

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

by the Board of Directors

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 the Cabinet 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 group 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 International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with International Financial Reporting Standards 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 41.

The financial statements set out on pages 42 to 77 were approved and authorised for issue by the board of directors on 9 September 2008 and are signed on their behalf by:



Chairperson



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 2007, 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 International Financial Reporting Standards 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

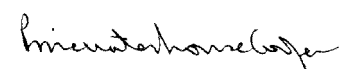
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether 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 2007, and of its financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of Namibia.



PricewaterhouseCoopers
Registered Accountants and Auditors
Chartered Accountants (Namibia)
Windhoek
Date: 9 September 2008

Balance Sheets

for the year ended 30 September 2007

	Notes	Group 2007 N\$'000	Group 2006 N\$'000	Company 2007 N\$'000	Company 2006 N\$'000
ASSETS					
Non-current assets					
Plant and equipment	7	1 437 932	1 227 448	1 437 932	1 227 448
Investment in subsidiary	25	--	--	57 191	24 045
Loans advanced	27	13 785	3 745	--	--
Investment in associated company	26	75 205	28 760	95 140	34 326
Derivative financial instruments	29	20 559	26 602	20 559	26 602
Finance lease receivable	31	12 960	11 917	12 960	11 917
Investments	8	67 470	78 940	67 470	71 943
Intangible asset	28	13 246	13 246	--	--
		1 641 157	1 390 658	1 691 252	1 396 281
Current assets					
Inventories	9	52 614	25 414	52 614	25 414
Accounts receivable	10	170 387	141 985	170 387	141 985
Amounts owing by fellow subsidiaries	22	1 229	1 921	1 229	1 921
Amounts owing by holding group	22	--	601	--	601
Current tax asset	17	29 314	2 771	29 314	2 771
Short-term portion of finance lease receivable	31	6 126	4 668	6 126	4 668
Cash and cash equivalents	11	49 822	212 893	49 768	212 839
		309 492	390 253	309 438	390 199
Total Assets		1 950 649	1 780 911	2 000 690	1 786 480
EQUITY					
Capital and reserves attributable to the company's equity holders					
Share capital	12	154 530	154 530	154 530	154 530
Retained earnings		797 112	825 746	856 524	831 315
Total Equity		951 642	980 276	1 011 054	985 845
LIABILITIES					
Non-current liabilities					
Retirement benefit obligations	20	49 575	46 123	49 575	46 123
Long term liabilities	13	57 322	119 764	47 951	119 764
Deferred tax	15	388 984	360 002	388 984	360 002
		495 881	525 889	486 510	525 889
Current liabilities					
Trade and other payables	16	182 406	208 914	182 406	208 914
Short-term portion of long-term liabilities	13	282 534	64 569	282 534	64 569
Bank overdraft	11	19 900	--	19 900	--
Amount owing to fellow subsidiaries	22	14 092	1 263	14 092	1 263
Amount owing to holding company	22	4 194	--	4 194	--
		503 126	274 746	503 126	274 746
Total liabilities		999 007	800 635	989 636	800 635
Total equity and liabilities		1 950 649	1 780 911	2 000 690	1 786 480

Income Statements

for the year ended 30 September 2007

	Notes	Group 2007 N\$'000	Group 2006 N\$'000	Company 2007 N\$'000	Company 2006 N\$'000
Revenue					
-revenue (goods)		1 060 687	1 058 072	1 060 687	1 058 072
-service revenue		54 877	53 424	54 877	53 424
Other operating income		1 005 810	1 004 648	1 005 810	1 004 648
Distribution costs		3 154	2 084	3 154	2 084
Administrative expenses		(285 932)	(283 526)	(285 932)	(283 526)
Other operating expenses		(555 022)	(466 205)	(554 926)	(466 202)
		(152 695)	(134 931)	(152 695)	(134 931)
Operating profit	3	70 192	175 494	70 288	175 497
Financial income	4	20 490	28 598	18 271	28 598
Financial costs	4	(36 930)	(30 000)	(34 368)	(30 000)
Profit before tax		53 752	174 092	54 191	174 095
Taxation	5	(28 982)	(61 801)	(28 982)	(61 801)
Share of results of associate after tax	26	(53 404)	(5 566)	--	--
Net (loss)/profit for the year		(28 634)	106 725	25 209	112 294
Attributable to equity holders of the company:		(28 634)	106 725	25 209	112 294

Statements of Changes in Equity

for the year ended 30 September 2007

	Notes	Group 2007 N\$'000	Group 2006 N\$'000	Company 2007 N\$'000	Company 2006 N\$'000
Attributable to equity holders of the company:					
Share capital					
Ordinary shares					
At beginning of year	12	154 530	154 530	154 530	154 530
Retained earnings					
Balance: beginning of year as restated		825 746	735 963	831 315	735 963
As previously stated		533 554	471 922	539 123	471 922
Prior year adjustment: Input VAT	30.1	(15 837)	(15 837)	(15 837)	(15 837)
Prior year adjustment: useful live	30.2	297 292	269 472	297 292	269 472
Prior year adjustment: derivative	30.3	17 291	18 637	17 291	18 637
Prior year adjustment: finance leases	30.4	(3 734)	(8 231)	(3 734)	(8 231)
Prior year adjustment: unearned revenue	30.5	(2 820)	–	(2 820)	–
Net profit for the year - restated		(28 634)	106 725	25 209	112 294
As previously stated		(28 634)	78 574	25 209	84 143
Prior year adjustment: useful live	30.2	–	27 820	–	27 820
Prior year adjustment: derivative	30.3	–	(1 346)	–	(1 346)
Prior year adjustment: finance leases	30.4	–	4 497	–	4 497
Prior year adjustment: unearned revenue	30.5	–	(2 820)	–	(2 820)
Dividends		–	(16 942)	–	(16 942)
Balance: end of year		797 112	825 746	856 524	831 315

Dividends of nil cents per share were paid during the year (2006 : 10,96 cents).

Cash flow statements

for the year ended 30 September 2007

	Notes	Group 2007 N\$'000	Group 2006 N\$'000	Company 2007 N\$'000	Company 2006 N\$'000
Cash flow from operating activities					
Operating profit		70 192	175 494	70 288	175 497
Adjustment for:					
Increase in post-retirement benefit obligation		3 452	2 051	3 452	2 051
Movement on derivative financial instrument		6 043	2 070	6 043	2 070
Depreciation	7	134 532	119 662	134 532	119 662
Profit on disposal of plant and equipment		892	(607)	892	(607)
Working capital changes	21	(63 794)	60 581	(63 794)	69 876
Cash generated from operations		151 317	359 251	151 413	368 549
Investment income		20 490	28 598	18 271	28 598
Financial costs		(36 930)	(30 000)	(34 368)	(30 000)
Dividends		–	(16 942)	–	(16 942)
Tax paid	17	(26 543)	(63 386)	(26 543)	(63 386)
Net cash flow from operating activities		(108 334)	277 521	108 773	286 819
Cash flow from investing activities					
<i>Expenditure for expansion</i>					
Movement on finance lease receivable		(2 501)	(4 662)	(2 501)	(4 662)
Plant and equipment acquired	7	(346 143)	(159 983)	(346 143)	(159 983)
Decrease/(increase) in investment		11 470	(13 346)	4 473	(7 599)
Increase in loans advanced		(10 040)	–	–	–
Proceeds on disposals – Plant and equipment		235	751	235	751
Investment in subsidiary acquired		–	(8 946)	–	(9 000)
Investment in associated company acquired		(39 035)	(29 893)	–	(29 893)
Increase in loan to subsidiary company		–	–	(33 146)	(15 045)
Increase in loan to associate company		(60 814)	(4 433)	(60 814)	(4 433)
Net cash flow used in investing activities		(446 828)	(220 512)	(437 896)	(229 864)
Cash flow from financing activities					
Net long-term loans raised/(repaid)		155 523	(47 954)	146 152	(47 954)
Net cash flow used in financing activities		155 523	(47 954)	146 152	(47 954)
Net (decrease)/increase in cash and cash equivalents		(182 971)	9 055	(182 971)	9 001
Cash and cash equivalents at beginning of year		212 893	203 838	212 839	203 838
Cash and cash equivalents at end of year	11	29 922	212 893	29 868	212 839