



2018/19 Annual Report

Sharing your world



Get the **SPEED YOU NEED**

Experience truly **UNCAPPED** internet connectivity **at superfast speeds.**

For more information, visit your nearest Teleshop or call us Toll Free on **11000**.

Terms and Conditions apply

www.telecom.na



Sharing your world



CONTENT

01

KEY INFORMATION

Page: 4 - 11

About Telecom Namibia
Our History
Key Milestones
Our Vision, Mission and Values
Strategic Initiatives
Organisational Structure
Highlights Technical & Financial

02

OUR PERFORMANCE

Page: 12 - 21

Board of Directors
Chairperson's Review
Executive Committee
Chief Executive Officer's Report
Chief Financial Officer's Report

03

BUSINESS REVIEW

Page: 22 - 35

Commercial Operations
Our Products and Services
TN Mobile Operating Highlights
Our National Footprint
Technical Operations
TN National Fibre Network
TN International Network Footprint
Human Resources
Corporate Social Responsibility

04

ANNUAL FINANCIAL STATEMENTS

Page: 36 - 116

Corporate governance statement
Statement of responsibility by the Board of Directors
Independent auditor's report
Statements of financial position
Statements of profit or loss and other comprehensive income
Statements of changes in equity
Statements of cash flows
Notes to the financial statements



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 Residential.

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.

Namibia is a vast country with a sparsely populated population. The company has over 13,000 km of fibre optic cable across the country, which is equipped with a total of 850 Gb/s capacity. Telecom Namibia has deployed over 500 Ethernet and IP Points of Presence, thus allowing IP connectivity across most parts of the country. Telecom Namibia has achieved a network roll out of 296 mobile base stations throughout the country, with several sites equipped with 3G and 4G technology for mobile broadband.

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.

iWay Services

*Your gateway to
infinite possibilities*



iMail / iDomain / iSite / iWeb

iWay can custom design and develop your website to your specific specifications. Explore our exclusive services today.

<http://www.iway.na>



Experience high-speed Internet access nationwide

Our Satlink service provides high-speed broadband internet and voice services to high-end homes, farmers and businesses, with 100% availability and nationwide coverage.

For more information, visit your nearest Teleshop, call us Toll Free on **11000** or email **contactus@telecom.na**

www.telecom.na



Sharing your world



KEY MILESTONES

1992

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

1994

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

1995

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

1999

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

2000

- Telecom Namibia revenue surpasses one billion Namibian Dollars.

2004

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

2005

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

2006

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

2009

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

2011

- Telecom Namibia successfully lands the West Africa Cable System (WACS) at Swakopmund.
- The Communications Regulatory Authority of Namibia (CRAN) grants Telecom Namibia service neutral license.

2011

- Telecom Namibia successfully lands the West Africa Cable System (WACS) at Swakopmund.
- The Communications Regulatory Authority of Namibia (CRAN) grants Telecom Namibia service neutral license.

2012

- Telecom Namibia deploys an optical dense wavelength division multiplexing (DWDM) network. The network increases transmission capacity to up to 1.6 Terabits per second. New 10G and 40G channels provide low latency and improved international connectivity.
- Telecom Namibia concluded a sale agreement of its 44% shareholding in Mundo Startel (MST) in Angola.

2013

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

2017

- Telecom Namibia sells its stake in Neotel.
- Telecom Namibia celebrates its 25th anniversary.

2018

- As part of its strategy to improve the customer experience, Telecom Namibia implemented its customer touch point improvement program by revamping its national network of 34 shops. This saw the launch of the first redesigned shop at the Grove Mall in June 2018. The Teleshops allow customers to interact, apply for services, solicit information on status of services, obtain product and services information and experience fixed and mobile products in-house.

2019

- With the unveiling of its new 5-year strategic plan, Telecom Namibia introduced a new Vision, Mission and new company values.

OUR VISION, MISSION AND VALUES

Our Vision

To provide superior solutions and experience to our customers



Our Mission

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



Our Values

Simplicity - Keep it simple and get the work done - do what Telecom Namibia does well

Innovation - Embrace change and welcome the future

Teamwork - Work as an integrated team that respect and care about each other

Integrity - Promote honesty, trust, accountability and transparency in conducting business

Sustainability - Conduct business in a sustainable manner

STRATEGIC INITIATIVES

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

Sustainable Growth

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



Operational Efficiency

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



Performance Driven Culture

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



Customer Experience

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



ORGANISATIONAL STRUCTURE



HIGHLIGHTS TECHNICAL & FINANCIAL

COMPANY COMPARATIVE GROWTH/DECLINE						
TECHNICAL	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Port Capacity (Network Switch Capacity)	213,953	158,786	229,825	280,489	281,209	281,119
Percentage Digital	100%	100%	100%	100%	100%	100%
Fixed Broadband Subscribers	39,705	43,327	57,574	53,937	53,850	63,695
Mobile Subscribers	–	100,429	159,913	187,238	243,080	253,076
Fixed Subscribers	190,665	198,800	200,502	191,947	218,729	215,657

COMPANY COMPARATIVE GROWTH/DECLINE						
FINANCIALS	2013/14 N\$'000	2014/15 N\$'000	2015/16 N\$'000	2016/17 N\$'000	2017/18 N\$'000	2018/19 N\$'000
Revenue	1,352,636	1,419,762	1,517,558	1,502,614	1,529,717	1,553,701
Operating profit/(Loss)	(601,808)	(70,337)	(18,347)	49,681	72,043	(94,856)
Total Comprehensive (Income/ Loss) for the year	(555,645)	(83,928)	(41,240)	8,984	(82,896)	(24,231)
Tangible & Intangible Assets	1,911,03	1,749,947	1,628,044	1,440,591	1,341,582	1,285,356
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	387,913
Capital Expenditure	330,873	164,021	146,153	66,519	122,960	151,060

BOARD OF DIRECTORS



Fernando Somaeb
Chairperson
Independent Non-Executive Director



Irene Simeon-Kurtz
Vice Chairperson
Independent Non-Executive Director



Petro Oberholster
Independent Non-Executive Director



Damoline Muruko
Independent Non-Executive Director



Willem Titus
Independent Non-Executive Director



Fernando Somaeb

Chairperson

Independent Non-Executive Director

I am pleased to present the Telecom Namibia Group Annual Report and Audited Financial Statements for the year ended September 2019, on behalf of the Telecom Namibia Board of Directors. The presentation of the Report to our shareholders and stakeholders assists in upholding Telecom Namibia's values which strives to promote honesty, trust, accountability and transparency in conducting business.

MACRO-ECONOMIC DEVELOPMENTS AND OPERATING ENVIRONMENT

Growth in Sub-Saharan Africa was projected to increase to 3.1 percent and 3.8 percent in 2018 and 2019, respectively, compared to the growth of 2.7 percent recorded in 2017. Growth in South Africa was projected to slow down from 1.3 percent in 2017 to 0.8 percent in 2018, before improving to 1.4 percent in 2019.

Namibia's economy remained weak and was expected to recover gradually in the medium term. Real GDP was expected to contract by 0.2 percent in 2018, from a deeper contraction of 0.9 percent in 2017, and thereafter recover to a positive growth rate of 1.5 percent in 2019. These revised growth projections were weaker than the 0.6 percent and 1.9 percent projected earlier in the July 2018, main Economic Outlook. The downward revision in the 2018 growth was mainly reflected in tertiary industries, upon realization that growth rates in sectors such as wholesale and retail trade, real estate and business services, hotels and restaurants, government sectors and taxes on products are likely to be significantly lower than earlier anticipated.

Risks to domestic growth included a weak recovery in the country's trading partners and slow recovery in international commodity prices, particularly for uranium. With the economic recovery in Angola failing to materialize, the impact was felt in sectors such as wholesale and retail trade, education and real estate and business services, thereby worsening growth prospects in these sectors.

The growth projection for the transport and communication sector was revised down based on the latest performance in the transport, as well as the post and telecommunications sub-sectors. Transport and communication was expected to grow by 3.0 percent in 2018, which is a downward revision from the 4.5 percent projected in July 2018. Growth in this sector is expected to emanate from the post and telecommunications subsector, which is projected to expand by 6.0 percent during 2018, from a lower growth rate of 2.1 percent in 2017. Going forward, growth for transport and communication is projected to moderate to 2.7 percent in 2019 and to remain stable over the remainder of the forecast period.

Namibia experienced prolonged drought and in May 2019, President Hage Geingob declared a state of emergency due to poor rainfall and the prevalent drought within the country. A reported 500 000 Namibians faced food insecurity and water shortages, and vast numbers of cattle starved due to inadequate grazing.

The Namibian economy remained in a technical recession with outlooks of marginal growth in the short term, while the competitive environment in the ICT sector increased.

Despite the bleak macro-economic outlook, TN continued to improve on its revenue growth by focusing on its IP and mobile revenue streams. Telecom also maintained its lower borrowing costs due to lower debt levels and continued focusing on its cost management measures. The company grew Top Line Revenue by offering both Fixed and Mobile Broadband offerings throughout Namibia, making use of the extensive outlet footprint, staff and partners.

The modern world evolves around the use of information and communication technology (ICT) infrastructure as a means of trading, entertainment, and learning, among others. However, connectivity remains a challenge in many countries across the world, including Namibia, due

to limited ICT infrastructure, equipment, policies, and financial resources.

The Ministry of Information and Communication Technology has been working with various partners, in efforts to improve the digital footprint mainly in Namibia's remote areas.

In recent years, the Ministry of Information and Communication Technology has further enhanced 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 presenting the National Broadband Policy to a parliamentary standing committee on ICT and innovation in the last quarter of 2019. 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.

CORPORATE GOVERNANCE

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.

CHAIRPERSON'S REVIEW

CORPORATE GOVERNANCE (continued)

Introduction (continued)

In 2019, Cabinet adopted the Hybrid Governance Model for Public Enterprises. The new model differentiates between three primary categories which are Commercial Public Enterprises, Non-Commercial Public Enterprises and Financial Institutions/Extra-Budgetary Funds.

The MoPE will execute the full shareholder rights for Commercial Public Enterprises as their function is to provide a product or render a service to the public and generate a profit. Commercial Public Enterprises are henceforth fully accountable to the MoPE in terms of commercial and financial operation, and performance.

As part of the new model, Telecom Namibia is accountable to the Ministry of Public Enterprises.

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 suppliers, 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 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 NamCode.

Although the company has not fully complied with NamCode as stated above, the company has to a great extent, complied with other applicable principles adopted through the NamCode by modifying and incorporating these principles into the Terms of References for Board Committees and the Board Charter. Telecom Namibia in line with the AGM's resolution of June 2016, have amended its articles of association to align and comply with laws and corporate governance guidelines such as NamCode that came into existence after the drafting of the articles of association.

FINANCIAL PERFORMANCE

The 2019 financial year was a challenging year with weak GDP growth and volatile exchange rates which impacted our business. There were also significant once-off items which negatively impacted the financial performance of the Group including the implementation of new International Financial Reporting Standards (IFRS), the impairment of CDMA and the increase in CRAN levies.

The Group reported a loss before tax of N\$43,2 million (2018: N\$30,4 million)

Consistent efforts to control costs and disciplined cash flow management resulted in the Group generating positive cash from operations and closing cash balances of N\$59,8 million (2018: N\$51,5 million)

Despite challenging economic conditions, Telecom Namibia aggressively rolled out its initiatives aimed at achieving positive revenue growth with continuous strong focus in the IP and Mobile revenue segments. For the financial year 2018/2019, Telecom Namibia achieved a positive overall revenue growth of 2% compared to the previous financial year 2017/2018. While the IP, Mobile, IT and Infrastructure revenue streams recorded positive growth, fixed voice revenue continued declining in 2019, a phenomenon also experienced globally and attributed to mainly mobile substitution and the effect of OTT players. The fixed data revenue stream also recorded a decline due to pressure on price levels and IP product substitution.

The financial year saw accelerated implementation of key initiatives supporting customer service, customer retention and revenue growth strategies. To support the growth, Telecom Namibia channelled investments into FTTx, TD-LTE and Mobile 2G/3G/4G rollouts in targeted growth areas, mainly Windhoek, Erongo and Far North business areas.

BUSINESS TRANSFORMATION – OUR JOURNEY INTO THE NEXT 5 YEARS

The year 2019 marked the beginning of the journey towards realising our 5-year Strategy. With the support of the TN Executive Committee, Management and Staff, we have implemented various initiatives forming part of the year-one deliverables.

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

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

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

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

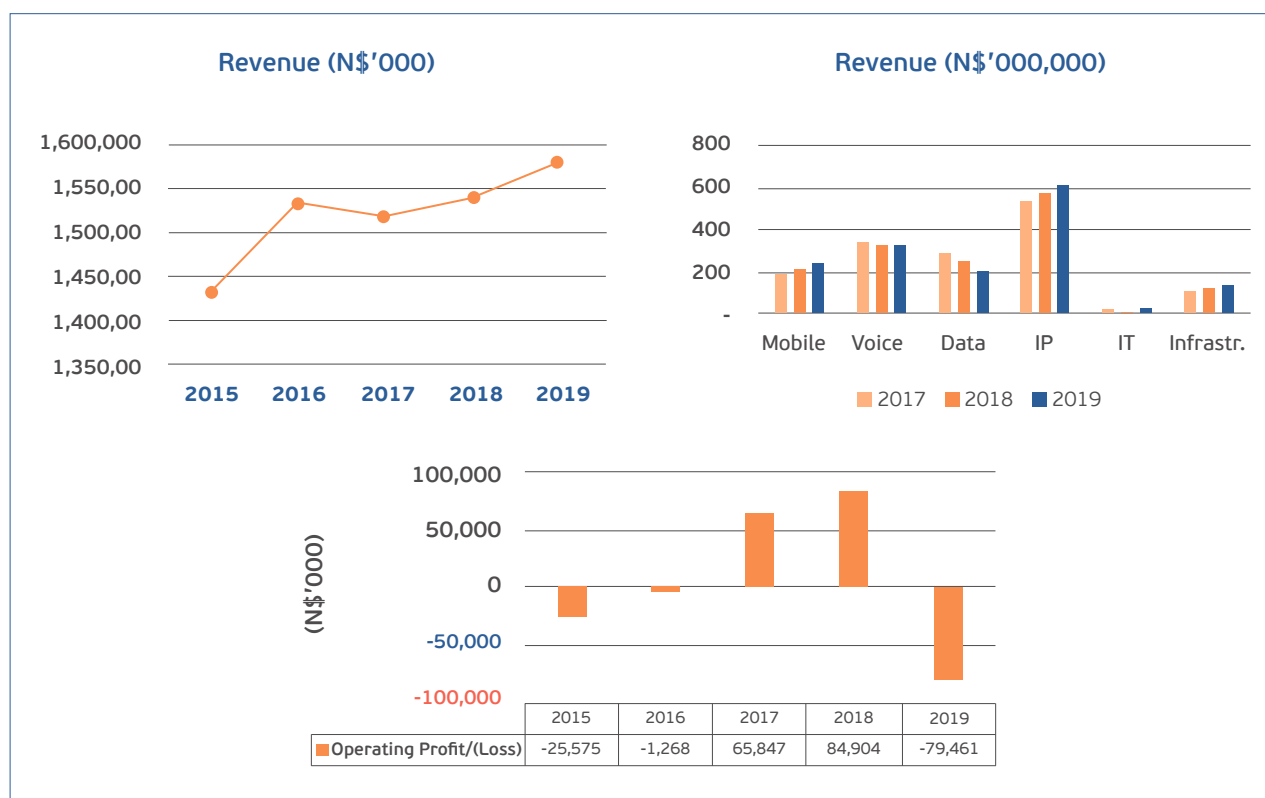
Performance driven culture: The objective being to enable us to foster leadership excellence and re-invent performance management system as an enabler for the delivery of our objectives.

In line with the new Strategy 2018/19 -2022/23 we have refined our Vision and adopted a new Mission and Corporate Values to reflect our ambition to become a vibrant, robust and flourishing organisation. In line with this strategy, it is important for us to ensure that we engage our stakeholders and keep them informed of our activities, successes and challenges.

During the year under review, we also introduced the balanced scorecard for the new strategy implementation while new KPI's were put in place to monitor strategy implementation.

BOARD AND MANAGEMENT CHANGES

Telecom Namibia operated with a full Board during the year under review, following the appointment of the fifth Director, Mr Willem Titus as Independent Non-Executive Director. Following the resignation of the Chairperson, Mr Johny Smith on 31 May 2018, Ms Irene Simeon-Kurtz was nominated to take over as Acting Chairperson. In September 2019, Mr Somaeb was appointed Chairperson and Ms Irene Simeon-Kurtz was appointed Vice



Chairperson. This team has been instrumental in steering the Company during the transformation journey.

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

OUTLOOK FOR 2020

During the year under review, we continued the roll out of the five-year strategic plan for the business to all employees across the company in implementing the plan. In our new Strategic Plan towards 2023, Telecom Namibia would continue on the transformational journey of placing emphasis on delivering an enhanced customer experience via continuous customer service quality improvements and innovations, whilst focusing on increased operational efficiency, productivity and sustainability. Our strategy is to deliver integrated high-speed services to all and includes additional measures to ensure that consumers and businesses can benefit of services

being provided off the new fibre back-bone routes. The Company will continue to further invest in infrastructure development and strengthen our network to better serve our customers.

As of 2019, the telecommunication category ranks as the highest revenue generating segment of the ICT market, while "new technologies", which includes robotics, ranks as the fastest growing category. (Source: ITU). This presents great opportunities of growth for Telecom Namibia.

The strong economic growth outlook across the region presents growth opportunities for telecommunications network operators. Most countries in the region are connected to submarine cables, increasing the likelihood for rapid growth of broadband services, while continued investment in terrestrial development fibre-optic network infrastructure across the region compliments broadband services.

The country's output on FTTH and fixed wireless broadband LTE is growing rapidly with DSL declining sharply, presenting further opportunities for Telecom Namibia.

ACKNOWLEDGMENTS

Telecom Namibia was able to further enhance its network footprint across the country and deliver on Government's goal to reduce the digital divide in the country. We would not have done this without the partnerships with Government at Central, Regional and Local Authority level. Through collaboration with the shareholder, and in particular the shareholder representative, the Namibia Post and Telecommunication Holdings (NPTH), the Ministry of Information Communication Technology, the Ministry of Public Enterprises other key stakeholders, Telecom Namibia is able to attain its goals. I would like to thank the shareholder for entrusting the Board with the task of steering one of Namibia's major telecommunications service providers. I would also use this platform to thank the Telecom Namibia Board, Management and staff for their continued commitment to the success of the Company. In conclusion, I would like to appreciate all stakeholders we have interacted with for their willingness to engage with us on matters of mutual interest.

Fernando Somaeb
Chairperson
Independent Non-Executive Director

EXECUTIVE COMMITTEE



LABAN HIWILEPO
Acting Chief Executive Officer



SHARIDENE KISTING
Chief Financial Officer



ARMANDO PERNY
Chief Marketing Officer



CALVIN MUNISWASWA
Chief Commercial Officer



LUKAS SHUUYA
Acting Chief Technical Information Officer



HOLGER SIRCOULOMB
Chief Human Resources Officer



NOMVULA KAMBINDA
Head: Corporate Communications & Public Relations



ALISA ANGULA
Acting Head: Internal Audit & Risk Management



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

The structure depicted is the transitional organization and governance structure in place at the time of approval of the Annual Financial Statements and not the structure at the time of financial year end of September 2019. There has been changes at Board level, including the Board Chairperson, the Acting CEO and the CTIO.

CHIEF EXECUTIVE OFFICER'S REPORT

INTRODUCTION

Various economic indicators continued to spiral downwards globally, impacting regional and domestic markets. Foreign currency exchange rates remain high, affecting cost of goods and ultimately our bottom line.

The increasing competitive environment in the ICT sector further contributed to intense pressure on market shares, as more players enter the ICT space.

At Telecom Namibia, we on a continuous basis review our product and service offerings to ensure we remain relevant to the market and that we are able to meet our customer demands with the right products at the right price. We take into consideration the ever-changing communication needs of our various customer segments and continue to employ the relevant technologies to address identified needs.

This commitment extends to providing an improved atmosphere for greater interaction and dialogue with our customers. To deliver on this commitment, TN introduced a brand new redesigned teleshop, at the Grove Mall in Windhoek in the previous financial year.

In the financial year under review, TN rolled out two more shops, one in Nkurenkuru in the Kavango West Region and one in Windhoek at our Iway teleshop. The teleshops are a one-stop-shop for customers to experience new service levels and communications solutions. The redesigned stores are part of Telecom Namibia's complete transformation drive that will enable it to service its customers in a friendly environment allowing for interactions with customers in an open plan set-up.

These stores are part of Telecom Namibia's broader plan of redesigning its outlets for an improved retail presentation of its products and services while introducing new technology and solutions that will boost the country's telecommunications sector. Interactive and revolutionary, and featuring the latest in digital technology, the teleshops will change the way customers shop for Telecom products and services.

The stores feature cutting-edge mobile products and fixed broadband services aimed at enhancing the lives of customers and empowering individual communication needs.

The store also includes a customer care point where products and services can be purchased, a point where faults are reported, and another where customers can apply for new services, as well as a billing centre for services payments. The initiative is an effort by Telecom Namibia to ensure that Teleshops are not just stores that stock products, but a place where the company demonstrate how technology can transform lives and businesses.

The Telecom Executive management introduced targeted roadshows across the country by executive management members to disseminate and cascade TN's new strategic plan, its vision, mission and new values to its employees at various branches. The aim being to ensure alignment to the new TN journey towards 2023 and motivate employees to achieve the new strategic objectives.

During the financial year under review, the company initiated the organisational re-alignment exercise that is aimed at crafting and aligning organisational structures and skills requirements to the 2023 strategic plan. Through targeted investments, several new network assets and future proof technologies were introduced to connect businesses and homes across the country, predominantly using our fibre network footprint. We also explored options to upgrade our VSAT infrastructure using next generation satellite technologies with the view to provide broadband services in areas where the provisioning of infrastructure is prohibitively expensive.

FINANCIAL PERFORMANCE OVERVIEW

Growth in turnover

Telecom Namibia rolled out its initiatives aimed at achieving positive revenue growth with continuous strong focus in the IP and Mobile revenue segments. For the financial year 2019, Telecom Namibia achieved a positive overall revenue growth of 2% to N\$1,573 million (2018: N\$1,540 million). While the Mobile, IP, IT and Infrastructure revenue streams recorded positive growth, fixed voice revenue continued declining in 2019, a phenomenon also experienced globally and attributed to mainly mobile substitution and effect of OTT players.

Operational profit/loss

The 2019 financial year was a challenging year with weak GDP growth and volatile exchange rates which impacted our business. There were also significant once-off items which negatively

impacted the financial performance of the Group including the implementation of new Financial Reporting Standards (IFRS), the impairment of CDMA and the increase in CRAN levies which resulted in the Group reporting a loss before tax of N\$43,2 million (2018: N\$30,4 million).

CAPEX investment

The Group's capital investments increased by 30% to N\$160,8 million from N\$123,8 million spent in 2018 to support the key growth initiatives. The Group channeled investments into FTTx, TD-LTE and Mobile 2G/3G/4G rollouts in targeted growth areas, mainly Windhoek, Erongo and Far North business areas.

Cash position/collections

Due to the economic slowdown, collections from customers remained a challenge with Gross Receivables amounting to N\$543,8 million (2018: N\$484,8 million). The implementation of IFRS 9 and the Expected Credit Loss (ECL) model negatively impacted the provision for bad debts and the provision increased by 38% to N\$284 million (2018: N\$205 million).

Consistent efforts to control costs and disciplined cash flow management resulted in the Group generating positive cash from operations and closing cash balances of N\$59,8 million (2018: N\$51,5 million).

The group has adopted the following standards and interpretations that are relevant to its operations:

- *IFRS 15 Revenue from Contracts with Customers;*
- *IFRS 9 Financial Instruments; and*
- *IFRIC Interpretation 22: Foreign Currency Transactions and Advance Consideration*

IFRS 9 had the most material impact on the Group with the implementation of the Expected Credit Loss (ECL) model which negatively impacted the provision for bad debts. The provision increased by N\$79 million (38%) to N\$284 million in 2019 compared to N\$205 million in 2018.

CHIEF EXECUTIVE OFFICER'S REPORT

OPERATIONAL REVIEW

The Technical Division has prioritised and focused on activities that addressed and led to the creation and improvement of enhanced customer experience, and network evolution to support sustained growth and mitigate the risks posed by aging network systems, IT infrastructures and applications.

Telecom Namibia secured investment in its networks, evolving it towards a secure digital infrastructure of the future and maintained a relentless focus on improving the experience of our customers. Manual processes that can be fully or partially automated were identified and are being upgraded in a phased approach.

The growth drivers for the financial year remained on IP (specifically broadband, active Ethernet and IP/MPLS VPNs) and Mobile data. The project activities thus focused on laying out FTTx for both fiber to the home and to the business as well as copper shortening in order to enable the last mile network that was developed for circuit switched voice services to be optimised for broadband and data services delivery. Telecom Namibia continued to fiberize its network infrastructure by extending fiber from the backbone and backhaul network into the access network. This enables Telecom Namibia to provide quality, reliable and cost-effective high-speed services to our customers.

Fibre to the Home / Business is the leading industry technology for building the next generation of communications networks around the world, because all-fibre access offers far greater reliability, lower operating costs, lower energy use to run the network and most important of all, much greater bandwidth, creating opportunities to develop and exploit many new types of services and applications.

Customers want to be connected at all times to social networks, the internet and their favourite apps. They also want value added services like video-on-demand, surveillance, online gaming (cloud-based), e-governance and e-education. These are very basic expectations which service providers like Telecom Namibia need to deliver on. Investing now in high-speed broadband means that Telecom Namibia will be able to deal with the escalating data demands of today and tomorrow. We have thus intensified our fibre drive with rollouts in Windhoek, Walvis Bay and Swakopmund.

Telecom Namibia rolled out its initiatives aimed at achieving positive revenue growth with continuous strong focus in the IP and Mobile revenue segments. For the financial year 2018/2019, Telecom Namibia achieved a positive overall revenue growth of 2% compared to the previous financial year 2017/2018. While the IP, Mobile, IT and Infrastructure revenue streams recorded positive growth, fixed voice revenue continued declining in 2019, a phenomenon also experienced globally and attributed to mainly mobile substitution and effect of OTT players. The fixed data revenue stream also recorded a decline due to pressure on price levels and IP product substitution.

OUTLOOK FOR 2020 AND BEYOND

With the growing competition, Telecom Namibia's market share in the telecommunication sector has been shrinking over time and with the rollout of our new 2023 strategic plan, strategic initiatives have been crafted to realise sustainable business growth and re-capture increased market share over the next 4 years.

Telecom Namibia realizes that in a digital age of doing business it needs to formulate a customer centric strategy that will require transforming the current operating model to remain competitive in a market where technologies are converging industries and changing how customers engage with and consume various services on demand. Telecom Namibia will therefore accelerate and continue on its digital transformation journey that will include getting rid of obsolete technologies, OSS/BSS and core network transformation, customer service transformation, skills transformation and rolling out of the new organizational structure that is aligned to the new 2023 strategic plan. The Company will continue to further invest in infrastructure projects and strengthen its network capacity and quality to better serve our customers.

OUR EMPLOYEES

During the period under review, Telecom Namibia has embarked on the process of re-aligning its organizational structure to meet the industry and customer expectations. The structure is to be signed off and implemented in the forthcoming financial period. During this process, job security amongst staff members was guaranteed, stakeholders have been engaged, and principles of affirmative action have consistently been applied.

VOTE OF THANKS

Our employees are the backbone of our business. Without our employees we will not be able to provide services to our customers. I would like to thank all Telecom Namibia employees for their commitment to the goals of the company and the individual sacrifices that contributed to our collective goals. Together we can enhance service delivery to our customers and capture a bigger share of the market. Let's do it!

I would also like to thank the shareholder for the relentless support and leadership in ensuring we jointly bridge the digital divide. Lastly, I would like to thank the Telecom Namibia Board of Directors for their leadership and positive engagement during the year which enabled us to deliver on our business objectives and provide superior services to the people of Namibia.



Laban Hiwilepo

Acting Chief Executive Officer

CHIEF FINANCIAL OFFICER'S REPORT

ECONOMIC OVERVIEW

According to the IMF's World Economic Outlook (WEO), growth in global output was projected to remain unchanged at 3.7 percent in both 2018 and 2019. Growth in Sub-Saharan Africa is projected to increase to 3.1 percent and 3.8 percent in 2018 and 2019, respectively, compared to the growth of 2.7 percent recorded in 2017.

The domestic economy was projected to contract by 1.7% in 2019 before recovering gradually to positive growth over the following years. The expected contraction in 2019 was attributed to the devastating drought experienced and the slowdown in global demand for minerals. The weaker domestic economy and increase in the ICT competitive environment exerted pressure on the Telecom Namibia business. As a result, the fixed line business experienced immense pressure on revenue growth and customers, including government, cut back on infrastructure projects and ICT spending.

The COVID-19 global outbreak lead to a downward revision to 2020 growth forecasts for both the global and domestic economy. COVID-19 was a non-adjusting event for the 2019 financial year but is expected to impact the 2020 annual financial statements.

IMPACT OF NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

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

IFRS 15 Revenue from Contracts with Customers

IFRS 15 requires an entity to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The effective date of the standard is for years beginning on or after 1 January 2018. The group has adopted the standard for the first time in the 2019 annual financial statements, using the cumulative retrospective approach and has opted not to restate the comparatives for the 2018 financial year.

IFRS 9 Financial Instruments

The adoption of IFRS 9 had the following impact on the Telecom Namibia:

- Change from the IAS 39 incurred loss model to the Expected Credit Loss Allowance (ECL) model to calculate impairment of financial instruments;
- Change in classification of the measurement categories for financial instruments.

Changes in accounting policies from the adoption of IFRS 9 have been applied retrospectively however, the Group has elected not to restate comparative information.

IFRIC Interpretation 22: Foreign Currency Transactions and Advance Consideration

The Group entered into contracts when the entity received advanced payments from customers and the cash inflow is denominated United States Dollars (USD) and the functional currency is Namibian Dollars (NAD). Prior to the implementation of IFRIC 22, the receipts were accounted for a monetary liability and were revalued at the end of every financial year at the closing spot rate at the end of the financial year.

The group has adopted the Interpretation for the first time in the 2019 annual financial statements, using the cumulative retrospective approach and has opted not to restate the comparatives for the 2018 financial year.

The table below summarise the impact of adopting the new Standards and Interpretation. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

Impact on profit or loss for the year ended 30 September 2019

Statement of Profit of Loss (Extract)	As Reported	IFRS 15 Adjustment	IFRS 9 adjustment	IFRIC 22 adjustment	Without Adoption of new standards
	N\$'000	N\$'000	N\$'000	N\$'000	N\$'000
Mobile Revenue	214 334	(2 179)	--	--	216 513
Data Revenue	294 115	--	-	(2 366)	296 481
Expected Credit Loss Allowance	(48 165)	(1 540)	(46 625)	--	--
Unrealised Foreign Exchange gains / (losses)	(1 522)	--	--	7 390	(8 912)
Finance income	7 924	(1 105)	--	--	6 819
Tax in statement of profit / (loss)	55 996	836	14 920	(1 608)	41 848
Profit for the year	12 741	(1 778)	(31 705)	3 416	42 808

CHIEF FINANCIAL OFFICER'S REPORT

Impact on assets, liabilities and equity as at 30 September 2019

Statement of Financial Position (Extract)	As Reported	IFRS 15 Adjustment	IFRS 9 adjustment	IFRIC 22 adjustment	Without Adoption of new standards
	N\$'000	N\$'000	N\$'000	N\$'000	N\$'000
Trade Receivables	272 215	--	(46 625)	--	318 840
Contract Asset	21 425	21 425	--	--	--
Finance Lease Receivable	12 011	(30 523)	--	--	42 534
Retained Earnings	273 782	(18 261)	--	17 062	274 981
Unearned Interest Mobile Devices	(1 959)	(1 959)	--	--	--
Deferred Tax liability	(200 220)	(836)	(23 982)	1 607	(186 072)
Deferred Revenue	(186 723)	--	--	17 062	(203 785)

STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

IFRS 16 Leases

The new standard is effective 1 January 2019 and will be implemented in the 2020 financial year. The Group, as lessee, has a significant portfolio of operating leases that are off-balance sheet under IAS 17 and the implementation of IFRS 16 will likely lead to an increase in recognised assets and liabilities. The group expects that the most significant impact of the new standard will result from its current property, network site and motor vehicle operating leases.

FINANCIAL RESULTS

The 2019 financial year was a challenging year with weak GDP growth and volatile exchange rates which impacted our business. There were also significant once-off items which negatively impacted the financial performance of the Group including the implementation of new International Financial Reporting Standards (IFRS), the impairment of CDMA and the increase in CRAN levies.

The Group reported a loss before tax of N\$43,2 million (2018: N\$30,4 million).

Consistent efforts to control costs and disciplined cash flow management resulted in the Group generating positive cash from operations and closing cash balances of N\$59,8 million (2018: N\$51,5 million).

Revenue

Telecom Namibia rolled out its initiatives aimed at achieving positive revenue growth with continuous strong focus in the IP and Mobile revenue segments. For the financial year 2019, Telecom Namibia achieved a positive overall revenue growth of 2% to N\$1,573 million (2018: N\$1,540 million).

While the Mobile, IP, IT and Infrastructure revenue streams recorded positive growth, fixed voice revenue continued declining in 2019, a phenomenon also experienced globally and attributed to mainly mobile substitution and the effect of OTT players.

Regulatory levies

CRAN levies in the 2019 financial year increased by 443% to N\$75,8 million (N\$13,9 million) due to the Numbering range levy invoice amounting to N\$28 million and a change of management estimation to increase the accrual from 1% to 1.5% for 2016 and earlier periods. The additional accrual of N\$32 million was thus recognised in the current year for the License levies. Thus, the increase in the current year levies is not as a result of increase in revenue.

Credit Loss Allowance

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 to customers on a cash basis, thus mitigating the credit risk arising from extension of credit to customers.

The implementation of IFRS 9 and the Expected Credit Loss (ECL) model negatively impacted the provision for bad debts and the provision increased by 38% to N\$284 million (2018: N\$205 million).

Impairment

An impairment of N\$23.7 million was recognized for the CMDA technology assets that are no longer in use and had no active market for the sale of these assets.

Taxation

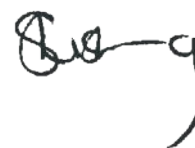
Powercom recognised an increase in its deferred tax asset of N\$21.8 million which contributed positively to the group tax.

Preference Shares

The N\$400 million Preference shares were reclassified from equity to non-current liabilities and the prior year numbers have been restated. A fair value gain of N\$36 million was recognised for the preference share liability as the Group will not be required to pay a dividend for the 2019 financial year, due to the loss for 2019.

Capital Investments

The financial year saw accelerated implementation of key initiatives supporting customer service, customer retention and revenue growth strategies. The Group channeled investments into FTTx, TD-LTE and Mobile 2G/3G/4G rollouts in targeted growth areas, mainly Windhoek, Erongo and Far North business areas. The Group's capital investments increased by 30% to N\$160,8 million from N\$123,8 million spent in 2018 to support the key growth initiatives.



SHARIDENE KISTING

Chief Financial Officer

COMMERCIAL OPERATIONS

During the financial year under review, commercial operations focused on driving profitable growth across Telecom Namibia's strategic segments with the primary objective of defending TN's overall market share. This commercial drive was supported by renewed investment focus towards business growth and improved customer satisfaction. The weaker domestic economy and increase in the ICT competitive environment exerted pressure on the Telecom Namibia business. The domestic economy was projected to contract by 1.7% in 2019 before recovering gradually to positive growth over the following years. The expected contraction in 2019 was also attributed to the devastating drought experienced in the country during 2019. As a result, the fixed line business experienced immense pressure on revenue growth and most customers, including government, cut back on infrastructure projects and ICT spending.

Despite this development, Telecom Namibia aggressively rolled out its initiatives aimed at achieving positive revenue growth with continuous strong focus in the IP and Mobile revenue segments. For the financial year 2018/2019, Telecom Namibia achieved a positive overall revenue growth of 2% compared to the previous financial year 2017/2018. While the IP, Mobile, IT and Infrastructure revenue streams recorded positive growth, fixed voice revenue continued declining in 2019, a phenomenon also experienced globally and attributed to mainly mobile substitution and effect of OTT players. The fixed data revenue stream also recorded a decline due to pressure on price levels and IP product substitution.

The financial year saw accelerated implementation of key initiatives supporting customer service, customer retention and revenue growth strategies. To support the growth, Telecom Namibia channeled investments into FTTx, TD-LTE and Mobile 2G/3G/4G rollouts in targeted growth areas, mainly Windhoek, Erongo and Far North business areas.

Telecom Namibia product development continued to be aligned with the Namibian Government's long-term aspirations and development goals contained in the Vision 2030 of the Republic of Namibia to stimulate economic growth and development. This alignment is anchored by Telecom Namibia's crucial involvement in drafting the National Broadband policy among other contributions to aid government in achieving its

NDP initiatives, as the world prepares for the 4th Industrial Revolution.

WHOLESALE AND INTERNATIONAL BUSINESS

During the 2019 financial year, the International and Wholesale Division as the key department responsible for the maintenance and retention of Telecom Namibia's exclusive domestic and foreign markets, ensured that both the current national and international customer base received the highest level of service to ensure client satisfaction. In addition to retaining the majority of the current high-end customer base, additional inroads into the Malawian market was secured by contracting one of its largest customers, Malawi Telecom. Above and beyond adding new customers in the foreign markets, the bottom line is shrinking due to competition, as most of the giant corporations are heading for land locked countries such as Malawi and Zambia.

Furthermore, due to the current price war in the industry the total Wholesale and International revenue declined with about 12% year on year. The Wholesale channel accounted for 23% of the total fixed line revenue recorded during the financial year 2018/2019. The International Wholesale Team managed to renew existing contracts in the Zambian market, whilst striving to convert some of these contracts into IRUs to ensure market retention. Despite the challenges experienced, these renewals aided Telecom Namibia to reach one of its key objectives, which is to be a key player in the SADC region.

In order to ensure Telecom Namibia remains updated with technological advancements and maintain international relations, delegates attended international conferences such as the Capacity Africa conference as well as the Africa-Com conference, which added value with regards to ensuring new deals were secured in the SADC and European markets. Further initiatives intended to be embarked on, is to penetrate the DRC market, whereby discussions are ongoing between Telecom Namibia and its partner, Zesco to explore these business leads. Telecom Namibia is also exploring opportunities with the social media and internet giants, Google and Facebook to ensure the business stay in touch with new developments.

Year on year revenue for International fixed voice recorded accelerated decline due to competing operators having established their own direct

international gateways. Additionally, revenue on voice calls are declining due to being substituted by the use of other data calls/social media. New National licensed Operators were added, and Telecom Namibia continued to provide backhaul services to most operators in the domestic market.

CORPORATE BUSINESS

Corporate Sales have achieved some major milestones during this financial year which focused on retaining and growing the Government, Corporate, Large and Medium Enterprise business segments of Telecom Namibia. The Corporate Sales channel accounted for 34% of the total fixed line revenue recorded during the financial year 2018/2019. The focus was on innovative customer solutions in the IP and IT space which resulted in growth in revenue from existing Corporate Customers. Taking the economic situation in consideration only innovative cost saving solutions to our customers could assist in the growth of the business. The outsourcing of projects and structured cabling through partners have ensured provision of service in time and at high standards. The focus on collections and constant measurements on outstanding debtors from corporate segments have contributed to improvement of the company's cash flow position. The focus was also on improving customer relations through regular meetings with Account and Key Account Managers.

The financial year under review continued to record strong focus on Government and Corporate customer solutions and projects addressing fast-increasing needs and demands. Significant progress has been recorded over the period under review towards completing the special project of implementing Government regional Points of Presence (PoPs) in the 14 regions. Corporate Sales is equipped with the necessary skills to provide customers with tailor-made solutions to enhance our customers' businesses and have good relations with our customers.

RETAIL BUSINESS

The Retail channel has a national footprint with presence in all regions which is supported by 34 Teleshops, Sales Representatives and an indirect sales team countrywide. The channel is responsible for all new businesses, residential customers, SOHO (Small Office Home Office), as well as small and medium sized enterprises. Retail serves the whole of Namibia with a wide range of flexible products and services offerings.

COMMERCIAL OPERATIONS

The Retail Sales channel accounted for 43% of the total fixed line revenue recorded during the financial year 2018/2019.

During the financial year under review, the division focused on projects which aimed at improving customer service, revenue growth with focus on the IP and Mobile revenue, profitability and productivity through continuous review of business processes. New fiber projects, TD-LTE and Mobile sites have been identified by the sales teams to support the growth on IP and Mobile revenue streams respectively. Continuous expansion of the indirect sales channel was pursued during the financial year under review with onboarding of new outbound telesales partners and recruitment of new external resellers.

A project to revamp the look and feel of teleshops continued with the aim of introducing a new look and feel and provide for a customer-friendly environment allowing for interactions with customers and other employees in an open plan set-up. The teleshops completed thus far are Grove Mall, Nkurenkuru teleshop and Iway, bringing the number of renovations done to three shops equipped with the new concept. The next inline outlet to be re-designed is the Outapi teleshop with four more other teleshops that have been identified for renovations, and activities will start during the next financial year.

CUSTOMER CONTACT CENTRE

The Customer Contact Centre (CCC) has activated a process to procure a new contact centre system. This system will provide call and social media management platforms. This will improve the response time and timely customer complaints resolution. The Customer Contact Centre has equipped and trained its Second Level Support (ICT Helpdesk) to provide accurate and speedy response to customer queries and complaints. The staff in this department received training on various platforms to ensure that customers receive fast and effective responses.

Technical Assistance Desks were established at the Grove Mall and Iway Teleshops to support customers with technical inquiries on the floor. This has proven very beneficial and is now earmarked to be deployed to other teleshops in Windhoek and other regions. The teams at the technical desks are equipped to test any technology at any of the

locations providing instant solutions to customers. In addition, a Call-Out Service was implemented whereby Helpdesk Administrators attend to customers at their locations to test their devices and connections.

The Customer Contact Centre's Maritime Search and Rescue Coordination Centre successfully launched and inaugurated the NAVTEX system in collaboration with the Ministry of Works and Transport. The system is 100% operational with equipped staff to support the maritime search and rescue operations.

PRODUCTS AND PRICING

Telecom Namibia, through its innovative approach is constantly striving to initiate user and environmentally friendly solutions for its customers by means of evolving revolutionary products and services. In terms of our ordinary pricing operations, the 2018/2019 plan identified different areas of intervention being; simplification of our commercial offering; promotion of higher value services and improvement of the quality of our offering in terms of network speed; continuously striving to create and enhance value for our customers, while ensuring that Telecom Namibia remains competitive 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. Costing and pricing structures are constantly reviewed for the different products and services to support these objectives, as well as mitigating competitive pressure. This is supported by continuous product profitability evaluations and monitoring across all product streams during the year under review.

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

Speedlink: During 2019, Telecom Namibia upgraded its Speedlink broadband products, free of charge, setting 2 Mbps as minimum download speed. The re-positioning of fixed broadband offerings proactively responds to the national broadband policy which defines that a minimum of 2 Mbps download speed should be available to 80% of the population. This initiative reaffirms the

company's commitment to enhance value for our customers by bringing faster internet connectivity and reduce costs of telecommunication services. The migration to higher access speeds, is an exercise that commenced in 2012, 2014 and 2017 and again in 2019. Due to technological limitations, the Telecom Namibia upgrade exercise is done in a phased approach and customers that could not be migrated, saw a general reduction in price levels.

Cloud Services: The Cloud Services offers cost effectiveness, increased productivity, flexibility and efficiency, reduced capital expenditure, speed as more data is produced in less time, and superior technical and service support. The Telecom Namibia Cloud Services are available in two forms: Software as a Service (SaaS), providing customer's access to software via the internet at a monthly fee. Secondly, Infrastructure as a Service (IaaS), providing customers with the cloud infrastructure on a pay-as-you-go basis. Telecom Namibia's Cloud services presents various solutions namely Exchange Online Plan 1, Exchange Online Plan 2, Business Essential, Business Standard, Business Premium, Enterprise Pro Plus, Enterprise E1, Enterprise E3 and Enterprise E5.

The focus on investing in FTTH (Fiber to The Home) expansion continues, with higher speed offers and optimal connection stability. Considering this expansion Telecom Namibia reduced its price points for its high-speed broadband (Speedlink Liteplus - 15 Mbps and above) packages to make it more affordable and to address increasing demand for residential broadband.

Service Level Agreement (SLA): SLA is a contract between Telecom Namibia (service provider) and the end users (customers) of that service that defines the level of service expected from the service provider by quantifying the minimum acceptable service delivery/repair time to the customer. SLAs offerings comprising of Bronze package with an option of web portal viewing, Silver, Gold & Platinum for its BizConnect services were defined and commercialized during 2019.

Downward Price Review for Data Links, Express Routes and high capacity BizConnect & BizLink: Telecom Namibia adjusted its pricing for the said services downwards in order to enable businesses to do business in a cost-effective manner.



A new shopping **EXPERIENCE!**

COMMERCIAL OPERATIONS

PRODUCTS AND PRICING (continued)

Static IP Address: Telecom Namibia Additional Static IP Address service allows the allocation of a permanent IP address to customers to use when accessing internet and files or information on their network servers. Static IPs are only available in bundles of 4 and 8 of which 2 IPs will be used for network and broadcast purposes.

Speedlink liteplus via Universal Backhaul (UBH): Speedlink liteplus via Universal backhaul (UBH) is a customized solution for remote residential and business customers requiring Speedlink service outside Broadband access network, provided UBH transport network is available. The service is offered in different Speedlink liteplus packages according to the customer bandwidth requirement.

tn1 Maxi Essential 1 & 2: tn1 Maxi Essential 1 and 2 packages offer customers with converged fixed mobile services, which currently includes 1x Smartphone and 1x unlimited Fixed Broadband. The modified packages enable customers to apply for additional mobile phones with the same free attributes as the existing tn1 Maxi Essential packages

PRODUCT PERFORMANCE

The main products and solutions grouping for the fixed line business are: Voice, Data, and IP, IT and Infrastructure & other streams. The year under review recorded unfavorable performance year-on-year for the voice and fixed data product streams while the IP, IT and infrastructure product streams recorded positive year-on-year 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 2018/19.

The fixed voice product group recorded a year-on-year decline of 2.8%. Despite the global trend being a 6% decline. The decline was decelerated by our superior corporate voice products contributing to customer retention. The fixed voice product group is composed of traditional prepaid and postpaid fixed line voice services including value added services.

The fixed data product group recorded a year-on-year decline of 19.6% compared to the previous financial year. The fixed data revenue stream recorded a decline during the financial year mainly due to IP products induced churn.

The IP product group recorded a year-on-year growth of 7.5% between the 2017/18 financial year and the 2018/19 financial year. The IP product group's positive performance is attributed to 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 12.8%. The IT product group is mainly composed of professional IT services, iWay products ranging from iLink to iDomain and Cloud based solutions.

Infrastructure and CPE oriented services such as structured cabling, indoor cabling, co-location and

devices; and other complimentary ISP services such as directory recorded a combined year-on-year growth of 14.8%. Despite directory being the main contributor to the growth, a significant growth was experienced in CPE sales especially those enabling the utilization of IP products.

The IT product group recorded a growth of 12.8% compared to the previous financial year. The IT product group is composed of traditional ISP value added services, fax2email, email2fax, video conferencing and other new IT solutions.

OUR PRODUCTS AND SERVICES

RETAIL

Voice Services

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

Value Added Services (VAS)

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

IP Services

Speedlink Home
Speedlink Prepaid
Speedlink lite & Speedlink liteplus
Satlink
Wi - Space
Cyber joy Smart player

Fixed Mobile Convergence Services

tn1 Maxi
tn1 Maxi Essential 1 & 2
tn1 Maxi Advanced 1 & 2
tn1 MaxiPlus
tn1 MaxiPlus Advanced 1
tn1 MaxiPro Essential 1
tn1 Family Circle

IT Services

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

Infrastructure & Others

Telephone Handsets & PABX Systems
Directory Services

Mobile Services

Mobile Voice
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: Express National POP
BizConnect: Express SA POP
BizConnect: Express 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

Infrastructure & Others

Structured Cabling
Telephone handsets & PABX Systems
Directory Services
Co - Location
Site sharing
Marine Services

Mobile Services

Mobile Voice
Mobile Data
Roaming

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

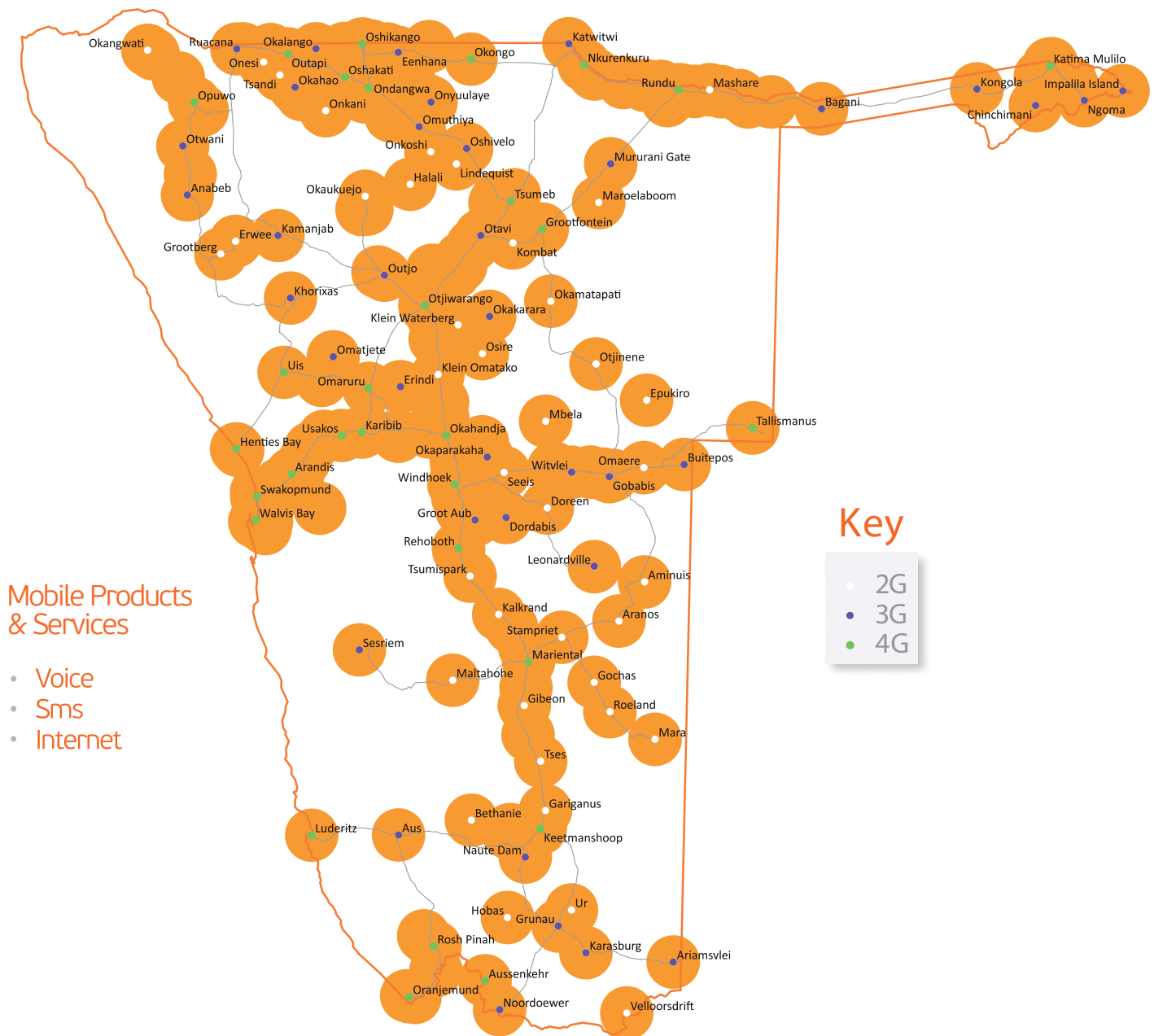
BizConnect: National
BizConnect: SA POP
BizConnect: EU POP
BizConnect: Express National POP
BizConnect: Express SA POP
BizConnect: Express EU POP
BizLink
Satlink
Speedlink Business
Speedlink lite and Speedlink liteplus
Service Level Agreement

Mobile Services

Mobile Voice
Mobile Data
Roaming

OUR NATIONAL FOOTPRINT

Ultra - Fast, Quality Experience



TN MOBILE OPERATING HIGHLIGHTS

During the 2018/2019 financial year, TN Mobile experienced general increase in revenue and customers while the market share remained stagnant. The market share was recorded as 9% by the end of the financial year. The customer base ended at 253,076 subscribers, representing 4% growth in the number of mobile subscribers. Total revenue for the 2018/2019 financial year ended at N\$250 million, about 12 % growth in revenue. Revenue drivers were mobile data and sales from mobile devices and mobile handsets.

The focus for the financial year was mainly on customer satisfaction by providing reliable and stable broadband services, increase broadband access capacity, and by expanding broadband coverage to low-density areas.

In line with the TN Mobile broadband penetration strategy, various promotions were developed to offer more data to customers. The prepaid Jiva portfolio was enhanced with the new Jiva supreme package. Jiva supreme offers more data compared to other Jiva packages.

The primary focus was to expand coverage and to provide more capacity for broadband access, thus existing 2G/3G sites were upgraded to offer 4G services. The network was expanded with additional base stations to new rural and remote sites.



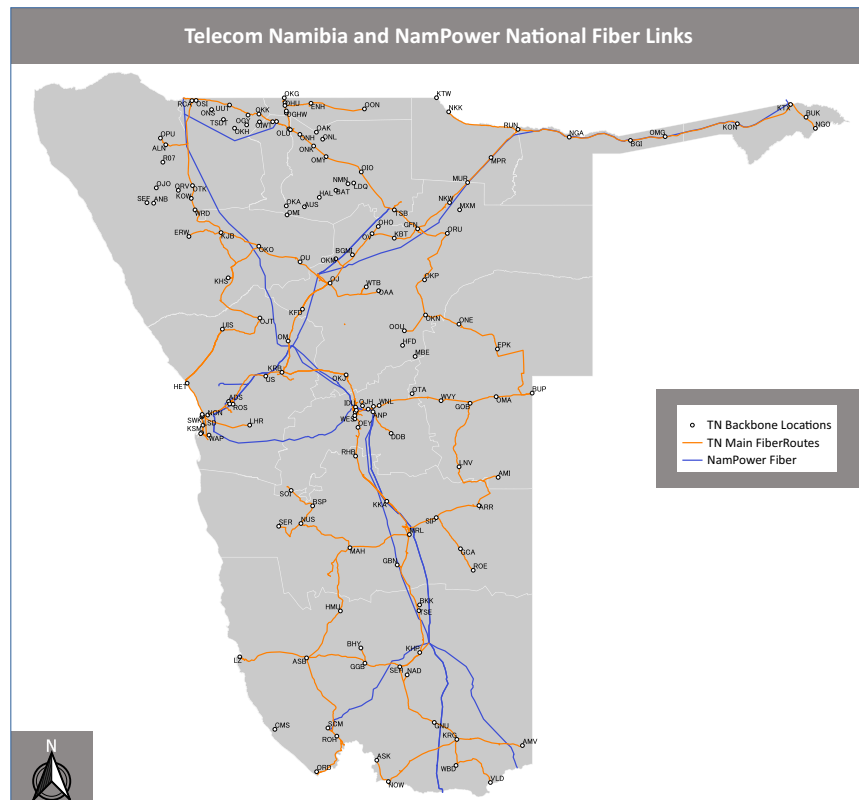
Telecom Namibia made notable progress in modernizing its network across the various layers such as transport, backhaul, aggregation, fixed access, and mobile access. The company also continued to rollout its strategy to build a robust converged network that will serve as a long-term asset to ensure sustainable growth. Through targeted investments, several new network assets and future proof technologies were introduced to connect businesses and homes across the country, predominantly using our fibre network footprint as depicted in the figure below. We also explored options and initiated a project to upgrade our VSAT infrastructure using next generation satellite technologies with the view to provide broadband services in areas where the provisioning of infrastructure is prohibitively expensive.

The company continued with efforts to enhance our mobile capacity and coverage across the country. In line with our strategy to expand our mobile broadband services, a number of sites across the country were upgraded from 2G to 2G/3G, while others were upgraded to 2G/3G/4G to provide fixed broadband services to towns, settlements and villages. In addition selected 3G sites were also upgraded to 2G/3G/4G.

To support the increasing demand for our mobile broadband services in un-service areas, several new 3G and 4G sites were introduced across the country. Further targeted investments are planned over the coming year to introduce future proof technologies such as LTE-A advanced in selected areas. At the coastal towns, additional LTE-A sites were installed to boost our capacity and coverage, thereby ensuring a seamless 4G experience for our customers when making use of our coastal mobile network.

The demand for fixed broadband services continues to grow across the country. In response, port and backhaul capacities to a number of fixed broadband access stations were upgraded to keep up with demand. Several new fixed broadband access stations were also established in order to extend our fixed broadband access footprint and bring fixed broadband services to underserved areas. As part of our strategy to modernize and transform our fixed network, we ramped up investment into the deployment of future proof fixed wireless and wireline access technologies. Several new TD-LTE sites were installed across the country to provide fixed broadband services using both indoor and outdoor User Equipment.

In the last mile, a number of new fixed broadband access points were introduced as part of the on-going strategy to shorten copper in the last mile and thus leverage on the existing copper network footprint to support high speed DSL services.



Our investment in the last mile fixed wireline and wireless access networks enabled us to provide residential fixed broadband services of up to 8 Mbps, while the minimum residential package was increased from 1 Mbps to 2 Mbps. A total number of 6,856 new broadband customers were provisioned on fixed wireline access network across the country, while a further 6,529 were provisioned on the fixed wireless access network countrywide.

Moreover, investments in fibre-based networks enabled us to provide high speed throughput to our corporate, wholesale, and international customers. We recognize that fibre deployment remains a key enabler for high speed broadband connections across the different network domains. We will make further investment in the coming year in growth areas such as FTTx, Metro Ethernet, and PON in order to provide high-speed broadband services to our residential, corporates, and wholesale customers. In the Core network, systems providing network services were also upgraded to ensure that there is enough capacity to meet demand.

To mitigate the risks posed by legacy technologies, we continued with targeted investments to modernize the various layers of our network using next generation technologies. In the fixed access layer, several obsolete access nodes and systems were decommissioned across the country and replaced with modern IP based access systems. Specifically, selected UMC, Rurtel, DSLAMs and

DLU fixed access systems were replaced with MSANs, while Ultraphone and WiMAX services were replaced with TD-LTE.

We also operationalized tools that enable us to remotely monitor and interrogate the performance of fixed broadband services up to the CPE in order to improve customer service, as well as the turnaround time for the resolution of faults and anomalies. The monitoring function will progressively be extended to all fixed broadband connections in the Telecom network. Over the coming year, additional tools are scheduled to be introduced to monitor quality of service and quality of experience across all fixed and mobile internet services. We managed to maintain average network availability across our major network platforms above 99.75%.

We also continued with our strategy to upgrade and rejuvenate power and support systems at selected sites across the country in order to improve site autonomy and service availability. Standby diesel generators were also installed at selected sites in order to provide power to the sites in the case of mains power failure. In line with our strategy to phase out the use of R22 refrigerant, we also undertook targeted projects to replace and reduce the number of air-conditioning systems that operate on the R22 refrigerant.

During the year under review, we continued to upgrade capacity along selected backbone routes based on our national fibre backbone infrastructure. Several backbone and backhaul links were also upgraded to keep up with the growing traffic demand. 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 TDM based backbone links (STM-1s and STM-4s) have also been phased-out with IP based links offering capacity in multiples of 1 Gbps and 10 Gbps respectively. In the last mile, backhaul capacities to several fixed and mobile access nodes across the country were upgraded in order to ensure that there is enough capacity to meet demand.

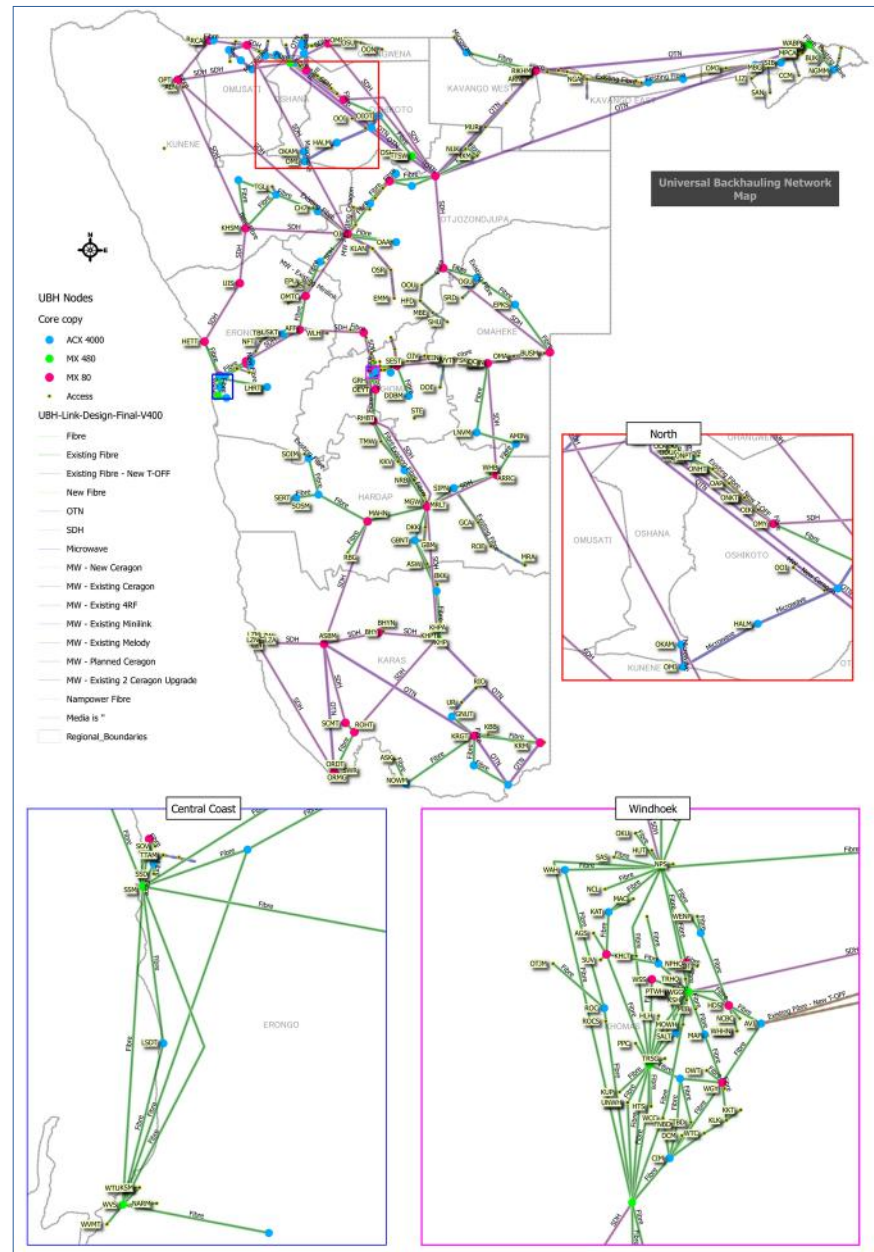
Moreover, some of the links interconnecting our international PoPs with the national network were re-engineered in order to optimize traffic flow and enhance resilience.

Namibia is a vast country with a sparsely distributed population. Due to the varying and contrasting geography from one part of the country to another, it is prohibitively expensive to reach some areas with a fibre backbone. To this end, several new IP based microwave transport links were deployed across the country to provide backhaul capacity of 200 Mbps, with an option to upgrade the links to 400 Mbps based on traffic demand. Moreover, as part of our ongoing effort to enable high speed access, several obsolete Time Division Multiplexing (TDM) based backhaul links across the country offering capacities up to 16 and 40 Mbps were replaced with modern IP based microwave links to provide backhaul capacity for our fixed and mobile broadband services.

The demand for our internet services continued to increase year-on-year. To enhance the quality and experience of our internet services, Telecom Namibia in partnership with selected popular internet content service providers deployed cache engines in the local network. In addition to reducing latency, these interventions have also enabled us to optimize on our operating costs by saving on international bandwidths.

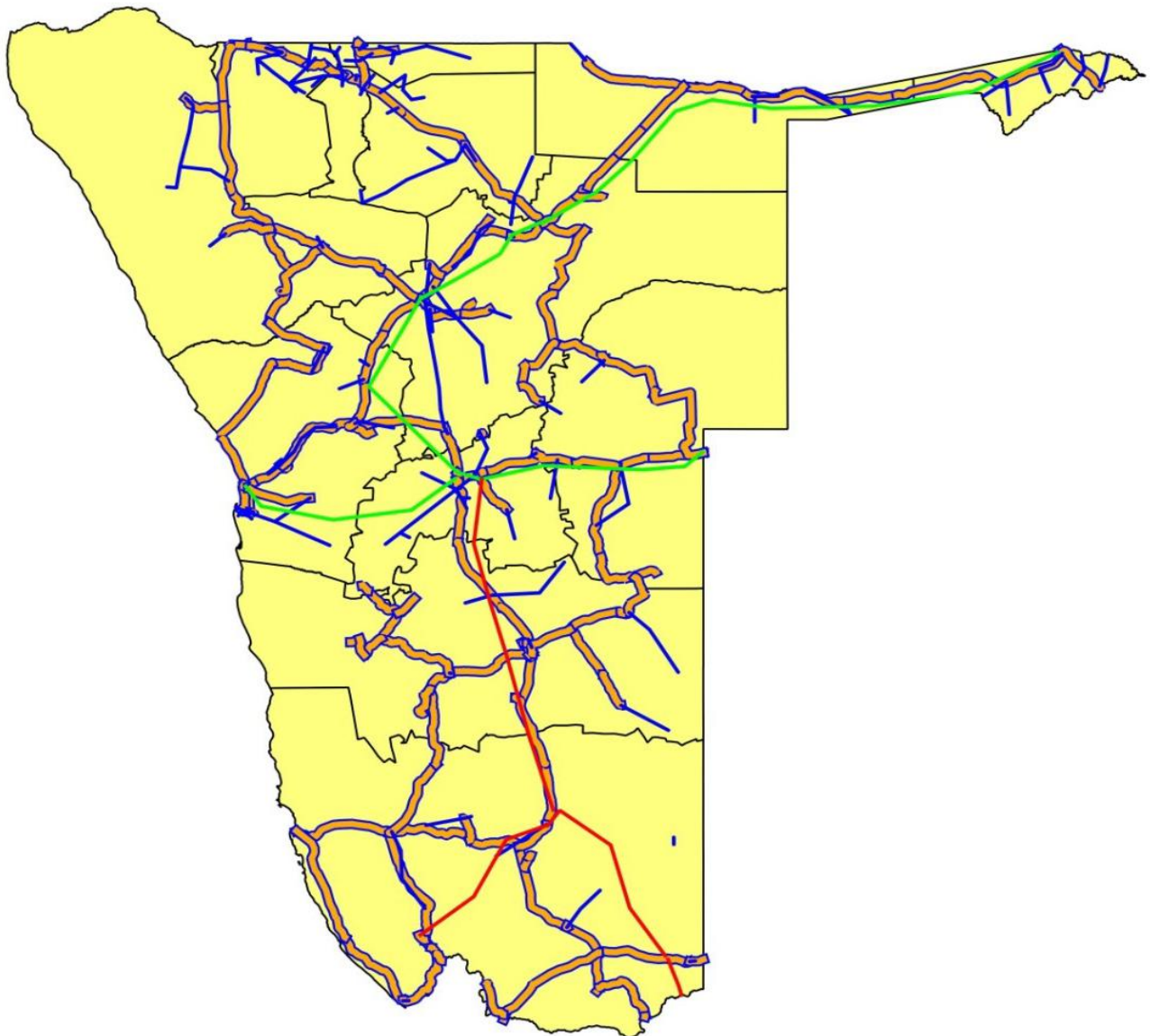
With our fixed and mobile services, we will continue with targeted investments over the coming years into core areas in order to drive growth, enhance experience for our customers, and optimize our production and operating costs.

The figure below shows Telecom Namibia major transport routes and aggregation nodes:



TN NATIONAL FIBER NETWORK

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



ORANGE – TN own constructed Fiber Routes

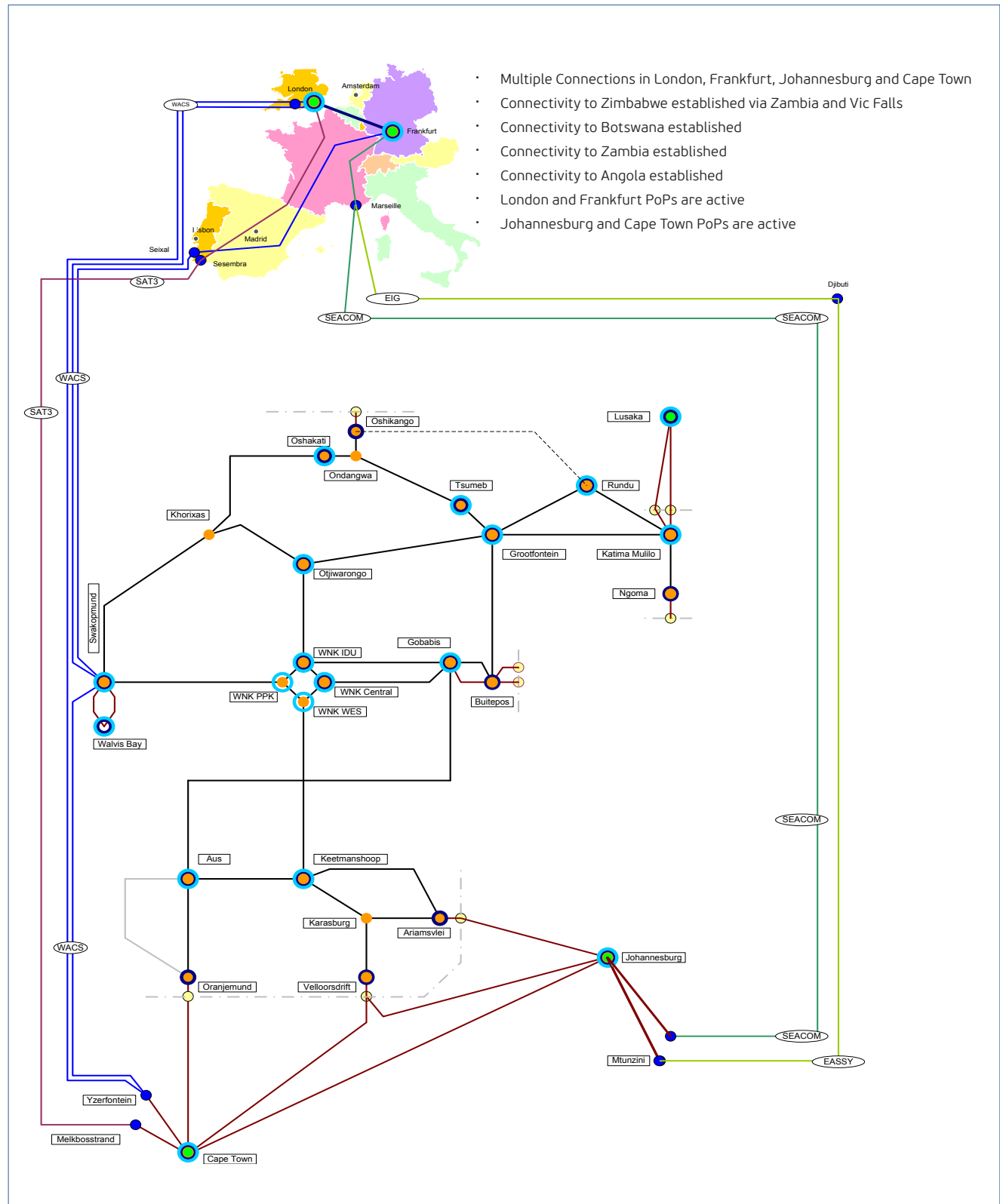
GREEN – Fiber on NAMPOWER Power Routes – in use

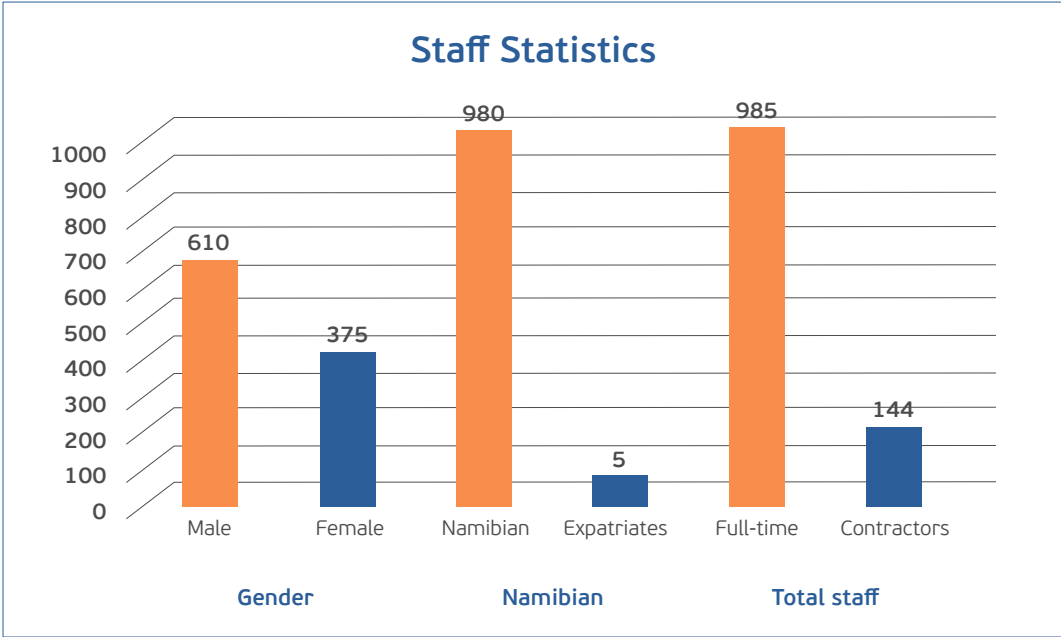
RED - Fiber on NAMPOWER Power Routes – not in use

BLUE – High Capacity Digital Microwave Routes

TN INTERNATIONAL NETWORK FOOTPRINT

Telecom Namibia has a DWDM network that carries multiple 10 Gbps links connecting towns and neighbouring countries and to the Submarine Cable Landing Station. Telecom Namibia has PoPs in Johannesburg, Cape Town, Frankfurt, London and Lusaka.





Telecom Namibia operates in an ever-changing industry which demands a constant investment in its human resources where it concerns the upgrading of skills and competency levels. We apply the concept of technology making customer expectations possible, but it is our people, that Telecom Namibia operates in an ever-changing industry which demands a constant investment in its human resources where it concerns the upgrading of skills and competency levels. We apply the concept of technology making customer expectations possible, but it is our people, that make it happen. make it happen.

OUR STAFF

During the period under review, Telecom Namibia has embarked on the process of re-aligning its organizational structure to meet the industry and customer expectations. The structure is to be signed off and implemented in the forthcoming financial period. During this process, job security amongst staff members was guaranteed, stakeholders have been engaged, and principles of affirmative action have consistently been applied.

REMUNERATION AND BENEFITS

Telecom Namibia has cascaded the total cost to company salary structuring down into the C-Band, with a further commitment that the conversion to total cost to company salary structuring will be rolled out to the B-and A-Band in the forthcoming financial period. As such, it allows the employees to structure their remuneration package so as to gain the most

tax efficient remuneration and manage their income to suit individual needs.

The NAPOTEL Pension Fund and NAPOTEL Medical Aid Fund are both in-house funds, managed by a board of trustees. Membership to the funds is compulsory for all Telecom Namibia full-time employees. These funds provide a social security net, allowing for retirement investments above inflation rates, death benefit and high quality medical protection to the employees and their dependent family members. The funds are financially sound.

PERFORMANCE MANAGEMENT

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

HUMAN CAPITAL DEVELOPMENT

To meet the challenges of rapid technological advances and changes in consumer demands, Telecom Namibia continues to upgrade and upskill the competencies of its staff. For the period under review the focus was on technical and customer-centric training. An amount of N\$ 8 million was spent on training and development, which was roughly 2% of the company's salary bill.

EMPLOYEE RELATIONS

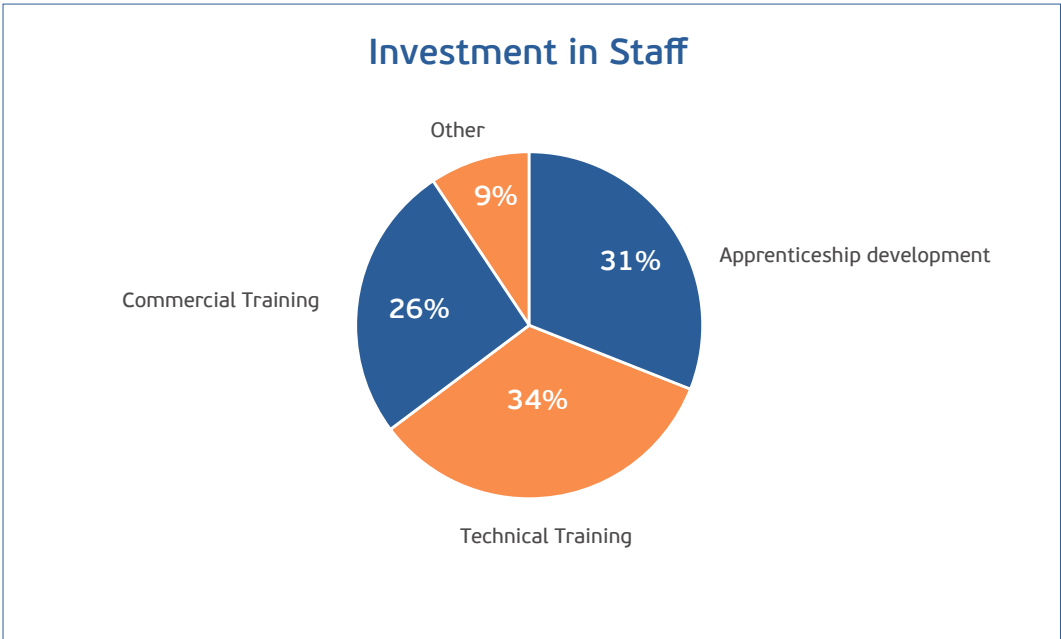
Telecom Namibia continues to enjoy industrial peace as a direct result of the relationship between management and NAPWU which had reached the milestone of 30 years reciprocated recognition. Telecom Namibia continues to engage with the NAPWU Workplace Representatives in order to find equitable solutions.

EMPLOYEE WELLNESS

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

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

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



Telecom Namibia introduces new 5 digits short codes

Old Code	Service	New Code
123	Mobile Voicemail Retrieval	12300
124	Mobile Recharge and Balance Inquiry	12400
139	Mobile Prepaid Balance Inquiry	13900
1000	Home Telemail Retrieval	10000
1001	Remote Telemail Retrieval	10011
1003	Flexicall Service	10033
1004	Flexicall Recharge	10044
1006	Call Maker Remote Charge	10066
1100	Customer Contact Center	11000
1144	lway Inquiry	11444
1188	Directory Services	11888



CORPORATE SOCIAL RESPONSIBILITY

Over the past 27 years, Telecom Namibia continued to invest in the communities within which we operate, assuring our stakeholders and the Namibian community that Corporate Social Responsibility (CSR) is an integral part of our corporate culture. By carrying out our corporate and social responsibilities we strive to build and foster harmonious relationships and provide benefits to the communities in which we operate.

As one of the leading ICT service providers in the country, Telecom Namibia actively seeks opportunities to contribute to the upliftment of the people of Namibia. In addition to striving to offer the most advanced telecommunication services to our customers, we actively contribute to the development of the communities within which we operate. Governance and compliance, processes and tools, as well as organisational policies are all important elements to enable CSR as an integrated part of daily business operations. During the year under review, CSR activities were continued, albeit on a very limited scale.

TRANSFORMATION

Telecom Namibia is committed to Economic Empowerment (EE) that is broad-based, and we support the participation of Namibians in the economy, through the procurement of goods and services from companies listed with the Namibia Preferential Procurement Corporation (NPPC). One of the objectives of the Procurement Act (Act 15 of 2015) which outlines the procurement law and regulations applicable to Telecom Namibia as a State-Owned Enterprise, encourages preferential treatment in the allocation of procurement contracts to:

- Namibian registered small and medium enterprises;
- Namibian registered joint venture business;
- Categories of Namibian manufacturers, suppliers, contractors and service providers;
- Namibian registered entities that promote the protection of the environment, maintain ecosystems and sustainable use of natural resources;
- Namibian natural persons or categories of persons, including persons who have been, economically or educationally disadvantaged by past racial discriminatory laws or practices,

In light of the above, Telecom Namibia has aligned all procurement policies and processes with the principles as set out in the Procurement Act section (2) (b). A total of 5,534 orders were placed during

the year, of which 73% were awarded to qualifying 100% fully Namibian owned company. Telecom Namibia is committed to increase spending on goods manufactured in Namibia, services and work by Namibians, in order to create jobs for Namibians in the SME sector.

EDUCATION

Telecom Namibia is committed to improving the quality of education. We implement our CSR program based on issues that we consider relevant and significant.

Mainly the digital environment, which encompasses development, provision, and management of telecommunications infrastructure and various information and communications technology (ICT) facilities to support education in Namibia, especially in rural areas. Similarly, Telecom Namibia supports community empowerment through education on making the best use of ICT to make their daily lives easier.

During this said financial period Telecom Namibia has supported various school fundraising events, geared towards upliftment of the Namibian child. Specifically, the Walvis Bay Private High School Avis Car Sale Golf Day-Fundraising, the Gobabis Primary School 50th anniversary Gala Dinner, Simataa Senior Secondary School and the Orban Primary School Prefect Parents Association in 2019, just to mention a few.

Telecom Namibia likewise supported CSI initiatives that focused on developmental, Community Arts and Culture for ICT access to uplift communities through the promotion of arts and culture, as well as Government and organisations who conduct programmes to the advancement of national programmes. Programmes supported include the Hardap Regional Council Mariental Library development programme as well as the ChiNamibia Arts Education for Development.

WOMEN EMPOWERMENT

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

Among the initiatives funded, Telecom Namibia sponsored the New Era Publication Corporation (NEPC) Inspirational Woman Winner. The event was aimed to recognize women for the patriotic and selfless role they play every day to inspire others through excellence and living a positive culture at the workplace and in society.

We also continued with our support towards the Namibian Businesswomen Club Networking Breakfast. Telecom Namibia continued to sponsor the networking breakfast meetings for businesswomen and female professionals. The format of the networking breakfast sessions provides women with an opportunity to network with other members as well as engage around presentations aimed at encouraging personal development and management skills.

The networking sessions also provide a forum for the exchange of ideas and expertise.

Another initiative we supported was the Katuka Mentorship Programme (KMP). The KMP 2019 was a success, with 28 mentors and mentees completing the programme. The programme aims to empower and encourage entrepreneurs, business and professional women to achieve success in their careers through mentorship by seasoned business and professional women. KMP is designed to facilitate career development of younger women by exposing them to the experience of individuals with established careers. In its 19th year, KMP has produced significant results in the careers of the participating mentees. To date 375 entrepreneurs and businesswomen have completed the programme.

A highlight of our involvement in the Businesswomen project was the Businesswoman of the Year Awards. Telecom Namibia sponsored the 19th Businesswoman of the Year Awards. Over 400 people from the corporate world witnessed the crowning of yet another woman who has made her mark on the local business scene. The biannual awards acknowledge and celebrate women's contribution in business and pays tribute to the hard work, determination and creativity of women within large corporations, and individuals who have left an indelible mark in the local economy and society. Another initiative is the Northern Businesswomen Conference. Telecom Namibia was a major sponsor of the annual Northern Businesswomen Conference which took place at Ongwediva in August 2019. The aim of the conference is to create an opportunity for women to share their expertise and skills, make new contacts, support one another and to create worthwhile business relationships. Together all women create a business-driven network that encourages entrepreneurship and promote personal development and management skills.



Telecom Namibia also supported various other woman groups such as the Otjijarua Women Group, and the NFA Women League, amongst others.

COMMUNITY SUPPORT

Our community involvement spanned a wide range of areas which included the sponsorship of Computers and printers for the Judea Nyaboloma and Tsintsabis Settlement inhabited by San communities. Similarly, Telecom Namibia also supported the Omaludi Agricultural Festival, Keetmanshoop Agricultural Industrial & Tourism Expo, the Channel 7 Radiothon, the Tsumeb Copper Festival, as well as the 6th annual National ICT Summit.

Telecom Namibia is a major service provider in the ICT sector, and thus continue to support the various ICT initiatives. We supported the International Collegiate Cyber Defense Invitational (ICCDI) competition, the Namibian National Cyber Security Competition (NNCSC) and the SanREN Defence Challenge.

Telecom Namibia supported the One Economy Foundation which was established as a Section 21 non-profit organisation, and its heartbeat is to actively 'Build a Bridge' to inclusivity for as many Namibians as possible. The planned projects for the One Economy Foundation take into consideration the notion that opportunity needs to be underpinned by support. The projects are primarily focused on, but not limited to enterprise development and entrepreneurship; integrated early childhood development; gender-based violence response and preventative programmes; health; and institutional strategic support.

SERVICE TO CUSTOMERS

Telecom Namibia made good progress in our efforts to improve customer experience through improving network quality, enhancement of operational efficiencies and customer touchpoints. Social media platforms have become a powerful tool to interact, communicate, and share content with stakeholders.

Telecom Namibia is using social media platforms for brand building and a mechanism to address customer complaints channeled through Facebook and Twitter accounts. A Social Media Desk was set up at the Customer Contact Centre to monitor our Facebook and Twitter accounts with the view to timely resolve customer queries and complaints.

OUR HUMAN CAPITAL

Our employees are the heart of our organization and are critical to the success of the company. They are our biggest asset and therefore we continuously strive to reinvest in them.

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

ENVIRONMENTAL PROTECTION

Environmental sustainability has risen to become an everyday concern. Paying attention to sustainability is about future-proofing our business and therefore we are dedicated to reducing the

impact of our business on the environment.

As such, we follow best environmental practices in our day-to-day business operations so that negative impacts on the environment and our stakeholders, as a result of our activities are minimised and where possible, eliminated. Telecom Namibia reduces paper trails by considering sending reports, statements and letters via email. We reuse and recycle paper in collaboration with a recycling company (Rent-a-Drum).

Similarly, we adhere to company policies and business processes to optimise space utilisation, minimise wastage of any kind while maximising productivity. Through the provision of our products and services, we reduce local and international travel, thus contributing to the reduction of the carbon footprint. We are also mindful of the necessarily large footprint the organisation makes in providing enabling technologies and strive to manage and minimise it as part of our approach.

For the 2019/20 financial year, Telecom Namibia plans to invest in social causes that will enhance the Company's strategic position within corporate Namibia. In line with policy, our CSR spend is divided between focused flagship projects and community-based projects in four key areas: education, sports, environmental conservation and social development. These key focus areas are re-assessed annually to ensure that projects supported address pertinent needs within society and are aligned to Telecom Namibia's core business objectives and imperatives.

ANNUAL FINANCIAL STATEMENTS



80.5 \$
70.2 \$
63.6 \$
55.8 \$
43.9 \$
30.8 \$



Corporate Governance Statement	38
Statement of Responsibility by the Board of Directors	46
Independent Auditor's Report	48
Statements of Financial Position	50
Statements of Profit or Loss and Other Comprehensive Income	51
Statements of Changes in Equity	52
Statements of Cash Flows	54
Notes to the Financial Statements	55
Annexure A: Standards and Interpretations	116



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' governance 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 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 NamCode, however in the period under review, Telecom Namibia has not fully complied with NamCode in respect of the following areas: In terms of the articles of association the Chief

Financial Officer (CFO) and Chief Executive Officer (CEO) are not part of the board which is a deviation from the NamCode. Regarding Board appraisal, the Board performance appraisal was conducted during the year under review, however the performance evaluation for the Board Committees has not been conducted for the year under review.

Although the company has not fully complied with NamCode as stated above, the company has to a great extent, complied with other applicable principles adopted through the NamCode by modifying and incorporating these principles into the Terms of References for Board Committees and the Board Charter. Telecom Namibia in line with the AGM's resolution of June 2016, has also amended its articles of association to align and comply with laws and corporate governance guidelines such as NamCode that came into existence after the drafting of the articles of association.

Board of Directors

Composition and appointment

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

The Board comprises of five independent Non-Executive Directors, one of whom is the Chairperson.

The composition of the Board that served during the financial year under review until 30 May 2020 are as follows:

Directors	
Independent Non-executive	Qualifications
<i>Erna I Simeon-Kurtz</i>	MA: International Business at Polytechnic of Namibia in 2011, Bachelor of Public Admin (Hons): Public Policy and Governance Major subject: Political Governance at the University of Stellenbosch in 2014; Postgraduate Diploma in Marketing at Graduate School of Marketing (IMM) SA in 2006; 3-Year Diploma in Marketing Management at Lyceum College/University of Pretoria in 1998; Senior Management Development Program (SMDP) at the University of Stellenbosch in 2006; Management Development Program (MDP) at the University of Stellenbosch in 1999; Certificate of Pension Fund Law, Faculty of Law, Centre of Business Law at University of South Africa (UNISA) in 2012.
<i>Damoline Muruko</i>	Master Degree in Public Administration of Mines and Mineral Resources at the School of Mines in France in 2009; Bachelor Juris (B-Juris) at the University of Namibia (UNAM) in 2004; Bachelor of Laws (LLB) at the University of Namibia in 2002; Currently studying towards a Master's Degree in Energy Law and Policy at the University of Dundee, Scotland.
<i>Petro Oberholster</i>	B.com Degree at the University of the Orange Free State in 1987-1990, Diploma in Higher Education at the University of Stellenbosch, Senior Management Diploma at the University Stellenbosch Business School 2003-2004.
<i>Fernando P Somaeb</i>	Bachelor of Commerce at Rhodes University 2006, Bachelor of Accounting (Hons) at UNISA 2007, Admitted as Chartered Accountant by Institute of Chartered Accountants Namibia and Public Accountants and Auditors Board.
<i>Willem G Titus</i>	Master of Business administration: Management Strategy (UNAM), Honours Degree: Business Management and Administration- University of Stellenbosch, bachelor's degree: Business Administration- Thams Valley University, National Technical Diploma- Polytechnic of Namibia.

CORPORATE GOVERNANCE STATEMENT

Board of Directors (continued)

Composition and appointment (continued)

Namibia Post & Telecom Holdings (NPTH) has appointed new board members effective 08 July 2020 until 08 July 2021. The newly appointed board is comprised of the following:

Directors	
Independent Non-executive	Qualifications
<i>Jeremia L Muadinohamba</i>	Masters in Development Finance, University of Stellenbosch Business School, Bellville-Cape Town, South Africa, 2006 Master of Administration, University of Namibia, Windhoek, Namibia, 2003 Master of International and Intercultural Management, School of International Training, Brattleboro- Vermont, United States of America 1997
<i>Fernando P Somaeb</i>	Bachelor of Commerce at Rhodes University 2006, Bachelor of Accounting (Hons) at UNISA 2007, Admitted as Chartered Accountant by Institute of Chartered Accountants Namibia and Public Accountants and Auditors Board
<i>Frieda Kishi</i>	B Proc Degree PU for CHE 1992 to 1995 Admitted Legal Practitioner
<i>Elizabeth Asino-Joseph</i>	Master of Science Degree, Rensselaer Polytechnic Institute USA 1994 to May 1996 Bachelor of Science Degree Computer Science Lincoln University USA 1991 to May 1994
<i>Shiwana Ndeunyema</i>	Doctorate in Business Administration (candidate) – Edinburgh Business School UK Master of Science in HR – Heriot-Watt University UK - 2017 B Economics (Hon) – University of Namibia - 2011 Postgraduate Diploma in HR – Edinburgh Business School UK – 2016 Cert. Knowledge Management – University of South Africa – 2012

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 of the shareholder.

Functions

The Board is the focal point of Telecom Namibia's corporate governance system, and as such has ultimate accountability and responsibility for Telecom Namibia's performance and affairs. The Board oversees the business affairs of Telecom Namibia. It assumes responsibility Telecom Namibia'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 authorisation and approval 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, and 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 public procurement Act, 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-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.

CORPORATE GOVERNANCE STATEMENT

Board of Directors (continued)

Access to information

We believe that open communication with our Directors is critical to ensuring their accountability. Therefore, all material information is disseminated to them at the Board meetings.

Before each Board meeting, Telecom Namibia's management provides the Board with information relevant to matters on the agenda. The Board also receives regular reports pertaining to the operational and financial performance of the Company. Such reports enable the Directors to keep abreast of the key issues and developments in the Company as well as the industry in general, and any challenges or opportunities for the Company.

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

Board meetings

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

In addition to the scheduled meetings held each year, the Board meets as and when warranted by circumstances. Eighteen Board meetings were held during the financial year end 30 September 2019. Directors are always required to act in good faith and in the best interests of Telecom Namibia.

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

Members	Appointed to Board	Scheduled and Ad hoc Board meetings																	
		02/10 2018	10/10 2018	29/10 2018	13/11 2018	19/12 2018	14/01 2019	13/02 2019	18/02 2019	14/03 2019	26/03 2019	20/05 2019	23/05 2019	24/06 2019	27/06 2019	16/07 2019	30/07 2019	21/08 2019	30/08 2019
<i>FP Somaeb</i>	01/06/2017	V	V	V	V	-	-	V	V	-	V	V	V	V	V	-	V	V	V
<i>I E Simeon-Kurtz</i>	01/10/2016	V	V	V	V	V	V	V	V	V	V	V	V	V	V	-	V	V	-
<i>D Muruko</i>	01/10/2016	-	V	V	V	V	V	V	V	V	V	V	V	V	V	V	V	V	V
<i>P Oberholster</i>	01/06/2017	-	-	V	V	V	V	V	V	V	V	V	V	V	V	V	V	V	V
<i>W G Titus</i>	13/02/2019	N/A	N/A	N/A	N/A	N/A	N/A	V	V	-	V	V	V	V	V	-	-	V	V

V Attended

- Apologies

N/A Was not a director at the time

Directors Remuneration

The fees for Non-Executive Directors for the financial year ended 30 September 2019 comprised a basic retainer fee, attendance fees for Board meetings and a travel allowance for those Directors who were required to travel out of their town of residence to attend Board meetings and Committee meetings.

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

CORPORATE GOVERNANCE STATEMENT

Non-executive Directors' remuneration represented by director's fees paid to the directors of the Company by the Company and its subsidiary for the year ended 30 September 2019 is summarised below:

Telecom Namibia

Name	Fees for services 2019	Fees for services 2018
<i>J Smith</i>	--	N\$ 133 654
<i>I E Simeon-Kurtz</i>	N\$ 581 920	N\$ 234 581
<i>D Muruko</i>	N\$ 467 692	N\$ 241 967
<i>P Oberholster</i>	N\$ 437 419	N\$ 209 869
<i>F P Somaeb</i>	N\$ 445 622	N\$ 229 804
<i>W G Titus</i>	N\$ 154 344	--
TOTAL	N\$ 2 086 997	N\$1 049 875

PowerCom

Name	Fees for services 2018	Fees for services 2017
<i>I E Simeon-Kurtz</i>	N\$ 130 906	N\$ 84 200
<i>F P Somaeb</i>	N\$ 63 000	N\$ 76 530
<i>J Muadinohamba</i>	N\$ 151 243	N\$ 88 950
<i>W van der Vyver</i>	N\$ 158 142	N\$ 122 250
<i>P Oberholster</i>	N\$ 44 334	--
TOTAL	N\$ 547 625	N\$ 371 930

The increase in the director's fees is mainly due to the introduction of State Owned Enterprise remuneration guidelines effective from 16 April 2018, as well as due to the fact that there were eighteen board meetings during the year compared to fourteen board meeting held in the prior year. In terms of these new guidelines the director's fees increased significantly.

Board Committees

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

The five committees are the:

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

CORPORATE GOVERNANCE STATEMENT

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

Refer to **note 37** of the financial statements for detailed disclosure of Going concern and the actions implemented by the Directors and management to support the going concern assumption.

The Committee is responsible for evaluating the cost-effectiveness of audits, the independence and objectivity of the external auditors and the nature and extent of the non-audit services provided by the external auditors. It also makes recommendations to the Board on the appointment or re-appointment of the external auditors.

In addition, the Committee reviews and approves the Telecom Namibia Internal Audit Charter, in order to ensure the adequacy of the internal audit function. At the same time, it ensures that the internal audit function is adequately resourced and has appropriate standing within Telecom Namibia. The external auditors attend the meetings of the Audit Committee by invitation and have access to the Audit Committee Chairperson. The Company's internal audit and risk management function carries out reviews and internal control advisory activities that are aligned to the key risks in the Company's business. The function provides independent assurance to the Audit Committee on the adequacy and effectiveness of Telecom Namibia's risk management, its financial reporting process and the internal control and compliance system.

The Head of Internal Audit reports directly to the Chairperson of the Audit Committee with a dotted line of responsibility to the CEO. The Directors are responsible for the accuracy of the information contained in 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 on pages 50 to 116 have been prepared by management in compliance with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of the IASB and the Namibian Companies Act.

The financial statements incorporate full and reasonable disclosure and are based on appropriate accounting policies which, apart from the implementation of new and revised Standards, have been consistently applied and are supported by reasonable and prudent estimates and judgements. The external auditors are responsible for carrying out an independent examination of the financial statements in accordance with International Standards on Auditing and reporting their opinion thereon. Their report is set out on pages 48 to 49.

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

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

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

Deloitte & Touché Namibia resigned on 16 September 2019 and PricewaterhouseCoopers Namibia (PwC) was appointed effective from 18 October 2019.

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

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

CORPORATE GOVERNANCE STATEMENT

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 2019:

- Organisational structure;
- Retention scheme;
- Succession policy and planning;
- Update of the code of conduct; and
- Appointment of the critical role of CFO.

Commercial Committee

Terms of reference

The Commercial Committee is delegated by the Telecom Namibia's Board of Directors and supports the Board in execution of its duties. The Committee functions on behalf of the Board and is accountable to 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: Corporate Governance, Legal Services and Regulatory Affairs are invitees to this committee meetings.

Significant items discussed in 2019:

- Strategic partnerships;
- Capacity upgrades;
- Corporate social responsibility plan; and
- Customer service initiatives.

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.

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 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. The provision for doubtful debts has been determined in line with the new International Accounting Standard on Financial Instruments (IFRS 9) using the expected credit loss model. Refer to note 35.

Executive Committee

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

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

CORPORATE GOVERNANCE STATEMENT

Board of Directors (continued)

Board Committees (continued)

Executive Committee (continue)

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:

L Hiwilepo	Acting Chief Executive Officer
H Sircoulomb	Chief Human Resources Officer
J Uremena	Acting Chief Financial Officer (effective April 2018 to 14 October 2019)
S Kisting	Chief Financial Officer (appointed 15 October 2019)
L Shuuya	Acting Chief Technical Information Officer
C Muniswaswa	Chief Commercial Officer
A Perny	Chief Marketing Officer
A Hangula	Acting Manager: Internal Audit
J Buys	Head: Corporate Governance, Legal Services and Regulatory Affairs
N Kondombolo-Kambinda	Head: Corporate Communications and Public Relations

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.

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

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

STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

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

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

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

The effectiveness of the current billing system still 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 2019 of N\$15 million (2018 – restated loss: N\$24 million) and the Company reported a N\$24 million loss (2018 - restated: N\$50 million loss) respectively. Current liabilities exceeded current assets by N\$218 million (2018 - restated: N\$132 million) for the Group and by N\$241 million (2018 - restated: N\$131 million) for the Company at year-end. In line with strategic objectives, the Group aims to achieve earnings before interest, taxes, depreciation and amortization (EBITDA) margin of 30% plus by 2020 by focusing on revenue growth, reducing operating expenses and managing capital expenditure.

STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

The Company has been aiming to return to profitability since 2017. This is despite the impact of the inflexibility of the shareholder to restructure the cumulative redeemable preference shares, the details of which are set out in note 21. The terms and conditions of the preference shares had an adverse effect on the reported results from operations and the financial position of the Company and the Group.

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

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

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

The financial statements have been audited by the independent external auditors, 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. The external auditor's report is presented on pages 48 to 49.

The financial statements set out on pages 50 to 116 were approved and authorised for issue by the Board of Directors on 17 July 2020 and are signed on their behalf by:



Chairperson



Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS 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 2019, 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 50 to 116 comprise:

- the consolidated and separate statements of financial position as at 30 September 2019;
- 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 sections 290 and 291 of the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Revised July 2016), parts 1 and 3 of the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (Revised July 2018) (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 comprises the information included in the document titled "Telecom Namibia Limited Group Annual Financial Statements for the year ended 30 September 2019". 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, 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.

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.

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

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: R. Nangula Uaandja

Partner

Windhoek

Date: 23 July 2020

PricewaterhouseCoopers, Registered Auditors, 344 Independence Avenue, Windhoek, P O Box 1571, Windhoek, Namibia Practice Number 9406,
T: +264 (61) 284 1000, **F:** +264 (61) 284 1001, www.pwc.com.na

Country Senior Partner: Chantell N Husselmann

Partners: R Nangula Uaandja, Louis van der Riet, Anna EJ Rossouw (Partner in charge: Coast), Gerrit Esterhuyse, Samuel N Ndahangwapo, Hans F Hashagen, Johannes P Nel, Trofimus Shapange, Hannes van den Berg, Willem A Burger

STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2019

	Notes	Group 2019 N\$'000	Restated Group 2018 N\$'000	Restated Group 2017 N\$'000	Company 2019 N\$'000	Restated Company 2018 N\$'000	Restated Company 2017 N\$'000
ASSETS							
Non-current assets							
Property, plant and equipment	4	1 295 632	1 350 222	1 434 737	1 189 693	1 239 712	1 317 293
Intangible assets	5	115 261	122 860	145 680	95 663	101 870	123 298
Investment in subsidiaries	6	--	--	--	--	--	--
Investment in associates	6	--	--	--	--	--	--
Finance lease receivable	9	7 589	13 961	13 785	7 589	13 961	13 785
Contract Asset	12	15 520	--	--	15 520	--	--
Amounts owing by subsidiaries	13	--	--	--	150 000	150 000	150 000
Deferred tax asset	19	58 593	36 779	24 877	--	--	--
		1 492 595	1 523 822	1 619 079	1 458 465	1 505 543	1 604 376
Current assets							
Inventories	10	45 884	59 728	61 599	45 884	59 728	61 599
Trade and other receivables	11	272 215	298 541	322 519	270 756	297 924	321 268
Amounts owing by fellow subsidiaries	13	7 293	10 573	4 862	23 261	33 290	28 930
Amounts owing by holding company	13	6 049	5 190	4 177	6 049	5 190	4 177
Short-term portion finance lease receivable	9	4 422	23 250	17 842	4 422	23 250	17 842
Cash and cash equivalents	14	59 869	51 535	25 217	38 531	43 299	21 361
Other financial assets	22	10 000	16 000	--	--	--	--
Contract Asset	12	5 905	--	--	5 905	--	--
		411 637	464 817	436 216	394 808	462 681	455 177
Non-current assets classified as held for sale	15	--	23 729	25 836	--	23 729	25 836
Total current assets		411 637	488 546	462 052	394 808	486 410	481 013
Total assets		1 904 232	2 012 368	2 081 131	1 853 273	1 991 953	2 085 389
EQUITY							
Capital and reserves attributable to the company's equity holders							
Share capital	16	154 530	154 530	154 530	154 530	154 530	154 530
Retained earnings		273 782	254 482	278 844	233 383	253 436	303 674
Total equity		428 312	409 012	433 374	387 913	407 966	458 204
LIABILITIES							
Non-current liabilities							
Post-retirement medical benefit obligations	17	56 501	57 460	56 687	56 501	57 460	56 687
Long-term borrowings	18	30 000	56 776	95 651	30 000	56 776	95 651
Deferred tax liabilities	19	200 220	233 282	225 689	184 969	217 587	209 548
Other financial liabilities	21	75 803	112 715	17 593	75 803	112 715	17 593
Deferred revenue	23	81 877	121 670	120 940	81 877	121 670	120 940
Rental payable straight line basis adjustment		1 470	613	181	--	--	--
Preference Shares	21	400 000	400 000	400 000	400 000	400 000	400 000
		845 871	982 516	916 741	829 150	966 208	900 419
Current liabilities							
Trade and other payables	20	487 738	365 573	280 194	482 346	360 352	275 944
Current Tax payable	28	--	--	--	--	--	--
Short-term portion long-term borrowings	18	26 776	38 858	79 024	26 776	38 858	79 024
Amounts owing to fellow subsidiaries	13	8 730	6 589	699	20 283	8 749	699
Amounts owing to holding company	13	--	81 479	232 495	--	81 479	232 495
Other financial liabilities	21	--	10 283	2 237	--	10 283	2 237
Short-term portion deferred revenue	23	104 846	118 058	136 367	104 846	118 058	136 367
Unearned Interest Mobile Devices	24	1 959	--	--	1 959	--	--
Total current liabilities		630 049	620 840	731 016	636 210	617 779	726 766
Total liabilities		1 475 920	1 603 356	1 647 757	1 465 360	1 583 987	1 627 185
Total equity and liabilities		1 904 232	2 012 368	2 081 131	1 853 273	1 991 953	2 085 389

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Notes	Group 2019 N\$'000	Restated Group 2018 N\$'000	Company 2019 N\$'000	Restated Company 2018 N\$'000
Revenue		1 573 875	1 540 411	1 553 701	1 529 717
Distribution costs		(335 950)	(340 245)	(355 434)	(363 167)
Administrative expenses		(851 580)	(817 211)	(835 540)	(802 033)
Impairment loss		(23 729)	--	(23 729)	--
Regulatory levies	29	(75 827)	(13 952)	(75 731)	(13 952)
Other operating expenses		(366 771)	(288 650)	(358 098)	(279 384)
Other Expenses/ (Income)		521	4 551	(25)	862
Operating (Loss)/Profit	25	(79 461)	84 904	(94 856)	72 043
Finance income	26	7 924	5 192	6 206	4 514
Finance costs	26	(8 629)	(15 141)	(8 611)	(15 130)
Share of results of associates after tax	6	--	--	--	--
(Loss)/Profit before fair value adjustment: Preference Share		(80 166)	74 955	(97 261)	61 427
Fair Value Adjustment: Preference Share	8	36 911	(105 414)	36 911	(105 414)
Loss before tax		(43 255)	(30 459)	(60 350)	(43 987)
Taxation	28	55 996	4 881	33 738	(7 467)
Profit/ (Loss) for the year		12 741	(25 578)	(26 612)	(51 454)
Other comprehensive Profit/(Loss) for the year net of tax					
Items that will not be reclassified subsequently to profit or loss:		2 381	1 216	2 381	1 216
Remeasurement of defined benefit obligation	17	3 501	1 788	3 501	1 788
Income tax relating to items that will not be reclassified subsequently to profit or loss		(1 120)	(572)	(1 120)	(572)
Total comprehensive Profit/(Loss) for the year		15 122	(24 362)	(24 231)	(50 238)
Profit/ (Loss) for the year attributable to:					
Equity holders of the company		12 741	(25 578)	(26 612)	(51 454)
Total comprehensive Profit/(Loss) for the year attributable to:					
Equity holders of the company		15 122	(24 362)	(24 231)	(50 238)

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2019

Consolidated

	Notes	Share capital N\$'000	Retained earnings N\$'000	Total N\$'000
Balance at 01 October 2017- restated		154 530	278 844	433 374
As previously reported		534 700	280 383	815 083
Prior year adjustment- Preference share	39.1	(380 170)	(19 830)	(400 000)
Prior year adjustment-Deferred tax	39.2	--	18 291	18 291
Total comprehensive loss for the year - restated		--	(24 362)	(24 362)
Loss for the year as previously reported		--	(58 236)	(58 236)
Prior year adjustment- Preference share	39.1		19 830	19 830
Prior year adjustment-Deferred Tax	39.2	--	12 828	12 828
Loss for the year - restated		--	(25 578)	(25 578)
Other comprehensive profit for the year		--	1 216	1 216
Balance at 30 September 2018 - restated		154 530	254 482	409 012
- Change in accounting policy	38	--	4 178	4 178
As restated at 1 October 2018		154 530	258 660	413 190
Total comprehensive loss for the year		--	15 122	15 122
Profit for the year		--	12 741	12 741
Other comprehensive profit for the year		--	2 381	2 381
Balance at 30 September 2019	16	154 530	273 782	428 312

No dividends were paid or declared during the year (2018: Nil).

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2019

Company

	Notes	Share capital N\$'000	Retained earnings N\$'000	Total N\$'000
Balance at 01 October 2017		154 530	303 674	458 204
As previously reported		534 700	305 213	839 913
Prior year adjustment- Preference share	39.1	(380 170)	(19 830)	(400 000)
Prior year adjustment-Deferred tax	39.2	--	18 291	18 291
Total comprehensive loss for the year - restated		--	(50 238)	(50 238)
Loss for the year as previously reported		--	(84 112)	(84 112)
Prior year adjustment- Preference share	39.1		19 830	19 830
Prior year adjustment-Deferred Tax	39.2	--	12 828	12 828
Loss for the year - restated		--	(51 454)	(51 454)
Other comprehensive profit for the year		--	1 216	1 216
Opening balance on 01 October 2018- restated		154 530	253 436	407 966
- Change in accounting Policy	38	--	4 178	4 178
As restated at 1 October 2018		154 530	257 614	412 144
Total comprehensive loss for the year		--	(24 231)	(24 231)
Loss for the year		--	(26 612)	(26 612)
Other comprehensive profit for the year		--	2 381	2 381
Balance at 30 September 2019		154 530	233 383	387 913

No dividends were paid or declared during the year (2018: Nil).

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Notes	Consolidated 2019 N\$'000	Restated Consolidated 2018 N\$'000	Company 2019 N\$'000	Restated Company 2018 N\$'000
Cash flow from operating activities					
Operating (loss)/profit		(79 461)	84 904	(94 856)	72 043
Adjustment for:					
Post-retirement medical benefit obligations	17	6 029	5 874	6 029	5 874
Loss on scrapping of property, plant and equipment and intangible assets	25	1 696	5 953	1 691	5 834
Loss on impairment of non-current assets held for sale	15	23 729	2 107	23 729	2 107
Straight-line adjustment of rent payable		853	432	--	--
Other non-cash items		(47)	--	(51)	--
Depreciation of plant & equipment	25	204 434	197 655	197 555	189 916
Amortisation of intangible assets	5	16 940	26 929	15 548	25 537
Foreign exchange loss		9 201	3 734	9 201	3 734
Working capital changes	30	38 503	(58 201)	55 316	(56 295)
Cash generated from operations		221 877	269 387	214 162	248 750
Interest received	26	7 924	5 192	6 206	4 514
Interest paid	26	(8 629)	(14 459)	(8 611)	(14 448)
Preference Share Dividend Paid	21	(10 283)	(2 246)	(10 283)	(2 246)
Subsidies paid on post-retirement medical benefit obligation	17	(3 487)	(3 313)	(3 487)	(3 313)
Net cash flow from operating activities		207 402	254 561	197 987	233 257
Cash flow from investing activities					
Movement on finance lease receivable		3 821	(5 584)	3 821	(5 584)
Plant and equipment acquired	4	(153 373)	(121 463)	(151 060)	(120 539)
Intangible assets acquired	5	(7 457)	(2 421)	(7 457)	(2 421)
Proceeds on disposal of property, plant & equipment		--	--	--	--
Sale/(Purchase) of financial assets		6 000	(16 000)	--	--
Net cash flow used in investing activities		(151 009)	(145 468)	(154 696)	(128 544)
Cash flow from financing activities					
Long-term loans repaid	18	(38 858)	(30 008)	(38 858)	(30 008)
Net cash flow used in financing activities		(38 858)	(30 008)	(38 859)	(30 008)
Net movement in cash and cash equivalents		17 535	79 085	4 433	74 705
Cash and cash equivalents at beginning of year		51 535	(23 816)	43 299	(27 672)
Exchange differences		(9 201)	(3 734)	(9 201)	(3 734)
Cash and cash equivalents at end of year	14	59 869	51 535	38 531	43 299

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

1. Summary of significant accounting policies

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

1.1 Basis of preparation

The financial statements are prepared in accordance with and comply with International Financial Reporting Standards (IFRS) and the Namibian Companies Act. These financial statements have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS). The principal accounting policies adopted in the preparation of these financial statements are set out below and are consistent with those of the previous year unless otherwise stated.

The 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.

Standards with interpretations that are adopted for the first time by the Group are set out in note 2 together with those standards that are not effective and will be effective in future years.

1.2 Property, plant and equipment

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

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

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

Rates of depreciation currently applied are as follows:

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

Gains and losses on disposal or retirement of plant and equipment are determined by reference to the proceeds and their carrying amounts and are 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. In the 2017 financial year, the useful life of the billing engine software was extended to 7 years to reflect the current use of the asset.

Research costs are recognised in profit or loss when incurred.

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

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.

1.4 Non-current assets held for sale

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

1. Summary of significant accounting policies (continued)

1.5 Impairment of non-financial assets

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

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

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 Taxation

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

Current tax

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

Deferred tax

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

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

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

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

1.8 Financial Instruments (IFRS 9)

Transition

Telecom Namibia adopted IFRS 9 on 1 October 2018. Telecom Namibia also adopted the consequential amendments to IFRS 7 Financial Instruments: Disclosure. Telecom Namibia have applied the requirements of IFRS 9 retrospectively as required but have elected to apply the practical expedient that does not require the re-statement of prior period comparative figures. As a result, the information relating to Financial Instruments for the financial year ended 30 September 2018 does not reflect the requirements of IFRS 9 but rather those of IAS 39 Financial Instruments: Recognition and Measurement.

Financial instruments recognised by Telecom Namibia include:

- Loans receivable;
- Trade and other receivables;
- Contract Assets;
- Cash and cash equivalents;
- Long term borrowings;
- Inter-company loans receivable and payable;
- Bank overdrafts; and
- Trade and other payables.

Initial Measurement

All financial instruments, including derivative instruments, are recognized on the Statements of financial position. Financial instruments are initially recognized 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

Financial liabilities and equity instruments are classified according to the substance of the contractual agreement on initial recognition. Refer to note 38 for the impact of IFRS 9 on the classification of financial instruments. Subsequent to initial recognition, these instruments are measured as set out below.

Subsequent measurement: Financial Assets

Measurement Category	Criteria
Fair Value Through Profit and 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 principle and interest on the principle balance outstanding.
Equity securities at Fair Value Through Other Comprehensive Income (FVOCI)	The asset is not held for trading and Telecom 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 principle and interest on the principle balance outstanding.

Trade Receivables, Loan Receivable and Contract Assets

Trade Receivables, Loan Receivable and Contract Assets are measured at amortized cost using the effective interest rate method less any expected credit losses. Interest income is recognized by applying the effective interest rate except for short-term receivables, when the recognition of interest would be immaterial.

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: • 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.

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 amortized cost using the effective interest method.

Interest-bearing debt

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

Non-interest-bearing debt

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

Trade and other payables

Trade and other payables are stated at cost.

Bank overdrafts and other short-term borrowings

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

Effective interest rate method

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

1. Summary of significant accounting policies (continued)

1.8 Financial Instruments (IFRS 9) (continued)

De-recognition

Financial assets are de-recognized when the rights to receive cash flows from the assets have expired or have been transferred and Telecom Namibia has transferred substantially all risks and rewards of ownership.

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

Modification of financial liabilities

A substantial modification of the terms of an existing debt instrument or part of it is accounted for as an extinguishment of the original debt instrument and the recognition of a new debt instrument.

Gains or losses arising from the modification of the terms of a debt instrument are recognized immediately in profit or loss where the modification does not result in the de-recognition of the existing instrument.

Equity Instruments

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

Compound instruments

The component part of compound instruments issued by the Group is classified separately as financial liabilities and equity, in accordance with the substance of the contractual arrangements and the definitions of a financial liability and equity instrument. At the date of issue, the fair value of the liability component is estimated using the prevailing market rates for similar non-convertible instruments.

This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The conversion option classified as equity will be determined by deducting the amount of the liability component from the fair value of the compound instruments. This is recognised and included in equity, net of income tax effects, and is not subsequently re-measured. In addition, the conversion option classified, as equity will remain in equity until the conversion option is exercised. No gain or loss is classified in profit and loss upon conversion or expiration of the conversion option.

Derivative financial instruments

Derivative financial instruments, principally forward foreign exchange contracts, interest rate and currency swap agreements are used by the Group in its management of financial risks. The Group's objective in using derivative financial instruments is to reduce the uncertainty over future cash flows arising from movements in currency and interest rates. The risks being hedged are exchange losses due to unfavourable movements between the Namibian dollar and foreign currencies and the movements in interest rates. Currency and interest exposure 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 are re-measured at subsequent reporting dates. The fair value of foreign exchange contracts, interest and currency rate swaps represent the estimated amounts the Group would receive, should the contracts be terminated at the reporting date, thereby considering the unrealized gains or losses.

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.

Impairment

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, ECLs are determined using a simplified parameter-based approach. The ECL is revised annually.

Macro-Economic Factors

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); 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.

Loss History

Refer to note 35 which details how the loss ratio was determined.

Initial recognition and measurement

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

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

Fair value methods and assumptions

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

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

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

De-recognition of assets and liabilities

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

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

Effective interest rate method

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

Financial assets

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

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

Financial assets at FVTPL

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

Held-to-maturity investments

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

Available-for-sale financial assets

Unlisted shares held by the Group, whose fair value cannot be reliably determined, are classified as being AFS and are stated at cost. These assets are assessed for indicators of impairment at each reporting date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition of the asset, the estimated future cash flows of the investment have been impacted.

Loans and receivables

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

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

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. Trade and other receivables originated by the Group are stated at their cost less a provision for impairment. An estimate of impairment is made based on a review of all outstanding amounts at reporting date and posted against a provision account. When the trade receivable is uncollectible, it is written off against the provision account. Bad debts are written off during the period in which they are identified.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions that correlate with the default on receivables.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Bank and cash balances

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

Classification of debt or equity

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

Financial liabilities

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

1. Summary of significant accounting policies (continued)

1.8 Financial Instruments (IFRS 9) (continued)

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

Interest-bearing debt

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

Non-interest-bearing debt

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

Trade and other payables

Trade and other payables are stated at cost.

Bank overdrafts and other short-term borrowings

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

Equity instruments

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

Compound instruments

The component part of compound instruments issued by the Group is classified separately as financial liabilities and equity, in accordance with the substance of the contractual arrangements and the definitions of a financial liability and equity instrument. At the date of issue, the fair value of the liability component is estimated using the prevailing market rates for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The conversion option classified as equity will be determined by deducting the amount of the liability component from the fair value of the compound instruments as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently re-measured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised. No gain or loss is classified in profit and loss upon conversion or expiration of the conversion option.

Derivative financial instruments

Derivative financial instruments, principally forward foreign exchange contracts, interest rate and currency swap agreements are used by the Group in its management of financial risks.

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

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

1.10 Cash and cash equivalents

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

1.11 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Contingent liabilities are disclosed when there is either a:

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

1.12 Government grants

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

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

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

There were no balances relating to government grants in current year.

A Group company is the lessee

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

A Group company is the lessor

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

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

1.14 Dividends

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

1.15 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.

1.16 Short-term and other long-term employee benefits

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.

1.17 Revenue from contracts with customers- With adoption of IFRS 15

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 as well as from the sale of mobile devices.

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.

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

Network services

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 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.

The cost for Telecom Namibia to provide the bandwidth are deemed to be negligible. The network was built prior to the foundation of Telecom Namibia in 2007 and the maintenance and upkeep of these facilities is negligible. Bandwidth is effectively unlimited for Telecom Namibia and as such there is no opportunity cost of provision.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

1. Summary of significant accounting policies (continued)

1.17 Revenue from contracts with customers- With adoption of IFRS 15 (continued)

Network services (continued)

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.

Customers either pay in advance for these services or pay monthly in equal instalments 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

Telecom Namibia sells a range of mobile devices. The company recognises revenue when customers obtain control of mobile devices, being when the customers take possession of the devices. 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 instalments over a period of twenty four months.

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 recognises interest revenue over the period between satisfying the related performance obligation and receipt of payment.

Telecom Namibia bases 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.

The company provides interconnect and roaming 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

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).

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 amortization 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

Pre-paid products may include deliverables such as a SIM card, a handset and airtime and are defined as arrangements with multiple deliverables. The arrangement consideration is allocated to each deliverable based on the fair value of each deliverable on a standalone basis as a percentage of the aggregated fair value of the individual deliverables.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

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

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

Interest

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

Revenue recognition policy prior to adopting IFRS 15 on 1 October 2018

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

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

Post-paid products

Post-paid products may include deliverables such as a SIM card, a handset and a fixed period service and are defined as arrangements with multiple deliverables. The arrangement consideration is allocated to each deliverable based on the fair value of each deliverable on a standalone basis as a percentage of the aggregated fair value of the individual deliverables.

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

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

Pre-paid products

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

- Revenue from SIM cards, representing activation fees, is recognised

upon activation of the SIM card by the pre-paid customer.

- Airtime revenue is recognised on the usage basis. The unused airtime is deferred in full.
- Deferred revenue related to unused airtime is recognised when utilised by the customer.

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

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

Data service revenue

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

Sale of equipment

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

Other revenue and income:

Interconnect and international revenue

Interconnect and international revenue are recognised on the usage basis.

Interest

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

Rental income

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

1.18 Basis of consolidation

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

1. Summary of significant accounting policies (continued)

1.18 Basis of consolidation (continued)

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

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

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

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Subsidiaries

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Company. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued, and liabilities incurred or assumed at the date of exchange. Costs directly attributable to the acquisition are recognised in profit or loss as incurred. Identifiable assets acquired and liabilities that meet the conditions for recognition, and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Inter-Company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated and considered an impairment indicator of the asset transferred. Where necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies in line with those used by other members of the Group.

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20 per cent and 50 per cent of the voting rights. An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or when the investment is classified as held for sale. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

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

The Group's share of its associates' post-acquisition profits or losses and other comprehensive income is recognised in profit or loss and other comprehensive income and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate 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.

Goodwill

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

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

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to other assets of the unit pro rata, based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss.

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

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

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

1.19 Foreign currency translation:

Functional and presentation currency

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

Transactions and balances

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

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

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

1.20 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.

1.21 Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience as well as other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed below:

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

1. Summary of significant accounting policies (continued)

1.21 Critical accounting estimates and judgements (continued)

Subsequent Measurement

Measurement Category	Subsequent Measurement
Amortised Cost	These financial assets are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Interest income, foreign exchange gains and loss, and impairments are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Equity Securities at Fair Value through Other Comprehensive Income (FVOCI)	These financial assets are subsequently measured at fair value. Dividends are recognised in profit or loss when the right to receive payment is established. Other gains and losses are recognised in Other Comprehensive Income (OCI) and never reclassified to profit or loss
Financial Assets at FVOCI	These financial assets are subsequently measured at fair value. Interest income is calculated using the effective interest method, foreign exchange gains and losses and impairments are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Offsetting

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.

Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The fair value of non-traded instruments is determined by applying the prevailing market discount rate on the nominal value of the instrument.

Useful lives and residual values of property, plant and equipment

Plant and equipment are depreciated over their useful lives 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 programmes 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. During the year under review, a detailed assessment was done on the useful lives of the telecommunications network assets.

Useful lives and residual values of intangible assets

The actual lives and residual values of intangible assets are assessed annually and may vary depending on 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.

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 17.

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. No impairment loss was recognised on assets during the 2019 financial year (2018: Nil).

Impairment of intangible assets

Intangible assets with finite lives are amortised over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The intangible asset of N\$27.8 million attributable to the '085' number, frequency and spectrum obtained from Powercom (Pty) Ltd was assessed for impairment considering the existing benefits obtained from the asset, market conditions and technological factors. The carrying amount of the asset was considered to be lower than its recoverable amount and therefore no impairment loss was raised in 2019 (2018: Nil).

Going concern

Key assumptions were made concerning the future when management performed the assessment for going concern at year-end. Details of the going concern assumptions are reflected in note 37.

Assets held for sale

Mundo Startel (MST)

The Group had made a formal decision to dispose of its 44% shareholding in an associate, Mundo Startel in the 2011 financial year. 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

So far and throughout the 2019 financial year, the Group continued to pursue all avenues to dispose of this investment in associate. As part of this initiative, a consultant was appointed to support Telecom Namibia in the due process.

In terms of the agreement that the Company has with Mundo Startel, Telecom Namibia had to invest a total of USD53 million in Angola, however as at reporting date, the company had only invested USD15 million. The remaining amount is thus disclosed as a contingent liability in note 34.

Property, plant and equipment

The Group entered into a USD8 million agreement with ZTE Corporation of China for the sale of its code-division multiple access (CDMA) equipment with a net book value of N\$62 million, as part of the supply and installation of the GSM/LTE/4G network agreement. The sale of the assets is dependent on capital investment in the GSM network and at year-end, a portion of the assets (58%), with a carrying amount of N\$36 million, was deemed sold. The remaining portion of the assets (42%), with a carrying amount of N\$26 million was classified as held for sale at 30 September 2016.

The agreement for the sale of the CDMA equipment expired on 31 January 2019 and the fair value less cost to sell of the equipment was assessed to be nil. During the current year an impairment loss of N\$23.7 million (2018: N\$2.1 million) was recognized.

Preference shares

Forty million redeemable cumulative preference shares of N\$10 each were issued to Namibia Post and Telecom Holdings Limited on 16 June 2016. Cumulative preference dividends are payable on a minimum of 25% of after-tax profits. The shares are redeemable after a period of ten years at the discretion of the Company provided that any accrued dividends are paid in full. The redeemable cumulative preference shares have voting rights. The issue price and number of the preference shares was changed in an Addendum to the Main agreement on 16 March 2017 to four hundred redeemable cumulative preference shares with an issue price of N\$1 000 000 (being the par value N\$1 and a premium of N\$999 999).

The redeemable cumulative preference shares are classified as a compound financial instrument in accordance with the substance of the contractual arrangements.

At 30 September 2019, the Company reported a loss of N\$97 million before the preference share valuation adjustment of N\$36 million and therefore management made a decision to revise the liability portion that was raised for the 2019 financial year as Telecom does not have an obligation to pay the dividend as the company did not report a profit before the preference share valuation

In the 2017/2018 financial year, significant judgement was used by management to determine the liability from the cumulative dividend as per preference share agreement and a liability of N\$122 million was recorded as at 30 September 2018 which includes an estimation of N\$17 million for the 2018/2019 financial year.

Due to the losses incurred during the current year, this casts doubt on the reasonability of the estimates raised and therefore management revised the estimated profit taking into consideration the actual results for 2019 and the current year to date results for the 2020 financial year. As at 30 April 2020, the company reported a profit before tax reported of N\$10.24 million which is 12% of the YTD budgeted profit.

Taking into consideration the revision of the revised estimates for 2020 and beyond, the finance liability is estimated to decrease from N\$112 million to N\$95 million due to the revision of the 2019 estimates and to

N\$75.8 million due to the revision of the estimates for 2020, increasing the profit for the year by N\$36 million. The initial estimates for the duration of the instrument was based in the approved budget of 2018/2019 with a growth rate of 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 prime rate of 10.25% to discount the cash flows. Due to the fact that all the interest rates in the Namibian market are usually driven by the prime rate and also that Namibia Post and Telecom Holdings Limited to whom these future dividends are due is a Namibian company, management considered this rate to be appropriate for discounting future cash flows. Due to the evolving nature of the Telecommunications industry and the fact that revenue generally grows only by 2% year-on-year, management has considered the cash flows to increase with 4% year on year from the 2018/2019 financial year onwards.

Regulatory levy

The Communications Regulatory Authority of Namibia (CRAN) implemented a levy of 1.5% on total turnover in September 2012. Telecom Namibia challenged CRAN regarding the basis on which the levy is calculated and was successful, with the High Court giving its ruling in September 2016 that the levy was unlawful and unconstitutional. Following CRAN's appeal of the High court's decision on the levy matter, the Supreme Court upheld the decision of the High court and ruled that section 23 (1) is unconstitutional however the Supreme court held that Telecom should pay the Levy from September 2012 to date of "this judgement". The parties have since been struggling to reach consensus regarding the interpretation of what the court meant when it said, "the date of this judgement".

It is not clear as to whether the court meant the Supreme court judgement (2018) or the High court judgement (2016) when it said "this judgement" in its ruling. This remains subject to legal challenges. In the meantime, CRAN, cannot execute the judgement as judgement does not state an amount to be paid by Telecom and the calculation of that amount will depend on the above-mentioned issue.

The Company recognises that a levy will be charged, and significant judgement was used by management to determine the basis for calculating the levy at 1% of only those revenue streams that need a license from CRAN. The contingent liability has been determined as the difference between what CRAN considers is due to them as well as what Telecom Namibia considers as due to CRAN and is disclosed as a contingent liability in note 34.

2. Adoption of new and revised Standards

2.1 New and amended IFRS Standards that are effective for 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:

IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurements of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

2. Adoption of new and revised Standards (continued)

2.1 New and amended IFRS Standards that are effective for the current year (continued)

IFRS 9 Financial Instruments (continued)

Another revised version of IFRS 9 was issued in July 2014 mainly to include (a) impairment requirements for financial assets; and (b) limited amendments to the classification and measurement requirements by introducing a fair value through other comprehensive income (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9

All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the outstanding principal are generally measured at amortised cost at the end of subsequent reporting periods. Debt instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on outstanding principal, are measured at FVTOCI. All other debt and equity investments are measured at fair value at the end of subsequent reporting periods. In addition, under IFRS 9 entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income with only dividend income generally recognised in profit or loss.

With regard to the measurement of financial liabilities designated at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of the liability is presented in other comprehensive income, unless the recognition of the effect of the changes of the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Under IAS 39 the entire amount of the change in fair value of a financial liability designated as at fair value through profit or loss is presented in profit or loss.

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. It is therefore no longer necessary for a credit event to have occurred before credit losses are recognised.

The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principal of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The effective date of the standard is for years beginning on or after 1 January 2018.

The group has adopted the standard for the first time in the 2019 annual financial statements.

The impact of the standard is set out in note 38 changes in accounting policy.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts; IAS 18 Revenue; IFRIC 13 Customer Loyalty Programmes; IFRIC 15 Agreements for the Construction of Real Estate; IFRIC 18 Transfers of Assets from Customers; and SIC 31 Revenue – Barter Transactions Involving Advertising Services.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Identify the contract(s) with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognise revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also includes extensive new disclosure requirements.

The effective date of the standard is for years beginning on or after 1 January 2018.

The group has adopted the standard for the first time in the 2019 annual financial statements, using the cumulative retrospective approach.

The impact of the standard is set out in note 38 changes in accounting policy.

2.2 Standards and Interpretations not yet effective

IFRIC 22 Foreign currency transactions and advance considerations

IFRIC 22 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income.

It clarifies the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income.

The effective date of the standard is for years beginning on or after 1 January 2018.

The group has adopted the interpretation for the first time in the 2019 annual financial statements, using the cumulative retrospective approach.

The impact of the standard is set out in note 38 changes in accounting policy.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

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 1 October 2019.

Standard	Effective Date: Years beginning on or after	Expected Impact
IFRS 16 Leases	1 January 2019	Expected Impact discussed below
Uncertainty over Income Tax Treatments	1 January 2019	Unlikely to have a material impact
Amendments to IAS 23 Borrowing Costs: Annual Improvements to IFRS 2015 – 2017 cycle	1 January 2019	Unlikely to have a material impact
Amendments to IAS 12 Income Taxes: Annual Improvements to IFRS 2015 – 2017 cycle	1 January 2019	Unlikely to have a material impact
Amendments to IFRS 3 Business Combinations: Annual Improvements to IFRS 2015 – 2017 cycle	1 January 2019	Unlikely to have a material impact
Prepayment Features with Negative Compensation – Amendment to IFRS 9	1 January 2019	Unlikely to have a material impact
Accounting Policies, Changes in Accounting Estimates and Errors: Disclosure initiative	1 January 2020	Unlikely to have a material impact
Presentation of Financial Statements: Disclosure initiative	1 January 2020	Unlikely to have a material impact
Definition of a business – Amendments to IFRS 3	1 January 2020	Unlikely to have a material impact

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

2. Adoption of new and revised Standards

2.2 Standards and Interpretations not yet effective (continued)

IFRS 16 Leases

Area	Financial Statement Impact
Consolidated statement of financial position	The new requirements will likely lead to an increase in recognised assets and liabilities. The Group, as lessee, has a significant portfolio of operating leases that are off-balance sheet under IAS 17. Most of these leases will be recognised on-balance sheet under IFRS 16. Lease agreements will give rise to the recognition of an asset representing the right to use the leased item and a liability for future lease payables. The liability recorded for future lease payments will be for amounts payable for the reasonably certain period of the lease, which may include future lease periods for which the group has extension options. Under IAS 17 liabilities are generally not recorded for future operating lease payments, which have been disclosed as commitments, see note 32. The group expects that the most significant impact of the new standard will result from its current property, network site and motor vehicle operating leases. There will be no impact on the lessors. A high volume of transactions will be impacted by IFRS 16 and material judgements will be required in identifying and accounting for leases. The most significant judgements in applying IFRS 16 relate to lease identification and the determination of lease term: • For most contracts there is limited judgement in determining whether an agreement contains a lease • Lease terms under IFRS 16 may exceed the minimum lease period and include optional lease periods where it is reasonably certain that an extension option will be exercised or that a termination option will not be exercised by the group. Significant judgement is required in determining whether optional periods should be included in the lease term, taking into account the nature and purpose of the leased asset and the potential to replace the leased asset. IFRS 16 is being adopted with the cumulative retrospective impact recorded as an adjustment to equity on the date of adoption.
Consolidated statement of profit or loss and comprehensive income	The new Standard has resulted in a change in the amount and presentation of expenses related to leases formerly classified as operating leases (where the Group is a lessee). Under IAS 17, operating lease expense was presented as part of operating expenses. Applying IFRS 16, the expense is split into financing cost and depreciation expense. Consequently, key performance indicators (KPIs) such as operating profit and EBITDA, which are reported by the Group, have been affected. Initial direct costs incurred by the Group upon entering into a lease, as a lessee, are included in the cost of the right-of-use asset. Accordingly, these costs are now amortised over the lease term whereas they may have been expensed as incurred for operating leases under IAS 17. Lease costs will be recognised in the form of depreciation of the right-to-use asset and interest on the lease liability; interest will typically be higher in the early stages of a lease and will reduce over the term. Under IAS 17 operating lease rentals have been expensed on a straight-line basis over the lease term within operating expenses. The adoption of IFRS 16 is not expected to affect the other comprehensive income for the Group.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

Area	Financial Statement Impact
Consolidated statement of cash flows	Whereas under IAS 17 payments under operating leases were presented as part of cash flows from operating activities, under IFRS 16 lease payments will be split between cash payments for the interest portion of the lease liability and repayment of its principal portion. As required by IFRS 16, the Group presents repayment of principal within the cash flows from financing activities. As permitted by IAS 7 and in accordance with the Group's accounting policy, interest paid is classified as part of cash flows from operating activities.

3. Segment information

3.1 Products and services from which reportable segments derive their revenues

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

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

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

Voice	- Post-paid services - Line rental - Value-added services - Calls - VSAT - Telephone installations - ISDN - Pre-paid services - Fixed voice - Interconnection - Local - International
Mobile	- Mobile voice (post-paid and pre-paid) - GSM
Data	- Backhauling services: mobile operators - Digicon services: mobile operators - Telematics - International/national express routes - Metro Ethernet - Foreign income: data services
IP services	- Internet access services - Broadband access networks, fixed and mobile - IP/MPLS
Infrastructure and others	- Customer premises equipment - Directories - Site sharing and co-location - Structural cabling and indoor/outdoor extensions
IT services	- iWay services - Fax to e-mail service - E-mail to fax service - Projects

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

3. Segment information (continued)

3.2 Segment revenue and results

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

	Segment revenue 2019 N\$'000	Segment revenue 2018 N\$'000	Segment loss 2019 N\$'000	Restated Segment loss 2018 N\$'000
Voice	326 312	336 653	275 959	286 715
Mobile	241 201	137 987	185 422	75 021
Data	205 302	336 983	143 143	270 397
Infrastructure and others	162 764	135 713	84 139	77 773
IP services	618 565	575 728	543 982	484 535
IT services	19 731	17 347	5 358	(1 232)
Total	1 573 875	1 540 411	1 238 003	1 193 209
Other Operating Income			546	--
Administrative expenses			(828 656)	(780 961)
Impairment Loss			(23 729)	--
Regulatory levies			(75 827)	(13 952)
Other operating expenses			(389 798)	(313 392)
Operating (loss)/profit			(79 461)	84 904
Finance income			7 924	5 192
Finance costs			(8 629)	(15 141)
Share of results of associate after tax			--	--
Preference Share Adjustment			36 911	(105 414)
Loss before taxation			(43 255)	(30 459)
Taxation			55 996	4 881
Profit/(Loss) for the year			12 741	(25 578)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2018: Nil).

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

The adoption of IFRS 15 has no impact on prior year numbers as the company has opted to adopt the modified approach with a cumulative catch up adjustment in retained earnings as at 01 October 2018.

3.3 Segment assets and liabilities

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

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

3.4 Geographical information

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

4. Property, plant and equipment

Consolidated	Telecommunication installations and equipment N\$'000	Furniture and fittings N\$'000	Computer equipment N\$'000	Capital work-in-progress N\$'000	Motor vehicles N\$'000	Leasehold improvements N\$'000	Total N\$'000
Year ended 30 September 2019							
Cost							
Opening balance	3 557 975	43 472	5 264	92 760	264	156	3 699 891
Additions	79 326	430	1 702	72 046	482	--	153 986
Prior Year Adjustment Cost	--	--	--	51	--	--	51
Borrowing cost adjustment	--	--	--	--	--	--	--
Scrappings	(1 683)	(154)	(367)	--	--	--	(2 204)
Transfer to intangible assets	--	--	--	(1 884)	--	--	(1 884)
Transfers between asset classes	31 630	20	2	(32 265)	--	--	(613)
Closing balance	3 667 248	43 768	6 601	130 708	746	156	3 849 227
Accumulated depreciation							
Opening balance	2 306 767	38 994	3 521	--	264	123	2 349 669
Depreciation charge	201 484	1 498	1 372	--	72	23	204 449
Prior year depreciation adjusted	--	(15)	--	--	--	--	(15)
Depreciation on scrapings	(6)	(151)	(351)	--	--	--	(508)
Closing balance	2 508 245	40 326	4 542	--	336	146	2 553 595
Closing book value	1 159 003	3 442	2 059	130 708	410	10	1 295 632
Opening book value	1 251 208	4 478	1 743	92 761	--	33	1 350 222

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

4. Property, plant and equipment (continued)

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

4. Property, plant and equipment (continued)

Company	Telecommunication installations and equipment N\$'000	Furniture and fittings N\$'000	Computer equipment N\$'000	Capital work-in- progress N\$'000	Motor vehicles N\$'000	Land and Leasehold improvements N\$'000	Total N\$'000
Year ended 30 September 2019							
Cost							
Opening balance	3 378 985	48 465	5 265	88 004	264	335	3 521 318
Additions	77 714	410	933	71 521	482	--	151 060
Prior year adjustment cost	--	--	--	51	--	--	51
Borrowing costs capitalised	--	--	--	--	--	--	--
Scrappings	(1 683)	(154)	(362)	--	--	--	(2 199)
Transfer to intangible assets	--	--	--	(1 884)	--	--	(1 884)
Transfers between asset classes	31 630	20	2	(31 652)	--	--	--
Closing balance	3 486 646	48 741	5 838	126 040	746	335	3 668 346
Accumulated depreciation							
Opening balance	2 233 737	44 083	3 522	--	264	--	2 281 606
Depreciation charge	194 845	1 465	1 188	--	72	--	197 570
Prior year depreciation adjustment	--	(15)	--	--	--	--	(15)
Depreciation on scrapings	(6)	(151)	(351)	--	--	--	(508)
Closing balance	2 428 576	45 382	4 359	--	336	--	2 478 653
Closing book value	1 058 070	3 359	1 479	126 040	410	335	1 189 693
Opening book	1 145 248	4 382	1 743	88 044	--	335	1 239 712

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

4. Property, plant and equipment (continued)

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

Telecommunications equipment with a carrying amount of nil (2018: nil) has been pledged as security for the loan from the Development Bank of Namibia (note 18). In addition, the Group's obligations under finance leases (note 18) are secured by the lessor's title to the leased assets, which have a carrying amount of N\$20.2 million (2018: N\$27.6 million).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

5. Intangible assets

	Consolidated 2019 N\$'000	Consolidated 2018 N\$'000	Company 2019 N\$'000	Company 2018 N\$'000
Cost				
Software and licences	302 192	292 851	302 192	292 851
Frequency, spectrum and number '085'	27 832	27 832	--	--
	<u>330 024</u>	<u>320 683</u>	<u>302 192</u>	<u>292 851</u>
Accumulated amortisation				
Software and licences	206 529	190 981	206 529	190 981
Frequency, spectrum and number '085'	8 234	6 842	--	--
	<u>214 763</u>	<u>197 823</u>	<u>206 529</u>	<u>190 981</u>
Closing book value				
Software and licences	95 663	101 870	95 663	101 870
Frequency, spectrum and number '085'	19 598	20 990	--	--
	<u>115 261</u>	<u>122 860</u>	<u>95 663</u>	<u>101 870</u>
Movement of intangible assets				
Opening book value	122 860	145 680	101 870	123 298
Additions from separate acquisitions	7 457	2 421	7 457	2 421
Disposals	--	--	--	--
Transfer from plant and equipment	1 884	1 688	1 884	1 688
Amortisation	(16 940)	(26 929)	(15 548)	(25 537)
Closing book value	<u>115 261</u>	<u>122 860</u>	<u>95 663</u>	<u>101 870</u>

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

6. Investment in subsidiaries

Summary of investments:

Loans advanced

Net investment

Directors' valuation of unlisted investment

Reflected as follows:

Long-term

Investment in subsidiary

Amounts owing by fellow subsidiaries (note 13)

Short-term

Amounts owing by fellow subsidiaries (note 13)

Amounts owing to fellow subsidiaries (note 13)

Company 2019 N\$'000	Company 2018 N\$'000
154 415	171 908
154 415	171 908
154 415	171 908
--	--
150 000	150 000
150 000	150 000
15 968	24 068
11 553	2 160

The nominal value of the loan acquired is N\$ 628 196 469 (2018: N\$ 628 196 299). The loan is unsecured and interest free. The non-current portion of the loan N\$494 400 208 (2018: 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.

Reconciliation of movements

Opening balance

Due to subsidiary

Loans (repaid)/advanced

Closing balance

Company 2019 N\$'000	Company 2018 N\$'000
171 908	174 068
(9 393)	(2 160)
(8 100)	--
154 415	171 908

6.1 Investment in Communitel Telecommunications (Proprietary) Limited:

Ordinary shares

Opening balance

Impairment charge

Balance at end of year

Company 2019 N\$'000	Company 2018 N\$'000
--	--
--	--
--	--
--	--

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

6.2 Investment in Powercom (Proprietary) Limited:

6.2 Investment in Powercom (Proprietary) Limited:

Disclosed as related party loans (note 13)

	Company 2019 N\$'000	Company 2018 N\$000
Non-current assets	150 000	150 000
Current assets	15 968	24 068
Current liabilities	(11 553)	(2 160)
	154 415	171 908

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

7. Investment in Sepco Communications (Proprietary) Limited:

The subsidiary, Communitel Telecommunications (Proprietary) Limited holds a 20.6% (2018: 20.6%) interest in an associate, Sepco Communications (Proprietary) Limited which is registered in South Africa. Sepco in turn held 51% of the shares in Neotel (Pty) Ltd, a company that is licensed to provide information, communication and technology services in the Republic of South Africa. During 2012, the shareholder's loans were repaid, and Class B preference shares were subscribed to. The associate is accounted for using the equity method in these consolidated financial statements.

K2016272836 (South Africa) (Proprietary) Limited (Liquid Telecom) completed a due diligence exercise on Neotel (Pty) Ltd and made a formal offer to purchase 100% of the equity stake during the 2016 financial year, an offer that was accepted by all shareholders. The investment was reclassified as held for sale at 30 September 2016 (See note 6). 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 (Pty) Ltd which in turn was used to repay Telecom N\$200 million owing on the shareholder loan. An impairment loss of nil (2018: N\$ nil) was raised against the cost of the ordinary share investment in the subsidiary.

At a Group level, in prior years the accumulated share of losses of N\$527 million has been equity accounted for, reducing the carrying value of the investment to Nil. The sale of 100% equity in Communitel (Pty) Ltd yielded N\$200 million and the carrying amount of the investment was written back to N\$200 million by reversing a portion of the share of losses that was fully equity accounted for in prior years.

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

8. Fair value preference adjustment

	Consolidated 2019 N\$'000	Consolidated 2018 N\$'000	Company 2019 N\$'000	Company 2018 N\$'000
Fair value adjustment: Gain/(Loss)	36 911	(105 414)	36 911	(105 414)

Forty million redeemable cumulative preference shares of N\$10 each were issued to Namibia Post and Telecom Holdings Limited on 16 June 2016. Cumulative preference dividends are payable on a minimum of 25% of after-tax profits. The shares are redeemable after a period of ten years at the discretion of the Company provided that any accrued dividends are paid in full. The redeemable cumulative preference shares have voting rights. The issue price and number of the preference shares was changed in an Addendum to the Main agreement on 16 March 2017 to four hundred redeemable cumulative preference shares with an issue price of N\$1 000 000 (being the par value N\$1 and a premium of N\$999 999).

In the current financial year, the Company reported a loss before tax of N\$24 million (2018: N\$50 million) after adjusting for the valuation of the liability. The classification of the preference shares was reviewed in the current financial year and the full instrument was classified as a liability due to the addendum signed on 16 March 2017.

Refer to note 21 for the disclosure of the liability.

Details of management judgement are disclosed in note 1.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

9. Finance lease receivable

	Consolidated 2019 N\$'000	Consolidated 2018 N\$'000	Company 2019 N\$'000	Company 2018 N\$'000
Minimum lease payments				
Not later than 1 year	4 388	23 250	4 388	23 250
Later than 1 year and not later than 5 years	8 081	16 362	8 081	16 362
	12 469	39 612	12 469	39 612
Unearned future finance income on finance leases	320	(2 401)	320	(2 401)
Net investment in finance leases before Expected Credit Losses	12 789	37 211	12 789	37 211
Expected Credit Losses	(778)	--	(778)	--
Net investment in finance leases after Expected Credit Losses	12 011	37 211	12 011	37 211
Present value of minimum lease payments				
Not later than 1 year	4 422	23 250	4 422	23 250
Later than 1 year and not later than 5 years	7 589	13 961	7 589	13 961
	12 011	37 211	12 011	37 211

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

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

The disclosed information relates to these arrangements with customers, which were assessed to be finance leases in terms of IAS 17.

As a result of implementing IFRS 9, finance lease receivables fall in the scope of this new standard and as such expected credit losses amounting to N\$777 884 were recognized during the current year.

10. Inventories

	Consolidated 2019 N\$'000	Consolidated 2018 N\$'000	Company 2019 N\$'000	Company 2018 N\$'000
Materials for installations	45 221	49 907	45 221	49 907
Goods for resale	15 290	15 222	15 290	15 222
Less: provision for obsolete stock	(14 627)	(5 401)	(14 627)	(5 401)
	45 884	59 728	45 884	59 728

Telecom Namibia does not have inventory held at fair value less cost to sell. The current inventory balance approximates its cost.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

11. Trade and other receivables

	Consolidated 2019 N\$'000	Consolidated 2018 N\$'000	Company 2019 N\$'000	Company 2018 N\$'000
Trade receivables	543 810	484 800	542 028	483 487
Allowance for impairment of trade receivables	(284 949)	(205 330)	(284 165)	(204 192)
Net trade receivables	258 861	279 470	257 863	279 295
Other debtors	1 749	1 448	1 749	1 448
Net receivables disclosed as financial instruments	260 610	280 918	259 612	280 743
Prepayments	11 605	17 623	11 144	17 181
	272 215	298 541	270 756	297 924

Provision for impairment of receivables

Opening balance	205 330	175 433	204 192	174 673
Amount written off in the current year	--	--	--	--
Allowance for credit losses charged to the income statement	79 619	29 897	79 973	29 519
Impairment losses reversed	--	--	--	--
Closing balance	284 949	205 330	284 165	204 192

Reconciliation of allowance for credit losses

The creation and release of the provision for impaired receivables has been included as part of the bad debts in profit or loss. Amounts charged to the allowance are written off when there is no expectation of recovery of additional cash from the defaulting debtors.

Other classes of receivables within Trade and other receivables do not contain any impaired assets. The maximum exposure to credit risk in respect of the receivables at reporting date is limited to the fair value of each class of the receivables at reporting date.

The major credit risk that arises from the Group's receivables is disclosed in note 35.

12. Contract assets

	Consolidated 2019 N\$'000	Consolidated 2018 N\$'000	Company 2019 N\$'000	Company 2018 N\$'000
Total Contract asset	21 425	--	21 425	--
Reconciliation of Contract asset				
Effect of cumulative effect method on adoption of IFRS 15	18 495	--	18 495	--
Net renewals, activations and terminations during the year	27 190	--	27 190	--
Net subscriptions billed during the year	(19 169)	--	(19 169)	--
Expected credit loss allowance	(5 091)	--	(5 091)	--
	21 425	--	21 425	--
Split between non-current and current portions				
Non-current asset	15 520	--	15 520	--
Current asset	5 905	--	5 905	--
	21 425	--	21 425	--

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

12. Contract assets (continued)

Contract assets are recognized when a performance obligation is satisfied (and revenue recognized), but the payment is conditional not only on the passage of time. The other conditions usually relate to entity's fulfilment of other performance obligations in the contract. The contract asset is recognized when the customer takes possession of the devices for post-paid contracts.

13. Related party transactions

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

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

Subsidiaries

Details of income and expenditure relating to subsidiaries and 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 and the general managers. Amounts paid to key management are disclosed under directors', officers' emoluments and key management remuneration under Key management compensation and Directors emoluments below

Shareholder

The shareholder of the company is noted in the directors' report. 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.

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.

Transactions with such other entities include licensing fees for the provision of telecommunication services to CRAN, site leases as well as a lease agreement for broadcasting equipment in exchange for advertising airtime with Namibia Broadcasting Corporation (NBC).

Relationships

- Ultimate controlling party Ministry of Information, Communication and Telecommunication of the Republic of Namibia and Ministry of Public Enterprises in Namibia
- Holding company Namibia Post and Telecommunications Holdings Limited
- Fellow Subsidiaries Refer to notes 6 and 7
- Members of key management, refer to page 8

Only significant transactions for State-Owned Enterprises were disclosed. Transactions for Local Authorities were not disclosed as the amounts were deemed to be immaterial.

Details of the Company's and Group's transactions with the subsidiaries and associates are reflected in notes 6 and 7. Details of the Company's and Group's transactions with the Pension Fund are reflected in note 33.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

13. Related party transactions (continued)

The following transactions were carried out with related parties:

i) Sales of services

	Consolidated 2019 N\$'000	Consolidated 2018 N\$'000	Company 2019 N\$'000	Company 2018 N\$'000
Namibia Post Ltd	3 233	2 991	3 233	2 991
Mobile Telecommunications Ltd	61 535	57 625	47 358	46 905
Namibia Post and Telecom Holdings Ltd	6	480	6	480
Powercom (Pty) Ltd	--	426	112	426

ii) Purchases of services

	Consolidated 2019 N\$'000	Consolidated 2018 N\$'000	Company 2019 N\$'000	Company 2018 N\$'000
Namibia Post Ltd	7 049	6 448	7 049	6 448
Mobile Telecommunications Ltd	32 551	25 679	32 551	25 679
Namibia Post and Telecom Holdings Ltd	119 479	115 871	119 479	115 871
Neotel (Pty) Ltd	1 562	--	1 562	--
Powercom (Pty) Ltd	--	--	28 044	32 031

iii) Outstanding balances arising from sales of goods/services

Current assets

	Consolidated 2019 N\$'000	Consolidated 2018 N\$'000	Company 2019 N\$'000	Company 2018 N\$'000
Amounts owing by fellow subsidiaries				
Namibia Post Ltd	357	--	357	--
Mobile Telecommunications Ltd	6 936	10 573	6 936	9 222
Neotel (Pty) Ltd	--	--	--	--
Powercom (Pty) Ltd (note 6.2)	--	--	15 968	24 068
	7 293	10 573	23 261	33 290
Amounts owing by holding company				
Namibia Post and Telecom Holdings Ltd	6 049	5 190	6 049	5 190
Cash and cash equivalents				
Namibia Post Ltd	223	243	223	243
Namibia Post Ltd –Other Financial assets at amortized cost	10 000	16 000	--	--

*The group has an investment with Namibia Post Limited which is for 1 year and matures March 2020. Interest is accrued at 7.7% per annum (2018: 8.4% per annum).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

13. Related party transactions (continued)

Current liabilities

	Consolidated 2019 N\$'000	Consolidated 2018 N\$'000	Company 2019 N\$'000	Company 2018 N\$'000
Mobile Telecommunications Ltd	7 926	4 224	7 926	4 224
Neotel (Pty) Ltd	--	--	--	--
Powercom (Pty) Ltd (note 6.2)	--	--	11 553	2 160
Namibia Post Limited	804	2 365	804	2 365
	8 730	6 589	20 283	8 749
Amounts owing to holding company Namibia Post and Telecom Holdings Ltd	--	81 479	--	81 479

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

v) Outstanding balances arising from loans

Non-current assets

	Consolidated 2019 N\$'000	Consolidated 2018 N\$'000	Company 2019 N\$'000	Company 2018 N\$'000
Powercom (Pty) Ltd (note 6)	--	--	150 000	150 000

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

vi) Suretyships

- The Group grants housing loan guarantees to all employees based on employee grade and level of remuneration. These guarantees are in turn secured against the respective employees' pensions. There were no guarantees issued in respect of key management housing loans.
- Letter of support from the Government of the Republic of Namibia for short-term facilities at Standard Bank Namibia Limited.
- Letter of support from the Government of the Republic of Namibia for a loan from the Development Bank of Namibia granted to Telecom Namibia in 2009.
- Telecom Namibia has agreed to support Powercom (Pty) Ltd for the financial year ended 30 September 2019 to enable Powercom (Pty) Ltd to settle its debts and obligations in the ordinary course of business.

vii) Key management compensation

Key management comprises of the Chief Executive Officers of the various operating divisions of the Group as set out on page 8. The remuneration of key management is determined by the Human Resources and Compensation Committee of the Board of Directors and is reviewed on an annual basis.

	Consolidated 2019 N\$'000	Consolidated 2018 N\$'000	Company 2019 N\$'000	Company 2018 N\$'000
Salaries and other short-term employee benefits	13 827	15 388	12 413	13 974
Other long-term benefits	5 248	2 618	5 248	2 209
	19 075	18 006	17 661	16 183
viii) Directors emoluments				
Non-executive Directors				
- for services as Directors	2 647	1 211	2 087	1 050
- other Directors expenses	125	7	125	7
	2 772	1 218	2 212	1 057

The increase in the director's fees is mainly due to the introduction of State-Owned Enterprise remuneration guidelines effective from 16 April 2019 as well as the increase in the number of board meetings held during the year. During the current year, there were eighteen board meetings compared to fourteen in the prior financial year. In terms of these new guidelines the director's fees increased significantly.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

14. Cash and cash equivalents

	Consolidated 2019 N\$'000	Consolidated 2018 N\$'000	Company 2019 N\$'000	Company 2018 N\$'000
Bank balances	55 406	48 199	34 070	39 963
Cash on hand	4 463	3 336	4 461	3 336
	59 869	51 535	38 531	43 299
Cash and cash equivalents for the purposes of the Statements of cash flows include the following:				
Cash and cash equivalents	59 869	51 535	38 531	43 299
Bank overdrafts (note 18)	--	--	--	--
	59 869	51 535	38 531	43 299

Telecom Namibia has an Angolan bank account with a balance of USD132 510 (N\$2 013 493) at year-end. The balance on this bank account was USD 289 014

(N\$4 092 438) at the end of the 2018 financial year. Access to funds is currently restricted as they are subject to Angolan exchange control regulations. The Company is in the process of repatriating the funds with the assistance of a consultant. The total amount has been included in the cash and cash equivalents balance in the statement of financial position.

Details of securities for overdrafts are disclosed in note 18.

15. Non-current assets classified as held for sale

	Consolidated 2019 N\$'000	Consolidated 2018 N\$'000	Company 2019 N\$'000	Company 2018 N\$'000
Property, plant and equipment	--	23 729	--	23 729
	--	23 729	--	23 729

The Group had made a formal decision to dispose of its 44% shareholding in an associate, Mundo Startel in the 2011 financial year. During the 2014 financial year, the Group and Company received a payment of N\$5.1 million in respect of the purchase price agreed and decided to impair the remaining N\$16.9 million because of the uncertainty surrounding of the ability of the acquirer to settle the amount and the difficulty encountered to enforce the Company's rights and obligations in Angola. So far and throughout the 2019 financial year, the Group continued to pursue all avenues to dispose of this investment in association. As part of this initiative, a consultant was appointed to support Telecom Namibia in the due process.

In terms of the agreement that the Company has with Mundo Startel, Telecom Namibia had to invest a total of USD53 million in Angola, however as at reporting date, the company had also invested USD15 million. The remaining amount is thus disclosed as a contingent liability in note 34.

	Consolidated 2019 N\$'000	Consolidated 2018 N\$'000	Company 2019 N\$'000	Company 2018 N\$'000
Reconciliation of movements				
Opening balance	23 729	25 836	23 729	25 836
Impairment	(23 729)	(2 107)	(23 729)	(2 107)
	--	23 729	--	23 729

CDMA equipment

The Group entered into a USD8 million agreement with ZTE Corporation of China for the sale of its code-division multiple access (CDMA) equipment with a net book value of N\$62 million, as part of the supply and installation of the GSM/LTE/4G network agreement. The sale of the assets is dependent on capital investment in the GSM network and during the year no significant investments were made. A portion of the assets (58%), with a carrying amount of N\$36 million, was deemed sold. The remaining portion of the assets (42%), with a carrying amount of N\$26 million was classified as held for sale at 30 September 2016. In the 2019 financial year an impairment loss of N\$23.7 million (2018: N\$2.1 million) was recognized on these assets. The agreement with ZTE expired on 31 January 2019.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

16. Share capital

	Consolidated 2019 N\$'000	Consolidated 2018 N\$'000	Company 2019 N\$'000	Company 2018 N\$'000
Issued capital comprises:				
154 529 936 ordinary shares of N\$1 each	154 530	154 530	154 530	154 530
	154 530	154 530	154 530	154 530
Authorised				
200 000 000 ordinary shares of N\$1 each	200 000	200 000	200 000	200 000
Issued				
154 529 936 fully paid ordinary shares of N\$1 each	154 530	154 530	154 530	154 530

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

17. Post-retirement medical benefit obligations

The Group provides post-employment benefits by way of a medical aid scheme to all employees who joined the Group prior to 1 April 2007. For the 2019 financial year the total medical aid contributions by the company were N\$46 million (2018: N\$40 million), employee contributions were N\$23 million (2018: N\$20 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\$56 million (2018: N\$57 million). The effective date of valuation of the liability is 30 September 2019 and the next date of valuation is 30 September 2020. The projected unit credit valuation method has been used to determine the past-service liabilities at the valuation date and the projected annual expense in the year following the valuation date. The methods used in preparing the sensitivity analysis did not change compared with the previous period. Changes in assumptions were accepted as reasonable.

	Consolidated 2019	Consolidate 2018	Company 2019	Company 2018
The principal actuarial assumptions used for accounting purposes were:				
- Real rate of return	2.48%	2%	2.48%	2%
- Discount rate	10.21%	10.07%	10.21%	10.07%
- Healthcare cost inflation	7.54%	7.92%	7.54%	7.92%
- Expected average retirement age (yrs.)	58	58	58	58
- Normal retirement age (yrs.)	60	60	60	60
	N\$'000	N\$'000	N\$'000	N\$'000
Opening balance	57 460	56 687	57 460	56 687
Current service cost	384	422	384	422
Interest cost (note 26)	5 645	5 452	5 645	5 452
Subsidies paid	(3 487)	(3 313)	(3 487)	(3 313)
Actuarial gain	(3 501)	(1 788)	(3 501)	(1 788)
Closing balance	56 501	57 460	56 501	57 460
Present value of unfunded liability	56 501	57 460	56 501	57 460
Reflected as follows:				
Short-term liability	--	--	--	--
Long-term liability	56 501	57 460	56 501	57 460
	56 501	57 460	56 501	57 460

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

The amounts recognised in profit or loss is as follows:

	Consolidated 2019	Consolidate 2018	Company 2019	Company 2018
Current service cost	384	422	384	422
Interest cost (note 26)	5 645	5 452	5 645	5 452
Subsidies paid	(3 487)	(3 313)	(3 487)	(3 313)
	2 542	2 561	2 542	2 561

The amounts recognised in other comprehensive income are as follows:

Actuarial gain	(3 501)	(1 788)	(3 501)	(1 788)
	(3 501)	(1 788)	(3 501)	(1 788)

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	47	44	47
Average age (years)	49	49	49	49

	Consolidated 2019	Consolidated 2018	Company 2019	Company 2018
Number of pensioners	205	212	205	212
Average age (years)	63	63	63	63
	N\$'000	N\$'000	N\$'000	N\$'000

The effect of a 1% movement in the assumed medical cost inflation rate on the aggregate of the current service cost and interest cost would be as follows:

Increase to	6 681	6 825	6 681	6 825
Decrease to	5 316	5 346	5 316	5 346

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

Increase to	63 070	64 537	63 070	64 537
Decrease to	50 936	51 517	50 936	51 517

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

18. Long-term borrowings

Secured

Finance lease liability

1 776

20 651

1 776

20 651

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 is repayable in monthly instalments of N\$1.8 million at a monthly interest rate of 1.9%. The Group's obligations under finance leases are secured by the lessor's title to the leased assets (note 4), which have a carrying amount of N\$20.2 million (2018: N\$27.6 million).

Unsecured

Development Bank of Namibia

55 000

74 983

55 000

74 983

Telecom Namibia received a loan amounting to N\$120 million from the Development Bank of Namibia in December 2009. The loan is for a period of eleven years and attracts interest at the prevailing First National Bank of Namibia prime lending rate less 2.50% per annum (2018: First National Bank of Namibia Prime Lending Rate less 2.50% per annum).

The loan is unsecured, had a two year grace period on capital repayment and is repayable in varying instalment amounts commencing on 31 January 2013. Telecommunications equipment with a carrying amount of nil (2018: nil) has been pledged as security for the loan (note4).

Total loans

56 776

95 634

56 776

95 634

Less: Short-term portion transferred to current liabilities

(26 776)

(38 858)

(26 776)

(38 858)

30 000

56 776

30 000

56 776

Maturity of non-current borrowings

No later than 1 year

26 776

38 858

26 776

38 858

Later than 1 year and not later than 5 years

30 000

56 776

30 000

56 776

More than 5 years

--

--

--

--

56 776

95 634

56 776

95 634

Bank overdrafts

--

--

--

--

Current portion of interest-bearing borrowings

26 776

38 858

26 776

38 858

26 776

38 858

26 776

38 858

Finance lease liability

No later than 1 year

1 810

21 716

1 810

21 716

Later than 1 year and not later than 5 years

--

1 809

--

1 809

Total

1 810

23 525

1 810

23 525

Less: future finance charges

(34)

(2 874)

(34)

(2 874)

Present value of lease payments

1 776

20 651

1 776

20 651

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

Bank overdrafts are secured as disclosed below.

Securities for short-term borrowings

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

Standard Bank Namibia Limited

- Overdraft facility of N\$50, 000, 000. Interest is charged at prime less 1%
- FEC facility of N\$90, 000, 000.
- Guarantee of N\$ 54,998 to Namibia Police.
- Guarantee of N\$546,128 to Nexus Building Contractors.
- Guarantee of N\$221,365 to Namibian Police.
- The above-mentioned facilities were satisfactorily reviewed in February 2020 and extended. The next review will be on 30 September 2020.

Reconciliation of liabilities arising from financing activities:

Consolidated

Year ended 30 September 2019

	Opening balance N\$' 000	Cash flow: Capital N\$' 000	Interest Accruals N\$' 000	Interest Payments N\$' 000	Closing balances N\$' 000
Long term loans	74 983	(20 000)	4 974	(4 974)	55 000
Lease liabilities	20 651	(18 875)	2 840	(2 840)	1 776
	95 634	(38 875)	7 814	(7 814)	56 776

Year ended 30 September 2018

Long term loans	89 960	(14 977)	6 974	(6 974)	74 983
Lease liabilities	35 682	(15 031)	6 686	(6 686)	20 651
	125 642	(30 008)	13 660	(13 660)	95 634

Company

Year ended 30 September 2019

Long term loans	74 983	(20 000)	4 974	(4 974)	55 000
Lease liabilities	20 651	(18 875)	2 840	(2 840)	1 776
	95 634	(38 875)	7 814	(7 814)	56 776

Year ended 30 September 2018

Long term loans	89 960	(14 977)	6 974	(6 974)	74 983
Lease liabilities	35 682	(15 031)	6 686	(6 686)	20 651
	125 642	(30 008)	13 660	(13 660)	95 634

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

19. Deferred tax

	Consolidated 2019 N\$'000	Restated Consolidated 2018 N\$'000	Restated Consolidated 2017 N\$'000	Company 2019 N\$'000	Restated Company 2018 N\$'000	Restated Company 2017 N\$'000
Deferred tax liabilities	(200 220)	(233 282)	(225 689)	(184 969)	(217 587)	(209 548)
Deferred tax assets	58 593	36 779	24 877	--	--	--
Net position	(141 627)	(196 503)	(200 812)	(184 969)	(217 587)	(209 548)
Deferred income taxes are calculated on all temporary differences under the comprehensive method using a principal tax rate of 32% (2018: 32%).						
The movement on the deferred tax account is as follows:						
Opening balance	(196 503)	(200 812)	(237 010)	(217 587)	(209 548)	(220 425)
(Debited)/Credited to the income statement:						
- current year movement timing differences in profit & loss	55 996	(7 947)	18 887	33 738	(20 295)	(6 434)
- Prior year deferred tax adjustment	--	12 828	18 291	--	12 828	18 291
Charged to other comprehensive income	(1 120)	(572)	(980)	(1 120)	(572)	(980)
Closing balance	(141 627)	(196 503)	(200 812)	(184 969)	(217 587)	(209 548)
Deferred tax assets may be analysed as follows:						
Capital allowances	(21 523)	(23 595)	(25 749)	--	--	--
Prepayments	(8)	(7)	(21)	--	--	--
Provisions	189	319	182	--	--	--
Operating lease straight line	(471)	(336)	58	--	--	--
Unused tax losses	80 406	60 398	50 407	--	--	--
	58 593	36 779	24 877	--	--	--
Deferred tax liabilities may be analysed as follows:						
Capital allowances	(380 039)	(432 828)	(468 166)	(364 788)	(417 133)	(452 025)
Prepayments	(3 566)	(5 157)	(7 610)	(3 566)	(5 157)	(7 610)
Provisions	105 103	41 122	40 664	105 103	41 122	40 664
Stock consumption	4 679	1 727	2 018	4 679	1 727	2 018
Advance income	66 294	62 090	113 439	66 294	62 090	113 439
Tax loss	6 741	62 037	64 257	6 741	62 037	64 257
Finance lease liability	568	6 608	11 418	568	6 608	11 418
Prior year deferred tax adjustment	--	31 119	18 291	--	31 119	18 291
	(200 220)	(233 282)	(225 689)	(184 969)	(217 587)	(209 548)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

20. Trade and other payables

	Consolidated 2019 N\$'000	Consolidated 2018 N\$'000	Company 2019 N\$'000	Company 2018 N\$'000
Trade payables	271 139	213 700	269 763	208 798
Levies payable to Communications Regulatory Authority of Namibia	155 655	79 828	155 559	79 828
Other Payables	3 219	--	--	--
Net payables disclosed as financial instruments	430 013	293 528	425 322	288 626
VAT payable	6 785	8 365	6 084	8 046
Leave pay accrual	47 883	54 442	47 883	54 442
Severance pay	962	--	962	--
Performance Bonus Accrual	2 095	9 238	2 095	9 238
Total Trade and Other Payables	487 738	365 573	482 346	360 352

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

21. Preference Shares and Other Financial Liabilities

21.1 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 Limited. On the initial date of the contract, the shares were redeemable after a period of 10 years at Telecom's discretion. The redeemable cumulative preference shares have voting rights.

During the 2015/2016 financial year, the instrument was classified as a compound instrument based on the original contract as Telecom Namibia had the right to redeem the shares resulting in the conversion of preference shares to ordinary shares after a period of 10 years has lapsed.

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 (fixed number of shares of 400)

Based on the assessment above, the amended contract will result 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 will trigger financial liability classification. The only way Telecom 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 should have been reclassified from equity to a financial liability as Telecom Namibia lost the right to convert the preference shares to ordinary shares.

The total value was reclassified from equity to a non-current liability and the 2018 financial statements were restated accordingly (refer to note 39.1).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

21. Preference Shares and Other Financial Liabilities (continued)

21.1 Preference Shares (continued)

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

The total value was reclassified from equity to a non-current liability and the 2018 financial statements were restated accordingly (refer to note 39.1).

	Consolidated 2019 N\$'000	Consolidated 2018 N\$'000	Company 2019 N\$'000	Company 2018 N\$'000
400 000 redeemable Preference shares of N\$1 000 000 each	400 000	400 000	400 000	400 000

21.2 Other Financial Liability

	Consolidated 2019 N\$'000	Consolidated 2018 N\$'000	Company 2019 N\$'000	Company 2018 N\$'000
Preference shares	75 803	122 998	75 803	122 998
Reflected as follows:				
Long-term liabilities	75 803	112 715	75 803	112 715
Short-term liabilities	--	10 283	--	10 283
	75 803	122 998	75 803	122 998
Reconciled as follows:				
Opening balance	122 998	19 830	122 998	19 830
Movement				
Less: Dividend paid	(10 284)	(2 237)	(10 284)	(2 237)
Less: Fair value adjustment	(36 911)	105 405	(36 911)	105 405
Closing Balance	75 803	122 998	75 803	122 998

In the current financial year, the Company reported a comprehensive loss of N\$24 million (2018 - Restated: N\$50 million). The classification of the preference shares was reviewed, and the liability component was estimated by discounting future cash flows using market interest rates. Details of management judgement are disclosed in note 1.

22. Other financial assets

	Consolidated 2019 N\$'000	Consolidated 2018 N\$'000	Company 2019 N\$'000	Company 2018 N\$'000
Investment at Amortised Cost				
Namibia Post Limited Investment	10 000	16 000	--	--

The investment is for a period of 1 year and matures March 2020. Interest is accrued at 7.7% (2018:8.4 %) per annum.

The investment is not impaired as at 30 September 2019.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

23. Deferred revenue

	Consolidated 2019 N\$'000	Consolidated 2018 N\$'000	Company 2019 N\$'000	Company 2018 N\$'000
Directorate of Civil Aviation (DCA)	974	10 459	974	10 459
Ministry of Home Affairs and Immigration	334	334	334	334
Ministry of Trade and Industry	1 369	1 369	1 369	1 369
Office of the Prime Minister	--	1 500	--	1 500
Ministry of Works and Transport	7 021	8 482	7 021	8 482
Ministry of Gender	--	1 279	--	1 279
Nampol	--	1 794	--	1 794
Unik Construction	745	746	745	746
Botswana Fibre Networks (Bofinet)	43 125	61 808	43 125	61 808
Mobile Telecommunications Ltd (MTC)	582	3 650	582	3 650
Bharti Airtel	33 304	40 922	33 304	40 922
Mobile Telecommunications Limited (MTC)	13 800	15 600	13 800	15 600
West Indian Ocean Cable Company (WIOCC)	10 140	11 635	10 140	11 635
Advanced rental	69 773	74 492	69 773	74 492
Unused airtime	5 556	5 658	5 556	5 658
	186 723	239 728	186 723	239 728
Reflected as follows				
Long-term liabilities	81 877	121 670	81 877	121 670
Short-term liabilities	104 846	118 058	104 846	118 058
	186 723	239 728	186 723	239 728

Telecom Namibia received funds from the DCA and in terms of the underlying agreement, Telecom Namibia will apply the money received towards the construction of towers and optic fibre links for use by the DCA in addition funds were received in the current year for dark fibre links. Upon completion of the project, ownership of the assets will vest in Telecom Namibia which in turn, is expected to render services to the DCA in lieu of and to the extent of, the prepayment received and applied towards project costs. The prepayment received will be released to profit and loss as the services are rendered. The balance at year-end was N\$0.97 million (2018: N\$10.5 million).

Telecom Namibia received N\$8.7 million (2018: N\$16 million) from the various ministries for projects. The funds received will be applied against future invoices billed by Telecom Namibia once the services are rendered to the respective ministry. An additional amount of N\$0.58 million was received from MTC during the 2019 financial year in respect of a prepayment towards the construction of an optic fibre network. The balance at 30 September 2018 was N\$3.65 million.

The company also receives rental from customers one month in advance of rendering the underlying goods and services.

An agreement was entered into with Bofinet to provide connectivity related to backhauling services for a period of ten years commencing on 1 January 2014 for a contract value of USD 8 314 916. A deposit of USD 1 164 088 was paid in advance on 1 January 2014 and the remainder of the contract amount is payable in monthly instalments of USD 305 480 over a period of two years. Maintenance charges of N\$19 247 are included in the monthly instalment. Total funds received from Bofinet for services not yet rendered were N\$43 million at the end of September 2019 (2018: N\$62 million).

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 balance at the end of September 2019 for payment received in advanced but services not yet rendered was N\$13.8 million (2018: N\$15.6 million).

Bharti Airtel requested Telecom Namibia to provide a solution to be part of the transmission service 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 USD 3.4 million and maintenance charges per month of USD 5 666.67 for the period of ten years. The balance at the end of September 2019 for payment received in advanced but services not yet rendered was N\$33.3 million (2018: N\$40.9 million).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

23. Deferred revenue (continued)

On the 8th of December 2016, the International Accounting Standard Board (IASB) issued IFRS interpretation, IFRIC 22: Foreign Currency Transactions and Advance consideration which clarifies the date of the transaction for the purposes of determining the exchange rate to use on initial recognition of the related assets, income or expenses received or paid in advance in foreign currency. IFRIC 22 is applicable for annual periods beginning on or after 01 January 2018 thus this standard became effective during the 2019 financial year for Telecom Namibia. Refer to note 38 where we detailed the impact of this interpretation.

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 USD 850 000 was received in June 2018. The balance at end of September 2019 for payment received but services not yet rendered was N\$10.1 million (2018: N\$11.6 million).

24. Unearned Interest devices

	Consolidated 2019 N\$'000	Consolidated 2018 N\$'000	Company 2019 N\$'000	Company 2018 N\$'000
Effect of cumulative effect method on adoption of IFRS 15	1 425	--	1 425	--
Net renewals, activations and terminations during the year	700	--	700	--
Interest Expense Recognised during the year	(166)	--	(166)	--
Closing Balance	1 959	--	1 959	--

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.

25. Operating profit

	Consolidated 2019 N\$'000	Consolidated 2018 N\$'000	Company 2019 N\$'000	Company 2018 N\$'000
Operating profit is arrived at after the following items:				
Auditor's remuneration				
- Audit fees - current year	3 644	2 963	3 328	2 559
- Audit fees - other services	--	--	--	--
Depreciation of plant and equipment	204 434	197 655	197 555	189 916
Amortisation of intangible assets	16 940	26 929	15 548	25 537
Loss on scrapping of property, plant and equipment and intangible assets	1 696	5 953	1 691	5 834
Loss on impairment of non-current asset held for sale	23 729	2 107	23 729	2 107
Staff costs (note 27)	566 430	537 472	556 832	529 873
Advertising and promotions	34 311	30 941	34 311	30 695
International settlements	86 069	122 868	86 069	122 868
Operating lease expenses				
- Vehicles	21 412	24 370	21 412	24 370
- Office machines	5 120	3 097	5 120	3 097
- Tower rentals related party	16 714	13 734	45 430	37 093
Penalty fee expense/(reversal)	--	(326)	--	(326)
Building rentals: Related Party	62 142	59 576	62 142	59 576
Building rentals: Other	11 487	3 729	2 723	3 729

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

25. Operating profit (continued)

	Consolidated 2019 N\$'000	Consolidated 2018 N\$'000	Company 2019 N\$'000	Company 2018 N\$'000
Repairs and maintenance	73 356	50 033	73 355	50 033
Fees for Services	12 354	--	11 252	--
Post-retirement benefits recognised in profit or loss	2 542	2 561	2 542	2 561
Provision for obsolete stock	9 363	--	9 363	--
Net realised foreign exchange gain	(30 346)	(35 808)	(30 346)	(35 808)
Net realised foreign exchange loss	33 593	35 830	33 593	35 830
Net unrealised foreign exchange gain	(20 266)	(55 864)	(20 266)	(55 864)
Net unrealised foreign exchange loss	21 788	61 806	21 788	61 806

26. Finance income and costs

	Consolidated 2019 N\$'000	Consolidated 2018 N\$'000	Company 2019 N\$'000	Company 2018 N\$'000
<i>Interest received</i>				
Cash balance	1 970	975	252	297
Interest on finance lease receivables	5 788	4 217	5 788	4 217
Interest on customer balances	166	--	166	--
	7 924	5 192	6 206	4 514
<i>Interest paid</i>				
Post-retirement benefit liability	5 645	5 452	5 645	5 452
Interest on obligations under finance lease	2 840	6 685	2 840	6 685
Other interest expense	111	11	93	--
Short-term borrowing facilities	5 678	7 763	5 678	7 763
	14 274	19 911	14 256	19 900
Less: Non-cash interest cost of post-retirement liability (note 17)	(5 645)	(5 452)	(5 645)	(5 452)
Interest paid as per cash flow statement	8 629	14 459	8 611	14 448
Less: borrowing cost adjustment (note 4)	--	682	--	682
	8 629	15 141	8 611	15 130

27. Staff costs

	Consolidated 2019 N\$'000	Consolidated 2018 N\$'000	Company 2019 N\$'000	Company 2018 N\$'000
Salaries and other related costs	469 630	445 314	462 148	439 629
Social Security	1 130	1 093	1 097	1 070
Short term benefit	--	409	--	--
Medical aid	45 299	42 442	44 401	41 830
Pension fund	50 371	48 214	49 186	47 344
	566 430	537 472	556 832	529 873

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

28. Taxation

	Consolidated 2019 N\$'000	Consolidated 2018 N\$'000	Company 2019 N\$'000	Company 2018 N\$'000
Namibian normal income tax	--	--	--	--
Deferred tax (charge)/credit				
- current year	55 996	4 881	33 738	(7 467)
Tax (charge)/credit for the year	55 996	4 881	33 738	(7 467)
Reconciliation of the taxation:				
Loss before tax	(43 255)	(30 459)	(60 350)	(43 987)
Tax calculated at a tax rate of 32% (2018: 32%)	13 842	9 747	19 312	14 075
- Income/(Expenses) not deductible for tax purposes	12 292	(35 316)	12 834	(35 239)
- Tax Loss utilised	12 914	--	--	--
- Deferred Tax recognised through equity	1 592	--	1 592	--
- Deferred tax asset not previously recognised	15 356	16 753	--	--
- Opening balance adjustment	--	13 697	--	13 697
Tax (charge) to Income Statement	55 996	4 881	33 738	(7 467)
Reconciliation of rate of taxation:	%	%	%	%
Namibian normal taxation rate	32.0	32.0	32.0	32.0
Change in rate of taxation due to:				
- Income/(Expenses) not deductible for tax purposes	28.4	(115.9)	21.2	(80.1)
- Deferred Tax recognised through Equity	3.7	45.0	2.6	31.1
- Deferred tax asset not previously recognised	35.5	55.0	--	--
- Tax Loss utilised	29.9	--	--	--
Effective tax rate	129.5	16.01	55.9	(17)
Included in other comprehensive income is deferred tax related to:				
Remeasurement of defined benefit obligation	1 120	572	1 120	572
Estimated tax losses:				
Total tax losses	1 006 441	1 197 298	21 064	193 864
Utilised to raise deferred tax assets	(229 319)	(188 743)	--	--
Utilised to offset deferred tax liabilities	(21 064)	(193 864)	(21 064)	(193 864)
Estimated tax losses not recognised, available to set-off against future taxable income	756 058	814 691	--	--

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

29. Regulatory levies

	Consolidated 2019 N\$'000	Consolidated 2018 N\$'000	Company 2019 N\$'000	Company 2018 N\$'000
Communications Regulatory Authority of Namibia				
License levy	(47 140)	(13 952)	(47 044)	(13 952)
Number range levy	(28 687)	--	(28 687)	--
	(75 827)	(13 952)	(75 731)	(13 952)

The increase in the CRAN levies balance in the current year is mainly as a result of the Numbering range levy invoice amounting to N\$28 million. Previously, judgement was used to determine the basis for calculating the levy and only 1% of only the revenue streams that need a license from CRAN were included in the provision. An additional accrual of N\$32 million was thus recognised in the current year for the License levy.

In the current year, management revised the estimation and recognised an addition provision to increase the accrual from 1% to 1.5% for 2016 and earlier periods. Telecom Namibia challenged CRAN regarding the basis on which the levy is calculated and was successful, with the High Court giving its ruling in September 2016 that the levy was unlawful and unconstitutional.

Following CRAN's appeal of the High court's decision on the levy matter, the Supreme Court upheld the decision of the High court and ruled that section 23 (1) is unconstitutional however the Supreme court held that Telecom should pay the Levy from September 2012 to date of "this judgement". The parties have since been struggling to reach consensus regarding the interpretation of what the court meant when it said, "the date of this judgement".

It was not clear as to whether the court meant the Supreme court judgement (2018) or the High court judgement (2016) when it said "this judgement" in its ruling.

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

30. Cash flow movements

Working capital changes	Consolidated 2019 N\$'000	Consolidated 2018 N\$'000	Company 2019 N\$'000	Company 2018 N\$'000
Decrease in working capital during the year:				
Decrease in inventories	13 844	1 871	13 844	1 871
Increase in contract asset	(6 481)	--	(6 481)	--
Decrease in trade and other receivables	26 326	23 978	27 168	23 344
Increase in trade and other payables	122 165	85 379	121 994	84 408
Decrease in deferred revenue	(40 966)	(17 579)	(40 966)	(17 579)
Decrease in holding company loans	(81 479)	(152 029)	(81 479)	(152 029)
Decrease in amount owing by fellow subsidiaries	3 280	--	10 029	--
Decrease in amount owing to fellow subsidiaries	2 141	--	11 534	--
Increase in Unearned Interest Mobile Devices	532	--	532	--
Decrease in amount owing to holding company	(859)	--	(859)	--
	38 503	(58 201)	55 316	(56 295)

31. Capital expenditure commitments

	Consolidated 2019 N\$'000	Consolidated 2018 N\$'000	Company 2019 N\$'000	Company 2018 N\$'000
Commitments in respect of contracts placed	73 712	113 868	73 712	113 868

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

32. Operating lease commitments

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

No later than one year:

- Vehicles
- Office machines
- Tower rentals
- Buildings - related party

Later than one year, but not later than 5 years:

- Vehicles
- Office machines
- Tower rentals
- Buildings - related party

More than 5 years:

- Tower Rentals

Total operating lease commitments

	Consolidated 2019 N\$'000	Consolidated 2018 N\$'000	Company 2019 N\$'000	Company 2018 N\$'000
No later than one year:	139 996	129 612	166 264	155 307
- Vehicles	52 767	45 126	52 767	45 126
- Office machines	3 459	3 459	3 459	3 459
- Tower rentals	17 662	15 897	43 930	41 592
- Buildings - related party	66 108	65 130	66 108	65 130
Later than one year, but not later than 5 years:	491 487	467 657	645 705	598 832
- Vehicles	55 839	46 017	55 839	46 017
- Office machines	7 991	7 991	7 991	7 991
- Tower rentals	90 167	81 155	244 385	212 330
- Buildings - related party	337 490	332 494	337 490	332 494
More than 5 years:	--	--	--	--
- Tower Rentals	--	--	--	86 902
Total operating lease commitments	631 483	597 269	811 969	841 041

The vehicles are leased from Avis Fleet Services for a period of four years on average. Transfer of vehicles during the tenure of the lease is prohibited in terms of the lease agreement. The office machines are leased from Minolco (Pty) Ltd over varying lease periods. No contingent rent is payable on the machines. Transfer of the machines during the tenure of the lease is prohibited in terms of the lease agreement. The buildings are leased from Namibia Post and Telecom Holdings Limited over varying lease periods. No contingent rent is payable on the leased buildings.

The towers are leased externally by the Group from Mobile Telecommunications Limited, the Namibian Broadcasting Corporation, Town Councils, farmers and private owners of towers over varying lease periods and from Powercom (Pty) Ltd by the Company.

3.3 Pension Fund

At the financial year-end, all the permanent employees of Telecom Namibia were members of the Napotel Pension Fund, a defined contribution fund governed by the Namibian Pension Funds Act. Employees' contributions amount to 7% of basic salary and the Company's contribution amounts to 16% of basic salary. Employees are allowed to make additional contributions to the fund. An actuarial valuation was carried out for the year ended 30 September 2018, which indicated that the fund was in a sound financial position.

As at 30 September 2019, a total of 1 001 (2018: 1 072) 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\$1 184 387 (2018: N\$870 319).

	Consolidated 2019 N\$'000	Consolidated 2018 N\$'000	Company 2019 N\$'000	Company 2018 N\$'000
Contributions to the pension fund:	60 381	58 113	59 602	57 254
Company	49 960	48 118	49 186	47 344
Employees	10 421	9 995	10 416	9 910

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

34. Contingent liabilities

	Consolidated 2019 N\$'000	Consolidated 2018 N\$'000	Company 2019 N\$'000	Company 2018 N\$'000
Communications Regulatory Authority of Namibia	35 297	43 384	35 297	43 384
Legal claims	10 270	--	10 270	--
Mundo Startel	575 700	538 080	575 700	538 080
	621 267	581 464	621 267	581 464

The Communications Regulatory Authority of Namibia (CRAN) implemented a levy of 1.5% on total turnover in September 2012. Telecom Namibia challenged CRAN regarding the basis on which the levy is calculated and was successful, with the High Court giving its ruling in September 2016 that the levy was unlawful and unconstitutional. Following CRAN's appeal of the High court's decision on the levy matter, the Supreme Court upheld the decision of the High court and ruled that section 23 (1) is unconstitutional however the Supreme court held that Telecom should pay the Levy from September 2012 to date of "this judgement". The parties have since been struggling to reach consensus regarding the interpretation of what the court meant when it said, "the date of this judgement". It is not clear as to whether the court meant the Supreme court judgement (2018) of the High court judgement (2016) when it said "this judgement" in its ruling. In the meantime, CRAN, cannot execute the judgement as judgement does not state an amount to be paid by Telecom and the calculation of that amount will depend on the above-mentioned issue.

The Company recognises that a levy will be charged, and significant judgement was used by management to determine the basis for calculating the levy at 1% of only those revenue streams that need a license from CRAN. The contingent liability has been determined as the difference between what CRAN considers is due to them as well as what Telecom Namibia considers as due to CRAN. The total contingent liability raised above pertaining to CRAN of N\$35 million includes the numbering plan invoice amounting to N\$23 million.

In terms of the agreement that the Company has with Mundo Startel, Telecom Namibia had to invest a total of USD53 million in Angola, however as at reporting date, the company had also invested USD15 million. The remaining amount is thus disclosed as a contingent liability. The amount for the contingent liability has been translated using the ruling rate as at 30 September 2019. The company has total claims amounting to N\$1.8 million for the current year for workmen's compensation.

Telecom Namibia also 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. Canocopy has submitted a claim against Telecom Namibia for an alleged fake contract. Total claim for Canocopy amounts to N\$12 million of which N\$6.3 million has been accrued for. The matter is currently in court and if the court does not rule in Telecom's favour, Telecom Namibia is likely to be required to settle the reminder N\$5.6 million which Canocopy is alleging was a shortfall on the contract.

35. Financial instruments and risk management

The Group's management acknowledges the impact that are of relevance and significance to its operations that arise as a result of exposure to constantly changing market conditions. The Group's risk management policies are monitored on an on-going basis by the Board of Directors' Risk Management Committee. In the course of conducting its day to day operations, the Group holds or issues financial instruments.

The Group's operations are financed by internally generated cash flows, bonds and loan facilities obtained from financial institutions. On a selected transaction basis, the Group utilises derivative financial instruments to mitigate and manage its exposure to market risks from changes in interest and foreign exchange rates.

	Consolidated 2019 N\$'000	Consolidated 2018 N\$'000	Company 2019 N\$'000	Company 2018 N\$'000
The following are the categories of financial instruments held as at the reporting date:				
Financial assets at amortised cost				
Cash and Cash Equivalents	59 869	51 535	38 531	43 299
Trade and other receivables	260 610	280 918	259 612	280 743
Amounts owing by fellow subsidiaries	7 293	10 573	23 261	33 290
Amounts owing by holding company	6 049	5 190	6 049	5 190
Finance lease receivables	12 011	37 211	12 011	37 211
Other financial assets	10 000	16 000	--	--
	355 832	401 427	339 464	399 733

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

35. Financial instruments and risk management (continued)

	Consolidated 2019 N\$'000	Consolidated 2018 N\$'000	Company 2019 N\$'000	Company 2018 N\$'000
Financial liabilities at amortised cost				
Long-term liabilities	30 000	56 776	30 000	56 776
Short-term portion of long-term liabilities	26 776	38 858	26 776	38 858
Trade and other payables	430 013	293 528	425 322	288 626
Amounts owing to fellow subsidiaries	8 730	6 589	20 283	8 749
Amounts owing to holding company	--	81 479	--	81 479
	495 519	477 230	502 381	474 488
Financial liabilities at fair value				
Long-term portion of other financial liabilities	75 803	112 715	75 803	112 715
Short-term portion of other financial liabilities	--	10 283	--	10 283
Bank overdraft	--	--	--	--
	75 803	122 998	75 803	122 998

Fair value of financial instruments

The carrying values of all financial instruments that are disclosed in the Statements of financial position approximate their fair values. Derivatives are carried at fair value. The carrying value of receivables, cash and cash equivalents, payables and accruals, approximate their fair value amounts due to the short-term maturities of these instruments. The fair value of the borrowings disclosed above are based on the expected future payments discounted at market interest rates.

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

The Directors consider that the carrying amounts of financial assets and liabilities recorded in the Group and Company's financial statements approximate their fair values.

Interest rate risk management

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

Credit risk management

Risk Exposure

Telecom Namibia has the following financial assets subject to the Expected Credit Loss (ECL) model:

- Trade and Other Receivables
- Amounts owing by fellow subsidiaries
- Amounts owing by holding company
- Contract Asset
- Cash and Cash Equivalents
- Lease receivable

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

Credit risk management (continued)

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 twenty seven month sales 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.

	Gross Carrying Amount	Impairment	Average ECL/ Impairment ratio %
Residential			
Current	16 623	1 330	8%
31 - 60	2 741	595	22%
61 - 90	3 570	1 131	32%
Default	138 011	101 176	73%
Corporate			
Current	9 927	522	5%
31 - 60	6 745	994	15%
61 - 90	2 441	634	26%
Default	9 672	7 595	79%
Government			
Current	2 708	157	6%
31 - 60	11 170	8	8%
61 - 90	15 359	1 240	8%
Default	5 263	1 188	23%
Small Office			
Current	13 292	876	7%
31 - 60	1 180	265	22%
61 - 90	960	379	39%
Default	63 982	49 808	78%
Large Enterprise			
Current	3 961	29	1%
31 - 60	1 943	41	2%
61 - 90	511	20	4%
Default	1 679	618	37%
Medium Enterprise			1%
Current	2 489	49	2%
31 - 60	533	28	5%
61 - 90	262	24	9%
Default	3 471	1 780	51%
Small Enterprise			
Current	1 024	23	2%
31 - 60	131	11	9%
61 - 90	80	13	16%
Default	1 971	1 295	66%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

35. Financial instruments and risk management (continued)

Credit risk management (continued)

	Gross Carrying Amount	Impairment	Average ECL/ Impairment ratio %
New Business			
Current	199	169	14%
31 - 60	237	66	28%
61 - 90	200	69	35%
Default	3 724	3 292	88%
Wholesale			
Current	8 873	96	1%
31 - 60	4 167	135	3%
61 - 90	3 193	136	4%
Default	50 920	39 243	77%
Corporate Mobile			
Current	701	144	20%
31 - 60	707	186	26%
61 - 90	104	27	27%
Default	19 812	13 243	67%
Debt Collection			
Current	30	12	39%
31 - 60	112	71	64%
61 - 90	1	1	70%
Default	44 831	32 719	73%
Individual Subscriber			
Current	4 692	861	18%
31 - 60	1 684	438	26%
61 - 90	260	69	27%
Default	11 279	7 345	65%
Government Mobile			
Current	57	16	27%
31 - 60	37	10	27%
61 - 90	91	25	27%
Default	7 098	4 745	67%
Other Mobile			
Current	549	10	2%
31 - 60	170	14	8%
61 - 90	35	6	17%
Default	2 785	1 862	67%
SAP			
Current	16 319	2 891	18%
31 - 60	99	21	22%
61 - 90	6 321	1 385	22%
Default	9 782	2 154	22%
Total:	521 765	284 165	54%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

Simplified parameter-based approach – ECL is calculated using a formula incorporating the following parameters: Exposure at Default (EAD), Probability of Default (PD), Loss Given Default (LGD) discounted using the Effective Interest Rate (EIR) (i.e. $PD \times LGD \times EAD = ECL$). Exposures are mainly segmented by customer type i.e. corporate, consumer etc., ageing, and months in contract. This is done to allow for risk differentiation. The probability of a customer defaulting as well as the realised loss with defaulted accounts has been determined using historical data (twelve months and thirty six months respectively). The EIR represents a weighted average rate which is representative of the portfolio of customers and incorporates a risk-free rate plus a risk premium on initial recognition of the trade receivables. A qualitative assessment of the impact of forward-looking information has been performed and found to be immaterial.

	Contract Assets	Finance Lease receivable
2019		
Simplified parameter-based approach		
Gross balance	26 517	12 789
Expected credit loss allowance	(12 295)	(778)
Net balance	14 222	12 011

Trade receivables are written off when there is no reasonable expectation of recovery. This is assessed individually by each operation and includes for example where the trade receivables have been handed over for collection and remain outstanding or the debtor has entered bankruptcy.

Liquidity risk management

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

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

As at year-end, the Group reflected net current liabilities of N\$218 million (2018: N\$131 million) and the Company reflected net current liabilities of N\$241 million (2018: N\$132 million).

The Group has unused short-term borrowing facilities with local financial institutions amounting to N\$100 million (2018: N\$32 million). The Company has unused short-term borrowing facilities with local financial institutions amounting to N\$100 million (2018: N\$32 million).

The internationally renowned rating agency Fitch in March 2020 affirmed Telecom Namibia Limited's Long-Term Currency Issuer Default Rating (IDR) at "BB-" and National Long-Term Rating at "AA-(zaf)" with Stable Outlooks and this rating was supported by the recovery of operating EBITDA in the fiscal year ending 30 September 2018, improvement in liquidity and reduction of short-term debt. The Outlook for Telecom Namibia is stable.

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

The effectiveness of the current billing system still represents a risk that influences the Company's ability to meet service order deliverables, the validity and completeness of network revenue billed to customers, debt-collection procedures. 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's focus will remain on improving credit management practices that will enhance cash collecting efforts in order to improve the cash flow position of the Group.

Telecom Namibia subordinated its N\$628 196 298 of its acquired shareholder loan (2018: N\$628 196 298) in favour of the creditors of Powercom (Pty) Ltd. Telecom Namibia also provided a letter of ongoing support to Powercom (Pty) Ltd to enable the company to settle its obligations in the ordinary course of business.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

35. Financial instruments and risk management (continued)

Liquidity risk management (continued)

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

Consolidated

	<1 year N\$'000	2-5 years N\$'000	>5 years N\$'000	Interest adjustment N\$'000	Total N\$'000
2019					
Trade and other payables	430 013	--	--	--	430 013
Amounts owing to fellow subsidiaries	8 730	--	--	--	8 730
Amount owing to holding company	--	--	--	--	--
Long-term liabilities	29 712	31 013	--	(3 949)	56 776
Other Financial Liabilities	--	54 050	21 753	--	75 803
	468 455	85 063	21 753	(3 949)	571 322

2018

Trade and other payables	293 528	--	--	--	293 528
Amounts owing to fellow subsidiaries	6 589	--	--	--	6 589
Amount owing to holding company	81 479	--	--	--	81 479
Long-term liabilities	46 706	60 691	--	(11 763)	95 634
Other Financial Liabilities	10 283	103 259	72 405	(62 949)	122 998
	438 585	163 950	72 405	(74 712)	600 228

Company

2019

Trade and other payables	425 322	--	--	--	425 322
Amounts owing to fellow subsidiaries	20 283	--	--	--	20 283
Amount owing to holding company	--	--	--	--	--
Long-term liabilities	29 712	31 013	--	(3 949)	56 776
Other Financial Liabilities	--	54 050	21 753	--	75 803
	475 317	85 063	21 753	(3 949)	578 184

2018

Trade and other payables	288 626	--	--	--	288 626
Amounts owing to fellow subsidiaries	8 749	--	--	--	8 749
Amount owing to holding company	81 479	--	--	--	81 479
Long-term liabilities	46 706	60 691	--	(11 763)	95 634
Other Financial Liabilities	10 283	103 259	72 405	(62 949)	122 998
	435 843	163 950	72 405	(74 712)	597 486

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

35. Financial instruments and risk management (continued)

Liquidity risk management (continued)

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

Consolidated

	<1 year N\$'000	2-5 years N\$'000	>5 years N\$'000	Interest adjustment N\$'000	Total N\$'000
2019					
Trade and other receivables	260 610	--	--	--	260 610
Amounts owing by fellow subsidiaries	7 293	--	--	--	7 293
Amount owing by holding company	6 049	--	--	--	6 049
Finance lease receivables	4 422	7 909	--	(320)	12 011
Other Financial Assets	10 000	--	--	--	10 000
Cash and bank balances	59 869	--	--	--	59 869
	348 243	7 909	--	(320)	355 832
2018					
Trade and other receivables	280 918	--	--	--	280 918
Amounts owing by fellow subsidiaries	10 573	--	--	--	10 573
Amount owing by holding company	5 190	--	--	--	5 190
Finance lease receivables	23 250	16 362	--	(2 401)	37 211
Other Financial Assets	16 000	--	--	--	16 000
Cash and bank balances	51 535	--	--	--	51 535
	387 466	16 362	--	(2 401)	401 427

Company

2019					
Trade and other receivables	259 612	--	--	--	259 612
Amounts owing by fellow subsidiaries	23 261	--	--	--	23 261
Interest in subsidiary	--	--	--	--	--
Amounts owing by holding company	6 049	--	--	--	6 049
Finance lease receivables	4 422	7 909	--	(320)	12 011
Cash and bank balances	38 533	--	--	--	38 533
	331 877	7 909	--	(320)	339 466
2018					
Trade and other receivables	280 743	--	--	--	280 743
Amounts owing by fellow subsidiaries	33 290	--	--	--	33 290
Interest in subsidiary	--	--	--	--	--
Amounts owing by holding company	5 190	--	--	--	5 190
Finance lease receivables	23 250	16 362	--	(2 401)	37 211
Cash and bank balances	43 299	--	--	--	43 299
	385 772	16 362	--	(2 401)	399 733

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

35. Financial instruments and risk management (continued)

Foreign currency risk

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

The Group manages its foreign currency exchange rate risk by:

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

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

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

	Consolidated 2019 N\$'000	Consolidated 2018 N\$'000	Company 2019 N\$'000	Company 2018 N\$'000
For 10% increase in exchange rates				
Increase in loss for year	733	3 635	733	3 635
For 10% decrease in exchange rates				
Decrease in loss for year	733	3 635	733	3 635

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

	Consolidated 2019 N\$'000	Consolidated 2018 N\$'000	Company 2019 N\$'000	Company 2018 N\$'000
Receivable:				
Euro	87	7	87	7
USD	3 360	3 864	3 360	3 864
Payables:				
Euro	429	19	429	19
USD	2 851	2 479	2 851	2 479
Bank:				
Euro	113	147	113	147
USD	319	1 104	319	1 104
Exchange rates used for conversion of foreign items were:				
USD	15.20	14.16	15.20	14.16
Euro	16.62	16.49	16.62	16.49

The Group did not note any significant changes in its exposure to foreign currency risk and its objectives, policies and processes for managing and measuring the risk during the 2019 financial year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

35. Financial instruments and risk management (continued)

Interest rate risk

The sensitivity analysis below has been determined based on the exposure to interest rates at the reporting date and entails the changes to the profit or loss should there be any changes to the discount rate used in the computation of the preference share liability. For floating rate liabilities, the analysis is prepared on the assumption that the amount of the liability outstanding at the reporting date was outstanding for the whole of the financial year.

A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

Interest rate risk management

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

	Consolidated 2019 N\$'000	Consolidated 2018 N\$'000	Company 2019 N\$'000	Company 2018 N\$'000
For 100 basis points higher				
Increase in loss for year	4 896	5 636	4 896	5 636
For 100 basis points lower				
Decrease in loss for year	4 896	5 636	4 896	5 636

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

Capital management

The Group's policy is to continue to maintain an adequate capital base to finance its business as outlined in the Group Strategic Plan and continue to carry out its mandate to the nation while simultaneously ensuring sufficient profitability and returns for the shareholder.

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

	Consolidated 2019 N\$'000	Consolidated 2018 N\$'000	Company 2019 N\$'000	Company 2018 N\$'000
The gearing ratio at year-end was as follows:				
Long-term borrowings	56 776	95 634	56 776	95 634
Other financial liabilities	75 803	122 998	75 803	122 998
Bank overdraft	--	--	--	--
Cash and cash equivalents	(59 869)	(51 535)	(38 531)	(43 299)
Other financial assets	(10 000)	(16 000)	--	--
Preference share capital	400 000	400 000	400 000	400 000
Net debt	462 710	551 097	494 048	575 333
Equity	428 312	409 012	387 913	407 966
Debt to equity ratio	1.1:1	1.4:1	1.3:1	1.4:1
	100 000	32 000	80 000	32 000

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

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

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

There were no significant changes to the Group's methodology of capital management in the year ended 30th of September 2019.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

Fair value hierarchy

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

The fair value hierarchy has the following levels:

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

Some of the Group's financial assets and liabilities are measured at fair value at the end of each reporting period.

Except as detailed in the following table, the Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values.

2019

	Fair Value			
	Total instruments at carrying value N\$'000	Level 1 N\$'000	Level 2 N\$'000	Level 3 N\$'000

Consolidated

Liabilities

Redeemable cumulative preference shares (note 21)	75 803	--	--	75 803
---	--------	----	----	--------

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

2018

	Level			
	Total instruments at carrying value N\$'000	Level 1 N\$'000	Level 2 N\$'000	Level 3 N\$'000

Consolidated

Assets

Other financial assets	16 000	--	--	16 000
------------------------	--------	----	----	--------

Liabilities

Redeemable cumulative preference shares (note 21)	122 998	--	--	122 998
---	---------	----	----	---------

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

36. Subsequent events

Impact of Covid 19

On 30 January 2020, the World Health Organisation (WHO) declared the coronavirus (COVID-19) a global health emergency. The Wuhan Municipal Health Committee issued an urgent notice about the virus on 30 December 2019 and cases were reported to WHO on 31 December 2019.

The effects of the COVID-19 outbreak did not have a significant impact on global markets and share prices until after 31 January 2020 and actions taken by governments and the private sector to respond to the outbreak followed 31 December 2019. Based on the above considerations, the effect of the COVID 19 is considered as a non-adjusting event as it is not indicative of conditions that existed as at 30 September 2019.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

The impact and severity of COVID-19 on Telecom Namibia's operations, workforce, supply chains, partners and contractors, its customers and cash flow is assessed and management believes that it does not cast doubt on Telecom Namibia's ability to continue operating in the next 12 months as a going concern due to the following reasons:

- Telecom Namibia services have been identified as essential by the government of the Republic of Namibia and as such, the operations continued during the lock down period; and
- As at signing date, Telecom Namibia has been operating as a going concern for ten months post year end and there is therefore no doubt that the operations will continue until 2020.

New Board of Directors appointment

On 30 May 2020, the term of the board of directors came to an end. A new board was appointed for a period of three months effective 08 July 2020 until 08 October 2020. The new board will also assume the responsibility of signing off Telecom Namibia's annual financial statements for the year ended 30 September 2019. Refer to the new board composition under the corporate governance report on page 3 of this annual report.

37. Going concern

The Group and Company reported a loss before the preference share fair value adjustment of N\$80 million (2018: N\$74 million profit) and N\$97 million loss (2018 - restated: N\$61 million profit) respectively for the year ended 30 September 2019.

The Group and Company reported a profit/(loss) for the year ended 30 September 2019 of N\$15 million (2018 - restated loss: N\$24 million) and N\$24 million loss (2018 - restated: N\$50 million loss) respectively. Current liabilities exceeded current assets by N\$218 million (2018 - restated: N\$132 million) for the Group and by N\$241 million (2018 - restated: N\$131 million) for the Company at year-end.

It should be noted that out of the total current liabilities for the Company and Group, N\$104 million relates to deferred revenue and N\$8 million pertains to amounts owing to fellow subsidiaries. Thus, the remaining current liabilities to be covered amount to N\$518 million. The deferred revenue will be realized as the company delivers the services to the various customers as noted in note 23, and thus does not constitute a cash outflow. As set out in note 35 under liquidity risk management, the Group and Company has unutilised facilities. Out of the overall remaining current liabilities amount of N\$520 million, majority of this N\$487 million is for Trade and Other payables. Within this trade and other payables balance, N\$155 million pertains to CRAN levy accrual (also refer to note 29). Another contributor to the trade and other payables balance is leave accrual of N\$47 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. With regard to the CRAN accrual, it is most likely that an arrangement will be made to make the payments over a period of time as opposed to once off payments. Thus, isolating these two major contributors to current liabilities, leaves the balance fairly covered by current assets.

While focusing on its fixed line network, back-bone strength and regional markets, sustainable growth is experienced in the Internet Protocol (IP), Broadband and Mobile space. The Namibia ICT industry is changing, and we are transforming Telecom Namibia to stay the course. With that in mind the following four strategic pillars were developed:

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

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

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

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

For the 2020 financial year, Telecom Namibia will place emphasis on delivering an enhanced customer experience via continuous customer service quality improvements and innovations, whilst focusing on increased operational efficiency, productivity and sustainability. The focus for the 2020 financial year will continue to be on the strategic objectives of a 'Lean Telco' and 'Quality Network and Customer Service' which will be achieved by aggressively reducing operational inefficiencies, improving customer service and reducing network downtime. The key areas of 'Broadband', 'Mobile voice, data and FMC' and 'IP and Data' have been identified as focus areas to achieve business growth.

The internationally renowned rating agency Fitch in March 2020 affirmed Telecom Namibia Limited's Long-Term Currency Issuer Default Rating (IDR) at "BB-" and National Long-Term Rating at "AA-(zaf)" with Stable Outlooks and this rating was supported by the recovery of operating EBITDA in the fiscal year ending 30 September 2018, improvement in liquidity and reduction of short-term debt. The Outlook for Telecom Namibia is stable.

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 2020 and are satisfied that the Company and Group will return to sustainable profit levels and access the necessary financial resources in order to meet their financial obligations as they fall due.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

38. Changes in Accounting Policy

The annual financial statements have been prepared in accordance with IFRS on a basis consistent with the prior year except for the adoption of the following new or revised standards. This note explains the impact of the adoption of IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers and IFRIC Interpretation 22: Foreign Currency Transactions and Advance Consideration on the group's financial statements.

38.1 Impact on the financial statements

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

Impact on profit or loss for the year ended 30 September 2019

Consolidated

Statement of Profit of Loss (Extract)	As Reported	IFRS 15 Adjustment	IFRS 9 adjustment	IFRIC 22 adjustment	Without Adoption of new standards
	N\$'000	N\$'000	N\$'000	N\$'000	N\$'000
Mobile Revenue	214 334	(2 179)	--	--	216 513
Data Revenue	294 115	--	-	(2 366)	296 481
Expected Credit Loss Allowance	(48 165)	(1 540)	(46 625)	--	--
Unrealised Foreign Exchange gains / (losses)	(1 522)	--	--	7 390	(8 912)
Finance income	7 924	(1 105)	--	--	6 819
Tax in statement of profit / (loss)	55 996	836	14 920	(1 608)	41 848
Profit for the year	12 741	(1 778)	(31 705)	3 416	42 808

Company

Statement of Profit of Loss (Extract)	As Reported	IFRS 15 Adjustment	IFRS 9 adjustment	IFRIC 22 adjustment	Without Adoption of new standards
	N\$'000	N\$'000	N\$'000	N\$'000	N\$'000
Mobile Revenue	214 334	(2 179)	--	--	216 513
Data Revenue	294 115	--	-	(2 366)	296 481
Expected Credit Loss Allowance	(48 165)	(1 540)	(46 625)	--	--
Unrealised Foreign Exchange gains / (losses)	(1 522)	--	--	7 390	(8 912)
Finance income	6 206	1 105	--	--	5 101
Tax in statement of profit / (loss)	33 738	836	14 920	(1 608)	19 590
Loss for the year	(24 231)	(1 778)	(31 705)	3 416	(22 453)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

Impact on assets, liabilities and equity as at 30 September 2019

Consolidated

Statement of Financial Position (Extract)	As Reported N\$'000	IFRS 15 Adjustment N\$'000	IFRS 9 adjustment N\$'000	IFRIC 22 adjustment N\$'000	Without Adoption of new standards N\$'000
Trade Receivables	272 215	--	(46 625)	--	318 840
Contract Asset	21 425	21 425	--	--	--
Finance Lease Receivable	12 011	(30 523)	--	--	42 534
Retained Earnings	273 782	(18 261)	--	17 062	274 981
Unearned Interest Mobile Devices	(1 959)	(1 959)	--	--	--
Deferred Tax liability	(200 220)	(836)	(23 982)	1 607	(186 072)
Deferred Revenue	(186 723)	--	--	17 062	(203 785)

Company

Statement of Financial Position (Extract)	As Reported N\$'000	IFRS 15 Adjustment N\$'000	IFRS 9 adjustment N\$'000	IFRIC 22 adjustment N\$'000	Without Adoption of new standards N\$'000
Trade Receivables	270 756	--	(46 625)	--	317 381
Contract Asset	21 425	21 425	--	--	--
Finance Lease Receivable	12 011	(30 523)	--	--	42 534
Retained Earnings	(233 383)	(18 261)	--	17 062	234 582
Unearned Interest Mobile Devices	(1 959)	(1 959)	--	--	--
Deferred Tax liability	(184 969)	(836)	(23 982)	1 608	(170 821)
Deferred Revenue	(186 723)	--	--	17 062	(203 785)

Impact on assets, liabilities and equity as at 01 October 2018

Consolidated

Statement of Financial Position (Extract)	As Reported N\$'000	IFRS 15 Adjustment N\$'000	IFRS 9 adjustment N\$'000	IFRIC 22 adjustment N\$'000	Without Adoption of new standards N\$'000
Contract Asset	21 425	21 425	--	--	--
Finance Lease Receivable	15 832	21 379	--	--	37 211
Retained Earnings	(258 660)	7 861	--	(12 039)	(254 482)
Unearned Interest Mobile Devices	(1 427)	(1 427)	--	--	--
Deferred Revenue	(227 689)	--	--	12 039	(239 728)

Company

Statement of Financial Position (Extract)	As Reported N\$'000	IFRS 15 Adjustment N\$'000	IFRS 9 adjustment N\$'000	IFRIC 22 adjustment N\$'000	Without Adoption of new standards N\$'000
Contract Asset	21 425	21 425	--	--	--
Finance lease receivable	15 832	(21 379)	--	--	37 211
Retained Earnings	(257 614)	7 861	--	(12 039)	(253 436)
Unearned Interest Mobile Devices	(1 427)	(1 427)	--	--	--
Deferred Revenue	(227 689)	--	--	12 039	(239 728)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

38. Changes in Accounting Policy (continued)

38.2 Adoption of IFRS 15

The Group has adopted IFRS 9, IFRS 15 as well as IFRIC 22 from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The Group has adopted the standard for the first time in the 2019 annual financial statements, using the cumulative retrospective approach and has opted not to restate the comparatives for the 2018 financial year.

Impact on opening statement of financial position as at 1 October 2018

The tables below summarise the impact of adopting IFRS 15 as at 01 October 2018 and compares financial information for the current period with what it would have been had this standard not been adopted.

Consolidated

Statement of Financial Position (Extract)	With IFRS 15 N\$'000	IFRS 15 Adjustment N\$'000	Without Adoption of new standards N\$'000
Contract Asset	21 425	21 425	--
Finance Lease Receivable	15 832	21 379	37 211
Retained Earnings	(246 621)	7 861	(254 482)
Unearned Interest Mobile Devices	(1 426)	(1 427)	--

Company

Statement of Financial Position (Extract)	With IFRS 15 N\$'000	IFRS 15 Adjustment N\$'000	Without Adoption of new standards N\$'000
Contract Asset	21 425	21 425	--
Finance Lease Receivable	15 832	21 379	37 211
Retained Earnings	(245 575)	7 861	(253 436)
Unearned Interest Mobile Devices	(1 427)	(1 427)	--

38. Changes in Accounting Policy (continued)

38.3 IFRS 9 Financial Instruments

The adoption of IFRS 9 had the following impact on the Telecom Namibia:

- Change from the IAS 39 incurred loss model to the ECL model to calculate impairment of financial instruments.
- Change in classification of the measurement categories for financial instruments.

Changes in accounting policies from the adoption of IFRS 9 have been applied retrospectively however, Telecom has elected not to restate comparative information. Differences between the carrying amounts as at 30 September 2018 and 01 October 2018 resulting from the initial application of IFRS 9 are recognised in retained earnings. Accordingly, information relating to 30 September 2018 does not reflect the requirements of IFRS 9 but rather those of IAS 39.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

38.3 (a) Classification and Measurement

On 1 January 2018 (the date of initial application of IFRS 9), the group's management has assessed which business models apply to the financial assets held by the group and has classified its financial instruments into the appropriate IFRS 9 categories. The main effects resulting from this reclassification are as follows:

	Measurement Category		Carrying Amount	
	IAS 39	IFRS 9	30-Sep-18	01-Oct-18
Current Assets				
Trade and Other Receivables	Loans and receivables	Amortised Cost	298 541	298 541
Amounts owing by fellow subsidiaries	Loans and receivables	Amortised Cost	10 573	10 573
Amounts owing by holding company	Loans and receivables	Amortised Cost	5 190	5 190
Contract Asset	Loans and receivables	Amortised Cost	--	--
Cash and Cash Equivalents	Loans and receivables	Amortised Cost	51 535	51 535
Non-Current Liabilities				
Long-Term Borrowings	Amortised Cost	Amortised Cost	30 000	30 000
Other Financial Liabilities	FVTPL	FVTPL	122 998	122 998
Current Liabilities				
Trade and Other Payables	Amortised Cost	Amortised Cost	365 573	365 573
Short-term portion of long-term borrowings	Amortised Cost	Amortised Cost	20 000	20 000
Amounts owing to fellow subsidiaries	Amortised Cost	Amortised Cost	6 589	6 589
Amounts owing to holding company	Amortised Cost	Amortised Cost	81 479	81 479

38.3 (b) Impairment

Before the adoption of IFRS 9 the group calculated the allowance for credit losses using the incurred loss model. Under the incurred loss model, the group assessed whether there was any objective evidence of impairment at the end of each reporting period. If such evidence existed the allowance for credit losses in respect of financial assets at amortised cost were calculated as the difference between the asset's carrying amount and its recoverable amount, being its present value of the estimated future cash flows discounted at the original (Effective Interest Rate) EIR.

Under IFRS 9 the group calculates the allowance for credit losses based on ECLs for financial assets measured at amortised cost, debt investments at FVOCI and contract assets. 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 EIR of the financial asset.

The group applies the simplified approach to determine the ECL for trade receivables and contract assets. This results in calculating lifetime ECLs for trade receivables and contract assets. ECLs for trade receivables is mainly calculated using a provision matrix. For contract assets and mobile trade receivables ECLs are determined using a simplified parameter-based approach.

Refer to note 35 for more detail on the application of the provision matrix and the simplified parameter-based approach.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

38. Changes in Accounting Policy (continued)

38.4 IFRIC Interpretation 22: Foreign Currency Transactions and Advance Consideration

The Group entered into contracts when the entity received advanced payments from customers and the cash inflow is denominated United States Dollars (USD) and the functional currency is Namibian Dollars (NAD).

Prior to the implementation of IFRIC 22, the receipts were accounted for a monetary liability and were revalued at the end of every financial year since the receipt of the proceeds at the closing spot rate at the end of the financial year.

The group has adopted the Interpretation for the first time in the 2019 annual financial statements, using the cumulative retrospective approach and has opted not to restate the comparatives for the 2018 financial year.

Impact on opening statement of financial position as at 1 October 2018

Consolidated

Statement of Financial Position (Extract)	With IFRIC 22 N\$'000	IFRIC 22 adjustment N\$'000	Without Adoption of new standards N\$'000
Retained Earnings	(266 521)	(12 039)	(254 482)
Deferred Revenue	(227 689)	12 039	(239 728)

Company

Statement of Financial Position (Extract)	With IFRIC 22 N\$'000	IFRIC 22 adjustment N\$'000	Without IFRIC 22 N\$'000
Retained Earnings	(265 542)	(12 039)	(253 436)
Deferred Revenue	(227 689)	12 039	(239 728)

39. Prior Period error

39.1 Classification of Preference share liability

The preference share capital of N\$400 million was reclassified from equity to non-current liabilities and comparatives were reclassified in terms of IAS 8.

In the 2017 financial year, the company made an after tax profit of N\$9 million and had an obligation to pay the preference dividend. Based on the profit reported, a liability of N\$19.8 million was estimated over 10 years, by discounting future cash flows. This component was however not adjusted for in the profit for the year ended 30 September 2017, but an entry was posted to reduce the retained share capital of N\$400 million to N\$380 million and a corresponding liability of N\$19.8 million was raised.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

39.1 Classification of Preference share liability (continued)

The effect of correction of the error on the results for 30 September 2018 is as follows:

	Consolidated 2018 N\$'000	Consolidated 2017 N\$'000	Company 2018 N\$'000	Company 2017 N\$'000
Decrease in Fair value Adjustment: Preference Share	19 830	--	19 830	--
Increase in profit	19 830		19 830	--
Effect on Financial Position				
Decrease in Share Capital	(400 000)	(400 000)	(400 000)	(380 170)
Decrease in Retained Earnings	--	--	--	(19 830)
Increase in Non-Current Liabilities	400 000	400 000	400 000	400 000

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

Details of the reclassification are disclosed in note 21.

39.2 Deferred tax errors

In the prior year, an amount of N\$42 million was erroneously deducted from the tax value of the assets in the deferred tax calculation. As a result, the deductible temporary differences were understated, and the deferred tax liability balance was overstated by N\$13.7 million. Due to the fact that the error happened during the 2018 financial year, there was no impact on the opening balance of the earliest prior period presented.

The company treated the leave pay provision as a permanent difference in the deferred tax calculation. The tax base of a liability is its carrying amount, less any amount that will be deductible for tax purposes in respect of that liability in future periods when the liability is settled. The leave provision will be deducted in the future and therefore the tax base should be zero and resulting in a temporary difference for deferred tax.

The effect of correction of the error on the results for 30 September 2018 is as follows:

	Consolidated 2018 N\$'000	Consolidated 2017 N\$'000	Company 2018 N\$'000	Company 2017 N\$'000
Decrease in Income tax expense	12 828	--	12 828	--
Increase in profit	12 828	--	12 828	--
Increase in equity	31 119	18 291	31 119	18 291
Effect on statement of financial Position				
Deferred tax balance				
-As previously reported	(224 622)	(219 103)	(248 706)	(227 839)
-Prior Period error adjustment	31 119	18 291	31 119	18 291
Restated Balance	(193 503)	(200 812)	(217 587)	(209 548)

40. Financial statements

The financial statements were authorised for issue by the board of directors on 17 July 2020.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

ANNEXURE A: Standards and interpretations

Standards and Interpretations effective and adopted in the current year

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

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

Standards and Interpretations not yet effective

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

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

NOTES

This image shows a full page of blank, lined paper. It features approximately 28 horizontal blue lines spaced evenly across the page, typical of standard notebook paper. The lines are thin and light blue, set against a plain white background. There are no margins, text, or other markings on the page.

NOTES

[illegible]

CORPORATE INFORMATION

Registered Office

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

Registration Number: 92/282

Auditors:

PricewaterhouseCoopers

Bankers:

Standard Bank Namibia

Finance and Administration Division

Head Office
Private Bag 13379, Windhoek
Tel: +264-61-201 2343
Fax: +264-61-23 9014

Commercial Division

Head Office
PO Box 297, Windhoek, Namibia
Tel: +264-61-201 2709
Fax: +264-61-240 933

About this Annual Report

Editor: Nomvula Kondombolo-Kambinda

Responsible Department: Corporate Communication and Public Relations

Published by: Telecom Namibia Ltd.

Photographs: Telecom Namibia Ltd, Sparkle Studio, Freepik

Design and Layout: Christian Kapolo

Printed by: John Meinert Printing

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

© Copyright Telecom Namibia Ltd. 2018/19. All rights reserved.
Whole sections or parts of sections may be reproduced provided the source is always stated.

2018/19 Annual Report

TELECOM NAMIBIA LTD

9 Judge JP Karuaihe Street
P O Box 297, Windhoek, Namibia

CONTACT US

Main Switchboard: +264-61-201-9211
www.telecom.na

Sharing your world

