Botswana Telecommunications Authority

ANNUAL REPORT 2010

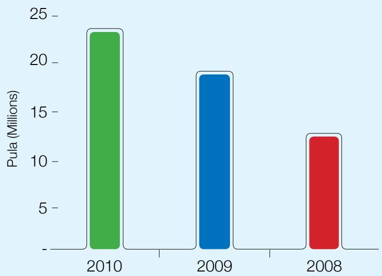
Highlights for the year ended 31 March 2010

Surplus for the year (Pula)

+29%

2010 P23,44million

2009 P18,17million



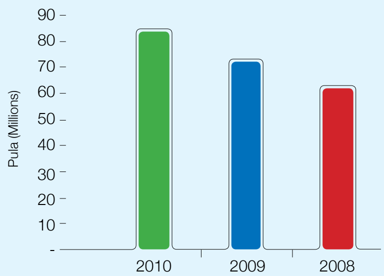
The increase in surplus was mainly attributed to increase in turnover related fees declared by the Public Telecommunications Operators (PTOs)

Revenue

+17%

2010 P83,47million

2009 P71,23million



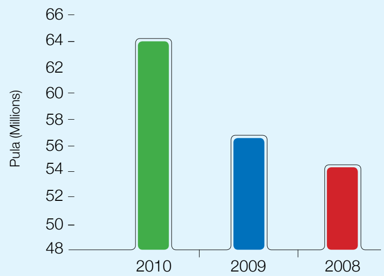
Revenue increased over the years mainly due to increase in net turnover fees from PTOs, increase in radio license fees as a result of additional spectrum and increase in microwave links required by the PTOs.

Expenditure

+13%

2010 P63,86million

2009 P56,53million



Operating expenses increased compared to prior years. Prepaid SIM card registration exercise had contributed to the increase as more publicity was carried out during the year.

Commentary

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 practice. The activities of the Board are regulated by the Board charter which is reviewed on an annual basis by the Board. The Board is assisted by various board committees, which are responsible for tendering, donations, remuneration and finance.

Social Responsibility

The Authority made donations in the form of Information Communications Technologies (ICTs) equipment mainly photocopiers, printers and computers to 75 primary schools. This was to compliment Government efforts with regard to the uptake of ICTs in Botswana. In addition, one Customary Court office received a computer and printer package to motivate technological efficacy in their processes.

Events after the reporting period

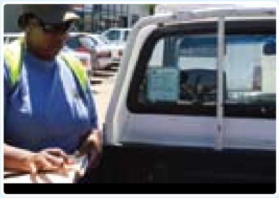
The BTA Board had approved to make a contribution of Pula 7 million towards the Universal Service Fund.

Market Development

Internet penetration in Botswana continues to be low because of the identified challenges of high cost of computers, Internet access costs and lack of local content as revealed by a market study carried in 2008. However, the service providers made a commendable effort to address the gap in the Internet market by introducing initiatives such as packaging the hardware and Internet access to make the Internet affordable. It is anticipated that the Internet penetration levels will improve as the challenges in the market continue to be addressed.

The BTA had during the last quarter of the year engaged consultants to assist with development of a cost model and pricing framework. The exercise will among others, develop a Cost Model and a Pricing Framework that encompasses all products/services in the fixed telephony and mobile telephony networks, develop a framework for regulating operators which have Significant Market Power; develop a Cost Model and Pricing Framework for bandwidth on the undersea cable of East African Submarine System (EASSY) and West African Cable System (WACS);and develop a framework for elimination of roaming charges among and between identified countries in the region.

Customers



There has been a moderate increase of 24% in subsciber base compared to last year. The mobile telephony increased by 26% while the fixed telephone subscribers reduced by 5%. The prepaid mobile subscribers continue to dominate the market with 98% share of the market .

Results the year ended 31 March 2010

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 2010

Statement of Comprehensive Income

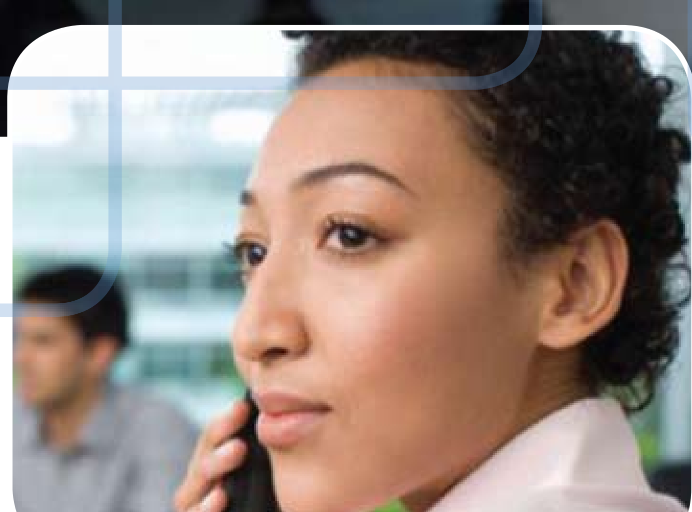
	2010 Pula	2009 Pula
Revenue	83,469,664	71,234,870
Other income	2,092,575	1,863,809
Operating expenses	(63,860,668)	(56,533,503)
Contribution to Universal Service Fund	(4,000,000)	(4,000,000)
Surplus for the year before finance income	**17,701,571**	**12,565,176**
Finance income	4,955,936	5,608,807
Gain on non-current assets held for sale	778,162	
Surplus for the year	**23,435,669**	**18,173,983**
Other comprehensive income	-	-
Total comprehensive income	**23,435,669**	**18,173,983**

Statement of Financial Position

	2010 Pula	2009 Pula
Assets		
Non-current assets	**96,929,538**	**105,323,024**
Property, plant and equipment	96,929,538	105,323,024
Current assets	**129,982,451**	**93,973,184**
Trade and other receivables	21,965,603	13,465,922
Prepayments	155,849	500,707
Cash and cash equivalents	107,860,999	80,006,555
Non-current assets held for sale	6,201,000	6,622,838
Total assets	**233,112,989**	**205,919,046**
Funds and Liabilities		
Funds	**196,178,512**	**177,286,338**
Proposed dividends	5,858,916	4,543,495
Accumulated funds	190,319,596	172,742,843
Current Liabilities	**36,934,477**	**28,632,708**
Trade and other payables	11,538,309	8,574,726
Government of Botswana -Universal Service Fund	25,396,168	20,057,982
Total Funds and Liabilities	**233,112,989**	**205,919,046**

Statement of Cash Flows

	2010 Pula	2009 Pula
Cashflow from Operating Activities	**32,310,159**	**22,184,767**
Cash generated from operations	26,154,223	16,575,960
Finance income	4,955,936	5,608,807
Cashflows of held for sale	1,200,000	-
Cashflow from Investing Activities	**(5,250,406)**	**(7,765,017)**
Purchase of property, plant and equipment	(5,514,634)	(7,993,662)
Proceeds on disposal of property, plant and equipment	264,228	228,645
Cashflow from Financing Activities	**794,691**	**2,970,093**
Movement in Universal Service Fund	5,338,186	5,979,465
Dividends paid to Government	(4,543,495)	(3,009,372)
Total cash movement for the year	**27,854,444**	**17,389,843**
Cash at beginning of the year	80,006,555	62,616,712
Cash and cash equivalents at the end of the year	**107,860,999**	**80,006,555**



OUR OVERVIEW

Mission

The BTA exists to promote and facilitate a competitive information and communication technologies environment to advance the knowledge society and economic diversification of Botswana through innovative and fair regulation

Vision

To be a progressive World Class Communications Regulator

Values

The BTA gives premium to the following values:

- Transparency;
- Innovation and creativity;
- Responsiveness;
- Research and Development; and
- Team Work

Chairman's Statement

"The end of the Financial Year 2009/2010 marked my first anniversary at the helm of the Botswana Telecommunications Authority (BTA) Board of Directors. We have adopted a new Strategic Plan (2009/2016) in the year under review. This Strategic Plan has been deliberately formulated to coincide with both the National Development Plan 10 and the culmination of Vision 2016. "

Dr Botswiri O. Tsheko, Chairman

The Strategic Plan provides the blue print for the realisation of the ICT National Policy (Maitlamo) and the key deliverables of the BTA in terms of the Telecommunications Act.

The BTA has long recognised the importance of ICTs as a catalyst for economic growth and diversification in Botswana. As a result, it has strategically repositioned itself to support the sector by among others adopting a Strategic Plan that sees regulation as not just being a referee, but being a facilitator of economic diversification through ICT services development. Among the key performance areas that the BTA has set for itself are to enable availability of affordable ICT services, efficient networks and promotion of a knowledge society.

The collective efforts of the Board of Directors, Management and Staff enabled us to overcome some of the regulatory challenges that came to our doorstep. There is still a lot to be done to improve amongst others the following:-

- Internet access;
- Quality of service;
- Interconnection issues;
- Public education; and
- Tariff structure.

We continue to address these and other emerging issues directly and indirectly, which have not been fully achieved and will require us to double our efforts to realise the desired goals. The economic meltdown that enveloped the whole world has to some extent not spared the communications sector. However, we managed to post good financial results against this background. We are hopeful that as the whole world comes out of the economic doldrums, so too will our national industries, leading to improved service and better economic returns.

The BTA is doing all it can, to ensure that the Universal Service Fund (USF) is fully operational. The Government of Botswana is working on the modalities of starting the fund and BTA has already opened an account where part of its surplus funds are being deposited as seed funding towards the creation of the USF. The USF will be operational immediately after Parliament approves the USF Policy.

Botswana's mobile telephony subscribers continued to grow during the period under review, however, the slow uptake of Internet is a major source of concern to us and a lot still remains to be done to improve the situation. There is no reason why Botswana's Internet penetration should not be the best in the region or Africa considering her economic status compared to some of the countries that appear above Botswana in the Information Communications Technology rankings.

As we strive to improve the regulatory environment, there are challenges that need to be addressed. Key among these is the perceived harmful effects of electromagnetic radiation (EMR) from mobile phones and their base stations or transmission towers. This issue will require an extensive public education in collaboration with other stakeholders, to assure the public of the safety of telecommunication equipments and accessories as guided by the International Commission on Non-Ionising Radiation Protection (ICNIRP) and endorsed by the World Health Organisation (WHO) and the International Telecommunication Union (ITU). The BTA has during the reporting period undertaken a public education exercise to drive the registration of pre-paid mobile phone project. It will be necessary to approach public education on EMR with the same zeal.

The BTA is developing standard Reference Interconnection Offers (RIOs) to make the interconnection process as transparent as possible for all players. Work is also being done on Cost Model and Pricing Framework for communication services in Botswana and the Infrastructure sharing initiative in an effort to enhance the regulatory environment for the growth and development of the industry. All these initiatives are intended to address stakeholders' complaints of the BTA's inability to reign in on major operators who are perceived to be abusing their market power.

The Government of Botswana has provided an enabling environment for the investors to realise significant return on investment. The regulated entities have provided a variety of services in competitive markets. The consumers enjoy a fair amount of choice and in some segments of the markets prices have gone down significantly. The BTA expects the trend to continue in the coming years.

I am confident that with the continued support of my colleagues in the Board, Management and Staff, our Ministry and the industry stakeholders, Botswana will, in the near future, stake her claim among the leading countries in the ICT space and service provision. We will continue to accept constructive criticism from those involved in the industry, and we hope this will help us to plug those holes that we may at times overlook. We also wish to invite ideas and suggestions from individuals, companies or any group that wishes to see the communications industry move to greater heights. It is by our concerted efforts as a nation that we may achieve the developmental goals of this great nation of ours.

Chief Executive's Statement

"The year under review was a successful year in terms of progress made in advancing a liberalised communications sector in Botswana.

Thari G. Pheko, Chief Executive

Equally, this has been yet another financial year in which the Botswana Telecommunications Authority has a strong Statement of Financial Position and a healthy Cash Flow. This is a good indicator that the industry is healthy, competitive and vibrant. The service and technology neutral licensing framework has broadened the scope of services and packages offered to the consumers, and uptake of such services and packages is already evident as competition for the telecommunications market has intensified.

A comprehensive market study of the telecommunications/ ICT sector in Botswana conducted during the reporting period has gathered sufficient information to enable the BTA to make informed regulatory interventions in the market. The findings from the study revealed that different market segments had varying levels of competitiveness. The findings revealed that:

- The mobile market was functioning well, with strong penetration and coverage levels in comparison to benchmarks;
- The fixed line market, displayed significant market power in the fixed local/national voice, leased line, and international voice markets; and
- The Internet market was a key area of concern. Uptake and usage of the Internet in Botswana is still in its infancy, with low Internet penetration and extremely low broadband penetration due to a number of factors among which include high computer prices, high cost of services, low IT literacy, a lack of local Internet content and application, power supply problems and a perception of low-quality service.

Spectrum management in this era of convergence is even more complicated as there is an array of competing needs, some of which do not easily fit within conventional telecommunications and/or broadcasting traditions. Regulation of this finite resource which is central to the development of ICTs requires expertise and technical facilities which are in short supply.

Licensees are generally on track in terms of compliance with the terms and conditions of their licences. However, the biggest concerns are late submission of information to the BTA; late renewal of radio licences; and failure to pay service and system licence fees on time. Continuous education to the licensees through operational meetings and stakeholders consultative forums are some of the strategies employed to address the problems.

The BTA has been closely involved in issues of international concern. It has been active in the activities of CRASA as there is a realisation of the need to harmonise our regulatory instruments to make the SADC region attractive to the investors. Equally, the BTA has also been playing active roles in the international organisations to which it is a member. The BTA's participation in the Universal Postal Union Council of Administration, even though it does not regulate the Postal sector, speaks to its commitment to facilitating the growth of that sub sector in the communication industry and in anticipation and preparation for a converged communications regulator.

The BTA in conjunction with stakeholders is also engaged in an exercise to develop a framework on infrastructure sharing. A reference team has been established to drive the exercise. Infrastructure sharing would not only facilitate the provision of affordable services as the cost of provision of such services becomes manageable through sharing, but it also speaks to the global concern on the effect of these infrastructures on our environment. The paper is expected to be completed during the next financial year.

However, the good results do not preclude obstacles that stand on the path as we continue to guide the industry. There are still several regulatory challenges that we have to contend with amongst which are the following:-

- The development of broadband access strategy that will increase internet penetration which is still very low, around 5%;
- The management of the radio frequency spectrum which has to be done efficiently in this era of convergence;
- The reduction of the digital divide or digital deficit;
- Security in the use of ICTs;
- Interconnection issues; and
- The transition from analogue to digital television broadcast technology which countries in Region 1 of the International Telecommunication Union (ITU) regions should be compliant with by the end of the year 2015;

The aggregation of the abovementioned issues are some of the challenges on the regulatory agenda of a developing country like Botswana. Concerted effort by the key stakeholders such as Government, private entities, civil society, operators, is necessary going forward.

The growth of ICTs in this country and anywhere in the world is closely linked to the economic progress of the nation. It therefore compels us to provide an enabling environment for the growth and sustainability of the ICT sector if we are to achieve significant economic growth and global competitiveness

The compulsory pre-paid mobile subscriber registration exercise that we introduced in 2008 was concluded on 31 December 2009. Despite teething problems at the beginning of the exercise, the project was able to register 2 026 142 (Two million and Twenty Six Thousand One Hundred and Forty Two) subscribers representing 85% of the total prepaid subscriber base of 2 394 445 (Two million Three Hundred and Ninety Four Thousand Four Hundred and Forty Five) as at 31 December 2009. The remaining 15% did not come forward to register and were disconnected after 31 January 2010. The exercise, as we have maintained from its inception is meant to assist in getting accurate statistics of the mobile users. In addition, to assist in trying to curb the increasing crime perpetuated through the use of prepaid mobile SIM cards and the exercise is in line with international best practice.

With regards to the transition from analogue to the digital terrestrial television, the BTA has been a leading contributor to the Broadcasting Sub-Committee tasked by both the Communications Regulators Association of Southern Africa (CRASA) and the Ministers Responsible for Telecommunications, Postal and ICT's in the Southern African Development Community (SADC) region to ensure that there is a smooth transition by the target date of 31 December 2013 (SADC target). A lot still needs to be done to ensure that the general public is made aware of this anticipated change and for them to fully embrace it.

The interconnection issues have of recent become contentious as the Value Added Network Providers (VANS) seek to interconnect with established Public Telecommunications Operators (PTOs). Competitors often take too long or fail to agree on technical and/or tariff related parameters during negotiations. Consequently, National Regulatory Agencies (NRAs) around the world are often called to mediate interconnection matters where smaller operators raise the flag against the incumbents or major operators. The mediation process is often lengthy and quite involving, which makes the concerned players agitated and to sometimes question the fairness of the National Regulatory Agency.

Chief Executive's Statement (continued)

BTA took part in the ITU Telecom World 2009 Conference in Geneva, Switzerland.
L-R Mr. M. Mokgware, Director Market Development & Analysis; Board Members Dr. S. E. M. Sebusang, Dr. M. A. Mpotokwane, Dr. B. O. Tsheko; Mr. S. Montsho (Counsellor – Botswana Mission Geneva), Mr. A. Nyelesi, Mr. Thari G. Pheko (Chief Executive), Mr. T. Kepaletswe and Mr. R. Phole (Board Member)

It is globally recognised that convergence is with us and one can no longer talk of a separate telecommunications industry without reference to the related sectors of Information technology and broadcasting services. Hence the Government of Botswana has issued a directive for the merger of the two regulators being Botswana Telecommunications Authority and the National Broadcasting Board, essentially to create a converged or integrated regulator. The BTA has since made a recommendation to the Ministry of Transport and Communications on the process that need to be undertaken to effect the merger. It is hoped that the process will be completed during the 2010/2011 financial year.

Botswana, like other countries whose economies are in transition, is faced with a mammoth task of reducing the digital divide/digital deficit. This is not an easy task to overcome, but there is hope as the Government has invested in the high capacity bandwidth undersea cables in both the East and West coasts of Africa. The two undersea cables should, after the backhaul links connecting the national backbone infrastructure have been completed, offer enough capacity and choice to drive down tariffs. This we hope will make communication services in Botswana more effective and affordable to the general public. Hence the increase in internet usage should also be realised. As the regulatory body, we highly support this Government endeavour and will ensure that all regulatory mechanisms are in place to minimise possible challenges that may arise.

For us to overcome all the challenges cited above, the Authority will no doubt continue to rely on the assistance of the telecommunications mother body, which is the International Telecommunication Union (ITU) and other entities that foster the growth and development of ICT's globally, regionally and nationally.

"It is globally recognised that convergence is with us and one can no longer talk of a separate telecommunications industry without reference to the related sectors of Information technology and broadcasting services."

BTA Board of Directors

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

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.

BTA Management

Mr. T.G. Pheko
Chief Executive

Mr. M.O. Tamasiga
Deputy Chief Executive

Mr. T.B. Koontse
Director Communications, Compliance and Consumer Affairs

Dr. G. Radijeng
Board Secretary

Mrs. B. Mine
Director Finance

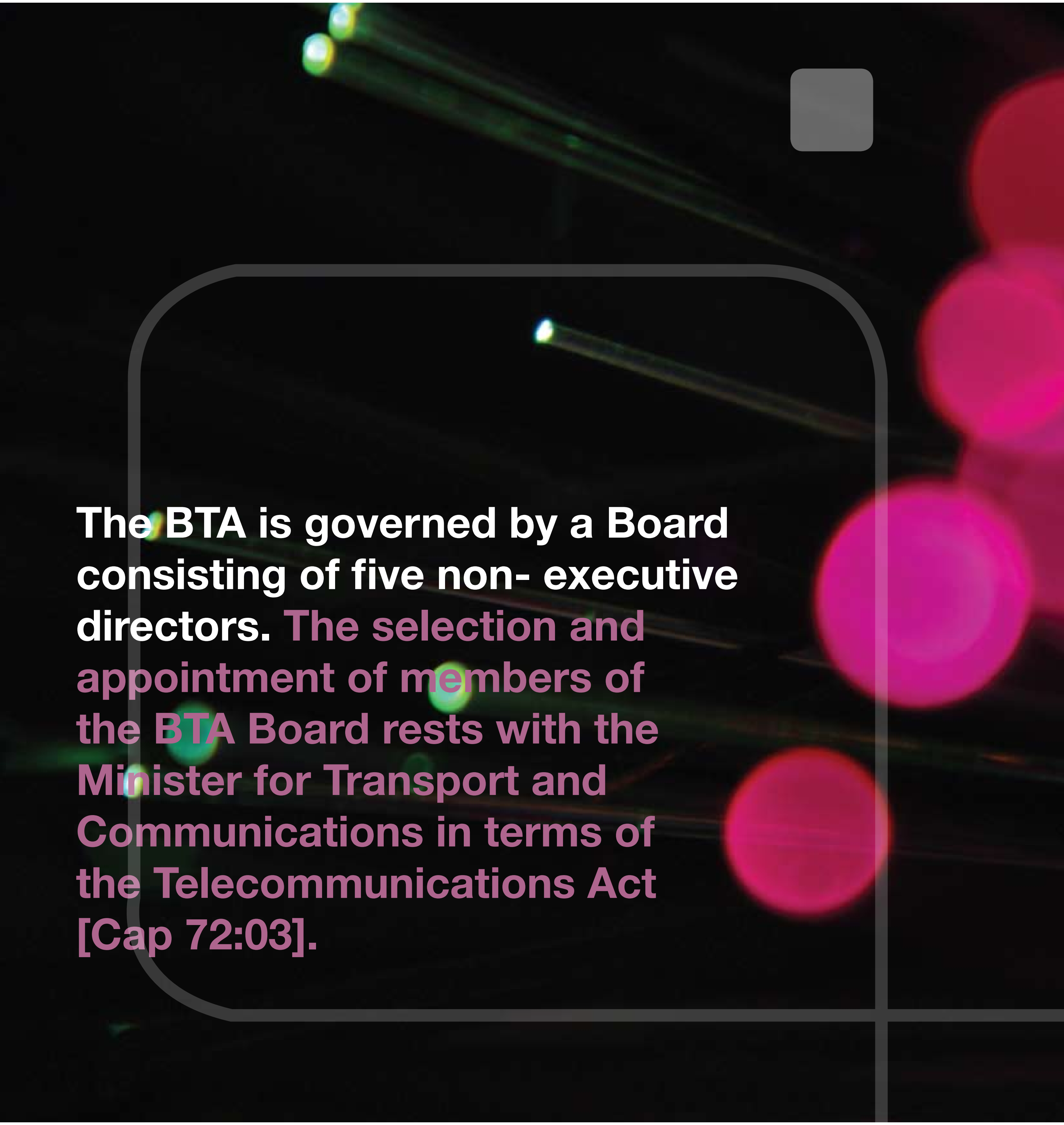
Mr. T. Mosinyi
Director Engineering Services

Mr. A.N. Mokone
Director Corporate Services

Mr. O. Tsiang
Director Broadcasting Regulation

Mr. M. Mokgware
Director Market Development and Analysis

Corporate Governance



The BTA is governed by a Board consisting of five non- executive directors. The selection and appointment of members of the BTA Board rests with the Minister for Transport and Communications in terms of the Telecommunications Act [Cap 72:03].

Board appointments are based on prescribed skills and experience. All the current members of the Board have diverse skills and experience in various disciplines which are helpful in the regulation of the industry.

The Board

The activities of the Board are also regulated by the Board Charter which is reviewed on an annual basis by the Board. The current members of the Board are:

- Dr. Botswiri. O. Tsheko – Chairman
- Dr. Masego A. Mpotokwane – Vice Chairman
- Mr. Ronald M. Phole – Member
- Dr. Sebusang E.M. Sebusang – Member
- Dr. Taufila Nyamadzabo – Member

Board Meetings

Ordinary Board meetings are scheduled at the commencement of each financial year. During the period under review, the Board held nine (9) meetings, four (4) being the ordinary Board meetings and five (5) being special Board meetings.

Board Committees

The Board has three standing Committees which are the Finance and Audit Committee, the External Tender Committee and the Remuneration Committee.

Finance and Audit Committee

The Finance and Audit Committee consists of three (3) non-executive Members of the Board. It was set up to ensure that Management creates and maintains an effective control environment. It reviews; Financial Controls, Risk Management, Accounting Systems, Reporting to external parties, the work of internal and external auditors, monitoring of the BTA's legal compliance and the code of conduct.

Corporate Governance (continued)

BTA visited the Tanzanian Communications Regulatory Authority (TCRA) on a bechmarking mission. Front Row L-R Professor John Nkoma of TCRA 2nd from left, Dr. B. O. Tsheko and Mr. Thari G. Pheko with BTA and TCRA staff members.

The Committee met seven (7) times to consider and make recommendations to the Board on various issues including making recommendations to the Board on the approval of the 2009/10 Financial Statements, the 2010/11 budget, Risk Management Policy and appointment of External Auditors for the BTA.

The members of the Finance and Audit Committee are:-

Dr. T. Nyamadzabo	–	Chairman
Mr. R. M. Phole	–	Member
Mr. A. Bogatsu	–	Member

In accordance with its responsibilities the Committee made recommendations to the Board regarding; development of necessary operational policies, reduction of costs to ensure financial sustainability of the BTA and the approval of statutory reports. As a result of these, the BTA was able to comply with the requirements of the Telecommunications Act in terms of financial reporting and other governance issues.

Remuneration Committee

The Remuneration Committee consists of three (3) non-executive members of the Board. The Committee met six (6) times in the reporting period to consider and make recommendations to the Board on various issues including the Human Resource Strategy, the Board Charter and the Organisational Development proposals.

The members of the Remuneration Committee are:-

Dr. S.E.M. Sebusang	–	Chairman
Dr. M. A. Mpotokwane	–	Member
Mr. R.M. Phole	–	Member

External Tender Committee

The External Tender Committee consists of two (2) non-executive 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 three (3) times in the reporting period to consider and approve submissions relating to the following tenders:

- Tender on Consultancy Services for the Development of a Cost Model and Pricing Framework for Telecommunications services in Botswana; and
- Tender on additional civil works for the construction of access road to Mabutswe hill to the automated spectrum management and monitoring system.

The members of the External Tender Committee are:-

Dr. M.A. Mpotokwane	–	Chairman
Dr. S.E.M. Sebusang	–	Member

Declaration of interests

The Members of the Board are required to declare their interests at every Board and or Committee meeting, to comply with Section 12 of the Telecommunications Act [Cap 72:03] to ensure good corporate governance.

Board Members Fees

Board members' fees are paid in accordance with Botswana Government directive on sitting allowance for Board meetings. The current members fees are as follows:-

	Fees per sitting
Board Chairman	P 735
Deputy Chairman	P 588
Member	P 588

Board Secretary

The Board Secretary's duties include the provision of legal and corporate governance advice and secretarial services to the Board, the induction of new members and provision of advice on their roles both in their individual and collective responsibilities. The Board Secretary is Dr. Godfrey O. Radijeng.

Corporate Governance (continued)

Table 1: Schedule of BTA Board Members attendance for the period 01/04/09 to 31/03/10

		Board (n/n)	Finance and Audit Committee	External Tender Committee	Remuneration Committee
Dr. B. O. Tsheko	Chairman	8/9 apology			
Dr. M. A. Mpotokwane	Vice Chairman	9/9		3/3	6/6
Mr. R.M. Phole	Member	9/9	6/7 apology		6/6
Dr. T. Nyamadzabo	Member	9/9	6/7 apology		
Dr. S. E. M. Sebusang	Member	9/9		3/3	6/6
Mr. A. Bogatsu	Finance & Audit Committee Member		7/7		

Key: N/N – number of meetings attended in comparison to the total number of meetings held.

Going Concern

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

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 to the BTA valued between P500 001 and P 1 000 000. The Committee considered and approved the following tenders during the reporting year:

- Consultancy services to carry out a Broadcasting Audience Survey in Botswana;
- Supply, installation and commissioning of the standby power generator for the Phakalane Monitoring Centre;
- Seamless Integration of Frequency Licensing Sub System (FLSS) and Accounting Package (ACCPAC); and
- Procurement of ICT equipment for donations.

The members of the Internal Tender Committee are:-

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's main purpose is to assist with the uptake of information communications technologies (ICTs) in Botswana.

Financial limits

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

Chief Executive	Up to P 500,000
Internal Tender Committee	P 500,001 to P 1 000,000
External Tender Committee	above P 1 000,000.

RISK MANAGEMENT

Due to the rapid developments in the communications industry and the general business landscape in Botswana as well as internationally, the BTA is faced with many uncertainties which could impact on the achievement of its objectives. The BTA has adopted a Risk Management Policy which outlines the responsibilities and scope of activities for managing the risks of the organisation. Hence, an organisation wide risk assessment was undertaken in 2009 to identify the major risks that threaten the objectives of the organisation. As a result, the BTA developed a Risk Register which enables Management to design appropriate controls for all business and operational risks. The Risk Register assisted the BTA to identify projects which would be undertaken in the medium term to remove impediments to the achievement of the Strategic Plan.

The projects were in the areas of; internal operational policies, environmental concerns due to telecommunications business operations, efficiency of networks, development and uptake of local content and reduction in the prices of ICT services.

Internal Audit Division

The Internal Audit Division assists Management in the control of risks and provides assurance to the Board and the Finance and Audit Committee on the adequacy of risk management processes, governance and internal controls measures. The Division follows a risk based internal audit plan which is reviewed by the Finance and Audit Committee on a quarterly basis. The plan for the year 2009/10 focused on addressing the risks identified in the major processes of the organisation including Budgetary Controls, Procurement Process, Reconciliation of Accounts, and Leave Records. Through the implementation of audit recommendations, the organisation has improved efficiency in its operations.

Due to the dynamic role of the internal audit work, the coordination of Risk Management and Business Continuity have been undertaken by the Internal Audit Division to ensure that there is constant improvement in the operations of the organisation and response to the changes in the business environment. The Internal Audit Division has coordinated the risk assessment exercise for the whole organisation and the updating of the Business Continuity Plan (BCP).

Business Continuity and Disaster Recovery

The BTA has a Business Continuity and Disaster Recovery Strategy which is maintained on a continuous basis. As noted above the strategy has been updated and the BTA is also in the process of acquiring additional ICT equipment relevant to the continuity of operations in case of a disaster. In addition, relevant training is being offered to relevant officers as a way of embedding the BCP culture in the organisation.

BCP is a systematic approach to the advanced planning and preparation necessary for the BTA to identify the impact of potential losses with a view to formulate and implement viable recovery strategies. Through the BCP the BTA will establish recovery plans which will ensure continuity of organisational services in the event of an emergency or disaster/incident.

“The BTA has adopted a Risk Management Policy which outlines the responsibilities and scope of activities for managing the risks of the organisation.” Hence, an organisation wide risk assessment was undertaken in 2009 to identify the major risks that threaten the objectives of the organisation.”

SECTOR REVIEWS

In August 2009, as part of the Information Technology Strategy (IT Strategy) for BTA, the converged Internet Protocol (IP) (data and voice) network was implemented. The implementation of strategy resulted in the installation of equipment which includes IP phones, voice mail software, meeting place express software, WAN / Voice Routers and video telephony (cameras, switches) among others.

Engineering Review (continued)

Spectrum Management Strategy for Botswana

The implementation of the Spectrum Management Strategy for Botswana has been ongoing for over a year. Significant of all the components of the strategy is the issuing of a Public tender on high demand Fixed Wireless Access (FWA) spectrum in 2008. Two companies which had submitted proposals for the FWA spectrum, who are also registered VANS licensees were awarded FWA licences in February and April 2010. The two companies have been allocated 20 MHz each of spectrum in the 2.6 GHz band on a national basis. The licensees are expected to start rolling out their networks from July 2010. The allocation of hitherto restricted spectrum will enable the VANS licensees to spread their service offerings and offer better quality products to their customers. This will also enable a much wider choice of service providers to the general public.

Spectrum Monitoring

The spectrum monitoring exercise continued to be undertaken within the BTA for the purpose of minimising interference between users. Minimal interference ensures good quality of service. Five interference complaints were registered during the year. Interference complaints received during the year ranged from malfunctioning electric gates to non functioning immobilisers for cars. Interference complaints were also registered from the PTO's and an incident where a licensed operator inadvertently had their radios drift into the aeronautical band was recorded. The aeronautical band is very sensitive as in most cases it deals with safety of life on board aircraft. All the reported incidences were however successfully resolved.

National Radio Frequency Plan

The BTA developed the national radio frequency plan in 2000. During the reporting period, the BTA started the process of reviewing the plan to incorporate the outcome of the 2007 World Radiocommunication Conference (WRC 07). The new national band plan would also take cognisance of the rapid technology changes. In addition the plan would also be aligned to the regional band plan as agreed to by Communications Regulators Association of Southern Africa (CRASA) and approved by the Southern Africa Development Community (SADC).

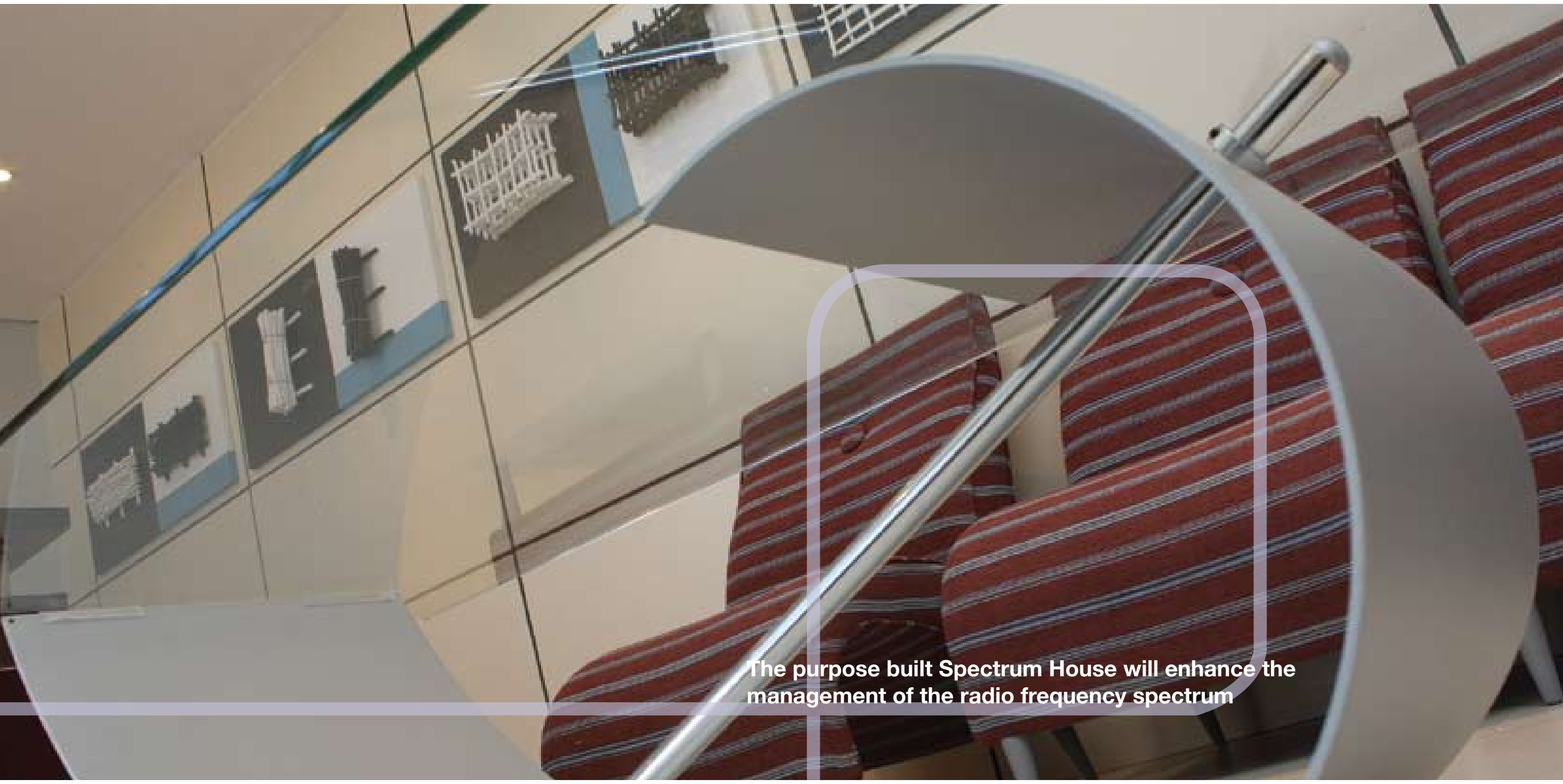
Telephone Numbering

The telephone numbering plan and policy currently employed advices the BTA on allocations for telephone numbering resources to the various telecommunications services available in the country. It is envisaged that the current numbering plan would sustain the industry over a twenty year plan period. During the year under review two mobile phone operators, namely Mascom Wireless and Orange Botswana were allocated numbers blocks for use. The allocated number blocks are shown in Table 2.

Table 2: Mobile number blocks allocated during 2009/2010

Number Block	Zone	Type	Operator	Start
76099999	Mobile	Non-Geographic	Mascom	October-2009
76199999	Mobile	Non-Geographic	Mascom	October-2009
76299999	Mobile	Non-Geographic	Mascom	October-2009
76399999	Mobile	Non-Geographic	Orange	December-2009
76499999	Mobile	Non-Geographic	Orange	December-2009
76599999	Mobile	Non-Geographic	Orange	December-2009

Engineering Review (continued)



The purpose built Spectrum House will enhance the management of the radio frequency spectrum

Management of the Country Code Top Level Domain Name (ccTLD)

Work continued to be carried out towards migrating the management of the country code Top Level Domain name (ccTLD), otherwise known as the .bw domain, from Botswana Telecommunications Corporation (BTC) to BTA. The ccTLD's are among the national resources that must be managed in the public interest of a sovereign country. A country code top-level domain (ccTLD) is an Internet top-level domain generally used or reserved for a country (a sovereign state or a dependent territory).

At a global level, Internet Corporation for Assigned Names and Numbers (ICANN) coordinates these unique identifiers. ICANN was formed in 1998 as a not-for-profit organisation with participants from all over the world dedicated to keeping the internet secure, stable and interoperable. ICANN also promotes competition and develops policy on the Internet's unique identifiers. In order for ICANN to recognize the new management authority, a process known as re-delegation needs to be carried out. The process is such that consensus has to be obtained from all stakeholders.

"Spectrum management is essential to providing an environment in which radio can make the greatest contribution to national competitiveness, as well as to cultural, scientific and social life."

The BTA is actively working on the process of re-delegation which requires consensus from all stakeholders including government, sector regulator, BTC and the general Internet community and to that end several consultative forums have been held. A Technical Advisory Committee (TAC) was constituted during the year under review and has already started its work to achieve re-delegation. The TAC comprises of a wide range of interest groups ranging from the service providers, academia, some representatives of public entities and the BTC. Benchmarking missions have also been undertaken.

Type approval Specifications and procedures

The BTA produced a set of comprehensive Type Approval Specifications suitable for use in the Botswana Telecommunications market. The Specifications cover every conceivable, legitimate and known Radio & Telecommunications Terminal Equipment (RTTE) in the global telecommunications market. In addition the BTA produced a set of Type Approval procedures for Botswana. The procedures have taken into consideration the BTA's overall strategy of adopting a light-touch regulatory regime, which shifts the burden from pre-market surveillance to post-market surveillance. During the reporting period 38 radio communications equipment and specifications were submitted to the BTA for type approval.

Spectrum House

The BTA has completed the construction of a spectrum monitoring centre. The facility dubbed Spectrum House was officially opened by the Minister for Communications, Science and Technology, Honourable Pelonomi Venson-Moitoi on 18 August 2009. The Spectrum House is used to monitor radio frequency spectrum, allowing the BTA to supervise efficient use of the spectrum and to pinpoint interferences.
Radio frequency spectrum ("Radio") is a natural finite resource that is essential to the information society as it is an efficient and cost effective communications medium. Spectrum management is essential to providing an environment in which radio can make the greatest contribution to national competitiveness, as well as to cultural, scientific and social life. In addition to the need for effective management of the radio spectrum to ensure its availability in the country, Botswana has an international obligation under the Convention of the International Telecommunication Union (ITU) and the ITU Radio Regulations to resolve any interference induced in neighbouring countries by radio equipment operating in Botswana.

The BTA ensures the rational use of the radio frequency spectrum in Botswana by establishing and maintaining a national radio frequency plan. It also ensures availability of spectrum to meet the needs of existing and new radio services including services for government and non-government use. The BTA further monitors radio frequency occupancy and establishes the necessary technical standards in relation to the radio frequency spectrum.
Spectrum House also serves as storage and archiving facility and disaster recovery and business continuity site for BTA operations.

Information Technology Services

In August 2009, as part of the Information Technology Strategy (IT Strategy) for BTA, the converged Internet Protocol (IP) (data and voice) network was implemented. The implementation of strategy resulted in the installation of equipment which includes IP phones, voice mail software, meeting place express software, WAN/ Voice Routers and video telephony (cameras, switches) among others. The project is fully integrated enabling data and voice to be transmitted over a single network infrastructure. Two Unified Call Managers were deployed at BTA Head Office in Gaborone and Spectrum House in Phakalane, and the interconnectivity between the two sites is through a wireless 33Mb/s link. The implementation of the integrated communications system has therefore put the BTA information systems at the forefront of technology and has greatly reduced the BTA telephone bill.

Frequency Licensing Sub-System (FLSS)

The Frequency Licensing Sub-system (FLSS) is used to assign the radio frequency spectrum and prepare radio licences. To improve service delivery in terms of radio licensing, the interface between the FLSS and ACCPAC has been upgraded so that invoicing and receipting of customers is done on the FLSS. The financial transactions are batch transferred to the ACCPAC after the customer has been served. The software upgrade done on the FLSS was to ensure that it provides some of the following features to be able to integrate it with ACCPAC version 5.5:

- Print Licenses from FLSS;
- Invoice customers;
- Record payments from the customer; and
- Export Fee notices and customer Information to ACCPAC.

Broadcasting Regulation

Botswana launched the Digital Migration Task Force led by the National Broadcasting Board in collaboration with the BTA

The financial year 2009/2010 was of great significance in the Broadcasting sector as it highlighted the crucial role played by the sector in a democracy as the country went to the polls.

A key activity was the development of the Code of Conduct for Broadcasters during Elections which enabled broadcasters to maintain a balance in their coverage of electioneering. It was also the year in which some licensed players failed to take off, citing the economic crisis. For the first time an audience survey of the broadcasting sector was conducted by the regulator, revealing quite interesting trends in the audience profiles. The digital migration process progressed to a level of draft plan during the year 2009/2010.

Election Code

The National Broadcasting Board (NBB) and the Independent Electoral Commission together with broadcasters and political parties developed a Code of Conduct for Broadcasters during Elections meant to guide the broadcasters to maintain balance and fairness during the electoral process. The Code was adopted at a stakeholders' conference in October 2008. While the broadcasters generally adhered to the principles of the code, it was however not able to be incorporated into regulations as was necessary for it to be enforceable. The code was implemented in 2009 to provide equitable treatment for all political parties by broadcasters.

Preparation for Digital Switchover

The Digital Migration Task Force set up by the then Minister for Communications, Science and Technology to chart the course for migrating broadcasting from analogue to digital completed its report during the financial year under review. The report was presented to the Minister in September 2009 containing a series of recommendations and setting time lines for the digital migration process. The Task Force also carried out public education campaigns including the briefing of the Ntlo ya Dikgosi (erstwhile name: House of Chiefs), the all Party Parliamentary Caucus, the University of Botswana and other institutions of higher learning.

Audience Survey

The BTA on behalf of the NBB commissioned a consultancy to undertake a broadcasting audience survey. The survey was meant to determine the size and profiles of audiences for

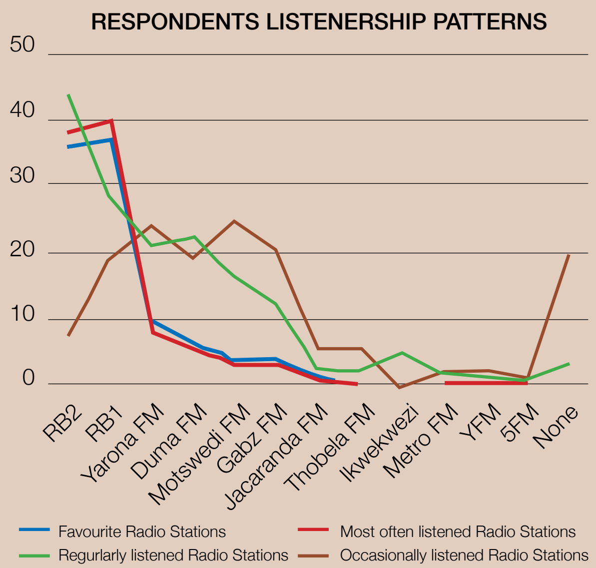


Figure 1: The radio listenership in Botswana

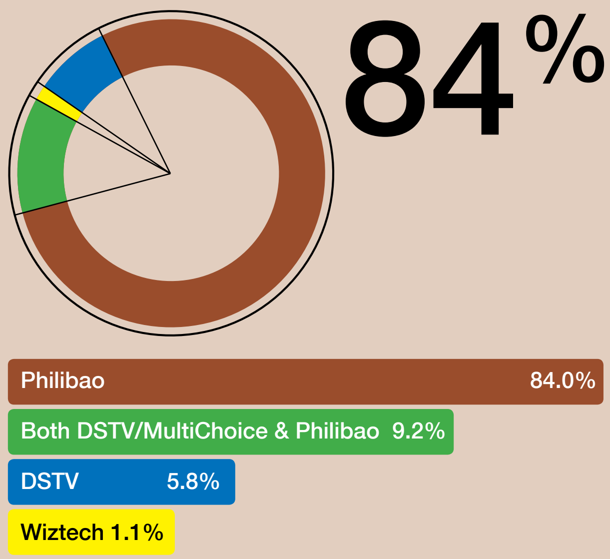


Figure 2: Shows a satellite audience distribution.

both radio and television. The survey took six months to complete and demonstrated that radio is the most widely used medium of communication in Botswana. It also revealed that 79% of people watch television by satellite while 20.2% watch it by terrestrial and that the use of free to air decoder dominates the television viewing experience. The survey comprised of questionnaires, diaries, focus group discussions and literature review. Figure 1 and 2 above show the radio listenership patterns and satellite audience distribution in Botswana.

LICENCE REVOCATION

Two satellite broadcasting services, Munhumutape African Broadcasting (MABC) and Black Earth Communication Satellite Television (BESTtv) which were licensed in 2007 failed to commence operations as had been expected. The NBB revoked the licenses of the two service providers for failure to meet their license conditions. At the time of reporting, MABC had appealed the NBB decision to the High Court and the matter was yet to be heard.

RADIO LICENSING

On 26 January 2010, the National Broadcasting Board licensed the second service of Radio Botswana (RB2) as a public service broadcasting station. The Broadcasting Act [Cap 72:04] stipulates that all broadcasting services that were in existence before the establishment of the NBB have to be licensed to normalise their service hence RB2 was licensed as a public service broadcaster with commercial activities. The licence enables RB2 to compete for advertising with the private broadcasters although it is government owned and funded. The five (5) year public service broadcasting licence grants coverage of operations by RB2 over the entire country.

TELEVISION LICENSING

The NBB approved a change of name by former Gaborone Broadcasting Company Television (GBC) to E-Botswana (Pty) Ltd. With this change of name, the television station hopes to leverage on the programming by the South African free to air private television service station E-tv, with which E- Botswana (Pty) Ltd is associated through share holding.

Market Development

UPTAKE OF TELECOMMUNICATION SERVICES

Since the introduction of mobile telephony in Botswana, there has been an exponential growth in the demand for telecommunication services mainly in the mobile telephone segment. Demand for fixed telephony has not reached remarkable levels despite various marketing efforts by the fixed telephony service provider. It is therefore evident that mobile telephony is a substitute to fixed telephony particularly in the voice telephony services.

Fixed telephony subscriptions grew from 135 900 in March 2001 to 137 422 in March 2010, representing a marginal CAGR of 0.1% and thereby lagging behind in terms of growth comparison against mobile telephony. Teledensity for fixed telephony has declined from 8.4% to 7.6% over the same period due largely to the fact that estimated population increases from 2001 to 2010 are higher than the increase in number of subscriptions.

As mentioned earlier, the slow uptake of fixed telephony could be due to availability of the mobile telephony as a substitute. Although all Public Telecommunication Operators (PTOs) have been issued technology and service neutral licences allowing them to provide mobile and fixed telephony as well as data and internet services, BTC is the only PTO which provides fixed telephony services in Botswana. Figure 3 represents the annual number of subscriptions in the Botswana mobile and fixed telephony market.

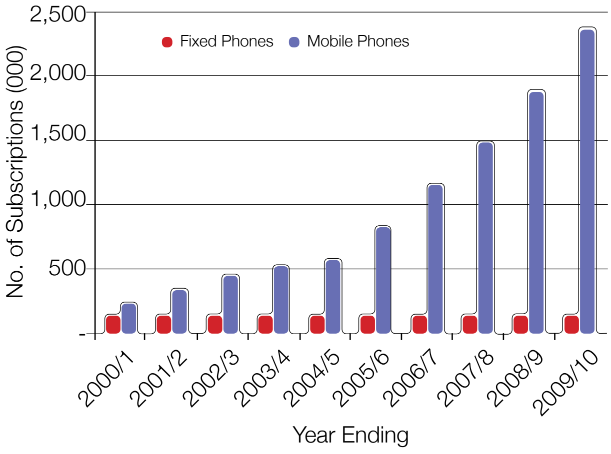


Figure3: Uptake of mobile and fixed telephony services

Mobile and Fixed Telephony Services

The mobile telephony services are provided by three Public Telecommunication Operators (PTOs) namely Orange Botswana (Pty) Ltd (Orange Botswana), Mascom Wireless Botswana (Pty) Ltd (Mascom Wireless) and Botswana Telecommunications Corporation's (BTC) beMOBILE. Orange Botswana and Mascom Wireless started providing service in Botswana in 1998 whilst BTC beMOBILE started in 2008. Over a ten year period from March 2001 to March 2010, the compound annual growth rate (CAGR) of number of subscriptions combined for both contract and prepaid is 26.6%. In absolute terms, the number of subscriptions has grown from 222 190 to 2 363 411 over the period. Teledensity has also increased substantially from 14% in March 2001 to 131% in March 2010.

Customer Subscription types

An analysis of the subscription types in the mobile market shows that prepaid subscriptions consistently account for between 97% and 99% of the market. The actual proportions by subscription types for March 2010 are 98% for prepaid and 2% for contract subscriptions. The fixed telephony market has prepaid and post-paid subscription types and whilst there are no details on the current proportions of the two subscription types, historical data shows that in 2008, post-paid had a market share of 71% and prepaid had 29% share. Figure 4 shows the subscription types for mobile telephony as at March 2010.

Market Development (continued)

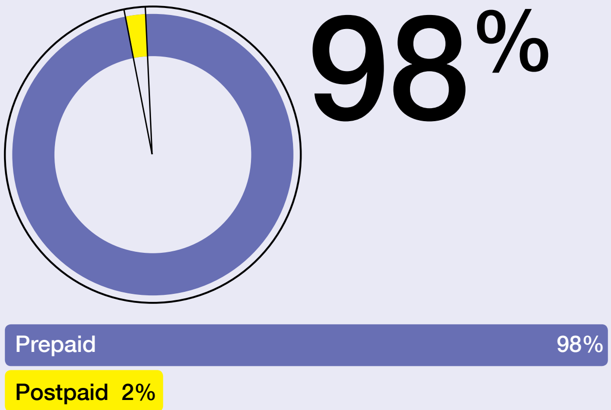


Figure 4: Subscription types as Percentage of Market Share at March 2010

Market share of Public Telecommunications Operators by number of Subscriptions

The mobile telephony market share of the Public Telecommunications Operators as at March 2010 was 6% for BTC beMOBILE, 37% for Orange Botswana and 57% Mascom Wireless. In the fixed telephony market, BTC is the sole provider, therefore holding the entire 100% of the market. The mobile telephony market shares are shown in Figures 5 below.

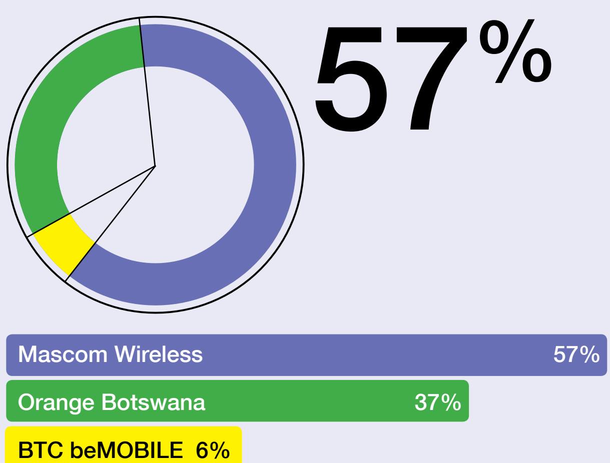


Figure 5: Mobile Telephony Market share of Public Telecommunications Operators by number of subscriptions as at March 2010

Internet and Broadband Penetration

The market study completed in 2008 revealed that Internet penetration in Botswana was very low. A number of challenges were identified as hampering the penetration levels and these include, among others, high cost of computers, prohibitive Internet access costs and lack of local content. However, the providers of the service have embraced the service and technology neutral licensing regime by offering services through different platforms which include Asymmetrical Digital Subscriber Line (ADSL), mobile data cards, fixed wireless access, and V-SAT. As at March 2010 all PTOs were offering Internet services targeting different segments of the market. Some of the technologies deployed included WiMax, GPRS, EDGE or UMTS (3G) technologies. During the 2009/10 financial year, two of the VANS licensees were awarded fixed wireless access spectrum which would allow them to deploy wireless networks to offer high speed Internet.

Botswana Telecommunications Corporation (BTC) reported that it had 11 978 subscribers for both fixed and mobile Internet services as at end of March 2010. Out of the total, there were 9868 ADSL subscribers compared with 8069 reported as at end of March 2009, showing an increase of 1799 subscribers.

A commendable effort has been made by the service providers to address the gaps in the Internet market. A number of initiatives have been introduced in the market including packaging the hardware and Internet access to make Internet affordable. The BTA anticipates that Internet penetration levels will continue to improve as the challenges in the market continue to be addressed.

The anticipated increase in bandwidth capacity as a result of Government of Botswana investments in undersea cables in the East and West Coast of Africa is expected to increase competition and yield positive results for Internet Penetration.

FINANCIAL PERFORMANCE OF THE THREE PUBLIC TELECOMMUNICATIONS OPERATORS (PTOs)

The telecommunications sector maintained a positive growth during the period despite the economic recession experienced in the past year. As at end of December 2009,

total revenue for Mascom Wireless and Orange Botswana, who mainly provide mobile telephony services, amounted to around P2 billion compared with P1.8 billion recorded in December 2008. Total assets amounted to P1.9 billion as at end of December 2009, compared with P1.7 billion recorded in the previous period. Total Net Profit increased from P586 million as recorded in December 2008 to P651 million in December 2009.

On the other hand, BTC which offers both mobile and fixed telephony services recorded total revenue of P882 million as at end March 2009, compared with P858 million recorded in the previous year. BTC's total assets increased from P1.64 billion in March 2008 to P1.65 billion in March 2009. At the time of reporting, audited financial statements for the year ending March 2010 for BTC were not available.

TARIFFS OF THE PTOs AS AT END OF MARCH 2010

Telecommunications tariffs for services remained the same over the last 5 years. None of the operators had increased the tariffs except BTC (fixed line services) when it was rebalancing its tariffs. The tariff rebalancing exercise was completed in October 2007. The Tables 3 and 4 below show the applicable tariffs as at March 2010 for the mostly subscribed services such as fixed telephony voice service and mobile prepaid voice services. For international voice call destinations, only countries that fall within top 10 international destinations have been selected. For the fixed telephony, voice calls for both local and national at peak times were charged P0.44 and P0.72 per minute (VAT inclusive) respectively whereas calls to mobile operators during peak times were charged P1.45 per minute with VAT. International call charges ranged between P1.50 and P1.90 per minute during peak times.

Table 3: Tariffs for Fixed Voice Telephony Services – Post-paid (VAT inclusive) Call per Minute as at March 2010 (Amount in Pula)

	BTC: on-net charge		BTC Charges to other networks								
	local	national	Orange Botswana	BTC-beMOBILE	Mascom Wireless	RSA	Angola	Zimbabwe	UK	USA	China
Peak	0.44	0.72	1.45	1.45	1.45	1.65	1.76	1.65	2.09	1.76	2.09
off peak	0.33	0.46	1.12	1.12	1.12	1.32	1.54	1.32	2.09	1.76	2.09

Legend: RSA - Republic of South Africa; UK - United Kingdom; USA - United States of America

Market Development (continued)

The most subscribed mobile telephony service in Botswana is the prepaid service. The analysis of tariffs for mobile telephony services will therefore focus on prepaid services only.
As shown on the Table 4 below, during peak times Mascom Wireless charges P1.80 per minute for both on-net and off-net calls and charges P0.90 and P1.10 per minute for on-net calls and off-net call respectively during off peak times. For international calls, Mascom charges range from P2.50 per minute for calls to RSA to P6.20 per minute for calls to China during peak times. Orange charges on-net and off-net calls at P1.75 per minute during peak times and charges P0.875 per minute during off peak times. International rates during both peak and off peak range from P3.48 for a minute call to RSA to P6.93 for a minute call to UK. BTC beMOBILE call charges are the same for peak and off peak times at P1.30 per minute for both on-net and off-net calls. International call charges are the same for both peak and off peak ranging from P2.90 for calls to USA to P3.86 per minute for calls to China.

The analysis of international call tariffs was based on the top ten most called countries by Botswana subscribers, three from SADC region and three from the rest of the world.

"Private network operators continued to exist as a standalone class of licensees who are authorised to construct and operate a telecommunications network for purposes of transmitting voice and/or data between offices of a single entity (the licensee)."

Table 4: Tariffs for the Subscribed Mobile Voice Prepaid Packages for the Three Operators (VAT Inclusive) as at March 2010 (Amount in Pula)

Mascom		Mascom	Orange	beMOBILE	BTC fixed	RSA	Angola	Zimbabwe	UK	USA	China
Voice call	Peak	1.80	1.80	1.80	1.80	2.80	4.80	2.80	5.40	5.40	6.20
	Off Peak	0.90	1.10	1.10	0.90	2.50	4.20	2.50	4.60	4.60	5.30
SMS		0.20	0.40	0.40		0.40	0.40	0.40	0.40	0.40	0.40
Orange		**Orange**	**Mascom**	**beMOBILE**	**BTC fixed**	**RSA**	**Angola**	**Zimbabwe**	**UK**	**USA**	**China**
Voice call	Peak	1.75	1.75	1.75	1.75	3.48	5.28	3.48	6.93	6.16	6.66
	Off Peak	0.875	0.875	0.875	0.875	3.48	5.28	3.48	6.16	6.16	6.66
SMS		0.25	0.25	0.25		0.50	0.50	0.50	1.00	1.00	1.00
beMobile		**beMobile**	**Orange**	**Mascom**	**BTC fixed**	**RSA**	**Angola**	**Zimbabwe**	**UK**	**USA**	**China**
Voice call	Peak	1.30	1.30	1.30	1.30	3.42	3.60	3.85	3.42	2.90	3.86
	Off Peak	1.30	1.30	1.30	1.30	3.42	3.60	3.85	3.42	2.90	3.86
SMS		0.30	0.30	0.30		0.75	0.75	0.75	0.75	0.75	0.75

Legend: RSA - Republic of South Africa; UK - United Kingdom; USA - United States of America

LICENSING

While the Cabinet Directive issued in June 2006 indicated that additional Public Telecommunications Operator (PTO) licences could be issued in 2009, this route has not been followed. The decision not to licence additional PTOs was informed by a market study undertaken by the BTA in 2008/09 which recommended alternative measures aimed at stimulating competition. The recommendation from the study took cognisance of the fact that BTA had issued service neutral licences to all the operators which, among other considerations, resulted in the commencement of mobile operations by BTC's beMOBILE in 2008. In this regards, the market needed some time to stabilise before further transformation initiatives could be instituted. The number of PTOs therefore remained at three for the period ending March 2010 and these are Botswana Telecommunications Corporation, Mascom Wireless Botswana (Pty) Ltd and Orange Botswana (Pty) Ltd.

The other category of licensees is the Value Added Network Service (VANS) licensees whose areas of service provision include mainly Internet and data. In March 2001, there were only five service providers licensed to provide either data services or Internet services, these services being recognised as separate services with distinct licences. As at end of March 2010, there were 53 service providers or VANS, licensed to provide both data and Internet services under one licence in line with service and technology neutral licensing framework introduced in 2006.

Private network operators continued to exist as a standalone class of licensees who are authorised to construct and operate a telecommunications network for purposes of transmitting voice and/or data between offices of a single entity (the licensee). Such networks are not connected to the public network. There are currently 28 licensed private networks out of which, only one was licensed during the 2009/10 financial year.

MARKET DEVELOPMENT INITIATIVES

Development of a Cost Model and Pricing Framework

In January 2010, the BTA engaged Consultants to assist with the development of a Cost Model and Pricing Framework for telecommunication services in Botswana. The exercise is a sequel to the Cost Model and Pricing Framework of 2005. The main objectives of the exercise are to: develop a Cost Model and a Pricing Framework that encompasses all products/services in the fixed telephony and mobile telephony networks; to design a framework for regulating operators which have Significant Market Power; to develop a Cost Model and Pricing Framework for bandwidth on the undersea cable of East African Submarine System (EASSY) and West African Cable System (WACS);and to develop a framework for elimination of roaming charges among and between identified countries in the region. The exercise is expected to last 9 months, overlapping into the financial year 2010/11. Once completed, the outcomes of the exercise would be used as tools to enhance competition in the telecommunications sector in Botswana.

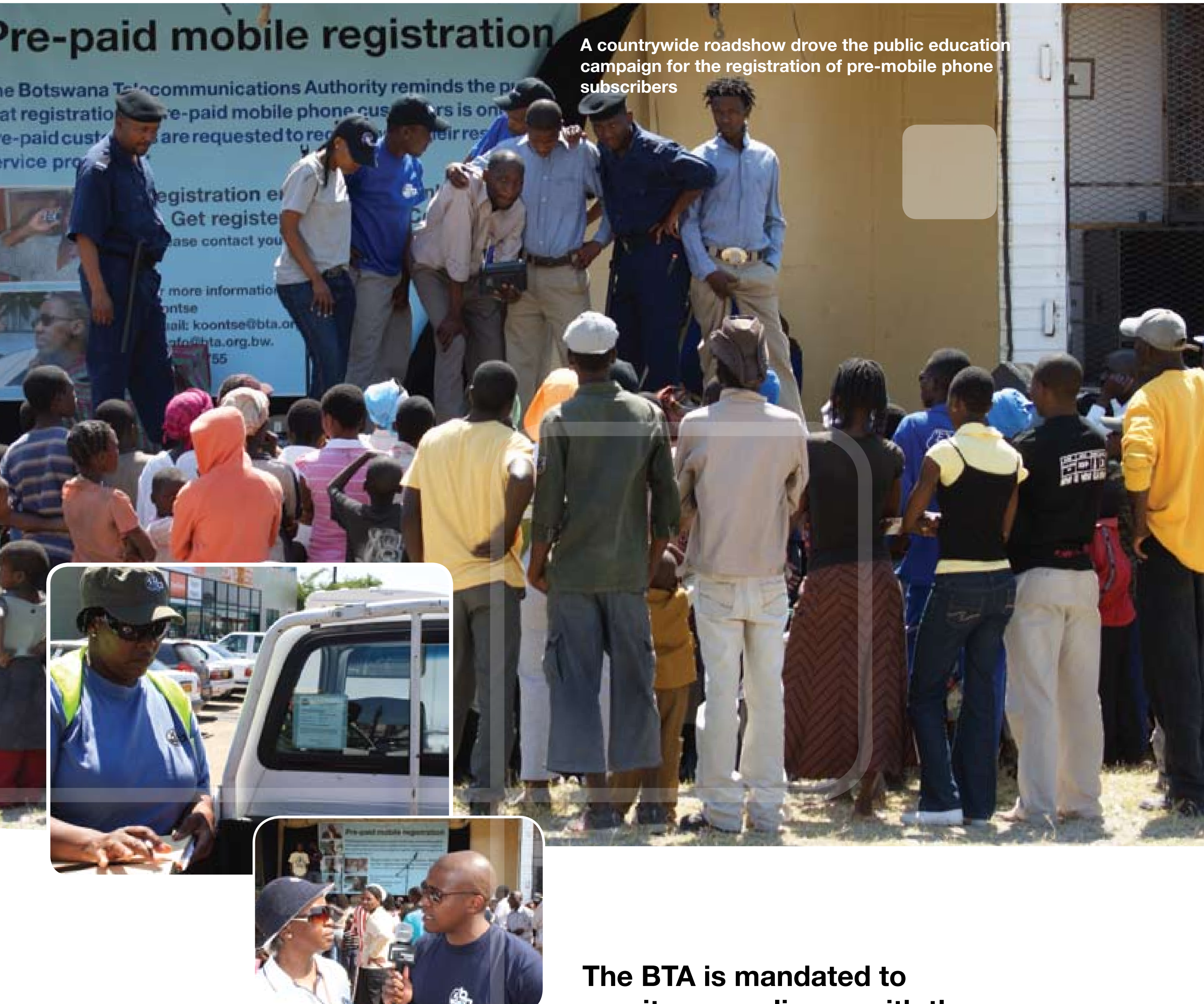
GLOBAL MARKET DEVELOPMENT INDICATORS

Botswana's ranking in global ICT developments

The International Telecommunication Union (ITU) collects data on ICT development among its member countries. The data is used, among other things, to compute various development indicators with respect to ICT. The ITU has developed an index called ICT Development Index (IDI) as a tool for measuring access to ICT, the extent of use of ICT and ICT skills in about 159 countries of the world. Access to ICT refers mainly to number of subscriptions or ownership of fixed telephony, mobile telephony, Internet bandwidth and computers. The access measures are considered at both consumer and household level. Extent of use of ICT refers to proportion of the population that uses ICT, while ICT Skills mainly considers education enrolment ratios and adult literacy rates.

Access to ICT, extent of use of ICT and ICT Skills are weighted at 40, 40 and 20 respectively and the weighted values are combined to form the ICT Development Index for individual countries. The latest ICT Development Indexes available were for 2007 and 2008. Among the 159 countries that were studied, Botswana ranked 110 in 2007 and 109 in 2008. Botswana's ICT Development index for the two years was 2.08 in 2007 and 2.30 in 2008 out of a total of 10. Botswana is still awaiting ITU figures for 2009. Both the rank and the ICT Development Index show that Botswana has realised some improvement in ICT development over the two years.

Compliance and Consumer Affairs



A countrywide roadshow drove the public education campaign for the registration of pre-mobile phone subscribers

The BTA is mandated to monitor compliance with the Telecommunications Act [Cap 72:03], Telecommunication Regulations and terms and conditions of licences; and all other regulatory instruments or instructions issued by BTA from time to time.

Compliance

During the year under review there were successes and challenges of varying degrees in the compliance, monitoring and enforcement role of the BTA. Late submission of requested information to the BTA by the three PTOs was one of the biggest challenges. The three PTOs are required to submit information at various intervals to the BTA. The required information includes amongst others, audited Financial Statements; audited turnover certificates; net turnover returns; network performance reports; revenue budgets to mention a few.

The BTA expects the review of the Telecommunications Act to provide for administrative sanctions against PTOs that delay in submitting information required by the BTA. Such delays have sometimes resulted in administrative and reporting delays for the BTA.

Investigation

Section 42 of the Act provides as follows; "no person shall possess or operate a communication network or equipment, whether in assembled or unassembled form,…unless he has a valid radio licence issued by the Authority to do so"

The above provision notwithstanding, the BTA continued to be inundated with illegal operators who possess radio communication equipment without valid licenses issued by the BTA. In a bid to ensure compliance with Section 42, the BTA collaborated with the Botswana Police Traffic Branch in December 2009 and inspected vehicles, targeting those with radio equipment.

The exercise was fruitful as it revealed a significant number of vehicles with radio communication equipment that did not have valid licences; whilst some with licences had not displayed their licence discs as required. The investigation exercise also produced the desired outcome of getting the illegal operators to comply. Similarly other illegal operators were exposed through ad-hoc investigations carried out by the BTA in and around Gaborone and the Tuli Block areas where out of the forty two (42) establishments visited twenty (20) were found to be operating illegally.

The investigations and follow up program was able to recoup the sum of P140 530. 00 (One Hundred and Forty Thousand five hundred and Thirty Pula) from renewal of licences and licensing of illegally used equipment. Illegal operations have a negative impact on the spectrum and frequency usage. Further, illegal operations deny the BTA revenue from the use of frequencies. It should be noted that alongside conducting investigations, the BTA also continued to educate the general public on the need to have their radio communication equipment licensed.

Consumer Education

The BTA continued to educate consumers on issues that directly affect them within the telecommunications industry. Amongst the issues that were at the fore during the financial year under review were the pre-paid registration exercise and migration to digital terrestrial television. Significant publicity was done through road-shows which presented information in the form of edutainment and were found to be appealing to the public. Two shows per village or town were conducted in a total of twenty six (26) villages and towns. The BTA also participated in the Botswana Confederation of Commerce, Industry and Manpower (BOCCIM), Information Technology Exhibition (ITEX) and Consumer Fairs and Exhibitions to disseminate information about the BTA and its mandate. Similarly, five Kgotla meetings, and five secondary schools were addressed for the same purpose.

Prepaid SIM-card registration

The registration of existing pre-paid mobile phone subscribers (SIM cards) continued during the year under review, having been started in the previous financial year. The exercise is in line with the provisions of Section 49 of the Telecommunications Act, as read with Clause 6.7 of the Public Telecommunications Operators (PTOs) licence and was completed on 31 December 2009.

As at 31 December 2009, the status of the registration exercise was as follows:

- 2 026 142 (Two million and twenty six thousand one hundred and forty two) subscribers had registered representing 85% of the total prepaid subscriber base of 2 394 445 (Two million three hundred and ninety four thousand four hundred and forty five). Of the registered subscribers 1 067 978 (one million and sixty seven thousand nine and seventy eight) had their details captured or registered in manual format, while 958 164 had their details captured electronically in the operators' data bases;
- The BTA allowed the PTOs a period of 30 days to capture all manual registration into electronic format.
- Existing subscribers who had not registered as at the end of the registration period (31 December 2009) were to be deactivated after the 30 day period and would have to acquire new prepaid SIM cards; and
- That with effect from 1st January 2010 new prepaid SIM cards shall be activated only after electronic registration.

At the expiry of the 30 days (31 January 2010) only 285 398 had not been captured electronically. The BTA directed that the 285 398 subscribers who were not captured electronically be deactivated together with 303 608 subscribers who had not registered all together.

An audit of the whole registration exercise was commissioned at the beginning of February 2010. The outcome of the Audit was expected by the end of April 2010 to inform the BTA of the success or otherwise of the registration exercise and any further action that may be required to address the continuing registration exercise (new SIM cards).

Stakeholder Engagement

The BTA continued to handle industry disputes as one of its core functions as espoused under section 19 of the Telecommunications Act. During the year under review, the BTA received the following complaints:

- **VBNS/PTOs interconnection:**
  A dispute was declared against the three PTOs (BTC, Mascom Wireless and Orange Botswana) for refusing/being reluctant to interconnect with an interested Value Added Network Service provider, Virtual Business Network Services (VBNS). The matter was closed following the complainant's failure to submit its case in the proper format as required;

- **Mascom Wireless tower at Phuthadikobo Hill**

This issue was referred to the BTA for advice as Mascom Wireless was of the view that it was an issue that could be resolved through regulatory intervention. The complainant in this matter had raised a query with regards to the location of the Mascom Wireless tower at Phuthadikobo Hill.The complainant's aversion was that the non ionising radiation emitted by the equipment could be a health hazard.

The complainant therefore wanted Mascom to relocate the tower to another area which was not within the public reach.
The BTA has released media statements on the general position to the effect that perceived harmful effects of Electro-Magnetic Radiation (EMR) from telecommunications towers erected around the country have thus far proven to be inconclusive and that bodies such as the World Health Organisation and other associations on non-ionising have adopted similar position. In addition, the BTA started a process of intensified public education programme on the perceived harmful effects of electromagnetic radiation particularly the non ionising radiation.

Complaints

There was an increase in the number of complaints escalated to the BTA during the financial year. The high number could be attributed to several reasons amongst which is that the consumers were increasingly becoming aware of their rights and available remedies to pursue in the event they feel that such rights were being violated. A total of twenty (20) new complaints were received compared to twelve (12) handled during the previous financial year, showing a 66.66% growth. The complaints are illustrated on the Table 5.

Table 5: Number of Complaints Registered per Operator

Nature of complaints	BTC	Mascom	Orange	VANS	beMOBILE	No. of Complaints
Poor service quality & delivery	4		2			6
Internet billing		2				2
Anti-competition	1					1
Billing disconnection	1					1
Release of bill to 3rd party		1				1
Electro-magnetic Radiation from towers		1				1
Voice mail service			1			1
Sim Card registration		1			1	2
Alleged use of illegal software				1		1
Fake scratch cards			1			1
Misleading advert			1			1
Blacklisting		1				1
Cell phone tracking		1				1
Total	**6**	**7**	**5**	**1**	**1**	**20**

Network Quality of Service

In its quest to ensure provision of efficient and effective communication services in Botswana, the BTA continued to monitor operator quality of service performance, promoting good quality and variety of services at a reasonable price to the consumers.

Operators submit monthly network performance reports detailing the status and performance of their networks in terms of set parameters of Quality of Service as determined by the BTA and the PTOs from time to time. The agreed parameters are usually in line with international best practices. It is encouraging to note that the PTOs have consistently set their own parameters well above the agreed parameters and have been achieving the set marks. The network performance reports are expected to indicate the effectiveness of the networks, the challenges encountered and solutions or measures for rectification or resolution of such challenges as illustrated below:

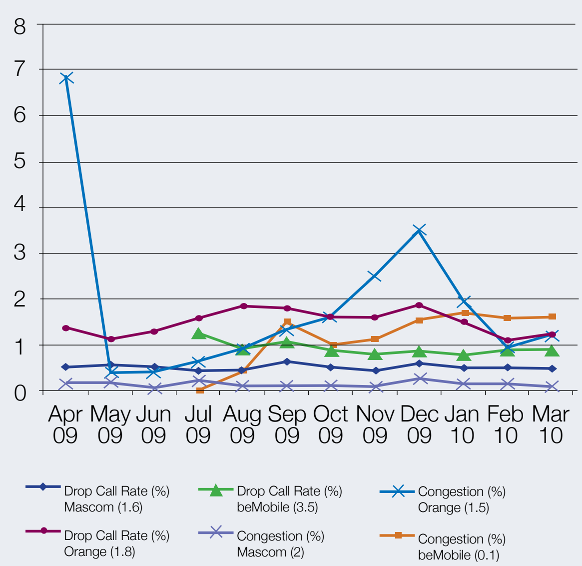


Figure 6: Drop Call Rate for the PTOs for the period April 2009-March 2010

All operators have tried to maintain their Drop Call Rates (the fraction of calls which due to technical reasons were cut off before calling parties could make conversation or terminate the call) and Congestion (overload of data traffic) below the set standard of 2% save for Orange whose congestion levels were high in November and December 2009 was attributed to the airtime bonus paid to customers.

Figure 7 shows Call Setup Success Rate (CSSR) for Orange being lower than that of the other two operators except in February and March 2010 when it became the highest and within target.

For Hand over Success Rate, beMOBILE did not perform well with an average of 94.2% (below target) than the other two operators who registered average of 99.1% for Orange Botswana, and 98% of Mascom Wireless.

Network availability for all the networks was good with beMOBILE being the best of the three operators. beMOBILE network availability ranged between 99.97/99.77% whilst those of Mascom Wireless and Orange Botswana ranged from 99.94/99.01% and 99.50/98.77% respectively.

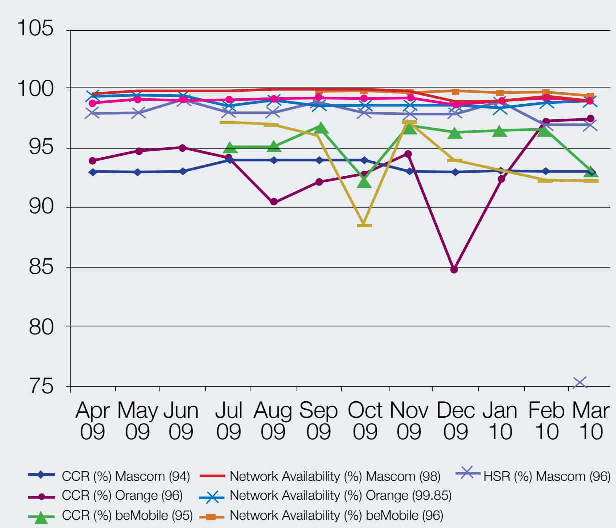


Figure 7: Shows the Call Setup Success Rate for the PTOs for the period April 2009- March 2010

Public Relations

The BTA's social responsibility component has become critical in the regulator's role of facilitating the proliferation of Information Communication Technologies (ICTs) to all parts of Botswana.

World Telecommunications and Information Society Day (WTISD)

The WTISD is commemorated annually on May 17 as commissioned by the International Telecommunication Union (ITU) of which Botswana is a member. This is done to recognise and promote the importance of ICTs in the modern world. During the year under review, WTISD commemorations in Botswana were held at Kaudwane village near Khutse Game Reserve. As with preceding years, telecommunication services were inaugurated in the village during the event and several donations were made to both the Kaudwane community and neighbouring villages by various stakeholders. The BTA donated two heavy duty photocopiers to Kaudwane and Salajwe Primary Schools respectively.

PARTICIPATION IN INTERNATIONAL EVENTS

The BTA participated in a number of regional and international forums dealing with both telecommunication regulation and the advent and proliferation of ICTs. Some of the international events attended by BTA staff members are listed below:

64th Session of the ITU Council

The BTA attended the 64th session of the ITU Council assembly in Geneva, Switzerland on 20 to 30 October 2009. The Council reviewed and approved ITU's biennial budget for 2010-2011 and discussed issues related to the development of a dynamic telecommunications industry with the objective of responding to current demands and challenges. Key issues discussed include climate change, cyber-security, the financial crisis, and ICT equipment conformity and interoperability. The whole purpose of attending the ITU Council meeting is to fully participate in the development of broad telecommunication policy issues that will respond to the rapidly changing telecommunications environment.

Social Responsibility

A total of 75 primary schools received assistance in the form of computers, printers and heavy duty photocopiers from the BTA. Moreover, Lepokole Customary Court also received a computer and printer package to motivate technological efficacy in their processes. The provision of ICTs to entities was intended to compliment government efforts with regard to the uptake of ICTs in Botswana.

Forum on telecommunications/ICT Regulation and Partnership in Africa (FTRA 2009)

The BTA attended the FTRA 2009 organised by the Telecommunication Development Bureau (BDT) of the International Telecommunication Union and the African Telecommunications Regulators' Network in Lusaka, Zambia from the 20—22 May 2009. The forum ran under the theme "Universal Service/Access Fund" and addressed issues such as the insufficient use of Universal Access Funds to support affordable and adequate access to ICTs, notably in high social priority sectors such as public health, education and research centres.

Public Relations (continued)

Mr. Ronald Ridge, Guest of Honour during the 2009 World Telecommunication Day in Kaudwane visiting the BTA exhibition stall accompanied by Mrs F. Bakwena former Permanent Secretary for the then Ministry of Communications Science and Technology; Mr. Pele Moleta, CEO of Botswana Post and Prof Alinah Segobye (Botswana Post Board Member)

49th Commonwealth Telecommunications Organisation (CTO) Council Meeting

As Botswana is a member of the CTO, the BTA participated at the 49th CTO Council meeting in Suva, Fiji from 17—18 September 2009. The forum brought together ministers from across the Commonwealth and from other countries, as well as other decision makers in the public sector, regulators, manufacturers, operators, technology providers, infrastructure developers and financiers in the telecommunications and ICT industry, to discuss, debate and reach consensus on issues related to ICT and development.

International Telecommunication Union (ITU) World Telecom 2009 Forum in Geneva, Switzerland: 5- 10 October 2009

The BTA took part in the International Telecommunication Union (ITU) World Telecom 2009 Forum in Geneva, Switzerland. The event is a networking platform to address shared global challenges in today's information society. WORLD 2009 incorporated thematic elements to highlight the reach and role of telecommunications and ICT in areas of societal change such as the digital divide. The Forum was crucial in informing the BTA Board of emerging issues that require the attention of the BTA in the context of the community of nations.

Global Symposium for Regulators (GSR) 2009

The BTA attended the GSR in Beirut, Lebanon from 9—11 November 2009. The purpose of the symposium was to foster a consultative process on innovative regulatory approaches; to foster investment and stimulate growth in the ICT sector in a converged world; and to strengthen the foundation of a global information society. Some of the critical areas touched on include, promoting convergence to develop ICT markets and realise its benefits; building effective regulatory institutions; using regulatory tools to stimulate investment in a converged world; and stimulating growth in innovative applications and devices towards connecting the unconnected.

2009 Session of the Universal Postal Union Council of Administration

Another important event that the BTA attended is the 2009 Session of the Universal Postal Union Council of Administration in Geneva, Switzerland from 26 October to 13 November 2009. The session addressed issues such as regulation and universal postal service. The BTA attended in anticipation for it to regulate postal services and because Botswana is one of the two countries that were elected into the Council to serve from 2009 to 2012.

Meeting of the Telecommunications Standardisation Advisory Group (TSAG 2009)

The BTA participated at the TSAG 2009 in Geneva from 8—11 February 2010. The meeting determined the programme of work of the standardisation sector of the World Telecommunications Assemblies (WTSA), and the working methods. It also approved study groups deliverables.

12th Annual General Meeting of the Communications Regulators Association of Southern Africa (CRASA)

It is crucial that Botswana, as a sovereign state works harmoniously with its neighbours. It is against this background that telecommunications regulatory agencies in the SADC region have formed an association which has greatly simplified the issue of harmonization of crucial telecommunications services within the SADC region. The BTA attended the 12th Annual General Meeting of the Communications Regulators Association of Southern Africa in Livingstone, Zambia from 29 March to 3 April 2009. During that time, and as part of the revenue generation strategy, CRASA hosted a workshop on Next Generation Wireless Technologies in Southern Africa. The purpose was to learn about the opportunities that broadband wireless access technologies are bringing to the communications users, learn the role of the regulator in bringing universal access to broadband wireless, debate the latest trends in allocation of spectrum for accelerated deployment of Broadband wireless access technologies and to focus on the impact of digital terrestial broadcasting migration on innovation in wireless technologies

BENCHMARKING MISSIONS

Tanzania Visit

The BTA visited the Tanzanian Regulatory Authority (TCRA) on a benchmarking exercise. The objective was to understand how the TCRA was constituted, the pre-existing regulatory institutions that were converged and specifically to understand challenges and processes that were undertaken to harmonise the communication sectors that existed before the TCRA was established.

Human Resources

BTA staff in a workshop to discuss the strategic plan. Front Row L-R Messrs O. Tsiang, M. Setshwane and M. O. Tamasiga (Deputy Chief Executive)

A three year Human Resources Strategy (HR Strategy) has been formulated and approved by the BTA Board. The HR Strategy has been cascaded from the BTA Corporate strategy to articulate the long term human resources value proposition.

The HR Strategy addresses five strategic themes, premised on global trends, the strategic imperatives of the organisation and the need to gain competitive advantage in an ever changing and dynamic ICT sector. These strategic themes are:

- Retention and Attraction - the ongoing review of the BTA organisational structure is geared to attract and retain quality employees. A new organisational structure has been developed and the mechanisms for implementing it are being drawn. It is anticipated that the new structure would be implemented in the next Financial Year;

- Performance Management - setting up of a performance management system and employing performance based reward system. The BTA Staff has been trained on a performance management system approach and will sign performance contracts immediately after the implementation of the new organisational structure;
- Training and Development - Management and leadership development programmes have been identified and implementation of a training plan is ongoing; and
- Communication - development of a Communication Strategy and re-orientation of the organisational culture through organisational development interventions such as a new organisational structure which is leaner and would increase efficiency in operations.

Management Development Programme

Leadership and management are fundamental to the delivery of the BTA Strategy. The aim of the HR Strategy is to develop high quality leadership at all levels of the organisation. During the year under review, nine (9) employees in the managerial cadre were taken through a 12 months training programme which they successfully completed. The programme covered ten (10) modules which were rated as critical in management and leadership areas and identified as follows:

- Ability to motivate others;
- Change management;
- Coaching and mentoring;
- Communication (listening and speaking);
- Customer service;
- Negotiating;
- Performance management;
- Planning and goal setting;
- Recruitment/hiring/retention; and
- Stress management.

The BTA provides leadership and management development opportunities; however it also recognises the need to take a strategic approach to the development of leadership capability at all levels in the organisation.

Staff Complement

At the end of March 2010, the staff complement stood at sixty nine (69) with a net increase of five employees from the March 2009 figure. The net increase arose from the following staff movements.

Mortality	**1**
Retirement	**1**
Recruitment:	**7**

Qualifications of Members at BTA as at 31 March 2010

The BTA recognises that it is a ‘knowledge intensive’ organisation competing largely on the basis of the various forms of qualifications held by its staff. Figure 8 depicts qualifications at BTA as at 31 March 2010.

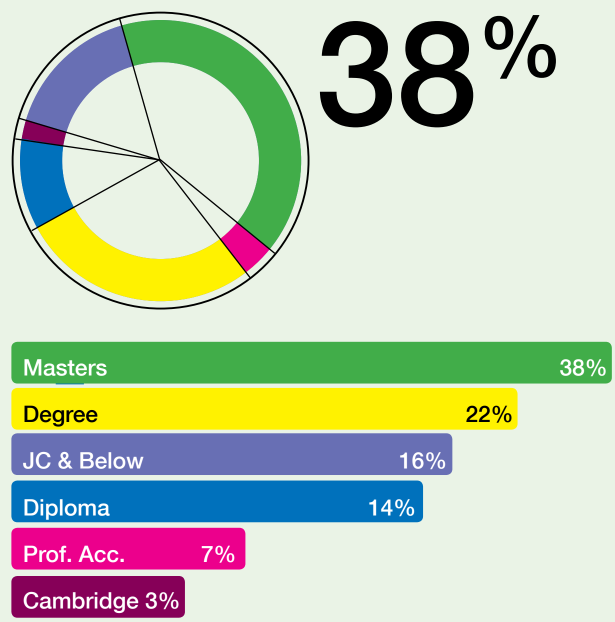
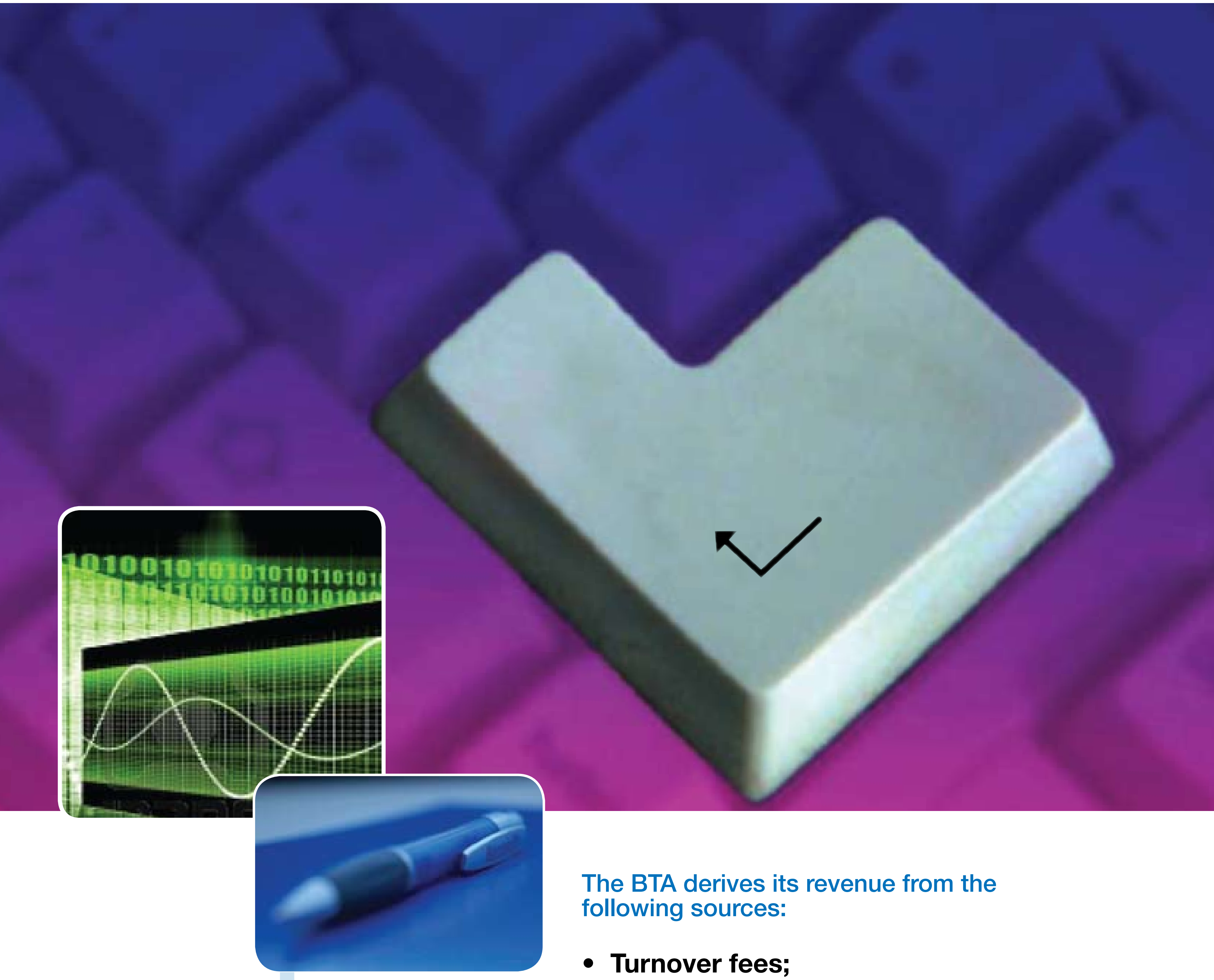


Figure 8: Qualifications of Staff Members

Presidential Directive to Merge Botswana Telecommunications Authority and National Broadcasting Board

In December 2009 Presidential Directive CAB/ 37 (B)/2009 was issued which mandates that the Botswana Telecommunications Authority and the National Broadcasting Board should be merged. A plan of action has been developed to implement the merger of the BTA and the NBB into a single regulatory entity. This will entail among other things the amendment of the primary statutes constituting the two entities. The BTA has provided its input on the matter to the Ministry of Transport and Communications.

Financial Review



The BTA derives its revenue from the following sources:

- **Turnover fees;**
- **System licence fees;**
- **Service licence fees;**
- **Radio licence fees.**

During the period under review, turnover fees which is the variable element based on net turnover of the licensed operators, constituted a significant share of total revenue at 77%.

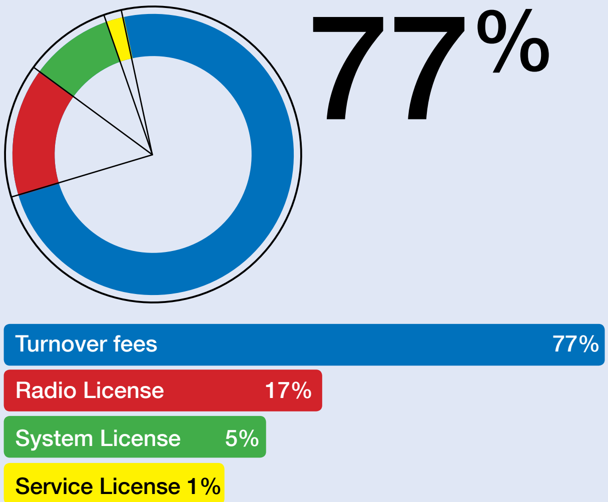


Figure 9: Revenue Source (Fees)

Income was also received from rental fees for office space leased to the Government and townhouses and interest received on bank balances.

OPERATING RESULTS

BTA recorded a surplus of Pula 23.44 million, representing an increase of 29% compared to prior year surplus of P18.17 million. The BTA reported a favourable variance of P20.63 million against its operating budget. This was a result of no inflationary adjustment on salaries, some consultancies done in-house and the overall cost discipline that was maintained during the year.

Revenue

The revenue increased by 17.18%, from Pula 71.23 million last year to Pula 83.47 million. The increase in revenue was due to the increased turnover related fees and increase in radio license fees from Public Telecommunications Operators (PTOs) as a result of additional spectrum required by the PTOs and increase in microwave links.

Other income

Other income was P2.09 million during 2009/10 compared to P1.86 million last year. The increase was due to marginal increase in rental income for office space leased out to Government. Included in other income was insurance claim on loss of property, plant and equipment following the fire in the server room which damaged one of the servers and some ancillary equipment. Finance income on the other hand decreased by 11.59% from P5.61 million last year to P4.96 million during 2009/10 as a result of the decrease in bank interest rate.

Operating Expenditure

Total operating expenditure increased by Pula 7.33 million compared to last year. The increase was attributed to the following:

- Increase in operating costs mainly as a result of publicity for the prepaid SIM card registration;
- Increase in staff costs due to increase in staff complement, leave pay and gratuity provisions;
- Increase in administration costs due to increase in donations to deserving organisations and increase in board costs as the board continues to keep abreast with regulatory matters.

Universal Service Fund Contribution

The BTA Board had resolved to open an account to accumulate seed funding that would be used to start the Universal Service Fund (USF). The draft policy was only debated at the March 2010 sitting of the Economic Committee of Cabinet. The BTA continues to contribute towards USF which is a fund, to be financed through subventions from Government and contributions from operators. The BTA has during the year under review paid P4 million towards the fund. The total amount in the USF account as at 31 March 2010 was P25.4 million.

The results of the BTA financial performance for the 3 year period are summarised below:

Table 6: Summary of BTA Financial Performance 2008-2010

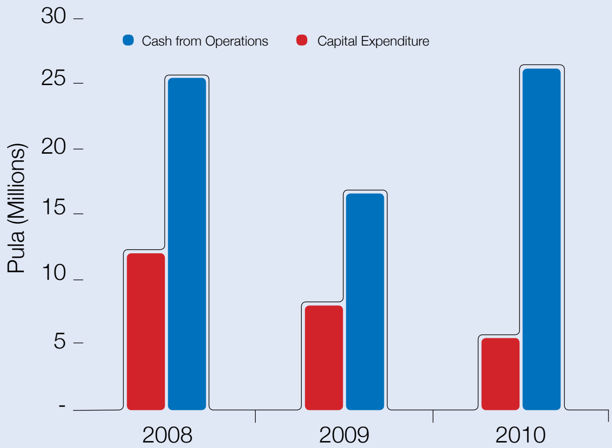
	2010 Pula million	2009 Pula million	2008 Pula million
Revenue	83.47	71.25	61.09
Other income	2.09	1.85	1.11
Operating expenses	(63.86)	(56.53)	(54.25)
Contribution to Universal Service Fund	(4.00)	(4.00)	-
Finance Income	4.96	5.60	4.09
Gain on non-current asset held for sale	0.78		
Surplus for the year	23.44	18.17	12.04

Financial Review (continued)

Capital Expenditure

Capital expenditure for the year under review was P5.5 million compared to P7.99 million last year representing a decrease of 31.2%. The capital expenditure was self financed from cash generated during the year.

Figure 10: Cash from Operations vs. Capital Expenditure



Investments

The BTA invested in fixed deposits and money market with banking institutions offering better interest rates. The BTA has also invested in properties, being town houses, which were held for sale as at the end of the year and leased part of its Head office block to Botswana Government.

Financing and financial position

The increase in cash position at the end of the year was due to increased cash generated from operating activities and reduction in capital expenditure. The BTA recorded cash and cash equivalents of P107.86 million, up from P80.01 million last year.

Table 7: Financing and Financial Position over the period of 3 years (2008- 2010)

	2010 Pula million	2009 Pula million	2008 Pula million
Cash flow from operating activities	32.31	22.18	29.22
Cash flow from Investing activities	(5.25)	(7.77)	(11.57)
Cash flow from financing activities	0.79	2.97	(1.91)
Total cash movement for the year	27.85	17.38	15.74
Cash at the beginning of the year	80.01	62.62	46.88
Cash at the end of the year	107.86	80.01	62.62

Liquidity

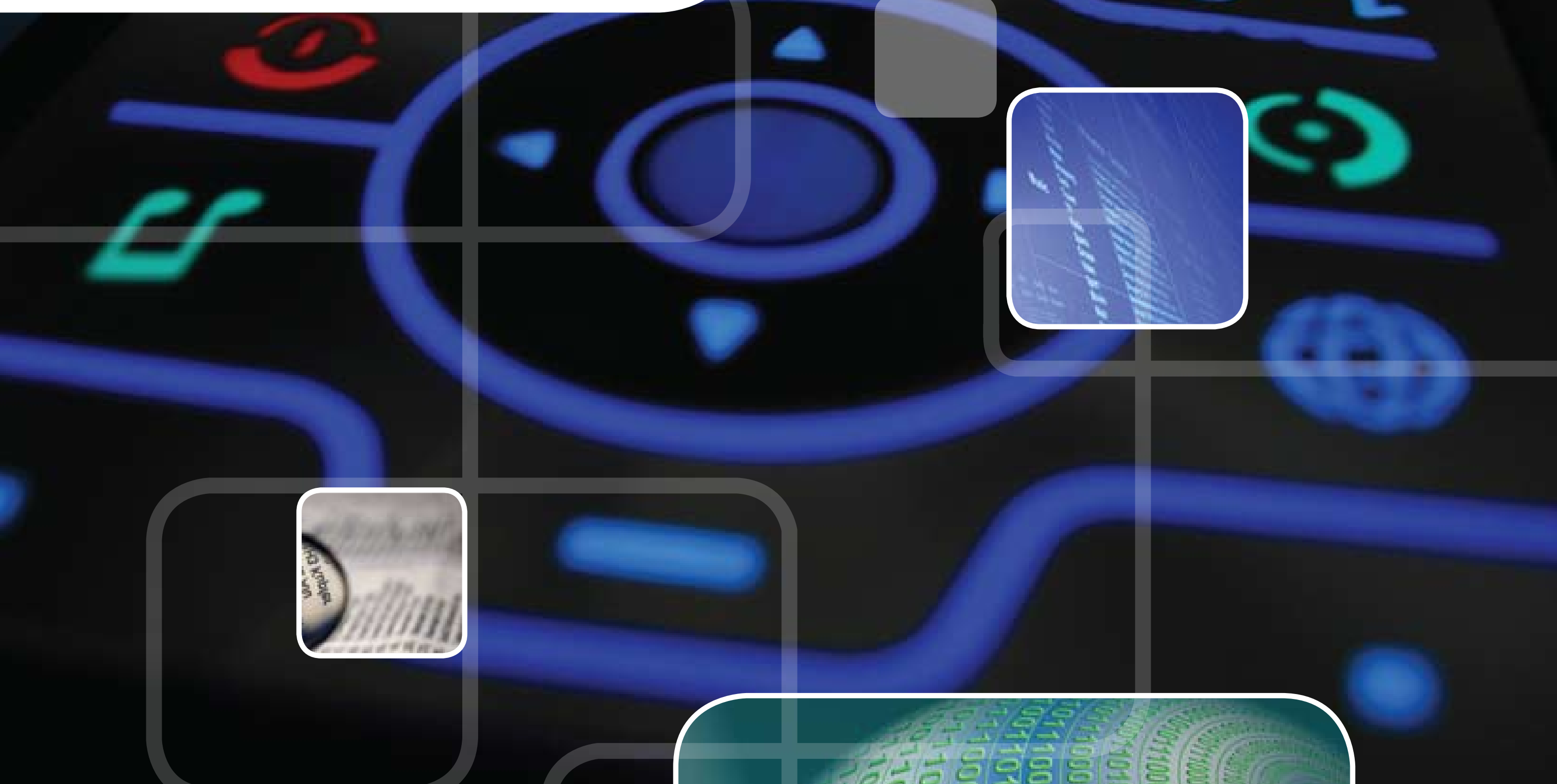
Cash flow provided by operating activities totalled Pula 32.31 million compared to Pula 22.18 million for the last financial year. Cash flow from operations after working capital changes totalled P26.15 million and covered capital expenditure to the extent of 586% compared to 277% in the previous year. The BTA places its funds both in fixed interest earning deposits (fixed deposits) and fluctuating interest earning deposits, and these deposits are due on demand.

Consequently, the BTA has adequate resources to finance its operating activities and the anticipated capital expenditure in the financial year 2010/11. It is expected that the cash-flow will continue to improve as no major projects are envisaged.

General Information

Country of Incorporation and Domicile	Botswana
Nature of Business and Principal Activities	The Authority is a body corporate, established under the Telecommunications Act [Cap 72:03] to regulate, supervise and promote the provision of efficient telecommunication services in Botswana.
Members of the Board	Dr. B. O. Tsheko (Chairman) Dr. M. A. Mpotokwane (Vice Chairman) Dr. T. Nyamadzabo Dr. S.E.M. Sebusang Mr. R.M. Phole
Independent Member of Finance and Audit Committee	Mr. A. Bogatsu
Chief Executive	Mr. T. G. Pheko
Board Secretary	Dr. G.O. Radijeng
Registered Office	Plot 206/207 Independence Avenue Extension 5 Gaborone Botswana
Postal Address	Private Bag 00495 Gaborone Botswana
Bankers:	First National Bank of Botswana Limited Barclays Bank of Botswana Limited Standard Chartered Bank Botswana Limited Bank of Baroda (Botswana) Limited Stanbic Bank Botswana Limited
Auditors:	Grant Thornton Certified Public Accountants
Functional Currency:	Botswana Pula (‘P’)


37.50
30.00
22.50



ANNUAL FINANCIAL STATEMENTS

The following supplementary information does not form part of the Annual Financial Statements and is unaudited:

Independent Auditor's Report

FOR THE YEAR ENDED 31 MARCH 2010

To the members of Botswana Telecommunications Authority

Report on the Financial Statements

We have audited the annual financial statements of Botswana Telecommunications Authority, which comprise the statement of financial position as at 31 March 2010, and the statement of comprehensive income, statement of changes in funds and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 52 to 87.

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 Telecommunications Act, 1996 (Cap 72:03). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's 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.

Independent Auditor’s Report (Continued)

FOR THE YEAR ENDED 31 MARCH 2010

Opinion

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of Botswana Telecommunications Authority as at 31 March 2010, and 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 Telecommunications Act,1996 (Cap 72:03).

Report on Other Legal and Regulatory Requirements

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

- We have received all the information and explanations which, to the best of our knowledge and belief, are necesaary for the performance of our duties as auditors.
- In our opinion the accounts and related records of the Authority have been properly maintained.
- The Authority has complied with the financial provisions of the Telecommunications Act 1996 (Cap 72:03).
- The financial statements prepared by the Authority were prepared consistent with that of previous year except for adoption of new standards/ new amendments and interpretations issued by the International Accounting Standards Board, the details of which are covered under note 2 to these annual financial statements.

Certified Public Accountant

Gaborone

12 July 2010:

Members Responsibilities and Approval

FOR THE YEAR ENDED 31 MARCH 2010

The Members of the Board are required by section 14 the Telecommunications Act, 1996 (Cap 72:03) to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the 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 judgements 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 management 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 31 March 2011 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 pages 48 to 49.

The annual financial statements set out on pages 52 to 87 which have been prepared on the going concern basis, were approved by the board on 12 July 2010 and were signed on its behalf by:

Chairperson of the Board
Gaborone

Chief Executive

Members of the Board Report

FOR THE YEAR ENDED 31 MARCH 2010

The Members of the Board have pleasure in submitting their report, which form part of the financial statements for the Authority for the year ended 31 March 2010.

1. Review of activities

Main business and operations

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

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

Net surplus of the Authority was P 23 435 669 (2009: P 18 173 983 surplus).

2. Events after the reporting period

In the meeting held on 12 July 2010, the Board resolved to provide dividends payable to Government of Botswana amounting to Pula 5 858 916 being 25% of the surplus for the year ended 31 March 2010 which is in line with the requirements of the Government of Botswana directive CAP 40/2004. Further, the Board also resolved to make a donation of P 7 million towards Universal Service Fund. The post balance sheet events are appropriately disclosed in the annual financial statements as per the requirements of International Financial Reporting Standards.

3. Members' 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 financial year the Authority adopted certain new International Financial Reporting Standards, amendments and interpretations, the details of which are stated in note 2 to these annual financial statements.

5. Members of the Management Board

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

Name

Dr. B O Tsheko (Chairman)

Dr. M A Mpotokwane (Vice Chairman)

Dr. T Nyamadzabo

Dr. T Matome (Term expired 30/04/2009)

Mr. R M Phole (Appointed on 01/04/2009)

Dr. S E M Sebusang (Appointed 01/05/2009)

6. Independent member of Finance and Audit Committee

The Authority had Mr. A Bogatsu as independent member of Finance and Audit Committee during the year.

Statement of Financial Position

FOR THE YEAR ENDED 31 MARCH 2010

	Note(s)	2010 Pula	2009 Pula
Assets			
Non-Current Assets			
Property, plant and equipment	4	96 929 538	105 323 024
Current Assets			
Trade and other receivables	6	21 965 603	13 465 922
Prepayments		155 849	500 707
Cash and cash equivalents	7	107 860 999	80 006 555
		129 982 451	**93 973 184**
Non-current assets held for sale and assets of disposal groups	8	6 201 000	6 622 838
Total Assets		**233 112 989**	**205 919 046**
Funds and Liabilities			
Funds			
Proposed dividends		5 858 916	4 543 495
Accumulated surplus		190 319 596	172 742 843
		196 178 512	**177 286 338**
Liabilities			
Current Liabilities			
Trade and other payables	10	11 538 309	8 574 726
Government of Botswana - Universal Service Fund	9	25 396 168	20 057 982
		36 934 477	**28 632 708**
Total Funds and Liabilities		**233 112 989**	**205 919 046**

Statement of Comprehensive Income

FOR THE YEAR ENDED 31 MARCH 2010

	Note(s)	2010 Pula	2009 Pula
Revenue	12	83 469 664	71 234 870
Other income	13	2 092 575	1 863 809
Operating expenses		(63 860 668)	(56 533 503)
Contribution to Universal Service Fund		(4 000 000)	(4 000 000)
Surplus for the year before finance income	14	**17 701 571**	**12 565 176**
Finance income	15	4 955 936	5 608 807
Gain on non-current assets held for sale or disposal groups		778 162	—
Surplus for the year		**23 435 669**	**18 173 983**
Other comprehensive income		—	—
Total comprehensive income		**23 435 669**	**18 173 983**

Statement of Changes in Funds

FOR THE YEAR ENDED 31 MARCH 2010

	Proposed dividends Pula	Accumulated surplus Pula	Total funds Pula
Balance at 01 April 2008	**3 009 372**	**159 112 355**	**162 121 727**
Changes in equity			
Total comprehensive income for the year	—	18 173 983	18 173 983
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	1 534 123	13 630 488	15 164 611
Balance at 01 April 2009	**4 543 495**	**172 742 843**	**177 286 338**
Changes in equity			
Total comprehensive income for the year	—	23 435 669	23 435 669
Dividend paid	(4 543 495)	—	(4 543 495)
Dividend proposed to the Government transferred to proposed dividend	5 858 916	(5 858 916)	—
Total changes	1 315 421	17 576 753	18 892 174
Balance at 31 March 2010	**5 858 916**	**190 319 596**	**196 178 512**

Statement of Cash Flows

FOR THE YEAR ENDED 31 MARCH 2010

	Note(s)	2010 Pula	2009 Pula
Cash flows from operating activities			
Cash generated from operations	17	26 154 223	16 575 960
Finance income		4 955 936	5 608 807
Cash flows of held for sale	18	1 200 000	—
Net cash from operating activities		**32 310 159**	**22 184 767**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(5 514 634)	(7 993 662)
Sale of property, plant and equipment		264 228	228 645
Net cash from investing activities		**(5 250 406)**	**(7 765 017)**
Cash flows from financing activities			
Movement in Universal Service Fund		5 338 186	5 979 465
Dividend paid to the Government		(4 543 495)	(3 009 372)
Net cash from financing activities		**794 691**	**2 970 093**
Total cash movement for the year		**27 854 444**	**17 389 843**
Cash and cash equivalents at the beginning of the year		80 006 555	62 616 712
Total cash and cash equivalents at end of the year	7	**107 860 999**	**80 006 555**

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with International Financial Reporting Standards, and the Telecommunications Act, 1996 (Cap 72:03). The annual financial statements have been prepared on the historical cost basis, except for the measurement of investment properties and certain financial instruments at fair value, and incorporate the principal accounting policies set out below. They are presented in Botswana Pula.

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

1.1 Significant judgements and sources of estimation uncertainty

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

Trade and other receivables

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

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

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Authority is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Authority uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. The valuation techniques, such as estimated discounted cash flows, are used to determine fair value for the financial instruments.

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.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the useful life assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of the assets.

1.1 Significant judgements and sources of estimation uncertainty (Continued)

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

Provisions

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

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 Country.

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 Investment property

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

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

Fair value

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

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

1.3 Property, plant and equipment

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

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

1.3 Property, plant and equipment (Continued)

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

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

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

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

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

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

The depreciation charge for each period is recognised in profit or loss 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.

1.4 Financial instruments

Classification

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

- Loans and receivables
- Financial liabilities measured at amortised cost

1.4 Financial instruments (Continued)

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

Initial recognition and measurement

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

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

Financial instruments are measured initially at fair value.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Subsequent measurement

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

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

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Authority establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis etc.

Impairment of financial assets

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

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

Impairment losses are recognised in profit or loss.

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

1.4 Financial instruments (Continued)

Reversals of impairment losses are recognised in profit or loss.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

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 profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

1.5 Tax

Tax expenses

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

1.6 Leases

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

Operating leases - lessor

Operating lease income is recognised as an income on a straight-line basis over the lease term.

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

Income for leases is disclosed under other income.

Operating leases – lessee

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

1.7 Non-current assets held for sale (and disposal groups)

Non-current assets and disposal groups are classified as held for sale 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 (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

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

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

1.8 Impairment of assets

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

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

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

1.8 Impairment of assets (Continued)

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

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

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

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

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in profit or loss.

1.9 Employee benefits

Short-term employee benefits

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

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

Defined contribution plans

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

1.10 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.

1.10 Provisions and contingencies (Continued)

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

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

1.11 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 end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

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

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

Interest is recognised, in profit or loss, using the effective interest rate method.

Rental income is recognised in the income statement on a straight lining basis over the lease term.

1.12 Borrowing costs

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

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

1.12 Borrowing costs (Continued)

The capitalisation of borrowing costs commences when:

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

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

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

1.13 Translation of foreign currencies

Foreign currency transactions

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

At the end of the reporting period:

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

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

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

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.

IAS 1 Presentation of Financial Statements Revised

During the current year, the Authority adopted IAS 1 Presentation of Financial Statements - Revised.

The revisions resulted in several changes, including terminology changes. As such, the balance sheet will now be referred to as the statement of financial position and the cash flow statement as the statement of cash flows.

In accordance with the revisions, all non owner changes in equity are now presented in a single statement of comprehensive income .

The revisions also introduced the concept of other comprehensive income and require disclosure to be made of all reclassification adjustments and all taxation implications of each component of other comprehensive income. This information has been disclosed in the notes to the annual financial statements.

In addition, a statement of financial position and related notes have been presented for the earliest comparative period. This is in accordance with the requirements of the revised Standard to present such a statement of financial position whenever there is a retrospective restatement to the annual financial statements.

Dividend information will now only be disclosed either on the face of the statement of changes in equity or in the notes.

The Standard did not provide for any transitional provisions for the stated revisions. The changes are required to be applied retrospectively.

The change has been applied retrospectively.

IAS 23 Borrowing Costs

During the current year, the Authority changed its accounting policy for borrowing costs,by adopting the revised IAS 23 Borrowing Costs.

The revisions require that all borrowing costs incurred which are directly attributable to the acquisition, construction or production of qualifying assets must be capitalised to the cost of that asset.

The transitional provisions are such that the change in accounting policy is to be applied to borrowing costs directly attributable to qualifying assets for which the commencement date for capitalisation is in years beginning on or after 1 January 2009. However, the Authority never incurred any borrowing cost in the past while constructing a qualifying asset within the meaning of IAS 23.

The change has therefore been applied prospectively, in accordance with the transitional provisions of the Standard.

3. New Standards and Interpretations

At the date of approval of these annual financial statements, certain new accounting standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the entity.

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

3.1 Standards and interpretations effective and adopted in the current year

In the current year, the Authority has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

IAS 1 (Revised) Presentation of Financial Statements

The main revisions to IAS 1:

- Require the presentation of non-owner changes in equity either in a single statement of comprehensive income or in an income statement and statement of comprehensive income.
- Require the presentation of a statement of financial position at the beginning of the earliest comparative period whenever a retrospective adjustment is made. This requirement includes related notes.
- Require the disclosure of income tax and reclassification adjustments relating to each component of other comprehensive income. The disclosures may be presented on the face of the statement of comprehensive income or in the notes.
- Allow dividend presentations to be made either in the statement of changes in equity or in the notes only.
- Have changed the titles to some of the financial statement components, where the 'balance sheet' becomes the 'statement of financial position' and the 'cash flow statement' becomes the 'statement of cash flows.' These new titles will be used in International Financial Reporting Standards, but are not mandatory for use in financial statements.

The effective date of the standard is for years beginning on or after 01 January 2009.

The Authority has adopted the standard for the first time in the 2010 annual financial statements.

The adoption of this standard has not had a material impact on the results of the Authority, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

IAS 23 (Revised) Borrowing Costs

The revision requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs has been removed.

The effective date of the standard is for years beginning on or after 01 January 2009.

3. New Standards and Interpretations (Continued)

The Authority has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

May 2008 Annual Improvements to IFRS's: Amendments to IFRS 7 Financial Instruments: Disclosures

The amendment relates to changes in the Implementation Guidance of the Standard. 'Total interest income' was removed as a component of finance costs from paragraph IG13. This was to remove inconsistency with the requirement of IAS 1 Presentation of Financial Statements which precludes the offsetting of income and expenses.

The effective date of the amendment is for years beginning on or after 01 January 2009.

The Authority has adopted the amendment for the first time in the 2010 annual financial statements.

The impact of the amendment is not material.

May 2008 Annual Improvements to IFRS's: Amendments to IAS 1 Presentation of Financial Statements

The amendment is to clarify that financial instruments classified as held for trading in accordance with IAS 39 Financial Instruments: Recognition and Measurement are not always required to be presented as current assets/ liabilities.

The effective date of the amendment is for years beginning on or after 01 January 2009.

The Authority has adopted the amendment for the first time in the 2010 annual financial statements.

The impact of the amendment is not material.

May 2008 Annual Improvements to IFRS's: Amendments to IAS 8 Accounting Policies Changes in Accounting Estimates and Errors

The amendment clarified that Implementation Guidance related to any Standard is only mandatory when it is identified as an integral part of the Standard.

The effective date of the amendment is for years beginning on or after 01 January 2009.

The Authority has adopted the amendment for the first time in the 2010 annual financial statements.

The impact of the amendment is not material.

May 2008 Annual Improvements to IFRS's: Amendments to IAS 10 Events after the Reporting Period

The amendment clarified that if dividends are declared (appropriately authorised and no longer at the discretion of the entity) after the reporting period but before the financial statements are authorised for issue, the dividends may not be recognised as a liability as no obligation exists at the reporting date. Thus clarifying that in such cases a liability cannot be raised even if there is a constructive obligation.

3. New Standards and Interpretations (Continued)

The effective date of the amendment is for years beginning on or after 01 January 2009.

The Authority has adopted the amendment for the first time in the 2010 annual financial statements.

The adoption of this amendment has not had a material impact on the results of the Authority, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

May 2008 Annual Improvements to IFRS's: Amendments to IAS 16 Property, Plant and Equipment

The term 'net selling price' has been replaced with 'fair value less cost to sell' in the definition of recoverable amount.

The effective date of the amendment is for years beginning on or after 01 January 2009.

The Authority has adopted the amendment for the first time in the 2010 annual financial statements.

The impact of the amendment is not material.

May 2008 Annual Improvements to IFRS's: Amendments to IAS 23 Borrowing Costs (as revised in 2007)

The description of specific components of borrowing costs has been replaced with a reference to the guidance in IAS 39 Financial Instruments: Recognition and Measurement on effective interest rate.

The effective date of the amendment is for years beginning on or after 01 January 2009.

The Authority has adopted the amendment for the first time in the 2010 annual financial statements.

The impact of the amendment is not material.

May 2008 Annual Improvements to IFRS's: Amendments to IAS 39 Financial Instruments: Recognition and Measurement

IAS 39 prohibits the classification of financial instruments into or out of the fair value through profit or loss category after initial recognition. The amendments set out a number of changes in circumstances that are not considered to be reclassifications for this purpose.

The amendments have also removed references to the designation of hedging instruments at the segment level.

The amendments further clarify that the revised effective interest rate calculated when fair value hedge accounting ceases, in accordance with paragraph 92 IAS 39 should be used for the remeasurement of the hedged item when paragraph AG8 of IAS 39 is applicable.

The effective date of the amendment is for years beginning on or after 01 January 2009.

The Authority has adopted the amendment for the first time in the 2010 annual financial statements.

3. New Standards and Interpretations (Continued)

The adoption of this amendment has not had a material impact on the results of the Authority, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

May 2008 Annual Improvements to IFRS's: Amendments to IAS 40 Investment Property and IAS 16 Property, Plant and Equipment

Property being constructed for use as investment property is now classified as investment property and not property, plant and equipment (as previously required). Even if the entity accounts for investment property at fair value, such property may be measured at cost until the earlier of date fair value is determinable or construction is complete.

Some terminology in the Standard has been amended to be consistent with other Standards and Interpretations.

In determining the carrying amount of investment property held under a lease and accounted for using the fair value model, the amendment clarified that any lease liability should be added back to the valuation to arrive at the carrying amount, rather than the fair value of the investment property.

The effective date of the amendment is for years beginning on or after 01 January 2009.

The Authority has adopted the amendment for the first time in the 2010 annual financial statements.

The impact of the amendment is not material.

Amendment to IAS 39 and IFRS 7: Reclassification of Financial Assets

The amendment permits an entity to reclassify certain financial assets out of the fair value through profit or loss category if certain stringent conditions are met. It also permits an entity to transfer from the available-for-sale category to loans and receivables under certain circumstances. Additional disclosures are required in the event of any of these reclassifications.

The effective date of the amendment is for years beginning on or after 01 July 2008.

The Authority has adopted the amendment for the first time in the 2010 annual financial statements.

The adoption of this amendment has not had a material impact on the results of the Authority, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

Amendment to IAS 39 and IFRS 7: Reclassification of Financial Assets

The amendment requires that when a financial instrument is reclassified out of fair value through profit or loss, it must be reassessed to consider whether there is an embedded derivative which must be separated from the host contract. When such an assessment cannot be made, the reclassification out of fair value through profit or loss is prohibited.

The effective date of the amendment is for years beginning on or after 01 July 2008.

The Authority has adopted the amendment for the first time in the 2010 annual financial statements.

The impact of the amendment is not material.

3. New Standards and Interpretations (Continued)

Amendments to IFRS 7: Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments

The amendment requires additional disclosures about fair value measurement, including separating fair value measures into a hierarchy. The amendments also require liquidity risk disclosure to be separated between non-derivative financial liabilities and derivative financial liabilities.

The effective date of the amendment is for years beginning on or after 01 January 2009.

The Authority has adopted the amendment for the first time in the 2010 annual financial statements.

The adoption of this amendment has not had a material impact on the results of the Authority, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

3.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the Authority's accounting periods beginning on or after 01 April 2010 or later periods but are not relevant to its current economic operations:

IFRS 3 (Revised) Business Combinations

The revisions to IFRS 3 Business combinations require:

- Acquisition costs to be expensed.
- Non-controlling interest to either be calculated at fair value or at their proportionate share of the net identifiable assets of the acquiree.
- Contingent consideration to be included in the cost of the business combination without further adjustment to goodwill, apart from measurement period adjustments.
- All previous interests in the acquiree to be remeasured to fair value at acquisition date when control is achieved in stages, and for the fair value adjustments to be recognised in profit or loss.
- Goodwill to be measured as the difference between the acquisition date fair value of consideration paid, non-controlling interest and fair value of previous shareholding and the fair value of the net identifiable assets of the acquiree.
- The acquirer to reassess, at acquisition date, the classification of the net identifiable assets of the acquiree, except for leases and insurance contracts.
- Contingent liabilities of the acquiree to only be included in the net identifiable assets when there is a present obligation with respect to the contingent liability.

The effective date of the standard is for years beginning on or after 01 July 2009.

The Authority does not envisage the adoption of the standard until it is effective.

The Authority is unable to reliably estimate the impact, if any, of the standard on the annual financial statements.

3. New Standards and Interpretations (Continued)

2009 Annual Improvements Project: Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

The amendment specifies that disclosures of other Standards do not apply to non-current assets (or disposal groups) held for sale or discontinued operations, unless specifically required by other Standards or for measurement disclosures of assets and liabilities in a disposal group which are outside the measurement requirements of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

The effective date of the amendment is for years beginning on or after 01 January 2010.

The Authority does not envisage the adoption of the standard until it is effective.

It is unlikely that the amendment will have a material impact on the Authority's annual financial statements.

2009 Annual Improvements Project: Amendments to IAS 7 Statement of Cash Flows

The amendment provides that expenditure may only be classified as 'cash flows from investing activities' if it resulted in the recognition of an asset on the statement of financial position.

The effective date of the amendment is for years beginning on or after 01 January 2010.

The Authority does not envisage the adoption of the standard until it is effective.

The impact of this amendment is currently being assessed.

2009 Annual Improvements Project: Amendments to IAS 17 Leases

The amendment removes the guidance that leases of land, where title does not transfer, are operating leases. The amendment therefore requires that lease classification for land be assessed in the same manner as for all leases. The amendment is to be applied retrospectively, unless the information is not available. In these cases, existing leases shall be reconsidered based on facts and circumstances existing at the date of adoption of the amendment. The lease asset and lease liability shall, in these cases be recognised at their fair values on that date, with any difference in those fair values recognised in retained earnings.

The effective date of the amendment is for years beginning on or after 01 January 2010.

The Authority does not envisage the adoption of the standard until it is effective.

The impact of this amendment is currently being assessed.

2009 Annual Improvements Project: Amendments to IAS 39 Financial Instruments: Recognition and Measurement

In terms of the amendment, forward contracts to buy or sell an acquiree that will result in a business combination in the future, are only exempt from the Standard if the term of the contract does not exceed that which is reasonably necessary to obtain the required approval and complete the transaction. The amendment further clarifies that in a cash flow hedge of a forecast transaction, gains or losses should be reclassified from equity to profit or loss in the period in which the hedged forecast cash flow affects profit or loss. The amendment also clarifies that a prepayment option is not closely related to the host contract unless the exercise price is approximately equal to the present value of the lost interest for the remaining term of the host contract.

3. New Standards and Interpretations (Continued)

The effective date of the amendment is for years beginning on or after 01 January 2010.

The Authority does not envisage the adoption of the standard until it is effective.

The Authority is unable to reliably estimate the impact of the amendment on the annual financial statements.

Annual improvements 2010

The IASB has published Improvements to IFRSs ('2010 Improvements') which makes minor amendments to nine International Financial Reporting Standards (IFRSs) in May 2010. Most of these amendments become effective in annual periods beginning on or after 1 July 2010 or 1 January 2011. This publication completes the IASB's third round of annual improvements. The 2010 Improvements reflect issues that were included in an exposure draft of proposed amendments to IFRSs published in August 2009. It also includes an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards.

The effective date of the interpretation is for years beginning on or after 01 July 2011.

The Authority does not envisage the adoption of the standard until it is effective.

The Authority is unable to reliably estimate the impact of the amendment on the annual financial statements.

IFRS 9: Financial instruments.

This new standard was issued in November 2009. This standard is the first phase of improvements to existing IAS 39 and deals with classification and measurement of financial assets. The standard requires an entity to classify financial assets at either amortised cost or fair value on the basis of a) the entity's business model for managing the financial assets; and b) the contractual cash flow characteristics of the financial asset; unless it chooses to designate a financial asset at fair value through profit or loss. At initial recognition, IFRS 9 requires entities to measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, directly attributable transaction costs. After initial recognition, financial assets are either measured at fair value or amortised cost as described above.

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

The Authority does not envisage the adoption of the standard until it is effective.

The Authority is unable to reliably estimate the impact of the standard on the annual financial statements.

3. New Standards and Interpretations (Continued)

IAS 24 - Related Party disclosure

The main change compared to the previous version is the introduction of an exemption from IAS 24's disclosures for transactions with:

- a government that has control, joint control or significant influence over the reporting entity; and
- other entities controlled, jointly controlled or significantly influenced by the same government.

If a reporting entity applies this exemption, it is required to disclose the name of the government in concern and the nature of its relationship with the reporting entity. It is also required to disclose information on the nature and amount of each individually significant transaction with the government or government-related entity. For other transactions that are collectively, but not individually, significant, a qualitative or quantitative indication of their extent is required to be disclosed.

The effective date of the standard is for years beginning on or after 01 January 2011.

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

The impact of this standard is currently being assessed.

		Cost / Valuation
4.	**Property, plant and equipment**	
	Buildings	31 390 476
	Furniture and fixtures	6 092 448
	IT equipment	6 053 984
	Land	2 135 701
	Motor vehicles	2 502 068
	Office equipment	5 095 549
	Technical equipment (ASMS)	89 056 516
	Capital work in progress	52 439
	Total	**142 379 181**

Reconciliation of property, plant and equipment - 2010	Opening carrying value	Additions
Buildings	28 711 103	52 855
Furniture and fixtures	1 126 297	1 036 790
IT equipment	1 775 945	775 043
Land	2 135 701	-
Motor vehicles	1 858 918	-
Office equipment	1 087 647	1 167 438
Technical equipment (ASMS)	65 212 142	810 416
Capital work in progress	3 415 271	1 672 092
	105 323 024	**5 514 634**

Reconciliation of property, plant and equipment - 2009	Opening carrying value	Additions
Buildings	14 295 279	-
Furniture and fixtures	244 743	630 556
IT equipment	1 596 337	1 487 067
Land	2 135 701	-
Motor vehicles	1 615 390	519 607
Office equipment	95 840	606 388
Technical equipment (ASMS)	78 249 217	1 402 633
Capital work in progress	9 810 242	9 075 978
	108 042 749	**13 722 229**

Compensation received for losses on property, plant and equipment – included in other income

IT equipment	265 864

2010 Accumulated depreciation and impairments	Carrying value	Cost / Valuation	2009 Accumulated depreciation and impairments	Carrying value
(2 977 896)	28 412 580	31 337 621	(2 626 518)	28 711 103
(2 381 739)	3 710 709	3 200 075	(2 073 778)	1 126 297
(5 071 833)	982 151	5 590 485	(3 814 540)	1 775 945
—	2 135 701	2 135 701	—	2 135 701
(1 268 667)	1 233 401	2 502 068	(643 150)	1 858 918
(2 306 036)	2 789 513	2 651 212	(1 563 565)	1 087 647
(31 443 472)	57 613 044	86 608 183	(21 396 041)	65 212 142
—	52 439	3 415 271	—	3 415 271
(45 449 643)	**96 929 538**	**137 440 616**	**(32 117 592)**	**105 323 024**

Disposals	Transfers	Depreciation	Impairment loss	Closing carrying value
-	-	(351 378)	-	28 412 580
(124 801)	1 989 100	(316 677)	-	3 710 709
(209 549)	-	(1 359 288)	-	982 151
-	-	-	-	2 135 701
-	-	(625 517)	-	1 233 401
(78 048)	1 407 908	(795 432)	-	2 789 513
-	1 637 916	(9 846 445)	(200 985)	57 613 044
-	(5 034 924)	-	-	52 439
(412 398)	**-**	**(13 294 737)**	**(200 985)**	**96 929 538**

Disposals	Transfers	Depreciation	Impairment loss	Closing carrying value
-	-	14 837 712	(421 888)	28 711 103
-	-	363 600	(112 602)	1 126 297
-	-	-	(1 307 459)	1 775 945
-	-	-	-	2 135 701
-	(850)	-	(275 229)	1 858 918
-	-	476 715	(91 296)	1 087 647
(5 728 567)	-	(207 078)	(8 504 063)	65 212 142
-	-	(15 470 949)	-	3 415 271
(5 728 567)	**(850)**	**-**	**(10 712 537)**	**105 323 024**

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4. Property, plant and equipment (Continued)

During the previous 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. 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.

The impairment represents one of the components of technical equipment, namely, shelter, which partly destroyed by rain. The recoverable amount was based on value in use as estimated by the professional valuer.

5. Financial assets by category

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

	Loans and receivables Pula	Total Pula
2010		
Cash and cash equivalents	107 860 999	107 860 999
Trade and other receivables	21 965 603	21 965 603
	129 826 602	**129 826 602**
2009		
Cash and cash equivalents	80 006 555	80 006 555
Trade and other receivables	13 465 922	13 465 922
	93 472 477	**93 472 477**

6. Trade and other receivables

Deposits	61 713	—
Employee costs in advance	9 985	56 823
Other receivable	720 499	743 393
Receivable from CRASA	51 434	6 050
Receivable from National Broadcasting Board	399 009	—
Trade receivables	20 722 963	12 659 656
	21 965 603	**13 465 922**

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

6. Trade and other receivables (Continued)

Credit quality of trade and other receivables

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

Trade and other receivables past due but not impaired

Trade receivables which are less than 3 months past due are not considered to be impaired unless there are other indicators of impairment. At 31 March 2010, P 1 802 350 (2009: P 1 467 602) were past due but not impaired.

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

	2010 Pula	2009 Pula
1 month past due	259 649	1 137 338
2 months past due	474 484	116 874
3 months past due	1 068 217	213 390
	1 802 350	**1 467 602**

Trade and other receivables impaired

As of 31 March 2010, trade and other receivables of P 448 012 (2009: P -) were impaired and provided for.
The amount of the provision was P (202 892) as of 31 March 2010 (2009: P -).
The ageing of these loans is as follows:

	2010 Pula	2009 Pula
Over 6 months	448 012	–
	448 012	**–**

Reconciliation of provision for impairment of trade and other receivables

	2010 Pula	2009 Pula
Provision for impairment	202 892	–

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

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. The Authority does not hold any collateral as security.

	2010 Pula	2009 Pula
7. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Bank balances	53 113 300	28 555 353
Cash on hand	500	500
Short-term deposits	54 747 199	51 450 702
	107 860 999	**80 006 555**

Short term deposit includes Authority's investment in Stanbic money market fund which has an average rate of return of 6.52% (2009: 11.36%).This amount of P 16 308 400 (2009: 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 P25 396 168 (2009: P 20 057 982) 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 and who have past performance history with no defaults in their commitments.

8. Discontinued operations or disposal groups or non-current assets held for sale

During the previous year 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. However during the current year the Authority disposed off the property situated at Plot 2624 and presently property situated on Plot 4965 is classified as held for sale as detailed below:

The investment property (Plot 4965) with the carrying value of P 6 201 000 was valued by Stocker Fleetwood- Bird (Proprietary) Limited a registered independent property valuers, on 23 March 2010 at P 6 500 000, representing the open market value.

However, the management decided to retain the carrying value of the above property 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. This is due to the fact that the management is required to pay the commission and after estimating the commission at 4% to 6%, the estimated realisable value would be almost equal to the carrying value of the property.

	2010 Pula	2009 Pula
Profit and loss		
Revenue	472 356	329 043
Expenses	(54 770)	(33 563)
Net surplus	417 586	295 480
Profit on disposal of non current asset held for sale	778 162	—
	1 195 748	**295 480**
Assets and liabilities		
Non-current assets held for sale		
Property, plant and equipment	—	421 838
Investment property	6 201 000	6 201 000
	6 201 000	**6 622 838**

9. Government of Botswana - Universal Service Fund

	2010 Pula	2009 Pula
Contribution payable to Government of Botswana - Universal Service Fund	20 500 000	16 500 000
Interest earned on deposit - Universal Service fund	4 896 168	3 557 982
	25 396 168	**20 057 982**

10. Trade and other payables

	2010 Pula	2009 Pula
Accrued employee expenses	3 455 835	3 442 531
Amounts received in advance	138 080	136 206
Deposits received	25 949	27 130
Other accrued expenses	4 352 855	839 979
Other payables	425 739	68 689
Amount held on behalf of National Broadcasting Board	1 644 306	1 185 847
Trade payables	693 097	2 820 514
Value added tax	802 448	53 830
	11 538 309	**8 574 726**

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

11. Financial liabilities by category

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

	Financial liabilities at amortised cost Pula	Total Pula
2010		
Trade and other payables	11 538 309	11 538 309
Government of Botswana - Universal Service Fund	25 396 168	25 396 168
	36 934 477	**36 934 477**
2009		
Trade and other payables	8 574 726	8 574 726
Government of Botswana - Universal Service Fund	20 057 982	20 057 982
	28 632 708	**28 632 708**

	2010 Pula	2009 Pula
12. Revenue		
Turnover fees	64 479 752	57 536 405
System license fees	4 097 329	3 603 811
Service license fees	898 559	786 471
Radio license fees	13 994 024	9 308 183
	83 469 664	**71 234 870**
13. Other income		
Lease income	1 495 965	1 285 460
Foreign exchange gain	158	—
Other income	596 452	350 554
Profit on sale of property, plant and equipment	—	227 795
	2 092 575	**1 863 809**

		2010 Pula	2009 Pula
14.	**Surplus for the year before finance income**		
	Surplus for the year before finance income for the year is stated after accounting for the following:		
	Loss (profit) on sale of property, plant and equipment	148 170	(227 795)
	Impairment on trade and other receivables	202 892	—
	Profit on exchange differences	(158)	—
	Profit on sale of non-current assets held for sale and net assets of disposal groups	(778 162)	—
	Depreciation on property, plant and equipment	13 495 723	10 712 536
	Employee costs	27 838 639	25 665 717
	Defined contribution funds	2 218 461	1 963 937
	Consultation and professional fees	4 589 425	5 661 696
	Conference expenses	1 583 758	1 480 420
	Donations	1 149 336	791 667
	Training expenses	1 629 464	1 299 899
	Repairs and maintenance	1 375 093	1 195 699
	Printing and stationery	685 852	619 760
	Travelling expenses	2 193 338	1 665 600
	Security expenses	1 280 707	1 165 138
	Net gains (losses) on financial instruments:		
	Loans and receivables	4 955 936	5 608 807
	Impairment of financial assets per class		
	Loans and receivables	202 892	—
15.	**Finance income**		
	Bank	939 084	1 544 291
	Other financial asset	4 016 852	4 064 516
		4 955 936	**5 608 807**
16.	**Auditors' remuneration**		
	Fees	121 400	75 600

		2010 Pula	2009 Pula
17.	**Cash generated from operations**		
	Profit before taxation	23 435 669	18 173 983
	Adjustments for:		
	Depreciation and amortisation	13 495 723	10 712 536
	Loss (profit) on sale of property, plant and equipment	148 170	(227 795)
	Profit on sale of non-current assets and disposal groups	(778 162)	—
	Finance income	(4 955 936)	(5 608 807)
	Impairment loss	202 892	—
	Changes in working capital:		
	Trade and other receivables	(8 702 574)	(4 752 074)
	Prepayments	344 858	(61 414)
	Trade and other payables	2 963 583	(1 660 469)
		26 154 223	**16 575 960**
18.	**Cash flows of held for sale**		
	Sale of land and buildings held for sale	1 200 000	—
19.	**Commitments**		
	Authorised capital expenditure		
	Already contracted for but not provided for		
	• Property, plant and equipment	—	3 434 157
	Not yet contracted for and authorised by the Board	10 058 000	—

This committed expenditure relates to plant and equipment and will be financed by existing cash resources, funds internally generated, etc.

Operating leases – as lessor (income)

	2010 Pula	2009 Pula
Minimum lease payments due		
• within one year	1 271 989	1 023 610

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

20. Contingencies

Guarantee issued by the Authority in favour of First National Bank of Botswana Limited towards the employees' housing loan, wherein Authority has guaranteed upto 100% of the outstanding balance. The balance outstanding at the balance sheet date under this guarantee amounts to P 5 659 769 (2009: P 6 383 718).

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 1 496 513 (2009: P 1 766 835).

Guarantee issued by the Authority in favour of Bank of Baroda (Botswana) Limited towards the employees' personal loans, wherein Authority has guaranteed up to 50% of the outstanding balance. The balance outstanding at the balance sheet date under this guarantee amounts to P 1 468 764 (2009: P NIL).

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 2 630 244 (2009: P 1 572 625).

Litigation by the construction company on claims towards damages resulting from extension of time and other financial loss in respect of Phakalane Monitoring Centre. The claim made by the contractor amounts to P1 674 144 and legal cost is estimated not to exceed P 150 000

21. Related parties

Relationships

Members of the Board	Refer to page 45
Related parties	The Authority had transactions with Government and other Government interested organisations. These transactions and these parties were not considered to be related party transactions and related parties. However, National Broadcasting Board is considered as a related party, as transactions are in the nature of collection on behalf of this party.
Members of key management	T.G. Pheko (Chief Executive) M.O. Tamasiga (Deputy Chief Executive) A.N. Mokone T.B. Koontse T.S. Mosinyi O. Tsiang M. Mokgware B. Mine G.O. Radijeng

		2010 Pula	2009 Pula
21.	**Related parties (Continued)**		
	Related party balances		
	Amounts included in Trade receivable (Trade Payable) regarding related parties		
	National Broadcasting Board - net of receivable	(1 245 297)	(1 185 847)
	Communications Regulators' Association of Southern Africa	51 434	6 050
	Related party transactions		
	Board sitting fees		
	Sitting fees	106 281	13 150
	Compensation to key management		
	Remuneration paid	5 870 124	5 149 067
	Post-employment benefits - Pension - Defined contribution plan	465 638	401 248
	Other long-term employee benefits	906 118	780 371
		7 241 880	**6 330 686**

22. Board members sitting fees

During the year the Authority paid P 106 281 (2009: P 13 150) as sitting fees to the board members.

23. Change in estimate

Property, plant and equipment

The useful life of one of the component, namely Shelter, of the Technical equipment (ASMS Project equipment) was estimated in 2006 to be 20 years. In the current period management have revised their estimate to 10 years. The effect of this revision has increased the depreciation charges for the current and future periods by P 235 140 for the current year and subsequent 6.67 years.

24. Risk management

Capital risk management

The Authority's objectives when managing capital are to safeguard the Authority's ability to continue as a going concern in order to provide services to its customers by pricing for the services appropriately and create sufficient funds for development of world class facilities to monitor its activities effectively.

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

24. Risk management (Continued)

There are no externally imposed capital requirements.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Financial risk management

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

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

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Authority's finance department maintains flexibility in funding by maintaining various investments with different maturity dates.

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 based on the approved capital expenditure budget and availability of funds.

Cash flow forecasts are prepared and maturity analysis of investments are monitored.

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

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 March 2010				
Trade and other payables	8 082 472	3 455 836	—	—
Government of Botswana - Universal Service Funds	—	25 396 168	—	—
At 31 March 2009				
Trade and other payables	5 132 196	3 442 531	—	—
Government of Botswana - Universal Service Funds	—	20 057 982	—	—

24. 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 54 million (2009: P 51million) 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	5.70 %	10 000 000	–	–	–	–
3 months fixed deposits	6.20 %	21 379 970	–	–	–	–
3 months fixed deposits	6.25 %	7 058 830	–	–	–	–
Stanbic money market fund	6.52 %	16 308 400	–	–	–	–

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The Authority only deposits cash with major banks with high quality credit standing and exposure is spread with different bankers.

Trade receivables are mainly from three major operators from telecommunication sector, amounting to P 18.99 (2009: 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 maximum credit exposure on trade receivables is limited to P 20.72 million (2009: P 12.66 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.

24. Risk management (Continued)

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

	2010 Pula	2009 Pula
Financial instrument		
Trade receivables	20 722 963	12 659 656
Receivable from CRASA and NBB	450 443	6 050
Barclays Bank of Botswana Limited	10 146 944	2 935 470
Stanbic Bank Botswana Limited	27 058 948	21 638 717
Bank of Baroda (Botswana) Limited	31 155 420	28 902 007
First National Bank of Botswana Limited	22 573 337	10 825 732
Standard Chartered Bank Botswana Limited	617 452	570 738
Investment in Stanbic money market fund	16 308 400	15 113 260

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

Foreign exchange risk

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

25. Events after the reporting period

In the meeting held on 12 July 2010, the Board resolved to provide dividends payable to Government of Botswana amounting to P 5 858 916 (2009: 4 543 495) being 25% of the surplus for the year ended 31 March 2010 which is in line with the requirements of the Government of Botswana directive CAB 40/2004.

In the Board meeting held on 12 July 2010, the members of the Board resolved to make a donation of P 7 million (2009: P 4 million) towards the Universal Service Fund. This amount is not provided in these financial statements.

Detailed Income Statement

FOR THE YEAR ENDED 31 MARCH 2010

	Note(s)	2010 Pula	2009 Pula
Revenue			
Rendering of services		64 479 752	57 536 405
Miscellaneous other revenue		898 559	786 471
Radio license fees		13 994 024	9 308 183
System license fees		4 097 329	3 603 811
	12	**83 469 664**	**71 234 870**
Other income			
Rental income		1 495 965	1 285 460
Other income		596 452	350 554
Interest received	15	4 955 936	5 608 807
Gains on disposal of assets		—	227 795
Profit on exchange differences		158	—
Gains on non-current assets held for sale or disposal groups		778 162	—
		7 826 673	**7 472 616**
Expenses (Refer to page 89)		**(67 860 668)**	**(60 533 503)**
Profit for the year		**23 435 669**	**18 173 983**

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

Detailed Income Statement (Continued)

FOR THE YEAR ENDED 31 MARCH 2010

	Note(s)	2010 Pula	2009 Pula
Operating expenses			
Advertising		(530 753)	(1 017 324)
Assessment rates & municipal charges		(14 091)	(42 980)
Auditors remuneration	16	(121 400)	(75 600)
Bank charges		(88 250)	(79 217)
Cleaning		(92 126)	(73 040)
Computer expenses		(302 227)	(86 057)
Consulting and professional fees		(4 589 425)	(5 661 696)
Consumables		(38 695)	(10 001)
Depreciation, amortisation and impairments		(13 698 615)	(10 712 536)
Donations		(1 149 336)	(791 667)
Employee costs		(27 838 639)	(25 665 717)
Entertainment		(39 015)	(21 539)
Board expenses		(823 438)	(533 622)
Conference expenses		(1 583 758)	(1 480 420)
Functions hosted by BTA		(264 708)	(224 355)
Internet expenses		(1 119 517)	(1 222 599)
Prepaid registration		(1 320 852)	(153 216)
Government grant		(4 000 000)	(4 000 000)
Training levy		(444 390)	—
Staff recruitment expenses		(97 986)	(134 633)
Handling fees		—	(19 670)
Insurance		(558 049)	(505 950)
Legal expenses		(94 647)	(267 422)
Loss on disposal of assets		(148 170)	—
Magazines, books and periodicals		(22 332)	(16 470)
Motor vehicle expenses		(223 481)	(189 341)
Postage		(41 233)	(41 441)
Printing and stationery		(685 852)	(619 760)
Protective clothing		(80 424)	(332 475)
Repairs and maintenance		(1 375 092)	(1 195 699)
Security		(1 280 707)	(1 165 138)
Staff welfare		(460 800)	(297 839)
Subscriptions		(332 097)	(282 557)
Telephone and fax		(211 688)	(447 217)
Training		(1 629 464)	(1 299 899)
Travel		(2 193 338)	(1 665 600)
Utilities		(366 073)	(200 806)
		(67 860 668)	**(60 533 503)**

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

2010 Highlights

FOR THE YEAR ENDED 31 MARCH 2010

FOCUS ON

DIGITAL MIGRATION

Digital Migration

Digital broadcasting technology will enable television broadcasters to have six times more channels of broadcasting on the same spectrum that is currently occupied by one channel under analogue broadcasting technology.

The International Telecommunication Union (ITU), a United Nations Agency responsible for the development of telecommunications globally, is leading the world in migrating terrestial television broadcasting from analogue to digital transmission by 2015, a move aimed at achieving the efficient use of the radio frequency spectrum. Digital broadcasting technology will enable television broadcasters to have six times more channels of broadcasting on the same spectrum that is currently occupied by one channel under analogue broadcasting technology. In addition, the technology will produce superior picture and sound television broadcasting quality.

As a signatory to the ITU, Botswana is obliged to effect this migration and failure to do so by the stipulated time could result in the country not being able to benefit from some of the digital services that would be on offer around the world. In addition, the television services that would not have migrated to digital by the stipulated time would not be protected from interference by other digital services if any occurs.

Consequently, the Digital Migration Task Force has been launched to formulate a plan for the migration process advice the Minister for Transport and Communications on policy, technical and content issues regarding the process. The Task Force that is chaired by the broadcasting sector regulator, the National Broadcasting Board (NBB), is also mandated to educate the public on the process and benefits of digital migration.

2010 Highlights

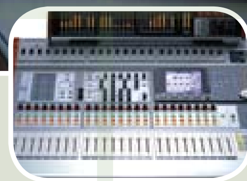
FOR THE YEAR ENDED 31 MARCH 2010

FOCUS ON

RADIATION

Radiation

The advent of mobile telephony has no-doubt brought with it numerous benefits in terms of telecommunications services, especially in Africa and not least in Botswana. The downside to this welcome development is that mobile telephony has also brought with it concerns of possible negative health effects on human beings from electromagnetic radiation propagated by mobile phones and radio base stations.



Without the benefit of relevant information on the subject of electromagnetic radiation, these concerns can course unwarranted alarm.

Radiofrequency electromagnetic energy (EME), also known as electromagnetic radiation (EMR) or radio waves, are waves of electric and magnetic energy moving together through space. EME is part of everyday life, emitted by natural sources such as the Sun, the Earth, the ionosphere, as well as artificial sources such as mobile phone base stations; broadcast towers; radar facilities; remote controls; and electrical and electronic equipment.

The electromagnetic radiation from the broadcast towers, mobile base stations and handsets is called non-ionising radiation. Non-ionising radiation does not carry enough energy to change the structure of an atom while ionising radiation can change the structure of an atom. Examples of ionising radiation sources are X-RAY and Nuclear.

In Botswana radiation issues are covered by the Radiation Protection Act, 2006, that is implemented by the Department of Radiation Protection. However, the Act deals with Ionising radiation only and does not address non-ionising radiation. In the meantime, the BTA handles concerns of non-ionising radiation associated with telecommunication and broadcast transmitters and mobile handsets. In addressing these concerns, the BTA relies on the guidelines from the International Commission on Non-Ionising Radiation Protection (ICNIRP).

The ICNIRP is an independent scientific organisation which has formal relations with the International Telecommunication Union (ITU) and the World Health Organisation (WHO). The ICNIRP published guidelines for limiting human exposure to electromagnetic fields and radiation in 1998. The guidelines were reviewed in 2009 and the ICNIRP came to the conclusion that scientific literature published since the 1998 Guidelines has provided no conclusive evidence of any adverse effects below the basic restrictions.

2010 Highlights

FOR THE YEAR ENDED 31 MARCH 2010

FOCUS ON INFRASTRUCTURE SHARING

Infrastructure Sharing

The need to achieve universal access to telecommunication services inevitably leads to a proliferation of mobile cellular base stations/ towers which is not only costly to investors but also raises health and environmental concerns.

Many countries are looking to infrastructure sharing as a solution to this problem.

Communications infrastructure sharing generally refers to the capability of operators to share networks or the ability by independent third party(s) to buildup infrastructure with the purpose to lease for use by different service providers. There are two types of network sharing, that is active and passive infrastructure sharing.

Active infrastructure sharing involves joint use of electrical network components or the intelligence in the network. e. g. microwave radio equipment, base stations, switching equipment etc, while Passive infrastructure sharing relates to the non-electrical and civil engineering elements of communication networks. e. g. Towers, shelters, manholes, cable ducts dark fibre optic cables etc.

Infrastructure sharing is applicable for fixed, mobile and broadcasting networks and it is becoming the best practice in undertaking business in the communications industry where competitors collaborate in order to lower their increasing capital costs and mitigate the risk of proliferating network deployment. Sharing is a way of optimising investment in the sector and the long term benefits are closely linked with competition that eventually leads to innovation, availability and affordability of services.

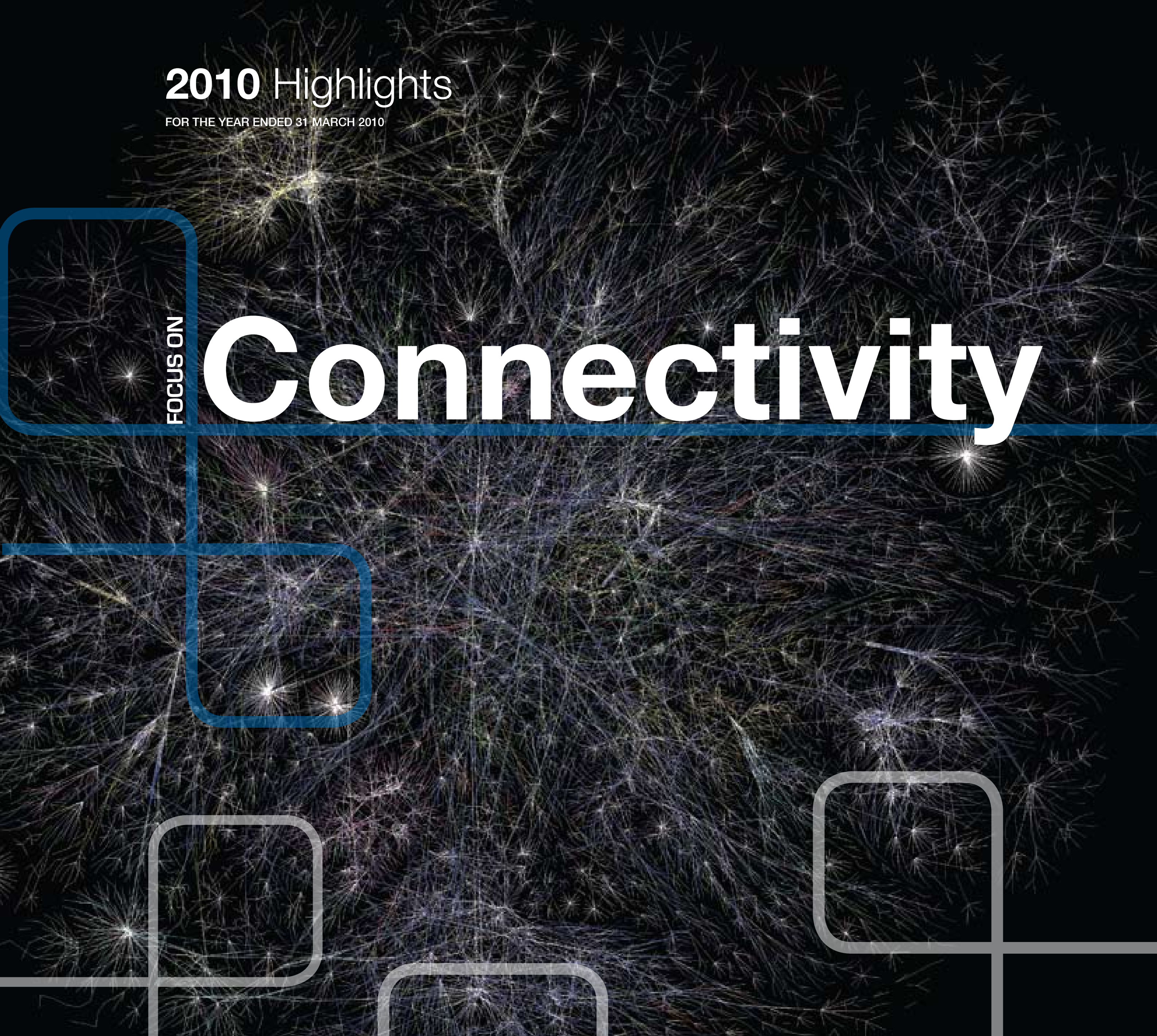
The real value of infrastructure sharing goes well beyond concepts like revenue, turnover and efficiency rates. Its greatest benefit lies in the power to connect communities and people together at low cost, a concept that is held in high esteem by the BTA and the Government of Botswana through the Ministry of Transport and Communications', national ICT plan.

The BTA has established a Reference Group to help with the development of technical guidelines/regulatory framework on telecommunications infrastructure sharing in Botswana with particular emphasis on passive elements of the network.

2010 Highlights

FOR THE YEAR ENDED 31 MARCH 2010

FOCUS ON Connectivity



Connectivity

Low rates of Internet connectivity remain a major challenge for Botswana as it is for the rest of the developing world.

High infrastructure costs, low incomes, sparse population, low computer literacy and most importantly, lack of local content make it difficult for Internet penetration to grow.

The cost of telecommunications services, particularly Internet services is undoubtedly linked to the low uptake of such services. The BTA's recommendation for the establishment of a Universal Service Fund and the Government's Nteletsa initiative are intended to mitigate the high capital costs required to deploy networks in hitherto unprofitable areas and roll out services to all Batswana at affordable prices.

Nteletsa II, Project is a Government initiative aimed at providing rural communities with access to telecommunications services including voice, data and Internet services.

The Government through the Public Telecommunications Operators has already connected a relatively high number of settlements in Botswana, making the country telecommunications penetration one of the best in Africa. The Government continues to explore other ways of reducing the cost of telecommunications services and connecting more people. To this end, the Government has, through the Botswana Telecommunications Corporation invested substantial amounts of money on connecting Botswana to the international world through high capacity undersea fibre optic cables. There is the East Africa Submarine Cable System (EASSy) along the Eastern Coast and the West African Festoon System (WAFS). In addition, SEACOM is another option available to Botswana. Once connected to these cable systems, Botswana will have ample capacity for high speed connectivity thereby increasing competition and possibly driving down costs. The EASSy cable is expected to be available for connectivity during this financial year 2010/2011, while the WAFS cable is expected to be available during the course of 2011.

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