CRAN

Communications Regulatory Authority of Namibia

ANNUAL REPORT **2012-2013**

The ICT Regulatory **Blueprint for the future**

THE **FORMATION** OF CRAN

Having begun as a taskforce of a few specialists, CRAN morphed into a fully-fledged organisation during this significant year under review.

The foundation was laid that would push Namibia to the forefront of ICT globally.

This annual report shows the idea of cutting edge thinking in the ICT industry that CRAN intends to be a part of as it grows in capacity, knowledge and innovation.

VISION

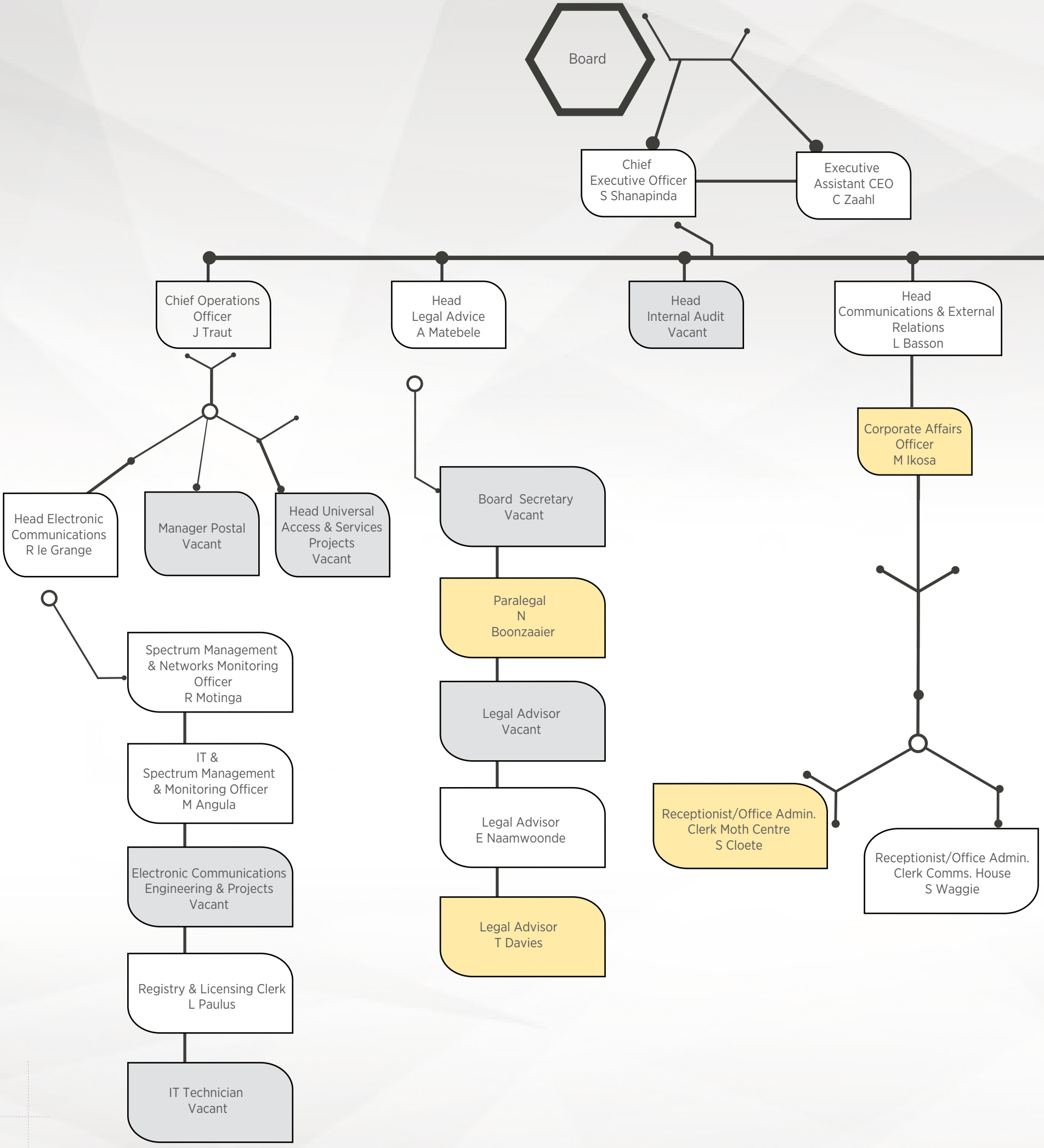
To be a dynamic regulator of the Information and Communications Technology (ICT) sector, transforming Namibia and its peoples into an active knowledge-based society to derive the full socio-economic benefits of ICTs.

MISSION

To purposefully regulate electronic communications services, networks and postal services and the spectrum, so that all Namibians derive the full socio-economic benefits of Information and Communications Technologies (ICTs).

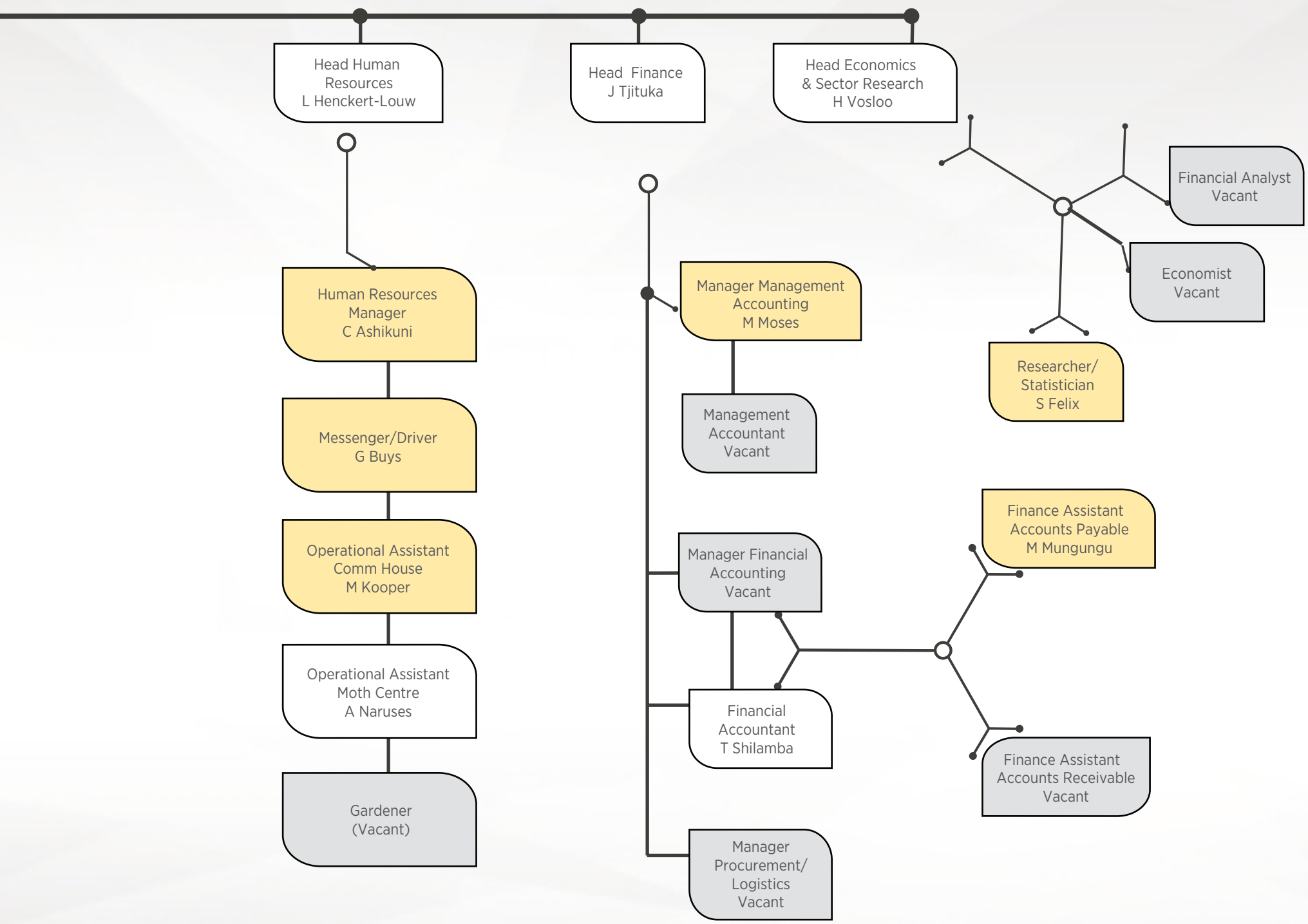
VALUES

- To have integrity
- To be transparent
- To be innovative
- To be knowledgeable
- Teamwork


Board
Chief Executive Officer S Shanapinda
Executive Assistant CEO C Zaahl
Chief Operations Officer J Traut
Head Legal Advice A Matebele
Head Internal Audit Vacant
Head Communications & External Relations L Basson
Head Electronic Communications R le Grange
Manager Postal Vacant
Head Universal Access & Services Projects Vacant
Spectrum Management & Networks Monitoring Officer R Motinga
IT & Spectrum Management & Monitoring Officer M Angula
Electronic Communications Engineering & Projects Vacant
Registry & Licensing Clerk L Paulus
IT Technician Vacant
Board Secretary Vacant
Paralegal N Boonzaaier
Legal Advisor Vacant
Legal Advisor E Naamwoonde
Legal Advisor T Davies
Corporate Affairs Officer M Ikosa
Receptionist/Office Admin. Clerk Moth Centre S Cloete
Receptionist/Office Admin. Clerk Comms. House S Waggie

Organisational Structure

VACANT FILLED 2012 - 2013



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Lazarus Jacobs

HAIRPERSON'S STATEMENT

In the period under review, the Communications Regulatory Authority of Namibia (CRAN) laid the foundation for a strong regulatory framework to usher it into the fast-paced world of Information and Communication Technologies (ICTs) regulation. Regulation is not an end in itself, but rather the blueprint design that will shape the ICT sector into an effective and competitive environment for all stakeholders.

The world is experiencing an ongoing financial downturn, and although the global ICT sector is also affected, it continues to push forward with great speed. In CRAN's case, not only have the regulations and policies implemented by the Authority left an imprint on the Namibian ICT sector, but they have also made strides towards improving Namibia's global ICT rating.

During this second year, crucial time was spent crafting the Vision and Mission statements, strategic goals and strategic focus areas, which will guide CRAN into transforming the ICT sector in Namibia. In consultation with the Commonwealth Telecommunications Organisation (CTO) and the Ministry of Information and Communication Technologies (MICT), CRAN formulated the foundational Strategic Plan for 2012 - 2015.

The 2012 – 2015 Strategic Plan consists of six focus areas:

- Market Development and Expansion;
- Fair Competition;
- Spectrum Management;
- Universal Service;
- Consumer Advocacy and Protection; and
- Monitoring, Compliance and Enforcement;

CRAN has, in the period under review, enforced effective monitoring of operator compliance with licence obligations and appropriate interventions to remedy non-compliance. A number of regulations were drafted that will ensure that CRAN effectively regulates Electronic Communications Networks and Services (ECNS) and postal services and the efficient assignment and effective use of the radio spectrum to ensure that all Namibians can derive the full socio-economic benefits of ICTs.

The strategy is grounded in the objectives of the Communications Act, 2009 (Act No.8 of 2009) that mandates us as the Board of Directors, to ensure affordability of services, public availability of quality services, fair competition, encourage private investment and local participation, to mention but a few. The strategy is further influenced by national ICT policies. These policies, which are executed by the MICT, form the basis upon which the regulations made by CRAN are founded. This is the role separation between CRAN and government, making us an independent regulatory Authority in our rule-making processes and implementation.

CRAN's strategy is governed by the principles of accountability, ethics and transparency, and fulfils the requirement which enables State-Owned Enterprises (SOEs) to draft and submit strategic plans to the SOE Governance Council (SOEGC). Our dynamic 2012 – 2015 Strategic Plan has received the highest of accolades from the SOEGC and soon the Board of Directors will sign performance agreements with the Minister of Information of Communication Technologies to ensure compliance and adherence to this plan, as required by the SOEGC Act, 2006 (Act No. 2 of 2006).

As a Board of Directors, we are guided by the governance principles stipulated in the King III Report. We aim to ensure regulatory predictability and attain investor confidence in Namibia's ICT sector.

We are set to be globally competitive and committed to becoming a dynamic regulator of the ICT sector, transforming Namibia and its people into an active knowledge-based society in order to derive the full socio-economic benefits of ICTs.

Although young in the regulatory environment, we are confident that CRAN will reach its intended strategic goals in good time, as far as it is reasonably practical. I would like to thank the Board and management team for their commitment and excellent leadership during the year. With the CRAN team, Namibia's ICT sector's future looks bright.

Lazarus Jacobs: Chairperson

CHIEF EXECUTIVE OFFICER'S STATEMENT

At CRAN we have a saying: "the future is in ICT". I believe that through ICT innovation, the future is within our grasp. William Gibson said, "The future is here. It is just not evenly distributed yet." We aim to distribute that future evenly. There is an emerging order in the ICT sector, one of converging technologies that requires a regulatory framework to serve the interests of the Namibian consumer as well as encouraging innovation in ICT products and services.

The period under review marks the second year of operations for CRAN, and the end of the first 'establishment' phase in the Strategic Plan. The key deliverables for this year were: the recruitment of suitable staff, crafting the Strategic Plan, putting operating policies and procedures in place, transitioning licensees, and establishing licensing regulations and procedures.

CRAN understands that an organisation's strength and capacity are determined by the quality of its workforce. So, it was with careful consideration that CRAN continued to fill vacant positions with skilled and competent personnel, growing the organogram and fostering a solid employee base. This workforce will offer the organisation great capacity to fulfil its mandate. During this period, CRAN welcomed ten employees to the family. These new recruits are integral in achieving CRAN's strategic objectives as outlined in the 2012 - 2015 Strategic Plan. In addition, they will be instrumental in building CRAN into a regulator that understands the emerging order in regulating the ICT sector.

Also vital to CRAN's 2012 - 2015 Strategic Plan, is its responsibility towards informing, empowering and engaging stakeholders who play a critical role in formulating the ICT regulatory framework. To this end, CRAN embarked on a number of initiatives, which will later be highlighted in this report. The Authority is a member of reputable associations, such as the Commonwealth Telecommunications Organisation (CTO), the Communications Regulators Association of Southern Africa (CRASA), and the International Telecommunication Union (ITU). As part of CRAN's drive to ensure fair competition within the market, the Authority signed a memorandum of understanding with the Namibian Competition Commission (NaCC).

The current face of ICT development, globally, is spectrum. Through digital migration, spectrum will be made available for increased broadband. These bands can be used to offer internet access at low cost and take CRAN a step closer to realising its vision of bringing ICT "benefits to all Namibians". CRAN is currently in the process of drafting regulations to give effect to the provisions of the Communications Act in respect of universal service and access and postal services.

The drafted regulations aim to promote the availability of a wide range of high quality, reliable and efficient telecommunication services to all users in the country. Furthermore, they seek to increase access to telecommunication and advanced information services to all regions of Namibia at just, reasonable and affordable prices.

The Namibia 2011 Population and Housing Census Main Report (2011, p. 47) indicates: "...the majority (69%) of Namibians have access to radio, with slightly greater access in urban (74%) than rural (65%) areas. Cellphones are much more widespread across the country than fixed line telephones, access to cellphones being about eight times greater. However, access to other modern information and communication technology such as computers and the Internet is fairly limited, particularly in rural areas."

Clearly, there is a gap between the rural and urban populations as far as the integration and access to ICT services are concerned. The provisions of the Act and regulations will ensure that this gap is narrowed and that ICTs reach everyone in the country. It will further ensure access to telecommunication services and broadcasting services, to enable Namibians to have equal access to communication services for personal development, education, communication, cultural enrichment, and socio-economic development. As an intervention in bridging the digital divide, CRAN will establish a Universal Service Fund from which subsidies will be paid to telecommunication licensees to subsidise the provision of telecommunication services across the country.

CRAN also finalised the licensing conditions for service licences and established a firm regulatory framework for the Digital Terrestrial Television (DTT) switch-over process. These achievements laid a crucial foundation for CRAN to take ICT regulation to the frontier of global trends. In the interest of market entry and fair competition, it was resolved to implement a progressive regulatory levy formula in the establishment of licence fees for communication and broadcasting services. This means that the sector is open to new market entries that will be levied according to their slice of the market. To ensure accurate and reliable data about the ICT sector in Namibia is reported, CRAN took the initiative to compile a database with information pertaining to the current ICT situation in Namibia. CRAN achieved this by regularly distributing surveys to various stakeholders within the industry. Despite the challenging ICT environment, CRAN is optimistic about the future of ICT in Namibia. Going forward, CRAN envisions a future where all Namibians will be exposed to diverse innovative products, quality services, and consumer protection from exploitation and abuse by service providers.

In conclusion, I wish to express my sincere appreciation to Ministry of Information and Communication Technologies for their unwavering policy support and guidance, the Board members for their commitment to the success of CRAN, and the CRAN team who make dynamic regulatory reform possible and for their valiant efforts in drafting a clear and tangible blueprint that will set the roadmap for CRAN's success. I would also like to extend my gratitude to our stakeholders and consumers for their continued support and confidence in CRAN to deliver on the ICT dream.

Stanley Shanapinda: CEO

Stanley Shanapinda

Lazarus N. Jacobs *(Chairperson)*

Dr Tulimevava Kaunapawa T. Mufeti *(Member)*

BOARD OF **DIRECTORS**

Edwin D. Beukes (*Member*)

Hilma T. Hitula (*Vice-Chairperson*)

Tylvas N. Shilongo *(Member)*

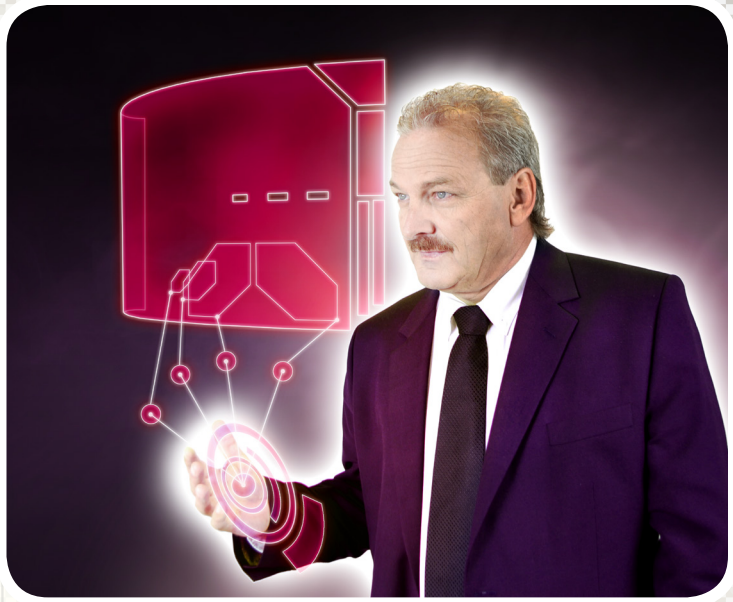
Stanley Shanapinda: Chief Executive Officer

Anna Matebele: Head of Legal Advice

Lucrezia Henckert-Louw: Head of Human Resources

MANAGEMENT

Justus Tjituka: Head of Finance



Jochen Traut: Chief Operations Officer

Helene Vosloo: Head of Economics and Sector Research

Ronel le Grange: Head of Electronic Communications

Absent: Lelanie Basson: Head of Communications and External Relations

THE YEAR IN REVIEW

OPERATIONS

The Operations department (referred to as Operations) continued to focus on addressing all issues related to the change over from Namibia Communications Commission (NCC) to CRAN in relation to the transitioning of services licences, completion of spectrum audits for broadcasting and telecommunications services and finalisation of spectrum applications that were pending at the time of the establishment of CRAN.

In addition, Operations commenced with the setting out of licensing conditions for service licences and the creation of a regulatory framework for the migration from analogue to digital terrestrial television (DTT).

Transitioning of Licences

Transitioning continued to be an important task for CRAN. Powercom (Pty) Ltd – trading as Leo – was transitioned to a Class Comprehensive Electronic Communications Services (ECS) and Electronic Communications Network Services (ECNS) telecommunications services licence.

The remaining two entities, I Burst Namibia and Converged Telecommunications Solutions (CTS), licensed by CRAN's predecessor were followed up on during the transitioning period. The Gazetting process commenced for transition of the CTS licence to a Class Comprehensive ECS and ECNS licensing. The Minister of Information and Communication Technologies granted approval for majority foreign shareholding by CTS.

Operations also addressed entities that submitted information forms in terms of section 135 of the Communications Act, 2009 (Act No. 8 of 2009) – (hereinafter referred to as the Communications Act). Salt Essential IT (Pty) Ltd transitioned from an entity lawfully providing a service to a Class ECS telecommunications service licence. Dimension Data (Pty) Ltd also received permission for a foreign shareholding of 51% and is currently being transitioned from an entity lawfully providing a service to a Class Comprehensive ECS and ECNS telecommunications service license. This was done in terms of Regulations regarding Transitional Procedures for Telecommunications and Broadcasting Service Licences and Spectrum Use Licences.

Operations completed the spectrum audits for telecommunications and broadcasting spectrum during September 2012. Simultaneously, Operations commenced with processing spectrum applications that were pending before CRAN was formed. All pending spectrum assignments were finalised by June 2012.

Setting Licence Conditions for Service Licensees

Standard licensing conditions for commercial and community broadcasters as well as all telecommunications service licensees were finalised following a rule-making process and published in the Government Gazette in September 2012. Licensing for the public broadcaster was drafted and will be published once section 93 of the Communications Act is enabled and Namibia Broadcasting Corporation becomes a regulated entity.

Regulatory Framework for Digital Terrestrial Television

The creation of a regulatory framework was addressed from a three-pronged focus namely:

i. The creation of additional broadcasting service categories for multiplex operators, class comprehensive multiplex and signal distribution operators, in accordance with the provision of the draft DTT Policy Guidelines as published in the Government Gazette in March 2013. Licensing conditions for the new broadcasting service categories were also drafted and are in the process of being finalised via the Authority's rule-making process.

ii. The forthcoming migration from analogue to DTT required the development of a frequency-channelling plan, in co-operation with the International Telecommunication Union (ITU) and in accordance with the Geneva ITU GE-06 Regional Agreement signed by Namibia and other countries. The initial frequency-channelling plan was gazetted for public comment in September and November 2012 respectively. An interference study by an independent spectrum consultancy firm was also conducted to ensure smooth operation between existing analogue television broadcasting services and DTT during the simulcast period. Final discussion of the proposed frequency-channelling plan was set for the first week of April 2013.

iii. Regulations setting the minimum technical standards for set-top boxes aligned with SADC minimum standards were drafted and are due to be published for public comment in the next reporting period.

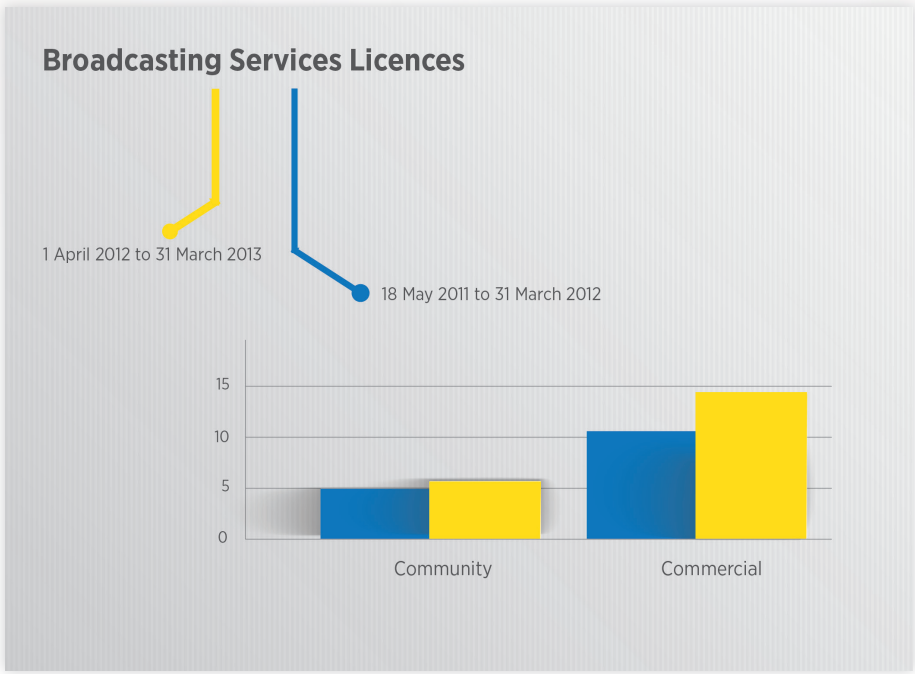
Spectrum is the basis for ICT development. With migration of analogue to DTT, a significant amount of spectrum will become available. This spectrum was destined to be assigned to telecommunications services. To ensure the optimum use of this spectrum referred to as the digital dividend, Operations will embark on a spectrum assignment strategy benchmarked against key international markets. CRAN is already in the process of evaluating tenders to conduct the benchmark study and develop a spectrum assignment strategy that will underscore rural development by promoting ICT access and service availability, promote competition to drive affordable pricing and address gaps in the ICT market.

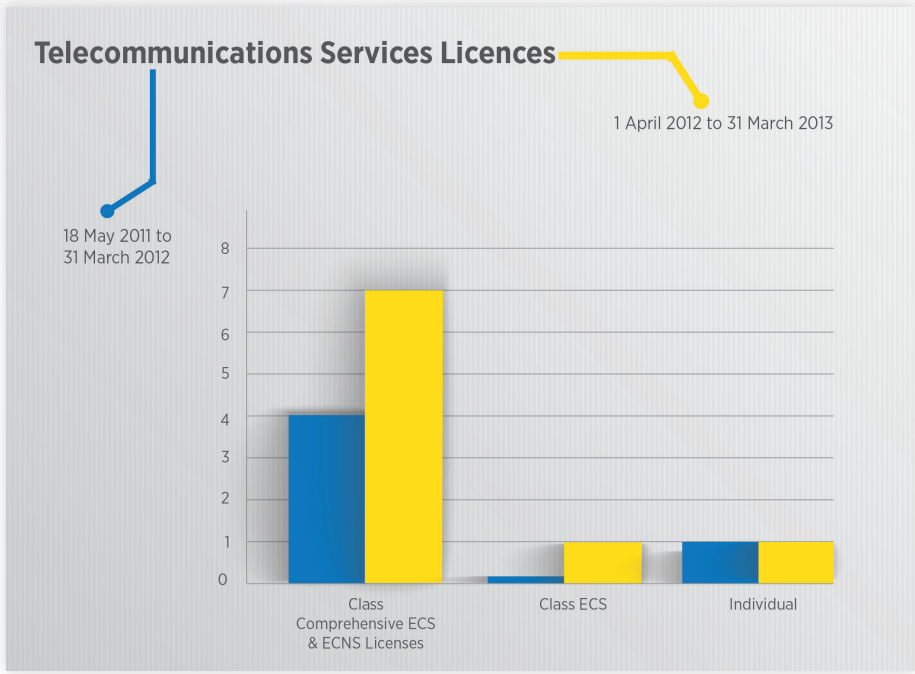
Issuance of new service licences and spectrum use licences

During the period under review, CRAN issued three new Class Comprehensive ECS and ECNS licences (2012:4); One Class ECS and one Telecommunications Services Licence to small enterprises focused on providing wireless access services. In addition CRAN issued one community (2012:5) and three commercial broadcasting service licences (2012:11) together with the applicable spectrum use licences following due regulatory procedure.

CRAN also issued ten spectrum use licences to allow existing telecommunications and broadcasting licensees to expand current services into rural areas and launch new services such as Long-Term Evolution (LTE), thereby promoting growth in the ICT industry.

In conclusion, CRAN issued 396 spectrum use licences for amateur radio services, High Frequency (HF) radio services and citizen band radio service as well as numerous maritime and aeronautical radio operator certificates.





ECONOMICS AND SECTOR RESEARCH

Dominant Hearings

On 27 April 2012, CRAN published a notice in the Government Gazette that it would conduct a hearing on the market study to determine dominance in terms of section 78 of the Communications Act. The Economics and Sector Research (Economics) department held the hearing on 11 May 2012. Stakeholders were invited to make oral presentations at the hearing and submit written comments to the Authority. These comments were taken into consideration and the discussion document was updated. It is expected that the Board will take a decision on dominant operators in the foreseeable future.

The preliminary findings from the study indicated that Mobile Telecommunications Limited (MTC) and Telecom Namibia Limited will be dominant, since they have at least 35% of market share based on revenues. MTC, Telecom Namibia Limited and Leo were found dominant according to different criteria as defined in the Act and also because they control some infrastructure that is necessary for the provision of telecommunications services.

Licence Fees

The Communications Act provides that CRAN may, after a rule-making procedure, impose a regulatory levy on providers of telecommunications services and broadcasting services.

CRAN has decided to use a progressive regulatory levy formula, from which the percentage of turnover payable as a levy is based on a formula that caps the maximum percentage at 1.5%. In addition to the progressive regulatory levy formula all licensees shall pay an annual licence fee.

The formula is designed in a way that the percentage levy increases evenly from 0% to 1.5% for turnover ranging from zero to one billion Namibia dollar. Licensees with a less than one billion Namibia dollar turnover pay a low percentage and licensees and operators that exceed one billion Namibia dollar in turnover pay the full levy.

This progressive regulatory levy formula has the following advantages:

- A single formula can be applied to all sectors and licensees;
- Smaller licensees and new entrants pay a much smaller levy percentage, which encourages market entry and competition;
- Once a licensee has reached a turnover of one billion Namibia dollar, the full levy becomes applicable;
- The progressive regulatory levy formula reduces the market exit risk, while maintaining a sound base for the funding of CRAN in order to defray its expenses; and
- The progressive regulatory levy formula and the annual licence fee are not unreasonably discriminatory.

Home and Away Roaming

During the SADC ICT Ministers' meeting held in Luanda, Angola in 2010, the Ministers adopted the following policy objectives for the SADC Home and Away Roaming:

- Regular roaming data collection;
- Promotion of multilateral cost reduction measures and roaming hubbing;
- Lowering of regulation and cost of international voice gateways;
- Increased transparency and consumer protection; and
- Price control regulation by agreement.

CRAN participated in the last working group meeting held in Lilongwe, Malawi in March 2013 to draft the SADC Guidelines on Transparency in Roaming. CRAN will incorporate the transparency guidelines in its proposed cost accounting regulations, which have to be complied with.

Mergers and Transfer of Licences

In December 2011 Guinea Fowl (Pty) Ltd applied to the Authority for the transfer of control and the licence of Powercom (Pty) Ltd t/a Leo to Telecom Namibia Limited. In June 2012 the Board approved the transfer, subject to some conditions, with the goal of achieving the objectives of the Communications Act. Guinea Fowl appealed to the High Court of Namibia and the decision of the Authority was set aside. The transfer was then approved without any conditions.

AfricaOnline (Pty) Ltd applied to the Authority for the transfer of licences and transfer of control of licences to MWireless (Pty) Ltd. Approval was granted and published in the Government Gazette on 19 July 2012.

Christina Greeff applied for the transfer of licences and transfer of control of licences from Desert Trade Investments (Pty) Ltd ("Desert Trade") to Christina Greeff. Approval was granted for these commercial broadcasting licences to be transferred and was consequently published in the Government Gazette on 13 March 2013.

Tariffs and Fees

During the period under review, the following rates and tariffs were submitted to CRAN for review and approval.

Telecom Namibia Limited:

- Speedlink tariffs - approved and published on 12 December 2012
- E-mail to Fax tariffs - approved in February 2013
- The Time-Division Multiplexing (TDM) tariffs - submitted on 13 December 2012

MTC submitted the following tariffs for consideration by the Authority:

- 4G tariff packages approved - published on 10 January 2013
- SmartShare package tariffs - submitted on 28 February 2013
- SmartShare special tariffs - submitted on 22 March 2013
- MTC Appetite for Talk tariffs - submitted on 22 March 2013
- Super-Aweh tariffs - submitted on 22 March 2013

Leo submitted the following packages for promotional purposes under section 53(2) of the Communications Act.

- The Leo/TN Combo tariffs - submitted on 31 January 2013.
- The Leo Ipad special tariffs - submitted on 26 February 2013.

MWireless (Pty) Ltd t/a AfricaOnline and Wireless Technologies (Pty) Ltd submitted all their tariffs as required in section 53(6) of the Communications Act. These tariffs were approved and published in the Government Gazette on 10 January 2013.

In total twelve tariff packages were submitted during the period under review and CRAN approved five tariff packages, two were for promotional purposes. The rest will be evaluated in due course.

Reporting and Data Collection

CRAN started with a process of data collection in 2012 and designed a questionnaire that was sent to all telecommunications licensees to complete. The Authority will collect data on financial information, technical information, consumers, billing and infrastructure. This is the first step in collecting data from the industry.

In 2013, the Authority also drafted Regulations Setting-out Cost Accounting Procedures and Reporting Requirements. These regulations will be reported on in the next review.

COMMUNICATIONS AND EXTERNAL RELATIONS

Through the Communications and External Relations department (referred to as Communications), the Authority embarked on a number of events aimed at fostering and establishing long-term relationships with various local and international stakeholders.

Communications used numerous stakeholder engagements to inform and sensitise Namibians about CRAN's mandate and why regulation is imperative to the industry's growth and success. This growth has economic and social implications, as the Authority's policies and regulations guide licensees to achieve national coverage at affordable rates.

Although CRAN is not yet mandated to regulate the postal sector in Namibia, the Authority saw fit to attend the 8th Pan African Postal Union Plenipotentiary Conference with the MICT in Ethiopia in July 2012. This event offered CRAN valuable understanding of the current state of the global postal sector. From this new knowledge and key decisions taken at the conference, the following objectives for regulation in this sector were derived at: the development of appropriate marketing strategies for postal products, the use of ICTs to improve the range and quality of postal services and products, as well as strategies for sustainable postal development.

In October 2012, CRAN attended and participated in various stakeholder engagement events, such as the Universal Postal Union (UPU) 25th Universal Postal Congress in Qatar. This congress is the primary forum for co-operation between governments, postal regulators and many other postal sector stakeholders. CRAN will study the Doha Strategy that was adopted and craft its strategic plan with regard to the regulation of the postal sector in Namibia.

Also during October 2012, CRAN participated in the first Telecom Namibia Limited ICT Summit. The summit served as a platform for CRAN to engage current and potential stakeholders. The Authority hosted an exhibition stand and delivered presentations to the attendees. These topics included: "CRAN's mandate and why regulation matters", "Fostering the Economic and Social Impacts of ICT in Namibia" and "Spectrum as an enabler of growth".

As a member of the ITU, CRAN attended the ITU 2012 Telecom World Conference and Exhibition in Dubai in October 2012. The Conference is a premier telecommunications and ICT event in the world. It attracts international influential leaders in the ICT industry, government and academia to collaborate on one common vision for the industry. CRAN partnered with the MICT, Telecom Namibia Limited and Salt Essential IT to form one cohesive representation of Namibia's current position in the sector and its long-term goals for the nation.

Later in October 2012, CRAN also attended the Global Symposium for Regulators in Sri Lanka. This symposium inspired CRAN to focus on implementing a national broadband strategy and investigate new approaches to launching a Universal Access and Service Fund in Namibia. The Symposium further touched on the rethinking of the spectrum policy. These major strides in policy will require co-operation from the industry players, and understanding of the market changes taking place and innovative regulatory tools and measures on CRAN's part.

Namibian ICT sector stakeholders met in November 2012 for workshops held during a "Prototyping week to transform Namibia". These workshops focused on how the ICT sector could assist Namibia in reaching its "National Development Four" goals.

From this week of workshops, the "Namibian Prototype Core Committee" (PCC) was formed. CRAN participated in these workshops and the CEO, Stanley Shanapinda, was named the chairperson of the committee. The committee's vision is "...to increase Namibia's global economic competitiveness using ICT as an enabler". This vision coincides with CRAN's mandate and the establishment of this committee is testament to Namibia's shift into a new era of national development with ICT at the core. This committee meets every quarter to support and uplift innovators and entrepreneurs in the industry.

Another first for CRAN was the partnership with UNESCO on 13 February 2013 to celebrate World Radio Day. This commemoration day has never been celebrated in Namibia before. The event included workshops with commercial and community radio licensees on the economic and social benefits of radio services for Namibia. In a statement given at the event, CRAN's CEO likened the current explosion of ICT service innovations to the 18th century industrial revolution when radio technology was invented. He further said: "The Regulator has the responsibility to encourage the most comprehensive use of this communication medium in Namibia. In addition, radio serves as a platform for responsible political debate, shapes the identity of the nation and can mobilise society towards a common goal." This event will become an annual fixture on CRAN's calendar.

Later, also in February 2013, CRAN and other media stakeholders attended a "Media Information Sharing Seminar" hosted by the MICT. Some of the topics discussed were: "The History of Namibian Public Media and Philosophical Outlook", "Understanding Government Communication in the Modern Age", "Government Information Policy of 2006" and "Challenges and Solutions Towards Access to Resources". The Authority must hold strategic discussions with the MICT and critically evaluate the policies and regulations that govern this sector. CRAN is tasked to keep itself abreast of new developments in the sphere of copyrighting and the Access of Information Bill.

As technologies converge and the world gets smaller, CRAN sees its relation to other national regulators in the SADC region as paramount. Many of these regulators have been established for years and have much wisdom to offer a fledgling regulator such as CRAN. The Authority also joined CRASA.

In March 2013, CRAN attended the CRASA Annual General Meeting in Malawi. In addition, CRAN joined the CTO who facilitated the strategic planning sessions with senior management. CRAN also participated in the World Consumer Rights Day (15 March) held by the Namibia Consumer Trust (NCT). The department focused on using this platform to advocate for the consumer's rights in the ICT sector.

LEGAL

The Legal Advice department (referred to as Legal) has the core function of, amongst other things, advising all other departments on legal matters arising from the operations of CRAN, reviewing legal matters, drafting regulations mandated by the Communications Act and ensuring compliance with this Act. Legal also has a cross-functional role to assist other departments in their roles, functions and objectives.

Legal has and will continue to assist Operations with the transitioning of service licences from NCC to CRAN under the Communications Act and the finalisation of spectrum use license applications that were pending at the time of the establishment of CRAN. Legal ensured compliance with the requirements of the transitional process in terms of the Regulations regarding Transitional Procedures. These transitions were also published in the Government Gazette to comply with due process and to complete the transition processes.

Legal plays a vital role in CRAN's licensing procedures. It reviewed all spectrum applications that were pending before NCC and ensured that these complied with the legal requirements in terms of the Regulations regarding Transitional Procedures and Licensing Procedures. Legal also ensured compliance with all other telecommunications and broadcasting service licence applications and published same in the Government Gazette for comments in the interest of due process.

With the initiative of the Operations department, Legal also drafted standard Licensing Conditions Regulations for commercial and community broadcasters as well as for telecommunications service licences. These were finalised following a rule-making procedure and was published in the Government Gazette during September 2012. The purpose of these Regulations is to set out the standard conditions for telecommunications and broadcasting licensees in terms of sections 38, 39, and 86 of the Communications Act respectively. The standards set by these Regulations are the basis from which the strategic focus areas were developed: to ensure amongst others, that licensees comply with the requirements and or obligations prescribed by the Communications Act (and enforce them in the case of non-compliance). They further ensure that a dominant player in the market does not abuse its position; ensure effective regulation of the sector; ensure a level playing field for all licensees; ensure fair competition and consumer protection in the sector and finally to protect the interests of the public in the provision of communications services.

Once licences were awarded to successful applicants, Legal made certain that the licensees complied with their licence conditions and with the provisions of the Communications Act and their respective obligations and also, to enforce these provisions, obligations and conditions in the event of non-compliance by licensees. With the assistance and support of other departments, Legal had the responsibility to make sure that the provisions of the Communications Act, licence conditions and other Regulations applied to all licensees equally and consistently in the interest of fairness and justice.

On 11 May 2012, CRAN conducted a public hearing facilitated by Legal with assistance from the Economics and Communications departments, on market study to determine dominance in terms of section 78 of the Communications Act. Legal ensured that due process was followed at the hearing and that the proceedings were transparent and fair.

With the support of other departments legal drafted "Hearing Regulations" in terms of section 30 of the Communications Act. These Regulations were published on 13 September 2012 and apply to all hearings that are called in terms of the Act with the purpose of ensuring fair and transparent procedures are adhered to prior to CRAN making decisions as an administrative body.

Legal further assisted the Economics department with the consideration of submission of rates and tariffs by licensees for review and approval. Legal ensured that these tariffs were published in the Government Gazette for public comment in the interest of due process. Legal also made sure that the submitted tariffs complied with the requirements as set out by section 53 of the Communications Act regarding submission of tariffs.

Legal, during the year under review, also assisted the Human Resources department in drafting employment contracts in compliance with the Labour Act, 2007 (Act No. 11 of 2007). The department also reviewed policies initiated by the Human Resources and Finance departments to ensure they comply with the requirements of the Labour Act and other relevant applicable legal principles. These policies included the Probation Policy, Leave Policy, Performance Management Policy and the First Remuneration Policy.

HUMAN RESOURCES

CRAN cannot advance ICT without the right staff complement. Employees at CRAN are the catalysts that will ring the changes on raising Namibia's ICT status to world standards. It is for this reason that the Human Resources department worked tirelessly to formulate policies that would recruit and retain an effective and efficient workforce. A staff complement of ten highly qualified professionals were recruited and then CRAN had a workforce of 29 employees.

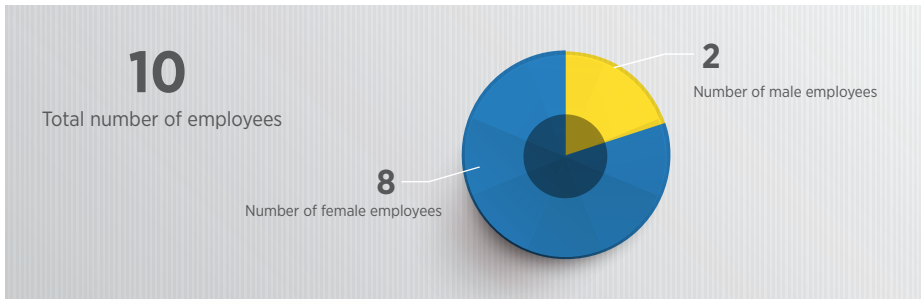
Recruitment and Selection

CRAN's main objective in terms of recruitment and selection is to recruit staff with the appropriate skills set and to create a fair and effective recruitment procedure that is consistent with Namibia's labour laws and to ensure that an unbiased and transparent process is followed.

As part of the recruitment process, candidates are asked standard questions to maintain consistency, continuity, and fairness.

Furthermore, psychometric assessments may be used as part of the recruitment process, especially for management, technical, and specialised positions. These assessments may address the candidate's empirical and numerical reasoning and specific competencies needed for the position. These results are used in combination with the technical questions, and presentations to determine the most suitable candidate for the position.

Table 1: Employees recruited for the period 1 April 2012 to 31 March 2013.



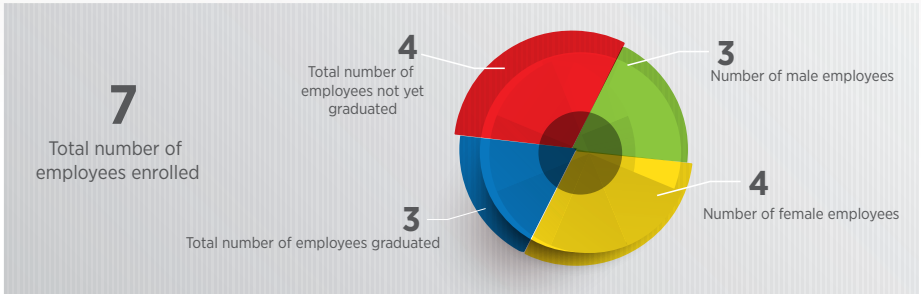
Training and Development

The training courses and programmes attended exposed participants to the latest developments and trends in the various disciplines, technologies, evolving business models and regulatory challenges that convergence brings. The courses assisted CRAN staff to keep abreast of the rapid developments in the ICT and regulatory industry, while maintaining a vibrant, competitive market that serves consumers.
The training improved comprehensive understanding of key issues in the world of communications and helped the staff to benchmark with other regulators worldwide. Staff who completed the programmes, also had a better understanding of ICT Policy and Regulations.

Staff Development

Staff development includes development programmes for which CRAN assists staff to study towards a formal qualification. During the period under review, seven staff members enrolled for staff development programmes. Three staff members obtained a Certificate in ICT Policy and Regulation. The rest of the staff have not yet completed the course.

Table 2: Staff development for the period 1 April 2012 to 31 March 2013.

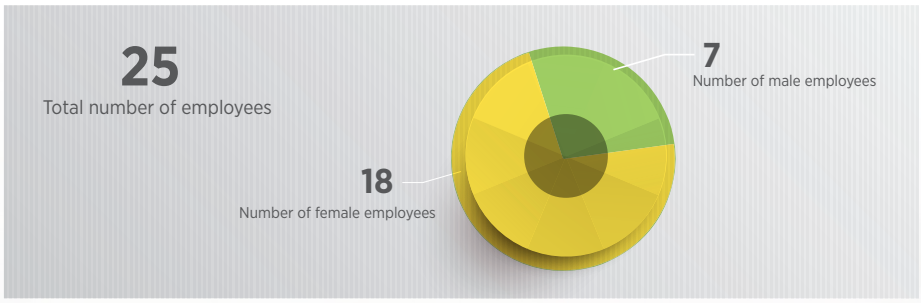


Professional Development

When staff attend work or business-related, seminars, conferences, workshops, or training, it empowers them to meet expected performance outputs. Out of the total staff complement of 29, 25 staff attended professional development and training courses.

Table 3: Employees who attended professional development courses for the period 1 April 2012 to 31 March 2013.

CRAN employees are trained in areas and incidental disciplines, which enhance CRAN's core business operations:



These include:

- ICT Policy and Regulation;
- Leadership and Management Development;
- Executive Management (Strategic and Financial);
- Remuneration Strategy and Salary Structuring;
- Staff Development and Talent Management;
- Policy Drafting and Implementation;
- Succession Management;
- IFRS and Tax updates;
- ACCPAC and MS Office package;
- Effective Budgeting Techniques;
- Public Private Strategies and Project Structuring;
- CIMA Professional Development;
- Spectrum Management and Licensing;
- Pricing and Costing in ICT;
- Procurement Negotiation and Contract Management;
- Economic/Electronic Regulation and Data Security;
- Telephone Etiquette and Office Management;
- Legal Writing and Minute-taking/Writing skills;
- Infrastructure Sharing Access and Networks;
- Accredited Public Relations;
- Social Media/Web Writing; and
- Service Excellence and Personal Branding Coaching.

Policies Formulated

Leave, Probation, Performance Management and Remuneration policies were approved during the period under review.

Performance Management

The Board approved the first Performance Management Policy in March 2013. All CRAN staff will sign their individual performance contracts in the near future.

Total Remuneration Package

In line with best practice, a total remuneration package approach was implemented.

Job Evaluation and Grading Process

CRAN embarked on a vigorous job evaluation and grading process in September 2012. The Patterson Job Grading System was used to grade all positions.

Wellness Activities

The Wellness Programme was officially launched in January 2013. The objective of this programme is to promote the overall health and wellbeing of CRAN employees - recognising the importance of employee wellness in the work place. It established a framework to identify the mechanisms and resources that can be used to encourage employee wellness.

FINANCE

CRAN's Financial Performance 2012 - 2013

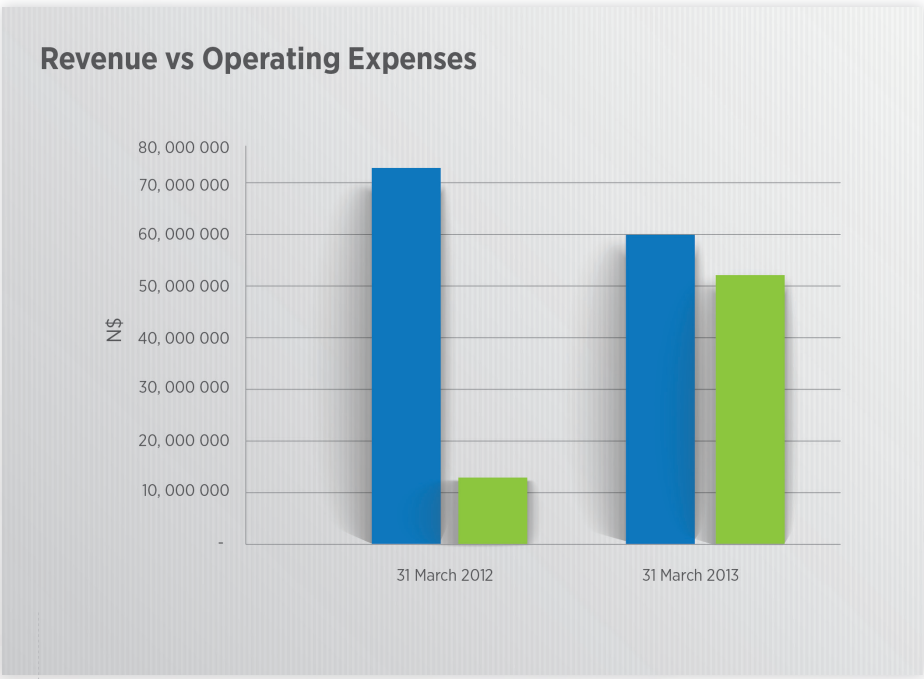
	2013	2012
Revenue	60 317 857	73 394 668
Total income	**60 317 857**	**73 394 668**
Operating expenses	(53 598 007)	(13 375 671)
Operating profit	**6 719 850**	**60 018 997**
Interest income	4 320 323	1 236 792
Interest expense	-	(20 630)
Profit for the period	**11 040 173**	**61 235 159**
Other comprehensive income	-	-
Total comprehensive income for the period	**11 040 173**	**61 235 159**

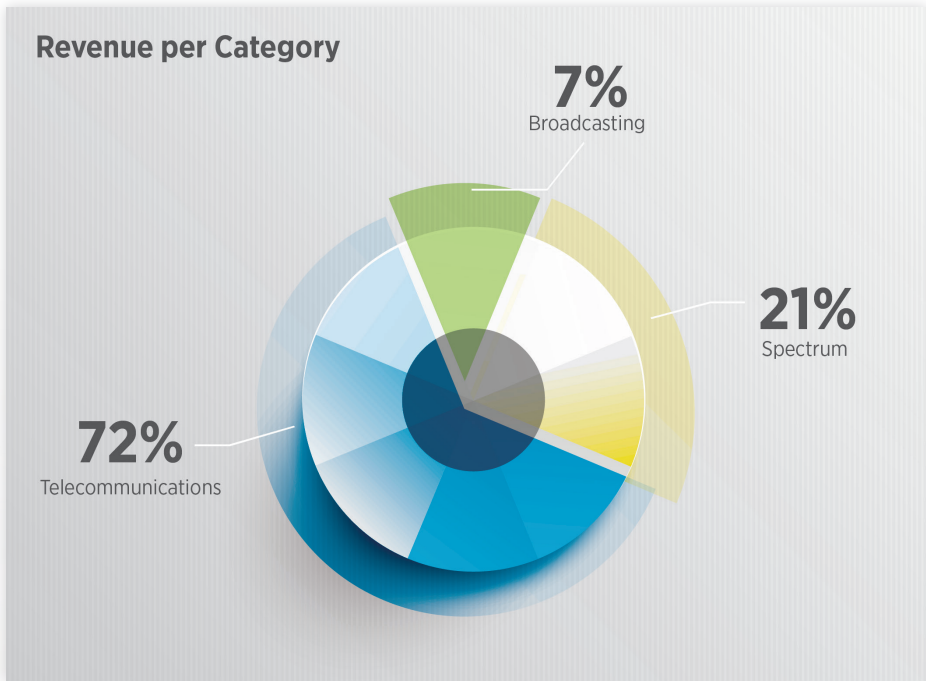
Revenue

The total revenue for the year ended 31 March 2013 (N$60.3 million) declined by 17.84% compared to 31 March 2012 (N$73.4 million). The significant contributing factor to the decline in revenue is the N$22 million that was included in the 2012 revenue arising from the Powercom/LEO transitional revenue.

Revenue per Catergory

CRAN's revenue is generated from spectrum usage licensing, and licensing fees from the telecommunications and broadcasting sectors.



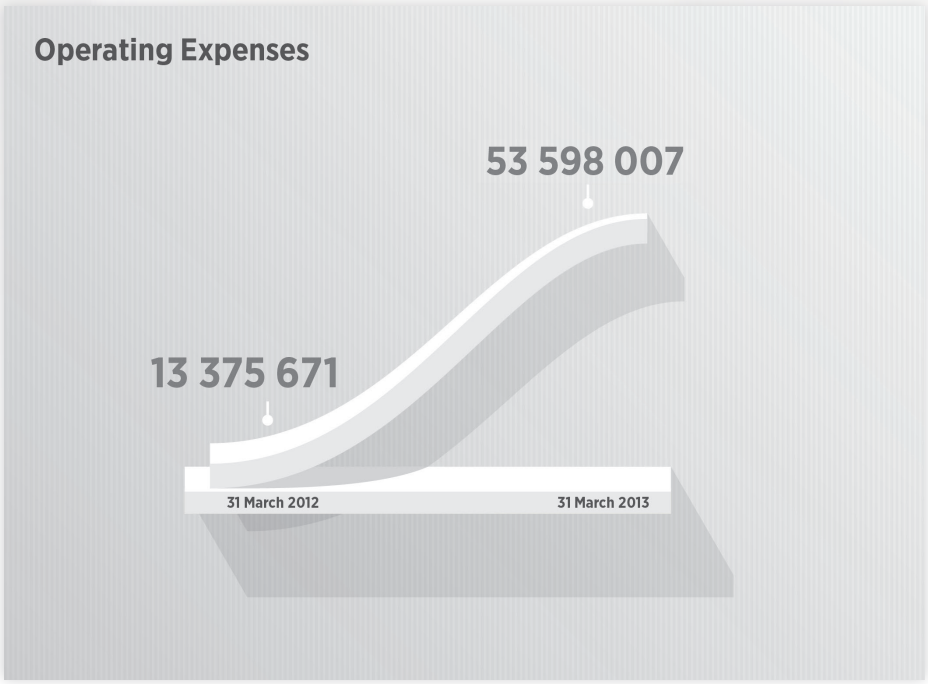


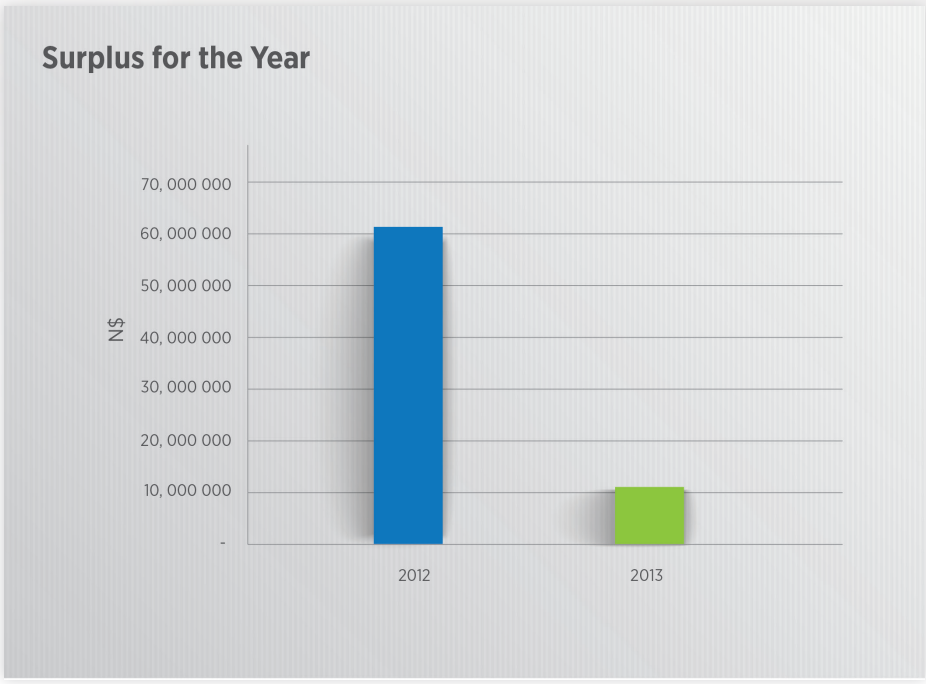
Operating Expenses

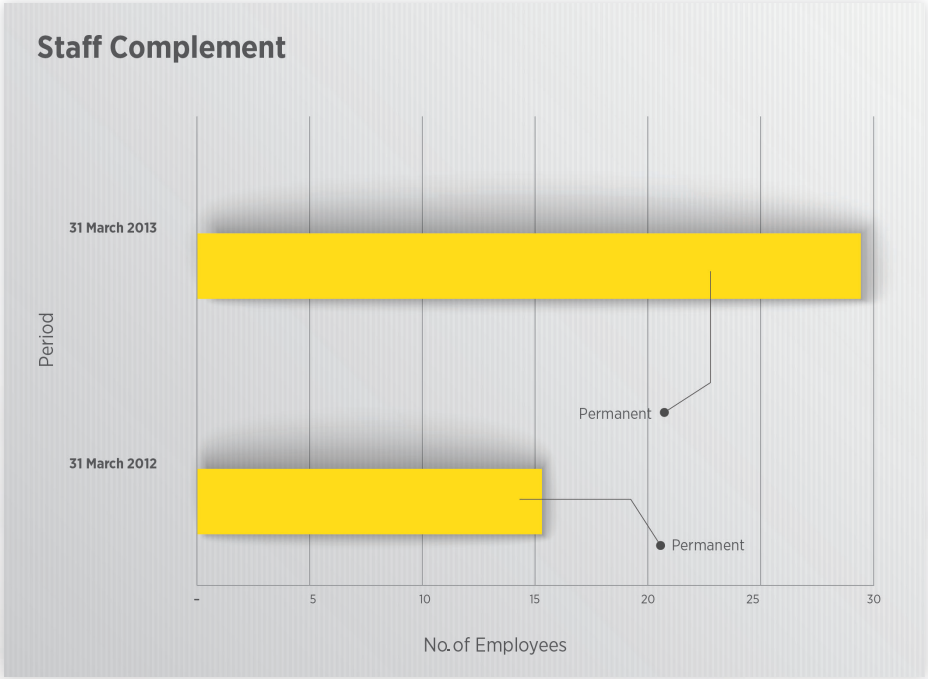
The operating expenses increased from N$13.4 million in the previous financial year to N$53.6 million. The increase was brought about by two factors: firstly, by the 587.13% increase in the provision for bad debts from N$3.2 million the previous financial year to N$25.0 million; secondly, by the increase in staff numbers from 17 to 29.

Surplus

The Authority recorded a surplus of N$11.0 million representing a decline of 81.22% from the previous financial year's figure of N$61.2 million. The decline is a result of a combination of two factors: namely, a decrease of 17.84% in revenue from N$73.4 million the previous financial year to N$60.3 million, as well as a 296.3% increase in the operating expenses from N$13.4 million the previous financial year to N$53.6 million.







FINANCIAL STATEMENTS

ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2013

CONTENTS

GENERAL INFORMATION

Country of incorporation and domicile	Namibia
Nature of business and principal activities	The Authority is a body corporate established under section 4 of the Communications Act, No. 8 of 2009, to regulate, supervise and promote the provision of telecommunications services and networks, broadcasting, postal services and the use and allocation of radio spectrum in Namibia.
Members of the board	Mr Lazarus N. Jacobs (Chairperson) Ms Hilma Hitula (Vice-Chairperson) Dr Tulimevava K. Mufeti Mr Edwin D. Beukes Mr Tylvas N. Shilongo
Registered office	56 Robert Mugabe Avenue, Windhoek, Namibia
Business address	56 Robert Mugabe Avenue, Windhoek, Namibia
Postal address	Private Bag 13309, Windhoek, Namibia
Bankers	Bank Windhoek
Auditors	Deloitte & Touche, Namibia
Functional currency	Namibia dollar ('N$') and is rounded off to nearest Namibia dollar.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The directors are required by the Communications Act, to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the Authority as at the end of the financial year and the results of its operations and cash flows for that year, in conformity with International Financial Reporting Standards. External auditors are engaged to express an independent opinion on the financial statements. Their report appears on page 3 of the financial statements.

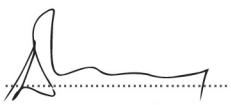
The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Authority and place considerable importance on maintaining a well-controlled environment. To enable the directors to meet these responsibilities, the board sets standards for 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 and all employees are required to maintain the highest ethical standards in ensuring the Authority's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Authority is on identifying, assessing, managing and monitoring all known forms of risk. While operating risk cannot be fully eliminated, the Authority endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are satisfied that the Authority has access to adequate resources to continue in operational existence for the foreseeable future.

The independent auditors, Deloitte & Touche, were given unrestricted access to all financial records and related data, including minutes of all meetings of the shareholders and the board, have audited the financial statements. The directors believe that all representations made to the independent auditors during their audit were valid and appropriate.

DIRECTORS' APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The annual financial statements set out from pages 6 to 23, which have been prepared on the going concern basis, were approved by the board on 27 November 2013 and were signed by:



Chairperson of the Board

Director/Chairperson of Audit Committee

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE COMMUNICATIONS REGULATORY AUTHORITY OF NAMIBIA

We have audited the annual financial statements of the Communications Regulatory Authority of Namibia which comprise the statement of financial position as at 31 March 2013, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes and the directors' report as set out on pages 4 to 23.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal controls as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Authority as at 31 March 2013 and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matter

Without qualifying our opinion, we draw attention to the fact that the supplementary information set out on pages 24 to 25 does not form part of the annual financial statements and is presented as additional information. We have not audited this information and accordingly do not express an opinion thereon.

Deloitte & Touche

Deloitte.

Registered Accountants and Auditors
Chartered Accountants (Namibia)
Per AA Akayombokwa
Partner Windhoek
27 November 2013

REPORT OF THE DIRECTORS

for the year ended 31 March 2013

The directors submit their report for the year ended 31 March 2013.

1. Incorporation

The Authority is a body corporate, established in terms of section 4 of the Communications Act, and came into effect on 18 May 2011.

2. Share capital

The Authority does not have share capital.

3. Review of activities

The Authority was established to regulate, supervise and promote the provision of telecommunications services and networks, broadcasting, postal services and the use and allocation of radio spectrum in Namibia.

During the year there was no change in the nature of the business.

The operating results and state of affairs of the Authority are fully set out in the attached financial statements and do not in our opinion require any further comment.

4. Subsequent events

The directors are not aware of any other matters or circumstances arising since the end of the financial year to the date of this report, not otherwise dealt with in the financial statements which would significantly affect the financial position and operating results of the Authority.

5. Directors interest in contracts

None of the directors or officers of the Authority had any interest in any contract during the financial year.

6. Accounting policies

The Authority has adopted the International Financial Reporting Standards, amendments and interpretations, the details of which are stated in note 1 to these annual financial statements.

7. Directors and secretary

The directors of the Authority during the year and to the date of this report are as follows:

Name	Date of appointment
Mr Lazarus N. Jacobs (Chairperson)	19 January 2013
Ms Hilma Hitula (Vice- Chairperson)	19 January 2013
Dr Tulimevava K. Mufeti	19 January 2013
Mr Edwin D. Beukes	24 February 2013
Mr Tylvas N. Shilongo	19 January 2013

The secretary to the board of the Communications Regulatory Authority of Namibia ("CRAN") is Ms Anna Matebele whose business and postal addresses are set out below:

Business Address:
Communications House
56 Robert Mugabe Avenue
Windhoek

Postal Address:
Private Bag 13309
Windhoek

REPORT OF THE DIRECTORS (continued)
for the year ended 31 March 2013

8. Income Tax Status

CRAN is exempt from income taxes in terms of the provisions of section 16(1)(e) of the Income Tax Act, No. 24 of 1981. A written confirmation to this effect was received from the Ministry of Finance on 09 September 2012.

9. Going concern

The financial statements have been prepared on a going concern basis as the board has a reasonable assurance that the Authority has adequate resources to continue in operational existence for the foreseeable future.

STATEMENT OF FINANCIAL POSITION

as at 31 March 2013

	Notes	2013	2012 Restated
		N$	N$
ASSETS			
Non-current assets			
Property, plant and equipment	3	13 479 362	380 082
Current assets			
Trade and other receivables	4	4 966 703	2 627 508
Cash and cash equivalents	5	96 811 606	96 805 786
		101 778 309	**99 433 294**
Total assets		**115 257 671**	**99 813 376**
EQUITY AND LIABILITIES			
Retained income		72 275 332	61 235 159
		72 275 332	**61 235 159**
Non-current liabilities			
Deferred income	11	37 035 281	37 035 281
Current liabilities			
Trade and other payables	6	5 947 058	1 542 936
Total equity and liabilities		**115 257 671**	**99 813 376**

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2013

	Notes	2013 N$	2012 N$
Revenue	10	60 317 857	73 394 668
Operating expenses		(53 598 007)	(13 375 671)
Operating profit	13	**6 719 850**	**60 018 997**
Interest income	12	4 320 323	1 236 792
Interest expense	12	-	(20 630)
Profit for the year		**11 040 173**	**61 235 159**
Other comprehensive income		-	-
Total comprehensive income for the year		**11 040 173**	**61 235 159**

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2013

	Capital Reserve N$	Retained income N$	Total N$
Balance at establishment as previously reported	-	-	-
Capital reserves as previously reported	37 035 281	-	37 035 281
Impact of change in accounting policy	(37 035 281)	-	(37 035 281)
Total comprehensive income for the year	-	61 235 159	61 235 159
Restated balance at 31 March 2012	**-**	**61 235 159**	**61 235 159**
Total comprehensive income for the year	-	11 040 173	11 040 173
Balance at 31 March 2013	**-**	**72 275 332**	**72 275 332**

STATEMENT OF CASH FLOWS

for the year ended 31 March 2013

	Notes	2013	2012
		N$	N$
Cash flow from operating activities			
Cash receipts from customers		57 978 663	70 767 160
Cash paid to suppliers and employees		(48 724 083)	(11 775 583)
Cash generated from operations	15	**9 254 580**	**58 991 577**
Net finance income	12	4 320 323	1 216 162
Net cash generated from operating activities		**13 574 903**	**60 207 739**
Cash flow from investing activities			
Additions to property, plant and equipment	3	(13 569 083)	(437 234)
Net cash used in investing activities		**(13 569 083)**	**(437 234)**
Cash flow from financing activities			
Transfer of cash from Namibia Communications Commission (NCC)		-	37 035 281
Net cash generated from financing activities		-	**37 035 281**
Net increase in cash and cash equivalents		5 820	96 805 786
Cash and cash equivalents at the beginning of the year		96 805 786	-
Cash and cash equivalents at the end of the year		**96 811 606**	**96 805 786**

1. Accounting policies

The annual financial statements are prepared in accordance with and comply with International Financial Reporting Standards ("IFRS") adopted by the International Accounting Standards Board ("IASB"), and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB.

The financial statements are prepared on the historical cost basis except as disclosed elsewhere.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, with the exception of the change in accounting policy relating to the classification of the funds received from the MICT during the prior year. Certain comparative amounts have been reclassified to conform to the current year's presentation. In addition the comparative statement of financial position has been re-presented as if the funds received from the MICT in the prior year were classified as deferred capital during the comparative year.

These financial statements are presented in Namibia dollar, which is the Authority's functional currency.

In the preparation of the financial statements the Authority has recorded various assets and liabilities on the presumption that the Authority is a going concern.

1.1 Property, plant and equipment

All property, plant and equipment are included at cost less accumulated depreciation. Cost includes all costs directly attributable to bringing the assets to working condition for their intended use.

Land is not depreciated as it is deemed to have an indefinite life.

Depreciation is recorded by a charge to comprehensive income on a straight-line basis so as to write off the cost of the assets to its residual value over their expected useful lives. No depreciation is charged for projects-in-progress. The expected useful lives are as follows:

Item	Useful life
Buildings	25 years
Furniture and fittings	10 years
Office equipment and radios	3 years
Vehicles	4 years
IT equipment	3 years
Computer software	3 years
Technical equipment	2 – 25 years

Repairs and maintenance are generally charged to expenses during the financial period in which they are incurred. However, major renovations are capitalised and included in the carrying amount of the asset, when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Authority. Major renovations are depreciated over the remaining useful life of the related asset.

When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining comprehensive income.

1.2 Taxation

No provision for taxation is required as the Authority is exempt from taxation in terms of section 16(1)(e) of the Income Tax Act No. 24 of 1981.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2013

1. Accounting policies (continued)

1.3 Leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income 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 ways of penalty is recognised as an expense in the period which termination takes place.

1.4 Financial instruments

Classification

The Authority classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained/ incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through Statement of Comprehensive Income, which shall not be classified out of the fair value through Statement of Comprehensive Income category.

Initial recognition and measurement

Financial instruments are recognised initially when the Authority becomes a party to the contractual provisions of the instruments. The Authority classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value. For financial instruments, which are not at fair value through Statement of Comprehensive Income, transaction costs are included in the initial measurement of the instrument.

Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Authority establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis etc.

1. **Accounting policies (continued)**

1.5 Financial instruments (continued)

Impairment of financial assets

At each reporting date the Authority assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the Authority, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment. Impairment losses are recognised in Statement of Comprehensive Income.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in Statement of Comprehensive Income. Where financial assets are impaired through use of an allowance account; the amount of the loss is recognised in Statement of Comprehensive Income within operating expenses. When such assets are written off the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in Statement of Comprehensive Income when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 120 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in Statement of Comprehensive Income within operating expenses.

When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in Statement of Comprehensive Income.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2013

1. Accounting policies (continued)

1.6 Impairment of assets

The Authority assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Authority estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Comprehensive Income.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in Statement of Comprehensive Income.

1.7 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical aid), are recognised in the period in which the service is rendered and is not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

1.8 Provisions and contingencies

Provisions are recognised when:

- the Authority has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

1. Accounting policies (continued)

1.8 Provisions and contingencies (continued)

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised.

1.9 Revenue

1.9.1 Revenue from normal course of business

Revenue includes amounts charged to the telecommunications operators and broadcasters of the country as Turnover Fees. These fees are based on a fixed percentage of the annual turnover of the telecom operators initially as certified by them and subsequently certified by their auditors on an annual basis.

Revenue also includes revenue from services such as Annual License Fees, Service License Fees and Spectrum Usage License Fees.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Authority;
- The stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- The costs incurred for the transaction and the costs to complete the transaction can be measured.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for services provided in the normal course of business, net of value added tax.

1.9.2 Revenue from transitional provisions

The Namibian Communications Commission (NCC) the predecessor of CRAN ceased to exist on 18 May 2011 and was replaced by CRAN as the new regulator. Section 135(1), (2) and (3) of the Communications Act No. 8 of 2009 and the subsequent Regulatory Notice No. 171 of Government Gazette No. 4737 of 17 June 2011 laid down the transitional provisions that were to be followed by CRAN and in terms of those transitional provisions the Authority shall collect and recognise as revenue all outstanding licensing fees owed to the predecessor of the Authority. This exercise is not expected to continue beyond the initial financial year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2013

1. Accounting policies (continued)

1.10 Change in accounting policy - asset transfer/capital reserve

The Namibian Communications Commission (NCC) the predecessor of CRAN, ceased to exist on 18 May 2011 and was replaced by CRAN as the new regulator. The assets and liabilities of the predecessor regulator, the NCC, were to be transferred to the new regulator, CRAN, after a final audit is concluded. To get started CRAN, needed a cash injection to commence its activities and on that basis, an amount of N$37 million was transferred from the NCC to CRAN during the prior year.

During the prior year, the funds were classified as a capital reserve. In order to achieve a more relevant and reliable presentation of those funds in the financial statements, management decided during the current year to classify the funds as deferred capital considering the fact that there is no certainty as to when the audit will be concluded.

The following table summarizes the adjustments made to the statement of financial position on the implementation of the new policy:

	Deferred Capital Reserve	Capital Reserve
Balances at 31 March 2012	-	37 035 281
Impact of change in accounting policy	37 035 281	(37 035 281)
Restated balances at 31 March 2012	**37 035 281**	**-**

1.11 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Namibia dollar, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

1.12 Contribution to Universal Service Fund

On 18 May 2011, the Communications Act, No. 8 of 2009 came into effect. The Minister however, has not commenced Part 4 of Chapter V, which deals with Universal Service, as at 31 March 2013. The Universal Service Fund can therefore not be established in law, and no contributions can be made to it. The Minister may, as provided in section 136(2), commence this on such date as he determines.

2. Adoption of new and revised standards

2.1 Standards and interpretations not yet effective

As at the date of these financial statements, the following new and revised standards and interpretations were in issue but not yet effective.

New/Revised International Financial Reporting Standards		Issued/ Revised	Effective for annual periods beginning on or after
IFRS 7	Financial Instruments: Disclosures — Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	December 2011	1 January 2013 and interim periods within those periods
IFRS 7	Financial Instruments: Disclosures — Amendments requiring disclosures about the initial application of IFRS 9	December 2011	1 January 2015 (or otherwise when IFRS 9 is first applied)
IFRS 9	Financial Instruments — Classification and Measurement	Original issue November 2009	1 January 2015
IFRS 9	Financial Instruments — Accounting for financial liabilities and derecognition	Original issue October 2010	1 January 2015
IFRS 10	Consolidated Financial Statements	Original issue May 2011	1 January 2013
IFRS 11	Joint Arrangements	Original issue May 2011	1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	Original issue May 2011	1 January 2013
IFRS 13	Fair Value Measurement	Original issue May 2011	1 January 2013
IAS 1	Presentation of Financial Statements — Amendments to revise the way other comprehensive income is presented	June 2011	1 July 2012
IAS 19	Employee Benefits — Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects	Amended June 2011	1 January 2013
IAS 27	Consolidated and Separate Financial Statements — Reissued as IAS 27 *Separate Financial Statements* (as amended in 2011)	May 2011	1 January 2013
IAS 28	Investments in Associates — Reissued as IAS 28 *Investments in Associates and Joint Ventures* (as amended in 2011)	May 2011	1 January 2013
IAS 32	Financial Instruments: Presentation — Amendments to application guidance on the offsetting of financial assets and financial liabilities	December 2011	1 January 2014

A reliable estimate of the impact of the adoption of the recent amendments for the Authority has not yet been determined.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2013

3. Property, plant and equipment

	N$	N$	N$	N$	N$	N$	N$
2013:	Computer Software	Computer hardware	Office Equip-ment	Furni-ture and fittings	Spectrum monitoring tool	Motor vehicles	Total
Cost							
At the beginning of the year	115 019	186 140	136 075	-	-	-	437 234
Additions during the year	122 749	429 888	124 244	1 840 748	10 879 733	171 721	13 569 083
Disposals during the year		(11 950)	(5 950)	-	-	-	(17 900)
At end of the year	**237 768**	**604 078**	**254 369**	**1 840 748**	**10 879 733**	**171 721**	**13 988 417**
Accumulated depreciation							
At the beginning of the year	14 459	26 357	16 336	-	-	-	57 152
Charge for the year	85 544	146 794	78 204	131 193	-	14 310	456 045
Disposals	-	(3 651)	(491)	-	-		(4 142)
At end of the year	**100 003**	**169 500**	**94 049**	**131 193**	**-**	**14310**	**509 055**
Carrying amount							
At beginning of the year	100 560	159 733	119 789	-	-	-	380 082
At the end of the year	**137 765**	**534 578**	**160 320**	**1 709 555**	**10 879 733**	**157 411**	**13 479 362**
2012:							
Cost							
At the beginning of the year							
Additions during the year	115 019	186 140	136 075	-	-	-	437 234
At end of the year	**115 019**	**186 140**	**136 075**	**-**	**-**	**-**	**437 234**
Accumulated depreciation							
At the beginning of the year							
Charge for the year	14 459	26 407	16 286	-	-	-	57 152
At end of the year	**14 459**	**26 407**	**16 286**	**-**	**-**	**-**	**57 152**
Carrying amount							
At beginning of the year	-	-	-	-	-	-	-
At the end of the year	**100 560**	**159 733**	**119 789**	**-**	**-**	**-**	**380 082**

4. Trade and other receivables	2013 N$	2012 N$
Trade receivables	29 752 133	5 808 506
Less provision for bad debts	(25 038 577)	(3 180 998)
Other receivables	253 147	-
	4 966 703	2 627 508
Past due but not impaired		
Past due for 60 – 90 days	5 502 595	1 657 412
Past due for 91 – 120 days	4 427 478	970 096
	9 930 073	2 627 508
Past due and impaired		
Past due for 30 – 60 days	18 717 000	-
Past due for over 120 days	3 140 579	3 180 998
	21 857 579	3 180 998

In determining the recoverability of trade receivables, the Authority considers any change in the credit quality of the trade receivables from the date the credit was granted up to the reporting date. In the prior year, the directors were of the opinion that no further credit provision was required in excess of the provision for bad debts. At reporting this year however, the directors made an additional provision of N$18.7 million for the invoice due by Telecom Namibia Limited in respect of its annual turnover levy for the year ended 30 September 2012.

5. Cash and cash equivalents	2013 N$	2012 N$
Bank balances	96 792 642	96 779 829
Cash on hand	18 964	25 957
	96 811 606	96 805 786

6. Trade and other payables		
Trade payables	3 534 016	911 539
Leave pay provision	495 535	230 556
Bonus provision	-	330 841
Accruals	1 917 507	70 000
	5 947 058	1 542 936

7. Related parties

Members of the board - Refer page 4

Members of Key Management

Stanley Shanapinda (Chief Executive Officer)
Jochen Traut (Chief Operations Officer)
Justus Tjituka (Head: Finance)
Anna Matebele (Head: Legal Advice/Secretary to the Board)
Lucrezia Henckert-Louw (Head: Human Resources)
Regina le Grange (Head: Electronic Communications)
Helena Vosloo (Head: Economics and Sector Research)
Lelanie Basson (Head: Corporate Communications and External Relations)

Related Companies

The Authority regards government and state owned enterprises, and other government interest organisations as related parties. During the year, the following individually significant transactions were entered into with such parties.

	2013 N$	2012 N$
Mobile Telecommunications Company	30 143 675	40 234 067
Namibia Broadcasting Corporation	583 504	1 307 276
Telecom Namibia Limited	20 555 400	1 754 400

8. Directors' fees

Sitting fees	287 200	592 751

9. Compensation to key management

Short term employee benefits	8 788 582	2 030 619

10. Revenue

	43 538 935	50 642 321
Telecommunications	3 917 921	5 871 573
Broadcasting	12 861 001	16 880 774
Spectrum/Licensing	60 317 857	73 394 668

11. Deferred capital reserve – refer note 1.10	37 035 281	37 035 281

12. Net finance income

Interest income		
- Bank	4 320 323	1 236 792
Interest expense		
- Trade payables	-	(20 630)
Net finance income	4 320 323	1 216 162

13. Operating profit

Operating profit is shown after taking into account the following:

Staff costs	11 968 030	2 495 350
Directors' fees	287 200	592 751
Lease charges	865 723	-
Depreciation	456 045	57 152
Loss on the disposal of assets	13 758	-
Audit fees	90 000	70 000
Increase in provision for bad debts	21 857 579	3 180 998

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2013

14. Operating lease arrangements

The operating lease relates to the rental of office space situated on Erf 6517, Peter Muller Street, Windhoek, for a period of 36 months. The Authority does not have the right to purchase the office building at the end of the lease period.

	2013	2012
Minimum lease payments	N$	N$
Up to 1 year	959 641	-
2-5 years	1 144 243	-
More than 5 years	-	-
Total	2 103 884	-

15. Cash generated from operations

Profit for the year	11 040 173	61 235 159
Net interest income	(4 320 323)	(1 216 162)
Depreciation	456 045	57 152
Loss on the disposal of fixed assets	13 758	-
Movement in provision for doubtful debts	21 857 579	3 180 998
Changes in working capital		
Trade and other receivables	(24 196 774)	(5 808 506)
Trade and payables	4 404 122	1 542 936
	9 254 580	58 991 577

16. Capital risk management

The Authority's objectives when managing capital are to safeguard the Authority's ability to continue as a going concern in order to provide value for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Authority has sufficient liquidity and borrowings capacity to meet its ongoing operating need, including approved capital expenditure.

17. Financial risk management

The Authority's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Authority's financial performance. A finance department, under policies approved by the board carries out risk management. The board provides written principles for overall risk management.

17. **Financial risk management (continued)**

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Authority's finance department maintains flexibility in funding by maintaining various investments with different maturity dates.

The Authority manages liquidity risk through an ongoing review of future commitments based on the approved capital expenditure budget and availability of funds.

A cash flow forecast is prepared annually and is revised at the end of every quarter.

The table below analyses the Authority's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Weighted average interest rate	Less than 1 year	Between 2 and 5 years	More than 5 years	Total
2013					
Financial assets					
Trade and other receivables	-	4 966 703	-	-	4 966 703
Cash and cash equivalents	-	96 811 606	-	-	96 811 606
		101 778 309	-	-	101 778 309
Financial liabilities					
Accruals	-	2 413 042	-	-	2 413 042
Trade payables & other payables	-	3 534 016	-	-	3 534 016
		5 947 058	-	-	5 947 058
2012					
Financial assets					
Trade and other receivables	-	2 627 508	-	-	2 627 508
Cash and cash equivalents	-	96 805 786	-	-	96 805 786
		99 433 294	-	-	99 433 294
Financial liabilities					
Accruals	-	631 397	-	-	631 397
Trade payables & other payables	-	911 539	-	-	911 539
		1 542 936	-	-	1 542 936

Interest rate risk

The Authority is exposed to various risks associated with the effect of fluctuations in the prevailing levels of market rates of interest on its cash resources and investments. The cash resources are managed to ensure that surplus funds are invested in a manner to achieve maximum returns while minimising risks. The Authority places its funds both in fluctuating interest earning call deposits which are adjusted on a short-term basis based on changes in the prevailing market-related interest rates.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2013

17. **Financial risk management (continued)**

Further, these call deposits are due on demand. The call account deposits amounting to N$74.1 million (2012: N$94.1 million) are exposed to cash flow interest rate risk. However, considering the short-term maturity for these deposits, these risks are minimised.

	Current interest rate	Less than 1 year	Between 2 and 5 years	More than 5 years	Total
Financial assets					
Call account	4.65%	74 113 586	-	-	74 113 586

A fluctuation of 100 basis points on the interest rate will have an increase/decrease effect of N$741 136 on profits.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The Authority only deposits cash with Bank Windhoek.

Trade receivables before allowance for doubtful debts are mainly from three major operators from the telecommunications sector, amounting to N$29.8 million (2012: N$5.8 million) at the year-end. Management evaluated credit risk relating to customers on an ongoing basis especially on major customers by obtaining their latest financial statements, budgets etc.

The management evaluates credit risk relating to its debtors on an ongoing basis and where appropriate, makes adequate provisions for bad and doubtful debts. The cash resources are placed with reputable financial institutions.

Financial assets exposed to credit risk at year-end were as follows:

	2013	2012
	N$	N$
Call account	74 113 586	94 405 679
Trade receivables	4 966 703	2 627 508

Foreign exchange risk

There are no foreign currency exposures outstanding at the year-end. The Authority does not hedge foreign exchange fluctuations.

DETAILED STATEMENT OF COMPREHENSIVE INCOME

for the ended 31 March 2013

	2013 N$	2012 N$
Revenue		
Telecommunications	43 538 935	50 642 321
Broadcasting	3 917 921	5 871 573
Spectrum/Licensing	12 861 001	16 880 774
Total Revenue	**60 317 857**	**73 394 668**
Net Interest income	4 320 323	1 216 162
Operating Expenses		
Employment costs	11 968 030	2 495 350
Staff training and development	545 836	301 448
Subsistence and travel allowance	1 214 687	393 623
Bank charges	32 964	15 178
Computer equipment expenses	53 998	-
Entertainment	68 538	17 333
Insurance	36 632	28 238
Miscellaneous expenses	153 445	54 361
Office supplies and refreshments	138 598	37 988
Postage and courier	39 166	14 135
Machine Rental	89 989	4 957
Printing & Stationary	579 991	169 844
Director's fees	287 201	592 751
Audit fees	90,000	70 000
Consultancy fees	4 371 637	3 756 949
Legal fees	1 726 696	346 123
Advertising	764 182	529 225
Branding and corporate identity	195 646	151 020
Campaigns	2 180 599	-
Corporate events	928 221	54 348
Cell phone charges	425 890	19 985
Donations	300 000	-
IT infrastructure management	452 573	-
Telephone, fax, internet	36 940	12 323

DETAILED STATEMENT OF COMPREHENSIVE INCOME

for the ended 31 March 2013 (continued)

	2013 N$	2012 N$
Spectrum management	5 049	-
Subscriptions	21 170	4 630
Vehicle rental	8 300	-
Website costs	-	5 200
Repairs and maintenance	75 245	31 480
Office rental	865 727	-
Utilities	66 530	-
Security services	304 754	40 807
Cleaning services	51 061	51 252
Library expenses	159 541	9 470
Conference fees	79 207	-
Fuel & supplies	9 679	-
Membership fee - CRASA	349 314	328 400
CRASA contributions	62 453	-
Licence fees	64 458	8 028
Professional memberships	10 000	-
Project consultancy	273 409	-
Profit/Loss on the disposal of assets	13 758	-
Public hearings & stakeholders	28 164	-
Foreign exchange gains and losses	78 138	2 408
General expenses	68 480	37 231
Office supplies and refreshments	-	6 122
Subscriptions – print	14 357	13 230
Travelling and accommodation	1 969 345	479 742
Website costs	-	40 400
Delivery charges	24 785	13 942
Bad debts	21 857 579	3 180 998
Depreciation	456 045	57 152
Total operating expenditure	**53 598 007**	**13 375 671**
Profit for the year	**11 040 173**	**61 235 159**