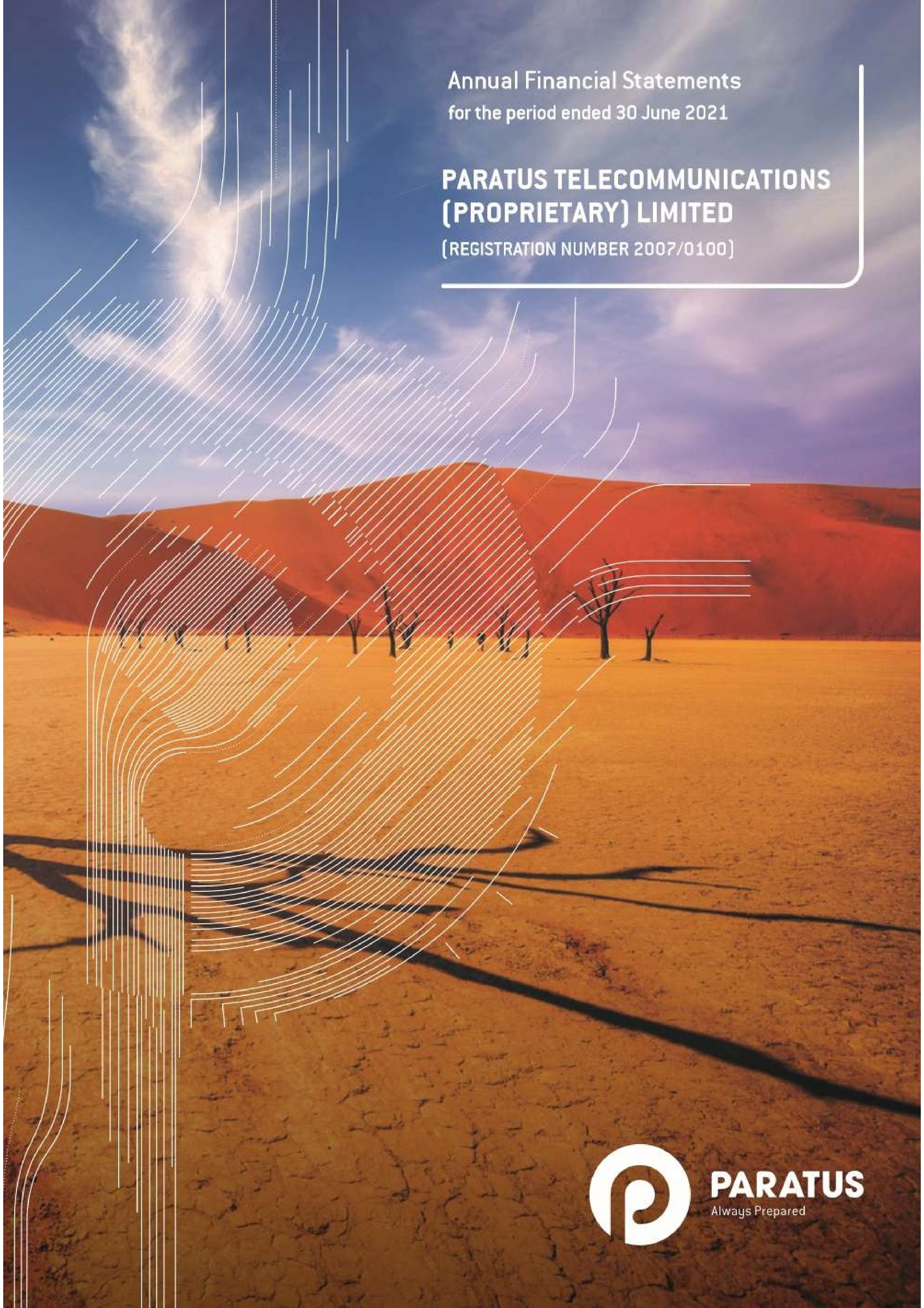
Annual Financial Statements
for the period ended 30 June 2021

PARATUS TELECOMMUNICATIONS (PROPRIETARY) LIMITED

(REGISTRATION NUMBER 2007/0100)



PARATUS
Always Prepared

General Information

Company registration number	2007/0100
Country of incorporation and domicile	Namibia
Nature of business and principal activities	Information and Communication Technology and all related services
Directors	S.L.V. Erasmus A. Hall B.R.J. Harmse S.I. de Bruin J.J. Esterhuyse M.R. Mostert H.B. Gerdes S.H. Birch J.N.N. Shikongo
Alternate director	R.P.K. Mendelsohn
Registered office	104 -106 Nickel Street Prosperita Windhoek Namibia
Business address	104 -106 Nickel Street Prosperita Windhoek Namibia
Postal address	P.O. Box 81588 Olympia Windhoek
Holding company	Paratus Namibia Holdings Limited
Auditor	PwC Namibia Registered Accountants and Auditors Chartered Accountants (Namibia)
Secretary	Cronje Secretarial Services (Proprietary) Limited

Contents

Directors' Responsibilities and Approval

The directors are required in terms of the Companies Act of Namibia to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company 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 ("IFRS"). The external auditor is engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company 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 company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are 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 directors have reviewed the company's cash flow forecast for the year to 30 June 2022 and, in light of this review and the current financial position, they are satisfied that the company has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditor is responsible for independently auditing and reporting on the company's annual financial statements. The annual financial statements have been examined by the company's external auditor and their report is presented on pages 4 to 6.

The annual financial statements set out on pages 7 to 69, which have been prepared on the going concern basis, were approved by the board of directors on 21 September 2021 and were signed on their behalf by:

S.I. de Bruin | **A. Hall**

Independent auditor's report

To the Member of Paratus Telecommunications (Proprietary) Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Paratus Telecommunications (Proprietary) Limited (the Company) as at 30 June 2021, and its financial performance and 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

Paratus Telecommunications (Proprietary) Limited's financial statements set out on pages 7 to 69 comprise:

- the directors' report for the year ended 30 June 2021;
- the statement of financial position as at 30 June 2021;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement 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 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 Company in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants (Revised July 2016)*, parts 1 and 3 of the International Ethics Standards Board for Accountants *International Code of Ethics for Professional Accountants (including International Independence Standards) (Revised July 2018)* (Code of Conduct) and other independence requirements applicable to performing audits of financial statements in Namibia. We have fulfilled our other ethical responsibilities in accordance with the Code of Conduct and in accordance with other ethical requirements applicable to performing audits in Namibia.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Paratus Telecommunications (Proprietary) Limited Annual Financial Statements for the year ended 30 June 2021". The other information does not include the financial statements and our auditor's report thereon.

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

Country Senior Partner: Chantell N Husselmann

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

Our opinion on the 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 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 financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 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 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 Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

PricewaterhouseCoopers

PricewaterhouseCoopers
Registered Accountants and Auditors
Chartered Accountants (Namibia)
Per: Louis van der Riet
Partner
Windhoek
Date: 21 September 2021

Directors' Report

The directors have pleasure in submitting their report on the annual financial statements of Paratus Telecommunications (Proprietary) Limited for the year ended 30 June 2021.

1. Nature of business

Paratus Telecommunications (Proprietary) Limited was incorporated in Namibia and operates in the Information and Communications Technology industry.

The core services provided by the company is ICT (Information and Communications Technology) related services .

There have been no material changes to the nature of the company's business from the prior year.

2. Review of financial results and activities

The annual financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Namibia. The accounting policies have been applied consistently compared to the prior year, except for the adoption of new or revised accounting standards as set out in note 1 and note 2.

Full details of the financial position, results of operations and cash flows of the company are set out in these annual financial statements.

3. Share capital

	2021	2020
Authorised	Number of shares	
Ordinary shares	100,000	100,000

	2021	2020	2021	2020
Issued	N$	N$	Number of shares	
94 964 Ordinary shares of N$ 5 each	474,820	474,820	94,964	94,964
Share premium (varied)	147,612,751	147,612,751	-	-
	148,087,571	**148,087,571**	**94,964**	**94,964**

Refer to note 14 of the annual financial statements for detail of the movement in authorised and issued share capital.

4. Dividends

The company's dividend policy is to consider an interim and a final dividend in respect of each financial year. At its discretion, the board of directors may consider a special dividend, where appropriate. Depending on the perceived need to retain funds for expansion or operating purposes, the board of directors may pass on the payment of dividends.

The board of directors approved dividends to Paratus Namibia Holdings Limited to replenish reserves in the holding company to enable dividend payments to the shareholders of Paratus Namibia Holdings Limited. The dividend equated N$6,500,000 (2020: Nil) .

Directors' Report

5. Directorate

The directors in office at the date of this report are as follows:

Directors		Nationality
S.L.V. Erasmus		Namibian
A. Hall		Namibian
B.R.J. Harmse		Namibian
S.I. de Bruin		Namibian
J.J. Esterhuyse	Non-executive	South African
M.R. Mostert	Non-executive	Namibian
H.B. Gerdes	Non-executive	Namibian
S.H. Birch	Non-executive	South African
J.N.N. Shikongo	Non-executive	Namibian

There have been no changes to the directorate for the year under review.

6. Interests in subsidiaries

Details of interests in subsidiaries are presented in the annual financial statements in note 6.

The company acquired 52% interest in Bitstream Internet Solutions (Pty) Ltd during the current year for a consideration of N$2,080,000. Bitstream Internet Solutions (Pty) Ltd operates in the ICT industry.

7. Holding company

The company's holding company is Paratus Namibia Holdings Limited which holds 100% (2020: 100%) of the company's equity. Since the company is a wholly owned subsidiary and the holding company prepares consolidated financial statements, the company applied the exemption from consolidation. The consolidated financial statements of Paratus Namibia Holdings Limited is available at the company secretaries. Paratus Namibia Holdings Limited is incorporated in Namibia.

8. Events after the reporting period

On 21 September 2021, the board declared a dividend amounting to N$ 4 500 000.

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

9. Going concern

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that 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 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 company.

10. Secretary

The company secretary is Cronje Secretarial Services (Proprietary) Limited

11. Date of authorisation for issue of financial statements

The annual financial statements have been authorised for issue by the directors on Tuesday, 21 September 2021. No authority was given to anyone to amend the annual financial statements after the date of issue.

Paratus Telecommunications (Proprietary) Limited

(Registration number 2007/0100)
Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Position as at 30 June 2021

Figures in Namibia Dollar	Notes	30 June 2021	30 June 2020
Assets			
Non-Current Assets			
Property, plant and equipment	3	339,621,796	204,186,717
Right-of-use assets	4	11,703,095	9,743,649
Intangible assets	5	19,268,703	18,357,763
Investments in subsidiaries	6	25,521,311	23,441,311
Loans to group companies	7	1,238,440	1,920,563
Investments at fair value	12	-	14,712,500
		397,353,345	**272,362,503**
Current Assets			
Inventories	10	18,755,187	13,735,126
Loans to group companies	7	18,986,871	22,336,038
Trade and other receivables	11	37,155,453	27,312,437
Investments at fair value	12	132,044,684	39,911,074
Finance lease receivables	8	4,088	103,163
Current tax receivable		3,509,125	1,972,681
Cash and cash equivalents	13	577,117	15,940,898
		211,032,525	**121,311,417**
Total Assets		**608,385,870**	**393,673,920**
Equity and Liabilities			
Equity			
Share capital	14	148,087,571	148,087,571
Retained income		44,213,694	21,268,112
		192,301,265	**169,355,683**
Liabilities			
Non-Current Liabilities			
Loans from group companies	7	236,273,292	-
Borrowings	15	-	64,889,735
Lease liabilities	4	10,066,409	8,933,696
Contract Liabilities	18	88,444,920	79,480,705
Deferred tax	9	21,053,189	9,728,508
		355,837,810	**163,032,644**
Current Liabilities			
Trade and other payables	17	32,917,072	27,034,410
Loans from group companies	7	478,275	-
Borrowings	15	-	14,994,478
Lease liabilities	4	4,807,786	4,763,445
Contract Liabilities	18	9,216,668	8,831,084
Provisions	16	8,730,987	5,619,175
Bank overdraft	13	4,096,007	43,001
		60,246,795	**61,285,593**
Total Liabilities		**416,084,605**	**224,318,237**
Total Equity and Liabilities		**608,385,870**	**393,673,920**

Statement of Profit or Loss and Other Comprehensive Income

Figures in Namibia Dollar	Notes	12 months ended 30 June 2021	16 months ended 30 June 2020
Revenue	19	336,099,856	431,980,338
Cost of sales	20	(160,075,507)	(218,531,618)
Gross profit		**176,024,349**	**213,448,720**
Other operating income	21	463,852	1,108,559
Other operating gains / (losses)	22	(761,930)	2,132,294
Operating expenses	23	(129,444,535)	(168,905,862)
Operating profit	23	**46,281,736**	**47,783,711**
Investment income	24	1,399,328	3,627,524
Finance costs	25	(6,910,801)	(14,692,090)
Profit before taxation		**40,770,263**	**36,719,145**
Taxation	26	(11,324,681)	(10,887,648)
Profit for the year		**29,445,582**	**25,831,497**
Total comprehensive income for the year		**29,445,582**	**25,831,497**
Adjusted earnings before interest, taxation, depreciation and amortisation (EBITDA)		93,119,490	101,247,260

Statement of Changes in Equity

Figures in Namibia Dollar	Share capital	Share premium	Total share capital	Retained income	Total equity
Balance at 1 July 2019	**237,410**	**97,953,626**	**98,191,036**	**(4,563,385)**	**93,627,651**
Profit for the year	-	-	-	25,831,497	25,831,497
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**	**25,831,497**	**25,831,497**
Issue of shares	237,410	49,762,560	49,999,970	-	49,999,970
Cost of allotment of additional shares	-	(103,435)	(103,435)	-	(103,435)
Total contributions by and distributions to owners of company recognised directly in equity	**237,410**	**49,659,125**	**49,896,535**	**-**	**49,896,535**
Balance at 1 July 2020	**474,820**	**147,612,751**	**148,087,571**	**21,268,112**	**169,355,683**
Profit for the year	-	-	-	29,445,582	29,445,582
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**	**29,445,582**	**29,445,582**
Dividends	-	-	-	(6,500,000)	(6,500,000)
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**-**	**-**	**(6,500,000)**	**(6,500,000)**
Balance at 30 June 2021	**474,820**	**147,612,751**	**148,087,571**	**44,213,694**	**192,301,265**
Note(s)	14	14	14		

Statement of Cash Flows

Figures in Namibia Dollar	Notes	12 months ended 30 June 2021	16 months ended 30 June 2020
Cash flows from operating activities			
Cash generated from operations	27	96,574,727	122,273,601
Interest income		131,504	505,168
Dividend income		1,267,824	3,122,356
Finance costs		(5,536,000)	(11,890,994)
Tax paid	28	(1,536,444)	(2,995,460)
Net cash from operating activities		**90,901,611**	**111,014,671**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(174,023,320)	(99,609,088)
Sale of property, plant and equipment	3	148,349	258,813
Purchase of other intangible assets	5	(4,086,289)	(1,063,906)
Finance lease receipts	8	99,075	634,771
Sale of investments at fair value		14,645,625	-
Withdrawals from money market funds and similar securities		123,574,387	21,000,000
Deposits into money markets and similar securities		(215,707,997)	(52,522,150)
Purchase of subsidiary		(2,080,000)	-
Net cash from investing activities		**(257,430,170)**	**(131,301,560)**
Cash flows from financing activities			
Proceeds on share issue		-	49,896,535
Proceeds from loans from holding company		230,000,000	-
Proceeds from loans to group companies		4,031,290	5,425,852
Repayment of borrowings		(79,884,213)	(16,127,070)
Repayment of shareholders loan		-	1,642,255
Payment on lease liabilities		(5,548,686)	(7,693,140)
Net cash from financing activities		**148,598,391**	**33,144,432**
Total cash movement for the year		**(17,930,168)**	**12,857,543**
Cash at the beginning of the year		15,897,898	3,614,951
Effect of exchange rate movement on cash balances		(1,486,620)	(574,596)
Total cash at end of the year	13	**(3,518,890)**	**15,897,898**

Accounting Policies

1. Significant accounting policies

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

1.1 Basis of preparation

The 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 annual financial statements and the Companies Act of Namibia.

The 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 company's functional currency.

These accounting policies are consistent with the previous period.

1.2 Segmental reporting

The company considers its ICT segment as its only operating segment. This is in a matter consistent with the internal reporting provided to the chief operating decision-maker, identified as the Executive Committee of the company. The chief operating decision-maker, allocates resources to and assesses performance of the operating segment of the entity.

1.3 Significant judgements and sources of estimation uncertainty

The preparation of annual financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Critical judgements in applying accounting policies

The critical judgements made by management in applying accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognised in the financial statements, are outlined as follows:

Key sources of estimation uncertainty

Useful lives of property, plant and equipment

Management assess the appropriateness of the useful lives of property, plant and equipment at the end of each reporting period. The useful lives of motor vehicles, furniture and computer equipment are determined based on company replacement policies for the various assets. Individual assets within these classes, which have a significant carrying amount are assessed separately to consider whether replacement will be necessary outside of normal replacement parameters.

When the estimated useful life of an asset differs from previous estimates, the change is applied prospectively in the determination of the depreciation charge.

Accounting Policies

1.4 Property, plant and equipment

Property, plant and equipment are tangible assets which the company holds for its own use or for rental to others and which are expected to be used for more than one year.

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the company, and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the company and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the period in which they are incurred.

Subsequent to initial recognition, property, plant and equipment is measured at cost less accumulated depreciation and any accumulated impairment losses, except for land which is stated at cost.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the company. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

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

Item	Depreciation method	Average useful life
Land	Not applicable	Indefinite
Core satellite equipment	Straight line	3 years
Core network assets	Straight line	5 years
Fibre (active equipment)	Straight line	5 years
Fibre (passive equipment)	Straight line	20 years
Infrastructure	Straight line	20 years
Furniture and fittings	Straight line	5 years
Motor vehicles	Straight line	4 years
Office equipment	Straight line	5 years
IT equipment	Straight line	5 years
Customer equipment	Straight line	2 - 3 years
LTE network assets	Straight line	5 years
Operating equipment	Straight line	3 years

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

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

Accounting Policies

1.5 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

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

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

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

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Paratus brand	Straight line	25 years
Customer base	Straight line	12 years
Computer software	Straight line	3 years
Goodwill (not amortised but is tested for impairment annually)	Not applicable	Indefinite

1.6 Investments in subsidiaries

Investments in subsidiaries are carried at cost less any accumulated impairment losses.

Accounting Policies

1.7 Financial instruments

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

Broadly, the classification possibilities, which are adopted by the company ,as applicable, are as follows:

Financial assets which are equity instruments:
- Mandatorily at fair value through profit or loss; or
- Designated as at fair value through other comprehensive income. (This designation is not available to equity instruments which are held for trading or which are contingent consideration in a business combination).

Financial assets which are debt instruments:
- Amortised cost. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows); or
- Mandatorily at fair value through profit or loss. (This classification automatically applies to all debt instruments which do not qualify as at amortised cost or at fair value through other comprehensive income); or
- Designated at fair value through profit or loss. (This classification option can only be applied when it eliminates or significantly reduces an accounting mismatch).

Financial liabilities:
- Amortised cost; or
- Mandatorily at fair value through profit or loss. (This applies to contingent consideration in a business combination or to liabilities which are held for trading); or
- Designated at fair value through profit or loss. (This classification option can be applied when it eliminates or significantly reduces an accounting mismatch; the liability forms part of a group of financial instruments managed on a fair value basis; or it forms part of a contract containing an embedded derivative and the entire contract is designated as at fair value through profit or loss).

Note 32 Financial instruments and risk management presents the financial instruments held by the company based on their specific classifications.

All regular purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the company are presented below:

Loans receivable at amortised cost

Classification

Loans to / (from) 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 company's business model is to collect the contractual cash flows on these loans.

Recognition and measurement

Loans receivable are recognised when the company 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).

Accounting Policies

1.7 Financial instruments (continued)

Impairment

The company recognises a loss allowance for expected credit losses on all loans receivable 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 company 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 company 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.

Goodwill acquired is tested for impairment by analysing the profitability of the cash generating units. These units are profitable, therefore they are considered not to be impaired.

Write off policy

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

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.

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.

If the company 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 company measures the loss allowance at an amount equal to 12 month ECL at the current reporting date, and visa 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 operating expenses in profit or loss as a movement in credit loss allowance (note 23).

Trade and other receivables

Classification

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost (note 11).

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

Accounting Policies

1.7 Financial instruments (continued)

Recognition and measurement

Trade and other receivables are recognised when the company 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.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest), adjusted for any loss allowance.

Trade and other receivables denominated in foreign currencies

When trade and other receivables are denominated in a foreign currency, the carrying amount of the receivables 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 other operating gains (losses) (note 22).

Details of foreign currency risk exposure and the management thereof are provided in the financial instruments and risk management (note 32).

Impairment

The company recognises a loss allowance for expected credit losses on trade and other receivables, excluding VAT and prepayments. The amount of expected credit losses is updated at each reporting date.

Measurement and recognition of expected credit losses

The company makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other 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 11.

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 operating expenses in profit or loss as a movement in credit loss allowance (note 23).

Write off policy

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

Borrowings and loans from related parties

Classification

Loans from group companies (note 7) and borrowings (note 15) are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

Borrowings and loans from related parties are recognised when the company 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.

Accounting Policies

1.7 Financial instruments (continued)

Borrowings expose the company to liquidity risk and interest rate risk. Refer to note 32 for details of risk exposure and management thereof.

Trade and other payables

Classification

Trade and other payables (note 17), 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 company 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.

Trade and other payables expose the company to liquidity risk and possibly to interest rate risk. Refer to note 32 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 22).

Details of foreign currency risk exposure and the management thereof are provided in the trade and other payables note (note 17).

Cash and cash equivalents

Cash and cash equivalents are stated at carrying amount which is deemed to be fair value.

Refer to note 32 for details of risk exposure and management thereof.

Bank overdrafts

Bank overdrafts are initially measured at fair value, and are subsequently measured at amortised cost.

1.8 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Accounting Policies

1.8 Tax (continued)

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

1.9 Leases

The company 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 company 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.

1.10 Inventories

Inventories are measured at the lower of cost and net realisable value.

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

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

Accounting Policies

1.10 Inventories (continued)

When inventories are sold, the carrying amount of those inventories are 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, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Inventories include work in progress which relates to inventory issued to customers, which have not been invoiced.

1.11 Impairment of assets

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

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

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

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

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

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.12 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 classified as equity.

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

1.13 Employee benefits

Short-term employee benefits

Liabilities for salaries, including non-monetary benefits, annual leave an accumulated sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the service are recognised in respect of the employee's services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

Accounting Policies

1.14 Provisions and contingencies

Provisions are recognised when:

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

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

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

Provisions are not recognised for future operating losses.

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

1.15 Revenue from contracts with customers

The company recognises revenue from the rendering of ICT services, such as access to core network, internet services, IT services, voice call services and local area network services.

Revenue is measured based on the consideration specified in a contract with a customer. The company recognises revenue when it transfers control of a product or service to a customer.

Provision of IT services

The standard sets out the requirements for recognising revenue from contracts with customers and has impacted how the company recognises revenue, using a five-step process which is applied below.

1. Identify the contract: the company has contracts in each of the following revenue streams;
- Voice traffic - primarily revenue from international voice interconnects between international telecom carriers;
- Wholesale data and other services - primarily data services sold to telecom operators;
- Enterprise data and other services - primarily data services sold to medium to large enterprises in Namibia;
- Retail data and other services - primarily data services sold to consumers and small businesses in Namibia;
- Telephony services - telephones and telephonic systems with or without the use of wires ; and
- Local area network installations - primarily the development and installation of a local area network.

2. Identify the performance obligations: The company identifies deliverables in contracts with customers that qualify as separate “performance obligations”. Some of the contracts relating to the revenue sources above contain multiple deliverables or performance obligations. The company assesses whether there are distinct performance obligations at the start of each contract and throughout the performance of the contracts. The performance obligations identified will depend on the nature of individual customer contracts, which will typically be the provision of equipment to customers and the delivery of services provided to customers.

3. Determine the transaction price: The transaction price is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The group recognises revenue when it transfers control of a product or service to a customer, that is, when the performance obligation is satisfied.

4. Allocate the transaction price: The transaction price receivable from customers is allocated across the company’s performance obligations under the contracts on a relative stand-alone selling price basis. Revenue will then be recognised either at a point in time or over time when the respective performance obligations in a contract are delivered to the customer. Stand-alone selling prices will be based on observable sales prices and where stand-alone selling prices are not directly observable, estimates of stand-alone selling prices will be required.

5. Recognise revenue as and when the performance obligations are satisfied.

The company has applied the steps set out above to each of its revenue streams, in determining its revenue recognition policy, as follows:

Accounting Policies

1.15 Revenue from contracts with customers (continued)

• Voice traffic: The performance obligation relating to voice traffic is to provide voice minutes for the duration of the call until termination. The transaction price is determined based on agreed upon per minute rates and the duration of the call. Revenue relating to voice is recognised at the point the call is terminated as this is the point the service is delivered to the customer. Customers are invoiced monthly based on their voice usage and a receivable is raised when the service has been delivered.

• Wholesale data and other services: The performance obligation relating to these service contracts consists of two parts, firstly the installation of the equipment and/or connection of the service, the Non-Recurring Revenue (NRR), and secondly the provisioning of monthly services, the Monthly Recurring Revenue (MRR).

• Telephony services: The performance obligation relating to these service contracts consists of two parts, firstly the installation of the equipment and/or connection of the service, the Non-Recurring Revenue, and secondly the provisioning of monthly services, the Recurring Revenue.

• Local area network installations: The performance obligation relating to these service contracts consists of the installation of local area network equipment, which is Non-Recurring Revenue.

In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the company exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised. As a practical expedient, the company recognises the incremental costs of obtaining a contract as an expense when incurred if the amortisation period of the asset that the company otherwise would have recognised is less than one year.

The company has used the practical expedient not to adjust the promised amount of consideration for the effects of the significant financing component since management expects at contract inception, that the period between when a promised service is transferred to a customer and when the customer pays is less than one year.

Accounting Policies

1.16 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;
- depreciation that relates to core network assets applied to deliver ICT services to customers; and
- such other costs as are specifically chargeable to the customer under the terms of the contract.

1.17 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:
- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:
- expenditures for the asset have occurred;
- borrowing costs have been incurred, and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Accounting Policies

1.18 Translation of foreign currencies

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.

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 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.

Notes to the Annual Financial Statements

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Covid - 19 - Related Rent Concessions - Amendment to IFRS 16	1 June 2020	The impact of the standard is not material.
• Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7	1 January 2020	The impact of the standard is not material.

2.2 Standards and interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company’s accounting periods beginning on or after 1 July 2021 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Disclosure of accounting policies: Amendments to IAS 1 and IFRS Practice Statement 2.	1 January 2023	Unlikely there will be a material impact
• Definition of accounting estimates: Amendments to IAS 8	1 January 2023	Unlikely there will be a material impact
• Classification of Liabilities as Current or Non-Current - Amendment to IAS 1	1 January 2023	Unlikely there will be a material impact
• Annual improvements to IFRS Standards 2018-2020: Amendments to IFRS 1	1 January 2022	Unlikely there will be a material impact
• Annual improvements 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 - Costs of Fulfilling a Contract: Amendments to IAS 37	1 January 2022	Unlikely there will be a material impact
• Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 7	1 January 2021	Unlikely there will be a material impact
• Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9	1 January 2021	Unlikely there will be a material impact
• Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 16	1 January 2021	Unlikely there will be a material impact
• Interest Rate Benchmark Reform - Phase 2: Amendments to IAS 39	1 January 2021	Unlikely there will be a material impact

Notes to the Annual Financial Statements

3. Property, plant and equipment

	2021			2020		
	Cost / valuation	Accumulated depreciation	Carrying value	Cost / valuation	Accumulated depreciation	Carrying value
Capital - Work in progress	27,507,212	-	27,507,212	10,559,381	-	10,559,381
Core network assets	58,402,388	(47,627,942)	10,774,446	75,391,949	(60,189,818)	15,202,131
Core satellite equipment	3,113,755	(2,131,597)	982,158	3,104,576	(1,510,529)	1,594,047
Customer equipment	17,696,615	(8,349,875)	9,346,740	12,565,903	(6,977,198)	5,588,705
Fiber active equipment	12,159,052	(7,129,460)	5,029,592	11,103,547	(4,825,652)	6,277,895
Fiber passive equipment	57,862,844	(9,366,302)	48,496,542	57,862,844	(6,473,160)	51,389,684
Furniture and fixtures	3,353,439	(2,651,870)	701,569	3,541,386	(2,670,085)	871,301
IT equipment	8,296,056	(4,909,381)	3,386,675	5,916,766	(3,930,923)	1,985,843
Infrastructure	219,803,334	(16,774,294)	203,029,040	103,058,366	(8,208,597)	94,849,769
LTE network assets	24,789,718	(8,336,711)	16,453,007	16,260,937	(4,083,063)	12,177,874
Land	10,310,005	-	10,310,005	-	-	-
Motor vehicles	5,157,318	(2,556,000)	2,601,318	5,885,518	(3,369,022)	2,516,496
Office equipment	1,617,154	(1,258,862)	358,292	4,100,120	(3,647,773)	452,347
Operating equipment	1,409,136	(763,936)	645,200	1,075,138	(353,894)	721,244
Total	**451,478,026**	**(111,856,230)**	**339,621,796**	**310,426,431**	**(106,239,714)**	**204,186,717**

Notes to the Annual Financial Statements

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Capital - Work in progress	10,559,381	28,241,194	-	(11,293,363)	-	27,507,212
Core network assets	15,202,131	5,910,839	(15,653)	-	(10,322,871)	10,774,446
Core satellite equipment	1,594,047	9,179	-	-	(621,068)	982,158
Customer equipment	5,588,705	9,168,132	-	-	(5,410,097)	9,346,740
Fiber active equipment	6,277,895	1,055,505	-	-	(2,303,808)	5,029,592
Fiber passive equipment	51,389,684	-	-	-	(2,893,142)	48,496,542
Furniture and fixtures	871,301	288,461	-	-	(458,193)	701,569
IT equipment	1,985,843	3,609,488	(47,778)	-	(2,160,878)	3,386,675
Infrastructure	94,849,769	105,451,605	-	11,293,363	(8,565,697)	203,029,040
LTE network assets	12,177,874	8,528,781	-	-	(4,253,648)	16,453,007
Land	-	10,310,005	-	-	-	10,310,005
Motor vehicles	2,516,496	992,680	-	-	(907,858)	2,601,318
Office equipment	452,347	123,453	-	-	(217,508)	358,292
Operating equipment	721,244	333,998	-	-	(410,042)	645,200
	204,186,717	**174,023,320**	**(63,431)**	**-**	**(38,524,810)**	**339,621,796**

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Depreciation	Total
Capital - Work in progress	-	10,559,381	-	-	10,559,381
Core network assets	25,240,509	5,976,088	-	(16,014,466)	15,202,131
Core satellite equipment	2,393,962	27,914	-	(827,829)	1,594,047
Customer equipment	2,792,835	6,160,562	-	(3,364,692)	5,588,705
Fiber active equipment	9,037,435	199,542	-	(2,959,082)	6,277,895
Fiber passive equipment	55,247,207	-	-	(3,857,523)	51,389,684
Furniture and fixtures	1,321,358	420,607	-	(870,664)	871,301
IT equipment	2,390,428	1,491,329	(22,728)	(1,873,186)	1,985,843
Infrastructure	40,265,821	59,786,929	-	(5,202,981)	94,849,769
LTE network assets	2,671,364	12,567,076	-	(3,060,566)	12,177,874
Motor vehicles	2,301,298	1,496,180	(14,078)	(1,266,904)	2,516,496
Office equipment	1,676,722	148,450	(384,509)	(988,316)	452,347
Operating equipment	291,772	775,030	-	(345,558)	721,244
	145,630,711	**99,609,088**	**(421,315)**	**(40,631,767)**	**204,186,717**

Property, plant and equipment encumbered as security

The following assets have been encumbered as security for the secured long-term borrowings :

Motor vehicles	-	141,673
Core network assets	-	74,093

The installment sales agreement for 2020 bears interest at a rate of 8.75%, is secured by motor vehicles with a book value of N$ 141 673 and is repayable in monthly instalments of N$ 7 336.

The installment sales agreement for 2020 bears interest at a rate of 7.75% , is secured by core network assets with a book value of N$ 74 093 and is repayable in equal monthly installments of N$ 27 048.

Notes to the Annual Financial Statements

Figures in Namibia Dollar	12 months ended 30 June 2021	16 months ended 30 June 2020

3. Property, plant and equipment (continued)

Details of properties

Erf no. 5360 Swakopmund

Property consists of ERF 5360, in the Municipality of Swakopmund, Registration Division "G", measuring 1,000 square meters. The construction of the Cable Landing Station for the Equiano sub-sea cable in Swakopmund has commenced. The project is expected to be completed during September 2021 at an expected cost of N$ 38 million. The Cable Landing Station consists of the building and other terminal facilities which is required to land the Equiano Submarine Cable System. Total capital expenditure towards this project at year-end amounts to N$ 19 829 026. Work-in-progress amounts to N$ 18 874 027.

- Land at cost	955,000	-

Portion 361 (a portion of portion 26) of the farm Brakwater no. 48

Property consists of Portion 361 (a portion of portion 26) of the farm Brakwater no. 48, in the Municipality of Windhoek, Registration Division "K", measuring 12,986 square meters. The acquisition of the erf to construct the data centre (Tier-3 by design) has been finalised. Construction of the data centre has commenced. The project is expected to be completed in the third quarter of 2022 at a total cost of N$ 123 million. Total capital expenditure towards this project at year-end amounts to N$ 17 988 190. Work-in-progress amounts to N$ 8 633 185.

- Land at cost	9,355,005	-

4. Leases (company as lessee)

The company leases various properties. Rental contracts are typically made for fixed periods of 3 years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so to produce a constant periodic rate of interest on the remaining balance of the liability each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:
- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the company's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:
- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received, and
- any initial direct costs

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment.

Extension and termination options are included in the property leases. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable by both parties.

Notes to the Annual Financial Statements

Figures in Namibia Dollar	12 months ended 30 June 2021	16 months ended 30 June 2020

4. Leases (company as lessee) (continued)

Net carrying amounts of right-of-use assets

Reconciliation of right-of-use assets - 2021

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

	Opening balances	Additions	Disposals/ modification	Depreciation	Carrying amount
Right-of-use asset	9,743,649	-	5,829,214	(3,869,768)	11,703,095

Reconciliation of right-of-use assets - 2020

	Opening balances	Additions	Disposals/ modification	Depreciation	Carrying amount
Right-of-use asset	-	19,089,586	(3,648,426)	(5,697,511)	9,743,649

Other disclosures

Interest expense on lease liabilities	(896,527)	(2,801,096)
Expenses on short term leases included in operating expenses	(400,536)	(321,887)
Total cash outflow from leases	(5,548,686)	(7,693,140)

Lease liabilities

The maturity analysis of lease liabilities is as follows:

Within one year	5,802,515	5,661,134
Two to five years	10,794,063	9,561,825
	16,596,578	15,222,959
Less finance charges component	(1,722,383)	(1,525,818)
	14,874,195	**13,697,141**
Non-current liabilities	10,066,409	8,933,696
Current liabilities	4,807,786	4,763,445
	14,874,195	**13,697,141**

Exposure to liquidity risk

Refer to note 32 Financial instruments and risk management for the details of liquidity risk exposure and management.

Notes to the Annual Financial Statements

5. Intangible assets

	2021			2020		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Paratus brand	19,266,200	(6,081,084)	13,185,116	19,266,200	(5,239,480)	14,026,720
Computer software	6,797,829	(2,728,757)	4,069,072	9,195,651	(7,265,091)	1,930,560
Goodwill	1,564,217	-	1,564,217	1,564,217	-	1,564,217
Customer base	2,701,782	(2,251,484)	450,298	2,701,782	(1,865,516)	836,266
Total	**30,330,028**	**(11,061,325)**	**19,268,703**	**32,727,850**	**(14,370,087)**	**18,357,763**

Reconciliation of intangible assets - 2021

	Opening balance	Additions	Amortisation	Total
Paratus brand	14,026,720	-	(841,604)	13,185,116
Computer software	1,930,560	4,086,289	(1,947,777)	4,069,072
Goodwill	1,564,217	-	-	1,564,217
Customer base	836,266	-	(385,968)	450,298
	18,357,763	**4,086,289**	**(3,175,349)**	**19,268,703**

Reconciliation of intangible assets - 2020

	Opening balance	Additions	Amortisation	Total
Paratus brand	15,148,857	-	(1,122,137)	14,026,720
Computer software	3,250,155	1,063,906	(2,383,501)	1,930,560
Goodwill	1,564,217	-	-	1,564,217
Customer base	1,335,643	-	(499,377)	836,266
	21,298,872	**1,063,906**	**(4,005,015)**	**18,357,763**

Other information

Computer software

Computer software is carried at cost less accumulated amortisation and impairment losses.

Paratus brand and customer base

Separately acquired brand and customer base are shown at cost less accumulated amortisation and impairment losses. Impairment is tested annually. Paratus is a well known brand and is maintained by actively spending money to promote the brand. During the financial year the company has spent N$ 7 223 924 (2020: N$ 9 635 845) on advertising. The customer base has grown significantly since acquisition. In addition to this, the company 's revenue and profit after tax is growing, therefore there are no indications of impairment.

Goodwill

Goodwill acquired to the amount of N$ 1 564 217 is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generated that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segment level.

Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. There were no indications of impairment at year end.

Notes to the Annual Financial Statements

6. Interests in subsidiaries

The following table lists the entities which are controlled directly by the group and company, and the carrying amounts of the investments in the company's separate financial statements.

Name of company	Held by	% voting power 2021	% voting power 2020	% holding 2021	% holding 2020	Carrying amount 2021	Carrying amount 2020
Paratus Voice Telecommunications (Pty) Ltd	The company	100.00 %	100.00 %	100.00 %	100.00 %	100	100
Internet Technologies Namibia (Pty) Ltd	The company	100.00 %	100.00 %	100.00 %	100.00 %	10,000	10,000
Paratus Properties (Pty) Ltd	The company	100.00 %	100.00 %	100.00 %	100.00 %	14,498,004	14,498,004
Paratus Property Two (Pty) Ltd	The company	100.00 %	100.00 %	100.00 %	100.00 %	8,933,207	8,933,207
Bitstream Internet Solutions (Pty) Ltd	The company	52.00 %	- %	52.00 %	- %	2,080,000	-
						25,521,311	23,441,311

Notes to the Annual Financial Statements

Figures in Namibia Dollar		12 months ended 30 June 2021	16 months ended 30 June 2020

7. Loans to / (from) group companies

Subsidiaries	Basis of accounting		
Internet Technologies Namibia (Pty) Ltd The loan is unsecured, interest free and has no fixed terms of repayment, other than a 12 month notice period of repayment.	Amortised cost	12,530	12,330
Paratus Properties (Pty) Ltd This loan is unsecured, bears interest at prime bank lending rate. Rent levied by Paratus Properties (Pty) Ltd serves as repayment of the loan. Expenses paid on behalf of Paratus Properties (Pty) Ltd will increase the amount due. This loan has no fixed period of repayment, other than a 12 (twelve) month notice period of repayment.	Amortised cost	1,114,677	1,576,769
Paratus Property Two (Pty) Ltd This loan is unsecured and interest free. Rent levied by Paratus Property Two (Pty) Ltd serves as repayment of the loan. Expenses paid on behalf of Paratus Property Two (Pty) Ltd will increase the amount due. This loan has no fixed period of repayment.	Amortised cost	18,770,499	21,736,038
Paratus Voice Telecommunications (Pty) Ltd This loan is unsecured, interest free and has no fixed terms of repayment, other than a 12 (twelve) month notice period for repayment.	Amortised cost	111,233	111,233
		20,008,939	**23,436,370**

Related parties	Basis of accounting		
Canocopy (Pty) Ltd The loan is unsecured, bears interest at prime plus 0.25% per annum and is repayable in 156 monthly capital installments of N$ 50 000 (excluding interest which is calculated on the outstanding balance).	Amortised cost	216,372	820,231

Notes to the Annual Financial Statements

Figures in Namibia Dollar		12 months ended 30 June 2021	16 months ended 30 June 2020

7. Loans to / (from) group companies (continued)

Holding company	Basis of accounting		
Paratus Namibia Holdings Limited The loan is a long-term loan for capital projects within the company. Interest will be charged as per the Applicable Pricing Supplements for the N$25,000,000 and N$175,000,000 Senior Unsecured Floating Rate Notes. Interest payments to be made to the note holders by PT NAM on behalf of PNH. Repayment terms to be back-to-back with the Medium Term Note Programme's Applicable Pricing Supplement for the three years and five years notes issued by Paratus Namibia Holdings Limited.	Amortised cost	(200,478,275)	-
Paratus Namibia Holdings Limited The loan is a variable long-term loan for inter alia the following: - A share buy-back from PNH; - Cash contributions towards capital projects within the company; and - Dividends payable to Paratus Namibia Holdings Limited to replenish reserves to enable dividend payments to the shareholders of Paratus Namibia Holdings Limited. Interest will be charged at a rate of 0% per annum. There are no fixed terms of repayment, other than a 12 months notice period.	Amortised cost	(36,273,292)	-
		(236,751,567)	**-**

Split between non-current and current portions

	2021	2020
Non-current assets	1,238,440	1,920,563
Current assets	18,986,871	22,336,038
Non-current liabilities	(236,273,292)	-
Current Liabilities	(478,275)	-
	(216,526,256)	**24,256,601**

7. Loans to / (from) group companies (continued)

Exposure to credit risk

Loans receivable inherently expose the company to credit risk, being the risk that the company will incur financial loss if counterparties 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 lifetime expected credit losses at each reporting date based on changes in the credit risk since initial recognition. If a loan is considered to have a low credit risk at the reporting date, then it is assumed that the credit risk has not increased significantly since initial recognition. On the other hand, if a loan is in arrears more than 90 days, then it is assumed that there has been a significant increase in credit risk since initial recognition.

In determining the amount of expected credit losses, the company has taken into account any historic default experience, the financial positions of the counterparties as well as the future prospects in the industries in which the counterparties operate. Management did not consider group loans receivable to be impaired at year-end as the credit risk has not increased significantly since initial recognition and the expected credit losses calculated were immaterial. Group loans receivable will be assessed for impairment on an annual basis.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

Credit rating framework

For purposes of determining the credit loss allowances, management determines the credit rating grades of each loan at the end of the reporting period. These ratings are determined internally, external ratings are not available.

The table below sets out the internal credit rating framework which is applied by management for loans. The abbreviation "ECL" is used to depict "expected credit losses."

Internal credit grade	Description	Basis for recognising expected credit losses
Performing	Low risk of default and no amounts are past due	12m ECL
Doubtful	Either 30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL (not credit impaired)
In default	Either 90 days past due or there is evidence that the asset is credit impaired.	Lifetime ECL (credit impaired)
Write-off	There is evidence indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery.	Amount is written off

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:

Notes to the Annual Financial Statements

7. Loans to / (from) group companies (continued)

2021

Instrument	Internal credit rating (where applicable)	Basis of loss allowance	Gross Carrying amount	Loss allowance	Amortised cost
Loans to subsidiaries					
Internet Technologies Namibia (Pty) Ltd	Performing	12m ECL	12,530	-	12,530
Paratus Property Two (Pty) Ltd	Performing	12m ECL	18,770,499	-	18,770,499
Paratus Properties (Pty) Ltd	Performing	12m ECL	1,114,677	-	1,114,677
Paratus Voice Telecommunications (Pty) Ltd	Performing	12m ECL	111,233	-	111,233
			20,008,939	**-**	**20,008,939**

Instrument	Internal credit rating (where applicable)	Basis of loss allowance	Gross Carrying amount	Loss allowance	Amortised cost
Loans to related parties					
Canocopy (Pty) Ltd	Performing	12m ECL	216,372	-	216,372

Total credit loss allowances

Loans to subsidiaries	20,008,939	-	20,008,939
Loans to related parties	216,372	-	216,372
	20,225,311	**-**	**20,225,311**

Notes to the Annual Financial Statements

7. Loans to / (from) group companies (continued)

2020

Instrument	Internal credit rating (where applicable)	Basis of loss allowance	Gross Carrying amount	Loss allowance	Amortised cost
Loans to subsidiaries					
Internet Technologies Namibia (Pty) Ltd	Performing	12m ECL	12,330	-	12,330
Paratus Property Two (Pty) Ltd	Performing	12m ECL	21,736,038	-	21,736,038
Paratus Properties (Pty) Ltd	Performing	12m ECL	1,576,769	-	1,576,769
Paratus Voice Telecommunications (Pty) Ltd	Performing	12m ECL	111,233	-	111,233
			23,436,370	**-**	**23,436,370**

Instrument	Internal credit rating (where applicable)	Basis of loss allowance	Gross Carrying amount	Loss allowance	Amortised cost
Loans to related parties					
Canocopy (Pty) Ltd	Performing	12m ECL	820,231	-	820,231

Total credit loss allowances

Loans to subsidiaries	23,436,370	-	23,436,370
Loans to related parties	820,231	-	820,231
	24,256,601	**-**	**24,256,601**

Exposure to currency risk

Refer to note 32 Financial instruments and financial risk management for details of currency risk management for group loans receivable.

Notes to the Annual Financial Statements

Figures in Namibia Dollar	12 months ended 30 June 2021	16 months ended 30 June 2020

8. Finance lease receivables

Gross investment in the lease due		
- within one year	4,213	110,338
	4,213	110,338
less: Unearned finance income	(125)	(7,175)
	4,088	**103,163**
Present value of minimum lease payments due		
- within one year	4,088	103,163

The company entered into finance leasing arrangements for certain PABX equipment. The average term of finance leases entered into is five years. The interest inherent in the leases are 15.25%.

Exposure to credit risk

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

Financial lease assets were collectively assessed for impairment by analysing historic default of payment. The company only deals with reputable counterparties with consistent payment histories and the equipment is held as collateral for non-payment. Management did not consider finance lease assets to be impaired at year end as the credit risk has not increased significantly since initial recognition and the expected losses calculated were immaterial. Finance lease assets will be assessed for impairment on an annual basis.

Finance lease receivables 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 finance lease receivables is calculated based on twelve month expected losses if the credit risk has not increased significantly since initial recognition. In cases where the credit risk has increased significantly since initial recognition, the loss allowance is calculated based on lifetime expected credit losses. The loss allowance is updated to either twelve month or lifetime expected credit losses at each reporting date based on changes in the credit risk since initial recognition. If a lease 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. On the other hand, if a lease is in arrears more than 90 days, then it is assumed that there has been a significant increase in credit risk since initial recognition.

The estimation techniques explained have been applied for the first time in the current financial period, which is the first time the company has applied IFRS 9. Finance lease receivables were previously impaired only when there was objective evidence that the lease was impaired. The impairment was previously calculated as the difference between the carrying amount and the present value of the expected future cash flows.

Notes to the Annual Financial Statements

8. Finance lease receivables (continued)

Credit loss allowances

The following tables set out the carrying amount, loss allowance and measurement basis of expected credit losses for finance lease receivables by credit rating grade:

2021

Instrument	Internal credit rating (where applicable)	Basis of loss allowance	Net investment in lease	Loss allowance	Carrying amount
Finance lease receivable	Performing	12m ECL	4,088	-	4,088

2020

Instrument	Internal credit rating (where applicable)	Basis of loss allowance	Net investment in lease	Loss allowance	Carrying amount
Finance lease receivable	Performing	12m ECL	103,163	-	103,163

Notes to the Annual Financial Statements

Figures in Namibia Dollar	12 months ended 30 June 2021	16 months ended 30 June 2020

9. Deferred tax

Deferred tax liability

Deferred tax liability	(21,053,189)	(9,728,508)

Reconciliation of deferred tax asset / (liability)

At beginning of year	(9,728,508)	(1,676,229)
Taxable / (deductible) temporary difference movement on property, plant and equipment	(20,463,529)	(12,128,114)
Taxable / (deductible) temporary difference movement on intangible fixed assets	96,260	741,505
Taxable / (deductible) temporary difference on prepaid expenses	(150,305)	(375,273)
Taxable / (deductible) temporary difference on unrealised foreign exchange gains / losses	(21,535)	309,128
Taxable / (deductible) temporary difference movement on provisions	129,210	349,825
Taxable / (deductible) temporary difference movement on income received in advance	2,991,936	3,052,032
Taxable / (deductible) temporary difference movement on deposits by customers	(2,620)	(1,382)
Taxable / (deductible) temporary difference movement on right of use asset	(3,744,990)	-
Taxable / (deductible) temporary difference movement on lease liability	4,759,742	-
Assessable loss	5,081,150	-
	(21,053,189)	**(9,728,508)**

10. Inventories

Merchandise	18,755,187	13,735,126

Notes to the Annual Financial Statements

Figures in Namibia Dollar	12 months ended 30 June 2021	16 months ended 30 June 2020

11. Trade and other receivables

Financial instruments:		
Trade receivables	25,044,548	21,936,619
Loss allowance	(3,139,686)	(2,637,091)
Trade receivables at amortised cost	21,904,862	19,299,528
Deposits	604,702	594,702
Sundry debtors	83,435	370,386
Non-financial instruments:		
VAT	6,836,288	-
Prepayments	7,726,166	7,047,821
Total trade and other receivables	**37,155,453**	**27,312,437**

Split between non-current and current portions

Current assets	37,155,453	27,312,437

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

At amortised cost	22,592,999	20,264,616
Non-financial instruments	14,562,454	7,047,821
	37,155,453	**27,312,437**

Trade and other receivables pledged as security

Total trade and other receivables were pledged as security for overdraft facilities of the company. At year end the overdraft amounted to N$ 4,096,007 (2020: N$ 43,001) (refer note13).

Exposure to credit risk

Trade receivables inherently expose the company to credit risk, being the risk that the company 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. Each customer is analysed individually for creditworthiness before terms and conditions are offered. Customer credit limits are in place and are reviewed and approved by management. 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.

The expected loss rates have been increased to mitigate the risk of payment defaults from customers due to the impact of the Covid-19 pandemic.

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

The company measures the loss allowance for trade receivables by applying the simplified approach which is prescribed by IFRS 9. In accordance with this approach, the loss allowance on trade receivables is determined as the lifetime expected credit losses on trade receivables.

Figures in Namibia Dollar	12 months ended 30 June 2021	16 months ended 30 June 2020

11. Trade and other receivables (continued)

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same type of contracts. The company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

There has been no significant change in the estimation techniques or significant assumptions made during the current reporting period.

The company's historical credit loss experience does not show significantly different loss patterns for different customer segments. The provision for credit losses is therefore based on past due status without disaggregating into further risk profiles. The impact of COVID 19 is reflected in the expected loss rates below. The loss allowance provision is determined as follows:

	2021	2021	2020	2020
Expected credit loss rate:	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)
Current: 5% (2020: 2%)	12,972,830	648,642	9,749,425	194,842
31 - 90 days past due: 14% (2020: 11%)	7,065,442	989,162	5,300,274	582,680
More than 90 days past due: 30% (2020: 27%)	5,006,275	1,501,882	6,886,920	1,859,569
Total	**25,044,547**	**3,139,686**	**21,936,619**	**2,637,091**

12. Investments at fair value

Investments held by the company which are measured at fair value, excluding derivatives are as follows:

	2021	2020
Fair value through profit or loss:		
Unit trusts: Cirrus Securities	132,044,684	-
Unit trusts: IJG Securities	-	39,911,074
Listed shares: Paratus Namibia Holdings Limited	-	14,712,500
No shares were held at year-end (2020: 1 337 500). At acquisition the investment in listed shares was accounted for at fair value. At year-end the investment is stated at fair value, based on the listed price as per the Namibian Stock Exchange (NSX).		
	132,044,684	**54,623,574**

Split between non-current and current portions

	2021	2020
Non-current assets	-	14,712,500
Current assets	132,044,684	39,911,074
	132,044,684	**54,623,574**

Fair value information

Refer to note 33 Fair value information for details of valuation policies and processes.

12. Investments at fair value (continued)

Risk exposure

The investments held by the company expose it to various risks, including credit risk, currency risk, interest rate risk and price risk. Refer to note 32 Financial instruments and risk management for details of risk exposure and the processes and policies adopted to mitigate these risks.

Notes to the Annual Financial Statements

Figures in Namibia Dollar	12 months ended 30 June 2021	16 months ended 30 June 2020

13. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	26,011	33,664
Bank balances	551,106	15,907,234
Bank overdraft	(4,096,007)	(43,001)
	(3,518,890)	**15,897,897**
Current assets	577,117	15,940,898
Current liabilities	(4,096,007)	(43,001)
	(3,518,890)	**15,897,897**

The bank overdraft facility with First National Bank of Namibia Limited, bears interest at the Namibian prime overdraft rate.

The carrying amount of cash and cash equivalents approximates its fair value.

The above overdraft is secured as follows:
- Cession of all debtors

All excess cash not immediately required for operations is invested in a money market fund to maximise returns (refer note 14).
Details of facilities available for future operating activities and commitments:

- Overdraft facility	20,000,000	20,000,000
- Contingent facility	10,000,000	10,020,000
- PACS collection facilities	120,000	4,000,000
- First card facility	300,000	300,000
- Wesbank revolving facility	2,500,000	2,500,000

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 (if available) or by performing internal assessments of the banking institutions credibility. Credit risk exposure is managed by the company through dealing with well-established financial institutions with high credit ratings.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Exposure to currency risk

Refer to note 32 Financial instruments and financial risk management for details of currency risk management for cash and cash equivalents.

Notes to the Annual Financial Statements

Figures in Namibia Dollar	12 months ended 30 June 2021	16 months ended 30 June 2020

14. Share capital

Authorised		
100 000 Ordinary shares (2020: 100 000) of N$ 5 each	500,000	500,000
Reconciliation of number of shares issued:		
Reported as at 1 July 2020 (1 March 2019)	94,964	47,482
Issue of shares – ordinary shares	-	47,482
	94,964	**94,964**
Issued		
94 964 Ordinary shares of N$ 5 each	474,820	474,820
Share premium	147,612,751	147,612,751
	148,087,571	**148,087,571**

Notes to the Annual Financial Statements

Figures in Namibia Dollar	12 months ended 30 June 2021	16 months ended 30 June 2020

15. Borrowings

Held at amortised cost		
Secured		
Wesbank loans Instalment sales agreements are payable in monthly instalments of N$ 41 932, bears interest at variable interest rates (6.75% to 8.75%) per annum and is secured by assets with a carrying amount of N$ 215 766.	-	257,441
Development Bank of Namibia Loan in favour of the Development Bank of Namibia, bearing interest at 7.75% per annum and is repayable in monthly instalments of N$ 1 592 710.	-	79,626,772
	-	**79,884,213**

Split between non-current and current portions

Non-current liabilities	-	64,889,735
Current liabilities	-	14,994,478
	-	**79,884,213**

Terms and conditions:

Loan in favour of the Development Bank of Namibia, bearing interest at 7.75% per annum and is repayable in monthly instalments of N$ 1 592 710. The loan was settled during the 2021 financial year.

The above long-term loan has been secured as follows:

- Unlimited surety by B.R.J. Harmse;
- Unlimited surety by S.L.v.Z. Erasmus;
- Unlimited surety by R.P.K. Mendelsohn;
- Unlimited surety by Paratus Property Two (Pty) Ltd supported by 1st continuing coverage mortgage bond of N$ 34 000 000 over Erf 348, Prosperita, Windhoek;
- Limited suretyship by Binvis Investments Twelve (Pty) Ltd supported by 1st continuing coverage mortgage bond of N$ 11 700 000 over Erf 1018, Windhoek;
- Cession of fire cover insurance Erf 348, Prosperita, Windhoek and Erf 1018, Windhoek;
- Unlimited suretyship by Canocopy (Pty) Ltd supported by the cession of debtors.

Notes to the Annual Financial Statements

16. Provisions

Reconciliation of provisions - 2021

	Opening balance	Additions	Utilised during the year	Total
Provision: CRAN regulatory levy	117,955	1,748,980	-	1,866,935
Provision: Audit fees	928,160	582,833	(1,171,693)	339,300
Salary provisions	4,573,060	7,647,707	(5,696,015)	6,524,752
	5,619,175	**9,979,520**	**(6,867,708)**	**8,730,987**

Reconciliation of provisions - 2020

	Opening balance	Additions	Utilised during the year	Total
Provision: CRAN regulatory levy	117,955	-	-	117,955
Provision: Audit fees	460,000	928,160	(460,000)	928,160
Salary provisions	1,297,183	7,632,247	(4,356,370)	4,573,060
	1,875,138	**8,560,407**	**(4,816,370)**	**5,619,175**

Every licensed telecommunications company in Namibia was subject to a universal service levy payable to Communications Regulatory Authority of Namibia (CRAN). In instances where a licensee held any combination of licenses, such licensee may calculate the levy based on its total annual turnover from the aggregate revenue generated from the combined licenses.

A provision for audit fees is created based on the expected fees to be paid for the services rendered.

Salary provisions include provision for bonuses to the amount of N$ 5 908 026 (2020: N$4 046 279); and provision for severance pay to the amount of N$ 616 726 (2020: N$ 526 781). The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date, that is, the amount that the company would rationally pay to settle the obligation at the balance sheet date.

Notes to the Annual Financial Statements

Figures in Namibia Dollar	12 months ended 30 June 2021	16 months ended 30 June 2020

17. Trade and other payables

Financial instruments:		
Trade payables	25,606,193	18,671,722
Leave pay accrual	4,549,020	4,715,574
Salary accruals	2,703,986	2,551,172
Deposits received	57,873	66,060
Non-financial instruments:		
VAT	-	1,029,882
	32,917,072	**27,034,410**

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

At amortised cost	32,917,064	26,004,527
Non-financial instruments	-	1,029,882
	32,917,064	**27,034,409**

Exposure to currency risk

Refer to note 32 Financial instruments and financial risk management for details of currency risk management for trade payables.

Fair value of trade and other payables

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

18. Contract liabilities

Summary of contract liabilities

Long term portion of income received in advance	88,444,920	79,480,705
Short term portion of income received in advance	9,216,668	8,831,084
	97,661,588	**88,311,789**

Reconciliation of contract liabilities

Opening balance	88,311,789	78,774,190
Revenue recognised on delivery of goods/services previously paid for	(10,224,766)	(15,616,553)
Payments received in advance of delivery of performance obligations	19,574,565	25,154,152
	97,661,588	**88,311,789**

Income received in advance mainly relates to revenue billed in advance for the company's ITC services which includes income in advance for the Indefeasible-Right-of-Use which is amortised over a period of 20 years and other advanced billings which are amortised over a period of 1 year.

Notes to the Annual Financial Statements

Figures in Namibia Dollar	12 months ended 30 June 2021	16 months ended 30 June 2020

19. Revenue

Disaggregation of revenue from contracts with customers

Revenue from contracts with customers is generated from the provision of Information and Communication Technology (ICT) services to customers.

The company disaggregates revenue from customers as follows:

Timing of revenue recognition

At a point in time		
Cloud	4,452	460,602
Connectivity	7,002,014	5,077,442
Local Area Network	23,745,587	55,474,641
Security	81,056	413,058
	30,833,109	**61,425,743**
Over time		
Cloud	14,484,647	18,613,000
Connectivity	264,885,037	315,656,828
Local Area Network	11,487,753	15,801,166
Security	39,961	281,387
Voice	15,563,723	21,012,134
Discount allowed	(1,194,374)	(809,920)
	305,266,747	**370,554,595**
Total revenue from contracts with customers	**336,099,856**	**431,980,338**

20. Cost of sales

Discount received	(80,004)	(248,340)
Rendering of services	125,469,521	182,876,269
Stock purchases price variances	67,093	131,394
Stock adjustments	248,575	201,442
Depreciation on core network assets	34,370,322	35,570,853
	160,075,507	**218,531,618**

21. Other operating income

Administration and management fees received	26,413	174,401
Commissions received	-	12,688
Bad debts recovered	50,368	38,160
Sundry income	387,071	883,310
	463,852	**1,108,559**

Notes to the Annual Financial Statements

Figures in Namibia Dollar		12 months ended 30 June 2021	16 months ended 30 June 2020

22. Other operating gains (losses)

Gains (losses) on disposals, scrappings and settlements			
Property, plant and equipment	3	84,918	(162,502)
Right-of-use assets - lease modification	4	-	499,568
		84,918	**337,066**
Foreign exchange gains (losses)			
Net foreign exchange (losses) gains		(1,006,681)	1,795,228
Fair value gains (losses)			
Loans from group companies	7	226,708	-
Financial assets designated as at fair value through profit or loss		(66,875)	-
		159,833	**-**
Total other operating gains (losses)		**(761,930)**	**2,132,294**

23. Operating profit (loss)

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

Auditor's remuneration - external		
Audit fees	601,118	1,113,310
Other consultation services	215,264	175,265
Training	8,435	4,435
	824,817	**1,293,010**
Remuneration, other than to employees		
Consulting and professional services	4,036,338	4,701,250
Secretarial services	278,141	263,815
	4,314,479	**4,965,065**
Employee costs		
Salaries, wages, bonuses and other benefits	75,870,454	100,893,412
Leases		
Lease charges		
Premises	400,536	321,887
Depreciation and amortisation		
Depreciation of property, plant and equipment	38,524,810	40,638,664
Depreciation of right-of-use assets	3,869,768	5,697,511
Amortisation of intangible assets	3,175,349	4,005,015
Total depreciation and amortisation	**45,569,927**	**50,341,190**
Less: Depreciation and amortisation included in cost of sales	(34,370,332)	(35,570,852)
Total depreciation and amortisation expensed	**11,199,595**	**14,770,338**

Notes to the Annual Financial Statements

Figures in Namibia Dollar	12 months ended 30 June 2021	16 months ended 30 June 2020

23. Operating profit (loss) (continued)

Expenses by nature

The total marketing expenses, general and administrative expenses, maintenance expenses and other operating expenses are analysed by nature as follows:

Advertising	7,223,924	9,635,845
Auditor's remuneration	601,118	1,113,310
Bad debts	907,201	1,195,245
Depreciation, amortisation and impairment	11,199,595	14,770,337
Employee costs	75,870,456	100,893,412
Insurance	3,071,964	3,774,054
License fees	11,247,272	12,838,910
Motor vehicle expenses	1,496,606	2,043,008
Lease charges	400,536	321,887
Other expenses	11,380,964	14,194,208
Remuneration, other than to employees	4,036,338	4,701,250
Telephone	1,159,788	1,813,733
Travelling	848,773	1,610,663
	129,444,535	**168,905,862**

24. Investment income

Dividend income		
Equity instruments at fair value through profit or loss:		
Unlisted investments - Local	1,267,824	3,122,356
Interest income		
Investments in financial assets:		
Bank and other cash	7,013	34,999
Finance lease receivables	7,313	66,126
Other financial assets	42,213	205,953
Loans to group companies:		
Related parties	74,965	198,090
Total interest income	**131,504**	**505,168**
Total investment income	**1,399,328**	**3,627,524**

25. Finance costs

Trade and other payables	-	279
Finance leases	14,714	80,227
Bank overdraft	9,508	24,471
Bank loan	5,511,777	11,786,017
Related parties	478,275	-
Right of use asset	896,527	2,801,096
Total finance costs	**6,910,801**	**14,692,090**

Notes to the Annual Financial Statements

Figures in Namibia Dollar	12 months ended 30 June 2021	16 months ended 30 June 2020

26. Taxation

Major components of the tax expense

Current		
Local income tax - current period	-	2,835,369
Deferred		
Property, plant and equipment	20,463,529	12,128,114
Intangible assets	(96,260)	(741,505)
Prepaid expenses	150,305	375,273
Unrealised foreign gains / (losses)	21,535	(309,127)
Provisions	(129,210)	(349,825)
Income received in advance	(2,991,936)	(3,052,032)
Right of use asset	3,744,990	-
Taxation loss utilised	(5,081,150)	-
Lease liabilities	(4,759,742)	-
Deposits by customers	2,620	1,381
	11,324,681	**8,052,279**
	11,324,681	**10,887,648**

Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

Accounting profit	40,770,263	36,719,145
Tax at the applicable tax rate of 32% (2020: 32%)	13,046,484	11,750,126
Tax effect of adjustments on taxable income		
Dividends received	(405,703)	(999,154)
Capital profit on sale of fixed assets	(12,452)	(10,535)
Prior year adjustment	(1,265,119)	-
Fair value adjustment (profit) / loss	(51,147)	-
Fines and penalties	618	4,755
Donations	12,000	44,569
Interest on lease liability	-	896,351
Payments on lease liability	-	(2,461,805)
Gain on lease modification	-	(159,863)
Depreciation on right of use asset	-	1,823,204
	11,324,681	**10,887,648**

Notes to the Annual Financial Statements

Figures in Namibia Dollar	12 months ended 30 June 2021	16 months ended 30 June 2020

27. Cash generated from operations

Profit before taxation	40,770,263	36,719,145
Adjustments for:		
Depreciation and amortisation	41,700,159	44,636,782
Depreciation - Right of use asset	3,869,768	5,697,511
Losses / (gains) on disposals, scrappings and settlements of assets and liabilities	(84,918)	162,502
(Gains) / losses on lease modification	-	(499,567)
Unrealised (gains) / losses on foreign exchange	1,625,435	780,712
Dividend Income	(1,267,824)	(3,122,356)
Interest income	(131,504)	(505,168)
Finance costs	5,536,000	11,890,994
Finance costs - lease liability	896,526	2,801,096
Fair value gains	(159,833)	-
Movements in provisions	3,111,812	3,744,037
Finance costs - group loan	478,275	-
Changes in working capital:		
Inventories	(5,020,061)	5,337,970
Trade and other receivables	(9,303,487)	4,500,419
Prepayments	(678,345)	-
Trade and other payables	5,882,662	591,925
Contract Liabilities	9,349,799	9,537,599
	96,574,727	**122,273,601**

28. Tax paid

Balance at beginning of the year	1,972,681	1,812,590
Current tax for the year recognised in profit or loss	-	(2,835,369)
Balance at end of the year	(3,509,125)	(1,972,681)
	(1,536,444)	**(2,995,460)**

Notes to the Annual Financial Statements

29. Changes in liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities - 2021

	Opening balance	Other non-cash movements	Total non-cash movements	Cash flows	Closing balance
Borrowings	79,884,213	-	-	(79,884,213)	-
Lease liabilities	13,697,141	6,725,740	6,725,740	(5,548,686)	14,874,195
Loans from group companies	-	6,751,567	6,751,567	230,000,000	236,751,567
	93,581,354	**13,477,307**	**13,477,307**	**144,567,101**	**251,625,762**
Total liabilities from financing activities	**93,581,354**	**13,477,307**	**13,477,307**	**144,567,101**	**251,625,762**

Reconciliation of liabilities arising from financing activities - 2020

	Opening balance	Other non-cash movements	Total non-cash movements	Cash flows	Closing balance
Borrowings	96,011,283	-	-	(16,127,070)	79,884,213
Finance lease liabilities	-	21,390,281	21,390,281	(7,693,140)	13,697,141
	96,011,283	**21,390,281**	**21,390,281**	**(23,820,210)**	**93,581,354**
Total liabilities from financing activities	**96,011,283**	**21,390,281**	**21,390,281**	**(23,820,210)**	**93,581,354**

Notes to the Annual Financial Statements

Figures in Namibia Dollar	12 months ended 30 June 2021	16 months ended 30 June 2020

30. Related parties

Executive directors	B.R.J. Harmse A. Hall S.L.v.Z. Erasmus S.I. de Bruin
Relationships	
Holding company	Paratus Namibia Holdings Limited
Subsidiaries	Refer to note 6
Related entities / individuals	Paratus Telecommunications Ltd - Mauritius Sat Space Africa Ltd - Mauritius Paratus Telecommunications Ltd - Zambia Paratus Telecommunications (Pty) Ltd - Botswana Paratus Telecommunication (Pty) Ltd - South Africa Maxwell Technologies (Pty) Ltd - South Africa Paratus Telecom S.A. - Mozambique Canocopy (Pty) Ltd Internet Technologies Angola S.A. - Angola Paratus Voice Telecommunications (Pty) Ltd Internet Technologies (Pty) Ltd Paratus Property Two (Pty) Ltd Paratus Properties (Pty) Ltd Bitstream Internet Solutions (Pty) Ltd
Non-executive directors	J.J. Esterhuyse H.B. Gerdes J.N.N. Shikongo M.R. Mostert S. Birch
Members of key management	S. Geyser B.R.J. Harmse A. Hall S.L.v.Z. Erasmus S.I. de Bruin E.J. D'Alton G. Duvenhage C.A. van Rensburg R.P.K. Mendelsohn

Related party balances

	2021	2020
Loan accounts - Owing (to) by related parties		
Paratus Properties (Pty) Ltd	1,114,677	1,576,769
Paratus Property Two (Pty) Ltd	18,770,499	21,736,038
Paratus Voice Telecommunications (Pty) Ltd	111,233	111,233
Internet Technologies Namibia (Pty) Ltd	12,330	12,330
Canocopy (Pty) Ltd	216,372	820,231
Paratus Namibia Holdings Limited	(236,751,567)	-
Amounts included in trade receivables regarding related parties		
Paratus Telecommunications Ltd - Zambia	55,314	-
Internet Technologies Angola S.A.	1,432,587	23,108

Notes to the Annual Financial Statements

Figures in Namibia Dollar	12 months ended 30 June 2021	16 months ended 30 June 2020
30. Related parties (continued)		
Paratus Telecommunications Ltd - Botswana	-	13,831
Canocopy	97,292	145,360
Maxwell Technologies (Pty) Ltd - South Africa	54,335	141,589
Sat Space Africa Limited - Mauritius	4,340,372	-
Paratus Telecom S.A. - Mozambique	16,717	-
Amounts included in trade payables regarding related parties		
Paratus Telecommunications Ltd - Mauritius	-	906,698
Canocopy (Pty) Ltd	48,034	77,069
Maxwell Technologies (Pty) Ltd - South Africa	488,727	-
Paratus Telecommunications Ltd - Botswana	139,310	-
Related party transactions		
Purchases from related parties		
Canocopy (Pty) Ltd	517,557	675,791
Paratus Telecommunications Ltd - Zambia	692,488	1,482,096
Paratus Telecommunications Ltd - Mauritius	13,015,718	14,961,137
Paratus Telecommunications Ltd - Botswana	774,291	774,280
Maxwell Technologies (Pty) Ltd - South Africa	5,146,078	4,455,029
Sat Space Africa Limited - Mauritius	-	1,090,442
Rent paid to related parties		
Paratus Property Two (Pty) Ltd	3,741,732	4,744,190
Paratus Properties (Pty) Ltd	618,246	783,882
B.R.J. Harmse	579,798	795,704
Interest received from related parties		
Paratus Properties (Pty) Ltd	74,965	198,090
Canocopy (Pty) Ltd	42,213	173,253
Management fees received from related parties		
Paratus Namibia Holdings Limited	-	160,000
Revenue received from related parties		
Canocopy (Pty) Ltd	718,842	820,511
Paratus Telecommunications Ltd - Zambia	727,250	678,056
Internet Technologies Angola S.A	1,336,642	2,527,601
Paratus Telecommunications Ltd - Mauritius	9,062,215	12,187,486
Paratus Telecommunications (Pty) Ltd - Botswana	254,009	651,409
Maxwell Technologies (Pty) Ltd	199,665	215,749
Paratus Telecom S.A. - Mozambique	33,649	-
Sat Space Africa Ltd	-	19,538
Compensation to directors and other key management		
Short-term employee benefits	12,840,756	16,086,673

Notes to the Annual Financial Statements

31. Directors' emoluments

Executive

2021

	Emoluments	Total
Directors	6,493,223	6,493,223

2020

	Emoluments	Total
Directors	7,494,442	7,494,442

Non-executive

2021

	Committees fees	Total
Directors	893,846	893,846

2020

	Committees fees	Total
Directors	545,913	545,913

Notes to the Annual Financial Statements

32. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

2021

	Note(s)	Fair value through profit or loss	Amortised cost	Total
Loans to group companies	7	-	20,225,311	20,225,311
Investments at fair value	12	132,044,684	-	132,044,684
Trade and other receivables	11	-	22,592,999	22,592,999
Cash and cash equivalents	13	-	577,117	577,117
		132,044,684	**43,395,427**	**175,440,111**

2020

	Note(s)	Fair value through profit or loss	Amortised cost	Total
Loans to group companies	7	-	24,256,601	24,256,601
Investments at fair value	12	54,623,574	-	54,623,574
Trade and other receivables	11	-	20,264,616	20,264,616
Cash and cash equivalents	13	-	15,940,898	15,940,898
		54,623,574	**60,462,115**	**115,085,689**

Categories of financial liabilities

2021

	Note(s)	Amortised cost	Total
Trade and other payables	17	32,917,064	32,917,064
Loans from group companies	7	236,751,567	236,751,567
Lease liabilities	4	14,874,195	14,874,195
Bank overdraft	13	3,544,901	3,544,901
		288,087,727	**288,087,727**

2020

	Note(s)	Amortised cost	Total
Trade and other payables	17	26,004,527	26,004,527
Borrowings	15	79,884,213	79,884,213
Finance lease obligations	4	13,697,141	13,697,141
Bank overdraft	13	43,001	43,001
		119,628,882	**119,628,882**

Notes to the Annual Financial Statements

32. Financial instruments and risk management (continued)

Pre tax gains and losses on financial instruments

Gains and losses on financial assets

2021

	Note(s)	Fair value through profit or loss	Amortised cost	Total
Recognised in profit or loss:				
Interest income	24	-	124,191	124,191
Dividend income	24	1,267,824	-	1,267,824
Gains (losses) on valuation adjustments	22	(66,875)	-	(66,875)
Net gains (losses)		**1,200,949**	**124,191**	**1,325,140**

2020

	Note(s)	Fair value through profit or loss	Amortised cost	Total
Recognised in profit or loss:				
Interest income	24	-	439,041	439,041
Dividend income	24	3,122,356	-	3,122,356
Net gains (losses)		**3,122,356**	**439,041**	**3,561,397**

Gains and losses on financial liabilities

2021

	Note(s)	Fair value through profit or loss	Amortised cost	Total
Recognised in profit or loss:				
Finance costs	25	-	(6,910,801)	(6,910,801)
Gains (losses) on valuation adjustments	22	226,708	-	226,708
Net gains (losses)		**226,708**	**(6,910,801)**	**(6,684,093)**

2020

	Note(s)	Amortised cost	Total
Recognised in profit or loss:			
Finance costs	25	(14,692,090)	(14,692,090)

Notes to the Annual Financial Statements

Figures in Namibia Dollar		12 months ended 30 June 2021	16 months ended 30 June 2020

32. Financial instruments and risk management (continued)

Capital risk management

The company'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 company's ability to continue as a going concern while taking advantage of strategic opportunities in order to maximise stakeholder returns sustainably.

The company 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 company may adjust the amount of dividends paid to the shareholders, return capital to the shareholders, 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.

The company monitors capital utilising a number of measures, including the gearing ratio. The gearing ratio is calculated as net borrowings (total borrowings less cash) divided by shareholders' equity. The company's targeted gearing ratio is 100% – 150%.

Another method used is the net debt to EBITDA ratio. The ratio is calculated as net borrowings (total borrowings less cash) divided by EBITDA. The ratio should not exceed 3.5 times.

The capital structure and gearing ratio of the company at the reporting date was as follows:

Loans from group companies	7	236,751,567	-
Borrowings	15	-	79,884,213
Lease liabilities	4	14,874,195	13,697,141
Trade and other payables	17	32,917,064	27,034,409
Contract liabilities	18	97,661,588	88,311,789
Provisions	16	8,730,987	5,619,175
Total borrowings		**390,935,401**	**214,546,727**
Bank overdraft (cash and cash equivalents)	13	3,518,890	(15,897,897)
Unit Trusts (Investments at fair value)	12	(132,044,684)	(39,911,074)
Net borrowings		**262,409,607**	**158,737,756**
Equity		192,301,270	169,355,686
EBITDA		93,119,490	101,247,260
Gearing ratio		136 %	94 %
Net Debt /EBITDA		2.82	1.57

Notes to the Annual Financial Statements

32. Financial instruments and risk management (continued)

Financial risk management

Overview

The company is exposed to the following risks from its use of financial instruments:
- Credit risk;
- Liquidity risk; and
- Market risk (currency risk, interest rate risk and price risk).

The company's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities.

The company 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 company.

32. Financial instruments and risk management (continued)

Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The company is exposed to credit risk on loans receivable, trade and other receivables, lease receivables and cash and cash equivalents.

Credit risk for exposures other than those arising on cash and cash equivalents, are managed by making use of credit approvals, limits and monitoring. The company only deals with reputable counterparties with consistent payment histories. 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). Counterparty credit limits are in place. The exposure to credit risk and the creditworthiness of counterparties is continuously monitored.

The company measures the loss allowance for trade receivables by applying the simplified approach which is prescribed by IFRS 9. In accordance with this approach, the loss allowance on trade receivables is determined as the lifetime expected credit losses on trade receivables.

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.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

In order to calculate credit loss allowances for loans receivable and lease receivables, management determine whether the loss allowances should be calculated on a 12 month or on a lifetime expected credit loss basis. This determination depends on whether there has been a significant increase in the credit risk since initial recognition. If there has been a significant increase in credit risk, then the loss allowance is calculated based on lifetime expected credit losses. If not, then the loss allowance is based on 12 month expected credit losses. This determination is made at the end of each financial period. Thus the basis of the loss allowance for a specific financial asset could change year on year.

The maximum exposure to credit risk is presented in the table below:

		2021			2020		
		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	20,225,311	-	20,225,311	24,256,601	-	24,256,601
Investments at fair value through profit or loss	12	132,044,684	-	132,044,684	39,911,074	-	39,911,074
Lease receivables	8	4,088	-	4,088	103,163	-	103,163
Trade and other receivables	11	25,732,685	(3,139,686)	22,592,999	22,901,707	(2,637,091)	20,264,616
Cash and cash equivalents	13	577,117	-	577,117	15,940,898	-	15,940,898
		178,583,885	**(3,139,686)**	**175,444,199**	**103,113,443**	**(2,637,091)**	**100,476,352**

Amounts are presented at amortised cost or fair value depending on the accounting treatment of the item presented. The gross carrying amount for debt instruments at fair value through other comprehensive income is equal to the fair value because the credit loss allowance does not reduce the carrying amount. The credit loss allowance is only shown for disclosure purposes. Debt instruments at fair value through profit or loss do not include a loss allowance. The fair value is therefore equal to the gross carrying amount.

Liquidity risk

The company is exposed to liquidity risk, which is the risk that the company will encounter difficulties in meeting its obligations as they become due.

32. Financial instruments and risk management (continued)

The company 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.

2021

		Less than 1 year	2 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount
Non-current liabilities						
Loans from group companies	7	-	200,000,000	36,273,292	236,273,292	-
Lease liabilities	4	-	10,794,063	-	10,794,063	10,066,409
Current liabilities						
Trade and other payables	17	32,917,064	-	-	32,917,064	32,917,064
Loans from group companies		478,275	-	-	478,275	-
Lease liabilities	4	5,802,515	-	-	5,802,515	4,807,786
Bank overdraft	13	4,096,007	-	-	4,096,007	4,096,007
		43,293,861	**209,071,680**	**36,273,292**	**288,638,833**	**51,887,266**

2020

		Less than 1 year	2 to 5 years	Total contractual cash flows	Carrying amount
Non-current liabilities					
Borrowings	15	-	74,689,665	74,689,665	64,889,735
Lease liabilities	4	-	9,561,825	9,561,825	8,933,696
Current liabilities					
Trade and other payables	17	26,004,527	-	26,004,527	26,004,527
Borrowings	15	20,661,068	-	20,661,068	14,994,478
Lease liabilities	4	5,661,134	-	5,661,134	4,763,445
Bank overdraft	13	43,001	-	43,001	43,001
		52,369,730	**84,251,490**	**136,621,220**	**119,628,882**

Notes to the Annual Financial Statements

Figures in Namibia Dollar		12 months ended 30 June 2021	16 months ended 30 June 2020

32. Financial instruments and risk management (continued)

Foreign currency risk

The group is exposed to foreign currency risk as a result of certain transactions and borrowings 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 Dollars and Euros.

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

Exposure in foreign currency amounts

The net carrying amounts, in foreign currency of the above exposure was as follows:
US Dollar exposure:

	Note	2021	2020
Current assets:			
Trade and other receivables	11	462,125	96,513
Cash and cash equivalents	13	23,911	490,763
Current liabilities:			
Trade and other payables	17	(365,269)	(218,939)
Net US Dollar exposure		**120,767**	**368,337**

Exchange rates

The following closing exchange rates were applied at reporting date:

	2021	2020
Namibia Dollar per unit of foreign currency:		
US Dollar	14.295	17.325

Foreign currency sensitivity analysis

The following information presents the sensitivity of the company 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.

At 30 June 2021, if the Namibian Dollar exchange rate had been 5.000% (2020: 5.000%) higher or lower during the period, with all other variables held constant, the effect on profit or loss for the year would have been N$ 86 321 (2020: N$ 319 065).

Interest rate risk

Fluctuations in interest rates impact on the value of investments and financing activities, giving rise to interest rate risk.

The debt of the company is comprised of different instruments, which bear interest at the Namibian prime linked interest rates. Interest rates on all borrowings compare favourably with those rates available in the market.

The company policy with regards to financial assets, is to invest cash at floating rates of interest and to maintain cash reserves in short-term investments in order to maintain liquidity, while also achieving a satisfactory return for shareholders.

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

Notes to the Annual Financial Statements

32. Financial instruments and risk management (continued)

Interest rate profile

The interest rate profile of interest bearing financial instruments at the end of the reporting period was as follows:

	Note	Average effective interest rate		Carrying amount	
		2021	2020	2021	2020
Variable rate instruments:					
Assets					
Loans to group companies	7	8.19 %	9.98 %	20,225,311	24,256,601
Investments at fair value	12	4.10 %	6.05 %	132,044,684	39,911,074
Finance lease receivables	8	16.47 %	15.25 %	4,088	103,163
				152,274,083	**64,270,838**
Liabilities					
Loans from group companies		3.75 %	- %	(236,751,567)	-
Borrowings	15	- %	9.81 %	-	(79,884,213)
Bank overdraft	13	8.06 %	9.81 %	(4,096,007)	(43,001)
				(240,847,574)	**(79,927,214)**
Net variable rate financial instruments				**(88,573,491)**	**(15,656,376)**
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.

At 30 June 2021, if the interest rate had been 1.000% per annum (2020: 1.000%) higher or lower during the period, with all other variables held constant, the effect on profit or loss for the year would have been N$ 55 115 (2020: N$ 156 564).

Notes to the Annual Financial Statements

32. Financial instruments and risk management (continued)

Price risk

Price risk sensitivity analysis

The company is exposed to price risk because of its investments in equity instruments which are measured at fair value.

The company also had an investment, which was sold during the year, which is publicly traded on the Namibian Stock Exchange.

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

The following sensitivity analysis has been prepared using a sensitivity rate which is used when price risk internally to key management personnel and represents management's assessment of the reasonably possible change in relevant prices. All other variables remain constant. The sensitivity analysis includes only investments held 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.

At 30 June 2021, if the price index on the Namibian Stock Exchange had been 5.000% (2020: 5.000%) higher or lower during the period, with all other variables held constant, profit or loss for the year would have been N$ 0 (2020: N$715 563) higher and N$ 0 (2020: N$ 715 563) lower.

Notes to the Annual Financial Statements

Figures in Namibia Dollar	12 months ended 30 June 2021	16 months ended 30 June 2020

33. 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 company 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.

Levels of fair value measurements

Level 1

Recurring fair value measurements

Assets	Note(s)		
Financial assets mandatorily at fair value through profit or loss	12		
Listed shares		-	14,712,500
Total		**-**	**14,712,500**

Level 1 price of the Listed shares was based on the listed price as per the Namibian Stock Exchange (NSX).

Level 2

Recurring fair value measurements

Assets	Note(s)		
Financial assets mandatorily at fair value through profit or loss	12		
Unit trusts: Cirrus Securities		132,044,684	-
Unit trusts: IJG Securities		-	39,911,074
Total financial assets mandatorily at fair value through profit or loss		**132,044,684**	**39,911,074**
Total		**132,044,684**	**39,911,074**

Level 2 price of the Unit Trust was the trading price at the end of each reporting period.

Notes to the Annual Financial Statements

34. Going concern

The 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 ability of the company to continue as a going concern is dependent on a number of factors. The most significant of these is that the shareholders continue to procure funding for the ongoing operations for the company.

35. Events after the reporting period

On 21 September 2021, the board declared a dividend amounting to N$ 4 500 000.

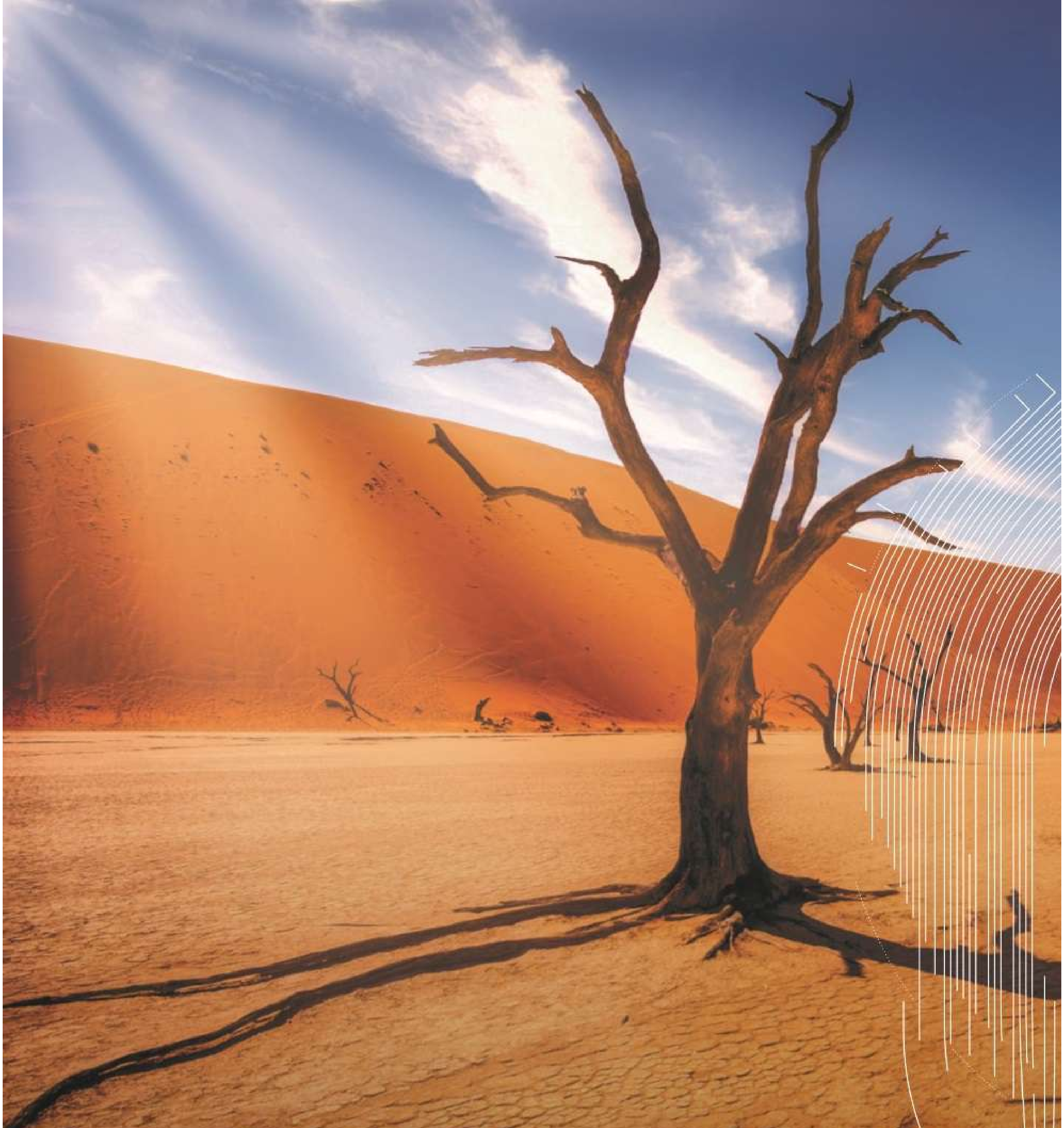
The directors are not aware of any other material event which occurred after the reporting date and up to the date of this report.

Detailed Income Statement

Figures in Namibia Dollar	Note(s)	12 months ended 30 June 2021	16 months ended 30 June 2020
Revenue			
At a point in time		30,833,108	61,425,743
Over time		305,266,748	370,554,595
	19	**336,099,856**	**431,980,338**
Cost of sales			
Opening stock		(9,454,861)	(11,041,985)
Purchases		(126,920,714)	(181,621,982)
Depreciation included in cost of sales		(34,370,332)	(35,570,852)
Closing stock		10,590,396	9,454,861
Discount received		80,004	248,340
	20	**(160,075,507)**	**(218,531,618)**
Gross profit		**176,024,349**	**213,448,720**
Other operating income			
Administration and management fees received		26,413	174,401
Commissions received		-	12,688
Bad debts recovered		50,368	38,160
Sundry income		387,071	883,310
	21	**463,852**	**1,108,559**
Other operating gains / (losses)			
Gains / (losses) on disposal of assets or settlement of liabilities		84,918	337,066
Foreign exchange gains / (losses)		(1,006,681)	1,795,228
Fair value gains / (losses)		159,833	-
	22	**(761,930)**	**2,132,294**
Expenses (Refer to page 71)		**(129,444,535)**	**(168,905,862)**
Operating profit	23	**46,281,736**	**47,783,711**
Investment income	24	1,399,328	3,627,524
Finance costs	25	(6,910,801)	(14,692,090)
Profit before taxation		**40,770,263**	**36,719,145**
Taxation	26	(11,324,681)	(10,887,648)
Profit for the year		**29,445,582**	**25,831,497**

Detailed Income Statement

Figures in Namibia Dollar	Note(s)	12 months ended 30 June 2021	16 months ended 30 June 2020
Other operating expenses			
Advertising		(7,223,924)	(9,635,845)
Amortisation		(3,175,349)	(4,005,015)
Auditors remuneration - external auditors	23	(601,118)	(1,113,310)
Bad debts		(907,201)	(1,195,245)
Bank charges		(1,049,078)	(1,160,741)
Cleaning		(343,837)	(358,585)
Computer expenses		(52,443)	(47,087)
Consulting fees		(2,777,366)	(3,082,707)
Depreciation		(8,024,248)	(10,765,323)
Directors fees		(893,846)	(545,913)
Donations		(37,499)	(139,277)
Employee costs		(75,870,456)	(100,893,413)
Entertainment		(606,945)	(1,297,041)
Fines and penalties		(1,930)	(14,858)
General expense		(149,387)	(282,577)
Insurance		(3,071,964)	(3,774,054)
Lease rentals on operating lease - Short term		(400,536)	(321,887)
Legal fees		(1,258,972)	(1,618,543)
License fees		(11,247,272)	(12,838,910)
Motor vehicle expenses		(1,496,606)	(2,043,008)
Municipal expenses		(236,408)	(557,138)
Postage		(824,745)	(801,712)
Printing and stationery		(832,143)	(1,083,906)
Repairs and maintenance		(1,231,435)	(2,017,910)
Secretarial fees		(278,141)	(263,815)
Security		(120,090)	(194,741)
Sponsorship		(302,688)	(365,266)
Staff recruitment		(62,539)	(145,067)
Staff uniforms		(294,022)	(442,018)
Staff welfare		(3,148,014)	(3,316,329)
Storage expenses		(110,050)	(79,853)
Subscriptions		(247,847)	(326,445)
Telephone		(1,159,788)	(1,813,733)
Training		(557,874)	(753,927)
Travel - local		(720,832)	(760,880)
Travel - overseas		(127,942)	(849,783)
		(129,444,535)	**(168,905,862)**



HEAD OFFICE:

Paratus Telecommunications (Pty) Ltd
106 Nickel Street, Prosperita, Windhoek

PO Box 90140, Klein Windhoek, Windhoek

Visit paratus.africa/na for more information or call any of our offices:
Head Office: +264 83 300 1000 | **Grove Mall:** +264 83 300 1002
Swakopmund: +264 83 300 1960 | **Walvis Bay:** +264 83 300 1850

24/7 Support Helpdesk | Email our Sales Team
+264 83 300 1300 | sales.na@paratus.africa / info.na@paratus.africa