

**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 September 2003

## COMPANY INFORMATION

Registration number:	92/282
Registered address:	Telecom Building Luderitz Street Windhoek
Postal address:	PO Box 297 Windhoek
Auditors:	PricewaterhouseCoopers Windhoek
Bankers:	Standard Bank Namibia Ltd

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No directors' report is presented since the Company is a wholly-owned subsidiary of Namibia Post and Telecom Holdings Limited, a company incorporated in Namibia.

## CORPORATE GOVERNANCE STATEMENT

Telecom Namibia Limited is committed to the principles of integrity, safety, professionalism, transparency, responsibility and accountability, and the directors recognise the competitive need for management to conduct the business of the company accordingly and in accordance with generally accepted corporate practices, and in keeping with the company's policies and the laws of Namibia.

### Board of Directors

The Board meets regularly, retains control over the company and monitors executive management. The Board reserves for itself a range of key decisions to ensure that it retains proper direction and control of the company. The roles of the Chairperson and Managing Director are not vested in the same person, and the Chairperson is a non-executive director. In addition, the Chairperson provides leadership and guidance to the company's Board, encourages proper deliberation of all matters requiring the Board's attention, obtains optimum input from the other directors and ensures all decisions of the Board are clearly worded and are likely to advance the Company's interests.

#### *Non-executive directors*

The Board has five non-executive directors. Non-executive directors are appointed by the Cabinet for a specific term and re-appointment is not automatic.

#### *Executive directors*

There is one executive director on the Board. An executive director's service contract does not exceed a period of five years, except where a longer term has been approved by the member, in a general meeting. Full disclosure of emoluments to directors is evident in the notes to the financial statements.

#### *Company Secretary and professional advice*

All directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that board procedures are followed. Directors may seek independent professional advice regarding the affairs of the Company, at the Company's expense.

## Internal control systems

The company maintains systems of internal control over financial reporting and over the safeguarding of assets against unauthorised acquisition, use or disposition, all designed to provide reasonable assurance to the Company's management and Board of directors, regarding the preparation of reliable published financial statements and the safekeeping of the company's assets. The system includes a documented organisational structure and division of responsibility, established policies and procedures which are communicated throughout the Company, and used for the proper training and development of its people.

There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even an effective internal control system can provide only reasonable assurance with respect to financial statement-preparation and the safeguarding of assets. Furthermore, the effectiveness of an internal control system can change as circumstances dictate.

## Corporate Governance

The Board subscribes to the principles of transparent and honest corporate governance. The following committees assist the group with the compliance thereof: Audit Committee, Executive Committee, Remuneration Committee and Risk Management Committee.

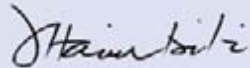
## STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

The directors are responsible for the preparation, integrity and fair presentation of the financial statements of Telecom Namibia Limited. Therefore the financial statements, presented on pages 64 to 87 have been prepared in accordance with Namibian Statements of Generally Accepted Accounting Practice, and include amounts based on judgements and estimates made by the Management.

In preparing the financial statements, the going concern basis has been adopted. The directors have no reason to believe that the Company will not be a going concern in the foreseeable future, based on forecasts and available cash resources. Its viability is supported by the financial statements.

An independent firm of auditors, PricewaterhouseCoopers, audited the financial statements. They were given unrestricted access to all financial records and related data, including minutes of all meetings of the shareholder, the Board of Directors and Committees of the Board. The directors believe that all representations made to the independent auditors during their audit, were valid and appropriate. PricewaterhouseCoopers' audit report is presented on page 63.

The financial statements were approved and authorised for issue by the Board of Directors on 8 December 2003.



.....  
**Chairperson**



.....  
**Managing Director**

## REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBER OF TELECOM NAMIBIA LIMITED

We have audited the annual financial statements of Telecom Namibia Limited set out on pages 64 to 87 for the year ended 30 September 2003. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

### Scope

We conducted our audit in accordance with statements of Namibian Auditing Standards. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- assessing the accounting principles used and significant estimates made by Management; and
- evaluating the overall financial statement presentation .

We believe that our audit provides a reasonable basis for our opinion.

### Audit opinion

In our opinion these financial statements fairly present, in all material respects, the financial position of the company at 30 September 2003 and the results of its operations and cash flows for the year then ended in accordance with Namibian Statements of Generally Accepted Accounting Practice, and in the manner required by the Namibian Companies Act.



**PricewaterhouseCoopers**  
**Chartered Accountants (Namibia)**  
**Windhoek**  
**8 December 2003**

## BALANCE SHEET

as at 30 September 2003

	Notes	2003 N\$'000	2002 N\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Plant and equipment	20	828 297	860 130
Investments	21	155 326	125 536
		983 623	985 666
<b>Current assets</b>			
Inventories	22	24 235	24 342
Accounts receivable	23	121 037	115 911
Amounts owing by fellow subsidiaries		11 098	5 730
Cash and cash equivalents	24	150 212	57 231
		306 582	203 214
<b>Total assets</b>		<b>1 290 205</b>	<b>1 188 880</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	25	154 530	154 530
Retained earnings		325 915	264 064
		480 445	418 594
<b>Non-current liabilities</b>			
Retirement benefit obligations	33	29 720	25 082
Long-term liabilities	26	382 330	406 568
Deferred tax	28	198 146	157 452
		610 196	589 102
<b>Current liabilities</b>			
Trade and other payables	29	184 523	159 169
Bank overdraft	24	14 864	21 349
Amount owing to fellow subsidiary		144	145
Amount owing to holding Company		33	521
		199 564	181 184
<b>Total liabilities</b>		<b>809 760</b>	<b>770 286</b>
<b>Total equity and liabilities</b>		<b>1 290 205</b>	<b>1 188 880</b>

## INCOME STATEMENT

for the year ended 30 September 2003

	Notes	2003 N\$'000	2002 N\$'000
<b>Revenue</b>	<b>14</b>	981 048	896 284
Other operating income		2 275	2 067
Distribution costs		(259 241)	(243 396)
Administrative expenses		(400 958)	(354 694)
Other operating expenses		(11 742)	(15 551)
Depreciation	<b>20</b>	(162 728)	(159 412)
<b>Operating profit</b>	<b>17</b>	148 654	125 298
Financial items	<b>18</b>	(38 109)	(49 890)
<b>Profit before tax</b>		110 545	75 408
Tax	<b>19</b>	(40 694)	(27 943)
<b>Net profit for the year</b>		69 851	47 465

## STATEMENT OF CHANGES IN EQUITY

for the year ended 30 September 2003

	Note	2003 N\$'000	2002 N\$'000
<b>Share capital</b>			
Ordinary shares			
At beginning and end of year	25	154 530	154 530
<b>Retained earnings</b>			
Balance: beginning of year			
As previously stated		264 064	240 350
Effect of adopting AC116		-	(21 251)
As restated		264 064	219 099
Net profit for the year		69 851	47 465
Dividends		(8 000)	(2 500)
Balance: end of year		325 915	264 064

Dividends of 5,18 cents per share were paid during the year  
(2002 : 1,62 cents).

## CASH FLOW STATEMENT

for the year ended 30 September 2003

	Notes	2003 N\$'000	2002 N\$'000
<b>Cash flow from operating activities</b>			
Operating profit		148 654	125 298
Adjustment for :			
Increase in post-retirement benefit obligation		4 638	3 831
Depreciation		162 728	159 412
Profit on disposal of plant and equipment		(204)	(33)
Working capital changes	<b>34</b>	10 518	(16 664)
Cash generated from operations		326 334	271 844
Investment income		979	1 413
Financial costs		(39 088)	(51 303)
Dividends		(8 000)	(2 500)
Net cash flow from operating activities		280 225	219 454
<b>Cash flow from investing activities</b>			
<i>Expenditure for expansion</i>			
Plant and equipment acquired		(130 905)	(94 804)
Increase in investments		(29 790)	(117 340)
<i>Proceeds on disposals</i>			
Plant and equipment		214	33
Net cash flow used in investing activities		(160 481)	(212 111)
<b>Cash flow from financing activities</b>			
Net long-term loans (repaid)/raised		(20 278)	33 668
Net cash flow (used in)/generated by financing activities		(20 278)	33 668
<b>Net increase in cash and cash equivalents</b>		99 466	41 011
Cash and cash equivalents at beginning of year		35 882	(5 129)
<b>Cash and cash equivalents at end of year</b>	<b>24</b>	135 348	35 882

## NOTES TO THE FINANCIAL STATEMENTS

### for the year ended 30 September 2003

#### 1. Basis of preparation

The annual financial statements are prepared in accordance with and comply with Namibian Statements of Generally Accepted Accounting Practice. Such annual financial statements are prepared under the historical cost convention, as modified by the revaluation of certain financial instruments to fair value. The principal accounting policies adopted in the preparation of these annual financial statements are set out below, and are consistent with those of the previous year, except as stated in note 15.

#### 2. Plant and equipment

Plant and equipment are included at cost. Cost includes all costs directly attributable to bringing the assets to working condition for their intended use. Capital work in progress and minor items of fixed assets are not depreciated. All other fixed assets, including capitalised leased assets, are depreciated at rates calculated to write off the cost of the assets on a straight line basis over their expected useful lives. Minor items of plant and equipment, individually costing less than N\$1 000, are expended in full in the year of acquisition.

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

Rates of depreciation currently applied, are as follows:

- Motor vehicles	20%
- Furniture and fittings	10% - 33,3%
- Computer equipment	33,3%
- Telecommunications installations and equipment	10% - 50%

#### 3. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis, and includes transport and handling costs. Where necessary, provision is made for obsolete, slow moving and defective inventories.

## 4. Deferred tax

Deferred tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently, enacted tax rates are used to determine deferred income tax.

The principal temporary differences arise from depreciation on plant and equipment, provision for doubtful debts and tax losses carried forward. Deferred tax assets relating to the carry-forward of unused tax losses, are recognised to the extent that it is probable that future taxable profit will be available, against which the unused tax losses can be utilised.

## 5. Investments

The Company's listed and unlisted equity investments are classified as financial assets available-for-sale. Purchases and sales of available-for-sale investments are recognised on the trade date at cost, including transaction costs. Equity investments are subsequently carried at fair value, or at cost, if the equity investment does not have a quoted market price in an active market, and whose fair value cannot be reliably measured. Realised and unrealised gains and losses arising from changes in the fair value of these investments are recognised in equity. When available-for-sale investments are sold or impaired, the accumulated fair value adjustments, as well as any additional amounts, are included in the income statement as gains and losses from investments. The fair values of these investments are based on quoted bid prices or amounts derived from cash flow models.

The Company's other investments and investments in debt are classified as held-to-maturity assets or loans, originated by the enterprise. These investments are carried at amortised cost. Also refer to note 15.

## 6. Accounts receivable

Accounts receivable are carried at original invoiced amounts, less provision made for impairment of these receivables. A provision for impairment of accounts receivable is established when there is objective evidence that the company will not be able to collect all amounts due, according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of the expected cash flows, discounted at the market rate of interest for similar borrowers.

## 7. Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash-in-hand, deposits held at call with banks, and investments in money market instruments, net of bank overdrafts.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### for the year ended 30 September 2003

#### 8. Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events. It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

#### 9. Foreign currencies

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions; gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement. Such balances are translated at year-end exchange rates.

#### 10. Financial instruments

Financial instruments consist of investments, loans, accounts receivable, bank balances and cash and accounts payable resulting from normal business transactions. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

#### 11. Revenue recognition

Income received for services which have not yet been rendered, are deferred.

#### 12. Pension Fund arrangements

Current contributions to the Pension Fund operated for employees are charged against income as incurred. The Fund is actuarially valued at intervals of three years, and the cost of providing for any deficits is charged against income, when determined. The cost of securing increased benefits is written off over the remaining period of services of employees, or ten years, whichever is the shorter.

#### 13. Post-retirement obligations

The Company provides post-retirement Pension Fund and medical aid benefits, to their retirees (refer note 33). Entitlement of these benefits is based on the employee remaining in service up to retirement age. The expected costs of these benefits are accrued over the period of employment. Valuations of these obligations are carried out by an independent qualified actuary.

#### 14. Revenue

Sales are recognised upon delivery of products and customer acceptance, if any, or performance of service, net of VAT.

Other revenue earned by the Company is recognised on the following basis:

- Interest income: as it accrues (taking into account the effective yield on the asset), unless collectability is in doubt.

## 15. Change in accounting policy

The Company adopted AC 133 – “Financial Instruments : Recognition and measurements” (“AC 133”) with effect from 1 October 2002.

The statement introduces fair value according to certain classes of financial assets and liabilities such as loans, derivative instruments and investments in debt and equity securities. Said statement is not applicable to assets such as fixed assets or investments in subsidiaries and associated companies.

Depending on the asset classification used, fair value changes are reflected in income and expenditure, or directly in equity.

The four primary asset categories:

- Originated assets, such as most of the company’s normal loans and receivables, which are carried at cost
- Held-to-maturity assets where the company has the intention to hold the asset until maturity - which are carried at amortised cost
- Trading assets, such as most equities trading portfolios where the intention is to trade with a short-term profit motive, which is fair valued with changes in fair value recorded in the income statement, on a yearly basis and
- Available for sale assets, such as certain equity investments where there is no trading intention, which are carried at either fair value with unreleased fair value changes reflected in equity until realisation, or at cost if the financial asset does not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

The Company is required to designate financial statements into these categories on initial recognition, and the designation is final, thereby effectively determining the future accounting treatment of the instrument.

AC 133 is a prospective accounting statement, and does not provide for the restatement of historical numbers. It has comprehensive transitional provisions, which affect opening equity balances. No material adjustments were, however, required in the Company’s financial statements.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 September 2003

### 16. Comparative figures

Where necessary, comparative figures have been adjusted to conform with changes in presentations made in the current year.

### 17. Operating Profit

The following items have been charged in arriving at operating profit :

	2003 N\$'000	2002 N\$'000
<b>Auditors' remuneration</b>		
Audit fees - current year	303	-
Underprovision : previous year	-	124
Other services – current year	161	-
	464	124
<b>Directors' emoluments</b>		
For management	755	934
As directors	208	267
	963	1 201
<b>Profit on disposal of plant and equipment</b>	(204)	(33)
<b>Operating lease rentals</b>		
Land and buildings	21 575	19 631
Motor vehicles	20 012	15 762

## 17. Operating Profit (Continued)

	2003 N\$'000	2002 N\$'000
Cost of sales	27 213	21 483
<b>Staff costs</b>		
Salaries and wages	135 627	128 707
Medical Aid contributions	12 842	11 000
Pension Fund contributions	19 968	19 241
Social Security Commission contributions	486	489
Number of staff members at year-end	1 548	1 574

## 18. Financial items

Interest received	29 440	16 418
Less: Interest paid	(59 442)	(62 370)
Bank overdraft and bankers' acceptances	-	(22)
Long-term loans and promissory notes	(56 242)	(59 148)
Other interest	(3 200)	(3 200)
Foreign currency losses	(8 107)	(3 938)
Realised	-	718
Unrealised	(8 107)	(4 656)
	(38 109)	(49 890)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 September 2003

### 19. Tax

	2003 N\$'000	2002 N\$'000
Namibian normal income tax		
Deferred tax		
Current year timing differences	(40 694)	(27 943)
Tax charge for the year	<u>(40 694)</u>	<u>(27 943)</u>

No current tax is payable due to the utilisation of calculated tax losses of N\$ 120 991 045 (2002 : N\$ 259 682 661).

Gross calculated tax losses at the end of the financial year available for utilisation against future taxable income	120 991	259 683
Less: Applied in the reduction of deferred tax	(120 991)	(259 683)
	<u>-</u>	<u>-</u>

The tax on the company's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

Profit before tax	110 545	75 408
Tax calculated at a tax rate of 35% (2002 : 35%)	(38 691)	(26 393)
Expenses not deductible for tax purposes	(2 003)	(1 550)
Tax charge	<u>(40 694)</u>	<u>(27 943)</u>

## 20. Plant and equipment

	<i>Telecom installations and equipment N\$'000</i>	<i>Furniture and fittings N\$'000</i>	<i>Capital work in progress N\$'000</i>	<i>Motor vehicles N\$'000</i>	<i>Total N\$'000</i>
<b>Year ended 30 September 2003</b>					
<b>Cost</b>					
Beginning of year	1 410 351	216 544	37 088	6 755	1 670 738
Additions	-	4 278	126 627	-	130 905
Disposals	(8)	(530)	-	(676)	(1 214)
Transfers	79 782	-	(79 782)	-	-
<b>End of Year</b>	<b>1 490 125</b>	<b>220 292</b>	<b>83 933</b>	<b>6 079</b>	<b>1 800 429</b>
<b>Accumulated depreciation</b>					
Beginning of year	620 607	183 360	-	6 641	810 608
Depreciation charge	147 961	14 675	-	92	162 728
Depreciation on disposals	(8)	(521)	-	(675)	(1 204)
<b>End of year</b>	<b>768 560</b>	<b>197 514</b>	<b>-</b>	<b>6 058</b>	<b>972 132</b>
<b>Book value at</b>					
<b>30 September 2003</b>	<b>721 565</b>	<b>22 778</b>	<b>83 933</b>	<b>21</b>	<b>828 297</b>
<b>Year ended 30 September 2002</b>					
<b>Cost</b>					
Beginning of year	1 196 324	197 403	175 452	6 807	1 575 986
Additions	-	19 141	75 663	-	94 804
Disposals	-	-	-	(52)	(52)
Transfers	214 027	-	(214)	-	-
<b>End of year</b>	<b>1 410 351</b>	<b>216 544</b>	<b>37 088</b>	<b>6 755</b>	<b>1 670 738</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 September 2003

### 20. Plant and equipment (continued)

<b>Accumulated depreciation</b>					
Beginning of year	485 193	159 528	-	6 527	651 248
Depreciation charge	135 414	23 832	-	166	159 412
Depreciation on disposals	-	-	-	(52)	(52)
<b>End of year</b>	<b>620 607</b>	<b>183 360</b>	<b>-</b>	<b>6 641</b>	<b>810 608</b>
<b>Book value at</b>					
<b>30 September 2002</b>	<b>789 744</b>	<b>33 184</b>	<b>37 088</b>	<b>114</b>	<b>860 130</b>

Certain of the fixed assets have been encumbered as stated in note 26.

### 21. Investments

#### Available for sale

	2003 N\$'000	2002 N\$'000
0,05% Participating interest in International Telecommunications Satellite Organisation (INTELSAT), based in Washington DC, at fair value.	8 519	9 593
US\$ = 1 204 176      US\$1 = N\$7,07		
500 shares in New Skies Satellite at NLG1,00 each, at fair value.	1	1

#### Held-to-maturity

Standard Bank : Sinking Fund Deposit	99 212	81 112
The deposit earns interest at 11,93% (2002: 11,21%) p.a. 4(2002:6) semi-annual deposits of N\$3 894 997 (2002: N\$4 127 467) each is required to be made into this deposit account until the maturity date, 7 August 2005. The company has ceded and pledged all its rights, title and interest in this deposit to Standard Bank Namibia, as security for promissory notes issued to them (refer note 26).		
Bank Windhoek : Ceded deposit	47 594	34 830
The deposit earns interest at 18,7% (2002: 18,7%) p.a. The deposit was ceded as security for a Bank Windhoek loan account (refer note 26).		
	<u>155 326</u>	<u>125 536</u>
Directors' valuation	<u>8 196</u>	<u>9 594</u>

## 22. Inventories

	2003 N\$'000	2002 N\$'000
Materials for installations	22 523	16 538
Workshop and consumable stores	413	281
Goods for resale	1 299	7 523
	<u>24 235</u>	<u>24 342</u>

## 23. Accounts receivable

Trade receivables		
Total trade receivables	130 813	123 953
Less: Provision for impairment	(9 776)	(8 042)
	<u>121 037</u>	<u>115 911</u>

## 24. Cash and cash equivalents

Bank balances	142 686	54 519
Cash on hand	7 526	2 712
	<u>150 212</u>	<u>57 231</u>

For the purpose of the cash flow statement, the year-end cash and cash equivalents comprise the following:

Bank balances	142 686	54 519
Cash on hand	7 526	2 712
Bank overdraft	(14 864)	(21 349)
	<u>135 348</u>	<u>35 882</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### for the year ended 30 September 2003

#### 25. Share capital

	2003 N\$'000	2002 N\$'000
<b>Authorised</b>		
200 000 000 ordinary shares of N\$1 each	200 000	200 000
<b>Issued</b>		
154 529 936 ordinary shares of N\$1 each	154 530	154 530

#### 26. Long-term liabilities

##### Secured

Delayed secured interest promissory notes issued to Standard Bank Namibia bearing interest at 14,58% (2002 : 14,34%) p.a. Interest is capitalised to the loan, and the interest and the capital are repayable in 2005. The Standard Bank sinking fund deposit was given as security for this loan. Suretyship of N\$ 30 000 000 has been provided to the bank by the Holding Company.	107 561	92 594
Loan from City Savings and Investment Bank Limited, currently bearing interest at 8,5% (2002 : 11,5%) p.a. The capital amount is repayable in 23 (2002 : 35) monthly instalments of N\$ 156 250 each with the final instalment due in 2005. Interest is paid on a monthly basis on the outstanding capital amount. Suretyship for N\$ 15 000 000 has been provided to the bank by the Holding Company.	3 594	5 469
Loan from City Savings and Investment Bank Limited, bearing interest at a fixed rate of 14,5% (2002 : 14,5%) p.a. The capital amount is repayable in 5 (2002 : 7) semi-annual instalments of N\$ 1 875 000 each with the final instalment due in 2006. Interest is paid on a monthly basis on the outstanding capital amount. Suretyship for N\$ 30 000 000 has been provided by the Holding Company.	9 375	13 125
Balance carried forward	120 530	111 188

## 26. Long-term liabilities (continued)

	2003 N\$'000	2002 N\$'000
Balance brought forward	120 530	111 188
Loan from European Investment Bank. The Company has entered into currency swap agreements that entitle it to pay interest at rates varying between 10,96% and 12,04% p.a. (2002: 10,96% and 12,04% p.a.) The capital amount is repayable in 14 (2002 : 16) semi-annual instalments, with the final instalment due in 2010. Interest is paid semi-annually on the outstanding capital amount. A letter of guarantee, covering the principal debt and interest, has been issued by the Government of Namibia.	107 666	117 036

The following foreign amounts were outstanding at year-end in respect of this loan and the following exchange rates were used:

EUR	9 242 198	N\$ 8,206 = EUR 1
GBP	4 097 909	N\$ 11,83 = GBP 1
USD	1 277 298	N\$ 7,07 = USD 1

Loan from Bank Windhoek Limited	61 496	50 931
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The Bank Windhoek loan account is currently bearing interest at a fixed rate of 19% (2002 : 19%). The capital amount is repayable in 6 semi-annual instalments, with the first payment due in April 2004, and the final instalment payable in October 2007. The Bank Windhoek deposit was ceded as security for this loan. The deposit earns interest at 18,7% (2002 : 18,7%) p.a.

Balance carried forward	289 692	279 155
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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### for the year ended 30 September 2003

#### 26. Long-term liabilities (continued)

	2003 N\$'000	2002 N\$'000
Balance carried forward	289 692	279 155
First National Bank of Namibia Limited	30 100	35 430
<p>Promissory notes of N\$ 50 million issued to First National Bank of Namibia Limited at a fixed interest rate of 18,5% (2002 : 18,5%) p.a for 10 years. Telecom Namibia Limited simultaneously deposited N\$ 50 million with First National Bank, on the same conditions as those applicable to the promissory notes. This deposit, with all rights, title and interest in and the right to receive payment of the loan together with all accrued interest thereon, were ceded to First National Bank of Namibia Limited, as security for the settlement of the promissory notes. First National Bank then provided a separate N\$ 50 million variable funding facility, to be repaid over the term of the transaction at an effective interest rate of 15,5% (2002 : 14,89%) p.a. The facility is repayable in 8 (2002 : 10) bi-annual instalments of N\$ 5 062 497 (2002 : N\$4 914 141 ) each, with the final instalment due in 2007. The interest is capitalised to the loan. Suretyship for N\$50 million has been provided to the bank by the Holding Company.</p>		
- Funding facility	30 100	35 430
- Promissory notes plus capitalised interest	159 204	132 502
- Less: Deposit ceded plus capitalised interest	(159 204)	(132 502)
<p>Telecom Namibia registered loan stock bearing interest at 16% (2002 : 16%) p.a, paid bi-annually in arrears. The capital amount is repayable in 2007. The bonds were issued at a premium of N\$ 125 786.</p>		
	20 535	20 535
Balance carried forward	340 327	335 120

## 26. Long term liabilities (continued)

	2003 N\$'000	2002 N\$'000
Balance brought forward	340 327	335 120

### Unsecured

Loan from Kreditanstalt für Wiederaufbau (KfW), channelled through the Government of the Republic of Namibia, bearing interest at 2% (2002 : 2%) p.a. The loan is repayable in 11 (2002 : 13) semi-annual instalments.

12 957	19 510
--------	--------

The loan of Euro 1 578 956 (2002: 1 868 688) has been stated at spot rate of N\$8,206 (2002: N\$10,44). Also refer to note 30.

First National Bank of Namibia Limited, and  
Bank Windhoek Limited

60 000	72 000
15 000	18 000

These loans bear interest at 11,24% (2002 : 12,69%) p.a. The capital amounts are repayable in 3 (2002 : 4) annual instalments, with the final instalment payable in March 2006. Interest is paid semi-annually on the outstanding capital amount.

The instalments are payable as follows:

2004	N\$20 000 000
2005	N\$25 000 000
2006	N\$30 000 000

	428 284	444 630
Less: Short-term portion transferred to accounts payable	(45 954)	(38 061)
	<u>382 330</u>	<u>406 568</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 September 2003

### 27. Total interest-bearing borrowings

	2003 N\$'000	2002 N\$'000
Balance brought forward	289 692	279 155
- Long-term loans	382 330	406 569
- Short-term loans	45 954	38 061
- Bank overdrafts	14 864	21 349
	<u>443 148</u>	<u>465 979</u>

### 28. Deferred tax

Deferred income taxes are calculated on all temporary differences under the comprehensive method, using a principal tax rate of 35% (2002 : 35%).

The movement on the deferred income account is as follow:

At beginning of year	157 452	129 509
Movements during year attributable to:		
Timing differences	40 694	27 943
At end of year	<u>198 146</u>	<u>157 452</u>

Deferred tax liabilities may be analysed as follows:

Depreciation on plant and equipment	248 299	255 347
Provisions	(2 566)	(2 115)
Tax losses carried forward	(42 347)	(90 889)
Advanced income	(5 240)	(4 891)
	<u>198 146</u>	<u>157 452</u>

### 29. Trade and other payables

Trade payables	180 563	159 169
Foreign exchange contracts (refer to note 26)	3 960	-
	<u>184 523</u>	<u>159 169</u>



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### for the year ended 30 September 2003

#### 32. Pension Fund

At the financial year-end, all the permanent employees of the Company were members of the Napotel Pension Fund, a defined contribution fund, governed by the Pension Funds Act. Employees' contributions amount to 7% of basic salary and the Company's contribution is 16% of basic salary.

An actuarial valuation was carried out at 1 October 2000, which indicated that the Fund is financially sound.

#### 33. Post-employment benefits

The Company provides post employment benefits by way of a medical aid scheme and a pension fund.

##### *Medical scheme:*

The company continues to pay two thirds of total contributions towards the medical scheme, when an employee becomes redundant, disabled or when an employee retires.

##### *Pension fund:*

The company continues to pay the contributions towards the pension fund at a rate of 16% of pensionable salary, when an employee becomes disabled, until such an employee reaches the age of 60.

The liability created in terms of the transitional requirements of the revised AC 116 (employee benefits), amounts to N\$ 29,720 million. The principal actuarial assumptions used for accounting purposes were:

	2003	2002
- Real rate of return	2%	2%
- Current employee members	1 503	1 503

- The valuation was prepared using the following particulars in respect of employee members:

	2003	2002
Age group		
Below 50		
Number	1 365	1 365
Average age (years)	36,8	36,8

### 33. Post-employment benefits (continued)

	2003	2002
50 – 60:		
Number	132	132
Average age (years)	54,6	54,6
Above 60:		
Number	6	6
Average age (years)	61,8	61,8
Total		
Number	1 503	1 503
Average age (years)	38,4	38,4

#### - Current pensioner members

Details of the current pensioner members belonging to the medical aid scheme, are as follows:

Total:

Number	99	99
Average age (years)	57,4	57,4

### 34. Working capital changes

	2003 N\$'000	2002 N\$'000
Decrease in working capital during the year		
Decrease in inventories	107	5 769
Decrease in indebtedness by holding company	-	8
Increase in accounts receivable	(5 126)	(4 236)
Increase/(decrease) in accounts payable	21 394	(15 776)
(Decrease)/increase in provisions	-	(374)
Decrease in indebtedness to fellow subsidiaries	(1)	(145)
Increase in indebtedness by fellow subsidiaries	(5 368)	(2 431)
(Decrease)/increase in amount owing to holding company	(488)	521
	10 518	(16 664)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### for the year ended 30 September 2003

#### 35. Related party transactions

The Company is controlled by Namibia Post and Telecom Holdings Limited (incorporated in Namibia), which owns 100% of the Company's shares.

The following transactions were carried out with related parties:

i) *Sales of services*

Namibia Post Limited : N\$ 36 093 000 (2002 : N\$28 474 917 )

Mobile Telecommunications Limited : N\$ 11 903 265 (2002 : N\$8 244 767))

Namibia Post and Telecom Holdings Limited is the Company's holding Company, whilst

Namibia Post Limited and Mobile Telecommunications Limited are fellow subsidiaries. Sales were carried out on commercial terms and conditions.

ii) *Purchases of services*

Namibia Post and Telecom Holdings Limited : N\$ 35 291 226 (2002 : N\$19 088 770)

Namibia Post Limited : N\$1 876 141 (2002 : N\$ 2 028 464)

The above transactions were carried out on commercial terms and conditions.

iii) *Outstanding balances arising from sale/purchase of goods/services*

Receivables from related parties:

Namibia Post Limited : N\$11 098 443 (2002 : N\$5 730 100)

Payables to related parties:

Namibia Post Limited : N\$ 142 494 (2002 : N\$145 230)

Namibia Post and Telecom Holdings Limited : N\$ 33 431 (2002 : N\$520 816)

iv) *Suretyships*

The following suretyships were given by the holding Company, Namibia Post and Telecom Holdings Limited:

- Suretyship for N\$ 45 000 000 (2002 : N\$ 45 000 000) has been provided to City Savings and Investment Bank in respect of loans advanced.
- Suretyship for N\$ 30 000 000 (2002 : N\$ 30 000 000) has been provided to Standard Bank Namibia in respect of promissory notes.
- Suretyship for N\$ 50 000 000 (2002 : N\$ 50 000 000) has been provided to First National Bank of Namibia Limited in respect of a funding facility provided.
- Negative pledge to Standard Bank of Namibia.

### 36. Operating lease commitments

	2003 N\$'000	2002 N\$'000
The future minimum lease payments under operating lease contracts are as follow:		
- Not later than one year	32 017	33 546
- Later than one year, but not later than five years	72 942	41 118
	<u>72 942</u>	<u>41 118</u>

### 37. Guarantees

The Company has a contingent liability in favour of Standard Bank Namibia in respect of guarantees supplied by the bank on behalf of the Company:

The guarantees are:

China Jiangsu International	4	4
Namibia Power Corporation	378	378
KCC (Pty) Ltd	12	12
Stocks & Stocks Namibia (Pty) Ltd	25	25
New Era Investment	10	-
The Supreme Court for the District of Windhoek	20	-
	<u>449</u>	<u>420</u>

## CORPORATE INFORMATION

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**Bankers:** Standard Bank Namibia

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**Responsible Department:** Corporate Communications & Public Relations

**Published by:** Telecom Namibia Ltd.

**Photographs:** Johan Jooste Photography, Ogilvy & Mather Namibia, Telecom Namibia Ltd.

**Design & Layout:** André Gast, Ogilvy & Mather Namibia

**Printed by:**

The publisher thanks all who contributed in the production of this Annual Report.

Comments and suggestions for further improvement of this publication should be sent to: [CommPR@telecom.na](mailto:CommPR@telecom.na)

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