

Corporate Profile

The Competition Authority is constituted in terms of Section 4 of the Competition Act, No. 17 of 2009 and is domiciled in the Republic of Botswana. The main purpose of the Authority is prevention of, and redress for anti-competitive practices in the economy.

CHAIRMAN OF THE COMPETITION COMMISSION

Dr. Zein Kebonang

SECRETARY TO THE COMPETITION COMMISSION

Thulasoni G. Kaira
Chief Executive Officer of the Competition Authority and
Secretary to the Commission

REGISTERED OFFICE

Fairgrounds
Plot 50664
Ground Floor
Gaborone

BANKERS

Barclays Bank of Botswana

Barclays House
P.O. Box 478
Gaborone

Standard Chartered Bank Botswana Limited

Mall Branch
P.O. Box 469
Gaborone

AUDITORS

Ernst & Young

Firm of Chartered Accountants
2nd Floor, Plot 22, Khama Crescent
P.O. Box 41015
Gaborone

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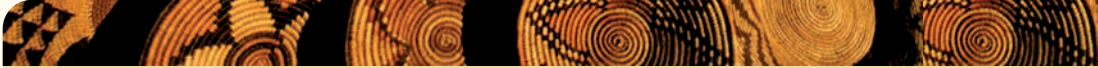
Website: www.competitionauthority.co.bw

Facebook: Competition Authority Botswana

Twitter: Competition Bots

REPORTING DATE

31 March 2012



"Competition means activity arising from the operations of two or more entities offering products and services in a manner that is consistent with acceptable competitive business behaviour and conduct, disabuse of dominant power in the market place, and fair business practices."

Glossary of Terms

Act means the Competition Act, 2009;

Authority means the Competition Authority;

CGU means Cash Generating Unit;

Chief Executive Officer or **CEO** means the Chief Executive Officer of the Competition Authority, or as otherwise specified;

Commission or **Board** means the Competition Commission;

Committee unless otherwise specified refers to a Committee of the Competition Commission;

Competition means activity arising from the operations of two or more entities offering products and services in a manner that is consistent with acceptable competitive business behaviour and conduct, disabuse of dominant power in the market place, and fair business practices;

Court means the High Court of Botswana;

Dominant position means a situation in which one or more enterprises possess such economic strength in a market as to allow the enterprise or enterprises to adjust prices or output without effective constraint from competitors or potential competitors;

Enterprise means a person or group of persons, whether or not incorporated, that carries on a business for gain or reward in the production, supply or distribution of goods or the provision of any service;

Government means the Government of the Republic of Botswana;

Horizontal agreement means an agreement between enterprises each of which operates, for the purpose of the agreement, in the same market and would therefore normally be actual or potential competitors in that market;

IAS means International Accounting Standards;

IASB means International Accounting Standards Board;

IFRIC means International Financial Reporting Interpretation Committee;

IFRS means International Financial Reporting Standards;

Member means a member of the Competition Commission;

Merger means acquisition, takeover, amalgamation of assets, shares between independent enterprises;

Minister means Minister of Trade and Industry of Botswana;

Ministry means the Ministry of Trade and Industry of Botswana;

OCI means Other Comprehensive Income;

Relevant market means the geographical or product market to be used for the purpose of assessing the effects of a practice, conduct or agreement on competition;

Resale price maintenance means an agreement between a supplier and a dealer with the object or effect of directly or indirectly establishing a fixed or minimum price or price level to be observed by the dealer when reselling a product or service to the dealer's customers;

Secretary means the Secretary to the Competition Commission;

Services includes the carrying out and performance of any engagement, whether professional or not, for gain or reward, other than the supply of goods;

SIC means Standards Interpretations Committee; and

Vertical agreement means an agreement between enterprises each of which operates, for the purposes of the agreement, at a different level of the production chain and relates to the conditions under which the parties may purchase, sell or resell certain goods or services.



*"We commit to individually
and collectively achieve our
common goals through
timely information sharing
and mutual support".*

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Mission Statement

MISSION

"To promote and maintain fair competition in the economy"

VISION

"To secure prosperity through fair markets"

VALUES

Transparency

We commit to be open and inclusive in our interaction with the public, business and other stakeholders

Professionalism

We shall be accountable, responsive and efficient in carrying out our mandate

Integrity

We shall be honest, respectful, tolerant and uphold the highest ethical standards at all times

Team Work

We commit to individually and collectively achieve our common goals through timely information sharing and mutual support



Corporate Governance Structure

Members of the Competition Commission

The Competition Commission

The Governing body of the Competition Authority is the Competition Commission, which is responsible for the direction of the affairs of the Authority. The Commission has both Corporate Governance and Adjudicative functions under the Competition Act of 2009.

Board Charter

There is a Board Charter which states the obligations of the Commission to ensure that there are appropriate accountability and control systems in place, as well as adherence to proper reporting mechanisms and the applicable laws.

Member	Date of Appointment	Term of Appointment
Dr. Zein Kebonang - Chairman	June 1, 2010	5 years
Mr. Gaylard Kombani - Vice Chairman	June 1, 2010	3 years
Ms. Tiny M. Kgatlwane	June 1, 2010	4 years
Mr. Tendekani E. Malebeswa	June 1, 2010	5 years
Mr. Boniface G. Mphetlhe	November 1, 2011	4 years
Dr. Jay S. Salkin	June 1, 2010	4 years
Mr. Wankie B. Wankie	June 1, 2010	3 years

Membership and Responsibilities of the Competition Commission Committees

Committees	Members	Responsibilities
Finance and Audit Committee	Mr. Wankie B. Wankie - Chairman Dr. Jay S. Salkin Mr. Gaylard Kombani	The Committee looks at the finance and audit related inputs and outputs of the Authority and reviews the financial statements before they are submitted to the Commission.
Human Resource Committee	Ms. Tiny M. Kgatlwane - Chairperson Dr. Jay S. Salkin Dr. Zein Kebonang	The Committee looks at human resource issues, including terms and conditions of service and related policies, before they are submitted to the Commission.
Technical Committee	Mr. Tendekani E. Malebeswa - Chairman Mr. Gaylard Kombani Mr. Wankie B. Wankie	The Committee looks at technical issues before they are forwarded to the Commission.
Commission Tender Committee	Mr. Wankie B. Wankie - Chairman Dr. Jay S. Salkin Mr. Gaylard Kombani	The Committee reviews and monitors policy and thresholds for tendering, and reports to the Commission.

The Competition Commission



Dr. Zein Kebonang
Chairman



Mr. Gaylard Kombani
Vice Chairman



Ms. Tiny M. Kgatlwane
Member



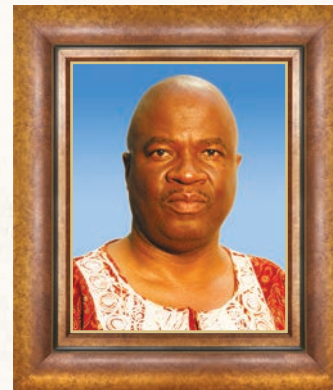
Mr. Tendekani E. Malebeswa
Member



Mr. Boniface G. Mphethe
Member



Dr. Jay S. Salkin
Member



Mr. Wankie B. Wankie
Member



Mr. Thula Kaira
CEO and Secretary to the Commission



Chairman's Statement



Dr. Zein Kebonang
Chairman

"While the Commission has continued to provide corporate governance oversight and guidance to the Authority, the Commission is aware that the Authority has to be operationally independent and ensure that there is no undue interference from the Commission".

Chief Executive Officer's Statement



Thula Kaira
CEO and Secretary to
the Commission

I am honoured to submit this first Annual Report for the Competition Authority, detailing the achievements made in the first year of its operations, 2011/12. The successful establishment and commencement of the operations of the Competition Authority would not have been possible without the support of the Government of Botswana through the Ministry of Trade and Industry, as well as from the Competition Commission, which is the governing body of the Authority.

We started off with four offices on the ground floor of the Botswana Bureau of Standards where we prioritised the recruitment process and finding suitable and larger office space upon my recruitment.

The recruitment process progressed smoothly, although we had to deal firstly with 700 applicants for seven positions that were initially advertised. It was a daunting task for my office to choose seven suitable people from 700 highly qualified applicants. Painstakingly, we did manage to identify the candidates, mostly heads of department. We advertised later for 23 positions and we got over 7000 applications.

It was evident that the field of anti-trust or competition law had attracted great interest from both experienced professionals and new graduates from the universities. With such a high number of distinguished applicants, the recruitment process was in the limelight as applicants got impatient when they did not get feedback about their fate. Evidently, it was not possible to contact individually such a high number of people. We eventually managed to identify the candidates.

From the onset, we embarked on an elaborate in-house training programme where the competition philosophy was drilled into the staff, along with what was to be expected of them.

Botswana and Batswana expect a lot from us and there

is nothing but our best to be expected. While it is agreed that competition law is new in Botswana, we have strived in the first year to begin on a positive note and to guard against complacency and mediocrity. During the time, a Strategic Plan to be implemented from 2012 to 2016 was drafted and aligned to the 10th National Development Plan and Vision 2016. Elaborate activities were included, with the following principles:

MISSION: To promote and maintain fair competition in the economy

VISION: To secure prosperity through fair markets

VALUES: Transparency, Professionalism, Integrity and Team Work

In terms of challenges, desirable and sustainable levels of staff training remains a key challenge that we are optimistic we will deal with in the coming year. This includes the Commission Members as well. Secondly, the Authority's work (i.e., its investigations) were not contested in the year under review before the Commission and/or the High Court. Until this happens, it would be difficult to gauge whether we are properly applying the competition rules and principles in our investigation and assessment processes.

We shall continue to inculcate into the newly recruited staff the values of competition policy and the benefits of those values in society. We are optimistic that we have recruited trainable and result-oriented staff who will excel beyond the achievable targets in our strategic plan.

We have set for ourselves clear strategic objectives and strategies to ensure that the Competition Authority does not become a talking-shop in Botswana, but rather a result-oriented business facilitator that contributes to the

country's overall developmental objectives.

I am happy to echo the Chairman's statement that the Authority shall maintain its investigative independence from the Commission and any other external influence. The Authority assures the business community of the highest levels of transparency, accountability and due processes in all our dealings. As a matter of fact, we have handled a number of cases as at the close of the financial year on 31 March, 2012. The Authority had engaged with the various stakeholders in a professional manner and made determinations on mergers within the time periods stipulated in the law.

In terms of finance, the Authority received a total of P19.9 million (US\$2.7 million) in this financial year, of which about P18.3 million (US\$2.5 million) was used. The bulk of the funds were utilised in office refurbishment, acquiring office furniture and equipment, and staff related costs. We remain grateful to the Government for the provision of resources.

With the commencement of the enforcement of the Competition Act in October 2011, the Authority received a total of 37 cases against a target of 25 cases as shown in the table below:

Table 1

SECTION OF THE ACT	CASES RECEIVED	TARGET	CASES CLOSED	CASES CARRIED FORWARD TO NEXT YEAR
SECTION 25 (Cartels)	4	5	1	3
SECTION 26 (Resale Price Maintenance)	0	2	0	0
SECTION 27 (General Prohibitions)	3	3	2	1
SECTION 30 (Abuse of Dominance)	11	10	4	7
SECTION 50 (Mergers)	19	5	11	8
TOTALS	37	25	18	19

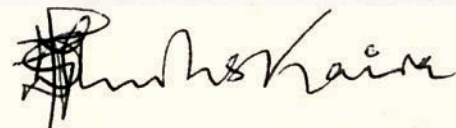
Of the 37 cases, mergers accounted for 51% of the cases, of which 11 were assessed and closed as at 31 March, 2012. Overall, 18 cases were closed and 19 carried forward to the next year. Noting that the enforcement period was a 5-month span between October 2011 and March 2012, that was a remarkable achievement reflecting a desirable and admirable enthusiasm from the new staff who worked on the cases.

I wish to emphasise that the Competition Authority is run by men and women who can only work better with political and public support. On behalf of the hardworking Competition Authority Team, I wish to promise the Government, members of the Commission and the public that we have committed ourselves to be transparent, professional and operate with the requisite integrity expected of a public service institution. We promise you all that we will produce results and not reports only.

With my team-mates at the Authority, we do look forward to being considered relevant in the development process of the country by making a positive difference in the industrial and economic fortunes of Botswana. I am confident that we shall do this through our strategic plan, as well as ensuring that where there is a conflict with the overriding national developmental goals, we will align our processes accordingly and/or advise Government on progressive courses of action.

May the Lord who sustains us and provides the grace for our success bless us all!

Pula!



Thula Kaira - CEO and Secretary to the Commission

"I am happy to echo the Chairman's statement that the Authority shall maintain its investigative independence from the Commission and any other external influence."



Executive Management



Mr. Thula Kaira
CEO and Secretary to the
Commission



Mr. Duncan T. Morotsi
Director - *Legal and Enforcement*



Dr. Mokubung Mokubung
Director - *Competition and
Research Analysis*



Ms. Magdeline Gabaraane
Director - *Mergers and
Monopolies*



Ms. Tebelelo Pule
Director - *Corporate Services*



Mr. Gideon Nkala
Director - *Communications
and Advocacy*

Managers



Ms. Bonyana Ndubiwa
Manager - Policy Coordination
and International Liaison



Mr. Ernest Bagopi
Manager - Competition and
Research Analysis



Ms. Tapiwa Masie
Manager - Legal and
Enforcement



Ms. Gladys Ramadi
Manager - Communications
and Advocacy



Mr. Innocent Molalapata
Manager - Mergers and
Monopolies



Ms. Martha Seipato
Manager - Finance



Ms. Tshepo Wadipeba
Manager - Human Resources



Mergers and Monopolies

"Mergers have an immediate effect on the structure of the market, and prohibiting potentially damaging mergers is an effective way to prevent the creation of market power".



From left to right: Ms. Magdeline Gabaraane, Mr. Ridwell Moremi, Ms. Pono Semane, Mr. Otsile Modukanele and Mr. Innocent Molalapata

The Competition Authority's mandate with respect to the regulation of Mergers and Acquisitions is to administer the provisions of Part X of the Competition Act, through investigating and analysing mergers with the view to authorising (with or without conditions), or prohibiting the notified mergers.

For the purposes of the Botswana Competition Act, a merger occurs when one or more enterprises directly or indirectly acquires or establishes direct or indirect control over the whole or part of the business of another enterprise. Section 52(2) of the Competition Act guides on the various forms within which the acquisition or control over the whole or part of another enterprise may be effected.

From an economic point of view, mergers have an immediate effect on the structure of the market, and prohibiting potentially damaging mergers is an effective way to prevent the creation of market power. Therefore, in assessing a proposed merger, the Competition Authority first determines whether the merger would be likely to prevent or substantially lessen competition or would be likely to result in any enterprise, including an enterprise which is not involved as a party in the proposed merger, acquiring a dominant position in a market. Furthermore, the Authority may consider any factor which bears upon the broader public interest in a proposed merger.

The key steps involved in the mergers and acquisitions control process are as follows and further outlined in the diagram below:

Step 1: Notification of mergers and acquisitions is as per Section 54 of the Competition Act of Botswana, with respect to the thresholds applicable for merger control. Pursuant to Regulation

16(2), the merger notice shall be accompanied by a merger fee of 0.01 percent of the merging enterprises' combined turnover or assets in Botswana, whichever is higher. The Authority received about P1 million in merger notification filing fees for the period November 2011 to March 2012.

Step 2: Assessment of mergers and acquisitions in line with Section 59(1) of the Act provides the basis upon which the Competition Authority will assess the notified mergers and acquisitions. Once a merger is notified, the Authority investigates the proposed transaction through engaging key stakeholders, such as the parties to the transaction, customers, competitors, consumer associations, industry representative bodies and interested third parties, amongst others.

Step 3: Determination of mergers and acquisitions provides the manner in which the Authority may make a decision in relation to a notified merger and acquisition.

Mergers and Monopolies Control Process



Mergers and Acquisitions Assessed in 2011/12

During the period from November 2011, when the first merger was notified, to March 2012, the Competition Authority dealt with the following mergers and acquisitions:

Table 2

CASE NO	PARTIES	SYNOPSIS OF THE CASE	DECISION
MER/001/2011	MMC UK Group Limited [MMC] and Alexander Forbes Risk Services Botswana [AFRS] (Pty) Ltd	<p>On November 14, 2011, the Competition Authority received a notification for the proposed acquisition of majority interest in the issued share capital of AFRS by MMC. MMC operates in Botswana through Marsh Botswana (MB), which was incorporated in Botswana in 1983 as a broker in the short-term insurance services market, while AFRS was registered to operate in Botswana in 1995 as a service provider in a similar market. According to the analysis, there was a product overlap between the services offered by MB and AFRS in the form of short-term insurance brokerage services. The acquisition of AFRS by MMC entailed a change in the market structure, as ownership and control of AFRS short-term insurance broking was to be taken over by MMC. The proposed transaction was expected to reduce the number of competing firms in the relevant market, but was not likely to distort competition, as together they were expected to have a combined market share which was lower than that of the largest player in the relevant market.</p>	<p>The merger between MMC and AFRS was approved subject to the parties taking cognisance of the high unemployment rate in Botswana and making every endeavour to ensure that the merger would not lead to substantial loss of employment by workers in either firm.</p>
MER/002/2011	Government Employees Pension Fund (GEPF) and AfriSam Consortium (Pty) Ltd [ASC]	<p>On December 5, 2011, the Competition Authority received a notification for the proposed acquisition of more than 99% of the issued share capital in ASC by the GEPF. GEPF was incorporated in the Republic of South Africa as a pension fund. GEPF was not active in Botswana, however the entities in which GEPF had an interest in such as Pretoria Portland Cement Company Limited (PPC) and Murray and Roberts operated in Botswana as competitors to ASC and AfriSam Botswana (ASB). The parties had reported that the interest in PPC and the other entities operating in Botswana did not entitle GEPF to any special rights and further submitted that the investment was passive in nature. AfriSam Consortium on the other hand, was incorporated in the RSA in May 2007, and was active in Botswana through both direct sales of cement from RSA, as well as through ASB which supplied ready-mix concrete products in Gaborone.</p> <p>According to the analysis, there was no product or service overlap in the proposed transaction, in that GEPF did not produce any product in, into or from Botswana which could be considered by buyers as reasonably interchangeable with, or a substitute for any products or services provided by ASB. Furthermore, there was no likelihood that the proposed transaction would result in substantial competition concerns.</p>	<p>The merger was approved with a condition that AfriSam commits not to engage in any conduct/activity that was tantamount to abusing its dominant market position, since it was classified as a dominant firm under the Competition Act of Botswana. In addition, AfriSam Botswana would not engage in cartel conduct which could include, but not be limited to price-fixing, market allocation and bid-rigging and any concerted practices in any product market in Botswana.</p>

CASE NO	PARTIES	SYNOPSIS OF THE CASE	DECISION
MER/003/2011	G4S (Botswana) Limited, Trojan Security Services and Facilities Management Group (Shield Security, PS Cleaning and Facilities Management Business)	<p>On November 28, 2011, the Competition Authority received a notification for the proposed merger between G4S and Trojan Security Services (TSS) [Hotline Security Services (Pty) Ltd and Cyber Space Age (Pty) Ltd], as well as the proposed merger between G4S (Botswana) Limited and Facilities Management Group (FMG).</p> <p>The merger was proposed to be in a form where G4S (Botswana) was acquiring a complete control and ownership over TSS as well as FMG, which includes Shield Security being one of the subsidiaries of FMG.</p> <p>G4S (Botswana) was incorporated in Botswana in 1978, owned 70% by G4S 105 (UK) and 30% by Batswana. G4S (Botswana) provides security services and intellectual property such as alarm systems. TSS was incorporated in Botswana in 1994 as a service provider in the security industry. TSS was not a trading company, but merely held certain intellectual property and client contracts used by Cyber Space Age and Hotline Security Services. The FMG was incorporated in Botswana in 1991 as a service provider in the security, cleaning and facilities management industries.</p> <p>According to the analysis, there was a product overlap between the services offered by G4S (Botswana), TSS and FMG (Shield Security) in the form of security services in that the acquisition of TSS and The FMG by G4S (Botswana) entailed a change in the market structure, as ownership and control of both TSS and FMG was to be taken over by G4S (Botswana). This was expected to reduce the number of competing firms, particularly in the relevant market. The merging of G4S (Botswana) and its target enterprises was likely to distort competition, as together they would have had a combined market share of 40% (considerably higher than the dominance threshold, which raised potential abuse of dominance concerns). Furthermore, G4S, TSS and Shield Security were reported to be amongst the top four security companies registered in Botswana.</p> <p>Based on the above considerations, and other characteristics of the market, the proposed transaction was seen as likely to result in a substantial lessening of competition, though not likely to endanger the continuity of the service.</p>	The Authority did not approve the merger between G4S, Trojan and Shield Security Botswana, but approved the merger of G4S with PS Cleaning and FMG (that is the facilities management business).

CASE NO	PARTIES	SYNOPSIS OF THE CASE	DECISION
MER/003/2011	G4S (Botswana) Limited and Shield Security Botswana	On March 12, 2012, the Competition Authority received a re-submission by G4S (Botswana) Limited to takeover FMG (Shield Security Botswana) only. The re-submission followed the decision taken by the Competition Authority on 9 th February to reject the takeover by G4S (Botswana) Limited of Trojan and Shield Security Botswana.	The decision was to be made by April 10, 2012.
MER/004/2011	PSG Financial Services (PSG) and CA Sales	<p>On December 14, 2011, the Competition Authority received a notification for the proposed acquisition of shares in CA Sales and Distribution (Pty) Ltd and CA Merchandising (Pty) Ltd, collectively known as CA Sales by PSG Subsidiary. PSG Subsidiary was reported to be owned and controlled by PSG Financial Services.</p> <p>PSG Financial Services was incorporated in terms of the laws of South Africa as a wholly owned subsidiary of PSG Group Limited. The PSG Subsidiary was acquired as a shelf company of PSG Financial Services Limited and PSG Subsidiary was also incorporated in terms of the laws of South Africa. CA Sales, on the other hand, was incorporated in terms of the laws of Botswana.</p> <p>According to the analysis, there was no product or service overlap for the assessed transaction as it was deemed a conglomerate merger. PSG Financial Services did not produce any product in, into or from Botswana which could be considered by buyers as reasonably interchangeable with, or a substitute for any products or services provided by CA Sales Botswana. There was, therefore, no overlap in the activities of the merging parties in Botswana. Accordingly, the transaction was not expected to substantially lessen or prevent competition in Botswana.</p> <p>CA Sales was, however, considered to be a dominant market player in view of its market share which was in excess of the dominance threshold of 25%. Notwithstanding the market share, CA Sales was reckoned to exercise market power through its sole distributorship of key brands, which included Unilever, Tiger Brands, Distell Botswana, Colgate Palmolive and GlaxoSmithKline.</p>	<p><i>The merger was approved with conditions that:</i></p> <ul style="list-style-type: none"> ■ CA Sales would not engage in any practice in the market with a potential effect of abusing its market power. ■ CA Sales would not be expected to enter into any horizontal or collusive agreements without prior notification to the Competition Authority. ■ Any horizontal agreements and other conduct that may have existed with competitors in the market would thus be notified and/or discontinued forthwith. In the event the Authority discovered there were any in existence, such would be dealt with in accordance with Part VII of the Competition Act of Botswana.

CASE NO	PARTIES	SYNOPSIS OF THE CASE	DECISION
MER/005/2011	Defy Botswana and Defy South Africa (Defy SA)	<p>On December 15, 2011, the Competition Authority received a notification for the proposed acquisition of total control by Defy SA over Defy Botswana. Defy SA was incorporated in the Republic of South Africa, while Defy Botswana was registered to operate in Botswana. Defy SA was reported to be Southern Africa's largest manufacturer and distributor of major domestic appliances. The company marketed its products under the Defy and Ocean brand names. Defy offered the consumer a full range of kitchen and laundry appliances and also participated in the room air conditioner market. Defy Botswana, on the other hand, was reported to be in the business of distributing imported appliances in Botswana.</p> <p>Though in the same line of business, there was no overlap between the activities of the merging parties in Botswana. Accordingly, the transaction was not expected to substantially lessen or prevent competition in Botswana. In addition, the acquisition was not expected to reduce the number of competing firms in the relevant Botswana market. Lastly, the proposed transaction was not likely to distort competition, as the market share of Defy Botswana was to remain unchanged at an estimated 40%, post implementation of the merger.</p> <p>The dominance that existed was not on account of the assessed merger, but was a consequence of the existing market structure. Though the pre-and-post-merger market shares of Defy Botswana were above the dominance threshold of 25%, the continued existence of competitive constraints that would remain in the relevant market were expected to ensure that rivalry would continue to discipline the commercial behaviour of Defy in Botswana. However, with a 40% market share, the potential for abuse of market power was high. The proposed acquisition did not in and of itself give rise to significant public interest concerns in Botswana by virtue of its implementation.</p>	<ul style="list-style-type: none"> ■ The merger was approved with a condition that Defy Botswana would not engage in any conduct/activity that was tantamount to abusing its dominant market position, since it was classified as a dominant firm under the Competition Act of Botswana. ■ The Authority was hopeful that, in future, the parties would consider identifying products within their value chain that could be manufactured or assembled in Botswana in order to assist in technological transfer and industrial growth in Botswana.

CASE NO	PARTIES	SYNOPSIS OF THE CASE	DECISION
MER/001/2012	Cottesloe Consultants (trading as Irvine's Botswana) and Bokomo Botswana	<p>On January 9, 2012, the Competition Authority received a notification for the proposed 50% acquisition of shares in Cottesloe by Bokomo Botswana. Bokomo was reported to be a private company incorporated in accordance with the laws of Botswana and in the business of milling, poultry and distribution into the Fast Moving Consumer Goods (FMCG) such as milling, sugar, cereal and eggs. Bokomo was a joint venture between P.F. Brink, a Botswana registered company, and Pioneer Foods of South Africa.</p> <p>Cottesloe (target enterprise) was also said to be a private company incorporated in accordance with the laws of Botswana. The target enterprise was established in 2002 in order to produce Cobb day old chicks. In 2006, the target enterprise started developing the breeder farm which produced Cobb hatching eggs for the hatchery. The operations of the target enterprise were based in Francistown where the target enterprise managed the production of day old chicks from the hatchery and the distribution of those chicks throughout the country. It further managed the production of hatching eggs at its breeder farm.</p> <p>According to the analysis, there was no product overlap between the services offered by Bokomo Botswana and Irvine's Botswana in the form of day old chicks business, the enterprises were instead vertically integrated. The post-merger market share of the merging entities in their respective relevant market was expected to remain the same due to the absence of horizontal product overlaps.</p> <p>Based on the above considerations, and other characteristics of the market, the proposed transaction was not likely to either result in a substantial lessening of competition (in the sense of reducing the number of players), restriction on trade of the provision of the service nor endanger the continuity of supplies or service. That notwithstanding, the proposed merger could have the effect of preventing competition in the relevant market. Furthermore, the existence of a strong competitor in the hatchery business at 60% of the market share was expected to impose some competitive constraints on the merged entity. However, the fact that there were only two players in the hatchery business, one of which sought to strengthen its market position through vertical integration, raised competition concerns.</p>	<ul style="list-style-type: none"> ■ The merger between Cottesloe Consultants and Bokomo Botswana was approved. ■ In making its determination, the Competition Authority also took cognisance of the concerns of various stakeholders against any long-term and/or exclusive distribution agreements in the poultry industry in Botswana. The Authority noted Bokomo and Irvine's submission that the two did not have any exclusive supply arrangements in place upstream or downstream. <p>The Authority expected the parties to the merger to notify it for authorisation of any distribution agreements that they entered into with third parties upstream or downstream.</p>

CASE NO	PARTIES	SYNOPSIS OF THE CASE	DECISION
MER/003/2012	Anglo American and De Beers	<p>On January 23, 2012, the Competition Authority received a notification for the proposed merger between Anglo American and De Beers. The proposed transaction entailed CHL (representatives of the Oppenheimer family) agreeing to make an offer to sell its entire indirect 40% interest in De Beers to the other two shareholders of De Beers, namely, Government of Botswana and Anglo American. As such, the proposed transaction was expected to simply result in CHL and its affiliates disposing of their entire indirect shareholding and shareholder loans in De Beers and Anglo American increasing its shareholding in De Beers.¹</p> <p>Pursuant to the proposed transaction, Anglo American as the purchaser and acquiring enterprise would have 85%² control over De Beers. The proposed transaction was notified in Botswana as a result of De Beers' shareholding in Debswana Diamond Company (Debswana) and Diamond Trading Company Botswana (DTCB).</p> <p>De Beers was founded in Kimberely, South Africa in 1888 as a company responsible for the exploration, mining, processing, valuing and sale of rough diamonds. Consequently, in November 2000, De Beers SA was incorporated in Luxembourg as the holding company of De Beers Group, with three shareholders, namely CHL Limited (40%), Anglo American plc (45%) and Government of Republic of Botswana [GRB] (15%).</p> <p>Anglo American was incorporated in South Africa in 1917 and has 45% shareholding in De Beers Socièté Anonyme (De Beers SA). It was a mineral driven entity, which was active in mining a variety of minerals (such as platinum, diamonds, thermal coal, iron ore and manganese) through its subsidiaries and associates. Some of its subsidiaries included Anglo American Platinum and Anglo American Thermal Coal, where some of its associates included DTC Botswana, Debswana Diamond Company and DTC Namibia.</p> <p>According to the analysis, there was a product overlap between the services offered by Anglo American, and De Beers in the form of mining activities, which was not a result of competition, but rather shareholding. Thus, the acquisition of De Beers by Anglo American did not entail a change in the monopolistic market structure, as Anglo American already had 45% shareholding in De Beers and was acquiring additional shares from De Beers. This implied the merger was not expected to reduce the number of competing firms, particularly in the mining and sale of rough diamonds market, also considering that the market was an oligopoly. The acquisition of De Beers shares by Anglo American was not likely to distort competition, as their market share was not expected to increase as a result of the merger.</p>	<p>■ The merger was, therefore, approved due to the fact that the proposed transaction was not likely to result in the prevention or substantial lessening of competition or to endanger the continuity of suppliers or restrict trade in diamonds; and the post-merger market structure would remain the same of having a monopolistic player in the market for the mining and sale of diamonds.</p>

1 - If the Government of the Republic of Botswana (GRB) accepts CHL's pre-emption offer in full, pursuant to its rights as contemplated in the letter agreement and schedules, then (according to its pro rata entitlement) GRB's interest in De Beers would increase from 15% to 25% and Anglo American's interest in De Beers would increase to 75% (rather than 85%).

2 - The parties submitted that 85% was subject to the Government of the Republic of Botswana waiving their pre-emption right. However, should the Government of the Republic of Botswana use their pre-emption right, then Anglo American would have 75% shareholding and Government of the Republic of Botswana would have 25%.

CASE NO	PARTIES	SYNOPSIS OF THE CASE	DECISION
MER/004/2012	Easigas Botswana (Pty) Ltd and Puma Energy Botswana (LPG business) (Pty) Ltd	<p>On January 24, 2012, the Competition Authority received a notification for the proposed merger between Easigas Botswana (primary acquiring firm) and Puma Energy Botswana (LPG business) (Pty) Ltd (primary target firm).</p> <p>Easigas Botswana, a private company incorporated in accordance with the laws of Botswana, was previously a division of the multinational Royal Dutch Shell Group and, on December 31, 2010, was acquired by the Rubis Group (an entity which was incorporated in France). The Rubis Group was a Liquid Petroleum Gas (LPG) supplier with operations in several countries throughout the world, including South Africa, Botswana, Lesotho and Swaziland.</p> <p>Puma Energy Botswana, on the other hand, was also a private company incorporated in accordance with the laws of Botswana. In 2010, Puma Energy announced the acquisition of British Petroleum (BP) fuels and lubricants distribution business in five sub-Saharan countries, including Namibia and Botswana. BP's business included a specific division which distributes liquid petroleum gas in Namibia and Botswana. This LPG division accounted for a very small portion of the total operations acquired by Puma Energy in Namibia and Botswana. Other than the small LPG division in Namibia and Botswana, Puma Energy did not operate any LPG distribution business.</p> <p>As such, this LPG division was perceived as non-core, but formed part of the bigger transaction. While both Puma Energy and Easigas supplied LPG into Botswana, Puma Energy's presence in the LPG business in Botswana was largely through supply contracts with third party distributors. Puma's LPG division did not have any employees in Botswana.</p> <p>According to the analysis, there was a product overlap between the services offered by Easigas Botswana and Puma Energy Botswana, as they were both in the distribution of LPG in Botswana. The acquisition of Puma Energy Botswana by Easigas Botswana entailed a change in the market structure of LPG distribution. The transaction was, therefore, expected to reduce the number of competing firms in the LPG distribution in Botswana.</p>	<p><i>The merger was approved with the following conditions:</i></p> <ul style="list-style-type: none"> ■ The merged entity did not engage in any conduct or activity that was tantamount to abusing its dominant market position, since it was classified as a dominant firm as per Section 4(a) of the Competition Regulations; and ■ Further, the Authority appealed to the proposed merging entities that during their implementation of the merger and their future existence, they should take cognisance of the need to advance citizen empowerment initiatives or enhance the competitiveness of citizen-owned small and medium sized enterprises in their allocation of their business to distributors.

CASE NO	PARTIES	SYNOPSIS OF THE CASE	DECISION
		<p>The acquisition of Puma Energy Botswana by Easigas Botswana was not likely to distort competition, as together they were expected to have an estimated combined market share of 35%, as opposed to 46% held by the largest player in the LPG distribution business in Botswana. Easigas Botswana and Puma Energy Botswana (LPG business) at the time of the analysis were amongst the five largest LPG distributors registered in Botswana. Therefore, the presence of the other three players provided some form of deterrent for one single player to price uncompetitively, without losing customers. Based on the above considerations, and other characteristics of the market, the transaction was not likely to result in a substantial lessening of competition, or endanger the continuity of the service.</p>	
<p>MER/005/2012</p>	<p>TransUnion Netherlands II B.V (TU B.V) and Credit Reference Bureau (Holdings) Limited (CRBH).</p>	<p>On February 2, 2012, the Competition Authority received a notification for the proposed acquisition of 82.3% shares in Credit Reference Bureau (Holdings) Limited (CRBH) by TransUnion Netherlands II B.V (TU B.V).</p> <p>TU B.V was incorporated in accordance with the laws of the Netherlands and it conducted business in Botswana exclusively through its local subsidiary, TransUnion Botswana, in which it held 51% of the share capital. The other 49% of the shares was held by the Botswana Development Corporation (BDC). TransUnion was reported to be in the business of credit bureau and pre-collections services and related services.</p> <p>CRBH was incorporated in accordance with laws of Kenya. CRBH conducted business in Botswana exclusively through two local subsidiaries, namely Credit Reference Bureau Africa (Pty) Ltd (CRBA) and Collection Africa (Pty) Limited (CAL Botswana). CRBH was found to be in the business of Data Hosting and Debt Collection and related services.</p> <p>According to the analysis, there was no product overlap between the services offered by TU B.V II and CRBH in the form of credit bureau services, debt collection and related services, and data hosting services. The transaction was not expected to reduce the number of competitors as far as their service offerings were concerned, because the merging parties did not provide the same services or products. The merger was not likely to distort competition in the relevant market because the market shares were not expected to change post-merger.</p> <p>Based on the above considerations, and other characteristics of the market, the proposed transaction was not likely to either result in a substantial lessening of competition or endanger the continuity of the service. Furthermore, the post-merger market share credit bureau and pre-collections services was expected to remain at 80%, which was highly above the dominance threshold, and raised potential abuse of dominance concern, but no historical abuse of dominance had been recorded, and that was expected to continue post-merger.</p>	<p>■ The merger was approved with a condition that the merged entity did not engage in any conduct of abuse of dominance given the fact that the merged entity was considered a dominant firm under Section 2 of the Competition Act.</p>

CASE NO	PARTIES	SYNOPSIS OF THE CASE	DECISION
MER/007/2012	Transport Holdings Limited (THL) and Imperial Holdings (IH).	<p>On February 7, 2012, the Competition Authority received a notification for the proposed acquisition of 40% of the issued share capital in Transport Holdings Limited (THL) by Imperial Holdings (IH).</p> <p>IH was established in Johannesburg in 1948 as a motor dealer, and found to be a diversified industrial services and retail group, with activities in logistics, car rental, tourism, financial services, vehicle distribution and retail.</p> <p>THL was incorporated in Botswana in 1992 and was owned 40% by Imperial Holdings, 40% by CEDA Venture Capital Fund, 10% by Anthony John Lee and 10% by Todd Mangadi. THL was the holding company of all Imperial Logistics transport activities and operated within the Imperial Logistics Africa division. It was noted to be a service driven entity, which was active in the provision of fuel transportation, logistics consolidation and transport, general cross border transportation with extensive expertise in customs clearing and local distribution within Botswana.</p> <p>According to the analysis, there was no product overlap between the services offered by IH and THL in Botswana, except in the form of logistics activities. The transaction between the two parties did not entail a change in the market structure, as IH already had 40% shareholding in THL and was intending to acquire the 40% share capital offered by a fellow shareholder CEDA Venture Capital. This implied that the merger would not reduce the number of competing firms, particularly in the logistics industry, given that it was a share-buy-back.</p> <p>The merging of the two parties was not likely to distort competition, as the market share (in the logistics industry) was not expected to increase as a result of the merger. However, IH would increase its shareholding in THL from 40% to 80%. Nevertheless, due to the complementary nature of the services offered by the merging entities in the logistics and insurance industry, the merger could have resulted in a detriment to competition, if the tying of such services was done in a way that could result in other competitors exiting the market.</p> <p>Based on the above considerations, and other characteristics of the market, the proposed transaction was not likely to result in a substantial lessening of competition, though it could be detrimental to competition in the logistics market, through foreclosure. Furthermore, post-merger the entity would retain its market share, implying less likelihood for abuse of dominance.</p>	<ul style="list-style-type: none"> The merger was approved with a condition that the parties to the transaction would not engage in mandatory or compulsory tying or bundling of services in the logistics and insurance service markets without seeking authorisation from the Competition Authority.

CASE NO	PARTIES	SYNOPSIS OF THE CASE	DECISION
MER/008/2012	Johnson Crane Hire (Proprietary) Limited (JCH) and Gamlath Ralalage Kumara Senarathne (GRKS)	<p>On February 10, 2012, the Competition Authority received a notification for the proposed merger between Johnson Crane Hire (Proprietary) Limited (JCH) and Gamlath Ralalage Kumara Senarathne (GRKS). Upon the implementation of the proposed merger, GRKS would hold 100% of the entire issued share capital of JCH.</p> <p>JCH, the primary target enterprise, a private company incorporated in accordance with the laws of South Africa, was found to be in the business of hiring of mobile cranes and lifting equipment and related services. JCH conducted business in Botswana through its local subsidiary, JCH Botswana, and also through JCH itself, which from time to time serviced the Botswana market from South Africa by loaning mobile cranes to JCH Botswana and renting mobile cranes to customers in Botswana.</p> <p>According to the analysis, by the nature of the transaction being a buy-back of shares, there was a product overlap between the services offered by the parties to the transaction. The two parties were found to both be in the business of hiring moving cranes and lifting equipment and related services. However, this kind of transaction was not expected to bring about a change in the market structure of hiring of mobile cranes and lifting equipment and related services in Botswana. The transaction was also not expected to reduce the number of competing firms in this market in Botswana. Hence, transaction was not expected to distort competition in the Botswana market, as the market shares were not expected to change post-merger. The market share of JCH was expected to remain unchanged, post transaction implementation.</p> <p>Based on the above considerations, and other characteristics of the market, the proposed transaction was not likely to result in a substantial lessening of competition, or endanger the continuity of the service.</p>	<p>■ The merger was approved with a condition that the merged entity did not engage in any conduct of abuse of dominance, given the fact that the merged entity was considered a dominant firm pursuant to Section 2 of the Competition Act. These abusive conducts include, among others, tied selling, exclusive dealing, excessive pricing, discriminatory distribution and predatory pricing.</p>

Monopolies and Investigations into Abuse of Dominance Cases

The Authority is mandated to enforce Section 30 of the Competition Act which deals with abuse of dominant position, which entails activities to monitor, control and prohibit instances of abuse of market power. Market Dominance in and of itself is not an offence under the Act and can be acquired, inter alia, by:

- i. Statutory protection;
- ii. Mergers and acquisitions;
- iii. Generic growth, i.e., by distinctive competence or 'Competitive Advantage'; and
- iv. Anti-Competitive Advantage.

With respect to abuse of dominance cases, the Authority, in the period under review, issued notices of investigation in the medical industry, involving the Botswana Dental Association and four medical aid funds. A similar abuse of dominance complaint was received in the emergency medical service industry, which the Authority is investigating.

Based on the Department's target of Quarter 4 (January 2011 to March 2012) of 2011/12, the Department had projected to assess five merger cases. However, the Department has exceeded that target by completing the assessment of 11 merger cases, over the same period.

Summary of Cases

Table 3

Number of Cases Received in 2011/12	Number of Cases Completed in 2011/12	Number of Cases Carried Forward to 2012/13
Mergers and Acquisitions		
19	11	8
Abuse of Dominance Cases		
2	0	2

Figure 1. Summary of Cases

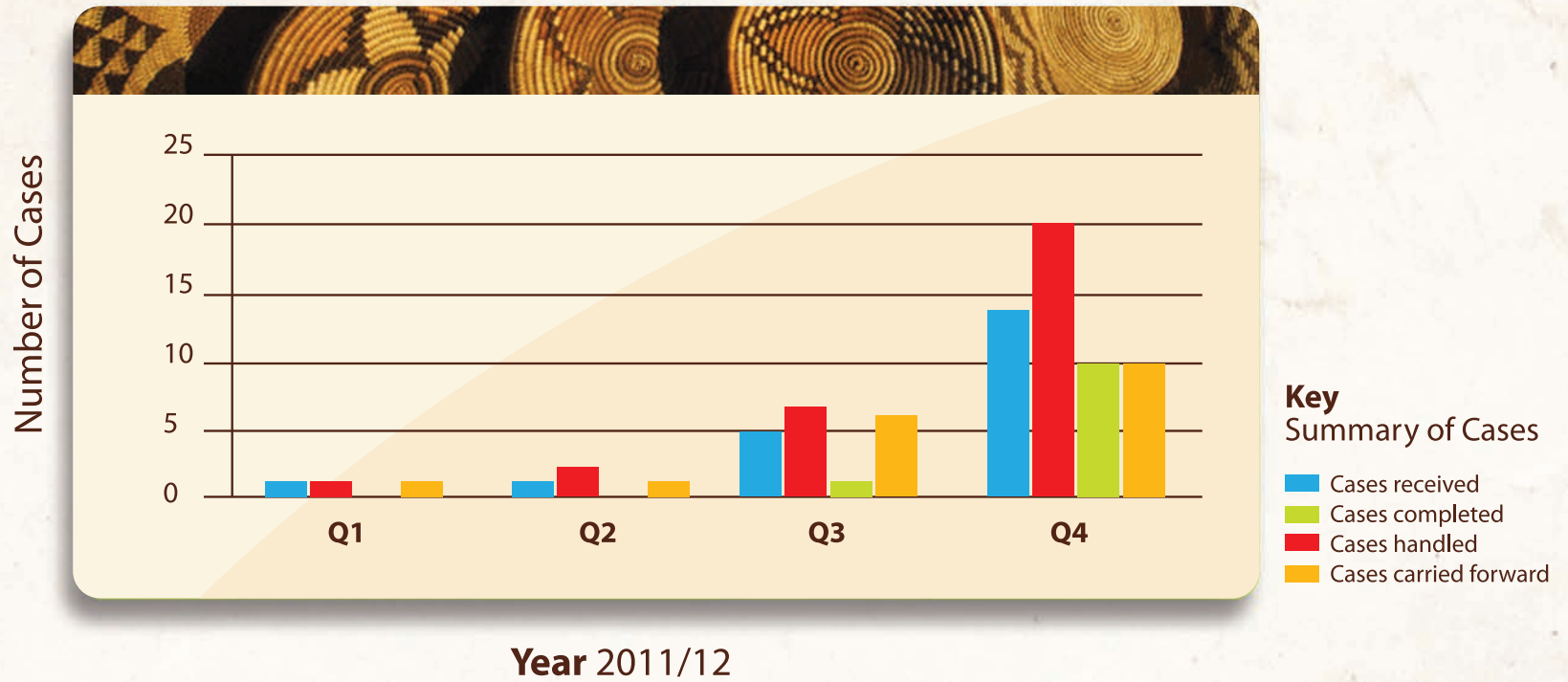
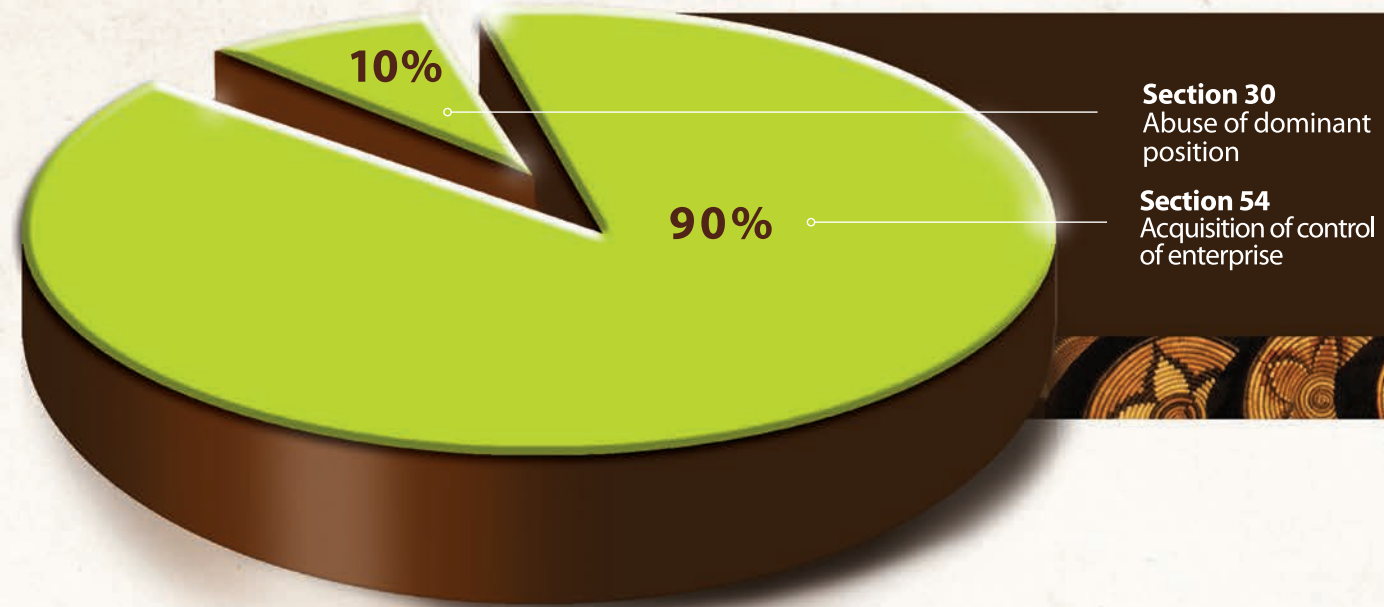


Figure 2. Sections Covered by Reported/Notified Cases



Competition and Research Analysis

*"The Department of
Competition and Research
Analysis may institute or
initiate a market inquiry as per
Section 49(1) of the
Competition Act of 2009".*





Standing from left: Mr. Ernest Bagopi, Ms. Goitseone Modungwa, Ms. Thabiso Mbongwe and Mr. Othusitse Oletile
Seated: Dr. Mokubung Mokubung

The Competition Authority may, through the Department of Competition and Research Analysis, carry out an investigation or market inquiry if it has reasonable grounds to suspect that there was restriction or distortion of competition. An investigation may be carried out after a complaint has been reported to the Authority by an individual or business, through telephone, electronic mail, in person or any other legal means of communication. After receipt of the complaint and after doing some preliminary investigation, the Authority will, within a reasonable time period, inform the complainant if further inquiry will be done, and this will be informed by findings and recommendations of the preliminary results.

The Process of Investigations

- i. The Competition Authority gives notice to the Complainant of the intention to conduct an investigation 7 days before the actual investigation commences. The Authority may not give notice to the Respondent prior to the carrying out of an investigation where it considers that to give notice may prejudice the investigation.
- ii. The investigation will take place within 30 days, and the Authority will indicate to the Complainant whether the matter will be further investigated or not. During the investigation, the Authority may decide to enter in and search any premises with or without a search warrant.
- iii. At the conclusion of the investigation, the Authority may decide to refer or not refer the matter to the Commission.
- iv. Once the matter has been referred, the Commission can conduct the hearing in accordance with the procedure.

Benefits of Market Research Conducted by the Authority to the Community

According to Section 51 (1) of the Competition Act, the Authority shall publish its findings and conclusion of an inquiry. Therefore the community will benefit as it would get to know the likely implication of the anti-competitive practices that would have been investigated. In some cases this might have involved the Authority advising the Government on some of the policies or agreements that the Government was part of that were likely to have adverse effects on competition.

Competition Related Cases for the year ending 31 March 2012

Table 4

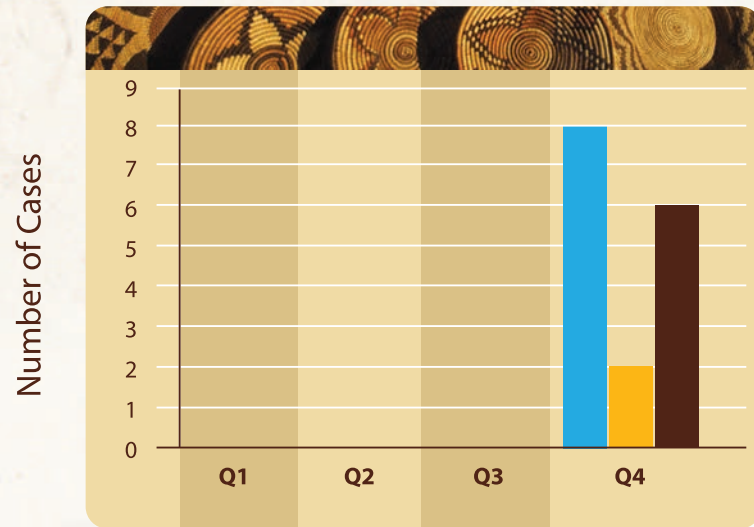
ITEM	CASE DETAILS	STATUS <small>As At 31/03/2012</small>	DECISION
Milk Case File No. CA/RAC/004/2011 Vol. 1.	Alleged predatory pricing UHT Long-Life Milk by a chain store supermarket.	It was found during the investigation that the chain store supermarket was not a dominant player as alleged, and its market share on Long-Life Milk was only 2%, which was significantly below the dominance threshold of 25% as stipulated in the Competition Regulations. The price survey carried out found minimal differences in terms of the price of 1litre of UHT Long-Life Milk, hence neither price fixing nor predatory pricing were found.	Delta Dairies (Pty) Ltd as Complainant was informed of the Authority's findings. The Authority could not find the chain store supermarket's Long-Life Milk pricing to be subject to anti-competitive conduct. Delta Dairies were advised that the chain store supermarket was following legal procedure for importing Long-Life Milk.
Explosives Case File No. CAM/DOM/003/2011 Vol. 1.	An abuse of dominance reported against a supplier of mining explosives called Nowata Africa. It has been alleged that Nowata Africa has an exclusive distributorship agreement within the Botswana market for explosive products with AEL (manufacturer).	A Notice of Investigation was issued to the respondent Nowata Africa, who had since been able to submit the required information to the Authority as requested. Nowata Africa refuted all allegations that were lodged against them.	Carried forward to the following year.
Automotive case File No. CA/4/1 Vol.1.	Acts of concerted practice by vehicle panel beaters.	Section 25.	Carried forward to the following year.





ITEM	CASE DETAILS	STATUS As At 31/03/2012	DECISION
Laboratories case File No. CA/DOM/004/2011	Alleged abuse of market dominance by GPH and Lancet Laboratories.	Sections 25, 27 (2) (b) and 30 (1) of the Act.	Carried forward to the following year.
Retail/Distributor case File No. CA/DOM/008/2011 Vol.1.	Alleged abuse of market dominance by Botswana Oxygen Company t/a Afrox in the Francistown region.	Sections 25 and 30 (1) of the Act.	Carried forward to the following year.
Hydraulic Services File No. CA/DOM/007/2011 Vol.1.	Alleged abuse of market dominance and excessive pricing by Komatsu Botswana (Pty) Ltd.	Sections 25, 26, 27 and 30 (1) of the Act.	Carried forward to the following year.
Brick Moulding along Phakalane Oodi Road File No. CA/DOM/003/2012	Alleged price fixing.	Section 25.	Concluded. No indications of price fixing found.
Poultry Industry File No. CA/DOM/006/2011 Vol.1.	Alleged abuse of market dominance by suppliers in the poultry industry. The study was done by BIDPA and published in the local newspapers.	Sections 25, 26, 27 and 30.	Carried forward to the following year.

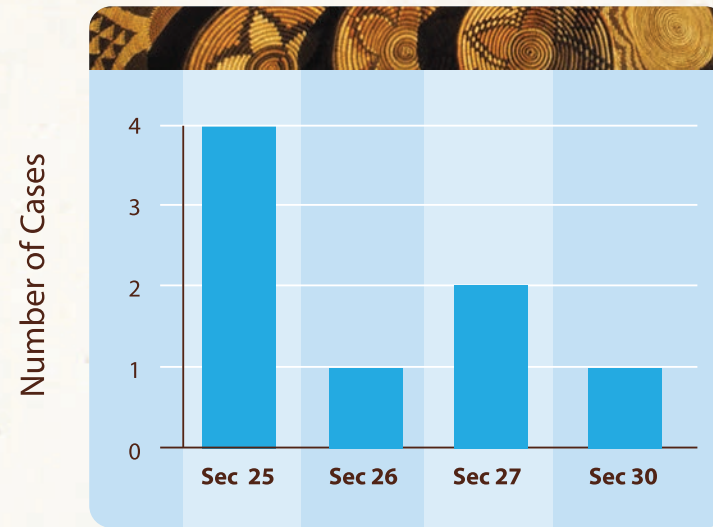
Figure 3. Cases for the Year Under Review



Year 2011/12

- - Cases received
- - Concluded cases
- - Ongoing cases

Figure 4. Sections Covered by Reported Cases



Sections



Legal and Enforcement

“Cases investigated involved alleged abuse of dominance by predatory pricing, refusal to supply, exclusive agreements and exploitative pricing and cases of price fixing, resale price maintenance and concerted practices”.





From left to right: Mr. Duncan Morotsi, Ms. Tapiwa Masie and Mr. Kesego Modongo

The Legal and Enforcement Department is responsible for providing legal services to the Competition Authority and the Competition Commission, and for enforcement of the Competition Act. Such legal services include the development of guidelines, operation manuals and tools to give effect to the Competition Act.

Furthermore, the Department renders legal opinions interpreting certain provisions of the Competition Act for the benefit of all Departments within the Authority. In addition to this, the Department represents the Authority in all litigation brought before the Commission and in appeals made to the High Court and the Court of Appeal, including for merger litigations.

The Department also renders non-case related advice to the Authority through drafting commercial agreements and memoranda of understanding required for the operations of the Authority.

In terms of enforcement, the Department carries out all activities

and actions aimed at giving effect to the Act. In carrying out this responsibility, the Department is tasked with investigating complaints of anti-competitive conduct and issuing Notices of Intention to Investigate in those cases where the Authority has taken a decision to investigate. Where a warrant is required for purposes of entering and searching any enterprise in pursuance of an investigation, the Department makes applications to the Magistrates' Courts to secure such warrants. Over and above this, the Department is responsible for collection and processing of fines for breaches of the Act and commission of offences under the Act.

Applications from enterprises for exemptions from prohibitions under the Act are considered by the Legal and Enforcement Department.

In terms of litigation, the Department has not appeared before the Commission or the High Court in the period under review. The

expectation is that once investigations are concluded on the matters before the Authority, such matters will be referred to the Commission for adjudication in the next financial year.

The Department will also represent the Authority in any appeals that may be made to the High Court on decisions of the Commission or with regard to decisions of the Authority relating to mergers.

Numerous commercial agreements for the operations of the Authority have been drafted by the Legal and Enforcement Department. As the Authority was at the establishment phase, agreements for refurbishment of the new offices, for security services, accounting and human resource systems, consultancies, outdoor advertising, audit services and stationery supply were required immediately. These were all drafted and executed during the period under review.

To facilitate cooperation with other sector regulators and strategic partners, a Tripartite Memorandum of Understanding (MoU) was signed between the Public Procurement and Asset Disposal Board (PPADB), the Directorate on Corruption and Economic Crime (DCEC) and the Competition Authority during the period under review. The MoU seeks to ensure that there is proper coordination of efforts between the three organisations in terms of investigation of cases of bid-rigging as it relates to their respective statutory mandates. Further, MoUs have been proposed for signature with Bank of

Botswana, Botswana Telecommunications Authority, the Non-Bank Financial Institutions Regulatory Authority and the Civil Aviation Authority. It is expected that these Memoranda will be signed in the next financial year as the regulators are listed in the Competition Act for specific cooperation with the Competition Authority.

Enforcement

In furtherance of its enforcement responsibilities, the Department issued and served 12 Notices of Intention to Investigate as follows:

- i Notice of Intention to Investigate Botswana Medical Aid Society (BOMAID) concerning a complaint from the Botswana Dental Association;
- ii Notice of Intention to Investigate Botswana Public Officers Medical Aid Society (BPOMAS) concerning a complaint from the Botswana Dental Association;
- iii Notice of Intention to Investigate Pula Medical Aid concerning a complaint from the Botswana Dental Association;
- iv Notice of Intention to Investigate Botsogo Health Plan concerning a complaint from the Botswana Dental Association;
- v Notice of Intention to Investigate Associated Fund Administrators (AFA) concerning a complaint from the Botswana Dental Association;
- vi Notice of Intention to Investigate issued to Health Funders Association of Botswana as a party relevant to the investigations concerning a complaint from the Botswana Dental Association;
- vii Notice of Intention to Investigate Nowata Africa (Pty) Ltd concerning a complaint in the explosives industry;

- viii Notice of Intention to Investigate issued to AEL Mining Services (Pty) Ltd as a party relevant to the investigations concerning a complaint in the explosives industry;
- ix Notice of Intention to Investigate Botswana Medical Aid Society (BOMAID) concerning a complaint by Rescue One;
- x Notice of Intention to Investigate Botswana Public Officers Medical Aid Society (BPOMAS) concerning a complaint by Rescue One; and
- xi Notice of Intention to Investigate Pula Medical Aid concerning a complaint by Rescue One.

The Notices of Intention to Investigate have, in some instances, provoked legal responses from counsel representing the Respondents in these cases, to which the Department has had to respond. It is expected that early next year some of the preliminary issues raised in these cases will be referred to the Commission for initial hearing in accordance with the Competition Act, as some Respondents have requested that these matters be referred.

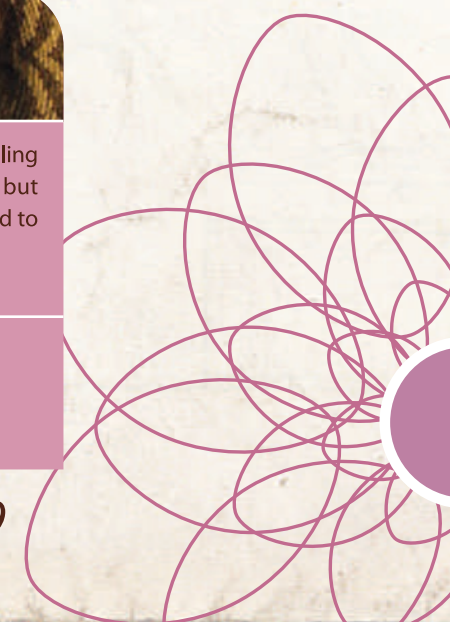
Table 5: Summary of Cases for the Year Under Review

No applications for search and seizure warrants were made during this financial year as the Authority determined that the nature of the investigations were such that the enterprises would cooperate in producing the necessary documents without there being need for a raid. While there was a substantially good response to Notices of Intention to Investigate by Respondents through their attorneys submitting the required information, in a few cases there has been non-compliance.

The intention was that in the next financial year, those entities deemed to be relevant to investigations, that failed to produce required documents in pursuance of a Notice, would be fined in accordance with the provisions of the Competition Act. In the period under review, no fines were imposed on breaches of the Act.

The cases investigated in the period under review and those that will be carried forward to the next financial year involved alleged abuse of dominance by predatory pricing, refusal to supply, exclusive agreements and exploitative pricing and cases of price fixing, resale price maintenance and concerted practices are as follows:

Case Title and Reference	Case Summary	Status as at 31/03/2012
Botswana Bakers Association / Flour Millers, In-store Bakeries and Filling Stations CA/DOM/005/2011 I	A complaint was received from the Botswana Bakers Association. The complaint was in relation to the production of bread by millers, in-store bakeries and filling stations to the detriment of members of the Association.	Investigations on the complaint were completed, revealing that the complaint did not raise competition issues, but related to the application of another law which seemed to disadvantage the Complainant.
Predatory Pricing on Imported Wheat Flour CA/DOM/004/2011 I	The Department of International Trade in the Ministry of Trade and Industry requested the Authority to investigate possible predatory pricing of wheat flour entering Botswana from South Africa.	Compiling report on findings.



Case Title and Reference	Case Summary	Status as at 31/03/2012
<p>Windscreen case CA/RAC/001/2011 I</p>	<p>A complaint was received from a complainant in the windscreen supply industry relating to possible abuse of dominance by a supplier of windscreens.</p>	<p>Investigations on-going.</p>
<p>Sorghum and Maize Milling case CA/DOM/004/2011 I</p>	<p>The Ministry of Trade and Industry forwarded a letter to the Competition Authority relating to anti-competitive practices reported to it in the sorghum and maize milling sectors. The three complaints brought forward for investigation by the Authority were in relation to the retail sector, possible abuse of dominance by Botswana Agricultural Marketing Board (BAMB) and with regard to the Ministry of Local Government tender for the production and supply of Tsabana.</p>	<p>Investigations on-going into the three parts of this case.</p>
<p>Complaint against Commercial Banks CA/DOM/008/2011 I</p>	<p>A complaint was made by a local law firm regarding anti-competitive practices by certain commercial banks in selecting law firms for the provision of legal services.</p>	<p>Investigations on-going.</p>
<p>BOMAID, BPOMAS, PULA, AFA and BOTSOGO/ Medical Practitioners CA/RAC/003/2011 I</p>	<p>The Authority initiated investigations into the dispute between Medical Aid Schemes and Medical Practitioners that appeared prominently in the papers in early 2012. The dispute relates to the fixing of tariffs charged by medical practitioners to patients that are members of medical aid schemes.</p>	<p>Investigations on-going on the two parts of this case.</p>



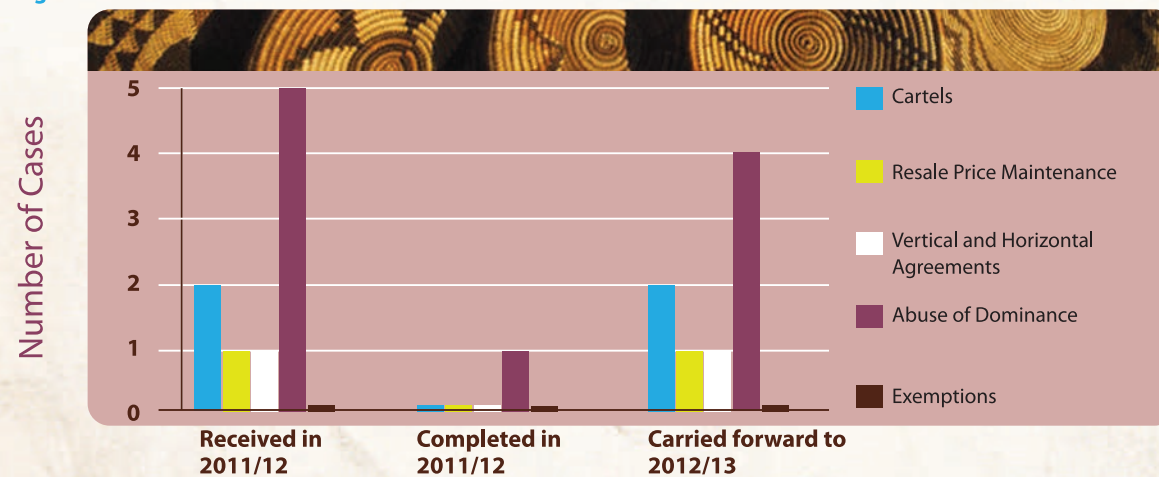
Total Cases Received up to 31 March 2012

Table 6

Section of Competition Act	No. of Cases Received in Financial Year	No. of Cases Completed in Financial Year	No. of Cases Carried Forward to Next Financial Year
Section 25 – Cartels	2	0	2
Section 26 – Resale Price Maintenance	1	0	1
Section 27 – Vertical and Horizontal Agreements	1	0	1
Section 30 – Abuse of Dominance	5	1	4
Section 32 – Exemptions	0	0	0
Totals	9	1	8

Graphical Presentation of Cases Received in 2011/12

Figure 5



Communications and Advocacy

"The National Competition Policy of 2005 called for the development of public awareness and support for competition enforcement, as well as the development and implementation of a strategy for educating the public and stakeholders on the role of competition in the economy".

The Department of Communications and Advocacy technically started operating on August 1, 2011 when the Director of the Department started work. The Department's main mandate is to provide an interface between the Competition Authority and its stakeholders. For a new organisation such as the Competition Authority, the Department's major responsibility will continue to be taken up by creating presence, awareness and over time building the Authority's reputation amongst key stakeholders and the public at large.



From left: Ms. Kelebogile Ngwenya, Mr. Gideon Nkala and Ms. Gladys Ramadi

Section 5 of the Competition Act of 2009 mandates the Authority to:

- i. Inform and educate members of the public and persons engaged in trade and commerce about the powers and functions of the Authority;
- ii. Hold regular consultations with sector regulatory authorities in order to clarify who monitors and controls competition matters relating to those sectors;
- iii. Publicise decisions that increase fair and transparent business practices; and
- iv. Liaise with and exchange knowledge and expertise with authorities entrusted with similar functions.

Similarly the National Competition Policy of 2005 called for the development of public awareness and support for competition enforcement, as well as the development and implementation of a strategy for educating the public and stakeholders on the role of competition in the economy.

According to Section 8 (c) of the Competition Act, implementation of the Competition Policy will be accompanied by the development and implementation of a strategy for educating the public and stakeholders on its important role in the economy and to the nation, in general.

In this regard, the Authority will develop and implement educational and awareness campaigns aimed at ensuring that all stakeholders, including the general public, civil society organisations, politicians, public servants, the legal fraternity, the business community, sector regulators, academics and the media, clearly understand this Policy and the Law.

In the period under review, the Communications

and Advocacy Department reached the following milestones:

The Competition Authority Logo

Organisations need visual identifiers in a market with many service providers. To this end, the Competition Authority saw it fit in its inception to develop a logo through a national competition. The rationale was to cast the net as wide as possible and give the country's artists and designers a chance to develop the logo for the national competition institution.

Advertisements were placed in the local press inviting the artists to submit their designs and compete for the P10, 000 prize, and some 200 entries were received. After a lengthy adjudication process, Mr. Keletso Monowe of Mochudi was victorious.



Mr Keletso Monowe, the Competition Authority Logo Designer



The Competition Authority Logo:



The logo consists of a stylised acronym 'CA' in blue with a black arrow pointing upwards. Its other elements are the identifier (Competition Authority) and the tag line 'Fair Competition for Prosperity'. The stylistic cursive 'C' combines in semi-circular projection with a vertical 'A'. The vertical and imposing 'A' demonstrates 'Authority'.

The 'C', which represents 'Competition', is purposely designed in circular projection to show that competition underpins a productive economy. The 'C' and part of the 'A' is in Botswana Blue to show that the Competition Authority is in Botswana. The black arrow pointing upwards shows the potency of the Competition Authority in its Investigations and Assessment of Mergers.

Official Launch of The Authority

The Competition Authority was officially launched by the Honourable Minister of Trade and Industry, Ms Dorcas Makgato-Malesu, on January 26, 2012. The ceremony was the culmination of a setting up process which included staff recruitment, securing office space, development of a strategic

plan and design of the logo.

Representatives of the business community, government ministries and departments, members of the diplomatic corps, heads of parastatals, SADC, unions, regulators, the legal fraternity, the police service and civic leaders attended the launch.

In her keynote address, the Minister said the major task of the Competition Authority is to detect and eliminate cartels, control anti-competitive mergers and disseminate information to the business community and consumers through education and advocacy.

She said the Authority must ensure that there is a level playing field in all economic activity in the country and therefore its decisions must be above board.

The Minister urged Government institutions to facilitate fair competition and not be seen as unduly frustrating entry, growth and development of businesses in any sector of the economy. She said the Government is committed to the independence of the Competition Authority and its decisions.

Speaking at the Launch, the Chairperson of the Competition Commission, Dr. Zein Kebonang, said that while he believes in the concept of a free market, he is convinced that government intervention is justified because "business does not always act in the best interest of the public. Often they are driven by shareholders whose motive is profit at all cost."

For his part, the Chief Executive Officer, Mr Thula Kaira, called on staff of the Competition Authority to serve the public with diligence.





Mr. Tembinkosi Bonakele
of the South African
Competition Commission
speaking at the National
Stakeholders Conference

He said the Authority will be 'transparent, professional, and operate with the requisite integrity expected of a public institution'.

National Stakeholders Conference

Recognising the importance of engagement with its stakeholders, the Authority organised a National Stakeholders Conference on Competition Law on 15 March 2012 under the theme "Creating Wealth Through Fair Competition".

The Conference attracted about 200 delegates representing most sectors of the economy such as mining, manufacturing, agriculture, as well as Government, academia, politicians and experts on

competition from the region.

The objective of the Conference was to create a platform for the Competition Authority to engage with key stakeholders for purposes of introducing its role and mandate to them, and to receive feedback from them. The Conference was the first face to face engagement of the Authority with its targeted stakeholders since its inception.

The Brand Manual

One of the major communication achievements in the period under review was the development of the Competition Authority's Brand Manual. The manual clearly shows how the logo and other aspects of the Authority's brand identity should be applied.

To safeguard the Competition Authority's brand, the Brand Manual gives guidelines on the following:

- i. The correct and incorrect usage of the Logo;

- ii. Corporate colours;
- iii. Design of stationery such as business cards, complimentary slips, letterhead and fax cover sheet;
- iv. Corporate merchandise and memorabilia; and
- v. Vehicle branding.

Publications

Printed publications play an essential role in the Authority's communication and advocacy strategy. In the period under review the Authority produced a brochure to create awareness on its mandate.

The brochure outlines the following:

- i. The Mandate of the Competition Authority;
- ii. The Structure of the Authority;
- iii. The Process of Investigations;
- iv. The Independence of the Authority;
- v. The Competition Commission and Its Role; and
- vi. The Appeals Process.



Social Media

The Competition Authority has embraced the use of social media, such as Facebook and Twitter, as important platforms for disseminating news and information from the Authority, as well as getting feedback from its stakeholders. The Facebook page, has, in particular, been a popular platform for the public's engagement with the Competition Authority. Visitors to the page have inquired on issues such as employment, the Competition Act and Competition Regulations, Statutory Monopolies, etc. As of 31 March 2012, the Authority had more than 200 Likes on its Facebook Page.

Engagement with District Councils

In the 12 months under review, the Authority addressed full Council meetings in Serowe, Palapye, Tutume, Francistown, Gaborone, Kasane and Ghanzi. During these briefings, Councillors were introduced to the role and mandate of the Competition Authority. The Councillors generally welcomed the Authority; however, some said it came a bit late.


Media Presence

The media is an important stakeholder in agenda setting; it plays a role in shaping public opinion and perceptions about the Competition Authority. The Competition Authority has, since its inception, sustained a media presence in radio, newspapers and television. In the period under review, the Competition Authority featured in about 30 newspaper articles, at least 10 radio and six television news items.

Publication of Competition Authority decisions

In accordance with Section 5 of the Competition Act, the Authority regularly publicises in the local press, its website and the Government Gazette Merger Decisions and notifications from businesses which intend to merge. Furthermore, it periodically publicises information to stakeholders, reminding them of their obligations under the competition law and regulations. Publicising such decisions promotes a culture of competition and enforcement of the Competition Act and the Competition Regulations. In the period under review, the Authority publicised 8 Merger Decisions in the Government Gazette and more than 10 notifications and decisions in the local press.

Corporate Services



"The Competition Authority strives to provide training that is targeted to identified business needs aligned to its strategic objectives, as well as development of one of its most valued assets, its human resource".



From left to right:

Ms. Martha Seipato, Ms Neo Gopolang, Ms Bonyana Ndubiwa, Mr. Botsalo Makolo, Ms Rebecca Rabakane, Mr. Morulaganyi Modikwa, Ms. Tshupo Wadipeba, Mr. Othlathusa Seforo, Ms. Sebilo Kebotsamang, Mr. Kamogelo Ditsele, Mr. Mooketsi Ntwaagae and Mr. Tonny Kolanyane.

The Department of Corporate Services is responsible for Finance, Human Resources, Information Technology and Documentation, Procurement and Administration. The Department also advises the Authority on prevailing good corporate governance principles and systems.

Finance

Sections 21 – 24 of the Competition Act stipulate the financial provisions of the Competition Authority. The financial provisions cover the funds, the financial year, requirements for preparation of proper accounts, facilitation of the annual audit and preparation of the annual report. During the year under review, the Department managed to:

- i. Develop the budgets according to the Public Service budget cycle and secure required funding;
- ii. Regulate and implement accurate accounting books/records at the required time through developing financial guidelines;
- iii. Develop and maintain accurate financial records in accordance with the International Financial Reporting Standards, the Competition Act and any other relevant legislation;
- iv. Produce financial reports in accordance with Management, Commission or any other applicable relevant legal authority;
- v. Develop written financial guidelines and authorisation forms, payment vouchers, etc., aligned to the best/recommended practices in the Public Service and relevant applicable legislation;
- vi. Prepare Departmental budgets, programmes and identification of priorities;
- vii. Develop and maintain an updated asset register and ensure that all operational equipment and other assets are secure and in good operational state;
- viii. Facilitate the external auditing of books of accounts in accordance with the Competition Act, Government or Parliamentary requirements or directives; and
- ix. Accurately advise on funding levels, approved expenditures and processes.

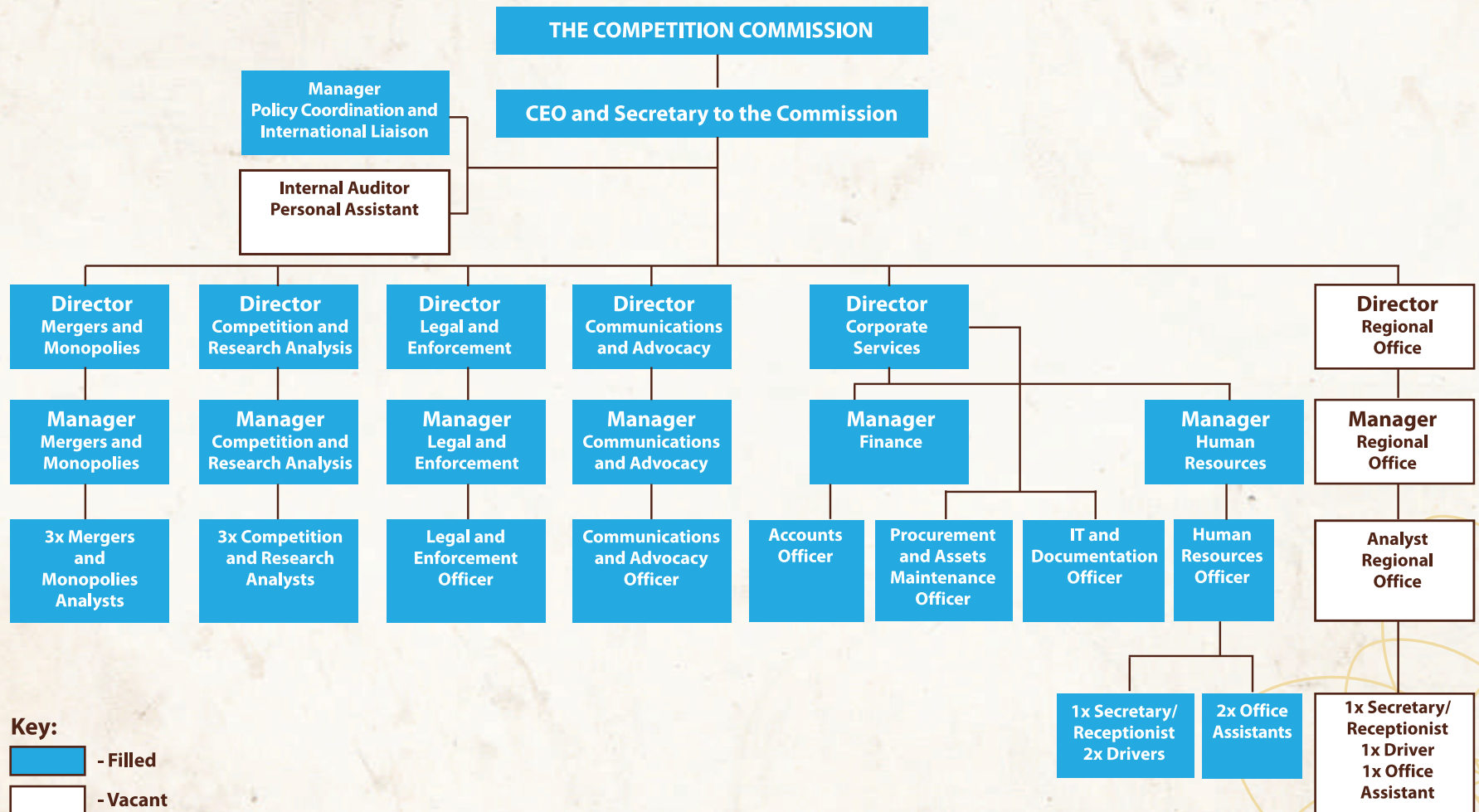
Human Resources

Human Resources provides strategic direction on human capital issues, mainly recruitment, organisational development, benefits and remuneration, talent management, succession planning, change management, employee relations and employee health and wellness.

WORK FORCE COMPLEMENT AND RECRUITMENT

At the end of March 2012, the organisational head count stood at 30 with about 15 staff members being directly involved in competition enforcement. The Authority has a predominantly young workforce, with the average staff age being 34 years. Of the 30 employees employed by the Competition Authority, 16 (53%) are male and 14 (47%) are female.

Competition Authority Structure





Staff at a team building retreat

HUMAN RESOURCE POLICIES

Since the Authority was at establishment phase during the year 2011/12, the Department developed the General Terms and Conditions of Service, along with a Schedule of Benefits and Allowances and other policies, such as the Health and Safety Policy, the HIV/AIDS Policy, the Code of Conduct and the Training and Development Policy, to assist in meeting the Competition Authority's business needs and enable it to attract and retain the most competent and efficient workforce.

TEAM BUILDING ACTIVITIES

As one of its strategic values, the Competition Authority aims to promote teamwork amongst its employees. During the period under review, the Authority held a couple of team-building activities for staff, which assisted in building good relations and teamwork amongst the newly recruited staff.

PERFORMANCE MANAGEMENT SYSTEM

The Competition Authority has adopted a Performance Management System (PMS) to promote a high performance culture that will enable the Authority to achieve its strategic objectives. The Authority made a decision to implement the Balanced Scorecard system, which will

assist in the management of its performance at both corporate and individual levels. All employees were trained on both the Balanced Scorecard and PMS. Champions from various Departments also underwent training on the implementation and monitoring of the Balance Scorecard and PMS. Employee performance contracts that are aligned to the Strategic Plan have been developed and signed by all employees. Employees will be reviewed to measure performance against the expected results.

TRAINING AND DEVELOPMENT

The Authority strives to provide training that is targeted to identified business needs aligned to its strategic objectives, as well as development of one of its most valued assets, its human resources. Three staff inductions were held during the period under review, with the first targeted at new members of the executive management team. The Induction programme aimed at ensuring maximum engagement of staff in various areas of the Competition Authority's operations.

The Authority also participated in a number of competition law implementation conferences. Following the approval of the Training and Development Policy by the Competition Commission, the Authority will undertake a robust training programme to equip its employees with the necessary skills.

Training sessions held and conferences attended during the 2011/12 financial year were as follows:

- i. In-house-training on Operationalisation of the Competition Act 2009 by the CEO;
- ii. In-house-training on Market Definition by the CEO;
- iii. In-house-training on Substantial Lessening of Competition by the CEO;

- iv. In-house-training on Economic Analysis by the CEO; and
- v. American BAR Association Conference on Competition Law.

Information Technology And Documentation

In the period under review, the Competition Authority computerised its information processes. The rollout of the information technology systems included the development of the website, intranet and documentation management. After using a web based email address for the better part of its first year of existence, the Authority now boasts its own domain name www.competitionauthority.co.bw

Records management entails systematic management of receipt, storage, appraisal, retention, disposal and timely retrieval of information as and when it is needed for official use. The Competition Authority strives to have accessible, but secure records safeguarding the confidentiality of its stakeholders.

Procurement

The Procurement Section ensures the following:

- i. Compliance to guidelines on procurement of goods and services;
- ii. That competitive sources of supply of goods and services are sought;
- iii. Transparency in the procurement process; and
- iv. Efficiency in facilitating payments.

Furthermore, the Competition Authority is working with the Ministry of Trade and Industry towards supporting the Government Economic Diversification Drive (EDD) initiative.

The Competition Authority has contributed significantly to this initiative by procuring a number of goods and services from EDD registered members since its inception.

Strategic Plan

During its first year of inception, the Competition Commission and the Competition Authority developed a comprehensive five year Strategic Plan. The Strategic Plan is aligned to the Ministry of Trade and Industry's Strategy, as well as Vision 2016.



The Competition Authority Board Room

“To ensure implementation of strategic objectives, each Department is mandated to ensure that all its activities are anchored on the Strategic Plan, which is also supported by the work plans”.

Securing Office Space

The setting up process for the Authority entailed securing office space. After operating from the offices of the Botswana Bureau of Standards, the Competition Authority secured office space at Plot 50664 at the Fairgrounds in Gaborone. The Fairgrounds area was found ideal because of its accessibility to stakeholders.





Audited Annual Financial Statements 31 March 2012

"The financial statements present fairly, in all material respects, the financial position of the Competition Authority as at 31 March 2012, its financial performance and its cash flows for the year ended in accordance with the Competition Authority Act of 2009, and International Financial Reporting Standards".

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Statement of Cash Flows	64
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Commissioners' Responsibility and Approval of Annual Financial Statements

The Competition Commission is responsible for the preparation of the Annual Financial Statements of the Competition Authority and all other information presented therewith. Their responsibility includes maintenance of financial records and the preparation of annual financial statements in accordance with the International Financial Reporting Standards and in the manner required by the Competition Act, 2009.

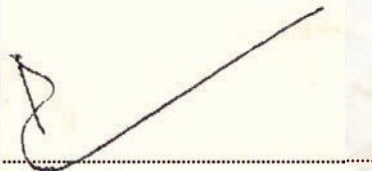
The Competition Authority maintains systems of internal control, which are designed to provide reasonable assurance that the records accurately reflect its transactions and to provide protection against serious misuse of the Competition Authority's assets. According to Section 23 of the Competition Act 2009, the Competition Authority is responsible for appointing the External Auditor and is also responsible for the review, design, implementation, maintenance and monitoring of the systems of internal control.

The Independent External Auditors are responsible for issuing an independent opinion on the annual financial statements based on their audit of the affairs of the Competition Authority.

After making enquiries, the Competition Commission has no reason to believe that the Competition Authority will not be a going concern in the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing these Annual Financial Statements based on forecasts, available cash resources and continued support of the Government of the Republic of Botswana.

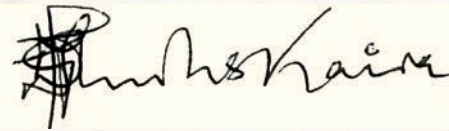
The Competition Commission is satisfied that Management introduced and maintained adequate internal controls to ensure that dependable records exist for the preparation of the Annual Financial Statements, to safeguard the assets of the Competition Authority and to ensure that all transactions are duly authorised.

Against this background, the Competition Commission accepts responsibility for the Annual Financial Statements on pages 60 to 89, which were signed on its behalf by:



Dr. Zein Kebonang

*Chairperson of the Competition Commission
21 September 2012*



Thulasani G. Kaira

*Chief Executive Officer of the Competition Authority and
Secretary to the Competition Commission
21 September 2012*

Independent Auditors' Report to the Members of the Competition Commission

Report on the financial statements

We have audited the accompanying financial statements of Competition Authority, which comprise the statement of financial position as at 31 March, 2012, and the statement of comprehensive income, statement of changes in funds and the statement of cashflows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 60 to 89.

Competition Commissioners' responsibility for the financial statements

The Competition Commissioners are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Competition Act, 2009 and for such internal control as the Competition Commissioners determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

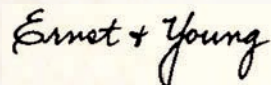
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of, the financial position of Competition Authority as at 31 March, 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Competition Act, 2009.



Ernst & Young
Certified Auditors
Practicing Member: Thomas Chitambo (20030022)
21 September 2012

2nd Floor, Plot 22
Khama Crescent
P.O. Box 41015
Gaborone
Botswana



**COMPETITION AUTHORITY
ANNUAL FINANCIAL STATEMENTS
For the year ended 31 March 2012**

**COMPETITION AUTHORITY
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2012**

	Notes	March 2012 BWP
REVENUE		
Government subvention	1	14,708,014
Amortisation of subvention relating to capital assets	15	1,044,670
Total grants revenue		<u>15,752,684</u>
Other income		
Income from international partners		481,000
Merger fees		1,095,665
Sale of tender documents		45,000
		<u>1,621,665</u>
Total Income		<u><u>17,374,349</u></u>
EXPENDITURE		
Staff costs	2	5,726,735
Consultancy costs	3	474,575
Administration expenses	4	6,895,419
Operating lease expenses	5	1,145,535
		<u>14,242,264</u>
Operating Surplus		3,132,085
Other comprehensive income		-
Surplus for the year		<u>3,132,085</u>
Total Comprehensive Income		<u><u>3,132,085</u></u>

**COMPETITION AUTHORITY
STATEMENT OF FINANCIAL POSITION
As at 31 March 2012**

	Notes	March 2012 BWP
ASSETS		
Non-current assets		
Property and equipment	6	4,234,236
Current assets		
Trade, other receivables and prepayments	7	866,909
Cash and cash equivalents	8	3,219,708
		<u>4,086,617</u>
Total assets		<u><u>8,320,853</u></u>
FUNDS, RESERVES AND LIABILITIES		
Funds and reserves		
Accumulated funds		3,132,085
Non-current liabilities		
Government capital grant	15.1	3,189,566
		<u>3,189,566</u>
Current liabilities		
Trade and other payables	9	172,392
Provisions	10	782,140
Government capital grant	15.1	1,044,670
		<u>1,999,202</u>
Total funds, reserves and liabilities		<u><u>8,320,853</u></u>

**COMPETITION AUTHORITY
STATEMENT OF CHANGES IN FUNDS
For the year ended 31 March 2012**

	Accumulated Funds BWP
Balance as at 01 April 2011	-
Surplus for the year/Total comprehensive income	3,132,085
Balance as at 31 March 2012	<u>3,132,085</u>

**COMPETITION AUTHORITY
STATEMENT OF CASH FLOWS
For the year ended 31 March 2012**

	Notes	March 2012 P
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus for the year		3,132,085
Adjustments for:		
Amortisation of Government subvention	15	(1,044,670)
Depreciation	4	1,044,670
Movement in provision for leave pay and gratuity for the year	10	782,140
Cash generated by operations before working capital changes		<u>3,914,225</u>
Increase in trade and other receivables	7	(866,909)
Increase in trade and other payables	9	172,392
Net cash flows from operating activities		<u><u>3,219,708</u></u>
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of property and equipment	6	(5,278,906)
Net cash flows used in investment activities		<u>(5,278,906)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Government subvention	15	5,278,906
Net cash flows from financing activities		<u>5,278,906</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		3,219,708
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		-
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	8	<u><u>3,219,708</u></u>

**COMPETITION AUTHORITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 March 2012**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared on a historical cost basis. All values are rounded to the nearest Pula (BWP 1), except when otherwise indicated.

Statement of Compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the Competition Act, 2009. Section 23(3)(d) of the Competition Act, 2009 requires that reference be made that the financial statements have been prepared in a manner consistent with prior periods. No comparatives have been provided as at 31 March 2012 since the Competition Authority was in its first year of operation.

SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the financial statements is in conformity with the International Financial Reporting Standards, which require the use of certain critical accounting estimates and judgements concerning the future. Estimates and judgments are continually evaluated and are based on historical factors coupled with expectations about future events that are considered reasonable. The estimation is based on Management's best judgment. There are no areas of estimation or judgement that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities in the current year.

PROPERTY AND EQUIPMENT

All plant and equipment are measured at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

**COMPETITION AUTHORITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 March 2012**

PROPERTY AND EQUIPMENT (Continued)

Depreciation is charged so as to write off the cost of the assets over their estimated useful lives, to estimated residual values. Where significant parts of an item have different useful lives to the item itself, these parts are depreciated separately over their estimated useful lives. The methods of depreciation, useful lives and residual values are reviewed annually, with the effect of any change in estimates accounted for prospectively.

The following methods and rates were used during the period to depreciate property, plant and equipment to estimated residual values:

Furniture and Fittings	10 - 20%
Motor Vehicles	20%
Computer Equipment	20 - 25%

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in surplus or deficit in the period the asset is derecognised.

IMPAIRMENT OF NON-FINANCIAL ASSETS

At each reporting date, the Authority assesses whether there is any indication that assets are impaired. If any such indication exists for any asset, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where an asset does not generate cash flows that are largely independent of those of other assets or group of assets, the recoverable amount is determined for the cash generating unit (CGU) to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined by the market values relating to the asset and the related costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, its carrying amount is reduced to its recoverable amount. Impairment losses are recognised in the surplus or deficit in those categories consistent with the function of the impaired asset.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount. This increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised in surplus or deficit.

REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Competition Authority and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts and rebates.

**COMPETITION AUTHORITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 March 2012**

REVENUE RECOGNITION (Continued)

GOVERNMENT SUBVENTION (Note 15)

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to the purchase of an asset, it is recognised as a capital grant in the Statement of Financial Position and released to the surplus or deficit as income in equal amounts over the expected useful life of the related asset.

OTHER INCOME

Merger Fees

Merger fees are recognised when it is probable that the merger notified for approval by the Competition Authority as stipulated in Section 21 (c) of the Competition Act meets the threshold in Regulation 16 (2) of the Competition Regulations, which requires that a merger be accompanied by a merger fee of 0.01 percent of the merging enterprises' combined turnover or assets in Botswana, whichever is higher.

Interest Income

Interest income is recognised as it accrues (using the effective interest method). Interest is recognised under other income in the Statement of Comprehensive Income.

Sale of Tender Documents

Tender fees are recognised when it is probable that payment will be received from the bidders.

Income from International Partners

Income is recognised when there has been an approval of funding and upon receipt of the funds by the Authority.

FOREIGN CURRENCY TRANSLATION

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Foreign exchange translation gains or losses arising on the settlement of monetary items or on translating monetary items at rates different from those used when translating at initial recognition during the period or in previous Financial Statements are taken to the Statement of Comprehensive Income in the period they arise. Translation differences on items whose fair value gain or loss is recognised in the other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively.

**COMPETITION AUTHORITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 March 2012**

FOREIGN CURRENCY TRANSLATION (Continued)

Gains are recognised under other operating income and losses under other operating expenses. The exposure on foreign exchange translations is limited; the Competition Authority's transactions are in the local currency.

EMPLOYMENT BENEFITS

Pension

For eligible Permanent and Pensionable Employees, the Competition Authority operates a defined contribution scheme for the employees. Payments to the scheme are charged as an expense to the Statement of Comprehensive Income as they fall due. For contract employees, the Competition Authority pays gratuity in accordance with the respective contracts of employment. In some contracts, gratuity is paid annually, while in others, gratuity is deferred and settled at the end of the contract.

Leave Pay Provision

The Competition Authority recognises, in full, employees' rights to annual leave entitlement in respect of past service. The recognition is made each year and is calculated based on accrued leave days not taken during the year. The charge is made to expenses in the surplus or deficit and a separate provision in the Statement of Financial Position.

FINANCIAL INSTRUMENTS**Financial Assets****Initial Recognition**

Financial assets within the scope of IAS 39 are classified as loans and receivables. When financial assets are recognised initially, they are measured at fair value, including transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, which is the date that the Competition Authority commits to purchase the asset. The Competition Authority's financial assets include cash and cash equivalents and trade and other receivables. Gains and losses on disposal of financial assets are recognised in the Statement of Comprehensive Income under other income.

Subsequent Measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are carried at amortised cost using the effective interest rate method less any impairment. Gains and losses are recognised in surplus or deficit when the loans and receivables are derecognised or impaired, as well as through the amortisation process. Gains will be shown in the Statement of Comprehensive Income under other operating income, whilst losses will be shown under other operating expenses.

Loans and receivables consist of trade and other receivables, and cash and cash equivalents.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and deposits on call in banks, net of outstanding bank overdrafts. Cash and cash equivalents are subsequently carried at amortised cost. Due to the short-term nature of these, the amortised cost approximates their fair value.

Impairment of Financial Assets

The Authority assesses at each reporting date whether a financial asset or group of financial assets is impaired.

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of a separate allowance account, namely provision for doubtful debts account. The amount of the loss is recognised in surplus or deficit.

**COMPETITION AUTHORITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 March 2012**

Impairment of financial assets (Continued)

The Competition Authority first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Competition Authority determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. The reversal should not result in a carrying amount that exceeds what the amortised cost would have been had no impairment loss been recognised at the date the impairment is reversed. Any subsequent reversal of an impairment loss is recognised in surplus or deficit.

COMPETITION AUTHORITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 March 2012

FINANCIAL INSTRUMENTS (Continued)

In relation to financial assets, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Competition Authority will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Loans and receivables are written off, together with the related allowance, when they are assessed as uncollectable.

Financial Liabilities

Initial recognition

Financial liabilities within the scope of IAS 39 are classified as loans and borrowings. The Competition Authority determines the classification of its financial liabilities on initial recognition.

Loans and borrowings are initially measured at fair value. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method. Gains and losses are recognised in the Statement of Comprehensive Income under other operating income and other operating expenses, respectively.

The Competition Authority's financial liabilities include trade and other payables of short term basis.

Financial Guarantee Contracts

Financial guarantee contracts issued by the Competition Authority are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

Amortised Cost

Amortised cost is computed using the effective interest method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a currently legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

**COMPETITION AUTHORITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 March 2012**

**FINANCIAL INSTRUMENTS (Continued)
Derecognition of Financial instruments**

Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- o The rights to receive cash flows from the asset have expired.
- o The Competition Authority has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Competition Authority has transferred substantially all the risks and rewards of the asset, or (b) the Competition Authority has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Competition Authority has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Competition Authority's continuing involvement in the asset.

In that case, the Competition Authority also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Competition Authority has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Competition Authority could be required to repay.

Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the surplus and deficit.

PROVISIONS

Provisions are recognised when the Competition Authority has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are measured at Management's best estimate of expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect of the time value of money is material. When discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

LEASES (Where the Competition Authority is a Lessee)

Operating Leases

An operating lease is the one in which all the risks and benefits of ownership are effectively retained by the lessor. Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on the straight line basis over the lease period.

**COMPETITION AUTHORITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 March 2012**

CHANGE IN ACCOUNTING POLICIES

The Competition Authority has adopted and is aware of the following new and amended IFRS standards and International Financial Reporting Interpretations Committee (IFRIC) interpretations during the year ended 31 March 2012.

IFRS 1: Limited Exemption from Comparative IFRS 7 Disclosures For First-time Adopters – Amendment To IFRS 1 (Effective 1 July 2010).

The amendment allows for a first-time adopter of IFRS to utilise the transitional provisions of IFRS 7. The result is relief for the first time adopter when providing comparative information under IFRS 7 in the first year of adoption. This amendment will have no effect on the financial position of the Competition Authority.

International Accounting Standard (IAS) 24: Related Party Disclosures (Revised) (Effective 1 January 2011).

A revised definition of a related party, being a clarification of the previous definition with particular emphasis in relation to significant influence and joint control. A partial exemption from the general disclosure requirements of IAS 24 are provided for government-related entities. Alternative disclosures are required for these entities. The Competition Authority does not expect any impact on its financial position or performance.

IFRIC 14: Prepayments of a Minimum Funding Requirement – Amendment to IFRIC 14 (Effective 1 January 2011).

The amendment provides further guidance on assessing the recoverable amount of a net pension asset. The amendment is deemed to have no impact on the financial statements of the Competition Authority as it operates a defined contribution pension scheme.

FRIC 19: Extinguishing Financial Liabilities With Equity Instruments (Effective 1 July 2010).

The interpretation clarifies that equity instruments issued to extinguish a financial liability are considered to be 'paid' in accordance with IAS 39. Equity instruments are required to be measured at their fair value, unless fair value cannot be reliably measured, in which case they are measured at the fair value of the liability extinguished. Any gain or loss is recognised immediately in profit or loss. The adoption of this interpretation will have no effect on the financial statement of the Competition Authority because the Competition Authority has no such arrangements.

Improvements to IFRSs (Issued May 2010).

The IASB issued improvements to IFRSs, an omnibus of amendments to its IFRS standards. The amendments do not have an impact on the financial position or performance of the Competition Authority.

IFRS 1: The improvements include accounting policy changes in the year of adoption, revaluation basis and deemed cost; and use of deemed cost for operations subject to rate regulations (Effective 1 January 2012).

**COMPETITION AUTHORITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 March 2012**

CHANGE IN ACCOUNTING POLICIES (Continued)

IFRS 3: The amendment includes transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS; measurement of non-controlling interests; and un-replaced and voluntarily replaced share-based payment awards (Effective 1 July 2010).

IAS 1: Clarification of statement of changes in equity (Effective 1 January 2011).

IFRS 7: Clarification of disclosures (Effective 1 January 2011).

IAS 27: Transition requirements for amendments arising as a result of IAS 27 (Effective 1 July 2010).

IAS 34: Amendment is on significant events and transactions (Effective 1 January 2011).

IFRIC 13: Fair value of award credits (Effective 1 January 2011).

CHANGE IN ACCOUNTING POLICIES (Continued)**Standards Issued, but not yet Effective**

Standards issued, but not yet effective to the date of issuance of the Competition Authority's financial statements are listed below. This listing is of standards and interpretations issued, which the Competition Authority reasonably expects to be applicable at a future date. The Competition Authority intends to adopt those standards when they become effective.

IFRS 1: Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters – Amendment to IFRS 1 (Effective 1 July 2011).

The amendment provides guidance on how an entity should resume presenting IFRS financial statements when its functional currency ceases to be subject to severe hyperinflation. This amendment does not affect the Competition Authority as we have adopted the International Financial Reporting Standards during this financial year and for the future.

IFRS 7: Transfers of Financial Assets – Amendment to IFRS 7 (Effective 1 July 2011).

The amendment requires additional quantitative and qualitative disclosures relating to transfers of financial assets under certain scenarios. This will have no impact on the financial position and performance of the Competition Authority as there were no transfers of any financial assets during this financial year. If this takes place in the future, additional disclosures will be provided.

IAS 12: Deferred taxes: Recovery of Underlying Assets – Amendment to IAS 12 (Effective 1 January 2012).

The amendment introduces a rebuttable presumption that deferred tax on investment properties measured at fair value be recognised on a sale basis. This amendment does not have any effect on the financial position of the Competition Authority as we do not have any investment properties.

The presumption can be rebutted if the entity applies a business model that would indicate that substantially all of the investment property will be consumed in the business, in which case an own-use basis must be adopted.

**COMPETITION AUTHORITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 March 2012**

CHANGE IN ACCOUNTING POLICIES (Continued)

New and Amended Pronouncements that will Become Effective Subsequent to the March 2013 year-end

The following Standards have been issued or revised and will become effective after March 2013:

IFRS 9: Financial Instruments – Classification and Measurement (Effective 1 January 2015).

This, the first phase of the International Accounting Standards Board's (IASB) project to replace IAS 39 in its entirety, addresses the classification and measurement of financial instruments. Amendments published in October 2010 incorporate the existing derecognition principles of IAS 39 directly into IFRS 9.

Financial Assets

All financial assets are initially measured at fair value. Subsequent measurement of debt instruments is only at amortised cost if the instrument meets the requirements of the 'business model test' and the 'characteristics of financial asset test'. All other debt instruments are subsequently measured at fair value. All equity investments are subsequently measured at fair value either through other comprehensive income (OCI) or profit and loss. Embedded derivatives contained in non-derivative host contracts are not separately recognised. Unless the hybrid contract qualifies for amortised cost accounting, the entire instrument is subsequently recognised at fair value through profit and loss.

Financial Liabilities

For liabilities measured at fair value through profit and loss, the change in the fair value of the liability attributable to changes in credit risk is presented in OCI. The remainder of the change in fair value is presented in profit and loss. All other classification and measurement requirements in IAS 39 have been carried forward into IFRS 9.

The Competition Authority is aware of IFRS 9 which is mandatory to be effective January 1, 2015. The Competition Authority is intending to adopt the standard when it becomes mandatory.

IFRS 10: Consolidated Financial Statements (Effective 1 January 2013).

IFRS 10 creates a new, broader definition of control than under current IAS 27 and has resulted in the Interpretation 12 being withdrawn.

IFRS 10 does not change the consolidation process; rather it changes whether an entity is consolidated by revising the definition of control. The revised definition of control will require consideration of aspects, such as de-facto control, substantive vs. protective rights, agency relationships, silo accounting and structured entities, when evaluating whether or not an entity is controlled by the investor. The Competition Authority does not have any control over any entities and will, therefore, not be affected by the new standard.

COMPETITION AUTHORITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 March 2012

IFRS 11: Joint Arrangements (Effective 1 January 2013)

IFRS 11 replaces IAS 31 and SIC 13 and refers to IFRS 10's revised definition of 'control' when referring to 'joint control'. Under IFRS 11, a joint arrangement (previously a 'joint venture' under IAS 31) is accounted for as either:

- a) joint operation – by showing the investor's interest/ relative interest in the assets, liabilities, revenues and expenses of the joint arrangement;
or
- b) joint venture – by applying the equity accounting method. Proportionate consolidation is no longer permitted.

Under IFRS 11, the structure of the joint arrangement is not the only factor considered when classifying the joint arrangement as either a joint operation or joint venture. The Competition Authority does not have any joint arrangements over any entities and will, therefore, not be affected by the new standard.

IFRS 12: Disclosure of Interests In Other Entities (Effective 1 January 2013).

The new standard applies to entities that have an interest in subsidiaries, joint arrangements, associates and/or structured entities. Many of the disclosures are those previously included in IAS 27, IAS 28 and IAS 31. Many new disclosures have, however, also been added. The Competition Authority does not have any interests in other entities and will, therefore, not be affected by the new standard.

**COMPETITION AUTHORITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 March 2012**

CHANGE IN ACCOUNTING POLICIES (Continued)

IFRS 13: Fair Value Measurement (Effective 1 January 2013).

IFRS 13 describes how to measure fair value where fair value is required or permitted to be used as a measurement basis under IFRS (with certain standards being excluded from the scope of IFRS 13). Under IFRS 13, fair value is presumed to be an 'exit price'. New disclosures related to fair value measurements are also introduced. The adoption of IFRS 13 will affect the Competition Authority on issues relating to fair value. The Competition Authority intends to adopt it when the Standard becomes effective.

IAS 1: Presentation of Items of Other Comprehensive Income (Amendment to IAS 1) (Effective 1 July 2012).

The amendment to IAS 1 requires that items presented within OCI be grouped separately into those items that will be recycled into profit or loss at a future point in time, and those items that will never be recycled. This amendment will not have an effect on the financial position of the Competition Authority.

IAS 19: Employee Benefits (Revised) (Effective 1 January 2013).

The 'corridor approach' currently allowed as an alternative basis in IAS 19 for the recognition of actuarial gains and losses on defined benefit plans has been removed. Actuarial gains and losses in respect of defined benefit plans are now recognised in OCI when they occur.

For defined benefit plans, the amounts recorded in profit or loss are limited to current and past service costs, gains and losses on settlements and interest income/expense.

The distinction between short-term and other long term benefits will be based on the expected timing of settlement rather than the employees's entitlement to the benefits. In many instances this is expected to have a significant impact on the manner in which leave pay and similar liabilities are currently classified. The adoption of the amendment will have no effect on the financial performance of the Competition Authority because of participation in the defined contribution scheme and not a defined benefit scheme.

IAS 27: Separate Financial Statements (Consequential Revision due to the Issue of IFRS 10) (Effective 1 January 2013).

IAS 27, as revised, is limited to the accounting for investments in subsidiaries, joint ventures and associates in the separate financial statements of the investor. This amendment does not have any impact on the Competition Authority, as it does not have subsidiaries.

IAS 28: Investments in Associates and Joint Ventures (Consequential Revision due to the Issue of IFRS 10 and 11) (Effective 1 January 2013).

The revised standard caters for joint ventures (now accounted for by applying the equity accounting method) in addition to prescribing the accounting for investments in associates. This amendment does not have any impact on the Competition Authority, as it does not have joint ventures.

**COMPETITION AUTHORITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS****31 March 2012*****IFRIC 20: Stripping Costs in the Production Phase of a Surface Mine (Effective 1 January 2013).***

The interpretation applies to stripping costs incurred during the production phase of a surface mine and requires such costs to be capitalised as part of an asset (the 'stripping activity asset) if certain criteria are met. The stripping activity asset to be depreciated on a unit of production basis unless another method is more appropriate. This standard will have no effect on the Competition Authority due to the fact that the entity does not incur such costs.

IFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) (Effective 1 January 2013).

This provides for additional disclosures (similar to current United States' Generally Accepted Accounting Principles (US GAAP) requirements). The Competition Authority will adopt the standard when it becomes effective in January 2013. There will be no effect on the financial position of the Competition Authority.

IAS 32: Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) (Effective 1 January 2014).

The amendment clarifies the meaning of the entity currently having a legally enforceable right to set off financial assets and financial liabilities, as well as the application of IAS 32 offsetting criteria to settlement systems (such as clearing houses). The standard will have no effect on the financial position and performance of the Competition Authority. The nature of its transactions does not involve any offsetting of financial assets and financial liabilities.

IFRS 9, IFRS 7: Mandatory Effective Date and Transition Disclosures (Amendments to IFRS 9 and IFRS 7) (Effective 1 January 2015).

The mandatory effective date for IFRS 9 is 1 January 2015. Amendments to IFRS 7 depend on when IFRS 9 is adopted and affect the extent of comparative information required to be disclosed.

The Competition Authority is aware of IFRS 7, which is mandatory in 2015. It is intending to adopt the standard when it becomes mandatory, together with IFRS 9.

**COMPETITION AUTHORITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
As at 31 March 2012**

	Note	March 2012 BWP
1 GOVERNMENT SUBVENTION		
Revenue/subvention received from the Government of the Republic of Botswana		14,708,014
Capital grants received from the Government of the Republic of Botswana	15	<u>5,278,906</u>
Total Government Subvention Received		<u>19,986,920</u>
There are no unfulfilled conditions or contingencies attached to these income and capital grants.		
2 STAFF COSTS		
Basic salaries		3,386,119
Allowances		1,584,652
Defined contribution plan expense		236,777
Contract Gratuity		<u>519,187</u>
		<u>5,726,735</u>
3 CONSULTANCY COSTS		
Human resources consultancies		198,850
Strategic workshop		77,140
Development of rules and regulations of the Competition Commission and the Competition Authority		147,057
Valuation of properties under the lease agreement and Competition Authority launch services.		<u>51,528</u>
		<u>474,575</u>
Competition and consumer protection consultants were engaged to develop rules and regulations and an operational manual for the Competition Commission and Competition Authority on carrying out functions under the Competition Act, 2009.		

**COMPETITION AUTHORITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
For the year ended 31 March 2012**

	Notes	March 2012 P
4 ADMINISTRATION EXPENSES		
Advertising		1,362,254
Audit fees		78,400
Bank charges		21,824
Competition Commission fees and allowances		106,539
Depreciation		
- Motor vehicle	279,429	
- Computer equipment	546,602	
- Furniture	218,639	1,044,670
Estate and office refurbishment		919,335
Insurance		204,902
Office expenses		287,216
Printing and stationery		396,211
Staff related costs		1,858,900
Utilities		565,556
Vehicle expenses		49,612
		<u>6,895,419</u>
Staff related costs include recruitments, training, travel, seminars, etc.		
5 OPERATING LEASE EXPENSES		
Office and household rental		<u>1,145,535</u>

**COMPETITION AUTHORITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
As at 31 March 2012**

6 PROPERTY AND EQUIPMENT

**2012
COST**

	Furniture & Fittings BWP	Motor Vehicles BWP	Computer Equipment BWP	Total BWP
At 31 March 2011	-	-	-	-
Additions for the period	1,695,351	1,397,145	2,186,410	5,278,906
At 31 March 2012	<u>1,695,351</u>	<u>1,397,145</u>	<u>2,186,410</u>	<u>5,278,906</u>

ACCUMULATED DEPRECIATION

At 31 March 2011	-	-	-	-
Depreciation	218,639	279,429	546,602	1,044,670
At 31 March 2012	<u>218,639</u>	<u>279,429</u>	<u>546,602</u>	<u>1,044,670</u>

CARRYING AMOUNT

At 31 March 2012	<u>1,476,712</u>	<u>1,117,716</u>	<u>1,639,808</u>	<u>4,234,236</u>
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7 TRADE AND OTHER RECEIVABLES

	2012 BWP
Staff advances	15,776
Provision for debtors impairment	-
	<u>15,776</u>
Prepayments	228,100
Operating lease asset	522,749
Other receivables	100,284
	<u>866,909</u>

Other receivables are non-interest bearing and are generally on 30-90 days terms, and comprise of refunds due from a service provider (air ticket refund for cancelled trip to the US). Staff advances are receivable over three months and do not attract any interest.

COMPETITION AUTHORITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
For the year ended 31 March 2012

7 TRADE AND OTHER RECEIVABLES (Continued)

**March
2012
BWP**

8 CASH AND CASH EQUIVALENTS

Call	739,770
Current	2,477,212
Cash on hand	2,726
	3,219,708
	3,219,708

A sweeping arrangement is in place for the call account with Standard Chartered Bank.

9 TRADE AND OTHER PAYABLES

**March
2012
BWP**

Accruals	79,620
Audit Fees	78,400
Subvention recovery	14,372
	172,392
	172,392

Other payables are non-interest bearing and have an average term of three months. Subvention recovery is the cost paid by the Government and is recoverable from the subvention.

Audit Fee provision is based on the terms of the engagement letter. It is payable in stages, with the last payment due on delivery of signed financial statements. Subvention recovery is a cost paid by the Government on behalf of the Competition Authority, and is recovered from the Government Subvention.

COMPETITION AUTHORITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
For the year ended 31 March 2012

10 PROVISIONS

10.1 Gratuity

Opening Balance	-
Provision raised during the period	519,187
Closing Balance	<u>519,187</u>

10.2 Leave

Opening balance	-
Provision raised during the period	262,953
Closing balance	<u>262,953</u>

These provisions relate to leave pay provision and gratuity as at the reporting date. The provisions are based on the full value as per the staff in place as at 31 March 2012.

11 FINANCIAL INSTRUMENTS

The accounting classification of each category of financial instruments and their carrying amounts are as follows:

	Note	Loans and receivables	Financial Liabilities at amortised cost	Total carrying amount
2012				
Trade and other receivables	7	116,060	-	116,060
Cash and cash equivalents	8	3,219,708	-	3,219,708
Trade and other payables	9	-	(172,392)	(172,392)
		<u>3,335,768</u>	<u>(172,392)</u>	<u>3,163,376</u>

COMPETITION AUTHORITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
For the year ended 31 March 2012

11 FINANCIAL INSTRUMENTS (Continued)

Financial Risk Management Objectives and Policies

The main risks arising from the Competition Authority's financial instruments are financial currency risk, interest rate risk, credit risk and liquidity risk. The Competition Authority does not hold any derivative financial instruments.

Credit Risk

The Competition Authority has exposure to credit risk, which is the risk that a counter-party will be unable to pay amounts in full when due. Credit risk is the risk that the regulated and supervised institutions and other counter-parties will not be able or willing to pay or fulfil their obligations in accordance with the Competition Act. The Authority is exposed to credit risk through its cash balances that are placed with local banks. Reputable financial institutions are used for investing purposes. All cash and cash equivalents are placed with financial institutions registered in Botswana.

The maximum exposure to credit risk is represented by the carrying amount of accounts receivable and cash and cash equivalents, as shown in the Statement of Financial Position, in addition to the financial guarantee contract as indicated in the "Liquidity" section of this note. Credit risk on receivables is managed through the fact that the significant amount of income, mainly merger fees, is paid in advance as per the Competition Act. Any outstanding amounts on staff debtors is recovered from terminal benefits.

The following table demonstrates the sensitivity to reasonably possible changes in interest rates with all other variables held constant.

2012	Increase/ Decrease in basis points	Effect on profit before tax
Pula	+100	7,397
Pula	-100	(7,397)

Significant Concentration of Credit Risk

Financial assets that potentially subject the Competition Authority to concentrations of credit risk consist primarily of cash and cash equivalents, as well as accounts receivable. Cash and cash equivalents are placed with reputable financial institutions in the normal course of trading. Expertise and controls have been put in place to manage credit risk.

The Competition Authority does not have any significant credit risk exposure to any single counter-party.

Foreign Currency Risk

The Competition Authority is not exposed to foreign currency risk, as there are currently no foreign supplier outstanding balances as at 31 March 2012. The Competition Authority does not use foreign currency, forward contracts or purchased currency options for trading purposes. The Competition Authority does not have bank balances in foreign currency.

**COMPETITION AUTHORITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
For the year ended 31 March 2012**

11 FINANCIAL INSTRUMENTS (Continued)

Interest Rate Risk

Financial instruments that are sensitive to interest rate risk are bank balances and cash (refer to note 8). The Competition Authority has no long-term significant interest bearing assets. Since the Competition Authority receives funds from Government on a quarterly basis, which are linked to expenditure, it does not engage in long-term investments which attract significant interest rates. The Competition Authority has a current account linked to a sweep call account with reputable financial institutions. For this reporting period, interest rates especially on call accounts have been fluctuating to below 2%. The Competition Authority is also monitoring instructions from the Central Bank on issues relating to interest rates trends.

Liquidity Risk

The Competition Authority's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring losses or risking damage to the Competition Authority's reputation.

The ultimate responsibility for liquidity risk management rests with the Competition Commission, which has established an appropriate liquidity risk management procedure for the management of the Competition Authority's funding and liquidity management requirements. The Competition Authority manages liquidity risk by maintaining adequate cash and cash equivalents to settle liabilities when they become due, by continuously monitoring forecast and actual cash flows, and by matching the Government Subvention to the maturity profile of the financial liabilities.

The following table summarises the maturity profile of the Competition Authority's financial liabilities as at March 31, 2011 based on contractual undiscounted payments:

2012	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Trade and other payables	-	172,392	-	-	-	172,392
	-	-	-	-	-	-
	-	172,392	-	-	-	172,392

Fair Values

The carrying amounts of all financial assets and financial liabilities approximate to their fair value.

Capital Management

Capital consists of the line item Accumulated funds in the Statement of Financial Position. The Competition Authority's objectives when managing capital are to safeguard its ability to continue as a going concern in order to perform the mandate for which it was created. Management is of the view that these objectives are being met. During 2012, the Competition Authority did not have borrowings. As a new government owned institution, the Competition Authority is supported by the Government of the Republic of Botswana, which currently provides the necessary support to sustain the operations of the Competition Authority.

**COMPETITION AUTHORITY
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12 RELATED PARTY TRANSACTIONS

The Competition Authority was set up by the Competition Act, 2009 and is, therefore, related to the Government of Botswana. Transactions with related parties are in the normal course of business. The following transactions were carried out with related parties:

Relationships

Owner with control of entity	Government of Botswana
Competition Commissioners	Refer to General Information Page

Subvention Received

Government of the Republic of Botswana	19,986,920
	<u> </u>

Compensation Paid to Key Management Personnel of the Authority

Short-term employee benefits	3,436,153
	<u> </u>

Competition Commissioners' fees are not included in the compensation paid to management above.

Trading Transactions

The following transactions were on an arms length basis:

Purchases from related parties	608,367
	<u> </u>

The purchases from related parties are made at normal market prices. Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the period ended 31 March 2012, the Competition Authority has not recorded any impairment of receivables relating to amounts by related parties (2011: Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Competition Commissioners' Fees

Competition Commissioners' fees for the year amounted to BWP 106,538.68.

13 TAXATION

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

**COMPETITION AUTHORITY
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14 COMMITMENTS AND CONTINGENCIES

14.1 Operating Lease Commitments

The Competition Authority has entered into a rental lease agreement as follows:

Operating Lease Commitments where the Authority is the Lessee

The Competition Authority rented office premises and a residential plot under operating leases.

The future minimum rent payments under the cancelable leases are as follows:

Within one year	1,065,523
After one year, but not more than five years	2,475,954
More than five years	-
	<u>3,541,477</u>

14.2 Capital Commitments

At 31 March 2012, the Competition Authority had a capital commitment for the Information Systems Infrastructure of P390 524.

There were no other commitments already made at the balance sheet date.

14.3 Guarantees

The Competition Authority does not have guarantees on employees' loans.

15 GOVERNMENT CAPITAL GRANTS

Opening balance	-
Received during the year	5,278,906
Amortisation of government grants	<u>(1,044,670)</u>
Closing balance	<u>4,234,236</u>

15.1 GOVERNMENT CAPITAL GRANTS

Current	1,044,670
Non-Current	<u>3,189,566</u>
	<u>4,234,236</u>

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**COMPETITION AUTHORITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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15.2 The Competition Authority is funded through Government Subvention or Grant. As at the year end, there were no unfulfilled conditions or contingencies relating to the grant that had not been fulfilled. The above-mentioned grant is a grant related to assets.

16 COMPARATIVE FIGURES

No comparatives have been provided as this is the Competition Authority's first period of operation.

17 EVENTS AFTER THE REPORTING DATE

There were no events after the Statement of Financial Position date which would require adjustment to or disclosure in the financial statements.



COMPETITION
AUTHORITY
for competition for prosperity





The Competition Authority Team

