. The information gathered is intended to monitor the performance of network operators and to highlight trends in ICT and in the uptake of services. Indicators such as the subscriber base, additional connections, telebureaus, pay-phones, internet subscribers as well as the financial performance of the network operators and other indicators reflect the performance of the sector. Statistics of key indicators as well as their analysis follow in table 5 and figures 1 and 2 below:

Table 5: Summary of selected ICT indicators at end of March 2010

Indicator	Fixed line services	Mobile services	Total
Total Number of subscribers	38,612	783,604	822,216
Teledensity (%)	2	42	44
Public phones and telebureaus	699	7,545	8,244
Number of BTSs	-	217	217
Internet subscribers	3,046	23,266	26,312
Leased Line and WiMAX subscribers	542	-	542



Rural communications infrastructure

Chief Executive's Report:

Fixed Subscriber Performance

The fixed line subscribers continued to decline and at the close of the year, subscribers stood at 38,612 down from 41,190 of the same time in the last reporting period. The decline in fixed line subscribers is a global phenomenon.

Fixed line subscribers could further be broken down into two market segments where prepaid subscribers constitute 66% and post-paid subscribers represent 34%. Figure 1 below provides subscriber movements from Quarter 4 of 2008/2009 to Quarter 4 of 2009/2010 in each market segment.

Mobile Network Performance

During the reporting period, the mobile subscribers increased by 190,388 to a total of 783,604 as at the end of March 2010 from 593,216 in the same period last year as indicated in figure 2.

Mobile subscribers have two categories, the prepaid and the post-paid. The prepaid subscribers continued to dominate the market share by representing 99% while post-paid stood at 1%.

Figure 1: Fixed subscriber growth as at 31 March 2010

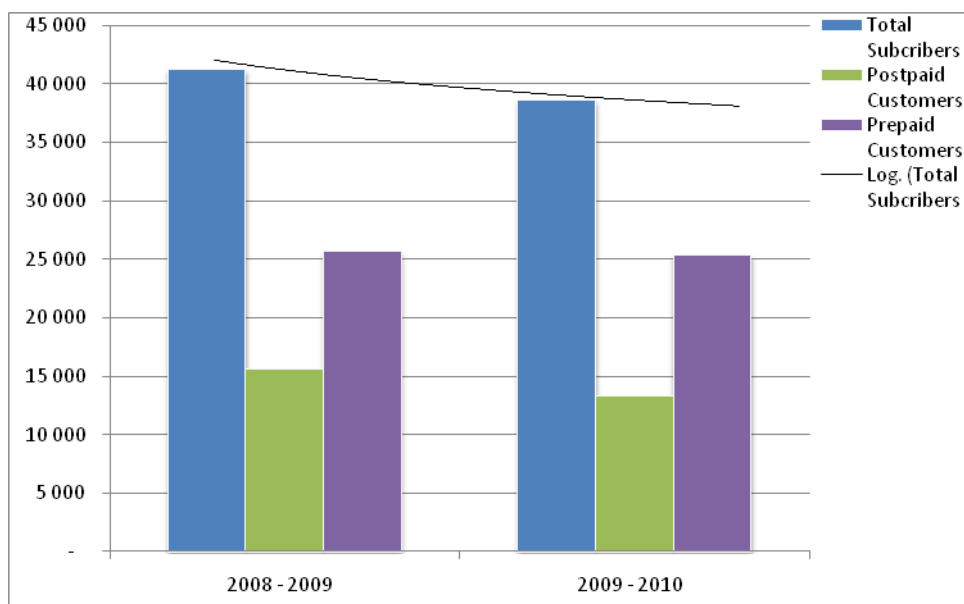
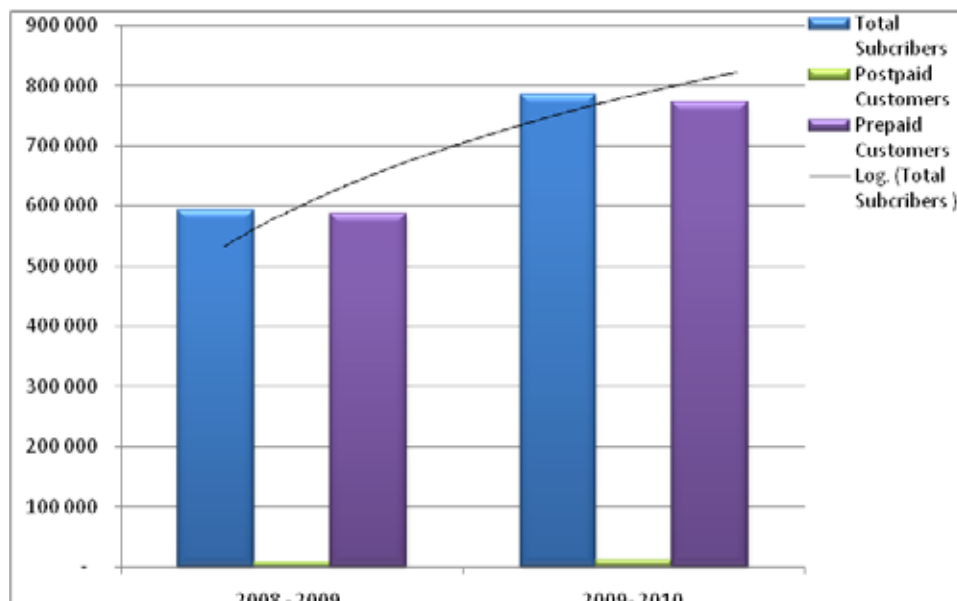


Figure 2: Mobile Subscribers for 2008/09 – 2009/10



Chief Executive's Report:

New Products and Tariff Regulation

Network operators are required to file their tariffs with the Authority for approval. They are not expected to make any changes to these tariffs or applicable terms and conditions of service without obtaining approval from the Authority.

During the reporting period, the network operators filed for different new products and services, as well as amendments and promotions of existing products. Such filings included various promotions, termination of old products and prepaid data bundles.

Interconnections Agreements

Following the conclusion of the Interconnection and Tariff Rationalisation (ITR) study, the Board approved new interconnection agreements and rates between network operators. The implementation of these rates was to follow a gradual down-ward glide path. The operators applied the interconnect rates for 2007, but thereafter they did not, citing various reasons. The Authority has been pursuing this matter and it is still seized with it. The rationale behind the study was to ensure that the rates paid by customers and premised on interconnect rates are cost-based.

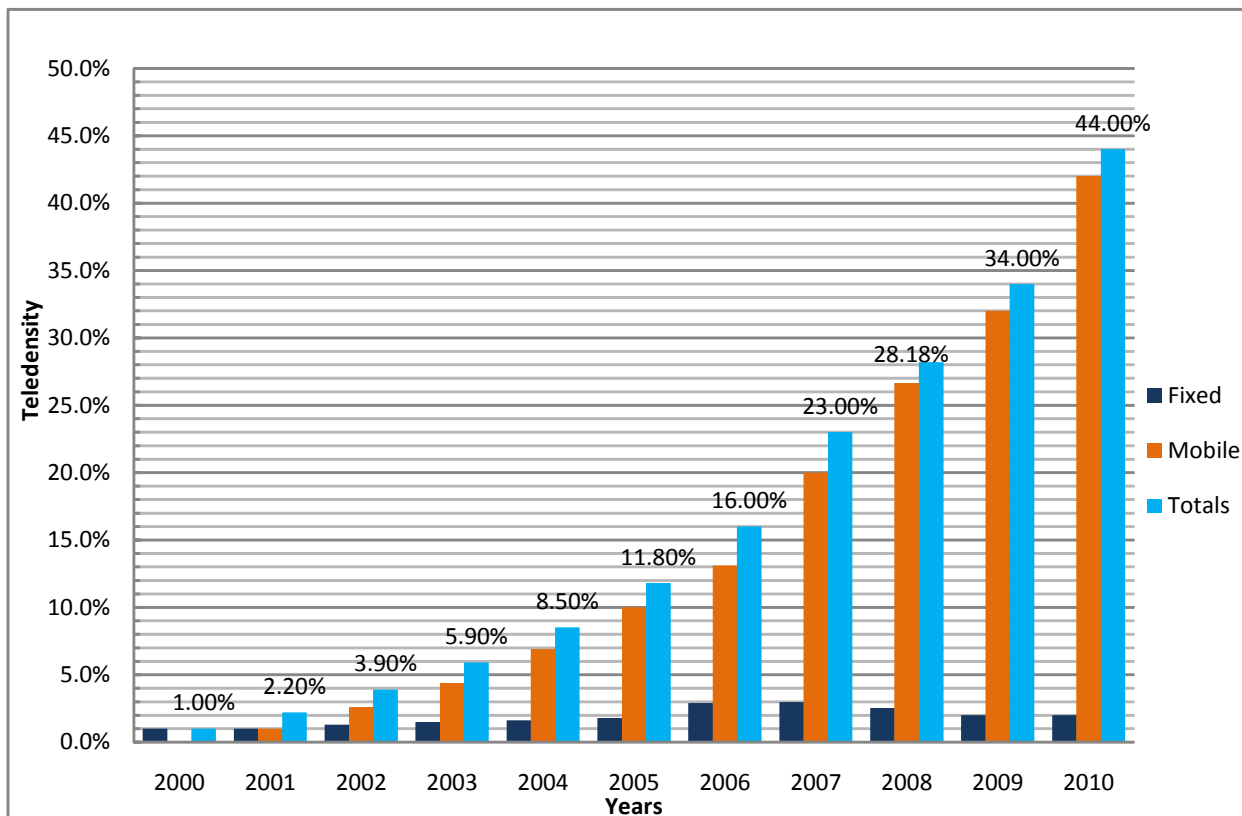
Sector Teledensity and Network Coverage

As at end of 31 March 2010, the number of telephone (fixed and mobile) subscribers per 100 inhabitants (teledensity) amounted to 44% and indicated in figure 3.



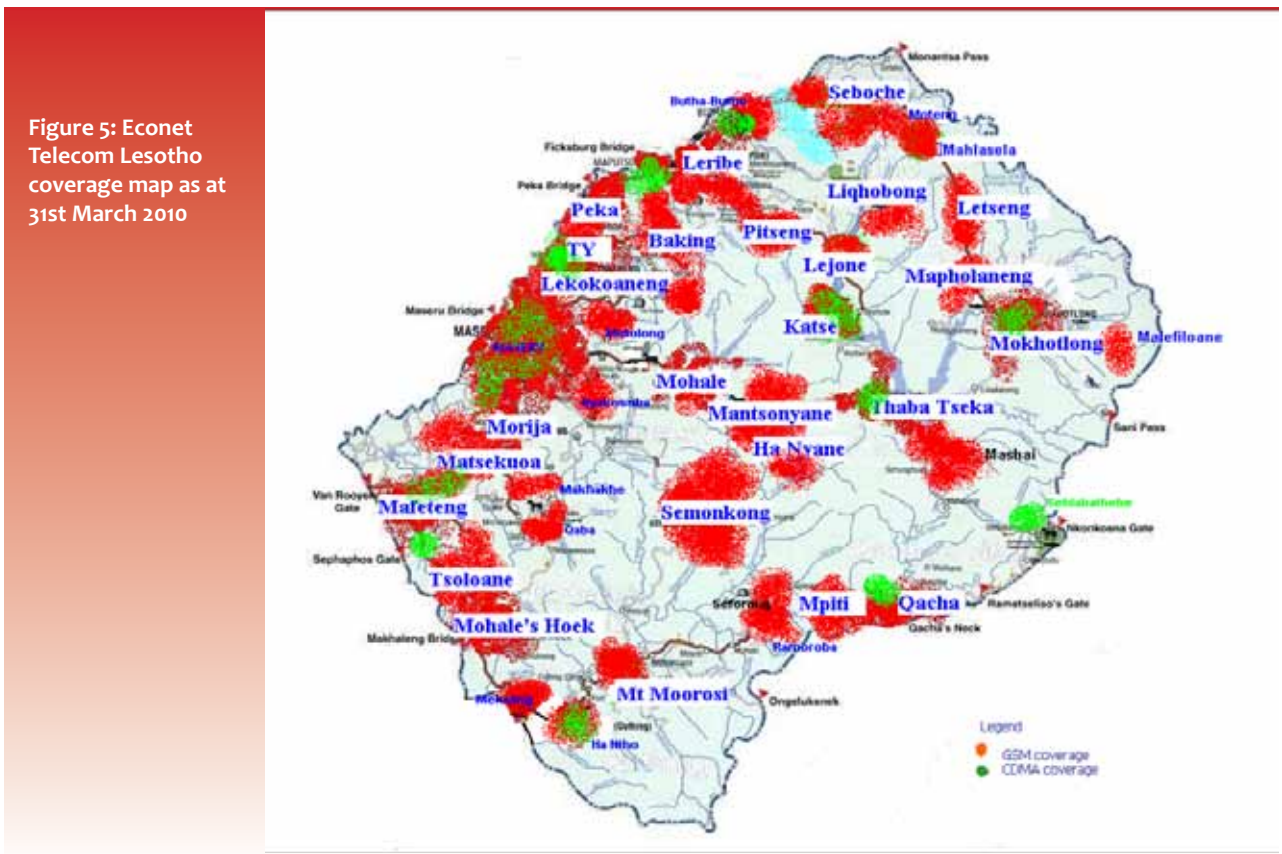
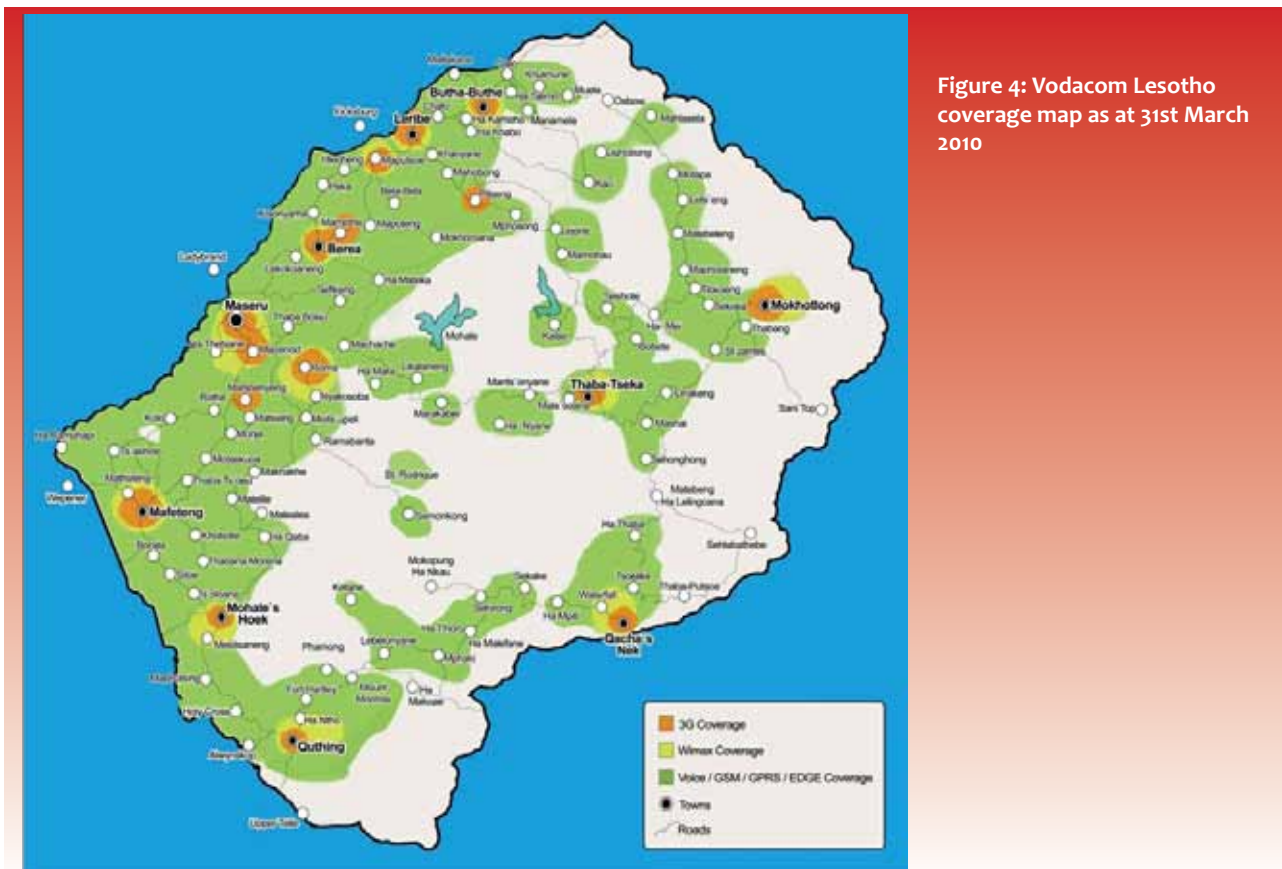
EASSy cable network

Figure 3: Sector teledensity trend 2000-2010



Chief Executive's Report:

Figures 4 and 5 below show coverage maps of the two network operators.



Chief Executive's Report:

Researches, Studies and Surveys

Pilot Survey on Internet Cafes

The report on the pilot survey for Internet café users in Lesotho was finalised during the reporting year. As there is no systematic collection and documentation of statistics on the internet café users, the Authority had resolved to start collecting and compiling such statistics as part of its mandate to monitor and measure developments in the information economy. In preparation for the medium to long-term collection of this information, a pilot survey was run over a period of 14 consecutive days in September 2008. The study had found that nationally, there were 24 Internet cafés. Most of these were in Maseru, with the other district towns having at least one internet café while Quthing and Thaba Tseka had none.

Dial-up was the most common mode of internet access, with three quarters of the Internet cafés using it. All Internet cafés using ADSL (29%) were located in Maseru, the capital. Quite a high percentage of the Internet cafés (58%), mostly in Maseru, used wireless broadband (such as EVDO and 3G). However, because of its high cost, they used broadband as supplementary to dial-up at times when the Internet access speed was too slow on the latter due to high contention. On the average, Internet cafés hosted 11 customers per day split almost equally between return users and new users per location. The average logged-in time per customer was 35 continuous minutes.

ICT Data Sheet

The Authority developed a detailed data sheet on the state of communications sector and ICT indicators in Lesotho. The data sheet was based on the survey data covering business, education, health and accommodation businesses and key developments in the communications sector between 2000 and 2008. The sheet provides an invaluable reference source.

ICT in Households Survey

The Authority conducted a nation-wide ICT in households survey whose aim was to establish the level of ICT access and usage at the household level. Data collection for 2235 questionnaires was done in all ten districts of Lesotho between the months of October 2009 and December 2009. The production of the survey report would be done in the next reporting period.

Universal Access Fund

In pursuit of its mandate of facilitating development and provision of affordable and sustainable communication services, the Authority established the Universal Access Fund (the Fund) through the promulgation of the Lesotho Communications Authority (Universal Access Fund) Rules of 2009 adopted by Parliament in May, 2009. The Minister of Communications, Science and Technology Hon. Mothetjoa Metsing, launched the Fund later in the same month.

The Fund is a contributory partnership consisting of the Authority and the two network operators, ETL and VCL. The main objective of the Fund is the development and expansion of communications services, including broadcasting services, in the unserved areas considered non-viable by the service providers. This is done primarily by providing incentives (in the form of subsidies) to the network operators to rollout infrastructure and provide services in places they otherwise consider non-viable.

The Authority, prior to the establishment of the Fund, set aside M10,000,000 as seed capital to start the Fund. The contributions collected from the Authority, ETL and VCL amounted to M8,076,089 bringing the total amount to M18,076,089. Activities of the Fund included profiling areas being evaluated for assistance and developing projects. The projects were presented to the Universal Access Fund Committee (UAFC) for approval and financing.

During the reporting period, the Fund supported three network rollout projects out of thirteen profiled areas. The three projects are 'Malefiloane, Makhalleng and Tebellong. The subsidy allocation method employed by the Fund is the reverse auction whereby the bidding operator requiring the least subsidy is awarded the subsidy. This was implemented through issuance of Requests for Proposals to the major network operators. Subsidies awarded by the UAFC towards the three projects totalled M10,112,205.

The projects are going to provide network coverage to at least 59 villages. In excess of 10,400 people in over 2,200 households stand to benefit from these projects. Table 6 below provides an indicative summary of the beneficiaries.

Chief Executive's Report:

Table 6: Beneficiaries of the UAF Projects in 2009/10

Project	Villages*	Households	Population (2006 figures)
'Malefiloane	21	1,009	4,488
Makhaleng	26	774	3,966
Tebellong	12	442	1,982
Total	59	2,225	10,436

* The villages included herein are those whose identity could be ascertained during the profiling visits. Understandably, therefore, the reported number of villages in these projects is an indicative minimum as many more villages and their inhabitants stand to benefit from wider coverage.

Support for the Establishment of IXP

The Fund is playing a key role in the establishment of the Internet Exchange Point (IXP) in Lesotho. The Authority has decided to initiate and support the establishment of an IXP for Lesotho in order to improve access speeds for Internet users, reduce cost since a good proportion of traffic would be exchanged utilising local rather than international bandwidth. In addition, the IXP would create revenue through new business opportunities by allowing easier hosting of local domains and improved access speeds. To this end, the UAFC set aside about M1.8 million towards the establishment of the IXP. Initial groundwork has been started with stakeholders of the Lesotho Internet community to enlist their buy-in into the project.

Challenges of the Fund

The terrain of the unserved areas is mostly mountainous and made up of small and dispersed villages which make the deployment of network coverage resource intensive. The problem is exacerbated by lack of roads and power grid network infrastructure. Consequent to these, the cost of providing coverage to a typical unserved area is more than twice the cost of providing similar coverage to an area that is flat and even with roughly three times the population density.

International Cooperation:

ITU Telecom World 2009

The Right Honourable the Prime Minister, P.B. Mosisili, led the delegation of Lesotho to the ITU Telecom World 2009 which was held in November 2009 in Geneva, Switzerland. The Telecom World is a week-long series of top-level roundtable meetings and debates on the role of ICTs in addressing current numerous pressing issues such as climate change, global economic recovery and



The Rt. Hon. The Prime Minister and The First Lady meeting with the ITU Secretary General, Dr. Hamadou Toure in Geneva.



The Rt. Hon. The Prime Minister leading Lesotho delegation at the ITU Telecom World 2009.

Cybersecurity.

The ITU Telecom World, held every four years, is a special global event that brings together key stakeholders from across the globe to address shared challenges in today's information society. The 2009 event highlighted the reach and the role of ICTs in areas essential to changing the lives of the world population. These areas include the use of communications services in everyday lives; in situations which warrant disaster relief and their contribution in halting climate change. The Prime Minister's delegation comprised the Minister of Foreign Affairs and International Relations, Hon. Mohlabi Tsekoa; the Minister of Communications, Science and Technology, Hon. Mothetjoa Metsing; Lesotho Ambassador to the United Nations system in Geneva, H.E. Dr. Mothae Maruping; Principal Secretary MCST, Mr. Tšeliso 'Mokela; the Chief Executive, Mr. Monehela Posholi; the ICT Specialist and e-Governance Advisor to MCST, Mr. Lebeke Sello and other government officials.

CRASA Annual General Meeting

The Communications Regulators' Association of Southern Africa (CRASA) 13th AGM was held in March 2010 at Victoria Falls, Zimbabwe. The meeting was

Chief Executive's Report:

preceded by a training forum titled "Southern Africa Impact Assessment Workshop". This looked into the expanded role of the ICT markets and on-going reforms; purposes and experiences of regulation; embedding impact assessment into policy and regulatory processes; conducting impact assessments as well as looking into a preliminary report on regulatory impact assessment on SADC Home and Away Roaming. The Lesotho delegation comprised the Authority and major network operators.

Commonwealth Telecommunications Organisation's 7th Annual Forum

The 7th annual Commonwealth Telecommunications Organisation (CTO) forum and the 49th Annual Council Meeting under the theme "Delivering Broadband Connectivity for All: Needs and Challenges", were held in Nadi, Fiji, during 14-16 September 2009. Key topics for these events were: Emerging Broadband Policy and Regulatory Environment; National and Regional Broadband Initiatives - Connecting the Unconnected and Focusing on Content Development and Value-Added Services. The Authority was duly represented.

East African Submarine Cable System

The construction of the East African Submarine Cable System (EASSy) in which Lesotho is a member through a Special Purpose Vehicle (SPV), called the West Indian Ocean Cable Company (WIOCC) was started in the latter part of the year. As at the end of March 2010, over 9,230 kilometres of the 10,000 km submarine cable had been installed. The construction followed the completion of marine surveys of the cable route, construction of landing stations and the manufacture of the cable.

The EASSy submarine cable is a 1.4 Terabit per second, 10,000 km fibre-optic submarine cable system along the east coast of Africa. It has landing stations in Mtunzini, South Africa; Maputo, Mozambique; Toliary, Madagascar; Moroni, Grande Comore; Dar es Salaam, Tanzania; Mombasa, Kenya; Mogadishu, Somalia; Djibouti City, Djibouti; and Port Sudan, Sudan. The cable is aimed at enhancing broadband capacity of the Eastern and Southern Africa region.

Communications Regulators Association of Southern Africa Activities

As a member of the Communications Regulators Association of Southern Africa (CRASA), the Authority participated in a number of activities related to the work of the Association. These include committees for band planning; revenue generation; finance and audit; consumer affairs; regional standards and universal access. Some of the outputs of these committees

are: the SADC band plan; the consumer protection guidelines and the report on universal access.

Global Symposium for Regulators

The Authority was represented at the Global Symposium for Regulators (GSR-09) in Beirut, Lebanon from 9th to 12th November 2009. The main topics discussed in the Symposium were universal access policies in the 21st century and how they impact on new services such as broadband, consumer protection and new technologies, and network security with specific focus on Cybersecurity matters.

Risk Management and Audits

The Authority has developed and put in place a corporate risk profile. This profile assists the Authority to identify risk areas, assessed their potential levels and implemented measures to mitigate or minimise such risks. The risk profiling and review exercise will be conducted on an annual basis.

Financial Management and Annual Audit

The Lesotho Telecommunications Authority Act of 2000 (as amended) stipulates that the Authority shall keep proper accounts of its operations in compliance with international accounting standards and that the Auditor-General shall appoint an independent, qualified and internationally recognised accounting firm to audit the accounts of the Authority annually.

The Financial Statements for the year ended 31 March 2010 were completed and duly submitted to the Office of Auditor General for audit purposes. The detailed Audited Financial Statements of the Authority for the year ended 31 March 2010 are appended to this report.

Lesotho Communications Authority

Annual Financial Statements for the Year Ended 31 March 2010

BOARD APPROVAL AND STATEMENT OF RESPONSIBILITY

The Lesotho Communications Authority Act No. 5 of 2000 requires the Board to prepare financial statements for each financial year that presents the true and fair picture of the state of affairs of the Authority at the end of each year. The Board is 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 Board considers that in preparing the financial statements for the year ended 31 March 2010 set out on pages 24-34 the Authority has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. The Board also considers that all applicable International Financial Reporting Standards have been followed and confirms that the financial statements have been prepared on the going concern basis.

The Board reviewed the Authority's cash flow forecasts for the year to 31 March 2011, and, in the light of this review and the current financial position, it is satisfied that the Authority has adequate resources to continue in operational existence for the foreseeable future.

The auditors' responsibilities are stated in their report on page 23.

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

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

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

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

Against this background, the financial statements set out on pages 24-34 which are stated in Maloti, the Lesotho currency, have been approved and authorised for issue on the 2nd September 2010 by the Board and signed on its behalf by:


BOARD MEMBER


BOARD MEMBER

Lesotho Communications Authority

Financial Statements for the Year Ended 31 March 2010

DIRECTORS' REPORT

Directors

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

Dr. P.M. Mangoela (Chair)

Ms. R. Lehohla

Mrs. T. 'Mokela

Mr P. Khetsi

Mr M. Malie

Mr. M. Posholi (CE & Secretary)

Vacancies

During the year under review, one position of a Member of the Board remained vacant.

Disclosure of Interest

The Authority is a government regulatory agency for communications sector with no shareholding. The Members of the Board 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.

Lesotho Communications Authority

Financial Statements for the Year Ended 31 March 2010



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 2010

I have audited the accompanying financial statements of Lesotho Communications Authority, which comprise the statement of financial position as at 31 March 2010, and the statement of comprehensive income, statement of change in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 24 to 34.

Director's Responsibility for the Financial Statements

The Authority's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying 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 with International Standards on Auditing. Those standards require auditors to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion 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 as at 31 March 2010, and of its financial performance and its 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 2000 as amended.

LUCY L. LIPHAFI (MRS)
AUDITOR GENERAL

10 September 2010



Lesotho Communications Authority

Financial Statements for the Year Ended 31 March 2010

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2010

		31.03.10	31.03.09
	Notes	Maloti	Maloti
ASSETS			
Non Current Assets			
Property, Plant & Equipment	5	7,438,516	9,432,434
Current Assets			
Trade and other receivables	6	4,797,534	3,177,560
Cash and cash equivalents	7	43,030,497	45,128,144
		47,828,031	48,305,704
Total Assets		55,266,547	57,738,138
Funds			
Capital Fund	8	2,331,822	2,331,822
Revaluation surplus		1,854,515	1,854,515
Accumulated Fund		27,098,999	19,602,237
Capital Grant	9	1,446,849	3,053,621
		32,732,185	26,842,195
Non-Current Liabilities			
Deferred Income	10	12,434,582	13,771,249
Current Liabilities			
Trade and other payables	11	4,145,429	1,526,035
UA Reserve Fund		2,101,203	12,042,916
Provisions		3,853,148	3,555,743
		10,099,780	17,124,694
Total Funds and Liabilities		55,266,547	57,738,138

Lesotho Communications Authority

Financial Statements for the Year Ended 31 March 2010

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2010

		31.03.10	31.03.09
	Notes	Maloti	Maloti
Income			
Regulatory Fees	2	29,819,582	28,200,296
Other Income		939	-
Amortisation of Capital Grant		1,606,772	1,759,133
		31,427,293	29,959,429
Expenditure			
Staff Costs	3	13,902,827	12,697,519
Depreciation	5	3,128,250	2,967,410
Directors Emoluments		328,617	388,992
Audit Fees		42,900	37,100
Other Administrative Costs	4	8,421,637	8,695,439
		25,824,231	24,786,460
Surplus/Deficit before finance income & cost		5,603,062	5,172,969
Finance Income		2,801,750	3,902,694
Surplus/Deficit after finance income & cost		8,404,812	9,075,663
UA Reserve		2,101,203	2,268,916
Retained surplus for the year		6,303,609	6,806,747

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2010

	Capital Fund	Revaluation reserve	Accumulated Funds	Capital Grants
Balance at 31/03/2008	2,331,822	1,854,515	13,026,598	4,812,754
Prior Period Adjustments	-	-	(231,108)	-
Amortisation for the year	-	-	-	(1,759,133)
Surplus for the year	-	-	6,806,747	-
Balance at 31/03/2009	2,331,822	1,854,515	19,602,237	3,053,621
Prior Period Adjustments	-	-	1,193,153	-
Amortisation for the year	-	-	-	1,606,772
Surplus for the year	-	-	6,303,609	-
Balance at 31/03/2010	2,331,822	1,854,515	27,098,999	1,446,849

Lesotho Communications Authority

Financial Statements for the Year Ended 31 March 2010

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2010

		31.03.10	31.03.09
	Notes	Maloti	Maloti
Surplus for the period		6,303,609	6,806,747
Prior period adjustments		1,193,153	(231,108)
Prior Year depreciation		(14,000)	-
Depreciation		3,128,250	2,967,410
Amortisation of capital grant		(1,606,772)	(1,759,133)
Increase/(Decrease) in receivables		(1,619,974)	563,389
Increase/(Decrease) in payables		(7,024,913)	2,990,428
Net cash inflow/outflow from operating activities		359,353	11,337,736
Investing Activities			
Purchase assets		(1,120,333)	(1,569,085)
Net cash flows from investing activities		(1,120,333)	(1,569,085)
Financing Activities			
Initial licence fees		(1,336,667)	(1,336,668)
Net cash flows from financing activities		(1,336,667)	(1,336,668)
Net increase in Cash & cash equivalents		(2,097,647)	8,431,983
Cash & cash equivalents at the beginning of the year		45,128,144	36,696,161
Cash & cash equivalents at the end of the year		43,030,497	45,128,144

Lesotho Communications Authority

Financial Statements for the Year Ended 31 March 2010

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

1. ACCOUNTING POLICIES

1.1 Presentation of annual financial statements

The principal accounting policies of the Authority, which are set out below, have been consistently followed in all material respects and comply with International Financial Reporting Standards (IFRS) and the Lesotho Telecommunications Authority Act no 5 of 2000 as amended. The financial statements are prepared on a going concern basis. The financial statements have been prepared on the historical cost basis except for financial assets, which are stated at fair values and incorporate the principal accounting policies, set out below:

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

1.2 Adherence of new and revised standards

The Authority adhered to the following revised standards during the year and comparative figures have been restated where applicable. However adherence to these standards did not have any effect on the funds and reserves as at 31 March 2009.

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

1.3 Significant judgements

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

Valuation of property, plant and property

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

Provision for impairment of receivables

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

Contingent liabilities

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

1.4 Recognition of assets and liabilities

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

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

Lesotho Communications Authority

Financial Statements for the Year Ended 31 March 2010

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

1.5 Derecognition of assets and liabilities

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

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

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

1.6 Property, Plant and Equipment

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

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

Consumable items are written off in the period of purchase.

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

1.7 Impairment of Assets

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

1.8 Foreign Currency Translation

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

1.9 Financial Instruments

Initial recognition and measurement

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

Financial assets

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

Financial Liabilities

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

1.10 Trade and other receivables

Trade and other receivables originated by the enterprise are stated at fair value of consideration receivable less

Lesotho Communications Authority

Financial Statements for the Year Ended 31 March 2010

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

impairment for trade receivables if any. A provision for impairment of trade receivables is established when there is objective evidence that the Authority will be able to recover all amounts due according to the rules of the Authority which are translated into terms of receivables.

1.11 Cash and cash equivalents

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

1.12 Trade and other payables

Trade and other payables are stated at their fair values.

1.13 Employee Benefits

The Authority operates a defined contribution pension scheme for its eligible employees. The pension contributions on behalf of its employees are charged to the income statement. The Authority contributes 10.58% of each member's pensionable salary and a fixed amount for the Chief Executive to a defined contribution fund. The fund is administered by Metropolitan Life.

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

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

The Authority pays a thirteenth cheque as a Christmas bonus to all eligible employees according to its personnel procedures manual.

1.14 Taxation

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

1.15 Provisions

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

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

1.16 Revenue Recognition

Revenue

Revenue comprises service and radio frequency spectrum licences fees charged to communications service providers. Initial fees charged in relation to the issuance of new licences are recognized as deferred income and are transferred to the income and expenditure on the basis of matching them with related costs over the licence period. Annual service and systems licence fees 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 financial asset.

Government grants

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

Lesotho Communications Authority

Financial Statements for the Year Ended 31 March 2010

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

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.

1.17 Comparative Figures

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

	31.03.10	31.03.09
2. Regulatory Fees	Maloti	Maloti
Application Fee	34,890	82,850
Licence Fee	1,856,159	2,176,914
Spectrum Fee	7,582,996	6,016,856
Royalty Fee	20,345,537	19,923,676
	29,819,582	28,200,296

	31.03.10	31.03.09
3. Staff Costs	Maloti	Maloti
Salaries	8,105,575	7,341,057
Allowances	2,720,100	2,498,225
Pension	574,246	493,630
Severance Pay	252,828	216,407
Leave Pay	856,896	717,262
Medical Aid	578,554	468,066
Gratuity	550,944	692,592
Staff Refreshments & Welfare	68,539	79,030
Sports & Recreation	9,937	9,445
Staff cell phone airtime	123,840	119,940
Fringe Benefit Tax	40,613	41,255
Housing	20,755	20,610
	13,902,827	12,697,519

Lesotho Communications Authority

Financial Statements for the Year Ended 31 March 2010

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

	31.03.10	31.03.09
	Maloti	Maloti
4. Other Administrative Costs		
Bank Charges	78,633	89,128
Communication	478,446	525,841
Postage	4,566	8,895
Stationery	93,229	183,206
Repairs to Equipment	593,880	470,362
Water and Electricity	44,260	30,100
Office Rent	728,023	673,592
Insurance	215,236	295,684
Station Maintenance	300,644	695,921
Other Expenses	14,032	76,598
Books and Journals	32,652	60,686
Fuel	55,955	77,123
Car Running	70,072	47,509
Staff Uniform	42,310	14,552
Subscriptions	887,952	802,233
Travel and Accommodation	1,106,126	789,293
Staff Training	1,853,579	964,002
Business Entertainment	169,975	119,180
Cleaning & Security	66,348	73,829
Public Relations	372,685	403,907
Consultancy Fees	415,437	-
Board Expenses	35,498	-
Legal Fees	-	241,765
Research	630,854	139,477
Donations	131,245	28,303
Doubtful Debts	-	1,884,253
Total Expenses	8,421,637	8,695,439

Lesotho Communications Authority

Financial Statements for the Year Ended 31 March 2010

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

5. Plant, Property and equipment									
	Cost/Rev at 31.03.09	Additions	Cost/Rev 31.03.10	Dep'n at 31.03.09	Dep'n for the year	Dep'n Adjustments	Dep'n at 31.03.10	Net carrying value at 31.03.09	Net carrying value at 31.03.10
Office Equipment	104,716	149,234	253,950	22,197	26,249		48,446	82,519	205,504
Computer Equipment	2,035,857	906,782	2,942,639	1,028,201	763,614	(14,000)	1,777,815	1,007,656	1,164,824
Motor Vehicles	1,078,993	-	1,078,993	269,743	269,743		539,486	809,250	539,507
Office Furniture	1,094,931	9,998	1,104,929	240,139	180,648		420,787	854,792	684,142
Land & Buildings	3,059,204	42,178	3,101,382	84,615	56,410		141,025	2,974,589	2,960,358
Monitoring Equipment	7,149,610	12,141	7,161,751	3,445,982	1,831,587		5,277,569	3,703,628	1,884,182
	14,523,311	1,120,333	15,643,644	5,090,880	3,128,251	(14,000)	8,205,128	9,432,434	7,438,517

An amount of M 7,200.00 which was classified as non current assets held for sale has now been reclassified as property, plant and equipment. The previous year figures have been adjusted with the amount.

	31.03.10	31.03.09
	Maloti	Maloti
6. Trade and Other Receivables		
Trade receivables	5,633,837	4,755,616
Less: Impairment of trade receivables	(1,613,339)	(2,152,336)
	4,020,498	2,603,280
Prepayments and Deposits	11,198	11,198
Other Receivables	599,089	375,602
Staff Loans	166,749	140,833
	4,797,534	3,177,560

7. Cash and cash equivalents		
Petty Cash	2,143	2,116
Current Accounts	4,339,900	1,022,250
Short term deposits	38,688,454	44,103,778
	43,030,497	36,697,736

8. Capital Fund

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

Lesotho Communications Authority

Financial Statements for the Year Ended 31 March 2010

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

9. Capital Grant		
	31.03.10	31.03.09
	Maloti	Maloti
Amount received	11,647,216	11,647,216
Amortisation of Capital Grant	(10,200,367)	(8,593,595)
	1,446,849	3,053,621

10. Deferred Income		
These are initial licence fees for 15 and 20 years:		
Bethlehem Technologies	866,666	1,000,000
Econet Telecom Lesotho	9,401,250	10,271,250
Vodacom Lesotho	2,166,666	2,500,000
	12,434,582	13,771,250

11. Trade and Payables		
Trade Payables	3,887,119	414,252
Fringe benefit tax	11,552	9,952
Other payables	246,758	1,101,848
	4,145,429	1,526,035

13. Prior Period Adjustments		
Travel and accommodation	-	43,060
Leave Pay	607,262	241,137
Debtors	-	(433,908)
Sundry debtors	(5,995)	(133,648)
Staff Debtors	1,000	-
Business Entertainment	2,275	-
Depreciation	14,000	-
Provision for doubtful debts	538,997	4,439
Retention	-	47,813
Withholding tax	(68,310)	-
Long Outstanding Expenses	103,924	43,060
	1,193,153	(231,108)

Lesotho Communications Authority

Financial Statements for the Year Ended 31 March 2010

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

14. 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 1,282,476 at 31 March 2010.

15. UA Reserve Fund

In accordance with Lesotho Communications Authority (Universal Access Fund Rules) Rules of 2009, The Authority is required to contribute 25% of its annual surplus into the Universal Access Fund.

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

16. Related Party Transactions

The Authority related party is the Government of Lesotho. Revenue earned from the related parties is transacted at arms length.

17. Operating Lease

At 31 March 2010 the totals of future minimum lease payments under non – cancellable operating leases were:

	Land & Buildings
Due: - within one year	M 701,463

18. Capital Commitments

The Authority is desirous to construct its offices building. It acquired a site adjacent to Manthabiseng Convention Centre. The lease for the site was issued in the name of the Authority during the year ended 31 March 2008. During the preliminary arrangements for construction, it was felt that the site was not ideal for the Authority. The Authority has since been allocated another site in town which will be exchanged for the site next to Manthabiseng Convention Centre. Construction will begin immediately on receipt of the lease. The Authority will finance construction through its funds and a loan.

19. Financial risk management

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 year end.

Interest rate risk

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

Credit Risk

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

Fair values

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

Lesotho Communications Authority - Universal Access Fund Annual Financial Statements for the Year Ended 31 March 2010

BOARD APPROVAL AND STATEMENT OF RESPONSIBILITY

The Lesotho Communications Authority Act No 5 of 2000 as amended requires the Board to prepare financial statements for each financial year that presents the true and fair picture of the state of affairs of the Authority – Universal Access Fund at the end of the financial year. The Board is also responsible for taking such steps that are reasonably open to them to safeguard the assets of the Fund and to prevent and detect fraud and other irregularities.

The Board considers that in preparing the financial statements for the year ended 31 March 2010 set out on pages 38-44, the Authority – Universal Access Fund has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. The Board also considers that all applicable International Financial Reporting Standards have been followed and confirms that the financial statements have been prepared on a going concern basis.

The auditors' responsibilities are stated in their report on pages 37.

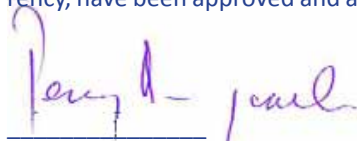
The Board acknowledges that they are responsible for the system of financial internal control and places considerable importance on maintaining a strong control environment. To enable management to meet these responsibilities, the Board sets internal controls aimed at reducing the risk of error or loss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

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

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

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

Against this background, the financial statements set out on pages 38-44 which are stated in Maloti, the Lesotho currency, have been approved and authorised for issue on the 2nd November 2010 by the Board and signed on its behalf by:



BOARD MEMBER



BOARD MEMBER

Lesotho Communications Authority - Universal Access Fund Annual Financial Statements for the Year Ended 31 March 2010

DIRECTORS' REPORT

Directors

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

Dr. P.M. Mangoaela (Chair)

Ms. R. Lehohla

Mrs. T. 'Mokela

Mr P. Khetsi

Mr M. Malie

Mr. M. Posholi (CE & Secretary)

Vacancies

During the year under review, one position of a Member of the Board remained vacant.

Disclosure of Interest

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

Auditors' Appointment

In terms of the aforesaid Act, the Auditor General is the Auditor of the Fund.

Lesotho Communications Authority - Universal Access Fund Annual Financial Statements for the Year Ended 31 March 2010



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

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF LESOTHO COMMUNICATIONS AUTHORITY - UNIVERSAL ACCESS FUND FOR THE YEAR ENDED 31 MARCH 2010

I have audited the accompanying financial statements of Lesotho Communications Authority – Universal Access Fund, which comprise the statement of financial position as at 31 March 2010, and the statement of comprehensive income, statement of change in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 38 to 44.

Director's Responsibility for the Financial Statements

The Authority's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying 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 with International Standards on Auditing. Those standards require auditors to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments; the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion 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 as at 31 March 2010, and of its financial performance and its 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 2000 as amended.


LUCY L. LIPHAFI (MRS)
AUDITOR GENERAL



Lesotho Communications Authority - Universal Access Fund Statement of Financial Position as at 31 March 2010

		31.03.10
ASSETS	Notes	Maloti
Non Current Assets		
Property, Plant & Equipment	6	323,875
Current Assets		
Trade and other receivables	7	8,572,675
Cash and cash equivalents	8	10,209,907
		18,782,582
Total Assets		19,106,457
Funds		
Retained Surplus		16,199,662
Current Liabilities		
Trade and other payables	9	2,818,174
Provisions		88,621
		2,906,795
Total Funds and Liabilities		19,106,457

Statement of Comprehensive Income for the Year Ended 31 March 2010

		31.03.10
	Notes	Maloti
Income		
Fund Contributions	2	26,647,264
Expenditure		
Fund Disbursements	3	10,112,203
Staff Costs	4	555,464
Depreciation	6	69,303
Directors Emoluments		131,216
Other Administrative Costs	5	175,275
		11,043,461
Retained Surplus before finance income		15,603,803
Finance Income		595,859
Retained surplus for the year		16,199,662

Lesotho Communications Authority - Universal Access Fund

Statement of Changes in Equity for the Year Ended 31 March 2010

	Accumulated Funds
Balance at 31/03/2009	
Surplus for the year	16,199,662
Balance at 31/03/2010	16,199,662

Statement of Cash Flows for the Year Ended 31 March 2010

		31.03.10
	Notes	Maloti
Surplus for the period		16,199,662
Depreciation		69,303
Increase/(Decrease) in receivables		(8,572,675)
Increase/(Decrease) in payables		2,906,795
Net cash inflow/outflow from operating activities		10,603,085
Investing Activities		
Purchase assets		(393,178)
Net cash flows from investing activities		(393,178)
Movement in Cash & cash equivalents		10,209,907
Cash & Cash Equivalents at the beginning of the year		-
Cash & Cash Equivalents at the end of the year		10,209,907

Lesotho Communications Authority - Universal Access Fund

Notes to the Financial Statements for the Year Ended 31 March 2010

1. ACCOUNTING POLICIES

1.1 Presentation of annual financial statements

The principal accounting policies of the Authority – Universal Access Fund, which are set out below, have been consistently followed in all material respects and comply with International Financial Reporting Standards (IFRS) and the Lesotho Telecommunications Authority Act no 5 of 2000 as amended. The financial statements are prepared on a going concern basis. The financial statements have been prepared on the historical cost basis except for financial assets, which are stated at fair values and incorporate the following principal accounting policies, set out below:

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

1.2 Adoption of new and revised standards

The Authority – Universal Access Fund has adhered to the following revised standards during the year.

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

1.3 Significant judgements

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

Valuation of property, plant and equipment

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

Provision for impairment of receivables

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

Contingent liabilities

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

1.4 Recognition of assets and liabilities

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

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

1.5 De-recognition of assets and liabilities

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

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

Lesotho Communications Authority - Universal Access Fund

Notes to the Financial Statements for the Year Ended 31 March 2010

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

1.6 Property, Plant and Equipment

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

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

Consumable items are written off in the period of purchase.

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

1.7 Impairment of Assets

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

1.8 Foreign Currency Translation

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

1.9 Financial Instruments

Initial recognition and measurement

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

Financial assets

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

Financial Liabilities

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

1.10 Trade and other receivables

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

1.11 Cash and cash equivalents

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

1.12 Trade and other payables

Trade and other payables are stated at their fair values.

Lesotho Communications Authority - Universal Access Fund

Notes to the Financial Statements for the Year Ended 31 March 2010

1.13 Employee Benefits

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

The Authority – Universal Access Fund pays a thirteenth cheque as a Christmas bonus to all eligible employees according to its personnel procedures manual.

1.14 Taxation

No provision for taxation is required as the Authority – Universal Access Fund is exempt from taxation.

1.15 Provisions

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

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

1.16 Revenue Recognition

Revenue

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

Interest income

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

Borrowing costs

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

2. Fund Contributions

The Universal Access Fund (UAF) commenced operations in May 2009. According to the UAF Rules of 2009, the first year of contributions for the UAF is the year starting from April 2008 to 31 March 2009. Contributions that appear in the financial statements comprise initial contribution, fees charged for the year ending 31 March 2009 and for the year ending 31 March 2010.

	31.03.10
	Maloti
Initial contribution	10,000,000
31 March 2009 Fees	8,076,089
31 March 2010 Fees	8,571,175
	26,647,264

3. Fund Disbursements

These are monies paid to the network operators for constructing Base Receiver Stations (BTS). As at 31 March 2010, the following sites had been allocated funds and construction of BTSs was in progress:

Site location	Amount
Malefiloane (Mokhotlong)	2,932,203
Makhaleng Valley (Maseru)	2,880,000
Tebellong (Qacha's-nek)	4,300,000
	10,112,203

Lesotho Communications Authority - Universal Access Fund

Notes to the Financial Statements for the Year Ended 31 March 2010

4. Staff Costs

	31.03.10
	Maloti
Salaries	302,270
Allowances	140,555
Medical aid	14,418
Gratuity	75,568
Staff Cell phone airtime	9,600
Leave pay	13,053
	555,464

5. Other Administrative Costs

Bank Charges	61,953
Stationery	8,298
Insurance	13,094
Staff Uniform	2,602
Other Expenses	2,536
Fuel	5,143
Car Running	5,039
Travel and Accommodation	75,247
Business Entertainment	1,363
	175,275

6. Property, Plant & Equipment

Cost	Motor Vehicles	Computer Equipment	Total
Balance at 31.03.09	-	-	-
Additions	368,704	24,474	393,178
Balance at 31.03.10	368,704	24,474	393,178

Accumulated Depreciation

Balance at 31.03.09	-	-	-
Charge for the year	65,660	3,643	69,303
Balance at 31.03.10	65,660	3,643	69,303

Net Carrying Values

Balance at 31.03.09	-	-	-
Balance at 31.03.10	303,044	20,831	323,875

7. Trade and Other Receivables

This represents petrol deposit and 2009/10 contributions due from the network operators and the Authority.

Lesotho Communications Authority - Universal Access Fund

Notes to the Financial Statements for the Year Ended 31 March 2010

Petrol deposit	1,500
Contributions	8,571,175
	8,572,675

8. Cash and cash equivalents

Current Accounts	186,706
Short term deposits	10,023,201
	10,209,907

9. Accounts Payables

Trade Payables	1,776,226
Other Payables	30,727
Retention	1,011,221
	2,818,174

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

8. Financial risk management

Exposure to credit, interest rate risk and currency risk arise in the normal courses of Authority – Universal Access Fund's business.

Foreign currency risk

In the normal course of business, the Authority – Universal Access Fund 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

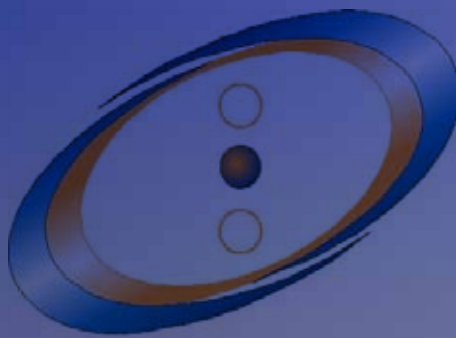
The Authority – Universal Access Fund is exposed to various risks associated with the effect of fluctuations in the prevailing levels of market rates of interest on its cash resources and investments. The cash resources are managed to ensure that surplus funds are invested in a manner to achieve maximum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

Credit Risk

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

Fair values

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



**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**

Lesotho Communications Authority

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