ANNUAL REPORT

2015/16

telecom
namibia


telecom

MISION

To anticipate and understand the telecommunication/ information needs and wants of our customers. We will address these needs and wants through the development of solutions, sales and support of quality electronic voice-, data-, image-, and text services at competitive rates.

OUR VALUE SYSTEM

VISION

To be Namibia's most preferred, high performance information communication technology service provider of world class standards.

Mutual Respect

acknowledges and celebrates the knowledge and achievements of others and sensitive to other people's rights, customs and wishes.

Empowerment

Proactively provides support and helps employees understand the company's vision and strategic plan.

Teamwork

A team player that sacrifices personal needs to help the team as a collective success.

Commitment

A passionate determination for achieving goals.

Accountability

Takes every task assigned to them personally and ensures its completion.

Care

Sensitive to the needs and happiness of others.

Integrity

Described as trustworthy by others and known for being reliable.

Telecom Namibia is Namibia's only integrated ICT service provider and the leading broadband and backbone infrastructure services provider in the country. Telecom Namibia provides a diverse range of services including fixed, mobile, data, internet and digital solutions.

Telecom Namibia is the pioneer communications provider to the Nation. We have over 24 years of expertise in sharing the world of communication with all Namibians – from basic connectivity to the varied applications that differentiate the communications sphere today.

Our customers over the years have sought an ever evolving portfolio of services that went from simple voice transmission, to data and video transmission... from 'location tied' fixed line to 'access from anywhere' mobile... from simple communication needs to complex broadband applications.

One of the key strategic objectives of Telecom Namibia is to drive broadband-based consumer and enterprise services by expanding the broadband footprint via 'Next Generation Network' and 'National Backbone Network' and Next generation access of WiMAX, ADSL2+, VDSL2, Optical fibre, Carrier-grade Wi-Fi and both fixed and mobile 3G/4G LTE technologies.

Telecom Namibia aims to be a key regional player through its Global Services through multiple international points of presence (PoPs) and through major investments in international submarine cable systems such as WACS and SAT3.

Telecom Namibia truly straddles the timeline between today and tomorrow – we are busy creating a telco fit for the future, fulfilling the evolving dreams and aspirations of all Namibians.

Play along the ICT value Chain (BB and IP in foucus)

Intergrated fixed and mobile service offering- with a strong mobile offering

Tier 2 Carrier-Regional player and carrier of carriers

Lean Telco based on an all IP and converged network

Quality network and customer service (customer and centric service driven)

STRATEGIC INITIATIVES

OPERATIONAL EFFICIENCY

NETWORK QUALITY

CUSTOMER SERVICE

PRODUCTIVITY

PROFITABILITY

PARTNERSHIPS


TN MOBILE STANDS FOR CARING
FOR YOU AND YOUR WORLD.

TABLE OF CONTENTS

COMPARATIVE GROWTH/ DECLINE

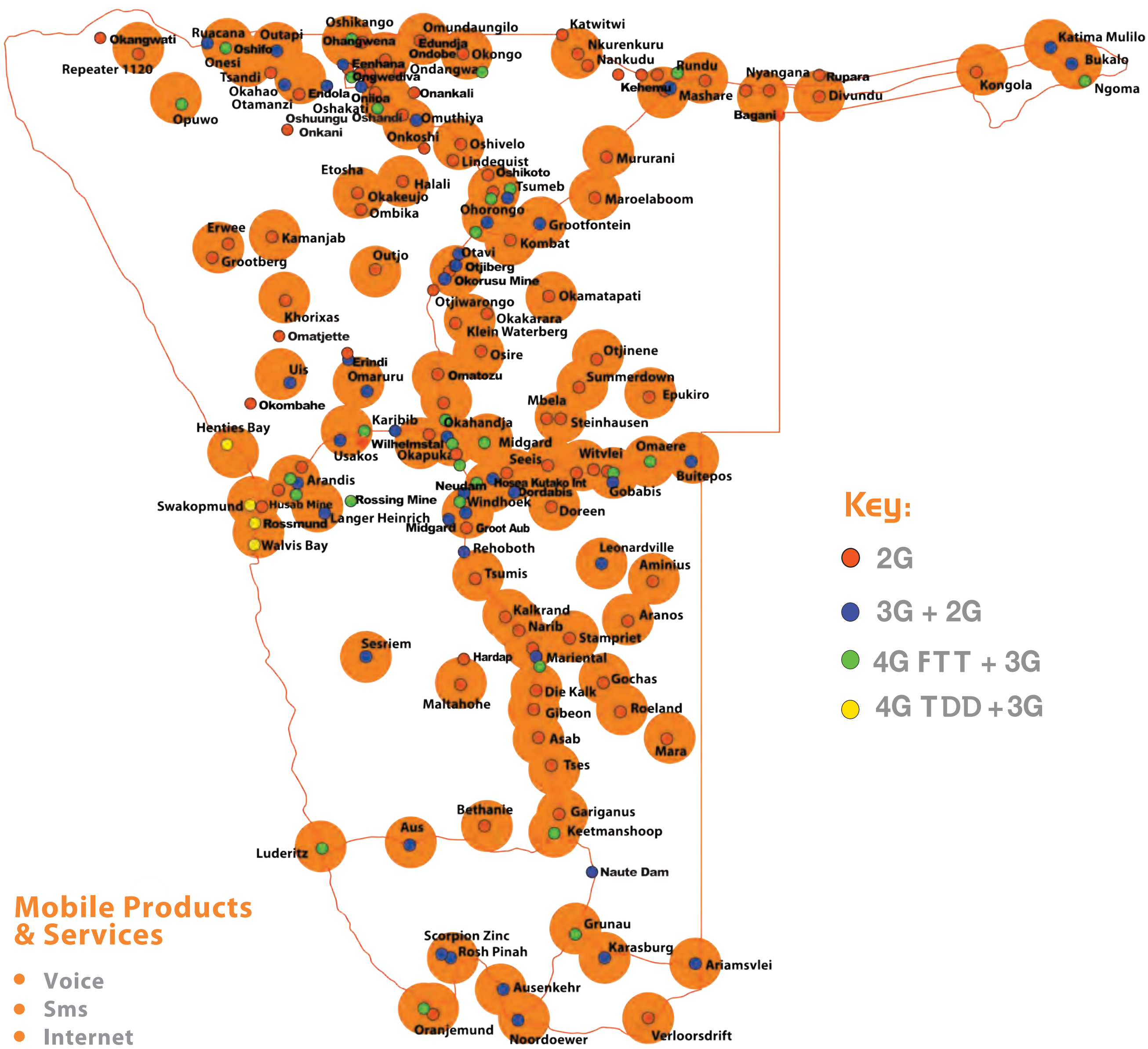
Technical	2011/12	2012/13	2013/14	2014/15	2015/16
Port Capacity (Network Switch Capacity)	222,344	215,150	213,953	158,786	_
Precentage Digital	100%	100%	100%	100%	100%
Fixed Broadband Subscribers	_	31,764	39,713	47,249	54,013
Mobile Subscribers	_	_	_	100,429	159,913
Direct Exchange Lines (DEL's)	168,482	180,110	190,665	198,800	200,502

COMPARATIVE GROWTH/ DECLINE

Financials	Restated 2011/12	Restated 2012/13	Restated 2013/14	Restated 2014/15	2015/16
	N$'000	N$'000	N$'000	N$'000	N$'000
Revenue	1,222,976	1,309,513	1,352,636	1,419,762	1,517,558
Operating profit/Loss	121,060	(85,478)	(601,808)	(70,337)	(18,347)
Total Comprehensive (Loss)/ Income for the year	60,826	(120,894)	(555,645)	(83,928)	(41,240)
Tangible & Intangible Assets	1,638,543	1,802,215	1,911.029	1,749,947	1,628,044
Long-term borrowings	486,088	457,000	159,000	147,652	125,682
Equity	1,252,466	1,131,572	575,927	891,999	850,759
Capital Expenditure	235,116	445,356	330,873	164,021	146,153

CONNECTING AFRICA'S DREAM.

As a national telecommunications operator, Telecom Namibia's strategy is in line with the Government's policy for better connectivity with our neighbouring countries. By connecting our country to Angola, Botswana, South Africa and Zambia, Telecom Namibia is realising the dream of a proud, integrated and prosperous Africa nurtured by the Founding Fathers. For the African dream to blossom to its fullest, telecommunications is the economic engine of growth in the current Information Age. Telecom Namibia is making that dream a reality.

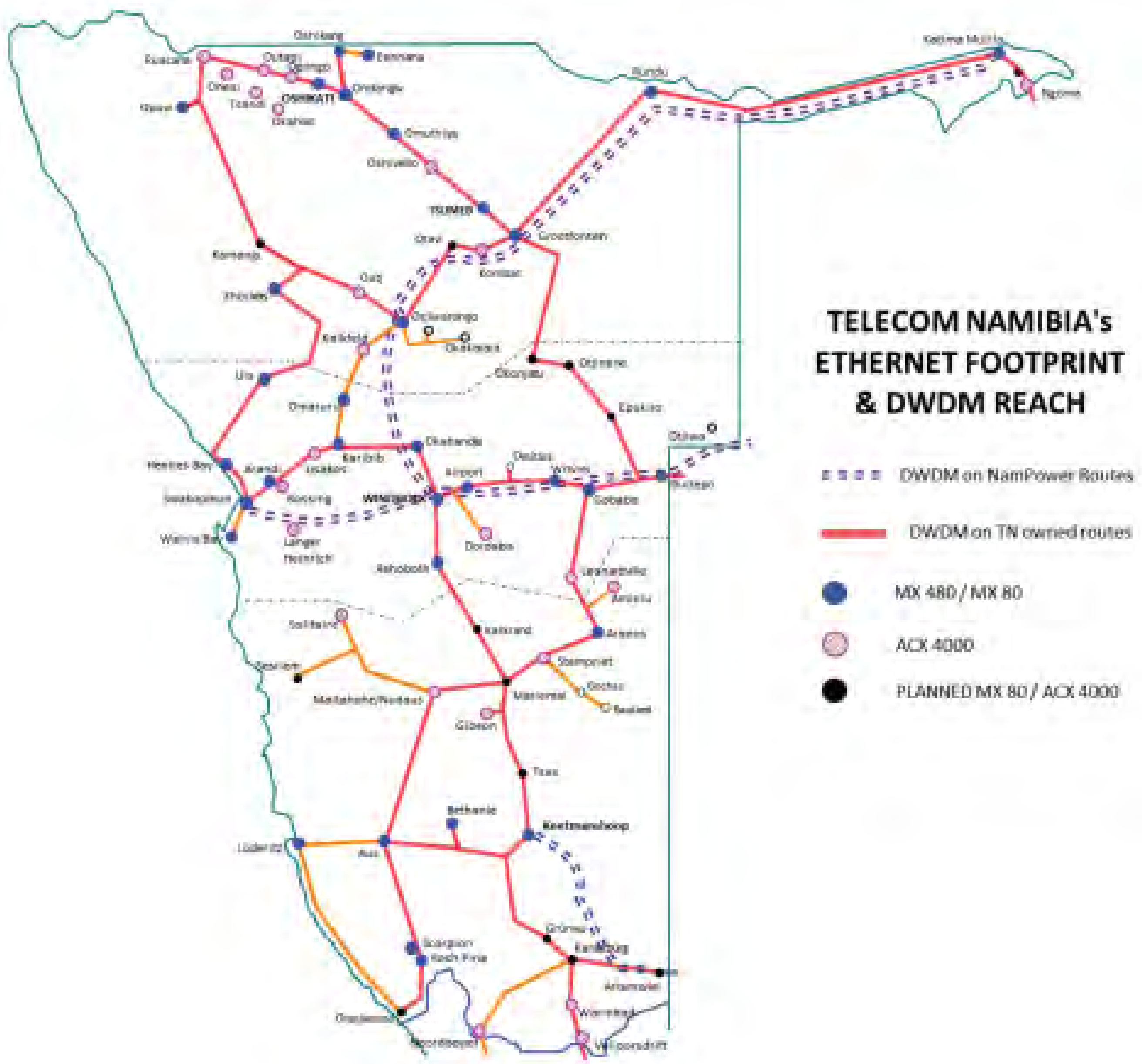


Key:

- 2G
- 3G + 2G
- 4G FTT + 3G
- 4G TDD + 3G

Mobile Products & Services

- Voice
- Sms
- Internet
- Telemetry


TELECOM NAMIBIA's ETHERNET FOOTPRINT & DWDM REACH
DWDM on NamPower Routes
DWDM on TN owned routes
MX 480 / MX 80
ACX 4000
PLANNED MX 80 / ACX 4000
Ruacana
Opuwo
Eenhana
OSHAKATI
Omuthiya
TSUMEB
Grootfontein
Otavi
Rundu
Katima Mulilo
Ngoma
Khorixas
Otjiwarongo
Kalkfeld
Okakarara
Otjinene
Epukiro
Uis
Omaruru
Okahandja
Karibib
Henties Bay
Arandis
Swakopmund
Walvis Bay
Langer Heinrich
Airport
Gobabis
Dordabis
Rehoboth
Leonardville
Aranos
Kalkrand
Stampriet
Gochas
Mariental
Gibeon
Solitaire
Tses
Bethanie
Keetmanshoop
Lüderitz
Aus
Skorpion
Rosh Pina
Oranjemund
Karasburg
Ariamsvlei
Warmbad


WE BELIEVE THAT
BROADBAND INTERNET
WILL BE THE BASIS FOR
DIGITAL INVENTION
AND INNOVATION.

RETAIL

Voice Services
Basic Telephony
ISDN
My Number
Best Friends Forever (BFF)
Talk International (Residential)
Talk International (SOHO and SE)
FlexiFixed Prepaid Service
Flexicall cards & Vouchers
Value Added Services (VAS)
TeleMail
Three Party Call
Call Waiting
Call Forwarding (immediate)
Call Forwarding on No Reply
Call Forwarding on Busy
Abbreviated Dialing
Outgoing Call Barring (Customer controlled)
Outgoing Call Barring (Fixed)
Incoming Call Barring
Total Call Barring
Detailed Billing
Call Screening List (Fixed)
Call Screening List (customer controlled)
Caller ID
Caller ID Restriction
Hotline
Reminder Service
Fixed Mobile Convergence Services (FMC)
tn1 Maxi
tn1 MaxiPlus
IP Services
Speedlink
Speedlink lite and Speedlink liteplus
VSAT
Wi-Space Hotspots
Radio Streaming
IT Services
iWeb
iDomain
iSite
iLink
iMail
Fax2Email
Email2Fax
iBiz
Video Conference
Infrastructure & Others
Telephone handsets & PABX systems
Directory services
Mobile Services
Mobile Voice
Mobile Data
Roaming

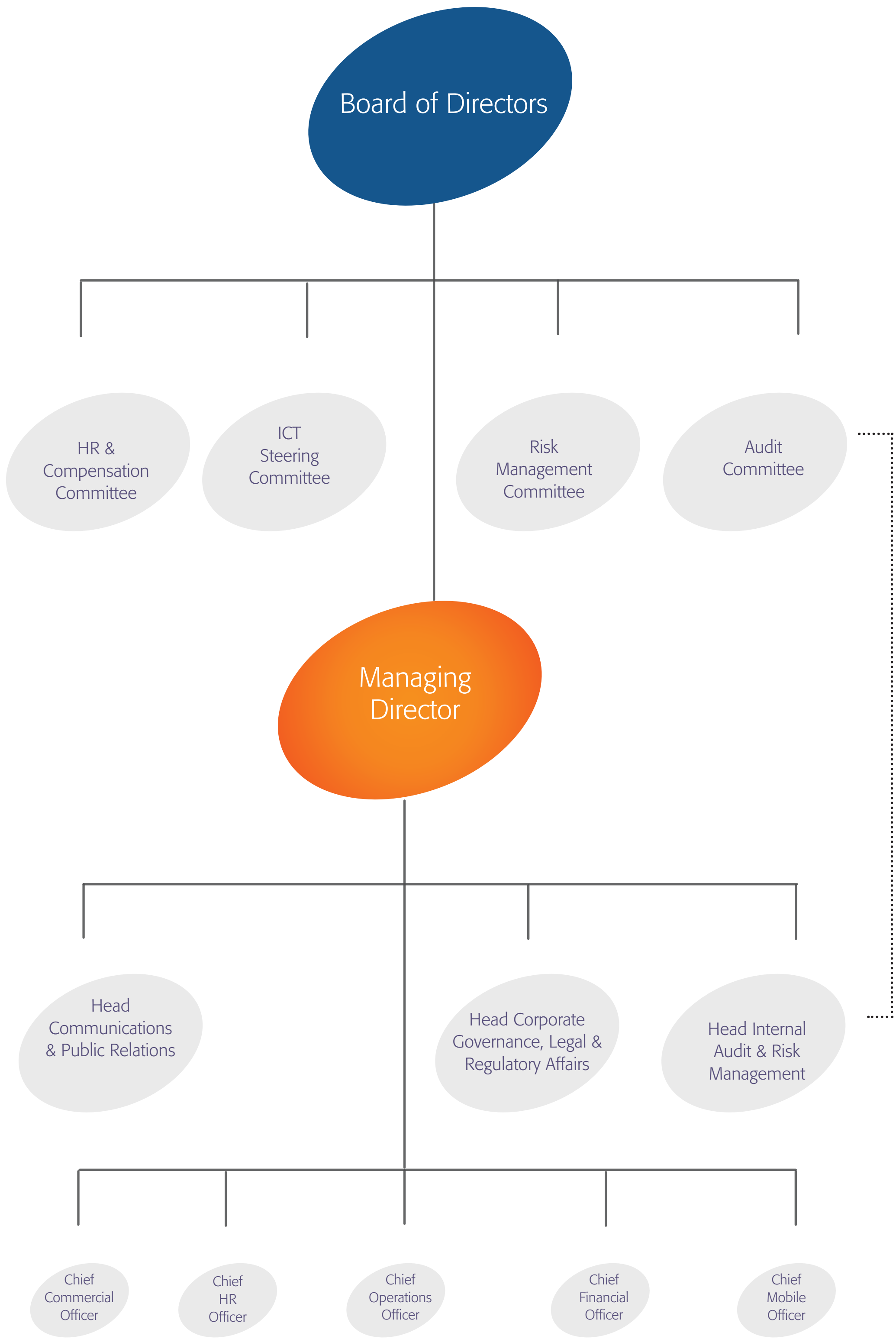
CORPORATE

Voice Services
Least Cost Routing
ISDN
Toll-Free Services
Basic Telephony
Data Services
Local Data Link
National Data Link
Carrier Ethernet: • City, • Regional • National
IP Services
Radio Streaming
MPLS VPN: International
MPLS VPN: City
MPLS VPN: National
MPLS VPN: Regional
Internet Access
VSAT
Wi-Space Hotspots
Speedlink
Speedlink lite and Speedlink liteplus
IT Services
Video Conferencing
iBiz
iDomain
iMail
iSite
iWeb
Fax2Email
Email2Fax
SmartHosting
nfrastructure & Others
Structured Cabling
Co - Location
Telephone handsets & PABX systems
Site sharing
Directory Services
Marine Services
Fixed Mobile Convergence Services
tn1 MaxiPro
Mobile Services
Mobile Voice
Mobile Data
Roaming

WHOLESALE/INTERNATIONAL

Voice Services
ISDN
Toll-Free Services
Inmarsat
Operators/Interconnect
Data Services
International Express Routes
National Express Routes
Data lines
Ethernet Express: National
Ethernet Express: International
Broadcasting Services
IP Services
MPLS VPN: International
MPLS Express: International
MPLS Express: National
Speedlink
Speedlink lite and Speedlink liteplus
MPLS VPN: City
MPLS VPN: Regional
MPLS VPN: National
VSAT
Internet Access
Mobile Services
Mobile Voice
Mobile Data
Roaming

CONNECT THE FUTURE THROUGH SUSTAINABLE GROWTH


Board of Directors
HR & Compensation Committee
ICT Steering Committee
Risk Management Committee
Audit Committee
Managing Director
Head Communications & Public Relations
Head Corporate Governance, Legal & Regulatory Affairs
Head Internal Audit & Risk Management
Chief Commercial Officer
Chief HR Officer
Chief Operations Officer
Chief Financial Officer
Chief Mobile Officer

BOARD OF DIRECTORS

Damoline Muruko
Independent Non- Executive Director

Johny M. Smith
Independent Non- Executive Chairperson

Irene Simeon-Kurtz
Independent Non- Executive Vice-Chairperson


teleshop
services

It is with pleasure that I present to you the Telecom Namibia Annual Report for the financial year ended 30th September 2016. Firstly, I would like to acknowledge the contribution and leadership of the former Chairperson Dr Catherine Beukes-Amiss, who presided over the entire financial year under review. Since the new board have just been appointed in October 2016 – I and my fellow directors are committed to taking the execution of the Telecom Namibia's strategy to even greater heights in the next three years.

Economy and Operating Environment

From a macro perspective, the financial year has been challenging for both business and technical operations characterised by stiff competition and a massive service backlog, coupled with a changing regulatory landscape. On the economic front, the Company was confronted with demanding operating environments, where volatility and uncertainty were recurring themes.

The economic environment during the past financial year proved most challenging. The global economic outlook remained uncertain, dominated by many factors including the outcome of the British referendum and concerns about the Chinese economy, with their impact on global growth, commodity prices and currencies.

The domestic economy likewise faced headwinds. The real GDP for the first quarter of 2016 recorded slow growth of 3.5 percent, compared to 6.8 percent registered in the corresponding quarter of 2015. Although the weakness was spread across most sectors, it remained most severe in the agricultural, mining and construction sectors, which are water intensive amidst the drought conditions in Namibia.

The outlook for consumer spending remains weak as consumers face rising inflation. The drought has pushed inflation beyond the upper limit of the target band.

Consequently, food, energy and housing inflation have accelerated well into double-digit territory and are combining with the escalation of electricity and water tariffs to push inflation higher. Of further concern is the volatility in the exchange rate against the US$.

In times of financial volatility, Telecom Namibia's core strength has come to the fore in the form of disciplined management of capital expenditure and working capital as well as strategic cost containment measures. The Company's regional and international business has cushioned the adverse impact of market volatility.

This, coupled with our innovative efforts, will continue to help the Company to manoeuvre challenging market conditions and capitalise on future value creation opportunities.

Policy and Regulatory Front

On the policy and regulatory front, significant developments were recorded during 2015/16. The developments continue to shape and develop fair competition amongst the operators in the telecommunication industry, including Telecom Namibia. The market now has 15 licensed operators, with only one entrant since 2014/15. Some significant developments during the period are:

A Policy on infrastructure Sharing was passed by CRAN during 2016 which will effectively promote, regulate and encourage the sharing of available infrastructure between Operators.

CRAN is mulling Number Portability which is anticipated to be introduced during 2017.

- On the Operators sphere, Demshi Investment Holdings (Pty) Ltd was awarded with a ECS and ECNS licence, and Mobile Telephone Network Business Solutions (Namibia) (Pty) Ltd t/a MTN Business successfully applied for number ranges to participate more meaningfully in the telecommunication sector.

> "As the new Chair of the Board, I look forward to being part of the exciting journey that lies ahead of Telecom Namibia. I will help drive this Company further, supported by key principles of sound corporate governance, customer centricity, transparency, sustainable growth and operational efficiency.

There have been substantial growth in the telecommunications sector of the country, and fair competition is being encouraged through CRAN. We look forward to see more actions to protect competition and innovation in this critical sector by putting in check any unfair conduct by the players in the mobile market.

In this regard we would welcome number portability in the mobile market and encourage the principle of globalisation to be considered in the telecommunications sector which we consider necessary for the telecommunications sector to grow.

2016 Key Strategic Achievements

Turnover for the financial year amounted to N$1,518 billion. This translates to a 0.7 percent performance below the planned revenue of N$1,535 billion and 6.1 % or N$97,8 million growth compared to 2015.

Notwithstanding the weak financial performance, Telecom Namibia has made good progress in achieving its strategic and operational objectives, guided by the Five-Year Business Plan, now in its fourth year. EBITDA is budgeted to improve significantly from the forecasted N$266 million in 2016 to N$325 million in 2017.

This will help us weather the current challenges and prepare the Company for an upturn in the business cycle. Also notable is the fact that Telecom Namibia has made good progress in implementing our strategic objectives of reducing operational inefficiencies, improving customer service and network quality.

As the new Chair of the Board, I look forward to being part of the exciting journey that lies ahead of Telecom Namibia. I will help drive this Company further, supported by key principles of sound corporate governance, customer centricity, transparency, sustainable growth and operational efficiency.

Our Strategy

With a changing business landscape, there are opportunities for us to take the Company to new heights. Telecom Namibia will continue to drive operational efficiencies, invest in customer service and network quality while maintaining capital discipline to ensure long-term sustainability.

Uncertain market conditions, increasing sustainability awareness, technological changes and the rising demand for high-speed broadband services are key trends that will impact how we operate in future. Against this background, the Company has re-fined and re-focused its strategies to focus on Fixed Broadband, IP and Data.

With a growing pipeline of opportunities in the Data space, the Board believes the Telecom Namibia is well-positioned to innovate superior products and services and achieve progress over the medium-to-long term.

Our People

Our plans cannot be implemented successfully without the right leadership and talent in our businesses. We will continue with initiatives to nurture talent and build competencies in critical disciplines of our operations. Leadership training has been scheduled with Emergence Learning Academy for the executive team and senior managers to inculcate a value driven culture.

Some of these initiatives will help ensure we have the right mind-set in place to drive the transformation agenda forward, while helping potential employees evolve to take on new and greater challenges. We remain uncompromising on ensuring a safe, healthy work environment and fostering solid employee relations.

Supporting health and wellbeing – physical, mental and social – is a key component of our people management strategy. We actively promote employee wellness through a series of activities, such as health screenings and professional counselling services. We also encourage employees to take control of their own health.

Corporate Governance

Telecom Namibia's commitment to strengthening its corporate governance remains key in providing the framework within which the Company can implement its strategy and create further value for our stakeholders.

We will continue to enhance our governance towards a greater emphasis on raising the standards of good practice in relation to Board leadership and effectiveness, in line with the Corporate Governance Code of Namibia, known as NamCode.

As a newly appointed Board of Directors, our key focus is to achieve a high-performing Board by improving its diversity to reflect the varied nature of the Company's operations and to continuously strive, with the Shareholder, towards enhancing its composition in line with the evolving circumstances and needs of the Company. The recent appointments of three new board members are part of these on-going efforts.

Risk Management

The Board places great importance on identifying and dealing with wide-ranging risk potentials as this is crucial in safeguarding and enhancing shareholder value. The Telecom Namibia's Risk Management Framework and Internal Control System, that is further described in the chapter on Risk Management, specifically addresses some of Telecom Namibia's most significant risk areas, namely cash flow, customer service, productivity, profitability, currency fluctuations and network quality.

Our appetite for risk in these areas is a key consideration in our decision making, as defined risk appetite parameters guide the Company's risk tolerance when pursuing its strategic objectives.

Moving Ahead

Telecom Namibia has withstood a challenging FY2015/16 and we expect a similarly demanding environment in the year ahead. Bearish economic climate coupled with cuts in Government spending, rising interest rates and unfavourable exchange rates will be some of the headwinds the Company expects to face.

Fiscal tightening in the domestic market will certainly impact a customer's ability to obtain financing while the higher cost of living will reduce affordability, thus resulting in reduced customer demand. Board and Management have taken steps to protect and improve the Company's position by executing key measures, supported by financial prudence and discipline. At the same time, we will draw on our renewed focus on sustainability and innovation to steer us through these volatile and uncertain times.

In line with strategic objectives, the Group aims to achieve an EBITDA margin of 30% plus by 2020. The focus for the 2016-2017 financial years will be on the strategic objectives of a 'Lean Telco' and 'Quality Network and Customer Service' which will be achieved by aggressively reducing operational inefficiencies, improving customer service and reducing network downtime. The key areas of 'Broadband', 'Mobile voice, data and FMC' and 'IP and Data' have been identified as focus areas to achieve business growth and the targeted EBITDA margins by 2020.

Appreciation

On behalf of my fellow Directors, I would like to take this opportunity to accord our sincere thanks and appreciation to the former Chairperson of the Board, Dr Catherine Beukes–Amiss and board members Ms Feitjie Veldskoen and Mr Immanuel Awene for their contribution during their tenure on the Board.

My sincere thanks go to our customers, shareholder, regulators and business partners for their ongoing support of Telecom Namibia.

My heartfelt gratitude to the Management Team and staff for their dedication to the Company, particularly during this challenging period.

Telecom Namibia is certainly positioned to achieve many more milestones and we look forward to our journey ahead

Johny M. Smith
Chairperson

EXECUTIVE MANAGEMENT

Theodorus G. Klein
Managing Director (Acting)

Laban Hiwilepo
Chief Operating Officer

Dr Ben van der Merwe
Head: Internal Audit & Risk Management

Oiva Angula
Head: Corporate Communications & Public Relations

Holger Sircoulomb
Chief HR Officer

Armando Perny
Chief Mobile Officer

Jinah Buys
Head: Corporate Governance, Legal Services & Regulatory Affairs

Robert Offner
Chief Financial Officer

Calvin Muniswaswa
Chief Commercial Officer

MANAGING DIRECTOR'S REPORT

The 2015/2016 year was characterised by exceptional growth in the fixed line business, while the mobile business showed strong growth in the data space with the total revenue turnover of the business crossing the N$ 1.5 billion mark for the first time.

The down turn of the national economic climate and weakening exchange rate remained major challenge and risk to the business of Telecom Namibia. This was mitigated by a strong growth in US$ based regional and international business and firm cost control measures.

The financial year under review was also characterised by the theme "Setting the Scene" subscribing to the three corporate strategic pillars of:

- Operational efficiency
- Network quality
- Customer experience

Several initiatives were pursued in order to ensure a good start to the 2016/17 financial year, some of which included the deployment of a wireless access platform (TD/LTE) to support self-install capability with the objective to deplete the service order backlog and improve customer experience.

Operational efficiency was taken to a new level with the implementation of and operationalisation of various network tools, like a line verification tool and a work order management system, amongst others.

The biggest asset of the organisation remain its human capital and proper attention was given to performance management, the alignment of key performance indicators and extensive leadership training, fully supporting the drive towards operational efficiency and productivity.

Network quality was improved by the operationalisation of and roll-out of various network monitoring tools. Various upgrades in the service and control plane of the network were initiated to further improve the network quality of service and enhance customer experience.

Telecom Namibia remains in a unique position to offer converged products and services with seamless connectivity on an integrated platform with both fixed and mobile infrastructure and assets.

From a customer experience perspective, simply the best mobile internet access services in the market. Our upstream utilisation, supporting our national broadband offerings, continues to support an increase usage of the West African cable System (WACS) and our SAT-3 undersea cable capacity. The objective remains to reduce the unit cost of international connectivity and exploiting the regional opportunities.

The strategic risks of theft and vandalism on Telecom Namibia's fixed infrastructure is significantly less, while the ongoing weakening of the exchange rate and tightening influence on the economy by global trends remains eminent.

I am delighted to welcome Mr Johny M. Smith as the new Board Chair with effect from 1 October 2016. We look forward to working closely

with him through the next phase of our organisation's development. In the same vein, I welcome Ms Irene Simeon-Kurtz and Ms Damoline Muruko who have been appointed to the Board as Vice-Chair and Board member, respectively. I look forward to working with them for the good of Telecom Namibia, our customers, shareholder and all stakeholders.

I wish to thank Dr Catherine Amiss-Beukes who stepped down as Board Chair with effect from 30 September 2016 for her invaluable contribution. I also express my gratitude to the other outgoing Board members Mr Immanuel Awene and Ms Feitjie Veldskoen for their commitment and dedication to Telecom Namibia over the years.

"Telecom Namibia remains in a unique position to offer converged products and services with seamless connectivity on an integrated platform with both fixed and mobile infrastructure and assets.

Future outlook will remain focused on the development and positioning of the Telecom Namibia network on an all-IP network with consolidated access technologies and an information management system (IMS) core. The continued roll-out of fibre in the local loop and driving fibre to the kerb to its full potential, offering very-high-bit-rate digital subscriber line (VDSL) and Gigabit Passive Optical Networks (GPON) based services, while the demand for broadband services are growing beyond expectation.

Telecom Namibia's scope and influence, and our capacity to deliver good customer experience across the country, will remain as our Company prepares for a very different future of increased productivity and sustainability.

I thank all Telecom Namibia people for the vital part they have played through all the vicissitudes and drama of another challenging year for your Company, for the telecommunications industry and for Namibia.

Theodorus G. Klein
Managing Director (Acting)

2016 marked the 3rd year of the turnaround strategy of bringing the Company and Group back to profitability with key financial focus on top line growth, cutting back on operational expenditure, focusing capital expenditure on projects with bankable returns and improving the overall cash flow.

Despite declines in fixed voice revenues, in line with international fixed telecommunications trends, the Company managed to grow revenue with N$98 million to N$1,517 billion driven primarily by broadband and data usage.

This trend is expected to continue. Cost structures remained generally flat as an ongoing exercise to curb and remove unnecessary expenditure, focus being given on expenditure that focuses directly on increasing turnover and on network stabilisation and maintenance.

The fluctuations of the exchange rates particularly to the US dollar once again had significant impacts due to substantial amounts owing to the supplier of the mobile network. Due to the improvement in the rates towards year end and beyond coupled with favourable cash flows, the account is expected to be settled in full within the 2017 financial year.

A major negative contributor has been the increase in doubtful debt provisions which increased by N$70 million during the year. Special focus is being placed on the Sales and Credit Control policies and procedures in order to rectify this position and avoid this in the future.

Losses before tax, decreased from N$148 million in 2015 to N$60 million in 2016. Forecasts are that the company and group will return to profitability in 2017.

The Group losses also reduced from N$108 million in 2015 to N$46 million in 2016 aided by continued positive results from Powercom.

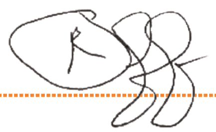
Capital expenditure for the year amounted to N$146 million and in line with the medium term strategy was funded entirely from own cash flows which amounted to N$208,6 million. In line with this focus, no new loans were entered into and a total amount of N$68,5 million was repaid to lenders.

Term sheets have been agreed with funders of the short term facilities to swap out N$290 million of short term debt to longer termed facilities.

The investment in Neotel has been sold as part of an overall exit and sale by all shareholders. The proceeds of this sale amount to N$200 million and are expected to be received in the first half of calendar year 2017.

These proceeds will be applied in full to the partial repayment of the termed facilities referred to earlier. This will result in significant improvements in both the long and short term ratios.

The outlooks remain positive despite macro concerns of the overall Namibia economy, driven by improved top line growth expected from fixed and mobile data, continued cost management and improved cash flows.



Robert Offner
Chief Financial Officer

"2016 marked the 3rd year of the turnaround strategy of bringing the Company and Group back to profitability with key financial focus on top line growth.

Business Operations

During the financial year under review, the Commercial Division continued to focus on key strategic initiatives and projects aimed at improving customer service, revenue growth, profitability and productivity. Commercial recorded positive performance during the year with positive growth in revenue mainly driven by IP and data product streams. Initiatives were activated to implement the re-aligned product and service portfolio roadmap with strong focus on specific customer needs and segment-based offerings that were channeled through the new product development process. The growth of broadband services was supported by targeted sales initiatives through direct and indirect sales channels and the continuous roll-out of high speed broadband access over fibre in major towns where additional sites were added.

Training programmes on soft skills and product knowledge were revised and completed for Call Centre and other customer-facing staff. The roll-out of this training is expected to continue in the new financial year to onboard more sales staff across the business. Channel and segment profitability studies were concluded with a view to streamline channels and better serve the various customer segments. Commercial continued to place emphasis on regular monitoring of profitability for all products, channels and segments.

Wholesale and International Business

The Wholesale and International business continued to make progressive steps towards becoming a recognised player in the SADC region. This year one of the dominant mobile players became part of the Telecom Namibia customer base. Telecom Namibia has now direct relationships with Barthi Airtel, a global players also operating in Zambia. This was one of the long-term strategies to have direct relationships with most of the big operators in the region.

Wholesale and International focused on key initiatives for growing the wholesale and international business through our national, regional and international presence. Telecom Namibia is about to sign a long-term relationship with Liquid CEC, a key player in the region. This carrier operator has built a vast fibre network covering all neighbouring countries except Angola. Liquid CEC also has a fibre network into Congo DRC and their footprint should be beneficial to Telecom Namibia.

Telecom Namibia markets its network footprint to reach and address high speed global connectivity needs through our international and regional points of presence (PoPs). The Wholesale and International department focused on making our network available to third parties in the telecoms sector, both in the local and International markets.

The high flying product, Carrier Ethernet, was introduced in the local market two years ago and continues to grow beyond expectation. The high uptake of this product presented a positive trend and also put pressure on service delivery. In the Zambian market the product attracted the most interest from most foreign players causing increased competition in the region.

This remains an important market for reselling the Company's submarine cable capacity, IP and data services and to retain this segment we continuously focus on providing efficient service levels to the Zambian market. Considerable efforts are being made to upgrade services towards all borders of Namibia to make it possible for us to deliver the WACS submarine cable benefits to neighboring countries.

We continue to establish Telecom Namibia as the carrier of choice in the SADC region. The Wholesale and International department teamed up with Corporates Sales to ensure that international links towards London, Frankfurt and South Africa are pushed into the local market. To penetrate this market remains challenging as European prices are extremely low compared to African Telco prices. The PoP solution into Europe and South Africa is still taking shape in the region and is pushed constantly as a value added service to provide a complete solution to address our customer needs. Existing customer profiles were developed and new ones have been added while prospects for the coming year look promising.

Our voice partners remain the same as the previous year. Direct routes are maintained with South African operators like Telkom SA, Neotel and MTN. Other SADC and foreign partners remain BTC, Zamtel, Liquid and Telco 214. More than 80% of the Namibian outgoing international traffic is terminated in South Africa. More local players have been introduced to the voice market putting pressure on current voice revenue streams and moving forward, quality of service will determine the partner and player of choice.

Corporate Business

The corporate sales channel continued to offer tailor-made solutions to corporate segments. Corporate segments include Government, Corporate, Large and Medium Enterprises that are served by dedicated Key Account and Account Managers. The business continued to experience growth from IP products as well as high demand for Carrier Ethernet products.

The financial year saw a strong focus on Government projects as their needs and demands continue to grow. Significant progress was recorded towards completing the special project of implementing Government regional ICT hubs in the 14 regions. This step is significant as it brings a total solution to improve Government services in the form moving towards e-government. Migration of key Government Ministries to the GRN network continued during the financial year. The completion and official launch of the project is expected to be realized in the new financial year.

Retail Business

The Retail business is responsible for residential customers, SOHO, as well as small and medium-sized enterprises and serves the whole of Namibia with a wide range of products and services supported by 33 Teleshops and a strong Sales Representative team across the country. The retail business recorded positive revenue performance during the year mainly driven by the growth of broadband services. The focus for the year also included streamlining of retail sales outlets with an objective of improving channel profitability and embracing partnership models.

To streamline our business operations, a number of teleshops were identified for closure following a performance evaluation concluded across the country. Teleshops closed during the year were Oshakati Teleshop (Game Complex), Katutura Teleshop and Okakarara Teleshop.

Customer Contact Centre

The Customer Contact Centre (CCC) has successfully implemented a complaints desk to centrally handle complaints received from customers. A centralised email was created for internal and external customers to send their complaints.

Activities are ongoing to implement an automated system capable of tracing and managing complaints received with options to track and report on them. The CCC was also strengthened by adding resources at the ICT Helpdesk (Second Level Support). This move was aimed at improving support to customers at a more technical level and to reduce the number of service faults escalated to technical departments and allow technicians to concentrate more on outstanding service orders. The aim is to give customers a first contact resolution. Initiatives to improve customer service and experience will continue in the coming year.

Tariffs Adjustment

Pricing initiatives undertaken aimed at ensuring that Telecom Namibia remains competitive and realise improved profitability of its various products and services. Costing and pricing structures are constantly reviewed for the different products and services to support these objectives. This is supported by continuous product profitability evaluations.

Below are highlights on some of the key pricing and tariffs normal for the year:

- Analogue and ISDN line rental charges: Amendments to the tariffs for

- line rentals (analogue and ISDN lines) took effect on 1 March 2016 following approval by the regulator, CRAN. The amendment entails tariff increases for the said services with a view to align tariffs to cost-oriented levels over time.
- VSAT: Revised pricing was approved by CRAN effective 13 September 2016, however Telecom Namibia deferred implementation to 1 October 2016.
- International call charges: Tariffs for calls destined for selected international destinations, including Inmarsat and Radio calls, were adjusted to align rates to settlements cost. Peak and off-peak rates were also aligned to one rate for selected destinations.
- Talk International call plan: Telecom Namibia's Talk International call plan enables fixed line SOHO and SE post-paid customers to apply for the package and benefit from preferential tariffs to selected international destinations and bundled minutes.
- Fixed Line Pre-Paid Tariffs: New tariffs for Telecom Namibia's fixed line prepaid service were implemented following approval by CRAN. Telecom Namibia's fixed line pre-paid service is a service whereby customers pay a once-off installation fee (subject to annual renewal) and get free start-up airtime.

New Products and Services

- Telecom Namibia always strives to introduce highly innovative products and services to meet the ever-changing needs of our customers across the various market segments. During the year, we successfully introduced the following products to the market:
- FlexiFixed Prepaid Service: This is a fixed line prepaid service which enables customers to pay a once off installation fee and receive a once off free start- up airtime.
- FlexiCall Card and Fixed Phone Bundle: This enables customers to purchase a cordless or corded phone and get a Flexicall starter card (N$20) and a recharge voucher (N$ 50).
- Fax2email and Email2fax SMS notification: This is a value added service which enables customers to receive fax status through text message on their mobile handset.
- SmartHosting: This product offers customers Electronic Mail Security Scanning facilities.
- Leasing of Ducts and in-house cabling: Telecom Namibia provides the option to lease ducts between the Meet Me Manhole and the Meet Me Room on its premises. The company will further provide in-house cabling between the Meet Me Room to the relevant service area (e.g. ISC/Co-location) within the Telecom Namibia building.
- tn1 Maxi Advanced 2, A fixed mobile converged product.
- Tailor-made solutions: A variety of tailor-made/customised solutions were developed and implemented based on customer needs and wants.

Product Performance

The main products and solutions grouping for the fixed line business are: Voice, data, IP, IT and Infrastructure & other streams. The company recorded an overall positive performance and growth year-on-year across the various product streams of the fixed line business with the exception of voice for which a negative year-on-year growth was recorded.

The impact of negative growth in voice revenue was however mitigated and off-set by higher combined positive growth recorded for IP, Data and Infrastructure revenue streams.

The voice product group recorded a negative year-on-year growth of 2.1% which is a positive development considering a year-on-year decline of 3.9% recorded in the previous year. This product group is composed of traditional prepaid and post-paid fixed line voice services including value added services.

The data product group recorded a growth of 18.1% compared to the previous financial year. This product group is mainly composed of layer 2 transport services. Positive growth was recorded for IP, with a year-on-year growth rate of 15.1%. The IP product group is mainly composed of layer 3 transport services, broadband access and other internet access services. The IT product group recorded a decline of 60.1% compared to year-on-year growth of 18.9% recorded for the previous year. The IT product group is composed of traditional ISP value added services, fax2email, email2fax and other new IT services. Other services such as CPE, structured cabling, directory and co-location recorded a combined year-on-year growth of 9.5%.

Mobile Business

The TN Mobile results for FY2015/16 ended with an unfavorable position due to various market forces and opportunities that did not materialise in the year under review. The year however ended above projections due to concerted initiatives that contributed to significant revenue shifts, thus reducing the negative variances in many revenue streams.

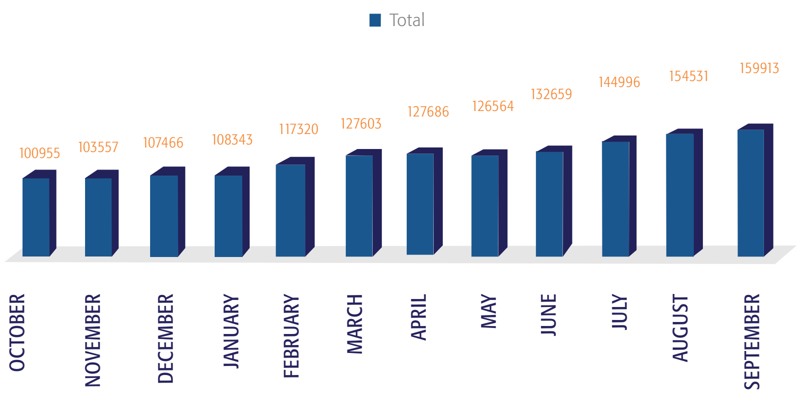
Data continued to grow above projections, while the pre-paid market also improved in terms of revenue and number of active subscribers. The network performance improved slightly towards the last two quarters of the year, while no significant investment was made during the year in terms of network expansion. The focus was on optimising the current infrastructure to protect current revenue streams, while growing the voice and data offerings in the retail and corporate segments.

The roaming business was at its lowest revenue levels due to aggressive market shifts in inbound roaming traffic, as well as Gateway traffic. There was also a positive shift in terms of revenue resulting in marginal but compounding growth towards the fourth quarter. Handset availability remained under pressure, but data device availability improved and contributed significantly to the overall excellent data revenue growth.

The focus for device purchases changed to more affordable low and mid-level range to increase market penetration and data usage. Customer growth for FY2015/16 went up by 58 percent, with a ratio of 80/20 between pre- and post-paid customers.

The number grew from below 100 000 to 160 000.This is currently the trend in the Namibian market. A significant amount of pre-paid customers have hybrid accounts, meaning that they can recharge postpaid accounts.

MOBILE CUSTOMER GROWTH 2015/16



The Technical Division is tasked with the overall development and maintenance of Telecom Namibia's transport and access network infrastructure in accordance with the company's Technology Master Plan.

The Division is also tasked to ensure provisioning and assurance of high quality and reliable telecommunication services and solutions to enhance customer experience and maximise customer satisfaction. This is done by ensuring that customers get good service in all areas, guaranteeing uptime and attending to all customer requirements from corporate customers to and small medium enterprises and individual customers.

Government Network Rollout

During the year under review, significant progress was made with the rollout of the government core network infrastructure and the establishment of the government Regional Data Centres.

The Government core network consists of 20 points of presence across the country, connecting all 14 regional capitals to the central government network in Windhoek. Once operationalised, the infrastructure is expected to provide Government with a reliable, secure and scalable network infrastructure to support the Government investment into West Africa Cable System (WACS), support the Government initiatives on e-government and decentralisation and improve service delivery to the citizenry.

Several last mile fibre optic routes were established to connect selected government offices, ministries and agencies to the new government core network infrastructure. The construction of last mile fibre optic links is scheduled to continue in order to connect government offices, ministries and agencies that are not yet connected to the new core network.

Broadband Network Expansion and Upgrade

The demand for high speed broadband services in the last mile continued to increase year-on-year. To satisfy the growing demand, Telecom Namibia continued with its strategy to grow and expand the fixed broadband access network footprint and capacity across the country.

To achieve this growth, a number of new fixed broadband access nodes were installed and new stations introduced. In addition, stations with port capacity usage in excess of 80% were upgraded with additional ports, while stations with backhaul link utilisation in excess of 75% were also upgraded with additional backhaul capacities.

As part of our efforts to modernise the network and move towards an all-IP network, a number of legacy TDM backhaul links were upgraded to Fast Ethernet and Gigabit Ethernet, based on bandwidth demands.

In order to complement our fixed broadband offering and improve service delivery, TD-LTE technology was introduced with base stations deployed in Windhoek, Ongwediva, Okongo, Ondangwa, Rundu, Eenhana and Oshikango. For subscribers located in close proximity to the TD-LTE base stations and with good coverage, the self-install CPE capability which is possible through the technology enables Telecom Namibia to improve on the turn-around time for the installation and provisioning of new services.

All the mobile base stations in Swakopmund, Walvis Bay, and Langstrand were also upgraded with FDD/TDD-LTE technology and functionality. This intervention enables Telecom Namibia to offer both fixed and mobile voice and high speed broadband services using a common platform, in an optimised manner. The TDD-LTE functionality also provides the flexibility required to be able to better support symmetrical services.

Due to demand for higher bandwidth connections from public and private institutions, as well as for the Company's internal services, several last mile Ethernet connections were established across the country. This was achieved by deploying hundreds of kilometre of fibre optic cable in the last mile to connect individual government, corporate, wholesale, and SME office/branch to the nearest Telecom Namibia Universal Backhaul point of presence.

MSAN Rollout

To complement the development already made in the fixed broadband access network, Multi-Service Access Nodes (MSANs) were introduced in selected areas across the country to expand our broadband footprint and grow our subscriber base. The MSAN platform enables Telecom Namibia to provide a host of services such as ADSL, VDSL, VHDSL, AE, and GPON from a single access network element, thereby minimising both Capex and Opex, and ultimately the total cost of ownership. The rollout of MSAN is expected to continue based on business demand and needs.

International Platform

Internet remains our most popular offering, with a healthy year-on-year growth, and a significant contribution towards our top-line. Telecom Namibia is therefore continuously looking at measures to improve its internet offer, improve customer experience and optimise production costs. To support the increasing demand for internet bandwidths and improve customer experience, Telecom Namibia entered into, and established a direct peering link with Google in Johannesburg and London, as well as with NAP Africa in Johannesburg. This enables Telecom Namibia's internet service subscribers to access popular google and NAP content in an optimised and cost effective manner. An Ackamair content delivery platform was installed in Windhoek to optimise delivery of popular internet content to our subscribers.
The upgrades of our international platform is expected to continue as part of our effort to continue provide quality, reliable and fast internet access to our customers in Namibia and beyond.

GSM Rollout

The rollout of a GSM mobile network continued through the year. To expand capacity, coverage and mobile offering, a total of 11 new base stations were deployed across the country, bringing the total number of base station deployed in the network to 278. In addition, 12 base stations in the coastal areas of Walvis Bay, Langstrand, and Swakopmund were upgraded to TDD/FDD LTE. The deployment of both TDD/FDD enables Telecom Namibia to leverage its spectrum assets, optimise costs and improve offering to customers.

UBH Rollout

The appetite for Ethernet services is on the increase and the rollout of universal backhauling (UBH) and last mile access fibre continued throughout the year. The UBH platform is IP/Ethernet backhaul infrastructure that consolidates the existing backhaul for metro Ethernet and other access technologies onto a common platform. In addition to being used as a transport for Telecom Namibia's internal services such as TOCNET, WiMAX, ADSL, MSAN and Mobile, the infrastructure is also used to provide services such as carrier Ethernet services (city VPNs and national VPNs) to government, corporate, wholesale and SMEs across the country.

WOMS

The work order and workforce management system was commissioned and taken into operations. The system is used for creating, tracking, assigning and reporting on field service requests. The system is intended to overcome limitations associated with paper-based work orders in order to improve productivity and revenue.

Support Systems

As part of our effort to mitigate risks from downtime due to failure of obsolete support systems, Telecom Namibia undertook a number of projects to modernise support system infrastructure at critical data centres.

Specifically, the old chiller cooling plant that was serving the main Data Centre in Windhoek was replaced with a modern and more power efficient industrial cooling system. In additional, power plants at selected sites were upgraded to improve autonomy, while at selected backbone sites, stand-by generators were installed to reduce service and network downtime as a result of mains power failure.

The Kahenge-Nkurenkuru underground fibre optic route, which had deteriorated over the years due sporadic and frequent damages, was replaced with a new overhead optic fibre route. This was necessary to ensure that the regional capital of Nkurenkuru in Okavango West and the surrounding areas continues to enjoy stable and reliable telecommunication services. The microwave backbone link connecting Nkurenkuru, Katwitwi and Okongo was upgraded to a modern high capacity IP-based microwave transmission link.

HUMAN RESOURCES

Telecom Namibia's human resources management strategies emphasise on the harmonisation of the number and competencies of our workforce in line with our business portfolio that has increasingly focused on data, IP and IT.

Human Resources Profile

We had a total of 986 employees as of September 30, 2016. This figure represents a decrease of 2.6% compared to the position as of September 30, 2015. A total of 31 employees resigned during the period under review. The voluntary separation turnover represents a 3.0% as opposed to the Company threshold of 5.0%. Other separations include three deaths, two dismissals, nine retirements and one ill-health.

Significantly, while five executives resigned from the Company in 2015 there were no resignations of employees in the E band strategic job roles in 2016. There were also alot of Exco Memebrs apointed during this period. Given that there were no salaries increases in 2015 employee wealth was the most commonly mentioned reason for leaving Telecom Namibia's employ in 2016 - understandably so given the imperative to contain labour costs.

Affirmative Action

In compliance with the Affirmative Act, Act 29 of 1998, Telecom Namibia successfully attained the affirmative action compliance for 2014/2015. The number of female employees rose from being 38 percent of the workforce to 40 percent. More effort needs to be made to attract disabled people into our employment as current levels are below 1.0% and have been so for a long time. The Employment Equity information is presented in alignment with the NGN structure as the company is populating the structure. The Employee Equity Profile as at the end of September 2016 is depicted below:

Job Category	Racially disadvantaged		Racially advantaged		Persons with disabilities		Non-Namibians		Total	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Executives	4	1	3	0	0	0	0	0	**7**	**1**
Senior Management	21	8	4	1	1	0	1	0	**27**	**9**
Middle Management	22	13	4	1	0	0	1	0	**27**	**14**
Specialised/Skilled/ Senior Supervisory	73	39	7	1	0	0	1	0	**81**	**40**
Skilled	262	116	29	3	0	2	5	0	**296**	**121**
Semi-skilled	153	177	3	7	0	2	0	0	**158**	**186**
Unskilled	7	12	0	0	0	0	0	0	**7**	**12**
Total Permanent	**542**	**366**	**50**	**13**	**1**	**4**	**8**	**0**	**601**	**383**

The Employee Equity Representation is addressed on a monthly basis and the numerical goals seek to achieve the Affirmative Action Targets as set out in the Affirmative Action Plan for 2014 – 2016. The percentages are comparative to the previous information of the preceding years.

The challenges in terms of equity remains the attraction of employee with disabilities, the company has thus progressed well 0n the appointment of females at Senior Management level.

Designated Groups	Target	Sept 2013	Sept 2014	Sept 2015	Sept 2016	Status
Designated employees as % of TN staff headcount	85%	87%	89%	91%	92%	
Disabled Persons as % of TN staff headcount	0.33%	0.36%	33%	0.50%	0.51%	
Expatriate Staff as % of TN staff headcount	1.00%	1.1%	1.00%	1.4%	0.81%	
Women as % of TN staff headcount	34%	34%	37%	39%	38%	
Women in E-Band jobs as % of E-Band headcount	26.6%	18%	15%	9%	12,5%	
Women in D-Upper jobs as % of D-Upper headcount	22%	19%	23%	25%	25%	
Women in D3 jobs as % of D3 headcount	31%	27%	31%	35%	36%	
Women in D1-D2 jobs as % of D1-D2 headcount	28%	30%	31%	32%	32%	
Women in C-Band jobs as % of C-Band headcount	25%	43%	24%	28%	29%	

Employment Costs

The cardinal focus on costs containment continued in 2016. More controls and escalation of approvals were instituted and rigorously enforced. This resulted in lower than budget expenditure on staff cost for the year. The number of permanent employees was reduced to 986 in 2016 from 1000 in 2015 -without recourse to retrenchment. As a proportion of total operating costs the level remained at 59% compared to the previous year. Labour costs as a percentage of turnovers which is an index on the level staffing costs erosion of services revenue at 32% was the lowest in five years and indicative of a positive trend.

Training and Development

The Company made a strategic decision to resume apprenticeship training of Telecom Electrician Cable-Jointers after more than a decade of no apprenticeship training. The imperative to institute the apprenticeship training programme was informed by a near-crisis situation where employees in the Telecom Electrician job position - as a specialised category not available on the local market - have aged to a level where the average is 46-years-old or are on the verge of early retirement. During the course of the year, two vocational training schools were identified for core technical training on modules already formulated.

The Company signed a memorandum of agreement with the National Training Authority (NTA) who have approved the training unit standards for the apprenticeship training programme. The 2016 Management Annual Strategic Workshop set a target of 40 apprentices to be enlisted on a trainee contract. The recruitment will start by January 2017.

A total of N$770,000 was invested in training programmes for 420 employees in 2016. About 8% of the training courses where in core competencies in information communication technology. The remainder focused on product knowledge, leadership, customer service, finance and human resources administration systems, procurement, new employee induction, union stakeholder capacity building, as well as workflow process management.

We continued to invest in human capital technical training through bursary sponsorship and in-house training of technical staff with post-tertiary educational qualifications. No new bursaries were awarded or intakes engaged as technical trainees because of a limited budgetary provision made for 2016. However, a total of 24 students are currently on Company bursaries. In the Technical Operations division there are eight engineers-in-training and eight technicians in-training doing on-the-job training.

Employee Relations

The employees' remuneration in salaries and benefits were not reviewed in 2015 due to the Company's poor financial position. As a result, the 2016 wages and salaries negotiations were difficult, but agreement was reached just a day before the end of the financial year.

Employee engagement continued to be the basis of a positive climate in labour relations. Regular meetings are held with the Union at both Board and Management level. There were no work stoppages emanating from disputes with the Union. Not a single employee relations dispute between Management and the Union was escalated outside the dispute resolution procedure within the Company. Internal dispute resolution is a hallmark of a positive employee relations climate.

Employee Wellness

A collective agreement was signed with NAPWU on employee health and safety. The agreement formalises the Company and Union stakeholders' commitment to employee health and safety issues and programmes. The agreement gives form to structures that underline line management's critical role in managing employee safety and wellness in the workplace. In addition, the agreement outlines the role of employee representatives in employee health and wellness. Suffice to say, the agreement actualises the operationalisation of the Employee Wellness Policy and the Company's commitment to comply with statutory requirements on employee health and safety in the workplace.

Employee Performance Management

Our mission to become a high-performance ICT business requires that we put in place robust performance management systems at both corporate and individual employee level. The training and capacity building of line management in the lower D band was identified as a "Definition of Victory" initiative for the year. A total of 83 of the current 157 lower D band managers have been trained, with the rest to be trained during 2017. This training is paramount if the Company is to raise compliance levels to the 100% compliance level the company envisages.

Performance management Training Facilitators will be trained in numbers in order to cascade training across all supervisory level in a shorter span of time. The quality will be maintained as a standard programme is in place. All supervisory staff will receive the core training on performance management during 2017.

Employee Engagement Diagnostic Survey, 2016

An employee diagnostic organisational climate survey was undertaken during the year and the employee satisfaction rate was 64% This is 11% below the excellence baseline for this particularly survey, i.e. Best-Company–to- Work-For Survey administered by Deloitte nationally and in the sub-region.

Work is underway to do targeted focus groups for the Company to fully understand the issues affecting employees negatively and formulate interventions to improve the organisational climate. Employee loyalty continues to be promoted through long service awards. This recognises loyalty of employees who have maintained employment for at least 10 years and five years thereafter. A total of 125 employees received awards which is 13% of the permanent workforce.

The big word of belt-tightening was continued for the 2015/16 financial year. As we implement our turnaround strategy, it was not business as usual in the CSR realm. In such a changed environment, the Company streamlined its CSR activities to deliver social value through selected projects and causes.

It suffices to say that our level of CSR engagement in society cannot only be measured in monetary terms. CSR is integral to the way we operate at every level, underpinned by a strong pledge to corporate integrity. It is reflected in our policies and strategies, our conduct with employees, customers and other stakeholders, as well as in our commitment to supporting the Government in bridging the digital divide and further promoting the goals of the Harambee Prosperity Plan.

Economic Transformation

The Company continued to embrace and practice Black Economic Empowerment (BEE) to bring about the involvement or participation of previously disadvantaged communities into the mainstream economy. This is our contribution, as a responsible corporate citizen, in support of Government declared all-out war on poverty, with the goal to eradicate this scourge at a faster rate and achieve prosperity for all Namibians. Government has also committed itself to the urgent priorities of job creation, reduction of income inequalities and the creation of wealth through targeted measures.

With preferential procurement, it is our goal to be ranked one of the best performing SoE enterprises and within the ICT sector in Namibia. Through procurement's intervention, the company has managed to persuade foreign companies to partner with local BEE companies. Such partnerships provide black-owned companies with the opportunity to upgrade their skills and other capabilities.

Total orders placed on all suppliers during the year amounted to about N$1.0 billion, of which a whopping N$495 million went to qualifying small and medium enterprises. The awarding of contracts to local previously disadvantaged companies is aimed at facilitating the creation of sustainable BEE companies. It is the company's objective to increase spending on BEE initiatives in the years ahead, in order to create jobs for Namibians in the SME sector.

Drought Relief Assistance

Telecom Namibia, together with its partners in a Disaster Relief Consortium, namely FNB Namibia and Cymot, made a generous contribution towards the disaster relief fund. Drought-hit communal farmers in the Erongo Region received fodder to feed their livestock. Our Company was a Wifi sponsoring partner of the meeting which focused on the theme, 'Enhancing resilience to drought events on the African Continent'. The Ministry of Environment and Tourism in Namibia organised this event in follow up to its role as UNCCD COP11 President and to the outcomes of the high-level meeting on national drought policies (HMNDP) held in Geneva in 2013.

Community Involvement

Telecom Namibia, as part of its employee community involvement programme, joined 'Operation Omake' clean-up campaign that took place in Khomasdal Extension Two to prevent the area from further being used as a hideout by criminals. The de-bushing campaign was organised by Namibian law enforcement agencies - Namibian Police Force (NamPol), City Police and Namibian Defence Force - to ensure there is no place for criminals in Namibia. The initiative was spearheaded by the Ministry of Information Communication Technology.

Women Empowerment

Businesswoman of the Year: Promoting and celebrating women entrepreneurship remains a core focus for Telecom Namibia in a bid to encourage greater economic activity among Namibian women and girls. Telecom Namibia sponsored the 2016 Namibian Businesswoman of the Year Awards to celebrate the achievements of upcoming women entrepreneurs remarkable business leaders from across the industry.

The awards are a critical element of how we advance our mission. This position serves as a role model for other women to aspire to, as well as for companies to consider how they are supporting the advancement of women within their own organisation. It is through the development of women within the mainstream economy that we will move the needle on women's relevant representation at all levels.

Mentoring Programme: We have been supporting the Katuka Mentorship Programme (KMP) since 2003. During 2015, 16 participants deepened their business skills with the Mentoring programme.

Started in 2000, the programme focuses on developing top and valued talent by pairing budding female entrepreneurs with more experienced women as mentors for a period of nine months. To ensure the effectiveness of the programme, KMP's mentoring relationships are modelled on grounds of reciprocity, respect, trust, discovery, commitment and empathy.

Now in its 15th year, the KMP has produced significant results in the careers of participating women. A total of 295 women have completed the programme to date, while 37 women have registered for the 2017 intake. Networking Events: Through the Economist Businesswomen Club, we have sponsored seven networking events throughout the year. These events are meant to bring women together, encourage the exchange of ideas and experience among members and provide information on topical issues and give moral support to members.

The Club has about 150 enlisted members making it the single biggest concentration of career women in the country and as such possesses a vast wealth when it comes to business experience. As a company, we are committed to supporting and exposing Namibian businesswomen to ways of empowering themselves.

Xnet Initiative

We continue to work together with Ministry of Education, Xnet Development Alliance Trust, University of Namibia (UNAM), Namibia's University of Science and Technology (NUST) and the International University of Management (IUM) to expand and upgrade the Internet access in classrooms. We believe that digital learning has the potential to provide all students with equal access to educational opportunity and that every school requires high-speed broadband to make that opportunity a reality.

ICT Summit 2015

TN once again played a key role in the success of the ICT Summit when it delegated a dedicated team to assist with the successful organisation, coordination and presentation of the 3rd National ICT Summit, held from 10 to 12 October 2015. The theme of the Summit was "Digital Transformation Towards Economic Growth and Prosperity". The purpose of the national ICT summit is to bring together diverse stakeholders in the ICT value chain to discuss and share exciting ideas, which will help strengthen and position Namibia as a competitive nation in the region and beyond.

Community Support

The Company sponsored hip hop artist The Dogg (real name Martin Morocky), who is an ambassador of the ongoing voluntary medical male circumcision (VMMC) programme, with Smartphone Elite package for a year. The "Smart Cut" initiative aims at encouraging all Namibian men to get circumcised to reduce their risk of contracting HIV and other sexually transmitted infections.
We also provided financial and in-kind support for a number of national, cultural, educational and social activities.

Stakeholder Engagement

We make a genuine effort to engage with our stakeholders through various formal and informal channels as we believe it is important to understand their needs and concerns on any matter related to our services and operations.

In this regards, the Company formulated a Stakeholder Engagement Plan during the period under review that will cement our two-way communication as we seek to understand our stakeholders' expectations and manage them effectively to achieve sustainable long-term relationships.

Sport Development

Inter-Telecoms Games: The Telecom Namibia Sports Club participated in the 2016 Inter-Telecoms Games between Botswana, Lesotho, Swaziland and Namibia, during the Easter holidays from the 25 – 27 March 2016 in Port Elizabeth, South Africa.

The games, which were held under the theme, "Networking through Sports & Technology", were a great success. The games, which are held on an annual basis during the Easter holidays comprise of employees of Botswana Telecommunications Corporation Limited, ECONET Telecom Lesotho, Swaziland Post and Telecommunications Corporation and Telecom Namibia.

Telecom Namibia will host the 30th edition of the Inter-Telecoms Games from the 14-16 April 2017 under the theme: "1 Spirit, 1 Team. Taking Charge of Change." Telkom SA will join the Games. The Inter-Telecoms Games offer an opportunity for participating organisations to establish networks and/or contacts, which can assist them in their future business endeavours.

These games also promote a sporting culture amongst employees, which assists in achieving a healthy and disciplined workforce that is often characterised by, amongst others, reduced absenteeism, improved communications and good interpersonal relations.

2016 COSAFA Cup: TN Mobile powered the 16th edition of the COSAFA Cup, an international football competition consisting of national teams of member nations of the Council of Southern Africa Football Associations (COSAFA). The event was successfully held in Windhoek from 11-25 June 2016.

TN Mobile signed up as the official Network and Technology Partner because with COSAFA, we share the same values, the same spirit of sacrifice, teamwork, transparency and innovation. Our partnership with COSAFA was aimed at strengthening the TN Mobile brand at home and Southern Africa as a whole.

In addition, this product exclusivity partnership with COSAFA allowed us to build on and consolidate our successful association with football. Telecom Namibia has a long history as a staunch supporter of football in the country and two years ago were the title sponsor for the 2014 TN Mobile African Women's Football Championship.

Namibian Chess Federation: Telecom Namibia sponsored chess championship for your players organised by the Namibian Chess Federation during the year. The event helps improve the learning, thinking, analytical power, and decision-making ability of the youth.

Chess makes young players learn how to strategise aspects of the game and life. In addition, they also can learn the importance of foresight, and planning.

In the game of chess, a child learns to do a thorough analysis, research, and assessment of the situation before making any decision. Such an exercise provides mental clarity to the child. Mental clarity and mental dexterity are required for solving problems, analysing consequences, and formulating future tactics. Chess also helps in improving concentration and academic performance of the child.

NFA Galz & Goals: The Company rebranded soccer jerseys. The Namibia Football Association (NFA) Galz & Goals Football and Healthy Life Style programme uses football to empower Namibian girls aged 10-20 to live a healthy life through participation in football leagues and festivals that integrates HIV&AIDS, life skills and healthy lifestyle education.

ANNUAL FINANCIAL STATEMENTS FOR YEAR ENDED 30 SEPTEMBER 2016

Registration number:
92/282

Registered address:
Telecom Building 9 Lüderitz Street Windhoek

Postal address:
PO Box 297
Windhoek

Auditors:
Deloitte & Touche
Windhoek

Bankers:
Standard Bank Namibia Limited

CONTENTS

No directors' report is presented as the Group is a wholly-owned subsidiary of Namibia Post and Telecom Holdings Limited, a company incorporated in Namibia.

CORPORATE GOVERNANCE STATEMENT

Introduction

Telecom Namibia Limited (Telecom Namibia) is committed to the principles of good corporate governance. We ensure that shareholder interests are protected and enhance corporate performance through ethical behaviour, professionalism, transparency, responsibility and accountability.

Telecom Namibia aspires to the highest standards of corporate governance and has put in place a set of well-defined processes in accordance with generally accepted corporate practices and in keeping with Telecom Namibia and its subsidiaries' (the Group's) policies and the laws of Namibia.

Approach to corporate governance

The values we share at Telecom Namibia form the foundation of our corporate governance practices. These practices seek to balance the interests of our key stakeholders: our customers, our shareholder and our employees, while providing an integrated strategic framework for operating in the best interests of our profitability, environment and communities.

Compliance with the NamCode

The Corporate Governance Code for Namibia (known as the NamCode) provides guidance on corporate governance for Namibian companies in achieving their financial objectives and fulfilling their corporate responsibilities and is based on international best practices. The NamCode is effective for those financial years commencing after 1 January 2014.

The Group has complied with the applicable principles adopted through the Namcode by modifying and incorporating these principles into the Terms of References for Board Committees and the Board Charter.

The Telecom Namibia Board received formal induction training in compliance with the NamCode to provide guidance on the responsibility of the Board and the Board committees. The Board aims to ensure that Telecom Namibia operates ethically and with integrity and complies with the NamCode.

Board of Directors

Composition and appointment

The Board of Directors aims for an appropriate mix of skills, experience and personalities to ensure effective leadership and sound governance. As a truly Namibian company, we support and actively drive transformation in everything we do, and we are proud that all of our Board members are Namibians from historically disadvantaged groups.

The Board was composed of four Directors for the year under review, comprising:

- Three independent Non-executive Directors, one of whom is the Chairperson; and
- One Executive Director, namely the Managing Director (MD). The position is currently occupied by Mr Theodorus Klein, who was appointed in an acting capacity on 1 November 2014.

The NamCode proposes that there should be no executive members included in the board's composition; the shareholder therefor resolved at the Annual General Meeting (AGM) on 17 June 2016 to change the title of the Managing Director to Chief Executive Officer.

The composition of the Board that served during the year until 30 September 2016 was as follows:

Directors	
Independent Non-executive	Qualifications
Dr CM Beukes-Amiss #	PhD (Computer integrated Education (CiE)), University of Pretoria, 2012 MSc (Electronic Information Management), Robert Gordon University (RGU), Aberdeen, Scotland, 2001 BA (Library and Records Management), UNAM, 1999. BA (Library and Records Management), UNAM, 1999. HED.SEC (Higher Education Diploma Secondary), UNAM, 1995.
F Veldskoen #	Bachelor of Accounting (UNAM) 2001; Postgraduate Certificate in Forensic and Investigative Auditing (SA) 2007; Postgraduate Certificate in Taxation (SA) 2007.
IP Awene #	B.Com (UNAM). Hons.B.Compt (Unisa). Certificate in Administration of Estates. Chartered Accountant.
Executive	
T Klein (MD)*	BSc (Eng) degree in Electronic Engineering in 1984 at the University of Stellenbosch; BA (Hons) degree in 2005 at the University of Stellenbosch, Master Degree in Administration (MBA) at the University of Stellenbosch 2005, and various Telecommunications Management Courses both locally and abroad. Member of the South African Institute of Electrical and Electronic Engineers (SAIEE) and registered with the Namibian Engineering Council (NEC) as a Professional Engineer.

* Appointed in an acting capacity on 01 November 2014.
\# Term ended on 30 September 2016.

Board of Directors (continued)

Composition and Appointment (continued)

The composition of the Board of Directors appointed on 1 October 2016, all of whom remain Directors at the date of this report, is as follows:

Directors	
Independent Non-executive	Qualifications
J Smith	Master of Business Administration at the Management College of Southern Africa in 2003 - 2007; Bachelor of Commerce at the University of Western Cape in 1990 – 1992.
I Simeon-Kurtz	MA: International Business at Polytechnic of Namibia in 2011, BPubAdmin (Hons): Public Policy and Governance Major subject: Political Governance at the University of Stellenbosch in 2014; Postgraduate Diploma in Marketing at Graduate School of Marketing (IMM) in 2006; 3-Year Diploma in Marketing Management at Lyceum College/University of Pretoria in 1998; Senior Management Development Program (SMDP) at the University of Stellenbosch in 2006; Management Development Program (MDP) at the University of Stellenbosch in 1999; Certificate of Pension Fund Law, Faculty of Law, Centre of Business Law at UNISA in 2012.
D Muruko	Master Degree in Public Administration of Mines and Mineral Resources at the School of Mines in France in 2009; Baccalaures Juris (B-Juris) at the University of Namibia in 2004; Bachelor of Laws (LLB) at the University of Namibia in 2002; Currently studying towards a Master's Degree in Energy Law and Policy at the University of Dundee.

Non-executive Directors are appointed by the shareholder for specific terms and re-appointment is not automatic. The prospective Directors are selected and shortlisted based on their merits and the specific skills that are required within the Board. The appointments are then made at the AGM of the shareholder.

Board of Directors (continued)

Functions

The Board is the focal point of Telecom Namibia's corporate governance system, and as such has ultimate accountability and responsibility for the Group's performance and affairs. The Board oversees the business affairs of Telecom Namibia.

It assumes responsibility for the Group's overall strategic plans and performance objectives, financial plans and annual budget, key operational initiatives, major funding and investment proposals, financial performance reviews, compliance and accountability systems and corporate governance practices. The Board also oversees the community projects in which the Company has an interest, ensures integration of the Company strategy, maintains performance and sustainability, complies with the laws and regulations, identifies and manages risk and ensures the integrity of Telecom Namibia's financial reporting. The Board also appoints the MD and Executive Committee (EXCO) and approve policies and guidelines for remuneration.

Through its Delegation of Authority Policy, Telecom Namibia has established financial authorisation and approval limits for operating and capital expenditure, the procurement of goods and services and the acquisition and disposal of investments.

Apart from matters that specifically require Board approval, such as dividend payment and other returns to the shareholder, the Board also approves transactions exceeding certain threshold limits, while delegating authority for transactions below those limits to Board committees and the EXCO, so as to optimise operational efficiency and speed of decision-making.

Accountability

There is a clear distinction at Telecom Namibia between the roles and responsibilities of the Chairperson and those of the MD, to ensure that no one has unfettered decision-making powers. The Chairperson, who is an independent, Non-executive Director, leads the Board and is responsible for the Board's workings and operations.

The MD is in charge of the Company as a whole and is directly responsible to the Board. Among other things, he is responsible for ensuring that the Company achieves its strategic and financial objectives and for monitoring its day-to-day operational matters.

In line with its responsibility for the overall strategic plan, the Board convenes strategic quarterly review sessions with the EXCO as a means of monitoring and reviewing the implementation of the overall Group strategy.

Access to information

We believe that open communication with our Directors is critical to ensuring their accountability. Therefore all material information is disseminated to them between Board meetings. Before each Board meeting, Telecom Namibia's management provides the Board with information relevant to matters on the agenda.

The Board also receives regular reports pertaining to the operational and financial performance of the Company. Such reports enable the Directors to keep abreast of the key issues and developments in the Company as well as the industry in general, and any challenges or opportunities for the Company.

The Board has separate and independent access to members of the EXCO and the Company Secretary at all times. The Company Secretary attends all Board and Board committees' meetings and is responsible for ensuring that Board procedures are observed and that applicable rules and regulations are complied with.

Procedures are in place for Directors and Board committees' members, to seek independent professional advice, paid for by Telecom Namibia when this is deemed necessary.

Board meetings

The Board meets regularly and sets aside time at each scheduled Board meeting to get together for discussions without management being present. Board meetings include presentations by senior executives on strategic issues relating to specific business areas.

Board of Directors (continued)

Board meetings (continued)

In addition to the scheduled meetings held each year, the Board meets as and when warranted by particular circumstances. Twenty Board meetings were held during the financial year ended 30 September 2016. Directors are required to act in good faith and in the best interests of Telecom Namibia at all times.

A record of the Directors' attendance at Board meetings is set out below.

Member	Appointed to Board	Schedule and adhoc Board meetings										
		08/10 2015	22/10 2015	27/10 2015	08/12 2015	15/12 2015	15/01 2016	12/02 2016	18/02 2016	02/03 2016	28/04 2016	06/06 2016
Dr CM Beukes-Amiss (Chairperson)	26/08/2013	v	v	v	v	v	v	v	v	v	v	v
F Veldskoen	21/09/2007	v	v	*	v	v	v	v	v	v	v	v
IP Awene	26/08/2013	v	v	*	*	v	v	v	v	v	v	v
v Attended * Apologies												

(Continued)

Member	Appointed to Board	Schedule and adhoc Board meetings								
		08/06 2016	10/06 2016	17/06 2016	22/06 2016	27/07 2016	01/08 2016	23/08 2016	26/09 2016	28/09 2016
Dr CM Beukes-Amiss (Chairperson)	26/08/2013	v	v	v	v	v	v	v	v	v
F Veldskoen	21/09/2007	*	v	v	v	v	v	v	v	v
IP Awene	26/08/2013	*	v	v	v	v	v	v	v	v
v Attended * Apologies										

Remuneration

Telecom Namibia's MD is an Executive Director and is remunerated as a member of the senior management. The incumbent does not receive Directors' fees.

The fees for Non-Executive Directors for the financial year ended 30 September 2016 comprised a basic retainer fee, attendance fees for Board meetings and a travel allowance for those Directors who were required to travel out of their town of residence to attend Board meetings and meetings of Board Committees.

The fees were benchmarked against fees paid by other, comparable companies in Namibia and the holding Company. The Directors also receive services of the Company at a subsidised rate. Any changes to fees are recommended by the Board and submitted to the shareholder at the AGM for approval prior to implementation and payment.

In line with generally accepted governance practices, the Non-executive Directors are not members of the Company's pension, medical aid or housing schemes and are not given incentive awards.

Board of Directors (continued)

Remuneration (continued)

Non-executive Directors' remuneration for the year ended 30 September 2016 is summarised below:

Name	Fees for services 2016	Fees for services 2015
R Gertze ^	N$ -	N$ 71 747
F Veldskoen	N$ 148 386	N$ 121 720
CM Beukes-Amiss	N$ 136 411	N$ 123 737
IP Awene	N$ 151 080	N$ 117 860
Total	**N$ 435 877**	**N$ 435 064**

^ Resigned 4 June 2015.

Board Committees

The Board has appointed five committees to assist in discharging its responsibilities effectively. All committees fulfil their responsibilities within clearly defined written terms of reference, which deal explicitly with their purpose and function, reporting procedures and written scope of authority. These are the:

- Risk Management Committee;
- Human Resources and Compensation Committee;
- Audit Committee;
- Information Technology (IT) Steering Committee; and
- Executive Committee.

Risk Management Committee

Telecom Namibia undertakes a continuous process of risk identification, monitoring, management and reporting of risks throughout the organisation to provide assurance to the Board and stakeholders.

The Risk Management Committee assists the Board with oversight of the Company's risk profile and policies, and the effectiveness of the Company's risk management system - including the identification and management of significant risks. It reports to the Board on any material matters, findings and recommendations pertaining to risk management.

The identification and management of risk is delegated to the EXCO which is responsible for the effective implementation of the risk management strategy and policies and processes for facilitating the achievement of business plans and goals.

Risk assessment and mitigation measures form an integral part of the Company's annual business planning. Close monitoring and control processes, including the establishment of appropriate key risk indicators and key performance indicators - are put in place to ensure that risk profiles managed are within policy limits.

During the year under review, the Risk Management Committee identified the following specific risks to be addressed:

- Cash-flow management;
- Fault repair and installation turnaround times;
- Employee productivity;
- Profitability;
- Network downtime/quality of network;
- Foreign currency exposure; and
- Risk on the implementation of a new billing system.

The effectiveness of the current billing system still represents a risk that influences the Company's ability to meet service order deliverables, the validity and completeness of network revenue billed to customers, debt-collection procedures. As such has it has a negative impact on the Company's reputation and revenue.

Management monitors monthly revenue closely by performing monthly analytical reviews to identify anomalies. In addition, PricewaterhouseCoopers (PwC) was appointed in April 2016 for a period of three years to develop revenue assurance controls and tools to mitigate the risk identified with the completeness and validity of revenue.

Board of Directors (continued)

Board Committees (continued)

Human Resources and Compensation Committee

The main responsibilities of the Human Resources and Compensation Committee are to approve the Company's policies on employment terms, promotion, remuneration and benefits for employees of all grades, and to administer and review any other Telecom Namibia incentive schemes. The duties and responsibilities of the Committee are:

- To determine, develop and recommend to the Board the general policy and the fee structure for the Board and all its sub committees;
- To determine, develop and recommend to the Board the general policy and broad framework of the remuneration of the MD, the senior management team and all other employees. Remuneration policies are to be competitive enough to ensure that sufficiently skilled employees are attracted to the Company, retained in the Company and kept motivated at all times. In determining such policy, the Committee takes into account all factors which it deems necessary;
- The objective of such policy shall be to ensure that members of the senior management team of the Company and all other employees are provided with appropriate incentives to encourage enhanced performance and are rewarded for their individual contributions to the success of the Company in a fair and responsible manner; and
- Employee relations with the union as a stakeholder.

Audit Committee

The Audit Committee has explicit authority to investigate any matter within its Terms of Reference and has the full cooperation of and access to management. It has direct access to the internal and external auditors and full discretion to invite any Director or Executive Committee member to attend its meetings. The main responsibilities of the Audit Committee are to assist the Board in discharging its statutory and other responsibilities relating to internal controls, financial and accounting matters, compliance, business and financial risk management.

The Committee reports to the Board on the audits undertaken by the internal and external auditors, the adequacy of disclosure of information, and the appropriateness and quality of the system of risk management and internal controls.
It reviews the management accounts and financial statements with senior management and the external auditors, reviews and approves the annual audit plans for the internal and external auditors, and reviews the internal and external auditors' evaluation of the Company's system of internal controls.

As it is noted under this report's section on the Information Technology Committee, the effectiveness of the current billing system still represents a risk that influences the Company's ability to meet service order deliverables, the validity and completeness of network revenue billed to customers, debt-collection procedures. As such has it has a negative impact on the Company's reputation and revenue. Management monitors monthly revenue closely by performing monthly analytical reviews to identify anomalies. In addition, PricewaterhouseCoopers (PwC) was appointed in April 2016 for a period of three years to develop revenue assurance controls and tools to mitigate the risk identified with the completeness and validity of revenue.

Refer to Note 34 of the financial statements for detailed disclosure of Going concern and the actions implemented by the Directors and management to support the going concern assumption. The Committee is responsible for evaluating the cost-effectiveness of audits, the independence and objectivity of the external auditors and the nature and extent of the non-audit services provided by the external auditors. It also makes recommendations to the Board on the appointment or re-appointment of the external auditors.

In addition, the Committee reviews and approves the Telecom Namibia Internal Audit Charter, in order to ensure the adequacy of the internal audit function. At the same time, it ensures that the internal audit function is adequately resourced and has appropriate standing within Telecom Namibia.

Board of Directors (continued)

Board Committees (continued)

Audit Committee (continued)

The external auditors attend the meetings of the Audit Committee by invitation and have access to the Audit Committee Chairperson. The Company's internal audit and risk management function carries out reviews and internal control advisory activities that are aligned to the key risks in the Company's business. The function provides independent assurance to the Audit Committee on the adequacy and effectiveness of Telecom Namibia's risk management, its financial reporting process and the internal control and compliance system.

The Head of Internal Audit reports directly to the Chairperson of the Audit Committee with a dotted line of responsibility to the MD. The Directors are responsible for preparing the financial statements and other information presented in the Annual Report in a manner that fairly presents the state of affairs and the results of the operations and cash flows of Telecom Namibia and the Group. The financial statements set out on pages 48 to 97 have been prepared by management in compliance with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of the IASB and the Namibian Companies Act.

The financial statements incorporate full and reasonable disclosure and are based on appropriate accounting policies which, apart from the implementation of new and revised Standards, have been consistently applied and are supported by reasonable and prudent estimates and judgements. The external auditors are responsible for carrying out an independent examination of the financial statements in accordance with International Standards on Auditing and reporting their opinion thereon. Their report is set out on pages 48 to 97.

Telecom Namibia's external auditors carry out a review of the Company's material internal controls to their scope as laid out in their Audit Plan to comply with International Standards on Auditing. Any material non-compliance and internal control weaknesses, together with the external auditor's recommendations to address them, are reported to the Audit Committee; however no opinion is expressed by the external auditors on these controls.

Telecom Namibia's management, with the assistance of Telecom Namibia's Internal Audit, follows up on the external auditor's recommendations as part of their responsibility for reviewing the Company's system of internal controls.

The Board is responsible for the initial appointment of external auditors. The shareholder then approves the appointment at Telecom Namibia's AGM. The external auditors hold office until their removal or resignation. The Audit Committee assesses the external auditors based on factors such as the performance and quality of their audit and their independence, and then recommends their re-appointment to the Board as appropriate. At all times, the external auditors operate independent from the Audit Committee.

Information Technology (IT) Steering Committee

As Telecom Namibia is an integrated information and communications technology (ICT) service provider, an IT Steering Committee was established in August 2009, as a subcommittee of the Board, to guide the Company on IT service provisioning.

The objectives of the Committee are to:

- Provide guidance through IT Strategy on the application of IT resources in order to meet the Company's strategic objectives;
- Oversee the development of quality assurance mechanisms and monitor feedback on the quality of IT services within Telecom Namibia;
- Review and provide feedback on IT policies as they are developed or amended;
- Continuously develop the IT Architecture Plan in terms of data, applications and infrastructure;

Board of Directors (continued)

Board Committees (continued)

Information Technology (IT) Steering Committee (continued)

- Agree on IT Standards for hardware, applications and storage;
- Align future technologies to the IT Architecture Plan and approve deviations from the Plan;
- Continuously develop Telecom Namibia's vendor strategy;
- Continuously align the IT Procurement Policy to IT Standards;
- Identify skills and integration gaps before technology is procured; and
- Review and participate in the development of the Company's strategic and functional plans for information technology.

The IT Steering Committee consists of two members of the Board of Directors, the Chief Operating Officer and the Head of ICT and convenes at least quarterly. The effectiveness of the current billing system still represents a risk that influences the Company's ability to meet service order deliverables, the validity and completeness of network revenue billed to customers, debt-collection procedures. As such has it has a negative impact on the Company's reputation and revenue.

The allocation of customer payments remains a challenge and a dedicated team is tasked with clearing of the unallocated payments file. Automated controls have been implemented in the current financial year that significantly improved the identification and allocation of customer payments. The provision of doubtful debts has been appropriately adjusted to take into account the potential of non-recoverable debtors reflected in the year-end receivables balance.

Executive Committee

The EXCO is chaired by the MD/CEO and currently comprises all Executive Management members, with designated corporate staff members in attendance. It meets formally every month and informally when required. The EXCO is mandated, empowered and held accountable for implementing the strategies, business plans and policies determined by the Board; managing and monitoring the business affairs of Telecom Namibia in line with approved plans and budgets; prioritising the allocation of capital and other resources as approved by the Board and establishing best management and operating practices.

It is also responsible for structured and transparent management succession planning and the identification, development and advancement of the Company's future leaders. Also, within the EXCO's ambit is responsibility for setting operational Standards, codes of conduct and corporate ethics.

The EXCO is responsible for the following, *inter alia:*

- Implementing the strategies and policies of the Company;
- Managing the business and affairs of the Company, including finance and administration, human resources and strategic training, sales and marketing, international business ventures, ICT and corporate business solutions, strategies, special projects, network provisioning and assurance, service provisioning and assurance, internal audit and risk management functions, legal regulatory and Company secretarial functions and corporate communications and public relations;
- Prioritising the allocation of capital, technical and human resources; and
- Establishing best management practices and functional standards.

Board of Directors (continued)

Board Committees (continued)

Executive Committee (continued)

The composition of the EXCO is as follows:

T Klein	Managing Director (Appointed in an acting capacity 1 November 2014)
H Sircoulomb	Chief Human Resources Officer (Appointed 1 November 2016)
R Offner	Chief Financial Officer
Vacant	Chief Strategy Officer
L Hiwilepo	Chief Operations Officer (Appointed 25 August 2016)
C Muniswaswa	Chief Commercial Officer
A Perny	Chief Mobile Officer
B Van Der Merwe	Head: Internal Audit and Risk Management
J Buys	Head: Corporate Governance, Legal Services and Regulatory Affairs (Appointed 1 March 2016)
O Angula	Head: Corporate Communications and Public Relations

Board Committees Attendance Register

For the period 1 October 2015 to 30 September 2016:

Board of Directors	Risk Management Committee Composition – Attendance 3 meetings held during the year	HR and Compensation Committee Composition – Attendance 2 meetings held during the year	Audit Committee Composition – Attendance 3 meetings held during the year	IT Steering Committee – Attendance 3 meetings held during the year
F Veldskoen	Chairperson 3	Chairperson 2	-	-
T Klein	Member 3	Member 2	Member 3	Member 3
IP Awene	-	Member 2	Chairperson 3	Member 3 Chairperson as of 5 June 2014

Sustainability

Telecom Namibia is committed to environmental sustainability. By harnessing the scale of our network to deliver more sustainable solutions, we connect people and businesses seamlessly, increasing efficiency, minimising impacts and strengthening our connection to the world we all share.

Our environmental sustainability commitment is based on three pillars:

- Minimising our own environmental impact in our day-to-day operations;
- Ensuring that ICT products and services enable customers to increase energy efficiency and productivity while also reducing carbon emissions; and
- Harnessing our technology and innovations to develop forward-looking solutions that meet environmental needs in unique ways.

Economic Empowerment (EE)

Our EE procurement policy is the cornerstone of the Company's approach to transformation and empowerment. Telecom Namibia is committed to EE that is broad-based and we support the expanded participation of historically disadvantaged Namibians in the economy, through the procurement of goods and services from EE-listed companies.

Conflict of Interest

Telecom Namibia has a Conflict of Interest Policy that applies to all Directors, management and employees. The policy stipulates conditions that could or do constitute a conflict of interest and the primary objectives of this policy are to:

- Provide guidance on the behaviour expected of Directors, management and employees in accordance with the Company's values;
- Promote transparency and avoid business-related conflicts of interest;
- Ensure fairness in dealing with the interests of all employees, other affected individuals, and the Company;
- Document the process for disclosure, approval and review of activities that may amount to actual, potential or perceived conflict of interest; and
- Provide a mechanism for the objective review of personal outside interests.

Code of Conduct of Practice

Telecom Namibia also has a Code of Conduct and Business Ethics that applies to all employees. The Code sets out principles to guide employees in carrying out their duties and responsibilities to the highest standard of personal and corporate integrity when dealing with our competitors, customers, suppliers and the community.

The Code covers areas such as conduct in the workplace, business conduct, protection of the Company's assets, confidentiality, non-solicitation of customers and employees, conflict of interest and corporate opportunities and is posted on an internal website.

The staff manual maps out policies and standards by which employees are expected to conduct themselves in the course of their employment. In line with the values of honesty and responsibility, compliance with the Company's Code is monitored by the Head Internal Audit and Risk Management and the Company Secretary.

Ethical behaviour is reinforced throughout the Company by regular communication with employees, using a number of different communication channels.

Formal disciplinary measures are in place to deal with any identified incidents of corruption, fraud or dishonest practices or any other similar matters.

In addition to Telecom Namibia's other compliance and enforcement activities, the Reporting Hotline is in place, through which all stakeholders can report suspected theft, corruption, conflict of interest, contraventions of Telecom Namibia's Code of Conduct and Business Ethics or other reportable irregularities, with anonymity guaranteed for whistle-blowers. The Reporting Hotline number is 0800 30 16 30.

Alleged irregularities reported on the hotline are fully investigated. Some have resulted in criminal prosecution or disciplinary enquiries.

STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

The Directors are required by the Namibian Companies Act, to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in the Annual Report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of Telecom Namibia and the Group as at the end of the financial year and the results of its operations and cash flows for the year then ended.

The financial statements are prepared in accordance with International Financial Reporting Standards and the Namibian Companies Act and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates, after which the external auditors are engaged to express an independent opinion on the financial statements.

The Directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Group and they place considerable importance on maintaining a strong control environment. To enable the Directors to meet these responsibilities, the Board of Directors sets Standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The Standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk.

These controls are monitored throughout the Group and all employees are required to maintain the highest ethical standards in ensuring the Group's business is conducted in a manner that in all reasonable circumstances is above reproach.

The focus of risk management is on identifying, assessing, managing and monitoring all known forms of risk across the Group. While operating risks cannot be fully eliminated, the Group endeavours to minimise them by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed in terms of predetermined procedures within recognised constraints.

The Directors are of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The effectiveness of the current billing system still remains a risk that influences the company's ability to meet service order deliverables, validity and completeness of network revenue billed to customers, debt collection procedures. As such, it has a negative impact on the Company's reputation and revenue. PwC was appointed in April 2016 for a period of three years to develop revenue assurance controls and tools to mitigate the risk identified with the completeness and validity of revenue.

The acquisition of a new billing engine was approved and the Company entered into a service level agreement with the current vendor to ensure stability, support and continuity of the system while the acquisition of the new system is in process. The Group and Company reported comprehensive losses for the year ended 30 September 2016 of N$26 million (2015: N$56 million) and N$41 million (2015: N$84 million) respectively. Current liabilities exceeded current assets by N$682 million (2015: N$737 million) for the Group and by N$460 million (2015: N$692 million) for the Company at year-end. In line with strategic objectives, the Group aims to achieve an earnings before interest, taxes, depreciation and amortization (EBITDA) margin of 30% plus by 2020 by focusing on revenue growth, reducing operating expenses and managing capital expenditure.

The Directors have reviewed the Group's cash flow projections for the financial year 2017 as well as projections to 2020 and are satisfied that the Group will be able to return to sustainable profit levels and will access the necessary financial resources to meet its financial obligations as they fall due.

The 'going concern' basis has been adopted in the preparation of the financial statements. The Directors believe that the Group will be a going concern in the future based on an improvement in our financial performance compared with prior year and the Group's cash flow-projections for 2017 until 2020.

The financial statements have been audited by the independent external auditors, Deloitte & Touche. The external auditor was given unrestricted access to all Telecom Namibia's financial records and related data, including minutes of all meetings between the shareholders and the Board of Directors. The Directors believe that all representations made to the independent auditors during their external audit were valid and appropriate. The external auditor's report is presented on pages 47.

The financial statements set out on pages 48 to 97 were approved and authorised for issue by the Board of Directors on 14 December 2016 and are signed on their behalf by:

Chairperson

Managing Director (Acting)

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF TELECOM NAMIBIA LIMITED

We have audited the consolidated and separate financial statements of Telecom Namibia Limited, which comprise the consolidated and separate statements of financial position as at 30 September 2016; the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes as set out on pages 48 to 97.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and in the manner required by the Namibian Companies Act and for such internal controls as the Directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing.

Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated and separate financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated and separate financial statements, present fairly, in all material respects, the consolidated and separate financial position of Telecom Namibia Limited as at 30 September 2016 and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Namibian Companies Act.

Emphasis of matter

We draw attention to the matter below. Our audit opinion is not modified in respect of this matter.

Note 34 "Going concern" to the consolidated and separate financial statements indicates that the Group and Company reported a comprehensive loss for the year ended 30 September 2016 of N$26 million (2015: N$56 million) and N$ 41 million (2015: N$84 million) respectively. Current liabilities exceeded current assets by N$682 million (2015: N$737 million) for the Group and by N$460 million (2015: N$692 million) for the Company at year-end. These conditions together with the matters set out in Note 34 indicate the existence of a material uncertainty which may cast significant doubt on the Group's and Company's ability to continue as a going concern.

Deloitte & Touche

Deloitte & Touche
Registered Accountants and Auditors
Chartered Accountants (Namibia)
Per AA Akayombokwa
Partner
Windhoek
11 January 2017

STATEMENTS OF FINANCIAL POSTION AS AT 30 SEPTEMBER 2016

	Notes	Group 2016 N$'000	Restated Group 2015 N$'000	Company 2016 N$'000	Restated Group 2015 N$'000
ASSETS					
Non-current assets					
Property, plant and equipment restated	3	1 646 716	1 802 322	1 520 494	1 667 323
Intangible assets	4	131 323	107 789	107 550	82 624
Investment in subsidiary	5	--	--	--	201 329
Investment in associates	6	--	--	--	--
Finance lease receivable	8	23 250	26 106	23 250	26 106
Amounts owing by fellow subsidiaries	11	--	--	175 000	175 000
		1 801 289	1 936 217	1 826 294	2 152 382
Current assets					
Inventories	9	74 662	66 346	74 662	66 346
Trade and other receivables	10	372 683	351 022	361 127	345 436
Current tax asset	19	--	2 745	--	2 745
Derivative financial instruments	7	--	--	--	--
Amounts owing by fellow subsidiaries	11	4 285	4 028	20 595	9 773
Amounts owing by holding company	11	2 605	1 775	2 605	1 775
Short-term portion of finance lease receivable	8	11 810	12 322	11 810	12 322
Cash and cash equivalents	12	22 981	34 783	22 936	34 548
		489 026	473 021	493 735	472 945
Non-current assets classified as held for sale	13	25 836	25 836	225 836	25 836
Total current assets		514 862	498 857	719 571	498 781
Total assets		2 316 151	2 435 074	2 545 865	2 651 163

	Notes	Group 2016 N$'000	Restated Group 2015 N$'000	Company 2016 N$'000	Restated Group 2015 N$'000
EQUITY					
Capital and reserves attributable to the company's equity holders					
Share capital	14	554 530	554 530	554 530	554 530
Retained earnings		30 974	57 427	296 229	337 469
Total equity		585 504	611 957	850 759	891 999
LIABILITIES					
Non-current liabilities					
Post-retirement medical benefit obligations	15	56 880	53 931	56 880	53 931
Long-term borrowings	16	125 682	147 652	125 682	147 652
Deferred tax liabilities	17	237 010	256 812	220 425	239 780
Long-term portion of deferred revenue	20	112 644	127 030	112 644	127 030
Rental payable – straight line basis adjustment		1 191	2 066	--	--
		533 407	587 491	515 631	568 393
Current liabilities					
Trade and other payables	18	516 007	542 923	505 188	527 475
Short-term portion of long-term borrowings	16	376 384	447 991	359 033	418 584
Derivative financial instruments	7	1 662	--	1 662	--
Amounts owing to fellow subsidiaries	11	1 693	2 637	12 098	2 637
Amounts owing to holding company	11	196 793	133 694	196 793	133 694
Short-term portion of deferred revenue	20	104 701	108 381	104 701	108 381
		1 197 240	1 235 626	1 179 475	1 190 771
Total liabilities		1 730 647	1 823 117	1 695 106	1 759 164
Total equity and liabilities		2 316 151	2 435 074	2 545 865	2 651 163

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2016

	Notes	Group 2016 N$'000	Group 2015 N$'000	Company 2016 N$'000	Company 2015 N$'000
Revenue		1 532 272	1 430 829	1 517 558	1 419 762
- Sale of goods		33 768	36 584	33 768	36 584
- Services rendered		1 498 504	1 394 245	1 483 790	1 383 178
Other operating income		(4 195)	48 603	(4 195)	48 331
Distribution costs		(387 493)	(384 035)	(407 588)	(409 156)
Administrative expenses		(744 692)	(763 704)	(734 290)	(748 759)
Impairment loss		--	--	(1 364)	--
Regulatory levies	25	10 367	(21 680)	10 367	(21 680)
Other operating expenses		(407 527)	(335 588)	(398 835)	(358 835)
Operating loss	21	(1 268)	(25 575)	(18 347)	(70 337)
Finance income	22	4 687	4 463	4 687	4 463
Finance costs	22	(49 354)	(86 635)	(46 615)	(81 677)
Share of results of associates after tax	6	--	--	--	--
Loss before tax		(45 935)	(107 747)	(60 275)	(147 551)
Taxation	24	19 700	54 181	19 253	66 448
Loss for the year		(26 235)	(53 566)	(41 022)	(81 103)
Other comprehensive loss for the year net of tax		(218)	(2 825)	(218)	(2 825)
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit obligation	15	(320)	(4 217)	(320)	(4 217)
Income tax relating to items that will not be reclassified subsequently to profit or loss		102	1 392	102	1 392
Total comprehensive loss for the year		(26 453)	(56 391)	(41 240)	(83 928)
Loss for the year attributable to:					
Equity holders of the company		(26 235)	(53 566)	(41 022)	(81 103)
Total comprehensive loss for the year attributable to:					
Equity holders of the company		(26 453)	(56 391)	(41 240)	(83 928)

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2016

Consolidated

	Notes	Share capital N$'000	Retained earnings N$'000	Total N$'000
Balance at 30 September 2014 restated		154 530	113 818	268 348
Total comprehensive loss for the year		--	(56 391)	(56 391)
Loss for the year		--	(53 566)	(53 566)
Other comprehensive loss for the year		--	(2 825)	(2 825)
Issue of redeemable cumulative preference shares	14.2	400 000	--	400 000
Balance at 30 September 2015 restated		554 530	57 427	611 957
Total comprehensive loss for the year		--	(26 453)	(26 453)
Loss for the year		--	(26 235)	(24 235)
Other comprehensive loss for the year		--	(218)	(218)
Balance at 30 September 2016		554 530	30 974	585 504

No dividends were paid or declared during the year (2015:nil).

Company

	Notes	Share capital N$'000	Retained earnings N$'000	Total N$'000
Balance at 30 September 2014 restated		154 530	421 397	575 927
Total comprehensive loss for the year		--	(83 928)	(83 928)
Loss for the year		--	(81 103)	(81 103)
Other comprehensive loss for the year		--	(2 825)	(2 825)
Issue of redeemable cumulative preference shares	14.2	400 000	--	400 000
Balance at 30 September 2015 restated		554 530	337 469	891 999
Total comprehensive loss for the year		--	(41 240)	(41 240)
Loss for the year		--	(41 022)	(41 022)
Other comprehensive loss for the year		--	(218)	(218)
Balance at 30 September 2016		554 530	296 229	850 759

No dividends were paid or declared during the year (2015:nil).

STATEMENTS OF CASH FLOWS FOR THE YEAR 30 SEPTEMBER 2016

	Notes	Consolidated 2016 N$'000	Consolidated 2015 N$'000	Company 2016 N$'000	Company 2015 N$'000
Cash flow from operating activities					
Operating loss		(1 268)	(25 575)	(18 347)	(70 337)
Adjustment for :					
Post-retirement medical benefit obligations	15	5 443	4 328	5 443	4 328
Movement on derivative financial instrument	7	1 662	--	1 662	--
Loss/(profit) on scrapping of property, plant and equipment and intangible assets	21	11 847	(23 272)	11 690	(23 272)
Impairment of investment in subsidiary	5	--	--	1 364	--
Impairment of non-current assets held for sale	13	--	--	--	--
Impairment of current tax asset	19	2 745	--	2 745	--
Straight-line adjustment of rent payable		(875)	(690)	--	--
Unrealised forex gain on assets held for sale	13	--	--	--	--
Depreciation of plant & equipment	3	231 411	236 941	222 296	254 004
Amortisation of intangible assets	4	36 255	22 261	34 863	20 870
Impairment of assets		4 845	--	4 845	--
Profit on disposal of property, plant and equipment	21	--	(272)	--	--
Foreign exchange gain		(4 089)	(3 251)	(4 089)	(3 251)
Working capital changes	26	(13 891)	(54 872)	(3 452)	(91 039)
Cash generated from operations		274 085	155 598	259 020	91 303
Interest received	22	4 687	4 463	4 687	4 463
Interest paid	22	(54 992)	(93 734)	(52 253)	(88 776)
Subsidies paid on post-retirement medical benefit obligation	15	(2 814)	(2 578)	(2 814)	(2 578)
Taxation paid	19	--	--	--	--
Net cash flow from operating activities		220 966	63 749	208 640	4 412
Cash flow from investing activities					
Movement on finance lease receivable		3 368	(4 103)	3 368	1 036
Plant and equipment acquired	3	(125 279)	(137 337)	(124 784)	(136 333)
Intangible assets acquired	4	(21 369)	(27 688)	(21 369)	(27 688)
Proceeds on disposals – property, plant, equipment and intangible assets		--	65 027	--	64 755
Increase in loan to subsidiary company	5	--	--	(35)	(34)
Net cash flow used in investing activities		(143 280)	(104 101)	(142 820)	(98 264)
Cash flow from financing activities					
Proceeds from the issue of cumulative redeemable preference shares	14.2	--	400 000	--	400 000
Long term loan proceeds		--	64 206	--	64 206
Long-term loans repaid		(68 532)	(376 222)	(68 532)	(316 222)
Net cash flow used in financing activities		(68 532)	87 984	(68 532)	147 984
Net movement in cash and cash equivalents		9 154	47 632	(2 712)	54 132
Cash and cash equivalents at beginning of year		(344 676)	(395 559)	(315 504)	(372 887)
Exchange differences		4 089	3 251	4 089	3 251
Cash and cash equivalents at end of year	12	(331 433)	(344 676)	(314 127)	(315 504)

1. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these Consolidated and Company financial statements are set out below.

Basis of preparation

The financial statements are prepared in accordance with and comply with International Financial Reporting Standards (IFRS) and the Namibian Companies Act. These financial statements have been prepared on the historical cost basis as modified by the revaluation of derivative financial instruments, available-for-sale investment securities and financial assets, and liabilities held-for-trading. The principal accounting policies adopted in the preparation of these financial statements are set out below and are consistent with those of the previous year unless otherwise stated.

Property, plant and equipment

Plant and equipment are included at cost less accumulated depreciation and accumulated impairment losses. Cost includes all costs directly attributable to bringing the assets to working condition for their intended use. Capital work-in-progress is carried at cost less any recognised impairment loss. Depreciation of these assets, on the same basis as other plant and equipment commences when the assets are ready for their intended use. All other fixed assets, including capitalised leased assets, are depreciated at rates calculated to write off the cost of the assets on a straight-line basis over their expected useful lives. Minor items of plant and equipment, individually costing less than N$1 000 are expensed in full in the year of acquisition in profit and loss.

Appropriate direct labour and development costs are capitalised to capital work-in-progress.

Depreciation is recorded by a charge to operating profit or loss computed on a straight-line basis so as to write off the cost of the assets to their residual values over their expected useful lives. The estimated useful lives, residual values and depreciation method are reviewed at each year-end, with the effect of any changes in estimate accounted for on a prospective basis. Rates of depreciation currently applied are as follows:

• Motor vehicles	20%
• Furniture and fittings	10% - 33.3%
• Computer equipment	33.3%
• Telecommunication installations and equipment	2.22% - 20%
• Leasehold improvements	20%

Gains and losses on disposal or retirement of plant and equipment are determined by reference to the proceeds and their carrying amounts and are taken into account in determining profit and loss.

Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. It includes certain costs of purchase and installation of major IT systems (including packaged software), frequencies, spectrum and the ‘085’ number.

Intangible assets are initially recognised at cost if acquired separately or internally generated or at fair value as part of a business combination. If assessed as having an indefinite useful life, the intangible asset is not amortised but tested for impairment annually and impaired if necessary. If assessed as having a finite useful life, it is amortised over its useful life (generally three to seven years) using a straight-line basis and tested for impairment if there is an indication that they may be impaired.

The frequencies, spectrum and the ‘085’ number are amortised over 20 years.

Software and licences are amortised over 3 years.

Research costs are recognised in profit or loss when incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products or processes, is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete the development. The expenditure capitalised includes the cost of material, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the profit and loss in the period in which it is incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other subsequent expenditure is expensed when incurred. Amortisation is charged to profit and loss on a straight-line basis over the estimated useful lives of the intangible assets. Amortisation commences when the project generating the intangible assets has been completed.

Non-current assets held for sale

Non-current assets or disposal groups are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition.

1. Summary of significant accounting policies (continued)

Non-current assets held for sale (continued)

Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated and any equity-accounted investee is no longer equity accounted.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication of impairment. If such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or disposal groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and written down to its recoverable amount. Impairment losses are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and includes transport and handling costs. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs, but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business less the costs of completion and selling expenses. Where necessary, provision is made for obsolete, slow moving and defective inventories.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The liability for current tax is calculated using tax rates that have been enacted, or substantively enacted, by the reporting date.

Deferred tax

Deferred tax is recognised on differences between carrying amounts of assets and liabilities in the financial statements and the recognised tax bases used in the computation of taxable profit and are accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with the investments in subsidiaries and associates except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and that they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted, or substantively enacted, by the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Financial Instruments

Initial recognition and measurement

All financial instruments, including derivative instruments, are recognised on the Statements of financial position. Financial instruments are initially recognised when the Group becomes party to the contractual terms of the instruments and are measured at cost, which is the fair value of the consideration given (financial asset) or received (financial liability or equity instrument) for it.

1. Summary of significant accounting policies (continued)

Financial instruments (continued)

Initial recognition and measurement (continued)

Financial liabilities and equity instruments are classified according to the substance of the contractual agreement on initial recognition. Subsequent to initial recognition these instruments are measured as set out below.

Fair value methods and assumptions

The fair value of financial instruments traded in an organised financial market are measured at the applicable quoted prices, adjusted for any transaction costs necessary to realise the assets or settle the liabilities.

The fair value of financial instruments not traded in an organised financial market are determined using a variety of methods and assumptions that are based on market conditions and risks existing at reporting date, including independent appraisals and discounted cash flow methods. The fair value determined is adjusted for any transaction costs necessary to realise the assets or settle the liabilities.

The carrying amounts of financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values due to the short-term trading cycle of these items.

De-recognition of assets and liabilities

Financial assets (or a portion thereof) are de-recognised when the Group realises the rights to the benefits specified in the contract, the rights expire or the Group surrenders or otherwise loses control of the contractual rights that comprise the financial asset. On de-recognition, the difference between the carrying amount of the financial asset and proceeds receivable and any prior adjustment to reflect fair value that has been reported in equity are included in profit or loss.

Financial liabilities (or a portion thereof) are de-recognised when the obligation specified in the contract is discharged, cancelled or expires. On derecognition, the difference between the carrying amount of the financial liability, including related unamortised costs, and amounts paid for it are included in profit and loss.

Effective interest rate method

The effective interest rate method is a method of calculating the amortised cost of a financial instrument and of allocating the interest income/expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments/receipts through the expected life of the financial instrument, or, where appropriate, over a shorter period.

Financial assets

Financial assets are classified into the following categories: financial assets as at fair value through profit or loss (FVTPL), held to maturity investments, available-for-sale (AFS) financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The Company's and the Group's principal financial assets are Group-Company loans, investments and loans advanced, trade and other receivables and bank and cash balances.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or is designated as at FVTPL. Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturity dates that the Group has positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest rate method less impairment, with revenue recognised on an effective yield basis.

Available-for-sale financial assets

Unlisted shares held by the Group, whose fair value cannot be reliably determined, are classified as being AFS and are stated at cost. These assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition of the asset, the estimated future cash flows of the investment have been impacted.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest rate method less any impairment. Interest income is recognised by applying the effective interest rate except for short-term receivables, when the recognition of interest would be immaterial.

1. Summary of significant accounting policies (continued)

Financial instruments (continued)

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. Trade and other receivables originated by the Group are stated at their cost less a provision for impairment.

An estimate of impairment is made based on a review of all outstanding amounts at reporting date, and posted against a provision account. When the trade receivable is uncollectible, it is written off against the provision account. Bad debts are written off during the period in which they are identified. For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions that correlate with the default on receivables.

For financial assets measured at amortised cost, 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 through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Bank and cash balances

Bank and cash balances represent funds on call and short-term deposits, all of which are available to the Group unless otherwise stated.

Classification of debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity, in accordance with the substance of the contract agreement.

Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities. The Group's principal financial liabilities are interest-bearing debt, non-interest-bearing debt, trade and other payables, bank overdrafts and other short-term borrowings.

Financial liabilities at FVTPL

Financial liabilities are classified as FVTPL where the financial liability is either held for trading or is designated as at FVTPL. The Group has no financial liabilities held for trading under this category. A financial liability is classified as held for trading if:

- It has been incurred principally for the purpose of repurchasing in the near future; or
- It is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

Other financial liabilities

Interest-bearing debt

Interest-bearing debt is recognised at amortised cost, namely original debt less principal repayments and amortisations.

Non-interest-bearing debt

Non-interest-bearing debt is recognised at original debt less principal repayments.

Trade and other payables

Trade and other payables are stated at cost.

Bank overdrafts and other short-term borrowings

Interest-bearing bank overdrafts and other short-term borrowings are recorded at the proceeds received, net of direct issue costs.

1. Summary of significant accounting policies (continued)

Financial instruments (continued)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Compound instruments

The component part of compound instruments issued by the Group is classified separately as financial liabilities and equity, in accordance with the substance of the contractual arrangements and the definitions of a financial liability and equity instrument. At the date of issue, the fair value of the liability component is estimated using the prevailing market rates for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The conversion option classified as equity will be determined by deducting the amount of the liability component from the fair value of the compound instruments as a whole.

This is recognised and included in equity, net of income tax effects, and is not subsequently re-measured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised. No gain or loss is classified in profit and loss upon conversion or expiration of the conversion option.

Derivative financial instruments

Derivative financial instruments, principally forward foreign exchange contracts, interest rate and currency swap agreements are used by the Group in its management of financial risks. The Group's objective in using derivative financial instruments is to reduce the uncertainty over future cash flows arising from movements in currency and interest rates. The risks being hedged are exchange losses due to unfavourable movements between the Namibian dollar and foreign currencies and the movements in interest rates. Currency and interest exposure is managed within Board approved policies and guidelines. As a matter of principle, the Group does not enter into derivative contracts for speculative purposes.

Derivative financial instruments are initially recorded at cost and are re-measured at subsequent reporting dates. The fair value of foreign exchange contracts, interest and currency rate swaps represent the estimated amounts the Group would receive, should the contracts be terminated at the reporting date, thereby taking into account the unrealised gains or losses.

Cash and cash equivalents

Cash and cash equivalents are carried in the Statements of financial position at cost. For the purpose of Statement of cash flows', cash and cash equivalents comprise cash on hand, deposits held at call with banks and investments in money market instruments, net of bank overdrafts. In the Statements of financial positions, bank overdrafts are included in borrowings under Current liabilities.

Provisions and contingent liabilities

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

Contingent liabilities are disclosed when there is either a:

- possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the period in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the Statements of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred, or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan, based on prevailing market interest rates.

1. Summary of significant accounting policies (continued)

Leases

A Group company is the lessee

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. All other leases are classified as finance leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

A Group company is the lessor

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised when significant risks and rewards of ownership are transferred to the lessee.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term.

Dividends

Dividends are recorded in the Group's financial statements in the period in which they are declared by the Board of Directors.

Post-employment benefit costs

Retirement benefits

It is the policy of the Group to provide retirement benefits for its employees, the assets of which are held in a separate trustee administered fund. The contribution paid by the companies in the Group to fund obligations for the payment of retirement benefits is charged to profit or loss in the year it is incurred. The Napotel Pension Fund, which is a defined contribution fund, covers all the Company employees and is governed by the Namibian Pension Funds Act.

Powercom (Pty) Ltd is a participating employer of the Benchmark Retirement Fund, administered by Retirement Fund Solutions, which is a defined contribution fund governed by the Namibian Pension Funds Act.

Defined contribution plans

Contributions in respect of defined contribution plans are recognised as an expense in the year to which they relate.

Medical benefits

Qualifying employees in the Group's companies are entitled to certain post-retirement medical benefits. The Group's obligation for post-retirement medical aid benefits to past and current employees is actuarially determined in respect of current and retired employees and is provided for in full.

The cost of providing the benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each reporting date. The movement has been expensed in profit or loss.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration receivable, excluding discounts, rebates, and other sales taxes or duty.

The following specific recognition criteria must also be met before revenue is recognised:

Post-paid products

Post-paid products may include deliverables such as a SIM card, a handset and a fixed period service and are defined as arrangements with multiple deliverables.

The arrangement consideration is allocated to each deliverable based on the fair value of each deliverable on a standalone basis as a percentage of the aggregated fair value of the individual deliverables.

Revenue allocated to the identified deliverables in each revenue arrangement and the cost applicable to these identified deliverables are recognised based on the same recognition criteria of the individual deliverable at the time the product or service is delivered.

- Revenue from connect packages, which include activations, SIM cards and phones, is recognised over the period of the contract.
- Revenue from SIM cards, representing activation fees, is recognised upon activation of the SIM card by the post-paid customer.
- Revenue from handsets is recognised when the product is delivered.
- Monthly service revenue received from the customer is recognised in the period in which the service is rendered.
- Airtime revenue is recognised on the usage basis.

1. Summary of significant accounting policies (continued)

Revenue (continued)

Pre-paid products

Pre-paid products may include deliverables such as a SIM card, a handset and airtime and are defined as arrangements with multiple deliverables. The arrangement consideration is allocated to each deliverable based on the fair value of each deliverable on a standalone basis as a percentage of the aggregated fair value of the individual deliverables. Revenue allocated to the identified deliverables in each revenue arrangement and the cost applicable to these identified deliverables are recognised based on the same recognition criteria of the individual deliverable at the time the product or service is delivered.

- Revenue from SIM cards, representing activation fees, is recognised upon activation of the SIM card by the pre-paid customer.
- Airtime revenue is recognised on the usage basis. The unused airtime is deferred in full. Deferred revenue related to unused airtime is recognised when utilised by the customer.

Upon termination of the customer contract, all deferred revenue for unused airtime is recognised in revenue. Deferred revenue and costs related to un-activated starter packs, which do not contain any expiry date, are recognised in the period when the probability of these starter packs being activated becomes remote.

Data service revenue

Revenue from data services (net of discounts) is recognised when the Group has performed the related service and depending on the nature of the service, is recognised either at the gross amount billed to the customer or the amount receivable by the Group as commission for facilitating the service. Prepayments received for services rendered are deferred and released to profit and loss as services are rendered.

Sale of equipment

Revenue from equipment sales is recognised when the product is delivered and acceptance by the customer has taken place. Revenue from equipment sales to third party service providers is recognised when delivery is accepted. No rights of return exist on sale to third party service providers. Prepayments received for the sale of goods are deferred until such time as the product is delivered and acceptance has taken place.

Other revenue and income:

Interconnect and international revenue

Interconnect and international revenue is recognised on the usage basis.

Interest

Revenue is recognised as interest accrues on a time basis by reference to the principal outstanding and using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Rental income

Rental income arising from leasing out space on the Group's base stations to other operators on an operating lease basis as well as rental of other equipment is recognised on a straight-line basis over the lease term.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and enterprises controlled by the Company. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders, or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

1. Summary of significant accounting policies (continued)

Basis of consolidation (continued)

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control over the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the holding Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control over the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Company. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Costs directly attributable to the acquisition are recognised in profit or loss as incurred. Identifiable assets acquired and liabilities that meet the conditions for recognition, and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Inter-Company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated and considered an impairment indicator of the asset transferred. Where necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies in line with those used by other members of the Group.

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20 per cent and 50 per cent of the voting rights. An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or when the investment is classified as held for sale.

On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The investment (including goodwill) is tested for impairment when necessary by comparing its recoverable amount (the higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

The Group's share of its associates' post-acquisition profits or losses and other comprehensive income is recognised in profit or loss and other comprehensive income and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group. Dilution gains and losses arising in investments in associates are recognised in profit and loss.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/ associate at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed in subsequent periods.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

1. Summary of significant accounting policies (continued)

Basis of consolidation (continued)

Goodwill (continued)

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to other assets of the unit pro rata, based on the carrying amount of each asset in the unit.
Any impairment loss for goodwill is recognised directly in profit or loss.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised as the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Foreign currency translation:

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated and separate financial statements are presented in Namibian dollars (N$) rounded to the nearest thousand, which is the Group's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale are included in the available-for-sale reserve in equity.

Borrowing costs

Borrowing costs that relate to acquisition, construction or production of qualifying assets (i.e. those assets which take a considerable period of time before they are ready for sale or their intended use) are capitalised as part of the costs of those assets. Any interest earned on borrowed funds pending application on the qualifying assets' construction, production or acquisition is set off against the borrowing costs ultimately capitalised as part of the cost of the qualifying asset. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are expensed when incurred.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience as well as other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed below:

Allowance for doubtful debts

Each debtor is assessed to determine recoverability of debt. Provision is made for all those debtors where evidence indicates that recoverability is doubtful. Accounts are written off when they are delinquent.

The allowance for doubtful debts at 30 September 2016 was: N$162 million (2015: N$ 121 million) for the Group and N$160 million (2015: N$113 million) for the Company.

1. Summary of significant accounting policies (continued)

Critical accounting estimates and judgments (continued)

Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The fair value of non-traded instruments is determined by applying the prevailing market discount rate on the nominal value of the instrument. The Johannesburg Interbank Agreed Rate (Jibar) used to determine the fair value of the loan at 30 September 2015 was 7.4 per cent. Details of the fair value of financial instruments are disclosed in Note 31.

Useful lives and residual values of property, plant and equipment

Plant and equipment are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments of property, plant and equipment consider issues such as future market conditions, the remaining life of the asset and projected disposal values. During the course of the year under review, a detailed assessment was done on the useful lives of the telecommunications network assets. The useful life of the fixed-line billing software was extended from three years to five years to more appropriately reflect the current condition and use of the assets. The reassessment resulted in a reduction of depreciation of N$12 million in the current year.

Useful lives and residual values of intangible assets

The actual lives and residual values of intangible assets are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation are taken into account. Residual value assessments of intangible assets consider issues such as future market conditions, the remaining life of the asset and projected disposal values. During the year an assessment was done on the useful life and residual value of the intangible asset of N$27.8 million attributable to the '085' number, frequency and spectrum obtained from Powercom (Proprietary) Ltd. The current useful life and residual value of the intangible asset considering technological factors and current market conditions was assessed to be appropriate and no changes were deemed necessary in 2016 (2015: nil).

Provision for post-retirement medical aid benefits

Post-retirement medical aid benefit provision is based on an actuarial valuation performed by independent actuaries. The discount rate used is based on the current long-term bond yield, gross of tax. All actuarial gains and losses are recognised in full. Details of the discount rates used are disclosed in Note 15.

Unallocated deposits

Telecom Namibia implemented a new billing system during the 2014 financial year and severe challenges were experienced with its implementation, which resulted in a backlog in the allocation and clearing of customer payments. Total unallocated receipts from customers as at year-end amounted to N$64 million (2015: N$33 million). Significant judgment was used by management to determine the ageing of the receipts at year-end and this ageing was included in the calculation of the provision for doubtful debts at year-end. Changes in the assumptions in treatment of the ageing of the unallocated receipts may result in changes in the provision for doubtful debts.

Impairment of property, plant and equipment

Property, plant and equipment are considered for impairment, if there is a reason to believe that impairment may be necessary. Factors taken into consideration in reaching such a decision include the economic viability of the asset itself and where it is a component of a larger economic unit, the viability of the unit itself. Future cash flows expected to be generated by the assets are projected, taking into account market conditions and the expected useful lives of the assets. The present value of these cash flows, determined using an appropriate discount rate, is compared to the current net asset value and, if lower, the assets are impaired to the present value. An impairment loss of N$5 million (2015: nil) was recognised on assets during the 2016 financial year.

Impairment of intangible assets

Intangible assets with finite lives are amortised over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The intangible asset of N$27.8 million attributable to the '085' number, frequency and spectrum obtained from Powercom (Pty) Ltd was assessed for impairment considering the existing benefits obtained from the asset, market conditions and technological factors. The carrying amount of the asset was considered to be lower than its recoverable amount and therefor no impairment loss was raised in 2016 (2015: nil).

Going concern

Key assumptions were made concerning the future when management performed the assessment for going concern at year-end. Details of the going concern assumptions are reflected in Note 34.

Assets held for sale

Investment in Communitel (and ultimately in Neotel Proprietary Limited)

Neotel Proprietary Limited holds the second telecommunications fixed line operator licence in South Africa. Telecom Namibia holds an effective interest in this company of 10.5 per cent (2015: 10.5%) and has so far invested an amount of N$428 million (2015: N$428 million) in this venture as part of its capital contribution as an indirect shareholder. Accumulative interest earned and other costs incurred on the inter-Group shareholder's loans amounted to N$99 million (2015: N$99 million).

1. Summary of significant accounting policies (continued)

Critical accounting estimates and judgments (continued)

Assets held for sale (continued)

Investment in Communitel (and ultimately in Neotel Proprietary Limited) (continued)

K2016272836 (South Africa) (Proprietary) Limited (Liquid Telecom) completed a due diligence exercise on Neotel (Pty) Ltd and made a formal offer to purchase 100% of equity stake during the 2016 financial year, an offer which was accepted by all shareholders. A purchase agreement was entered into between all the parties and the Competition Commission of South Africa approved the transaction with no extra conditions. Approval from the Telecommunication Regulator in South Africa is pending and it is envisaged that the sale will be concluded in the 2017 financial year.

The sale of 100% equity of Communitel Telecommunications (Proprietary) Limited is expected to yield N$200 million and an impairment loss of N$1.4 million (2015: nil) was raised against the cost of the ordinary share investment in the subsidiary in the current year. At a Group level, in prior years, the accumulated share of losses of N$527 million has been equity accounted for, reducing the carrying value of the investment to nil.

This investment was classified as an asset held for sale (see Note 13) at 30 September 2016.

Mundo Startel (MST)

Telecom Namibia concluded a sale agreement of its 44% shareholding in Mundo Startel (MST) Angola in September 2012. The implementation of the agreement of sale was completed in 2013. During the 2014 financial year, the Group and Company received a payment of N$5.1 million in respect of the purchase price agreed and decided to impair the remaining USD 1.5 million (amounting to N$16.9 million) because of the uncertainty of the ability regarding the acquirer to settle the amount and the difficulty encountered in enforcing the Company's rights and obligations in Angola.

The sale of MST Angola was reflected as an asset held for sale as the factors and or circumstances preventing the sale from being completed were not within management's and Telecom Namibia's control.

Property, plant and equipment

The Group entered into a USD8 million agreement with ZTE Corporation of China for the sale of its code-division multiple access (CDMA) equipment with a net book value of N$62 million, as part of the supply and installation of the GSM/LTE/4G network agreement during the current financial year. The sale of the assets is dependent on capital investment in the GSM network and at year-end, a portion of the assets (58%), with a carrying amount of N$36 million, was deemed sold.

The remaining portion of the assets (42%), with a carrying amount of N$26 million was classified as held for sale at 30 September 2016. There was no impairment loss recognised on the reclassification of the equipment as held for sale as the fair value less costs to sell is higher than the carrying amount.

Preference shares

Forty million redeemable cumulative preference shares of N$10 each were issued to Namibia Post and Telecom Holdings Limited. In determining the liability component of the compound instrument, management has reviewed the future profitability forecasts and the approved 2016 business plan of the Company to determine the likelihood of a dividend being declared.

The telecommunications industry is a rapidly evolving sector and any trading forecasts beyond three years carry a high degree of uncertainty and unpredictability. The Company performed well below forecast for the years 2013 to 2016 and will be taking a more conservative outlook in its 5-year business plan (2017 to 2020). The outlook will be reviewed in 2017.

There is also a clear drive from the regulator to reduce tariffs charged by the Company and such reductions will have a bearing on gross profit margins. The Company does not have the same absolute flexibility to drive down overheads as private operators, as the ultimate shareholder, the Government, does not support a reduction in the labour force for the purpose of maintaining or growing profits.

This difficult situation that the Company finds itself in is evident from the Going concern disclosure (Note 34) as well as the emphasis of matter paragraph on the same issue in the auditor's opinion. Due to the historic loss trend and the uncertainty that future profits will be available for Telecom Namibia to declare dividends, the liability portion is estimated to be zero (or a number that is not materially different from zero).

The liability portion of the preference shares could not be reliably determined and the instrument has been classified as equity in full.

Regulatory levy

The Communications Regulatory Authority of Namibia (CRAN) implemented a levy of 1.5% on total turnover in September 2012. Telecom Namibia challenged CRAN regarding the basis on which the levy is calculated and was successful, with the High Court giving its ruling in September 2016 that the levy was unlawful and unconstitutional.

The Company recognises that a levy will be charged and significant judgement was used by management to determine the basis for calculating the levy at 1% of only those revenue streams that need a licence from CRAN. CRAN is in the process of appealing the judgement and the difference between the levy of 1.5% of total turnover and 1% of licensable income was raised as a contingent liability, as disclosed in Note 30.

2 Segment information

2.1 Products and services from which reportable segments derive their revenues

Information reported to the Managing Director for the purposes of resource allocation and assessment of segment performance focuses on types of goods and services delivered/provided.

Operating segments are reported in a manner consistent with internal reporting.

The Group's reportable segments under IFRS 8 are as follows;

Voice

- Post-paid services
  - Line rental
  - Value-added services
  - Calls
  - VSAT
  - CDMA voice
  - Telephone installations
  - ISDN
- Pre-paid services
  - Fixed voice
- Interconnection
  - Local
  - International

Mobile

- Mobile voice (post-paid and pre-paid)
- Mobile data (EVDO)
- GSM

Data

- Backhauling services: mobile operators
- Digicon services: mobile operators
- Telematics
- International/national express routes
- Metro Ethernet
- Foreign income: data services

IP services

- Internet access services
- Broadband access networks, fixed and mobile
- IP/MPLS

Infrastructure and others

- Customer premises equipment
- Directories
- Site sharing and co-location
- Structural cabling and indoor/outdoor extensions

IT services

- iWay services
- Fax to e-mail service
- E-mail to fax service

2. Segment information (continued)

2.2 Segment revenue and results

The following is an analysis of the Group's revenue and results from existing operations by reportable segments:

	Segment revenue 2016 N$'000	Segment revenue 2015 N$'000	Segment profit 2016 N$'000	Restated Segment profit 2015 N$'000
Voice	399 055	407 433	322 861	312 937
Mobile	108 254	170 526	65 517	124 050
Data	372 569	265 508	305 711	251 274
Infrastructure and others	138 865	124 431	83 349	84 680
IP services	503 339	439 534	362 066	307 593
IT services	10 190	23 397	2 430	16 321
Total	**1 532 272**	**1 430 829**	**1 141 934**	**1 096 855**
Other operating income			(4 195)	48 603
Administrative expenses			(745 248)	(526 560)
Impairment loss			--	--
Regulatory levies			10 367	(21 680)
Other operating expenses			(404 126)	(622 793)
Operating loss			**(1 268)**	**(25 575)**
Finance income			4 687	4 463
Finance costs			(49 354)	(86 635)
Share of results of associate after tax			--	--
Loss before taxation			(45 935)	(107 747)
Taxation			19 700	54 181
Loss for the year			**(26 235)**	**(53 566)**

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2015: nil).

The accounting policies of the reportable segments are the same as those of the Group. Segment profits represent the profit generated by each segment and exclude the allocation of central administration costs, Directors' salaries, share of profits of associate, investment income, finance costs and income tax expense.

2.3. Segment assets and liabilities

The Group's assets are utilised by all segments in generating the respective segments' revenue streams. As such they are incapable of being allocated to any specific operating segments. Similarly, borrowings are utilised for the whole Group's operations and cannot be definitively allocated to any operating segments.

No segmentation is therefore provided for the Group's assets and liabilities.

2.4. Geographical information

The Group operates in Namibia and has no segments in any other geographical area.

3. Property, plant and equipment

Consolidated	Telecommunication installations and equipment N$'000	Furniture and fittings N$'000	Computer equipment N$'000	Capital work-in-progress N$'000	Motor vehicles N$'000	Leasehold improvements N$'000	Total N$'000
Year ended 30 September 2016							
Cost							
Opening balance	3 694 005	41 467	4 475	78 599	753	1 062	3 820 361
Additions	69 119	4 260	1 308	50 592	--	--	125 279
Capitalised borrowing costs	--	--	--	5 638	--	--	5 638
Scrappings	(37 897)	(1 302)	(1 070)	(157)	(191)	--	(40 617)
Transfer to intangible assets	--	--	--	(39 921)	--	--	(39 921)
Transfers between asset classes	30 406	--	--	(30 741)	--	335	--
Closing balance	3 755 633	44 425	4 713	64 010	562	1 397	3 870 740
Accumulated depreciation							
Opening balance	1 979 464	35 650	1 872	--	753	300	2 018 039
Depreciation charge	226 841	2 330	1 985	--	--	255	231 411
Impairment losses recognised in profit or loss	4 845	--	--	--	--	--	4 845
Depreciation on scrappings	(27 723)	(1 292)	(1 065)	--	(191)	--	(30 271)
Closing balance	2 183 427	36 688	2 792	--	562	555	2 224 024
Closing book value	1 572 206	7 737	1 921	64 010	--	842	1 646 716
Opening book value	1 714 541	5 817	2 603	78 599	--	762	1 802 322

Consolidated	Telecommunication installations and equipment N$'000	Furniture and fittings N$'000	Computer equipment N$'000	Capital work-in-progress N$'000	Motor vehicles N$'000	Leasehold improvements N$'000	Total N$'000
Year ended 30 September 2015							
Cost							
Opening balance restated	3 549 243	42 412	6 239	215 632	753	343	3 814 622
Additions	106 561	85	138	30 553	--	--	137 337
Capitalised borrowing costs	--	--	--	7 099	--	--	7 099
Scrappings	(118 822)	(2 324)	(1 881)	(5)	--	--	(123 032)
Transfer to intangible assets	--	--	--	(524)	--	--	(524)
Reclassified as held for sale (Note 13)	(35 123)	--	--	--	--	--	(35 123)
Reclassified as property, plant and equipment (Note 13)	19 982	--	--	--	--	--	19 982
Transfers between asset classes	172 164	1 294	(21)	(174 156)	--	719	--
Closing balance	3 694 005	41 467	4 475	78 599	753	1 062	3 820 361
Accumulated depreciation							
Opening balance restated	1 825 208	34 823	1 043	--	753	121	1 861 948
Depreciation charge	230 988	3 088	2 686	--	--	179	236 941
Depreciation on scrappings	(77 436)	(2 261)	(1 857)	--	--	--	(81 554)
Reclassified as held for sale (Note 13)	(9 287)	--	--	--	--	--	(9 287)
Reclassified as property, plant and equipment (Note 13)	9 991	--	--	--	--	--	9 991
Closing balance	1 979 464	35 650	1 872	--	753	300	2 018 039
Closing book value	1 714 541	5 817	2 603	78 599	--	762	1 802 322
Opening book value	1 724 035	7 589	5 196	215 632	--	222	1 952 674

3. Property, plant and equipment

Company	Telecommunication installations and equipment N$'000	Furniture and fittings N$'000	Computer equipment N$'000	Capital work-in-progress N$'000	Motor vehicles N$'000	Land and Leasehold improvements N$'000	Total N$'000
Year ended 30 September 2016							
Cost							
Opening balance	3 515 201	46 582	4 476	73 731	753	--	3 640 743
Additions	69 060	4 242	1 308	50 174	--		124 784
Capitalised borrowing costs	--	--	--	5 638	--	--	5 638
Scrappings	(37 897)	(1 302)	(1 070)	--	(191)	--	(40 460)
Transfer to intangible assets	--	--	--	(39 921)	--	--	(39 921)
Transfers between asset classes	30 403	2	--	(30 740)	--	335	--
Closing balance	3 576 767	49 524	4 714	58 882	562	335	3 690 784
Accumulated depreciation							
Opening balance	1 930 000	40 792	1 875	--	753	--	1 973 420
Depreciation charge	217 993	2 318	1 985	--	--	--	222 296
Impairment losses recognised in profit or loss	4 845	--	--	--	--	--	4 845
Depreciation on scrappings	(27 723)	(1 292)	(1 065)	--	(191)	--	(30 271)
Closing balance	2 125 115	41 818	2 795	--	562	--	2 170 290
Closing book value	1 451 652	7 706	1 919	58 882	--	335	1 520 494
Opening book value	1 585 201	5 790	2 601	73 731	--	--	1 667 323

Company	Telecommunication installations and equipment N$'000	Furniture and fittings N$'000	Computer equipment N$'000	Capital work-in-progress N$'000	Motor vehicles N$'000	Land and Leasehold improvements N$'000	Total N$'000
Year ended 30 September 2015							
Cost							
Opening balance restated	3 372 443	47 555	6 239	209 017	753	--	3 636 007
Additions	106 554	57	139	29 583	--		136 333
Capitalised borrowing costs	--	--	--	7 099	--	--	7 099
Reclassified as held for sale (Note 13)	(35 123)	--	--	--	--	--	(35 123)
Scrappings	(118 822)	(2 324)	(1 881)	(5)	--	--	(123 032)
Reclassified as property, plant and equipment (Note 13)	19 983	--	--	--	--	--	19 983
Transfer to intangible assets	--	--	--	(524)	--	--	(524)
Transfers between asset classes	170 166	1 294	(21)	(171 439)	--	--	--
Closing balance	3 515 201	46 582	4 476	73 731	753	--	3 640 743
Accumulated depreciation							
Opening balance restated	1 758 478	39 989	1 045	--	753	--	1 800 265
Depreciation charge	248 253	3 064	2 687	--	--	--	254 004
Reclassified as held for sale (Note 13)	(9 287)	--	--	--	--	--	(9 287)
Depreciation on scrappings	(77 436)	(2 261)	(1 857)	--	--	--	(81 554)
Reclassified as property, plant and equipment (Note 13)	9 992	--	--	--	--	--	9 992
Closing balance	1 930 000	40 792	1 875	--	753	--	1 973 420
Closing book value	1 585 201	5 790	2 601	73 731	--	--	1 667 323
Opening book value	1 613 965	7 566	5 194	209 017	--	--	1 835 742

Telecommunications equipment with a carrying amount of N$5.6 million (2015: N$16 million) has been pledged as security for the loan from the Development Bank of Namibia (Note 16). In addition, the Group's obligations under finance leases (Note 16) are secured by the lessor's title to the leased assets, which have a carrying amount of N$42 million (2015: N$47 million).

	Consolidated 2016 N$'000	Consolidated 2015 N$'000	Company 2016 N$'000	Company 2015 N$'000
4. Intangible assets				
Cost				
Software and licences	255 410	195 621	255 410	195 621
Frequency, spectrum and number '085'	27 832	27 832	--	--
	283 242	223 453	255 410	195 621
Accumulated amortisation				
Software and licences	147 860	112 997	147 860	112 997
Frequency, spectrum and number '085'	4 059	2 667	--	--
	151 919	115 664	147 860	112 997
Closing book value				
Software and licences	107 550	82 624	107 550	82 624
Frequency, spectrum and number '085'	23 773	25 165	--	--
	131 323	107 789	107 550	82 624
Movement of intangible assets				
Opening book value	107 789	101 843	82 624	75 287
Additions from separate acquisitions	21 369	27 688	21 369	27 688
Disposals	(1 501)	(5)	(1 501)	(5)
Transfer from plant and equipment	39 921	524	39 921	524
Amortisation	(36 255)	(22 261)	(34 863)	(20 870)
Closing book value	131 323	107 789	107 550	82 624

Amortisation is included in operating expenses in the Statements of comprehensive income.

There were no encumbrances on any of the Company's and Group's intangible assets.

On 28 November 2012, Telecom Namibia acquired the entire shareholding of Powercom (Pty) Ltd for N$2. At the acquisition date, an intangible asset of N$27.8 million attributable to the '085' number, frequencies and spectrum obtained from Powercom (Pty) Limited was raised on consolidation. The expected useful life was assessed to be 20 years which commenced on the date when the CBS billing system was fully implemented in Telecom Namibia.

	Company 2016 N$'000	Company 2015 N$'000
5. Investment in subsidiaries		
Summary of investments:		
Shares at cost		
- Ordinary shares	12 744	12 744
- Preference shares	125 000	125 000
Loans advanced	583 745	583 642
Impairment	(340 584)	(339 220)
Reclassified as held for sale (Note 13)	(200 000)	--
Net investment	180 905	382 166
Directors' valuation of unlisted investment	180 905	382 166
Reflected as follows:		
Long-term		
Investment in subsidiary	--	201 329
Amounts owing by fellow subsidiaries (Note 11)	175 000	175 000
	175 000	376 329
Short-term		
Amounts owing by fellow subsidiaries (Note 11)	16 310	5 837
Amounts owing to fellow subsidiaries (Note 11)	10 405	--

Telecom Namibia reviewed its long and short-term classification of the Powercom (Pty) Ltd loan and increased the long-term portion from N$60 million to N$175 million to support Powercom (Pty) Ltd and enable the subsidiary to settle its debts and obligations during the normal course of business. Comparative figures in the Statements of financial position were reclassified to improve the disclosure of the financial statements.

	Company 2016 N$'000	Company 2015 N$'000
5. Investment in subsidiaries (continued)		
Reconciliation of movements		
Opening balance	382 166	339 263
Loans advanced	103	42 903
Impairment charge	(1 364)	--
Reclassified as held for sale (Note 13)	(200 000)	--
Closing balance	180 905	382 166
5.1 Investment in Communitel Telecommunications (Proprietary) Limited:		
Ordinary shares	--	--
Opening balance	12 744	12 744
Impairment charge	(12 744)	(12 744)
Preference shares	125 000	125 000
Loans	75 000	76 329
Opening balance	76329	76295
Advanced during the year	35	34
Impairment charge	(1 364)	--
Reclassified as held for sale (Note 13)	(200 000)	--
Balance at end of year	--	201 329

Telecom Namibia holds a 100% interest in Communitel Telecommunications (Proprietary) Limited, an investment holding company. The subsidiary is registered in the Republic of South Africa with an issued share capital of 40 ordinary shares of ZAR 1.00 each. The loans advanced are interest free and have no fixed terms of repayment. The preference shares are redeemable and attract a cumulative coupon rate equivalent to 75% of the prevailing Standard Bank South Africa prime lending rate. The subsidiary, Communitel (Pty) Ltd holds a 20.6% (2015: 20.6%) interest in an associate, Sepco Communications (Proprietary) Limited which is registered in the Republic of South Africa. Sepco in turn holds 51% of the shares in Neotel (Pty) Ltd, a company that is licensed to provide information, communication and technology services in South Africa.

K2016272836 (South Africa) (Proprietary) Limited (Liquid Telecom) completed a due diligence exercise on Neotel (Pty) Ltd and made a formal offer to purchase 100% of the equity stake during the 2016 financial year, an offer that was accepted by all shareholders. A purchase agreement was entered into between all the parties and the Competition Commission of South Africa approved the transaction with no extra conditions.

Approval from the Telecommunication Regulator in South Africa is pending and it is envisaged that the sale will be concluded in the 2017 financial year. The sale of 100% equity in Communitel (Pty) Ltd is expected to yield N$200 million and an impairment loss of N$1.4 million (2015: nil) was raised against the cost of the ordinary share investment in the subsidiary. At a Group level, in prior years the accumulated share of losses of N$527 million has been equity accounted for, reducing the carrying value of the investment to nil.

This investment was reclassified as an asset held for sale (see Note 13) at 30 September 2016.

	Company 2016 N$'000	Company 2015 N$000
5.2 Investment in Powercom (Proprietary) Limited:		
Disclosed as related party loans (Note 11)		
Non-current assets	175 000	175 000
Current assets	16 310	5 837
Current liabilities	(10 405)	--
	180 905	180 837

On 28 November 2012, Telecom Namibia acquired a 100% interest in Powercom (Proprietary) Limited, a mobile telecommunication services company for N$2. The subsidiary is registered in Namibia with an issued share capital of 1 400 ordinary shares of N$0.01 each. There was no goodwill on acquisition of Powercom (Pty) Ltd as all the proceeds were allocated to the fair value of the assets. Telecom Namibia has provided a letter of ongoing support to the subsidiary and has subordinated the shareholder's debt on acquisition of the subsidiary in favour of the creditors of the subsidiary.

The Namibian Competition Commission approved the acquisition of Powercom (Pty) Ltd on the condition that Namibia Post and Telecom Holdings Limited (NPTH) is unbundled two years after the acquisition of Powercom (Pty) Ltd. Cabinet approved the dismantling of NPTH and KPMG was appointed by NPTH to assist with the winding up of its operations.

	Consolidated 2016 N$'000	Consolidated 201 N$'000	Company 2016 N$'000	Company 2015 N$'000
6. Investment in associates				
Summary of investments:				
Shares at cost				
- Ordinary shares	--	--	--	--
- Preference shares	527 434	527 434	--	--
Share of results	(527 434)	(527 434)	--	--
Net investment	--	--	--	--
Directors' valuation of unlisted investment	200 000	201 329	--	--

6.1 Investment in Mundo Startel SARL:

The Company holds a 44% interest in an associate, Mundo Startel SARL, registered in the Republic of Angola. Its principal business activities are the provision of telecommunication and information technology services to the public and private sectors in Angola. This investment was reclassified as an investment held for sale (see Note 13).

6.2 Investment in Sepco Communications (Proprietary) Limited:

The subsidiary, Communitel Telecommunications (Proprietary) Limited holds a 20.6% (2015: 20.6%) interest in an associate, Sepco Communications (Proprietary) Limited which is registered in South Africa. Sepco in turn holds 51% of the shares in Neotel (Pty) Ltd, a company that is licensed to provide information, communication and technology services in the Republic of South Africa. During 2012, the shareholders loans were repaid and Class B preference shares were subscribed to. The associate is accounted for using the equity method in these consolidated financial statements.

K2016272836 (South Africa) (Proprietary) Limited (Liquid Telecom) completed a due diligence exercise on Neotel (Pty) Ltd and made a formal offer to purchase 100% of the equity stake during the 2016 financial year, an offer that was accepted by all shareholders. A purchase agreement was entered into between all the parties and the Competition Commission of South Africa approved the transaction with no extra conditions. Approval from the Telecommunication Regulator in South Africa is pending and it is envisaged that the sale will be concluded in the 2017 financial year.

The sale of 100% equity in Communitel (Pty) Ltd is expected to yield N$200 million and an impairment loss of N$1.4 million (2015: nil) was raised against the cost of the ordinary share investment in the subsidiary. At a Group level, in prior years the accumulated share of losses of N$527 million has been equity accounted for, reducing the carrying value of the investment to nil.

	Consolidated 2016 N$'000	Consolidated 2015 N$'000	Company 2016 N$'000	Company 2015 N$'000
Comprising:				
Ordinary shares at cost		--	--	--
Preference shares at cost	527 435	527 435	--	--
Share of results	(527 435)	(527 435)	--	--
	--	--	--	--
Set out below is the summarised unaudited financial information of the associate, Neotel (Pty) Ltd as at 30 September 2016:				
Non-current assets	3 887 000	4 453 000	--	--
Current assets	1 687 000	1 943 000	--	--
Non-current liabilities	(3 941 000)	(4 339 000)	--	--
Current liabilities	(8 263 000)	(3 534 000)	--	--
Revenue	1 911 000	2 014 000	--	--
Loss after tax for the year	221 000	90 000	--	--

7. Derivative financial instruments

Derivatives that are designated and effective as hedging instruments carried at fair value:

Foreign currency forward contracts	1 662	--	1 662	--
Reflected as follows:				
Short-term assets	--	--	--	--
Short-term liabilities	1 662	--	1 662	--

	Consolidated 2016 N$'000	Consolidated 2015 N$'000	Company 2016 N$'000	Company 2015 N$'000
8. Finance lease receivable				
Minimum lease payments				
Not later than 1 year	11 811	12 958	11 811	12 958
Later than 1 year and not later than 5 years	25 038	27 379	25 038	27 379
	36 849	40 337	36 849	40 337
Unearned future finance income on finance leases	(1 789)	(1 909)	(1 789)	(1 909)
Net investment in finance leases	35 060	38 428	35 060	38 428
Present value of minimum lease payments				
Not later than 1 year	11 810	12 322	11 810	12 322
Later than 1 year and not later than 5 years	23 250	26 106	23 250	26 106
	35 060	38 428	35 060	38 428

The Group provides PABX's equipment for rental to customers on a finance lease basis for 5 year periods. Lease rentals are based on the prevailing prime lending rate. The Group provides handset sales to customers on a finance lease basis for a period of 24 months. The disclosed information relates to these arrangements with customers, which were assessed to be finance leases in terms of IAS17.

9. Inventories

	Consolidated 2016 N$'000	Consolidated 2015 N$'000	Company 2016 N$'000	Company 2015 N$'000
Materials for installations	65 840	58 499	65 840	58 499
Goods for resale	17 510	16 708	17 510	16 708
Less: provision for impairment	(8 688)	(8 861)	(8 688)	(8 861)
	74 662	66 346	74 662	66 346

The cost of inventories recognised as an expense during the year was N$115 million (2015: N$108 million). There were no write-downs on inventory to net realisable value in the current year (2015: nil) and no reversals recognised in respect of such write downs.

10. Trade and other receivables

	Consolidated 2016 N$'000	Consolidated 2015 N$'000	Company 2016 N$'000	Company 2015 N$'000
Trade receivables	498 444	450 776	485 216	438 962
Provision for impairment	(162 007)	(121 442)	(159 559)	(112 591)
Net trade receivables	336 437	329 334	325 657	326 371
Other debtors	564	2 439	564	578
Net receivables disclosed as financial instruments	337 001	331 773	326 221	326 949
Prepayments	35 682	19 249	34 906	18 487
	372 683	351 022	361 127	345 436
Provision for impairment of receivables				
Opening balance	121 442	87 511	112 591	78 707
Amount written off in the current year	(31 560)	(2 913)	(22 810)	(2 913)
Provision for impairment charged to the income statement	72 125	36 844	69 778	36 797
Closing balance	162 007	121 442	159 559	112 591

The creation and release of the provision for impaired receivables has been included as part of the bad debts in profit or loss. Amounts charged to the allowance are written off when there is no expectation of recovery of additional cash from the defaulting debtors. Other classes of receivables within Trade and other receivables do not contain any impaired assets. The maximum exposure to credit risk in respect of the receivables at reporting date is limited to the fair value of each class of the receivables at reporting date. The major credit risk that arises from the Group's receivables is disclosed in Note 31.

	Consolidated 2016 N$'000	Consolidated 2015 N$'000	Company 2016 N$'000	Company 2015 N$'000
10. Trade and other receivables (continued)				
An analysis of trade receivable amounts past due and not impaired are as follows:				
60 days	66 895	84 969	65 766	84 931
90 days	3 498	2 352	--	2 325
120 days	40 688	89 640	39 373	78 306
	111 081	176 961	105 139	165 562
An analysis of trade receivable amounts impaired are as follows:				
The aging of impaired receivables is as follows:				
90 days	2 581	18 158	2 581	18 158
120 days	166 262	103 284	156 978	94 433
	168 843	121 442	159 559	112 591

11. Related party transactions

The Group is controlled by Namibia Post and Telecom Holdings Limited (incorporated in Namibia) which owns 100% of the Group's shares. The ultimate shareholder of the Group is the Government of the Republic of Namibia. Namibia Post and Telecom Holdings Limited is the Group's holding company while Namibia Post Limited and Mobile Telecommunications Limited are fellow subsidiaries.

The relationship with Neotel (Pty) Ltd and Powercom (Pty) Ltd is disclosed in Notes 5 and 6 to the financial statements. All the other companies are related parties of the ultimate shareholder.

Only significant transactions for State-Owned Enterprises were disclosed. Transactions for Local Authorities were not disclosed as the amounts were deemed to be immaterial. Details of the Company's and Group's transactions with the subsidiaries and associates are reflected in Notes 5 and 6.
Details of the Company's and Group's transactions with the Pension Fund are reflected in Note 29.

	Consolidated 2016 N$'000	Consolidated 2015 N$'000	Company 2016 N$'000	Company 2015 N$'000
The following transactions were carried out with related parties:				
i) Sales of services				
Namibia Post Ltd	2 557	2 742	2 557	2 742
Mobile Telecommunications Ltd	67 175	90 562	67 175	80 365
Namibia Post and Telecom Holdings Ltd	480	480	480	480
Neotel (Pty) Ltd	4 202	5 122	4 202	5 122
Powercom (Pty) Ltd	--	--	--	--
ii) Purchases of services				
Namibia Post Ltd	6 377	6 175	6 377	6 175
Mobile Telecommunications Ltd	21 190	21 646	21 190	21 646
Namibia Post and Telecom Holdings Ltd	108 275	98 994	108 275	98 994
Neotel (Pty) Ltd	15 495	24 014	15 495	24 014
Powercom (Pty) Ltd	--	--	41 639	41 836

	Consolidated 2016 N$'000	Consolidated 2015 N$'000	Company 2016 N$'000	Company 2015 N$'000
11. Related party transactions (continued)				
ii) Purchases of services				
Other related parties				
NamPower (Pty) Ltd	7 127	5 889	7 127	5 889
Namibia Airports Company Ltd	277	119	277	119
Namibia Broadcasting Corporation	2 748	4 114	2 748	4 114
TransNamib Holdings Ltd	172	268	172	268
iii) Outstanding balances arising from sales of goods/services				
Current assets				
Amounts owing by fellow subsidiaries				
Namibia Post Ltd	1 018	--	1 018	--
Mobile Telecommunications Ltd	3 192	2 348	3 192	2 256
Neotel (Pty) Ltd	75	1 680	75	1 680
Powercom (Pty) Ltd (Note 5.2)	--	--	16 310	5 837
	4 285	4 028	20 595	9 773
Amounts owing by holding company				
Namibia Post and Telecom Holdings Ltd	2 605	1 775	2 605	1 775
Cash and cash equivalents				
Namibia Post Ltd	535	32	535	32
iv) Outstanding balances arising from sales of goods/services				
Current liabilities				
Amounts owing to fellow subsidiaries				
Mobile Telecommunications Ltd	327	340	327	340
Neotel (Pty) Ltd	1 366	2 297	1 366	2 297
Powercom (Pty) Ltd (Note 5.2)	--	--	10 405	--
	1 693	2 637	12 098	2 637
Amounts owing to holding company				
Namibia Post and Telecom Holdings Ltd	196 793	133 694	196 793	133 694

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the current or prior year for bad or doubtful debts in respect of the amounts owed by related parties.

iv) Outstanding balances arising from sales of goods/services				
Non-current assets				
Powercom (Pty) Ltd (Note 5.2)	--	--	175 000	175000

Telecom Namibia does not expect repayment of the loan within the next 12 months. The loan is unsecured and interest free. Telecom Namibia reviewed its long and short-term classification of the Powercom (Pty) Ltd loan and increased the long-term portion from N$60 million to N$175 million to support Powercom (Pty) Ltd and enable the subsidiary to settle its debts and obligations during the normal course of business. Comparative figures in the Statements of financial position were reclassified to improve the disclosure of the financial statements.

vi) Suretyships

- The Group grants housing loan guarantees to all employees based on employee grade and level of remuneration. These guarantees are in turn secured against the respective employees' pensions. There were no guarantees issued in respect of key management housing loans.
- Letter of support from the Government of the Republic of Namibia for short-term facilities at Standard Bank Namibia Limited.

11. Related party transactions (continued)

vi) Suretyships (continued)

- Letter of support from the Government of the Republic of Namibia for a loan from the Development Bank of Namibia granted to Telecom Namibia in 2009.
- A bank overdraft facility from Standard Bank Namibia Limited for N$10 million was signed on 12 June 2013 by Powercom (Pty) Ltd. In November 2013, this facility was increased to N$30 million under the same terms and conditions and in September 2016, the facility was decreased to N$20 million. The facility is guaranteed by Telecom Namibia and is repayable upon demand. The balance outstanding on the overdraft facility at 30 September 2016 was N$17.4 million (2015: N$29.4 million) leaving an unused amount of N$2.6 million (2015: N$600 000).
- Telecom Namibia has agreed to support Powercom (Pty) Ltd for the financial year ended 30 September 2016 so as to enable Powercom (Pty) Ltd to settle its debts and obligations in the ordinary course of business.

vii) Key management compensation

Key management comprises of the Chief Executive Officers of the various operating divisions of the Group as set out on page 9. The remuneration of key management is determined by the Human Resources and Compensation Committee of the Board of Directors and is reviewed on an annual basis.

	Consolidated 2016 N$'000	Consolidated 2015 N$'000	Company 2016 N$'000	Company 2015 N$'000
Salaries and other short-term employee benefits	13 770	14 128	13 185	11 780
Other long-term benefits	--	--	--	--
	13 770	14 128	13 185	11 780
viii) Directors emoluments				
Non-executive Directors	536	624	518	624
- for services as Directors	454	435	436	435
- other Directors expenses	82	189	82	189
Executive Director				
- for managerial services	166	176	166	176
- salary and other short-term employee benefits	166	176	166	176
- other long-term benefits	--	--	--	--
	702	800	684	800

12. Cash and cash equivalents

	Consolidated 2016 N$'000	Consolidated 2015 N$'000	Company 2016 N$'000	Company 2015 N$'000
Bank balances	20 265	29 702	20 220	29 467
Cash on hand	2 716	5 081	2 716	5 081
	22 981	34 783	22 936	34 548
Cash and cash equivalents for the purposes of the Statements of cash flows include the following:				
Cash and cash equivalents	22 981	34 783	22 936	34 548
Bank overdrafts (Note 16)	(354 414)	(379 459)	(337 063)	(350 052)
	(331 433)	(344 676)	(314 127)	(315 504)

Certain comparative figures in the Statements of financial position were reclassified to improve the disclosure of the financial statements. A bank account used for supplier payments of N$48 million (2015: N$50 million) was classified under Trade payables in the previous financial year while in the current year it has been classified under Bank overdrafts.

The effect of the reclassification is disclosed in Note 32.

Telecom Namibia has an Angolan bank account with a balance of USD499 934 (N$6 975 331) at year-end. The balance on this bank account was USD499 999 (N$6 974 986) at the end of the 2015 financial year. Access to funds is currently restricted as they are subject to Angolan exchange control regulations. The Company is in the process of repatriating the funds with the assistance of Standard Bank Namibia.

Details of securities for overdrafts are disclosed in Note 16.

	Consolidated 2016 N$'000	Consolidated 2015 N$'000	Company 2016 N$'000	Company 2015 N$'000
13. Non-current assets classified as held for sale				
Investment in associate	--	--	--	--
Investment in subsidiary	--	--	200 000	--
Property, plant and equipment	25 836	25 836	25 836	25 836
	25 836	25 836	225 836	25 836

The Group had made a formal decision to dispose of its 44% shareholding in an associate, Mundo Startel in the 2011 financial year. During the 2014 financial year, the Group and Company received a payment of N$5.1 million in respect of the purchase price agreed and decided to impair the remaining N$16.9 million because of the uncertainty surrounding of the ability of the acquirer to settle the amount and the difficulty encountered to enforce the Company's rights and obligations in Angola.

	Consolidated 2016 N$'000	Consolidated 2015 N$'000	Company 2016 N$'000	Company 2015 N$'000
Property plant and equipment				
Opening balance	25 836	9 991	25 836	9 991
Transferred from property, plant and equipment (Note 3)	--	25 836	--	25 836
Transferred to property, plant and equipment (Note 3)	--	(9 991)	--	(9 991)
Investment in subsidiary	--	--	200 000	--
	25 836	25 836	225 836	25 836

GSM equipment

The Group intended to dispose of outdated Global System for Mobile Communications (GSM) equipment (with a carrying value of N$10 million) and the related assets were classified as held for sale at 30 September 2014. During the 2015 financial year, the Group had a change in intention, decided not to sell the equipment but to use it in the current GSM network. The assets were consequently reclassified as property, plant and equipment in the 2015 financial year.

CDMA equipment

The Group entered into a USD8 million agreement with ZTE Corporation of China for the sale of its code-division multiple access (CDMA) equipment with a net book value of N$62 million, as part of the supply and installation of the GSM/LTE/4G network agreement during the current financial year. The sale of the assets is dependent on capital investment in the GSM network and at year-end, a portion of the assets (58%), with a carrying amount of N$36 million, was deemed sold. The remaining portion of the assets (42%), with a carrying amount of N$26 million was classified as held for sale at 30 September 2016. There was no impairment loss recognised on the reclassification of the equipment as held for sale as the fair value less costs to sell is higher than the carrying amount.

Investment in subsidiary

K2016272836 (South Africa) (Proprietary) Limited (Liquid Telecom) completed a due diligence exercise on Neotel (Pty) Ltd and made a formal offer to purchase 100% of the equity stake during the 2016 financial year, an offer that was accepted by all shareholders. A purchase agreement was entered into between all the parties and the Competition Commission of South Africa approved the transaction with no extra conditions. Approval from the Telecommunication Regulator in South Africa is pending and it is envisaged that the sale will be concluded in the 2017 financial year. The sale of 100% equity in Communitel (Pty) Ltd is expected to yield N$200 million and an impairment loss of N$1.4 million (2015: nil) was raised against the cost of the ordinary share investment in the subsidiary. At a Group level, in prior years the accumulated share of losses of N$527 million has been equity accounted for, reducing the carrying value of the investment to nil. This investment was reclassified as an asset held for sale (see Note 5) at 30 September 2016.

	Consolidated 2016 N$'000	Consolidated 2015 N$'000	Company 2016 N$'000	Company 2015 N$'000
14. Share capital				
Issued capital comprises:				
154 529 936 ordinary shares of N$1 each	154 530	154 530	154 530	154 530
40,000,000 redeemable cumulative preference shares of N$10 each	400 000	400 000	400 000	400 000
	554 530	554 530	554 530	554 530
14.1 Ordinary share capital				
Authorised				
200 000 000 ordinary shares of N$1 each	200 000	200 000	200 000	200 000

14. Share capital (continued)

14.1 Ordinary share capital (continued)

	Consolidated 2016 N$'000	Consolidated 2015 N$'000	Company 2016 N$'000	Company 2015 N$'000
Issued				
154 529 936 fully paid ordinary shares of N$1 each	154 530	154 530	154 530	154 530

The unissued ordinary shares are under the control of the Directors until the next AGM.

14.2 Redeemable cumulative preference shares

	Consolidated 2016 N$'000	Consolidated 2015 N$'000	Company 2016 N$'000	Company 2015 N$'000
Authorised and issued				
40 000 000 fully paid redeemable cumulative preference shares of N$10 each	400 000	400 000	400 000	400 000

	Number of shares '000	Share capital N$'000
Opening balance at 1 October 2015	40 000	400 000
Issue of shares	--	--
Closing balance at 30 September 2016	40 000	400 000

Forty million redeemable cumulative preference shares of N$10 each were issued to Namibia Post and Telecom Holdings Limited. Cumulative preference dividends are payable on a minimum of 25% of after tax profits. The shares are redeemable after a period of ten years at the discretion of the Company provided that any accrued dividends are paid in full. The redeemable preference shares were classified as equity. The liability component of the instrument could not be determined and details of management judgement on the classification of preference shares are disclosed in Note 1. The redeemable cumulative preference shares have voting rights.

15. Post-retirement medical benefit obligations

The Group provides post-employment benefits by way of a medical aid scheme to all employees who joined the Group prior to 1 April 2007.

Medical scheme:

During the prior year, the Group extended an offer to employees to apply for buy-out of the amounts due to them in terms of the scheme. The arrangement entailed employees receiving an amount equivalent to their respective liabilities in lieu of forfeiting the medical subsidies due to them and their dependents upon retirement from Telecom Namibia or death in service.

The Group continues to pay two-thirds of total contributions towards the medical scheme when certain qualifying employees become redundant, disabled or when an employee retires. The liability created in terms of IAS 19 amounts to N$56.880 million (2015: N$53.931 million). The effective date of valuation of the liability is 30 September 2016 and the next date of valuation is 30 September 2017.

The projected unit credit valuation method has been used to determine the past-service liabilities at the valuation date and the projected annual expense in the year following the valuation date. The methods used in preparing the sensitivity analysis did not change compared with the previous period. Changes in assumptions were accepted as reasonable.

	Consolidated 2016 N$'000	Consolidated 2015 N$'000	Company 2016 N$'000	Company 2015 N$'000
The principal actuarial assumptions used for accounting purposes were:				
- Real rate of return	1%	1%	1%	1%
- Discount rate	9.97%	9.46%	9.97%	9.46%
- Healthcare cost inflation	9.05%	8.59%	9.05%	8.59%
- Expected average retirement age (yrs)	58	58	58	58
- Normal retirement age (yrs)	60	60	60	60
	N$'000	N$'000	N$'000	N$'000
Opening balance	53 931	47 964	53 931	47 964
Current service cost	436	436	436	436
Interest cost (Note 22)	5 007	3 892	5 007	3 892
Subsidies paid	(2 814)	(2 578)	(2 814)	(2 578)
Actuarial loss	320	4 217	320	4 217
Closing balance	56 880	53 931	56 880	53 931

	Consolidated 2016 N$'000	Consolidated 2015 N$'000	Company 2016 N$'000	Company 2015 N$'000
15. Post-retirement medical benefit obligations (continued)				
Present value of unfunded liability:	56 880	53 931	56 880	53 931
Reflected as follows:				
Short-term liability	--	--	--	--
Long-term liability	56 880	53 931	56 880	53 931
	56 880	53 931	56 880	53 931
The amounts recognised in profit or loss is as follows:				
Current service cost	436	436	436	436
Interest cost (Note 22)	5 007	3 892	5 007	3 892
Subsidies paid	(2 814)	(2 578)	(2 814)	(2 578)
	2 629	1 750	2 629	1 750
The amounts recognised in other comprehensive income are as follows:				
Actuarial loss	320	4 217	320	4 217
	320	4 217	320	4 217

Particulars in respect of the current employee members who belong to the medical aid for which the Group has a post-retirement medical aid liability as at the investigation date are as follows:

Number of employees at 30 September	54	55	54	55
Average age (years)	47	47	47	47

Details of the current pensioner members belonging to the medical aid are as follows:

Number of pensioners	214	214	214	214
Average age (years)	63	63	63	63

The effect of a 1% movement in the assumed medical cost inflation rate on the aggregate of the current service cost and interest cost would be as follows:	N$'000	N$'000	N$'000	N$'000
Increase to	6 603	6 262	6 603	6 262
Decrease to	5 289	4 771	5 289	4 771

The effect of a 1% movement in the assumed medical cost inflation rate on the accumulated post-employment benefit obligation for medical costs would be as follows:

	N$'000	N$'000	N$'000	N$'000
Increase to	64 945	61 428	64 945	61 428
Decrease to	50 533	47 721	50 533	47 721

16. Long-term borrowings

Secured

Finance lease liability	47 652	57 184	47 652	57 184

Telecom Namibia entered into a finance sale and leaseback agreement with Channel Capital in October 2014 for an amount of N$64 million over a 5 year lease period. The lease is repayable in monthly installments of N$1.8 million at a monthly interest rate of 1.9%.

The Group's obligations under finance leases are secured by the lessor's title to the leased assets (Note 3), which have a carrying amount of N$42 million (2015: N$47 million).

	Consolidated 2016 N$'000	Consolidated 2015 N$'000	Company 2016 N$'000	Company 2015 N$'000
16. Long-term borrowings (continued)				
Unsecured				
Development Bank of Namibia	100 000	105 000	100 000	105 000

Telecom Namibia received a loan amounting to N$120 million from the Development Bank of Namibia in December 2009. The loan is for a period of 11 years and attracts interest at the prevailing First National Bank of Namibia prime lending rate less 2.50% per annum (2015: First National Bank of Namibia Prime Lending Rate less 2.50% per annum).

The loan is unsecured, has a 2 year grace period on capital repayment and is repayable in varying instalment amounts commencing on 31 January 2013. Telecommunications equipment with a carrying amount of N$5.6 million (2015: N$16 million) has been pledged as security for the loan (Note 3).

Telecom bonds	--	54 000	--	54 000

Telecom Namibia registered loan stocks bearing interest at fixed and floating rates ranging between 8.09% and 10.70% p.a. (2014: 8.09% and 10.70%).
Interest on the bonds was payable quarterly and bi-annually.
The bonds were issued as part of Telecom Namibia's Bond Programme approved by the Namibian Stock Exchange (NSX) for the raising of capital amounting to N$600 million (2015: N$600 million).

The N$54 million bond matured in February 2016 and was redeemed in full.

	Consolidated 2016 N$'000	Consolidated 2015 N$'000	Company 2016 N$'000	Company 2015 N$'000
Total loans	147 652	216 184	147 652	216 184
Less: Short-term portion transferred to current liabilities	(21 970)	(68 532)	(21 970)	(68 532)
	125 682	147 652	125 682	147 652
Maturity of non-current borrowings				
No later than 1 year	21 970	68 532	21 970	68 532
Later than 1 year and not later than 5 years	125 682	117 652	125 682	117 652
More than 5 years	--	30 000	--	30 000
	147 652	216 184	147 652	216 184
Details of short-term borrowings				
Bank overdrafts	354 414	379 459	337 063	350 052
Current portion of interest bearing borrowings	21 970	68 532	21 970	68 532
	376 384	447 991	359 033	418 584

Certain comparative figures in the Statements of financial position were reclassified to improve the disclosure of the financial statements. A bank account used for supplier payments of N$48 million (2015: N$50 million) was classified under Trade payables in the previous financial year while in the current year it has been classified under Bank overdrafts.

The effect of the reclassification is disclosed in Note 32.

Bank overdrafts are secured as disclosed below.

	Consolidated 2016 N$'000	Consolidated 2015 N$'000	Company 2016 N$'000	Company 2015 N$'000
16. Long-term liabilities (continued)				
Pre-hedging				
The interest rate exposure pre-hedging activities of borrowings is as follows:				
At fixed rates	--	10 000	--	10 000
At floating rates	--	149 000	--	149 000
	--	159 000	--	159 000
Post-hedging				
The interest rate exposure post hedging activities of borrowings is as follows:				
At fixed rates	--	10 000	--	10 000
At floating rates	--	149 000	--	149 000
	--	159 000	--	159 000
Finance lease liability				
No later than 1 year	21 716	21 716	21 716	21 716
Later than 1 year and not later than 5 years	45 242	66 956	45 242	66 956
Total	66 958	88 672	66 958	88 672
Less: future finance charges	(19 306)	(31 488)	(19 306)	(31 488)
Present value of lease payments	47 652	57 184	47 652	57 184

Securities for short-term borrowings

Nedbank Namibia Limited

- Overdraft facility of N$145 million. Interest is charged at prime less 2%.
- The facility is unsecured and expired on 11 November 2016. The facilities are in the process of being termed out to a 5 year loan with a fixed capital and interest repayment schedule.
- Details of facilities post year-end are disclosed in Note 33.

First National Bank of Namibia Limited

- Direct short-term facility of N$50 million. Interest is charged at prime less 1%.
- Direct short-term facility of N$96 million. Interest is charged at prime less 2%.
- Direct First Card facilities of N$238 000.
- Pre-settlement facility of N$10 million.
- Wesbank long-term facilities of N$10 million.
- Wesbank short-term facilities of N$2 million.
- Fleet card facilities of N$2.5 million.
- The above mentioned facilities will be reviewed on 30 September 2017.
- Details of facilities post year-end are disclosed in Note 33.

Standard Bank Namibia Limited

- Overdraft facility of N$50 million. Interest is charged at prime less 1%.
- FEC facility of N$60 million.
- Guarantee of N$15 779 to China Jiangsu.
- Guarantee of N$76 377 to Namibia Development Corporation.
- Spot of N$30 million.
- Guarantee by the bank of N$1 million.
- EFT's salaries of N$35 million.
- EFT's debit orders of N$23 million.
- EFT's Iway collection of debit orders of N$2 million.
- Negative pledge not to cede debtors or stock to any other lender, or to give any other security without prior consent from the bank.
- Details of facilities post year-end are disclosed in Note 33.

Details of unutilised facilities are disclosed in Note 31.

17. Deferred tax

Deferred income taxes are calculated on all temporary differences under the comprehensive method using a principal tax rate of 32% (2013: 32%).

The movement on the deferred tax account is as follows:

	Consolidated 2016 N$'000	Consolidated 2015 N$'000	Company 2016 N$'000	Company 2015 N$'000
Opening balance	256 812	312 385	239 780	307 620
Credited to the income statement:	(19 700)	(54 181)	(19 253)	(66 448)
- current year movement timing differences	(19 700)	(44 492)	(19 253)	(57 141)
- effect of change in tax rate	--	(9 689)	--	(9 307)
Charged to other comprehensive income	(102)	(1 392)	(102)	(1 392)
Closing balance	237 010	256 812	220 425	239 780
Deferred tax liabilities may be analysed as follows:				
Capital allowances	506 690	521 167	490 105	504 135
Prepayments	11 169	5 916	11 169	5 916
Provisions	(45 115)	(36 074)	(45 115)	(36 075)
Stock consumptions and packaging material	(2 778)	(2 815)	(2 778)	(2 815)
Derivatives	(532)	--	(532)	--
Advance income	(42 299)	(58 058)	(42 299)	(58 058)
Accrued income	--	2 024	--	2 024
Tax loss	(175 076)	(157 045)	(175 076)	(157 045)
Finance lease liability	(15 049)	(18 303)	(15 049)	(18 303)
	237 010	256 812	220 425	239 780

18. Trade and other payables

	Consolidated 2016 N$'000	Consolidated 2015 N$'000	Company 2016 N$'000	Company 2015 N$'000
Trade payables	394 375	415 317	390 629	406 017
Levies payable to Communications Regulatory Authority of Namibia	52 034	62 400	52 034	62 400
Unpresented cheques	71	165	71	165
Net payables disclosed as financial instruments	446 480	477 882	442 734	468 582
VAT payable	13 291	12 879	10 342	11 286
Import VAT liability	3 940	3 940	--	--
Leave pay accrual	52 296	48 222	52 112	47 607
	516 007	542 923	505 188	527 475

The average credit period for the Group is 60 days. The Group has financial risk management policies and procedures in place to make certain that all payables are paid off upon expiry of the credit timeframe agreed with the relevant suppliers.

Certain comparative figures in the Statements of financial position were reclassified to improve the disclosure of the financial statements. A bank account used for supplier payments of N$48 million (2015: N$50 million) was classified under Trade payables in the previous financial year while in the current year it has been classified under Bank overdrafts.

The effect of the reclassification is disclosed in Note 32.

	Consolidated 2016 N$'000	Consolidated 2015 N$'000	Company 2016 N$'000	Company 2015 N$'000
19. Current tax				
Opening balance	2 745	2 745	2 745	2 745
Charge for the year	--	--	--	--
Taxation paid	--	--	--	--
Amounts written off	(2 745)	--	(2 745)	--
Closing balance	--	2 745	--	2 745
20. Deferred revenue				
Directorate of Civil Aviation (DCA)	5 974	8 822	5 974	8 822
Ministry of Home Affairs and Immigration	334	1 840	334	1 840
Ministry of Mines and Energy	1 207	1 836	1 207	1 836
Ministry of Information and Communication Technology	1 559	--	1 559	--
Ministry of Trade and Industry	581	581	581	581
Ministry of Health and Social Services	3 916	3 916	3 916	3 916
Ministry of Finance	--	2 940	--	2 940
Ministry of Defence	5 352	6 724	5 352	6 724
Office of the Prime Minister	10 773	10 773	10 773	10 773
Office of the President	--	595	--	595
Ministry of Works and Transport	6 136	3 043	6 136	3 043
Other	1 339	--	1 339	--
Botswana Fibre Networks (Bofinet)	84 107	83 208	84 107	83 208
Mobile Telecommunications Ltd	1 355	1 614	1 355	1 614
Government of the Republic of Namibia (WACS)	21 207	33 386	21 207	33 386
Advanced rental	70 056	70 081	70 056	70 081
Unused airtime	3 449	6 052	3 449	6 052
	217 345	235 411	217 345	235 411
Reflected as follows				
Long-term liabilities	112 644	127 030	112 644	127 030
Short-term liabilities	104 701	108 381	104 701	108 381
	217 345	235 411	217 345	235 411

Telecom Namibia received funds from the DCA and in terms of the underlying agreement, Telecom Namibia will apply the money received towards the construction of towers and optic fibre links for use by the DCA. Upon completion of the project, ownership of the assets will vest in Telecom Namibia which in turn, is expected to render services to the DCA in lieu of and to the extent of, the prepayment received and applied towards project costs. The prepayment received will be released to profit and loss as the services are rendered. N$2.8 million was off-set against services in 2016 and the balance at year-end was N$6.0 million (2015: N$8.8 million).

Telecom Namibia received N$31 million (2015: N$32 million) from the various ministries for projects. The funds received will be applied against future invoices billed by Telecom Namibia once the services are rendered to the respective ministry.

N$2.6 million was received from Mobile Telecommunications Limited during 2012 in respect of a prepayment towards the construction of an optic fibre network. An amount of N$452 000 was released to profit and loss for services rendered during the period. Telecom Namibia receives rental from customers one month in advance of rendering the underlying goods and services.

The Government of the Republic of Namibia transferred its exclusive capacity in WACS to Telecom Namibia for the amount of N$66 million in 2013. The amount included a loan restructuring of N$39 million with Namibia Post and Telecom Holdings Limited and a N$27 million contribution to WACS from the Government of the Republic of Namibia in exchange for free or reduced cost services. Telecom Namibia will apply the money received towards services rendered to the Government of the Republic of Namibia. N$8 million was used for the installation of equipment (a portion was released in the current year); the remaining N$58 million will be offset against internet usage and maintenance for a period of approximately five years. N$12.2 million was off-set against services in 2016 and the balance at year-end was N$21 million (2015: N$33 million).

Telecom Namibia entered into an agreement with Bofinet to provide connectivity related to backhauling services for a period of ten years commencing on 1 January 2014 for a contract value of USD 8 314 916. A deposit of USD 1 164 088 was paid in advance on 1 January 2014 and the remainder of the contract amount is payable in monthly installments of USD 305 480 over a period of 24 months. Maintenance charges of N$19 247 are included in the monthly installment. Total instalments received from Bofinet for services not yet rendered were N$84 million at the end of September 2016 (2015: N$83 million).

21. Operating loss

	Consolidated 2016 N$'000	Consolidated 2015 N$'000	Company 2016 N$'000	Company 2015 N$'000
Operating loss is arrived at after the following items:				
Auditor's remuneration				
- Audit fees - current year	2 648	2 860	2 175	2 250
- Audit fees - prior year	--	824	--	824
- Audit fees - other services	32	58	32	58
Depreciation of plant and equipment	231 411	236 941	222 296	254 004
Amortisation of intangible assets	36 255	22 261	34 863	20 870
Profit on disposal of property, plant and equipment	--	(272)	--	--
Loss on scrapping of property, plant and equipment and intangible assets	11 847	(23 272)	11 690	(23 272)
Staff costs (Note 23)	496 929	495 500	492 006	490 150
Advertising and promotions	33 443	42 608	33 391	42 392
International settlements	182 631	186 510	182 631	186 510
Operating lease expenses				
- Vehicles	22 910	22 360	22 910	22 360
- Office machines	3 341	2 601	3 314	2 601
- Tower rentals related party	27 000	20 316	37 093	30 694
Penalty fee (reversal)/expense	(1 352)	1 758	(1 352)	1 758
Building rentals related party	62 658	62 618	62 658	62 618
Repairs and maintenance	80 998	62 264	80 590	61 739
Post-retirement benefits recognised in profit or loss	2 629	1 750	2 629	1 750
Restructuring and retrenchment costs	--	4 448	--	4 448
Impairment of inventory	--	(14)	--	(14)
Impairment of assets	4 845	--	4 845	--
Fees for managerial, technical and other services	5 575	4 381	5 445	4 115
Net realised foreign exchange gain	(34 498)	(69 862)	(34 498)	(69 862)
Net realised foreign exchange loss	51 318	62 415	50 975	62 415
Net unrealised foreign exchange gain	(72 888)	(6 816)	(72 888)	(6 816)
Net unrealised foreign exchange loss	52 599	56 207	52 599	56 207
Fair value adjustment on derivative (Note 7)	1 662	--	1 662	--

22. Finance income and costs

	Consolidated 2016 N$'000	Consolidated 2015 N$'000	Company 2016 N$'000	Company 2015 N$'000
Interest received				
Cash balance	389	1 944	389	1 944
Interest on finance lease receivables	4 298	2 519	4 298	2 519
	4 687	4 463	4 687	4 463
Interest paid				
Telecom bonds	1816	26 550	1 816	26 550
Term loans	--	2 164	--	--
Post-retirement benefit liability	5007	3 892	5 007	3 892
Interest on obligations under finance lease	12184	12 897	12 184	12 897
Other interest expenses	96	(18)	--	(135)
Short-term borrowing facilities	40896	52 141	38 253	49 464
	5999	97 626	57 260	92 668
Less non-cash interest cost of post-retirement liability (Note 15)	(5007)	(3 892)	(5 007)	(3 892)
Interest paid as per cash flow statement	54992	93 734	52 253	88 776
Less borrowing cost capitalised (Note 3)	(5638)	(7 099)	(5 638)	(7 099)
	49354	86 635	46 615	81 677

	Consolidated 2016 N$'000	Consolidated 2015 N$'000	Company 2016 N$'000	Company 2015 N$'000
23. Staff costs				
Salaries and other related costs	418 054	415 546	414 074	411 112
Social Security	1 097	1 093	1 075	1 076
Medical aid	34 908	33 986	34 519	33 682
Pension fund	42 870	44 875	42 338	44 280
	496 929	495 500	492 006	490 150
24. Taxation				
Namibian normal income tax	--	--	--	--
Deferred tax credit/(charge)				
- current year	19 700	54 181	19 253	66 448
Tax credit for the year	19 700	54 181	19 253	66 448
Reconciliation of the taxation:				
Loss before tax	(45 935)	(107 747)	(60 272)	(147 551)
Tax calculated at a tax rate of 32% (2015: 32%)	14 699	35 557	19 287	48 691
- Expenses not deductible for tax purposes	(214)	(1 296)	(214)	(1 296)
- Prior year adjustment	--	9 747	--	9 747
- Tax losses	5 035	487	--	--
- Leave provision adjustment	180	--	180	--
- Effect of tax rate change	--	9 686	--	9 306
Tax credit	19 700	54 181	19 253	66 448
Reconciliation of rate of taxation:	%	%	%	%
Namibian normal taxation rate	(32.00)	(33.0)	(32.0)	(33.0)
Change in rate of taxation due to:				
- Prior year	--	(9.1)	--	(6.6)
- Effect of change in tax rate	--	(9.0)	--	(6.3)
- Expenses not deductible for tax purposes	0.4	1.2	0.4	0.9
- Tax losses	(11.0)	(0.4)	--	--
- Leave provision adjustment	(0.3)	--	(0.3)	--
	(42.9)	(50.3)	(31.9)	(45.0)
	N$'000	N$'000	N$'000	N$'000
Included in other comprehensive income is deferred tax related to:				
Remeasurement of defined benefit obligation	(102)	(1 392)	(102)	(1 392)
Estimated tax losses in Powercom (Pty) Ltd:				
Total tax losses	1 648 920	1 617 882	537 736	490 768
Utilised to offset deferred tax liabilities	(605 155)	(583 640)	(537 736)	(490 768)
Estimated tax losses not recognised, available to set-off against future taxable income	1 043 765	1 034 242	--	--

The Group has not raised any deferred tax asset as the criteria for raising a deferred tax asset were not met.

25. Regulatory levies				
Communications Regulatory Authority of Namibia	10 367	(21 680)	10 367	(21 680)

The Communications Regulatory Authority of Namibia (CRAN) implemented a levy of 1.5% on total turnover in September 2012. Telecom Namibia challenged CRAN regarding the basis on which the levy is calculated and was successful, with the High Court giving its ruling in September 2016 that the levy was unlawful and unconstitutional.

The Company recognises that a levy will be charged and significant judgement was used by management to determine the basis for calculating the levy at 1% of only those revenue streams that need a licence from CRAN. CRAN is in the process of appealing the judgement and the difference between the levy of 1.5% of total turnover and 1% of licensable income was raised as a contingent liability, as disclosed in Note 30.

	Consolidated 2016 N$'000	Consolidated 2015 N$'000	Company 2016 N$'000	Company 2015 N$'000
26. Cash flow movements				
Working capital changes				
Decrease in working capital during the year:				
Increase in inventories	(8 316)	(3 524)	(8 316)	736
Increase in trade and other receivables	(21 661)	(51 285)	(15 691)	(53 873)
Decrease in trade and other payables	(26 916)	(100 047)	(22 287)	(90 865)
Decrease in fellow subsidiary loans	(1 201)	(3 145)	(1 361)	(50 166)
(Decrease)/Increase in deferred revenue	(18 066)	52 203	(18 066)	52 203
Increase in holding company loans	62 269	50 926	62 269	50 926
	(13 891)	(54 872)	(3 452)	(91 039)
27. Capital expenditure commitments				
Commitments in respect of contracts placed	35 295	141 785	35 295	141 785

A total of N$125 million (2015: N$125 million) was approved for capital expenditure for the year ended 30th of September 2016. Except for the aforementioned commitments in respect of contracts placed, the approved capital expenditure for the year ended 30th of September 2016 was spent. The Group finances capital expenditure from existing borrowing facilities and cash resources generated from operations.

28. Operating lease commitments

The future minimum lease payments under operating lease contracts are as follows:

	Consolidated 2016 N$'000	Consolidated 2015 N$'000	Company 2016 N$'000	Company 2015 N$'000
No later than one year:	104 730	103 553	127 420	122 800
- Vehicles	28 699	27 188	28 699	27 188
- Office machines	2 554	2 861	2 554	2 861
- Tower rentals	10 388	10 256	34 263	33 764
- Buildings - related party	63 089	63 248	61 904	58 987
Later than one year, but not later than 5 years:	408 782	393 623	530 516	508 313
- Vehicles	26 535	20 206	26 535	20 206
- Office machines	13 037	14 604	13 037	14 604
- Tower rentals	53 035	52 359	174 918	172 367
- Buildings - related party	316 175	306 454	316 026	301 136
More than 5 years:				
- Tower rentals	18 066	16 518	55 181	68 549
Total operating lease commitments	531 578	513 694	713 117	699 662

The vehicles are leased from Avis Fleet Services for a period of four years. Transfer of vehicles during the tenure of the lease is prohibited in terms of the lease agreement. The office machines are leased from Nashua Namibia over varying lease periods. No contingent rent is payable on the machines. Transfer of the machines during the tenure of the lease is prohibited in terms of the lease agreement. The buildings are leased from Namibia Post and Telecom Holdings Limited over varying lease periods. No contingent rent is payable on the leased buildings. The towers are leased externally by the Group from Mobile Telecommunications Limited, the Namibian Broadcasting Corporation, Town Councils, farmers and private owners of towers over varying lease periods and from Powercom (Pty) Ltd by the Company. Contingent rent of N$69 689 (2015: N$26 618) is payable on the towers.

29. Pension Fund

At the financial year-end, all the permanent employees of Telecom Namibia were members of the Napotel Pension Fund, a defined contribution fund governed by the Namibian Pension Funds Act. Employees' contributions amount to 7% of basic salary and the Company's contribution amounts to 16% of basic salary. Employees are allowed to make additional contributions to the fund. An actuarial valuation was carried out for the year ended 30 September 2012, which indicated that the fund was in a sound financial position. The date of the next valuation has not been determined. As at 30 September 2016, a total of 986 (2015: 1 000) employees were members of the Napotel Pension Fund.

29. Pension Fund (continued)

The Benchmark Retirement Fund of Retirement Fund Solutions, of which Powercom (Pty) Ltd is a participating employer, is a defined contribution fund governed by the Pension Fund Act, and is intended for all its employees except for those who do not qualify in terms of the rules of the fund. Contributions to the fund are based on a percentage of salaries and are expensed in the year in which they are paid. The Company's contribution to the fund amounted to N$532 496 (2015: N$595 044).

	Consolidated 2016 N$'000	Consolidated 2015 N$'000	Company 2016 N$'000	Company 2015 N$'000
Contributions to the pension fund:	51 393	53 685	50 822	53 090
Company	44 870	44 836	44 338	44 280
Employees	6 523	8 849	6 484	8 810
30. Contingent liabilities				
Legal claims	33 000	2 721	33 000	2 721

The Communications Regulatory Authority of Namibia (CRAN) implemented a levy of 1.5% on total turnover in September 2012. Telecom Namibia challenged CRAN regarding the basis on which the levy is calculated and was successful, with the High Court giving its ruling in September 2016 that the levy was unlawful and unconstitutional. Total regulatory levies accrued for based on 1.5% of total turnover from the date the levy was introduced amounted to N$85 million. The Company recognises that a levy will be charged and significant judgement was used by management to determine the basis for calculating the levy at 1% of only those revenue streams that need a licence from CRAN. This resulted in a reduction of the regulatory fee accrual of N$33 million, from N$85 million to N$52 million in the current financial year. CRAN is in the process of appealing the judgement and the difference between the levy of 1.5% of total turnover and 1% of licensable income was raised as a contingent liability.

31. Financial instruments and risk management

The Group's management acknowledges the impact that are of relevance and significance to its operations that arise as a result of exposure to constantly changing market conditions. The Group's risk management policies are monitored on an on-going basis by the Board of Directors' Risk Management Committee. In the course of conducting its day to day operations, the Group holds or issues financial instruments. The Group's operations are financed by internally generated cash flows, bonds and loan facilities obtained from financial institutions. On a selected transaction basis, the Group utilises derivative financial instruments to mitigate and manage its exposure to market risks from changes in interest and foreign exchange rates.

	Consolidated 2016 N$'000	Consolidated 2015 N$'000	Company 2016 N$'000	Company 2015 N$'000
The following are the categories of financial instruments held as at the reporting date:				
Financial assets at fair value				
Bank	22 981	34 783	22 936	34 548
Financial liabilities at fair value				
Bank overdraft	354 414	379 459	337 063	350 052
Loans and receivables at amortised cost				
Interest in subsidiary	--	--	200 000	201 329
Trade and other receivables	337 001	331 773	326 221	326 949
Amounts owing by fellow subsidiaries	4 285	4 028	20 595	9 773
Amounts owing by holding company	2 605	1 775	2 605	1 775
Finance lease receivables	35 060	38 428	35 060	38 428
	378 951	376 004	584 481	578 254
Financial liabilities at amortised cost				
Long-term liabilities	125 682	147 652	125 682	147 652
Short-term portion of long-term liabilities	21 970	68 532	21 970	68 532
Trade and other payables	446 480	477 822	442 734	468 582
Amounts owing to fellow subsidiaries	1 693	2 637	12 098	2 637
Amounts owing to holding company	196 793	133 694	196 793	133 694
	792 618	880 337	799 277	821 097

31.Financial instruments and risk management (continued)

Fair value of financial instruments

The carrying values of all financial instruments that are disclosed in the Statements of financial position approximate their fair values, except as reflected for the Telecom Namibia Floating Rate Bond of nil (2015: N$44 million). The estimated net fair values as at 30 September 2015 have been determined using available market information as at that date. These values are however not necessarily an entirely accurate reflection of the amounts that the Group could realise in the normal course of business.

Derivatives are carried at fair value. The carrying value of receivables, bank balances, payables and accruals, approximate their fair value amounts due to the short-term maturities of these instruments. The fair value of the borrowings disclosed above are based on the expected future payments discounted at market interest rates.

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates prevailing on the market as inputs.

Except as detailed below, the Directors consider that the carrying amounts of financial assets and liabilities recorded in the Group and Company's financial statements approximate their fair values:

Group and Consolidated	2016 Carrying amount N$'000	2016 Fair Value N$'000	2015 CarryingAmount N$'000	2015 Fair Value N$'000
Financial liabilities				
Long-term loans (Note 16)	--	--	44 000	31 596

The N$54 million bond matured in February 2016 and was redeemed in full.

Interest rate risk management

Interest rate risk arises from the price adjustments effected on the Group's forward cover and floating rate debt as well as incremental funding or new borrowings and the refinancing of existing borrowings.

Credit risk management

Financial assets of the Group that are susceptible to credit risk comprise bank and cash balances, financial assets held at fair value through profit or loss, loans and receivables and available-for-sale assets, (other than equity investments). This risk arises from the likelihood of default by counterparties with whom the Group has entrusted custody of its financial asset(s). Where this default happens, the Group's loss would be limited to the fair value of the financial asset lost through such default.

The Group's exposure to credit risk is mainly influenced by each type of customer's credit worthiness. Management seeks to reduce the risk of irrecoverable debt through a comprehensive customer credit appraisal and independent credit checks at the time of application for post-paid services by all customers. The Group has introduced a variety of prepaid products to cater for those customers to whom credit cannot be extended due to their adverse credit ratings. This ensures that products and services are still provided to these customers on a cash basis, thus reducing the concomitant credit risk arising from extension of credit to these customers.

The Group was exposed to increased credit risk related to its customers because of the challenges experienced on the implementation of the billing system during the 2014 financial year. Although the system was stabilised during 2015, the allocation of customer payments remains a challenge and a dedicated team has been tasked with clearing of the unallocated payments file. Automated controls have been implemented in the current financial year that significantly improved the identification and allocation of customer payments. The provision of doubtful debts was appropriately adjusted to take into account the potential of non-recoverable debtors reflected in the year-end receivables balance. Significant judgment was used by management to determine the ageing of the unallocated receipts at year-end.

The Group provides for impairment of trade receivables that could arise as a result of non-payment by any of the customers once an adequate assessment has been undertaken of the likelihood of the customers failing to pay their accounts. This allowance is based on the duration over which accounts remain outstanding as well as an assessment of individual customers' capacity to pay amounts owed.

Telecom Namibia guarantees a predetermined portion of employees' housing loans obtained under the Group Housing Scheme. Such guarantees are extended on the basis of employees' respective job grades and level of remuneration. In return, employees benefiting from such guarantees, undertake to cede an equivalent portion of their pensions, which in turn can be applied by Telecom Namibia to settle any obligation arising from a default by the beneficiary employee under this arrangement. Given the underlying security against which any financial losses on such guarantees may be applied, the Group does not make any provision in respect of these contingencies.

The movement in the allowance for impairment in respect of trade receivables during the year is disclosed in Note 10.

31. Financial instruments and risk management (continued)

Credit risk management (continued)

Major concentrations of credit risk that arise from the Group and Company's government receivables as a percentage of total customers are:

	Consolidated 2016 N$'000	Consolidated 2015 N$'000	Company 2016 N$'000	Company 2015 N$'000
Government receivables	54 788	53 299	54 788	53 299
Net trade receivables	336 437	329 334	325 657	326 371
% of total receivables	16%	16%	17%	16%

Liquidity risk management

Liquidity risk pertains to the likelihood of the Group failing to meet its obligations when they fall due. Liquidity risk is managed by Telecom Namibia's Corporate Finance and Administration division, in accordance with policies and guidelines formulated by Telecom Namibia's Board of Directors.

In terms of its borrowing requirements, the Group ensures that sufficient facilities exist with reputable financial institutions to meet its immediate obligations.

As at year-end, the Group reflected net current liabilities of N$690 million (2015: N$737 million) and the Company reflected net current liabilities of N$460 million (2015: N$692 million).

The overdraft balance from Nedbank Namibia Limited was N$144 million at 30 September 2016 (2015: N$153 million).

The overdraft balance from First National Bank of Namibia Limited was N$145 million at 30 September 2016 (2015: N$152 million).

Short-term facilities from First National Bank of Namibia and Nedbank Namibia are in the process of being termed out to a 5 year loan with a fixed capital and interest repayment schedule.

Overdraft facilities of N$50 million from Standard Bank Namibia Limited expired at the end of June 2016 and are in the process of being renewed.

The Group has unused short-term borrowing facilities with local financial institutions amounting to N$36.6 million (2015: N$19 million). The Company has unused short-term borrowing facilities with local financial institutions amounting to N$24 million (2015: N$19 million).

Although the Telecom Namibia credit rating of BB was maintained in the current year by the internationally renowned rating agency Fitch, the outlook went from a stable watch to negative.

In line with strategic objectives, the Group aims to achieve an EBITDA margin of 30% plus by 2020. The focus for the 2016-2017 financial years will be on the strategic objectives of a 'Lean Telco' and 'Quality Network and Customer Service' which will be achieved by aggressively reducing operational inefficiencies, improving customer service and reducing network downtime. The key areas of 'Broadband', 'Mobile voice, data and FMC' and 'IP and Data' have been identified as focus areas to achieve business growth and the targeted EBITDA margins by 2020.

The effectiveness of the current billing system still remains a risk that influences the Company's ability to meet service order deliverables, validity and completeness of network revenue billed to customers, debt collection procedures. As such, it has a negative impact on the Company's reputation and revenue. PwC was appointed in April 2016 for a period of three years to develop revenue assurance controls and tools to mitigate the risk identified with the completeness and validity of revenue.

The acquisition of a new billing engine was approved and the Company entered into a service level agreement with the current vendor to ensure stability, support and continuity of the system while the acquisition of the new system is in process.

The Group's focus will remain on improving credit management practices that will enhance cash collecting efforts in order to improve the cash flow position of the Group.

Telecom Namibia subordinated its shareholder loan of N$635 032 536 in favour of the creditors of Powercom (Pty) Ltd.

Telecom Namibia also provided a letter of ongoing support to Powercom (Pty) Ltd to enable the company to settle its obligations in the ordinary course of business.

31. Financial instruments and risk management (continued)

Liquidity risk management (continued)

The table below details the contractual maturities for the Group's and Company's non-derivative financial liabilities. Year-end interest rates were used to determine the contractual amounts payable:

Consolidated

	<1 year N$'000	2-5 years N$'000	>5 years N$'000	Interest adjustment N$'000	Total N$'000
2016					
Trade and other payables	446 480	--	--	--	446 480
Bank overdraft	354 414	--	--	--	354 414
Amounts owing to fellow subsidiaries	1 693	--	--	--	1 693
Amount owing to holding company	196 793	--	--	--	196 793
Long-term liabilities	39 472	151 060	--	(42 880)	147 652
	1 038 852	151 060	--	(42 880)	1 147 032
2015					
Trade and other payables	477 822	--	--	--	477 822
Bank overdraft	379 459	--	--	--	379 459
Amounts owing to fellow subsidiaries	2 637	--	--	--	2 637
Amount owing to holding company	133 694	--	--	--	133 694
Long-term liabilities	91 348	189 094	--	(64 258)	216 184
	1 084 960	189 094	--	(64 258)	1 209 796

Company

	<1 year N$'000	2-5 years N$'000	>5 years N$'000	Interest adjustment N$'000	Total N$'000
2016					
Trade and other payables	442 734	--	--	--	442 734
Bank overdraft	337 063	--	--	--	337 063
Amounts owing to fellow subsidiaries	12 098	--	--	--	12 098
Amount owing to holding company	196 793	--	--	--	196 793
Long-term liabilities	39 472	151 060	--	(42 880)	147 652
	1 028 160	151 060	--	(42 880)	1 136 340
2015					
Trade and other payables	468 582	--	--	--	468 582
Bank overdraft	350 052	--	--	--	350 052
Amounts owing to fellow subsidiaries	2 637	--	--	--	2 637
Amount owing to holding company	133 964	--	--	--	133 964
Long-term liabilities	91 348	189 094	--	(64 258)	216 184
	1 046 583	189 094	--	(64 258)	1 171 419

31. Financial instruments and risk management (continued)

Liquidity risk management (continued)

The table below details the contractual maturities for the Group's and Company's non-derivative financial assets. Year-end interest rates were used to determine the contractual amounts receivable:

Consolidated

	<1 year N$'000	2-5 years N$'000	>5 years N$'000	Interest adjustment N$'000	Total N$'000
2016					
Trade and other receivables	337 001	--	--	--	337 001
Amounts owing by fellow subsidiaries	4 285	--	--	--	4 285
Amount owing by holding company	2 605	--	--	--	2 605
Finance lease receivables	11 811	25 038	--	(1 789)	35 060
Cash and bank balances	22 981	--	--	--	22 981
	378 683	25 038	--	(1 789)	401 932
2015					
Trade and other receivables	331 773	--	--	--	331 773
Amounts owing by fellow subsidiaries	4 028	--	--	--	4 028
Amount owing by holding company	1 775	--	--	--	1 775
Finance lease receivables	12 958	27 379	--	(1 909)	38 428
Cash and bank balances	34 783	--	--	--	34 783
	385 317	27 379	--	(1 909)	410 787

Company

	<1 year N$'000	2-5 years N$'000	>5 years N$'000	Interest adjustment N$'000	Total N$'000
2016					
Trade and other receivables	326 221	--	--	--	326 221
Amounts owing by fellow subsidiaries	20 595	--	--	--	20 595
Interest in subsidiary	200 000	--	--	--	200 000
Amounts owing by holding company	2 605	--	--	--	2 605
Finance lease receivables	11 811	25 038	--	(1 789)	35 060
Cash and bank balances	22 936	--	--	--	22 936
	584 168	25 038	--	(1 789)	607 417
2015					
Trade and other receivables	326 949	--	--	--	326 949
Amounts owing by fellow subsidiaries	9 773	--	--	--	9 773
Interest in subsidiary	201 329	--	--	--	201 329
Amounts owing by holding company	1 775	--	--	--	1 775
Finance lease receivables	12 958	27 379	--	(1 909)	38 428
Cash and bank balances	34 548	--	--	--	34 548
	587 332	27 379	--	(1 909)	612 802

31. Financial instruments and risk management (continued)

Foreign currency risk

Foreign currency risk arises from the likelihood of incurring losses as a result of settling a foreign obligation or realising an asset denominated in foreign currency at an unfavourable exchange rate.
The Group manages its foreign currency exchange rate risk by:

- Applying foreign currency proceeds from business conducted with foreign operators against foreign currency obligations; and
- Hedging material foreign currency exposures through certain financial instruments as approved by the Group's policies and guidelines.

The Group entered into forward-cover contracts to mitigate the risk arising from fluctuations in exchange rates. The following table illustrates the sensitivity to a reasonably possible change in exchange rates, with all other variables held constant, to the Group's loss before tax. A 10% sensitivity rate is applied for the purpose of internal reporting purposes to key management personnel. This sensitivity analysis is based on the outstanding foreign currency balances at the reporting date, excluding those for which forward cover contracts have been taken out with counterparties.

	Consolidated 2016 N$'000	Consolidated 2015 N$'000	Company 2016 N$'000	Company 2015 N$'000
For 10% increase in exchange rates				
Increase in loss for year	6 532	15 424	6 532	14 809
For 10% decrease in exchange rates				
Decrease in loss for year	6 532	15 424	6 532	14 809

Amounts receivable and owing in foreign currencies that were not covered at the reporting date are as follows:

	Consolidated 2016 N$'000	Consolidated 2015 N$'000	Company 2016 N$'000	Company 2015 N$'000
Receivable:				
Euro	293	364	293	364
USD	4 766	5 437	4 766	4 979
Payables:				
Euro	74	173	74	173
USD	10 368	17 000	10 368	17 000
Bank:				
Euro	19	216	19	216
USD	654	947	654	947
Exchange rates used for conversion of foreign items were:				
USD	13.95	13.95	13.95	13.95
Euro	15.66	15.70	15.66	15.70

The Group did not note any significant changes in its exposure to foreign currency risk and its objectives, policies and processes for managing and measuring the risk during the 2016 financial year.

Interest rate risk

The sensitivity analyses below have been determined based on the exposure to interest rates at the reporting date. For floating rate liabilities, the analysis is prepared on the assumption that the amount of the liability outstanding at the reporting date was outstanding for the whole of the financial year. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

31. Financial instruments and risk management (continued)

Interest rate risk (continued)

Interest rate risk management

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the effect on the Group's and Company's loss before tax would be as follows:

	Consolidated 2016 N$'000	Consolidated 2015 N$'000	Company 2016 N$'000	Company 2015 N$'000
For 100 basis points higher				
Increase in loss for year	4 370	4 786	4 370	4 492
For 100 basis points lower				
Decrease in loss for year	4 370	4 786	4 370	4 492

Capital management

The above effects on loss for the year would arise because of the Group's exposure to variable rate receivables and borrowings.
The Group's policy is to continue to maintain an adequate capital base to finance its business as outlined in the Group Strategic Plan and continue to carry out its mandate to the nation while simultaneously ensuring sufficient profitability and returns for the shareholder.

The following indicates the Group's gearing position as at reporting date

	Consolidated 2016 N$'000	Consolidated 2015 N$'000	Company 2016 N$'000	Company 2015 N$'000
The gearing ratio at year-end was as follows:				
Long-term borrowings	147 652	216 184	147 652	216 184
Bank overdraft	354 414	379 459	337 063	350 052
Cash and cash equivalents	(22 981)	(34 783)	(22 936)	(34 548)
Net debt	479 085	560 860	461 779	531 688
Equity	585 504	611 957	850 759	891 999
Debt to equity ratio	0.82:1	0.92:1	0.54:1	0.60:1
Unutilised borrowing facilities	26 600	19 600	24 000	19 000

Long-term debt includes all debt that is repayable over a period beyond one year from the reporting date. On an annual basis, capital requirements are determined, prioritised and aligned with the available financial resources. Provision is then made for any deficits in capital availability, mainly through term loan facilities with financial institutions. The Group maintains a good credit record with reputable financial institutions and this ensures continued availability of funding in the case of any deficits. All the issued shares are owned by the Government of the Republic of Namibia. There were no significant changes to the Group's methodology of capital management in the year ended 30th of September 2016.

Fair value hierarchy

IFRS 13 requires that an entity discloses for each class of assets and liabilities measured at fair value the level in the fair value hierarchy into which the fair value measurements are categorised in their entirety. The fair value hierarchy reflects the significance of the inputs used in making the fair value measurements. The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

The fair value hierarchy has the following levels:
Level 1 - Inputs comprise unadjusted quoted prices in active markets for identical assets and liabilities that the entity can access at the measurement date;
Level 2 - Inputs comprise other observable inputs for the asset or liability not included within Level 1 of the fair value hierarchy; and
Level 3 - Inputs comprise unobservable inputs for the asset or liability (including the entity's own data, which are adjusted, if necessary, to reflect the assumptions market participants would use in the circumstance).

31. Financial instruments and risk management (continued)

Fair value hierarchy (continued)

Some of the Group's financial assets and liabilities are measured at fair value at the end of each reporting period. Except as detailed in the following table, the Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values.

2016		Level		
	Total instruments at fair value N$'000	**Level 1 N$'000**	**Level 2 N$'000**	**Level 3 N$'000**
Consolidated				
Assets				
Derivative financial instruments	1 662	--	1 662	--
Liabilities				
Loans from other entities	--	--	--	--
Bonds	--	--	--	--

2015		Level		
	Total instruments at fair value N$'000	**Level 1 N$'000**	**Level 2 N$'000**	**Level 3 N$'000**
Consolidated				
Assets				
Derivative financial instruments	--	--	--	--
Liabilities				
Loans from other entities	162 184	--	162 184	--
Bonds	54 000	--	54 000	--

There were no transfers between Level 1 and Level 2 for the year ended 30 September 2016.

The fair values of financial liabilities included in Level 2 have been determined in accordance with generally accepted pricing models.

32. Comparative figures

Certain comparative figures in the Statements of financial position were reclassified to improve the disclosure of the financial statements.
The effects of the reclassification are as follows:

	Consolidated 2016 N$'000	**Restated Consolidated 2015 N$'000**	**Company 2016 N$'000**	**Restated Company 2015 N$'000**
Statements of financial position				
Decrease in trade payables	47 848	49 822	47 848	49 822
Increase in bank overdrafts	47 848	49 822	47 848	49 822

The restatement has no impact on profit or loss or other comprehensive income. Details of the reclassification are disclosed in Note 16 and Note 18.

33. Subsequent events

Short-term facilities from First National Bank of Namibia Limited and Nedbank Namibia Limited are in the process of being termed out to a 5 year loan with a fixed capital and interest repayment schedule. Short-term facilities from Standard Bank Namibia Limited expired at the end of June 2016 and are in the process of being renewed.

The Directors are not aware of any other matters or circumstances arising after year-end not otherwise dealt with in the financial statements which will significantly affect the financial position of the Group.

34. Going concern

The Group and Company reported a comprehensive loss for the year ended 30 September 2016 of N$26 million (2015: N$56 million) and N$41 million (2015: N$84 million) respectively. Current liabilities exceeded current assets by N$682 million (2015: N$737 million) for the Group and by N$460 million (2015: N$692 million) for the Company at year-end.

Although the Company recorded a loss in the current financial year, the loss was reduced from N$84 million to N$41 million this year. This improved financial performance is attributed to an improved gross profit margin, strict cost management practices that resulted in a reduction in operating expenses and a conservative capital expenditure budget.

In line with strategic objectives, the Group aims to achieve an EBITDA margin of 30% plus by 2020. The focus for the 2016-2017 financial years will be on the strategic objectives of a 'Lean Telco' and 'Quality Network and Customer Service' which will be achieved by aggressively reducing operational inefficiencies, improving customer service and reducing network downtime. The key areas of 'Broadband', 'Mobile voice, data and FMC' and 'IP and Data' have been identified as focus areas to achieve business growth and the targeted EBITDA margins by 2020.

Although the Telecom Namibia credit rating of BB was maintained in the current year by the internationally renowned rating agency Fitch, the outlook went from a stable watch to negative.

Short-term facilities from First National Bank of Namibia and Nedbank Namibia are in the process of being termed out to a 5 year loan with a fixed capital and interest repayment schedule.

Short-term facilities from Standard Bank Namibia Limited expired at the end of June 2016 and are in the process of being renewed.

The financial statements have been prepared on a going concern basis as the Directors have reviewed the Group's cash flow projections for the financial year 2017 as well as projections to 2020 and are satisfied that the Company and Group will return to sustainable profit levels and access the necessary financial resources in order to meet their financial obligations as they fall due.

35. Financial statements

The financial statements were authorised for issue on 14 December 2016.

Annexure A: Standards and interpretations

1. Standards effective in the current year and adopted

Standard	Effective date	Summary
Amendments to IFRS 11, 'Joint arrangements' Regarding acquisition of an interest in a joint operation	1 January 2016	This amendment provides new guidance on how to account for the acquisition of an interest in a joint venture operation that constitutes a business. The amendments require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a 'business'. The amendments are applicable to both the acquisition of the initial interest in a joint operation and the acquisition of additional interest in the same joint operation. However, a previously held interest is not re-measured when the acquisition of an additional interest in the same joint operation results in retaining joint control.
IFRS 12, 'Disclosure of interests in other entities'	1 January 2016	Investment Entities: Applying the consolidation exception: Narrow-scope amendments to IFRS 10, IFRS 12, and IAS 28 introduce clarifications to the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances, which will reduce the costs of applying the Standards.
Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'intangible assets' regarding depreciation and amortisation	1 January 2016	This amendment clarifies that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. This has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. The presumption may only be rebutted in certain limited circumstances where it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.
Amendments to IAS 16, 'Property, plant and equipment' and IAS 41, Agriculture regarding bearer plants	1 January 2016	These amendments change the reporting for bearer plants, such as grape vines, rubber trees and oil palms. Bearer plants should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. The amendments include them in the scope of IAS 16 rather than IAS 41. The produce on bearer plants will remain in the scope of IAS 41.
Amendments to IFRS 10 and IAS 28 regarding the sale or contribution of assets between an investor and its associate or joint venture	1 January 2016	These amendments address an inconsistency between IFRS 10 and IAS 28 in the sale or contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary.
Amendments to IAS 27, 'Separate financial statements' regarding the equity method	1 January 2016	The amendment allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.
IFRS 14, 'Regulatory deferral accounts'	1 January 2016	This Standard permits first-time adopters of IFRS to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the Standard requires that the effect of rate regulation must be presented separately from other items.
Amendments to IAS 1, 'Presentation of Financial Statements' on the disclosure initiative'	1 January 2016	This Standard permits first-time adopters of IFRS to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the Standard requires that the effect of rate regulation must be presented separately from other items.
	1 January 2016	These amendments are part of the IASB initiative to improve presentation and disclosure in financial reports.
Amendment to IFRS 10 and IAS 28 on investment entities applying the consolidation exception	1 January 2016	These amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.

Annexure A: Standards and interpretations

1. Standards effective in the current year and adopted

Standard	Effective date	Summary
Annual improvements 2014	1 July 2016	These annual improvements amend Standards from the 2012 to 2014 reporting cycle. They includes changes to: • IFRS 5, 'Non-current assets held for sale and discontinued operations' – The amendment clarifies that, when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution', or vice versa, this does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such. This means that the asset (or disposal group) does not need to bereinstated in the financial statements as if it had never been classified as 'held for sale' or 'held for distribution' simply because the manner of disposal has changed. The amendment also explains that the guidance on changes in a plan of sale should be applied to an asset (or disposal group) which ceases to be held for distribution but is not reclassified as 'held for sale'. • IFRS 7, 'Financial instruments: disclosure' – There are two amendments: - Servicing contracts – if an entity transfers a financial asset to a third party under conditions which allow the transfer or to derecognise the asset, IFRS 7 requires disclosure of all types of continuing involvement that the entity might still have in the transferred assets. The Standard provides guidance about what is meant by continuing involvement. The amendment is prospective with an option to apply retrospectively. There is a consequential amendment to IFRS 1 to give the same relief to first time adopters. - Interim financial statements – the amendment clarifies that the additional disclosure required by the amendments to IFRS 7, 'Disclosure – Offsetting financial assets and financial liabilities' is not specifically required for all interim periods unless required by IAS 34. This amendment is retrospective. • IAS 19, 'Employee benefits' – The amendment clarifies that, when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, not the country where they arise. The assessment of whether there is a deep market in high-quality corporate bonds is based on corporate bonds in that currency, not corporate bonds in a particular country. Similarly, where there is no deep market in high-quality corporate bonds in that currency, government bonds in the relevant currency should be used. The amendment is retrospective but limited to the beginning of the earliest period presented. • IAS 34, 'Interim financial reporting' – the amendment clarifies what is meant by the reference in the Standard to 'information disclosed elsewhere in the interim financial report'. The amendment also amends IAS 34 to require a cross-reference from the interim financial statements to the location of that information. The amendment is retrospective.

2. Standards and Interpretations not yet effective

Standard	Effective date	Summary
Amendments to IAS 7, 'Statement of cash flows' on the disclosure initiative	1 January 2017	These amendments to IAS 7 introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved.
Amendments to IAS 12, 'Income taxes' on recognition of deferred tax assets for unrealised losses	1 January 2017	These amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value.

Annexure A: Standards and interpretations (continued)

2. Standards and Interpretations not yet effective (continued)

Standard	Effective date	Summary
IFRS 15, 'Revenue from contracts with customers'	1 January 2018	This is the converged Standard on revenue recognition. It replaces IAS 11, 'Construction contracts', IAS 18, 'Revenue' and related interpretations. Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. The core principal of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps: • Step 1: identify the contract(s) with a customer • Step 2: Identify the performance obligations in the contract • Step 3: Determine the transaction price • Step 4: Allocate the transaction price to the performance obligations in the contract • Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation IFRS 15 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.
IFRS 9, 'Financial instruments'	1 January 2018 Earlier application is permitted. If an entity elects to early apply it must apply all of the requirements at the same time with the following exception: Entities with a date of initial application before 1 February 2015 continue to have the option to apply the standard in phases	The Complete version of IFRS 9 replaces most of the guidance in IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's financial asset. Investments in equity instruments are required to be measure at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value, through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item end hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different from that currently prepared under IAS 39.
IIFRS 16, 'Leases'	1 January 2019	This Standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new Standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

A reliable estimate of the impact on the adoption of these standards and interpretations on the Group has not yet been determined

Notes

Notes

Notes

Notes

CORPORATE INFORMATION

Registered Office
9 Lüderitz Street
PO Box 297, Windhoek, Namibia
Main Switchboard: +264-61-201 9211
Fax: +264-61-23 9844
www.telecom.na

Registration Number: 92/282

Auditors:
Deloitte & Touche

Bankers:
Standard Bank Namibia

Finance and Administration Division
Telecom Headquarters
Private Bag 13379, Windhoek
Tel: +264-61-201 2343
Fax: +264-61-23 9014

Commercial Division
Telecom Headquarters
PO Box 297, Windhoek, Namibia
Tel: +264-61-201 2772
Fax: +264-61-224 222

About this Annual Report

Editor: Oiva Angula

Responsible Department: Corporate Communication and Public Relations

Published by: Telecom Namibia Ltd.

Photographs: Creativelab, Telecom Namibia Ltd, Publicis Archive

Design and Layout: Publicis Namibia

Printed by: xxxxxxxxxxx

The publisher thanks all who contributed in the production of this Annual Report. Comments and suggestions for further improvement of this publication should be sent to: CommPR@telecom.na

TELECOM NAMIBIA LTD
Luderitz St, Windhoek,
PO Box 297, Windhoek
Namibia

www.telecom.na
Tel: +264 61 201 9211
Fax: +264 61 240 933