







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

Teamwork

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

Corporate Profile

The Competition Authority is constituted in terms of the Competition Act (Cap 46:09) and is domiciled in the Republic of Botswana. The Authority is responsible for the prevention of, and redress for, anti-competitive practices in the economy, and the removal of constraints on the free play of competition in the market. The governing body of the Authority is the Competition Commission, which is responsible for the direction of the affairs of the Authority.

Chairperson of the Competition Commission

Dr. Zein Kebonang

CEO and Secretary to the Competition Commission

Thula Kaira

Registered Office

Plot 28, Matsitama Road
Main Mall
Gaborone, Botswana

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Bankers

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Barclays House
P.O. Box 478
Gaborone, Botswana

Standard Chartered Bank Botswana Limited
Mall Branch
P.O. Box 469
Gaborone, Botswana

External Auditors

Ernst & Young
Chartered Accountants
2nd Floor, Plot 22, Khama Crescent
P.O. Box 41015
Gaborone, Botswana

Internal Auditors

KPMG
Chartered Accountants
Plot 67977, Off Tlokweng Road
Fairgrounds
P.O. Box 1519
Gaborone, Botswana

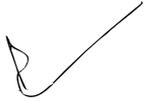
Reporting Date

31st March 2015

To: Honourable Minister of Trade and Industry

Pursuant to section 24 of the Competition Act (Cap 46:09), please find attached a comprehensive report on the operations of the Competition Authority, together with the Auditor's Report and the Audited Accounts for the financial year 2014/15, for you to lay before the National Assembly.

Yours Faithfully,



Dr. Zein Kebonang
Chairperson of the Competition Commission

Acronyms

AWG	Advocacy Working Group
BoB	Bank of Botswana
BIDPA	Botswana Institute for Development Policy Analysis
BOCRA	Botswana Communications Regulatory Authority
BOCCIM	Botswana Confederation of Commerce, Industry and Manpower
CEDA	Citizen Entrepreneurial Development Agency
CEO	Chief Executive Officer
CSR	Corporate Social Responsibility
DCDE	Department of Curriculum Development and Evaluation
DCEC	Directorate on Corruption and Economic Crime
DATC	District Administration Tender Committee
EDD	Economic Diversification Drive
FMCG	Fast Moving Consumer Goods
IT	Information Technology
ICN	International Competition Network
MoU	Memorandum of Understanding
MTI	Ministry of Trade and Industry
MTC	Ministerial Tender Committee
NBFIRA	Non-Bank Financial Institutions Regulatory Authority
PPADB	Public Procurement and Asset Disposal Board
REAC	Real Estate Advisory Council
REIB	Real Estate Institute of Botswana
SLA	Service Level Agreement
SMMEs	Small, Medium and Micro Enterprises
SADC	Southern African Development Community
TRPPs	Tender Rules and Procurement Procedures

Table of Contents

Mission Statement	1
Corporate Profile	2
Acronyms	4
Table of Contents	5
Corporate Governance	6
Competition Commission	8
Chairperson's Statement	10
Chief Executive Officer's Statement	11
Executive Management	14
Managers	15
Overview	16
Communications and Advocacy	17
Competition and Research Analysis	21
Legal and Enforcement	24
Corporate Services	34
Corporate Challenges and Opportunities	41
Annual Financial Statements	43

Competition Commission

The Competition Commission is the governing body of the Competition Authority and is responsible for the direction of the affairs of the Authority. The Commission has both corporate governance and adjudicative functions under the Competition Act.

Board Charter

The Commission has a Board Charter, which states the responsibilities and duties of the Commission in ensuring high standards of corporate governance, professionalism, transparency and separation of powers.

Members of the Competition Commission as at 31st March 2015

Member	Date Of Appointment	Term	Expiry Date
Dr. Zein Kebonang: Chairperson	1st June 2010	5 years	31st May 2015 (Resigned 31st March 2015)
Mr. Gaylard Kombani: Vice-Chairperson	1st June 2013	3 years	31st May 2016
Mr. Tendekani E. Malebeswa	1st June 2010	5 years	31st May 2015
Mr. Boniface G. Mphetlhe	1st November 2011	4 years	31st October 2015 (Resigned 9th February 2015)
Dr. Selinah Peters	1st December 2013	3 years	30th November 2016
Dr. Jay S. Salkin	1st June 2014	4 years	31st May 2018
Ms. Thembisile T. Phuthogo	1st June 2014	4years	31st May 2018



Competition Commission



Ms. Thembisile T. Phuthogo
Member

Mr. Tendekani E. Malebeswa
Member

Mr. Gaylard Kombani
Vice-Chairperson

Dr. Zein Kebonang
Chairperson

Competition Commission



Mr. Boniface G. Mphetlhe
Member

Mr. Thula Kaira
CEO and Secretary
to the Commission

Dr. Selina Peters
Member

Dr. Jay S. Salkin
Member



Competition Commission

Competition Commission Committees as at 31st March 2015

COMMITTEES	MEMBERS	RESPONSIBILITY
Finance and Audit Committee	Dr. Jay S. Salkin: Chairperson Mr. Gaylard Kombani Mr. Tendekani E. Malebeswa	The Committee assists the Commission in discharging its oversight responsibilities of monitoring and reviewing; financial activities of the Authority and the financial reporting process to ensure balance, transparency and integrity; the Authority's compliance with the legal and regulatory requirements; the effectiveness of the Authority's internal controls; and the effectiveness of the Authority's risk management strategies.
Human Resources Committee	Mr. B. G. Mphetlhe: Chairperson Ms. Thembisile T. Phuthego Dr. Selinah Peters	The Committee assists the Commission in discharging its oversight responsibilities of establishing, monitoring and reviewing of appropriate human resource and compensation policies and strategies that provide the Authority with the capability to achieve its short and long term business objectives.
Technical Committee	Mr. Tendekani E. Malebeswa: Chairperson Mr. Gaylard Kombani	The Committee is tasked with assisting the Commission in discharging its oversight responsibilities of formulation, monitoring and review of appropriate legal and technical policies, rules, guidelines and procedures that enable the Authority to undertake its enforcement and advocacy functions.
Commission Tender Committee	Ms. Thembisile T. Phuthego: Chairperson Mr. Gaylard Kombani Dr. Selinah Peters	The Committee reviews and monitors policy and thresholds for tendering, and reports to the Commission accordingly.

Chairperson's Statement



It is an honour for me to once again introduce yet another annual report of the Competition Authority. This is the Authority's fourth annual report, and sadly for me, this report marks the end of my association with the Competition Authority, as I will resign my position as the Chairperson of the Competition Commission to take up a seat on the bench as an Acting Judge of the High Court. The 2014/15 Annual Report reflects yet another stellar year in the performance of the Competition Authority. Several milestones have been achieved in the areas of advocacy, mergers, cartel prosecution, and employee performance and employee engagement.

Almost into its fourth year, the Authority can no longer be considered a new organisation. During the period under review, it was imperative that all structural mechanisms geared towards operational efficiency should have been completed. I note with satisfaction that a number of the major initiatives have been completed and I have no doubt in my mind that these developments will lead to improved operational efficiency and will make competition culture a reality in Botswana. One notable achievement has been the conclusion of two memoranda of agreement with the Botswana Communications Regulatory Authority (BOCRA) and the Bank of Botswana (BoB).

I am particularly pleased that the Authority continues to engage with stakeholders to introduce its mandate and to explain the different services it offers to businesses and consumers. The Authority's success pivots on its active interaction with key stakeholders; competition culture can only be achieved if stakeholders are made aware of and continuously involved in the various services that the Authority offers.

Reading this report, it is clear that the Authority is slowly but surely making an impact on the economy of Botswana. Three cases of alleged cartel behaviour have been brought before the Competition Commission for adjudication. I am informed that a total of 32 merger transactions have been completed and amongst these transactions are mergers that were discovered by the Authority on their own. This is a positive step which I think many Botswana would laud. We want to see the Authority reviewing mergers efficiently and investigating many more cases of anti-competitive behaviour. I might just add that I have hope that with more experience the Authority would investigate more cases and successfully prosecute these cases so that the market could be made more open and accessible to many players. I fervently believe that a fair and open market would lead to more benefits to consumers and to the overall economy of Botswana.

It is heartening to note that, in all its achievements, the Authority has not neglected its most important resource, the employee. To this end, I note that a number of the employee interactions and employee value propositions were undertaken during this period; and it is my hope that these will lead to improved performance.

My farewell message to fellow Competition Commissioners who work so hard to provide strategic oversight to the Authority, is that your efforts can never be in vain. I sincerely thank you for the support you gave me and the wisdom I gleaned from you. To the Authority employees: I thank you for your tireless efforts in making the culture of competition the reality it should be.

Thank you all for your support.

A handwritten signature in black ink, appearing to be 'Dr. Zein Kebonang', written over a white background.

Dr. Zein Kebonang

Chairperson of the Competition Commission

Chief Executive Officer's Statement



I am privileged to report on our performance and our use of the public resources entrusted to us in this 4th Annual Report of the Competition Authority for the 2014/15 financial year. With each passing year, the consumer, business and Government expectation on deliverables for the Authority have continued to grow. Government in particular has a focus on job creation and competitiveness. As noted by the Chairperson of the Commission (Chairperson), the Authority's operations are expected to create a business environment that is unfettered by any conduct, arrangement or understanding that prevents, restricts and distorts competition (i.e., anti-competitive practices). To this end, I am happy to report that the Authority made a number of interventions in the market that added value to consumers, business and Government through enforcement and advocacy activities.

On enforcement, following the removal of barriers to entry, we witnessed four (4) new market participants in the physiotherapy equipment, sugar supply, the cash-in-transit and alarm and response market and the electrical supply markets respectively. Further, two bid-rigging cases were successfully investigated and referred to the Commission by the end of the financial year. Both cases coincidentally affect Government procurement and were tenders worth P117 million for sugar beans and another worth P10 million for infant formula milk. The enforcement process was not without bottlenecks. Cases involving panel beating cartel were withdrawn following discovery that the respondents had not been served with notices of investigation while other withdrawals were due to some procedural errors. To address this, the Authority engaged in re-training of staff in investigations as well as streamlining the coordination of investigations. Further, the Authority engaged KPMG as internal auditors to inter alia, review the investigation process and their recommendations have been under implementation.

There was also an appeal lodged with the High Court against the Commission. The appellants contended that the Commission was likely to be biased since the same Commission members serve as board members of the Authority; hence violating the principles of natural justice. However, that challenge was dismissed by the Commission and the respondents appealed the decision of the Commission at the High Court. The matter was later withdrawn.

As indicated by the Chairperson, we also intervened in a number of mergers. Our target was 35 mergers and we handled 32 (down from 33 in 2013/14). It is estimated that the Authority facilitated the injection of over P145 million into existing businesses in Botswana (i.e., expansion of existing businesses). It further facilitated technological and skills transfer and expansion leading to creation of more jobs.

On communications and advocacy, we engaged in a number of national and international activities. At national level, we engaged in a number of activities on our own as well as in partnership with our strategic partners such as DCEC and PPRADB. These engagements focused primarily on awareness of bid-rigging detection and prevention. Such training included Central and Local Government procurement units, parastatals and suppliers to Government. Our adjudication cases also brought a lot of publicity both in the mainstream and social media. These activities earned the Authority the 'Most Media Visible Parastatal' award from the Ministry of Trade and Industry.

Chief Executive Officer's Statement

In this Annual Report, we have reported on notable laws and policies that were influenced to address competition concerns. Competition can be distorted not just by business conduct, but also by laws and policies that are in place. Such laws and policies may be discriminatory in application and/or create entry conditions that frustrate competition.

At regional and international level the Authority has continued to be part of the SADC Competition and Consumer Policies Committee, the African Competition Forum, the International Competition Network and the UNCTAD Intergovernmental Group of Experts (IGE) on Competition Law and Policy.

All these achievements are a credit due to the hardworking staff of the Competition Authority. Thank you so much! The working relationship between management and staff has continued to benefit from open communication, interaction and the assistance of the Commission. I remain concerned about the high case to staff ratio and I am hopeful this would be addressed, in the short term, by engaging inspectors and temporary employees, while we await an organisation-wide restructuring.

I wish to pay tribute to the founding Chairperson of the Commission, Justice Dr Zein Kebonang, who at the end of the financial year, was appointed as Acting High Court Judge. His passion and efforts for both the Authority and the Commission to create the desired impact have inspired all of us. To the Commission, thank you once again for your guidance and vigilant watch over the Authority.

Thank you.



Thula Kaira
CEO and Secretary to the Commission

Office of the CEO



Mr. Thula Kaira
Chief Executive Officer



Ms. Tebogo Tyolo



Ms. Bonyana Ndubiwa



Mr. Otlaathusa Seforo



Ms. Yaone Mack



Mr. Mooketsi Mpulubusi

Executive Management



Mr. Thula Kaira: Chief Executive Officer



Ms. Magdeline Gabaraane
Director - Mergers and Monopolies



Mr. Gideon Nkala
Director - Communications and Advocacy



Ms. Tebelelo Pule
Director - Corporate Services



Mr. Duncan T. Morotsi
Director - Legal and Enforcement



Dr. Mokubung Mokubung
Director - Competition and Research Analysis

Managers



Ms. Gladys Ramadi
Manager - Communications and Advocacy



Mr. Innocent Molalapata
Manager - Mergers and Monopolies



Mr. Kitso Mocominyane
Manager - Finance



Ms. Tapiwa Masie
Manager - Legal and Enforcement



Mr. Ernest Bagopi
Manager - Competition and Research Analysis



Ms. Tshepo Wadipeba
Manager - Human Resources



Ms. Bonyana Ndubiwa
Manager - Policy Coordination
and International Liaison

Overview

Every year, the Authority undertakes a number of projects, initiatives and activities, all of which are meant to ensure the effective and efficient implementation of the Competition Act. For effective implementation of the Authority's mandate, the Authority's administrative, investigative, advocacy, research and enforcement functions have been allocated across the five departments: Communications and Advocacy, Competition and Research Analysis, Corporate Services, Legal and Enforcement, and Mergers and Monopolies.

The effective implementation of these functions is envisioned to cumulatively lead to the realisation of the Authority's long term vision; to secure economic prosperity through fair markets. While carrying out the various projects, initiatives and activities, the Authority is guided by its corporate values of Transparency, Professionalism, Integrity and Teamwork.

For this reporting period, the priority areas were:

- (i) Investigation of cartels;
- (ii) Prosecution of cartel cases;
- (iii) Proactive identification of mergers;
- (iv) Enhancing awareness about the mandate of the Authority to specific groups, such as students, SMMEs and sector regulators; and
- (v) Improvement of internal processes, performance initiatives and risk management initiatives.

This Annual Report, therefore, covers achievements, challenges, opportunities and initiatives undertaken to respond to challenges and opportunities in the context of the Authority's annual performance during the period under review.

Communications and Advocacy



Mr. Gideon Nkala



Ms. Gladys Ramadi



Mr. Modimoosi Matebesu



Ms. Kelebogile Ngwenya



Ms. Bonolo Motsamai

Communications and Advocacy

The Department of Communications and Advocacy is mandated, under section 5(2) (d) of the Competition Act, to inform and educate members of the public and persons engaged in trade and commerce about the mandate of the Authority and the Commission. In pursuance of this responsibility, the Authority has undertaken a number of projects, initiatives and studies to raise awareness, increase advocacy efforts and to improve the positive stakeholder perception and reputation of the Authority.

The overall aim of these initiatives is to maintain a competition culture, promote compliance with provisions of the Act and to influence behaviour. Suffice to add that this function is in keeping with the International Competition Network (ICN) policies in the Advocacy Working Group (AWG).

The Authority continued to implement its Communications Strategy in the year under review, and used various modes of communication to engage and communicate with its key internal and external stakeholders.

Achievements

The Authority made some notable achievements in awareness raising, increased stakeholder interactions and enhanced out-reach as follows:

Media Advocacy

The Authority continued to use the media as a key element of its communication and advocacy strategy. The Authority was featured in 35 radio stories, four television stories and 76 newspaper articles in this reporting period. Eleven press releases were issued and 12 columns published in the Botswana Guardian newspaper. In all the media relations activities, the Authority was able to meet the set targets and even exceeded some, except with respect to the issuance of press statements, which only achieved 92% of the set target of 12 press statements during the year.

The result of this active media presence was reflected in increased awareness about the Authority, which increased to 77.4 % from 75.6% in the previous year. Due to its considerable media presence, the Competition Authority won the Most Media Visible Parastatal Award for 2014/15 from the Ministry of Trade and Industry.

Conferences and Public Discussion Forums

The Authority hosted the fourth annual National Competition Conference on 26th March 2015 under the theme, 'Competition and the Supply Chain'. The conference was officially opened by the Honourable Assistant Minister of Trade and Industry, Advocate Sadique Kebonang, while the keynote address was delivered by Ms. Regina Sikalesele-Vaka, the Chief Executive Officer of Bramer Life Insurance. The CEO of the Authority delivered the conference overview and outlined what the Authority would do to implement the resolutions of the conference.

The conference discussed supply chain issues in the retail and milling industries, as well as public procurement. A total of 134 participants from various sectors, such as academia, retail, milling, mining, trade unions, transport and logistics, Botswana Confederation of Commerce, Industry and Manpower (BOCCIM), government departments, particularly procurement divisions, and the media attended the conference.

Communications and Advocacy

From these participants, 62% of the attendees indicated that the conference's sessions were informative and relevant to their needs. The impact of this conference was that the Authority was able to interact with sectors that had never been engaged before, such as the insurance sector. In particular, the engagement with the private sector on issues of procurement was a new development. In addition, the Authority was able to learn about some of the competition impediments in the areas of milling, insurance and retail. While a lot of policy issues were explained and discussed during the conference, there were a number of issues that needed further investigations and introspection from the Authority; and these are currently being pursued by the Authority.

In addition to the National Competition Conference, which is the flagship conference of the Authority, there have been six other presentations by the Authority, which were made to key stakeholders, including students, councillors and the business community, on the benefits of competition. During the year under review, the Authority also joined other competition agencies, practitioners and civil society organisations in observing World Competition Day on 5th December 2015 under the theme, *Competition Issues in Public Procurement*.

To observe the day, the Authority hosted a panel discussion where representatives from BOCCIM and the Authority discussed how competition impacts on public procurement. The panel discussion proceedings were widely shared with the public through the local media, the corporate website, social media and even with international organisations such as Consumer Unity and Trust Society, otherwise known as CUTS, which is based in India. The whole aim was to enhance the culture of competition and to highlight what the Authority was doing to build such a culture.

Social and Digital Media

The Authority's Facebook page maintained a vibrant social media presence, with a marked increase in the number of interactions with stakeholders. The number of Facebook Likes increased to 1,995, up from 980 in the previous year. The number of Twitter Followers of the Authority stood at 531 by 31st March 2015, up from 315 in the previous year. The website recorded 3201 users, with 61% returning visitors.

The Authority is reaching out to an increased number of people, and a significant number of members of the public rely on the Authority's Facebook page in particular as a source of information about the Authority. Most importantly, the Authority's Facebook page has become an important platform through which it has been able to gain feedback from the public. A considerable number of questions and even complaints come via the Authority's Facebook page, in addition to walk-ins, emails, letters, complaints raised during conferences and enquiries on the corporate website.

The result is that social media has become an important medium through which the Authority informs its stakeholders about its mandate, its initiatives and projects, and enables the stakeholders to use the Authority's social platforms to dialogue with the Authority.

Fairs and Exhibitions

The Competition Authority successfully participated in seven (7) fairs and exhibitions, including the BOCCIM Northern Trade Fair, Global Expo, Consumer Fair, Ministry of Trade and Industry's (MTI) public outreach forums, as well as those of sister organisations such as the Directorate on Corruption and Economic Crime (DCEC) and Citizen Entrepreneurial Development Agency (CEDA).

Through these fairs and exhibitions, the Authority interacted with close to 1000 members of the public who were sensitised on the benefits of competition in the economy. It is through these interactions that the Authority raised awareness and improved its brand recognition amongst key stakeholders and the public in general. These fairs and exhibitions were also used as opportunities to assess the level of awareness, customer satisfaction and stakeholder's perceptions about the Authority.

Table 1: Fairs and Exhibitions Attended by the Authority in 2014/15

FAIR	VENUE
BOCCIM Northern Trade Fair	Francistown
Consumer Fair	Gaborone
Global Expo	Gaborone
MTI Public Outreach	Palapye
CEDA Open Day	Hukuntsi
CEDA Open Day	Tloaneng
Youth Outreach	Serowe

Publications

During the year under review, the Authority's various departments developed guidelines, which included those on Merger Assessment, Abuse of Market Power, Discriminatory Conduct, Refusal to Deal, Predatory Conduct and Market Definition. The Authority also developed and published two brochures on Exemptions, and Mergers and Acquisitions. These publications can be accessed on the Authority's website. The Authority is in the process of developing Anti-Bid-rigging Guidelines and Franchising Guidelines.

The aim of all these guidelines is to improve the operational efficiency of the Competition Authority staff and further to assist stakeholders who would want to appreciate the internal processes of the Authority when conducting investigations or assessments. These guidelines have empowered both the employees and stakeholders who use them. Suffice to add that the guidelines are in keeping with one of the core values of the Authority - Transparency.

Furthermore, six editions of the Competition Authority's e-newsletter, the Botswana Competition Bulletin, were published. The Authority's newsletter is a platform through which major events in the organisation are highlighted and interpreted to show their implications for competition in the market. The major thrust of the newsletter is to improve awareness about the mandate of the Authority and to inculcate a competition culture.

Complaints and Enquiries

The Authority continued to facilitate an environment where members of the public and the business community could lodge their complaints against anti-competitive behaviour or make enquiries regarding competition matters.

A considerable number of the complaints received were not competition related; some were policy issues which were referred to the MTI for resolution. Other complaints were referred to relevant departments and agencies such as the Directorate on Corruption and Economic Crime (DCEC), Public Procurement and Asset Disposal Board (PPADB) and Non-Bank Financial Institutions Regulatory Authority (NBFIRA).

A significant number of complaints and enquiries were settled during preliminary discussions, mainly because the issues raised did not entail substantive competition concerns. Even with respect to complaints that raise competition concerns, the Competition Authority investigates these cases using a priority assessment approach which takes into consideration urgency, resources and impact on the market, amongst other things.

Competition and Research Analysis



Dr. Mokubung Mokubung



Mr. Ernest Bagopi



Mr. Setso Sikwane



Ms. Goitseone Modungwa



Mr. Thabang Tihalerwa



Ms. Thabiso Mbongwe



Mr. Christson Daman

Competition and Research Analysis

The main function of the Department of Competition and Research Analysis is to manage, direct and coordinate operations for research, investigations, monitoring and assessments of anti-competitive business conducts in the private and public sectors.

Achievements

During the year under review, the Authority embarked on a number of projects and activities with a view to reduce anti-competitive conduct in the market. Two cartel cases were referred to the Competition Commission in addition to a case that was already before the Commission at the beginning of the reporting period. This case was carried over from the previous year.

Two cases related to possible bid-rigging in the supply of Sugar Beans and Infant Formula Milk (Creative Business Solutions (Pty) Ltd and Rabbit Group (Pty) Ltd) to the Government of Botswana, while the third case related to vehicle panel beaters (Car World Auto Craft Shop (Pty) Ltd and Auto-Tronics (Pty) Ltd). The two bid-rigging cases are with the Commission and are summarised below including the Panel Beaters case:

Panel Beaters Case

This is a case where the Authority alleged that there was collusion between Car World Auto Craft Shop (Pty) Ltd, and Auto Tronics (Pty) Ltd. The Authority alleged that the two vehicle panel beating companies issued cover quotations to clients for insured vehicles that needed repairs; the possible effect of this alleged anti-competitive conduct would be high insurance costs which would be borne by the customer.

The case was withdrawn against both the respondents on 13th August 2014. The reason for the withdrawal was that the respondents were not served with notices to inform them that they were being investigated. This omission nullified the investigations and rendered the complaint referral dismissable. Prior to this, the respondents had challenged the legality of the Commission presiding over the case on the basis that the same Commission members were the board members of the Authority; hence violating the principle of natural justice.

However, that challenge was dismissed and the respondents appealed the decision at the High Court. In resolving the matter, the parties later agreed to withdraw the matter both before the Commission and the High Court on the basis that the matter be settled out of court.

Sugar Beans Case

The Authority investigated and referred the Sugar Beans Case to the Competition Commission, following a complaint from a whistleblower that alleged bid-rigging. In this case, two companies were investigated by the Authority for possible rigging of a P114 million tender that was awarded by the Ministry of Local Government and Rural Development for the supply of 7,530 metric tonnes of sugar beans to schools across the country.

The Authority's investigations revealed that Creative Business Solutions (Pty) Ltd and Rabbit Group (Pty) Ltd could have agreed and set tender prices at P58 047,304 and P55 956,600 respectively. Furthermore, the two companies were charged with allocating markets, where Creative Business Solutions (Pty) Ltd predominantly supplied the Government depots in the northern parts of the country and Rabbit Group (Pty) Ltd supplied those in the southern parts of the country. The case was referred to the Commission.

Competition and Research Analysis

Infant Formula Milk Case

The Authority investigated and referred the Infant Formula Milk case to the Commission following a complaint from a whistleblower who alleged bid-rigging.

By the time the investigations were completed, the Authority was of the opinion that there was possible collusion between Rabbit Group (Pty) Ltd and Creative Business Solutions (Pty) Ltd, in the tender valued at P10 million, to supply the Government of Botswana through the Ministry of Health with infant formula milk powder. The case was referred to the Commission for adjudication.

Cases Resolved after the Competition Authority's Intervention

Supply of Explosives

Two enterprises engaged in the supply of explosives were alleged to have entered into an exclusive distributorship agreement in which they allocated the market of mining operations amongst themselves. This case did not go for adjudication; but the parties agreed to remove the barriers to entry clauses after the intervention of the Authority. Clauses which limited new entry and allowed for market allocation were relaxed after the Authority's intervention.

The two parties involved agreed to remove the anti-competitive clauses and revise the agreement. An undertaking was made by the parties not to re-insert the clauses identified as potentially anti-competitive, either in the current or future distributorship agreements with any of the respondents' distributors.

Lifting of barriers to entry in the supply of sugar

The case was reported by an anonymous person who had observed that two wholesalers Trans Africa (Pty) Ltd and Sefalana Cash and Carry (Pty) Ltd only sold Blue Crystal sugar and refused to sell other sugar brands, Selati and Pure Sugar. The intervention of the Authority in this matter led to lifting of the barriers to entry, whereby the two brands managed to enter the markets of the two wholesalers.

Massage and Physiotherapist Equipment Case

An anonymous complainant alleged that a sole distributor of Ceragem equipment in Botswana refused to supply the complainant's company with Ceragem equipment so that it could open a Cerahouse (a business which utilises Ceragem equipment). The Competition Authority intervened in this matter and the complainant was supplied with Ceragem equipment by Ceragem.

Kebo Electrical Case

The allegation was on refusal to supply light bulbs by Osram South Africa. However, due to the Authority's intervention Kebo Electrical is now allowed to source supplies from the supplier.

Real Estate Case

The Authority investigated a complaint about an allegation of anti-competitive behaviour in the real estate sector. From the investigations, no competition issues were found. However, the Authority found out that there is a requirement by Real Estate Institute of Botswana (REIB) that a probationer member (Auctioneering) has to be mentored by a practising full member of REIB for a period of 12 months in order to be accepted as a full member.

At the end of the probation period, the mentor has to make a recommendation for the probationer member to be issued with membership or not. This requirement creates an arrangement that is potentially anti-competitive, as the competitor may refuse to mentor a potential competitor in an attempt to frustrate entry. The mentor may also decide not to recommend the probationer for fear of opening an opportunity for a potential competitor. Both REIB and the Real Estate Advisory Council (REAC) were advised of the potential harm to competition that could be caused by this requirement and they undertook to remove this potential anti-competitive requirement.

Legal and Enforcement



Mr. Duncan T. Morotsi



Ms. Tapiwa Masie



Ms. Katumelo Searobi-Mhutsiwa



Mr. Kesego Modongo

Legal and Enforcement

The Legal and Enforcement Department is primarily responsible for ensuring that the Competition Act is properly enforced and that the Authority acts within the parameters of the law in all its operations. During the 2014/15 financial year, the focus was on increasing the understanding of the Competition Act through conclusion of Memoranda of Understanding (MoUs) with sector regulators and raising awareness on the consequences of the infringements to the Act through targeted training for enterprises operating in the economy.

During the period under review, the Legal and Enforcement priorities of the Authority were aimed at concluding (MoUs) with sector regulators that could not be completed in the previous years, prosecuting cartel cases referred to the Commission and ensuring that SMEs were trained on relevant aspects of the Competition Act. The emphasis was on cartel behaviour as it has been determined that such behaviour is not only the most detrimental to the market, but it is also the most common form of anti-competitive conduct taking place in the economy.

Achievements

During the year under review, a number of achievements which assisted in securing acceptable performance levels for the Authority were realised, these are outlined below:

MoUs with Sector Regulators and Strategic Partners

Two MoUs were concluded with the Bank of Botswana (BoB) and the Botswana Communications Regulatory Authority (BOCRA) on 6th June 2014 and 20th January 2015, respectively. This brings the total number of MoUs that the Authority has concluded with sector regulators to four (and one strategic partner), and this completes the list of sector regulators set out in the Act for the Authority to cooperate with. This is in addition to the MOU that was signed with strategic partners such as the DCEC and the Public Procurement and Asset Disposal Board (PPADB).

The MoUs would allow the Authority to engage with sector regulators in a bid to uncover anti-competitive behaviour that may be impeding the growth and advancement of such sectors. Cooperation with BoB was very useful for the purpose of the merger transaction between BancABC and Atlas Mara in June 2014.

It is expected that the Authority and the sector regulators will work together and take the initiative to conduct joint training sessions and exchange useful information to ensure that enterprises in these sectors are well informed regarding the Act and its effects on business.

Training on Detection and Prevention of Bid-Rigging

The Authority embarked on a training initiative to empower parastatals (i.e., state owned entities) to detect and prevent bid-rigging and its negative effect on economic development. The initiative was predicated on the numerous complaints that were received by the Authority to intervene in Government tenders where bid-rigging was suspected, and also considering the large sums of public money that are lost as a result of the conduct.

The training targeted the procurement units of all parastatals as they are responsible for the procurement of goods and services. The Authority shared the platform with its MoU Partners, the DCEC and PPADB, to impart knowledge on corruption and competitive tender development to complement the anti-bid-rigging presentations by the Authority. Ten parastatals; BOCRA, BoB, Botswana Post, Botswana Power Corporation, Civil Aviation Authority of Botswana, Statistics Botswana, Botswana Housing Corporation, Local Enterprise Authority, Botswana Telecommunications Corporation Limited, Botswana Fibre Networks Limited and Botswana Investment and Trade Centre took part in the training workshop that took place on 7th June 2014.

The evaluation from the workshop was positive as most participants found the training useful to their role of evaluating tenders. Immediately following the training, the Authority noticed a rise in the number of enquiries from Parastatals on whether certain observed conduct by bidders amounted to bid-rigging.

Training SMMEs on the Competition Act

Recognising the important role that Small, Medium and Micro Enterprises (SMMEs) play in the economy, and the need to ensure that they are empowered to be able to compete both in the local and international markets, the Authority undertook to train SMMEs on aspects of the Competition Act relevant to their operations.

The Authority honoured the request of the Ministry of Transport and Communications, as well as the office of the Ghanzi District Youth Coordinator to train SMMEs on the Competition Act. Sharing the platform with PPADB and DCEC, the Authority participated in construction sector workshops in Francistown, Maun and Gaborone on 16th, 18th and 19th February 2015, organised by the Ministry of Transport and Communications.

The Authority gave presentations on detection and prevention of bid-rigging in the construction sector. Furthermore, a presentation on the harmful nature of cartels, bid-rigging and the nature and process of application for exemptions under the Act was given to beneficiaries of the Youth Development Fund in Ghanzi on 22nd January 2015.

First Exemption Application

Following an extensive exemptions awareness programme undertaken by the Authority to businesses in Gaborone, Francistown and Ghanzi, the first application for exemption was received on June 17, 2014. The application was made by Choppies Distribution Centre (Pty) Ltd ("Choppies"), Pay-less Supermarket (Pty) Ltd ("Payless") and Woodblock (Pty) Ltd t/a Fours Cash and Carry ("Woodblock").

The applicants requested the Authority to exempt their Buying Group Agreement from the provisions of the Competition Act. In terms of the Act, the Authority may grant or refuse applications for exemption in terms of Part VI of the Act. Such exemption applications are made by enterprises who may be engaging in anti-competitive conduct, but due to the positive public interests that the parties believe may be realised from such conduct, they request to be permitted to continue engaging in the same conduct.

The assessment by the Authority of such applications considers whether an agreement, which would ordinarily prevent or substantially lessen competition, could be allowed, to continue for a specified period of time on grounds that there will be offsetting benefits to the public which are directly attributable to the agreement.

The Buying Group Agreement between Choppies, Pay-less and Woodblock was considered to be capable of substantially lessening competition in the retailing of Fast Moving Consumer Goods (FMCG) or the grocery retailing market where the parties operate in similar geographic markets. The Authority found that the detrimental effect on competition resulting from the Buying Group Agreement outweighed the benefits that could accrue to the public if the Agreement was exempted.

On 16th September 2014, the Authority issued a decision rejecting the exemption application. The decision of the Authority was that the parties to the Buying Group Agreement should wean themselves off the Agreement by the 30th November 2014. The decision of the Authority was appealed to the Commission and the parties requested to be given time to negotiate a settlement of the matter. As at 31st March 2015, the parties were finalising a consent agreement.

Referral of Cases to the Competition Commission

Following investigations by the Authority, referrals of cartel conduct were made to the Competition Commission for adjudication of the alleged prohibited conduct. Two cases were referred to the Commission for adjudication during the period under review. The two cases were referred for hearing, while the third was referred as an application by the Authority for interim relief pending the completion of investigations.

The Authority made an application to the Commission for interim relief in the form of a suspension of the tender pending the completion of investigations. The Authority had, following a complaint that was lodged with it on 24th January 2014, initiated an enquiry into whether there was bid-rigging by some of the bidders in responding to the Tender. As the Authority believed that there was a public interest to protect, it applied to the Commission to have the tender suspended to avoid further loss of taxpayer's money through the execution of the tender.

The Interim Order was granted by the Competition Commission on 13th August 2014, suspending the execution of the tender to allow the Authority to complete its investigations. On the return date of the *Rule Nisi* (24th October 2014), the Authority made an application to discharge the Rule and the application was granted. The reasons given by the Authority were that the tender had come to an end, and the enterprises concerned did not supply any material to the Hukuntsi Sub-District Council; therefore, they had not benefitted from their suspected bid rigging conduct.



Mergers and Monopolies



Ms. Magdeline Gabaraane



Mr. Innocent Molalapata



Mr. Othusitse Oletile



Ms. Lizalozé Ganaope



Ms. Pono Semane



Mr. Ridwell Moremi

Mergers and Monopolies

The Department of Mergers and Monopolies is responsible for enforcement of Part X of the Competition Act. To achieve this, the Department assesses whether proposed mergers and acquisitions are: likely to prevent or substantially lessen competition or to restrict trade or the provision of any service or endanger the continuity of supplies or services; or 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 the market.

The Authority may, in addition, consider any factor which has or likely to have bearing on the broader public interest as outlined in section 59(2) of the Act. In making a determination in relation to a proposed merger, the Authority may unconditionally approve, conditionally approve or prohibit a merger.

Achievements

During the assessment of mergers in the year under review, the Authority achieved the following:

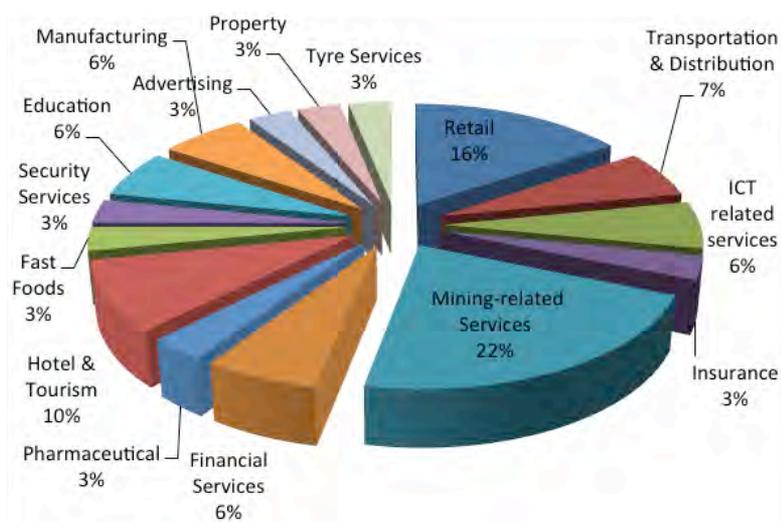
Review of Merger Activity

Merger activity experienced a slight drop in the year under review as compared to the previous year, which may be on account of challenging economic conditions. The total number of mergers notified in 2014/15 was 32. This was a slight decrease from the figure of 33 in the previous year.

Out of these 32 notifications, six mergers (18.8%) were discovered by the Authority, showing an increase of 6.7 percentage points on proactively identified mergers as compared to the financial year 2013/14.

Figure 1 shows the merger notification by sector during 2014/15. Most of the mergers (22% and 16%) notified in the period 2014/15 were in the mining-related services and retail sectors, respectively:

Figure 1: Notified Mergers by Sector



During the financial year under consideration, the Authority made determinations on 26 merger notifications against a target of 36; which were 27.8% below the 2014/15 target. The determination of 26 mergers is a 21% decrease from 33 in the previous year (see Table 2) and of these 26 cases, three were approved with conditions and 23 without conditions. No merger was prohibited, as appropriate remedies and conditions have been put in place to address substantial lessening of competition, dominance and public interest concerns.

Mergers and Monopolies

Table 2: Mergers Notified and Reviewed from 2012/13 to 2014/15

MERGER CASES	2012/13	2013/14	2014/15	TOTALS (2012/15)
Notified	28	33	32	93
Brought Forward	8	3	3	14
Finalised/Determinations	33	33	26	92
Approved without Conditions	17	18	23	58
Approved with Conditions	15	15	3	33
Prohibited	1	0	0	1

Note: The target for 2012/13 was 20, while 25 was targeted for 2013/14 and 36 for 2014/15

Mergers and Acquisitions Approved with Conditions

The Authority approves mergers with conditions when, following the assessment, it determines that a remedy, undertaking or condition can address the competition or public interest concerns identified. Conditions imposed or undertakings accepted can be behavioural or structural in nature. Behavioural conditions are meant to regulate the conduct of the firms through measures such as supply terms, public interest remedies, or eliminating cross-shareholding in firms. Structural remedies are intended to change the structure of a market by requiring firms to sell or exclude from the transaction a part of the business causing competition concerns.

During the year under review, a total of three mergers were approved with conditions as follows:

Table 3: Mergers Approved with Conditions from 1st April 2014 to 31st March 2015

NO	CASE NUMBER	SECTOR	ACQUIRING FIRM	TARGET FIRM	CONDITION
1.	MER/007/2014	Retail	Tsetseng Retail Group (Pty) Ltd trading as Spar Supermarket	Mojanaga (Pty) Ltd Investments Trading as Tutume Spar	Tsetsengs Retail Group commits to buy from local producers, not only in Tutume, but also in other areas where their stores are located; and Employment: Tsetseng Retail Group commits to employ all the existing staff of Tutume Spar.
2.	MER/009/2014	Retail	Tsetseng Retail Group (Pty) Ltd trading as Spar Supermarket	Kimbo Investments (Pty) Ltd trading as Food Lovers Market, Pay-Less Supermarket (Pty) Ltd	SMMEs: Tsetseng Retail Group commits to buy from local producers; and Employment: Tsetseng Retail Group commits to employ all the existing staff of Food Lovers' Market at Railpark Mall.

Mergers and Monopolies

NO	CASE NUMBER	SECTOR	ACQUIRING FIRM	TARGET FIRM	CONDITION
3.	MER/023/2014	Transportation and Distribution (Logistics)	Transport Holding Ltd	Mulbridge Transport (Pty) Ltd	<p>Employment: The merged entity should ensure that proper procedures are followed in line with the labour laws of Botswana to ensure that every employee receives the due severance benefits, and wherever reasonably possible, they will endeavour to create employment for the concerned employees by negotiating with their suppliers and customers; and</p> <p>The merged entity should revert to the Competition Authority within 12 months, with a status report regarding the status of the concerned employees.</p>

Mergers Approved Without Conditions in 2014/15

Twenty-three mergers in various sectors that were approved without conditions in the 2014/15 reporting period are listed in Table 4:

Table 4: Mergers Approved Without Conditions in the 2014/15 Financial Year

NO.	CASE NUMBER	SECTOR	MERGING PARTIES
1.	MER/003/2014	Transportation and Distribution (Logistics)	Vector Logistics (Pty) Ltd and Senn Foods Logistics (Pty) Ltd
2.	MER/004/2014	Retail	Precious Possessions (Pty) Ltd and JB Sports Group
3.	MER/005/2014	Transportation and Distribution (Logistics)	Global Holdings Botswana (Pty) Ltd and Fine Pharmaceuticals (Pty) Ltd
4.	MER/006/2014	ICT	Dimension Data (Pty) Ltd and Botswana Branch of ContinuitySA (Pty) Ltd
5.	MER/008/2014	Insurance	Botswana Insurance Company Ltd and BIHL SURE!'s General Lines Book
6.	MER/010/2014	Financial	BNP Paribas Personal Finance S.A and RCS Investment Holdings Ltd
7.	MER/011/2014	Banking	Atlas Mara Co-Nvest Limited and African Banking Corporation of Botswana Ltd
8.	MER/012/2014	Project Management in Mining	SNC-Lavalin Group Inc. (Pty) Ltd and Kentz Engineers and Constructors Botswana (Pty) Ltd
9.	MER/013/2014	Project Management in Mining	Lycopodium Limited and ADP Kukama (Pty) Ltd
10.	MER/014/2014	Telecommunications Services	Telkom SA SOC Ltd and Business Connexion Group Ltd

Mergers and Monopolies

NO.	CASE NUMBER	SECTOR	MERGING PARTIES
11.	MER/015/2014	Pharmaceutical Adcock Ingram Holdings Ltd	BB Investment Company Proprietary Ltd and
12.	MER/016/2014	Hotel and Tourism Sun International (Pty) Ltd	MHG International Holdings (Mauritius) and
13.	MER/017/2014	Fast Food	Setso Home (Pty) Ltd and Nanzz (Pty) Ltd
14.	MER/018/2014	Security Services Hotline Security Services (Pty) Ltd	Security Services Botswana (Pty) Ltd and
15.	MER/019/2014	Hotel and Tourism Casino & Resorts (Pty) Ltd	Speedy Investments (Pty) Ltd and Teemane
16.	MER/020/2014	Mining Mining Company (Pty) Ltd	BCL Investments (Pty) Ltd and Tati Nickel
17.	MER/21/2014	Retail	Retailability (Pty) Ltd and Oclin (Pty) Ltd
18.	MER/022/2014	Education Botswana (Pty) Ltd	Resen Holdings (Pty) Ltd and Knyber
19.	MER/024/2014	Retail International Holdings Ltd	Pepkor Holdings (Pty) Ltd and Steinhoff
20.	MER/025/2014	Manufacturing	Ethos Fund VI and Nampak Ltd
21.	MER/001/2015	Property	Tradehold Collins JV Ltd and Eaglewing Holdings
22.	MER/004/2015	Advertising and JCDcaux South Africa Holdings (Pty) Ltd	Continental Outdoor Media Holdings (Pty) Ltd
23.	MER/005/2015	Mining International (Botswana) (Pty) Ltd	Belabela Quarries (Pty) Ltd and BGE

Mergers Carried forward to the 2015/16 Financial Year

The following merger cases were carried forward to the 2015/16 financial year on account of their date of determination falling within the 2015/16 financial year:

Table 5: Merger Cases Carried Forward to the 2015/16 Financial Year

NO.	CASE NUMBER	SECTOR	MERGING PARTIES
1.	MER/002/2015	Education Acquisition SCA and Holtzbrinck Publishing	Springer Science and Business Media G.P. Group
2.	MER/003/2015	Tyre Services Botswana (Pty) Ltd	Tyre Services (Pty) Ltd and Tyre Corporation
3.	MER/006/2015	Mining Services Fluiconnecto Holding BV	Fluid Systems Botswana (Pty) Ltd and Manuli
4.	MER/007/2015	Mining	Jindal BVI and Glendal Trading
5.	MER/008/2015	Retail Holdings Ltd	Bidvest Office Holdings (Pty) Ltd and e-Africa
6.	MER/009/2015	Manufacturing Holdings Ltd	Bolux Group (Pty) Ltd and Seaboard Botswana
7.	MER/010/2015	Mining Services Sales and Services (Pty) Ltd	Torre International Holdings Ltd and Equipment
8.	MER/011/2015	Hotel and Tourism	Yuagong (Pty) Ltd and Natural Mystik (Pty) Ltd
9.	MER/012/2015	Transportation and Distribution (Logistics) Holdings Ltd	Imperilog Botswana (Pty) Ltd and Transport

Impact of the Assessed Mergers and Acquisitions

Through the assessment and review of some mergers and acquisitions in 2014/15, the Authority facilitated the injection of over P145 million into existing businesses in Botswana. It further facilitated technological and skills transfer, and creation of more jobs.

Following the decision by the Authority that the Tsetseng Retail Group of Spars should commit to source horticultural products from local farmers, it is envisaged that local horticultural producers will find a sustainable market and hopefully expand their businesses.

In addition, competition is also expected to be enhanced in the banking sector (the sector is currently dominated by bigger players such as First National Bank Botswana, Standard Chartered Bank and Barclays Bank), following the takeover of BancABC Botswana by Atlas Mara.

Atlas Mara is expected to bring in capital injection and its international experience in the banking sector in terms of diverse product offering; and it is anticipated that these advantages would place BancABC at par with the giants in the sector and create vigorous competition and better trading terms for businesses and consumers at large.

The Authority further facilitated entry of a small citizen owned enterprise (Security Services) in the cash in transit and alarm and response markets, which are dominated by a foreign owned enterprise, G4S. Such entry is expected to enhance citizen economic empowerment by expanding the small enterprise's business portfolio and possibly preventing a takeover by a dominant firm. It is highly possible that, in the absence of the Authority, entry would not have occurred as the dominant firms would have bought the enterprise that was exiting.

Corporate Services



Ms. Tebelelo Pule



Mr. Kitso Mocominyane



Mr. Botsalo Makolo



Ms. Tshepo Wadipeba



Mr. Keoagile Ntshaanana



Mr. Morulaganyi Modikwa



Ms. Amantle Moreetsi

Corporate Services



Mr. Mooketsi Ntwaagae



Ms. Sebilo Kebotsamang



Mr. Kamogelo Ditsele



Ms. Kenewang Morupisi



Mr. Tonny Kolanyane



Ms. Neo Gopolang



Mr. Tebogo Dikgang



Ms. Rebecca Rabakane

The mandate of the Department of Corporate Services is to manage, direct and coordinate the operations of the Authority while ensuring that financial management and corporate governance are in accordance with legislation and international accounting standards; the implementation of best practice human resources strategies and interventions; the efficient management of procurement and the supply chain; and the application of information technology that effectively supports the services delivery standards of the organisation.

Human Resource

The Authority's Strategic Plan has four strategic themes namely; customer and impact, internal processes, learning and growth and financial and resources. The human resource is basically focused towards learning and growth perspective. Under Learning and Growth', there are four key performance areas comprising (i) performance culture, (ii) talent attraction and retention, (ii) skills and capacity and (iv) leadership.

Performance Culture

Performance Culture is measured through the Authority's ability to achieve the targets on the Corporate Scorecard, employees achieving agreed performance targets and achieving an acceptable productivity level. The Authority has continued to inculcate a high performance culture through the effective implementation of the performance management system. The system has assisted the Authority to manage and monitor performance at organisational, departmental and individual level to ensure excellence in the delivery of its mandate.

Talent Attraction and Retention

During the period under review, three employees resigned.

The Authority is supporting the Government initiative of affording graduates work exposure through the Internship Programme. For the reporting period, there were 14 interns who were attached to different departments within the Authority, six of which were later converted to be temporary employees.

Employee Welfare and Wellness

As one of the strategic initiatives, the Authority has committed to conduct one employee satisfaction survey per annum. During the period under review, the Authority participated in the Deloitte's Best Company to Work for Survey 2014, which aimed at providing an indication of the current level of job satisfaction amongst staff members. The results of the survey indicated that the job satisfaction level is currently at 69.2% against the Authority's strategic target of 85%. The report further indicated areas of concern for staff, which Management has to pay attention to in order to increase the job satisfaction level.

During the year under review, the Authority revised the General Terms and Conditions of Service in consultation with employees. This was expected to assist the Authority to maintain competitive terms and conditions of employment that can ultimately lead to staff retention and to higher levels of productivity.

In line with the Retention Strategy, the Authority held a successful staff team building retreat from 27th-29th November, 2014, which was combined with the 3rd Annual Staff Awards Ceremony. The team building retreat and the awards ceremony continue to motivate employees and nurture teamwork and interpersonal relations amongst staff members.

During the awards ceremony, the following employees and departments, who were selected through a transparent and fair voting system, received awards in recognition of their outstanding performance under categories which were derived from the corporate values of Transparency, Professionalism, Integrity and Teamwork:

Table 6: Recipients of the 2014 Annual Staff Awards

AWARD CATEGORY	RECIPIENT
Most Passionate	Tonny Kolanyane
Most Influential	Magdeline Gabaraane
Most Trustworthy and Reliable	Mooketsi Ntwaagae, Rebecca Rabakane
Most Supportive	Gideon Nkala
Most Professional	Magdeline Gabaraane
Most Considerate	Gideon Nkala
Most Committed and Dedicated Intern	Keoagile Ntshaanana
Best Overall Employee	Magdeline Gabaraane
CEO's Award of Excellence	Department of Communications and Advocacy

The staff team building retreat has had a noticeable impact on the organisation and the following can be attributed to such an intervention:

- (i) Strong team relations, cooperation and information sharing between departments;
- (ii) Low staff turnover rate;
- (iii) A motivated workforce;
- (iv) Very few cases of reported grievances; and
- (v) High levels of productivity.

In an effort to address employee wellness, in the year under review the Authority engaged a service provider to implement an Employee Support Programme, which entailed health and wellness assessments; lifestyle management programmes; psychological support services; absenteeism management; management and facilitation of wellness days; annual health screening; health awareness; healthy lifestyle group counselling; and HIV/AIDS and chronic illness management. The Authority also observed World Aids Day on 1st December 2014.

Skills and Capacity

During the reporting period, a Skills Gap Analysis was carried out to assess whether the right and key skills are in place and to find out whether all employees have the knowledge, skills and ability to achieve their objectives. In order to address the identified skills gap, the Authority continued to equip its employees with the necessary skills through on-the-job training and formal training.

In addition, the Authority employees attended local, regional and international, conferences and workshops organised by the Africa Competition Forum, International Competition Network, the United States Federal Trade Commission and other competition agencies.

In order to support succession planning in the Authority and create a pool of capable and effective leaders and managers, the Authority engaged a service provider to assist with implementation of a Leadership and Management Development Programme. As at 31st March 2015 the programme was on-going and envisaged to help the employees to acquire the necessary management and leadership skills that will assist them to respond effectively to current and future business challenges; and also help them to develop a broad and deep understanding of organisational issues, such as leading change, increasing accountability and creating a service-driven organisation.

Information Management

Information management is aimed at eliminating security breaches on IT systems, as well as ensuring systems availability. The Authority conducted a systems audit and assessment to identify deficiencies that needed to be rectified. The findings were attended to with a view to mitigate future risks or occurrences.

Information Management

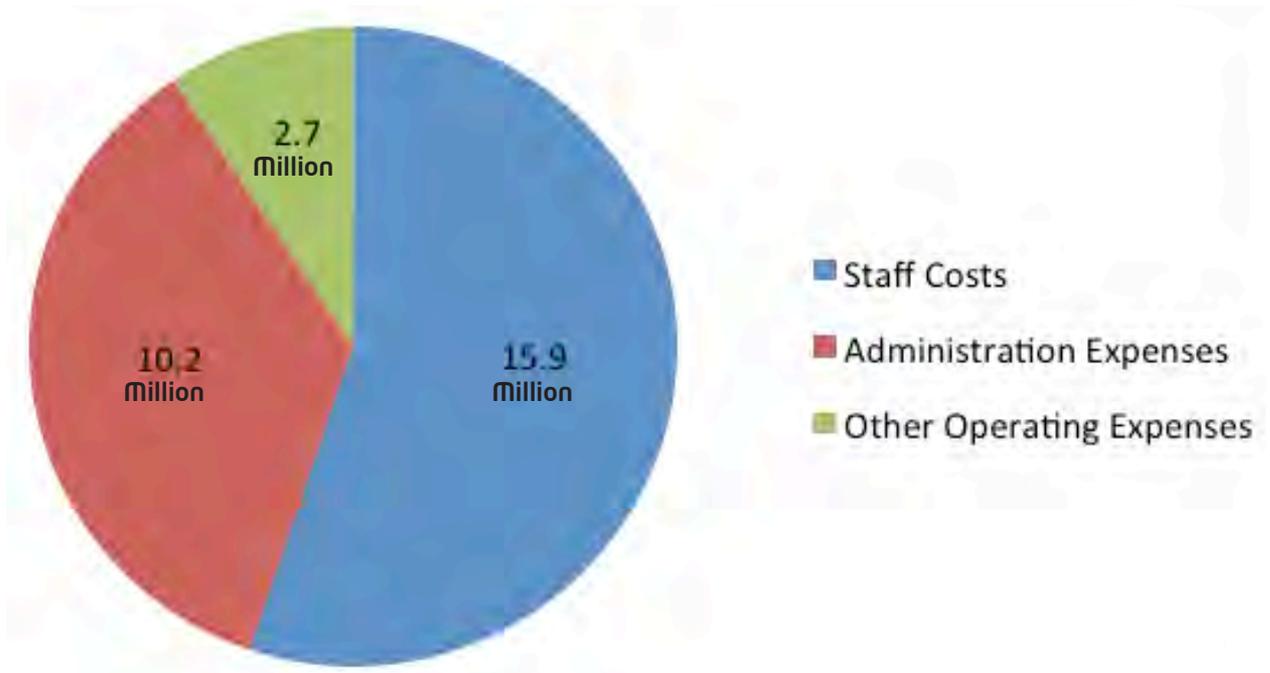
Information management is aimed at eliminating security breaches on IT systems, as well as ensuring systems availability. The Authority conducted a systems audit and assessment to identify deficiencies that needed to be rectified. The findings were attended to with a view to mitigate future risks or occurrences.

The information and data security system is being reviewed continuously to ensure that critical information on both the organisation and its clients is fully secured, particularly from external threats. During the period under review, system downtime was experienced during peak hours. Unavailability of a disaster recovery site is still a threat that can affect business continuity. To mitigate this, a routine maintenance plan was put in place to ensure that systems are kept in good condition so as to prolong the operating life of the system.

Financial Management

The total operating expenditure for the year was P 28.8 million, which indicated a 100% utilisation of the allocated budget for 2014/15. The budget was financed by: Government subvention at P22.7 million; and other income at P 2.3 million. Below is the breakdown of the expenditure items (in Millions of Pula):

Figure 2: Breakdown of Expenditure





Challenges and Initiatives Taken to Respond to the Challenges

The Authority encountered some challenges in the period under review particularly a budgetary shortfall which hampered the implementation of a number of planned activities. Challenges were also encountered in relation to investigations, merger notification, and access to data and information.

Activities that were affected by budgetary constraints included awareness and advocacy initiative such as media engagement, advertising, stakeholder engagement, evaluation of the Authority's interventions through customer satisfaction surveys, and corporate social responsibility activities.

To mitigate this challenge, the Authority intensified the use of social media and the website as well as participation in strategic events of key partners, such as the DCEC, PPADB and CEDA which assisted the Authority to achieve its mandate of increasing public awareness at a reduced cost. It also explored and utilised free online surveys and other monitoring tools to evaluate the impact of communications and advocacy initiatives.

As a result, a free online survey was used to evaluate the impact of the corporate newsletter in the period under review, which revealed that the newsletter was widely accepted. Due to budgetary constraints the Authority shall place emphasis on corporate social responsibility activities that do not demand a lot of money from the corporate budget, such as clean-up campaigns, spending time with children at identified institutions and donating second hand computers and clothing.

Some small businesses misunderstand the mandate of the Authority and surmise that it was set up to protect them from bigger competitors, thereby expecting the Authority to minimise or even to stop organic growth of some business entities. To that end, the Authority intensified efforts to target the small business community through its advocacy initiatives so as to enhance their understanding of its role and mandate.

In terms of investigations, conflict in terms of the role of investigating while at the same time prosecuting cases by officers in the Legal and Enforcement Department was another major challenge. Further, limited human capital resulted in the same staff conducting investigations and also having to go into the field to conduct research. This led to delays in completion of both research and investigations, and also a huge workload for the staff. The quality of the investigations output was therefore compromised, and the shortage of manpower tended to slow down progress on cases.

To address this challenge, the Authority engaged external counsel for some cases and also put in motion steps to create an Investigations Unit which will be responsible for carrying out investigations only, leaving prosecution to the Legal and Enforcement team. Still on investigations, points of law which were raised in cases before the Commission resulted in slow determination of cases, but have also served as an opportunity for certain provisions of the Act to be clarified to give legal certainty, or to be earmarked for amendment.

Some stakeholders made it difficult for the Authority during the gathering of data for research and market studies in the review period and this led to delays in the completion of projects within the set time targets. Some stakeholders including Government Departments and businesses delayed in submitting data or information crucial for the conclusion of investigations; and this impacted negatively on the completion of investigations.

To encourage its stakeholders to be more forthcoming with information, the Authority strived to create a culture of trust with the business community and key stakeholders through meetings and presentations to Ministries, Government Departments and the business community. MoUs and other forms of information sharing mechanisms were developed and existing ones improved through joint implementation committee meetings.

Some mergers and acquisitions continued to be implemented in contravention of the Competition Act. There was also reluctance by industry players to submit requested information in some cases, and inadequate completion of merger filing by the merging parties. To that end, the Authority organised a meeting for merging parties in the period under review to brief them on the merger notification, merger assessment and merger determination processes as well as to receive feedback from them. This is expected to lead to a reduction in unauthorised mergers and improvement in the merger notification filing process.

Corporate Challenges and Opportunities

Opportunities

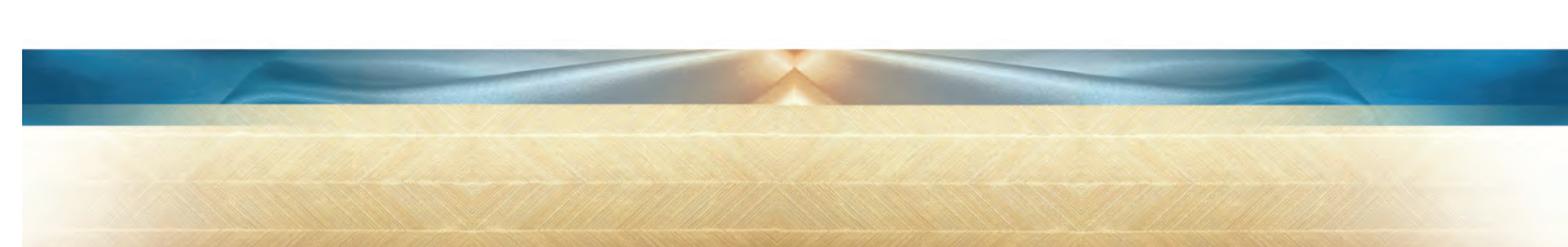
Recognising the importance of competition assessment, the Authority will advocate for a formalised mechanism through which competition assessment can be conducted on laws, policies, regulations and directives before they are passed, to ensure that competition law is taken into account. Through this mechanism, laws and regulations with anti-competitive effects will be minimised.

As the newly appointed legislators took office in November 2014, there is need to sensitise them on the provisions of the Competition Act and the importance of undertaking competition assessment in laws and policies they intend to pass.

Recruitment of temporary staff to augment the permanent staff will assist in reducing the workload and ensuring that faster progress is made on finalising cases. Engagement of inspectors will assist in the investigation process, particularly outside Gaborone.

Budget constraint opens up an opportunity to exploit cost effective means of stakeholder engagement. Many requests to be informed about the mandate of the Competition Authority are received from groups and institutions; and this creates an opportunity to inform and educate more people and institutions about the mandate of the Competition Commission and the Authority.

The creation of an Investigations Unit will ensure that there is separation between the investigation and prosecution functions of the Authority, and ensure that investigations are supervised and monitored from a central place.



**Competition Authority
Annual Financial Statements
31 March 2015**



Contents

Commissioners' Responsibility and Approval of Annual Financial Statements	45
Report of the Independent Auditors	46
Statement of Comprehensive Income	47
Statement of Financial Position	48
Statement of Changes in Funds	49
Statement of Cash Flows	50
Notes to the Annual Financial Statements	51-66

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 (Cap 46:09).

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 (Cap 46:09), the Competition Authority appoints the External Auditor but the Competition Commission is also responsible for providing policy and reviewing the design, implementation, maintenance and monitoring of the systems of internal control.

The Independent Auditors are responsible for giving 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 47 to 66, which were signed on its behalf by:



Dr. Zein Kebonang
Chairperson of the Competition Commission



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

Date: 22/09/2015

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 2015, and the statement of comprehensive income, statement of changes in funds and the statement of the cash flows for the year, and a summary of significant accounting policies and other explanatory information, as set out on pages 47 to 66.

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, 2015, 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

Practicing Member: Thomas Chitambo (20030022)
Certified Auditor
2nd Floor, Plot 22
Khama Crescent
P O Box 41015
Gaborone
Botswana

Gaborone
22 September 2015

Competition Authority
Statement of Comprehensive Income
for the Year Ended 31 March 2015

	Notes	March 2015 BWP	March 2014 BWP
REVENUE			
Government subvention	1	19,985,073	23,886,946
Amortisation of subvention relating to capital assets	16	1,570,198	1,458,074
Total grants revenue		<u>21,555,271</u>	<u>25,345,020</u>
Other Income			
Exemption fees	17	130,096	-
Merger fees	17	1,991,229	1,491,696
Sale of tender documents	17	11,000	10,500
Interest revenue	6	139,109	314,312
		<u>2,271,434</u>	<u>1,816,508</u>
Total Income		<u>23,826,705</u>	<u>27,161,528</u>
EXPENDITURE			
Staff costs	2	15,909,593	14,584,659
Consultancy costs	3	220,000	217,260
Administration expenses	4	10,217,222	11,552,088
Operating lease expenses	5	2,411,368	2,121,751
		<u>28,758,183</u>	<u>28,475,758</u>
Deficit for the year		<u>(4,931,478)</u>	<u>(1,314,230)</u>
Other Comprehensive Income		<u>-</u>	<u>-</u>
Total Comprehensive Loss		<u>(4,931,478)</u>	<u>(1,314,230)</u>

Competition Authority
Statement of Financial Position
31 March 2015

	Notes	March 2015 BWP	March 2014 BWP
ASSETS			
Non-Current Assets			
Plant and equipment	7	2,780,902	4,285,489
Current Assets			
Receivables and prepayments	8	2,061,957	3,061,926
Cash and cash equivalents	9	252,935	4,633,823
		2,314,892	7,695,749
Total Assets		5,095,794	11,981,238
FUNDS, RESERVES AND LIABILITIES			
Funds and Reserves			
Accumulated funds		246,150	5,177,629
Non-Current Liabilities			
Government subvention	16.1	791,378	2,407,573
		791,378	2,407,573
Current Liabilities			
Trade and other payables	10	1,285,898	1,141,681
Provisions	11	1,202,169	1,796,281
Government subvention	16.1	1,570,198	1,458,074
		4,058,265	4,396,036
Total Funds, Reserves and Liabilities		5,095,794	11,981,238

Competition Authority
Statement of Changes in Funds
for the Year Ended 31 March 2015

	Accumulated Funds BWP	Total BWP
Balance at 01 April 2013	6,491,858	6,491,858
Total comprehensive loss	(1,314,230)	(1,314,230)
Balance at 31 March 2014	<u>5,177,628</u>	<u>5,177,628</u>
Balance at 01 April 2014	5,177,628	5,177,628
Total Comprehensive loss for the year	(4,931,478)	(4,931,478)
Balance at 31 March 2015	<u>246,150</u>	<u>246,150</u>

Competition Authority
Statement of Cash Flows
For the year ended 31 March 2015

	Notes	March 2015 BWP	March 2014 BWP
CASH FLOWS FROM OPERATING ACTIVITIES:			
Deficit for the year		(4,931,478)	(1,314,230)
Adjustments for:-			
Amortisation of Government subvention	16	(1,570,198)	(1,458,074)
Depreciation	4	1,570,714	1,563,034
Movement in provision for gratuity pay for the year	11.1	(57,403)	69,709
Movement in provision for leave pay for the year	11.2	(594,211)	363,302
Movement in provision for leave travel for the year	11.3	57,500	(49,103)
Cash utilised by operations before working capital changes		<u>(5,525,075)</u>	<u>(825,362)</u>
Decrease/(Increase) in trade and other receivables	8	999,969	(1,956,422)
Increase in trade and other payables	10	144,217	945,963
Net cash flows from operating activities		<u>(4,380,889)</u>	<u>(1,835,821)</u>
CASH FLOWS USED IN INVESTING ACTIVITIES:			
Purchase of plant and equipment for expansion	7	<u>(66,127)</u>	<u>(2,027,145)</u>
Net cash flows used in investment activities		<u>(66,127)</u>	<u>(2,027,145)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Government subvention	16	<u>66,127</u>	1,502,344
Net cash flows from financing activities		<u>66,127</u>	<u>1,502,344</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(4,380,889)	(2,360,622)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		<u>4,633,822</u>	6,994,444
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	9	<u>252,935</u>	<u>4,633,822</u>

Competition Authority
Notes to the Annual Financial Statements
31 March 2015

ACCOUNTING POLICIES

PRESENTATION OF FINANCIAL STATEMENTS

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 (Cap. 46:09). The financial statements have been prepared in a manner consistent with prior periods, except for the adoption of the new or revised standards.

SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the financial statements is in conformity with the IFRS, which requires the use of certain critical accounting estimates and judgments 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 judgment that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities in the current year.

PLANT 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.

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 rates were used during the period to depreciate plant and equipment on a straight line basis to estimated residual values:

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

An item of plant 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.

Competition Authority
Notes to the Annual Financial Statements
31 March 2015

ACCOUNTING POLICIES

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 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 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 expense categories consistent with the function of the impaired asset.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or 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 economic benefits will flow to the Competition Authority while 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 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 the approval of the Authority as stipulated in section 56(1) of the Competition Act meets the threshold in Regulation 20 of the Competition Regulations as read with section 54 of the Competition Act. The threshold for merger notification is satisfied when either the turnover or asset value of the target enterprise is more than BWP10 million or the combined market share of the merging enterprises is 20% or more. It is also required under Regulation 16(2) that a merger shall be accompanied by a merger fee of 0.01 percent of the merging enterprises' combined turnover or assets in Botswana, whichever is higher.

Exemption Fees

Exemption fees are recognised when an application for an exemption is received. It is required under Regulation 6(2) that an application for an exemption shall be accompanied by an application fee of 0.01 per cent of the applicant's latest turnover.

Competition Authority
Notes to the Annual Financial Statements
31 March 2015

ACCOUNTING POLICIES

Interest Income

Interest income is recognised as it accrues (using the effective interest rate).

Sale of Tender Documents

Tender fees are recognised when payment is received from the bidders.

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.

Gratuity

For contract employees, the Competition Authority pays gratuity in accordance with the respective contracts of employment. The Commission passed a resolution that gratuity earned can be paid annually, or the contractual employee may opt that gratuity be 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 is recognised 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 as well as 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:

ACCOUNTING POLICIES

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 are shown in the statement of comprehensive income under other operating income, while losses are 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. 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 Competition Authority assesses at each reporting date whether there are indicators that a financial asset or group of financial assets may be impaired such as default of payment by receivable and liquidation of receivable, etc.

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 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. If there is evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the 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 the use of an allowance account. Loans and receivables are written off, together with the related allowance, when they are assessed as uncollectable.

Competition Authority
Notes to the Annual Financial Statements
31 March 2015

ACCOUNTING POLICIES

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, net of directly attributable transaction costs. 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 income and administration expenses, respectively.

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

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:

- The rights to receive cash flows from the asset have expired; or
- 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 or deficit.

Competition Authority
Notes to the Annual Financial Statements
31 March 2015

ACCOUNTING POLICIES

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.

CHANGE IN ACCOUNTING POLICIES

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

The Competition Authority has adopted the following new and amended International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretation Committee (IFRIC) interpretations during the period. Adoption of these revised standards and interpretations did not have any financial effect on the financial statements of the Competition Authority. They did, however, give rise to additional disclosures, including in some cases, revisions to accounting policies. Only those amendments that may have an impact on the Competition Authority have been disclosed.

New and Amended Standards and Interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS effective as of 1 January 2014:

- IFRIC 21 Levies;
- IAS 36 Recoverable Amount Disclosures for Non-Financial Assets (Amendment)

The amendments to the standards are described below:

IFRIC 21 Levies

The interpretation clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognised before the specified minimum threshold is reached. Retrospective application of this interpretation is required. The amendment had no impact on the Authority.

Competition Authority
Notes to the Annual Financial Statements
31 March 2015

ACCOUNTING POLICIES

IAS 36 Recoverable Amount Disclosures for Non-Financial Assets (Amendment)

The overall effect of the amendment is to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where the recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. These amendments had no impact on the Authority's financial position or performance.

Standards issued, but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Authority's financial statements are disclosed below. The IASB has issued other amendments, which are not included below as they are not applicable to the Authority. The Authority intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities, as well as hedge accounting. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Authority's financial assets, but will not have an impact on classification and measurements of financial liabilities. The Authority will quantify the effect in conjunction with the other phases, when the final standard, including all phases, is issued. The amendments are effective for periods beginning on or after 1 January 2018.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers replaces IAS 11 Construction Contracts and IAS 18 Revenue and related interpretations. IFRS 15 specifies the accounting treatment for all revenue arising from contracts with customers. It applies to all entities that enter into contracts to provide goods or services to their customers, unless the contracts are in the scope of other IFRSs, such as IAS 17 Leases. The standard also provides a model for the measurement and recognition of gains and losses on the sale of certain non-financial assets, such as property or equipment. Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgements and estimates. The Authority has not yet determined the impact that the new standard will have. This standard is effective for periods commencing on or after 1 January 2018.

IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The IASB issued amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets prohibiting the use of revenue-based depreciation methods for fixed assets and limiting the use of revenue-based amortisation methods for intangible assets. The amendments are effective prospectively and will not have an impact on the Authority. These amendments are applicable for periods commencing on or after 1 January 2016.

Competition Authority

Notes to the Annual Financial Statements

31 March 2015

ACCOUNTING POLICIES

IAS 1 Disclosure Initiative

The amendments to IAS 1 Presentation of Financial Statements, clarify rather than significantly change existing IAS 1 requirements.

The amendments clarify:

- The materiality requirements in IAS 1;
- That specific line items in the Statement of Comprehensive Income and Other Comprehensive Income (OCI) and Statement of Financial Position may be disaggregated;
- That entities have the flexibility as to the order in which they present the notes to the financial statements; and
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit and loss.

These amendments are applicable for periods commencing on or after 1 January 2016 and will have no impact on the Authority.

Competition Authority
Notes to the Annual Financial Statements
31 March 2015

	Note	2015 BWP	2014 BWP
1 GOVERNMENT SUBVENTION			
Revenue/subvention received from the Government of the Republic of Botswana		19,985,073	23,886,946
Capital grants received from the Government of the Republic of Botswana	16	66,127	1,502,344
Total Government subvention received		<u>20,051,200</u>	<u>25,389,290</u>
There were no unfulfilled conditions or contingencies attached to these income and capital grants.			
2 STAFF COSTS			
Basic salaries		10,602,269	9,390,637
Allowances		3,337,103	3,338,515
Defined contribution plan expense		1,053,476	954,758
Contract gratuity		916,745	900,749
		<u>15,909,593</u>	<u>14,584,659</u>
3 CONSULTANCY COSTS			
Human resources consultancies		122,000	75,350
Hardware support charges		98,000	141,910
		<u>220,000</u>	<u>217,260</u>
4 ADMINISTRATION EXPENSES			
Advertising		904,893	1,251,041
External Audit fees		114,520	101,334
Internal Audit fees		241,538	188,048
Bank charges		53,661	59,209
Competition Commission allowances		100,590	80,430
Competition Commission other expenses		121,256	641,695
Adjudication expenses		1,213,810	-
Depreciation			
- Motor vehicle	2015	394,636	2014 394,636
- Computer equipment		742,603	736,803
- Furniture		433,475	431,595
Estate and office refurbishment		1,570,714	1,563,034
Insurance		-	750,965
Office expenses		327,659	305,665
Printing and stationery		694,230	1,453,034
Staff related costs		28,111	154,053
Utilities		2,528,599	4,015,844
Corporate Social Responsibility		1,102,932	855,846
Vehicle expenses		29,068	16,500
Legal expenses		71,141	115,389
VAT adjustment		737,777	-
		<u>376,723</u>	<u>-</u>
		<u>10,217,222</u>	<u>11,552,086</u>
Staff related costs include recruitments, training, travel, seminars, etc.			
5 OPERATING LEASE EXPENSES			
Office and household rental		<u>2,411,368</u>	<u>2,121,751</u>

Competition Authority
Notes to the Annual Financial Statements
31 March 2015

6	INTEREST REVENUE				2015	2014
	Interest revenue of bank deposits				BWP	BWP
					<u>139,109</u>	<u>314,312</u>
7	PLANT AND EQUIPMENT					
		Furniture & Fittings	Motor	Computer		
		BWP	Vehicles	Equipment		Total
			BWP	BWP		BWP
	2015					
	COST					
	At 31 March 2014	3,182,964	1,973,180	2,947,211		8,103,355
	Additions for the period	42,927	-	23,200		66,127
	At 31 March 2015	<u>3,225,891</u>	<u>1,973,180</u>	<u>2,970,411</u>		<u>8,169,482</u>
	ACCUMULATED DEPRECIATION					
	At 31 March 2014	914,912	993,609	1,909,345		3,817,866
	Depreciation	433,475	394,636	742,603		1,570,714
	At 31 March 2015	<u>1,348,387</u>	<u>1,388,245</u>	<u>2,651,948</u>		<u>5,388,580</u>
	CARRYING AMOUNT					
	At 31 March 2015	<u>1,877,504</u>	<u>584,935</u>	<u>318,463</u>		<u>2,780,902</u>
		Furniture & Fittings	Motor	Computer		Total
		BWP	Vehicles	Equipment		BWP
			BWP	BWP		
	2014					
	COST					
	At 31 March 2013	1,974,733	1,597,721	2,503,756		6,076,210
	Additions for the period	1,208,231	375,459	443,455		2,027,145
	At 31 March 2014	<u>3,182,964</u>	<u>1,973,180</u>	<u>2,947,211</u>		<u>8,103,355</u>
	ACCUMULATED DEPRECIATION					
	At 31 March 2013	483,317	598,973	1,172,542		2,254,832
	Depreciation	431,595	394,636	736,803		1,563,034
	At 31 March 2014	<u>914,912</u>	<u>993,609</u>	<u>1,909,345</u>		<u>3,817,866</u>
	CARRYING AMOUNT					
	At 31 March 2014	<u>2,268,052</u>	<u>979,571</u>	<u>1,037,865</u>		<u>4,285,489</u>
8	RECEIVABLES AND PREPAYMENTS					
					2015	2014
					BWP	BWP
	Staff advances				252,275	167,756
	Allowance for impairment				-	-
					<u>252,275</u>	<u>167,756</u>
	Receivables and prepayments				1,809,682	2,213,862
	Other receivables (VAT recoverable)				-	680,308
					<u>2,061,957</u>	<u>3,061,926</u>

Other receivables consists of rental deposits and utilities deposits. Prepayments mainly consist of rental, utilities and insurance paid for in advance

Other receivables are VAT recoverable amounts. Staff advances are receivable over six months for advances and twenty four months for training advance and do not attract any interest.

Competition Authority
Notes to the Annual Financial Statements
31 March 2015

	2015	2014
	BWP	BWP
9 CASH AND CASH EQUIVALENTS		
Call	160,995	3,529,782
Current	87,793	1,103,465
Cash on hand	4,147	576
	<u>252,935</u>	<u>4,633,823</u>

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

10 TRADE AND OTHER PAYABLES		
Accruals	310,167	492,176
Audit Fees	114,520	109,760
Subvention recovery	14,372	14,372
Operating lease liability	846,839	525,373
	<u>1,285,898</u>	<u>1,141,681</u>

Other payables are non-interest bearing and have an average term of three months. Subvention recovery is the cost paid by the Government on behalf of the Authority 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 the signed financial statements.

11 PROVISIONS

11.1 Gratuity

Opening balance	615,284	545,575
Provision raised during the period	916,745	900,749
Provision used during the period	<u>(974,148)</u>	<u>(831,040)</u>
Closing balance	<u>557,881</u>	<u>615,284</u>

11.2 Leave - Annual

Opening balance	1,160,184	796,883
Provision raised during the period	920,978	1,003,123
Provision used during the period	<u>(1,515,189)</u>	<u>(639,822)</u>
Closing balance	<u>565,973</u>	<u>1,160,184</u>

11.3 Leave - Travel

Opening balance	20,814	69,917
Provision raised during the period	59,500	59,439
Provision used during the period	<u>(2,000)</u>	<u>(108,542)</u>
Closing balance	<u>78,314</u>	<u>20,814</u>

Total provisions relate to gratuity, leave and leave travel as at the reporting date. The Gratuity provision is calculated in accordance with the respective contracts of employment. Leave provision is calculated based on accrued leave days not taken during the year while leave travel is a contractual benefit payable after every two years of service. Gratuity contract has an option to pay on annual basis.

Competition Authority

Notes to the Annual Financial Statements

31 March 2015

12 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
		BWP	BWP	BWP
2015				
Staff Advances	8	252,275	-	252,275
Cash and cash equivalents	9	252,935	-	252,935
Trade and other payables	10	-	114,520	114,520
		<u>505,210</u>	<u>114,520</u>	<u>619,730</u>
2014				
Staff Advances	8	167,756	-	167,756
Cash and cash equivalents	9	4,633,823	-	4,633,823
Trade and other payables	10	-	109,760	109,760
		<u>4,801,579</u>	<u>109,760</u>	<u>4,911,339</u>

Financial risk management objectives and policies

The main risks arising from the Competition Authority's financial instruments are 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 counterparty will be unable to pay amounts in full when due. Credit risk is the risk that the regulated and supervised institutions and other counterparties 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. Credit risk on receivables is managed on the basis that a significant amount of income, mainly merger fees, is paid in advance as per the Competition Act. Any outstanding amounts on staff debtors are recovered from terminal benefits in accordance with the contractual terms and conditions of employment.

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 trading course. The Competition Authority does not engage in any other investment portfolios. 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 counterparty."

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Competition Authority

Notes to the Annual Financial Statements

31 March 2015

12 FINANCIAL INSTRUMENTS (continued)

Interest Rate Risk (continued)

Financial instruments that are sensitive to interest rate risk are bank balances and cash (refer note 9). 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 had a 91 days fixed deposit and a current account linked to a sweep call account with reputable financial institutions. For this reporting period, interest on fixed deposit and call accounts was 7%. The fixed deposit matured on 18 February 2015.

The Competition Authority is also monitoring instructions from the Central Bank on issues relating to interest rates trends.

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

2015	Increase / decrease in basis points	Effect on Surplus or deficit and equity
Pula	+100	1,610
Pula	-100	(1,610)
2014		
Pula	+100	35,298
Pula	-100	(35,298)

Liquidity Risk

The Competition Authority's approach to managing liquidity is to ensure, as far as possible, that it always has 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 appropriate liquidity risk management procedures 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 financial liabilities. "

The following table summarises the maturity profile of the Competition Authority's financial liabilities as at 31 March 2015 based on contractual undiscounted payments:

2015	Less than	1 to 3	3 to 12	1 to 5	> 5	Total
	1 month	months	months	years	years	
	BWP	BWP	BWP	BWP	BWP	BWP
Trade and other payables	-	1,285,898	-	-	-	1,285,898
	-	1,285,898	-	-	-	1,285,898
2014						
	Less than	1 to 3	3 to 12	1 to 5	> 5	Total
	1 month	months	months	years	years	BWP
	BWP	BWP	BWP	BWP	BWP	BWP
Trade and other payables	-	1,141,691	-	-	-	1,141,691
	-	1,141,691	-	-	-	1,141,691

Competition Authority

Notes to the Annual Financial Statements

31 March 2015

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 the period under review, 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.

		March 2015 BWP	March 2014 BWP
13 RELATED PARTY TRANSACTIONS			
The Competition Authority was set up by the Competition Act (CAP 46:09) 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
Members of Board of Commissioners			Refer to General Information Page
Subvention Received			
Government of the Republic of Botswana	1	<u>20,051,200</u>	<u>25,389,290</u>
Compensation Paid to Key Management Personnel of the Authority			
Short-term employee benefits		<u>5,176,030</u>	<u>4,952,313</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	2,325,404	1,001,578
BURS (VAT refunds)	<u>(302,180)</u>	<u>(353,846)</u>
	<u>2,023,224</u>	<u>647,732</u>

The purchases from related parties are made at normal market prices. There have been no guarantees provided or received for any related party receivables or payables. For the period ended 31 March 2015, the Competition Authority has not recorded any impairment of receivables relating to amounts owed by related parties (2014: 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 97 020 (2014: BWP 80 430)

Competition Authority

Notes to the Annual Financial Statements

31 March 2015

14 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 (CAP 52:01).

March 2015 BWP	March 2014 BWP
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15 COMMITMENTS AND CONTINGENCIES

15.1 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.

For office rental the lease commenced on 1st October 2013 and shall continue for a period of 5 years. Termination will require three months notice. The residential lease is for a period of 2 years which commenced on 1st May 2013. Termination will require two months notice.

The future minimum rent payments under cancellable lease are as follows:

Within one year	2,160,906	2,164,110
After one year, but not more than five years	6,307,866	8,468,772
More than five years	-	-
	<u>8,468,772</u>	<u>10,632,882</u>

15.2 Capital Commitments

As at 31 March 2015, the Competition Authority had no capital commitments.

There were no other commitments already made at the end of the reporting period.

15.3 Guarantees

The Competition Authority does not have guarantees on employee loans.

16 GOVERNMENT GRANTS/SUBVENTION

Opening balance	3,865,647	3,821,377
Received during the year	66,127	1,502,344
Amortisation of government grants	(1,570,198)	(1,458,074)
Closing balance	<u>2,361,576</u>	<u>3,865,647</u>

16.1 GOVERNMENT GRANTS/SUBVENTION

Current	1,570,198	1,458,074
Non-Current	791,378	2,407,573
	<u>2,361,576</u>	<u>3,865,647</u>

The Competition Authority is funded through Government Subvention or Grant. As at the reporting date, 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.

Competition Authority
Notes to the Annual Financial Statements
31 March 2015

	March 2015 BWP	March 2014 BWP
17 OTHER INCOME		
17.1 Merger Fees	1,991,229	1,491,696
Regulation 16(2) stipulates that a merger shall be accompanied by a merger fee of 0.01 percent of the merging enterprises' combined turnover or assets in Botswana, whichever is higher.		
17.2 Sale of Tender Documents	11,000	10,500
Bidders are required to pay for the tender documents upon collection.		
17.3 Exemption Fees		
Regulation 6(2) stipulates that an application for an exemption shall be accompanied by an application fee of 0.01 per cent of the applicant's latest turnover.	130,096	-
18 EVENTS AFTER THE REPORTING DATE		
There were no events after the reporting date which would require adjustment to or disclosure in the financial statements.		





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