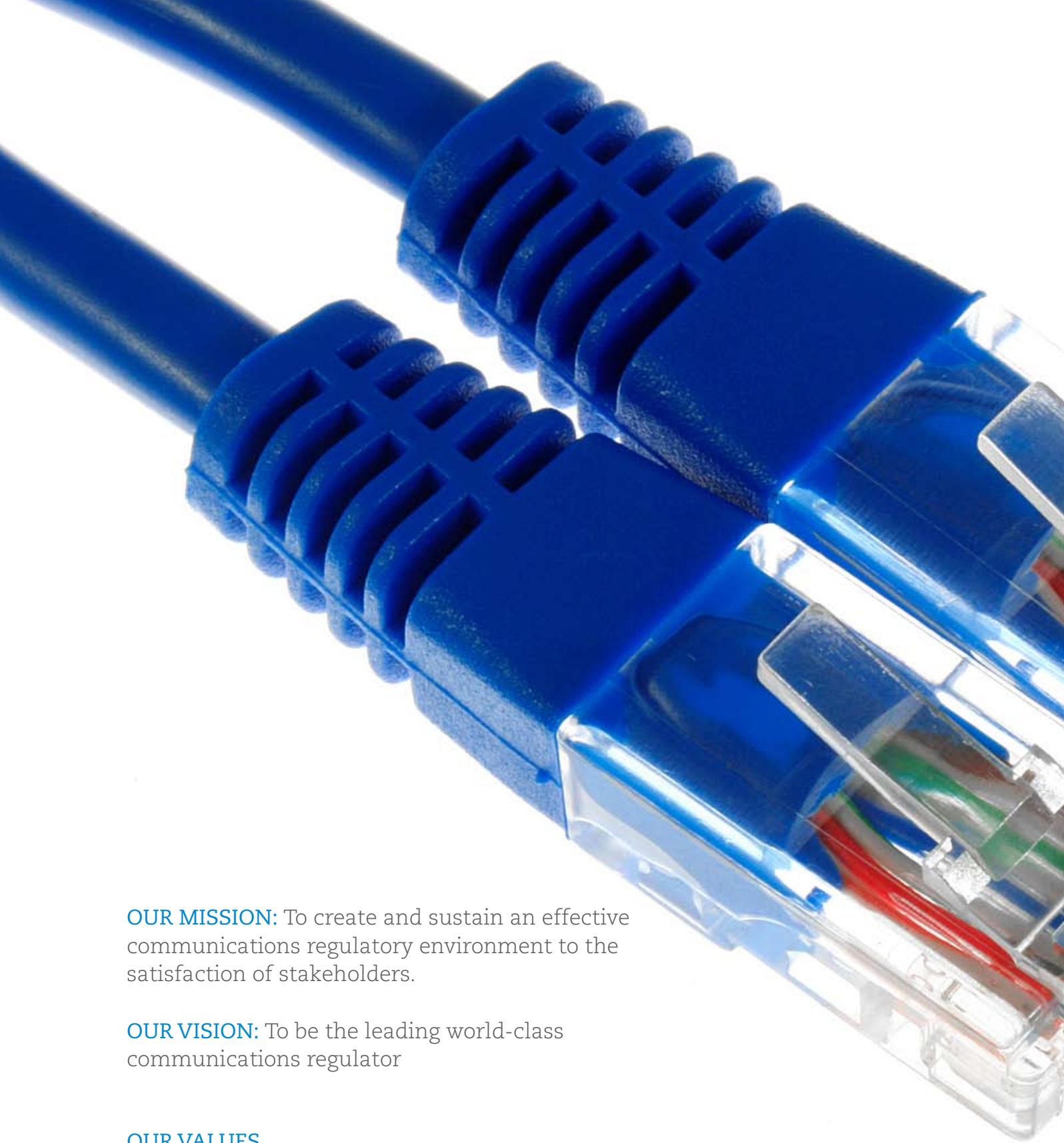


BOTSWANA
TELECOMMUNICATIONS
AUTHORITY
ANNUAL REPORT

2008





OUR MISSION: To create and sustain an effective communications regulatory environment to the satisfaction of stakeholders.

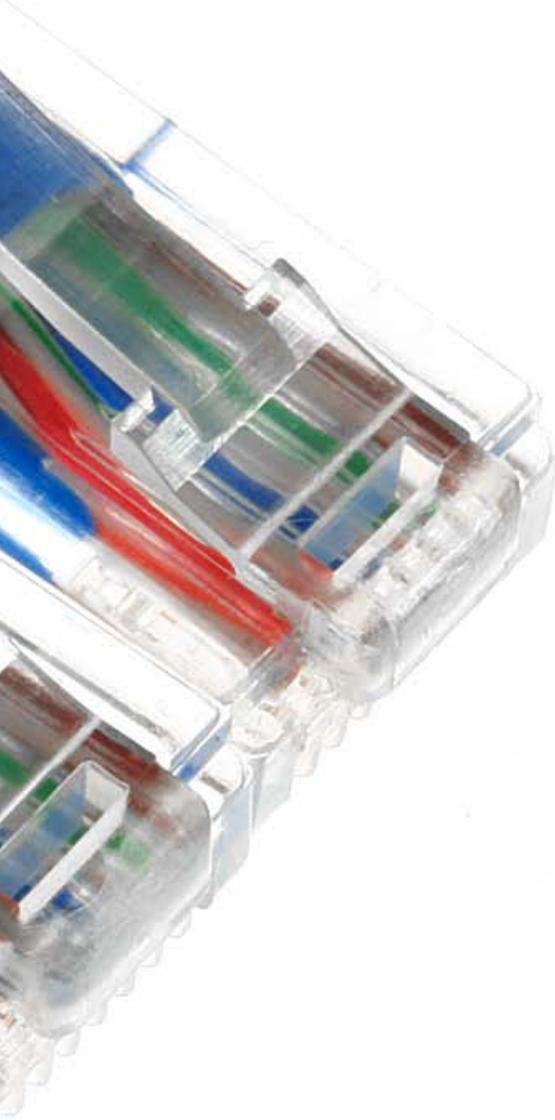
OUR VISION: To be the leading world-class communications regulator

OUR VALUES

Integrity and Honesty
Stakeholder Satisfaction
People Focus
Learning and Development
Organisational Performance
Our Community Duty

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“The technological changes in the industry call for the regulatory bodies to keep abreast with them. This is why both Board and Staff regularly take part in workshops, conferences and seminars geared towards the betterment of the industry.”

Dr John Mothibi, Chairman

Chairperson's Statement

The financial year 2007/2008 is our first annual report following the Minister for Communications, Science and Technology pronouncement on further liberalisation of the telecommunications sector. The Ministerial pronouncement remains a challenge to the BTA to introduce more competition in the market. This meant that all the public telecommunications operators be issued with what has been termed a service and technology neutral licence enabling them to offer all types of services be it mobile, fixed or data services.

The consumers are already reaping some of the benefits of the new licensing dispensation and are expected to reap more in the near future. The BTA believes that the licensing regime should continuously be adapted and aligned to the changes in the telecommunications sector.

The technological changes in the industry call for the regulatory bodies to keep abreast with them. This is why both Board and Staff regularly take part in workshops, conferences and seminars geared towards the betterment of the industry. It is through such fora that the BTA is able to receive ideas that help it address the regulatory challenges that crop up from time to time. More often than not, telecommunication regulatory challenges call for collective efforts between countries, regulatory bodies and other stakeholders in the market.

Through these forums, the BTA has achieved a lot since its inception and much is still to be achieved in future, as the demands for better and affordable services increase. New technologies forever present better opportunities for consumers and users of the telecommunications services. It is therefore my firm belief that the BTA will continue to rise to the occasion as the telecommunications challenges knock at its door steps.

It is my humble submission that the Botswana Telecommunications Authority's achievements to date are a reflection of the dedication and assiduous efforts that have been shown by Board, Management and Staff.



Dr. John Mothibi
Chairman



“It is pleasing that we are laying a foundation for our children to enjoy the full benefits of developments that information communication technologies can bring about.”

Thari G. Pheko, Chief Executive

Chief Executive's Statement

My journey in the telecommunications regulatory environment has been a challenging but rewarding experience as I endeavoured to stir the regulatory body into the future. This has called for tremendous support from my Board of Directors, Management and the Staff. We had to embark on a series of consultative processes with the industry to ensure that all those who stake a claim to the sector are well informed so that together we can chart a better future for the industry.

The issuing of the three Public Telecommunications Operators (PTO) licenses was the first major challenge we had to face during my initiation days in the Authority. It is pleasing that the stakeholders who were privileged to apply for these three licenses did so without an iota of hesitation. The challenge is now with them to fulfil their license obligations by satisfying the ever increasing demands of the consumers.

We have continued to place emphasis on the mammoth task of leading the BTA to promote an efficient and affordable provision of telecommunications services throughout the country while at the same time ensuring that operators realise return on their investment. The challenge could be overcome with a well trained and disciplined team. In response, we instituted organisational transformation processes and management went on a retreat, to review its strategic imperatives in line with the Performance Management System. I am positive that the journey that we have embarked on will ultimately bear the necessary fruits.

I am by all means certain that a combined effort of all stakeholders is the way forward to an improved telecommunications industry. It is pleasing that we are laying a foundation for our children to enjoy the full benefits of developments that information communication technologies can bring about. We cannot continue to allow our country to lag behind in this area under the guise that we want to do things the way our forefathers used to. I am a great believer in the saying, "you cannot change the past but you can set things in motion that will influence the future" and this is what I believe we should collectively apply ourselves to achieve.

On the international front, the BTA was one of the Special Committee Members that were tasked to come up with strategies to ensure financial sustainability of Communications Regulators Association of Southern Africa (CRASA). The Committee's recommendations were approved by the Special General Meeting of CRASA held in Maputo, Mozambique in September 2007. The BTA also participated in a number of forums organised by international telecommunications organisations such as the Commonwealth Telecommunications Organisation, International Telecommunication Union and others.



Thari G. Pheko
Chief Executive

BTA Board of Directors



Dr J. Mothibi

MSC (Mechanical Engineering) Tech University of Scotia, MBA, Project Management, University of Dundee P.h.D. (Eng. Management), University of Cape Town. Director of Quality Divisions (Pty) Ltd.



Dr M. A. Mpotokwane

BA (Geography and Sociology) - University of Botswana; MSc (Rural Surveys) International Institute for Aerial Surveys and Earth Sciences - the Netherlands: PHD (Environmental Sciences) University of Sterling, UK.



Mr R. C. Eaton

BSC (Land Surveying) Cape Town, Currently a Director of various Companies amongst them, Shakawe Irrigation (Pty) Ltd, Tholo Safaris (Pty) Ltd and Mosaico EuroAfrica (Pty) Ltd.



Dr T. Matome

Bcom - University of Botswana;
MSS - Master of Social Sciences
(Accounting and Development
Finance) - University of
Birmingham, UK; PhD - (Finance)
University of Birmingham, UK



Dr T. Nyamadzabo

Secretary for Economic Affairs
BA (Economics and Statistics)
University of Botswana; MA
(Economics) University of Delaware,
USA; Phd (Economics) American
University, Director of BIDPA,
DPCF and Council Member at the
University of Botswana.

BTA Management



Mr. T. G. Pheko
(Chief Executive)

BSc (Hons), (Business Finance & Economics), MSc (Information Systems)



Mr. M. O. Tamasiga
(Deputy Chief Executive)

BA, (Economics & Statistics), MBA
(Corporate Finance)



Mr. T. Mosinyi
(Director Engineering Services)

B. Eng, MA (Comms Policy)



Mr. O. Tsiang
(Director Broadcasting Services)

BA Journalism, MA Communications
Research



Mr. M. Mokgware
(Director Market Development
& Analysis)

BA (Economics), MA (Transport
Economics)



Mrs. T. Tau
(Director Legal Compliance &
Consumer Affairs)

LLB, MA (Telecomms)



Mr. T. B. Koontse
(Director Communications & PR)

BA. MA (Int Comms)



Mr. A. N. Mokone
(Director Corporate Services)

BA. Dipl Ed, MA (Public Admin)



Mrs. B. Mine
(Ag. Director Finance)

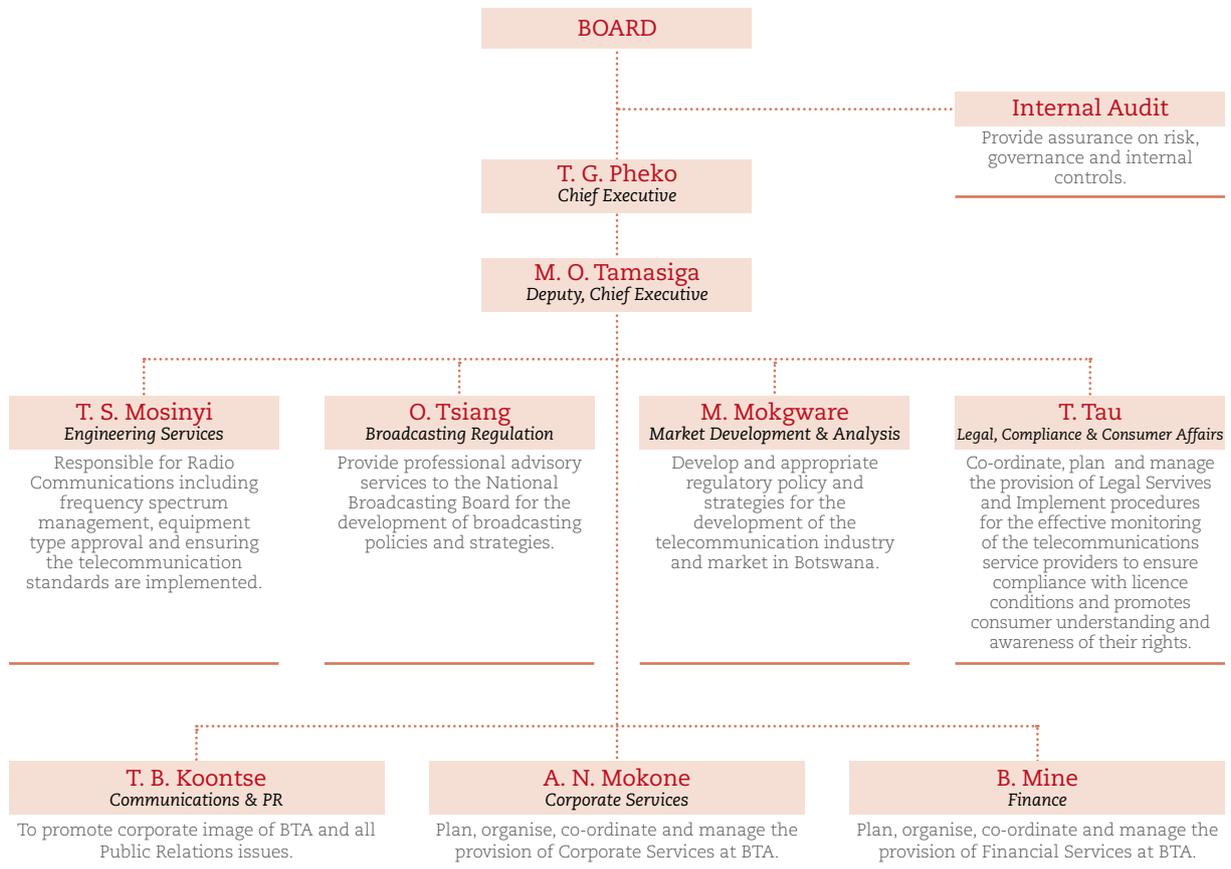
BCom (Accounting), ACMA



CORPORATE GOVERNANCE

During the year under review, there were some material changes to the BTA's organisational structure. A position of the Deputy Chief Executive was created. In addition an independent Internal Audit Division was established. The other change related to the creation of the Department of Legal, Compliance and Consumer Affairs (DLCCA) following the merger of the Department of Legal Services and the Department of Compliance and Consumer Affairs.

Organisational Structure



The Board

A Board consisting of a non-executive Chairperson and four other non-executive members governs the BTA. The selection and appointment of members of the BTA Board rests with the Minister responsible for Communications, Science and Technology as provided for in the Telecommunications Act [Cap 72:03]. Board appointments are based on required skills and experience. All the current members of the Board have diverse experience in various disciplines that pertain to telecommunication regulation, such as finance, engineering, economics and business. The non-executive members are normally appointed for a period of up to four years.

Board Meetings

Board meetings are scheduled at the commencement of each financial year and the board members are provided with full board papers to enable them to consider in advance the issues on which they will be required to make decisions, most of which are quasi-judicial. During the review period the Board met six times, three of which were Special Board meetings called to give direction on urgent matters.

Board Committees

BTA for now operates with three (3) Board committees which comprise of the Tender Committee, Finance & Audit Committee and the Remuneration Committee.

Finance and Audit Committee

Chaired by Dr T. Nyamadzabo, the Finance and Audit Committee, consists of one other non-executive member and an independent member who is not a BTA board member. It was set up to ensure that management creates and maintains an effective control environment.

Other duties include:-

- Assessing policies and procedures of the Authority to ensure that the accounting systems and related controls are adequate and functioning effectively;
- Identifying major risks to which the Authority is exposed and verifying that the related internal control systems are adequate and functioning effectively;
- Reviewing, with management, the philosophy with respect to controlling the Authority's assets and information systems, the staffing of key functions and plans for the enhancements of operations;

Going Concern

The financial statements have been prepared on a going concern basis since having made relevant enquiries the Board has a reasonable assurance that the Authority has adequate resources to continue in operational existence for the foreseeable future.

Risk Management

The BTA subscribes to the Committee of Sponsoring Organisations' (COSO) Enterprise Risk Management Integrated Framework, which requires that the critical risks threatening the achievement of objectives are identified, assessed and controlled. The reason why this approach is adopted is because the Framework provides a common language for addressing risk, whereby when management and general staff discuss risk, they are communicating effectively. Management is currently in the process of developing a Risk Management Policy which will consolidate all the structures and activities conducted to control risk.

The BTA acknowledges that every activity has an inherent risk associated with it. Due to the rapid developments in the communications industry in Botswana as well as internationally, the Authority is faced with uncertainties which could impact on the achievement of its objectives. The Board therefore regards risk management as an imperative.

Risk Appetite

Risk appetite defines the willingness of the organisation to accept risk related to its activities or objectives. The appetite for risk in BTA is very low, as BTA considers a majority of risks not acceptable.

Strategies for managing major risks

- **The BTA Strategic Perspectives**

The BTA strategy consists of four perspectives; financial, stakeholder, Internal Processes and Human Capital. An organisation wide risk assessment on each of these strategic imperatives has been conducted. The applicable risks have been tabulated in risk registers and management has continued to afford them the necessary response.

- **Operational Risks**

Operational risk is the risk of direct loss arising from inadequate or failed internal processes, people, systems, and from external events. The responsibility for management of operational risks lies with the BTA Executive Management who in turn report to the Board on key risks threatening the BTA business objectives.

An organisation wide risk assessment has been conducted and major risks affecting all the perspectives of BTA strategy have been identified.

- **Systems Risk**

A Disaster Recovery Plan has been developed to address Information Technology risks.

- **Reputation Risk**

Reputation risk is the risk caused by damage to an organisation's name and brand. Such reputation may be a breakdown of trust, confidence or business relationships. The Executive Management of BTA is responsible for controlling reputational risk.

BTA is aware of the impact of practices that may result in a breakdown of trust and confidence in the organisation. This risk is managed through transparent consultation, communication and reporting. BTA has established itself as a brand worldwide for being an effective regulator. This has been confirmed by reputable international organisations such as the International Telecommunication Union (ITU).

The reputation has been built on the back of the autonomy of the regulator as embodied in the Act. Due to the independence of the regulator as far as regulatory decisions are concerned, Botswana continues to attract inward direct investment in the telecommunications field.

Risk Management Responsibilities

The Board

The Board recognises its responsibility for risk management and this responsibility has been delegated to the Finance and Audit Committee.

Executive Management

The Executive Management has taken operational responsibility for identifying, assessing and controlling the risks applicable to the BTA.

Internal Audit Division

The Internal Audit assists Management in the control of risks and reports to the Board/Finance and Audit Committee on the adequacy of risk management processes.



ENGINEERING REVIEW

The 2007/08 financial year has been a challenging and exciting year for the BTA on the Engineering front. The Authority had to put in place the technical resources required to enable the users and providers of telecommunications and Information Communications Technologies (ICTs) to enjoy the benefits of the June 2006 Ministerial policy directive that set a timetable for the further liberalisation of the telecommunications industry in Botswana. In order to implement the Minister's directive, it was of paramount importance that resources were made available to service providers, such as radio frequency spectrum and telephone numbering.

Engineering Review



New Technologies

New technologies that had hitherto been unavailable, such as VoIP, Wi-Fi, Wimax, etc. suddenly became available due to the Ministerial announcement. It was therefore imperative for the BTA to accommodate these technologies. In addition, the BTA had to ensure that equipment brought into service in the country as a result of further liberalisation of the telecommunications market conforms to national, regional and international standards.

Technical Studies

In its foresight, the BTA had, in the previous year, embarked on several initiatives that were geared towards formulating policies for the allocation and management of the scarce resources. The initiatives that had been initiated include:

- Development of a Telephone Numbering Policy which addresses the management of telephone numbers in a liberalised market. Issues covered included carrier selection, short codes, VoIP numbers, just to name a few;
- Development of a Spectrum Management Strategy to ensure a comprehensive spectrum management policy/strategy. It entailed amongst others, reviewing the National Frequency Plan to align it to international plan, design allocation policies for various radio services envisaged in the liberalisation roadmap, and to develop a licensing and pricing policy; and
- Development of Telecommunications technical Specifications and Type Approval Procedures which involved Technical Specifications for both Radio (wireless) and Telecommunications Terminal (wired) products otherwise commonly referred to as RTTE.

It also involved the development of Type Approval Procedures, and advice on appropriate type approval fees, and identification of accredited test laboratories worldwide, for testing products against the BTA technical specifications.

The above studies were successfully completed and the 2007/08 financial year saw the start of the implementation stage. The policies that have been formulated therefore form a solid foundation for future trends in the market. Since the telecommunications industry is such a dynamic industry, policies that have been formulated will change in line with global trends. Consistent with the BTA's commitment to consultation of its regulated entities all policies were developed with the participation of industry stakeholders.

Monitoring Centre

The commissioning of the Automated Spectrum Management System (ASMS) has brought in other activities such as monitoring of the radio frequency spectrum. Regular maintenance has to be carried out on the system to ensure system availability at all times. In order to enhance its monitoring activities, the BTA decided to construct a purpose built Spectrum Monitoring Centre in Phakalane. Construction started in May 2007 and is scheduled for completion in May 2008.

Other Services

The BTA also continued to perform varied activities that included licensing of various radio users and attending to incidents of radio interference. It also revamped its internal IT network and formulated a Business Continuity Plan/Disaster Recovery Plan.



BROADCASTING REGULATION ISSUES

The BTA is mandated through the Broadcasting Act [Cap 72:04] to provide professional advisory services to the National Broadcasting Board (NBB) in all its activities to regulate broadcasting services in Botswana in accordance with national aspirations and vision.

Broadcasting Regulations Issues

Licensing Multichoice Botswana way forward

The BTA has drafted a legal position for possible adoption by the NBB to enable it to regulate Multichoice services in Botswana following the Court of Appeal decision that the NBB had acted ultra vires its powers in licensing Multichoice Botswana as a broadcaster. A more detailed discussion of the case is enclosed in the Legal Compliance and Consumer Affairs chapter of this report.

Licensing of 3 FM Nationwide Private Radio Broadcasting Services

The BTA facilitated the licensing of 3 new private FM radio broadcasters namely Gabz Fm, Yarona FM and Duma FM by the NBB. The radio stations were each granted a 15 year licence that has national coverage. The licensing was done on 4 May 2007.

Licensing of Satellite Broadcasting Services

The BTA facilitated the licensing of one satellite subscription based broadcasting service provider called Munhumutape African Broadcasting Corporation (MABC) on the 18th December 2007.

One other applicant, BESTV had been unable to meet certain pre-licensing conditions since 2006. However the NBB is yet to make a determination on whether to licence it now that BESTV has fulfilled the requirements. The BTA has also started processing a license application for Telkom Media, a South African based company which has applied to broadcast into Botswana.

A tender for the provision of a consultancy to develop a licensing framework for the digital, terrestrial, cable and satellite broadcasting services floated in September 2007 was abandoned. None of the bidders was able to meet BTA specifications.

Approval of share transfer by GBC

Following advice from the Secretariat, the NBB approved a sale of 49% of GBCTV shares to Sadibo, a subsidiary of the South African broadcaster, etv in October 2007. The sale helped to inject capital in GBC station as well as provide access to expertise.

Special event licence

The National Broadcasting Board issued a special event licence to Botswana Musicians Union in November 2007 to allow Motswedding FM, a South African Broadcasting Station to cover events leading to the Botswana Music Awards. The licence was issued for a period of 14 days.

Below is a summary of the broadcasting services in Botswana. Table 1 shows all the licensed services, while table 2 summarises all the unlicensed services.

TABLE 1: LICENSED BROADCASTING SERVICES

STATION	SERVICE	OWNERSHIP	REACH
Radio Botswana	Radio	Government	National
Yarona FM	Radio	Private	National
Gabz FM	Radio	Private	National
Duma FM	Radio	Private	National
GBC	TV	Private	National
MABC	TV	Private	National

TABLE 2: UNLICENSED BROADCASTING SERVICES

STATION	OWNERSHIP	SERVICE	REACH
Multichoice Africa	Foreign Private	TV	National
BTV	Government	TV	National
VOA	Foreign Government	Radio	National
RB2	Botswana Government	Radio	National
GTV	Foreign Private	TV	National

Broadcasting Regulation Issues *(continued)*

Digital Migration Strategy

The NBB highlighted the need for the development of the digital migration strategy to the Minister at a meeting in December 2007. The BTA is expected to play a significant role in this task.

A Digital Switchover Reference Group was convened in February 2008, under the chairmanship of Dr. M. A. Mpotokwane - Chairman of the National Broadcasting Board. The Reference Group was tasked to advise the Minister of Communications Science and Technology on a national strategy for Digital Migration. The Group developed initial recommendations to the Minister which included the need for a formal Digital Migration Working Group, and specific terms of reference for the working group. The recommendations were presented to the Minister on February 13th 2008.

Monitoring of Broadcasting Activities

The BTA continuously monitors broadcasting services of the licensed broadcasting stations (GBC, Radio Botswana, Yarona FM and Gabz FM and Duma FM). It randomly listens to radio stations broadcasts and watches television broadcasts to check possible breach of licence conditions. In addition it occasionally undertakes site visits to the stations' facilities to appreciate the day to day operations of the licensees and to offer assistance where necessary with regard to license terms and conditions.

During the year under review, the BTA did not receive any complaints regarding broadcasts; similarly, it did not detect any possible licence breaches by the licensees in their daily broadcasts in the past financial year.

Participation at International Forums

The NBB participates in international forums where strategic decisions are made for the development of the communications sector. Some of the fora that the BTA attended with the NBB during this financial year were;

- African Communications Regulatory Authorities Network (ACRAN), held in Ouagadougou, Burkina Faso, June 2007

- Broadcast Asia Conference, Singapore, 19-22 June 2007
- Southern African Broadcasting Association (SABA) 15th Annual General Assembly held in Windhoek, Namibia, 21-24 Oct 2007
- International Institute of Communications (IIC) 38th Annual Conference and Forum held in London, UK, 20 - 23 Oct 2007
- Digital broadcasting Conference on Digital Broadcasting: held in Johannesburg, South Africa, 29 January - 01 February 2008.
- Commonwealth Broadcasting Association (CBA) 27th General Conference held in Nassau, Bahamas, 23 - 26 January 2008
- CRASA workshop that was aimed at understanding and appreciating the level at which different SADC countries were in the move towards convergence. The workshop was held in Johannesburg, South Africa, 25 - 28 June 2008.

NBB Meetings

In May 2007 the BTA facilitated the Board's strategic retreat which was held in Kang. The retreat was meant to review the NBB's Strategic Plan 2005 - 2009 taking into consideration the changes that had taken place since the establishment of the Board.

NBB Administration

The BTA plays a pivotal role in the administration of the NBB activities. It publicises NBB activities through various platforms as well as preparing a budget for the NBB. It also acts as a link between the NBB and the Ministry of Communications Science and Technology on daily administrative activities.





MARKET DEVELOPMENT REVIEW

Telecommunications Market Penetration

The industry continues to experience significant growth in terms of the total number of subscribers of telecommunications services especially the mobile telephony.

Market Development Review

Telecommunications and Market Penetration

Over the years, mobile telephony experienced high penetration levels while fixed telephony remained stagnant. Figure 1 shows the growth of both fixed line subscribers compared with mobile telephone subscribers over the years.

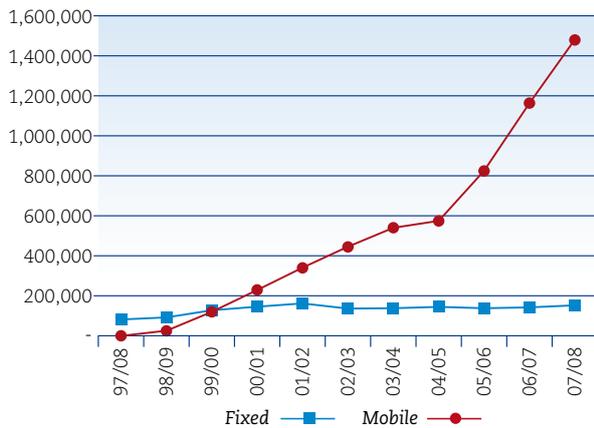


Figure 1: Subscriber base per year (March end)

Fixed Telephony

The fixed telephony experienced a slight increase in terms of growth. The total number of subscribers increased from 136 946 as at March 2007 to 142 282 as at March 2008, an increase of around 4 percent. However, teledensity remained stagnant at 8 percent throughout the years. Post-paid market segment continue to dominate the fixed line market, as at end of March 2008, there were 97 922 post paid subscribers, representing 69 percent of the subscriber base whereas 41 219 subscribers were prepaid subscribers, representing 29 percent of the market segment. Payphones (public phones) remain the lowest at 3 193 throughout the country representing only 2 percent of the fixed line market segment. Figure 2 shows the percentage shares of the various fixed line market segments.

Figure 2: Percentage shares of fixed line market segment as at March 08

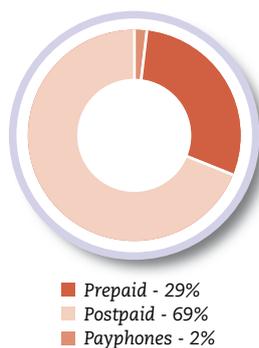
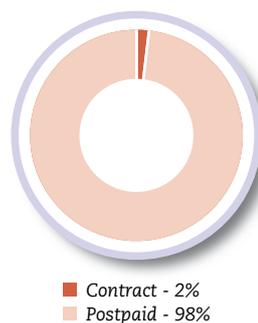


Figure 3: Percentage of Contract and Prepaid Mobile Subscribers as at March 08



Mobile Telephony

The mobile telephone market experienced a growth from 1 151 761 in March 2007 to 1 485 791 as at March 2008, a growth rate of around 29 percent compared with 40 percent recorded same period last year. Prepaid subscribers continue to dominate the market segment of the mobile industry, as at March 2007, prepaid subscribers held 97 percent of the market share compared with 98 percent as at March 2008, an increase of 1 percent between the two periods. This is illustrated by Figure 3

Licensing

Following further liberalisation of the telecommunications market which necessitated a New Licensing Framework in year 2006/7, the structure of the telecommunications market took a different shape in 2007/8 financial year. A service neutral licence, namely the Public Telecommunications Operators (PTO) licence was introduced and subsequently awarded to Botswana Telecommunications Corporation in March 2007 and Orange Botswana and Mascom Wireless in April and June 2008 respectively.

Under the new licensing framework the Data and Internet Service Provider's licence were merged to form a Value Added Network Services (VANS) licence. The VANS was awarded to twenty four (24) VANS providers from 13 June 2007 to 31 March 2008. Of the twenty four licensees, thirteen (13) were converting from the former Internet Service Providers (ISP)/Data licences whilst eleven (11) were new applicants. All the ISP/Data licensees are expected to convert their licences to VANS licence in the next financial year.

The Private Telecommunications Network Licence (PTNL) on the other hand did not change in the new regime. The number of licensees in this category increased by six (6) from the last financial year. The statistics discussed above are illustrated at Figure 4.

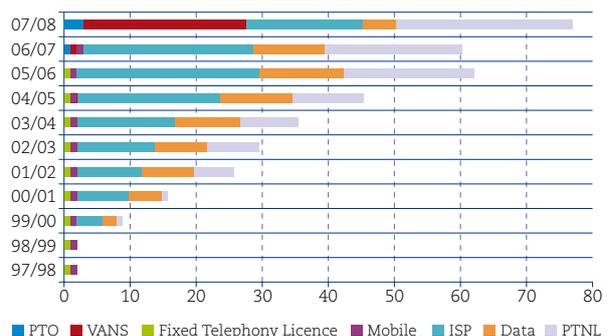


Figure 4: Number of licences by type

Market Development Review (continued)



BTA handed over Service Neutral Licences to Botswana Telecommunications Corporation (BTC), Orange and Mascom.

Developments in the market following Further Liberalisation

Major developments that have taken place include the establishment of new international voice gateways by PTOs specifically Mascom Wireless Botswana and Orange Botswana. In the old regime of separate fixed and mobile licences, mobile operators were mandated by their licence to route all their international traffic through the BTC gateway. The new regime of the PTO licence has since moved away from that condition and allows all operators to establish their gateways. The new VANS licence which unlike in the old regime, allows VANS providers to offer multiple services including Voice over Internet Protocol (VoIP) has started to bear some fruits. Already there are several VoIP providers who are offering international calling services. These alternative international calling services are expected to put a downward pressure on international calling rates.

With regard to mobile services, revenue grew from around P1.1 billion recorded at the end of financial year 2006 to P1.4 billion as at year ending December 2007. Profits for the mobile market have increased significantly from P315 million as at December 2006 to around P433 million as at December 2007. Mobile operators continue to invest in the industry as shown by the increase in assets value, from P988 million in December 2006 to P1.1 billion in December 2007. Figure 5 below illustrates financial performance of the mobile market over the years.

Financial Performance of the Industry

Overall, both the mobile and fixed line markets have enjoyed positive growth over the past 2 years exhibiting high levels of profitability.

The fixed line services segment revenue amounted to P803 million as at end of March 2007 and net profits of around P117 million during the same period. Assets amounted to P1.6 billion. Figure 6 below illustrates the financial performance of the fixed line services over the years.

Figure 5: Mobile Financial Performance in Millions of Pula (December end)

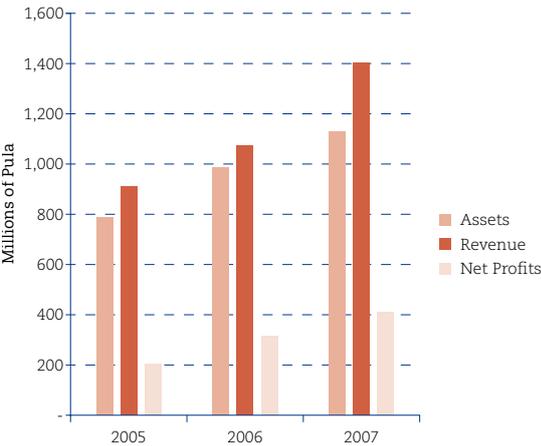
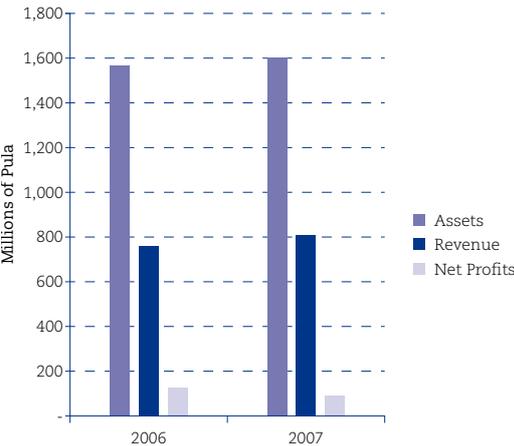


Figure 6: Fixed line financial performance in Millions of Pula (March end)



The fixed telephony experienced a slight increase in terms of growth. The total number of subscribers increased from 136 946 as at March 2007 to 142 282 as at March 2008, an increase of around 4 percent.



LEGAL, COMPLIANCE AND CONSUMER AFFAIRS

Monitoring

One of the BTA's mandates is to ensure that there is provision of efficient and effective communication services in Botswana. As such, it has to ensure compliance with the communications services regulatory framework through the management and monitoring of quality of service of the regulated entities.

Legal, Compliance and Consumer Affairs

Pursuant to this mandate, the operators were required to submit monthly network performance reports detailing the status and performance of their networks in terms of the set parameters of Quality of Service as determined by the Authority from time to time. The reports highlighted the service providers or operators' network performance based on the Grade of Service and the Quality of Service parameters as set out in the licence conditions.

While the networks performed relatively well throughout the year, the BTA recognised that the recent Botswana Power Corporation (BPC) power shedding exercise negatively affected performance of the networks particularly during the month of February 2008. Notwithstanding that, there was considerable compliance by the operators. Where compliance appeared to be lacking, discussions through the operational meetings proved to be worthwhile as direct engagement of the concerned service provider on a face to face basis tended to overcome the limitations of correspondence between the parties.

Compliance

In its endeavour to ensure compliance by radio users, the BTA followed up users who had not renewed their radio licenses and identified 353 non-compliant customers as at 31 March 2008. Out of this total, 69 came forth by year end to renew their licenses, 24 could not be located whilst the rest were still being followed. The exercise will continue in the next financial year to ensure that all radio users comply with the requirements of the Telecommunications Act.

Investigations

The BTA carried out investigations on illegal use of communication equipments in Botswana for the financial year 2007/8 whose objectives were:

- To determine the extent of illegal operations in the telecommunications market; and
- To educate the illegal operators on the licensing procedures and advise them to apply for licences.

Follow ups were also carried out to ensure compliance by the previously identified non-compliant companies. During this reporting period, investigations were carried out in the following places: Gaborone, Francistown, Selibe Phikwe, Serowe, Orapa, Letlhakane and Kanye. A total of forty three (43) companies were visited as depicted in Table 3 below:

Of the forty three companies visited, two did not need a telecommunications licence. Eight companies had BTA licences and thirty three were operating illegally. There are a growing number of illegal operations as determined by the figures above. This is a disturbing trend indicating the need for intense education to run parallel with investigations.

The Financial year 2007/8 was also characterised by vigorous investigations including follow ups in areas like Francistown, Selibe Phikwe, and Serowe where more illegal operations were detected. However, a lot of corrective measures were taken thus seeing more companies coming forth to pay their outstanding fees and applying for new licenses.

Table 3: Companies Visited during the Investigations Exercise

AREA	NUMBER OF COMPANIES	LICENSED OPERATORS	ILLEGAL OPERATORS	DID NOT NEED BTA LICENCE
Broadhurst (KBL)	1	0	1	0
Francistown	17	4	11	2
Selibe Phikwe	6	4	2	0
Serowe	9	0	9	0
Orapa	4	0	4	0
Letlhakane	5	0	5	0
Kanye	1	0	1	0
TOTAL	43	8	33	2

Legal, Compliance and Consumer Affairs (continued)

Code of Conduct and Quality of Service Consultative Workshop.

The BTA held a Consultative Workshop on the Operators' Code of Conduct and the Quality of Service Guidelines framework whose purpose was to provide operators and consumers with an opportunity to make input on the Code of Conduct for Operators and the Quality of Service Framework, which will ultimately be developed into guidelines.

The Code was hailed as a tripartite arrangement between the regulator, service provider and the consumer, with the BTA trying to balance the operators' interest against those of the consumer.

In discussing Quality of Service, the key principles in QoS namely; speed, accuracy, reliability, flexibility, availability, performance, transparency and non-discrimination were identified as primary to providing quality service.

The development of the two instruments was seen as an effort to enhance regulation of the industry and facilitate mutual understanding between two equally important stakeholders, being the service providers and their customers.

Audit of Billing Systems

The BTA engaged ICT Consultants (PTY) Ltd to review and audit Botswana's fixed and mobile operators' billing systems. This project is a precursor of a larger project on Quality of Service (QoS) that BTA intends to undertake in the future. While the larger project on QoS will deal with the development of procedures for monitoring QoS, the Billing System Audit relates to the evaluation and measure of QoS in respect of billing systems in order to check whether the approved tariffs were implemented correctly, regularly and not to the disadvantage of the customer.

Through the exercise, the BTA saw an opportunity for itself as the telecommunications regulator, regarding the operations of billing systems. Operators also benefited in appreciating issues concerning the processes surrounding auditing operators' billing systems as it impacts on the consumers. The project also laid a foundation for future audits and other activities that BTA may undertake as part of its monitoring of QoS of operator systems and operations.

CONSUMER AFFAIRS

Complaints

After exhausting all channels of communication with the service providers, the consumers have the right to escalate their complaints to the BTA. Similarly, the service providers also could seek redress from the BTA if there are issues amongst themselves that they cannot resolve.

A total of nine (9) complaints were lodged with the BTA over this reporting period. Eight of these complaints have been resolved whilst only one is still being addressed by the Authority. BTC had more complaints against it, than other operators. There were seven (7) complaints against BTC, and one was against all the three PTOs (BTC, Mascom and Orange). There was also one complaint relating to an Internet Service Provider/VANS and one complaint from a person who misunderstood a radio dealer's licence. Figure 7 shows types of complaints registered against all operators during the year under review.

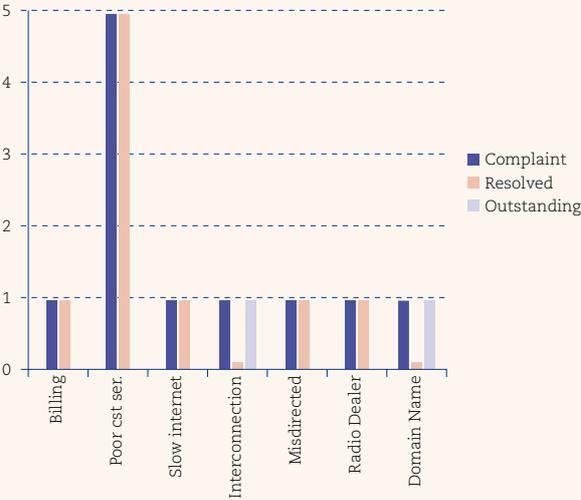


Figure 7: Types of Complaints lodged

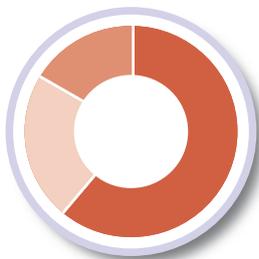
Education

The BTA regularly conducts outreach activities. The purpose of these visits was to educate the community leaders, students or general public on a range of subjects regarding the mandate of the BTA, such as the challenges and successes that the Authority is faced with, obtain feedback on consumer related issues and/or complaints, licensing of operators, spectrum management, setting tariff principles, setting industry standards and monitoring of service providers for compliance with license conditions.



BTA held a consultative workshop to discuss the Draft Operators Code of Conduct and Quality of Service Guidelines.

During the reporting period outreach activities were carried out at 10 District councils, the House of Chiefs, 3 educational institutions and 4 trade fairs. In total, 18 institutions were addressed represented as follows:



- Councils and House of Chiefs - 61.11%
- Trade Fairs and Shows - 22.22%
- Learning Institutions - 16.67%

Figure 8: Outreach activities undertaken by the BTA during 2007

Although the BTA was engaged in these undertakings to enhance public education and information dissemination, the results of the Consumer Perception Survey carried out during the same financial year indicated that there was very low understanding of the BTA by the general public. This low rating is a good indication for the need to revisit the strategies implored and the target audience captured. It should be noted however that the low rating does not indicate lack of performance on the part of the BTA but that the multiplier effect as anticipated by targeting these three groups did not bring out the results as planned.

Stakeholder Perception Survey

The BTA commissioned a stakeholder perception survey during this financial year, the objectives of which were:

- To gain a deeper understanding of the consumer and operator environment in which it operates;
- Identify stakeholders' expectations, priorities and perspectives relating to the BTA;
- Benchmark current perceptions against those revealed by consumers and operators in the previous stakeholder research undertaken by the BTA; and
- Generally measure the BTA's reputation and performance as perceived by consumers and operators in the industry.

From the operators' perspective, the BTA appeared to enjoy a relatively high reputation for its services, ethics and leadership. However, the Operators' criticism was related to the BTA performance on actual delivery of the services.

While from the consumer perspective, the BTA is a largely unknown entity. There is relatively low awareness of the Regulator, with little understanding of its consumer products and services.

LEGAL ISSUES

Disputes

The Authority was involved in the below noted cases, which were reported in the last annual report, but were taken on appeal during this reporting period:

Orange Botswana (Pty) Ltd v. Botswana Telecommunications Authority MAHLB-000246-06

The case began in 2005 and was about how the amount of Net turnover was to be computed in terms of Orange Botswana (Pty) Ltd's Public Telecommunication Service Provider licence conditions. The High Court in February 2007 delivered its judgment in which it found that:

- a) The free air time given by Orange Botswana to its customers was an amount that must be deemed to have accrued to them and consequently to be included in the assessment of Net turnover; and
- b) On the question of whether the cost of production of the scratch cards should be deducted for purposes of computing Net turnover, the High Court held that the costs of producing such cards could not be regarded as constituting "accessory sales" but was simply an expense associated with airtime sales and therefore not deductible.

Orange Botswana (Pty) Ltd appealed the High Court decision on the interpretation of Net turnover. Orange Botswana succeeded in its appeal at the Court of Appeal in August 2007. The Court of Appeal came to the conclusion that:

- i. Free airtime given by the Applicant to its customers is not an amount invoiced nor does it otherwise accrue to the licensee for purposes of computation of Net Turnover; and
- ii. The cost of scratch cards is not an allowable deduction for purposes of computation of Net Turnover.

Orange Botswana has made a claim for reimbursement and or set off of the amounts allegedly paid erroneously to the BTA, and the matter is still under consideration.

Botswana Unified Revenue Service (BURS) v. Botswana Telecommunications Authority Misca 327/2005

The Botswana Telecommunications Authority (BTA) had entered into a contract of sale with TCI International in which the latter was to supply and install certain equipment (Automated Spectrum Management System [ASMS]). TCI International was also to provide management consultancy work for the BTA. The contract amount was about US \$ 8 million and the contract was to be rolled out in phases. A tax assessment was raised against the BTA on the contract amount. BTA objected to the assessment on the basis that any withholding tax payable should be in respect of the consultancy work and not in relation to the supply and installation of the equipment.

By consent between the parties, the High Court made an order in November 2006 in which the quantum of the withholding tax was to be remitted to the Botswana Unified Revenue Service for consideration. It was also agreed that the re-submission should be accompanied by proof of the cost relating to each of the transactions in question. The Court also ordered that if the parties could not resolve the dispute as directed then either party was at liberty to re-enroll the matter with the court.

Negotiations between the parties on the classification of what payments are taxable arising from the contract between BTA and TCI International continue.

Multichoice (Botswana) Pty Ltd v. National Broadcasting Board Civil Appeal 022/07

This was a matter between the National Broadcasting Board (NBB) and Multichoice (Botswana) Pty Ltd that arose pursuant to the interpretation of the Broadcasting Act Cap 72:04. The Botswana Telecommunications Authority (BTA) was involved in the matter by virtue of its mandate as the secretariat and technical advisor to the NBB.

The issue arose in 2004 when Multichoice Botswana made an application to the High Court for the review of the issuance of a licence by the National Broadcasting Board to Multichoice Botswana. The issue before the High Court was whether Multichoice Botswana was engaged in broadcasting or broadcasting activity. The High Court answered the question in the negative, finding that Multichoice Botswana was not engaged in broadcasting or in broadcasting activity as envisaged by the statutory provision under which the NBB had issued a licence.

The NBB appealed the decision of the High Court to the Court of appeal. The question or issue that arose for determination by the Court of Appeal was whether Multichoice Botswana engaged in broadcasting activity or was a broadcaster. The court determined the matter in favour of Multichoice Botswana by concluding that the activities of Multichoice Botswana could not be classified as broadcasting as defined by the Broadcasting Act.

Long (Pty) Ltd appeal

This was a case in which the proprietor of Long (Pty) Ltd was convicted by the magistrates court for illegal provision of telecommunication services contrary to section 27 (1) of the Telecommunications Act and for possession of radio communication equipment without licence contrary to section 42 (1) of the same Act. The conviction and sentencing was done in July 2006 and an appeal was lodged with the High Court by the company.

A follow up with the Directorate of Public Prosecutions (DPP) was done in May 2007 on the status of the appeal. The appeal is yet to be heard by the High Court, even as at the end of March 2008.



COMMUNICATIONS AND PUBLIC RELATIONS ISSUES

World Telecommunications and Information Society Day 2007

The BTA participated in the 2007 World Telecommunication and Information Society Day (WTISD) celebrations held in Rakops village, in the Boteti Sub-District on the 17 May 2007. The commemorations were held for the first time under the name WTISD following the adoption of the name by the Plenipotentiary Conference of the International Telecommunication Union (ITU) in Antalya (Turkey) in November 2006 in recognition of the World Summit on the Information Society (WSIS). The celebrations covered other satellite villages including Kedia, Mmadikola, Mopipi, Toromoja, Xere and Xhumo.

Communications and Public Relations Issues



BTA has improved the IT resources of Presiding Officers of the Customary Court of Appeal by donating six laptops, displayed empathy for the community by donating a house in Pitsane and keeps in touch with International counterparts e.g. Global Symposium for Regulators held in Pattaya, Thailand.

The commemorations were held under the theme 'Connecting the Young: The Opportunities for ICT'. The theme recognised young people as the best promoters of ICTs and key contributors to building an inclusive Information Society.

All the participating villages were installed with telecentres to provide public access to information and communications technologies, notably the Internet, for educational, personal, social and economic development using VSATs. BTA made a donation of four photocopiers for the telecentres at Mopipi, Rakops, Xere and Xhumo valued at P55 338.80.

Donations

The Botswana Telecommunications Authority (BTA) made donations to various beneficiaries during the reporting period. A total of twenty eight (28) beneficiaries received donations totaling P463 899.00 from the BTA. Eight (8) schools received a combined total of nine (9) computers, five (5) printers and three Photocopiers. Other beneficiaries include charitable organisations and the Customary Court of Appeal.

Also notable was that the BTA constructed a three-roomed house for a destitute woman in Pitsane village in the Southern District. The house, which cost P50 000-00 was built for Ms. Bonyana Tsikang. The house was handed over at a ceremony attended by, among others, the Minister of Environment, Wildlife & Tourism Hon. K. Mokaila MP.

International Relations

During the year 2007/08, the Botswana Telecommunications Authority received a delegation from Ethiopia, which had come to learn how content regulation is carried out in Botswana from the National Broadcasting Board. While in Botswana, the delegation had an opportunity to meet with several local broadcasters and government officials.

Participation in International events 2007/2008

During the period under review the BTA staff participated in the following conferences and workshops:

- Twelfth Meeting of the Telecommunications Development Advisory Group (T-DAG), Geneva, Switzerland from 16- 20 April 2007;
- Eighth Forum on Telecommunications Regulation in Africa (FTRA) held in Nairobi, Kenya, 04- 07 June 2007;
- 2nd Connecting Rural Communities Africa Forum 2007, Nairobi, Kenya, 21-24 August 2007;
- Special General Meeting of the Communications Regulators Association of Southern Africa, Maputo, Mozambique, 03 - 04 September 2007;
- ITU Forum, Bridging the ICT Standardisation Gap, Kigali Rwanda 30/09/2007 - 05/10/2007;
- Second Meeting of the ITU-D Study Group 1, Geneva, Switzerland, 16/09/2007 - 22/09/2007;
- Commonwealth Telecommunications Organisation (CTO) General Meeting, Kingston, Jamaica, 21/09/2007 - 02/10/2007;
- Connect Africa Summit, Kigali, Rwanda 28/10/2007 - 31/10/2007;
- World Radiocommunication Conference 2007, Geneva Switzerland 20/10/2007 - 18/11/07;
- Telecommunication Development Advisory Group (T-DAG) and its Working Groups 02/02/2008 - 09/02/2008;
- Africa/Middle East Next Generation Networks Summit 2008, Johannesburg, South Africa, 17/02/08 - 20/02/08;
- CRASA Executive Committee Meeting, Johannesburg, South Africa, 05-07 March 2008; and
- ITU 8th Annual Global Symposium for Regulators, Pattaya, Thailand, 08-15 March 2008.



HUMAN RESOURCE REVIEW

BTA Strategy

The year under review was the mid- way of the 2004-2009 strategic plan. In November 2007 the BTA held a Strategic Retreat to review its strategy. The purpose of the retreat was to focus on the existing Strategic Plan of the BTA and review it in light of the current dynamics that are prevalent in the global and local Communications Industry as well as taking the recent organisational changes within the BTA with the appointment of both the new Chief Executive and the Deputy Chief Executive.

Human Resource Review

Staff Complement

One of the objectives of the BTA staffing has always been acquiring and retaining appropriate staff. The year under review saw BTA adopting a low expenditure staffing strategy taking into cognisance quality of service. BTA adopted the strategy of doing more with less staff, except for important key positions where it is absolutely necessary. The legal and compliance department were merged to form one department. The new Internal Audit department was created and the position was filled internally.

By the end of March 2008, the staff complement stood at 72 an increase of one from the March 2007 figure. The increase was as a result of staff movement following the resignations of three staff members and recruitment of four staff members.

In terms of ratio of core regulatory to support staff, 44% are core and 56% are support.

Table 4: Staff Complement 2003 - 2008

Year	Male	Female	Total
2003	38	25	63
2004	40	27	67
2005	41	27	68
2006	44	26	70
2007	45	26	71
2008	44	28	72

Pension Fund

The pension fund of the Authority - the Botswana Telecommunications Authority Staff Pension Fund - is a defined contributions fund. This fund is governed by trustees, who are representatives of the staff and management of the Authority. The trustees make investment decisions on the recommendation of the fund managers. The assets of the fund are kept separately from those of the Authority. All permanent staff members are covered by this non-contributory pension scheme. At the end of March 2008, a total of 50 employees were members of the BTA Pension Scheme while the remaining 20 employees were on contract.

Health and Safety

As an employer, BTA owes its employees a duty under the common law duty of care that is to take reasonable care in so far as it is reasonably practicable to protect its employees from any form of risk, be it safety, health and security. The threat of HIV/AIDS cannot be ignored since it affects both employers and employees. Various programmes are in place to manage these types of risks. Regarding the issue of employee health, employees and their dependants are members of health schemes to which BTA generously contributes in order to mitigate against the burden of contributions to be paid by employees. BTA has two types of medical schemes. With the first scheme BTA pays 100% while on the other, the Authority pays 80% and the employee pays 20%. The latter scheme has more benefits and is optional to the staff.

Human Resources Issues

- **Joint Consultation**

The Authority firmly believes in consultation with its employees in order to keep them informed of any matters which may affect them and provide employees with an opportunity to come forward with ideas which benefit both employees and the Authority.

Chief Executive and staff meet regularly on issues of general importance and make suggestions which will assist the Authority to develop and provide better service to the public. During the year under review, four meetings have been held.

- **Human Resources Policies**

The greatest achievements on HR issues during the year under review is the approval of the four (4) main policy documents:

1. **General Conditions of Service**

The BTA General Conditions of Service were adopted in 1997 and were from time to time amended administratively. In 2004 the Authority adopted a strategic plan which also necessitated the changes to the Conditions of Service.

The changes in the legislation of Botswana also necessitated a comprehensive review to align them to the current trends in employment practice in Botswana and to international best practice. Two workshops were held to discuss the draft Conditions of Service with staff and their comments and suggestions were incorporated

Human Resource Review (continued)



BTA regularly engages staff to strengthen the brand both internally and externally as illustrated with senior management on a retreat at Khama Rhino Sanctuary and participated in World Aids Day commemorations in Kweneng District.

2. Code of Conduct

The Code of Conduct is a guide for the standard of behaviour and conduct which the Authority expects of its employees.

3. Training and Development Policy

The aim of the policy is to develop employees to attain and maintain efficient and effective performance in their current positions. The policy focuses on growth of employees and their career development.

The policy is based on the following principles;

- Linked to performance management;
- Training needs analysis;
- Organisational needs; and
- Development of training plans

4. Performance Management Policy

The policy was necessary, following the adoption of the 5 year strategic plan in 2004 and the approval of the implementation of PMS in April 2008. The policy aims to give guidance on the effective implementation and maintenance of a consistent performance management system within BTA.

The performance management process will be evaluated by a Performance Management Evaluation Committee. The committee comprises of seven members two of which are from Human Resources and responsible for the production of quarterly performance management audit reports.

Training and Development

Botswana Telecommunications Authority continues to train staff on both short and long term training courses on areas that are needed for the effective regulation of the ICT sector. There are currently five (5) employees on training pursuing the following programmes:

PhD	1
Masters Degree	2
First Degree	2
Total:	5





INTERNAL AUDIT

The BTA Internal Audit Division was established on 01 September 2007. Its mission is to provide independent, objective assurance and consulting services to the Board/Finance & Audit Committee and Management. It helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Internal Audit

The Division assists the Board/Finance & Audit Committee and Management in their responsibilities by furnishing them with analysis, appraisals, recommendations and assurance concerning the organisation's activities.

In order to meet the requirements of the Professional Standards for Internal Auditing, the Division developed a risk based internal audit plan which was approved by the Board/Finance & Audit Committee in March 2008. The plan shows a line-up of audit projects to be undertaken in the period between 2008 and 2011. As part of this work, a risk assessment exercise was conducted with the aim of:

- Highlighting to management, the current practice issues on Internal Audit;
- Developing a comprehensive list of risks applicable to the Authority's operations and compiling the risk register; and
- Assessing the likelihood and impact of the risks identified;

Furthermore the exercise also produced the following documents to guide the operations of the Division;

- Internal audit manual; and
- Internal Audit Charter.

The first internal audit report was produced in February 2008, showing the operational areas in BTA where immediate action was required in order to address control weaknesses. Management has made a commitment and is taking action to address the recommendations of the report.

The Internal Audit Division has also been instrumental in the resolution of the previous year's management letter items.



FINANCIAL REVIEW

Overview of Results

The BTA recorded a net profit of Pula 12.04 million, representing an increase of 83% from previous year's figure of Pula 6.56 million.

Financial Review

The revenue increased by 25 % from Pula 48.7 million last year to Pula 61.1 million during the year. This increase in revenue was due to the increased turnover related fees from major operators and the revised system licence fees charged as a result of issuance of service neutral licence. Other income increased marginally to Pula 1.11 million as compared to prior year's of Pula 1.04 million. This is due to rental income received from the Botswana Government for renting part of the BTA's office block. Income from investments decreased compared to last year, with interest income falling by Pula 0.62 million from P 4.71 million to P 4.09 million. The decrease was as a result of payment made during the year of dividends for 2005/06 and 2006/07 financial years and payments towards the construction of Phakalane Monitoring Centre.

Operating costs on the other hand increased by 19.5% to Pula 54.3 million compared to Pula 45.4 million in the previous year mainly as a result of increases in repairs and maintenance, depreciation, consultancies, security and internet charges. Repairs and maintenance costs increased due to payments related to the Automated Spectrum Monitoring System (ASMS) 5-year maintenance contract of which U\$38,712 or approximately P250, 000 was being paid to the ASMS supplier, TCI International, on a quarterly basis. Depreciation also increased due to capitalisation of the ASMS project. Security charges were much higher since the bulk of the prior year's expenditure was being capitalised as part of the ASMS costs whilst this year they were expensed. However, there was reduction in other areas of expenditure such as conferences, training and advertising.

Table 5: The results of the Authority are summarised as follows:

	2008	2007	2006
	Pula million	Pula million	Pula million
Revenue	61.09	48.7	42.02
Other income	1.11	1.04	1.44
Operating expenses	-54.25	-45.39	-33.35
Donation to Government of Botswana		-2.5	-10
Finance Income	4.09	4.71	5.63
Surplus for the year	12.04	6.56	5.74
Capital Employed	162	150	145
Return on Capital Employed	7.4%	4.4%	4.0%

Revenue

Revenue comprised of radio licence fees, system licence fees and service licence fees. The service licence fees are derived from fees charged to operators for their service licence and comprise of turnover and non-turnover related fees. The turnover fees are based on the net turnover of the licensed public telecommunications operators and are paid quarterly in arrears. The non-turnover fees are the fixed element of the service fees and are paid on an annual basis at the beginning of the year. Turnover related fees increased from P40.8 million last year to P49.1 million, representing an increase of 20%. Non-turnover fees were lower compared to last year due to restructuring of the fees during the year after issuance of service neutral licence to all the operators. The fees reduced to P0.77 million compared to P0.87 million last year. System licence fees on the other hand increased by 92% mainly due to changes in the fee structure as a result of new licences issued during the year. Radio licence fees also increased by 51% during the year from P5.26 million last year to P7.93 million. Figure 9 below shows comparison of revenue over the years.

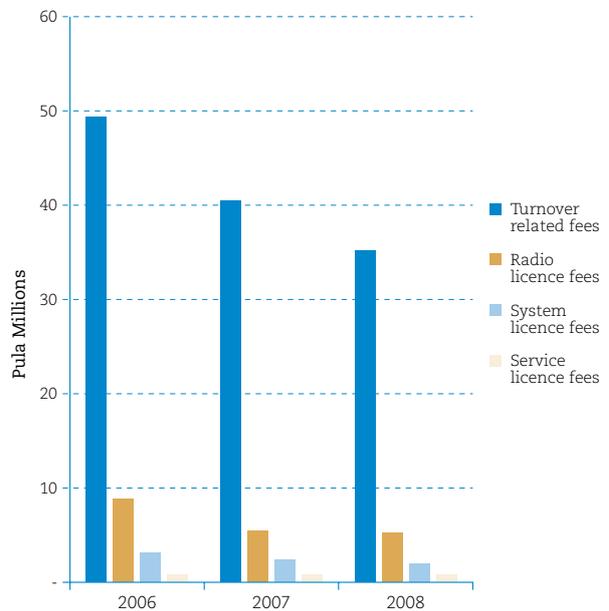


Figure 9: Revenue

Other Income

Other income includes income from sale of fixed assets, tender application fees and rental income received from Townhouses and part of the BTA office block which was rented out to the Government of Botswana. Rental income constitutes 64% of other income.

Financial Review (continued)

Operating Costs

Operating costs increased by 36% between 2006 and 2007 compared to 19.5% increase between 2007 and 2008. The resultant decrease in operating costs between the years was mainly due to a reduced spending on consultancies in 2008. The consultancy fees increased by 21% during the year under review compared to an increase of 64% in 2007. Reduction in employee costs in 2008 also contributed to a low increase in operating costs. Between 2006 and 2007, staff costs increased by 18% from P15.5 million to P18.2 million compared to an increase of 9% from P18.2 million in 2007 to P19.8 million in 2008.

Finance Income

Investment income comprised of interest income from call deposits and fixed deposits. The fixed deposit earned the Authority interest income at an average interest rate of 11.47% and these were short term deposits for a period of 90 days and rolled over upon maturity. However, the interest income declined by 13%, mainly due to decrease in funds as payments were being made towards the Phakalane Monitoring Centre. The total amount paid during the year towards the project was P6.26 million.

Overall, capital expenditure was higher than the prior year increasing by P5.24 million or 78%. The increase was mainly attributed to the construction of the Phakalane Monitoring Centre and acquisition of 5 vehicles, 2 of which were replacement vehicles and computers and servers which were also due for replacement. The cash generated from operating activities was just sufficient to finance capital spending during the year amounting to P12 million.

Investments

The BTA made investments in certain instruments taking into consideration its financing and cash flow needs. The BTA invested in fixed deposits with banking institutions offering better interest rates.

The BTA has also invested in properties, being town houses and leases part of its head office block to Botswana Government. The BTA Board has resolved that the town houses be disposed of, and the process will be finalised during the first quarter of the next financial year.

The cash generated from operating activities increased from P6.03 million last year to P29.22 million during this year. This was mainly due to increased surplus for the year from P6.56 million to P12.04 million. The increase is also attributable to decrease in trade and other receivables and increase in trade and other payables.

Liquidity

Cash flow provided by operating activities, prior to working capital changes totalled Pula 18.9 million, compared to Pula 6.13 million last year. Cash flow from operations (after working capital changes) covered capital expenditure to the extent of 243%.

BTA believes that it has adequate resources to finance its operating activities and the anticipated capital expenditure in the financial year 2008/2009. It is expected that the cash flow will continue to improve as no major projects are envisaged for the next two years.

Table 6: Capital expenditure

	2008	2007	2006
	Pula Million	Pula Million	Pula Million
Cash Available for Investing	29.21	6.03	33.33
Capital Expenditure	12.00	6.76	34.22
Self Financing Ratio	243%	97%	142%

Financing and Financial Position

	2008	2007	2006
	Pula Million	Pula Million	Pula Million
Cash flow from operating activities	29.22	6.03	29.33
Cash flow from Investing Activities	-11.57	-6.66	-33.63
Cash flow from financing activities	-1.91	2.91	4
Total cash movement for the year	15.74	2.28	-0.30
Cash at the beginning of the year	46.88	44.59	44.88
Cash at the end of the year	62.62	46.87	44.58

Conclusion



BTA's active participation in the community it operates in, spans across attendance of industry events e.g. FOBEX/ITEX Exhibitions to engagements with schools.

In summary this has been a challenging and busy year with implementation of new legal and regulatory framework under a further liberalised environment and many more challenges are to come.

However, the future still holds more challenges that we need to face with vigour. Issues such as achieving universal access/service, connect the unconnected; infrastructure sharing with other industries such as water, electricity etc; spectrum allocation in the era of convergence, digital switch-over to mention but a few will require our concerted efforts to resolve. I continue to urge the Authority's staff not to bask in the glory of past performances, but to look into the future for all communication regulatory opportunities that can bring tangible results to all stakeholders. Coincidentally, the communication sector offers an array of opportunities that are greatly influenced by the regulatory climate in place. Technological innovations are critical to improvements on the sector that is why the Authority took a bold step of abandoning the technology specific licensing framework in favour of the technology neutral one.

The Authority's financial audited statements have continued to show surplus. This can be attributed to a healthy communication environment as a result of the liberalisation of the sector. The Authority will continue to strive to lay a simpler, predictable and friendly environment for the key players to realise return on their investments at the same time ensuring that communications customers get effective and affordable services.

The Authority's financial statements will continue to improve as more and more users connect to the network with a lot of diversity in the services offered by operators.

The Authority will continue to strive to implement its revised legal and regulatory framework under a liberalised environment to afford key players the platform in narrowing the digital divide between urban and rural areas. It is important that stakeholders take a keen interest in information and communication technologies initiatives in order for the Authority to discuss and chart the way forward in terms of key regulatory imperatives and policy issues. I therefore count on the Government, Board, Management, Staff and Stakeholders to work towards the realisation of this goal.

The Authority will continue to strive to improve the communication sector and will ensure that operators, where possible use new technologies that offer better and affordable services.

Annual Financial Statements

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Independent Auditor's Report

To the members of Botswana Telecommunications Authority

Report on the Financial Statements

We have audited the accompanying annual financial statements of Botswana Telecommunications Authority, as set out on pages 46 to 64, which comprise the directors' report, the balance sheet as at March 31, 2008, and the income statement, the statement of changes in funds and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes.

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 in compliance with the Telecommunication Act, 1996 (As amended by Act No 38 of 2004). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 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 the 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 present fairly, in all material respects, the financial position of Botswana Telecommunications Authority as of March 31, 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Telecommunication Act, 1996 (As amended by Act No 38 of 2004).

Report on Other Legal and Regulatory Requirements

In accordance with Section 14(3) of the Telecommunication Act, 1998 (As amended by Act No 38 of 2004), 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 No 15 of 1996 (As amended by Act No 38 of 2004)
- The financial statements prepared by the Authority were prepared on a basis consistent with that of previous year except for adoption of new standards/new amendments and interpretations issued by International Accounting Standards Board, the details of which are covered under note 2 to these annual financial statements.



Certified Public Accountants
Gaborone

Date: 11 July 2008

Members' Responsibilities and Approval

for the year ended March 31, 2008

The members of the board are required by section 14 of the Telecommunication Act, 1996, 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 Authority 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 annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied except for adoption of new standards as stated in Note 2 to the annual financial statements and supported by reasonable and prudent judgments and estimates.

The members of the board 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 of the board 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 of the board have reviewed the Authority's cash flow forecast for the year to March 31, 2009 and, in the light of this review and the current financial position, they are satisfied that the Authority has access to adequate resources to continue in operational existence for the foreseeable future.

The members of the board are primarily responsible for the financial affairs of the Authority. The external auditors are responsible for independently reviewing and reporting on the Authority's annual financial statements. The annual financial statements have been examined by the Authority's external auditors and their report is presented on page 43.

The annual financial statements set out on pages 45 to 66, which have been prepared on the going concern basis, were approved by the members of the board on 3 July 2008 and were signed on its behalf by:



Chairperson
Gaborone



Chief Executive

Members of the Board Report

for the year ended March 31, 2008

The members of the Board have pleasure in submitting their report, which forms part of the financial statements of the Authority for the year ended 31 March 2008.

1. Activities

The Authority is a body corporate, established under the Telecommunications Act [CAP 72:03] to regulate, supervise and promote the provision of efficient telecommunications services in Botswana.

The Authority's surplus for the year amounted to Pula 12 037 490 (2007: Pula 6 563 953).

2. Post balance sheet events

In the meeting held on 3 July 2008, the Board resolved to provide dividend payable to Government of Botswana amounting to Pula 3 009 372 being 25% of the surplus for the year ended 31 March 2008 which is in line with the requirements of the Government directive CAB 40/2004. The post balance sheet events are appropriately disclosed in the financial statements as per the requirements of International Financial Reporting Standards.

The Board resolved to make a Donation of Pula 4 million (2007: Pula 2,5 million) towards the Universal Service Fund for the year ended 31 March 2008.

3. Accounting policies

During the year the Authority adopted certain new IFRS amendments, standards and interpretations, the details of which are stated in note 2 to the financial statements.

4. Members' interest in contracts

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

5. Members of the Board

The members of the Board of the Authority during the year and to date of this report are as follows:

Dr. J Mothibi (Chairman)
Dr. T Nyamadzabo
Dr. T Matome
Dr. M Mpotokwane (Vice Chairman)
Mr. R C Eaton

Balance Sheet

for the year ended March 31, 2008

	Note(s)	2008 P	2007 P
Assets			
Non-Current Assets			
Property, plant and equipment	5	108 042 749	107 668 340
Current Assets			
Trade and other receivables	7	8 713 849	10 060 208
Prepayments		439 293	654 232
Cash and cash equivalents	8	62 616 712	46 877 883
		71 769 854	57 592 323
Non-current assets held for sale	9	6 622 838	6 421 838
Total Assets		186 435 441	171 682 501
Funds and Liabilities			
Funds			
Proposed dividends		3 009 372	3 074 920
Accumulated surplus		159 112 355	150 084 237
		162 121 727	153 159 157
Current Liabilities			
Trade and other payables	12	10 235 197	5 609 262
Government of Botswana - Universal Service Fund	11	14 078 517	12 914 082
		24 313 714	18 523 344
Total Funds and Liabilities		186 435 441	171 682 501

Income Statement

for the year ended March 31, 2008

	Note(s)	2008 P	2007 P
Revenue	14	61 085 480	48 696 362
Other income		1 113 034	1 043 655
Operating expenses		(54 254 166)	(45 390 875)
Donation to the Government of Botswana		—	(2 500 000)
Finance income	16	4 093 142	4 714 811
Surplus for the year		12 037 490	6 563 953

Statement of changes in funds

for the year ended March 31, 2008

	Proposed Dividends P	Accumulated surplus P	Total funds P
Balance at March 31, 2006	1 383 364	145 211 840	146 595 204
Surplus for the year	—	6 563 953	6 563 953
Dividend to the Government transferred to proposed dividends	1 691 556	(1 691 556)	—
Total changes	1 691 556	4 872 397	6 563 953
Balance at March 31, 2007	3 074 920	150 084 237	153 159 157
Surplus for the year	—	12 037 490	12 037 490
Dividends paid	(3 074 920)	—	(3 074 920)
Dividend to the Government transferred to proposed dividends	3 009 372	(3 009 372)	—
Total changes	(65 548)	9 028 118	8 962 570
Balance at March 31, 2008	3 009 372	159 112 355	162 121 727

Since the authority has not created any other funds, the total accumulated surplus and proposed dividends equals to the total funds.

Cash flow Statement

for the year ended March 31, 2008

	Note(s)	2008 P	2007 P
Cash flows from operating activities			
Cash generated from operations	18	25 124 109	1 319 796
Finance income		4 093 142	4 714 811
Net cash from operating activities		29 217 251	6 034 607
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(11 999 211)	(6 755 302)
Sale of property, plant and equipment	5	431 278	98 864
Net cash from investing activities		(11 567 933)	(6 656 438)
Cash flows from financing activities			
Movement in Universal Service Fund		1 164 435	2 914 082
Dividends paid to the Government	19	(3 074 924)	—
Net cash from financing activities		(1 910 489)	2 914 082
Total cash movement for the year		15 738 829	2 292 251
Cash at the beginning of the year		46 877 883	44 585 632
Total cash at end of the year	8	62 616 712	46 877 883

Accounting Policies

for the year ended March 31, 2008

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with International Financial Reporting Standards, and the requirements of the Telecommunications Act No 15 of 1996 (As amended by Act No 38 of 2004). The annual financial statements have been prepared on the historical cost basis, except for investment property, non current assets held for sale and certain financial instruments, which are stated at fair value, and incorporate the principal accounting policies set out below.

These accounting policies are consistent with the previous period, except for the changes set out in note 2 Changes in accounting policy

1.1 Significant judgements

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 management assesses its trade receivables for impairment at each balance sheet date. In determining whether an impairment loss should be recorded in the income statement, the management makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

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 value of investment property and non current asset held for sale are determined based on open market value by an independent valuer.

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. These calculations require the use of estimates and assumptions. It is reasonably possible that the residual value assumption may change which may then impact the estimations and may then require a material adjustment to the carrying value of the assets.

The management 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 tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including supply demand, together with economic factors such as exchange rates, inflation and interest rates.

Useful life and residual value of tangible fixed assets

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 cognisance of the forecasted commercial and economic realities and through benchmarking of accounting treatments in the industry.

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 to be disclosed as a contingent liability.

1.2 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 Authority; and
- the cost of the item can be measured reliably.

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 is carried at cost less accumulated depreciation and any impairment losses.

Item	Average useful life
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 and the useful life of each asset are reviewed at each financial period-end.

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 shall be depreciated separately.

The depreciation charge for each period is recognised in the income statement 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 income statement 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.

1.3 Financial instruments

Initial recognition

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 assets and financial liabilities are recognised on the Authority's balance sheet when the Authority becomes party to the contractual provisions of the instrument.

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 income statement 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 (more than 90 days overdue) 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 the income statement within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in the income statement.

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 fixed 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.

1.4 Tax

Tax expenses

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

Accounting Policies (continued)

for the year ended March 31, 2008

1.5 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. Income for leases is disclosed under other income in the income statement.

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 asset. This liability is not discounted. There are no contingent rents applicable as per lease.

1.6 Non-current assets held for sale

Non-current assets classified as held for sale are recognised if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset available for immediate sale in its present condition.

Non-current assets held for sale are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is not depreciated while it is classified as held for sale.

Where the fair value model is adopted for Investment property, such investment property reclassified as held for sale is measured at fair value.

1.7 Impairment of assets

The Authority assesses at each balance sheet date 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 income statement. Any impairment loss of a revalued asset is treated as a revaluation decrease.

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

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 care), 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.

Gratuities are provided for certain employees as per terms of reference of their respective employment contracts.

Defined contribution plans

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

1.9 Provisions and contingencies

Provisions are recognised when:

- the Authority 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.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 21.

1.10 Revenue

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 balance sheet date.

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 balance sheet date 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 services provided in the normal course of business net of value added tax.

Revenue comprises service & system licence fees charged to telecommunications operators and radio licence holders. The revenue is stated at 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.

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

Rental Income is recognised on a straight-line basis over the lease term.

1.11 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 each balance sheet date:

- 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 income statement in the period in which they arise.

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

1.12 Prior year figures

Prior year figures have been regrouped to conform with current years presentation.

Notes to the Annual Financial Statements

for the year ended March 31, 2008

2. Changes in accounting policy

The annual financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year except for the adoption of new or revised standards.

During the year, the Authority adopted the following new standards/new amendments and interpretations:

- IAS 1 Presentation of financial statements: Capital Disclosures.
- IFRS 7 - Financial instruments: Disclosures (effective first annual period commencing on or after 1/1/2007)

IAS 1: Presentation of financial statements

This amendment was issued in 2005 and is effective for the financial period commencing on or after 1 January 2007 and requires the Authority to make new disclosures to enable the users of the financial statement to evaluate the Authority's objective, policies and procedures for managing its capital, which is the accumulated surplus of the authority.

IFRS 7: Financial Instruments - Disclosures

This amendment was issued in 2005 and is effective for the financial period commencing on or after 1 January 2007. This standard requires disclosures that enable the users of financial statement to evaluate the significance of the Authority's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout these annual financial statements. While there has been no effect on the position or result, comparative information has been raised wherever needed for disclosure purpose.

The impact of all other Standards and Interpretations issued and effective are either not applicable or not expected to be material for the current year.

3. Statements and interpretations not yet effective

At the date of authorisation of these annual financial statements, the following Standards and Interpretations applicable for the Authority were in issue but not yet effective:

- IAS 23 - Borrowing costs (effective first annual period commencing on or after 1/1/2009)
- IAS 1 - Presentation of financial statements (effective first annual period commencing on or after 1/1/2009)

IAS 1: Presentation of financial statements

This revised standard is effective for the financial periods beginning on or after 1 January 2009. This amendment affects the presentation of Statement of changes in funds of the Authority and introduces a statement of comprehensive income. The Authority's management will have the option of presenting items of income and expenses and components of other comprehensive income either in a single statement of comprehensive income with sub-totals, or in two separate statements (a separate income statement followed by a statement of other comprehensive income). This amendment does not affect the financial position or results of the Authority but will give rise to additional disclosures.

IAS 23: Borrowing costs

This revised standard is effective for the financial periods beginning on or after 1 January 2009. This amendment requires the capitalisation of borrowing costs to the extent they are directly attributable to the acquisition, or construction of qualifying assets that need a period of time to get ready for their intended use or sale. In accordance with the transitional provisions of the amended standard, no change will be required to account for borrowing costs incurred to this date that have been expended.

The aggregate effect of the standards and interpretations issued but not yet effective are either not applicable or not expected to be material to the Authority.

	2008	2007
	P	P

4. Investment property

Reconciliation of investment property - 2007

	Opening net book value	Classified as held for sale	Closing net book value
Investment property	6 000 000	(6 000 000)	—

Other disclosures

Total rental income from investment property	310 329	322 602
Direct operating expenses from rental generating property	40 619	66 145

5. Property, plant and equipment

	2008			2007		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Land and buildings	18 635 610	(2 204 630)	16 430 980	18 890 422	(1 874 628)	17 015 794
Furniture and fixtures	2 205 919	(1 961 176)	244 743	2 236 853	(1 858 387)	378 466
Motor vehicles	2 357 799	(742 410)	1 615 389	1 561 020	(1 142 453)	418 567
Office equipment	1 568 109	(1 472 269)	95 840	1 843 006	(1 631 116)	211 890
IT equipment	4 326 928	(2 730 590)	1 596 338	2 728 767	(2 559 825)	168 942
Technical equipment (ASMS)	91 141 197	(12 891 980)	78 249 217	91 124 135	(3 176 266)	87 947 869
Capital Work in Progress	9 810 242	—	9 810 242	1 526 812	—	1 526 812
Total	130 045 804	(22 003 055)	108 042 749	119 911 015	(12 242 675)	107 668 340

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2008

	Opening net book value	Additions	Disposals	Transfers	Depreciation	Closing net book value
Land and buildings	17 015 794	—	(53 812)	(201 000)	(330 002)	16 430 980
Furniture and fixtures	378 466	92 094	(26 195)	—	(199 622)	244 743
Motor vehicles	418 567	1 555 854	—	—	(359 032)	1 615 389
Office equipment	211 890	17 000	(7 475)	—	(125 575)	95 840
IT equipment	168 942	2 033 771	(10 544)	—	(595 831)	1 596 338
Technical equipment (ASMS)	87 947 869	17 062	—	—	(9 715 714)	78 249 217
Capital Work in Progress	1 526 812	8 283 430	—	—	—	9 810 242
	107 668 340	11 999 211	(98 026)	(201 000)	(11 325 776)	108 042 749

Reconciliation of property, plant and equipment - 2007

	Opening net book value	Additions	Disposals	Classified as held for sale	Transfers	Depreciation	Closing net book value
Land and buildings	16 885 743	935 700	(53 812)	(421 838)	—	(329 999)	17 015 794
Furniture and fixtures	664 992	28 831	—	—	—	(315 357)	378 466
Motor vehicles	4 822	427 472	—	—	—	(13 727)	418 567
Office equipment	383 366	42 117	—	—	—	(213 593)	211 890
IT equipment	327 993	122 026	—	—	—	(281 077)	168 942
Technical equipment (ASMS)	—	—	—	—	91 124 135	(3 176 266)	87 947 869
Capital Work in Progress	87 451 791	5 199 156	—	—	(91 124 135)	—	1 526 812
	105 718 707	6 755 302	(53 812)	(421 838)	—	(4 330 019)	107 668 340

		2008 P	2007 P
6. Financial assets by category			
Authority's classification of financial assets by category is as follows:			
2008			
	Loans and receivables	Fair value through profit or loss - designated	Total
Trade and other receivables	8 713 849	—	8 713 849
Universal Service Fund	11 578 517	—	11 578 517
Cash and cash equivalents	—	51 038 195	51 038 195
	20 292 366	51 038 195	71 330 561
2007			
	Loans and receivables	Fair value through profit or loss - designated	Total
Trade and other receivables	10 060 208	—	10 060 208
Universal Service Fund	10 414 082	—	10 414 082
Cash and cash equivalents	—	36 463 801	36 463 801
	20 474 290	36 463 801	56 938 091
7. Trade and other receivables			
Trade receivables		8 342 773	8 769 048
Other receivable		371 076	1 291 160
		8 713 849	10 060 208
Fair value of trade and other receivables			
Trade and other receivables		8 713 849	10 060 208
Impairment provisions are made based on review of individual debtors current credit situation, past performance and other factors and where required, appropriate provisions are raised for impairments.			
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 March 31, 2008: P 430 821 (2007: P 2 288 721) were past due but not impaired.			
The ageing of amounts past due but not impaired is as follows:			
1 month past due		65 187	2 230 446
2 months past due		123 059	4 386
3 months past due		242 575	53 889
8. Cash and cash equivalents			
Cash and cash equivalents consist of:			
Cash on hand		500	500
Bank balances		23 412 114	35 602 285
Short-term deposits		39 204 098	11 275 098
		62 616 712	46 877 883

Notes to the annual financial statements (continued)

for the year ended March 31, 2008

	2008	2007
	P	P

8. Cash and cash equivalents (continued)

Cash and cash equivalent at the end of the period include a deposit with Stanbic Bank Botswana Limited of P 11 578 517 (2007: P 10 414 082) held by the Authority on behalf of the Government of Botswana pending establishment of the Universal Service Fund. The cash balance includes interest earned on the deposit upto 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 are placed with reputed financial institutions which are registered in Botswana. The Authority's bankers in Botswana are not rated but each of these banks are subsidiaries of major South African, Indian or United Kingdom registered institutions.

9. Non-current assets held for sale

The members of the board resolved to dispose off Plot 4965 (Town houses) and Plot 2624 with developments there on. The details of the investment property are set out below.

The land and building (Plot 2624) was valued by Willy Kathurima Associates (Proprietary) Limited registered independent property valuers, in December 2007 at P 650 000, representing the open market value. The management decided to retain the carrying value of P 421 838 as its fair value after considering the present state of the property and its use.

The investment property (Plot 4965) was valued by Willy Kathurima Associates (Proprietary) Limited registered independent property valuers, in December 2007 at P 6 250 000, representing the open market value. However, the management decided to retain the current carrying value of P 6 201 000 as they are of the opinion that no material changes in the circumstance or use of this investment property occurred during the year which resulted in increase in value of the property.

Assets and liabilities

Non-current assets held for sale

Property, plant and equipment	421 838	421 838
Investment property	6 201 000	6 000 000

10. Capital disclosure

The Authority's objective when maintaining accumulated surplus is to safeguard the ability to continue as a going concern, so that it can provide services to its customers by pricing services appropriately.

The capital structure of the Authority consists of accumulated surplus as disclosed in the statement of changes in funds. However, there are no externally imposed capital requirements applicable to the Authority.

During the year ended 31 March 2008, the Authority's strategy of managing funds has remained unchanged from the year ended 31 March 2007.

Accumulated surplus	159 112 355	150 084 237
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11. Government of Botswana - Universal Service Fund

Donations payable to the Government of Botswana - Universal Service Fund	12 500 000	12 500 000
Interest earned on deposit - Universal Service fund	1 578 517	414 082
	14 078 517	12 914 082

In the board meeting held on 3 July 2008, it was resolved to make an additional donation of P 4 million towards Universal Service Fund.

	2008 P	2007 P
12. Trade and other payables		
Trade payables	6 064 153	1 283 254
Value Added Tax	357 216	383 899
Short term employee benefits	2 779 637	2 322 743
Other payables	1 034 191	1 619 366
	10 235 197	5 609 262

Included in the other payables is an amount of P 705 026 (2007: P 637 620) held on behalf of National Broadcasting Board representing the amounts collected on behalf of the board.

13. Financial liabilities by category

Authority's classification of financial liabilities by category is as follows:

2008

	Financial liabilities at amortised cost	Total
Trade and other payables	10 235 197	10 235 197
Government of Botswana - Universal Service Fund	14 078 517	14 078 517
	24 313 714	24 313 714

2007

	Financial liabilities at amortised cost	Total
Trade and other payables	5 609 262	5 609 262
Government of Botswana - Universal Service Fund	12 914 082	12 914 082
	18 523 344	18 523 344

14. Revenue

Turnover related fees	49 056 966	40 841 472
Radio license fees	7 930 657	5 257 675
System license fees	3 323 985	1 729 508
Service license fees	773 872	867 707
	61 085 480	48 696 362

15. Surplus for the year

Surplus the year is stated after accounting for the following:

Other income

Operating lease income - Contractual	(708 836)	(534 410)
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Operating lease charges

Premises		
• Contractual amounts	59 100	19 700
(Profit) on sale of property, plant and equipment	(333 252)	(45 052)
Loss on exchange differences	—	9 720
Depreciation on property, plant and equipment	11 325 776	4 330 019
Employee costs	19 847 919	18 248 788

Notes to the annual financial statements (continued)

for the year ended March 31, 2008

	2008 P	2007 P
15. Surplus for the year (continued)		
Consulting and professional fees	8 934 918	7 359 011
Conference expenses	1 401 508	2 492 597
Repairs and maintenance	1 991 217	290 538
Subscription	1 249 475	493 040
Travelling expenses (including local)	1 959 981	2 184 108
16. Finance income		
Interest revenue		
Bank	4 093 142	4 714 811
17. Auditors' remuneration		
Fees	41 501	43 108
18. Cash generated from operations		
Profit before taxation	12 037 490	6 563 953
Adjustments for:		
Depreciation and amortisation	11 325 776	4 330 019
Profit on sale of assets	(333 252)	(45 052)
Finance income	(4 093 142)	(4 714 811)
Changes in working capital:		
Trade and other receivables	1 346 363	(3 152 863)
Prepayments	214 939	(109 939)
Trade and other payables	4 625 935	(1 551 511)
	25 124 109	1 319 796
Dividends	(3 074 924)	—
20. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	5 264 374	12 057 205
Not yet contracted for and authorised by the members of the board	—	500 000
This committed expenditure will be financed by existing cash resources or funds internally generated.		
Operating leases - as lessor (income)		
Minimum lease payments due - within one year	956 412	106 950
Certain of the Authority's property is held to generate rental income. Lease agreements are non-cancelable and have terms from 1 to 2 years. There are no contingent rents receivable as per lease agreement. The rentals are renegotiated at the anniversary of the lease agreements to align with the open market rates.		
Donation committed to be paid to the Universal Service Fund	4 000 000	—

	2008	2007
	P	P

21. Contingencies

During the year the Authority lost a case in respect of a dispute with one of the major operators over the definition of "Net turnover related fee" and its impact on calculation of turnover fees paid by the above operator. There is a potential for identical claim being made by the other mobile operators on the Authority for similar situation relying on court decision. This matter raises a material contingency and uncertainty about potential claim which could be material to the Authority.

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 5 225 554 (2007: P 5 010 348).

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 Nil (2007: P 1 805 979).

Guarantee issued by the authority in favour of Stanbic Bank Botswana Limited towards the employees' housing, car and personal loan with a limit of P 5 000 000. The Authority has given guarantee upto 25% of the outstanding balance on the housing loans and 50% guarantee on car and personal loans on the outstanding balances. The balance outstanding at the balance sheet date under this guarantee amounts to P 1 087 273 (2007: P 1 554 524).

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 1 935 348 (2007: P 1 970 322).

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 1 492 438 (2007: P 1 219 843).

There is a lawsuit instituted by the Authority against Botswana Unified Revenue Service for refund of withholding tax amounting to USD 1.2 million (2007: USD 1.2 million). This case is still pending with the court. Since the Authority is the claimant in the case, the contingent liability facing the Authority is with respect to legal costs for its attorneys and those of Botswana Unified Revenue Service's attorneys in the event the Authority loses the case. Such costs are unlikely to exceed P 400 000.

Bank guarantee in favour of Department of Customs and Excise on account of VAT deferral at P 2 500 000 (2007: P 2 500 000).

Notes to the annual financial statements *(continued)*

for the year ended March 31, 2008

	2008	2007
	P	P
22. Related parties		
Members of the board	Refer to page 6 and 7	
Members of key management	T G Pheko (Chief Executive) M O Tamasiga (Deputy Chief Executive) T Tau C Moapare (Resigned in August 2007) N Mokone T B Koontse M Leburu (Resigned on April 2007) T S Mosinyi O Tsiang M Mokgware B Mine (Acting director since September 2007)	
Related companies	The Authority had transactions with Government, parastatals and other Government interested organisations the normal course of operations. These transactions and these parties were not considered to be related party transactions and related parties. However, National Broadcasting Board is considered as related party, as transactions are in the nature of collection on behalf of this party.	
Related party balances		
Amounts included in Trade receivable (Trade Payable) regarding related parties		
National Broadcasting Board	(705 026)	(637 619)
Related party transactions		
Key Management		
Remuneration paid	3 758 514	4 080 385
Other long term employee benefits	811 396	824 781
Consulting fees paid to former Chief Executive retained as consultant from January 07 to March 07	—	450 000

2008
P

2007
P

23. Risk management

The Authority's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price 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. The management provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of cash resources and the ability to close out short term positions. Due to the dynamic nature of the underlying businesses, Authority's finance department maintains flexibility in funding by maintaining availability of short term deposits.

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.

The table below analyses the Authority's financial liabilities classified into relevant maturity groupings based on the remaining period at the balance sheet 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 March 31, 2008	Less than 1 Year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	10 235 197	—	—	—
Government of Botswana - Universal Service Fund	—	14 078 517	—	—
At March 31, 2007	Less than 1 Year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	5 609 920	—	—	—
Dividend payable	3 074 920	—	—	—
Government of Botswana - Universal Service Fund	—	12 914 082	—	—

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 (call deposits). The interest rates of funds placed under fluctuating interest earning deposits 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 39 million (2007: P 17 million) are exposed to fair value interest rate risk and cash flow interest rate risk. However considering the short term maturity of 90 days for these deposits, these risks are minimised.

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
3 months fixed deposits	11.47%	39 204 098	—	—	—	—

Notes to the annual financial statements (continued)

for the year ended March 31, 2008

	2008	2007
	P	P

23. Risk management (continued)

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.

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Authority. The financial assets of the Authority, which are subject to credit risk, consist mainly of cash resources, short-term investments and receivables. Trade receivables are mainly from three major operators from telecommunication sector, amounting to P 7.05 million at the year-end. The maximum credit exposure on trade and other receivables is limited to P 8.71 million. The management evaluate credit risk relating to its debtors on an ongoing basis and where appropriate, makes adequate provisions for bad and doubtful debts. The cash resources are placed with reputable financial institutions and limits exposure to any one counter party. Where appropriate, adequate provisions are made for receivables.

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 21 for additional details.

Foreign exchange risk

The Authority does not hedge foreign exchange fluctuations.

Surplus is less sensitive to movement in Pula/US dollar exchange rates in 2008 than 2007 because of the low level amount of US dollar-denominated liabilities.

Foreign currency exposure at balance sheet date

Liabilities

Trade payables - USD 260 935 (2007: USD 115 523)	1 749 049	724 864
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Detailed Income Statement

for the year ended March 31, 2008

	Note(s)	2008 P	2007 P
Revenue			
Rendering of services		49 056 966	40 841 472
Service license fees		773 872	867 707
Radio license fees		7 930 657	5 257 675
System license fees		3 323 985	1 729 508
	14	61 085 480	48 696 362
Other income			
Rental income		708 836	535 410
Bad debts recovered		—	401 317
Other income		70 946	52 156
Interest received	16	4 093 142	4 714 811
Gains on disposal of assets		333 252	45 052
Profit on exchange differences		—	9 720
		5 206 176	5 758 466
Expenses (Refer to page 66)		(54 254 166)	(47 890 875)
Surplus for the year		12 037 490	6 563 953

Detailed Income Statement

for the year ended March 31, 2008

	Note(s)	2008 P	2007 P
Operating expenses			
Advertising		(417 903)	(822 869)
Assessment rates & municipal charges (4 667) (5 540)			
Auditors remuneration	17	(41 501)	(43 108)
Bank charges		(73 724)	(86 602)
Cleaning		(95 050)	(71 119)
Computer expenses		(72 317)	(1 776)
Consulting and professional fees		(8 934 918)	(7 359 011)
Consumables		(16 918)	(9 891)
Depreciation, amortisation and impairments		(11 325 776)	(4 330 019)
Donations		(451 046)	(586 508)
Employee costs		(19 847 919)	(18 248 788)
Entertainment		(1 402)	(7 591)
Board expenses		(342 327)	(841 095)
Conference expenses		(1 401 508)	(2 492 597)
Functions hosted by BTA		(265 584)	(1 257 702)
Internet		(852 545)	(202 712)
Donation to Government of Botswana		—	(2 500 000)
Gifts		—	(3 093)
Insurance		(757 090)	(725 838)
Lease rentals on operating lease		(59 100)	(19 700)
Legal expenses		(514 182)	(919 756)
Newspaper, books and periodicals		(76 656)	(50 259)
Motor vehicle expenses		(165 848)	(140 208)
Postage		(46 767)	(40 448)
Printing and stationery		(443 366)	(452 579)
Protective clothing		(30 884)	(34 210)
Repairs and maintenance		(1 991 217)	(290 538)
Security		(1 051 844)	(507 160)
Staff welfare		(139 087)	(172 169)
Subscriptions		(1 249 475)	(493 040)
Telephone and fax		(841 389)	(805 003)
Training		(555 266)	(1 500 275)
Travel - local		(572 074)	(515 716)
Travel - overseas		(1 387 907)	(1 668 392)
Utilities		(226 909)	(685 563)
		(54 254 166)	(47 890 875)

Corporate Information

Country of incorporation and domicile	Botswana
Nature of business and principal activities	The Authority is a body corporate, established under the Telecommunications Act No 15 of 1996 (As amended by Act No 38 of 2004) to regulate, supervise and promote the provision of efficient telecommunication services in Botswana.
Members of the board	Dr. J Mothibi (Chairman) Dr. T Nyamadzabo Dr. T Matome Dr. M Mpotokwane (Vice Chairman) Mr. R C Eaton
Chief Executive	Mr. T G Pheko
Business address	Plot 206/207 Independence Avenue Extension 5 Gaborone Botswana
Postal address	Private Bag 000495 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
Secretary	Mrs. T Tau (Appointed on 26/04/2007)