

This reporting period marks the final year of the existence of the Botswana Telecommunications Authority (BTA). Over its sixteen years of existence, the BTA has issued Three (3) Public Telecommunications Operators licences, Thirty Two (32) Private Telecommunications Network Licences and Sixty Eight (68) Value Added Network Service (VANS) licences. Over the same sixteen year period, fixed telephony subscriptions grew from around 148 000 to just over 162 000, mobile telephony subscriptions grew from zero (0) to almost 3.1 million while Internet users reached 977 462. The BTA will be succeeded by the Botswana Communications Regulatory Authority with effect from the 1st April 2013.

Botswana
Telecommunications
Authority

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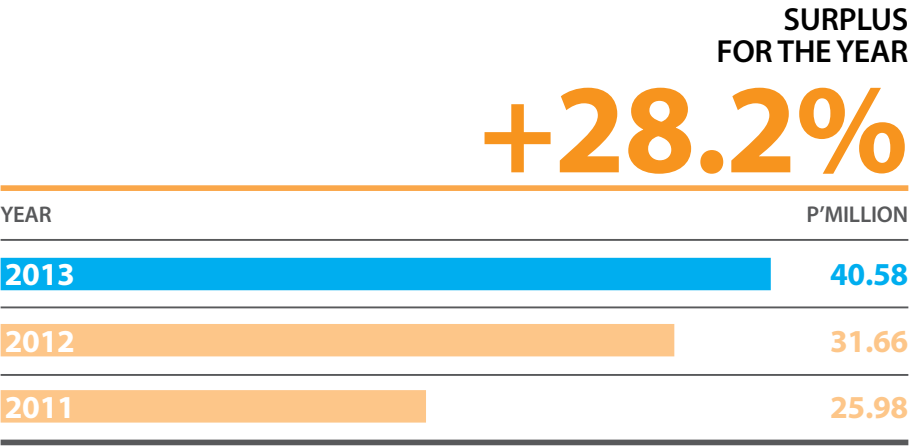
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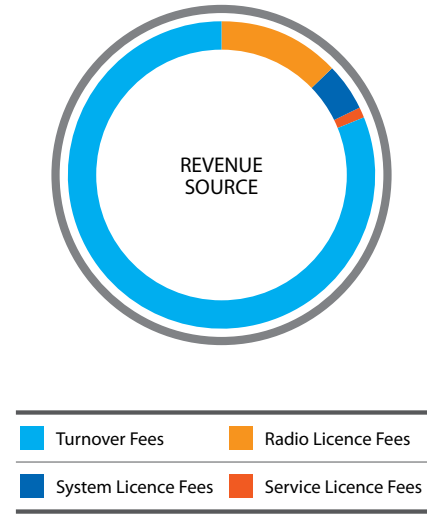
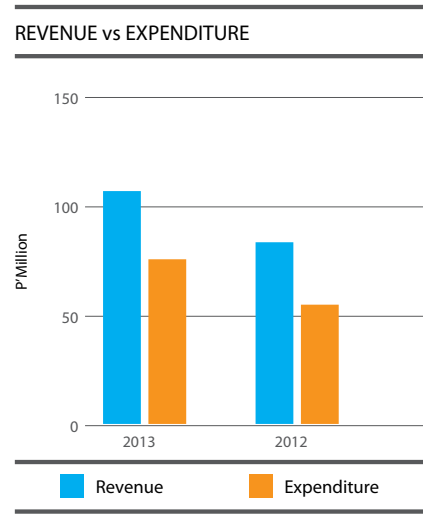
REVENUE
The BTA revenue comprise of turnover fees, radio licence fees, system licence fees and service licence fees. Turnover fees constitute significant share of total revenue at 81%. Total revenue increased by 22.5 % from Pula 93.60 million last year to Pula 114.64 million during the year. The increase was mainly due to the turnover fees from Botswana Telecommunications Corporation for the revenue generated from its subsidiaries for the period March 2009 to March 2012 which was only presented during the year under review. The BTA's turnover fees are confirmed through the audited turnover certificate of the public telecommunications operator (PTO), but for the prior periods the revenue generated from these subsidiaries was not included in the certificate.

OPERATING EXPENSES
Operating expenses increased by 19.2% to Pula 83.16 million compared to Pula 69.71 million in the previous year. Expenditure increased mainly due to increase in consultancies and employee costs. The BTA adopted a clean

pay structure and money was withheld from employees' salaries towards statutory payments. Since these are not permitted deductions under the Employment Act, the Authority on a conservative basis made a provision for a possible liability for the money withheld.

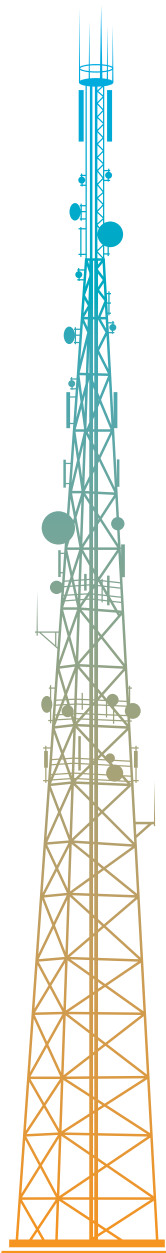
OTHER INCOME
The BTA invested its funds in fixed deposits and money market with banking institutions offering better interest rates. The fixed deposits amounting to P165 million are exposed to cashflow interest risk, however the BTA manages the risk by placing the funds in short term deposits ranging between 14 and 90 days.

FINANCIAL POSITION
The cash generated from operating activities increased by 31.5% from P46.10 million last year to P60.63 million during this year. Thus, the BTA has adequate resources to finance its operating activities and the anticipated capital expenditure in the financial year 2013/14.



The BTA recorded a surplus of Pula 40.58 million, representing an increase of 28.2% from previous year's figure of Pula 31.66 million.

| FINANCIAL REVIEW : 2013 vs 2012 | | |
|--|-----------|-----------|
| | 2013 | 2012 |
| | P'MILLION | P'MILLION |
| Revenue | 114.64 | 93.6 |
| Other income | 1.19 | 0.85 |
| Operating expenses | -83.16 | -69.71 |
| Surplus for the year before finance income | 32.67 | 24.74 |
| Finance Income | 7.41 | 6.42 |
| Fair value adjustments | 0.5 | 0.5 |
| Surplus for the year | 40.58 | 31.66 |



| FIGURES IN PULA | 2013 | 2012 |
|---|--------------|--------------|
| Statement of Comprehensive Income | | |
| Revenue | 114 638 901 | 93 601 614 |
| Other income | 1 185 105 | 854 462 |
| Operating expenses | (83 157 764) | (69 708 659) |
| Surplus for the year before finance income | 32 666 242 | 24 747 417 |
| Finance income | 7 409 284 | 6 417 757 |
| Fair value adjustments | 500 000 | 500 000 |
| | 40 575 526 | 31 665 174 |
| Statement of Financial Position | | |
| Assets | | |
| Non-current assets | | |
| Investment Property | 8 000 000 | 7 500 000 |
| Property, plant and equipment | 75 950 998 | 81 862 839 |
| | 83 950 998 | 89 362 839 |
| Current assets | | |
| Trade and other receivables | 33 807 624 | 25 715 209 |
| Prepayments | 401 756 | 458 806 |
| Cash and cash equivalents | 224 441 192 | 175 451 383 |
| | 258 650 572 | 201 625 398 |
| Total assets | 342 601 570 | 290 988 237 |
| Funds and Liabilities | | |
| Funds | | |
| Proposed dividends | 10 143 881 | 7 916 294 |
| Accumulated surplus | 263 987 931 | 233 556 286 |
| | 274 131 812 | 241 472 580 |
| Liabilities | | |
| Current Liabilities | | |
| Trade and other payables | 33 237 747 | 14 820 162 |
| Government of Botswana-Universal Service Fund | 35 232 011 | 34 695 495 |
| | 68 469 758 | 49 515 657 |
| Total Equity and Liabilities | 342 601 570 | 290 988 237 |
| Statement of Cash Flows | | |
| Cashflow from Operating Activities | | |
| Cash generated from operations | 53 223 922 | 39 682 926 |
| Finance income | 7 409 284 | 6 417 757 |
| | 60 633 206 | 46 100 683 |
| Cashflow from Investing Activities | | |
| Purchase of property, plant and equipment | (5 240 871) | (7 337 787) |
| Sale of property, plant and equipment | 977 252 | 559 029 |
| | (4 263 619) | (6 778 758) |
| Cashflow from Financing Activities | | |
| Movement in Government of Botswana Universal Service Fund | 536 516 | 1 032 063 |
| Dividends paid | (7 916 294) | (6 495 936) |
| | (7 379 778) | 5 463 873 |
| Total cash movement for the year | 48 989 809 | 33 858 052 |
| Cash at the beginning of the year | 175 451 383 | 141 593 331 |
| Total cash at the end of the year | 224 441 192 | 175 451 383 |



Approval of the Telecommunications Act of 1996 [No. 15 of 1996]; Establishment of the Botswana Telecommunications Authority (BTA) and the beginning of liberalisation of the telecommunications market.

1996

1997

Setting up of the BTA with the assistance of the Swedish Management Group (SMG) and publishing of the tender for the procurement of mobile telephone services.

1998

Beginning of competition and awarding of the first fifteen year mobile licences to Mascom Wireless (Pty) Ltd and Vista Cellular (Now Orange Botswana (Pty) Ltd. The licences were awarded with a ten (10) year exclusivity period.



2000

Hosting of the Telecommunications Regulators Association of Southern Africa (TRASA) Programme office. BTA moved into its own building (The current office). National Roaming was suspended. BTA issued two rulings directing Botswana Telecommunications Corporation (BTC) to provide leased line capacity to two Internet Service Providers (ISPs).

1999

Licensing of the first two commercial FM Broadcasting Radio Stations; Yarona FM and Gabz FM. BTA awarded the first Internet Service Providers' licences.



2001

Implementation of the new seven digit-numbering plan. The International Telecommunication Union (ITU) conducted a study on the BTA and declared it a best practice model for regulators and policy-makers to emulate.

2002

Study on the Pricing of Telecommunications Services in Botswana. ITU Secretary General Mr. Yoshio Untsumi officially opened the BTA Office.

2004

Study on Further Liberalisation of the Telecommunications Market in Botswana that led to the August 2006 Minister's pronouncement on the lifting of the restriction on the provision of VoIP by Value Added Network Service Providers and permission for mobile operators to self-provide transmission links.

2003

BTC was granted a fifteen (15) year licence. BTA issued Interconnection Guidelines and the first interconnection ruling between Botswana Telecommunication Corporation (BTC), Mascom Wireless and Orange Botswana.

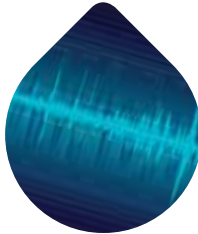


Development of the Telephone Numbering Plan and Draft Universal Service and Access Policy.

2006

2005

Installation of the Automated Frequency Management System (AFMS) which simplifies many of the responsibilities of radio Frequency Spectrum administration such as licensing, engineering analysis, frequency assignment and monitoring. Study on Cost Model and Pricing Framework for the Telecommunications Market in Botswana.



2008

Development of the Telecommunications Technical Specifications and Type Approval Procedures. Development of the Telephone Numbering Policy and the Spectrum Management Strategy.



2010

Allocation of the Fixed Wireless Access Spectrum and the Development of a Cost Model and Pricing Framework for Communications Services in Botswana.

2007

Introduction of the Service Neutral Licensing Regime leading to the birth of the BTC mobile phone service arm -beMOBILE.

2009

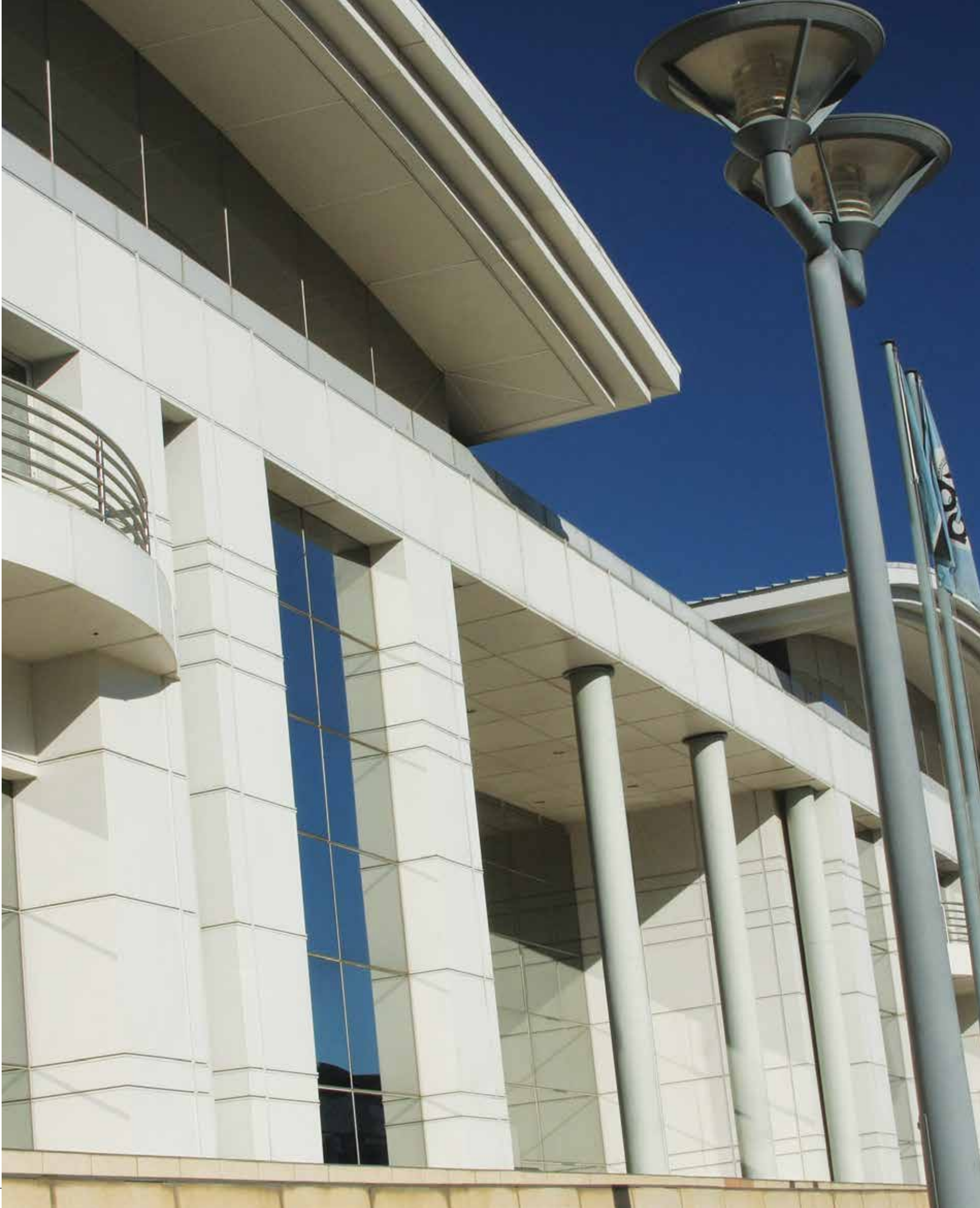
Official opening of the spectrum monitoring facility - The Spectrum House. Market study of the telecommunications sector in Botswana and the beginning of the Mobile Phone Sim-cards Registration requirement.



2012

Parliament passes the Communications Regulatory Authority Act. The Act provides for the regulation of Telecommunications, Broadcasting, Postal and Internet services under a converged environment.





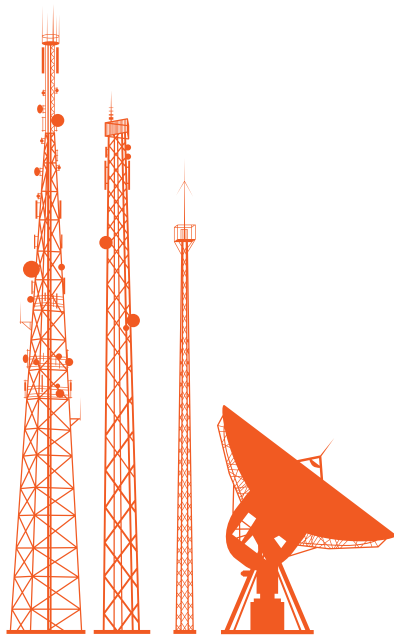
With the effective cooperation of all stakeholders and the right balance of regulation, together we as stakeholders will maximise the immense benefit to the people of Botswana.

Corporate Governance

We subscribe to high ethical standards and place strong emphasis on outstanding corporate governance.

Social Responsibility

We believe community relationships lay at the heart of a business.



The 2012/13 reporting period will be historic in that it marks the conclusion of the mandate of the Botswana Telecommunications Authority (BTA) Board in which I have been privileged to serve as Chairman. Coincidentally, the reporting period has experienced significant legal and policy developments for the communications industry which help to confirm it as a landmark reporting period.

The 2012/13 reporting period will be historic in that it marks the conclusion of the mandate of the Botswana Telecommunications Authority (BTA) Board in which I have been privileged to serve as Chairman. Coincidentally, the reporting period has experienced significant legal and policy developments for the communications industry which help to confirm it as a landmark reporting period.

On the local scene, parliament passed a new legislation called the Communications Regulatory Authority Act of 2012. The new law provides for the creation of a converged regulatory authority, to be called the Botswana Communications Regulatory Authority (BOCRA) which will have oversight responsibility over the communications sector in Botswana, comprising telecommunications, internet and information and communications technologies, radio communications, broadcasting, postal services and related matters.

The Communications Regulatory Authority Act will replace the Telecommunications Act [Cap 72:03] that provided for the establishment of the Botswana Telecommunications Authority (BTA) Board and the Broadcasting Act [Cap 72:04] that provided for the establishment of the National Broadcasting Board (NBB). Therefore, BOCRA will inherit and continue the mandates of the former BTA and NBB. In addition, the introduction of the Communications Regulatory Authority Act led to the amendment of the Botswana Postal Services Act to provide for the regulation of postal services which have hitherto been self-regulating.

On the international scene, the Southern African Development Community (SADC) continued efforts aimed at promoting the development of harmonised national and regional regulatory frameworks to ensure a level playing field in the ICT sector in the region. The SADC Harmonised Legal Cyber-security Framework was developed. The framework involved the formulation of Model Laws



upon which to build a comprehensive regional framework for the development of information society and the knowledge economy in the SADC Region. The harmonised Model Laws will guide the SADC Member states to draft or update their corresponding national legislations. In addition, a review of the SADC Frequency Band Plan was undertaken to take into account the decisions of World Radio Conference 2012 (WRC-12).

Beyond the region, the International Telecommunication Union (ITU) held the World Conference on International Telecommunications 2012 (WCIT-12) that revised the International Telecommunication Regulations of 1988 (ITRs-88) and adopted the new ITRs for 2012. The ITRs were signed by 89 governments, including Botswana, out of 144 that were present. The ITRs are an international treaty that contains binding general principles for the provision and operation of international telecommunications. They are used for the bilateral agreements between countries for the exchange of international telecommunication traffic. They also provide a framework for the accelerated growth of ICTs at the national and international level. In particular, the ITRs-88 helped to bring Internet access to two-thirds of the world's population and continue to drive investment in broadband roll out; prevent misuse of international telecommunication numbering resources and ensure the continuing promotion of digital inclusion for all citizens of the world. Therefore, the ITRs-2012 will build on the success of the ITRs-88 to take the development of the sector to another level.

The ITU also held the World Telecommunications Standardisation Assembly (WTSA) to consider matters related to telecommunications standardisation. Standardisation is important in bridging the digital divide and bringing vital aid to developing countries for building infrastructure and encouraging economic development. The conclusion of WTSA 12 signalled a landmark development in ITU commitment to assist the developing countries to bridge the standardisation gap through programmes such as assisting in the establishment of Internet Protocol Version 6 (IPv6) Test bed laboratories in developing

countries, assisting developing countries in facilitating the process of linking innovations to the standardisation process and providing assistance to the regional telecommunication organisations for the establishment and management of regional standardisation bodies. The new resolutions will boost internet agility, end discriminatory access to internet and clean up e-waste among other benefits.

The above noted highlights of the 2012/13 reporting period provide a launch pad for the fourth generation regulation and a good basis for the implementation of the new legislation. New content and application providers, such as over-the-top (OTTs) players, are changing the rules of the game. At the same time, sharp increases in data flows resulting from the rapid development of new services and applications, such as cloud services, coupled with changing consumer behaviours that call for uninterrupted and ubiquitous access to ICTs, are challenging the traditional role and mandate of the regulator, calling for a rethink of traditional approaches to regulation in a digital ecosystem.

With effective cooperation of all stakeholders and the right balance of regulation, together stakeholders will maximise the immense benefit that the digital ecosystem can bring to the people of Botswana and the world.

Going forward, challenges of quality of service; the need for additional spectrum to accommodate new services; safety concerns on mobile devices; affordability as well as nurturing the growth of the data market by facilitating internet penetration are challenges that continue to demand the attention of the regulator. Migrations from IPV4 to IPV6 as well as from analogue to digital television broadcasting technology are perhaps some of the immediate regulatory engagements of significant proportion that are set to take the industry to another level both locally and globally.

The Board is thankful for the opportunity to have had a role in shaping the regulatory environment and the development of the Botswana ICT landscape.

Dr B. O. Tsheko [Chairman]

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University of Sheffield, UK

MA (Economics)
University of Manitoba, Canada

BA (Economics)
University of Botswana



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and Earth Sciences, Netherlands

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Dr D. E. Maje

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MA (Radio Engineering)
State Technical University, USSR



Dr T. Nyamadzabo

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MA (Economics)
University of Delaware, USA

BA (Economics & Statistics)
University of Botswana



Mr. R. Phole

ACCA, B.Com
University of Botswana

This report marks the final chapter in the implementation of the Telecommunications Act [Cap72:03] and the role of the Botswana Telecommunications Authority (BTA) as a regulator of the telecommunications sector in Botswana. Pursuant to the enactment of the new law by Parliament, a new regulatory regime will emerge with effect from 1 April 2013. Therefore, I am privileged to present the closing account of the performance of the BTA of which I am incredibly proud.

The Botswana communications market continues to perform well in terms of financial parameters, teledensity and variety of service offerings. The period under review was no exception as the BTA revenue that comprise of turnover fees, radio licence fees, system licence fees and service licence fees increased by 22.5 % from Pula 93.60 million last year to Pula 114.64 million. Turnover fees which represent 3% of the Public Telecommunications Operators' (PTOs) net operating revenue constituted 81% of the P114.64 million. The BTA cash generated from operating activities also increased by 31.5% from P46.10 million last year to P60.63 million for the current period.

Overall, the BTA recorded a surplus of Pula 40.58 million, representing an increase of 28.2% from previous year's figure of Pula 31.66 million. Thus, the BTA closes business on a good financial standing to be able finance its operating activities and the anticipated capital expenditure in the financial year 2013/14. Under the new law that will come into effect at the beginning of the new financial year, some of the regulator's surplus funds will be used to finance universal access initiatives.

In terms of teledensity, fixed telephony subscriptions registered a growth rate of approximately 8% compared with 2% growth recorded for the 2011 and 2012 reporting period. In juxtaposition, mobile telephony subscriptions registered a growth rate of 5% compared to the 6% growth rate registered for the prior period. Coupled with these growth rates, PTOs continued to diversify



their service offerings by venturing into the mobile money services. Requests by PTOs for radio frequency spectrum to run trials for 4G technologies signal PTOs intentions to take advantage of the available undersea cable capacity to grow their data business. The move supports the global view that data provides opportunities for new revenue streams for the PTOs which have traditionally relied predominantly on voice for their revenues. Similarly, the internet market

2012 to 48% in March 2013 largely due to the significant growth in the use of smartphones and feature phones to access social media. This increase in the demand for data services has led to a corresponding upswing in the demand for radio frequency spectrum and numbering resources.

The foregoing market growth requires a well-resourced human capacity to enable the regulator to not only keep pace, but stay ahead of the regulated environment. During the year under review, the BTA adopted a Clean Pay Structure in an effort to incentivise and retain its relatively small and young workforce. The move to a Clean Pay Structure compliments the BTA's commitment to constantly grow its human capacity through academic, on the job training, benchmarking and participation at various local regional and international ICT regulatory forums. The need to capacitate the workforce will even become more critical in the ensuing reporting period as the regulator assumes additional responsibilities in the areas of broadcasting, internet as well as postal regulation.

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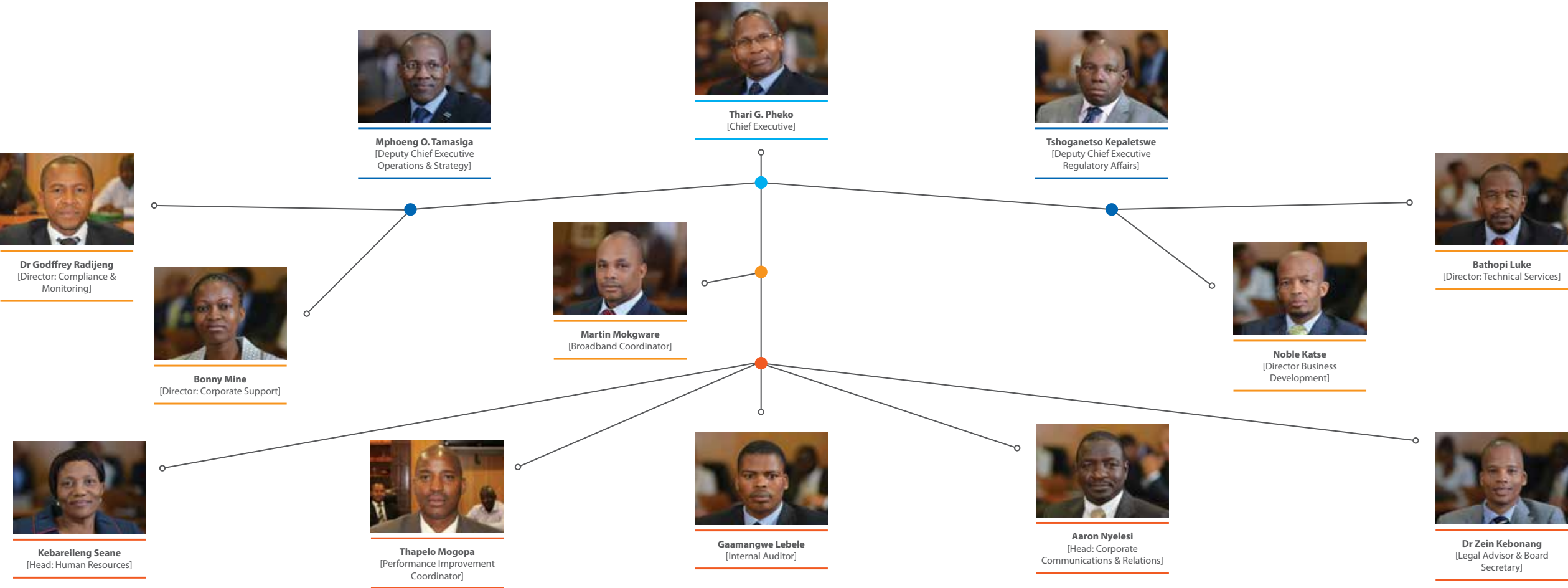
whose growth has been a major concern for Botswana has shown a phenomenal growth over the reporting period owing to the significant growth of the mobile Internet user density. Overall, Internet users (mobile and fixed) increased from 13.8% recorded in March

Overall the year under review has been a successful one for the communications industry. The market performed well and demand for services continued to grow. The new law anticipated to come into effect in April 2013 is expected to further guide the growth of the industry.

Mr Thari G. Pheko [Chief Executive]

MSc (Management Information Systems)
University of East Anglia, UK

BSc (Hons) (Business Finance and Economics)
University of East Anglia, UK



The depth of human resources and talent are key considerations at the BTA. We work to groom, support and empower our management team with a working culture that recognises and adds value to all staff and all stakeholders.

A sense of teamwork and comeraderie are, therefore, pillars of strength for our people which we seek to uphold and cultivate further.

THE BOARD

During the year under review, the then BTA was governed by a Board consisting of five Non-Executive Directors. In terms of the Telecommunications Act [Cap 72:03], the selection and appointment of members of the BTA Board was the responsibility of the Minister for Transport and Communications. Such appointments were based on prescribed skills and experience.

As at 31 March 2013, the following were members of the Board:

| | |
|--------------------------|-----------------|
| Dr. Botswiri O. Tsheko | (Chairman) |
| Dr. Masego A. Mpotokwane | (Vice Chairman) |
| Dr. Taufila Nyamadzabo | (Member) |
| Mr. Ronald M. Phole | (Member) |
| Dr. Ditshupo E. Maje | (Member) |

The Board of Directors is charged with the responsibility of maintaining good corporate governance. In carrying out its responsibilities and powers as set out in the Board Charter, the Board at all times recognise its ultimate responsibility to:

- maintain good corporate governance standards;
- act honestly, fairly and diligently and in good faith in what they believe to be the best interests of the company, and not for any collateral purpose;
- act in accordance with laws and regulations;
- avoid or manage conflicts of interest;
- promote the Authority as a good corporate citizen;
- act as the guardian of fairness, transparency and accountability; and
- act with due skill and care.

During the reporting period, the Board considered and approved ,inter alia, recommendations made to it by Board Committees as follows: Quality of Service Guidelines; Operator and Consumer Perception Report; Review of BTA Pay Policy and Review of BTA Training Plan.

DELEGATION TO COMMITTEES

The Board from time-to-time establishes committees to streamline the discharge of its responsibilities. For each standing committee, the Board adopts Terms of Reference setting out the matters relevant to the composition, role, function, responsibilities and administration of such committees. Reports of committee meetings are submitted to the full Board following each committee meeting. During the reporting period the Board worked through four Standing Committees namely:

- a. Finance and Audit and Committee;
- b. Remuneration Committee;
- c. External Tender Committee;
- d. Regulatory Committee.

REGULATORY COMMITTEE

The Committee was established, among other things, to:

- i. Determine, agree and develop the appropriate regulatory framework for the various Telecommunication services;
- ii. Ensure the implementation of Board resolutions by the Authority on regulatory issues;
- iii. Determine specific licensing policies and recommend to the Board for the award of licences which are issued through a competitive process;
- iv. Determine any criteria necessary to measure and ensure the compliance of the licensed services providers;
- v. Review spectrum management strategy, national policies and international best practices and recommend to the Board appropriate regulatory measures with regard to the utilisation of the radio frequency spectrum.

During the period under review, the Committee considered and made recommendations to the Board on issues relating to: Quality of Service Guidelines, Report on Mobile Number Portability, and Report on Market update.

The members of the Regulatory Committee were:

| | |
|------------------|------------|
| Dr. D. E. Maje | (Chairman) |
| Dr. B. O. Tsheko | (Member) |

FINANCE AND AUDIT COMMITTEE

The Committee was set up to ensure that management creates and maintains an effective control environment. Its responsibilities are:

- i. Recommend audited financial statements of the Authority to the Board;
- ii. Review Financial Controls;
- iii. Monitor and manage the Authority's financial risk;
- iv. Review Accounting Systems;

- v. Report to external stakeholders, the work of internal and external Auditors;

- vi. Monitor the BTA's legal compliance.

During the period under review, the Committee considered and made recommendations to the Board on various issues including the 2012 Audited Financial Statements, Management Accounts, Annual Report for 2011/12 and the 2012 BTA Internal Audit Plan.

The Committee also made recommendations to the Board regarding development of necessary operational policies, reduction of costs to ensure financial sustainability of the BTA and the approval of statutory reports to ensure that the BTA complies with the requirements of the Telecommunications Act in terms of financial reporting and other governance issues

The members of the Finance and Audit Committee were:

| | |
|--------------------|------------|
| Dr. T. Nyamadzabo | (Chairman) |
| Mr. R. M. Phole | (Member) |
| Ms. A. T. Khunwana | (Member) |

REMUNERATION COMMITTEE

The Committee has the mandate to review and recommend to the Board matters regarding Human Resource development, policies and practices, and the framework for remuneration of the employees of the BTA among others.

During the period under review, the Committee considered and made recommendations to

the Board on various issues including Review of BTA Pay Policy and Review of the Travel Policy.

The members of the Remuneration Committee were:

| | |
|----------------------|------------|
| Mr R. M. Phole | (Chairman) |
| Dr. M. A. Mpotokwane | (Member) |
| Ms. I. Ramalohlanye | (Member) |

EXTERNAL TENDER COMMITTEE

The Committee was set up to ensure fairness, value for money for the BTA and transparency in the award of contracts and tenders for the provision of goods and services valued above P1 000 000 (Pula One Million).

During the period under review, the Committee considered and approved submissions relating to the following tenders: Provision of Consultancy services to carry out Regulatory Impact Assessment on National Roaming in Botswana; Automated Spectrum Management System maintenance contract extension; Supply and Installation of Computer Equipment, Designing and Implementation of Disaster Recovery Site; Consultancy Service for the Development of a National Broadband Strategy.

The members of the External Tender Committee were:

| | |
|----------------------|------------|
| Dr. M. A. Mpotokwane | (Chairman) |
| Dr. D. E. Maje | (Member) |

| Table 5: Schedule of BTA Board Members attendance for the period April 2012 to March 2013 | | | | | | |
|--|--------|----------------|------------------------------|------------------------------|---------------------------|-------------------------|
| | | BOARD (N/N) | FINANCE & AUDIT COMMITTEE | EXTERNAL TENDER COMMITTEE | REMUNERATION COMMITTEE | REGULATORY COMMITTEE |
| Dr. B. O. Tsheko | Member | 5/7 | | | | 1/1 |
| Dr. M. A. Mpotokwane | Member | 7/7 | | 4/4 | 12/14 | |
| Dr. T. Nyamadzabo | Member | 5/7 | 3/3 | | | |
| Mr. R. M. Phole | Member | 5/7 | 3/3 | | 13/14 | |
| Dr. D. E. Maje | Member | 7/7 | | 4/4 | | 1/1 |
| Ms. I. Ramalohlanye | | | | | 9/14 | |
| Ms. A. T. Khunwana | | | 1/3 | | | |
| TOTAL | | 7/7 | 3/3 | 4/4 | 14/14 | 1/1 |

BOARD REMUNERATION

Botswana Government directive on sitting allowance for Board meetings indicates the prevailing fees for the BTA Board as follows:

| | |
|-------------------------|------------|
| <i>Fees per sitting</i> | |
| Board Chairman | - P 735.00 |
| Deputy Chairman | - P 588.00 |
| Member | - P 588.00 |

CONFLICTS AND DECLARATIONS OF INTEREST

In order to ensure good corporate governance, Section 12 of the Telecommunications Act Cap 72:03 imposed obligations on members of the Board to declare their interests at every Board and/or Committee meeting.

BOARD SECRETARY

A Board Secretary holds office based on the concept of independence and trust, reflecting the confidentiality of the role. The Board Secretary is instrumental to the application of best practice in corporate governance which is increasingly critical to an organisation's reputation and success. The Board Secretary is a key corporate participant. The Board Secretary for the 2012/13 reporting period was Dr Zein Kebonang.

INTERNAL AUDIT

The BTA supports and maintains an independent and effective Internal Audit function as a pillar of good governance. This was demonstrated through the Board's approval of additional resources to strengthen the function and improve its status in the year under review.

Based on the audits completed during the year, the Internal Audit noted the existence

of adequate control system for mitigating risk within the BTA. Recommendations for improvement were made in areas of; Accounts and Inter-System Balances Reconciliations, IT and Manual Records Management, IT Integration and Upgrades, Staff Remuneration, Training, Consumer Protection and Telecommunication Tariffs.

The Internal Audit function has continued to be instrumental in coordinating harmonisation of work processes for the Authority. To this end, the project to document all major work processes across the organisation was carried out successfully through the leadership of Internal Audit.

RISK MANAGEMENT

The BTA has an approved Risk Framework for identifying, analysing, assessing, mitigating, communicating and monitoring risk. In partnership with Internal Audit the Authority hosted a risk assessment and awareness training workshop for the Management during the year. This workshop assisted in highlighting the areas of focus for achievement of the strategic plan. The BTA has since devised mitigation plans for the high risks identified.

BUSINESS CONTINUITY AND DISASTER RECOVERY

The BTA accomplished the resourcing of its disaster recovery site. This has provided improved assurance that critical business activities will be accessible to the BTA customers at all times including in times of disaster. The site is now equipped with sufficient IT facilities to enable provision of the BTA services.

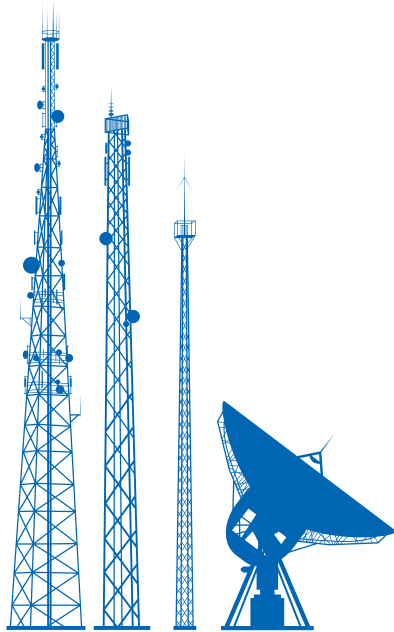




Both mobile and fixed telephony services continue to perform well despite the general economic slowdown.

Penetration

The total number of mobile cellular subscriptions increased.



UPTAKE OF TELEPHONY SERVICES

The Botswana telecommunications market continues to be served by three Public Telecommunication Operators (PTOs) namely, Botswana Telecommunications Corporation Limited (BTCL), Orange Botswana and Mascom Wireless. The PTOs offer a wide range of services including fixed telephony, mobile telephony, data and internet services. They also provide international connectivity. BTCL remains the only PTO which provides mobile telephony, fixed telephony, internet, data and value added services. Orange and Mascom provide mobile telephony, internet, data and value added services. In addition to the PTOs, the BTA has also licensed several Value Added Network Service (VANS) providers to offer a host of services ranging from Voice over Internet Protocol (VoIP) to a wide range of Internet based applications.

TELEPHONE SUBSCRIPTIONS

During the period under review, fixed telephony subscriptions increased from 150,549 subscribers in March 2012 to 162,718 in March 2013, a growth rate of approximately 8% compared to 2% growth recorded between 2011 and 2012. Fixed telephony subscriptions have increased marginally hence teledensity has remained stagnant at around 8%.

Mobile telephony subscriptions increased from 2,953,116 in March 2012 to 3,095,894 in March 2013, representing a growth rate of 5% compared with a growth rate of 6% registered between 2011 and 2012. Therefore, mobile teledensity stood at 153% during the period under review from 145% in March 2012. This relatively high mobile teledensity leaves less room for growth. As such customers are expected to switch between operators depending on the promotions and prices as the few remaining potential customers who do not yet subscribe to any of the operators slowly enter the market. Moreover, those who subscribe to more than one operator take advantage of the on-net cheap rates across the networks.

Over a ten year period, the fixed telephony subscriptions increased from 131,699 in March 2003 to 162,718 in March 2013, a growth rate of 24%. In contrast, mobile telephony subscriptions increased from 444,978 to 3, 095,894 over the same ten year period, registering a growth rate of 596%. Mobile telephone subscriptions have shown a significant growth while fixed telephony subscriptions increased moderately as shown in *Figure 1*.

MARKET SEGMENT: PREPAID vs POSTPAID

In the current review period ending March 2013, the share between Prepaid and Postpaid mobile telephony subscriptions remained unchanged at 98% and 2% respectively. The situation has remained unchanged for the past 10 years.

Figure 2 shows Prepaid and Postpaid subscription types for mobile telephony as at March 2013.

Mascom continued to dominate the mobile market in terms of number of active subscriptions, followed by Orange and beMOBILE, (BTCL mobile subsidiary). However, beMOBILE which started its operations in 2008 as the last entrant in the mobile telephony space has shown a significant growth although there were some fluctuations between the years. The market shares for both Mascom and Orange have generally declined over the past year as beMOBILE gained market share. *Table 2* depicts market share of the three PTOs over the last four years.

Figure3 shows the proportion of the market for the three PTOs in terms of mobile telephone subscriptions as at March 2013.

INTERNET AND BROADBAND PENETRATION

Despite the Internet market being fully liberalised, wireline Internet penetration continued to remain a challenge in Botswana due largely to the high cost of bandwidth and computer prices. However, a significant progress has been made to bring down the cost of bandwidth through investments in the undersea cables by the Government. Further, the development of Broadband Strategy that was in progress during the reporting period is expected to further address most of the challenges centred around Internet access.

Mobile Internet users have grown significantly due to the use of smartphones and feature phones to access the Internet coupled with the rollout of new technologies such as 3G in some areas of Botswana and the use of social media. PTOs are rolling out infrastructure in areas outside the urban centres to increase access to 3G services.

The total number of mobile cellular subscriptions with access to data and Internet communications increased from 259,486 in March 2012 to 958,074 in March 2013. On the other hand, the Asymmetric Digital Subscriber Line (ADSL) has shown an increase from 13,551 recorded in March 2012 to 19,331 in March 2013 representing a significant growth

Figure 1: Telephone Subscriptions (March 2003 - March 2013)

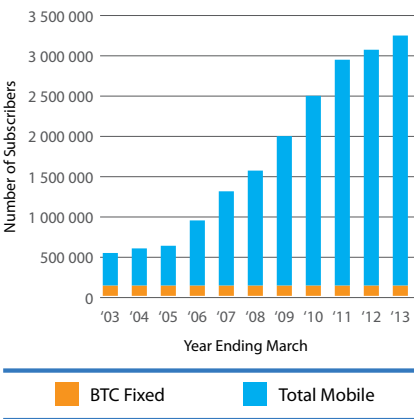


Figure 2: Mobile Prepaid and Postpaid Subscriptions

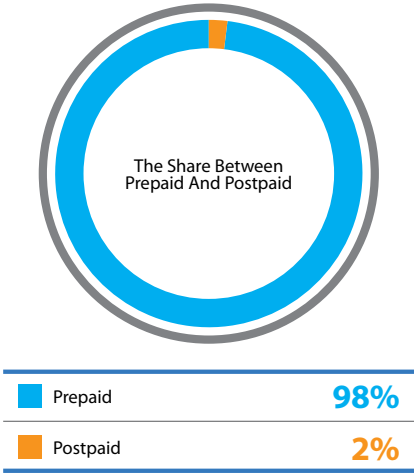


Table 2: Mobile Telephony Market Share from March 2010 to March 2013

| PTO | 2010 | 2011 | 2012 | 2013 |
|----------|------|------|------|------|
| Mascom | 57% | 52% | 54% | 53% |
| Orange | 37% | 34% | 35% | 33% |
| beMobile | 6% | 14% | 11% | 14% |

Figure 3: Market Share As At March 2013

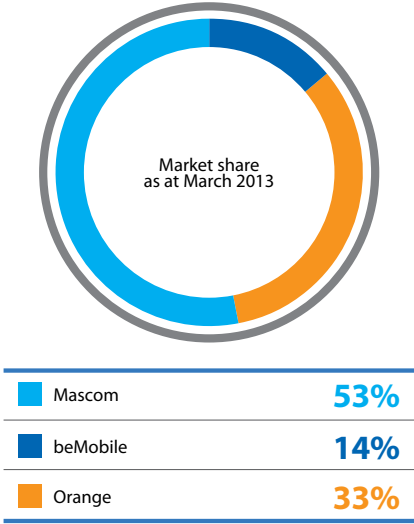
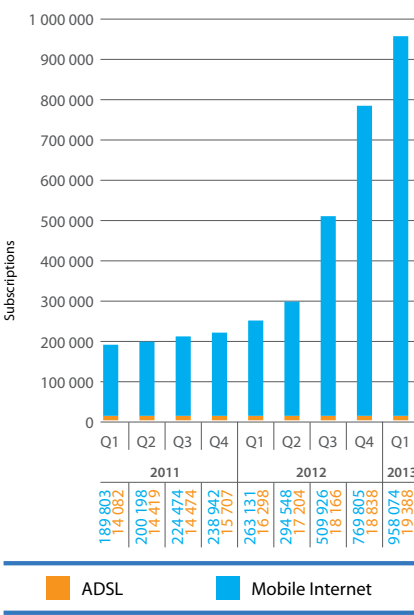


Figure 4: Mobile Internet and ADSL Subscriptions



rate of about 43% between the two periods. Overall, Internet users (mobile and fixed) increased from 279 429 in March 2012 to 977 462 in March 2013, representing penetration increase from 13.8% in March 2012 to 48% in March 2013. The uptake of Internet services is shown in *Figure 4*.

INDUSTRY FINANCIAL PERFORMANCE

Both mobile and fixed telephony services continue to perform well despite the general economic slowdown. All the three PTOs have remained profitable during the year under review.

Mascom and Orange whose financial years end in December continue to offer mobile telephony, internet, data and other value added services. As at December 2012, total revenues for both Mascom and Orange amounted to approximately P2.28 billion compared with P2.24 billion recorded in December 2011. Total assets for the two mobile operators amounted to P2.17 billion as at December 2012, compared to P2.20 billion recorded in December 2011. There was a slight fall in the value of total assets during the period under review, as acquisition of new assets was not sufficient to offset depreciation. Total net profits for the year also dropped from around P700 million in December 2011 to P645 million as at December 2012. This is due to the slight decrease in total revenues which is closely linked to the usage and sale of telecommunications services and equipment.

BTCL offers both fixed telephony, mobile telephony, data, internet and value added services, making the company the largest in terms of total assets. BTCL, whose financial year ends in March, derives its profits from the three major operating segments, i.e. Fixed, Mobile cellular and data. BTCL's consolidated revenues increased from P1 billion in the year ending March 2011 to P1, 2 billion while profits increased from P227 million to around P236 million in March 2011 and March 2012 respectively.

VALUE-ADDED SERVICES

Mobile Money Services

The PTOs have partnered with the financial institutions to use telecommunications platform to offer mobile financial services (mobile money).The PTOs have not only taken advantage of the wide network coverage to enable unbanked communities access to financial services through mobile devices but have also made it convenient for customers to transact from the convenience of their homes and offices. During the year under review, beMOBILE introduced mobile money services, branded, Smega. All the PTOs are now offering

mobile money services. As at March 2013, total subscribers registered for the mobile money services reached approximately 176 934 compared with around 70 000 subscribers recorded in March 2012.

REGULATORY INITIATIVES

Development of a Broadband Strategy

In May 2012 the Ministry of Transport and Communications in collaboration with the BTA started the development of a National Broadband Strategy (NBS) that will provide a holistic and coordinated approach to the use of broadband technology in Botswana. The proposed National Broadband Strategy for Botswana is being developed with reference to the Government's ICT Policy of 2007 (Maitlamo), Vision 2016 and the United Nation's Millennium Development Goals, which all advocate for high speed ICT infrastructure, provision of online services and having a knowledgeable and informed society. The Strategy is scheduled for completion in August 2013.

Broadband networks allow fast online access to the digital content. The use of broadband networks promotes and facilitates social and market interaction by connecting consumers, businesses and governments. Politically, broadband enhances accountability and transparency by facilitating easy and fast communications. Increasingly broadband is being used to make possible efficient and effective delivery of public services. The approach is for user specific needs to be matched with appropriate technology solutions.

Price Regulation

Following the implementation of the new Pricing Framework through the BTA Directive No. 1 of 2011, issued in February 2011, the PTOs adopted a four year glide path for both fixed and mobile interconnection termination rates starting in 2011. The year under review represents the third year on the glide path and the fixed and mobile termination rates reached P0.191 and P0.348 respectively.

Regulatory Impact Assessment

on Mobile Number Portability

The BTA carried out a Regulatory Impact Assessment (RIA) on Mobile Number Portability (MNP) and assessed its value-add in promoting competition in the Botswana mobile telephony market.

The RIA on Mobile Number Portability established that there would be no economic justification for requiring MNP at the moment. The high prevalence of multiple mobile telephone subscriptions in Botswana makes

porting less attractive as customers have active SIM cards across networks.

Regulatory Impact Assessment of National Roaming

The BTA commenced an RIA on National Roaming in February 2013. The study was initiated on realisation that most cellular phone users carry multiple SIM cards for available operators to access various offers and networks across the country.

- The consultancy therefore seeks to, among other things:
- Assess the viability or otherwise of national roaming in underserved areas; and
 - Explore viable alternatives to national roaming in underserved areas

Work in this area is ongoing and will be completed in the next financial year.

LICENSING

Value Added Network Service Licences

The market has seen a slight increase in the number of Value Added Network Service (VANS) licensees from 58 recorded for the period ending March 2012 to 61 licensees registered in March 2013. Two Private Telecommunications Network Licences (PTNLs) were registered and one was withdrawn, taking the total number to 32 licensees as at March 2013 from 31 as at end of March 2012.

Wholesale Licences

An interim wholesale licence has been granted to Botswana Fibre Networks (Pty) Ltd (BoFiNet) for provision of wholesale services to licensed service providers. The one year interim licence is intended to facilitate the mandate of the newly established government owned

company which came into being as a result of BTC privatisation. The company will only get a long term licence once the separation has been completed and the capability to efficiently execute its mandate has been demonstrated to the Authority. Other service providers are expected to enter the wholesale market once this market segment has been fully liberalised by the Authority.

Radio Licenses

The BTA issued a total of 146 radio licences, which is a slight decline from the previous year which 174 licences owing in part to cell phone coverage. These include amateur licences, civil radio licences, land mobile, satellite services, fixed links, radio transmitter for alarm and aircraft licences distributed as per *Figure 5*.

License Exempt Regulations

In order to facilitate the use of Industrial Scientific and Medical (ISM) frequency bands, BTA undertook a consultation process to allow certain equipment to operate on a license-exempt basis. These ISM bands included Citizen Band Radios operating at 27 MHz and 29 MHz, Private Mobile Radio and Digital Mobile Radio operation in 446 MHz which required radio licence. The new Regulations to exempt these technologies have been finalised and are awaiting incorporation into the new Regulations.

Allocation of additional spectrum for 2G

The demand for more data and voice services continues to grow in Botswana leading to increased requests for more spectrum as operators seek to expand their network in order to maintain the same Grade of Service. During the year under review the BTA allocated additional 2G spectrum on the 1800MHz band to some operators on the GSM1800 to address this need.

Figure 5: Number of Licences Issued

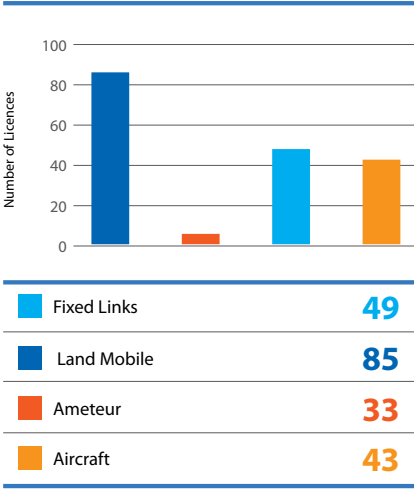
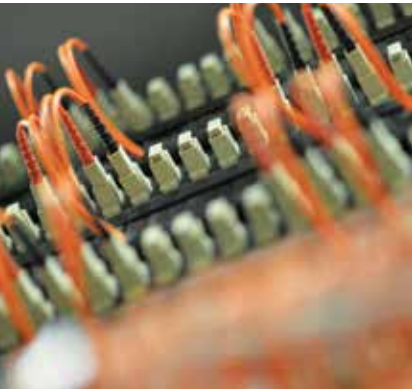


Table 3: .bw Structure and Name Population

| Zone | Number of names |
|--------|-----------------|
| bw | 287 |
| co.bw | 5060 |
| net.bw | 35 |
| gov.bw | 121 |
| org.bw | 279 |



TOP: Engineers discussing the broadcasting plan

ABOVE: LTE technology will deliver high data rates

SPECTRUM MANAGEMENT

The BTA continues to monitor the frequency spectrum to ensure efficient use and compliance to licensed parameters by the users of spectrum. The rolling out of new communication technologies such as WiMax, 3rd and 4th Generation Mobile has resulted in complex signal forms, which require new monitoring techniques, hence the need to upgrade the monitoring systems. BTA has started a phased process to upgrade the systems.

TRIALS FOR LTE

The year under review saw the completion of non-commercial trials by one operator for LTE on the 2600MHz band. Similarly, trials by another operator on the 2300 MHz frequency band have commenced. BTA has initiated a study to evaluate the licensing framework to accommodate LTE, especially considering the available frequencies bands and existing operations. LTE is the new standard for mobile technology which delivers high data rates. The technology can be implemented across several frequency bands including 800MHz, 900MHz, 1800MHz, 3400MHz, and 3600MHz.

RE PLANNING OF GE 06 BROADCASTING PLAN

Broadcasting frequencies are allocated on the basis of international agreements that contain specific frequencies to be used by broadcasting transmitters in various locations within countries. They also contain technical parameters of broadcasting transmitters and procedures for modifying agreed frequencies which is done through the ITU. The Geneva 2006 (GE06) agreement contains frequencies for Digital Terrestrial Broadcasting TV in countries under ITU Region 1 which Botswana is part of. The frequencies covered are;

- Band III: 174-230 MHz
- Band IV: 470-582 MHz
- Band V: 582-862 MHz

According to the GE06 agreement, traditional analogue broadcasting stations will not be protected from interference from digital stations and should not cause interference to digital terrestrial broadcasting stations with effect from June 2015. In the interim, analogue stations should migrate to digital broadcasting through a process known as digital migration.

As a result of the efficiency of Digital Broadcasting System, the ITU identified the frequency band 698–862 MHz in ITU Region1, as a band to be used for International Mobile Telephony (including 4th generation mobile broadband services) post the digital migration

process. In order to vacate the above band, Botswana has begun negotiations with neighbours through the ITU process which is facilitated by SADC and the ITU with a view to achieving four digital broadcasting frequencies per transmitter site. The process is nearing completion and will be completed in the next financial year.

COUNTRY CODE TOP LEVEL DOMAIN (ccTLD) .bw

The reporting period has witnessed the completion of the installation of network infrastructure, name servers and the registry software for the ccTLD. The system is now operational.

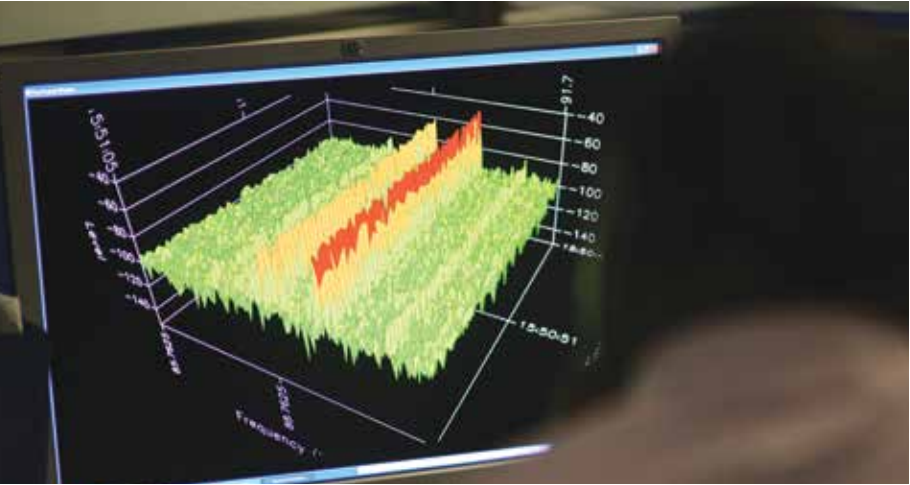
The BTA has adopted the registry-registrar model where it is only responsible for operating and maintaining the registry while designated registrars, which are mostly service providers, registers domain names on behalf of registrants (users of the .bw). Registrars have access to the registry through Extensible Provisioning Protocol (EPP) connections or simply through an automated online user interface. The BTA only deals with registrants in cases of queries or disputes. As at the end of March 2013 the registry had 5782 names distributed as per *Table 3*.

The ccTLD primary policies that include the Registration Agreement Policy, Acceptable Use Policy and the Domain Life Cycle Policy have been developed are now operational. The development of the following secondary policies has been initiated: WHOIS and Privacy Policy, Registrar Accreditation Policy, and Dispute Resolution Policy.

NUMBERING RESOURCES

The market continues to utilise the telephone numbering resources in accordance with the Telephone Numbering Policy report of 2008. As at March 2013, additional 400,000 mobile telephone numbers from 7740 0000 to 7779 9999 had been allocated pushing the cumulative total of numbers assigned to all the three PTOs to 7.8 million. The fixed telephony numbering ranges are dominantly utilised by the fixed services operator. The voice over internet protocol (VoIP) services do not utilise the fixed telephony numbers hence numbers are at 34,000.

With regard to the special numbers, the short codes were largely utilised for the value added services and a new range, 0811 XXX XXX was authorised for the share call services. On the international connectivity, three international signalling point codes (ISPCs) were allocated to enhance the international gateway connectivity points.



ABOVE: Advancements in technology demand allocation of additional spectrum

TYPE APPROVALS

The demand for better telecommunications services in terms of the speed, quality of service and quality of experience continue to increase as technology and equipment advancements are made. The BTA enforces requirements of Type Approval for equipment with the primary purpose of ensuring that the telecommunications equipment does not cause damage or interfere with the telecommunications networks. Equipment Type Approval is also meant to ensure that radio equipment make efficient use of the radio spectrum in accordance with Botswana's frequency plan. Other important considerations for Type Approval are to ensure that the equipment does not generate harmful electromagnetic radiation and that it is interoperable with other systems.

Following networks performance challenges and public concerns about the possibilities of

negative health effects from non-compliant cellular phone devices, the BTA undertook campaigns to sensitise all the cellular phone distributors and retailers on the requirements for Type Approval of cellular phones. The cellular phone distributors were engaged through different platforms including workshops, one-on-one visits and the media. Consequently, increased numbers of distributors are coming forth to do the Type Approval. During the month of March 2013 the BTA processed 16 Type Approval applications, which was a significant increase from an average of 4 Type Approval applications per month for the rest of the year 2012/13. The number is expected to increase to 25 applications per month as more distributors and retailers of telecommunications equipment begin to comply with Type Approval requirements.



ABOVE: BTA staff attending Type Approval workshop

BROADCASTING INDUSTRY

Regulation of the Broadcasting sector in Botswana is the responsibility of the National Broadcasting Board (NBB) as mandated by the Broadcasting Act (Cap 72:04). Section 09 of the Broadcasting Act designates the BTA as the Secretariat and Technical Advisor to the NBB. The NBB regulates the following broadcasting services in Botswana

- BTV
- eBotswana television
- Duma FM
- Yarona FM
- Gabz FM
- Radio Botswana
- RB2

DIGITAL MIGRATION

The NBB, together with the BTA have been facilitating the process of the development of the digital migration strategy for Botswana since 2009. The two organisations continue to provide the necessary assistance as and when required to ensure successful transition from analogue terrestrial television broadcasting to digital terrestrial television broadcasting.

On 25 February 2013, the Government of Botswana announced its decision to adopt the Integrated Services Digital Broadcasting-Terrestrial (ISDB-T) standard for Botswana.

A digital migration Project Office is planned for establishment during the next reporting period to develop and implement a strategy for the digital migration exercise with the objective of meeting the June 2015 ITU deadline for switch off from analogue to digital television broadcasting platform.

COMMERCIAL BROADCASTING SERVICES

Private Radio Stations Yarona FM, Duma FM and Gabz FM have expanded their coverage through the Kemonokeng collaboration by

introducing the Orapa transmission site. The broadcast stations went on air from the Orapa site in October 2012. The transmission site is transmitting at 500watts power and covers mainly Orapa town and Letlhakane village. However, the site has been experiencing signal interference challenges and therefore there are plans to migrate the base station to Letlhakane village during the course of 2013.

TERRESTRIAL BROADCASTING SERVICES

Regarding broadcasting services, the NBB awarded one Special Event Licence to Motsweding FM to cover the graduation ceremony of traditional initiation school in Mochudi in July 2012.

ONLINE BROADCASTING SERVICES

The NBB also received five (5) applications for the provision of online broadcasting services and all of them were given permission to broadcast without a licence. The Board resolved in 2011/12 period that since the platform used to provide broadcasting services was new in the country with a very low Internet penetration of around 14% it would be judicious to observe the development of the platform before a deliberate decision on how it should be licensed is taken.

BROADCASTING NETWORK PERFORMANCE

During the period under review, the stations were recorded to have been off air from the Nyangagwe transmission site in Francistown for a continuous period of 04 weeks while the site was undergoing major equipment repairs on its satellite down link. However, the Serowe site recorded the lowest service availability rate averaging 90% owing to equipment upgrades and power cuts. In addition, Orapa site recorded 10% service availability because it had only been in operation for six months during the reporting period. This is in addition to the interference the site experienced.



ABOVE: Government of Botswana announced its decision to adopt the Integrated Services Digital Broadcasting-Terrestrial (ISDB-T) standard

Table 4:
Commercial Radio Stations Network Coverage

| SITE NAMES | OPERATING FREQUENCIES | MAJOR AREAS OF COVERAGE | EXPECTED ON-AIR COMPLIANCE TARGET OF 99.9% BY THE STATIONS AT EVERY SITE |
|----------------------------|-----------------------|--|---|
| Gaborone (Gabane Hill) | Gabz FM 96.2 | Gaborone, Mochudi, Ramotswa, Artesia, Molepolole | 99% |
| | Yarona FM 106.6 | | |
| | Duma FM 93.0 | | |
| Lobatse Highsite | Gabz FM 96.2 | Lobatse, Otse, Good hope, Pitshane, Ramatlabama, Kanye | 95% |
| | Yarona FM 106.6 | | |
| | Duma FM 93.0 | | |
| Mahalapye | Gabz FM 96.2 | Mahalapye, Radisele, Pallaroad, Taupye, Dibete | 96% |
| | Yarona FM 106.6 | | |
| | Duma FM 93.0 | | |
| Maun | Gabz FM 96.2 | Maun,Toteng, Makalamabedi | 96% |
| | Yarona FM 106.6 | | |
| | Duma FM 93.0 | | |
| Palapye | Gabz FM 96.2 | Palapye, Makoro, Pilikwe, Tewane | 96% |
| | Yarona FM 106.6 | | |
| | Duma FM 93.0 | | |
| Serowe | Gabz FM 96.2 | Serowe, Paje, Mmashoro | 90% |
| | Yarona FM 106.6 | | |
| | Duma FM 93.0 | | |
| Seleibe Phikwe | Gabz FM 96.2 | Selebi Phikwe, Mmadinare, Sefophe | 98% (interference with mine communications causing switch off. Planning to relocate to Letlhakane) |
| | Yarona FM 106.6 | | |
| | Duma FM 93.0 | | |
| Orapa | Gabz FM 96.2 | Orapa, Letlhakane | 10% |
| | Yarona FM 106.6 | | |
| | Duma FM 93.0 | | |
| Francistown Nyangagwe Hill | Gabz FM 96.2 | Francistown, Tonota, Mathangwane, Sebina | 96% |
| | Yarona FM 106.6 | | |
| | Duma FM 93.0 | | |



PROMOTION OF LOCAL CONTENT

The NBB developed a requirement in its compliance reporting that calls for updates by broadcast stations on Promotion of Music Tracks by New Local Artists. This was introduced in order to ensure that the broadcasting stations make initiatives to promote local music, especially new and upcoming artists.

The licence conditions state that a licensee shall ensure that by the end of the Licence period, a minimum of 40% local content is attained by radio stations while television stations are required to broadcast a minimum of 20% local content.

As the Secretariat and Technical advisor to the NBB, the BTA is charged with the responsibility to ensure regular monitoring compliance of the broadcasting services to licence conditions such as the one noted in the above paragraph. For the reporting period, commercial radio stations reported broadcasting local content of an average of 38%.

PUBLIC AWARENESS CREATION

Jointly with the BTA, the NBB conducted thirteen (13) in public education and awareness campaigns during the year under review. The educational campaigns took place in Tshesebe, Matsilojoe, Mapoka, Makaleng, Masunga, Sefhare, Sefophe, Lerala, Ramokgonami and Tumasera-Seleka. The

audience addressed in all areas showed interest in the subject matter and proved to be eager to know more about broadcasting. They displayed basic understanding of the broadcasting issues, particularly on the issue of the Digital Migration Process, an indication that they were regular audience of broadcasting services.

STAKEHOLDER CONSULTATIONS

In February 2013, the NBB facilitated by the BTA held a workshop on the Revision of Code of Practice for Broadcasters at Fairground Holdings Conference Centre in Gaborone. The workshop was held to, among other things:

- Discuss a draft Revised Code of Conduct for Broadcasters
- Provide input on draft Monitoring Strategy for Broadcasters
- Make recommendations on Draft Revised Code of Conduct for Broadcasters

The workshop was mostly attended by broadcasters, content providers, academic institutions, subscription management service agents, advertising agencies, consumer protection bodies, the media and members of the general public.

The project to review the Code of Conduct for Broadcasters will be finalised in year 2013/2014.



ABOVE & RIGHT: BTA public awareness creation initiatives covered schools and exhibitions

Monitoring of the telecommunications licensees to ensure they are compliant with their licence conditions, statutory obligations and other directives is one of the statutory responsibilities of the BTA. The BTA is further mandated to ensure consumer protection which involves consumer education as well as consumer complaints handling and/or resolution. The BTA addresses the forgoing mandate through investigation and feedback from consumers.

In its compliance and monitoring efforts for the year under review, the BTA initiatives included the conducting of investigations; general monitoring for compliance; educating licensees and other stakeholders on topical concerns such as electromagnetic radiation, network availability and performance as well as the development of necessary standards to improve the quality of service that consumers should expect from telecommunications service providers.

COMPLIANCE

The BTA continued to receive regular reports as required under various operators’ licences for purposes of assessment of their compliance with regulatory directives and other statutory provisions. The three PTOs submitted monthly network performance reports, quarterly and annual operational reports over and above other obligatory information requirements such as audited financial statements and turnover returns.

Late submission of reports by some PTOs remained a key challenge in the reporting year. This trend has continued over the years due, in part, to the absence of provisions for administrative penalties in the enabling legislation that the BTA could invoke to deter this unwanted behaviour. It is anticipated, however that this will be cured by the availability of administrative penalties provided for under the Communications Regulatory Authority Act 2012 which will come into effect on April 2013 replacing the Telecommunications Act 1997.

INVESTIGATIONS & ENFORCEMENT

Investigations for the year 2012/13 were carried out in Gaborone, Maun, Kasane, Okavango Delta and the Tuli Block to ensure that there was no violation of the provisions of the Telecommunications Act. The Ghanzi and Tsabong areas could not be undertaken due to capacity constraints.

ELECTROMAGNETIC RADIATION (EMF)

The PTOs reported experiencing some challenges in securing authorisation or permission for erection of telecommunications

towers. This challenge arose from the perceived negative health effects of electromagnetic fields (EMF) from telecommunications equipment. Several land authorities had either refused or retracted granting authorisation or permission to PTOs for purposes of erecting communications towers.

The continued deployment of telecommunications towers is necessary to support the increasing demand for high quality and faster telecommunications services by commercial and private individuals. In view thereof, the BTA embarked on a campaign targeted specifically to key stakeholders such as land and other local authorities (i.e. land boards, Department of Environmental Affairs, Department of Towns and Regional Planning) involved in processing authorisations or permissions for location of telecommunications towers. The objective was to conscientise the targeted group about the existing scientific studies on EMF. The focus of the campaigns was to teach the target audience the differences between non-ionising radiation associated with mobile telecommunications devices which the BTA is involved with and ionising radiation which has an increased thermal effect that can change human tissue.

The BTA shared with land authorities its position on non-ionising radiation which is informed by the International Commission on Non-Ionising Radiation Protection (ICNIRP), an independent body of scientific experts responsible for disseminating information and advice on the potential health hazards of exposure to non-ionising radiation.

The BTA also carried out surveillance and electromagnetic radiation measurements in various locations either on a planned or adhoc basis. Fourteen (14) sites were measured in Selebi Phikwe. All of them recorded emission levels below five percent (5%) of the ICNIRP recommended level. Ad hoc measurements were also conducted following requests by members of the public who were concerned about possible health hazard arising from telecommunications towers adjacent to their homes and also recorded reading well below ICNIRP recommended levels.

INFRASTRUCTURE SHARING REFERENCE OFFERS

The Infrastructure Sharing Guidelines approved by the Board in 2012 required PTOs to submit to the BTA their Reference Offers (ROs) that would guide agreements for infrastructure sharing. Infrastructure Sharing will minimise the mushrooming of many towers by individual operators as PTOs

endeavour to roll out services. All the three PTOs have complied with the requirement to submit ROs. As at the end of the reporting period, the BTA had raised issues with the submitted ROs with a view to reconciling differences in the main provisions of the offers.

The objective of the ROs is to facilitate the implementation of the infrastructure sharing guidelines by ensuring that PTOs disclose to all interested parties what terms and conditions will have to be met by the parties who seek to share.

QUALITY OF SERVICE GUIDELINES

In March 2013, the Board approved the Quality of Service (QoS) Guidelines that set out parameters and targets to be met by operators in providing telecommunication services to consumers. The Draft Guidelines were developed in collaboration with all stakeholders.

The intention is to implement the use of the guidelines by PTOs as the common benchmark for all operators. Implementing QoS will ensure that a uniform reporting framework is achieved. It will also facilitate easy comparison of performance between the PTOs. Establishing QoS guidelines is also an international best practice meant to achieve best service delivery in the interest of the end user.

MOBILE NETWORK PERFORMANCE

Monthly network performance reports by PTOs provide detail of the status and performance of the network in terms of the set parameters of Quality of Service as determined by the Authority from time to time. The reports indicate the effectiveness of the networks, the challenges encountered and solutions or measures for rectification or resolution of such challenges.

During the third quarter of the reporting period, there were public concerns of network congestion resulting in poor network quality. The BTA engaged the operators to understand the reasons for such network problems. The cause of the challenge was attributed to network upgrades by some PTOs on the one side and intermittent power cuts on the other.

PTOs were advised to continually apprise their customers of the nature of the challenges and operators’ initiatives to address them. Emphasis was placed on the need to expedite and conclude their network upgrading processes. As at the end of the reporting period, the situation had improved.

ANNUAL NETWORK ANALYSIS

The three mobile operators’ network performance for the period April 2012 to March 2013 is as depicted in **Table 5:**

| Table 5: Commercial Radio Stations Network Coverage | | | | | | | | | | | | | | |
|--|-----------------------|--------------|-----------------|----------------|--------------|-----------------|-----------------------------|-------------|-----------------|-------------------------------|----------------|----------------|---------------------------|-------------|
| Month | DROPPED CALL RATE (%) | | | CONGESTION (%) | | | CALL SETUP SUCCESS RATE (%) | | | NETWORK AVAILABILITY RATE (%) | | | HANDOVER SUCCESS RATE (%) | |
| | Mascom (1.6) | Orange (1.8) | be Mobile (3.5) | Mascom (2) | Orange (1.5) | be Mobile (0.1) | Mascom (94) | Orange (96) | be Mobile (3.5) | Mascom (98) | Orange (99.85) | be Mobile (99) | Mascom (96) | Orange (95) |
| 2012 APR | 0.67 | 1.44 | 0.97 | 0.71 | 9.85 | 5.30 | 96 | 98 | 91.3 | 99.86 | 99.99 | 99.7 | 97 | 98.6 |
| 2012 MAY | 0.71 | 1.19 | 0.93 | 0.88 | 18.3 | 4.88 | 96 | 98.2 | 91.4 | 99.85 | 99.24 | 99.4 | 96 | 98.2 |
| 2012 JUN | 0.92 | 1.15 | 0.94 | 2.05 | 8.72 | 4.71 | 94 | 98.3 | 91.4 | 99.85 | 99.24 | 98.8 | 96 | 98.0 |
| 2012 JUL | 0.78 | 1.03 | 0.95 | 0.92 | 0.12 | 5.89 | 95 | 98.4 | 92.1 | 99.98 | 98.84 | 99.98 | 97 | 98.2 |
| 2012 AUG | 1.16 | 0.97 | 0.95 | 1.21 | 0.12 | 7.78 | 91 | 98.5 | 92.5 | 99.99 | 98.95 | 99.96 | 95 | 98.3 |
| 2012 SEP | 0.78 | 0.88 | 0.90 | 0.67 | 0.12 | 8.31 | 97 | 97.3 | 92.6 | 99.99 | 99.09 | 99.95 | 97 | 98.5 |
| 2012 OCT | 0.97 | 0.90 | 0.89 | 0.59 | 0.23 | 8.32 | 96 | 97.9 | 92.9 | 99.99 | 98.71 | 99.89 | 96 | 98.5 |
| 2012 NOV | 0.93 | 0.92 | 0.84 | 0.79 | 0.12 | 7.94 | 95 | 97.6 | 92.4 | 99.53 | 98.54 | 99.8 | 96 | 98.7 |
| 2012 DEC | 1.52 | 1.09 | 0.91 | 2.19 | 0.39 | 8.31 | 96 | 96.6 | 91.9 | 99.75 | 98.68 | 99.85 | 95 | 98.4 |
| 2013 JAN | 1.05 | 1.14 | 0.91 | 1.31 | 0.39 | 7.99 | 97 | 96.9 | 92.3 | 99.00 | 98.75 | 99.73 | 95 | 98.3 |
| 2013 FEB | 0.84 | 1.1 | 0.97 | 0.85 | 0.42 | 9.20 | 97 | 97.4 | 91. | 99.00 | 98.14 | 99.86 | 96 | 98.3 |
| 2013 MAR | 1.04 | 0.92 | 1.1 | 1.69 | 0.25 | 9.79 | 97 | 98.1 | 91 | 99 | 99.27 | 99.86 | 94 | 98.4 |

Figure 6 shows that since July 2012, congestion for Orange network dropped to below 1%. Prior to July 2012, Orange recorded high congestion rates owing to the use of a wrong formula to calculate the congestion.

beMOBILE’s congestion has always been above their target of 0.1% with its highest level reached in March 2013.

Mascom’s congestion has been within their target of 2% throughout the year except for December 2012 when it slightly overshot the threshold to 2.19%.

Regarding Drop Call rate, beMOBILE registered the highest drop calls amongst the three operators.

Figure 7 shows Call Setup Success Rate (CSSR) for Orange being the highest of the three operators at 96%, followed by beMOBILE at 95% and Mascom at 94%.

For Hand over Success Rate (HSR), Mascom performed above the other two operators. The average for Mascom Wireless was 96% while Orange Botswana and beMOBILE both recorded HSR of 95%.

CONSUMER COMPLAINTS

The BTA recorded forty-one complaints during the reporting period April 2012 to March 2013 compared to forty-three complaints reported during the previous financial year. The BTA primarily receives unresolved or unsatisfactorily resolved consumer complaints that have been escalated to it by consumers. The BTA Complaints Handling Procedures require customers to exhaust complaints mechanisms available within their respective service providers before they can report matters to the BTA. The number of complaints reported to the BTA is still high considering previous years scenario as shown in **Table 6**.

All complaints registered with BTA during the financial year 2012/2013 were resolved.

The month of August registered a total of eleven complaints, the highest recorded during the year. While billing complaints continue to lead, the number of billing complaints has gone down substantially as only seven complaints were recorded against twelve recorded in 2011/2012 financial year. Billing complaints comprise incorrect billing, Myzaka and Myzone complaints.

Six complaints relating to poor service were

registered during this reporting period against four registered in 2011/2012. Poor service relates to delays in connections, relocations, installation of fixed telephony.

Over the last two years, the BTA received a lot of complaints concerning voicemail service. During the current year, only two complaints were received under this category. Similarly, the number of voicemail complaints has reduced from four in the previous year to two this reporting year. **Table 7** shows the number of complaints per operator.

BTA continues to encourage operators to be transparent by publicising their product rates or prices through various media so that consumers can make informed choices.

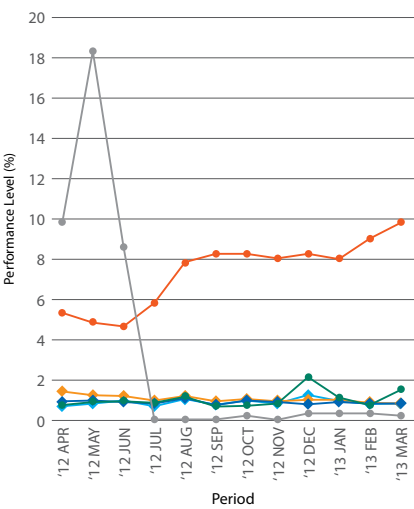
CONSUMER EDUCATION

In line with the Vision 2016 pillar of building An Educated and Informed Nation, BTA engaged in public education initiatives to inform consumers of its role and make them aware of their rights and responsibilities as they use new technologies. The initiatives were also intended to assist consumers to make informed choices of available opportunities in the communications industry. Consumer education creates a two way communication channel as it allows the BTA to receive feedback from the consumers that enhances healthy relationships.

The BTA actively engaged stakeholders through public awareness campaigns in different forums such as the kgotla, schools, exhibitions, career fairs and agricultural shows addressing topical issues that included concerns of harmful effects of electromagnetic fields (EMF), Digital Terrestrial Television Broadcasting Migration process and the Pre-paid Simcard Registration exercise. Successful, interactive education campaigns were carried out in Barolong villages in the South of Botswana, namely Goodhope, Hebron, Ramatlabama, Pitsane and Mokatako. Other visits were carried out in Mochudi, and Tswapong including Sefhare, Mmachibaba, Lerala, Ramokgonami, Seleka/Tumasera. All together, twelve villages were visited and a total of fifteen consumer education activities were achieved covering nine schools, five customary courts and one agricultural show.

The main concerns for the Barolong and Tswapong areas were centred on their inability to access the local radio and television stations. The two areas predominantly have access to the South African radio and television stations.

Figure 6:
Dropped Call Rate and Congestion

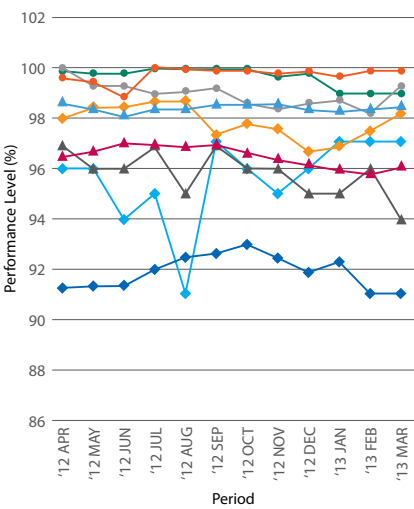


| | |
|-------------------------------------|---------------------------------------|
| ◆ | Dropped Call Rate (%) Mascom (1.6) |
| ◆ | Dropped Call Rate (%) Orange (1.8) |
| ◆ | Dropped Call Rate (%) be Mobile (3.5) |
| ● | Congestion (%) Mascom (2) |
| ● | Congestion (%) Orange (1.5) |
| ● | Congestion (%) be Mobile (2) |

Table 6:
Number of Complaints Received

| Year (March - April) | No. of New Complaints |
|----------------------|-----------------------|
| 2011 | 28 |
| 2012 | 43 |
| 2013 | 41 |

Figure 7:
CSSR, NAR and HSR



| | |
|-------------------------------------|--|
| ◆ | Call Setup Success Rate (%) Mascom (94) |
| ◆ | Call Setup Success Rate (%) Orange (96) |
| ◆ | Call Setup Success Rate (%) be Mobile (95) |
| ● | Network Availability Rate (%) Mascom (98) |
| ● | Network Availability Rate (%) Orange (99.85) |
| ● | Network Availability Rate (%) be Mobile (99) |
| ▲ | Handover Success Rate (%) Mascom (96) |
| ▲ | Handover Success Rate (%) Orange (95) |
| ▲ | Handover Success Rate (%) be Mobile (95) |

CONSUMER / OPERATOR PERCEPTION SURVEY

The BTA carried out the third consumer survey and second operator perception survey after similar surveys were undertaken in February 2004 and in July 2007. An Operator Perception Survey was meant to establish among others how licensed telecommunication operators in Botswana perceive the BTA in terms of relationship, effectiveness, extent of consultation in making regulatory decisions and the quality of decisions thereof. The Consumer Perception Survey on the other hand was meant to assess the perceptions, priorities and expectations of telecommunication consumers against service provision by licensed operators.

The survey was also intended to identify pointers for future developments to address the negative perceptions, compare the consumer/operator perceptions identified in the 2007 survey with the present perceptions and determine the trend. The survey furthermore assessed both the consumer and operator participation in regulation and policy development and made recommendations for addressing deficiencies identified during the survey.

Table 7:
Categories of Complaints Per Operator

| NATURE OF COMPLAINTS | BTC | BE MOBILE | MASCOM | ORANGE | BYTES TECH | TOTAL | RESOLVED |
|--|-----|-----------|--------|--------|------------|-------|----------|
| Spam | | | | 1 | | 1 | 1 |
| Billing , Myzaka, MyZone | | 1 | 5 | 1 | | 7 | 7 |
| International Agreements | | | | 2 | | 2 | 2 |
| Delays - repairs / relocation / poor service | 5 | | | | 1 | 6 | 6 |
| Airtime | | 1 | 1 | 1 | | 3 | 3 |
| Recycled Number | 1 | | | 2 | | 3 | 3 |
| Unavailable Network | | 1 | 1 | | | 2 | 2 |
| Voicemail | | | 2 | | | 2 | 2 |
| Anti-competition | 2 | | | | | 2 | 2 |
| Contract | | | | 1 | | 1 | 1 |
| ADSL / Slow Internet | 1 | | | | | 1 | 1 |
| Roaming | | | 1 | 1 | | 2 | 2 |
| Promotions / competitions | | | | 1 | | 1 | 1 |
| Livebox | | | | 1 | | 1 | 1 |
| Towers | 2 | | | 1 | | 3 | 3 |
| Hacking | | | 1 | | | 1 | 1 |
| Misdirected | | 1 | 1 | | | 2 | 2 |
| Cost Pricing Directive | 1 | | | | | 1 | 1 |
| TOTAL | 12 | 4 | 12 | 12 | 1 | 41 | 41 |

LOCAL PARTICIPATION

World Telecommunication and Information Society Day (WTISD)

The BTA took part in the 2012 World Telecommunication and Information Society Day (WTISD) commemoration held on the 25 May in Mabule Village in the Southern District under the theme Women and Girls in ICT.

The WTISD was preceded by the commemoration of the Girls in ICT Day that involved a total of forty girls, from schools in Mabule and Gaborone. The girls toured technical centres ICT companies including the BTA for appreciation of what ICTs involved. The girls were also hosted by Botho College, a tertiary institution for computer training, where they were addressed by the US Ambassador to Botswana Her Excellency Michelle D. Gavin and Ms Alicia Mokone, a known woman ICT practitioner in Botswana.

In a bid to focus on the theme, Women and Girls in ICT, the WTISD commemoration targeted the women dominated Out of School Education and Training (OSET) groups. The BTA donated two prefabricated buildings to the Mabule and Tshidilamolomo OSET groups each furnished with two computers and printer on one side and six sewing machines on the other side. The objective was to enable the OSET groups that comprise of old and young women to have an appreciation of ICTs, especially computers.

ICT Pitso

The BTA in collaboration with the Ministry of Transport and Communications held an ICT Pitso on 10 September 2012. The ICT Pitso is a consultative forum where the communications industry discusses issues affecting the development of the sector with a view to finding a collective solution. The 2012 Pitso reviewed progress of the issues identified by the previous Pitso and made resolutions aimed at Consumer Protection; Empowering the Youth, Women and People Living with Disabilities through ICT applications and services as well as Creating an Enabling ICT Policy and Regulatory Environment.

Vision 2016

As a key stakeholder to the national aspiration of achieving a knowledge society, the BTA is a proactive participant at the annual launch of the Vision 2016 Awareness Month. During the reporting period, the BTA participated at the launch held on 1 September in Robelela village. The purpose of the launch was to assess progress made by all stakeholders with regard to the realisation of the pillars of National Vision 2016. It was also the opportunity for stakeholders to accelerate

their offer of products and services to the host village and its surrounding area. The BTA took the opportunity to donate ICT equipment comprising of computers and printers primary schools in the Mmadinare Education Inspectoral area, the Robelela Customary Court and Robelela Clinic in an effort to facilitate the use of ICTs in those institutions.

INTERNATIONAL PARTICIPATION

Universal Postal Union Congress

The BTA participated in the Universal Postal Union (UPU) Congress held in Doha, Qatar from 24 September -15 October 2012.

The Universal Postal Congress is the supreme authority of the Universal Postal Union (UPU), the United Nations Agency with a membership of 192 countries that serves as the primary forum for cooperation between postal sector players. The four yearly Congress brought together representatives of the 192 member countries of the UPU to adopt a new world postal strategy and the future rules for international mail exchanges.

The Doha Congress discussed broad issues affecting the global postal sector today, including the use of innovative technologies to improve postal services, the role of Posts in facilitating financial inclusion and global trade, the contribution of postal services to development issues, and the future of the postal sector. The Congress adopted the Doha Postal Strategy and agreed the UPU's four-year roadmap to the next congress in the year 2016.

The UPU Congress helped to highlight regulatory issues affecting the postal sector which will be helpful in the light of the new converged regulatory legislation which will require the successor of the BTA to also regulate postal services.

ITU Telecom World

The BTA also took part in the ITU Telecom World 2012 held in Dubai, the United Arab Emirates from 14-18 October 2012 under the theme 1 Connected Community, 1 World of difference, 1Conversation that matters.

The ITU Telecom World is the premium international ICT platform that brings together the entire ICT community to debate issues and share knowledge on the challenges facing the ICT industry as well as the latest developments influencing the future of the industry.

The five day event explored the implications of radical transformation of the ICT industry on policy, regulation and competitive strategy with a view to ensuring that connectivity in



TOP & ABOVE: WTISD attendees visiting the BTA stall



TOP: Permanent Secretary (MTC) Thato Raphaka with Hon Nonofo Molefhi attending the ICT Pitso

ABOVE: ICT Pitso in process

BELOW & BOTTOM: BTA regularly consults stakeholders on matters affecting the industry



a transformed world is universal, fair, open and secure. The debates centred around four main areas of Leadership and Innovation; Beyond Connectivity; Smart Applications; and designing the future.

The BTA had also sponsored five youth who had participated in the Young Innovators competition that was held as part of the Telecom World. Some of the topics covered included: how to avoid some of the most common legal pitfalls, the entrepreneurial process, and the various ways of selling a product or service. The various sessions identified the enabling factors for innovative success: political will; commitment from the corporate sector to empower young people on the basis of merit; education; and creating a fertile or incubator environment for new ideas.

The Telecom World helped to highlight to the BTA some of the regulatory challenges that will come with increased ICT innovation. The rise in prominence of Over-The-Top (OTT) players stood out as one challenge not only for the regulators by also for the traditional telecommunications operators. The need for telecommunications companies to find alternative business models to increase their revenues was overemphasised as traditional business models were found to unsuitable for the current environment.

Cybersecurity, privacy, trust and related considerations threaten to undermine the tremendous benefits that ICTs continue to bring to humanity unless a solution is found quickly. However, finding the solution to cybercrime is perhaps the greatest challenge that the industry is facing in the mist of proliferation and the fast pace at which new innovations are networking the world.

10th Annual CTO Forum and 52 Council Meeting

As a Member of the Commonwealth Telecommunications Organisation (CTO), the BTA attended the 10th Annual Commonwealth Telecommunications Organisation (CTO) Forum and 52 Council Meeting held in Balaclava, Mauritius from 22-26 October 2012.

The CTO Forum is an annual event provided for in the CTO constitution with a mandate that focuses on building capacity to create enabling policy and regulatory frameworks, leverages broadband for governance and commerce and identifies business opportunities. The 2012 Forum mainly focused on how to leverage the dynamics of mobile broadband as a channel for socio-economic development and discussed the policy, regulatory,

technology and business interventions necessary to make it broad-based. The Forum identified spectrum availability, flexibility and cost as one of the regulatory challenges facing broadband development. Panellists called on governments to strike a balance between deriving suitable revenues from spectrum and stimulating mobile broadband development and maintained that it would be easier to stimulate substantial investment broadband development if spectrum fees are reasonable and in line with international benchmarks.

The Council on the other hand considered operational reports from the Secretariat for the year 2011-2012, approved an operational budget for the period 2012-2016, considered proposed constitutional amendments, appointed new auditors and elected executive committee members.

The continued qualification of the CTO financial accounts was identified as a course for concern for the membership. Notwithstanding this state of affairs, the Council noted positive strides made by the CTO in terms of attracting new sector members to its ranks. It is therefore reassuring that the CTO will continue to provide value to its membership.

World Conference on International Telecommunications

BTA participated in the World Conference on International Telecommunications 2012 (WCIT-12) in Dubai, United Arab Emirates, from 3-14 December 2012. The preparatory work for the conference was done through several stakeholder consultation meetings in Botswana, sub regional coordination at SADC level and finally harmonisation at African countries level. The conference revised ITRs-88 which were adopted at Melbourne in 1988, and adopted ITRs-12 at Dubai, which were signed by 89 governments out of 144 present. Botswana has signed to the ITRs12.

The International Telecommunication Regulations (ITRs) are treaty binding general principles for the provision and operation of international telecommunications. They have been mainly used for the bilateral agreements between countries for the exchange of international telecommunication traffic. They also provide a framework for the accelerated growth of ICTs at the national and international level, in particular.

The key outcomes of ITRs12 include;

- Affirmation of Member States commitment to implement the Treaty in a manner that respects and upholds their human rights obligations;

- Promotion of right of access of all Member States to the international telecommunication services;
- Improving transparency and accuracy in mobile roaming charges as well as promoting competition in the provision of mobile roaming services;
- Improving energy efficiency and cutting e-waste;
- Bringing the benefit of ICTs to people living with some kind of disability
- Bringing greater security by promoting international cooperation to ensure the security and robustness of international telecommunication networks;
- Combatting unsolicited bulk electronic communications;
- Preventing misuse of international telecommunication numbering resources;
- Encouraging implementation of Calling Line Identification information;
- Encouraging investment in international telecommunication networks and promoting competitive wholesale pricing for traffic carried;
- Promoting the implementation of regional telecommunication traffic exchange points;
- Improving access to emergency services; etc.

Botswana as a developing country would greatly benefit from the ITRs 12 as it ensures her access to international communications services.

**World Telecommunications
Standardisation Assembly (WTSA)**

Botswana participated in World Telecommunications Standardisation Assembly (WTSA) from 20 – 29 November 2012. The WTSA specifically considered matters related to telecommunications standardisation. Standardisation is an

important tool in bridging the digital divide and bringing vital aid to developing countries in building infrastructure and encouraging economic development. The conference was preceded by preparatory work that involved a series of stakeholders consultation meeting in Botswana, sub regional coordination at SADC level and finally regional preparation at African countries level. The conclusion of WTSA 12 signaled a landmark development in ITU commitment in assisting developing countries to bridge the standardisation gap. ITU has undertaken to maintain a separate expenditure for bridging the standardization gap activities. Programmes such as assisting in the establishment of IPv6 Test bed Laboratories in developing countries, assisting developing countries in developing methods that facilitate the process of linking innovations to the standardization process and providing assistance to the regional telecommunication organizations (e.g. African Telecommunications Union) for the setting up and management of regional standardization bodies would go a long way in assisting developing countries like Botswana.

New resolutions that would boost internet agility, clean up e-waste and end discriminatory access to internet would be a much welcome development to developing countries which are often in the losing end. Botswana has benefited and will continue to benefit greatly from the outcomes of WTSA as evidenced by the setting up of ccTLD in line with international best practice and setting up of cybersecurity framework.

CRASA Annual General Meeting

The Communications Regulators Association of Southern Africa (CRASA) held its Annual General Meeting (AGM) in Luanda, Angola from 21-27 April 2012 at which the BTA participated.



ABOVE: Group photo of the CRASA Annual General Meeting

The issues discussed included the pending recruitment of the CRASA Executive Secretary; the transfer of SAPRA funds to the CRASA bank accounts in Gaborone; signing of Memorandum of Understanding between CRASA and SAPOA; withdrawal of CRASA Membership from NetTel@Africa as well as presentation of the consultant's report on the framework for SADC Regional Roaming to SADC ICT Ministers.

Second CRASA Annual General Meeting

The BTA took part in the Second CRASA AGM held at Bengu wa Mutharika International Conference Centre in Lilongwe, Malawi 22 – 23 March 2013. The meeting considered and gave direction on all issues put before it by the Executive Committee. The major issues for consideration and approval were the appointment of the Executive Secretary, approval of the Budget and consideration of technical issues such as frequency planning, Home and Away Roaming Services, postal regulation, and Digital Migration.

The AGM approved the appointment of the CRASA Executive Secretary, Budget 2013/2014 and Transparency Guidelines developed by RATT and directed the Secretariat to send the Guidelines to the SADC Secretariat for noting by SADC Ministers responsible for Telecommunications, Postal and ICT.

The BTA as one of the active Members of CRASA continues to benefit from engagement of fellow regulators in the region through active participation in CRASA events.

CORPORATE SOCIAL INVESTMENT

The BTA social investment initiatives seek to increase its involvement and make a measurable, positive impact on the disadvantaged communities throughout

Botswana. The initiatives are also intended to highlight the BTA's role as a caring and responsible corporate citizen to the communities within which it exists and operates.

Over the years the BTA's social investment initiatives have been deliberately skewed towards facilitating the proliferation and use of information communications technologies (ICTs) in line with its statutory mandate. However, the BTA has also had notable involvement in the other areas of need including education, health, environment, civic and community development as well as other initiatives addressing national aspirations.

During the year under review the BTA donated various ICTs including 46 desktop computers, 46 printers, four heavy duty copiers, a multipurpose projector, CD/DVD players, a refrigerator and a fax machine to primary schools and customary courts in Tonota, Mmadinare, Mabule, Ramotswa, Thamaga and Tshidilamolomo areas.

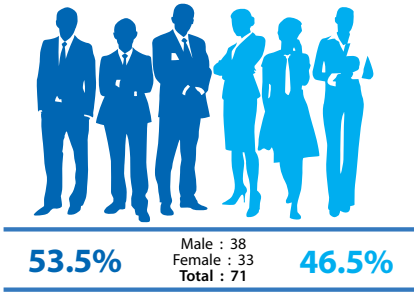
In addition, the BTA in collaboration with Ministry of Transport and Communications availed a sponsorship to the tune of P3 Million for People with Disabilities and youth ICT innovation projects.

As at the end of the reporting period, a total of 19 organisations for People with Disabilities across the country had benefitted from the sponsorship by acquiring ICT equipment to address their needs. Equally, a total of five youths innovative projects were also benefited from the sponsorship. As at the end of the reporting period three youth innovation projects were undergoing incubation at the Botswana Technology Centre (BOTEC).



RIGHT: Noble Katse handing over computers to the Chobe District Council Secretary

| Table 8: Beneficiaries of Sponsorship For People With Disabilities | | | |
|---|---------------|---|--------------|
| BENEFICIARY | PLACES | BENEFIT | AMOUNT |
| Tshidilo Stimulation Centre | Serowe | 5 Printers, 2 Computers, ASDL Internet Connection | 56 000.00 |
| Thuso Rehabilitation Centre | Maun | 1 Computer, 6 Printers | 45 000.00 |
| Lephoi Centre | Francistown | 2 Computers, 1 Printer and braille software | 46 500.00 |
| Central Association for the Blind and the Disabled | Mahalapye | 4 Computers, 4 Computer Stands, 2 Printers, 1 Binding Machine, 1 Laminating Machine, Installation & Networking | 47 000.00 |
| Tlamelong Rehabilitation Centre | Gaborone | 3 Computers, 1 Printer, 1 Scanner | 21 200.00 |
| Sefhare Rehabilitation Centre | Sefhare | 3 Computers, 1 Printer, 1 Scanner | 21 000.00 |
| I Am Special Education Society | Tlokweng | 1 Computer, 1 Laptop, 1 Windows 7 Software, 1 Office 2010 Software, 1 Projector , 7 Antivirus, 7 Headsets, 1 IDRAM Software | 27 289.00 |
| Anne Stine Centre | Molepolole | 5 Computers, 2 Printer, 1 Graph Software, 4 Windows 7 Software, 2 Office 2010 Software | 32 200.00 |
| Ramotswa Centre for the Deaf | Ramotswa | 1 Projector, 7 Printers, 1 Flatbed Scanner, & Microsoft Software, 1 Laptop | 50 000.00 |
| Francistown Centre for the Deaf | Francistown | 4 Computers, 4 Microsoft Software, 1 Flatbed Scanner, 1 Printer | 49 000.00 |
| Botswana Association for the Blind and Partially Sighted | Gaborone | 1 Screen Reading Software, 1 Screen Magnification Software | 172 770.00 |
| Re Ka Kgona Centre for People with Disabilities | Selebi Phikwe | 5 Computers, Cabling, 3 Kaspersky Antivirus, 2 Microsoft Office & Business Software, | 51 490.00 |
| Makolojwane Primary School | Serowe | 2 Sewing machines, TV games, 1 Play Station, 5 PC Games, Knowledge Advanced PC games, Computers, printers, braille software and internet connection | 36 000.00 |
| Pudulogong Rehabilitation and Development Trust for the Blind | Mochudi | Computers, printers, braille software and internet connection | 355 372.00 |
| Gaborone West Secondary School | Gaborone | 1 Magnifier/Reader, 3 Computers, 1 Laptop Notebook | 50 000.00 |
| Mochudi Resource Centre for the Blind | Mochudi | 7 Computers, 5 Jaws Software, 7 Kaspersky Antivirus | 96 000.00 |
| Motswedi Community Based Rehabilitation Centre | Mochudi | 7 Computers, 1 Multi-projector Screen, 2 Antivirus Licenses, 5 Microsoft Office Professional Licences, 1 LaserJet printer | 45 445.44 |
| Tshidilong Stimulation Centre | Maun | 1 Ethernet Modem, Installation, ASDL Internet Connection & Monthly Fees | 36 059.00 |
| Camphill Rankoromane, Legodimo Trust, Motse Wa Badiri | Otse | Various ICTs including 17 Computers, 1 Printer, 16 Anti-viruses, 17 UPSes and other accessories | 185 678.00 |
| | | | 1 424 014.44 |



| Table 9: Staff Qualifications | |
|----------------------------------|-----------------|
| QUALIFICATION | NUMBER OF STAFF |
| PhD | 2 |
| Master's Degree | 21 |
| Undergraduate Degree | 18 |
| CIMA | 2 |
| ACCA | 2 |
| Diploma | 10 |
| Certificate and below | 16 |
| Total | 71 |

STAFF COMPLIMENT
During the period under review the staff compliment stood at 71 with 33 females and 38 males as at end March 2013.

HUMAN RESOURCES FUNCTION
During the year under review the BTA developed, reviewed and implemented HR processes to achieve best practice in human resources management. The BTA reviewed its Remuneration Policy to ensure that it remained competitive in the labour market by attracting and retaining high calibre staff.

STAFF WELLNESS
The BTA recognises that good health and wellbeing of employees increases presenteeism and reduces absenteeism thereby contributing to high productivity. In view thereof, a Wellness Week and Expo for staff was held in February 2013. The wellness week included 2 days of health screening as well as health and wellness talks on various topics.

STAFF QUALIFICATIONS PROFILES
Qualifications of staff members are distributed as shown in *Table 9*.



ABOVE: Staff engaging in a wellness exercise

The world is looking towards 4G (Fourth Generation) Mobile Communications to transform the way people do business and live their day-to-day lives. 4G technology is expected to enable faster transmission speeds, uninterrupted and affordable communications to support data services including online gaming, video streaming, visual communication, online banking, and virtual office applications through a single device. Development of broadband infrastructure is therefore critical for the future of the Botswana communications sector. As a country, we therefore challenged to move swiftly to achieve the targets of making broadband policy universal, making broadband affordable, connecting homes to broadband and getting people on line by 2015 as envisaged by the Broadband Commission for Digital Development.

Meanwhile, heightened consumer expectations will continue to put pressure on the service providers to adhere to high standards of quality of service. Consequently the regulator will be expected to be even more vigilant to ensure that consumer expectations are met. Thus the demand for regulatory intervention to address, among others, issues of substandard communication equipment, delays by land authorities to allocate PTOs land for location of towers, concerns of possible negative effects of electromagnetic

fields, migration to digital terrestrial television broadcasting, migration from IPV4 to IPV6, affordability of communications services will increase.

The introduction of a new law, the Communications Regulatory Authority 2012, (No. 19 Of 2013) will usher in a converged regulatory environment under which telecommunications, internet and Information and Communications Technologies (ICTs), radio communications broadcasting, postal services and related matters will be regulated by a single regulatory body. This is a welcome arrangement as it is expected to bring about efficiencies in the regulation of the various communications services that have, over the years, seen their lines of demarcation disappear with technology development. The move will also bring the regulation of the sector in line with international best practice. The new regulator will be required to acquire additional skills sets, particularly in the areas of postal and internet regulation.

As Botswana transits from a sector specific regulatory environment to an integrated one, the future of communications industry remains both exciting and challenging for Botswana as it is for the rest of the globe confirming that communications remains perhaps the single most important catalyst to global economic development.



ABOVE: The Communications Regulatory Authority Act that provides for a converged regulatory body with responsibilities over the regulation of Telecommunications, Broadcasting, Information and Communications Technologies, Postal, Internet and related services will take effect from 1 April 2013.





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Net
Surplus

+28%

2013: P40,575,526 MILLION
2012: P31,665,174 MILLION

The Authority is a body corporate, established under the Telecommunications Act (Cap 72:03) to regulate, supervise and promote the provision of efficient telecommunication services in Botswana.

The operating results and state of affairs of the Authority are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

| | |
|---|--|
| Country of incorporation and domicile | Botswana |
| Nature of business and principal activities | The Authority is a body corporate, established under the Telecommunications Act (Cap 72:03) to regulate, supervise and promote the provision of efficient telecommunication services in Botswana. |
| Members of the Board | Dr. B. O. Tsheko (Chairman) (Retired on 31 March 2013) Dr. M. A. Mpotokwane (Vice Chairman) (Retired on 31 March 2013) Dr. T. Nyamadzabo (Retired on 31 March 2013) Dr. D. E. Maje (Retired on 31 March 2013) Mr. R. M. Phole (Retired on 31 March 2013) |
| Independent Member of the Finance and Audit Committee | Mrs. A. T. Khunwana (Retired on 31 March 2013) |
| Independent Member of the Remuneration Committee | Ms. I. Ramalohlanye (Retired on 31 March 2013) |
| Registered office | Plot 206/207 Independence Avenue Extension 5 Gaborone Botswana |
| Postal address | Private Bag 00495 Gaborone Botswana |
| Bankers | First National Bank of Botswana Limited Barclays Bank of Botswana Limited Standard Chartered Bank Botswana Limited Bank of Baroda (Botswana) Limited Stanbic Bank Botswana Limited |
| Auditors | Grant Thornton Chartered Accountants |
| Secretary Chief Executive | Dr Z. Kebonang Mr. T G Pheko |
| Functional Currency | Botswana Pula ('P') and is rounded to the nearest Pula |

The Members of the Board have pleasure in submitting their report, which form part of the financial statements for the Authority for the year ended 31 March 2013.

1. Review of activities

The authority is a body corporate, established under the Telecommunications Act (Cap 72:03) to regulate, supervise and promote the provision of efficient telecommunication services in Botswana.

The operating results and state of affairs of the Authority are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net surplus of the Authority was P 40 575 526 (2012: P 31 665 174 surplus)

2. Events after the reporting period

The Botswana Communication Regulatory Authority Bill was passed into law by the Parliament on 17 August 2012 and promulgated to effect on 01 April 2013 . This new law repeals the Telecommunications Act (CAP 72:03). As per the Communication Regulatory Act, Botswana Communication Regulatory Authority has been formed and has taken all the assets of the erstwhile Botswana Telecommunication Authority. The members of the Board are not aware of any other matter or circumstance arising since the end of the financial year.

3. Accounting policies

The accounting policies of the Authority are consistent with the previous year.

4. Members interest in contracts

None of the Members or Officers of the Authority had any interest in any contract during the financial year.

5. Members

The Board members of the Authority during the year and to the date of this report are as follows:
Dr. B O Tsheko (Chairman)
Dr. M A Mpotokwane (Vice Chairman)
Dr. T Nyamadzabo
Mr. R M Phole
Dr D.E. Maje

6. Secretary

The secretary of the Authority is Dr Z. Kebonang.

The Members are required in terms of the Telecommunications Act (Cap 72:03) to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The Members acknowledge that they are ultimately responsible for the system of internal financial control established by the Authority and place considerable importance on maintaining a strong control environment. To enable the Members to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Authority and all employees are required to maintain the highest ethical standards in ensuring the Authority's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Authority is on identifying, assessing, managing and monitoring all known forms of risk across the Authority. While operating risk cannot be fully eliminated, the Authority endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Members are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Members have reviewed the Authority's cash flow forecast for the year to 31 March 2014 and, in the light of this review and the current financial position, they are satisfied that the Authority has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 48 to 69, which have been prepared on the going concern basis, were approved by the board on the 7th August 2013 and were signed on its behalf by:



Chief Executive
Gaborone



Board Secretary

To the members of Botswana Communications Regulatory Authority

Report on the Financial Statements

We have audited the accompanying annual financial statements of Botswana Communications Regulatory Authority formerly Botswana Telecommunications Authority, which comprise the statement of financial position as at 31 March 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 48 to 67.

Members’ Responsibility for the Financial Statements

The Members of the Board are responsible for the preparation and fair presentation of these annual financial statements in accordance with International Financial Reporting Standards and for such internal control as the members determine is necessary to enable the preparation of annual financial statements that are free from material misstatements, whether due to fraud or error.

Auditors’ Responsibility

Our responsibility is to express an opinion on these annual financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditors’ judgement, including the assessment of the risks of material misstatement of the annual 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 annual 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 annual financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the annual financial statements give a true and fair view of, the financial position of Botswana Communications Regulatory Authority formerly Botswana Telecommunications Authority as at 31 March 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

In accordance with Section 14(3) of the Telecommunications Act,1996 (Cap 72:03) we confirm that:

- We have received all the information and explanations which, to the best of our knowledge and belief, are necessary for the performance of our duties as auditors;
- In our opinion the accounts and related records of the Authority have been properly maintained
- The Authority has complied with the financial provisions of the Telecommunications Act 1996 (Cap 72:03)
- The financial statements prepared by the Authority were prepared consistent with that of previous year.



Chartered Accountants

Certified Auditor : Madhavan Venkatachary
(Membership No : 20030049)

07 / 08 / 2013
Gaborone

| FIGURES IN PULA | Note(s) | 2013 | 2012 |
|---|---------|--------------------|--------------------|
| Assets | | | |
| Non-Current Assets | | | |
| Investment property | 3 | 8 000 000 | 7 500 000 |
| Property, plant and equipment | 4 | 75 950 998 | 81 862 839 |
| | | 83 950 998 | 89 362 839 |
| Current Assets | | | |
| Trade and other receivables | 6 | 33 807 624 | 25 715 209 |
| Prepayments | | 401 756 | 458 806 |
| Cash and cash equivalents | 7 | 224 441 192 | 175 451 383 |
| | | 258 650 572 | 201 625 398 |
| Total Assets | | 342 601 570 | 290 988 237 |
| Funds and Liabilities | | | |
| Funds | | | |
| Accumulated surplus | | 263 987 931 | 233 556 286 |
| Proposed dividends | | 10 143 881 | 7 916 294 |
| | | 274 131 812 | 241 472 580 |
| Liabilities | | | |
| Current Liabilities | | | |
| Trade and other payables | 10 | 33 237 747 | 14 820 162 |
| Government of Botswana Universal Service Fund | 9 | 35 232 011 | 34 695 495 |
| | | 68 469 758 | 49 515 657 |
| Total Equity and Liabilities | | 342 601 570 | 290 988 237 |

| FIGURES IN PULA | Note(s) | 2013 | 2012 |
|---|---------|-------------------|-------------------|
| Revenue | 12 | 114 638 901 | 93 601 614 |
| Other income | | 1 185 105 | 854 462 |
| Operating expenses | 13 | (83 157 764) | (69 708 659) |
| Surplus for the year before finance income | 14 | 32 666 242 | 24 747 417 |
| Finance income | 15 | 7 409 284 | 6 417 757 |
| Fair value adjustments | 16 | 500 000 | 500 000 |
| Total comprehensive income for the year | | 40 575 526 | 31 665 174 |

| FIGURES IN PULA | Proposed Dividends | Accumulated Surplus | Total Funds |
|--|-----------------------|------------------------|----------------|
| Balance at 01 April 2011 | 6 495 937 | 209 807 406 | 216 303 343 |
| Total comprehensive income for the year | - | 31 665 174 | 31 665 174 |
| Dividend paid | (6 495 937) | - | (6 495 937) |
| Dividend proposed to the Government transferred to proposed dividend | 7 916 294 | (7 916 294) | - |
| Net movement | 1 420 357 | (7 916 294) | (6 495 937) |
| Balance at 01 April 2012 | 7 916 294 | 233 556 286 | 241 472 580 |
| Total comprehensive income for the year | - | 40 575 526 | 40 575 526 |
| Dividend paid | (7 916 294) | - | (7 916 294) |
| Dividend proposed to the Government transferred to proposed dividend | 10 143 881 | (10 143 881) | - |
| Net movement | 2 227 587 | (10 143 881) | (7 916 294) |
| Balance at 31 March 2013 | 10 143 881 | 263 987 931 | 274 131 812 |

| FIGURES IN PULA | Note(s) | 2013 | 2012 |
|---|---------|-------------|-------------|
| Cash flows from operating activities | | | |
| Cash generated from operations | 18 | 53 223 922 | 39 682 926 |
| Finance income | | 7 409 284 | 6 417 757 |
| Net cash from operating activities | | 60 633 206 | 46 100 683 |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 4 | (5 240 871) | (7 337 787) |
| Sale of property, plant and equipment | 4 | 977 252 | 559 029 |
| Net cash from investing activities | | (4 263 619) | (6 778 758) |
| Cash flows from financing activities | | | |
| Movement in Government of Botswana Universal Service Fund | | 536 516 | 1 032 063 |
| Dividends paid | | (7 916 294) | (6 495 936) |
| Net cash from financing activities | | (7 379 778) | (5 463 873) |
| Total cash movement for the year | | 48 989 809 | 33 858 052 |
| Cash at the beginning of the year | | 175 451 383 | 141 593 331 |
| Total cash at end of the year | 7 | 224 441 192 | 175 451 383 |

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with International Financial Reporting Standards. The annual financial statements have been prepared on the historical cost basis, except for the measurement of investment properties and certain financial instruments at fair value, and incorporate the principal accounting policies set out below. They are presented in Botswana Pula.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables

The Authority assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the company makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios.

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Authority for similar financial instruments.

Fair values of investment properties are determined by professional external valuers using market related assumptions including yield capitalisation method, discounted future cash flows of rental income etc based on the type of property and area. Market conditions include transactions that have been carried out at a date as close as possible to the valuation dates. Where external valuers are not involved, management estimates fair value based on similar workings.

Fair values of assets held for sale are determined using market conditions.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values

less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption by management may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

The Authority reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including production estimates, supply demand, together with economic factors such as exchange rates, inflation and interest.

Provisions

Provisions were raised and management determined an estimate based on the information available.

Contingent liabilities

Management applies its judgement to facts and advice it receives from its attorneys, advocates and other advisors in assessing if an obligation is probable, more likely than not, or remote. This judgement application is used to determine if the obligation is recognised as a liability or disclosed as a contingent liability.

Useful life and residual value of property, plant and equipment

The estimates of useful lives as translated into depreciation rates are detailed in property, plant and equipment policy on the annual financial statements. These rates and residual lives of the assets are reviewed annually taking cognizance of the forecasted commercial and economic realities and through benchmarking of accounting treatments in the Country.

1.2 Investment property

Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the investment property will flow to the Authority, and the cost of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement. Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

A gain or loss arising from a change in fair value is included in net profit or loss for the period in which it arises.

1.3 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the company; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost and subsequently carried at cost less accumulated depreciation and any impairment losses.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

| <i>Item</i> | <i>Average useful life</i> |
|------------------------|----------------------------|
| Land | Indefinite |
| Buildings | 50 years |
| Furniture and fixtures | 6-7 years |
| Motor vehicles | 4 years |
| Office equipment | 4 years |
| IT equipment | 2 years |
| Technical equipment | 2-25 years |

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in the statement of comprehensive income unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in the statement of comprehensive income when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and

equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.4 Financial instruments

Classification

The Authority classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis.

Initial recognition and measurement

Financial instruments are recognised initially when the Authority becomes a party to the contractual provisions of the instruments.

The Authority classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value.

For financial instruments which are not at fair value through the statement of comprehensive income, transaction costs are included in the initial measurement of the instrument.

Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Derecognition

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

Impairment of financial assets

At each reporting date the Authority assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the Authority, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in the statement of comprehensive income.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in profit or loss.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in statement of comprehensive income within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are included as other income in the statement of comprehensive income.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in statement of comprehensive income when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in statement of comprehensive income within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in statement of comprehensive income.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known

amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

1.5 Tax

Tax expenses

No provision for taxation is required as the Authority is exempt from taxation in terms of the Second Schedule, Part 1 of the Income Tax Act (Cap 52:01)

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating leases - lessor

Operating lease income is recognised as an income on a straight-line basis over the lease term. The difference between the amounts recognised as income and contractual receipts is recognised as an operating lease asset.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Income for leases is disclosed under revenue in the statement of comprehensive income.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease liability. This liability is not discounted.

1.7 Impairment of assets

The Authority assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Authority estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss.

The Authority assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.8 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical aid), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

Defined contribution plans

The Authority operates a defined contribution pension fund for its permanent citizen employees. The fund is registered under the Pension and Provident Fund Act (Cap 27:03). Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

1.9 Provisions and contingencies

Provisions are recognised when:

- the company has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The

reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 20.

1.10 Revenue

Revenue includes amounts charged to the telecom operators of Botswana as turnover fees. These fees are based on a fixed percentage of the monthly turnover of the telecom operators initially as certified by them and subsequently certified by their auditors on an annual basis.

Revenue also includes revenue from services such as system licence fees, service licence fees and radio licence fees.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Authority;
- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of value added tax.

1.11 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

- expenditures for the asset have occurred;
- borrowing costs have been incurred, and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted. Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.12 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Pula, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in profit or loss in the period in which they arise.

Cash flows arising from transactions in a foreign currency are recorded in Pulas by applying to the foreign currency amount the exchange rate between the Pula and the foreign currency at the date of the cash flow.

1.13 Contribution to the Universal Service Fund

Contributions to the Universal Service Fund set up by the Government of Botswana and managed by the Authority are recognised as expense in the period when the Members of the Board resolve to make contributions to it. The amount of contribution is at the discretion of the Board.

2. New Standards and Interpretations

At the date of approval of these annual financial statements, certain new accounting standards, amendments and interpretations to existing standards have been published.

Management anticipates that all relevant pronouncements will be adopted in the entity's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the entity's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the entity's financial statements.

2.1 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the company's accounting periods beginning on or after 01 April 2013 or later periods but are not relevant to its operations:

IFRS 9 Financial Instruments

This new standard is the first phase of a three phase project to replace IAS 39 Financial Instruments: Recognition and Measurement. To date, the standard includes chapters for classification, measurement and derecognition of financial assets and liabilities. The following are main changes from IAS 39:

- Financial assets will be categorised as those subsequently measured at fair value or at amortised cost.
- Financial assets at amortised cost are those financial assets where the business model for managing the assets is to hold the assets to collect contractual cash flows (where the contractual cash flows represent payments of principal and interest only). All other financial assets are to be subsequently measured at fair value.
- Under certain circumstances, financial assets may be designated as at fair value.
- For hybrid contracts, where the host contract is an asset within the scope of IFRS 9, then the whole instrument is classified in accordance with IFRS 9, without separation of the embedded derivative. In other circumstances, the provisions of IAS 39 still apply.
- Voluntary reclassification of financial assets is prohibited. Financial assets shall be reclassified if the entity changes its business model for the management of financial assets. In such circumstances, reclassification takes place prospectively from the beginning of the first reporting period after the date of change of the business model.
- Financial liabilities shall not be reclassified.
- Investments in equity instruments may be measured at fair value through other comprehensive income. When such an election is made, it may not subsequently be revoked, and gains or losses accumulated in equity are not recycled to profit or loss on derecognition of the investment. The election may be made per individual investment.
- IFRS 9 does not allow for investments in equity instruments to be measured at cost.
- The classification categories for financial liabilities remains unchanged. However, where a financial liability is designated as at fair value through profit or loss, the change in fair value attributable to changes in the liabilities credit risk shall be presented in other comprehensive income. This excludes situations where such presentation will create or enlarge an accounting mismatch, in which case, the full fair value adjustment shall be recognised in profit or loss.

The effective date of the standard is for years beginning on or after 01 January 2013.

The Authority does not envisage the adoption of the standard until such time as it becomes applicable to the Authority's operations.

The adoption of this standard is not expected to impact on the results of the Authority, but may result in more disclosure than is currently provided in the annual financial statements.

IFRS 13 Fair Value Measurement

New standard setting out guidance on the measurement and disclosure of items measured at fair value or required to be disclosed at fair value in terms of other IFRS's.

The effective date of the standard is for years beginning on or after 01 January 2013.

The Authority does not envisage the adoption of the standard until such time as it becomes applicable to the Authority's operations.

The adoption of this standard is not expected to impact on the results of the Authority, but may result in more disclosure than is currently provided in the annual financial statements.

IAS 1 Presentation of Financial Statements

The amendment now requires items of other comprehensive income to be presented as:

- Those which will be reclassified to profit or loss
- Those which will not be reclassified to profit or loss.

2.1 Standards and interpretations not yet effective or relevant (cont'd)

The related tax disclosures are also required to follow the presentation allocation.

In addition, the amendment changed the name of the statement of comprehensive income to the statement of profit or loss and other comprehensive income.

The effective date of the amendment is for years beginning on or after 01 July 2012.

The Authority does not envisage the adoption of the amendment until such time as it becomes applicable to the Authority's operations.

The adoption of this amendment is not expected to impact on the results of the Authority, but may result in more disclosure than is currently provided in the annual financial statements.

| FIGURES IN PULA | 2013 | | | 2012 | | |
|-----------------|-----------|--------------------------|----------------|-----------|--------------------------|----------------|
| | Valuation | Accumulated depreciation | Carrying Value | Valuation | Accumulated Depreciation | Carrying Value |

3. Investment property

| | | | | | | |
|---------------------|-----------|---|-----------|-----------|---|-----------|
| Investment property | 8 000 000 | - | 8 000 000 | 7 500 000 | - | 7 500 000 |
|---------------------|-----------|---|-----------|-----------|---|-----------|

Reconciliation of investment property - 2013

| | Opening Balance | Fair value Adjustments | Total |
|---------------------|-----------------|------------------------|-----------|
| Investment property | 7 500 000 | 500 000 | 8 000 000 |

Reconciliation of investment property - 2012

| | Opening Balance | Fair value Adjustments | Total |
|---------------------|-----------------|------------------------|-----------|
| Investment property | 7 500 000 | 500 000 | 8 000 000 |

Details of valuation

The effective date of the revaluations was 07 May 2013. Revaluations were performed by an independent valuer, Mr Francis Muiruri [BA (Land Economics) Nons, MISK, MREAC, MREIB], of Stocker Fleetwood Bird. Stocker Fleetwood Bird are not connected to the Authority and have experience in location and category of the investment property being valued.

The investment property was valued at P 8 000 000 by Stocker Fleetwood Bird, professional property valuers on 07 May 2013. The valuation was based on open market value for existing use. The management have recorded the appreciation in investment property based on this valuation in the financial statements as they are of the opinion that there has been no material change in the economic scenario in the country between the valuation date and the balance sheet date. The valuation was based on open market value for existing use.

Amounts recognised in profit and loss for the year

| | | |
|--|-----------|----------|
| Rental income from investment property | 417 417 | 446 290 |
| Repairs and maintenance of the investment property | (111 384) | (11 542) |
| | 306 033 | 434 748 |

| FIGURES IN PULA | 2013 | | Carrying Value | 2012 | | Carrying Value |
|-----------------|------|--------------------------|----------------|------|--------------------------|----------------|
| | Cost | Accumulated depreciation | | Cost | Accumulated Depreciation | |

4. Property, plant and equipment

| | | | | | | |
|----------------------------|--------------------|---------------------|-------------------|--------------------|---------------------|-------------------|
| Buildings | 32 503 605 | (4 922 509) | 27 581 096 | 32 503 605 | (4 263 118) | 28 240 487 |
| Furniture & fixtures | 6 060 112 | (4 165 240) | 1 894 872 | 6 110 424 | (3 616 605) | 2 493 819 |
| IT equipment | 8 172 874 | (6 407 150) | 1 765 724 | 6 447 686 | (5 237 365) | 1 210 321 |
| Land | 2 135 700 | - | 2 135 700 | 2 135 700 | - | 2 135 700 |
| Motor vehicles | 4 348 294 | (1 882 193) | 2 466 101 | 3 870 768 | (2 355 360) | 1 515 408 |
| Office equipment | 5 892 059 | (5 313 484) | 578 575 | 6 006 229 | (4 328 450) | 1 677 779 |
| Technical equipment (ASMS) | 91 148 540 | (52 996 012) | 38 152 528 | 91 148 540 | (46 625 462) | 44 523 078 |
| Capital work in progress | 1 376 402 | - | 1 376 402 | 66 247 | - | 66 247 |
| Total | 151 637 586 | (75 686 588) | 75 950 998 | 148 289 199 | (66 426 360) | 81 862 839 |

Reconciliation of property, plant and equipment - 2013

| | Opening balance | Additions | Disposals | Depreciation | Total |
|----------------------------|-------------------|------------------|------------------|---------------------|-------------------|
| Buildings | 28 240 487 | - | - | (659 391) | 27 581 096 |
| Furniture and fixtures | 2 493 819 | 24 081 | (484) | (622 544) | 1 894 872 |
| IT equipment | 1 210 321 | 2 139 703 | (321 842) | (1 262 458) | 1 765 724 |
| Land | 2 135 700 | - | - | - | 2 135 700 |
| Motor vehicles | 1 515 408 | 1 766 932 | (61 256) | (754 983) | 2 466 101 |
| Office equipment | 1 677 779 | - | (3 437) | (1 095 767) | 578 575 |
| Technical equipment (ASMS) | 44 523 078 | - | - | (6 370 550) | 38 152 528 |
| Capital work in progress | 66 247 | 1 310 155 | - | - | 1 376 402 |
| | 81 862 839 | 5 240 871 | (387 019) | (10 765 693) | 75 950 998 |

Reconciliation of property, plant and equipment - 2012

| | Opening balance | Additions | Disposals | Depreciation | Total |
|----------------------------|-------------------|------------------|------------------|---------------------|-------------------|
| Buildings | 27 519 824 | 1 368 649 | - | (647 986) | 28 240 487 |
| Furniture and fixtures | 3 103 767 | 30 612 | - | (640 560) | 2 493 819 |
| IT equipment | 309 328 | 2 040 729 | (387 629) | (752 107) | 1 210 321 |
| Land | 2 135 700 | - | - | - | 2 135 700 |
| Motor vehicles | 363 046 | 1 614 547 | (3) | (462 182) | 1 515 408 |
| Office equipment | 2 055 946 | 676 571 | - | (1 054 738) | 1 677 779 |
| Technical equipment (ASMS) | 49 981 866 | 1 540 432 | (16) | (6 999 204) | 44 523 078 |
| Capital work in progress | - | 66 247 | - | - | 66 247 |
| | 85 469 477 | 7 337 787 | (387 648) | (10 556 777) | 81 862 839 |

Other information

| | | |
|--|------------|------------|
| Fully depreciated property, plant and equipment still in use | 26 592 866 | 21 874 474 |
|--|------------|------------|

| FIGURES IN PULA | 2013 | 2012 |
|-----------------|------|------|
|-----------------|------|------|

5. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below. The carrying amounts of the financial assets in each category are as follows:

| 2013 | Loans and receivables | Total |
|-----------------------------|-----------------------|--------------------|
| Trade and other receivables | 23 031 823 | 23 031 823 |
| Cash and cash equivalents | 224 441 192 | 224 441 192 |
| | 247 473 015 | 247 473 015 |

| 2012 | Loans and receivables | Total |
|-----------------------------|-----------------------|--------------------|
| Trade and other receivables | 25 708 852 | 25 708 852 |
| Cash and cash equivalents | 175 451 383 | 175 451 383 |
| | 201 160 235 | 201 160 235 |

6. Trade and other receivables

| | | |
|---|-------------------|-------------------|
| Trade receivables | 20 385 680 | 23 427 761 |
| Advance towards purchase of capital assets | 10 721 528 | - |
| Other receivables | 1 877 224 | 1 434 728 |
| Deposits | 54 273 | 6 357 |
| Staff debtors | 196 346 | 49 291 |
| Receivable from CRASA | 193 302 | 216 141 |
| Receivable from National Broadcasting Board | 379 271 | 580 931 |
| | 33 807 624 | 25 715 209 |

Advance paid comprise of P 1 905 865 paid as advance mobilisation loan to the Building Contractor and P 8 815 664 as advance payment towards purchase of ASMS spare parts.

Credit quality of trade and other receivables

The major debtors constitute the public telecom operators. The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to historical information about major customers default rates.

Fair value of trade and other receivables

| | | |
|-----------------------------|------------|------------|
| Trade and other receivables | 33 807 624 | 25 715 209 |
|-----------------------------|------------|------------|

The carrying amounts of trade and other receivables approximates its fair value.

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 31 March 2013, P 930 900 (2012: P 1 826 974) were past due but not impaired. Past due is when an invoice remains outstanding beyond 60 days.

The ageing of amounts past due but not impaired is as follows:

| | | |
|-------------------|----------------|------------------|
| 1 month past due | 7 442 | 19 581 |
| 3 months past due | 923 458 | 1 807 393 |
| | 930 900 | 1 826 974 |

| FIGURES IN PULA | 2013 | 2012 |
|-----------------|------|------|
|-----------------|------|------|

6. Trade and other receivables (cont'd)

Trade and other receivables impaired

As of 31 March 2013, trade and other receivables of P 1 179 913 (2012: P 416 070) were impaired and provided for. The amount of the provision was P (1 179 913) as of 31 March 2013 (2012: P (416 070)).

The ageing of these loans is as follows:

| | | |
|---------------|-----------|---------|
| Over 6 months | 1 179 913 | 416 070 |
|---------------|-----------|---------|

Reconciliation of provision for impairment of trade and other receivables

| | | |
|--------------------------|------------------|----------------|
| Opening balance | 416 070 | 416 070 |
| Provision for impairment | 763 843 | - |
| | 1 179 913 | 416 070 |

The creation and release of provision for impaired receivables have been included in operating expenses in profit or loss (note 14). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

7. Cash and cash equivalents

Cash and cash equivalents consist of:

| | | |
|---------------------|--------------------|--------------------|
| Cash on hand | 500 | 500 |
| Bank balances | 59 507 856 | 47 179 318 |
| Short-term deposits | 164 932 836 | 128 271 565 |
| | 224 441 192 | 175 451 383 |

Short term deposit includes Authority's investment in Stanbic money market fund which has an average rate of return of 6% (2012: 6%). This amount of P 61 295 880 (2012: P 58 020 451) can be withdrawn in 24 hours notice.

Cash and cash equivalents at the end of the year include a deposit with Stanbic Bank Botswana Limited of P 35 232 011 (2012: P 34 695 495) held by the Authority on behalf of the Government of Botswana pending establishment of the Universal Service Fund. The balance includes interest earned on the deposit up to the balance sheet date.

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired has been assessed as good by the management, as the amounts are placed with reputable financial institutions who are registered in Botswana and who have past performance history with no defaults in their commitments.

8. Proposed dividends

In compliance with the saving gram notification by the Government of Botswana, the Authority proposes to distribute 25% of its surplus for the year as dividend to the Government of Botswana. Accordingly, the Authority has apportioned P 10 143 881 (2012: P 7 916 294) from its Accumulated Surplus as Proposed Dividend.

9. Government of Botswana - Universal Service Fund

The Authority contributes funds for the proposed Universal Service Fund which is to be established by Botswana Government for the development of the telecommunication sector including infrastructure and technical development for Botswana. The Members of the Board decide on the quantum of contribution every year and is discretionary.

| | | |
|---|-------------------|-------------------|
| Opening balance of the Fund | 27 500 000 | 27 500 000 |
| Interest earned on deposit - Universal Service fund | 7 732 011 | 7 195 495 |
| | 35 232 011 | 34 695 495 |

| FIGURES IN PULA | 2013 | 2012 |
|---|--|-------------------|
| 10. Trade and other payables | | |
| Trade payables | 122 052 | 2 659 905 |
| Amounts received in advance | 1 097 957 | 11 306 |
| Value added tax | 1 620 385 | 638 174 |
| Amount held on behalf of National Broadcasting Board | 2 928 325 | 2 543 365 |
| Employee cost accruals | 15 321 144 | 4 738 182 |
| Other accrued expenses | 12 113 137 | 3 958 790 |
| Deposits received | 27 814 | 19 949 |
| Other payables | 6 933 | 250 491 |
| | 33 237 747 | 14 820 162 |
| Employee accruals include liabilities on account of the adoption of clean pay structure by the Authority from 01 September 2012. | | |
| The carrying amounts of trade and other payables approximates their fair value. | | |
| 11. Financial liabilities by category | | |
| The accounting policies for financial instruments have been applied to the line items below. The carrying amounts of the financial liabilities in each category are as follows: | | |
| 2013 | | |
| | Financial liabilities at amortised cost | Total |
| Government of Botswana - Universal Service Fund | 35 232 011 | 35 232 011 |
| Trade and other payables | 21 881 731 | 21 881 731 |
| | 57 113 742 | 57 113 742 |
| 2012 | | |
| | Financial liabilities at amortised cost | Total |
| Government of Botswana - Universal Service Fund | 34 695 495 | 34 695 495 |
| Trade and other payables | 10 081 980 | 10 081 980 |
| | 44 777 475 | 44 777 475 |
| 12. Revenue | | |
| Turnover fees | 93 076 294 | 72 462 708 |
| Radio license fees | 14 955 625 | 15 524 015 |
| System license fees | 5 072 314 | 4 670 328 |
| Service license fees | 1 534 668 | 944 563 |
| | 114 638 901 | 93 601 614 |

| FIGURES IN PULA | 2013 | 2012 |
|---|-------------------|-------------------|
| 13. Operating expenses | | |
| Major categories of operating expenses : | | |
| Employee costs | 41 962 542 | 32 148 842 |
| Depreciation, amortisation and impairments | 10 765 693 | 10 556 776 |
| Impairments | 763 843 | - |
| Consulting and professional fees | 6 767 926 | 3 125 824 |
| Conference expenses | 3 926 355 | 4 794 330 |
| Travel expenses | 3 425 423 | 3 150 089 |
| Repairs and maintenance | 2 388 339 | 2 631 308 |
| Security charges | 1 230 222 | 1 312 520 |
| Training | 584 882 | 849 750 |
| Internet charges | 1 434 798 | 1 179 851 |
| Advertising | 902 188 | 1 027 895 |
| Donations | 989 521 | 1 251 336 |
| Board expenses | 1 132 222 | 1 301 547 |
| Other expenses | 6 883 810 | 6 378 591 |
| | 83 157 764 | 69 708 659 |
| 14. Surplus for the year before finance income | | |
| Surplus for the year is stated after accounting for the following: | | |
| Profit on sale of property, plant and equipment | 590 233 | 171 381 |
| Loss on exchange differences | (412) | - |
| Depreciation on property, plant and equipment | 10 765 693 | 10 556 777 |
| Employee costs | 41 962 542 | 32 148 842 |
| Net gains (losses) on financial instruments: | | |
| Loans and receivables | 7 409 284 | 6 417 757 |
| Impairment of financial assets per class | | |
| Loans and receivables | 763 843 | - |
| 15. Finance income | | |
| Interest revenue | | |
| Bank | 361 383 | 662 475 |
| Income from short term investments | 7 047 901 | 5 755 282 |
| | 7 409 284 | 6 417 757 |
| 16. Fair value adjustments | | |
| Investment property (Fair value model) | 500 000 | 500 000 |
| 17. Auditors' remuneration | | |
| Fees | 226 920 | 127 583 |

| FIGURES IN PULA | 2013 | 2012 |
|-----------------|------|------|
|-----------------|------|------|

18. Cash generated from operations

| | | |
|------------------------------------|-------------------|-------------------|
| Profit before taxation | 40 575 526 | 31 665 174 |
| Adjustments for: | | |
| Depreciation and amortisation | 10 765 693 | 10 556 777 |
| Profit on sale of assets | (590 233) | (171 381) |
| Interest received | (7 409 284) | (6 417 757) |
| Fair value adjustments | (500 000) | (500 000) |
| Changes in working capital: | | |
| Trade and other receivables | (8 092 415) | (443 376) |
| Prepayments | 57 050 | (68 529) |
| Trade and other payables | 18 417 585 | 5 062 018 |
| | 53 223 922 | 39 682 926 |

19. Commitments

Authorised capital expenditure

Already contracted for but not provided for

| | | |
|---------------------------------|-------------------|------------------|
| • Property, plant and equipment | 14 230 457 | 3 001 642 |
| • ASMS Technical equipment | 22 723 475 | - |
| | 36 953 932 | 3 001 642 |

This committed expenditure relates to property, plant and equipment and will be financed by available bank resources.

Operating leases – as lessor (income)

Minimum lease payments due

| | | |
|-------------------|---------|---------|
| - within one year | 459 000 | 418 000 |
|-------------------|---------|---------|

Lease agreements are non cancelable and have the terms 1 to 2 years. The rentals are renegotiated at the anniversary of the lease agreements to align with the open market rates. There are no contingent rents receivable.

20. Contingencies

Tax consequences of undistributed reserves

Guarantee issued by the Authority in favour of First National Bank of Botswana Limited towards the employees' housing loan, wherein Authority has guaranteed upto 100% of the outstanding balance. The balance outstanding at the balance sheet date under this guarantee amounts to P 2 119 854 (2012: P 6 735 106).

Guarantee issued by the Authority in favour of Barclays Bank of Botswana Limited towards guarantee for employees' car loan, with a maximum facility of P 5 000 000, wherein the Authority has guaranteed upto 100% of the outstanding balance. The balance outstanding at the balance sheet date under this guarantee amounts to P 215 727 (2012: P 418 736).

Guarantee issued by the Authority in favour of Bank of Baroda (Botswana) Limited towards the employees' personal loans, wherein Authority has guaranteed up to 50% of the outstanding balance. The balance outstanding at the balance sheet date under this guarantee amounts to P 2 350 311 (2012: P 1 642 476).

Guarantee issued by the Authority in favour of WesBank (a division of First National Bank of Botswana Limited) towards guarantee for employees' car loan, with a maximum facility of P 5 000 000, wherein Authority has guaranteed up to 50% of the outstanding balance. The balance outstanding at the balance sheet date under this guarantee amounts to P 1 394 383 (2012: P 2 622 090).

There is a claim of P 2.2 million plus interest at 10% per annum from 25 September 2011, against the Authority from an exemployee towards alleged unfair dismissal which is currently being contested by the Authority. The estimated cost of suit is P 500 000.

| FIGURES IN PULA | 2013 | 2012 |
|-----------------|------|------|
|-----------------|------|------|

21. Related parties

Relationships

| | |
|---------------------------|--|
| Members of the Board | Refer to Page 44 |
| Related parties | The Authority had transactions with Government and other Government interested organisations. These transactions and these parties were not considered to be related party transactions and related parties. However, National Broadcasting Board is considered as a related party, as transactions are in the nature of collection on behalf of this party. |
| Members of key management | T G Pheko (Chief Executive) M O Tamasiga (Deputy Chief Executive) T Kapaletswe (Deputy Chief Executive) B Mine N Katse G O Radijeng M Mokgware B Luke Z Kebonang |

Related party balances

Amounts included in Trade receivable (Trade Payable) regarding related parties

| | | |
|---|--------------------|--------------------|
| National Broadcasting Board - net of receivable | (2 549 054) | (1 962 433) |
| Communications Regulators' Association of Southern Africa | 193 302 | 216 141 |
| | (2 355 752) | (1 746 292) |

Related party transactions

Board expenses

| | | |
|-----------------------|------------------|------------------|
| Sitting allowances | 51 313 | 104 811 |
| Travelling allowances | 853 170 | 1 120 609 |
| Cellphone allowances | 188 556 | 53 909 |
| Conferences expenses | 39 183 | 22 218 |
| | 1 132 222 | 1 301 547 |

Compensation to key management

| | | |
|--|-------------------|-------------------|
| Remuneration paid | 7 933 850 | 5 980 671 |
| Post employment benefits - Defined contribution plan | - | 349 556 |
| Other long-term employee benefits | 2 532 875 | 1 454 892 |
| Termination costs | - | 2 480 016 |
| | 10 466 725 | 10 265 135 |

22. Risk management

Capital risk management

The Authority's objectives when managing funds are to safeguard the Authority's ability to continue as a going concern in order to provide effective oversight on the telecom operators and create sufficient funds for development of world class facilities to monitor its activities effectively.

The capital structure of the Authority consists of cash and cash equivalents disclosed in note 7, and accumulated surplus as disclosed in the statement of financial position.

There are no externally imposed capital requirements.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or

| FIGURES IN PULA | 2013 | 2012 |
|-----------------|------|------|
|-----------------|------|------|

22. Risk management

Capital risk management (cont'd)

externally imposed capital requirements from the previous year.

Financial risk management

The Authority's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

The Authority's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Authority's financial performance. Risk management is carried out by the key management of the Authority and under policies approved by the board . The board provides written principles for overall risk management.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Authority's risk to liquidity is a result of the funds available to cover future commitments. The Authority manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the Authority's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

| At 31 March 2013 | Less than 1 year | Between 1 and 2 years |
|---|---------------------|--------------------------|
| Trade and other payables | 33 237 747 | - |
| Government of Botswana-Universal Service Fund | - | 35 232 011 |

| At 31 March 2012 | Less than 1 year | Between 1 and 2 years |
|---|---------------------|--------------------------|
| Trade and other payables | 14 820 154 | - |
| Government of Botswana-Universal Service Fund | - | 34 695 495 |

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 minimising risks. The Authority places its funds both in fixed interest earning deposits(fixed deposits) and fluctuating interest earning deposits which are adjusted on a short term basis based on changes in the prevailing market related interest rates.

Further, these deposits are due on demand. The fixed deposits amounting to P 165 million (2012: P 128 million) are exposed to cash flow interest rate risk. However considering the short term maturity between 14 and 90 days for these deposits, these risks are minimised.

| FIGURES IN PULA | 2013 | 2012 |
|-----------------|------|------|
|-----------------|------|------|

Cash flow interest rate risk

| Financial instrument | Current interest rate | Due in less than a year |
|--|--------------------------|----------------------------|
| 14 days fixed deposits | 3.50 % | 10 011 507 |
| 3 months fixed deposits | 4.75 % | 18 894 933 |
| 3 months fixed deposits | 5.50 % | 44 490 103 |
| 3 months fixed deposits | 7.50 % | 30 240 411 |
| Stanbic money market fund | 6.00 % | 61 295 880 |
| Stanbic Bank Botswana Limited held on behalf of Government | 3.75 % | 35 232 011 |

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, and trade debtors. The Authority only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise mainly of three major operators from telecommunication sector, amounting to P 23 million (2012: P 22.50 million) at the year end.

The maximum credit exposure on trade receivables and other receivables is limited to P 23.58 million (2012: P 25.71 million). Management evaluated credit risk relating to customers on an ongoing basis especially on major customers by obtaining their latest financial statements, budgets, etc, and where appropriate, makes adequate provisions for bad and doubtful debts.

Financial assets exposed to credit risk at year end were as follows:

| Financial instrument | 2013 | 2012 |
|---|------------|------------|
| Trade receivables | 23 597 901 | 23 427 761 |
| Receivable from CRASA and NBB | 572 573 | 797 072 |
| Barclays Bank of Botswana Limited | - | 1 656 246 |
| Stanbic Bank Botswana Limited | 35 232 011 | 34 695 495 |
| Bank of Baroda (Botswana) Limited | 45 395 200 | 43 043 428 |
| First National Bank of Botswana Limited | 29 523 332 | 38 035 763 |
| Standard Chartered Bank of Botswana Limited | 30 259 077 | - |
| Investment in Stanbic money market fund | 61 295 880 | 58 020 451 |

The Authority has also provided guarantees to banks for various employee loans sanctioned by the banks. This guarantee exposes the Authority to credit risk. Refer to note 20 for additional details.

Foreign exchange risk

There are no foreign currency exposures outstanding at the year end. The Authority does not hedge foreign exchange fluctuations.

| FIGURES IN PULA | Note(s) | 2013 | 2012 |
|--|---------|---------------------|---------------------|
| Revenue | | | |
| Turnover fees | | 93 076 294 | 72 462 708 |
| Radio license fees | | 14 955 625 | 15 524 015 |
| System licence fees | | 5 072 314 | 4 670 328 |
| Service license fees | | 1 534 668 | 944 563 |
| | 12 | 114 638 901 | 93 601 614 |
| Other income | | | |
| Fair value adjustments | 16 | 500 000 | 500 000 |
| Gains on disposal of assets | | 590 233 | 171 381 |
| Interest received | 15 | 7 409 284 | 6 417 757 |
| Other income | | 177 043 | 236 791 |
| Profit on exchange differences | | 412 | - |
| Rental income | | 417 417 | 446 290 |
| | | 9 094 389 | 7 772 219 |
| Expenses (Refer to page 69) | | (83 157 764) | (69 708 659) |
| Total comprehensive income for the year | | 40 575 526 | 31 665 174 |

| FIGURES IN PULA | Note(s) | 2013 | 2012 |
|--|---------|---------------------|---------------------|
| Operating expenses | | | |
| Advertising | | (902 188) | (1 027 895) |
| Assessment rates & municipal charges | | (9 997) | (36 503) |
| Auditors remuneration | 17 | (226 920) | (127 583) |
| Bad debts | | (763 843) | - |
| Bank charges | | (109 902) | (103 252) |
| Cleaning | | (104 391) | (67 461) |
| Computer expenses | | (200 374) | (297 703) |
| Consulting and professional fees | | (6 767 926) | (3 125 824) |
| Consumables | | (26 404) | (9 315) |
| Depreciation, amortisation and impairments | | (10 765 693) | (10 556 777) |
| Donations | | (989 521) | (1 251 336) |
| Employee costs | | (41 962 542) | (32 148 842) |
| Entertainment | | (50 387) | (74 207) |
| Board expenses | | (1 132 222) | (1 301 547) |
| Conference expenses | | (3 926 355) | (4 794 330) |
| Functions hosted by BTA | | (1 122 624) | (913 108) |
| Internet expenses | | (1 434 798) | (1 179 851) |
| Training levy | | (251 672) | (211 940) |
| Staff Recruitment expenses | | (2 750) | (375 674) |
| Insurance | | (630 410) | (534 686) |
| Legal expenses | | (556 575) | (25 000) |
| Magazines, books and periodicals | | (40 057) | (83 455) |
| Motor vehicle expenses | | (400 482) | (421 866) |
| Postage | | (60 543) | (83 698) |
| Printing and stationery | | (915 186) | (592 182) |
| Protective clothing | | (120 557) | (449 439) |
| Repairs and maintenance | | (2 388 339) | (2 631 308) |
| Security | | (1 230 222) | (1 312 520) |
| Staff welfare | | (596 779) | (621 337) |
| Subscriptions | | (397 891) | (416 727) |
| Telephone and fax | | (273 089) | (288 876) |
| Training | | (584 882) | (849 750) |
| Travel - local | | (3 425 423) | (3 150 089) |
| Utilities | | (786 820) | (644 578) |
| | | (83 157 764) | (69 708 659) |



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