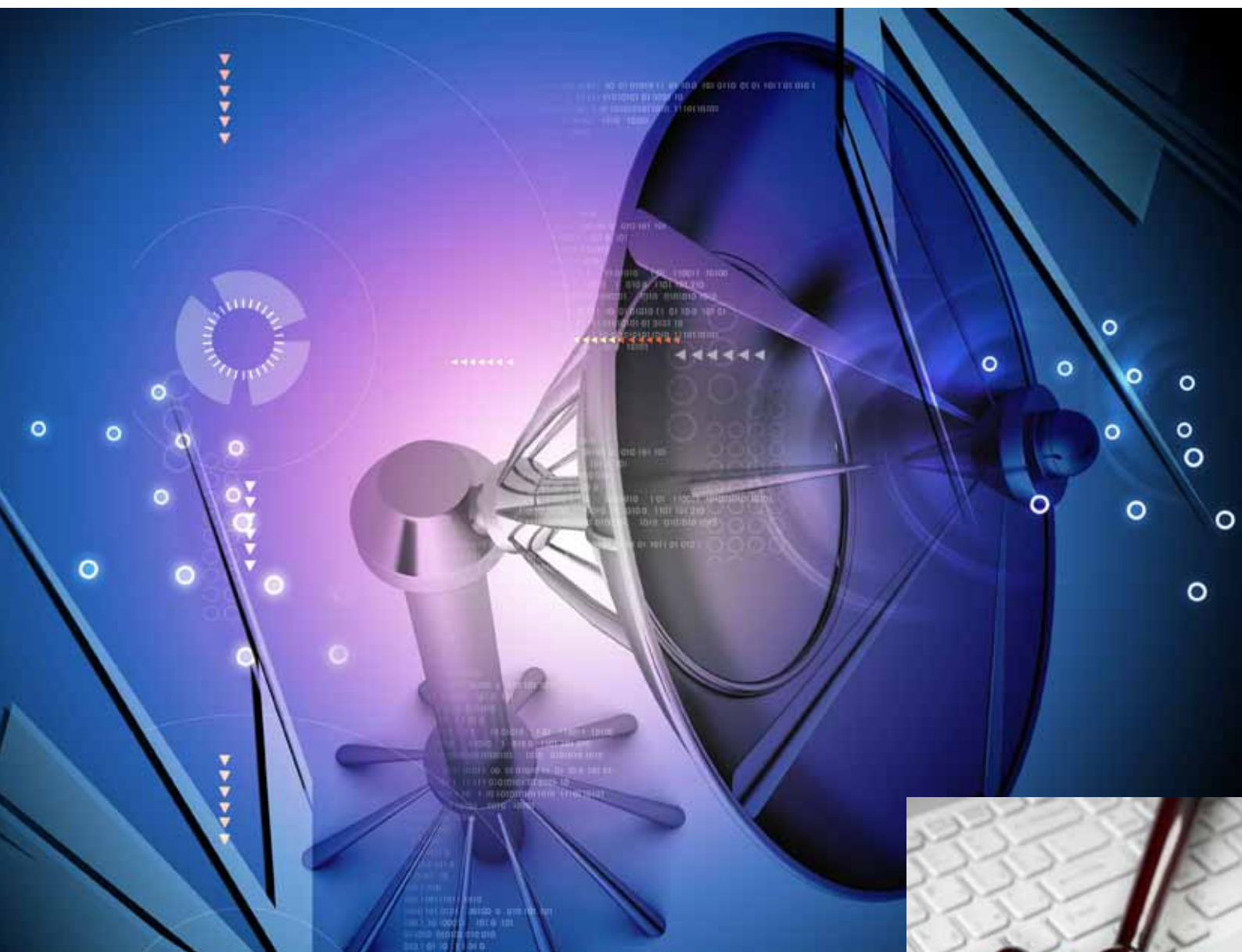


# LESOTHO COMMUNICATIONS AUTHORITY



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

ANNUAL REPORT 2010/11



[www.lca.org.ls](http://www.lca.org.ls)

# 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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6081 • Email: [lca@lca.org.ls](mailto:lca@lca.org.ls) • Website: [www.lca.org.ls](http://www.lca.org.ls).

# Glossary of terms:

2G	Second Generation Networks	KEL	Rationalisation study
3G	Third Generation Networks	LCA	Kereke ea Evangeli Lesotho
AGM	Annual General Meeting	LEC	Lesotho Communications Authority
AIIM ECM	Association for Information and Image Management - Enterprise Content Management	LNBS	Lesotho Evangelical Church
AFPIF	Africa Peering and Interconnection Forum	MHz	Lesotho National Broadcasting Services
BTL	Bethlehem Technologies Lesotho	MM-ICTPR	Megahertz
BTS	Base Transceiver Station	MoU	Master of Management in ICT Policy and Regulation
CDMA	Code Division Multiple Access	PMS	Memorandum of Understanding
CRASA	Communications Regulators' Association of Southern Africa	QoS	Performance Management System
CE	Chief Executive	RATT	Quality of Service
CTO	Commonwealth Telecommunications Organisation	RSA	Regional Alliance Task Team
DOPE	Department of Physics and Engineering (National University of Lesotho)	RIA	Republic of South Africa
DTT	Digital Terrestrial Television	SACU	Regional Impact Assessment study
DVB-T	Digital Video Broadcasting — Terrestrial	SADC	Southern Africa Customs Union
DVB-T2	Digital Video Broadcasting — Terrestrial Version 2	SAPRA	Southern African Development Community
EASSy	Eastern Africa Submarine Cable System	SATA	Southern African Postal Regulators' Association
EDGE	Enhanced Data Rates for GSM	SBP	Southern Africa Telecommunications Association
EEL	Econet Ezi-Cel Lesotho	SQL	Strategic Business Plan
ETL	Econet Telecom Lesotho	TBN	Structured Query Language
ETSI	European Telecommunications Standards Institute	TL	Trinity Broadcasting Network
FAC	Finance & Audit Committee	UAFC	Telecom Lesotho
FM	Frequency Modulation	VCL	Universal Access Fund Committee
GPRS	General Packet Radio Service	VHF	Vodacom Lesotho
GSM	Global System for Mobile Communications	V-Sat	Very High Frequency
HSDPA	High Speed Downlink Packet Access	WiMAX	Very Small Aperture Terminals
HR	Human Resources	WIOCC	Worldwide Interoperability for Microwave Access
HRRC	Human Resources and Remuneration Committee	WRC	West Indian Ocean Cable Company
ICASA	Independent Communications Authority of South Africa		World Radiocommunication Conference
ICT	Information and Communications Technology		
IFRS	International Financial Reporting Standards		
IoD	Institute of Directors		
ISDB-T	Integrated Services Digital Broadcasting - Terrestrial		
ISM	Industrial, Scientific and Medical		
ISP	Internet Service Provider		
IT	Information Technology		
ITU	International Telecommunication Union		
ITR	Interconnection and Tariff		

## Organisational structure:

## Board of Directors



Dr. P. Mangoaela  
Chairman



Ms. R. Lehohla  
Member



Mr. P. Khetsi  
Member



Mr. M. Malie  
Member

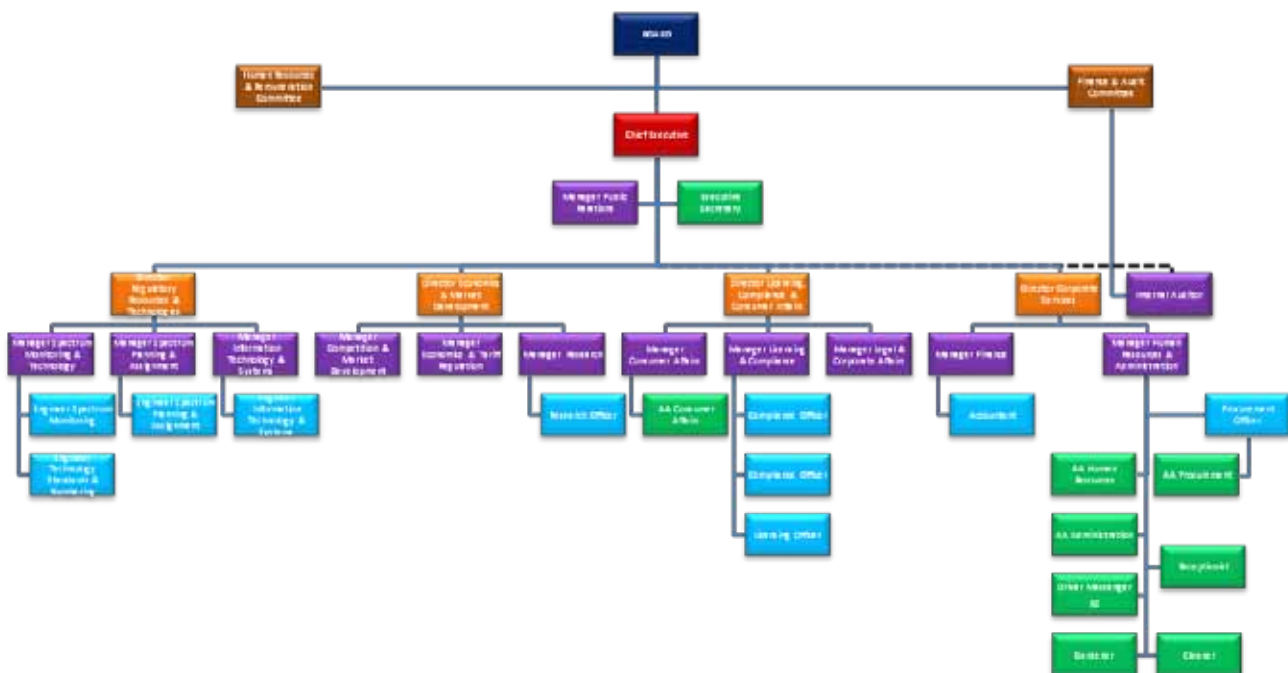


Mrs. T. 'Mokela  
Member



Mr. M. Posholi  
Chief Executive

## Organisational chart





# Chairman's Statement:



*“The global economic crisis has had debilitating effects on the economy of Lesotho, including curtailing exports and migrant mineworkers’ remittances and causing a sharp drop in the SACU revenue receipts, all of which have led to a significant deterioration in government spending and household incomes. Though beset by the recessionary climate, the sector continued to exhibit some resilience and continued to perform well and in some areas, registered a positive growth.”*

*- Dr P. Mangoaela*

It is now ten years since the Lesotho Communications Authority (LCA) was established as the regulator of the communications sector in Lesotho. The Authority was established in June 2000 through an Act of Parliament after the Government of Lesotho, having adopted the Lesotho Telecommunications Policy 1999, committed itself to privatisation as a vehicle through which socio-economic growth could be achieved. Through the Policy, three milestones of paramount importance to the development of the communications sector occurred, which were:

1. Recognition by Government that the reform of the telecommunications sector is a vital stimulus to socio-economic development;
2. The signing of the SADC Protocol on Transport, Communications and Meteorology in Maseru in August 1996 and its ratification by Lesotho in June 1999. The regional countries had recognised that reforms in the telecommunications sector could stimulate economic development and enhance the development of national telecommunications

networks for the provision of reliable, effective and affordable services; and

3. The need for a transparent, stable and credible framework to facilitate and encourage investment in telecommunications development. It was in 2000 when the new institutional framework was created to oversee the development of the sector, which grew rapidly thereafter.

This reporting year has been a difficult one for the country in economic terms. The global economic crisis has had debilitating effects on the economy of Lesotho, including curtailing exports and migrant mineworkers’ remittances and causing a sharp drop in the SACU revenue receipts, all of which have led to a significant deterioration in government spending and household incomes. Though beset by the recessionary climate, the sector continued to exhibit some resilience and continued to perform well and in some areas, registered a positive growth.

The Universal Access Fund (UAF) entered into its second year of operation and continued to make significant inroads in expanding access

# Chairman's Statement:

to communications services in remote and rural areas of Lesotho. Another milestone was the completion of the Eastern Africa Submarine Cable System (EASSy)<sup>1</sup> project in which Lesotho is a participant. The cable was completed ahead of schedule and the country is now connected through terrestrial backhaul.

It is gratifying to note that Cabinet has approved the Communications Bill 2011 and that the Bill is due to be tabled before Parliament for consideration. The Bill introduces a converged regulatory regime for the regulation of the telecommunications, broadcasting, and postal services.

The Board approved the new three-year Strategic Business Plan (SBP) of the Authority for the period 2010/11 to 2012/13. The plan has identified eight strategic objectives that will guide the activities of LCA during the three years in the discharge of its mandate.

The communications sector continues to be driven by growth in mobile telephony whilst fixed telephony, in line with the global trends, continues to decline. Internet penetration is

still low and growth in this area is hampered by slow and unreliable connectivity and exorbitant prices of bandwidth. The completion of the EASSy cable network is expected to provide a welcome boost in bandwidth capacity and an impetus to the development of the sector. Efforts towards migration to digital terrestrial television are geared towards releasing the essential spectrum to other services, and to broaden and offer quality services in television broadcasting.

This being my final statement as Chairman of the Board, I would like to thank my fellow Board Members, Members of the Board Committees, the Executive Management and staff of the Authority for their support and dedication towards the work of the Authority. It has been a privilege to be the Chairman of the Board of the Authority for the past nine years. I am delighted at the growth of the sector and confident of its future outlook.



**Dr. Percy Mangoela**

Chairman – LCA Board

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<sup>1</sup> EASSy is a 10,000km submarine fibre-optic cable system deployed along the east and south coast of Africa to service the voice, data, video and internet needs of the region. It links South Africa with Sudan via landing points in Mozambique, Madagascar, the Comoros, Tanzania, Kenya, Somalia and Djibouti. The cable incorporates the latest developments in submarine fibre-optic technology, making it economical to connect the eastern and southern coast of Africa into the high-speed global telecommunications network. The system is owned and operated by a group of 16 African (92%) and international (8%) telecommunications operators and service provide.

# Statement on Corporate Governance:

**L**esotho Communications Authority is committed to good corporate governance and has put in place a Board Charter which guides its approach on governance issues. As an institution, the LCA is guided by the principles of good corporate governance as developed under the King III Code. The Board recognises the need to conduct the affairs of the Authority with integrity and in accordance with 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 year under review, it had one vacancy. All Board Members, excluding the Chief Executive, are non-executive. In June 2009, the Board adopted a Board Charter, which, among other aspects, outlines the responsibilities of the Board in addition to those stipulated in the Lesotho Communications Authority Act 2000. Furthermore, the Charter provides for the policies and practices of the Board in respect of matters such as corporate governance, declarations and conflicts of interest, Board meeting documentation and procedures and the nomination to the committees, induction, training and evaluation of the Board and the Committees.

In line with the King Code, the Charter allows the Board to establish committees to advise it on specialised areas such as, Finance, Risk Management, Human Resources and Universal Access Fund. The Board, according to the Charter, provides strategic direction for the Authority and members are required to discharge their fiduciary responsibility and perform their oversight function with integrity and to uphold the highest values and ethics.

## Corporate Governance:

The Board is the focal point of corporate governance in the Authority. It is ultimately accountable and responsible for the performance and affairs of the Authority. Furthermore, the Charter stipulates that:

1. The Board shall be responsible for ensuring that adequate and effective processes of corporate governance are established and maintained;
2. The corporate governance process shall be consistent with the nature and complexity of, as well as the risks inherent in the Authority's activities;
3. A statement shall be included in the annual report relating to compliance to corporate governance principles; and
4. Board Members have unrestricted access to information, records and employees of the Authority as well as the use of external expertise, at the cost of the Authority, if required.

## Meetings of the Board

During the reporting period, the Board held nine meetings of which four were Ordinary and five being Extra-Ordinary.

The table below records the attendance of members at these meetings (April 2010 – March 2011):



# Statement on Corporate Governance:

**Table 1: Attendance to Board Meetings**

Director	16.04*	06.06**	10.06~	19.07~	02.09*	10.09~	28.09*	14.12*	27.01~	25.03~
P. Mangoaela	√	√	√	√	√	√	√	√	√	√
R. Lehohla	√	√	√	√	√	√	√	√	√	√
M. Malie	√	√	√	√	√	√	√	√	√	√
P. Khetsi	√	√	√	√	√	√	√	√	√	√
T. 'Mokela	√	√	√	√	√	√	√	-	√	-
M. Posholi	√	√	√	√	√	√	√	√	√	√

\* Ordinary board meeting

\*\* Continuation meeting

~ Extra-ordinary meeting

## Board Committees

In the 2010/11 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 five meetings during the year under review.

The table below shows a record of attendance of members at the committee meetings (April 2010 – March 2011):

**Table 2: Attendance to FAC meetings**

Member	08.04.10	18.08.10	02.10.10	22.10.10	20.01.11
R. Lehohla	√	√	√	√	√
N. Matete	√	√	√	√	√
M. Masheane	√	√	√	√	√
M. Posholi	√	√	√	√	√

HRRC is a newly established committee and during the year, it held two meetings.

Members of the HRRC were: Mrs. T. 'Mokela (Chairperson), Mr. M. Malie, Ms. M. Phomane, Mr. N. Monyamane and Mr. M. Posholi.



Construction of rural communications infrastructure

# Statement on Corporate Governance:

**Table 3: Attendance to HRRC meetings**

Member	10.08.2010	3.11.2010
T. 'Mokela	√	√
M. Malie	√	√
M. Phomane	√	√
N. Monyamane	√	√
M. Posholi	√	√

Members of the UAFC were: Dr. P. Mangoaela (Chairman), Mr. T. 'Mokela, Mr. M. Khethisa, Mrs. K. Matsepe and Mr. L. Jimson. The Committee held six meetings during the reporting period as reflected below (April 2010 – March 2011):

## Board Members Training

Board Members are alive to the fact that they should receive appropriate and continuous training by attending seminars and briefings in order to broaden their perspectives on regulatory practices and to keep abreast of developments in the sector as well as in corporate governance matters. To this end, Board Members attended the following events:

1. A two-day Corporate Governance Workshop held in Maseru, facilitated by Prof. M.E. King, Chairman of the King Committee. The workshop was attended by Board Members, Board Committee Members and the Executive Management. The workshop addressed amongst other areas, the King Code, King III report, corporate governance principles and practices, a framework of

corporate governance, accountability, qualitative governance, directorship, governance strategy and sustainability, IT governance, internal audit, codes of conduct, corruption, and roles and functions of the board.

2. One Board Member attended the Accelerated Directorship Programme offered by the Institute of Directors (IoD) in Southern Africa in Johannesburg, South Africa.

## Audit and Risk Management

The Authority has developed a Risk Management Framework which was, as at the reporting period, in its second year of implementation. This framework was found to be inadequate without an organisational policy on risk. The Authority developed the Risk Management Policy to guide it in its risk management efforts.

The Authority is cognisant of the important role played by Information Technology (IT) in its administrative and regulatory processes. Given the level of investments in IT resources as well as a way of ascertaining the levels of potential risks, the Authority commissioned an audit of its IT resources and processes. The audit looked into issues of management effectiveness of IT as a business tool, its alignment with the Authorities' objectives as well as procurement practices and associated running costs and performance measures. The report will assist LCA to use its IT resources effectively.

Routine internal audits were carried out during the year as a way of improving efficiency and

**Table 4: Attendance to UAFC meetings**

Member	04.06.10	21.09.10	03.11.10	14.12.10	01.02.11	22.03.11
P. Mangoaela	√	√	√	√	√	√
T. 'Mokela	√	√	√	√	√	√
M. Khethisa	√	-	√	√	-	√
K. Matsepe	√	√	-	√	√	√
L. Jimson	√	√	√	√	√	√

# Statement on Corporate Governance:

reducing risks. Some of the internal audits undertaken during the period under review include audit of human resources and payroll, procurement and implementation of the budget. The annual internal audit plan and reports of the internal audit are presented, in the first instance, to the Finance and Audit Committee and eventually to the Board. The

Authority is audited annually by the Office of the Auditor General, as a statutory requirement. The detailed Audited Financial Statements of the Authority and those of the Universal Access Fund (UAF) for the year ended 31 March 2011 are appended to this report.



The Chief Executive, Mr . Posholi, handing over an award prize to the winner of the Best Student in ICT, the NUL graduate, Ms. L. Mphaka



Participants at the forum on migration to digital terrestrial television held in Maseru

# Chief Executive's Report:



*"The communications sector is an important contributor to the economic growth of Lesotho. In order to realise maximum economic benefits, it is crucial to ensure access to communications services by every citizen through various regulatory interventions."*

## Introduction

The Annual Report of 2010/11 coincides with ten years of the establishment of LCA, which is an important milestone in the life of the Authority, since it marks a decade of liberalised communications regime in Lesotho. Under this regime, the regulator has played a crucial role of providing an enabling environment which has completely transformed the communications sector in Lesotho.

The year also marks the first year of the Strategic Business Plan (SBP) (2010/11 – 2012/13) of LCA. The plan identified the eight strategic objectives that would guide the performance of the Authority in the three years. Programmes identified under the Plan are the constituent parts of this annual report.

The communications sector is an important contributor to the economic growth of Lesotho. In order to realise maximum economic benefits, it is crucial to ensure access to communications services by every citizen through various regulatory interventions. The eight strategic objectives are embodied in the mandate and the SBP of the Authority as follows:

- promotion of universal access to communications service;
- promotion of free and fair competition;

- promotion of investment in the communications sector;
- efficient management of finite natural communications resources such as radio frequency spectrum;
- empowerment and protection of consumers;
- monitoring the sector performance;
- promotion of emerging technologies; as well as
- ensuring organisational efficiency of the Authority.

The SBP also identified a number of challenges which may be faced during the course of its implementation. These include technology induced ones such as digitalisation, convergence of technologies and the need to introduce affordable high speed Internet.

## Human Resources Management

### Staff matters

The overall staffing levels of LCA in the year under review remained unchanged and reflected the same staffing levels as in the previous year.



# Chief Executive's Report:

Mr. M. Mohale was appointed to the position of Engineer – Frequency Management & Monitoring Bureau with effect from 1<sup>st</sup> May 2010 while Ms. M. Sebolaoa was appointed Director Corporate Services with effect from the 1<sup>st</sup> October 2010.

## Review of the Organisation Structure

The review of the organisational structure continued in line with the requirement of the Lesotho Communications Policy 2008, which stated that the Authority would adopt a converged regulatory regime and would be structured to integrate and accommodate the regulation of telecommunications, broadcasting and postal services. The revised organisational structure was completed and approved by the Board in December 2010. Redeployment of affected staff members as well as the filling of vacant positions will be carried out in the next financial year.

## Implementation of Performance Management System

The Authority has adopted the Performance Management System (PMS) for its staff and the reporting period marked the second year in which the system had been in operation. Through the system, the Authority aims to achieve sustained employee performance and productivity. Staff members enter into annual performance contracts against which they are evaluated on quarterly and annual basis.

## Information Technology Systems

The Authority continued to employ Information Technology (IT) tools in order to improve its organisational efficiency. In the 2010/11 reporting year, the following information technology systems were upgraded: office and business communications, human resources management, procurement and the monitoring equipment for both broadcasting and mobile services. Specialised training was conducted for staff members in the use of various IT tools. Backup services as well as maintenance of the systems continued.

## Staff Training and Development

Given the dynamic nature of the communications sector and challenges in the regulatory environment, the Authority has adopted a robust and targeted training programme for its staff members in order to prepare them to meet work challenges and to enhance productivity. These training programmes are generally held in-house in order to facilitate wider participation of staff and to reduce costs. However, there were also specialised training programmes, the majority of which were conducted in the neighbouring countries or in the sub-region. As at the end of the fiscal year 2010/11, the staff of the Authority received training in areas outlined in Table 5 below:



Communications infrastructure in Lesotho is subjected to harsh environmental conditions



# Chief Executive's Report:

Course Title	Duration	Venue	Number of trainees
Corporate Governance	2 days	Maseru	11
MS Powerpoint	2 days	Maseru	16
MMICTPR (Wits)	Year-long	RSA	2
Oracle database: Introduction to SQL	1 week	RSA	1
Microsoft SQL Server 2008	1 week	RSA	1
6 <sup>th</sup> CTO Digital Switchover Forum	3 days	RSA	5
Customer relations management	2 days	RSA	1
Sage Accpac End User	1 day	Maseru	5
Africa Peering and Interconnection Forum	2 days	Kenya	2
ITU Sub-Regional Human Capacity Development Forum for English speaking countries in Africa	3 days	Kenya	1
Goods and equipment procurement programme	2 weeks	RSA	2
Skills for Executive Secretaries Programme	2 weeks	RSA	2
Project Management	2 weeks	RSA	1
5 <sup>th</sup> Annual Connecting Rural Communities Africa Forum 2010	1 week	Ghana	1
CTO Cybersecurity forum	4 days	UK	2
Advanced Customer Care & Public Relations Management	2 weeks	RSA	1
Accelerated Directorship Programme (ADP)	1 week	RSA	1
MIS Training on IT Auditing	1 week	RSA	1
1210 thru 1212 Management Sequence for ICT	3 weeks	USTTI	1
Telecom-IT Policy and Regulation	3 weeks	USTTI	1
Deployment of ICT for the next billion people	1 week	USTTI	1
AIIM ECM	1 week	RSA	1
IFRS 2011	2 days	RSA	1
Spectrum Regulation and Management	2 days	RSA	2
Geographic Information Systems	1 day	Maseru	8

## Stakeholder Communication

During the reporting period, the Authority undertook a variety of public relations and stakeholder communication initiatives utilising a range of communications tools and channels such as the corporate website, newsletters, brochures, data sheets, radio programmes, television appearances, exhibitions at the Public Service Day event, stakeholder fora and annual reports.

## Corporate Social Investment

In recent years the Authority has been involved in Corporate Social Investment

(CSI) programmes. Some of the programmes included educational scholarships to orphaned students at high school level, providing assistance to orphanages and donating used computers to selected schools. During the year under review, support was provided to the following initiatives:

- a. The LCA sponsored an award at the National University of Lesotho to the best performing graduate student in the field of Information and Communication Technologies. The objective of this award is to motivate

# Chief Executive's Report:

young people in the field of ICTs to pursue excellence in their studies. The maiden recipient of this award was Ms. Lerato Mphaka. The award will be sponsored annually;

- b. The LCA made a donation to "Hlokomela Bana Association", Her Majesty, the Queen's charity organisation, towards its fund-raising projects aimed at assisting the poor and vulnerable children; and
- c. The LCA donated blankets and school shoes to four hundred (400) orphaned children in the Thaba-Tseka district. The recipients were drawn from Sefapanong, Thaba-Tseka LEC and Mohlakeng primary schools.

Lesotho Telecommunications Authority Act 2000 (as amended) and embraces an integrated regulatory regime governing telecommunications, broadcasting, and postal sector or collectively, the communications sector. It aims, *inter alia*, to strengthen the regulatory capacity of LCA, promote the convergence of services and networks, promote a competitive communications market and foster universal access to a diverse range of high-quality communications services at affordable prices. This is to enable Lesotho to participate in the global information society.

## Licensing

The LCA has three licensed network operators, namely, Econet Telecom Lesotho (ETL), Vodacom Lesotho (VCL) and Bethlehem Technologies Lesotho (BTL). ETL and VCL provide converged communications services while BTL is licensed to provide international bandwidth via satellite. The broadcasting sub-sector comprises state, commercial, and private broadcasters, with the latter being more prominent following the liberalisation of the broadcasting sub-sector. Internet and internet-based services continue to grow at a slow pace.

In general, there were few changes in the composition of market players except the slight decline in the number of Internet Service Providers (ISPs). New players are emerging in the value-added services. Table 6 below reflects the number of licences and registrations to-date:

## Legal and Regulatory Issues

### Review of Communications Legislation

The Communications Bill, which is aimed at consolidating all pieces of legislation regulating the communications sector and providing for a converged regulatory regime, was approved by Cabinet and was due to be presented before Parliament. The Bill builds on the foundations established under the

Some of the beneficiaries of the Authority's social investment programme in Thaba-tseka district



# Chief Executive's Report:

**Table 6: 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	2010/11
Fixed line network	1	1	1	1	1	1	1	1	1	1	1
Mobile network	1	2	2	2	2	2	2	2	2	2	2
Public Comms. Service Provider	3	3	3	3	3	3	3	3	3	2	2
Satellite Data Communications	-	1	1	1	1	1	1	1	1	1	1
Television Broadcasting	2	2	2	2	2	2	2	2	2	2	2
Sound Broadcasting	6	6	7	7	8	9	10	10	12	12	10
ISPs	3	3	3	4	5	6	6	6	6	5	4
Customer Premises Equipment	10	17	8	11	11	12	13	Delisted	Delisted	Delisted	Delisted
Telebureaus	112	465	628	1,213	2,605	2,543	3,081	Delisted 5,742	Delisted 8,443	Delisted 8,244	Delisted 16,344
Two-way radios	-	-	-	8	14	16	20	59	67	70	68
Telemetry Stations	-	-	-	-	-	-	-	2	3	3	3
Radio Amateurs	-	-	-	-	3	5	9	12	16	33	35
Radio Pagers	-	-	-	-	-	-	-	3	3	2	2
V-Sats	-	-	-	-	-	-	-	-	1	1	1
Landing Rights	-	-	-	-	-	-	-	-	1	2	2
Premium Rate Services	-	-	-	-	-	-	-	-	-	2	6
Aircraft Stations	-	-	-	-	-	-	-	-	-	5	6
Aeronautical services*	-	-	-	-	-	-	-	-	-	-	1

\*Aeronautical Services Radio Determination

# Chief Executive's Report:

## Migration to digital terrestrial television broadcasting

The Authority continued to be engaged in activities towards migration to digital terrestrial television broadcasting both locally and internationally. In an effort to assist the region decide on the common standard, the Authority in association with CRASA and SADC hosted a "SADC Working Forum on Technical Standards on Digital Broadcasting" in Lesotho in April 2010. The forum developed a report that was presented to the annual meeting of SADC Ministers responsible for Telecommunications, Postal and ICT which

was held in Luanda, Angola. At their special session held in Lusaka, Zambia in November 2010, the SADC Ministers finally adopted a common standard of DVB-T2 with MPEG compression following receipt of a report of the Ad Hoc Committee which was appointed to compare the three standards (ISDB-T, DVB-T and DVB-T2).

No changes were recorded in the number of broadcasting licensees as indicated in Table 7. LNBS made upgrades to its transmission infrastructure and increased its transmission power from 1000 watts to 5000 watts for Radio Lesotho and Ultimate FM.

**Table 7: Radio and television stations in Lesotho**

Broadcaster	Year of Licensing	Classification
Radio Lesotho	2002	Public
Peoples' Choice FM	2002	Private
Moafrika FM	2002	Private
Catholic Radio FM	2002	Private
Joy FM	2002	Private
Khotso FM*	2002	Private
DOPE FM	2004	Community
Harvest FM	2002	Private
Thaha-Khube FM	2004	Private
Jesu ke Karabo FM	2004	Private
KEL Radio FM	2004	Private
Ultimate FM	2006	Commercial
Lesotho TV	2002	Public
TBN TV	2002	Private

\* Not operational during the reporting period.

## Protection of Consumers and Resolution of Complaints

The Authority has adopted a Consumer Bill of Rights policy. The document aims to empower consumers by outlining the basic principles of consumer protection and education in the communications sector. 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.

In line with the above Policy, the Authority has

# Chief Executive's Report:

developed the Consumer Complaint Procedure guidelines to assist consumers to take direct action against service providers who offer poor service. The document guides consumers on steps to take when filing complaints with operators or when elevating their complaints to the Authority.

The Authority carried out inspections of operator premises or sites of operations to ensure compliance with licence conditions. Where non-compliance was found, appropriate action was taken. Following monitoring reports and a complaint of harmful interference by Joy FM, the Authority engaged Joy FM to resolve the matter. However, the problem persisted until an enforcement order was issued against the station to suspend its sound broadcasting licence for a period of three months for failing to resolve harmful frequency interference between itself and People's Choice FM and OFM. The suspension was originally effective from the 14<sup>th</sup> September to the 13<sup>th</sup> December 2010 but the station could not satisfactorily resolve the problem during that period and the suspension order remained in force. The Authority is monitoring progress of the station in resolving its harmful interference case.

## Technical issues

### Frequency management and monitoring

The Authority is tasked to manage the country's radio frequency spectrum and is responsible for its planning, assignment and monitoring. During the fiscal year, the Authority continued to:

1. Coordinate and assign radio frequency spectrum for various communications services. Additional 480 MHz of spectrum was assigned to network operators for expansion of their networks and increase of backhaul

capacity. Spectrum was also assigned to the projects financed under the UAF.

FM broadcasting frequencies assigned to MoAfrika FM were changed at Chafo (Leribe) and Berea Plateau (Maseru) to enable sharing of transmission facilities with Lesotho National Broadcasting Service (LNBS). There were also channel coordination and assignment of VHF frequency channels to various organizations for two-way radio communications;

2. Conduct audit of television and sound broadcasting transmission sites in order to promote interference-free radio-communications;
3. Revise the National Frequency Allocation Plan to align it with the revised SADC Band Plan of 2010 and to include the Final Acts of WRC-07. The revised national frequency band plan was circulated to gather comments and inputs from stakeholders and the final document has now been published on the LCA website; and
4. Monitor the level of signal spillage between Lesotho and South Africa along the common border areas through drive test measurements. This was undertaken through a Memorandum of Understanding signed between LCA and the Independent Communications Authority of South Africa (ICASA). The Technical Subcommittee of the two regulators held meetings at which the issue of signal spillage was discussed. These meetings also explored ways of reducing signal spillage between the two countries.

### Management of numbering resources

Member countries of the International Telecommunication Union (ITU) are required to notify the ITU's Telecommunication



# Chief Executive's Report:

Standardization Sector (ITU-T) once changes are made to national numbering plans for publication in the ITU Website. The Authority received numbering plans changes from the responsible authorities and subsequently informed national network operators to update the records of their switching routing tables.

## Type approval of communications equipment

The Authority, as part of its mandate, type

approves communications equipment for compliance with a minimum set of regulatory, technical and safety requirements and is duly denoted or marked and in line with adopted technical standards from recognized organizations of which the Authority is a member such as ETSI and ITU, and for type approvals to be in line with the CRASA harmonized regime. During the year, applications as indicated in the table below were received and approved as indicated.

**Table 8: Annual Type Approved Equipment and Services**

Type Approval of Equipment	Type Approved Equipment	Rejected Type Approvals	Total Equipment Approved
Customer Premises Equipment	14	-	14
Equipment operating in ISM Bands	15	-	15
<b>Net Totals</b>	<b>29</b>		<b>29</b>

Monitoring of the radio frequency spectrum was one the key activities performed during the year.



# Chief Executive's Report:

## Economic and tariff regulation

### Subscriber Base

The overall subscriber base continued to grow and the trend was the same during the reporting period. As at the 31<sup>st</sup> March 2011, the total number of subscribers stood at 1,048,029 in a population of 1,876,633, thus

**Table 9: Summary of selected ICT indicators as at end of March 2011**

Indicator	Fixed line services	Mobile services	Total
Total number of subscribers	37,656	1,010,373	<b>1,048,029</b>
Teledensity (%)	2	54	<b>56</b>
Public phones and telebureaus	699	15,645	<b>16,344</b>
Number of BTSs	-	292	<b>292</b>
Internet subscribers	9,764	41,953	<b>51,717</b>
Leased line subscribers	382	-	<b>382</b>

representing a teledensity of 56%, as outlined in Table 9 below. Contrasting growth was realised between mobile and fixed services, with mobile services recording a steady growth while fixed services contracted. In mobile services, prepaid subscribers commanded a larger share of the market. In fixed services, postpaid subscribers still constitute a larger share. Table 9 below provides a summary of selected ICT indicators at year-end.

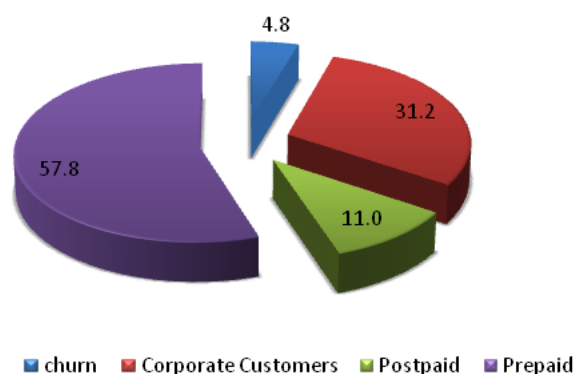
### Fixed Subscriber Performance

The fixed line services experienced a slight decline in the number of subscribers. At the close of the year, fixed subscribers stood at 37,656 down from the total of 38,612 at the same time in the last reporting period. Disconnections of fixed line subscribers are a global phenomenon with more subscribers opting for mobile services. However, it is recognised that data flow over fixed line networks is superior to wireless networks for high speed broadband services.

An analysis of fixed line subscribers by prepaid and post-paid users indicates that prepaid subscribers represent 58% while those on post-paid contracts, including corporate subscribers, constituted 42%. There was a slight improvement towards a higher number of post-

paid subscribers from figures of past reporting period where prepaid subscribers constituted 66% and postpaid subscribers represented 34%.

**Figure 2: Comparative breakdown of fixed subscribers by corporate, postpaid and prepaid**

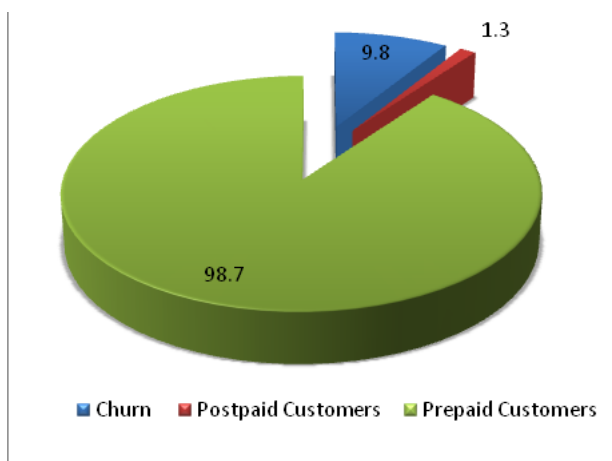


# Chief Executive's Report:

## Mobile Network Performance

During the year, mobile subscribers continued to grow. The number of subscribers increased to 1,010,373 compared to 783,604 of the same period in the past year. Prepaid subscribers continued to dominate the market share of mobile services representing 99% and the remaining 1% being the share for post-paid subscribers. The market share of prepaid and post-paid mobile subscribers is relatively similar to that of the last reporting period. It is important to note that, unlike post-paid subscribers, prepaid subscribers are not bound by contractual obligations. Therefore, termination of the service does not impose any financial costs to the consumer.

**Figure 3: Comparative breakdown of mobile subscribers by postpaid and prepaid**



## Review of Retail Tariffs and New Products

It is a requirement that network operators should file their proposed tariffs with the Authority for consideration before they could implement such tariffs. Network operators continued to submit their proposals for tariff reviews to the Authority.

During the reporting period, the network operators filed for new products and services, amendments to existing ones as well as different promotions for existing products and services. The Authority considered all the applications. The general trend is the reduction in tariffs in

all filings.

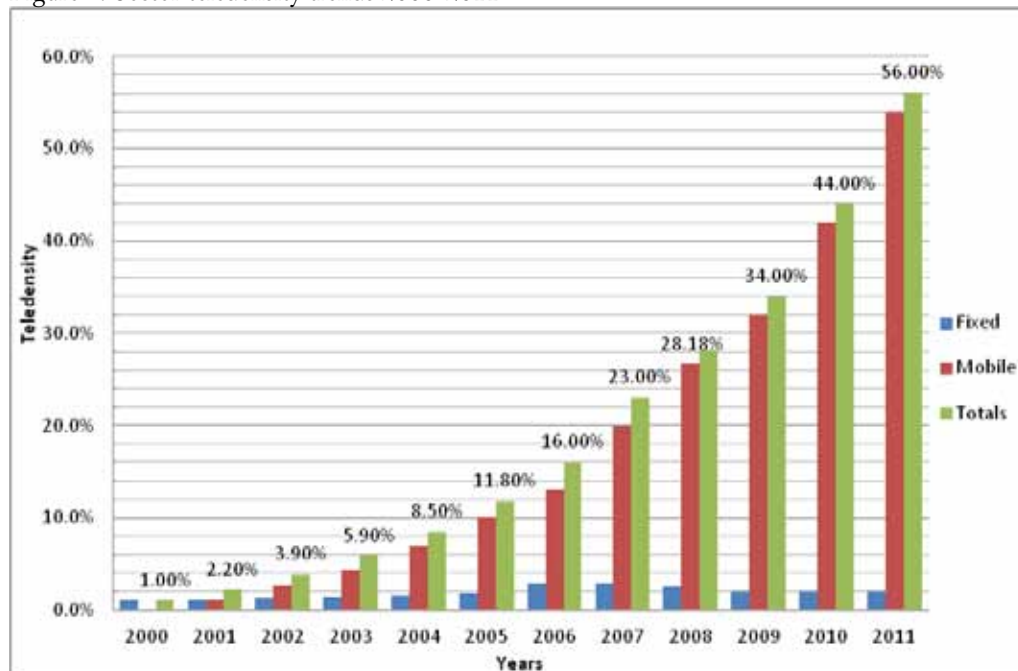
## Sector Teledensity Trends, Network Coverage and Internet Cafés

At the close of the reporting period, 31<sup>st</sup> March 2011, the number of subscribers for both fixed and mobile services per 100 inhabitants, also referred to as *teledensity*, amounted to 56% up from 44% in the previous year. The teledensity from the fixed network continues to be far below that of the mobile networks, which is consistently dominating the market. The mobile networks services constituted 54% of the overall sector penetration of 56% while the remaining 2% was for fixed network services.



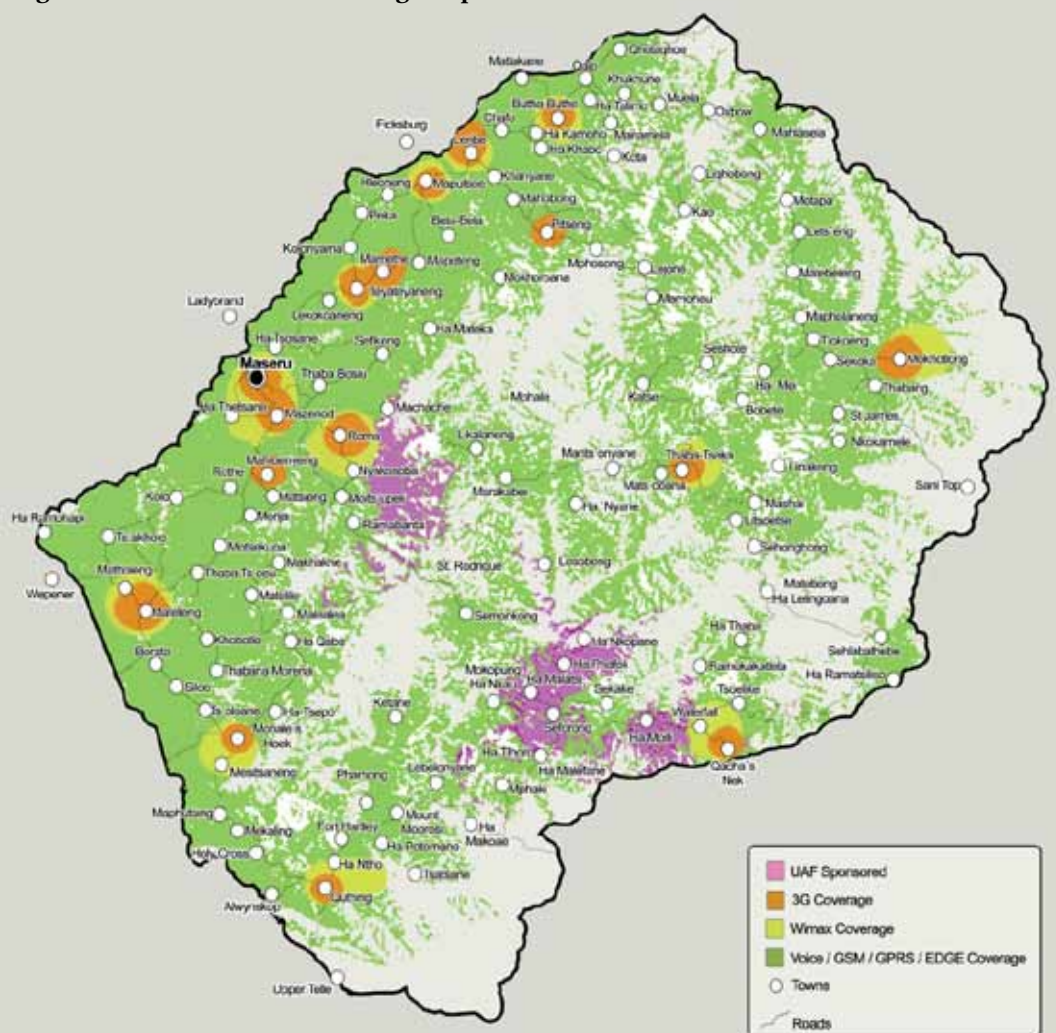
# Chief Executive's Report:

Figure 4: Sector teledensity trends 2000-2011



Figures 5 and 6 below show coverage maps of the two network operators. These maps show areas covered by the voice GSM signal as well as newer technologies which extend to data services. The maps also depict areas which have been developed through the Universal Access Fund which was introduced in mid 2009 to build infrastructure in remote and unserved areas.

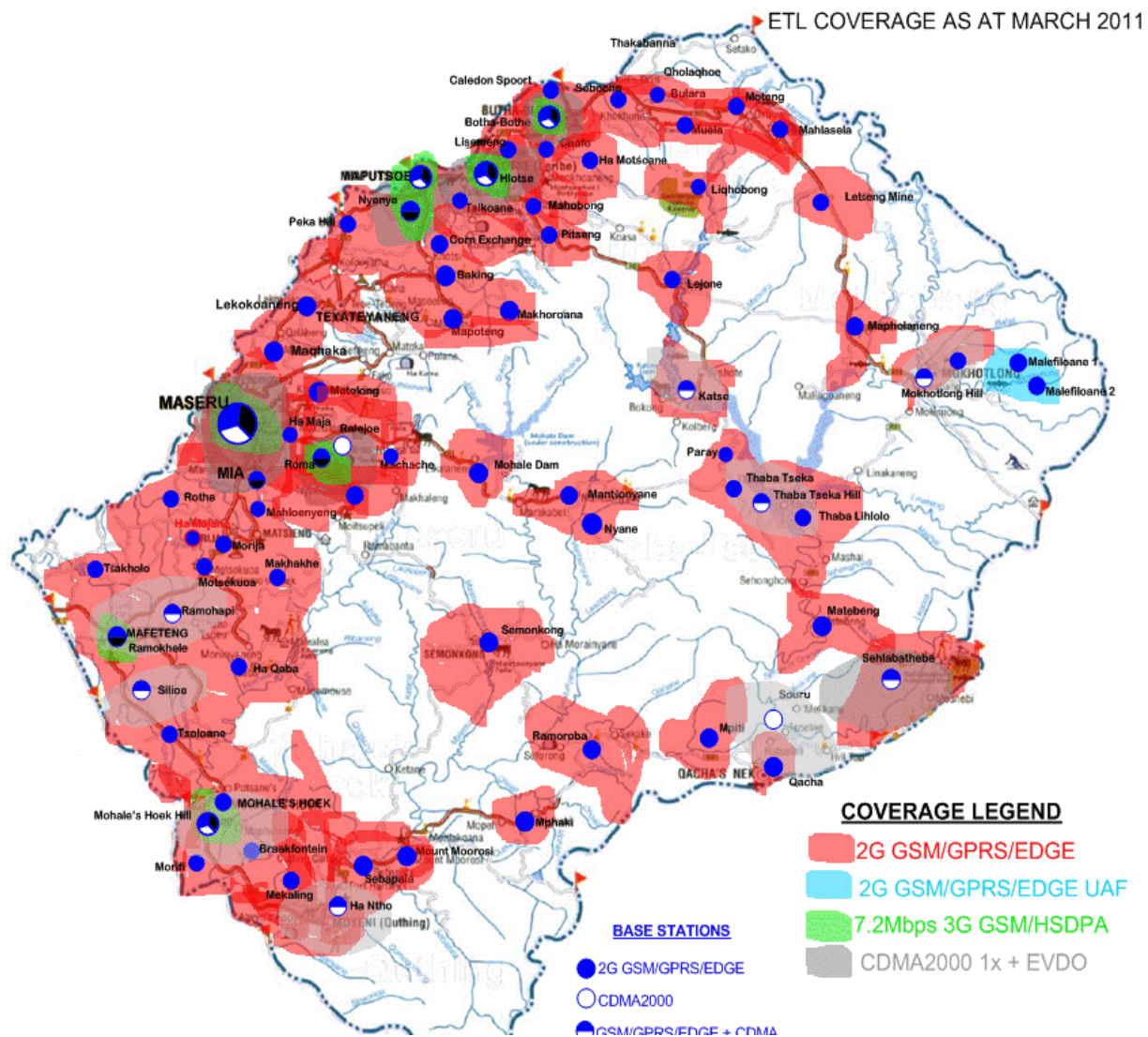
Figure 5: Vodacom Lesotho coverage map as at 31<sup>st</sup> March 2011





# Chief Executive's Report:

Figure 6: Econet Telecom Lesotho coverage map as at 31<sup>st</sup> March 2011



## Internet cafés

Internet cafes offer opportunities for the general public and students to access Internet on demand. However, their spread in the country remains limited even though their numbers are on the increase (Table 10). For instance, in 2009, there were 28 Internet cafes in eight districts, with none in Thaba-Tseka and Quthing. In 2010, they had increased by 36% to 38 with Thaba Tseka and Mokhotlong having one each. In the current year, there has been a further increase of the Internet cafes to 58, with all

district administrative centres now having at least two. Most of these are in Maseru which has accounted for about 40% of all the Internet cafes in each of the three years under consideration. Overall, the Internet cafes are found in urban areas with Roma being the only rural service centre that has Internet cafes.

During 2009 and 2010, dial-up was the most common mode of Internet access across the district towns, and almost all Internet cafes were getting Internet connectivity though ISPs. However, in the current year, all the Internet cafes have switched to ADSL and wireless connectivity which are faster than dial-up. In the process, they have all bypassed the ISPs, connecting directly with the network operators.



# Chief Executive's Report:

**Table 10: Number of Internet Cafés in Lesotho 2009-2011**

DISTRICT	2009	2010	2011
BUTHA-BUTHE	2	4	6
LERIBE	5	5	9
BEREA	2	2	3
MASERU	11	15	23
MAFETENG	3	3	3
MOHALE'S HOEK	2	3	3
QUTHING	0	2	2
QACHA'S NEK	2	2	5
MOKHOTLONG	1	1	2
THABA-TSEKA	0	1	2
<b>TOTAL</b>	<b>28</b>	<b>38</b>	<b>58</b>

## Researches, Studies and Surveys

### Interconnection agreements

In order to regulate the interconnection or termination rates, the Authority undertook Interconnection and Tariff Rationalisation (ITR) study in 2006 in order to benchmark interconnection or termination rates for period of the study. However, during the year under review, the operators did not implement the recommended interconnection rates based on their different interpretation of the study. The Authority has finally resolved that operators should continue with the implementation of M0.72 interconnection rate for both mobile and fixed services while a review of interconnection regime would be carried out at a later stage.

### ICT in Households Survey

The Authority conducted its second 'ICT in Households' survey, which was concluded in the last reporting period. The focus of this survey was to establish the level of ICT access and usage at the household level and data collection was carried out throughout the ten districts of Lesotho. In the 2010/11 reporting year, various

stages of the study were done and these include: data verification, data cleaning, data analysis, data capturing and write-up of the report. The final report is expected in the next reporting period.

### Quality of Service Parameters

The growth of the sector, levels of competition, variety of products and the need to protect consumers necessitates the introduction of more rigorous Quality of Service (QoS) regime for service provision in Lesotho. The Authority has adopted the standards set by international standardization organizations, like ITU and the European Telecommunications Standards Institute (ETSI) to introduce QoS parameters for the Lesotho market and these would be discussed with the local service providers. The parameters to be measured will include general services such as billing and technical services for mobile, fixed and Internet services. When operational, these QoS parameters will enhance the performance of operators towards improved service delivery.

# Chief Executive's Report:

## Regional studies

The Authority participated in an initiative to implement the directive by the SADC Ministers responsible for Telecommunications, Postal and ICTs to review the international roaming charges within the region. In response to the directive issued at the Ministers meeting held in Maputo Mozambique, in June 2007, CRASA established a Regional Alliance Task Team (RATT) comprising the SADC secretariat, CRASA GSM Africa, SATA and SADC Parliamentary forum. The team was mandated to investigate the possible mechanisms of providing international roaming at lowest possible costs.

The team engaged a United Kingdom consultant, Analysys Mason to conduct research on roaming issues, culminating in a Regulatory Impact Assessment (RIA) study on SADC Home and Away Roaming. However, due to the budgetary challenges, the study was only done partially. Following completion of RIA, RATT presented its recommendation on SADC Home and Away Roaming study to the SADC Ministers meeting in Luanda, Angola in 2010. RATT had recommended adoption and promotion of the following policy objectives:

- Transparency, consumer awareness and empowerment
- Cost based pricing
- Effective Competition
- Regulatory certainty and predictability
- Regional integration and infrastructure development

The Ministers approved RATT recommendations on RIA and further directed CRASA Secretariat to solicit funding to undertake the second phase of RIA or RIA II. In order to develop a framework for RIA II, RATT held a meeting in August 2010 in Maputo Mozambique. The team developed a data collection tool for the regional mobile network operators on the costing structure of roaming services within the region.

RATT is currently in the process of piloting this data collection tool in selected SADC countries of Botswana, Lesotho and Tanzania. The pilot is intended to be carried out in two months of April to May 2011, with a view that the actual data collection would start in June 2011. The Authority has therefore requested local operators to participate in filling-in the questionnaires from RATT.

## Universal Access Fund

The UAF was established by the Authority through the Lesotho Communications Authority (Universal Access Fund) Rules, 2009 and was launched in May, 2009. The Fund is a contributory partnership consisting of the Authority and the two network operators, ETL and VCL. Its main objective is the development and expansion of communication services in the remote and unserved areas considered non-viable by service providers. In its first three years, it is to focus on providing incentives in the form of subsidies to network operators to rollout infrastructure in these areas. The reporting period marks the second year of operations of the Fund.

Contributions collected for the reporting period amounted to M8,571,175, which were six percent higher than in the previous period. This is owing to the fact that contributions of the first two years were combined during the previous reporting period.

### Network Coverage Infrastructure Projects

Despite the challenges anticipated at the end of the previous reporting period, the UAF project work maintained an upward trajectory with the sanctioning of four network coverage infrastructure projects compared to three in the previous year. The four projects completed in this reporting period involved construction of eight BTS sites, which is an improvement from five BTS sites of the previous period. The four projects consist of:

- (1) Three sites at Hloahloeng (Mohale's

# Chief Executive's Report:

Hoek);

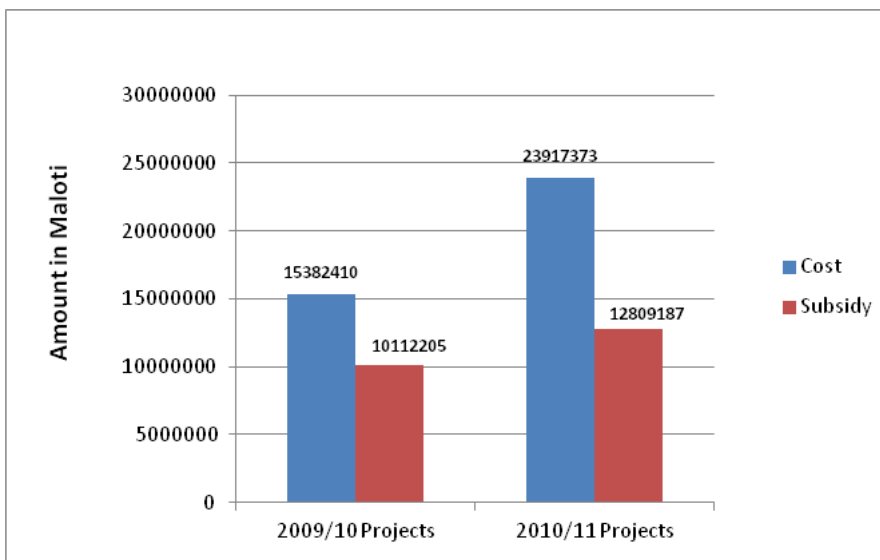
- (2) One site at Litsoetse (Thaba-Tseka);
- (3) Two sites at Makhunoane (Botha-Bothe); and
- (4) Two sites at Tsatsane (Quthing).

At the end of the reporting period, only Hloahloeng project had been completed and commissioned. The other three projects are expected to be commissioned during the first

quarter of the subsequent fiscal year.

The current reporting period saw an improvement in the competition for subsidies as well. For the four projects, the Fund committed M12,809,187 in subsidies, which constituted 54% of the actual project costs. This shows an improvement over the subsidy of the previous year at the rate of 66%, hence a higher efficacy on funds disbursed by the Universal Access Fund.

**Figure 7: Project costs vs Subsidies**



In terms of impact, the 2010/11 projects are to provide coverage to more than 16,000 people from 87 villages in various districts of the country. Table 11 below is a breakdown of the expected impact.

**Table 11: 2010/11 Network Coverage Projects**

2010/11 Network Coverage Projects			
Project Area	District	Villages	Population
Hloahloeng	Mohale's Hoek	28	3,957
Litsoetse	Thaba-Tseka	10	3,363
Makhunoane	Butha-Buthe	13	2,507
Tsatsane	Quthing	36	6,796
<b>Totals</b>		<b>87</b>	<b>16,623</b>

# Chief Executive's Report:

## The Internet Exchange Point

The initiative of the Fund to facilitate the establishment of the Internet Exchange Point (IXP) made significant strides during the reporting period. The buy-in of stakeholders into the project was secured from the Lesotho Internet community comprising, among others, Internet Service Providers (ISPs), network operators and institutions of higher learning. Thereafter, the Lesotho IXP Association was registered. The Association is working closely with Internet Society (ISOC) to bring the project to fruition. ISOC is an international organization that provides support on Internet related standards, education, and policy, with the latter performing advisory and capacity building roles. The Association has further secured registration and numbering resources from the African Network Information Centre (AfriNIC), which is a regional Internet registry for Africa. At the end of the reporting period, the necessary infrastructure equipment was in place.

## International Relations

In line with its objective to remain in step with international trends and best practices, the Fund is a regular participant at the Connecting Rural Communities Africa Forum, a knowledge sharing forum organized by the Commonwealth Telecommunications Organisation (CTO). In the 2010/11 reporting year, the Fund participated at the fifth forum, which was held in Accra, Ghana.

The LCA, through the Fund, is a member of the CRASA Universal Service Committee as well as that of the Association of Universal Service and Access Funds of Africa (AUSAFA). From being a member of the former, the Fund participated in the validation of the SADC Guidelines on Universal Access and Service as well as the SADC Toolkit on Best Practices using Universal Service and Access Funds.

## International Cooperation:

### Commonwealth Broadcasting Association

The Commonwealth Broadcasting Association (CBA) is a global association of public service broadcasters. It is also open to non-Commonwealth broadcasters, regulators and other related organisations as affiliate members. The Authority is an associate member of the CBA and for the first time attended its AGM, which was held in Johannesburg, South Africa.

### CRASA Activities

The LCA in collaboration with the SADC Secretariat and CRASA hosted a three-day meeting of the SADC Working Forum on Technical Standards on digital migration. The SADC countries had agreed to move forward with a common technical standard in accordance with the ITU Geneva 2006 Agreement (GE-06). The meeting was addressed by proponents of the two standards being Digital Video Broadcasting - Terrestrial (DVB-T), European standard and Integrated Service Digital Broadcasting - Terrestrial (ISDB-T), Japanese standard or its Brazilian variant. The forum made recommendations to the SADC Ministers of ICT and Postal which was held in Luanda, Angola.

The LCA participated at the 14<sup>th</sup> CRASA Annual General Meeting (AGM) that was held in Johannesburg, South Africa from the 29<sup>th</sup> to the 30<sup>th</sup> March 2011. One of the key highlights of the AGM was the approval of the merger of CRASA and the Southern Africa Postal Regulators' Association (SAPRA).

### SADC Annual General Meeting

The AGM of SADC Ministers responsible for Telecommunications, Postal and ICT was held from the 10<sup>th</sup> to the 13<sup>th</sup> May 2010 in Luanda, Angola and the delegation of Lesotho, comprising representation of LCA, was led by the Minister of Communications, Science and Technology. The meeting approved the recommendations made by the

# Chief Executive's Report:

Regional Alliance Task Team (RATT) for the adoption of a policy statement including the following policy objectives: transparency; cost based pricing; effective competition; regulatory certainty and predictability; regional development; and infrastructure development. The Ministers also approved that a second phase of the Regional Impact Assessment Study (RIA) related to cost information be undertaken as soon as possible.

The Ministers received a report on the study undertaken on "Best Practices in Utilisation of Universal Service/Access Funds in SADC", which called for a review of the existing regulations and guidelines, the development and enactment of policies and laws that will ensure viable and sustainable business models. The Ministers recommended that further work be undertaken to review the existing regional guidelines and that the Region should develop a toolkit for adoption by Member States. The recommended ICT Consumer Protection Guidelines in SADC were also adopted and would be expanded to include issues relating to elderly people and consumer education.

The revised SADC Frequency Band Plan was agreed upon for adoption and harmonisation with the national Frequency Band Plan in the respective Member States.

The Ministers approved the e-SADC Strategic Framework that aims at harnessing ICT for enhancing socio-economic development and regional integration. The proposed regional priorities for 2011/12 that included, amongst other issues, the setting up of National and Regional Internet Exchange Points; harmonisation of CyberSecurity Regulatory Frameworks in SADC; and a Regional project to improve interconnection among physical, electronic and financial postal networks were agreed upon.

The Ministers also noted the infrastructure report and were updated on the implementation of the SADC Regional Information

Infrastructure (SRII) and the operationalisation of the Regional African Satellite Company (RASCOM). The Ministers were briefed on forthcoming regional and international fora, including the ITU World Telecommunications Development Conference (WTDC), the ITU Plenipotentiary Conference, the Universal Postal Union (UPU) High level Strategy Conference and the World Radio Conference 2012 (WRC-12). Regarding the UPU Conference, the meeting agreed that the Region should come up with common positions on various issues prior to the Conference.

## ITU Plenipotentiary Conference

The ITU Plenipotentiary Conference 2010 (PP-10), the supreme policy and decision-making body of the Union, took place in Guadalajara (Mexico) from the 4<sup>th</sup> to the 22<sup>nd</sup> October 2010. The Authority was part of the Lesotho delegation led by the Minister of Communications, Science and Technology. The first week was dominated by policy statements that were delivered by Ministers of member states responsible for the communications sector. The Hon. Minister delivered a policy statement which highlighted achievements that Lesotho has registered since the liberalization of the sector ten years ago. The last two weeks were devoted to the deliberations that culminated in the resolutions that are contained in the ITU Final Acts.

## WRC-12 Preparatory Work

The Authority continued with preparatory work on WRC-12 agenda items. The preparatory work requires a follow up on the studies conducted by ITU-R working parties and other regional positions in determining the national positions on the WRC-12 agenda. This is to ensure that decisions taken by ITU will not compromise services offered through radio frequencies in member states.



# Chief Executive's Report:



The Lesotho delegation to the ITU PP-10 was led by the Hon. Minister of Comms, Science and Technology, Hon. M. Metsing, here flanked by Board Chairman, Dr. M. Mangoela and Principal Secretary Mr. T. 'Mokela

## West Indian Ocean Cable Company

The construction of the Eastern Africa Submarine Cable System (EASSy) was completed ahead of schedule and went live on the 16<sup>th</sup> July 2010. Lesotho is connected to the cable through terrestrial backhaul from Mtunzini, South Africa. Lesotho, through the LCA, is a participant member in the cable system through a Special Purpose Vehicle, the West Indian Ocean Cable Company (WIOCC). During the reporting period, the Authority participated in the Board meetings of WIOCC. Efforts are underway to avail the bandwidth capacity of the cable system to local operators.

## Financial Performance

Attached are the Audited Financial Statements of the Authority and of the UAF for the financial year ended 31<sup>st</sup> March 2011.



# Lesotho Communications Authority

## Financial Statements for the Year Ended 31 March 2011

### 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 2011 set out on pages 33 - 43 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 2012, and, in the light of this review and the current financial position, it is satisfied that the Authority has adequate resources to continue in operational existence for the foreseeable future.

The auditors' responsibilities are stated in their report on pages 32.

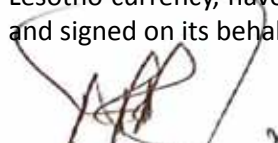
The Board acknowledges that it is responsible for the system of internal control and places considerable importance on maintaining a strong control environment. To enable management to meet these responsibilities, the Board sets internal controls aimed at reducing the risk of error or loss in a cost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

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


The risk management framework will assist the Authority to identify, assess, manage and monitor all known forms of risk across the Authority. This in turn will 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 33 - 43 which are stated in Maloti, the Lesotho currency, have been approved and authorised for issue on the 8th September 2011 by the Board and signed on its behalf by:



BOARD MEMBER



BOARD MEMBER

# Lesotho Communications Authority

## Financial Statements for the Year Ended 31 March 2011

### 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. 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 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 2011



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 2011

I have audited the accompanying financial statements of Lesotho Communications Authority, which comprise the statement of financial position as at 31 March 2011, 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 33 to 43.

#### 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.

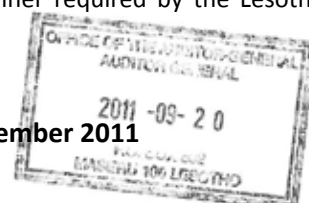
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### 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 2011, 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

20 September 2011





# Lesotho Communications Authority

## Financial Statements for the Year Ended 31 March 2011

### STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2011

		31.03.11	31.03.10
	Notes	Maloti	Maloti
<b>ASSETS</b>			
<b>Non Current Assets</b>			
Property, Plant & Equipment	6	7,501,192	7,438,516
<b>Current Assets</b>			
Trade and other receivables	7	5,978,612	4,797,534
Cash and cash equivalents	8	51,311,936	43,030,497
		<b>57,290,548</b>	<b>47,828,031</b>
<b>Total Assets</b>		<b>64,791,740</b>	<b>55,266,547</b>
<b>Funds</b>			
Capital Fund	9	2,331,822	2,331,822
Revaluation surplus		1,854,515	1,854,515
Accumulated Fund		39,870,241	27,098,999
Capital Grant	10	-	1,446,849
		<b>44,056,578</b>	<b>32,732,185</b>
<b>Non-Current Liabilities</b>			
Deferred Income	11	11,097,916	12,434,582
<b>Current Liabilities</b>			
Trade and other payables	12	708,147	4,145,431
Bank Overdraft		366,823	-
UA Reserve Fund		4,342,094	2,101,203
Provisions		4,220,182	3,853,149
		<b>9,637,246</b>	<b>10,099,784</b>
<b>Total Funds and Liabilities</b>		<b>64,791,740</b>	<b>55,266,547</b>

# Lesotho Communications Authority

## Financial Statements for the Year Ended 31 March 2011

### STATEMENT OF COMPREHESIVE INCOME FOR THE YEAR ENDED 31 MARCH 2011

		31.03.11	31.03.10
	Notes	Maloti	Maloti
<b>Income</b>			
Regulatory Fees	2	41,093,242	29,819,582
Other Income	3	181,811	939
Amortisation of Capital Grant		1,446,849	1,606,772
		<b>42,721,902</b>	<b>31,427,293</b>
<b>Expenditure</b>			
Staff Costs	4	15,321,038	13,902,827
Depreciation	6	2,897,219	3,128,250
Directors Emoluments		418,865	328,617
Audit Fees		45,000	42,900
Other Administrative Costs	5	8,787,149	8,421,637
		<b>27,469,271</b>	<b>25,824,231</b>
<b>Surplus/Deficit before finance income &amp; cost</b>		<b>15,252,631</b>	<b>5,603,062</b>
Finance Income		2,115,745	2,801,750
<b>Surplus/Deficit after finance income &amp; cost</b>		<b>17,368,376</b>	<b>8,404,812</b>
Transfer to UAF	15	4,342,094	2,101,203
<b>Retained surplus for the year</b>		<b>13,026,282</b>	<b>6,303,605</b>

### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2011

	Capital Fund	Revaluation reserve	Accumulated Funds	Capital Grants
<b>Balance at 31/03/2009</b>	<b>2,331,822</b>	<b>1,854,515</b>	<b>19,602,237</b>	<b>3,053,621</b>
Prior Period Adjustments	-	-	1,193,153	-
Amortisation for the year	-	-	-	(1,606,772)
Surplus for the year	-	-	6,303,609	-
<b>Balance at 31/03/2010</b>	<b>2,331,822</b>	<b>1,854,515</b>	<b>27,098,995</b>	<b>1,446,849</b>
Prior Period Adjustments	-	-	(255,036)	-
Amortisation for the year	-	-	-	(1,446,849)
Surplus for the year	-	-	13,026,282	-
<b>Balance at 31/03/2011</b>	<b>2,331,822</b>	<b>1,854,515</b>	<b>39,870,241</b>	<b>-</b>

# Lesotho Communications Authority

## Financial Statements for the Year Ended 31 March 2011

### STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2011

	31.03.11	31.03.10
Notes	Maloti	Maloti
<b>Surplus for the period</b>	13,026,282	6,303,609
Prior period adjustments	(255,035)	1,193,153
Prior Year depreciation	-	(14,000)
Depreciation	2,897,219	3,128,250
Amortisation of capital grant	(1,446,849)	(1,606,772)
Increase/(Decrease) in receivables	(1,181,194)	(1,619,974)
Increase/(Decrease) in payables	(462,538)	(7,024,913)
<b>Net cash inflow/outflow from operating activities</b>	<b>12,577,885</b>	<b>359,353</b>
<b>Investing Activities</b>		
Purchase assets	(3,161,803)	(1,120,333)
Disposal of assets	202,024	-
<b>Net cash flows from investing activities</b>	<b>(2,959,779)</b>	<b>(1,120,333)</b>
<b>Financing Activities</b>		
Initial licence fees	(1,336,667)	(1,336,668)
<b>Net cash flows from financing activities</b>	<b>(1,336,667)</b>	<b>(1,336,668)</b>
<b>Net increase in Cash &amp; cash equivalents</b>	<b>8,281,439</b>	<b>(2,097,647)</b>
<b>Cash &amp; cash equivalents at the beginning of the year</b>	<b>43,030,497</b>	<b>45,128,144</b>
<b>Cash &amp; cash equivalents at the end of the year</b>	<b>51,311,936</b>	<b>43,030,497</b>

# Lesotho Communications Authority

## Financial Statements for the Year Ended 31 March 2011

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

#### 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 2010.

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 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



# Lesotho Communications Authority

## Financial Statements for the Year Ended 31 March 2011

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

obligation is probable, more likely or remote. Judgement is used to determine if the obligation is recognized as a liability or disclosed as a contingent liability.

#### 1.4 Recognition of assets and liabilities

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

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

#### 1.5 Derecognition of assets and liabilities

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

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

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

#### 1.6 Property, Plant and Equipment

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

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

Consumable items are written off in the period of purchase.

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

#### 1.7 Impairment of Assets

The Authority assesses at each 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.

# Lesotho Communications Authority

## Financial Statements for the Year Ended 31 March 2011

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

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

#### 1.11 Cash and cash equivalents

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

#### 1.12 Trade and other payables

Trade and other payables are stated at their fair values.

#### 1.13 Employee Benefits

The Authority operates a defined contribution pension scheme for its eligible employees. The pension contributions on behalf of its employees are charged to the statement of comprehensive income. The Authority contributes 10.58% of each member's pensionable salary 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 Rules.

#### 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

# Lesotho Communications Authority

## Financial Statements for the Year Ended 31 March 2011

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

the obligation, and reliable estimate of the amount of the obligation can be made.

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

#### 1.16 Revenue Recognition

##### Regulatory Fees

Regulatory fees comprise service and radio frequency spectrum licences fees charged to communications service providers. Initial fees charged in relation to the issuance of new licences are recognized as deferred income and are transferred to the income and expenditure on the basis of matching them with related costs over the licence period. Annual service and systems licence fees which are recognized in the period to which they relate. Royalty fees are charged as a percentage of the Net Operating Income of a network operator. The basis of the fees is the LCA (Licensing Fees) Rules, 2008.

##### Interest income

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

##### Government grants

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

##### Leases

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

##### Borrowing costs

Borrowing costs are dealt with in the 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.

### 2. Regulatory Fees

	31.03.11	31.03.10
	Maloti	Maloti
Application Fee	26,120	34,890
Licence Fee	1,987,024	1,856,159
Spectrum Fee	17,487,630	7,582,996
Royalty Fee	21,592,468	20,345,537
	<b>41,093,242</b>	<b>29,819,582</b>

# Lesotho Communications Authority

## Financial Statements for the Year Ended 31 March 2011

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

#### 3. Other Income

This represents a refund from the Western Indian Ocean Cable Company for expenses incurred by Authority staff while attending WIOCC meetings.

#### 4. Staff Costs

	31.03.11	31.03.10
	Maloti	Maloti
Salaries	9,118,729	8,105,575
Allowances	3,042,640	2,720,100
Pension	814,187	574,246
Severance Pay	284,234	252,828
Leave Pay	236,867	856,896
Medical Aid	806,587	578,554
Gratuity	622,108	550,944
Staff Refreshments & Welfare	113,229	68,539
Sports & Recreation	9,869	9,937
Staff cell phone airtime	211,630	123,840
Fringe Benefit Tax	42,222	40,613
Housing	18,736	20,755
	<b>15,321,038</b>	<b>13,902,828</b>

	31.03.11 Maloti	31.03.10 Maloti
<b>5. Other Administrative Costs</b>		
Bank Charges	198,052	78,633
Communication	550,537	478,446
Postage	5,786	4,566
Stationery	49,595	93,229
Repairs to Equipment	452,239	593,880
Water and Electricity	69,143	44,260
Office Rent	777,954	728,023
Insurance	226,707	215,236
Station Maintenance	599,318	300,644
Other Expenses	688,395	14,032
Books and Journals	48,886	32,652
Fuel	62,613	55,955
Car Running	62,680	70,072
Staff Uniform	-	42,310
Subscriptions	809,716	887,952
Travel and Accommodation	1,755,588	1,106,126
Staff Training	926,128	1,853,579
Business Entertainment	102,030	169,975
Cleaning & Security	74,851	66,348
Public Relations	481,702	372,685



# Lesotho Communications Authority

## Financial Statements for the Year Ended 31 March 2011

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

Consultancy Fees	473,056	415,437
Board Expenses	173,786	35,498
Legal Fees	33,665	-
Research	48,556	630,854
Donations	53,399	131,245
Bad Debts	9,000	-
Loss on disposal of assets	53,767	-
<b>Total Expenses</b>	<b>8,787,149</b>	<b>8,421,637</b>

<b>6. Plant, Property and equipment</b>										
	Cost/Rev at 31.03.10	Additions	Disposal	31.03.11	Dep'n at 31.03.10	Dis- posal	Dep'n for the year	Dep'n at 31.03.11	Net carrying value at 30.03.10	Net carrying value at 30.03.11
Office Equipment	253,950	22,890	-	276,840	48,446	-	42,728	91,173	205,504	185,667
Computer Equip- ment	2,942,639	900,083	365,760	3,476,962	1,777,815	351,782	873,342	2,299,374	1,164,824	1,177,588
Motor Vehicles	1,078,993	610,092	341,600	1,347,485	539,486	199,734	296,875	636,626	539,507	710,969
Office Furniture	1,104,929	41,857	87,825	1,058,961	420,787	41,862	169,697	548,621	684,142	510,340
Land & Buildings	3,101,382	-	-	3,101,382	141,025	-	56,410	197,435	2,960,358	2,903,947
Monitoring Equip- ment	7,161,751	1,586,881	1,385	8,747,247	5,277,569	1,168	1,458,167	6,734,567	1,884,181	2,012,680
	<b>15,643,644</b>	<b>3,161,803</b>	<b>796,570</b>	<b>18,008,877</b>	<b>8,205,128</b>	<b>594,546</b>	<b>2,897,219</b>	<b>10,507,795</b>	<b>7,438,516</b>	<b>7,501,192</b>

#### 7. Trade and Other Receivables

Trade receivables	5,666,346	5,633,837
Less: Impairment of trade receivables	<u>(463,750)</u>	<u>(1,613,339)</u>
	5,202,596	4,020,498
Prepayments and Deposits	11,198	11,198
Other Receivables	650,516	599,089
Staff Loans	114,302	166,749
	<b>5,978,612</b>	<b>4,797,534</b>

#### 8. Cash and cash equivalents

Petty Cash	2,743	2,143
Current Accounts	14,008,613	8,301,312
Short term deposits	37,300,580	34,727,042
	<b>51,311,936</b>	<b>43,030,497</b>

#### 9. 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.

#### 10. Capital Grant

Amount received	11,647,216	11,647,216
Amortisation of Capital Grant	<u>(11,647,216)</u>	<u>(10,200,367)</u>
		<b>1,446,849</b>

# Lesotho Communications Authority

## Financial Statements for the Year Ended 31 March 2011

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

#### 11. Deferred Income

-

These are initial licence fees for 15 and 20 years:

Bethlehem Technologies	733,333	866,666
Econet Telecom Lesotho	8,531,250	9,401,250
Vodacom Lesotho	1,833,333	2,166,666
	<b>11,097,916</b>	<b>12,434,582</b>

#### 12. Trade and Payables

Trade Payables	370,396	3,887,119
Fringe benefit tax	10,867	11,553
Other payables	326,884	246,759
	<b>708,147</b>	<b>4,145,431</b>

#### 13. Prior Period Adjustments

	31.03.11	31.03.10
	Maloti	Maloti
Leave Pay	-	607,262
Debtors	-	-
Sundry debtors	(48,710)	(5,995)
Staff Debtors	(223)	1,000
Business Entertainment	-	2,275
Depreciation	1,284	14,000
Provision for doubtful debts	-	538,997
Retention	-	-
Withholding tax	-	68,310
Long Outstanding Expenses	-	103,924
Fringe Benefit Tax	-9,647	-
Medical aid	2,262	-
Royalty Fees	-200,000	-
	<b>(255,034)</b>	<b>1,193,153</b>

#### 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 3,985,513 at 31 March 2011.

#### 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.

# Lesotho Communications Authority

## Financial Statements for the Year Ended 31 March 2011

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

#### 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 785,639

#### 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 arises in the normal course of the Authority's business.

##### Foreign currency risk

In the normal course of business, the Authority enters into transactions denominated in foreign currency. As a result, the Authority is exposed to fluctuations in foreign currency. However, there 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 2011

### 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 2011 set out on pages 47-55, 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 page 46.

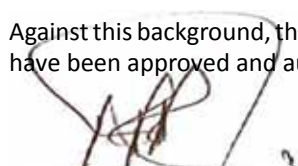
The Board acknowledges that they are responsible for the system of financial internal control and places considerable importance on maintaining a strong control environment. To enable management to meet these responsibilities, the Board sets internal controls aimed at reducing the risk of error or loss 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.

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 47-55 which are stated in Maloti, the Lesotho currency, have been approved and authorised for issue on the **29 September 2011** 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. 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 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 2011

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 2011, 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 47 to 55.

#### 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.

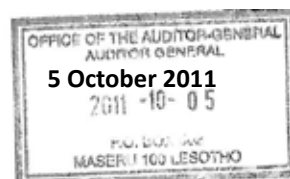
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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 2011, 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 2011

		31.03.11	31.03.10
	Notes	Maloti	Maloti
<b>ASSETS</b>			
<b>Non Current Assets</b>			
Property, Plant & Equipment	6	223,540	323,875
<b>Current Assets</b>			
Trade and other receivables	7	10,825,786	8,572,675
Cash and cash equivalents	8	11,591,633	10,209,907
		<b>22,417,419</b>	<b>18,782,582</b>
<b>Total Assets</b>		<b>22,640,959</b>	<b>19,106,457</b>
<b>Funds</b>			
Retained Surplus		13,353,572	16,199,662
<b>Current Liabilities</b>			
Trade and other payables	9	9,166,889	2,818,174
Provisions		120,498	88,621
		<b>9,287,387</b>	<b>2,906,795</b>
<b>Total Funds and Liabilities</b>		<b>22,640,959</b>	<b>19,106,457</b>

### Statement of Comprehensive Income for the Year Ended 31 March 2011

		31.03.11	31.03.10
	Notes	Maloti	Maloti
<b>Income</b>			
Fund Contributions	2	10,812,066	26,647,264
<b>Expenditure</b>			
Fund Disbursements	3	12,966,835	10,112,203
Staff Costs	4	769,745	555,464
Depreciation		100,335	69,303
Directors Emoluments		134,221	131,216
Other Administrative Costs	5	151,549	175,275
		<b>14,122,685</b>	<b>11,043,461</b>
<b>Retained Surplus/Deficit before finance</b>		<b>(3,310,619)</b>	<b>15,603,803</b>
<b>Income</b>			
Finance Income		464,529	595,859
<b>Retained Surplus/(Deficit) for the year</b>		<b>(2,846,090)</b>	<b>16,199,662</b>

# Lesotho Communications Authority - Universal Access Fund

## Statement of Changes in Equity for the Year Ended 31 March 2011

### Accumulated Funds

<b>Balance at 31/03/2009</b>	<b>-</b>
Surplus for the year	16,199,662
<b>Balance at 31/03/2010</b>	<b>16,199,662</b>
Surplus/(Deficit) for the year	(2,846,090)
<b>Balance at 31/03/2011</b>	<b>13,353,572</b>

## Statement of Cash Flows for the Year Ended 31 March 2011

	<b>31.03.11</b>	<b>31.03.10</b>
	<b>Maloti</b>	<b>Maloti</b>
<b>Deficit for the period</b>	<b>(2,846,090)</b>	16,199,662
Depreciation	100,335	69,303
Increase/(Decrease) in receivables	(2,253,111)	(8,572,675)
Increase/(Decrease) in payables	6,380,592	2,906,795
<b>Net cash inflow/outflow from operating activities</b>	<b>1,381,726</b>	<b>10,603,085</b>
<b>Investing Activities</b>	<b>-</b>	<b>(393,178)</b>
<b>Movement in Cash &amp; cash equivalents</b>	<b>1,381,726</b>	<b>10,209,907</b>
<b>Cash &amp; Cash Equivalents at the beginning of the year</b>	<b>10,209,907</b>	<b>-</b>
<b>Cash &amp; Cash Equivalents at the end of the year</b>	<b>11,591,633</b>	<b>10,209,907</b>

# Lesotho Communications Authority - Universal Access Fund

## Notes to the Financial Statements for the Year Ended 31 March 2011

### 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 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 2011.

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.

#### 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.



# Lesotho Communications Authority - Universal Access Fund

## Notes to the Financial Statements for the Year Ended 31 March 2011

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

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

### 1.6 Property, Plant and Equipment

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

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

Consumable items are written off in the period of purchase.

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

### 1.7 Impairment of Assets

The 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

# Lesotho Communications Authority - Universal Access Fund

## Notes to the Financial Statements for the Year Ended 31 March 2011

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.

#### **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 Rules.

#### **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.

# Lesotho Communications Authority - Universal Access Fund

## Notes to the Financial Statements for the Year Ended 31 March 2011

### Interest income

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

### Borrowing costs

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

### 1.17 Comparative Figures

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

## 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 is the year starting from April 2008 to 31 March 2009. Contributions for the year ended 31 March 2010 comprise initial contributions from the LCA, contributions charged for the years ending 31 March 2009 and 31 March 2010.

	31.03.11	31.03.10
	Maloti	Maloti
Initial contribution		10,000,000
31 March 2009 Contributions	-	8,076,089
Annual contributions	10,812,066	8,571,175
	<b>10,812,066</b>	<b>26,647,264</b>

## 3. Fund Disbursements

These are monies paid to the network operators for constructing Base Receiver Stations (BTS).

Network Frequencies	71,600	-
IXP Equipment	86,049	-
Hloahloeng (Mohale's-Hoek)	5,270,000	-
Litsoetse (Thaba-Tseka)	2,590,000	-
Tsatsane (Quthing)	2,380,000	-
Makhunoane (Butha-Buthe)	2,569,186	-
Malefiloane (Mokhotlong)	-	2,932,203
Makhaleng Valley (Maseru)	-	2,880,000
Tebellong (Qacha's-nek)	-	4,300,000
	<b>12,966,835</b>	<b>10,112,203</b>

## 4. Staff Costs

Salaries	392,127	302,270
Allowances	185,530	140,555
Pension	24,276	-

# Lesotho Communications Authority - Universal Access Fund

## Notes to the Financial Statements for the Year Ended 31 March 2011

Medical Aid	30,978	14,418
Refreshments & Welfare	115	-
Sports & Recreation	1,800	-
Gratuity	100,483	75,568
Staff Cellphone Airtime	12,360	9,600
Provision for Leave Pay	22,076	13,053
	<b>769,745</b>	<b>555,464</b>

### 5. Other Administrative Costs

	<b>31.03.11</b>	<b>31.03.10</b>
	<b>Maloti</b>	<b>Maloti</b>
Staff Uniform	-	2,602
Bank Charges	16,422	61,952
Communication	3,530	-
Insurance	13,889	13,094
Stationery	-	8,298
Other Expenses	1,173	2,536
Fuel	9,540	5,143
Car Running	14,470	5,039
Travel & Accommodation	92,525	75,248
Business Entertainment	-	1,363
	<b>151,549</b>	<b>175,275</b>

### 6. Property, Plant & Equipment

Cost	Motor Vehicles	Computer Equipment	Total
Balance at 31.03.10	368,704	24,474	393,178
Additions	-	-	-
Balance at 31.03.11	368,704	24,474	393,178
<b>Accumulated Depreciation</b>			
Balance at 31.03.10	65,660	3,643	69,303
Charge for the year	92,176	8,159	100,335
Balance at 31.03.11	157,836	11,802	169,638
<b>Net Carrying Values</b>			
Balance at 31.03.10	303,044	20,831	323,875
Balance at 31.03.11	210,868	12,672	223,540

# Lesotho Communications Authority - Universal Access Fund

## Notes to the Financial Statements for the Year Ended 31 March 2011

**31.03.11**  
**Maloti**

**31.03.10**  
**Maloti**

### 7. Trade and Other Receivables

Trade Receivables	10,821,286	8,871,175
Sundry Receivables	3,000	-
Sundry Deposits	1,500	1,500
	<b>10,825,786</b>	<b>8,572,675</b>

### 8. Cash and cash equivalents

Nedbank Current Account	17,591	186,706
Nedbank 24hr Call Account	11,574,042	10,023,201
	<b>11,591,633</b>	<b>10,209,907</b>

### 9. Accounts Payables

Trade Payables	6,781,973	1,776,226
Other Payables	92,776	30,727
Retention	2,292,140	1,011,221
	<b>9,166,889</b>	<b>2,818,174</b>

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

### 10. Financial risk management

Exposure to credit, interest rate risk and currency risk arises in the normal course of the 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



# Lesotho Communications Authority - Universal Access Fund

## Notes to the Financial Statements for the Year Ended 31 March 2011

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.

# COUNTRIES ACCESSIBLE FROM EASSY



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