



LESOTHO
COMMUNICATIONS
AUTHORITY

LESOTHO
COMMUNICATIONS
AUTHORITY



ANNUAL REPORT 2008/09



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.

Contents:

Corporate mandate	3
Contents	4
Glossary of terms	5
Organisational structure	6
Chairman's statement	7
Corporate Governance	9
Chief Executive's report	10
Directors' report	23
Auditor's appointment	23
Disclosure of interest	23
Financial Statements	24-33

Contact details:

Lesotho Communications Authority • 6th Floor, Moposo House • Kingway Road • P.O. Box 15896 • Maseru 100, Lesotho. Tel.: +266 2222 4300/5222 1300/2232 6784 • Fax: +266 2231 0984/2232 6081 • Website: www.lca.org.ls • Email: lca@lca.org.ls.

© Lesotho Communications Authority 2009

Glossary of terms:

ADSL	– Asymmetric Digital Subscriber Line	study	
AFMS	– Automated Frequency Management System	KEL	– Kereke ea Lesotho
AfriNIC	– African Network Information Center	LCA	– Lesotho Communications Authority
AFUR	– African Utility Regulators (Communications Sector Committee)	LEA	– Lesotho Electricity Authority
AGM	– Annual General Meeting	LEC	– Lesotho Evangelical Church
AIDS	– Acquired Immunodeficiency Syndrome	LIA	– Lesotho Institute of Accountants
ARPU	– Average Revenue Per User	LNBS	– Lesotho National Broadcasting Service
BTS	– Base Transceiver Station	LTA	– Lesotho Telecommunications Authority
CAZ	– Communications Authority of Zambia	LTC	– Lesotho Telecommunications Corporation
CBA	– Commonwealth Broadcasting Association	MCST	– Ministry of Communications, Science and Technology
CCF	– Cross-border Coordinating Forum	MHz	– Megahertz
CEO	– Chief Executive Officer	MOET	– Ministry of Education and Training
CDMA	– Code Division Multiple Access	MoU	– Memorandum of Understanding
CHI	– Child Helpline International	NGN	– Next Generation Networks
CIG	– Commonwealth ITU Group	NNP	– National Numbering Plan
CPM	– Conference Preparatory Meeting	NRC	– National Radio-communication Committee
COMESA	– Common Market for Eastern and Southern Africa	NUL	– National University of Lesotho
CRASA	– Communications Regulators’ Association of Southern Africa	PMR	– Personal Mobile Radio
CTO	– Commonwealth Telecommunications Organisation	PMS	– Performance Management System
DSTV	– Digital Satellite Television	QoS	– Quality of Service
DTT	– Digital Terrestrial Television	RATT	– Regional Alliance Task Team
EASSy	– Eastern Africa Submarine Cable Systems	SADC	– Southern African Development Community
EDGE	– Enhanced Data for GSM Evolution	SATA	– Southern Africa Telecommunications Association
EEL	– Econet Ezi-Cel Lesotho	TACP	– Type Approval Certification Procedures
ETL	– Econet Telecom Lesotho	TBN	– Trinity Broadcasting Network
EVDO	– Evolution-Data Optimised	TCRA	– Tanzania Communications Regulatory Authority
FAC	– Finance & Audit Committee	TL	– Telecom Lesotho
FM	– Frequency Modulation	UAFC	– Universal Access Fund Committee
GOL	– Government of Lesotho	UNICEF	– United Nations Children’s Fund
GSM	– Global System for Mobile Communications	UK	– United Kingdom
GSR	– Global Symposium for Regulators	VCL	– Vodacom Lesotho
GSS	– Global Standards Symposium	WTSA	– World Telecommunication Standards Assembly
HIV	– Human Immunodeficiency Virus	WRC	– World Radiocommunication Conference
HR	– Human Resources	WSIS	– World Summit on the Information Society
IBMC	– International Bureau for Mobile Communications	3G	– Third Generation
ICASA	– Independent Communications Authority of South Africa		
ICT	– Information and Communications Technology		
IP	– Internet Protocol		
ISM	– Industrial, Scientific and Medical		
ISP	– Internet Service Provider		
ITU	– International Telecommunication Union		
ITU-T	– ITU’s Standardization Sector		
ITR	– Interconnection and Tariff Rationalisation		

Organisational Structure

Board of Directors



Dr. P. Mangoaela
Chairman



Ms. R. Lehohla
Member



Mr. P. Khetsi
Member



Mr. M. Malie
Member



Mrs. T. 'Mokela
Member



Mr. M. Posholi
Chief Executive

Management:

Chief Executive

Director

Technical

Director

Strategic Planning

Registrar

Regulatory Telecom Services

Director

Corporate Services

Departments:

Chief Executive

Manager Regulatory
Compliance/Internal Audit
Manager Public Relations
Executive Secretary

Technical

Manager Frequency Management & Monitoring
Manager Technology & Standards
Chief Technician Technology & Standards
Manager ICT
ICT Officer
Admin. Assistant

Strategic Planning

Manager Telecom Development
Manager Market Analysis
Admin. Assistant

Regulatory Telecom Services

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

Corporate Services

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

Chairman's Statement



"The world is moving into digital broadcasting and our country is taking steps to comply with the decisions of the International Telecommunication Union (ITU) of migrating to digital broadcasting by June 2015.

In migrating to digital broadcasting, we are poised to reap the benefits of the 'digital dividend', whereby the spectrum that was used for analogue broadcasting would be released through the deployment of more efficient digital technologies."

- Dr. Percy Mangoela

It is always my great pleasure to present the Annual Report of the Lesotho Communications Authority which provides an account of its operations and the financial statements. It is once again an honour and a privilege to present the report for 2008/2009. This report, the ninth since the establishment of the Authority and the liberalisation of the communications sector in Lesotho, highlights significant sector developments and the maturity and consolidation of our regulatory regime.

As the Board of the Authority, we do not only view the presentation of this report as a statutory requirement, which is outlined in the Lesotho Telecommunications Authority Act No. 5 of 2000 (as amended), but as an obligation on our part to our various stakeholders to inform them of the health of the Authority and the sector in general.

In the last report, I reported that the Board approved the Authority's Strategic Business Plan (SBP) 2007/08-2009/10 and this report highlights activities carried out in the second year of that plan. Some of the goals of the plan that have come to fruition include the Lesotho Communications Policy 2008 which has been adopted by Cabinet, the promulgation of the Lesotho Universal Access Fund Rules and the development of the Lesotho Communications Authority Bill now under review.

The Authority completed a survey of the communications sector in fields of business, health, education and tourism, and that report highlights low and promising uptake of communications within those sectors. The lessons of that report are that we need even greater investments in ICTs if our country is to enjoy greater benefits from communications services.

The contributions of our various stakeholders within the communications sector are very important. This report highlights investments in network infrastructure as well as the diversity of products introduced into the market. Different technologies and a variety of products give consumers a wider choice for their varied needs. Continued investments into the sector also demonstrate continued confidence in the stability of our market and the benefits of a stable and predictable regulatory climate.

The world is moving into digital broadcasting and our country is taking steps to comply with the decisions of the International Telecommunication Union (ITU) of migrating to digital broadcasting by June 2015. In migrating to digital broadcasting, we are poised to reap the benefits of the 'digital dividend', whereby the spectrum that was used for analogue broadcasting would be released through the deployment of more efficient digital technologies. The freed spectrum would be used for other services including emergency services.

Chairman's Statement

The reporting year was not without challenges. The communications sector, like all sectors of the economy, had to operate within an environment affected by the global financial crisis. Furthermore, the Authority had to deal with challenges of a fledgling broadcast industry by taking well-considered, hard but fair decisions in order to steer the industry in the right direction.

I am grateful to my fellow Board Members and members of the Finance and Audit Committee for providing leadership, enterprise, integrity and judgment in directing the affairs of the Authority towards attainment of its mandate. I am appreciative of their commitment and

devotion to the business of the Authority. It is always a pleasure to work with the Management and the staff of the Authority whose professionalism, commitment and dedication are gratifying.

Dr. Percy Mangoela
Chairman – LCA Board

LCA hosting meetings of the Communications Regulators' Association of Southern Africa in Maseru which, amongst others, dealt with migration to digital broadcasting



Corporate Governance

The Board of LCA subscribes to high standards of corporate governance. Its Board Members are members of the Institute of Directors (SA). The Board has decided to include a Corporate Governance Statement in the Annual Report as its commitment to best governance practices.

The Act states that the powers and duties of the Authority shall be exercised and performed by the Board. The Board sets the strategic direction of the Authority, makes regulatory decisions according to the Act and monitors the overall performance of the Authority. In 2008/09 the Board, consisting of six members out of the required seven, held 15 meetings comprising Ordinary and Extraordinary meetings.

The Board has one committee, which is the Finance and Audit Committee (FAC) consisting of four members. In the reporting year, FAC held four meetings.

All the members of FAC performed their fiduciary duties diligently by thoroughly examining and testing the details of the documentation that was provided before them prior and during the meetings.

One of their major achievements amongst others was their inputs and advisory role on the development of the Authority's Risk Profile, which is intended to ensure that the Authority moves towards risk-based auditing in accordance with contemporary professional practices of internal auditing.



Additional services in city areas

Chief Executive's Report



“New regulatory practices influenced by changes in the sector such as technological innovation, convergence of services and growing competition are shifting towards more open competition and new licensing and spectrum management practices.”

Mr. Monchela Posholi

In the main, this report covers the corporate activities of the Authority and the communications sector in general during 2008/2009 reporting period, it being the second year of the Authority's Strategic Business Plan 2007/08 – 2009/10.

Regulatory environment

During the reporting year, the sector at the global level, saw growth in mobile networks and the number of subscribers rose to an all-time high, reaching an estimated four billion mobile subscribers worldwide. However, the same period was characterised by unprecedented global financial and credit crisis, the effects of which are still murky and are unfolding for the communications sector. The sub-region is experiencing a slow-down in economic growth and similar effects are already being felt in the local economy as it is interlinked with the sub-regional economy. The Lesotho communications sector is expected to remain strong due to the introduction of emerging new technologies, but the decline in incomes may squeeze profitability. New regulatory practices influenced by changes in the sector such as technological innovation, convergence of services and growing competition are shifting towards more open competition and new licensing and spectrum management practices.

Human Resources Management

Performance management system

Flowing from the Performance Management System (PMS) which the Authority has adopted, the Authority

continued with the trial phase of the system during the year with staff reviews being done on quarterly basis.

Training and development

The Authority strives to equip its workforce with the requisite skills through targeted training in order to enable its staff members to discharge their duties with diligence. Table 1 below summarises the training programmes received by the staff of the Authority during the reporting period.

Recruitment

The contract of the Technical Advisor, Mr. Thabiso Masia, ended on 30th June, 2008. Mr. Nizam Goolam was appointed to the position of Manager – Frequency Management & Monitoring with effect from 1st November 2008, in replacement of Mr. Tlali Manosa, who had resigned. The recruitment process for the position of Executive Secretary – Universal Access Fund commenced in February 2009. The interviews were held in March 2009 and a suitable candidate was identified after the interview process. Negotiations on engagement with the identified candidate were to be concluded in the ensuing financial year.

Organisational structure

In pursuit of continuous improvement and sustained service delivery within its changing environment, the Authority commenced with internal review process of its organisational structure. The process would be com-

Chief Executive's Report

Table 1: Training and development in 2008/09

Course Title	Duration	Venue	Number of trainees
Spectrum Management for Non-Technical Personnel	2 days	LCA	12
Effective Business and Report Writing Skills Seminar (LIA)	2 days	Lehakoe	5
Broadcasting Policy and Management	2 weeks	Mbabane	1
CTO Training Programme on Regulation and applications under convergence	1 week	Nairobi	1
HIV/AIDS in the Workplace	1 week	Mbabane	1
Peering Programme at TCRA	2 weeks	Dar es salaam	1
Advanced Spreadsheets Techniques	2 days	Maseru	14
Report Writing Training	1 week	Quadrant	20

pleted following an engagement of a consultant whose task would be to deliver an organisational structure inclusive of requisite remuneration, recognition and reward strategy which is to be linked with the PMS of the Authority.

Legal and Regulatory Issues

Communications policy and legislative review

Through a joint effort of the Ministry of Communications, Science and Technology (MCST) and the Authority, the new Lesotho Communications Policy 2008 was completed and adopted by Cabinet. The policy process is part of the Communications policy and legislative review aimed at aligning the policy and legal framework with technological developments and the dynamic regulatory environment.

The new policy establishes the framework for regulation of the telecommunications, broadcasting, and postal sectors. It provides the foundation for the adoption of the new legislation, the Communications Act, which will repeal the Lesotho Telecommunications Authority Act 2000 (as amended), and the Post Office Act of 1979.

The Policy builds upon the foundation established by

the Lesotho Telecommunications Policy of 1999. It recognises that the telecommunications, broadcasting, and postal sub-sectors are at different stages of development and reform. For instance, even though the 1999 Telecommunications Policy began the process of restructuring the Lesotho Telecommunications Corporation (LTC), the state broadcaster, Lesotho National Broadcasting Service (LNBS) and the Post Office have not been restructured.

While the Policy draws on international best practices, it is designed to reflect Lesotho's unique conditions, such as her being a developing country with a small population whose density is low outside the capital, Maseru, and has limited resources. The country's mountainous terrain and the fact that it is surrounded on all sides by one country, presents additional challenges. Recognizing these conditions, the Policy seeks to adopt a concrete and achievable regulatory framework for the sector. The draft Communications Bill is being processed towards its enactment. In the meantime, the Authority is already working on a draft subsidiary legislation which will be finalised following promulgation of the new Act.

During the reporting period, the Lesotho Communications Act was amended. The main object of the amendment was to make provision for the intervention of the Minister, in substantial, exceptional and compelling cir-

Chief Executive's Report

cumstances where public interest could be endangered or prejudiced by the continued utilization of a licence.

Universal Access strategy

The objective of the universal access strategy is the development and expansion of communications services, including broadcasting services, in the unserved and under-served areas deemed to be of low economic viability by service providers. Following the approval of the Strategy and Fund Guidelines, the Universal Access Fund Committee (UAFC) was established and a legislative framework developed.

Universal Access Fund Rules were promulgated pursuant to the provisions of Section 48 of the LTA Act 2000 (as amended). The Lesotho Communications Authority (Universal Access Fund) Rules, 2009 were gazetted in Legal Notice No. 31 of 2009. They were tabled before the National Assembly and were awaiting consideration by the Parliamentary Portfolio Committee on Communications before the National Assembly could make a final determination on them.

Licensing

To date, the Authority has issued licences to two major network operators, sound broadcasting licences, data communications, television broadcasting, Internet Service Provision, two-way radios, telemetry stations, amateur radios and radio pagers. Customer Premises Equipment and telebureaus licensing categories were de-listed in 2007. Regulatory developments in the telecommunications and broadcasting sub-sector which warrant special mention are articulated below.

The market consists of two major network operators, namely, Econet Telecom Lesotho (ETL) and Vodacom Lesotho (VCL) both providing converged communications services. The change in the number of major network operators, from three in the last reporting period to the present two, is an outcome of consolidation of operations by Telecom Lesotho (TL) and its mobile subsidiary, Econet Ezi-Cel Lesotho (EEL), which resulted in one new company. This new company has been named Econet Telecom Lesotho (ETL) (PTY) LTD.

As reflected in Table 2 below, other changes that have occurred since the last reporting period regarding licensed services are an increase in two way radios from 59 to 67; radio amateurs from 12 to 16; and an additional telemetry station and a V-Sat operator.

Internet Cafés: Noting the importance of Internet cafés in provision of access to the Internet, the Authority, during the reporting year, has started collecting statistics on the number and growth of Internet cafes around the country. The study has found that nationally, there are 24 existing Internet cafés. Maseru, the capital, has nine Internet cafés, followed by Leribe (Maputsoe and Hlotse) and Mafeteng towns with three Internet cafés each. Butha-Buthe, Mohale's Hoek and Qacha's Nek towns had two Internet cafés each. Mokhotlong town had only one Internet café. There were no Internet cafés in Quthing and Thaba-Tseka.

Broadcasting

At the World Radio Conference 2006 (WRC-06), it was decided that all Region 1 countries should migrate their broadcasting services from analogue to digital technology by 17 June 2015. The migration process entails agenda setting, legislative review, regulatory framework, frequency planning, setting technical standards for set-top boxes and related issues, licensing implications, local content, digital dividend and consumer education and participation.

The Lesotho Communications Policy 2008 recognises the need for Lesotho to take steps to migrate to digital broadcasting. In this regard, a ministerial advisory committee was appointed to lead the digital migration process. In readiness for the process, the Authority was engaged in a number of activities relating to Digital Terrestrial Television (DTT) such as the hosting of the CRASA Broadcasting Affairs Committee, attending meetings and workshops where Regional roadmap and communication strategy for digital broadcasting migration were discussed and adopted.

Other developments in the sub-sector include the launch of satellite digital transmission of Radio Lesotho, Ultimate FM and Lesotho Television on Multi choice – Digital Satellite Television (DSTV) network. The launch was officiated by The Right Honourable the Prime Minister. The Lesotho Evangelical Church radio (KEL FM) which was allocated a sound broadcasting licence in 2004, commenced operations from its base in Morija during the reporting period.

Of significance in the reporting period was the suspension of the broadcasting licence of Harvest FM for its infringement of Condition 15 of its sound broadcasting licence and Rule 20 of the Lesotho Telecommunications Authority (Broadcasting) Rules 2004. Following due process, the Authority issued an Enforcement Order

Chief Executive's Report

Table 2: 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
Fixed line network	1	1	1	1	1	1	1	1	1
Mobile network	1	2	2	2	2	2	2	2	2
Public Comms. Service Provider	-	-	-	-	-	-	-	-	3
Data Communications	-	1	1	1	1	1	1	1	1
Television Broadcasting	2	2	2	2	2	2	2	2	2
Sound Broadcasting	6	6	7	7	8	9	10	10	12
ISPs	3	3	3	4	5	6	6	6	6
Customer Premises Equipment	10	17	8	11	11	12	13	Delisted	Delisted
Telebureaus	112	465	628	1,213	2,605	2,543	3,081	Delisted 5,742	Delisted 8,443
Two-way radios	-	-	-	8	14	16	20	59	67
Telemetry Stations	-	-	-	-	-	-	-	2	3
Amateur Radios	-	-	-	-	3	5	9	12	16
Radio Pagers	-	-	-	-	-	-	-	3	3
V-Sats	-	-	-	-	-	-	-	-	1

against Harvest FM which suspended its broadcasting licence for a period of twelve months with nine months suspended, provided a similar infringement would not be committed. Harvest FM was off-air from 22nd July, 2008 and resumed its broadcasting transmission on the 21st October 2008. Harvest FM's challenge against the Enforcement Order was not successful in the High Court of Lesotho.

The broadcasting sub-sector having reached sufficient development and capacity, the Authority has started implementing Part II of the LCA Broadcasting Rules that require compliance in keeping records, as provided for in Rule 3 read together with Rule 5 of the afore-mentioned rules. In this regard, the Authority directed broadcasters to submit quarterly programme schedules and their annual audited financial statements. The results of this exercise have been inadequate and the Authority would be exploring a number of options to ensure compliance.

Membership in Commonwealth Broadcasting Association (CBA)

The Authority's application for membership in CBA was approved. Founded in 1945, CBA is a representative body for public service broadcasters throughout the Commonwealth. The Authority obtained an affiliate

membership as it is only a broadcast-linked organisation, based on its mandate of regulating the broadcasting industry.

Table 3: Radio and television stations in Lesotho

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

* not functional at present.

Chief Executive's Report

Technical Regulation

Review numbering plans

Throughout the year, the Authority continued to liaise with a number of organisations and administrations on changes to their numbering plans and these were duly communicated to network operators to take into account in their call routing procedures.

The Authority held a number of meetings on Numbering Plans with one of the operators that plans to introduce Value Added Services (VAS). The Authority's objective in coordinating this work was to ensure that operators use the short codes appropriately and to open the market for provision of these services. Furthermore, network operators were requested to submit their numbering plans in order to update the National Numbering Plan (NNP) and ITU numbering database. These were duly submitted.

Type approval of communications equipment

The Authority continued to type approve communications equipment and to assess technical specifications for new licence applications. Sixteen applications were received and were completed during the year including those of companies using equipment or devices operating in the ISM Band.

Management and monitoring of spectrum

The Authority carried out day-to-day management of the radio frequency spectrum. It monitored its use to ensure integrity of licensed spectrum, investigated any licence violations, illegal use and harmful interference. Towards this objective, the Authority:

1. Conducted wireless signal drive tests to establish the level of signal spillage in the southern districts of Mafeteng, Mohale's Hoek, Quthing and Qacha's Nek as well as the northern districts of Berea, Leribe and Butha-Buthe. Consequent to this, drive test measurements were compiled into a report which showed the extent of spillage signal even deep into the interior of the country.
2. Investigated a list of business entities in the southern districts of Mafeteng, Mohale's Hoek, Quthing and Qacha's nek which used two-way radios. It emerged that most of the radios found fall under "Personal Mobile Radio (PMR's)" which are licence-exempt while others use two-way radios provided by the security companies holding LCA licences.

3. Conducted tests at various sites in response to reports of interference. Such reports included interference between local radio stations or between local and foreign broadcasters. The Authority offered solutions for such incidents.

4. Coordinated, assigned and registered new types of spectrum to access different communications services. Furthermore, the system for managing frequencies, known as the Automated Frequency Management System (AFMS), was populated with technical equipment data, updated with the band plans and antenna data parameters to assist the Licensing section to produce licences.

The Authority continued to pursue issues of signal spillage by engaging the Independent Communications Authority of South Africa (ICASA) under the Memorandum of Understanding (MoU) signed by the two parties in 2002. The Cross-border Coordinating Forum (CCF) had made recommendations which were to be signed by the regulatory authorities and operators of both countries. However, delays were experienced in the finalisation of the document. It is expected that the matter will be finalised in the following year.

The National Radiocommunications Committee (NRC), which was established under the provisions of the Lesotho Telecommunications Act 2000 (as amended) to advise the Authority on radio communications matters, continued its work during the year. The Committee, as well as its subcommittees, met to work on specialised issues such as digital broadcasting and radiocommunications spectrum.

Under the auspices of an organisation responsible for



Field inspections in Maputsoe area where signal spillage is high

Chief Executive's Report

the registration of Internet number resources in Africa, known as AfriNIC, the Authority organised and hosted training on Internet Protocol version 6 (IPv6) for Lesotho's Internet Service Providers (ISPs) and other stakeholders. The service providers were made aware of the role of AfriNIC, issues of Local Internet Registry and about the diminishing Internet Protocol number resources under the Internet Protocol version 4 (IPv4) and the need to adopt IPv6.

Economic and Tariff Regulation

Economic overview

Economic indicators point to a slowdown in economic growth in Lesotho during the reporting period in part due to the global financial and economic crisis. The sharp drop in commodity prices globally, reduced demand for labour in South Africa's mining sector and put pressure on remittances to Lesotho, a key source of income for the country. Exports to key developed country markets also contracted due to the global slump. Nonetheless, Lesotho's prudent macroeconomic policies, investment in ICT and its commitment to regional co-operation offer prospects for future growth leading to poverty reduction.

Subscriber Base

Since liberalisation of the telecommunications sub-sector in 2000, the subscriber base continued to grow and communication services reaching areas which were once classified as economically non-viable. At the end of March 2009, the sector had registered about 634 000 subscribers which is 34 percent of the population. The post-paid (pay-after-use) subscribers amount to one percent of the population while prepaid (pay-as-you-go) are 33 percent. The trends in the market share for both fixed and mobiles follow the same pattern as in the rest of the world. It is observed that the mobile continued to claim larger market share than the fixed, being 94 percent and six percent respectively. The breakdown is shown on Table 4 below.

Table 4: Breakdown of sector subscribers by fixed and mobile

	Fixed	Mobiles	Sector	Teledensity
Post-paid	2%	2%	4%	1%
Prepaid	4%	92%	96%	33%
Total	6%	94%	100%	34%
Teledensity	2%	32%	34	

Fixed network performance

The fixed operator's subscribers continued to show steady decline, from 47,582 as at end of March 2008 to 41,190 as at end of March 2009. The last quarter had a marginal decrease of two percent as compared to the decrease of six percent in the third quarter. This consists of two percent increase for post-paid subscribers and four percent decrease of prepaid subscribers. The decline in subscriber numbers is an indication of increasing number of disconnections against fewer new connections.

This presents new challenges for communications regulation. While mobile communications seems to be the future for voice, fixed networks are still critical for data connectivity.

Figure 1 highlights the fixed network's subscriber trends from quarter one to quarter four. While post-paid subscribers have been gradually increasing from quarter to quarter, the prepaid has behaved differently. There has been an increase from quarter one to quarter two, whereas from quarter two to quarters three and four a decline had been recorded. The post-paid subscribers amount to 38 percent of the total fixed network subscribers and prepaid amounts to 62 percent. In general, fixed subscribers are declining, in line with global trends.

New transceiver station in rural Leribe district



Chief Executive's Report

Mobile Network Performance

Aggregate mobile subscribers

In this reporting period, the number of subscribers of mobile operators increased at a decreasing rate. The increase was by seven percent in the third quarter and by five percent in the fourth quarter. The number of disconnections in the fourth quarter rose to ten percent, compared with a decline of three percent in the third quarter. The mobile operators experienced an increase in disconnections in the fourth quarter unlike in the third where the disconnections were low. Despite the quarter to quarter fluctuations during the reporting period, the mobile sector continued to record year on year growth.

Post-paid and prepaid subscribers

Post-paid subscribers account for about one percent of the total subscribers and prepaid constitutes 99 percent. This reflects the global trends in the uptake of communications services as lower income consumers are attracted to prepaid services.

Payphones and telebureaus

Payphones and telebureaus remain critical for universal access of communications services as they provide an opportunity to the low income users to have access and enjoy communication services, and they serve as an appropriate measure of universal access. The number of public payphones and telebureaus has increased from 5,742 at the close of the last reporting period to the present 8,443 at end of March 2009.

Base Transceiver Stations (BTS)

BTSs have increased from 158 as at the end of March 2008 to 180 as at

Figure 1: Quarterly fixed subscriber trends

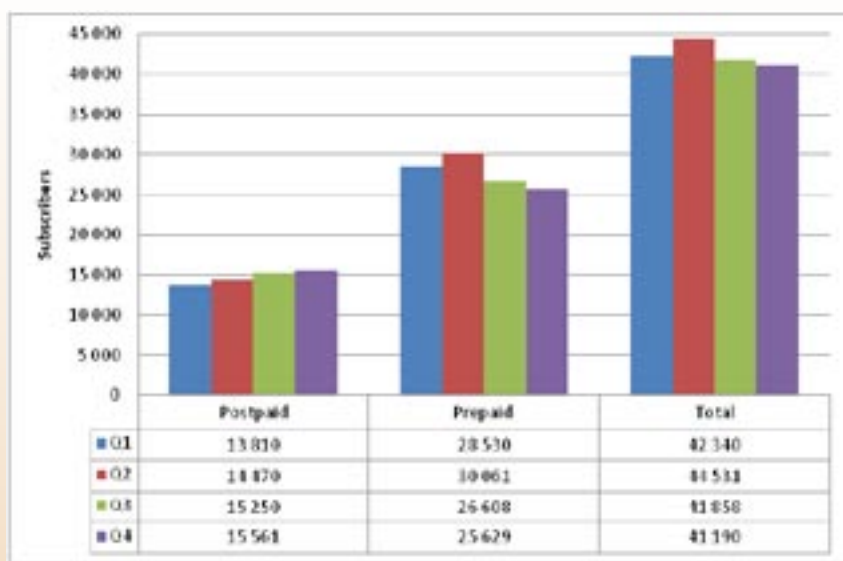


Figure 2: Quarterly mobile subscriber trends

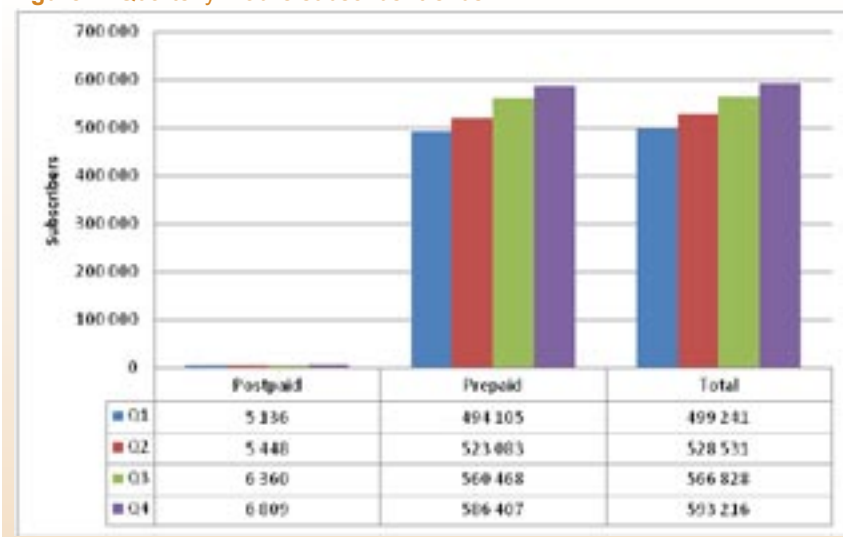
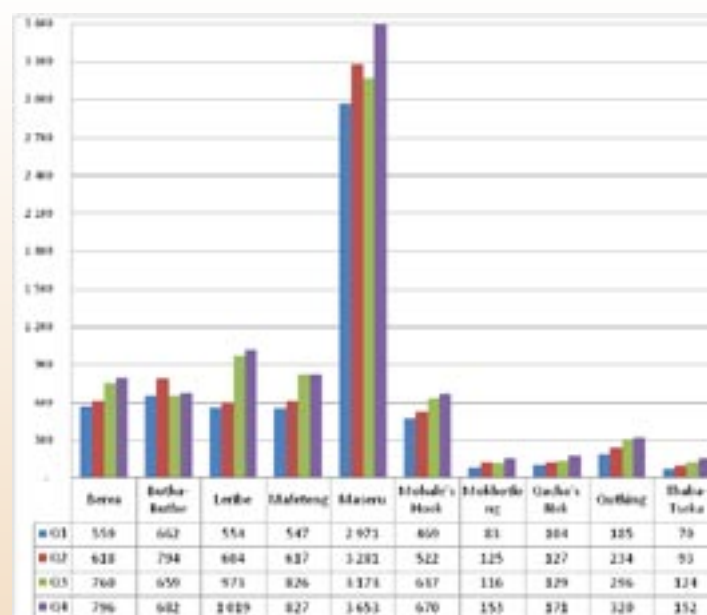


Figure 3: Payphones and telebureaus as at end of March 2009



Chief Executive's Report

end of March 2009. Most of the growth is in the capital city, Maseru. The increase in the number of BTSs is attributable to the operators' improvement of quality of service to address traffic congestion issues as subscribers increase and the increased demand for value added services.

Internet access

The total number of the telephones that dial up into registered Internet Service Providers (ISPs) has declined from 1,360 to 1,251. This pattern is explained by the introduction of other modes of Internet technologies such as WiMax, ADSL, CDMA2000, EVDO, and 3G HSDPA which have higher capacity and speed even though dial up still holds a price advantage.

Leased lines

The leased lines connections now stand at 495, up from 401 in the last reporting period.

All communications sector indicators except fixed line connections and Internet dial-up mode indicate a steady growth of the sector in terms of number of people having access to communications services as well as diversity of services and products being offered. The infrastructure for communications services is increasing in numbers as well as quality. Table 5 below summarises these indicators at end of the reporting period.

ICT indicators survey

In the last reporting period, it was reported that the Authority was conducting a survey on the access and utilisation of ICTs in Lesotho. The study covered four distinct sectors namely business (trading enterprises and manufacturing), education, health and accommodation business as users of ICTs spread throughout all ten districts of Lesotho. The Authority completed the survey and

Figure 4: Base transceiver stations by district

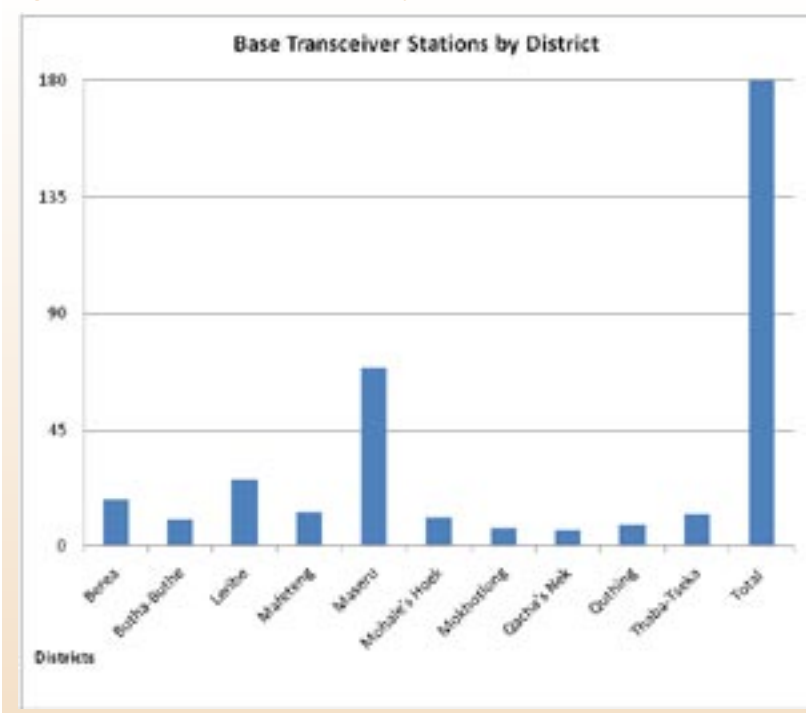
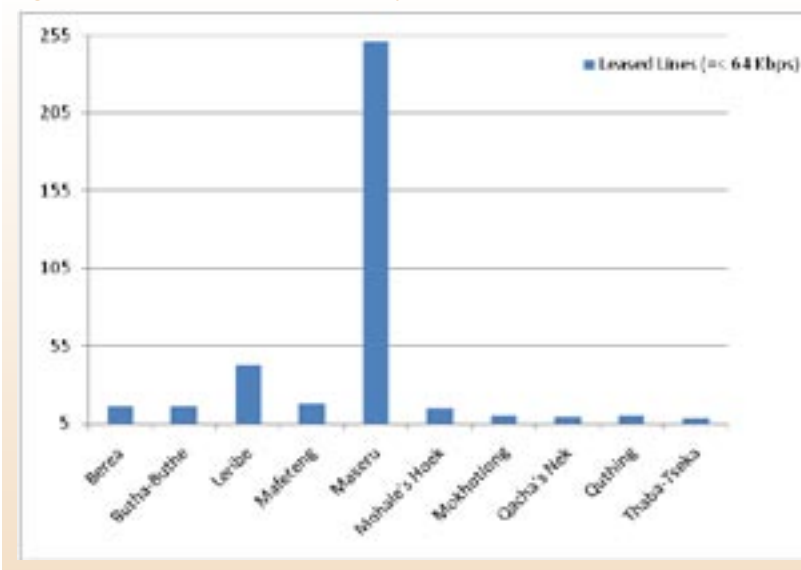


Figure 5: Leased line connections by district



published the results of the study in a report entitled "The State of Communications Sector and ICT Indicators in Lesotho". The report is organised around the four sectors outlined above, as well as the documentation of sector developments. The report chronicles developments in the communications sector, especially since the regulator was established in 2000. It covers key issues such as regulatory interventions, subscriber growth, network coverage and market share trends. It presents the results of the user surveys and provides comparative statistics on the four service sectors.

Prior to its release, the report was presented to stakeholders at a workshop held in Maseru. The stakeholders' workshop was attended by 56 participants from government departments, network operators, broadcasters, the

Chief Executive's Report

National University of Lesotho, ISPs, Internet café operators and the Lesotho Electricity Authority (LEA).

Sector Teledensity and Network Coverage

As at end of March 2009, the number of telephone connections in this period amounted to 634,406 resulting in a teledensity of 34%. Connections made this year represented a cumulative growth of five percent from that of last reporting period.

Quality of Service parameters

The increase in subscriber base has placed pressure on the networks to deliver quality services to end-users. This in turn has made it incumbent upon the Authority to closely monitor quality of service (QoS). To enhance its capacity in this area, the Authority participated in a Quality of Service meeting under the African Forum for Utility Regulators Communications Sector Committee (AFUR-CSC) held at the beginning of April 2008. This enabled the review of LCA's quarterly statistics form by which QoS measures were aligned with the recommendations of the meeting. The Authority is looking into other QoS parameters which will then be agreed upon with all relevant stakeholders.

International Cooperation

1. In view of the importance in achieving global harmonisation of standards the Authority participated in the World Telecommunication Standardization Assembly (WTSA-08): This quadrennial event, which de-

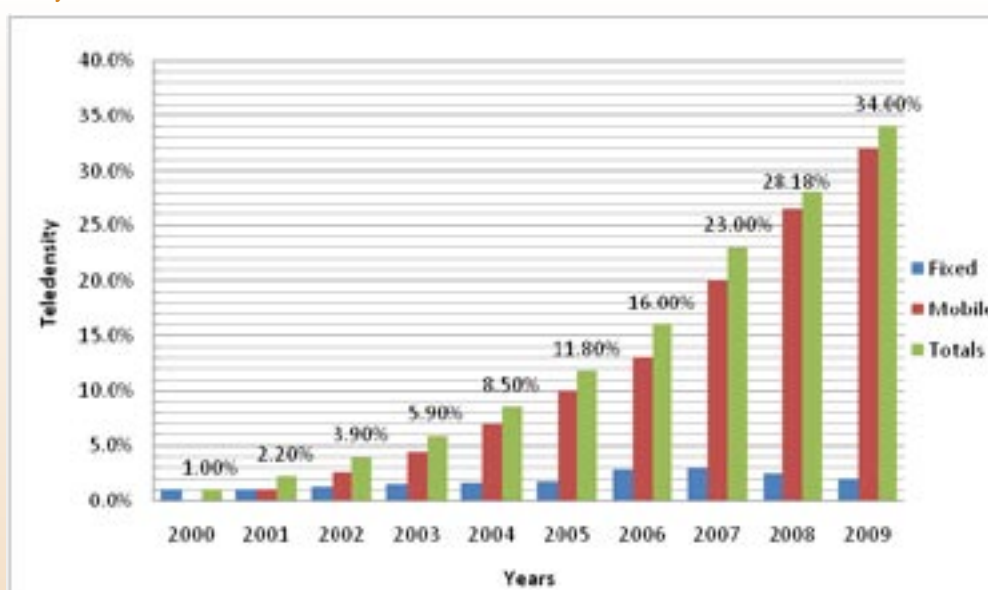
Table 5: Summary of selected ICT indicators as end of March 2009

Indicator	Fixed Operator	Mobile services	Total
Total Number of subscribers	41,190	593,216	634,406
Teledensity (%)	2	32	34
Public phones and telebureaus	706	77375	8,443
Number of BTSs	23	157	180
Internet dial-up subscribers	1,251	Not applicable	1,251
Leased Line subscribers	495	Not applicable	495

fines the future direction for the ITU's Standardization Sector (ITU-T), took place in Africa for the first time in Johannesburg, South Africa in October 2008. The Assembly was preceded by a Global Standards Symposium (GSS). The assembly agreed on measures to enhance efficiency of its operations including restructuring of ITU's standards work and dealt with issues around increased ICTs and climate change, the deployment of IPv6, accessibility to ICTs for persons with disabilities, conformance and interoperability testing and encouraged participation of academics in ITU's work.

In line with the deliberations on harmonised standards of the Communications Regulators Association of Southern Africa (CRASA), the Authority participated in the

Figure 6: Sector teledensity trend from 2008 to 2009

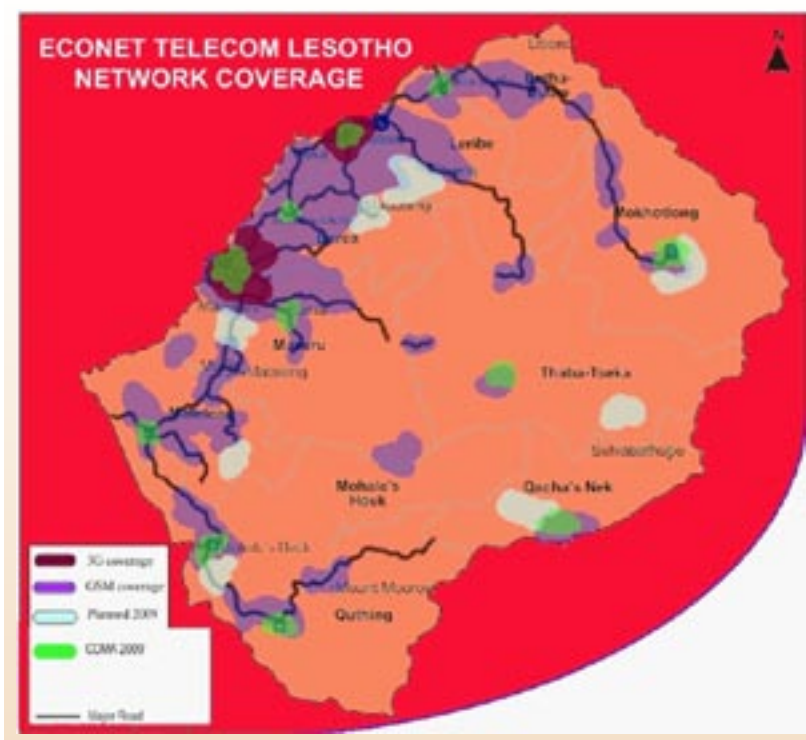


Chief Executive's Report

Figure 7: Vodacom Lesotho coverage map as at 31 March 2009



Figure 8: Econet Telecom Lesotho coverage map as at 31 March 2009



Commonwealth ITU Group (CIG) and CPM-Accra for Africa Region coordination in preparation for World Telecommunication Standards Assembly (WTSA-08). The Authority participated in the deliberations and discussion on the draft proposal for Type Approval Certification Proce-

dures (TACP) which formed a basis for adoption at WTSA-08 once the Accra document is approved and put into operation.

2. Work has started on the East African Submarine Cable System (EAS-Sy), a fibre optic link that will connect 21 African countries to each other and the rest of the world with high capacity Internet access and international communications. Marine surveys have been undertaken on over two-thirds of the 10,000 km submerged route, with more than 6,700 kms of the seabed now surveyed. This work will enable planners to determine in detail an optimal route for deployment of the submerged components of the cable - ensuring that cable laying avoids potential hazards such as earthquake zones, heavy shipping areas and rocky surfaces, all of which can damage submarine cables. Surveys have also been completed on terrestrial routes and the cable will have landing stations in Mtunzini, South Africa; Mozambique; Madagascar; Comoros Islands; Tanzania; Kenya; Somalia; Djibouti and Sudan. The undersea cable is expected to go live in June 2010. Lesotho is part of this project and the Authority continued participating in its meetings. Locally, the Authority engaged the major network operators regarding their possible participation in the project in place of the Authority.

3. To address the concern of the SADC Ministers responsible for ICT on the high cost of roaming charges in the region, the SADC Secretariat convened an urgent meeting in July 2007 for policy makers, regulators and telecom operators in order to develop a policy and regulatory framework and the modalities for the "SADC Home and Away Roaming".

The Authority participated in a round-table discussions convened by CRASA and hosted by the Independent Communications Authority of South Africa

Chief Executive's Report

(ICASA) in Johannesburg where Regional Alliance Task Team (RATT) on SADC Home and Away Roaming was established as well as a follow-up meeting that was hosted in Johannesburg by the Vodacom Group later in the year. Membership of RATT comprises representatives of the SADC Secretariat, CRASA, GSM Africa, Southern Africa Telecommunication Association (SATA) and SADC Parliamentary Forum as an observer. The main task of RATT is to investigate mechanisms of reducing the high cost of roaming charges within the SADC region and to submit a report to the Ministers for a final decision.

The Authority hosted the third round of CRASA Specialised Committee meetings as well as the Executive Committee Meeting in February 2009 in Maseru which were attended by 40 officials. The specialised meetings were those of: the consumer issues, revenue generation, finance and audit, and broadcasting affairs committees. Another round of meetings had been previously held in Botswana in September 2008. It was also represented at CRASA meeting on Frequency Planning, Technology and Advanced Services Committee which was held in Malawi in November 2008.

4. The Next Generations Conference, organised by CRASA, hosted by the Communications Authority of Zambia (CAZ) and in partnership with the Southern Africa Telecommunications Association (SATA) and NetTel@Africa Network was held in Livingstone, Zambia at the end of March 2009. The conference focused on among others, new technologies and digital broadcasting. It was noted that wireless communications began changing the way the world communicates at the close of the 20th Century. Since then, the evolution of wireless communications from narrowband to broadband has allowed seamless, always on-line access to unlimited information and new entertainment services to users. Broadband Wireless Access (BWA) technologies are having vast advantages due to their offer of personal broadband access regardless of user's locality. The conference was attended by regulatory authorities in the Southern Africa region, ICT service providers, manufacturers and other stakeholders in the ICT sector.

5. The Commonwealth Telecommunications Organisation (CTO) in June 2008 organised the second annual European/African Ministerial and Regulatory ICT Roundtable which was held in Stockholm and London. The roundtable brought together about 25 ICT Ministers and Heads of Telecommunication Regulatory Authorities from the Commonwealth African countries

for a series of meetings, presentations, discussions and exchange of ideas on ICT development in the African continent. The forum highlighted the technological developments in the ICT sector and the challenges associated with its regulation.

6. The Authority participated in the ITU Regional Cybersecurity Forum for Eastern and Southern Africa which was held in Lusaka, Zambia in August 2008. The forum focused on the ITU mandate concerning cybersecurity, the toolkit developed by ITU to enable members to undertake self-assessment in cybersecurity, country case studies and their challenges, promotion of cybersecurity culture, government-industry collaboration, national cybersecurity strategy, and made some recommendations. ITU has undertaken to assist countries by building their capacity on cybersecurity issues.

Corporate Governance

1. A two-day workshop on corporate governance and risk management was held for Members of the Board and the Executive Management in Maseru in March 2009.

2. Members of the Finance and Audit Committee attended the first annual conference of the Institute of Internal Auditors - Lesotho Chapter in Maseru. The conference took place concurrently with the launch of this Institute.

Audit Activities

Other than the routine internal audit activities which were aimed at mitigating corporate risk and upholding its high standards of corporate governance, the Authority carried out an audit of tariffs charged by the network operators.

1. The audit was carried in respect to the tariffs being charged to customers for communications services offered by the major network operators in Lesotho. The aim was to identify the level of compliance by the network operators in regard to the tariffs which had been filed and approved by the Authority. It was intended to test the level of accuracy of the network operators when charging the customers.

The scope of the audit involved examining the billing information for the network operators for various categories of products that they offered to customers during the period of June to November 2007. The billing infor-

Chief Executive's Report

mation was examined to establish the compliance of the operators with the approved rates. While no major variances were found, the report yielded some areas of concern which were discussed with the network operators.

2. The process of developing the Authority's Risk Profile commenced during the reporting period. The profile has gone through reviews by the Finance and Audit Committee and the Board. It will be subjected to periodic reviews.

3. The Authority has drafted a Code of Ethics for its staff. The draft code was discussed with staff, reviewed by the Board and finalised for adoption in the ensuing financial year.

4. The quarterly internal audits on procurement and human resources matters were carried out as per the audit plan and reports were presented to the Finance and Audit Committee.

5. The 2007/08 financial year audit was conducted by the Office of the Auditor General. The results of the audit were published as part of the annual report submitted to MCST.

Social Investment

1. In line with the Government of Lesotho (GOL) policy to avail computers to school children, GOL donated laptops to about 300 students who were partici-

pating in the activities of the Lesotho Public Service day. The Authority took part and contributed towards the acquisition of the laptops.

2. The Ministry of Health and Social Welfare with the support of United Nations Children's Fund (UNICEF) and the network operators launched the Lesotho Childhelpline. The service is a 24-hour counseling, support and protection service run by Lesotho Save the Children. The service follows from the principles of ITU and Child Helpline International (CHI) of providing communication services to protect children in distress situation. The Lesotho toll free number is 800 22345.

3. The Authority donated thirteen used computers and printers to two schools, Lejone Secondary School and Mapoteng High School in line with its policy on disposal of used computer equipment.

Financial Performance

The detailed Audited Financial Statements of the Authority for the year ended 31 March 2009 are appended to this report.



M. Posholi
Chief Executive

Lejone Secondary School students with computers donated by the LCA



Financial Statements for the Year Ended 31 March 2009



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

I have audited the accompanying financial statements of Lesotho Communications Authority, which comprise the balance sheet as at 31 March 2009, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 24 to 33.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit. The audit has been conducted in accordance with International Standards on Auditing. Those standards require auditors to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

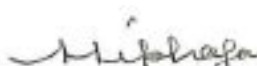
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or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

In making those risk assessments, the auditor considers internal 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 Authority as at 31 March 2009, 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



Financial Statements for the Year Ended 31 March 2009

DIRECTOR'S REPORT

Directors

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

Dr. P.M. Mangoaela (Chair)

Ms. R. Lehohla

Mrs. T. Mokela (from 1 May 07)

Mr P. Khetsi (from 1 May 2007)

Mr M. Malie (from 1 June 2007)

Mr. M. Posholi (CE & Secretary)

Disclosure of Interest

The Authority is a government regulatory agency with no shareholding. The directors do not hold any financial interest in the Authority.

Auditors' Appointment

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

BOARD APPROVAL AND STATEMENT OF RESPONSIBILITY

The Board is required by law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Authority as at the end of the financial year end and of the income & expenditures and cash flows of the Authority for that period. The annual financial statements set out on pages 24-33 are the responsibility of the Board.

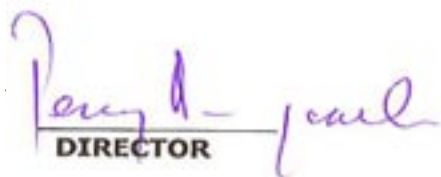
The Board is responsible for ensuring that the Authority keeps accounting records which disclose with reasonable accuracy, at any time, the financial position of the Authority and which enable them to ensure that the financial statements comply with the Lesotho Communications Act No 5 of 2000 as amended.

The 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 considered that in preparing the financial statements for the year ended 31 March 2009 set out on pages 24-33, the Authority has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. The Board also consider that all applicable International Financial Reporting Standards have been followed and confirm that the financial statements have been prepared on the going concern basis.

The auditors' responsibilities are stated in their report on page 22.

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

Against this background, the financial statements set out on pages 24-33 which are stated in Maloti, the Lesotho currency, have been approved and authorised for issue on 29th September 2009 by the Board and signed on its behalf by:



DIRECTOR



DIRECTOR

Financial Statements for the Year Ended 31 March 2009

INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2009			
		31.03.09	31.03.08
	Notes	Maloti	Maloti
INCOME		33,862,123	24,473,693
Regulatory Fees	2	28,200,296	19,973,840
Other Income		-	11,845
Amortisation of Capital Grant		1,759,133	1,759,133
Profit on Disposal of Fixed Assets		-	78,429
Interest Income		3,902,694	2,650,446
EXPENDITURE		24,786,460	23,207,012
Staff Costs	3	12,697,519	12,289,971
Depreciation	5	2,967,410	2,123,553
Directors Emoluments		388,992	238,225
Audit Fees		37,100	7,100
Other Costs	4	8,695,439	8,548,163
Surplus/Deficit for the period		9,075,663	1,266,681
UA Reserve		2,268,916	-
Retained surplus for the period		6,806,747	1,266,681
BALANCE SHEET AS AT 31 MARCH 2009			
		31.03.09	31.03.08
	Notes	Maloti	Maloti
ASSETS			
Non Current Assets			
Property, Plant & Equipment	5	9,425,234	10,138,273
Current Assets		48,312,904	40,444,398
Non Current Assets held for sale		7,200	7,200
Trade and other receivables	6	3,177,560	3,741,037
Cash and cash equivalents	7	45,128,144	36,696,161
Total Assets		57,738,138	50,582,671
Funds		26,842,195	21,340,488
Capital Fund	8	2,331,822	1,646,622
Revaluation surplus		1,854,515	1,854,515
Accumulated Fund		19,602,237	13,026,598
Capital Grant	9	3,053,621	4,812,753
Non-Current Liabilities			
Deferred Income	10	13,771,249	15,107,917
Current Liabilities	11	17,124,694	14,134,266
Trade and other payables		1,526,035	1,729,856
UA Reserve Fund		12,042,916	9,774,000
Provisions		3,555,743	2,630,410
Total Funds and Liabilities		57,738,138	50,582,671

Financial Statements for the Year Ended 31 March 2009

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2009

		31.03.09	31.03.08
	Notes	Maloti	Maloti
Net cash inflow/outflow from operating activities	12	11,337,736	5,080,321
Investing Activities			
Purchase assets		(1,569,085)	(2,308,603)
Transfer of assets		-	452,542
Net cash flows from investing activities		(1,569,085)	(1,856,061)
Financing Activities			
Proceeds from sale of assets		-	96,725
Initial licence fees		(1,336,668)	1,830,001
UA Reserve Fund		-	689,500
Net cash flows from financing activities		(1,336,668)	2,616,226
Net increase in Cash & cash equivalents		8,431,983	5,840,486
Cash & cash equivalents at the beginning of the year		36,696,161	30,855,676
Cash & cash equivalents at the end of the year		45,128,144	30,696,161

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2009

		Accumulated Funds	Accumulated Funds
		31.03.09	31.03.08
		Maloti	Maloti
Balance as at 31 March 2008		13,026,598	11,215,047
Prior-Period Adjustments		(231,108)	544,870
Adjusted Balance as at 31 March 2008		12,795,490	11,759,917
Surplus for the year		6,806,747	1,266,681
Balance as at 31 March 2009		19,602,237	13,026,598

NOTES TO FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

1.1 Basis of Preparation

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

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

IAS 1	Presentation of financial statements
IFRS 7	Financial instruments – disclosures
IAS 39	Financial instruments: Recognition, measurement
IAS 16	Property, plant and equipment
IAS 17	Leases
IAS 24	Related party disclosures
IFRS 5	Non current assets held for sale
IAS 20	Government grants

1.3 Significant Judgments

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 judgment 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.

Evaluation of Property, Plant and Equipment

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

Provision for Impairment of Receivables

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

Contingent Liabilities

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

1.4 Recognition of Assets and Liabilities

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

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

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 Statements for the Year Ended 31 March 2009

NOTES TO FINANCIAL STATEMENTS

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:

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

Land is not depreciated.

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 Non Current Assets held for Sale

Non current assets held for sale are recognised in the balance sheet at the lower of carrying amounts or net realisable value. Non current assets are not depreciated while classified as held for sale.

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 measurements 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.

Financial Statements for the Year Ended 31 March 2009

NOTES TO FINANCIAL STATEMENTS

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 benefit pension scheme for its eligible employees. The pension contributions on behalf of its employees are charged to the income statement in the year in which they relate to. The Authority contributes 8% of each member's pensionable salary and a fixed amount for the Chief Executive to a defined benefit fund. The fund is administered by Lesotho National Life Assurance Company.

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

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

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

1.14 Taxation

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

1.15 Provisions

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

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

1.16 Revenue Recognition

Revenue

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

Interest Income

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

Government Grants

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

Leases

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

Financial Statements for the Year Ended 31 March 2009

NOTES TO FINANCIAL STATEMENTS

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 to current year's presentation.

	31.03.09	31.03.08
2. Regulatory Fees	Maloti	Maloti
Application Fee	82,850	55,190
Licence Fee	2,176,914	1,690,974
Usage Fee	-	49,900
Spectrum Fee	6,016,856	2,721,286
Royalty Fee	19,923,676	15,456,490
	28,200,296	19,973,840
3. Staff Costs		
Salaries	7,341,057	7,214,393
Allowances	2,498,225	2,550,280
Pension	493,630	459,677
Severance Pay	216,407	220,761
Leave Pay	717,262	396,524
Medical Aid	468,066	464,439
Gratuity	692,592	765,833
Staff Refreshments & Welfare	79,030	32,066
Sports & Recreation	9,445	11,526
Staff Cell phone Airtime	119,940	120,000
Fringe Benefit Tax	41,255	39,553
Housing	20,610	14,919
	12,289,971	12,697,519

Financial Statements for the Year Ended 31 March 2009

NOTES TO FINANCIAL STATEMENTS

	31.03.09	31.03.08
	Maloti	Maloti
4. Other Costs		
Bank Charges	89,128	74,567
Interest Paid	-	2,952
Communication	525,841	452,764
Postage	8,895	9,644
Stationery	183,206	59,041
Repairs to Equipment	470,362	474,653
Water and Electricity	30,100	46,903
Office Rent	673,592	623,303
Insurance	295,684	234,365
Station Maintenance	695,921	464,126
Other Expenses	76,598	108,850
Books and Journals	60,686	15,523
Fuel	77,123	51,896
Car Running	47,509	27,665
Staff Uniform	14,552	73
Subscriptions	802,233	760,889
Travel and Accommodation	789,293	918,864
Staff Training	964,002	779,565
Business Entertainment	119,180	67,896
Cleaning & Security	73,829	108,908
Public Relations	403,907	253,562
Consultancy Fees	-	952,416
Board Expenses	-	134,913
Legal Fees	241,765	25,140
Research	139,477	135,894
Donations	28,303	49,471
Cash stolen	-	2,988
Doubtful Debts	1,884,253	1,711,325
Total Expenses	8,695,439	8,548,163

5. Plant, Property and Equipment

	Cost/Rev at 31.03.08	Additions	Cost/Rev 31.03.09	Depreciation at 31.03.08	Depreciation for the year	Depreciation at 31.03.09	Net carrying value at 31.03.08	Net carrying value at 31.03.09
Office Equipment	104,716	-	104,716	6,624	15,573	22,197	98,092	82,519
Computer Equipment	1,616,517	419,340	2,035,857	388,372	639,829	1,028,201	1,228,145	1,007,656
Motor Vehicles	1,078,993	-	1,078,993	-	269,743	269,743	1,078,993	809,250
Office Furniture	988,563	99,168	1,087,731	78,759	161,380	240,139	909,804	847,592
Land & Buildings	2,940,712	118,492	3,059,204	28,205	56,410	84,615	2,227,307	2,974,589
Monitoring Equipment	6,217,525	932,085	7,149,610	1,621,593	1,824,389	3,445,982	4,595,932	3,703,628
	12,947,026	1,569,085	14,516,111	2,123,553	2,967,324	5,090,877	10,823,273	9,425,234

Financial Statements for the Year Ended 31 March 2009

NOTES TO FINANCIAL STATEMENTS

6. Trade and Other Receivables

Trade receivables	4,755,616	8,575,579
Less: Impairment of trade receivables	(2,152,336)	(5,397,411)
	2,603,280	3,178,168
Prepayments and Deposits	11,198	11,198
Other Receivables	375,602	348,136
Staff Loans	140,833	139,384
Interest receivable	-	25,952
Withholding Tax – 5% source tax	46,647	38,199
	3,177,560	3,741,037

7. Cash and cash equivalents

Petty Cash	2,116	2,149
Current Accounts	1,022,250	224,970
Short term deposits	44,103,778	36,470,617
	45,128,144	36,697,736

8. Capital Fund

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

9. Capital Grant

Amount received	11,647,216	11,647,216
Amortisation of Capital Grant	(8,593,595)	(6,834,463)
	3,053,621	4,812,753

10. Deferred Income

	31.03.09	31.03.08
	Maloti	Maloti

These are initial licence fees for 15 & 20 years respectively:

Bethlehem Technologies	1,000,000	1,133,334
Econet Telecom Lesotho	10,271,249	11,141,250
Vodacom Lesotho	2,500,000	2,833,333
	13,771,249	15,107,917

11. Trade and other Payable

Trade payables	414,252	259,903
Fringe benefit tax	9,935	9,983
Other payables	1,101,848	1,459,970
	1,526,035	1,729,856

Financial Statements for the Year Ended 31 March 2009

NOTES TO FINANCIAL STATEMENTS

12. Reconciliation of surplus/(deficit) to cash generated from/(utilised in) operations

Surplus/(Deficit) for the year	6,806,747	1,266,681
Prior period adjustments	(231,108)	544,875
Depreciation	2,967,324	2,123,553
Surplus/(Deficit) on disposal of property, plant and equipment	-	(78,429)
Amortisation of capital grant	(1,759,133)	(1,759,133)
Operating cashflows before working capital changes	7,783,916	2,097,547
Working capital changes		
Decrease in accounts receivables	563,389	1,416,034
Increase in accounts payables	2,990,428	1,566,740
Cash generated/(utilised in) operations	11,337,736	5,080,321

13. Prior Period Adjustments

	31.03.09	31.03.08
	Maloti	Maloti
Travel and accommodation	43,060	-
Leave Pay	241,137	443,587
Debtors	(433,908)	-
Sundry debtors	(133,648)	-
Provision for doubtful debts	4,438	-
Retention	47,813	-
Stale cheques	-	833
Long Outstanding Expenses	-	100,450
	(231,108)	544,870

14. Contingent Liabilities

The Authority is contingently liable to Nedbank Lesotho and Standard Lesotho Bank in respect of vehicle and housing loans respectively provided by the banks to its employees which amount to M 1,479,602 at 31 March 2009.

15. UA Reserve Fund

In accordance with Lesotho Communications Authority rules of 2009, The Authority is required to transfer M 10m into the universal service fund as seed capital and further pay 25% of its annual surplus into the fund.

Separate bank accounts are maintained for the purpose of collecting the revenues from the Authority and Network Operators. The Authority has an obligation in terms of the Act to administer the fund on behalf of the communications sector and pay them when required to do so.

16. Related Party Transactions

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

17. Operating Lease

At 31 March 2009 the totals of future minimum lease payments under non – cancellable operating leases were:

	Land & Buildings	Other
Due: - within one year	M 717,751	M 95,697

NOTES TO FINANCIAL STATEMENTS

18. Capital Commitments

The Authority is in the process of constructing its offices. It acquired a site at Manthabiseng Convention Centre, the lease has been issued in the name of the Authority during the year ended 31 March 2008. During the preliminary arrangements of construction it was felt that the site is not perfect for the Authority's needs. The Authority has since been allocated another site in town which site will be exchanged with the site at Manthabiseng Convention Centre. Construction will begin immediately upon receiving a lease. The Authority will finance construction through its funds and a loan.

19. Financial Risk Management

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

Foreign Currency Risk

In the normal course of business, the Authority enters into transactions denominated in foreign currency. As a result, the Authority is subjected to exposure to fluctuation in foreign currency. However, there are no foreign currency assets or liabilities outstanding at the year end.

Interest Rate Risk

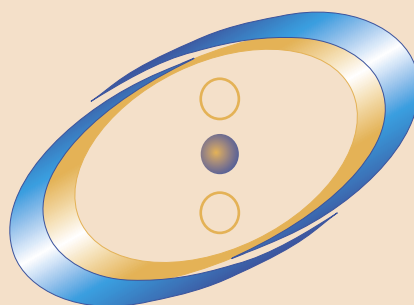
The Authority is exposed to various risks associated with the effect of fluctuations in the prevailing levels of market rates of interest on its cash resources and investments. The cash resources are managed to ensure that surplus funds are invested in a manner to achieve maximum returns while minimizing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

Credit Risk

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

Fair Values

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



L E S O T H O
COMMUNICATIONS
A U T H O R I T Y

Lesotho Communications Authority

6th Floor Moposo House • Kingsway Road • P.O. Box 15896 • Maseru 100 • Lesotho
Tel.: +266 2222 4300/5222 1300/ 2232 6784 • Fax: 2231 0984/2232 6081
Website: www.lca.org.ls • Email: lca@lca.org.ls