



COMPETITION AUTHORITY
ANNUAL REPORT 2017/18



CORPORATE PROFILE

The Competition Authority (the 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

CEO and Secretary to the Competition Commission

Ms. Tebelelo Pule

Registered Office

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

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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

Deloitte
Tax and Advisory Services
Plot 64518
Fairgrounds Assurance
P.O. Box 778
Gaborone, Botswana

**REPORTING DATE :
31 MARCH 2018**



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 Competition Authority for the financial year 2017/18, for you to lay before the National Assembly.

Yours Faithfully,

Dr. Onkemetse Tshosa
Chairperson of the Competition Commission

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 **COMPETITION
AUTHORITY**
fair competition for prosperity

ACRONYMS

ACF	African Competition Forum	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
BNSC	Botswana National Sports Commission	LEA	Local Enterprise Authority
BOCRA	Botswana Communications Regulatory Authority	LPG	Liquefied Petroleum Gas
BOBS	Botswana Bureau of Standards	MoU	Memorandum of Understanding
BPC	Botswana Power Corporation	MITI	Ministry of Investment, Trade and Industry
BTCL	Botswana Telecommunications Corporation Limited	MTC	Ministerial Tender Committee
BTV	Botswana Television	MWG	Mergers Working Group
BURS	Botswana Unified Revenue Service	NBFIRA	Non-Bank Financial Institutions Regulatory Authority
CA	Competition Authority	OECD	Organisation for Economic Cooperation and Development
CAAB	Civil Aviation Authority of Botswana	PMIS	Post Merger Impact Survey
CEDA	Citizen Entrepreneurial Development Agency	PPADB	Public Procurement and Asset Disposal Board
CEO	Chief Executive Officer	RPM	Retail Price Maintenance
CIPA	Companies and Intellectual Property Authority	SADC	Southern African Development Community
CSR	Corporate Social Responsibility	SMMEs	Small, Medium and Micro Enterprises
CWG	Cartel Working Group	SPEDU	Selebi-Phikwe Economic Diversification Unit
DCEC	Directorate on Corruption and Economic Crime	UNCTAD	United Nations Conference on Trade and Development
DATC	District Administration Tender Committee		

CORPORATE GOVERNANCE

Competition Commission

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

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 2018

Member	Date of Appointment	Term	Expiry Date
Dr. Onkemetse 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 Member	1st June 2015	5 years	31st May 2020
Dr. Selinah Peters Member	1st December 2016	3 years	30th November 2019
Dr. Jay S. Salkin Member	1st June 2014	4 years	31st May 2018
Ms. Nelly W. Senegelo Member	1st May 2015	2 years	31st July 2017
Ms. Seipati G. Olweny Member	1st August 2017	4 years	31st July 2021
Mr. Koonyatse K. Tamasiga Member	1st June 2016	5 years	31st May 2021
Ms. Tebelelo Pule CEO and Secretary to the Commission	1st October 2017	Duration of term as CEO	End of term as CEO

CORPORATE GOVERNANCE

Competition Commission Committees as at 31st March 2018

COMMITTEES	MEMBERS	RESPONSIBILITIES
 <p>Finance and Audit Committee</p>	<p>Dr. Jay S. Salkin Chairperson</p> <p>Mr. Koonyatse K. Tamasiga Member</p> <p>Ms. Nelly W. Senegelo Member</p> <p>Ms. Seipati G. Olweny Member</p>	<p>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.</p>
 <p>Human Resources Committee</p>	<p>Ms. Thembisile T. Phuthago Chairperson</p> <p>Ms. Nelly W. Senegelo Member</p> <p>Dr. Selinah Peters Member</p> <p>Ms. Seipati G. Olweny Member</p>	<p>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.</p>
 <p>Technical Committee</p>	<p>Mr. Tendekani E. Malebeswa Chairperson</p> <p>Dr. Jay S. Salkin Member</p> <p>Mr. Koonyatse K. Tamasiga Member</p>	<p>The Committee assists the Commission in discharging its oversight responsibilities of formulating, monitoring and reviewing appropriate legal and technical policies, rules, guidelines and procedures that enable the Authority to undertake its enforcement and advocacy functions.</p>
 <p>Commission Tender Committee</p>	<p>Dr. Selinah Peters Chairperson</p> <p>Ms. Thembisile T. Phuthago Member</p> <p>Mr. Tendekani E. Malebeswa Member</p>	<p>The Committee assists the Commission in adjudicating tenders, reviewing and monitoring policy and thresholds for tendering, and reports to the Commission accordingly.</p>

COMPETITION COMMISSION

Dr. Onkemetse B. Tshosa
Chairperson



Ms. Thembisile T. Phuthogo
Vice Chairperson



Ms. Nelly W. Senegelo
Member



Mr. Tendekani E. Malebeswa
Member



Dr. Selinah Peters
Member

COMPETITION COMMISSION

Dr. Jay S. Salkin
Member



Ms. Seipati G. Olweny
Member



Mr. Koonyatse K. Tamasiga
Member



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

100%

Dr. Onkemetse B. Tshosa
Chairperson of the Competition Commission

CHAIRPERSON'S STATEMENT

I am confident that key stakeholders have been actively engaged even within the well-documented resource constraints.

It is that cherished time of the year again when I, on behalf of the team at the Competition Commission and the Competition Authority, get the privilege to account to our principals. Every day, as we pursue our daily routines and activities, we are constantly reminded of the covenant of service that we have to our parent ministry (Ministry of Investment, Trade and Industry), our Government and the people of this country, who entrusted us with the lofty mandate of bringing about market efficiencies and fairness. The Annual Report affords us the opportunity to demonstrate how we have utilised public resources in carrying out our mandate.

Throughout the year, the Authority was busy carrying out a number of activities, programmes and projects with the sole aim of promoting free and fair competition in the economy of Botswana. It is my sincere hope that the myriad interventions that have been made in the market have gone a long way in educating businesses about the value of competition, and would have removed the practices and conducts that impede competition in the market. I have no doubt in my mind that the cumulative effects of all these interventions are collectively breaking down the vestiges of anti-competitive practices in the country's market place.

CHAIRPERSON'S STATEMENT

During this reporting period, it is evident that a number of key projects were done. Of particular note was the completion of two important market studies of In-house Brands and Shopping Malls. The In-house Brands market study was carried out to probe the state of competition, particularly on staple consumer goods such as mealie meal, flour, rice and sorghum. It is worth mentioning that the targeted foods are staples which are consumed by the majority of the population. In setting up its priorities, the Authority is mindful of supporting the Government's noble intentions of eradicating poverty, and it was in this connection that this market study was carefully selected. Equally important, the Authority also undertook and completed a study which sought to establish the nature and state of competition in the shopping malls. Shopping malls are a growing phenomenon and a critical platform to access the market in Botswana. These two studies unravelled a number of market infringements and suggested some pointed recommendations, which hopefully, would restore market normalcy in the long term.

The Authority has been created to investigate and enforce the Competition Act. A casual perusal of this report would show that there have been a number of investigations on anti-competitive conduct. I am particularly heartened to note that several market interventions by the Authority have brought remedies into the larger economy. Readers would have noted that over a stretch of time Botswana Premier League games have not been played at the National Stadium due to a perceived anti-competitive agreement between the stadium management and a service provider. Thankfully, the Authority investigated and after bringing all the parties to the table, the matter was resolved and the nation's biggest sport is now back at the National Stadium, much to the relief of football teams and the spectators who were forced to travel long distances to watch football games at a huge cost.

In another matter, the Authority has investigated the tenders of electrical services at Botswana Power Corporation (BPC) and established that these were the preserve of incumbent firms. I am elated to note that since the intervention of the Authority, the provision of electrical services at the BPC is now open to other firms which hitherto could not access this market. The broadening of market access, particularly in a small economy, is always a big building block in creating wealth and inclusive participation for all.

The Authority is also very active in the regulation of all mergers and monopolies that take place in the economy, including even vigilantly identifying mergers that occur outside the control of the Competition Act. Perhaps what is even more gratifying this time around is that in a bid to facilitate business, the Authority is generally taking less time this year to finalise merger transactions; and this should be good news for business.

One of the key competition weapons in addressing anti-competitive acts is awareness and advocacy. The flagship of our awareness campaigns is the competition conference which in 2018 took place in Selebi-Phikwe under the apt theme *Economic Stimulation: Is Competition the New Hope?* The conference attracted a broad section of the population from business, academia, media, labour unions, non-governmental organisations, the youth and government. Upon perusal of this annual report, one will not fail to notice that the Authority has done a number of stakeholder engagement activities across a wide spectrum of sectors. I am confident that key stakeholders have been actively engaged even within the well-documented resource constraints.

It is always refreshing to note that the Authority does not merely see itself as an agency that implements the Competition Act in the market. This Annual Report is interspersed with reports of an agency that is connected to the community by engaging in several corporate social responsibility activities. The engagement with the communities in Mogoditshane, Thamaga, and Mmopane in the period under review, is a true testament to this community involvement.

Without doubt, one of the key activities during this period was the United Nations Conference on Trade and Development (UNCTAD) Peer Review of the Competition Authority. This rigorous exercise was undertaken to help improve the systems and operations of the Authority, and I am hopeful that once the exercise is complete, it would yield boundless benefits for the Authority.

I have the pleasure to introduce the 2017/18 Annual Report to you.



Dr. Onkemetse B. Tshosa

Chairperson of the Competition Commission

100%

Ms. Tebelelo Pule
CEO and Secretary to the Commission

CHIEF EXECUTIVE OFFICER'S STATEMENT

Our conviction is that this development ushers in a new era of serving consumers in an improved way.

A lot of work has been done and achieved during this financial year at the Authority. Much of the achievements were underpinned by the Authority's Strategic Plan 2017-2022.

The Authority started the implementation of its second strategic plan during the current financial year, and the strategy document has brought into proper focus areas that have been lagging behind, and this has further helped to fine-tune other institutional operational issues. There has been demonstrable renewed zeal and vigour as we were implementing the very first lap of the five-year circle of the strategy.

The strategy document prioritises issues of impact and efficiency. In response to this pointed message of impact and efficiency, the Authority has crafted a number of operational initiatives among them the Prioritisation Framework which helps the Authority to be focused in the way it provides service to its stakeholders. Considering the magnitude of cases received by the Authority, it would be inconceivable to think that we can attend to all complaints and sufficiently deal with all of them within a reasonable period.

CHIEF EXECUTIVE OFFICER'S STATEMENT

Prioritisation is therefore not a platform to reject complaints, but an opportunity to optimally utilise resources at our disposal as we serve our customers better for the benefit of the consumers.

During this financial year, the Authority prioritised four key sectors of Agriculture, Retail, Construction and Health. It was clear that an increasing number of complaints and stakeholders that were engaged in this period were predominantly in the prioritised sectors. Due to other exigencies, there have been complaints attended to, and projects that were undertaken which fell outside the prioritised areas; and out of prudence, this practice will continue in the future. Regarding prioritisation, I have observed that the immediate benefit of implementing the Prioritisation Framework is that as an organisation we are building expertise in these prioritised sectors, and I believe this would be invaluable in the future.

We had hoped that by the end of the 2017/18 financial year, the Authority would be giving a report on what it has achieved under the SADC/European Union Trade Facility which covers intensive market studies on the key agricultural and retail market sectors; and training on competition assessment. However, there have been delays beyond our control, and the expectation is that the facility will be utilised in the coming year, and preparations are already at an advanced stage.

Perhaps one of the most anticipated announcements within the corridors of competition enforcement in Botswana has been the enactment by Parliament of the revised Competition Act and the Consumer Protection Act. The two Acts establish a new body to be called the Competition and Consumer Authority. We are obviously excited and ready to embrace this new mandate when the Act is eventually operationalised. Competition and consumer protection are complementary and they both go a long way in addressing consumer welfare issues. Our conviction is that this development ushers in a new era of serving consumers in an improved way.

The amended Competition Act would further bring about the separation of the competition tribunal and the governing board of the Authority. For a while now the Competition Authority has been operating under a spectre of perceived conflict of interest hanging around its neck, when the two structures were wrapped into one body during the old Competition Act.

The other significant part that has been introduced is the criminalisation of cartels, and the imposition of penalties for enterprises which implement notifiable mergers without clearance from the Authority. These

two infusions into the Act would, without doubt, add to the deterrence power of the Act, and give the Authority enough enforcement teeth to bring culprits to book.

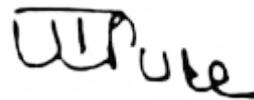
The 2017/18 financial year was very eventful and one of the watershed moments was the Voluntary Peer Review exercise that was undertaken under the auspices of the United Nations Conference on Trade and Development (UNCTAD). UNCTAD consultants came to Botswana to interrogate the Authority's guiding Policy, Act, Regulations, systems, operations, procedures and guidelines with a view to evaluate its effectiveness and challenges in implementing its mandate. The results of this important survey will be shared in the next annual report as the actual peer review takes place in July 2018 in Geneva, Switzerland.

In this report, you will notice that the Authority has undertaken a number of key projects including research, investigations, merger assessments, stakeholder engagement, advocacy, regulatory reform and staff welfare initiatives. The implementation of projects, enforcement of cases and competition reform initiatives are strategies that the Authority has adopted to achieve its mandate. Over the years, we have experienced steady progress across all the areas and 2017/18 has been no exception.

Amidst all these spirited performances, there however remains one area that continues to lag behind despite our considerable efforts. The Authority has adopted the Leniency Policy as a way to help detect cartels and eventually dismantle them. Despite the availability of the leniency facility and creation of awareness about it, there is no uptake in utilisation of the policy. While we still remain convinced by the effectiveness of the leniency programme as a tool to help detect and burst cartels, given the current lull, the Authority might be required to conjure up better and compelling strategies to cajole cartellists out of hibernation.

In conclusion, I wish to acknowledge the guidance and wisdom that we draw from our parent ministry and the Commission.

On behalf of my colleagues at the Authority, I wish to once again restate our commitment to serve you even better in future. We consider it a privilege to be in a position to serve you.



Ms Tebelelo Pule

CEO and Secretary to the Commission

OFFICE OF THE CEO

Ms. Tebelelo Pule
Chief Executive Officer



Mr. Dikago Seitiso



Ms. Bonyana Ndubiwa



Ms. Tidimalo Serameng



Mr. Vincent Oremeng



Ms. Tebogo Tyolo



Ms. Kgomotso Ngwepe





EXECUTIVE MANAGEMENT

Ms. Tebelelo Pule
Chief Executive Officer



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



Mr. Gideon Nkala
*Director: Communications
and Advocacy*



Ms. Magdeline Gabaraane
*Director: Mergers and
Monopolies*



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

MANAGERS

Mr. Ernest Bagopi

*Manager:
Investigations and
Research Analysis*



Ms. Takesure Mlilo

Manager: Finance



Ms. Tshepo Wadipeba

*Manager: Human
Resources*



Ms. Tapiwa Masie

*Manager: Legal
and Enforcement*



Ms. Bonyana Ndubiwa

*Manager: Policy
Coordination and
International Liaison*



Ms. Nomathemba Dladla

*Manager: Mergers
and Monopolies*



Ms. Gladys Ramadi

*Manager:
Communications
and Advocacy*



Mr. Vincent Oremeng

*Performance
Improvement
Coordinator*



OVERVIEW

This Annual Report is structured according to key thematic functions of the Authority. The Competition Act outlines the functions as Stakeholder Engagement, 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: Communications 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 projects around the key thematic functions to achieve the mandate of the Authority.

This report is a summary of the Achievements, Challenges and Opportunities that the Authority, in the implementation of its strategic plan, encountered during the 2017/18 financial year.

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



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STAKEHOLDER ENGAGEMENT AND ADVOCACY

Mr. Gideon
Nkala



Ms. Gladys
Ramadi



Ms. Kelebogile
Ngwenya



Mr. Modimoosi
Matebesu



Ms. Baboloki
Meekwane



Ms. Bonolo
Motsamai

STAKEHOLDER ENGAGEMENT 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. Stakeholders engaged included the business community, government ministries and departments, young entrepreneurs, students in tertiary institutions, the media, sector regulators and members of the public.

The following are the highlights of stakeholder engagement and advocacy activities during the 2017-18 financial year:

Stakeholder Engagement

Presentation of Market Study Reports: The Authority hosted a stakeholder consultative meeting on 25th September 2018 at Avani Hotel in Gaborone, at which it presented the reports of the In-house-Brands and Shopping Malls market studies to industry stakeholders. The objective of the In-house Brands study was to probe for possible anti-competitive issues posed by such brands in the Fast Moving Consumer Goods Market (FMCG).

The objective of the Shopping Malls study was to understand the nature and state of competition in Botswana's shopping malls retail property market. The Authority briefed the industry stakeholders on the identified competition infringements and shared recommendations on how these infringements would be dealt with in order to promote and maintain fair competition.

National Competition Conference: The Authority hosted the conference in Selebi-Phikwe on 22nd March 2018 under the theme *Economic Stimulation: Is Competition the New Hope?* The objective of the conference was to provide a platform for the business community, the public and other key stakeholders to dialogue on the effect of competition on Botswana's economic development. The theme was chosen to focus on the role of competition as a strategic initiative to enhance productivity, innovation and market

efficiency particularly in light of the world economic recovery.

The conference was held in Selebi-Phikwe, a town that saw the closure of the BCL mine in 2017, leading to massive job losses, hence strategies for job creation and economic stimulation were deemed most relevant in the town. The one day conference brought together over 100 participants from the business community, academia, labour unions and strategic partners of the Competition Authority.

Speakers included the Chief Executive Officer of SPEDU Dr. Mokubung Mokubung, His Worship the Mayor of Selebi-Phikwe, Councillor Molosiwa Molosiwa, Mr. Sennyne Obuseng, Economist and Managing Partner at PR Executive, Senior Lecturer in the Department of Economics at the University of Botswana, Mr. Obonye Galebotswe, the Regional Manager North for Business Botswana, Ms. Eileen van der Est, Dr. Fernando Siamisang of the Human Resource Development Council, the Authority's Director of Mergers and Monopolies Ms. Magdeline Gabaraane, and the Acting President of the Botswana Federation of Public Sector Unions (BOFEPUSU), Mr. Mogomotsi Motshegwa.

In order to reach a wider national audience, the conference proceedings were broadcast live on Gabz FM private commercial radio station, and also streamed live on the Authority's Facebook page. The conference was officially opened by the Assistant Minister of Investment, Trade and Industry Hon. Biggie Butale.

STAKEHOLDER ENGAGEMENT AND ADVOCACY



Proceedings of the National Competition Conference in Selebi-Phikwe on 22nd March 2018 were broadcast live on Gabz FM so as to reach a wider national audience

Panel Discussion on Competition and Disruptive Innovations: The Authority hosted a panel discussion on 5th December 2017 under the theme *Competition and Disruption*, to celebrate World Competition Day. Panellists comprised Mr. Noble Katse from the Botswana Communications Regulatory Authority (BOCRA), a Senior Lecturer at the University of Botswana's Economics Department, Mr. Obonye Galebotswe, and Mr. Chandra Chauhan, the Group Managing Director of Sefalana Group, representing Business Botswana.

The panellists interrogated both the positives and negatives brought about by disruptive innovations which challenge incumbent firms such as mobile companies, banks, retailers and the taxi industry; to adapt or seek better technologies.

Such innovations include mobile money transfer, mobile banking, WhatsApp, Skype, Uber and many other technologies that have been used for the benefit of businesses and consumers.

The panellists noted that smaller firms with fewer resources can unseat established businesses by targeting segments of the market that were neglected by the incumbents, typically because they were focusing on more profitable areas; and deliver products or services suited to the overlooked customers at a lower price. Disruption happens when the incumbents' customers switch to the start-up products or services and consume them in larger volumes. The panellists were in agreement that disruptive technologies pose a challenge to regulators such as the Competition Authority and BOCRA.

While the role of regulators is to promote competition in the market, disruptive innovations are always ahead of the existing legal and policy frameworks in terms of complexity and sophistication, and new products may not fit into the existing regulatory frameworks. The panel discussion, which was held at the Competition Authority offices, was broadcast live on government-owned commercial radio station RB2, so as to reach a wider national audience.

STAKEHOLDER ENGAGEMENT AND ADVOCACY



Competition Week: The Authority held its first Competition Week from 4th to 8th December 2018 with the objective of enhancing awareness on competition and its benefits to consumers. During the week, the Authority hosted a number of activities meant to focus attention on the benefits of competition to consumers. Activities comprised competition themed adverts on Gabz FM radio station, an interview on Radio Botswana's Masa-a-Sele Morning Show, a panel discussion, presentations to staff, a press conference, press release and a CSR clean-up exercise at Tsolamosese Ward in Mogoditshane.

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 trade and development in developing countries. Some competition agencies, consumer advocates and civil society organisations, hold an annual commemoration on 5th December to highlight the benefits of competition, and to lobby for the day to be formally recognised by the UN as World Competition Day.

Media Engagement: The Authority considers the media as a strategic partner in promoting awareness on competition, and it actively engaged the media during the period under review. A press conference

was held on 7th December 2017 to share results of the Post Merger Impact Survey that was conducted by the Authority to assess the level of compliance by the merging parties on the conditions imposed on them, and the impact of the Authority's work on the economy. A press conference was also held on 28th June 2017, when the Authority and the Botswana Unified Revenue Service (BURS), signed a MoU to promote cooperation. The MoU is expected to facilitate the timely sharing of credible and quality information between the two institutions, and enhance the quality of the Authority's merger assessments and investigations into anti-competitive conduct.

During the review period, the Authority also issued four (4) press releases, and it was featured in seven (7) radio interviews on Duma FM, Gabz FM, RB2 and RB1 radio stations. The Authority was featured in two television programmes on the national broadcaster Btv's Morning Show, and the Primetime Life Show also on Btv. The panel discussion during the Authority's Competition Week was broadcast live on RB2 as well as proceedings of the National Competition Conference on Gabz FM.

The Authority was also featured in 45 newspaper articles. The newspaper coverage was positive, focusing on various aspects of the Authority's work. The majority of the articles (62%) related to activity on mergers.

STAKEHOLDER ENGAGEMENT AND ADVOCACY

Table 1 below shows the CA's coverage in Botswana newspapers from 1st April 2017 to 31st March 2018.

Table 1: Newspaper Articles Featuring the Competition Authority from 1st April 2017 to 31st March 2018

 MONTH	 ARTICLE	 NEWSPAPER
April 2017	Botswana, SA to Decide on Chinese Acquisition	Botswana Gazette
	CA Approves Fleming Takeover	Mmegi
	CA Raises Awareness on Competition Law	Mmegi
	Capital Management Takes Over Flemming	Midweek Sun
May 2017	No Articles	
June 2017	CA and BURS to Sign MoU	Mmegi
	CA, BURS MoU Signing	Mmegi
	Caltex Deal Approved	Mmegi
	Hollard's Acquisition of Regent Gets Go Ahead in SA	Mmegi
July 2017	No Articles	
August 2017	CA Approves RBM, Investec Deal	Mmegi
	Millers Decry Dumping of SA Products into Local Market	Mmegi
	Top Wholesalers Caught in Anti-competitive Practices	Botswana Guardian
September 2017	No Articles	
October 2017	Glencore to Buy Caltex After Chinese Deal Fails	Mmegi
	KFC Franchise Finds Buyer	Mmegi
	Pule Appointed Competition Authority CEO	Mmegi
	Pule Appointed the CEO of the Competition Authority	Botswana Gazette
	Pule CA Head	Daily News
	SA Firm to Buy 3G Mobile	Mmegi
	NAP Buys Mahalapye Mall	Mmegi
November 2017	Competition Authority Approves Watershed Acquisition by NAP	Mid-Week Sun
	KBL Clashes with Promoters Over Events	Botswana Guardian
	Local Companies Rejected in KFC Events	Business Weekly & Review

STAKEHOLDER ENGAGEMENT AND ADVOCACY

	SA Joint Venture Buys KFC Botswana	Botswana Guardian
	SA's CBH Front Runner in KFC Botswana	Business Weekly & Review
	Transport Holdings MD Buys Out Imperial	Business Weekly & Review
	Vivo Energy Acquires KFC Franchise	Mmegi
December 2017	Botswana Should Leverage on Competition Law to Help Create Wealth for its People	Sunday Standard
	CA Celebrates Competition Week	Business Weekly & Review
	CA Reports Back on Mergers	Weekend Post
	Citizen Participation in Mergers & Acquisitions Very Low - CA	Botswana Guardian
	Competition Authority Records Over 52 Mergers	Business Weekly & Review
	Competition Bill passes	DailyNews
	KFC Acquisition Reaches the CA	Business Weekly & Review
	Parliament Passes Competition Bill	DailyNews
	Retail Sector Leads in Acquisitions	Mmegi
January 2018	CA Approves HYTEC Holdings Acquisition	Business Weekly Review
	KFC Acquisition Above Board, Says Dixon-Warren	Mid-Week Sun
	KFC New Owners to Appear Before Competition Authority	Botswana Guardian
	KFC Takeover Drags On	Business Weekly Review
	Mergers & Acquisitions You Should Know About	Botswana Gazette
	Public Inputs on KFC Deal	Mmegi
	Questions Arise in KFC Takeover	Business Weekly Review
February 2018	KFC Takeover Approved Conditionally	Botswana Guardian
	Letlole La Rona Buys Watershed Piazza Mall	Mid-Week Sun
March 2018	CA Hosts Phikwe Meet	Mmegi
	Competition Authority Investigate KBL	The Voice

STAKEHOLDER ENGAGEMENT AND ADVOCACY

Social Media and Website: The Authority continued to actively utilise social media to reach out to its stakeholders. The corporate Facebook page; 'Competition Authority-Botswana', recorded an increase in engagement by stakeholders with a 20.6% cumulative increase in Likes from 2900 on March 31st 2017 to 3 500 Likes by 31st March 2018. The Authority received 17 customer enquiries through the Facebook page as well as six (6) complaints on alleged anti-competitive conduct in this period. The number of Twitter Followers stood at 1106 by 31st March 2018, compared to 985 by March 2017; representing a 11% cumulative increase. The website recorded 4 169 page views by 31st March 2018, up from 3 760 page views in 2017, a 10% cumulative increase.

Engagement with Sector Regulators and Strategic Partners: In terms of the Act, the Authority is mandated to hold regular consultations with other sector regulators. It has over the years achieved this through signing MoUs with numerous sector regulators and strategic partners, and forming Joint Working Committees (JWCs) to implement the MoUs.

All-MITI Parastatals Games: The Competition Authority hosted the fourth annual All-MITI Parastatals Games, which are games for parastatals that fall under the Ministry of Investment, Trade and Industry (MITI). The objectives of the games are to improve working relations between staff and executive management teams of the parastatals under the Ministry; promote wellness and physical fitness, and enhance publicity for the parastatals and their brands. The games were successfully hosted by the Authority on 13th May 2017 at the Bank of Botswana Grounds in Gaborone under the theme *Together Smashing Silos*. The theme was chosen to enhance the objective of team work so as to achieve the Ministry's goals through mutual cooperation.

Eight parastatals; BOBS, BDC, BITC, CEDA, CIPA, Gambling Authority, LEA and SPEDU participated in the games. The Gambling Authority emerged overall winner while the Competition Authority came second, and BOBS obtained the 3rd position.

On 28th June 2017, the Authority signed a MoU with BURS, having identified it as a partner in custody of critical information which is relevant to the work of the Authority. Through the JWCs, the Authority forged greater cooperation in the period under review, which has yielded results in terms of enhanced visibility and awareness of their mandates. For example, the Authority and CIPA held two joint exhibitions on 20th October 2017 and 29th March 2018 to sensitise the public about their mandates, and the interface between Competition Law and Intellectual Property Law.

The cooperation has also resulted in efficiencies to work processes in terms of information sharing, and having contact persons for the Authority to liaise with. The cooperation has also given valuable indicators on where interventions may be required in the market in terms of investigations and advocacy.



Joint Exhibition by the Competition Authority and CIPA at the Gaborone Main Mall on 20th October 2017



Competition Authority Netball Team at the 2017 ALL-MITI Parastatals Games. From L to R: Boitumelo Metshe, Rebecca Rabakane, Lizalozé Ganaope, Neo Gopolang, Sophia Hange Kanguatjivi, Bonolo Motsamai and Sebilo Kebotsamang (sitting)

STAKEHOLDER ENGAGEMENT AND ADVOCACY

Regional and International Engagement

The Authority had engagements with strategic regional and international partners including the African Competition Forum (ACF) the International Competition Network (ICN), the Southern African Development Community (SADC), and the United Nations Conference on Trade and Development (UNCTAD).

The following are highlights of regional and international engagement during the review period:

Voluntary Peer Review: In the reporting period, the Competition Authority signed up for a voluntary peer review to assess the effectiveness of Competition Law enforcement in Botswana. The request was made on 5th July 2017 in Geneva, Switzerland, at a meeting of the International Group of Experts (IGE) on Competition Law and Policy hosted by UNCTAD. The exercise is expected to identify the strengths of the Authority, and the weaknesses that it has to address in order to improve its efficiency and effectiveness.

Voluntary Peer Reviews on Competition Law and Policy administered by UNCTAD, provide an opportunity for reviewed countries to draw lessons from the experiences of other competition agencies. Developing countries are also offered technical assistance if they are willing to implement the peer review recommendations.

The peer review exercise started in 2017 when representatives from UNCTAD came to Gaborone, Botswana, from 6th to 10th November 2017 to conduct stakeholder interviews. Stakeholders who were interviewed comprised executive management and staff of the Authority; the Competition Commission (the adjudicative and governing body), the parent Ministry of Investment, Trade and Industry, the Ministry of Finance and Economic Development, the Attorney General, sector regulators, academics, complainants, merging parties, private law firms; and Business Botswana, representing the business community.



Members of the CA Peer Review Preparatory Committee with the UNCTAD Team. From L to R: Allan Mlulla, Tapiwa Masie, Ebru Gokce, Magdeline Gabaraane, Gladys Ramadi, Elizabeth Gachuiru, Bonyana Ndubiwa, and Tshepo Wadipeba

ICN Annual Conference: The Competition Authority participated in the 17th ICN Conference that was hosted by the Competition Commission of India in New Delhi from 21st to 23rd March 2018. During the conference, Botswana shared its experiences on the use of ICN Work Products. Delegates were informed that the various Work Products on merger analysis, anti-cartel enforcement and training manuals assisted the Authority in its formative years before it developed its own guidelines. The ICN Work Products have enabled the Authority to effectively conduct merger analysis, investigations, conduct dawn raids and train staff, thereby reducing training costs. Botswana was represented at the ICN Conference by some members of the Competition Commission and staff of the Authority.

STAKEHOLDER ENGAGEMENT AND ADVOCACY



The Director of Investigations and Research Analysis, Mr. Calistus Sengwatse speaking about Botswana's experiences with ICN Work Products at the ICN Conference in New Delhi, India

African Competition Forum: The Authority, under the ambit of the ACF, conducted a market Inquiry on Liquefied Petroleum Gas (LPG) to assess potential barriers to entry in the LPG sector value chain. The findings will be shared in the next reporting period.



SADC Cooperation: The Competition Authority continued to actively participate in the SADC Cartel, Merger; and Research and Advocacy working groups to address cross border competition issues of interest. Staff of the Authority engaged with the working groups through teleconferences, workshops, emails and staff exchanges to discuss approaches to tackling cases of common interests.

The Authority participated in the 2nd meeting of the SADC Competition and Consumer Law and Policy Cartel Working Group which was held in Lusaka Zambia from 9th to 11th August 2017. The Committee looked at progress reports from the Legal Framework Sub-group, and the Investigative Techniques Sub-group. The meeting was followed by a capacity building workshop on Cartel Investigation Skills; with topics including preparation and execution of a dawn raid and investigation techniques. The

Botswana team made a presentation on Investigation Tools and jointly, with Mauritius, made another presentation on the Evaluation of a Dawn Raid. Botswana was represented at the two forums by the Manager for Investigations and Research Analysis, and the Manager for Legal and Enforcement.

The 8th Meeting of the SADC Competition and Consumer Law and Policy Committee was held in Gaborone, Botswana from 24th to 25th May 2017. The Chairperson of the Merger Working Group briefed the meeting about cooperation strides that have been made in the Merger Working Group. She said members of the working group continued to inform each other about mergers and acquisitions including discussing definitions of the relevant market on specific transactions, theories of competition harm and empirical evidence needed to test the harm. She said the most common form of communication has been through the use of emails and telephone calls at different stages of merger assessment.

The SADC working groups have created a culture of sharing information on cartels and mergers in the region. Member states have also collaborated on training.

Advocacy

Section 5(2) (e) of the Competition Act empowers the Authority to “advise Government on the actual or likely anti-competitive effects of current or proposed policies or legislation and where appropriate, how to avoid those effects”.

In carrying out this mandate, the Authority carried out the following advocacy activities in the period under review:

Training of Public Procurement Officers to Detect Bid-rigging: Bid-rigging cases account for almost 40% of the restrictive business cases that the Authority has handled since its establishment in 2011. Therefore, the Authority continued to

STAKEHOLDER ENGAGEMENT AND ADVOCACY

prioritise equipping staff of government ministries and parastatals with skills to detect and prevent bid-rigging in public procurement. The Authority made a presentation on bid-rigging at a workshop of the Ministry of Transport and Communications in Collaboration with ABM University.

Another presentation on bid-rigging was made at a workshop for the Ministry of Lands and Housing Procurement and Finance Officers in Francistown on 8th August 2017, followed by a workshop for Ministerial Tender Committees for the Southern Region in Gaborone on 10th August 2017.

A similar presentation was made to District Administration Tender Committees for the Northern Region in Francistown on 10th October 2017, while Southern District Corruption Prevention Committees for the Southern District were addressed in Jwaneng on 18th October 2017. The Authority's efforts to impart skills on the detection of bid-rigging patterns has yielded results as the Authority continues to receive tip-offs from public officials on suspected cases.

Table 2 below gives a summary of stakeholder engagement by sector in the 2017/18 financial year:

Table 2: Summary of Stakeholder Engagement and Advocacy from 1st April 2017 to 31st March 2018

STAKEHOLDER	TYPE OF ENGAGEMENT
 <p>BUSINESS</p>	<ul style="list-style-type: none"> • Breakfast meeting to share reports of Shopping Malls and In-house Brand Market studies on 25th September 2017 • Presentation at Consumer Workshop Conference on Levelling the Playing Field for Businesses on 7th September 2017 • National Competition Conference in Selibe - Phikwe on 22nd March 2018
 <p>SECTOR REGULATORS</p>	<p>Meetings were held with sector regulators to implement MoUs as follows:</p> <ul style="list-style-type: none"> • CAAB - 11th April 2017 • BoB - 12th April 2017 • NBFIRA - 26th April 2017 • CIPA - 23rd May 2018 • Gambling Authority - 13th June 2017 • BOCRA - 16th June 2017 • CAAB - 11th July 2017 • Bank of Botswana - 25th July 2017 • BURS - 19th September 2017 • Gambling Authority - 21st September 2017 • BOCRA - 16th June 2017 • CIPA - 24th October 2017 • Gambling Authority - 30th November 2017 • Joint Exhibitions with CIPA on 20th October 2017 and 29th March 2018

STAKEHOLDER ENGAGEMENT AND ADVOCACY

STAKEHOLDER

TYPE OF ENGAGEMENT



Government Ministries and Parastatals

- All-MITI Parastatals Games on 13th May 2017
- Workshop for Ministerial Tender Committees on Bid-rigging in Gaborone on 10th August 2017
- Presentation to Southern District Corruption Prevention Committees on Bid-rigging on 18th October 2017
- Presentation on Bid-rigging at a workshop for Ministry of Lands and Housing Procurement and Finance Officers in Francistown on 8th August 2017
- Presentation on Bid-Rigging to District Administration Tender Committees for the Northern Region in Francistown on 10th October 2017
- Presentation on Bid-Rigging to Corruption Prevention Committees for the Southern District in Jwaneng on 18th October 2017
- Presentation on Mandate and Bid-Rigging at a workshop of the Ministry of Transport and Communications in Collaboration with ABM University



Media

- Press release on BURS MoU signing on 22nd June 2017
- Press release on Competition Week on 30th November 2017
- Press Release on Appointment of Tebelelo Pule as CEO on 9th October 2017
- Press Conference to publicise BURS MoU on 28th June 2017
- Press Conference on Post Merger Impact Assessment on 7th December 2017
- Interview on Gabz FM on 19th March 2018 on Competition Conference
- Interview on Gabz FM about Competition Conference on 22nd March 2018
- Interview on Gabz FM after Competition Conference on 28th March 2018
- Interview about Competition Week on RB2 on 5th December 2017
- Interview by CEO on Btv Morning Show on 19th March 2018
- Live broadcast for Panel Discussion on RB2 on 5th December 2017
- Live broadcast for Competition Conference on Gabz FM on 22nd March 2018

STAKEHOLDER ENGAGEMENT AND ADVOCACY

STAKEHOLDER	TYPE OF ENGAGEMENT
 <p>Tertiary Institutions</p>	<ul style="list-style-type: none"> • Presentation on Bid-Rigging at BIUST in Palapye on 20th November 2017 • Presentation on Competition and Mergers to Maru-a-Pula students in Gaborone on 12th March 2018
 <p>Councils</p>	<ul style="list-style-type: none"> • Presentation to Tutume Sub-Council on Competition Assessment on 22nd August 2017
 <p>Public</p>	<ul style="list-style-type: none"> • Participation in Ministry of Trade Metlhala ya Khumo Exhibition in Bobonong on 27th May 2017 • Participation in Business Botswana Northern Trade Fair in Francistown 21-23 June 2017 • Participation in the Consumer Fair 24-26 August 2017 • Participation in the Selibe-Phikwe Trade Fair 9 -12 August 2017 • Exhibition at Gaborone Main Mall on 20th October to create awareness on CA Mandate • Participation in the Kgatleng Market Day exhibition in Oliphant's Drift on 27th October 2017 • Participation in Ministry of Trade Metlhala ya Khumo Exhibition in Masunga on 27th May 2017 • Exhibition in Francistown on 28th October 2017 • Exhibition at Global Expo in Gaborone November 1st to 3rd 2018 • Six editions of the e-newsletter <i>Botswana Competition Bulletin</i> published
 <p>Regional and International Liaison</p>	<ul style="list-style-type: none"> • Participation in the ICN annual conference in New Delhi 22nd-23rd March 2018 • Participation in the SADC Competition and Consumer Law and Policy Committee meeting in Gaborone, Botswana 24th - 25th May 2017 • Participation in the Cartel Working Group of the SADC Competition and Consumer Law and Policy Committee in Lusaka Zambia 9th - 11th August 2017



CORPORATE SOCIAL RESPONSIBILITY

The Competition Authority's stakeholder engagement activities did not only concentrate on core mandate in the year under review, The Authority also engaged with communities as part of its Corporate Social Responsibility (CSR) Programme.

The highlights of CSR activities in 2017/18 were as follows:

On 8th December 2017, the Authority conducted a litter picking exercise at Tsolamosese Ward in Mogoditshane in collaboration with the Village Development Committee (VDC). The Authority also donated five (5) litter bins, 150 branded T-shirts and litter picking sticks to the community. There was also Fun Football with Tsolamosese select side.

In another CSR activity, the Authority collaborated with Positive Moments Support Group to raise awareness about HIV/AIDS amongst out-of-school youth and infected persons living with HIV/AIDS in outreach events. The group's coordinator is Ms. Onalethata Mpebe, a person living with HIV, who also provides awareness about HIV and AIDS, and promotes voluntary testing. The Authority donated 100 T-shirts branded with CA and Positive Moments logo, and also transported Positive Moments staff to an outreach event at Nko-ya-Phiri Clinic in Mogoditshane on 11th December 2017.

In the year under review, the CA also supported Thamaga Primary School Prize Giving Ceremony through donation of 65 drawstring bags, 65 notebooks, 65 pens and eight (8) lunch boxes .

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RESEARCH AND INVESTIGATIONS

**Mr. Calistus
S. Sengwatse**



**Mr. Ernest
Bagopi**



**Ms. Goitseone
Modungwa**



**Mr. Setso
Sikwane**



**Ms. Thabiso
Mbongwe**



**Mr. Christson
Daman**



**Mr. Thabang
Tlhalerwa**



**Mr. Kingsley
Ramsden**



**Mr. Tumelo
Motswiri**

RESEARCH AND INVESTIGATIONS

The main function of the Authority's Investigations and Research Analysis Department is to manage, direct and coordinate operations for research and investigations, and to assess and monitor anti-competitive business conducts in the economy of Botswana.

Interventions in the Market in 2017/18 with Impact

BTCL and Mascom Intervention: The Authority initiated an inquiry after continued observation, followed by an anonymous tip-off, that soccer teams in the Botswana Telecommunication Corporation Limited¹ (BTCL) Premier League could not play their games at the National Stadium (because of the contractual agreement between Botswana National Sports Commission (BNSC) and Mascom).

The tip-off indicated that, the advertisement contract (for Mascom advertising boards at the National Stadium) between BNSC and Mascom, was couched in such a way that Mascom competitors (or activities sponsored by Mascom competitors), could not access or carry out their activities at the National Stadium. It was alleged that, this agreement prohibited BTCL premier league soccer teams from using the stadium. The allegation was that the teams could only use other stadiums outside Gaborone as they do not carry Mascom adverts, or alternatively, use the University of Botswana Stadium which is more costly compared to stadiums under the management of BNSC.

The Authority engaged BNSC and the agent that had been contracted to sell advertisement space within the National Stadium; BPL management; and some chairpersons/representatives of BTCL premier league teams that use the National Stadium for their home games. The evidence gathered indicated that the agreement between BNSC and Mascom was in no way a barrier to entry for BTCL premier league soccer teams to use the Stadium. The Authority's intervention led to the teams now being able to play their BTCL premier league matches at the National Stadium.

Banner Groups Intervention: In 2013, the Authority conducted a study titled '*Competitive Analysis of The Retail and Wholesale Sector in Botswana – With Specific Focus on Food and Groceries*'. One of the findings of the study was possible Resale Price Maintenance (RPM) by Wholesalers on their Banner group members. RPM is a practice whereby a manufacturer in the upstream market dictates selling prices to a customer in the downstream market such as a retailer or distributor. This is an offence under the Competition Act as it breaches section 26(1)(b).

This led to an investigation in the 2017/18 financial year on four Wholesale groups in Botswana that had this strategic business arrangement in place. The Authority's intervention now allowed General Dealers that subscribe to Banner Group membership business strategies to decide prices for their products during mid-month and end of month promotions, unlike in the past.

BPC Intervention: The Authority undertook an inquiry after receiving a complaint that Botswana Power Corporation (BPC), through its outsourcing division, closed out potential market entrants in the tender for electrical contractors and electrical consultants.

The findings indicated that upon implementation of the outsourcing of electrical contractors and electrical consultants' strategy, BPC was indeed closing out potential entrants. The Authority's intervention led to the identification and removal of two (2) constraints for the procurement of electrical services.

¹ BTCL is a direct competitor for Mascom and it sponsors the Botswana Premier League which is called BTCL Premier League.

RESEARCH AND INVESTIGATIONS

The constraints were at two levels of the supply chain being: Distribution Citizen Consultancy Program where, six (6) new entrants were able to enter the market; and the other at Electrical Consultants for Distribution Works level where a total of four (4) companies have graduated into the nomination of electrical consultants for distribution works. These new entrants are now in the BPC supplier database for the year 2016 to 2018. Prior to the Authority's intervention, the BPC electrical services market was the preserve of the incumbent firms and other firms were unable to enter the market.

Investigations

During the period under review, the Authority handled 23 cases. Eight (8) of the cases were closed primarily for two reasons being lack of competition concerns, and because others had run out of time or fell outside the statutory timeline.

Cases closed because of statutory timeline were as a result of the Court of Appeal Civil (CoA) Appeal No. CACGB-082-16 (Sugar Beans case), where the CoA pronounced that an investigation under the Competition Act starts the moment the Authority engages parties affected in an investigation.

The court decision brought a completely different interpretation on how the Authority has been interpreting the Act in relation to timelines. The judgment rendered some cases that were still under investigation out of the statutory timeline. Currently, at least 15 cases are still under investigation, and have been carried forward to the next financial year.

The following cases were closed due to no competition issues:

Competition Authority and Bela Bela Quarries (Pty) Ltd and Tosas Botswana (Pty) Ltd: The Competition Authority received an anonymous tip-off alleging an anti-competitive conduct by Raubex Group Ltd and its subsidiaries (National Asphalt (Pty) Ltd, Bela Bela Asphalt (Pty) Ltd, Bela Bela Quarries (Pty) Ltd and Tosas Botswana (Pty) Ltd). The whistleblower alleged that through a merger with local businesses, Raubex Group Ltd which owns Free Trial Brokers, National Asphalt (Pty) Ltd, Bela Bela Quarries (Pty) Ltd, Bela Bela Asphalt (Pty) Ltd and Tosas Botswana (Pty) Ltd has gained control over the supply of raw materials (bitumen and aggregates) and in the production of asphalt concrete.

Asphalt Botswana (Pty) Ltd further alleged that by controlling and having dominance over the raw materials, Bela Bela Quarries (Pty) Ltd and Tosas Botswana (Pty) Ltd priced the raw materials in a manner that no other downstream competitor could compete with National Asphalt (Pty) Ltd in the production of asphalt concrete.

The evidence collected revealed that Bela Bela Quarries (Pty) Ltd and Tosas Botswana (Pty) Ltd applied market prices to all the customers including Bela Bela Asphalt (Pty) Ltd therefore allegations of price discrimination on the two key inputs (road stone aggregates and bitumen) could not be sustained. Furthermore, bitumen was found not to be an essential input as there is an alternative bitumen supplier being Sambit Botswana (Pty) Ltd. The case was closed as the complaint against Bela Bela Quarries (Pty) Ltd and Tosas Botswana (Pty) Ltd did not raise any competition concerns.

RESEARCH AND INVESTIGATIONS

Bakers Association and Bokomo Botswana (Pty) Ltd, Bolux Group (Pty) Ltd and Ultimex Holdings (Pty) Ltd: The complainant, Bakers Association Botswana, alleged that Bokomo Botswana (Pty) Ltd, Bolux Group (Pty) Ltd and Ultimex Holdings (Pty) Ltd were practicing margin squeeze by selling flour to their private bakeries at a price much lower than that of independent bakeries. The evidence collected revealed that Bokomo Botswana (Pty) Ltd and Ultimex Holdings (Pty) Ltd do not own bakeries, and only Bolux Group (Pty) Ltd does.

The investigation revealed that bread flour produced by Bolux Group (Pty) Ltd is not an essential input as it is substitutable with other brands that are currently available in the market. According to the tenets of Competition Law, only a manufacturer of an essential input that has presence in the downstream can engage in margin squeeze. This can only happen if customers are charged high prices in the upstream market (higher than subsidiary present in the downstream market), and undercharged in the downstream market. This scenario will only happen when there are no alternative substitutes to the product in question. The evidence gathered during the investigation did not point in this direction, and could not prove the conduct of margin squeeze. Therefore, the case was closed and no further action was taken.

Mr. Joseph Molamu and another Farmer at Talana Farm: Mr. Joseph Molamu (a tomato farmer) lodged a complaint against another tomato farmer operating in Talana Farms, and alleged unfair business practice in the form of predatory pricing. According to Mr. Molamu, his competitor was selling tomatoes at prices which are much lower than those charged by other tomato farmers. He alleged that his competitor was able to make profit despite the low selling prices because of the vast ploughing area covered.

The case was closed as there was no indication of predatory pricing. Selling at a price lower than that of competitors' prices is not necessarily anti-competitive, and the evidence collected could not prove the conduct of predatory pricing. Price competition is actually pro-competitive as it improves consumer welfare.

RESEARCH ACTIVITIES

Liquefied Petroleum Gas Market Inquiry

The Authority through the African Competition Forum collaborated with other competition agencies in the SADC region and conducted a market inquiry on Liquefied Petroleum Gas (LPG), as per section 49 of the Act.

The objectives of the study were: to understand the landscape of the LPG sector in order to identify competition issues that need to be addressed, to understand relationships and trade characteristics between stakeholders within the LPG gas sector, and to assess potential barriers to entry that exist along the LPG sector value chain.

There had been an observation that the price of LPG was not stable in Botswana as the price kept going up frequently. It was also realised that while the majority of Botswana citizens use LPG as a source of energy for cooking, the number of LPG importers were very few. Whilst considering to look into the sector, the Authority also realised that the South African Competition Commission had just completed its market inquiry and some of the findings indicated possible anti-competitive business behaviour.

The findings of the market inquiry are being finalised and will be shared with the public in the next financial year.

RESEARCH AND INVESTIGATIONS

Presentation of the In-House Brands and Shopping Malls Market Inquiry Findings

On 25th September 2017, the Authority presented market inquiry findings on the two studies (In-House Brands and Shopping Malls) that were just completed. These were presented to the public at Avani Hotel in Gaborone. The two studies were, The Nature and State of Competition in the Botswana Shopping Mall retail property market (Shopping Mall), and the other being The Nature and state of In-House brands on the state of Competition in the retail industry in Botswana (In-House brands). The objectives of the Shopping Mall market inquiry were to:

- i. Understand the landscape of the shopping mall retail property market in order to increase transparency and competition;

- ii. Ascertain whether the existing tenant and landlord system takes into account aspects of competition when drawing up a tenant mix; and
- iii. Identify competition aspects and make recommendations on issues that affect the regulatory framework.

This market inquiry identified three possible competition infringements and recommendations on how they should be dealt with.



Participants at the presentation of In-House Brands and Shopping Malls Inquiry findings



RESEARCH AND INVESTIGATIONS

Table 3: Shopping Malls Market Inquiry

Possible Infringement	Recommendation
Barriers to entry (High Rentals)	There is need to establish the conduct of abuse of dominance through excessive pricing in this sector as existing tenants who have bargaining power may use high rental as a barrier to entry for potential competitors.
Barriers to entry (Long term anchor tenancy)	The lease agreement period (by anchor tenants) entered into with shopping mall establishments should be subject to the loan period; thereafter renewals after completing loan payment should be reasonable to allow for competition.
Explicit or implicit exclusive agreements	The Authority should continuously monitor shopping mall developments to ensure that the prevalence of either explicit or implicit exclusive agreements in this industry are avoided, and to ensure that local entrepreneurs (SMMs) are not foreclosed in the long run.

The objectives of the In-House Brands Market Inquiry were to:

- i. Understand the value, structure, terms of trade and business practices that entail In-House Brands in order to increase transparency and competition; and
- ii. Probe for possible anti-competitive issues that In-House Brands may pose on the Retail Sector, and make recommendations on issues that affect the regulatory framework.

The following were the findings and recommendations made.

Possible Exploitable Avenues	Recommendation
<ul style="list-style-type: none"> • Abuse of Dominance where the most likely practices would be: <ul style="list-style-type: none"> • Margin Squeeze • Dictated pricing/ Vertical price fixing i.e. RPM • Foreclosure • Barriers to entry • Vertical or horizontal integration of retail stores 	<ul style="list-style-type: none"> • The prevalent terms of trade have the potential to create a conducive environment for anti-competitive behaviour, and this should be addressed through investigation • Vertical or horizontal integration of retail stores should be monitored to control the leverage retail stores have over manufacturers

ENFORCEMENT AND PROSECUTIONS

Mr. Duncan T. Morotsi



Ms. Tapiwa Masie



Ms. Goitsemodimo Tseladikae



Ms. Keitumetse Segopamitlwa

ENFORCEMENT AND PROSECUTIONS

The Authority's primary mandate is to enforce competition law and ensure that there is fair competition in the economy. Part of enforcing competition law entails prosecuting entities that infringe the provisions of the Competition Act (before the Commission) and making or defending appeals to the High Court and Court of Appeal.

Cases before the Commission

In furtherance of its objective to ensure compliance with the Act, the Authority on 10th July 2017, referred four cases of possible resale price maintenance to the Commission.

The cases came as a result of the Competitive Analysis of the Retail and Wholesale Sector Study of 2013 conducted by the Authority, which culminated in full investigations.

The referred cases were against four (4) wholesalers namely; Metro Sefalana Cash and Carry Limited, Trident Holdings (Pty) Ltd, Trans Africa (Pty) Ltd and Trade World (Pty) Ltd. In each of the cases the Authority's contention was that the wholesalers had entered into vertical agreements with their respective banner group members and the agreements involved resale price maintenance in contravention of section 26(1) of the Act.

The Authority posited that the wholesalers dictated the prices at which goods were to be resold by the banner group members through pamphlets wherein the prices were prescribed and not recommended. In addition, to ensure compliance with the advertised prices the wholesalers used different strategies which made members of the banner groups believe that they were obliged to follow the advertised prices.

The Authority has since September 2017 been engaged in settlement negotiations with each one of the Wholesalers and the negotiations are at an advanced stage. It is also worth noting that on 27th March 2018, the Authority and Trident Holdings (Pty) Ltd signed their settlement agreement.

Cases before the Courts

Sugar Beans Case

A bid-rigging case was previously referred to the Commission against Creative Solutions (Pty) Ltd and Rabbit Group (Pty) Ltd. The attorneys for the enterprises raised points of law alleging that the referral was out of time, in essence that the Authority had failed to refer the case within 12 months of the commencement of the investigations as required by the Act. The Commission had to determine the issue of when the Authority is deemed to have commenced its investigations before hearing the merits of the case. On 12th May 2015, the Commission ruled that the investigation began when the Authority sought information from third parties even before issuing a Notice of Intention to Investigate.

The Authority appealed the decision of the Commission to the High Court and on 15th February 2016, Justice Gaopalelwe Ketlogetswe upheld the decision of the Commission and ruled that the investigations commenced when the Authority issued a notice or requested for information from parties relevant to the investigation. The High Court further held that the Authority had failed to refer the case within the statutory time limit of twelve (12) months.

In an attempt to convince the courts of its position once more, the Authority appealed the decision of the High Court to the Court of Appeal. On 27th July 2017, the Court of Appeal dismissed the appeal with costs and held that, investigations began the moment the Authority sought and obtained a search warrant, in cases where a notice of intention to investigate was issued ex post. It further held that indeed the clock started ticking for the Authority the moment it invoked its powers under section 35(4) of the Act, and sought information from any party. The issue of the referral

ENFORCEMENT AND PROSECUTIONS

to the Commission was also clarified because the Court held that all cases, whether initiated by the Authority or through receipt of a complaint, had to be referred within twelve (12) months of commencing the investigations.

Infant Formula Case

In this case the Authority had posited that Creative Business Solutions (Pty) Ltd and Rabbit Group had colluded in bidding to supply infant formula milk to the Ministry of Health and Wellness. The case was referred to the Commission on 24th February 2015, and, once again, the parties raised a point of law regarding the investigation timelines and the referral of the case. On 18th August 2015, the Commission ruled that the case had been referred out of time.

The Authority lodged an appeal at the High Court. The Court ruled in favour of the Authority and ordered that the matter should be remitted back to the Commission for hearing of the merits of the case. The enterprises appealed to the Court of Appeal and on 2nd February 2017, the Court of Appeal upheld the High Court decision, setting aside the ruling of the Commission and remitting the case back to it.

In the midst of all these proceedings, Rabbit Group made a separate application to the High Court for a review of the decision of the Commission to grant the Authority an extension of the investigation period when the matter was first taken to the Commission.

In order to allow for the review application to be heard, Creative Business Solutions and Rabbit Group filed applications for stay of proceedings before the Commission on 11th and 21st April 2017 respectively, until the review at the High Court was complete. The Commission could therefore not hear the merits of the case until the review application before the High Court was finalised. Finality of the review application would have either been in favour of Rabbit Group, in which case the Authority would have been entitled to appeal the decision or it could have been in favour of the Authority, which would entitle Rabbit Group to an appeal before the Court of Appeal.

Following the stay of proceedings before the Commission however, the parties agreed to settle the matter amicably, and in so doing, Rabbit Group (Pty) Ltd withdrew the review application at the High Court and the Authority would also abandon the matter before the Commission. The Authority agreed to abandon the case before the Commission in light of the decision of the Court Appeal in the Sugar Beans case regarding investigation timelines because it was likely that the case was also referred out of time. Considering that the position of the law had already been clarified by the highest court in the land, the Authority was of the view that a settlement was more attractive than spending protracted lengths of time and resources fighting an issue which had already been resolved.

Amendment of the Competition Act

The Competition Authority, through the Ministry of Investment, Trade and Industry, embarked on an exercise to review and repeal the current Competition Act and replace it with a new Act. The exercise was completed in 2017 and on 14th December 2017 Parliament passed the Competition Bill, together with the Consumer Protection Bill.

Key changes in the new Act include the separation of the governing body from the competition tribunal, a development that would be most welcome by stakeholders and the public in general as there was perceived conflict of interest. Another important change is the criminalisation of cartel conduct, if directors and officers are found to have contravened Section 25 of the Act they would be liable to a fine not exceeding P100 000, or a prison term not exceeding 5 years, or both.

Consumer Protection

Alongside the Competition Act, the Consumer Protection Act was amended and was also passed on 14th December 2017. Following this exercise the Consumer Protection Unit and the Competition Authority would be merged to form one organisation, the Competition and Consumer Authority. This new organisation would be governed by the Competition and Consumer Board.

MERGERS AND ACQUISITIONS

Ms. Magdeline Gabaraane



Ms. Nomathemba Dladla



Ms. Lizalozé Ganaope



Mr. Mothusi Lotshwao



Ms. Gorata Selelo



Mr. Othusitse Oletile



Mr. Powell Kebinaefhe



Mr. Ridwell Moremi

MERGERS AND ACQUISITIONS

The Authority administers Part X of the Competition Act which is realised through the investigation and assessment of merger transactions by determining whether the proposed merger is likely to substantially prevent or lessen competition; whether the proposed merger would likely 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 provided by 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. Simple mergers are those that present 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 30 calendar days with a possibility to extend by 60 calendar days.

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

Overtime, mergers and acquisitions potentially result in less competitive market structures such as oligopolistic and duopolistic markets. As such, if mergers are left unregulated, they may result in very large costs to consumers and to the economy more generally, so it is essential that authorities have the power and skills to investigate effectively, and to remedy any potential problems they find (including by blocking a merger).

Good governance, a stable political environment and sustained economic growth are some of the factors that entrepreneurs and investors consider when deciding to set up operations in any particular country. Since Botswana has continuously performed well on these fronts, it is not a coincidence that foreign

firms continue to merge with local firms in order to capitalise on the country's conducive business environment, hence the upsurge in notified mergers over the years since inception of the Authority.

Mergers Activity

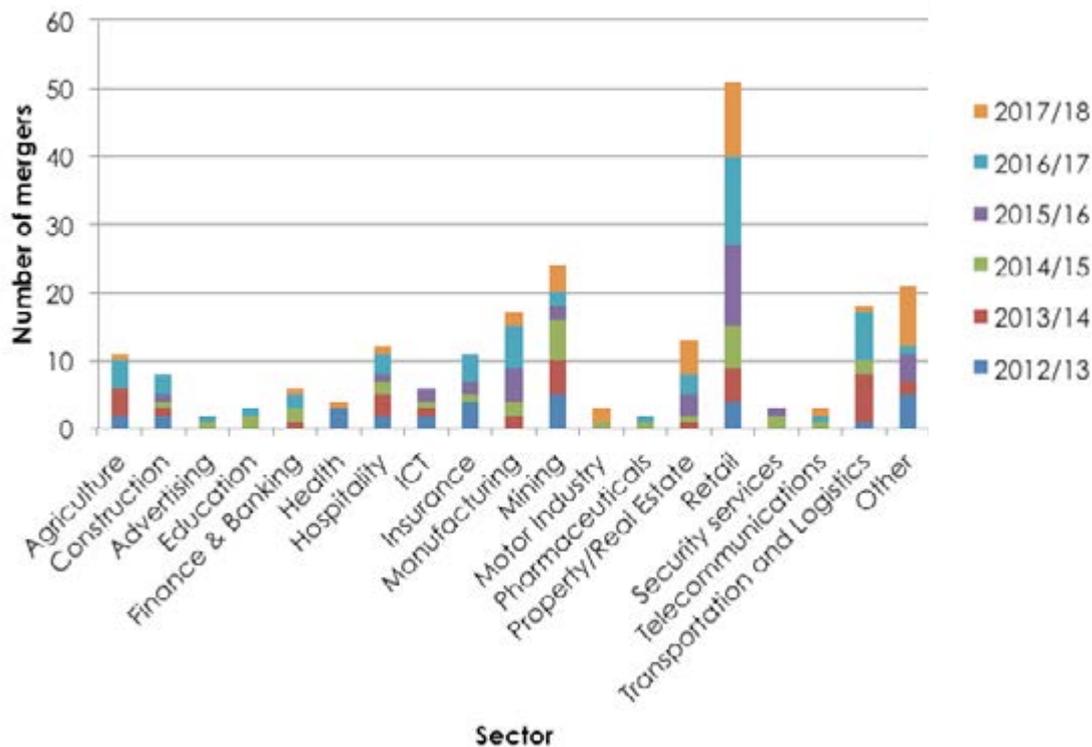
A total of 39 mergers were handled in the 2017/18 financial year, representing a decrease of 25% from the 52 mergers handled in the previous year. Out of the 39 mergers that were handled, 36 were classified as simple and three (3) were classified as complex. Furthermore, 36 mergers were approved without conditions, three (3) with conditions, and no merger was prohibited.

The mergers handled by the Authority involve a vast number of sectors. Figure 1 below gives the trends in sectoral representation of the mergers handled, indicating that a majority of transactions handled over the years, specifically 2015/16 and 2016/17, are in the retail sector. This increase in activity in the sector could be due to the increased presence of retailers from outside Botswana (e.g. South Africa); which are possibly attracted by the openness of the economy or free market trade, as well as the political stability, customers' affordability and the potential for economic growth. Although the Authority has experienced a 25% decline in merger activity in the 2017/18 financial year, the figure is still relatively high, compared to the first four (4) years.

MERGERS AND ACQUISITIONS

A close observation indicates a consistent upward trend in merger activity which could be an indication that the Authority should expect more mergers in the coming years. In total, 218 mergers have been handled by the Authority since inception; which indicates the significant role that the Authority continues to play in ensuring product innovation, industrial growth, competitive pricing of goods and services, quality goods, consumer welfare and general expansion of markets.

Figure 1 below shows the sectoral representation of mergers notified and reviewed from 2012/13 to 2017/18:



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 27 and 69 calendar days, respectively, compared to 30 and 86 calendar days in the 2016/17 financial year, which shows an improvement in turnaround times.

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, 30 mergers were approved unconditionally, showing a 9% decline from the 45 mergers approved unconditionally in the previous period.

MERGERS AND ACQUISITIONS

Table 5: Mergers Approved Without Conditions in 2017/18

FILE NUMBER	ACQUIRING FIRM	TARGET FIRM	SECTOR
MER/008/2017	Capital Management Africa (Pty) Ltd	Fleming Asset Management Botswana (Pty) Ltd	Financial services
MER/010/2017	Agricola Africa Limited	Kanu Equipment Limited	Retail
MER/011/2017	Innolead Consulting (Pty) Ltd	GDS Botswana (Pty) Ltd	Services
MER/012/2017	Shumba Energy Limited	Hodges Morupule Mauritius Limited	Mining
MER/013/2017	Kutana Construction (Pty) Ltd	Aveng Grinaker LTA Holdings (Pty) Ltd	Other
MER/014/2017	Soihl Hong Kong Holding Limited	Chevron Botswana (Pty) Ltd	Retail
MER/015/2017	Steinhoff Doors and Building Materials (Pty) Ltd	Building Supply Group (Pty) Ltd	Retail
MER/016/2017	WS Atkins PLC	SNC-Lavalin Group Inc	Mining
MER/018/2017	GetBucks (Pty) Ltd	Sure Choice (Pty) Ltd	Finance & Banking
MER/019/2017	Mr Shezan Rusdin Motani and Mr Rusdin Abdul Sattar Motani	Auto City (Pty) Ltd	Motor Industry
MER/020/2017	Blue Star Diamonds Botswana (Pty) Ltd	Blue Star Diamonds DMCC (Dubai)	Mining
MER/021/2017	Newshelf 1329 (Pty) Ltd	Kamoso Distribution (Pty) Ltd	Other
MER/022/2017	Capital Management (Pty) Ltd	Lobatse Clay Works (Pty) Ltd	Manufacturing
MER/024/2017	Isuzu Motors South Africa (Pty) Ltd	Isuzu Light Commercial Vehicle business of General Motors South Africa Pty Ltd	Motor Industry
MER/025/2017	Remgro International Holdings (Pty) Ltd	Capevin Holdings Ltd	Other
MER/026/2017	Capital Management Fund (Pty) Ltd	Limane (Pty) Ltd	Property/ Real Estate
MER/027/2017	New African Properties Limited	Jus Posh Investments (Pty) Ltd	Property/ Real Estate

100%

MERGERS AND ACQUISITIONS

FILE NUMBER	ACQUIRING FIRM	TARGET FIRM	SECTOR
MER/028/2017	The Prepaid Company (Pty) Ltd	3G Mobile (Pty) Ltd	Retail
MER/029/2017	Goldentree Asset Management LP & MIC Leisure	Peermont Holdings (Pty) Ltd	Hospitality
MER/030/2017	Agosto Investment (Pty) Ltd	Private Property (Pty) Ltd	Property/ Real Estate
MER/031/2017	Lacrose (Pty) Ltd	Transport Holdings Ltd	Transport and Logistics
MER/032/2017	Off The Shelf Investments 56 (RF) (Pty) Ltd	Chevron Botswana (Pty) Ltd	Retail
MER/035/2017	Adock Ingram Healthcare (Pty) Ltd	Genop Holdings (Pty) Ltd	Other
MER/036/2017	Botswana Venture Investments No. 2032 (Pty) Ltd	Waco International Holdings (Pty) Ltd	Other
MER/037/2017	Vlado Rubezic and Jelica Simic	Mont Trade (Pty) Ltd	Agriculture
MER/039/2017	Barnes Palace Holdings (Pty) Ltd	Scaw South Africa Limited	Other
MER/040/2017	Robert Bosch GmbH	Hytec Holdings (Pty) Ltd	Other
MER/041/2017	e-Africa Holdings Limited	BMS (Pty) Ltd; Office Technique(Pty) Ltd; and Rangecom (Pty) Ltd	Retail
MER/043/2017	Kay Tshiamo Van Der Geest and Vincent Engelbert Grahorst	Team Engineers (Pty) Ltd	Manufacturing
MER/044/2017	Pioneer Foods (Pty) Ltd	Heinz Foods South Africa (Pty) Ltd	Retail
MER/045/2017	Letlole La Rona Limited	Jus Posh Investments (Pty) Ltd	Property/ Real Estate
MER/046/2017	Letlole La Rona Limited	Top Lights Investments (Pty) Ltd	Property/ Real Estate
MER/001/2018	Magotteaux International S.A	Grinding Media Division of Scaw South Africa	Other
MER/002/2018	Robertsons Holdings Proprietary Limited	Silver 2017 (Pty) Ltd	Retail
MER/003/2018	Vronbisman Limited	Kanu Equipment Limited	Retail
MER/004/2018	Force Quip Holdings (Pty) Ltd	Flycatcher (Pty) Ltd	Retail

MERGERS AND ACQUISITIONS

Mergers Approved With Conditions

The Authority approves a merger with condition(s) if it is found that a specific remedy can address the competition and/or public interest concerns

identified during the merger assessment. The Authority, therefore, extensively engages the merged entity in monitoring the condition(s). In the period under review, three (3) mergers were approved with conditions.

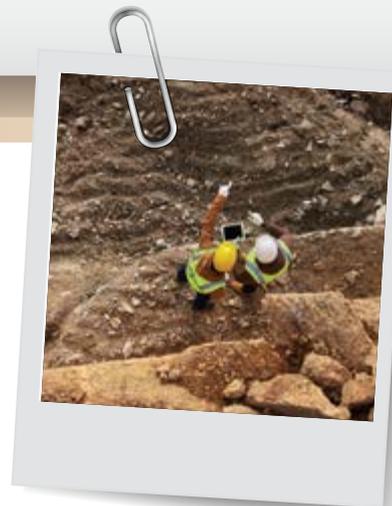
Table 6: Mergers Approved With Conditions in 2017/18

FILE NUMBER	SECTOR	ACQUIRING FIRM	TARGET FIRM
MER/017/2017	Mining	Alecto Minerals Pl	Cradle Arc (Pty) Ltd

CONDITION(S):

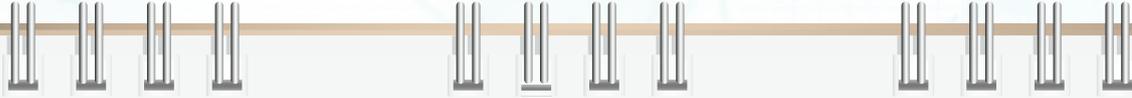
The Authority approved the proposed acquisition with the following conditions:

- I. Pursuant to the provisions of section 60 of the Competition Act, the acquisition of the entire issued shares in Cradle Arc Investments (Pty) Ltd from PenMin Botswana (Pty) Ltd by Alecto Minerals Plc is unconditionally approved; while
- II. The acquisition of 60% shareholding in Alecto Minerals Plc by PenMin Botswana (Pty) Ltd is approved on condition that PenMin Botswana (Pty) Ltd exercises the option to buy the shares within twelve (12) months from the date of this decision. Should the transaction be implemented after twelve (12) months from the date of the decision, the Authority would expect the transaction to be notified; and
- III. The parties are expected to inform the Authority of the implementation date of the 60% acquisition of Alecto Minerals Plc by PenMin Botswana (Pty) Ltd within five business days of it becoming effective. This will allow the Authority to ascertain whether there has been any change to the shareholding structure of PenMin and further verify that the transaction has been effected within twelve (12) months.



100%

MERGERS AND ACQUISITIONS



FILE NUMBER	SECTOR	ACQUIRING FIRM	TARGET FIRM
MER/034/2017	Other	Beijer Ref AB	Bonsoir (Pty) Ltda

CONDITION(S):

The Authority approved the proposed acquisition with the following conditions :

- I. The merged entity shall ensure that for a period of two (2) years commencing the approval date, there are no retrenchments of any employee associated with this merger.
- II. In order for the Authority to properly monitor compliance with the above, the Authority ordered the merging parties to adhere to the following:
 - a) For the Authority to assess whether these are merger specific, at least 3 (three) months before any retrenchments are to take place, inform it about
 - i. The intended retrenchments
 - ii. The reasons for the retrenchments;
 - iii. The number and categories of employees affected; and
 - iv. The expected date of the retrenchments.



MERGERS AND ACQUISITIONS



FILE NUMBER	SECTOR	ACQUIRING FIRM	TARGET FIRM
MER/038/2017	Retail	Bradleymore's Holdings (Pty) Ltd	VPB Propco(Pty) Ltd (in liquidation); QSR food company (Pty) Ltd(in liquidation); Boitumelo Dijo (Pty) Ltd (in liquidation); and Greenax (Pty) (in liquidation)

The Authority approved the proposed acquisition with the following conditions :

- I. Bradleymore's shall source a significant portion of their input requirements locally by continuing to source from existing suppliers that were engaged by VPB, provided they are YUM accredited; as well as consider sourcing from any other YUM accredited suppliers based in Botswana who are currently not supplying KFC;
- II. Bradleymore's shall ensure that local suppliers are assisted in penetrating or meeting YUM's standards of accreditation with the aim of sourcing from these suppliers; and
- III. The Parties shall not retrench any employees of the target entities as a result of the acquisition for a period of three (3) years from the implementation date. Retrenchments do not include: voluntary separation; voluntary early retirement; unreasonable refusal to be deployed in accordance with the provisions of the labour laws of Botswana; resignations or retirements in the ordinary course of business; terminations in the ordinary course of business; dismissals as a result of misconduct or poor performance.

In order for the Authority to properly monitor compliance with the above conditions, the Authority shall require Bradleymore's to adhere to the following:

- I. Bradleymore's shall annually (for a period of three (3) years from the implementation date) submit to the Competition Authority, a detailed report indicating:-
 - a) Any changes to its employment records in the country and the reasons thereof;
 - b) A list of its existing and new locally based suppliers (including the type of inputs they supply). This information can be captured in the supply agreements KFC has with such suppliers; and
 - c) A copy of the strategy to be employed in building capacity of local suppliers in ensuring they meet YUM accreditation standards. That copy should be availed to the Authority within a period of twelve (12) months from the implementation date. The parties need to demonstrate to the Authority efforts made in identifying potential suppliers in line with their expansion strategy.

100%

MERGERS AND ACQUISITIONS

Mergers Carried Forward to 2018/19

The following merger was carried forward to the 2018/19 financial year on account of their finalisation/determination date falling outside the end of the financial year.

FILE NUMBER	SECTOR	ACQUIRING FIRM	TARGET FIRM
MER/005/2018	Education	Entax Holdings (Pty) Ltd	Baobab school

Monitoring of Compliance with the Authority's decisions

Competition Agencies are not able to control or predict every factor capable of impacting the implementation of remedies. Significant and permanent changes in market conditions may impact the effectiveness of a remedy, especially in cases where a non-structural remedy continues 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 exercise of the merger cases it had assessed regarding 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 developments resulting from the actions taken by the Authority.

In the period under review, three (3) mergers were selected for review to assess their level of compliance to decisions that were taken by the Authority; as indicated in Table 8 below:



MERGERS AND ACQUISITIONS



FILE NUMBER	SECTOR	ACQUIRING FIRM
MER/038/2015	Retail	Ellerine Furnishers

Acquisition of the businesses of Ellerine Furnishers (Botswana) (“Ellerines”) (Pty) Ltd and Ellerine Retail (Botswana) (“Beares”) by Lewis Stores Botswana (Pty) Ltd (“Lewis Botswana”)

NOTE:

Ellerine Furnitures (Botswana) (Pty) Ltd Retail and Ellerine Botswana are hereinafter referred to as Ellerines and Beares respectively. It must also be noted that Ellerine Stores refers to both Ellerines and Beares.

The Authority approved the transaction on 3rd February 2016 subject to the following conditions:

Decision

The Authority approved the transaction on 3rd February 2016 subject to the following conditions:

1. There shall be no redundancies without the consent of employees of the merging parties, as a result of the proposed transaction. However, this does not prevent Lewis Botswana, in the ordinary course, from retrenching employees as a result of changes to its (Lewis Botswana’s) operational requirements, including store closures when such stores are not economically viable;
2. All employees employed in the Beares and Ellerines stores that are assigned at the implementation date will transfer to Lewis Botswana on terms and conditions that are on the whole not less favourable to the employees than those on which they were employed by the Beares and Ellerines businesses of Ellerine Botswana;
3. Lewis Botswana shall harmonise the employment terms and conditions of employees employed in the Beares and Ellerines Stores with the employment terms and conditions of Lewis Botswana. Lewis Botswana will, throughout the review and harmonisation process, engage in appropriate consultations with staff and the relevant trade union representatives. Lewis Botswana will also ensure that the harmonisation process is undertaken in accordance with relevant labour laws in Botswana;
4. Lewis Botswana shall invite persons from the retrenched workforce (49 affected employees) whenever making new appointments on any created positions or any other positions that may become available, for a period of 12 months from the date of approval of the transaction;
5. In order to facilitate the Invitation Process, and to the extent that the Business Rescue Proceedings have retrenched employees employed at Ellerine Botswana’s “Beares” and “Ellerines” stores prior to the implementation date, the Business Rescue Practitioners must on the implementation date provide Lewis Botswana with lists identifying all Affected Employees and Interested Employees. The list of Interested Employees must contain the following information relating to each Interested Employee:
 - I. Full name;
 - II. Positions/ designations held at the Acquired Business and a brief description of relevant experience;
 - III. Contact details (postal address, email address and cellular phone number);
 - IV. Preferred mode of communication (letter, email or SMS) as indicated by the Interested Employee; and
 - V. For each Interested Employee:

MERGERS AND ACQUISITIONS

- I. The employment positions and/or opportunities in respect of which the Interested Employee would want to be invited to apply;
 - II. The geographic location(s) where the Interested Employee would be willing to take up an employment opportunity; and
 - III. The salary or wage which the Interested Employee would wish to receive.
6. In order to facilitate the invitation of Affected Employees, the Business Rescue Practitioners and/ or Lewis Botswana shall, where appropriate and having regard to applicable labour laws and employment policies, commence the process whereby Affected Employees can register as Interested Employees in parallel to any consultation processes with potentially Affected Employees;
7. The hiring of interested Employees by Lewis Botswana shall be subject to the current hiring policies applicable to the various divisions of Lewis Botswana. The Interested Employees shall be required to, inter alia, satisfactorily complete application forms and undergo interviews, and possess the requisite skills in respect of the position applied for (that is, the positions are competency based). Furthermore, any Interested Employees who may ultimately be hired by other divisions of Lewis Botswana shall be employed in accordance with the terms and conditions of employment in place for the relevant divisions at the time.

In order to monitor the set conditions the merged entity was required to continuously update the Authority as follows:

- I. Lewis Botswana shall within six months of the date of implementation of the transaction, provide the Authority with an immediate and long term plan of how they shall harmonise the business models of the Beares Stores and Ellerines Stores, as well the employment terms of the transferred employees; and
- II. Lewis Botswana shall within the 12 months period, from the date of approval, provide the Authority with written reports detailing all vacant positions filled and the recruitment procedure followed (in re-employing the affected employees) as well as the rationale and sufficient proof of its transparency and fairness.



MERGERS AND ACQUISITIONS

FILE NUMBER	SECTOR	ACQUIRING FIRM
MER/038/2015	Mining	Discovery Copper Botswana

Acquisition of Discovery Copper Botswana (Pty) Ltd (“DCB”) by Khoemacau Copper Mining (Pty) Ltd (“Khoemacau”)

Decision

On 28th June 2015, the Authority unconditionally approved the proposed acquisition. The Authority’s decision also took cognisance of the fact that at the time, DCB was a failing firm, as it had been placed under provisional liquidation and had ceased operations. Furthermore, the acquisition was expected to resuscitate the operations of DCB and as such benefit the economy of Botswana through job creation and export growth of copper/silver minerals

MER/018/2015

Acquisition of 50% interest in Botswana Cap & Helmet Manufacturers (Pty) Ltd by Canvas & Tents Manufacturing (Pty) Ltd

Decision

The Authority unconditionally approved the transaction on 15th October 2015. The Authority’s approval was only limited to the acquisition of 50% shares in Lobatse Canvas and Botswana Cap & Helmet Manufacturers, and that any further changes in shareholding should be notified to the Authority.

The Authority also took cognisance of the fact that Canvas & Tent Manufacturing has committed to ensuring that the businesses belonging to Lobatse Canvas and Botswana Cap & Helmet Manufacturers are maintained as manufacturing businesses instead of distribution points for imported products. Furthermore, the Authority noted the commitment by Canvas & Tent Manufacturing regarding increased capabilities and transfer of skill and knowledge in Lobatse Canvas and Botswana Cap & Helmet Manufacturers.

In determining the level of compliance by the merging parties with the decisions made by the Authority; it was established that from the aforementioned entities, only one (1) entity was found to have been fully compliant with prescriptions laid out by the Authority. In the case of Khoemacau, though approved unconditionally, there were some benefits the Authority had envisaged for the community and the broader economy; which have not been fully realised as the project is not yet operational.

The Authority acknowledges the challenges encountered by Khoemacau thus far, which have consequently contributed to the delay in commencing operations. The envisaged benefits can only be fully evident once the Khoemacau mine is fully operational, anticipated for 2020. With respect to the remaining transaction, involving Botswana Cap & Helmet Manufacturers (Pty) Ltd and Canvas & Tents Manufacturing (Pty) Ltd; it was established that the merger was not implemented as the acquirer no longer saw the opportunity as viable.

CORPORATE SERVICES

Ms. Tshepo Wadipeba



Ms. Takesure Mlilo



Ms. Neo Gopolang



Mr. Mooketsi Ntwaagae



Mr. Kamogelo Ditsele



Mr. Tonny G. Kolanyane



Mr. Morulaganyi Modikwa



Ms. Sebilo Kebotsamang



Mr. Keoagile Ntshaanana



**Mr. Botsalo
Makolo**



**Ms. Patience
Gombalume**



**Ms. Tshegofatso
Moatlhaping**



**Ms. Kgalalelo
Motshwarakgole**



**Ms. Kgomotso
Moilwa**



**Mr. Potlako
Mpe**



**Ms. Rebecca
Rabakane**



**Mr. Otlaathusa
Seforo**



**Ms. Kamogelo
Mathibidi**

CORPORATE SERVICES

Human Resources

The Authority believes that effective management of its human resources is critical to delivering on its strategic direction. It is on that basis that the Authority continues to focus on building an organisation where talent is nurtured and high performance is rewarded; where organisational design and team behaviour promotes high motivation, innovation and results-orientation; and where every supervisor makes ‘people management’ a top priority.

Staff Complement and Retention: During the period under review, the Authority had four (4) terminations from the different departments. These resignation put the turnover rate at 12% and the retention rate at 88% against the strategic target of 90%, which is a significant decrease compared to the 100% retention rate from last financial year.

Exit interviews on the resignations were conducted which indicated that the main reason for staff leaving was for career growth and higher remuneration.

The Authority has observed that the salary structure for the Authority is no longer competitive and has contributed to the high turnover rate, and challenges in attracting highly skilled candidates. The Authority will continue to monitor and contain the turnover rate through the implementation of a robust retention strategy and employee engagement initiatives.

The Authority’s establishment and complement as at 31st March 2018 was as follows:

Table 9: Authority’s establishment and complement as at 31st March 2018

Department	Establishment	Vacant	Head Count
CEO’s Office	5	1	4
Mergers and Monopolies	5	1	4
Investigations and Research Analysis	5	0	5
Corporate Services	12	1	11
Communications and Advocacy	3	0	3
Legal and Enforcement	3	1	2
Total	33	4	29

CORPORATE SERVICES

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. The Authority continued to implement and monitor the initiatives aimed at improving engagement levels and motivation of employees as aligned to the adopted employee engagement framework.

The Human Resource Office in collaboration with the Staff Welfare Committee organised a staff team building retreat that was held from the 16th to 18th November 2017 in Maun. The team building retreat is one of the initiatives aimed at improving employee engagement and team work, as well as drive non-monetary retention interventions. This event was held under the objective of team building and team realignment.

Since the implementation of the Employee Engagement Improvement Plans by departments, there has been a noticeable improvement in teamwork and interpersonal relationship amongst the employees. This has become more visible especially in activities that require teamwork, at inter departmental and at corporate level, like Corporate Social Responsibility and Staff Welfare Activities.

Employee Wellness: The Authority hosted its Annual Wellness Week during the week of 29th August to 1st September 2017. The Wellness Week was held under the theme *Be Smart, Eat Smart, Eat the Best and Leave the Rest* and was made up of the following activities:

- I. Health Education and Awareness - aimed at providing education on behavioural change towards healthy living lifestyles;
- II. Ergonomics Launch - aimed at educating the employees about the importance of understanding the relationship between their work environment and their health in order to be efficient within their working environment;
- III. Uphill Fitness Challenge - intended for team building and peer support in inspiring fitness and a positive mind-set; and
- IV. Main Event - The activities of the main event included: Team building games, massages, information desks, oral health screening, ophthalmic services, nutrition, health and fitness exercises. The activities were packaged and designed to meet the holistic aspect of the general wellbeing of employees, in order to encourage and support the set objectives as they were tailored for mental strength

Talent Development: Talent Development is another critical investment that the Authority continued to make during this financial year. The employees of the Authority had an opportunity to attend developmental and networking opportunities as follows:

CORPORATE SERVICES

Table 10: Capacity Building Programmes for Employees in the 2017/18 financial year

Training program	Number of employees
Annual International Competition Network Conference 2017	4
Annual Talent Management Conference	1
United Nations Conference on Competition Law and Policy	2
SADC/ACF Cartel investigation Working Group Meeting and Workshop	2
3rd Annual Competition and Economic Regulation (ACER)	2
11th Annual Smart Procurement World Conference and Exhibition Public Sector Supply Chain Summit	1
3rd Annual Board Secretaries and General Counsels Africa Conference	1
OECD Global Forum on Competition	2
Post Graduate Diploma In Economics of Competition Law - Part-time	4
OECD Workshop on “Regulation and Competition in Light of Digitalisation” and “Cartel Screening in the Digital Era”	2
Managing and Measuring Training Workshop	2
Certificate in Records Management	1
Annual Competence for Professional Development Workshop	1
Annual International Competition Network (ICN) Conference 2018	4

CORPORATE SERVICES

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 initiatives as per the Economic Diversification Drive (EDD), Citizen Empowerment Scheme and Presidential Directive CAB 34(B) 2014 through local procurement of goods and services.

Information Technology

ICT is fundamental to the delivery of services across the entire organisation. It provides the connectivity and access to information required by everyone within the organisation.

Operational efficiency, supported by the right culture remained an area of priority for the Authority for the year under review. The Authority migrated to a

cloud based email solution as a means of improving productivity, saving time and collaborating more efficiently. This change was necessitated by several factors that are commonly associated with systems availability like downtime, server crash and others. With the introduction of office 365, Authority employees are now able to work anywhere, anytime, and on any device.

A comprehensive IT strategy which will become the cornerstone of an integrated ICT environment is currently being developed. The benefit to be gained from the strategy is solely to move ICT from a rigid support role to a strategic enabler for the Authority to achieve its crucial mandate. This ICT strategy is to equip the IT team to solve a wide range of business challenges within the Authority as required by the corporate strategy by getting aspects such as stable connectivity, collaborations, digital processing, data management, business scaling, business continuity and performance management right.



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 11: Challenges and Opportunities in the Year under Review



CHALLENGES

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

Limited Budget

INITIATIVES TO ADDRESS CHALLENGES

Engagement of temporary employees

Sourcing of alternative funding through submission of project funding proposals to regional and international competition partners



OPPORTUNITIES

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 Court of

Appeal 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.

EXPECTED OUTCOMES

Setting a legal precedent



COMPETITION
AUTHORITY
fair competition for prosperity





ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2018



**ANNUAL FINANCIAL
STATEMENTS**
For the year ended 31 March 2018

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COMMISSIONERS' RESPONSIBILITY AND APPROVAL OF ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2018

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.

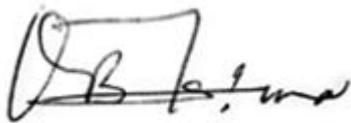
The Competition Authority maintains systems of internal control, which are designed to provide reasonable assurance that the records accurately reflect its transactions and to provide protection against serious misuse of the Competition Authority's assets. According to Section 23 of the Competition Act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

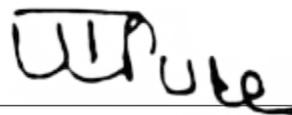
After making enquiries, the Competition Commission has no reason to believe that the Competition Authority will not be a going concern in the foreseeable future. For this reason they continue to adopt the going concern basis in preparing these Annual Financial Statements based on forecasts, available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

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

Against this background, the Competition Commission accepts responsibility for the Annual Financial Statements on pages 70 to 94, which were signed on its behalf by:



Dr. Onkemetse Tshosa
Chairperson of the Competition Commission



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

Date: 7 September 2018

Independent Auditor's Report

To the Competition Commissioners

Opinion

We have audited the financial statements of the Competition Authority (the Authority) set out on pages 70 to 94, which comprise the statement of financial position as at 31 March 2018, 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 2018, 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no such matters to report.

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, 2009, 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

Independent Auditor's Report

For the year ended 31 March 2018

statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. 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

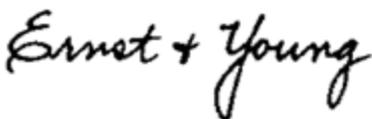
Independent Auditor's Report

For the year ended 31 March 2018

effectiveness of the Authority's internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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.



Ernst & Young

Practising Member: Thomas Chitambo

Partner

Membership Number: 20030022

Certified Auditor

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

5 September 2018

Statement Of Comprehensive Income

For the year ended 31 March 2018

	Notes	March 2018 BWP	March 2017 BWP
Continuing operations			
Revenue			
Government subvention	1	25,902,422	27,550,486
Armotisation of subvention relating to capital assets	16	775,913	659,909
Total grants revenue		26,678,335	28,210,395
Other Income			
Merger fees	17	1,426,511	3,220,707
Sale of tender documents	17	7,625	2,380
Interest revenue	6	52,599	75,912
Loss on scrapping of plant and equipment		(19,497)	340,851
Recovery from MITI games		80,502	75,000
Sundry Income		-	64,053
		1,547,740	3,778,903
Total Income		28,226,074	31,989,298
EXPENDITURE			
Staff costs	2	16,492,723	17,787,645
Consultancy costs	3	1,441,547	1,228,652
Administration expenses	4	8,727,028	7,522,570
Operating lease expenses	5	2,062,030	2,128,663
		28,723,328	28,667,530
Operating (deficit) surplus for the year		(497,254)	3,321,768
Other comprehensive income		-	-
Total comprehensive (loss) income for the year		(497,254)	3,321,768

Statement Of Financial Position

31 March 2018

	Notes	March 2018 BWP	March 2017 BWP
ASSETS			
Non-Current Assets			
Plant and equipment	7	2,506,497	2,452,069
Current Assets			
Receivables and prepayments	8	752,884	3,112,631
Cash and cash equivalents	9	1,926,849	458,956
		2,679,733	3,571,587
Total Assets		5,186,230	6,023,656
FUNDS, RESERVES AND LIABILITIES			
Funds and Reserves			
Accumulated surplus		1,913,700	2,410,954
Non-Current Liabilities			
Deferred capital grant	16.1	1,340,682	1,382,761
Current Liabilities			
Trade and other payables	10	574,728	715,641
Provisions	11	581,207	854,391
Government Subvention	16.1	775,913	659,909
		1,931,848	2,229,941
Total Funds, Reserves and Liabilities		5,186,230	6,023,656

100%

Competition Authority

Statement Of Changes in Funds

For the year ended 31 March 2018

	Accumulated Funds	Total
	BWP	BWP
Balance at 01 April 2016	(910,814)	(910,814)
Total comprehensive income	3,321,768	3,321,768
Balance at 31 March 2017	2,410,954	2,410,954
Balance at 01 April 2017	2,410,954	2,410,954
Total Comprehensive loss for the year	(497,254)	(497,254)
Balance at 31 March 2018	1,913,700	1,913,700

Competition Authority Statement Of Cash Flows

For the year ended 31 March 2018

	Notes	March 2018 BWP	March 2017 BWP
CASH FLOWS FROM OPERATING ACTIVITIES:			
Deficit for the year		(497,254)	3,321,768
Adjustments for:-			
Finance income		(52,599)	(75,912)
Profit on disposal of plant and equipment		19,497	(340,851)
Recognition of capital grant	16	(775,913)	(659,909)
Depreciation of plant and equipment	4	775,913	659,909
Movement in provision for gratuity pay	11.1	(191,074)	(127,104)
Movement in provision for leave pay	11.2	(25,315)	(577,830)
Movement in provision for leave travel	11.3	(56,792)	60,590
Cash generated (utilised) by operations		(803,538)	2,260,661
Decrease/(increase) in trade and other receivables	8	2,359,744	(2,004,257)
Decrease in trade and other payables	10	(140,911)	(474,632)
Net cash flows from operating activities		1,415,295	(218,228)
CASH FLOWS USED IN INVESTING ACTIVITIES:			
Proceeds from disposal of plant and equipment		-	350,777
Purchase of plant and equipment	7	(849,838)	(970,464)
Net cash flows used in investing activities		(849,838)	(619,687)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Interest received		52,599	75,912
Capital grant received	16	849,838	970,464
Net cash flows from financing activities		902,437	1,046,376
NET INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS		1,467,894	208,461
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		458,956	250,494
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		1,926,849	458,956

Notes To The Annual Financial Statements

For the year ended 31 March 2018

Adoption Of New And Revised Standards

Standards, Amendments and Interpretations to existing standards that effected on 1 January 2018 has not been adopted by the Authority.

Below are the new standards, amendments to existing standards and interpretations that have not been adopted by the Authority according to the International Accounting Standard Board (IASB) mandate. The adoption of the new and revised standards will be effected for the year ending 31 March 2019 since the changes are effective for periods beginning on/ after 1 Jan 2018. The scope and the impact on the financial statements on adoption of the above Standards and Interpretations are stipulated below.

Standard/ Amendment/ Interpretation	Scope	Applicable for annual periods beginning on or after:
<p>IFRS 9 Financial Instruments (as revised in 2014)</p>	<p>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. The version of IFRS 9 issued in 2014 superseded IAS 39 Financial Instruments and has been mandatorily effective on 1 January 2018.</p> <p>IFRS 9 sets out requirement for recognition and measurement, impairment derecognition and general hedge accounting. IFRS 9 carries forward the requirements for IAS 39 relating to the recognition and derecognition of financial assets and financial liabilities. All financial instruments are initially measured at fair value plus or minus, in case of a financial asset or financial liability not at fair value through profit and loss, transactions costs.</p> <p>The Authority will adopt the new standard as at 1 April 2018 as IFRS 9 is effective for periods beginning on/ after 1 Jan 2018. Furthermore, the Authority's financial assets and financial liabilities are recognized under the scope of IAS 39 which carries forward to IFRS 9 and as such there will be no impact on the financial statements.</p>	<p>1 January 2018 with earlier application permitted</p>

Notes To The Annual Financial Statements

For the year ended 31 March 2018

Standard/ Amendment/ Interpretation	Scope	Applicable for annual periods beginning on or after:
<p>IFRS 15 Revenue from contracts with customers</p>	<p>The objective of IFRS 15 is to prescribe the accounting treatment for revenue arising from sales of goods and rendering of services to a customer. The new Standard outlines a single comprehensive model of accounting for revenue arising from contracts with customers. Revenue is recognised when a customer obtains control of a goods or services and thus has the ability to direct the use and obtain the benefits from the good or service. The Standard replaced IAS 18 Revenue and related interpretations.</p> <p>The core principle underlying the new model is that the entity recognize revenue in a manner that depicts the transfer of promised goods or services to the customers. The amount recognized should reflect the consideration to which the entity expects to be entitled in exchange for those goods or services.</p> <p>A five steps model was designed to assist with the attainment of the core principle of revenue recognition as follows:</p> <p>Step 1: Identify the contract with the customer Step 2: Identify the performance obligation in the contract Step 3: Determine the transaction price Step 4: Allocate the transaction price to separate performance obligations Step 5: recognize revenue as that entity satisfies a performance obligation.</p> <p>The Authority will adopt the new standard as at 1 April 2018 as IFRS 15 is effective for periods beginning on/ after 1 Jan 2018. The Authority takes cognizance of the fact that the new standard will not have any impact on the financial statements since the Authority rely on Government Subventions that are outside the scope of IFRS 15 but accounted for under IAS 20. Revenue derived from mergers fees have been recognized at a point in time under IAS 18 and will continue to be recognized as such under IFRS 15. Step 5 of the core principles which points to the recognizing of revenue as the entity satisfies a performance obligation, permits the Authority to continue recognizing revenue at a point in time.</p>	<p>1 January 2018</p>

Notes To The Annual Financial Statements

For the year ended 31 March 2018

<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 2018, the Authority has non-cancellable operating lease commitments (note 14). The operating lease is elapsing in September 2018. 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 as at March 2019 and the Commission will adopt the new standard in October 2018 after signing a new lease as early application is permitted.</p>	<p>1 January 2018</p>
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Notes To The Annual Financial Statements

For the year ended 31 March 2018

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, although the new and revised standards have been adopted, there have no impact to the financial statement.

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. Residual values are set at 5% of the initial cost of the motor vehicles since it is envisaged that the amount will be salvaged on disposal.

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, scrapped 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 2018

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.

Exemption Fees

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

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.

Notes To The Annual Financial Statements

For the year ended 31 March 2018

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 Authority's Commission. Transactions directly with Government of Botswana are treated as related party transactions.

Transactions with entities related to Government of Botswana, such as Water Utilities Corporation, Botswana Power Corporation, Botswana Telecommunications Corporation and Botswana Investment and Trade Centre and the Botswana Unified Revenue Services which are autonomous bodies on their own, have 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.

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.

Notes To The Annual Financial Statements

For the year ended 31 March 2018

FINANCIAL INSTRUMENTS (continued)

Loans and receivables

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

Cash and cash equivalents

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

Impairment of Financial Assets

The Competition Authority assesses at each reporting date whether there are indicators that a financial asset or group of financial assets may be impaired such as default of payment by receivable and liquidation of receivable, etc.

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The Competition Authority first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Competition Authority determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. The reversal should not result in a carrying amount that exceeds what the amortised cost would have been had no impairment loss been recognised at the date the impairment is reversed. Any subsequent reversal of an impairment loss is recognised in surplus or deficit. If there is evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Authority will not be able to collect all of the amounts due under the original terms of the invoice, the carrying amount of the receivable is reduced through the use of an allowance account. Loans and receivables are written off, together with the related allowance, when they are assessed as uncollectable.

Financial Liabilities

Initial Recognition

All of the Competition Authority's financial liabilities within the scope of IAS 39 are 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 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.

Notes To The Annual Financial Statements

For the year ended 31 March 2018

Derecognition of Financial Instruments

Financial Assets

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

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

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

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

Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender

on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the surplus or deficit. 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

For the year ended 31 March 2018

	Note	2018	2017
1 GOVERNMENT SUBVENTION			
Revenue/subvention received from the Government of the Republic of Botswana		25,902,422	27,550,486
Capital grants received from the Government of the Republic of Botswana	16	849,838	970,464
Total Government subvention received		26,752,260	28,520,950
Amount recognised as income includes amortisation of grants previously received to fund capital expenditure as shown below:			
Government subvention	1	25,902,422	27,550,486
Amortisation of subvention relating to capital assets	16	775,913	659,909
Total grants revenue		26,678,335	28,210,395
There were no unfulfilled conditions or contingencies attached to these income and capital grants.			
Other Income			
Sale of tender documents		7,625	2,380
Loss on scrapped plant and equipment		(19,497)	340,851
Sundry income		-	64,053
		(11,872)	407,284
2 STAFF COSTS			
Salaries and wages		11,016,159	12,025,302
Allowances and benefits		2,205,881	2,429,539
Pension fund contributions		1,190,897	1,314,938
Medical aid and uniforms		619,695	765,977
Contract gratuity, severance and leave pay		1,460,091	1,251,889
		16,492,723	17,787,645
3 CONSULTANCY COSTS			
Human resources consultancies and networking		1,441,547	1,228,652
		-	
		1,441,547	1,228,652

Notes To The Annual Financial Statements

For the year ended 31 March 2018

	Note	2018	2017
4 ADMINISTRATION EXPENSES			
Advertising		754,089	424,790
Provision for Bad Debts		65,238	25,882
Commissioner's sitting allowances		296,400	129,990
Commissioner' training and related expenses		231,463	429,184
External audit fees		181,756	111,661
Internal audit fees		392,905	58,305
Forensic audit fees		145,354	-
Bank charges		15,627	10,762
Depreciation		775,913	659,909
Insurance		310,322	316,903
Cleaning expenses		113,572	116,560
Printing and stationery		406,179	961,329
Merger related costs		42,980	166,731
Adjudication sitting allowances & expenses		713,968	712,836
Information technology and related services costs		476,398	469,700
Workshop and seminars		473,720	457,599
Staff welfare and social activities		696,446	623,710
Staff Training		532,641	-
Utilities		868,569	1,010,621
Vehicle Expenses		88,527	60,559
Legal expenses		398,319	119,755
Recruitment expenses		302,863	118,641
Repairs and maintainance		99,188	207,519
Security services		135,738	135,288
Subscriptions to professional bodies		35,055	41,254
Office refreshments and utensils		53,806	86,092
Travel and accommodation		119,993	66,991
		8,727,028	7,522,570
5 OPERATING LEASE EXPENSES			
Office and household rental		2,062,030	2,128,663

Notes To The Annual Financial Statements

For the year ended 31 March 2018

6 INTEREST REVENUE

Interest income from bank deposits

2018 BWP	2017 BWP
52,599	75,912

7 PLANT AND EQUIPMENT

2018 COST

	Furniture & Fittings BWP	Motor Vehicles BWP	Computer Equipment BWP	Total BWP
At 31 March 2017	3,099,675	1,365,967	4,041,399	8,507,041
Additions for the period	40,880	710,360	98,598	849,838
Scrapped	(57,342)	-	-	(57,342)
At 31 March 2018	3,083,213	2,076,327	4,139,997	9,299,537

ACCUMULATED DEPRECIATION

At 31 March 2017	1,687,942	1,187,240	3,179,790	6,054,972
Depreciation	345,319	140,209	290,385	775,913
Scrapped	(37,845)	-	-	(37,845)
At 31 March 2018	1,995,416	1,327,449	3,470,175	6,793,040

CARRYING AMOUNT

At 31 March 2018	1,087,797	748,878	669,822	2,506,497
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2017 COST

	Furniture & Fittings BWP	Motor Vehicles BWP	Computer Equipment BWP	Total BWP
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

Notes To The Annual Financial Statements

For the year ended 31 March 2018

7 PLANT AND EQUIPMENT (CONTINUED)

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	1,411,733	178,727	861,609	2,452,069
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8 RECEIVABLES AND PREPAYMENTS

	2018 BWP	2017 BWP
Staff receivables	153,332	465,975
Receivables and prepayments	664,790	2,672,535
Provision for bad debts	(65,238)	(25,882)
	752,884	3,112,628

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

Staff advances are receivable over six months for advances and twenty four months for training advance and do not attract any interest.

Notes To The Annual Financial Statements

For the year ended 31 March 2018

100%

	March	March
	2018	2017
	BWP	BWP
9 CASH AND CASH EQUIVALENTS		
Call	1,842,609	356,281
Current	79,239	97,675
Cash on hand	5,001	5,000
	1,926,849	458,956

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

10 TRADE AND OTHER PAYABLES		
Accruals	205,226	132,811
Audit Fees	107,494	110,000
Merger Fees Refunds	11,529	-
Staff Related Payables	55,973	-
Operating lease liability	194,504	472,830
	574,728	715,641

Accruals are non-interest bearing and have an average term of three months. Accruals were booked in for the services rendered like the provision for Accpacc support that was paid after year end. Staff related payables are the obligations that were not met at year end, the main expenditure is the pension accrual that emanated from the salary adjustments made in March 2018 for the ended financial year. 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

For the year ended 31 March 2018

	March	March
	2018	2017
	BWP	BWP
11 PROVISIONS		
11.1 Gratuity		
Opening balance	424,705	551,809
Provision raised during the period	774,421	684,580
Provision used during the period	(965,497)	(811,684)
Closing balance	<u>233,629</u>	<u>424,705</u>
11.2 Leave - Annual		
Opening balance	347,686	925,516
Provision raised during the period	286,732	567,309
Provision used during the period	(312,048)	(1,114,139)
Closing balance	<u>377,370</u>	<u>347,686</u>
11.3 Leave - Travel		
Opening balance	82,000	21,410
Provision raised during the period	29,208	63,590
Provision used during the period	(86,000)	(3,000)
Closing balance	<u>25,208</u>	<u>82,000</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

For the year ended 31 March 2018

12 FINANCIAL INSTRUMENTS

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

		Loans and Receivables	Financial liabilities at amortised cost	Total carrying amount
		BWP	BWP	BWP
2018				
	8	341,453	-	341,453
	9	1,926,849	-	1,926,849
	10	-	(107,494)	(107,494)
		2,268,302	(107,494)	2,160,809
2017				
	8	465,975	-	465,975
	9	458,956	-	458,956
	10	-	(110,000)	(110,000)
		924,931	(110,000)	814,931

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 and staff advances. 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 cash and cash equivalents, as shown in the Statement of Financial Position. Credit risk on staff debtors is managed through recoveries from terminal benefits in accordance with the contractual terms and conditions of employment.

Notes To The Annual Financial Statements

For the year ended 31 March 2018

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.

2018	Increase / decrease in basis points	Effect on Surplus or deficit and equity
Pula	+100	18,426
Pula	-100	(18,426)
2017		
Pula	+100	3,563
Pula	-100	(3,563)

Notes To The Annual Financial Statements

For the year ended 31 March 2018

12 FINANCIAL INSTRUMENTS (continued)

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 2018 based on contractual undiscounted payments:

	2018					Total BWP
	Less than 1 month BWP	1 to 3 months BWP	3 to 12 months BWP	1 to 5 years BWP	> 5 years BWP	
Trade and other payables	-	107,494	-	-	-	107,494
	-	107,494	-	-	-	107,494

	2017					Total BWP
	Less than 1 month BWP	1 to 3 months BWP	3 to 12 months BWP	1 to 5 years BWP	> 5 years BWP	
Trade and other payables	-	110,000	-	-	-	110,000
	-	110,000	-	-	-	110,000

Fair Values

.Due to the short-term nature of all financial assets and financial 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 new government owned institution, the Competition Authority is supported by the Government of the Republic of Botswana, which currently provides the necessary support to sustain the operations of the Competition Authority.

Notes To The Annual Financial Statements

For the year ended 31 March 2018

	March	March
	2018	2017
	BWP	BWP

13 RELATED PARTY TRANSACTIONS

The Competition Authority was set up by the Competition Act (CAP 46:09) and is, therefore, related to the Government of Botswana. Transactions with related parties are in the normal course of business. The following transactions were carried out with related parties:

Relationships

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

Subvention Received

Government of the Republic of Botswana	26,752,260	28,520,950
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Compensation Paid to Key Management Personnel of the Authority

Basic salaries and allowances	3,728,545	3,738,393
Gratuity	774,421	684,580
Rental for CEO's official residence	-	25,778
Total Employee Benefits	4,502,966	4,448,751

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.

Trading Transactions

Purchases from related parties	1,233,679	2,584,190
	1,233,679	2,584,190

Notes To The Annual Financial Statements

For the year ended 31 March 2018

13 RELATED PARTY TRANSACTIONS (continued)

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 Telecommunications Corporation and Botswana Investment and Trade Centre. There have been no guarantees provided or received for any related party receivables or payables. For the period ended 31 March 2018, the Competition Authority has not recorded any impairment of receivables relating to amounts owed by related parties (2017: Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Competition Commissioners' Fees

Competition Commissioners' fees for the year amounted to BWP 296 400 (2017: BWP 129 990)

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).

15 COMMITMENTS AND CONTINGENCIES

15.1 Operating Lease Commitments

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

Operating lease commitments where the Authority is the lessee

The Competition Authority rented office premises and a residential plot under operating leases. For office rental, the lease commenced on 1st October 2013 and shall continue for a period of 5 years. Termination will require three months notice, however, the lease is left with 6 months before the expiry.

Notes To The Annual Financial Statements

For the year ended 31 March 2018

	March 2018 BWP	March 2017 BWP
15 COMMITMENTS AND CONTINGENCIES (continued)		
15.1 Operating Lease Commitments		
The future minimum rent payments under cancellable lease are as follows:		
Within one year	1,217,546	2,324,405
After one year, but not more than five years	-	1,217,546
More than five years	-	(1,715,632)
	1,217,546	1,826,319
15.2 Capital Commitments		
As at 31 March 2018, 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 DEFERRED CAPITAL GRANT		
Opening balance	2,042,670	1,732,115
Received during the year	849,838	970,464
Amortisation of government grants	(775,913)	(659,909)
Closing balance	2,116,595	2,042,670
16.1 DEFERRED CAPITAL GRANT		
Current	775,913	659,909
Non-Current	1,340,682	1,382,761
	2,116,595	2,042,670

The Competition Authority is funded through Government Subvention or Grant. As at the reporting date, there were no unfulfilled conditions or contingencies relating to the grant that had not been fulfilled. The abovementioned grant is a grant related to assets.

Notes To The Annual Financial Statements

For the year ended 31 March 2018

	March 2018 BWP	March 2017 BWP
17 OTHER INCOME		
17.1 Merger Fees	1,426,511	3,220,707
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	7,625	2,380
Bidders are required to pay for the tender documents upon collection.		
17.3 Exemption Fees	-	-
Regulation 6(2) stipulates that an application for an exemption shall be accompanied by an application fee of 0.01 per cent of the applicant's latest turnover.		
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.		



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