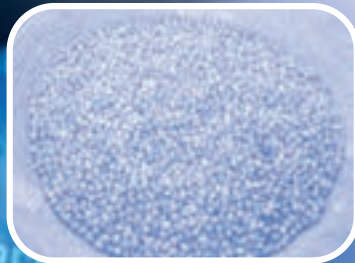




Harvesting the fruits of hard labour

Thobo ya maungo a mofutso wa phatla



ANNUAL REPORT  
2005 - 2006  
PEGO YA NGWAGA





## HOT OFF THE PRESS

An important message was made after the balance sheet date by the Honourable Minister of Communications, Science and Technology Hon. Pelonomi Venson-Moitoi MP announcing the further liberalisation of the telecommunications market in Botswana. Although this announcement was made after balance sheet date, specifically in June 2006, I believe that it is worth mentioning in this annual report due its immense impact on the market and the Botswana economy. The key highlights of the announcement were:

- lifting the restriction on the provision of VoIP by value-added network service providers from 1 August 2006;
- mobile operators to start self providing transmission links from 1 August 2006;
- current fixed line and cellular operators may apply for service-neutral licenses from 1 September 2006;
- liberalisation of the international voice gateway by 1 October 2006;
- the main fixed line operator Botswana Telecommunications Corporation (BTC) attains a satisfactory level of tariff rebalancing by December 2007;
- new entrants may tender for service-neutral national licenses from December 2009
- the privatisation of BTC to start from 21 June 2006; and
- the establishment of a Universal Service Fund

Hon. Minister Pelonomi Venson - Moitoi MP in a 3G Handset :- Her announcement will lead the country into Third Generation Technology and beyond

## KITSISO

Tona wa Lephata la Ditlhaeletsano, Maranyane le Boitseanape o ne a ntsha kitsiso e e latelang morago ga nako ya pego ya mono-ngwaga e wela. Molaetsa o, o ne o le mabapi le go gololwa le go atolosiwa ga mhama wa ditlhaeletsano mono gae. Molaetsa o ne wa ntshiwa ka Seetebosigo 2006, mme go bothokwa gore o akaretswe mo pegong e ka o amile itsholelo ya Botswana ka tsela e tona. Dintlha kgolo tsa molaetsa ke tse:

- go phimola molao o o kganelang go gweba ka maranyane a inthanete ya mantswe, 1 Phatwe 2006;
- bagwebi ba megala ya disele ba tlaa gololesega go ikagela mafaratlhatlha a bone a kgaso, 1 Phatwe, 2006;
- bagwebi ba megala ya disele le ba ya matlo ba ka ikopela diteseletso tse di ba letlang go gweba ka mefuta yotlhe ya megala, 1 Lwetse 2006;
- bagwebi ba basha mo mmarakeng ba ka ikopela diteseletso kwa ntle ga go supa gore ba tla a bo ba gweba ka ditirelo dife, kwa magaeng kgotsa mo kgaolong efe go simolola ka 1 Phalane, 2006;
- kompone ya BTC e baakanye ditlhwathwa tsa ditirelo tse e di fang mo gae le tse e di fang kwa ntle ga Botswana ka tsela e e kgotsofatsang, Morule 2007;
- bagwebi ba basha ba ka ikopela diteseletso tse di sa supeng ditirelo tse ba tla di fang (service-neutral national licenses) tsa go gweba mo lefatsheng la Botswana lotlhe, go simolola Morule 2009;
- puso e tla a ithola ditiro mo koporaseng ya Ditlhaeletsano ya BTC go simolola 21 Seetebosigo 2006; le
- go simolodisiwa ga Letlole la Ditirelo tsa Botlhe.



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## Botswana Telecommunications Authority

PRIVATE BAG 00495 - GABORONE - BOTSWANA TEL: 267-3957755 FAX: 267-3957926  
PLOT 206/207 INDEPENDENCE AVENUE Email: info@bta.org.bw Website: <http://www.bta.org.bw>

28 September 2006

Honourable P. Venson-Motloti MP  
Minister of Communications, Science & Technology  
Private Bag 00414  
Gaborone

Dear Madam

### Annual Report For The Year Ended 31 March 2006

It is my privilege to submit to you a comprehensive report on the operations of Botswana Telecommunications Authority, (BTA) together with the auditor's report and the audited accounts in compliance with section 15 (1) of the Telecommunications Act, 1996 (15 of 1996), as amended.

J. Mothibi  
Chairperson

*Mmaga Re  
Ka Kgona  
Bokamoso*

MEMBER OF THE LEADING WORLDWIDE COMMUNICATIONS REGULATORS

MEMBER OF THE LEADING WORLDWIDE COMMUNICATIONS REGULATORS



BTA Head Office

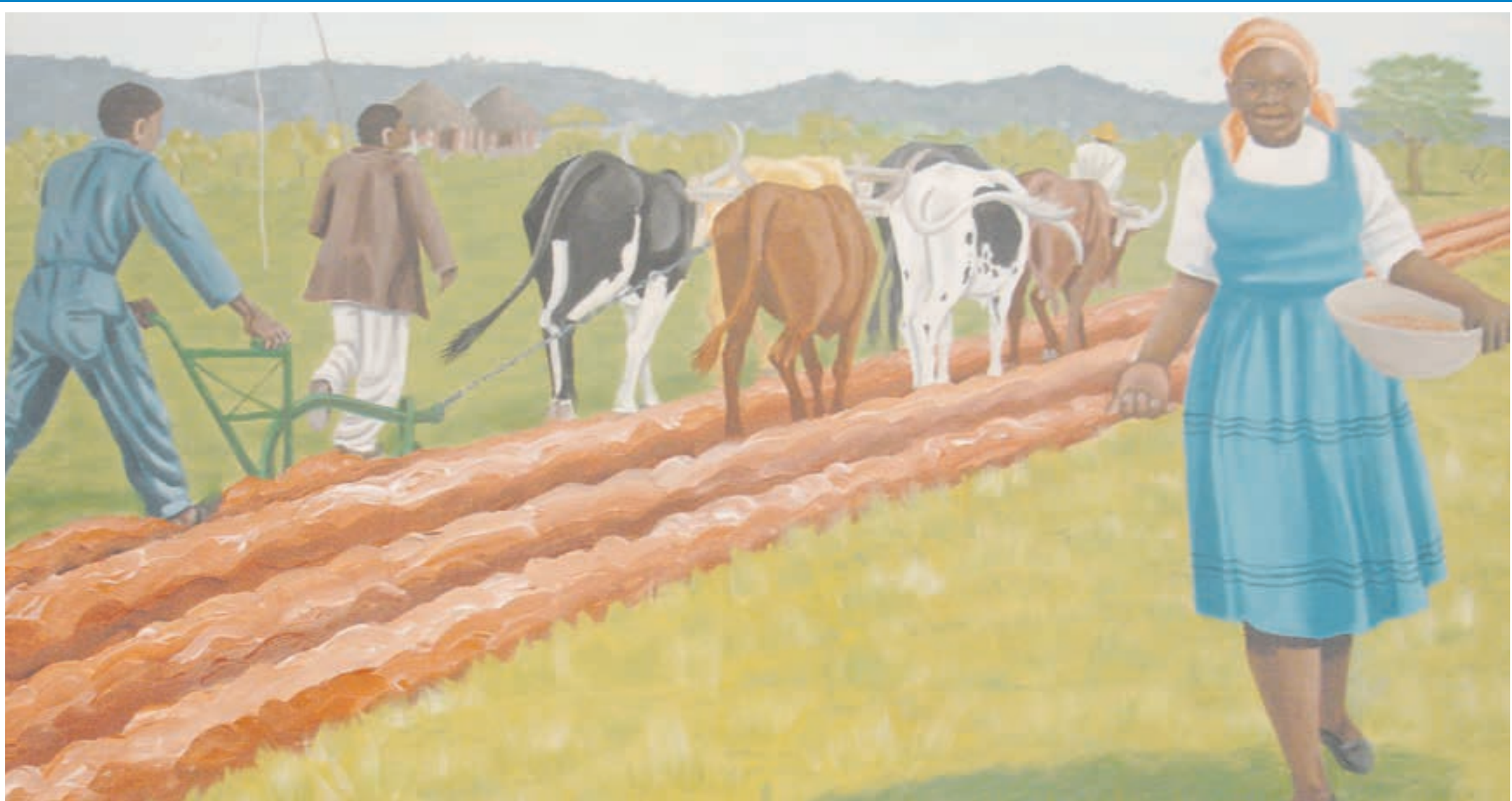
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web; [www.bta.org.bw](http://www.bta.org.bw)

Ploughing and planting the seeds of liberalisation.  
Temo ya peo ya kgololesego ya mmaraka



In 1996 when Botswana Telecommunications Authority was formed, the nation ploughed and planted the seeds of telecommunications liberalisation, and now, the nation is "harvesting the fruits of hard labour"- the theme of this report. Ka ngwaga wa 1996, fa Lekgotla la Bolaodi jwa Ditlhaeletsano le tlhamiwa, sechaba se ne sa lema sa ba sa jwala peo ya kgololesego ya mmaraka. Sechaba jaanong se "roba maungo a mofufutso wa phatla" - mme se ke moonno wa pego e.











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The year under review also recorded the highest growth in subscriber base of telecommunications users from 707,900 to 955,104 as at 31 March 2005 thus representing 34.9% increase in a single year. This resulted in the tele-density increasing from 41 telephones per 100 people to 55 telephones per 100 people. As stated earlier, the growth was mainly on mobile telecommunications, whilst fixed telephony recorded a marginal decline.

I am happy to say that the BTA 5 year Strategic Plan which was implemented in this reporting period, is already showing signs of success in certain areas. Notable success has been observed in the areas of :-

- Consumer protection;
- Performance Management and Improvement in productivity; and
- Skills development and retention.

The BTA financial status is still healthy, with the BTA surplus for the year under review remaining at almost the same level as last year at being P 15.7 million for the year ended 31 March 2006; the previous year's surplus was Pula 15.8 million.

## Outlook

The implementation of the BTA 5 year strategic plan presents an exciting opportunity to deal appropriately with future regulatory challenges. I must stress that regulation is not an event but a process. The market will always evolve and so should the regulatory processes. The BTA value proposition is defined as "the achievement of the longer term stakeholder value", hence the strategy map has structured this objective by adopting the productivity strategy, supported by the financial, stakeholder and internal processes as well as the learning and growth components. I believe that this strategic approach will take the BTA to newer heights.

BTA will continually seek the views of telecommunications users and groups on their various needs and demands. Various stakeholder workshops are planned in the coming year in the areas of universal service and quality of service.

Ngwaga o re tswang mo go one o o gatisitse kgolo e e kwa godimo ya badirisi ba ditlamelo le ditirelo tsa ditlhaeletsano, go tswa mo go 707, 900 go ya kwa go 955, 104 ka kgwedi ya 31 Mopitlo 2005. Kgolo e ke ya selekanyo sa 34.9% mo ngwageng o le mongwe. Se se godisitse dipalo tsa batho ba ba nang le megala go tswa mo go 41 mo lekgolong go ya kwa go 55. Jaaka go setse go tshalositswe, kgolo e tona e e bonetse mo megaleng ya disele, fa megala ya mesokela tse beng e bone kgolo e potlana.

Ke tletse boitumelo go lo itsise fa Lenaneo la Tiro la BTA la ngwaga tse Tlhano le simolotse go supa maduo. Lenaneo le le setse le atlegile mo go tse di latelang:

- Tshireletso ya badirisi ba ditirelo/ditlamelo;
- Tsamaiso ya mananeo a go lekola maduo le go oketsa bothaga; le go
- Gwetlha bokgoni jwa badiri.

Seemo sa madi le dibuka tsa madi tsa BTA di santse di eme sentle. Madi a a setseng a sa dirisiwa a monongwaga a batlile a lekana le a ngwaga o o fetileng, ele didikadike tse P15.7, fa a ngwaga-tlola e le didikadike tse P15.8.

## Tebego

Go diragadiwa ga Lenaneo la BTA la ngwaga tse tlhano go re fa sebaka se se itumedisang sa go baakanyetsa kwa pele dikgwetho tsa bolaodi tse re tla a kopanang le tsone mo isagong. Ke tshwanetse ka tshwaela mo goreng go lemogwe fa bolaodi e se morero o o dirwang gangwe, mme e le tsamaiso e e tletseng. Mmaraka o nna o fetoga ka metlha yotlhe, mme ka jalo bolaodi le jone bo tshwanetse jwa nna majato. Lengwe la matshego a BTA le tlhalosa fa Lekgotla le "tla a nna le sebaka se se leele sa ba-na-le-seabe". Ke ka moo lenaneo la tsamaiso le thailweng go lebilwe moono wa koketso bothaga le maduo mo tirong, mme dintlha tse di tshageditswe ke ditsamaiso tsa madi. Ke dumela fa mokgwa o wa bodiredi o tla atolosa tiro ya Lekgotla go ya pele.

BTA e tla tswelela ka go botsolotsa badirisi ba ditirelo le ditlamelo tsa ditlhaeletsano ka tse ba di tlhokang. Go rulaganyeditswe dipuisano di le mmalwa mo ngwageng o o tlang o, mme dingwe tsa tsone di tla a itebaganya le dintlha di tshwana le boleng jwa ditirelo le go bonala ga ditirelo.

















A traditional consultative forum of the "kgotla" system symbolic of the Monday morning senior management meetings - A member of the staff's presentation to the Chief Executive and senior management.  
Therisano mo lekgotleng la Setswana, e le bokao jwa diphuthego tsa Mosupologo mo mosong tsa bogogi - mongwe wa badiri a begela Mookamedimogolo le baeteledipele ba maphatana a lekgotla







CORPORATE GOVERNANCE  
2005 - 2006

Botswana  
Telecommunications  
Authority





















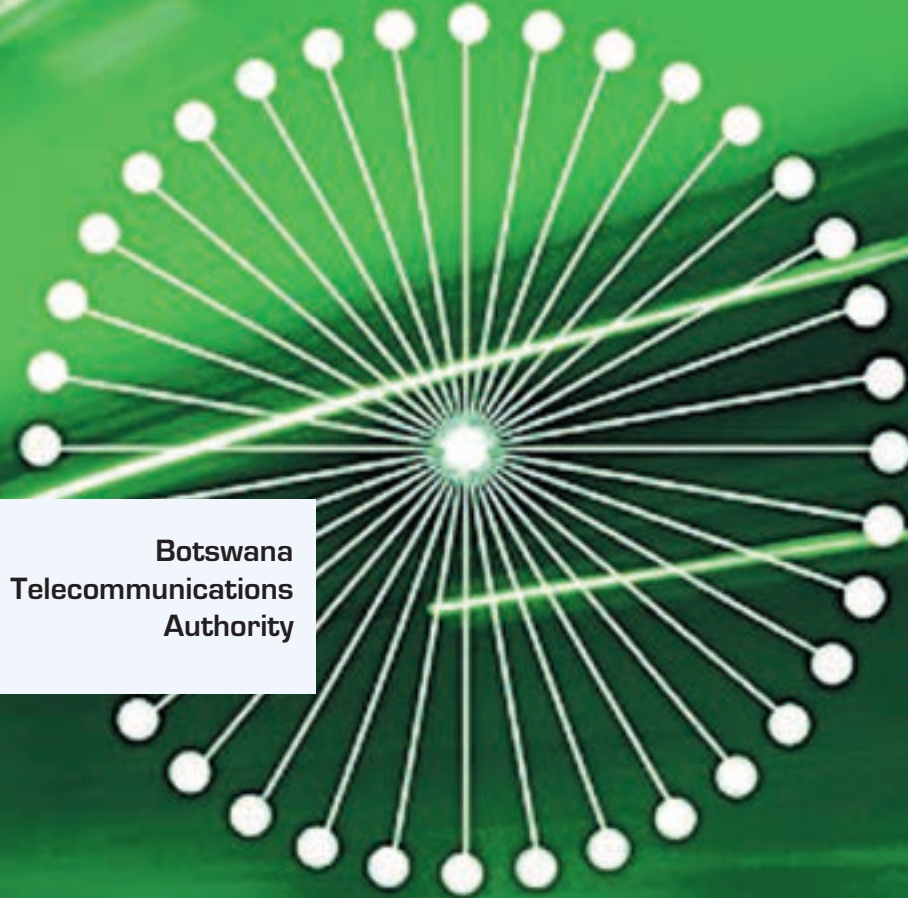






HUMAN RESOURCE REVIEW  
2005 - 2006

Botswana  
Telecommunications  
Authority





















FINANCIAL REVIEW  
2005 - 2006

Botswana  
Telecommunications  
Authority



















INTEGRATED SUSTAINABILITY  
REPORTING  
2005 - 2006

Botswana  
Telecommunications  
Authority







PUBLIC AFFAIRS  
2005 - 2006

Botswana  
Telecommunications  
Authority

















MARKET DEVELOPMENT  
2005 - 2006

Botswana  
Telecommunications  
Authority











ENGINEERING REVIEW  
2005 - 2006

Botswana  
Telecommunications  
Authority















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I have enjoyed my service in the public sector spanning over a total period of thirty three (33) years since 1 April 1973, comprising of twenty three years in the government service and it will be ten years with the Authority when I leave in December this year. The Authority is a government Agency. I look back with personal satisfaction as I have had a number of successful landmarks in my career. I owe this success to my family, the government, colleagues and friends, here and abroad, who have always assisted me for "no man is an island".

For my services in the Authority, I am indeed grateful to my respective boards, past and present, to our dedicated staff and captains of the telecommunications industry in Botswana. I have had unwavering support from my Minister, Hon. Pelonomi Venson-Moitoi over the last financial year, and she has been forthcoming with valuable advice on some difficult situations.

I am happy to leave the Authority on a sound financial footing, having started in 1997 with a seed fund grant of P4.3 million from the Government. That grant was meant for us to operate until we became self-reliant. I am happy to say we have been able to do just that. It is worth noting that BTA also received a grant from the government in 1998 towards the initial scoping phase of the spectrum management project to an amount of P 2.2 million. Due to the self sustainability of the BTA since then, the BTA has been able to carry out this project which is estimated to cost P 100 million from its own resources. The profitability of the BTA since inception can be demonstrated by the following graph:



Ke itumeletse bodiredi jwa me jo bo ka tshwarang dingwaga tse di masome mararo le boraro (33) fa e sale ka Moranang 1, 1973. Dingwaga di le masome a mabedi le boraro (23) ke ne ke direla mo pusong, fa tse di lesome (10) tse di welang ka Morule ke tla bo ke ne ke na le Lekgotla le. Lekgotla le ke la puso. Fa ke leba kwa ke go tswang, ga ke na maikothao ape ka ke atlegile mo dintlheng di le mmalwa. Katlego e ga ke a e bona ka bo nna fela, mme ke leboga ba lelwapa lame, puso, badiri ka nna le ditsala tsame mo gae gotlhe le kwa mafatsheng a mangwe, ba ba nthusitseng ka ditsela tsothe.

Ka bodiredi jwa me mo BTA, ke leboga dikhuduthamaga, tsa gompieno gotlhe le tsa pele, badiri ba rona ba ba tlhaga ga mmogo le baeteledi pele ba mhama wa ditlhaletsano. Tona wa Lephata lame, Mme Pelonomi Venson - Moitoi, o ne a nkeme nokeng thata mo ngwageng o o sa tswang go feta, mme a amogana megopolo le nna sentle.

Ke itumelela go bo ke tlogela Lekgotla le eme sentle mo mererong ya madi. Se se itumedisa thata ka Lekgotla le simolotse le abetswe madi ke puso a selekanyo sa didikadike tse P4.3. Madi a re ne re a abelwa gore Lekgotla le simolole tiro mme le kgone go ikemela ka dinao. Ke motlotlo go tlhalosa gore re ne ra kgona go diragatsa se. BTA e ne gape ya abelwa madi a mangwe ka 1998 a selekanyo sa didikadike tse P2.2, mme madi a e le a go diragatsa lenaneo la tsamaiso maranyane a seyalemowa. Ka BTA e kgona go itirela, lenaneo le le ne la tswaledisiwa kwa ntle ga madi a mangwe a a tswang kwa pusong. Lenaneo le go abelwa gore le lopile madi a a ka tshwarang didikadike tse di legolo (P100 million). Dipolelo tsa BTA fa e sale ka e tlhlongwa di supiwa mo setshwantshong se se latelang:









**BTA  
FINANCIAL  
STATEMENTS  
2005 - 2006**















## STATEMENT OF CHANGES IN FUNDS FOR THE YEAR ENDED 31 MARCH 2006

	Proposed dividends Pula	Restated Accumulated funds Pula	Total Pula
Balance as at 1 April 2004	-	127 079 896	127 079 896
Adjustment to accumulated funds (Refer note 12)	-	1 981 853	1 981 853
Opening balances as restated as at 1 April 2004	-	129 061 749	129 061 749
Profit for the year	-	15 797 727	15 797 727
Dividends to Government, transferred to proposed dividend.	3 949 432	(3 949 432)	-
Balance as at 1 April 2005	3 949 432	140 910 044	144 859 476
Dividends paid during the year	(4 000 000)	-	(4 000 000)
Profit for the year	-	15 735 729	15 735 729
Dividends to Government, transferred to proposed dividend.	10 050 568	(10 050 568)	-
<b>Balance at 31 March 2006</b>	<b>10 000 000</b>	<b>146 595 205</b>	<b>156 595 205</b>

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2006

	Note	2006 Pula	2005 Pula
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>33 333 054</b>	57 568 818
Cash generated from operations	17.1	<b>31 700 322</b>	48 582 002
Finance income		<b>5 632 732</b>	8 986 816
Dividends paid		<b>(4 000 000)</b>	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(33 627 744)</b>	(39 635 648)
Purchase of property, plant and equipment		<b>(34 220 432)</b>	(40 590 420)
Proceeds on disposal of property, plant and equipment		<b>592 688</b>	954 772
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(294 690)</b>	17 933 170
Cash and cash equivalents at the beginning of the year	17.2	<b>44 880 322</b>	26 947 152
<b>Cash and cash equivalents at the end of the year</b>	17.2	<b>44 585 632</b>	44 880 322



## 1.2 INVESTMENT PROPERTY

Investment property is stated at fair value determined by an independent registered valuer. Fair value is based on current prices in an active market for similar properties in the same location and condition. Any gain or loss arising from a change in fair value is recognised in the income statement. Rental income from investment property is recognised in the income statement over the term of the lease.

When an item of property, plant and equipment becomes investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item and its fair value is recognised directly in equity. Upon disposal of the item, the gain is transferred to retained earnings. Any loss is recognised in the income statement immediately.

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

## 1.3 FOREIGN CURRENCY TRANSLATION

Transactions in foreign currencies are translated to Pula at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Pula at the rates of exchange ruling at that date. All exchange gains and losses arising on translation are dealt with in the income statement. Non Monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at the date of the transaction.

## 1.4 TAXATION

No provision for taxation is required as the authority is exempt from taxation in terms of the second schedule of the Income Tax Act (Cap 52:01)

## 1.5 REVENUE RECOGNITION

### Revenue

Revenue comprises services & systems licence fees charged to telecommunications operators and radio licence fees net of value added tax. Initial fees charged in relation to the issue of a licence are recognised when the licence is issued. Annual service & systems licence fees are recognised in the year to which they relate.

### Grants

Revenue grants are recognised in the income statement on receipt. Capital grants are recognised in equity. However, they are transferred to income statement to meet the related costs.

### Interest income

Interest income is recognised in the income statement using effective interest rate method.







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## 2. PROPERTY, PLANT AND EQUIPMENT

### Cost

	2006 Pula	2005 Pula
Freehold land and buildings	18 430 370	18 663 564
Motor vehicles	1 133 547	1 133 547
Furniture and fittings	2 208 020	2 032 292
Capital work in progress	87 451 791	53 823 872
Office equipment	1 800 888	1 673 985
Computer equipment	2 606 747	2 763 092

<b>113 631 363</b>	<b>80 090 352</b>
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### Accumulated depreciation

Freehold land and buildings	1 544 627	1 216 582
Motor vehicles	1 128 725	1 044 477
Furniture and fittings	1 543 028	1 232 131
Office equipment	1 417 522	1 072 393
Computer equipment	2 278 754	2 116 524

<b>7 912 656</b>	<b>6 682 107</b>
------------------	------------------

### Net carrying value

Freehold land and buildings	16 885 743	17 446 982
Motor vehicles	4 822	89 070
Furniture and fittings	664 992	800 161
Capital work in progress	87 451 791	53 823 872
Office equipment	383 366	601 592
Computer equipment	327 993	646 568

<b>105 718 707</b>	<b>73 408 245</b>
--------------------	-------------------



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	2006 Pula	2005 Pula
<b>2.1 Movement for the year</b>		
Carrying value at the beginning of the year	73 408 245	35 724 990
<b>Capital expenditure</b>	<b>34 220 432</b>	40 590 420
- Freehold land and buildings	97 875	-
- Furniture and fittings	175 728	36 177
- Capital work in progress	33 627 920	40 151 866
- Office equipment	126 903	25 630
- Computer equipment	192 006	559 376
- Transfers from capital work in progress	-	(182 629)
<b>Disposals/transfers</b>	<b>(679 420)</b>	(952 173)
- Freehold land and buildings	(331 069)	(952 173)
- Computer equipment	(348 351)	-
Depreciation	(1 574 232)	(1 955 621)
On disposals	343 682	629
Carrying value at the end of the year	<u>105 718 707</u>	<u>73 408 245</u>
<b>2.2</b>		
Capital work in progress includes expenditure of P 87 069 595 (2005: P 51 394 829) incurred in respect of ongoing Automated Spectrum Monitoring System Project. The Government of Botswana made a grant of P 2 247 200 in 1998 towards this project.		





	2006 Pula	2005 Pula
<b>7. COMMITMENTS</b>		
<b>7.1 Authorised capital expenditure</b>		
- Already contracted for	<b>3 492 710</b>	24 377 433
- Not yet contracted for	-	551 626
	<b>3 492 710</b>	<b>24 929 059</b>
This committed expenditure would be financed by available cash resources and accumulated funds.		
<b>7.2 Operating leases as lessor (Property)</b>		
Payable within one year		
- Premises	<b>201 254</b>	805 020
Payable one to five years		
- Premises	-	201 254
	<b>201 254</b>	<b>1 006 274</b>
<b>7.3 Operating leases as lessor (Investment property)</b>		
Payable within one year		
- Premises	<b>332 175</b>	300 092
Payable one to five years		
- Premise	<b>106 950</b>	439 125
	<b>439 125</b>	<b>739 217</b>

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	2006 Pula	2005 Pula
<b>8. REVENUE</b>		
Service and system licence fees	37 040 226	33 400 490
Radio licence fees	4 979 627	4 632 426
	<u>42 019 853</u>	<u>38 032 916</u>
<b>9. OTHER INCOME</b>		
Profit on disposal of property, plant and equipment	256 950	3 228
Rent received - Investment property	300 093	300 926
Sundry income	41 672	-
Bad debts provision reversed	-	315 721
Rent received - BTA buildings	805 014	883 559
Tender application fee received	30 782	14 500
	<u>1 434 511</u>	<u>1 517 934</u>
<b>10. ADMINISTRATIVE EXPENSES</b>		
Administrative expenses are inclusive of:		
Auditors' remuneration		
- Audit fees	30 453	21 749
- Other services	-	33 212
Depreciation	1 574 232	1 955 621
Staff cost	14 009 021	13 114 763
Pension fund contribution	1 486 683	1 403 239
Staff training	1 988 838	1 314 457
Board expenses	474 614	198 159
<b>11. FINANCE INCOME</b>		
Income from investments	5 632 732	8 986 816
Interest received	3 963 868	4 534 117
Income from financial assets held to maturity	1 668 864	4 452 699







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**Liquidity risk**

The Authority's risk to liquidity is a result of the funds available to cover the future commitments. The Authority manages liquidity risk through ongoing review of its commitments and cash flow forecasts.

**Fair values**

As per the management, the fair values of all financial instruments are substantially identical to carrying values reflected in the balance sheet due to short term maturity of these instruments.

**15. DIVIDENDS**

Pursuant to Botswana Government directive as contained in the 2005 Budget speech to the effect that all parastatals pay annually 25% of their annual profit to Botswana Government, the Members of the Board resolved that the Authority pay P 10 million to Botswana Government for the year 2005/06, which is over and above the 25% prescribed thereto. This amount has been recorded as dividends in the financial statements.











