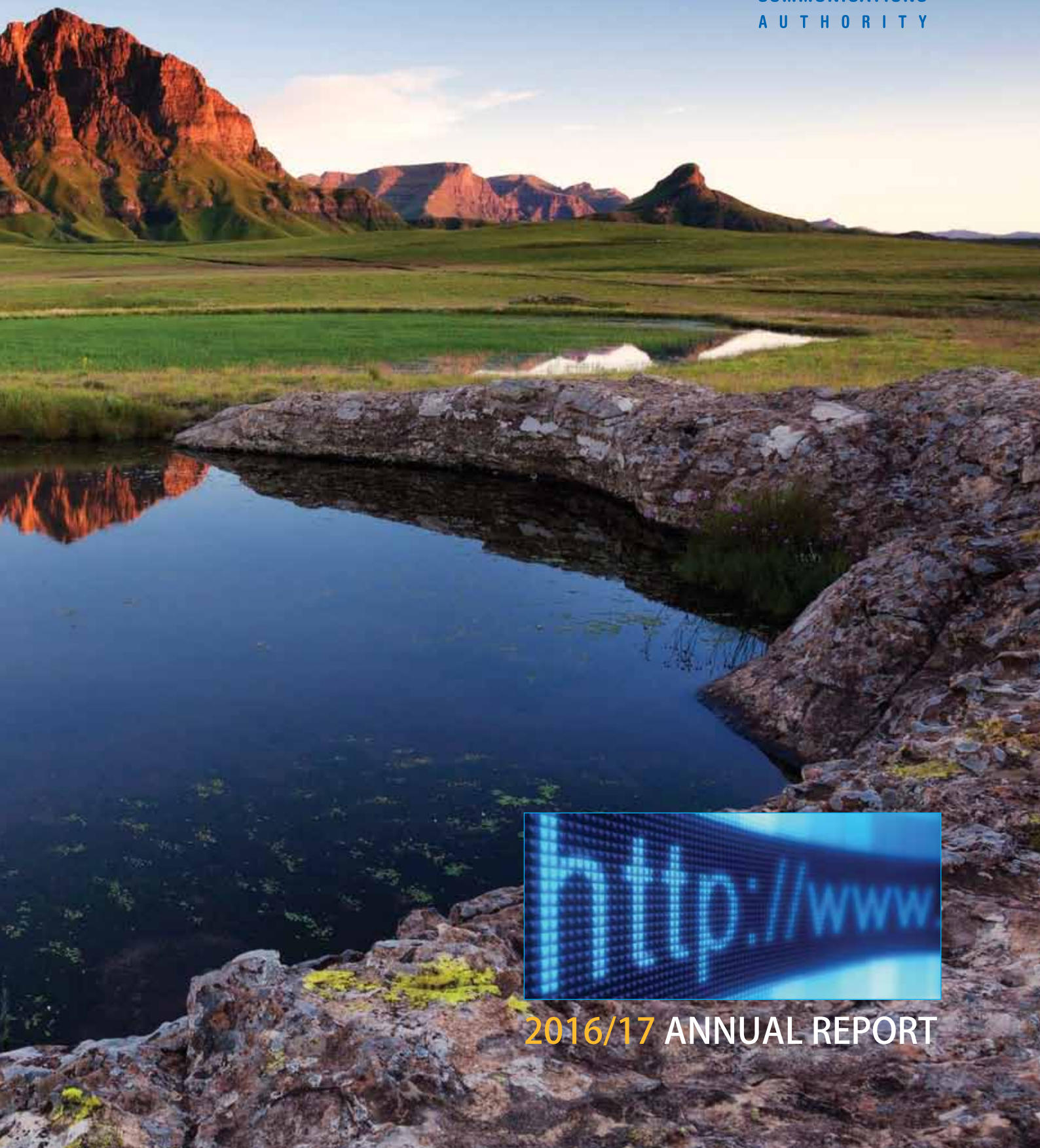


LESOTHO
COMMUNICATIONS
AUTHORITY



2016/17 ANNUAL REPORT



**L E S O T H O
C O M M U N I C A T I O N S
A U T H O R I T Y**

CORPORATE MANDATE

Lesotho Communications Authority is a converged national regulatory agency for the communications sector in the Kingdom of Lesotho. Its broad mandate is to license operators, facilitate the development of and regulate the communications sector which comprises telecommunications, broadcasting and postal services.

Vision

Access to affordable and reliable communication services throughout Lesotho by 2020.

Mission

To facilitate the provision and accessibility of quality communications services.

Value statement

The Authority shall maintain integrity, professionalism and transparency in its regulatory and other corporate affairs.

Motto

Fairness to all and allegiance to none.

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A digital copy of this publication is available from our website.

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LIST OF ABBREVIATIONS

3G:	Third generation.
4G:	Fourth generation.
5G:	Fifth generation.
AfDB:	African Development Bank.
AFD:	French Development Bank.
ASMS:	Automated Spectrum Management System.
BTS:	Base transceiver station.
BDRP:	Broadcasting Disputes Resolution Panel.
ccTLD:	Country Code Top Level Domain.
CEO:	Chief Executive Officer.
CEP:	Courier, Express and Parcel.
CMR:	Competition Management Regime.
CRAN:	Communications Regulatory Authority of Namibia.
CRASA:	Communications Regulators' Association of Southern Africa.
CSI:	Corporate Social Investment.
CTO:	Commonwealth Telecommunications Organisation.
DPO:	Designated Postal Operator.
DHL:	Dalsey, Hillblom and Lynn.
DOPE:	Department of Physics and Engineering.
DSL:	Digital Subscriber Line.
EASSy:	East African Submarine System.
EDGE:	Enhanced Data rates for GSM Evolution.
EMF:	Electromagnetic field.
EMS:	Express Mail Service.
ETL:	Econet Telecom Lesotho.
FAC:	Finance and Audit Committee.
GB:	Gigabyte.
GSM:	Global Systems for Mobile Communications.
GMS:	Global Monitoring System.
GNI:	Gross National Income.
GSM:	Global System for Mobile communication.
GSR:	Global Symposium for Regulators.
HRRC:	Human Resources and Remuneration Committee.
ICASA:	Independent Communications Authority of South Africa.
ICT:	Information and Communication Technologies.
IMR:	International Mobile Roaming.
IFRS:	International Financial Reporting Standards.
IT:	Information Technology.
IoT:	Internet of Things.
ITU:	International Telecommunication Union.
LAN:	Local Area Network.



LIST OF ABBREVIATIONS

LCA:	Lesotho Communications Authority.
LCBC:	Lesotho Catholic Bishops' Conference.
LEC:	Lesotho Electricity Company.
LIXP:	Lesotho Internet Exchange Point.
LM:	Lifetime Music Radio.
LNBS:	Lesotho National Broadcasting Service.
LsNIC:	Lesotho Network Information Centre.
LTE:	Long Term Evolution.
M:	Maloti. (singular: Loti)
MHz:	Megahertz.
MIA:	Moshoeshoe I International Airport.
MNO:	Mobile Network Operator.
MoU:	Memorandum of Understanding.
NSDP:	National Strategic Development Plan.
NUL:	National University of Lesotho.
PMS:	Performance Management System.
PRMS:	Premium Rated Messaging Service.
PSTN:	Public Switched Telephone Network.
QoS:	Quality of Service.
RAMP:	Research ICT Africa Mobile Pricing.
RIA:	Research ICT Africa.
RLAH:	Roam Like at Home.
SADC:	Southern African Development Community.
SBP:	Strategic Business Plan.
SMS:	Short Message Service.
SO:	Strategic Objective.
SQL:	Structured Query Language.
Tbps:	Terabits per second.
TSC:	Technical Sub-committee.
TV:	Television.
UMTS:	Universal Mobile Telecommunications System.
UPS:	United Parcel Service.
UPU:	Universal Postal Union.
USF:	Universal Service Fund.
USFC:	Universal Service Fund Committee.
USO:	Universal Service Obligations.
UK:	United Kingdom.
VAS:	Value Added Service.
VCL:	Vodacom Lesotho.
Wi-Fi:	Wireless Fidelity.
WIOCC:	West Indian Ocean Cable Company.

DEFINITION OF TERMS

- **3G:** Generic name for third-generation networks or services under the IMT-2000 banner, for example W-CDMA and CDMA2000 1x.
- **4G:** A collection of fourth generation cellular data technologies. It succeeds 3G and is also called “IMT-Advanced,” or “International Mobile Telecommunications Advanced.”
- **5G:** A term used to describe the fifth-generation of mobile networks beyond the 4G LTE mobile networks.
- **Act:** Means Communications Act No. 4 of 2012.
- **Active subscriber:** A subscriber who is able to make outgoing calls and receive incoming calls including a subscriber who is able to only receive incoming calls.
- **Analogue:** Transmission of voice and images using electrical signals.
- **Authority:** Lesotho Communications Authority.
- **Bandwidth:** Range of frequencies available to be occupied by signals. In analogue systems it is measured in Hertz (Hz) and in digital systems in bit/s per second (bit/s). The higher the bandwidth, the greater the amount of information that can be transmitted in a given time. High bandwidth channels are referred to as broadband, which typically means 1.5/2.0 Mbit/s or higher.
- **BTS:** A radio transmitter and/or receiver and antenna used in the mobile cellular network. It maintains communications with cellular telephones within a given cell and transfers mobile traffic to other base stations and the fixed telephone network. Also referred as a Base Station.
- **Broadband:** A high-speed internet service that is able to provide various types of content and services (over-the-top or OTTs), including online real-time voice communication, high-definition video streaming, sound streaming, as well as real-time transactions. The Southern African Development Community (SADC) has adopted the definition in the International Telecommunication Union (ITU) Recommendation I.113 which defines broadband as a “transmission capacity that is faster than primary rate Integrated Services Digital Network (ISDN) at 1.5 or 2.0 Megabits per second (Mbps)”.
- **Broadcast:** Point-to-multipoint audio or video transmitted only once over the entire service area.
- **Carrier:** An entity that owns a transmission medium and which rents, leases or sells portions of such a transmission medium for a set tariff.
- **ccTLD:** A country code top-level domain name on the internet that is reserved for a country or territory, e.g. .ls for Lesotho.
- **CDMA:** A technology for digital transmission of radio signals based on spread spectrum techniques where each voice or data call uses the whole radio band and is assigned a unique code.
- **Cell:** The geographic area covered by a single base station in a cellular mobile network.
- **Cellular:** A mobile telephone service provided by a network of base stations, each of which covers one geographic cell within the total cellular system service area.
- **Competition:** A situation in a market in which firms or sellers independently strive for the patronage of buyers in order to achieve a particular business objective e.g. profits, sales and or market share.
- **Converged regulation:** A trend in regulation that seeks to define a single regulatory structure for telecommunications, broadcasting, information technology and postal services.
- **Cost-based pricing:** The general principle of charging for services in relation to the cost of providing the services.

DEFINITION OF TERMS



- **Coverage:** The range of a mobile cellular network, measured in terms of geographic coverage (the percentage of the territorial area covered by mobile cellular) or population coverage (the percentage of the population within range of a mobile cellular network).
- **Digital:** Representation of voice or other information using digits 0 and 1. The digits are transmitted as a series of pulses. Digital networks allow for higher capacity, greater functionality and improved quality. Examples of digital cellular networks include GSM, CDMA, and TDMA.
- **Dual-mode:** (also tri-mode or multi-mode): Handsets that can work with more than one different standard and/or at more than one frequency.
- **E-commerce:** Electronic commerce or the term used to describe transactions that take place online where the buyer and seller are remote from each other.
- **Fibre optics:** A channel where messages or signals are sent through light rather than electrical signals down a very thin strand of glass. Light transmission enables much higher data rates than conventional wire, coaxial cable and many forms of radio. The signal travels at the speed of light and do not degenerate nor are subject to interference.
- **Fixed-broadband subscriptions:** Fixed subscriptions to high-speed access public internet (a TCP/IP connection), at downstream speeds equal to, or greater than, 256 kilobits per second (Kbps). This includes DSL, fibre-to-the-home/building, fixed WiMAX and any other fixed wired-broadband subscriptions and other fixed wireless technologies. It includes both residential subscriptions and subscriptions for business/organizations. This will include cable modem, satellite broadband and terrestrial fixed wireless broadband, where available. This total is measured irrespective of the method of payment. It excludes subscriptions that have access to data communications (including the Internet) via mobile-cellular networks.
- **Fixed line:** A physical line connecting the subscriber to the telephone exchange. Typically, a fixed-line network, which is sometimes referred to as PSTN to distinguish it from mobile networks.
- **Fixed-telephone subscriptions:** The sum of active number of analogue fixed-telephone lines, voice-over-IP (VoIP) subscriptions, fixed wireless local loop (WLL) subscriptions, ISDN voice-channel equivalents and fixed public payphones.
- **FM:** A method of generating sounds from simple wave forms.
- **Frequency:** The rate at which an electrical current alternates, usually measured in Hertz (Hz). It is also used to refer to a location on the radio frequency spectrum, such as 800, 900 or 1800 Mhz.
- **Fund:** Means the Universal Service Fund as established by the Communications Act 2012.
- **Geographical Information System:** A system of hardware, software and procedures designed to support the capture, management, manipulation, analysis, modelling and display of spatially referenced data.
- **Glide path:** A regulated price control where regulators require operators to reduce prices over time rather than mandate an immediate move to the cost-orientated level.
- **Global Systems for Mobile Communications:** A European-developed digital mobile cellular standard.
- **Information and Communication Technologies:** The hardware, software, networks and media for the collection, storage, processing, transmission and presentation of information (voice, data, text, images), as well as related services.
- **Interconnection rate:** A charge levied by network operators on other service providers to recover the costs of the interconnection facilities (including the hardware and software for routing, signalling, and other basic service functions) provided by the network operators.

DEFINITION OF TERMS

- **Interconnection:** The physical connection of telephone networks owned by two different operators. Network operators typically charge a-per-minute fee for use of their network by other network operators (referred to as an “interconnect payment” or “access charge”).
- **International Financial Reporting Standards:** Is a set of accounting standards developed by an independent, not-for-profit organization called the International Accounting Standards Board.
- **International Telecommunication Union:** is the United Nations specialized agency for Information and Communication Technologies.
- **Internet:** A global system of interconnected computer networks that use the standard Internet protocol suite (TCP/IP) to link several billion devices worldwide.
- **Leased line:** A telecommunications channel leased between two or more points at a flat monthly rate. Also called a dedicated or private line.
- **Licensed System:** A sound broadcasting system located and operating within the Kingdom of Lesotho.
- **Long-Term Evolution:** It is a standard for high-speed wireless communication for mobile phones and data terminals, based on the GSM/EDGE and UMTS/HSPA technologies. It increases the capacity and speed using a different radio interface together with core network improvements.
- **Mobile:** Refers to mobile cellular systems.
- **Mobile-broadband subscriptions:** The sum of active handset-based and computer-based (USB/dongles) mobile-broadband subscriptions to the public Internet. It covers actual subscribers, not potential subscribers, even though the latter may have broadband-enabled handsets. Subscriptions must include a recurring subscription fee or pass a usage requirement – users must have accessed the Internet in the last three months. It includes subscriptions to mobile-broadband networks that provide download speeds of at least 256 Kbps (e.g. WCDMA, HSPA, CDMA2000 1x EV-DO, WiMAX IEEE 802.16e and LTE).
- **Mobile-cellular telephone subscriptions:** The number of subscriptions to a public mobile-telephone service that provide access to the PSTN using cellular technology. The indicator includes (and is split into) the number of postpaid subscriptions and the number of active prepaid accounts (i.e. that have been used during the last three months). The indicator applies to all mobile-cellular subscriptions that offer voice communications. It excludes subscriptions via data cards or USB modems, subscriptions to public mobile data services, private trunked mobile radio, telepoint, radio paging and telemetry services.
- **Network:** A combination of telecommunications resources, for example, exchanges, wire links (copper cable, optical fibre) and terrestrial or satellite radio transmission links.
- **Penetration:** A measurement of access to telecommunications, normally calculated by dividing the number of subscribers to a particular service by the population and multiplying by 100. Also referred to as teledensity.
- **Post-paid:** An account paid after the service with prior arrangement with a mobile network operator.
- **Public Switched Telephone Network:** It is the public telephone network that delivers fixed telephone service.
- **Quality of Service:** It is the totality of characteristics of a telecommunications service that bear on its ability to satisfy stated and implied needs of the service. It has characteristics such as call success rate or call drop rate.
- **Roaming:** A service allowing cellular subscribers to use their handsets on networks of other operators.



DEFINITION OF TERMS

- **Server:** A host computer on a network that sends stored information in response to requests or queries and the term server is also used to refer to the software that makes the process of serving information possible.
- **Signal:** The combination of waves that travel along a transmission channel and act on the receiving unit.
- **Subscriber identity module:** It means a small printed circuit board inserted into a GSM-based mobile phone. It includes subscriber details, security information and a memory for a personal directory of numbers. This information can be retained by subscribers when changing handsets.
- **SMS:** Short Message Service means a service available on digital networks, typically enabling messages with up to 160 characters to be sent or received via the message centre of a network operator to a subscriber's mobile phone.
- **Spectrum:** The radio frequency spectrum of Hertzian waves used as a transmission medium for cellular radio, radio-paging, satellite communication, over-the-air broadcasting and other services.
- **Spectrum Management:** The planning, coordinating and managing joint use of the electromagnetic spectrum through operational, engineering, and administrative procedures. The objective of spectrum management is to enable electronic systems to perform their functions in the intended environment without causing or suffering unacceptable interference.
- **Spillage:** It is also referred to as signal spill-over. At borders, signals from the mobile stations belonging to one operator spill over into the adjacent nation state.
- **Technical Sub-committee:** A technical committee formed under LCA-ICASA Memorandum of Understanding.
- **Telecommunications:** It is a suite of technologies, devices, equipment, facilities, networks, and applications that support communication at a distance.
- **Teledensity:** Number of main telephone lines per 100 inhabitants within a geographical area. Effective teledensity reports fixed-line teledensity or mobile density, whichever is higher, in a particular geographical region.
- **Type-approval:** A certificate of conformity granted to a product that meets a minimum set of regulatory, technical and safety requirements. Generally, type-approval is required before a product is allowed to be sold in a particular country.
- **Universal Service:** The availability and widespread affordability of ICTs services. The level of universal services is statistically measured as the percentage of households with ICTs.
- **Waiting list:** The unmet applications for connection held due to a lack of technical facilities and or administrative procedures/bureaucracies. This will be a time period of more than two weeks that occurred during the reporting period. A waiting applicant has paid for the application and connection fees.
- **Wireless Application Protocol:** A license-free protocol for wireless communication that enables the creation of mobile telephone services and the reading of Internet pages from a mobile phone, thus being the mobile equivalent of HTTP (HyperText Transfer Protocol).
- **Website:** A collection of web pages, normally on a single theme, on the internet.
- **Wireless Fidelity:** A mark of interoperability among devices adhering to the 802.11b specification for Wireless LANs from the Institute of Electrical and Electronics Engineers (IEEE). However, the term Wi-Fi is sometimes mistakenly used as a generic term for wireless LAN.
- **Wireless:** The generic term for mobile communication services, which do not use fixed-line networks for direct access to the subscriber.

EXECUTIVE SUMMARY

THIS 2016/17 ANNUAL REPORT of the Lesotho Communications Authority covers the period commencing on the 1st April 2016 and ending on the 31st March 2017. It reports on the Board of Directors, Board Committees and Statutory Committees, Statement on Corporate Governance, and includes the Chief Executive Officer's report and the Financial Statements. It also provides an overview on the performance of the sector.

The Authority commenced with the implementation of the Strategic Business Plan (SBP) 2016/17-2018/19 during this period. The SBP has seven (7) Strategic Pillars which are linked to specific strategic objectives. These pillars are: availability of services, consumer protection, promotion of competition, compliance, postal service regulation, broadcasting regulation and institutional capacity. Out of the SBP, an Operational Plan was drawn, which detailed the activities for the year and most activities were successfully completed.

The Authority completed the revision of its organisational structure, an exercise meant to meet the current business objectives. The restructuring was necessitated by changes brought about by the implementation of the Communications Act 2012 as a result of which certain activities were found to lack the necessary human resources for full implementation. The Authority also embarked upon training of staff in different areas as well as the Board, Board Committees and Statutory Committees on good corporate governance.

The Authority continued to issue and renew licences of operators in the communications sector. The most notable was the renewal of the operating licence of Vodacom Lesotho for a period of 20 years. New licences included the digital terrestrial broadcasting licence and landing rights licence to Star Times Lesotho, satellite landing rights to Kwesé TV, individual licence for network services to LEO (Pty) and a number of class licences. In the postal sector, a market study and the development of regulatory framework for postal and courier services was carried out.

Activities concerned with the planning, assignment and monitoring of radio frequency spectrum and with numbering resources were carried out. New frequencies for FM sound broadcasting were secured, following a coordination exercise with Independent Communications Authority of South Africa (ICASA). These frequencies are now available for use by radio broadcasters. On the other hand, an extensive monitoring of radio broadcasting was done throughout the country and some of the findings indicated cases of sub-standard infrastructure and erratic broadcasts by some radio stations. Monitoring was also done on networks for quality of service and electromagnetic emissions, in the telecommunication sector. In general, the networks were found to be performing at required standards and emissions within safety standards.

The communications sector continued to register steady growth as evidenced by a number of selected indicators. The total phone subscriptions reached 2,261,609 in a country with a population of 1.8 million and this translates into a teledensity of 119%. The growth was realised despite a backdrop of reducing numbers of fixed services. Prices for communications services to consumers continue to drop even though not rapidly. Research on communications services which was carried out during the year, with special focus on broadband, points to slow but positive effect of regulatory interventions such as interconnection glide-path and regional roaming.

EXECUTIVE SUMMARY



Nine new mobile network expansion projects were completed under the Universal Service Fund (USF) and 12 pilot schools were assisted with e-learning facilities comprising, for each school, 24 student laptops, a server, a projector and projector screen and training on digital skills. The Authority also provided additional resources for the e-learning programme to the USF under its Corporate Social Investment (CSI) in order to increase more beneficiary schools as the programme complements the CSI objectives of the Authority. In addition, 30 schools were provided with broadband connectivity. Lesotho Network Information Centre (LsNIC) was established, its manager appointed and its board established. LsNIC is an entity tasked to administer internet domain names and to facilitate the establishment and administration of internet infrastructure elements in Lesotho.

The Authority participated in a number of international events on communications policy, regulation and development. These included the Congress of the Universal Postal Union (UPU), the Annual General Meeting (AGM) and forum of the Commonwealth Telecommunications Organisation (CTO), the Global Symposium for Regulators (GSR), board meetings of the West Indian Ocean Cable Company (WIOCC) and the AGM and forums of the Communications Regulators' Association of Southern Africa (CRASA).

The Authority continued to exercise prudent financial management and at year-end, its financial performance was positive and financial position remained strong .



USF funded base transceiver station in Mokhotlong district.

CHAIRPERSON'S STATEMENT



"The world's economies are interlinked and thus the economy of Lesotho and operations of its communications sector are affected by external as well as internal factors."

IT IS AN HONOUR AND PRIVILEGE to present the Annual Report of the Lesotho Communications Authority (LCA) for the Financial Year 2016/2017. The year marked the first year of the implementation of the Authority's three-year Strategic Business Plan 2016/17-2018/19. It is gratifying to note that the Authority is on track in implementing the SBP and that it achieved its targets of the first year of the SBP.

The world's economies are interlinked and thus the economy of Lesotho and operations of its communications sector are affected by external as well as internal factors. The world economy is still stuck in what is termed "slow economic growth: a new normal", meaning that the recovery from the global recession triggered by the 2008 financial crisis has been unusually long and difficult to overcome. The economies of both South Africa and Lesotho did not perform well during the year with some sectors of these economies experiencing contraction. However, the communications sector continued to register some resilience and positive performance.



CHAIRPERSON'S STATEMENT

The Authority is guided in its operations by the policies of the Government of Lesotho and in particular the National Strategic Development Plan (NSDP). The NSDP outlines the key targets for the development of Information and Communications Technologies (ICTs) in Lesotho being the following: building primary infrastructure to access high speed broadband, increasing cost competitiveness of services, improving computer and internet connectivity, to diversify and increase coverage of e-services, development of requisite capacities including ICT literacy, capacity for regulation and policy development, skills to develop innovations and provide services required by both the private and public sector and addressing cyber-security issues. The Authority operationalised these targets through its SBP by focussing on: availability of services; consumer protection; promotion of competition; compliance; postal service regulation, broadcasting regulation and institutional capacity.

The availability and affordability of high-speed broadband services remains a challenge in the majority of low-income countries. In the least developed countries, a broadband plan with a minimum of 1GB of data per month still corresponds, on average, to over 60 per cent of GNI per capita¹. It was against this backdrop that the Authority undertook a study on the State of Communications Sector in Lesotho with emphasis on broadband. The study was aimed at establishing a baseline for the telecommunications market in Lesotho and focused on broadband with a view to assess its progress towards meeting the vision of the NSDP. The study looked into policy, regulatory and market bottlenecks inhibiting sectoral development and recommended policies and strategies for enabling the take-off of broadband in Lesotho.

The Board has noted that some of the SBP targets set for the period could not be fully reached due to delays in the approval of enabling legislation and policies. Our strategy going forward is to continue working with the Ministry on these matters.

The achievements of the sector were made possible through the cooperation and assistance of many parties and stakeholders. The Board is pleased with the support it received from the Government of Lesotho and the Ministry. It is equally grateful to all its licensees, support of the development partners and the general public.

On behalf of the Board and on my own behalf, I commend the executive management and staff of the Authority for executing the mandate of the Authority. I am equally grateful to the Board for its dedication and commitment in affairs of the Authority. I thank outgoing members, Mr. Machela Nkhethoa and Mr. Thabiso Zwane for their outstanding contribution and also welcome our new member, Ms. Mamofuta Kale .

Mr. Paseka Khetsi
Chairman of the Board

¹ ITU (2016) "Measuring the Information Society Report".

BOARD OF DIRECTORS, BOARD COMMITTEES AND STATUTORY COMMITTEES

The Board of Directors is responsible for the exercise of the powers and performance of the Authority. Members of the Board are appointed by the Minister of Communications, Science and Technology in accordance with the Communications Act 2012. In the reporting period, membership of the Board of the Authority stood as follows, with one vacancy:



Mr. Paseka Khetsi  *Chairman*



Mr. Lefa Mokotjo  *Director*



Ms. Bokang Lethunya  *Director*



Mr. Thulo Monare  *Director*



Ms. 'Mamofota Kale  *Director*



Mr. Tseliso 'Mokela  *Director & CEO*

The Secretary of the Board was Ms. 'Mapule Mokoena.

BOARD OF DIRECTORS, BOARD COMMITTEES AND STATUTORY COMMITTEES



The Board is assisted in the execution of its tasks by two Board committees, namely the Human Resources and Remuneration Committee (HRRC) and the Finance and Audit Committee (FAC) as well as two statutory committees which are the Universal Service Fund Committee (USFC) and the Broadcasting Disputes Resolution Panel (BDRP). The composition and membership of these entities is shown hereunder.

Membership of Committees

The Board has established committees in line with Section 11(6) of the Act. During the reporting period, memberships of the committees of the Board were as follows:

Human Resources and Remuneration Committee

Mr. Lefa Mokotjo Chairman
Ms. Bokang Lethunya Member
Mr. Morathane Monyamane Member
Mr. Retšelisitsoe Motlojoa Member
Mr. Tšeliso 'Mokela Member

Finance and Audit Committee

Mr. Thabiso Zwane Chairman (member until 23/12/2016)
Mr. Monare Thulo Chairman (member from 18/01/2017)
Mr. Machela Nkhethoa Member (member until 23/12/2016)
Ms. Motšeo Masheane Member
Mr. Phaane Mosae Member

Technical Committee

The Board had resolved to establish the Technical Committee and its composition was yet to be finalised at the end of the reporting period.

Universal Service Fund Committee

Mr. Mpho Malie Chairman – Representing the Ministry responsible for communications
Mr. Monare Thulo Deputy Chairman – Representing the Authority
Mr. Ntai Makoetje Member – Representing the Ministry responsible for local government
Mr. Tom Mpeta Member – Representing the Ministry responsible for finance
Mr. Tankiso Motšoikha Member – Representing the Lesotho Electricity Company

The Secretary of the USFC - Ms. Nthabiseng Pule.

Broadcasting Disputes Resolution Panel

Mr. Mokuena Majara Chairman
Mr. Pius Molapo Member
Mrs. Julia Sehloho Member
Mr. Sello Thulo Member
Mr. Thabiso Zwane Member (member from 9/01/2017)



The Lesotho Communications Authority offices in Maseru.

STATEMENT ON CORPORATE GOVERNANCE



The Board of Directors

The Authority has a unitary Board of Directors, which is constituted by seven (7) directors. Six directors, including the Chairman, are non-executive directors and the Chief Executive Officer, is an executive director. The Board is the ultimate authority that provides oversight in the affairs of the Authority and members are appointed by the Minister in accordance with the Act.

In carrying out its functions, the Board and its committees are guided by the policies of the Government of Lesotho, the Communications Act 2012, the Board Charter, Committee Charters, Rules and Policies of the Authority. The Board, Committees and Management also draw from good corporate principles as contained in the King Code.

In the year under review, the Board held 12 meetings which were both ordinary and extra-ordinary. The business of these meetings were of organisational policy, strategic direction and regulatory business in nature whose agenda included some of the following issues:

- Approval of the annual budget of the Authority for the 2017/18 Financial Year, additional budget for research activities, acquisition of Automated Spectrum Monitoring System (ASMS) and for the commemoration of Lesotho's Independence Golden (50th) Jubilee.
- Approval of the LCA organisational structure, job descriptions and the LCA Training Plan for 2016/2017 Financial Year; Terms of Reference for the Technical Committee and the Structure of the Lesotho Network Information Centre Proprietary (LsNIC).
- Approval of license applications of service providers and revocation of licences as per the Act, Regulations and Rules. Amongst these licences, the Authority renewed the operating licence of Vodacom Lesotho which is one of the major network operators.
- Receipt of programme plans and reports on the performance of the Authority, including quarterly reports, management accounts, the annual reports and audited Financial Statements of the Authority and of the USF.
- Approval of the LCA Corporate Social Investment (CSI) policy and other policies of the Authority.

Board Committees

During the reporting period, the Board had two Committees, namely:

- Human Resources and Remuneration Committee (HRRC),
- Finance and Audit Committee (FAC).

The Act also provides for two statutory committees which oversee particular aspects of the communications sector and these are:

- Universal Service Fund Committee (USFC), and
- Broadcasting Disputes Resolution Panel (BDRP).

STATEMENT ON CORPORATE GOVERNANCE

Functions of Board and Statutory Committees

Human Resources and Remuneration Committee

The HRRC supports the Board on appropriate human resources policies and strategies which are consistent with best practices and business requirements. The Committee recommends policies to the Board whose objectives are to recruit high calibre employees, and retain and motivate employees so as to achieve enhanced performance. During the year, the committee recommended the approval of the new LCA organisational structure and job descriptions and a training plan for 2016/2017 Financial Year.

Finance and Audit Committee

The FAC assists the Board in its oversight function by developing and reviewing internal financial controls; ensuring that required risk management systems are in place; monitoring and reviewing the integrity of financial statements; monitoring compliance with laws and regulations; and monitoring the integrity of the financial reporting of the Authority.

During the reporting period, the committee worked on management accounts and internal audit plan. It reviewed the financial statements of both the Authority and USF for the year ended 31st March 2016, and also considered the IT audit report and recommended it for approval of the Board.

Universal Service Fund Committee

The USFC is a statutory committee established by the Act. Its functions are to manage and administer the Fund; consult with operators on their annual expansion programmes; select areas for infrastructure development under the Fund, and to allocate financial resources for projects.

During the year under review, the Committee considered and approved the USF Manual of Operating Procedures, USF management accounts, projects for implementation for the Financial Year 2016/17, the annual report for the Financial Year 2015/16 including financial statements, supplementary budget for the broadband study, the budget for the Financial Year 2017/18, as well as other business of the Fund.

Broadcasting Disputes Resolution Panel

The BDRP is also a statutory committee and its mandate is: to prepare a broadcasting code, resolve disputes regarding broadcasting content and refer all unresolved disputes to the Authority with recommendations. During the reporting period, the committee made improvements on the draft Broadcasting Code and adjudicated broadcasting complaints.

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"The total phone subscriptions reached 2,261,609 in a country with a population of 1.8 million and this translates into a teledensity of 119%."

LESOTHO COMMUNICATIONS AUTHORITY is a converged national regulatory agency for the communications sector in the Kingdom of Lesotho. Its broad mandate is to license operators, facilitate the development of and regulate the communications sector which comprises telecommunications, broadcasting and postal services. Among other functions, the Authority regulates licensees to promote fair competition, approves tariffs, promotes sector development, facilitates the growth of the sector in unserved and underserved areas, manages the radio frequency spectrum and numbering resources, empowers and protects consumers, type-approves terminal equipment and performs other related functions.

During the year under report, the Authority started executing the first year of its three-year Strategic Business Plan 2016/17-2018/19. The SBP had outlined seven (7) Strategic Pillars which the Authority would pursue during the plan period, which seek to ensure:

- availability of services,
- consumer protection,

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- promotion of competition,
- compliance,
- postal service regulation,
- broadcasting regulation, and
- institutional capacity.

An Operational Plan was drawn from the first year of the SBP which detailed activities to be pursued in line with the SBP and at year-end, the Authority had implemented the majority of the planned activities for the Financial Year 2016/17.

In the SBP, each pillar is directly linked to specific strategic objectives as follows:

Table 1: SBP Pillars and Strategic Objectives		
No.	Pillars	Strategic Objectives
1.	Availability of services	To facilitate the availability of reliable, affordable and easily accessible communication services throughout Lesotho.
2.	Consumer protection:	To protect consumers of communication services and educate them of their rights and obligations;
3.	Promotion of competition:	To create a conducive environment to the development of the communications sector.
4.	Compliance:	To monitor regulated services and enforce compliance to legislation, rules and standards.
5.	Postal service regulation:	To promote the development of the postal sector and availability of universal postal services at affordable price for the benefit of all users.
6.	Broadcasting regulation:	To ensure compliance with broadcasting rules and regulations.
7.	Institutional capacity:	SO 1: To develop and retain human capital. SO 2: To utilise institutional resources efficiently. SO 3: To provide support facilities. SO 4: To ensure good corporate governance.

The sections of this report which follows, highlight activities which were carried out by the Authority during the reporting period. In this regard, the Authority provided regulatory services to facilitate accelerated delivery of services by the licensed service providers. The Authority also continued to facilitate the expansion of communications services to unserved and underserved areas.

CORPORATE SERVICES

Human Resources Management

The Authority last reviewed its organisational structure in the 2010/11 Financial Year prior to the promulgation of the Communications Act 2012, which among other objectives, created a converged communications regulator. The Authority has since implemented three SBPs. Upon the evaluation of that organisational structure, it was found to be inadequate in certain aspects. One such aspect was the assumption of additional responsibilities, which came about following the promulgation of the Communications Act 2012. It was on this basis that the Authority reviewed and adopted a new organisational structure. Three new positions of Manager Postal Services, Accountant (Revenue) and Engineer (Helpdesk) were added to the structure and positions of Manager Consumer Affairs and Technician IT Helpdesk were removed. A realignment of divisions was made and positions of Manager Human Resources and Manager Legal and Board Secretary were moved to the Front Office (CEO's office) and that of Manager Public Relations

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was assigned consumer affairs functions and renamed Manager Public Affairs. Divisions and heads of division were renamed and the heads of divisions are now: Chief Technology Officer, Chief Economic Affairs Officer, Chief Regulatory Officer and Chief Financial Officer heading the Technical; Economics and Sector Development; Regulatory Affairs; and Finance and Administration divisions, respectively. The new organogram emanating from these changes is shown in Figure 7.

The new LCA structure has 39 positions. In general, despite the above changes, the staffing position of the Authority has remained relatively the same. The staff complement of the Authority at year-end stood at 36, with three vacant positions. The gender composition of staff was 17 female and 19 male staff members.

Table 2: Employment changes in 2016/17				
Positions by level	Status at the beginning of the year	Appointments	Terminations	Status at year-end
Executive management	5	0	0	5
Manager level staff	11	0	0	11
Officer level	10	0	0	10
Non-professional staff	10	0	0	10
Total	36	0	0	36

The Authority continued to implement a Performance Management System (PMS) in order to promote and improve staff effectiveness. The PMS is part of the human resources programmes whose aim is to maintain an environment of high performance and productivity. Through the system, individual staff members assessed through performance contracts which are aligned to operational plans of the Authority and these are done on quarterly basis throughout the year.

Staff training and meetings

The Authority provided short-term training to its staff members in order to build institutional capacity and to improve performance of the staff members. Training was received for various fields and disciplines. Tables 3 outlines training courses attended by the Board and staff in the reporting period.

Table 3: Individual training courses				
No.	Training	Dates	Location	Objective
1.	Regulatory Master Class	11 – 14 November 2016	Bath, UK	To identify and devise appropriate policy response to market failure which sits at the heart of economic regulation.
2.	Olrac SPS Syntax Training Levels 1 & 2	23 – 26 January, 2017	Cape Town, South Africa	Analyses of repetitive tasks and record keeping of commands used for data analysis.
3.	Monitoring and Evaluation and Business Plans	24 – 31 March 2017	Johannesburg, South Africa	Assist in the understanding of M & E concepts in line with the business plan.
4.	Advantage Training: 18th Corporate Governance Conference (Board, FAC, HRRC, BDRP)	26 – 29 July 2016	Johannesburg, South Africa	Training on corporate governance.
5.	Study Tour	08 – 14 May 2016	Harare, Zimbabwe	Capacity building on postal regulation
6.	Regulatory Master Class	7 – 11 Nov. 2016	Bath, UK	To acquire knowledge about key issues of regulation of the communications sector and understanding the current best practices and principles in the regulation of the sector.
7.	Advanced Power Query	29-30 Nov. 2016	Johannesburg, South Africa	MS Excel for Tariff Compliance Monitoring.

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Table 3: Individual training courses (continued)				
No.	Training	Dates	Location	Objective
8.	Commercial Mediator Skills	9 -14 Mar. 2017	Johannesburg, South Africa	To learn about principles of mediation and conflict resolution.
9.	IFRS	21-22 Apr. 2016	Maseru, Lesotho	To get the latest developments in IFRS.
10.	Directorship Programme	13-15 Jun. 2016	Johannesburg, South Africa	To equip the officer with skills on the roles of Boards and Management in organisations.
11.	The King IV Report	17 Feb. 2017	Johannesburg, South Africa	Understanding the application of King IV Report and Code of Corporate Governance.
12.	Report writing skills	19-25 Feb. 2017	Pretoria, South Africa	Produce accurate, easy to understand minutes.
13.	Microsoft Windows Server 2012	13 - 17 Mar. 2017	Johannesburg, South Africa	Competencies in running the Microsoft 2012 server platform.
14.	Microsoft SQL	20 -24 Feb. 2017	Johannesburg, South Africa	Competencies in SQL database.

Internal Audit

The Authority implements risk management by adhering to internal controls related to policies, procedures and processes. It also provides reasonable assurance regarding safeguarding assets, preventing and detecting errors, accuracy and completeness of accounting records and reliability of financial statements. During the reporting period an independent internal audit firm provided independent objective assurance of the system of internal controls. The audit function also produced an audit plan and conducted an IT audit. This audit found that a huge improvement has been made since the last IT audit. The Authority is continuing to implement the recommendations of the IT audit. The internal audit functions of Authority were provided by a professional audit firm of Moteane Quashie and Associates.

Summary of Financials for the Year Ended 31 March 2017

(a) LCA

During the year, the Authority realised income of M73,838,123 and total expenditure of M65,243,488 which resulted in a surplus of M6,445,976. The financial position of the Authority in terms of liquidity was healthy at 1.2 times.

(b) USF

The annual income of the Fund was M17,030,032 and total expenditure of M 14,327,374 which resulted in a surplus of M 2,702,658. The Fund had a liquidity ratio of 1.6 times.

The audited annual financial statements of the Authority are attached to this report.

Automated Spectrum Management System

The Authority uses an Automated Spectrum Management System (ASMS) for licensing, spectrum planning and assignment, spectrum monitoring, revenue collection, numbering and type-approval, postal services, compliance monitoring and complaints management. The system which the Authority acquired over ten years ago is now obsolete and the Authority began the process of replacing it. An open tender for a new ASMS was issued and attracted interest of global companies, which specialise in this type of equipment. Following an evaluation of bids, a tender was awarded to TCI International and a contract was concluded. The implementation of the project is planned to be completed in two phases starting with the base system of the spectrum management system (ASMS) in 2017/18. Phase two of the



project, which comprises the fixed a monitoring station, mobile monitoring station/vehicle and control centre, will be completed in 2018/19.

Automation, Systems Support and Business Continuity

The Authority continued to acquire, maintain and upgrade its information technology (IT) systems and applications through appropriate hardware and software in support of its operations. Furthermore, it adopted the recommendations made by the IT audit including business continuity operations which are geared towards mitigating disaster risks.

Collaboration with the Ministry on sector development

Security of networks is a major priority of governments, regulators, operators and users. In order to address issues of security on the networks, the Authority assisted the Ministry of Communications, Science and technology with the following:

- **Cyber crime and computer crime law:** Drafting of a cabinet memorandum for the law on cybersecurity (known as the Cyber Crime and Computer Crime Bill), as well as the development of drafting instructions to the Parliamentary Counsel was completed.
- **Electronic commerce and electronic transactions law:** Preparation of a Cabinet memorandum for a law that would make electronic artifacts to be recognised on the same level as written artefacts in order to advance electronic commerce and enable modernisation of the economy was made. Drafting of instructions to the Parliamentary Counsel was underway.
- **SIM Card and Device Registration:** An advisory regarding SIM cards and device registration was submitted to the Ministry.
- The Authority participated in a special committee established with the aim of addressing threats to peace, security and national stability emanating from the abuse of social media. The Authority acted as the secretary for the ad-hoc committee while the Ministry chaired the committee. Among other tasks, the committee reviewed the Cyber Crime and Computer Crime Bill to ensure that it addressed the government's concerns.

Public Affairs Activities

Public affairs communication activities were carried out through a variety of media including radio and television programmes; corporate website updates; entries in directories, booklets, social media; and public events. Events of significance were the official launches and inaugurations of nine USF sites and towers at which the Minister officiated and the inauguration of an eLearning school and a tower which was performed by the Prime Minister.

Corporate Social Investment

The Authority has adopted a Corporate Social Investment (CSI) policy whose objectives are: to make a positive and sustainable impact on the communities throughout the country. The policy aims at improving the quality of life of disadvantaged communities; develop and empower disadvantaged communities through skills enhancement and

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training, build and improve relationships with the Authority's existing and potential stakeholders through mutually beneficial partnerships, create and enhance the Authority's reputation as a caring corporate citizen, cultivate a culture of social responsibility amongst its staff members and to increase public awareness of the Authority's activities.

Amongst programmes carried out during the year, the Authority continued with its CSI programme for schools. A package of 48 laptop computers for students, software licences, projectors and projection screens, internet connection and training of teachers on digital literacy were provided to two schools this year. These CSI activities were done with and under a similar programme being done by the USF. The Authority continued to support an award for the best graduate student in Information and Communications Technology (ICT) related subjects at NUL. This year's award was the seventh.

REGULATORY AFFAIRS

The mandate of the Authority is to develop and regulate the communications sector by attracting operators into the sector and facilitating their operations through licences, authorisations and permits. The Authority also monitors licensees for compliance with legislation, regulations and licence terms and conditions. It implements programmes for protection of consumers, which amongst other things, entail consumer awareness, education, empowerment and redress of complaints.

Development and review of regulatory instruments

The Authority last reviewed the regulatory fees in 2013, and during the year under report, it commenced and completed their revision. The revision considered several factors including the use and assignment of scarce resources (numbering and spectrum); incorporation of postal services in the framework; regulation of broadcasting; determination of regulatory costs in regulated communications services and a benchmarking analysis using SADC member states and other African countries as a reference point. The document for the new classification and fees was subjected to a public consultation process by inviting comments from the public and all stakeholders. The closing date for submission of comments was the 31st March 2017 and the outcome of the process will be dealt with in the next reporting period.

The Authority is in the process of completing instruments for the regulation of postal service and these are postal rules, licences and fee structure. Licence templates for both commercial operators and designated postal operator are also under way. All these instruments will be brought into operation.

The Administrative Rules and the Quality of Services Rules which were submitted for publication in the Government Gazette, during the last reporting period have since been published. The Administrative Rules address issues of licensing, spectrum assignment and usage, numbering resources, type approval of equipment, fair competition, interconnection, roaming regulation, infrastructure sharing, Universal Service Fund, broadcasting, consumer protection, inter-operator relations, administrative issues, general provisions and enforcement. The Quality of Service (QoS) framework sets minimum guaranteed levels of service standards that consumers of communications services may expect from the service providers.

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The Broadcasting Code, which was prepared by the BDRP was further revised and submitted to the Ministry for consideration and approval. The Authority also made an input into the code. The Code aims to improve the content regulation of the broadcasting sector by maintaining high standards in broadcasting. The publishing of the Code in the Government Gazette had not been effected at year-end.

Licensing matters

The Authority renewed the operating licence or sometimes referred to as unified licence of Vodacom Lesotho for a period of 20 years. The new licence became effective on the 1st June 2016. The Authority also granted digital terrestrial broadcasting licence for a period of 10 years and landing rights licence for one year to Star Times Lesotho. Econet Media (Kwese TV) was granted a satellite landing rights licence for a period of one year. The Authority also granted an individual licence for network services to LEO (Pty) Ltd for 15 years and renewed a sound broadcasting licence for Thaha-Khube FM for 10 years. In addition, it granted the transfer of KEL Radio licence from Lesotho Evangelical Church to its subsidiary KEL Media. Finally, the revocation of Trinity Broadcasting Network Lesotho and Browse-Wise licences was effected.

The Authority issued an invitation to interested entities to apply for individual licences in the categories of Network Services and Network Infrastructure as defined in the Lesotho Communications Authority (Licensing Classification and Fees) Rules – Legal Notice No. 20 of 2013. The closing date for submission of applications is the 18th August 2017, which falls in the next reporting period.

A moratorium on the granting of new sound broadcasting licences was imposed in order to allow for completion of legal framework on broadcasting services and to coordinate and secure frequencies in cooperation with the Independent Communications Authority of South Africa (ICASA). The granting of licences in this sector will resume once these processes are completed.

The Authority also handled different aspects of licensing of entities such as applications, renewals and revocation for individual and class licences. The latter are granted for services like spectrum allocation, numbering, telemetry, two-way radios, radio amateur, aircraft stations and aeronautical services radio determination. A summary of all licensees and their numbers is tabulated on Table 5 below.

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Table 5: Number of licences, authorisations and registered service providers

No.	TYPE OF LICENCE/AUTHORIZATION	Apr – June 2016	July – Sept 2016	Oct - Dec 2016	Jan – Mar 2017
1.	Public Communications Service Providers	1	1	1	1
2.	Unified Licence	1	1	1	1
3.	Network Services	6	6	5	5
4.	Network Infrastructure	1	1	1	1
5.	Numbering Resources (Premium Rate Messaging Services & Toll free numbers)	18	23	22	24
6.	Radio Alarms	3	2	2	2
7.	Television Broadcasting	3	3	3	3
8.	Sound Broadcasting	22	22	22	22
9.	Two way radios	45	43	43	43
10.	Radio Amateurs	63	65	65	66
11.	Telemetry Stations	3	3	4	4
12.	Private Network	1	1	1	1
13.	Radio Pagers	1	1	1	1
14.	Landing Rights	3	3	3	4
15.	Aircraft Stations	6	6	6	6
16.	Aeronautical Services Radio Determination	1	1	1	1



New Vodacom Lesotho head-office in Maseru.



Table 6: Licensed radio and television stations in Lesotho					
No.	Broadcaster	Ownership	When Established	Current Licence Period	Classification
1.	Radio Lesotho	LNBS	1964	2012-2022	Public
2.	Peoples' Choice FM	People's Choice Broadcasting Studios	1998	2012-2022	Private
3.	MoAfrika FM	Third World Evangelical Movement	1999	2012-2022	Private
4.	Radio Spes Nostra	LCBC	1999	2012-2022	Private
5.	Joy FM	Multi-Media Communications	1999	2012-2017	Private
6.	DOPE FM	NUL	2004	2012-2022	Community
7.	Harvest FM	Harvest FM	2004	2012-2022	Private
8.	Thaha-Khube FM	Thaha-Khube FM	2004	2017-2027	Commercial
9.	Jesu ke Karabo FM	Fill the Gap Church	2004	2014-2024	Private
10.	KEL Radio	KEL Media	2004	2014-2024	Private
11.	Ultimate FM	LNBS	2006	Renewal underway	Commercial
12.	LM Radio	LM Radio	2013	2012-2022	Commercial
13.	Tšenolo FM	Tšenolo FM	2012	2013-2022	Private
14.	Mafeteng Community Radio	Mafeteng Multi-Media Association	2012	2012-2022	Community
15.	Motjoli FM	Motjoli FM	2013	2013-2023	Community
16.	Moeling FM	Botha-Bothe Multi-Media Association	2013	2013-2023	Community
17.	Onyx 357 FM	Onyx Broadcast and Decor	2014	2014-2024	Commercial
18.	Molisa ea Molemo FM	Molisa ea Molemo	2014	2014-2024	Private
19.	Tabernacle FM	Tabernacle Christian Association	2014	2014-2024	Private
20.	Prophetic Voice	New Testament Church	2014	2014-2024	Private
21.	MXXL	Maha Group	2015	2015-2025	Private
22.	Info Hub	Info Hub	2015	2015-2025	Private
23.	Lesotho TV	LNBS	1988	2012-2022	Public
24.	Go-TV	MultiChoice Lesotho	2014	2014-2024	Commercial
25.	Star-Times Lesotho	Startimes Media Lesotho	2016	2016-2026	Commercial
26.	Kwesè Television	Econet Media	2017	2017-2027	Commercial

Regulation of postal services

The Authority has taken steps leading to the regulation of the postal sector in Lesotho and by undertaking a market study to determine the level of development of the postal sector in terms of availability of services, product range, investment, competition, pricing and quality to mention but a few. The market study was followed by the development of a postal regulatory framework.

The market study found that Lesotho has a very limited postal market in terms of volumes and mail per capita when compared to other countries with similar characteristics in the SADC region. The study also revealed that mail volumes of the Designated Postal Operator (DPO) account for 99 % of overall mail volumes. The large volume being handled by the DPO indicates the dominant share of universal postal service. Total value-added mail volumes accounts for only 1% of total volumes.

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The market review revealed that in Lesotho, like in most countries, there are two distinct markets, namely, ordinary mail market and value added mail market. The ordinary mail market is serviced by the DPO, the Lesotho Post, which has an obligation to provide universal postal service while value-added mail service is provided by commercial operators. In the value-added mail market there are several operators competing for customers in a segmented market. These operators are involved in logistics or in courier, express and parcel (CEP) operations. In this market, the operators compete on a variety of distinct value-added services such as time-definite and day-definite delivery options, track and trace facilities etc.

The dominance of the DPO in ordinary mail is due to its position in inbound ordinary mail which is processed through the UPU Mail Exchange. This means that the advantage of being the DPO in the country, results in higher inbound volumes and less outbound mail volumes through the UPU system. The Value Added Services (VAS) volumes accounted for approximately 1% of total mail volumes. This percentage is low and is indicative of the difficulties of the market for the commercial operators.

The study found that Maseru was dominant for overall letter mail volumes as well as for parcel mail volumes, while parcel volumes forwarded by the DPO were almost non-existent. Apart from Maseru, the northern districts accounted for some significant mail volumes while other districts accounted for less mail volumes.

The competition in the value-added services market, nevertheless is fully developed, with most operators targeting certain segments of the market especially business destined to or from South Africa and the other SADC countries. This market appears to be fully competitive and may need "light touch" regulation from the Authority. However, the market is susceptible to unfair competition that mainly comes from non-registered pirate operators. Overall there are nine postal operators including the public postal operator in the postal market in Lesotho.

Figure 1 Postal Operators in Lesotho		
Public postal operator		Universal service obligations (USO)
Lesotho Post		
Commercial Operators		Integrators
DHL Lesotho (Pty) Ltd.	→	DHL
RCJ Express (Pty) Ltd.	→	UPS
Globeflight for TNT	→	TNT Worldwide Express
Kayhill Freight	→	UPS
Xpress Freight	→	FedEx
Lesotho Post EMS		
Skynet Worldwide Express		
Africa Line Express (Pty) Ltd.		

Complaints regarding communications services

The Authority protects the rights of the communications service users through a variety of strategies which entail consumer awareness, consumer education, consumer empowerment and redressing consumer complaints. In case

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of complaints, it deals with all complaints except those on broadcasting content. Broadcasting content is primarily regulated by the Broadcasting Disputes Resolution Panel, a statutory body established to resolve broadcasting disputes.

Through the complaints process administered by the Authority, users may lodge complaints with service providers and where their complaints are not adequately addressed, they may be escalated to the Authority.

During the reporting period, the Authority continued to receive complaints from members of the public regarding communications services. Many of the enquiries were not formal complaints and complainants were advised and directed to service providers where their complaints were addressed. Concurrent with this process was public education through various media, public forums and public events.

No.	Nature of complaints	Service provider	Complainant	Status of complaint
1.	Service suspension due to changes in window time policy	Econet Telecom Lesotho	ETL subscriber	Resolved
2.	Service suspension due to insufficient funds on prepaid contract	Econet Telecom Lesotho	ETL subscriber	Resolved
3.	Harmful interference in Mafeteng	Molisa-ea-Molemo FM	Moafrika FM	Resolved
4.	Harmful interference in Leribe	Molisa-ea-Molemo FM, Radio Lesotho, PC FM and Harvest FM	Moafrika FM	Long-term solution on programme feed to site required.

Complaints on broadcasting content

Broadcasting complaints are statutorily handled by the Broadcasting Disputes Resolution Panel (BDRP). The Panel is established under Section 39 (1) of the Communications Act 2012 with a mandate to review and seek to resolve all disputes regarding broadcast content. During the reporting period, the Panel received complaints as per Table 8 below:

No.	Nature of Complaint	Broadcaster	Complainant	Status of Complaint
1.	Complainants complained that Harvest FM allowed its guests to make false allegations without consulting the complainants on the matter and thus denied chance to tell their side of the story.	Harvest FM	Two individual complainants	Harvest FM penalised M10,000.00 and issue Public apology.
2.	Allegations that one radio guest made false utterances about the Government.	PC FM	PS Communications	Matter dismissed on the fact that the guest was not a licensee and BDRP not a right platform.
3.	Request to have PC FM release recordings to the Office of the PM.	PC FM	Office of Prime Minister	PC FM complied.
4.	Complainant alleged MoAfrika FM defamed her by allowing her daughter to call her a witch on air was not given chance to respond.	MoAfrika FM	Individual complainant	Complainant wanted monetary compensation but was told BDRP was not the proper forum for such claims.

TECHNICAL

The Authority is tasked with the management of the radio frequency spectrum and numbering resources to facilitate provision of communication services. The management processes involve proper planning, allocation and assignment. It also conducts monitoring of these resources to ensure that they are utilised according to the policies, regulations, and conditions governing their assignment. The Authority is furthermore, entrusted with responsibility of ensuring that communication equipment used in the country meets the operational standards set by the Authority.

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Spectrum planning and management

The Authority assigned the Radio frequency spectrum to regulated entities for a variety of services such as broadcasting, mobile communications, assets management, security and disaster relief. During the period under review, the Authority assigned spectrum for a variety of services as reflected in Table 9 below:

Table 9: Spectrum allocated in 2016/17					
QUARTER	2 WAY RADIOS (MHz)	SATELLITE BROADCASTING (MHz)	AUDIO BROADCAST-ING (MHz)	ACCESS (MHz)	FIXED LINKS (MHz)
Q1	0	0	0	0	807
Q2	0.05	10	0	0	224
Q3	0.025	0	0	0	14
Q4	0	0	0	10	0
Total (MHz)	0.075	10	0	10	1,045

New FM broadcasting frequencies

In order to facilitate the licensing of new sound FM broadcasting stations, the Authority secured new FM frequencies for Lesotho following a consultative process with its counterpart in South Africa. The Authority proposed a batch of FM frequencies for coordination with ICASA and this batch consisted of forty-one (41) frequencies for the nine (9) transmitter sites in Lesotho. A coordination exercise which was conducted by the Authority and ICASA to determine availability of the proposed frequencies, identified 25 FM frequencies throughout Lesotho. These frequencies are now available for assignment to broadcasters.

Sound broadcasting inspections

The Authority prescribes technical standards into conditions of sound broadcasting licenses. One of these conditions requires the "licensee to design, construct, operate and maintain the Licensed System to achieve service availability of 99.0% averaged over the preceding six months and an unweighted signal to noise ratio of 60 dB within the coverage area of the transmitters". During the reporting period, the Authority carried out an extensive exercise to determine whether licensees were complying with these conditions. The exercise entailed establishing the availability of radio broadcasts in areas of coverage, band occupancy, transmission power, and inspecting transmitter sites of the national broadcaster and other broadcasting stations.

The outcome of the exercise revealed the following:

(a) FM transmitter sites

- The broadcasters do not regularly maintain their transmitter equipment, i.e. servicing, tuning and alignment of the equipment.
- There were some transmitter sites, which had sub-standard installations like poor earthing and cabling.
- Air conditioners were not working in the transmitter equipment rooms at some of the transmission sites. Absence of air-conditioning would be damaging to equipment especially in enclosed containers or cabinets where excessive heat emanating from the transmitters in turn results in the malfunctioning of the transmitters.
- Some of the sites use natural ventilation without filters; therefore creating dusty equipment rooms.

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- Use of sub-standard transmission facilities and infrastructures such as towers or masts. An example is at Likhoele in Mafeteng, where one of the masts was constructed with welded angle iron.

(b) Sound broadcasting measurements

The following faults were identified during fieldwork in areas where the broadcasters were supposed to have coverage:

- Some of the broadcasters have not installed transmitters in broadcasting sites outside Maseru despite being licensed to operate in these areas.
- All LNBS transmitters serving Senqu valley in the LHDA territory, were off-air during the inspections. Furthermore, LNBS sites at Thaba-Putsoa, Ha-Sootho, Katse, Mokhotlong and Lebelonyane, in the highlands, had been off-air for over six months.
- Some of the radio stations' transmitters were having out-of-band emissions which increased possibilities of harmful interference.

The Authority worked with these broadcasters to rectify the situation and most of these deficiencies were corrected. However, some cases need long-term solutions and capital investment and their progress will be made in the next reporting period.

Broadcasting logging equipment

The repair and upgrade of the LCA sound broadcasting recording system was initiated and completed. The upgraded system is now capable of recording 24 radio stations and the number of stations can be increased with additional licenses. The system is now equipped with remote access capability thus allowing for remote extraction of recordings.

Spectrum Monitoring

During spectrum monitoring, one illegal spectrum use was found in Mokhotlong district and the user was directed to regularise its operations. An audit of frequencies used by the Department of Civil Aviation at Moshoeshoe I International Airport (MIA) was carried out and a reconciliation of records held by the Authority and those held by the licensee was made and the matter closed.

Mobile network drive tests were conducted along the coordination zone of Lesotho and South Africa from Qholahoe to Qacha's Nek in a continuing effort to reduce signal spillage between Lesotho and South Africa. Measurement of 3G networks was done for the first time after the adoption of this parameters in June 2016. The measurement results indicated significant progress on spillage reduction in both countries. This is in compliance with the recommendations of the Technical Subcommittee (TSC) established under the LCA-ICASA Memorandum of Understanding. Table 10 below shows the GSM spillage measurement points eliminated during the reporting period.

Table 10: GSM spillage measurement points		
No.	Lesotho Side	RSA Side
1.	Maputsoe Nedbank	Queens Mercy Clinic (Matatiele)
2.	Maputsoe industrial_2	Maluti Garage (Matatiele)
3.	Qholahoe_1	Megheleng Garage (Ficksburg)

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EMF measurements

Electromagnetic fields (EMF) were measured at selected base stations to check the levels of electromagnetic radiation emanating from transmission towers. The sites were found to be within the safety limits for human exposure to electromagnetic radiation. The Authority follows EMF standards set by the World Health Organisation.

Quality of Service monitoring

The Authority is implementing a regime to measure Quality of Service (QoS) on Lesotho mobile networks. The selected QoS parameters were extracted from the Lesotho Communications Authority (Quality of Service) Rules of 2016. These general parameters are:

- account or bill complaint rate,
- account or bill complaint resolution time,
- disconnection complaint rate,
- disconnection complaint resolution time,
- order completion time (mobile/fixed),
- customer reported faults,
- fault repair time,
- interactive voice response time, and
- customer assistance operative time.

The Authority also monitored Key Performance Indicators (KPIs) for call setup time, unsuccessful call ratio, SMS delivery time and SMS completion time using QoS equipment. The performance of the operators was generally found to be good though performance on some parameters failed to meet the required targets and in such cases, the deficiencies were communicated to the affected operators for correction and improvement. The Authority had agreed with the operators to implement the QoS Rules on a pilot basis for a period of twelve months from July 2016 to June 2017. Subsequent to this, failure to meet targets would attract sanctions.

Numbering resources

The Authority issued new 13 Premium Rated Message Service (PRMS) numbers and 19 toll-free numbers during the year under review. An annual audit was conducted on level 3 numbers for short codes and level 8 for toll free numbers. The findings indicated that there is a low utilisation of these numbers on both ETL and VCL networks. A total of fourteen (14) PRMS numbers were revoked by the Authority. A summary of numbering resources is provided in Table 5.

An audit of level 5 numbers (5XXXXXXX) was conducted whereby it was established that 70 out of 100 blocks were in use. The concerned operator was requested to rationalise its block usage, so as to retain only blocks which were active. This exercise is aimed at maintaining an open and competitive market through efficient use of these resources. In 1966, ITU established the ITU Operational Bulletin as a vehicle for the exchange of essential information on changes in international telecommunication networks and services, codes and numbers, maritime services, introduction of new



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operators, amongst other services. Notifying ITU about changes in the local networks and new services contributes to the optimum functioning of international telecommunication networks and services. During the reporting period, the Authority circulated the Operational Bulletin to operators so as to inform them and thus enable them to align their routing tables with the numbering changes made by different countries.

Implementation of type approval guidelines

Type approvals are granted for telecommunications products that meet a minimum set of regulatory, technical and safety standards set by the Authority. During the reporting period, 75 type approval certificates were issued. This number is up by 26 in comparison with a number of type-approvals done in the last reporting period.

ECONOMICS AND SECTOR DEVELOPMENT

Sector Performance

The Authority continuously monitors progress and development of the communications sector in Lesotho. Most indicators used by the Authority point to a steady growth of the sector. These indicators include, amongst others, subscriptions to fixed and mobile services, aggregation by pre- and post-paid subscriptions, new connections, changes in subscriptions, waiting lists, mobile and broadband subscriptions, leased lines as well as teledensity or penetration.

Fixed Services

The number of fixed voice subscriptions continued to decline and in comparison to last year, their number declined by 30%. The decline in fixed voice services is a global trend which is mostly driven by adoption of mobile services. One out of every hundred inhabitants had access to fixed voice services during the reporting period, showing no growth but a drop by one percentage point from the previous year. In terms of total voice subscriptions (mobile and fixed), fixed voice subscriptions accounts for only one percent. However, fixed broadband subscriptions have registered some growth. Table 11 below summarises statistics on fixed services.

Table 11: Subscriptions of fixed services from March 2014 to March 2017				
No.	2013/14	2014/15	2015/16	2016/17
1. Fixed telephone subscriptions	50,990	41,123	40,570	28,206
2. Post-paid	17,994	15,647	11,935	16,264
3. Prepaid	32,996	25,476	28,635	11,942
4. Subscriber % change	0	-19	-1	-31
5. Fixed telephone Waiting List	202	149	158	-
6. Fixed Broadband Subscriptions	473	2,254	2,062	5,636
7. Leased Lines for Internet access	350	75	75	545
8. Fixed telephone per 100 inhabitants (%)	3	2	2	1
9. Fixed Broadband per 100 inhabitants (%)	>1	>1	>1	>1

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Mobile service subscriptions

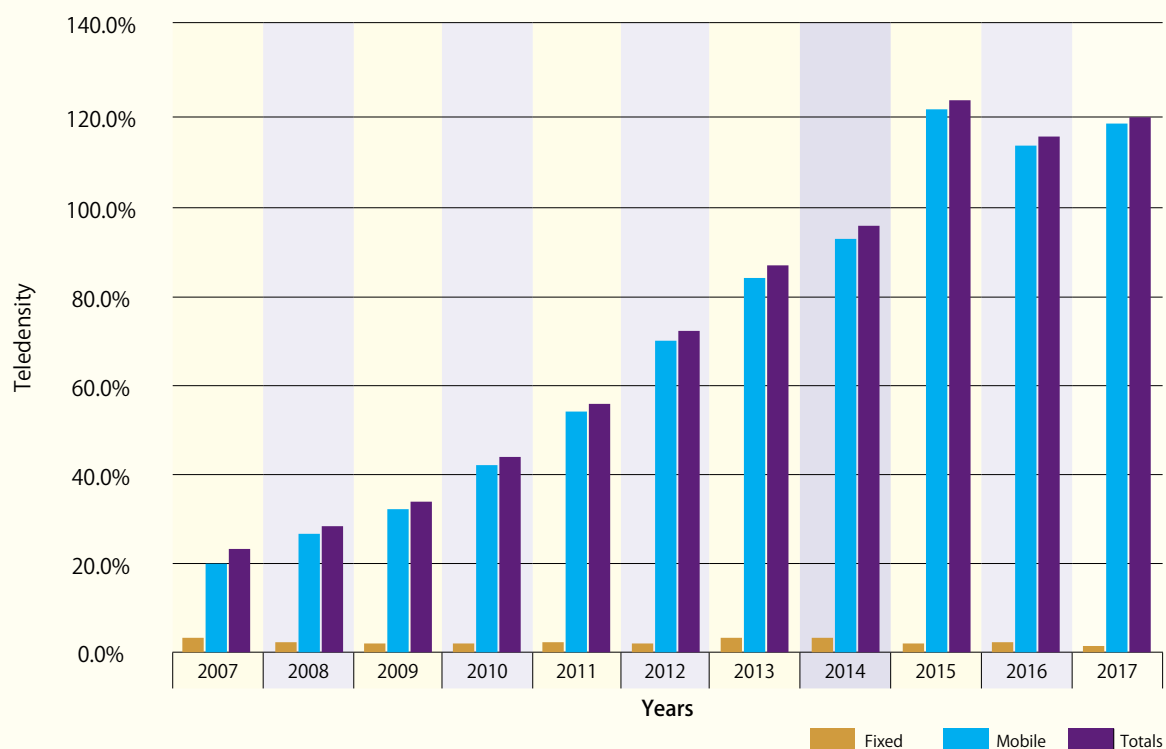
Mobile cellular subscriptions continued to grow as operators expanded their operations and areas of coverage and thus registering a 9% increase. Though the performance of the two network operators was not the same, one experienced a slight decline while the other recorded a positive growth. New subscriptions increased by 9%, mobile broadband increased by 16% and mobile broadband subscription penetration rate by 5%. Mobile teledensity stood at 119%.

Table 12: Subscriptions of mobile services from March 2014 to March 2017					
No.		2013/14	2014/15	2015/16	2016/17
1.	Mobile cellular subscriptions	1,752,786	2,289,315	2,140,141	2,233,403
2.	Post-paid	12,262	11,662	10,918	9,991
3.	Prepaid	1,740,524	2,277,653	2,071,273	2,223,412
4.	Subscription % change	11	31	-7	4
5.	New subscriptions	271,991	179,359	271,993	297,270
6.	Post-paid	377	265	379	227
7.	Prepaid	271,614	179,094	271,614	297,043
8.	Mobile broadband subscriptions	551,425	705,881	831,194	917,771
9.	WiMAX Internet subscriptions	197	253	201	n/a
10.	Mobile cellular penetration rate (%)	93	122	114	119
11.	Internet per hundred inhabitants (%)	30	42	44	49
12.	Disconnections (churn)	190,109	33,268	380,760	n/a
13.	Telebureaus services	15,832	16,411	6,927	n/a

Table 13: Summary Sheet - Subscriptions from March 2014 to March 2017					
No.		2013/14	2014/15	2015/16	2016/17
1.	Population	1,880,661	1,880,661	1,880,661	1,880,661
2.	Sector subscriptions	1,803,776	2,330,438	2,180,711	2,261,609
3.	Percentage change	11	29	-6	10
4.	Fixed subscriptions	50,990	41,123	40,570	28,206
5.	Mobile subscriptions	1,752,786	2,289,315	2,140,141	2,233,403
6.	Teledensity (%)	96	124	116	120
7.	Internet users	552,445	708,463	833,532	923,407
8.	Percentage of Individuals using the Internet (%)	30	42	44	49



Figure 2 Sector Teledensity Trends 2007-2017



Broadcasting infrastructure of the Lesotho National Broadcasting Service.

Figure 3 Econet Telecom Lesotho Coverage Map as at the 31st March 2017

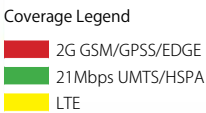
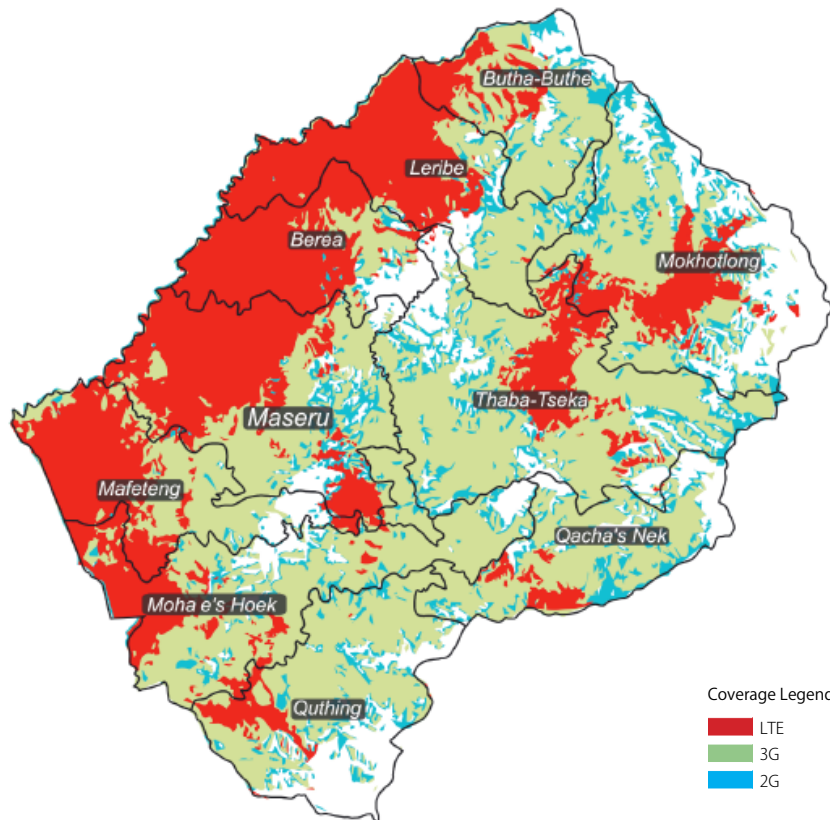




Figure 4 Vodacom Lesotho Coverage Map as at the 31st March 2017



Tariff Regulation

Network operators are required to make applications to the Authority when they modify tariffs, terms and conditions of service or introduce new products. The applications could be made for approval or for noting. A total of thirty five submissions were received for approval in the reporting period. All applications were approved except for one which sought a waiver on application of licensing fees Rules on toll-free numbers, which Rules were also under review. The emerging trend from the filings is that prices for communication services continue to fall.

Implementation of SADC regional roaming

SADC Ministers responsible for Postal, Telecommunications and ICTs have recognized the strategic role of regional mobile telephony roaming since roaming facilitates regional trade, regional travel and accelerates regional integration. However, the region is faced with challenges of unaffordable International Mobile Roaming (IMR) tariffs and SADC, therefore, decided to intervene at the regional level and regulate the roaming services. The outcome of this intervention would be better consumer benefit, accelerated regional integration and better social and economic development of the region.

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The SADC Home and Away Roaming Project is being implemented in three phases as follows:

- Phase I: Liberalisation, Transparency, Information and Data Collection;
- Phase II: Roam Like at Home (RLAH); and
- Phase III: Cost-based Price Regulation.

An initial assessment revealed that there was a high likelihood that roaming charges in SADC were way above costs of providing the service and that reductions in retail roaming charges would not have the same impact on all operators in different countries. Further assessments revealed that it appeared that SADC to SADC roaming traffic was at a low level, something which could be attributed to the prevalence of “plastic roaming” and customers finding substitutes for roaming. This could also mean that the roaming tariffs were quite high, such that they prohibited travellers within the region from using roaming services. This assessment recommended that SADC should regulate the retail-roaming tariff using the Roam-Like-a-Local (RLAL) principle. However, after a further study of the RLAL, it was recommended that the region should regulate both the wholesale and retail-roaming tariff using the Roam Like at Home (RLAH) principle.

The Authority is part of the CRASA Roaming Task Team (CRTT), a multi-country group which leads and monitors implementation of the SADC Roaming Glide Paths which was a directive of the SADC Ministers. The CRTT provides necessary technical and advisory assistance to CRASA in order to ensure the effective implementation of the ‘3 Route’ principle², SADC Roaming Glide Paths and realization of the SADC Roaming Roadmap targets.

The local network operators, VCL and ETL, continued to negotiate bilateral agreements with their counterparts in SADC countries. Out of 46 SADC MNOs, VCL has now increased its roaming agreements to 32 while ETL has live agreements with 20 MNOs. Both operators are continuing their negotiations with other MNOs in the region.

Competition Management Regime

The Authority has entered into a MoU with the two network operators on implementing the competition management regime. The Competition Management Regime (CMR) had identified areas of significant market power in certain telecommunications markets and the operators had committed to complying with the obligations of and remedies for anti-competitive practices and have undertaken to support the enforcement of the obligations and remedies detailed in the Determination. The CMR had identified fourteen relevant markets; assessed their susceptibility to ex-ante regulation, and identified dominant licensee in each of these markets. It had also identified potential risk of harm as a result of lack of effective competition and possible remedies for each of these relevant markets.

Determination on interconnection rates

The second anniversary of the three-year glide path for interconnection rates commenced in October 2016. The determination of interconnection rates for the year stood at M0.26. The interconnection rates are the amounts which the operators pay each other for terminating calls on each other's networks.

² This affords each regulator an opportunity to work with its MNOs to identify the three most expensive roaming partners for SMS, voice and data, and endeavour to remedy the situation with sister regulators concerned. This would be an iterative process with new ones identified each time that the last ones are resolved.



Figure 5 below depicts how the interconnection rates have gone down following their determinations in 2012-2014 and 2015 to 2017.



STUDIES AND SURVEYS

The Authority undertakes research studies which guide it in carrying out its regulatory function. During the reporting period, it carried out research on Broadband in Lesotho, market study on postal services and development of the regulatory framework of the postal sector, the on-going survey on internet cafes and published the report on ICTs in Higher Education.

Broadband study

A sector performance review was carried out with the objective of establishing a baseline for the telecommunications market in Lesotho, focusing on broadband. The study assessed the progress made by the sector towards meeting the vision of the NSDP and national developmental goals. In doing so it identified policy, regulatory and market bottlenecks inhibiting sectoral development and recommended policies and strategies that would enable rapid development of broadband in Lesotho. The Authority collaborated with ITU and Research ICT Africa (RIA).

Some of the key findings of the study are outlined below:

1. The study found that mobile network coverage in Lesotho is extensive and high at nearly 96%. Mobile prices were found to be relatively higher than the average in the SADC region despite regulatory interventions like the interconnection glide path which has resulted in some reductions in prices. The study attributes this to lack of full competition in the mobile voice market.
2. Lesotho compares better on data prices, being ranked in the middle of other African countries on the Research

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ICT Africa Mobile Pricing (RAMP) 1G Index, but affordability of devices and data services nevertheless presents a major barrier to the take-up of services and intensity of use.

3. VCL and ETL are able to tap into the low-cost, high-speed international bandwidth of their principal companies and the undersea cables landing in South Africa, enabling them to offer integrated national and international services at more competitive prices than local providers who have to lease facilities at prices higher than the international prices at which the network operators are able to acquire it.
4. The International bandwidth brought into the country through the acquisition of a stake in WIOCC by Lesotho has provided a locally owned strategic resource that has reduced international bandwidth prices through creating competition. However, its full impact in the international bandwidth market is still to be fully realised.

ICTs in Higher Education

The study on the level of ICT in Higher Education was completed and published. This study provides the extent to which ICTs are integrated into the operations, learning, teaching and research functions of these institutions. The study covered profiles of the institutions, ICT infrastructure and connectivity, as well as the organisation, leadership and management of ICTs.

The survey covered all higher education institutions in Lesotho including the institutions that offered vocational education and training with programmes that have a minimum continuous duration of at least two years and the minimum qualification of a high school leaving certificate. For institutions that had two campuses, the study treated each campus as an independent institution because it sought to unmask the confounding variables in the measurement of ICT indicators within individual campuses. The study covered 19 institutions, three of which had two campuses that were treated as independent institutions. An online copy of the report is available on the Authority's website, www.lca.org.ls.

Market study on the development of postal sector

As has already been explained under the heading of Regulation of Postal Services, a study was undertaken to determine the level of development of the postal sector in Lesotho.

Internet Cafés surveys

The Authority collects data on the number, profile and attributes on internet cafés bi-annually. This exercise is carried out throughout the country with a view of understanding their development. Internet cafés are essential for providing public access points to users without such facilities. The number of internet cafés is decreasing and their sustainability is under threat from factors such as the adoption of smart phones and computing equipment, proliferation of Wi-Fi hotspots and penetration of mobile broadband.

The findings indicated that there were 43 operational Internet cafés compared to 50 cafés in the last quarter of 2015/16 Financial Year. This signifies a decrease of 14 percent in the number of the Internet cafés over a period of six months. At the national level, Maseru district had the highest number of cafés at 35%. There were no new cafés opened;

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however, three of those that were functional in the previous reporting period had closed business. Berea (16%), then Leribe (14%) and Mafeteng (12%) followed Maseru. Mokhotlong, Botha-Bothe, Qacha's Nek and Quthing individually accounted for less than ten percent of the Internet cafés. Thaba-Tseka and Mohale's Hoek did not have Internet cafés anymore even though each one of them had one internet café in the 2015/16.

In Botha-Bothe, Leribe, Quthing and Mokhotlong, the number of Internet cafés remained the same as in the previous reporting period. Table 14 presents the number of Internet cafés as at the end of March 2016 and September 2016.

Table 14: Number of Internet cafés classified by district					
		Number of Internet cafés			
		March 2016		September 2016	
No.	District	Number	Percentage	Number	Percentage
1.	Maseru	18	36	15	35
2.	Berea	6	12	7	16
3.	Leribe	6	12	6	14
4.	Mafeteng	7	14	5	12
5.	Mokhotlong	3	6	3	7
6.	Botha-Bothe	3	6	3	7
7.	Qacha's Nek	3	6	2	5
8.	Quthing	2	4	2	5
9.	Mohale's Hoek	1	2	0	0
10.	Thaba-Tseka	1	2	0	0
11.	Country wide	50	100	43	100

UNIVERSAL SERVICE FUND

The mandate of the Universal Service Fund, as outlined in the Act, is to ensure that all people who reside in Lesotho have access to voice telephony services, internet, broadcasting services and basic postal services. The Fund had a three-year Strategic Business Plan to execute its mandate and the 2016/17 Financial Year was the final year of that Plan. During this period, the Fund focussed on extending mobile network infrastructure for the provision of voice and data services. However, issues of universal access to broadcasting services and postal services lagged behind due to the lack of applicable regulatory frameworks and institutional arrangements.

During the reporting period, the Fund was able to provide subsidies for twelve mobile network expansion projects at the cost of about M14.5 million which represented over 90% of the resources of the USF. The Fund also invested M6.8 million in projects related to broadband development. Broadband has been adopted as the standard for the provision of internet access to unserved and underserved areas since 2014.

Profiling for mobile network expansion

The Fund maintains a register of areas that have been reported as either unserved or underserved. The object of maintaining the register is to ensure that lack of communications services in these areas is addressed. At the beginning of the Financial Year, the register had 31 areas on it. During the 2016/17 reporting year, the list was reduced by nine

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(9) areas as shown in Table 15 below. The reduction was addressed by the network operators expanding their services to these areas for their commercial interests and licence conditions or by the Fund allocating subsidies to network operators to expand services to these areas. All the identified projects were completed during the year. However, new areas were reported as unserved/underserved and had to be added to the list. As at 31st March 2017, the number of areas in the register was 45.

No.	District	Area	Project by
1.	Berea	Malimong	VCL
2.	Leribe	Matlameng	VCL*
3.	Mafeteng	Likhoale	ETL
4.	Maseru/Thaba-Tseka	Senqunyane	VCL
5.	Maseru	Tsilo & Makoetje	ETL
6.	Qacha's Nek	Thamathu	VCL
7.	Quthing	Sixondo	VCL*
8.	Quthing	Dilli-Dilli	VCL*
9.	Thaba-Tseka	Sani	VCL*
* Areas that VCL addressed without subsidy as part of its licence undertaking (in Year 1 of its renewed licence)			

VCL had made commitments under its new licence to develop communications for universal access for voice and data needs in the country, whereby over a 5-year period, it would build four sites per year without subsidy. In the second year, VCL is developing Sani in Thaba-Tseka town area, Likolobeng in Maseru, Liqala in Quthing and Semenanyane in Mokhotlong. The construction of these projects had not been completed at the end of the time of reporting. These achievements have improved the level of coverage as depicted in thematic maps, shown in Figures 3 and 4.

Mobile network expansion projects

In the 2016/17 reporting year, the USF had planned to subsidize only three projects for unserved or underserved areas for expansion of the mobile network infrastructure in order to provide both voice telephony and broadband. However, the number of these projects increased to nine when five more projects received co-funding from the African Development Bank (AfDB) with AfDB contributing 75% of the costs and the Fund contributing 25%. The list of these projects appear on Table 16 below.

No.	Project	District	Project Awarded to:	Total Cost of Project	Subsidy from USF
USF only					
1.	Sehonghong Valley	Mokhotlong	ETL	2,347,899.17	2,347,899.17
2.	Bokong Ha Setala	Maseru	ETL	2,347,899.17	2,347,899.17
3.	Tlaling & Qaqatu Valleys	Mohale's Hoek	VCL	2,264,392.00	1,801,452.00
4.	Lesobeng	Thaba Tseka	VCL	5,051,784.00	4,125,904.00
				12,011,974.34	10,623,154.34
AfDB co-funded					
5.	Thamathu	Qacha's Nek	VCL	3,386,551.09	846,637.77
6.	Ha Tsilo & Ha Makoetje	Maseru	ETL	3,361,215.04	840,303.76
7.	Likhoale	Mafeteng	ETL	3,351,671.68	837,940.42
8.	Senqunyane Valley	Maseru	VCL	3,407,076.09	851,769.02
9.	Malimong	Berea	VCL	2,722,406.34	577,967.50
				16,228,920.24	3,954,618.48

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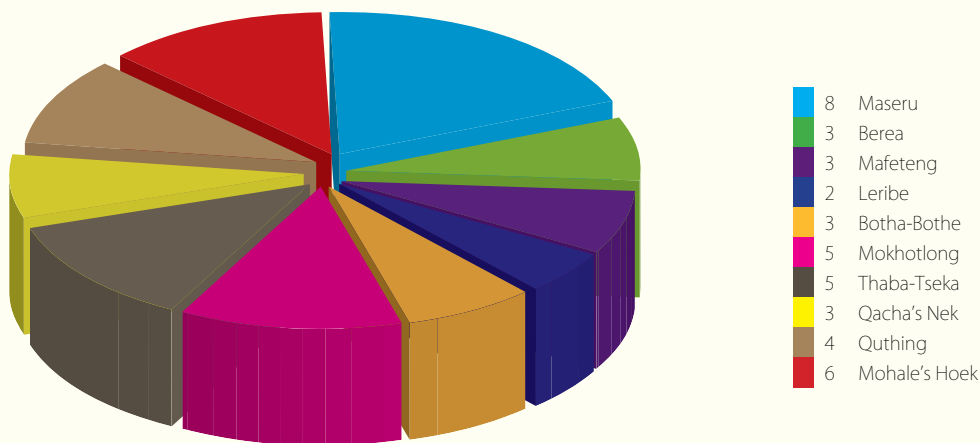


The total cost of mobile network expansion projects was M28.2 million and the total subsidy requirement was M14.6 million. AfDB committed to pay the M16.2 million for the six projects that were co-funded. All these projects had been completed by the end of March 2017.

These projects extended coverage to a total population of about 30,350 raising estimated population that has benefited from the USF subsidies to about 134,000. The coverage was achieved by the construction of 10 USF-subsidised Base Transceiver Stations (BTSs). The total number of subsidised BTSs increased from 41 to 51.

Since the establishment of the USF in 2009, 42 projects have been completed and are distributed throughout the country as shown on Figure 6 by districts. Some projects have more than one BTS, hence the total of 51 BTSs.

Figure 6 Distribution of Projects by District (as at 31st March 2017)



Broadband in Schools

The Fund continued to provide support for connectivity to broadband for secondary and high schools to be used as a resource for learning and teaching. Ten schools were connected in 2016/17. These schools were part of a pilot project for the introduction of e-learning in secondary and high schools. The package consisted of a mobile computer laboratory with of 24 laptops and an access point with educational content. As part of the project, training was provided to teachers on methods of teaching using ICT. The pilot project is planned to run at these schools for a period of five years. The pilot unearthed several challenges associated with the use of ICTs in schools among which are lack of digital literacy amongst teachers, lack of ICT infrastructure in the schools and the need for retraining of teachers. Discussions were initiated with the Ministry of Education and Training regarding the need for developing a policy for ICT in the education sector to address some of these issues. Schools where the pilot project was implemented are shown in Table 17.

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Table 17: Pilot schools for e-learning

No.	Name of School	District
1.	Bocheletsane High School	Thaba-Tseka
2.	Ikaheng High School	Maseru
3.	Lipohong High School	Berea
4.	Makaota High School	Mafeteng
5.	Malefiloane High School	Mokhotlong
6.	Mamohau High School	Leribe
7.	Mopholosi High School	Quthing
8.	Qacha's Nek High School	Qacha's Nek
9.	Qholaghohe High School	Botha-Bothe
10.	St. Patricks High School	Mohale's Hoek

In addition to the schools above, the Fund, with a grant from LCA's Corporate Social Investment programme, provided computers, servers and projectors to two other schools, namely Marakabei High School and Mapholaneng High School. All schools were also provided with broadband connectivity where possible. Marakabei High School could not be connected because there was insufficient network coverage in the area and discussions were underway with one of the network providers to improve coverage at the school.

Support for critical internet infrastructure

Akamai, which is an internet content aggregator, donated equipment to the Lesotho Internet Exchange Point (LIXP). The equipment consisted of server hardware which would be used as content caches valued at around M100,000. The value of having caches at the LIXP is faster access to content. The USF supported the LIXP by paying taxes and duties for equipment. The Fund also facilitated the establishment of a registry for Lesotho's top-level domain name (.ls). A company, registered as a not-for-profit was registered with the Authority as the sole shareholder. The company is registered under name of Lesotho Network Information Centre (LsNIC) Proprietary. A board was constituted and staff was recruited and trained, and facilities were acquired. The registry took over the administration of the domain from Rhodes University, and adopted policies for domain registrations. This has opened up the market of domain registration from one player to multiple players thus bringing competition and transparency in the domain registration market. The process of registering using the new registry system would become operational in the next reporting period.

MAJOR INTERNATIONAL EVENTS

The Authority and the Kingdom of Lesotho as a state are members of several international organisations which have a special interest in the communications sector. Lesotho is a member of the United Nations Organisation and the Commonwealth, African Union and the Southern African Development Community (SADC). The ITU is a specialised agency of the United Nations responsible for information and communication technologies while the Universal Postal Union (UPU) is a specialised UN agency for the postal sector. During the year under review, the Authority participated in the following events and activities of some of these organisations as state below:

Global Symposium for Regulators

The 16th edition of the Global Symposium for Regulators (GSR), organised by the ITU, was held in Sharm el-Sheikh, Egypt, from the 11th to the 14th May 2016. At this symposium, participants engaged in a constructive global dialogue on exploring synergies and ways to strengthen collaboration and cooperation between telecommunications or ICTs and financial sectors. The aim was to identify smart ICT policies and regulatory measures needed to enable collaborative regulation and an inclusive dialogue across these and other sectors and, in particular, an enabling environment for

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access to inclusive digital financial services, especially for the underserved and the underbanked members of society. Regulators were invited to identify proactive and collaborative policies and smart ICT regulatory measures needed to:

- facilitate access to and the development of digital financial services,
- identify topics of relevance to stakeholders of the digital financial ecosystem,
- address regulatory overlaps between the ICT or telecommunications and financial services sectors,
- defining new regulatory approaches to ICT/telecommunications policy and regulation, in particular in an era of collaborative regulation.

UPU Congress

The 26th Universal Postal Union (UPU) Congress was held in Istanbul, Turkey, from the 20th September 2016 to the 7th October 2016. The Congress is the supreme authority of UPU and it brought together plenipotentiaries of the Union's 192 member countries to discuss the state of the global postal sector and its future. The Congress is held every four years.

The Congress discussed and approved the World Postal Strategy which would form guidelines for all member countries and UPU bodies. Other issues which were covered at the Congress included the following: terminal dues system (remuneration paid between operators for the provision of the international postal service); budgetary issues of UPU, the revision of the UPU's legal instruments, the election of new UPU office bearers, discussions on how postal services around the world could offer a better service to their respective countries and citizens and contribute to economic growth and development.

CTO Council and Forum

The 56th Council Meeting of the Commonwealth Telecommunications Organisation (CTO) and the CTO Forum conference were held in Nadi, Fiji, between the 12th and the 16th September 2016 where senior policymakers, regulators and industry leaders from across the Commonwealth met and discussed a wide range of issues in the ICT sector. Discussions centred on policy, regulation, technologies, operations, investment and multilateral cooperation. The discussions also focused on the future of mobile technologies and applications, assessed the latest funding and investment opportunities in ICTs across the Commonwealth, explored how to implement effective regulatory tools and policies, identified opportunities in cloud services, e-Governance, open data, e-Commerce and mobile applications and shared best practices for accessible and inclusive technologies.

WIOCC Board Meetings

Lesotho, through the Authority, is a participant in the West Indian Ocean Cable Company. WIOCC operates as a wholesaler, providing internet capacity to international, African telecommunications companies and internet service providers within and out of Africa. The Authority participated in three meetings of the WIOCC board. At these meetings, the WIOCC board was seized with the business development of the company, proper running of the company and receipt of annual reports. Lesotho continued to access some of her international bandwidth capacity through WIOCC through the local network operators.

CRASA Annual General Meeting

The Annual General Meeting (AGM) of the Communications Regulators' Association of Southern Africa (CRASA) was hosted by the Communications Regulatory Authority of Namibia (CRAN) in Swakopmund, Namibia, on the 7th and the 8th April 2016, under the theme "ICT a catalyst for socio-economic development". CRASA is a regional organization

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that focuses on harmonisation of the Postal and Information and Communications Technologies (ICT) regulatory environment in the Southern African Development Communities (SADC) region in order to improve the Postal and ICT business environment and investment climate. The AGM is the supreme policy-making body of CRASA and its highest decision-making structure. It annually elects the Executive Committee and makes the final decisions on the Strategic Business Plan, the Annual Activities and Annual Budget of the Association. This AGM dealt with a review of the business of the Association performed in Financial Year 2015/16 and took pertinent decisions thereon.

The CRASA AGM for the 2016/17 Financial Year was held in Durban, South Africa, from the 25th March to the 31st March 2017. The AGM sessions included meetings of the Executive Committee, and workshops on Evolutionary Path to the 5th Generation Network (5G) and Internet of Things (IoT), Postal Markets Regulation and Universal Service Obligations (USO) in the Evolving Postal Sector and Cost Modelling of International Roaming Services.

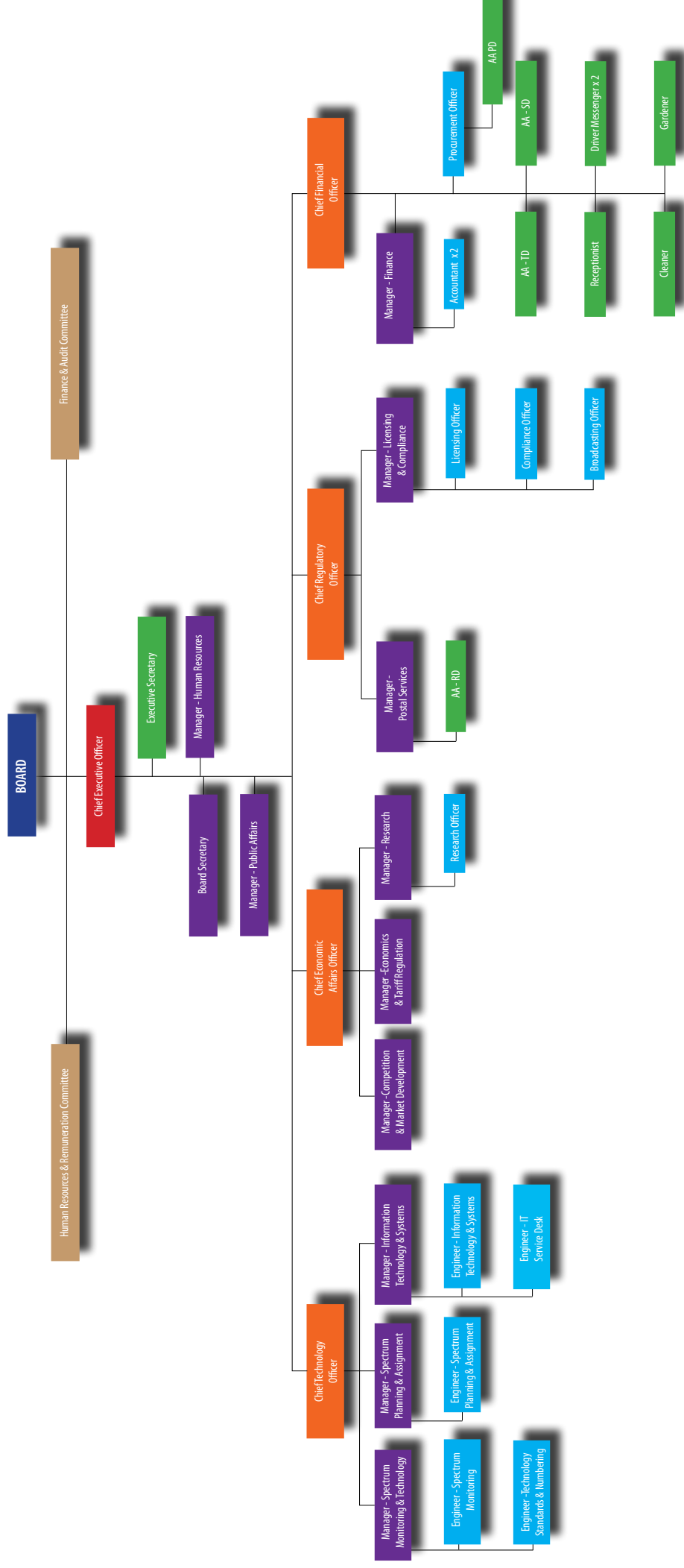
CRASA has thirteen (13) members from the SADC region represented by their ICT and Postal regulators. The countries are: Angola, Botswana, Democratic Republic of the Congo, Lesotho, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe.

The Authority actively participates annually in the work and activities of the organisations above. The year 2016/17 was no exception 



Lesotho Post head-office in Maseru.

LCA ORGANOGRAM



LESOTHO COMMUNICATIONS AUTHORITY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017
DIRECTORS APPROVAL AND STATEMENT OF RESPONSIBILITY

The Communications Act No. 4 of 2012 requires the Authority to prepare financial statements for each financial year that present a true and fair picture of the state of its affairs at the end of each financial year. The Board is responsible for taking such steps that are reasonably open to it to safeguard the assets of the Authority and to prevent and detect fraud and other irregularities.

The Board appreciates that in preparing the financial statements for the year ended 31 March 2017 set out on pages 41-57 the Authority has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. The Board also considers that all applicable International Financial Reporting Standards have been followed and confirms that the financial statements have been prepared on the going concern basis.

The Board reviewed the Authority's cash flow forecasts for the year to 31 March 2017, and, in the light of this review and the current financial position, it is satisfied that the Authority has adequate resources to continue in operational existence for the foreseeable future.

The auditors' responsibilities are stated in their report on pages 39 and 40.

The Board acknowledges that it is responsible for the system of internal control and places considerable importance on maintaining a strong control environment. To enable management to meet these responsibilities, the Board sets internal controls aimed at reducing the risk of error or loss in a cost effective manner. The controls include proper delegation of responsibilities, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk.

The Authority has made progress with respect to Risk Management. To this end, it has developed a risk profile that identified the risk areas and mitigating factors.

The risk management framework will assist the Authority to identify, assess, manage and monitor all known forms of risk across the Authority. This in turn will assist the Board to assess the risk management process of the Authority. The Authority now conducts risk based internal audits that are intended to provide reasonable assurance to the Board that there are adequate working controls to mitigate and manage the Authority's risks.

Based on information and explanations supplied by management, the Board is of the opinion that the system of internal control provides reasonable assurance that the financial records can be relied on for the preparation of the financial statements.

Against this background, the financial statements set out on pages 41-57 which are stated in Maloti, the Lesotho currency, have been approved and authorised for issue on the 27.09.2017 by the Board and signed on its behalf by:



CHAIRMAN



CHIEF EXECUTIVE OFFICER



LESOTHO COMMUNICATIONS AUTHORITY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 DIRECTORS' REPORT

Directors

In terms of the Communications Act No.4 of 2012, the Board shall consist of the Chairman and five other members appointed by the Minister. The Chief Executive Officer shall be an ex-officio member. During the period under audit, Board of Directors are:

- Mr. Paseka Khetsi (Chairman)
- Mr. Lefa Mokotjo
- Mr. Monare Thulo
- Mr. Machela Nkhethoa (up to 31 December 2016)
- Mr. Thabiso Zwane (up to 31 December 2016)
- Ms. Bokang Lethunya
- Ms. 'Mamofuta Kale (from 09 January 2017)
- Ms. 'Majanki Fako (from 04 May 2017)
- Mr. Tšeliso 'Mokela (Ex-officio)

Secretary

- Ms. 'Mapule Mokoena

Disclosure of Interest

The Authority is a government regulatory agency for the communications sector with no shareholding. The Board of Directors do not hold any financial interest in the Authority.

Auditors' Appointment

In terms of the aforesaid Act, the Auditor General is the Auditor of the Authority and can appoint an independent and qualified auditing firm to audit the annual accounts of the Authority.



Office of The Auditor General
P.O. Box 502, Maseru 100, Lesotho

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF LESOTHO COMMUNICATIONS AUTHORITY FOR THE YEAR ENDED 31 MARCH 2017

Opinion

I have audited the financial statement of Lesotho Communications Authority set out on pages 41 to 57, which comprise the statement of financial position as at 31 March 2017 and the statement of comprehensive income, statement of changes in equity and financial statements, including a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as at 31 March 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in accordance with the requirements of the Lesotho Communications Act, 2012.

Basis for Opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Authority in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to my audit of the financial statements in Lesotho, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matter are those matters that, in my professional judgment, were of most significance in my audit of the financial statement of the current period. There were no key audit matters.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, which whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using going concern basis of accounting unless management either intends to liquidate the Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority's financial reporting process.



Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decision of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for the one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosure are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to date of our auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matter, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be through to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determined those matters that are of most significance in the audit of the financial statement of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determined that a matter should not be communicated in my report because these adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Lucy. L. Liphafa (Mrs)

Auditor General

27 SEPTEMBER 2017 2017 -09- 27



LESOTHO COMMUNICATIONS AUTHORITY FINANCIAL STATEMENTS
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017

ASSETS	Notes	31.03.17 Maloti	31.03.16 Maloti
Non - Current Assets			
Property, Plant & Equipment	7	110,295,462	103,337,677
Intangible Assets			
WIOCC Capacity-Lesotho Portion	8	17,335,639	17,335,639
Investment in WIOCC	9	3,615,100	3,615,100
		20,950,739	20,950,739
Current Assets			
Trade and other receivables	10	48,913,601	32,508,062
Cash and cash equivalents	11	26,887,562	25,535,783
		75,801,163	58,043,845
Total Assets		207,047,364	182,332,261
Funds			
Capital Fund	12	2,331,822	2,331,822
Accumulated Fund		85,475,119	78,891,766
Capital Grant	13	4,820,147	5,302,160
		92,627,088	86,525,748
Non-Current Liabilities			
Deferred Income	14	8,511,136	4,554,784
Loan for LCA office complex	15	36,652,288	41,567,920
Loan for office furniture	16	5,708,477	7,122,380
		50,871,901	53,245,084
Current Liabilities			
Trade and other payables	16	50,217,434	30,660,308
Bank overdraft		-	326,328
USF Reserve Fund		2,148,659	2,727,911
Provisions		11,182,282	8,846,882
		63,548,375	42,561,429
Total Funds and Liabilities		207,047,364	182,332,261



LESOTHO COMMUNICATIONS AUTHORITY FINANCIAL STATEMENTS
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2017

	Notes	31.03.17 Maloti	31.03.16 Maloti
Income			
Regulatory Fees	2	69,773,976	63,602,090
Other Income	3	1,738,548	542,164
Amortisation of Capital Grant	4	482,013	482,013
		71,994,537	64,626,267
Expenditure			
Staff Costs	5	31,250,620	25,410,145
Depreciation	7	2,034,353	3,770,889
Directors Emoluments		836,989	836,252
Audit Fees		63,000	60,000
Other Administrative Costs	6	31,058,526	24,622,482
		65,243,488	54,699,768
Surplus/Deficit before finance income & cost		6,751,049	9,926,499
Finance Income		1,843,586	985,146
Surplus/Deficit after finance income & cost		8,594,635	10,911,645
Transfer to UAF	20	2,148,659	2,727,911
Retained surplus for the year		6,445,976	8,183,734

LESOTHO COMMUNICATIONS AUTHORITY FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2017

	Capital Funds Maloti	Revaluations Reserve Maloti	Accumulated Funds Maloti	Capital Grants Maloti
Balance at 31/03/2015	2,331,822	-	70,746,665	5,302,161
Prior Year Adjustment	-	-	(38,633)	-
Surplus for the year	-	-	8,183,734	-
Disposal of re-valued assets	-	-	-	-
Amortisation for the year	-	-	-	(482,013)
Balance at 31/03/2016	2,331,822	-	78,891,766	4,820,148
Prior Year Adjustment	-	-	137,377	-
Surplus for the year	-	-	6,445,976	-
Disposal of re-valued assets	-	-	-	-
Amortisation for the year	-	-	-	(482,013)
Balance at 31/03/2017	2,331,822	-	85,475,119	4,820,148



LESOTHO COMMUNICATIONS AUTHORITY FINANCIAL STATEMENTS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017

	31.03.17 Maloti	31.03.16 Maloti
Surplus for the period	6,445,976	8,183,734
Prior period adjustments	137,377	(38,633)
Depreciation	2,034,353	3,770,889
Amortisation of capital grant	(482,013)	(482,013)
Increase/(Decrease) in receivables	(16,405,540)	(4,273,211)
Increase/(Decrease) in payables	20,986,946	1,286,685
Proceeds from sale on assets	-	110,548
Net cash inflow/outflow from operating activities	12,717,099	8,557,999
Investing Activities		
Purchase of Plant, Property and Equipment	(8,992,137)	(30,482,695)
Loan from the bank for office furniture	-	7,122,380
Loan from the bank for office complex	-	18,235,093
Net cash flows from investing activities	(8,992,137)	(5,125,222)
Financing Activities		
Initial licence fees	3,956,352	(996,467)
Repayment of loan	(4,915,632)	-
Repayment of loan	(1,413,903)	-
Net cash flows from financing activities	(2,373,183)	(996,467)
Net increase in Cash & cash equivalents	1,351,779	2,436,310
Cash & cash equivalents at the beginning of the year	25,535,783	23,099,473
Cash & cash equivalents at the end of the year	26,887,562	25,535,783

LESOTHO COMMUNICATIONS AUTHORITY FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

1. ACCOUNTING POLICIES

1.1 Presentation of annual financial statements

The principal accounting policies of the Authority, which are set out below, have been consistently followed in all material respects and comply with International Financial Reporting Standards (IFRS) and the Communications Act No.4 of 2012. The financial statements are prepared on a going concern basis. The financial statements have been prepared on the historical cost basis except for financial assets, which are stated at fair values and incorporate the principal accounting policies, set out below:

The preparation of financial statements in accordance with IFRS requires the use of certain accounting estimates and assumptions.

1.2 Adherence of new and revised standards

The Authority adhered to the following revised standards during the year and comparative figures have been restated where applicable. However adherence to these standards did not have any effect on the funds and reserves as at 31 March 2017.

IAS 1	Presentation of financial statements
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 16	Property, plant and equipment
IAS 17	Leases
IFRS 20	Government grants
IAS 24	Related party disclosures
IAS 37	Provisions, contingent liabilities and contingent assets
IAS 39	Financial instruments: Recognition, measurement
IFRS 7	Financial instruments – disclosures

1.3 Significant judgements

In preparation of financial statements, management is required to make estimates and assumptions that affect the amounts presented in the financial statements and related disclosures. It also requires management to exercise its judgement in applying the Authority's accounting policies. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results in future could differ from these estimates.



LESOTHO COMMUNICATIONS AUTHORITY FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

Valuation of property, plant and equipment

The estimated useful lives of property, plant and equipment which are translated into depreciation rates are shown in these financial statements. These rates, residual values and possible impairment are reviewed annually.

Provision for impairment of receivables

A provision for impairment of trade receivables is established when there is objective evidence that the Authority will not be able to recover amounts due according to the rules of the Authority which are translated into terms of receivables. The calculation of the provision amount for impairment of receivables requires the use of estimates and judgements.

Contingent liabilities

Management applies its judgement to the facts it receives from advisors and third parties in assessing if an obligation is probable, more likely or remote. Judgement is used to determine if the obligation is recognized as a liability or disclosed as a contingent liability.

1.4 Recognition of assets and liabilities

Assets are recognized if it is probable that future economic benefits associated with the asset will flow to the Authority and the cost or fair value can be measured reliably.

Liabilities are only recognized if it is probable that future economic benefits associated with the liability will flow from the Authority and the cost or fair value can be measured reliably.

1.5 De-recognition of assets and liabilities

Financial assets are de-recognised when the contractual rights to receive the cash flows have been transferred or have expired or when substantially all the risks and rewards of ownership have passed.

All other assets are recognised on disposal or when no future economic benefits are expected from their use.

Financial liabilities are derecognized when the relevant obligation has either been discharged, cancelled or has expired.

LESOTHO COMMUNICATIONS AUTHORITY FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

1.6 Property, Plant and Equipment

Property, plant and equipment are stated at cost/valuation less accumulated depreciation and adjustment for any impairment losses where applicable. Depreciation is calculated on straight – line basis from the time the property, plant and equipment are available for use, so as to write off their cost over their expected useful lives, taking into account their residual values. The following annual rates are used:

Item	Average useful life
Office Equipment	5 years
Computer Equipment	3 years
Monitoring Equipment	6 years
Motor Vehicles	4 years
Office Furniture	5 years
Land & Buildings	20 years

Consumable items are written off in the period of purchase.

Repairs and maintenance are charged to the statement of comprehensive income in the period in which they are incurred.

1.7 Impairment of Assets

The Authority assesses at each financial year end as to whether there is any indication that an asset may be impaired. If such an indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. An impairment loss is recognized in the income statement immediately.

1.8 Foreign Currency Translation

Transactions in foreign currencies are translated to Maloti at the foreign exchange rate ruling at the date of the transaction. All exchange gains and losses arising on translation are dealt with in the income statement.

1.9 Financial Instruments

Initial recognition and measurement

Initial measurement of financial instruments is at cost, which includes transaction costs. Subsequent measurement of the different classes of financial instruments are dealt with below.



LESOTHO COMMUNICATIONS AUTHORITY FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

Financial Assets

The principal financial assets are cash and bank balances, trade and other receivables. These assets are originated by the enterprise and are accounted for at trade date.

Financial Liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into. The principal financial liabilities are trade and other payables.

1.10 Trade and other receivables

Trade and other receivables originated by the enterprise are stated at fair value of consideration receivable less impairment for trade receivables if any. A provision for impairment of trade receivables is established when there is objective evidence that the Authority will be able to recover all amounts due according to the rules of the Authority which are translated into terms of receivables.

1.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at hourly call with the banks. Cash and cash equivalents are measured at fair value.

1.12 Trade and other payables

Trade and other payables are stated at their fair values.

1.13 Employee Benefits

The Authority operates a defined contribution pension scheme for its eligible employees. The pension contributions on behalf of its employees are charged to the statement of comprehensive income. The Authority contributes 10.58% of each member's pensionable salary for permanent staff and a 6.04% of each member's pensionable salary for contract employees to a defined contribution fund. The fund is administered by Metropolitan Employee Benefits Scheme.

Terminal gratuities are provided for contract employees as per the terms of their respective employment contracts and 4% for permanent staff.

Severance pay is payable on termination of employment according to the Lesotho Labour Code and it is provided for on an annual basis.

LESOTHO COMMUNICATIONS AUTHORITY FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

1.14 Provisions

Provisions are recognized when the Authority has a present legal or constructive obligation as a result of past events, when it is probable that outflow of resources embodying economic benefits will be required to settle the obligation, and reliable estimate of the amount of the obligation can be made.

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for estimated leave liability according to the Human Resources Rules of the Authority.

1.15 Revenue Recognition

Regulatory Fees

Regulatory fees comprise service and radio frequency spectrum licences fees charged to communications service providers. Initial fees charged in relation to the issuance of new licences are recognized as deferred income and are transferred to the income and expenditure on the basis of matching them with related costs over the licence period. Annual service and systems licence fees which are recognized in the period to which they relate. Royalty fees are charged as a percentage of the Net Operating Income of a network operator. The basis of the fees is the LCA (Licensing Fees) Rules, 2013.

Interest income

Interest is recognized on a time proportion basis taking into account the effective yield on the financial asset.



LESOTHO COMMUNICATIONS AUTHORITY FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

Government grants

Revenue grants are recognized as income in the year in which they have been received. Capital grants are recognized as deferred credit and are recognized in the statement of comprehensive income in order to match them with the related costs for which the grants are intended to cover. They are amortised over the useful lives of assets.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under the operating leases are charged to the income statement on a contracted amounts basis over the period of the lease.

Borrowing costs

Borrowing costs are dealt with in the statement of comprehensive income in the period in which they are incurred.

1.16 Comparative Figures

Figures for the previous year have been stated on the second column to allow ease of comparison with the current year and where either in the current or previous year there were no figures a (-) sign has been put.

LESOTHO COMMUNICATIONS AUTHORITY FINANCIAL STATEMENTS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2017

	31.03.17 Maloti	31.03.16 Maloti
2. Regulatory fees		
Application Fee	148,167	26,525
Licence Fee	4,540,304	2,603,365
Royalty Fee	42,435,005	25,541,536
Spectrum Fee	22,650,500	35,430,664
	69,773,976	63,602,090
3. Other Income		
The amount represents rent received		
Rent Received	1,738,548	542,164
4. Amortisation of Capital Grant		
This represents an amount amortised during the year for the WIOCC investment and WIOCC capacity paid the Government of Lesotho.		
5. Staff Costs		
Salaries	18,851,250	14,749,546
Allowances	5,377,740	5,274,560
Pension	1,515,493	1,489,320
Severance Pay	1,226,372	226,996
Leave Pay	98,444	-
Medical Aid	1,980,307	1,831,089
Gratuity	925,356	1,009,893
Staff Refreshments & Welfare	424,671	246,397
Sports & Recreation	9,115	3,213
Staff cell phone airtime	632,850	413,241
Fringe Benefit Tax	157,818	113,843
Housing	51,204	52,047
	31,250,620	25,410,145



LESOTHO COMMUNICATIONS AUTHORITY FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

	31.03.17 Maloti	31.03.16 Maloti
6. Other Administration Costs		
Bank Charges	302,486	317,824
Interest Paid	4,453,396	3,058,809
Communication	1,445,774	1,462,153
Postage	3,213	6,731
Stationery	175,298	101,919
Repairs and maintenance	481,801	625,701
Software Licenses	3,726,057	867,269
Operation and Maintenance (WIOCC)	3,160,336	2,620,743
Water and Electricity	785,311	352,032
Repairs and Maintenance - Buildings	41,486	-
Office Rent	117,660	364,561
Insurance	913,769	1,064,005
Station Maintenance	750,067	1,440,624
Dispute Resolution fees	266,116	199,224
Other Expenses	563,554	981,851
Books and Journals	31,773	30,703
Fuel	132,085	98,275
Car Running	154,836	111,213
Staff Uniform	-	32,250
Subscriptions	1,763,024	1,703,350
Travel and Accommodation	3,427,712	3,562,529
Subsistence allowance	51,855	1,820
Staff Training	988,905	545,485
Business Entertainment	42,823	49,910
Cleaning & Security	742,958	413,621
Public Relations	396,023	918,748
Advertisements	224,751	-
Consultancy Fees	786,550	281,000
Board Expenses	1,664,680	1,502,043
Legal Fees	12,813	251,863
Research	1,497,407	426,304
Donations	281,353	4,999
Loss on disposal of fixed assets	-	36,075
LSNIC Expenses	1,672,654	-
Provision for doubtful debts		1,188,848
Total Expenses	31,058,526	24,622,482

LESOTHO COMMUNICATIONS AUTHORITY FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

7. Property, Plant and Equipment

	Cost at 31.03.16	Additional/ Revisions of value	Cost at 31.03.17	Dep'n at 31.03.16	Charge this year	NCV at 31.03.17	NCV at 31.03.16	NCV at 31.03.17
	Maloti	Maloti	Maloti	Maloti	Maloti	Maloti	Maloti	Maloti
Office Equipment	371,098	-	371,098	297,713	12,860	310,573	73,385	60,525
Computer Equipment	6,626,227	1,587,729	8,213,956	5,853,580	647,152	6,500,732	772,647	1,713,224
Motor Vehicles	1,867,762	1,438,912	3,306,674	1,336,741	361,106	1,697,847	531,021	1,608,827
Office Furniture	3,595,682	63,900	3,659,582	744,793	643,818	1,388,611	2,850,889	2,270,971
LCA Land and buildings	98,781,464	5,697,512	104,478,976	621,912	*-	621,912	98,159,552	103,857,064
Monitoring Equipment	15,738,917	204,084	15,943,001	14,788,733	369,417	15,158,150	950,184	784,851
	126,981,150	8,992,137	135,973,287	23,643,472	2,034,353	25,677,825	103,337,678	110,295,462

*During the year, there was no depreciation charged on buildings because there has been over depreciation in the previous year.



LESOTHO COMMUNICATIONS AUTHORITY FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

8. Western Indian Ocean Cable Company (WIOCC) Capacity-Lesotho Portion

This represents the capacity that LCA holds in WIOCC to date. The amount is made up of M 3,615,100.00 paid by the Lesotho Government on behalf of LCA and M 17,335,639 which was paid by LCA.

9. Investment in Western Indian Ocean Cable Company (WIOCC)

The Lesotho Government paid M 3,615,100.00 (USD 500,000.00) on behalf of LCA for acquisition of 5% shareholding in WIOCC. Therefore, the Authority holds 5% shareholding in the Western Indian Ocean Company.

	31.03.17	31.03.16
	Maloti	Maloti
10. Trade and Other Receivables		
Trade receivables	41,912,795	32,901,257
Less: Provision for doubtful debts	(1,188,848)	(1,188,848)
Deposits	310,624	310,624
Other Receivables	7,675,393	336,824
Staff Loans	203,637	148,205
	48,913,601	32,508,062
11. Cash and cash equivalents		
Petty Cash	25	581
Current Accounts	6,264,664	6,559,203
Short term deposits	20,622,874	18,975,999
	26,887,563	25,535,783
12. Capital Fund		
The Government of Lesotho transferred office furniture and equipment and the assets together with the Zozo building at Ha Abia Monitoring Station as part of establishment of LCA and the costs of those assets were capitalised to Capital Fund.		
13. Capital Grant		
The Lesotho Government paid M 3,615,100.00 (USD 500,000.00) for acquisition of Pre-purchase capacity in the Western Indian Ocean Cable Company (WIOCC) and 5% shareholding in WIOCC for M 3,615,100.00 (USD 500,000.00). The Grant has been amortised over estimated economic useful life of 15 years starting from the financial year 2013.		
Opening balance	5,302,161	5,784,174
Less: Amortisation of Capital Grant for the year	482,013	482,013
Closing balance	4,820,148	5,302,161

LESOTHO COMMUNICATIONS AUTHORITY FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

	31.03.17 Maloti	31.03.16 Maloti
14. Deferred Income		
These are initial licence fees for 15 and 20 years:		
Econet Telecom Lesotho	3,311,250	4,181,250
Vodacom Lesotho	4,908,335	166,668
	8,219,585	4,347,918
Rent deposit	291,551	206,866
	8,511,136	4,554,784
15. Loan for LCA office complex		
Nedbank Lesotho approved a loan of M41.58 million towards construction of LCA office complex and M7.122 for LCA office furniture loan.		
16. Trade and other Payables		
Trade Payables	6,010,891	1,534,023
Fringe benefit tax	48,292	36,895
Other payables	44,158,251	29,089,389
	50,217,434	30,660,307
17. Prior Year Adjustments		
Travel and research-accountable	-	10,468
Stationery- accountable change	42	-
Cleaning-reversal of provision	1,781	-
Security-reversal of provision	5,768	-
Creditors	-	17,171
VAT under-provision research INCYTE	75,623	(3,421)
Provision for outstanding expenses	-	-
Medical aid vitality overprovision	-	(34)
Licence fees	-	10,600
Provision for fringe benefit tax	4,847	349
Staff debtors-Mphutlane	-	3,500
Rent Receivable	49,316	-
TOTAL	137,377	38,633



LESOTHO COMMUNICATIONS AUTHORITY FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

18. LsNIC (Lesotho Network Information Centre)

The Authority has incorporated a company called Lesotho Network Information Centre (LsNIC) per section 5 of the Communications Act 2012 to administer the Internet domain names. The company was registered with the Registrar of companies in 2016 and it is 100% owned by LCA. During the year, the major activities were to establish the company, this included acquisition of its assets and transferring those with third parties. The costs incurred for these activities were M1,672,654. It is anticipated that the operations of the company will commence in the next financial year (2017/18).

19. Contingent Liabilities

Staff Loans

The Authority is contingently liable to Nedbank Lesotho and Standard Lesotho Bank in respect of vehicle and housing loans respectively provided by the banks to its employees which amounts to M 4,596,061 as at 31 March 2017.

Corporation Tax

The Authority is contingently liable to the Lesotho Revenue Authority (LRA) in respect of corporation tax of M 15,281,234.

Value Added Tax (VAT)

The Authority is further contingently liable to the Lesotho Revenue Authority (LRA) with respect to the years that VAT was not charged on issuing invoices to its licensees. The contingent liability is M 37,729,819.

20. Universal Service Reserve Fund

In accordance with the 2012 Communications Act, the Authority is required to contribute 25% of its annual surplus into the Universal Service Fund.

Separate financial statements have been prepared for the Universal Service Fund.

21. Operating Lease

As at 31 March 2017, the future minimum lease payments under non – cancellable operating leases were:

	Due: - Within one year	Due: - Within one year
	M	M
Photocopier	52,672	-

LESOTHO COMMUNICATIONS AUTHORITY FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

22. Capital Commitments

The Authority acquired a site adjacent to Manthabiseng Convention Centre. The lease for the site was issued in the name of the Authority during the year ended 31 March 2008. During the preliminary arrangements for construction, it was felt that the site was not ideal for the Authority. The Authority has since been allocated another site in town which has been exchanged for the site next to Manthabiseng Convention Centre. The lease was issued to LCA by the Land Administration Authority during the 2011/12 financial year. The construction work for the office complex has been completed during the first quarter of this financial year. The Authority has started re-paying the office furniture loan from the last financial year and office complex loan in the current financial year 2016/17.

23. Financial risk management

Exposure to credit, interest rate risk and currency risk arises in the normal course of the Authority's business.

Foreign currency risk

In the normal course of business, the Authority enters into transactions denominated in foreign currency. As a result, the Authority is exposed to fluctuations in foreign currency. However, there were no foreign currency assets or liabilities outstanding at year end.

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 that achieves maximum returns while minimizing risks.

Credit Risk

The financial assets of the Authority that are subject to credit risk consist mainly of cash resources, receivables and investments. The cash resources and investments are placed with reputable financial institutions. Where appropriate, adequate provisions for impairment of receivables are made.

Fair values

The fair values of most financial instruments are substantially identical to carrying values reflected in the balance sheet.



UNIVERSAL SERVICE FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017
BOARD APPROVAL AND STATEMENT OF RESPONSIBILITY

The Communications Act No. 4 of 2012 requires the Authority to prepare financial statements for each financial year that present a true and fair picture of the state of affairs of the Universal Service Fund at the end of the financial year. The Board is responsible for taking such steps that are reasonably open to it to safeguard the assets of the Fund and to prevent and detect fraud and other irregularities.

The Board appreciates that in preparing the financial statements for the year ended 31 March 2016 set out on pages 62-73, the Universal Service Fund has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. The Board also considers that all applicable International Financial Reporting Standards have been followed and confirms that the financial statements have been prepared on a going concern basis. The auditors' responsibilities are stated in their report on pages 60 and 61.

The Board acknowledges that it is responsible for the system of financial internal control and places considerable importance on maintaining a strong control environment. To enable management to meet these responsibilities, the Board sets internal controls aimed at reducing the risk of error or loss in a cost effective manner. The controls include proper delegation of responsibilities, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk.

The Universal Service Fund has made progress with respect to Risk Management. To this end, it has developed a risk profile that identified the risk areas and mitigating factors for the approval of the Board.

The risk management framework will assist the Universal Service Fund to identify, assess, manage and monitor all known forms of risk across the Universal Service Fund. This in turn will assist the Board to assess the risk management process of the Universal Service Fund. The Fund conducts risk based internal audits that are intended to provide reasonable assurance to the Board that there are adequate working controls to mitigate and manage the Universal Service Fund's risks.

Based on information and explanations supplied by management, the Board is of the opinion that the systems of internal control provide reasonable assurance that the financial records can be relied on for the preparation of the financial statements.

Against this background, the financial statements set out on pages 62-73 which are stated in Maloti, the Lesotho currency, have been approved and authorised for issue on the 27.09.2017 by the Board and signed on its behalf by:

A blue ink signature of the Chairman, appearing as a stylized 'D' followed by 'ueh'.

CHAIRMAN

A blue ink signature of the Chief Executive Officer, appearing as a stylized 'S' followed by 'M' and 'B'.

CHIEF EXECUTIVE OFFICER

UNIVERSAL SERVICE FUND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

Directors

In terms of the Communications Act No.4 of 2012, the Board shall consist of the Chairman and five other members appointed by the Minister. The Chief Executive Officer shall be an ex-officio member. During the period under audit, Board of Directors are:

Mr. Paseka Khetsi (Chairman)
Mr. Lefa Mokotjo
Mr. Monare Thulo
Mr. Machela Nkhethoa (up to 31 December 2016)
Mr. Thabiso Zwane (up to 31 December 2016)
Ms. Bokang Lethunya
Ms. Mamofuta Kale (from 09 January 2017)
Ms. 'Majanki Fako (from 04 May 2017)
Mr. Tšeliso 'Mokela (Ex-officio)

Secretary

Ms 'Mapule Mokoena

Disclosure of Interest

The Authority is a government regulatory agency for the communications sector with no shareholding. The Board of Directors do not hold any financial interest in the Authority.

Auditors' Appointment

In terms of the aforesaid Act, the Auditor General is the Auditor of the Authority and can appoint an independent and qualified auditing firm to audit the annual accounts of the Authority.



Office of The Auditor General
P.O. Box 502, Maseru 100, Lesotho

**REPORT OF THE AUDITOR GENERAL
ON THE FINANCIAL STATEMENTS OF
LESOTHO COMMUNICATIONS AUTHORITY - UNIVERSAL SERVICE FUND
FOR THE YEAR ENDED 31 MARCH 2017**

Opinion

I have audited the financial statement of Lesotho Communications Authority - Universal Service Fund (the Fund) set out on pages 62 to 73, which comprise the statement of financial position as at 31 March 2017 and the statement of comprehensive income, statement of changes in equity and financial statements, including a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 March 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in accordance with the requirements of the Lesotho Communications Act, 2012.

Basis for Opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to my audit of the financial statements in Lesotho, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matter are those matters that, in my professional judgment, were of most significance in my audit of the financial statement of the current period. There were no key audit matters.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, which whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decision of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for the one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosure are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matter, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be through to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determined those matters that are of most significance in the audit of the financial statement of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determined that a matter should not be communicated in my report because these adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Lucy. L. Liphafa (Mrs)

Auditor General

27 SEPTEMBER 2017





UNIVERSAL SERVICE FUND
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017

ASSETS	Notes	31.03.17 Maloti	31.03.16 Maloti
Non-Current Assets			
Property, Plant & Equipment	6	203,120	290,733
		203,120	290,733
Current Assets			
Trade and other receivables	7	30,030,227	23,376,423
Cash and cash equivalents	8	308,960	1,174,368
		30,339,187	24,550,791
Total Assets		30,542,307	24,841,524
Funds			
Accumulated Fund		11,582,929	8,880,272
		11,582,929	8,880,272
Current Liabilities			
Trade and other payables			
Provisions	10	18,838,020	15,577,603
		121,358	383,649
		18,959,378	15,961,252
Total Funds and Liabilities		30,542,307	24,841,524

UNIVERSAL SERVICE FUND
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2017

	Notes	31.03.17 Maloti	31.03.16 Maloti
Income			
Regulatory Fees	2	16,536,506	14,852,198
Other income		439,566	439,566
		16,976,072	15,291,764
Expenditure			
Fund Disbursements	3	11,935,256	18,485,753
Staff Costs	4	1,296,941	1,214,442
Depreciation		125,071	101,397
Committee Fees		284,772	121,080
Other Administrative Costs	5	685,334	470,499
		14,327,374	20,393,171
Surplus/Deficit before finance income & cost		2,648,698	(5,101,407)
Finance Income		53,960	145,068
Surplus/Deficit after finance income & cost		2,702,658	(4,956,339)
Retained surplus for the year		2,702,658	(4,956,339)



UNIVERSAL SERVICE FUND
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2017

	Accumulated Funds
Balance at 31/03/2015	14,886,476
Surplus/(Deficit) for the year	(4,956,339)
Prior year Adjustment	(1,049,865)
Balance at 31/03/2016	8,880,272
Surplus/(Deficit) for the year	2,702,658
Prior year Adjustment	-
Balance at 31/03/2017	11,582,930

UNIVERSAL SERVICE FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017

	31.03.17 Maloti	31.03.16 Maloti
Surplus/(Deficit) for the period	2,702,658	(4,956,339)
Depreciation	125,071	101,397
Increase/(Decrease) in receivables	(6,653,804)	(1,974,005)
Increase/(Decrease) in payables	2,998,126	4,535,437
Prior Year Adjustment	-	(1,049,865)
Net cash inflow/outflow from operating activities	(827,949)	(3,343,375)
Investing Activities		
Purchase of Plant, Property and Equipment	(37,459)	-
Disposals of assets	-	-
Net cash flows from Investing activities	(37,459)	-
Movement in Cash & cash equivalents	(865,408)	3,343,375
Cash & Cash Equivalents at the beginning of the year	1,174,368	4,517,743
Cash & Cash Equivalents at the end of the year	308,960	1,174,368



UNIVERSAL SERVICE FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

1. ACCOUNTING POLICIES

1.1 Presentation of annual financial statements

The principal accounting policies of the Universal Service Fund, which are set out below, have been consistently followed in all material respects and comply with International Financial Reporting Standards (IFRS) and the Communications Act No.4 of 2012. The financial statements are prepared on a going concern basis. The financial statements have been prepared on the historical cost basis except for financial assets, which are stated at fair values and incorporate the following principal accounting policies, set out below:

The preparation of financial statements in accordance with IFRS requires the use of certain accounting estimates and assumptions.

1.2 Adoption of new and revised standards

The Universal Service Fund has adhered to the following revised standards during the year and comparative figures have been restated where applicable. However adherence to these standards did not have any effect on the funds and reserves as at 31 March 2017.

IAS 1	Presentation of financial statements
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 16	Property, plant and equipment
IAS 24	Related party disclosures
IAS 37	Provisions, contingent liabilities and contingent assets
IAS 39	Financial instruments: Recognition, measurement
IFRS 7	Financial instruments – disclosures

1.3 Significant judgements

In preparation of financial statements, management is required to make estimates and assumptions that affect the amounts presented in the financial statements and related disclosures. It also requires management to exercise its judgement in applying the Universal Service Fund's accounting policies. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results in future could differ from these estimates.

Provision for impairment of receivables

A provision for impairment of trade receivables is established when there is objective evidence that the Fund will not be able to recover all amounts due according to the rules of the Universal Service Fund which are translated into terms of receivables. The calculation of the provision amount for impairment of receivables requires the use of estimates and judgements.

Contingent liabilities

Management applies its judgement to the facts it receives from advisors and third parties in assessing if an obligation is probable, more likely or remote. Judgement is used to determine if the obligation is recognized as a liability or disclosed as a contingent liability.

1.4 Recognition of assets and liabilities

Assets are recognized if it is probable that future economic benefits associated with the asset will flow to the Universal Service Fund and the cost or fair value can be measured reliably.

Liability are only recognized if it is probable that future economic benefits associated with the liability will flow from the Universal Service Fund and the cost or fair value can be measured reliably.

1.5 Derecognition of assets and liabilities

Financial assets are de-recognised when the contractual rights to receive the cash flows have been transferred or have expired or when substantially all the risks and rewards of ownership have passed.

All other assets are de-recognised on disposal or when no future economic benefits are expected from their use.

Financial liabilities are de-recognized when the relevant obligation has either been discharged, cancelled or has expired.

1.6 Property, Plant and Equipment

Property, plant and equipment are stated at cost/valuation less accumulated depreciation and adjustment for any impairment losses where applicable. Depreciation is calculated on straight – line basis from the time the property, plant and equipment are available for use, so as to write off their cost over their expected useful lives, taking into account their residual values. The following annual rates are used:

Item	Average useful life
Computer Equipment	3 years
Motor Vehicles	4 years

Consumable items are written off in the period of purchase.

Repairs and maintenance are charged to the income statement in the period in which they are incurred.

1.7 Impairment of Assets

The Universal Service Fund assesses at each financial year end as to whether there is any indication that an asset may be impaired. If such an indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. An impairment loss is recognized in the income statement immediately.

1.8 Foreign Currency Translation

Transactions in foreign currencies are translated to Maloti at the foreign exchange rate ruling at the date of the transaction. All exchange gains and losses arising on translation are dealt with in the income statement.



UNIVERSAL SERVICE FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

1.9 Financial Instruments

Initial recognition and measurement

Initial measurement of financial instruments is at cost, which includes transaction costs. Subsequent measurement of the different classes of financial instruments is dealt with below.

Financial Assets

The principal financial assets are cash and bank balances, trade and other receivables. These assets are originated by the enterprise and are accounted for at trade date.

Financial Liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into. The principal financial liabilities are trade and other payables.

1.10 Trade and other receivables

Trade and other receivables originated by the enterprise are stated at fair value of consideration receivable less impairment for trade receivables if any. A provision for impairment of trade receivables is established when there is objective evidence that the Universal Service Fund will not be able to recover all amounts due according to the rules of the Universal Service Fund which are translated into terms of receivables.

1.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at hourly call with the banks. Cash and cash equivalents are measured at fair value.

1.12 Trade and other payables

Trade and other payables are stated at their fair values.

1.13 Employee Benefits

Terminal gratuities are provided for contract employees as per the terms of their respective employment contracts.

1.14 Taxation

No provision for taxation is required as the Universal Service Fund is exempt from taxation.

UNIVERSAL SERVICE FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

1.15 Provisions

Provisions are recognized when the Universal Service Fund has a present legal or constructive obligation as a result of past events, when it is probable that outflow of resources embodying economic benefits will be required to settle the obligation, and reliable estimate of the amount of the obligation can be made.

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for estimated leave liability according to the personnel rules of the Universal Service Fund.

1.16 Revenue Recognition

Revenue

Revenue comprises contributions from network operators which represents 1% of their net operating incomes and the Authority which represents 25% of its annual surplus.

Interest income

Interest is recognized on a time proportion basis taking into account the effective yield on the financial asset.

Borrowing costs

Borrowing costs are dealt with in the income statement in the period in which they are incurred.

1.17 Comparative Figures

Figures for the previous year have been regrouped and stated wherever necessary to conform to the current year's presentation.

	31.03.17 Maloti	31.03.16 Maloti
2. Fund Contributions		
Annual contributions	16,536,506	14,852,198
	16,536,506	14,852,198



UNIVERSAL SERVICE FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

	31.03.17 Maloti	31.03.16 Maloti
3. Fund Disbursements		
These are monies paid to the network operators for constructing Base Transceiver Stations (BTS).		
Ha Bati	-	2,276,818
Kubung	-	2,621,801
Moremoholo	-	2,323,614
Ngoajane	-	1,844,439
Mosalemane	-	1,642,759
Senqu Valley	-	2,194,263
Maletsunyane	-	2,144,263
Moseneke	-	2,964,263
Malumeng Spectrum	-	33,967
E-Learning for schools Project	2,272,414	439,566
Sehonghong Valley	1,851,095	-
Bokong Ha Setala	1,851,095	-
Broadband study	1,643,627	-
LIXP	135,956	-
Spectrum for ETL & VCL	515,630	-
Sehonghong – Material costs	993,609	-
Bokong ha Setala – Material costs	993,609	-
Plant design and installation (Makoetje & Tšilo)	1,678,222	-
	11,935,256	18,485,753
4. Staff Costs		
Salaries	747,189	704,029
Allowances	288,652	274,070
Pension	39,694	37,689
Medical Aid	24,309	23,306
Gratuity	164,297	156,748
Staff Cellphone Airtime	32,800	18,600
	1,296,941	1,214,442

UNIVERSAL SERVICE FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

	31.03.17 Maloti	31.03.16 Maloti	
5. Other Administrative Costs			
Bank Charges	19,272	3,628	
Insurance	15,104	16,753	
Other Expenses	222,295	263,491	
Fuel	11,522	13,575	
Car Running	7,554	-	
Travel & Accommodation	409,587	126,359	
Business Entertainment	-	46,693	
	685,334	470,499	
6. Property, Plant & Equipment			
	Motor Vehicles	Computer Equipment	Total
Balance at 31.03.16	441,763	21,476	463,239
Additions	-	37,459	37,459
Balance at 31.03.17	441,763	58,935	500,698
Accumulated Depreciation			
Balance at 31.03.16	154,617	17,889	172,506
Disposals	-	-	-
Charge for the year	121,485	3,587	125,072
Balance at 31.03.17	276,102	21,476	297,578
Net Carrying Values			
Balance at 31.03.16	287,146	3,587	290,733
Balance at 31.03.17	165,661	37,459	203,120



UNIVERSAL SERVICE FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

	31.03.17 Maloti	31.03.16 Maloti
7. Trade and Other Receivables		
Trade Receivables	30,028,727	23,374,923
Sundry Deposits	1,500	1,500
	30,030,227	23,376,423
8. Cash and cash equivalents		
Nedbank Current Account	23,932	7,101
Nedbank 24hr Call Account	285,028	1,167,267
	308,960	1,174,368
9. Prior year adjustments		
LCA Credit note	-	1,232,212
VAT charged by ETL in FY15	-	(182,347)
	-	1,049,865
10. Trade and Other Payables		
Trade Payables	3,048,874	3,611,781
Other Payables	13,146,143	8,584,319
Retention	2,643,003	3,381,503
	18,838,020	15,577,603

Retention represents an amount retained from network operator's payments. The amount retained will be paid after one year of commissioning the Base Transceiver Station (BTS).

11. Contingent Liabilities

The USF is contingently liable to the Lesotho Revenue Authority (LRA) with respect to the Value Added Tax amounting to M 10,896,757.33.

12. Financial risk management

Exposure to credit, interest rate risk and currency risk arises in the normal course of the Universal Service Fund's business.

Foreign currency risk

In the normal course of business, the Universal Service Fund enters into transactions denominated in foreign currency. As a result, the Fund is subjected to exposure to fluctuation in foreign currency. However, there are no foreign currency assets or liabilities outstanding at the year end.

Interest rate risk

The Universal Service Fund 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 minimizing risks.

Credit Risk

The financial assets of the Universal Service Fund that are subject to credit risk consist mainly of cash resources, receivables and investments. The cash resources and investments are placed with reputable financial institutions. Where appropriate, adequate provisions for impairment of receivables are made.

Fair values

The fair values of most financial instruments are substantially identical to carrying values reflected in the balance sheet.

Contact details:

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