

2016/17 ANNUAL REPORT





Mission

To promote and ensure fair competition in the economy
for the benefit of consumers

Vision

Prosperity for all through competitive and 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 (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. Onkemetse Tshosa

Acting CEO and Secretary to the Competition Commission

Ms. Tebelelo Pule

Registered Office

Plot 28, Matsitama Road, Main Mall, Gaborone, Botswana

Contact Details

✉ Postal	Private Bag 00101, Gaborone, Botswana
☎ Telephone	+267 393 4278
📠 Fax	+267 312 1013
@ Email	CA@competitionauthority.co.bw
🌐 Website	www.competitionauthority.co.bw
📘 Facebook	Competition Authority Botswana
🐦 Twitter	@CompetitionBots



Bankers

Barclays Bank of Botswana Limited

Plot 74358, Building 4, Prime Plaza CBD
P.O. Box 478
Gaborone, Botswana

Standard Chartered Bank Botswana Limited

Plot 1171-3 Botswana Road, Main Mall
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



To:

Honourable Minister of Investment,
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 of the Authority for the financial year 2016/17, for you to lay before the National Assembly.

Yours Faithfully,

Dr. Onkemetse Tshosa

Chairperson of the Competition Commission



COMPETITION
AUTHORITY

TABLE OF CONTENTS

5

ACRONYMS

6

CORPORATE GOVERNANCE

8

COMPETITION COMMISSION

10

CHAIRPERSON'S STATEMENT

12

OFFICE OF THE CEO

14

**ACTING CHIEF EXECUTIVE
OFFICER'S STATEMENT**

16

EXECUTIVE MANAGEMENT

17

MANAGERS

18

OVERVIEW

19

CORPORATE SOCIAL RESPONSIBILITY

20

AWARENESS AND ADVOCACY

29

RESEARCH AND INVESTIGATIONS

33

ENFORCEMENT AND PROSECUTIONS

35

MERGERS AND ACQUISITIONS

55

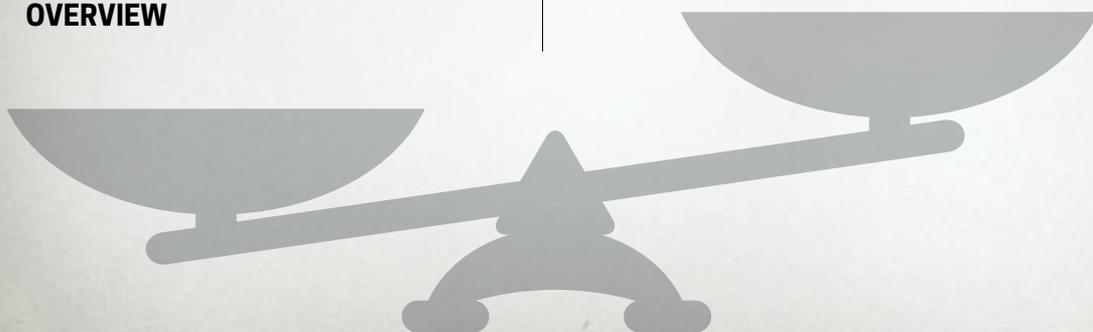
CORPORATE SERVICES

64

**CORPORATE CHALLENGES
AND OPPORTUNITIES**

65

ANNUAL FINANCIAL STATEMENTS



ACRONYMS

ACF	African Competition Forum	DCEC	Directorate on Corruption and Economic Crime
AVC	Average Variable Cost	DATC	District Administration Tender Committee
BAMB	Botswana Agricultural Marketing Board	GA	Gambling Authority
BCL	BCL Limited	ICN	International Competition Network
BDC	Botswana Development Corporation	ICT	Information Communication Technology
BITC	Botswana Investment and Trade Centre	JWC	Joint Working Committee
BIUST	Botswana International University of Science and Technology	KBL	Kgalagadi Breweries Limited
BOCRA	Botswana Communications Regulatory Authority	LEA	Local Enterprise Authority
BOMAID	Botswana Medical Aid Society	MoU	Memorandum of Understanding
BOBS	Botswana Bureau of Standards	MITI	Ministry of Investment, Trade and Industry
BPC	Botswana Power Corporation	MPC	Matsiloje Portland Cement
BPOPF	Botswana Public Officers Pension Fund	MTC	Ministerial Tender Committee
BURS	Botswana Unified Revenue Service	MWG	Mergers Working Group
CA	Competition Authority	NBFIRA	Non-Bank Financial Institutions Regulatory Authority
CAAB	Civil Aviation Authority of Botswana	OECD	Organisation for Economic Cooperation and Development
CEDA	Citizen Entrepreneurial Development Agency	PPADB	Public Procurement and Asset Disposal Board
CEO	Chief Executive Officer	SADC	Southern African Development Community
CIPA	Companies and Intellectual Property Authority	SMMEs	Small, Medium and Micro Enterprises
COSBOTS	Copyright Society of Botswana	SPEDU	Selebi-Phikwe Economic Diversification Unit
CSR	Corporate Social Responsibility	UNCTAD	United Nations Conference on Trade and Development
CWG	Cartel Working Group		

CORPORATE GOVERNANCE

Competition Commission

The Competition Commission (Commission) is the governing body of the Competition Authority (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.

Commission Charter

The Commission has a Commission Charter (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 2017

Member	Date of Appointment	Term	Expiry Date
Dr. Onkemetse B. Tshosa: Chairperson	1st September 2015	5 years	31st August 2020
Ms. Thembisile T. Phuthogo: Vice Chairperson	1st June 2014	4 years	31st May 2018
Mr. Tendekani E. Malebeswa	1st June 2015	5 years	31st May 2020
Dr. Selinah Peters	1st December 2016	3 years	30th November 2019
Dr. Jay S. Salkin	1st June 2014	4 years	31st May 2018
Ms. Nelly W. Senegelo	1st May 2015	Duration of term as DPS	End of term as DPS
Mr. Koonyatse K. Tamasiga	1st June 2016	5 years	31st May 2021

CORPORATE GOVERNANCE

Competition Commission Committees as at 31st March 2017

Committees	Members	Responsibility
Finance and Audit Committee	Dr. Jay S. Salkin - Chairperson Mr. Koonyatse K. Tamasiga - Member Ms. Nelly W. Senegelo - Member	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	Ms. Thembisile T. Phuthego - Chairperson Ms. Nelly W. Senegelo - Member Dr. Selinah Peters - Member	The Committee assists the Commission in discharging its oversight responsibilities of establishing, monitoring and reviewing 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 Dr. Jay S. Salkin - Member Mr. Koonyatse K. Tamasiga - Member	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	Dr. Selinah Peters - Chairperson Ms. Thembisile T. Phuthego Mr. Tendekani E. Malebeswa	The Committee reviews and monitors policy and thresholds for tendering, and reports to the Commission accordingly.

COMPETITION COMMISSION



**Dr. Onkemetse
B. Tshosa**
Chairperson



**Ms. Thembisile
T. Phuthego**
Vice Chairperson



**Dr. Selinah
Peters**
Member



**Dr. Jay
S. Salkin**
Member

COMPETITION COMMISSION



**Ms. Nelly
W. Senegelo**
Member



**Mr. Koonyatse
K. Tamasiga**
Member



**Mr. Tendekani
E. Malebeswa**
Member



Ms. Tebelelo Pule
*Acting CEO and Secretary
to the Commission*

Dr. Onkemetse B. Tshosa

Chairperson of the Competition Commission



CHAIRPERSON'S STATEMENT

Every year at the end of a financial year, we compile a report of what the organisation has done with the resources extended to it by the people of Botswana. This is an exercise that we carry out with absolute seriousness and it is always my honour to introduce the Annual Report to our principals as we account not only to our parent ministry, the Ministry of Investment, Trade and Industry, Parliament and the Botswana Government, but most importantly to the public.

CHAIRPERSON'S STATEMENT

During the 2016/17 financial year, the Authority undertook a number of key activities, investigations and projects geared towards improving awareness and relationships with strategic partners. The Authority further made a number of determinations on some competition-related transactions.

One of the key mandates of the Authority is to investigate anti-competitive conduct in the market with a view to improve or widen access into the market. Readers would no doubt appreciate that, in this financial year, the Authority's investigations have, in some instances, ended up dismantling anti-competitive arrangements and ushered in new market entrants. The Authority intervened in the poultry market where Ross Breeders had an agreement to sell low grade eggs to only two customers, despite a lot of other customers clamouring to be able to participate in this market. After the Authority's intervention, Ross Breeders has desisted from this anti-competitive conduct and are now allowing new market entrants to buy the eggs. It is my hope that all other businesses, who knowingly or unknowingly may be engaging in anti-competitive conduct in the mould of what Ross Breeders did, would learn from this example and desist from such practices.

Equally commendable is the fact that a number of investigations ended with the Authority pursuing advocacy as a way of helping to stamp out anti-competitive practices that are encouraged by anti-competitive provisions in policies. I am very elated that there is a competition case that went all the way up to the Court of Appeal, and, in the process, is serving to build jurisprudence in competition matters. Since this case has been remitted back to the Commission, this leaves the hope that the suspected cartellists in the Infant Milk Case could still have their day in court.

Stakeholder relationships are an important aspect of competition and, in this period, a lot of efforts were expended in nurturing the multi-faceted relationships that the Authority has. The business community, students, the youth and partners that the Authority had signed MoUs with were engaged in various ways. The Authority has been visible in various media platforms, including social media, which have been actively utilised to engage with partners.

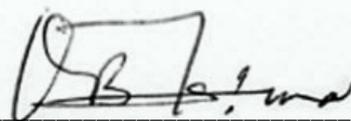
In most of these engagements, the Authority informed and educated strategic partners and the public about what the Authority is doing and on key aspects of its mandate. The key aspect of the Authority's awareness creation has been heightened training on competition assessment and ways to detect and prevent bid-rigging. Bid-rigging is one anti-competitive business offence that continues to dominate the number of complaints that are reported to the Authority.

Market intelligence and knowledge of key economic sectors play a key role in the operations of the Authority. Flowing from this, the Authority periodically carries out comprehensive market and research studies. In the period under review, the Authority carried out three market studies on Aviation in the Okavango Delta, Shopping Malls and In-house Brands. We are very hopeful that the knowledge gained from the studies would be incisive and would lead to major investigative strides for the benefit of consumers.

It has been an extremely busy year for the Authority as there were more merger determinations made in this year than ever before; the Authority witnessed an increase of 58% in merger transactions compared to last year. Out of the 52 merger transactions done, 45 were approved without conditions, five (5) approved with conditions and two (2) were rejected.

In the event that some would go away with the mistaken belief that the Authority's operations are all about cases and engagement with outside stakeholders, the Authority equally prioritises issues around employee engagement. To this end, a lot of time was expended in engaging and developing the employees of the Authority through a variety of activities.

Let me conclude by assuring you all that the Authority has developed a new five year strategy which was adopted during this period. We are very hopeful that the new strategy would transform the Authority into an even more effective agency that would usher in an open, fair and competitive market.



Dr. Onkemetse Tshosa

Chairperson of the Competition Commission

OFFICE OF THE CEO



Ms. Tebelelo Pule
Acting Chief Executive Officer



**Ms. Tidimalo
Serameng**



**Mr. Vincent
Oremeng**

OFFICE OF THE CEO



**Mr. Dikago
Seitiso**



**Ms. Bonyana
Ndubiwa**



**Ms. Tebogo
Tyolo**

Ms. Tebelelo Pule
Acting Chief Executive Officer



ACTING CHIEF EXECUTIVE OFFICER'S STATEMENT

The year 2016/17 was eventful as the Authority refined its strategic orientation and streamlined its advocacy processes. Most notably, the Authority implemented its strategic initiatives which hinge on effective stakeholder engagement, strategic collaboration and capacity building. Central to all the Authority's activities was continued merger assessments, as well as case investigations and removal of barriers to market entry.

ACTING CHIEF EXECUTIVE OFFICER'S STATEMENT

The Authority, through lessons gathered from the past Strategic Plan (2011 to 2016) and relevant strategic analysis, developed a new Strategic Plan for the period 2017 to 2022. Implementation of the five year Strategic Plan will see the Authority graduating from its infancy/setup stage to a much higher level, in which it will be defining and setting strategic priorities to allow the organisation to focus on impactful goals, in a bid to attain economic tangibles. Markedly, in defining its strategic priorities, the Authority considered and aligned itself to the parent ministry's strategic focus, having had the opportunity to be part of the ministry's strategic planning plenary.

As part of its continued strategic collaboration, locally and internationally, the Authority had the opportunity to host OECD delegates, who assisted in building the capacity of the Authority's employees, particularly on competition assessment best practices. The OECD team, together with teams from the South African Competition Commission and the CA, had an opportunity to train a wide array of public service procurement officers on the detection of bid-rigging in the public procurement system. The Authority extended its competition expertise outside its narrow confines by working jointly with other government organs to conduct audits of mega projects. Moreover, the Authority, which is party to the SADC Competition Agencies' Memorandum of Understanding, has played an active role in this regional initiative by participating in the cartels and mergers working groups.

According to section 49 (1) of the Competition Act, the Authority can conduct market inquiry in identified sectors of the economy. Such inquiry is a means to provide decision makers with relevant, valid and up-to-date information and to advise Government on the actual or likely anti-competitive effects of current or proposed policies. This year the Authority completed three market studies on Aviation in the Okavango Delta, Shopping Malls and In-house Brands. The results of the studies will be shared with key stakeholders and the public.

The Authority has been very busy in the area of merger reviews. This saw the Authority dealing with the highest number of assessments. This activity was complemented by the Post-Merger Impact Assessment and Compliance Monitoring exercise, which indicated there have been economic gains from the mergers in

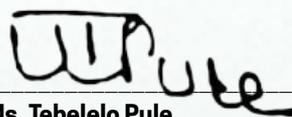
terms of job creation, citizen empowerment and skills transfer. The Authority also sat in the ministerial trade and competition committees that solely deal with policy matters that define the trade competition arena in the country. Participation in these forums accords the Authority an opportunity to garner support and create more awareness regarding its mandate.

For purposes of visibility and involvement in defining benchmarks and standards in competition practices, the Authority attended and made presentations at international competition forums. Such participation enabled the Authority to build an enriching and transformational knowledge base that enhanced its capacity. This has seen the Authority actively involved in the African Competition Forum (ACF), in which it serves as the Treasurer and Chairperson of the Fund Raising Committee.

In recognition of the pivotal role played by staff, as key implementers, the Authority conducted a number of staff welfare and development activities that were geared towards nurturing the team's engagement and commitment. In fostering teamwork and team play, the employees were exposed to interactive team building activities.

Without doubt this has been a very productive year and I wish to thank the Commissioners for their oversight role and the staff of the Authority for their dedication to work and strong commitment to the implementation of the Competition Act. My utmost gratitude goes to the Ministry of Investment, Trade and Industry for their tireless efforts on policy direction. I have had the great pleasure, and indeed the humbling experience, to witness the synergy displayed by all in an attempt to bring about fair competition in the economy. I have no doubt that the same zeal and passion will carry the CA family forward into the future.

Ke a Leboga



Ms. Tebelelo Pule
Acting Chief Executive Officer

EXECUTIVE MANAGEMENT



Ms. Tebelelo Pule
Acting Chief Executive Officer



Mr. Gideon Nkala
Director: Communications and Advocacy



Ms. Magdeline Gabaraane
Director: Mergers and Monopolies



Mr. Duncan T. Morotsi
Director: Legal and Enforcement



Mr. Calistus S. Sengwatse
Director: Investigations and Research Analysis

MANAGERS



Ms. Gladys Ramadi
Manager: Communications and Advocacy



Mr. Kitso Mocuminyane
Manager: Finance



Ms. Tshepo Wadipeba
Manager: Human Resources



Mr. Ernest Bagopi
Manager: Investigations and Research Analysis



Ms. Bonyana Ndubiwa
Manager: Policy Coordination and International Liaison



Mr. Innocent Molalapata
Manager: Mergers and Monopolies



Mr. Vincent Oremeng
Performance Improvement Coordinator



Ms. Tapiwa Masie
Manager: Legal and Enforcement



OVERVIEW

This annual report is structured according to key thematic functions of the Authority. These functions are not necessarily tied to the departments; but in some instances they cut across the departmental functions. The Competition Act outlines the functions as Awareness Creation, Advocacy, Investigations, Research, Determinations of Mergers and Acquisitions, Prosecution, Enforcement and Utilisation of Human and Financial Resources.

All the programmes, functions and activities of the Authority emanate from the above outlined functions. The Authority consists of five departments, namely: Communication and Advocacy; Corporate Services; Legal and Enforcement; Investigations and Research Analysis; and Mergers and Monopolies. For smooth coordination and effective implementation of programmes and activities, departments develop and implement these projects to achieve the mandate of the Authority.

At every stage of the Authority's development, the conviction is that the organisation's corporate values of Transparency, Professionalism, Integrity and Teamwork should be evident. This report is very much anchored on these values.



CORPORATE SOCIAL RESPONSIBILITY

The Authority managed to extend a helping hand to various schools, communities, institutions and organisations through its Corporate Social Responsibility (CSR) programme in the year under review. Through staff and corporate contributions, the Authority carried out the following CSR activities:

Donation of sanitary towels to Good Hope Junior and Nata Senior Secondary Schools

Sponsorship for Gabz FM 50 Young Batswana Change Makers Awards

Sponsorship of Women in Business Awards

Donation of used clothes to needy families at Dutlwe in the Letlhakeng Sub-District.

Donation of toiletries to Tshane Prison

AWARENESS AND ADVOCACY

Communications and Advocacy Team



**Mr. Gideon
Nkala**



**Ms. Gladys
Ramadi**



**Ms. Kelebogile
Ngwenya**



**Mr. Modimoosi
Matebesu**



**Ms. Bonolo
Motsamai**

AWARENESS AND ADVOCACY

In the year under review, the Authority carried out activities aimed at raising awareness on competition law, as well as carrying out targeted competition advocacy regarding laws and policies that restrict competition, and training different segments of the public on competition assessment processes. Stakeholders engaged included the business community, government ministries, departments and agencies, young entrepreneurs, students in tertiary institutions, the media, sector regulators and members of the public.

In terms of advocacy, the Authority embarked on a new initiative targeting competition reform in the agricultural sector and continued its programme of educating Councillors and officers in District and Town Councils on competition assessment.

The following are the highlights of activities and initiatives carried out in the 2016/17 financial year to engage stakeholders and promote awareness on competition and compliance with the Competition Act:

Strategic Relationships

The Authority continued to build new strategic partnerships, while at the same time strengthening already existing relationships with sector regulators. Sector regulators, which are recognised by the Competition Act for their important contribution in assisting the Authority to achieve its objectives, are among the most critical partners of the Authority. In the period under review, audits were undertaken with some partners to uncover anti-competitive conduct in the economy. The target for the current financial year was to undertake audits of two mega projects, as well as to conclude and sign three new MoUs with identified regulators.

It was the desire of the Authority to specifically target strengthening cooperation with existing partners through the implementation of MoUs by Joint Working Committees under the already signed MoUs. It is envisaged that the strengthened and more focused cooperation would lead to the identification of problems in the market that could be addressed by the Authority with the assistance of MOU partners.

Audits of Mega Projects

In furtherance of its cooperation with the Public Procurement and Asset Disposal Board (PPADB) and the Directorate on Corruption and Economic Crime (DCEC), in the period under review, the Authority has undertaken two (2) audits of Government mega projects. In pursuance of the provisions of the MoU signed between the three (3) organisations, the audit of mega projects was identified as a means of proactively determining if large scale Government projects complied with procurement rules and procedures, and whether or not they were awarded under anti-competitive or corrupt circumstances. The two (2) audits related to the Ramotswa Road Maintenance Project and the Procurement of Laboratory and Medical Equipment under the Ministry of Health and Wellness.

The audits have been undertaken, although one of the challenges faced was the unavailability of records required for the exercise. This led to the audits taking longer than was planned as the auditees had to be given time to find the required documents. In the absence of the documents by the end of the financial year, the audits will be closed in the next financial year and the findings will be shared in the next annual report.

AWARENESS AND ADVOCACY

Implementation of MOUs

In addition to the MoU signed with the DCEC and PPADB, the Authority concluded MoUs with the Companies and Intellectual Property Authority (CIPA) and the Gambling Authority (GA) on 16th June 2016 and 24th January 2017, respectively. The MoUs allow the Authority to keep in regular contact with different regulators on the sectors they regulate, as a way of being able to uncover anti-competitive practices that may exist in the sectors. The signing of these two (2) MoUs brings the total number of MoUs signed by the Authority to seven. CIPA and GA join BOCRA, NBFIRA, CAAB and Bank of Botswana as partners of the Authority in the fight to ensure competitive markets.

Implementation of the MoUs that have been concluded has been on-going in the reporting period through Joint Working Committees (JWCs) established under each MoU. The JWCs further assist in coordinating joint activities and projects that foster closer cooperation between the institutions. The JWCs have been meeting quarterly and are working to identify areas in each market requiring further scrutiny and attention in terms of eliminating anti-competitive concerns, practices and policies that stifle the growth of these markets.

Concurrently with the identification of these projects, the JWC meetings have held successful joint training sessions for the staff of the partner institutions, as well as facilitating information exchanges that assist the partners to execute their respective mandates. Information received from the partners has been particularly useful in the assessment of merger transactions, in the investigation of cases of anti-competitive conduct, as well as for the conduct of research studies.

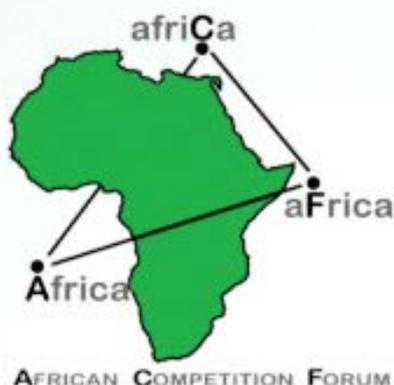
In the next financial year, it is expected that MoUs will be concluded with the Botswana Unified Revenue Service (BURS) and Statistics Botswana, as they have been identified as crucial partners who are custodians of relevant information required by the Authority in merger control as well as the investigation processes. The MoU with BURS has been outstanding for some time as negotiations of the provisions of the MoU have taken longer than was expected; and this has resulted in a challenge in terms of sharing important information required for the work of the Authority. It is hoped that the MoU will be signed early in the next financial year.

Regional and International Cooperation

Cooperation with regional and international competition agencies cannot be ignored by the Authority, as it is well understood that relevant markets extend beyond national boundaries. As part of the Southern African Development Community (SADC), the Authority is cognisant of the fact that an essential element of regional integration, which Botswana and the Region are working towards, is case specific cooperation on competition issues arising from the growth of cross-border anti-competitive practices. It is for this reason that the Authority has played an active role in ensuring that it is not left behind in participating in regional initiatives aimed at bringing competition agencies together.

AWARENESS AND ADVOCACY

African Competition Forum



Botswana is an active member of the ACF. In the current financial year, Botswana was elected the treasurer and chairperson of the fundraising committee. Through involvement in the ACF, the Authority has generously benefitted from the experience, training and technical expertise of the more experienced members of the Forum. Two (2) research studies were undertaken through technical support of the ACF in 2013 while two (2) others are ongoing. The 2013 studies have been shared with the Government and all other stakeholders including the public.

Cartel Working Group

On 26th May 2016, the Authority, together with other competition agencies in SADC, signed an MoU on Cooperation in the Field of Competition Policy, Law and Enforcement in Gaborone. Nine agencies, out of the 15 SADC member states, signed the MoU. The MoU creates a framework for cooperation between the respective competition authorities of SADC for enhancement of the effective implementation of their competition laws.

As a way of implementing the MoU, a Cartel Working Group (CWG) was established to coordinate cooperation in the enforcement of the law against cartel infringements. The Framework Document for the CWG was approved by the SADC Competition and Consumer Policy and Law Committee on 14th

December 2016 and work immediately commenced to implement the approved Work Plans of the CWG.

Two (2) sub-groups on the Legal Framework and Investigative Techniques were constituted to drive the Work Plans of the CWG. Botswana, represented by the Authority, was nominated together with South Africa and Namibia, to Chair the Legal Framework sub-group and ensure that the deliverables of the sub-group are accomplished within the agreed schedules. In the next review period, the Legal Framework sub-group is expected to have delivered the following:

Project 1: a catalogue of laws relating to cartels from each jurisdiction. The Project is aimed at developing a comprehensive document that will outline the regimes for the enforcement of the law against cartel infringements that currently exist in the SADC Region. The document would be used as a reference by agencies and others interested in the information as quick access to the anti-cartel laws and regimes in the region.

Project 2: a compilation of legal challenges that have been encountered during the investigation and prosecution of cartels. The purpose of the Project is to develop a comprehensive document that can be used as a guide by agencies in their enforcement of the law against cartel infringements to prepare for or guard against such challenges. Additionally, the product could be used to recommend changes or improvements to the laws relating to cartels.

Questionnaires have already been developed to collect the required information for the projects and work will be carried out in the next review period to consolidate responses, analyse them and produce the desired products.

Through the CWG, it is expected that agencies will cooperate on exchanging useful information for the enforcement of the law against cartel infringements. But more importantly, agencies will exchange expertise so that some of the more developed agencies in the region are able to assist the newer agencies with cartel cases they are working on. This will be undertaken through the exchange and attachment of personnel between agencies.

AWARENESS AND ADVOCACY

SADC Merger Working Group

Botswana is a member of the SADC Competition and Consumer Law and Policy Committee, which is mandated to promote the convergence of practices and procedures of competition enforcement at a regional level. At a sub-committee level, Botswana chairs the SADC Merger Working Group and is a member of the SADC Cartel and Research Working Groups. The working groups facilitate cooperation amongst the member states during the implementation of their respective laws.

Cooperation has been in the form of undertaking joint investigations and research, information exchange and collaboration during the assessment of multi-jurisdictional mergers.

In line with the Cooperation Framework, the members of the Merger Working Group have cooperated during the assessment of several multi-jurisdictional mergers. The cooperation has been in various forms, including but not limited to:

- Communication by way of members informing each other of mergers and acquisitions that have been received and are under review; and
- Consulting members and holding discussions on specific transactions with respect to the definition of the relevant market, theories of competitive harm and empirical evidence needed to test the harm, remedies, etc.

Raising Awareness against Bid-Rigging

The Authority, in conjunction with the OECD, hosted a national workshop on 26th July 2016 on bid-rigging, with the theme “Fighting Bid-Rigging in Public Procurement”. The workshop, attended by procurement officers from the central government, parastatals, and local government and land boards, was intended to raise awareness about the costs and

risks of bid-rigging, and to train the officers on how to design tenders to prevent rigging. This, in the long run, is expected to save taxpayers and government funds lost through rigged tenders.

The workshop was practical in its approach and conveyed competition concepts to an audience of non-competition experts through real-life examples drawn from regional and international experiences in this area. Officials from the OECD, the Competition Commission of South Africa and the Authority made presentations at the workshop. It was officially opened by the Honourable Minister of Investment, Trade and Industry, Mr. Vincent T. Seretse, who noted that bid-rigging cases accounted for approximately 40% of the restrictive business cases that the Authority handled. He said the harm of bid-rigging extends to the whole economy, as the high prices paid to unscrupulous bidders affect developmental goals.

In other initiatives aimed at raising awareness and building the capacity of procurement officials to combat bid-rigging, the Authority made a presentation on bid-rigging on 16th November 2016 in Gaborone at a workshop for procurement and finance officers in the Ministry of Land Management, Water and Sanitation Services. It also made presentations on bid-rigging at capacity building workshops for District Administration Tender Committees in Gaborone on 18th November 2016 and Francistown on 20th Oct 2016. Another presentation on combatting bid-rigging was made at a capacity building workshop for all parastatals in Gaborone on 21st February 2017, which was organised by the PPADB and DCEC that have signed a tri-partite MoU with the Authority, with one of its major objectives being to fight bid-rigging and corruption in public procurement.

AWARENESS AND ADVOCACY

Raising Awareness among Youth and Students

In the year under review, the Authority carried out some activities targeted at the youth and tertiary students as future entrepreneurs, to empower them with the knowledge of operating competitive businesses that comply with the Competition Act. On 14th February 2017, emerging entrepreneurs were briefed on competition law at a workshop organised by the Ministry of Investment, Trade and Industry in Ramotswa.

The youth were informed that Competition Law does not protect individuals and their businesses, but protects competition. Among other things, they were informed that, through the Authority's intervention in a merger, a youth ended up acquiring and running a Vivo Filling Station in Kanye.

In other youth oriented initiatives, the Authority participated in the Botho University Career Fair on 18th August 2016, educating the students on the mandates of the Authority and the Commission, as well as the do's and don'ts under the Competition Law. Similarly, the Authority made a presentation to students of Consumer Sciences at the University of Botswana on 23rd September 2016, highlighting the role of the Authority in consumer protection.

Raising Awareness in the Business Community

The Authority continued to target one of its key stakeholders, being the business community, and raised awareness on anti-competitive business practices in order to promote fair competition and compliance with the Competition Act.

On 30th November 2016, the Authority made a presentation on competition issues in the petroleum sector to industry representatives at a workshop

organised by the Department of Energy under the Ministry of Minerals, Green Technology and Energy Security. The industry representatives were informed of anti-competitive practices, such as price fixing and market allocation, and exchange of commercial information through industry associations. Furthermore, the Authority participated in the Consumer Watchdog Conference on 5th October 2016 and made a presentation on the role it plays in regulating businesses and implementing the Competition Act, as well as the role businesses can play to ensure a fair and competitive business environment that benefits the consumer.

Media Engagement

The Authority continued to raise awareness on competition issues through engagement with the media. In the year under review, five press releases were issued by the Authority. In terms of news coverage, the Authority was featured in 80 newspaper articles, two (2) radio news stories and two (2) television stories. The Authority also hosted a networking session for business reporters in which the two (2) parties gave each other feedback and shared ideas on how best to serve each other.

Social Media and Website Engagement

The Authority engaged its stakeholders by sharing relevant competition news and notifications and responding to enquiries through the corporate website, Facebook and Twitter pages. Overall, there was an increase in engagement by stakeholders across these platforms. The Facebook page recorded a 16.9% cumulative increase in Likes from 2480 in March 31st 2016 to 2900 Likes in March 31st 2017. The website recorded 3,760 page views up from 3 468 in the previous year. The number of Twitter Followers stood at 985 by 31st March 2017, compared to 799 in the same 12 month period ending 31st March 2016.

AWARENESS AND ADVOCACY

World Competition Day 2016

5th December

Theme 2016: | Linkages between Competition
and Intellectual Property

World Competition Day Commemoration

On Monday, 5th December 2016, the Authority joined civil society organisations, consumer and other competition agencies in commemorating World Competition Day under the theme 'Competition and Intellectual Property Rights'. On 5th December 1980, the United Nations General Assembly adopted Resolution 35/63 on the Set of Multilaterally Agreed Equitable Principles and Rules for the Control of Restrictive Business Practices.

The objective was to ensure that restrictive business practices do not impede or affect trade and development in developing countries. To that end, the Authority hosted a panel discussion, with participants from the Companies and Intellectual Property Authority (CIPA), which is the custodian of intellectual property rights, and the Copyright Society of Botswana (COSBOTS), which deals with copyright issues and allocates royalties to artists.

Panelists were from the Authority, CIPA and COSBOTS. The speakers identified innovation and benefit for consumers as the common thread linking competition and intellectual property, noting that intellectual property (IP) rights and the benefits accrued from it are an incentive for research and development.

Participants were informed that the Competition Act does not apply to any agreement relating to the protection, exercise, licensing or assignment of rights under any law governing intellectual property rights. However, this is not a blanket exclusion of intellectual property from competition law, as section 25 of the Act, which prohibits abuse of dominance, equally applies to intellectual property abuses.



Mr. Timothy Moalosi from CIPA during the World Competition Day Panel Discussion on 5th December 2016



Mr. Letlhogonolo Makwinja from COSBOTS during the World Competition Day Panel Discussion on 5th December 2016

AWARENESS AND ADVOCACY

Competition Reform in the Agricultural Sector

In the period under review, the Authority developed an Advocacy Plan, which prioritises the agricultural sector as an important sector to reform, mainly because of its strategic importance to the economy. The sector is characterised by a tradition of limited competition, subsidies, price controls and other restrictions which undermine fair competition. The Authority plans to undertake a comprehensive competition assessment on two key legislations that affect the agricultural sector. The studies are expected to commence in the next financial year.

Educating Policy Makers on Competition Assessment

In the year under review, the Authority continued its programme of educating Councilors on competition assessment in order to help them interrogate competition issues when they debate and pass regulations and bye laws. To that end, presentations were made to the Lobatse Town Council, Sowa Town Council, Hukuntsi Sub-District Council, Kgalagadi District Council, and the Southern District Council.

Table 1 below gives a summary of stakeholder engagement by sector from 1st April 2016 to 31st March 2017:

Table 1: Summary of Stakeholder Engagement by Sector from 1st April 2016 to 31st March 2017

STAKEHOLDER	TYPE OF ENGAGEMENT
Business	<ul style="list-style-type: none"> • Presentation to Energy Industry representatives on competition issues in the energy industry • Presentation at Consumer Watchdog conference on the CA role in regulating businesses • Presentation to LEA SMMEs capacity building workshop • Public hearing on Warbler-Bluehearts acquisition • Public hearing on SABMiller/AB InBev acquisition • Public hearing on Transport Holdings merger
Sector Regulators	<ul style="list-style-type: none"> • SADC Competition Authorities MoU signing on 26th May 2016 • CIPA MoU signing on 16th June 2016 • Gambling Authority MoU signing on 24th January 2017 • Presentation to CIPA Joint Working Committee on CA mandate • Presentation to CAAB Joint Working Committee on CA mandate • Meetings with BOCRA and CIPA
Government Ministries and Parastatals	<ul style="list-style-type: none"> • National Bid-Rigging Workshop • Presentation on bid-rigging-Ministry of Lands and Housing procurement and finance officers • Presentation on bid-rigging to District Administration Tender Committees • Meetings with BDC, BITC, BOBS, CEDA, CIPA, Gambling Authority, LEA and SPEDU in preparation for the All-MITI Parastatals Games
Competition Commission	<ul style="list-style-type: none"> • Induction of new Commissioners on CA mandate
Media	<ul style="list-style-type: none"> • Press releases • Press conference to launch annual report • Radio and television interviews • Networking session for business reporters
Tertiary institutions	<ul style="list-style-type: none"> • Botho University Career Fair • University of Botswana presentation on the Role of the CA in Consumer Protection
Councils	<ul style="list-style-type: none"> • Presentations to Lobatse Town Council, Hukuntsi Sub-District Council, Kgalagadi District Council, Sowa Town Council and Southern District Council
Public	<ul style="list-style-type: none"> • Panel discussion on the linkages between competition and intellectual property • Department of Consumer Affairs Exhibition Lobatse • Global Expo

RESEARCH AND INVESTIGATIONS

Investigations and Research Analysis Team



**Mr. Calistus S.
Sengwatse**



**Mr. Ernest
Bagopi**



**Ms. Goitseone
Modungwa**



**Mr. Setso
Sikwane**



**Ms. Thabiso
Mbongwe**



**Mr. Christson
Daman**



**Mr. Thabang
Tihalerwa**



**Mr. Kingsley
Ramsden**



**Mr. Tumelo
Motswiri**

RESEARCH AND INVESTIGATIONS

During the 2016/17 financial year, the Authority handled 22 cases. Eight (8) of the cases handled were closed as they did not have any competition issues. Ten (10) cases are still under preliminary assessment, while four (4) cases are under investigation.

Achievements

The key accomplishments in investigations in the year under review are as follows:

- Through the intervention of the Authority, a Refusal to Deal arrangement was broken up in the poultry market. This resulted in new entrants in the poultry market;
- The Authority's intervention in a public tender at BIUST established marked deviations from the tender processes and specifications. As a consequence, the tender was cancelled and the Authority recommended adherence to tender procedures and specifications; and
- The Authority's intervention in the Botswana Health Profession Act led to findings of inconsistencies in the registration of nurses who desired to enter private practice. The Authority recommended to the Ministry of Health and Wellness that the Nurses and Midwifery Act be reviewed to address these inconsistencies.

Market Access for New Entrants

The Authority carried out an inquiry into the poultry sector where Ross Breeders Botswana (Pty) Ltd was the respondent. Ross Breeders Botswana (Pty) Ltd had in the past sold a type of eggs identified in the market as low grade eggs to only two companies or customers in the market, while they refused to sell this product to other interested customers. The Authority intervened by carrying out investigations on the complaint. Due to the Authority's intervention, Ross Breeders Botswana (Pty) Ltd agreed to desist from the practice of refusing to sell to other interested customers and they have started selling to all other interested customers.

RESEARCH AND INVESTIGATIONS

Cases Closed During the 2016/17 Financial Year

(i) Prior Worth (Pty) Ltd, Gabana Architects, Projectium (Pty) Ltd, Pro-Facilities (Pty) Ltd, Tagola Properties (Pty) Ltd, and Mercury (Pty) Ltd against Botswana International University of Science and Technology (BIUST)

A group of companies (Prior Worth, Gabana Architects, Projectium, Pro Facilities, Tagola Properties, and Mercury) complained about anti-competitive conduct by the BIUST. It was alleged that the conduct of BIUST on their tender bidding process in relation to Tender No: BIUST 16-17/008, which is, 'A services contract for the provision of facilities management to BIUST' was discriminatory in that it lacked fairness expected from a tender reserved for citizens. Evidence gathered revealed that the set requirements by BIUST, such as qualification and experience, audited financial statements, professional indemnity and intent to provide parent guarantee set by BIUST, were a deviation from the tender specification requirements as endorsed by the Public Procurement and Asset Disposal Board.

The case was closed and advocacy driven initiatives with PPADB were carried out so as to ensure that government procuring entities, including BIUST, comply with tender specification requirements as endorsed by PPADB. Non-compliant tenders have the likelihood to create an anti-competitive business environment. Following the Authority's intervention, BIUST cancelled the tender.

(ii) The Ministry of Health and Wellness and the Nursing and Midwifery Council of Botswana

The Nursing and Midwifery Council of Botswana lodged a complaint with the Authority alleging discriminatory conduct by the Ministry of Health and Wellness and the Director of Health Services, in which they prevent Nurses and Midwives from entering into

private practice, hence creating inconsistencies in the licensing of Nurses and Midwives.

The inquiry revealed that over the period from 1993 to 2014, there were notable inconsistencies in the licensing of Nurses and Midwives, which had the potential to create anti-competitive effects. The evidence indicated that such inconsistencies in the licensing of nurses and midwives emanates from laws which are not clear with regard to Midwives participation in the private sector. The case was closed and referred for advocacy driven initiatives to the Minister of Health and Wellness. Emphasis was placed on the competition implications of omitting/excluding Nurses and Midwives from the list of professionals eligible to practice privately with regards to the Botswana Health Profession Act and the Nurses and Midwives Act. The Authority recommended that the Nurses Act be reviewed. The Ministry of Health and Wellness has confirmed that it is currently reviewing the two Acts and this has been catered for.

(iii) Farm City (Pty) Ltd and Montego South Africa

The complainant alleged that, Farm City (Pty) Ltd had entered into a non-exclusive agreement with Montego South Africa to be the supplier of Montego Pet Nutrition dog food, and the agreement was that Farm City (Pty) Ltd should not sell to Montego Classic Botswana (Pty) Ltd's customers, but should create its own customer base. Furthermore, the complainant alleged that Montego South Africa refused to supply it with Montego Pet Nutrition dog food, although a non-exclusive distributorship agreement was in place between the two parties. Evidence gathered failed to confirm refusal to deal as Montego South Africa terminated the non-exclusive distributorship agreement with Farm City (Pty) Ltd due to breach of contractual obligations.

RESEARCH AND INVESTIGATIONS

(iv) Delta Melt (Pty) Ltd and Bona Mos' Game Room

The complainant alleged that when responding to the tender that was floated by Ghanzi District Council, Delta Melt (Pty) Ltd and Bona Mos' Game Room submitted bids quoting prices below the cost of goods. The complainant further alleged that Delta Melt (Pty) Ltd and Bona Mos' Game Room had approached individual tuck-shop owners in Ghanzi and rented their tuck shops so that they could comply with one of the tender requirements that stipulated that businesses or enterprises operating in the area should be given first priority in order to develop the local communities.

The findings of the preliminary inquiry showed that the tender in question was nullified because the Tender Evaluation Committee had failed to comply with some requirements stated in the "Invitation to Tender" document. One such requirement was that the businesses operating within the local community must be accorded first preference when awarding the tenders. The tender was cancelled by the Ghanzi District Council and the Authority stopped investigations into the matter.

(v) Precious Foods (Pty) Ltd against Trade World (Pty) Ltd and Sefalana Cash and Carry Ltd

The complainant, Precious Foods (Pty) Ltd, which engages in the salt trade, alleged that Trade World (Pty) Ltd and Sefalana Cash and Carry Ltd refused to 'list' its product. Evidence collected showed that the conduct by Sefalana Cash and Carry Ltd and Trade World (Pty) Ltd did not amount to refusal to deal, but rather that the complainant did not honour the listing application process and its pricing for supplying Trade World (Pty) Ltd was not competitive. Therefore, the case has since been closed as there was no contravention of any sections of the Competition Act.

(vi) Matsiloje Portland Cement (MPC)

The complainant, Matsiloje Portland Cement (MPC), alleged abuse of dominance through predatory pricing by Builders Warehouse and Afrisam. The complainant alleged that Afrisam (a South African based company) and Builders Warehouse are practicing predatory pricing. It is indicated that the selling price of cement bag (32.5N/50kg) from Afrisam through Builders Warehouse in Francistown is lower than MPC's selling price. However, abuse of dominance through predation could not be substantiated due to the fact that Afrisam and Builders Pride cement were not priced below their average variable cost (AVC) in the local market. Furthermore, the prices of Afrisam and Builders Pride cement went up and were found to be on average 25% higher than those of Matsiloje Portland Cement.



ENFORCEMENT AND PROSECUTIONS

Legal and Enforcement Team



**Mr. Duncan T.
Morotsi**



**Ms. Tapiwa
Masie**



**Ms. Goitsemodimo
Tseladikae**



**Ms. Phatsimo
Malatsi**

ENFORCEMENT AND PROSECUTIONS

Prosecution under the Competition Act

One of the most critical responsibilities of the Authority is to ensure that enterprises found to have breached the Competition Act are prosecuted before the Competition Commission. Prosecutions before the Commission ensure that fines and other remedies are imposed as a way of bringing an end to anti-competitive conduct and deterring others from engaging in similar behaviour. Two cartel cases were previously referred to the Commission for prosecution, but could not proceed to the trial stage as the respondents raised points of law that had to be decided before the Commission could hear the actual bid-rigging cases.

The effect of this has been that the Authority has had to wait for lengthy court processes that went all the way to the Court of Appeal before it could proceed with the cartel cases.



Infant Formula Milk Case

During this financial year, history was made as the Court of Appeal sat for the first time to hear a competition case since the Competition Act came into force in 2011, in order to determine a competition law case. The case was an appeal of the decision of the High Court in the Infant Formula Milk Case. The case had initially been referred by the Authority to the Commission in February 2015, with the hope of prosecuting a suspected cartel in a Ministry of Health Tender for the supply of 1,500,000 units of infant formula milk in 400 gram cans valued at 918,800 Euros, which amounted to approximately 110 million pula at the time. When the hearing on the merits of the case was put on hold to allow for points of law to be decided first, the Commission ruled against the Authority and found that the Authority had failed to refer the case to the Commission within the statutory time limit of one year from the date the investigation was opened.

The Authority took the matter on appeal to the High Court and the court found in favour of the Authority, ordering that the matter be remitted to the Commission for a hearing on the merits of the cartel case. Displeased with the decision of the High Court, the Respondents took the matter all the way to the Court of Appeal for a final determination. On 2nd February 2017, the Court of Appeal delivered its ruling in favour of the Authority ordering that the decision of the Commission be set aside and referred the matter back to the Commission for a hearing on the merits of the case.

The Court of Appeal ruling in favour of the Authority in the Infant Formula Milk Case gave finality to a protracted legal argument as to whether an administrative Tribunal can reverse its own decision. The decision of the Appeals Court to send the matter back to the Tribunal for trial after finding in favour of the Authority that the Tribunal erred in law when it ruled that its previous decision was not binding on it. This has set a precedent for future reference.

MERGERS AND ACQUISITIONS

Mergers and Monopolies Team



**Ms. Magdeline
Gabaraane**



**Mr. Innocent
Molalapata**



**Ms. Lizalozé
Ganaope**



**Mr. Mothusi
Lotshwao**



**Ms. Gorata
Selelo**



**Mr. Othusitse
Oletile**



**Mr. Ridwell
Moremi**



**Mr. Powell
Kebinaefhe**

MERGERS AND ACQUISITIONS

The Authority administers Part X of the Competition Act, which involves the investigation and assessments of merger transactions by determining whether the proposed merger) is likely to substantially prevent or lessen competition; whether a proposed merger would be likely to result in any enterprise, including an enterprise which is not involved as a party in the proposed merger, acquiring a dominant position in a market; and whether the merger can or cannot be justified on public interest grounds. In assessing the mergers, the Authority has statutory timelines which stipulate the duration of the assessment, as contained in section 56 of the Act.

In light of this, administratively, mergers are classified based on their effect (or lack thereof) on competition, into two categories: simple or complex. The simple mergers are those with no competition and/or public interest concerns and these are envisaged to be assessed within 30 calendar days. Complex mergers are those that, at face value, are likely to pose some competition and/or public interest concerns, and are assessed within 90 calendar days.

In its determination of the proposed merger(s), the Authority may; unconditionally approve, conditionally approve or outright prohibit/decline a merger.

MERGERS AND ACQUISITIONS

During the regulation of mergers and acquisitions in the period under review, the Authority set conditions aimed at achieving the following:

- Promoting the sustainability and growth of the manufacturing sector by imposing a condition that seeks to maintain the status quo of a business in the manufacturing sector instead of turning it into a distribution point for imported products;
- Maintaining and creating employment;
- Promoting competition through avoiding foreclosure effects, through a divestiture directive; and
- Promoting citizen economic empowerment.

An assessment of the impact from past merger decisions taken revealed the following impacts:

- Employment creation, advancement of citizen economic empowerment initiatives, as well as ensuring a stable supply of LPG in Botswana; and
- Employment creation in the manufacturing sector, which was achieved through expansions of businesses.

Mergers Activity

A total of 52 mergers were handled in the 2016/17 financial year, an increase of 58% from the 33 mergers handled¹ in the previous year. Out of these 52 mergers finalised within the financial year, 44 were classified as simple, eight (8) were classified as complex. Two (2) notified mergers were abandoned whilst the assessment was on-going. The abandonment for one of the transactions was due to the fact that the relevant market of retail in clothing was reserved for

locals and an exception for the parties to operate in the market was not granted by the Ministry, whilst the other transaction was abandoned due to changes in the negotiating terms of the parties. During the year, 45 mergers were approved without conditions, five (5) with conditions and two (2) were prohibited.

The mergers handled by the Authority involve a variety of sectors. Table 2 below gives the trends in sectoral representation of the mergers handled, indicating a concentration of transactions in the wholesale and retail sector, specifically in 2015/16 and 2016/17. Figures published from Statistics Botswana recently showed that from a 1.7% negative growth in 2015, the economy registered positive growth last year mainly due to significant contributions in sectors such as trade, hotels and restaurants, which recorded an increase in value addition of 13.5%.

In the period 2012/13 to 2014/15, the mining sector had the highest number of transactions handled. However, this has since seen a decline in the last two financial years. The decline in the number of transactions in the mining sector could be attributed to the fact that the sector has been experiencing challenges in the last few years, as indicated by a sluggish recovery in the mining sector (dampened further by the closure of BCL and Tati Nickel mines in October 2016).

¹ Mergers handled in this instance refers to merger transactions where the Authority completed the assessment, and, as such, does not include those that were abandoned.

MERGERS AND ACQUISITIONS

Table 2 below shows the sectoral representation of mergers notified and reviewed from April 2012 to March 2017:

Table 2: Sectoral Representation of Mergers Notified and Reviewed from 2012/13 to 2016/17

SECTOR	2012/13	2013/14	2014/15	2015/16	2016/17	TOTAL
Agriculture	2	4	0	0	4	10
Construction	2	1	1	1	3	8
Advertising	0	0	1	0	1	2
Education	0	0	2	0	1	3
Finance & Banking	0	1	2	0	2	5
Health	3	0	0	0	0	3
Hospitality ²	2	3	2	1	3	11
ICT	2	1	1	2	0	6
Insurance	4	0	1	2	4	11
Manufacturing	0	2	2	5	6	15
Mining	5	5	6	2	2	20
Motor Industry	0	0	1	0	0	1
Pharmaceuticals	0	0	1	0	1	2
Property/Real Estate	0	1	1	3	3	8
Wholesale & Retail ³	4	5	6	12	13	40
Security services	0	0	2	1	0	3
Telecommunications	0	0	1	0	1	2
Transportation and Logistics	1	7	2	0	7	17
Other ⁴	5	2	0	4	1	12
TOTAL	30	32	32	33	52	179

² E.g., hotel and tourism

³ E.g., fast food, household items, clothing, and furniture.

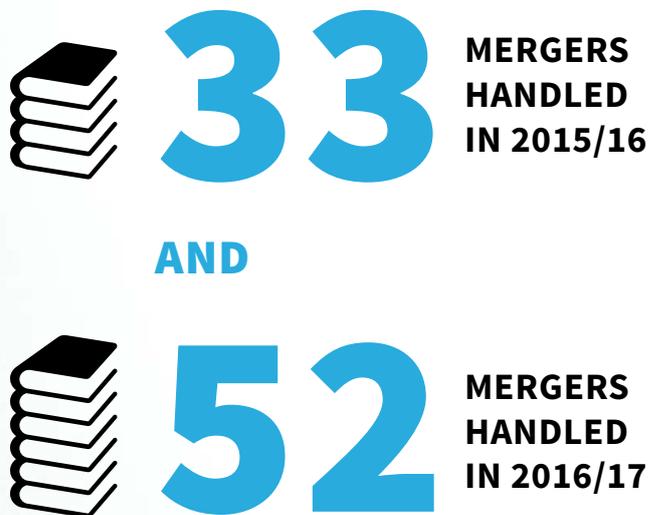
⁴ E.g., energy, aviation, water, management consultancy, etc.

MERGERS AND ACQUISITIONS

Turnaround Times

The review of the administrative timelines as an operational efficiency measure reflects an increase in the merger assessment timelines. During the period under review, the Authority completed a mix of both simple and complex mergers at an average turnaround time of 30 and 86 calendar days, respectively, compared to 27 and 69 calendar days

in the financial year 2015/16. This increase can be as a result of the 58% increase in mergers handled using the same resources available in the two years. In 2015/16, the Authority handled 33 mergers and 52 in 2016/17.



Increase in mergers handled using the same resources available in the two years

MERGERS AND ACQUISITIONS

Mergers Approved Unconditionally

In the event that a proposed transaction poses no competition and/or public interest concerns, the Authority approves it unconditionally. In the period under review, 45 mergers were approved unconditionally, a 73 increase from the 26 mergers of the previous period. Table 3 below shows mergers that were approved unconditionally in the period under review:

Table 3: Mergers Approved without Conditions in 2016/17

FILE NUMBER	SECTOR	ACQUIRING FIRM	TARGET FIRM
MER/002/2016	Property/Real Estate	Debswana Pension Fund	United Promotional Enterprises
MER/003/2016	Property/Real Estate	Debswana Pension Fund	DBN Development Partnership
MER/004/2016	Insurance	African Essence Enterprises	Penrich Insurance Brokers
MER/006/2016	Property/Real Estate	Debswana Pension Fund	Healthcare Holdings (Pty) Ltd
MER/007/2016	Transportation and Logistics	Smithshine Enterprises (Pty) Ltd	Pamstad (Pty) Ltd
MER/008/2016	Manufacturing	Reunert Ltd	Metal Fabricators of Zambia Plc
MER/011/2016	Mining	Minerals Development Company of Botswana	Morupule Coal Mine
MER/012/2016	Financial Services	Afena Capital Botswana Management	Afena Capital Botwanan (Pty) Ltd
MER/013/2016	Hospitality	MHG International Holdings (Mauritius)	Minor Hotel Group Gaborone (Pty) Ltd
MER/014/2016	Manufacturing	Rosewild Trade Invest (Pty) Ltd	Chlor-Alkali Holdings (Pty) Ltd
MER/015/2016	Pharmaceuticals	Kadent Ltd	Pattihis Ch Holdings and Remedica Holdings Ltd
MER/017/2016	Construction	Industrial Services Holdco (Pty) Ltd	Uni-Span Holdings (Pty) Ltd, Prowalco (Pty) Ltd, Concord Cranes (Pty) Ltd and Uvundlu Investments (Pty) Ltd
MER/018/2016	Transportation and Logistics	Bidvest Group Ltd.	Brandcorp Holdings (Pty) Ltd
MER/019/2016	Insurance	HWIC Asia Fund	Zurich Insurance Company Botswana Ltd
MER/020/2016	Tourism	Yan Zhao Global Ltd	Abercrombie & Kent Group of companies S.A
MER/021/2016	Transport and Logistics	enX Group Limited	Eqstra NewCo

MERGERS AND ACQUISITIONS

Table 3 Continued: Mergers Approved without Conditions in 2016/17 (Continued)

FILE NUMBER	SECTOR	ACQUIRING FIRM	TARGET FIRM
MER/023/2016	Agriculture	Gravitas Investments (Pty) Ltd	Sally Dairy Products (Pty) Ltd
MER/024/2016	Transport and Logistics	AMI International Holdings Limited, Bchange Group Pte Ltd Manica Holdings Limited	Manica Botswana
MER/025/2016	Construction	Stella Capital Partners Ltd	Torre Industries Ltd
MER/027/2016	Retail	Parentco	Edcon Acquisition (Pty) Ltd
MER/028/2016	Retail	Harshadkumar Patel	Tyrepro (Botswana) (Proprietary) Limited and Fox (Proprietary) Limited
MER/031/2016	Retail	Harshadkumar Patel	Tyrepro (Botswana) (Proprietary) Limited and Fox (Proprietary) Limited
MER/031/2016	Retail	K2016379893 (South Africa) (Pty) Ltd	Universal Industries Corporation
MER/032/2016	Education	Wenge (Pty) Ltd/ Embury Botswana (Pty) Ltd	BA Isago University (Pty) Ltd
MER/033/2016	Manufacturing	Nampak Products Limited	Can Manufacturers (Pty) Ltd
MER/034/2016	Retail	Mainstreet 1438	Little Green Beverages (Pty) Ltd
MER/035/2016	Mining	Leboam Holdings (Pty) Ltd	Assets of Messina Copper (Botswana) (Pty) Ltd
MER/036/2016	Retail	Komatsu America Corp.	Joy Global Inc.
MER/037/2016	Financial Services	FWA Financial Limited	Imara Holdings Limited
MER/038/2016	Retail	BayWa Aktiengesellschaft	Barloworld World South Africa Proprietary Limited
MER/039/2016	Reta	Newco	Legit Botswana operated by Jet Supermarkets (Botswana) (Pty) Ltd
MER/040/2016	Insurance	Tiny Kgatlwane, Tebatso Lekalake, Kgaotsang Matthews and Keneilwe Mere	First Sun Alliance
MER/041/2016	Retail	Kwikot Proprietary Ltd	Aktiebolaget Electrolux
MER/042/2016	Retail	CA Sales Holdings (Pty) Ltd	The Brand Activation Business conducted by Expo Botswana (Pty) Ltd
MER/043/2016	Retail	Rhodes Food Group (Pty) Ltd	Packo (Pty) Ltd
MER/044/2016	Manufacturing	BuildEzee Adhesives	Saint-Gobain
MER/045/2016	Manufacturing	Steelbase (Pty) Ltd	Kwena Concrete Products

MERGERS AND ACQUISITIONS

Table 3 Continued: Mergers Approved without Conditions in 2016/17

File Number	SECTOR	ACQUIRING FIRM	TARGET FIRM
MER/046/2016	Transportation and Logistics	PST Sales and Distribution (Pty) Ltd	Global Holdings Botswana (Pty) Ltd
MER/001/2017	Retail	Puratos Group NV	Bidvest Bakery Solutions (Pty) Ltd
MER/002/2017	Energy	Vitol Africa B.V	Vivo Energy Holding B.V.
MER/003/2017	Construction	Firefly Investments 319 (Pty) Ltd	Murray and Roberts Ltd
MER/004/2017	Agriculture	Bokomo Management	Amigear Ventures (Pty) Ltd
MER/005/2017	Agriculture	Amigear Ventures (Pty) Ltd	Cottesloe Consultants (Pty) Ltd
MER/006/2017	Agriculture	Amigear Ventures (Pty) Ltd	Bokomo Botswana (Pty) Ltd
MER/006/2017	Tourism	Soren Lindstrom Safaris	Hana-ven (Pty) Ltd
MER/009/2017	Property/Real Estate	Capital Management Botswana Fund1 (Pty) Ltd	Woodworld (Pty) Ltd t/a Storage Solutions & Mr Car Wash (Pty) Ltd

MERGERS AND ACQUISITIONS

Mergers Approved with Conditions

The Authority approves a merger with conditions if it has found that a specific remedy can address the competition and/or public interest concerns identified during the merger assessment. In the period under review, five (5) mergers were approved with conditions, a 67% increase from the three (3) mergers of the previous period.

The behavioural conditions seek to address competition concerns by regulating the terms on which the merged entity may do business; whereas structural remedies are imposed either where there is no equally effective behavioural remedy or where any equally effective behavioural remedy would be more burdensome for the undertaking concerned. Table 4 below shows mergers that were approved with conditions in the period under review:

Table 4: Mergers Approved with Conditions in the Period under Review

Manufacturing	
<p>File Number: MER/001/2016 Sector: Manufacturing Acquiring Firm: Anheuser-Busch InBev SA/NV Target Firm: SAB Miller</p>	
<p>Conditions:</p> <p>The Authority approved the proposed acquisition with the conditions that:</p>	
<p>1. The merged entity shall use all its endeavours to ensure that the manufacturing business of KBL is maintained instead of turning it into a distribution point for imported products.</p>	<p>2. In the event that the merged entity is compelled to change the business model into a distribution point, such intentions should be communicated to the Authority with a clear justification for the decision.</p>

MERGERS AND ACQUISITIONS

Table 4 Continued: Mergers Approved with Conditions in the Period under Review

Insurance

File Number: MER/009/2016

Sector: Insurance

Acquiring Firm: Direct Axis International SA

Target Firm: Regent Insurance Botswana (Pty) Ltd, Regent Life Botswana (Pty) Ltd, Hollard Insurance Company of Botswana Ltd, Hollard Botswana (Pty) Ltd and Hollard Holdings Botswana (Pty) Ltd

Conditions:

The Authority approved the proposed acquisition with the conditions that:

- | | |
|---|---|
| 1. There should be no retrenchments of any employees for 2 years. | 3. Submit status report every 6 months commencing from approval date. |
| 2. A report should be submitted 3 months prior to making any retrenchments. | |

Retail

File Number: MER/010/2016

Sector: Retail

Acquiring Firm: Bluehearts (Pty) Ltd

Target Firm: Wabler Holdings (Pty) Ltd

Conditions:

The Authority approved the proposed acquisition with the conditions that:

- | | |
|--|--|
| 1. Bluehearts should submit a report five (5) years from implementation date of the transaction. | 3. Choppies shall, for a period of five (5) years from the date of this decision, not enter the market for the retailing of branded consumer electronics currently traded by Warbler Holdings (Pty) Ltd. |
| 2. Within 12 months from the decision date, Mr. Ramachandran Ottapathu is to divest his interests in stated companies. | 4. For a period of five (5) years from the decision date, Cotton Valley (Pty) Ltd t/a Office Berry shall only trade in the sale of stationary, office equipment, computers and associated accessories as per the merging parties' undertaking. |

MERGERS AND ACQUISITIONS

Table 4 Continued: Mergers Approved with Conditions in the Period under Review

Manufacturing

File Number: MER/033/2016

Sector: Manufacturing

Acquiring Firm: Nampak Product Ltd

Target Firm: Can Manufacturers (Pty) Ltd

Conditions:

The Authority approved the proposed acquisition with the conditions that:

- | | |
|--|--|
| 1. In the event that Botswana Development Corporation Limited (“BDC”) decides to dispose of its 26% shareholding in Newco to Nampak Southern Africa Holdings Ltd (“NSAH”), NSAH shall sell a shareholding in Newco of not less than 10% to a citizen of Botswana controlled entity or citizen of Botswana within 12 months of it acquiring the BDC shares. | 2. The end line business will not relocate out of Botswana and shall remain a manufacturing business and not change into a sole distribution business for a period of at least three (3) years from the implementation of this transaction. In the event that market circumstances change to the point where NSAH resolve to relocate from Botswana, NSAH shall notify the Authority of their intention to relocate. |
|--|--|

Transportation and Logistics

File Number: MER/046/2016

Sector: Transportation and Logistics

Acquiring Firm: PST Sales & Distributions (Pty) Ltd

Target Firm: Global Holdings Botswana (Pty) Ltd

Conditions:

The Authority approved the proposed acquisition with the condition that:

- | |
|--|
| 1. Imperial Capital Limited exercises the option to buy the 25% shareholding in PST Sales and Distribution not later than 23rd March 2018. If the option is exercised later than this date, then the transaction would have to be notified to the Authority. |
|--|

MERGERS AND ACQUISITIONS

Declined/Prohibited Mergers

In the event the Authority cannot identify a remedy to address the competition and/or public interest concerns associated to the transaction, the Authority rejects the transaction. In view of this, the Authority prohibited two mergers during the year under review namely: Transport Holdings (Pty) Ltd/4Ms Group (Pty) Ltd and Universal House (Pty) Ltd/Mmegi Investment Holdings (Pty) Ltd. It is the Authority's view that, if the two mergers were approved, they would have distorted competition in the line haul and transportation consolidation transportation services, and the provision of commercial radio broadcasting services. Details of the transactions are shown below:

(i) The Proposed Acquisition of 28.73% shares in Mmegi Investment Holdings (Pty) Ltd by Universal House (Pty) Ltd

On 17th February 2017, the Authority prohibited a merger between Mmegi Investment Holdings (Pty) Ltd and Universal House (Pty) Ltd on the basis that it would substantially prevent or lessen competition in the markets for the provision of commercial radio broadcasting services. The target firm's business activities are in the media, including commercial radio broadcasting, printing, publishing and distribution of books, publications, newspapers. The acquiring entity, Universal House's sole controller/shareholder, has business interests in a number of local companies which trade in property development and management, as well as the provision of radio broadcasting services.

The Authority determined not to approve the proposed acquisition on the grounds that both competition and public interest concerns would arise in the market for the provision of commercial radio broadcasting services. The Authority further took cognisance of the fact that:

- i. The acquiring entity will have a foothold in two of the three private⁹ commercial radio stations and two of the four commercial¹⁰ radio stations in the country;
- ii. The merged entity would acquire a dominant position in the market under consideration, thus altering the landscape of competition in the local market;
- iii. The merged entity would substantially lessen competition or restrict trade or the provision of services or endanger the continuity of services in the market under consideration; and
- iv. There were a number of public interest concerns arising from the merger, such as the negative effect on media diversity and plurality; potential for increased prices; as well as reduced consumer choice, and a possible decline in quality of service and innovation.

Given the fact that the transaction had already been implemented, pursuant to section 63 (2) (b) of the Competition Act; the Authority directed the parties to dispose of the 28.73% shares it had already acquired in Mmegi Investment Holdings (Pty) Ltd by Universal House (Pty) Ltd, to an entity or person(s) with no business interests affiliated in any way with the acquiring entity, within three (3) months from the decision date.

In order for the Authority to properly enforce the above direction, the merging parties were to adhere to the following monitoring procedures:

- i. Within 14 business days from the decision date, the merging parties were required to report to the Authority on how the disposal will be done; and
- ii. Within two months from the decision date, the merging parties were required to provide the Authority with a status update on their progress towards compliance with the decision of the Authority.

⁹ Gabz FM, Duma FM and Yarona are the only three private radio stations.

¹⁰ The three private radio stations and RB2.

MERGERS AND ACQUISITIONS

(ii) The Proposed Acquisition of Assets and Cession of the Main Contracts Belonging to 4Ms Group Holdings (Pty) Ltd by Transport Holdings Ltd

On 13th January 2017, the Competition Authority prohibited a merger between Transport Holdings Ltd and 4Ms Group Holdings. Both companies are active in the market for the provision of line haul transportation services. The Authority determined not to approve the acquisition of assets and cession of the main contract belonging to 4Ms Group Holdings (Pty) Ltd by Transport Holdings Ltd based on the following findings:

- a. The proposed transaction was likely to result in reduced competition due to the removal of a competitor in the line haul transportation services market;
- b. The implementation of the proposed merger was expected to result in the merged entity attaining a dominant position; and

- c. It was established that the proposed transaction would result in retrenchments and citizen disempowerment.

Given the competition and public interest concerns that were identified in this transaction, and the fact that Transport Holdings is the only other entity, apart from 4Ms, having a contract with Kgalagadi Breweries (Pty) Ltd (KBL) that expires in January 2020, Transport Holdings (or any other entity related in anyway with Transport Holdings) was restrained from participating in the tender to be issued by KBL upon the expiry of the existing 4Ms contract with KBL in October 2017, and for the entire period leading up to the end of the Transport Holdings contract in January 2020, including any extension period that may be granted thereafter.

Mergers Carried Forward

The following mergers were carried forward to the 2017/18 financial year on account of their finalisation/determination date falling outside the end of the financial year:

Table 5: Mergers Carried Forward to the 2017/18 Financial Year

FILE NUMBER	SECTOR	ACQUIRING FIRM	TARGET FIRM
MER/008/2017	Financial Services	Capital Management Africa (Pty) Ltd	Fleming Asset Management Botswana (Pty) Ltd
MER/010/2017	Agriculture	Agricola Africa Limited	Kanu Equipment Limited
MER/011/2017	Telecommunications	Innolead Consulting (Pty) Ltd	GDS Botswana (Pty) Ltd

MERGERS AND ACQUISITIONS

Post-Merger Impact Assessment

The Authority has a strategic objective of assessing the impact of the decisions made with respect to mergers, through conducting ex-post reviews. These ex-post reviews are usually carried out in order to assess the actual competitive developments resulting from the actions taken by the Authority.

In the period under review, the two transactions implemented between the period 2012 and 2015 that were selected for review to assess their impact in the Botswana economy were as follows:

Case Study 1:

Merger between Manuli Fluiconnecto Holdings B.V., Fluid Systems Botswana (Pty) Ltd and Fluid Systems North (Pty) Ltd

The Authority received a notification for Manuli Fluiconnecto to acquire 20% shares in Fluid Systems Botswana and Fluid Systems North. The merger did not give rise to any competition concerns or public interest concerns in Botswana by virtue of its implementation. Nonetheless, the Authority took cognisance of the parties' commitment that they would consider identifying products within their value chain that could be manufactured or assembled in Botswana in order to assist in technological transfer and industrial growth in Botswana. In a separate transaction where Manuli Fluiconnecto was acquiring additional shares in order to have sole control, the Authority resolved to authorise the transaction subject to the commitments by parties that:

- i. Fluid Systems was in the process of manufacturing Hydraulic and Pneumatic Cylinders used in the mining and manufacturing industries in Botswana; and
- ii. Fluid Systems was planning to start and develop a partnership programme to train local apprentices and to open a third Service Point in 2015.

The impact analysis showed that Manuli Fluiconnecto had post-merger, opened two (2) branches, one at Palapye and another at Karowe Mine. In addition, the company has conducted training for Selebi-Phikwe Technical College, Botswana Defence Force, local colleges and universities.

Furthermore, Manuli Fluiconnecto provide their staff with regular training on cranes, load testing and operational training, working hand in hand with their suppliers and strategic partner, such as Palfinger and Festo Pneumatics, to provide product training and more advanced didactic training to sales staff.

Case Study 2:

The proposed acquisition of 40% issued share capital in Easigas (Pty) Ltd by Reatile Gaz (Pty) Ltd

This merger was not likely to give rise to substantial competition concerns in the Liquid Petroleum Gas market in Botswana. The Authority therefore resolved to approve the proposed transaction considering the following benefits that were anticipated post implementation of the transaction: employment

MERGERS AND ACQUISITIONS

creation or maintenance as per the merged entity's commitment; stability in the supply of LPG supply in Botswana as per Easigas Botswana's rationale for undertaking this transaction; availability of affordable gas prices for the final consumers of LPG; and establishment of a cylinder maintenance plant in Botswana which would further decrease Botswana's dependence on the Republic of South Africa as per the merging parties' submissions.

The assessment of the transaction has shown that Easigas has made great efforts towards implementing the commitments made to the Authority through the contribution to employment, ensuring a stable supply of LPG in Botswana and advancing citizen empowerment.

This merger was not likely to give rise to substantial competition concerns in the Liquid Petroleum Gas market in Botswana. The Authority therefore resolved to approve the proposed transaction considering the following benefits that were anticipated post implementation of the transaction: employment creation or maintenance as per the merged entity's commitment; stability in the supply of LPG supply in Botswana as per Easigas Botswana's rationale for undertaking this transaction; availability of affordable gas prices for the final consumers of LPG; and establishment of a cylinder maintenance plant in Botswana which would further decrease Botswana's dependence on the Republic of South Africa as per the merging parties' submissions.

The assessment of the transaction has shown that Easigas has made great efforts towards implementing the commitments made to the Authority through the contribution to employment, ensuring a stable supply of LPG in Botswana and advancing citizen empowerment.

Competition Agencies are not able to control or predict every factor capable of impacting on the implementation of remedies. Significant and permanent changes in market conditions may impact on the effectiveness of a remedy, especially in cases where non-structural remedies continue

over a long duration. These anticipated factors may call for the modification of remedies imposed during the time of making the determination. Modifications can range from extensions of implementation deadlines to remedy substitution or waivers to implement commitment.

The acceptance of a remedy substitution or modification will be guided by the extent to which the alternative remedy achieves the same or comparable objectives as the initial remedy. In other words, if non-compliance results from a remedy being impossible to implement, the Authority will consider whether modifications or alternative remedies may be effective to address the relevant competition or public interest concerns.

The Authority has a strategic objective of undertaking the compliance assessment of merger cases determined within a given period. In the period under review, 11 transactions (see Table 6 below) were selected for review to assess their level of compliance with decisions that were taken by the Authority and no case of outright non-compliance was registered.

MERGERS AND ACQUISITIONS

Table 6: Mergers and Decisions Reviewed for Compliance

<p>FILE NO: MER/011/2012 AND MER/006/2015</p> <p>MERGER: Acquisition of 80% interest in the issued share capital of Fluid Systems Botswana (Pty) Ltd and Fluid Systems North (Pty) Ltd by Manuli Fluiconnecto Holdings B.V. and further 20% in 2015 leading to 100%</p>	
<p>THE TRANSACTION DECISION:</p> <p>The Authority approved the transactions on 3rd April 2012 and on 2nd April 2015, respectively, taking into consideration the commitments made by Manuli Fluiconnecto Holdings B.V./Fluid Systems that:</p> <p>i. Fluid Systems was in the process of manufacturing Hydraulic and Pneumatic Cylinders used in the mining and manufacturing industries in Botswana; and</p>	<p>ii. Fluid Systems was planning to start and develop a partnership programme to train local apprentices and to open a third Service Point in 2015.</p> <p>Manuli Fluiconnecto Holdings B.V. was expected to provide the Authority with a status update pertaining to the abovementioned commitments within 12 months.</p>
<p>FILE NO: MER/033/2012</p> <p>MERGER: Increase in majority controlling stake by Botswana Medical Aid Society (BOMAID) in Medical Rescue International Botswana Limited (MRI)</p>	
<p>THE TRANSACTION DECISION:</p> <p>This transaction was approved on 8th February 2013, through a Settlement Agreement. The settlement was subject to the following conditions:</p> <p>i. That, in the event that BOMAID decides to dispose of the acquired shares, it undertakes to first offer them to citizens, who are not already shareholders in MRI;</p> <p>ii. In the event that no suitable citizens are willing to acquire the shares, BOMAID will be at liberty to approach any other entity/entities to take up the shares;</p> <p>iii. This undertaking above shall apply for a period of three years (3) from the date hereof;</p>	<p>iv. BOMAID shall revert to the Competition Authority after the expiry of three (3) years, with a status report of whether the shares have been offered to citizens;</p> <p>v. That upon settlement being reached and signed BOMAID will withdraw the application/appeal against the Competition Authority currently pending before the Competition Commission; and</p> <p>vi. Each party shall bear its own costs.</p>

MERGERS AND ACQUISITIONS

Table 6 Continued: Mergers and Decisions Reviewed for Compliance

<p>FILE NO: MER/008/2013</p> <p>MERGER: Acquisition of all issued shares of Supasave and Megasave by Choppies Enterprises.</p>	
<p>THE TRANSACTION DECISION:</p> <p>The Authority approved the transaction on the 13th June 2013 on condition that:</p> <ul style="list-style-type: none"> Choppies should, within a period of 5 years (from 2013), provide the Authority with a reasonable exit plan (including a public notice) 	<p>to divest from the Supasave outlets which are within the vicinity of existing Choppies outlets in Mogoditshane, Broadhurst Extension 16, Gaborone Bus Rank/Gaborone West and Palapye.</p>
<p>FILE NO: CA/MER/030/2013</p> <p>MERGER: Acquisition of all the assets and goodwill of Evolution (Pty) Ltd, Gym Active and CNS Gym by Humaree Investments (Pty) Ltd t/a Jack's Gym</p>	
<p>THE TRANSACTION DECISION:</p> <p>On 7th March 2014 the Authority approved the proposed merger on a condition that Jack's Gym divests the gym previously operating as Gym Active at the Village, Gaborone, in order to reduce its concentration in Gaborone. This was in view of the fact that Jack's Gym had demonstrated the ability to grow organically, as evidenced by opening at Lansmore Hotel and Block 5.</p> <p>Upon review of this decision, the Authority therefore on 10th July 2014 noted that Jack's Gyms were concentrated in the western side of Gaborone, where the Gaborone West Jack's Gym branch is located, than the eastern side where the Jack's Gym Village branch is located. Therefore, the Authority was of the view that the exiting of Jack's Gym in the western part of Gaborone would address the concentration concerns observed by the Authority more directly</p>	<p>than the exit of Jack's Gym branch on the eastern side of Gaborone, where the presence is not as high.</p> <p>Based on the above findings, the Authority acceded to Jack's Gym's request to divest the Gaborone West Jack's Gym branch by end of June 2016 in the event that Jack's Gym will still be considered to exercise significant market power in the Gaborone gym market at the time.</p> <p>Jack's Gym was to furnish the Authority with a list of its competitors in the relevant market, as well as their market shares, by January 2016 for the Authority to review the divestiture directive. In reviewing the directive, the Authority shall carry out its own market assessment and any required due process under the Act.</p>

MERGERS AND ACQUISITIONS

Table 6 Continued: Mergers and Decisions Reviewed for Compliance

<p>FILE NO: MER/007/2014</p> <p>MERGER: The Acquisition of Assets & Trading Stock of Mojanaga Investments (Pty) Ltd trading as Tutume Spar By Tsetseng Retail Group (Pty) Ltd trading as Spar Supermarket.</p>	
<p>THE TRANSACTION DECISION:</p> <p>On 30th May 2014, the Authority approved the acquisition of assets and trading stock of Mojanaga Investments (Pty) Ltd t/a Tutume Spar by Tsetseng Retail Group (Pty) Ltd t/a Spar Supermarket, subject to the following conditions:</p> <p>i. Tsetseng Retail Group commits to buy from local</p>	<p>producers not only in Tutume but also in other areas where their stores are located; and</p> <p>ii. Tsetseng Retail Group commits to employ all the existing staff of Tutume Spar.</p>
<p>FILE NO: MER/009/2014</p> <p>MERGER: The Acquisition of Assets & Undertakings of Food Lovers Market Franchise Business Operated by Kimbo Investments (Pty) Ltd At Railpark Mall by Tsetseng Retail Group (Pty) Ltd t/a Spar Supermarket.</p>	
<p>THE TRANSACTION DECISION:</p> <p>On 5th June 2014, the Authority approved the acquisition of assets and undertakings of Food Lovers Market franchise business operated by Kimbo Investments (Pty) Ltd at Railpark Mall by Tsetseng Retail Group (Pty) Ltd t/a Spar Supermarket, subject to the following conditions:</p>	<p>i. Tsetseng Retail Group commits to buy from local producers; and</p> <p>ii. Tsetseng Retail Group commits to employ all the existing staff of Food Lovers Market at Railpark Mall.</p>
<p>FILE NO: MER/023/2014</p> <p>MERGER: Acquisition of the entire business of Mulbridge Transport (Pty) Ltd by Transport Holdings Ltd</p>	
<p>THE TRANSACTION DECISION:</p> <p>On the 9th February 2015, the Authority approved the acquisition of the entire business of Mulbridge Transport (Pty) Ltd by Transport Holdings Ltd. It was expected that Transport Holdings will, within 12 months from the decision date, update the Authority on the following:</p> <p>Whether proper procedures were followed in line with the labour laws of Botswana in ensuring that seven unskilled employees received their due severance benefits;</p>	<p>What efforts have been made in creating employment for the concerned employees, and to kindly provide the Authority with evidence to demonstrate efforts made; and</p> <p>To provide the Authority with a status report regarding the status of the concerned employees.</p>

MERGERS AND ACQUISITIONS

Table 6 Continued: Mergers and Decisions Reviewed for Compliance

<p>FILE NO: MER/003/2015</p> <p>MERGER: Acquisition of 100% Interest in the issued share capital of Tyre Services (Pty) Ltd, by Tyre Corporation Botswana.</p>	
<p>THE TRANSACTION DECISION:</p> <p>This transaction was approved on 21st April 2015. When approving this transaction, the Authority was concerned about diminishing opportunities for the local manufacturing sector as a result of increased focus on importing retreads from neighbouring countries. With a post-merger market share that was likely to result in the merged entity being a dominant importer of retreads, the Authority was desirous to see a situation where such an entity would be pro-active to study the possibility</p>	<p>of domesticating value addition within Botswana. This concern was due to the fact that some local companies with less market share to the merged entity are engaged in manufacturing of retreads in Botswana.</p> <p>The merged entity was expected to revert to the Competition Authority within 12 months, with a status report regarding the progress made in opening the manufacturing plant.</p>
<p>FILE NO: MER/013/2015</p> <p>MERGER: Acquisition of 100% interest of the issued share capital in Maxshell 114 Investments (Pty) Ltd by Sun International (South Africa) Limited</p>	
<p>THE TRANSACTION DECISION:</p> <p>The transaction was approved on 30th July, 2015, with the undertakings that:</p> <ul style="list-style-type: none"> i. Sun International will, upon implementation of the proposed transaction, remove its appointed director from the board of directors of Sun International Botswana (SIB) and will undertake all such steps as necessary to remove any contractual right that it has to appoint such a director; ii. Sun International will, within six months of the date of implementation of the transaction, prove that the Operating Management Agreement in relation to the SIB casinos is amended to reflect that: <ul style="list-style-type: none"> a. Minor Hotel Group or any of its affiliates shall be solely responsible for determining all matters of any strategic importance in relation to the function, operation and marketing of the SIB casinos, including in relation to price setting, promotions, giveaways and service standards; b. Sun International shall not be called upon to provide any input into any such matter and it shall at all times refrain from providing any such input; and 	<ul style="list-style-type: none"> c. Sun International will merely conduct the day to day operation of these casinos attending only to matters of no strategic or competitive importance or relevance. i. Sun International will ensure that upon implementation of the proposed transaction: <ul style="list-style-type: none"> a. None of its employees providing services within the operations of the SIB casinos will, in any manner or capacity, simultaneously be employed within the operations of any Peermont casino within Botswana (and vice versa); and b. All employees within the SIB casinos and Peermont casinos in Botswana are subject to appropriate non-disclosure undertakings. <p>Given the undertakings, Sun International is expected to provide the Competition Authority with an annual and detailed report on execution of these undertakings, until such a time to be determined by the Authority. The report is to be compiled by an Independent Consultant approved by the Authority, and Sun International South Africa would bear the costs of engaging such consultant.</p>

MERGERS AND ACQUISITIONS

Table 6 Continued: Mergers and Decisions Reviewed for Compliance

<p>FILE NO: MER/035/2015</p> <p>MERGER: Acquisition of the operations of Kentucky Fried Chicken Franchise Restaurants in Botswana, operating under the brand name “KFC Botswana”, together with all assets related to operations of KFC franchise stores from VPB Propco (Pty) Ltd by Callus (Pty) Ltd</p>	
<p>THE TRANSACTION DECISION:</p> <p>The transaction was approved on 10th December 2015, with the conditions that:</p> <ul style="list-style-type: none"> i. Callus will continue sourcing from the same suppliers that were engaged by VPB and are YUM Restaurants International (Pty) Ltd accredited, as well as consider sourcing from any other YUM accredited suppliers based in Botswana; ii. Callus will ensure that there will be no job losses as a result of the proposed transaction; 	<ul style="list-style-type: none"> iii. Callus should demonstrate to the Authority efforts made towards facilitating that local suppliers penetrate or meet YUM Restaurants International (Pty) Ltd’s standards of accreditation; and iv. Callus is expected to annually (for a period of three years) submit to the Competition Authority a detailed report indicating a list of its new and old Botswana based suppliers, as well as the efforts referred to under (iii) above.

CORPORATE SERVICES

Corporate Services Team



**Ms. Tshepo
Wadipeba**



**Mr. Kitso
Mocuminyane**



**Ms. Neo
Gopolang**



**Mr. Mooketsi
Ntwaagae**



**Mr. Kamogelo
Ditsele**



**Mr. Tonny G.
Kolanyane**



**Mr. Morulaganyi
Modikwa**



**Ms. Kenewang
Morupisi**



**Mr. Keoagile
Ntshaanana**

CORPORATE SERVICES

Corporate Services Team



**Ms. Rebecca
Rabakane**



**Mr. Botsalo
Makolo**



**Ms. Tshegofatso
Moaatlhaping**



**Mr. Potlako
Mpe**



**Ms. Patience
Gombalume**



**Ms. Sebilo
Kebotsamang**



**Mr. Otlaathusa
Seforo**

CORPORATE SERVICES

Human Resources

The Authority believes that employees lie at the heart of the organisation because, without them, the day-to-day operations of the organisation would cease. Flowing from this philosophy, the Authority values the importance of a strong employee value proposition and has made a commitment to put more focus on effective human capital management, to harness and nurture the spirit that drives individuals to deliver at the best of their ability. This is mainly a commitment to ensure that there is continuous improvement on employee engagement, leadership effectiveness and, ultimately, increased productivity.



CORPORATE SERVICES

Staff Complement

The Authority has observed that, over the past few years, the number of cases handled by the Authority has been increasing and this has, in turn, increased the workload for both technical and support departments. This will definitely necessitate an increase in the number of establishment positions within the Authority. The issue of manpower shortages has also been identified as a corporate risk to the Authority that may lead to lower levels of productivity, higher turnover and ineffective internal controls.

Table 7: Staff Complement as at 31st March 2017

DEPARTMENT	 MALE	 FEMALE	TOTAL
CEO's Office	2	3	5
Mergers and Monopolies	3	2	5
Investigations and Research Analysis	3	2	5
Corporate Services	7	4	11
Communications and Advocacy	1	2	3
Legal and Enforcement	1	2	3
Total	17	15	32

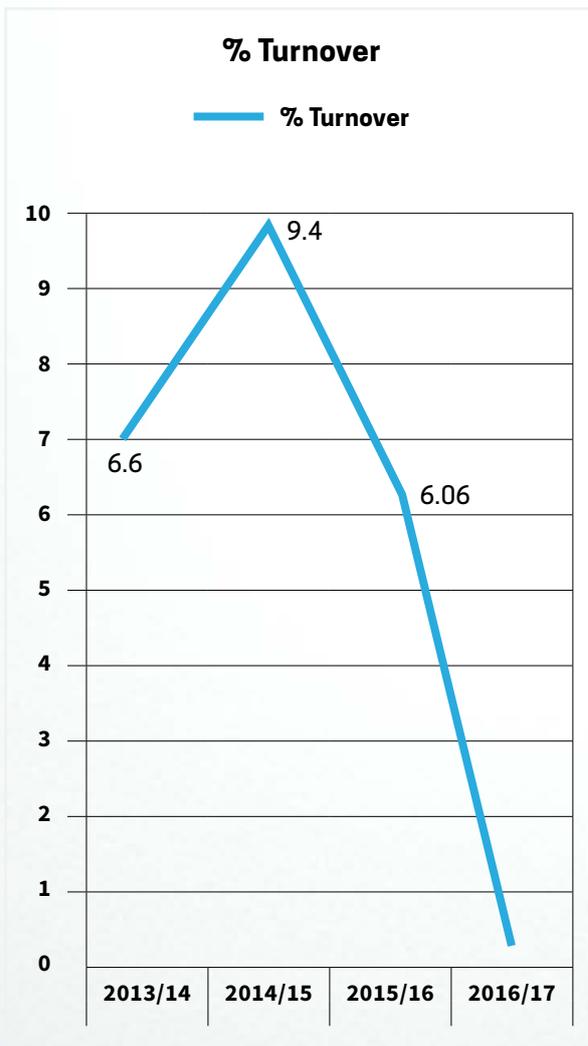
In addition to the above staff complement, the Authority has also engaged six (6) temporary employees and nine (9) graduate interns under the Graduate Volunteer Scheme and National Internship Programme to work in the five departments.

CORPORATE SERVICES

Staff Turnover

The Authority achieved an impressive turnover rate of zero (0%), as there were no terminations during the reporting period. The Authority will continue to monitor and aim to maintain a low turnover rate through the implementation of a robust retention strategy and employee engagement initiatives. The reduction in staff turnover over the past few years is depicted in the figure below.

Figure 1: Staff Turnover from 2013/14 to 2016/17

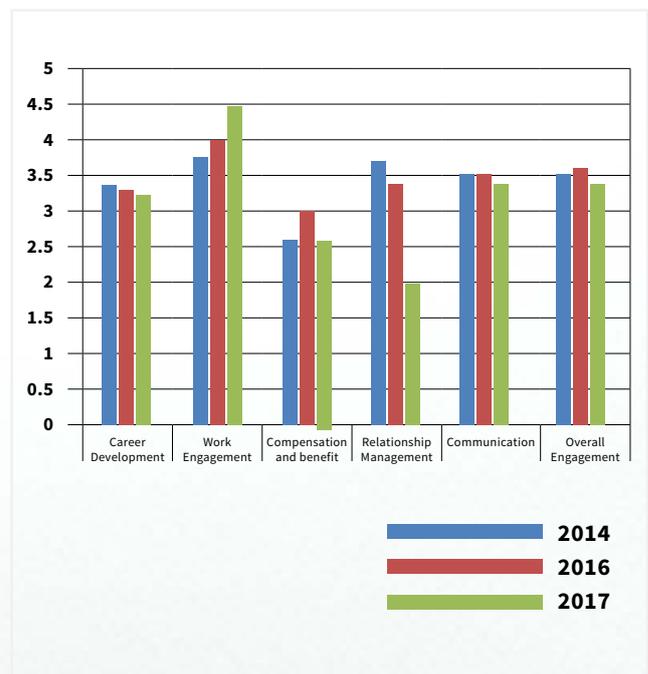


Employee Engagement

The Authority views employee engagement as a top business priority, with the ultimate intention of creating a high-performance and results driven culture. It recognises that a highly engaged workforce that is fully involved and enthusiastic about work can yield increased innovation and productivity.

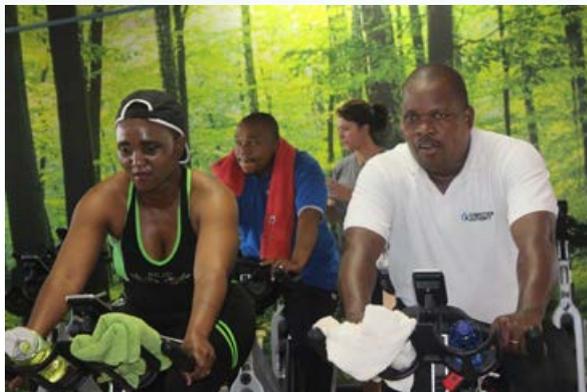
In an effort to measure and monitor the level at which employees are committed and engaged in their work, the Authority conducts annual Employee Engagement Surveys. For the period under review, results of the survey indicated that the employees are engaged at a level of 68% against the Authority's strategic target of 75%. Although this level is a slight decline from last year's level of 72%, it is still comparatively good and acceptable, as it is higher than the local, global and regional trends in employee engagement. Over the past three years, the levels of employee engagement in the Authority per engagement factor were as illustrated on the graph below:

Figure 2: Competition Authority Employee Engagement Levels 2014 to 2017



CORPORATE SERVICES

In order to strive to achieve the employee engagement target of 75%, as set out in the corporate scorecard, the Authority will continue to implement and support initiatives and interventions that are designed to provide employee motivation. The Authority will monitor and seek to promote the general wellness of the employees by encouraging staff to utilise available platforms that have been established provide support and assistance for them and their professional development. Furthermore, the Authority will facilitate focus group sessions which would help unpack the issues at hand, particularly in areas such as Relationship Management and Compensation and Benefits, which recorded a significant drop in engagement.



Employee Wellness

As a way of inculcating a culture of work-life balance, as well as improving the health, fitness and general wellbeing of the employees, the Authority has put in place a number of initiatives to support the wellness and welfare of its employees. During the reporting period, the Authority provided the following activities/services for its employees:

- i. Wellness Week in August 2016 which included activities such as health screenings, mindfulness sessions, uphill group challenge and fitness workshop;
- ii. On-site fitness gym facility;
- iii. On-site children's play room;
- iv. Reinstatement of the Employee Support Programme, which includes psycho-social counselling, financial management counselling, motivational talks as well as lifestyle disease management;
- v. Provision of flexi-time for employees; and
- vi. Team-building Staff Retreat.

CORPORATE SERVICES

Talent Development

The Authority continues to intensify its participation efforts in international bodies, such as the ACF, ICN, UNCTAD, OECD and the SADC, as they have provided a valuable platform for capacity building, technical assistance, keeping up to date with the latest trends and best practice in the industry, and networking opportunities for peer learning and knowledge sharing.

Several developmental opportunities were provided to employees during the reporting period, some of which were fully sponsored by international bodies, while some were supported through financial assistance in the form of training advances. Table 8 below shows the developmental programmes for employees during 2016/17:

Table 8: Developmental Programmes for Employees during 2016/17

PROGRAMME	NUMBER OF EMPLOYEES	INSTITUTION
Bowman's South African Competition Law Conference	2	Bowman Gilfillan South Africa
Dawn Raids and IT Forensic Workshop	2	World Bank Group
Global Forum on Competition and Africa Competition	2	Organisation for Economic Co-operation and Development
Human Resource Professional Certification	2	Society for Human Resource Management
MSc in Strategic Management	2	Botswana Accountancy College, University of Derby
Masters of Jurisprudence in Global Competition Law	1	Loyola University in Chicago
Workshop on Selecting and Prioritising Sectors and Industries for Market Studies	2	Organisation for Economic Co-operation and Development
Intergovernmental Group of Experts on Competition and Consumer Protection Law and Policy	2	UNCTAD
Annual ICN Conference	1	International Competition Network
ICN Cartel Workshop	1	International Competition Network
18th International Conference on Competition	2	The Bundeskartell Independent Competition Authority
14th SHRM The Future of Work Annual Conference	1	Society for Human Resource Management

CORPORATE SERVICES

Leadership Effectiveness

The Authority recognises that leadership development is a critical aspect of attaining optimum output from the organisation's talent. It is for this reason that it views leadership development as an ongoing process, rather than a once-off process; hence, the Authority continued to invest in leadership development and also monitors progress made through appropriate leadership assessment tools.

In addition, the Authority continued to utilise the existing methods of leadership development, such as on the job training, acting appointments to senior management positions, coaching and mentoring to ensure a continuum growth and development of the leadership skills within its talent pool.

Procurement

All procurement activities within the Authority were done in accordance with the laid down procurement procedures and the PPADB Act. During the period under review, the Authority continued to implement the Government's Economic Diversification Drive through procurement of local goods and services. In addition, the Authority supported youth owned companies during the reporting period, as it procured goods and services from 26 youth owned companies at a total value of BWP631,133.

Information Technology

To ensure that the organisation's information technology is supportive of employee performance and outputs, the Authority systems were aligned with its strategy. However, managing the IT environment continued to be a complex task due to the ever changing trends in IT. During the 2016/17 financial year, the Authority developed a Disaster Recovery Plan to mitigate the risk of loss of data and to ensure business continuity at all times.

The organisation also embarked on upgrading of servers and users' machines during the period under review, and initiated the process of rolling out a virtual private network, which will allow users to remotely connect to the Authority's resources using a secure connection.

In a bid to keep up with the latest trends in information technology, the Authority continued to provide its employees with home internet connection, which allows them to continue with work assignments while at home. This was also done to align with the BOCRA initiative of "Connect An Employee", which aims to ensure that all parastatal institutions and Government Ministries obtain internet services for all their employees at home in support of Government's efforts to ensure that the majority of citizens have access to internet and ICT enabled services.

CORPORATE SERVICES

Five Year Strategic Plan

The Authority's 2011-2016 Strategic Plan lapsed in March 2017. Cognisant of the lessons learned from the past strategic developments and the strategic analysis conducted, the Authority developed a new five (5) year strategy, running from April 2017 to March 2022. The strategic orientation is predicated upon the following four perspectives and 14 strategic goals:

Table 9: The 2017-2022 Strategic Plan

PERSPECTIVE	STRATEGIC GOAL
Customer and Stakeholder Perspective	<ul style="list-style-type: none">• Promoting Competition• Enhancing Stakeholder Engagement
Internal Processes Perspective	<ul style="list-style-type: none">• Strengthening Market Inquiries and Research on Competition• Strengthening Prosecution and Enforcement• Improving Investigations on Restrictive Business Practices and Cartels• Enhancing Assessment of Mergers and Acquisitions• Strengthening Advocacy• Assessing Impact• Enhancing Risk Management
Learning and Growth Perspective	<p>Strengthening Leadership Capacity</p> <ul style="list-style-type: none">• Improving Talent Management• Improving Performance Culture
Financial Perspective	<p>Optimising Utilisation of Resources</p> <ul style="list-style-type: none">• Sourcing Alternative Funding

The Authority is alive to the implementation requirements of meeting the set strategic goals. As a result, it has designed a relevant strategic change agenda to support efforts geared towards attaining its strategic intent.

CORPORATE CHALLENGES AND OPPORTUNITIES

The Authority managed to achieve its objectives in the period under review as stated above. However, it was not all smooth sailing, challenges were encountered. The Authority put some measures in place to work around the challenges so as to achieve its mandate.

The following were the main challenges encountered in the year under review, and the measures taken to address them:

Table 10: Challenges and Opportunities in the Year under Review

Challenges	Opportunities
<p>Initiatives to address the challenges</p> <p>Manpower shortages due to a limited budget. This has been identified as a corporate risk that may lead to lower levels of productivity, higher turnover and ineffective internal controls</p> <p>Engagement of temporary employees</p> <p>Cuts in subvention from Government impacting on planned project implementation, such as training, research and awareness creation</p> <p>Sourcing of alternative funding through submission of project funding proposals to regional and international competition partners</p> <p>MoU negotiations with BURS took longer than expected, resulting in a challenge in terms of sharing important information</p> <p>Continued engagement with BURS and using alternative sources of information</p>	<p>Expected outcomes</p> <p>Court of Appeal ruling in favour of the Authority in the Infant Formula Milk Case, giving finality to a protracted legal argument as to whether an administrative Tribunal can reverse its own decision. The decision of the Appeals Court to send the matter back to the Tribunal for trial after finding in favour of the Authority that the Tribunal erred in law when it ruled that its previous decision was not binding on it. This has set a precedent for future reference.</p> <p>Setting a legal precedent</p> <p>MoU signing by SADC competition agencies on cooperation in Competition Policy, Law and Enforcement</p> <p>Enhanced cooperation and information sharing between SADC competition authorities and effective implementation of competition laws</p>

ANNUAL FINANCIAL STATEMENTS

31st March 2017



CONTENTS

PAGE

Commissioners' Responsibility and Approval of Annual Financial Statements	67
Independent Auditor's Report	68 - 70
Statement of Comprehensive Income	71
Statement of Financial Position	72
Statement of Changes in Funds	73
Statement of Cash Flows	74
Notes to the Annual Financial Statements	75 - 93



COMMISSIONERS' RESPONSIBILITY AND APPROVAL OF ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2017

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

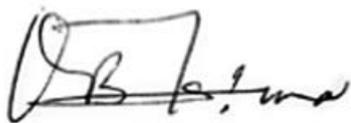
The Competition Authority maintains systems of internal control, which are designed to provide reasonable assurance that the records accurately reflect its transactions and to provide protection against serious misuse of the Competition Authority's assets. According to Section 23 of the Competition Act 2009, the Competition Authority 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 Auditor is responsible for giving an independent opinion on the Annual Financial Statements based on their audit of the affairs of the Competition Authority.

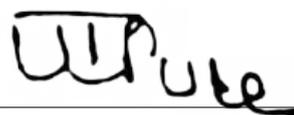
After making enquiries, the Competition Commission has no reason to believe that the Competition Authority will not be a going concern in the foreseeable future. For this reason they continue to adopt the going concern basis in preparing these Annual Financial Statements based on forecasts, available 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 71 to 93, which were signed on its behalf by:



Dr. Onkemetse Tshosa
Chairperson of the Competition Commission



Ms. Tebelelo Pule
Acting Chief Executive Officer of the Competition Authority and Secretary to the Competition Commission

Date: 27 September 2017

INDEPENDENT AUDITOR'S REPORT

For the year ended 31 March 2017

To the Competition Commissioners

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Competition Authority (the Authority) set out on pages 71 to 93, which comprise the statement of financial position as at 31 March 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Competition Authority as at 31 March 2017, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Competition Act, 2009.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Authority in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing audits of the Competition Authority. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of Competition Authority. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Commissioners are responsible for the other information. The other information comprises the Corporate Governance report, Chairperson's Statement, Chief Executive Officer's Statement, the Commissioners' Responsibility and Approval of Annual Financial Statements and the Annual Report as required by the Competition Act of Botswana, which we obtained prior to the date of this report. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

INDEPENDENT AUDITOR'S REPORT

For the year ended 31 March 2017

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Commissioners for the Financial Statements

The Commissioners are responsible for the preparation and fair presentation of the 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 Commissioners determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control;

INDEPENDENT AUDITOR'S REPORT

For the year ended 31 March 2017

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Commissioners;
- Conclude on the appropriateness of the Commissioners' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern; and
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

We communicate with the Commissioners regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The logo for Ernst & Young, featuring the company name in a stylized, cursive script font. Below the script, the words "Ernst & Young" are written in a clean, sans-serif font.

Ernst & Young

Practising Member: Thomas Chitambo

Partner

Membership Number: 20030022

Certified Auditor

2nd Floor, Plot 22

Khama Crescent

P O Box 41015

Gaborone

Botswana

29 September 2017

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2017

	Note	2017	2016
REVENUE			
Government subvention	1	27,550,486	21,153,953
Amortisation of subvention relating to capital assets	16	659,909	1,147,621
Total grants revenue		<u>28,210,395</u>	<u>22,301,574</u>
Other Income			
Merger fees	17	3,220,707	1,199,693
Sale of tender documents	17	2,380	13,500
Interest revenue	6	75,912	38,207
Profit on disposal of plant and equipment		340,851	-
Recovery from MITI games		75,000	-
Sundry income		64,053	-
		<u>3,778,903</u>	<u>1,251,400</u>
Total Income		<u>31,989,298</u>	<u>23,552,974</u>
EXPENDITURE			
Staff costs	2	17,787,645	15,922,593
Consultancy costs	3	1,228,652	754,747
Administration expenses	4	7,522,570	6,094,569
Operating lease expenses	5	2,128,663	1,938,029
		<u>28,667,530</u>	<u>24,709,938</u>
Surplus(deficit)for the year		3,321,768	(1,156,964)
Other comprehensive income		-	-
Total comprehensive income(loss) for the year		<u>3,321,768</u>	<u>(1,156,964)</u>

STATEMENT OF FINANCIAL POSITION

31 March 2017

	Note	2017	2016
ASSETS			
Non-current Assets			
Plant and equipment	7	2,452,069	2,151,440
Current Assets			
Receivables and prepayments	8	3,112,631	1,108,374
Cash and cash equivalents	9	458,956	250,494
		3,571,587	1,358,868
Total Assets		6,023,656	3,510,308
FUNDS, RESERVES AND LIABILITIES			
Funds and Reserves			
Accumulated funds (refer to page 73)		2,410,954	(910,814)
Non-Current Liabilities			
Government subvention	16.1	1,382,761	584,495
Current Liabilities			
Trade and other payables	10	715,641	1,190,270
Provisions	11	854,391	1,498,735
Government subvention	16.1	659,909	1,147,621
		2,229,941	3,836,626
Total Funds, Reserves and Liabilities		6,023,656	3,510,308

STATEMENT OF CHANGES IN FUNDS

For the year ended 31 March 2017

	Accumulated Funds	Total
Balance at 01 April 2015	246,150	246,150
Total comprehensive loss for the year	(1,156,964)	(1,156,964)
Balance at 31 March 2016	(910,814)	(910,814)
Balance at 01 April 2016	(910,814)	(910,814)
Total Comprehensive income for the year	3,321,768	3,321,768
Balance at 31 March 2017 (refer to page 72)	2,410,954	2,410,954

STATEMENT OF CASH FLOWS

For the year ended 31 March 2017

	Note	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:			
Surplus(deficit)for the year		3,321,768	(1,156,964)
Adjustments for:-			
Interest received	6	(75,912)	(38,207)
Profit on disposal of plant and equipment		(340,851)	-
Amortisation of Government subvention	16	(659,909)	(1,147,622)
Depreciation of plant and equipment	4	659,909	1,147,622
Movement in provision for gratuity pay	11.1	(127,104)	(6,072)
Movement in provision for leave pay	11.2	(577,830)	359,543
Movement in provision for leave travel	11.3	60,590	(56,904)
Cash generated(utilised) by operations		<u>2,260,661</u>	<u>(898,604)</u>
Decrease/(increase) in trade and other receivables	8	(2,004,257)	953,584
Decrease in trade and other payables	10	(474,632)	(95,628)
Net cash flows from operating activities		<u>(218,228)</u>	<u>(40,648)</u>
CASH FLOWS USED IN INVESTING ACTIVITIES:			
Proceeds from sale of plant and equipment		350,777	-
Purchase of plant and equipment	7	(970,464)	(518,160)
Net cash flows used in investing activities		<u>(619,687)</u>	<u>(518,160)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Interest received	6	75,912	38,207
Government subvention	16	970,464	518,160
Net cash flows from financing activities		<u>1,046,376</u>	<u>556,367</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		208,461	(2,441)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		250,494	252,935
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	9	<u>458,956</u>	<u>250,494</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2017

ADOPTION OF NEW AND REVISED STANDARDS

Standards, Amendments and Interpretations to existing standards in issue not yet effective and have not been early adopted by the Authority

Below is a list of new standards, amendments to existing standards and interpretations that are not yet mandatorily effective (but allow early application) for the year ended 31 March 2017. The Commission anticipates that all of the Standards and Interpretations will be adopted in the Authority's financial statements for the period commencing 1 January 2018 or later as and when these Standards and Interpretations become applicable. The scope, effective dates and the impact on the financial statements upon their adoption of the above Standards and Interpretations are discussed below.

Standard/ Amendment/ Interpretation	Scope	Applicable for annual periods beginning on or after:
IFRS 9 Financial Instruments (as revised in 2014)	In July 2014, the IASB Finalised the reform of Financial Instruments accounting and issued IFRS 9 (as revised in 2014), which contains the requirements for a) the classification and measurement of financial assets and liabilities, b) the impairment methodology and c) general hedge accounting. IFRS 9 (as revised in 2014) will supersede IAS 39 Financial Instruments; Recognition and Measurement upon its effective date. The Authority is assessing the impact of the changes.	1 January 2018 with earlier application permitted
IFRS 15 Revenue from contracts with customers	This IFRS deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amounts, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The Standard replaces IAS 18 Revenue and related interpretations. The Authority shall review the impact of IFRS 15.	1 January 2018

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2017

<p>IFRS 16 Leases</p>	<p>IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting for both lessors and lessees. IFRS 16 will supersede the current lease guidance, including IAS 17: Leases and the related interpretations when it becomes effective.</p> <p>IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e., all on balance sheet), except for short-term leases of low value assets.</p> <p>The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating as cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows, respectively.</p> <p>In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.</p> <p>Furthermore, extensive disclosures are required by IFRS 16.</p> <p>As at 31 March 2017, the Authority has non-cancellable operating lease commitments (note 14). IAS 17 does not require the recognition of any right-to-use asset or liability for future payments for these leases; instead, certain information is disclosed as operating lease commitments in note 19. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Authority will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases, upon the application of IFRS 16. The new requirement to recognise a right-of-use asset and a related liability is expected to have an impact on the amounts recognised in the Authority's financial statements and the Commission is currently assessing its potential impact.</p>	<p>1 January 2019 with earlier application permitted</p>
----------------------------------	---	--

There are other amendments to IFRSs that are not yet effective, but are not likely to have any material impact on the Authority and have therefore not been included in the table above.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2017

Presentation of Financial Statements

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2017

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 pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, its carrying amount is reduced to its recoverable amount. Impairment losses are recognised in the surplus or deficit in those 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, and the revenue can be reliably measured, 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2017

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 annual turnover.

Finance Income

Interest income is recognised as it accrues (using the effective interest rate). Effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Sale of Tender Documents

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

Related Party Transactions

The Authority maintains a very close relationship with the Government of Botswana. The Government of Botswana provides significant income to the Authority through operational subventions and capital grants and also has a representation of one member in the Competition Commission. Transactions directly with Government of Botswana are treated as related party transactions.

However, transactions with entities related to Government of Botswana, such as Water Utilities Corporation, Botswana Power Corporation, Botswana Investment and Trade Centre and the

Botswana Unified Revenue Services, including Botswana Telecommunications Corporation which are autonomous bodies on their own, have not been treated as related party transactions in accordance with relevant requirements of IFRS.

Provisions

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2017

Financial Instruments

Financial Assets

Initial Recognition

All of the Competition Authority's 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.

Subsequent Measurement

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

Loans and receivables

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2017

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.

Financial Liabilities

Initial Recognition

All of the Competition Authority's financial liabilities within the scope of IAS 39 consist of trade and other payables. The Competition Authority determines the classification of its financial liabilities on initial recognition. Financial liabilities are initially measured at fair value, net of directly attributable transaction costs.

Subsequent Measurement

Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2017

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. Due to the short term nature of financial liabilities, the amortised cost/carrying amount approximates its fair value.

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

31 March 2017

	Note	2017	2016
1 GOVERNMENT SUBVENTION			
Revenue(subvention) received from the Government of the Republic of Botswana		27,550,486	21,153,953
Capital grants received from the Government of the Republic of Botswana	16	970,464	518,160
Total Government subvention received		28,520,950	21,672,113
<p>Amount recognised as income includes amortisation of grants previously received to fund capital expenditure.</p> <p>There were no unfulfilled conditions or contingencies attached to these income and capital grants.</p> <p>The Government of Botswana provides funding to the Competition Authority by way of annual subvention from the Consolidated Fund. An amount of P28 252 260 has been approved for the financial year 2017/18.</p>			
2 STAFF COSTS			
Salaries and wages		12,025,302	10,609,545
Allowances and benefits		2,429,539	2,198,456
Pension fund contributions		1,314,938	1,131,128
Medical aid and uniforms		765,977	578,216
Contract gratuity, severance and leave pay		1,251,889	1,405,249
		17,787,645	15,922,593
3 CONSULTANCY COSTS			
Human resources consultancies and networking		1,228,652	712,962
Hardware support charges		-	41,785
		1,228,652	754,747

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

31 March 2017

	2017	2016
4 ADMINISTRATION EXPENSES		
Advertising	424,790	217,452
Bad debts	25,882	-
Commissioner's sitting allowances	129,990	121,390
Commissioner's training and and related expenses	429,184	69,034
External audit fees	111,661	108,000
Internal audit fees	58,305	586,579
Bank charges	10,762	10,616
Depreciation	659,909	1,147,621
Insurance	316,903	323,730
Cleaning expenses	116,560	104,586
Printing and stationery	961,329	213,199
Merger related costs	166,731	36,514
Adjudication expenses	712,836	446,688
Information technology and related services costs	469,700	181,608
Workshop and seminars	457,599	295,817
Staff welfare and social activities	623,710	109,806
Utilities	1,010,621	879,815
Vehicle expenses	60,559	80,266
Legal expenses	119,755	369,608
Recruitment expenses	118,641	228,321
Repairs and maintenance	207,519	252,312
Security services	135,288	173,766
Subscriptions to professional bodies	41,254	21,532
Office refreshments and utensils	86,092	32,592
Travel and accommodation	66,991	83,718
	7,522,570	6,094,569
5 OPERATING LEASE EXPENSES		
Office and household rental	2,128,663	1,938,029
	2,128,663	1,938,029

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

31 March 2017

6 INTEREST REVENUE			2017	2016
Interest revenue from bank deposits			75,912	38,207
7 PLANT AND EQUIPMENT				
	Furniture & Fittings	Motor Vehicles	Computer Equipment	Total
2017 COST				
At 31 March 2016	3,266,386	1,973,180	3,448,076	8,687,642
Additions for the period	322,427	-	648,037	970,464
Disposals	(489,138)	(607,213)	(54,714)	(1,151,065)
At 31 March 2017	3,099,675	1,365,967	4,041,399	8,507,041
ACCUMULATED DEPRECIATION				
At 31 March 2016	1,785,956	1,782,881	2,967,365	6,536,202
Depreciation	381,198	11,572	267,139	659,909
Disposals	(479,212)	(607,213)	(54,714)	(1,141,139)
At 31 March 2017	1,687,942	1,187,240	3,179,790	6,054,972
CARRYING AMOUNT				
At 31 March 2017	1,411,732	178,727	861,609	2,452,069
	Furniture & Fittings	Motor Vehicles	Computer Equipment	Total
2016 COST				
At 31 March 2015	3,225,891	1,973,180	2,970,411	8,169,482
Additions for the period	40,495	-	477,665	518,160
At 31 March 2016	3,266,386	1,973,180	3,448,076	8,687,642
ACCUMULATED DEPRECIATION				
At 31 March 2015	1,348,387	1,388,245	2,651,948	5,388,580
Depreciation	437,569	394,636	315,417	1,147,622
At 31 March 2016	1,785,956	1,782,881	2,967,365	6,536,202
CARRYING AMOUNT				
At 31 March 2016	1,480,430	190,299	480,711	2,151,440

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

31 March 2017

8 RECEIVABLES AND PREPAYMENTS

	2017	2016
Staff receivables	465,975	230,582
Receivables and prepayments	2,672,538	877,792
Provision for bad debts	(25 882)	-
	<u>3,112,631</u>	<u>1,108,374</u>

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

Staff receivables are receivable over six months for salary advance and twenty four months for training advance and do not attract any interest. The trend for training advance has been that they were cleared within twelve months, hence classified as short term.

9 CASH AND CASH EQUIVALENTS

Call	356,281	181,380
Current	97,675	65,015
Cash on hand	5,000	4,099
	<u>458,956</u>	<u>250,494</u>

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

10 TRADE AND OTHER PAYABLES

Accruals	132,811	218,156
Audit fees	110,000	107,897
Merger fees received in advance	-	310,000
Subvention recovery	-	14,372
Operating lease liability	472,830	539,845
	<u>715,641</u>	<u>1,190,270</u>

Accruals are non-interest bearing and have an average term of three months. Accruals are mainly utilities relating to the financial year, but paid after year end. 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 audit report.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

31 March 2017

	2017	2016
11 PROVISIONS		
11.1 Gratuity		
Opening balance	551,809	557,881
Provision raised during the period	684,580	759,665
Provision used during the period	(811,684)	(765,737)
Closing balance	<u>424,705</u>	<u>551,809</u>
11.2 Leave - Annual		
Opening balance	925,516	565,973
Provision raised during the period	567,309	549,095
Provision used during the period	(1,145,139)	(189,552)
Closing balance	<u>347,686</u>	<u>925,516</u>
11.3 Leave - Travel		
Opening balance	21,410	78,314
Provision raised during the period	63,590	40,096
Provision used during the period	(3,000)	(97,000)
Closing balance	<u>82,000</u>	<u>21,410</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. Under contract employment, there is an option to pay the gratuity on an annual basis.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

31 March 2017

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
2017				
Staff receivables	10	465,975	-	465,975
Cash and cash equivalents	21	458,956	-	458,956
Trade and other payables	12	-	(110,000)	(110,000)
		<u>924,931</u>	<u>(110,000)</u>	<u>814,931</u>
2016				
Staff receivables	10	230,582	-	230,582
Cash and cash equivalents	11	250,494	-	250,494
Trade and other payables	12	-	(122,269)	(122,269)
		<u>481,077</u>	<u>(122,269)</u>	<u>358,808</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 in accordance with the Competition Act. Any outstanding amounts on staff debtors are recovered from terminal benefits in accordance with the contractual terms and conditions of employment.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

31 March 2017

12 FINANCIAL INSTRUMENTS (continued)

Significant Concentration of Credit Risk

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

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 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.

	Increase / decrease in basis points	Effect on Surplus or deficit and equity
2017		
Pula	+100	3,563
Pula	-100	(3,563)
2016		
Pula	+100	1,814
Pula	-100	(1,814)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

31 March 2017

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 the financial liabilities.

The following table summarises the maturity profile of the Competition Authority's financial liabilities as at 31 March 2017 based on contractual undiscounted payments:

2017

	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Trade and other payables	-	110,000	-	-	-	110,000
	-	110,000	-	-	-	110,000

2016

	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Trade and other payables	-	122,269	-	-	-	122,269
	-	122,269	-	-	-	122,269

Fair Values

Due to the short-term nature of all financial assets and liabilities, the amortised cost approximates 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 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

31 March 2017

	2017	2016
--	------	------

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
The Competition Commission	Refer to General Information Page

Subvention Received

	Note	2017	2016
Government of the Republic of Botswana (Ministry of Industry and Trade and Investment (MITI))	1	28,520,950	21,672,113

Compensation Paid to Key Management Personnel of the Authority

Basic salaries and allowances	3,738,393	3,774,888
Gratuity	684,580	811,681
Rental for former CEO's official residence	25,778	227,783
Total employee benefits	4,448,751	4,814,352

Key management personnel are also provided with staff advances under the terms applicable to all staff. Competition Commissioners' fees are not included in the compensation paid to management above. As at year end, there were no outstanding salary advances from any of the key management personnel.

Trading Transactions

Purchases from related parties	2,584,190	2,538,098
--------------------------------	-----------	-----------

The purchases from related parties are made at normal market prices. These relate to services from other parastatals, namely: Water Utilities Corporation, Botswana Power Corporation, Botswana Investment and Trade Centre including Botswana Telecommunications Corporation. There have been no guarantees provided or received for any related party receivables or payables. For the period ended 31 March 2017, the Competition Authority has not recorded any impairment of receivables relating to amounts owed by related parties (2016: 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 BWP129 990 (2016: BWP121 390)

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).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

31 March 2017

	2017	2016
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 under an operating lease arrangement. The office rental lease commenced on 1st October 2013 and shall continue for a period of 5 years. Termination will require three months notice.		
The future minimum rent payments under the cancellable lease are as follows:		
Within one year	2,324,405	2,132,153
After one year, but not more than five years	1,217,546	3,541,951
Prepayments	(1 715 632)	(353 517)
	<u>1,826,319</u>	<u>5,320,587</u>
15.2 Capital Commitments		
As at 31 March 2017, 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	1,732,115	2,361,576
Received during the year	970,464	518,160
Amortisation of government grants	(659,909)	(1,147,621)
Closing balance	<u>2,042,670</u>	<u>1,732,115</u>
16.1 GOVERNMENT GRANTS/SUBVENTION		
Current	659,909	1,147,621
Non-Current	1,382,761	584,495
	<u>2,042,670</u>	<u>1,732,116</u>

The 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

31 March 2017

	2017	2016
17 OTHER INCOME		
17.1 Merger Fees	3,220,707	1,199,693
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	2,380	13,500
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 annual turnover.		
18 EVENTS AFTER THE REPORTING DATE		
There were no material events that occurred after the reporting date and up to the date of this report which would require adjustment to or disclosure in the financial statements.		





Plot 28, Matsitama Road, Main Mall, Gaborone, Botswana

Tel: +267 393 4278
Fax: +267 312 1013
Website: www.competitionauthority.co.bw
Facebook: Competition Authority Botswana
Twitter: @CompetitionBots