

REGULATION IN A LIBERALISED MARKET

# BOTSWANA TELECOMMUNICATIONS AUTHORITY

ANNUAL REPORT 2009



Adlink

---

## **09 CONTENTS**

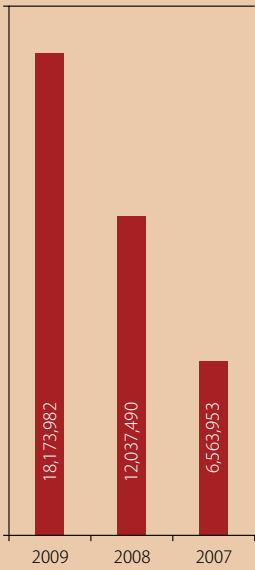
---

<b>2</b>	Chairman's Statement
<b>4</b>	Chief Executive's Statement
<b>6</b>	Board of Directors
<b>8</b>	Management
<b>10</b>	Corporate Governance
<b>14</b>	Engineering Review
<b>16</b>	Broadcasting Regulation Issues
<b>18</b>	Market Development
<b>24</b>	Compliance and Consumer Affairs
<b>26</b>	Public Relations
<b>30</b>	Corporate Strategy
<b>34</b>	Financial Review
<b>37</b>	Conclusion
<b>40</b>	Annual Financial Statements

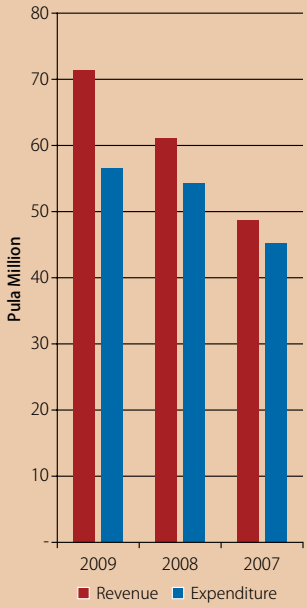
---



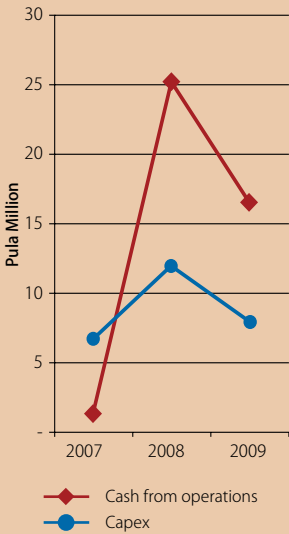
**Surplus for the year (Pula)**



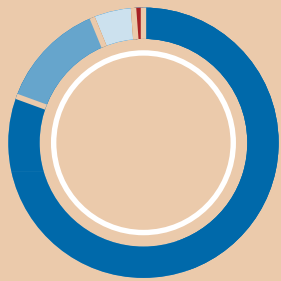
**Revenue v Expenditure**



**Cash from operations v Capex**



**Revenue Source**



Turnover fees	81%
Radio Licence fees	13%
System Licence fees	5%
Service Licence fees	1%

## RESULTS FOR THE YEAR ENDED 31 MARCH 2009

The Members of the Board of Botswana Telecommunications Authority have pleasure in announcing the Audited Financial results of the Authority for the year ended 31 March 2009.

	2009 Pula	2008 Pula		2009 Pula	2008 Pula
<b>Income Statement</b>			<b>Cashflow Statement</b>		
Revenue	71,247,170	61,085,480	<b>Cashflow from Operating Activities</b>	22,184,767	29,217,251
Other income	1,851,509	1,113,034	Cash generated from operations	16,575,960	25,124,109
Contribution to Universal Service Fund	(4,000,000)	—	Finance income	5,608,807	4,093,142
Operating expenses	(56,533,504)	(54,254,166)	<b>Cashflow from Investing Activities</b>	(7,765,017)	(11,567,933)
Finance income	5,608,807	4,093,142	Purchase of property, plant and equipment	(7,993,662)	(11,999,211)
<b>Surplus for the year</b>	<b>18,173,982</b>	<b>12,037,490</b>	Proceeds on disposal of property, plant and equipment	228,645	431,278
<b>Balance Sheet</b>			<b>Cashflow from Financing Activities</b>		
<b>ASSETS</b>			<b>Activities</b>	2,970,093	(1,910,489)
<b>Non-current assets</b>	105,323,024	108,042,749	Movement in Universal Service Fund	5,979,465	1,164,435
Property, plant and equipment	105,323,024	108,042,749	Dividends paid to Government	(3,009,372)	(3,074,924)
<b>Current assets</b>	93,973,184	71,769,854	<b>Total cash movement for the year</b>	<b>17,389,843</b>	<b>15,738,829</b>
Trade and other receivables	13,465,922	8,713,849	Cash at beginning of the year	62,616,712	46,877,883
Prepayments	500,707	439,293	<b>Cash and cash equivalents at the end of the year</b>	<b>80,006,555</b>	<b>62,616,712</b>
Cash and cash equivalents	80,006,555	62,616,712			
Non - current assets held for sale	6,622,838	6,622,838			
<b>Total assets</b>	<b>205,919,046</b>	<b>186,435,441</b>			
<b>FUNDS AND LIABILITIES</b>					
<b>Funds</b>	177,286,337	162,121,727			
Proposed dividends	4,543,495	3,009,372			
Accumulated surplus	172,742,842	159,112,355			
<b>Current Liabilities</b>	28,632,709	24,313,714			
Trade and other payables	8,574,727	10,235,197			
Government of Botswana - Universal Service Fund	20,057,982	14,078,517			
<b>Total funds and liabilities</b>	<b>205,919,046</b>	<b>186,435,441</b>			

## RESULTS FOR THE YEAR ENDED 31 MARCH 2009

### COMMENTARY

#### Introduction

In the interest of Good Corporate Governance and Public responsibility, the members of the Board of Botswana Telecommunications Authority have pleasure in announcing the results of the Authority for the year ended 31 March 2009.

#### Highlights

- Revenue was P71.3 million, 16.7% up compared to last year.
- Surplus for the year was P18.17 million, 51% more compared to last year's surplus of P12.04 million.
- Expenditure increased by 4.2% from P54.25 million to P56.53 million.
- Total cash movement for the year was P17.39 million compared to P15.74 million last year.

#### Results

BTA's revenue increased to P71.3 million from P61.1 million reported last year. This was attributed to the increase in turnover related fees and increased radio licence fees from Public Telecommunications Operators (PTOs) mainly as a result of licensing of additional spectrum for 3G and Wimax. Interest income increased from P4.09 million to P5.61 million.

Operating expenses increased by 4% to P56.5 million as compared to P54.3 million in the previous year. The slight increase was due to decapitalisation of the Automated Spectrum Monitoring System (ASMS) equipment as a result of refund of P5.7 million received from Botswana Unified Revenue Services (BURS) for withholding tax paid for the supply of ASMS equipment.

#### Corporate Governance

The Board of the Botswana Telecommunications Authority is committed to subscribing to the highest standards of integrity, accountability and transparency in accordance with recommended current best practise.

The Board is assisted by various board committees, which are responsible for tendering, donations, remuneration and finance.

#### Social Responsibility

The Authority continues to make donations to deserving institutions, organisations and individuals in the community in line with its values. Thirty three (33) beneficiaries received assistance from the BTA during the year under review. The BTA constructed a three-roomed house for a family in Tonota village, and was built in partnership with the Village Development Committee (VDC). Other donations were in the form of information communications technologies (ICTs) equipment mainly photocopiers and computers for primary schools.

#### Post-Balance Sheet Events

The BTA Board had approved to make a contribution of Pula 4 million towards the Universal Service Fund.

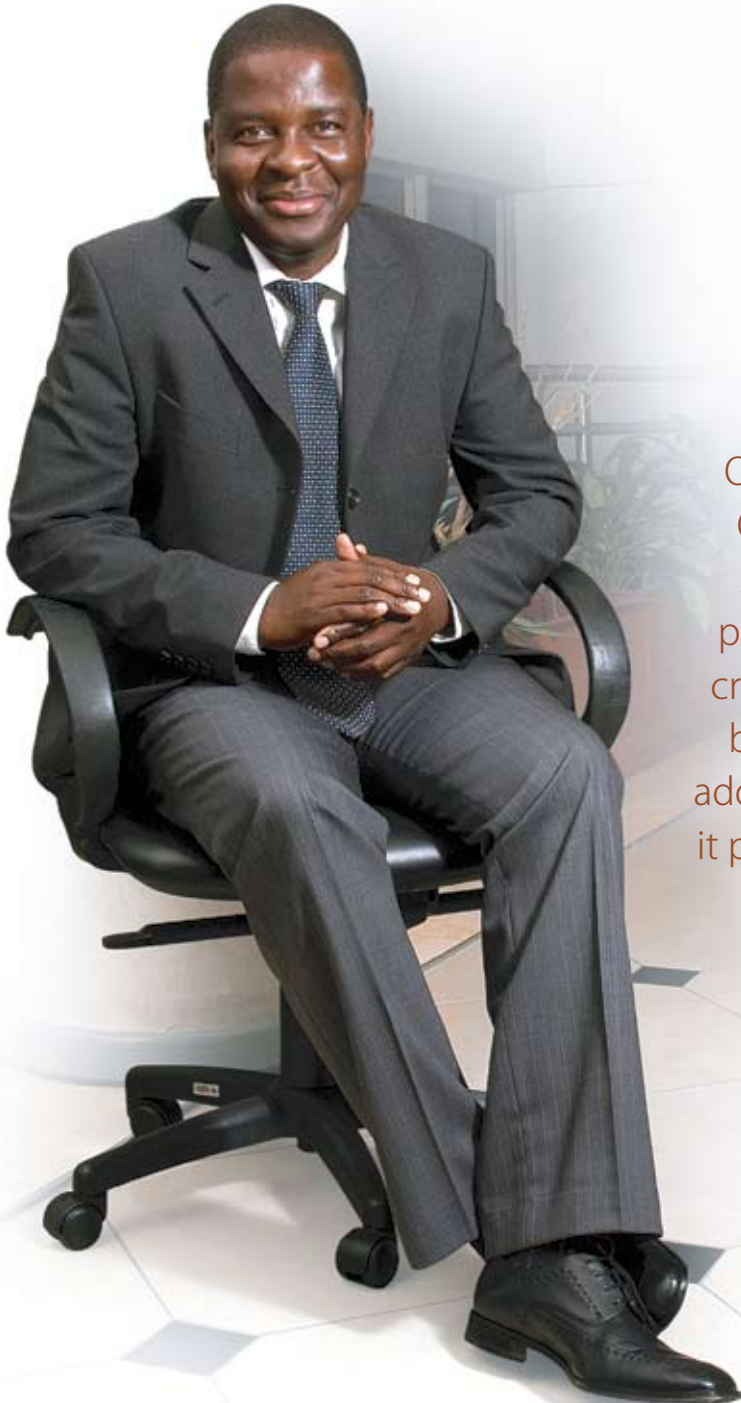
#### Market Development

The BTA undertook a comprehensive market study of the telecommunications/ICT sector in Botswana. The conclusions of the study identified, among others, that the mobile market was performing well with strong penetration and coverage, internet and broadband penetration levels were very low considering the country's GDP and development of the mobile market and that the low penetration levels were mainly attributed to low fixed line penetration, uncompetitive wholesale pricing by BTC and lack of local internet content.

#### Customers

The mobile phone market experienced a growth from 1 485 791 subscribers recorded in March 2008 to 1 874 101 in March 2009 representing a growth of around 26% compared to 29% growth last year. Prepaid subscribers continue to dominate the market with 98% share of the market. Fixed telephony on the other hand experienced a slight increase of 1.35%. The total number of fixed telephone subscribers increased from 142 282 as at March 2008 to 144 195 as at March 2009.

## CHAIRMAN'S STATEMENT



Our Public Telecommunications Operators (PTOs) and the Value Added Network Service (VANS) providers have also shown great creativity, agility and adaptability by introducing an array of value adding services which have made it possible for them to create new revenue streams.

The end of the financial year 2008/2009 coincided with my appointment as Chairman of the Botswana Telecommunications Authority Board of Directors effective from 1 March 2009. A lot of ground work had already been laid by my predecessor and other Board Members for which they have to be applauded. It is my intention to see to it that I build on the good work done thus far.

I am joining the Information Communications Technologies (ICT) sector at the time when the world is undergoing a trying time as a result of the economic meltdown that has besieged us. Our industry will be instrumental in mitigating the effects of the economic meltdown and therefore we have to put in place measures to avoid any major losses that may occur.

It is encouraging to note that the ICT sector in Botswana continues to grow despite the slowdown in the global economy. The need for human beings to communicate will forever be great and we hold to that fact to see our sector ward off the effects of the ongoing recession. Our Public Telecommunications Operators (PTOs) and the Value Added Network Service (VANS) providers have also shown great creativity, agility and adaptability by introducing an array of value adding services which have made it possible for them to create new revenue streams. We now talk of broadband service, Third Generation Networks (3G), Multimedia Messaging Services (MMS), Enhanced Data Rates for GSM Evolution (EDGE), to name but a few. These products have made the telecommunications services more appealing to the customers.

The Management team of the BTA together with its capable and dedicated staff continue to strive to take the organisation to the next level. The BTA Strategic Plan 2004-2009 has come to the end and the Board and Management have taken stock of the successes and challenges that have ensued over the years as the Strategy was being implemented.

With the new Strategic Plan (2009 -2016), we aspire to go beyond facilitating the provision of ICT services but to provide for a more competitive market. The staff must therefore be continuously developed to remain relevant in the new environment.

The BTA Board will continue to guide the sector to grow. I have no doubt that we will achieve this as the Board is composed of experienced and knowledgeable individuals. We are conscious of the hurdles that lie ahead but we are equally up to the task as we believe that we have to lay a firm foundation for the future growth of the ICT sector. Botswana must be able to provide world class communications facilities so as to attract foreign direct investment. Our children must grow up to embrace ICTs so that they too can participate and compete with other children in the global village.



**Dr Botswiri O Tsheko**  
Chairman



## CHIEF EXECUTIVE'S STATEMENT

Some of the highlights include the entry of a new mobile service provider, beMOBILE, a subsidiary of the Botswana Telecommunications Corporation (BTC) operating under the Public Telecommunications Operator (PTO) licence of the BTC beMOBILE commenced its operations in May 2008.





The period under review has been both challenging and exciting. Not only has the BTA continued to be faced with the challenges of regulating a fast evolving industry, but it also had to contend with the global economic crisis. Following the introduction of further liberalisation initiatives and service neutral licences, competition intensified in the Botswana telecommunications market. Some of the highlights include the entry of a new mobile service provider, beMOBILE, a subsidiary of the Botswana Telecommunications Corporation (BTC) operating under the Public Telecommunications Operator (PTO) licence of the BTC. beMOBILE commenced its operations in May 2008. The other PTOs, Mascom Wireless Botswana (Pty) Ltd and Orange Botswana (Pty) Ltd continued to rollout compelling product packages and price offerings attracting even higher uptake of mobile services.

In line with the 2006 licensing framework, most of the previous Data and Internet Service Providers' (ISP) licences were converted to Value Added Network Services (VANS) licences. As at the end of the period under review there were 45 VANS licensees, which comprised the converted and converged ISP and Data licences and six (6) new VANS licensees. The opportunities created by VANS licensing are immense, especially that the licences allow provisioning of the much sought after VOIP services and wireless broadband.

However, as competition intensified, other regulatory issues arose, including amongst others, requests for interconnection by Value Added Network Services (VANS); spectrum management, quality of service and complaints by licensees on alleged anti-competitive practices by other licensed operators. The Botswana Telecommunications Authority has accordingly allocated resources to deal with these challenging regulatory matters.

In positioning itself to address the changes in the sector, the BTA interrogated the existing mission and vision and a new Strategic Plan was formulated.

This Strategic Plan would cover the period 2009 -2016 to coincide with the end of both National Development Plan 10 and Vision 2016. Following the adoption of the Strategy, the BTA will put in place strategically aligned structures, processes and systems that would be able to drive the strategy.

In July 2008, the BTA directed the Public Telecommunications Operators to commence the registration of pre-paid mobile phone subscribers with effect from 15 September 2008. The exercise entails registration of both the existing prepaid mobile subscribers as well as new subscribers and will end on 31 December 2009. Subscribers who would not have registered at the end of the registration period will be disconnected.

The registration exercise is necessary for the following reasons: enforcement of the licence condition for the Public Telecommunications Operators (PTOs); data collection; availing of up-to-date information on all subscribers; and for mitigating losses and crime committed through the use of mobile phones.

As part of the strategy to infuse new talent for future sustainable growth and increased skill base in the ICT sector, the BTA introduced the Graduate Trainee Programme with the first intake of four graduates coming on board in October 2008. The programme is meant to develop fresh graduates in various spheres of communications regulation at an early stage of their work life thereby creating a pool of competent young officers.



**Thari G. Pheko**  
Chief Executive

## BTA BOARD OF DIRECTORS



**Dr. B. O. Tshoko**

PhD (Economics) University of Sheffield, United Kingdom; MA (Economics) University of Manitoba in Canada and a B.A. (Economics) University of Botswana.



**Dr. M. A. Mpotokwane**

PhD (Environmental Science) University of Sterling, Scotland; MSc (Rural Surveys) International Institute for Aerial Survey and Earth Sciences, Netherlands and BA (Geography and Sociology) University of Botswana.



**Dr. T. Nyamadzabo**

PhD (Economics) American University, United States of America; MA (Economics) University of Delaware, United States of America and BA (Economics and Statistics) University of Botswana.



**Mr. R. Phole**

ACCA, B.Com University of Botswana.



**Dr. G. Radijeng**  
(Board Secretary)

DPhil Oxford University (UK)  
LLM Havard University (USA)  
LLB University of Botswana.



**Dr. S. Sebusang**  
PhD (Automatic Control Systems) University of Bristol, United Kingdom; MBA, University of Botswana and BSc (Engineering (Hons)), University of Southampton, UK.



**Dr. J. Mothibi (Retired)**  
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 Decisions (Pty) Ltd.



**Mr. R. C. Eaton (Retired)**  
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 (Retired)**  
Bcom - University of Botswana; MSS - Master of Social Sciences (Accounting and Development Finance) - University of Birmingham, UK; PhD - (Finance) University of Birmingham, UK

## BTA MANAGEMENT



**Mr. T. G. Pheko**  
Chief Executive



**Mr. M. O. Tamasiga**  
Deputy Chief Executive



**Mr. T. Mosinyi**  
Director Engineering Services



**Mr. T. B. Koontse**  
Director Communications  
& Public Relations



**Mr. O. Tsiang**  
Director Broadcasting  
Regulation



**Mr. M. Mokgware**  
Director Market  
Development & Analysis



**Mrs. B. Mine**  
Director Finance



**Mr. A. N. Mokone**  
Director Corporate Services

## CORPORATE GOVERNANCE

The BTA is governed by a Board consisting of five non-executive members, one of whom is the Chairman. The selection and appointment of the Chairman and other members of the Board rests with the Minister responsible for Communications, Science and Technology as provided for in the Telecommunications Act [Cap 72:03].



## CORPORATE GOVERNANCE

### The Board

The BTA is governed by a Board consisting of five non-executive members, one of whom is the Chairman. The selection and appointment of the Chairman and other members of the 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 skills and experience as prescribed in the Act. All the current members of the Board have diverse skills and experience in various disciplines which will be helpful in the regulation of the industry.

### Risk Management

A Risk Management Policy is being developed to provide a robust framework for controlling risk on an ongoing basis

### Internal Audit Division

Focus for the current year in the Internal Audit Division has been on the implementation of the annual audit plan, development of policies and follow up on the initial reports and recommendations made for the improvement of internal controls.

The Division has been instrumental in the development of the Authority's corporate governance framework and providing assurances on the BTA activities. The framework encompasses the Board Charter, BTA Performance Contract, and Terms of Reference for the Board Committees and the Risk Management Policy.

### Board Meetings

Board meetings are scheduled at the commencement of each financial year. During the period under review, the Board attended a total of six meetings, three of these were special meetings to address urgent matters.

### Board Committees

The Board operates with three (3) Committees, which are External Tender, Finance & Audit, and the Remuneration Committees.

### Finance and Audit Committee

The Finance and Audit Committee consists of three members, two of whom are non-executive board members and one is an independent member. The Committee was set up to ensure that management creates and maintains an effective control environment.

The members of the Finance and Audit Committee were:-

- Dr. T. Nyamadzabo – Chairman;
- Mr. R.C. Eaton – Member; and
- Mr. A. Bogatsu – Independent member.

In the financial year 2008/2009, the Committee met five times to consider matters related to the financial management of the Authority. Amongst the matters considered and recommended to the Board for approval were the:-

- revised budget for 2008/2009;
- approval of the three year internal audit plan;
- review of the financial statements for year ended 31 March 2008 prior to submission to the Board, to ensure that the presentation was in conformity with International Financial Reporting Standards;
- review of the external auditors' management letter to consider whether corrective action has been taken by the executive management;
- consideration of the quarterly report of the Internal Auditor to review progress on risk management, governance and internal control; and
- review of the management accounts of the Authority indicating progress on the budget for revenue and expenditure of the Authority.

### Remuneration Committee

The Remuneration Committee consists of 3 non-executive members of the Board. The Committee met only once in the reporting period to consider the remuneration strategy of the Authority. The Committee made recommendations to the Board on the review of the remuneration strategy of the Authority.

## CORPORATE GOVERNANCE (continued)

The members of the Remuneration Committee were:-

Dr J. Mothibi	–	Chairman
Dr T. Matome	–	Member
Dr. T. Nyamadzabo	–	Member

### External Tender Committee

The External Tender Committee consists of three members. The Committee was set up to ensure fairness and transparency in awarding contracts and tenders for the provision of goods and services to the BTA valued above P 1 000 000.00. The Committee met four times in the reporting period to consider and make recommendations to the Board on the following issues:

- Tender on supply, installation and commissioning of an IP Private Automatic Branch Exchange telephony;
- Tender on outstanding civil works for the construction of access road to Mabutswe hill to the automated spectrum management and monitoring system;
- Tender on procurement of office supplies (computers, printers, software and other equipment);
- Tender on provision of office furniture for spectrum monitoring centre at Phakalane.

The members of the External Tender Committee were:-

Dr. J. Mothibi	–	Chairman
Dr. T. Matome	–	Member
Dr. T. Mpotokwane	–	Member

### Declaration of interests

The Members of the Board are required to declare their interests at every Board meeting, in terms of Section 12 of the Telecommunications Act [72:03], to ensure good corporate governance.

### Board Members Fees

The Board members' fees are paid in accordance with Botswana Government directives. The current members fees are as follows:-

	<b>Fees per sitting</b>
Board Chairman	P 735
Deputy Chairman	P 588
Member	P 588

### Board Secretary

The Board Secretary's duties are to serve the Board from time to time. The Board Secretary plays a pivotal role in the Authority's corporate governance process. Mrs T. Tau served as the BTA Board Secretary until end of October 2008 when she resigned from the employ of the BTA.

### Going Concern

Having made relevant enquiries, the Board has had a reasonable assurance that the Authority is a going concern.

### Financial limits

The Financial Regulations set up the approval limits for the Chief Executive and the two Tender Committees as follows:-

<b>Chief Executive</b>	Up to P 500,000
<b>Internal Tender Committee</b>	P 500,001 to P 1 000,000
<b>External Tender Committee</b>	above P 1 000,000

## MANAGEMENT COMMITTEES

### Internal Tender Committee

The Internal Tender Committee consists of four members as provided for in the Financial Regulations. The Committee was set up to ensure fairness and transparency in awarding contracts and tenders for the provision of goods and services valued between P500 000 and P 1 000 000.

The members of the Internal Tender Committee were:-

Chief Executive	–	Chairman
Deputy Chief Executive	–	Member
Director Finance	–	Member
One member from Senior Management		

### Donations Committee

The management established a Donations Committee in order to ensure fairness and transparency in the allocation of donations to deserving organisations. The Donations Committee is mainly geared towards assisting with the uptake of information communications technologies (ICTs) in Botswana.





## ENGINEERING REVIEW

The BTA is mandated under the Telecommunications Act to manage the telephone numbers. During the period under review, the BTA allocated numbers to different operators for mobile and voice over internet calls.

## ENGINEERING REVIEW (continued)

### Spectrum Management Strategy of Botswana

The Botswana Telecommunications Authority (BTA) carried out a study in 2006 with the view to developing a Spectrum Management Strategy in Botswana. The objectives of the strategy study were to undertake, among others, the following:

- the review of the existing National Radio Frequency Plan (NFRP);
- the development of a spectrum allocation strategy for various radio services;
- the development of a spectrum licensing policy for various frequency bands; and
- the development of a spectrum pricing policy

The Authority undertook a thorough consultation with industry stakeholders on the Spectrum Management Strategy culminating in the approval of the Strategy by the Board in early February 2008. The BTA has started the implementation of the recommendations of the Spectrum Management Strategy.

The demand for spectrum in certain bands such as Fixed Wireless Access/Broadband Wireless Access systems and cellular systems was high. A deliberate decision was therefore taken to fast-track the allocation of these bands. A tender was issued for prospective service providers to bid for bandwidth in the specified frequency bands and a provisional allocation was made to two companies that had submitted their bids. The recommendations on spectrum pricing have now been implemented on cellular and fixed wireless access services.

### Phakalane Monitoring Centre

Botswana Telecommunications Authority has completed the building of a Monitoring Centre at Phakalane, in Gaborone. The purpose of the Centre is to assist the BTA in the efficient management of radio frequency spectrum. This involves spectrum allocation and monitoring of illegal radio users. The Centre will also provide other services such as storage and archiving facilities and a disaster recovery and business continuity site for BTA operations.

### Spectrum Monitoring

The BTA has increased monitoring activities using both the fixed and the mobile monitoring sites to minimise incidences of illegal use of the radio frequency spectrum.

### Telephone Numbering

The BTA is mandated under the Telecommunications Act to manage the telephone numbers. During the period under review, the BTA allocated numbers to different operators for mobile and voice over internet calls. The BTA is continuously assessing demand for numbering resources, and opening up new number ranges for other services. Other ranges which have been opened up include the 0800 numbering range which has been the preserve of the incumbent fixed line operator. With the new licensing framework, all PTO's are eligible for this numbering block. Another crucial element that was carried out by the BTA was the consultation with key industry stakeholders on the administration of the Country Code Top Level Domain Name (ccTLD) which is currently being administered by the Botswana Telecommunications Corporation (BTC). There is a general consensus within the industry that this vital resource needs to be managed and administered by an independent body. The BTA submitted its recommendation to the Ministry in February 2009 and as at the end of the period under review the BTA was still awaiting Government's response on the matter.

### Information Technology Services

The Botswana Telecommunications Authority upgraded its telephone network system from a traditional Private Automatic Branch Exchange (PABX) to a modernised converged Internet Protocol Telephony (IPT) network solution. The solution is expected to cater for the organisation's current and future needs and to contribute to the reduction of telephone cost to the Authority. The new telephone system will result in a more efficient and a faster call service management characterised by easy access to email, voice, and fax messages from anywhere in the world. Other features include video conferencing. The system is scalable and it will cater for both BTA headquarters and Phakalane Monitoring Centre.

## BROADCASTING REGULATION ISSUES

The BTA is the Secretariat and technical advisor to the National Broadcasting Board. The financial year 2008/2009 was significant for the Broadcasting sector in Botswana in that the private radio stations started to broadcast nationwide. The National Broadcasting Board (NBB) continued to interact with the broadcasting stakeholders in different forums to facilitate broadcasting regulation and the transition to digital broadcasting.



## BROADCASTING REGULATION ISSUES

The BTA is the Secretariat and technical advisor to the National Broadcasting Board. The financial year 2008/2009 was significant for the Broadcasting sector in Botswana in that the private radio stations started to broadcast nationwide. The National Broadcasting Board (NBB) continued to interact with the broadcasting stakeholders in different forums to facilitate broadcasting regulation and the transition to digital broadcasting.

### **DUMA FM, GABZ FM & YARONA FM coverage roll-out**

The national roll out for the three private radio stations progressed well during the Financial Year 2008/2009. Following their licensing to broadcast nationwide in 2007, the three stations were able to cover areas such as Mahalapye, Palapye, Francistown, and Maun. To achieve their coverage, the three stations established a joint transmission company called Kemonokeng.

### **Satellite Subscription Television Services**

The National Broadcasting Board approved the licensing of BEST tv, a Satellite Subscription television service to be based in Botswana in August 2008. The licensee was expected to launch the service in February 2009 but requested an extension of time which was granted for six months. In addition, the NBB approved a request by Munhumutape African Broadcasting Television (MABC) to extend the launch of its subscription satellite television from 31st January 2009 to the end of June 2009.

### **Digital Switchover**

The Botswana Telecommunications Authority is a member of the Digital Migration Task Force which was instituted in September 2008 incorporating representatives from the public, private and civil organisations. The Task force has been mandated to draft a strategy for Botswana's transition from analogue to digital broadcasting. The Task Force is made up of four committees which are the Technical, Content, Public Education and Policy.

The Task Force will among other things make recommendations on the standard to be used for set top boxes (stbs) or decoders to enable the audience to receive digital signals. It will also make recommendations on the strategy for licensing digital broadcasting services as well as determine the date of switch off.

### **Broadcasting Monitoring Guidelines**

The BTA developed and concluded content monitoring guidelines on behalf of the National Broadcasting Board. The guidelines have been approved by the National Broadcasting Board. The purpose of the guidelines is to provide information to the public and broadcasters on the processes and procedures for ensuring compliance with broadcasting regulatory requirements.



## MARKET DEVELOPMENT

The telecommunications industry continues to experience significant growth in terms of the total number of consumers of telecommunications services especially the mobile telephony. Over the years, mobile telephony experienced high penetration levels with prepaid subscribers dominating the mobile market.

# MARKET DEVELOPMENT

## MARKET PENETRATION

The telecommunications industry continues to experience significant growth in terms of the total number of consumers of telecommunications services especially the mobile telephony. Over the years, mobile telephony experienced high penetration levels with prepaid subscribers dominating the mobile market. The fixed line telephony remained relatively stagnant. Figures 1 and 2 show the growth of fixed line subscribers relative to mobile telephone subscribers from 1997/98 to 2008/09 financial years.

### Fixed Line Telephony Subscription

The fixed line telephony experienced a slight increase in the number of subscribers during the period under review. The total number of subscribers rose from 142 282 as at March 2008 to 144 195 as at March 2009, a marginal increase of 1 percent. Teledensity remained stagnant at around 8 percent throughout the year.

### Mobile Telephony Subscription

The mobile telephone market experienced a significant growth from 1 485 791 subscribers in March 2008 to 1 874 101 as at March 2009, a growth rate of around 26% compared with 29% recorded the year before. The subscribers included those of the new entrant, beMOBILE, the BTC mobile wing, which started operations in May 2008. However, teledensity reached 105% in March 2009 based on population estimate of 1 776 494 compared with 85 percent recorded the previous year. The high teledensity is attributable to a relatively large number of customers with more than one SIM card. Prepaid subscribers continue to dominate the mobile market, accounting for 98 percent share of the market as at March 2009, while post-paid subscribers held only 2 percent. This is illustrated in Figure 3.

Figure 1: Growth of fixed line and mobile subscribers over the years

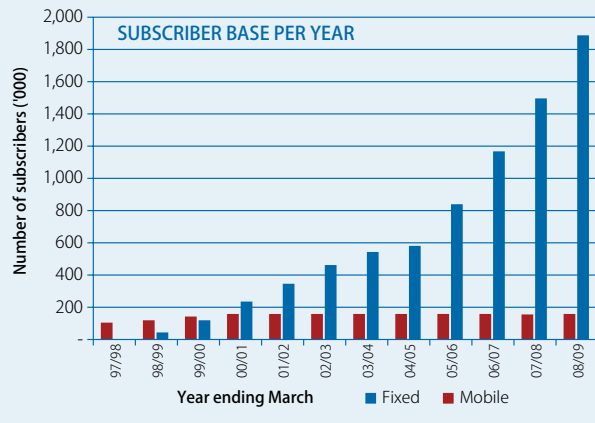


Figure 2: A trend showing growth of both mobile and fixed line subscribers over the years

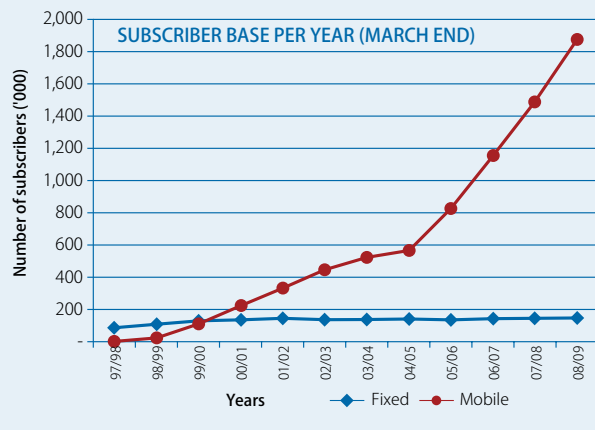
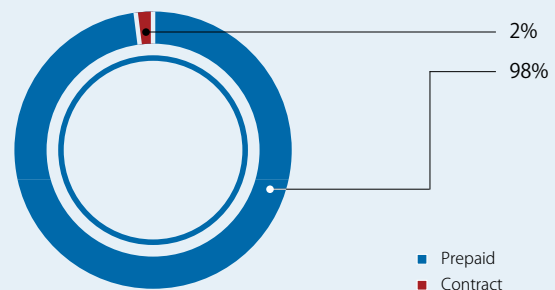


Figure 3: Percentage shares of prepaid and post-paid subscribers as at March 2009





## MARKET DEVELOPMENT (continued)

### FINANCIAL PERFORMANCE OF THE INDUSTRY

Overall, both the mobile and fixed line markets have enjoyed positive growth in terms of revenues, asset base and profit margins.

#### Mobile Telephony Financial Performance

In terms of revenue, the mobile telephony market grew from around P1.4 billion recorded last financial year to P1.8 billion as at the end of December 2008. Net Profits for the mobile market have increased significantly from P433 million as at December 2007 to around P568 million as at December 2008. Mobile operators continued to invest in the industry as shown by the increase in assets value; from P1.1 billion in December 2007 to P 1.7 billion in December 2008. The above analysis excludes BTC's beMobile since its audited figures were not available at the time of reporting. Figure 4 illustrates comparative financial performance of the mobile market over the period 2005-2008.

#### Fixed Line Telephony Financial Performance

The Botswana Telecommunications Corporation (BTC), the only fixed line operator in Botswana, had revenue turnover of P858 million as at March 2008, compared with P803 million recorded as at March 2007. Profit for the year ending March 2008 fell to P58 million from around P117 million recorded same period last year. The decrease in the net profit was reported to be largely as a result of staff retrenchment costs incurred during the period. Total Assets increased to P1.634 billion as at March 2008 from P1.601 billion recorded same period last year. Figure 5 illustrates the financial performance of the fixed line market over a three year period.

Figure 4: Mobile Financial Performance excluding BTC beMobile (December end)

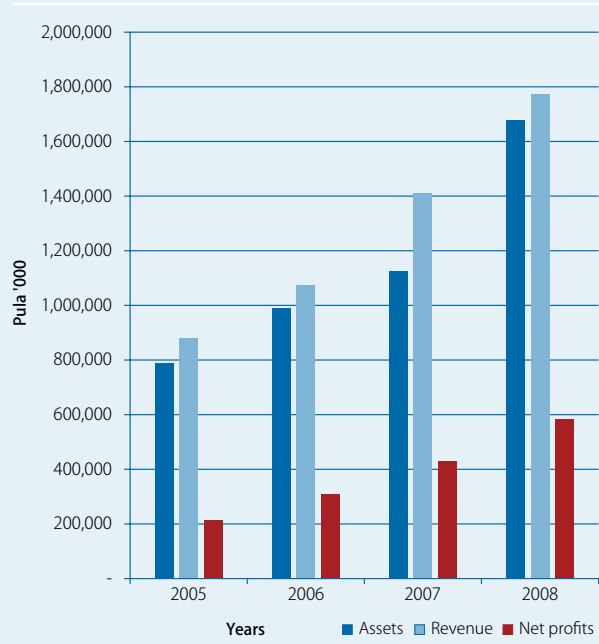
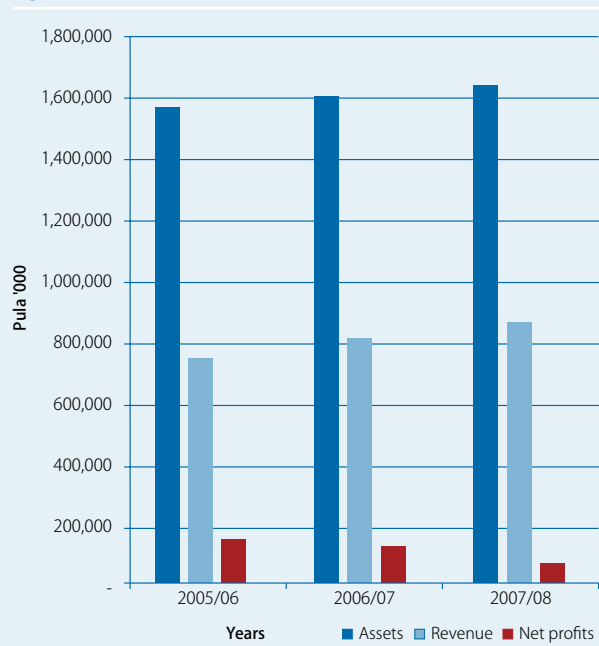


Figure 5: Fixed Line Financial Performance (March end)



## MARKET DEVELOPMENT INITIATIVES

### Market Study of the Telecommunications/ICT Sector in Botswana

The Botswana Telecommunications Authority (BTA) undertook a comprehensive market study of the telecommunications/ICT sector in Botswana. The main objective of the study was to gain a better understanding of the level of development in the telecommunications/ICT market. The study in particular examined the evolution of the market since 1996 and made recommendations for future regulatory interventions to promote the growth of the market. In addition, the study assessed the viability of licensing additional Public Telecommunications Operators.

The conclusions of the study identified, among others, that:

- the mobile market is performing well with strong penetration and coverage and that there is effective competition;
- BTC has significant market power in the fixed local/national voice, leased line and international voice markets; and

- Internet and broadband penetration levels are very low considering the country's GDP and development of the mobile market. The low penetration levels were mainly attributed to low fixed line penetration, uncompetitive wholesale pricing by BTC and lack of local internet content.

### Guidelines on the Provision of Promotional and Premium Rate Services

It is the intention of the Authority to encourage efficient and speedy rollout of services for the benefit of both Service Providers and consumers. During the period under review, the BTA developed Guidelines on the Provision of Promotional and Premium Rate Services. The purpose of the Guidelines is to promote some degree of self regulation in service provisioning by operators who offer Promotional and Premium Rate Services.

Service Providers are now allowed to provide the Promotional and Premium Rate Services without seeking approval from the Authority but are required to notify the Authority prior to launch of the service, provided they meet certain minimum requirements. The Guidelines came into effect in January 2009.



# NATIONAL BROADCASTING BOARD WELCOMES YOU.





## MARKET DEVELOPMENT (continued)

### LICENSING

The number of Public Telecommunications Operators (PTOs) remained at three for 2008/9. The PTOs are Mascom Wireless Botswana (Pty) Ltd; Orange Botswana (Pty) Ltd and Botswana Telecommunications Corporation.

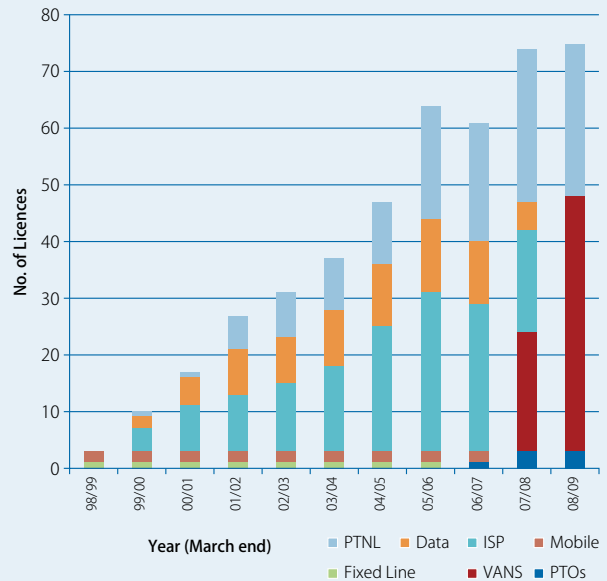
In line with the 2006 licensing framework, most of the previous Data and Internet Service Providers' (ISP) licences were converted to Value Added Network Services (VANS) licences. In 2007/8, there were 21 VANS licensees, 18 ISP licensees and 5 Data licensees. In 2008/9 there were 45 VANS licensees, which comprised the converted and converged ISP and Data licences and six (6) new VANS licensees. The Botswana ICT market, particularly in the largely untapped internet and data market is generating a lot of interest from potential investors. The interest is primarily attributable to the licensing framework that recognised converged services and consequently the introduction of the broad scoped VANS licence that is affordable to Small Medium and Micro Enterprises (SMMEs). The opportunities created by the VANS licence are immense, especially that the licences allow provisioning of the much sought after Voice over Internet Protocol (VOIP) services and wireless broadband.

The number of Private Telecommunications Network Licences (PTNL) was twenty seven (27) as at end of the 2008/09 financial year.

**Table 5: Number of Radio Licences by Type Issued from April 2008 to March 2009.**

TYPE OF LICENCE	NUMBER OF LICENCES		
	ACTIVE	TERMINATED	CANCELLED
Aeronautical Licence	63	2	—
Amateur Licence	5	—	—
Amateur Licence (Novice Service)	1	—	—
Amateur Licence (Temporary)	13	—	—
Cellular /WLL/ RLAN	5	—	—
Citizen Band Radio Licence (Temporary)	20	—	—
Fixed Link	7	—	—
LAND MOBILE	486	12	13
Radio Transmitter Security	17	—	—
Satellite Services	23	—	—
Television and Sound Broadcasting	2	—	—
<b>Total number of licences</b>	<b>642</b>	<b>14</b>	<b>13</b>

**Figure 6: Number of Licences Issued by type**



### Radio Licensing

The Telecommunications Act [CAP 72:03] requires that all radio communications equipment should be licensed except those used by the Botswana Defence Force, Botswana Police Service, Department of Civil Aviation and Botswana Railways Corporation. During the period under review, the BTA licensed 642 radio operators and terminated 14 radio licences. The Table 5 below depicts the number of radio licences by type that have been issued.

## COMPLIANCE AND CONSUMER AFFAIRS

The BTA monitors licensees on regular basis for compliance with the requirements of the Telecommunications Act, terms and conditions of the licences, and other regulatory instruments. During the year under review, the monitoring focused on radio licensees with a view to identify unlicensed operations.

## COMPLIANCE AND CONSUMER AFFAIRS

### Compliance

The BTA monitors licensees on regular basis for compliance with the requirements of the Telecommunications Act, terms and conditions of the licences, and other regulatory instruments. During the year under review, the monitoring focused on radio licensees with a view to identify unlicensed operations. Three hundred and sixty five (365) radio-communication licensees were identified as defaulters. These represented a debt of P1 136 882.50 (One million, one hundred and thirty six thousand, eight hundred and eighty two pula and fifty thebe only). Upon follow up, 160 entities paid their outstanding licence fees amounting to P433 013.00, representing 38% of the total due for collection. The overall outstanding amount this financial year is P703 869.50. Follow ups are still being done on the remaining defaulters.

### Investigations for Illegal Telecommunication operations

The BTA carried out inspections and investigations in a bid to stem out illegal telecommunications operations in Botswana. Illegal telecommunications operators are those who have never been licensed. Illegal activities impact on competition and consequently harm consumer interests in the long term. In addition, the inspections and investigations offer the Authority the opportunity to emphasise to the illegal operators the importance of licensing all operations.

### Complaints

The BTA received complaints from both the public and the Public Telecommunications Operators during the period under review. There were twelve (12) complaints registered with the BTA in 2008/2009 as opposed to nine (9) in the previous year. Five of the complaints were business to business while seven (7) were from the public. All but three complaints were resolved. Table 6 below shows the nature of complaints lodged against the service providers concerned.

### Registration of Prepaid Mobile Phone Subscribers

During the year under review the BTA directed the PTOs to start the process of registration of the pre-paid mobile phone subscribers. The registration of pre-paid mobile phone subscriber details is a licence requirement for the three PTOs. The exercise is necessary in that it would ensure availability of up to date information on all subscribers, which would be useful for the development of the ICT sector. It will also be beneficial for security reasons such as mitigating losses of handsets and crime committed through the use of mobile phones. This is also in line with international best practices.

The exercise is mandatory and the BTA had involved the operators in the drafting of the guidelines to be used in the registration. The registration exercise commenced on the 15 September 2008 and will run for 15 months ending on 31 December 2009. At the end of the registration period, subscribers who would not have registered will be disconnected and will have to purchase new SIM-cards to be registered.

**Table 6: Number of complaints registered from April 2008 - March 2009**

Nature of complaints	BTC	Mascom	Orange	VANS	No. of Complaints
Domain name registration				1	1
Quality of delivery	5				5
Interconnection	1	1	1		3
Freebies/promotions		1			1
Anti-competition	1				1
Radiation from towers		1			1
<b>Total</b>	<b>7</b>	<b>3</b>	<b>1</b>	<b>1</b>	<b>12</b>

## PUBLIC RELATIONS

The Botswana Telecommunications Authority undertook a country wide road-show public education campaign to inform Batswana of the mandate of the Authority. This move was prompted by a survey carried out in 2007 to measure the extent to which Batswana understood and benefitted from the services of the Authority.



## PUBLIC RELATIONS

### Public Education

The Botswana Telecommunications Authority undertook a country wide road-show public education campaign to inform Batswana of the mandate of the Authority. This move was prompted by a survey carried out in 2007 to measure the extent to which Batswana understood and benefitted from the services of the Authority. The survey had indicated that while the BTA was fairly known to its immediate stakeholders including its licensees, government and public institutions, it remained unknown to most Batswana. In addition to educating the public about licensing requirements of communications equipment such as two-way radios and Very Small Aperture Terminals (VSATs), the efforts noted above also publicised and encouraged consumers to register their pre-paid mobile SIM-cards. As part of the education campaigns, 28 villages were covered during the roadshows, 16 schools and 9 Kgotla meetings.

### Social Responsibility

The BTA continued to give back to some of the needy members of the society in line with its values. A total of thirty three (33) beneficiaries received assistance from the BTA. One of the highlights of the BTA donations was a three-roomed house for a family in Tonota village in the Tonota sub District. The house was built in partnership with the Village Development Committee (VDC). Other donations included information communications technologies (ICTs) equipment especially photocopiers and computers for primary schools.

### World Telecommunications and Information Society Day

The World Telecommunication and Information Society Day is commemorated every year on the 17 May to recognise the importance of ICTs the world over. In Botswana the day is commemorated in different places, mainly rural. The BTA is a key stakeholder in the commemoration of this day.

The 2008 World Telecommunication and Information Society Day (WTISD 2008) was commemorated in Tshokwe, in the Bobirwa sub-district. The neighbouring villages of Lepokole and Tobane also benefitted from this exercise.

During the commemoration, the BTA donated solar panels to Tshokwe and Lepokole villages to help power their Internet facilities.

### PARTICIPATION IN INTERNATIONAL EVENTS

The BTA took part in several key ICT events, regionally and internationally to share experiences with other players in the industry. Some of the events attended include those noted below.

#### World Telecommunication Standardisation Assembly (WTSA-08)

The BTA participated in the World Telecommunication Standardisation Assembly (WTSA-08) that took place in Johannesburg, South Africa from 22-30 October 2008. The WTSA-08 addressed key telecommunications standards issues and determined the important areas of technical development, including involvement of the youth in ICT activities, admission of academia/universities as well as associated research establishments to participate in the work of the ITU-T. BTA's participation in WTSA-08 offered the Authority the international experience that will enable it to adopt a broader approach to the issues of telecommunication standards.

#### 24th Universal Postal Union Congress

In anticipation of a converged communications regulatory environment in Botswana, the BTA attended the Universal Postal Union Congress that took place in Geneva, Switzerland from 23 July to 12 August 2008. Among the major decisions the Congress adopted was the four year world Postal Strategy to modernise global postal services.

## PUBLIC RELATIONS (continued)

The strategy outlines major objectives that Member States will work to achieve by 2012. BTA's participation in this Congress enabled it to better appreciate issues facing postal regulation in order to play a meaningful advisory role in the preparations for the establishment of a converged regulator.

### 4th Annual CTO Digital Broadcasting Switchover Forum

The Botswana Telecommunications Authority took part in the 4th Annual Commonwealth Telecommunications Organisation (CTO) Digital Broadcasting Switchover Forum, Johannesburg, South Africa from 02-06 February 2009 in preparation for its key role in the Digital Migration process. The Digital Migration process entails switching from analogue to digital transmission and the BTA is a member of the Botswana Digital Migration Task Force. The BTA was able to learn from other countries the strategies they have employed in their efforts to prepare for the broadcasting digital switchover.

### Events hosted by the BTA

#### Management of Talents and Competencies workshop

The BTA hosted an International Telecommunication Union (ITU) sponsored workshop on the management of talent and competencies in the telecommunications sector for the English speaking African countries. The purpose of the workshop was to assist participating developing countries in building institutional and organisational capacity.

#### Communications Regulators' Association of Southern Africa (CRASA) Specialised Committee meetings

The BTA hosted specialised Committee meetings of the Communications Regulators' Association of Southern Africa (CRASA). These were the Consumer Issues, Legal and Policy, Human Resource Development and Empowerment as well as Broadcasting Affairs. The Consumer Issues Committee met to review the Model Guidelines on consumer rights and protection.

The Human Resources Committee met to work on a proposal for the CRASA exchange programme which would allow members to peer with each other. The Broadcasting Affairs Committee met to consider a proposal on regional integration in terms of digital migration and proposed a harmonised roadmap for the digital migration in Southern Africa. The works of the Committees were to be submitted to the CRASA Annual General meeting for approval and subsequent Member States adoption or adaption to suit their respective country needs.

### Benchmarking missions

The BTA hosted other regulatory organisations in the African continent for benchmarking purposes. The BTA received delegations from the Tanzanian Communications Regulatory Authority (TCRA) and the Mozambican Higher Council for Social Communications (Conselho Superior da Comunicacao Social). The two delegations were in Botswana on different occasions to benchmark with the National Broadcasting Board (NBB). In addition, the BTA hosted the Comité de Régulations des Télécommunications (CRT) of Mali who were on a benchmarking mission ahead of its licensing of Third Generation (3G) mobile telephony services.



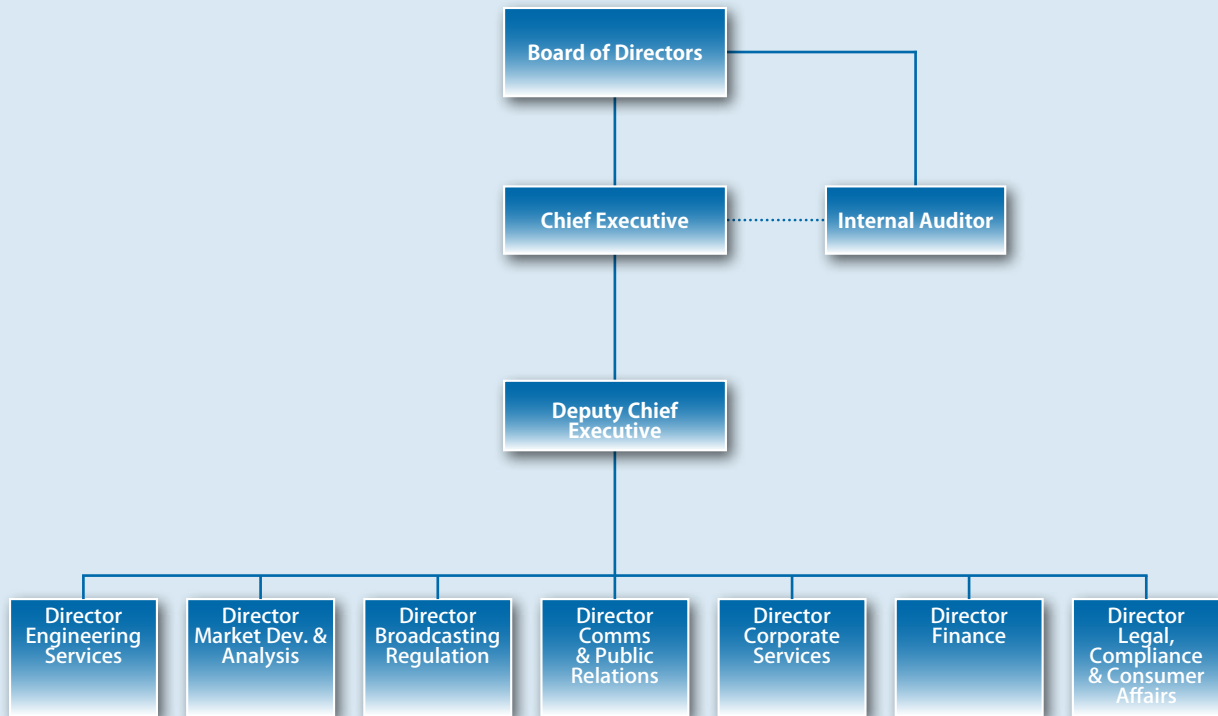


## CORPORATE STRATEGY

### **Strategic Review**

The Strategic Plan 2004 -2009 came to an end on 31 March 2009. One of the major milestones achieved under the Strategic Plan 2004 -2009 was further liberalisation of the sector. The draft Strategy Plan for the period 2009 -2016 has been formulated.

## BTA ORGANISATIONAL STRUCTURE



### Staff Complement

By the end of March 2009, the staff complement reduced to 64 from 72 during the same period last year. The reduction in staff complement was as a result of a number of factors amongst them resignations, dismissals, retirement and secondment.

### The following staff movements occurred:-

Resignations	4
Dismissals	1
Retirement	2
Secondment	1

**Table 7: Staff Complement - 2003-2009**

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
2009	40	24	64



# CORPORATE STRATEGY (continued)

### Review of Remuneration Policy and Strategy

In addressing the challenges of attracting and retaining talented and competent staff, the BTA reviewed its Remuneration Policy and Strategy by introducing new allowances in the short to medium term, whilst still working on a comprehensive long term Remuneration Policy.

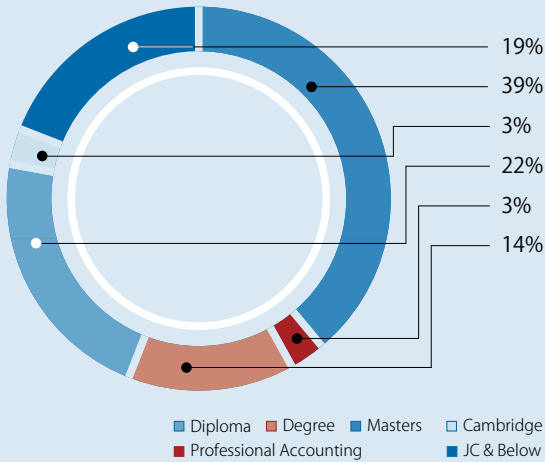
### Training and Development

BTA continues to invest in building the capacity of its employees in order to enhance their ability to effectively deliver on their mandate. The training programme has mainly been targeted towards the key functional areas; such as Engineering, Economics, Law and Broadcasting.

### Staff Development

The BTA has over the years maintained an aggressive staff development policy which equipped staff with both requisite and specialist skills in order to deliver on the mandate of the organisation. Over 60% of staff have a degree qualification and above, which explains the BTA's position as a knowledge based organisation. The Table 8 below illustrate qualifications of staff members at the BTA.

Figure 7: Qualifications of BTA Staff as at 31 March 2009



### Management Development Programme

To enhance the overall organisational effectiveness, more attention was given to development of leadership competencies and skills across the BTA. Members of the Management team were enrolled in the Executive Education and Leadership Development programmes both locally and regionally.

Table 8: Qualifications of staff members at the BTA as at March 2009

Qualifications	No. of staff			Percentage
	Male	Female	Total	
Masters	18	7	25	39
Professional Accounting	1	1	2	3
Degree	7	2	9	14
Diploma	6	8	14	22
Cambridge	0	2	2	3
JC & Below	8	4	12	19
<b>Total</b>			<b>64</b>	<b>100</b>

Six members of management team participated in the following programmes:-

Executive Leadership	2
Strategy and Strategic Issues	2
Strategic Human Resources	1
Strategic Leadership	1

### Long Term Training

Four employees were on training pursuing different disciplines as follows:-

PhD in Engineering & Technology Management	1
Masters Degree in Electrical/Electronics	1
First Degree in Engineering & Electronics	1
First Degree in Human Resources	1

One employee who was pursuing the Degree in Human Resources successfully completed in December 2008 while others are still pursuing their studies.

### Graduate Trainee Programme

The programme was introduced in April 2008 and is intended to develop a pool of competent young officers as part of a long term human capacity building strategy. The programme runs for 18 months before trainees are substantively appointed to respective positions within the establishment.

### Gender

The BTA remains a male dominated organisation as illustrated by the Table below. The gender imbalance is more pronounced at senior management levels where only three females are occupying these positions. However, the Authority believes in the principle of equal employment opportunity and this imbalance will be addressed in future recruitments.

**Table 9: Staff Compliment by Gender**

	Male	Female	Total
Executive	2	—	2
Directors	5	1	6
Senior Managers	7	2	9
Managers	4	3	7
Professionals	10	8	18
<b>Total</b>	<b>28</b>	<b>14</b>	<b>42</b>

### Staff Consultation

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

During the year under review, three general staff meetings were held between the Executive Management and staff on issues that affect the welfare of staff and general administration of the Authority.

### Climate Survey

During the period December 2008 to January 2009 EOH Consulting conducted a climate and culture survey for the BTA. The objective of the survey was to obtain an in-depth understanding of the needs, concerns and perceptions of the employees in order to:-

- Drive initiatives for change in order to work towards having employees that are satisfied, engaged and motivated;
- Develop initiatives for change that improve the BTA corporate performance, efficiency and customer satisfaction; and
- Monitor change and improvements in employee engagement and organisational performance in subsequent years.

An interim report was submitted in February 2009 and presented to management. During the month of March 2009 major findings and recommendations of the report were presented to the rest of staff before it was finalised and submitted to the Board.

## FINANCIAL REVIEW

### Overview of Results

The BTA recorded a net profit of P18.17 million, representing an increase of 51% from previous year's figure of P12.04 million.

The revenue increased by 16.7% from P61.1 million last year to P71.3 million during the year under review. The increase in revenue was mainly due to increased turnover related fees and increased radio license fees from Public Telecommunications Operators (PTOs).

Operating costs increased slightly by 4% to P56.5 million compared to P54.3 million in the previous year mainly as a result of cost containment measures and the decapitalisation of the Automated Spectrum Monitoring System (ASMS) equipment.



## FINANCIAL REVIEW

### Revenue

Revenue includes turnover related fees, radio licence fees, system licence fees and service licence fees. The revenue was higher compared to prior years, recording an increase of 16.7% from last year due to increase in turnover related fees and increased radio license fees from Public Telecommunications Operators (PTOs) mainly as a result of licensing of additional spectrum for 3G and Wimax. The turnover related fees are based on the net turnover of the PTOs and these increased by 17.3%, from P49.04 million to P57.54 million. Radio licence fees which are charged to owners of radio equipment and radio dealers increased from P7.93 million to P9.31 million, reflecting an increase of 17.4%.

Table 10: Summary of the BTA Financial Performance 2007-2009

	<b>2009 Pula million</b>	<b>2008 Pula million</b>	<b>2007 Pula million</b>
Revenue	71.25	61.09	48.7
Other income	1.85	1.11	1.04
Operating expenses	(56.53)	(54.25)	(45.39)
Contribution to Universal Service Fund	(4)	0	(2.5)
Finance Income	5.6	4.09	4.71
Surplus for the year	18.17	12.04	6.56

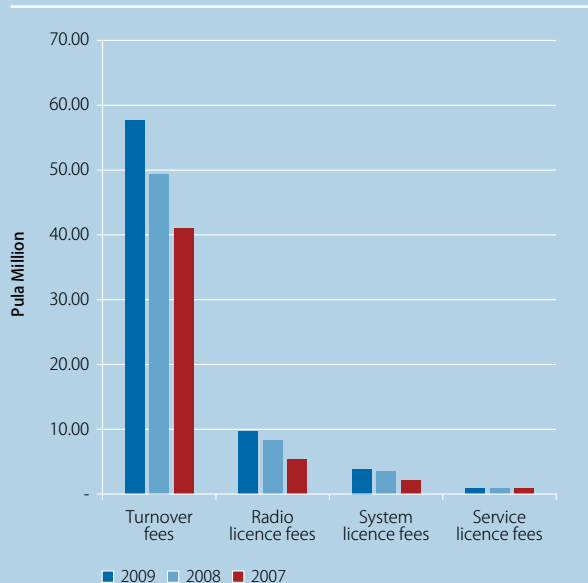
### Other income

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. The income increased marginally to P1.85 million as compared to the prior year of P1.1 million.

### Operating expenses

Operating costs increased by 19.6% between 2007 and 2008 compared to 4% increase between 2008 and 2009. The resultant decrease in percentage for operating costs between the years was mainly due to a reduced spending on consultancies in 2009. The consultancy fees decreased by 36% during the year under review compared to an increase of 21.3% in 2008. Depreciation also decreased due to de-capitalisation of the Automated Spectrum Monitoring System (ASMS) equipment. The BTA received P5.7 million from BURS as a refund for withholding tax paid for the supply of ASMS equipment and the amount was previously included under capitalisation of ASMS equipment. There was also significant reduction in other areas of expenditure such as training, telephone, legal expenses, repairs and maintenance.

### Revenue

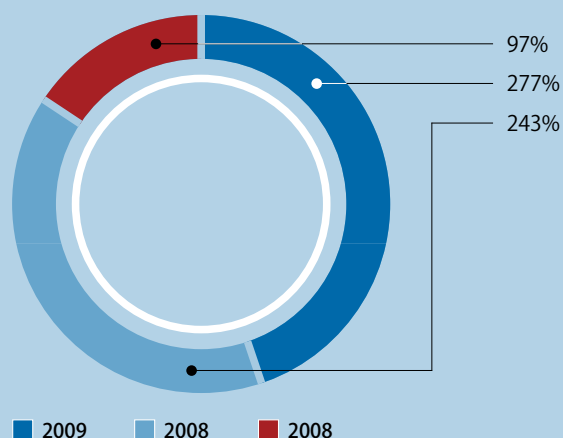


## FINANCIAL REVIEW (continued)

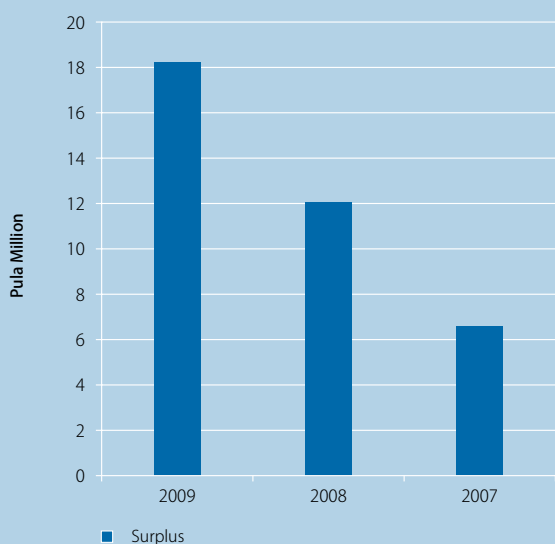
### Capital expenditure

Overall, capital expenditure was lower than the prior year decreasing by P4 million or 33.3%. The decrease was mainly attributed to the de-capitalisation of the ASMS equipment which was initially capitalised. The Self Financing ratio with regard to capital expenditure has been growing over the years as follows,

### Self Financing Ratios %



### Surplus



### Investments

BTA has 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.

BTA has also invested in properties, being town houses and leases part of its head office block to Botswana Government.

### Financing and financial position

The cash generated from operating activities decreased from P29.22 million last year to P22.18 million during this year.

	2009 Pula million	2008 Pula million	2007 Pula million
Cash flow from operating activities	22.18	29.22	6.03
Cash flow from Investing Activities	(7.77)	(11.57)	(6.66)
Cash flow from financing activities	2.97	(1.91)	2.91
Total cash movement for the year	17.38	15.74	2.28
Cash at the beginning of the year	62.62	46.88	44.59
Cash at the end of the year	80.00	62.62	46.87

### Liquidity

Cash flow provided by operating activities prior to working capital changes totalled P23.05 million compared to P18.94 million of last year. Cash flow from operations (after working capital changes) covered capital expenditure to the extent of 277% compared to 243% in the previous year.

BTA believes that it has adequate resources to finance its operating activities and the anticipated capital expenditure in the financial year 2009/2010. It is expected that the cashflow will continue to improve as no major projects are envisaged for the next two years.

## CONCLUSION

The end of 2009 will mark the end of a successful managed liberalisation process and heralds the beginning of full competition in the communication sector. The Botswana Telecommunications Authority working together with the Ministry of Communications Science and Technology will have to ensure that the transition to full competition is well managed so as not to create uncertainty for the players in the sector.

The service-neutral licensing framework that has been the hallmark of the liberalisation process has broadened the scope of services and packages that service providers can offer and consumers are beginning to enjoy the benefits of heightened competition in the telecommunication market. In the broadcasting arena, more broadcasters have entered the fray and serious efforts are made to provide services to consumers who have not always had such services.

In a bid to keep pace with the challenges of the ever changing communications regulatory environment, we took part in some events, regionally and internationally to share experiences and exchange notes with other players in the industry. We are convinced that for us to grow we have to learn from others and allow others to learn from us. The cross fertilisation of ideas through interactions at various international forums will help us to shape a robust ICT sector for the benefit of our country.

Recent times have shown us that we are facing serious global economic challenges. We remain positive and hopeful that there is need for innovation across the sector to address demand for service delivery by consumers. The Authority's financial audited statements have continued to show a strong Balance Sheet and a good Cash Flow, a clear indication that the sector is performing well thereby creating further opportunities.

The achievements realised so far have been possible because of the good leadership provided by the Board and Management. Credit must also go to the Staff of the BTA that has worked tirelessly to deliver stakeholders value.

The BTA continued to enjoy immense support from the Botswana Government through our parent Ministry for Communications Science and Technology, licensed service providers, international bodies, consumers and the general public. We believe that the growth of our sector is attributable to the strong bonds that we have with all the stakeholders.





Tele  
Aut  
is a  
tele  
reg



## GENERAL INFORMATION

for the year ended 31 March 2009

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. B O Tsheko (Chairman) (Appointed 01/03/2009) Dr. T Nyamadzabo Dr. M A Mpotokwane (Vice - Chairman) Dr. T Matome (Term expired 30/04/2009) Mr. R C Eaton (Term expired on 31/03/2009) Mr. R M Phole (Appointed on 01/04/2009) Dr. S E M Sebusang (Appointed 01/05/2009) Dr. J Mothibi (Term expired on 28/02/2009)
Independent member of finance and audit committee	Mr. A Bogatsu
Chief Executive	Mr. T G Pheko
Registered Office	Plot 206/207 Independence Avenue Extension 5, Gaborone, Botswana
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 Stanbic Bank Botswana Limited Bank of Baroda (Botswana) Limited
Auditors	Grant Thornton Certified Public Accountants
Secretary	Mrs. T Tau (Resigned on 31/10/2008) Dr. G. Radijeng (Appointed on 19/05/2009)
Functional Currency	Botswana Pula ("P")

# BOTSWANA TELECOMMUNICATIONS AUTHORITY

Annual Financial Statements for the year ended March 31, 2009

<b>41</b>	Independent Auditors' Report
<b>42</b>	Members' Responsibilities and Approval
<b>43</b>	Members of the Board Report
<b>44</b>	Balance Sheet
<b>45</b>	Income Statement
<b>46</b>	Statement of Changes in Funds
<b>47</b>	Cash Flow Statement
<b>48</b>	Accounting Policies
<b>54</b>	Notes to the Annual Financial Statements
<b>71</b>	Detailed Income statement

## INDEPENDENT AUDITORS' REPORT for the year ended 31 March 2009

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 44 to 69, which comprise the balance sheet as at March 31, 2009, 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 controls 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 Members of the Board, 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.

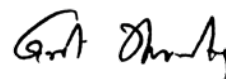
### Opinion

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of Botswana Telecommunications Authority as of March 31, 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the 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, 1996 (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, 30 July 2009

## MEMBERS' RESPONSIBILITIES AND APPROVAL for the year ended 31 March 2009

The Members of the Board are required by section 14 of the Telecommunications 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 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 management 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, 2010 and, in the light of this review and the current financial position, they are satisfied that the Authority has adequate resources to continue in operational existence for the foreseeable future.

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 41.

The annual financial statements set out on pages 43 to 71, which have been prepared on the going concern basis, were approved by the board on 30 July 2009 and were signed on its behalf by:



**Chairperson  
Gaborone**



**Chief Executive  
Gaborone**



## MEMBERS OF THE BOARD REPORT for the year ended 31 March 2009

The Members of the Board have pleasure in submitting their report, which forms part of the financial statements for the Authority for the year ended March 31, 2009.

### 1. Activities

The Authority is a body corporate, established under the Telecommunications Act, 1996 (As amended by Act no 38 of 2004) to regulate, supervise and promote the provision of efficient telecommunications services in Botswana.

The operating results and state of affairs of the Authority are fully set out in the attached annual financial statements.

Net surplus of the Authority was P 18 173 982 (2008: surplus P 12 037 490).

### 2. Post balance sheet events

In the meeting held on 30 July 2009, the Board resolved to provide dividend payable to Government of Botswana amounting to Pula 4 543 495 being 25% of the surplus for the year ended 31 March 2009 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 P 4 million (2008: P 4 million) towards the Universal Service Fund for the year ended 31 March 2009.

### 3. Member's interest in contracts

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

### 4. 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.

### 5. Members of the Board

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

Dr. B O Tshenko (Chairman) (Appointed 01/03/2009)  
Dr. T Nyamadzabo  
Dr. M A Mpotokwane (Vice-Chairman)  
Dr. T Matome (Term expired 30/04/2009)  
Mr. R C Eaton (Term expired on 31/03/2009)  
Mr. R M Phole (Appointed on 01/04/2009)  
Dr. S E M Sebusang (Appointed 01/05/2009)  
Dr. J Mothibi (Term expired on 28/02/2009)

## BALANCE SHEET

for the year ended 31 March 2009

Figures in Pula	Note(s)	2009	2008
<b>Assets</b>			
<b>Non Current Assets</b>			
Property, plant and equipment	4	105 323 024	108 042 749
<b>Current Assets</b>			
Trade and other receivables	6	13 465 922	8 713 849
Prepayments		500 707	439 293
Cash and cash equivalents	7	80 006 555	62 616 712
		<b>93 973 184</b>	<b>71 769 854</b>
Non-current assets held for sale and assets of disposal groups	8	6 622 838	6 622 838
<b>Total Assets</b>		<b>205 919 046</b>	<b>186 435 441</b>
<b>Funds and Liabilities</b>			
<b>Funds</b>			
Proposed dividends		4 543 495	3 009 372
Accumulated surplus		172 742 842	159 112 355
		<b>177 286 337</b>	<b>162 121 727</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	11	8 574 727	10 235 197
Government of Botswana - Universal Service Fund	9	20 057 982	14 078 517
		<b>28 632 709</b>	<b>24 313 714</b>
<b>Total Funds and Liabilities</b>		<b>205 919 046</b>	<b>186 435 441</b>

**INCOME STATEMENT**  
**for the year ended 31 March 2009**

<b>Figures in Pula</b>	<b>Note(s)</b>	<b>2009</b>	<b>2008</b>
Revenue	13	71 247 170	61 085 480
Other income		1 851 509	1 113 034
Operating expenses		(56 533 504)	(54 254 166)
Contribution to the Universal Service Fund		(4 000 000)	—
<b>Surplus for the year before finance income</b>	14	<b>12 565 175</b>	<b>7 944 348</b>
Finance income	15	5 608 807	4 093 142
<b>Surplus for the year</b>		<b>18 173 982</b>	<b>12 037 490</b>

## STATEMENT OF CHANGES IN FUNDS

for the year ended 31 March 2009

Figures in Pula	Proposed dividends	Accumulated surplus	Total funds
<b>Balance at March 31, 2007</b>	3 074 920	150 084 237	153 159 157
Surplus for the year	—	12 037 490	12 037 490
Dividend paid	(3 074 920)	—	(3 074 920)
Dividend proposed to the Government transferred to proposed dividend	3 009 372	(3 009 372)	—
Total changes	<u>(65 548)</u>	<u>9 028 118</u>	<u>8 962 570</u>
<b>Balance at March 31, 2008</b>	<b>3 009 372</b>	<b>159 112 355</b>	<b>162 121 727</b>
Surplus for the year	—	18 173 982	18 173 982
Dividend paid	(3 009 372)	—	(3 009 372)
Dividend proposed to the Government transferred to proposed dividend	4 543 495	(4 543 495)	—
Total changes	<u>1 534 123</u>	<u>13 630 487</u>	<u>15 164 610</u>
<b>Balance at March 31, 2009</b>	<b><u>4 543 495</u></b>	<b><u>172 742 842</u></b>	<b><u>177 286 337</u></b>



## CASH FLOW STATEMENT

for the year ended 31 March 2009

Figures in Pula	Note(s)	2009	2008
<b>Cash flows from operating activities</b>			
Cash generated from operations	17	16 575 960	25 124 106
Finance income		5 608 807	4 093 142
<b>Net cash from operating activities</b>		<b>22 184 767</b>	<b>29 217 248</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment (net)	4	(7 993 662)	(11 999 211)
Sale of property, plant and equipment	4	228 645	431 278
<b>Net cash from investing activities</b>		<b>(7 765 017)</b>	<b>(11 567 933)</b>
<b>Cash flows from financing activities</b>			
Movement in Universal Service Fund		5 979 465	1 164 435
Dividends paid to the Government	18	(3 009 372)	(3 074 920)
<b>Net cash from financing activities</b>		<b>2 970 093</b>	<b>(1 910 485)</b>
<b>Total cash movement for the year</b>		<b>17 389 843</b>	<b>15 738 830</b>
Cash at the beginning of the year		62 616 712	46 877 883
<b>Total cash at end of the year</b>	7	<b>80 006 555</b>	<b>62 616 713</b>

## ACCOUNTING POLICIES

### for the year ended 31 March 2009

#### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with International Financial Reporting Standards, and in compliance with 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 assets 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 our 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 value of 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.

## ACCOUNTING POLICIES (continued) for the year ended 31 March 2009

### 1.1 Significant judgements (continued)

#### Useful life and residual value of property, plant and equipment

The estimates of useful lives as translated into depreciation rates are detailed in property, plant and equipment policy on the annual financial statements. These rates and residual lives of the assets are reviewed annually taking 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 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 profit or loss 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.

## ACCOUNTING POLICIES (continued)

### for the year ended 31 March 2009

#### 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 profit or loss 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 demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

#### 1.4 Tax

##### Tax expenses

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

## ACCOUNTING POLICIES (continued) for the year ended 31 March 2009

### 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 liability. 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 is 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.



## ACCOUNTING POLICIES (continued)

### for the year ended 31 March 2009

#### 1.7 Impairment of assets (continued)

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 aid), are recognised in the period in which the service is rendered and are not discounted.

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

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 permanent citizen employees. The fund is registered under the Pension and Provident Fund Act (Chapter 27:03). Payments to defined contribution pension fund 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 20.

#### 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.

## ACCOUNTING POLICIES (continued) for the year ended 31 March 2009

### 1.10 Revenue (continued)

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business net of value added tax. 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 the 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 Botswana 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 the income statement in the period in which they arise.

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

## NOTES TO THE FINANCIAL STATEMENTS

### for the year ended 31 March 2009

#### 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 the following new or revised standards.

- IFRIC 12: Service concession arrangement
- IFRIC 14: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- IFRIC 16: Hedges of a net investments in a foreign operation
- IAS 39 and IFRS 7: Reclassification of Financial Assets - Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures

##### **IFRIC 12 Service concession arrangement**

This interpretation applies to service concession operators and explains how to account for the obligations undertaken and rights received in service concession arrangements. The Authority is not an operator and hence this Interpretation will have no impact on the Authority.

##### **IFRIC 14: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction**

This Interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognised as an asset under IAS 19 Employee Benefits. The Authority expects that this Interpretation will have no impact on its financial statements as there is only a defined contribution plan.

##### **IFRIC 16: Hedges of a net investments in a foreign operation**

This interpretation applies to an entity that hedges the foreign currency risk arising from its net investments in foreign operations and wishes to qualify for hedge accounting in accordance with IAS 39. This interpretation will not be applicable for the Authority as it does not have any foreign operation.

##### **IAS 39 and IFRS 7: Reclassification of Financial Assets - Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures**

The Amendments permit an entity to reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit or loss category in particular circumstances; to transfer from the available for sale category to the loans and receivables category a financial asset that would have met the definition of loans and receivables (if it had not been designated as available for sale), if the entity has the intention and ability to hold that financial asset for the foreseeable future.

Additional disclosure requirements have been included in IFRS 7 to provide information to readers of the accounts where an entity opts to reclassify financial assets under Amendments to IAS 39.

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended March 31, 2009 has had no material impact on the recorded assets or income of the Authority.

#### 3. Statements and interpretations not yet effective

At the date of authorisation of these annual financial statements, the following Standards and Interpretations were in issue but not yet effective. The Authority has not early adopted any of these pronouncements. The new standards, amendments and Interpretations that are expected to be relevant to the Authority's financial statements are as follows:

## NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 March 2009

### 3. Statements and interpretations not yet effective (continued)

- IAS 1 - Amendment to IAS 1 Presentation of Financial Statements (effective first annual period commencing on or after 1/1/2009)
- IAS 23 - Amendment to IAS 23 Borrowing costs (effective first annual period commencing on or after 1/1/2009)
- IFRS 8 - Operating segments (effective first annual period commencing on or after 1/1/2009)
- IFRIC 13 – Customer loyalty programmes (effective first annual period commencing on or after 1/7/2008)
- IFRIC 15: Agreement for construction of real estate (effective first annual period commencing on or after 01/01/2009)
- IFRS 2: Amendment to Share-based Payments – Vesting Conditions and Cancellations (effective first annual period commencing on or after 01/01/2009)
- IFRIC 17: Distribution of non-cash assets to owners (effective first annual period commencing on or after 01/07/2009)
- IFRS 3R & IAS27R: Business combinations and Consolidated and Separate Financial Statements (effective first annual period commencing on or after 01/07/2009)
- IAS 1 & IAS 32: Puttable financial instruments and obligations arising on liquidation (effective first annual period commencing on or after 01/01/2009)
- IAS 39 - Amendments to IAS 39 Financial Instruments: Recognition and Measurement : Eligible hedged items (effective first annual period commencing on or after 01/07/2009)
- IFRS 1 and IAS 27: Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective first annual period commencing on or after 01/01/2009)
- IFRS 1R: Revised IFRS 1 First time adoption of International Financial Reporting Standards (effective first annual period commencing on or after 01/07/2009)
- IFRIC 18: Transfer of assets from customers (effective first annual period commencing on or after 01/07/2009)  
Embedded derivatives - Amendments to IFRIC 9 and IAS 39 (effective first annual period commencing on or after 01/06/2009)
- Annual improvement projects: Improvements to IFRS - 2008 (effective first annual period commencing on or after 01/01/2009)
- IFRS 7: Improving Disclosures about Financial Instruments (Amendments to IFRS 7) (effective first annual period commencing on or after 01/01/2009)
- Annual improvement projects: Improvements to IFRS - 2009 (effective 01/01/2010)

#### IAS 1 Amendment to IAS 1 Presentation of Financial Statements

The revised IAS 1 affects the presentation of owner changes in equity and introduces a statement of comprehensive income. Preparers 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 subtotals or in two separate statements (a separate income statement followed by a statement of comprehensive income). This revision does not affect the financial position or results of the Authority but will give rise to additional disclosures.

#### IAS 23 Amendment to IAS 23 Borrowing costs

The standard has been revised to require capitalisation of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. This standard would apply to the Authority, only when the Authority borrows funds for construction of qualifying assets. However till now assets are constructed from own resources.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### for the year ended 31 March 2009

#### **IFRS 8 Operating segments (effective first annual period commencing on or after 1/1/2009)**

This Standard requires disclosure of information about the Authority's operating segments and replaced the requirement to determine primary (business) and secondary (geographical) reporting segments of the Authority. Further, this standard will not apply to the Authority as the Authority is not a listed and its debt or equity instrument are traded in a public market.

#### **IFRIC 13 – Customer loyalty programmes**

This interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the award credits are fulfilled. The Authority expects that this interpretation will have no impact on the Authority's financial statements as no such schemes currently exist.

#### **IFRIC 15: Agreement for construction of real estate**

This interpretation applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The Authority expects that this Interpretation will have no impact on the Authority's financial statements as it is not involved any of the activities covered in interpretation.

#### **IFRS 2: Amendment to Sharebased Payments – Vesting Conditions and Cancellations**

The amendment restricts the definition of "vesting condition" to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In the case that the award does not vest as the result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this must be accounted for as a cancellation. This amendment will have no impact as Authority was set up under the Act of Parliament with no shareholder.

#### **IFRIC 17: Distribution of noncash assets to owners**

This interpretation applies to distribution of assets like, distribution of non-cash assets (e.g. property, plant and equipment, ownership interests in another entity etc) and distribution that gives owners a choice of receiving either non cash assets or cash alternatives, effected by an entity to its owners acting in their capacity as owners. This interpretation will have no impact as the Authority was set up under an Act of Parliament with no shareholder.

#### **IFRS 3R & IAS 27R: Business combinations and Consolidated and Separate Financial Statements**

IFRS 3R introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. IAS 27R requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The Authority expects that this interpretation will have no impact on the Authority's financial statements as the Authority has not undertaken any transactions falling within the definition of a business combination.

#### **IAS 1 & IAS 32: Puttable financial instruments and obligations arising on liquidation**

The amendment to IAS 32 requires certain puttable financial instruments and obligations arising on liquidation to be classified as equity if certain criteria are met. The amendment to IAS 1 requires disclosure of certain information relating to puttable instruments classified as equity. The amendments will not have an impact the financial statements of the Authority.



## NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 March 2009

### **IAS 39: Amendments to IAS 39 Financial Instruments: Recognition and Measurement: Eligible hedged items**

The amendment aims to clarify the application of some of IAS 39's requirements on designation of a risk or a portion of cash flows for hedge accounting purposes. The Authority expects that this amendment will have no impact on the Authority's financial statements.

### **IFRS 1 and IAS 27 : Amendments to IFRS 1 Firsttime Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate.**

The amendments affect only the separate financial statements of a parent entity or investor. The main changes are in respect of introduction of a 'deemed cost' exemption into IFRS 1 for first-time adopters of IFRS when measuring, identification of the cost of an investment in a subsidiary, jointly controlled entity or associate; the removal of IAS 27's requirement to deduct preacquisition dividends from the cost of an investment in subsidiary, jointly controlled entity or associate in profit or loss in the separate financial statements of the investor entity; and new requirements on accounting for the formation of a new parent. This amendment will not apply to the Authority as it does not have any subsidiaries.

### **IFRS 1R : Revised IFRS 1 First time adoption of International Financial Reporting Standards**

The main change relates to the text dealing with the various exceptions and exemptions to the principle that an entity's opening IFRS statement of financial position shall comply with each IFRS. This text has been removed from the main body of the Standard and placed in the Appendices to the Standard. This revision will not apply to the Authority as the Authority adopted IFRS in the past.

### **IFRIC 18: Transfer of assets from customers**

This interpretation applies to the recipient of a transfer of property, plant and equipment from a customer where the item received must be used to connect the customer to a network and/or provide ongoing access to a supply of goods or services. This interpretation is not likely to apply to the Authority as it is not involved in the activity referred in this interpretation.

### **IAS 39 and IFRIC 9 amendment: Embedded derivatives**

The Amendment is consequential upon the changes made to IAS 39 in October and November 2008 permitting the reclassification of non-derivative financial assets out of the fair value through profit or loss category in some circumstances. This interpretation is not likely to apply to the Authority as it is not involved in any embedded derivatives.

### **Annual improvement projects : Improvements to IFRS 2008**

The annual improvements process has been developed to address non-urgent, but necessary, minor amendments to IFRSs. Issues dealt with in this process arise from matters raised by the International Financial Reporting Interpretations Committee (IFRIC) and suggestions from staff or practitioners, and focus on areas of inconsistency in IFRSs or where clarification of wording is required. Most of the amendments are required to be applied from 1 January 2009, but some have an effective date of 1 July 2009. The management is currently assessing the detailed impact of these amendments/revisions on the Authority's financial statements.

### **IFRS 7: Improving Disclosures about Financial Instruments (Amendments to IFRS 7)**

Amendments to IFRS 7 are to explain more clearly how entities determine the fair value of their financial instruments; and improve the disclosure of liquidity risk.

### **Annual improvement projects: Improvements to IFRS 2009**

The annual improvement project makes amendments to various IFRS which are non-urgent but are necessary. Most of the amendments are required to be applied from 1 January 2010. The management is currently assessing the detailed impact of these amendments/ revision on the Authority's financial statements.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### for the year ended 31 March 2009

#### 4. Property, plant and equipment

	<b>Cost / Valuation</b>
Buildings	33 473 322
Furniture and fixtures	3 200 075
Motor vehicles	2 502 068
Office equipment	2 651 212
IT equipment	5 590 485
Technical equipment (ASMS)	86 608 183
Capital work in progress	3 415 271
<b>Total</b>	<b>137 440 616</b>

#### Reconciliation of property, plant and equipment 2009

	<b>Opening Balance</b>	<b>Additions</b>
Buildings	16 430 980	—
Furniture and fixtures	244 743	630 556
Motor vehicles	1 615 390	519 607
Office equipment	95 840	606 388
IT equipment	1 596 337	1 487 067
Technical equipment (ASMS)	78 249 217	1 402 633
Capital Work in Progress	9 810 242	9 075 978
	<b>108 042 749</b>	<b>13 722 229</b>

#### Reconciliation of property, plant and equipment 2008

	<b>Opening Balance</b>
Buildings	17 015 794
Furniture and fixtures	378 466
Motor vehicles	418 567
Office equipment	211 890
IT equipment	168 942
Technical equipment (ASMS)	87 947 869
Capital work in progress	1 526 812
	<b>107 668 340</b>

During the year, the authority received an amount of P 5 728 567, towards refund of withholding tax paid on supply of equipment during the acquisition of Technical Equipment - ASMS. At the time of payment in the prior years, the Authority had paid the withholding tax under protest to contest the claim of Botswana Unified Revenue Services, as Authority was of the view that withholding tax would not be applicable as it relates to the supply of equipment for Technical Equipment - ASMS. The amounts earlier paid was included in the capitalisation of Technical Equipment - ASMS. The fact of legal context was disclosed in the financial statements of prior year under contingency note. During the year the court gave the judgement in the favour of the Authority and the refund received from Botswana Unified Revenue Services.

<b>2009</b>		<b>2008</b>		
<b>Accumulated depreciation</b>	<b>Carrying value</b>	<b>Cost / Valuation</b>	<b>Accumulated depreciation</b>	<b>Carrying value</b>
(2 626 518)	30 846 804	18 635 610	(2 204 630)	16 430 980
(2 073 778)	1 126 297	2 205 919	(1 961 176)	244 743
(643 150)	1 858 918	2 357 800	(742 410)	1 615 390
(1 563 565)	1 087 647	1 568 109	(1 472 269)	95 840
(3 814 540)	1 775 945	4 326 927	(2 730 590)	1 596 337
(21 396 041)	65 212 142	91 141 197	(12 891 980)	78 249 217
—	3 415 271	9 810 242	—	9 810 242
<b>(32 117 592)</b>	<b>105 323 024</b>	<b>130 045 804</b>	<b>(22 003 055)</b>	<b>108 042 749</b>

<b>Decapitalisation</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Depreciation</b>	<b>Total</b>
—	—	14 837 712	(421 888)	30 846 804
—	—	363 600	(112 602)	1 126 297
—	(850)	—	(275 229)	1 858 918
—	—	476 715	(91 296)	1 087 647
—	—	—	(1 307 459)	1 775 945
(5 728 567)	—	(207 078)	(8 504 063)	65 212 142
—	—	(15 470 949)	—	3 415 271
<b>(5 728 567)</b>	<b>(850)</b>	<b>—</b>	<b>(10 712 537)</b>	<b>105 323 024</b>

<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Depreciation</b>	<b>Total</b>
—	(53 812)	(201 000)	(330 002)	16 430 980
92 094	(26 195)	—	(199 622)	244 743
1 555 855	—	—	(359 032)	1 615 390
17 000	(7 475)	—	(125 575)	95 840
2 033 770	(10 544)	—	(595 831)	1 596 337
17 062	—	—	(9 715 714)	78 249 217
8 283 430	—	—	—	9 810 242
<b>11 999 211</b>	<b>(98 026)</b>	<b>(201 000)</b>	<b>(11 325 776)</b>	<b>108 042 749</b>

The amount credited under the caption “decapitalisation” relates to these refunds. Also for the cash flow purpose, these refunds were adjusted against capital expenditure of P 13 722 229 and net amount of P 7 993 662 was shown as net outflow on purchase of property plant and equipment.

Subsequent to the financial year there was a fire in the server room and one of the servers and few ancillary equipments got damaged. Based on the investigation report obtained the total cost for replacing the cables and equipment comes to P 331 227.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### for the year ended 31 March 2009

#### Figures in Pula

#### 5. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

2009	Loans and receivables	Total
Trade and other receivables	13 465 922	13 465 922
Cash and cash equivalents	80 006 555	80 006 555
	<b>93 472 477</b>	<b>93 472 477</b>

2008	Loans and receivables	Total
Trade and other receivables	8 713 849	8 713 849
Cash and cash equivalents	62 616 712	62 616 712
	<b>71 330 561</b>	<b>71 330 561</b>

	2009	2008
<b>6. Trade and other receivables</b>		
Trade receivables	12 659 656	8 342 773
Other receivable	806 266	371 076
	<b>13 465 922</b>	<b>8 713 849</b>

#### Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past due nor impaired can be assessed by reference to external information for major customers to historical information about counterparty default rates:

#### Fair value of trade and other receivables

Trade and other receivables	13 465 922	8 713 849
-----------------------------	------------	-----------

Impairment provisions are made based on the review of individual debtors current credit situation, past performance of 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, 2009, P 1 467 602 (2008: P 430 821) were past due but not impaired.

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

1 month past due	1 137 338	65 187
2 months past due	116 874	123 059
3 months past due	213 390	242 575

**NOTES TO THE FINANCIAL STATEMENTS** (continued)  
for the year ended 31 March 2009

<b>Figures in Pula</b>	<b>2009</b>	<b>2008</b>
<b>7. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	500	500
Bank balances	28 555 353	23 412 114
Short-term deposits	51 450 702	39 204 098
	<b>80 006 555</b>	<b>62 616 712</b>

Short term deposit includes Authority's investment in Stanbic money market fund which has an average of 11.36% and nominal rate of 10.82%. This amount of P 15 113 260 can be withdrawn in 24 hours notice.

Cash and cash equivalents at the end of the year include a deposit with Stanbic Bank Botswana Limited of P 20 057 982 (2008: P 11 578 517) held by the Authority on behalf of the Government of Botswana pending establishment of the Universal Service Fund. The balance includes interest earned on the deposit up to the balance sheet date.

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

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired 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.

**8. Noncurrent 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) with a carrying value of P 421 838 was valued by C B Richard Ellis (Proprietary) Limited a registered independent property valuers, in May 2008 at P 880 000, representing the open market value.

The investment property (Plot 4965) with the carrying value of P 6 201 000 was valued by Willy Kathurima Associates (Proprietary) Limited a registered independent property valuers, in July 2009 at P 6 500 000, representing the open market value.

However, the management decided to retain the carrying value of the above properties 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. The management has adopted the lower of the carrying value and fair value less cost to sell in compliance with International Financial Reporting Standards.

**Noncurrent assets held for sale**

Property, plant and equipment	421 838	421 838
Investment property - Classified as held for sale	6 201 000	6 201 000



## NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2009

Figures in Pula	2009	2008
<b>9. Government of Botswana Universal Service Fund</b>		
Contribution payable to the Government of Botswana - Universal Service Fund	16 500 000	12 500 000
Interest earned on deposit - Universal Service fund	3 557 982	1 578 517
	<b>20 057 982</b>	<b>14 078 517</b>

### 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 2009, the Authority's strategy of managing funds has remained unchanged from the year ended 31 March 2008.

Accumulated surplus	172 742 842	159 112 355
---------------------	-------------	-------------

### 11. Trade and other payables

Trade payables	3 660 493	6 064 153
VAT	53 830	357 216
Short term employee benefits	3 442 531	2 779 637
Other payables	1 417 873	1 034 191
	<b>8 574 727</b>	<b>10 235 197</b>

Included in the other payables is an amount of P 1 185 847 (2008: P 705 026) held on behalf of National Broadcasting Board representing the amounts collected on behalf of the board.

### 12. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

2009	Financial liabilities at amortised cost	Total
Trade and other payables	8 574 727	8 574 727
Government of Botswana - Universal Service Fund	20 057 982	20 057 982
	<b>28 632 709</b>	<b>28 632 709</b>
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
	<b>24 313 714</b>	<b>24 313 714</b>

**NOTES TO THE FINANCIAL STATEMENTS** (continued)  
for the year ended 31 March 2009

<b>Figures in Pula</b>	<b>2009</b>	<b>2008</b>
<b>13. Revenue</b>		
Turnover fees	57 536 405	49 039 466
Radio licence fees	9 308 183	7 930 657
System licence fees	3 603 811	3 323 985
Service license fees	786 471	773 872
Miscellaneous income	12 300	17 500
	<b>71 247 170</b>	<b>61 085 480</b>
<b>14. Surplus for the year before finance income</b>		
Surplus of the year is stated after accounting for the following:		
<b>Other income</b>		
Profit on sale of property, plant and equipment	(227 795)	(333 252)
Lease income - Contractual	(1 285 460)	(708 836)
	<b>(1 513 255)</b>	<b>(1 042 088)</b>
<b>Operating lease charges</b>		
Premises		
• Contractual amounts	14 775	59 100
<b>Operating expenses</b>		
Depreciation on property, plant and equipment	10 712 537	11 325 776
Employee costs	25 800 350	19 847 918
Consultation and professional fees	5 661 696	8 934 918
Conference expenses	1 480 420	1 401 508
Training expenses	1 299 899	555 267
Repairs and maintenance	1 195 699	1 991 217
Subscriptions	282 557	1 249 475
Travelling expenses (including local)	1 665 600	1 959 981
Security expenses	1 204 078	1 051 844
<b>15. Finance income</b>		
<b>Interest revenue</b>		
Bank	1 544 291	2 670 447
Interest from short term investments	4 064 516	1 422 695
	<b>5 608 807</b>	<b>4 093 142</b>
<b>16. Auditors' remuneration</b>		
Fees	75 600	41 501

**NOTES TO THE FINANCIAL STATEMENTS** (continued)  
**for the year ended 31 March 2009**

<b>Figures in Pula</b>	<b>2009</b>	<b>2008</b>
<b>17. Cash generated from operations</b>		
Profit before taxation	18 173 982	12 037 490
<b>Adjustments for:</b>		
Depreciation and amortisation	10 712 537	11 325 776
Profit on sale of assets	(227 795)	(333 252)
Interest received	(5 608 807)	(4 093 142)
<b>Changes in working capital:</b>		
Trade and other receivables	(4 752 073)	1 346 360
Prepayments	(61 414)	214 939
Trade and other payables	(1 660 470)	4 625 935
	<b>16 575 960</b>	<b>25 124 106</b>
<b>18. Dividends paid</b>		
Dividend paid to Government	(3 009 372)	(3 074 920)
<b>19. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Property, plant and equipment	3 434 157	5 264 374
<p>This committed expenditure relates to property and will be financed by existing cash resources or funds internally generated.</p>		
<b>Operating leases – as lessor (income)</b>		
<b>Minimum lease payments due</b>		
• within one year	1 023 610	956 412
<p>Lease agreements are non-cancellable and have terms from 1 to 2 years. There are no contingent rents receivable as per lease agreement. The rentals are re-negotiated at the anniversary of the lease agreements to align with the open market rates.</p>		
<b>Contribution to be paid to the Universal Service Fund</b>	4 000 000	4 000 000

## NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 March 2009

### 20. Contingencies

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 6 383 718 (2008: P 5 225 554).

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 504 884 (2008: P 1 087 273).

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 1 572 625 (2008: P 1 935 348).

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 1 766 835 (2008: P 1 492 438).

Bank guarantee in favour of Department of Customs and Excise on account of VAT deferral at P 2 500 000 (2008: P 2 500 000).

### 21. Post balance sheet events

In the Board meeting held on 30 July 2009, the members of the Board resolved to make a donation of P 4 million (2008: P 4 million) towards the Universal Service Fund. This amount is not provided in these financial statements. Also they approved the financial statements for the year ended 31 March 2009.



## NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2009

Figures in Pula	2009	2008
-----------------	------	------

### 22. Related parties

Relationships	
Members of the Board	Refer to page 39
Members of key management	T G Pheko (Chief Executive) M O Tamasiga (Deputy Chief Executive) A N Mokone T B Koontse T S Mosinyi O Tsiang M Mokgware B Mine
Related companies	The Authority had transactions with Government and other Government interested organisations. These transactions and these parties were not considered to be related party transactions and related parties. However, National Broadcasting Board is considered as a related party, as transactions are in the nature of collection on behalf of this party.

### Related party balances

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

National Broadcasting Board	(1 185 847)	(705 026)
<b>Related party transactions</b>		
<b>Key management</b>		
Remuneration paid	5 550 315	3 758 514
Other long term employee benefits	780 371	811 396

**NOTES TO THE FINANCIAL STATEMENTS** (continued)  
for the year ended 31 March 2009

**Figures in Pula**

**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 and cash flow interest rate risk), credit risk and liquidity risk.

The Authority's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Authority's financial performance.

**Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, availability of funding through an adequate amount of cash resources and the ability to close out market 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 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.

<b>At March 31, 2009</b>	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>
Trade and other payables	5 132 196	3 442 531	—	—
Government of Botswana - Universal Service Fund	—	20 057 982	—	—
<b>At March 31, 2008</b>	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>
Trade and other payables	7 455 560	2 779 637	—	—
Government of Botswana - Universal Service Fund	—	14 078 517	—	—

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### for the year ended 31 March 2009

#### Figures in Pula

#### 23. Risk management (continued)

##### Interest rate risk

The Authority is exposed to various risks associated with the effect of fluctuations in the prevailing levels of market rates of interest on its cash resources and investments. The cash resources are managed to ensure that surplus funds are invested in a manner to achieve maximum returns while minimising risks. The Authority places its funds both in fixed interest earning deposits (fixed deposits) and fluctuating interest earning deposits which are adjusted on a short term basis based on changes in the prevailing market related interest rates. Further, these deposits are due on demand. The fixed deposits amounting to P 51 million (2008: P39 million) are exposed to cash flow interest rate risk. However considering the short term maturity between 14 - 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 %	36 337 442	—	—	—	—
Stanbic money market fund	11.36 %	15 113 260	—	—	—	—

**NOTES TO THE FINANCIAL STATEMENTS** (continued)  
for the year ended 31 March 2009

**Figures in Pula**

**2009**

**2008**

**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.

Trade receivables are mainly from three major operators from telecommunication sector, amounting to P 11.41 million at the year end. Management evaluated credit risk relating to customers on an ongoing basis especially on major customers by obtaining their latest financial statements, budgets etc. The financial assets of the Authority, which are subject to credit risk, consist mainly of cash resources, short term investments and receivables. The maximum credit exposure on trade receivables is limited to P 12.66 million (2008: P 8.34 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.

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

Financial instrument	2009	2008
Trade debtors	12 661 581	8 342 773
Stanbic Bank Botswana Limited	1 580 735	341 817
Bank of Baroda (Botswana) Limited	2 580 581	1 477 488
Bank of Baroda (Botswana) Limited - Short term deposits	26 321 496	39 204 098
Investment in Stanbic money market fund	15 113 260	—
First National Bank of Botswana	10 825 732	446 575
Barcalys Bank of Botswana Limited	2 935 470	9 032 438

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

**Foreign exchange risk**

The Authority does not hedge foreign exchange fluctuations.

**Foreign currency exposure at balance sheet date**

**Liabilities**

Trade payable USD (2008 : USD 115 523)	—	1 749 049
Exchange rates used for conversion of foreign items were:		
USD		6.703

The company reviews its foreign currency exposure, including commitments on an ongoing basis.

## DETAILED INCOME STATEMENT

for the year ended 31 March 2009

Figures in Pula	Notes(s)	2009	2008
<b>Revenue</b>			
Turnover related fees		57 536 405	49 039 466
Radio license fees		9 308 183	7 930 657
System license fees		3 603 811	3 323 985
Service license fees		786 471	773 872
Miscellaneous other income		12 300	17 500
	13	<b>71 247 170</b>	<b>61 085 480</b>
<b>Other income</b>			
Lease income		1 285 460	708 836
Other income		338 254	70 946
Interest received	15	5 608 807	4 093 142
Profit on sale of property plant and equipment		227 795	333 252
		<b>7 460 316</b>	<b>5 206 176</b>
<b>Expenses (Refer to page 71)</b>		<b>(56 533 504)</b>	<b>(54 254 166)</b>
<b>Operating profit</b>	14	<b>22 173 982</b>	<b>12 037 490</b>
Contribution to Universal Service Fund		(4 000 000)	—
<b>Surplus for the year</b>		<b>18 173 982</b>	<b>12 037 490</b>

The supplementary information presented does not form part of the annual financial statements and is unaudited



**DETAILED INCOME** (continued)  
for the year ended 31 March 2009

Figures in Pula	Notes(s)	2009	2008
<b>Operating expenses</b>			
Advertising and promotion		(1 017 324)	(417 903)
Assessment rates & municipal charges		(42 980)	(4 667)
Auditors remuneration	16	(75 600)	(41 501)
Bank charges		(79 217)	(73 724)
Cleaning		(73 040)	(95 050)
Computer expenses		(86 057)	(72 317)
Consulting and professional fees		(5 661 696)	(8 934 918)
Consumables		(10 001)	(16 918)
Depreciation, amortisation and impairments		(10 712 537)	(11 325 776)
Donations		(791 667)	(451 046)
Employee costs		(25 800 350)	(19 847 918)
Entertainment		(21 539)	(1 402)
Board expenses		(533 622)	(342 327)
Conference expenses		(1 480 420)	(1 401 508)
Functions hosted by BTA		(224 355)	(265 584)
Internet		(1 207 824)	(852 545)
Prepaid registration		(153 216)	—
Handling fees		(19 670)	—
Insurance		(505 950)	(757 090)
Lease rentals on operating lease		(14 775)	(59 100)
Legal expenses		(267 422)	(514 182)
Magazines, books and periodicals		(16 470)	(76 656)
Motor vehicle expenses		(189 341)	(165 848)
Postage		(41 441)	(46 767)
Printing and stationery		(619 760)	(443 366)
Uniform and other clothing		(332 475)	(30 884)
Repairs and maintenance		(1 195 699)	(1 991 217)
Security		(1 165 138)	(1 051 844)
Staff welfare		(297 839)	(139 087)
Subscriptions		(282 557)	(1 249 475)
Telephone and fax		(447 217)	(841 389)
Training		(1 299 899)	(555 267)
Travel and accomodation		(648 024)	(572 074)
Travel - overseas		(1 017 576)	(1 387 907)
Utilities		(200 806)	(226 909)
		<b>(56 533 504)</b>	<b>(54 254 166)</b>

The supplementary information presented does not form part of the annual financial statements and is unaudited