

# ANNUAL REPORT

2021 / 22

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### CONTACT US:

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## ABOUT TELECOM NAMIBIA

From humble beginnings in August 1992, Telecom Namibia has to date invested billions in state-of-the-art networks. These investments have moved the Company beyond a traditional telephone company to become a rightful ICT player, able to transmit high-speed converged data, voice and video content simultaneously. 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, Telecom Namibia provides a comprehensive portfolio of communication services and solutions in broadband, data, voice over fixed wire-based connectivity (copper and fibre), fixed wireless and mobile platforms.

Telecom Namibia is an investor in some of the world's largest subsea cable systems such as SAT-3, SEACOM and WACS, and more recently Google's Equiano cable, thereby enhancing the reliability of Namibia's connectivity to the global subsea cable network and access to international destinations for voice, data and internet services communication. With its extensive global connectivity, Telecom Namibia is poised as a regional internet hub and digital gateway to the SADC region and beyond.

Telecom Namibia's nationwide digital network now spans across the entire Namibia and is comprised of over 13,000 route kilometres of MetroFibre and has deployed over 500 Ethernet and Internet Protocol Multi-Protocol Label Switching (IP/MPLS) Points of Presence, 228 digital destinations and over 300 towers for fixed wireless and mobile services, operated by its subsidiary, PowerCom.

Coming forward with a new vision of embracing the future towards digital transformation, Telecom Namibia has not only expanded its network to remote villages, settlements and lodges but has also made a far-reaching impact on

the wireless and mobile broadband front and ICT solutions, which are driving organisations forward and bringing a paradigm shift in business innovation and opportunities for new start-ups.

Telecom Namibia boasts the largest fixed-line voice telephony and broadband network in the country, which is the lifeline for thousands of consumers. Its wireless broadband network provides both voice and internet access in remote areas for schools, clinics, businesses and government offices, and far-reaching initiatives to expand the broadband ecosystem are bringing a visible change in the socio-economic sphere of the country. This access of broadband internet has not only opened new possibilities for the people of Namibia, but is also enabling them to earn a livelihood, reach out to newer international markets and get access to e-learning and e-health services.

To date, Telecom Namibia has achieved a network rollout of over 300 mobile service base stations throughout the country, with several sites equipped with 3G, 4G and 4.5G 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.

Telecom Namibia is a responsible corporate citizen and identifies with the Namibian community. Through social responsibility initiatives, the Company has made a significant contribution in the sectors of education, business development plus other national priority areas. The brand has supported several causes in the areas of sports, women empowerment, youth projects, community development and charitable giving, among others.



## OUR HISTORY

### TELECOM NAMIBIA IS ESTABLISHED

Telecom Namibia Limited was established by section 2(l)(b) of the Post and Telecommunications Establishment Act, 1992 to provide public communication and associated products and services. It operates the largest telecommunications infrastructure in the country.

The Company offers fixed-line services, voice telephony, Internet and data services, and wholesale Internet transit services to international and local ISPs. It also provides dedicated point-to-point bandwidth between customer sites, carrier points of presence, data centers, Internet exchanges, and submarine cable landing station; co-location services and managed hosting services; mobile interconnectivity services, voice and data services, and MPLS IP-VPN services.

### SECTOR LIBERALISATION

In 1994, Mobile Telecommunications Limited (MTC) was established, effectively ending the monopoly of Telecom Namibia. Afterward, Cell One was granted a licence in 2006 as a second mobile operator in Namibia.

### NEOTEL CONNECTION

Telecom Namibia joined a consortium of companies to form Neotel, the second national operator (SNO) for fixed line telecommunication services in South Africa, which was unveiled on 31 August 2006. Through Communitel Telecommunications (Pty) Ltd, Telecom Namibia originally owned 12.5% equity in the Company.

### MUNDO STARTEL

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

### ACQUISITION OF POWERCOM (PTY) LTD

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

## KEY MILESTONES

**1992**

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

**1994**

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

**1995**

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

**1999**

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

**2000**

Telecom Namibia revenue surpasses one billion Namibian Dollars.

**2004**

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

**2005**

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

**2006**

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

**2009**

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

**2011**

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

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

**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 celebrated its 25th anniversary.

**2018**

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

**2019**

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

**2022**

Telecom Namibia on 1 July 2022 co-landed the Equiano Google submarine cable with Paratus Group in Swakopmund, Namibia. The cable will provide communications diversity due to its increased capacity, and this will have a direct impact on connectivity with faster internet speeds, more flexibility in the market and an improved user experience.

Telecom Namibia celebrated its 30th anniversary.



## OUR VISION MISSION & VALUES



### VISION

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



### MISSION

To provide superior solutions and experience to our customers

## VALUES

#### SIMPLICITY

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

#### INNOVATION

Embrace change and welcome the future

#### TEAMWORK

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

#### INTEGRITY

Promote honesty, trust, accountability and transparency in conducting business

#### SUSTAINABILITY

Conduct business in a sustainable manner

## STRATEGIC INITIATIVES

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

#### SUSTAINABLE GROWTH

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



#### OPERATIONAL EFFICIENCY

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



#### PERFORMANCE DRIVEN CULTURE

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

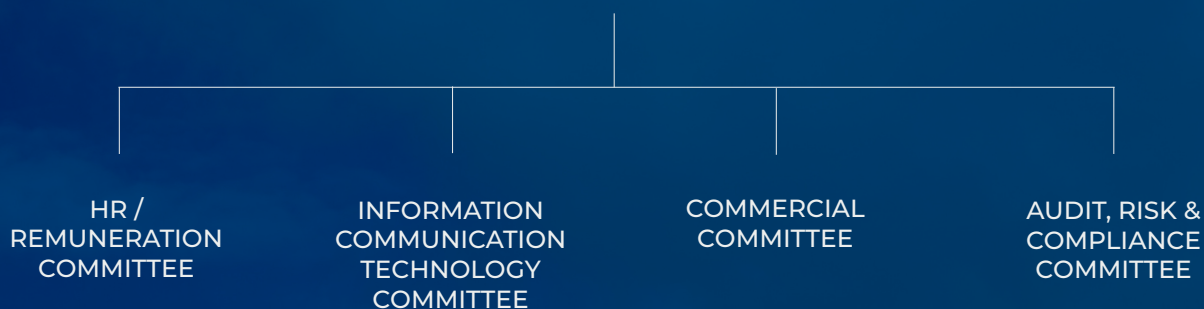


#### CUSTOMER EXPERIENCE

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

## ORGANISATIONAL STRUCTURE

### BOARD OF DIRECTORS



### CHIEF EXECUTIVE OFFICER



## HIGHLIGHTS: TECHNICAL AND FINANCIAL

### COMPANY COMPARATIVE GROWTH/DECLINE

TECHNICAL	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Port Capacity (Network Switch Capacity)	158,786	229,825	280,489	281,209	281,119	281,209	292,822	292,152
Percentage Digital	100%	100%	100%	100%	100%	100%	100%	100%
Fixed Broadband Subscribers	43,327	57,574	53,937	53,850	63,695	68,140	71,839	69,812
Mobile Subscribers	100,429	159,913	187,238	243,080	253,076	285,063	389,854	378,870
Fixed Subscribers (Broadband Subscribers incl.)	198,800	200,502	191,947	218,729	215,657	225,497	208,710	196,416

### COMPANY COMPARATIVE GROWTH/DECLINE

FINANCIAL	2014/15 N\$'000	2015/16 N\$'000	2016/17 N\$'000	2017/18 N\$'000	2018/19 N\$'000	2019/20 N\$'000	2020/21 N\$'000	2021/22 N\$'000
Revenue	1,419,762	1,517,558	1,502,614	1,529,717	1,553,701	1,487,330	1,444,017	1,375,931
Operating Profit/(Loss)	(70,337)	(18,347)	49,681	72,043	(94,856)	23,692	64,336	101,836
Total Comprehensive Income/(Loss) for the Year	(83,928)	(41,240)	8,984	(82,896)	(24,231)	10,883	1,157	33,612
Property, Plant & Equipment & Intangible Assets	1,749,947	1,628,044	1,440,591	1,341,582	1,285,356	1,246,728	1,187,564	1,110,746
Long-term Borrowings	147,652	125,682	95,651	56,776	30,000	-	-	-
Equity	891,999	850,759	839,913	776,847	387,913	398,796	562,183	595,795
Property, Plant & Equipment Capital Expenditure	164,021	146,153	66,519	122,960	151,060	163,347	171,496	107,499

# BOARD OF DIRECTORS

**MELANIE TJIJENDA**

Independent Non-Executive Director

**FERNANDO SOMAEB**

Independent Non-Executive Director





**AMANDA HAUUANGA**  
Deputy Chairperson  
Independent Non-Executive Director

**MELKIZEDEK UUPINDI**  
Chairperson  
Independent Non-Executive Director

**ROWAN KLEINTJES**  
Independent Non-Executive Director

## CHAIRPERSON'S REVIEW



The vast number of Namibians rely on stable, uninterrupted quality ICT services, be it for social or economic reasons to learn, do business or simply stay in touch. To further validate the industry's importance, the presence of a stable ICT network is often a deciding factor for foreign investors in a country. Opportunities for Namibia's economy are thus depended on Telecom Namibia's ability to provide world-class services. Telecom Namibia is therefore relevant, critical, and required for the economic and social development of Namibia.

The past financial year signified tremendous changes globally, impacting economies worldwide. The telecommunications industry weathered numerous storms, mainly brought on by challenges in the logistics and supply chain management.

Job losses that were experienced during the period of 2020-2021 brought on a decline in customers, translating in revenue declines. Rising unemployment rate and slow economic recovery also continue to have a negative impact on customers being able to keep up with their contractual payment obligations which resulted in a slightly higher unpaid debt to the company during the year. To navigate the storms and retain customers, Telecom Namibia enhanced its product offering, focusing on the prepaid mobile offering; IP and increasing its FTTx. These directly countered challenges experienced in the fixed data and voice services, brought on by service interruptions as a result of copper cable vandalism and theft.

Network failures have resulted in unplanned expenditure and revenue losses, especially for mobile data and higher interconnect charges for voice. The company is auditing the state of the network, conducting drive tests and network optimization, to proactively manage and prevent potential failures and network congestion. The company has enhanced the replacement and provision of batteries at all sites to counter the downtime which was being experienced due to power interruptions.

### GOING BEYOND THE CALL OF DUTY FOR THE COMMUNITY

Telecom Namibia's services extend beyond areas backed by a viable and profitable business case, as it addresses and secures the connectivity needs and demands of the nation at large, even where communities are unable to afford its services. This is evident in our business model, which is aligned to the Harambee Prosperity Plan II and the NDP5.

### CONNECTING NEIGHBOURING COUNTRIES

Telecom Namibia has not only expanded its network to rural and urban centres in Namibia, but the company also provides services to landlocked neighbouring countries. In efforts to diversify access to the submarine cable network and ensure redundancy on various routes, Telecom has partnered with Paratus Namibia to co-land the Equiano (Google) submarine cable in Namibia. The Equiano (Google) cable landed in Swakopmund on 1 July 2022 allowing for the sharing of infrastructure as envisaged under HPPII and positioning Namibia as a regional ICT hub for landlocked African countries such as Botswana (via Buitepos), Zambia (via Ngoma and Sesheke), Malawi, and the DRC. These submarine cables address Namibia's and SADC's international connectivity needs and gears Namibia towards 4IR, a revolution that will be driven by intense data-driven needs.

The cable will provide communications diversity due to its increased capacity, and this will have a direct impact on connectivity with faster internet speeds, more flexibility in the market and an improved user experience. Google Equiano Cable shore landing is a major step in the development of our national telecommunications infrastructure in preparation for 4IR.

### RESPONDING TO GOVERNMENT POLICIES

The Namibian Government recognizes the strategic importance of Digital Technologies and the major role it plays in enabling societal Transformation. The Ministry of Information and Communication Technology (MICT) has been working with various partners, including Telecom Namibia, in efforts to improve the digital footprint mainly in Namibia's remote areas.

To this effect, MICT presented the National Broadband Policy to a parliamentary standing committee on ICT and innovation in 2019. The policy aims to provide broadband speeds of at least 2Mbps to 95% of the population by 2024, promoting the development of content and applications, reduce the digital divide, and provide incentives for further investment in broadband deployment. In response to this target, Telecom Namibia in December 2021 increased its entry level packages for retail to 4Mbps.

## GOVERNANCE

Telecom Namibia is committed to conduct its business in a responsible, sustainable and ethical manner. In this regard, the Board has adopted an organisation wide Code of Business Conduct and Ethics to guide its conduct. In the same vein, the company has, also adopted a Compliance Policy and Framework to guide it in respect of compliance with legislation that applies to a company, in accordance with corporate governance requirements.

The Board, as the custodian of governance and the management of risk, considers enterprise risk management to be a fundamental and significant aspect of good corporate governance. The Board therefore ensures risk management is embedded into the culture of the Company. Risk management was integrated into strategy formulation (ISBP), activity planning, performance management and resource allocation decisions. This is managed through the analysis of the risk profile for the company, applying a risk appetite and effectively responding to risks and their root causes.

The Board further, through its ICT Committee oversees IT governance, ensuring the optimization of IT resources and alignment with business goals. Throughout 2022, the board focused on conducting regular reviews of the following areas:

- **IT Systems and Network Risks:** The board ensured that Telecom Namibia's network and IT infrastructure remained relevant, responsive, and capable of supporting current and future business needs in the rapidly changing environment.
- **Changing Technology Trends:** The board closely monitored developments in the IT and telecommunication industry, analyzing technology trends to stay abreast of advancements and potential impacts on the organization.
- **Implementation of Technology Master Plans:** The board actively monitored and supported the implementation of Technology master plans, ensuring that strategic IT initiatives were effectively executed to drive business objectives.
- **Cybersecurity Project:** The board closely monitored a 3-year cybersecurity project aimed at implementing an Information Security Management System (ISMS) based on industry best practices aligned with ISO, NIST, SANS, COBIT, ISF, and Gartner recommendations. This project aimed to enhance the organization's cybersecurity posture and protect against potential threats.
- **IT Security and Control Mechanisms:** The board oversaw the implementation of IT security and control mechanisms in line with the cybersecurity roadmaps, fortifying the organization's defense against cyber threats.

Throughout these activities, the ICT Board played a crucial role in governing IT matters at Telecom Namibia, promoting efficiency, risk management, and strategic alignment with the company's business objectives.

Telecom Namibia is committed to forging sound relations with all partners in the ICT sphere. To that end, the company continually engages its stakeholders to manage expectations and improve its services that will benefit the people of Namibia.

Telecom Namibia believes in managing disputes in a most responsible way. Following successful engagements, we settled a long-standing dispute with CRAN on levies and signed a Settlement Agreement on 23 November 2021. As a result of this settlement, the regulatory levies owed to CRAN were adjusted from the initial accrual of N\$115 million to N\$87 million.

## DIGITAL TRANSFORMATION

In our quest to address the fast-changing demands of our consumers, Telecom Namibia has embarked on a digital transformation journey to ensure the delivery of seamless, end-to-end digital solutions. To this effect, the company has appointed service providers to implement the Converged Billing System (OSS/BSS) as well as the Common Converged Core for Fixed-Mobile Convergence (FMC) projects.

Both the OSS/BSS and FMC projects will automate manual processes. Implementation and management of the systems will require upskilling and may potentially lead to employee redundancies and operational expenditure savings, once fully operational.

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

## FINANCIAL PERFORMANCE

Despite challenging trading environment, the Group reported a profit after tax of N\$48.4 million (2021: N\$35.4 million). However, group revenue declined 4.5% year-on-year, putting pressure on profitability and free cash flow. The declining revenue is attributable to all revenue segments except for Voice and IT, with Mobile revenue reflecting the largest reduction year-on-year. This was mainly driven by the increase in the rate of churn of mobile subscribers due to network quality challenges, legacy technologies, service delivery challenges and the historically limited investment into network expansion and modernisation. To increase revenue, the company plans to install services faster. Telecom Namibia rolled out Operation War Zone to improve this performance, and to meet regulatory requirements. To mitigate the declining top line, stringent cost management initiatives were implemented under Operation Autumn Cleaning (OAC 2.0) which resulted in savings in cost of sales (9.35%) and other operating expenses (10.50%).

Distribution expenses increased by 23.6% compared to the prior year because of double digit increases for Service Level Agreements (SLA's) due to obsolete and legacy infrastructure. To reduce the high costs of maintaining obsolete technologies, and to provide cutting edge services that are consumer-centric, significant investments in infrastructure and technologies are required to modernize Telecom Namibia's network. The company maintained its commitment to reduce operational expenses, through OAC 2.0, focusing on staff costs with some of the initiatives implemented being a reduction in overtime, reduction in leave balances and the establishment of a Headcount Committee to manage labour cost within budget and fit-for-purpose staff needs.

The Group invested N\$134.5 million in the 2022 financial year (2021: N\$179.3 million), in mobile expansion, WACS upgrade, the MTera Core system and FTTx projects to grow the Mobile and Fixed Data revenue streams. In line with Telecom Namibia's international strategy of becoming a regional ICT hub, the Group invested N\$ 10.5 million in the Equiano Submarine Cable System during the 2021 financial year and a further N\$16.5 million in the current financial year. The increased capacity from the Equiano cable is part of our ongoing commitment to connecting the Namibian people with faster and more reliable internet connections.

## CHAIRPERSON'S REVIEW

### OUTLOOK

Telecom Namibia's efforts in growing the business and ensuring customer satisfaction are hampered by legacy technologies and systems. To address this challenge, the company has developed an agile Integrated Strategic Business Plan (ISBP) for the period of 2023 – 2027.

In our ISBP 2023-2027, the company sets out to:

- Modernise our network
- Increase our FTTX footprint countrywide
- Enhance customer service delivery
- Assess the possibility of restructuring the company to enhance its competitiveness.

Telecom Namibia is committed to bridging the digital divide and ensuring connectivity for all Namibians through the provision of progressive ICT solutions. As such, the Board will continue to execute a clear and focused strategy to become a digital transformed organization.

The employees are a critical component in our journey towards a digital future. Thus, on behalf of the Board, I would like to extend a special appreciation to the Executive Team, Management, and all staff members of Telecom Namibia for their relentless efforts in delivering services to the people of Namibia. Your efforts are immensely appreciated.

I would also like to thank the NPTH Board and my fellow Telecom Namibia Board members for their support during the year. The outlook is positive. And the business is well positioned to continue to prosper into the future.

In conclusion, Telecom Namibia aims to gain leadership as a TechCo and has made great strides towards remaining resilient in the future hyper-connected world by transforming our technology model and excelling in improved customer and employee experiences. It is our intention to make voice and broadband data services affordable and accessible across Namibia and drive a vision of a digitally connected future that leaves no Namibian behind.



**MR MELKIZEDEK UUPINDI**

Chairperson - Telecom Namibia Board

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# EXECUTIVE COMMITTEE



**STANLEY SHANAPINDA**  
Chief Executive Officer

**DOLLY NASHANDIH**  
Acting Chief Human  
Resources Officer

**LABAN HIWILEPO**  
Chief Technical Information  
Officer

**CHARMAINE GAINGOS**  
Company Secretary

**KGOMOTSO HOCHOBEB**  
Head: Internal Audit and Risk  
Management



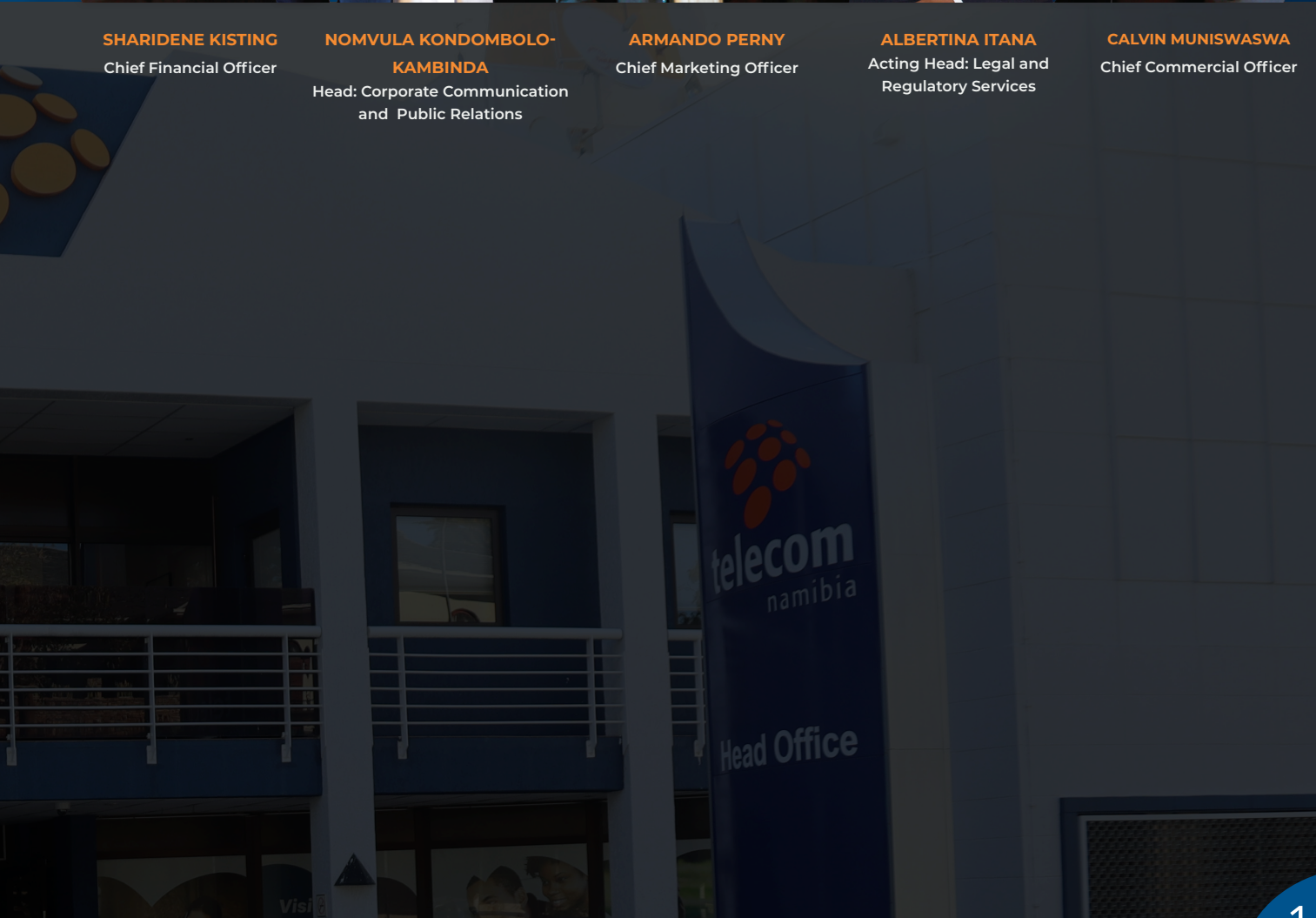
**SHARIDENE KISTING**  
Chief Financial Officer

**NOMVULA KONDOMBOLO-  
KAMBINDA**  
Head: Corporate Communication  
and Public Relations

**ARMANDO PERNY**  
Chief Marketing Officer

**ALBERTINA ITANA**  
Acting Head: Legal and  
Regulatory Services

**CALVIN MUNISWASWA**  
Chief Commercial Officer



## CHIEF EXECUTIVE OFFICER'S REPORT



Telecom Namibia celebrated its 30<sup>th</sup> anniversary in August 2022. The Company was incorporated in August 1992 and over the past 30 years, has grown from 100 000 customers to over 600 000 customers. In 1992 Telecom Namibia only offered fixed line services but today the Company has a wide range of services including mobile, internet access, data services and international connectivity services.

Addressing the telecommunication needs and demands of a country, and ensuring global connectivity, is no mean feat. Telecom Namibia realises the importance of its services in enabling Namibia's economic growth.

Quality and reliable telecommunication services contribute to making Namibia an attractive destination for foreign investment. At the same time, these reliable products and services ensures all Namibians are globally connected.

As a leading provider of broadband solutions and backbone infrastructure, Telecom Namibia strives to keep abreast with emerging technological trends. Thus, to keep up with the demand, Telecom Namibia, under its strategic initiative called Operation Autumn Cleaning or OAC, continues to review its product and service offerings to ensure the Company remains relevant to the current market and is able to meet the customers' demands, in a consumer-centric manner.

On a global scale, the COVID-19 pandemic has resulted in strong growth in global ICT connectivity. Telecom Namibia will build on this momentum to bridge the digital divide locally and regionally. The pandemic has acted as a catalyst, accelerating digitalization and digital transformation, opening up opportunities for flexible and sustainable ways of working. Similarly, it has

been clearly demonstrated that the availability of digital products and services empowers citizens, workers, and students in their daily life's and therein lies the business growth opportunity, which simultaneously improves the quality of life of the ordinary netizen, in a meaningful way.

### FINANCE

The 2022 financial year presented various opportunities and challenges. The cancellation of data contracts and churn to competitors were among the main challenges, resulting in data revenue decline.

The Company maintained its commitment to reduce operational expenses, through OAC 2.0, focusing on staff costs, which is 42.5% of revenue and 61.7% of operational expenditure respectively. This is above industry standards. In containing cost, the Company has maintained a downward trend on overtime. Telecom Namibia has also recorded a reduction in leave balances, by tracking and monitoring leave pro-actively and encouraging employees to take access leave days.

Additional cost reduction strategies included hire freezes, except for critical skills, and reducing contract workers.

The Company collected 92% of its outstanding debt for the financial year. Slow economic recovery and the rising unemployment rate has a negative impact on customers being able to keep up with their contractual obligations. As a direct result the Company had to re-prioritise projects with an adjusted spent of N\$121 million.

Revenue declined by 4.72%. Growth is forecasted for the new financial year, driven by mobile expansion. A decrease in all revenue streams was recorded, except for IT and voice. Revenue growth in the new financial year will be driven by FTTx network deployment.

Revenue declines are largely attributed to network failures resulting in increased expenses, and customers leaving for competitors. Telecom Namibia missed its revenue target by 8.23%.

The operational expenses declined by 7.38% and the Company plans to sustain this downward trend in Opex, with further reductions in staff cost. The cost of sales decreased by 10%. This is largely due to supply chain challenges experienced.

To increase revenue, the Company plans to install services faster as per CRAN's parameters. The Company is achieving a 53% average of installing services within 7 days. Telecom Namibia rolled out Operation War Zone to improve this performance, and to meet regulatory requirements.

### TECHNOLOGY

The Namibian ICT market continues to experience increased competition mainly driven by price reduction pressure and improved service quality as well as reduced service provisioning and service assurance turnaround time. Telecom Namibia's current network core systems and infrastructures across several network layers are still predominantly legacy and to a large extent a great hindrance to be competitive and impacts readiness to meet current and future business demands and expectations.

To keep the legacy systems up and running, Telecom Namibia faces major escalations in SLAs costs, due to the numerous obsolete and legacy infrastructure across various layers of network. The persistent vandalism to network infrastructures, especially the last mile copper access network, resulted in revenue loss, customer churn and repeated undesirable long durations of service downtimes. These aspects contributed to flattening and declining revenue growth and loss of market share.

The global trends in telecommunication sector depicts increased investments in Capex, and a periodic review and upgrade of technologies to remain on par with global standards, and to diversify service offerings. A number of service providers across the globe are embracing early technology adoption to reduce cost of service production, and create an environment that supports innovation, digitalization and smart collaborations.

Telecom Namibia has continued to pursue the finalization of its turnaround strategy, summarized in the 5-year integrated strategic business plan and funding plan. The Company intends to introduce a new OSS/BSS environment for all network services and a converged call controls for both fixed and mobile network services. These investments are necessary to protect existing business, prepare for future expansions (e.g., 5G) and enable an environment to support our digitalization initiatives. In addition, TN intends to pursue accelerated revenue growth projects rollout, for both FTTx and Mobile RAN across the country, to ensure that the RAN is future proof and ready to support next generation upgrades (e.g., 5G). These projects are not only needed to drive revenue growth but also to reduce the high levels of SLAs associated with running legacy and obsolete systems.

Telecom Namibia has embedded the OAC 2.0 initiatives and reporting across all layers of the business as a way of measuring and monitoring of our commitments and accountability reporting on the execution progress of our strategic initiatives.

To reduce the high costs of maintaining obsolete technologies, and to provide cutting edge services that are consumer-centric, significant investments in infrastructure and technologies are required to modernize Telecom Namibia's network. Telecom Namibia must therefore prioritize the modernization of its network, for its services to remain relevant and in demand. Doing so will assist in protecting existing revenue streams, whilst at the same time enabling the Company to access new revenue streams.

As a result of operating with an outdated network, resources earmarked for new expansions and upgrades are redirected to maintenance and SLAs. Further resources are spent to replace vandalized and stolen infrastructure. The instances of increased copper theft, given the soaring prices for copper, leads to service interruption, reputational damage and diverts resources that could have been used to modernize the network.

It is worth noting that the outdated network results in high fault rates, and due to the high fault rates, new installations are impacted. Other issues are environmental. During the rainy season, faults increase and the limited time to do preventative maintenance, all lead to increased network failures and cable faults. Network failures have resulted in unplanned expenditure and revenue losses, especially for mobile data and higher interconnect charges for voice.

Under OAC 2.0 management has audited the state of the network, conducted drive tests and crafted the network optimization plan, to pro-actively manage and prevent potential failures and network congestion.

Telecom Namibia will continue to invest in a state-of-the-art next-generation digital telecommunications network, to replace the old network that we are currently operating so that we can improve our quality of service.

The Company plans to invest over N\$2,3 billion in the next five plus years to modernise our national network – both fixed and mobile, starting from our national backbone to the core network and the access technologies.

The first investment of about N\$5 million USD that was realised is the co-landing of the Google Equiano submarine cable. Telecom Namibia is positioning Namibia as a regional ICT hub for landlocked African countries such as Botswana (via Buitepos), Zambia (via Ngoma and Sesheke), Malawi, and the DRC. This is in line with the Company's projected capacity demands to enable digital transformation in sectors such as logistics and trade.

The economy saw major benefits with the landing of the WACS submarine cable, and the Company expects the same trends with the landing of the Equiano submarine cable. WACS enabled Internet content utilization growth was at an average of 50% per annum. In turn, revenue growth followed suit at an average of 11%. Both these growth trends are projected to continue since they started in 2015.

The next part of the Capex plan is to accelerate the roll out of fiber to pass and connect thousands of homes, thereby improving the coverage of the existing 10,676 km (65.2% of the national coverage) national fiber backbone. The Company aims to connect more homes and businesses, with packages that start at 4Mbps and up to 50Mbps. The packages can even go up to 300 Mbps.

In December 2021, and in line with the Governments policy to increase broadband access, Telecom Namibia automatically upgraded customers with double the capacity, at no extra costs. To date the Company invested over N\$148 million deploying fiber. These efforts continue to accelerate the uptake of fiber broadband solutions and help to improve digital adoption rates, to meet national goals.

To improve on mobile data adoption rates, via the Telecom Namibia subsidiary Powercom, the Company deployed new and upgraded 3G and 4G tn mobile sites in rural and urban areas alike. The sites include Groot Aub, Omeya Golf Estate, Bergquell, Okahandja, Hosea Kutako Airport, Kappsfarm, Unam Neudam Campus, Luipersdallei, Veddersdal, Elizabeth Bay, Stampriet (Roots), Otjiwarongo, Otjiwarongo New Hospital, Uukwangula, Eenhana NHE, Eenhana Industrial Onawa, UNAM HP, UNAM Engineering Ekuku WT, Ehenye WT, Mahohoma, Warmquelle, Sesfontein Gunkwe, Gobabis TN, Gmunder Lodge, Onkani Sauyemwa Water Tower, Dama Water Tower, Kupferquelle, Onamishu, Werda Gate, Otjokowares Otjitjekwa, Repeater 1807 and Grootfontein (Omulunga).

Under PowerCom as the neutral operator, Telecom Namibia continues to share passive infrastructure fairly and equally and with no favour, to all competitors, as per CRAN's infrastructure sharing regulations and HPPII.

The commitment to nation building and socio-economic development of the country has propelled Telecom Namibia in transforming the telecommunication landscape and the broader ICT ecosystem of Namibia. Telecom Namibia's nationwide digital network now spans across the entire Namibia and comprised of over 13,000 route-kilometers of Metro-Fibre and has deployed over 500 Ethernet and Internet Protocol Multi-Protocol Label Switching (IP/MPLS) Points of Presence, 228 digital destinations and over 300 towers for fixed wireless and mobile services, operated by its subsidiary, Powercom.

## CHIEF EXECUTIVE OFFICER'S REPORT

### OUR PEOPLE

Through deliberate efforts to improve wellness and care Telecom Namibia has introduced the annual wellness day, taking place in March every year. Across the country all employees engage in sport, fun, socialising, cultural, entertainment, and health activities, ranging from walks, runs, volleyball, to health checks.

Regarding employee relations, on 22 February 2022, the Union and Management agreed to establish a sub-committee by the 31<sup>st</sup> of March 2022, to investigate best practices in industrial relations, and revert with recommendations, to the negotiation forum by the 31<sup>st</sup> of May 2022.

Given the state of the economy and high inflation rates, the Company introduced a 3,3% wage increase for all employees. The Company has also offered pre-retirement counselling, financial counselling and continued the CEO's roadshow, to engage and communicate with employees on issues impacting them. The Senior Management Forum is then tasked to address and resolve these concerns.

The Company continues to implement health and safety measures for staff regarding the pandemic and safety at the workplace.

### DIGITAL TRANSFORMATION

In line with the Company's 'ISBP 2023 & Beyond' plan, Telecom Namibia embarked on a digital transformation journey that will help enable Namibia's Vision 2030, 4IR, NDP 5, and HPPII national goals.

The Company can, however, only fulfil its goals with an enabling modern telecommunications network, as opposed to the current legacy network it operates.

Telecom Namibia scored 1.94 in terms of the Digital Maturity Model Assessment Score. The Company's business plan targets network modernization and digital transformation, and thereby aims to improve the score of 1.94.

A Change Management and Leadership framework has been developed and change agents have been appointed to accelerate and respond to Telecom Namibia's Digital Readiness. The purpose of the Leadership and Change Management strategy is to enable Telecom to cope with the need for digital change and the pace of change, based on the challenges imposed by internal and external factors. The strategy ensures the alignment of people, technology, and processes to consistently improve Telecom's operations, whilst, at the same time driving the business transformation process.

### OUTLOOK

Telecom Namibia's five-year strategy focuses on creating value for all stakeholders, including achieving sustainable and growing returns for the shareholder. The Company plans to engage the financial sector for Capex investments in new infrastructure. The purpose of the new investments is not only to protect the existing business and support growth going forward, but also transform the cost structures of legacy systems that reached unsustainable levels.

The Company is geared to modernise its telecommunications network, based on the best global standards, to enable it to replace outdated infrastructure and technologies that is compromising the network quality. The work has already started in this regard, with:

- new base stations that are being rolled out,
- existing base stations that are being optimised and upgraded to 3G and 4G, and enabled for 5G,
- projects to increase the backbone capacity, and
- new fiber routes that are being rolled out, and planned projects that are implemented to aid in the modernisation of the core network, allowing for innovative products and services, and the automation of manual processes.



**DR. STANLEY SHANAPINDA**  
Chief Executive Officer

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## CHIEF FINANCIAL OFFICER'S REPORT

### FINANCIAL RESULTS

The Group's financial performance in 2022 was impacted by the challenging economic environment due to the rebound from the COVID-19 pandemic, the conflict in Eastern Europe, rising inflation and interest rates, supply chain constraints and volatile exchange rates. The ongoing economic downturn impacted the cost of living negatively and resulted in customers looking for cost effective solutions. The Namibian ICT sector remains highly competitive with increasing customer demand for fibre and mobile services.

Group revenue declined 4.5% year on year putting pressure on profitability and free cash flow. The declining revenue is attributable to all revenue segments except for Voice and IT, with Infrastructure and other revenue reflecting the largest reduction year-on-year. To mitigate the declining top line, stringent cost management initiatives were implemented under Operation Autumn Cleaning (OAC) which resulted in savings in Cost of sales (9.35%) and Other operating expenses (10.48%).

Closing cash overdraft balances of N\$10 million was recorded in 2022 compared to a positive cash balance of N\$27 million in 2021. The overdraft facilities were used to fund capital infrastructure expansion and the Group is in the process of finalizing its funding requirements in line with its Integrated Strategic Business Plan (ISBP).

Despite the challenging trading environment, the Group reported a profit after tax of N\$48.4 million (2021: N\$35.4 million).

#### Key factors impacting financial performance:

IFRS 16	<p>A three-year lease agreement was signed between Telecom Namibia and NPTH during the 2022 financial year and these represents a reduction in the original estimated lease term of 20 years from the initial application of IFRS 16. The modification resulted in a decrease of N\$475 million in the Right of use assets and a decrease of N\$509 million in the Lease Liability.</p> <p>A gain of N\$33 million was included in Profit Before Tax (PBT), in line with the requirements of IFRS 16.</p>
Preference Share Liability	<p>The Preference Share Liability was revised in the current year, taking into consideration the revised interest rates and the revised cashflow projections to 2026. The Liability increased by N\$279 million to N\$287 million and the impact is a decrease of N\$8.7 million in profit for the year. N\$10 million will be paid in respect of the Preference Share Dividend to the shareholder which is 25% of the profit after tax.</p>
Liquidity	<p>Current Liabilities exceeded Current Assets by N\$154 million (2021: N\$163 million) for the Group and by N\$252 million (2021: N\$242 million) for the Company at year-end. The main increase in the negative working capital at Company level is due to the reclassification of the current portion of the Powercom loan of N\$15 million and the decrease in Cash and Cash Equivalents, which decreased by N\$11.8 million.</p> <p>The total Trade Payables balance as per the 2022 financial statements including accruals, decreased from N\$197 million to N\$182 million and this was partly funded from the overdraft facility, in addition to cash generated from operations. The inventory balance decreased N\$3.4 million due to utilization by business.</p> <p>A provision for bonuses of N\$12.3 million has been included in provisions in the current year, a constructive obligation in respect of the short-term incentive scheme.</p> <p>The Current Liabilities of the Group and the Company include N\$104 million for contract liabilities and N\$56 million for the leave provision. The contract liability will be realised as the Company delivers the services to the various customers and thus does not constitute a cash outflow.</p> <p>In as much as the overall current liabilities exceed current assets, we do not expect the leave provision to result in an immediate payment as we expect employees to take their leave days over a period of time.</p> <p>Thus, isolating the above Current Liabilities, it leaves the net current liability balance fairly covered by current assets and by the available unutilized credit facilities.</p>
IFRS 9 ECL	<p>The Expected Credit Loss (ECL) provision decreased by N\$12 million compared to the prior year and this is attributed to the timeous allocation of payments from customers and changes in the interest rate used to discount the ECL.</p>
Regulatory levies	<p>In addition to the settlement of the Regulatory liability, credits of N\$51 million were posted in the current year in respect of the accrual for regulatory levies and this was necessitated by the settlement of legacy regulatory levy issues with CRAN.</p>

## REVENUE

The Group recorded an overall decline of 4.5% in turnover from operations for the financial year 2022 compared to the previous financial year 2021. The revenue streams are composed of Voice, Fixed Data, Mobile, IT and Infrastructure. The declining revenue is attributable to all segments except for Voice and IT, with Infrastructure and other revenue reflecting the largest reduction year-on-year. Overall Telecom Namibia subscribers stood at 570,150 of which mobile subscribers totaled 378,870 as at end of September 2022.

The Wholesale business ensured that both the current national and international customers received the highest level of service to ensure client satisfaction. During the financial year under review, engagements with the Angola operators resulted in a successful establishment of the network interconnection with Angola Telecom. The Equiano cable system will complement delivery of international capacity to the local and regional markets.

The commercial team embarked upon an initiative with the objective of increasing market share and turnover which included launching the Customer Loyalty Awards packaged with Telecom Namibia's 30<sup>th</sup> Anniversary and themed the "Telecom Namibia Drum Awards 2022".

A funding plan has been crafted as part of the Group's ISBP to address the aged network infrastructure and required network expansion to support future revenue growth and customer retention.

## COST MANAGEMENT

The decline in Group revenue resulted in the implementation of stringent cost management initiatives under OAC which resulted in a decrease in both Cost of sales (9.35%) and Other operating expenses (10.48%). Distribution expenses increased by 23.61% compared to the prior year because of double digit increases for Service Level Agreements (SLAs) due to legacy billing systems.

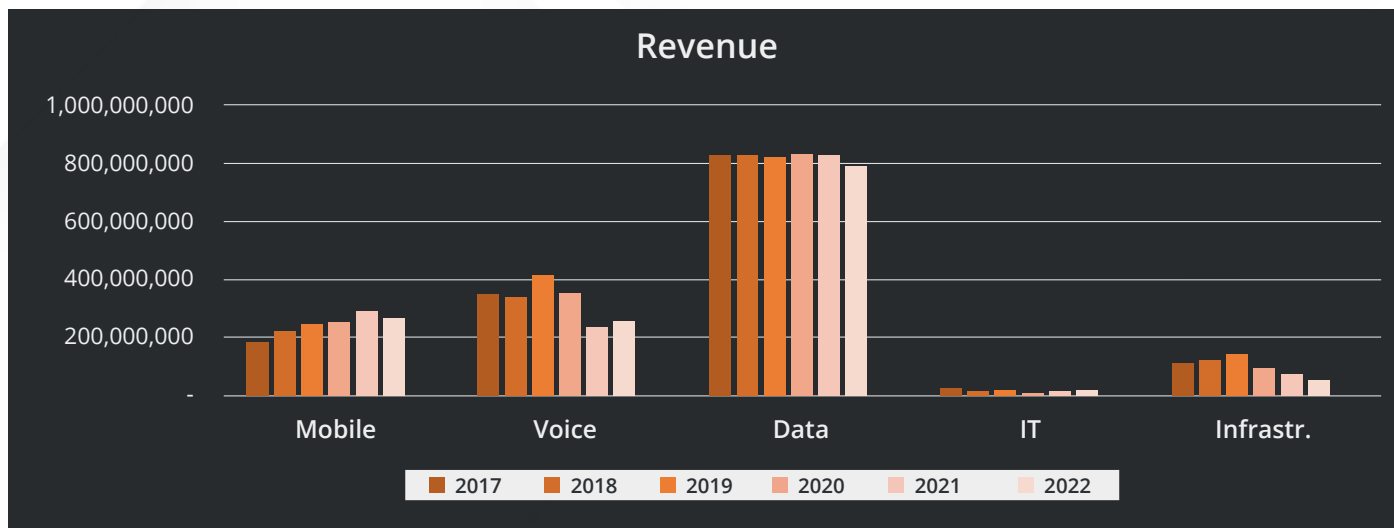
The investment in the key strategic projects as part of its ISBP aimed at modernising the network by replacing its current legacy network will have a major impact on Opex line items such as SLAs, IT maintenance and repairs and staff costs.

## CAPITAL INVESTMENTS

The Group through its capital investment program seeks to create an enabling environment that support digital transformation, industrialization in line with the 4IR objectives and to expand network infrastructure to provide customers with quality and reliable service.

The Group invested N\$134.57 million in the 2022 financial year (2021: N\$179.29 million), in mobile expansion, WACS upgrade, the MTera Core system and FTTx projects to grow the Mobile and Fixed Data revenue streams.

In line with Telecom Namibia's international strategy of becoming a regional ICT hub, the Group invested N\$ 10.5 million in the Equiano Submarine cable system during the 2021 financial year and a further N\$16.5 million in the current financial year. The increased capacity from the Equiano cable is part of our ongoing commitment to connecting the Namibian people with faster and more reliable internet connections.



**SHARIDENE KISTING**  
Chief Financial Officer

## COMMERCIAL OPERATIONS

Telecom Namibia's 5-year strategic plan has defined a set of strategic objectives and initiatives. Commercial operations were aligned to pursue initiatives that support achieving objectives defined under the sustainable growth pillar of our strategy. To realize the objective of increasing market share and turnover, a comprehensive national customer engagement plan was crafted and implemented targeting the various customer segments and aimed at driving sales and building customer relationships. Telecom Namibia's total turnover from operations for 2022 experienced contraction of 4.7% year on year compared to 2021. This was mainly driven by increase in rate of churn on account of network quality challenges, legacy technologies, service delivery challenges and the historically limited investment into network expansions. Growth was however recorded in the mobile voice, fixed voice and IT revenue streams over the same period. Telecom Namibia's planned funding and investment program will enable new revenue growth through advanced technologies supporting high speed broadband, mobile and advanced value-added service offerings in the coming years. A high number of customer churn attributed to network failures and poor customer experience was experienced and continue to be experienced mainly in the mobile and fixed data revenue streams.

A funding plan has been crafted to address the aged network infrastructure and required network expansion to support future revenue growth and customer retention. The Telecom Namibia revenue segments were redefined to be composed of Mobile, Fixed Voice, Fixed Data, IT and Infrastructure/other. The two revenue streams; IP and Data were grouped into the Fixed Data revenue group from the financial year 2021/2022 onwards. This move is driven by increasing product substitution and technology advancements towards IP solutions. This will also support the drive to simplify reporting to key stakeholders. The Fixed Data and Mobile revenue streams were isolated as the strategic focal areas of growth during the financial year. Sales and marketing campaigns were targeted at retaining and growing these revenue streams as drivers of future growth. Overall Telecom Namibia subscribers stood at 570,150 of which mobile subscribers totaled 378,870 as at end of September 2022. Growth in Telecom Namibia market share in the coming years will be supported by renewed investment focus towards mobile network expansion, Fibre to the Home and Business and improved customer experience. To support the revenue growth and customer experience enhancement strategy, the roll-out of high-speed broadband access over fibre continued during the year with additional new FTTX sites implemented in Windhoek and Ondangwa while onboarding of customers on existing FTTX networks also continued in major towns. Telecom Namibia continued to direct investments into projects for mobile expansion and FTTX rollout with the aim of enhancing broadband experience to businesses and consumers. The commercial team embarked upon an initiative to assess revenue development of individual customers and listing the top customers that are contributing significantly to the turnover. This was supported by a customer profiling exercise conducted on key customers at various levels of management in the channels. The customer profiling is an important step in understanding key customers on a granular level to craft informed individual customer strategies.

### OUR CUSTOMER TOUCHPOINTS – A GREAT SHOPPING EXPERIENCE

#### Sales Channels

Telecom Namibia has a diversified product portfolio, customer base and established channel network to serve its customers. During the financial year under review, the revised Customer Relations and Retention Policy was implemented to improve customer relations management. Implementation of the policy was re-enforced and was supported by introduction of standards of customer engagement in the channels. Customer retention initiatives included the onboarding of customers onto Service Level Agreements (SLAs) with strong service management support for Wholesale, Government and Corporate segments. Customer loyalty incentives and reward schemes were introduced across the various segments complimented by a key initiative for launching Customer Loyalty Awards packaged with TN's 30<sup>th</sup> Anniversary and themed the "Telecom Namibia Drum Awards 2022". Our top loyal customers



were identified and lined up to be recognized and honored at an event scheduled at the beginning of the new financial year. Focused efforts were put in place to collect customer feedback on customer service, aftersales service, and product experience, to inform customer service and delivery process review and improvements. The Retail and Corporate sales channels serve Residential, SOHO, Small Enterprise, Corporate, Large Enterprise and Medium Enterprise segments in the various regional business areas. Sales activities in this channel were mainly focusing on providing customer solutions to support the fixed data and mobile revenue streams. The Government sales channel serves government segments. Initiatives in this channel were mainly focusing on providing customer solutions to support the fixed data, mobile, IT and infrastructure revenue streams. The Wholesale sales channel serves National and International operators. Sales initiatives in this channel were mainly focusing on fixed data, voice and mobile revenue streams.

**Wholesale:** Sources of revenue in the wholesale and international channel were mainly from new Ethernet products targeted at national operators and high-capacity data products offered to international operators. During the financial year under review, special attention was on growing the Zambian market and exploring new opportunities in the Malawi market. Engagements with Angolan operators continued and resulted in a successful establishment of the network interconnection with Angola Telecom. A trial to test IPT services between Angola and Namibia through the newly established point of interconnection was successfully concluded and resulted in a commercial agreement signed between Telecom Namibia and Angola Telecom. This initiative is supported by the two governments bilateral agreements aimed at facilitating trade between the two countries across the various sectors. Connectivity through Zambia



continued to present an opportunity for the Malawi market. The upgrade of our national backbone infrastructure has become critical to address the high demand for high-capacity data services while the Equiano cable system will compliment delivery of international capacity to the local and regional markets. The channel continued to streamline and re-negotiate its voice traffic routes and roaming agreements to support growth of roaming traffic and stabilize the decline of fixed voice revenue. The Wholesale business ensured that both the current national and international customers received the highest level of service to ensure client satisfaction. Telecom Namibia continued to provide backhaul services to most of the existing and newly licensed operators in the domestic market. Telecom Namibia continued to maintain direct routes with its voice partners such as Openserve, Liquid, Vodacom, VCA and MTN in South Africa, while other SADC and foreign partners include BTC, Zamtel, BICS and Telco 214.

**Regional Business Areas:** Regional business areas include Central, South, Erongo and North that are serving retail and corporate segments. During the financial year under review, the focus was on driving identification of new business development and revenue growth opportunities to drive sales and revenue growth in the respective areas. Sources of revenue in the retail and corporate segments are mainly fixed broadband, mobile, dedicated internet access, and VPN products. Telecom Namibia continued with its fixed and mobile broadband drive which was supported by targeted sales initiatives mainly in the retail segments through direct and indirect sales forces targeted at households and high-end consumers. Prepaid airtime distribution formed its key focal area to drive prepaid revenue growth through bulk resellers and prepaid products promotion campaigns. The Retail Sales Channel serves Residential, SOHO and Small Enterprise segments and has a national footprint with presence in all regions which is supported by 33 Teleshops, channel partners, strong network of Sales Representatives and Indirect sales teams countrywide. Telecom continued with its retail transformation program being rolled-out and aimed at introducing new customer experience, improved image, brand awareness, customer engagement platforms and customer service-oriented culture in all its outlets across the country. The initiative is also including the rollout of a new look and feel and providing for a customer-friendly environment allowing for improved interactions with customers. Projects were implemented and works commenced to renovate/revamp the Maerua Mall Teleshop and establishment of a new Teleshop in Aussenkher. The two shops are scheduled to be inaugurated in the new financial year 2023. An initiative introduced to drive cost optimization and channel profitability resulted in the closure of the Hosea Kutako International Airport Teleshop. A customer service training program has been defined to be rolled out for all front-line staff. New sales incentive schemes for Teleshops and non-sales staff have been defined,

finalized and is in the process of piloting and implementation. Revenue sources in the corporate channel were mainly ethernet, internet access and VPN products that are on high demand. A customer profiling analysis study was concluded which generated new business opportunities for the corporate and retail segments. The focus for sales in the retail and corporate segments was also to target FTTX areas, underutilized fixed network infrastructure and low usage mobile sites.

**Government:** Revenue sources for Government segments were mainly fixed broadband for schools, mobile, dedicated internet access, IT, Infrastructure and VPN products. Service Level Agreements were implemented for key customers in the government segments. The focus in the government segments in 2022 were on migrating ministries/agencies to the Government network to accelerate commercialization of the government network. Telecom initiatives considered national government plans and government's digital transformation program to craft tailored solutions for government institutions. The outsourcing of projects and structured cabling through partners continued to ensure provision of service on time and at high standards.

### Customer Contact Centre

The new Multi-channel Customer Contact Centre system was implemented with phase one completed, and the continuation of phase two is ongoing. The features implemented during phase one were IVR, Call-Back, Email, SMS, and Facebook comment integration (Inbound and Outbound), Complaint Management, and Customer Retention campaigns. The system's management campaigns ensure that all interactions are captured, recorded, and responded to on time. Phase two of the project includes integrating the additional features handled manually currently. These features are WhatsApp, Twitter integrations, and Instant / Web Messaging service in conjunction with upgrading and modernizing the fixed and mobile Core network systems and OSS/BSS environment. From year 2023 and beyond, the Contact Centre plans to capitalize on its Customer Contact Centre System investment by hosting and providing Call Centre solutions to businesses in Namibia. During the financial year 2022, a Frequently Asked Questions (FAQs) campaign was launched to educate and inform customers proactively. Through the Customer Contact Centre System, Agents can capture why customers have called. This information is analyzed and used to prepare communication that gets shared over the Company's social media pages. In addition, the Customer Contact Centre sends monthly SMS reminders to customers to pay their invoices. Whenever a network issue affects many customers, such as cable breaks or cable thefts, the Customer Contact Centre prepares an SMS notice sent to our customers.

## MARKETING OPERATING HIGHLIGHTS

### ECONOMIC OUTLOOK

**Global economy** continues to suffer from a series of destabilizing shocks. After more than two years of the pandemic, Russia's invasion of Ukraine and its global effects on commodity markets, supply chains, inflation, and financial conditions have steepened the slowdown in global growth. This could eventually result in a sharp tightening of monetary policy in advanced economies to rein in inflation, lead to surging borrowing costs, and possibly culminate in financial stress in some emerging market and developing economies.

**Global economic** growth is expected to slow down during 2022 and remain subdued in 2023. According to the IMF World Economic Outlook (WEO) report published in October 2022, global economic activity is anticipated to slow down, largely affected by persistent inflationary pressures and subsequent measures aimed at bringing inflation under control.

**Telecom Namibia** as one of the leading telecommunication operators, is actively playing its key role to broaden coverage and continuously revising its pricing downwards to ensure cheaper access to telecommunication services that is largely benefiting local small business development and facilitate growth in domestic digital economy.

Nevertheless, Information and Communication Technology (ICT) operators' efforts to increase network coverage, will eventually result in broader coverage and cheaper access to telecommunication services which will benefit local emerging business development and facilitate growth in Namibia's digital economy, with the aim to impact the economic growth.

### TELECOM SERVICE MARKET OUTLOOK

**The Global telecom services market** size was valued at USD 1.805.61 billion in 2022 and is expected to expand at a compound annual growth rate (CAGR) of 6.2% from 2023 to 2030.

In 2023, telecommunications companies will re-platform to the cloud to achieve the cost benefits the cloud gives them including speed, better resilience, scalability, and innovation, including the building of services through cloud platforms. While in 2022, the telecommunications industry is facing new opportunities and challenges presented by a dynamic regulatory, technological, and competitive environment.

Furthermore, interest rates, inflation and taxes affect the industry growth prospects, as the expenses are affecting the pricing per plan offered to customers, building towers and resources in rural areas, consequently, customers who don't live in big cities and towns are affected and Namibia is not an exception to this dilemma. However, TN considered the risk of higher borrowing and input costs due to higher inflation and high commodity prices, to ensure sustainable cost management and mitigate the downside risk of lower economic growth and climate change considerations, through strategic interventions.

Telecom Namibia keeps abreast of local and global trends to assess the potential impact on its markets and customers. The Company reviewed its strategy to capture new opportunities and mitigate emerging risks created by changes in its operating model.

### ICT INDUSTRY SECTOR AND TECHNOLOGY EVOLUTION BEYOND 2022

Globally it is expected that remote working practices will continue to support hybrid work from home/office policies in FY2023 and beyond. Despite some return of face-to-face interactions, there is still demand for good quality, high-speed broadband services that enable streaming and video-intensive collaboration tools.

Customers still demand fixed and mobile services that can adapt flexibly to their requirements. New business models are emerging as the role of service providers evolves beyond network security to end-to-end security. The growth in cloud services (41% growth in 2021) leads to a decline in traditional on-premises enterprise technology products and services. As a result, integrated cloud/SD-WAN solutions are becoming increasingly important enablers for integrated security, home broadband and office applications. This increases the demand for people with skills in emerging technologies such as cloud, data analytics, automation and AI. (Source: ICT market sizing, BMI-T March 2022)

Namibia ICT sector remains highly competitive, with an increasing focus on customer experience. The increasing demand for communications, particularly data services, resulted in price reductions across major network providers (fixed and mobile). The ongoing economic downturn, impacting living cost negatively, resulted in customers seeking cost-effective connectivity to live, work and play at home. As fixed and mobile network operators invest heavily in network infrastructure, capacity and coverage are enhanced. The operators seek ways to monetise their investments through competitive and disruptive pricing.

**Namibia ICT** sector revenue growth declined from 4% in 2020 to -1% in 2021. The ICT sector has faced numerous challenges among others, unfavourable economic conditions; high inflation (5.8% Average - 6.18% Forecast), high cost of living impacting disposable income, resulting in an increase in debt attributed by repo rate hikes, currently at 6.25%, Pushing borrowing costs to levels not seen since March 2022 of 4.0 %. Covid-19 effects job loss, closure of businesses, cost cutting by businesses and government has helped explain the YOY -1% growth as revenue fell from 2020 to 2021.

However, economic growth is projected to grow by 3.2% by end the of 2022, up from an earlier estimate of 3%, mainly driven by a recovery in mining (diamond/gold), electricity, water and tourism sectors.

Telecom Namibia expects competition from the leading mobile operator and new market entrants to increase further, following the planned release of additional spectrum by CRAN in the near future. The release and licensing of additional high-demand spectrum are key to determining the future structure of Namibia's mobile telecommunications market as it continue to transition from mobile voice to mobile data services.

Telecom Namibia expects the regulator to speed up the implementation of the same to ensure the efficient use of spectrum as a limited resource, TN depends on the spectrum to accelerate its plans to expand network infrastructure to participate in the development of the ICT sector.

The table below depicts the Namibia ICT sector revenue performance between 2016 -2021.

		2016	2017	2018	2019	2020	2021
Revenue	NAD million	4,475	4,499	4,821	4,897	5,116	5,071
	YoY %		1%	7%	2%	4%	-1%
	USD million	304	338	364	339	311	293
Net Profit	NAD million	552	777	787	837	853	858
	USD million	38	58	59	58	52	49
Assets	NAD million	4,973	4,856	5,305	5,555	6,577	7,060
	USD million	338	365	400	384	399	408
Liabilities	NAD million	3,571	2,965	3,321	3,191	4,271	4,421
Shareholder Equity	NAD million	1,402	1,891	1,984	2,364	2,306	2,639
	YoY %		35%	5%	19%	-2%	14%
	USD million	95	142	150	164	140	152
Profit Margin		12%	17%	16%	17%	17%	17%
Return on Equity		39%	41%	40%	35%	37%	33%
USD exchange rate		14.7	13.3	13.2	14.5	16.5	17.3

(Source: CRAN Market Report\_ October 2022)

Access to required spectrum will also assist Telecom Namibia to create an enabling environment that supports digital transformation, industrialisation in line with 4th Industrial Revolution (4IR) objectives, moreover, to expand network infrastructure to rural areas to service the untapped markets.


(Source: <https://neweralive.na/posts/namibia-on-course-to-bridging-ict-gap>; <https://datareportal.com/reports/digital-2020-namibia>; ITU, [www.aiib.org](http://www.aiib.org), telecom industry trends 221- 3keL\_ [www.cran.na](http://www.cran.na)\_ accessed 15 February 2023)

## PRODUCT RESEARCH & DEVELOPMENT (PR & D)

### 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 premium customer experience. Additionally, with TN's quest to becoming the preferred ICT service provider and recover lost Market Share, PR&D has intensified its efforts on preparing the Namibian customers for the 4th Industrial Revolution (4IR) and the Digital Transformation throughout the 2021/22 financial year. In terms of our ordinary pricing operations, the 2021/2022 plan identified different areas of intervention being simplification of our commercial offerings; promotion of higher value services and improvement of the quality of our offering in terms of network speed and data volumes; continuously striving to create and enhance value for our customers, whilst ensuring that Telecom Namibia remains competitive and sustainable in the market.

Throughout the year our pricing initiatives continued towards supporting TN's Strategic Pillar: Sustainable growth and customer experience with the objective of reducing total cost of servicing individual and business customers, increasing revenue related to TN's products and services, ensuring a strong competitive position. Costing and pricing structures are constantly reviewed for the different products and services to support these objectives, as well as mitigating competitive pressure on a national as well as on the international front. These structures are anchored on thorough by-annual product profitability evaluations and monitoring across all product streams during the year under review.



**Experience high-speed Internet access nationwide**

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

For more information, visit your nearest Teleshop, call us Toll Free 11000 or email [contact-us@telecom.na](mailto:contact-us@telecom.na)

## MARKETING OPERATING HIGHLIGHTS

### DURING 2022, THE FOLLOWING PRODUCT LAUNCHES AND PRICING INITIATIVES WERE IMPLEMENTED:

#### ■ Speedlink upgrade

Telecom Namibia Speedlink broadband products speed were upgraded free of charge setting 4 Mbps as a minimum download speed. This initiative reaffirms the company's commitment to exceed the broadband minimum speed set by the national broadband strategy and Harambe Prosperity Plan 2, as well as the SADC Ministerial broadband directive. The migration to higher speeds is a phased approach and commenced from 27 November 2017. Customers that could not be migrated saw a general reduction in price levels.

#### ■ Speedlink Enhancement

Telecom Namibia Speedlink Independence, Winter & Spring packages offered affordable rates for asymmetric Speedlink home 6Mbps, Speedlink lite 6Mbps and Speedlink Prepaid 6Mbps packages; as well as on Fibre-powered premium packages namely, Speedlink liteplus 25Mbps, 50Mbps, 75Mbps and 100Mbps. Additionally, all residential subscribers of Speedlink Independence, Winter & Spring got extra value addition of a once-off tn mobile data top-up of 3.2GB upon activation of their service and the customer opting for a 36-months contract option got free installation.

#### ■ Speedlink 10Mbps

Telecom Namibia Speedlink 10Mbps offered existing postpaid residential and business customers the opportunity to upgrade from 8Mbps to 10Mbps packages for a monthly incremental fee and new postpaid customers an opportunity to sign up for 10Mbps packages at discounted rate for 36 months contracts. All Speedlink 10Mbps subscriptions excluded CPE, which the customers had the option to purchase on once-off cash or monthly instalment basis. In addition, the Speedlink 10Mbps offered the prepaid residential and business customers the opportunity to sign up for the Speedlink Prepaid 10Mbps package at a discounted rate pre-bundled with 30GB once-off tn mobile data.

#### ■ tn1 Prepaid Top-up Bundle

tn1 Prepaid Top-up Bundle is a subscription-based package that allows existing tn1 customers to top-up their tn1 hybrid mobile number with 100 minutes and 20GB mobile data at any time of the month which will expire at the end of the same month.

#### ■ Fixed Cordless Phone/ FlexiCall Starter Pack Bundles

Telecom Namibia fixed cordless phone offered customers the option to purchase a stand alone Motorola C1001LB cordless phone or Motorola C1001LB bundled with FlexiCall Starter Card.

#### ■ Annual Pricing and Tariff Review

Telecom Namibia adjusted tariffs upward for the following services: DEL (Direct Exchange Line) and ISDN (Integrated Services Digital Network) services, as well as call out fees and installation for DEL, ISDN and Speedlink services.

#### ■ BizConnect, BizLink, National and International Bandwidth Service pricing

The Telecom Namibia board approved downward price review of the following services: BizConnect, BizLink, National Bandwidth and International Bandwidth services, which is anticipated to be implemented during December 2022 of the next FY 2022/2023. This will provide more affordable services to customers, especially business customers.

### MOBILE PRODUCTS

#### ■ 14-Day Prepaid Unlimited Data Boost

Telecom Namibia 14-Day Prepaid unlimited Data Boost offered TN mobile Prepaid and Hybrid customers 14 days Prepaid Unlimited Data at a single subscription.

#### ■ 90-Day Prepaid Unlimited Data Boost

Telecom Namibia 90-Day Prepaid unlimited Data Boost offered TN mobile Prepaid and Hybrid customers 3 months Prepaid Unlimited Data at a single subscription.

#### ■ 180-Day Prepaid Unlimited Data Boost

Telecom Namibia 180-Day Prepaid unlimited Data Boost offered TN mobile Prepaid and Hybrid customers 6 months Prepaid Unlimited Data at a single subscription.

#### ■ Weekend Jiva

Telecom Namibia Weekend Jiva offered TN mobile prepaid and hybrid customers 200 mobile voice minutes, 150 SMS and 5GB mobile data valid for 3 days over the weekend from Friday 00:01 to Sunday 23:59. The subscription is valid for 3 days.

#### ■ Jiva Bundles (Data & Voice)

Telecom Namibia Jiva Bundles enables TN mobile prepaid and hybrid Jiva customers to top up extra minutes and data if their main Jiva Voice and Data wallets are depleted.

#### ■ World Telecommunication Day Double up airtime

Telecom Namibia World Telecommunication Day Double up airtime offered TN mobile prepaid and hybrid customers double up airtime on every recharge. The recharges included physical and direct top up for tn mobile.

#### ■ Annual Independence Celebration Day Jiva

Telecom Namibia Independence Jiva offered TN mobile prepaid and hybrid customers 32 Voice Minutes, 32 SMS, 32GB Data, 32 daily free voice minutes between 15h00 and 15h32 and Night Surfer.

#### ■ Annual Heroes Day Jiva

Telecom Namibia Heroes Day offered TN mobile prepaid and hybrid customers 5.6GB mobile data free valid for 7 days after a successful single recharge of N\$30.00 or more. The recharges included physical and direct top up for tn mobile.

# Get Fast Unlimited Data on tn mobile prepaid

## 1-DAY PREPAID UNLIMITED DATA BOOST

N\$ **35**

(ONCE-OFF)  
VAT Excl.

Get fast unlimited  
access for 24 hours

Dial \*130\*49# to subscribe

## 7-DAY PREPAID UNLIMITED DATA BOOST

N\$ **205**

(ONCE-OFF)  
VAT Excl.

Get fast unlimited  
access for 7 days

Dial \*130\*299# to subscribe

## 14-DAY PREPAID UNLIMITED DATA BOOST

N\$ **369**

(ONCE-OFF)  
VAT Excl.

Get fast unlimited  
access for 14 days

Dial \*130\*14# to subscribe

## 30-DAY PREPAID UNLIMITED DATA BOOST

N\$ **705**

(ONCE-OFF)  
VAT Excl.

Get fast unlimited  
access for 30 days

Dial \*130\*998# to subscribe

## 60-DAY PREPAID UNLIMITED DATA BOOST

N\$ **1,199**

(ONCE-OFF)  
VAT Excl.

Get fast unlimited  
access for 60 days

Dial \*130\*1499# to subscribe

## 90-DAY PREPAID UNLIMITED DATA BOOST

N\$ **1,599**

(ONCE-OFF)  
VAT Excl.

Get fast unlimited  
access for 90 days

Dial \*130\*2199# to subscribe

## 180-DAY PREPAID UNLIMITED DATA BOOST

N\$ **2,857**

(ONCE-OFF)  
VAT Excl.

Get fast unlimited  
access for 180 days

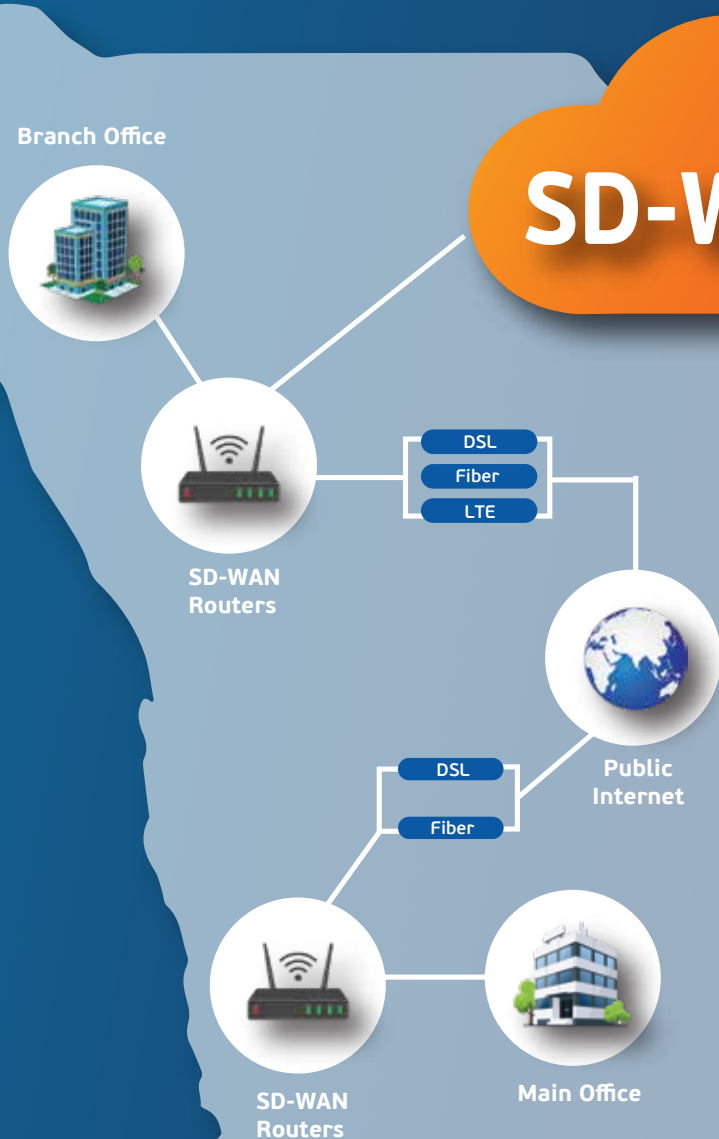
Dial \*130\*2859# to subscribe

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

## OUR PRODUCTS & SERVICES

RETAIL	CORPORATE	WHOLESALE/ INTERNATIONAL
<b>VOICE SERVICES</b> Basic Telephony ISDN My Number Talk International (Residential) Talk International (SOHO and SE) FlexiFixed Prepaid Service Flexicall Cards & Vouchers <b>VALUE ADDED SERVICES (VAS)</b> Three Party Call Call Waiting Call Forwarding (Immediate) Call Forwarding on No Reply Call Forwarding on Busy Abbreviated Dialing Outgoing Call Barring (Customer controlled) Outgoing Call Barring (Fixed) Incoming Call Barring Total Call Barring Detailed Billing Call Screening List (Fixed) Call Screening List (Customer controlled) Caller ID Caller ID Restriction Reminder Service <b>IP SERVICES</b> Speedlink Home Speedlink Prepaid Speedlink lite & Speedlink liteplus Satlink Wi - Space Cyberjoy Smart player <b>FIXED MOBILE CONVERGENCE SERVICES</b> 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 <b>IT SERVICES</b> iWeb iDomain iSite iLink iMail Fax2Email & Email2Fax Smart Hosting E-Statement Video Conference <b>INFRASTRUCTURE &amp; OTHERS</b> Telephone Handsets & PABX Systems Directory Services <b>MOBILE SERVICES</b> Mobile Voice Mobile Data Roaming Gateway & Bulk SMS Mobile CPE/Handsets	<b>VOICE SERVICES</b> Basic Telephony ISDN Toll-Free Services Least Cost Routing <b>DATA SERVICES</b> Data Links National Express Routes <b>IP SERVICES</b> 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 SD-WAN <b>FIXED MOBILE CONVERGENCE SERVICES</b> tn1 MaxiPro tn1 Corporate Call Back <b>IT SERVICES</b> Video Conferencing iWeb iDomain iSite iMail Fax2Email & Email2Fax Smart Hosting E-Statement <b>INFRASTRUCTURE &amp; OTHERS</b> Structured Cabling Telephone handsets & PABX Systems Directory Services Co - Location Site sharing Marine Services <b>MOBILE SERVICES</b> Mobile Voice Mobile Data Roaming Gateway & Bulk SMS Mobile CPE/Handsets	<b>VOICE SERVICES</b> ISDN Toll-Free Services Inmarsat Operators/Interconnect <b>DATA SERVICES</b> International Express Routes Data Links National Express Routes Ethernet Express: National Ethernet Express: International Broadcasting Services <b>IP SERVICES</b> 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 SD-WAN <b>INFRASTRUCTURE &amp; OTHERS</b> Co - Location Site sharing <b>MOBILE SERVICES</b> Mobile Voice Mobile Data Roaming Gateway & Bulk SMS Mobile CPE/Handsets

Telecom Namibia offers your organization simplified and secure SD-WAN options for multiple branch office operations, with enhanced efficiency. The product is available as standalone SD-WAN offerings or hybrid solutions added to existing MPLS/BizConnect links.



### Benefits of SD-WAN

- Increase Application Performance and Visibility
- Enhanced Agility and Responsiveness
- Simplified WAN Edge Architecture
- Improved WAN Security
- Lower WAN Costs
- Integrated 4G/LTE capability

For more information, send your request to your **Account Manager** or to **[contact-us@telecom.na](mailto:contact-us@telecom.na)**.

## TECHNICAL OPERATIONS AND PROJECTS

### NETWORK TRANSFORMATION AND MODERNISATION

Telecom Namibia provides integrated fixed and mobile services in the ICT converged market in Namibia. As part of our five-year Integrated Strategic Business Plan (ISBP), our focus for the next few years will be on the following:

- Evolving and modernising all domains of our network through accelerated investment and deployment. TN needs to evolve its network and IT systems to meet current and future market and business needs, optimised for data delivery, security and provision of any service over data.
- Accelerate investments and fast-track rollout of mobile and fiber last mile access across the country (replacement of copper).
- Consolidating the voice core network for both fixed and mobile to support FMC offerings and prepare for 5G.
- Implement digital transformation roadmap initiatives to improve business operations, customer touchpoints and open new revenue streams while leveraging partnerships.
- Improving our processes and driving automation and improve customer touchpoints.
- Focus on culture change and talent development, to retain the right people and have the right skills mix in place to support our strategic goals.

Telecom Namibia's turnaround strategy requires among others, that key network infrastructures, platforms and systems be upgraded and modernised. TN has made progress on the planning and resource mobilization that are required to get the four major projects kicked off. These projects and the related dependencies are aimed at improving network layers, IT systems and service delivery capabilities transformation and modernization.

The current network systems layers are made up of legacy and end of life systems. These will significantly be replaced through the network and IT systems modernisation plans. The network and IT systems modernisation projects will not only ensure TN's long-term competitiveness but will also serve as the foundations for 5G and other emerging technologies.

#### Expand Mobile Network

TN continues to expand and strengthen our mobile network coverage and capacity through investing in our mobile network rollout. Over the 2021/2022 Financial Year the network footprint was extended by 46 base stations across the country. All new base stations added to the network are 4.5G with upgradable roadmap to 5G. The construction, completion, and timely availability of towers in areas where TN wishes to expand the mobile network remains a challenge.

#### Our Fixed based Broadband Network

The expansion and rollout of FTTH network across the country continued and by the end of the financial year the houses passed increased by 30% (to a total of over 15,000) and connected customers grew by 65% (to a total of over 5,000). The existing copper network is no longer suitable and not sufficient to support the current and future broadband speed demanded by our customers. In addition, the increased level of vandalism, theft and repeated damage pose a huge risk to service stability and the copper network will gradually be replaced through our accelerated FTTH rollout project across all major towns in Namibia.

#### DWDM Network

Telecom Namibia completed the planning and procurement process for the required systems to upgrade the existing core transport network. This project will enable our DWDM network to be ready to handle n x 100 Gbps capacities with optical switching capabilities. This project is aimed to improve the resilience of TN and enhance the Company's capabilities to carry large volume of transit capacities from border to border, connectivity to submarine cables landing stations and national PoP to PoP connectivity.

#### Submarine Cables

TN is participating in the 4<sup>th</sup> WACS upgrade that started in the first quarter of 2023. TN has also acquired capacity in Equiano, a google cable, with its landing managed by Paratus in Swakopmund. These investments will ensure that TN and Namibia have sufficient submarine capacity for its current and future business needs. These projects will be completed in the 2022/2023 financial year.

#### Converged IT Infrastructures

We are in an era of great adoption and use of cloud-based services and have reviewed the current Applications readiness for cloud deployment. TN's medium to long term plan is to adopt a hybrid model comprising of on-premises and cloud-based infrastructure. Telecom Namibia implemented the first phase of its converged, scalable IT Infrastructure and has migrated several systems and applications to the new infrastructure. The established infrastructure enables TN capabilities to consolidate the IT Infrastructure footprint, upgrade legacy systems and serves as a foundation for its long-term plans of hybrid cloud adoption.

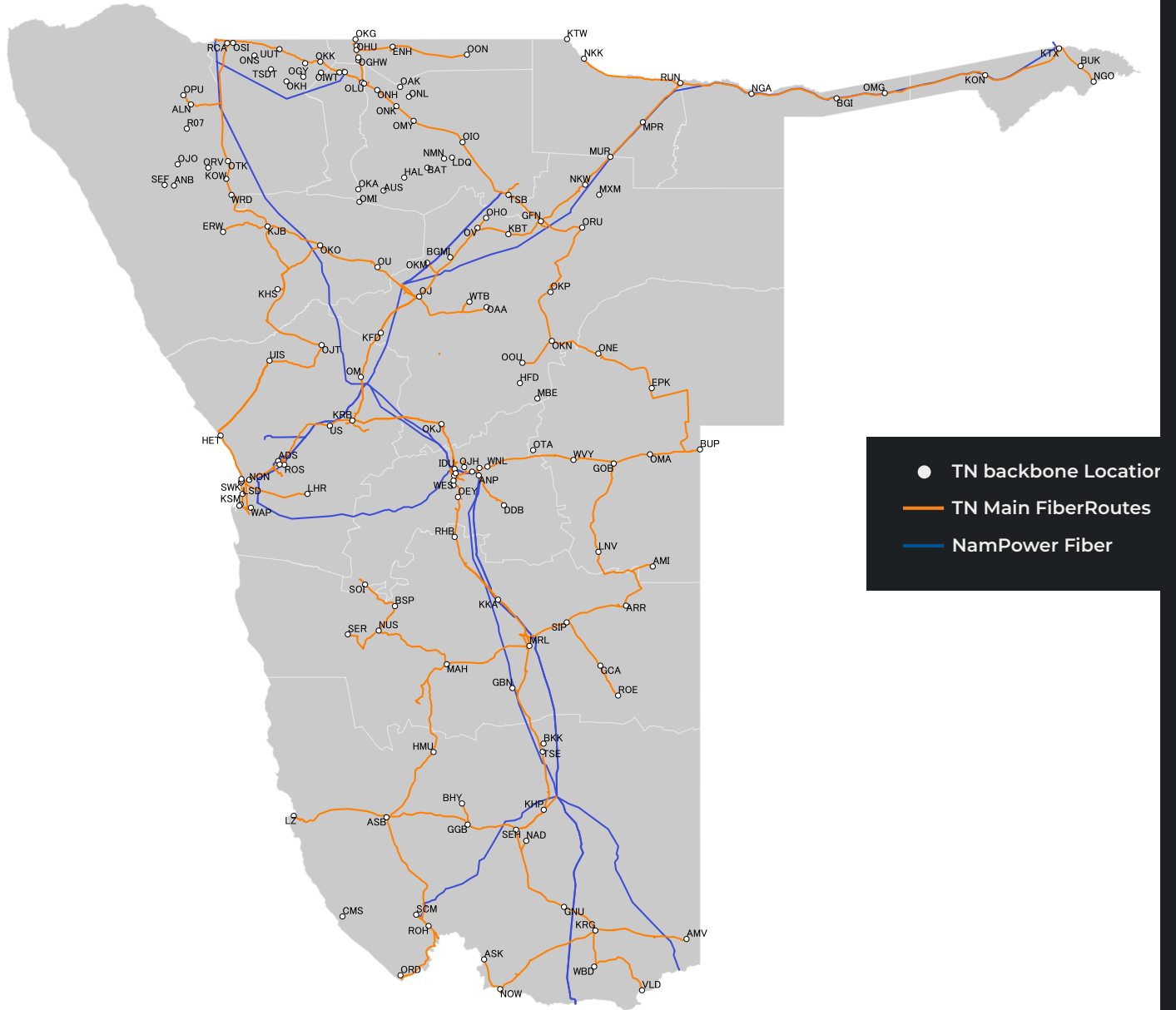
#### Power Systems Upgrade

TN approved and started the implementation of a project aimed at upgrading the batteries sets at several sites across the country. The batteries are deployed at mobile sites to improve the autonomy to at least 4 hours. Through this project, over 1 500 batteries are acquired to be installed at over 150 mobile service sites. The project will be completed in the 2022/2023 financial year.

### DIGITAL TRANSFORMATION AND INNOVATION

TN has developed a digital transformation roadmap, but the deployment of identified initiatives has been delayed due to limited funding within the financial year. The Digital Transformation roadmap will serve as a guide for our investments focus areas and is aimed to enable 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 and human talent and data management and monetization. The identified initiatives, projects and programs will aid in addressing the identified weaknesses in those domains. TN will continue to embrace and explore viable partnerships to improve innovative solution adoption and deployment. Cybersecurity capabilities and services remain central to all our future plans and network modernisation. Telecom Namibia intends to do a number of services through smart partnerships.

## Telecom Namibia and NamPower National Fiber Links



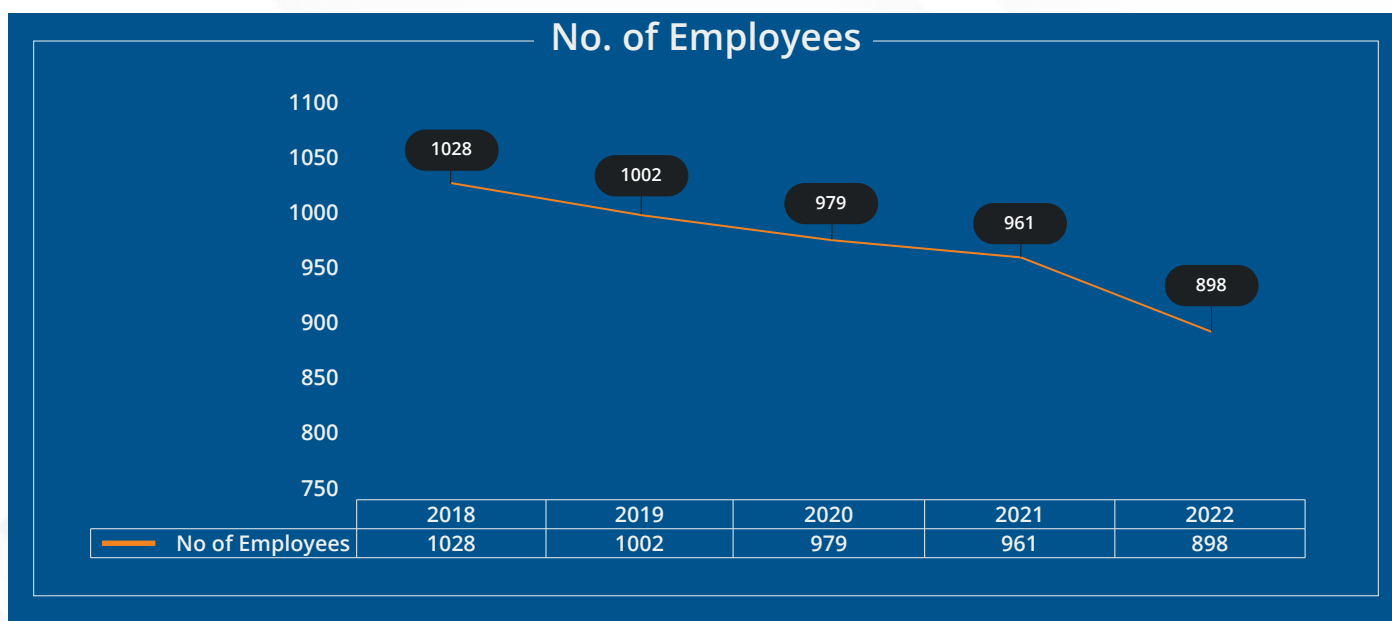
## HUMAN RESOURCES

Inculcating a digitalized culture remains a critical strategic imperative for Telecom Namibia as we embrace a Digitalized Future. Our Human Capital continue to remain an important asset in driving Telecom Namibia to become the Preferred Digital Service Provider as we are unleashing our Digital Strategy Roadmap. The journey to transform the Company from a traditional Telco into a digital service provider is underway. Telecom Namibia scored 1.94 in terms of the Digital Maturity Model Assessment Score. For Telecom Namibia to achieve a score of 4.23, a Change Management and Leadership framework has been developed to accelerate and respond to Telecom Namibia's Digital Readiness as per the TM Forum assessment Report on Digital Transformation.

Our human capital continues to strive to deliver their best in realizing the strategic intent of the Company. Our employees provide services to our customers to the best of their abilities, enhancing customer experience and improving our efficiency levels as we embark on the digital transformation roadmap with the purpose to drive a high-performance culture and leadership excellence.

### OUR HUMAN CAPITAL

Telecom Namibia has a staff complement of 898 employees duly empowered to ensure that Telecom Namibia keeps up with the ever-changing global and local business and technological digital driven environment.



The staff complement comprises of **898** permanent employees, **150** contract workers, **39** practical students/trainees, **11** apprentices. Our headcount YoY decreased by 7%. The Telecom Namibia human capital is on a trajectory decline impacted by natural attrition and the FIMA Regulations being considered. The company has also implemented a moratorium on talent acquisition to curtail the escalating labor costs.

Telecom Namibia has an overall 39% women representation at all the job categories, which is above the 34% target of the 3 Year Affirmative Action Plan. The 61% represents males which is largely attributed to the predominant male dominance in the telecommunications industry. 96% of the TN population is Racially Disadvantaged males and females. Telecom Namibia has a representation of 60:40 ratio at Executive Management level, with women in the majority.

Our Employee **Turnover for Resignations** Year on Year has increased significantly by 100%. This is attributed to the high levels of natural attrition and the pending FIMA Regulations.

	2020	2021	2022
	0.8%	1.2%	2.56%

Telecom Namibia Employee Turnover Rate including natural attrition during the year under review was 2,56% which is below the industry norm of 5%.

### Our Average Tenure

2019	2020	2021	2022
12 years	13 years	13 years	17 years

### Our average Age:

2019	2020	2021	2022
43 years	44 years	44 years	43 years

### Talent Acquisition

Telecom Namibia acquired **22** new employees at Executive Level and Skilled Jobs. The majority of the talent was sourced from the Company's in-house Apprenticeships programme to fill critical positions in the Company in the skilled job level category. Of the twenty-two (22) talent onboarded 59% were women.

## Talent Engagement

Telecom Namibia operates in a highly competitive environment, and we believe that engaged employees enhances transparency and openness in the communication to our employees. We entirely believe that engaged employees are satisfied and productive employees. We extensively engaged our talent in all aspects as narrated below to ensure that the strategic deliverables are clearly communicated.

- The Company continue to invest in talent engagement and to ensure that all employees are informed of the Company performance through the interventions such as the OAC, PDRs, Strategic Charette anchored on a 360-degree approach, where all employees are participating online, and questions are attendant to instantly.
- We successfully had Retirement Counselling Sessions to prepare our precious human capital to retire with valuable information in terms of the finances and the well-being after retirement.
- The Company successfully crafted a Covid-19 Pandemic Policy and successfully socialized this with the social partners.
- The Company successfully engaged employees on financial related programs and various prayer sessions were held to aid employees in the Post Covid Trauma Counselling services;
- Long serving employees are continuously engaged on an annual basis in the award of 10, 15, 20, 25, 30, 35, and 40 years of services.

In the drive to perfect and inculcate a performance driven culture, the Company is in the process of rolling out the Automated Performance Management System and HR Success Factor to perfection.

## Remuneration and Rewards

- Telecom Namibia has successfully negotiated with NAPWU for a 3.3% inflationary adjustment for all the employees.
- The Company continues to reward long serving employees in the categories of 10 years to 40 years.
- The Company commissioned the implementation of the Non-Sales Commission and Sales Commission for the Teleshop Agents with the purpose of increasing sales and drive revenue generation.
- Telecom Namibia continues to conduct benchmarks to assess the comparative relativeness with the market.

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

## Talent Retention

Our talent retention strategy is encapsulated in the varied talent management strategies. For Telecom Namibia to remain an Employer of Choice the Company will review its Employee Value Proposition (EVP) and align the EVP to the expectations of the 4<sup>th</sup> Industrial Revolution to enable Telecom to retain talent and attract potential talent in digital disciplines that will enable TN to evolve as the Preferred Digital Service Provider.

## CULTURAL TRANSFORMATION - CHANGE MANAGEMENT AND DIGITAL TRANSFORMATIONAL LEADERSHIP

The journey to transform the Company from a traditional Telco into a digital service provider is underway, for Telecom Namibia to achieve a score of 4.23. Telecom Namibia scored 1.94 in terms of the Digital Maturity Model Assessment Score. A Change Management and Digital Transformational Leadership framework has been developed and a Cross Functional Team has been appointed to accelerate and respond to Telecom Namibia's Digital

Readiness as per the TM Forum assessment Report on Digital Transformation. The Change Management and Digital Transformational Leadership Cross Functional Team is due to complete the assessments of the six (6) dimensions that looks at (1) Culture, (2) Processes, (3) Technology, (4) Strategy, (5) Customer and (6) Operations;

The Cross Functional Team on Change Management and Leadership is at an advanced stage of finalizing the Change Management Strategy with 80% of work completed. The team, using the TM Forum Digital Transformation readiness assessment model as a baseline in determining the Change management gaps, generates gaps bridging solutions that will then be translated into change management strategy.

The change management strategy will be embedded into overall corporate strategy to ensure alignment of KPIs and measures as well as the monitoring and control tools to ensure performance tracking.

## DIVERSITY AND INCLUSION

Telecom Namibia is AA compliant and conforms to the requirements of the Employment Equity Commission. The Company has been a recipient of the Affirmative Action Compliance Certificate. The Company has a three (3) Year Affirmative Action Plan and Report for the period under review.

All affirmative action imperatives are managed and led by the Affirmative Action Committee and budgetary provision is made for under the Chief HR Officer, Consultancy Budget.

## SUCCESSION PLANNING

A robust succession plan for mission critical and leadership roles to ensure continuity at strategic, tactical, and operational level is fostered. Employees who will be identified as potential successors shall be trained and groomed for eventual succession in line with policies and procedures. The process has kickstarted at the Executive Level and will cascade across the business.

## EMPLOYEE RELATIONS

Telecom Namibia holds the view that it should consult employees on matters which significantly affect employees' interests, and which can contribute to a more effective operation.

Such consultation has been taking place through formal and informal meetings (Employee Engagement Forums) on a face-to-face basis or virtually on Microsoft Teams or properly constituted consultative committees.

The Company seeks the exchange of ideas, information, and opinions on matters of mutual concern between itself and all its employees as well as the Union to maximize the effectiveness of the relationship between the parties.

In that regard the Company promotes the existence of a sound relationship between management, employees and the Union that contributes to the achievement of corporate goals and long-term sustainability.

The Parties met from 26 to 29 October 2021 to review and strengthen their relationship and addressed employees' issues of concern. The Parties have entered into a Memorandum of Agreement to commit themselves to address the concerns and common objectives raised at the meeting in a continuous, effective, and efficient manner.

## HUMAN RESOURCES

### EMPLOYEE WELLNESS

Telecom Namibia continues to operate in a safe and healthy working environment for the individual employees, and the general community. The Company has created a culture of safety, health and environmental concern which promotes and maintains the highest possible level of physical, mental, and social well-being. With the outbreak of the Covid-19 pandemic, Telecom Namibia has designed a Pandemic Policy to be implemented in the new financial year, once approval is obtained.

### HUMAN RESOURCES DEVELOPMENT

Building internal capacity remain one of Telecom Namibia's cornerstones. During the period under review Telecom Namibia invested N\$7 million (N\$6.3 million: 2021), (N\$5.6 million: 2020) in skills and capability building through its training, development and organizational effectiveness deliverables.

The Company has invested in the following development programmes amongst others:

FTTX, WTTX, Mobile, ADSL, WIMAX, TD-LTE	Fixed Products Training for Key Account Managers	NUST Secretaries Convection
Zsmart	NGBSS	SAP HR, CRM, Calabash Tech
Cybersecurity	eTom Business Process Re-engineering	Ms Teams & Yammer
VSAT CPE Installation and Maintenance	Product and Service Training	Occupational Health and Safety
Optical Fibre Splicing and Testing on FTTx Networks	Customer Service and Telephone Etiquette Training	Train the Trainer for Mentors
Basic Digital Logic Systems	Incident Investigation and Reporting	Job Grading Training
Molex DBI30 Structured Cable	Ubiquiti Broadband Wireless Specialist, Wireless Admin	Basic Electrical
Optical Fibre Training	Structured Cabling Theory Training	Protei SCP
IT Fundamentals	CNNA - EXEDIN, CISSP-ISC	CompTIA Security
Excel Advanced CTS	Mobile Products Training	Calabash

For the period under review Telecom Namibia has not onboarded the Graduate Recruitment Programme for Engineer-in-Training (EITs), Engineering Technician-in-Training (ETIT), and Information Technology Technician-in-Training (ITITs).

Sixteen (16) Trainees participated in the Apprenticeship Programme. As part of the succession planning thirteen (13) apprentices have already completed the Apprenticeship Programme and have been appointed as Telecom Electricians, i.e., Cable Jointer or Fitter Faultsmen, across the country at different duty stations. An additional 3 apprentices are about to exit the programme and are recommended for appointment as TEs in Okahandja, Otjiwarongo and Rehoboth respectively. The Company has also invested in forty-one (41) interns for practical attachments at the Company in the various divisions of the Company. The investment of the interns were significant.

The Telecom Namibia Apprenticeship programme is part and parcel of the NTA-GAN-NEF nationwide program and is aimed at addressing the succession of Telecom Electricians across the country at different duty stations. The Company has onboarded Interns to offer students from local universities and Telecom Namibia employees who are pursuing further studies the opportunity to complete their practical/experiential learning.

Additionally, the Company has onboarded thirty-three (33) Technical Assistants/Senior Technical Assistants to be developed as Telecom Electricians to fill the vacuum of the technical experts through natural attrition. The thirty-three (33) Technical Assistants/Senior Technical Assistants are expected to complete the programme in the new financial year.

The Women in Technology Programme is going strong and focus on developing women in various programmes to enhance and grow the leadership, management, strategic, technical and digital competencies with the view to build capacity as we embark on a digital journey.



## INTERNAL AUDIT AND RISK MANAGEMENT

### GOVERNANCE OF RISK

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

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

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

### Management of Enterprise Risk

The top enterprise risks are identified through a robust process that includes content gathering from internal and external sources, followed by detailed analysis and curation of the information and then prioritisation. Material and strategic risks are then tracked and reported on at Executive level as well as at Board level, through the Board Audit and Risk Management Committee, on a quarterly basis. In the category of identified, confirmed, and rated risks, 'risk owners' have been named. It is the responsibility of the risk owner to ensure that an appropriate treatment of the risk is prescribed, implemented and progress in risk management is monitored on a continual basis.

### Top 10 Risks

Our top enterprise risks are the issues that could have a material impact on our ability to achieve strategic objectives. They are risks from all categories of our risk universe and can be prevalent or emerging risks. These risks are recorded and tracked through the Corporate Risk Register.

High Level Material and Strategic Risk	Risk Rating
1. Poor change management of internal transformational initiatives	● - High
2. Changing market and competitive environment	● - High
3. Inability to deliver innovative solutions timeously	● - High
4. Compromised customer experience	● - High
5. Changing legislative and regulatory environment	● - High
6. Improving ESG practices for a sustainable business	● - High
7. Increased cyber attacks	● - High
8. Disruption in supply chain and slow implementation of business continuity management	● - Medium
9. Financial sustainability	● - Medium
10. Inability to attract and retain suitable, resilient and healthy workforce	● - Medium

### Future outlook for risk management

There is a necessity of strengthening the risk management process in an effort to fulfil this goal as recommended by the NamCode and the King IV Report on corporate governance. During 2022, the Board approved the risk management transformational roadmap to increase the Enterprise Risk Management practices maturity-level from a stage of infancy to developed which increases the likelihood of achieving business objectives.

### This will be achieved by implementing the following:

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

### INDEPENDENT INTERNAL AUDIT FUNCTION

Internal Audit is an integral part of Telecom Namibia's governance structures and functions under policies established by Exco and the Board. The Internal Audit Department provides assurance that material risks are identified and managed and provides oversight that adequate control systems are implemented to manage risk. In strengthening its oversight, is to move from compliance-based audits to risk-based to provide meaningful improvements around risk management, internal controls, and governance processes.

The current focus completed, was to align the Internal Audit strategy with the corporate strategy aiming to make a meaningful contribution to the overall governance of risk. The future focus areas will be to bring the Internal Audit Charter in alignment with the latest Institute of Internal Audits (IIA) International Standards for the Professional Practice of Internal Auditing, as well as to improve its business processes to deliver more relevant internal audits aligned to the risk profile.

### EMBEDDING ETHICAL CONDUCT

Telecom Namibia has zero tolerance towards misconduct and poor ethical behaviour with the update of the Telecom Namibia Code of Business Conduct and Ethics Policy adopted and signed by the Board of Directors in May 2022. This demonstrates continued expectation of the commitment by Telecom Namibia employees to promote honest, truthful and ethical conduct, and foster compliance with the letter and the spirit of all applicable laws by all employees of the Company.

Although delays were encountered in the establishment of an independently managed ethics hotline and fraud risk management policy frameworks due to cost containment, interim measures were made where employees could report transgressions. Our medium-term priority is to secure the funding for the implementation of the hotline to increase the anonymity of fraudulent activity reporting.

## TELECOM COMPLIANCE

Telecom Namibia's compliance follows a three-pronged approach which is informed by its operations. These are (i) the regulatory universe, which deals with compliance with legislation, (ii) the external reporting obligations, which deals with all Telecom Namibia's reporting obligations to external stakeholders and regulatory institutions, and (iii) company policy compliance, which ensures organisational policies are in place and regularly updated.

In the year under review, the approved Compliance policy and compliance Management Framework which formally established the compliance objectives in Telecom was still being implemented. The compliance universe is being updated, and the finalization of the Compliance Risk Management Plan is targeted for approval in the 2022/23 financial year.

Compliance reports remain a standing agenda for the quarterly Board Audit and Risk Committee meetings to enable quarterly reporting on the company's level of compliance and provide assurance to the Board. Telecom remains significantly compliant with its various compliance obligations save for its inability to comply with number portability and some of the quality-of-service obligations, which non-compliance the company is in its advanced stages of addressing through the implementation of the OSS BSS, FMC core and network expansion projects.

During the year under review, compliance training on the quality-of-service obligations was conducted to create awareness and educate staff on these compliance obligations.

### Key regulatory landscape that impacted Telecom Namibia's Operations

- **High court judgment on CRAN levy.** The high court declared the amended section 23 of the Communications Act unconstitutional, as such, no regulatory levy will be payable until a newly amended section 23 of the Communications Act has been promulgated or unless the Supreme Court makes a ruling in favour of CRAN.

- **Universal Access levy.** This levy was proposed to be 0.5% of the gross turnover of Telecom and was estimated to commence around October 2022, however, the rollout of universal access levy services is affected by the CRAN levy ruling and as a result, CRAN will not be able to collect universal access levy until a newly amended section 23 of the Communications Act has been promulgated or unless the Supreme court makes a ruling in favour of CRAN.
- **Sim Registration.** New regulations were passed that mandated sim registration within Namibia from 1 January 2023. Telecom has commenced with sim registration.
- **5G implementation and Spectrum Assignment Strategy.** Cabinet approved the implementation of 5G within Namibia and CRAN has published the spectrum assignment strategy which shows how and when the spectrum required for 5G will be assigned.
- **Price Cap regulations.** The regulator is currently of the view that prices for telecommunications services are high and has published a study which proposes a gradual reduction in the prices for SMS, voice and data. Regulator and industry engagement are still ongoing in this regard.
- **Termination Rates.** The termination rates for national voice calls were reduced from 0.10 cents to 0.05 cents during the year under review.
- **Public Procurement Amendment Act 2022.** The minister has published the commencement date for the implementation of some of the sections of the Public Procurement Amendment Act. Only the implementation of the amendments pertaining to the definition of the accounting officer and the two new procurement methods has been stayed.
- **Privacy and security.** The country is in the advanced stages of passing the Data Protection Bill and the Cyber Security Act and Telecom Namibia is gearing up for compliance with this law once it comes into force.

### FUTURE OUTLOOK

In the coming year, Telecom Namibia will continue to comply with new and upcoming laws such as the Access to Information Act.

## Know our short codes

SERVICE	SHORT CODE
Mobile Voicemail Retrieval	12300
Mobile Recharge and Balance Inquiry	12400
Mobile Prepaid Balance Inquiry	13900
Home Telemail Retrieval	10000
Remote Telemail Retrieval	10011
Flexicall Service	10033
Flexicall Recharge	10044
Call Maker Remote Charge	10066
Customer Contact Center	11000
Iway Inquiry	11444
Directory Services	11888



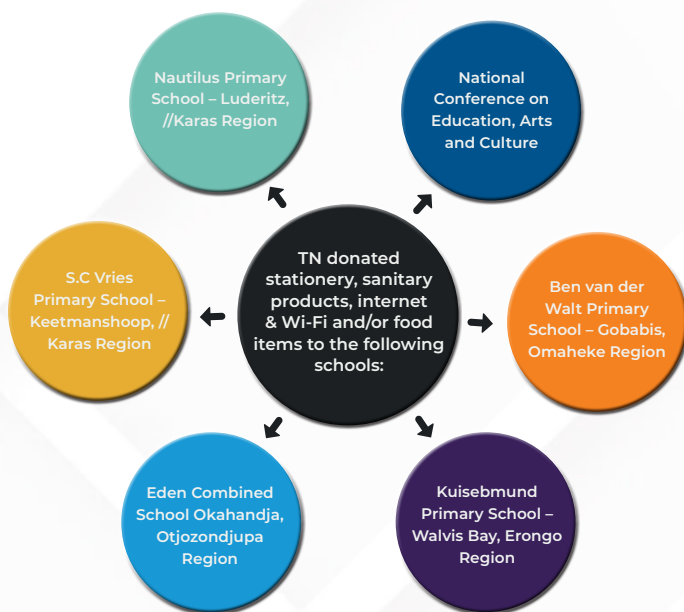
## CORPORATE SOCIAL RESPONSIBILITY REPORT

Namibia's social and economic challenges are vast and requires collaboration between the public and private sector to ensure sustainable solutions. Telecom Namibia is cognizant of the fact that sustainable change requires long-term investment and is committed to continue to support community initiatives to realize change and growth for Namibia and its people. As part of its goals, Telecom Namibia seeks to create a positive impact on the communities where it is present through key responsible alliances, community projects and patronage.

During the year under review, Telecom Namibia refined its corporate responsibility efforts, hampered by challenging economic conditions. We tried to be smarter, more streamlined and more efficient at delivering corporate social value through a few projects. It suffices to say that our level of CSR engagement in society cannot only be measured in monetary terms. CSR is integral to the way we operate at every level, underpinned by a strong pledge to corporate integrity. It is reflected in our policies and strategies, our conduct with employees, customers and other stakeholders, as well as in our commitment to supporting the Government in bridging the digital divide and further promoting the goals of the Harambee Prosperity Plan and the NDP5.

### EDUCATION

Telecom Namibia is committed to improving the quality of education, and supports the Government's agenda to deliver quality education and ensure the dignity of learners. During the financial year under review, the Company donated stationery, sanitary products, internet & Wi-Fi connection and/or food items to the following schools:



### UNAM CHANCELLOR'S INNOVATION FUND

During the year under review Telecom Namibia continued with its commitment towards the University of Namibia's Chancellor's Innovation Fund. Telecom Namibia lives by the philosophy to pay it forward, and through this TN and UNAM partnership, TN has done just that. TN envisages creating job opportunities and stimulating trade and economic activity through the new products and services that will be developed through the Chancellor's Innovation Fund. Through this collaborative effort, we set out to enable participants of the fund to take their innovative concept and ideas to tangible products and services offered to the Namibian market and beyond. We bring to life a vision aimed at enhancing opportunities for translating research and development into commercial products and services that can enhance the Namibian economy.

### 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 the 2022 financial year, we supported various communities around the country, albeit on a limited scale.

#### Shack Dwellers Federation

TN sponsored corrugated iron sheets (roofing materials) to the Office of the Regional Governor to the value of N\$ 50 000, for assistance towards the Shack Dwellers Federation (from Katjinkatji and Mururani) in the Kavango West Region.

#### City Police Toll Free Number of 302 302

The use of technology among other pillars is aimed to complement the conventional crime prevention methods that our law enforcement officers are applying on a day-to-day basis. Telecom Namibia continues to partner with the Service by consistently donating the Toll-free number of 302 302.

#### RABO in fight against Violence

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

#### Channel 7 - 27th Radiothon

Telecom Namibia was a proud sponsor of the internet connectivity and venue, in Henties Bay at the Channel 7 27<sup>th</sup> Radiothon online fundraising event.

#### Love Thy Self Youth Camp

TN sponsored the Love Thy Self Camp held in the Kavango East Region which is an empowerment conference that offers lessons to young women ages 14 -25 to improve life skills and to maintain healthy minds, a positive self-image and high level of confidence.

### SPORTS

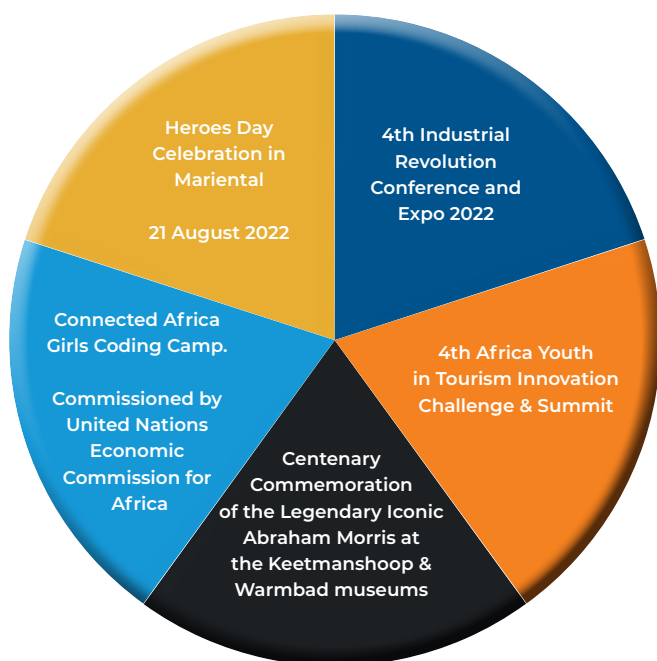
#### Baller Boys Youth Soccer Academy

TN sponsored the Baller Boys Youth Soccer Academy, which is in support of the development of boys' and girls' soccer skills, as well as encouraging positive involvement in society. TN assisted the Academy by helping these underprivileged children by donating to settle their debts which in turn allowed the children to get back into action and enable them to fulfill their hopes and dreams.

## GOVERNMENT SUPPORT

Telecom Namibia is committed to nation-building and socio-economic development of the country which has propelled the Company in transforming the telecommunication landscape and the broader ICT ecosystem of Namibia.

### SPONSORED THE INTERNET CONNECTIVITY AND WIFI



## WELLNESS DAY

Employee health affects more than just medical costs. A healthy workforce is a more productive workforce. We are proud to report that TN hosted its annual Employee Wellness Day during the 2022 financial year, where managers reinforced a sound wellness strategy to keep employees motivated and engaged. TN Wellness and incentive programs are used to drive and reinforce healthy behaviors, bringing benefits to the employer, the employee and to the community.

## ICT DEVELOPMENT

Telecom Namibia assures the nation of its commitment of being at the forefront of the technology frontier in enabling Namibia to reach its digital economy growth needs. The Company has entered into key strategic partnerships with leading organizations in science, technology, and research to help develop and deploy the next generation of cutting-edge ICT solutions and services.

### Internet Exchange Points (IXPs)

IXP's are regarded as a key component of modern Internet infrastructure and contribute to global network resilience and efficiency. TN is an active peering member at the IXP, where we are exchanging local traffic with other peering members (Operators) who are also present at the IXP like MTC, MTN, Bank Windhoek, NUST and Africa Online. To date TN contributed to the IXP by sponsoring hosting space at PPK and fiber connectivity between WGG – PPK.

## TRANSFORMATION

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

A total of 5,142 orders were placed during the year, of which 65% were awarded to qualifying small and medium enterprises or BEE companies in Namibia. This made up 45% 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.

### FOCUS FOR 2022/2023

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

#### Women Development

- Sponsoring women in SMEs and business
- Gender Based Violence assistance projects
- Projects that uplift woman in the rural communities

#### SME Development

- Rural SME projects
- ICT related SME projects

#### ICT Development

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

#### Education

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



The background of the entire page is a dark blue gradient. Overlaid on this are faint, semi-transparent white and light blue graphics. These include a line graph at the top with data points labeled 200, 280, 400, 410, and 360. Below the line graph is a bar chart with several vertical bars of varying heights. At the bottom, there is another bar chart with labels like 'Subdivision 2' and 'Subdivision 1'. The word 'ANNUAL' is written in large, bold, white capital letters across the middle of the page.

ANNUAL

# FINANCIAL STATEMENTS

2021 / 22

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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.

## INTRODUCTION BOARD OF DIRECTORS

### Composition and appointment

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

- Melkizedek Uupindi - Chairperson
- Amanda Hauuanga - Deputy Chairperson
- Melanie Tjijenda - Non-executive director
- Rowan Kleintjes - Non-executive director
- Fernando P Somaeb - Non-executive director

Non-executive Directors are appointed by the shareholder in accordance with the Public Enterprises Governance Act, 2019 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

As per the NamCode, the Board is responsible for corporate governance and has two main functions:

- 1) for determining the Company's strategic direction (and consequently, its ultimate performance); and
- 2) it is responsible for the control of the Company. The Board requires management to execute strategic decisions effectively and according to laws and the legitimate interests and expectations of all stakeholders.

The Board is committed to governance consistent with the relevant local and international best practices. The Board believes that good governance contributes to value creation through enhanced accountability, robust risk and performance management, increased transparency, effective leadership and a value-driven approach in all we do. Corporate governance means abiding by principles and structures that enable us to facilitate and foster good relationships between the Board, shareholders, stakeholders and employees and facilitating collaboration between our clients and their business partners.

The Board is governed by formal written Board Charter, which is reviewed every second year or more frequently, if necessary. The Board Charter is subordinate to the Articles of Association and any governing legislation and is designed to serve as a guide for directors' duties, in accordance with the principles of sound corporate governance, the appropriate legislative requirements, and codes of conduct.

### For the next 5 years, the focus will be on:

- Business process reengineering;
- Digital transformation;
- Effective and timely review of policies;
- enhancement of efficiencies;
- Enhancement of Board reporting;
- Integrated reporting;
- Risk-based internal audit;
- Evaluation of Board and Director Performance;
- Information Technology Governance

### Frequency of meetings

The Board annually approves the Board and Sub-Committee meeting calendar. The Board and Board Committees meet quarterly or more frequently if necessary.

### Delegation of Authority

The TN Board understands and accepts its responsibility as the custodian of corporate governance in Telecom. The governance structures provide for the delegation of the Board's authority, while enabling it to maintain effective monitoring and oversight.

### Board diversity and structure

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

The Board consists of Mr Melkizedek Uupindi, Independent Chairperson, Ms Amanda Hauuanga, Independent Deputy Chairperson, Ms Melanie Tjijenda, Non-executive director, Mr Fernando Somaeb, Non-executive director, and Mr Rowan Kleintjes Non-executive director. The Board is satisfied that its composition reflects the appropriate mix of knowledge, skills, qualifications, experience, age and race diversity relative to TN's future business requirements.

### Skills, knowledge, experience and attributes of directors

The Board is satisfied that the Directors possess the skills, knowledge and experience to fulfil their duties. The directors come from diverse backgrounds and bring to the Board a wide range of experience in legal, marketing, commerce, risk management, information technology, finance and audit. The Board is of the view that the non-executive directors all have a high degree of integrity and credibility and the strong independent composition of the Board provides for independent and objective input into the decision-making process, thereby ensuring that no one director holds unfettered decision-making powers.

The Board approves a training plan annually which is aimed at embedding governance outcomes, upskilling leadership and improving Telecom's ways of working.

### Succession planning

The Board is appointed by the Shareholder in compliance with the Public Enterprises Governance Act of 2019. The Board is divested of succession planning responsibilities. The decision to terminate or extend the term of a Board member rests with the Shareholder, the Shareholder ensures continuity by retaining at least one director on the Board when it appoints a new Board.

Our key statistics as at 31 September 2022 are set out below:

#### Independence

Director	Mix of Directors	Average number of Independent Directors
Melkizedek Uupindi	Independent Non-Executive Director	
Amanda Hauuanga	Independent Non-Executive Director	
Rowan Kleintjes	Independent Non-Executive Director	
Melanie Tjijenda	Independent Non-Executive Director	
Fernando Somaeb	Independent Non-Executive Director	100%

#### Diversity of Age

Director	Age	Average age of Board members
Melkizedek Uupindi	44	
Amanda Hauuanga	53	
Rowan Kleintjes	53	
Melanie Tjijenda	42	
Fernando Somaeb	38	46

#### Race

Director	Race	Black Board members as a percentage of all Board members
Melkizedek Uupindi	Black	
Amanda Hauuanga	Black	
Rowan Kleintjes	Coloured	
Melanie Tjijenda	Black	
Fernando Somaeb	Black	100%

#### Gender

Director	Gender	Gender mix
Melkizedek Uupindi	Male	
Amanda Hauuanga	Female	
Rowan Kleintjes	Male	
Melanie Tjijenda	Female	
Fernando Somaeb	Male	40% female 60% male

#### The Board's focus areas

The roles and responsibilities of directors are outlined in the Companies Act, the NamCode and the Board charter. In terms of the common law duty, a director must exercise his or her powers and perform his or her functions in good faith, for a proper purpose, in the best interest of the Company and with a degree of care, skill and diligence. The Board has to annually satisfy itself that its fiduciary duty and responsibilities as recorded in its charter were duly fulfilled.

#### Conflicts of interest management

The company secretary actively manages the conflicts of interest process at the start of each year, where mandatory annual declarations are updated by all directors. All directors disclosed any actual, potential or perceived conflict of interest to the governance structures on which they serve during the year, and as and when their respective interests change.

## Meetings and attendance

Board	Paid/Not Paid	M Uupindi	A Hauuanga	R Kleintjes	M Tjijenda	F Somaeb
17 Nov 2021 NPTH quarterly meeting	Not paid	Present	Present	Present	Present	Present
16 Nov 2021 extraordinary meeting	Not paid	Present	Present	Present	Present	Present
16 Dec 2021 extraordinary meeting	Not paid	Present	Present	Present	Present	Present
17 December 2021 ordinary meeting	Paid	Present	Present	Present	Present	Present
23 Feb 2022 NPTH quarterly meeting	Not Paid	Present	Present	Present	Present	Present
15 Feb 2022 extraordinary meeting	Not paid	Present	Present	Absent	Present	Absent
16 Feb 2022 extraordinary meeting	Not Paid	Present	Present	Present	Present	Present
14 Feb 2022 PC AGM	Not Paid	Present	Present	Present	Present	Present
25 March 2022 AGM	Not Paid	Present	Present	Present	Present	Present
9 May 2022 ordinary meeting	Paid	Present	Present	Present	Present	Present
3 Jun 2022 Board Strategy Charette	Not paid	Present	Present	Present	Present	Present
13 July 2022 NPTH quarterly meeting	Not Paid	Present	Present	Present	Present	Present
29 July 2022 ordinary meeting	Paid	Present	Present	Present	Present	Present

## Board of Directors Fees

## SITTING FEES

	BOARD	SUB COMMITTEE
Chairperson	N\$ 14,372.65	N\$ 6,978.48
Director	N\$ 8,127.75	N\$ 4,762.47

## RETAINER FEES

	BOARD	SUB COMMITTEE
Chairperson	N\$ 8,677.14	N\$ 4,215.68
Director	N\$ 7,088.18	N\$ 2,719.33

## Board Committees

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

The four committees are the:

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

## AUDIT, RISK AND COMPLIANCE COMMITTEE

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

The Committee reports to the Board on the audits undertaken by the internal and external auditors, the adequacy of disclosure of information, and the appropriateness and quality of the system of risk management and internal controls. It reviews with senior management the management accounts and financial statements with the external auditors, reviews and approves the annual audit plans for the internal and external auditors and reviews the internal and external auditors' evaluation of the Company's system of internal controls.

As it is noted under this report's section on the Information Technology Committee, the effectiveness of the current billing system still represents a risk that influences the Company's ability to meet service order deliverables, the validity and completeness of network revenue billed to customers and debt-collection procedures. As such it has a negative impact on the Company's reputation and revenue. Management monitors monthly revenue closely by performing monthly analytical reviews to identify anomalies.

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

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

The Head of Internal Audit reports directly to the Chairperson of the Audit Committee with a dotted line of responsibility to the CEO. The Directors are responsible for preparing the financial statements and other information presented in the Annual Report in a manner that fairly presents the and the results of the operations and cash flows of Telecom Namibia and the Group. The financial statements set out herein have been prepared by management in compliance with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of the IASB and the Namibian Companies Act.

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

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

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

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

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

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

## HUMAN RESOURCES REMUNERATION COMMITTEE (HR REMCO)

The HR Remco is tasked to determine, develop and recommend to the Board the general policy and broad framework of the remuneration for the Chief Executive Officer, the Top Executive Management team and all other employees, competitive enough to ensure that sufficiently skilled employees are attracted to the Company, retained in the Company and kept motivated at all times. The HR Remco must further take into account all factors, which it deems necessary in executing these tasks. The HR Remco has to develop a remuneration policy that shall ensure that members of the Executive Management team of the Company and all other employees are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company.

### Remuneration Philosophy and Salary Determination Procedure Policy

The remuneration philosophy aims "to formalise TN's philosophy on employee remuneration in a manner that aligns and ensures remuneration policies and practices mirror and provide a leverage to the corporate business vision, mission and values that underpin the business strategies."

It further states that "a world-class high-performance telecommunications service provider must pursue competitive performance-based remuneration structures which exhort employees not only to be competent but exceptional."

Through its HR Remco, TN strives to meet the objectives outlined in the remuneration philosophy within the ambit of the Ministry of Public Enterprises Remuneration Directive of 2018.

The ultimate aim is to attract, motivate and retain high-caliber talent, and support the delivery of TN's strategy in a sustainable manner.

To ensure we remunerate all employees competitively, we use market and industry benchmarks as per the Salary Determination Procedures. In addition thereto TN subscribes to RemChannel to benchmark salaries against other Tier 3 SOEs, against competitors and the market at large. These benchmarks assist in determining appropriate market-related offerings.

### Remuneration objectives and principles

TN strives for full compliance with legislation, Company Board mandates, policies, recognition agreements, and other directives on remuneration.

Telecom strives to remunerate employees doing substantially the same work, within the same salary range. We recognise that there could be differences which are attributed to the following:

- The staff member's seniority or length of service
- Qualifications, ability, competence, critical skills or potential above required levels of performance for the job
- Individual performance
- Demotion due to restructuring without a concomitant reduction in remuneration
- Individual's lack of relevant experience for a job level
- Any other non-discriminatory differentiator

## Annual salary reviews

Remco approves annual salary mandates for management and bargaining unit employees. Several factors are considered including affordability, business results, individual performance, market competitiveness and economic indicators such as inflation, cost of living and labour market movements, to ensure fair and equal remuneration.

Bargaining unit employees' salary increases are subject to substantive negotiations and agreements concluded between Telecom and NAPWU.

## Performance management

TN is committed to inculcating a performance culture and systems which it deems critical strategic enablers that translate business vision into objectives and metrics aimed at achieving high performance with sustainable business results. The business strategy is cascaded through a performance contract approach. Goals are set at Executive management level and filtered down to subsequent levels. As objectives are filtered, they are adapted and translated to suit employees' specific roles. Cascading objectives allow managers and teams to align their activities with TN's strategic objectives.

The performance agreement aids in ensuring that there is alignment between the day-to-day operational work of all employees and the business strategy, while measuring and monitoring progress towards the strategic targets.

## Benchmarking

For the HR Remco to set appropriate remuneration levels for Senior Managers, Heads and Chiefs, remuneration is benchmarked by independent remuneration consultants, known as RemChannel.

The HR Remco ensures an appropriate peer group review is conducted to retain the integrity and appropriateness of the benchmark data. Senior Manager, Heads and Executive pay will continue to be benchmarked annually.

## Terms of reference

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

- To determine, develop and recommend to the Board the general policy and the fee structure for the Board and all its sub-committees;
- To determine, develop and recommend to the Board the general policy and broad framework of the remuneration of the CEO, the senior management team and all other employees. Remuneration policies are to be competitive enough to ensure that sufficiently skilled employees are attracted to the Company, always retained in the Company and kept motivated. In determining such policy, the Committee considers all factors which it deems necessary;
- The objective of such policy shall be to ensure that members of the senior management team of the Company and all other employees are provided with appropriate incentives to encourage enhanced performance and are rewarded for their individual contributions to the success of the Company in a fair and responsible manner; and
- Employee relations with the union as a stakeholder.

## COMMERCIAL COMMITTEE

### Terms of reference

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

The objectives of the Committee are:

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

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

Significant items discussed in 2021

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

## INFORMATION TECHNOLOGY (ICT) STEERING COMMITTEE

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

The objectives of the Committee are to:

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

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

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

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

## THE EXECUTIVE COMMITTEE

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

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

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

The EXCO is responsible for the following, *inter alia*:

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

### The composition of the EXCO is as follows:

Stanley Shanapinda	Chief Executive Officer
Sharidene Kisting	Chief Financial Officer
Laban Hiwilepo	Chief Technical Information Officer
Calvin Muniswaswa	Chief Commercial Officer
Armando Perny	Chief Marketing Officer
Kgomotso Hochobeb	Head: Internal Audit and Risk Management
Albertina Itana	Acting Head: Legal and Regulatory Affairs
Nomvula Kondombolo-Kambinda	Head: Corporate Communications and Public Relations
Dolly Nashandih	Acting Chief Human Resources Officer
Charmaine Gaingos	Company Secretary

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

The Group and Company annual financial statements are prepared in accordance with International Financial Reporting Standards and the Companies Act of Namibia and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments 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 2022 of N\$48 million (2021: N\$35 million) and the Company reported N\$33 million (2021: N\$1 million) respectively. Current liabilities exceeded current assets by N\$154 million (2021: N\$163 million) for the Group and by N\$252 million (2021: N\$242 million) for the Company at year-end. The Directors would like to draw attention to the fact the current year profit includes a gain of \$34 million the modification of the property lease with NPTH as disclosed in **note 5**. In addition, a gain of N\$51 million was recognised in the current financial year due to the release of regulatory levy liabilities and this is disclosed in **note 29**.

In line with strategic objectives, the Group aims to achieve earnings before interest, taxes, depreciation and amortization (EBITDA) margin of 15.67% plus by focusing on revenue growth, reducing operating expenses and managing capital expenditure. The company is expected to record a loss before tax of N\$36 million in 2023 and is expected to return to profitability from 2024 and beyond. 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 Telecom Namibia Ltd's Integrated Strategic Business Plan 2023 which is premised on the strategic pillars of: sustainable growth, enhanced customer experience, operational efficiency and a performance driven culture.

The Directors have reviewed the Group's and Company's cash flow projections for the next 12 months to 30 September 2023 and beyond and are satisfied that the Group and Company will be able to return to sustainable profit levels and will access the necessary financial resources to meet its financial obligations as they fall due. The Group is currently busy with formulating the Integrated Strategic Business Plan (ISBP), covering 2023 and beyond and the conclusion of which is expected to positively turnaround the financial results of the Group and the Company.

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

The Group 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 page 48.

The consolidated and separate annual financial statements set out on pages 49 to 118, which have been prepared on the going concern basis, were approved and authorised for issue by the board of directors on 15 December 2022 and were signed on their behalf by:

Approval of financial statements



**Melkizedek Uupindi**



**Fernando P Somaeb**

**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 2022, 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 49 to 118 comprise:

- the consolidated and separate statements of financial position as at 30 September 2022;
- the consolidated and separate statements of Profit or Loss and Other Comprehensive Income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Independence**

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

**Other information**

The directors are responsible for the other information. The other information obtained at the date of this auditor's report comprises the information included in the document titled, "Telecom Namibia Limited Consolidated and Separate Annual Financial Statements for the year ended 30 September 2022". The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the directors for the consolidated and separate financial statements**

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Namibia, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the consolidated and separate financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



PricewaterhouseCoopers  
Registered Accountants and Auditors  
Chartered Accountants (Namibia)  
Per: Samuel Ndahangwapo  
Partner  
Windhoek  
Date: 16 December 2022

## ASSETS

### Non-Current Assets

Property, plant and equipment	3	1,195,713	1,279,782	1,077,325	1,172,650
Right-of-use assets	5	322,928	769,324	400,066	869,849
Intangible assets	4	48,845	31,729	33,421	14,914
Loans to group companies	7	-	-	165,967	150,000
Contract assets	13	2,284	2,854	2,284	2,854
Lease receivables	10	5,577	5,298	5,577	5,298
Deferred tax	19	95,109	95,109	-	-

**1,670,456** **2,184,096** **1,684,640** **2,215,565**

### Current Assets

Inventories	11	57,590	61,004	57,590	61,004
Loans to group companies	7	-	-	-	15,968
Trade and other receivables	12	326,652	308,070	324,169	307,284
Contract assets	13	5,800	9,800	5,800	9,800
Lease receivables	10	1,158	1,596	1,158	1,596
Amounts owing by fellow subsidiaries	14	2,992	3,709	3,289	4,206
Amounts owing by holding company	14	-	145	-	145
Cash and cash equivalents	15	28,011	48,405	8,140	19,955

**422,203** **432,729** **400,146** **419,958**

### Total Assets

**2,092,659** **2,616,825** **2,084,786** **2,635,523**

## EQUITY AND LIABILITIES

### EQUITY

Share capital	17	154,530	154,530	154,530	154,530
Retained income		569,646	522,274	441,265	407,653

**724,176** **676,804** **595,795** **562,183**

### LIABILITIES

#### Non-Current Liabilities

Financial liabilities at fair value	21	276,929	279,127	276,929	279,127
Lease liabilities	5	225,869	744,309	285,755	825,892
Retirement benefit obligation	18	73,103	67,079	73,103	67,079
Contract liabilities	25	51,752	72,192	51,752	72,192
Regulatory levies liability	22	26,056	48,389	26,056	48,389
Deferred tax	19	138,763	133,336	123,019	118,249

**792,472** **1,344,432** **836,614** **1,410,928**

	Note(s)	Group		Company	
		2022 N\$'000	2021 N\$'000	2022 N\$'000	2021 N\$'000
<b>Current Liabilities</b>					
Trade and other payables	20	181,724	197,357	164,317	188,890
Financial liabilities at fair value	21	10,567	-	10,567	-
Lease liabilities	5	119,445	66,944	132,608	83,083
<b>Contract liabilities</b>	25	103,610	114,085	103,610	114,085
Regulatory levies liability	22	39,623	95,607	39,623	95,607
Current tax payable	33	4,842	24,044	4,842	24,044
Provisions	24	75,557	66,060	75,557	66,060
Unearned interest mobile devices	23	597	801	597	801
Amounts owing to fellow subsidiaries	14	1,565	9,497	82,175	68,648
Bank overdraft	15	38,481	21,194	38,481	21,194
		<b>576,011</b>	<b>595,589</b>	<b>652,377</b>	<b>662,412</b>
<b>Total Liabilities</b>		<b>1,368,483</b>	<b>1,940,021</b>	<b>1,488,991</b>	<b>2,073,340</b>
<b>Total Equity and Liabilities</b>		<b>2,092,659</b>	<b>2,616,825</b>	<b>2,084,786</b>	<b>2,635,523</b>

	Note(s)	Group		Company	
		2022 N\$'000	2021 N\$'000	2022 N\$'000	2021 N\$'000
Revenue	30	1,402,613	1,468,966	1,375,931	1,444,017
Cost of sales	31	(266,821)	(294,333)	(290,513)	(323,007)
<b>Gross profit</b>		<b>1,135,792</b>	<b>1,174,633</b>	<b>1,085,418</b>	<b>1,121,010</b>
Other operating income	32	18,161	24,837	17,540	24,239
Distribution costs		(73,150)	(59,179)	(72,985)	(58,690)
Administration expenses		(701,346)	(699,402)	(651,867)	(677,617)
Regulatory levies		37,265	5,353	38,038	5,340
Movement in expected credit loss		12,903	(9,671)	12,719	(8,071)
Other operating expenses		(315,627)	(352,590)	(327,027)	(341,875)
<b>Operating profit</b>	26	<b>113,998</b>	<b>83,981</b>	<b>101,836</b>	<b>64,336</b>
Investment income	27	4,098	4,398	3,277	3,596
Finance costs		(42,035)	(58,733)	(44,504)	(56,626)
Other non-operating gains (losses)	9	(8,659)	944	(8,659)	944
<b>Profit (loss) before taxation</b>		<b>67,402</b>	<b>30,590</b>	<b>51,950</b>	<b>12,250</b>
Taxation	28	(20,523)	12,065	(19,866)	(3,862)
<b>Profit (loss) for the year</b>		<b>46,879</b>	<b>42,655</b>	<b>32,084</b>	<b>8,388</b>
<b>Other comprehensive income:</b>					
<b>Items that will not be reclassified to profit or loss:</b>					
Remeasurements on net defined benefit liability/asset		2,247	(10,634)	2,247	(10,634)
Income tax relating to items that will not be reclassified		(719)	3,403	(719)	3,403
<b>Total items that will not be reclassified to profit or loss</b>		<b>1,528</b>	<b>(7,231)</b>	<b>1,528</b>	<b>(7,231)</b>
<b>Other comprehensive income for the year net of taxation</b>		<b>1,528</b>	<b>(7,231)</b>	<b>1,528</b>	<b>(7,231)</b>
<b>Total comprehensive income (loss) for the year</b>		<b>48,407</b>	<b>35,424</b>	<b>33,612</b>	<b>1,157</b>

**Group****Balance at 1 October 2020**

Profit for the year

Other comprehensive income

**Total comprehensive income for the year**

Opening balance as previously reported

Adjustments

Prior year adjustments

**Balance at 1 October 2021 as restated**

Profit for the year

Other comprehensive income

**Total comprehensive income for the year****Balance at 30 September 2022**

Note

Share capital N\$'000	Retained income N\$'000	Total equity N\$'000
154,530	486,850	641,380
-	42,655	42,655
-	(7,231)	(7,231)
-	35,424	35,424
154,530	522,274	676,804
-	(1,035)	(1,035)
154,530	521,239	675,769
-	46,879	46,879
-	1,528	1,528
-	48,407	48,407
154,530	569,646	724,176

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**Company****Balance at 1 October 2020**

Profit for the year

Other comprehensive income

**Total comprehensive income for the year****Balance at 1 October 2021**

Profit for the year

Other comprehensive income

**Total comprehensive income for the year****Balance at 30 September 2022**

Note

154,530	406,496	561,026
-	8,388	8,388
-	(7,231)	(7,231)
-	1,157	1,157
154,530	407,653	562,183
-	32,084	32,084
-	1,528	1,528
-	33,612	33,612
154,530	441,265	595,795

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The accounting policies on pages 55 to 70 and the notes on pages 71 to 118 form an integral part of the Consolidated and Separate Annual Financial Statements.

Note(s)	Group		Company	
	2022 N\$'000	2021 N\$'000	2022 N\$'000	2021 N\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit (loss) before taxation	67,402	30,590	51,950	12,250
<b>ADJUSTMENTS FOR:</b>				
Depreciation and amortisation	308,008	295,579	319,630	285,295
Gains on foreign exchange	(688)	(124)	(688)	(124)
Interest received	(4,098)	(4,398)	(3,277)	(3,596)
Finance costs paid	42,035	58,733	44,504	56,626
Fair value losses (gains)	8,659	(944)	8,659	(944)
Impairment losses and reversals	-	13,185	-	13,185
Movements in retirement benefit assets and liabilities	8,271	2,491	8,271	2,491
Movements in provisions	9,497	(1,378)	9,497	(1,378)
Loss on scrapping of property, plant and equipment and intangible assets	2,659	1,027	2,659	765
Other non-cash adjustment property, plant and equipment and intangible assets	-	12,363	-	12,363
Gain on termination of lease liabilities	-	(465)	-	(3,490)
Non-cash adjustment on right-of-use assets	(32,302)	3,489	(33,892)	3,306
Expected credit loss exposure	(12,831)	10,686	(12,647)	9,086
<b>CHANGES IN WORKING CAPITAL:</b>				
Inventories	3,414	(2,052)	3,414	(2,052)
Trade and other receivables	(5,750)	(52,216)	(4,238)	(51,581)
Contract assets	4,570	5,933	4,570	5,933
Amounts owing by fellow subsidiaries	717	2,045	917	1,587
Amounts owing by holding company	145	618	145	618
Trade and other payables	(21,861)	(75,755)	(30,801)	(74,619)
Contract liabilities	(30,915)	3,179	(30,915)	3,179
Regulatory levies liability	(78,317)	(11,781)	(78,317)	(11,781)
Unearned interest mobile devices	(204)	(330)	(204)	(330)
Amounts owing to fellow subsidiaries	(7,932)	4,079	13,527	27,527
<b>Cash generated from operations</b>	<b>260,479</b>	<b>294,554</b>	<b>272,764</b>	<b>284,316</b>
Interest received	4,098	4,398	3,277	3,596
Finance costs paid	(42,035)	(58,733)	(44,504)	(56,626)
Tax paid	(35,017)	(34,741)	(35,017)	(34,741)
<b>Net cash from operating activities</b>	<b>187,525</b>	<b>205,478</b>	<b>196,520</b>	<b>196,545</b>

# CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property, plant and equipment

Purchase of other intangible assets

Lease receipts

**Net cash from investing activities**

# CASH FLOWS FROM FINANCING ACTIVITIES

Repayment of borrowings

Repayment of financial liabilities at fair value through profit or loss

Payment on lease liabilities

Net proceeds from over draft facility

**Net cash from financing activities**

**Total cash movement for the year**

Cash at the beginning of the year

Effect of exchange rate movement on cash balances

**Total cash at end of the year**

Note(s)	Group		Company	
	2022 N\$'000	2021 N\$'000	2022 N\$'000	2021 N\$'000
3	(126,785)	(178,870)	(107,499)	(171,496)
4	(7,786)	(415)	(7,786)	(415)
10	159	3,036	159	3,036
	<b>(134,412)</b>	<b>(176,249)</b>	<b>(115,126)</b>	<b>(168,875)</b>
34	-	(30,000)	-	(30,000)
34	(290)	(2,720)	(290)	(2,720)
34	(91,190)	(65,484)	(110,895)	(62,230)
15	38,481	-	38,481	-
	<b>(52,999)</b>	<b>(98,204)</b>	<b>(72,704)</b>	<b>(94,950)</b>
	<b>114</b>	<b>(68,975)</b>	<b>8,690</b>	<b>(67,280)</b>
	27,209	96,060	(1,238)	65,918
	688	124	688	124
15	<b>28,011</b>	<b>27,209</b>	<b>8,140</b>	<b>(1,238)</b>

## 1. SIGNIFICANT ACCOUNTING POLICIES

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

### Basis of preparation

The consolidated and separate annual financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these consolidated and separate annual financial statements and the Companies Act of Namibia.

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

These accounting policies are consistent with the previous period.

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

Item	Depreciation method	Rate	Residual value
Buildings	Straight line	2.22%	
Furniture and fittings	Straight line	10% - 33%	
Motor vehicles	Straight line	20%	
Computer Equipment	Straight line	33.3%	
Leasehold improvements	Straight line	5% - 50%	
Telecommunication installations and equipment	Straight line	2.22% - 20%	22%

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate. Refer to note 42.

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.

Included in the Telecommunication installations and equipment is copper cables with a residual value of 22%.

### 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.

## 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.

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.

Item	Depreciation method	Average useful life
Software and licenses	Straight line	3 to 5 years
Frequency, spectrum and number "085"	Straight line	20 years

#### 1.4 NON-CURRENT ASSETS HELD FOR SALE

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

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

#### 1.5 IMPAIRMENT OF ASSETS

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

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

#### 1.6 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and includes transport and handling costs. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs, but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business less the costs of completion and selling expenses. Where necessary, provision is made for obsolete, slow moving and defective inventories.

#### 1.7 TAX

##### Current tax assets and liabilities

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

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

##### Deferred tax assets and liabilities

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

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

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

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

## 1.8 FINANCIAL INSTRUMENTS

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

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

### Recognition and measurement

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

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

#### Subsequent measurement: Financial Assets

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

#### Subsequent measurement: Financial Liabilities

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

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

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

### Trade receivables, loan to Group companies, amounts owing by fellow subsidiaries and contract assets

Trade receivables (note 12), loan to Group companies (note 7), contract assets (note 13) and amounts owing by fellow subsidiaries (note 14) are measured at amortised cost using the effective interest rate method less any expected credit losses. Interest income is recognised by applying the effective interest rate except for short-term receivables, where the recognition of interest would be immaterial.

#### Classification

Trade receivables, loan to Group companies, amounts owing by fellow subsidiaries and contract assets, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost.

#### Recognition and measurement

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

They are subsequently measured at amortised cost.

#### Application of the effective interest method

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

For receivables which contain a significant financing component, interest income is calculated using the effective interest method, and is included in profit or loss in finance income and costs (note 27).

#### Impairment

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

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

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

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

#### Significant increase in credit risk

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

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

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

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

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

#### Definition of default

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

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

## 1.8 FINANCIAL INSTRUMENTS (CONTINUE)

### Measurement and recognition of expected credit losses

The group makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables, loans receivable, contract assets and lease receivables. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate. The customer base is widespread and does not show significantly different loss patterns for different customer segments. The loss allowance is calculated on a collective basis for all trade and other receivables in totality. Details of the provision matrix is presented in **note 12**.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is included in material operating item 2 (taken out of other operating gains (losses)) in profit or loss as a movement in credit loss allowance (**note 26**).

### Write-off policy

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

### Credit risk

Details of credit risk are included in the trade and other receivables note (**note 12**) and the financial instruments and risk management note (**note 38**).

### Derecognition

Any gains or losses arising on the derecognition of trade and other receivables is included in profit or loss in the derecognition gains (losses) on financial assets at amortised cost line item. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

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

### Trade and other payables

#### Classification

Trade and other payables (**note 20**), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

### Recognition and measurement

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

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

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

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs paid (**note 27**).

Trade and other payables expose the group to liquidity risk and possibly to interest rate risk. Refer to **note 38** for details of risk exposure and management thereof.

### Trade and other payables denominated in foreign currencies

When trade payables are denominated in a foreign currency, the carrying amount of the payables are determined in the foreign currency. The carrying amount is then translated to the Namibia Dollar equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in the other operating gains (losses) (**note 26**).

Details of foreign currency risk exposure and the management thereof are provided in the financial instruments and risk management note (**note 38**).

### Cash and cash equivalents

Cash and cash equivalents (**note 15**) are classified as financial assets at amortised cost. For the purpose of Statements of Cash Flows, cash and cash equivalents comprise cash on hand, deposits held at call with banks and investments in money market instruments, net of bank overdrafts. In the Statement of Financial Position, bank overdrafts are disclosed separately as part of current liabilities.

Interest income, calculated on the effective interest method, is included in profit or loss in finance income received (**note 27**).

Bank overdrafts have been disclosed as part of financing activities in the consolidated and separate statements of cash flows in the current financial year.

### Loans to Group companies

#### Classification

Loans to Group companies (**note 7**), are classified as financial assets subsequently measured at amortised cost.

They have been classified in this manner because the contractual terms of these loans give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the group's business model is to collect the contractual cash flows on these loans.

### Recognition and measurement

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

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the loan initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

### Impairment

The group recognises a loss allowance for expected credit losses on loans to Group companies measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective loans.

The group measures the loss allowance at an amount equal to lifetime expected credit losses (lifetime ECL) when there has been a significant increase in credit risk since initial recognition. If the credit risk on a loan has not increased significantly since initial recognition, then the loss allowance for that loan is measured at 12-month expected credit losses (12-month ECL).

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a loan. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a loan that are possible within 12 months after the reporting date.

In order to assess whether to apply lifetime ECL or 12-month ECL, in other words, whether or not there has been a significant increase in credit risk since initial recognition, the group considers whether there has been a significant increase in the risk of a default occurring since initial recognition rather than at evidence of a loan being credit impaired at the reporting date or of an actual default occurring.

### Significant increase in credit risk

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

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

Irrespective of the outcome of the above assessment, the credit risk on a loan is always presumed to have increased significantly since initial recognition if the contractual payments are more than 90 days past due, unless the group has reasonable and supportable information that demonstrates otherwise.

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

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

### Definition of default

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

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

### Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default, taking the time value of money into consideration.

The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. The exposure at default is the gross carrying amount of the loan at the reporting date.

Lifetime ECL is measured on a collective basis in cases where evidence of significant increases in credit risk are not yet available at the individual instrument level. Loans are then grouped in such a manner that they share similar credit risk characteristics, such as nature of the loan, external credit ratings (if available), industry of counterparty etc. The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, and vice versa.

An impairment gain or loss is recognised for all loans in profit or loss with a corresponding adjustment to their carrying amount through a loss allowance account. The impairment loss is included in expected credit loss line in profit or loss as a movement in credit loss allowance (note 26).

**1.8 FINANCIAL INSTRUMENTS (CONTINUED)****Derecognition**

Any gains or losses arising on the derecognition of loans to Group companies is included in profit or loss in the derecognition gains (losses) on financial assets at amortised cost line item

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

Any gains or losses arising on the derecognition of a loan receivable is included in profit or loss in derecognition gains (losses) on financial assets at amortised cost.

**Borrowings****Classification**

Borrowings are classified as financial liabilities subsequently measured at amortised cost.

**Recognition and measurement**

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

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

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

Interest expense, calculated on the effective interest method, is included in profit or loss in finance costs paid (note 27).

Borrowings expose the group to liquidity risk and interest rate risk. Refer to note 38 for details of risk exposure and management thereof.

**Financial liabilities at fair value through profit or loss****Classification**

Financial liabilities which are held for trading are classified as financial liabilities mandatorily at fair value through profit or loss. Refer to note 21.

The group does, from time to time, designate certain financial liabilities as at fair value through profit or loss. The reason for the designation is to reduce or significantly eliminate an accounting mismatch which would occur if the instruments were not classified as such; or if the instrument forms part of a group of financial instruments which are managed and evaluated on a fair value basis in accordance with a documented management strategy; or in cases where it forms part of a contract containing an embedded derivative and IFRS 9 permits the entire contract to be measured at fair value through profit or loss. Refer to note 21 for details.

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

**Recognition and measurement**

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

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

**Bank overdrafts**

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

Interest expense, calculated on the effective interest method, is included in profit or loss in finance costs paid (note 27).

Bank overdrafts expose the group to liquidity risk and interest rate risk. Refer to note 38 for details of risk exposure and management thereof.

**Derivative financial instruments**

Derivative financial instruments, principally forward foreign exchange contracts, interest rate and currency swap agreements are used by the Group in its management of financial risks. The Group's objective in using derivative financial instruments is to reduce the uncertainty over future cash flows arising from movements in currency and interest rates. The risks being hedged are exchange losses due to unfavourable movements between the Namibian dollar and foreign currencies and the movements in interest rates. Currency and interest exposure are managed within Board approved policies and guidelines. As a matter of principle, the Group does not enter into derivative contracts for speculative purposes. Derivative financial instruments are initially recorded at cost and re-measured at subsequent reporting dates. The fair value of foreign exchange contracts, interest rate swaps represent the estimated amounts the Group would receive, should the contracts be terminated at reporting date, thereby considering unrealised gains or losses.

**Offsetting financial instruments**

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

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

## Amounts owing to fellow subsidiaries

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

## 1.9 PROVISIONS AND CONTINGENCIES

Provisions (note 24) are recognised when:

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

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

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

Contingent assets and contingent liabilities are not recognised.

## 1.10 LEASES

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

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

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

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

### Group as lessee

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the group is a lessee, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the group recognises the lease payments as an operating expense (note 26) on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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

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

### Lease liability

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

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

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

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

### Lease liability (continued)

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

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. Interest charged on the lease liability is included in finance costs paid (note 27).

**1.10 LEASES (CONTINUED)****Right-of-use assets**

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

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

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

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

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

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

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

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

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

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

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

The depreciation starts at the commencement date of the lease.

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

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

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

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.

## 1.11 DIVIDENDS

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

## 1.12 POST-EMPLOYMENT BENEFIT COSTS

### Retirement benefits

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

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

### Defined contribution plans

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

### Medical benefits

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

## 1.13 EMPLOYEE BENEFITS

### Short-term employee benefits

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

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

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

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

## 1.14 REVENUE FROM CONTRACTS WITH CUSTOMERS

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

Products and services may be sold separately or in bundled packages. The typical length of a contract for post-paid bundled packages is 24 months. Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. Telecom Namibia recognises revenue when it transfers control over a product or services to a customer.

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

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

#### 1.14 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

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

##### Network services

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

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

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

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

**Transaction Price:** The transaction price for mobile devices is the stand alone selling price of each obligation deliverable in the contract is determined according to the prices that the group would achieve by selling the same goods and/or services included in the obligation to a similar customer on a stand alone basis. For mobile devices sold separately, customers pay in full at the point of sale. For mobile devices sold in bundled packages, customers usually pay monthly in equal instalments over a period of twenty four months. The group doesn't have any liabilities for returns or warranty as it is covered by the manufacturers of the devices sold. Revenue from the sale of mobile devices is recognised at a point in time.

##### Contract assets

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

The Company assesses post-paid contracts including handsets to determine if they contain a significant financing component. We have elected to apply the practical expedient that allows the Company not to adjust the transaction price for the significant financing component for contracts where the time difference between customer payment and transfer of goods or services is expected to be one year or less. For contracts containing significant financing

components, we reduce device revenue and recognise interest revenue over the period between satisfying the related performance obligation and receipt of payment.

Telecom Namibia base the subscriber contract period on the contractual term and accounts for early upgrades as contract modifications. The effect of the modification is that the contract asset at modification date is treated as a payment to a customer and results in a reduction of the revenue from the subsequent contract. Contract assets are a financial asset. Refer to 1.8 for the accounting policy disclosure for contract assets as a financial instrument.

##### Interconnect and roaming services

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

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

##### Infrastructure revenue

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

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

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

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

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

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

Revenue from infrastructure is recognised overtime.

#### Capitalisation of subscriber acquisition costs

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

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

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

#### Pre-paid products

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

**Transaction price:** The arrangement consideration is allocated to each deliverable based on the fair value of each deliverable on a stand alone basis as a percentage of the aggregated fair value of the individual deliverables. Revenue allocated to the identified deliverables in each revenue arrangement and the cost applicable to these identified deliverables are recognised based on the same recognition criteria of the individual deliverable at the time the product or service is delivered.

Revenue from SIM cards, representing activation fees, is recognised upon activation of the SIM card by the pre-paid customer and is therefore recognised at a point in time.

Airtime revenue is recognised on the usage basis, i.e over time. The unused airtime is deferred in full. Deferred revenue related to unused airtime is recognised when utilised by the customer. Upon termination of the customer contract, all deferred revenue for unused airtime is recognised in revenue.

#### Activation and installation fees

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

#### Interest and investment income

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

### 1.15 CONSOLIDATION

#### Basis of consolidation

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

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

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

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

The results of subsidiaries are included in the consolidated and separate annual financial statements from the effective date of acquisition to the effective date of disposal. Adjustments are made when necessary to the consolidated and separate annual financial statements of subsidiaries to bring their accounting policies in line with those of the group.

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

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

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

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

**1.15 CONSOLIDATION (CONTINUED)****Basis of consolidation (continued)**

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

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

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

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

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

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

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

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

**Subsidiaries**

Subsidiaries are all entities (including special purpose entities) over which the holding Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Company. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Costs directly attributable to the acquisition are recognised in profit or loss as incurred. Identifiable assets acquired and liabilities that meet the conditions for recognition and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated and considered an impairment indicator of the asset transferred. Where necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies in line with those used by other members of the Group.

**Associates**

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

The investment (including goodwill) is tested for impairment when necessary by comparing its recoverable amount (the higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases. The Group's share of its associates' post-acquisition profits or losses and other comprehensive income is recognised in profit or loss and other comprehensive income and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equal or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group. Dilution gains and losses arising in investments in associates are recognised in profit and loss.

## Investments in subsidiaries in the separate financial statements

In the Company's separate financial statements, investments in subsidiaries are carried at cost less any accumulated impairment losses. This excludes investments which are held for sale and are consequently accounted for in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations.

## 1.16 TRANSLATION OF FOREIGN CURRENCIES

### Functional and presentation currency

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

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

### Foreign currency transactions

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

At the end of the reporting period:

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

In circumstances where the group receives or pays an amount in foreign currency in advance of a transaction, the transaction date for purposes of determining the exchange rate to use on initial recognition of the related asset, income or expense is the date on which the group initially recognised the non-monetary item arising on payment or receipt of the advance consideration in line with IFRIC 22.

If there are multiple payments or receipts in advance, group determines a date of transaction for each payment or receipt of advance consideration.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous consolidated and separate annual financial statements are recognised in profit or loss in the period in which they arise.

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

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

## 1.17 BORROWING COSTS

Borrowing costs that relate to acquisition, construction or production of qualifying assets (i.e. those assets which take a considerable period of time before they are ready for sale or their intended use) are capitalised as part of the costs of those assets. Any interest earned on borrowed funds pending application on the qualifying assets' construction, production or acquisition is set off against the borrowing costs ultimately capitalised as part of the cost of the qualifying asset. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are expensed when incurred.

## 1.18 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed below:

### Critical accounting estimates and judgements

#### Revenue recognition

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

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

Where it is not possible to reliably estimate stand alone prices due to lack of observable stand alone sales or highly variable pricing, which is sometimes the case for services, the stand alone price of an obligation may be determined as the transaction price less the stand alone prices of other obligations in the contract. The stand alone 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.

### 1.18 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

#### Trade receivables

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

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

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

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

#### Fair value estimation

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

#### Useful lives and residual values of property, plant and equipment

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

#### Useful lives and residual values of intangible assets

The actual lives and residual values of intangible assets are assessed annually and may vary depending on several factors. In reassessing asset lives, factors such as technological innovation are considered. Residual value assessments of intangible assets consider issues such as future market conditions, the remaining life of the asset and projected disposal values. Refer to **note 42** for the detailed disclosures of the changes in accounting estimates.

#### Provision for post-retirement medical aid benefits

Post-retirement medical aid benefit provision is based on an actuarial valuation performed by independent actuaries. The discount rate used is based on the current long-term bond yield, gross of tax. All actuarial gains and losses are recognised in full. Details of the discount rates used are disclosed in **note 18**.

#### Impairment of property, plant and equipment

Property, plant and equipment are considered for impairment, if there is a reason to believe that impairment may be necessary. Factors taken into consideration in reaching such a decision include the economic viability of the asset itself and where it is a component of a larger economic unit, the viability of the unit itself.

Future cash flows expected to be generated by the assets are projected, considering market conditions and the expected useful lives of the assets. The present value of these cash flows, determined using an appropriate discount rate, is compared to the current net asset value and, if lower, the assets are impaired to the present value. Refer to **note 3** for the detailed disclosures.

#### Impairment of intangible assets

Intangible assets with finite lives are amortised over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The intangible asset of N\$27.8 million attributable to the '085' number, frequency and spectrum obtained from Powercom (Pty) Ltd was assessed for impairment considering the existing benefits obtained from the asset, market conditions and technological factors. Refer to **note 4** for the detailed disclosures.

#### Going concern

Key assumptions were made concerning the future when management performed the assessment for going concern at year-end. Details of the going concern assumptions are reflected in **note 41**.

#### Preference Shares

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

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

At 30 September 2022, the Company reported a profit of N\$42 million before the preference share valuation adjustment of N\$8 million and a provision of 25% of the profit for the year was included in the preference share liability balance.

Taking into consideration the revision of the estimates for 2022 and beyond, the finance liability is estimated to increase from N\$279 million to N\$287 million, reducing the profit for the year by N\$8 million. The change in the discount rate and cash flow projections was accounted for prospectively.

The most significant criteria used was the future after tax profits forecasted over the 10-year period, the rate used to increase the profits over the years and the discounted rate used to discount future cash flows. Management has used the risk-free interest rate plus an appropriate market spread. The risk-free rate is the yield to maturity on one of the Namibian government's corporate bonds, the GC26 and the market spread is determined by looking at the yield to maturity on the corporate bonds, the NWC22.

Refer to note 21 for the detailed disclosures on preference shares.

#### Critical judgements in determining the lease term

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

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

### 1.19 SHARE CAPITAL AND EQUITY

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

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

### 1.20 COST OF SALES

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

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

Contract costs comprise:

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

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

**2. NEW STANDARDS AND INTERPRETATIONS****2.1 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 2022 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
Deferred tax related to assets and liabilities arising from a single transaction - Amendments to IAS 12	1 January 2023	Unlikely there will be a material impact
Disclosure of accounting policies: Amendments to IAS 1 and IFRS Practice Statement 2.	1 January 2023	Unlikely there will be a material impact
Definition of accounting estimates: Amendments to IAS 8	1 January 2023	Unlikely there will be a material impact
Classification of Liabilities as Current or Non-Current-Amendment to IAS 1	1 January 2023	Unlikely there will be a material impact
Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 1	1 January 2022	Unlikely there will be a material impact
Reference to the Conceptual Framework: Amendments to IFRS 3	1 January 2022	Unlikely there will be a material impact
Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 9	1 January 2022	Unlikely there will be a material impact
Property, Plant and Equipment: Proceeds before Intended Use: Amendments to IAS 16	1 January 2022	Unlikely there will be a material impact
Onerous Contracts-Cost of Fulfilling a Contract: Amendments to IAS 37	1 January 2022	Unlikely there will be a material impact
Annual Improvement to IFRS Standards 2018-2020: Amendments to IAS 41	1 January 2022	Unlikely there will be a material impact

## 3. PROPERTY, PLANT AND EQUIPMENT

Group	2022 N\$'000			2021 N\$'000		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Land	335	-	335	335	-	335
Buildings	3,227	(237)	2,990	3,227	(143)	3,084
Motor vehicles	2,519	(1,210)	1,309	1,449	(942)	507
Furniture & fittings	40,059	(38,102)	1,957	39,755	(37,615)	2,140
Computer equipment	68,122	(63,145)	4,977	65,502	(61,415)	4,087
Leasehold improvements	11,609	(5,096)	6,513	11,602	(4,514)	7,088
Telecommunication, installations and equipment	3,957,006	(2,952,060)	1,004,946	3,870,180	(2,789,369)	1,080,811
Capital - work in progress	172,686	-	172,686	181,730	-	181,730
<b>Total</b>	<b>4,255,563</b>	<b>(3,059,850)</b>	<b>1,195,713</b>	<b>4,173,780</b>	<b>(2,893,998)</b>	<b>1,279,782</b>

Company	2022 N\$'000			2021 N\$'000		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Land	335	-	335	335	-	335
Buildings	3,227	(237)	2,990	3,227	(143)	3,084
Motor vehicles	1,817	(662)	1,155	747	(530)	217
Furniture & fittings	44,947	(43,058)	1,889	44,683	(42,605)	2,078
Computer equipment	65,305	(61,487)	3,818	62,968	(60,376)	2,592
Leasehold improvements	11,523	(4,809)	6,714	11,523	(4,289)	7,234
Telecommunication, installations and equipment	3,760,901	(2,851,632)	909,269	3,678,963	(2,696,120)	982,843
Capital - work in progress	151,155	-	151,155	174,267	-	174,267
<b>Total</b>	<b>4,039,210</b>	<b>(2,961,885)</b>	<b>1,077,325</b>	<b>3,976,713</b>	<b>(2,804,063)</b>	<b>1,172,650</b>

**3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)****Reconciliation of property, plant and equipment - Group - 2022**

	Opening balance N\$'000	Additions N\$'000	Transfers N\$'000	Scrapping N\$'000	Depreciation N\$'000	Total N\$'000
Land	335	-	-	-	-	335
Buildings	3,084	-	-	-	(94)	2,990
Motor vehicles	507	1,070	-	-	(268)	1,309
Furniture & fittings	2,140	340	-	-	(523)	1,957
Computer equipment	4,087	3,134	-	(28)	(2,216)	4,977
Leasehold improvements	7,088	7	-	-	(582)	6,513
Telecommunication, installations and equipment	1,080,811	21,446	89,666	(2,288)	(184,689)	1,004,946
Capital - work in progress	181,730	107,015	(116,059)	-	-	172,686
	<b>1,279,782</b>	<b>133,012</b>	<b>(26,393)</b>	<b>(2,316)</b>	<b>(188,372)</b>	<b>1,195,713</b>

**Reconciliation of property, plant and equipment - Group - 2021**

	Opening balance N\$'000	Additions N\$'000	Transfers N\$'000	Reclassifi- cation N\$'000	Other adjustments N\$'000	Scrapping N\$'000	Deprecia- tion N\$'000	Impairment loss N\$'000	Total N\$'000
Land	-	-	-	335	-	-	-	-	335
Buildings	2,349	124	696	13	-	-	(98)	-	3,084
Motor vehicles	313	-	-	426	-	-	(232)	-	507
Furniture & fittings	2,920	161	-	-	-	(1)	(940)	-	2,140
Computer equipment	3,859	2,499	-	(426)	-	(23)	(1,819)	-	4,087
Leasehold improvements	-	258	-	7,406	-	-	(576)	-	7,088
Telecommunication, installations and equipment	1,206,927	38,903	44,381	(1,268)	-	(740)	(196,388)	(11,004)	1,080,811
Capital - work in progress	103,122	136,925	(45,955)	-	(12,362)	-	-	-	181,730
	<b>1,319,487</b>	<b>178,870</b>	<b>(878)</b>	<b>6,486</b>	<b>(12,362)</b>	<b>(764)</b>	<b>(200,053)</b>	<b>(11,004)</b>	<b>1,279,782</b>

## Reconciliation of property, plant and equipment - Company - 2022

	Opening balance N\$'000	Additions N\$'000	Transfers N\$'000	Scrapping N\$'000	Depreciation N\$'000	Total N\$'000
Land	335	-	-	-	-	335
Buildings	3,084	-	-	-	(94)	2,990
Motor vehicles	217	1,070	-	-	(132)	1,155
Furniture & fittings	2,078	300	-	-	(489)	1,889
Computer equipment	2,592	2,851	-	(28)	(1,597)	3,818
Leasehold improvements	7,234	-	-	-	(520)	6,714
Telecommunication, installations and equipment	982,843	16,558	89,666	(2,288)	(177,510)	909,269
Capital - work in progress	174,267	92,947	(116,059)	-	-	151,155
	<b>1,172,650</b>	<b>113,726</b>	<b>(26,393)</b>	<b>(2,316)</b>	<b>(180,342)</b>	<b>1,077,325</b>

## Reconciliation of property, plant and equipment - Company - 2021

	Opening balance N\$'000	Additions N\$'000	Transfers N\$'000	Reclassifi- cation N\$'000	Other adjustments N\$'000	Scrapping N\$'000	Deprecia- tion N\$'000	Impairment loss N\$'000	Total N\$'000
Land	-	-	-	335	-	-	-	-	335
Buildings	2,696	125	696	(335)	-	-	(98)	-	3,084
Motor vehicles	313	-	-	-	-	-	(96)	-	217
Furniture & fittings	2,826	158	-	-	-	(1)	(905)	-	2,078
Computer equipment	1,439	2,442	-	-	-	(23)	(1,266)	-	2,592
Leasehold improvements	-	-	-	7,754	-	-	(520)	-	7,234
Telecommunication, installations and equipment	1,106,384	38,902	40,048	(1,268)	-	(741)	(189,478)	(11,004)	982,843
Capital - work in progress	98,382	129,869	(41,622)	-	(12,362)	-	-	-	174,267
	<b>1,212,040</b>	<b>171,496</b>	<b>(878)</b>	<b>6,486</b>	<b>(12,362)</b>	<b>(765)</b>	<b>(192,363)</b>	<b>(11,004)</b>	<b>1,172,650</b>

**3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)****Property, plant and equipment encumbered as security**

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

**Impairment and reversal of impairment**

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

The impairment expense has been disclosed as part of other operating expenses in the Statement of Profit or Loss and Other Comprehensive Income.

**Details of properties**

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

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

**4. INTANGIBLE ASSETS**

Group	2022 N\$'000			2021 N\$'000		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Software and licenses	299,883	(266,462)	33,421	266,046	(251,132)	14,914
Frequency, spectrum and number "085"	27,832	(12,408)	15,424	27,832	(11,017)	16,815
<b>Total</b>	<b>327,715</b>	<b>(278,870)</b>	<b>48,845</b>	<b>293,878</b>	<b>(262,149)</b>	<b>31,729</b>
Company						
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Software and licenses	299,883	(266,462)	33,421	266,046	(251,132)	14,914

**Reconciliation of intangible assets - Group - 2022**

	Opening balance N\$'000	Additions N\$'000	Transfers N\$'000	Other adjustments N\$'000	Amortisation N\$'000	Total N\$'000
Software and licenses	14,914	7,786	26,393	(342)	(15,330)	33,421
Frequency, spectrum and number "085"	16,815	-	-	-	(1,391)	15,424
	<b>31,729</b>	<b>7,786</b>	<b>26,393</b>	<b>(342)</b>	<b>(16,721)</b>	<b>48,845</b>

**Reconciliation of intangible assets - Group - 2021**

	Opening balance N\$'000	Additions N\$'000	Transfers N\$'000	Reclassifi- cation N\$'000	Other adjustments N\$'000	Amortisa- tion N\$'000	Impairment loss N\$'000	Total N\$'000
Software and licenses	35,009	415	878	(6,486)	(263)	(12,458)	(2,181)	14,914
Frequency, spectrum and number "085"	18,206	-	-	-	-	(1,391)	-	16,815
	53,215	415	878	(6,486)	(263)	(13,849)	(2,181)	31,729

**Reconciliation of intangible assets - Company - 2022**

	Opening balance N\$'000	Additions N\$'000	Transfers N\$'000	Scrap- pings N\$'000	Amortisa- tion N\$'000	Total N\$'000
Software and licenses	14,914	7,786	26,393	(342)	(15,330)	33,421

**Reconciliation of intangible assets - Company - 2021**

	Opening balance N\$'000	Additions N\$'000	Transfers N\$'000	Reclassifi- cations N\$'000	Amortisa- tion N\$'000	Impairment loss N\$'000	Total N\$'000
Software and licenses	34,688	415	878	(6,486)	(12,400)	(2,181)	14,914

**Other information**

Amortisation is included in other operating expenses in the Statements of profit or loss and other comprehensive income. There were no encumbrances on any of the Company's and Group's intangible assets.

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

**5. LEASES (GROUP AS LESSEE)**

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

**5. LEASES (GROUP AS LESSEE) (CONTINUED)**

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

**Net carrying amounts of right-of-use assets**

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

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

**Additions to right-of-use assets**

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

**Depreciation recognised on right-of-use assets**

Depreciation recognised on each class of right-of-use assets, is presented below. It includes depreciation which has been expensed in the total depreciation charge in profit or loss (**note 26**), as well as depreciation which has been capitalised to the cost of other assets.

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

**Other disclosures**

Interest expense on lease liabilities
Expenses on short-term leases included in operating expenses
Total cash outflow from leases
(Gains) from lease modification

Group		Company	
2022	2021	2022	2021
N\$'000	N\$'000	N\$'000	N\$'000
150,148	589,423	150,148	589,423
6,687	-	6,687	-
26,385	40,106	26,385	40,106
139,708	139,795	216,846	240,320
<b>322,928</b>	<b>769,324</b>	<b>400,066</b>	<b>869,849</b>
2,159	27,214	2,159	26,588
8,024	-	8,024	-
1,844	11,734	1,844	11,734
29,747	85,664	30,962	224,607
<b>41,774</b>	<b>124,612</b>	<b>42,989</b>	<b>262,929</b>
52,562	33,975	52,562	33,975
1,337	2,066	1,337	2,066
15,565	17,600	15,565	17,600
33,450	28,035	54,494	26,891
<b>102,914</b>	<b>81,676</b>	<b>123,958</b>	<b>80,532</b>
37,179	57,179	39,648	55,072
23,600	20,637	20,312	45,629
91,480	98,204	111,184	94,950
(33,924)	(33,924)	(33,924)	(33,924)

At 30 September 2022, the Group didn't have commitments for short term leases.

In the current financial year, the lease in respect of the office buildings with NPTH was modified from a remaining period of 17.58 years as at 01 March 2022, to 3 years. The change was necessitated by the signature of a lease agreement of 3 years that is effective on 01 March 2022. The modification resulted in a decrease of N\$475 million in the Right-of-use assets and a decrease of N\$509 million in the lease liability. A gain of N\$33 million was included in the other operating expenses line in the Statement of profit or loss and other comprehensive income.

**Lease liabilities**

The maturity analysis of lease liabilities is as follows:

	Group		Company	
	2022 N\$'000	2021 N\$'000	2022 N\$'000	2021 N\$'000
Within one year	128,920	135,872	151,703	158,419
Two to five years	244,920	373,960	303,092	473,107
More than five years	15,357	852,692	6,023	829,957
	389,197	1,362,524	460,818	1,461,483
Less finance charges component	(43,883)	(551,271)	(42,455)	(552,508)
	<b>345,314</b>	<b>811,253</b>	<b>418,363</b>	<b>908,975</b>
Non-current liabilities	225,869	744,309	285,755	825,892
Current liabilities	119,445	66,944	132,608	83,083
	<b>345,314</b>	<b>811,253</b>	<b>418,363</b>	<b>908,975</b>

**Exposure to liquidity risk**

Refer to note 38 Financial instruments and risk management for the details of liquidity risk exposure and management.

**6. INTERESTS IN SUBSIDIARIES**

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

**Company****Name of company****Held by**

%holding	%holding	Carrying amount	Carrying amount
2022	2021	2022	2021
100.00 %	100.00 %	-	-
100.00 %	100.00 %	-	-
		-	-

Powercom (Pty) Ltd

Communitel Telecommunications (Pty) Ltd

## 7. LOANS TO GROUP COMPANIES

## Subsidiaries

Powercom (Pty) Ltd

%holding	% holding	Carrying amount	Carrying amount
-	-	165,967	165,968

The nominal value of the loan acquired is N\$620,096,299 (2020: N\$620,096,299). The loan is unsecured and interest free. The total loan is subordinated in favour of other creditors for a period of 12 months subsequent to the date of the approval of the annual financial statements. The loan does not have a formal contractual agreement and have no stated maturity period. As such, the lender (Telecom Namibia) can demand repayment at anytime from the borrower and the borrower have no right to avoid payment if the lender demands for it. Therefore the loan is treated similar to a loan that is repayable on demand, with zero contractual interest rates and a nil effective rate

## Split between non-current and current portions

Non-current assets

Current assets

% holding	% holding	Carrying amount	Carrying amount
-	-	165,967	150,000
-	-	-	15,968
-	-	165,967	165,968

## Exposure to credit risk

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

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

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

## Credit loss allowances

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

## Company - 2022

## Instrument

## Loans to subsidiaries

Powercom (Pty) Ltd

External credit rating (where applicable)	Rating agency	Internal credit rating (where applicable)	Basis of loss allowance	Gross Carrying amount	Loss allowance	Amortised cost
N/A	N/A	N/A	12m ECL	620,096	(454,129)	165,967

## Company - 2021

## Instrument

## Loans to subsidiaries

Powercom (Pty) Ltd

External credit rating (where applicable)	Rating agency	Internal credit rating (where applicable)	Basis of loss allowance	Gross Carrying amount	Loss allowance	Amortised cost
N/A	N/A	N/A	12m ECL	620,097	(454,129)	165,968

**8. INVESTMENT INSEPCO COMMUNICATIONS (PROPRIETARY) LIMITED**

The subsidiary, Communitel Telecommunications (Proprietary) Limited holds a 20.6% (2021: 20.6%) interest in an associate, Sepco Communications (Proprietary) Limited which is registered in South Africa. Sepco in turn held 51% of the shares in Neotel (Pty) Ltd, a Company that is licensed to provide information, communication and technology services in the Republic of South Africa. During 2012, the shareholder's loans were repaid, and Class B preference shares were subscribed to. The associate is accounted for using the equity method in these consolidated financial statements.

K2016272836 (South Africa) (Proprietary) Limited (Liquid Telecom) completed a due diligence exercise on Neotel (Pty) Ltd and made a formal offer to purchase 100% of the equity stake during the 2016 financial year, an offer that was accepted by all shareholders. A purchase agreement was entered between all the parties and the sale was concluded on 10 February 2017. The sale of 100% equity in Neotel (Pty) Ltd yielded N\$200 million for Communitel Telecommunications (Pty) Ltd which in turn was used to repay Telecom N\$200 million owing on the shareholder loan. The remainder of the investment was fully impaired in the 2017 financial year.

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

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

**9. OTHER NON-OPERATING GAINS (LOSSES)**

Group		Company	
2022 N\$'000	2021 N\$'000	2022 N\$'000	2021 N\$'000
Fair value gains (losses)			
(8,659)	944	(8,659)	944

Financial liabilities designated as at fair value through profit or loss

**10. LEASE RECEIVABLES**

Group		Company	
2022 N\$'000	2021 N\$'000	2022 N\$'000	2021 N\$'000
Maturity analysis of lease payments receivable			
- first year	5,577	5,298	5,298
- second year	3,292	3,680	3,680
Gross investment in the leases	8,869	8,978	8,978
Less: Unearned interest income	(1,691)	(1,684)	(1,684)
Present value of minimum lease payments receivable	7,178	7,294	7,294
Less: Loss allowance	(443)	(400)	(400)
<b>Net investment in the lease</b>	<b>6,735</b>	<b>6,894</b>	<b>6,894</b>
Non-current assets	5,577	5,298	5,298
Current assets	1,158	1,596	1,596
<b>6,735</b>	<b>6,894</b>	<b>6,735</b>	<b>6,894</b>

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

**Exposure to credit risk**

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

**10. LEASE RECEIVABLES (CONTINUED)**

In order to mitigate the risk of financial loss from defaults, the Group only deals with reputable counterparties with consistent payment histories. Credit risk is mitigated by holding the leased assets as collateral. Each counterparty is analysed individually for creditworthiness before terms and conditions are offered. The analysis involves making use of information submitted by the counterparties as well as external bureau data (where available). The exposure to credit risk and the creditworthiness of counterparties is continuously monitored.

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

The loss allowance provision is determined as follows:

	2022	2022	2021	2021
	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)
<b>Group</b>				
<b>Lease receivable</b>				
Not past due: 4.99% (2021: 4.46%)	8,869	443	8,978	400
<b>Company</b>				
<b>Expected credit loss rate:</b>				
<b>Lease receivable</b>				
Not past due: 4.99% (2021: 4.46%)	8,869	443	8,978	400

**Reconciliation of loss allowances**

The following table shows the movement in the loss allowance (life time expected credit losses) for lease receivables:

	Group		Company	
	2022 N\$'000	2021 N\$'000	2022 N\$'000	2021 N\$'000
<b>Opening balance</b>	(400)	(581)	(400)	(581)
(Increase)/decrease in provision raised on lease receivables	(43)	181	(43)	181
<b>Closing balance</b>	(443)	(400)	(443)	(400)

**Exposure to interest rate risk**

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

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

**11. INVENTORIES**

Finished goods  
Merchandise for sale  
  
Provision for slow moving stock

48,331	60,717	48,331	60,717
23,500	13,600	23,500	13,600
71,831	74,317	71,831	74,317
(14,241)	(13,313)	(14,241)	(13,313)
<b>57,590</b>	<b>61,004</b>	<b>57,590</b>	<b>61,004</b>

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

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

## 12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2022 N\$'000	2021 N\$'000	2022 N\$'000	2021 N\$'000
Trade receivables	643,450	648,956	639,475	645,584
Accrued income	7,881	6,159	7,881	6,159
Loss allowance	(346,627)	(359,458)	(343,938)	(356,585)
Trade receivables at amortised cost	304,704	295,657	303,418	295,158
Other receivables	5,462	2,394	5,462	2,394
<b>Non-financial instruments:</b>				
VAT	939	-	-	-
Prepayments	15,547	10,019	15,289	9,732
<b>Total trade and other receivables</b>	<b>326,652</b>	<b>308,070</b>	<b>324,169</b>	<b>307,284</b>
<b>Split between non-current and current portions</b>				
Current assets	326,652	308,070	324,169	307,284
<b>Financial instrument and non-financial instrument components of trade and other receivables</b>				
At amortised cost	310,166	298,051	308,880	297,552
Non-financial instruments	16,486	10,019	15,289	9,732
	<b>326,652</b>	<b>308,070</b>	<b>324,169</b>	<b>307,284</b>

### 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.

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

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

The loss allowance provision is determined as follows:

Group

Expected credit loss rate:

### Fixed Debtors

Current: 4.03% (2021: 4.46%)

31-60 days past due: 8.42% (2021: 9.70%)

61-90 days past due: 7.41% (2021: 6.11%)

Over 90 days (default): 65.98% (2021: 67.48%)

## Mobile

Current: 19.51% (2021: 22.86%)

31-60 days past due: 21.22% (2021: 29.25%)

61-90 days past due: 22.22% (2021: 22.16%)

Over 90 days (default): 63.33% (2021: 66.74%)

### Other Debtors

Current: 6.86% (2021: 5.45%)

31-60 days past due: 5.39% (2021: 7.83%)

61-90 days past due: 0.91% (2021: 0.91%)

Over 90 days (default): 10.00% (2021: 10.00%)

## Total

## Company

Expected credit loss rate:

Fixed

Current: 4.04% (2021: 4.46%)

31-60 days past due: 8.42% (2021: 9.70%)

61-90 days past due: 7.41% (2021: 6.11%)

Over 90 days (default): 65.86% (2021: 67.30%)

## Mobile

Current: 19.51% (2021: 22.86%)

31-60 days past due: 21.22% (2021: 29.25%)

61-90 days past due: 22.22% (2021: 22.16%)

Over 90 days (default): 63.33% (2021: 66.74%)

2022	2022	2021	2021
Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)
42,325	1,708	40,702	1,814
61,495	5,178	73,408	7,118
25,979	1,926	1,063	64
375,988	247,633	392,925	264,678
505,787	256,445	508,098	273,674
1,855	362	3,404	778
1,032	219	1,600	468
54	12	167	37
134,760	85,339	117,474	78,406
137,701	85,932	122,645	79,689
5,642	387	4,500	397
761	713	731	80
-	-	312	34
17,214	3,150	35,428	5,584
23,617	4,250	40,971	6,095
667,105	346,627	671,714	359,458
42,623	1,722	40,702	1,814
61,495	5,178	73,408	7,118
25,979	1,926	1,063	64
375,988	247,633	393,414	265,053
506,085	256,459	508,587	274,049
1,855	362	3,404	778
1,032	219	1,600	468
54	12	167	37
134,760	85,339	117,474	78,406
137,701	85,932	122,645	79,689

**Other debtors**

Current: 6.28% (2021: 8.82%)

31-60 days past due: 8.09% (2021: 10.94%)

Over 90 days (default): 8.45% (2021: 11.24%)

**Total**

2022	2022	2021	2021
Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)
5,143	323	4,500	397
507	41	731	80
13,992	1,183	20,782	2,336
<b>19,642</b>	<b>1,547</b>	<b>26,325</b>	<b>2,847</b>
<b>663,428</b>	<b>343,938</b>	<b>657,557</b>	<b>356,585</b>

**Reconciliation of loss allowances**

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

Group		Company	
2022 N\$'000	2021 N\$'000	2022 N\$'000	2021 N\$'000
<b>Opening balance</b>			
(359,458)	(348,772)	(356,585)	(347,499)
Allowance for credit losses charged to the income statement			
12,831	(10,686)	12,647	(9,086)
<b>Closing balance</b>			
<b>(346,627)</b>	<b>(359,458)</b>	<b>(343,938)</b>	<b>(356,585)</b>

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

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

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

**Exposure to currency risk**

Refer to note 38 for details of currency risk management for trade receivables.

**Fair value of trade and other receivables**

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

**13. CONTRACT ASSETS**

Contract assets  
Loss allowance

**Summary of contract assets**

Mobile Devices Contract asset

**Reconciliation of contract assets**

Opening balance  
Net subscriptions billed during the year  
Net renewals, activations and terminations during the year  
Expected credit loss allowance

**Split between non-current and current portions**

Non-current assets  
Current assets

Group		Company	
2022 N\$'000	2021 N\$'000	2022 N\$'000	2021 N\$'000
11,705	16,404	11,705	16,404
(3,621)	(3,750)	(3,621)	(3,750)
<b>8,084</b>	<b>12,654</b>	<b>8,084</b>	<b>12,654</b>
8,084	12,654	8,084	12,654
12,654	18,587	12,654	18,587
(14,789)	(22,104)	(14,789)	(22,104)
10,090	15,273	10,090	15,273
129	898	129	898
<b>8,084</b>	<b>12,654</b>	<b>8,084</b>	<b>12,654</b>
2,284	2,854	2,284	2,854
5,800	9,800	5,800	9,800
<b>8,084</b>	<b>12,654</b>	<b>8,084</b>	<b>12,654</b>

Contract assets are recognised when a performance obligation is satisfied (and revenue recognised), but the payment is conditional not only on the passage of time. The other conditions usually relate to entity's 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. When the right to consideration becomes unconditional, the contract asset is transferred to trade receivables.

**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.

In order to mitigate the risk of financial loss from defaults, the Group only deals with reputable customers with consistent payment histories. Sufficient collateral or guarantees are also obtained when appropriate. Each customer is analysed individually for creditworthiness before terms and conditions are offered. Statistical credit scoring models are used to analyse customers. These models make use of information submitted by the customers as well as external bureau data (where available). The exposure to credit risk and the creditworthiness of customers, is continuously monitored.

There have been no significant changes in the credit risk management policies and processes since the prior reporting period. Management assess and monitor credit risk internally along the varying credit risk concentrations.

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

The loss allowance provision is determined as follows:

#### Group

##### Expected credit loss rate:

Mobile contract asset: 30.94% (2021: 22.86%)

#### Company

##### Expected credit loss rate:

Mobile contract asset: 30.94% (2021: 22.86%)

2022	2022	2021	2021
Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)
11,705	3,621	16,404	3,750
11,705	3,621	16,404	3,750

#### Reconciliation of loss allowances

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

Group		Company	
2022 N\$'000	2021 N\$'000	2022 N\$'000	2021 N\$'000
(3,750)	(4,647)	(3,750)	(4,647)
129	897	129	897
(3,621)	(3,750)	(3,621)	(3,750)

## 14. 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 subsidiary, associates, shareholders and key management. All transactions with related parties occurred under terms no less favourable than those arranged with third parties.

#### Subsidiaries

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

#### Key management

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

#### Shareholder/Holding company

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

#### Fellow subsidiaries

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

Fellow Subsidiaries are Mobile Telecommunications Ltd and Namibia Post Limited.

**14. 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.

The ultimate controlling party is the Ministry of Public Enterprises.

Transactions with entities under the purview of Ministry of Public Enterprises include licensing fees for the provision of telecommunication services to CRAN, site lease agreements and provision of telecommunication services. Transactions with the Ministry of Public Enterprises and any other public enterprises controlled by the Ministry of Public Enterprises are concluded under commercial terms on the same ground as it would be concluded with any other supplier and customer and for this purpose, the transactions and balances are not disclosed separately per entity except for the transactions and balances considered material. Refer to **note 22** for the disclosures on the regulatory levies due to CRAN and to **note 29** for the corresponding expenses.

**Relationships**

Ultimate controlling party is the Ministry of Public Enterprises in Namibia. Holding company Namibia Post and Telecommunications Holdings Limited.

Holding company Namibia Post and Telecommunications Holdings Limited.

Subsidiaries are disclosed in **notes 6 and 7**.

Fellow Subsidiaries are Mobile Telecommunications Ltd and Namibia Post Limited.

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

**Members of Key Management**

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

**Related party transactions****Sales to Group companies**

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

**Purchases from Group companies**

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

Group		Company	
2022	2021	2022	2021
N\$'000	N\$'000	N\$'000	N\$'000
4,899	6,167	4,899	6,167
52,215	57,589	37,072	43,157
1,047	1,147	1,047	1,147
-	-	963	629
6,858	8,630	6,858	8,630
39,486	50,541	39,486	50,541
140,416	147,360	140,416	143,288
-	-	32,522	34,466

**Sales to other related parties**

Namibia Broadcasting Corporation

**Purchases from other related parties**

Namibia Broadcasting Corporation

**Related party balances****Loan accounts - Owning (to) by related parties**

Powercom (Pty) Ltd

**Amounts reclassified from Trade receivable regarding Group companies**

Namibia Post Limited

Mobile Telecommunications Limited

Powercom (Pty) Ltd

Group		Company	
2022 N\$'000	2021 N\$'000	2022 N\$'000	2021 N\$'000
18,043	17,809	18,043	17,809
7,009	8,192	7,009	8,192
-	-	165,968	165,968
404	933	404	934
2,587	2,776	2,588	2,776
-	-	297	496
<b>2,991</b>	<b>3,709</b>	<b>3,289</b>	<b>4,206</b>

**Amounts reclassified from Trade Payable regarding Group companies**

Namibia Post Limited

Mobile Telecommunications Limited

Powercom (Pty) Ltd

**Amounts reclassified from Trade receivables regarding other related parties**

Namibia Broadcasting Corporation

**Expected credit loss regarding Group companies**

Namibia Post Limited

Mobile Telecommunications Limited

Powercom (Pty) Ltd

Group		Company	
2022 N\$'000	2021 N\$'000	2022 N\$'000	2021 N\$'000
1,404	1,363	1,404	1,363
161	8,134	161	8,134
-	-	80,610	59,151
<b>1,565</b>	<b>9,497</b>	<b>82,175</b>	<b>68,648</b>
3,017	4,785	3,017	4,785
7	-	7	116
201	302	201	302
-	-	15	373
<b>208</b>	<b>302</b>	<b>223</b>	<b>791</b>

**14. RELATED PARTIES (CONTINUED)****Cash and Cash Equivalents**

Namibia Post Limited

Group		Company	
2022 N\$'000	2021 N\$'000	2022 N\$'000	2021 N\$'000
1,048	4,255	1,048	4,255
-	145	-	145
1,516	-	1,516	-

**Amounts owing by holding company**

Namibia Post and Telecom Holdings Limited

**Contract liability**

Namibia Post Limited

Included in the credit loss allowance, is an expected credit loss of N\$223,361 (2021: N\$790,737) for related parties. An amount of N\$748,875 was recognised as an expense in the current year and has been disclosed as part of the expected credit loss expense in the Statement of profit or loss.

Refer to **note 38** for the reconciliation of the allowance and to **note 12** for disclosure of the credit loss matrix for trade receivables. Outstanding balances other than loans to Group companies as disclosed in **note 7**, are unsecured and are repayable in cash on a monthly basis.

**Compensation to directors and other key management**

Short-term employee benefits

Long-term benefits incentive scheme

14,879	13,080	13,389	11,590
1,169	464	1,169	464
<b>16,048</b>	<b>13,544</b>	<b>14,558</b>	<b>12,054</b>

**Directors Remuneration****Fees for service****Served until 25 November 2020**

WM Van der Vyver

**Served until 30 April 2021**

F Kishi

S Ndeunyema

E Asino-Joseph

J Muadinohamba

**Effective 26 November 2020**

N Shilongo

T Nghifitikeko

E Harmse

M Shiimi

M Mutenda

S Shifidi

A Perny

Group		Company	
2022 N\$'000	2021 N\$'000	2022 N\$'000	2021 N\$'000
-	37	-	-
-	139	-	139
-	160	-	160
-	175	-	175
-	161	-	161
132	136	-	-
126	112	-	-
137	136	-	-
153	152	-	-
126	112	-	-
133	110	-	-
106	106	-	-

## Directors Remuneration (Continued)

## Effective 01 May 2021

P Hauuanga

R Klentjies

M Tjijenda

M Uupindi

F Somaeb

## Directors Emoluments - Summary

Directors Fees

Other Directors expenses

Group		Company	
2022 N\$'000	2021 N\$'000	2022 N\$'000	2021 N\$'000
215	84	215	84
159	116	253	116
167	112	265	112
158	109	234	109
182	291	221	291
<b>1,794</b>	<b>2,248</b>	<b>1,188</b>	<b>1,347</b>
1,794	2,248	1,188	1,347
230	113	46	113
<b>2,024</b>	<b>2,361</b>	<b>1,234</b>	<b>1,460</b>

## 15. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Cash on hand

Bank balances

Bank overdraft

Current assets

Current liabilities

Group		Company	
2022 N\$'000	2021 N\$'000	2022 N\$'000	2021 N\$'000
4,330	4,626	4,329	4,626
23,681	43,776	3,811	15,329
(38,481)	(21,194)	(38,481)	(21,194)
<b>(10,470)</b>	<b>27,208</b>	<b>(30,341)</b>	<b>(1,239)</b>
28,011	48,405	8,140	19,955
(38,481)	(21,194)	(38,481)	(21,194)
<b>(10,470)</b>	<b>27,211</b>	<b>(30,341)</b>	<b>(1,239)</b>

The Group has a legally enforceable right to offset bank balances within the same bank as the bank balances are managed on a net basis. The split between the positive and negative balances is disclosed below:

## Offsetting

Positive Bank balance

Total for accounts in overdraft

Net overdraft balance

18,750	33,768	18,750	33,768
(57,231)	(47,289)	(57,231)	(47,289)
<b>(38,481)</b>	<b>(13,521)</b>	<b>(38,481)</b>	<b>(13,521)</b>

**15. CASH AND CASH EQUIVALENTS (CONTINUED)**

Telecom Namibia has an Angolan bank account with a balance of USD131,738 (N\$2,386,770) at year-end. The balance on this bank account was USD131,997 (N\$2,011,634) as at 30 September 2021. 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 on the statement of financial position.

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

**First National Bank**

- Direct overdraft of N\$50,000,000
- Wesbank long term facility 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
- FEC facility of N\$90,000,000
- Performance guarantees by bank of N\$9,433,098
- FEC PFE of N\$26,048,000
- Financial guarantee given - N\$4,000,000
- Financial guarantee given - USD597,413

The above mentioned facilities were satisfactorily reviewed as at 30 September 2022. The next review will be 30 September 2023.

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

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

	Group		Company	
	2022 N\$'000	2021 N\$'000	2022 N\$'000	2021 N\$'000
Credit rating				
BB-	22,257	36,120	2,387	7,673
BBB+	376	3,400	376	3,400
Other	1,048	4,256	1,048	4,256
	<b>23,681</b>	<b>43,776</b>	<b>3,811</b>	<b>15,329</b>

**Cash and cash equivalents pledged as security**

There was no cash and cash equivalents pledged as security in the current financial year.

**Exposure to currency risk**

Refer to note 38 Financial instruments and financial risk management for details of currency risk management for cash and cash equivalents.

**16. NON-CURRENT ASSETS HELD FOR SALE****Assets and liabilities**

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

Group		Company	
2022 N\$'000	2021 N\$'000	2022 N\$'000	2021 N\$'000
116,560	116,560	116,560	116,560
(116,560)	(116,560)	(116,560)	(116,560)
-	-	-	-

**Reconciliation of the balance**

Cost

Accumulated impairment

**17. SHARE CAPITAL****Authorised**

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

**Issued**

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

200,000	200,000	200,000	200,000
154,530	154,530	154,530	154,530

Refer to **note 21** for the disclosure on preference shares.**18. RETIREMENT BENEFITS**

The Group provides post-employment benefits by way of a medical aid scheme to all employees who joined the Group prior to 1 April 2007. For the 2022 financial year the total medical aid contributions by the Company were N\$67 million (2021: N\$60 million), employee contributions were N\$1 million (2021: N\$1 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\$73 million (2021: N\$67 million). The effective date of valuation of the liability is 30 September 2022 and the next date of valuation is 30 September 2023. 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.

**18. RETIREMENT BENEFITS (CONTINUED)****Key assumptions used**

The principal actuarial assumptions used for accounting purposes were:

Real rate of return
Discount rates used
Health care cost inflation
Expected average retirement age (yrs.)
Normal retirement age (yrs.)

Group		Company	
2022	2021	2022	2021
N\$'000	N\$'000	N\$'000	N\$'000
4.20%	3.80%	4.20%	3.80%
12.60%	12.22%	12.60%	12.22%
8.40%	8.40%	8.40%	8.40%
60	60	60	60
60	60	60	60

**Rate of return**

The value of the post-retirement medical aid subsidy (PRMA) depends on the real return of 4.2% per annum (the 12.6% rate of discount less the 8.4% medical aid contribution increase rate). The effect of increasing the return from 3.8% per annum to 4.2% per annum is the decrease in the overall liability.

**Discount Rate**

Namibia currently doesn't have a deep bond market and therefore the South African Government bond yields were utilised. As at 30 September 2022, the yield on the 13.25-year Government bonds, based on the JSE Zero Coupon yield curve, was about 12.6% per annum. The average outstanding duration of the PRMA subsidy scheme liabilities is approximately 13.25 years and thus the rate of discount used was 12.6% per annum.

**Healthcare cost inflation**

Historically, medical aid contribution increases have exceeded price inflation. The Group retained the assumption that the medical aid contribution increases rate will exceed price inflation by 1% per annum and therefore the medical aid contribution increase take is 8.4% per annum.

**Carrying value**

Opening balance
Current service cost
Interest cost
Subsidies paid
Actuarial (gain)/loss
<b>Closing balance</b>
<b>Present value of defined benefit liability</b>

67,079	53,954	67,079	53,954
1,010	259	1,010	259
7,921	6,614	7,921	6,614
(5,154)	(4,382)	(5,154)	(4,382)
2,247	10,634	2,247	10,634
<b>73,103</b>	<b>67,079</b>	<b>73,103</b>	<b>67,079</b>
<b>73,103</b>	<b>67,079</b>	<b>73,103</b>	<b>67,079</b>
-	-	-	-
73,103	67,079	73,103	67,079
<b>73,103</b>	<b>67,079</b>	<b>73,103</b>	<b>67,079</b>
1,010	259	1,010	259
7,921	6,614	7,921	6,614
(5,154)	(4,382)	(5,154)	(4,382)
<b>3,777</b>	<b>2,491</b>	<b>3,777</b>	<b>2,491</b>

**Reflected as follows:**

Current liabilities
Non-current liabilities

**The amounts recognised in profit or loss is as follows:**

Current service cost
Interest cost
Subsidies paid

**The amounts recognised in other comprehensive income are as follows:**

Actuarial (gain)/loss - economic variables

Actuarial loss - demographic assumptions

Group		Company	
2022 N\$'000	2021 N\$'000	2022 N\$'000	2021 N\$'000
3,247	5,006	3,247	5,006
(1,000)	5,628	(1,000)	5,628
<b>2,247</b>	<b>10,634</b>	<b>2,247</b>	<b>10,634</b>

**Changes in economic variables** - The change in the discount rate from 3.8% to 4.2% per annum and the increase in the medical aid contribution resulted in an actuarial gain of N\$2,835,000.

The Napotel Medical Aid Fund changed its contribution structure that applies to pensioners (continuation members) with effect from 1 July 2021. The contribution structure is now based on income ranges with higher income bands paying higher contributions. This is in line with how employees' contributions are determined. Prior to 1 July 2021, pensioner contributions were based on the lowest income band that applied to employees. The change in the medical aid cost structure resulted in an actuarial loss of N\$6,082,000 (2021: N\$6,769,000).

The demographic experience of qualifying employees and continuation members, in particular the lower than expected mortality amongst continuation members, resulted in an actuarial gain of N\$1,000,000 (2021: N\$3,627,000 loss) in the previous financial year. There was no change on the demographic assumptions from those used in the previous valuation.

**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

Average age (years)

Number of pensioners

Average age (years)

Group		Company	
2022	2021	2022	2021
40	44	40	44
51	50	51	50
206	209	206	209
67	67	67	67

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

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

Increase to

Decrease to

10,281	9,230	10,281	9,230
8,474	7,554	8,474	7,554

**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

Decrease to

80,569	74,198	80,569	74,198
66,775	61,073	66,775	61,073

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

Group		Company	
2022 N\$'000	2021 N\$'000	2022 N\$'000	2021 N\$'000
9,499	8,510	9,499	8,510
8,971	8,028	8,971	8,028
74,266	68,210	74,266	68,210
69,935	64,149	69,935	64,149

The following key risks have been identified in respect of the post-retirement medical aid liability

The discount rate applied to the obligation is based on the yield on the selected government bonds. Therefore the value of the liability will change based on the discount rate applied.

The medical aid contribution increases due to price inflation and could thus result in an increase in the liability.

Changes in mortality rates as well as the withdrawal and retirement of qualifying employees has an impact on the value of the liability. The mortality rate before retirement is determined based on the SA85-90 (medium) mortality table and the mortality after retirement is determined using the PA (90) life table. Deviations from the assumed level of mortality experience of the current and the continuation members will have an impact on the cost to the Group.

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:

Deferred tax liability	(138,763)	(133,336)	(123,019)	(118,249)
Deferred tax asset	95,109	95,109	-	-
<b>Total net deferred tax liability</b>	<b>(43,654)</b>	<b>(38,227)</b>	<b>(123,019)</b>	<b>(118,249)</b>
<b>Reconciliation of deferred tax asset/(liability)</b>				
At beginning of year	(38,227)	(91,239)	(118,249)	(155,334)
Current year timing difference in profit or loss	(4,708)	49,609	(4,051)	33,682
Charged to other comprehensive income	(719)	3,403	(719)	3,403
	<b>(43,654)</b>	<b>(38,227)</b>	<b>(123,019)</b>	<b>(118,249)</b>
<b>Deferred tax liability</b>				
Capital Allowances	(325,534)	(339,287)	(310,729)	(324,200)
Prepayments	(4,892)	(3,114)	(4,892)	(3,114)
Provisions	129,992	128,761	129,992	128,761

Stock consumption

Advance income

Lease liability

Right of use assets

**Total deferred tax liability****Deferred tax asset**

Capital Allowances

Prepayments

Expected credit losses

Lease liability

Income received in advance

Unused tax losses

Deferred tax balance from temporary differences

**Total deferred tax asset**

Group		Company	
2022 N\$'000	2021 N\$'000	2022 N\$'000	2021 N\$'000
4,555	4,258	4,555	4,258
52,200	63,526	52,200	63,526
99,945	290,872	133,876	290,872
(95,024)	(278,352)	(128,021)	(278,352)
<b>(138,758)</b>	<b>(133,336)</b>	<b>(123,019)</b>	<b>(118,249)</b>
(27,927)	(27,927)	-	-
(20)	(20)	-	-
(3,839)	(3,839)	-	-
9,862	9,862	-	-
50	50	-	-
116,983	116,983	-	-
95,109	95,109	-	-
<b>95,109</b>	<b>95,109</b>	<b>-</b>	<b>-</b>

**20. TRADE AND OTHER PAYABLES****Financial instruments:**

Trade payables

Other payables

**Non-financial instruments:**

VAT

176,283	193,350	158,876	185,437
-	119	-	-
5,441	3,888	5,441	3,453
<b>181,724</b>	<b>197,357</b>	<b>164,317</b>	<b>188,890</b>

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

**21. FINANCIAL LIABILITIES AT FAIR VALUE****At fair value through profit (loss)**

Preference share liability

287,496	279,127	287,496	279,12
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On 16 June 2016, forty million redeemable cumulative preference shares of N\$10 each, with cumulative preference dividends are payable on a minimum of 25% of after-tax profits were issued to Namibia Post and Telecom Holdings Ltd (NPTH). On the initial date of the contract, the shares were redeemable after a period of 10 years at Telecom Namibia Ltd (TN)'s discretion. The redeemable cumulative preference shares have voting rights. The preference shares are measured at fair value through profit or loss.

The issue price and number of the preference shares was changed in an Addendum to the Main agreement on 16 March 2017 to four hundred redeemable cumulative preference shares with an issue price of N\$1 000 000 (being the par value N\$1 and a premium of N\$999 999).

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

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

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

**21. FINANCIAL LIABILITIES AT FAIR VALUE (CONTINUED)**

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

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

Group		Company	
2022	2021	2022	2021
N\$'000	N\$'000	N\$'000	N\$'000
<b>Split between non-current and current portions</b>			
Non-current liabilities	276,929	276,929	279,127
Current liabilities	10,567	10,567	-
<b>287,496</b>	<b>279,127</b>	<b>287,496</b>	<b>279,127</b>

**Details of movement**

Refer to **note 34** Changes in liabilities arising from financing activities for details of the movement in the financial liabilities during the reporting period.

In the current financial year, the Company reported a comprehensive profit of N\$33 million (2021: N\$1 million). The valuation of the financial liability is based on the profit before the preference share valuation. The valuation of the liability was revised in the current year by discounting future cash flows using market interest rates. Details of management judgement are disclosed in **note 1**.

**Exposure to liquidity risk**

Refer to **note 38** Financial instruments and financial risk management for details of liquidity risk exposure and management.

**Fair value disclosures**

Refer to **note 39** Fair value information for details of the fair valuation policies and processes.

**22. REGULATORY LEVIES LIABILITY**

Reflected as follows:

Non-current liabilities	26,056	48,389	26,056	48,389
Current liabilities	39,623	95,607	39,623	95,607
	<b>65,679</b>	<b>143,996</b>	<b>65,679</b>	<b>143,996</b>

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

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

The remainder of the liability balance relates to the accrual for the 2022 financial year levy.

**23. UNEARNED INTEREST MOBILE DEVICES**

	Group		Company	
	2022 N\$'000	2021 N\$'000	2022 N\$'000	2021 N\$'000
Opening balance	801	1,131	801	1,131
Net renewals, activations and terminations during the year	(94)	(194)	(94)	(194)
Interest expense recognised during the year	(110)	(136)	(110)	(136)
<b>Closing balance</b>	<b>597</b>	<b>801</b>	<b>597</b>	<b>801</b>

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

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

**24. PROVISIONS****Reconciliation of provisions - Group-2022**

Provision for leave
Provision for severance pay
Provision for audit fees
Provision for bonuses

Opening balance	Additions	Utilised during the year	Reversed during the year	Total
57,762	3,066	(4,970)	-	55,858
3,508	1,713	-	-	5,221
3,530	2,154	(3,530)	-	2,154
1,260	12,347	(54)	(1,229)	12,324
<b>66,060</b>	<b>19,280</b>	<b>(8,554)</b>	<b>(1,229)</b>	<b>75,557</b>
56,758	2,498	(1,494)	-	57,762
877	2,631	-	-	3,508
3,217	3,030	(2,717)	-	3,530
6,586	427	(3,929)	(1,824)	1,260
<b>67,438</b>	<b>8,586</b>	<b>(8,140)</b>	<b>(1,824)</b>	<b>66,060</b>
57,762	3,066	(4,970)	-	55,858
3,508	1,713	-	-	5,221
3,530	2,154	(3,530)	-	2,154
1,260	12,347	(54)	(1,229)	12,324
<b>66,060</b>	<b>19,280</b>	<b>(8,554)</b>	<b>(1,229)</b>	<b>75,557</b>
56,758	2,498	(1,494)	-	57,762
877	2,631	-	-	3,508
3,217	3,030	(2,717)	-	3,530
6,586	427	(3,929)	(1,824)	1,260
<b>67,438</b>	<b>8,586</b>	<b>(8,140)</b>	<b>(1,824)</b>	<b>66,060</b>

**Reconciliation of provisions - Company - 2022**

Provision for leave
Provision for severance pay
Provision for audit fees
Provision for bonuses

**Reconciliation of provisions - Company - 2021**

Provision for leave
Provision for severance pay
Provision for audit fees
Provision for bonuses

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

**24. PROVISIONS (CONTINUED)**

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

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

- Key financial assumptions are the rate of discount and the salary inflation rate
- Rate of discount of 10.55% per annum (2021: 8.07%)
- Salary inflation of 9.23% per annum (2021: 4.00%)

The provision for the audit fees relates to the fee for the 2021/2022 external audit as this is considered a statutory requirement.

The provision for bonuses relates to the accrual of contractual bonuses payable at year end and a constructive obligation in respect of the short term incentive scheme.

**25. CONTRACT LIABILITIES**

	Group		Company	
	2022 N\$'000	2021 N\$'000	2022 N\$'000	2021 N\$'000
<b>Summary of contract liabilities</b>				
Botswana Fibre Networks (Bofinet)	12,683	22,830	12,683	22,830
Mobile Telecommunications Ltd (MTC)	-	65	-	65
Bharti Airtel	19,983	24,423	19,983	24,423
Mobile Telecommunications Ltd (MTC)	8,400	10,200	8,400	10,200
West Indian Ocean Cable Company (WIOCC)	6,630	7,800	6,630	7,800
Advanced rental	73,026	76,063	73,026	76,063
Unused airtime	7,821	8,494	7,821	8,494
Prepaid speedlink	1,953	1,416	1,953	1,416
Students advanced revenue	370	7,608	370	7,608
MTN Global	24,496	27,378	24,496	27,378
	<b>155,362</b>	<b>186,277</b>	<b>155,362</b>	<b>186,277</b>
<b>Reconciliation of contract liabilities</b>				
Opening balance	186,277	183,097	186,277	183,097
Revenue recognised on delivery of goods/services previously paid for	(262,758)	(250,347)	(262,758)	(250,347)
Payments received in advance of delivery of performance obligations	231,843	253,527	231,843	253,527
	<b>155,362</b>	<b>186,277</b>	<b>155,362</b>	<b>186,277</b>
<b>Split between non-current and current portions</b>				
Non-current liabilities	51,752	72,192	51,752	72,192
Current liabilities	103,610	114,085	103,610	114,085
	<b>155,362</b>	<b>186,277</b>	<b>155,362</b>	<b>186,277</b>

The contract liability relating to Bofinet arises from the agreement entered into with Bofinet to provide connectivity related to back hauling services for a period of ten years commencing 01 January 2021/22. The value of the contract is USD8,314,916. A deposit of USD1,164,088 was paid in advance on 01 January 2014 and the remainder of the contract was settled monthly over a period of two years from inception of the contract. The liability is recognised as revenue over the service period. A maintenance charge of USD19,247 is payable on a monthly basis for the duration of the contract.

The contract liability for Bharti Airtel arises from a contract between Telecom Namibia and Bharti Airtel for the provision of transmission services from the Zambian border to London, to fulfil Bharti Airtel's international connectivity requirements. A ten year agreement was signed on 21 February 2017 between the parties. The contract amount consists of a non-refundable, once-off capital contribution of USD3.4 million and a maintenance charge of USD5,667 per month. The liability is recognised as revenue over the service period.

Telecom Namibia entered into an agreement on 15 December 2016 to provide a managed backbone capacity solution to MTC for a period of ten years. The contract amount of N\$18 million related to the equipment was paid in advance by MTC on 16 December 2016. Maintenance charges of N\$639,845 are billed separately on a monthly basis. The liability is recognised as revenue over the service period.

Telecom Namibia entered into an agreement with West Indian Ocean Cable Company to provide WACS Wet Capacity based on the Indefeasible Right-of-Use to provide connectivity as of June 2018. A ten-year agreement was signed on 17 April 2018 between the parties. The contract amount of USD850,000 was received in June 2018. The liability is recognised as revenue over the service period.

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

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

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

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

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

	Group		Company	
	2022 N\$'000	2021 N\$'000	2022 N\$'000	2021 N\$'000
Botswana Fibre Networks (Bofinet)	10,147	10,147	10,147	10,147
Mobile Telecommunications Ltd (MTC) Fibre Optic	65	258	65	258
Bharti Airtel	4,441	4,441	4,441	4,441
Mobile Telecommunications Ltd (MTC) - Managed backbone service	1,800	1,800	1,800	1,800
West Indian Ocean Cable Company (WIOCC)	1,170	1,170	1,170	1,170
Advanced rental	76,062	70,618	76,062	70,618
Unused airtime	6,522	6,254	6,522	6,254
Prepaid speedlink	1,416	492	1,416	492
Students advanced revenue	7,608	19,621	7,608	19,621
MTN Global	2,882	-	2,882	-
	<b>112,113</b>	<b>114,801</b>	<b>112,113</b>	<b>114,801</b>

## 26. OPERATING PROFIT (LOSS)

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

	Group		Company	
	2022 N\$'000	2021 N\$'000	2022 N\$'000	2021 N\$'000
<b>Auditor's remuneration-external</b>				
Audit fees	4,681	4,298	4,308	3,944
<b>Employee costs</b>				
Salaries, wages, bonuses and other benefits	466,084	484,758	456,274	475,476
Social Security	1,127	1,156	1,090	1,118
Medical Aid	66,580	61,555	65,643	60,601
Pension Fund	63,322	61,450	61,873	60,163
<b>Total employee costs</b>	<b>597,113</b>	<b>608,919</b>	<b>584,880</b>	<b>597,358</b>

**26. OPERATING PROFIT (LOSS) (CONTINUED)**

Depreciation and amortisation
Depreciation of property, plant and equipment
Depreciation of right-of-use assets
Amortisation of intangible assets
<b>Total depreciation and amortisation</b>

Group		Company	
2022	2021	2022	2021
N\$'000	N\$'000	N\$'000	N\$'000
188,372	200,053	180,342	192,363
102,914	81,676	123,958	80,532
16,722	13,850	15,330	12,400
<b>308,008</b>	<b>295,579</b>	<b>319,630</b>	<b>285,295</b>

**Expenses by nature**

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

Changes in inventories of finished goods and work in progress
Employee costs
Depreciation, amortisation and impairment
Other expenses/(income)
Expected credit loss allowance on financial assets
Regulatory expenses
Loss on scrapping of property, plant and equipment and intangible assets
Utility charges - water and electricity
Advertising and promotions
International settlements
Short term lease expenses
Repairs and maintenance
Fees for services
Post retirement medical aid
Provision for obsolete stock
Computer services
Education levy
Staff training
Sales commission
Spectrum cost
Roaming charges
Insurance
Bank charges
Stationery and printing
Security services

Group		Company	
2022	2021	2022	2021
N\$'000	N\$'000	N\$'000	N\$'000
32,212	123,310	32,212	128,317
597,113	608,919	584,880	597,358
308,008	308,764	319,630	298,480
59,052	(7,359)	49,830	(17,991)
(12,903)	9,671	(12,719)	8,071
(37,265)	(5,353)	(38,035)	(5,340)
2,659	10,282	2,659	10,023
76,920	75,924	76,819	75,820
2,293	10,330	2,039	10,018
58,496	69,603	58,496	69,603
23,476	20,637	20,312	45,629
53,163	55,524	53,140	55,512
7,871	8,754	7,441	8,068
3,777	2,491	3,777	2,491
2,031	2,719	2,031	2,719
65,610	45,475	65,610	45,475
5,835	5,772	5,689	5,650
4,378	793	4,162	725
7,898	8,158	7,898	8,158
7,061	6,540	7,061	6,540
9,780	5,689	9,780	5,689
3,411	4,103	3,202	3,908
5,165	4,854	5,022	4,819
5,165	4,901	5,136	4,861
15,570	16,136	15,563	16,132
<b>1,306,776</b>	<b>1,396,637</b>	<b>1,291,635</b>	<b>1,390,735</b>

**27. FINANCE INCOME AND COSTS****Interest income****Investments in financial assets:**

Bank and other cash

Finance lease receivables

**Total interest income****Interest paid**

Lease liabilities

Current borrowings &amp; bank overdraft

Other interest expense

Post-retirement benefit liability

Other interest paid

**Total finance costs**

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

**Total finance costs expensed**

Group		Company	
2022	2021	2022	2021
N\$'000	N\$'000	N\$'000	N\$'000
1,286	1,543	465	741
2,812	2,855	2,812	2,855
<b>4,098</b>	<b>4,398</b>	<b>3,277</b>	<b>3,596</b>
37,179	57,179	39,648	55,072
659	1,022	659	1,022
262	532	262	532
7,921	6,614	7,921	6,614
3,935	-	3,935	-
<b>49,956</b>	<b>65,347</b>	<b>52,425</b>	<b>63,240</b>
(7,921)	(6,614)	(7,921)	(6,614)
<b>42,035</b>	<b>58,733</b>	<b>44,504</b>	<b>56,626</b>

**28. TAXATION****Major components of the tax expense (income)****Current**

Current tax

**Deferred**

Deferred tax

**Reconciliation of the tax expense**

Reconciliation between accounting profit and tax expense.

Accounting (loss) profit

Tax at the applicable tax rate of 32% (2021: 32%)

**Tax effect of adjustments on taxable income**

Expenses not deductible

Tax loss utilised

Deferred tax asset not recognised

Deferred tax asset not previously recognised

Opening balance adjustment

**Taxation****Included in other comprehensive income is deferred tax related to:**

Remeasurement of defined benefit obligation

**Estimated tax losses:**

Utilised total tax losses

Utilised to offset deferred tax assets

15,815	37,544	15,815	37,544
4,708	(49,609)	4,051	(33,682)
<b>20,523</b>	<b>(12,065)</b>	<b>19,866</b>	<b>3,862</b>
67,402	30,590	51,950	12,250
21,569	9,789	16,624	3,920
3,269	(13,893)	3,198	(58)
-	(58,593)	-	-
(4,359)	-	-	-
-	50,632	-	-
44	-	44	-
<b>20,523</b>	<b>(12,065)</b>	<b>19,866</b>	<b>3,862</b>
719	(3,403)	719	(3,403)
-	701,857	-	-
-	(33,303)	-	-
<b>-</b>	<b>668,554</b>	<b>-</b>	<b>-</b>

Communications Regulatory Authority of Namibia

License levy

Number range levy

Settlement adjustment

Group		Company	
2022	2021	2022	2021
N\$'000	N\$'000	N\$'000	N\$'000
(13,995)	(21,987)	(13,222)	(22,000)
(224)	(1,266)	(224)	(1,266)
51,484	28,606	51,484	28,606
<b>37,265</b>	<b>5,353</b>	<b>38,038</b>	<b>5,340</b>

## Revenue from contracts with customers

32,520	51,866	32,520	51,866
1,369,275	1,416,220	1,343,411	1,392,151
818	880	-	-
<b>1,402,613</b>	<b>1,468,966</b>	<b>1,375,931</b>	<b>1,444,017</b>

The Group disaggregates revenue from customers as follows:

13,268	14,722	13,268	14,722
19,252	37,144	19,252	37,144
<b>32,520</b>	<b>51,866</b>	<b>32,520</b>	<b>51,866</b>

279,917	262,099	253,216	237,483
233,824	242,787	233,824	242,787
110,168	132,646	110,168	132,646
680,578	697,773	681,415	698,320
43,987	62,512	43,987	62,512
20,801	18,403	20,801	18,403
<b>1,369,275</b>	<b>1,416,220</b>	<b>1,343,411</b>	<b>1,392,151</b>

818	880	-	-
1,402,613	1,468,966	1,375,931	1,444,017

32,520	51,866	32,520	51,866
818	880	-	-
<b>33,338</b>	<b>52,746</b>	<b>32,520</b>	<b>51,866</b>

1,369,275	1,416,220	1,343,411	1,392,151
<b>1,402,613</b>	<b>1,468,966</b>	<b>1,375,931</b>	<b>1,444,017</b>

**31. COST OF SALES**

Sale of goods  
Rendering of services

Group		Company	
2022 N\$'000	2021 N\$'000	2022 N\$'000	2021 N\$'000
45,723	68,772	45,723	68,772
221,098	225,561	244,790	254,235
<b>266,821</b>	<b>294,333</b>	<b>290,513</b>	<b>323,007</b>

**32. OTHER OPERATING INCOME**

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

1,033	480	1,033	480
61	1,165	61	1,165
1,028	11,283	1,028	11,283
6,934	2,613	6,313	2,015
9,105	9,296	9,105	9,296
<b>18,161</b>	<b>24,837</b>	<b>17,540</b>	<b>24,239</b>

**33. CURRENT TAX PAYABLE**

Balance at beginning of the year  
Current tax for the year recognised in profit or loss  
Balance at end of the year

(24,044)	(21,241)	(24,044)	(21,241)
(15,815)	(37,544)	(15,815)	(37,544)
4,842	24,044	4,842	24,044
<b>(35,017)</b>	<b>(34,741)</b>	<b>(35,017)</b>	<b>(34,741)</b>

**34. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES****Reconciliation of liabilities arising from financing activities - Group - 2022**

	Opening balance	New leases	Other non-cash movements	Total non-cash movements	Cash flows	Closing balance
Other financial liabilities measured at fair value	279,127	-	8,659	8,659	(290)	287,496
Finance lease liabilities	811,253	41,774	(416,523)	(374,749)	(91,190)	345,314
Bank overdraft	-	-	-	-	38,481	38,481
	1,090,380	41,774	(407,864)	(366,090)	(52,999)	671,291
<b>Total liabilities from financing activities</b>	<b>1,090,380</b>	<b>41,774</b>	<b>(407,864)</b>	<b>(366,090)</b>	<b>(52,999)</b>	<b>671,291</b>

**Reconciliation of liabilities arising from financing activities - Group - 2021**

	Opening balance	New leases	Other non-cash movements	Total non-cash movements	Cash flows	Closing balance
Borrowings	30,000	-	-	-	(30,000)	-
Other financial liabilities measured at fair value	282,791	-	(944)	(944)	(2,720)	279,127
Finance lease liabilities	746,095	131,107	(465)	130,642	(65,484)	811,253
	1,058,886	131,107	(1,409)	129,698	(98,204)	1,090,380
<b>Total liabilities from financing activities</b>	<b>1,058,886</b>	<b>131,107</b>	<b>(1,409)</b>	<b>129,698</b>	<b>(98,204)</b>	<b>1,090,380</b>

**34. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONTINUED)****Reconciliation of liabilities arising from financing activities - Company - 2022**

	Opening balance	New leases	Other non-cash movements	Total non-cash movements	Cash flows	Closing balance
Other financial liabilities measured at fair value	279,127	-	8,659	8,659	(290)	287,496
Finance lease liabilities	908,975	42,988	(422,706)	(379,718)	(110,894)	418,363
Bank overdraft	-	-	-	-	38,481	38,481
	1,188,102	42,988	(414,047)	(371,059)	(72,703)	744,340
<b>Total liabilities from financing activities</b>	<b>1,188,102</b>	<b>42,988</b>	<b>(414,047)</b>	<b>(371,059)</b>	<b>(72,703)</b>	<b>744,340</b>

**Reconciliation of liabilities arising from financing activities - Company - 2021**

	Opening balance	New leases	Other non-cash movements	Total non-cash movements	Cash flows	Closing balance
Borrowings	30,000	-	-	-	(30,000)	-
Other financial liabilities measured at fair value	282,791	-	(944)	(944)	(2,720)	279,127
Finance lease liabilities	711,767	262,928	(3,490)	259,438	(62,230)	908,975
	1,024,558	262,928	(4,434)	258,494	(94,950)	1,188,102
<b>Total liabilities from financing activities</b>	<b>1,024,558</b>	<b>262,928</b>	<b>(4,434)</b>	<b>258,494</b>	<b>(94,950)</b>	<b>1,188,102</b>

**35. COMMITMENTS****Authorised capital expenditure**

	Group		Company	
	2022 N\$'000	2021 N\$'000	2022 N\$'000	2021 N\$'000
<b>Already contracted for but not provided for</b>				
Property, plant and equipment	94,867	75,107	94,867	75,107

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

**36. PENSION FUND**

At the financial year-end, all the permanent employees of Telecom Namibia were members of the Napotel Pension Fund, a defined contribution fund governed by the Namibian Pension Funds Act. The employer and the employees' contribute a combined 23% of the total cost to Company. Employees are allowed to make additional contributions to the fund. An actuarial valuation was carried out for the year ended 30 September 2022, which indicated that the fund was in a sound financial position.

As at 30 September 2022, a total of 909 (2021: 978) 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\$1,448,618 (2021: N\$1,287,451).

**Contributions to the pension fund:**

Company  
Employees

	Group		Company	
	2022 N\$'000	2021 N\$'000	2022 N\$'000	2021 N\$'000
Company	63,322	61,450	61,873	60,163
Employees	-	1,791	-	1,791
	63,322	63,241	61,873	61,954

**37. COMPARATIVE FIGURES**

The Powercom (Pty) Ltd financial statements have been restated in the current financial year. The error resulted in a material overstatement of rental expenses and an understatement of the right-of-use asset and lease liability for the 2021 and prior financial years. An adjustment of N\$1 million has been posted against the opening Group retained earnings. The Group financial statements are not restated as the adjustment is not material at Group level.

**38. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT****Categories of financial instruments****Categories of financial assets****Group - 2022**

Lease receivables
Trade and other receivables
Contract assets
Cash and cash equivalents
Amounts owing by fellow subsidiaries

Note(s)	Amortised cost	Leases	Total
10	-	6,735	6,735
12	310,166	-	310,166
13	8,084	-	8,084
15	28,011	-	28,011
14	2,991	-	2,991
	<b>349,252</b>	<b>6,735</b>	<b>355,987</b>

**Group - 2021**

Lease receivables
Trade and other receivables
Contract assets
Cash and cash equivalents
Amounts owing by fellow subsidiaries
Amounts owing by holding company

Note(s)	Amortised cost	Leases	Total
10	-	6,894	6,894
12	298,051	-	298,051
13	12,654	-	12,654
15	48,405	-	48,405
14	3,709	-	3,709
14	145	-	145
	<b>362,964</b>	<b>6,894</b>	<b>369,858</b>

**Company - 2022**

Loans to Group companies
Lease receivables
Trade and other receivables
Contract assets
Cash and cash equivalents
Amounts owing by fellow subsidiary

Note(s)	Amortised cost	Leases	Total
7	165,967	-	165,967
10	-	6,735	6,735
12	308,880	-	308,880
13	8,084	-	8,084
15	8,140	-	8,140
14	3,289	-	3,289
	<b>494,360</b>	<b>6,735</b>	<b>501,095</b>

**Company - 2021**

Loans to Group companies
Lease receivables
Trade and other receivables
Contract assets
Cash and cash equivalents
Amounts owing by fellow subsidiary
Amounts owing by holding company

Note(s)	Amortised cost	Leases	Total
7	165,968	-	165,968
10	-	6,894	6,894
12	297,552	-	297,552
13	12,654	-	12,654
15	19,955	-	19,955
14	4,206	-	4,206
14	145	-	145
	<b>500,480</b>	<b>6,894</b>	<b>507,374</b>

### Categories of financial liabilities

Trade and other payables

Lease obligations

Other financial liabilities at fair value

Bank overdraft

Amounts owing to fellow subsidiaries

Note(s)	Fair value through profit or loss - Designated	Amortised cost	Leases	Total
20	-	193,347	-	193,347
5	-	-	811,253	811,253
21	279,127	-	-	279,127
15	-	21,194	-	21,194
14	-	9,497	-	9,497
	279,127	224,038	811,253	1,314,418

Trade and other payables

Lease obligations

Other financial liabilities at fair value

Bank overdraft

Amounts owing to fellow subsidiaries

- Trade and other payables
- Lease obligations
- Other financial liabilities at fair value
- Bank overdraft
- Amounts owing to fellow subsidiaries

Note(s)	Fair value through profit or loss - Designated	Amortised cost	Leases	Total
20	-	185,433	-	185,433
5	-	-	908,975	908,975
21	279,127	-	-	279,127
15	-	21,194	-	21,194
	-	68,648	-	68,648
	279,127	275,275	908,975	1,463,377

Trade and other payables

Lease obligations

Other financial liabilities at fair value

Bank overdraft

Amounts owing to fellow subsidiaries

### Gains and losses on financial assets

Recognised in profit or loss:

Interest income

Recognised in profit or loss:

Interest income

**Company - 2022****Recognised in profit or loss:**

Interest income

Note(s)	Amortised cost	Leases	Total
27	465	2,812	3,277
27	741	2,855	3,596

**Company - 2021****Recognised in profit or loss:**

Interest income

**Gains and losses on financial liabilities****Group - 2022****Recognised in profit or loss:**

Finance costs

Gains (losses) on valuation adjustments

**Net gains (losses)**

Note(s)	Fair value through profit or loss - Designated	Amortised cost	Leases	Total
27	-	(4,856)	(37,179)	(42,035)
9	(8,659)	-	-	(8,659)
	<b>(8,659)</b>	<b>(4,856)</b>	<b>(37,179)</b>	<b>(50,694)</b>

**Group - 2021****Recognised in profit or loss:**

Finance costs

Gains (losses) on valuation adjustments

**Net gains (losses)**

Note(s)	Fair value through profit or loss - Designated	Amortised cost	Leases	Total
27	-	(1,554)	(57,179)	(58,733)
9	944	-	-	944
	<b>944</b>	<b>(1,554)</b>	<b>(57,179)</b>	<b>(57,789)</b>

**Company - 2022****Recognised in profit or loss:**

Finance costs

Gains (losses) on valuation adjustments

**Net gains (losses)**

Note(s)	Fair value through profit or loss - Designated	Amortised cost	Leases	Total
27	-	(4,856)	(39,648)	(44,504)
9	(8,659)	-	-	(8,659)
	<b>(8,659)</b>	<b>(4,856)</b>	<b>(39,648)</b>	<b>(53,163)</b>

**Company - 2021****Recognised in profit or loss:**

Finance costs

Gains (losses) on valuation adjustments

**Net gains (losses)**

Note(s)	Fair value through profit or loss - Designated	Amortised cost	Leases	Total
27	-	(1,554)	(55,072)	(56,626)
9	944	-	-	944
	<b>944</b>	<b>(1,554)</b>	<b>(55,072)</b>	<b>(55,682)</b>

**Capital risk management**

The Group's objective when managing capital (which includes share capital, borrowings, working capital and cash and cash equivalents) is to maintain a flexible capital structure that reduces the cost of capital to an acceptable level of risk and to safeguard the Group's ability to continue as a going concern while taking advantage of strategic opportunities in order to maximise stakeholder returns sustainably.

The Group manages capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain the capital structure, the Group may adjust the amount of dividends paid to the shareholder, return capital to the shareholder, repurchase shares currently issued, issue new shares, issue new debt, issue new debt to replace existing debt with different characteristics and/or sell assets to reduce debt.

**38. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)**

The capital structure and gearing ratio of the Group at the reporting date was as follows:

	Note(s)	Group		Company	
		2022 N\$'000	2021 N\$'000	2022 N\$'000	2021 N\$'000
Financial liabilities at fair value	21	287,496	279,127	287,496	279,127
Lease liabilities		345,314	811,253	418,363	908,975
Trade and other payables	20	164,317	197,357	164,317	188,890
Provisions	24	75,557	66,060	75,557	66,060
<b>Total borrowings</b>		<b>872,684</b>	<b>1,353,797</b>	<b>945,733</b>	<b>1,443,052</b>
Bank overdraft (cash and cash equivalents)	15	10,470	(27,208)	30,341	1,239
<b>Net borrowings</b>		<b>883,154</b>	<b>1,326,589</b>	<b>976,074</b>	<b>1,444,291</b>
Equity		724,176	676,804	595,795	562,183
Gearing ratio		122%	196%	164%	257%

**Financial risk management****Overview**

The Group is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk (currency risk and interest rate risk).

The Group audit committee oversees how management monitors compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee and the risk committee.

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

**Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Credit risk exposure arising on cash and cash equivalents is managed by the Group through dealing with well-established financial institutions with high credit ratings.

Credit loss allowances for expected credit losses are recognised for all debt instruments, but excluding those measured at fair value through profit or loss.

Financial assets of the Group that are susceptible to credit risk comprise loans receivables (at amortised cost), trade and other receivables, contract assets, lease receivables and amounts due from related parties. This risk arises from the likelihood of default by counterparties with whom the Group has entrusted custody of its financial asset(s). Where this default happens, the Group's loss would be limited to the fair value of the financial asset lost through such default.

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

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

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

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

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

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

Provision Matrix - As the simplified approach is being applied, the amount of ECL to be recognised in the financial statements can be calculated using a provision matrix that is based on loss rates and accounts for contagion. These are to be adjusted based on expert judgement overrides as deemed necessary by the business. ECLs are calculated by applying a loss ratio to the aged balance of trade receivables at each reporting date. The loss ratio is calculated according to the ageing/ payment profile of sales by applying historic/proxy write-offs to the payment profile of the sales population. In instances where there was no evidence of historical writeoffs management used a proxy write off. Trade receivable balances have been grouped so that the ECL calculation is performed on Groups of receivables with similar risk characteristics and ability to pay.

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

Telecom used data monthly data from 2017 to 2022 data to determine the payment profile of the sales. Where Telecom Namibia has information about actual historical write-offs, actual write-offs have been used to determine a historic loss ratio. Alternatively, management has used the proxy write-off based on management's best estimated. Telecom has considered quantitative forward-looking information such as core inflation rate. Qualitative assessments have also been performed, of which the impact was found to be immaterial.

The maximum exposure to credit risk is presented in the table below:

Group		2022 N\$'000			2021 N\$'000		
		Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value
Lease receivables	10	7,178	(443)	6,735	7,294	(400)	6,894
Trade and other receivables	12	667,105	(346,627)	320,478	671,714	(359,458)	312,256
Contract assets	13	11,705	(3,621)	8,084	16,404	(3,750)	12,654
Cash and cash equivalents	15	28,011	-	28,011	48,405	-	48,405
		<b>713,999</b>	<b>(350,691)</b>	<b>363,308</b>	<b>743,817</b>	<b>(363,608)</b>	<b>380,209</b>

Company		Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value
Loans to Group companies	7	620,096	(454,129)	165,967	620,097	(454,129)	165,968
Lease receivables	10	7,178	(443)	6,735	7,294	(400)	6,894
Trade and other receivables	12	653,656	(343,938)	309,718	657,577	(356,585)	300,992
Contract assets	13	11,705	(3,621)	8,084	16,404	(3,750)	12,654
Cash and cash equivalents	15	8,140	-	8,140	19,955	-	19,955
		<b>1,300,775</b>	<b>(802,131)</b>	<b>498,644</b>	<b>1,321,327</b>	<b>(814,864)</b>	<b>506,463</b>

Included in the Trade and other receivables provision matrix are amounts receivable from related parties (note 14) to which the Group has applied the general impairment model. The Group has considered the financial performance, external debt and future cash flows of the related parties and concluded that the credit risk relating to these receivables are limited and consequently the probability of default relating to these balances are low.

Refer to the notes specific to the exposures in the table above, for additional information concerning credit risk.

**38. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)****Liquidity risk**

The Group is exposed to liquidity risk, which is the risk that the Group will encounter difficulties in meeting its obligations as they become due.

The Group manages its liquidity risk by effectively managing its working capital, capital expenditure and cash flows. The financing requirements are met through a mixture of cash generated from operations and long and short term borrowings. Committed borrowing facilities are available for meeting liquidity requirements and deposits are held at central banking institutions.

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

Refer to **note 41** for the disclosure on the going concern of the Group and Company as well as plans going forward to improve profitability and which will in turn result in improved liquidity.

The maturity profile of contractual cashflows of non-derivative financial liabilities, and financial assets held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts.

**Group - 2022**

		Less than 1 year	2 to 5 years	Over 5 years	Total	Carrying amount
<b>Non-current liabilities</b>						
Financial liabilities at fair value	21	-	430,173	-	430,173	276,929
Lease liabilities	5	-	244,920	15,357	260,277	225,869
<b>Current liabilities</b>						
Trade and other payables	20	176,283	-	-	176,283	176,283
Financial liabilities at fair value	21	10,567	-	-	10,567	10,567
Lease liabilities	5	128,920	-	-	128,920	119,445
Bank overdraft	15	-	-	-	-	57,233
Amounts owing to fellow subsidiaries	14	1,565	-	-	1,565	1,565
		(317,335)	(675,093)	(15,357)	(1,007,785)	(867,891)

**Group - 2021**

		Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total	Carrying amount
<b>Non-current liabilities</b>							
Financial liabilities at fair value	21	40	7,754	30,798	410,684	449,276	279,127
Lease liabilities	5	-	-	488,458	852,692	1,341,150	744,309
<b>Current liabilities</b>							
Trade and other receivables	20	193,347	-	-	-	193,347	193,347
Lease liabilities	5	165,741	-	-	-	165,741	66,944
Bank overdraft	15	21,194	-	-	-	21,194	21,194
Amounts owing to fellow subsidiaries	14	9,497	-	-	-	9,497	9,497
		389,819	7,754	519,256	1,263,376	2,180,205	1,314,418

		Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total	Carrying amount
<b>Non-current assets</b>							
Lease receivable	10	-	-	5,298	-	5,298	5,298
Contract assets	13	-	-	2,854	-	2,854	2,854
<b>Current assets</b>							
Lease receivable	10	3,681	-	-	-	3,681	1,596
Trade and other receivables	12	298,051	-	-	-	298,051	298,051
Contract assets	13	9,800	-	-	-	9,800	9,800
Cash and cash equivalents	15	48,405	-	-	-	48,405	48,405
Amounts owing by fellow subsidiaries	14	3,709	-	-	-	3,709	3,709
Amounts owing by holding company	14	145	-	-	-	145	145
		<b>363,791</b>	<b>-</b>	<b>8,152</b>	<b>-</b>	<b>371,943</b>	<b>369,858</b>
		<b>(26,028)</b>	<b>(7,754)</b>	<b>(511,104)</b>	<b>(1,263,376)</b>	<b>(1,808,262)</b>	<b>(944,560)</b>

**Company - 2022**

		Less than 1 year	2 to 5 years	Over 5 years	Total	Carrying amount
<b>Non-current liabilities</b>						
Financial liabilities at fair value	21	-	430,173	-	430,173	276,929
Lease liabilities	5	-	303,092	6,024	309,116	285,755
<b>Current liabilities</b>						
Trade and other payables	20	158,876	-	-	158,876	158,876
Financial liabilities at fair value	21	9,375	-	-	9,375	10,567
Lease liabilities	5	151,703	-	-	151,703	132,608
Bank overdraft	15	-	-	-	-	57,233
Amounts owing to fellow subsidiaries	14	82,175	-	-	82,175	82,175
		<b>(402,129)</b>	<b>(733,265)</b>	<b>(6,024)</b>	<b>(1,141,418)</b>	<b>(1,004,143)</b>

**Company - 2021**

		Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total	Carrying amount
<b>Non-current liabilities</b>							
Financial liabilities at fair value	21	40	7,754	30,798	410,684	449,276	279,127
Lease liabilities	5	-	-	473,107	829,957	1,303,064	825,892
<b>Current liabilities</b>							
Trade and other payables	20	185,433	-	-	-	185,433	185,433
Lease liabilities	5	158,419	-	-	-	158,419	83,083
Bank overdraft	15	21,194	-	-	-	21,194	21,194
Amounts owing to fellow subsidiaries	14	68,648	-	-	-	68,648	68,648
		<b>433,734</b>	<b>7,754</b>	<b>503,905</b>	<b>1,240,641</b>	<b>2,186,034</b>	<b>1,463,377</b>

**38. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)**

Group - 2021		Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total	Carrying amount
<b>Non-current assets</b>							
Lease receivables	10	-	-	5,298	-	5,298	5,298
Loans to subsidiaries	14	-	-	150,000	-	150,000	150,000
Contract assets	13	-	-	2,854	-	2,854	2,854
<b>Current assets</b>							
Loans to subsidiaries	7	15,968	-	-	-	15,968	15,968
Trade and other receivables	12	297,552	-	-	-	297,552	297,552
Lease receivables	10	3,681	-	-	-	3,681	3,681
Contract assets	13	9,800	-	-	-	9,800	9,800
Cash and cash equivalents	15	19,955	-	-	-	19,955	19,955
Amounts owing by fellow subsidiaries	14	4,206	-	-	-	4,206	4,206
Amounts owing by holding company	14	145	-	-	-	145	145
		<b>351,307</b>	<b>-</b>	<b>158,152</b>	<b>-</b>	<b>509,459</b>	<b>509,459</b>
		<b>(82,427)</b>	<b>(7,754)</b>	<b>(345,753)</b>	<b>(1,240,641)</b>	<b>(1,676,575)</b>	<b>(953,918)</b>

**Financing facilities**

Unsecured bank overdraft facility, reviewed annually and payable on call:

Used  
Unused

Group		Company	
2022	2021	2022	2021
N\$'000	N\$'000	N\$'000	N\$'000
38,481	21,194	38,481	21,194
51,519	68,806	51,519	68,806
<b>90,000</b>	<b>90,000</b>	<b>90,000</b>	<b>90,000</b>

**Foreign currency risk**

The Group is exposed to foreign currency risk as a result of certain transactions which are denominated in foreign currencies. Exchange rate exposures are managed within approved policy parameters utilising foreign forward exchange contracts where necessary. The foreign currencies in which the Group deals primarily are US Dollar and Euros.

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

**Exposure in Namibia Dollar**

The net carrying amounts, in Namibia Dollar, of the various exposures, are denominated in the following currencies. The amounts have been presented in Namibia Dollar by converting the foreign currency amounts at the closing rate at the reporting date:

**US Dollar exposure:**

Trade and other receivables  
Cash and cash equivalents

**Current liabilities:**

Trade and other payables

**Net US Dollar exposure**

Group		Company	
2022	2021	2022	2021
N\$'000	N\$'000	N\$'000	N\$'000
30,952	38,410	30,952	38,410
3,280	4,780	3,280	4,780
(19,352)	(24,855)	(19,352)	(24,855)
<b>14,880</b>	<b>18,335</b>	<b>14,880</b>	<b>18,335</b>

**Euro exposure:****Current assets:**

Trade and other receivables

Cash and cash equivalents

**Current liabilities:**

Trade and other payables

Net Euro exposure

Pound Sterling

**Current liabilities:**

Trade and other payables

**Net exposure to foreign currency in Namibia Dollar**

		Group		Company	
		2022 N\$'000	2021 N\$'000	2022 N\$'000	2021 N\$'000
	12	123	478	123	478
	15	499	582	499	582
	20	(3,646)	(3,196)	(3,646)	(3,196)
		(3,024)	(2,136)	(3,024)	(2,136)
	20	-	(52)	-	(52)
		<b>11,856</b>	<b>16,147</b>	<b>11,856</b>	<b>16,147</b>

**Exposure in foreign currency amounts**

The net carrying amounts, in foreign currency of the above exposure was as follows:

**US Dollar exposure:****Current assets:**

Trade and other receivables

Cash and cash equivalents

**Current liabilities:**

Trade and other payables

**Net US Dollar exposure****Euro exposure:****Current assets:**

Trade and other receivables

Cash and cash equivalents

**Current liabilities:**

Trade and other payables

**Net Euro exposure****Pound Sterling:****Current liabilities:**

Trade and other payables

**Exchange rates**

The following closing exchange rates were applied at reporting date:

**Namibia Dollar per unit of foreign currency:**

US Dollar

Euro

Pound Sterling

	12	1,708	2,520	1,708	2,520
	15	181	314	181	314
	20	(1,068)	(1,631)	(1,068)	(1,631)
		<b>821</b>	<b>1,203</b>	<b>821</b>	<b>1,203</b>
	12	7	27	7	27
	15	28	33	28	33
	20	(205)	(181)	(205)	(181)
		<b>(170)</b>	<b>(121)</b>	<b>(170)</b>	<b>(121)</b>
	20	-	(3)	-	(3)
		18,118	15,240	18,118	15,240
		17,762	17,691	17,762	17,691
		-	20,504	-	20,504

**38. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)****Foreign currency sensitivity analysis**

The following information presents the sensitivity of the Group to an increase or decrease in the respective currencies it is exposed to. The sensitivity rate is the rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated amounts and adjusts their translation at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

Group	2022	2022	2021	2021
	Increase	Decrease	Increase	Decrease
<b>Increase or decrease in rate</b>				
<b>Impact on profit or loss:</b>				
US Dollar 10% (2021: 10 %)	1,488	1,488	1,844	1,844
Euro 10% (2021: 10%)	302	302	214	214
Pound Sterling 10% (2021: 10 %)	-	5	5	5
	<b>1,790</b>	<b>1,795</b>	<b>2,063</b>	<b>2,063</b>
<b>Company</b>				
<b>Increase or decrease in rate</b>				
<b>Impact on profit or loss:</b>				
US Dollar 10% (2021: 10 %)	1,488	1,488	1,844	1,844
Euro 10% (2021: 10%)	302	302	214	214
Pound Sterling 10% (2021: 10 %)	-	-	5	5
	<b>1,790</b>	<b>1,790</b>	<b>2,063</b>	<b>2,063</b>

**Interest rate risk**

Fluctuations in interest rates impact on the value of investments and financing activities, giving rise to interest rate risk. There have been no significant changes in the interest rate risk management policies and processes since the prior reporting period.

Interest rate risk arises from the price adjustments effected on the Group's forward cover and floating rate debt as well as incremental funding or new borrowings and the refinancing of existing borrowings. Financial assets and liabilities that are sensitive to interest rate risk are cash and cash equivalents, finance leases and long term borrowings. The Group monitors the developments in the markets that have an impact on the rates in order to align the treasury policy with the market conditions.

**Interest rate profile**

The interest rate profile of interest bearing financial instruments at the end of the reporting period was as follows:

Group	Note	Average effective interest rate		Carrying amount	
		2022	2021	2022	2021
<b>Variable rate instruments:</b>					
<b>Assets</b>					
Lease receivables	10	16.60%	13.59%	7,194	7,294
Cash and cash equivalents	15	3.59%	2.28%	27,984	43,776
				<b>35,178</b>	<b>51,070</b>
<b>Liabilities</b>					
Lease liabilities	5	6.43%	7.34%	(345,314)	(811,253)
Bank overdraft	15	2.21%	6.08%	(38,481)	(21,194)
				<b>(383,795)</b>	<b>(832,447)</b>
<b>Net variable rate financial instruments</b>				<b>(348,617)</b>	<b>(781,377)</b>
Variable rate financial assets as a percentage of total interest bearing financial assets				100.00%	100.00%
Variable rate financial liabilities as a percentage of total interest bearing financial liabilities				100.00%	100.00%

				Average effective interest ate		Carrying amount		
Company				2022	2021	2022	2021	
Variable rate instruments:								
Assets								
Lease receivables	10	16.60%	13.59%	7,194	7,294			
Cash and cash equivalents	15	4.86%	2.28%	3,811	15,329			
				11,005	22,623			
Liabilities								
Lease liabilities	5	5.97%	6.80%	(418,363)	(908,975)			
Bank overdraft	15	2.21%	6.08%	(38,481)	(21,194)			
				(456,844)	(930,169)			
Net variable rate financial instruments				(445,839)	(907,546)			
Variable rate financial assets as a percentage of total interest bearing financial assets							100.00%	100.00%
Variable rate financial liabilities as a percentage of total interest bearing financial liabilities							100.00%	100.00%

### Interest rate sensitivity analysis

The following sensitivity analysis has been prepared using a sensitivity rate which is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. All other variables remain constant. The sensitivity analysis includes only financial instruments exposed to interest rate risk which were recognised at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

The effects on the loss for the year would arise because of the Group and Company's exposure to variable rate bank balances, bank overdrafts, long term borrowing, lease receivables and lease liabilities.

#### Group

At 30 September 2022, if the interest rate (prime lending rate) had been 1.000% per annum (2021: 1.000%) higher or lower during the period, with all other variables held constant, profit or loss for the year would have been N\$7,463,515 (2021: N\$7,277,570) lower and N\$7,463,515 (2021: N\$7,277,570) higher.

#### Company

At 30 September 2022, if the interest rate (prime lending rate) had been 1.000% per annum (2021: 1.000%) higher or lower during the period, with all other variables held constant, profit or loss for the year would have been N\$8,769,150 (2021: N\$7,887,335) lower and N\$8,769,150 (2021: N\$7,887,335) higher.

## 39. FAIR VALUE INFORMATION

### Fair value hierarchy

The table below analyses assets and liabilities carried at fair value. The different levels are defined as follows:

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the Group can access at measurement date.

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

**39. FAIR VALUE INFORMATION (CONTINUED)****Levels of fair value measurements****Level 3****Recurring fair value measurements**

	Note(s)	Group		Company	
		2022 N\$'000	2021 N\$'000	2022 N\$'000	2021 N\$'000
<b>Liabilities</b>					
<b>Financial liabilities at fair value through profit (loss)</b>					
Other financial liabilities	21	286,304	279,127	286,304	279,127
<b>Total</b>		<b>(286,304)</b>	<b>(279,127)</b>	<b>(286,304)</b>	<b>(279,127)</b>

**Reconciliation of assets and liabilities measured at level 3**

	Note(s)	Opening balance	Gains (losses) recognised in profit (loss)	Settlements	Closing balance
		N\$'000	N\$'000	N\$'000	N\$'000
<b>Group - 2022</b>					
<b>Liabilities</b>					
<b>Financial liabilities at fair value through profit (loss)</b>					
Other financial liabilities	21	279,127	7,467	(290)	286,304
<b>Total</b>		<b>(279,127)</b>	<b>(7,467)</b>	<b>290</b>	<b>(286,304)</b>
<b>Group - 2021</b>					
<b>Liabilities</b>					
<b>Financial liabilities at fair value through profit (loss)</b>					
Other financial liabilities	21	282,791	(944)	(2,720)	279,127
<b>Total</b>		<b>(282,791)</b>	<b>944</b>	<b>2,720</b>	<b>(279,127)</b>
<b>Company - 2022</b>					
<b>Liabilities</b>					
<b>Financial liabilities at fair value through profit (loss)</b>					
Other financial liabilities	21	279,127	7,467	(290)	286,304
<b>Total</b>		<b>(279,127)</b>	<b>(7,467)</b>	<b>290</b>	<b>(286,304)</b>
<b>Company - 2021</b>					
<b>Liabilities</b>					
<b>Financial liabilities at fair value through profit (loss)</b>					
Other financial liabilities	21	282,791	(944)	(2,720)	279,127
<b>Total</b>		<b>(282,791)</b>	<b>944</b>	<b>2,720</b>	<b>(279,127)</b>

\* Gains and losses recognised in profit or loss are included in Other non-operating gains on the Statement of Comprehensive Income.

Information about valuation techniques and inputs used to derive level 3 fair values

**Other**

Other assets and liabilities approach.

The key unobservable inputs, together with the weighted average range of probabilities, are as follows:

	Weighted average range of probabilities	
	High	Low
Estimated cash outflow	483,503	395,593
Discount rate	12.97%	10.62%

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

In determining the fair value of the other financial liability, the fair value was determined using the income approach by discounting the future cashflows represented by 25% of the after tax profit in line with the preference share agreement. The discount rate utilised is determined as risk free rate adjusted for an appropriate market spread. The risk free rate is the yield to maturity on one of the Namibian government's corporate bonds, the GC26 and the market spread is determined by looking at the yield to maturity on the corporate bonds, the NWC22.

Valuation processes applied by the Group

The fair value of the financial liability is performed by the Group's finance department, on an annual basis. The finance department reports to the Group's Chief Financial Officer (CFO). The valuation reports are discussed with the Audit committee in accordance with the Group's reporting policies.

#### 40. 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.

#### 41. GOING CONCERN

The consolidated and separate annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The directors believe that the Group and Company has adequate financial resources to continue in operation for the foreseeable future and accordingly the consolidated and separate annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the Group and the Company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the Group and the Company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the Group and Company.

The Group and Company reported a net profit N\$48 million (2021: N\$35 million) and N\$33 million (2021: N\$1 million) respectively for the year ended 30 September 2022. Current liabilities exceeded current assets by N\$154 million (2021: N\$163 million) for the Group and by N\$252 million (2021: N\$242 million) for the Company at year-end.

The current liabilities of the Group and the Company include N\$104 million for contract liabilities and N\$56 million for the leave provision. The contract liability will be realised as the Company delivers the services to the various customers and thus does not constitute a cash outflow. In as much as the overall current liabilities exceeds current assets, we do not expect the leave provision to result in an immediate payment as we expect employees to take their leave days. Thus isolating the above current liabilities, it leaves the net current liability balance fairly covered by current assets and by the available unutilised facilities as set out in **note 38** under liquidity risk management.

At year end, the Company report a net negative cash and cash equivalent balance of N\$30 million. However, this is not considered a going concern issues given that it is a small fraction of the total approved facility N\$90 million and the Company did not default on the facility utilised during the financial year.

#### 42. CHANGE IN ESTIMATE

##### Property, plant and equipment

In the current financial year, management revised the remaining useful of the billing software from a remaining useful life of 1 year as at 01 October 2022 to 3 years. The billing system will be replaced with the new OSS/BSS and the project is estimated to take approximately 18 months, and the migration process is expected to be completed by 30 September 2024.

The change resulted in a decrease in the current year's depreciation of N\$2.2 million and future depreciation will increase by N\$2.2 million. The revised useful lives are in line with the expected pattern of consumption of the future economic benefits embodied in the assets.

# About this Annual Report

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