ANNUAL REPORT

2019/2020

telecom namibia

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Telecom Namibia LTD

9 Judge JP Karuaihe Street
Windhoek, Namibia
Phone: +264 (0) 61 201 9211
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KEY **INFORMATION**


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Who we are and what we do

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 has products and solutions tailored for Wholesale, Corporates, Government, Large Enterprises, Medium Enterprises, Small Enterprises, Small Office Home Office and Residentials.

With a state-of-the-art telecommunication network infrastructure, Telecom Namibia is committed to bringing 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 SAT-3, 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 and sparsely populated country. 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. This IP/Ethernet backhaul infrastructure consolidates the existing backhaul for Metro Ethernet and other access technologies onto one platform which is in line with Telecom Namibia's strategy to provide fixed-mobile converged products and services.

To improve service delivery to our customers, 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.

Telecom Namibia keeps individuals and businesses digitally connected by using a variety of modern global communication technologies.

OUR HISTORY

TELECOM NAMIBIA IS ESTABLISHED IN 1992

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 stations, co-location services and managed hosting services, to 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.

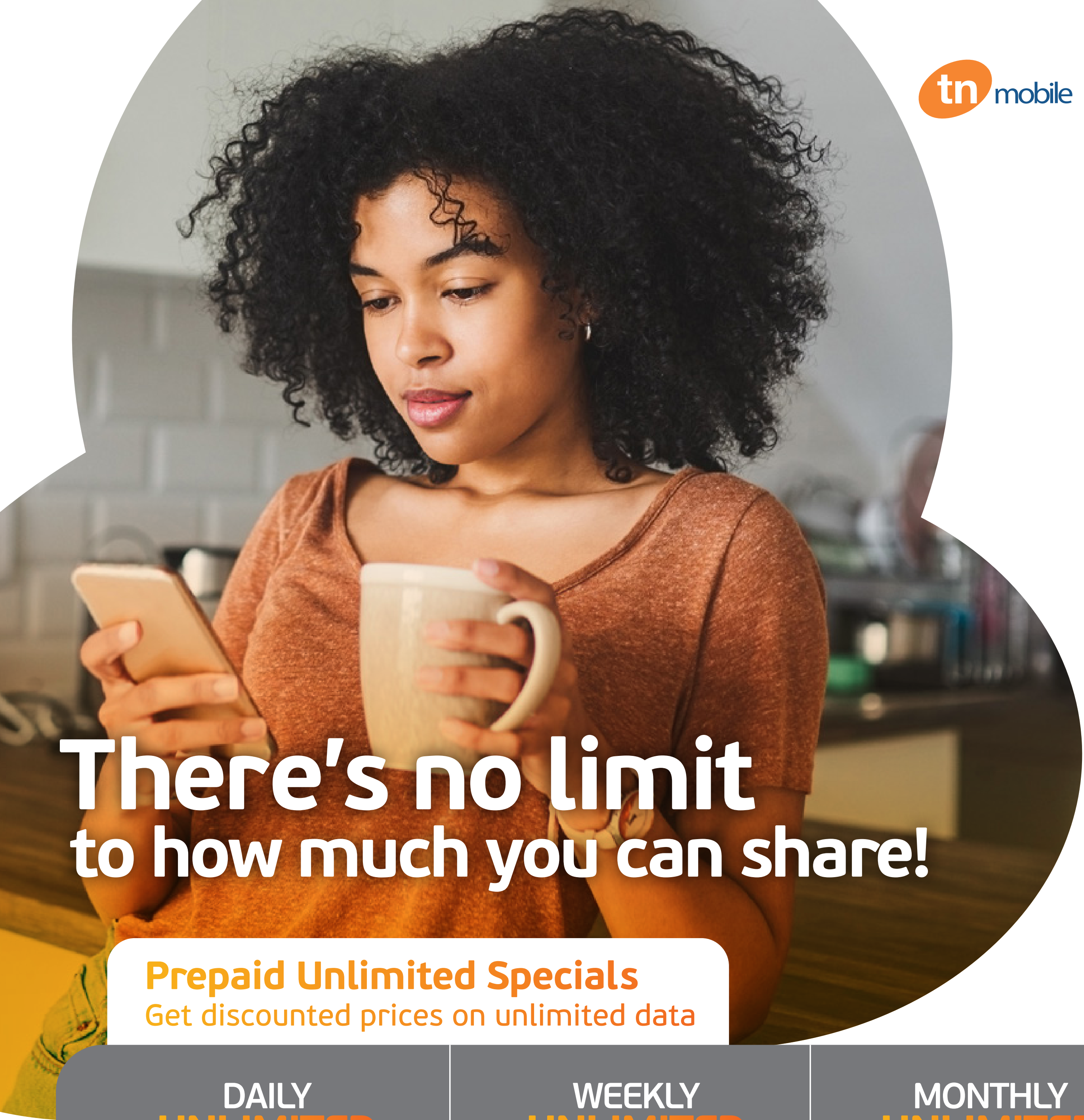
ACQUISITION OF POWERCOM (PTY) LTD

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

Telecom was established in
1992

Telecom acquired a
100%
interest in Powercom

Telecom Namibia joined a consortium of companies to form **Neotel,** the second national operator **(SNO)** for fixed line telecommunication services in **South Africa.**



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 system with no landing point.

2000

Telecom Namibia revenue surpasses one billion Namibian Dollars.

2004

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

2005

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

2006

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

2009

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

2011

Telecom Namibia successfully lands the West Africa Cable System (WACS) at Swakopmund. The Communications Regulatory Authority of Namibia (CRAN) grants Telecom Namibia a 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 implements its customer touchpoint improvement program by revamping its national network of 34 shops. This sees 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 service information and experience fixed and mobile products in-house.

2019

With the unveiling of its new 5-year strategic plan, Telecom Namibia introduces a new Vision, Mission and Company Values.

OUR VISION, MISSION **AND VALUES**

OUR **VISION**	OUR **MISSION**	OUR **VALUES**	
To be the preferred information communication technology (ICT) service provider	To provide superior solutions and experiences to our customers	**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

"Provide **superior solutions** and **experiences** to our customers"

STRATEGIC **INITIATIVES**

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

SUSTAINABLE **GROWTH**

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

OPERATIONAL **EFFICIENCY**

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

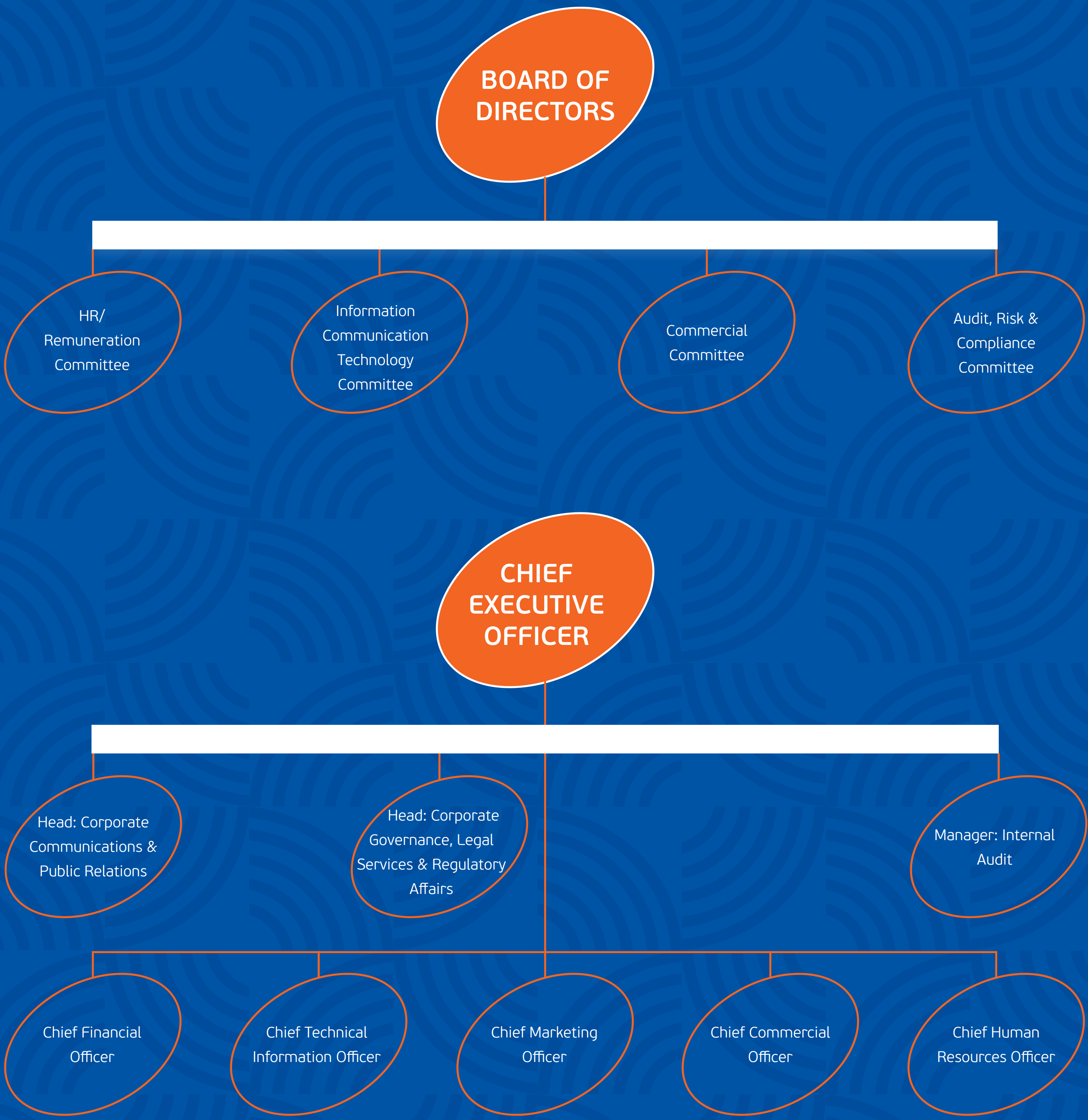
PERFORMANCE **DRIVEN CULTURE**

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

CUSTOMER **EXPERIENCE**

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

ORGANISATIONAL **STRUCTURE**



HIGHLIGHTS: TECHNICAL & FINANCIAL

COMPANY COMPARATIVE GROWTH/DECLINE

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

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	2019/20 N$'000
Revenue	1,352,636	1,419,762	1,517,558	1,502,614	1,529,717	1,553,701	1,487,330
Operating Profit/(Loss)	(601,808)	(70,337)	(18,347)	49,681	72,043	(94,856)	23,692
Total Comprehensive (Income/Loss) for the Year	(555,645)	(83,928)	(41,240)	8,984	(82,896)	(24,231)	10,883
Tangible & Intangible Assets	1,911,029	1,749,947	1,628,044	1,440,591	1,341,582	1,285,356	1,246,728
Long-term Borrowings	159,000	147,652	125,682	95,651	56,776	30,000	0
Equity	575,927	891,999	850,759	839,913	776,847	387,913	398,796
Capital Expenditure	330,873	164,021	146,153	66,519	122,960	151,060	163,347

02 OUR PERFORMANCE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BOARD OF **DIRECTORS**

MR JEREMIA MUADINOHAMBA
Chairperson

MR FERNANDO SOMAEB
Vice-Chairperson

MS FRIEDA KISHI
Independent Non-Executive Director

MR SHIWANA NDEUNYEMA
Independent Non-Executive Director

MS ELIZABETH ASINO-JOSEPH
Independent Non-Executive Director

CHAIRPERSON'S **REVIEW**

Mr Jeremia Muadinohamba
Chairperson

The financial year under review yielded favourable results despite the challenges. Through a collective effort by the Board and Management, Telecom Namibia managed to stay the course and attain the company objectives. I am thus delighted to present the Telecom Namibia Group Annual Report and Audited Financial Statements for the year ended September 2020 on behalf of the Board of Directors. Presenting the Annual Report to the shareholder and stakeholders is not only a show of transparency but one of upholding one of our core values: Integrity.

The financial year under review was characterized by stormy economic conditions contributing to a decline in economic performance for our customers, nationally and internationally.

The most significant contributor to the decline was the Novel Coronavirus, which was first recorded towards the end of December 2019, spreading globally soon thereafter.

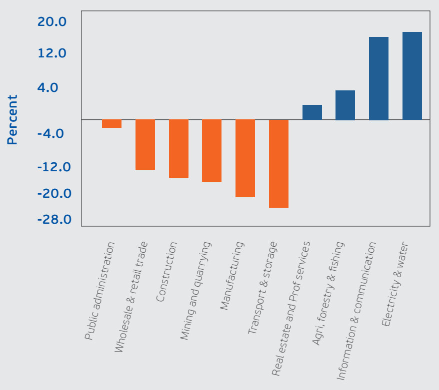
The lion's share of the review period falls in the year 2020, with the exception of the fourth quarter of 2019, the only quarter to have recorded a positive growth in that year. The first quarter of 2020, however, fell back in the negative, mainly due to the poor performance in the tourism and electricity and water sectors, supported by manufacturing sectors - and this trend was maintained in the subsequent quarters, largely due to the adverse effect of the COVID-19 pandemic.

As expected, real GDP in Namibia registered a deep contraction in 2020, due to declines across the primary, secondary and tertiary industries. Real GDP is estimated to have contracted by 8.0 percent in 2020, following a mild decline of 0.6 percent registered during 2019. The contraction in 2020 was broad-based with the sharpest declines in output recorded in the tourism-related hotels and restaurants and transport sectors, while the mining, livestock farming, manufacturing, construction, wholesale and retail trade, and public sectors also registered negative growth.

This was mainly due to the negative effects of the COVID-19 pandemic. However, positive growth was noted in the sectors, including electricity and water, agriculture, forestry and fishing and **information and communication.** The value addition in the information and communication sector is estimated to have registered brisk growth of 17.4 percent in 2020, after it surged by 11.9 percent in 2019. The strong performance in 2020 was induced by the COVID-19 pandemic, as working remotely and e-learning have boosted the demand for telecommunication services.

According to the Namibia Statistics Agency in its Preliminary National Accounts 2020, "The positive performance in the (information communication) sector is attributed to increased activity in the usage of data as demand surged for data and calls, as workers switched from working in offices to working from home. This was coupled by demand from academic institutions as they switched from face-to-face teaching to online learning."

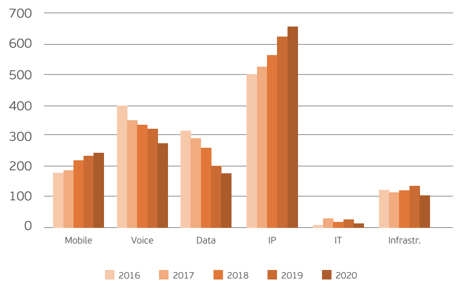
Selected sectors' annual growth rate - 2020



The 2020 financial year was a challenging one and the company experienced volatile exchange rates and supply chain interruptions due to the global COVID-19 pandemic.

The negative impact of COVID-19 was felt across various revenue streams and the Group reported an overall decline of 6% in turnover from operations for the financial year 2020 compared to the previous financial year. The IP and mobile revenue streams recorded positive growth of 7% and 1% respectively. The business experienced a steep decline in roaming revenue due to the effect of the pandemic on the travel and tourism sectors. The IT, infrastructure and fixed voice revenue streams recorded declines influenced mainly by lockdowns experienced by local businesses and businesses across the globe.

Revenue (N$'million)



Stringent cost management was implemented which mitigated the impact of COVID-19 and resulted in a decrease in both Distribution (-7%) and Administration Costs (-9%). The additional COVID overlay applied to the credit loss allowance resulted in an increase in operating expenses of 7% compared to the prior year.

Despite the challenging trading environment, the Group reported a profit before tax of N$15.6 million (2019: N$43.3 million loss). A closing cash balance of N$96.1 million was recorded in 2020 compared to N$59.9 million in 2019.

Despite the challenges of the COVID-19 crisis, our goal remains focused on providing superior solutions and experiences to our customers

The Group invested into FTTx, Mobile 2G/3G/4G and MSAN rollouts, which replaced legacy equipment, and capital investments increased by 11.5% to N$179.3 million from the N$160.8 million spent in 2019.

The Group has a significant portfolio of leases where it is the Lessee, which consist of property, network sites and motor vehicles, amongst others, and adopted IFRS 16 Leases with effect from 01 October 2020 for the first time. The adoption of the new standard resulted in a Right of Use Asset gross balance of N$798 million and a lease liability gross balance of N$798 million. The financial year was characterized by rollouts of FTTx by major operators in the market. Telecom has and will continue to prioritize and accelerate investment in fibre rollouts to improve its competitiveness in the broadband space.

Focused on Human Capital, Telecom Namibia has re-aligned its organizational structure to meet strategic goals and objectives and ensure an agile and robust workforce propelling the company towards greater success. Following consultation, the high-level structure was signed off and will be populated in the next financial year.

We can confirm that with the re-alignment, job security was and will continue to be maintained and principles of affirmative action are adhered to.

The TN Board of Directors commenced, with urgency, the process to recruit vacant positions at Executive level, also focusing on positions that will become vacant in the subsequent financial year. It is the Board's belief that no company can function effectively in the absence of a complete leadership team.

In addressing network performance, Telecom Namibia continued to execute initiatives defined in the 2023 Integrated Strategic Business Plan and made notable progress in modernizing and expanding our Transport, Backhaul (optical and microwave), Fixed (wireline and wireless), Mobile and VSAT network across the length and breadth of Namibia. Through targeted investments, several new network assets and next-generation technologies were introduced to connect businesses, homes and other service providers across the country.

Telecom Namibia saw a transition of Boards, culminating in the appointment of a Temporary Board on 8 July 2020, with Jerry Muadinohamba appointed as Chairperson of the Temporary Board. Former Chairperson, Fernando Somaeb, was reappointed as Independent Non-Executive Director on the Temporary Board.

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

Despite the challenges of the COVID-19 crisis, our goal remains focused on providing superior solutions and experiences to TN customers and creating sustainable growth in value for shareholders in the years ahead.

To that end, Telecom has embarked on a Digital Transformation journey with the commencement of a Digital Maturity Assessment. The team is in the process of mapping the way forward.

The company has also commenced the planning and, in some instances, roll out of several projects to support growth across the various service offerings.

These include:

- Transport network capacity upgrade and addition of new routes.
- Upgrade of the aggregation network - 20 new points of presence were added to the network during the period under review.
- The new VSAT Hub is ready to provide satellite-based voice and internet access services. New and existing customers were migrated to the new Hub.
- The roll out of 4 active FTTh projects in Windhoek, and 11 active FTTh projects in Erongo.

ACKNOWLEDGEMENTS

The Directors and I acknowledge the responsibility that comes with the appointment to any Board, especially a State-Owned Enterprise, as we are accountable to sustainably and responsibly manage public resources. As Directors of the longest operating telco in Namibia, we are humbled by the trust bestowed on us by the shareholder, and we have done our best to deliver on key priorities identified in the short period we were at the helm of the organisation.

Supporting the Government's agenda to enlarge the nation's broadband reach, Telecom Namibia has increased its network footprint, deploying technologies suited to each specific location. Telecom continued to realise its objectives through collaboration with the shareholder, Namibia Post and Telecoms Holdings (NPTH), the Ministry of Public Enterprises, and other key stakeholders. 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 growth and sustainability of the Company. Lastly, I would like to thank all stakeholders for your continued dialogue and engagement on matters of mutual interest.

Jeremia Muadinohamba
Chairperson

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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 KONDOMBOLO-KAMBINDA
Head: Corporate Communications & Public Relations

ALISA HANGULA
Manager: Internal Audit

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. There have since been changes at Board level, including the Board Chairperson, the Acting CEO and the CTIO.

CHIEF EXECUTIVE OFFICER'S REPORT

Laban Hiwilepo
Acting Chief Executive Officer

OPERATING ENVIRONMENT

The past financial year was unique as we experienced a year in crisis due to the global COVID-19 pandemic with major direct and indirect negative repercussions in all sectors of our economy. The President of the Republic of Namibia declared a national state of emergency with various phases of lockdown in response to the novel COVID-19 pandemic in the first quarter of 2020.

Telecommunications services are classified as essential and, even though we are in a time of uncertainty, it is also a time when the work we are doing is most critical. In these challenging times, our focus was and remains pinned on ensuring the safety of our workforce that continues to provide essential services, as well as on ensuring and providing the required support, as far as possible, to the health sector and to enable online learning and businesses to operate through work from home setups and arrangements.

A significant number of our workforce have been set up and enabled to work from home since the first lockdown in the country in March 2020 and the COVID-19 pandemic has forced us to embrace the online working and collaboration capabilities of the technological advancements of today. Telecom Namibia is not only providing safety necessities for our staff, but we have also increased our SHE and PR communication and awareness to all our staff throughout the year.

In April 2020, Telecom Namibia supported the Government with the establishment of the COVID-19 Communication Centre and provided internet and communications services at various quarantine facilities that were opened as the country went through numerous phases of lockdown. Telecom Namibia set up the toll-free number 0800 100 100 on the day it was requested, and we commit to maintain it for the period required in support of our nation to cope with the COVID-19 pandemic.

Telecom Namibia introduced reduced prices for broadband data packages for students and worked closely with the Namibia Students Financial Assistance Fund (NSFAF) to procure large quantities of devices to support online learning. Our fibre-based broadband offerings are installed at no additional cost for customers and have enabled secure VPN services for online working and working from home for businesses.

In the second half of 2020, we completed all phases to upgrade the mobile network services of Windhoek and our coastal towns. These are now optimised to deal with the increased data demand that we are experiencing today. In addition, we activated a number of Fibre To The Home (FTTH) rollout projects in Windhoek, Swakopmund, Walvis Bay, Okahandja, Otjiwarongo and Ongwediva that are aimed at providing faster internet access connectivity to our residential customers and enable working from home and online learning.

DIGITAL AND BUSINESS TRANSFORMATION

At Telecom Namibia, we believe that everyone in the country deserves decent and affordable broadband services. We are also committed to improving Namibia's digital communication infrastructures that will bring the benefits of good connectivity to all corners of Namibia. This belief defines our investment focus in the past year and going forward to modernize our core network, upgrade our IT infrastructures and OSS/BSS environment, improve our network and service security capabilities, and accelerate mobile LTE-A and FTTH rollout across the country.

We have kick-started our Digital Transformation program and have, up to date, completed the Digital Maturity Assessment and are currently consolidating and aligning the digital transformation roadmap initiatives and programs. The Digital Transformation roadmap will serve as a guide for our investment focus areas and is aimed at enabling Telecom Namibia to become a digital solutions enabler and provider over the coming years. The completed assessment looked at the customer touchpoints, strategy, technology, operations, culture, human talent and data management and monetization. Our Digital Transformation journey will thus summarize the specific key initiatives, projects and programs grouped under Technology, Digital Services, Operations, Customer Engagement and Human Capital Development.

PERFORMANCE OVERVIEW

The 2019/2020 financial year has been challenging and characterized by high levels of change and uncertainty. We have experienced massive mobile and fixed data usage and consumption, strong demand for mobile data and fixed broadband connectivity as well as slower rollout and disruptions to supply chain logistics based on lockdown protocols (in Namibia and abroad).

Despite all challenges, we achieved Fixed Broadband Services and Mobile Services Subscriptions growth of 14% and 13% respectively, for the period October 2019 to September 2020. Our Fixed Broadband Revenue grew by 7%, from N$619 mil to N$663 mil, and recorded a rather flat mobile revenue growth of 1% for the same period. Our turnover remained flat and recorded a revenue of N$1.49 billion for the ended financial year.

CHIEF EXECUTIVE OFFICER'S **REPORT**

FUTURE OUTLOOK

Telecom Namibia provides integrated fixed and mobile services in the ICT converged market in Namibia and remains the market leader in Fixed Broadband, Fixed Voice, National Long Distance and Cross-Border Communications services in the country.

We are operating in an environment with increased competition and our focus areas going forward include:

- Evolving and modernizing all domains of our network to optimize it for data delivery, security and provision of any service over data
- Accelerating investments and fast-tracking rollout of mobile and fibre last mile access across the country (replacement of copper)
- Consolidating and implementing our digital transformation journey initiatives
- Improving our processes, driving automation and improving our customer touchpoints
- Focusing on culture change and talent development, retaining the right people and having the right skills in place to support our strategic goals and initiatives

We will continue to engage our regulator and policy makers to motivate and provide the input necessary to evolve towards a regulatory and policy framework that supports fairness and encourages competition with long-term benefits for consumers and the growth of our economy.

VOTE OF THANKS

We would like to thank our Board of Directors for the support and guidance provided in the seven months that I was the Acting CEO of Telecom Namibia. We are grateful for the contribution made by our holding company, Namibia Post and Telecom Holdings Limited (NPTH), and the Government of the Republic of Namibia through the Ministry of Public Enterprises. We thank our customers and recognize the contributions from our stakeholders (both internal and external) during the past year and we commit to serve our customers with renewed dedication in the years ahead. We also extend a special word of thanks to all our staff and management who have endured this year and continued to provide Telecom Namibia services across the country in these difficult times.

Laban Hiwilepo

Acting Chief Executive Officer

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CHIEF FINANCIAL OFFICER'S REPORT

FINANCIAL RESULTS

The 2020 financial year was a challenging one with the COVID-19 pandemic negatively impacting our country which was already experiencing contracting economic conditions. We also experienced volatile exchange rates and supply chain interruptions due to the global pandemic. As an essential service provider, Telecom Namibia redirected its plans and provided ICT services to support and care for customers and employees.

The negative impact of COVID-19 was felt across the various Telecom Namibia revenue streams and the Group reported an overall decline of 6% in turnover from operations for the financial year 2020 compared to the previous financial year. Stringent cost management was implemented which mitigated the impact of COVID-19 and resulted in the Group generating positive cash flow from its operations. A closing cash balance of N$96.1 million was recorded in 2020 compared to N$59.9 million in 2019.

Despite the challenging trading environment, the Group reported a profit before tax of N$15.6 million (2019: N$43.3 million loss).

Key factors impacting financial performance:

COVID-19 impact	The Group took a prudent approach and included an additional 10% overlay to account for the COVID-19 impact on trade receivables. This resulted in a credit loss allowance of N$63 million (2019: N$79 million) to the Income Statement.
IFRS 16 adoption	The Group adopted IFRS 16 Leases with the date of initial application being 01 October 2019, applying the modified retrospective approach, whereby comparative figures are not restated. The adoption of the standard resulted in an additional N$798 million of Right-of-Use Assets and N$798 million of Lease Liabilities.
Regulatory levies	An accrual of N$28 million was raised in the prior year in respect of numbering invoices from the Regulator. A settlement agreement was reached for N$6.6 million in the current year which resulted in a reduction in levies.
Deferred tax asset	Powercom recognised an increase of N$20.3 million in its deferred tax asset which contributed positively to the group results.

REVENUE

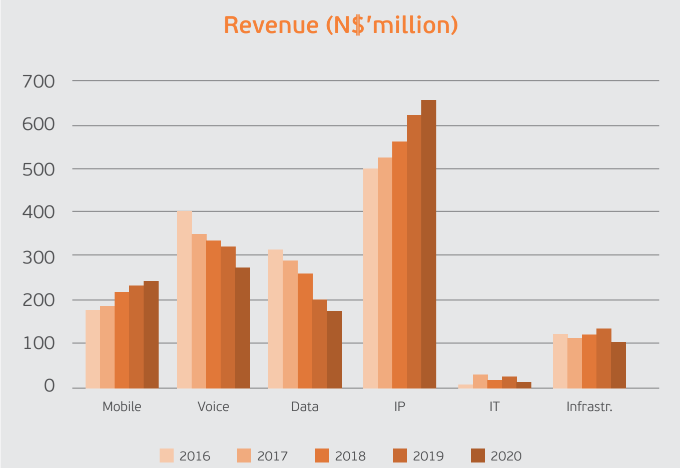
Telecom Namibia recorded an overall decline of 6% in turnover from operations for the financial year 2020 compared to the previous financial year 2019. The COVID-19 pandemic fuelled a phenomenon of slowing down business activities, mainly in the major economic centres of the Erongo and Khomas regions. Trends are, however, improving and a recovery in revenue streams such as Voice, IP and Mobile was recorded post the lockdown period. We anticipate that the ICT sector will continue to grow in 2021.

The pandemic necessitated working remotely to combat the spread of the virus and this brought about an increase in demand of digital and telecommunication services. Telecom Namibia greatly benefited from this trend and new opportunities were presented in the mobile broadband revenue streams.

The IP and mobile revenue streams recorded positive growth of 7% and 1% respectively. The business experienced a steep decline in roaming revenue due to the effect of the pandemic on the travel and tourism sectors. The IT, infrastructure and fixed voice revenue streams recorded a decline influenced mainly by the lockdowns experienced by local businesses and businesses across the globe.

The loss in directory income negatively contributed to the decline in revenue growth. The fixed data revenue stream also recorded a decline due to pressure on price levels and IP product substitution. The financial year saw continuous implementation of key initiatives supporting customer service, customer retention and revenue growth strategies, mainly in the IP and mobile revenue segments.

CHIEF FINANCIAL OFFICER'S **REPORT**



COST MANAGEMENT

Stringent cost management was implemented which mitigated the impact of COVID-19 and resulted in a decrease in both Distribution (-7%) and Administration Costs (-9%). The additional COVID overlay applied to the credit loss allowance resulted in an increase in operating expenses of 7% compared to the prior year.

CAPITAL INVESTMENTS

Despite the economic downturn, the Group continued to invest in infrastructure, and capital investments increased by 11.5% to N$179.3 million from the N$160.8 million spent in 2019. The Group channelled investments into FTTx, TD-LTE and Mobile 2G/3G/4G rollouts in targeted growth areas, mainly Windhoek, Erongo and Far North business areas.

IFRS 16 ADOPTION

The Group adopted IFRS 16 Leases with effect from 01 October 2020, applying the modified retrospective approach, whereby comparative figures are not restated. The Group has a significant portfolio of leases where it is the Lessee, which consist of, amongst others, property, network sites and motor vehicles. The operating leases were classified as off-balance sheet under IAS 17. The impact of the new standard is illustrated below:

Category	IAS 17 (previous standard)	IFRS 16 (new standard)	Impact on Group
Balance Sheet	Lease smoothing receivable/payable	• Recognised a Right-of-Use Asset • Recognised a Lease Liability	• N$722 million • N$746 million
Income Statement	Operating lease on straight line basis in operating expenses	• Depreciation on Right-of-Use Asset • Interest expense on Lease Liability • Profit After Tax	• N$72 million • N$56 million • N$46 million
Cash Flow	Lease payment in operating activities	Lease payment in financing activities	Reclassification on cash flow statement
Total Assets	Excludes the Right-of-Use Asset	Includes the Right-of-Use Asset	• N$722 million
Total Liabilities	Excludes the Lease Liability	Includes the Lease Liability	• N$746 million

Sharidene Kisting
Chief Financial Officer

03

BUSINESS REVIEW

telecom namibia

COMMERCIAL OPERATIONS

For the **financial year 2019/2020,** Telecom Namibia recorded an overall decline of 4% in turnover from operations compared to the **previous financial year 2018/2019**

Telecom Namibia's commercial strategy embraced a clear vision and focus on revenue growth, and thus pursued growth opportunities in IP and Mobile revenue segments. Telecom continued to defend the fixed line voice revenue stream which is traditionally under pressure from VoIP solutions and mobile substitution. Telecom Namibia prioritized continuous improvement of the broadband experience to the enterprise and consumer segments through targeted migrations of customers to fibre-based solutions and advanced fixed-wireless and mobile technologies.

The financial year 2019/2020 was characterized by the negative impact of COVID-19 that was felt across the various Telecom Namibia revenue streams, mainly due to supply chain disruptions and business closures, while a notably slow recovery in revenue streams such as Voice, IP and Mobile was recorded post the lockdown period. The pandemic fuelled a phenomenon of slowing down business activities mainly in the major economic centres of the Erongo and Khomas regions. The pandemic also presented new opportunities in the mobile broadband revenue streams.

For the financial year 2019/2020, Telecom Namibia recorded an overall decline of 4% in turnover from operations compared to the previous financial year 2018/2019. The IP and mobile revenue streams recorded positive growth of 7% and 1% respectively. The business experienced a steep decline in roaming revenue due to the effect of the pandemic on the travel and tourism sectors. The IT, infrastructure and fixed voice revenue streams recorded a decline influenced mainly by lockdowns experienced by local businesses and businesses across the globe. The loss in directory income negatively contributed to the decline in revenue growth. The fixed data revenue stream also recorded a decline due to pressure on price levels and IP product substitution.

The financial year saw continuous implementation of key initiatives supporting customer service, customer retention and revenue growth strategies, mainly in the IP and mobile revenue segments.

WHOLESALE AND INTERNATIONAL BUSINESS

During the 2019/2020 financial year, the International and Wholesale business, as the key department responsible for the maintenance and retention of Telecom Namibia's 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 most of our current high-end customer base, inroads into the Malawian market were made by contracting one of Malawi's largest operators, Malawi Telecom. Despite adding new customers in the foreign markets, the wholesale business continued to experience a decline due to growing competition, as most of the giant carriers in the region are targeting 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 by about 20% year-on-year. The Wholesale channel accounted for 23% of the total fixed line revenue recorded during the financial year 2019/2020. The International Wholesale Team managed to renew existing contracts in the Zambian market, whilst striving to convert some of the contracts into IRUs to ensure market retention. Despite the challenges experienced, these renewals aided Telecom Namibia to reach one of its main objectives, which is to be a key player in the SADC region.

To ensure Telecom Namibia remains updated with technological advancements and maintains international relations, delegates attended international conferences such as the AfricaCom conference, which added value with regards to ensuring new deals were secured in the SADC and European markets. However, this activity was short-lived due to COVID-19. Further initiatives intended to be embarked on are 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 stays 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 and, more significantly, due to the coronavirus. Additionally, revenue on voice calls is declining due to its being substituted by the use of other data calls/social media. New national licensed operators were added to the channel portfolio and Telecom Namibia continued to provide backhaul services to most of the 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 and 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 2019/2020. The focus was on innovative customer solutions in the IP and IT space, which resulted in growth of revenue from existing Corporate Customers. Taking the economic situation into 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 the provision of service on time and at high standards. The focus on cash collections and constant measurements on outstanding debts from corporate segments have contributed to improvement in 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 was challenged by the COVID-19 pandemic, which brought disruption to most economic activities in Namibia and, more specifically, to our customers such as the Namibian Government, Parastatals and Corporate segments. With the closing down of our borders and the nationwide lockdown, the tourism sector, which is

COMMERCIAL OPERATIONS

the main contributor to Namibia's GDP growth, has been severely affected and this is evident in the revenue decrease from this industry.

However, on a positive note, there was a significant increase in Mobile revenue due to online education and working-from-home initiatives implemented by corporate customers. Corporate Sales is equipped with the necessary skills and staff have received training on various products and services to provide customers with tailormade solutions to enhance our customers' businesses and enhance customer relations.

RETAIL BUSINESS

The Retail channel has a national footprint with a presence in all regions supported by 34 Teleshops, a strong network of sales representatives and indirect sales teams countrywide. The channel is responsible for residential customers, SOHO (Small Office Home Office), as well as small- and medium-sized enterprises. It serves the whole of Namibia with a wide range of flexible products and service offerings (both mobile and fixed). The Retail Sales channel accounted for 43% of the total fixed line revenue recorded during the financial year 2019/2020.

During the financial year under review, the division focused on projects which aimed at improving revenue growth (with a focus on the IP and Mobile revenue streams) and profitability (with a focus on Teleshop and product profitability). The channel also focused on productivity, which included the review of existing customer-facing processes and the implementation of new processes. New Fibre projects, TD LTE and Mobile sites have been identified by the sales teams to support the growth of IP and Mobile revenue streams respectively. A focused approach towards the sales performance of the indirect sales channel was pursued during the financial year. All performing external Resellers signed new agreements with streamlined targets that contributed to the overall indirect sales channel revenue performance.

The project to revamp the look and feel of Teleshops has continued with the aim of introducing a new look and feel and providing a customer-friendly environment allowing for interactions with customers. The Outapi Teleshop was next in line to be revamped and the renovations process has since commenced. More Teleshops have been earmarked for renovations in the new financial year.

CUSTOMER CONTACT CENTRE

The Customer Contact Centre was split to operate in two separate locations because of the COVID-19 pandemic. As a precautionary measure, half of the staff remained at the main centre, and the others relocated to the Telecom Namibia Head Office. The reason for this was to ensure service continuity in the event of an outbreak. The department continued to operate as such while monitoring of the pandemic was ongoing. The Customer Contact Centre (CCC) finalized the procurement and bidding process for a New Customer Contact Centre Solution. The project implementation will run over three (3) phases over a period of 12 months but, due to the failure of the existing Contact Centre System, timelines have been moved. The new contact centre solution will introduce advanced voice services, social media, email queuing, workforce management tools and multi-tenancy features. The new system will improve the response time and ensure timely customer complaints resolution.

Technical Assistance Desks that were introduced continue to provide on-site technical support to customers at the Grove Mall and iWay Teleshops. The teams at the technical desks are equipped to test any technology at any of the locations and provide instant solutions to customers. This was also complemented by a Call-Out Service allowing Helpdesk Administrators to attend to customers at their locations in order to test their devices and internet connections.

TN MARKETING OPERATING HIGHLIGHTS

ECONOMIC OUTLOOK

Based on the IMF's latest World Economic Outlook (WEO) for October 2020, the global economy is expected to contract substantially in 2020, with an improved projection for 2021. The estimated contraction is 4.4 percent in 2020, with a recovery to a growth rate of 5.8 percent in 2021.

The estimated 4.4 percent contraction in the global economy is an upward revision when compared to a deeper contraction of 4.9 per cent according to WEO's June 2020 update. The latter is attributed to scaling back in COVID-19 induced lockdowns, coupled with signs of an overall stronger recovery during Q3 of 2020.

Economies in Sub-Saharan Africa are expected to contract by 1.6% in 2020 before improving to 4.1% in 2021, while the South African economy is projected to contract by 6.1% in 2020 before expanding moderately by 2.2% in 2021. The risks from the global outlook remain skewed to the downside. The Namibian economy was already in a recessionary environment before COVID-19. The economy is expected to record the largest contraction in its recent history due to the outbreak of the COVID-19 pandemic. As per the Bank of Namibia (BoN) August 2020 review, the domestic economy is projected to contract by 7.8 percent for 2020 and to recover by 2.6 per cent and 3.2 percent in 2021 and 2022, respectively.

Year-to-date information about Namibian economic activity for 2020 suggests that estimated contractions in agriculture and mining are likely to be less severe than initially anticipated. Economic lockdown also had an impact on tourism, retailers and service sectors, which resulted in rising unemployment levels. According to the World Bank's recent review, an extreme poverty rate was expected to rise by nearly 2.7 percentage points in 2020 as the pandemic was and is still threatening to widen gaps and increase the already extremely high inequality in Namibia.

Namibia's economic growth should strengthen over time, but will be held back by weak productivity growth, stagnant competitiveness and weak regional prospects. However, Moody's Investor Service (Moody's) downgrades Namibia's ratings to Ba3, and maintains a negative outlook at the investment front due to high debt and coronavirus shock which continues to pressure Namibia's revenue generation capacity.

The repo rate was reduced from 6 percent to 4 percent during 2020, which is historically the lowest rate ever for Namibia. Some of the expectation is that this will influence consumer behaviour, which will trickle down to domestic demand. The coronavirus necessitated working from home arrangements to cut the spread of the virus and this has brought about an increase in demand for internet services, with more and more consumers spending their savings on such telecommunication services. Telecom Namibia is greatly benefitting from this trend.

ICT MARKET OUTLOOK: 2020 AND BEYOND

The ICT market is forecast to reach a size of over five trillion dollars in 2019, and over six trillion by 2022, globally. Global internet users increased by 6% from 3.742 billion in 2018 to 3.969 billion in 2019, and this number is forecast to reach 4.66 billion by the end of 2020.

The telecommunication sector has seen tremendous technological advances over the past few decades, with mobility, broadband and internet services growing in capability and reach across the globe. The COVID-19 pandemic has disrupted and revolutionized the world of telecommunications and digital consumerism in many ways. Fixed telephony subscription decreased by -3% from 9.42 million in 2018 compared to 9.15 million in 2019. Fixed voice subscriptions are expected to decline further during 2020.

Global fixed broadband revenues were set for modest growth of just 0.7% YoY in 2020, to $334.7 bn. That's in contrast to growth of about 4% in 2019, and a downgrade of 2.8% on the previous forecast for 2020. There were 1.134 billion fixed-broadband connections in 2019, which is estimated to grow by 6% by the end of 2020 to reach 1.175 billion.

At the end of 2019, two-thirds of the global population was subscribed to mobile services, influenced by lockdowns imposed worldwide in Q1 of 2020. The number of mobile connections increased to approximately 7,9 billion in 2020, compared to 5.2 billion at the end of 2019.

Global mobile service revenues in 2020 were expected to be almost $51bn lower than forecast previously. The forecasted worldwide mobile services revenue in 2020 of $749.7bn is down by $50.6bn compared to a prior forecast for 2020 of $800.3bn, compared to $781.5bn in 2019. Mobile voice subscriptions stood at 8.283 billion by end 2019 and is forecast at 8.152 billion by end 2020, while mobile data subscriptions were 5.702 billion in 2019, and estimated to reach 5.826 billion by 2020.

Mobile penetration will exceed 110% by end 2023, globally. At the end of 2023, global mobile subscription penetration will be higher than 100% in all regions except Africa (where it will be 90.5% at end 2023) and Central & Southern Asia (where it will be 97.1%).

Globally, 5G will reach 553 million subscriptions in 2021. Its distribution across the globe will be more balanced as the US and Europe will leverage the introduction of Apple's 5G devices. With markets approaching critical mass, the deployment of wide-ranging and denser 5G coverage will also facilitate the commercial adoption of 5G in B2B and B2B2x.

Broadband is becoming a form of critical national infrastructure. The whole of society is reorganizing around the assumed existence of broadband. With the various travel restrictions and lockdowns across the world, demand for broadband has increased due to the spike in online activity. Online education, online gaming, video conferencing, streaming, social media, etc have required robust telecommunications infrastructure and networks to provide quality service in these uncertain times. While operators recorded spikes in uplink traffic during the pandemic, it is no secret that

REFERENCE

ECONOMIC OUTLOOK

Source: http://www.itu.com/ access 8 Jan 2021_ BoN Oct 2020_ Moody's Investor Service_ 4_Dec 2020_ www.worldbank.org/en/country/namibia/overviewBank

ICT MARKET OUTLOOK: 2020 AND BEYOND

Source: IFC (International Finance Corporation) _The Mobile Economy 2020_Omdia_COVID-19 Market Impact Service Provider Market Report May 2020_ Ovum Global Outlook 2018-2023_GLB007 – 000215_ CRAN_ Statistical Department_ access 11.01.2021

TN MARKETING OPERATING HIGHLIGHTS

mobile roaming revenues have been negatively affected. Experts estimate a roaming decline of close to 80%.

According to CRAN, the Namibian ICT market reported 5.57 billion by the end of 2019. Based on Q3 results of NAD 3.47 billion, the forecasted revenue will be at least at NAD 4.64 billion by end 2020, reflecting a possible estimated decline of -17%.

COVID-19 has definably set a new trend for the ICT sector to be equally on par with the health and education sectors. ICT services and products should not be viewed as a luxury but as a necessity. The sector has remained "mission-critical" to keep economies moving under the lockdown in at least three different ways:

1. *Providing business-critical connectivity and resiliency*
2. *Facilitating work-from-home arrangements*
3. *Keeping individuals and societies connected and informed, with access to medical, financial, commercial and other essential services during mandated social isolation*

Despite the global economic downturn, operators continue to invest in additional capacity and deploying new network infrastructure. However, due to the supply chain disruption, certain devices or parts continue to be unavailable or late.

Globally, approximately 3.6 billion people still remain unconnected or without meaningful connectivity.

Telecoms isn't just about creating a profit for shareholders. It is about creating a digital society – and when we do that, there is an implicit social contract.

COVID-19's IMPACT ON THE ICT SECTOR

The rise of COVID 19 has forced organizations into the Fourth Industrial Revolution and has highlighted the need for increased organizational resilience and community well-being, by embracing virtual collaboration tools and practices. The future of work is no longer a concept, but a reality even for Telecom Namibia.

The COVID-19 pandemic's resulting economic and job uncertainty it not going away any time soon. However, the unprecedented COVID-19 crisis has dramatically highlighted the importance of digital technology for businesses and societies, as well as individuals. The telecommunications services industry consists of digital infrastructure, operators and applications of which Telecom Namibia is playing a leading role in improving connectivity to both local and international markets. The pandemic also brought about some promising opportunities for Telco operators and private sector investors.

Research revealed that many telecom players in the broadband, mobile and data centre operator spaces benefitted from a surge in the traffic of data and voice. As a result, the telecom sector is performing well compared to other infrastructure sub-sectors. Some telecom companies have been strengthened by the short-term spike in data traffic and increased use of broadband services, as more people are working from home and relying on video conferencing solutions to hold meetings and engage in e-learning.

In sharp contrast to many other industries, the telecommunication sector has been generally exempted from major COVID-19-related restrictions, such as stay-at-home orders and quarantine requirements, as it is recognized as an essential service. The pandemic has spiked the demand for better network connectivity and improved internet coverage, especially in remote or rural areas across the country.

Despite the unforeseen situation caused by the COVID-19 pandemic, as an essential service provider, TN has redirected its plans and provided ICT services to support and care for customers and employees. TN was and is under enormous pressure to continue delivering infrastructure and critical services to both urban and non-urban communities, especially during a crisis of this magnitude.

With offices, schools and public places shuttering to contain the spread of the virus, there is a shift to remote working and to video and teleconferencing. Such moves increase exposure to cyber threats because business continuity measures, such as backup servers, are typically not as secure as normal production systems. Employees working remotely can be vulnerable because they are more likely to use less-secure networks, such as home or public WiFi, and cyber-attacks against employees are likely to increase.

COVID-19 has undoubtedly caused change in the industry. Notable developments in the Health and Education sectors will accelerate technology adoption in 2021, which is contributing to growth in the ICT sector. These sectors are in dire need of high capacity and stable IP bandwidth connectivity to support their internet and data transmission requirements, for example to enable biometric data transmission without requiring the user to initiate physical contact with the device, and to conduct online learning both on school and tertiary levels. This presents telecom operators with an opportunity to invest in powerful wireless technology capacities.

Now more than ever, Namibians need to be able to rely on telecommunication service providers and industry leadership in promoting universal, secure, reliable and affordable connectivity.

PRODUCTS AND PRICING

Telecom Namibia, through its innovative approach to becoming the preferred ICT service provider, is constantly striving to initiate user and environmentally friendly solutions for its customers by means of evolving superior products and services, targeted at delivering a superior customer experience. In terms of our ordinary pricing operations, the 2019/2020 plan identified different areas of intervention, these being the simplification of our commercial offerings; the promotion of higher value services and improvement of the quality of our offering in terms of network speed and data volumes; and continuously striving to create and enhance value for our customers, whilst ensuring that we remain competitive and sustainable in the market.

Throughout the year, our pricing initiatives continued to realize the commitment to sustainable growth and achieve improved profitability levels of the various products and services, amidst the various challenges and opportunities. Although 2019/20 was a challenging year impacted heavily by the global COVID-19 pandemic, costing and pricing structures were constantly reviewed for the different products and services to support the Telecom Namibia objectives, as well as mitigating competitive pressure and the COVID-19 economic impact. This was supported by continuous product profitability evaluations and monitoring across all product streams during the year under review.

REFERENCE

COVID-19's IMPACT ON THE ICT SECTOR
Source: Deloitte COVID-19-coronavirus-Namibia-Flash-Survey 2020_ / March 25, 2020bain.com/insights/telcos-and-coronavirus-three-steps-to-manage-the-crisis

A new shopping EXPERIENCE!

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

6Mbps Speedlink home and Speedlink lite

Telecom Namibia 6Mbps Speedlink home and Speedlink lite (home and business) both offer customers unlimited internet access at an affordable price. The service is provisioned through Telecom Namibia Fixed Broadband Access technologies: ADSL/VDSL, TD-LTE and GPON (Fibre-ready areas only).

10Mbps Speedlink lite

Telecom Namibia 10Mbps Speedlink lite (home and business) offers customers uncapped internet access at an affordable price. The service is provisioned through Telecom Namibia Fixed Broadband Access technologies: ADSL/VDSL (Copper Distance Dependent) and GPON (Fibre-ready areas only). Customers are offered the option to purchase the routers cash or through an instalment option.

25Mbps Speedlink liteplus

Telecom Namibia 25Mbps Speedlink liteplus (home and business) offers customers uncapped internet access at an affordable price. The service is provisioned through Telecom Namibia Fixed Broadband Access technologies: ADSL/VDSL (Copper Distance Dependent) and GPON (Fibre-ready areas only). Customers will have the option to purchase the CPEs cash or through an instalment option. Fibre-based internet access is revolutionizing the Namibian internet landscape whereby houses are now equipped with high-speed internet for entertainment, infotainment and educational content, and can also run many simultaneous applications like CCTV, etc.

Speedlink Prepaid

Telecom Namibia Speedlink Prepaid offers residential and business customers unlimited internet access at an affordable price. The service is provisioned through Telecom Namibia Fixed Broadband Access technologies - ADSL, WiMAX and TD-LTE - while payments are made upfront and the family enjoys unlimited internet access for under N$4,000 for the entire year.

Satlink

Telecom Namibia Satlink provides broadband internet access and voice services through satellite to high-end homes, farmers and business users, even in extremely remote areas. Satlink is a compact and cost-effective satellite solution for internet access for those who cannot get access via other internet infrastructure, or who fall outside of the Telecom Namibia Broadband footprint across the country. This product covers 100% of Namibia.

BizConnect

A product and price review was realised and implemented for BizConnect-selective routes (Windhoek-Swakopmund, Katima-Windhoek, Katima-Swakopmund and Windhoek-Gobabis). The review also included BizConnect via Satlink tariffs. This is another way of providing affordable prices for quality links between our above-mentioned destinations.

PRODUCT PERFORMANCE

The main products and solutions grouping for the fixed line business are: Voice, Data, Internet Protocol (IP), IT and Infrastructure & other streams. The year under review recorded unfavourable performance year-on-year for the voice, fixed data, IT and infrastructure product streams, while the IP product stream recorded positive year-on-year growth. An effective Product Lifecycle Management process has also decelerated the negative COVID-19 impact on some of the Telecom Namibia product performance for the financial year 2019/20. Consumer behaviour due to the pandemic has shifted due to offices closing, thus slowing the demand for business solutions. The fixed voice product group recorded a year-on-year decline of 15%. 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 post-paid fixed line voice services, including value added services.

The fixed data product group recorded a year-on-year decline of 16.8% 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 as customers migrated to IP-based solutions for connectivity.

The IP product group recorded a year-on-year growth of 7.2% between the 2018/19 and 2019/20 financial years respectively. The IP product group's positive performance is attributed to increased local shifts to all-IP utilization of three key products, namely Speedlink, Bizconnect and Bizlink.

A decline was recorded for the IT product group, with a year-on-year negative growth of 30%. 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 complementary ISP services such as directory, all recorded a combined negative year-on-year growth of 33%. The negative performance was mainly attributed to the delay of the distribution of directory services.

The marketing communication strategy has also seen a shift from traditional communication channels to online presence as consumers also shifted online for information gathering. Our strategic partnerships with media houses allowed TN to remain visible and ensured that targeted communication plans were in place to maintain our brand presence across the country.

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 Dialling
Outgoing Call Barring (Customer controlled)
Outgoing Call Barring (Fixed)
Incoming Call Barring
Total Call Barring
Detailed Billing
Call Screening List (Fixed)
Call Screening List (Customer controlled)
Caller ID
Caller ID Restriction
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

TECHNICAL **OPERATIONS**

As a national backbone network provider, we are committed to building a flexible, scalable, secure, robust and reliable all-IP network that will serve as a long-term asset to ensure sustainable growth and national development. Therefore, during the 2019/20 FY, we continued to execute initiatives defined in the 2023 Integrated Strategic Business Plan and made notable progress in modernizing and expanding our Transport, Backhaul (optical and microwave), Fixed (wireline and wireless), Mobile and VSAT network across the length and breadth of Namibia. Through targeted investments, several new network assets and next-generation technologies were introduced to connect businesses, homes and other service providers across the country.

VSAT:

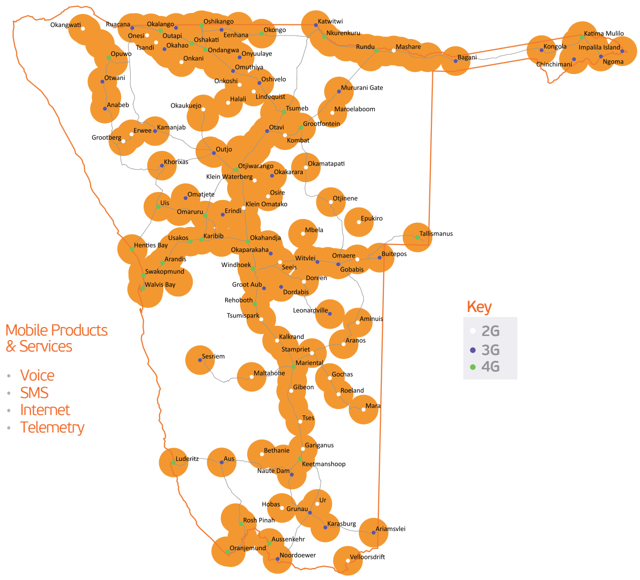
Namibia is a vast country with a sparse population and a contrastingly beautiful landscape. It is at times impractical and prohibitively expensive to install terrestrial networks such as fibre, mobile or fixed wireless access solutions to some areas. Notwithstanding these challenges, as a national service provider, Telecom Namibia is committed to and supports national efforts to reduce the digital divide, and make quality and affordable broadband services available, even in the remotest corners of the country. To provide services in areas where the provisioning of terrestrial infrastructure is prohibitively expensive, Telecom Namibia undertook and completed a project to upgrade its VSAT infrastructure using next-generation satellite technology. The new hub not only improves and strengthens our presence in this sector, it's also capable of providing both IP-based narrowband and broadband services. The system also enables Telecom Namibia to provide more bandwidth to consumers at improved costs and, due to the ubiquitous coverage, it is used to fill broadband gaps by providing connectivity to un-serviced or underserviced areas. Most of the existing customers have already been migrated from the old hub to the new hub, and are now able to enjoy broadband internet services, even in the most remote regions of the country. Due to its reliability, VSAT services are also used by consumers to provide diversity independent of the terrestrial infrastructure.

OUR NATIONAL FOOTPRINT

Ultra-Fast, Quality Experience

Mobile

The image below shows the existing Telecom Namibia mobile network sites across the country. The network consists of a mix of 2G, 3G and 4G radio access technologies.

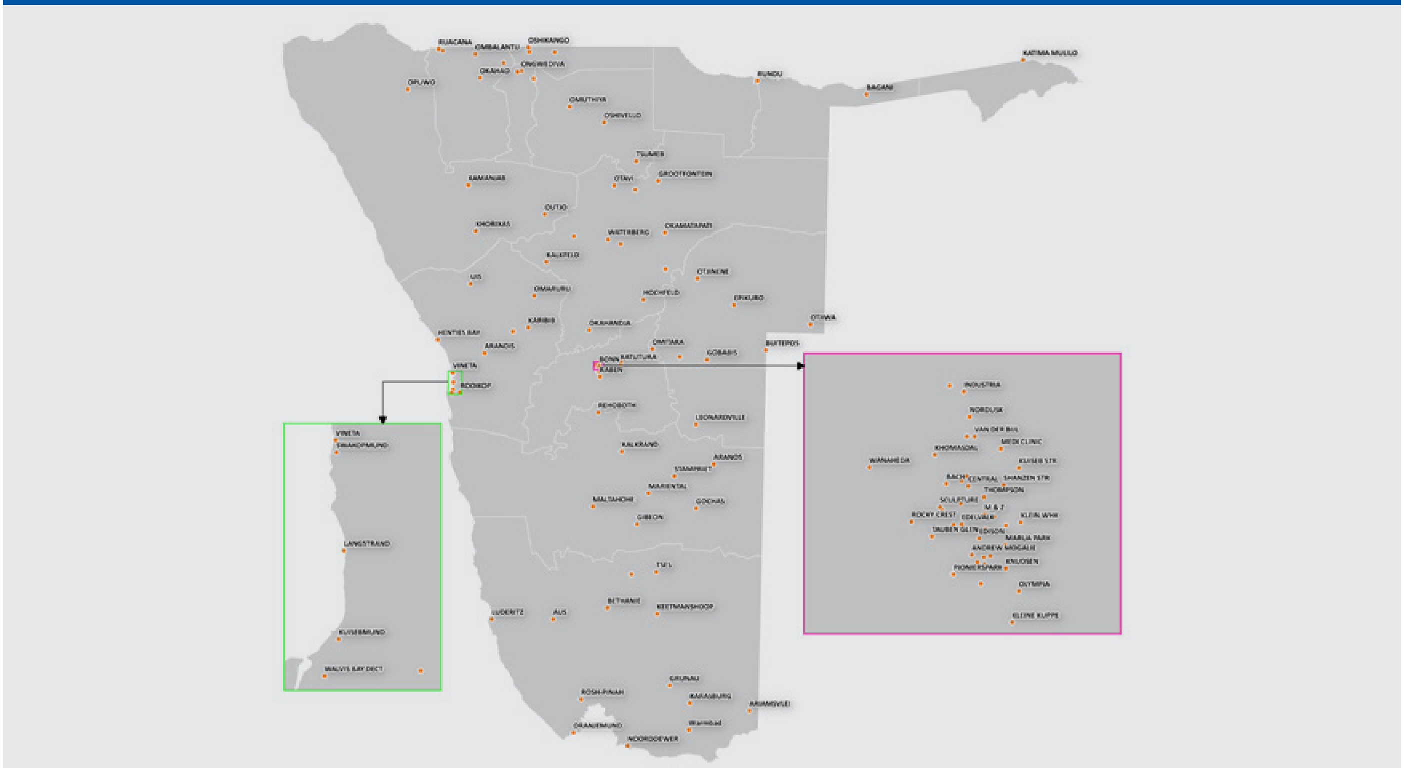


Mobile services remain a significant growth segment for our business. Since the breakout of the COVID-19 pandemic, we experienced unprecedented growth in the demand for mobile data services on our network, coupled with unparalleled growth in traffic and new usage patterns. To ensure that our customers continue to receive quality and affordable services, Telecom Namibia continued to invest in the deployment of additional mobile sites across the country. Specifically, the network in Windhoek was upgraded to 4.5G, and additional LTE sites were deployed in other parts of the country. At the coastal towns of Swakopmund and Walvis Bay, additional LTE-Advanced sites were installed to boost our capacity and coverage, thereby ensuring a seamless 4G experience for our customers when making use of the coastal mobile network. Moreover, in line with our strategy to expand our mobile broadband services, several sites across the country were upgraded from 2G to 2G/3G, while others were upgraded to 2G/3G/4G. The upgrade of existing sites and the rollout of new sites is scheduled to continue in 2020/21.

TECHNICAL **OPERATIONS**

FIXED BROADBAND:

The image below shows the existing Telecom Namibia fixed broadband points of presence across the country.



During the COVID-19 global pandemic, the demand for fixed broadband services continued to increase across the country. To meet the growing traffic and subscription demand, port and backhaul capacities to selected broadband access stations were upgraded. Moreover, several new IP-based fixed wireless and wireline broadband access stations and systems were established to extend our fixed broadband access footprint and bring fixed broadband services to underserviced and un-serviced areas.

Users increasingly expect high-quality internet connectivity to their homes, thus encouraging investment in high throughput fixed broadband networks. In line with our strategy to modernize and transform our fixed wireless and wireline network, Telecom Namibia made significant investments into the deployment of future-proof fixed wireless and wireline access technologies. In the last mile, a number of new fixed wireline broadband access points were introduced in selected areas as part of our on-going strategy to shorten the copper distance in the last mile and leverage the existing copper network footprint and xDSL technologies to support high-speed services. The targeted investment in the last-mile fixed wireline access networks enabled us to provide residential fixed broadband services of up 10Mbps, while the minimum residential package was increased from 1Mbps to 2Mbps. As the network evolves, higher packages will be progressively introduced.

Complementing the copper shortening efforts (FTTc), Telecom Namibia also ramped up investment in last-mile fibre network deployment, deploying future-proof access technologies such as GPON and Active Ethernet to improve the performance and quality of the access network. The extension of fibre optic cables as a medium that was predominantly used in the backbone network to a last mile-access medium, is also intended to reposition Telecom Namibia to offer more innovative products and services in the near future. Several Fibre-to-the-Home and Fibre-to-the-Business projects were completed across the country to provide high-speed throughput broadband services to retail, corporate and wholesale customers. We believe that fibre is the future of fixed connection to homes, and Telecom Namibia will continue to ramp up investment in growing the last-mile fibre access network over the coming years. In the Core network, systems providing Network Services were also upgraded to ensure that there is enough capacity to meet the growing demand emanating from an improved access network.

To mitigate the risks posed by legacy technologies and systems, we continued to plough targeted investments into modernizing the various layers of our network using next-generation technologies. In the fixed access layer, several obsolete access systems were decommissioned across the country and replaced with modern IP-based access systems. Efforts to modernize the network will continue over the next few years until all legacy systems are retired and replaced with next generation systems. Complementing the development on the network layer, Telecom Namibia is also modernizing its OSS/BSS environment to a more flexible setup that supports innovation and brings about much needed operational efficiencies and increases productivity through the automation of processes, and progressively provides an end-to-end digital experience for our customers.

TECHNICAL **OPERATIONS**

OPERATIONS TOOLS

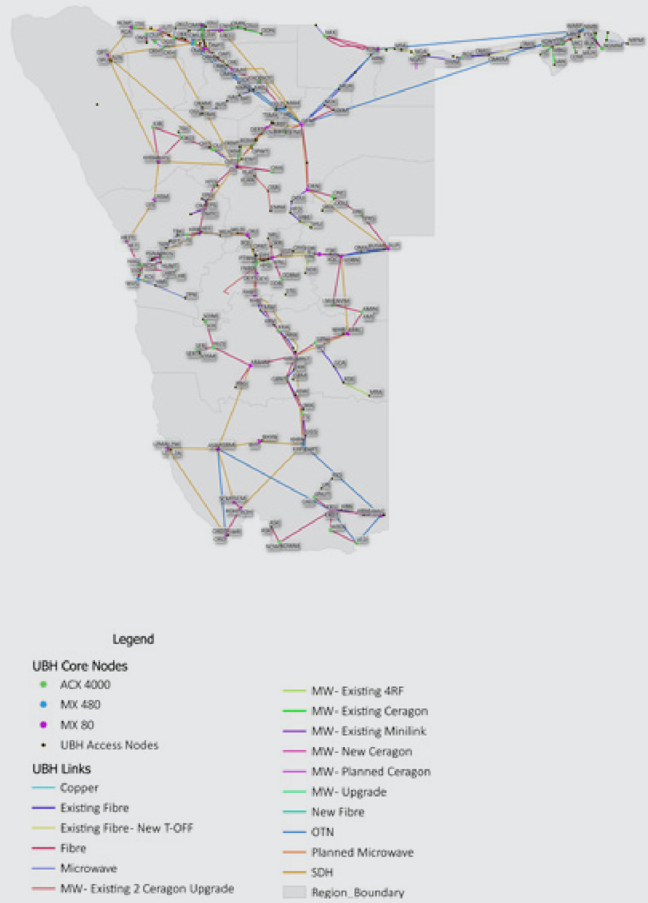
We believe that becoming more effective and efficient will make us more productive in the future and contribute more towards sustainable growth. In the 2019/20 FY, we commenced with a project to introduce additional software tools and applications that will enhance our ability to offer a differentiated experience to our fixed and mobile broadband customers. We also commenced with a project to upgrade our Customer Care Contact System with a multichannel system to better manage and automate interaction between customers and the contact centre. The wide range of channels available through the system are intended not only to offer convenience and options to customers on how they would like to communicate with us, but also to reduce queueing time.

We also operationalized tools that enable our technical teams to remotely monitor and interrogate the performance of fixed broadband services up to the CPE to improve customer service, reduce the turnaround time for the resolution of faults and anomalies, and reduce operational costs. The implemented system offers features such as device provisioning, remote management, firmware upgrades, as well as monitoring and reporting. The monitoring function will progressively be extended to all fixed broadband connections in the Telecom network. Over the coming year, additional software tools and applications are scheduled to be introduced to monitor the Quality of Service and Quality of Experience across all fixed and mobile internet services.

We also continued with our strategy to upgrade and rejuvenate power and support systems at selected sites across the country to improve site autonomy and system availability. Specifically, standby diesel generators with automated switchover systems were installed at selected sites to provide backup power to the sites in the case of mains power failure. Batteries and rectifier systems at critical sites were also upgraded to improve reliability and autonomy. 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 in our network.

TRANSPORT AND BACKHAUL NETWORK

Telecom Namibia's transport and backhaul network consists of a mix of SDH and Ethernet systems. The figure alongside shows Telecom Namibia's major transport routes and aggregation nodes across the country.



TECHNICAL **OPERATIONS**

Telecom Namibia is witnessing an increase in both national and international bandwidth demand coupled with unpredictable traffic patterns across its network. This is partly driven by emerging applications and use cases such as video and cloud. These trends are likely to accelerate as mobile networks migrate to 5G, and as we see the increased adoption of high-speed internet in the consumer space. Telecom Namibia is therefore progressively upgrading the network towards a flexible and efficient network transport solution that can support the scalable grooming of packet, OTN and Ethernet services.

During the 2019/20 FY, we continued to upgrade capacity along selected backbone routes in line with traffic demand. Several backhaul links across the country were also upgraded to keep up with the growing traffic demand, and additional backhaul links were established to connect new fixed and mobile points of presence. 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 1Gbps and 10Gbps respectively. Moreover, some of the links interconnecting our international PoPs with the national network were re-engineered to optimize traffic flow, enhance resilience and, at the same time, reduce operational costs.

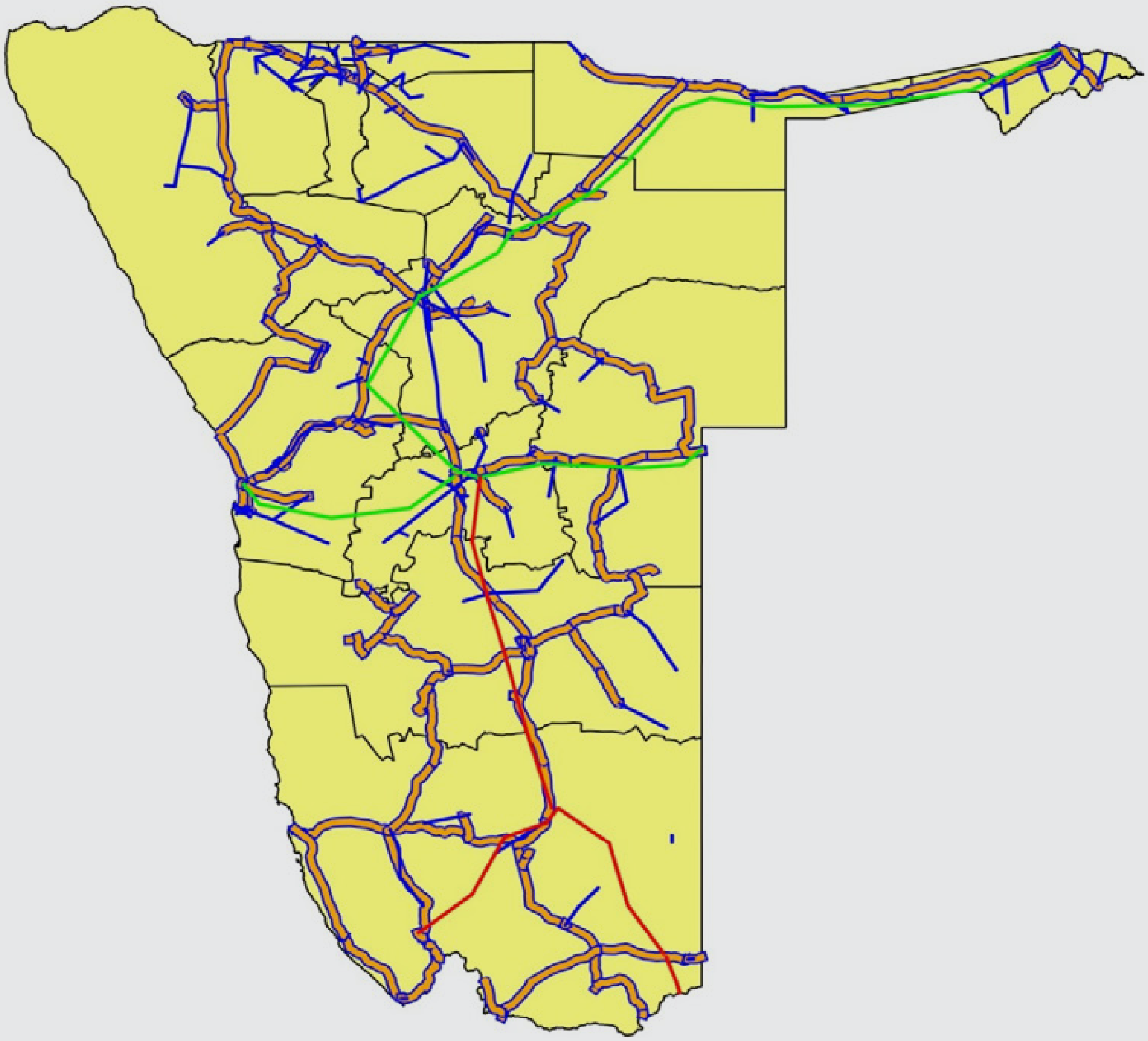
Several new IP-based microwave transport links were deployed across the country to provide a backhaul capacity of 200Mbps, with an option to upgrade the links to 400Mbps based on traffic demand. Moreover, as part of our ongoing effort to enable high-speed access, several obsolete Time Division Multiplexing (TDM)-based backhaul links across the country, offering capacities up to 16Mbps and 40Mbps, were replaced with modern IP-based microwave links to provide backhaul capacity for our fixed and mobile broadband services. We will continue to make targeted investments over the coming years into core areas of the network to drive growth, enhance customer experience and optimize our production and operating costs.

BI PROJECT

Telecom Namibia has an established BI platform and Data Warehouse. Several reports and dashboards have been developed and automated based on business needs. The BI platform was also extended to cover revenue assurance activities and controls. The platform is robust and flexible, and further reports and dashboards will be developed based on business requirements. Specifically, advanced analytics capabilities including machine learning and Artificial Intelligence in fraud detection and churn prediction are scheduled to be introduced. Telecom is in parallel also building internal capacity on IT and Data Governance, Data Security and IT Risk Management. To this end, several staff have been trained and certified by ISACA for COBIT Design and Implementation certifications. Further training and certification in areas such as Certified Information Security Managers (CISM), Enterprise Governance of IT (CGEIT) and CRISC are scheduled for the 2020/21 FY.

TN NATIONAL **FIBRE NETWORK**

A cumulative National Fibre Network of over 13,000 km has been established, connecting all major towns in Namibia.



ORANGE - TN-constructed Fibre Routes

GREEN - Fibre on NAMPOWER Power Routes - in use

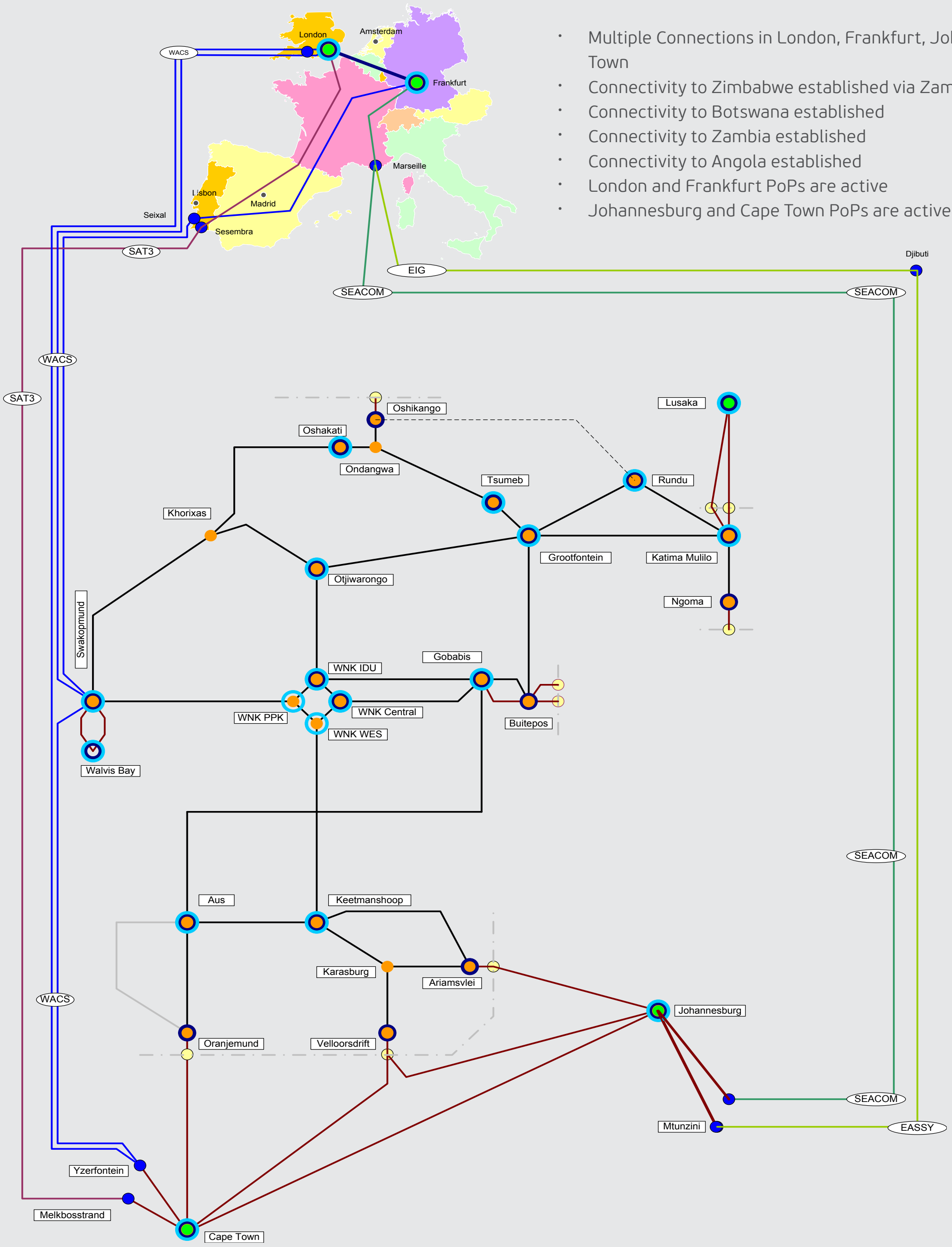
RED - Fibre on NAMPOWER Power Routes - not in use

BLUE - High Capacity Digital Microwave Routes

TN INTERNATIONAL
NETWORK FOOTPRINT

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

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



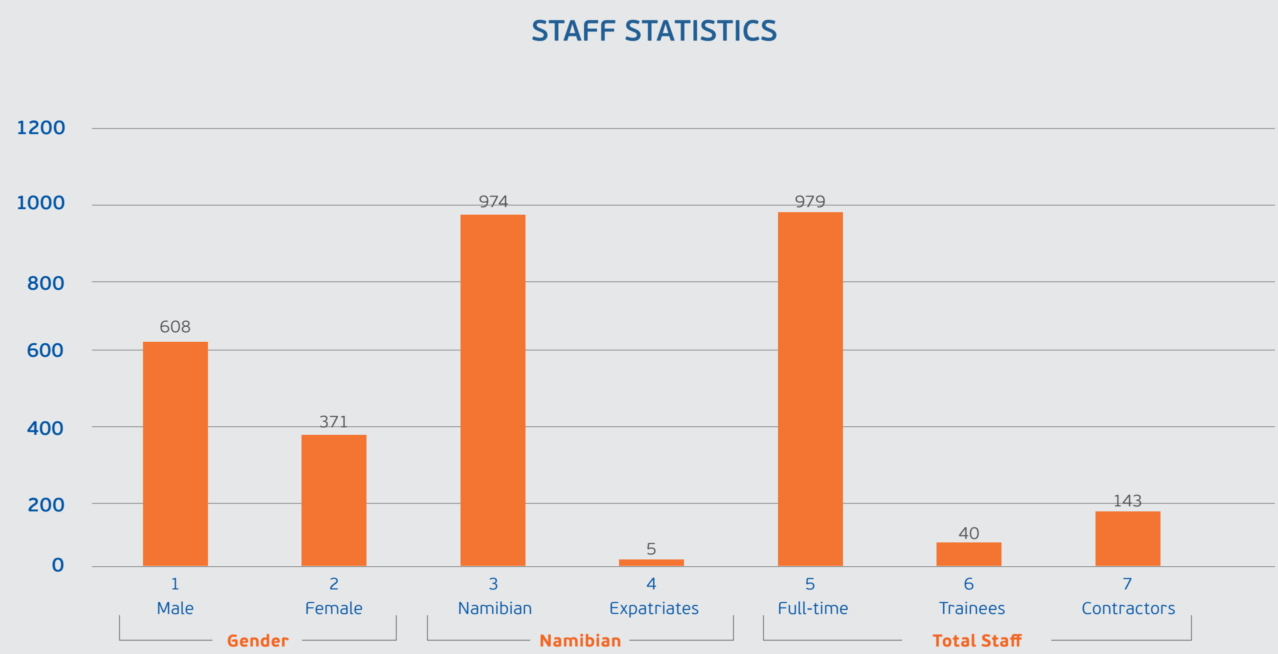
HUMAN RESOURCES

Telecom Namibia is keeping pace with the ever increasing, fast-paced changes in the telecommunications industry, a fact which is greatly attributed to the commitment and dedication of our staff. Given this, human resource management is at the core of our activities for rapid business strides leading to success in all areas of our business. We apply the concept of "technology makes customer expectations possible, but it is our people who make it happen".

Our staff

Re-aligning the organizational structure to meet strategic goals and objectives has progressed well, given that during the period under review, much of the workforce was working from home. Nonetheless, the high-level structure has been signed off and populated accordingly. Throughout the forthcoming financial year, the structure will cascade down into the bargaining unit where consultation with Workplace Union Representatives is taking place. We can confirm that with the re-alignment in progress, job security was and will continue to be maintained, and principles of affirmative action will be adhered to.

The workforce profile as of September 2020 is reflected in the graph below:



Remuneration and Benefits

Telecom Namibia has introduced the total cost to company remuneration structuring throughout the entire company, with the A- and B-Band employees being converted in March 2021. This will allow each employee to structure the package to personal needs and derive the maximum tax benefit therefrom.

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, a death benefit and high-quality medical protection for the employees and their dependent family members. The funds are financially sound.

Performance Management

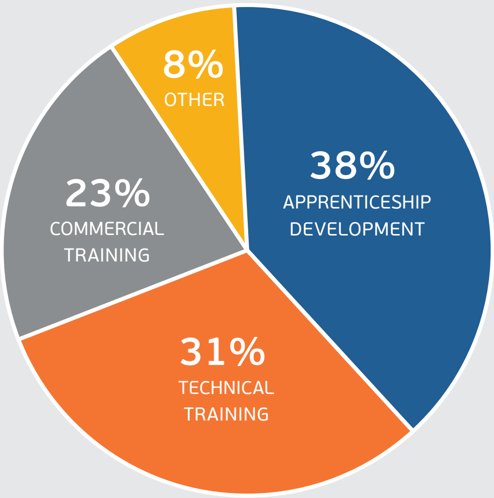
A key, strategic goal of Telecom Namibia is to be the preferred ICT service provider. To this end, a corporate balanced scorecard has been implemented and managed, ensuring that indices on finance, internal processes, customers and stakeholders, as well as core people measures, remain fundamental in the pursuit of organizational objectives. The performance management system will be automated in the forthcoming financial year, allowing for easier, faster and more transparent performance reviews.

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. All front-line staff and Sales Executives have received across-the-board product training for a greater customer experience. Our technicians further received training following the upgrade in the VSAT hub and the continuous expansion of our fibre network. With COVID-19 regulations, classroom training proved a challenge, but Telecom Namibia also capitalized on the emergence of online training at significantly reduced costs, allowing our staff to enjoy further, focused personal development. An amount of N$6 million was spent on training and development, which amounts to 1.5% of the company's salary bill.

HUMAN **RESOURCES**

INVESTMENT IN STAFF



Employee Relations

Telecom Namibia continues to enjoy industrial peace as a direct result of the relationship between management and NAPWU. Stakeholders are reviewing the Recognition Agreement between Telecom Namibia and NAPWU in an effort to strengthen the relationship. 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 health and safety representatives throughout Namibia, the focus has been on assuring a safe working environment. In association with the Namibian Employers Association, training for 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.

With the outbreak of the COVID-19 pandemic, Telecom Namibia has continuously complied with governmental regulations, ensuring the maintenance of a safe working environment. In excess of N$3 million has been spent on face masks and sanitation liquid, as well as the sanitizing and fumigating of contaminated areas where COVID-19 cases were reported.

CORPORATE SOCIAL **RESPONSIBILITY REPORT**

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

One of the main goals of Telecom Namibia CSR efforts is to maintain active relations and uplift the communities in Namibia, as well as contribute to local development. Local impact is achieved thanks to the creation of responsible alliances with foundations and NGOs, the collaboration of employee volunteers in projects and the promotion of culture.

Telecom Namibia is committed to building responsible and successful partnerships, and the company has thus invested significantly in various community projects and causes over the past 28 years.

During the year under review, CSR activities were continued, with more emphasis placed on mitigating the risk of COVID-19 exposure in the communities in which we operate.

EDUCATION

Telecom Namibia is committed to improving the quality of education in Namibia, especially in the rural areas. For the financial year 2019/2020, education was a high priority area. In one notable effort, TN donated chairs and desks to the Usiel Ndjavera Primary School in the Omaheke region. These learners had no desks or chairs and were sitting on the ground and writing on their laps. Another effort towards the improvement of education was the donation of ICT devices to the St Joseph's Primary School Fundraising. These devices assisted in raising funds for the revamp of the school's computer lab.

With the rise of COVID-19 cases, the company could not sit back and let the government fight the spread of the pandemic alone. In an effort to curb the spread of COVID-19, Telecom Namibia handed over a donation of 50 5L sanitisers, 50 sanitising stations and 1,000 masks to Hon. Anna Nghipondoka, Minister of Education, Arts and Culture. The donation was aimed at ensuring that school children have access to quality education without compromising their health. The bulk of this donation was sent to needy schools in the Ohangwena region.

OUR HUMAN CAPITAL

For this financial year, our first and overriding priority was to protect the health and safety of all our customers, employees and various stakeholders. As COVID-19 was declared a pandemic in March 2020, TN's CSR efforts were geared towards assisting the government in mitigating the risk of spreading the pandemic further. Firstly, TN implemented several business contingency plans as well as personal hygiene and social distancing measures at all offices, Teleshops and technical buildings, in line with government guidelines.

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

There were several ways we attempted to minimise risk. The controls that we put in place were as follows:

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

Similarly, TN supported the Ministry of Health and Social Services by providing funding to assist with the purchasing of COVID-19 relief items to ensure essential services are safe while enforcing national response measures.

TN also provided the Ministry of Health and Social Services with a toll-free COVID-19 number, as well as a WhatsApp number. These ensured that the public had a platform to communicate their COVID-19 concerns and to report possible infections, while the WhatsApp number additionally ensured that people with hearing impairments shared any concerns they may have about COVID-19 by sending text messages to the national response number. This enabled and expanded the inclusion of people living with disabilities, mainly the hearing impaired, in the COVID-19 response measures. Other support related to mitigating the risk of spreading the pandemic were the sponsoring of the WiFi for the COVID-19 quarantine centre at Hosea Kutako Airport, the COVID-19 testing site in Mariental and the commissioning of a 50Mbps internet line at the COVID-19 Communications Centre in Windhoek. The aforementioned are just a few of the many efforts TN used to support the GRN in combating the spread of the pandemic.

COMMUNITY

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

Twaloloka Fire Victim Support

Following the devastating fire that broke out in Walvis Bay at the Twaloloka location, TN assisted the communities impacted by the disaster by providing them with food hampers. As a responsible corporate citizen, we found it necessary to lend a helping hand to a community that was left destitute, and we believe that this donation brought relief and made a difference to the livelihoods of this community.

Trade EXPOs

TN believes in the upliftment of communities, especially projects that contribute to SME development among the youth, and thus sponsored various Trade EXPOs during this financial year, namely the Ondangwa Trade & Industrial Exhibition (OTIE), Copper Festival, Swakopmund International Trade EXPO, Outjo Investment Conference 2019, KasiVibe, Nkurenkuru Town Council EXPO and Omaruru Festival, amongst others.

TRANSFORMATION

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

The Procurement Act (Act 15 of 2015) which outlines the procurement law and regulations applicable to Telecom Namibia as a State-Owned Enterprise, encourages EE and Telecom Namibia to align all procurement policies and processes with the principles as set out in the Procurement Act. A total of 5,437 orders were placed during the year, of which 61% were awarded to qualifying small and medium enterprises or BEE companies in Namibia. This made up 52% of the total procurement spend during the year. Telecom Namibia is committed to increase spending on BEE initiatives in the years ahead, in order to create jobs for Namibians in the SME sector.

2020/2021 FOCUS

For the upcoming 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 seven key areas:

1. Education
2. Sports
3. Health
4. Community outreach
5. Entrepreneurial development
6. ICT development
7. Environmental conservation

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

With the rise of COVID-19 cases, the company could not sit back and let the government fight the spread of the pandemic alone. In an effort to curb the spread of COVID-19, Telecom Namibia handed over a donation of:

50 /5Litre
Sanitisers

50
Sanitising Stations

1000
Face Masks

04 ANNUAL FINANCIAL STATEMENTS

telecom namibia

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.

The financial statements included in this Annual Report are a copy of the version whose opinion thereon was signed by our external auditors on 22 December 2020.

Telecom Namibia Limited Group

(Registration number 92/282)

Consolidated Annual Financial Statements for the year ended 30 September 2020

General Information

COUNTRY OF INCORPORATION AND DOMICILE	Namibia
NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	Integrated Information Communication Technology Service Provider
COMPANY REGISTRATION NUMBER	92/282
REGISTERED OFFICE	9 Judge JP Karuaihe Street P O Box 297 Windhoek Namibia 9000 **Windhoek, Namibia Main Switchboard:** +264 61 201 9211 Fax: +264 61 23 9844 www.telecom.na **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
POSTAL ADDRESS	P O Box 297 Windhoek Namibia 9000
AUDITORS	PricewaterhouseCoopers Namibia
BANKERS	Standard Bank 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 NAMCODE

The Board aims to ensure that Telecom Namibia operates ethically and with integrity, and in compliance with the Corporate Governance Code for Namibia (known as NamCode). 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: Firstly, the Chief Financial Officer (CFO) and Chief Executive Officer (CEO) are not part of the Board, which is a deviation from NamCode. Secondly, 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 NamCode by modifying and incorporating these principles into the Terms of References for Board Committees and the Board Charter.

BOARD OF DIRECTORS

Composition and appointment

The Board of Directors aims for an appropriate mix of skills, experience and personalities to ensure effective leadership and sound governance. As a truly Namibian company, we support and actively drive transformation in everything we do, and we are proud that the 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, and thereafter the interim board that served for the remainder of the financial year under review and beyond, is as follows:

Directors	
Independent Non-Executive	**Qualifications**
Erna I Simeon-Kurtz	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 the 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.
Damoline Muruko	Master's 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 Law (LLB) at the University of Namibia in 2002; currently studying towards a Master's Degree in Energy Law and Policy at the University of Dundee, Scotland.
Petro Oberholster	B.Com Degree at the University of the Orange Free State 1987-1990, Diploma in Higher Education at the University of Stellenbosch, Senior Management Diploma at the University of Stellenbosch Business School 2003-2004.
Fernando P Somaeb	Bachelor of Commerce at Rhodes University 2006, Bachelor of Accounting (Hons) at UNISA 2007, admitted as Chartered Accountant by Institute of Chartered Accountants Namibia and Public Accountants and Auditors Board.

CORPORATE GOVERNANCE STATEMENT

BOARD OF DIRECTORS (continued)

Composition and appointment (continued)

Directors	
Independent Non-Executive	**Qualifications**
Willem G Titus	Master of Business Administration: Management Strategy (UNAM); Honours Degree: Business Management and Administration, University of Stellenbosch; Bachelor's Degree: Business Administration, Thames Valley University; National Technical Diploma, Polytechnic of Namibia.
Jeremia L Muadinohamba	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.
Frieda Kishi	B Proc Degree, PU for CHE 1992 to 1995, admitted Legal Practitioner.
Elizabeth Asino-Joseph	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.
Shiwana Ndeunyema	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 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 sustainability. The Board oversees the business affairs of Telecom Namibia. It assumes responsibility of 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 sets 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, the CEO 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, as well as 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 Committee meetings and is responsible for ensuring that meeting procedures are observed, and that applicable rules and regulations are complied with. Procedures are in place for Directors and Board Committee 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 for discussions without management being present, when required. 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. Fourteen Board meetings were held during the financial year ended 30 September 2020. 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													
		22/10	11/11	21/11	03/12	16/12	19/02	26/03	28/05	29/05	13/07	17/07	17/07	22/09	29/09
		2019	2019	2019	2019	2019	2020	2020	2020	2020	2020	2020	2020	2020	2020
FP Somaeb	01/06/2017	V	V	V	V	V	-	V	V	-					
I E Simeon-Kurtz	01/10/2016	V	V	V	V	V	V	V	V	V					
D Muruko	01/10/2016	V	-	-	V	-	V	V	-	V					
P Oberholster	01/06/2017	V	V	V	V	V	V	V	V	V					
W G Titus	13/02/2019	V	V	V	-	-	V	V	V	-					
J Muadinohamba											V	V	V	V	V
F Somaeb											V	V	V	V	V
S Ndeunyema											V	V	V	-	V
F Kishi											V	V	V	V	V
E Asino-Joseph											V	V	V	V	V

v Attended
- Apologies
N/A Was not a director at the time

CORPORATE GOVERNANCE **STATEMENT**

DIRECTORS' REMUNERATION

The fees for Non-Executive Directors for the financial year ended 30 September 2020 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.

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 2020 is summarised below:

TELECOM NAMIBIA

Name	Fees for services 2020	Fees for services 2019
I E Simeon-Kurtz	N$256 600	N$581 920
D Muruko	N$224 089	N$467 692
P Oberholster	N$277 951	N$437 419
F P Somaeb	N$335 661	N$445 622
W G Titus	N$181 565	N$154 344
J Muadinohamba	N$101 191	--
S Ndeunyema	N$102 855	--
F Kishi	N$89 041	
E Asino-Joseph	N$95 877	--
	N$1 664 830	**N$2 086 997**

POWERCOM

Name	Fees for services 2020	Fees for services 2019
I E Simeon-Kurtz	N$214 733	N$130 906
F P Somaeb	--	N$ 63 000
J Muadinohamba	N$107 767	N$151 243
W van der Vyver	N$255 721	N$158 142
P Oberholster	N$133 084	N$44 334
E C Harmse	N$51 657	--
M N S Shiimi	N$37 707	--
N N N Shilongo	N$29 088	--
Total	**N$829 757**	**N$547 625**

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 & Communication 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, 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 39** of the financial statements for detailed disclosure of the 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 Manager: 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 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.

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 appointment of external auditors is done in terms of the Public Procurement Act and endorsed by the Board. 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 independently from the Audit Committee. 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 fee structure for the Board and all its sub-committees;
- To determine, develop and recommend to the Board the general policy and broad framework of the remuneration of the CEO, the senior management team and all other employees. Remuneration policies are to be competitive enough to ensure that sufficiently skilled employees are attracted to the Company, always retained in the Company and kept motivated. In determining such policy, the Committee considers all factors which it deems necessary;

CORPORATE GOVERNANCE STATEMENT

- 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
- To maintain 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 Telecom Namibia's Board of Directors and supports the Board in the execution of its duties. The Committee functions on behalf of the Board and is accountable to the full Board to properly consider, evaluate or take note of any matter it is mandated to deal with. Its role is to determine the development of the business growth and strategy, focusing on the development of growth of revenue/profitability, increasing market share and contributing to customer retention and satisfaction. The overall goal is to advise the business on possible focus areas for growth, improvement of customer experience and customer retention in creating sustainable customer value.

The objectives of the Committee are:
- Commercial strategy and value optimisation;
- Sales and customer service;
- Pricing strategies;
- Branding and commercial marketing;
- New business development and project management;
- Customer engagement;
- Product innovation and product portfolio management;
- Scoping demand and pursuing opportunities;
- Market research and intelligence;
- Relationship management; and
- Strategic partnerships.

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

Significant items discussed in 2019:
- Strategic partnerships;
- Capacity upgrades;
- Corporate social responsibility plan; and
- Customer service initiatives.

Information & Communications 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 and the Head: Corporate Governance, Legal Services and Regulatory Affairs are invitees to this committee meeting.

The effectiveness of the current billing system still represents a risk that influences the Company's ability to meet service order deliverables, the validity and completeness of network revenue billed to customers and debt-collection procedures. Management has however implemented controls and measures to mitigate these risks relating to the completeness and validity of the revenue. Furthermore, the procurement process for the OSS/BSS transformation system, which will further deal with these significant deficiencies, has been initiated and is expected to be finalised in the near future.

The allocation of customer payments remains a challenge and a dedicated team is tasked with the 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 37.**

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 (CONTINUED)

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	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. 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. The Code 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 Manager: Internal Audit 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, a Reporting Hotline is in place, through which all stakeholders can report suspected theft, corruption, conflicts 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.

DIRECTOR'S RESPONSIBILITIES AND APPROVAL

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

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

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

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

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The effectiveness of the current billing system still represents a risk that influences the Company's ability to meet service order deliverables, the validity and completeness of network revenue billed to customers and debt-collection procedures. Management has however implemented controls and measures to mitigate these risks relating to the completeness and validity of the revenue. Furthermore, the process has been initiated for the OSS/BSS transformation system and management is of the opinion that this transformation will further deal with these significant deficiencies that were noted.

The Group reported a profit for the year ended 30 September 2020 of N$49 million (2019: N$15.1 million) and the Company reported a N$10.8 million loss (2019: N$24 million loss) respectively. Current liabilities exceeded current assets by N$280 million (2019: N$218 million) for the Group and by N$218 million (2019: N$241 million) for the Company at year-end.

The current year reported profit includes the impact of the adoption of IFRS 16 for leases. For Group, the impact is the decrease in the profit before tax of N$22.7 million, and for the Company, the impact is the decrease in the profit before tax of N$21 million.

In line with strategic objectives, the Group aims to achieve earnings before interest, taxes, depreciation and amortization (EBITDA) margin of 30% plus by focusing on revenue growth, reducing operating expenses and managing capital expenditure. The company returned to profitability in the current year and aims at achieving profit before tax of N$34 million in 2021. The group will further invest in infrastructure projects and strengthen our network capacity and quality to better serve our customers and drive growth in line with the strategic objectives.

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 shareholders 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 shareholders.

The Directors have reviewed the Group's and Company's cash flow projections for the financial year 2021 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 Group and Company financial statements. The Directors believe that the Group and Company will be a going concern in the future based on an improvement in our financial performance compared with prior years and the Group's cash flow-projections.

On 11 March 2020, the World Health Organisation officially declared the novel coronavirus, COVID-19, a pandemic, triggering various government interventions in order to stem the spread. Telecommunication services have been recognised as an essential service, which allows our businesses to continue to operate during this crisis. As countries attempt to contain the spread of the virus, various forms of restrictions on movement have resulted in an increase in demand for the services we render. The Group will continue to monitor its position as more data becomes available and circumstances change.

The group and company financial statements have been audited by the independent external auditors, PricewaterhouseCoopers Namibia. The external auditor was given unrestricted access to all Telecom Namibia's financial records and related data, including minutes of all meetings between the shareholders and the Board of Directors. The Directors believe that all representations made to the independent auditors during their external audit were valid and appropriate and their report is presented on pages 60 and 61.

The consolidated annual financial statements set out on pages 62 to 120, which have been prepared on the going concern basis, were approved and authorised for issue by the board of directors on 16 December 2020 and were signed on their behalf by:

Approval of financial statements

Jeremia L Muadinohamba

Fernando P Somaeb

INDEPENDENT AUDITOR'S REPORT

To the Member of Telecom Namibia Limited

OUR OPINION

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Telecom Namibia Limited (the Company) and its subsidiaries (together, the Group) as at 30 September 2020, 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 62 to 120 comprise:

- Statements of financial position as at 30 September 2020;
- Statements of profit or loss and other comprehensive income for the year then ended;
- Statements of changes in equity for the year then ended;
- Statements of cash flows for the year then ended; and
- Notes to Statements, which include a summary of significant accounting policies.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

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

INDEPENDENCE

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

OTHER INFORMATION

The directors are responsible for the other information which comprises the information included in the document titled "Telecom Namibia Limited Group Consolidated Annual Financial Statements for the year ended 30 September 2020". 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 going concerns disclosing, as applicable, matters related to the 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.

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.

INDEPENDENT AUDITOR'S REPORT

- 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

PricewaterhouseCoopers
Registered Accountants and Auditors
Chartered Accountants (Namibia)
Per: R. Nangula Uaandja

Partner

Windhoek

Date: 22 December 2020

STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020

		Group		Company	
		2020	2019	2020	2019
	Note(s)	N$ '000	N$ '000	N$ '000	N$ '000
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	4	1,319,487	1,295,632	1,212,040	1,189,693
Right-of-use assets	6	722,003	-	690,758	-
Intangible assets	5	53,215	115,261	34,688	95,663
Loans to group companies	8	-	-	150,000	150,000
Contract assets	14	4,110	15,520	4,110	15,520
Finance lease receivables	11	5,676	7,589	5,676	7,589
Deferred tax	21	78,899	58,593	-	-
		2,183,390	**1,492,595**	**2,097,272**	**1,458,465**
Current Assets					
Inventories	12	58,952	45,884	58,952	45,884
Trade and other receivables	13	266,538	272,215	264,793	270,756
Contract assets	14	14,477	5,905	14,477	5,905
Other financial assets	24	-	10,000	-	-
Finance lease receivables	11	4,254	4,422	4,254	4,422
Amounts owing by fellow subsidiaries	15	5,754	7,293	21,761	23,261
Amounts owing by holding company	15	763	6,049	763	6,049
Cash and cash equivalents	16	96,060	59,869	65,918	38,531
		446,798	**411,637**	**430,918**	**394,808**
Total Assets		**2,630,188**	**1,904,232**	**2,528,190**	**1,853,273**
EQUITY AND LIABILITIES					
EQUITY					
Share capital	18	154,530	154,530	154,530	154,530
Retained income		323,238	273,782	244,266	233,383
		477,768	**428,312**	**398,796**	**387,913**
LIABILITIES					
Non-Current Liabilities					
Borrowings	20	-	30,000	-	30,000
Financial liabilities at fair value	23	45,025	75,803	45,025	75,803
Lease liabilities	6	688,453	-	657,805	-
Operating lease liability	27	-	1,470	-	-
Retirement benefit obligation	19	53,954	56,501	53,954	56,501
Deferred income	25	66,068	81,877	66,068	81,877
Deferred tax	21	170,138	200,220	155,334	184,969
Preference shares	23	400,000	400,000	400,000	400,000
		1,423,638	**845,871**	**1,378,186**	**829,150**
Current Liabilities					
Trade and other payables	22	496,321	487,738	486,724	482,346
Borrowings	20	30,000	26,776	30,000	26,776
Lease liabilities	6	57,642	-	53,962	-
Amounts owing to fellow subsidiaries	15	5,418	8,730	41,121	20,283
Deferred income	25	117,029	104,846	117,029	104,846
Current tax payable	33	21,241	-	21,241	-
Unearned interest mobile devices	26	1,131	1,959	1,131	1,959
		728,782	**630,049**	**751,208**	**636,210**
Total Liabilities		**2,152,420**	**1,475,920**	**2,129,394**	**1,465,360**
Total Equity and Liabilities		**2,630,188**	**1,904,232**	**2,528,190**	**1,853,273**

STATEMENTS OF PROFIT OR LOSS AND **OTHER COMPREHENSIVE INCOME**

		Group		Company	
		2020	2019	2020	2019
	Note(s)	N$ '000	N$ '000	N$ '000	N$ '000
Revenue	32	1,511,771	1,573,875	1,487,330	1,553,701
Distribution costs		(311,462)	(335,950)	(336,925)	(355,434)
Administration expenses		(773,612)	(851,580)	(756,414)	(835,540)
Impairment loss		-	(23,729)	-	(23,729)
Regulatory levies	31	(454)	(75,827)	(218)	(75,731)
Other operating expenses		(390,432)	(366,771)	(376,698)	(358,098)
Other operating income/(expenses)		7,167	521	6,617	(25)
Operating profit (loss)	**28**	**42,978**	**(79,461)**	**23,692**	**(94,856)**
Investment income	29	4,127	7,924	2,628	6,206
Finance costs paid	29	(62,245)	(8,629)	(59,282)	(8,611)
Other non-operating gains (losses)	10	30,778	36,911	30,778	36,911
Profit (loss) before taxation		**15,638**	**(43,255)**	**(2,184)**	**(60,350)**
Taxation	30	30,640	55,996	9,889	33,738
Profit (loss) for the year		**46,278**	**12,741**	**7,705**	**(26,612)**
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Remeasurements on net defined benefit liability/asset		4,673	3,501	4,673	3,501
Income tax relating to items that will not be reclassified		(1,495)	(1,120)	(1,495)	(1,120)
Total items that will not be reclassified to profit or loss		**3,178**	**2,381**	**3,178**	**2,381**
Other comprehensive income for the year net of taxation	19	**3,178**	**2,381**	**3,178**	**2,381**
Total comprehensive income (loss) for the year		**49,456**	**15,122**	**10,883**	**(24,231)**

STATEMENTS OF CHANGES IN EQUITY

	Share capital	Retained income	Total equity
	N$ '000	N$ '000	N$ '000
Group			
Balance at 1 October 2018	154,530	258,660	413,190
Profit for the year	-	12,741	12,741
Other comprehensive income	-	2,381	2,381
Total comprehensive income for the year	-	15,122	15,122
Balance at 1 October 2019	154,530	273,782	428,312
Profit for the year	-	46,278	46,278
Other comprehensive income	-	3,178	3,178
Total comprehensive income for the year	-	49,456	49,456
Balance at 30 September 2020	154,530	323,238	477,768
Note(s)	18		
Company			
Balance at 1 October 2018	154,530	257,614	412,144
Loss for the year	-	(26,612)	(26,612)
Other comprehensive income	-	2,381	2,381
Total comprehensive loss for the year	-	(24,231)	(24,231)
Balance at 1 October 2019	154,530	233,383	387,913
Profit for the year	-	7,705	7,705
Other comprehensive income	-	3,178	3,178
Total comprehensive income for the year	-	10,883	10,883
Balance at 30 September 2020	154,530	244,266	398,796
Note(s)	18		

The accounting policies on pages 66 to 78 and the notes on pages 79 to 120 form an integral part of the consolidated annual financial statements.

STATEMENTS OF CASH FLOWS

		Group		Company	
		2020	2019	2020	2019
	Note(s)	N$ '000	N$ '000	N$ '000	N$ '000
CASH FLOWS FROM OPERATING ACTIVITIES					
Operating profit (loss)		42,978	(79,461)	23,692	(94,856)
ADJUSTMENTS FOR:					
Depreciation and amortisation		293,599	221,374	280,101	213,103
(Gains) losses on foreign exchange		(660)	9,201	(660)	9,201
Movements in operating lease assets and accruals		(1,470)	853	-	-
Movements in retirement benefit assets and liabilities		2,126	2,542	2,126	2,542
Loss on scrapping of property, plant and equipment and intangible assets		781	1,696	770	1,691
Other non-cash items		-	(47)	-	(51)
Loss on impairment of non-current assets held for sale		-	23,729	-	23,729
CHANGES IN WORKING CAPITAL:					
Inventories		(13,068)	13,844	(13,068)	13,844
Trade and other receivables		5,677	26,326	5,963	27,168
Contract assets		2,838	(6,481)	2,838	(6,481)
Amounts owing by fellow subsidiaries		1,539	3,280	1,500	10,029
Amounts owing by holding company		5,286	(859)	5,286	(859)
Trade and other payables		8,588	122,165	4,384	121,994
Amounts owing to fellow subsidiaries		(3,312)	2,141	20,838	11,534
Deferred income		(3,626)	(40,966)	(3,626)	(40,966)
Unearned interest mobile devices		(828)	532	(828)	532
Holding company loan		-	(81,479)	-	(81,479)
Cash generated from operations		**340,448**	**218,390**	**329,316**	**210,675**
Interest received		4,127	7,924	2,628	6,206
Finance costs paid		(62,245)	(8,629)	(59,282)	(8,611)
Preference share dividend paid		-	(10,283)	-	(10,283)
Net cash from operating activities		**282,330**	**207,402**	**272,662**	**197,987**
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment	4	(172,224)	(153,373)	(163,347)	(151,060)
Purchase of other intangible assets	5	(7,054)	(7,457)	(6,669)	(7,457)
Finance lease receipts	11	2,081	3,821	2,081	3,821
Proceeds from maturity of financial assets		10,000	6,000	-	-
Net cash from investing activities		**(167,197)**	**(151,009)**	**(167,935)**	**(154,696)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of borrowings		(26,776)	(38,858)	(26,776)	(38,858)
Payment on lease liabilities		(52,826)	-	(51,224)	-
Net cash from financing activities		**(79,602)**	**(38,858)**	**(78,000)**	**(38,858)**
Total cash movement for the year		**35,531**	**17,535**	**26,727**	**4,433**
Cash at the beginning of the year		59,869	51,535	38,531	43,299
Effect of exchange rate movement on cash balances		660	(9,201)	660	(9,201)
Total cash at end of the year	16	**96,060**	**59,869**	**65,918**	**38,531**

ACCOUNTING POLICIES

1. SIGNIFICANT ACCOUNTING POLICIES

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

1.1 Basis of preparation

The financial statements of the company and group 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.

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

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

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

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

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

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate. Refer to **note 40.**

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 current financial year, the useful life of the billing engine software was extended from 7 years to 9 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.

Intangible assets are initially recognised at cost.

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

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

ACCOUNTING POLICIES (continued)

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

1.4 Non-current assets held for sale

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

1.5 Impairment of assets

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

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

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 and other direct costs, but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business less the costs of completion and selling expenses. Where necessary, provision is made for obsolete, slow moving and defective inventories.

1.7 Tax

Current tax assets and liabilities

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

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

Deferred tax assets and liabilities

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

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

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

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

1.8 Financial instruments

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

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

Recognition and Initial Measurement

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

ACCOUNTING POLICIES (continued)

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

SUBSEQUENT MEASUREMENT: FINANCIAL ASSETS

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

SUBSEQUENT MEASUREMENT: FINANCIAL LIABILITIES

Measurement Category	Criteria
Financial liabilities at fair value through profit or loss	A financial liability is classified as a financial liability at fair value through profit or loss if it meets one of the following conditions: •It is held for trading, or •It is designated by the entity as at fair value through profit or loss
Financial liabilities at amortised cost	Financial liabilities are generally classified and measured at amortised cost, unless they meet the criteria for classification at fair value through profit or loss.

ACCOUNTING POLICIES (continued)

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.

Trade, loan receivable and contract assets

Trade receivables, loan receivable and contract assets are measured at amortised 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.

Derecognition

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

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

Financial liabilities are 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.

Cash and cash equivalents

Cash and cash equivalents are carried in the Statement 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 Statement of Financial Position, bank overdrafts are included in borrowings under Current Liabilities.

Bank overdrafts

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

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.

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.

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 polices and guidelines. As a matter of principle, the Group does not enter into derivative contracts for speculative purposes. Derivative financial instruments are initially recorded at cost and re-measured at subsequent reporting dates. The fair value of foreign exchange contracts and interest rate swaps represent the estimated amounts the Group would receive, should the contracts be terminated at reporting date, thereby considering unrealised gains or losses.

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, the company has segmented Trade Receivables based on customer type. The company applies the simplified approach to determine the ECL for trade receivables and contract assets. These result in calculating lifetime expected credit losses for trade receivables and contract assets. ECLs for trade receivables are 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 as the disposable income in the model. Obtaining the information was however a challenge as there are limited to no dates on the data on a quarterly basis to facilitate the outlook on our debtors book.

Loss History

Refer to **note 37** which details how the loss ratio was determined.

1.9 Provisions and contingencies

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.

ACCOUNTING **POLICIES** (continued)

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.

1.10 Government grants

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

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

Government grants that are receivable as compensation for expenses or losses already incurred, or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan, based on prevailing market interest rates.

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

1.11 Leases

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

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

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

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

Group as lessee

The Group assesses whether a contract is or contains a lease at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones).

For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

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

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease

Lease Liability

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

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

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

ACCOUNTING POLICIES (continued)

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

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

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

The right-of-use assets are presented as a separate line in the consolidated Statement of Financial Position.

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

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

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

Group Company as lessor

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

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

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

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

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

1.12 Leases (Comparatives under IAS 17)

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 income in profit or loss on a straight-line basis over the lease term.

ACCOUNTING POLICIES (continued)

1.13 Dividends

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

1.14 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.

1.15 Employee benefits

Short-term employee benefits

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

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

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

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

1.16 Revenue from contracts with customers

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

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

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties.

Telecom Namibia recognises revenue when it transfers control over a product or services to a customer.

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

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

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

Network services

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

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

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.

ACCOUNTING POLICIES (continued)

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

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

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 they have 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 the 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 amortisation period of the assets that Telecom Namibia otherwise would have recognised is 12 months or less.

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

Pre-paid products

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.

Interest and investment income

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

ACCOUNTING POLICIES (continued)

1.17 Consolidation

Basis of consolidation

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

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

The consolidated annual financial statements incorporate the consolidated annual financial statements of the company and all subsidiaries.

Subsidiaries are entities (including structured entities) which are controlled by the group.

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

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

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

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

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

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

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

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

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

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

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

ACCOUNTING POLICIES (continued)

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 is equal to 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 are expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to other assets of the unit pro rata, based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss.

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

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

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

1.18 Translation of foreign currencies

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.

1.19 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.

ACCOUNTING POLICIES (continued)

1.20 Significant judgements and sources of estimation uncertainty

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

Critical accounting estimates and judgements

Revenue recognition

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

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

Trade receivables

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

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

In line with the ICAN and SAICA guidance, IFRS 9 requires that we take a forward-looking view of the macro-economic impact on the debtor's behaviour. The negative impact of Covid-19 is expected to push pressure on the consumers and thus customers are most likely to default on their obligations as they fall due. Management took a prudent approach in estimating the default rates and therefore an additional 10% was incorporated in ECL calculation as a Covid-19 adjustment.

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

Property, plant and equipment are depreciated over their useful lives considering residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on several factors. In reassessing asset lives, factors such as technological innovation and maintenance 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 19.**

Impairment of property, plant and equipment

Property, plant and equipment are considered for impairment if there is a reason to believe that impairment may be necessary. Factors taken into consideration in reaching such a decision include the economic viability of the asset itself and, where it is a component of a larger economic unit, the viability of the unit itself. Future cash flows expected to be generated by the assets are projected, considering market conditions and the expected useful lives of the assets. The present value of these cash flows, determined using an appropriate discount rate, is compared to the current net asset value and, if lower, the assets are impaired to the present value. No impairment loss was recognised on assets during the 2020 financial year (2019: 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 2020 (2019: 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 39**.

Assets held for sale

Mundo Startel

The Group had made a formal decision to dispose of its 44% shareholding in an associate, Mundo Startel, in the 2011 financial year. During the 2014 financial year, the Group and Company received a payment of N$5.1 million in respect of the purchase price agreed and decided to impair the remaining N$16.9 million because of the uncertainty surrounding the ability of the acquirer to settle the amount and the difficulty encountered to enforce the Company's rights and obligations in Angola. So far, and throughout the 2020 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 the 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 the 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$0 million (2019: N$23.7 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).

At 30 September 2020, the Company reported a loss of N$32.9 million before the preference share valuation adjustment of N$30.8 million and therefore no liability was raised in respect of the current year profit as the company does not have an obligation to pay the dividend as the company did not report a profit before the preference share valuation.

Taking into consideration the revision of the revised estimates for 2021 and beyond, the finance liability is estimated to decrease from N$75 million to N$45 million, 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 7.5% to discount the cash flows. Due to the fact that all the interest rates in the Namibian market are usually driven by the prime rate and also that Namibia Post and Telecom Holdings Limited, to whom these future dividends are due, is a Namibian company, management considered this rate to be appropriate for discounting future cash flows.

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.**

Critical judgements in determining the lease term

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

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

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

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

1.21 Share capital and equity

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

Ordinary shares are recognised at par value and classified as 'share capital' in equity. Any amounts received from the issue of shares in excess of par value is classified as 'share premium' in equity. Dividends are recognised as a liability in the group in which they are declared.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/Interpretation:	Effective Date:	Expected Impact:
	Years beginning on or after	
• IFRS 16: Leases	1 January 2019	The impact of the standard is set out in **note 41,** Changes in accounting policy.
• Amendments to IAS 12 Income Taxes: Annual Improvements to IFRS 2015 - 2017 cycle	1 January 2019	The impact of the amendments is not material.
• Amendments to IAS 23 Borrowing Costs: Annual Improvements to IFRS 2015 - 2017 cycle	1 January 2019	The impact of the amendments is not material.
• Uncertainty over Income Tax Treatments	1 January 2019	The impact of the amendments is not material.

2.2 Standards and interpretations not yet effective

The Group has chosen not to early-adopt the following standards and interpretations, which have been published and are mandatory for the Group's accounting periods beginning on or after 1 October 2020 or later periods:

Standard/Interpretation:	Effective Date:	Expected Impact:
	Years beginning on or after	
• Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 1	1 January 2022	Impact is currently being assessed
• Reference to the Conceptual Framework: Amendments to IFRS 3	1 January 2022	Unlikely there will be a material impact
• Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 9	1 January 2022	Unlikely there will be a material impact
• Property, Plant and Equipment: Proceeds before Intended Use: Amendments to IAS 16	1 January 2022	Unlikely there will be a material impact
• Onerous Contracts - Cost of Fulfilling a Contract: Amendments to IAS 37	1 January 2022	Unlikely there will be a material impact
• Annual Improvement to IFRS Standards 2018-2020: Amendments to IAS 41	1 January 2022	Unlikely there will be a material impact
• Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 4	1 January 2021	Unlikely there will be a material impact
• Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 7	1 January 2021	Unlikely there will be a material impact
• Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9	1 January 2021	Unlikely there will be a material impact

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

• Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 16	1 January 2021	Impact is currently being assessed
• Interest Rate Benchmark Reform - Phase 2: Amendments to IAS 39	1 January 2021	Unlikely there will be a material impact
• COVID-19 - Related Rent Concessions - Amendment to IFRS 16	1 June 2020	Unlikely there will be a material impact
• Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7	1 January 2020	Unlikely there will be a material impact
• Definition of a Business - Amendments to IFRS 3	1 January 2020	Unlikely there will be a material impact
• Presentation of Financial Statements: Disclosure initiative	1 January 2020	Impact is currently being assessed
• Accounting Policies, Changes in Accounting Estimates and Errors: Disclosure initiative	1 January 2020	Impact is currently being assessed

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

3. SEGMENTAL INFORMATION

3.1. Products and services from which reportable segments derive their revenues

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

Reportable Segment	Products And Services
Voice	**Post-paid services** - Line rental - Value-added-services - Calls - VSAT - Telephone installations - ISDN **Prepaid 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 service	- 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 CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

3. SEGMENTAL INFORMATION (continued)

	Segment revenue	Segment revenue	Segment profit	Segment profit
	2020	2019	2020	2019
	N$ '000	N$ '000	N$ '000	N$ '000
Voice	289,361	326,312	255,340	275,959
Mobile	252,041	241,201	193,248	185,422
Data	173,135	205,302	101,660	143,143
Infrastructure and others	120,704	162,764	57,151	84,139
IP services	662,713	618,565	571,795	543,982
IT services	13,817	19,731	6,877	5,358
Total	**1,511,771**	**1,573,875**	**1,186,071**	**1,238,003**
Other operating income			550	521
Administrative expenses			(729,079)	(851,580)
Impairment loss			-	(23,729)
Regulatory expenses			(454)	(75,827)
Other operating expenses			(414,110)	(366,771)
Operating profit (loss)			**42,978**	**(79,461)**
Investment income			4,127	7,924
Finance costs			(62,245)	(8,629)
Other non-operating gains (losses)			30,778	36,911
Profit (loss) before taxation			**15,638**	**(43,255)**
Taxation			30,640	55,996
Profit (loss) for the year			**46,278**	**12,741**

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2019: 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 associates, investment income, finance costs and income tax expenses.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

4. PROPERTY, PLANT AND EQUIPMENT

Group	2020			2019		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Land, buildings and leasehold improvement	2,562	(213)	2,349	156	(146)	10
Motor vehicles	746	(433)	313	746	(336)	410
Furniture & fittings	39,730	(36,810)	2,920	43,768	(40,326)	3,442
Computer equipment	64,078	(60,222)	3,856	6,601	(4,542)	2,059
Telecommunication, installations and equipment	3,799,162	(2,592,235)	1,206,927	3,667,248	(2,508,245)	1,159,003
Capital - Work in progress	103,122	-	103,122	130,708	-	130,708
Total	**4,009,400**	**(2,689,913)**	**1,319,487**	**3,849,227**	**(2,553,595)**	**1,295,632**

Company	2020			2019		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Land, buildings and leasehold improvement	2,741	(45)	2,696	335	-	335
Motor vehicles	746	(433)	313	746	(336)	410
Furniture & fittings	44,661	(41,835)	2,826	48,741	(45,382)	3,359
Computer equipment	60,855	(59,416)	1,439	5,838	(4,359)	1,479
Telecommunication, installations and equipment	3,612,278	(2,505,894)	1,106,384	3,486,646	(2,428,576)	1,058,070
Capital - Work in progress	98,382	-	98,382	126,040	-	126,040
Total	**3,819,663**	**(2,607,623)**	**1,212,040**	**3,668,346**	**(2,478,653)**	**1,189,693**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

4. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of property, plant and equipment - Group - 2020	Opening balance	Additions	Transfers	Reclassification	Scrapping	Depreciation	Total
Land, buildings and leasehold improvement	10	411	1,995	-	-	(67)	2,349
Motor vehicles	410	-	-	-	-	(97)	313
Furniture & fittings	3,442	518	232	77	(11)	(1,338)	2,920
Computer equipment	2,059	3,456	-	(52)	(26)	(1,581)	3,856
Telecommunication, installations and equipment	1,159,003	98,844	93,834	52,950	(605)	(197,099)	1,206,927
Capital - Work in progress	130,708	68,995	(117,243)	20,662	-	-	103,122
Total	**1,295,632**	**172,224**	**(21,182)**	**73,637**	**(642)**	**(200,182)**	**1,319,487**

Reconciliation of property, plant and equipment - Group - 2019	Opening balance	Additions	Prior year adjustment -cost	Transfers	Scrapping	Depreciation	Total
Land, buildings and leasehold improvement	33	-	-	-	-	(23)	10
Motor vehicles	-	482	-	-	-	(72)	410
Furniture & fittings	4,478	430	15	20	(3)	(1,498)	3,442
Computer equipment	1,743	1,702	-	2	(16)	(1,372)	2,059
Telecommunication, installations and equipment	1,251,208	79,326	-	31,630	(1,677)	(201,484)	1,159,003
Capital - Work in progress	92,760	72,046	51	(34,149)	-	-	130,708
Total	**1,350,222**	**153,986**	**66**	**(2,497)**	**(1,696)**	**(204,449)**	**1,295,632**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

4. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of property, plant and equipment - Company - 2020	Opening balance	Additions	Transfers	Reclassification	Scrapping	Depreciation	Total
Land, buildings and leasehold improvement	335	411	1,995	-	-	(45)	2,696
Motor vehicles	410	-	-	-	-	(97)	313
Furniture & fittings	3,359	476	232	77	(11)	(1,307)	2,826
Computer equipment	1,479	976	-	(52)	(14)	(950)	1,439
Telecommunication, installations and equipment	1,058,070	98,401	87,994	52,950	(605)	(190,426)	1,106,384
Capital - Work in progress	126,040	63,083	(111,403)	20,662	-	-	98,382
Total	**1,189,693**	**163,347**	**(21,182)**	**73,637**	**(630)**	**(192,825)**	**1,212,040**

Reconciliation of property, plant and equipment - Company - 2019	Opening balance	Additions	Prior year adjustment -cost	Transfers	Scrapping	Depreciation	Total
Land, buildings and leasehold improvement	335	-	-	-	-	-	335
Motor vehicles	-	482	-	-	-	(72)	410
Furniture & fittings	4,382	410	15	20	(3)	(1,465)	3,359
Computer equipment	1,743	933	-	2	(11)	(1,188)	1,479
Telecommunication, installations and equipment	1,145,248	77,714	-	31,630	(1,677)	(194,845)	1,058,070
Capital - Work in progress	88,004	71,521	51	(33,536)	-	-	126,040
Total	**1,239,712**	**151,060**	**66**	**(1,884)**	**(1,691)**	**(197,570)**	**1,189,693**

Property, Plant and Equipment encumbered as security

Telecommunications equipment with a carrying amount of nil (2019: nil) has been pledged as security for the loan from the Development Bank of Namibia **(note 20).** In the prior year, the Group secured assets with a carrying amount of N$20.2 million as part of the finance lease obligation **(note 20).** The finance lease obligation was settled in the current year and the assets were bought back at a value of N$3.2 million.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

5. INTANGIBLE ASSETS

Group	2020			2019		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Software and licenses	281,140	(246,131)	35,009	302,192	(206,529)	95,663
Frequency, spectrum and number "085"	27,832	(9,626)	18,206	27,832	(8,234)	19,598
Total	**308,972**	**(255,757)**	**53,215**	**330,024**	**(214,763)**	**115,261**

Company	2020			2019		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Software and licenses	280,755	(246,067)	34,688	302,192	(206,529)	95,663

Reconciliation of intangible assets - Group - 2020	Opening balance	Additions	Transfers	Reclassification between classes	Scrapping	Amortisation	Total
Software and licenses	95,663	7,054	21,182	(73,637)	(146)	(16,499)	35,009
Frequency, spectrum and number "085"	19,598	-	-	-	-	(1,392)	18,206
	115,261	**7,054**	**21,182**	**(73,637)**	**(146)**	**(17,891)**	**53,215**

Reconciliation of intangible assets - Group - 2019	Opening balance	Additions	Transfers	Amortisation	Total
Software and licenses	101,870	7,457	1,884	(15,548)	95,663
Frequency, spectrum and number "085"	20,990	-	-	(1,392)	19,598
	122,860	**7,457**	**1,884**	**(16,940)**	**115,261**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

5. INTANGIBLE ASSETS (continued)

Reconciliation of intangible assets - Company - 2020	Opening balance	Additions	Transfers	Reclassification between classes	Scrapping	Amortisation	Total
Software and licenses	95,663	6,669	21,182	(73,637)	(146)	(15,043)	34,688

Reconciliation of intangible assets - Company - 2019			Opening balance	Additions	Transfers	Amortisation	Total
Software and licenses			101,870	7,457	1,884	(15,548)	95,663

Other information

Amortisation is included in operating expenses in the Statements of profit or loss and other comprehensive income.

There were no encumbrances on any of the Company's and Group's intangible assets.

On 28 November 2012, Telecom Namibia acquired the entire shareholding of Powercom (Pty) Ltd for N$2. At the acquisition date, an intangible asset of N$27.8 million attributable to the '085' number, frequencies and spectrum obtained from Powercom (Pty) Limited was raised on consolidation. The expected useful life was assessed to be 20 years which commenced on the date when the CBS billing system was implemented in Telecom Namibia.

NOTES TO THE CONSOLIDATED **ANNUAL FINANCIAL STATEMENTS**

6. LEASES (GROUP AS LESSEE)

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. Office machines are leased from Minolco (Pty) Ltd over a period of 3 years. No contingent rent is payable on the machines. Transfer of the machines during the tenure of the lease is prohibited in terms of the lease agreement. Buildings are leased from Namibia Post and Telecom Holdings Limited, with the exception of some teleshops over varying lease periods. No contingent rent is payable on the leased buildings. Towers are leased externally by the Group from Mobile Telecommunications Limited, the Namibian Broadcasting Corporation, Town Councils, farmers and private owners of towers over varying lease periods, and from Powercom (Pty) Ltd, by the Company.

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

The Group adopted IFRS 16 for the first time in the current financial period. Comparative figures have been accounted for in accordance with IAS 17 and, accordingly, any assets recognised under finance leases in accordance with IAS 17 for the comparative period have been recognised as part of property, plant and equipment. The information presented in this note for right-of-use assets therefore only includes the current period.

Net carrying amounts of right-of-use assets

The carrying amounts of right-of-use assets are included in the following line items:

Buildings	599,065	-	599,065	-
Plant and machinery	2,067	-	2,067	-
Motor vehicles	47,021	-	47,021	-
Other property, plant and equipment	73,850	-	42,605	-
	722,003	**-**	**690,758**	**-**

Additions to right-of-use assets

Motor vehicles	11,952	-	11,952	-

Depreciation recognised on right-of-use assets

Depreciation recognised on each class of right-of-use assets is presented below. It includes depreciation which has been expensed in the total depreciation charge in profit or loss **(note 28),** as well as depreciation which has been capitalised to the cost of other assets.

Buildings	33,729	-	33,729	-
Plant and machinery	2,479	-	2,479	-
Motor vehicles	16,986	-	16,986	-
Other property, plant and equipment	23,724	-	19,039	-
	76,918	**-**	**72,233**	**-**

Lease liabilities

Lease liabilities have been included in the borrowings line item on the statements of financial position. Refer to **note 20** Borrowings.

The maturity analysis of lease liabilities is as follows:

Non-current liabilities	688,453	-	657,805	-
Current liabilities	57,642	-	53,962	-
	746,095	**-**	**711,767**	**-**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

7. INTERESTS IN SUBSIDIARIES INCLUDING CONSOLIDATED STRUCTURED ENTITIES

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

Company

Name of company	Held by	% holding	% holding	Carrying amount	Carrying amount
		2020	2019	2020	2019
Powercom (Pty) Ltd		100.00 %	100.00 %	-	-
Communitel Telecommunications (Pty) Ltd		100.00 %	100.00 %	-	-
				-	-

8. INVESTMENT IN SUBSIDIARIES

Subsidiaries					
Powercom (Pty) Ltd		-	-	150,000	150,000
Communitel Telecommunications (Pty) Ltd		-	-	-	
		-	**-**	**150,000**	**150,000**

Split between non-current and current portions

Non-current assets		-	-	150,000	150,000
Current assets **(note 15)**		-	-	15,968	15,968
Current liabilities **(note 15)**		-	-	(35,703)	(11,553)
		-	**-**	**130,265**	**154,415**

The nominal value of the loan acquired is N$628,196,469 (2019: N$628,196,299). The loan is unsecured and interest free. The non-current portion of the loan - N$494,400,208 (2019: 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		-	-	154,415	171,908
Due to subsidiary		-	-	(24,150)	(9,393)
Loans (repaid)/advanced		-	-	-	(8,100)
		-	**-**	**130,265**	**154,415**
Investment in Powercom (Pty) Ltd					
Non-current assets		-	-	150,000	150,000
Current assets **(note 15)**		-	-	15,968	15,968
Current liabilities **(note 15)**		-	-	(35,703)	(11,553)
		-	**-**	**130,265**	**154,415**

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.

9. INVESTMENT IN SEPCO COMMUNICATIONS (PROPRIETARY) LIMITED

The subsidiary, Communitel Telecommunications (Proprietary) Limited, holds a 20.6% (2019: 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 into between all the parties and the sale was concluded on 10 February 2017. The sale of 100% equity in Neotel (Pty) Ltd yielded N$200 million for Communitel (Pty) Ltd which in turn was used to repay Telecom the N$200 million owing on the shareholder loan. An impairment loss of nil (2019: N$ nil) was raised against the cost of the ordinary share investment in the subsidiary.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

	Group		Company	
	2020	2019	2020	2019
	N$ '000	N$ '000	N$ '000	N$ '000

9. INVESTMENT IN SEPCO COMMUNICATIONS (PROPRIETARY) LIMITED (continued)

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.

10. OTHER NON-OPERATING GAINS (LOSSES)

	Group 2020	Group 2019	Company 2020	Company 2019
Fair value gains (losses)				
Financial liabilities designated as at fair value through profit or loss	30,778	36,911	30,778	36,911

11. FINANCE LEASE RECEIVABLES

	Group 2020	Group 2019	Company 2020	Company 2019
Maturity analysis of lease payments receivable				
Not later than 1 year	4,373	4,388	4,373	4,388
Later than 1 year but not later than 5 years	6,261	8,081	6,261	8,081
Gross investment in the leases	**10,634**	**12,469**	**10,634**	**12,469**
Less: Unearned interest income	(123)	320	(123)	320
Present value of minimum lease payments receivable	**10,511**	**12,789**	**10,511**	**12,789**
Less: Loss allowance	(581)	(778)	(581)	(778)
Net investment in the lease	**9,930**	**12,011**	**9,930**	**12,011**
Non-current assets	5,676	7,589	5,676	7,589
Current assets	4,254	4,422	4,254	4,422
	9,930	**12,011**	**9,930**	**12,011**

The Group provides PABX 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 IFRS 16.

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$581,027 (2019: N$777,884) were recognized during the current year.

12. INVENTORIES

	Group 2020	Group 2019	Company 2020	Company 2019
Finished goods	43,175	45,221	43,175	45,221
Merchandise for sale	26,355	15,290	26,355	15,290
	69,530	60,511	69,530	60,511
Provision for slow moving stock	(10,578)	(14,627)	(10,578)	(14,627)
	58,952	**45,884**	**58,952**	**45,884**

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

	Group		Company	
	2020	2019	2020	2019
	N$ '000	N$ '000	N$ '000	N$ '000
13. TRADE AND OTHER RECEIVABLES				
Financial instruments:				
Trade receivables	593,163	543,810	590,623	542,028
Accrued income	5,467	-	5,467	-
Loss allowance	(348,772)	(284,949)	(347,499)	(284,165)
Trade receivables at amortised cost	249,858	258,861	248,591	257,863
Other receivables	1,969	1,749	1,969	1,749
Non-financial instruments:				
Prepayments	14,711	11,605	14,233	11,144
Total trade and other receivables	**266,538**	**272,215**	**264,793**	**270,756**

Included in the movement for the current year's trade receivables is a write off of a credit balance of N$17.5 million raised in 2016 which was a difference between the SAP general ledger and the CBS and Zsmart billing systems on migration. At present, the general ledger and the billing system is reconciled and therefore the adjustment is no longer required and has prescribed.

Split between non-current and current portions

Current assets	266,538	272,215	264,793	270,756

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

At amortised cost	251,827	260,610	250,560	259,612
Non-financial instruments	14,711	11,605	14,233	11,144
	266,538	**272,215**	**264,793**	**270,756**

Exposure to credit risk

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

As a result of the possible impact of COVID-19, the Group has reassessed its credit and risk policies pertaining to receivables and has taken this into account when measuring the loss allowance.

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

The loss allowance provision is determined as follows:

Group	2020	2020	2019	2019
	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)
Expected credit loss rate:				
Fixed Debtors				
Current: 5.46% (2019: 5.41%)	33,187	1,811	60,094	3,250
31 - 60 days past due: 11.03% (2019: 10.46%)	90,710	10,006	28,847	3,017
61 - 90 days past due: 13.73% (2019: 13.73%)	-	-	26,576	3,648
Over 90 days (Default): 76.44% (2019: 73.92%)	354,052	270,626	278,691	205,995
	477,949	**282,443**	**394,208**	**215,910**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

	Group		Company	
	2020	2019	2020	2019
	N$ '000	N$ '000	N$ '000	N$ '000
13. TRADE AND OTHER RECEIVABLES (continued)				
Mobile				
Current: 20.42% (2019: 17.28%)	606	124	6,029	1,042
31 - 60 days past due: 27.78% (2019: 26.56%)	1,803	501	2,710	720
61 - 90 days past due: 77.05% (2019: 26.20%)	584	450	490	128
Over 90 days (Default): 74.97% (2019: 69.83%)	81,503	61,121	85,806	59,914
	84,496	**62,196**	**95,035**	**61,804**
Other Debtors				
Current: 6.42% (2019: 17.72%)	11,361	729	16,319	2,891
31 - 60 days past due: 0.77% (2019: 21.55%)	3,528	27	99	21
61 - 90 days past due: 0.97% (2019: 21.91%)	3,852	37	6,321	1,385
Over 90 days (Default): 7.47% (2019: 22.01%)	44,698	3,340	9,783	2,154
	63,439	**4,133**	**32,522**	**6,451**
Total	**625,884**	**348,772**	**521,765**	**284,165**

Company	Group		Company	
	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)
Expected credit loss rate:				
Fixed				
Current: 5.46% (2019: 5.41%)	33,187	1,811	60,094	3,250
31 - 60 days past due: 11.03% (2019: 10.46%)	90,710	10,006	28,847	3,017
61 - 90 days past due: 13.73% (2019: 13.73%)	-	-	26,576	3,648
Over 90 days (Default): 76.44% (2019: 73.92%)	354,052	270,626	278,691	205,995
	477,949	**282,443**	**394,208**	**215,910**
Mobile				
Current: 20.42% (2019: 17.28%)	606	124	6,029	1,042
31 - 60 days past due: 27.78% (2019: 26.56%)	1,803	501	2,710	720
61 - 90 days past due: 77.05% (2019: 26.20%)	584	450	490	128
Over 90 days (Default): 74.97% (2019: 69.83%)	81,503	61,121	85,806	59,914
	84,496	**62,196**	**95,035**	**61,804**
Other debtors				
Current: 9.17% (2019: 17.72%)	7,458	729	16,319	2,891
31 - 60 days past due: 11.88% (2019: 21.55%)	229	27	99	21
61 - 90 days past due: 12.22% (2019: 21.91%)	306	37	6,321	1,385
Over 90 days (Default): 12.36% (2019: 22.01%)	16,710	2,067	9,783	2,154
	24,703	**2,860**	**32,522**	**6,451**
	587,148	**347,499**	**521,765**	**284,165**

Reconciliation of loss allowances

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

Allowance for credit losses charged to the income statement	(63,823)	(79,619)	(63,334)	(79,973)

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

	Group		Company	
	2020	2019	2020	2019
	N$ '000	N$ '000	N$ '000	N$ '000

13. TRADE AND OTHER RECEIVABLES (continued)

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

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

Taking into consideration the above factors, the ECL rates are expected to change year-on-year due to various factors such as the changes in the customer's payment patterns and forward-looking information, including the Covid-19 impact which was estimated to be 10%. Significant changes in the rate are mainly noted for other debtors and this is due to the fact that the segment is mainly made up of once-off projects of which the payment profile of the sales is not expected to remain fixed year-on-year.

A significant decrease is noted for the other debtors segment at group level and this is due to the fact that in the prior year, the ECL rate for Powercom was not taken into consideration as the impact of IFRS 9 was not material. The probability of default for the Powercom debtors that are less than 90 days overdue is estimated to be nil and thus the low ECL rate at group level for the other debtors segment.

14. CONTRACT ASSETS

Contract assets	23,234	26,516	23,234	26,516
Loss allowance	(4,647)	(5,091)	(4,647)	(5,091)
	18,587	**21,425**	**18,587**	**21,425**

Summary of contract assets

Mobile Devices contract asset	18,587	21,425	18,587	21,425

Reconciliation of contract assets

Opening balance	21,425	-	21,425	-
Effect of cumulative effect method on adoption of IFRS 15	-	18,495	-	18,495
Net subscriptions billed during the year	(24,964)	(19,169)	(24,964)	(19,169)
Net renewals, activations and terminations during the year	21,682	27,190	21,682	27,190
Expected credit loss allowance	444	(5,091)	444	(5,091)
	18,587	**21,425**	**18,587**	**21,425**

Split between non-current and current portions

Non-current assets	4,110	15,520	4,110	15,520
Current assets	14,477	5,905	14,477	5,905
	18,587	**21,425**	**18,587**	**21,425**

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

	Group		Company	
	2020	2019	2020	2019
	N$ '000	N$ '000	N$ '000	N$ '000

14. CONTRACT ASSETS (continued)

Exposure to credit risk

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

The loss allowance provision is determined as follows:

Group	2020	2020	2019	2019
	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)
Expected credit loss rate:				
Mobile contract asset: 20% (2019: 19.20%)	23,234	4,647	26,516	5,091

Company	2020	2020	2019	2019
	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)
Expected credit loss rate:				
Mobile contract asset: 20% (2019: 19.20%)	23,234	4,647	26,516	5,091

15. RELATED PARTIES

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 subsidiaries, 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 7 and 8** respectively. No interest is charged on loans to subsidiaries.

Key management

The key management personnel of the company comprise the Executive Committee. Amounts paid to key management are disclosed under directors' remuneration, 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 rents fibre-optic lines for its operations from a fellow subsidiary. Additional transactions include courier, telephone and fax services, the sale of prepaid products and maintenance of the WACS cable.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

15. RELATED PARTIES (continued)

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 parties: 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.

Subsidiaries: Refer to **notes 7** and **8.**

Fellow Subsidiaries are Mobile Telecommunications Ltd and Namibia Post Limited.

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 7** and **8.** Details of the Company's and Group's transactions with the Pension Fund are reflected in **note 19.**

Members of Key Management

L Hiwilepo	Acting Chief Executive Officer
H Sircoulomb	Chief Human Resource Officer
S Kisting	Chief Financial Officer
L Shuuya	Acting Chief Technical Information Officer
C Muniswaswa	Chief Commercial Officer
A Perny	Chief Marketing Officer
A Hangula	Manager: Internal Audit
J Buys	Head: Corporate Governance, Legal Services and Regulatory Affairs
N Kondombolo-Kambinda	Head: Corporate Communications and Public Relations

Related party transactions

	Group 2020 N$ '000	Group 2019 N$ '000	Company 2020 N$ '000	Company 2019 N$ '000
Sales to related parties				
Namibia Post Limited	4,374	3,233	4,374	3,233
Mobile Telecommunications Limited	77,298	61,535	38,831	47,358
Namibia Post and Telecom Holdings Limited	480	480	480	480
Powercom (Pty) Ltd	-	-	115	112
Purchases from related parties				
Namibia Post Limited	7,597	7,049	7,597	7,049
Mobile Telecommunications Ltd	34,340	32,551	34,340	32,551
Namibia Post and Telecom Holdings Ltd	139,014	119,479	139,014	119,479
Neotel (Pty) Ltd	1,489	1,562	1,489	1,562
Powercom (Pty) Ltd	-	-	32,358	28,044

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

	Group		Company	
	2020	2019	2020	2019
	N$ '000	N$ '000	N$ '000	N$ '000
15. RELATED PARTIES (continued)				
Related party balances				
Loan accounts - Owing (to) by related parties				
Powercom (Pty) Ltd	-	-	150,000	150,000
Amounts included in Trade Receivable regarding related parties				
Namibia Post Limited	976	357	976	357
Mobile Telecommunications Limited	4,778	6,936	4,778	6,936
Powercom (Pty) Ltd **(note 8)**	-	-	16,007	15,968
	5,754	**7,293**	**21,761**	**23,261**
Amounts included in Trade Payable regarding related parties				
Namibia Post Limited	1,608	804	1,608	804
Mobile Telecommunications Limited	3,810	7,926	3,810	7,926
Powercom (Pty) Ltd (**note 8**)	-	-	35,703	11,553
	5,418	**8,730**	**41,121**	**20,283**
Cash and cash equivalents				
Namibia Post Limited	23,291	7,201	23,291	6,958
Namibia Post Limited - Other Financial Assets at amortised cost	-	10,000	-	-
	23,291	**17,201**	**23,291**	**6,958**
Amounts owing by holding company				
Namibia Post and Telecom Holdings Ltd	763	6,049	763	6,049
Compensation to directors and other key management				
Short-term employee benefits	11,679	13,827	10,265	12,413
Long-term benefits - incentive scheme	153	5,248	156	5,248
	11,832	**19,075**	**10,421**	**17,661**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

	Group		Company	
	2020	2019	2020	2019
	N$ '000	N$ '000	N$ '000	N$ '000
Directors Remuneration				
Fees for service				
Served until 31 May 2020				
IE Simeon-Kurtz	471	713	257	582
D Muruko	224	468	224	468
P Oberholster	411	481	278	437
FP Somaeb - Chairperson (re-appointed 08 July 2020)	336	509	336	446
WG Titus	181	154	181	154
WM Van der Vyver (re-appointed 17 July 2020)	256	158	-	-
Effective 08 July 2020				
J Muadinohamba	209	151	101	-
S Ndeunyema	103	-	103	-
F Kishi	89	-	89	-
E Asino-Joseph	96	-	96	-
Effective 17 July 2020				
EC Harmse	52	-	-	-
MNS Shiimi	38	-	-	-
NNN Shilongo	29	-	-	-
	2,495	**2,634**	**1,665**	**2,087**
Directors Emoluments - Summary				
Directors Fees	2,495	2,634	1,665	2,087
Other Directors expenses	271	125	271	125
	2,766	**2,759**	**1,936**	**2,212**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

	Group		Company	
	2020	2019	2020	2019
	N$ '000	N$ '000	N$ '000	N$ '000

16. CASH AND CASH EQUIVALENTS

Bank balances	91,477	55,406	61,335	34,070
Cash on hand	4,583	4,463	4,583	4,461
	96,060	**59,869**	**65,918**	**38,531**
Cash and cash equivalents for the purposes of the Statements of Cash Flows include the following:				
Cash and cash equivalents	96,060	59,869	65,918	38,531

Telecom Namibia has an Angolan bank account with a balance of USD132 216 (N$2 254 282) at year-end. The balance on this bank account was USD132 510 (N$2 012 493) at the end of the 2019 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.

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

The credit quality of cash at bank and short-term deposits, excluding cash on hand, that are neither past due nor impaired can be assessed by reference to external credit ratings from GCR ratings or historical information about counterparty default rates:

Credit rating				
AA	91,477	55,406	61,335	34,070

Exposure to currency risk

Refer to **note 37** Financial instruments and financial risk management for details of currency risk management for cash and cash equivalents.

17. NON-CURRENT ASSETS HELD FOR SALE

Assets and liabilities

The Group had made a formal decision to dispose of its 44% shareholding in an associate, Mundo Startel, in the 2011 financial year. During the 2014 financial year, the Group and Company received a payment of N$5.1 million in respect of the purchase price agreed and decided to impair the remaining N$16.9 million because of the uncertainty surrounding the ability of the acquirer to settle the amount and the difficulty encountered in enforcing 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 the reporting date, the company had only invested USD15 million. The remaining amount is thus disclosed as a contingent liability in **note 34**

CDMA equipment

The Group entered into a USD8 million agreement with the 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 (2019: N$2.1 million) was recognized on these assets. The agreement with ZTE expired on 31 January 2019.

Reconciliation of movement				
Opening balance	-	23,729	-	23,729
Impairment	-	(23,729)	-	(23,729)
	-	**-**	**-**	**-**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

	Group		Company	
	2020	2019	2020	2019
	N$ '000	N$ '000	N$ '000	N$ '000

18. SHARE CAPITAL

	Group 2020 N$ '000	Group 2019 N$ '000	Company 2020 N$ '000	Company 2019 N$ '000
Authorised				
200 000 000 ordinary shares of par value 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.

19. RETIREMENT BENEFITS

The Group provides post-employment benefits by way of a medical aid scheme to all employees who joined the Group prior to 1 April 2007. For the 2020 financial year, the total medical aid contributions by the company were N$54 million (2019: N$46 million) and employee contributions were N$8 million (2019: N$23 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$54 million (2019: N$56 million). The effective date of valuation of the liability is 30 September 2020 and the next date of valuation is 30 September 2021. 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.

Key assumptions used

The principal actuarial assumptions used for accounting purposes were:

	Group 2020	Group 2019	Company 2020	Company 2019
Real rate of return	3.51%	2.48%	3.51%	2.48%
Discount rates used	12.66%	10.21%	12.66%	10.21%
Healthcare cost inflation	8.84%	7.54%	8.84%	7.54%
Expected average retirement age (yrs.)	58	58	58	58
Normal retirement age (yrs.)	60	60	60	60

	Group 2020	Group 2019	Company 2020	Company 2019
Carrying value				
Opening balance	56,501	57,460	56,501	57,460
Current service cost	325	384	325	384
Interest cost	5,615	5,645	5,615	5,645
Subsidies paid	(3,814)	(3,487)	(3,814)	(3,487)
Actuarial gain	(4,673)	(3,501)	(4,673)	(3,501)
Closing balance	**53,954**	**56,501**	**53,954**	**56,501**
Present value of unfunded liability	**53,954**	**56,501**	**53,954**	**56,501**
Reflected as follows:				
Current liabilities	-	-	-	-
Non-current liabilities	53,954	56,501	53,954	56,501
	53,954	**56,501**	**53,954**	**56,501**

	Group 2020	Group 2019	Company 2020	Company 2019
The amounts recognised in profit or loss are as follows:				
Current service cost	325	384	325	384
Interest cost	5,615	5,645	5,615	5,645
Subsidies paid	(3,814)	(3,487)	(3,814)	(3,487)
	2,126	**2,542**	**2,126**	**2,542**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

	Group		Company	
	2020	2019	2020	2019
	N$ '000	N$ '000	N$ '000	N$ '000

19. RETIREMENT BENEFITS (continued)

	Group 2020 N$ '000	Group 2019 N$ '000	Company 2020 N$ '000	Company 2019 N$ '000
The amounts recognised in other comprehensive income are as follows:				
Actuarial gain - economic variables	(5,806)	(3,259)	(5,806)	(3,259)
Actuarial gain - demographic assumptions	1,133	(242)	1,133	(242)
	(4,673)	**(3,501)**	**(4,673)**	**(3,501)**
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	46	44	46	44
Average age (years)	50	49	50	49
Number of pensioners	208	44	208	205
Average age (years)	63	49	63	63
The effect of a 1% movement in the assumed medical cost inflation rate on the aggregate of the current service cost and interest cost would be as follows:				
Increase to	7,636	6,681	7,636	6,681
Decrease to	6,220	5,316	6,220	5,316
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	59,554	63,070	59,554	63,070
Decrease to	49,145	50,936	49,145	50,936

20. BORROWINGS

	Group 2020 N$ '000	Group 2019 N$ '000	Company 2020 N$ '000	Company 2019 N$ '000
Held at amortised cost **Secured** **Finance lease liability** Telecom Namibia entered into a finance sale and leaseback agreement with Channel Capital in October 2014 for an amount of N$64 million over a five-year lease period. The lease was repayable in monthly instalments of N$1.8 million at a monthly interest rate of 1.9%. The Group secured assets with a carrying amount of N$20.2 million in the prior year as part of the lease agreement. The assets were bought back in the current year at a price of N$3.2 million and there are no further obligations to the group.	-	1,776	-	1,776
Unsecured **Development Bank of Namibia** Telecom Namibia received a loan amounting to N$120 million from the Development Bank of Namibia in December 2009. The loan 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 (2019: 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 (2019: nil) has been pledged as security for the loan **(note 4).**	30,000	55,000	30,000	55,000
	30,000	**56,776**	**30,000**	**56,776**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

	Group		Company	
	2020	2019	2020	2019
	N$ '000	N$ '000	N$ '000	N$ '000

20. BORROWINGS (continued)

	Group 2020 N$ '000	Group 2019 N$ '000	Company 2020 N$ '000	Company 2019 N$ '000
Split between non-current and current portions				
Non-current liabilities	-	30,000	-	30,000
Current liabilities	30,000	26,776	30,000	26,776
	30,000	**56,776**	**30,000**	**56,776**
Maturity of borrowings				
No later than 1 year	30,000	26,776	30,000	26,776
Later than 1 year and not later than 5 years	-	30,000	-	30,000
	30,000	**56,776**	**30,000**	**56,776**
Details of current borrowings				
Current portion of interest-bearing borrowings	30,000	26,776	30,000	26,776
Finance lease liability				
No later than 1 year	-	1,810	-	1,810
Total	-	1,810	-	1,810
Less: future finance charges	-	(34)	-	(34)
Present value of lease payments	**-**	**1,776**	**-**	**1,776**

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
- WesBank Long Term of N$10,000,000
- First Card of N$600,000
- Fleet Card of N$2,500,000
- Settlement Line of N$1,020,000
- Other Products (Pre-Settlement) of N$10,000,000

Standard Bank Namibia Limited

- Overdraft facility of N$40,000,000. Interest is charged at prime less 1%
- FEC facility of N$90,000,000
- Guarantees by Bank of N$14,030,511
- FEC PFE N$26,048,000
- The above-mentioned facilities were satisfactorily reviewed in September 2020 and extended. The next review will be on 30 September 2021

Reconciliation of liabilities arising from financing activities:

Consolidated

Year ended 30 September 2020	Opening balance	Cash flow: Capital	Interest accruals	Interest payments	Closing balances
	N$ '000	N$ '000	N$ '000	N$ '000	N$ '000
Long term loans	55,000	(25,000)	2,635	(2,635)	30,000
Lease liabilities	1,776	(1,776)	34	(34)	-
	56,776	**(26,776)**	**2,669**	**(2,669)**	**30,000**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

	Group		Company	
	2020	2019	2020	2019
	N$ '000	N$ '000	N$ '000	N$ '000

20. BORROWINGS (continued)

Year ended 30 September 2019	Opening balance	Cash flow: Capital	Interest accruals	Interest payments	Closing balances
	N$ '000	N$ '000	N$ '000	N$ '000	N$ '000
Long term loans	74,983	(19,983)	4,991	(4,991)	55,000
Lease liabilities	20,651	(18,875)	2,840	(2,840)	1,776
	95,634	**(38,858)**	**7,831**	**(7,831)**	**56,776**

Company

Year ended 30 September 2020	Opening balance	Cash flow: Capital	Interest accruals	Interest payments	Closing balances
	N$ '000	N$ '000	N$ '000	N$ '000	N$ '000
Long term loans	55,000	(25,000)	2,635	(2,635)	30,000
Lease liabilities	1,776	(1,776)	34	(34)	-
	56,776	**(26,776)**	**2,669**	**(2,669)**	**30,000**

Year ended 30 September 2019	Opening balance	Cash flow: Capital	Interest accruals	Interest payments	Closing balances
	N$ '000	N$ '000	N$ '000	N$ '000	N$ '000
Long term loans	74,983	(19,983)	4,974	(4,974)	55,000
Lease liabilities	20,651	(18,875)	2,840	(2,840)	1,776
	95,634	**(38,858)**	**7,814**	**(7,814)**	**56,776**

21. DEFERRED TAX

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

	Group 2020	Group 2019	Company 2020	Company 2019
Deferred tax liability	(170,138)	(200,220)	(155,334)	(184,969)
Deferred tax asset	78,899	58,593	-	-
Total net deferred tax liability	**(91,239)**	**(141,627)**	**(155,334)**	**(184,969)**

Reconciliation of deferred tax asset / (liability)

	Group 2020	Group 2019	Company 2020	Company 2019
At beginning of year	(141,627)	(196,503)	(184,969)	(217,587)
Current year movement timing differences in profit or loss	51,883	55,996	31,130	33,738
Charged to other comprehensive income	(1,495)	(1,120)	(1,495)	(1,120)
	(91,239)	**(141,627)**	**(155,334)**	**(184,969)**

Deferred tax liability

	Group 2020	Group 2019	Company 2020	Company 2019
Capital allowances	(360,261)	(380,039)	(345,457)	(364,788)
Prepayments	(4,554)	(3,566)	(4,554)	(3,566)
Provisions	122,364	105,103	122,364	105,103
Stock consumption	3,383	4,679	3,383	4,679
Advance income	62,211	66,294	62,211	66,294
Tax loss	-	6,741	-	6,741
Finance lease liability	227,765	568	227,765	568
Right-of-use assets	(221,043)	-	(221,043)	-
Derivatives	(3)	-	(3)	-
Total deferred tax liability	**(170,138)**	**(200,220)**	**(155,334)**	**(184,969)**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

	Group		Company	
	2020	2019	2020	2019
	N$ '000	N$ '000	N$ '000	N$ '000

21. DEFERRED TAX (continued)

Deferred tax asset				
Capital allowances	(30,390)	(21,523)	-	-
Prepayments	(12)	(8)	-	-
Provisions	306	189	-	-
Operating lease straight line	(9,791)	(471)	-	-
Unused tax losses	118,786	80,406	-	-
Deferred tax balance from temporary differences other than unused tax losses	78,899	58,593	-	-
Total deferred tax asset	**78,899**	**58,593**	**-**	**-**

22. TRADE AND OTHER PAYABLES

Financial instruments:				
Trade payables	263,392	271,139	260,738	269,763
Accrued leave pay	56,758	47,883	56,758	47,883
Accrued bonus	6,586	2,095	6,586	2,095
Levies payable to Communications Regulatory Authority of Namibia	155,777	155,559	155,777	155,559
Severance pay	877	962	877	962
Other payables	3,445	115	-	-
	486,835	**477,753**	**480,736**	**476,262**

Non-financial instruments:				
Amounts received in advance	2,824	3,200	-	-
VAT	6,662	6,785	5,988	6,084
	496,321	**487,738**	**486,724**	**482,346**

23. FINANCIAL LIABILITIES AT FAIR VALUE

23.1. Preference Shares

On 16 June 2016, forty million redeemable cumulative preference shares of N$10 each, with cumulative preference dividends 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.

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 subscribing 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 shares on a one-for-one basis (fixed number of shares of 400)

Based on the assessment above, the amended contract resulted in the principal portion being classified as a financial liability as Telecom Namibia no longer has an unconditional right to avoid the cash settlement.

Unless NPTH elects to convert their preference shares into ordinary shares, there is an obligation to settle in cash either by Telecom Namibia electing to redeem or by the payment of dividends into perpetuity.

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

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

	Group		Company	
	2020	2019	2020	2019
	N$ '000	N$ '000	N$ '000	N$ '000

23. FINANCIAL LIABILITIES AT FAIR VALUE (continued)

	Group 2020	Group 2019	Company 2020	Company 2019
400 000 redeemable Preference shares of N$1 000 000 each	400,000	400,000	400,000	400,000

23.2. Other financial liability

	Group 2020	Group 2019	Company 2020	Company 2019
At fair value through profit (loss)				
Preference shares	45,025	75,803	45,025	75,803

Split between non-current and current portions

	Group 2020	Group 2019	Company 2020	Company 2019
Non-current liabilities	45,025	75,803	45,025	75,803

Reconciled as follows:

	Group 2020	Group 2019	Company 2020	Company 2019
Opening balance	75,803	122,998	75,803	122,998
Movement				
Less: Dividend paid	-	(10,284)	-	(10,284)
Less: Fair value adjustment	(30,778)	(36,911)	(30,778)	(36,911)
Closing balance	**45,025**	**75,803**	**45,025**	**75,803**

In the current financial year, the Company reported a comprehensive profit of N$10.8 million (2019: N$24.2 million). The valuation of the financial liability is based on the profit before the preference share valuation. There was no short-term liability recognised for the 2020 financial year due to the fact the company reported a loss of N$32 million (2019: N$97 million) before the preference share adjustment of N$30 million (2019: N$36 million). The valuation of the liability was revised in the current year by discounting future cash flows using market interest rates. Details of management judgement are disclosed in **note 1**.

24. OTHER FINANCIAL ASSETS

	Group 2020	Group 2019	Company 2020	Company 2019
Investment at Amortised cost				
Namibia Post Limited Investment	-	10,000	-	-

Terms and conditions

The investment was for a period of 1 year and matured on March 2020. Interest of 7.7% was accrued in the prior year.

The Group has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

25. DEFERRED INCOME

	Group 2020	Group 2019	Company 2020	Company 2019
Directorate of Civil Aviation (DCA)	-	974	-	974
Ministry of Home Affairs and Immigration	-	334	-	334
Ministry of Trade and Industry	-	1,369	-	1,369
Ministry of Works and Transport	-	7,021	-	7,021
Unik Construction	-	745	-	745
Botswana Fibre Networks (Bofinet)	32,977	43,125	32,977	43,125
Mobile Telecommunications Ltd (MTC)	323	582	323	582
Bharti Airtel	28,864	33,304	28,864	33,304
Mobile Telecommunications Limited (MTC)	12,000	13,800	12,000	13,800
West Indian Ocean Cable Company (WIOCC)	8,970	10,140	8,970	10,140
Advanced rental	70,622	69,773	70,622	69,773
Unused airtime	8,226	5,556	8,226	5,556
Deferred revenue - IFRS 15	492	-	492	-
Students advanced revenue	20,623	-	20,623	-
	183,097	**186,723**	**183,097**	**186,723**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

	Group		Company	
	2020	2019	2020	2019
	N$ '000	N$ '000	N$ '000	N$ '000

25. DEFERRED INCOME (continued)

Reflected as follows:				
Non-current liabilities	66,068	81,877	66,068	81,877
Current liabilities	117,029	104,846	117,029	104,846
	183,097	**186,723**	**183,097**	**186,723**

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 fibre optic 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. In the 2020 financial year, the prepayment was released to profit and loss as the services were rendered in full. The balance at year-end was N$0 (2019: N$0.97 million).

Telecom Namibia received N$8.7 million in the previous financial year from the various ministries for projects. The funds received were applied against invoices billed by Telecom Namibia when the services were rendered to the respective ministry.

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 USD8 314 916. A deposit of USD1 164 088 was paid in advance on 1 January 2014 and the remainder of the contract amount is payable in monthly instalments of USD305 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$33 million at the end of September 2020 (2019: N$43 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 2020 for payment received in advance but services not yet rendered was N$12 million (2019: N$13.8 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 USD5 666.67 for the period of ten years. The balance at the end of September 2020 for payment received in advance but services not yet rendered was N$28.9 million (2019: N$33.3 million).

Telecom Namibia entered into an agreement with the West Indian Ocean Cable Company to provide WACS Wet Capacity based on the Indefeasible Right of Use to provide connectivity as of June 2018. A ten-year agreement was signed on 17 April 2018 between the parties. The contract amount of USD850 000 was received in June 2018. The balance at the end of September 2020 for payment received but services not yet rendered was N$8.9 million (2019: N$10.1 million).

Deferred revenue of N$0.5 million was recognised in the current financial year in respect of the prepaid Speedlink contract sold to customers for a period of 12 months. The prepayment is released to profit and loss on a monthly basis when the performance obligations are met in-line with IFRS 15.

The students advanced revenue amount of N$20 million relates to upfront payments received for student devices. Included in the current year balance is an amount of N$19 million received from the Namibia Students Financial Assistance Fund (NSFAF) for student devices.

Revenue recognised in relation to deferred revenue				
Revenue included therein at the beginning of the period	103,590	128,344	103,590	128,334

26. UNEARNED INTEREST: MOBILE DEVICES

Opening Balance	1,959	-	1,959	-
Effect of cumulative effect method on adoption of IFRS 15	-	1,425	-	1,425
Net renewals, activations and terminations during the year	(627)	700	(627)	700
Interest expense recognised during the year	(201)	(166)	(201)	(166)
Closing balance	**1,131**	**1,959**	**1,131**	**1,959**

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

	Group		Company	
	2020	2019	2020	2019
	N$ '000	N$ '000	N$ '000	N$ '000

26. UNEARNED INTEREST: MOBILE DEVICES (continued)

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.

27. OPERATING LEASE ASSET (ACCRUAL)

The balance of N$1.47 million relates to the operating lease liability recognised for the straight-lining of the operating leases in terms of IAS 17.

28. OPERATING PROFIT (LOSS)

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

	Group 2020	Group 2019	Company 2020	Company 2019
Auditor's remuneration - external				
Audit fees	3,854	3,644	3,507	3,328
Employee costs				
Salaries, wages, bonuses and other benefits	478,825	469,630	470,268	462,148
Social Security	1,126	1,130	1,087	1,097
Medical Aid	54,312	45,299	53,306	44,401
Pension Fund	57,143	50,371	55,850	49,186
Total employee costs	**591,406**	**566,430**	**580,511**	**556,832**
Depreciation and amortisation				
Depreciation of property, plant and equipment	200,182	204,434	192,825	197,555
Depreciation of right-of-use assets	76,918	-	72,233	-
Amortisation of intangible assets	16,499	16,940	15,043	15,548
Total depreciation and amortisation	**293,599**	**221,374**	**280,101**	**213,103**
Other				
Changes in inventories of finished goods	128,317	123,310	128,317	123,310
Loss on scrapping of property, plant and equipment and intangible assets	784	1,696	772	1,691
Loss on impairment of non-current assets held for sale	-	23,729	-	23,729
Staff costs	591,406	566,430	580,511	556,832
Advertising and promotions	591,407	34,311	17,716	34,311
International settlements	95,404	86,069	95,404	86,069
Operating lease expenses				
- Lease expenses-Vehicles	1,783	21,412	1,783	21,412
- Lease expenses-Office machines	283	5,120	283	5,120
- Lease expenses-Tower rental related party	26,603	16,714	54,740	45,430
Building rentals: related party	-	62,142	-	62,142
Building rentals	2,958	11,487	2,412	2,723
Repairs and maintenance	46,216	73,356	45,431	73,355
Fees for service	13,430	12,354	12,509	11,252
Post-retirement benefits recognised in profit or loss	2,126	2,542	2,126	2,542
Provision for obsolete stock	616	9,363	616	9,363
Foreign exchange loss/(gains)				
Net realised foreign exchange gain	(77,592)	(30,346)	(77,592)	(30,346)
Net realised foreign exchange loss	86,712	33,593	86,712	33,593
Net unrealised foreign exchange gain	(85,979)	(20,266)	(85,979)	(20,266)
Net unrealised foreign exchange loss	84,515	21,788	84,515	21,788

The decrease in the operating lease expenses in the current year is attributed to the implementation of IFRS 16. Refer to **note 39** for the impact of the change in accounting policy as at 01 October 2019.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

	Group		Company	
	2020	2019	2020	2019
	N$ '000	N$ '000	N$ '000	N$ '000

29. FINANCE INCOME AND COSTS

Interest income
Investments in financial assets:

Bank and other cash	2,390	1,970	891	252
Finance lease receivables	1,737	5,788	1,737	5,788
Interest on customer balances	-	166	-	166
Total interest income	**4,127**	**7,924**	**2,628**	**6,206**

Investment income on financial instruments which are available for sale or held to maturity are only presented for comparative purposes for financial instruments held in the prior reporting period, but which were disposed of prior to the beginning current reporting period, which is the date of adoption of IFRS 9 Financial Instruments. Investment income on all other financial assets has been reclassified in compliance with IFRS 9.

Interest paid				
Lease liabilities	59,219	2,840	56,256	2,840
Bank overdraft	-	2	-	-
Current borrowings	2,874	5,678	2,874	5,678
Other interest expense	152	93	152	93
Post-retirement benefit liability	5,615	5,645	5,615	5,645
Other interest paid	-	16	-	-
Total finance costs	**67,860**	**14,274**	**64,897**	**14,256**
Less: Non-cash interest cost of post-retirement liability	(5,615)	(5,645)	(5,615)	(5,645)
Total finance costs expensed	**62,245**	**8,629**	**59,282**	**8,611**

Interest expense of N$45 million was recognised in the current year in respect of lease liabilities due to the implementation of IFRS 16. Refer to **note 40** for the impact of the change in accounting policy as at 01 October 2019.

30. TAXATION

Major components of the tax (income) expense

Current				
Current tax	21,241	-	21,241	-
Deferred				
Deferred tax expense	(51,881)	(55,996)	(31,130)	(33,738)
	(30,640)	**(55,996)**	**(9,889)**	**(33,738)**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

	Group		Company	
	2020	2019	2020	2019
	N$ '000	N$ '000	N$ '000	N$ '000

30. TAXATION (continued)

Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

	Group 2020 N$ '000	Group 2019 N$ '000	Company 2020 N$ '000	Company 2019 N$ '000
Accounting loss	15,638	(43,255)	(2,184)	(60,350)
Tax at the applicable tax rate of 32% (2019: 32%)	5,004	(13,842)	(699)	(19,312)
Tax effect of adjustments on taxable income				
Income/(expenses not deductible)	(18,389)	(12,292)	(9,211)	(12,834)
Tax loss utilised	(38,381)	(12,914)	-	-
Deferred tax recognised through equity	-	(1,592)	-	(1,592)
Deferred tax asset not previously recognised	21,105	(15,356)	-	-
Opening balance adjustment	21	-	21	-
	(30,640)	**(55,996)**	**(9,889)**	**(33,738)**

Taxation

Included in other comprehensive income is deferred tax related to:

	Group 2020 N$ '000	Group 2019 N$ '000	Company 2020 N$ '000	Company 2019 N$ '000
Remeasurement of defined benefit obligation	1,495	1,120	1,495	1,120
Estimated tax losses:				
Utilised total tax losses	748,978	1,006,441	-	21,064
Utilised to offset deferred tax assets	(47,121)	(229,319)	-	-
Utilised to offset deferred tax liabilities	-	(21,064)	-	(21,064)
	701,857	**756,058**	**-**	**-**

31. REGULATORY LEVIES

Communications Regulatory Authority of Namibia

	Group 2020 N$ '000	Group 2019 N$ '000	Company 2020 N$ '000	Company 2019 N$ '000
License levy	(22,516)	(47,140)	(22,280)	(47,044)
Number range levy	22,062	(28,687)	22,062	(28,687)
	(454)	**(75,827)**	**(218)**	**(75,731)**

The decrease in the license levy is due to the fact that in the prior year, an additional accrual of N$32 million was raised as management revised the estimate and increased the provision from 1% to 1.5% of revenue from 2016 and earlier periods. The current year license levy was accrued for at 1.5% of total revenue.

An accrual was raised in the prior year of N$28 million in respect of numbering invoices from the regulator. A settlement agreement was reached in the current financial year for invoices from 2018 and 2019 and an amount of N$6.6 million is due to the regulator.

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

32. REVENUE

Revenue from contracts with customers

	Group 2020 N$ '000	Group 2019 N$ '000	Company 2020 N$ '000	Company 2019 N$ '000
Sale of goods	40,304	49,365	40,304	49,365
Rendering of services	1,470,414	1,523,828	1,447,026	1,504,336
Miscellaneous other revenue	1,053	682	-	-
	1,511,771	**1,573,875**	**1,487,330**	**1,553,701**

Disaggregation of revenue from contracts with customers

Refer to **note 3** for the disaggregation of revenue from customers.

	Group 2020 N$ '000	Group 2019 N$ '000	Company 2020 N$ '000	Company 2019 N$ '000
Total revenue from contracts with customers	**1,511,771**	**1,573,875**	**1,487,330**	**1,553,701**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

	Group		Company	
	2020	2019	2020	2019
	N$ '000	N$ '000	N$ '000	N$ '000

32. REVENUE (continued)

Timing of revenue recognition

	Group 2020 N$ '000	Group 2019 N$ '000	Company 2020 N$ '000	Company 2019 N$ '000
At a point in time				
Sale of goods	40,304	49,365	40,304	49,365
Miscellaneous other revenue	1,053	682	-	-
	41,357	**50,047**	**40,304**	**49,365**
Over time				
Rendering of services	1,470,414	1,523,828	1,447,026	1,504,336
Total revenue from contracts with customers	**1,511,771**	**1,573,875**	**1,487,330**	**1,553,701**

33. CURRENT TAX PAYABLE

	Group 2020 N$ '000	Group 2019 N$ '000	Company 2020 N$ '000	Company 2019 N$ '000
Current tax for the year recognised in profit or loss	(21,241)	-	(21,241)	-
Balance at end of the year	21,241	-	21,241	-
	-	**-**	**-**	**-**

34. COMMITMENTS

Authorised capital expenditure

	Group 2020 N$ '000	Group 2019 N$ '000	Company 2020 N$ '000	Company 2019 N$ '000
Already contracted for but not provided for				
• Property, plant and equipment	56,768	73,712	56,768	73,712

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

Operating leases – as lessee (expense) (IAS 17)

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

	Group 2020 N$ '000	Group 2019 N$ '000	Company 2020 N$ '000	Company 2019 N$ '000
No later than one year				
- Vehicles	-	52,767	-	52,767
- Office machines	-	3,459	-	3,459
- Tower rentals	-	17,662	-	43,930
- Buildings - related party	-	66,108	-	66,108
	-	**139,996**	**-**	**166,264**
Later than one year, but not later than 5 years				
- Vehicles	-	55,839	-	55,839
- Office machines	-	7,991	-	7,991
- Tower rentals	-	90,167	-	244,385
- Buildings - related party	-	337,490	-	337,490
	-	**491,487**	**-**	**645,705**
Minimum lease payments summary				
- within one year	-	139,996	-	166,264
- in second to fifth year inclusive	-	491,487	-	645,705
	-	**631,483**	**-**	**811,969**

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.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

	Group		Company	
	2020	2019	2020	2019
	N$ '000	N$ '000	N$ '000	N$ '000

34. COMMITMENTS (continued)

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.

35. 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 2020, a total of 1 001 (2019: 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 (2019: N$870 319).

Contributions to the pension fund:				
Company	57,143	49,960	55,850	49,186
Employees	4,222	10,421	4,222	10,416
	61,365	**60,381**	**60,072**	**59,602**

36. CONTINGENCIES

Communications Regulatory Authority of Namibia	12,864	35,297	12,864	35,297
Legal Claims	15,108	10,270	15,108	10,270
Mundo Startel	657,613	575,700	657,613	575,700
	685,585	**621,267**	**685,585**	**621,267**

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. 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.

For the 2019, 2018 and 2017 financial years, significant judgement was used by management to determine the basis for calculating the levy at 1% of only 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 decrease in the contingent liability is due to the fact that the prior year amount included N$23 million for the numbering invoices in respect of which a settlement agreement of N$6.9 million was reached in the current financial year.

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. The amount for the contingent liability has been translated using the ruling rate as at 30 September 2020.

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 the wrong trailers (C band satellite trailers) and Telecom Namibia spent 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. The 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 remaining N$5.6 million which Canocopy is alleging was a shortfall on the contract.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

	Group		Company	
	2020	2019	2020	2019
	N$ '000	N$ '000	N$ '000	N$ '000

37. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group's management acknowledges the impacts 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.

Categories of financial instruments

Categories of financial assets

Group - 2020

	Note(s)	Amortised cost	Leases	Total
Finance lease receivables	11	-	9,930	9,930
Trade and other receivables	13	251,827	-	251,827
Cash and cash equivalents	16	96,060	-	96,060
Amounts owing by fellow subsidiaries	15	5,754	-	5,754
Amounts owing by holding company	15	763	-	763
		354,404	**9,930**	**364,334**

Group - 2019

	Note(s)	Amortised cost	Leases	Total
Loans to shareholders		-	-	-
Finance lease receivables	11	-	12,011	12,011
Trade and other receivables	13	260,610	-	260,610
Cash and cash equivalents	16	59,869	-	59,869
Amounts owing by fellow subsidiaries	15	7,293	-	7,293
Amounts owing by holding company	15	6,049	-	6,049
Other financial assets	24	10,000	-	10,000
		343,821	**12,011**	**355,832**

Company - 2020

	Note(s)	Amortised cost	Leases	Total
Loans to subsidiaries	8	150,000	-	150,000
Finance lease receivables	11	-	9,930	9,930
Trade and other receivables	13	250,560	-	250,560
Cash and cash equivalents	16	65,918	-	65,918
Amounts owing by fellow subsidiaries	15	21,761	-	21,761
Amounts owing by holding company	15	763	-	763
		489,002	**9,930**	**498,932**

Company - 2019

	Note(s)	Amortised cost	Leases	Total
Loans to subsidiaries	8	150,000	-	150,000
Finance lease receivables	11	-	12,011	12,011
Trade and other receivables	13	259,612	-	259,612
Cash and cash equivalents	16	38,531	-	38,531
Amounts owing by fellow subsidiaries	15	23,261	-	23,261
Amounts owing by holding company	15	6,049	-	6,049
		477,453	**12,011**	**489,464**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

	Group		Company	
	2020	2019	2020	2019
	N$ '000	N$ '000	N$ '000	N$ '000

37. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Categories of financial liabilities

Group - 2020

	Note(s)	Fair value through profit or loss - Designated	Amortised cost	Leases	Total
Trade and other payables	22	-	263,392	-	263,392
Borrowings	20	-	30,000	-	30,000
Finance lease obligations	6	-	-	746,095	746,095
Other financial liabilities at fair value	23	45,025	-	-	45,025
Amounts owing to fellow subsidiaries	15	-	5,418	-	5,418
		45,025	298,810	746,095	1,089,930

Group - 2019

	Note(s)	Fair value through profit or loss - Designated	Amortised cost	Leases	Total
Trade and other payables	22	-	271,139	-	271,139
Borrowings	20	-	55,000	1,776	56,776
Other financial liabilities at fair value	23	75,803	-	-	75,803
Amounts owing to fellow subsidiaries	15	-	8,730	-	8,730
		75,803	334,869	1,776	412,448

Company - 2020

	Note(s)	Fair value through profit or loss - Designated	Amortised cost	Leases	Total
Trade and other payables	22	-	260,738	-	260,738
Short-term portion of long-term liabilities	20	-	30,000	-	30,000
Finance lease obligations	6	-	-	711,767	711,767
Other financial liabilities at fair value	23	45,025	-	-	45,025
Amount owing to fellow subsidiaries	15	-	41,121	-	41,121
		45,025	331,859	711,767	1,088,651

Company - 2019

	Note(s)	Fair value through profit or loss - Designated	Amortised cost	Leases	Total
Trade and other payables	22	-	269,763	-	269,763
Borrowings	20	-	55,000	1,776	56,776
Other financial liabilities at fair value	23	75,803	-	-	75,803
Amounts owing to fellow subsidiaries	15	-	20,283	-	20,283
		75,803	345,046	1,776	422,625

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

	Group		Company	
	2020	2019	2020	2019
	N$ '000	N$ '000	N$ '000	N$ '000

37. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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.

Credit risk management

Financial assets of the Group that are susceptible to credit risk comprise bank and cash balances, an investment held to maturity, financial assets held at fair value through profit or loss, loans and receivables and available-for-sale assets (other than equity investments). This risk arises from the likelihood of default by counterparties with whom the Group has entrusted custody of its financial asset(s). Where this default happens, the Group's loss would be limited to the fair value of the financial asset lost through such default.

The Group's exposure to credit risk is mainly influenced by each type of customer's creditworthiness. Management seeks to reduce the risk of irrecoverable debt through a comprehensive customer credit appraisal and independent credit checks at the time of application for post-paid services by all customers.

The Group has introduced a variety of prepaid products to cater for those customers to whom credit cannot be extended due to their adverse credit ratings. This ensures that products and services are still provided to these customers on a cash basis, thus reducing the concomitant credit risk arising from extension of credit to these customers.

Telecom Namibia guarantees a predetermined portion of employees' housing loans obtained under the Group Housing Scheme. Such guarantees are extended on the basis of employees' respective job grades and level of remuneration. In return, employees benefiting from such guarantees undertake to cede an equivalent portion of their pensions, which in turn can be applied by Telecom Namibia to settle any obligation arising from a default by the beneficiary employee under this arrangement. Given the underlying security against which any financial losses on such guarantees may be applied, the Group does not make any provision in respect of these contingencies.

There has been no significant change during the financial year, or since the end of the financial year, to the group's exposure to credit risk, the approach to the measurement or the objectives, policies and processes for managing this risk.

Expected credit losses

The Group 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 assets
- Cash and cash equivalents
- Leases receivable

Based on the nature of business and historical evidence, a default point was set at 90 Days Past Due ("DPD"). If an account has a non-zero positive balance due over 90 days, it is tagged as default in that month.

Included in the Trade and other receivables provision matrix are amounts receivable from related parties **(note 15)** to which the group has applied the general impairment model. The group has considered the financial performance, external debt and future cash flows of the related parties and concluded that the credit risk relating to these receivables is limited and consequently the probability of default relating to these balances is low.

Application of the ECL model had an immaterial impact on all financial assets except for contract assets and trade receivables.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

	Group		Company	
	2020	2019	2020	2019
	N$ '000	N$ '000	N$ '000	N$ '000

37. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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 expected judgement overrides as deemed necessary by the business. ECLs are calculated by applying a loss ratio to the aged balance of trade receivables at each reporting date. The loss ratio is calculated according to the ageing/payment profile of sales by applying historic/proxy write-offs to the payment profile of the sales population. In instances where there was no evidence of historical write-offs, management used a proxy write-off. Trade receivable balances have been grouped so that the ECL calculation is performed on groups of receivables with similar risk characteristics and ability to pay.

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

Telecom used 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 estimates. 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.

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 x LGD x 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.

The loss allowance and the maximum exposure as at 30 September 2020 for trade receivables to which the provision matrix has been applied is disclosed in **note 13** for the trade receivables, **note 14** for contract assets and **note 11** for finance lease receivables.

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$280 million (2019: N$218 million) and the Company reflected net current liabilities of N$218 million (2019: N$241 million).

The Group has unused short-term borrowing facilities with local financial institutions amounting to N$100 million (2019: N$100 million). The Company has unused short-term borrowing facilities with local financial institutions amounting to N$80 million (2019: N$80 million).

In line with strategic objectives, the Group aims to achieve an EBITDA margin of 30% plus by 2021. The focus for the 2021 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 2021.

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'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 N$628 196 298 of its acquired shareholder loan (2019: 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 CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

	Group		Company	
	2020	2019	2020	2019
	N$ '000	N$ '000	N$ '000	N$ '000

37. FINANCIAL INSTRUMENTS AND 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

2020	<1 year	2-5 years	>5 years	Interest adjustment	Total
	N$ '000	N$ '000	N$ '000	N$ '000	N$ '000
Trade and other payables	263,392	-	-	-	263,392
Amounts owing to fellow subsidiaries	5,418	-	-	-	5,418
Borrowings	30,664	-	-	(664)	30,000
Other financial liabilities	-	26,126	18,899	-	45,025
Finance lease liability	54,086	130,005	527,676	-	711,767
	353,560	**156,131**	**546,575**	**(664)**	**1,055,602**

2019	<1 year	2-5 years	>5 years	Interest adjustment	Total
	N$ '000	N$ '000	N$ '000	N$ '000	N$ '000
Trade and other payables	271,139	-	-	-	271,139
Amounts owing to fellow subsidiaries	8,730	-	-	-	8,730
Borrowings	29,712	31,013	-	(3,949)	56,776
Other financial liabilities	-	54,050	21,753	-	75,803
	309,581	**85,063**	**21,753**	**(3,949)**	**412,448**

Company

2020	<1 year	2-5 years	>5 years	Interest adjustment	Total
	N$ '000	N$ '000	N$ '000	N$ '000	N$ '000
Trade and other payables	260,738	-	-	-	260,738
Amounts owing to fellow subsidiaries	41,121	-	-	-	41,121
Borrowings	30,664	-	-	(664)	30,000
Other financial liabilities	-	26,126	18,899	-	45,025
Lease liability	54,086	130,005	527,676	-	711,767
	386,609	**156,131**	**546,575**	**(664)**	**1,088,651**

2019	<1 year	2-5 years	>5 years	Interest adjustment	Total
	N$ '000	N$ '000	N$ '000	N$ '000	N$ '000
Trade and other payables	269,763	-	-	-	269,763
Amounts owing to fellow subsidiaries	20,283	-	-	-	20,283
Borrowings	29,712	31,013	-	(3,949)	56,776
Other financial liabilities	-	54,050	21,753	-	75,803
	319,758	**85,063**	**21,753**	**(3,949)**	**422,625**

In the 2019 financial year, accrued expenses arising from statutory obligations and constructive obligations were incorrectly disclosed as part of the financial liabilities. The disclosure was corrected in the current year financial statements and the prior year numbers are not restated in this regard.

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:

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

	Group		Company	
	2020	2019	2020	2019
	N$ '000	N$ '000	N$ '000	N$ '000

37. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Consolidated

2020	<1 year	2-5 years	>5 years	Interest adjustment	Total
	N$ '000	N$ '000	N$ '000	N$ '000	N$ '000
Trade and other receivables	286,308	-	-	-	286,308
Amounts owing by fellow subsidiaries	5,793	-	-	-	5,793
Amount owing by holding company	763	-	-	-	763
Finance lease receivables	4,087	5,769	-	(122)	9,734
Cash and bank balances	95,940	-	-	-	95,940
	392,891	**5,769**	**-**	**(122)**	**398,538**

2019	<1 year	2-5 years	>5 years	Interest adjustment	Total
	N$ '000	N$ '000	N$ '000	N$ '000	N$ '000
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**

Company

2020	<1 year	2-5 years	>5 years	Interest adjustment	Total
	N$ '000	N$ '000	N$ '000	N$ '000	N$ '000
Trade and other receivables	285,041	-	-	-	285,041
Amounts owing by fellow subsidiaries	21,761	-	-	-	21,761
Amount owing by holding company	763	-	-	-	763
Finance lease receivables	4,087	5,769	-	(122)	9,734
Loan to subsidiaries	-	-	150,000	-	150,000
Cash and bank balances	65,918	-	-	-	65,918
	377,570	**5,769**	**150,000**	**(122)**	**533,217**

2019	<1 year	2-5 years	>5 years	Interest adjustment	Total
	N$ '000	N$ '000	N$ '000	N$ '000	N$ '000
Trade and other receivables	259,612	-	-	-	259,612
Amounts owing by fellow subsidiaries	23,261	-	-	-	23,261
Amount owing by holding company	6,049	-	-	-	6,049
Finance lease receivables	4,422	7,909	-	(320)	12,011
Loan to subsidiaries	-	-	150,000	-	150,000
Cash and bank balances	38,533	-	-		38,533
	331,877	**7,909**	**150,000**	**(320)**	**489,466**

Foreign currency risk

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

The Group manages its foreign currency exchange rate risk by:

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

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

	Group		Company	
	2020	2019	2020	2019
	N$ '000	N$ '000	N$ '000	N$ '000

37. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The following table illustrates the sensitivity to a reasonably possible change in exchange rates, with all other variables held constant, to the Group's loss before tax. A 10% sensitivity rate is applied for 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.

For 10% increase in exchange rates				
Increase in loss for year	414	733	414	733
For 10% decrease in exchange rates				
Decrease in loss for year	414	733	414	733

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

Receivable:				
Euro	13	87	13	87
USD	3,188	3,360	3,188	3,360
Payables:				
Euro	363	429	363	429
USD	3,281	2,851	3,281	2,851
Pound	3	-	3	-
Bank:				
Euro	43	113	43	113
USD	214	319	214	319
Exchange rates used for conversion of foreign items were:				
USD	17.05	15.20	17.05	15.20
EUR	20.01	16.62	20.01	16.62
Pound	21.89	-	21.89	-

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 2020 financial year.

Interest rate risk

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

Financial assets and liabilities that are sensitive to interest rate risk are cash and cash equivalents, finance leases and long-term borrowings.

The 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

The group monitors the developments in the markets that have an impact on the rates in order to align the treasury policy with the market conditions.

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:

For 100 basis points higher				
Increase in loss for year	300	4,896	300	4,896
For 100 basis points lower				
Decrease in loss for year	300	4,896	300	4,896

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.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

37. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Capital management

The group's policy is to borrow using a mixture of long-term and short-term borrowing facilities to meet anticipated funding requirements. Borrowings are managed within the group's established debt:equity ratios.

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.

The gearing ratio at year-end was as follows:

	Group		Company	
	2020	2019	2020	2019
	N$ '000	N$ '000	N$ '000	N$ '000
Borrowings	30,000	56,776	30,000	56,776
Financial liabilities at fair value	45,025	75,803	45,025	75,803
Cash and cash equivalents	(96,060)	(59,869)	(65,918)	(38,531)
Other liability - Non-current portion	400,000	400,000	400,000	400,000
Net debt	**378,965**	**472,710**	**409,107**	**494,048**
Equity	**477,763**	**303,314**	**398,792**	**387,913**
Debt to equity ratio	**0.8:1**	**1.6:1**	**1.0:1**	**1.3:1**
Unutilised borrowing facilities	80,000	80,000	80,000	80,000

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 2020.

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.

2020 Consolidated	Level 1	Fair Value Level 2	Level 3	Total instruments at carrying value
Liabilities				
Redeemable cumulative preference shares	-	-	45,025	45,025

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	Group		Company	
	2020	2019	2020	2019
	N$ '000	N$ '000	N$ '000	N$ '000

37. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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.

2020 Consolidated	Level 1	Fair Value Level 2	Level 3	Total instruments at carrying value
Assets				
Liabilities				
Redeemable cumulative preference shares	-	-	75,803	75,803

There were no transfers between Level 1 and Level 2 for the year ended 30 September 2020.

The fair values of financial liabilities included in Level 3 have been determined using the discounted cash flow method at a discount rate that reflects the issuer's current borrowing rate at the end of the reporting period.

Cash flow risk management

The sensitivity analysis below has been determined based on the exposure to changes in the after-tax profits used to determine the fair value of the preference share liability at the reporting date. The analysis is prepared on the assumption that the amount of the liability outstanding at the reporting date was outstanding for the whole of the financial year.

A 500 basis point increase or decrease is used when performing analysis on deviations from the estimated after-tax profits to key management personnel and represents management's assessment of the reasonably possible change in estimated cash flows.

If, after tax, profits used in determination of the fair value of the preference share liability rates had been 500 basis points higher/lower and all other variables were held constant, the effect on the Group's and Company's loss before tax would be as follows:

For 500 basis points higher				
Increase in loss for year	3,246	4,650	3,246	4,650
For 500 basis points lower				
Decrease in loss for year	3,246	4,650	3,246	4,650

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.

38. EVENTS AFTER THE REPORTING PERIOD

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

39. GOING CONCERN

The Group and Company reported a profit before tax of N$15.6 million (2019: N$43.2 million loss) and N$2.2 million loss (2019: N$60.3 million) respectively for the year ended 30 September 2020.

The Group and Company reported a profit/(loss) for the year ended 30 September 2020 of N$49.4 million (2019: N$15 million) and a N$10.8 million loss (2019: N$24.2 million loss) respectively. Current liabilities exceeded current assets by N$280 million (2019: N$218 million) for the Group and by N$218 million (2019: N$241 million) for the Company at year-end.

It should be noted that out of the total current liabilities for the Company and Group, N$117 million relates to deferred revenue and N$5 million pertains to amounts owing to fellow subsidiaries. Thus, the remaining current liabilities to be covered amount to N$165 million for the group and N$203 million for the company. The deferred revenue will be realised as the company delivers the services to the various customers as noted in note 25, and thus does not constitute a cash outflow.

Another contributor to the trade and other payables balance is leave accrual of N$56 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 of N$155 million, 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. Isolating these two major contributors to current liabilities leaves the balance fairly covered by current assets.

As set out in **note 37** under liquidity risk management, the Group and Company has unutilised facilities.

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39. GOING CONCERN (continued)

While focusing on its fixed line network, backbone 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 touchpoints and relationships; and innovate our products and solutions portfolio.

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

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

For the 2021 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 2021 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 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 2021 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.

Covid-19 is not expected to impact the group or the company's ability to operate as a going concern due to the following reasons:

- The group provides essential services and, as such, operations continue even during the lockdown periods; and
- At year end, the group has been in operation for 10 months since the pandemic was declared by the World Health Organisation on 30 January 2020 and there were no disruptions noted that could result in a material uncertainty around the going concern ability of the group or the company.

40. CHANGE IN ESTIMATE

Property, Plant and Equipment

In the current financial year, management revised the residual value of the copper cables assets class from 100% to 22% due to the current prevailing market prices for second-hand copper. The impact of the change is an increase in depreciation of N$11.9 million.

The useful life of Mobile BTS equipment was estimated in 2014 to be 8 years. In the current period, management reviewed their estimate to 10 years.

The change resulted in a decrease in the current year depreciation of N$3.5 million and future depreciation will increase by N$3.5 million.

The revised useful lives are in line with the expected pattern of consumption of the future economic benefits embodied in the assets.

Computer Software

The useful life of the CBS billing software was estimated in 2017 to be 7 years. In the current period, management reviewed their estimate to 9 years. The effect of this revision has decreased the current year depreciation by N$3.5 million and increased that of future periods by N$3.5 million.

The useful life of the Work Order Management System from Clicks Software UK and the useful life of the software was estimated to be 5 years. In the current period, management reviewed their estimate to 10 years. The effect of this revision has decreased the current year depreciation by N$0.2 million and increased that of future periods by N$0.2 million.

The revised useful lives are in line with the expected pattern of consumption of the future economic benefits embodied in the assets.

41. CHANGES IN ACCOUNTING POLICY

The consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards and the Companies Act of Namibia on a basis consistent with the prior year except for the adoption of the following new or revised standards.

Application of IFRS 16 Leases

In the current year, the company has adopted IFRS 16 Leases (as issued by the IASB in January 2016) with the date of initial application being 1 October 2019. IFRS 16 replaces IAS 17 Leases; IFRIC 4 Determining Whether an Arrangement Contains a Lease; SIC-15 Operating Leases – Incentives; and SIC 27 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

41. CHANGES IN ACCOUNTING POLICY (continued)

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low-value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in the accounting policy for leases. The impact of the adoption of IFRS 16 on the group's consolidated annual financial statements is described below.

The Group has applied the practical expedient available in IFRS 16 which provides that for contracts which exist at the initial application date, an entity is not required to reassess whether they contain a lease. This means that the practical expedient allows an entity to apply IFRS 16 to contracts identified by IAS 17 and IFRIC 4 as containing leases; and to not apply IFRS 16 to contracts that were not previously identified by IAS 17 and IFRIC 4 as containing leases.

IFRS 16 has been adopted by applying the modified retrospective approach, whereby the comparative figures are not restated. Instead, cumulative adjustments to retained earnings have been recognised in retained earnings as at 1 October 2019.

Leases where group is lessee

Leases previously classified as operating leases

The Group undertook the following at the date of initial application for leases which were previously recognised as operating leases:

- Recognised a lease liability, measured at the present value of the remaining lease payments, discounted at the group's incremental borrowing rate at the date of initial application; and
- Recognised right-of-use assets measured on a lease-by-lease basis, at either the carrying amount (as if IFRS 16 applied from commencement date but discounted at the incremental borrowing rate at the date of initial application) or at an amount equal to the lease liability adjusted for accruals or prepayments relating to that lease prior to the date of initial application.

The group applied IAS 36 to consider if these right-of-use assets are impaired as at the date of initial application.

The Group applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases in terms of IAS 17.
Where necessary, they have been applied on a lease-by-lease basis:

- When a portfolio of leases contained reasonably similar characteristics, the Group applied a single discount rate to that portfolio;
- Leases which were expiring within 12 months from 1 October 2019 were treated as short-term leases, with remaining lease payments recognised as an expense on a straight-line basis or another systematic basis which is more representative of the pattern of benefits consumed;
- Initial direct costs were excluded from the measurement of right-of-use assets at the date of initial application; and
- Hindsight was applied where appropriate. This was specifically the case for determining the lease term for leases which contained extension or termination options.

Impact on financial statements

On transition to IFRS 16, the group recognised an additional N$798 million of right-of-use assets and N$798 million of lease liabilities.

When measuring lease liabilities, the group discounted lease payments using its incremental borrowing rate at 1 October 2019. The weighted average rate applied is 7.50%.

Reconciliation of previous operating lease commitments to lease liabilities under IFRS 16

	1 October 2019
Operating lease commitment at 30 September 2019 as previously disclosed	631,483
Discounted using the incremental borrowing rate at 1 October 2019	798,921
Lease liabilities recognised at 1 October 2019	**798,921**

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

The Covid-19 pandemic has resulted in an amendment to IFRS 16 Leases which was issued by the IASB on 28 May 2020. The Group has elected to apply the practical expedient made available by the amendment. In cases where the Group is lessee, it has elected not to assess whether a rent concession that meets the conditions in paragraph 46B is a lease modification. As a result, all changes in lease payments have been accounted for in the same way as other changes which are not lease modifications. This practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 pandemic and only if:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- Any reduction in lease payment affects only payments originally due on or before 30 June 2021; and
- There is no substantive change to other terms and conditions of the lease.

Telecom Namibia received lease discounts from the shareholder for May, June, August and September 2020 which were accounted as variable lease components and had no impact on the opening retained earnings at the beginning of the current annual reporting period.

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Comments and suggestions for further improvement of this publication should be sent to: CommPR@telecom.na

Telecom Namibia LTD

9 Judge JP Karuaihe Street
Windhoek, Namibia
Phone: +264 (0) 61 201 9211
www.telecom.na