

## Financial Statements

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



## Corporate Governance Statement

For the year ended 30 September 2006

Telecom Namibia Limited and its subsidiaries are 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 group accordingly and in accordance with generally accepted corporate practices and in keeping with the group's policies and the laws of Namibia.

### Board of Directors

The board meets regularly, retains control over the group and monitors executive management. The board reserves to itself a range of key decisions to ensure that it retains proper direction and control of the group. The roles of the Chairperson and Managing Director do not vest in the same person and the Chairperson is a non-executive director. The Chairperson provides leadership and guidance to the group'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 group's interests.

### Non-executive Directors

The board has five non-executive directors. Non-executive directors are appointed by Namibia Post and Telecom Holdings Ltd for specific terms 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 five years in duration, except where a longer period has been approved by the member at a general meeting. There is full disclosure in the notes to the financial statements of emoluments to directors.

### Group Secretary and Professional Advice

All directors have access to the advice and services of the company secretary, who is responsible to the board for ensuring that board procedures are followed. All directors are entitled to seek independent professional advice about the affairs of the group and at the group's expense.

### Internal control systems

The group maintains systems of internal control over financial reporting and over safeguarding of assets against unauthorised acquisition, use or disposition, all designed to provide reasonable assurance to the group's management and board of directors regarding the preparation of reliable published financial statements and the safeguarding of the group's assets. The system includes a documented organisational structure and division of responsibility, established policies and procedures which is communicated throughout the group 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 with circumstances.

### 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 required by the Namibian Companies Act, 1973, to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the company and the group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with Namibian Statements of Generally Accepted Accounting Practice. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with Namibian Statements of Generally Accepted Accounting Practice and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the group and all employees are required to maintain the highest ethical standards in ensuring the group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. While operating risk cannot be fully eliminated, the group 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 financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

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


The financial statements have been audited by the independent accounting firm, PricewaterhouseCoopers, which was given unrestricted access to all financial records and related data, including minutes of all meetings of the shareholders and the board of directors. 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 53.

The financial statements set out on pages 54 to 78 were approved and authorised for issue by the board of directors on 10 August 2007 and are signed on their behalf by:



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Chairperson



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Managing Director

## Independent Auditor's Report to the Member of Telecom Namibia Limited

We have audited the annual financial statements and group annual financial statements of Telecom Namibia Limited, which comprise the directors' report, the balance sheet and the consolidated balance sheet as at 30 September 2006, the income statement and the consolidated income statement, statement of changes in equity and the consolidated statement of changes in equity, the cash flow statement and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### *Directors' Responsibility for the Financial Statements*

The Group's directors are responsible for the preparation and fair presentation of these financial statements in accordance with Namibian Statements of Generally Accepted Accounting Practice and in the manner required by the Companies Act of Namibia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company and of the group as of 30 September 2006, and of its financial performance and their cash flows for the year then ended in accordance with Namibian Statements of Generally Accepted Accounting Practice and in the manner required by the Companies Act of Namibia.



PricewaterhouseCoopers  
Chartered Accountants (Namibia)  
Windhoek  
10 August 2007

## Balance Sheets

for the year ended 30 September 2006

	Notes	Group 2006 N\$'000	Company 2006 N\$'000	Company 2005 N\$'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Plant and equipment	<b>24</b>	792 403	792 403	797 281
Investment in subsidiary	<b>42</b>	--	24 045	--
Loans advanced	<b>44</b>	3 745	--	--
Investment in associated company	<b>43</b>	28 760	34 326	--
Investments	<b>25</b>	78 940	71 943	64 344
Intangible asset	<b>45</b>	13 246	--	--
		<u>917 094</u>	<u>922 717</u>	<u>861 625</u>
<b>Current assets</b>				
Inventories	<b>26</b>	25 414	25 414	25 094
Accounts receivable	<b>27</b>	141 985	141 985	152 526
Amounts owing by fellow subsidiaries	<b>39</b>	1 921	1 921	4 242
Amounts owing by holding group	<b>39</b>	601	601	247
Current tax asset	<b>34</b>	2 771	2 771	--
Cash and cash equivalents	<b>28</b>	212 893	212 839	223 262
		<u>385 585</u>	<u>385 531</u>	<u>405 371</u>
		<u>1 302 679</u>	<u>1 308 248</u>	<u>1 266 996</u>
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and reserves</b>				
Share capital	<b>29</b>	154 530	154 530	154 530
Retained earnings		533 554	539 123	471 922
		<u>688 084</u>	<u>693 653</u>	<u>626 452</u>
<b>Non-current liabilities</b>				
Retirement benefit obligations	<b>37</b>	46 123	46 123	44 072
Long term liabilities	<b>30</b>	119 764	119 764	169 706
Deferred tax	<b>32</b>	194 137	194 137	203 192
		<u>360 024</u>	<u>360 024</u>	<u>416 970</u>
<b>Current liabilities</b>				
Trade and other payables	<b>33</b>	188 739	188 739	136 305
Shortterm portion of longterm liabilities	<b>30</b>	64 569	64 569	62 581
Bank overdraft	<b>28</b>	--	--	19 424
Amount owing to fellow subsidiaries	<b>39</b>	1 263	1 263	347
Receiver of Revenue	<b>34</b>	--	--	4 917
		<u>254 571</u>	<u>254 571</u>	<u>223 574</u>
<b>Total liabilities</b>		<u>614 595</u>	<u>614 595</u>	<u>640 544</u>
<b>Total equity and liabilities</b>		<u>1 302 679</u>	<u>1 308 248</u>	<u>1 266 996</u>

## Income Statements

for the year ended 30 September 2006

	Notes	Group 2006 N\$'000	Company 2006 N\$'000	Company 2005 N\$'000
<b>Revenue</b>		1 057 748	1 057 748	1 055 275
Other operating income		1 827	1 827	3 091
Distribution costs		(273 500)	(273 500)	(270 360)
Administrative expenses		(464 135)	(464 132)	(634 462)
Other operating expenses		(190 012)	(190 012)	(17 171)
<b>Operating profit</b>	<b>21</b>	131 928	131 931	136 373
Financial items	<b>22</b>	(1 145)	(1 145)	(3 644)
<b>Profit before tax</b>		130 783	130 786	132 729
Taxation	<b>23</b>	(46 643)	(46 643)	(48 121)
Share of results of associate after tax	<b>43</b>	(5 566)	--	--
<b>Net profit for the year</b>		78 574	84 143	84 608

## Statements of Changes in Equity

for the year ended 30 September 2006

	Notes	Group 2006 N\$'000	Company 2006 N\$'000	Company 2005 N\$'000
<b>Share capital</b>				
Ordinary shares				
At beginning of year	<b>29</b>	154 530	154 530	154 530
<b>Retained earnings</b>				
Balance: beginning of year as restated		471 922	471 922	411 516
As previously stated		471 922	471 922	434 926
Prior year adjustment		--	--	(23 410)
Net profit for the year		78 574	84 143	84 608
Dividends		(16 942)	(16 942)	(24 202)
Balance: end of year		533 554	539 123	471 922

Dividends of 10,96 cents per share were paid during the year (2005 : 15,66 cents).

## Cash flow statements

for the year ended 30 September 2006

	Notes	Group 2006 N\$'000	Company 2006 N\$'000	Company 2005 N\$'000
<b>Cash flow from operating activities</b>				
Operating profit		131 928	131 931	136 373
Adjustment for:				
Increase in post-retirement benefit obligation		2 051	2 051	5 470
Depreciation	24	174 743	174 743	153 388
Profit on disposal of plant and equipment		(607)	(607)	(330)
Working capital changes	38	56 243	65 538	(109 910)
Cash generated from operations		364 358	373 656	184 991
Investment income		1 211	1 211	1 618
Financial costs		(2 356)	(2 356)	(5 262)
Dividends		(16 942)	(16 942)	(24 202)
Tax paid	34	(63 386)	(63 386)	(80 197)
<i>Net cash flow from operating activities</i>		282 885	292 183	76 948
<b>Cash flow from investing activities</b>				
<i>Expenditure for expansion</i>				
Plant and equipment acquired	24	(170 009)	(170 009)	(126 244)
Decrease/(increase) in investment		(13 346)	(7 599)	124 714
Proceeds on disposals – Plant and equipment		751	751	332
Investment in subsidiary acquired		(8 946)	(9 000)	--
Investment in associated company acquired		(29 893)	(29 893)	--
Increase in loan to subsidiary company		--	(15 045)	--
Increase in loan to associate company		(4 433)	(4 433)	--
<i>Net cash flow used in investing activities</i>		(225 876)	(235 228)	(1 198)
<b>Cash flow from financing activities</b>				
Net long-term loans repaid		(47 954)	(47 954)	(67 986)
<i>Net cash flow used in financing activities</i>		(47 954)	(47 954)	(67 986)
<b>Net increase in cash and cash equivalents</b>		9 055	9 001	7 764
Cash and cash equivalents at beginning of year		203 838	203 838	196 074
<b>Cash and cash equivalents at end of year</b>	28	212 893	212 839	203 838