



25 Years Connecting Namibia





Celebrating Our Silver Jubilee

Telecom Namibia celebrated its 25 years as a commercialised national telecom company on 1 August 2017.

These are 25 years of extraordinary achievements and sometimes considerable challenges. A thousand and two hundred weeks of phenomenal expansion and growth. Over 9100 days of pushing the boundaries and embracing technological transformation. So much has changed, but some things have not. The hopes, challenges, and opportunities of Namibia's economy and its people are still intertwined with those of Telecom Namibia.

The commitment to nation building and socio-economic development of the country has propelled Telecom Namibia in transforming the telecommunication landscape and the broader ICT ecosystem of Namibia.

Embodying the national spirit of hope, inclusivity and pulling together, Telecom Namibia is committed to connecting and spreading the national spirit going forward. Telecom Namibia today stands shoulder-to-shoulder with the Namibian nation and remains steadfast in its commitment towards a brighter future through its cutting edge ICT solutions, giving impetus to socio-economic growth and development of the country.



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Our Business Story

Our Mission

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 Vision

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

Our Values

Integrity

Described as trustworthy by others and known for being reliable.

Care

Sensitive to the needs and happiness of others.

Commitment

A passionate determination for achieving goals.

Accountability

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

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.

Mutual Respect

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

About Telecom Namibia

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 25 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.

Our History

Telecom Namibia is Established

Telecom Namibia Limited was established by section 2(1)(b) of the Posts and Telecommunications Establishment Act, 1992 to provide public communications and associated products and services. It operates the largest telecommunications infrastructure in the country.

The company offers fixed-line services - voice telephony, Internet and data services, and wholesale Internet transit service to international and local ISPs. It also provides dedicated point-to-point bandwidth between customer sites, carrier points of presence, data centres, Internet exchanges, and submarine cable landing station; co-location services and managed hosting services; mobile interconnectivity services - voice and data services; and MPLS IP-VPN services.

Sector Liberalisation

In 1994, Mobile Telecommunications Limited (MTC) was established, effectively ending the monopoly of Telecom Namibia. Afterward, Cell One was granted a licence in 2006 as a second mobile operator in Namibia.

Neotel Connection

Telecom Namibia joined a consortium of companies to form Neotel, the second national operator (SNO) for fixed line telecommunication services in South Africa, which was unveiled on 31 August 2006. Through Communitel Telecommunications (Pty) Ltd, Telecom Namibia originally owned 12.5% equity in the company.

Mundo Startel

In 2009, Telecom Namibia entered into the Angolan telecommunications market with the acquisition of a 44% stake in Mundo Startel (MST), a fixed line telecommunication services provider.

Acquisition of Powercom (Pty) Ltd

In November 2012, Telecom Namibia acquired a 100% interest in Powercom (Pty) Ltd, a mobile telecommunication services company.

KEY MILESTONES

► 1992

Telecom Namibia formed through an Act of Parliament from the then Department of Post and Telecommunications.

► 1994

All electro-mechanical exchanges are replaced with modern electronic switches (EWSD), ushering the country into the digital era.

► 1995

The Windhoek Satellite Earth Station is commissioned, reducing Namibia's heavy reliance on South Africa for its communication services with the rest of the world.

► 1999

Telecom Namibia becomes a shareholder in the international SAT-3 submarine cable with no landing point.

► 2000

Telecom Namibia launches own Internet Service Provider (ISP), iWay.

► 2004

Telecom Namibia revenue surpasses one billion Namibian Dollar mark.

► 2005

Telecom Namibia rebrands, assuming a new mission, vision and values.

► 2006

Telecom Namibia launches Switch product, based on Code Division Multiple Access (CDMA) technology, to offer mobile voice and data services.

► 2009

Telecom Namibia deploys an IP/MPLS network to offer a world class virtual private network (VPN) service known as Infinium Plus.

► 2011

Telecom Namibia successfully lands the West Africa Cable System (WACS) at Swakopmund.

The Communications Regulatory Authority of Namibia (CRAN) grants Telecom Namibia a service neutral licence.

► 2012

Telecom Namibia deploys an optical dense wavelength division multiplexing (DWDM) network. The network increases transmission capacity to up to 1.6 Terabits per second. New 10G and 40G channels provide low latency and improved international connectivity.

Telecom Namibia concluded a sale agreement of its 44% shareholding in Mundo Startel (MST) in Angola.

► 2013

Telecom Namibia enters into an agreement with Jasco/NewTelco to establish a total of four international Points of Presence (PoPs) connected into the WACS undersea cable in Cape Town, Johannesburg, Frankfurt and London.

Telecom Namibia launches mobile service under the name "TN Mobile"

► 2017

Telecom Namibia sells its stake in Neotel.

Telecom Namibia celebrates its 25th anniversary.

Strategic Initiatives



Operating the business efficiently and effectively by improving processes across the business to make sure we keep appointment slots, repair faults more quickly and fulfil new orders faster.

Improve network quality as our network infrastructure is fundamental to the company being able to provide superb fixed and mobile voice, messaging and data services.



Enhance customer service in order to ensure that customer needs are at the centre of all of the company's actions. In practice that means understanding what they need, making it easy for them to deal with us, keeping our promises, keeping them informed, and acting quickly to fix things if they go wrong.

PRODUCTIVITY



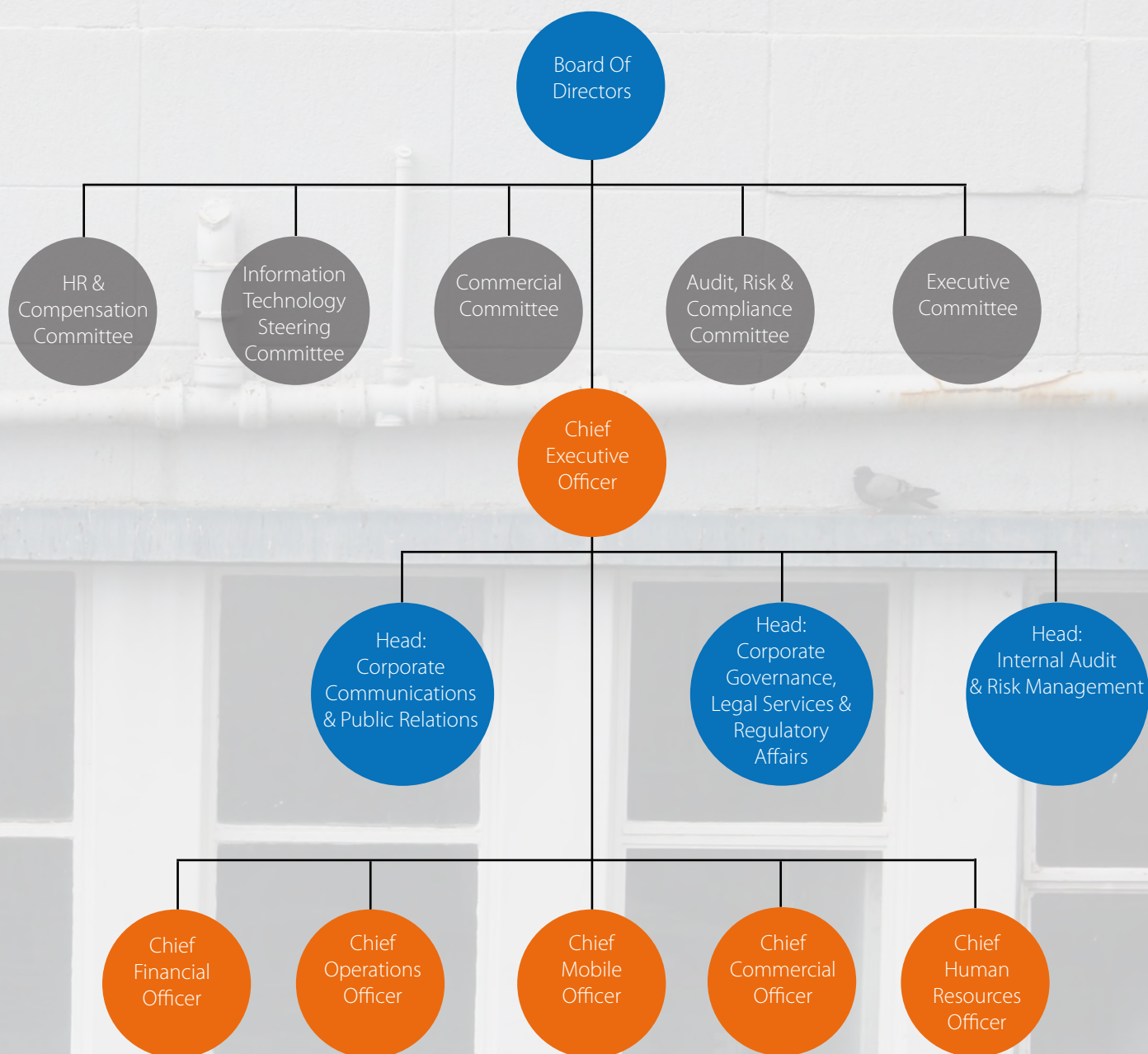
PROFITABILITY



PARTNERSHIP



Organisational Structure



Highlights

Technical & Financial

Company comparative growth/decline

TECHNICAL	2012/13	2013/14	2014/15	2015/16	2016/17
Port Capacity (Network Switch Capacity)	215,150	213,953	158,786	–	280,489
Percentage Digital	100%	100%	100%	100%	100%
Fixed Broadband Subscribers	31,764	39,713	47,249	54,013	49,727
Mobile Subscribers	–	–	100,429	159,913	187,238
Direct Exchange Lines (DEL's)	180,110	190,665	198,800	200,502	191,947

Company comparative growth/decline

Financials	2012/13	2013/14	2014/15	2015/16	2016/17
	N\$'000	N\$'000	N\$'000	N\$'000	N\$'000
Revenue	1,309,513	1,352,636	1,419,762	1,517,558	1,502,614
Operating profit/Loss	(85,478)	(601,808)	(70,337)	(18,347)	49,681
Total Comprehensive (Loss)/Income for the year	(120,894)	(555,645)	(83,928)	(41,240)	8,984
Tangible & Intangible Assets	1,802,215	1,911,029	1,749,947	1,628,044	1,440,591
Long-term borrowings	457,000	159,000	147,652	125,682	95,651
Equity	1,131,572	575,927	891,999	850,759	296,229
Capital Expenditure	445,356	330,873	164,021	146,153	66,519

Board of Directors



Johnny M. Smith

Independent
Non-Executive Chairperson



Irene Simeon-Kurtz

Independent Non-Executive
Vice Chairperson



Fernando Somaeb

Independent Non-Executive
Director



Damoline Muroko

Independent Non-Executive
Director



Petro Oberholster

Independent Non-Executive
Director

Chairperson's Review



On behalf of the Board of Directors, I am pleased to present to you the Annual Report and the Audited Financial Statements of Telecom Namibia for the year ended 30 September 2017. As a new Board we started this difficult, yet exciting journey with Telecom Namibia about a year ago.

ECONOMY AND OPERATING ENVIRONMENT

Our 2016/17 financial year was characterised by a cloud of uncertainty in the global and political environment. This follows lacklustre global economic growth outturn and mixed business performance during 2016.

Domestic economic activities were not spared either, which climaxed into the lowest economic growth on record for Namibia since the financial crisis in 2009. Namibia's gross domestic product (GDP) declined significantly from a 3.3% growth during the prior financial year of the Group, to a contraction of 1.9% during the first three quarters of our 2016/17 financial year.

This poor performance is mainly attributed to construction, wholesale and retail trade, electricity and water, and fishing sectors that recorded contraction in real value added of 36.9%, 4.4%, 5.5% and 1.3%, respectively.

Weaker performances were also observed in sectors such as public administration and education that registered declines of 4% and 0.4%, respectively.

Agriculture, hotels and restaurants as well as financial intermediation sectors also recorded slower growth rates of 5.3%, 0.1% and 0.8%, respectively, in the third quarter compared to strong growths of 14%, 6.4% and 3.9% recorded in the corresponding quarter of 2016.

In contrast, sectors such as mining and quarrying, and manufacturing, posted stronger growths of 11.3% and 0.8% in real value added, respectively.

Risks to domestic growth include a meagre recovery in the country's trading partners, slow recovery in international commodity prices, undue appreciation of the Namibia Dollar and uncertainty about weather conditions beyond 2017. The appreciation of the domestic currency has side effects on exports of primary industries that underpins the anticipated recovery for 2017. The economic contraction in Angola since 2016 has continued to reverberate in Namibian sectors such as wholesale and retail trade, education and real estate and business services. Thus, a delay in the actual recovery in growth in Angola increases the possibility of contraction in these sectors. Furthermore, a slowdown in demand for minerals by China will also increase the risk to projected growth for primary industries. Similarly, political uncertainty in advanced economies including the European Union has the potential to reduce Namibia's exports to such economies.

Telecom Namibia has been significantly impacted by the deceleration of economic activities, which resulted in a drop in consumption of ICT products and services. As expected, cash collection underperformed in tandem with weakened economic activities. Being a responsible business, we continued our disciplined management of capital expenditure and

Our results for the year under review reflect, for the first time in four consecutive financial years, a demonstrable and significant turnaround in our performance.

JOHNY M. SMITH
Board Chairperson
Telecom Namibia Ltd.

working capital as well as strategic containment measures.

On the business front, the local telecom sector was buoyant during the period under review with the granting of new licenses as the regulator CRAN sought to liberalise the market. It appears that this process will gather pace in the new financial year providing considerable expansion prospects for the ICT sector. In addition, severe competition in the sector is intensifying, particularly in the mobile space. Equally, competition in fixed line services has been enhanced by the entrance of new licensees.

FINANCIAL PERFORMANCE

Though the year has been quite eventful, I am happy to report that it has been successful on many fronts. For the first time in four years we have achieved a positive bottom line, with a retained income of about N\$9 million, reduced debt levels and an improved liquidity position.

These reflect a significant turnaround in Telecom Namibia's performance of the past four years. Ongoing focus on customer retention, further improvement in quality of service and customer experience and performance, focus on growth of data services and prudent management of operational costs were all contributing factors to the positive performance generated by the Company in FY2016/17.

The Group and Company reported comprehensive profits for the year ended 30 September 2017 of N\$249 million (2016: N\$26 million comprehensive loss) and N\$9 million (2016: N\$41 million comprehensive loss) respectively. Current liabilities exceeded current assets by N\$269 million (2016: N\$674 million) for the Group and by N\$246 million (2016: N\$451 million) for the Company at year-end. In line with strategic objectives, the Group aims to achieve 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 Board of Directors is actively leading the Company's transformation plan which has contributed to these positive results. The transformation

agenda will go a long way in improving the financial performance, profitability and leverage ratios of Telecom Namibia, as evidenced by the Group's cash flow projections for 2018 until 2020.

I am appreciative that such ongoing improvement in Telecom Namibia's performance reflects the efforts, dedication and leadership of the entire Telecom Namibia team and the continuous support of the Shareholder.

THE NEED FOR TRANSFORMATION

The transformation of the Company is just at the beginning.

The Board has started with a transformation process to convert Telecom Namibia into a more profitable Company where it can add more value to its customers, shareholder and other stakeholders. Some of these changes include the creation of a Board Commercial Committee to steer the Company away from technical focus to being commercially focused, where customers are at the centre of what we do. To change this Telecom Namibia ship has proven difficult so far, but we have started with initiatives to spearhead that change with the view to enhance its commercial focus. One of the most critical aspects of transformation is the introduction of a robust performance management system which is high on the agenda of the Board. During the past year we have spearheaded the process of instituting a balanced scorecard approach through the performance management system at all levels in the Company. This is a continuous process and therefore management has to ensure timely assessments in order to create a more performance oriented culture within the business.

We believe that strategic partnerships are critical for the transformation of Telecom Namibia. Hence, we have started to explore a few options which would deliver medium- to long-term improvement to the company with the aim of increasing our market share.

Our subsidiary company, Powercom is very strategic in realising long-term value through our assets and thereby creating more capacity in the mobile market and increase our market share within the segment. As a Group, the Board has appointed Ms Irene Simeon-Kurtz and Mr Fernando Somaeb to drive this agenda at a strategic level to lead such growth at Powercom for a period of two years.

We have also participated in benchmarking visits to other telcos such as Telkom SA to learn and understand their successful transformation processes. This visit has given us valuable insight for our planning of the Company's future growth.

Although significant improvements are still required to transform the Company to be stronger, it is integral that we as Telecom Namibia start

taking the lead going into the future. We are still very far from where we need to transform ourselves, but we believe that with the right team at all levels, as well as strategic and innovative leadership, we will be able to create significant value to our economy in the long-term. Although we have passed difficult waves during the past few years, we believe that our telecommunications tide is turning to enhance the lives of Namibians and creating a new digital era.

THE "SILVER" STORY OF TELECOM NAMIBIA'S JOURNEY

On 1 August 2017 was our silver jubilee anniversary. Telecom Namibia turned 25, which is a great achievement.

"We believe that strategic partnerships are critical for the transformation of Telecom Namibia. Hence, we have started to explore a few options which would deliver medium- to long-term improvement to the company with the aim of increasing our market share."

When our Government commercialised the Telecom and Postal services 25 years ago, we had to make a serious effort to make that vision a success. 25 years later, we are proud of this journey: These were 25 years of fostering the transformation of the ICT sector of our country. In spite of all the challenges, Telecom Namibia was able to excel as one of the leading public enterprises not only in the country, but on the continent of Africa. Over the years, Telecom Namibia has successfully built a modern telecommunications infrastructure. Today, our Company, without any fear of contradiction, is a successful provider of advanced communication solutions, offering multimedia and value added services in fixed line and mobile, as well as data services.

For 25 years, our ideas, effort, technology and employees have created monumental impact: real turning points that have transformed the lives of Namibians, our businesses and our society as a whole. Telecom Namibia invested about N\$ 4.47 billion in infrastructure development since inception in 1992 and its turnover grew from a mere N\$ 140 million a year to N\$ 1.5 billion a year.



BOARD AND MANAGEMENT CHANGES

Since the appointment of the new Board of Directors on 1 October 2016, the Board operated with only three Independent Non-Executive Directors, one of whom is the Chairperson. Two additional Non-executive Directors - Mr Fernando P Somaeb and Ms Petro Oberholster - were appointed on 1 June 2017. We are extraordinarily fortunate to have these two dynamic, accomplished and committed members to help us lead the Company through such a critical stage in our transformation journey.

Another development during the year is that the title of Telecom Namibia's Managing Director (MD) was changed to Chief Executive Officer (CEO) after a decision was taken at the AGM of 17 June 2016 and the incumbent no longer serves as an Executive Director on the Board of Directors.

CATALYSE NATIONAL ECONOMIC DEVELOPMENT

ICT is not only a mere economic enabler, but has great potential to transform a country's economy and should be seen as an important economic driver. ICT has potential to contribute to accelerated Gross Domestic Products and increased labour productivity growth rates.

Telecom Namibia contributes towards economic prosperity through pioneering technology and by expanding the broadband footprint. We support the growth of the country's leading corporates as well as SMEs that contribute to employment and economic development. We are targeting more and more Namibian households with broadband and an array of ICT solutions over the Internet Protocol (IP) space.

Telecom Namibia will continue to invest to further strengthen our national and global connectivity, thereby supporting the national objective of making Namibia's vision of becoming the ICT hub in the SADC region a reality. The Company maintains connectivity with all Internet hot spots across the globe, with our points of presence (PoPs) in Johannesburg, Cape Town, Frankfurt and London. As the national backbone network provider, Telecom Namibia has deployed a countrywide, secure fibre network to fulfil domestic transport requirements of other service providers as well.

As a trusted corporate citizen, Telecom Namibia remains committed to support the country's 2030 vision by contributing to the socio-economic transformation to knowledge based economy, as well as the ICT Ministry's Strategic Plan 2017-22 aimed at accelerated ICT development access and use for an inclusive ICT smart Namibia.

OUTLOOK FOR 2018

While several factors of uncertainty related to the economic and regulatory environment remain concerns for the local telco market, Telecom Namibia remains optimistic about the Company's revenue and profit development for FY2017/18. As the year unfolds, Telecom Namibia will press ahead while it continues playing a key role in developing the country's ICT sector and building a digital Namibia.

Furthermore, although we anticipate that the telecommunication space will be more competitive in the coming year, we are positive that we can meet these challenges with the high value proposition of our products and services. We always welcome healthy competition as it fosters more innovative services and options which ultimately benefit the consumer.

Therefore, going forward, some of the strategic areas that we have to improve on include:

- Getting closer to our customers and serving them better
- Creating more value at a broader sense to the local and regional economy
- Providing access to bigger, better, faster and cheaper telecommunications services
- Innovative thinking and evolving services

With these in mind, Telecom Namibia is set to take its stage of growth to the next level.

ACKNOWLEDGEMENTS

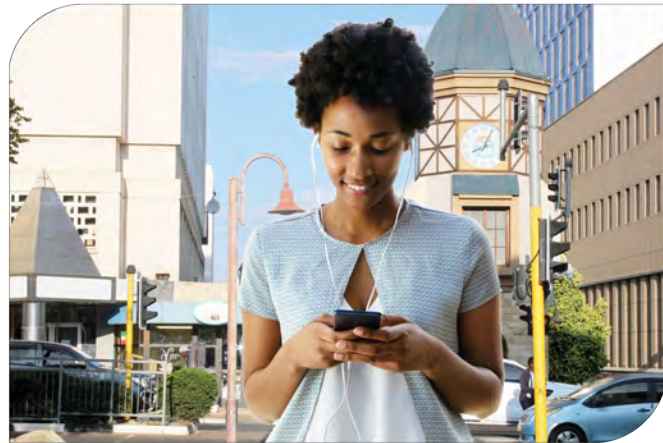
On behalf of the Board of Directors, I wish to put on record our utmost gratitude to our shareholder and other stakeholders for your steadfast trust in us, particularly in our efforts to bring the Company back to optimal performance. We will continue to work hard to ensure we create value for you in all that we do. We thank our customers, business partners and the media for your loyalty and support. To the Government and regulator, Telecom Namibia reinforces our commitment to support the agenda of industry development and a knowledge economy through the proliferation of ICT.

To my fellow Board members, thank you for your active participation and contribution at all Board and Committee meetings. Your wisdom and vision have guided the Company through our ongoing transformation journey.

To the Management and staff at large – I say thank you. Your dedication, drive and determination have helped see us through the challenging year.



Johnny M. Smith



Moving towards Changing the future...

Namibia's future growth trajectory is strongly appended to the infrastructure competencies of the country, of which the Telecom Namibia's advanced national backbone infrastructure is a core facilitator.

By cohesively extending and upgrading the national and international backbone network and transport layer through carrier grade technology and fibre optic architecture, Telecom Namibia is well placed to capture significant synergies in the longer term.

The unmatched capabilities of Telecom Namibia's NGN infrastructure would help articulate a multi-layered ICT platform that would convey Voice, Networking, Data Hosting, Managed Services and Cloud Computing options.

Executive Committee



Theodorus Klein
Chief Executive Officer



Calvin Muniswaswa
Chief Commercial Officer



Armando Perny
Chief Mobile Officer



Holger Sircoulomb
Chief Human Resources Officer



Robert Offner
Chief Financial Officer



Laban Hiwilepo
Chief Operations Officer



Dr. Ben Van Der Merwe
Head: Internal Audit &
Risk Management



Oiva Angula
Head: Corporate Communications
& Public Relations



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

CEO Report



In 2017, we celebrated the 25th anniversary of the establishment of Telecom Namibia, following the commercialisation of the Government Postal and Telecommunication Department in August 1992. I am encouraged by how Telecom Namibia has over those years met the challenges of the evolving world of communications and helped transform this aspect of the landscape of Namibia.

During the last 25 years, we have definitely seen many ups and downs as the market and technology itself has changed, posing a variety of challenges. But these challenges have driven us to always strive for service excellence, face challenges head on, create innovative solutions, and leverage our technical expertise to contribute to society.

During the 2016/17 financial year, in particular, Telecom Namibia faced changing social landscapes and a slowing economy which had a direct impact on the Group's performance. These variables, in addition to a changing regulatory environment and technology that is evolving more rapidly than many expected, continued to affect the Company's business operations.

The period under review saw Namibia slip into a 'technical' recession, following slowed growth recorded over two consecutive quarters. The real GDP figures show that the economy contracted by 1% between October and December 2016, compared to a 5% growth registered in the corresponding quarter of 2015.

While the country has suffered a recession in 2017, growth is projected to resume in 2018 and accelerate thereafter to about 4% as production from new mines ramps up and manufacturing and retail activities recover.

According to the Bank of Namibia, downside risks to this outlook include volatile Southern African Customs Union (SACU) revenue, subdued commodity prices and fiscal slippages that could undermine policy credibility.

FINANCIAL PERFORMANCE OVERVIEW

For us at Telecom Namibia, the recession had its impact on our growth and cash collections. For these two aspects of our business performance, the results for the year ending September 2017 were a 2% shortfall on cash collections for the financial year and our overall business growth with a 5% shortfall on the respective planned amounts.

The above shortfall of revenue led to an unfavourable year-on-year comparison of the total turnover of the Company to be 1.2% lower than the 2016 results achieving a total turnover of N\$1.5 billion.

The above areas of negative impact were aggressively managed throughout the year, including the closing of the Neotel sale in order to deliver positive trading results for the current financial year, with a positive profit of N\$9 million and to further reduce the commercial debt of the Company by fully applying the sale proceeds to our short-term loans.

Key performance indicators for the 2016/17 financial year:

- Revenue of N\$1,502,614,000
- Operating profit of N\$49,681,000
- Profit for the year of N\$6,901,000

Our results for the year under review reflect, for the first time in four consecutive financial years, a demonstrable and significant turnaround in our performance.

THEO G. KLEIN
Chief Executive Officer
Telecom Namibia Ltd.

- Closing owners' equity of N\$839,913,000
- Net cash flow from operations of N\$161,782,000
- Fixed asset base of N\$1,317,293,000

Overall revenue of the company continues to be supported by strong growth in the internet and mobile streams of the business.

Our results for the year under review reflect, for the first time in four consecutive financial years, a demonstrable and significant turnaround in our performance. Customer centricity, focus on network quality and service and judicious management of costs have all led to such positive results. We will intensify our efforts to deliver sustained growth in FY2017/18 despite tough economic and competitive conditions

STRATEGIC PRIORITIES

During the year we continued to pursue the three strategic priorities which helped guide our actions as we execute on our transformation strategy. The first theme relates to enhancing our operational efficiency and effectiveness of network operations, sales operations and moving customer care and sales towards online, self-help channels, thereby providing significant cost efficiencies. By building on operational improvements of 2017, we will generate further cost savings in 2018 and beyond. Our other strategic priority revolved around ensuring excellent overall network quality. To us, this is a key differentiator as good network quality enables customers to garner more benefits through improved customer experience.

Our long term objective is to differentiate our services through a superior customer experience that goes beyond the expectations of our customers. Providing quality service, modernising the channels of interaction for the best convenience of customers, developing long-term relationships and earn the best ratings and recommendations from our customers are part of our third strategic priority.

While we have achieved some early progress over the past two years, we will continue to undertake initiatives to move us closer to achieving those objectives and ultimately the strategic priorities.

SERVICE DELIVERY AND ASSURANCE

Despite all efforts to bring our service delivery and service assurance indicators of all open service and fault orders to less than 10% older than 30 days and less than 10% older than seven days, we have not achieved the desired results.

	Services Orders	Faults Orders	Total
Open Orders	1 381	542	1 923
Aging	35% > 30 days	43% > 7 days	

Despite an incomplete structure and various gaps in IP/IT skills capacity, considerable progress was made in producing at lower cost, improved efficiencies and improving network quality and customer service experience.

- All international points of presence (PoPs) were upgraded to consolidated 10 Gb/s pipes
- The upgrade of upstream capacities and improved peering capabilities
- Domain Name Servers were upgraded
- New Layer 2 Tunneling Protocol Servers at two major exchange points in Windhoek were installed
- New Broadband Access Servers for two major exchange points in Windhoek. The recovered broadband remote access servers (B-RAS) were redeployed at Keetmanshoop, Oshakati, Otjiwarongo
- Our Service Level Agreement tool is in place

The above capital investments made assisted greatly in the improvement of our overall broadband experience in terms of reliability, quality and speed. For these also, I would like to thank all our employees. None of the above would have been possible without their determination in implementing the various projects and passion in taking this Company one step further.

OUTLOOK

In our Annual Corporate Business Plan 2018, we set ourselves Headline KPIs consisting of revenue growth of 5.8%; EBIT margin of 22%; and customer satisfaction index of 70%. However, with due regard to the economic uncertainty, sector liberalisation, regulatory changes and intensely competitive telecommunication landscape, we are not ready to rest on our laurels. We need to keep the current momentum of improving the liquidity and profitability of the Company to be financially sustainable. Equally, we need to continue the efforts to improve the quality of the customer experience and the speed of customer service.

I remain optimistic that our growth will mainly come from the retail, corporate and Government segments in the new financial year. The Government network is expected to be launched in early 2018 which will lay a foundation for upselling services to Government institutions towards e-Government services.



We also expect growth in IP to be derived from the neighbouring markets through existing partnerships with Carrier of Carriers in Zambia. Initiatives to grow into the SADC region includes focus on exploring partnerships with operators in the SADC region.

We plan to further strengthen our all-IP footprint, increasing our fibre reach - both metro and nationally, improve our overall service delivery and becoming a more efficient operator.

VOTE OF THANKS

I would like to thank our Board of Directors for their continued guidance in our journey, as well as for their faith in me to steer the Company through this transformation phase. I would also like to thank our customers, our partners, our shareholder, our people, Namibia Public Workers Union (NAPWU, the Telecom Namibia executive team for their support as we shape a new future for Telecom Namibia, for the telecommunications industry and for Namibia.

A handwritten signature in blue ink, reading 'Theo G. Klein'.

Theo G. Klein



CFO Report



2017 marked the return to profitability of the Company and the Group. Despite revenues remaining flat, further cost management initiatives and solid debt collection ensured that the Company posted a comprehensive profit of N\$9 million and the Group, N\$249 million.

The mobile and IP (broadband) revenues continued to grow, however decline in voice traffic and price decreases on the data segments offset the growths. Whilst efforts have been centered on profitability, the financial sustainability going forward will focus on top line growth, whilst maintaining cost management discipline. Overall costs for the Company decreased by N\$82,97 million.

The other key focus was realising positive cash flow in order to reduce short term borrowings and reduce foreign and local denominated payables. To this end, R200 million was realised from the sale of the Neotel shareholding which in turn was applied to repay short term debt from financial institutions, resulting in a reduction of facility utilisation from N\$348 million to N\$79 million. Available facilities were also decreased and amounted to N\$80 million at year end. It is envisaged that these will be reduced over the next year or two.

Positive movement in the US/N\$ exchange rates in the second quarter on financial year 2016/17 coupled with strong US inflows, enabled for the full repayment of outstanding foreign creditors.

Total current liabilities for the Company decreased from N\$1,17 billion to N\$727 million, which will allow for increased capital expenditure in 2018. Acquisition of plant and equipment was limited to just under N\$60 million in 2017, in order to reduce third party liabilities.

Pressures remained throughout the year on post-paid account collections with Gross Receivables amounting to N\$472 million with average collection days in excess of 100.

“ The positive trading results and improved liquidity position resulted in an improvement in our credit rating by Fitch with the standalone rating improving from BB- to B-.

ROBERT P. OFFNER
Chief Financial Officer
Telecom Namibia Ltd.

Efforts are being intensified to improve on this position, however the task has been amplified with the current state of the Namibian economy.

It is the position of Management and the Board, that both the Company and the Group remain focused on increasing profitability, reducing debt and funding capital expansion from own cash flow.

Robert P. Offner



Commercial Operations

During the financial year under review, commercial operations were focused on implementing key initiatives that were aimed at mainly improving customer service and revenue growth. Targeted initiatives were also rolled-out to improve products, channels, segments and customers profitability levels which were supported by baseline data obtained from profitability studies concluded in the previous financial year.

The fixed line business experienced immense pressure on revenue growth partly after the country has slipped into a recession. As a result, most customers, including government, cut back on infrastructure projects and ICT spending.

The financial year saw a strong focus on growing the IP revenue stream through aggressive sales initiatives and marketing campaigns. While the IP and IT revenue streams recorded positive growth, the voice revenue stream continued to decline which is also a global phenomenon.

The data revenue stream recorded a decline during the financial year under review mainly due to the strengthening of the USD over that period and conversion of the Airtel agreement to an IRU (Indefeasible right of use) to improve cash flow, among others. Over the coming years, revenue growth will mainly be driven by growth in IP and Data product streams while voice revenue is expected to continue declining.

Product development initiatives were guided by the product roadmap designed to focus on specific customer needs and segment-based offerings that were developed to target the various market segments with unique solutions.

The approach continued to be on segment based offerings through innovative, converged and customised product development with main focus on IP, IT and Data, while defending the voice revenue through initiatives such as voice call plans complemented by competitive and flexible pricing, discounts and commission structures.

The growth in broadband services was driven by targeted sales initiatives in the retail channels through direct and indirect sales and intensified marketing campaigns.

A customer service and product-knowledge training programme was designed and successfully rolled out to employees serving the Corporate and Government segments during the year.

WHOLESALE AND INTERNATIONAL BUSINESS

The International and Wholesales division recorded unfavorable revenue results for the financial year, but have contributed about N\$63 million in upfront cash advances from IRU deals which contributed to the positive improvement of the company's cash flow position and contributing positively towards the turnaround strategy of the organisation. The main driver for the turnover shortfall was the exchange rate and decline in voice call revenue.

Service delivery improved slightly during the last two quarters of the financial year, but the most negatively impacted stream by slow service delivery was the fast-growing Carrier Ethernet products.

Year-on-year revenue for voice recorded a decline due to increasing competition pressure on outgoing international minutes with more national operators actively playing in the voice arena. Also, voice calls dropped because of the increasing use of other data calls/social media platforms.

Another reason for the decline in revenue was the reduction in interconnect tariffs from 20c to 10c earlier in the financial year.

We have on-boarded the BICS FraudGuard solution to help curb fraudulent calls that were experienced during the year to mostly isolated high risk international destinations.

Our main partners for voice remain the South African operators like Telkom SA, Neotel, and MTN SA. For the rest of world voice traffic we have connections to Liquid, Botswana Telecommunications Corporation Limited, Zamtel, BICS and Telco 214.

Outgoing international minutes remain under pressure with more national operators actively playing in the voice arena. In order to grow the international business, Telecom Namibia participated in regional and international events such as International Telecoms Week (ITW) and AfricaCom to ensure that we position ourselves as a strong regional player in the SADC market and the European markets. The International and Wholesale division has also embarked upon a renewed campaign to engage with all the players in the SADC region to create awareness of the connectivity to WACS and our regional and international presence.

CORPORATE BUSINESS

Corporate sales achieved some major milestones during the financial year. The department focused on retaining and growing the Government, corporate, large and medium enterprise business segments of Telecom Namibia. The main drive was on pushing innovative customer solutions in the IP and IT space which resulted in growth in revenue on existing corporate customers. Taking into account the current pressing economic situation, only innovative cost saving solutions to our customers could assist in the growth of the business.

The outsourcing of projects and structured cabling through partners have ensured provision of service on time and at high standards. The focus on collections and constant measurements on outstanding debtors have contributed to improvement of the company's cash flow position.

Efforts were made to improve customer relations through training interventions targeted at Account and Key Account managers. The interventions were aimed at equipping the corporate sales team with soft skills and product knowledge to ensure strengthened relations with top customers.

A strong focus was maintained on Government solutions and projects addressing fast-increasing Government needs and demands. Significant progress was recorded during the year to complete the Government regional ICT hubs in the 14 regions. The main activities centered on clearing the list of snags in preparation for project sign-off. Telecom and Government teams travelled around the country to inspect and validate completion of the project at various sites. The completion of this project will bring a total solution to improve Government services in the form of moving towards e-government services. Migration of key ministries to the Government network continued during the financial year while the official launch of the Government network is expected to be held during the first half of the new financial year.

RETAIL BUSINESS

The Retail channel is responsible for all new businesses, residential customers, Small Office Home Office (SOHO), as well as small and medium sized enterprises. It serves the whole of Namibia with a wide range of products and services supported by 32 Teleshops and a strong sales team across the country. Continuous expansion of the indirect sales channel was also pursued during the year.

The retail channel also focused on projects which aimed at improving customer service, revenue growth (with strong focus on the IP revenue stream), profitability and productivity through a review of processes.

A number of teleshops were targeted for closure and a contract was signed with Nampost to make use of specific Nampost outlets for selling, collection and distribution, as well as capturing of Telecom customer application forms on behalf of Telecom Namibia. Nampost outlets identified were Maltahöhe, Bethanie, Okakarara, Omaruru and Otavi, where teleshops were closed. A new project to revamp the look and feel of teleshops was started with the aim to provide for a customer-friendly environment which allows for interactions with customers and other employees in an open plan set-up. The initial phases of the project were activated and involve a Request for Proposals that resulted in identifying a firm that will support Telecom Namibia in executing the project.

CUSTOMER CONTACT CENTRE

The Customer Contact Centre (CCC) successfully implemented an automated customer complaint system to effectively track and manage all complaints escalated to the Centre from internal and external customers. This has improved the response time and service rectification time.

Telecom Namibia through its CCC also engaged a telemarketing firm to conduct telesales, gather intelligence about Telecom products and its customers in a move to broaden the network of its sales force and customer engagement touch points.

A Technical Assistance Desk was established at the main Teleshop (iWay) with plans to extend this to the rest of the teleshops in the Capital City in the coming year. In addition, a Call-Out Service was implemented whereby Helpdesk Administrators attend to customers at their locations to test their devices and connections. This led to the CCC introducing a pool of devices as temporary solutions to assist customers with temporary solutions when their services are interrupted. This solution is mainly provided to customers affected by cable theft or cable break incidents that generally take time to rectify. Training on systems was conducted for

CCC staff and processes were streamlined to ensure effective and efficient customer service. Projects to realise this improvement in customer service and service delivery will be continued in future.

PRICING AND TARIFFS

Pricing initiatives undertaken in the year were aimed at ensuring that Telecom Namibia not only remains competitive in the market but also realise improved profitability of the 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 and monitoring across all product streams done during the year.

The costing and pricing models for Speedlink products were revised, resulting in the finalisation of the plan to launch a new campaign of upgrading all Speedlink packages at no extra costs to the consumers. This initiative will see a general reduction in price levels in relation to improved customer broadband experience. The plan is to offer more bandwidth to consumers while maintaining current price levels – “increase access capacity for consumers at the same price”. The initiative is expected to be implemented during the first quarter of the new financial year.

A number of voice call plans were introduced to stimulate demand for fixed line voice services. These rate plans included a package for home users allowing them to make unlimited calls on Telecom Namibia networks at a flat rate per month. This was followed by introduction of additional advanced packages combining unlimited voice calling and unlimited data at flat rates per month targeted at home users.

Tailor-made voice call plans were also defined for corporate customers presenting them with the opportunity to make more calls at preferential or flat rate plans over Telecom Namibia networks.

A revised Xnet customer classification and subsidy framework was also finalised and introduced. The new framework allows for a broadened pool of access technologies that educational institutions can have access to at subsidised price points.



Revised VSAT pricing was implemented following approval by the regulator, CRAN. The VSAT pricing was revised downward in an effort to make broadband services affordable to remote-based businesses and residential users.

NEW PRODUCTS AND SERVICES

The following products were successfully introduced to the market:

- **Unlimited Call Plan:** Telecom Namibia Unlimited Call Plan package enables fixed landline residential post-paid customers to make unlimited calls to Telecom networks and limited calls to other mobile networks.
- **TD-LTE Packages:** Telecom Namibia Speedlink home/business offers unlimited internet access, voice services and ISP services via Telecom Namibia fixed broadband access technology, TD-LTE.

- **Flexi Call Card (FCC) & Mobile Phone Bundle:** FCC & Mobile phone bundle allowed customers to purchase a mobile phone (STK R45i) at special price and get a Flexicall starter, recharge voucher and TN Mobile starter pack for free.

- **tn1 Maxi Essential 1:** tn1 Maxi Essential 1 package offers customers with converged fixed mobile service which includes 1x high-end smartphone and 1x unlimited fixed broadband. The package is also offered with a 'bring your own device' concept.

- **tn1 Maxi Essential 2:** tn1 Maxi Essential 2 package offer customers with converged fixed mobile service which includes 1x mid-range smartphone and 1x unlimited fixed broadband. The package is also offered with a 'bring your own device' concept.

- **OpenScope Business X3W PABX:** Private Automatic Branch Exchange (PABX) is a telephone system within an enterprise that switches calls between enterprise users on local lines while allowing all users to share a certain number of external and internal phone lines.

- **CloudFax:** Telecom Namibia CloudFax is a method of sending faxes to and from multifunction devices or email using cloud based fax service. The product offers customers Fax Services on network connected MFDs without need for fax card and fax port requirements.

- **Unlimited Voice and Data:** Telecom Namibia Unlimited Voice and Data package offers residential customers with unlimited internet access and unlimited calls to Telecom networks. The package includes unlimited fixed broadband, unlimited local and national calls on fixed network, unlimited calls to TN Mobile network and limited calls to other mobile networks (300 minutes).



PRODUCT PERFORMANCE

The main products and solutions grouping for the fixed line business are: Voice, Data, IP, IT and Infrastructure & other streams. The year under review recorded an unfavourable performance year-on-year for the voice, data and Infrastructure streams while the IP and IT product streams recorded positive year-on-year growth.

The voice product group recorded a year-on-year decline of 12.7%. Despite this being a global trend, the decline was accelerated by the drop in interconnect tariffs from 20c to 10c following regulatory review, influence by the advance billing rental adjustment done in September 2017 and incoming traffic decline from international operators and national interconnect traffic. The voice product group is composed of traditional prepaid and post-paid fixed line voice services including value added services.

The data product group recorded a year-on-year decline of 6.4% compared to the previous financial year. The fixed data revenue stream recorded a decline during the financial year mainly due to the strengthening of the USD over that period and conversion of the Airtel agreement to an IRU to improve cash flow, among others. This product group is mainly composed of layer 2 transport services.

Positive growth was recorded for IP, with a year-on-year growth of 6.6%. 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 growth of 174% compared to the previous financial year. The IT product group is composed of traditional ISP value added services, fax2email, email2fax and other new IT solutions.

Other services such as CPE, structured cabling, directory and co-location recorded a combined year-on-year decline of 6.7%. This was attributed mainly to the economic slowdown being experienced in the country that resulted in most customers, including government, cutting back on infrastructure projects and ICT spending.



Our Products & Services

RETAIL	CORPORATE	WHOLESALE/INTERNATIONAL
Voice Services	Voice Services	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	Least Cost Routing ISDN Toll-Free Services Basic Telephony Data Services	ISDN Toll-Free Services Inmarsat Operators/Interconnect
Value Added Services (VAS)	Local Data Links	Data Services
TeleMail Three Party Call Call Waiting Call Forwarding (immediate) Call Forwarding on No Reply Call Forwarding on Busy Abbreviated Dialling 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	National Data Links Carrier Ethernet:City, Regional & National	International Express Routes National Express Routes Data Link Ethernet Express: National
Fixed Mobile Convergence Services	IP Services	Ethernet Express: International
tn1 Maxi tn1 MaxiPlus tn1 Family Circle	Radio Streaming BizConnect: National BizConnect: SA POP BizConnect: EU POP BizConnect:Express National POP BizConnect:Express SA POP BizConnect:Express EU POP BizLink VSAT Wi-Space Hotspots Speedlink Speedlink lite and Speedlink liteplus	Broadcasting Services
IP Services	IT Services	IP Services
Speedlink Speedlink lite & Speedlink liteplus VSAT Wi-Space Hotspots Radio Streaming	Video Conferencing iBiz iDomain iMail iSite CloudFax IT Services iWeb Fax2Email Email2Fax Smart Hosting	BizConnect: National BizConnect:SA POP BizConnect: EU POP BizConnect:Express National POP BizConnect:Express SA POP BizConnect:Express EU POP Speedlink Speedlink lite and Speedlink liteplus BizLink VSAT
IT Services	Infrastructure & Others	Mobile Services
iWeb iDomain iSite iLink iMail Fax2Email Email2Fax iBiz Video Conference	Structured Cabling Co – Location Telephone handsets & PABX Systems Site sharing Directory Services Marine Services Fixed Mobile Convergence Services tn1 MaxiPro tn1 Corporate Call Back	Mobile Voice Mobile Data Roaming
Infrastructure & Others	Mobile Services	
Telephone Handsets & PABX Systems Directory Services	Mobile Voice Mobile Data Roaming	
Mobile Services		
Mobile Voice Mobile Data Roaming		



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experienced.*

TN Mobile

Operating Highlights

The Mobile business of Telecom Namibia was launched on 22 August 2013, to capitalise of new revenue stream in the mobile business, providing GSM based solutions to corporates, Government institutions, small to medium enterprises and the retail market.

The Namibian mobile market has many players and TN Mobile has 8% of the market share. TN Mobile customer base ended with 187 238 subscriptions, representing a growth of 17% for the year ended September 2017. The focus for the year was on customer growth with acceptable levels of customer satisfaction and network quality.

Revenue for the 2016/17 financial year ended with N\$186 million, a 9.5% growth. The revenue drivers were new subscriptions in the voice packages space, new products, new roaming partners and enterprise data solutions. TN Mobile activated its MVNO business model with strategic customers and partners to realise the infrastructure required to accommodate additional business.

TN Mobile will roll out additional base stations to ensure adequate road coverage and improve its competitive position in relation to mobile customer traveling on the Namibia roads. Further road coverage improvements were realised on the Buitepos in the East to Walvis Bay in the West with other minor tourist routes from Henties Bay to Ruacana via Uis.

TN Mobile introduced TDD-LTE technology to complement its FDD-LTE network to improve the customer experience and be more competitive in its data offerings to all customers segments. Phase One was deployed in the Erongo region. The wireless broadband network allows for the fast delivery of 4, 5 G internet connections for the retail and enterprise markets.

The envisaged network expansion is part of TN Mobile's plan to provide 100% coverage of all the constituencies in Namibia. Further coverage on the road and non-urban areas will be done via the new Gilat VSAT system to provide narrowband and voice services.

New products and services

Corporate and retail dual SIM offerings were developed to ensure that TN Mobile is positioned as a credible second SIM provider with attractive value added services. Mobile Wi-Fi solutions will be deployed to realise innovative bundles in the Wi-Fi hotspot space.

Network Coverage

TN Mobile focused on two strategies. The primary focus was to improve the quality of service in the urban areas to ensure 3G and 4G coverage, while also expediting the deployment of internet services where no physical infrastructure is available.

TN Mobile will pursue the strategy of having adequate 3G and 4G coverage to drive its data growth strategy. It became critical for TN Mobile to reposition its network to accommodate data growth levels of 120 GB/s or over 400% growth in one year.

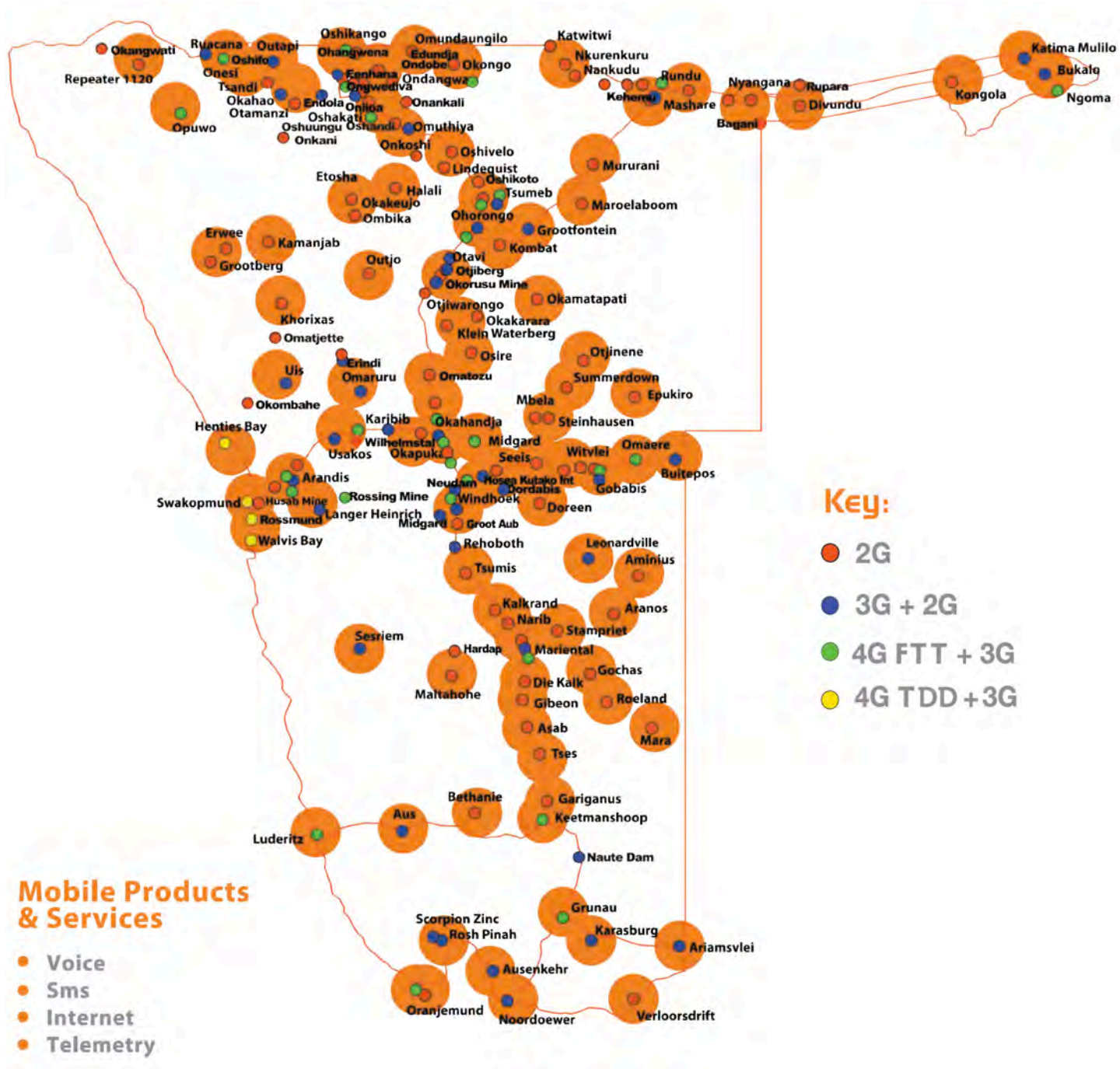
The strategy is to expand the network to accommodate the future MVNOs and national voice and data roaming in line with regulatory requirements, thus driving the data growth with 18%. Some of the highlights include:

- Hobas site implementation at the NWR Lodge, south west of Grunau
- 3G upgrades at Okakarara, Outjo and Khorixas
- 4G upgrades at Orangemund MGW site

Onesi and Otsandi were cutover from E1 to IP.

Planning in the first quarter of 2018 include, among others, 4G upgrades at Oranjemund (2nd site) and Lüderitz, new sites in Daberas Hostel (Oranjemund area), Omahenene replacement of old Nokia Equipment and MTC Olympia HQ replacement of Windhoek Gymnasium.

Our Mobile Footprint



Human Resources

The strategic objective of the Human Resources Division of Telecom Namibia is to: Have organisational structure and culture that enable optimal corporate performance, and Have right people, with right skills, experience and potential, in the right positions, at the right time and at the right cost to the company

STAFF COMPLEMENT

The total permanent staff complement of Telecom Namibia was 984 as at 30 September 2017. Due to current re-alignment of staff, Telecom Namibia employed a further 194 fixed-term contractors for intermittent periods to support the operations.

The lack of talent acquisition is a reflection of Telecom Namibia's strategic decision not to increase the staff complement without giving due consideration to the increase in labour costs. In line with Southern African Telco standards, Telecom Namibia strives to keep the labour cost at a maximum of 35% of revenue generated. In September 2017, the labour cost to revenue ratio stood at 34,6%. Strategic measures are in place to gradually reduce this ratio to 30% over the next three years.

The gender balance at Telecom Namibia is 60/40, where the men represent 60% of the workforce and women the 40%.

The age profile of Telecom Namibia reflects an ageing workforce where a quarter of the employees have reached the age of 50 or older. Strategic action plans are underway to address this phenomenon with emphasis on training and development and roll-out of succession plans. This will ensure a sustainable talent pipeline for Telecom Namibia in the future years.

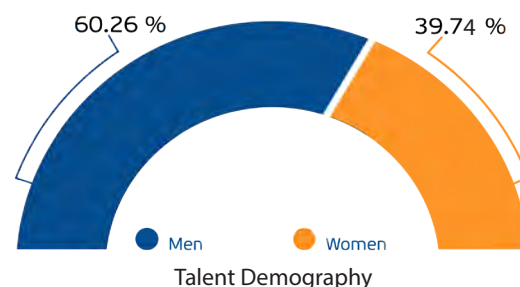
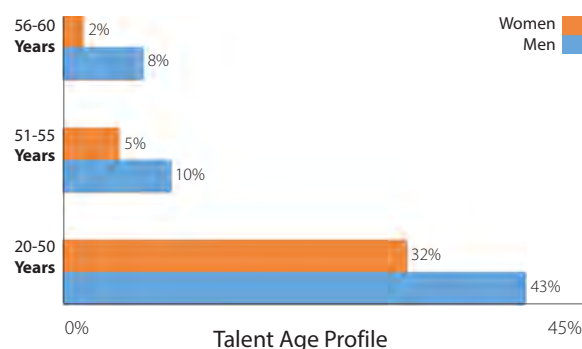
EMPLOYEE RELATIONS

Telecom Namibia has a long-standing and strong relationship with the Namibia Public Workers Union and maintaining a positive and productive working environment is of mutual concern to the parties. Keeping in line with good employee relations practices, Management and the Union continue to regularly engage with each other through quarterly scheduled forums. Whilst we recognise that this financial year was very tough at macro-economic level, we are proud to have maintained industrial peace and will continue to forge a strong partnership with NAPWU and its members at Telecom Namibia.

EMPLOYEE WELLNESS

Telecom Namibia strives to provide a work environment free of preventable hazards and to comply with all laws and regulations governing workplace safety and health. In the course of this year re-election of Workplace Safety Representatives took place and these representatives in turn, were exposed to a four-day Safety Representative training programme. We feel that our employees are empowered to act responsibly by keeping health and safety a personal priority.

Telecom Namibia offers an on-site medical clinic with an Occupational Doctor in charge, which enables Telecom Namibia to allow new



employees to undergo a pre-employment medical examination and exiting employees to be declared fit at time of termination. In the area of HIV/Aids, Telecom Namibia provides all employees and their families access to anti-retroviral medication. All Telecom Namibia staff are members of the Napotel Medical Aid- and Pension Fund. The board of trustees of both funds comprise an equal representation of management appointed – and employee elected trustees.

STAFF DEVELOPMENT

Telecom Namibia embarked on an in-house Leadership Development Program and after the Senior Management cadre successfully completed the program in the previous financial year, 124 Junior Managers were exposed to this programme in this financial year. This investment will ensure that Telecom Namibia has a strong contingent of young leaders that are innovative and can take the Company through the inevitable turbulent future years.

Telecom Namibia has further revitalised its Apprenticeship Programme and 15 Namibian apprentices have been brought on board to strengthen the operational capabilities of Telecom Namibia.

A budget of N\$9 million was set aside for staff development and our Engineers in Training, our Engineering Technicians in Training, our bursary students, and our staff benefitted from investment. Training and skills enhancement is done through our in-house Training Centre as well as through appropriate service providers through smart partnership arrangements.

	Executive	D Band	C Band	B Band	A Band	Casuals / Contract	Total Excl Contracts
Opening Balance	44	154	426	345	18	193	987
Plus Talent Acquisition	0	0	0	0	0	0	0
Minus Talent Exit	0	0	0	3	0	1	3
Closing Balance	44	154	426	342	18	192	984

Technical Operations

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.

The following projects were undertaken during the year:

INTERNATIONAL POPs

A 10Gbps link between Swakopmund and London was implemented in March 2017 and service migration completed in April 2017. All multiple STM-4s that were in operation were decommissioned and migrated to this new high capacity link.

- A 10Gbps link between Swakopmund and Frankfurt was implemented on WACS and completed in May 2017. All multiple STM-4s in operation will be decommissioned and migrated to this high capacity link.
- A 10Gbps link between Swakopmund and Cape Town was implemented on WACS and completed in August 2017.
- A 10Gbps link between Keetmanshoop and Johannesburg was carried out via Broadband Infracore (BBI) and completed in August 2017.
- Upgrade of upstream via BICS and Congent in London was done in May 2017 in order to accommodate current broadband customer needs and broadband customer growth needs TN PoP.
- Upgrade of BICS upstream in Frankfurt was also done to accommodate broadband customer growth needs TN PoP.

IP CORE NETWORK PROJECTS

- Domain Name System (DNS) servers were upgraded and put in operation
- New L2TP Network Server (LNS) was introduced at PPK and WGG and all legacy platforms were decommissioned. All static IP customers terminating at this site are no longer experiencing problems of platform congestions and overloading.
- A new broadband remote access server (BRAS) was introduced at PPK and all legacy BRAS platforms at the sites were decommissioned. Work to migrate the BRAS and access systems sitting behind legacy

backhauling at Olympia was completed in June 2017.

- A new BRAS was introduced at WGG and all legacy BRAS platforms at the sites were retired. In addition, the migration of BRAS at Industrial and Klein Windhoek and access systems sitting behind legacy backhauling was done in June 2017.
- Redeployment of recovered BRAS at Keetmanshoop, Oshakati, Otjiwarongo was done and completed in August 2017.
- Expansion of connectivity to Talismanus through fibre based connectivity for efficient backhauling is underway.
- Expansion of Telecom Namibia broadband connectivity to Impalila Island in the Zambezi Region. For the first time TN extended its network footprint to these remote areas.
- Enhancement and upgrade of microwave connectivity between Eenhana to Okongo to improve service performance and service availability.

GOVERNMENT NETWORK

The Government project received significant focus and good progress has been made with project sign-off in the first months of FY 2017/2018.

CUSTOMER PROJECTS

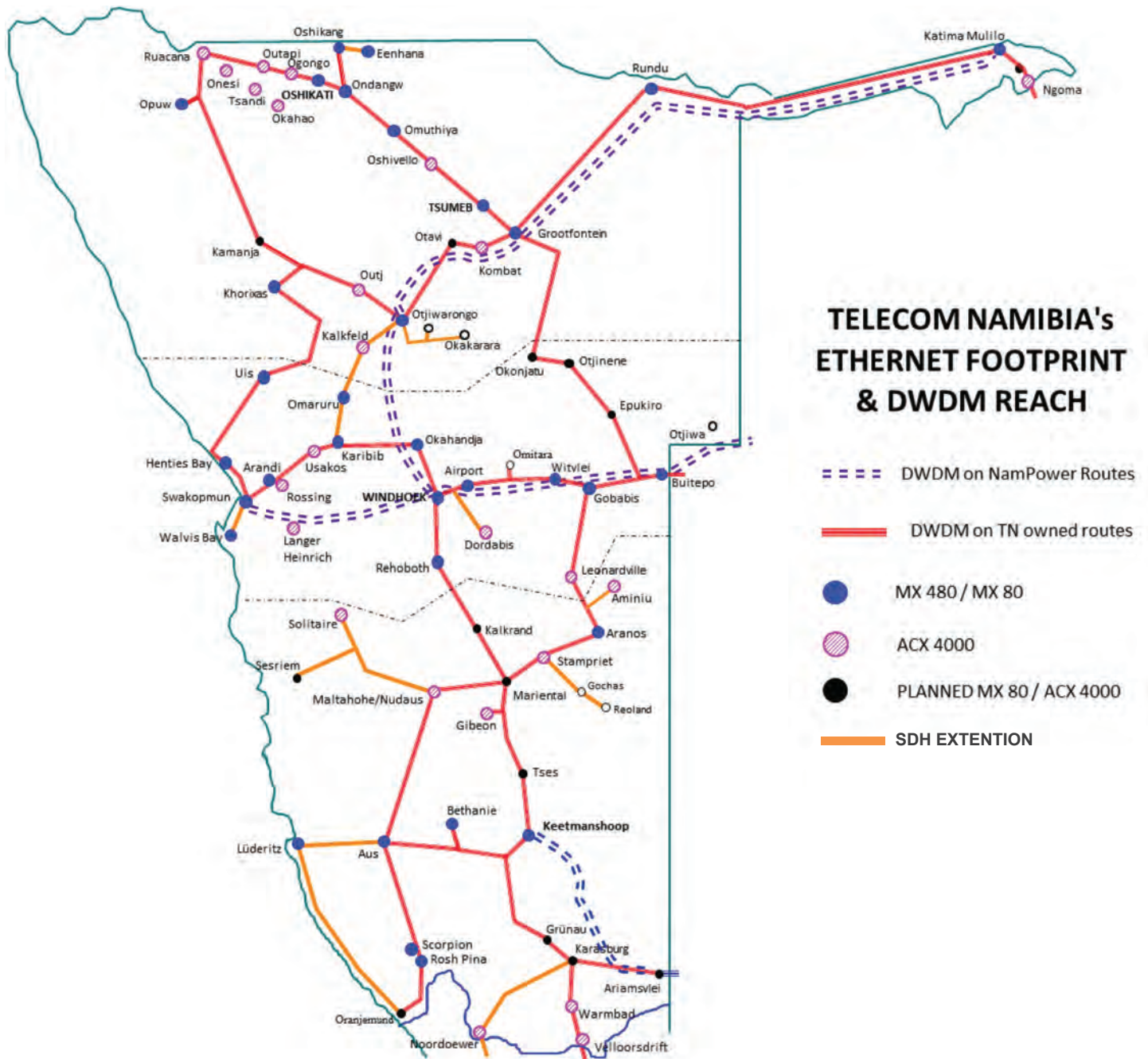
- The Ministry of ICT Video Conferencing, Ministry of Health WLAN and Ministry of Finance MPLS VPN were completed in April 2017.
- The Ministry of Environment VoIP Expansion Project was completed in May 2017
- Bank Windhoek MPLS VPN, completed in Sep 2017
- Nampost MPLS VPN, completed in Sep 2017
- MTN Ethernet Express, completed in May 2017
- Air Namibia MPLS VPN, completed in Feb 2017
- NIP National VPN, completed in April 2017
- MET VoIP Expansion, completed in May 2017

OTHER PROJECTS

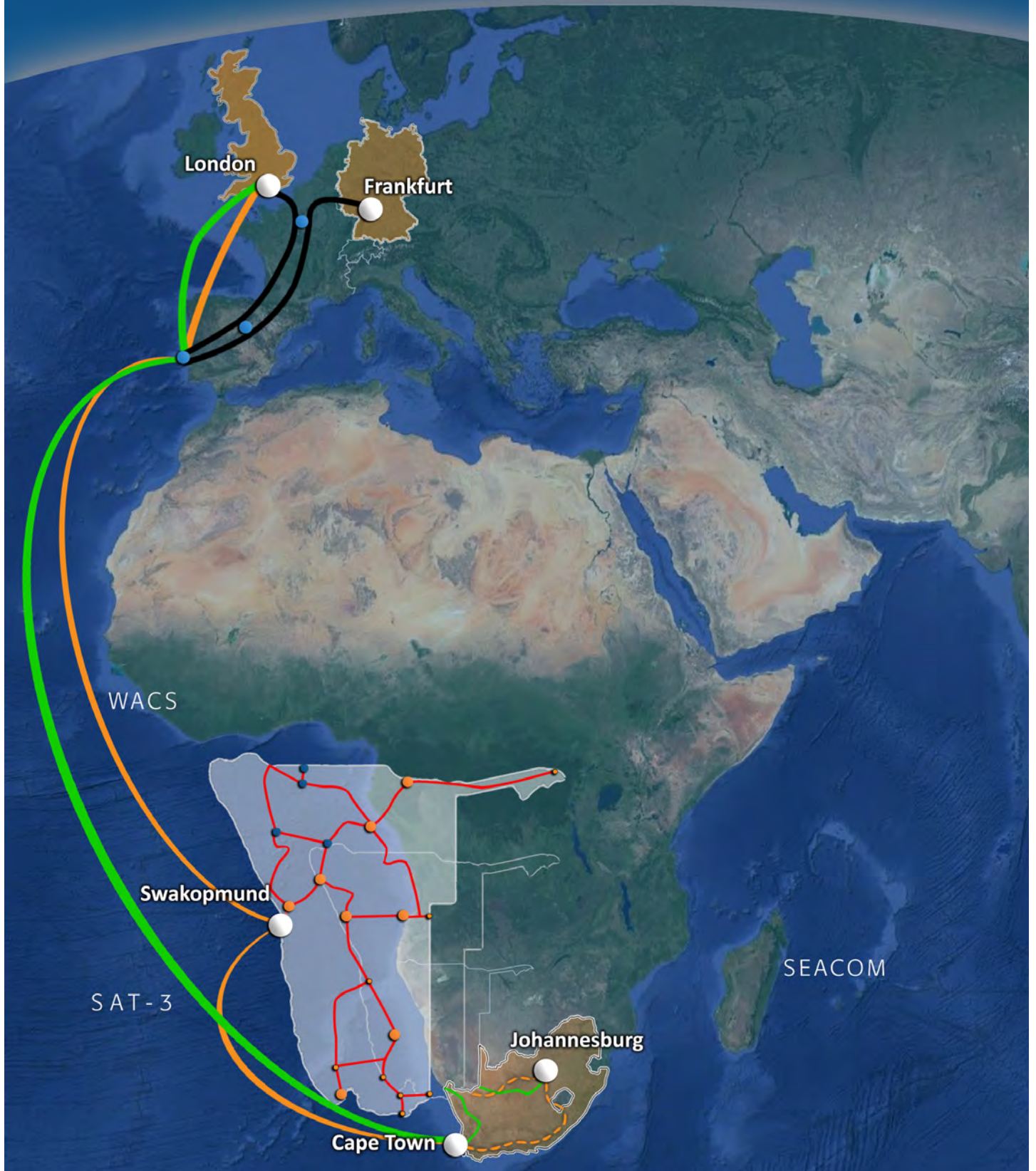
- Duet Port Expansion in WGG was completed in April 2017
- Otjiwarongo DC Power Upgrade was completed in April 2017
- Allot HW upgrade was completed in April 2017
- TR-069 project has commenced implementation and will be completed in the first months of FY 2017/2018
- NAVTEX Project at Contract Negotiation phase
- Radius servers / AAA server upgrade at implementation phase
- SLA tool is implemented. Pilot customers introduced on ICINGA (monitoring tool), project at pilot phase.



Our Ethernet & DWDM Footprint



Our Global Footprint



Social Responsibility

Corporate Social Responsibility (CSR) has been part of our corporate culture for the past 25 years of Telecom Namibia's existence as a corporate entity. It is an integral component of all our business activities. As one of the leading public enterprises in the country, Telecom Namibia aims to be involved in all areas that are important to Namibian society. Besides striving to offer the most advanced telecommunication services for our customers, we wish to actively contribute to the development of society which we are a part of.

Sustainable value chains are growing in importance for our stakeholders, requiring CSR to be embedded throughout the organisation and supply chain. Governance and compliance, processes and tools, as well as organisation are all important elements to enable CSR as an integrated part of daily business operations.

During the year under review, CSR activities were continued, albeit on a very limited scale. The Sponsorship Committee reviewed CR projects, as additional costs to the organisation in the recessionary period could impact the bottom-line adversely. As a result, the Committee took a balanced approach on costs and, subsequently, on CR programmes in order to limit additional costs, on the one hand, and to maintain the brand value and previous gained assets, on the other hand.

TRANSFORMATION

With regard to Nation-building, we continue to rollout services to under-served areas of the country in support the Government's vision of achieving universal access, universal coverage and universal service, in line with the intention to bridge the digital divide amongst Namibians.

Our Economic Empowerment (EE) procurement policy is the cornerstone of the Company's approach to transformation and nation-building. 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. The Procurement Act (Act 15 of 2015) which outlines the procurement law and regulations applicable to Telecom Namibia as a State Owned Enterprise, encourages EE and Telecom Namibia has aligned all procurement policies and processes with the principles as set out in the Procurement Act as from 1 April 2017.

Of the 6,394 orders placed during the year, about 64% were awarded to qualifying small and medium enterprises or BEE companies in Namibia. This made up 55% of the total procurement spend during the year. It is Telecom Namibia's objective to increase spending on BEE initiatives in the years ahead, in order to create jobs for Namibians in the SME sector.



EDUCATION

In the area of Education, Telecom Namibia is directly involved with various levels of the education system in the nation, from our involvement with the Xnet Development Alliance Trust which was established as a connectivity provider for schools in 2004 and expanded its operations to include all educational institutions in 2007. Through partnerships with Telecom Namibia Xnet was able to secure subsidised pricing on behalf of its beneficiaries. We have currently 501 schools connected via Xnet. There is a list of another 653 schools to be connected and our team is busy with the mapping of these schools to determine the type of technology to service them.

WOMEN EMPOWERMENT

During the year, we supported a number of initiatives aimed at empowering women in our society.

Namibian Businesswomen Club Networking Breakfast: Telecom Namibia continued to sponsor networking breakfast meeting for businesswomen and female professionals. The format of the networking breakfast sessions provide women with an opportunity to network with other members as well as a presentation aimed to encourage personal development and the management skills of women. The networking sessions also provide a forum for the exchange of ideas and expertise. During 2017, 6 sessions were held which were attended on average by 90 women each.

Katuka Mentorship Programme: Katuka Mentorship Programme (KMP) 2017 was a success, with 26 mentors and mentees completing the programme. The programme aims to empower and encourage entrepreneurs, business and professional women to achieve success in their careers through mentorship by seasoned business and professional women. KMP is designed to facilitate career development of younger women by exposing them to the experience of individuals with established careers. In its seventeenth year, KMP has produced significant results in the careers of the participating mentees. To date 321 entrepreneurs and businesswomen have completed the programme.

Businesswoman of the Year Awards: Telecom Namibia sponsored the 18th Businesswoman of the Year Awards. Over 450 people from the corporate world witnessed the crowning of yet another woman who has made her mark on the local business scene. The biannual awards acknowledge and celebrate women's contribution in business and pays tribute to the hard work, determination and creativity of women within large corporations, and individuals who have left an indelible mark in the local economy and society.

Northern Businesswomen Conference: Telecom Namibia was a major sponsor of the annual Northern Businesswomen Conference which took place at Ongwediva on 9 August 2017. The aim of the conference is to create an opportunity for women to share their expertise and skills, make new contacts, support one another and to create worthwhile business

relationships whereby they can be held accountable for their regions. Together all women create a business-driven membership network that encourages entrepreneurship and promote personal development and management skills. Apart from the dramatic increase in number of delegates, the conference also developed logistically. A total of 121 delegates from the northern regions, representing small 92 businesses, attended the conference in 2017.

COMMUNITY SUPPORT

We continued our engagement with communities by supporting many events and causes, including the 2nd Annual Women in Computing Conference, Girl-Child Mentorship Programme at Gibeon, Outjo Tourism & Trade Expo, the Karnevals-Gesellschaft Windhoek 1952 and Tsumeb Copper Festival.

Other events sponsored include the Invest In Namibia International Conference, held in Windhoek from 8–9 November 2016, under the theme, "Promoting Investment for Inclusive Growth and Industrialisation". Over 1 000 local and international investors attended the conference, which was part of the Harambee Prosperity Plan, which requires the hosting of an investors' conference in the first year of implementation. The other was the third annual National ICT Summit held from the 11-14 October 2016 under the theme "Digital Transformation Towards Economic Growth and Prosperity".

SERVICE TO CUSTOMERS

The interests of every customer are as important to us as the interests of society in general. It is essential for us to be able to provide targeted response to users' requirements and ensure high level of service quality. Telecom Namibia made good progress in our efforts to improve customer experience through improving network quality, enhancement of operational efficiencies and customer touchpoints. Nowadays social media platforms (like Facebook, Twitter, Youtube, etc) have become a powerful tool to interact, communicate, share any contents amongst people / societies. Telecom Namibia is using social media platform for brand building and a mechanism to address / resolve customer complaints coming on Facebook and Twitter accounts. A Social Media Desk is being set up at the Customer Contact Centre to monitor our Facebook and Twitter accounts with the view to timely resolve customer queries and complaints.

EMPLOYEES – CAPITAL OF THE COMPANY

In our aspiration to be a successful public enterprise and provide benefit for society we fully rely on our employees. We appreciate a workforce focused on constant development and achievement of a result. That is why Telecom Namibia constantly works on creation of comfortable and secure labour conditions, introduces effective instruments of development and motivation and supports a dialogue between the employees and the management.





We understand that a team is a key factor of Telecom Namibia's competitive ability, so we want to become an attractive employer in the country's telecommunications industry.

ENVIRONMENT PROTECTION

Telecom Namibia is dedicated to reducing our impact on the environment as well as that of our customers. We ensure that best environment practices are followed during the course of our day-to-day business operations so that negative impacts to the environment and our stakeholders, as a result of our activities are eliminated / minimised as much as possible. This includes recycling initiatives, adhering to company policies and business processes to optimise space utilisation, minimise wastage of any kind while maximising productivity.

Our products enable people and businesses all over the world to reduce local and international travel everyday whilst remaining connected to loved ones or opportunity, thus enabling reduction of the carbon footprint of all mankind. This is our greatest contribution to the environment although it cannot be measured. We are also mindful of the necessarily large footprint the organisation makes in providing enabling technologies and strive to manage and minimise it as part of our approach. And we continue to expand our offer of solutions like these.

SPORTS

Telecom Namibia hosted the 30th edition of the inter-telecom games where teams from leading telecom companies in Southern Africa annually come face-to-face in what is known as the BOLESWANASA Games. The tournament is aimed at bringing together professionals from the telecom sector to challenge each other in a sporting arena and serve as a platform to interact, foster cross-boundaries unity and enjoy the frolic activity along with their peers and families. The event involves teams from Telecom Namibia, Botswana Telecommunications Corporation, Econet-Lesotho Telecom, Swazi Post and Telecommunications Corporation and Telkom SA battling in a variety of sporting codes such as football, volleyball, netball, tug of war, pool, darts and athletics to become the BOLESWANASA 2017 Champion.

We also sponsored the Channel 7 Corporate Golf Day, Omeya Golf, Namibia Bass Angling Association Golf Day and Ministry of ICT Golf Day.

2017/18 FOCUS

For the 2017/18 financial year, Telecom Namibia plans to invest in social causes that will enhance the Company's strategic position within

corporate Namibia, hence converting every investment into a strategic opportunity.

It should be pointed that our CSR spend is divided between focused flagship projects and community based projects in four key areas: education, sports, environmental conservation and social development

Of course, these key focus areas will be re-assessed annually to ensure that projects supported address real needs within society and are aligned with Telecom Namibia's core business objectives and imperatives.

Telecom Namibia will actively and primarily supports CSR initiatives that:

- Support social development (healthy lifestyle, women and youth empowerment and social welfare and employee and societal sport development)
- Help conserve our environment (Cleaning operations)
- Encourage education (coupled to the national institutional programmes)

Collateral engagements will focus on:

Developmental, Community Arts and Culture for ICT access to uplift communities through the promotion of arts and culture, as well as Government and organisations to conduct programmes for the advancement of national programmes in line with the National Development goals and Harambee Prosperity Plan.

Attendance of events where Telecom Namibia's engagement with stakeholders is of crucial importance for the best interest of the Company's strategic interest (e.g. trade fair luncheons, Cultural festivals, etc.).

To support our employees, through an Employee Volunteer Programme to get involved in community volunteer work and encourage all employees to experience the personal rewards of giving their time and talents to communities across the country.

Annual Financial Statements



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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 composition of the Board appointed on 1 October 2016 that served during the year is as follows:

Directors	
Independent Non-executive	Qualifications
Johny M 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.
Irene E 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) SA 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.
Damoline Muruko	Master Degree in Public Administration of Mines and Mineral Resources at the School of Mines in France in 2009; Bachelor Juris (B-Juris) at the University of Namibia in 2004; Bachelor of Law (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, Scotland.
Petro Oberholster*	Bcom Degree at the University of the Orange Free State in 1987-1990, Diploma in Higher Education at the University of Stellenbosch, Senior Management Diploma at the University Stellenbosch Business School 2003-2004.
Fernando P Somaeb*	Bachelor of Commerce at Rhodes University 2006, Bachelor of Accounting (Hons) at UNISA 2007, Admitted as Chartered Accountant by Institute of Chartered Accountants Namibia and Public Accountants and Auditors Board.

* Appointed on 01 June 2017.

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. The title of Telecom Namibia's Managing Director (MD) was changed to Chief Executive Officer (CEO) after a decision was taken at the AGM of 17 June 2016 and the incumbent no longer serves as an Executive Director on the Board of Directors.

The NamCode is effective for those financial years commencing after 1 January 2014. The Group incorporated the applicable principles adopted through the NamCode by modifying the Terms of References for Board Committees and the Board Charter. The existing Board Charter and Terms of References currently exclude Executive members from the Board, but the terms are still under consideration.

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 compliance with the NamCode. The Induction training included familiarisation with the King IV principles; however no King IV principles are adopted as part of the Telecom Namibia Governance Code.

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 is composed of five independent Non-Executive Directors, one of whom is the Chairperson.

Corporate Governance

Statement (continued)

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 CEO and Executive Committee (EXCO) and approves the 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 CEO, 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 CEO 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.

In addition to the scheduled meetings held each year, the Board meets as and when warranted by particular circumstances. Nineteen Board meetings were held during the financial year ended 30 September 2017. 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	Scheduled and Ad hoc Board meetings											
		19/10 2016	26/10 2016	07/11 2016	14/12 2016	09/01 2017	30/01 2017	09/02 2017	07/03 2017	15/03 2017	18/04 2017	18/04 2017	
JM Smith (Chairperson)	01/10/2016	v	v	v	V	v	v	v	v	v	v	v	
IE Simeon-Kurtz	01/10/2016	v	v	v	v	v	v	v	v	v	v	v	
D Muruko	01/10/2016	v	v	v	v	v	v	v	v	v	v	v	
P Oberholster	01/06/2017	-	-	-	-	-	-	-	-	-	-	-	
FP Somaeb	01/06/2017	-	-	-	-	-	-	-	-	-	-	-	

v Attended

* Apologies

Corporate Governance

Statement (continued)

Board of Directors (continued)
Board meetings (continued)

Member	Appointed to Board	Scheduled and Ad hoc Board meetings							
		19/05 2017	16/06 2017	14/07 2017	18/07 2017	22/07 2017	07/08 2017	21/08 2017	19/09 2017
JM Smith (Chairperson)	01/10/2016	v	v	v	v	v	v	v	v
IE Simeon-Kurtz	01/10/2016	v	v	v	v	v	v	v	v
D Muruko	01/10/2016	v	v	v	v	v	v	v	*
P Oberholster	01/06/2017	-	-	v	v	v	v	v	v
FP Somaeb	01/06/2017	-	-	v	v	v	v	v	v

v Attended

* Apologies

Remuneration

The fees for Non-Executive Directors for the financial year ended 30 September 2017 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.

Non-executive Directors' remuneration for the year ended 30 September 2017 is summarised below:

Name	Fees for services	
	2017	2016
JM Smith	N\$ 179 912	N\$ -
IE Simeon-Kurtz	N\$ 157 928	N\$ -
D Muruko	N\$ 149 335	N\$ -
P Oberholster	N\$ 41 999	N\$ -
FP Somaeb	N\$ 32 886	N\$ -
F Veldskoen [^]	N\$ -	N\$ 148 386
CM Beukes-Amiss [^]	N\$ -	N\$ 136 411
IP Awene [^]	N\$ -	N\$ 151 080
Total	N\$ 562 060	N\$ 435 877

[^] Term ended 30 September 2016.

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.

The five committees are the:

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

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 broad framework of the remuneration of the CEO, 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;
- To determine, develop and recommend to the Board the general policy and the fee structure for the Board and all its sub committees;
- 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.

Corporate Governance Statement (continued)

Board of Directors (continued)

Board Committees (continued)

Audit, Risk and Compliance Committee

The Audit, Risk and Compliance 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, Risk and Compliance 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 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. 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.

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 Audit, Risk and Compliance 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 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; and
- Foreign currency exposure.

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 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.

The external auditors attend the meetings of the Committee by invitation and have access to the 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, Risk and Compliance 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, Risk and Compliance Committee with a dotted line of responsibility to the CEO.

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 45 to 88 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 43 and 44.

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

Corporate Governance

Statement (continued)

Board of Directors (continued)

Board Committees (continued)

Audit, Risk and Compliance Committee (continued)

auditor's recommendations to address them, are reported to the Audit, Risk and Compliance 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, Risk and Compliance 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, Risk and Compliance Committee and management.

Commercial Committee

The Commercial Committee is accountable to consider, evaluate and determine the development of the business growth and strategy, focusing on the development and growth of revenue/profitability, increasing market share and contributing to customer retention and satisfaction. The overall goal is to advise the business on possible focus areas for growth, improvement of customer experience and customer retention in creating sustainable customer value. The Committee will pay due regard to the comments and recommendations under the NamCode and Company policies. The Committee in discharging its duties actively account for the commercial strategy and value optimization, customer service initiatives, pricing strategies, branding and commercial marketing, new business development and project management, corporate communications strategies, scoping demand and pursuing opportunities, sales initiatives and pipeline management and strategic partnerships.

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;
- 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. 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. By the end of the financial year 2017, a number of controls were in place. 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 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. The committee is 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.

The composition of the EXCO is as follows:

T Klein	Chief Executive Officer
H Sircoulomb	Chief Human Resources Officer
R Offner	Chief Financial Officer
Vacant	Chief Strategy Officer
L Hiwilepo	Chief Operations Officer
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 & Regulatory Affairs
O Angula	Head: Corporate Communications and Public Relations

Corporate Governance

Statement (continued)

Board of Directors (continued)

Board Committees (continued)

Executive Committee (continued)

Board Committees Attendance Register

For the period 1 October 2016 to 30 September 2017:

Board of Directors	Audit, Risk and Compliance Committee Composition Attendance 5 meetings held during the year	HR and Compensation Committee Composition – Attendance 5 meetings held during the year	Commercial Committee Composition – Attendance 3 meetings held during the year	ICT Committee Composition – Attendance 4 meetings held during the year
JM Smith	-	-	Member	-
D Muruko	Member	Chairperson	Member	-
El Simeon-Kurtz	-	Member	Chairperson	Member
P Oberholster	Member	-	Member	Chairperson
FP Somaeb	Chairperson	Member	-	Member

* Appointed as the Chairperson subsequent to year-end.

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. The Procurement Act (Act 15 of 2015) which outlines the procurement law and regulations applicable to Telecom Namibia as a State Owned Enterprise, encourages EE and Telecom Namibia has aligned all procurement policies and processes with the principles as set out in the Procurement Act as from 1 April 2017.

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 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.

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

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

Statement of Responsibility by the Board of Directors

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.

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. By the end of the financial year 2017, a number of controls were in place. The Group and Company reported comprehensive profits for the year ended 30 September 2017 of N\$249 million (2016: N\$26 million comprehensive loss) and N\$9 million (2016: N\$41 million comprehensive loss) respectively. Current liabilities exceeded current assets by N\$269 million (2016: N\$674 million) for the Group and by N\$246 million (2016: N\$451 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 2018 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 future based on the improvement in our financial performance compared to prior year and the Group's cash flow projections for 2018 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 43 and 44.

The financial statements set out on pages 45 to 89 were approved and authorised for issue by the Board of Directors on 07 December 2017 and are signed on their behalf by:



Chairperson



Chief Executive Officer

Independent Auditor's Report to the Member of Telecom Namibia Limited

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Telecom Namibia Limited and its subsidiaries ("the Group") set out on pages 45 to 89, which comprise the consolidated and separate statements of financial position as at 30 September 2017 and consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group and Company as at 30 September 2017 and their consolidated and separate financial performance and consolidated and separate cash flows for the year ended in accordance with International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act of Namibia.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the Entity and Group in accordance with the independence requirements applicable to performing audits of financial statements in Namibia which is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Part A and B) (IESBA Code).

We have fulfilled our other ethical responsibilities in accordance with the ethical requirements applicable to performing audits in Namibia. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 current liabilities which exceed current assets by N\$269 million (2016: N\$674 million) for the Group and by N\$246 million (2016: N\$451 million) for the Company at year-end. Note 34 also reports that Company and the Group have sufficient unutilised available borrowing facilities to cover the net current liabilities.

Other Information

The Directors are responsible for the other information. The other information included in the annual financial statements, comprises the Corporate governance statement and Statement of responsibility by the Board of Directors which is made available to us before the date of this report. The following other information included in the Annual Report: Chairperson's review, CEO report, CFO report, Commercial Operations report, TN Mobile Operating Highlights, Technical Operations report, Human Resources report and Social Responsibility report is expected to be made available to us after the date of this report. Other information

does not include the consolidated and separate financial statements and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The Directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Namibia and for such internal control 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.

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

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

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

- As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:
- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit

Independent Auditor's Report to the Member of Telecom Namibia Limited (continued)

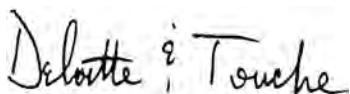
Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements (continued)

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 Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.



Deloitte & Touche

Registered Accountants and Auditors
Chartered Accountants (Namibia)
Per: R.H. Mc Donald
Partner
Windhoek
4 January 2018

Statements of Financial Position

as at 30 September 2017

	Notes	Group 2017 N\$'000	Group 2016 N\$'000	Company 2017 N\$'000	Company 2016 N\$'000
ASSETS					
Non-current assets					
Property, plant and equipment	3	1 434 737	1 646 716	1 317 293	1 520 494
Intangible assets	4	145 680	131 323	123 298	107 550
Investment in subsidiary	5	--	--	--	--
Investment in associates	6	--	--	--	--
Finance lease receivable	8	13 785	14 803	13 785	14 803
Deferred tax asset	17	24 877	--	--	--
Amounts owing by fellow subsidiaries	11	--	--	150 000	175 000
		1 619 079	1 792 842	1 604 376	1 817 847
Current assets					
Inventories	9	61 599	74 662	61 599	74 662
Trade and other receivables	10	322 519	376 474	321 268	364 918
Derivative financial instruments	7	--	--	--	--
Amounts owing by fellow subsidiaries	11	4 862	4 285	28 930	20 595
Amounts owing by holding company	11	4 177	2 605	4 177	2 605
Short-term portion of finance lease receivable	8	17 842	20 257	17 842	20 257
Cash and cash equivalents	12	25 217	12 257	21 361	12 212
		436 216	490 540	455 177	495 249
Non-current assets classified as held for sale	13	25 836	25 836	25 836	225 836
Total current assets		462 052	516 376	481 013	721 085
Total assets		2 081 131	2 309 218	2 085 389	2 538 932
EQUITY					
Capital and reserves attributable to the company's equity holders					
Share capital	14	534 700	554 530	534 700	554 530
Retained earnings		280 383	30 974	305 213	296 229
Total equity		815 083	585 504	839 913	850 759
LIABILITIES					
Non-current liabilities					
Post-retirement medical benefit obligations	15	56 687	56 880	56 687	56 880
Long-term borrowings	16	95 651	125 682	95 651	125 682
Deferred tax liabilities	17	243 980	237 010	227 839	220 425
Other financial liabilities	19	17 593	--	17 593	--
Long-term portion of deferred revenue	20	120 940	112 644	120 940	112 644
Rental payable – straight line basis adjustment		181	1 191	--	--
		535 032	533 407	518 710	515 631
Current liabilities					
Trade and other payables	18	280 194	516 007	275 944	505 188
Short-term portion of long-term borrowings	16	79 024	365 660	79 024	348 309
Derivative financial instruments	7	--	1 662	--	1 662
Amounts owing to fellow subsidiaries	11	699	1 693	699	12 098
Amounts owing to holding company	11	232 495	196 793	232 495	196 793
Other financial liabilities	19	2 237	--	2 237	--
Short-term portion of deferred revenue	20	136 367	108 492	136 367	108 492
Total current liabilities		731 016	1 190 307	726 766	1 172 542
Total liabilities		1 266 048	1 723 714	1 245 476	1 688 173
Total equity and liabilities		2 081 131	2 309 218	2 085 389	2 538 932

Statements of Profit or Loss & Other Comprehensive Income

for the year ended 30 September 2017

	Notes	Group 2017 N\$'000	Group 2016 N\$'000	Company 2017 N\$'000	Company 2016 N\$'000
Revenue		1 518 377	1 532 272	1 502 614	1 517 558
- Sale of goods		33 174	33 768	33 174	33 768
- Services rendered		1 485 203	1 498 504	1 469 440	1 483 790
Distribution costs		(321 853)	(387 493)	(340 926)	(407 588)
Administrative expenses		(802 917)	(744 692)	(791 873)	(734 290)
Impairment loss		--	--	(465)	(1 364)
Regulatory levies	25	(13 844)	10 367	(13 844)	10 367
Other operating expenses		(313 916)	(411 722)	(305 825)	(403 030)
Operating profit/(loss)	21	65 847	(1 268)	49 681	(18 347)
Finance income	22	4 441	4 687	4 441	4 687
Finance costs	22	(41 849)	(49 354)	(40 787)	(46 615)
Profit on disposal of investment in associate	6	200 000	--	--	--
Profit/(Loss) before tax		228 439	(45 935)	13 335	(60 275)
Taxation	22	18 887	19 700	(6 434)	19 253
Profit/(Loss) for the year		247 326	(26 235)	6 901	(41 022)
Other comprehensive profit/(loss) for the year net of tax					
Items that will not be reclassified subsequently to profit or loss:		2 083	(218)	2 083	(218)
Remeasurement of defined benefit obligation	15	3 063	(320)	3 063	(320)
Income tax relating to items that will not be reclassified subsequently to profit or loss		(980)	102	(980)	102
Total comprehensive profit/(loss) for the year		249 409	(26 453)	8 984	(41 240)
Profit/(Loss) for the year attributable to:					
Equity holders of the company		247 326	(26 235)	6 901	(41 022)
Total comprehensive profit/(loss) for the year attributable to:					
Equity holders of the company		249 409	(26 453)	8 984	(41 240)

Statements of Changes in Equity

for the year ended 30 September 2017

Consolidated

	Notes	Share capital N\$'000	Retained earnings N\$'000	Total N\$'000
Balance at 30 September 2015		554 530	57 427	611 957
Total comprehensive loss for the year		--	(26 453)	(26 453)
Loss for the year		--	(26 235)	(26 235)
Other comprehensive loss for the year		--	(218)	(218)
Balance at 30 September 2016		554 530	30 974	585 504
Total comprehensive profit for the year		--	249 409	249 409
Profit for the year		--	247 326	247 326
Other comprehensive profit for the year		--	2 083	2 083
Reallocated to other financial liabilities	19	(19 830)	--	(19 830)
Balance at 30 September 2017		534 700	280 383	815 083

No dividends were paid or declared during the year (2016: Nil).

Company

	Notes	Share capital N\$'000	Retained earnings N\$'000	Total N\$'000
Balance at 30 September 2015		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
Total comprehensive profit for the year		--	8 984	8 984
Profit for the year		--	6 901	6 901
Other comprehensive profit for the year		--	2 083	2 083
Reallocated to other financial liabilities	19	(19 830)	--	(19 830)
Balance at 30 September 2017		534 700	305 213	839 913

No dividends were paid or declared during the year (2016: Nil)

Statements of Cash Flows

for the year ended 30 September 2017

	Notes	Consolidated 2017 N\$'000	Consolidated 2016 N\$'000	Company 2017 N\$'000	Company 2016 N\$'000
Cash flow from operating activities					
Operating profit/(loss)		65 847	(1 268)	49 681	(18 347)
Adjustment for :					
Post-retirement medical benefit obligations	15	6 008	5 443	6 008	5 443
Movement on derivative financial instrument	7	(1 662)	1 662	(1 662)	1 662
Loss/(profit) on scrapping of property, plant and equipment and intangible assets	21	23 638	11 847	22 992	11 690
Impairment of investment in subsidiary	5	--	--	--	1 364
Impairment of non-current assets held for sale	13	--	--	465	--
Impairment of current tax asset		--	2 745	--	2 745
Straight-line adjustment of rent payable		(1 010)	(875)	--	--
Depreciation of plant & equipment	3	212 015	231 411	203 687	222 296
Amortisation of intangible assets	4	31 246	36 255	29 855	34 863
Impairment of assets		--	4 845	--	4 845
Foreign exchange gain		(10 234)	(4 089)	(10 234)	(4 089)
Working capital changes	26	(100 065)	(13 891)	(96 964)	(3 452)
Cash generated from operations		225 783	274 085	203 828	259 020
Interest received	22	4 441	4 687	4 441	4 687
Interest paid	22	(44 411)	(54 992)	(43 349)	(52 253)
Subsidies paid on post-retirement medical benefit obligation	15	(3 138)	(2 814)	(3 138)	(2 814)
Taxation paid	19	--	--	--	--
Net cash flow from operating activities		182 675	220 966	161 782	208 640
Cash flow from investing activities					
Movement on finance lease receivable		3 433	3 368	3 433	3 368
Plant and equipment acquired	3	(59 696)	(125 279)	(59 500)	(124 784)
Intangible assets acquired	4	(7 019)	(21 369)	(7 019)	(21 369)
Increase in loan to subsidiary company	5	--	--	(465)	(35)
Net cash flow used in investing activities		(63 282)	(143 280)	(63 551)	(142 820)
Cash flow from financing activities					
Proceeds from the disposal of investment in associate	13	200 000	--	200 000	--
Long-term loans repaid		(22 010)	(68 532)	(22 010)	(68 532)
Net cash flow used in financing activities		177 990	(68 532)	177 990	(68 532)
Net movement in cash and cash equivalents					
Cash and cash equivalents at beginning of year		297 383	9 154	276 221	(2 712)
Exchange differences		(331 433)	(344 676)	(314 127)	(315 504)
Cash and cash equivalents at end of year	12	(23 816)	(331 433)	(27 672)	(314 127)

Notes to the Financial Statements

For the year ended 30 September 2017

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. The useful life of the billing engine software was extended to 7 years to reflect the current use of the asset.

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.

Notes to the Financial Statements

For the year ended 30 September 2017 (continued)

1. Summary of significant accounting policies (continued)

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.

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 present condition.

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.

Notes to the Financial Statements

For the year ended 30 September 2017 (continued)

1. Summary of significant accounting policies (continued)

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.

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.

Notes to the Financial Statements

For the year ended 30 September 2017 (continued)

1. Summary of significant accounting policies (continued)

Financial instruments (continued)

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.

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.

Notes to the Financial Statements

For the year ended 30 September 2017 (continued)

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.

Notes to the Financial Statements

For the year ended 30 September 2017 (continued)

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 Napol 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.

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.

Notes to the Financial Statements

For the year ended 30 September 2017 (continued)

1. Summary of significant accounting policies (continued)

Revenue (continued)

Pre-paid products (continued)

- 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.

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.

Notes to the Financial Statements

For the year ended 30 September 2017 (continued)

1. Summary of significant accounting policies (continued)

Basis of consolidation (continued)

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.

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.

Notes to the Financial Statements

For the year ended 30 September 2017 (continued)

1. Summary of significant accounting policies (continued)

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 2017 was N\$175 million (2016: N\$ 162 million) for the Group and N\$175 million (2016: N\$160 million) for the Company.

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.

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 five years to seven years to more appropriately reflect the current condition and use of the assets. The reassessment resulted in a reduction of depreciation of N\$8.8 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 2017 (2016: 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\$65 million (2016: N\$60 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\$ Nil (2016: N\$5 million) was recognised on assets during the 2017 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 therefore no impairment loss was raised in 2017 (2016: Nil).

Notes to the Financial Statements

For the year ended 30 September 2017 (continued)

1. Summary of significant accounting policies (continued)

Critical accounting estimates and judgments (continued)

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 held an effective interest in this company of 10.5 per cent (2016: 10.5%) and invested an amount of N\$428 million (2016: 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 (2016: N\$99 million).

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. The investment was reclassified as held for sale at 30 September 2016 (See Note 5). A purchase agreement was entered into between all the parties and the sale was concluded on 10 February 2017. The sale of 100% equity in Neotel (Pty) Ltd yielded N\$200 million for CommuniTel (Pty) Ltd which in turn was used to repay Telecom N\$200 million owing on the shareholder loan. An impairment loss of N\$456 thousand (2016: N\$1.4 million) 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. The sale of 100% equity in Communitel (Pty) Ltd yielded N\$200 million and the impairment of the investment was reversed by N\$200 million.

Mundo Startel (MST)

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 the ability of the acquirer to settle the amount and the difficulty encountered to enforce the Company's rights and obligations in Angola.

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. A portion of the assets (58%), with a carrying amount of N\$36 million, was deemed sold and 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. The sale of the assets is dependent on capital investment in the GSM network and during the year no significant investments were made. The balance of the asset held for sale thus remained unchanged from prior year. 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 on 16 June 2016. 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 cumulative preference shares have voting rights. The issue price and number of the preference shares was changed in an Addendum to the Main agreement on 16 March 2017 to four hundred redeemable cumulative preference shares with an issue price of N\$1 000 000 (being the par value N\$1 and a premium of N\$999 999). The redeemable cumulative preference shares are classified as a compound financial instrument in accordance with the substance of the contractual arrangements. The preference shares were classified as equity during the 2016 financial year as the liability component of the instrument could not be reliably determined due to the uncertainty of future profits.

At 30 September 2017, the Company reported a comprehensive profit of N\$9 million. The classification of the preference shares was reviewed and the liability component was estimated by discounting future cash flows using market interest rates. In determining the liability component of the compound instrument, management has reviewed the future profitability forecasts and the 2017 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. 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.

Significant judgement was used by management to determine the liability component of the compound instrument. The most significant criteria used was the future after tax profits forecasted over the 10 year period, the inflation rate and the discounted rate used to discount future cash flows. The liability component was calculated as N\$19.8 million and the change in estimate was accounted for prospectively.

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.

Deferred tax asset

Powercom (Pty) Limited had accumulated tax losses carried forward from prior years which was not raised as a deferred tax asset. The Company reported taxable profits in the 2015, 2016 and 2017 financial years and as a result it was appropriate to reassess the recognition of a deferred tax asset. Significant judgement was used to determine the probability of future taxable profits on which the assessment was based. The anticipated cumulative future profits projected in the 5 year business plan amounted to N\$157 million. The future profits were then set-off against the deferred tax liability of N\$79 million leaving N\$78 million on which a deferred tax asset at

Notes to the Financial Statements

For the year ended 30 September 2017 (continued)

1. Summary of significant accounting policies (continued)

Critical accounting estimates and judgments (continued)

Deferred tax asset (continued)

32% was raised. The deferred tax asset raised in the Subsidiary and Group in the current year was N\$25 million. The Subsidiary still has unutilised tax losses which may in future be raised as a deferred tax asset should the projections of future profits support this.

2. Segment information

2.1 Products and services from which reportable segments derive their revenues

Information reported to the CEO 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
	- Telephone installations
	- ISDN
Pre-paid services	- Fixed voice
Interconnection	- Local
	- International
Mobile	
	- Mobile voice (post-paid and pre-paid)
	- 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
	- Projects

Notes to the Financial Statements

For the year ended 30 September 2017 (continued)

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	Segment revenue	Segment profit	Segment profit
	2017	2016	2017	2016
	N\$'000	N\$'000	N\$'000	N\$'000
Voice	348 026	399 055	306 473	322 861
Mobile	105 480	108 254	66 919	65 517
Data	368 525	372 569	303 576	305 711
Infrastructure and others	131 666	138 865	73 518	83 349
IP services	536 783	503 339	409 229	362 066
IT services	27 897	10 190	3 674	2 430
Total	1 518 377	1 532 272	1 163 389	1 141 934
Administrative expenses			(765 128)	(745 248)
Impairment loss			--	--
Regulatory levies			(13 844)	10 367
Other operating expenses			(318 570)	(408 321)
Operating profit/(loss)			65 847	(1 268)
Finance income			4 441	4 687
Finance costs			(41 849)	(49 354)
Share of results of associate after tax			200 000	--
Profit/(Loss) before taxation			228 439	(45 935)
Taxation			18 887	19 700
Profit/(Loss) for the year			247 326	(26 235)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2016: 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.

Notes to the Financial Statements

For the year ended 30 September 2017 (continued)

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 2017							
Cost							
Opening balance	3 755 633	44 425	4 713	64 010	562	1 397	3 870 740
Additions	31 521	565	927	26 622	--	61	59 696
Capitalised borrowing costs	--	--	--	2 562	--	--	2 562
Scrappings	(106 866)	(748)	(396)	--	--	(1 354)	(109 364)
Transfer to intangible assets	--	--	--	(39 911)	--	--	(39 911)
Transfers between asset classes	6 976	--	--	(6 976)	--	--	--
Closing balance	3 687 264	44 242	5 244	46 307	562	104	3 783 723

Accumulated depreciation							
Opening balance	2 183 427	36 688	2 792	--	562	555	2 224 024
Depreciation charge	207 908	2 507	1 324	--	--	276	212 015
Depreciation on scrappings	(85 213)	(742)	(371)	--	--	(727)	(87 053)
Closing balance	2 306 122	38 453	3 745	--	562	104	2 348 986
Closing book value	1 381 142	5 789	1 499	46 307	--	--	1 434 737
Opening book value	1 572 206	7 737	1 921	64 010	--	842	1 646 716

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

Notes to the Financial Statements

For the year ended 30 September 2017 (continued)

3. Property, plant and equipment (continued)

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 2017							
Cost							
Opening balance	3 576 767	49 524	4 714	58 882	562	335	3 690 784
Additions	31 437	514	927	26 622	--	--	59 500
Capitalised borrowing costs	--	--	--	2 562	--	--	2 562
Scrappings	(106 849)	(748)	(396)	--	--	--	(107 993)
Transfer to intangible assets	--	--	--	(39 911)	--	--	(39 911)
Transfers between asset classes	6 976	--	--	(6 976)	--	--	--
Closing balance	3 508 331	49 290	5 245	41 179	562	335	3 604 942

Accumulated depreciation							
Opening balance	2 125 115	41 818	2 795	--	562	--	2 170 290
Depreciation charge	199 870	2 493	1 324	--	--	--	203 687
Depreciation on scrappings	(85 213)	(742)	(373)	--	--	--	(86 328)
Closing balance	2 239 772	43 569	3 746	--	562	--	2 287 649
Closing book value	1 268 559	5 721	1 499	41 179	--	335	1 317 293
Opening book value	1 451 652	7 706	1 919	58 882	--	335	1 520 494

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

Telecommunications equipment with a carrying amount of N\$0.4 thousand (2016: N\$5.6 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\$35 million (2016: N\$42 million).

Notes to the Financial Statements

For the year ended 30 September 2017 (continued)

4. Intangible assets

	Consolidated 2017 N\$'000	Consolidated 2016 N\$'000	Company 2017 N\$'000	Company 2016 N\$'000
Cost				
Software and licences	289 928	255 410	289 928	255 410
Frequency, spectrum and number '085'	27 832	27 832	--	--
	317 760	283 242	289 928	255 410
Accumulated amortisation				
Software and licences	166 630	147 860	166 630	147 860
Frequency, spectrum and number '085'	5 450	4 059	--	--
	172 080	151 919	166 630	147 860
Closing book value				
Software and licences	123 298	107 550	123 298	107 550
Frequency, spectrum and number '085'	22 382	23 773	--	--
	145 680	131 323	123 298	107 550
Movement of intangible assets				
Opening book value	131 323	107 789	107 550	82 624
Additions from separate acquisitions	7 019	21 369	7 019	21 369
Disposals	(1 327)	(1 501)	(1 327)	(1 501)
Transfer from plant and equipment	39 911	39 921	39 911	39 921
Amortisation	(31 246)	(36 255)	(29 855)	(34 863)
Closing book value	145 680	131 323	123 298	107 550

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 implemented in Telecom Namibia.

5. Investment in subsidiaries

	Company 2017 N\$'000	Company 2016 N\$'000
Summary of investments:		
Shares at cost		
- Ordinary shares	--	12 744
- Preference shares	--	125 000
Loans advanced	173 325	583 745
Impairment	--	(340 584)
Reclassified as held for sale (Note 13)	--	(200 000)
Net investment	173 325	180 905
Directors' valuation of unlisted investment	173 325	180 905
Reflected as follows:		
Long-term		
Investment in subsidiary	--	--
Amounts owing by fellow subsidiaries (Note 11)	150 000	175 000
	150 000	175 000
Short-term		
Amounts owing by fellow subsidiaries (Note 11)	24 068	16 310
Amounts owing to fellow subsidiaries (Note 11)	743	10 405

Telecom Namibia reviewed its long and short-term classification of the Powercom (Pty) Ltd loan and decreased the long-term portion from N\$175 million to N\$150 million.

Notes to the Financial Statements

For the year ended 30 September 2017 (continued)

5. Investment in subsidiaries (continued)

Reconciliation of movements

Opening balance
Loans (repaid)/advanced
Impairment charge
Reclassified as held for sale (Note 13)
Closing balance

Company
2017
N\$'000

Company
2016
N\$'000

180 905	382 166
(6 837)	103
--	(1 364)
--	(200 000)
174 068	180 905

5.1 Investment in Communitel Telecommunications (Proprietary) Limited:

Ordinary shares

Opening balance
Impairment charge

--	--
12 744	12 744
(12 744)	(12 744)

Preference shares

--	125 000
----	---------

Loans

Opening balance
Advanced during the year
Impairment charge

--	75 000
--	76 329
--	35
--	(1 364)

Reclassified as held for sale (Note 13)

--	(200 000)
----	-----------

Balance at end of year

--	--
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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 held a 20.6% (2016: 20.6%) interest in an associate, Sepco Communications (Proprietary) Limited which is registered in the Republic of South Africa. Sepco in turn held 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. The investment was reclassified as held for sale at 30 September 2016 (See Note 5). A purchase agreement was entered into between all the parties and the sale was concluded on 10 February 2017. The sale of 100% equity in Neotel (Pty) Ltd yielded N\$200 million for Communitel (Pty) Ltd which in turn was used to repay Telecom N\$200 million owing on the shareholder loan. An impairment loss of N\$456 thousand (2016: N\$1.4 million) 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. The sale of 100% equity in Communitel (Pty) Ltd yielded N\$200 million and the carrying amount of the investment was written back to N\$200 million by reversing a portion of the share of losses that was fully equity accounted for in prior years.

5.2 Investment in Powercom (Proprietary) Limited:

Disclosed as related party loans (Note 11)

Non-current assets
Current assets
Current liabilities

Company
2017
N\$'000

Company
2016
N\$000

150 000	175 000
24 068	16 310
--	(10 405)
174 068	180 905

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.

Notes to the Financial Statements

For the year ended 30 September 2017 (continued)

6. Investment in associates

	Consolidated 2017 N\$'000	Consolidated 2016 N\$'000	Company 2017 N\$'000	Company 2016 N\$'000
Summary of investments:				
Shares at cost				
- Ordinary shares	--	--	--	--
- Preference shares	--	527 434	--	--
Share of results	--	(527 434)	--	--
Net investment	--	--	--	--
Directors' valuation of unlisted investment	--	200 000	--	--

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% (2016: 20.6%) interest in an associate, Sepco Communications (Proprietary) Limited which is registered in South Africa. Sepco in turn held 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 shareholder 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. The investment was reclassified as held for sale at 30 September 2016 (See Note 5). A purchase agreement was entered into between all the parties and the sale was concluded on 10 February 2017. The sale of 100% equity in Neotel (Pty) Ltd yielded N\$200 million for CommuniTel (Pty) Ltd which in turn was used to repay Telecom N\$200 million owing on the shareholder loan. An impairment loss of N\$456 thousand (2016: N\$1.4 million) 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. The sale of 100% equity in Communitel (Pty) Ltd yielded N\$200 million and the impairment of the investment was reversed by N\$200 million.

	Consolidated 2017 N\$'000	Consolidated 2016 N\$'000	Company 2017 N\$'000	Company 2016 N\$'000
Comprising:				
Ordinary shares at cost	--	--	--	--
Preference shares at cost	--	527 435	--	--
Share of results	200 000	(527 435)	--	--
Proceeds received	(200 000)	--	--	--
	--	--	--	--
Set out below is the summarised unaudited financial information of the associate, Neotel (Pty) Ltd as at 30 September 2017:				
Non-current assets	--	3 887 000	--	--
Current assets	--	1 687 000	--	--
Non-current liabilities	--	(3 941 000)	--	--
Current liabilities	--	(8 263 000)	--	--
Revenue	--	1 911 000	--	--
Loss after tax for the year	--	221 000	--	--

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

Notes to the Financial Statements

For the year ended 30 September 2017 (continued)

8. Finance lease receivable

	Consolidated 2017 N\$'000	Consolidated 2016 N\$'000	Company 2017 N\$'000	Company 2016 N\$'000
Minimum lease payments				
Not later than 1 year	17 842	20 257	17 842	20 257
Later than 1 year and not later than 5 years	15 566	16 592	15 566	16 592
	33 408	36 849	33 408	36 849
Unearned future finance income on finance leases	(1 781)	(1 789)	(1 781)	(1 789)
Net investment in finance leases	31 627	35 060	31 627	35 060
Present value of minimum lease payments				
Not later than 1 year	17 842	20 257	17 842	20 257
Later than 1 year and not later than 5 years	13 785	14 803	13 785	14 803
	31 627	35 060	31 627	35 060

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

Materials for installations	52 621	65 840	52 621	65 840
Goods for resale	15 290	17 510	15 290	17 510
Less: provision for impairment	(6 312)	(8 688)	(6 312)	(8 688)
	61 599	74 662	61 599	74 662

The cost of inventories recognised as an expense during the year was N\$84 million (2016: N\$115 million).

There were no write-downs on inventory to net realisable value in the current year (2016: Nil) and no reversals recognised in respect of such write downs.

10. Trade and other receivables

Trade receivables	472 999	502 235	471 590	489 007
Provision for impairment	(175 433)	(162 007)	(174 673)	(159 559)
Net trade receivables	297 566	340 228	296 917	329 449
Other debtors	573	564	572	564
Net receivables disclosed as financial instruments	298 139	340 792	297 489	330 012
Prepayments	24 380	35 682	23 779	34 906
	322 519	376 474	321 268	364 918

Provision for impairment of receivables

Opening balance	162 007	121 442	159 559	112 591
Amount written off in the current year	(6 028)	(31 560)	(3 814)	(22 810)
Provision for impairment charged to the income statement	20 386	72 125	19 860	69 778
Impairment losses reversed	(932)	--	(932)	---
Closing balance	175 433	162 007	174 673	159 559

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.

10. Trade and other receivables (continued)

Notes to the Financial Statements

For the year ended 30 September 2017 (continued)

Certain comparative figures in the Statements of financial position were reclassified to improve the disclosure of the financial statements. An unused airtime general ledger account N\$3.3 million (2016: N\$3.8 million) was classified under Trade receivables in the previous financial year while in the current year it has been classified under Deferred revenue. The effect of the reclassification is disclosed in Note 32.

An analysis of trade receivable amounts past due and not impaired are as follows:

	Consolidated 2017 N\$'000	Consolidated 2016 N\$'000	Company 2017 N\$'000	Company 2016 N\$'000
60 days	98 165	122 172	97 965	121 043
90 days	3 781	10 897	3 435	7 405
120 days	134 780	87 851	134 380	86 435
	236 726	220 920	235 782	214 883

An analysis of trade receivable amounts impaired are as follows:

The aging of impaired receivables is as follows:

Current	305	--	305	--
30 days	597	--	597	--
61 days	595	--	595	--
90 days	3 074	2 581	3 074	2 581
120 days	170 862	166 262	170 100	156 978
	175 433	168 843	174 671	159 559

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.

The following transactions were carried out with related parties:

i) Sales of services

	Consolidated 2017 N\$'000	Consolidated 2016 N\$'000	Company 2017 N\$'000	Company 2016 N\$'000
Namibia Post Ltd	2 699	2 557	2 699	2 557
Mobile Telecommunications Ltd	77 994	78 024	67 840	67 175
Namibia Post and Telecom Holdings Ltd	480	480	480	480
Neotel (Pty) Ltd	1 409	4 202	1 409	4 202
Powercom (Pty) Ltd	--	--	--	--

ii) Purchases of services

Namibia Post Ltd	6 536	6 377	6 536	6 377
Mobile Telecommunications Ltd	19 834	21 190	19 834	21 190
Namibia Post and Telecom Holdings Ltd	112 100	108 275	112 100	108 275
Neotel (Pty) Ltd	3 081	15 495	3 081	15 495
Powercom (Pty) Ltd	--	--	35 625	41 639

Other related parties

NamPower (Pty) Ltd	5 236	7 127	5 236	7 127
Namibia Airports Company Ltd	200	277	200	277
Namibia Broadcasting Corporation	8 557	2 748	8 557	2 748
TransNamib Holdings Ltd	373	172	373	172

Notes to the Financial Statements

For the year ended 30 September 2017 (continued)

11. Related party transactions (continued)

iii) Outstanding balances arising from sales of goods/services

Current assets

Amounts owing by fellow subsidiaries

Namibia Post Ltd

Mobile Telecommunications Ltd

Neotel (Pty) Ltd

Powercom (Pty) Ltd (Note 5.2)

Amounts owing by holding company

Namibia Post and Telecom Holdings Ltd

Cash and cash equivalents

Namibia Post Ltd

iv) Outstanding balances arising from purchases of goods/services

Current liabilities

Amounts owing to fellow subsidiaries

Mobile Telecommunications Ltd

Neotel (Pty) Ltd

Powercom (Pty) Ltd (Note 5.2)

Amounts owing to holding company

Namibia Post and Telecom Holdings Ltd

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.

v) Outstanding balances arising from loans

Non-current assets

Powercom (Pty) Ltd (Note 5.2)

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 decreased the long-term portion from N\$175 million to N\$150 million.

vi) Other related party transactions

During the year, the Company entered into transactions with Picto Busby Namibia (Pty) Ltd for an amount of N\$121 thousand. Picto Busy Namibia (Pty) Ltd is owned 100% by the wife of the Chairman of the Board.

vii) 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.
- 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 2017 was N\$ Nil (2016: N\$17.4 million) leaving an unused amount of N\$20 million (2016: N\$2.6 million).
- Telecom Namibia has agreed to support Powercom (Pty) Ltd for the financial year ended 30 September 2017 so as to enable Powercom (Pty) Ltd to settle its debts and obligations in the ordinary course of business

viii) 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 and 10. 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 2017 N\$'000	Consolidated 2016 N\$'000	Company 2017 N\$'000	Company 2016 N\$'000
Amounts owing by fellow subsidiaries				
Namibia Post Ltd	198	1 018	198	1 018
Mobile Telecommunications Ltd	4 639	3 192	4 639	3 192
Neotel (Pty) Ltd	25	75	25	75
Powercom (Pty) Ltd (Note 5.2)	--	--	24 068	16 310
	4 862	4 285	28 930	20 595
Amounts owing by holding company				
Namibia Post and Telecom Holdings Ltd	4 177	2 605	4 177	2 605
Cash and cash equivalents				
Namibia Post Ltd	398	535	398	535
Amounts owing to fellow subsidiaries				
Mobile Telecommunications Ltd	685	327	685	327
Neotel (Pty) Ltd	14	1 366	14	1 366
Powercom (Pty) Ltd (Note 5.2)	--	--	--	10 405
	699	1 693	699	12 098
Amounts owing to holding company				
Namibia Post and Telecom Holdings Ltd	232 495	196 793	232 495	196 793

Powercom (Pty) Ltd (Note 5.2)	--	--	150 000	175 000
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Notes to the Financial Statements

For the year ended 30 September 2017 (continued)

11. Related party transactions (continued)

	Consolidated 2017 N\$'000	Consolidated 2016 N\$'000	Company 2017 N\$'000	Company 2016 N\$'000
Salaries and other short-term employee benefits	14 863	15 175	12 155	13 185
Other long-term benefits	--	--	--	--
	14 863	15 175	12 155	13 185
viii) Directors emoluments				
Non-executive Directors	1 741	536	1 593	518
- for services as Directors	710	454	562	436
- other Directors expenses	1 031	82	1 031	82
Executive Director				
- for managerial services	--	166	--	166
- salary and other short-term employee benefits	--	166	--	166
- other long-term benefits	--	--	--	--
	1 741	702	1 593	684

The title of Telecom Namibia's Managing Director was changed to Chief Executive Officer after a decision was taken at the AGM of 17 June 2016 and the incumbent no longer serves as an Executive Director on the Board of Directors.

12. Cash and cash equivalents

Bank balances	35 582	20 265	34 727	20 220
Cash on hand	4 521	2 716	1 520	2 716
	40 103	22 981	36 247	22 936
Cash and cash equivalents for the purposes of the Statements of cash flows include the following:				
Cash and cash equivalents	25 217	12 257	21 361	12 212
Bank overdrafts (Note 16)	(49 033)	(343 690)	(49 033)	(326 339)
	(23 816)	(331 433)	(27 672)	(314 127)

Certain comparative figures in the Statements of financial position were reclassified to improve the disclosure of the financial statements. Standard Bank accounts of N\$14.9 million (2016: N\$10.7 million) were classified under Cash and cash equivalents in the previous financial year while in the current year it has been classified under Bank overdrafts to set it off against the Standard Bank overdraft. The effect of the reclassification is disclosed in Note 32.

Telecom Namibia has an Angolan bank account with a balance of USD499 560 (N\$6 766 541) at year-end. The balance on this bank account was USD499 934 (N\$6 975 331) at the end of the 2016 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.

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	25 836	225 836

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 the ability of the acquirer to settle the amount and the difficulty encountered to enforce the Company's rights and obligations in Angola. The Group continues to pursue all avenues to dispose of this investment in associate.

Reconciliation of movements

Opening balance	25 836	25 836	225 836	25 836
Loans advanced	--	--	465	--
Impairment charge	--	--	(465)	--
Investment in subsidiary	--	--	(200 000)	200 000
	25 836	25 836	25 836	225 836

Notes to the Financial Statements

For the year ended 30 September 2017 (continued)

13. Non-current assets classified as held for sale (continued)

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. A portion of the assets (58%), with a carrying amount of N\$36 million, was deemed sold and 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. The sale of the assets is dependent on capital investment in the GSM network and during the year no significant investments were made. The balance of the asset held for sale thus remained unchanged from prior year. 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. The investment was reclassified as held for sale at 30 September 2016 (See Note 5).

A purchase agreement was entered into between all the parties and the sale was concluded on 10 February 2017. The sale of 100% equity in Neotel (Pty) Ltd yielded N\$200 million for CommuniTel (Pty) Ltd which in turn was used to repay Telecom N\$200 million owing on the shareholder loan. An impairment loss of N\$456 thousand (2016: N\$1.4 million) 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. The sale of 100% equity in Communitel (Pty) Ltd yielded N\$200 million and the impairment of the investment was reversed by N\$200 million.

14. Share capital

Issued capital comprises:

154 529 936 ordinary shares of N\$1 each

400 redeemable cumulative preference shares of N\$1 000 000 each

	Consolidated 2017 N\$'000	Consolidated 2016 N\$'000	Company 2017 N\$'000	Company 2016 N\$'000
154 529 936 ordinary shares of N\$1 each	154 530	154 530	154 530	154 530
400 redeemable cumulative preference shares of N\$1 000 000 each	380 170	400 000	380 170	400 000
	534 700	554 530	534 700	554 530

14.1 Ordinary share capital

Authorised

200 000 000 ordinary shares of N\$1 each

200 000 000 ordinary shares of N\$1 each	200 000	200 000	200 000	200 000
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Issued

154 529 936 fully paid ordinary shares of N\$1 each

154 529 936 fully paid ordinary shares of N\$1 each	154 530	154 530	154 530	154 530
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The unissued ordinary shares are under the control of the Directors until the next AGM.

14.2 Redeemable cumulative preference shares

Authorised and issued

400 fully paid redeemable cumulative preference shares of N\$1 000 000 each (2016: 40 000 000 fully paid redeemable cumulative preference shares of N\$10 each)

400 fully paid redeemable cumulative preference shares of N\$1 000 000 each (2016: 40 000 000 fully paid redeemable cumulative preference shares of N\$10 each)	380 170	400 000	380 170	400 000
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Opening balance at 1 October 2016

Reallocated to Other Financial Liabilities

Closing balance at 30 September 2017

	Number of shares '000	Share capital N\$'000
Opening balance at 1 October 2016	40 000	400 000
Reallocated to Other Financial Liabilities	--	(19 830)
Closing balance at 30 September 2017	40 000	380 170

Forty million redeemable cumulative preference shares of N\$10 each were issued to Namibia Post and Telecom Holdings Limited on 16 June 2016. 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 cumulative preference shares have voting rights. The issue price and number of the preference shares was changed in an Addendum to the Main agreement on 16 March 2017 to four hundred redeemable cumulative preference shares with an issue price of N\$1 000 000 (being the par value N\$1 and a premium of N\$999 999).

The redeemable cumulative preference shares are classified as a compound financial instrument in accordance with the substance of the contractual arrangements. The preference shares were classified as equity during the 2016 financial year as the liability component of the instrument could not be reliably determined due to the uncertainty of future profits.

In the current financial year, the Company reported a comprehensive profit of N\$9 million. The classification of the preference shares was reviewed and the liability component was estimated by discounting future cash flows using market interest rates. The liability component was calculated as N\$19.8 million and was reallocated to Other Financial Liabilities as disclosed in Note 19. The change in estimate was accounted for prospectively. Details of management judgement are disclosed in Note 1.

Notes to the Financial Statements

For the year ended 30 September 2017 (continued)

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:

The Group pays 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\$56.687 million (2016: N\$56.880 million). The effective date of valuation of the liability is 30 September 2017 and the next date of valuation is 30 September 2018. 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.

The principal actuarial assumptions used for accounting purposes were:

	Consolidated 2017 N\$'000	Consolidated 2016 N\$'000	Company 2017 N\$'000	Company 2016 N\$'000
- Real rate of return	1%	1%	1%	1%
- Discount rate	9.84%	9.97%	9.84%	9.97%
- Healthcare cost inflation	8.31%	9.05%	8.31%	9.05%
- Expected average retirement age (yrs)	58	58	58	58
- Normal retirement age (yrs)	60	60	60	60

	Consolidated 2017 N\$'000	Consolidated 2016 N\$'000	Company 2017 N\$'000	Company 2016 N\$'000
Opening balance	56 880	53 931	56 880	53 931
Current service cost	448	436	448	436
Interest cost (Note 22)	5 560	5 007	5 560	5 007
Subsidies paid	(3 138)	(2 814)	(3 138)	(2 814)
Actuarial loss	(3 063)	320	(3 063)	320
Closing balance	56 687	56 880	56 687	56 880
Present value of unfunded liability	56 687	56 880	56 687	56 880
Reflected as follows:				
Short-term liability	--	--	--	--
Long-term liability	56 687	56 880	56 687	56 880
	56 687	56 880	56 687	56 880

The amounts recognised in profit or loss is as follows:

Current service cost	448	436	448	436
Interest cost (Note 22)	5 560	5 007	5 560	5 007
Subsidies paid	(3 138)	(2 814)	(3 138)	(2 814)
	2 870	2 629	2 870	2 629

The amounts recognised in other comprehensive income are as follows:

Actuarial gain/(loss)	3 063	(320)	3 063	(320)
	3 063	(320)	3 063	(320)

Notes to the Financial Statements

For the year ended 30 September 2017 (continued)

15. Post-retirement medical benefit obligations (continued)

	Consolidated 2017	Consolidated 2016	Company 2017	Company 2016
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	51	54	51	54
Average age (years)	48	47	48	47
Details of the current pensioner members belonging to the medical aid are as follows:				
Number of pensioners	217	214	217	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:				
Increase to	6 678	6 603	6 678	6 603
Decrease to	5 211	5 289	5 211	5 289
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:				
Increase to	63 862	64 945	63 862	64 945
Decrease to	50 732	50 533	50 732	50 533

Notes to the Financial Statements

For the year ended 30 September 2017 (continued)

16. Long-term borrowings

	Consolidated 2017 N\$'000	Consolidated 2016 N\$'000	Company 2017 N\$'000	Company 2016 N\$'000
Secured				
Finance lease liability				
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\$35 million (2016: N\$42 million).	35 682	47 652	35 682	47 652
Development Bank of Namibia				
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 (2016: First National Bank of Namibia Prime Lending Rate less 2.50% per annum). The loan is secured, had 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\$0.4 thousand (2016: N\$5.6 million) has been pledged as security for the loan (Note 3).	89 960	100 000	89 960	100 000
Total loans	125 642	147 652	125 642	147 652
Less: Short-term portion transferred to current liabilities	(29 991)	(21 970)	(29 991)	(21 970)
	95 651	125 682	95 651	125 682
Maturity of non-current borrowings				
No later than 1 year	29 991	21 970	29 991	21 970
Later than 1 year and not later than 5 years	95 651	125 682	95 651	125 682
More than 5 years	--	--	--	--
	125 642	147 652	125 642	147 652
Details of short-term borrowings				
Bank overdrafts	49 033	343 690	49 033	326 339
Current portion of interest bearing borrowings	29 991	21 970	29 991	21 970
	79 024	365 660	79 024	348 309
Bank overdrafts are secured as disclosed below.				
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	23 525	45 242	23 525	45 242
Total	45 241	66 958	45 241	66 958
Less: future finance charges	(9 559)	(19 306)	(9 559)	(19 306)
Present value of lease payments	35 682	47 652	35 682	47 652

Certain comparative figures in the Statements of financial position were reclassified to improve the disclosure of the financial statements. Standard Bank accounts of N\$14.9 million (2016: N\$10.7 million) were classified under Cash and cash equivalents in the previous financial year while in the current year it has been classified under Bank overdrafts to set it off against the Standard Bank overdraft. The effect of the reclassification is disclosed in Note 32.

Securities for short-term borrowings

Nedbank Namibia Limited

- Overdraft facility of N\$145 million was repaid in full on 30 September 2017.

First National Bank of Namibia Limited

- Direct short-term facility of N\$31 million. Interest is charged at prime less 0.75%.
- Direct First Card facilities of N\$497 000.
- Pre-settlement facility of N\$10 million.
- Wesbank long-term facilities of N\$10 million.
- Wesbank short-term facilities of N\$2.1 million.
- Fleet card facilities of N\$2.5 million.

The above mentioned facilities will be reviewed on 30 September 2018.

Notes to the Financial Statements

For the year ended 30 September 2017 (continued)

16. Long-term liabilities (continued)

Securities for short-term borrowings (continued)

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 International.
- Guarantee of N\$153 427 to Danny's Building Contractors and China Jiangsu International.
- Guarantee of N\$76 377 to Namibia Development Corporation.
- Spot of N\$30 million.
- Guarantee by the bank of N\$9 million.
- EFT's salaries of N\$35 million.
- EFT's debit orders of N\$23 million.
- EFT's lway 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.

The above mentioned facilities will be reviewed on 31 March 2018.

Details of unutilised facilities are disclosed in Note 31.

17. Deferred tax

	Consolidated 2017 N\$'000	Consolidated 2016 N\$'000	Company 2017 N\$'000	Company 2016 N\$'000
Deferred tax liabilities	(243 980)	(237 010)	(227 839)	(220 425)
Deferred tax assets	24 877	--	--	--
Net position	(219 103)	(237 010)	(227 839)	(220 425)
Deferred income taxes are calculated on all temporary differences under the comprehensive method using a principal tax rate of 32% (2016: 32%). The movement on the deferred tax account is as follows:				
Opening balance	(237 010)	(256 812)	(220 425)	(239 780)
Credited to the income statement:				
- current year movement timing differences	18 887	19 700	(6 434)	19 253
Charged to other comprehensive income:	(980)	102	(980)	102
Closing balance	(219 103)	(237 010)	(227 839)	(220 425)
Deferred tax assets may be analysed as follows:				
Capital allowances	(25 749)	--	--	--
Prepayments	(21)	--	--	--
Provisions	182	--	--	--
Operating lease straight line	58	--	--	--
Unused tax losses not recognised as deferred tax assets	50 407	--	--	--
	24 877	--	--	--
Deferred tax liabilities may be analysed as follows:				
Capital allowances	(468 166)	(537 233)	(452 025)	(490 105)
Prepayments	(7 610)	(11 185)	(7 610)	(11 169)
Provisions	40 664	44 735	40 664	45 115
Stock consumption	2 018	2 778	2 018	2 778
Derivatives	--	532	--	532
Advance income	64 257	47 498	64 257	42 299
Tax losses available for set off against future income	113 439	478 542	113 439	175 076
Unused tax losses not recognised as deferred tax assets	--	(277 726)	--	--
Finance lease liability	11 418	15 049	11 418	15 049
	(243 980)	(237 010)	(227 839)	(220 425)

A deferred tax asset of N\$25 million (2016: Nil) was raised at Group level in the current year as the recognition criteria for raising a deferred tax asset in Powercom (Pty) Ltd was met. Details of management judgement are disclosed in Note 1.

Notes to the Financial Statements

For the year ended 30 September 2017 (continued)

18. Trade and other payables

	Consolidated 2017 N\$'000	Consolidated 2016 N\$'000	Company 2017 N\$'000	Company 2016 N\$'000
Trade payables	139 976	394 375	136 675	390 629
Levies payable to Communications Regulatory Authority of Namibia	65 876	52 034	65 876	52 034
Unpresented cheques	15	71	15	71
Net payables disclosed as financial instruments	205 867	446 480	202 566	442 734
VAT payable	17 122	13 291	16 220	10 342
Import VAT liability	--	3 940	--	--
Leave pay accrual	57 205	52 296	57 158	52 112
	280 194	516 007	275 944	505 188

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

19. Other Financial Liabilities

	Consolidated 2017 N\$'000	Consolidated 2016 N\$'000	Company 2017 N\$'000	Company 2016 N\$'000
Preference shares	19 830	--	19 830	--
Reflected as follows:				
Long-term liabilities	17 593	--	17 593	--
Short-term liabilities	2 237	--	2 237	--
	19 830	--	19 830	--

Forty million redeemable cumulative preference shares of N\$10 each were issued to Namibia Post and Telecom Holdings Limited on 16 June 2016. 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 cumulative preference shares have voting rights. The issue price and number of the preference shares was changed in an Addendum to the Main agreement on 16 March 2017 to four hundred redeemable cumulative preference shares with an issue price of N\$1 000 000 (being the par value N\$1 and a premium of N\$999 999).

The redeemable cumulative preference shares are classified as a compound financial instrument in accordance with the substance of the contractual arrangements. The preference shares were classified as equity during the 2016 financial year as the liability component of the instrument could not be reliably determined due to the uncertainty of future profits. In the current financial year, the Company reported a comprehensive profit of N\$9 million.

The classification of the preference shares was reviewed and the liability component was estimated by discounting future cash flows using market interest rates. The liability component was calculated as N\$19.8 million and was reallocated to Other Financial Liabilities. The change in estimate was accounted for prospectively. Details of management judgement are disclosed in Note 1.

20. Deferred revenue

	Consolidated 2017 N\$'000	Consolidated 2016 N\$'000	Company 2017 N\$'000	Company 2016 N\$'000
Directorate of Civil Aviation (DCA)	5 974	5 974	5 974	5 974
Ministry of Home Affairs and Immigration	334	334	334	334
Ministry of Mines and Energy	--	1 207	--	1 207
Ministry of Information and Communication Technology	--	1 559	--	1 559
Ministry of Trade and Industry	2 876	581	2 876	581
Ministry of Health and Social Services	--	3 916	--	3 916
Ministry of Defence	5 352	5 352	5 352	5 352
Office of the Prime Minister	10 773	10 773	10 773	10 773
Office of the President	--	--	--	--
Ministry of Works and Transport	7 862	6 136	7 862	6 136
Other	746	1 339	746	1 339
Botswana Fibre Networks (Bofinet)	70 387	84 107	70 387	84 107
Mobile Telecommunications Ltd (MTC)	1 097	1 355	1 097	1 355
Government of the Republic of Namibia (WACS)	9 027	21 207	9 027	21 207
Bharti Airtel	43 750	--	43 750	--
Mobile Telecommunications Limited (MTC)	17 400	--	17 400	--
Advanced rental	75 940	70 056	75 940	70 056
Unused airtime	5 789	7 240	5 789	7 240
	257 307	221 136	257 307	221 136

Notes to the Financial Statements

For the year ended 30 September 2017 (continued)

20. Deferred revenue (continued)

	Consolidated 2017 N\$'000	Consolidated 2016 N\$'000	Company 2017 N\$'000	Company 2016 N\$'000
Reflected as follows				
Long-term liabilities	120 940	112 644	120 940	112 644
Short-term liabilities	136 367	108 492	136 367	108 492
	257 307	221 136	257 307	221 136

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. The balance at year-end was N\$6.0 million (2016: N\$6.0 million).

Telecom Namibia received N\$28 million (2016: N\$31 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 MTC during the 2012 financial year in respect of a prepayment towards the construction of an optic fibre network. The balance at 30 September 2017 was N\$1.1 million (2016: N\$1.3 million). 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\$12.0 million was off-set against services in 2017 and the balance at year-end was N\$9.0 million (2016: N\$21 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 funds received from Bofinet for services not yet rendered were N\$70 million at the end of September 2017 (2016: N\$84 million).

Telecom Namibia entered into an agreement on 15 December 2016 to provide a managed backbone capacity solution to MTC for a period of 10 years. The contract amount of N\$18 million related to the equipment was paid in advance by MTC on 16 December 2016. Maintenance charges of N\$639 845 are billed separately on a monthly basis. The balance at the end of September 2017 for payment received in advanced but services not yet rendered was N\$17.4 million (2016: Nil).

Bharti Airtel requested Telecom Namibia to provide a solution to be part of the transmission service from the Zambian border to London to fulfill Bharti Airtel's international connectivity requirements. A 10 year agreement was signed on 21 February 2017 between the parties. The contract amount consists of a non-refundable, once-off capital contribution of USD3.4 million and maintenance charges per month of USD5 666.67 for the period of 10 years. The balance at the end of September 2017 for payment received in advanced but services not yet rendered was N\$43.8 million (2016: Nil).

Certain comparative figures in the Statements of financial position were reclassified to improve the disclosure of the financial statements. An unused airtime general ledger account N\$3.3 million (2016: N\$3.8 million) was classified under Trade receivables in the previous financial year while in the current year it has been classified under Deferred revenue. The effect of the reclassification is disclosed in Note 32.

21. Operating profit/(loss)

	Consolidated 2017 N\$'000	Consolidated 2016 N\$'000	Company 2017 N\$'000	Company 2016 N\$'000
Operating profit/(loss) is arrived at after the following items:				
Auditor's remuneration				
- Audit fees - current year	2 769	2 648	2 312	2 175
- Audit fees - other services	82	32	82	32
Depreciation of plant and equipment	212 015	231 411	203 687	222 296
Amortisation of intangible assets	31 246	36 255	39 911	34 863
Loss on scrapping of property, plant and equipment and intangible assets	23 638	11 847	22 992	11 690
Staff costs (Note 23)	518 732	496 929	513 281	492 006
Advertising and promotions	29 090	33 443	28 698	33 391
International settlements	146 560	182 631	146 560	182 631

Notes to the Financial Statements

For the year ended 30 September 2017 (continued)

21. Operating profit/(loss) (continued)

	Consolidated 2017 N\$'000	Consolidated 2016 N\$'000	Company 2017 N\$'000	Company 2016 N\$'000
Operating lease expenses				
- Vehicles	24 007	22 910	24 007	22 910
- Office machines	3 116	3 341	3 116	3 314
- Tower rentals related party	13 830	9 444	39 725	37 093
Penalty fee expense/(reversal)	209	(1 352)	209	(1 352)
Building rentals related party	65 008	62 658	65 008	62 658
Repairs and maintenance	71 451	80 998	71 102	80 590
Post-retirement benefits recognised in profit or loss	3 018	2 629	3 018	2 629
Impairment of inventory	6 835	--	6 835	--
Impairment of assets	--	4 845	--	4 845
Fees for managerial, technical and other services	11 202	5 575	10 327	5 445
Net realised foreign exchange gain	(54 584)	(34 498)	(54 584)	(34 498)
Net realised foreign exchange loss	82 068	51 318	82 068	50 975
Net unrealised foreign exchange gain	(129 953)	(72 888)	(129 953)	(72 888)
Net unrealised foreign exchange loss	95 466	52 599	95 466	52 599
Fair value adjustment on derivative (Note 7)	--	1 662	--	1 662

22. Finance income and costs

Interest received

Cash balance	29	389	29	389
Interest on finance lease receivables	4 412	4 298	4 412	4 298
	4 441	4 687	4 441	4 687

Interest paid

Telecom bonds	--	1 816	--	1 816
Post-retirement benefit liability	5 560	5 007	5 560	5 007
Interest on obligations under finance lease	9 746	12 184	9 746	12 184
Other interest expense	67	96	31	--
Short-term borrowing facilities	34 598	40 896	33 572	38 253
	49 971	59 999	48 909	57 260
Less non-cash interest cost of post-retirement liability (Note 15)	(5 560)	(5 007)	(5 560)	(5 007)
Interest paid as per cash flow statement	44 411	54 992	43 349	52 253
Less borrowing cost capitalised (Note 3)	(2 562)	(5 638)	(2 562)	(5 638)
	41 849	49 354	40 787	46 615

23. Staff costs

Salaries and other related costs	432 965	418 054	428 671	414 074
Social Security	1 109	1 097	1 089	1 075
Medical aid	38 213	34 908	37 762	34 519
Pension fund	46 445	42 870	45 759	42 338
	518 732	496 929	513 281	492 006

24. Taxation

Namibian normal income tax	--	--	--	--
Deferred tax credit/(charge)				
- current year	18 887	19 700	(6 434)	19 253
Tax credit/(charge) for the year	18 887	19 700	(6 434)	19 253

Notes to the Financial Statements

For the year ended 30 September 2017 (continued)

24. Taxation (continued)

	Consolidated 2017 N\$'000	Consolidated 2016 N\$'000	Company 2017 N\$'000	Company 2016 N\$'000
Reconciliation of the taxation:				
Profit/(Loss) before tax	228 439	(45 935)	13 335	(60 275)
Tax calculated at a tax rate of 32% (2016: 32%)	(73 100)	14 699	(4 267)	19 287
- Income/(Expenses) not taxable	62 907	(214)	(552)	(214)
- Tax losses utilised to set off assessed loss	1 402	5 035	--	--
- Deferred tax asset not previously recognised	29 293	--	--	--
- Leave provision adjustment	(1 615)	180	(1 615)	180
Tax credit	18 887	19 700	(6 434)	19 253
Reconciliation of rate of taxation:	%	%	%	%
Namibian normal taxation rate	32.0	32.0	32.0	32.0
Change in rate of taxation due to:				
- Income/(Expenses) not taxable	(27.5)	(0.4)	4.1	(0.4)
- Tax losses utilised to set off assessed loss	(0.6)	11.0	--	--
- Deferred tax asset not previously recognised	(12.8)	--	--	--
- Leave provision adjustment	0.7	0.3	12.1	0.3
	(8.2)	42.9	48.2	31.9
	N\$00	N\$00	N\$00	N\$00
Included in other comprehensive income is deferred tax related to:				
Remeasurement of defined benefit obligation	980	(102)	980	(102)
Estimated tax losses:				
Total tax losses	1 437 946	1 648 920	354 496	537 736
Utilised to raise deferred tax asset	(157 523)	--	--	--
Utilised to offset deferred tax liabilities	(354 496)	(605 155)	(354 496)	(537 736)
Estimated tax losses not recognised, available to set-off against future taxable income	925 927	1 043 765	--	--

25. Regulatory levies

Communications Regulatory Authority of Namibia	(13 844)	10 367	(13 844)	10 367
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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.

26. Cash flow movements

	Consolidated 2017 N\$'000	Consolidated 2016 N\$'000	Company 2017 N\$'000	Company 2016 N\$'000
Working capital changes				
Decrease in working capital during the year:				
Decrease/(Increase) in inventories	13 063	(8 316)	13 063	(8 316)
Decrease/(Increase) in trade and other receivables	53 955	(21 661)	43 650	(19 482)
Decrease in trade and other payables	(235 813)	(26 916)	(229 244)	(22 287)
(Increase)/Decrease in fellow subsidiary loans	(1 571)	(1 201)	5 266	(1 361)
Increase/(Decrease) in deferred revenue	36 171	(18 066)	36 171	(14 275)
Increase in holding company loans	34 130	62 269	34 130	62 269
	(100 065)	(13 891)	(96 964)	(3 452)

27. Capital expenditure commitments

Commitments in respect of contracts placed	23 079	35 295	23 079	35 295
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A total of N\$125 million (2016: N\$125 million) was approved for capital expenditure for the year ended 30th of September 2017. Except for the aforementioned commitments in respect of contracts placed, the approved capital expenditure for the year ended 30th of September 2017 was spent. The Group finances capital expenditure from existing borrowing facilities and cash resources generated from operations.

Notes to the Financial Statements

For the year ended 30 September 2017 (continued)

28. Operating lease commitments

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

	Consolidated 2017 N\$'000	Consolidated 2016 N\$'000	Company 2017 N\$'000	Company 2016 N\$'000
No later than one year:	122 689	104 730	151 175	127 420
- Vehicles	40 362	28 699	40 362	28 699
- Office machines	3 568	2 554	3 568	2 554
- Tower rentals	15 212	10 388	43 698	34 263
- Buildings - related party	63 547	63 089	63 547	61 904
Later than one year, but not later than 5 years:	464 213	408 782	609 630	530 516
- Vehicles	43 922	26 535	43 922	26 535
- Office machines	18 216	13 037	18 216	13 037
- Tower rentals	77 663	53 035	223 080	174 918
- Buildings - related party	324 412	316 175	324 412	316 026
More than 5 years:				
- Tower rentals	24 500	18 066	70 375	55 181
Total operating lease commitments	611 402	531 578	831 180	713 117

The vehicles are leased from Avis Fleet Services for a period of four years on average. Transfer of vehicles during the tenure of the lease is prohibited in terms of the lease agreement. The office machines are leased from Ricoh 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\$ Nil (2016: N\$26 689) 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 2016, 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 2017, a total of 988 (2016: 986) employees were members of the Napotel Pension Fund.

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\$685 799 (2016: N\$532 496).

	Consolidated 2017 N\$'000	Consolidated 2016 N\$'000	Company 2017 N\$'000	Company 2016 N\$'000
Contributions to the pension fund:	56 248	51 393	55 082	50 822
Company	46 444	42 870	45 759	42 338
Employees	9 804	8 523	9 323	8 484

30. Contingent liabilities

Communications Regulatory Authority of Namibia	33 000	33 000	33 000	33 000
Legal claims	1 800	--	1 800	--
	34 800	33 000	34 800	33 000

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.

Notes to the Financial Statements

For the year ended 30 September 2017 (continued)

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.

The following are the categories of financial instruments are held at the reporting date:

	Consolidated 2017 N\$'000	Consolidated 2016 N\$'000	Company 2017 N\$'000	Company 2016 N\$'000
Financial assets at fair value				
Bank	25 217	12 257	21 361	12 212
Financial liabilities at fair value				
Bank overdraft	49 033	343 690	49 033	326 339
Loans and receivables at amortised cost				
Interest in subsidiary	--	--	--	200 000
Trade and other receivables	298 139	340 792	297 489	330 012
Amounts owing by fellow subsidiaries	4 862	4 285	28 930	20 595
Amounts owing by holding company	4 177	2 605	4 177	2 605
Finance lease receivables	31 627	35 060	31 627	35 060
	338 805	382 742	362 223	588 272
Financial liabilities at amortised cost				
Long-term liabilities	95 651	125 682	95 651	125 682
Short-term portion of long-term liabilities	29 991	21 970	29 991	21 970
Trade and other payables	205 867	446 480	202 566	442 734
Amounts owing to fellow subsidiaries	699	1 693	699	12 098
Amounts owing to holding company	232 495	196 793	232 495	196 793
	564 703	792 618	561 402	799 277

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. 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. 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.

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. 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.

Notes to the Financial Statements

For the year ended 30 September 2017 (continued)

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 2017 N\$'000	Consolidated 2016 N\$'000	Company 2017 N\$'000	Company 2016 N\$'000
Government receivables	91 007	54 788	91 007	54 788
Net trade receivables	297 566	340 228	296 917	329 449
% of total receivables	31%	16%	31%	17%

Given the sovereign rating downgrades, the position of Government receivables has deteriorated. Meetings are arranged between the Government ministries and the Chief Executive Officer, Chief Commercial Officer and the Chief Finance Officer to ensure that regular payments are received albeit delayed.

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\$269 million (2016: N\$673 million) and the Company reflected net current liabilities of N\$245 million (2016: N\$451 million). The overdraft balance from Nedbank Namibia Limited was repaid in full at 30 September 2017 (2016: N\$144 million). The overdraft balance from First National Bank of Namibia Limited was N\$24 million at 30 September 2017 (2016: N\$145 million).

The Group has unused short-term borrowing facilities with local financial institutions amounting to N\$32 million (2016: N\$36.6 million). The Company has unused short-term borrowing facilities with local financial institutions amounting to N\$32 million (2017: N\$24 million). Powercom (Pty) Ltd has unused short-term borrowing facilities of N\$20 million (2016: N\$2.6 million).

Telecom Namibia's has an unused Bond Programme approved by the Namibia Stock Exchange (NSX) for the raising of capital amounting to N\$600 million.

The internationally renowned rating agency Fitch in the current year, upgraded the Telecom Namibia credit rating from BB to BB+ while the outlook remained negative. The upgrade was supported by the strengthening of the Company's links with the shareholder and the improvement in the liquidity and short-term debt position of the Company. On 20 November 2017, Fitch however downgraded Namibia's credit rating from BB+ to BBB- with a stable outlook. As a result, Telecom Namibia's rating was also downgraded from BB+ to BB.

In line with strategic objectives, the Group aims to achieve an EBITDA margin of 30% plus by 2020. The focus for the 2018 financial year will continue to 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 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 acquired and other shareholder loan of N\$628 196 299 (2016: N\$635 032 706) 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.

Notes to the Financial Statements

For the year ended 30 September 2017 (continued)

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
2017					
Trade and other payables	205 867	--	--	--	205 867
Bank overdraft	49 033	--	--	--	49 033
Amounts owing to fellow subsidiaries	699	--	--	--	699
Amount owing to holding company	232 495	--	--	--	232 495
Long-term liabilities	43 294	107 415	--	(25 067)	125 642
	531 388	107 415	--	(25 067)	613 736
	N\$'000	N\$'000	N\$'000	N\$'000	N\$'000
	N\$'000	N\$'000	N\$'000	N\$'000	N\$'000

2016

Trade and other payables	446 480	--	--	--	446 480
Bank overdraft	343 690	--	--	--	343 690
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
	1 028 128	151 060	--	(42 880)	1 136 308

Company

	<1 year N\$'000	2-5 years N\$'000	>5 years N\$'000	Interest adjustment N\$'000	Total N\$'000
2017					
Trade and other payables	202 566	--	--	--	202 566
Bank overdraft	49 033	--	--	--	49 033
Amounts owing to fellow subsidiaries	699	--	--	--	699
Amount owing to holding company	232 495	--	--	--	232 495
Long-term liabilities	43 294	107 415	--	(25 067)	125 642
	528 087	107 415	--	(25 067)	610 435

2016

Trade and other payables	442 734	--	--	--	442 734
Bank overdraft	326 339	--	--	--	326 339
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
	1 017 436	151 060	--	(42 880)	1 125 616

Notes to the Financial Statements

For the year ended 30 September 2017 (continued)

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
2017					
Trade and other receivables	298 139	--	--	--	298 139
Amounts owing by fellow subsidiaries	4 862	--	--	--	4 862
Amount owing by holding company	4 177	--	--	--	4 177
Finance lease receivables	17 842	15 566	--	(1 781)	31 627
Cash and bank balances	40 103	--	--	--	40 103
	365 123	15 566	--	(1 781)	378 908

2016

Trade and other receivables	340 792	--	--	--	340 792
Amounts owing by fellow subsidiaries	4 285	--	--	--	4 285
Amount owing by holding company	2 605	--	--	--	2 605
Finance lease receivables	20 257	16 592	--	(1 789)	35 060
Cash and bank balances	22 981	--	--	--	22 981
	390 920	16 592	--	(1 789)	405 723

Company

	<1 year N\$'000	2-5 years N\$'000	>5 years N\$'000	Interest adjustment N\$'000	Total N\$'000
2017					
Trade and other receivables	297 489	--	--	--	297 489
Amounts owing by fellow subsidiaries	28 930	--	--	--	28 930
Interest in subsidiary	--	--	--	--	--
Amounts owing by holding company	4 177	--	--	--	4 177
Finance lease receivables	17 842	15 566	--	(1 781)	31 627
Cash and bank balances	36 247	--	--	--	36 247
	384 685	15 566	--	(1 781)	398 470

2016

Trade and other receivables	330 012	--	--	--	330 012
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	20 257	16 592	--	(1 789)	35 060
Cash and bank balances	22 936	--	--	--	22 936
	596 405	16 592	--	(1 789)	611 208

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.

Notes to the Financial Statements

For the year ended 30 September 2017 (continued)

31. Financial instruments and risk management (continued)

Foreign currency risk (continued)

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 2017 N\$'000	Consolidated 2016 N\$'000	Company 2017 N\$'000	Company 2016 N\$'000
For 10% increase in exchange rates				
Increase in loss for year	5 550	6 532	5 550	6 532
For 10% decrease in exchange rates				
Decrease in loss for year	5 550	6 532	5 550	6 532

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

	Consolidated 2017 N\$'000	Consolidated 2016 N\$'000	Company 2017 N\$'000	Company 2016 N\$'000
Receivable:				
Euro	366	293	366	293
USD	2 740	4 766	2 740	4 766
Payables:				
Euro	52	74	52	74
USD	564	10 368	564	10 368
Bank:				
Euro	127	19	127	19
USD	1 301	654	1 301	654
Exchange rates used for conversion of foreign items were:				
USD	13.55	13.95	13.55	13.95
Euro	15.95	15.66	15.95	15.66

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 2017 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.

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 2017 N\$'000	Consolidated 2016 N\$'000	Company 2017 N\$'000	Company 2016 N\$'000
For 100 basis points higher				
Increase in loss for year	1 538	4 370	1 538	4 370
For 100 basis points lower				
Decrease in loss for year	1 538	4 370	1 538	4 370

The above effects on loss for the year would arise because of the Group's exposure to variable rate receivables and borrowings.

Notes to the Financial Statements

For the year ended 30 September 2017 (continued)

31. Financial instruments and risk management (continued)

Capital management

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 2017 N\$'000	Consolidated 2016 N\$'000	Company 2017 N\$'000	Company 2016 N\$'000
The gearing ratio at year-end was as follows:				
Long-term borrowings	125 642	147 652	125 642	147 652
Bank overdraft	49 033	343 690	49 033	326 339
Cash and cash equivalents	(25 217)	(12 257)	(21 361)	(12 212)
Net debt	149 458	479 085	153 314	461 779
Equity	815 083	585 504	839 913	850 759
Debt to equity ratio	0.18:1	0.82:1	0.18:1	0.54:1
Unutilised borrowing facilities	52 000	26 600	32 000	24 000

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 indirectly 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 2017.

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).

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.

2017

	Total instruments at fair value N\$'000	Level 1 N\$'000	Level 2 N\$'000	Level 3 N\$'000
Consolidated				
Assets	--	--	--	--
Liabilities				
Redeemable cumulative preference shares (Note 19)	19 830	--	19 830	--

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.

Notes to the Financial Statements

For the year ended 30 September 2017 (continued)

31. Financial instruments and risk management (continued)

Fair value hierarchy (continued)

2016

		Level		
	Total instruments at fair value	Level 1	Level 2	Level 3
	N\$'000	N\$'000	N\$'000	N\$'000
Consolidated				
Assets				
Derivative financial instruments (Note 7)	1 662	--	1 662	--
Liabilities	--	--	--	--

There were no transfers between Level 1 and Level 2 for the year ended 30 September 2017.

The fair values of financial liabilities included in Level 2 have been determined using the discounted cash flow method at a discount rate that reflects the issuer's current borrowing rate at the end of the reporting period.

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 2017 N\$'000	Consolidated 2016 N\$'000	Company 2017 N\$'000	Company 2016 N\$'000
Statements of financial position				
Increase in trade receivables	3 324	3 791	3 324	3 791
Increase in deferred revenue	3 324	3 791	3 324	3 791
Decrease in cash and cash equivalents	(14 885)	(10 724)	(14 885)	(10 724)
Decrease in bank overdrafts	(14 885)	(10 724)	(14 885)	(10 724)

The restatement has no impact on profit or loss or other comprehensive income.

Details of the reclassification are disclosed in Note 10 and Note 20 and in Note 12 and Note 16.

33. Subsequent events

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 comprehensive profits for the year ended 30 September 2017 of N\$249 million (2016: N\$26 million comprehensive loss) and N\$9 million (2016: N\$41 million comprehensive loss) respectively. Current liabilities exceeded current assets by N\$269 million (2016: N\$674 million) for the Group and by N\$246 million (2016: N\$451 million) for the Company at year-end.

The Group and Company reported comprehensive profits for the year with an improvement in the liquidity position and a reduction in short-term debt compared to prior year. The trading results for the period are attributed to an improved gross profit margin, strict cost management practices and a conservative capital expenditure budget.

The profitable results and enhanced cash collection efforts improved the cash flow and liquidity position of the Company with the ZTE creditor being repaid in full. The proceeds of N\$200 million from the Neotel sale were used to reduce short-term debt. Management continued to implement a number of initiatives to improve operational efficiencies and extract additional value from the business.

While focusing on its fixed line network, back-bone strength and regional markets, sustainable growth is experienced in the Internet Protocol (IP), Broadband and Mobile space. In line with strategic objectives, the Group aims to achieve an EBITDA margin of 30% plus by 2020. The focus for the 2018 financial year will continue to 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 internationally renowned rating agency Fitch in the current year, upgraded the Telecom Namibia credit rating from BB to BB+ while the outlook remained negative. The upgrade was supported by the strengthening of the Company's links with the shareholder and the improvement in the liquidity and short-term debt position of the Company. On 20 November 2017, Fitch however downgraded Namibia's credit rating from BB+ to BBB- with a stable outlook. As a result, Telecom Namibia's rating was also downgraded from BB+ to BB.

The short-term facilities with Nedbank were repaid in full and the overdraft balance from First National Bank of Namibia Limited was reduced from N\$145 million at 30 September 2016 to N\$24 million at 30 September 2017.

Telecom Namibia's has an unused Bond Programme approved by the Namibia Stock Exchange (NSX) for the raising of capital amounting to N\$600 million. The Company also has unused short-term borrowing facilities with local financial institutions amounting to N\$32 million (2017: N\$24 million).

Notes to the Financial Statements

For the year ended 30 September 2017 (continued)

34. Going concern (continued)

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 2018 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 07 December 2017.

Notes to the Financial Statements

For the year ended 30 September 2017 (continued)

Annexure A: Standards and interpretations

Standards and Interpretations not yet effective

Standard	Effective date	Summary
Annual improvements 2014–2016	1 January 2017	<p>These amendments impact 3 standards:</p> <ul style="list-style-type: none"> IFRS 1, 'First-time adoption of IFRS', regarding the deletion of short-term exemptions for first-time adopters regarding IFRS 7, IAS 19, and IFRS 10 effective 1 January 2018. IFRS 12, 'Disclosure of interests in other entities' regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017. IAS 28, 'Investments in associates and joint ventures' regarding measuring an associate or joint venture at fair value effective 1 January 2018.
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.
Amendment to IAS 40, 'Investment property' relating to transfers of investment property	1 January 2018	These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.
IFRS 2, 'Share-based payments'	1 January 2018	<p>A collection of three distinct narrow-scope amendments dealing with classification and measurement of share-based payments.</p> <p>The amendments address:</p> <ul style="list-style-type: none"> the effects of vesting conditions on the measurement of a cash-settled share-based payment; the accounting requirements for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled; and classification of share-based payment transactions with net settlement features.
IFRS 9, 'Financial instruments'	1 January 2018	<p>A final version of IFRS 9 has been issued which replaces IAS 39 Financial Instruments: Recognition and Measurement. The completed standard comprises guidance on classification and measurement, impairment, hedge accounting and de-recognition.</p> <p>IFRS 9 introduces a new approach to the classification of financial assets, which is driven by the business model in which the asset is held and its cash flow characteristics. A new business model was introduced which allows certain financial assets to be categorised as "fair value through other comprehensive income" in certain circumstances.</p> <p>The requirements for financial liabilities are mostly carried forward unchanged from IAS 39. However, some changes were made to the fair value option for financial liabilities to address the issue of own credit risk.</p> <p>The new standard introduces a single "expected credit loss" impairment model for the measurement of financial assets.</p> <p>IFRS 9 contains a new model for hedge accounting that aligns the accounting treatment with the risk management activities of an entity, in addition enhanced disclosures will provide better information about risk management and the effect of hedge accounting on the financial statements.</p> <p>IFRS 9 carries forward the de-recognition requirements of financial assets and liabilities from IAS 39.</p>

Notes to the Financial Statements

For the year ended 30 September 2017 (continued)

Annexure A: Standards and interpretations (continued)

Standards and Interpretations not yet effective (continued)

Standard	Effective date	Summary
IFRS 15, 'Revenue from contracts with customers'	1 January 2018	<p>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.</p> <p>The core principle 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:</p> <ul style="list-style-type: none"> • 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 <p>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.</p>
IFRS 16, 'Leases'	1 January 2019	<p>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.</p> <p>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.</p>
IFRIC 22, 'Foreign currency transactions and advance consideration'	1 January 2018	<p>This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.</p>
IFRIC 23, 'Uncertainty over income tax treatments'	1 January 2019	<p>This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.</p> <p>An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.</p>

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

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