telecom namibia

2017/2018 ANNUAL REPORT

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Out of Bundle Rate Per MB	0.80	0.80	0.80	0.80	0.80

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ABOUT
TELECOM NAMIBIA

As the leading broadband solutions and backbone infrastructure service provider in the country, Telecom Namibia keeps individuals and businesses abreast with global technological advancements to meet modern-day communications needs.

Telecom Namibia Limited is incorporated under the Posts and Telecommunications Act of 1992 and is a subsidiary of Namibia Post and Telecom Holdings Limited (NPTH). The company has since evolved into a multi-facetted telecommunications service provider and invested billions of Namibian dollars in infrastructure development over the years across Namibia and strategic international locations in Southern Africa and Europe.

Telecom Namibia's focus is on providing integrated communication solutions for the international/ wholesale business, large and small enterprises, Government, retail and residential customers. With a state-of-the-art telecommunication network infrastructure, Telecom Namibia is committed to bring the best communication solutions to customers in Namibia and beyond.

Telecom Namibia is an investor in some of the world's most sophisticated submarine cable systems such as SAT3, Seacom and WACS, thereby enhancing the reliability of Namibia's connectivity to the global submarine systems and access to internal destinations for communications and access to content.

The company has over 13,000 km of fibre optic cable across the country and 78 provider edge access routers deployed covering 57 points of presence (towns). This provides Telecom Namibia with an IP throughput capacity of 55.9 Tb/s. The entire Ethernet and IP traffic backhaul, and aggregation network has over 500 PoPs, thus allowing connectivity across most parts of the country.

Telecom Namibia has achieved a network roll out of 296 mobile base stations throughout the country. The evolution of data service on the 4G and 3G networks, with speeds of up to 100Mbps and 21Mbps respectively, have seen TN Mobile achieving data throughputs of over 30,000 Gigabytes.

Complementing the introduction of mobile and fixed broadband access technologies, new universal backhauling network stations were deployed across the country. This IP/Ethernet backhaul infrastructure consolidates the existing backhaul for Metro Ethernet and other access technologies onto one platform which is in line with Telecom Namibia's strategy to provide fixed-mobile converged products and services. This network layer has grown to over 500 points-of-presence (PoPs).

With a transmission network that is 100% digital, the company provides a comprehensive portfolio of communication services and solutions in broadband, data and voice over fixed, fixed-wireless and mobile platforms. The company places emphasis on continuing customer service quality enhancements and innovations.

With its extensive global connectivity, Telecom Namibia is poised to position Namibia as a regional Internet hub and digital gateway for the SADC region. In line with this, Telecom Namibia is evolving into a Next Generation Network service provider enabling the company to enhance its efficiency and productivity while providing enriched products and services.

Telecom Namibia's highly developed international network provides direct connections from Namibia to more than 240 destinations around the world.

Our Vision

To be the preferred
information communications technology (ICT)
service provider

Our Mission

To provide
superior solutions and experience
to our customers

Our Values

Simplicity -	Keep it simple and get the work done - do what Telecom Namibia does well
Innovation -	Embrace change and welcome the future
Teamwork -	Work as an integrated team that respect and care about each other
Integrity -	Promote honesty, trust, accountability and transparency in conducting business
Sustainability -	Conduct business in a sustainable manner

OUR
HISTORY

TELECOM NAMIBIA IS ESTABLISHED

Telecom Namibia Limited was established by section 2 (1) (b) of the Post and Telecommunications Establishment Act, 1992 to provide public communication 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 services to international and local ISPs. It also provides dedicated point-to-point bandwidth between customer sites, carrier points of presence, data centers, 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 telecommunication 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 communications services with the rest of the world.

1999
Telecom Namibia becomes a member in the international SAT-3 submarine cable with no landing point.

2000
Telecom Namibia revenue surpasses one billion Namibian Dollars.

2004
Telecom Namibia launches own Internet Service Provider (ISP), iWay.

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 Infinitum Plus.

2011
Telecom Namibia successfully lands the West Africa Cable System (WACS) at Swakopmund.

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

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 services under the name "TN Mobile".

2017
Telecom Namibia sells its stake in Neotel.

Telecom Namibia celebrates its 25th anniversary.

2018
As part of its strategy to improve the customer experience, Telecom Namibia is implementing its customer touch point improvement program by revamping its national network of 31 shops. This saw the launch of the first redesigned shop at the Grove Mall in June 2018. The Teleshops allow customers to interact, apply for services, solicit information on status of services, obtain product and services information and experience fixed and mobile products in-house.

STRATEGIC
INITIATIVES

The Namibia ICT industry is changing and we are transforming Telecom Namibia to stay the course. With that in mind, we ushered in a new five-year Strategy 2018/19 -2022/23 based on the following four strategic pillars:

Sustainable Growth

The objective being to increase market share and turnover; improve key ratios; ensure product, channel and segment profitability and embed triple bottom line in our daily operations.

Operational Efficiency

The objective being to do OSS/BSS transformation; network modernisation; establish data analytics capability; transformation of the operating model and to embed legal and regulatory compliance culture.

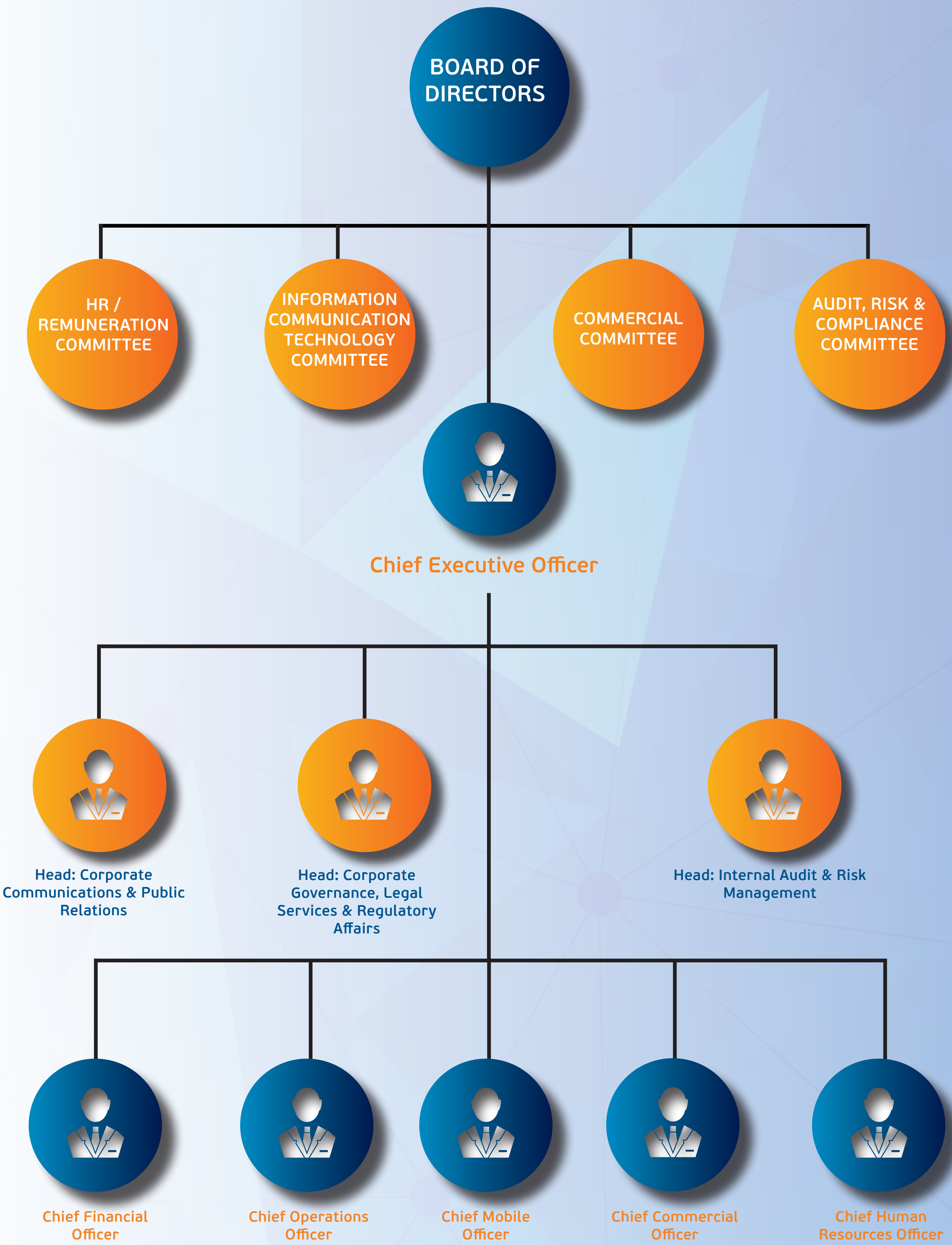
Customer Experience

The objective being to improve service delivery turnaround time; improve customer touch points and relationships and innovate products and solutions portfolio.

Performance Driven Culture

The objective being to enable us to foster leadership excellence and re-invent performance management system as an enabler for the delivery of our objectives.

ORGANISATIONAL **STRUCTURE**



HIGHLIGHTS
TECHNICAL & FINANCIAL

COMPANY COMPARATIVE GROWTH/DECLINE

TECHNICAL	2013/14	2014/15	2015/16	2016/17	2017/18
Port Capacity (Network Switch Capacity)	213,953	158,786	229,825	280,489	281,209
Percentage Digital	100%	100%	100%	100%	100%
Fixed Broadband Subscribers	39,705	43,327	57,574	53,937	53,850
Mobile Subscribers	–	100,429	159,913	187,238	243,080
Direct Exchange Lines (DEL's)	190,665	198,800	200,502	191,947	218,729

COMPANY COMPARATIVE GROWTH/DECLINE

FINANCIALS	2013/14	2014/15	2015/16	2016/17	2017/18
	N$'000	N$'000	N$'000	N$'000	N$'000
Revenue	1,352,636	1,419,762	1,517,558	1,502,614	1,529,717
Operating profit/(Loss)	(601,808)	(70,337)	(18,347)	49,681	72,043
Total Comprehensive (Income/Loss) for the year	(555,645)	(83,928)	(41,240)	8,984	(82,896)
Tangible & Intangible Assets	1,911.03	1,749,947	1,628,044	1,440,591	1,341,582
Long-term borrowings	159,000	147,652	125,682	95,651	56,776
Equity	575,927	891,999	850,759	839,913	776,847
Capital Expenditure	330,873	164,021	146,153	66,519	122,960

BOARD OF
DIRECTORS

Irene Simeon-Kurtz
Independent Non-Executive Director
Acting Chairperson

Fernando Somaeb
Independent Non-Executive Director

Damoline Muruko
Independent Non-Executive Director

Petro Oberholster
Independent Non-Executive Director

CHAIRPERSON'S **REVIEW**

Irene Simeon-Kurtz
Independent Non-Executive Director
Acting Chairperson

On behalf of the Telecom Namibia Board of Directors, I am delighted to present the Telecom Namibia Annual Report and Audited Financial Statements for the year ended September 2018. The presentation of the Report to our shareholders, stakeholders, interested and affected parties is a legal requirement and assists in upholding Telecom Namibia's Value of Integrity which strives to promote honesty, trust, accountability and transparency in conducting business.

> "The Namibia ICT industry evolves at a fast pace and we are transforming Telecom Namibia to stay abreast of the latest trends and developments in the industry."

MACRO-ECONOMIC DEVELOPMENTS AND OPERATING ENVIRONMENT

The financial year under review presented numerous challenges for all businesses, key being a downward economic climate. Competitor offerings further stifled efforts to capture an increased share of the market.

Various economic indicators such as inflation, slow GDP growth, exchange rates, and interest rates presented further challenges in recording greater profit margins.

Although Namibia's per capita GDP is five times that of Africa's poorest countries, the majority of the population live in rural areas and depends on subsistence agriculture.

Namibia is one of just nine countries in Africa categorised by the World Bank as "upper middle income" based on the Gross National Income (GNI) per capita measurement. Despite GDP per capita levels in the upper middle-income bracket, nearly half the population lives on less than USD 1.25 per day.

Namibia's economy has close links to South Africa's economy due to the Namibian dollar being pegged to the South African Rand and South Africa being one of Namibia's major trading partners. The recent volatility of the rand has resulted in challenges in industry planning. Planning officials are not able to accurately allocate budgets due to the Rand volatility. This could result in cautious investors with negative prospects for the economy.

Based on a total population of approximately 2.4 million, the domestic market is likely to remain relatively limited.

Namibia is one of the frontrunners in Africa in ICT development and was one of the first countries in Africa to launch both commercial 3G and LTE networks, resulting in a high level of access to mobile telecommunication services. While the high level of market concentration and limited ownership diversity poses a challenge to creating an innovative and vibrant ICT sector, the government is making significant efforts to strengthen its national backbone network. It aims to decentralise and develop an effective e-governance available to the broader public.

The ICT Development Index (IDI) is a unique benchmark of the level of ICT development in countries across the world. Namibia ranks 8th in Africa and 118th globally on the IDI.

In terms of the National Development Plan (NDP) 5, Namibia should have universal access to information, affordable communication and technology infrastructure and services by 2022. This will be achieved through the following:

- Upgrading the ICT infrastructure across the country.
- Expanding modern broadcasting services to all communities.
- Promoting e-services and innovation.
- Building a geo-ICT infrastructure.

OUTPUT

Economic growth in Namibia continued to contract in 2018, although to a lesser extent than in 2017 and is expected to recover gradually during 2019 and 2020. Real GDP contracted by 0.1 percent in 2018, from a slightly deeper contraction of 0.9 percent in 2017, as the strong performance of the primary sector in 2018 was broadly offset by contractions in the secondary and tertiary sectors. Going forward, the domestic economy is projected to grow by 0.3 percent and 1.9 percent in 2019 and 2020, respectively, which is a recovery from a contraction of 0.1 percent in 2018, according to Namibia Statistics Agency's preliminary estimates. The projected recovery during 2019 will mainly be supported by expected improvements in the construction and hotels and restaurants sectors. Furthermore, a smaller contraction of the wholesale and retail trade sector is anticipated to reduce the drag on overall growth when compared to the last two years.

INFLATION

Namibia's average inflation rate declined in 2018, compared to 2017, mainly due to a significant reduction in housing inflation, coupled with that of the food and non-alcoholic beverages category. The overall inflation rate in Namibia slowed to an average of 4.3 percent in 2018, compared to 6.2 percent in 2017. The inflation categories of housing and food and non-alcoholic beverages contributed to this reduction.

To ensure favourable credit ratings with financial institutions and investors, Telecom Namibia has implemented prudent procurement practices, while strengthening its debt collection efforts.

CHAIRPERSON'S **REVIEW**

INFLATION (continued)

Forecasting and averting risks is an integral part of our business operations. Telecom Namibia, as such, has a robust risk management plan in place, coupled with ongoing efforts to mitigate factors that may hamper our business objectives. These strategic documents are reviewed periodically to ensure currency and preparedness for the latest trends and developments in the market.

The Namibian Government has set out to ensure access to telecommunications for Namibians in all parts of the country, be it urban or rural. Our presence in most towns and villages in Namibia ties in with the Government's efforts to ensure affordable telecommunications for all Namibians.

In line with its community investment focus, Telecom Namibia has supported Namibians in the areas of Education, Sport, Health and Arts and Culture.

CORPORATE GOVERNANCE

INTRODUCTION

Telecom Namibia is committed to the principles of good corporate governance. We ensure that shareholder interests are protected and enhance corporate performance through ethical behaviour, professionalism, transparency, responsibility and accountability. Telecom Namibia aspires to the highest standards of corporate governance and has put in place a set of well-defined processes in accordance with generally accepted corporate practices and in keeping with Telecom Namibia and its subsidiaries' (the Group's) policies and the laws of Namibia.

APPROACH TO CORPORATE GOVERNANCE

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

COMPLIANCE WITH THE NAMCODE

The Corporate Governance Code for Namibia (known as the NamCode) provides guidance on corporate governance for Namibian companies in achieving their financial objectives and fulfilling their corporate responsibilities and is based on international best practices. The NamCode is effective for those financial years commencing after 1 January 2014. In terms of the articles of association the CFO and CEO are not part of the board which is a deviation from the NamCode, however the company has to a great extent, complied with other applicable principles adopted through the NamCode by modifying and incorporating these principles into the Terms of References for Board Committees and the Board Charter. Telecom Namibia in line with the AGM's resolution of June 2016, is also in the process of amending its articles of association to align and comply with laws and governance guidelines such as NamCode that came into existence after the drafting of the articles of association.

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.

FINANCIAL PERFORMANCE

Across the globe, governments and central banks have undergone major economic turmoil and downturns. Namibia has not been spared from the economic challenges. The deepening economic crisis is profoundly impacting the telecommunication sector as the income levels across all Namibian working class is shrinking due to job losses and poverty.

With the growing competition, the market share in the telecommunication business has been shrinking and is stretching the ability of Telecom Namibia. The focus during 2018 had been on Fixed line network, backbone strengthening and regional markets in order to grow the Internet Protocol (IP), Broadband and Mobile space. However, it is important to note that Irrespective of the economic challenges, the Group managed to achieve an Operating profit of N$84,9 million and the Company achieved a positive operating profit of N$72 million.

The comprehensive report for the Group and Company stated revenue of N$1,540 billion and N$1,530 billion respectively where the Operational cost for the Group has been N$1,456 billion while the Company recorded N$1,458 billion. Current liabilities exceeded current assets by N$132,3 million (2017: N$269 million) for the Group and N$131,4 million (2017: N$246 million) for the Company at Financial Year-end 2018.

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. For the Financial Year 2017/18, taking into account the preference shares adjustment, the Group is reporting a loss of N$57 million and the Company reports a loss of N$83 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$123 million and was reallocated to Other Financial Liabilities as disclosed in Note 19 of the Financial Statements. The change in estimate was accounted for prospectively.

The Board of Directors are involved in the transformation of the Company into an integrated information and communication technology (ICT) service provider that will provide satisfactory ICT Services to a wide variety of customers.

I am convinced that Telecom Namibia will continue to broaden its footprint in the Namibian Telecommunications Market with its affordable and reliable services.

BUSINESS TRANSFORMATION – OUR JOURNEY INTO THE NEXT 5 YEARS

The Namibia ICT industry evolves at a fast pace and we are transforming Telecom Namibia to stay abreast of the latest trends and developments in the industry.

In 2018, we crafted a new strategy to aid in reaching our business goals. Our five-year Strategy represents our renewed commitment to serve our customers going forward. Our strategy focuses on creating value for all stakeholders including achieving sustainable and growing financial returns for our shareholder. The following four strategic pillars underpin our strategy:

Sustainable Growth: The objective being to increase market share and turnover; improve key ratios; ensure product, channel and segment profitability and embed triple bottom line in our daily operations.

Customer Experience: The objective being to improve service delivery turnaround time; improve customer touch points and relationships and innovate products and solutions portfolio.

Operational Efficiency: The objective being to do OSS/BSS transformation; network modernisation; establish data analytics capability; transformation of the operating model and to embed legal and regulatory compliance culture.

Performance driven culture: The objective being to enable us to foster leadership excellence and re-invent performance management system as an enabler for the delivery of our objectives.

In line with the new Strategy 2018/19 -2022/23 we have refined our Vision and adopted a new Mission and Corporate Values to reflect our ambition to become a vibrant, robust and flourishing organisation.

In line with this strategy, it is important for us to ensure that we engage our stakeholders and keep them informed of our activities, successes and challenges.

BOARD AND MANAGEMENT CHANGES

The Board of Directors were appointed on 1 October 2016 and operated with only three Independent Non-Executive Directors, of whom one is the Chairperson. Two additional Non-executive Directors - Mr Fernando P Somaeb and Ms Petro Oberholster - were appointed on 1 June 2017. The Chairperson, Mr Johny Smith resigned on 31 May 2018, and Ms Irene Simeon-Kurtz was nominated to take over as Acting Chairperson. This team has been instrumental in steering the Company during the transformation journey. Plans are in place to fill the remaining position on the board in the new financial year.

The Telecom Namibia Executive team was fully constituted during the year under review with five Chiefs and two Heads of Department. Each Chief and Head was heading a division, fulfilling a function in alignment to the Company strategy.

OUTLOOK FOR 2019

During the year under review, we crafted the five-year strategic plan for the business. Our focus in the new financial year would be to roll out the plan to all employees across the company in implementing the plan.

In our new Strategic Plan towards 2023, Telecom Namibia will place emphasis on delivering an enhanced customer experience via continuous customer service quality improvements and innovations, whilst focusing on increased operational efficiency, productivity and sustainability.

Our strategy is to deliver integrated high-speed services to all and includes additional measures to ensure that consumers and businesses can benefit of services being provided off the new fibre back-bone routes.

The Company will continue to further invest in infrastructure development and strengthen our network to better serve our customers.

ACKNOWLEDGEMENTS

The success of Telecom Namibia relies on synergies between the shareholder, and in particular the shareholder representative, the Namibia Post and Telecommunication Holdings (NPTH), the Ministry of Information Communication Technology, the Board, Telecom Namibia Management and Staff and other key stakeholders.

It further requires the right mix of skills and resources to deliver on our mandate. As such, I would like to thank the shareholder for entrusting the board with this daunting task of turning around the fortunes of one of Namibia's major telecommunications service providers.

I would also use this platform to thank the Telecom Namibia Board, Management and staff for their continued commitment to the success of the Company.

In conclusion, I would like to appreciate all stakeholders we have interacted with for their willingness to engage with us on matters of mutual interest.

Irene Simeon-Kurtz

EXECUTIVE **COMMITTEE**

THEODORUS KLEIN
Chief Executive Officer
(Retired)

CALVIN MUNISWASWA
Chief Commercial Officer

ARMANDO PERNY
Chief Mobile Officer

LABAN HIWILEPO
Chief Operations Officer

HOLGER SIRCOULOMB
Chief Human Resources Officer

ROBERT OFFNER
Chief Financial Officer
(Resigned)

DR. BEN VAN DER MERWE
Head: Internal Audit & Risk Management
(Retired)

JINAH BUYS
Head: Corporate Governance, Legal Services & Regulatory Affairs

OIVA ANGULA
Head: Corporate Communications & Public Relations
(Retired)

CHIEF EXECUTIVE OFFICER'S **REPORT**

Calvin Muniswaswa

Acting Chief Executive Officer

In an ever-increasing competitive environment, customers are increasingly demanding for superior services at the right price. It remains a priority for Telecom Namibia to meet customer expectations while maintaining profitable, effective and efficient operations. A slowdown in the Namibian economic performance has had an impact on our business growth as can be seen in the low cash inflows from key customer segments. Despite this reality, we have managed to register positive results for the period under review by focusing on key initiatives aimed at growing revenue, cost management and cash collections. Our corporate business plan for the financial year 2017/2018 was focusing on key areas addressing and ensuring customer service delivery, growth and financial sustainability, human capital development and network quality.

CHIEF EXECUTIVE OFFICER'S **REPORT**

FINANCIAL PERFORMANCE OVERVIEW

The Company has seen significant progress on the path to returning to profitability since 2017. This is despite the impact of the cumulative redeemable preference shares, issued with terms and conditions that had an adverse effect on the reported results from operations and the financial position of the Company and the Group.

At this stage the treatment of the preference share liability is countering the efforts of management and the board to eliminate the going concern risk of the Group and the Company. Engagement with the shareholder is ongoing to find an amicable solution, however it should be emphasised that the current structure of the cumulative redeemable preference share remains a financial sustainability risk for the Group and Company and increases the dependency on the shareholder.

It is with great satisfaction that I report a positive operational profit of N$72 million in the company for the Financial Year 2017/18. This operating profit has been driven mainly by revenue growth for Mobile and IP services year-on-year, however this growth is impacted by a decline in revenue generated by voice traffic and data services. Efforts have been centred on top line growth and maintaining cost management discipline.

Company revenue recorded a 2% growth from N$1,503 million to N$1,530 million. The company's profit before tax and the preference share adjustment has increased by over 361% from N$13 million in 2017 to N$61 million in 2018. This is attributed to the increase in the revenue as well as the cost management measures implemented to reduce the operating expenses.

Investment in CAPEX amounted to N$123 million (2017: N$67 million) for the company. The company reported a comprehensive loss for the year ended 30 September 2018 of N$83 million (2017: N$9 million comprehensive profit). A significant part of the loss is attributed to the preference share fair value adjustment of N$125 million that was recorded in the current financial year. The classification of the preference shares was reviewed, and the liability component was estimated by discounting future cash flows using market interest rates.

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 other focus area was maintaining positive cash flows to reduce local and foreign denominated payables. To this end, collections were achieved at 97% of target, resulting in a reduction of bank facility utilisation and a positive bank balance of N$43 million at Financial Year-end 2017/18, compared to a net overdraft of N$28 million in the Financial Year 2016/17.

Current liabilities decreased from N$727 million to N$618 million and allowed for increased capital expenditure.

Post-paid collections remain a challenge with gross receivables totalling N$483 million at year end, with the average debtors' days remaining in excess of 110 days. Efforts have been made to intensify collections on post-paid accounts, however these efforts are being affected by the current status of our economy downturn.

It remains 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.

OPERATIONAL REVIEW

We saw the overall growth of our customer base to 400,000. The Company continued to focus on growth areas which included IP and mobile products. IP and mobile data continue to be the revenue growth drivers and growth rates of 7% and 31% respectively were recorded year on year. The mobile business is to continue on its double-digit growth mainly driven from the prepaid segments.

The Company spent a considerable amount of time and resources on customer care, which resulted in the establishment of a fully trained staff operated Customer Care Centre.

The IP revenue stream remains the driver of our fixed revenue growth while fixed data was under pressure due to increased competition in that area. The voice business remains a cash cow although the projected year on year decline is more evident and per minute prices are eroded by social media as well as VOIP offerings.

Voice call plans were offered to Corporates to encourage the usage of our fixed voice services. Product development was guided by a roadmap and remains a key priority for success. Customized solutions for our high-end customers have been prioritized and a lot of time was spent in developing SLA solutions for these segments to be implemented in the new financial year.

From an Audit and Risk perspective, Telecom Namibia realizes that effective risk management is vital to the business process to achieving the business goals. TN realizes that even though risks cannot be eliminated for various factors, risk management becomes vital, so the company keeps moving despite the factors that may hamper its going forward. It is important for employees to understand the business, the processes and the happenings in the industry, so they develop mechanisms to fight back such challenges they may face.

An Enterprise-wide Risk Management (ERM) methodology has been implemented and the identification of the key risks and mitigating controls are monitored.

In line with our strategic transformation drive, we opened the first new concept store in 2018 at the Grove Mall. The new look and feel store provides for a customer-friendly environment, allowing for interactions with customers and other employees in an open plan set-up.

Our new concept stores are futuristic and are designed to revolutionise the look and feel of the traditional Teleshop we came to know throughout the country. The facilities feature interactive zones and areas where customers can explore the latest technology in a dynamic atmosphere to create a relaxed, agile and social environment. With the new concept design, the focus is on experience and creating a destination ICT store that acts as a showcase for the Telecom Namibia brand, with the objective to draw customers into the brand, over and above making sales.

Telecom Namibia has by 2018 installed a cumulative 13,000 kilometres of fibre across the length and breadth of Namibia. This has linked Namibian towns and villages to the rest of the world offering top-class services.

The following key initiatives were concluded during the financial year aimed at improving network quality and customer experience. The introduction of new direct peering links at, London and Johannesburg PoPs. UBH Network expansion, with 395 nodes countrywide. The replacement of legacy MetroE nodes and migration of services to the UBH platform. A total of 11 high capacity switches and Modular Port Concentrators were installed. The introduction of high capacity BRAS platforms at Oshakati, Swakopmund, Tsumeb and Keetmanshoop. WGG and PPK were also done. The introduction of high capacity Route Reflector platforms, as well as TNMS NMS Upgrade for which software was upgraded to the latest version.

OUTLOOK FOR 2019 AND BEYOND

We crafted a new five-year strategy, which represents our renewed commitment to serve our customers going forward. Our strategy focuses on creating value for all stakeholders including achieving sustainable growth. We will need the support and commitment of employees across the Company to realise our business goals.

Telecom Namibia realises that in a digital age of doing business it needs to formulate a customer centric strategy that will require us to transform the current operating model to remain competitive in a market where technologies are converging industries and changing how customers engage with and consume services on demand.

Building and executing a successful digital transformation strategy will be challenging and takes time as transformation impacts the whole business.

As Telecom Namibia continues with the push to digitally transform the business, we are looking at embracing and deploying new technologies to help cut costs, deliver and manage new services more efficiently and to cope with huge amounts of data which includes:

- Focusing on customer centric products and service design
- Prepare the organization to move the digital maturity of Telecom Namibia forward together to remove operational silos and improve collaboration across the entire organisation.
- Transforming our business model will place much more emphasis on IT Infrastructure, software and IT skills than the traditional telco operational model of the past did

Some key customer benefits of this transformation will include:

- Improved digital end to end customer experience via modern self-care channels which enable anytime and anyplace customer access to Telecom Namibia services.
- Fully digitalized customer journey by process automation leading to faster service delivery and operational efficiency
- Exciting and Innovative products and solutions to our customers
- Enable Telecom Namibia to support emerging Technologies like IOT and 5G
- Improved security network Infrastructure capabilities for ISP and Corporate services
- Modernised ISP and Cloud services

What is Telecom Namibia doing to realise these benefits?

We are well on our way to establishing Business Intelligence and Data Analytics capabilities to enable and activate data analytics and insights into operational performance, customer service and product delivery, network quality and customer experiences.

We are also in the process of developing a digital transformation roadmap which will speak to our business strategy and operational model, identifying and implementing technologies allowing us to deliver and manage services more cost effectively and efficiently across the entire business.

Areas of the business receiving a lot of attention now includes Operational and Business support systems which will empower our employees, thereby improving productivity and collaboration. These systems will also enable us to improve customer engagement, optimize operations and to transform our product offerings.

OUR EMPLOYEES

Our staff complement as at September 30, 2018 was 1,028 permanent staff and 151 short-term contractors. Telecom Namibia continues to enjoy high levels of employee retention across all bands. The controllable labour turnover has consistently remained at 5,6% per annum, which is on target in terms of our objectives.

A key, strategic goal of Telecom Namibia is to be the preferred ICT service provider. To this end a corporate balanced scorecard has been implemented and managed, ensuring that indices on finance, internal processes, customer and stakeholder as well as core people measures remained fundamental in the pursuit of organizational objectives.

To meet the challenges of rapid technological advances and changes in consumer demands, Telecom Namibia continues to upgrade and upskill the competencies of its staff. For the period under review the focus was on technical and customer-centric training, with the Company positioning training programmes to align to its next five-year Strategic Plan. An amount of N$ 6 million was spent on training and development, which was roughly 2% of the company's overall labour budget.

VOTE OF **THANKS**

I would like to thank the shareholder for the continued support and leadership as we roll-out our plans to deliver ICT services nationwide.

I would also like to thank the Telecom Namibia Board of Directors for their visionary leadership, support and positive engagement during the year which enabled us to deliver our business objectives and provide superior services to the people of Namibia.

In conclusion, I would like to thank all Telecom Namibia employees for their contribution to realising the Company objectives and bringing us a step closer to becoming the preferred ICT service provider.

We look forward to providing improved services to our customers as we continue to capture a bigger share of the market.

Calvin Muniswaswa
Acting Chief Executive Officer

CHIEF FINANCIAL OFFICER'S
REPORT

According to the International Monetary Fund (IMF) World Economic Outlook, global growth is projected to remain unchanged at 3.9 percent in both 2018 and 2019, the same percentage recorded in 2017. Growth in South Africa was projected to slow down from 1.3 percent in 2017 to 0.8 percent in 2018, before improving to 1.4 percent in 2019. The contraction in the real GDP for Angola is expected to ease to 0.1 percent in 2018, from a 2.5 percent contraction reported in 2017. Looking ahead, real GDP growth in Angola is expected to improve to 3.1 percent in 2019. Namibia's economy remains weak and is expected to recover gradually in the medium term. Real GDP is expected to contract by 0.2 percent in 2018, from a deeper contraction of 0.9 percent in 2017, and thereafter recover to a growth rate of 1.9 percent in 2019.

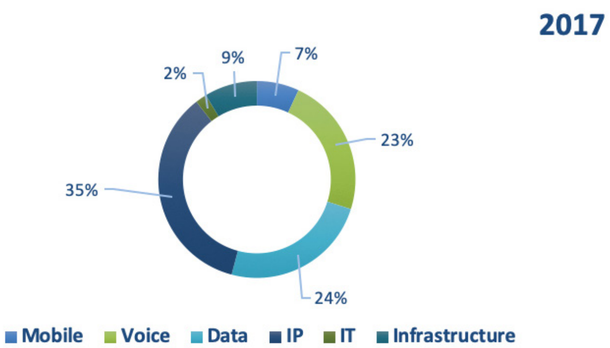
Namibia has experienced severe drought over the years that resulted in the increased food prices and continued pressure on cash resources felt by our customers, which affects the disposable income.

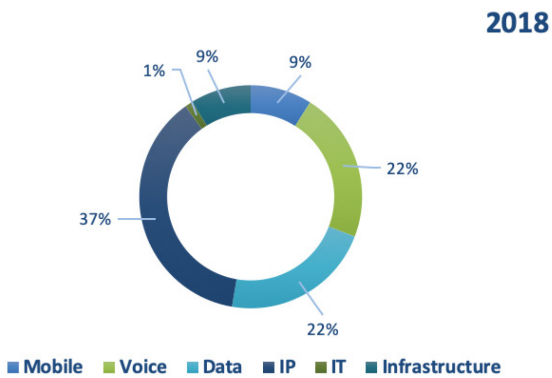
For the year under review Telecom Namibia reported an increase in revenue of 2 percent, from N$1,503 million in 2017 to N$1,530 million.

The company shows growth of profit before fair value adjustments to N$61 million for 2018 compared to N$13 million for 2017, reflecting an increase of 361%. Consistent efforts in controlling expenses and maintaining revenue levels against the economic challenges resulted in the positive results that were reported for the financial year under review.

Due to the economic slowdown, collections remain a challenge with Gross Receivables amounting to N$483 million, and average collection days exceeding 110.

As at year-end, the Group reflected net current liabilities of N$132 million (2017: N$269 million) and the Company reflected net current liabilities of N$131 million (2017: N$246 million)





Joshua Uremena

Acting Chief Financial Officer

COMMERCIAL **OPERATIONS**

During the 2017/2018 financial year the Commercial Division set out to increase the shareholder value by ensuring sound revenue performance against plans while enhancing customer service. A lot of time and resources were spent on customer care, which resulted in the establishment of a fully trained staff operated Customer Care Centre.

The economic recession over the past couple of financial years has put strain on the profit margins and continuous revision on pricing combined with new products was needed to curb the churn rate of our customers. IP and IT products remain the drivers of our revenue while data was under pressure due to increased competition in that area. The voice business remains a cash cow although the projected year on year decline is more visible and per minute prices are eroded by social media as well as VOIP offerings. Voice call plans were offered to Corporates to encourage the usage of our fixed voice services. Product development was guided by a roadmap and remains a key priority for success. Customized solutions for our high-end customers have been prioritized and a lot of time was spent in developing SLA solutions for these segments to be implemented in the new financial year. The challenge remains on improving customer service on an ongoing basis.

The first new concept store was introduced in 2018, signifying the transformation of the Teleshops. The new concept store is designed to revolutionise the look and feel of the traditional Teleshop throughout the country. The facility features interactive zones and areas where customers can explore the latest technology in a dynamic atmosphere to create a relaxed, agile and social environment. With the new concept design, the focus is on greater customer experience and creating a destination ICT store that acts as a showcase for the Telecom Namibia brand, with the objective to draw customers into the brand, over and above making sales.

WHOLESALE AND INTERNATIONAL BUSINESS

The International and Wholesale Division recorded a decline during the financial year under review. The key driver for the budget shortfall is mainly attributed to the strengthening of the USD over that period and accelerating decline of International voice traffic and revenue. On the positive side the division has contributed about N$ 11,6 million in upfront cash advances from mostly Indefeasible Right of Use (IRU) deals which contributed to the positive improvement of the company's cash flow position. Service delivery improved slightly during the last periods 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 International voice recorded accelerated decline due to competing operators having established their own direct international gateways and voice calls declining and substituted by use of other data calls/social media. Another reason for the decline in voice revenue was the increase in termination rates to South Africa at the end of 2017 by more than 400%.

That forced TN to increase customer rates to South Africa significantly from March 2018 which also contributed to less calls made by customers. The Telecom Namibia main partners for voice remains the South- African operators like TSA, Liquid, MTN SA and for the rest of the world voice traffic TN has connections to BTC, 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 has participated in regional and international events such as SATA and AfricaCom to ensure that Telecom positions itself as a strong regional player in the SADC market as well as in the European markets. Regular visits to Zambia, Zimbabwe and Malawi were made in attempts to maintain good relationships and seek new opportunities. The International and Wholesale Team 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 its regional and international presence. The focus of the division remains to contribute to the turnaround strategy of the organization and to deliver excellent customer service.

CORPORATE BUSINESS

Corporate Sales have achieved some major milestones during this financial year which focused on retaining and growing the Government, Corporate, Large and Medium Enterprise business segments of Telecom Namibia. The focus was on innovative customer solutions in the IP and IT space which resulted in growth in revenue on existing Corporate Customers. Taking the economic situation in consideration 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 in 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. The focus was also on improving customer relations through regular meetings with Account and Key Account managers.

The financial year under review continued to record strong focus on Government and Corporate customer solutions and projects addressing fast-increasing needs and demands. Significant progress has been recorded over the period under review towards completing the special project of implementing Government regional Points of Presence (PoPs) in the 14 regions with main activities centred on clearing the list of snags in preparation for project sign-off. The year under review saw the beginning of the sign-off process for the government project with Telecom Namibia and Government teams travelling 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 Government Ministries to the Government network continued during the 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 and serves the whole of Namibia with a wide range of products and services supported by 34 Teleshops, strong Sales Representatives and Indirect sales teams across the country to support the channel. Continuous expansion of the indirect sales channel was also pursued during the year. During the financial year under review, the retail channel 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 have been closed and a contract is in place with Nampost to make use of specific Nampost outlets or Post Offices for selling, collection, distribution and capturing of Telecom customer application forms on behalf of Telecom. Nampost outlets identified were Maltahohe, Bethanie, Okakarara, Omaruru and Otavi, which is in line with the Teleshop outlets closed.

A new teleshop was opened this financial year to bring the number to 34 teleshops in total. A new project to revamp the look and feel of teleshops has been embarked upon with the aim of introducing a new look and feel and provide for a customer-friendly environment allowing for interactions with customers and other employees in an open plan set-up. The teleshops completed thus far are Grove mall and a newly opened Nkurenkuru teleshop. Next in line is the Iway teleshop and a newly to-be-opened Outapi teleshop which will be relocated to a suitable complex.

PRICING AND TARIFFS

Pricing initiatives undertaken in the year under review were aimed at ensuring that Telecom Namibia remains competitive in the market, while realizing 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, as well as mitigating regulatory risks of prescribing price caps. This is supported by continuous product profitability evaluations and monitoring across all product streams conducted during the year under review.

During the year under review, the following pricing initiatives were introduced:

- ***Speedlink:*** Speedlink broadband products were upgraded free of charge, setting 1 Mbps as minimum download speed. This initiative reaffirms the company's commitment to meeting the broadband minimum speed set by the national broadband strategy and Harambee Prosperity Plan, as well as SADC Ministerial broadband decision. The migration to higher speeds is a phased approach and commenced from 27 November 2017. Customers that could not be migrated saw a general reduction in price levels.

- ***South African call rates:*** Call rates to South Africa Fixed and Mobile networks were increased, following an increase in South Africa termination rates. The tariffs were implemented during March 2018, following approval by the regulator CRAN.

- ***Speedlink Lite Prepaid service:*** Speedlink Lite Prepaid service will allow internet users to pay for internet charges in advance and avoid the hassle of monthly bill payment. Telecom Namibia intends to expand the prepaid fixed broadband service by providing flexible payment options to those who do not qualify for postpaid plans, or for whom postpaid is simply inconvenient. The regulator granted approval for the said package and implementation will take place in the subsequent financial year.

- ***Unlimited Voice Call Plan and Unlimited Voice and Data packages:*** Telecom Namibia Unlimited Call Plan package enables fixed landline residential post-paid customers to make unlimited calls to TN networks and limited calls to other mobile networks, while Unlimited Voice and Data package adds data to the unlimited voice call option. The tariff was submitted and approved by the regulator and was implemented during June 2018.

- ***BizConnect and BizLink products:*** The Telecom Namibia board approved downwards price review of the following services: Multi-Protocol Label Switching (MPLS) Virtual Private Network (VPN) (National, SA & EU), MPLS Express (National, SA & EU), Internet Access, National bandwidth only and International Bandwidth only). The review also focused on introducing technology independent price points. Previously MPLS and Internet Access prices were based on technologies such as Digicon, Ethernet, ADSL and WIMAX (all different price points). The revised tariffs were implemented during January 2018.

In addition to the above permanent pricing initiatives, a number of promotions were introduced during the financial year under review, such as: Free fibre installation for fibre ready areas, reduced price points for selected Speedlink packages, free installation for all Speedlink services for residential customers and increasing customer speeds at lower incremental cost.

OUR PRODUCTS AND **SERVICES**

RETAIL

Voice Services
Basic Telephony
ISDN
My Number
Talk International (Residential)
Talk International (SOHO and SE)
FlexiFixed Prepaid Service
Flexicall cards & Vouchers

Value Added Services (VAS)
Three Party Call
Call Waiting
Call Forwarding (immediate)
Call Forwarding on No Reply
Call Forwarding on Busy
Abbreviated Dialing
Outgoing Call Barring (Customer controlled)
Outgoing Call Barring (Fixed)
Incoming Call Baring
Total Call Barring
Detailed Billing
Call Screening List (fixed)
Call Screening List (customer controlled)
Caller ID
Caller ID Restriction
Reminder Service

Fixed Mobile Coverage Services
tn1 Maxi
tn1 MaxiPlus
tn1 Family Circle

IP Services
Speedlink
Speedlink lite & Speedlink liteplus
VSAT
Wi-Space Hotspots

IT Services
Video Conference
Cloud Services
iDomain
iMail
iSite
iWeb
Fax2Email
Email2Fax

Infrastructure & Others
Telephone Handsets & PABX Systems
Directory Services

Mobile Services
Mobile Voice
Mobile Data
Roaming

CORPORATE

Voice Services
Least Cost Routing
ISDN
Toll-Free Services
Basic Telephony

Data Services
Data Links

IP Services
BizConnect: National
BizConnect:SA POP
BizConnect: EU POP
BizConnect:Exspress National POP
BizConnect:Exspress SA POP
BizConnect:Exspress EU POP
BizLink
VSAT
Wi-Space Hotspots
Speedlink Home and Business
Speedlink lite and Speedlink liteplus
Carrier Ethernet: City, Regional & National
Service Level Agreement (SLA)

IT Services
Video Conferencing
CloudFax
Cloud Services
Smart Hosting
iDomain
iMail
iSite
iWeb
Fax2Email
Email2Fax

Infrastructure & Others
Structured Cabling
Co – Location
Telephone handsets & PABX Systems
Site sharing
Directory Services
Marine Services

Fixed Mobile Coverage Services
tn1 MaxiPro
tn1 Corporate Call Back

Mobile Services
Mobile Voice
Mobile Data
Roaming

WHOLESALE/INTERNATIONAL

Voice Services
ISDN
Toll-Free Services
Inmarsat
Operators/Interconnect

Data Services
International Express Routes
National Express Routes
Data Links
Ethernet Express: National
Ethernet Express: International
Broadcasting Services

IP Services
BizConnect: National
BizConnect:SA POP
BizConnect: EU POP
BizConnect:Exspress National POP
BizConnect:Exspress SA POP
BizConnect:Exspress EU POP
Speedlink
Speedlink lite and Speedlink liteplus
BizLink
Service Level Agreement (SLA)
VSAT

Mobile Services
Mobile Voice
Mobile Data
Roaming

TN MOBILE
OPERATING HIGHLIGHTS

TN Mobile recorded growth in the customer, revenue and network for the 2018 financial year. The number of subscriptions increased by 30%, while revenue grew by 9%. Data continues to be the revenue driver and growth of 31% was recorded during the same period. The Prepaid segment contributed 85% and Postpaid 15% respectively. The business is to continue on its double digit growth with a compounding growth of 13% over the next three to five years to support its 5-year strategic business plan within the group.

The TN Mobile brand experience is characterized by improved customer engagement and attractive, and innovative offerings and the product strategy is positioned in line with esteemed customer expectations that prefer affordable, customized and attractive offerings to improve their digital lifestyle.

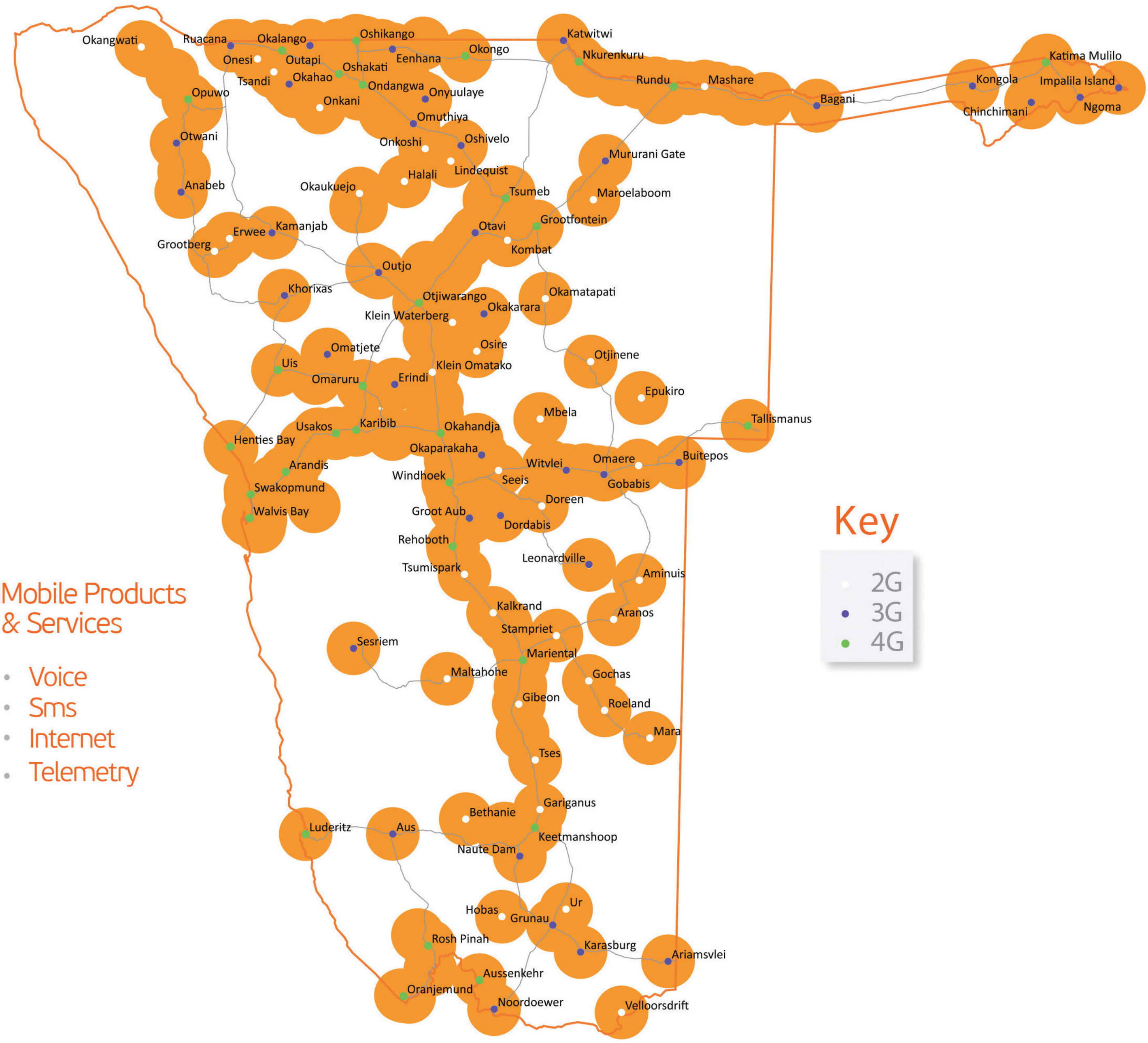
TN Mobile overall objectives were centered around improving the coverage across populated areas, while at the same time improving the capacity on the network to improve data speeds which in turn improves the customer experience across all our customer segments. The major focus areas for the network expansion and improved coverage happened across the length and breadth of the nation, with special emphasis on areas with high population density and lack of adequate communication services namely towns and settlements from Opuwo in the Kunene region through the four O regions, the two Kavango regions and Zambezi region respectively. Special focus was placed on the Erongo region with improved data connection from along the road from Okahandja to the coastal towns up to Henties Bay and Walvis Bay. The Khomas region and Omaheke also experienced new sites, with a focus to continue in all regions towards the new financial year.

These deployments resonated with the shareholder's expectations of improving connectivity in the country and providing affordable mobile solutions at affordable pricing level to ensure adequate access to national services while embracing a technologically driven life style.

TN mobile envisaged to add more value-added services by investing in solutions that will provide seamless interaction with its customers across the different channels and platforms by deploying converged solutions. The network deployment and expansion will support the data growth strategy and improved user experience, while also creating a good base to support Mobile virtual network operators in Namibia as part of its long-term business growth objectives. The network will evolve towards fifth generation (5G) to ensure that it is ready for inbound and domestic futuristic technological waves like the Internet of things (IoT), Artificial intelligence (AI), On-demand high resolution content (4-8K), Smart City solutions and Augmented reality (AR) which require very high speed connectivity without human intervention most of the time.

OUR NATIONAL FOOTPRINT

Ultra - Fast, Quality Experience



Mobile Products & Services

- Voice
- Sms
- Internet
- Telemetry

TECHNICAL **OPERATIONS**

BROADBAND NETWORK EXPANSION AND UPGRADE

Telecom Namibia has invested in infrastructure development as part of its network modernization programme, focusing on two key areas: the expansion and the enhancement of its networks. On network enhancement, we reviewed the network architecture to better optimise performance and mitigate against network strain, as more and more customers continue to use our services. Our network optimisation efforts will result in Telecom Namibia consistently delivering a quality mobile service and experience.

The demand for high speed broadband services continued to increase year-on-year. To satisfy the growing demand, Telecom Namibia continued with its strategy to grow and expand the fixed broadband access network footprint and capacity across the country. A number of new fixed broadband access nodes and stations were introduced. As part of our efforts to modernize the network and move towards an all-IP network, a number of legacy TDM backhaul links were upgraded to Fast Ethernet (FE) and Gigabit Ethernet (GE) respectively.

Multi-Service Access Nodes (MSANs) were introduced in selected areas across the country to expand our fixed wireline broadband footprint and grow our subscriber base, using both copper and fibre in the last mile. The MSAN platform enables Telecom Namibia to provide a host of services such as ADSL, VDSL, VHDSL, AE, and GPON from a single access network element, thereby minimizing both CAPEX and OPEX.

Complementing the rollout of MSANs, Telecom Namibia also introduced TD-LTE technology at Otjiberg, Elisenheim, Khomasdal, Otjiwarongo, Henties Bay, and Tamariskia to provide fixed wireless broadband services, while WiMAX Base Stations were deployed at Khorixas, Leonardville, Okankolo, Eintracht, and Katima Mulilo to extend our fixed wireless broadband offering to underserviced and un-serviced areas in both urban, semi-urban and rural areas. For subscribers located in close proximity to a TD-LTE base station, self-install CPEs are used to improve the turn-around time for the installation and provisioning of new services.

MOBILE NETWORK ROLLOUT

Telecom Namibia, under its TN Mobile brand, has extended its 3G and 4G connectivity to both urban and rural areas across the country. To expand capacity and coverage, additional base stations were deployed across the country. Capacity in Erongo region was also upgraded by introducing additional TDD/FDD LTE sites. In addition, several sites were upgraded from 2G to 2G/3G, while some sites were upgraded from 2G/3G to 2G/3G/4G.

As the company has set to intensify and enhance its 4G network services, new 4G mobile base stations were installed at Swakopmund, Walvis Bay, Rossmund, Ongha, Katima Mulilo, and Katima Mulilo UNAM Campus. Mobile equipment and software at sites around Arandis, Henties Bay, Walvis Bay, Swakopmund, Rossmund, Langstrand, Walvis Bay Airport and Talismanus were also modernised to the latest 4G technology to cater for the fast-increasing data subscriber growth.

The towns of Luderitz, Nkurenkuru and Okongo were upgraded from 3G to 4G services, while 3G network was extended to the rural settlements of Chinchimane, Mpacha, Otuani, Anabeb, Otjomatemba, and Onkani, bringing much needed fast and mobile communication services to these rural communities.

IP NETWORK

The demand for Ethernet and fiber-based services in the last mile is on the increase. As part of our ongoing efforts to ensure that there is enough capacity to meet demand, additional Ethernet aggregation devices were deployed, and port capacities and uplink capacities at major aggregation points across the country were upgraded. The Ethernet platform not only used to provide high speed connectivity to enterprises and consumers but is also used to backhaul Telecom Namibia internal services such as TOCNET, and access technologies such as WiMAX, xDSL, TD-LTE, and Mobile. Hundreds of kilometres of fibre optic cable were installed across the country in order to provide high speed connectivity to consumer and enterprise customers.

As part of our strategy to improve the delivery of fixed and wireless broadband service and enhance customer experience, a high capacity Broadband Radius Aggregation Server (BRAS) platform was deployed in Swakopmund to serve customers in Erongo Region. Another high capacity BRAS platform was deployed in Tsumeb to serve customers in Kavango East, Kavango West, Zambezi, and parts of Oshikoto and Otjozondjupa region. The Oshakati BRAS platform was also upgraded with a high capacity device to serve customers in Kunene, Oshana, Omusati, Ohangwena and parts of Oshikoto region.

Providing connectivity to the Internet remains one of our most popular offerings, with a healthy year-on-year growth. The Global Internet Routing table has continued to see exponential growth over the years. Therefore, to improve the routing of internet traffic through our network, and to our downstream peers, Internet Route Reflectors at key points in the network were upgraded by deploying high capacity devices and by optimizing BGP routing. To meet the growing demand for international capacities, routes connecting the national IP/MPLS backbone network with our IP/MPLS/Peering PoPs in Cape Town and Johannesburg were upgraded with additional 10 Gbps links. Direct peering links were established with both Facebook and Netflix at our PoP in Johannesburg as part of our effort to improve the latency, and quality of our internet service offering.

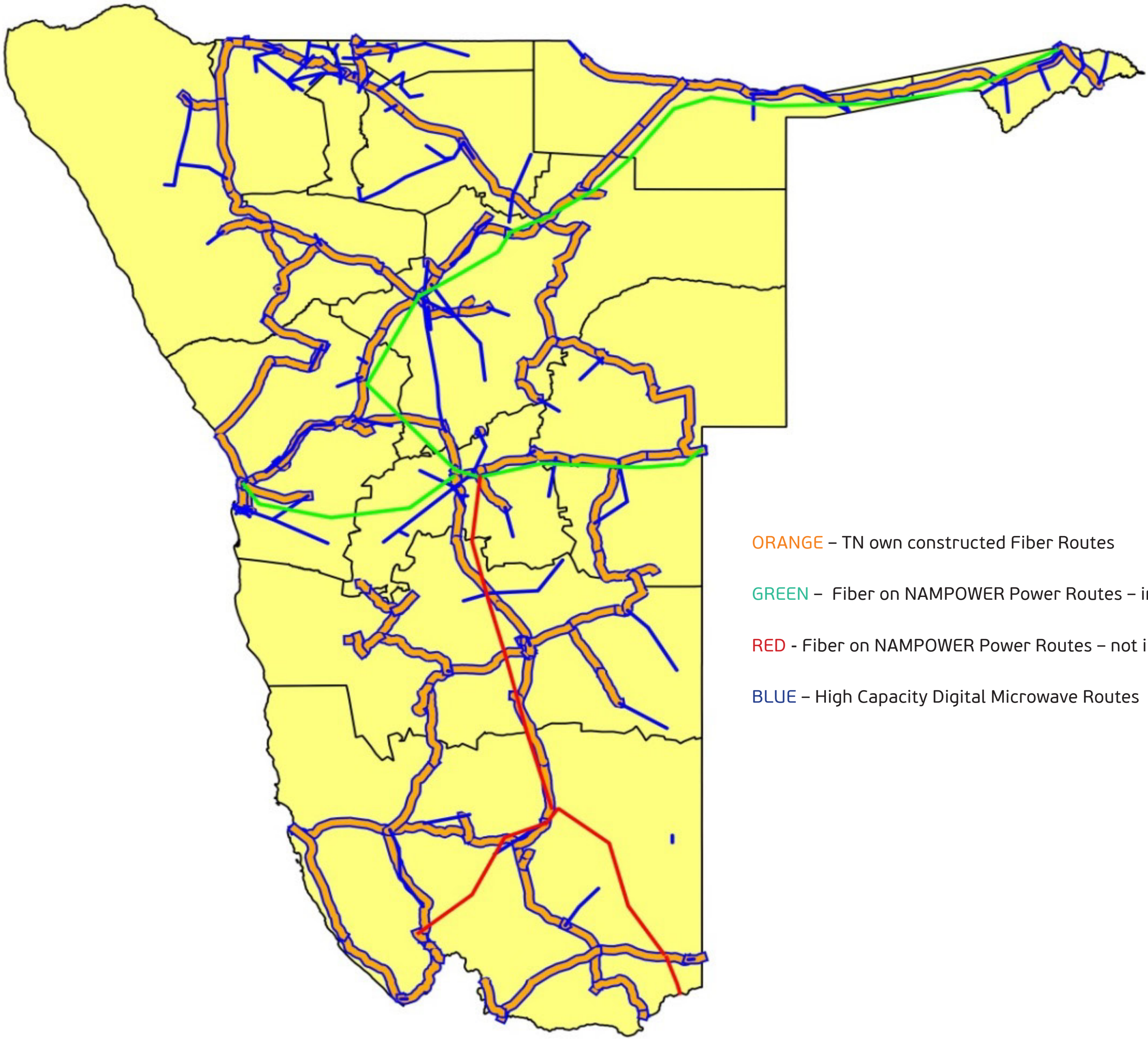
Network monitoring is essential to the proper operations of our network. To this end, traffic monitoring tools were deployed in order to provide a real time and historical view of traffic and activities on all core network devices. The data collected is also used to inform network planning and troubleshooting.

SUPPORT SYSTEMS

As part of our effort to mitigate service interruption due to failure of obsolete support systems, Telecom Namibia undertook a number of projects to modernize support systems infrastructure at critical data centres and equipment rooms. To this end, the power plant at selected sites was upgraded to improve maintainability, reliability and autonomy, while at some priority sites, stand-by generators were installed in order to reduce service and network downtime as a result of mains power failure. Air-conditioning systems at selected sites were also upgraded.

TN
NATIONAL FIBER NETWORK

A fibre based national communication network is established. All major towns in Namibia are connected to each other through this network. Over 13,000 km of cumulative National Fiber Network.



ORANGE – TN own constructed Fiber Routes

GREEN – Fiber on NAMPOWER Power Routes – in use

RED - Fiber on NAMPOWER Power Routes – not in use

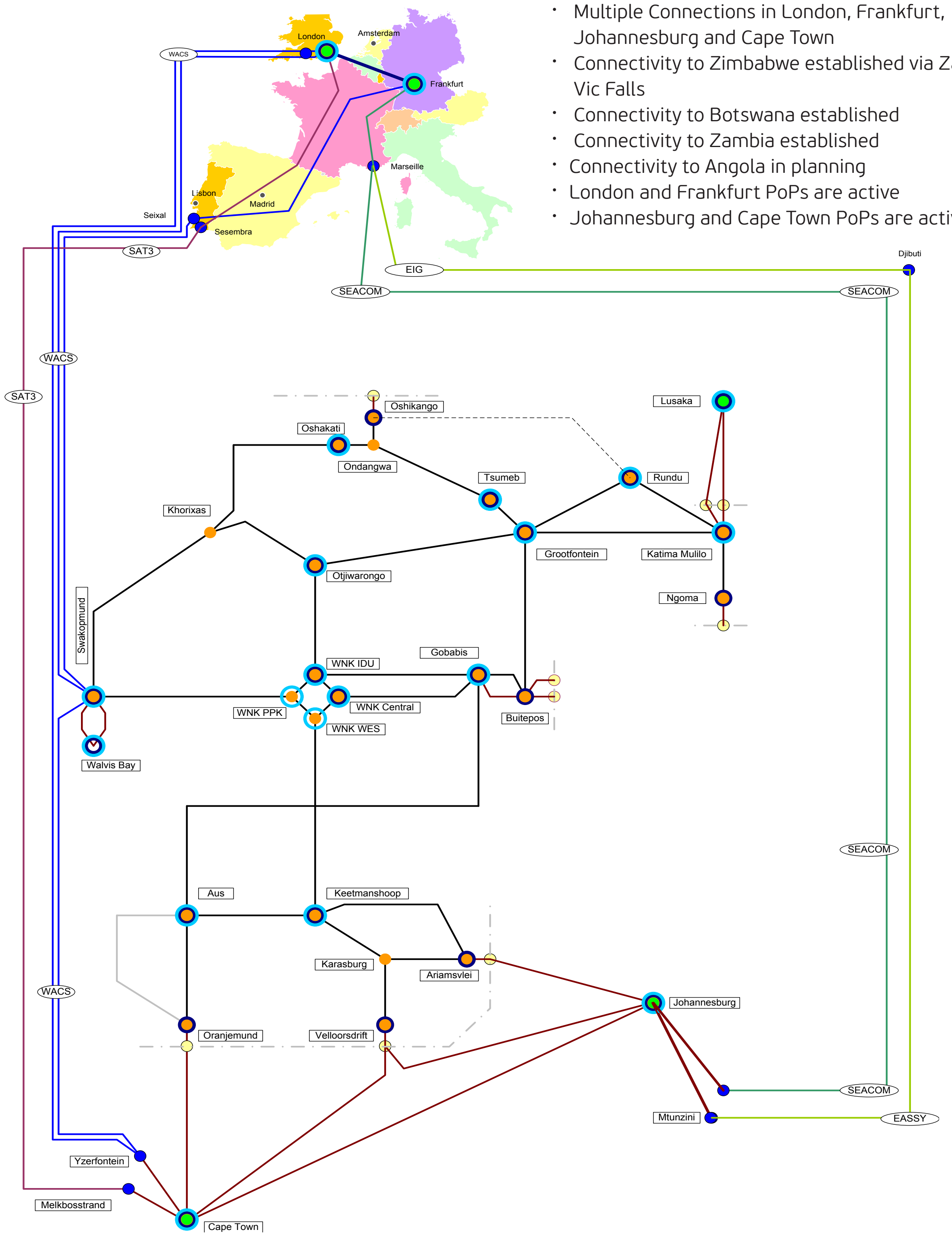
BLUE – High Capacity Digital Microwave Routes

TN

INTERNATIONAL NETWORK FOOTPRINT

TN has a DWDM network that carries multiple 10 Gbps links connecting towns and neighbouring countries and to the Submarine Cable Landing Station. TN has PoPs in JHB, CPT, FFM, LND and LSK.

- Multiple Connections in London, Frankfurt, Johannesburg and Cape Town
- Connectivity to Zimbabwe established via Zambia and Vic Falls
- Connectivity to Botswana established
- Connectivity to Zambia established
- Connectivity to Angola in planning
- London and Frankfurt PoPs are active
- Johannesburg and Cape Town PoPs are active



HUMAN RESOURCES

Telecom Namibia has not been spared in the ever increasing, fast paced change in technology, particularly on the telecommunications front. In its pursuit to deliver a superior customer experience in solutions delivery, the Human Resources Management function is critical to achieving success, in a sustainable manner. Technology makes the customer expectations possible, but it is our people, that make it happen.

OUR STAFF

Our staff complement as at September 30, 2018 was 1,028 permanent staff and 151 short-term contractors. Telecom Namibia continues to enjoy high levels of employee retention across all bands. The controllable labour turnover has consistently remained at 5,6% per annum, which is on target in terms of our objectives.

EMPLOYMENT EQUITY

In compliance with the Affirmative Action (Employment) Act, Telecom Namibia successfully attained the Affirmative Action Compliance Certificate for 2017/2018. The company's workforce is constituted by 92% of designated groups of which 37.55% are women, and 0.49% are people with disabilities. Telecom Namibia employs six non-Namibians who each have a Namibian understudy, in line with the requirements of the Affirmative Action Act. The Affirmative Action Committee meets on a quarterly basis to take stock of progress made in terms of goals and objectives set. Of all recruitments made, 98% were from designated groups with women constituting 7%.

REMUNERATION AND BENEFITS

Telecom Namibia strives to keep its remuneration packages at a sufficiently competitive level to maintain our status as preferred employer of choice in both the general and ICT market.

The NAPOTEL Pension Fund is an in-house defined contribution pension fund, managed by a board of trustees. Membership to the fund is compulsory for all Telecom Namibia full-time employees. In 2017/2018, the fund introduced the option for a retiring member to have his pension paid as a living annuity from the NAPOTEL Pension fund as an alternative to purchasing his pension from a registered insurer. The rate at which retiring employees opt for the in-house annuity is a reflection of the confidence the members have in the Fund.

The NAPOTEL Medical Aid Fund is an in-house medical aid fund, also managed by a board of trustees. The fund assures a high-quality medical protection to the employees and their dependent family members. The Fund is financially sound.

In the variable salary structure, from A2 to C3 (in terms of the Paterson grading system) employees further enjoy allowances for rental/housing, transport, a 13th cheque, and telecommunication services rebate. Employees with a total cost to company packages have the benefit to structure the total package for maximum tax efficiency. The Board of Directors further granted all employees a discretional bonus.

PERFORMANCE MANAGEMENT

A key, strategic goal of Telecom Namibia is to be the preferred ICT service provider. To this end a corporate balanced scorecard has been implemented and managed, ensuring that indices on finance, internal processes, customer and stakeholder as well as core people measures remained fundamental in the pursuit of organizational objectives.

At individual level, employees entered into a personal performance contract which is measured and reviewed every four months. During the period under review notable improvement was realized in the areas of compliance to the contract.

HUMAN CAPITAL DEVELOPMENT

To meet the challenges of rapid technological advances and changes in consumer demands, Telecom Namibia continues to upgrade and upskill the competencies of its staff. For the period under review the focus was on technical and customer-centric training. An amount of N$ 6 million was spent on training and development, which was roughly 2% of the company's overall labour budget.

The year under review also saw the re-introduction of the Telecom Namibia Apprenticeship Scheme. In co-operation with the Namibia Training Authority, 15 apprentices were brought on board to strengthen the technical operations in the next two to three years to come. With the assistance of the Global Apprenticeship Network, a further five apprentices will be engaged shortly.

In association with a financial institution, Telecom Namibia has run a financial wellness programme, focusing on personal budgeting and prudency. In excess of 50% of our staff have attended this programme and the feedback has been extremely positive.

ORGANISATIONAL CLIMATE

In line with its strategic values, Telecom Namibia strives to improve the organizational climate as one of its core fundamental steps to creating a great place to work. Telecom Namibia participated in the Regional Deloitte "Best Company to Work For" survey. Whilst employee participation in the survey could have been higher, the results showed that 62,82% of our employees are attracted to the company (with benchmark being 64,8%) and 68.05% are positively engaged at work (with benchmark of 71,67%).

EMPLOYEE RELATIONS

In a year where strikes in the public service sector were a common occurrence, Telecom Namibia enjoyed industrial peace. The relations were not smooth sailing throughout, but through continued consultations and dialogue, Telecom Namibia's relationship with the Namibia Public Workers Union, prevailed. The company and the union successfully concluded the salaries and benefits negotiations for the new financial year, agreeing on above-inflation rate increases for the employees within the bargaining unit. Telecom Namibia continues to engage with the Napwu Workplace Representatives in order to find equitable solutions.

EMPLOYEE WELLNESS

Telecom Namibia continued to provide a wellness facility manned by an occupational health specialist in the form of a primary health clinic at the Head Office in Windhoek.

With the recent re-election and appointment of safety and health representatives throughout Namibia, the focus has been on assuring a safe working environment. In association with the Namibia employers Association training for the Safety Representatives, is ongoing.

At a cost of N$ 700 000 per annum, Telecom Namibia continues to provide anti-retroviral drugs to our employees, through the NAPOTEL Medical Aid Fund.

tn mobile

DAILY UNLIMITED PREPAID DATA	WEEKLY UNLIMITED PREPAID DATA	MONTHLY UNLIMITED PREPAID DATA
N$ 49	N$ 299	N$ 999
FOR ONE DAY	FOR ONE WEEK	FOR ONE MONTH
Get fast unlimited access for 24 hours	Get fast unlimited access for 7 days	Get fast unlimited access for 30 days
Dial ***130*49#** to register on 085	Dial ***130*299#** to register on 085	Dial ***130*998#** to register on 085

CORPORATE SOCIAL **RESPONSIBILITY**

Telecom Namibia remains committed to the social and economic growth and development of the people of Namibia. To that end, the company has invested significantly in various community projects and causes over the past 26 years.

Corporate Social Responsibility (CSR) is an integral part of our corporate culture. As one of the leading ICT service providers in the country, Telecom Namibia actively seeks opportunities to contribute to the upliftment of the people of Namibia. In addition to striving to offer the most advanced telecommunication services to our customers, we actively contribute to the development of the communities within which we operate.

Governance and compliance, processes and tools, as well as organisational policies 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.

TRANSFORMATION

Telecom Namibia is committed to Economic Empowerment (EE) that is broad-based, and we support the participation of historically disadvantaged Namibians in the economy, through the procurement of goods and services from companies listed with the Namibia Preferential Procurement Corporation (NPPC). 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.

A total of 5,437 orders were placed during the year, of which 61% were awarded to qualifying small and medium enterprises or BEE companies in Namibia. This made up 52% of the total procurement spend during the year. Telecom Namibia is committed to increase spending on BEE initiatives in the years ahead, in order to create jobs for Namibians in the SME sector.

EDUCATION

A focus during the year was access to education for tertiary students. In line with this objective, Telecom Namibia contributed N$500,000 to the University of Namibia's Student Hardship Fund.

The Students Hardship Fund is aimed at providing contingency funds for students in exceptional financial distress, for example:

- Students already struggling to pay for their tuition may find an unexpected expense, such as replacing a broken pair of spectacles, an insurmountable financial challenge.
- A retrenchment in the family network supporting a student could easily call an abrupt halt to his or her studies.
- Physically challenged students requiring specialized equipment often do not have the personal means to acquire same.
- Too many students cannot afford to eat and remain heavily reliant on their peers, friends and good Samaritans to sustain them.
- Academic text books are expensive and unaffordable to many households who rely on grants and goodwill just to survive.
- Students invited to participate in international workshops, conferences or competitions are not always able to do so as they lack the funding for same.

The Students Hardship Fund is an important mechanism to help students weather such personal crises and prevent them from becoming permanent challenges. It aims to address these challenges as part of the University's ongoing efforts to make campus life conducive for all.

The Students Hardship Fund does not discriminate. The only requirement is for applicants to demonstrate their financial need and to be registered fulltime students of the University of Namibia.

WOMEN EMPOWERMENT

During the year, we supported several initiatives with wide-ranging impact aimed at empowering Namibian women.

Among the initiatives we funded was the Namibian Businesswomen Club Networking Breakfast. Telecom Namibia continued to sponsor the networking breakfast meetings for businesswomen and female professionals. The format of the networking breakfast sessions provides women with an opportunity to network with other members as well as engage around presentations aimed at encouraging personal development and management skills. The networking sessions also provide a forum for the exchange of ideas and expertise.

Another initiative we supported was the Katuka Mentorship Programme (KMP). The KMP 2018 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 18th year, KMP has produced significant results in the careers of the participating mentees. To date 347 entrepreneurs and businesswomen have completed the programme.

A highlight of our involvement in the Businesswomen project was the Businesswoman of the Year Awards. Telecom Namibia sponsored the 19th 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.

Another initiative is the Northern Businesswomen Conference. Telecom Namibia was a major sponsor of the annual Northern Businesswomen Conference which took place at Ongwediva in August 2018.

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. Together all women create a business-driven network that encourages entrepreneurship and promote personal development and management skills.

COMMUNITY SUPPORT

Our community involvement spanned a wide range of areas which included the E-Learning Development Programme at Namcol, Special Olympics Namibia the commemoration of Cassinga Day, Namibia Engineering Week, the Mariental Agricultural Show, the Channel 7 Family Sport Festival, as well as the fourth annual National ICT Summit.

SERVICE TO CUSTOMERS

Telecom Namibia made good progress in our efforts to improve customer experience through improving network quality, enhancement of operational efficiencies and customer touchpoints. Social media platforms have become a powerful tool to interact, communicate, and share content with stakeholders. Telecom Namibia is using social media platforms for brand building and a mechanism to address customer complaints channelled through Facebook and Twitter accounts. A Social Media Desk was set up at the Customer Contact Centre to monitor our Facebook and Twitter accounts with the view to timely resolve customer queries and complaints.

OUR HUMAN CAPITAL

Our employees are critical to the success of the company. To maintain transparency and accountability, we work closely with the Namibia Public Workers Union (Napwu) to ensure workers' interests are addressed. The company contributes significantly to the Telecom Namibia Sport Club to facilitate interaction and unity among the employees.

ENVIRONMENTAL PROTECTION

Telecom Namibia is dedicated to reducing the impact of our business on the environment. As such, we follow best environment practices in our day-to-day business operations so that negative impacts to the environment and our stakeholders, as a result of our activities are minimised and were possible, eliminated. This includes recycling initiatives, adhering to company policies and business processes to optimise space utilisation, minimise wastage of any kind while maximising productivity.

Through the provision of our products and services, we reduce local and international travel, thus contributing to the reduction of the carbon footprint. 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.

2018/19 FOCUS

For the 2018/19 financial year, Telecom Namibia plans to invest in social causes that will enhance the Company's strategic position within corporate Namibia.

In line with policy, our CSR spend is divided between focused flagship projects and community-based projects in four key areas: education, sports, environmental conservation and social development.

These key focus areas are re-assessed annually to ensure that projects supported address pertinent needs within society and are aligned to Telecom Namibia's core business objectives and imperatives.

TELECOM REGULATORY **COMPLIANCE**

Telecom Namibia operates within a regulated environment and is required to have regulatory compliance in place. Telecom is regulated by the Communications Regulatory Authority of Namibia (CRAN) through the Communications Act, Act 8 of 2009 and the regulations made under it which include License conditions. Compliance with regulatory rules is essential for Telecom to maintain its existence and offer quality and efficient services to its customers. During the year under review, though Telecom Namibia has not fully complied with Regulatory requirements such as numbering range due to factors beyond its control, there has not been any Regulatory summons or fines issued against Telecom Namibia.

REGULATORY RELATED MATTERS

CRAN Levy

Telecom challenged the Regulatory levy and the Supreme court ordered amongst others that Section 23(1) of the Communications Act is unconstitutional, however Telecom should pay the levy from "September 2012 to the date of this Judgement". The matter is currently on the court roll for the interpretation of the Supreme Court judgment.

Amendments to Telecom's subscriber terms and Conditions

The Regulator made a decision in the matter of Simon Iipinge versus Telecom Namibia Limited. In terms of the Regulator's decision, Telecom Namibia was directed to amend the terms and conditions for fixed and mobile services contracts to align them to the Regulators decision. The decision requires among others for Telecom to notify customers 30 days prior to the expiry of the contract that the contract is coming to an end.

Usage of the word "Unlimited data" in Telecom's advertisements

The Regulator made a ruling that Telecom should cease to use the word unlimited data in its advertisements. Telecom challenged the ruling and highlighted to the Regulator that Telecom's data is truly unlimited and not subject to the fair use policy. The implementation of this decision is therefore stayed pending the outcome thereof.

NEW AND UPCOMING REGULATIONS

National Numbering Plan and Number portability

The Regulator introduced a national numbering plan which requires Telecom to migrate fixed number ranges to a nine-digit number range to enable number porting between fixed and mobile services. The Regulator also passed a regulation regarding mobile number porting which regulation was challenged by the industry on the basis that it excludes fixed number porting at the time of publication. The implementation of the Regulation is stayed until the Regulator's final decision.

Spectrum regulations

The Regulator plans on implementing new spectrum regulation which will introduce among others Frequency auctioning in Namibia. These regulations are not finalised at this stage.

Universal service obligations

The Regulator plans to implement Universal service obligations regulations to require operators to provide universal services.

Amendments to the Communications Act

The Regulator is in the process of amending the Communications Act to address gaps and loopholes that has been identified within the Act. The commenting process has been done and the industry awaits the updated version of the Draft amendments.

TELECOM OTHER REGULATORY OBLIGATIONS

While acknowledging that CRAN is the main regulator, there are several authorities and legislature that impact the operations of Telecom. The Namibian Competition Commission formed in terms of the Competition Act 2 of 2003, the Companies Act, Act 28 of 2004 and the Public Procurement Act, Act 15 of 2015 to mention but a few. There has not been any breach of these legal frameworks during the period under review.

WAY FORWARD

Telecom Namibia will continue to improve its processes to ensure a smooth transition of its operations to the converged regulatory framework.

Unlimited Voice & Data for your home

Experience surfing, streaming, downloading and enjoy Unlimited voice minutes to any fixed line & tn mobile within Namibia, and 300 FREE minutes to any other mobile networks.

Voice and Data Packages

Package	4096k Unlimited Voice and Data Package	6144k Unlimited Voice and Data Package
Downlink Speed	4096kbps	6144kbps
Uplink Speed	2048kbps	2048kbps
Number of voice line	One	
Internet Usage	Unlimited	
Voice Minutes to TN network	Unlimited	
Voice Minutes to other networks	300 minutes	
Monthly Charge (N$) 12-month *(with CPE)*	999	1129
Monthly Charge (N$) 12-month *(without CPE)*	719	869

Or you can choose the Unlimited Call Plan.

For more information, visit your nearest Teleshop
or Call us Toll Free on 1100.

Terms and Conditions Apply

www.telecom.na

Sharing your world telecom namibia

ANNUAL FINANCIAL **STATEMENTS**

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

CORPORATE GOVERNANCE **STATEMENT**

INTRODUCTION

Telecom Namibia Limited (Telecom Namibia) is committed to the principles of good corporate governance. We ensure that shareholder interests are protected and enhance corporate performance through ethical behaviour, professionalism, transparency, responsibility and accountability. Telecom Namibia aspires to the highest standards of corporate governance and has put in place a set of well-defined processes in accordance with generally accepted corporate practices and in keeping with Telecom Namibia and its subsidiaries' (the Group's) policies and the laws of Namibia.

APPROACH TO CORPORATE GOVERNANCE

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

COMPLIANCE WITH THE NAMCODE

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

The NamCode is effective for those financial years commencing after 1 January 2014. In terms of the articles of association the CFO and CEO are not part of the board which is a deviation from the NamCode, however the company has to a great extent, complied with other applicable principles adopted through the NamCode by modifying and incorporating these principles into the Terms of References for Board Committees and the Board Charter. Telecom Namibia in line with the AGM's resolution of June 2016, is also in the process of amending its articles of association to align and comply with laws and governance guidelines such as NamCode that came into existence after the drafting of the articles of association.

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 the majority of our Board members are Namibians from historically disadvantaged groups. The Board is composed of four independent Non-Executive Directors, one of whom is the Chairperson.

The composition of the Board 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 Cape Town in 1990 – 1992.
Erna I Simeon-Kurtz	MA: International Business at Polytechnic of Namibia in 2011, BPubAdmin (Hons): Public Policy and Governance Major subject: Political Governance at the University of Stellenbosch in 2014; Postgraduate Diploma in Marketing at Graduate School of Marketing (IMM) 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 Laws (LLB) at the University of Namibia in 2002; Currently studying towards a Master's Degree in Energy Law and Policy at the University of Dundee, 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**
**** Resigned 31 May 2018**

CORPORATE GOVERNANCE **STATEMENT**

BOARD OF DIRECTORS (continued)

Composition and appointment (continued)

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.

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.

CORPORATE GOVERNANCE **STATEMENT**

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. Fourteen Board meetings were held during the financial year ended 30 September 2018. 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:

Members	Appointed to Board	Scheduled and Ad hoc Board meetigs													
		13/10 2017	17/12 2017	23/03 2018	18/05 2018	31/10 2018	06/06 2018	25/06 2018	26/06 2018	09/07 2018	10/07 2018	12/09 2018	19/09 2018	26/09 2018	26/09 2018
*J Smith**	01/10/2016	V	V	V	V	V	-	-	-	-	-	-	-	-	-
I E Simeon-Kurtz	01/10/2016	V	V	V	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	V	V	-
P Oberholster	01/06/2017	V	V	V	V	V	V	V	V	V	-	-	-	-	-
FP Somaeb	01/06/2017	V	V	V	V	V	V	-	V	V	V	V	V	V	V

v Attended
- Apologies
*** Resigned 31 May 2018**

REMUNERATION

The fees for Non-Executive Directors for the financial year ended 30 September 2018 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 represented by director's fees paid to the directors of the Company by the Company and its subsidiary for the year ended 30 September 2018 is summarised below:

Telecom Namibia

Name	Fees for services 2018	Fees for services 2017
J Smith	N$ 133 654	N$ 179 912
I E Simeon-Kurtz	N$ 234 581	N$ 157 928
D Muruko	N$ 241 967	N$ 149 335
P Oberholster	N$ 209 869	N$ 41 999
FP Somaeb	N$ 229 804	N$ 32 886
TOTAL	**N$ 1 049 875**	**N$ 562 060**

PowerCom

Name	Fees for services 2018	Fees for services 2017
I E Simeon-Kurtz	N$ 84 200	N$ 17 113
FP Somaeb	N$ 76 530	N$ 18 023
TOTAL	**N$ 160 730**	**N$ 35 136**

The increase in the director's fees is mainly due to the appointment of two new Directors effective from 1 June 2017 and the introduction of State Owned Enterprise remuneration guidelines effective from 16 April 2018. In terms of these new guidelines the director's fees increased significantly.

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:

- Audit, Risk and Compliance Committee;
- Human Resources/Remuneration Committee;
- Commercial Committee;
- Information Communication Technology (ICT) Committee; and
- Executive Committee.

AUDIT, RISK AND COMPLIANCE COMMITTEE

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

AUDIT, RISK AND COMPLIANCE COMMITTEE (continued)

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 with senior management the management accounts and financial statements with 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 iit has a negative impact on the Company's reputation and revenue. Management monitors monthly revenue closely by performing monthly analytical reviews to identify anomalies.

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.

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

The Head of Internal Audit reports directly to the Chairperson of the Audit Committee with a dotted line of responsibility to the 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 58 to 117 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 50 and 51.

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

The external auditors have reported a material weakness in the controls surrounding the completeness and accuracy of the revenue in the current year.

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

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

HUMAN RESOURCES/REMUNERATION COMMITTEE

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

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

COMMERCIAL COMMITTEE

The Commercial Committee is delegated by the Telecom Namibia's Board of Directors and supports the Board in execution of its duties.

The Committee functions on behalf of the Board and is accountable to

CORPORATE GOVERNANCE **STATEMENT**

the full Board to properly consider, evaluate or take note of any matter it is mandated to deal with. Its role is to determine the development of the business growth and strategy, focusing on the development of 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 objectives of the Committee are:

- Commercial strategy and value optimization
- Sales and customer service
- Pricing strategies
- Branding and commercial marketing
- New business development and project management
- Customer engagement
- Product innovation and product portfolio management
- Scoping Demand and pursuing opportunities
- Market research and intelligence
- Relationship management
- Strategic Partnerships

The Committee consists three members of the Board of Directors, The Chief Commercial Officer, Head Corporate Communication and Public Relations and the Chief Mobile Officer.

INFORMATION COMMUNICATION TECHNOLOGY (ICT) 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;
- 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 and 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. The project was completed during the 2018 financial year, the external auditors tested the progress of these controls and significant deficiencies were identified. Management has however implemented controls and measures to mitigate these risks relating to the completeness and validity of the revenue. Furthermore, the process has been initiated for the OSS/BSS transformation and management is of the opinion that this transformation will further deal with these significant deficiencies that were noted.

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 (EXCO)

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

EXECUTIVE COMMITTEE (continued)

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 and Regulatory Affairs
O Angula	Head: Corporate Communication and Public Relations

From October 2018, four Exco members were suspended resulting in those positions getting filled by employees in acting capacities. The individuals in the acting capacities were direct subordinates to the suspended Exco members. The company has a number of key positions where individuals have been acting, this situation has to date not affected the company negatively.

BOARD COMMITTEES ATTENDANCE REGISTER

For the period 1 October 2017 to 30 September 2018:

Board of Directors	Audit, Risk and Compliance Committee Composition 6 Attendance meetings held during the year	HR/Remuneration Committee Composition – Attendance 4 meetings held during the year	Commercial Committee Composition – Attendance 4 meetings held during the year	ICT Committee Composition – Attendance 4 meetings held during the year
D Muruko	Member	Chairperson	Member	-
IE Simeon-Kurtz	-	Member	Chairperson	Member
P Oberholster	Member	-	Member	Chairperson
FP Somaeb	Chairperson	Member	-	Member

CORPORATE GOVERNANCE **STATEMENT**

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.

STATEMENT OF RESPONSIBILITY BY **THE BOARD OF DIRECTORS**

The Directors are required by the Namibian Companies Act, to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in the Annual Report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of Telecom Namibia and the Group as at the end of the financial year and the results of its operations and cash flows for the year then ended. The financial statements are prepared in accordance with International Financial Reporting Standards and the Namibian Companies Act and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates, after which the external auditors are engaged to express an independent opinion on the financial statements.

The Directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Group and they place considerable importance on maintaining a strong control environment. To enable the Directors to meet these responsibilities, the Board of Directors sets Standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The Standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Group and all employees are required to maintain the highest ethical standards in ensuring the Group's business is conducted in a manner that in all reasonable circumstances is above reproach.

The focus of risk management is on identifying, assessing, managing and monitoring all known forms of risk across the Group. While operating risks cannot be fully eliminated, the Group endeavors 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 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. The project was completed during the 2018 financial year, the external auditors tested the progress of these controls and significant deficiencies were identified. Management has however implemented controls and measures to mitigate these risks relating to the completeness and validity of the revenue.

Furthermore, the process has been initiated for the OSS/BSS transformation and management is of the opinion that this transformation will further deal with these significant deficiencies that were noted.

The Group and Company reported comprehensive loss for the year ended 30 September 2018 of N$57 million (2017: N$249 million comprehensive profit) and N$83 million (2017: N$9 million comprehensive profit) respectively. Current liabilities exceeded current assets by N$132 million (2017: N$269 million) for the Group and by N$131 million (2017: N$246 million) for the Company. 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 Company has seen significant progress on the path to returning to profitability since 2017. This is despite the impact of the inflexibility of the shareholder to restructure the cumulative redeemable preference shares, the details of which are set out in note 19. The terms and conditions of the preference shares has had an adverse effect on the reported results from operations and the financial position of the Company and the Group.

STATEMENT OF RESPONSIBILITY BY **THE BOARD OF DIRECTORS**

At this stage the treatment of the preference share liability is countering the efforts of management and the board to eliminate the going concern risk of the Group and the Company. Engagement with shareholder is ongoing to find an amicable solution, however it should be emphasised that the current structure of the cumulative redeemable preference share remains a financial sustainability risk for the Group and Company and increases the dependency on shareholder.

The Directors have reviewed the Group's and Company's cash flow projections for the financial year 2019 as well as future projections and are satisfied that the Group and Company 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 and Company will be a going concern in the future based on an improvement in our financial performance compared with prior year and the Group's cash flow-projections.

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 50 and 51.

The financial statements set out on pages 52 to 102 were approved and authorised for issue by the Board of Directors on 23 May 2019 and are signed on their behalf by:

Chairperson **Director**

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS 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 ("Company") and its subsidiaries ("the Group") set out on pages 52 to 102, which comprise and the consolidated and separate statements of financial position as at 30 September 2018 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 2018 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 Company 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 matters below. Our audit opinion is not modified in respect of these matters.

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$132 million (2017: N$269 million) for the Group and by N$131 million (2017: N$246 million) for the Company at year-end. Note 34 also reports that the Company and the Group have sufficient unutilised available borrowing facilities to cover the cash requirements of the net current liabilities. Our opinion is not modified in respect of this matter.

The Information Technology (ICT) Steering Committee Section of the Corporate Governance Statement included in the other information section of the annual report indicates that the effectiveness of the current billing system still represents a risk that influences the Company's ability to meet service order deliverables and the validity and completeness of network revenue billed to customers and debt-collection procedures.

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 Director's which is made available to us before the date of this report. The following other information included in the Annual Report: Chairperson's review, Chief Executive Officer report, Chief Financial Officer report, Commercial Operations report, Technical operations report, Human resources 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 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

Deloitte & Touche
Registered Accountants and Auditors
Chartered Accountants (Namibia)
ICAN practice number: 9407

Per: R.H. Mc Donald
Partner

PO Box 47, Windhoek, Namibia
03 June 2019

Partners:
RH Mc Donald (Managing Partner) H de Bruin J Cronjé A Akayombokwa AT Matenda J Nghikevali
G Brand* M Harrison*
*Director

Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited.

STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2018

ASSETS	Notes	Group 2018 N$'000	Group 2017 N$'000	Company 2018 N$'000	Company 2017 N$'000
Non-current assets					
Property, plant and equipment	3	1 350 222	1 434 737	1 239 712	1 317 293
Intangible assets	4	122 860	145 680	101 870	123 298
Investment in subsidiaries	5	--	--	--	--
Investment in associates	6	--	--	--	--
Finance lease receivable	8	13 961	13 785	13 961	13 785
Deferred tax asset	17	36 779	24 877	--	--
Amounts owing by fellow subsidiaries	11	--	--	150 000	150 000
		1 523 822	1 619 079	1 505 543	1 604 376
Current assets					
Inventories	9	59 728	61 599	59 728	61 599
Trade and other receivables	10	298 541	322 519	297 924	321 268
Amounts owing by fellow subsidiaries	11	10 573	4 862	33 290	28 930
Amounts owing by holding company	11	5 190	4 177	5 190	4 177
Short-term portion of finance lease receivable	8	23 250	17 842	23 250	17 842
Other financial assets	20	16 000	--	--	--
Cash and cash equivalents	12	51 535	25 217	43 299	21 361
		464 817	436 216	462 681	455 177
Non-current assets classified as held for sale	13	23 729	25 836	23 729	25 836
Total current assets		488 546	462 052	486 410	481 013
Total assets		2 012 368	2 081 131	1 991 953	2 085 389
EQUITY					
Capital and reserves attributable to the company's equity holders					
Share capital	14	554 530	534 700	554 530	534 700
Retained earnings		223 363	280 383	222 317	305 213
Total equity		777 893	815 083	776 847	839 913
LIABILITIES					
Non-current liabilities					
Post-retirement medical benefit obligations	15	57 460	56 687	57 460	56 687
Long-term borrowings	16	56 776	95 651	56 776	95 651
Deferred tax liabilities	17	264 401	243 980	248 706	227 839
Other financial liabilities	19	112 715	17 593	112 715	17 593
Long-term portion of deferred revenue	21	121 670	120 940	121 670	120 940
Rental payable – straight line basis adjustment		613	181	--	--
		613 635	535 032	597 327	518 710
Current liabilities					
Trade and other payables	18	365 573	280 194	360 352	275 944
Short-term portion of long-term borrowings	16	38 858	79 024	38 858	79 024
Amounts owing to fellow subsidiaries	11	6 589	699	8 749	699
Amounts owing to holding company	11	81 479	232 495	81 479	232 495
Other financial liabilities	19	10 283	2 237	10 283	2 237
Short-term portion of deferred revenue	21	118 058	136 367	118 058	136 367
Total current liabilities		620 840	731 016	617 779	726 766
Total liabilities		1 234 475	1 266 048	1 215 106	1 245 476
Total equity and liabilities		2 012 368	2 081 131	1 991 953	2 085 389

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Notes	Group 2018 N$'000	Group 2017 N$'000	Company 2018 N$'000	Company 2017 N$'000
Revenue		1 540 411	1 518 377	1 529 717	1 502 614
- Sale of goods		37 690	33 174	37 690	33 174
- Services rendered		1 502 721	1 485 203	1 492 027	1 469 440
Distribution costs		(340 245)	(321 853)	(363 167)	(340 926)
Administrative expenses		(817 211)	(802 917)	(802 033)	(791 873)
Impairment loss		--	--	--	(465)
Regulatory levies	26	(13 952)	(13 844)	(13 952)	(13 844)
Other operating expenses		(288 650)	(313 916)	(279 384)	(305 825)
Other operating income		4 551	--	862	--
Operating profit	22	84 904	65 847	72 043	49 681
Finance income	23	5 192	4 441	4 514	4 441
Finance costs	23	(15 141)	(41 849)	(15 130)	(40 787)
Share of results of associates after tax	6	--	200 000	--	--
Profit before fair value adjustment: Preference Share		74 955	228 439	61 427	13 335
Fair Value Adjustment: Preference Share	7	(125 244)	--	(125 244)	--
(Loss)/Profit before tax		(50 289)	228 439	(63 817)	13 335
Taxation	25	(7 947)	18 887	(20 295)	(6 434)
(Loss)/Profit for the year		(58 236)	247 326	(84 112)	6 901
Other comprehensive profit/(loss) for the year net of tax					
Items that will not be reclassified subsequently to profit or loss:		1 216	2 083	1 216	2 083
Remeasurement of defined benefit obligation	15	1 788	3 063	1 788	3 063
Income tax relating to items that will not be reclassified subsequently to profit or loss		(572)	(980)	(572)	(980)
Total comprehensive (loss)/profit for the year		(57 020)	249 409	(82 896)	8 984
(Loss)/Profit for the year attributable to:					
Equity holders of the company		(58 236)	247 326	(84 112)	6 901
Total comprehensive (loss)/profit for the year attributable to:					
Equity holders of the company		(57 020)	249 409	(82 896)	8 984

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2018

CONSOLIDATED

	Notes	Share capital N$'000	Retained earnings N$'000	Total N$'000
Balance at 1 October 2016		554 530	30 974	585 504
Total comprehensive loss for the year		--	249 409	249 409
Profit for the year		--	247 326	247 326
Other comprehensive loss 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
Total comprehensive profit/(loss) for the year		--	(57 020)	(57 020)
(Loss) for the year		--	(58 236)	(58 236)
Other comprehensive profit for the year		--	1 216	1 216
Reallocated to other financial liabilities	19	19 830	--	19 830
Balance at 30 September 2018		554 530	223 363	777 893

No dividends were paid or declared during the year (2017: Nil).

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2018

COMPANY

	Notes	Share capital N$'000	Retained earnings N$'000	Total N$'000
Balance at 1 October 2016		554 530	296 229	850 759
Total comprehensive loss for the year		--	8 984	8 984
Profit for the year		--	6 901	6 901
Other comprehensive loss 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
Total comprehensive (loss) for the year		--	(82 896)	(82 896)
(Loss) for the year		--	(84 112)	(84 112)
Other comprehensive profit for the year		--	1 216	1 216
Reallocated to other financial liabilities	19	19 830	--	19 830
Balance at 30 September 2018		554 530	222 317	776 847

No dividends were paid or declared during the year (2017: Nil).

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Notes	Consolidated 2018 N$'000	Consolidated 2017 N$'000	Company 2018 N$'000	Company 2017 N$'000
Cash flow from operating activities					
Operating profit/(loss)		84 904	65 847	72 043	49 681
Adjustment for :					
Post-retirement medical benefit obligations	15	5 874	6 008	5 874	6 008
Movement on derivative financial instrument		--	(1 662)	--	(1 662)
Loss/(profit) on scrapping of property, plant and equipment and intangible assets	22	5 953	23 638	5 834	22 992
Loss on impairment of non-current assets held for sale	13	2 107	--	2 107	465
Straight-line adjustment of rent payable		432	(1 010)	--	--
Depreciation of plant & equipment	3	197 655	212 015	189 916	203 687
Amortisation of intangible assets	4	26 929	31 246	25 537	29 855
Foreign exchange (gain)/loss		3 734	(10 234)	3 734	(10 234)
Working capital changes	27	(58 201)	(100 065)	(56 295)	(96 964)
Cash generated from operations		269 387	225 783	248 750	203 828
Interest received	23	5 192	4 441	4 514	4 441
Interest paid	23	(14 459)	(44 411)	(14 448)	(43 349)
Preference Share Dividend Paid		(2 246)	--	(2 246)	--
Subsidies paid on post-retirement medical benefit obligation	15	(3 313)	(3 138)	(3 313)	(3 138)
Net cash flow from operating activities		254 561	182 675	233 257	161 782
Cash flow from investing activities					
Movement on finance lease receivable		(5 584)	3 433	(5 584)	3 433
Plant and equipment acquired	3	(121 463)	(59 696)	(120 539)	(59 500)
Intangible assets acquired	4	(2 421)	(7 019)	(2 421)	(7 019)
Increase in loan to subsidiary company	5	--	--	--	(465)
Purchase of financial assets		(16 000)	--	--	--
Net cash flow used in investing activities		(145 468)	(63 282)	(128 544)	(63 551)
Cash flow from financing activities					
Proceeds from the disposal of investment in associate	14.2	--	200 000	--	200 000
Long-term loans repaid	16	(30 008)	(22 010)	(30 008)	(22 010)
Net cash flow used in financing activities		(30 008)	177 990	(30 008)	177 990
Net movement in cash and cash equivalents		79 085	297 383	74 705	276 221
Cash and cash equivalents at beginning of year		(23 816)	(331 433)	(27 672)	(314 127)
Exchange differences		(3 734)	10 234	(3 734)	10 234
Cash and cash equivalents at end of year	12	51 535	(23 816)	43 299	(27 672)

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.

The financial statements are prepared in accordance with IFRS that are effective 30 September 2018.Standards with interpretations that are adopted for the first time by the Group are set out in Annexure A together with those standards that are not effective and will be effective in future years.

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. In the prior year 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.

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.

IMPAIRMENT OF NON-FINANCIAL ASSETS

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IMPAIRMENT OF NON-FINANCIAL ASSETS (continued)

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

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

FINANCIAL INSTRUMENTS

Initial recognition and measurement

All financial instruments, including derivative instruments, are recognised on the Statements of financial position. Financial instruments are initially recognised when the Group becomes party to the contractual terms of the instruments and are measured at cost, which is the fair value of the consideration given (financial asset) or received (financial liability or equity instrument) for it. Financial liabilities and equity instruments are classified according to the substance of the contractual agreement on initial recognition. Subsequent to initial recognition these instruments are measured as set out below.

Fair value methods and assumptions

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

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

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

De-recognition of assets and liabilities

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

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

Effective interest rate method

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

Financial assets

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

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

Financial assets at FVTPL

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

Held-to-maturity investments

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

Available-for-sale financial assets

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

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest rate method less any impairment.

Interest income is recognised by applying the effective interest rate except for short-term receivables, when the recognition of interest would be immaterial

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

LEASES

A Group company is the lessee

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

A Group company is the lessor

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

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

DIVIDENDS

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

POST-EMPLOYMENT BENEFIT COSTS

Retirement benefits

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

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

Defined contribution plans

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

Medical benefits

Qualifying employees in the Group's companies are entitled to certain post-retirement medical benefits. The Group's obligation for post-retirement medical aid benefits to past and current employees is actuarially determined in respect of current and retired employees and is provided for in full. The cost of providing the benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each reporting date. The movement has been expensed in profit or loss.

REVENUE

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

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

Post-paid products

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

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

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

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

Pre-paid products

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

Revenue from SIM cards, representing activation fees, is recognised upon activation of the SIM card by the pre-paid customer.

Airtime revenue is recognised on the usage basis. The unused airtime is deferred in full.

Deferred revenue related to unused airtime is recognised when utilised by the customer.

Upon termination of the customer contract, all deferred revenue for unused airtime is recognised in revenue.

Deferred revenue and costs related to un-activated starter packs, which do not contain any expiry date, are recognised in the period when the probability of these starter packs being activated becomes remote.

Data service revenue

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

REVENUE (continued)

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.

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.

Transactions and balances

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.

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 2018 was N$205 million (2017: N$175 million) for the Group and N$204 million (2017: N$175 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.

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.

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$67 million (2017: N$65 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. No impairment loss was recognised on assets during the 2018 financial year (2017: Nil).

Impairment of intangible assets

Intangible assets with finite lives are amortised over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The intangible asset of N$27.8 million attributable to the '085' number, frequency and spectrum obtained from Powercom (Pty) Ltd was assessed for impairment considering the existing benefits obtained from the asset, market conditions and technological factors. The carrying amount of the asset was considered to be lower than its recoverable amount and therefor no impairment loss was raised in 2018 (2017: Nil).

Going concern

Key assumptions were made concerning the future when management performed the assessment for going concern at year-end. Details of the going concern assumptions are reflected in Note 35.

ASSETS HELD FOR SALE

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.

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During the 2014 financial year, the Group and Company received a payment of N$5.1 million in respect of the purchase price agreed and decided to impair the remaining N$16.9 million because of the uncertainty surrounding of the ability of the acquirer to settle the amount and the difficulty encountered to enforce the Company's rights and obligations in Angola. So far and throughout the 2018 financial year, the Group continued to pursue all avenues to dispose of this investment in associate. As part of this initiative, a consultant was appointed to support Telecom Namibia in the due process.

In terms of the agreement that the Company has with Mundo Startel, Telecom Namibia had to invest a total of USD53 million in Angola, however as at reporting date, the company had only invested USD15 million. The remaining amount is thus disclosed as a contingent liability in note 31.

ASSETS HELD FOR SALE

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. The sale of the assets is dependent on capital investment in the GSM network and at year-end, a portion of the assets (58%), with a carrying amount of N$36 million, was deemed sold. The remaining portion of the assets (42%), with a carrying amount of N$26 million was classified as held for sale at 30 September 2016. There was no impairment loss recognised on the reclassification of the equipment as held for sale as the fair value less costs to sell is higher than the carrying amount. During the current year an amount of N$ 2.1 million was impaired as the fair value of the cost to sell exceeded 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.

At 30 September 2018, the Company reported a comprehensive profit of N$41 million before the preference share valuation adjustment. 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 2018/2019 business plan of the Company to determine the likelihood of a dividend being declared. The telecommunications industry is rapidly evolving 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, management used the 2018/2019 approved budgeted revenue and grew this by 4% year on year. The most significant criteria used was the future after tax profits forecasted over the 10-year period, the rate used to increase the profits over the years and the discounted rate used to discount future cash flows. Management has used the prime rate of 10.5% to discount the cash flows. Due to the fact that all the interest rates in the Namibian market are usually driven by the prime rate and also that Namibia Post and Telecom Holdings Limited to whom these future dividends are due is a Namibian company, management has thus considered this rate to be appropriate for discounting future cash flows. Due to the evolving nature of the Telecommunications industry and due to the fact that the company has only managed to report profits for the last two years with losses recorded in prior years, furthermore, management has also taken into consideration that revenue generally grows only by 2% year-on year as a result management has considered the cash flows to increase with 4% year on year from the 2018/2019 financial year onwards. It should be noted that the liability determined as at 30 September 2018 may change materially. Management has further done a sensitivity analysis of the liability to changes in key variations which are any changes to either the discount rate or the changes to the cash flows used in the calculation, refer to note 32 for this analysis. The liability component was calculated as N$123 million as at 30 September 2018 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. Following CRAN's appeal of the High court's decision on the levy matter, the Supreme Court upheld the decision of the High court and ruled that section 23 (1) is unconstitutional however the Supreme court held that Telecom should pay the Levy from September 2012 to date of "this judgement". The parties have since been struggling to reach consensus regarding the interpretation of what the court meant when it said, "the date of this judgement". It is not clear as to whether the court meant the Supreme court judgement (2018) or the High court judgement (2016) when it said "this judgement" in its ruling. The parties have therefore approached the Supreme court for an interpretation of the judgement and the matter will appear again in court in June 2019. In the meantime, CRAN, cannot execute the judgement as judgement does not state an amount to be paid by Telecom and the calculation of that amount will depend on the above mentioned issue.

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 license from CRAN. The contingent liability has been determined as the difference between what CRAN considers is due to them as well as what Telecom Namibia considers as due to CRAN and is disclosed as a contingent liability in Note 31

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

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 2018 N$'000	Segment revenue 2017 N$'000	Segment profit/(loss) 2018 N$'000	Segment profit 2017 N$'000
Voice	336 653	348 026	286 715	306 473
Mobile	137 987	105 480	75 021	66 919
Data	336 983	368 525	270 397	303 576
Infrastructure and others	135 713	131 666	77 773	73 518
IP services	575 728	536 783	484 535	409 229
IT services	17 347	27 897	(1 232)	3 674
Total	1 540 411	1 518 377	1 193 209	1 163 389
Administrative expenses			(780 961)	(765 128)
Regulatory levies			(13 952)	(13 844)
Other operating expenses			(313 392)	(318 570)
Operating profit			84 904	65 847
Finance income			5 192	4 441
Finance costs			(15 141)	(41 849)
Share of results of associate after tax			--	200 000
Preference Share Adjustment			(125 244)	--
Current Year			(105 414)	--
Prior Year			(19 830)	--
(Loss)/Profit before taxation			(50 289)	228 439
Taxation			(7 947)	(18 887)
(Loss)/Profit for the year			(58 236)	247 326

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2017: Nil).

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

2.3 SEGMENT ASSETS AND LIABILITIES

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

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

2.4 GEOGRAPHICAL INFORMATION

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

3. PROPERTY, PLANT AND EQUIPMENT

CONSOLIDATED	Telecommunication installations and equipment N$'000	Furniture and fittings N$'000	Computer equipment N$'000	Capital work-in-progress N$'000	Motor vehicles N$'000	Leasehold improvements N$'000	Total N$'000
Year ended 30 September 2018							
Cost							
Opening balance	3 687 264	44 242	5 244	46 307	562	104	3 783 723
Additions	46 321	363	1 259	73 468	--	52	121 463
Borrowing Cost Adjustment	--	--	--	(682)	--	--	(682)
Scrappings	(200 255)	(1 133)	1 239)	--	(298)	--	(202 925)
Transfer to intangible assets	--	--	--	1 688)	--	--	(1 688)
Transfers between asset classes	24 645	--	--	(24 645)	--	--	--
Closing balance	3 557 975	43 472	5 264	92 760	264	156	3 699 891
Accumulated depreciation							
Opening balance	2 306 122	38 453	3 745	--	562	104	2 348 986
Depreciation charge	195 093	1 595	948	--	--	19	197 655
Depreciation on scrappings	(194 448)	(1 054)	(1 172)	--	(298)	--	(196 972)
Closing balance	2 306 767	38 994	3 521	--	264	123	2 349 669
Closing book value	1 251 208	4 478	1 743	92 760	--	33	1 350 222
Opening book value	1 381 142	5 789	1 499	46 307	--	--	1 434 737

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	--	555	1 646 716

3. PROPERTY, PLANT AND EQUIPMENT (continued)

COMPANY	Telecommunication installations and equipment	Furniture and fittings	Computer equipment	Capital work-in-progress	Motor vehicles	Land and Leasehold improvements	Total
	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000
Year ended 30 September 2018							
Cost							
Opening balance	3 508 331	49 290	5 245	41 179	562	335	3 604 942
Additions	46 000	308	1 259	72 972	--	--	120 539
Borrowing Cost Adjustment	--	--	--	(682)	--	--	(682)
Scrappings	(199 123)	(1 133)	(1 239)	--	(298)	--	(201 793)
Transfer to intangible assets	--	--	--	(1 688)	--	--	(1 688)
Transfers between asset classes	23 777	--	--	(23 777)	--	--	--
Closing balance	3 378 985	48 465	5 265	88 004	264	335	3 521 318
Accumulated depreciation							
Opening balance	2 239 772	43 569	3 746	--	562	--	2 287 649
Depreciation charge	187 400	1 568	948	--	--	--	189 916
Depreciation on scrappings	(193 435)	(1 054)	(1 172)	--	(298)	--	(195 959)
Closing balance	2 233 737	44 083	3 522	--	264	--	2 281 606
Closing book value	1 145 248	4 382	1 743	88 004	--	335	1 239 712
Opening book value	1 268 559	5 721	1 499	41 179	--	335	1 317 293

COMPANY	Telecommunication installations and equipment	Furniture and fittings	Computer equipment	Capital work-in-progress	Motor vehicles	Land and Leasehold improvements	Total
	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000
Year ended 30 September 2017							
Cost							
Opening balance	3 567 767	46 524	4 714	58 882	562	335	3 690 784
Additions	31 437	514	927	26 622	--	--	59 500
Borrowing Cost Adjustment	--	--	--	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

Telecommunications equipment with a carrying amount of nil (2017: N$0.4 thousand) 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$21 million (2017: N$35 million).

4. INTANGIBLE ASSETS

	Consolidated 2018 N$'000	Consolidated 2017 N$'000	Company 2018 N$'000	Company 2017 N$'000
Cost				
Software and licences	292 851	289 928	292 851	289 928
Frequency, spectrum and number '085'	27 832	27 832	--	--
	320 683	317 760	292 851	289 928
Accumulated amortisation				
Software and licences	190 981	166 630	190 981	166 630
Frequency, spectrum and number '085'	6 842	5 450	--	--
	197 823	172 080	190 981	166 630
Closing book value				
Software and licences	101 870	123 298	101 870	123 298
Frequency, spectrum and number '085'	20 990	22 382	--	--
	122 860	145 680	101 870	123 298
Movement of intangible assets				
Opening book value	145 680	131 323	123 298	107 550
Additions from separate acquisitions	2 421	7 019	2 421	7 019
Disposals	--	(1 327)	--	(1 327)
Transfer from plant and equipment	1 688	39 911	1 688	39 911
Amortisation	(26 929)	(31 246)	(25 537)	(29 855)
Closing book value	122 860	145 680	101 870	123 298

Amortisation is included in operating expenses in the Statements of profit or loss and other 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 2018 N$'000	Company 2017 N$'000
Summary of investments:		
Loans advanced	171 908	173 325
Net investment	171 908	173 325
Directors' valuation of unlisted investment	171 908	173 325
Reflected as follows:		
Long-term		
Investment in subsidiary	--	--
Amounts owing by fellow subsidiaries (Note 11)	150 000	150 000
	150 000	150 000
Short-term		
Amounts owing by fellow subsidiaries (Note 11)	24 068	24 068
Amounts owing to fellow subsidiaries (Note 11)	2 160	743

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$150 million in the prior year. The nominal value of the loan acquired is N$ 628 196 469 (2017: N$ 628 196 299). The loan is unsecured and interest free. The non-current portion of the loan N$494 400 208 (2017: N$577 388 015) is subordinated in favour of other creditors for a period of 12 months subsequent to the date of the approval of the annual financial statements.

	Company 2018 N$'000	Company 2017 N$'000
Reconciliation of movements		
Opening balance	174 068	180 905
Loans (repaid)/advanced	(2 160)	(6 837)
Closing balance	171 908	174 068

5.1 INVESTMENT IN COMMUNITEL TELECOMMUNICATIONS (PROPRIETARY) LIMITED:

	Company 2018 N$'000	Company 2017 N$'000
Ordinary shares	--	--
Opening balance	--	12 744
Impairment charge	--	(12 744)
Balance at end of year	--	--

5.2 INVESTMENT IN POWERCOM (PROPRIETARY) LIMITED:

	Company 2018 N$'000	Company 2017 N$000
Disclosed as related party loans (Note 11)		
Non-current assets	150 000	150 000
Current assets	24 068	24 068
Current liabilities	(2 160)	--
	171 908	174 068

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.

6. 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's 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 nil (2017: N$1456 thousand) 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.

	Consolidated 2018 N$'000	Consolidated 2017 N$'000	Company 2018 N$'000	Company 2017 N$'000
Comprising:				
Ordinary shares at cost	--	--	--	--
Preference shares at cost	--	--	--	--
Share of results	--	200 000	--	--
Dividends Received	--	(200 000)	--	--
	--	--	--	--

7. FAIR VALUE PREFERENCE ADJUSTMENT

	Consolidated 2018 N$'000	Consolidated 2017 N$'000	Company 2018 N$'000	Company 2017 N$'000
Fair value adjustment : (Loss)/Gain	(125 244)	--	(125 244)	--

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 pr mium 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 loss of N$83 million (2017: N$9 million comprehensive profit) after adjusting for the valuation of the liability. 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$123 million (2017: N$ 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.

8. FINANCE LEASE RECEIVABLE

Minimum lease payments	Consolidated 2018 N$'000	Consolidated 2017 N$'000	Company 2018 N$'000	Company 2017 N$'000
Not later than 1 year	23 250	17 842	23 250	17 842
Later than 1 year and not later than 5 years	16 362	15 566	16 362	15 566
	39 612	33 408	39 612	33 408
Unearned future finance income on finance leases	(2 401)	(1 781)	(2 401)	(1 781)
Net investment in finance leases	37 211	31 627	37 211	31 627
Present value of minimum lease payments				
Not later than 1 year	23 250	17 842	23 250	17 842
Later than 1 year and not later than 5 years	13 961	13 785	13 961	13 785
	37 211	31 627	37 211	31 627

The Group provides PABX's equipment for rental to customers on a finance lease basis for 5 year periods. Lease rentals are based on the prevailing prime lending rate.

The Group provides handset sales to customers on a finance lease basis for a period of 24 months.

The disclosed information relates to these arrangements with customers, which were assessed to be finance leases in terms of IAS17.

9. INVENTORIES

	Consolidated 2018 N$'000	Consolidated 2017 N$'000	Company 2018 N$'000	Company 2017 N$'000
Materials for installations	49 907	52 621	49 907	52 621
Goods for resale	15 222	15 290	15 222	15 290
Less: provision for impairment	(5 401)	(6 312)	(5 401)	(6 312)
	59 728	61 599	59 728	61 599

10. TRADE AND OTHER RECEIVABLES

	Consolidated 2018 N$'000	Consolidated 2017 N$'000	Company 2018 N$'000	Company 2017 N$'000
Trade receivables	484 800	472 999	483 487	471 590
Provision for impairment	(205 330)	(175 433)	(204 192)	(174 673)
Net trade receivables	279 470	297 566	279 295	269 917
Other debtors	1 448	573	1 448	572
Net receivables disclosed as financial instruments	280 918	298 139	280 743	297 489
Prepayments	17 623	24 380	17 181	23 779
	298 541	322 519	297 924	321 268
Provision for impairment of receivables				
Opening balance	175 433	162 007	174 673	159 559
Amount written off in the current year	--	(6 028)	--	(3 814)
Provision for impairment charged to the income statement	29 897	20 386	29 519	19 860
Impairment losses reversed	--	(932)	--	(932)
Closing balance	205 330	175 433	204 192	174 673

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 32.

	Consolidated 2018 N$'000	Consolidated 2017 N$'000	Company 2018 N$'000	Company 2017 N$'000
An analysis of trade receivable amounts past due and not impaired are as follows:				
60 days	100 072	98 165	97 174	97 965
90 days	2 572	3 781	2 395	3 435
120 days and more	113 416	134 780	112 092	134 380
	216 060	236 726	211 661	235 782
An analysis of trade receivable amounts impaired are as follows:				
The aging of impaired receivables is as follows:				
Current	800	305	800	305
30 days	1 083	597	1 083	597
61 days	1 166	595	1 166	595
90 days	5 643	3 074	5 643	3 074
120 days and more	196 638	170 862	195 500	170 100
	205 330	175 433	204 192	174 671

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 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 30.

	Consolidated 2018 N$'000	Consolidated 2017 N$'000	Company 2018 N$'000	Company 2017 N$'000
The following transactions were carried out with related parties:				
i) Sales of services				
Namibia Post Ltd	2 991	2 699	2 991	2 699
Mobile Telecommunications Ltd	57 625	77 944	46 905	67 840
Namibia Post and Telecom Holdings Ltd	480	480	480	480
Neotel (Pty) Ltd	--	1 409	--	1 409
Powercom (Pty) Ltd	426	--	426	--
Other Related Parties				
NamPower (Pty) Ltd	2 157	5 236	2 157	--
Namibia Airports Company	4 700	200	4 700	--
Namibia Broadcasting Corporation	19 585	8 557	18 710	--
TransNamib Holdings	2 130	373	1 900	--
ii) Purchases of services				
Namibia Post Ltd	6 448	6 536	6 448	6 536
Mobile Telecommunications Ltd	25 679	19 834	25 679	19 834
Namibia Post and Telecom Holdings Ltd	115 871	112 100	115 871	112 100
Neotel (Pty) Ltd	--	3 081	--	3 081
Powercom (Pty) Ltd	--	--	32 031	34 475
Other Related Parties				
NamPower (Pty) Ltd	6 547	5 236	6 469	5 236
Namibia Airports Company	521	200	230	200
Namibia Broadcasting Corporation	4 449	8 557	4 449	8 557
TransNamib Holdings Ltd	864	373	671	373

11. RELATED PARTY TRANSACTIONS (continued)

iii) Outstanding balances arising from sales of goods/services

CURRENT ASSETS

	Consolidated 2018 N$'000	Consolidated 2017 N$'000	Company 2018 N$'000	Company 2017 N$'000
Amounts owing by fellow subsidiaries				
Namibia Post Ltd	--	198	--	198
Mobile Telecommunications Ltd	10 573	4 639	9 222	4 639
Neotel (Pty) Ltd	--	25	--	25
Powercom (Pty) Ltd (Note 5.2)	--	--	24 068	24 068
	10 573	4 862	33 290	28 930
Amounts owing by holding company				
Namibia Post and Telecom Holdings Ltd	5 190	4 177	5 190	4 177
Cash and cash equivalents				
Namibia Post Ltd	243	398	243	398
Namibia Post Ltd –Other Financial Assets Held To Maturity*	16 000	--	--	--

*The group has an investment with Namibia Post Limited which is for 1 year and matures April 2019. Interest is accrued at 8.4% per annum.

iv) Outstanding balances arising from sales of goods/services (continued)

CURRENT LIABILITIES

	Consolidated 2018 N$'000	Consolidated 2017 N$'000	Company 2018 N$'000	Company 2017 N$'000
Amounts owing to fellow subsidiaries				
Mobile Telecommunications Ltd	4 224	685	4 224	685
Neotel (Pty) Ltd	--	14	--	14
Powercom (Pty) Ltd (Note 5.2)	--	--	2 160	--
Namibia Post Limited	2 365	--	2 365	--
	6 589	699	8 749	699
Amounts owing to holding company				
Namibia Post and Telecom Holdings Ltd	81 479	232 495	81 479	232 495

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

	Consolidated 2018 N$'000	Consolidated 2017 N$'000	Company 2018 N$'000	Company 2017 N$'000
Powercom (Pty) Ltd (Note 5.2)	--	--	150 000	150 000

Telecom Namibia does not expect repayment of the loan within the next 12 months. The loan is unsecured and interest free.

vi) Suretyships

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

vi) Suretyships (continued)

- Letter of support from the Government of the Republic of Namibia for a loan from the Development Bank of Namibia granted to Telecom Namibia in 2009.
- Telecom Namibia has agreed to support Powercom (Pty) Ltd for the financial year ended 30 September 2019 so as to enable Powercom (Pty) Ltd to settle its debts and obligations in the ordinary course of business.
-

vii) Key management compensation

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

	Consolidated 2018 N$'000	Consolidated 2017 N$'000	Company 2018 N$'000	Company 2017 N$'000
Salaries and other short-term employee benefits	15 388	14 863	13 974	12 155
Other long-term benefits	2 618	--	2 209	--
	18 006	14 863	16 183	12 155

viii) Directors emoluments

Non-executive Directors				
- for services as Directors	1 211	710	1 050	562
- other Directors expenses	7	1 031	7	1 031
	1 218	1 741	1 057	1 593

The increase in the directors fees is mainly due to the appointment of two new Directors effective from 1 June 2017 and the introduction of State Owned Enterprise remuneration guidelines effective from 16 April 2018. In terms of these new guidelines the directors fees increased significantly.

12. CASH AND CASH EQUIVALENTS

	Consolidated 2018 N$'000	Consolidated 2017 N$'000	Company 2018 N$'000	Company 2017 N$'000
Bank balances	48 199	35 582	39 963	34 727
Cash on hand	3 336	4 521	3 336	1 520
	51 535	40 103	43 299	36 247
Cash and cash equivalents for the purposes of the Statements of cash flows include the following:				
Cash and cash equivalents	51 535	25 217	43 299	21 361
Bank overdrafts (Note 16)	--	(49 033)	--	(49 033)
	51 535	(23 816)	43 299	(27 672)

Telecom Namibia has an Angolan bank account with a balance of USD289 014 (N$4 092 438) at year-end. The balance on this bank account was USD499 934 (N$6 975 331) at the end of the 2017 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 a consultant.

Details of securities for overdrafts are disclosed in Note 16.

13. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	Consolidated 2018 N$'000	Consolidated 2017 N$'000	Company 2018 N$'000	Company 2017 N$'000
Property, plant and equipment	23 729	25 836	23 729	25 836
	23 729	25 836	23 729	25 836

The Group had made a formal decision to dispose of its 44% shareholding in an associate, Mundo Startel in the 2011 financial year. During the 2014 financial year, the Group and Company received a payment of N$5.1 million in respect of the purchase price agreed and decided to impair the remaining N$16.9 million because of the uncertainty surrounding of the ability of the acquirer to settle the amount and the difficulty encountered to enforce the Company's rights and obligations in Angola. So far and throughout the 2018 financial year, the Group continued to pursue all avenues to dispose of this investment in association. As part of this initiative, a consultant was appointed to support Telecom Namibia in the due process.

In terms of the agreement that the Company has with Mundo Startel, Telecom Namibia had to invest a total of USD53 million in Angola, however as at reporting date, the company had also invested USD15 million. The remaining amount is thus disclosed as a contingent liability in note 31.

	Consolidated 2018 N$'000	Consolidated 2017 N$'000	Company 2018 N$'000	Company 2017 N$'000
RECONCILIATION OF MOVEMENTS				
Opening balance	5 836	25 836	25 836	225 836
Loans advanced		--	--	465
Impairment	(2 107)	--	(2 107)	(465)
Investment in subsidiary	--	--	--	(200 000)
	23 729	25 836	23 729	25 836

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. The sale of the assets is dependent on capital investment in the GSM network and during the year no significant investments were made. A portion of the assets (58%), with a carrying amount of N$36 million, was deemed sold. The remaining portion of the assets (42%), with a carrying amount of N$26 million was classified as held for sale at 30 September 2016. In the 2018 year an impairment loss of N$2.1 million was recognized on these assets. The agreement with ZTE has expired on 31 January 2019, management is however in negotiations with ZTE to extend this agreement.

14. SHARE CAPITAL

	Consolidated 2018 N$'000	Consolidated 2017 N$'000	Company 2018 N$'000	Company 2017 N$'000
ISSUED CAPITAL COMPRISES:				
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 0000 000 each	400 000	380 170	400 000	380 170
	554 530	534 700	554 530	534 700
AUTHORISED				
200 000 000 ordinary shares of N$1 each	200 000	200 000	200 000	200 000
ISSUED				
154 529 936 fully paid ordinary shares of N$1 each	154 530	154 530	154 530	154 530

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

14.2 REDEEMABLE CUMULATIVE PREFERENCE SHARES

	Consolidated 2018 N$'000	Consolidated 2017 N$'000	Company 2018 N$'000	Company 2017 N$'000
AUTHORISED AND ISSUED				
400 fully paid redeemable cumulative preference shares of N$1 000 000 each (2017: 400 fully paid redeemable cumulative preference shares of N$1 000 000 each)	400 000	380 170	400 000	380 170

2018	Number of shares '000	Share capital N$'000
Opening balance at 1 October 2017	40 000	380 170
Reallocated from Other Financial Liabilities	--	19 830
Closing balance at 30 September 2018	40 000	400 000

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 2017 financial year the group 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 was determined to be N$19.8 million and was re-allocated to Other Financial Liabilities as disclosed in Note 19. The change in estimate was accounted for prospectively. Details of management judgment are disclosed in Note 1.

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. For the 2018 financial year the total contributions by the company were N$40 million (2017: N$33 million), employee contributions were N$20 million (2017: N$17 million).

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$57 million (2017: N$57 million). The effective date of valuation of the liability is 30 September 2018 and the next date of valuation is 30 September 2019.

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

	Consolidated 2018	Consolidated 2017	Company 2018	Company 2017
The principal actuarial assumptions used for accounting purposes were:				
- Real rate of return	2%	1%	2%	1%
- Discount rate	10.07%	9.84%	10.07%	9.84%
- Healthcare cost inflation	7.92%	8.31%	7.92%	8.31%
- Expected average retirement age (yrs)	58	58	58	58
- Normal retirement age (yrs)	60	60	60	60
Opening balance	56 687	56 880	56 687	56 880
Current service cost	422	448	422	448
Interest cost (Note 23)	5 452	5 560	5 452	5 560
Subsidies paid	(3 313)	(3 138)	(3 313)	(3 138)
Actuarial gain	(1 788)	(3 063)	(1 788)	(3 063)
Closing balance	57 460	56 687	57 460	56 687
Present value of unfunded liability	57 460	56 687	57 460	56 687
Reflected as follows:				
Short-term liability	--	--	--	--
Long-term liability	57 460	56 687	57 460	56 687
	57 460	56 687	57 460	56 687
The amounts recognised in profit or loss is as follows:				
Current service cost	422	448	422	448
Interest cost (Note 23)	5 452	5 560	5 452	5 560
Subsidies paid	(3 313)	(3 138)	(3 313)	(3 138)
	2 561	2 870	2 561	2 870
The amounts recognised in other comprehensive income are as follows:				
	1 788	3 063	1 788	3 063
	1 788	3 063	1 788	3 063

15. POST-RETIREMENT MEDICAL BENEFIT OBLIGATIONS (continued)

	Consolidated 2018	Consolidated 2017	Company 2018	Company 2017
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	47	51	47	51
Average age (years)	49	48	49	48
Details of the current pensioner members belonging to the medical aid are as follows:				
Number of pensioners	212	217	212	217
Average age (years)	63	63	63	63

	Consolidated 2018 N$'000	Consolidated 2017 N$'000	Company 2018 N$'000	Company 2017 N$'000
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	6 825	6 678	6 825	6 678
Decrease to	5 346	5 211	5 346	5 211
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	64 537	63 862	64 537	63 862
Decrease to	51 517	50 732	51 517	50 732
16. LONG-TERM BORROWINGS				
SECURED				
Finance lease liability	20 651	35 682	20 651	35 682
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$21 million (2017: N$35 million).				
UNSECURED				
Development Bank of Namibia	74 983	89 960	74 983	89 960
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 (2017: First National Bank of Namibia Prime Lending Rate less 2.50% per annum).				
The loan is unsecured, 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 nil. (2017: N$0.4 thousand) has been pledged as security for the loan (Note 3).				
Total loans	95 634	125 642	95 634	125 642
Less: Short-term portion transferred to current liabilities	(38 858)	(29 991)	(38 858)	(29 991)
	56 776	95 651	56 776	95 651

16. LONG-TERM BORROWINGS (continued)

	Consolidated 2018 N$'000	Consolidated 2017 N$'000	Company 2018 N$'000	Company 2017 N$'000
MATURITY OF NON-CURRENT BORROWINGS				
No later than 1 year	38 858	29 991	38 858	29 991
Later than 1 year and not later than 5 years	56 776	95 651	56 776	95 651
More than 5 years	--	--	--	--
	95 634	125 642	95 634	125 642
DETAILS OF SHORT-TERM BORROWINGS				
Bank overdrafts	--	49 033	--	49 033
Current portion of interest bearing borrowings	38 858	29 991	38 858	29 991
	38 858	79 024	38 585	79 024
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	1 809	23 525	1 809	23 525
Total	23 525	45 241	23 525	45 241
Less: future finance charges	(2 874)	(9 559)	(2 874)	(9 559)
Present value of lease payments	20 651	35 682	20 651	35 682

Bank overdrafts are secured as disclosed below:

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.
- Fleet card facilities of N$2.5 million.
- Wesbank short – term facilities of N$2.1 million.

Standard Bank Namibia Limited
- Overdraft facility of N$50 million. Interest is charged at prime less 1%.
- FEC facility of N$60 million.
- Guarantee of N$ 95 801 to Municipality of Swakopmund.
- Guarantee of N$15 779 to China Jiangsu International.
- Guarantee of N$153 427 to Danny's Building Contractors.
- 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 Iway collection of debit orders of N$2 million.
- Negative pledge not to cede debtors or stock to any other lender, or to give any other security without prior consent from the bank.
- The above mentioned facilities will be reviewed on 31 March 2019.

16. LONG-TERM BORROWINGS (continued)

Details of unutilised facilities are disclosed in Note 32.

Reconciliation of liabilities arising from financing activities:

CONSOLIDATED

Year ended 30 September 2018

	Opening balance N$' 000	Cash flow: Capital N$' 000	Interest Accruals N$' 000	Interest Payments N$' 000	Closing balances N$' 000
Long term loans	89 960	(977)	974	(6 974)	74 983
Lease liabilities	35 682	(15 031)	6 686	(6 686)	20 651
	125 642	(30 008)	13 660	(13 660)	95 634

COMPANY

Year ended 30 September 2018

	Opening balance N$' 000	Cash flow: Capital N$' 000	Interest Accruals N$' 000	Interest Payments N$' 000	Closing balances N$' 000
Long term loans	89 960	(14 977)	6 974	(6 974)	74 983
Lease liabilities	35 682	(15 031)	6 686	(6 686)	20 651
	125 642	(30 008)	13 660	(13 660)	95 634

17. DEFERRED TAX

	Consolidated 2018 N$'000	Consolidated 2017 N$'000	Company 2018 N$'000	Company 2017 N$'000
Deferred tax liabilities	(264 401)	(243 980)	(248 706)	(227 839)
Deferred tax assets	36 779	24 877	--	--
Net position	(227 622)	(219 103)	(248 706)	(227 839)

Deferred income taxes are calculated on all temporary differences under the comprehensive method using a principal tax rate of 32% (2017: 32%).

The movement on the deferred tax account is as follows:

	Consolidated 2018 N$'000	Consolidated 2017 N$'000	Company 2018 N$'000	Company 2017 N$'000
Opening balance	(219 103)	(237 010)	(227 839)	(220 425)
(Debited)/Credited to the income statement:				
- current year movement timing differences	(7 947)	18 887	(20 295)	(6 434)
Charged to other comprehensive income	(572)	(980)	(572)	(980)
Closing balance	(227 622)	(219 103)	(248 706)	(227 839)

17. DEFERRED TAX (continued)

	Consolidated 2018 N$'000	Consolidated 2017 N$'000	Company 2018 N$'000	Company 2017 N$'000
Deferred tax assets may be analysed as follows:				
Capital allowances	(23 595)	(25 749)	--	--
Prepayments	(7)	(21)	--	--
Provisions	319	182	--	--
Operating lease straight line	(336)	58	--	--
Unused tax losses	60 398	50 407	--	--
	36 779	24 877	--	--
Deferred tax liabilities may be analysed as follows:				
Capital allowances	(432 828)	(468 166)	(417 133)	(452 025)
Prepayments	(5 157)	(7 610)	(5 157)	(7 610)
Provisions	41 122	40 664	41 122	40 664
Stock consumption	1 727	2 018	1 727	2 018
Advance income	62 090	64 257	62 090	64 257
Tax loss	62 037	113 439	62 037	113 439
Finance lease liability	6 608	11 418	6 608	11 418
	(264 401)	(243 980)	(248 706)	(227 839)

18. TRADE AND OTHER PAYABLES

	Consolidated 2018 N$'000	Consolidated 2017 N$'000	Company 2018 N$'000	Company 2017 N$'000
Trade payables	213 700	139 976	208 798	136 675
Levies payable to Communications Regulatory Authority of Namibia	79 828	65 876	79 828	65 876
Unpresented cheques	--	15	--	15
Net payables disclosed as financial instruments	293 528	205 867	288 626	202 566
VAT payable	8 365	17 122	8 046	16 220
Leave pay accrual	54 442	57 205	54 442	57 158
Performance Bonus Accrual	9 238	--	9 238	--
	365 573	280 194	360 352	275 944

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 2018 N$'000	Consolidated 2017 N$'000	Company 2018 N$'000	Company 2017 N$'000
Preference shares	122 998	19 830	122 998	19 830
Reflected as follows				
Long-term liabilities	112 715	17 593	112 715	17 593
Short-term liabilities	10 283	2 237	10 283	2 237
	122 998	19 830	122 998	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 were 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$41 million (2017: 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$123 million (2017: N$19.8 million) included in 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.

20. OTHER FINANCIAL ASSETS

	Consolidated 2018 N$'000	Consolidated 2017 N$'000	Company 2018 N$'000	Company 2017 N$'000
Held to Maturity				
Namibia Post Limited Investment	16 000	--	--	--

The investment is for a period of 1 year and matures April 2019. Interest is accrued at 8.4 % per annum. At year-end the fair value of the investment is N$ 16 384 880.

21. DEFERRED REVENUE

	Consolidated 2018 N$'000	Consolidated 2017 N$'000	Company 2018 N$'000	Company 2017 N$'000
Directorate of Civil Aviation (DCA)	10 459	5 974	10 459	5 974
Ministry of Home Affairs and Immigration	334	334	334	334
Ministry of Trade and Industry	1 369	2 876	1 369	2 876
Ministry of Defence	--	5 352	--	5 352
Office of the Prime Minister	1 500	10 773	1 500	10 773
Ministry of Works and Transport	8 482	7 862	8 482	7 862
Ministry of Gender	1 279	--	1 279	--
Nampol	1 794	--	1 794	--
Unik Construction	746	746	746	746
Botswana Fibre Networks (Bofinet)	61 808	70 387	61 808	70 387
Mobile Telecommunications Ltd (MTC)	3 650	1 097	3 650	1 097
Government of the Republic of Namibia (WACS)	--	9 027	--	9 027
Bharti Airtel	40 922	43 750	40 922	43 750
Mobile Telecommunications Limited (MTC)	15 600	17 400	15 600	17 400
West Indian Ocean Cable Company (WIOCC)	11 635	--	11 635	--
Advanced rental	74 492	75 940	74 492	75 940
Unused airtime	5 658	5 789	5 658	5 789
	239 728	257 307	239 728	257 307
Reflected as follows				
Long-term liabilities	121 670	120 940	121 670	120 940
Short-term liabilities	118 058	136 367	118 058	136 367
	239 728	257 307	239 728	257 307

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 in addition funds were received in the current year for dark fibre links. 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$10.5 million (2017: N$5.9 million).

Telecom Namibia received N$16 million (2017: N$28 million) from the various ministries for projects. The funds received will be applied against future invoices billed by Telecom Namibia once the services are rendered to the respective ministry. An additional amount of N$ 2.8 million was received from MTC during the 2018 financial year in respect of a prepayment towards the construction of an optic fibre network. The balance at 30 September 2018 was N$1.1 million (2017: N$3.65million).

An additional amount of N$ 2.8 million was received from MTC during the 2018 financial year in respect of a prepayment towards the construction of an optic fibre network. The balance at 30 September 2018 was N$1.1 million (2017: N$3.65million).

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$9 million was off-set against services in 2018 and the balance at year-end was N$ nil (2017: N$9 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$62 million at the end of September 2018 (2017: N$70 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 2018 for payment received in advanced but services not yet rendered was N$15.6 million (2017: N$ 17.4 million).

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 2018 for payment received in advanced but services not yet rendered was N$40.9 million (2017: N$ 43.8 million).

Telecom Namibia entered into an agreement with West Indian Ocean Cable Company to provide WACS Wet Capacity based on the Indefeasible Right of Use to provide connectivity as of June 2018. A 10-year agreement was signed on 17 April 2018 between the parties. The contract amount of USD 850 000 was received in June 2018. The balance at end of September 2018 for payment received but services not yet rendered was N$ 11.6 million.

22. OPERATING PROFIT

	Consolidated 2018 N$'000	Consolidated 2017 N$'000	Company 2018 N$'000	Company 2017 N$'000
Operating profit is arrived at after the following items:				
Auditor's remuneration				
- Audit fees - current year	2 963	2 769	2 559	2 312
- Audit fees - other services	--	82	--	82
Depreciation of plant and equipment	197 655	212 015	189 916	203 687
Amortisation of intangible assets	26 929	31 246	25 537	39 911
Loss on scrapping of property, plant and equipment and intangible assets	5 953	23 638	5 834	22 992
Loss on scrapping of non-current asset held for sale	2 107	--	2 107	--
Staff costs (Note 24)	537 472	518 732	529 873	513 281
Advertising and promotions	30 941	29 090	30 695	28 698
International settlements	122 868	146 560	122 868	146 560
Operating lease expenses				
- Vehicles	24 370	24 007	24 370	24 007
- Office machines	3 097	3 116	3 097	3 116
- Tower rentals related party	13 734	13 830	37 093	39 725
Penalty fee expense/(reversal)	(326)	209	(326)	209
Building rentals: Related Party	59 576	61 142	59 576	61 142
Building rentals: Other	3 729	1 382	3 729	3 804
Repairs and maintenance	50 033	71 451	50 033	71 102
Post-retirement benefits recognised in profit or loss	2 561	2 870	2 561	2 870
Impairment of inventory	--	6 835	--	6 835
Net realised foreign exchange gain	(35 808)	(54 584)	(35 808)	(54 584)
Net realised foreign exchange loss	35 830	82 068	35 830	82 068
Net unrealised foreign exchange gain	(55 864)	(129 953)	(55 864)	(129 953)
Net unrealised foreign exchange loss	61 806	95 466	61 806	95 466

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018

23. FINANCE INCOME AND COSTS

	Consolidated 2018 N$'000	Consolidated 2017 N$'000	Company 2018 N$'000	Company 2017 N$'000
Interest received				
Cash balance	975	29	297	29
Interest on finance lease receivables	4 217	4 412	4 217	4 412
	5 192	4 441	4 514	4 441
Interest paid				
Post-retirement benefit liability	5 452	5 560	5 452	5 560
Interest on obligations under finance lease	6 685	9 746	6 685	9 746
Other interest expense	11	67	--	31
Short-term borrowing facilities	7 763	34 598	7 763	33 572
	19 911	49 971	19 900	48 909
Less non-cash interest cost of post-retirement liability (Note 15)	(5 452)	(5 560)	(5 452)	(5 560)
Interest paid as per cash flow statement	14 459	44 411	14 448	43 349
Less borrowing cost capitalised (Note 3)	682	(2 562)	682	(2 562)
	15 141	41 849	15 130	40 787

24. STAFF COSTS

	Consolidated 2018 N$'000	Consolidated 2017 N$'000	Company 2018 N$'000	Company 2017 N$'000
Salaries and other related costs	445 314	432 965	439 629	428 671
Social Security	1 093	1 109	1 070	1 089
Short term benefit	409	--	--	--
Medical aid	42 442	38 213	41 830	37 762
Pension fund	48 214	46 445	47 344	45 759
	537 472	518 732	529 873	513 281

25. TAXATION

	Consolidated 2018 N$'000	Consolidated 2017 N$'000	Company 2018 N$'000	Company 2017 N$'000
Namibian normal income tax				
Deferred tax (charge)/credit				
- current year	(7 947)	18 887	(20 295)	(6 434)
Tax (charge)/credit for the year	(7 947)	18 887	(20 295)	(6 434)
Reconciliation of the taxation:				
(Loss)/Profit before tax	(50 289)	228 439	(63 817)	13 335
Tax calculated at a tax rate of 32% (2017: 32%)	16 092	(73 100)	20 421	(4 267)
- Expenses not deductible for tax purposes	(41 661)	62 907	(41 586)	(552)
- Tax losses utilised to set off assessed loss	--	1 402	--	--
Deferred tax asset not previously recognised	16 753	29 293	--	--
- Leave provision adjustment	869	(1 615)	870	(1 615)
Tax (charge)/credit	(7 947)	18 887	(20 295)	(6 434)

25. TAXATION (continued)

	Consolidated 2018	Consolidated 2017	Company 2018	Company 2017
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 deductible for tax purposes	(82.8)	(27.5)	(65.2)	4.1
- Tax losses	--	(0.6)	--	--
Deferred tax asset not previously recognised	33.3	(12.8)	--	--
- Leave provision adjustment	1.7	0.7	1.4	12.1
Effective tax rate	(15.8)	(8.2)	(31.8)	48.2
	N$ 000	N$ 000	N$ 000	N$ 000
Included in other comprehensive income is deferred tax related to:				
Remeasurement of defined benefit obligation	572	980	572	980
Estimated tax losses:				
Total tax losses	1 197 298	1 437 946	193 864	354 496
Utilised to raise deferred tax assets	(188 743)	(157 523)	--	--
Utilised to offset deferred tax liabilities	(193 864)	(354 496)	(193 864)	(354 496)
Estimated tax losses not recognised, available to set-off against future taxable income	814 691	925 927	--	--

26. REGULATORY LEVIES

	Consolidated 2018 N$'000	Consolidated 2017 N$'000	Company 2018 N$'000	Company 2017 N$'000
Communications Regulatory Authority of Namibia	(13 952)	(13 844)	(13 952)	(13 844)

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. Following CRAN'S appeal of the High Court's decision on the levy matter, the Supreme Court upheld the decision of the High Court and ruled that section 23 (1) is unconstitutional however the Supreme court held that Telecom should pay the levy from September 2012 to the date of "this judgement". The Parties have since been struggling to reach consensus regarding the interpretation of what the court meant when it said, "the date of this Judgement". It is not clear as to whether the court meant the supreme court judgement (2018) or the High Court judgement (2016) when it said "this judgment" in its ruling. The parties have therefore approached the Supreme court for an interpretation of the judgement and the matter will appear again in court in June 2019. In the meantime, CRAN cannot execute the judgement as the judgement does not state an amount to be paid by Telecom and the calculation of that amount will depend on the interpretation of the abovementioned issue.

The Company and Group 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 license from CRAN. In addition, in the current year management has reversed (0.5%) of the fee provided for in the previous years. The difference between what Telecom Namibia considers the levy to be and the levy as per CRAN, is disclosed as a contingent liability in Note 31.

27. CASH FLOW MOVEMENTS

Working capital changes	Consolidated 2018 N$'000	Consolidated 2017 N$'000	Company 2018 N$'000	Company 2017 N$'000
Decrease in working capital during the year:				
Decrease in inventories	1 871	13 063	1 871	13 063
Decrease in trade and other receivables	23 978	53 955	23 344	43 650
Increase/(Decrease) in trade and other payables	85 379	(235 813)	84 408	(229 244)
Decrease/(Increase) in fellow subsidiary loans	179	(1 571)	3 690	5 266
(Decrease)/Increase in deferred revenue	(17 579)	36 171	(17 579)	36 171
(Decrease)/Increase in holding company loans	(152 029)	34 130	(152 029)	34 130
	(58 201)	(100 065)	(56 295)	(96 964)

28. CAPITAL EXPENDITURE COMMITMENTS

Commitments in respect of contracts placed	113 868	23 079	113 868	23 079

29. OPERATING LEASE COMMITMENTS

The future minimum lease payments under operating lease contracts are as follows:				
No later than one year:	129 612	122 689	155 307	151 175
- Vehicles	45 126	40 362	45 126	40 362
- Office machines	3 459	3 568	3 459	3 568
- Tower rentals	15 897	15 212	41 592	43 698
- Buildings - related party	65 130	63 547	65 130	63 547
Later than one year, but not later than 5 years:	467 657	464 213	598 832	609 630
- Vehicles	46 017	43 922	46 017	43 922
- Office machines	7 991	18 216	7 991	18 216
- Tower rentals	81 155	77 663	212 330	223 080
- Buildings - related party	332 494	324 412	332 494	324 412
More than 5 years:				
- Tower rentals	--	24 500	86 902	70 375
Total operating lease commitments	597 269	611 402	841 041	831 180

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 Minolco (Pty) Ltd 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.

30. 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 2017, which indicated that the fund was in a sound financial position. The valuation for September 2018 is still in the process of being finalized. As at 30 September 2018, a total of 1072 (2017: 988) 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 the are paid. The Company's contribution to the fund amounted to N$870 319 (2017: N$685 799).

	Consolidated 2018 N$'000	Consolidated 2017 N$'000	Company 2018 N$'000	Company 2017 N$'000
Contributions to the pension fund:	58 113	56 248	57 254	55 082
Company	48 118	46 444	47 344	45 759
Employees	9 995	9 804	9 910	9 323

31. CONTINGENT LIABILITIES

	Consolidated 2018 N$'000	Consolidated 2017 N$'000	Company 2018 N$'000	Company 2017 N$'000
Communications Regulatory Authority of Namibia	43 384	33 000	43 384	33 000
Legal claims	--	1 800	--	1 800
Mundo Startel	538 080	--	538 080	--
	581 464	34 800	581 464	34 800

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. Following CRAN's appeal of the High court's decision on the levy matter, the Supreme Court upheld the decision of the High court and ruled that section 23 (1) is unconstitutional however the Supreme court held that Telecom should pay the Levy from September 2012 to date of "this judgement". The parties have since been struggling to reach consensus regarding the interpretation of what the court meant when it said, "the date of this judgement". It is not clear as to whether the court meant the Supreme court judgement (2018) of the High court judgement (2016) when it said "this judgement" in its ruling. The parties have therefore approached the Supreme court for an interpretation of the judgement and the matter will appear again in court in June 2019. In the meantime, CRAN, cannot execute the judgement as judgement does not state an amount to be paid by Telecom and the calculation of that amount will depend on the above mentioned issue.

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 license from CRAN. The contingent liability has been determined as the difference between what CRAN considers is due to them as well as what Telecom Namibia considers as due to CRAN.

In terms of the agreement that the Company has with Mundo Startel, Telecom Namibia had to invest a total of USD53 million in Angola, however as at reporting date, the company had also invested USD15 million. The remaining amount is thus disclosed as a contingent liability.

32. 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.

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The following are the categories of financial instruments held as at the reporting date:	Consolidated 2018 N$'000	Consolidated 2017 N$'000	Company 2018 N$'000	Company 2017 N$'000
FINANCIAL ASSETS AT FAIR VALUE				
Bank	51 535	25 217	43 299	21 361
Other financial assets	16 000	--	--	--
	67 535	25 217	43 299	21 361
LOANS AND RECEIVABLES AT AMORTISED COST				
Trade and other receivables	280 918	298 139	280 743	297 489
Amounts owing by fellow subsidiaries	10 573	4 862	33 290	28 930
Amounts owing by holding company	5 190	4 177	5 190	4 177
Finance lease receivables	37 211	31 627	37 211	31 627
	333 892	338 805	356 434	362 223
FINANCIAL LIABILITIES AT AMORTISED COST				
Long-term liabilities	56 776	95 651	56 776	95 651
Short-term portion of long-term liabilities	38 858	29 991	38 858	29 991
Trade and other payables	293 528	205 867	288 626	202 566
Amounts owing to fellow subsidiaries	6 589	699	8 749	699
Amounts owing to holding company	81 479	232 495	81 479	232 495
	477 230	564 367	474 488	561 402
FINANCIAL LIABILITIES AT FAIR VALUE				
Long-term portion of other financial liabilities	112 715	17 593	112 715	17 593
Short-term portion of other financial liabilities	10 283	2 237	10 283	2 237
Bank overdraft	--	49 033	--	49 033
	122 998	68 863	122 998	68 863

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.

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

CREDIT RISK MANAGEMENT

Financial assets of the Group that are susceptible to credit risk comprise bank and cash balances, an investment held to maturity, 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.

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

	Consolidated 2018 N$'000	Consolidated 2017 N$'000	Company 2018 N$'000	Company 2017 N$'000
Government receivables	52 438	91 007	52 438	91 007
Net trade receivables	279 470	297 566	279 295	296 917
% of total receivables	19%	31%	19%	31%

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$131 million (2017: N$269 million) and the Company reflected net current liabilities of N$132 million (2017: N$245 million).

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

LIQUIDITY RISK MANAGEMENT (continued)

The overdraft balance from Nedbank Namibia Limited was repaid in full at 30 September 2017. The overdraft balance from First National Bank of Namibia Limited was nil at 30 September 2018 (2017: N$24 million).

The Group has unused short-term borrowing facilities with local financial institutions amounting to N$32 million (2017: N$32 million). The Company has unused short-term borrowing facilities with local financial institutions amounting to N$32 million (2017: N$32 million).

The internationally renowned rating agency Fitch in November 2018, rated Telecom Namibia's Long-Term Currency Issuer Default Rating (IDR) at "BB" and National Long-Term Rating at "AA-(zaf)" with Stable Outlooks and this rating was supported by the recovery of operating EBITDA in the fiscal year ending 30 September 2017, improvement in liquidity and reduction of short-term debt. On 28 February 2019, Fitch however downgraded Namibia's credit rating from Stable to Negative. As a result, Telecom Namibia's rating was also downgraded from stable to negative, the Long Term Local Currency IDR was affirmed at" BB" and the National Long-Term rating was affirmed at "AA-(zaf)".

In line with strategic objectives, the Group aims to achieve an EBITDA margin of 30% plus by 2020. The focus for the 2019 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 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. The project was completed during the 2018 financial year, the external auditors tested the progress of these controls and significant deficiencies were identified. Management has however implemented controls and measures to mitigate these risks relating to the completeness and validity of the revenue. Furthermore, the process has been initiated for the OSS/BSS transformation and management is of the opinion that this transformation will further deal with these significant deficiencies that were noted.

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 N$628 196 298 of its acquired shareholder loan (2017: N$628 196 298) 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.

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
2018					
Trade and other payables	293 528	--	--	--	293 528
Amounts owing to fellow subsidiaries	6 589	--	--	--	6 589
Amount owing to holding company	81 479	--	--	--	81 479
Long-term liabilities	46 706	60 691	--	(11 763)	95 634
Other Financial Liabilities	10 283	103 259	72 405	(62 949)	122 998
	438 585	137 386	72 405	(74 712)	600 228
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
Other Financial Liabilities	2 237	13 869	15 628	(11 904)	19 830
	531 388	121 284	7 365	(36 971)	633 566

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

LIQUIDITY RISK MANAGEMENT (continued)

COMPANY

	<1 year N$'000	2-5 years N$'000	>5 years N$'000	Interest adjustment N$'000	Total N$'000
2018					
Trade and other payables	288 626	--	--	--	288 626
Amounts owing to fellow subsidiaries	8 749	--	--	--	8 749
Amount owing to holding company	81 479	--	--	--	81 479
Long-term liabilities	46 706	60 691	--	(11 763)	95 634
Other Financial Liabilities	10 283	103 259	72 405	(62 949)	122 998
	435 843	137 386	36 020	(11 763)	597 486
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
Other Financial Liabilities	2 237	13 869	15 628	(11 904)	19 830
	530 324	121 284	15 628	(36 971)	630 265

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
2018					
Trade and other receivables	280 918	--	--	--	280 918
Amounts owing by fellow subsidiaries	10 573	--	--	--	10 573
Amount owing by holding company	5 190	--	--	--	5 190
Finance lease receivables	23 250	16 362	--	(2 402)	37 210
Other Financial Assets	16 000				16 000
Cash and bank balances	51 535	--	--	--	51 535
	387 466	16 362	--	(2 402)	401 426
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

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

LIQUIDITY RISK MANAGEMENT (continued)

COMPANY

	<1 year N$'000	2-5 years N$'000	>5 years N$'000	Interest adjustment N$'000	Total N$'000
2018					
Trade and other receivables	280 743	--	--	--	280 743
Amounts owing by fellow subsidiaries	33 290	--	--	--	33 290
Interest in subsidiary	--	--	--	--	--
Amounts owing by holding company	5 190	--	--	--	190
Finance lease receivables	23 250	16 362	--	(2 402)	37 210
Cash and bank balances	43 299	--	--	--	43 299
	385 772	16 362	--	(2 402)	399 732
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
	596 405	15 566	--	(1 781)	398 470

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 unfavorable exchange rate.

The Group manages its foreign currency exchange rate risk by:

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

The Group entered into forward-cover contracts to mitigate the risk arising from fluctuations in exchange rates.

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

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

FOREIGN CURRENCY RISK (continued)

	Consolidated 2018 N$'000	Consolidated 2017 N$'000	Company 2018 N$'000	Company 2017 N$'000
For 10% increase in exchange rates				
Increase in loss for year	3 635	5 550	3 635	5 550
For 10% decrease in exchange rates				
Decrease in loss for year	3 635	5 550	3 635	5 550

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

	Consolidated 2018 '000	Consolidated 2017 '000	Company 2018 '000	Company 2017 '000
Receivable:				
Euro	7	366	7	366
USD	3 864	2 740	3 864	2 740
Payables:				
Euro	19	52	19	52
USD	2 479	564	2 479	564
Bank:				
Euro	147	127		127
USD	1 104	1 301	1 104	1 301
Exchange rates used for conversion of foreign items were:				
USD	14.16	13.55	14.16	13.55
Euro	16.49	15.95	16.49	15.95

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 2018 financial year.

INTEREST RATE RISK

The sensitivity analysis below has been determined based on the exposure to interest rates at the reporting date and entails the changes to the profit or loss should there be any changes to the discount rate used in the computation of the preference share liability. 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.

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

INTEREST RATE RISK MANAGEMENT

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

	Consolidated 2018 N$'000	Consolidated 2017 N$'000	Company 2018 N$'000	Company 2017 N$'000
For 100 basis points higher				
Increase in loss for year	4 896	1 538	4 896	1 538
For 100 basis points lower				
Decrease in loss for year	5 144	1 538	5 144	1 538

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

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 2018 N$'000	Consolidated 2017 N$'000	Company 2018 N$'000	Company 2017 N$'000
The gearing ratio at year-end was as follows:				
Long-term borrowings	95 634	125 642	95 634	125 642
Other financial liabilities	122 998	19 830	122 998	19 830
Bank overdraft	--	49 033	--	49 033
Cash and cash equivalents	(51 535)	(25 217)	(43 299)	(21 361)
Other financial assets	(16 000)	--	--	--
Net debt	151 097	149 458	175 333	173 144
Equity	777 893	815 083	776 847	839 913
Debt to equity ratio	0.19:1	0.18:1	0.23:1	0.21:1
Unutilised borrowing facilities	32 000	52 000	32 000	32 000

Long-term debt includes all debt that is repayable over a period beyond one year from the reporting date. On an annual basis, capital requirements are determined, prioritised and aligned with the available financial resources. Provision is then made for any deficits in capital availability, mainly through term loan facilities with financial institutions.

The Group maintains a good credit record with reputable financial institutions and this ensures continued availability of funding in the case of any deficits.

All the issued shares are owned by the Government of the Republic of Namibia.

There were no significant changes to the Group's methodology of capital management in the year ended 30th of September 2018.

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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.

2018		Fair Value		
	Total instruments at carrying value N$'000	Level 1 N$'000	Level 2 N$'000	Level 3 N$'000
CONSOLIDATED				
Assets	--	--	--	--
Other financial assets	16 000	--	--	16 243
Liabilities				
Redeemable cumulative preference shares (Note 20)	122 998	--	--	122 998

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		Level		
	Total instruments at carrying value N$'000	Level 1 N$'000	Level 2 N$'000	Level 3 N$'000
CONSOLIDATED				
Assets				
	--	--	--	--
Liabilities				
Redeemable cumulative preference shares (Note 20)				
Liabilities	19 830	--	--	19 830

There were no transfers between Level 1 and Level 2 for the year ended 30 September 2018.

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. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

CASH FLOW RISK MANAGEMENT

The sensitivity analysis below has been determined based on the exposure to changes in the after tax profits used to determine the fair value of the preference share liability at the reporting date. 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 500 basis point increase or decrease is used when performing analysis on deviations from the estimated after tax profits, to key management personnel and represents management's assessment of the reasonably possible change in estimated cash flows.

If after tax profits used in determination of the fair value of the preference share liability rates had been 500 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 2018 N$'000	Consolidated 2017 N$'000	Company 2018 N$'000	Company 2017 N$'000
For 500 basis points higher				
Increase in loss for year	5 636	--	5 636	--
For 500 basis points lower				
Decrease in loss for year	5 636	--	5 636	--

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

33. SUBSEQUENT EVENTS

From October 2018, four Exco members were suspended resulting in those positions to be filled by employees in the acting capacity. The company has a number of key positions where individuals have been acting. The individuals in these acting positions were direct subordinates to the suspended executives. This situation has to date not affected the company negatively as the acting individuals has to the best of their abilities tried to keep business running. A new member, Mr Willem Titus was appointed to the board subsequent to year end. The agreement with ZTE expired on 31 January 2019, please refer to note 13 for further details. 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 profit before the preference share fair value adjustment of N$75 million (N$229 million) and N$61 million (2017: N$13 million) respectively for the year ended 30 September 2018.

The Group and Company reported comprehensive loss for the year ended 30 September 2018 of N$57 million (2017: N$249 million comprehensive profit) and N$23 million (2017: N$83 million comprehensive profit) respectively. Current liabilities exceeded current assets by N$132 million (2017: N$269 million) for the Group and by N$131 million (2017: N$246 million) for the Company at year-end.

It should be noted that out of the total current liabilities for the Company and Group, N$118 million relates to deferred revenue and N$81 million is an amount due to the holding company. The deferred revenue will be realized as the company will deliver the services to the various customers as noted in note 21, and thus does not constitute a cash outflow. As set out in note 32 under liquidity management, the Group and Company has sufficient available unutilized facilities to settle the remaining net current liabilities.

The Group and Company reported comprehensive profits for the year before the preference share adjustment 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 and the Group. Management continued to implement a number of initiatives to improve operational efficiencies and extract additional value from the business.

34. GOING CONCERN (continued)

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. The Namibia ICT industry is changing and we are transforming Telecom Namibia to stay the course. With that in mind the following four strategic pillars were developed:

Sustainable Growth: The objective being to increase market share and turnover; improve key ratios; ensure product, channel and segment profitability and embed triple bottom line in our daily operations.

Customer Experience: Objective being to improve service delivery turnaround time; improve customer touch points and relationships and innovate products and solutions portfolio.

Operational Efficiency: Objective being to do OSS/BSS transformation; network modernization; establish data analytics capability; transformation of the operating model and to embed legal and regulatory compliance culture.

Performance-driven Culture: To enable us to foster leadership excellence and re-invent performance management system as an enabler for the delivery of our objectives.

For the 2019 financial year, Telecom Namibia will place emphasis on delivering an enhanced customer experience via continuous customer service quality improvements and innovations, whilst focusing on increased operational efficiency, productivity and sustainability. The focus for the 2019 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.

The internationally renowned rating agency Fitch in November 2018, rated Telecom Namibia's Long-Term Currency Issuer Default Rating (IDR) at "BB" and National Long-Term Rating at "AA-(zaf)" with Stable Outlooks and this rating was supported by the recovery of operating EBITDA in the fiscal year ending 30 September 2017, improvement in liquidity and reduction of short-term debt. On 28 February 2019, Fitch however downgraded Namibia's credit rating from Stable to Negative. As a result, Telecom Namibia's rating was also downgraded from stable to negative, the Long Term Local Currency IDR was affirmed at" BB" and the National Long-Term rating was affirmed at "AA-(zaf)".

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 2019 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 by the board of directors on 23 May 2019.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018

ANNEXURE A: Standards and interpretations

Standards and Interpretations effective and adopted in the current year

In the current year, the company has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to operations:

Standard	Effective date: Years beginning on or after
Amendments to IAS 7: Disclosure Initiative The amendment requires entities to provide additional disclosures for changes in liabilities arising from financing activities. Specifically, entities are now required to provide disclosure of the following changes in liabilities arising from financing activities: • Changes from financing cash flows; • Changes arising from obtaining or losing control of subsidiaries or other businesses; • The effect of changes in foreign exchanges; • Changes in fair values and • Other changes For the current year the disclosure requirements for changes in cash flows from financing activities has been updated and the additional reconciliation as required by the Standard has been disclosed in note 16.	1 January 2017
Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses For details on this disclosure refer to note 25.	1 January 2017

Standards and Interpretations not yet effective

Standard	Effective Date: Years beginning on or after
Amendments to IAS 28: Annual Improvements to IFRS 2014-2016 cycle	1 January 2018
Amendments to IFRS 1: Annual Improvements to IFRS 2014-2016 cycle	1 January 2018
Transfers of Investment Property: Amendments to IAS 40	1 January 2018
Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1 January 2018
Amendment to IFRS 10 and IAS 28: Sale or contribution of assets between an Investor and it's Associate or Joint Venture	1 January 2019
Insurance Contracts	1 January 2021
Uncertainty over Income Tax Treatments	1 January 2019
IFRS 16 Leases	1 January 2019
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
Amendments to IFRS 15: Clarifications to IFRS 15 Revenue from Contracts with Customers	1 January 2018
Amendments to IFRS 2: Classification and Measurement of Share Based Payment Transactions	1 January 2018

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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