

ANNUAL REPORT

—
2020 / 21

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ANNUAL REPORT

2020 / 21



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ABOUT TELECOM NAMIBIA

As a leading provider of broadband solutions and backbone infrastructure in the country, Telecom Namibia keeps individuals and businesses digitally connected using a variety of modern global communication technologies. Telecom Namibia Limited is incorporated under the Post and Telecommunications Act of 1992 and is a subsidiary of Namibia Post and Telecom Holdings Limited (NPTH).

Since the commercialization of Telecom Namibia in 1992, the company has over the years evolved into a multi-faceted telecommunications service provider and invested billions of Namibian dollars in infrastructure development across Namibia and at strategic international locations in Southern Africa and Europe.

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. Telecom Namibia has adopted a strategy to provide integrated communication solutions and have products and solutions tailored for Wholesale, Corporates, Government, Large Enterprises, Medium Enterprises, Small Enterprises, Small Office Home Office and Residentials.

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 cable network and access to international destinations for voice, data and internet communication. With its extensive global connectivity, Telecom Namibia is poised as a regional Internet hub and digital gateway to the SADC region. Telecom Namibia's highly developed international network provides direct connections from Namibia to more than 240 destinations around the world.

Telecom owns and operates a fiber network covering over 13,000 km across the country, which is equipped with a total of 850 Gb/s DWDM and IP based services capacity. Telecom Namibia has deployed over 500 Ethernet and IP/MPLS Points of Presence, thus allowing IP and Carrier Ethernet connectivity across most parts of the country. Telecom Namibia has achieved a network roll out to date of over 300 mobile services base stations throughout the country, with several sites equipped with 3G, 4G and 4.5G technology for mobile broadband. Telecom Namibia's network modernisation plans will address a number of legacy systems across all network layers and domains and will serve as a key foundation to support its Business Digitalisation initiative which in turn is aimed to support digital transformation of the various industries and market segments served by Telecom Namibia.

Complementing the deployment of additional mobile broadband access technologies, new IP/Ethernet backhauling network stations were deployed across the country. These 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.

To improve service delivery to our customer, the company places emphasis on continuing customer service quality enhancements and innovations. 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 to its customers.

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

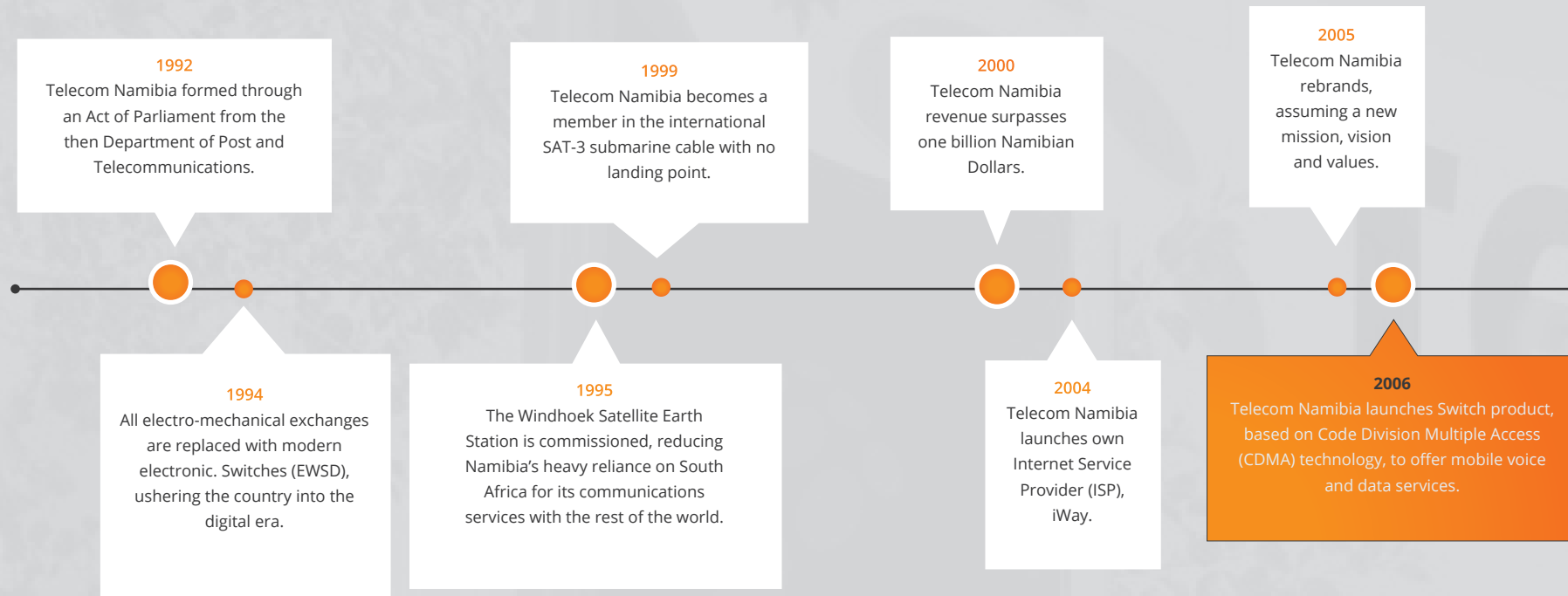
In 2009, Telecom Namibia entered into the Angolan telecommunication market with the acquisition of a 44% stake in Mundo Startel (MST), a fixed line telecommunication services provider.

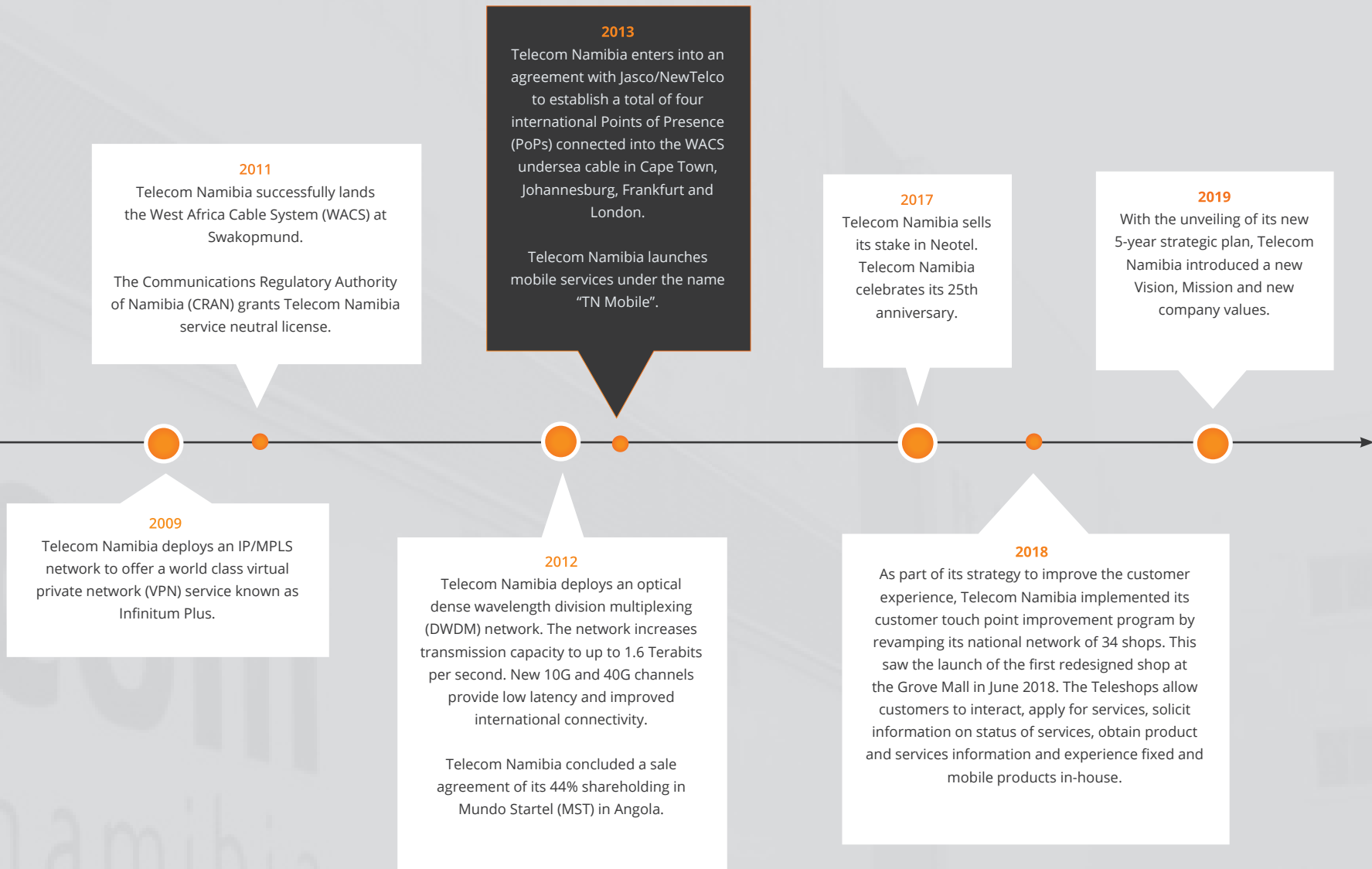
ACQUISITION OF POWERCOM (PTY) LTD

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



KEY MILESTONES





OUR VISION, MISSION & VALUES

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



VISION

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



MISSION

To provide superior solutions and experience to our customers

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; transform the operating model and embed legal and regulatory compliance culture.



PERFORMANCE DRIVEN CULTURE

The objective being to ensure we foster leadership excellence and reinvent our performance management system as an enabler for the delivery of our objectives.

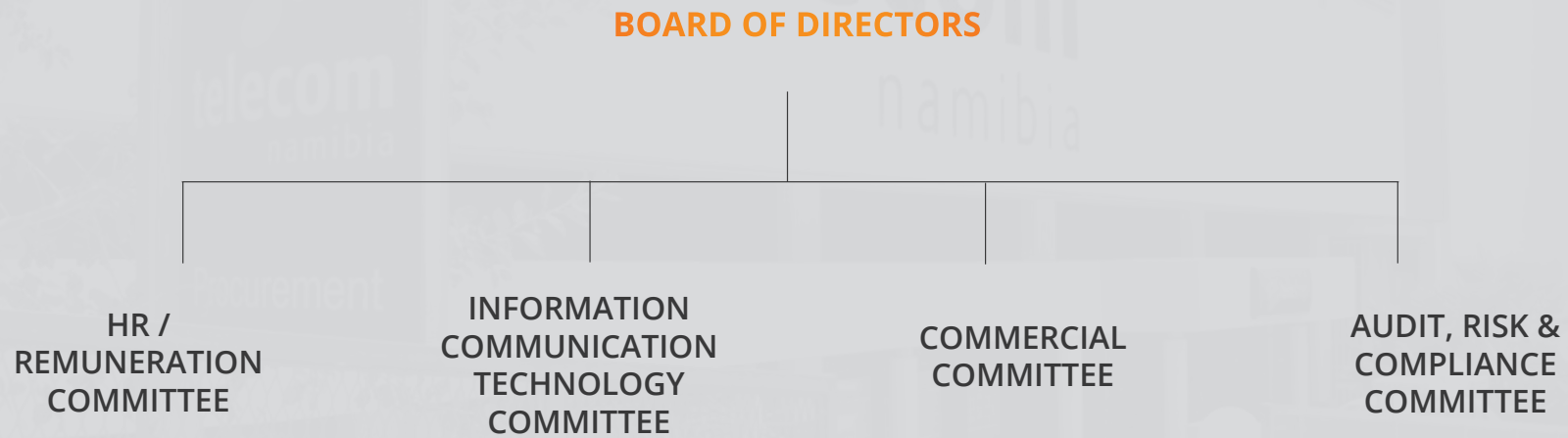


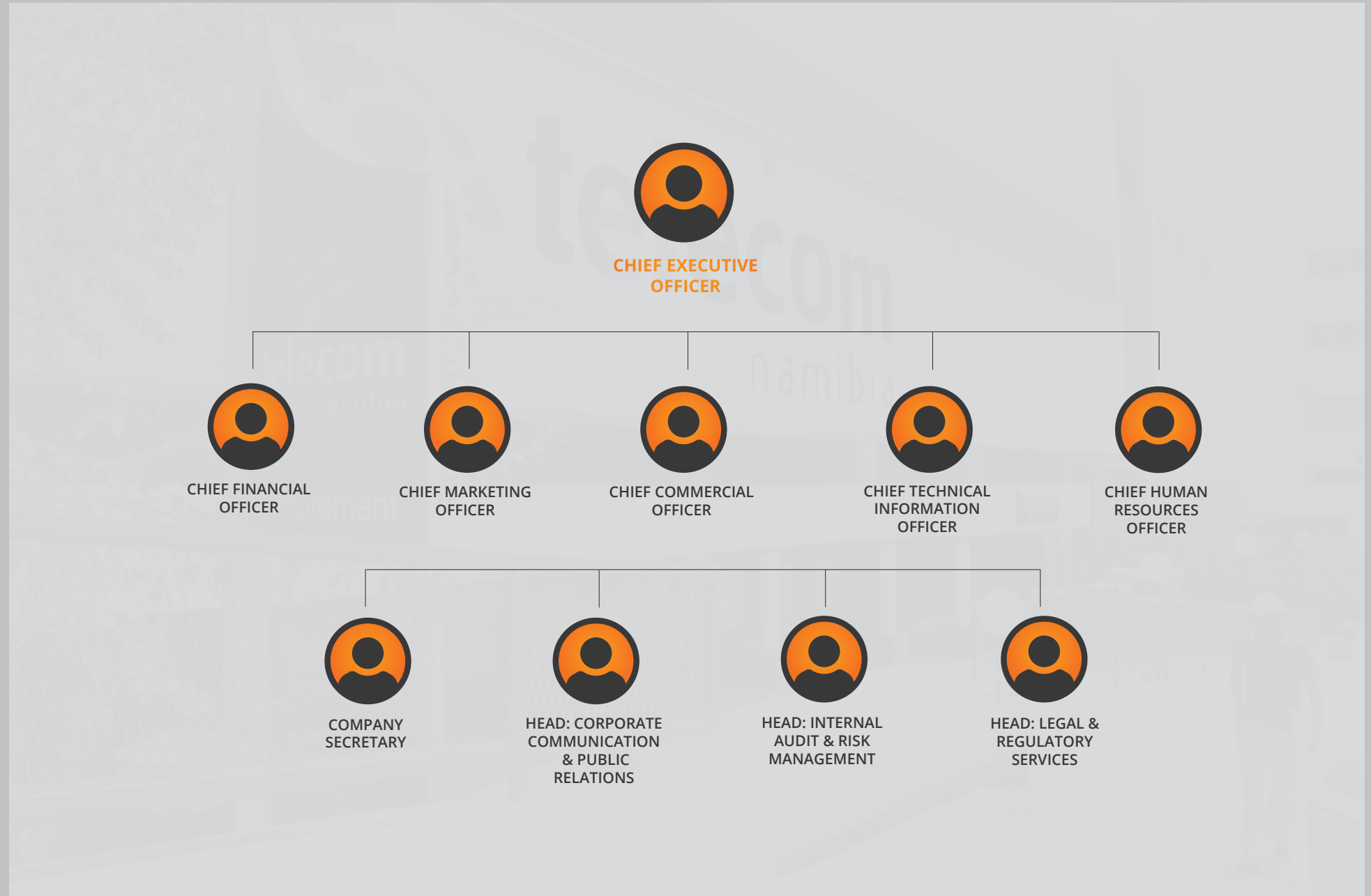
CUSTOMER EXPERIENCE

The objective being to improve service delivery turnaround time to improve customer touchpoints and relationships, and provide an innovative products and solutions portfolio.



ORGANISATIONAL STRUCTURE





HIGHLIGHTS: TECHNICAL AND FINANCIAL

COMPANY COMPARATIVE GROWTH/DECLINE								
TECHNICAL	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Port Capacity (Network Switch Capacity)	213,953	158,786	229,825	280,489	281,209	281,119	281,209	292,822
Percentage Digital	100%	100%	100%	100%	100%	100%	100%	100%
Fixed Broadband Subscribers	39,705	43,327	57,574	53,937	53,850	63,695	68,140	71,839
Mobile Subscribers	-	100,429	159,913	187,238	243,080	253,076	285,063	389,854
Fixed Subscribers (Broadband Subscribers incl.)	190,665	198,800	200,502	191,947	218,729	215,657	225,497	208,710

COMPANY COMPARATIVE GROWTH/DECLINE								
FINANCIAL	2013/14 N\$'000	2014/15 N\$'000	2015/16 N\$'000	2016/17 N\$'000	2017/18 N\$'000	2018/19 Restated* N\$'000	2019/20 Restated* N\$'000	2020/21 N\$'000
Revenue	1,352,636	1,419,762	1,517,558	1,502,614	1,529,717	1,553,701	1,470,526	1,444,017
Operating Profit/(Loss)	(601,808)	(70,337)	(18,347)	49,681	72,043	(94,856)	23,692	64,336
Total Comprehensive (Income/Loss) for the Year	(555,645)	(83,928)	(41,240)	8,984	(82,896)	(24,231)	10,883	1,157
Tangible & Intangible Assets	1,911,029	1,749,947	1,628,044	1,440,591	1,341,582	1,285,356	1,246,728	1,187,564
Long-term Borrowings	159,000	147,652	125,682	95,651	56,776	30,000	-	-
Equity	575,927	891,999	850,759	839,913	776,847	581,356	561,030	562,183
Capital Expenditure	330,873	164,021	146,153	66,519	122,960	151,060	163,347	171,496

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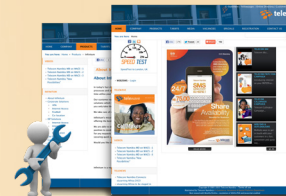
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BOARD OF DIRECTORS



Melkizedek Uupindi

*Chairperson
Independent Non-Executive Director*



Amanda Hauuanga

*Deputy Chairperson
Independent Non-Executive Director*



Rowan Kleintjes

Independent Non-Executive Director



Melanie Tjjenda

Independent Non-Executive Director



Fernando Somaeb

Independent Non-Executive Director

CHAIRPERSON'S REVIEW



The 2020/21 financial year marked leadership changes at Telecom Namibia, changes that are geared towards the stabilisation of the company.

It is with great excitement, given the company's prospects, that I present this report to you on behalf of the Telecom Namibia Board.

MACRO-ECONOMIC DEVELOPMENTS AND OPERATING ENVIRONMENT

The domestic, regional, and global economies are gradually recovering, as most countries open their borders and resume economic activity in areas affected by lockdowns due to COVID-19.

Following the relaxation of COVID-19 measures imposed in 2020 due to the pandemic, economic activities started to pick up in 2021. In real terms, the economy rebounded to a positive growth rate for the first time in two years, growing by 2.4 percent in 2021 compared to a contraction of 7.9 percent recorded in 2020 during the height of COVID-19 pandemic. Signs of slow recovery associated with the pandemic was seen in traditional traffic-sensitive revenue streams such as voice and roaming revenue that were severely impacted by global and domestic country-wide lockdowns.

FINANCIAL PERFORMANCE

The 2021 financial year was a challenging year with the global and domestic economy remaining under pressure due to the COVID-19 pandemic. Telecom Namibia's revenue growth initiatives were negatively impacted by the COVID-19 pandemic and Group revenue contracted by 1% year on year in 2021.

Overall Telecom Namibia subscribers recorded a growth of 17% from 510,560 in 2020 to 598,564 in 2021. This growth is mainly attributed to growth in mobile and fixed broadband subscriptions.

Growth in Telecom Namibia market share in future will be supported by renewed investment focus towards mobile network expansion, Fibre to the Home and improved customer experience.

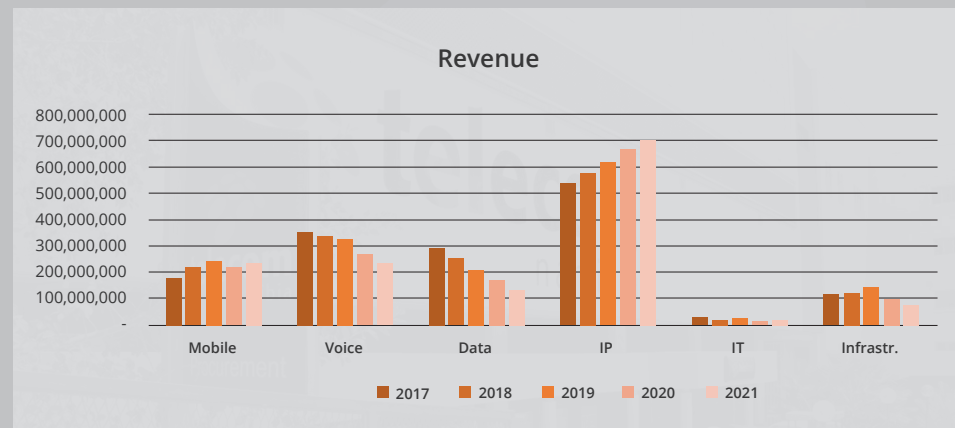
Operation Autumn Cleaning (OAC) was implemented during the year to save costs and mitigate the negative impact of COVID-19. The initiative yielded mixed results with savings realized compared to prior year in Cost of sales (9.39%) and Admin expenses (2.49%) while impairments of non-current assets increased operating expenses.

Telecom Namibia values its sound relationship with regulatory authorities based on professionalism, respect and rule of law. I am therefore pleased to report that Telecom Namibia reached a settlement agreement with the Communications Regulatory Authority of Namibia (CRAN) in respect of Numbering Ranges invoices on 27 January 2021, for N\$ 6 million instead of N\$ 53 million.

CHAIRPERSON'S REVIEW

Similarly, Telecom Namibia, as a good corporate citizen, honours its contractual obligations with its service providers and financiers. Based on prudent financial management principles, Telecom Namibia settled a loan of N\$30 million with the Development Bank of Namibia, paying the final instalment in March 2021.

The Group invested N\$179.3 million in 2021 (2020: N\$179.3 million), in mobile expansion and FTTx projects to grow the IP and mobile revenue streams and in MSAN rollouts which replaced legacy equipment. The capital investments for the year included an amount of N\$ 10 million in the Equiano Submarine cable system during the 2021 financial year and committed a further N\$50 million during 2022 when the project is expected to be completed. In line with Telecom Namibia's international strategy of becoming a regional ICT hub, the increased capacity from the Equiano cable is part of our ongoing commitment to connecting the Namibian people with faster and more reliable internet connections.



BUSINESS TRANSFORMATION – OUR JOURNEY INTO THE NEXT 2 YEARS

The Board is committed to steering strategic planning, ensuring alignment between the Integrated Strategic Business Plan, the Operation Autumn Cleaning (OAC), and financial planning.

The Board is focused on modernising the telecommunication's network for Telecom Namibia to ensure improved service delivery and ensure that the company meets the CRAN parameters. As such, the Board engaged various stakeholders to address challenges in procurement delays that affect Telecom Namibia's operational efficiency and received favourable assistance from the shareholder in fast tracking critical projects.

To ensure redundancy and uninterrupted services, Telecom Namibia participated in bringing the Google Equiano Cable to Namibia and is therefore a cable landing 'partner' with Paratus. This was made in the spirit of infrastructure sharing and co-competition as envisaged under the Harambee Prosperity Plan II (HPPII). The capacity of the cable is 20 x 10G and will vastly improve Namibia's international connectivity, thereby enabling the fourth industrial revolution (4IR) as it relates to Namibia's economic development goals.

CORPORATE GOVERNANCE AND LEADERSHIP CHANGES

Telecom Namibia entered a period of transition at Board level and executive level, following the appointment of an interim Board from 08 July 2020 to 31 March 2021. To ensure leadership stability, a substantive Board was appointed with effect from 01 May 2021, for a period of three years. The Board is comprised of professionals with a varied set of skills covering leadership, governance, strategic marketing, sales, customer care, commercial, and business management, legal, information technology, cyber security, and finance.

With the facilitation of the Company Secretary, the new Board was duly inducted and oriented into its roles, duties and to ensure familiarity with the ICT sector and the company's urgent business targets.

The Board of Directors are responsible for the stewardship of the company and in discharging its obligations, the Board assumed responsibility to review, approve and monitor fundamental financial and business strategies, plans, goals, and other major corporate actions.

The Board continues to identify and regularly monitor key risk areas and key performance indicators of the business, and review and monitor the risk management process in place.

The Board ensures that the company complies with relevant laws, regulations, and codes of business practice, and in line with this, reviewed and updated the company's Code of Business Conduct and Ethics. The Board aims to address areas of concern and ensure awareness and adherence to the Code by the Board, Management, and staff of Telecom Namibia.

The company also had leadership changes at executive level. To this effect, Dr Stanley Shanapinda, was appointed as the new Chief Executive Officer effective from 04 January 2021. To boost the company's transformation journey, the Board ensured the appointment of all vacant Executive positions, which saw the filling of the Head: Legal and Regulatory Services, the Head: Internal Audit and Risk Management as well as the Company Secretary positions. The filling of vacant executive positions set the company on a trajectory of growth and change to turn the business around.

CHAIRPERSON'S REVIEW

The Board also initiated succession planning for the Chief Executive Officer and other key executive positions.

Furthermore, leadership changes were also experienced at the level of the subsidiary. Telecom as the shareholder of Powercom (Pty) Ltd filled the vacancies at Board and Executive level the Powercom Board effective from 26 November 2020 until 25 November 2023. The appointed Board members are Eldorette Harmse, Ndeyapo Shilongo, Tusnelde Tonata Nghifitikeko, Mary Shiimi, Nicky Mutenda, Kondjashili Set-son Shifidi and Armando Perny. In return, the Powercom Board appointed Mr. Beatus Amadhila as the Chief Executive Officer of the entity, effective 01 June 2021.

In line with its responsibilities, the Telecom Namibia Board reviewed the Integrated Strategic Business Plan (ISBP) and its Funding Plan in the first phase of the financial year with the aim to incorporate strategies geared towards the stabilisation of the company. This should place the company in a position to move towards the next phase which will focus on strategies for transformation. The Funding Plan will guide the Board in sourcing of funds for Telecom Namibia's Capex projects. This demonstrates the company's commitment to invest in the modernisation of its network and operational systems which needs automation.

OUTLOOK FOR 2022

Some of the key focal points for the Board in the new financial year will be to implement the initiatives under the ISBP, to review the Performance Management process and to facilitate the implementation of an automated process with real time tracking, feedback, and enhancement of performance. Another key focal point will be to start capital raising for capital projects and to modernize our network and systems. To achieve this, Telecom Namibia requires a minimum of N\$ 2,4 billion for the period 2022 – 2025. It is anticipated that a sum of N\$1,150 billion (48.2%) will be funded from own cashflows, while a minimum of N\$ 1,235 billion (51.8%) will be sourced through external funding.

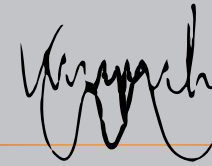
The Capital projects will focus on:

- Converged Billing System (OSS/BSS)
- The Common Converged Core for Fixed-Mobile Convergence (FMC)
- Fiber (FTTx) Deployment
- Mobile Radio Access Network Deployment

To address the legacy network, Telecom Namibia is developing and Implementing National Mobile and IP Modernisation Plans, and to address network failures, the company is developing and implementing Modernisation and Preventative Maintenance.

ACKNOWLEDGEMENTS

The autonomy of the Board is crucial in ensuring unhindered delivery of the company's performance targets. I am pleased to note that the shareholder, Namibia Posts and Telecommunications Holdings (NPTH) has afforded the Telecom Namibia Board the required support and independence to fulfil its mandate. As the company journeys into a digital future, the Board will engage stakeholders to ensure that the interests of all stakeholders are attended to. We thank the key stakeholders represented by their respective Ministers of Finance, Public Enterprises and Information and Communication Technology for their continued support and guidance and pledge our ongoing commitment to delivering the mandate of the shareholder in bridging the digital divide and ensuring Namibia has the required ICT infrastructure to remain a competitive global participant.



Melkizedek Uupindi
Chairperson
Independent Non-Executive Director

Assistance is just a Short Code away

SERVICE	NEW CODE
Mobile Voicemail Retrieval	12300
Mobile Recharge and Balance Inquiry	12400
Mobile Prepaid Balance Inquiry	13900
Home Telemail Retrieval	10000
Remote Telemail Retrieval	10011
Flexicall Service	10033
Flexicall Recharge	10044
Call Maker Remote Charge	10066
Customer Contact Centre	11000
iWay Inquiry	11444
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EXECUTIVE



Stanley Shanapinda
Chief Executive Officer



Charmaine Gaingos
Company Secretary



Calvin Muniswaswa
Chief Commercial Officer



Sharidene Kisting
Chief Financial Officer



Armando Perny
Chief Marketing Officer

COMMITTEE



Dolly Nashandih

Acting Chief Human Resources Officer



Laban Hiwilepo

Chief Technical Information Officer



Kgomotso Hochobeb

Head: Internal Audit and Risk Management



Christoffer Chipeio

Head: Legal and Regulatory Services



Nomvula Kondombolo-Kambinda

Head: Corporate Communication & Public Relations

CHIEF EXECUTIVE OFFICER'S REPORT



INTRODUCTION

The 2021 financial year was a challenging year with the global and domestic economy remaining under pressure due to the COVID-19 pandemic. Telecom Namibia's revenue growth initiatives were negatively impacted by the COVID-19 pandemic and Group revenue contracted by 1% year on year in 2021.

The Executive and senior management, supported by internal partners and staff focused on various initiatives to manage costs downwards and ensure containment on non-revenue spending.

Employees contributed to reducing staff cost by bringing down the leave liability, by providing services after hours without claiming overtime, and conducted engagements via online means, instead of traveling contributing to downward operational expense in these areas.

Slow economic recovery and the rising unemployment rate has a negative impact on customers being able to keep up with their contractual obligations. Despite this, the company collected 92% of its outstanding debt for the year.

FINANCIAL PERFORMANCE OVERVIEW

The Group recorded overall decline of 1% in turnover from operations for the financial year 2021 compared to the previous financial year 2020. The decline was mainly due to the continuous pressure on the fixed voice and data revenue and the loss in directory income due to delays with the tender.

Network failures have resulted in unplanned expenditure and revenue losses, especially for mobile data and higher interconnect charges for voice.

Overall Telecom Namibia subscribers recorded a growth of 17% from 510,560 in 2020 to 598,564 in 2021. This growth is mainly attributed to growth in mobile and fixed broadband subscriptions. Mobile and IP revenue streams recorded year on year growth of 10% or N\$ 22m and 5.4% or N\$ 36m, respectively. Targeted marketing and sales drives are geared at yielding revenue growth.

Despite the challenging trading environment, the Group reported a profit after tax of N\$35.4 million (2020: N\$18.2 million restated).

During the year under review, the investment balance of US\$ 38m, in respect of Mundo Startel, Angola, was removed as contingent liability from the 2021 AFS of TN. The Memorandum of Understanding between the Mundo Startel shareholders permitted the exit of Telecom Namibia.

A settlement agreement was signed between Telecom Namibia and the Communication Regulation Authority of Namibia (CRAN) on 23 November 2021, in relation to regulatory levies for an amount of N\$87 million. This was an

CHIEF EXECUTIVE OFFICER'S REPORT

important milestone for the Group as the agreement ended a longstanding dispute on the legality of the regulatory levies for the period 2012 to 2018.

OPERATIONAL REVIEW

Capital projects are funded from own funding, limiting expansion and modernisation of the Telecom Namibia network. External funding is required to realise critical capital projects that would secure existing revenue and ensure new revenue streams.

The focus for the financial year included efforts to improve debt collection, improving turnaround times on customer installations and fault repairs, and ensuring stock availability, among other operational focus areas.

Telecom Namibia invested in key projects during the year under review. These included:

- The Google Equiano Cable
- Nationwide Mobile installations and upgrades
- Nationwide FTTH rollouts in Rocky Crest and Ekuku in the Oshana Region
- IT infrastructure upgrades
- A new Omnichannel Customer Contact Centre

The company intensified efforts to increase revenue, highlighting efforts by Field Services to install services faster. A targeted initiative, referred to as Operation War Zone, is rolled out to increase performance, and to similarly meet regulatory requirements.

Similarly, Telecom Namibia embarked on a national mobile roll out campaign, aligned with PowerCom and co-building sites and sharing sites with established service providers in the industry.

The Executive and Senior Management track OAC initiatives to determine improvements in the company's response to customer queries and concerns. Telecom has invested in a multi-channel Customer Contract Centre system to improve customer touchpoints and relationships. This system allows customers to engage the CCC through various online mediums, including a Call Back function. The multi-channel Customer Contact Centre system, implemented in phases is also reviewed to assess its impact on customer engagement, customer satisfaction and quicker turnaround times.

Under Operation Autumn Cleaning (OAC) 2.0, management is auditing the state of the network, conducting drive tests and network optimization, to pro-actively manage and prevent potential failures and network congestion.

Due to the high fault rate, new installations are delayed as existing customers need to have their services restored. Other challenges include:

- The rainy season and the limited time to do preventative maintenance which caused network failures and cable faults.

- Recurring WIMAX failures, compounded by end-of-life stock as it is an outdated technology.
- Cable theft that interrupted customers and draw in resources that could have been used to do installations and faults.

To deliver environmentally sustainable service, Telecom Namibia has embarked on plans to enhance its use of renewable energy, using solar power connection at various mobile sites across the country.

During the financial year, Covid-19 provided challenges in the ways we worked and conducted business. It also presented opportunities for growth, as more people worked and studied from home and needed fast and reliable connectivity. During the announcement of a state of emergency, and several lockdowns, Telecom Namibia services were declared essential services and our employees could provide services where it was required.

Telecom has intensified the rollout of fiber to the home/business to enable more Namibians access to broadband services and ensuring modern infrastructure in various locations.

To enhance business efficiency and service delivery, automation of various processes remains a key focus for the company.

To garner the employees' buy-in and support for the company's strategies and plans, TN introduced the Strategy Charrette in April 2021, allowing employees from all levels across the company to provide input in the strategic plans of the company.

In the year under review, Telecom added another new look and feel shop, with the opening of the Outapi teleshop in May 2021. Telecom has 34 Teleshops across the country, and in 2018 introduce the new look and feel teleshop, transforming the customer experience, starting with the Grove Mall teleshop. In 2019, the Nkurenkuru and Iway new look and feel teleshops were added. The Outapi teleshop, brings the new look and feel teleshops to four.

OUTLOOK FOR 2022 AND BEYOND

In the 2022 financial year, Telecom Namibia will maintain its focus on the OAC initiatives to keep expenses down, especially staff costs that hover over 40 and 60 percent on average, above revenue and Opex respectively.

Cost reduction strategies include hire freezes (except for critical skills), reducing contract workers, reducing overtime and voluntary reductions in wages and allowances.

With the OSS/BSS project (that will include a converged charging system or CCS), the IMS Fixed Mobile Convergence (FMC) core project (implementing a virtual Evolved Packet Core or vEPC) and rolling out additional 4G mobile towers that are 5G ready, a total network modernization will be underway nationally. This strategy will pave the way for a truly digital future.



CHIEF EXECUTIVE OFFICER'S REPORT

These projects will also create new revenue opportunities with innovative products and services that are customer centric. The projects will also cut maintenance and staff costs thereby reducing operational expenses and with the greater aim of realizing the budgeted revenues.

Telecom Namibia is focused on raising external funding for major capital projects and will engage potential funders.

A key focus for the new fiscal year will be the implementation, monitoring, and cascading of performance management contracts.

OUR EMPLOYEES

Change has been a constant theme throughout the year as Telecom Namibia evolves into a more customer-centric service provider. The Telecom Namibia employees have shown their commitment and loyalty to the company through the changes, and I thank all employees for continuing to walk the journey with me and the Executive. Through the challenges, the employees have shown loyalty and resilience. I value your collective efforts and sacrifices.

Management and employees embraced the #NewWay of serving customers and doing business as we strive to become the preferred ICT service provider.

Various Employee Wellness initiatives were conducted, demonstrating care and support for our employees, and boosting staff morale.

The advent of the coronavirus caught the world unprepared, and the country and Telecom Namibia was no exception. Despite the challenges brought on by the emergence and impact of the virus, the Telecom Namibia employees continued to render essential ICT services, especially when the country saw an increase in people working from home and thus an increase in the demand for residential broadband installations.

We remember the colleagues we lost during the pandemic, and we will always be grateful for their contribution towards Telecom Namibia.

The Executive values the relationship with the Union leadership and engages in regular dialogue with the union, to ensure the interests of the employees are attended to.

VOTE OF THANKS

The year presented numerous challenges exacerbated by the Covid-19 pandemic. The Telecom Namibia management and staff displayed great commitment and resilience to deliver results for the company. Commitment towards the sustainability of the company saw the TN management, Union and staff engage in dialogue and collaborate on various matters in the interest of the company and the employees. Thank you to the employees for continuing to support the company's growth strategies and for sacrificing your personal time to deliver services to our customers. We acknowledge each employee's contribution and thank you for the commitment and loyalty to Telecom Namibia.

S Shanapinda

Dr. Stanley Shanapinda
Chief Executive Officer

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CHIEF FINANCIAL OFFICER'S REPORT



FINANCIAL RESULTS

The 2021 financial year was a challenging year with the global and domestic economy remaining under pressure due to the COVID-19 pandemic. Telecom Namibia's revenue growth initiatives were negatively impacted by the COVID-19 pandemic and Group revenue contracted by 2% year on year in 2021. Signs of slow recovery associated with the pandemic was seen in traditional traffic-sensitive revenue streams such as voice and roaming revenue that were severely impacted by global and domestic country-wide lockdowns.

Operation Autumn Cleaning (OAC) was implemented during the year to save costs and mitigate the negative impact of COVID-19. The initiative yielded mixed results with savings realized compared to prior year in Cost of sales (9.39%) and Admin expenses (2.49%) while impairments of non-current assets increased operating expenses.

Closing cash balances of N\$27.1 million was recorded in 2021 compared to N\$96.0 million in 2020 for the group. The DBN loan was repaid in full during the 2021 financial year and the Group is in the process of finalizing its funding requirements in line with its Integrated Strategic Business Plan.

A settlement agreement was signed between Telecom Namibia and the Communication Regulation Authority of Namibia (CRAN) on 23 November 2021, in relation to regulatory levies for an amount of N\$87 million. This was an important milestone for the Group as the agreement ended a longstanding dispute on the legality of the regulatory levies for the period 2012 to 2018. Given that the engagement started before the year ended 30 September 2021, this was considered an adjusting event and the entries were affected in the 2021 financial year.

Despite the challenging trading environment, the Group reported a profit after tax of N\$35.4 million (2020: N\$18.2 million restated). The continued growth in the Mobile and IP revenue and the implementation of OAC initiatives to curb costs were key factors that contributed to the profitability of the Group.

Non-current assets-Impairment	An impairment loss of N\$11 million was recognized for the Seacom undersea cable. The cable is currently not in use, and will be replaced by the Equiano cable.
Preference Share Liability	<p>During the current year review of the preference shares the external auditors found that management did not present value the nominal amount of N\$ 400 million when calculating the preference share liability and did not apply a credit spread to the calculation when discounting the future cash flows.</p> <p>The preference share liability was overstated for the 2019, 2020 and 2021 financial periods and resulted in a restatement being required in terms of IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) as this was a prior period error.</p>
Liquidity	<p>The Group and Company reported a net profit of N\$35 million (2020: N\$18 million restated) and N\$1 million (2020: N\$20 million loss restated) respectively for the year ended 30 September 2021. Current liabilities exceeded current assets by N\$163 million (2020: N\$282 million) for the Group and by N\$242 million (2020: N\$320 million) for the Company at year-end.</p> <p>It should be noted that out of the total current liabilities for the Company and Group, N\$114 million relates to contract liabilities. Thus, the remaining current liabilities to be covered amount to N\$481 million for the group and N\$548 million for the company. The contract liability will be realised as the company delivers the services to the various customers and thus does not constitute a cash outflow.</p> <p>Another contributor to the trade and other payables balance is the leave accrual of N\$58 million. Therefore, in as much as the overall current liabilities exceed current assets, Telecom does not expect the leave provision to result in immediate payment as the company expect employees to take their leave days. In addition, management has put in place various initiatives include the implementation of a leave tracker during the 2022 financial year, to encourage employees to take leave and to maintain the maximum leave balance at 36 days. Thus, isolating these two major contributors to current liabilities, leaves the balance fairly covered by current assets and by the available unutilized bank facilities.</p>
IFRS 9 ECL	The Expected Credit Loss (ECL) expense reduced from N\$63 million in the prior year, to N\$8 million in the current financial year. This is mainly due to the improvement in the collections in the Wholesale segment, the reduction in the exchange rate and the clearing of the backlog on unallocated receipts.
Regulatory levies	<p>A settlement agreement was signed between Telecom Namibia and CRAN on 23 November 2021. The agreement ended a longstanding dispute on the legality of the regulatory levies for the period 2012 to 2018. This was considered an adjusting event and the accrual for the regulatory levies were adjusted from the initial accrual of N\$115 million to N\$87 million in line with the final agreement.</p> <p>The effect was the reduction in the regulatory expenses of N\$28 million and a corresponding decrease in the regulatory liability.</p>

CHIEF FINANCIAL OFFICER'S REPORT

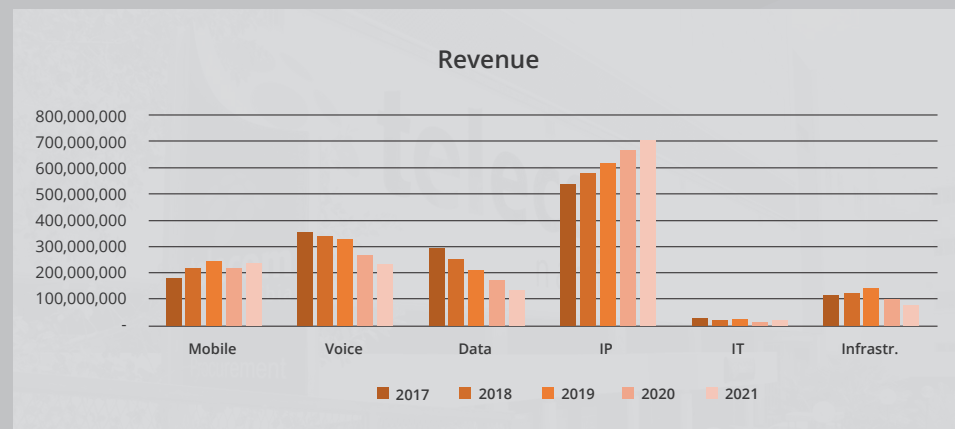
REVENUE

The Group recorded overall decline of 2% in turnover from operations for the financial year 2021 compared to the previous financial year 2020. The decline was mainly due to the continuous pressure on the fixed voice and data revenue and the loss in directory income due to the continued delays with the tender.

The Mobile and IP revenue streams were identified as the strategic focal areas of growth, with sales and marketing campaigns targeted at growing these revenue streams. Capital investments in Mobile and IP were prioritized as part of our capital investment strategy. For the financial year ended September 2021, Mobile and IP revenue streams continued its growth trajectory with growth of 10% and 5.4% respectively which mitigated the fixed-voice revenue declines. Overall Telecom Namibia subscribers recorded a growth of 17% from 510,560 in 2020 to 598,564 in 2021. This growth is mainly attributed to growth in mobile and fixed broadband subscriptions.

Telecom Namibia's revenue growth initiatives were however negatively impacted by risks associated with the COVID-19 pandemic which caused a slowdown in economic activities globally and supply chain disruptions. Signs of slow recovery associated with the pandemic could be observed in traditional traffic-sensitive revenue streams such as voice revenue and roaming revenue that were severely impacted by global and domestic country-wide lockdowns.

Growth in Telecom Namibia market share in future will be supported by renewed investment focus towards mobile network expansion, Fibre to the Home and improved customer experience.



COST MANAGEMENT

Stringent cost management was implemented under OAC which mitigated the impact of COVID-19 which resulted in a decrease in both Cost of sales (9.39%) and Admin expenses (2.49%). The impairment of the Seacom cable and the increase in Service level agreements resulted in an increase in operating expenses of 9.10% compared to prior year.

CAPITAL INVESTMENTS

The Group continued to invest in infrastructure projects and strengthen our network capacity and quality to better serve our customers and drive growth in line with its Integrated Strategic Business Plan 2023. The Group invested N\$179.3 million in 2021 (2020: N\$179.3 million), in mobile expansion and FTTx projects to grow the IP and mobile revenue streams and in MSAN rollouts which replaced legacy equipment.

The Group invested N\$11.5 million in a new Customer Contact Centre system to improve customer service and experience. The new multi-channel system introduced advanced features and channels for engaging customers and to improve customer touchpoints.

In line with Telecom Namibia's international strategy of becoming a regional ICT hub, the Group invested N\$ 10 million in the Equiano Submarine cable system during the 2021 financial year and committed a further N\$50 million during 2022 when the project is expected to be completed. The increased capacity from the Equiano cable is part of our ongoing commitment to connecting the Namibian consumer with faster and more reliable internet speeds.


Sharidene Kisting
Chief Financial Officer

COMMERCIAL OPERATIONS

In line with our Integrated Strategic Business Plan, the Commercial operations focused on initiatives that were aimed at pursuing achievement of our strategic objective to increase market share and turnover with special focus on mobile and IP revenue streams. The plan embraced a targeted approach to Telecom Namibia's key strategic segments and pursuing identified opportunities for growth. A high demand for ICT services fueled by the COVID-19 pandemic was experienced in the mobile and IP revenue segments where growth was recorded in 2021 albeit a high backlog of customer orders recorded during the year. Compared to the previous financial year, overall revenue contracted by 2% year on year in 2021. The Telecom Namibia revenue streams are composed of income from Voice, Data, IP, Mobile, IT and Infrastructure. The IP and Mobile revenue streams were isolated as the strategic focal areas of growth during the financial year. Sales and marketing campaigns were targeted at growing these revenue streams as drivers of future growth. For the financial year ended September 2021, Mobile and IP revenue streams recorded year on year growth of 10% and 5.4% respectively. Telecom Namibia's revenue growth initiatives were however negatively impacted by risks associated with the COVID-19 pandemic which caused a slowdown in economic activities globally and supply chain disruptions. Signs of slow recovery associated with the pandemic could be observed in traditional traffic-sensitive revenue streams such as voice revenue and roaming revenue that were severely impacted by global and domestic country-wide lockdowns. Overall Telecom Namibia subscribers recorded a growth of 17% from 510,560 in 2020 to 598,564 in 2021. This growth is mainly attributed to growth in mobile and fixed broadband subscriptions.

Growth in Telecom Namibia market share in the coming years will be supported by renewed investment focus towards mobile network expansion, Fibre to the Home and Business and improved customer experience. The roll-out of high-speed broadband access over FTTH/B continued during the year with more sites added to the portfolio. The year also saw the continuation of initiatives aimed at streamlining sales outlets and exploring alternative customer service points with re-doubled efforts to grow the indirect sales channels.

Risks to the country's domestic growth are currently dominated by COVID-19, especially on uncertainty regarding its expected duration. Globally, broadband access continues to demonstrate sustained growth. Mobile broadband will continue to drive revenue growth for operators in all regions. While service providers will be resilient to the crisis, it is expected that there will be financial impact, as a result of several factors such as - service providers finding it difficult to monetize the additional traffic on their networks, roaming revenues that is impacted due to restrictions on international travel and the economic damage brought by the crisis that has led to business closures, higher unemployment, and downward pressure on customer spending, including spending on telecoms services. Alongside a multitude of local, national, and regional trends, the overarching global trend in mobile markets is toward broadband connectivity at steadily increasing speeds and of higher quality. Telecom Namibia continued to direct investments into projects for mobile expansion and FTTx rollout with the aim of enhancing broadband experience to businesses and consumers.

SALES CHANNELS

Telecom Namibia has a diversified customer base and established channel network to serve the customers. Customer experience and relations were enhanced by a 12-month comprehensive and targeted Customer Engagement Plan that was defined and implemented for 2021. During the financial year under review, Telecom Namibia has activated initiatives to move towards a customer centric business model with digital enablement for customer lifecycle management and digital channels to make it more convenient for customers to interact with the organization. Projects aimed at introduction of supporting platforms for these initiatives are at procurement stages. The Customer Relations and Retention Policy has been revised to improve customer relations management. The year saw continuous rollout of an integrated training program for sales staff on mobile and fixed products and services to ensure that all customer-facing sales teams are ready to sell fixed and mobile products and services.



COMMERCIAL OPERATIONS

The Retail Sales Channel serves Residential, SOHO and Small Enterprise segments and has a national footprint with presence in all regions which is supported by 34 Teleshops, channel partners, strong network of Sales Representatives and Indirect sales teams country wide. The Retail business continued to focus on penetrating the market through fixed and mobile broadband offerings and continuous improvement of customer experience. In line with our customer experience transformation strategic objectives, Telecom Namibia continued to transform its Retail network through the rollout of a new teleshop look and feel and establishing presence in selected business areas. The aim is to capitalize on new market opportunities, support TN's approach of creating physical presence at least in major economic centres and finally to improve on customer experience at our various customer touch points. During the financial year 2020/2021, Telecom Namibia continued with the rollout of its new concept store with the launch of a newly transformed Outapi Teleshop in the Omusati Region. This is in addition to Nkurenkuru, Iway and Grove Mall teleshops that were completed in the past. Additional teleshops have been earmarked for revamp in the new financial year. The year under review also saw introduction of standard scripts of customer engagement to enhance customer experience in the retail channels. This was supported by staff induction on the new scripts.

The Corporate Sales Channel serves Government, Corporate, Large Enterprise and Medium Enterprise segments. Growth in this channel mainly come from IP, Mobile and Infrastructure revenue streams. The focus in the corporate segments was mainly on retaining, and growing the Government, Corporate, Large and Medium Enterprise business segments of Telecom Namibia through tailored customer solutions in the IP revenue stream. The outsourcing of projects and structured cabling through partners have ensured provision of service on time and at high standards. An integrated training program for Account and Key Account Managers was rolled out to enhance their fixed and mobile product knowledge.

The Wholesale Sales Channel serves National and International operators. Growth in this channel mainly come from IP and Data revenue streams. The Wholesale business ensured that both the current national and international customers received the highest level of service to ensure client satisfaction. In addition to retaining most of our current high-end customer base, discussions were started with operators in Angola followed by establishment of an interconnection point at the Angolan border with Namibia. A trial was activated to test IPT services between Angola and Namibia through the newly established point of interconnection. Telecom Namibia continued to provide backhaul services to most of the existing and newly licensed operators in the domestic market. Telecom Namibia continued to maintain direct routes with our voice partners such as Openserve, Liquid, Vodacom, VCA and MTN in South Africa, while other SADC and foreign partners include BTC, Zamtel, BICS and Telco 214. Negotiations are underway to establish interconnection with Angola Telecom.

CUSTOMER CONTACT CENTRE

In line with Telecom Namibia's strategic plan, a new Customer Contact Centre system was launched to improve customer service in alignment to the company's strategic objective for improving customer touchpoints and relationships. The new multi-channel contact centre system introduced advanced features and channels for engaging customers. Features that were completed and activated during the first and second phases includes call management and IVR functions (Outbound and Inbound), Call-back function, Facebook, email and sms functions. Additional multimedia features are planned to be introduced in the new financial year. The company concluded the implementation of a central system to manage and monitor customer complaints which enhanced service delivery turnaround time with quicker responses to customer complaints and queries. This was supported by implementation of streamlined complaints processes and introduction of self-help guides for customers including Frequently Asked Questions (FAQs) to boost customer education.



TN MARKETING OPERATING HIGHLIGHTS

ECONOMIC OUTLOOK

COVID-19 and the subsequent hard lockdown caused havoc on Namibia's already slumping economy, with economic growth renounced by 7.4 percent in Q3 2020, from the negative 1.6 percent in 2019.

Economic growth is forecast to expand by 3.1% in 2021 and 2.2% in 2022. Namibia's rising debt to gross domestic product (GDP) path has been estimated to peak at 73% in 2025/26, national debt stood at 59.9% in 2019 in relation to the GDP. The risk of public debt default remains high, and stood at 59.9% in 2019, with credit rating agencies remaining sceptical of the country's ability to effectively curtail public debt. Consequently, the risk of further sovereign credit ratings downgrades remains. Past and recent natural disasters are also some of the setbacks of economic growth, severe draught in 2015 -2019, followed by recent fires in commercial agricultural farming areas.

The COVID-19 pandemic has only slightly tempered the growth of the new technologies, but new categories such as robots/drones and AR/VR headsets will see massive growth over the next few years. Following years of growth, ICT spending remained relatively flat in 2020 due to the COVID-19 pandemic. While traditional ICT spending was forecasted to broadly track GDP growth over the next decade, the overall industry will be catapulted back to growth of more than 2x GDP as new technologies begin to account for a larger share of the market.

There were 1.31 million internet users in Namibia in January 2021. The number of internet users in Namibia increased by 24 thousand (+1.8%) between 2020 and 2021. Internet penetration in Namibia stood at 51.0% in January 2021. There were 2.94 million mobile connections in Namibia in January 2021. The number of mobile connections in Namibia increased by 56 thousand (+1.9%) between January 2020 and January 2021. The number of mobile connections in Namibia in January 2021 was equivalent to 114.6% of the total population

ICT SECTOR AND TECHNOLOGY OUTLOOK 2021 AND BEYOND

This vibrant industry is gearing up for some technological advancements on a massive scale. The continuous growth in the industry serves as another reminder of the ever-increasing prevalence and importance of technology in today's society.

The ICT sector continues to be at the epicenter of growth, innovation, and disruption due to technologies that continue to filter into the market.

The global ICT market is forecasted to reach a size of over five trillion dollars in 2021, and almost six trillion by 2023. As disruptive digital trends continue to impose transformational changes in the global telecom market scenario, it is imperative for market players to be equipped with new-age technologies and innovative strategies.

In 2021, the adoption of the latest industry trends such as 5G, AI/ML, and IoT will increase and shape the future of the telecommunications industry. 5G will bring revolution, having widespread deployments by 2025. A systematic blend of operational and technological changes will help drive superior customer engagement in the telecommunication industry.

It is expected that hybrid work from home/office conditions will become entrenched, due to practices developed in response to COVID-19. In addition, increased virtual engagement for learning, extra-mural meetings, shopping, and entertainment further emphasises the requirement for good quality, high-speed broadband services that enable streaming and video-heavy collaboration tools.

Customers are demanding that the network provides fibre and mobile services that can adapt flexibly to their requirements. The role of service providers is evolving beyond network security to end-to-end security, thus opening new business models. Traditional enterprise technology growth will remain under pressure. However, integrated cloud/SD-WAN solutions will gain increased importance as enablers for integrated security, home broadband and office applications.

Understanding the markets and trends that shape the industry will help Telcos take full advantage of the market share and revenue opportunities. Digital transformation to become more efficient and globally competitive and positioning for the 4th industrial revolution. Quality broadband connectivity and affordable access to ensure maximum socio-economic inclusivity in Africa and Mobile money adoption and financial inclusivity are some of the key market trends to watch.

The modern world now evolves around the use of information and communication technology (ICT) infrastructure as a means of trading, entertainment, and learning, among others. However, the same remains a challenge in many countries across the world, including Namibia, as it still finds it difficult to communicate with other parts of the world partly due to limited ICT infrastructure, equipment, policies, and financial resources.

The Ministry of ICT, through the Government has been working with various partners, trying to connect the technological gap that is mainly experienced in Namibia's remote areas. Over the past three years, the Ministry of ICT managed to create an enabling legislative environment and undertook projects aimed at developing ICT infrastructure and services such as the implementation of the Digital Terrestrial Television coverage and drafting and adoption of the Universal Access and Service Policy.

The Ministry of Information and Communication Technology, has officially launched the country's National Broadband Policy and Implementation Action Plan, first outlined in October 2019. Presenting the policy to a parliamentary standing committee on ICT and innovation, the Minister described broadband as a 'technology that can fundamentally restructure an economy', boosting GDP growth, create jobs, stimulate trade, service delivery and social development.

TN MARKETING OPERATING HIGHLIGHTS

The policy aims to provide broadband speeds of at least 2Mbps to 95% of the population by 2024, promote the development of content and applications, reduce the digital divide, and provide incentives for further investment in broadband deployment. Whereas the policy itself spans a ten-year period to 2029, the accompanying five-year implementation plan is designed to ensure effective delivery from the outset.

Namibia and the rest of the world are being severely impacted by COVID-19 and subsequent social and economic disruptions. These disruptions affected telecommunication operations for most of the players in the market, especially in the areas of network quality and performance, attributed by sudden increase in bandwidth utilisation and increase in internet connections.

Major changes in market and operating environment are expected to continue in 2022 and beyond, although the pandemic appears to be under control, it is not yet over.

The sector makes businesses more efficient, effective, and enables prompt response to customers' needs. Customers are demanding that operators provide fibre and mobile services that can adapt flexibly to their requirements. The role of service providers is evolving beyond network security to end-to-end security, thus opening new business models. Traditional enterprise technology growth will remain under pressure. However, integrated cloud/SD-WAN (software-defined wide-area network) solutions will gain increased importance as enablers for integrated security, home broadband and office applications.

The competitive landscape within the Namibia ICT sector continues unabated. The competition among the market players is expected to further intensify over the next three to five years, as they must fought for market share in a very small market.

Source: <https://neweralive.na/posts/namibia-on-course-to-bridging-ict-gap>

Source: <https://datareportal.com/reports/digital-2020-namibia>


Source: ITU, Ovum, www.aiib.org, ITU, Ovum, www.aiib.org, telecom industry trends 221- 3kel

PRODUCT RESEARCH & DEVELOPMENT OPERATIONS


PRODUCTS AND PRICING

Telecom Namibia, through its innovative approach to becoming the preferred ICT service provider is constantly striving to initiate user and environmentally friendly solutions for its customers by means of evolving superior products and services and targeting delivery of premium customer experience. Additionally, with TN's quest to becoming the preferred ICT service provider, PR&D has intensified its efforts on preparing for the 4th Industrial Revolution and the Digital Transformation throughout the 2020/21 financial year. In terms of our ordinary pricing operations, the 2020/2021 plan identified different areas of intervention being simplification of commercial offerings; affordability of high-quality connectivity and increased data volumes through promotions, thereby continuously striving to create and enhance value for our customers, whilst ensuring that Telecom Namibia remains competitive and sustainable in the market.

Throughout the year our pricing initiatives continued to realize the commitment to sustainable growth and achieving improved profitability levels of the various products and services, amidst the various challenges and opportunities within the intense period of the COVID-19 pandemic. Instead of increasing tariffs for consumers, Telecom Namibia, under the renewed spotlight for their role of ensuring communication and connectivity for governments, communities, businesses, and individuals, contributed by providing affordable services through continuous promotions. Costing and pricing structures are constantly reviewed for the different products and services to support these objectives, as well as mitigating competitive pressure on a national as well as on the international front. These structures are anchored through bi-annual product profitability evaluations and monitoring across all product streams during the year under review.








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TN MARKETING OPERATING HIGHLIGHTS

During the year under review, the following product launches and pricing initiatives were implemented:

Fixed Products

- tn1 (Fixed-Mobile Convergence/FMC)**
 Telecom Namibia tn1 packages offer fixed mobile converged voice, broadband and value-added services. The product offering is supported via premium volume 4G/LTE mobile broadband and supreme unlimited fixed broadband, coupled with lifestyle enabling value added services on TN's fixed mobile converged network. Telecom Namibia also added tn1 Supreme to the tn1 product family, which offers Unlimited Fixed Voice (Local and National Calls on the Fixed Network and 300 fixed to mobile minutes - anytime).
- Autumn Quad-play**
 Telecom Namibia Quad-play comprises of 10Mbps Speedlink lite, 15Mbps and 25Mbps Speedlink liteplus for residential and business customers, which offers uncapped fixed internet access to customers at affordable price points. In addition, tn1 Supreme offers converged fixed mobile, voice, broadband and value-added services.
- NEC PABX system**
 The NEC PABX system offers hybrid solutions, providing Internet Protocol (IP) and traditional technology catering for VoIP services and traditional phone lines.

 NEC PABX is a Smart Communication System that changes the way of doing business and the way of communicating by providing a reliable, 'always on' solution with less hardware, fewer licenses, and less maintenance.
- Telecommunication infrastructure sharing**
 Infrastructure sharing is an economic arrangement that bears a legal obligation on a dominant telecommunications operator to share spare capacity on their network. Telecom Namibia initiated the process of sharing infrastructure such as ducts, sub-ducts, fibre and poles to mention a few, by defining procedures and cost associated with sharing of such existing infrastructure where economically possible.
- Speedlink Prepaid 4Mbps**
 Speedlink Prepaid 4Mbps enables customers to pay for 4Mbps fixed broadband internet service in advance which includes installation and rental for a period of 12-months. Telecom Namibia Speedlink product is available on a prepaid basis to respond to customers' needs for FBB when they cannot qualify for postpaid services due to ITC listing and or lack of consistent income/salary.

Mobile Products

- Prepaid Unlimited Data Boost**
 In support of the strategic initiative to increase Telecom Namibia's prepaid revenue and to assist customers in the Back-to-Online School / Online Work, Telecom Namibia launched the Prepaid Unlimited Data Boost Campaign offering Prepaid and Hybrid customers 90 days Prepaid Unlimited Data volumes at a once-off fee.
- 31-Day Jiva**
 31-Day Jiva offers TN mobile prepaid and hybrid customers 31-Day Jiva plan, comprising of 1000 voice minutes, 50GB Data (any time) and 400 SMSs on a single subscription. This initiative was launched as part of Independence commemoration to co-inside with Namibia's 31st independence Anniversary.
- 14-Day Jiva Explore**
 This campaign offers TN mobile prepaid and hybrid customers 14-Day Jiva plan, comprising of 300 voice minutes, 30GB Data (any time), and 300 SMSs on a single subscription.
- 7-Day Jiva TALA Film Festival**
 The 7-Day Jiva Tala Film Festival offered TN mobile prepaid and hybrid customers 7-Day Jiva plan, comprising of 50 voice minutes, 5GB Data (any time), Unlimited Streaming and 50 SMSs on a single subscription. This initiative was launched as a pilot for local content streaming, in partnership with TALA Namibia for Namibia's first ever online Film Festival.
- Heroes-Day Jiva**
 The Heroes-Day Jiva offered TN mobile prepaid and hybrid customers 31-Day Jiva plan, comprising of 31GB Data on a single subscription. This initiative was launched as part of Heroes' Day commemoration.
- 30-Day Jiva Streaming**
 30-Day Jiva Streaming offers TN mobile prepaid and hybrid customers 30-Day Jiva plan, comprising of 50 voice minutes, 50 SMSs, 40GB Data for Streaming, and 10 GB Data (any time) on a single subscription. The product was launched as part of the groundwork initiatives to gauge customer consumption patterns for entertainment, in preparation for content delivery partnerships in the pipeline, considering all streaming web applications, - with specific interest in analyzing usage partners for DSTV, Showmax and NBC Plus.
- Jiva Supreme**
 Jiva Supreme offers TN mobile prepaid and hybrid customers 10GB data boost, 2GB social media, 1000 SMSs, 200 voice minutes on single subscription.

TN MARKETING OPERATING HIGHLIGHTS

PRODUCT PERFORMANCE

The products groupings for the fixed line business are as follows: Voice, Data, IP, IT and Infrastructure & Others. The year under review recorded unfavorable year-on-year revenue performance for the voice and fixed data product streams, while the IP, IT and infrastructure & Others product streams recorded positive revenue growth. An effective Product life Cycle Management process has shaped the Telecom Namibia product portfolio and performance in a positive direction for the financial year 2020/21.

The fixed voice product group recorded a year-on-year decline of 13%, despite a 6% global trend decline. The decline was accelerated by numerous COVID-19 pandemic lockdowns which significantly impacted office bound calls. The fixed voice product group is composed of traditional prepaid and postpaid fixed line voice services inclusive of various value-added services.

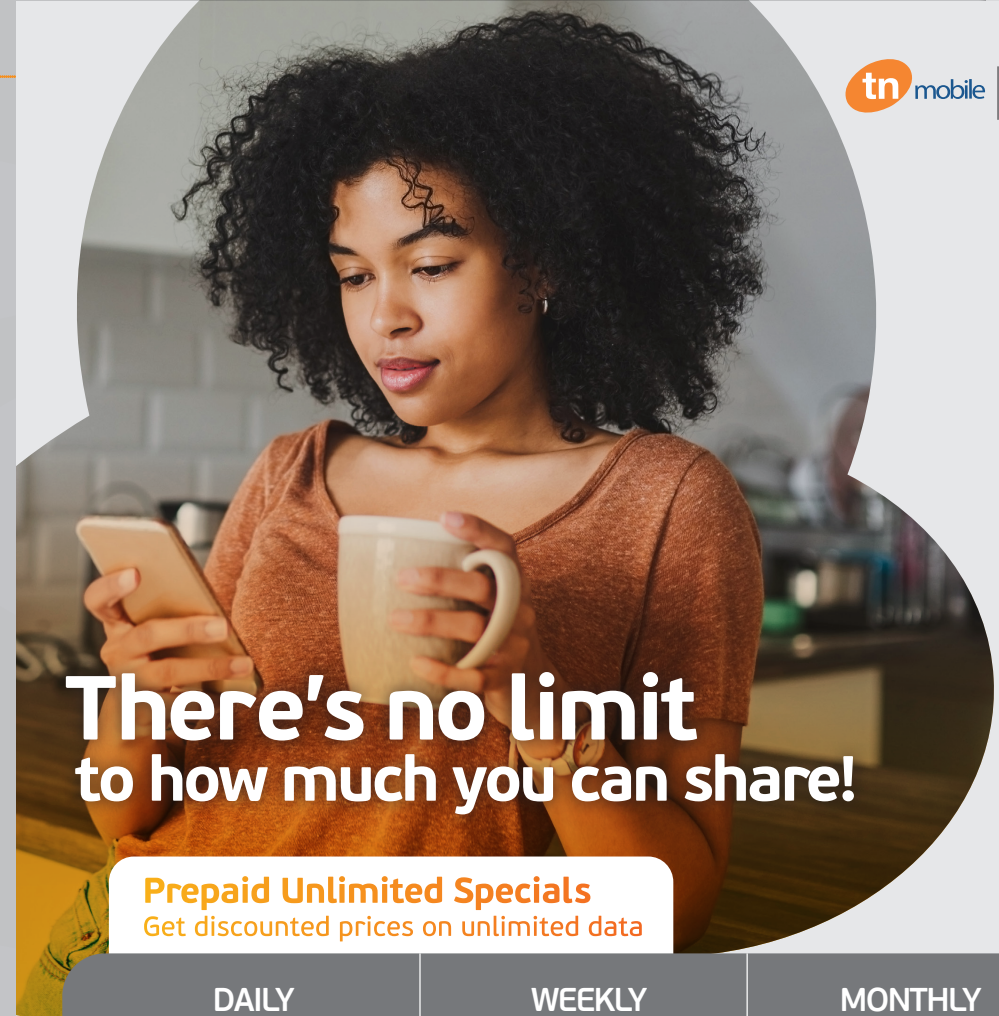
The Fixed Data product group recorded a year-on-year decline of 23%. The fixed data revenue stream decline during the financial year under review was mainly attributed by the induced churn to IP products.

The IP product group recorded a year-on-year growth of 5% between 2019/20 and the 2020/21 financial years. The IP product group's positive performance is attributed by an increased local shift to all IP utilization of three key products, namely Speedlink, Bizconnect and Bizlink.

A positive improvement was recorded for the IT product group, with a year-on-year growth of 33%, which is in-line with the local study which indicated that the IT market sector has been positively impacted by COVID-19 pandemic. The IT product group is mainly composed of professional IT services, iWay products ranging from iLink to iDomain and Cloud based solutions.

Infrastructure and Others, such as structured cabling, indoor cabling, co-location, devices, and TN directory recorded a combined year-on-year decline of 24%, with the lack of directory revenue, being the biggest contributor to the negative performance.

The Mobile product group recorded a year-on-year growth of 10%. The mobile product group consist of prepaid and postpaid data and voice services including value added services.



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

IP SERVICES

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FIXED MOBILE CONVERGENCE SERVICES

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tn1 Maxi Advanced 1 & 2
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Cloud Services

INFRASTRUCTURE & OTHERS

Telephone Handsets & PABX Systems
Directory Services

MOBILE SERVICES

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Mobile Data
Roaming

CORPORATE

VOICE SERVICES

Basic Telephony
ISDN
Toll-Free Services
Least Cost Routing

DATA SERVICES

Data Links
National Express Routes

IP SERVICES

BizConnect: National
BizConnect: SA POP
BizConnect: EU POP
BizConnect: Exspress National POP
BizConnect: Exspress SA POP
BizConnect: Exspress EU POP
BizLink
Satlink
Wi-Space
Speedlink Business
Speedlink lite and Speedlink liteplus
Service Level Agreement

FIXED MOBILE CONVERGENCE SERVICES

tn1 MaxiPro
tn1 Corporate Call Back

IT SERVICES

Video Conferencing
iWeb
iDomain
iSite
iMail
Fax2Email & Email2Fax
Cloudfax
Smart Hosting
E-Statement
Cloud Services

WHOLESALE/INTERNATIONAL

VOICE SERVICES

ISDN
Toll-Free Services
Inmarsat
Operators/Interconnect

DATA SERVICES

International Express Routes
Data Links
National Express Routes
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
BizLink

IP SERVICES

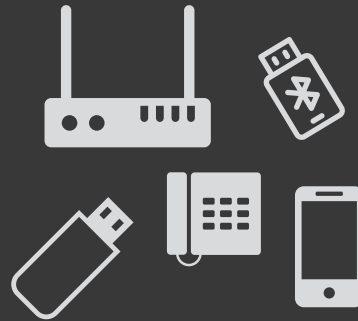
Satlink
Speedlink Business
Speedlink lite and Speedlink liteplus
Service Level Agreement

MOBILE SERVICES

Mobile Voice
Mobile Data
Roaming

OUR PRODUCTS & SERVICES

Device Convergence



Lifestyle Convergence



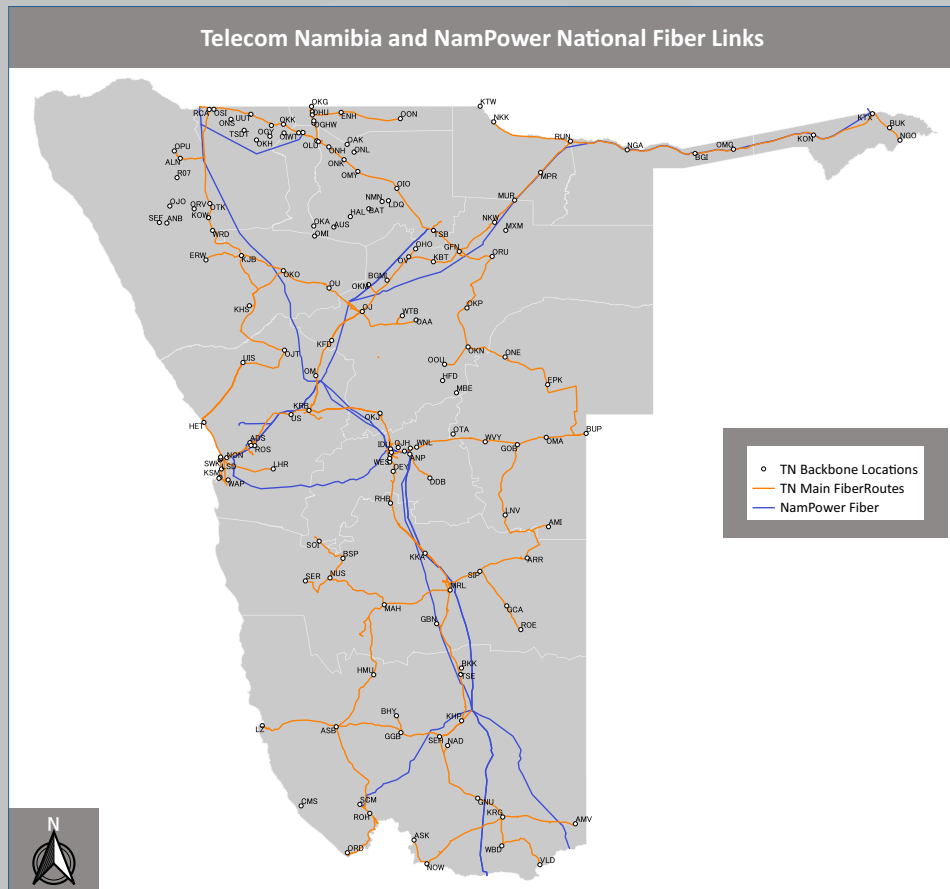
Network Convergence



Application Convergence



TECHNICAL OPERATIONS



During the year under review, Telecom Namibia continued to execute initiatives related to the expansion of the fixed and mobile network services across the country. In addition, the company continued the drive to replace legacy systems, modernize the fixed and mobile Core network, and improve the quality of its network and services in line with the objectives defined in the company's 5 years ISBP 2023. To prepare for a digital future and lifestyle, Telecom Namibia is undertaking initiatives to transform its PSTN into a reliable packet-based network that is designed and optimized for the delivery of media-rich services over data. In addition to serving as an asset to support national development, this infrastructure is intended to unlock new ways to sell, do business, grow revenue, and enhance shareholder value .

VSAT:

Telecom Namibia completed the project to migrate subscribers from the old VSAT hub to the new hub. The new hub is connected to a high throughput satellite and customers are now able to enjoy voice and broadband internet services even in the remotest corners of the country using Telecom Namibia's VSAT services. Due to high traffic demand, the spectrum between uplink and downlink channels between the two network segments was optimized and additional downlink spectrum was acquired to enhance service quality and end users experience.

Mobile:

The existing Telecom Namibia mobile radio network consists of a mix of collocated 2G (G900), 3G (U900, U2100), 4G, and 4.5G (L1800, L2300, L2600) radio access technologies. The network is still in its infancy with about 350 sites across the country. Mobile services remain one of the key growth areas for Telecom Namibia going forward. The company therefore, continued to make targeted investments into growing, expanding, and modernizing its mobile Radio Access Network across the country. Access to towers remains a great barrier for mobile radio network deployment. Therefore, due to the limited number of sites in key demand areas, features such as MIMO and LTE carrier aggregation are used to enhance capacity and throughput, while capacity sites in selected areas are planned to be established over the next few years. The network in the major economic centres in the Khomas Region and Erongo Region has over the years been upgraded to 4.5G. To modernize the network and deliver superior network experience, 4.5G technology is scheduled to be expanded to other areas of the country over the coming years. The majority of Telecom Namibia's 4G and 4.5G sites are backhauled via optical fibre and the new equipment provides flexibility for smooth evolution towards 5G.

To increase coverage and ensure that customers in other parts of the country gain access to the company's affordable data services, Telecom Namibia continued to invest in the deployment of additional mobile sites across the country. In line with the company's strategy to expand its mobile broadband services and build a data-centric network, several sites across the country were upgraded from 2G to 2G/3G, while others were upgraded to 2G/3G/4G. The upgrade of existing sites and rollout of new sites is scheduled to continue in future, with increased deployment of 4G and 4.5G. Telecom Namibia also continued with its plans to deliver mobile broadband to rural

TECHNICAL OPERATIONS

areas by extending 4G coverage to rural areas. To increase rural LTE coverage, options to use L900 are being investigated for future deployments.

To enhance service availability during periods of grid power failure and improve customer experience, batteries at a number of sites are being replaced to improve uptime and autonomy.

Fixed Broadband:

Telecom Namibia continued with its strategy to deploy FTTH and ramped up investment in both greenfield and brownfield fibre deployment in the last mile across the country. A number of FTTH projects were completed across the country and several areas in towns such as Swakopmund, Walvis Bay, Otjiwarongo, Windhoek, Oshakati, Okahandja, Ongwediva, Katima Mulilo, and Tsumeb are now covered by Telecom Namibia FTTH services, with speeds up to 300 Mbps supported. There is still a lag between houses passed and houses connected and in addition to expanding FTTH to new areas, the company will also focus on monetizing completed projects by connecting customers in FTTH ready areas.

Telecom Namibia has an extensive copper access network connecting over a 110,000 subscribers across the country using a variety of access technologies, several of which are now outdated. Therefore, complementing FTTH deployment, Telecom Namibia continued with efforts to deploy FTTC in selected areas across the country in order to reduce the last mile copper loop length to about one kilometer. In parallel, modern IP-based access systems such as MSANs were introduced in order to support the accelerated delivery of high speed broadband services using VDSL technology to customers connected on the existing copper access network. A number of FTTC projects were completed across the country, and customers in those areas can now enjoy affordable uncapped broadband services with download speeds up to 25 Mbps. With every FTTC deployment, the primary copper cables are recovered and sold. To meet the growing traffic demand, service ports and backhaul capacities to selected broadband access stations were also upgraded.

There are various areas where the deployment of fixed wireline infrastructure, although desired, is prohibitively expensive, or will take a long time to deploy. Therefore, complementing the rollout of fixed wireline access technologies such as VDSL, GPON, and AE, a combination of standalone fixed wireless and hybrid fixed/mobile wireless broadband access systems based on TD-LTE technology were established across the country to extend our fixed broadband access services. To support the increasing demand for bandwidth, existing high usage fixed wireless stations were upgraded by deploying dual carriers and multi user MIMO to enhance user experience. To mitigate the risks posed by legacy wireless and wireline technologies and systems, the company continued to plough targeted investments into modernizing the various layers of our network using next-generation technologies. Efforts to modernize the network will continue over the next few years until all legacy systems are retired and replaced with next generation systems. To this end, Telecom Namibia has commenced with a project to upgrade and modernize its fixed and mobile Core network systems and OSS/BSS environment.

Power and Support Systems

Telecom Namibia also continued with its strategy to upgrade and rejuvenate power and support systems at selected sites across the country to improve reliability, site autonomy and system availability. Specifically, standby diesel generators with automated switchover systems were installed at selected sites to provide backup power during periods of mains power failure. Batteries and rectifier systems at critical sites were also upgraded to improve autonomy and address operational risks associated with outdated systems. An additional advantage of new generation DC Systems is the efficiency that is above 95% and drives down ac power consumption.

In line with our strategy to phase out the use of R22 refrigerant, a number of targeted projects were completed to replace and reduce the number of air-conditioning systems that operate on the R22 refrigerant in our network. Older generation split air-conditioning systems are systematically upgraded to new generation inverter type units to safe on power consumption.

Transport and backhaul Network

Telecom Namibia's transport and backhaul network consists of a mix of SDH, Ethernet and OTN systems. Telecom Namibia undertook projects to modernize its network by extending the Ethernet and OTN coverage to replace SDH. Telecom Namibia is witnessing an increase in both national and international bandwidth demand and is progressively upgrading the backbone network towards a flexible and efficient network transport solution that can support scalable grooming of packet, OTN and Ethernet service, with full optical switching. Several backhaul links across the country were also upgraded to keep up with the growing traffic demand, and additional backhaul links were established to connect new fixed and mobile access points. To ensure that there is enough capacity to meet demand from our various fixed and mobile services, backbone capacity to main aggregation points was upgraded in line with demand. Several new IP based microwave backhaul links were deployed across the country to provide a backhaul capacity of 200 Mbps and 400 Mbps based on traffic demand. Telecom Namibia will continue to make targeted investments over the coming years into the national and international backbone transport network in order to ensure that there is sufficient capacity to meet demand.

Submarine:

There is currently only one submarine cable network with a landing station in Namibia. Any WACS cable system outage results in significant connectivity loss not only in Namibia but also in neighbouring countries, with detrimental economic consequences. Telecom Namibia has over the years been looking for viable and feasible investments into Submarine Optic Fibre Cables opportunities to not only deliver much-needed internet capacity to the region but to also enable Namibia to provide backhaul/backup route for Eastern and landlocked SADC countries, and thereby enhance redundancy and resilience in ICT networks across the SADC region.

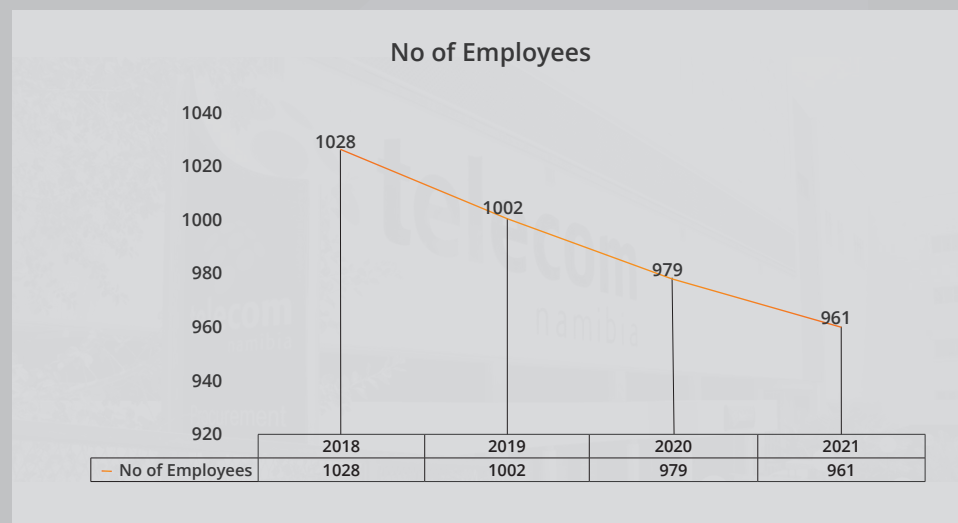
Telecom Namibia, therefore, entered into an agreement to secure IRU access to one-third of the fibre pair and wet ROADM on the Namibia Equiano cable branch. The Equiano submarine cable system is scheduled to be operational in Q3 of 2021/22 and Telecom's capacity on the Equiano cable will be integrated with the national network and Telecom Namibia's international PoPs in South Africa and Europe

HUMAN RESOURCES & STRATEGIC TRAINING

Our Human Capital remains the backbone of our company. As we are facing the digitalization era, Telecom Namibia is gearing itself in transforming the organization to be the preferred digital service provider. Our Employees continue to strive to deliver their best in realizing the strategic intent of the company. Serve our customers to the best of their abilities, enhancing customer experience and improving our efficiency levels as we embark on the digital transformation strategies. Our strategic goals strive to drive a high-performance culture and leadership excellence.

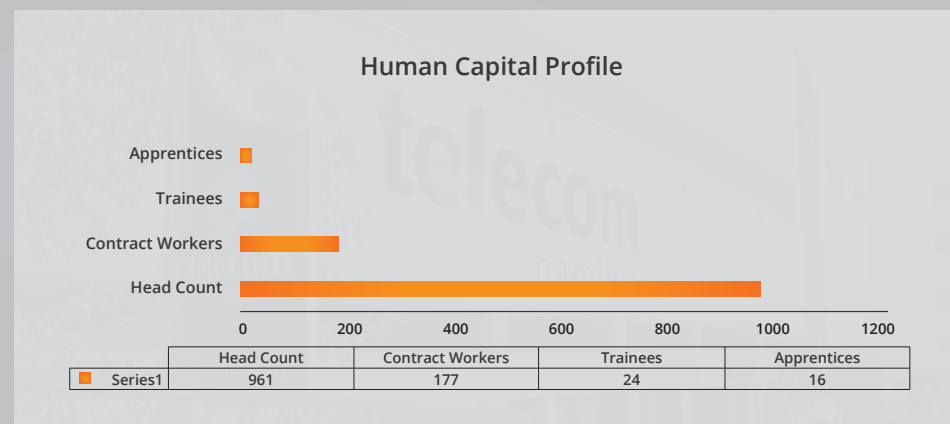
Our Employees

Telecom Namibia prides itself with a staff complement of 961. Our employees continue to remain the bedrock driving Telecom Namibia to become the Preferred Digital Service Provider as we are unleashing our Digital Strategy Roadmap.

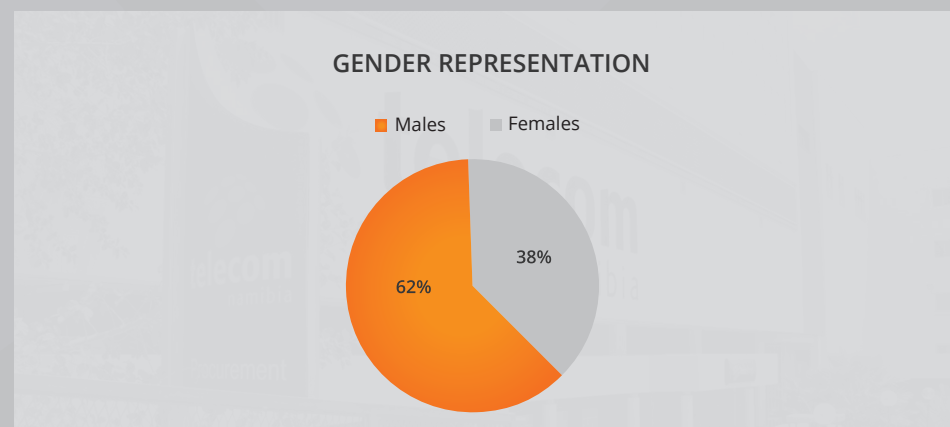


The staff complement comprises of **961** permanent employees, **177** contract workers, **24** trainees and **16** apprentices as at **the end of September 2021**. Our **Headcount** continue to decline as the company has onboarded a **Moratorium** on talent acquisition for the new Financial Year.

The Composition of the Human Capital is as follows:



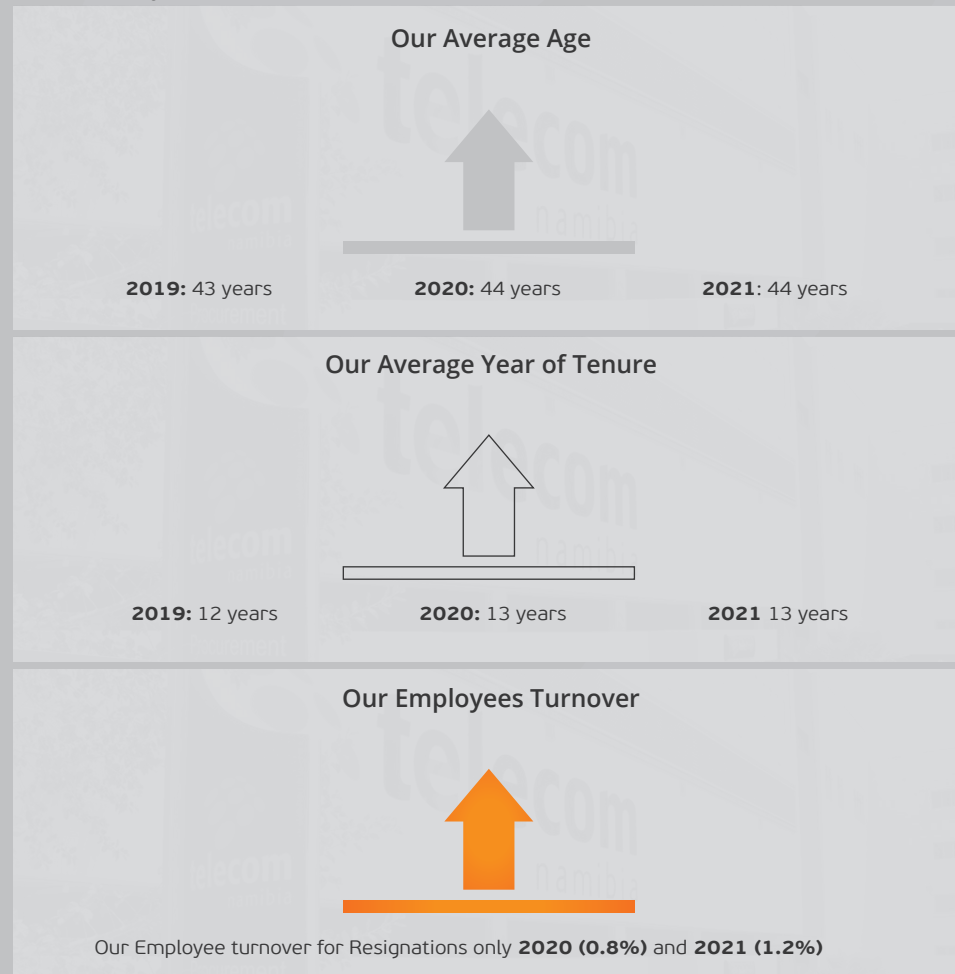
Gender Representation



HUMAN RESOURCES & STRATEGIC TRAINING

Telecom Namibia has an overall 38% women representation at all the job categories, which is above the 34% target of the 3 Year Affirmative Action Targets. The 62% of male is largely attributed to the predominant male dominance in the telecommunications industry. 96% of the TN population is Racially Disadvantaged males and females.

Our Talent Key Indicators



Talent Acquisition

Telecom Namibia acquired **20** new employees while **41** employees exited due to retirement, early retirement, death, resignations, ill health, and dismissals. Telecom Namibia Employee Turnover Rate including natural attrition during the year under review was 4.3% which is below the industry norm of 5%.

Talent Engagement

Telecom Namibia engages its talent throughout the year to ensure transparency and openness in the communication to our employees. We entirely believe that engaged employees are satisfied employees.

- The company is investing in talent engagement and to ensure that all employees are informed of the company performance through the interventions such as the OAC, PDRs, Strategic Charette anchored on a 360-degree approach, where all employees are participating online, and questions are attendant to instantly.
- Telecom further engaged employees on the automation of HR Processes through the Implementation of the HR Success Factors which allows employees to engage HR processes online.
- We successfully had Retirement Counselling Sessions to prepare our precious human capital to retire armed with information and being empowered in the management of their finances in a responsible manner.
- Our employees were fully engaged while working from Home during the COVID-19 Pandemic, the online sessions were positively embraced by the TN internal community. Engagements include COVID-19 Mental Health, COVID 19 Counseling Sessions, Post Trauma and Covid Related Training Interventions.
- Our employees were successfully engaged to a concept called Telecom Pay As Your Earn which encourages employees to save for better days.
- Succession Planning is enforced overseeing a robust succession plan for mission critical and leadership roles to ensure continuity at strategic, tactical, and operational level is fostered. Employees who will be identified as potential successors shall be trained and groomed for eventual succession in line with policies and procedures.
- Long serving employees are continuously engaged in the award of 10, 15,20,25,30,35, and 40 years.

In our quest to drive a **Performance Driven Culture**, Performance Agreements have been completed at Executive level and are being rolled out in the company. Further interventions are employed to introduce an Automated Performance Management System.

HUMAN RESOURCES & STRATEGIC TRAINING

Remuneration and Rewards

- Telecom Namibia has successfully converted all employees to the Total Cost to Company Packages. All converted employees were successfully engaged.
- The company continues to reward long serving employees in the categories of 10 years to 40 years.
- The Company is also socializing Sales Commissions to drive Revenue Targets.
- No Inflationary Adjustments was considered for the 2021 Financial Year due to the impact of COVID-19 on our company financial performance.

Telecom Namibia continue to remunerate its human capital fairly and in a reasonable manner.

Change Management and Leadership

The journey to transform the company from a traditional Telco into a digital service provider is underway. Telecom Namibia scored 1.94 in terms of the Digital Maturity Model Assessment Score. For Telecom Namibia to achieve a score of 4.23. A Change Management and Leadership framework has been developed and change agents have been appointed to accelerate and respond to Telecom Namibia's Digital Readiness as per the TM Forum assessment Report on Digital Transformation.

Talent Retention

Our talent retention strategy is encapsulated in the varied talent management strategies. For Telecom Namibia to remain an Employer of Choice the company will review its Employee Value Proposition and align to the expectations of the 4th Industrial Revolution to enable Telecom to retain talent and attract potential talent. To ensure alignment to the 4th Industrial Revolution the company will embark on benchmarks to ensure that TN continue and evolve to be the Digital Service Provider.

Employee Relations

Telecom Namibia continues to enjoy industrial peace as a direct result of the relationship between Management and NAPWU. The Parties have always endeavored to maintain fair labour practices and good faith industrial relations.

The Parties are expected to engage in efforts to review and strengthen the relationship and address employees' issues of concern. The Parties remain committed to address the concerns and common objectives raised at the various platforms in a continuous, effective, and efficient manner.

Our aim is to continuously strengthen our relationship to ensure the long-term financial sustainability of the Company, fair conditions of employment and job security for all employees.

Employee Wellness

Telecom Namibia has established a safe and healthy working environment for the individual employee, the Company as a whole and the general community. The Company has created a culture of safety, health and environmental concern which promote and maintain the highest possible level of physical, mental, and social well-being.

The Company continued to provide a Wellness Facility manned by an Occupational Health Specialist in the form of a primary health care Clinic at the Head Office in Windhoek.

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.

With the outbreak of the Covid-19 pandemic, Telecom Namibia has continuously complied with governmental regulations, ensuring the maintenance of a safe working environment.

Since the outbreak of the virus, immediate changes have been made at the workplace to adapt to the "new normal" including the designing and implementing of the COVID-19 Pandemic Policy. The Policy will provide a governance framework in line with the Namibia Government COVID-19 related Regulations for all processes, systems and practices put in place to protect employees in as far as possible from contracting COVID-19 at the workplace without taking away the responsibility of individuals in containing the spread of the virus.

Human Resources Development

Telecom Namibia invested N\$6.3 million (N\$5,6million:2020) in skills and capability building through its training and development interventions. The skills enhancement is aimed at building capacity with a view to create a performance driven culture. Adhering to COVID-19 protocols, Human Resources Development has invested in the following training and development:

• Mobile Products Training	• VSAT CPE Technical Training
• Public Procurement Act 15 of 2015	• PABXC
• Project Management Professionals	• ZSmart
• Certificate in Supervisory Skills	• SAP Projects
• Senior Management Development Programmes	• Ceragon IP20
• IT Fundamental Introduction Training	• TD-LTE
• System and CPE Troubleshooting	• Structural Cabling Training
• Trouble Shooting Web Portal	• Calabash
• Microsoft Azure Administrator	• Altitude System
• Service Provider Routing and Switching Exam	• CCNA

HUMAN RESOURCES & STRATEGIC TRAINING

The company has revived the apprenticeship training scheme for Telecom Electricians. Telecom Namibia entered into a Memorandum of Understanding with the Namibia Training Authority (NTA) who will oversee the implementation of the apprenticeship training scheme. The apprentices fall into the following categories:

- Electronics/Instrumentation/Electrical – to be trained as Fitters/Faultsmen and Cable Jointers
- Air-conditioning – to be trained as Air-conditioning Artisans
- Electrical – Low Voltage – to be trained as Electricians for the Power department

The Telecom Namibia Apprenticeship programme is part and parcel of the NTA-GAN-NEF nationwide program and is aimed at addressing the succession of Telecom Electricians across the country at different duty stations. To date we have sourced 24 Apprentices for capacity building and succession of Telecom Electricians and Technicians. Twelve (12) of the apprentices of which three (3) are women have completed the programme and have been appointed into substantive positions. The remaining twelve (12) are completing the programme in 2022.

Telecom Namibia has onboarded Interns to offer students from local universities and Telecom Namibia employees who are pursuing further studies the opportunity to complete their practical/experiential learning.



INTERNAL AUDIT & RISK MANAGEMENT

GOVERNANCE OF RISK

Telecom Namibia's Risk Management Policy confirms the commitment of Telecom Namibia's Executive and senior management, in support of the Board's accountability, for enterprise risk management (ERM) towards conducting healthy business practices which are beyond reproach, through the application of enterprise risk management principles to stimulate business growth and sustainability.

Telecom considers enterprise risk management to be a fundamental and significant aspect of good corporate governance. It is the policy of Telecom Namibia to:

- Embed risk management into the culture and the way business is conducted across the Company
- Integrate enterprise risk management into strategy formulation, activity planning, performance management and resource allocation decisions
- Manage risks and leverage opportunities in accordance with best practice.
- Analyse and assess the risk profile of the Company, application of the risk appetite and the effectiveness of risk responses and root causes in the context of strategic intent.

Material and strategic risks are tracked and reported on at Executive level as well as at Board level, through the Board Audit and Risk Management Committee, on a quarterly basis. Telecom has committed itself to improving risk management within the organisation through risk-based decision making. The process has been enhanced by the executive management's involvement and commitment, through the identification and mitigation of Business Unit risks.

Company Risk Status

Below is a listing of risks as at September 2021 representing the material and top strategic risks as identified. These risks are recorded and tracked through the Corporate Risk Register.

High Level Material and Strategic Risk	Risk Rating
Imposed levies payable to Regulator (CRAN) that is significant in value	● - High
Increased pressure on cashflow to meet commitments	● - High
Strain on liquidity to replace fund capital projects internally	● - High
Inadequate revenue collections	● - High

High Level Material and Strategic Risk	Risk Rating
Cost / Accessibility and security of funding for legacy IT infrastructure replacement	● - High
Continuous provision of services at unsustainable non-profitable levels	● - High
Legal risk exposure due to exit in joint venture investment	● - High
Liability of preference shares issued to NPTH distraught key financial ratios	● - High
Continuous provision of services at unsustainable non-profitable levels	● - High
Unstable IT platform for mobile voice traffic services billing	● - High
Inability of legacy IT infrastructure to support innovative products	● - High
Inadequate cyber security and data protection capabilities	● - High
Slow implementation of Business Continuity Management	● - Medium

Future outlook for risk management

Telecom Namibia will embark on an Enterprise Risk Management (ERM) transformation journey to enhance the ERM approach to become a risk and compliance intelligence function. Risk intelligence refers to our ability to think holistically about risk and uncertainty, to speak a common risk and compliance language and to effectively use forward-looking risk concepts and tools in making better decisions, alleviating threats, capitalising on opportunities and creating lasting value.

The following transformations will be implemented:

• Re-align risk strategy, philosophy and appetite with international risk management standards and practices
• Entrench risk management in governance structures
• Align operating model and risk management
• Embed risk, compliance, and control culture
• Strengthen the control environment
• Strengthen Risk management and monitoring
• Implement Risk tools, measurement, and reporting

INTERNAL AUDIT & RISK MANAGEMENT

INDEPENDENT INTERNAL AUDIT FUNCTION

Internal audit is an integral part of Telecom Namibia's governance structures and functions under policies established by Exco and the Board. Internal audit is an independent, objective assurance and consulting activity tasked with instilling a systematic, disciplined approach within Telecom to evaluate and improve the effectiveness of risk management, internal controls, and governance processes.

To strengthen its oversight over the control environment, the future focus of internal audit approach will move from compliance-based audits to risk-based to move from an assurance provider to a trusted advisor by providing meaningful improvements and provide assurance around risk.

EMBEDDING ETHICAL CONDUCT

Board members, executives and employees are expected to sign and comply with the company's Code of Conduct which guides ethical behaviour. This includes formal processes for the declaration of interests that may represent a conflict.

Telecom has embarked upon improving the processes affecting ethical culture and is looking at the establishment of an independently managed ethics hotline and policy frameworks that deals with managing fraudulent activities to reinforce and reward ethical behaviour.

LEGAL AND REGULATORY COMPLIANCE

TELECOM COMPLIANCE

Telecom Namibia operates within a regulated environment and is required to continuously monitor compliance and manage compliance risk. Telecom Namibia is required to comply with all applicable laws, National policies, rules, codes and standards, which form part of its Compliance register. Compliance is essential for Telecom Namibia's sustainability, and it is vital in ensuring that Telecom Namibia continues to offer quality and efficient services to its customers.

During the year under review, Telecom Namibia maintained a register of all applicable laws and complied therewith. Telecom Namibia has not fully complied with the Regulatory requirement of number portability due to factors beyond its control, however, no new Regulatory summons or fines were issued against Telecom Namibia apart from the existing summons from previous financial years for which proceedings are still ongoing.

As part of its strategic plan, Telecom Namibia recognised the need for compliance management to be done more proactively and systematically to improve the compliance risk management process and enhance the organisation's compliance culture. To this end, the company conducted an internal audit on compliance management and started with preparations for drafting the Compliance policy and Compliance Risk. Going forward, the processes for managing compliance risk will be formalized in a compliance program that establishes a framework for identifying, assessing, controlling, measuring, monitoring, and reporting compliance risks across the organization, and for providing compliance training throughout the organization.

REGULATORY DEVELOPMENTS

CRAN Levy

The amendments to section 23 of the Communications Act were promulgated. CRAN conducted a rulemaking process and enacted the Regulations prescribing the regulator levy. MTC applied to the High court for the review and validity of the Communications Amendment Act of 2020. The regulatory levy case in the High court between Telecom and CRAN was still ongoing during this financial year.

Number Portability

CRAN has published the final regulations including both fixed and mobile number portability. This poses a risk of non-compliance to Telecom as Telecom Namibia is unable to comply with number portability at this stage due to technical limitations.

5G Roll Out in Namibia

CRAN informed the industry that the roll-out of 5G within Namibia is placed on hold to wait for a cabinet directive.

NEW AND UPCOMING REGULATIONS

SIM Registration

The Ministry of Information and Communication Technology conducted stakeholder engagements on the draft Sim registration regulations.

Universal Service Obligations

The Regulator also plans on implementing Universal service obligation regulations to require operators to provide universal services.



CORPORATE SOCIAL RESPONSIBILITY REPORT

Telecom Namibia seeks to create a positive impact on the communities where it is present through key responsible alliances, community projects and patronage.

During the year under review Telecom Namibia refined its corporate responsibility efforts, due to stormy economic conditions. We tried to be smarter, more streamlined and more efficient at delivering corporate social value through a few projects.

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

EDUCATION

Okanghudi Combined School, Ohangwena Region

Telecom Namibia is committed to improving the quality of education. For the financial year TN donated 150 desks and 150 chairs to the Okanghudi Combined School, in the Ondobe Circuit, Ohangwena Region. The brand-new school furniture worth approximately N\$90,000 supports the Government's agenda to deliver quality education and ensure the dignity of learners. Telecom Namibia believes that the development of Namibia is not the responsibility of government alone, and as such, TN continuously channels available resources were required. Learner desks and chairs play a significant role in the effectiveness of learning and sets an environment conducive for positive development. School furniture contributes to the comfort, posture, and support of learners, all of which, contributes positively towards their ability to concentrate and work.

Okamatapati Combined School, Otjozonzupa Region

TN has narrowed the knowledge and information gap with a recent donation of 10MBPS connection, 12-month long speedlink subscription and 2x computers to the Okamatapati Combined school. The school is located in a rural community, 100 km east of Okakarara and has a total population of 835 pupils and 35 teachers. We upgraded the schools 4 mbps line to 10 mbps to aid in the provision of E-Learning for disadvantaged learners, to ensure that the learners at the rural school have access to quality education through access to ICT services. The outbreak of COVID-19 pandemic across the world has profoundly altered mode of teaching and learning, with this donation Telecom Namibia aims to bridge the digital divide by assisting the school to remain connected with key stakeholders in the education sphere, while providing a means for learners to complete learning modules online.

UNAM Chancellors Innovation Fund

TN made a significant commitment of N\$2.5 million over a three-year period towards the University of Namibia's Chancellor's Innovation Fund. Telecom Namibia is one of the main donors of the Fund, which is geared towards providing for the development of capacity, nurturing of local talent, promotion of innovation and entrepreneurship through product development innovation, innovation idealization, business pitching techniques and harnessing partnerships with the private sector for socioeconomic empowerment. Similarly, with the aim of providing better service delivery to our customers, Telecom Namibia also donated, communication devices, as well as connection for a period of 12-months, to the University of Namibia. This donation provides first-line support to students with regard to technical assistance on the mobile device offering from Telecom Namibia and further extends the customer service operations via omnichannel support which includes, a 24 hours telephonic support, WhatsApp for business support, and support through the UNAM's student portal.

COMMUNITY

We continue to partner with a number of organisations in line with our commitment to operate in a sustainable manner and to gain the confidence of the communities in which we operate. During this financial year, we supported various communities around the country, albeit on a limited scale.

RABO in fight against Violence

TN has joined RABO in the fight against violence by sponsoring the organization with connectivity during the reported financial year and in this manner indirectly assisting the Namibian police with crime prevention and other activities which combat violence including gender-based violence, as well as child abuse and neglect.

Office of the Regional Governor Kavango West

Our community involvement spans a wide range of areas, which includes donation of funds to purchase building materials for people living in destitute in the Kavango West Region. The donation was given to the Office of the Regional Governor -Kavango West Region. TN believes in the upliftment of communities, especially projects that contribute to SME development among the youth and thus sponsored the Endola SME and Youth EXPO with funds assisting with economic reform in the Ohangwena region.

Ministry of Gender Equality, Poverty Eradication and Social Welfare

Telecom Namibia is committed to assisting the government in its quest to eradicate poverty in Namibia. As a responsible corporate citizen, we understand the role we play in society and thus recently donated phones, simcards and airtime to the Ministry of Gender Equality, Poverty Eradication and Social Welfare. With this donation Telecom Namibia aims to assist the ministry to solicit funds targeted to address the dynamic poverty effects to vulnerable and poverty-stricken communities and individuals.

CORPORATE SOCIAL RESPONSIBILITY REPORT

World Press Freedom Day 2021

Telecom Namibia proudly sponsored the World Press Freedom Day 2021 with connectivity, which demonstrates our commitment to connecting Namibia to the world by enabling internet connectivity to participants. This year's WPF is very special as it marks the 30th Anniversary of the Windhoek Declaration.

Trade EXPOs

TN believes in the upliftment of communities, especially projects that contribute to SME development among the youth, and thus sponsored two Trade EXPOs during this financial year, namely the Olafika Expo and the Endola SME and Youth Expo.

SPORTS

Nedbank Desert Dash Competition

TN acknowledges the fundamental role played by sports in economic and social development and thus sponsored a cycling team in the Desert Dash Competition. The team came 47th in the 4 person males category, in a time of 20:52:52.

Chicco Youth Development Football Academy, Kallie's Tennis School and SAGES Fundraiser (Golf Day)

Similarly, Telecom Namibia sponsored the Chicco Youth Development Football Academy, in Tsumeb with soccer gear. TN is cognizant that sports programs can encourage behavioural change and can be identified as one of the change agents in removing young people from negative influences such as drugs and alcohol. And hence, excited to be part of youth sports development in Namibia. We also sponsored Kallie's Tennis School, as well as SAGES Fundraiser (Golf Day) during this financial year.

OUR HUMAN CAPITAL

COVID -19

For this financial year TN continued to priorities the health and safety of all our customers, employees, and various stakeholder.

As the COVID-19 was declared a pandemic in March 2020, TN CSR efforts were geared towards assisting the government in mitigating the risk of spreading the pandemic further. Firstly, TN implemented several business contingency plans, personal hygiene and social distancing measures at all offices, Teleshops and technical buildings, in line with government guidelines.

As many of our employees interact with different members of the public either through serving and working with customers, working side by side with third party labour or receiving supply services from key contractors, we took steps to ensure we mitigate exposure risks. There were several ways we attempting to minimise risk.

The controls that we put in place was as follows:

- Practising good hygiene at all our sites and wherever our employees may go.
- 14-day self-isolation requirements for any employee returning from overseas travel, along with a suspension of work-related overseas travel.
- Appropriate medical clearance and testing for potential and actual cases of exposure to COVID-19
- Providing regular updates and education to our employees as needed.
- Implementing remote working solutions were needed
- Constant monitoring of government and medical information sources; and sharing with public and employees.
- Protocols were in place that activated closures, disinfection and appropriate quarantine procedures based on recommendations by government.

COVID-19 Government Support

TN also provided the Ministry of Health and Social services with a Toll free COVID-19 number, as well as a WhatsApp number. These numbers ensured that the public had a platform to communicate their COVID-19 concerns and to report possible infections. While the WhatsApp number, additionally ensured that people with hearing impairment shared any concerns they may have about COVID-19 by sending text messages to the national response number. This enabling and expanding the inclusion of people living with disabilities, mainly the hearing impaired in the COVID-19 response measures.

Wellness Day

Employee health affects more than just medical costs. A healthy workforce is a more productive workforce. We are proud to report that TN hosted its first every Wellness Day during this financial year, where managers reinforced a sound wellness strategy to keep employees motivated and engaged. TN Wellness and incentive programs are used to drive and reinforce healthy behaviors, bringing benefits to the employer, the employee, and to the community.

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).

A total of 4,895 orders were placed during the year, of which 64.5% were awarded to qualifying small and medium enterprises or BEE companies in Namibia. This made up 56% 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.



CORPORATE SOCIAL RESPONSIBILITY REPORT

OUR HUMAN CAPITAL

Focus for 2021/2022

The focus for the remainder of the financial year will be put on COVID-19 mitigating measures, Women's development, SME development, ICT development and further investments on education.

Woman Development

- Sponsoring woman in SME's and business
- Gender Based Violence assistance project
- Projects that uplift woman in the rural communities

SME Development

- Rural SME projects
- ICT related SME project

ICT Development

- Sponsoring gaming development projects and events
- Cybersecurity competitions
- Website Hybrid hackathon competitions
- Any ICT development projects

Education

- Equipping rural schools with internet
- Donations of chairs, desk and/or school building materials
- Assisting with purchasing of PC and necessary ICT equipment
- Any other assistance that learners may require





ANNUAL REPORT

2020 / 21



Annual Financial Statements

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The Annual Financial Statements included in this Annual Report are a copy of the version, whose opinion thereon was signed by our external auditors on 21 February 2022.

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 Board aims to ensure that Telecom Namibia operates ethically and with integrity and in 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. Telecom Namibia has chosen to adhere to and comply with the NamCode and continues to strive to being fully compliant including modifying and incorporating these principles into the Terms of References for Board Committees and the Board Charter.

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

The composition of the Board that served from 08 July 2020 until 30 April 2021 are as follows:

- Jeremia L Muadinohamba - Chairperson
- Fernando P Somaeb - Vice Chairperson
- Frieda Kishi - Non-executive director
- Elizabeth Asino-Joseph - Non-executive director
- Shiwana Ndeunyema - Non-executive director

Namibia Post & Telecom Holdings (NPTH) has appointed a substantive Board effective 01 May 2021 until April 2024. The newly appointed Board is comprised of the following:

- Melki-Zedek Uupindi - Chairperson
- Amanda Hauuanga - Vice Chairperson
- Melanie Tjijenda - Non-executive director
- Rowan Klentjes - Non-executive director
- Fernando P Somaeb - Non-executive director

Non-executive Directors are appointed by the shareholder in accordance with the Public Enterprise Governance Act, for a specific term 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 by the shareholders.

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. Although the Board is no longer involved in procurement matters and the accountability of procurement rests with the accounting officer as per the provisions of the Procurement Act (15 of 2015), the Board set the strategic goals and objectives of the company and is to be appraised of and approve major projects before they enter the procurement stage.

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 oversees 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-

CORPORATE GOVERNANCE STATEMENT

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 the 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. This is in the form of a Board pack. 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. The Company Secretary attends all Board and Board committees' meetings and is responsible for ensuring that Board procedures are observed, and that applicable rules and regulations are complied with. Procedures are in place for Directors and Board committees' members, to seek independent professional advice, paid for by Telecom Namibia when this is deemed necessary.

Board meetings

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

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

Meetings	Paid/Not Paid	J Muadinohamba	F Somaeb	S Ndeunyema	F Kishi	E Joseph
20 October '20	Paid	Present	Present	Present	Present	Present
16 Dec '20	Paid	Present	Present	Present	Present	Present
05 January '21	Not Paid	Present	Present	Present	Apologies	Present
22 January '21	Not Paid	Present	Present	Present	Apologies	Present
25 January '21	Not Paid	Present	Present	Present	Present	Present
29 March '21	Not Paid	Present	Present	Present	Present	Present
30 March '21	Paid	Present	Present	Present	Present	Present
13 April '21	Not Paid	Present	Present	Present	Present	Present
27 April '21	Not Paid	Present	Present	Present	Present	Present
29 April '21	Not Paid	Present	Present	Present	Present	Present
30 April '21	Not Paid	Present	Present	Present	Present	Present

Substantive Board

The Shareholder appointed the substantive Board effective 01 May 2021 until 30 April 2024.

Meetings	Paid/Not Paid	M Uupindi	A Hauuanga	R Kleintjes	M Tjijenda	F Somaeb
15 Jun Quarterly 21	Paid	Present	Present	Present	Apologies	Present
5 July 21	Not paid	Present	Present	Present	Apologies	Present
13 Aug with NPTH	Not paid	Present	Present	Present	Present	Apologies
20 Aug 21	Not paid	Present	Present	Present	Present	Apologies
30 August 21	Paid	Present	Present	Present	Present	Present
31 August 21	Not paid	Present	Present	Present	Present	Present

Board of Directors Fees

SITTING FEES		
	BOARD	SUB COMMITTEE
Chairperson	N\$ 14,372.65	N\$ 6,978.48
Director	N\$ 8,127.75	N\$ 4,762.47
RETAINER FEES		
Chairperson	N\$ 8,677.14	N\$ 4,215.68
Director	N\$ 088,18,7	N\$ 2,719.33

CORPORATE GOVERNANCE STATEMENT

Board Committees

The Board has appointed four committees to assist in discharging its responsibilities effectively. All committees fulfill 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 four committees are the:

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

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 and debt-collection procedures. As such it has a negative impact on the Company's reputation and revenue. Management monitors monthly revenue closely by performing monthly analytical reviews to identify anomalies.

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 and the results of the operations and cash flows of Telecom Namibia and the Group. The financial statements set out herein 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.

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 standard is to replace the auditors every three years. The Audit Committee assesses the external auditors based on factors such as the performance and quality of their audit, timely completion of the 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.

PricewaterhouseCoopers Namibia (PwC) was appointed effective from 18 October 2019.

The CEO, Head: Legal and Regulatory Affairs, the CFO, Internal Auditor and External Auditors are invitees to this committee.

CORPORATE GOVERNANCE STATEMENT

Composition of Committees:

Human Resources and Compensation Committee

Terms of reference

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, always retained in the Company and kept motivated. In determining such policy, the Committee considers 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.

Significant items discussed in 2021:

- Organisational structure;
- Succession planning for critical positions;
- Appointment of the critical role of CEO;
- Appointment of Head: Legal and Regulatory Affairs;
- Appointment of Company Secretary;
- Setting a negotiation mandate for wage and salary negotiations;

Commercial Committee

Terms of reference

The Commercial Committee is delegated by the Telecom Namibia's Board of Directors and supports the Board in the execution of its duties. The Committee functions on behalf of the Board and is accountable to 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 optimisation;
- 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; and
- Strategic Partnerships.

The Committee consists of three members of the Board of Directors. The Chief Commercial Officer, Head: Corporate Communication and Public Relations, Chief Marketing Officer and the Head: Legal and Regulatory Affairs are invitees to these committee meetings.

Significant items discussed in 2021

- Approval of commercial strategy;
- Approval of tariff increases;

Information Technology (ICT) Steering Committee

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

The objectives of the Committee are to:

- Provide guidance through IT Strategy on the application of IT resources in order to meet the Company's strategic objectives;
- Oversee the development of quality assurance mechanisms and monitor feedback on the quality of IT services within Telecom Namibia;
- Review and provide feedback on IT policies as they are developed or amended;
- Continuously develop the IT Architecture Plan in terms of data, applications and infrastructure;
- Agree on IT Standards for hardware, applications and storage;
- Align future technologies to the IT Architecture Plan and approve deviations from the Plan;
- Continuously develop Telecom Namibia's vendor strategy;
- Continuously align the IT Procurement Policy to IT Standards;
- Identify skills and integration gaps before technology is procured; and
- Review and participate in the development of the Company's strategic and functional plans for information technology.



CORPORATE GOVERNANCE STATEMENT

Information Technology (ICT) Steering Committee

The ICT Steering Committee consists of two members of the Board of Directors. The CEO, the Chief Technical Information Officer, the Head Corporate Governance, Legal Services and Regulatory Affairs are invitees to this committee meeting.

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. Management has however implemented controls and measures to mitigate these risks relating to the completeness and validity of the revenue. Furthermore, the procurement process for the OSS/BSS transformation system, which will further deal with these significant deficiencies has been initiated and is expected to be finalised in the near future.

The allocation of customer payments remains a challenge and a dedicated team is tasked with clearing of the unallocated payments file.

Executive Committee

The EXCO is established and chaired by the CEO and currently comprises all Executive Management members, with designated corporate staff members in attendance. It meets formally every month and informally when required.

The EXCO is mandated, empowered and held accountable for implementing the strategies, business plans and policies determined by the Board; managing and monitoring the business affairs of Telecom Namibia in line with approved plans and budgets; prioritising the allocation of capital and other resources as approved by the Board and establishing best management and operating practices.

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

The EXCO is responsible for the following, inter alia:

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

The composition of the EXCO is as follows:

S Shanapinda	Chief Executive Officer
D Nashandih	Acting Chief Human Resources Officer
S Kisting	Chief Financial Officer
L Hiwilepo	Chief Technical Information Officer
C Muniswaswa	Chief Commercial Officer
A Perny	Chief Marketing Officer
K Hochobeb	Head: Internal Audit and Risk Management
C Chipeio	Head: Legal and Regulatory Affairs
N Kondombolo-Kambinda	Head: Corporate Communication and Public Relations
C Gaingos	Company Secretary

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.

CORPORATE GOVERNANCE STATEMENT

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. All employees are required to sign off on the code as part of their onboarding procedures.

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 several 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.



DIRECTORS' RESPONSIBILITIES AND APPROVAL

The Directors are required in terms of the Companies Act of Namibia to maintain adequate accounting records and are responsible for the content and integrity of the group and company annual financial statements and related financial information included in this report. It is their responsibility to ensure that the group and company annual financial statements fairly present the state of affairs of Telecom Namibia Ltd and the Group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards and the Companies Act of Namibia. The external auditors are engaged to express an independent opinion on the consolidated and separate annual financial statements.

The group and company annual financial statements are prepared in accordance with International Financial Reporting Standards and the Companies Act of Namibia and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

The focus of risk management is on identifying, assessing, managing and monitoring all known forms of risk across the Group. While operating risks cannot be fully eliminated, the Group endeavours to minimise them by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed in terms of predetermined procedures within recognised constraints. The Directors are of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The 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 annual 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 and debt-collection procedures. 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 system and management is of the opinion that this transformation will further deal with these significant deficiencies that were noted.

The Group reported a profit for the year ended 30 September 2021 of N\$35 million (2020: N\$18 million) and the Company reported a N\$1 million (2020: N\$20 million loss) respectively. Current liabilities exceeded current assets by N\$163 million (2020: N\$282 million) for the Group and by N\$242 million (2020: N\$320 million) for the Company at year-end.

In line with strategic objectives, the Group aims to achieve earnings before interest, taxes, depreciation and amortization (EBITDA) margin of 20% plus by focusing on revenue growth, reducing operating expenses and managing capital expenditure. The company aims at achieving profit before tax of N\$95 million in 2022. The group will further invest in infrastructure projects and strengthen our network capacity and quality to better serve our customers and drive growth inline with Telecom Namibia Ltd's Integrated Strategic Business Plan 2023 which is premised on the strategic pillars of: sustainable growth, enhanced customer experience, operational efficiency and a performance driven culture.

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 next 12 months to 30 September 2022 and beyond 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 group and company 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.

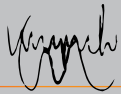
The Group notes that the COVID-19 pandemic brought with unprecedented economic challenges globally, and one of the accompanying risks is doubt on the going concern ability of businesses. Being a telecommunications service provider, the Group provides essential services and the pandemic brought with an increased demand in telecommunication services. The Directors are of the opinion that the Group demonstrated strong resilience during this trying times and will continue to take advantage of the opportunities the pandemic brought with and will continue to operate.

DIRECTORS' RESPONSIBILITIES AND APPROVAL

The group and company financial statements have been audited by the independent external auditors, PricewaterhouseCoopers Namibia. 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 and their report is presented on pages 58 to 59.

The consolidated and separate annual financial statements set out on pages 60 to 153, which have been prepared on the going concern basis, were approved and authorised for issue by the Board of Directors on 16 February 2022 and were signed on their behalf by:

Approval of financial statements



Melkizedek Uupindi



Fernando P Somaeb



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

OUR OPINION

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Telecom Namibia Limited (the Company) and its subsidiaries (together the Group) as at 30 September 2021, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Namibia.

What we have audited

Telecom Namibia Limited's consolidated and separate financial statements set out on pages 60 to 153 comprise:

- the consolidated and separate statements of financial position as at 30 September 2021;
- the consolidated and separate statements of profit or loss and other comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standard) (Code of Conduct) and other independence requirements applicable to performing audits of financial statements in Namibia. We have fulfilled our other ethical responsibilities in accordance with the Code of Conduct and in accordance with other ethical requirements applicable to performing audits in Namibia.

OTHER INFORMATION

The Directors are responsible for the other information. The other information obtained at the date of this auditor's report comprises the information included in the document titled "Telecom Namibia Ltd Consolidated And Separate Annual Financial Statements for the year ended 30 September 2021". The other information does not include the consolidated or the 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 identified above 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 that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE 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 and the 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 the Company or to cease operations, or have no realistic alternative but to do so.

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

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 and/or 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 Directors 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.



PricewaterhouseCoopers

Registered Accountants and Auditors
Chartered Accountants (Namibia)

Per: Samuel N Ndahangwapo
Partner
Windhoek

Date: 21 February 2022



CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2021

	Note(s)	Group			Company		
		2021 N\$ '000	2020 Restated* N\$ '000	2019 Restated* N\$ '000	2021 N\$ '000	2020 Restated* N\$ '000	2019 Restated* N\$ '000
ASSETS							
Non-Current Assets							
Property plant and equipment	3	1,279,782	1,319,487	1,369,269	1,172,650	1,212,040	1,263,330
Right-of-use assets	5	769,324	722,003	-	869,849	690,758	-
Intangible assets	4	31,729	53,215	41,624	14,914	34,688	22,026
Loans to group companies	7	-	-	-	150,000	150,000	150,000
Contract assets	13	2,854	4,110	15,520	2,854	4,110	15,520
Lease receivables	10	5,298	5,676	7,589	5,298	5,676	7,589
Deferred tax	20	95,109	78,899	58,593	-	-	-
		2,184,096	2,183,390	1,492,595	2,215,565	2,097,272	1,458,465
Current Assets							
Inventories	11	61,004	58,952	45,884	61,004	58,952	45,884
Loans to group companies	7	-	-	-	15,968	15,968	-
Trade and other receivables	12	308,070	266,538	272,215	307,284	264,793	270,756
Contract assets	13	9,800	14,477	5,905	9,800	14,477	5,905
Other financial assets		-	-	10,000	-	-	-
Lease receivables	10	1,596	4,254	4,422	1,596	4,254	4,422
Amounts owing by fellow subsidiaries	14	3,709	5,754	7,293	4,206	5,793	23,261
Amounts owing by holding company	14	145	763	6,049	145	763	6,049
Cash and cash equivalents	15	48,405	96,060	59,869	19,955	65,918	38,531
		432,729	446,798	411,637	419,958	430,918	394,808
Total Assets		2,616,825	2,630,188	1,904,232	2,635,523	2,528,190	1,853,273

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2021

	Note(s)	Group			Company		
		2021 N\$ '000	2020 Restated* N\$ '000	2019 Restated* N\$ '000	2021 N\$ '000	2020 Restated* N\$ '000	2019 Restated* N\$ '000
EQUITY AND LIABILITIES							
EQUITY							
Share capital	17	154,530	154,530	154,530	154,530	154,530	
Retained income		522,274	485,465	467,218	407,653	426,826	
		676,804	639,995	621,748	562,183	581,356	
LIABILITIES							
Non-Current Liabilities							
Borrowings	19	-	-	30,000	-	30,000	
Financial liability at fair value	22	279,127	282,791	282,361	279,127	282,361	
Lease liabilities	5	744,309	688,453	-	825,892	-	
Operating lease liability		-	-	1,470	-	-	
Retirement benefit obligation	18	67,079	53,954	56,501	67,079	56,501	
Contract Liabilities	26	72,192	66,068	81,877	72,192	81,877	
Regulatory levies liability	25	48,389	-	-	48,389	-	
Deferred tax	20	133,336	170,138	200,220	118,249	184,969	
		1,344,432	1,261,404	652,429	1,410,928	1,215,952	

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2021

	Note(s)	Group			Company		
		2021 N\$ '000	2020 Restated* N\$ '000	2019 Restated* N\$ '000	2021 N\$ '000	2020 Restated* N\$ '000	2019 Restated* N\$ '000
Current Liabilities							
Trade and other payables	21	197,357	273,112	277,774	188,890	263,508	272,375
Borrowings	19	-	30,000	26,776	-	30,000	26,776
Lease liabilities	5	66,944	57,642	-	83,083	53,962	-
Contract Liabilities	26	114,085	117,030	104,846	114,085	117,030	104,846
Regulatory levies liability	25	95,607	155,777	155,559	95,607	155,777	155,559
Current tax payable	35	24,044	21,241	-	24,044	21,241	-
Provisions	24	66,060	67,438	54,411	66,060	67,438	54,411
Unearned interest mobile devices	23	801	1,131	1,959	801	1,131	1,959
Amounts owing to fellow subsidiaries	14	9,497	5,418	8,730	68,648	41,121	20,283
Bank overdraft	15	21,194	-	-	21,194	-	-
		595,589	728,789	630,055	662,412	751,208	636,209
Total Liabilities		1,940,021	1,990,193	1,282,484	2,073,340	1,967,160	1,271,917
Total Equity and Liabilities		2,616,825	2,630,188	1,904,232	2,635,523	2,528,190	1,853,273

CONSOLIDATED AND SEPARATE STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note(s)	Group		Company	
		2021 N\$ '000	2020 Restated* N\$ '000	2021 N\$ '000	2020 Restated* N\$ '000
Revenue	31	1,468,966	1,494,967	1,444,017	1,470,526
Cost of sales	32	(294,333)	(324,850)	(323,007)	(351,149)
Gross profit		1,174,633	1,170,117	1,121,010	1,119,377
Distribution costs		(59,179)	(52,544)	(58,690)	(51,809)
Administration expenses		(699,402)	(711,735)	(677,617)	(694,925)
Expected Credit Loss	27	(9,671)	(63,183)	(8,071)	(62,694)
Regulatory levies	30	5,353	(454)	5,340	(218)
Other operating expenses		(352,590)	(323,194)	(341,875)	(309,460)
Other income	33	24,837	23,971	24,239	23,421
Operating profit (loss)	27	83,981	42,978	64,336	23,692
Investment income	28	4,398	4,127	3,596	2,628
Finance costs paid	28	(58,733)	(62,245)	(56,626)	(59,282)
Other non-operating gains	9	944	(431)	944	(431)
Profit (loss) before taxation		30,590	(15,571)	12,250	(33,393)
Taxation	29	12,065	30,640	(3,862)	9,889
Profit (loss) for the year		42,655	15,069	8,388	(23,504)
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Remeasurements on net defined benefit liability/asset		(10,634)	4,673	(10,634)	4,673
Income tax relating to items that will not be reclassified		3,403	(1,495)	3,403	(1,495)
Total items that will not be reclassified to profit or loss		(7,231)	3,178	(7,231)	3,178
Other comprehensive income (loss) for the year net of taxation	18	(7,231)	3,178	(7,231)	3,178
Total comprehensive income (loss) for the year		35,424	18,247	1,157	(20,326)

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY

Group

Opening balance as previously reported

Adjustments

Prior year adjustments

Restated *Balance at 01 October 2019 as restated

Profit for the year

Other comprehensive income

Total comprehensive income for the year

Opening balance as previously reported

Adjustments

Prior year adjustments

Balance at 01 October 2020 as restated

Profit for the year

Other comprehensive income

Total comprehensive income for the year

Balance at 30 September 2021

Note

	Share Capital N\$ '000	Retained income N\$ '000	Total equity N\$ '000
	154,530	273,782	428,312
	-	193,443	193,443
	154,530	467,218	621,748
	-	15,069	15,069
	-	3,178	3,178
	-	18,247	18,247
	154,530	323,238	477,768
	-	163,612	163,612
	154,530	486,850	641,380
	-	42,655	42,655
	-	(7,231)	(7,231)
	-	35,424	35,424
	154,530	522,274	676,804

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CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY

Company

Opening balance as previously reported

Adjustments

Prior year adjustments

Restated *Balance at 01 October 2019 as restated

Loss for the year

Other comprehensive income

Total comprehensive Loss for the year

Opening balance as previously reported

Adjustments

Prior year adjustments

Balance at 01 October 2020 as restated

Profit for the year

Other comprehensive income

Total comprehensive income for the year

Balance at 30 September 2021

Note

Share Capital N\$ '000	Retained income N\$ '000	Total equity N\$ '000
154,530	233,383	387,913
-	193,443	193,443
154,530	426,826	581,356
-	(23,504)	(23,504)
-	3,178	3,178
-	(20,326)	(20,326)
154,530	244,266	398,796
-	162,230	162,230
154,530	406,496	561,026
-	8,388	8,388
-	(7,231)	(7,231)
-	1,157	1,157
154,530	407,653	562,183

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The accounting policies on pages 68 to 85 and the notes on pages 86 to 153 form an integral part of the consolidated and separate annual financial statements. An adjustment of N\$1.3 million was processed to group retained earnings and it relates to a correction in the Right of use asset balance that was incorrectly calculated in the prior year. There were no additional disclosures done for group and the group financial statements are not restated in this regard as the adjustment is not material for group.



CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS

	Note(s)	Group		Company	
		2021 N\$ '000	2020 Restated* N\$ '000	2021 N\$ '000	2020 Restated* N\$ '000
CASH FLOWS FROM OPERATING ACTIVITIES					
Operating profit (loss)		83,981	42,978	64,336	23,692
ADJUSTMENTS FOR:					
Depreciation and amortisation	27	295,579	293,599	285,295	280,101
Gains on foreign exchange		(124)	(660)	(124)	(660)
Impairment losses and reversals	34	13,185	-	13,185	-
Movements in operating lease assets and accruals		-	(1,470)	-	-
Movements in retirement benefit liabilities		2,491	2,126	2,491	2,126
Movements in provisions		(1,378)	13,027	(1,378)	13,027
Loss on scrapping of property, plant and equipment and intangible assets		1,027	781	765	770
Other non-cash adjustment property, plant and equipment and intangible assets		12,363	-	12,363	-
Gain on termination of lease liabilities		(465)	-	(3,490)	-
Non-cash adjustment on right of use assets		3,489	-	3,306	-
Expected credit loss expense		10,686	63,823	9,086	63,334
CHANGES IN WORKING CAPITAL:					
Inventories		(2,052)	(13,068)	(2,052)	(13,068)
Trade and other receivables		(52,216)	(58,140)	(51,581)	(57,366)
Contract assets		5,933	2,838	5,933	2,838
Amounts owing by fellow subsidiaries		2,045	1,539	1,587	1,500
Amounts owing by holding company		618	5,286	618	5,286
Trade and other payables		(75,755)	(4,663)	(74,619)	(8,866)
Contract Liabilities		3,179	(3,626)	3,179	(3,626)
Regulatory levies liability		(11,781)	218	(11,781)	218
Unearned interest mobile devices		(330)	(828)	(330)	(828)
Amounts owing to fellow subsidiaries		4,079	(3,312)	27,527	20,838
Cash generated from operations		294,554	340,448	284,316	329,316
Interest received	28	4,398	4,127	3,596	2,628
Finance costs paid	28	(58,733)	(62,245)	(56,626)	(59,282)
Tax paid	35	(34,741)	-	(34,741)	-
Net cash from operating activities		205,478	282,330	196,545	272,662

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS

	Note(s)	Group		Company	
		2021 N\$ '000	2020 Restated* N\$ '000	2021 N\$ '000	2020 Restated* N\$ '000
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment	3	(178,870)	(172,224)	(171,496)	(163,347)
Purchase of other intangible assets	4	(415)	(7,054)	(415)	(6,669)
Finance lease receipts	10	3,036	2,081	3,036	2,081
Proceeds from maturity of financial assets		-	10,000	-	-
Net cash from investing activities		(176,249)	(167,197)	(168,875)	(167,935)
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of borrowings	36	(30,000)	(26,776)	(30,000)	(26,776)
Repayment of financial liability at fair value through profit (loss)	36	(2,720)	-	(2,720)	-
Payment on lease liabilities	36	(65,484)	(52,826)	(62,230)	(51,224)
Net cash from financing activities		(98,204)	(79,602)	(94,950)	(78,000)
Total cash movement for the year		(68,975)	35,531	(67,280)	26,727
Cash at the beginning of the year		96,060	59,869	65,918	38,531
Effect of exchange rate movement on cash balances		124	660	124	660
Total cash at end of the year	15	27,209	96,060	(1,238)	65,918

ACCOUNTING POLICIES

1. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated and separate consolidated and separate annual financial statements are set out below.

1.1 Basis of preparation

The consolidated and separate annual financial statements have been prepared on a going concern basis in accordance with, and in compliance with the International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretation Committee ("IFRIC") interpretations issued and effective at the time of preparing these annual financial statements and Companies Act, No 28 of 2004.

The consolidated and separate annual financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Namibia Dollars, which is the group and company's functional currency.

The accounting policies applied in the preparation of the group financial statements are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous group financial statements, unless otherwise stated.

1.2 Property, plant and equipment

Plant and equipment are included at cost less accumulated depreciation and accumulated impairment losses except land, which is stated at cost less any 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.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Rate	Residual value
Buildings	Straight line	2.22%	
Furniture and fittings	Straight line	10%-33.3%	
Motor vehicles	Straight line	20%	
Computer Equipment	Straight line	33.3%	
Leasehold improvements	Straight line	5%-50%	
Telecommunication installations and equipment	Straight line	2.22%-20%	22%

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate. Refer to **note 45**.

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

1.3 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.

Expenditure on development activities, whereby research findings are applied to a plan or design to produce 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.

ACCOUNTING POLICIES

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.

Intangible assets are initially recognised at cost.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Item	Depreciation method	Average useful life
Software and licenses	Straight line	3 to 20 years
Frequency, spectrum and number "085"	Straight line	20 years

1.4 Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

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

1.5 Impairment of assets

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

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

Refer to **note 34**.

1.6 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.

1.7 Tax

Current tax assets and liabilities

Income tax expense represents the sum of the tax currently payable and deferred 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 assets and liabilities

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.

ACCOUNTING POLICIES

Deferred tax assets and liabilities (continued)

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

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

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

1.8 Financial instruments

Financial instruments held by the Group are classified in accordance with the provisions of IFRS 9 Financial Instruments. Financial instruments recognised by the company include:

- Loans receivable
- Trade and other receivables
- Contract assets
- Cash and cash equivalents
- Long term borrowings
- Inter-company loans receivable and payable
- Bank overdraft
- Trade and other payables
- Preference shares

Recognition and Initial Measurement

All financial instruments, including derivative instruments, are recognised on the Statement 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:

Subsequent measurement: Financial Assets

Measurement Category	Criteria
Fair Value Through Profit or loss (FVTPL)	Debt investments that do not qualify for measurement at amortised cost or FVOCI; and equity investments that are held for trading.
Amortised cost	These financial assets are held with a business model whose objective is solely achieved by collecting contractual cash flows. Further, the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal balance outstanding.
Equity securities at Fair Value Through Other Comprehensive Income (FVOCI)	The asset is not held for trading and the company has irrevocably elected on initial recognition to recognise the asset as at FVOCI.
Financial assets at FVOCI	These financial assets are held with a business model whose objective is achieved by both collecting contractual cash flows as well as through selling the financial assets. Further, the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal balance outstanding.

Subsequent measurement: Financial Liabilities

Measurement Category	Criteria
Financial liabilities at fair value through profit or loss	A financial liability is classified as a financial liability at fair value through profit or loss if it meets one of the following conditions: <ul style="list-style-type: none"> • It is held for trading, or • It is designated by the entity as at fair value through profit or loss
Financial liabilities at amortised cost	Financial liabilities are generally classified and measured at amortised cost, unless they meet the criteria for classification at fair value through profit or loss.

ACCOUNTING POLICIES

Financial liabilities at fair value through profit or loss are initially recognised at fair value and are thereafter carried at fair value.

Financial liabilities at amortised cost are initially recognised at fair value less transaction costs and are thereafter carried at amortised cost using the effective interest method.

Trade, loan receivable and contract assets

Trade receivables (**note 12**), loan receivable (**note 7**) and contract assets (**note 13**) are measured at amortised cost using the effective interest rate method less any expected credit losses. Interest income is recognised by applying the effective interest rate except for short-term receivables, when the recognition of interest would be immaterial.

Classification

Trade, Loan Receivable and Contract Assets, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost (**note 12**).

Recognition and measurement

Trade and other receivables are recognised when the group becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

Impairment

The group recognises a loss allowance for expected credit losses on trade and other receivables, loans receivable, contract assets and lease receivables, excluding VAT and prepayments. The amount of expected credit losses is updated at each reporting date.

Under IFRS 9, the group calculates its allowance for credit losses as Expected Credit Losses (ECLs) for financial assets measured at amortised cost, debt investments at FVOCI and contract assets (unbilled handsets component for contract). ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the group in accordance with the contract and the cash flows that the group expects to receive). ECLs are discounted at the original effective interest rate (EIR) of the financial asset.

To calculate the ECL Telecom Namibia has segmented Trade Receivables based on customer type. Telecom Namibia applies the simplified approach to determine the ECL for trade receivables and contract assets. These results in calculating lifetime expected credit losses for trade receivables and contract assets. ECLs for trade receivables is calculated using a provision matrix. For contract assets and lease receivables, ECLs are determined using a simplified parameter-based approach. The ECL is revised annually.

In determining the impairment, we have assessed the macro economic factors as the standard requires us to factor in the future outlook. We used the inflation rates (CPI); Gross Domestic Product (GDP) growth rates as well as the disposable income in the model. Obtaining the information was however a challenge as there are limited to no dates on the data on a quarterly basis to facilitate the outlook on our debtors book. Forward looking information is captured into the TTC PD matrix by using a quarterly MEV Adjustment Factor. To capture the effect of macroeconomic factors which may impact the PD forecasts, a linear regression model is built between the historical average quarterly PD (at segment level) and the historical macroeconomic data (section 5). Based on the forecasted average monthly PDs, a MEV adjustment factor is calculated as forecast average quarterly PD divided by the historic average PD. In cases where there is no significant relationship observed between historical average quarterly PD (at segment level) and macroeconomic factor, the model is discarded and the MEV adjustment factor is fixed to 1.

Significant increase in credit risk

In assessing whether the credit risk on a receivable or group of receivables has increased significantly since initial recognition, the group compares the risk of a default occurring as at the reporting date with the risk of a default occurring as at the date of initial recognition.

The group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the counterparts operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information.

Irrespective of the outcome of the above assessment, the credit risk on a receivable is always presumed to have increased significantly since initial recognition if the contractual payments are more than 30 days past due, unless the group has reasonable and supportable information that demonstrates otherwise.

By contrast, if a receivable is assessed to have a low credit risk at the reporting date, then it is assumed that the credit risk has not increased significantly since initial recognition.

The group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increases in credit risk before the amount becomes past due.

Definition of default

For purposes of internal credit risk management purposes, the group consider that a default event has occurred if there is either a breach of financial covenants by the counterpart, or if internal or external information indicates that the counterpart is unlikely to pay its creditors in full (without taking collateral into account).

Irrespective of the above analysis, the group considers that default has occurred when a receivable is more than 90 days past due unless there is reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.



ACCOUNTING POLICIES

1.8 Financial instruments (continued)

Measurement and recognition of expected credit losses

The group makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables, loans receivable, contract assets and lease receivables. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate.

The customer base is widespread and does not show significantly different loss patterns for different customer segments. The loss allowance is calculated on a collective basis for all trade and other receivables in totality. Details of the provision matrix is presented in **note 12**.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is included in other operating expenses in profit or loss as a movement in credit loss allowance (**note 27**).

Write off policy

The group writes off a receivable when there is information indicating that the counterpart is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterpart has been placed under liquidation or has entered into bankruptcy proceedings. Receivables written off may still be subject to enforcement activities under the group recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Credit risk

Details of credit risk are included in the trade and other receivables note (**note 12**) and the financial instruments and risk management note (**note 41**).

Derecognition

Any gains or losses arising on the derecognition of trade and other receivables is included in profit or loss in the derecognition gains (losses) on financial assets at amortised cost line item.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Financial liabilities are derecognised when the obligations specified in the contracts are discharged, cancelled or expire. On derecognition of a financial asset/liability, any difference between the carrying amount extinguished and the consideration paid is recognized in profit or loss.

Trade and other payables

Classification

Trade and other payables (**note 21**), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

They are recognised when the group becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs paid (**note 28**).

Trade and other payables expose the group to liquidity risk and possibly to interest rate risk. Refer to **note 41** for details of risk exposure and management thereof.

Trade and other payables denominated in foreign currencies

When trade payables are denominated in a foreign currency, the carrying amount of the payables are determined in the foreign currency. The carrying amount is then translated to the Namibia Dollar equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in the other operating gains (losses) (**note 27**).

Details of foreign currency risk exposure and the management thereof are provided in the financial instruments and risk management note (**note 41**).

Cash and cash equivalents

Cash and cash equivalents (**note 15**) are classified as financial assets at amortised cost. For the purpose of Statements 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 Statement of Financial Position, bank overdrafts are disclosed separately as part of current liabilities.

ACCOUNTING POLICIES

Interest income, calculated on the effective interest method, is included in profit or loss in finance income received (**note 28**).

Borrowings

Classification

Borrowings (**note 19**) are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

Borrowings are recognised when the group becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Interest expense, calculated on the effective interest method, is included in profit or loss in finance costs paid (**note 28**).

Borrowings expose the group to liquidity risk and interest rate risk. Refer to **note 41** for details of risk exposure and management thereof.

Financial liabilities at fair value through profit or loss

Classification

Financial liabilities which are held for trading are classified as financial liabilities mandatorily at fair value through profit or loss. Refer to **note 22**.

The group, does, from time to time, designate certain financial liabilities as at fair value through profit or loss. The reason for the designation is to reduce or significantly eliminate an accounting mismatch which would occur if the instruments were not classified as such; or if the instrument forms part of a group of financial instruments which are managed and evaluated on a fair value basis in accordance with a documented management strategy; or in cases where it forms part of a contract containing an embedded derivative and IFRS 9 permits the entire contract to be measured at fair value through profit or loss. Refer to **note 22** for details.

The preference share capital and the financial liability arising from the preference share agreement between Telecom Namibia Ltd ("TN") and Namibia Post and Telecom Holdings Ltd has been designated as at fair value through profit or loss (FVTPL) based on the fact the performance of the instruments is measured based on the profitability of TN and therefore the overall performance of the instrument is measured on a fair value basis. Refer to **note 1.18** for disclosure on the judgments and estimates utilised in determining the fair value of the instruments.

Recognition and measurement

Financial liabilities at fair value through profit or loss are recognised when the group becomes a party to the contractual provisions of the instrument. They are measured, at initial recognition and subsequently, at fair value. Transaction costs are recognised in profit or loss.

Fair value gains or losses recognised on investments at fair value through profit or loss are included in other non-operating gains (losses) (**note 9**).

Bank overdrafts

Bank overdrafts (**note 15**) are recognised when the group becomes a party to the contractual provisions of the facility. The bank overdrafts are measured, at initial recognition, at fair value plus transaction costs, if any. They are subsequently measured at amortised cost using the effective interest method.

Interest expense, calculated on the effective interest method, is included in profit or loss in finance costs paid (**note 28**).

Bank overdrafts expose the group to liquidity risk and interest rate risk. Refer to **note 41** for details of risk exposure and management thereof.

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 are 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 re-measured at subsequent reporting dates. The fair value of foreign exchange contracts, interest rate swaps represent the estimated amounts the Group would receive, should the contracts be terminated at reporting date, thereby considering unrealised gains or losses.



ACCOUNTING POLICIES

1.8 Financial instruments (continued)

Offsetting financial instruments

Offsetting of financial assets and liabilities is applied when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The net amount is reported in the Statement of Financial Position.

The group has an legally enforceable right to offset bank balances within the same banks. The bank balances are managed on a net basis and the group has an intention to settle on a net basis. Refer to **note 15** for disclosures on cash and cash equivalents.

Amounts owing to fellow subsidiaries

Amounts owing to fellow subsidiaries are classified as financial liabilities measured at amortised cost. Refer to trade and other payables accounting policy for the detailed accounting policy.

1.9 Provisions and contingencies

Provisions (**note 24**) are recognised when:

- the group 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.

If the effect of time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. The provisions are discounted using the pre tax rate and where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in **note 39**.

1.10 Leases

The Group assesses whether a contract is, or contains a lease, at the inception of the contract.

A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

In order to assess whether a contract is, or contains a lease, management determine whether the asset under consideration is "identified", which means that the asset is either explicitly or implicitly specified in the contract and that the supplier does not have a substantial right of substitution throughout the period of use. Once management has concluded that the contract deals with an identified asset, the right to control the use thereof is considered. To this end, control over the use of an identified asset only exists when the Group has the right to substantially all of the economic benefits from the use of the asset as well as the right to direct the use of the asset.

In circumstances where the determination of whether the contract is or contains a lease requires significant judgement, the relevant disclosures are provided in the significant judgments and sources of estimation uncertainty section of these accounting policies.

Group as lessee

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the group is a lessee, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the group recognises the lease payments as an operating expense (**note 27**) on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated to each lease component on the basis of the relative stand-alone prices of the lease components and the aggregate stand-alone price of the non-lease components (where non-lease components exist).

Details of leasing arrangements where the group is a lessee are presented in **note 5** Leases (group as lessee).

Lease liability

The lease liability is presented as a separate line in the consolidated and separate statements of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

ACCOUNTING POLICIES

The Group re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability (or right-of-use asset). The related payments are recognised as an expense in the period incurred and are included in operating expenses (**note 5**).

The lease liability is presented as a separate line item on the Consolidated and Separate Statements of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. Interest charged on the lease liability is included in finance costs paid (**note 28**).

Right-of-use assets

Lease payments included in the measurement of the lease liability comprise the following:

- the initial amount of the corresponding lease liability;
- any lease payments made at or before the commencement date;
- any initial direct costs incurred;
- any estimated costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, when the group incurs an obligation to do so, unless these costs are incurred to produce inventories; and
- less any lease incentives received.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. However, if a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation starts at the commencement date of a lease.

The right-of-use assets which are depreciated over their useful lives, the useful lives are presented in the following table:

Item	Depreciation method	Average useful life
Buildings	Straight line	5 to 20 years
Plant and machinery	Straight line	1 to 5 years
Motor vehicles	Straight line	1 to 5 years
Other property, plant and equipment (comprises of tower sites rentals)	Straight line	1 to 20 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate. Each part of a right-of-use asset with a cost that is significant in relation to the total cost of the asset is depreciated separately.

The depreciation charge for each year is recognised in profit or loss.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Other expenses" in profit or loss.

ACCOUNTING POLICIES

1.10 Leases (continued)

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For a contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Group Company as lessor

The Group enters into lease agreements as a lessor with respect to some of its investment properties and other assets.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

When a contract includes both lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.

1.11 Dividends

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

1.12 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.

1.13 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 care), are recognised in the period in which the service is rendered and are not discounted.

A liability is recognised for benefits accruing to employees in respect of wages and salaries and annual leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

1.14 Revenue from contracts with customers

Telecom Namibia principally generates revenue from providing mobile telecommunications services. The principle services provided include network services (comprising of data, voice and SMS), interconnect and roaming services and from the sale of mobile devices.

ACCOUNTING POLICIES

Products and services may be sold separately or in bundled packages. The typical length of a contract for post-paid bundled packages is 24 months.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. Telecom Namibia recognises revenue when it transfers control over a product or services to a customer.

For bundled packages, Telecom Namibia accounts for individual products and services separately if they are distinct – i.e. if a product or service is separately identifiable from other items in the bundled package and if a customer can benefit from it. The consideration is allocated between separate products and services in a bundle based on their stand-alone selling prices.

When contract assets or liabilities are recognised, a financing component may exist in the contract; this is typically the case when a handset or other equipment is provided to a customer upfront but payment is received over the term of the related service agreement, in which case the customer is deemed to have received financing. If a significant financing component is provided to the customer, the transaction price is reduced and interest revenue is recognised over the customer's payment period using an interest rate reflecting the relevant central bank rates and customer credit risk.

The main categories of revenue and the basis of recognition are as follows:

Network services

Performance obligations: Telecom Namibia provides mobile telecommunication services, including network services. Network services (comprising data, voice and SMS) are considered to represent a single performance obligation as all are provided over the Telecom Namibia network and transmitted as data representing a digital signal on the network. The transmission of voice, data and SMS all consume network bandwidth and therefore, irrespective of the nature of the communication, the subscriber ultimately receives access to the network and the right to consume network.

Transaction price: The transaction price is allocated between the identified obligations according to the relative standalone selling prices of the obligations. The standalone selling price of each obligation deliverable in the contract is determined according to the prices that the group would achieve by selling the same goods and/or services included in the obligation to a similar customer on a standalone basis.

The cost for Telecom Namibia to provide the bandwidth are deemed to be negligible. Bandwidth is effectively unlimited for Telecom Namibia and as such there is no opportunity cost of provision. As a result, the performance obligation related to the provision of network services is met when Telecom Namibia provides the customer access to the network which is over time.

Customers either pay in advance for these services or pay monthly in equal installments over the contractual period. A contract liability is recognised for amounts received in advance, until the services are provided or when the usage of services becomes remote. The customer receives and uses the benefits of these services simultaneously. Units of network services/digital services outside of post-paid contracts are recognised as the service is provided.

Mobile devices

Performance obligations: Telecom Namibia sells a range of mobile devices. The delivery of the device to the customer is considered a separate performance obligation. The company recognises revenue when customers obtain control of mobile devices, being when the customers take possession of the devices.

Transaction Price: The transaction price for mobile devices is the standalone selling price of each obligation deliverable in the contract is determined according to the prices that the group would achieve by selling the same goods and/or services included in the obligation to a similar customer on a standalone basis.

For mobile devices sold separately, customers pay in full at the point of sale. For mobile devices sold in bundled packages, customers usually pay monthly in equal installments over a period of twenty four months.

The group doesn't have any liabilities for returns or warranty as this is covered by the manufacturers of the devices sold.

Revenue from the sale of mobile devices is recognised at a point in time.

Contract assets

Contract assets are recognised when customers take possession of devices for post-paid contracts.

The company assesses post-paid contracts including handsets to determine if they contain a significant financing component. We have elected to apply the practical expedient that allows the company not to adjust the transaction price for the significant financing component for contracts where the time difference between customer payment and transfer of goods or services is expected to be one year or less. For contracts containing significant financing components, we reduce device revenue and recognise interest revenue over the period between satisfying the related performance obligation and receipt of payment.

Telecom Namibia base the subscriber contract period on the contractual term and accounts for early upgrades as contract modifications. The effect of the modification is that the contract asset at modification date is treated as a payment to a customer and results in a reduction of the revenue from the subsequent contract.

Contracts assets are a financial asset. Refer to **1.8** for the accounting policy disclosure for contract assets as a financial instrument.



ACCOUNTING POLICIES

1.14 Revenue from contracts with customers (continued)

Interconnect and roaming services

The company provides interconnect and roaming services as part of network services (see above for the accounting policy on network services) and recognises interconnect and roaming revenue as well as a receivable (debtors) as the service is provided unless it is not probable (based on historical information) on transaction date that the interconnect revenue will be received, in which case interconnect revenue is recognised only when the cash is received or where a right of set-off exists with interconnect parties in settling amounts.

Payment for interconnect and roaming is generally received on a monthly basis. Some interconnect and roaming debtors have a historical pattern of late payment due to sanctions imposed. We continued providing services to these debtors (due to regulatory requirements) where the recovery of principal is significantly delayed beyond the contractual terms. The historical payment patterns have been considered (i.e. customary business practice) in assessing whether the contract contains a significant financing component. For contracts containing a significant financing component, we have reduced interconnect and roaming revenue and recognised interest revenue over the period between satisfying the related performance obligation and payment.

Infrastructure revenue

Performance obligations: Infrastructure revenue is earned through providing the installation of telecommunications hardware that will allow a customer to purchase a fixed product service. The contracts are included in the fixed stream assessment. The revenue is currently recognised in terms of the post-paid revenue recognition policy i.e. on completion of a project a customer will be invoiced for the cost of the installation and at this point a trade debtor will be recognised in conjunction with the revenue earned. Where a significant project is taken, Telecom Namibia progressively invoices the client at various stages through the project and the revenue is recognised progressively.

IFRS 15 states that a performance obligation is satisfied, and revenue is recognized when "control" of the promised good or service is transferred to the customer. A customer obtains control of a good or service if it has the ability to (1) direct its use and (2) obtain substantially all of the remaining benefits from it. Directing the use of an asset refers to a customer's right to deploy the asset, allow another entity to deploy it, or restrict another entity from using it.

We have assessed the nature of the infrastructure revenue and concluded that, installation/infrastructure revenue component is deemed to be separate from the fixed product subscriptions as the installation services are negotiated in a separate contract, the hardware installed can be used with other network service providers and the services can be acquired in isolation without acquiring a Telecom Namibia product.

In light of the fact that Telecom Namibia provides installation services; both short-term projects such as fibre connection as well as long-term projects such as cable installation, this effectively means that the company creates an asset which the client both controls and can only benefit from (as it is a fixed installation on the client's premises). As such, Telecom Namibia is required to recognise the revenue over a passage of time.

Therefore, management have elected to recognise revenue based on the amount invoiced to the customer as that amount corresponds directly with the value to the customer of the entity's performance completed to date (the invoicing is based on stage of completion).

Transaction price: The transaction price is allocated between the identified obligations according to the relative standalone selling prices of the obligations. The transaction price for infrastructure revenue is the standalone selling price of each obligation deliverable in the contract is determined according to the prices that the group would achieve by selling the same goods and/or services included in the obligation to a similar customer on a standalone basis.

Revenue from infrastructure is recognised over time

Capitalisation of subscriber acquisition costs

Telecom Namibia expects that incremental subscriber acquisition costs for obtaining and renewing contracts are recoverable. These costs include agent's commission on post-paid contracts and SIM activation costs on prepaid contracts. We have therefore capitalised these costs as contract costs. Capitalised contract costs are amortised on a systematic basis over the average customer life and included in selling, distribution and marketing expenses in profit or loss.

In terms of a practical expedient, the company has elected to recognise the incremental costs of obtaining contracts as a selling, distribution and marketing expense in profit or loss, when incurred, if the amortisation period of the assets that Telecom Namibia otherwise would have recognised is 12 months or less.

Contract costs are assessed for impairment in terms of IAS 36 Impairment of Assets when there is an indication of impairment.

Pre-paid products

Performance obligations: Pre-paid products may include deliverables such as a SIM card, a handset and airtime and are defined as arrangements with multiple deliverables.

Transaction price: 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 and is therefore recognised at a point in time.

Airtime revenue is recognised on the usage basis i.e. over time. The unused airtime is deferred in full.

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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

Activation and installation fees

Revenue from activation and installation fees are recognised when the the customer is connected to the network as the fees are non-refundable and the performance obligation is met.

Interest and investment income

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.

1.15 Consolidation

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

The consolidated and separate annual financial statements incorporate the consolidated and separate annual financial statements of the company and all subsidiaries. Subsidiaries are entities (including structured entities) which are controlled by the group.

The group has control of an entity when it is exposed to or has rights to variable returns from involvement with the entity and it has the ability to affect those returns through use its power over the entity.

The results of subsidiaries are included in the consolidated consolidated and separate annual financial statements from the effective date of acquisition to the effective date of disposal.

Adjustments are made when necessary to the consolidated and separate annual financial statements of subsidiaries to bring their accounting policies in line with those of the group.

All inter-company transactions, balances, and unrealised gains on transactions between group companies are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the group's interest therein, and are recognised within equity. Losses of subsidiaries attributable to non-controlling interests are allocated to the non-controlling interest even if this results in a debit balance being recognised for non-controlling interest.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions and are recognised directly in the Consolidated and Separate Statements of Changes in Equity.

The difference between the fair value of consideration paid or received and the movement in non-controlling interest for such transactions is recognised in equity attributable to the owners of the company.

Where a subsidiary is disposed of and a non-controlling shareholding is retained, the remaining investment is measured to fair value with the adjustment to fair value recognised in profit or loss as part of the gain or loss on disposal of the controlling interest. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

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' meeting

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.

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1.15 Consolidation (continued)

Basis of consolidation (continued)

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 equal 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.

1.16 Translation of foreign currencies

Functional and presentation currency

Items included in the consolidated and separate annual financial statements of each of the group entities are measured using the currency of the primary economic environment in which the entity operates (functional currency).

The consolidated consolidated and separate annual financial statements are presented in Namibia Dollar which is the group functional and presentation currency.

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Namibia Dollars, 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.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;

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- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

In circumstances where the group receives or pays an amount in foreign currency in advance of a transaction, the transaction date for purposes of determining the exchange rate to use on initial recognition of the related asset, income or expense is the date on which the group initially recognised the non-monetary item arising on payment or receipt of the advance consideration.

If there are multiple payments or receipts in advance, group determines a date of transaction for each payment or receipt of advance consideration. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous consolidated and separate annual financial statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Namibia Dollars by applying to the foreign currency amount the exchange rate between the Namibia Dollar and the foreign currency at the date of the cash flow.

1.17 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.

1.18 Significant judgements and sources of estimation uncertainty

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:

Critical accounting estimates and judgements

Revenue recognition

Revenue recognition under IFRS 15 is significantly more complex than under previous reporting requirements and necessitates the preparation and processing of very large amounts of data and the increased use of management judgements and estimates to produce financial information.

In determining the transactions prices for the difference performance obligations, the Group considered the terms of the contract and its customary business practices to determine the transaction price. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Where it is not possible to reliably estimate standalone prices due to lack of observable standalone sales or highly variable pricing, which is sometimes the case for services, the standalone price of an obligation may be determined as the transaction price less the standalone prices of other obligations in the contract. The standalone price determined for obligations materially impacts the allocation of revenue between obligations and impacts the timing of revenue when obligations are provided to customers at different times – for example, the allocation of revenue between handsets, which are usually delivered upfront, and services which are typically delivered over the contract period. However, there is not considered to be a significant risk of material adjustment to the carrying value of contract related assets or liabilities in the 12 months after the reporting date if these estimates were revised.

Trade receivables

The group assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from the financial asset.

The impairment (or loss allowance) for trade receivables is calculated using the expected credit loss matrix per portfolio, as required by IFRS 9. The only exception is for individually significant trade receivables, which are assessed separately and credit losses separately recognised. The matrix is based on historical credit losses, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio.

In determining the impairment, we have assessed the macro economic factors as the standard requires us to factor in the future outlook. We used the inflation rates (CPI); Gross Domestic Product (GDP) growth rates as well the disposable income in the model. Obtaining the information was however a challenge as there are limited to no dates on the data on a quarterly basis to facilitate the outlook on our debtors book. Forward looking information is captured into the TTC PD matrix by using a quarterly MEV Adjustment Factor.

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1.18 Significant judgements and sources of estimation uncertainty (continued)

Trade receivables (continued)

To capture the effect of macroeconomic factors which may impact the PD forecasts, a linear regression model is built between the historical average quarterly PD (at segment level) and the historical macroeconomic data (section 5). Based on the forecasted average monthly PDs, a MEV adjustment factor is calculated as forecast average quarterly PD divided by the historic average PD. In cases where there is no significant relationship observed between historical average quarterly PD (at segment level) and macroeconomic factor, the model is discarded and the MEV adjustment factor is fixed to 1. Such cases are:

- Positive beta coefficient
- Adjusted R-square of model is less than 30% which indicates that the model accuracy is very low
- P-value is greater than 5% as this indicates that the independent variable (MEV) is statistically insignificant.

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

Property, plant and equipment are depreciated over their useful lives considering residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on several factors. In reassessing asset lives, factors such as technological innovation and maintenance programs are considered. 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. There were no changes in accounting estimates for property, plant and equipment in the current financial year.

Useful lives and residual values of intangible assets

The actual lives and residual values of intangible assets are assessed annually and may vary depending on several factors. In reassessing asset lives, factors such as technological innovation are considered. Residual value assessments of intangible assets consider issues such as future market conditions, the remaining life of the asset and projected disposal values. Refer to **note 45** for the detailed disclosures of the changes in accounting estimates.

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 19**.

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, considering 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. Refer to **note 3** for the detailed disclosures.

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. Refer to **note 4** for the detailed disclosures.

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 44**.

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 holder. 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 financial liability in accordance with the substance of the contractual arrangements.

At 30 September 2021, the Company reported a loss of N\$0.2 million before the preference share valuation adjustment of N\$0.9 million and a provision of 25% of the profit for the year was included in the preference share liability balance.

Taking into consideration the revision of the revised estimates for 2021 and beyond, the finance liability is estimated to decrease from N\$283 million to N\$279 million, increasing the profit for the year by N\$4 million. The initial estimates for the duration of the instrument was based in the approved budget of 2020/2021 with a growth rate of

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4%. The change in estimate was accounted for prospectively.

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 risk-free interest rate plus an appropriate market spread. The risk free rate is the yield to maturity on one of the Namibian government's corporate bonds, the GC26 and the market spread is determined by looking at the yield to maturity on the corporate bonds, the NWC22.

Refer to **note 22.1** for the detailed disclosures on preference shares.

Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option: or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

The lease term for the NPTH lease was estimated to be 20 years and management considered the following factors:

- The buildings are critical to the operations of the Telecom Namibia. The underlying property includes the head office which accommodates more than 50% of the work force and is core to the central to the operations of Telecom Namibia;
- The cost of relocating the entire Head Office and the stores won't be practical in the short term;
- The probability of moving from the existing building are slim and
- In an instance where NPTH is to be wound up, Telecom Namibia will most likely exercise the option of buying the property or enter into a similar agreement should the property get a new owner.

1.19 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are recognised at par value and classified as 'share capital' in equity. Any amounts received from the issue of shares in excess of par value is classified as 'share premium' in equity.

1.20 Leasehold property

When the group holds property under a long term prepaid lease agreement, the lease is classified as a finance lease or an operating lease in accordance with the provisions of IAS 17 Leases. Refer to the accounting policy on leases. When these leases are classified as finance leases, the property is capitalised as leasehold property, and is depreciated over the lease term.

1.21 Investments in subsidiaries

Investments in subsidiaries are carried at cost less any accumulated impairment losses. This excludes investments which are held for sale and are consequently accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

1.22 Investments in associates

Investments in associates are carried at cost less any accumulated impairment losses. This excludes investments which are held for sale and are consequently accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

1.23 Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The related cost of providing services recognised as revenue in the current period is included in cost of sales.

Contract costs comprise:

- costs that relate directly to the specific contract;
- costs that are attributable to contract activity in general and can be allocated to the contract; and
- such other costs as are specifically chargeable to the customer under the terms of the contract.

Cost of sales is reduced by the amount recognised in inventory as a "right to returned goods asset" which represents the group right to recover products from customers where customers exercise their right of return under the group returns policy.



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2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations effective and adopted in the current year

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

COVID-19 - Related Rent Concessions - Amendment to IFRS 16

The COVID-19 pandemic has resulted in an amendment to IFRS 16 Leases. Lessees may elect not to assess whether a rent concession that meets the conditions in paragraph 46B is a lease modification. If this election is applied, then any change in lease payments must be accounted for in the same way as a change would be accounted for if it were not a lease modification. This practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payment affects only payments originally due on or before 30 June 2022 and
- there is no substantive change to other terms and conditions of the lease.

The effective date of the amendment is for years beginning on or after 01 June 2020.

The group has adopted the amendment for the first time in the 2021 consolidated and separate annual financial statements.

The impact of the amendment is not material.

Definition of a business - Amendments to IFRS 3

The amendment:

- confirmed that a business must include inputs and a processes, and clarified that the process must be substantive and that the inputs and process must together significantly contribute to creating outputs.
- narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and
- added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

The effective date of the amendment is for years beginning on or after 01 January 2020.

The group has adopted the amendment for the first time in the 2021 consolidated and separate annual financial statements.

The impact of the amendment is not material.

Presentation of Financial Statements: Disclosure initiative

The amendment clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.

The effective date of the amendment is for years beginning on or after 01 January 2020.

The group has adopted the amendment for the first time in the 2021 consolidated and separate annual financial statements.

The impact of the amendment is not material.

Accounting Policies, Changes in Accounting Estimates and Errors: Disclosure initiative

The amendment clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.

The effective date of the amendment is for years beginning on or after 01 January 2020.

The group has adopted the amendment for the first time in the 2021 consolidated and separate annual financial statements.

The impact of the amendment is not material.

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2.2 Standards and interpretations not yet effective

The group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after 01 October 2021 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact
• Disclosure of accounting policies: Amendments to IAS 1 and IFRS Practice Statement 2.	1 January 2023	Unlikely there will be a material impact
• Definition of accounting estimates: Amendments to IAS 8	1 January 2023	Unlikely there will be a material impact
• Classification of Liabilities as Current or Non-Current - Amendment to IAS	1 January 2023	Unlikely there will be a material impact
• FRS 17 Insurance Contracts	1 January 2023	Unlikely there will be a material impact
• Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 1	1 January 2022	Unlikely there will be a material impact
• Reference to the Conceptual Framework: Amendments to IFRS 3	1 January 2022	Unlikely there will be a material impact
• Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 9	1 January 2022	Unlikely there will be a material impact
• Property, Plant and Equipment: Proceeds before Intended Use: Amendments to IAS 16	1 January 2022	Unlikely there will be a material impact
• Onerous Contracts - Cost of Fulfilling a Contract: Amendments to IAS 37	1 January 2022	Unlikely there will be a material impact
• Annual Improvement to IFRS Standards 2018-2020: Amendments to IAS 41	1 January 2022	Unlikely there will be a material impact
• Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 4	1 January 2021	Unlikely there will be a material impact
• Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 7	1 January 2021	Unlikely there will be a material impact
• Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9	1 January 2021	Unlikely there will be a material impact
• Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 16	1 January 2021	Unlikely there will be a material impact



NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

3. PROPERTY, PLANT AND EQUIPMENT

Group	2021 N\$ '000			2020 N\$ '000			2019 N\$ '000		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Land	335	-	335	-	-	-	335	-	335
Buildings	3,227	(143)	3,084	2,562	(213)	2,349	-	-	-
Motor vehicles	1,449	(942)	507	746	(433)	313	1,448	(476)	972
Furniture & fittings	39,755	(37,615)	2,140	39,730	(36,810)	2,920	43,768	(40,326)	3,442
Computer equipment	65,502	(61,415)	4,087	64,078	(60,222)	3,856	5,899	(4,402)	1,497
Leasehold improvements	11,602	(4,514)	7,088	-	-	-	9,387	(3,428)	5,959
Telecommunication, installations and equipment	3,870,180	(2,789,369)	1,080,811	3,799,162	(2,592,235)	1,206,927	3,657,681	(2,504,963)	1,152,718
Capital - Work in progress	181,730	-	181,730	103,122	-	103,122	130,708	-	130,708
Total	4,173,780	(2,893,998)	1,279,782	4,009,400	(2,689,913)	1,319,487	3,849,226	(2,553,595)	1,295,631

Company	2021 N\$ '000			2020 N\$ '000			2019 N\$ '000		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Land	335	-	335	-	-	-	335	-	335
Buildings	3,227	(143)	3,084	2,741	(45)	2,696	-	-	-
Motor vehicles	747	(530)	217	746	(433)	313	746	(336)	410
Furniture & fittings	44,683	(42,605)	2,078	44,661	(41,835)	2,826	48,741	(45,382)	3,359
Computer equipment	62,968	(60,376)	2,592	60,855	(59,416)	1,439	5,838	(4,359)	1,479
Leasehold improvements	11,523	(4,289)	7,234	-	-	-	9,566	(3,282)	6,284
Telecommunication, installations and equipment	3,678,963	(2,696,120)	982,843	3,612,278	(2,505,894)	1,106,384	3,477,079	(2,425,294)	1,051,785
Capital - Work in progress	174,267	-	174,267	98,382	-	98,382	126,040	-	126,040
Total	3,976,713	(2,804,063)	1,172,650	3,819,663	(2,607,623)	1,212,040	3,668,345	(2,478,653)	1,189,692

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of property, plant and equipment - Group - 2021 (N\$ '000)

	Opening balance	Additions	Reclassifications	Transfers	Other adjustments	Scrapping	Depreciation	Impairment loss	Total
Land, buildings and leasehold improvement	-	-	335	-	-	-	-	-	335
Buildings	2,349	124	13	696	-	-	(98)	-	3,084
Motor vehicles	313	-	426	-	-	-	(232)	-	507
Furniture & fittings	2,920	161	-	-	-	(1)	(940)	-	2,140
Computer equipment	3,856	2,499	(426)	-	-	(23)	(1,819)	-	4,087
Leasehold improvements	-	258	7,406	-	-	-	(576)	-	7,088
Telecommunication, installations and equipment	1,206,927	38,903	(1,268)	44,381	-	(740)	(196,388)	(11,004)	1,080,811
Capital - Work in progress	103,122	136,925	-	(45,955)	(12,362)	-	-	-	181,730
	1,319,487	178,870	6,486	(878)	(12,362)	(764)	(200,053)	(11,004)	1,279,782

Reconciliation of property, plant and equipment - Group - 2020 (N\$ '000)

	Opening balance	Additions	Transfers	Scrapping	Depreciation	Total
Buildings	10	411	1,995	-	(67)	2,349
Motor vehicles	410	-	-	-	(97)	313
Furniture & fittings	3,519	518	232	(11)	(1,338)	2,920
Computer equipment	2,007	3,456	-	(26)	(1,581)	3,856
Telecommunication, installations and equipment	1,211,953	98,844	93,834	(605)	(197,099)	1,206,927
Capital - Work in progress	151,370	68,995	(117,243)	-	-	103,122
	1,369,269	172,224	(21,182)	(642)	(200,182)	1,319,487

Reconciliation of property, plant and equipment - Group - 2019 (N\$ '000)

	Opening balance	Additions	Transfers	Reclassification	Scrapping	Depreciation	Total
Land, buildings and leasehold improvement	33	-	-	-	-	(23)	10
Motor vehicles	-	482	-	-	-	(72)	410
Furniture & fittings	4,478	430	20	92	(3)	(1,498)	3,519
Computer equipment	1,743	1,702	2	(52)	(16)	(1,372)	2,007
Telecommunication, installations and equipment	1,251,208	79,326	31,630	52,950	(1,677)	(201,484)	1,211,953
Capital - Work in progress	92,760	72,046	(34,149)	20,713	-	-	151,370
	1,350,222	153,986	(2,497)	73,703	(1,696)	(204,449)	1,369,269

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of property, plant and equipment - Company - 2021 (N\$ '000)

	Opening balance	Additions	Reclassification	Transfers	Other adjustments	Scrapping	Depreciation	Impairment loss	Total
Land, buildings and leasehold improvement	-	-	335	-	-	-	-	-	335
Buildings	2,696	125	(335)	696	-	-	(98)	-	3,084
Motor vehicles	313	-	-	-	-	-	(96)	-	217
Furniture & fittings	2,826	158	-	-	-	(1)	(905)	-	2,078
Computer equipment	1,439	2,442	-	-	-	(23)	(1,266)	-	2,592
Leasehold improvements	-	-	7,754	-	-	-	(520)	-	7,234
Telecommunication, installations and equipment	1,106,384	38,902	(1,268)	40,048	-	(741)	(189,478)	(11,004)	982,843
Capital - Work in progress	98,382	129,869	-	(41,622)	(12,362)	-	-	-	174,267
	1,212,040	171,496	6,486	(878)	(12,362)	(765)	(192,363)	(11,004)	1,172,650

Reconciliation of property, plant and equipment - Company - 2020 (N\$ '000)

	Opening balance	Additions	Transfers	Scrapping	Depreciation	Total
Buildings	335	411	1,995	-	(45)	2,696
Motor vehicles	410	-	-	-	(97)	313
Furniture & fittings	3,436	476	232	(11)	(1,307)	2,826
Computer equipment	1,427	976	-	(14)	(950)	1,439
Telecommunication, installations and equipment	1,111,020	98,401	87,994	(605)	(190,426)	1,106,384
Capital - Work in progress	146,702	63,083	(111,403)	-	-	98,382
	1,263,330	163,347	(21,182)	(630)	(192,825)	1,212,040

Reconciliation of property, plant and equipment - Company- 2019 (N\$ '000)

	Opening balance	Additions	Transfers	Reclassification	Scrapping	Depreciation	Total
Land, buildings and leasehold improvement	335	-	-	-	-	-	335
Motor vehicles	-	482	-	-	-	(72)	410
Furniture & fittings	4,382	410	20	92	(3)	(1,465)	3,436
Computer equipment	1,743	933	2	(52)	(11)	(1,188)	1,427
Telecommunication, installations and equipment	1,145,248	77,714	31,630	52,950	(1,677)	(194,845)	1,111,020
Capital - Work in progress	88,004	71,521	(33,536)	20,713	-	-	146,702
	1,239,712	151,060	(1,884)	73,703	(1,691)	(197,570)	1,263,330

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Reclassifications and other adjustments

To improve disclosures in the current financial year, Land, Building and Leasehold improvements were split in the current year and this has been disclosed as a reclassification.

Included in the opening Capital - Work in progress balance is an amount of N\$12.3 million which relates to previously disputed project equipment from ZTE in relation to the GSM project. An agreement was reached in the current year and credit notes were received from the supplier to reverse old invoices in relation to the project. The effect of the credit received is the reduction in the Capital - Work in progress balance and this is disclosed as other adjustments in the reconciliation for property, plant and equipment.

The current year reclassification of N\$6.4 million relates to the previous provision for depreciation raised for the MVNE project, for both the hardware and the software. The MVNE software was impaired in the current year (refer to **note 34** for the details of the impairment) and the provision has been reclassified from the provision account to the accumulated amortisation account as part of the intangible assets. The reclassification has no effect on profit or loss. Refer to **note 40** for the disclosure on the reclassification.

During the 2020 financial year, it was noted that some classes of Property, plant and equipment, mainly from the Telecommunications, installation and equipment as well as Capital - Work in progress were incorrectly mapped to Intangible assets. A reclassification was done retrospectively to correct the opening balances of Property, plant and equipment and Intangible assets in the 2020 financial statements. The opening balances were restated in this regard, however this didn't not have an impact on retained earnings and on profit or loss for the period.

Property, plant and equipment encumbered as security

The Group doesn't have assets that have been pledged as security in the current financial year.

Impairment and reversal of impairment

Impairment indicators were identified relating to the Seacom undersea cable. Telecom Namibia invested N\$22 million in the cable and to date, the cable is not connected to the Telecom Namibia network due to the fact that the cable terminates in France and South Africa. For the Seacom cable to work, an additional investment is required for the cable to be extended. With the landing of the Equiano cable, there will be no additional investments to lender Seacom useful and therefore the value in use is estimated to nil. There is currently no active market to determine the fair value of the cable and therefore the recoverable is estimated to be nil and an impairment loss of N\$11 million which is the book value of the cable as at 30 September 2021.

Details of properties

Registers with details of land and buildings are available for inspection by shareholders or their duly authorised representatives at the registered office of the company and its respective subsidiaries.

Portion 17 (a portion of portion 9) of the farm Regenstein no.32, with a title deed number T3290/2009 is registered to Telecom Namibia Ltd.



NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

4. INTANGIBLE ASSETS

Group	2021 N\$ '000			2020 N\$ '000			2019 N\$ '000		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Software and licenses	266,046	(251,132)	14,914	281,140	(246,131)	35,009	302,192	(206,529)	95,663
Frequency, spectrum and number "085"	27,832	(11,017)	16,815	27,832	(9,626)	18,206	27,832	(8,234)	19,598
Total	293,878	(262,149)	31,729	308,972	(255,757)	53,215	330,024	(214,763)	115,261
Company									
Software and licenses	266,046	(251,132)	14,914	280,755	(246,067)	34,688	302,192	(206,529)	95,663

Reconciliation of intangible assets - Group - 2021 (N\$ '000)

	Opening balance	Additions	Transfers	Reclassification	Scrapping	Amortisation	Impairment loss	Total
Software and licenses	35,009	415	878	(6,486)	(263)	(12,458)	(2,181)	14,914
Frequency, spectrum and number "085"	18,206	-	-	-	-	(1,391)	-	16,815
	53,215	415	878	(6,486)	(263)	(13,849)	(2,181)	31,729

Reconciliation of intangible assets - Group - 2020 (N\$ '000)

	Opening balance	Additions	Transfers	Scrapping	Amortisation	Total
Software and licenses	22,026	7,054	21,182	(146)	(15,107)	35,009
Frequency, spectrum and number "085"	19,598	-	-	-	(1,392)	18,206
	41,624	7,054	21,182	(146)	(16,499)	53,215

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

4. INTANGIBLE ASSETS (continue)

Reconciliation of intangible assets - Group - 2019 (N\$ '000)

	Opening balance	Additions	Transfers	Reclassification	Amortisation	Total
Software and licenses	101,870	7,457	1,884	(73,637)	(15,548)	22,026
Frequency, spectrum and number "085"	20,990	-	-	-	(1,392)	19,598
	122,860	7,457	1,884	(73,637)	(16,940)	41,624

Reconciliation of intangible assets - Company - 2021 (N\$ '000)

	Opening balance	Additions	Transfers	Reclassification	Amortisation	Impairment loss	Total
Software and licenses	34,688	415	878	(6,486)	(12,400)	(2,181)	14,914

Reconciliation of intangible assets - Company - 2020 (N\$ '000)

	Opening balance	Additions	Transfers	Reclassification	Amortisation	Total
Software and licenses	22,026	6,669	21,182	(146)	(15,043)	34,688

Reconciliation of intangible assets - Company - 2019 (N\$ '000)

	Opening balance	Additions	Transfers	Scrapping	Amortisation	Total
Software and licenses	101,870	7,457	1,884	(73,637)	(15,548)	22,026

Refer to **note 3** for the details of the reclassifications.

Other information

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.

Impairment and reversal of impairment

Impairment indicators were identified in the current financial year, in respect of the software acquired as part of the Mobile Virtual Network project (MVNE). The technical building of the project has been complete since December 2018, however the anchor tenant of the virtual platform withdrew from the project tendering the business case not viable. The value in use of the software is estimated to be nil, given that there is no alternative use for the software to Telecom Namibia. The fair value less cost to sell is estimated to be nil owing to the fact that the software is an intangible assets and there is no second hand active market for the software acquired. Therefore the recoverable amount of the MVNE software is estimated to be nil and an impairment loss of N\$2 million was recognised in the current financial year.



NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

5. LEASES (GROUP AS LEASEE)

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 a period of 3 years. 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, with the exception of some teleshops 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.

Details pertaining to leasing arrangements, where the group is lessee are presented below:

Net carrying amounts of Right-of-use assets

The carrying amounts of right-of-use assets are as follows:

Buildings
Plant and machinery
Motor vehicles
Other property, plant and equipment

Additions to Right-of-use assets

Buildings
Motor vehicles
Other property, plant and equipment

Depreciation recognised on Right-of-use assets

Depreciation recognised on each class of right-of-use assets, is presented below. It includes depreciation which has been expensed in the total depreciation charge in profit or loss (note 27), as well as depreciation which has been capitalised to the cost of other assets

Buildings
Plant and machinery
Motor vehicles
Other property, plant and equipment

	Group		Company	
	2021 N\$ '000	2020 N\$ '000	2021 N\$ '000	2020 N\$ '000
Buildings	589,423	599,065	589,423	599,065
Plant and machinery	-	2,067	-	2,067
Motor vehicles	40,106	47,021	40,106	47,021
Other property, plant and equipment	139,795	73,850	240,320	42,605
	769,324	722,003	869,849	690,758
Buildings	27,214	-	26,588	-
Motor vehicles	11,734	11,952	11,734	11,952
Other property, plant and equipment	85,664	-	224,607	-
	124,612	11,952	262,929	11,952
Buildings	33,975	33,729	33,975	33,729
Plant and machinery	2,066	2,479	2,066	2,479
Motor vehicles	17,600	16,986	17,600	16,986
Other property, plant and equipment	28,035	23,724	26,891	19,039
	81,676	76,918	80,532	72,233

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

6. INTERESTS IN SUBSIDIARIES

The following table lists the entities which are controlled by the group, either directly or indirectly through subsidiaries.

Company

Name of company

Powercom (Pty) Ltd
Communitel Telecommunications (Pty) Ltd

Held by:	% holding	% holding	Carrying amount	Carrying amount
	2021	2020	2021	2020
	100.00 %	100.00 %	-	-
	100.00 %	100.00 %	-	-
			-	-

7. LOANS TO GROUP COMPANIES

Subsidiaries

Powercom (Pty) Ltd

Held by:	% holding	% holding	Carrying amount	Carrying amount
	2021	2020	2021	2020
	-	-	165,968	165,968

The nominal value of the loan acquired is N\$620,096,299 (2020: N\$620,096,299). The loan is unsecured and interest free. The non-current portion of the loan N\$494 400 208 (2020: N\$494 400 208) 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. The loan doesn't have a formal contractual agreement and have no stated maturity period. As such, the lender (Telecom Namibia) can demand repayment at any time from the borrower and the borrower have no right to avoid payment if the lender demanded it. Therefore the loan is treated similar to a loan that is repayable on demand, with zero contractual interest and a nil effective rate

Split between non-current and current portions

Non-current assets
Current assets

-	-	150,000	150,000
-	-	15,968	15,968
-	-	165,968	165,968

Exposure to credit risk

Loans receivable inherently expose the group to credit risk, being the risk that the group will incur financial loss if counterparties fail to make payments as they fall due.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

7. LOANS TO GROUP COMPANIES (continued)

Loans receivable are subject to the impairment provisions of IFRS 9 Financial Instruments, which requires a loss allowance to be recognised for all exposures to credit risk. The loss allowance for group loans receivable is calculated based on twelve month expected losses if the credit risk has not increased significantly since initial recognition. In cases where the credit risk has increased significantly since initial recognition, the loss allowance is calculated based on lifetime expected credit losses. The loss allowance is updated to either twelve month or lifetime expected credit losses at each reporting date based on changes in the credit risk since initial recognition. If a loan is considered to have a low credit risk at the reporting date, then it is assumed that the credit risk has not increased significantly since initial recognition.

In determining the expected credit loss for the shareholder loan with Powercom (Pty) Ltd in the company's financial statements, a short cut method was utilised as the loan was assessed as a low credit risk loan. The loan doesn't have definite payment terms and there is therefore no history of default. The loan has a remaining nominal balance of N\$620,096,469 and an expected credit loss allowance of N\$454,123,791 was provided for in line with the what Telecom Namibia estimates to demand from the borrower. As this is an inter-company loan and the subsidiary has sufficient assets to cover the remaining balance and group support to cover liabilities; coupled with the argument that the subsidiary is a key component for the group providing its services, the probability of default was estimated to be 0% for the remaining balance of N\$165,967,678.

Credit loss allowances

The following tables set out the carrying amount, loss allowance and measurement basis of expected credit losses for group loans receivable by credit rating grade:

Company - 2021

Instrument	External credit rating (where applicable)	Rating agency	Internal credit rating (where applicable)	Basis of loss allowance	Gross Carrying amount	Loss allowance	Amortised cost
Loans to subsidiaries							
Powercom (Pty) Ltd	N/a	N/a	N/a	12m ECL	620,097	(454,129)	165,968

Company - 2020

Instrument	External credit rating (where applicable)	Rating agency	Internal credit rating (where applicable)	Basis of loss allowance	Gross Carrying amount	Loss allowance	Amortised cost
Loans to subsidiaries							
Powercom (Pty) Ltd	N/a	N/a	Performing	12m ECL	620,097	(454,129)	165,968

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

8. INVESTMENT IN SEPSCO COMMUNICATIONS (PROPRIETARY) LIMITED

The subsidiary, Communitel Telecommunications (Proprietary) Limited holds a 20.6% (2020: 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. A purchase agreement was entered 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 Telecommunications (Pty) Ltd which in turn was used to repay Telecom N\$200 million owing on the shareholder loan. The remainder of the investment was fully impaired in the 2017 financial year.

At a Group level, in prior years the accumulated share of losses of N\$527 million has been equity accounted for, reducing the carrying value of the investment to Nil. The sale of 100% equity in Communitel Telecommunications (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.

The balance in the previous year as well as in the current year was nil.

9. OTHER NON-OPERATING GAINS

Fair value gains (losses)

Financial liabilities designated as at fair value through profit or loss

Group		Company	
2021	2020	2021	2020
N\$ '000	N\$ '000	N\$ '000	N\$ '000
944	(431)	944	(431)

10. LEASE RECEIVABLES

Maturity analysis of lease payments receivable

- first year

- second year

Gross investment in the leases

Less: Unearned interest income

Present value of minimum lease payments receivable

Less: Loss allowance

Net investment in the lease

Non-current assets

Current assets

5,298	4,373	5,298	4,373
3,680	6,261	3,680	6,261
8,978	10,634	8,978	10,634
(1,684)	(123)	(1,684)	(123)
7,294	10,511	7,294	10,511
(400)	(581)	(400)	(581)
6,894	9,930	6,894	9,930
5,298	5,676	5,298	5,676
1,596	4,254	1,596	4,254
6,894	9,930	6,894	9,930

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.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

Exposure to credit risk

Lease receivables inherently exposes the group to credit risk, being the risk that the group will incur financial loss if counterparties fail to make payments as they fall due.

The group measures the loss allowance for lease receivables by applying the simplified approach which is prescribed by IFRS 9. In accordance with this approach, the loss allowance on lease receivables is determined as the lifetime expected credit losses on lease receivables. These lifetime expected credit losses are estimated using a provision matrix, which is presented below. The provision matrix has been developed by making use of past default experience of debtors but also incorporates forward looking information and general economic conditions of the industry as at the reporting date.

The loss allowance provision is determined as follows:

Group

Expected credit loss rate:

Lease receivable

Not past due:4.46% (2020: 4.46%)

Company

Expected credit loss rate:

Lease receivable

Not past due:4.46% (2020: 4.46%)

Reconciliation of loss allowances

The following table shows the movement in the loss allowance (lifetime expected credit losses) for trade receivables:

Opening balance in accordance with IFRS 9

Decrease in provision raised on lease receivables

Closing balance

2021	2021	2020	2020
Estimate gross carrying amount at default	Loss allowance (Lifetime expected credit loss)	Estimate gross carrying amount at default	Loss allowance (Lifetime expected credit loss)
8,978	400	10,634	581

2021	2021	2020	2020
8,978	400	10,634	581
(581)	(778)	(581)	(778)
181	197	181	197
(400)	(581)	(400)	(581)

Exposure to interest ratet risk

The group is exposed to interest rate risk on lease receivables. Rising interest rates would result in the values of leases declining and thus exposes the group to fair value interest rate risk. Management are not concerned about the fair value interest rate risks because the leases are held to collect contractual cash flows. Declining interest rates are therefore not expected to have an impact on the lease receivable balance.

There have been no significant changes in the interest rate risk management policies and processes since the prior reporting period.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

11. INVENTORIES

Finished goods
Merchandise for sale
Provision for slow moving stock

Group		Company	
2021	2020	2021	2020
N\$ '000	N\$ '000	N\$ '000	N\$ '000
60,717	43,175	60,717	43,175
13,600	26,355	13,600	26,355
74,317	69,530	74,317	69,530
(13,313)	(10,578)	(13,313)	(10,578)
61,004	58,952	61,004	58,952

The Group doesn't have inventory held at fair value less cost to sell.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

12. TRADE AND OTHER RECEIVABLE

Financial instruments:

Trade receivables
Accrued income
Loss allowance
Trade receivables at amortised cost
Other receivables

Non-financial instruments:

Prepayments

Total trade and other receivables

Split between non-current and current portions

Current assets

Financial instrument and non-financial instrument components of trade and other receivables

At amortised cost
Non-financial instruments

Group		Company	
2021	2020	2021	2020
N\$ '000	N\$ '000	N\$ '000	N\$ '000
648,956	593,163	645,584	590,623
6,159	5,467	6,159	5,467
(359,458)	(348,772)	(356,585)	(347,499)
295,657	249,858	295,158	248,591
2,394	1,969	2,394	1,969
10,019	14,711	9,732	14,233
308,070	266,538	307,284	264,793
308,070	266,538	307,284	264,793
298,051	251,827	297,552	250,560
10,019	14,711	9,732	14,233
308,070	266,538	307,284	264,793

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

Exposure to credit risk

Trade receivables inherently expose the group to credit risk, being the risk that the group will incur financial loss if customers fail to make payments as they fall due.

Telecom Namibia notes that the COVID-19 pandemic brought with unprecedented economic challenges globally, and one of the accompanying risks is an increased credit risk. Being a telecommunications service provider, the Group provides essential services and the pandemic brought with an increased demand in telecommunication services. Management is of the opinion that Telecom Namibia demonstrated strong resilience during these trying times and will continue to take advantage of the opportunities the pandemic brought with and will continue to operate. TN has put in extra efforts towards improving collections and has allocated additional resources to ensure that credit risk is well managed. Therefore, in terms of applying a forward look to the impact of Covid-19, management doesn't foresee an additional impact because of Covid as this will be addressed by the renewed efforts and is satisfied that the current results are representative of Covid-19.

To incorporate forward-looking information in the PD model, Namibia's GDP annual growth rate was selected as the macro-economic factor to be included in the model. Forward looking information is captured into the PD matrix by using a quarterly MEV Adjustment Factor. To capture the effect of macroeconomic factors which may impact the PD forecasts, a linear regression model is built between the historical average quarterly PD (at segment level) and the historical macroeconomic data.

A loss allowance is recognised for all trade receivables, in accordance with IFRS 9 Financial Instruments, and is monitored at the end of each reporting period. In addition to the loss allowance, trade receivables are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation. Trade receivables which have been written off are not subject to enforcement activities.

The loss allowance provision is determined as follows:

Group

Expected credit loss rate:

Fixed Debtors

Current: 4.46% (2020: 5.46%)

31 - 60 days past due: 9.70% (2020: 11.03%)

61 - 90 days past due: 6.11% (2020: 0%)

Over 90 days (Default): 67.48% (2020: 76.44%)

Mobile

Current: 22.86% (2020: 20.42%)

31 - 60 days past due: 29.25% (2020: 27.78%)

61 - 90 days past due: 22.16% (2020: 77.05%)

Over 90 days (Default): 66.74% (2020: 74.97%)

	2021	2021	2020	2020
	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)
	40,702	1,814	33,187	1,811
	73,408	7,118	90,710	10,006
	1,063	64	-	-
	392,925	264,678	354,052	270,626
	508,098	273,674	477,949	282,443
	3,404	778	606	124
	1,600	468	1,803	501
	167	37	584	450
	117,474	78,406	81,503	61,121
	122,645	79,689	84,496	62,196

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

12. TRADE AND OTHER RECEIVABLE (continued)

Exposure to credit risk (continued)

Group

Expected credit loss rate:

Other Debtors

Current: 5.45% (2020: 6.42%)

31 - 60 days past due: 7.83% (2020: 0.77%)

61 - 90 days past due: 0.91% (2020: 0.97%)

Over 90 days (Default): 10.00% (2020: 7.47%)

Total

2021	2021	2020	2020
Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)
4,500	397	11,361	729
731	80	3,528	27
312	34	3,852	37
35,428	5,584	44,698	3,340
40,971	6,095	63,439	4,133
671,714	359,458	625,884	348,772

Company

Expected credit loss rate:

Fixed

Current: 4.46% (2020: 5.46%)

31 - 60 days past due: 9.7% (2020: 11.03%)

61 - 90 days past due: 6.11% (2020: 0.00%)

Over 90 days (Default): 67.30% (2020: 76.44%)

Mobile

Current: 22.86% (2020: 20.42%)

31 - 60 days past due: 29.25% (2020: 27.78%)

61 - 90 days past due: 22.16% (2020: 77.05%)

Over 90 days (Default): 66.74% (2020: 74.97%)

2021	2021	2020	2020
Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)
40,702	1,814	33,187	1,811
73,408	7,118	90,710	10,006
1,063	64	-	-
393,414	265,053	354,052	270,626
508,587	274,049	477,949	282,443
3,404	778	606	124
1,600	468	1,803	501
167	37	584	450
117,474	78,406	81,503	61,121
122,645	79,689	84,496	62,196

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

12. TRADE AND OTHER RECEIVABLE (continued)

Exposure to credit risk (continued)

Company

Other debtors

Current: 8.82% (2020: 9.17%)

31 - 60 days past due: 10.94% (2020: 11.88%)

61 - 90 days past due: 10.90% (2020: 12.22%)

Over 90 days (Default): 11.24% (2020: 12.36%)

Total

2021	2021	2020	2020
Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)
4,500	397	7,458	729
731	80	229	27
312	34	306	37
20,782	2,336	16,710	2,067
26,325	2,847	24,703	2,860
657,557	356,585	587,148	347,499

The following table shows the movement in the loss allowance (lifetime expected credit losses) for trade receivables:

Opening balance in accordance with IFRS 9

Allowance for credit losses charged to the income statement

Closing balance

Group		Company	
2021	2020	2021	2020
N\$ '000	N\$ '000	N\$ '000	N\$ '000
(348,772)	(284,949)	(347,499)	(284,165)
(10,686)	(63,823)	(9,086)	(63,334)
(359,458)	(348,772)	(356,585)	(347,499)

The loss ratio is calculated according to the ageing/payment profile of sales by applying historical/proxy write offs to the payment profile of the sales population. In instances where there was no evidence of historical write offs management used a proxy write off. Trade receivable balances have been grouped so that the ECL calculation is performed on groups of receivables with similar risk characteristics and ability to pay.

Similarly, the sales population selected to determine the ageing/payment profile of the sales is representative of the entire population and in line with future payment expectations. The historic loss ratio is then adjusted for forward-looking information to determine the ECL for the portfolio of trade receivables at the reporting date to the extent that there is a strong correlation between the forward-looking information and the ECL.

Taking into consideration the above factors, the ECL rates are expected to change year on year due to various factors such as the changes in the customers payment patterns and forward looking information. Significant changes in the rate is mainly noted for other debtors and this due to the fact that the segment is mainly made up of once off projects of which the payment profile of the sales is not expected to fixed year on year.

Exposure to currency risk

Refer to **note 41** for details of currency risk management for trade receivables.

Fair value of trade and other receivables

The fair value of trade and other receivables approximates their carrying amounts.



NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

13. CONTRACT ASSETS

Contract assets
Loss allowance

Summary of contract assets

Mobile Devices Contract asset

Reconciliation of contract assets

Opening balance
Effect of cumulative effect method on adoption of IFRS 15
Net subscriptions billed during the year
Net renewals, activations and terminations during the year
Expected credit loss allowance

Split between non-current and current portions

Non-current assets
Current assets

Group		Company	
2021	2020	2021	2020
N\$ '000	N\$ '000	N\$ '000	N\$ '000
16,404	23,234	16,404	23,234
(3,750)	(4,647)	(3,750)	(4,647)
12,654	18,587	12,654	18,587
12,654	18,587	12,654	18,587
18,587	21,425	18,587	21,425
-	-	-	-
(22,104)	(24,964)	(22,104)	(24,964)
15,273	21,682	15,273	21,682
898	444	898	444
12,654	18,587	12,654	18,587
2,854	4,110	2,854	4,110
9,800	14,477	9,800	14,477
12,654	18,587	12,654	18,587

Contract assets are recognised when a performance obligation is satisfied (and revenue recognised), but the payment is conditional not only on the passage of time. The other conditions usually relate to entity's fulfillment of other performance obligations in the contract. The contract asset is recognised when the customer takes possession of the devices for post-paid contracts. When the right to consideration becomes unconditional, the contract asset is transferred to trade receivables.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

13. CONTRACT ASSETS (continued)

Exposure to credit risk

Contract assets inherently expose the group to credit risk, being the risk that the group will incur financial loss if customers fail to make payments as they fall due.

The group measures the loss allowance for contract assets by applying the simplified approach which is prescribed by IFRS 9. In accordance with this approach, the loss allowance on contract assets is determined as the lifetime expected credit losses. These lifetime expected credit losses are estimated using a provision matrix, which is presented below. The provision matrix has been developed by making use of past default experience of debtors but also incorporates forward looking information and general economic conditions of the industry as at the reporting date.

The loss allowance provision is determined as follows:

Group

Expected credit loss rate:

Mobile contract asset: 22.86% (2020: 20%)

Company

Expected credit loss rate:

Mobile contract asset: 22.86% (2020: 20%)

Reconciliation of loss allowances

The following table shows the movement in the loss allowance (lifetime expected credit losses) for contract assets:

Opening balance

Expected credit loss charged to the income statement

Closing balance

2021	2021	2020	2020
Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)
16,404	3,750	23,234	4,647
2021	2021	2020	2020
16,404	3,750	23,234	4,647
(4,647)	(5,091)	(4,647)	(5,091)
897	444	897	444
(3,750)	(4,647)	(3,750)	(4,647)



NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

14. RELATED PARTIES

Holding company

Namibia Post & Telecom Holdings Ltd

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.

Related party relationships exist between the company and its subsidiaries, fellow subsidiary, associates, shareholders and key management. All transactions with related parties occurred under terms no less favourable than those arranged with third parties.

Subsidiaries

Investments in subsidiaries are disclosed in **notes 6 and 7**, respectively. No interest is charged on loans to subsidiaries.

Key management

The key management personnel of the company comprise the Executive Committee. Amounts paid to key management are disclosed under Directors', officers' emoluments and key management remuneration below.

Shareholder/Holding company

The holding company is Namibia Post and Telecom Holdings Ltd. The only significant transactions related to the shareholder is rentals paid to the shareholder, dividends and the preference shares agreement.

Fellow subsidiaries

The group has an interconnect agreement with fellow subsidiaries regarding call traffic between the two companies and rent fibre-optic lines for its operations from a fellow subsidiary. Additional transactions include courier, telephone and fax services, sale of prepaid products and maintenance of the WACS cable.

Fellow Subsidiaries are Mobile Telecommunications Ltd and Namibia Post Limited.

Ultimate controlling party

The group is required to disclose, in terms of IAS 24 Related Parties, the ultimate controlling party and any transactions with such ultimate controlling party and any other entities which are also controlled by the same ultimate controlling party, but which is not a subsidiary or fellow subsidiary of the group.

The ultimate controlling party is the Ministry of Public Enterprises.

Transactions with entities under the purview of Ministry of Public Enterprises include licensing fees for the provision of telecommunication services to CRAN, site lease agreements and provision of telecommunication services. Transactions with the Ministry of Public Enterprises and any other public enterprises controlled by the Ministry of Public Enterprises are concluded under commercial terms on the same ground as it would be concluded with any other supplier and customer and for this purpose, the transactions and balances are not disclosed separately per entity except for the transactions and balances considered material. Refer to **note 25** for the disclosures on the regulatory levies due to CRAN and to **note 30** for the corresponding expenses.

Relationships

Ultimate controlling party is the Ministry of Public Enterprises in Namibia.

Holding company Namibia Post and Telecommunications Holdings Limited.

Subsidiaries Refer to **notes 6 and 7**.

Fellow Subsidiaries are Mobile Telecommunications Ltd and Namibia Post Limited.

Details of the Company's and Group's transactions with the Pension Fund are reflected in **note 18**.

Members of Key Management

• S Shanapinda	: Chief Executive Officer (appointed 04 January 2021)
• D Nashandih	: Acting Chief Human Resources Officer
• S Kisting	: Chief Financial Officer
• L Hiwilepo	: Chief Technical Information Officer
• C Muniswaswa	: Chief Commercial Officer
• A Perny	: Chief Marketing Officer
• K Hochobeb	: Head: Internal Audit and Risk Management (appointed 01 September 2021)
• C Chipeio	: Head: Legal and Regulatory Affairs (appointed 01 July 2021)
• N Kondombolo-Kambinda	: Head: Corporate Communications and Public Relations
• C Gaingos	: Company Secretary (appointed 12 July 2021)

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

Related party transactions

Sales to group companies

Namibia Post Limited	
Mobile Telecommunications Limited	
Namibia Post and Telecom Holdings Limited	
Powercom (Pty) Ltd	

Purchases from group companies

Namibia Post Limited	
Mobile Telecommunications Ltd	
Namibia Post and Telecom Holdings Ltd	
Powercom (Pty) Ltd	

Sales to other related parties

Namibia Broadcasting Corporation	
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Purchases from other related parties

Namibia Broadcasting Corporation	
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Related party balances

Loan accounts - Owning (to) by group companies

Powercom (Pty) Ltd (note 8)	
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Amounts reclassified from Trade receivable regarding group companies

Namibia Post Limited	
Mobile Telecommunications Limited	
Powercom (Pty) Ltd	

Amounts reclassified from Trade Payable regarding group companies

Namibia Post Limited	
Mobile Telecommunications Limited	
Powercom (Pty) Ltd	

Amounts reclassified from Trade receivables regarding other related parties

Namibia Broadcasting Corporation	
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Group		Company	
2021 N\$ '000	2020 N\$ '000	2021 N\$ '000	2020 N\$ '000
6,167	4,374	6,167	4,374
57,589	77,298	43,157	38,831
1,147	480	1,147	480
-	-	629	115
8,630	7,597	8,630	7,597
50,541	34,340	50,541	34,340
147,360	139,014	143,288	139,014
-	-	34,466	32,358
17,809	17,825	17,809	17,825
8,192	6,758	8,192	6,758
-	-	165,968	165,968
933	976	934	976
2,776	4,778	2,776	4,778
-	-	496	39
3,709	5,754	4,206	5,793
1,363	1,608	1,363	1,608
8,134	3,810	8,134	3,810
-	-	59,151	35,703
9,497	5,418	68,648	41,121
4,785	2,833	4,785	2,833

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

14. RELATED PARTIES (continued)

Expected credit loss regarding group companies

Namibia Post Limited
Mobile Telecommunications Limited
Powercom (Pty) Ltd

Cash and Cash Equivalents

Namibia Post Limited

Amounts owing by holding company

Namibia Post and Telecom Holdings Limited

Included in the credit loss allowance, is an expected credit loss of N\$790,737 (2020:N\$1,610,531) for related parties. An amount of N\$819,734 was recognised as an expense in the current year and has been disclosed as part of the expected credit loss expense in the Statement of profit or loss.

Refer to **note 41** for the reconciliation of the allowance and to **note 12** for disclosure of the credit loss matrix for trade receivables. Outstanding balances other than loans to group companies as disclosed in **note 7**, are unsecured and are repayable in cash on a monthly basis.

Compensation to Directors and other key management

Short-term employee benefits
Long-term benefits - incentive scheme

Group		Company	
2021	2020	2020	2021
N\$ '000	N\$ '000	N\$ '000	N\$ '000
-	-	116	288
302	1,323	302	1,323
-	-	373	-
302	1,323	791	1,611
4,255	23,291	4,255	23,291
145	763	145	763
13,080	11,679	11,590	10,265
464	153	464	156
13,544	11,832	12,054	10,421

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

Directors Remuneration

Fees for service

Served until 31 May 2020

IE Simeon Kurtz	
D Muruko	
P Oberholster	
WG Titus	

Served until 25 November 2020

WM Van der Vyver	
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Served until 30 April 2021

F Kishi	
S Ndeunyema	
E Asino- Joseph	
J Muadinohamba	

Effective 26 November 2020

N Shilongo	
T Nghifitikeko	
E Harmse	
M Shiimi	
M Mutenda	
S Shifidi	
A Perny	

Effective 01 May 2021

P Hauuanga	
R Kleintjes	
M Tjijenda	
M Uupindi	
F Somaeb (Re-appointed)	

Group		Company	
2021 N\$ '000	2020 N\$ '000	2021 N\$ '000	2020 N\$ '000
-	471	-	257
-	224	-	224
-	411	-	278
-	181	-	181
37	256	-	-
139	89	139	89
160	103	160	103
175	96	175	96
161	209	161	101
136	29	-	-
112	-	-	-
136	52	-	-
152	38	-	-
112	-	-	-
110	-	-	-
106	-	-	-
84	-	84	-
116	-	116	-
112	-	112	-
109	-	109	-
291	336	291	336
2,248	2,495	1,347	1,665

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

14. RELATED PARTIES (continued)

Directors Emoluments- Summary

Directors Fees
Other Directors expenses

Group		Company	
2021	2020	2021	2020
N\$ '000	N\$ '000	N\$ '000	N\$ '000
2,248	2,495	1,347	1,665
113	271	113	271
2,361	2,766	1,460	1,936

15. CASH AND CASH EQUIVALENTS

Bank balances
Cash on hand
Bank overdraft

Cash and cash equivalents for the purposes of the Statements of cash flows include the following:

Cash and cash equivalents
Bank overdraft

Group		Company	
2021	2020	2021	2020
N\$ '000	N\$ '000	N\$ '000	N\$ '000
43,776	91,477	15,329	61,335
4,626	4,583	4,626	4,583
(21,194)	-	(21,194)	-
27,208	96,060	(1,239)	65,918
48,405	96,060	19,955	65,918
(21,194)	-	(21,194)	-
27,211	96,060	(1,239)	65,918

Telecom Namibia has an Angolan bank account with a balance of USD131 997 (N\$2 011 634) at year-end. The balance on this bank account was USD132 216 (N\$2 254 282) at the end of the previous financial year, 2020. 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. The total amount has been included in the cash and cash equivalents balance in the statement of financial position.

As part of the overdraft facility agreements, the company is required to submit audited financial statements after 180 days of year end. The bank overdrafts are unsecured and the details are disclosed below.

First National Bank of Namibia Limited

- Direct overdraft of N\$50,000,000
- Wesbank Long Term of N\$10,000,000
- First card of N\$600 000
- Fleet Card of N\$2,500,000
- Settlement line of N\$1,020,000
- Other Products (Pre-settlement) of N\$10,000,000

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

Standard Bank Namibia Limited

- Overdraft facility of N\$40,000,0000
- FEC facility of N\$90,000,000
- Performance Guarantees by Bank of N\$9,433,098
- FEC PFE of N\$26,048,000
- Financial guarantee given - USD597,413
- Financial guarantee given - N\$4,000,000
- The above mentioned facilities were satisfactorily reviewed as at 30 September 2021. The next review will be for the 30 September 2022 financial period

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings from Fitch ratings or historical information about counterparty default rates. The Standard Bank Group and the Firstrand Bank both have a credit rating of BB- and the Deutsche Bank AG has a BBB+ credit rating. Included in others, is the cash held at Nampost of which there is no external credit rating and considering the history of the counterparty, the default rate is estimated to be nil.

Credit rating

BB -
BBB +
Other

Group		Company	
2021	2020	2021	2020
N\$ '000	N\$ '000	N\$ '000	N\$ '000
36,120	64,691	7,673	34,549
3,400	3,495	3,400	3,495
4,256	23,291	4,256	23,291
43,776	91,477	15,329	61,335

Refer to **note 41** Financial instruments and financial risk management for details of currency risk management for cash and cash equivalents.

16. NON-CURRENT ASSETS HELD FOR SALE

Assets and liabilities

The Group had made a formal decision to dispose of its 44% shareholding in an associate, Mundo Startel in the 2011 financial year. During the 2014 financial year, the Group and Company received a payment of N\$5.1 million in respect of the purchase price agreed and decided to impair the remaining N\$16.9 million because of the uncertainty surrounding the ability of the acquirer to settle the amount and the difficulty encountered to enforce the Company's rights and obligations in Angola. So far and throughout the 2021 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. The fair less cost to sell has been determined as Telecom Namibia doesn't not expect to receive any price for investment after pursuing all possible avenues.



NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

16. NON-CURRENT ASSETS HELD FOR SALE (continued)

Reconciliation of the balance

Cost
Accumulated impairment

Reconciliation of movement

Opening balance
Impairment

Group		Company	
2021 N\$ '000	2020 N\$ '000	2021 N\$ '000	2020 N\$ '000
116,560	116,560	116,560	116,560
(116,560)	(116,560)	(116,560)	(116,560)
-	-	-	-
-	-	-	-
-	-	-	-

17. SHARE CAPITAL

Authorised

200 000 000 Ordinary shares of par value of N\$1 each

Issued

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

Group		Company	
2021 N\$ '000	2020 N\$ '000	2021 N\$ '000	2020 N\$ '000
200,000	200,000	200,000	200,000
154,530	154,530	154,530	154,530

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

Refer to **note 22.1** for the disclosure on preference shares.

18. RETIREMENT BENEFITS

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 2021 financial year the total medical aid contributions by the company were N\$60 million (2020: N\$54 million), employee contributions were N\$1 million (2020: N\$8 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\$67 million (2020: N\$54 million). The effective date of valuation of the liability is 30 September 2021 and the next date of valuation is 30 September 2022. 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.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

18. RETIREMENT BENEFITS (continued)

Key assumptions used

The principal actuarial assumptions used for accounting purposes were:

Real rate of return	3.80 %
Discount rates used	12.22 %
Healthcare cost inflation	8.40 %
Expected average retirement age (yrs.)	60
Normal retirement age (yrs.)	60

Carrying value

Opening balance	53,954	56,501	53,954	56,501
Current service cost	259	325	259	325
Interest cost	6,614	5,615	6,614	5,615
Subsidies paid	(4,382)	(3,814)	(4,382)	(3,814)
Actuarial (gain)/loss	10,634	(4,673)	10,634	(4,673)

Closing balance

Present value of defined benefit liability

Reflected as follows:

Current liabilities	-	-	-	-
Non-current liabilities	67,079	53,954	67,079	53,954
	67,079	53,954	67,079	53,954

The amounts recognised in profit or loss is as follows:

Current service cost	259	325	259	325
Interest cost	6,614	5,615	6,614	5,615
Subsidies paid	(4,382)	(3,814)	(4,382)	(3,814)
	2,491	2,126	2,491	2,126

The amounts recognised in other comprehensive income are as follows:

Actuarial (gain)/loss-economic variables	5,006	(5,806)	5,006	(5,806)
Actuarial loss-demographic assumptions	5,628	1,133	5,628	1,133
	10,634	(4,673)	10,634	(4,673)

Group		Company	
2021	2020	2021	2020
N\$ '000	N\$ '000	N\$ '000	N\$ '000
3.80 %	3.51 %	3.80 %	3.51 %
12.22 %	12.66 %	12.22 %	12.66 %
8.40 %	8.84 %	8.40 %	8.84 %
60	58	60	58
60	60	60	60
53,954	56,501	53,954	56,501
259	325	259	325
6,614	5,615	6,614	5,615
(4,382)	(3,814)	(4,382)	(3,814)
10,634	(4,673)	10,634	(4,673)
67,079	53,954	67,079	53,954
67,079	53,954	67,079	53,954
-	-	-	-
67,079	53,954	67,079	53,954
67,079	53,954	67,079	53,954
259	325	259	325
6,614	5,615	6,614	5,615
(4,382)	(3,814)	(4,382)	(3,814)
2,491	2,126	2,491	2,126
5,006	(5,806)	5,006	(5,806)
5,628	1,133	5,628	1,133
10,634	(4,673)	10,634	(4,673)

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

18. RETIREMENT BENEFITS (continued)

The Napotel Medical Aid Fund changed its contribution structure that applies to pensioners (continuation members) with effect from 1 July 2021. The contribution structure is now based on income ranges with higher income bands paying higher contributions. This is in line with how employees' contributions are determined. Prior to 1 July 2021, pensioner contributions were based on the lowest income band that applied to employees. The change in the medical aid cost structure resulted in an actuarial loss of N\$6,769,000.

The demographic experience of qualifying employees and continuation members, in particular the lower than expected mortality amongst continuation members, resulted in an actuarial loss of N\$3,627,000.

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	44	46
Average age (years)	50	50
Number of pensioners	209	208
Average age (years)	67	63

Group		Company	
2021 N\$ '000	2020 N\$ '000	2021 N\$ '000	2020 N\$ '000
44	46	44	46
50	50	50	50
209	208	209	208
67	63	67	63

The sensitivity of the financial assumptions was assessed by increasing and decreasing the differences between the assumptions by 1.0%. A real interest rate of 2.8% can be interpreted as the resulting accrued liability if the medical aid contribution increase rate is 1.0% higher than assumed. Similarly, a 4.8% real interest rate can be interpreted as the resulting accrued liability if the medical aid contribution increase rate is 1.0% lower than assumed. The results are set out below:

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	9,230	7,636
Decrease to	7,554	6,220

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	74,198	59,554
Decrease to	61,073	49,145

Group		Company	
2021 N\$ '000	2020 N\$ '000	2021 N\$ '000	2020 N\$ '000
9,230	7,636	9,230	7,636
7,554	6,220	7,554	6,220
74,198	59,554	74,198	59,554
61,073	49,145	61,073	49,145

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

18. RETIREMENT BENEFITS (continued)

The most important demographic assumptions are the mortality rate that applies after retirement and the withdrawal rate before retirement. In the table below we set out the financial impact of assuming a heavier post retirement mortality rate. The results also consider if pre-retirement withdrawals are ignored.

The effect of a heavier mortality rate and assuming no withdrawals on current service cost and interest cost

Increase to

Decrease to

The effect of a heavier mortality rate on the accumulated post-employment benefit obligation for medical costs would be as follows:

Increase to

Decrease to

Group		Company	
2021 N\$ '000	2020 N\$ '000	2021 N\$ '000	2020 N\$ '000
8,510	7,370	8,510	7,370
8,028	6,466	8,028	6,466
68,210	57,750	68,210	57,750
64,149	50,856	64,149	50,856

19. BORROWINGS

Held at amortised cost

Finance lease liability

Telecom Namibia entered into a finance sale and leaseback agreement with Channel Capital in October 2014 for an amount of N\$64 million over a five year lease period. The lease was repayable in monthly instalments of N\$1.8 million at a monthly interest rate of 1.9%. The Group secured assets with a carrying amount of N\$20.2 million in the prior year as part of the lease agreement. The assets were bought back in the current year at a price of N\$3.2 million and there are no further obligations to the group.

Unsecured

Development Bank of Namibia

Telecom Namibia received a loan amounting to N\$120 million from the Development Bank of Namibia in December 2009. The loan was for a period of eleven years and attracted interest at the prevailing First National Bank of Namibia prime lending rate less 2.50% per annum (2020: First National Bank of Namibia Prime Lending Rate less 2.50% per annum). The loan was fully repaid in the current financial year.

The loan was unsecured, had a two year grace period on capital repayment and was repayable in varying installment amounts commencing on 31 January 2013. There was no equipment pledged as security for the loan.

Group		Company	
2021 N\$ '000	2020 N\$ '000	2021 N\$ '000	2020 N\$ '000
-	-	-	-
-	30,000	-	30,000
-	30,000	-	30,000

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

19. BORROWINGS (continued)

Split between non-current and current portions

Non-current liabilities

Current liabilities

Exposure to interest rate risk

Refer to **note 41** for details of interest rate risk management for borrowings

Maturity of borrowings

No later than 1 year

Later than 1 year and not later than 5 years

Details of current borrowings

Current portion of interest-bearing borrowings

Finance lease liability

No later than 1 year

Total

Less: future finance charges

Present value of lease payments

First National Bank of Namibia Limited

- Direct Overdraft of N\$ 30,000,000
- Westbank Long Term of N\$ 10,000,000
- First Card of N\$ 600,000
- Fleet Card of N\$ 2,500,000
- Settlement Line of N\$ 1,020,000
- Other Products (Pre – Settlement) of N\$ 10,000,000
- Overdraft facility of N\$40, 000, 000. Interest is charged at prime less 1%
- Guarantees by Bank of N\$14 030 511
- FEC PFE N\$26 048 000
- The above-mentioned facilities were satisfactorily reviewed in September 2020 and extended. The next review will be on 30 September 2021.

Group		Company	
2021 N\$ '000	2020 N\$ '000	2021 N\$ '000	2020 N\$ '000
-	-	-	-
-	30,000	-	30,000
-	30,000	-	30,000
-	30,000	-	30,000
-	-	-	-
-	30,000	-	30,000
-	30,000	-	30,000
-	-	-	-
-	-	-	-

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

20. DEFERRED TAX

The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:

	Group		Company	
	2021 N\$ '000	2020 N\$ '000	2021 N\$ '000	2020 N\$ '000
Deferred tax liability	(133,336)	(170,138)	(118,249)	(155,334)
Deferred tax asset	95,109	78,899	-	-
Total net deferred tax liability	(38,227)	(91,239)	(118,249)	(155,334)
Reconciliation of deferred tax asset / (liability)				
At beginning of year	(91,239)	(141,627)	(155,334)	(184,969)
Current year timing differences in profit or loss	49,609	51,883	33,682	31,130
Charged to other comprehensive income	3,403	(1,495)	3,403	(1,495)
	(38,227)	(91,239)	(118,249)	(155,334)
Deferred tax liability				
Capital Allowances	(339,287)	(360,261)	(324,200)	(345,457)
Prepayments	(3,114)	(4,554)	(3,114)	(4,554)
Provisions	128,761	122,364	128,761	122,364
Stock consumption	4,258	3,383	4,258	3,383
Advance income	63,526	62,211	63,526	62,211
Tax loss	-	-	-	-
Lease liability	290,872	227,765	290,872	227,765
Right of use assets	(278,352)	(221,043)	(278,352)	(221,043)
Derivatives	-	(3)	-	(3)
Total deferred tax liability	(133,336)	(170,138)	(118,249)	(155,334)
Deferred tax asset				
Capital Allowances	(27,927)	(30,390)	-	-
Prepayments	(20)	(12)	-	-
Expected credit losses	(3,839)	306	-	-
Lease liability	9,862	(9,791)	-	-
Income received in advance	50	-	-	-
Unused tax losses	116,983	118,786	-	-
Deferred tax balance from temporary differences other than unused tax losses	95,109	78,899	-	-
Total deferred tax asset	95,109	78,899	-	-

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

21. TRADE AND OTHER PAYABLES

Financial instruments:

Trade payables

Other payables

Non-financial instruments:

VAT (flip receiver only)

Group		Company	
2021 N\$ '000	2020 N\$ '000	2021 N\$ '000	2020 N\$ '000
193,350	263,005	185,437	257,520
119	3,445	-	-
3,888	6,662	3,453	5,988
197,357	273,112	188,890	263,508

To improve disclosures in the current financial year, the provision for leave, provision for severance pay and the provision for audit fees were reclassified from Trade and other payables and are currently disclosed under Provisions in line with IAS 37, on the face of the consolidated and separate statements of financial position. Refer to **note 24** for the disclosures on provisions.

22. FINANCIAL LIABILITY AT FAIR VALUE

22.1 Preference Shares

On 16 June 2016, forty million redeemable cumulative preference shares of N\$10 each, with cumulative preference dividends are payable on a minimum of 25% of after-tax profits were issued to Namibia Post and Telecom Holdings Ltd (NPTH). On the initial date of the contract, the shares were redeemable after a period of 10 years at Telecom Namibia Ltd (TN)'s discretion. The redeemable cumulative preference shares have voting rights. The preference shares are measured at fairvalue through profit or loss.

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).

In terms of the addendum signed on 16 March 2017, the holder (NPTH) is entitled to convert all of the shares in issue to ordinary shares by either:

- Requiring the full redemption amount and subscribe to ordinary shares at a subscription price agreed in writing between the holder (NPTH) and the Company (TN). With this option, the number of shares to be subscribed to will vary depending on the price determined on subscription date
- Converting all preference share on a one for one basis (400 shares).

Based on the assessment above, the amended contract resulted in the principal portion being classified as a financial liability as Telecom Namibia no longer has an unconditional right to avoid the cash settlement. Unless NPTH elects to convert their preference shares into ordinary shares, there is an obligation to settle in cash either by Telecom Namibia electing to redeem or by the payment of dividends into perpetuity.

Due to the fact the option to convert is no longer at the election of Telecom Namibia this triggered a financial liability classification. The only way Telecom Namibia can avoid paying dividends into perpetuity is for the company to redeem the full principal and accrued dividends. If the conversion option is not elected by NPTH the resulting dividend into perpetuity will also result in the redemption of the principal portion. Therefore, in either form of cash settlement the full capital portion will be redeemed.

Effective 16 March 2017 when the agreement was amended, the total equity amount of N\$400 million was reclassified from equity to a financial liability as Telecom Namibia lost the right to convert the preference shares to ordinary shares.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

22. FINANCIAL LIABILITY AT FAIR VALUE (continued)

22.2. Other financial liability

Note(s)	Group			Company		
	2021 N\$ '000	2020 N\$ '000	2019 N\$ '000	2021 N\$ '000	2020 N\$ '000	2019 N\$ '000
At fair value through profit (loss)						
Other financial liability	279,127	282,791	282,361	279,127	282,791	282,361
Split between non-current and current portions						
Non-current liabilities	279,127	282,791	282,361	279,127	282,791	282,361
Reconciled as follows:						
Opening balance	282,791	282,361	122,998	282,791	282,361	122,998
Movement						
Less: Dividend paid	(2,721)	-	(10,284)	(2,721)	-	(10,284)
Less: Fair value adjustment	(943)	430	(36,911)	(943)	430	(36,911)
Less: Prior year error adjustment	-	-	(193,442)	-	-	(193,442)
Add: Preference share	-	-	400,000	-	-	400,000
Closing balance	279,127	282,791	282,361	279,127	282,791	282,361

Refer to **note 36** Changes in liabilities arising from financing activities for details of the movement in the financial liabilities during the reporting period.

In the current financial year, the Company reported a comprehensive profit of N\$2 million (2020: N\$10 million profit). The valuation of the financial liability is based on the profit before the preference share valuation. The valuation of the liability was revised in the current year by discounting future cash flows using market interest rates. Details of management judgement are disclosed in **note 1**.



NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

23. UNEARNED INTEREST MOBILE DEVICES

Opening Balance
Effect of cumulative effect method on adoption of IFRS 15
Net renewals, activations and terminations during the year
Interest expense recognised during the year
Closing balance

Group		Company	
2021 N\$ '000	2020 N\$ '000	2021 N\$ '000	2020 N\$ '000
1,131	1,959	1,131	1,959
-	-	-	-
(194)	(627)	(194)	(627)
(136)	(201)	(136)	(201)
801	1,131	801	1,131

The balance relates to the significant financing component in respect of post-paid contracts which includes handset devices.

Telecom Namibia assessed post-paid contracts including handsets to determine if they contain a significant financing component. Telecom Namibia has elected to apply the practical expedient that allows the entity not to adjust the transaction price for the significant financing components for contracts where the time difference between customer payment and transfer of goods or services is expected to be one year or less. Telecom Namibia recognises significant financing components as interest revenue over the period between satisfying the related performance obligation and payment.

24. PROVISIONS

Reconciliation of provisions - Group - 2021

Provision for leave
Provision for severance pay
Provision for audit fees
Other provisions

Opening balance	Additions	Utilised during the year	Reversed during the year	Total
56,758	2,498	(1,494)	-	57,762
877	2,631	-	-	3,508
3,217	3,030	(2,717)	-	3,530
6,586	427	(3,929)	(1,824)	1,260
67,438	8,586	(8,140)	(1,824)	66,060
47,883	10,572	(1,697)	-	56,758
962	-	-	(85)	877
3,471	4,073	(4,327)	-	3,217
2,095	4,647	(156)	-	6,586
54,411	19,292	(6,180)	(85)	67,438
56,758	2,498	(1,494)	-	57,762
877	2,631	-	-	3,508

Reconciliation of provisions - Group - 2020

Provision for leave
Provision for severance pay
Provision for audit fees
Other provisions

Reconciliation of provisions - Company - 2021

Provision for leave
Provision for severance pay

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
Provision for audit fees	3,217	3,030	(2,717)	-	3,530
Other provisions	6,586	427	(3,929)	(1,824)	1,260
	67,438	8,586	(8,140)	(1,824)	66,060
Reconciliation of provisions - Company - 2020					
Provision for leave	47,883	10,572	(1,697)	-	56,758
Provision for severance pay	962	-	-	(85)	877
Provision for audit fees	3,471	4,073	(4,327)	-	3,217
Other provisions	2,095	4,647	(156)	-	6,586
	54,411	19,292	(6,180)	(85)	67,438

The leave provision includes all the current accrued annual leave and is limited to 36 days inline with the group's leave accrual policy. The total amount is classified as current as the group doesn't have an unconditional right to defer settlement for the obligation.

The provision for severance pay was raised in relation to the obligation in case of death of employees or possible retrenchment. Due to the fact that the retirement age of the group is 60 and severance pay on retirement is not applicable unless an employee retires on or after the age of 65.

The main assumptions used in the provision for severance pay are as follow:

- Key financial assumptions are the rate of discount and the salary inflation rate
- Rate of discount of 8.07% per annum
- Salary inflation of 4.00% per annum
- The key demographic assumptions are the mortality rate of 0.57% and the retrenchment rate of 0.66%

The provision for the audit fees relates to the fee for the 2020/2021 external audit as this is considered a statutory requirement.

25. REGULATORY LEVIES LIABILITY

	Group		Company	
	2021 N\$ '000	2020 N\$ '000	2021 N\$ '000	2020 N\$ '000
Non-current liability	48,389	-	48,389	-
Current liability	95,607	155,777	95,607	155,777
	143,996	155,777	143,996	155,777

The regulatory levy liability is the amount due to the Communication Regulatory Authority of Namibia (CRAN), inline with the Communications Act.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

25. REGULATORY LEVIES LIABILITY (continued)

A settlement agreement was signed between Telecom Namibia Ltd (TN) and Communication Regulation Authority of Namibia (CRAN) on 23 November 2021, in relation to regulatory levies dated as far back as 2012. The agreement brought to an end a longstanding dispute on the legality of the regulatory levies for the period 2012 to 2018. Telecom and other industry players challenged the Constitutionality of Section 23 of the Communications Act (No. 8 of 2009) in the High Court in 2012 in order to determine the constitutionality of the regulatory levies as enforced by CRAN. Given that the engagement started before year end 30 September 2021, this is considered an adjusting event and the accrual for the regulatory levies were adjusted from the initial accrual of N\$115 million to N\$87 million inline with the final agreement.

In terms of the settlement a lumpsum payment of N\$20 million is payable on or before 30th of November 2021 and the remainder of N\$67 million is payable over 36 monthly installments.

The remainder of the liability balance relates to the accrual for the period 2019 to 2021.

26. CONTRACT LIABILITIES

Summary of contract liabilities

Botswana Fibre Networks (Bofinet)	
Mobile Telecommunications Ltd (MTC)	
Bharti Airtel	
Mobile Telecommunications Limited (MTC)	
West Indian Ocean Cable Company (WIOCC)	
Advanced rental	
Unused airtime	
Prepaid speedlink	
Students advanced revenue	
MTN Global	

Reconciliation of contract liabilities

Opening balance	
Revenue recognised on delivery of goods/services previously paid for	
Payments received in advance of delivery of performance obligations	
Transfers from trade payables	
Other movements	

Split between non-current and current portions

Non-current liabilities	
Current liabilities	

Group		Company	
2021	2020	2021	2020
N\$ '000	N\$ '000	N\$ '000	N\$ '000
22,830	32,977	22,830	32,977
65	323	65	323
24,423	28,864	24,423	28,864
10,200	12,000	10,200	12,000
7,800	8,970	7,800	8,970
76,063	70,622	76,063	70,622
8,494	8,226	8,494	8,226
1,416	492	1,416	492
7,608	20,623	7,608	20,623
27,378	-	27,378	-
186,277	183,097	186,277	183,097
183,097	186,723	183,097	186,723
(250,347)	(216,896)	(250,347)	(216,896)
253,527	204,762	253,527	204,762
-	8,428	-	8,428
-	80	-	80
186,277	183,097	186,277	183,097
72,192	66,068	72,192	66,068
114,085	117,029	114,085	117,029
186,277	183,097	186,277	183,097

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

26. CONTRACT LIABILITIES (continued)

The contract liability relating to Bofinet arises from the agreement entered into with Bofinet to provide connectivity related to backhauling services for a period of ten years commencing 01 January 2021. The value of the contract is USD8,314,916. A deposit of USD1,164,088 was paid in advance on 01 January 2021 and the remainder of the contract was settled monthly over a period of two years from inception of the contract. The liability is recognised as revenue over the service period. A maintenance charge of USD19,247 is payable on a monthly basis for the duration of the contract.

The contract liability for Bharti Airtel arises from a contract between Telecom Namibia and Bharti Airtel for the provision of transmission services from the Zambian border to London, to fulfil Bharti Airtel's international connectivity requirements. A ten 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 a maintenance charge of USD5,667 per month. The liability is recognised as revenue over the service period.

Telecom Namibia entered into an agreement on 15 December 2016 to provide a managed backbone capacity solution to MTC for a period of ten 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 liability is recognised as revenue over the service period.

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 ten year agreement was signed on 17 April 2018 between the parties. The contract amount of USD850,000 was received in June 2018. The liability is recognised as revenue over the service period.

The contract liability from the advanced rentals arises from the upfront billing of the customers for services to be rendered in the following month. The liability is recognised when the service is rendered over the service period.

The unused contract liability arises from the advance payments received from customers. The liability is recognised as revenue as the customers utilise the airtime.

The prepaid speedlink and the students advanced revenue contract liabilities arises from the advance payments received from customers. The liability is recognised as revenue over the service period.

Telecom Namibia entered into an agreement with the MTN Global Connect Solution Limited to provide capacity within Namibia from Swakopmund WACS landing station to Katima Mulilo border post based on the Indefeasible Right of Use. A ten-year agreement was signed in February 2021 between the parties. The contract amount consists of the non-refundable once-off capital contribution of USD1.9 million which was received on 21 April 2021 and maintenance charges of USD8,806.

Revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period

Botswana Fibre Networks (Bofinet)¹

Mobile Telecommunications Ltd (MTC) Fibre Optic

Bharti Airtel

Mobile Telecommunications Ltd (MTC)- Managed backbone service

West Indian Ocean Cable Company (WIOCC)

Advanced rental

Unused airtime

Prepaid speedlink

Students advanced revenue

Group		Company	
2021 N\$ '000	2020 N\$ '000	2021 N\$ '000	2020 N\$ '000
10,147	10,147	10,147	10,147
258	258	258	258
4,441	4,441	4,441	4,441
1,800	1,800	1,800	1,800
1,170	1,170	1,170	1,170
70,618	69,773	70,618	69,773
6,254	3,663	6,254	3,663
492	-	492	-
19,621	8,428	19,621	8,428
114,801	99,680	114,801	99,680

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

27. OPERATING PROFIT (LOSS)

Operating profit (loss) for the year is stated after charging (crediting) the following, amongst others:

Auditor's remuneration - external

Audit fees

Employee costs

Salaries, wages, bonuses and other benefits

Social Security

Medical Aid

Pension Fund

Total employee costs

Depreciation and amortisation

Depreciation of property, plant and equipment

Depreciation of right-of-use assets

Amortisation of intangible assets

Total depreciation and amortisation

Other

Changes in inventories of finished goods

Loss on scrapping of property, plant and equipment and intangible assets

Utility Charges- Water & Electricity

Staff costs

Advertising and promotions

International settlements

Short-term lease expenses

Repairs and Maintenance

Fees for service

Post-retirement benefits recognised in profit or loss

Provision for obsolete stock

Foreign exchange loss/(gains)

Net realised foreign exchange gain

Net realised foreign exchange loss

Net unrealised foreign exchange gain

Net unrealised foreign exchange loss

Group		Company	
2021	2020	2021	2020
N\$ '000	N\$ '000	N\$ '000	N\$ '000
4,298	3,854	3,944	3,507
484,758	478,825	475,476	470,268
1,156	1,126	1,118	1,087
61,555	54,312	60,601	53,306
61,450	57,143	60,163	55,850
608,919	591,406	597,358	580,511
200,053	200,182	192,363	192,825
81,676	76,918	80,532	72,233
13,850	16,499	12,400	15,043
295,579	293,599	285,295	280,101
135,246	128,317	135,246	128,317
10,282	784	10,023	772
75,924	76,530	75,820	76,461
608,919	591,406	597,358	580,511
10,330	17,716	10,018	17,716
69,603	82,544	69,603	82,544
20,637	24,503	45,629	52,640
55,524	46,216	55,512	45,431
8,754	13,430	8,068	12,509
2,491	2,126	2,491	2,126
2,719	616	2,719	616
(113,322)	(77,592)	(113,322)	(77,592)
112,761	86,712	112,761	86,712
(23,096)	(85,979)	(23,096)	(85,979)
25,409	84,515	25,409	84,515

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

Expenses by nature

In terms of IAS 1, an entity classifying expenses by function shall disclose additional information on the nature of expenses, including depreciation and amortisation expense and employee benefits expense. To improve the disclosures in the financial statements, cost of sales is disclosed separately as a functional expense in the current financial year. Refer to **note 32** for the cost of sales disclosures and to **note 40** for the effect of the reclassification disclosure.

The total cost of sales, selling and distribution expenses, administrative expenses, other operating expenses are analysed by nature as follows:

	Group		Company	
	2021 N\$ '000	2020 N\$ '000	2021 N\$ '000	2020 N\$ '000
Changes in inventories of finished goods and work in progress	123,310	128,317	128,317	123,310
Employee Costs	608,919	591,406	597,358	580,511
Depreciation and amortization expense	295,579	293,599	285,295	280,101
Impairment of Property,plant and equipment	11,004	-	11,004	-
Impairment of intangible assets	2,181	-	2,181	-
Expected credit loss allowance on financial assets	9,671	63,183	8,071	62,694
Regulatory Expenses	(5,353)	454	(5,340)	218
Other expenses	351,326	399,001	363,849	423,421
	-	-	-	-
	1,396,637	1,475,960	1,390,735	1,470,255

28. FINANCE INCOME AND COSTS

Interest income

Investments in financial assets:

Bank and other cash

Finance lease receivables

Total interest income

Interest paid

Lease liabilities

Current borrowings & bank overdraft

Other interest expense

Post-retirement benefit liability

Total finance costs

Less: Non-cash interest cost of post-retirement liability

Total finance costs expensed

	Group		Company	
	2021 N\$ '000	2020 N\$ '000	2021 N\$ '000	2020 N\$ '000
	1,543	2,390	741	891
	2,855	1,737	2,855	1,737
	4,398	4,127	3,596	2,628
	57,179	59,219	55,072	56,256
	1,022	2,874	1,022	2,874
	532	152	532	152
	6,614	5,615	6,614	5,615
	65,347	67,860	63,240	64,897
	(6,614)	(5,615)	(6,614)	(5,615)
	58,733	62,245	56,626	59,282

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

29. TAXATION

Major components of the tax (income) expense

Current

Current tax

Deferred

Deferred tax expense

Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

Accounting (loss) profit

Tax at the applicable tax rate of 32% (2020: 32%)

Tax effect of adjustments on taxable income

Expenses not deductible

Tax loss utilised

Deferred tax asset not previously recognised

Opening balance adjustment

Taxation

Included in other comprehensive income is deferred tax related to:

Remeasurement of defined benefit obligation

Estimated tax losses:

Utilised total tax losses

Utilised to offset deferred tax assets

Utilised to offset deferred tax liabilities

Group		Company	
2021 N\$ '000	2020 N\$ '000	2021 N\$ '000	2020 N\$ '000
37,544	21,241	37,544	21,241
(49,609)	(51,881)	(33,682)	(31,130)
(12,065)	(30,640)	3,862	(9,889)
30,590	(15,571)	12,250	(33,393)
9,789	(4,983)	3,920	(10,686)
(8,333)	(18,389)	(486)	(9,211)
(58,593)	(38,381)	-	-
50,632	21,105	-	-
-	21	-	21
(6,505)	(40,627)	3,434	(19,876)
(3,403)	1,495	(3,403)	1,495
701,857	748,978	-	-
(33,303)	(47,121)	-	-
-	-	-	-
668,554	701,857	-	-

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

30. REGULATORY LEVIES

Communications Regulatory Authority of Namibia

License levy
Number range levy
Settlement adjustment

Group		Company	
2021 N\$ '000	2020 N\$ '000	2021 N\$ '000	2020 N\$ '000
(21,987)	(22,516)	(22,000)	(22,280)
(1,266)	22,062	(1,266)	22,062
28,606	-	28,606	-
5,353	(454)	5,340	(218)

The increase in the number range levy is attributable to credit notes of N\$28 million which were received during the 2020 financial year in respect of number range invoices which were previously accrued for in the 2019 financial year. A settlement agreement was reached in the 2020 financial year for invoices from 2018 and 2019 for an amount of N\$6.6 million which was paid to the regulator.

The settlement adjustment of N\$28 million relates to the difference between the settlement amount of N\$87 million and the accrual of N\$115 million for the CRAN levies for the fees for the 2012 to 2018. Refer to **note 25** for the disclosure of the liability and the settlement agreement.

Thus, the increase in the current year levies is not as a result of an increase in revenue.



NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

31. REVENUE

Revenue from contracts with customers

Sale of goods
Rendering of services
Miscellaneous other revenue

Disaggregation of revenue from contracts with customers

The group disaggregates revenue from customers as follows:

Refer to **note** for the disaggregation of revenue from customers based on the operating segments.

Sale of goods

Sale of goods - Mobile devices
Sale of goods - Fixed devices

Rendering of services

Services revenue - Voice
Services revenue - Mobile
Services revenue - Data
Services revenue - IP
Services revenue - Infrastructure and others
Services revenue - IT

Other revenue

Other revenue

Total revenue from contracts with customers

Timing of revenue recognition

At a point in time

Sale of goods
Other revenue

Over time

Rendering of services

Total revenue from contracts with customers

Group		Company	
2021	2020	2021	2020
N\$ '000	N\$ '000	N\$ '000	N\$ '000
51,866	46,892	51,866	46,892
1,416,220	1,447,022	1,392,151	1,423,634
880	1,053	-	-
1,468,966	1,494,967	1,444,017	1,470,526
14,722	13,920	14,722	13,920
37,144	32,972	37,144	32,972
51,866	46,892	51,866	46,892
262,099	294,105	237,483	270,717
242,787	220,808	242,787	220,808
132,646	173,058	132,646	173,058
697,773	662,713	698,320	662,713
62,512	82,521	62,512	82,521
18,403	13,817	18,403	13,817
1,416,220	1,447,022	1,392,151	1,423,634
880	1,053	-	-
1,468,966	1,494,967	1,444,017	1,470,526
51,866	46,892	51,866	46,892
880	1,053	-	-
52,746	47,945	51,866	46,892
1,416,220	1,447,022	1,392,151	1,423,634
1,468,966	1,494,967	1,444,017	1,470,526

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

31. REVENUE (continued)

An amount of N\$17 million in respect of an adjustment posted in the 2020 financial year for the write off of a credit balance which was raised in 2016 as the difference between the SAP general ledger and the CBS and Zmart billing systems on migration. The credit adjustment was mapped to service revenue in the prior year and was reclassified to Other operating income in the current financial year. The effect of the reclassification is disclosed in **note 40**.

32. COST OF SALES

Sale of goods
Rendering of services

Group		Company	
2021	2020	2021	2020
N\$ '000	N\$ '000	N\$ '000	N\$ '000
68,772	74,817	68,772	74,817
225,561	250,033	254,235	276,332
294,333	324,850	323,007	351,149

33. OTHER OPERATING INCOME

Administration and management fees received
Compensation from insurance claims
Other recoveries
Other income
Copper sales

Group		Company	
2021	2020	2021	2020
N\$ '000	N\$ '000	N\$ '000	N\$ '000
480	480	480	480
1,165	463	1,165	463
11,283	16,804	11,283	16,804
2,613	4,477	2,015	3,927
9,296	1,747	9,296	1,747
24,837	23,971	24,239	23,421

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

34. IMPAIRMENT OF ASSETS

Material impairment losses recognised

Property, plant and equipment

Impairment indicators were identified relating to the Seacom undersea cable. Telecom Namibia invested N\$22 million in the cable and to date, the cable is not connected to the Telecom Namibia network due to the fact that the cable terminates in France and South Africa. For the Seacom cable to work, an additional investment is required for the cable to be extended. With the landing of the Equiano cable, there will be no additional investments to render Seacom useful and therefore the value in use is estimated to nil. There is currently no active market to determine the fair value less cost to sell of the cable and, therefore the recoverable is estimated to be nil and an impairment loss of N\$11 million which is the book value of the cable as at 30 September 2021.

Intangible assets

Impairment indicators were identified in the current financial year, in respect of the software acquired as part of the Mobile Virtual Network project (MVNE). The technical building of the project has been complete since December 2018, however the anchor tenant of the virtual platform withdrew from the project tendering the business case not viable. The value in use of the software is estimated to be nil, given that there is no alternative use for the software to Telecom Namibia. The fair value less cost to sell is estimated to be nil owing to the fact that the software is an intangible assets and there is no second hand active market for the software acquired. Therefore the recoverable amount of the MVNE software is estimated to be nil and an impairment loss of N\$2 million was recognised in the current financial year.

Group		Company	
2021 N\$ '000	2020 N\$ '000	2021 N\$ '000	2020 N\$ '000
11,004	-	11,004	-
2,181	-	2,181	-
13,185	-	13,185	-

35. CURRENT TAX PAYABLE

Balance at beginning of the year

Current tax for the year recognised in profit or loss

Balance at end of the year

Group		Company	
2021 N\$ '000	2020 N\$ '000	2021 N\$ '000	2020 N\$ '000
(21,241)	-	(21,241)	-
(37,544)	(21,241)	(37,544)	(21,241)
24,044	21,241	24,044	21,241
(34,741)	-	(34,741)	-

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

36. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Reconciliation of liabilities arising from financing activities - Group - 2021

Borrowings

Other financial liabilities measured at fair value

Lease liabilities

Total liabilities from financing activities

Opening balance	New leases	Other non-cash movements	Total non-cash movements	Cash flows	Closing balance
30,000	-	-	-	(30,000)	-
282,791	-	(944)	(944)	(2,720)	279,127
746,095	131,107	(465)	130,642	(65,484)	811,253
1,058,886	131,107	(1,409)	129,698	(98,204)	1,090,380
1,058,886	131,107	(1,409)	129,698	(98,204)	1,090,380

Reconciliation of liabilities arising from financing activities - Group - 2020

Borrowings

Other financial liabilities measured at fair value

Lease liabilities

Total liabilities from financing activities

Opening balance	New leases	Other non-cash movements	Total non-cash movements	Cash flows	Closing balance
56,776	-	-	-	(26,776)	30,000
282,361	-	430	430	-	282,791
-	798,921	-	798,921	(52,826)	746,095
339,137	798,921	430	799,351	(79,602)	1,058,886
339,137	798,921	430	799,351	(79,602)	1,058,886

Reconciliation of liabilities arising from financing activities - Company - 2021

Borrowings

Other financial liabilities measured at fair value

Unearned interest on mobile devices

Lease liabilities

Total liabilities from financing activities

Opening balance	New leases	Other non-cash movements	Total non-cash movements	Cash flows	Closing balance
30,000	-	-	-	(30,000)	-
282,791	-	(944)	(944)	(2,720)	279,127
1,131	-	(330)	(330)	-	801
711,767	262,928	(3,490)	259,438	(62,230)	908,975
1,025,689	262,928	(4,764)	258,164	(94,950)	1,188,903
1,025,689	262,928	(4,764)	258,164	(94,950)	1,188,903

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

36. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES (continued)

Reconciliation of liabilities arising from financing activities - Company - 2020

Borrowings

Other financial liabilities measured at fair value

Lease liabilities

Total liabilities from financing activities

	Opening balance	New leases	Other non-cash movements	Total non-cash movements	Cash flows	Closing balance
Borrowings	56,776	-	-	-	(26,776)	30,000
Other financial liabilities measured at fair value	282,361	-	430	430	-	282,791
Lease liabilities	-	762,991	-	762,991	(51,224)	711,767
	339,137	762,991	430	763,421	(78,000)	1,024,558
Total liabilities from financing activities	339,137	762,991	430	763,421	(78,000)	1,024,558

37. COMMITMENTS

Authorised capital expenditure

Already contracted for but not provided for

Property, plant and equipment

Group		Company	
2021	2020	2021	2020
N\$ '000	N\$ '000	N\$ '000	N\$ '000
75,107	56,768	75,107	56,768

This committed expenditure relates to property and will be financed by available bank facilities, retained profits, existing cash resources, funds internally generated, etc.

38. 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. The employer and the employees' contribute a combined 23% of the total cost to company. Employees are allowed to make additional contributions to the fund. An actuarial valuation was carried out for the year ended 30 September 2021, which indicated that the fund was in a sound financial position.

As at 30 September 2021, a total of 978 (2020: 1 001) employees were members of the Napotel Pension Fund.

The Napotel Pension Fund, of which Powercom is a participating employer, is a defined contribution fund governed by the Pension Fund Act and is for all its employees except for those who do not qualify in terms of the rules of the fund. Contributions to the fund are based on a percentage of salaries and are expensed in the year in which they are paid. The Company's contribution to the fund amounted to N\$1,287,451 (2020: N\$1,184,387).

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

38. PENSION FUND (continued)

Contributions to the pension fund:

Company
Employees

Group		Company	
2021 N\$ '000	2020 N\$ '000	2021 N\$ '000	2020 N\$ '000
61,450	57,143	60,163	55,850
1,791	4,222	1,791	4,222
63,241	61,365	61,954	60,072

39. CONTINGENCIES

Communication Regulatory Authority of Namibia
Legal Claims

Group		Company	
2021 N\$ '000	2020 N\$ '000	2021 N\$ '000	2020 N\$ '000
-	12,864	-	12,864
-	15,108	-	15,108
-	27,972	-	27,972

The decrease in the legal claims is attributable to the fact that pending legal claims from the previous financial year were concluded during the 2021 financial year.

Included in the opening balance was an amount of N\$5.6 million in favour of Canocopy for a claim submitted against Telecom Namibia for an alleged fake contract. The case was settled in the current year and there is therefore no contingencies.

Telecom Namibia has a payment dispute with Globe Electronic who was contracted to provide KU band satellite trailers for the Ministry of Defence. Globe Electronic delivered wrong trailers (C band satellite trailers) and Telecom Namibia spend money trying to bring these C band trailers in compliance and thus Telecom Namibia never paid the full amount to Globe Electronic as the items delivered were not in line with Telecom Namibia's technical specifications. A contingent liability of N\$6,958,065 was disclosed in the previous financial year. There is no future estimated loss for Telecom Namibia, as the legal practitioner is confident that Telecom Namibia has a sound defence for the claim.

Included in the opening balance is a contingency liability of N\$2.5 million which arose from a labour dispute from one of the employees. The case was settled in the 2021 financial year.

A settlement agreement was reached between Telecom Namibia and Communication Regulation Authority of Namibia (CRAN), in relation to regulatory levies dated as far back as 2012. A contingent liability of N\$12 million was disclosed in the previous financial year and it was computed as the difference between what CRAN considered as due to them and what Telecom Namibia considered as due to CRAN. A settlement agreement was signed on 23 November 2021 and the liability at year end was adjusted to the settlement amount. Refer to **note 43** for considerations on events after the reporting period.



NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

40. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to improve the disclosure of the financial statements.

The reclassification has no effect on profit or loss or other comprehensive income or on the opening retained earnings of the earliest prior period presented. Therefore the opening balances are not restated in this regard.

Details of the reclassifications are disclosed in **note 3**, **note 4**, **note 21**, **note 31**, and **note 27**.

The effects of the reclassification are as follows:

Consolidated and Separate Statements of Financial Position

Increase in Property, plant and equipment	
(Decrease) in Intangible assets	
Decrease in Trade and other payables	
(Increase) in Provisions	
Increase in loans to group companies	
(Decrease) in amounts due from fellow subsidiaries	

Profit or Loss

(Decrease) in Revenue	
Increase in Other income	
(Increase) in Cost of sales	
Decrease in Distribution costs	
Decrease in Administration expenses	
Decrease in Other operating expenses	
(Increase) in Expected credit loss	

Group		Company	
2021 N\$ '000	2020 N\$ '000	2021 N\$ '000	2020 N\$ '000
6,486	-	6,486	-
(6,486)	-	(6,486)	-
66,060	67,438	66,060	67,438
(66,060)	(67,438)	(66,060)	(67,438)
15,968	15,968	15,968	15,968
(15,968)	(15,968)	(15,968)	(15,968)
(2,027)	(16,802)	(2,027)	(16,802)
2,027	16,802	2,027	16,802
(323,007)	(351,150)	(323,007)	(351,150)
249,678	285,116	249,678	285,116
77,811	124,672	75,839	124,183
5,561	4,544	5,561	4,544
(10,043)	(63,183)	(8,071)	(62,693)

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

41. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Categories of financial instruments

Categories of financial assets

Group - 2021

Finance lease receivables
Trade and other receivables
Contract assets
Cash and cash equivalents
Amounts owing by fellow subsidiaries
Amounts owing by holding company

Group - 2020

Finance lease receivables
Trade and other receivables
Contract assets
Cash and cash equivalents
Amounts owing by fellow subsidiaries
Amounts owing by holding company

Company - 2021

Loans to group companies
Finance lease receivables
Trade and other receivables
Contract assets
Cash and cash equivalents
Amounts owing by fellow subsidiaries
Amounts owing by holding company

Note(s)	Amortised cost	Leases	Total	Fair value
10	-	6,894	6,894	6,894
12	298,051	-	298,051	298,051
13	12,654	-	12,654	12,654
15	48,405	-	48,405	48,405
14	3,709	-	3,709	3,709
14	145	-	145	145
	362,964	6,894	369,858	369,858
10	-	9,930	9,930	9,930
12	251,827	-	251,827	251,827
13	18,587	-	18,587	18,587
15	96,060	-	96,060	96,060
14	5,754	-	5,754	5,754
14	763	-	763	763
	372,991	9,930	382,921	382,921
7	165,968	-	165,968	165,968
10	-	6,894	6,894	6,894
12	297,552	-	297,552	297,552
13	12,654	-	12,654	12,654
15	19,955	-	19,955	19,955
14	4,206	-	4,206	4,206
14	145	-	145	145
	500,480	6,894	507,374	507,374

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

41. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Categories of financial instruments (continued)

Categories of financial assets (continued)

Company - 2020

	Note(s)	Amortised cost	Leases	Total	Fair value
Loans to group companies	7	165,968	-	165,968	165,968
Finance lease receivables	10	-	9,930	9,930	9,930
Trade and other receivables	12	250,560	-	250,560	250,560
Contract assets	13	12,654	-	12,654	12,654
Cash and cash equivalents	15	65,918	-	65,918	65,918
Amounts owing by fellow subsidiaries	14	5,793	-	5,793	5,793
Amounts owing by holding company	14	763	-	763	763
		501,656	9,930	511,586	511,586

Categories of financial liabilities

Group - 2021

	Note(s)	Fair value through profit or loss - Designated	Amortised cost	Leases	Total	Fair value
Trade and other payables	21	-	193,347	-	193,347	193,347
Finance lease obligations	5	-	-	811,253	811,253	811,253
Other financial liabilities at fair value	22	279,127	-	-	279,127	279,127
Bank overdraft	15	-	21,194	-	21,194	21,194
Amounts owing to fellow subsidiaries	14	-	9,497	-	9,497	9,497
		279,127	224,038	811,253	1,314,418	1,314,418

Group - 2020

Trade and other payables	21	-	262,999	-	262,999	262,999
Borrowings	19	-	30,000	-	30,000	30,000
Finance lease obligations	5	-	-	746,095	746,095	746,095
Other financial liabilities at fair value	22	282,791	-	-	282,791	282,791
Amounts owing to fellow subsidiaries	14	-	5,418	-	5,418	5,418
		282,791	298,417	746,095	1,327,303	1,327,303

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

Company - 2021

	Note(s)	Fair value through profit or loss - Designated	Amortised cost	Leases	Total	Fair value
Trade and other payables	21	-	185,433	-	185,433	185,433
Finance lease obligations	5	-	-	908,975	908,975	908,975
Other financial liabilities at fair value	22	279,127	-	-	279,127	279,127
Bank overdraft	15	-	21,194	-	21,194	21,194
Amounts owing to fellow subsidiaries	14	-	68,648	-	68,648	68,648
		279,127	275,275	908,975	1,463,377	1,463,377

Company - 2020

Trade and other payables	21	-	257,521	-	257,521	257,521
Borrowings	19	-	30,000	-	30,000	30,000
Finance lease obligations	5	-	-	711,767	711,767	711,767
Other financial liabilities at fair value	22	282,791	-	-	282,791	282,791
Amounts owing to fellow subsidiaries	14	-	41,121	-	41,121	41,121
		282,791	328,642	711,767	1,323,200	1,323,200

Pre tax gains and losses on financial instruments

Gains and losses on financial assets

Group - 2021

Recognised in profit or loss:

	Note(s)	Amortised cost	Leases	Total
Interest income	28	1,543	2,855	4,398

Group - 2020

Recognised in profit or loss:

Interest income	28	2,390	1,737	4,127
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Company - 2021

Recognised in profit or loss:

Interest income	28	741	2,855	3,596
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Company - 2020

Recognised in profit or loss:

Interest income	28	891	1,737	2,628
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NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

41. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Gains and losses on financial liabilities

Group - 2021

Recognised in profit or loss:

Finance costs

Gains (losses) on valuation adjustments

Net gains (losses)

Group - 2020

Recognised in profit or loss:

Finance costs

Gains (losses) on valuation adjustments

Net gains (losses)

Company - 2021

Recognised in profit or loss:

Finance costs

Gains (losses) on valuation adjustments

Net gains (losses)

Company - 2020

Recognised in profit or loss:

Finance costs

Gains (losses) on valuation adjustments

Net gains (losses)

Note(s)	Fair value through profit or loss - Designated	Amortised cost	Leases	Total
28	-	(1,554)	(57,179)	(58,733)
9	944	-	-	944
	944	(1,554)	(57,179)	(57,789)
28	-	(3,026)	(59,219)	(62,245)
9	(431)	-	-	(431)
	(431)	(3,026)	(59,219)	(62,676)
28	-	(1,554)	(55,072)	(56,626)
9	944	-	-	944
	944	(1,554)	(55,072)	(55,682)
28	-	(3,026)	(56,256)	(59,282)
9	(431)	-	-	(431)
	(431)	(3,026)	(56,256)	(59,713)

Capital risk management

The group's objective when managing capital is to maintain a flexible capital structure that reduces the cost of capital to an acceptable level of risk and to safeguard the group's ability to continue as a going concern while taking advantage of strategic opportunities in order to maximise stakeholder returns sustainably.

The group manages capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain the capital structure, the group may adjust the amount of dividends paid to the shareholder, obtain additional funding from the shareholder, issue new shares, issue new debt, or issue new debt to replace existing debt with different characteristics.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

41. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Capital risk management (continued)

The capital structure and gearing ratio of the group at the reporting date was as follows:

	Note(s)	Fair value through profit or loss - Designated	Amortised cost	Leases	Total
Financial liabilities at fair value	22	279,127	282,791	279,127	282,791
Borrowings	19	-	30,000	-	30,000
Lease liabilities	5	811,253	746,095	908,975	711,767
Trade and other payables	21	197,357	273,112	188,890	263,509
Provisions	24	66,060	67,438	66,060	67,438
Total borrowings		1,353,797	1,399,436	1,443,052	1,355,505
(Cash and cash equivalents) bank overdraft	15	(27,208)	(96,060)	1,239	(65,918)
Net borrowings		1,326,589	1,303,376	1,444,291	1,289,587
Equity		719,467	639,999	604,862	561,027
Gearing ratio		184 %	204 %	239 %	230 %

Financial risk management

Overview

The group is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk (currency risk and interest rate risk).

The group audit committee oversees how management monitors compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the group. The audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee and the risk committee.

The group's operations are financed by internally generated cashflows and overdraft 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.

Credit risk

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Credit risk exposure arising on cash and cash equivalents is managed by the group through dealing with well-established financial institutions with high credit ratings.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

41. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Credit risk (continued)

Credit loss allowances for expected credit losses are recognised for all debt instruments, but excluding those measured at fair value through profit or loss.

Financial assets of the Group that are susceptible to credit risk comprise loans receivables (at amortised costs), trade and other receivables, contract assets, lease receivables and amounts due from related parties. 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.

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.

There has been no significant change during the financial year, or since the end of the financial year, to the group's exposure to credit risk, the approach to the measurement or the objectives, policies and processes for managing this risk.

Based on the nature of business and historical evidence, a default point was set at 90 Days Past Due ("DPD"). If an account has a non-zero positive balance due over 90 days, it is tagged as default in that month.

Application of the ECL model had an immaterial impact on all financial assets except for contract assets and trade receivables.

Provision Matrix - As the simplified approach is being applied, the amount of ECL to be recognised in the financial statements can be calculated using a provision matrix that is based on loss rates and accounts for contagion. These are to be adjusted based on expert judgement overrides as deemed necessary by the business. ECLs are calculated by applying a loss ratio to the aged balance of trade receivables at each reporting date. The loss ratio is calculated according to the ageing/payment profile of sales by applying historic/proxy write offs to the payment profile of the sales population. In instances where there was no evidence of historical write offs management used a proxy write off. Trade receivable balances have been grouped so that the ECL calculation is performed on groups of receivables with similar risk characteristics and ability to pay.

Similarly, the sales population selected to determine the ageing/payment profile of the sales is representative of the entire population and in line with future payment expectations. The historic loss ratio is then adjusted for forward-looking information to determine the ECL for the portfolio of trade receivables at the reporting period to the extent that there is a strong correlation between the forward-looking information and the ECL.

Telecom used data monthly data from 2017 to 2021 data to determine the payment profile of the sales. Where Telecom Namibia has information about actual historical write-offs, actual write-offs have been used to determine a historic loss ratio. Alternatively, management has used the proxy write-off based on management's best estimated. Telecom has considered quantitative forward-looking information such as core inflation rate. Qualitative assessments have also been performed, of which the impact was found to be immaterial.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

The maximum exposure to credit risk is presented in the table below:

Group		2021			2020		
		Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value
Lease receivables	10	7,294	(400)	6,894	10,511	(581)	9,930
Trade and other receivables	12	671,714	(359,458)	312,256	625,884	(348,772)	277,112
Contract assets	13	16,404	(3,750)	12,654	23,234	(4,647)	18,587
Cash and cash equivalents	15	48,405	-	48,405	96,060	-	96,060
		743,817	(363,608)	380,209	755,689	(354,000)	401,689
Company							
Loans to group companies	7	620,097	(454,129)	165,968	620,097	(454,129)	165,968
Lease receivables	10	7,294	(400)	6,894	10,511	(581)	9,930
Trade and other receivables	12	657,577	(356,585)	300,992	587,148	(347,499)	239,649
Contract assets	13	16,404	(3,750)	12,654	23,234	(4,647)	18,587
Cash and cash equivalents	15	19,955	-	19,955	65,918	-	65,918
		1,321,327	(814,864)	506,463	1,306,908	(806,856)	500,052

Included in the Trade and other receivables provision matrix are amounts receivable from related parties (**note 14**) to which the group has applied the general impairment model. The group has considered the financial performance, external debt and future cash flows of the related parties and concluded that the credit risk relating to these receivables are limited and consequently the probability of default relating to these balances are low.

Refer to the notes specific to the exposures in the table above, for additional information concerning credit risk.

Liquidity risk

The group is exposed to liquidity risk, which is the risk that the group will encounter difficulties in meeting its obligations as they become due.

The group manages its liquidity risk by effectively managing its working capital, capital expenditure and cash flows. The financing requirements are met through a mixture of cash generated from operations and long and short term borrowings. Committed borrowing facilities are available for meeting liquidity requirements and deposits are held at central banking institutions.

There have been no significant changes in the liquidity risk management policies and processes since the prior reporting period.

Refer to **note 44** for the disclosure on the going concern of the group and company as well as plans going forward to improve profitability and which will in turn result in improved liquidity.

The maturity profile of contractual cash flows of non-derivative financial liabilities, and financial assets held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts.



NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

41. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Liquidity risk (continued)

Group - 2021		Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total	Carrying amount
Non-current liabilities							
Financial liabilities at fair value	22	40	7,754	30,798	410,684	449,276	279,127
Lease liabilities	5	-	-	488,458	852,692	1,341,150	744,309
Current liabilities							
Trade and other payables	21	193,347	-	-	-	193,347	193,347
Lease liabilities	5	165,741	-	-	-	165,741	66,944
Bank overdraft	15	21,194	-	-	-	21,194	21,194
Amounts owing to fellow subsidiaries	14	9,497	-	-	-	9,497	9,497
		389,819	7,754	519,256	1,263,376	2,180,205	1,314,418
Non-current assets							
Lease receivable	10	-	-	5,298	-	5,298	5,298
Contract assets	13	-	-	2,854	-	2,854	2,854
Current assets							
Lease receivable	10	3,681	-	-	-	3,681	1,596
Trade and other receivables	12	298,051	-	-	-	298,051	298,051
Contract assets	13	9,800	-	-	-	9,800	9,800
Cash and cash equivalents	15	48,405	-	-	-	48,405	48,405
Amounts owing by fellow subsidiaries	14	3,709	-	-	-	3,709	3,709
Amounts owing by holding company	14	145	-	-	-	145	145
		363,791	-	8,152	-	371,943	369,858
		(26,028)	(7,754)	(511,104)	(1,263,376)	(1,808,262)	(944,560)

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

41. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Liquidity risk (continued)

Group - 2020

		Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total	Carrying amount
Non-current liabilities							
Financial liabilities at fair value	22	-	4,396	27,639	428,175	460,210	282,791
Lease liabilities	5	-	-	331,989	870,482	1,202,471	688,453
Current liabilities							
Trade and other payables	21	262,999	-	-	-	262,999	262,999
Borrowings	19	30,664	-	-	-	30,664	30,000
Lease liabilities	5	111,044	-	-	-	111,044	57,642
Amounts owing to fellow subsidiaries	14	5,418	-	-	-	5,418	5,418
		410,125	4,396	359,628	1,298,657	2,072,806	1,327,303
Non-current assets							
Lease receivable	10	-	-	5,769	-	5,769	5,676
Contract assets	13	-	-	4,110	-	4,110	4,110
Current assets							
Trade and other receivables	12	251,827	-	-	-	251,827	251,827
Amounts owing by fellow subsidiaries	13	5,754	-	-	-	5,754	5,754
Contract assets	13	14,477	-	-	-	14,477	14,477
Amounts owing by holding company	14	763	-	-	-	763	763
Lease receivables	10	4,087	-	-	-	4,087	4,254
Cash and cash equivalents	15	96,060	-	-	-	96,060	96,060
		372,968	-	9,879	-	382,847	382,921
		(37,157)	(4,396)	(349,749)	(1,298,657)	(1,689,959)	(944,382)



NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

41. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Liquidity risk (continued)

Company - 2021

		Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total	Carrying amount
Non-current liabilities							
Financial liabilities at fair value	22	40	7,754	30,798	410,684	449,276	279,127
Lease liabilities		-	-	473,107	829,957	1,303,064	825,892
Current liabilities							
Trade and other payables	21	185,433	-	-	-	185,433	185,433
Lease liabilities	5	158,419	-	-	-	158,419	83,083
Bank overdraft	15	21,194	-	-	-	21,194	21,194
Amounts owing to fellow subsidiaries	14	68,648	-	-	-	68,648	68,648
		433,734	7,754	503,905	1,240,641	2,186,034	1,463,377
Non-current assets							
Lease receivables	10	-	-	5,298	-	5,298	5,298
Loans to subsidiaries	7	-	-	150,000	-	150,000	150,000
Contract assets	13	-	-	2,854	-	2,854	2,854
Current assets							
Loans to subsidiaries	7	15,968	-	-	-	15,968	15,968
Trade and other receivables	12	297,552	-	-	-	297,552	297,552
Lease receivables	10	3,681	-	-	-	3,681	1,596
Contract assets	13	9,800	-	-	-	9,800	9,800
Cash and cash equivalents	15	19,955	-	-	-	19,955	19,955
Amounts owing by fellow subsidiaries	14	4,206	-	-	-	4,206	4,206
Amounts owing by holding company	14	145	-	-	-	145	145
		351,307	-	158,152	-	509,459	507,374
		(82,427)	(7,754)	(345,753)	(1,240,641)	(1,676,575)	(956,003)

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

41. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Liquidity risk (continued)

Company - 2020

		Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total	Carrying amount
Non-current liabilities							
Financial liabilities at fair value	22	-	4,396	27,639	428,175	460,210	282,791
Lease liabilities		-	-	309,796	859,366	1,169,162	657,805
Current liabilities							
Trade and other payables	21	257,521	-	-	-	257,521	257,521
Borrowings	19	30,664	-	-	-	30,664	30,000
Lease liabilities		107,364	-	-	-	107,364	53,962
Amount owing to fellow subsidiaries	14	41,121	-	-	-	41,121	41,121
		436,670	4,396	337,435	1,287,541	2,066,042	1,323,200
Non-current assets							
Loans to subsidiaries	7	-	-	150,000	-	150,000	150,000
Lease receivables	10	-	-	5,769	-	5,769	5,769
Contract assets	13	-	-	4,110	-	4,110	4,110
Current assets							
Loans to subsidiaries	7	15,968	-	-	-	15,968	15,968
Trade and other receivables	12	250,560	-	-	-	250,560	250,560
Lease receivables	10	4,087	-	-	-	4,087	4,087
Contract assets	13	14,477	-	-	-	14,477	14,477
Cash and cash equivalents	15	65,918	-	-	-	65,918	65,918
Amounts owing by fellow subsidiaries	14	5,793	-	-	-	5,793	5,793
Amounts owing by holding company	14	763	-	-	-	763	763
		357,566	-	159,879	-	517,445	517,445
		(79,104)	(4,396)	(177,556)	(1,287,541)	(1,548,597)	(805,755)

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

41. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Financing facilities

Unsecured bank overdraft facility, reviewed annually and payable on call:

Used
Unused

Group		Company	
2021	2020	2021	2020
N\$ '000	N\$ '000	N\$ '000	N\$ '000
21,194	-	21,194	-
68,806	70,000	68,806	70,000
90,000	70,000	90,000	70,000

Exposure in Namibia Dollar

The net carrying amounts, in Namibia Dollar, of the various exposures, are denominated in the following currencies. The amounts reported represents the current exposure, without considering the expected credit losses. The amounts have been presented in Namibia Dollar by converting the foreign currency amounts at the closing rate at the reporting date:

US Dollar exposure:

Current assets:

Trade and other receivables
Cash and cash equivalents

Current liabilities:

Trade and other payables

Net US Dollar exposure

Euro exposure:

Current assets:

Trade and other receivables
Cash and cash equivalents

Current liabilities:

Trade and other payables

Net Euro exposure

Pound Sterling:

Current liabilities:

Trade and other payables

Net exposure to foreign currency in Namibia Dollar

Group		Company		
2021	2020	2021	2020	
N\$ '000	N\$ '000	N\$ '000	N\$ '000	
12	38,410	54,357	38,410	54,357
15	4,780	3,612	4,780	3,612
21	(24,855)	(55,947)	(24,855)	(55,947)
	18,335	2,022	18,335	2,022
12	478	257	478	257
15	582	855	582	855
21	(3,196)	(7,277)	(3,196)	(7,277)
	(2,136)	(6,165)	(2,136)	(6,165)
21	(52)	(55)	(52)	(55)
	16,147	(4,198)	16,147	(4,198)

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

41. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Financing facilities (continued)

Exposure in foreign currency amounts

The net carrying amounts, in foreign currency of the above exposure was as follows:

US Dollar exposure:

Current assets:

Trade and other receivables

Cash and cash equivalents

Current liabilities:

Trade and other payables

Net US Dollar exposure

Euro exposure:

Current assets:

Trade and other receivables

Cash and cash equivalents

Current liabilities:

Trade and other payables

Net Euro exposure

Pound Sterling

Current liabilities:

Trade and other payables

Exchange rates

The following closing exchange rates were applied at reporting date:

Namibia Dollar per unit of foreign currency:

US Dollar

Euro

Pound Sterling

	Group		Company	
	2021 N\$ '000	2020 N\$ '000	2021 N\$ '000	2020 N\$ '000
12	2,520	3,188	2,520	3,188
15	314	214	314	214
21	(1,631)	(3,281)	(1,631)	(3,281)
	1,203	121	1,203	121
12	27	13	27	13
15	33	43	33	43
21	(181)	(363)	(181)	(363)
	(121)	(307)	(121)	(307)
21	(3)	(3)	(3)	(3)
	15.240	17.050	15.240	17.050
	17.691	21.013	17.691	20.013
	20.504	21.890	20.504	21.890

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

41. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Foreign currency sensitivity analysis

The following information presents the sensitivity of the group to an increase or decrease in the respective currencies it is exposed to. The sensitivity rate is the rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated amounts and adjusts their translation at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

Group

Increase or decrease in rate

Impact on profit or loss:

US Dollar 10% (2020: 10%)

Euro 10% (2020: 10%)

Pound Sterling 10% (2020: 10%)

2021	2021	2020	2020
Increase	Decrease	Increase	Decrease
1,844	202	1,844	202
214	616	214	616
5	5	5	5
2,063	823	2,063	823

Company

Increase or decrease in rate

Impact on profit or loss:

US Dollar 10% (2020: 10%)

Euro 10% (2020: 10%)

Pound Sterling 10% (2020: 10%)

2021	2021	2020	2020
Increase	Decrease	Increase	Decrease
1,844	202	1,844	202
214	616	214	616
5	5	5	5
2,063	823	2,063	823

Interest rate risk

Fluctuations in interest rates impact on the value of investments and financing activities, giving rise to interest rate risk.

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.

Financial assets and liabilities that are sensitive to interest rate risk are cash and cash equivalents, finance leases and long term borrowings.

The group monitors the developments in the markets that have an impact on the rates in order to align the treasury policy with the market conditions.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

41. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Interest rate profile

The interest rate profile of interest bearing financial instruments at the end of the reporting period was as follows:

Group	Note	Average effective interest rate		Carrying amount	
		2021	2020	2021	2020
Variable rate instruments:					
Assets					
Finance lease receivables	10	13.59 %	14.91 %	7,294	10,511
Cash and cash equivalents	15	2.28 %	3.25 %	43,776	91,447
				51,070	101,958
Liabilities					
Borrowings	19	2.51 %	6.07 %	-	(30,000)
Finance lease liabilities		7.34 %	7.94 %	(811,253)	(746,095)
Bank overdraft	15	6.08 %	- %	(21,194)	-
				(832,447)	(776,095)
Net variable rate financial instruments				(781,377)	(674,137)
Variable rate financial assets as a percentage of total interest bearing financial assets				100.00 %	100.00 %
Variable rate financial liabilities as a percentage of total interest bearing financial liabilities				100.00 %	100.00 %
Company					
Variable rate instruments:					
Assets					
Finance lease receivables	10	13.59 %	14.91 %	7,294	10,511
Cash and cash equivalents	15	1.93 %	1.87 %	15,329	61,335
				22,623	71,846
Liabilities					
Borrowings	19	2.51 %	6.07 %	-	(30,000)
Finance lease liabilities		6.80 %	7.90 %	(908,975)	(711,767)
Bank overdraft	15	6.08 %	- %	(21,194)	-
				(930,169)	(741,767)
Net variable rate financial instruments				(907,546)	(669,921)
Variable rate financial assets as a percentage of total interest bearing financial assets				100.00 %	100.00 %
Variable rate financial liabilities as a percentage of total interest bearing financial liabilities				100.00 %	100.00 %

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

41. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Interest rate sensitivity analysis

The following sensitivity analysis has been prepared using a sensitivity rate which 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. All other variables remain constant. The sensitivity analysis includes only financial instruments exposed to interest rate risk which were recognised at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

The effects on the loss for the year would arise because of the group and company's exposure to variable rate bank balances, bank overdrafts, long term borrowing, lease receivables and lease liabilities.

Group

At 30 September 2021, if the interest rate (prime lending rate) had been 100 basis points per annum (2020: 100) higher or lower during the period, with all other variables held constant, profit or loss for the year would have been N\$ 7,277,570 (2020: N\$ 6,910,185) lower and N\$ 7,277,570 (2020: N\$ 6,910,185) higher.

Company

At 30 September 2021, if the interest rate (prime lending rate) had been 100 basis points per annum (2020: 100) higher or lower during the period, with all other variables held constant, profit or loss for the year would have been N\$ 7,887,335 (2020: N\$ 6,958,025) lower and N\$ 7,887,335 (2020: N\$ 6,958,025) higher.

42. FAIR VALUE INFORMATION

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 values of all financial instruments are substantially the same as the carrying values reflected in the statements of financial positions, for both the group and the company.

Fair value hierarchy

The fair value hierarchy has the following levels:

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the group can access at measurement date.

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

42. FAIR VALUE INFORMATION (continued)

Information about valuation techniques and inputs used to derive level 3 fair values

Other financial liabilities

Other assets and liabilities approach.

The fair values of financial liabilities included in Level 3 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.

In determining the fair value of the other financial liability, the fair value was determined using the income approach by discounting the future cashflows represented by 25% of the after tax profit inline with the preference share agreement. The discount rate utilised is determined as risk free rate adjusted for an appropriate market spread. The risk free rate is the yield to maturity on one of the Namibian government's corporate bonds, the GC26 and the market spread is determined by looking at the yield to maturity on the corporate bonds, the NWC22.

The key unobservable inputs, together with the weighted average range of probabilities, are as follows:

Estimated cash outflow
Discount rate (%)

Weighted average range of probabilities	
High	Low
494,204	404,349
11.53	9.43

Valuation processes applied by the Group

The fair value of standing timber is performed by the finance department on an annual basis. The finance department reports to the Chief Financial Officer (CFO). The valuation reports are discussed with the Audit committee in accordance with the Group's reporting policies

43. EVENTS AFTER THE REPORTING PERIOD

A settlement agreement was signed between Telecom Namibia Ltd (TN) and Communication Regulation Authority of Namibia (CRAN) on 23 November 2021, in relation to regulatory levies dated as far back as 2012. The agreement brought to an end a longstanding dispute on the legality of the regulatory levies for the period 2012 to 2018. Telecom and other industry players challenged the Constitutionality of Section 23 of the Communications Act (No. 8 of 2009) in the High Court in 2012 in order to determine the constitutionality of the regulatory levies as enforced by CRAN. Given that the engagement started before year end 30 September 2021, this is considered an adjusting event and the accrual for the regulatory levies were adjusted from the initial accrual of N\$115 million to N\$87 million inline with the final agreement.

Levies payable to Communication Regulatory Authority of Namibia

143,996	155,777	143,996	155,777
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NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

44. GOING CONCERN

The consolidated and separate annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The Group and Company reported a net profit N\$35 million (2020: N\$18 million) and N\$1 million (2020: N\$20 million loss) respectively for the year ended 30 September 2021. Current liabilities exceeded current assets by N\$163 million (2020: N\$282 million) for the Group and by N\$242 million (2020: N\$320 million) for the Company at year-end.

It should be noted that out of the total current liabilities for the Company and Group, N\$114 million relates to contract liabilities. Thus, the remaining current liabilities to be covered amount to N\$49 million for the group and N\$128 million for the company. The contract liability will be realised as the company delivers the services to the various customers as noted in **note 26**, and thus does not constitute a cash outflow.

At year end, the company reported a net negative cash and cash equivalent balance of N\$1.2 million. This is however not considered a going concern issue given that it is a small fraction of the total approved facility of N\$90 million and the company did not default on the facility utilised during the financial year.

Another contributor to the trade and other payables balance is leave accrual of N58\$ million. Therefore, in as much as the overall current liabilities exceed current assets, we do not expect the leave provision to result in immediate payment as we expect employees to take their leave days. In addition, management has put in place various initiatives include the implementation of a leave tracker during the 2022 financial year, to nudge employees to take leave and to maintain the maximum leave balance at 36 days. Thus, isolating these two major contributors to current liabilities, leaves the balance fairly covered by current assets and by the available unutilised facilities as set out in **note 41** under liquidity risk management.

Telecom Namibia Ltd's Integrated Strategic Business Plan 2023 is premised on the strategic pillars of: sustainable growth; an enhanced customer experience; operational efficiency; and a performance driven culture.

For the 2022 financial year and in line with ISBP 2023, some of the measures to be implemented to improve profitability and enhance Telecom's ability to continue operating as a going concern include:

- Adopting pricing and tariff re-balancing initiatives under OAC 2.0, that are aimed at affordability, actively managing customer churn and retention;
- Auditing the state of the network, conducting drive tests and network optimisation, to pro-actively manage and prevent potential failures and network congestion;
- The company is currently busy with projects aimed at total network modernisation and this includes the OSS/BSS project (that will include a converged charging system or CCS), the IMS Fixed Mobile Convergence (FMC) core project (implementing a virtual Evolved Packet Core or vEPC) and rolling out additional 4G mobile towers that are 5G ready. These projects will also create new revenue opportunities with innovative products and services that are customer centric. This will help with achieving the goal of delivering on customer-centric services, that will in turn help recapture our market share. The projects will also cut maintenance and staff costs thereby reducing opex and with the greater aim of realizing the budgeted revenues for the 22/2021 financial year;
- Various costs reduction strategies are deployed, along with faster service order installations to grow revenue.

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 2022 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.

Covid19- is not expected to impact the group or the company's ability to operate as a going concern due to the following reasons:

- The group provides essential services and as such, operations continue even during the lock down periods;
- At year end, the group has been in operation for 22 months since the pandemic was declared by the World Health Organisation on 30 January 2020 and there were no disruptions noted that could result in a material uncertainty around the going concern ability of the group or the company.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

45. CHANGE IN ESTIMATE

Property, plant and equipment

In the current financial year, management revised the remaining useful of the SAT-3 undersea cable from a remaining useful life of 8 years as at 30 September 2021 to 2 years. The cable will be replaced by the Equiano cable and the expected ready for use date for the new cable is 30 September 2022 with an additional one year of migration. Thus necessitating the change in the useful life of the SAT-3 cable.

The change resulted in an increase in the current year's depreciation of N\$4 million and future depreciation will decrease by N\$4 million.

The revised useful lives are in line with the expected pattern of consumption of the future economic benefits embodied in the assets.

46. PRIOR PERIOD ERRORS

The preference shares of N\$400 million was recorded at a par value and not at fair value inline with IFRS 9. Inline with the group and company accounting policy, the preference shares are initially and subsequently measured at fair value. The fair value is determined by making use of a discounted cashflow method by taking the projected future cash flows over the life of the deal based on the contractual terms and these cash flows is discounted by making use of the risk-free interest rate plus an appropriate market spread.

The closing balance of the financial liability for 2020 financial year decreased from N\$445 million to N\$283 million. The 2020 opening balance decreased from N\$475 million to N\$28.2 million.

The correction of the error(s) results in adjustments as follows:

Consolidated and Separate Statements of Financial Position

(Increase) in other financial liabilities at fair value
Decrease preference shares
(Increase) in opening retained earnings

	30 Sept 2020	01 Oct 2019	30 Sept 2020	01 Oct 2019
(Increase) in other financial liabilities at fair value	(237,759)	(206,558)	(237,759)	(206,558)
Decrease preference shares	400,000	400,000	400,000	400,000
(Increase) in opening retained earnings	(193,443)	(193,443)	(193,443)	(193,443)
Profit or Loss				
Decrease in other gains	31,209	-	31,209	-

Profit or Loss

Decrease in other gains

Property, plant and equipment

During the 2020 financial year, it was noted that some classes of Property, plant and equipment, mainly from the Telecommunications, installation and equipment as well as Capital - Work in progress were incorrectly mapped to Intangible assets. A reclassification was done retrospectively to correct the opening balances of Property, plant and equipment and Intangible assets in the 2020 financial statements. The opening balances were restated in this regard, however this didn't not have an impact on retained earnings and on profit or loss for the period. Refer to **note 3** for details of property, plant and equipment.

Consolidated and Separate Statements of Financial Position

Increase/(decrease) in property, plant and equipment
Increase/(decrease) in intangible assets

	30 Sept 2020	01 Oct 2019	30 Sept 2020	01 Oct 2019
Increase/(decrease) in property, plant and equipment	-	73,637	-	73,637
Increase/(decrease) in intangible assets	-	(73,637)	-	(73,637)

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ANNUAL REPORT

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