

# Managing Director's Report



**FJP Ndoroma**

We will all look back on this past year with satisfaction and achievement. Before the start of our 2008/9 financial year we were already aware that this would be an extremely challenging year as it ushered in the severest recession since 1922. Like any country in the world, Namibia's economy has been shaken by the global economic crisis. Our economy contracted by 0.6% in 2009 due to the global recession, but fortunately it is expected to recover and grow by 1.7% in 2010.

## Business Performance

The Group's operating revenue for the year ended 30 September 2009 went up by 4.6% from N\$1.08 billion in the previous financial year to N\$1.13 billion for the period under review. The growth was underpinned by increased uptake of broadband products and services for the Namibian based operations.

The Group's loss after taxation increased by 256% from N\$24.4 million in the previous financial year to N\$87.1 million in the current financial year. The vast increase in the loss after tax incurred for the year was due to the increase in the share of losses incurred by the associate companies which have jointly increased from N\$70 million in the prior year to N\$116 million for the year ended 30 September 2009. While losses incurred for the South African operations are consistent with the expected huge business roll out related expenditure, Telecom Namibia continues to closely assess its investment in Mundo Startel, Angola, with the view to stem any further losses from this geographical segment of the business.

The Group's net assets have gone down by 9% from N\$932 million as at the end of the previous financial year to N\$844 million as at the 30 September 2009. The losses accrued from foreign investments during the current year have seen a

commensurate decrease in the value of the respective investments and the overall Group's net asset value.

The Group continues to generate positive cash flows from operations and for the year ended 30 September 2009, N\$295.6 million was generated from operating activities in comparison to N\$193 million in the previous financial year, representing a 53.1% increase. This has provided the Group with additional capacity to augment external sources of funding in financing the ongoing capital commitments of the business.

## New Communications Bill

The creation of an enabling environment is drawing ever closer with the passing of the new Communications Bill [B.6 – 2009] by Parliament in September 2009. The industry is provided with a clearer picture as to the oncoming rules in the sector, although a lot of the regulations still have to be drafted after the Communications Bill is enacted. It is expected to be signed into law by the President by the end of 2009. Once the Communications Bill is enacted it will set the tone for the issuing of licences to operators.

The bill is amending the Post and Telecommunications Act 19 of 1992. Under the legislation, Telecom Namibia will fall under the regulatory jurisdiction of the new regulatory authority, the Communications Regulatory Authority (CRAN), as it will be known and no longer hold its statutory licence. Furthermore, the bill makes provision for service and technology neutral licences. Telecom Namibia will be deemed to have applied for a service neutral and technology neutral licence, which licence will enable Telecom Namibia to run with its strategy of providing products and services across the ICT value chain.

## Restructuring Telecom Namibia

The repositioning of the company as a next generation network (NGN) service provider demands that our organisational structures and operational systems become more responsive, adaptive and much quicker in delivering innovative and quality services. More detail on the strategic priorities and restructuring of the company is provided for in the operations review (page 14).

## 2008/9 Strategic Framework

In terms of our Strategic Blueprint 2013, the company aims to become an integrated ICT service provider, offering both fixed and mobile voice and data services. Our framework for moving the strategy forward in 2008/9 had the following features:

- Quality service delivery, including operational efficiency with improved productivity, by implementing a new service strategy

- Managing the organisation's cost base.
- Revenue growth to meet the BHAG 2010.
- Grow the customer base, especially broadband customers.

In the technical and operational areas, the main strategic drivers were mainly focused on:

- Deployment of a NGN broadband network, especially the IP/MPLS, Metro Ethernet, WiMAX, ADSL and CDMA / 3G-EVDO networks.
- Reduction of operational costs by replacing old technologies, like Magneto, Magnolia, SOR-18 systems, open wire infrastructures and replacing MGW radio access network with WiMAX.
- Reduction of number of waiting applicants.

#### Customer driven networks and services

We have managed to establish a state of the art, carrier grade, IP/MPLS backbone network with broadband access technologies like ADSL, CDMA/EVDO, WiMAX and Metro-Ethernet providing up to 1 Gb/s fibre based access speeds. Furthermore, our ICT value chain is covered at a 55% level. Last but not least, our company's dependency on voice revenue significantly decreased to a safe level of 51% at the end of September 2009 as oppose to 75% in 2006.

#### Developing our staff

There is no doubt that the pace of massive change, intense competition and more complex customer needs put heavy demands on all the staff of the company. To address these pressures we have given greater attention to the development needs of our staff and the fostering of an organisational culture that attracts, retains and motivates highly talented people.

As part of our talent management programme, we have assessed the abilities and overall capabilities of our 1 093 staff. This has resulted in a number of structural changes, a sharper focus on performance management, and the creation of individual career path and personal development plans for each member. In addition, N\$8.4 million was spent on training during the year.

The change is fundamental to our strategy to grow our market share in Namibia and build a strong Telecom Namibia brand. It is vital to Telecom Namibia's survival to continually retire obsolete legacy systems and bureaucracies as we review our performance and restructure to meet our challenges.

#### Commitment to upliftment

We believe that sustainable economic growth in Namibia is a key requirement for our business, and a necessary condition for a

peaceful and prosperous democracy. Telecom Namibia fully supports the participation of historically disadvantaged Namibians in the economy and therefore committed itself to the development and growth of black economic empowerment.

Our company facilitated participation by the designated groups via the procurement of goods and services. We have placed 3,196 purchase orders to the amount of N\$147,93 million with BEE suppliers, which represents 43% of all orders placed and 39.8% of the total value of all orders placed during the year. If one takes into consideration that Telecom Namibia is a high tech company, then this is an outstanding achievement.

#### Looking ahead

The year under review, as envisaged, has proven to be extremely challenging and the next year promises to be equally demanding.

While there are early indications of an economic recovery, Telecom Namibia will retain its critical focus on cash preservation and cutting costs while continuing with our growth projects.

Clearly, our priority is to move to the next stage in our strategic journey – to become a fully-fledged ICT service provider. This means taking advantage of all the benefits available from our unique business model – having fixed, mobile and data solutions together under one roof, towards a converged future. At the same time, we need to maintain momentum and ensure that each line of business continues to perform profitably.

Our people are already on board in implementing the company wide transformation agenda. And they have embraced the challenge we have given them to transform into a world class team, delivering new products and services to our customers.

I am absolutely confident that, together, we will continue to deliver excellent results for our shareholder and for each of our stakeholders as we embark on the 2009/10 financial year.

#### Appreciation

I extend my sincere gratitude to the Board of Directors for the guidance and insights its members have provided. I must also thank the Top Management team and all our employees for their dedication and commitment in executing our transformation strategy. Thanks also to our customers for their continued and valued support.



**FJP Ndoroma**  
**MANAGING DIRECTOR**