TELECOM NAMIBIA LIMITED
and its subsidiaries

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 September 2011

GENERAL INFORMATION

Registration number:	92/282
Registered address:	Telecom Building 9 Lüderitz Street Windhoek
Postal address:	PO Box 297 Windhoek
Auditors:	Deloitte & Touche Windhoek
Bankers:	Standard Bank Namibia Limited

CONTENTS

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

Introduction

Telecom Namibia Limited ("Telecom Namibia") is committed to the principles of good corporate governance, it ensures shareholder interests are protected and enhances corporate performance through ethical, professionalism, transparency, responsibility and accountability. Telecom Namibia aspires to the highest standards corporate governance and has put in place a set of well-defined processes in accordance with generally accepted corporate practices and in keeping with Telecom Namibia Limited ("Telecom Namibia") and its subsidiary ("Group") policies and the laws of Namibia.

Approach for Corporate Governance

The values we share at Telecom Namibia form the foundation of our corporate governance practices. Our practices seek to balance the interests of our key stakeholders: our customers, our shareholder and our employees and provide an integrated strategic framework to operate in the best interests of its profitability, environment and communities.

Compliance with King III Code of Governance of South Africa

The Telecom Namibia Board, committees and management believe compliance, with the best business practices as contained in the King Codes of Governance, while not mandatory, is key in maintaining the company's values. The company supports the provisions and principles of corporate governance as defined by King II and King III and complied in all material respects with the Code of Corporate Practices and Conduct.

Board of Directors

Composition and appointment

The Board aims for an appropriate mix of skills, experience and personalities to ensure effective leadership and sound governance. As a truly Namibian company we support and actively drive transformation in everything we do, and we are proud that all of our board members are historically disadvantaged Namibians.

The board currently comprises of 4 directors:

- Three independent non-executive directors, of which one is the chairman.
- One executive director, namely the managing director (MD).

The composition is reflected as follows:

Directors	
Independent Non-Executive	**Qualifications**
J S Iita (Chairman)	Ordinary Diploma in Electrical and Mechanical Engineering (UK) 1983; A higher diploma in Electrical and Electronic Engineering (UK) 1990; Masters Degree in Public Policy and Administration.
R Gertze	B.Com Degree UNAM, 1992; Master of Business Leadership UNISA2003. MDP 2001, EDP Stellenbosch Business School (2003).
F Veldskoen	Bachelor of Accounting (UNAM) 2001; Postgraduate Certificate in Forensic and Investigative Auditing (SA) 2007; Postgraduate Certificate in Taxation (SA) 2007
Executive	
FJP Ndoroma (MD)	BSc (Hons) degree in Mineral Engineering in 1981 Leeds University in London; Management Development Programme (MDP) at the University of South Africa (UNISA) 1989; Executive Development Programme (EDP) at the University of Witwatersrand (WITS) in 1994; Telecommunications Management Course through TEMIC in Canada 2003

Non-executive directors are appointed by the shareholder for specific terms and re-appointment is not automatic. Non-executive directors are appointed by means of a public process of calling for expression of interest. As suggested in King II, the shareholder establishes a Nomination Committee that nominates the short listed candidates, after an interview. The prospective directors are selected and shortlisted on their merits and the specific skills that are required within the Board. The advertisements calling for candidates to nominate themselves have express criteria and skills mix that are required. The appointments are then made at the annual general meeting of the shareholders.

Functions

The Board is the focal point of Telecom Namibia's corporate governance system, which has ultimate accountability and responsibility for the company's performance and affairs.

The Board oversees the business affairs for Telecom Namibia. It assumes responsibility for the company's overall strategic plans and

Board of Directors (continued)

Functions (continued)

performance objective, financial plans and annual budget, key operational initiatives, major funding and investment proposals, financial performance reviews, compliance and accountability systems, and corporate governance practices. The board also appoints the MD and Executive Committee ("EXCO"), approves the policies and guidelines for remuneration.

Telecom Namibia has established financial authorisation and approval limits for operating and capital expenditure, the procurement of goods and services and the acquisition and disposal of investments through the Delegation of Authority Policy. Apart from matters that specifically require board approval, such as dividend payment and other returns to the shareholder, the Board approves transactions exceeding certain threshold limits, while delegating authority for transactions below those limits to Board committees and EXCO so as to optimise operational efficiency and speed of decision making.

Accountability

There is a clear distinction in Telecom Namibia between the roles and responsibilities of the chairman and the MD to ensure no one has unfettered powers of decision-making. The chairman, who is an independent, non-executive director, leads the Board and is responsible for the Board's workings and proceedings. The MD is in charge of the company as a whole and directly responsible to the Board. Among other things, he is responsible for ensuring that the company achieves its strategic and financial objectives and for monitoring its day-to-day operational matters.

In line with assuring responsibility over the overall strategic plan, the Board introduces strategic quarterly review sessions with EXCO as a means to monitor and review implementation of the overall company strategy.

Access to information

We believe open communication with our directors is priority in ensuring directors' accountability. Therefore all material information is disseminated to them between Board meetings.

Prior to each Board meeting, Telecom Namibia's management provides the Board with information relevant to matters on the agenda for the Board meeting. The Board also receives regular reports pertaining to the operational and financial performance of the company. Such reports enable the directors to keep abreast the key issues and developments in the company and industry in general, as well as challenges and opportunities for the company.

The Board has separate and independent access to members of the executive committee and the company secretary at all times. The company secretary attends all Board and Board committee meetings and is responsible for, among other things, ensuring that Board procedures are observed and that applicable rules and regulations are complied with. Procedures are in place for directors and Board committees, where necessary, to seek independent professional advice, paid by Telecom Namibia.

Board meetings

The Board meets regularly and sets aside time at each scheduled Board meeting to meet without the presence of management. Board meetings include presentations by senior executives on strategic issues relating to specific business areas. In addition to scheduled meetings each year, the Board meets as and when warranted by particular circumstances. Five Board meetings were held during the financial year ended 30 September 2011.

A record of the directors' attendance at Board meetings is set out below. Directors are required to act in good faith and in the interest of Telecom Namibia.

Attendance Register						
Member	**Appointed to Board**	**Schedule of Board Meetings**				
		2 December 2010	8 March 2011	22 June 2011	22 August 2011	28 September 2011
JS Iita (Chairman)	1 August 1992	v	v	v	v	●
FJP Ndoroma (MD)	1 November 2002	v	v	v	v	v
R Gertze	21 August 2007	v	v	v	v	v
F Veldskoen	21 August 2007	v	v	v	●	v
V Attended ● Apologies						

Board of Directors (continued)

Remuneration

Telecom Namibia's MD is an executive director and is therefore remunerated as part of the senior management. He does not receive directors' fees.

The fees for non-executive directors for the financial year ended 30 September 2011 comprised a basic retainer fee, attendance fees for board meetings and a travel allowance for directors who were required to travel out of town of residence to attend Board meetings and Board Committee meetings. The fees were benchmarked against fees paid by other comparable companies in Namibia and the holding company. The directors also receive subsided services of the company.

Any changes to fees are recommended by the Board and submitted to the shareholder at the Annual General Meeting (AGM) for approval prior to implementation and payment. In line with generally accepted governance practices, non-executive directors are not members of the company's pension, medical aid or housing schemes and are not given incentive awards.

Non-executive directors' remuneration for the year ended 30 September 2011 is summarised below:

Name	Fees for Services N$
JS Iita	37 662
R Gertze	125 406
F Veldskoen	102 819
	265 887

Board Committees

The Board has appointed five committees to assist in effectively discharging its responsibilities. All committees fulfill their responsibilities within clearly defined written terms of reference, which deal explicitly with their purpose and function, reporting procedures and written scope of authority. These are:

- Risk Management Committee
- Human Resources and Compensation Committee
- Audit Committee
- Information Technology (IT) Steering Committee

Risk Management Committee

Telecom Namibia undertakes a continuous process of risk identification, monitoring, management and reporting of risks throughout the organisation to provide assurance to the Board and stakeholders.

The Risk Management Committee assists the Board in the oversight of the company's risk profile and policies, effectiveness of the company's risk management system including the identification and management of significant risks and reports to the Board and material matters, findings and recommendations pertaining to risk management.

The identification and management of risk is delegated to the Executive Committee (EXCO). EXCO is responsible for the effective implementation of risk management strategy, policies and processes to facilitate the achievement of business plans and goals. Risk assessment and mitigation strategy is an integral part of the company's annual business planning. Close monitoring and control processes, including the establishment of appropriate key risk indicators and key performance indicators, are put in place to ensure that risk profiles managed are within policy limits.

During the year under review, the Risk Management Committee held a strategic workshop on 19 and 20 September 2011 to review existing risks and identify relevant and new risks the company is facing and to devise treatments for these risks. The workshop identified the risks ranging from marketing, technical, financial, IT (Information Technology), human resources to international business. The following were identified as specific risks to be addressed in the current financial year: loss of market share due to not having strategic partnerships, a non-aggressive sales force and lack of innovation. Other risks include the recessional environment, IT security, international investment in Angola and the lack of integrated HR and technology master plans.

Board of Directors (Continued)

Board Committees (Continued)

Human Resources and Compensation Committee

The main responsibilities of the Human Resources and Compensation Committee are to approve the company's policies on employment terms, promotion, remuneration and benefits for employees of all grades, and to administer and review any other incentive schemes of Telecom Namibia. The duties and responsibilities of the committee are:

- Determine, develop and recommend to the Board the general policy and the fee structure for the Board and all its sub-committees.
- Determine, develop and recommend to the Board the general policy and broad framework of the remuneration for the MD, the senior management team and all other employees. Remuneration policies are to be competitive enough to ensure that sufficiently skilled employees are attracted to the company, retained in the company and kept motivated at all times. In determining such policy, the Committee takes into account all factors which it deems necessary. The objective of such policy shall be to ensure that members of the senior management team of the company and all other employees are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the company.
- Employee relations with the Union as a stakeholder.

Audit Committee

The Audit Committee has explicit authority to investigate any matter within its terms of reference and has the full cooperation of and access to management. It has direct access to the internal and external auditors and full discretion to invite any director or executive committee member to attend its meetings.

The main responsibilities of the committee are to assist the Board in discharging its statutory and other responsibilities relating to internal controls, financial and accounting matters, compliance and business and financial risk management.

The committee reports to the Board on the audits undertaken by the internal and external auditors, the adequacy of disclosure of information, and the appropriate and quality of the system of risk management and internal controls. It reviews the management accounts and annual financial statements with senior management and the external auditors, reviews and approves the annual audit plans for the internal and external auditors, and reviews the internal and external auditors' evaluation of the company's system of internal controls.

The committee is responsible for evaluating the cost-effectiveness of audits, the independence and objectivity of the external auditors and the nature and extent of the non-audit service provided by the external auditors. It also makes recommendations to the Board on the appointment or re-appointment of the external auditors. In addition, the committee reviews and approves the Telecom Namibia Internal Audit Charter to ensure the adequacy of the internal audit function. At the same time, it ensures that the internal audit function is adequately resourced and has appropriate standing with Telecom Namibia.

The external auditors attend the meetings of the Audit Committee by invite and have access to the Audit Committee Chairman.

The company's internal audit and risk management function carries out reviews and internal control advisory activities which are aligned to the key risks in the company's business to provide independent assurance to the Audit Committee on the adequacy and effectiveness of the risk management, financial reporting process and internal control and compliance system. The head of Internal Audit reports directly to the Chairman of the Board Audit Committee with a dotted line of responsibility to the MD.

The directors are responsible for preparing the financial statements and other information presented in the annual report in a manner that fairly presents the state of affairs and the results of operations and cash flows of Telecom Namibia and the Group. The financial statements set out on pages 12 to 58 have been prepared by management in compliance with International Financial Reporting Standards ("IFRS") adopted by the International Accounting Standards Board ("IASB") and the interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB. The financial statements incorporate full and reasonable disclosure and are based on appropriate accounting policies which, apart from the implementation of new and revised standards, have been consistently applied and are supported by reasonable and prudent estimates and judgments.

External Auditors

The external auditors are responsible for carrying out an independent examination of the financial statements in accordance with International Standards on Auditing and reporting their opinion thereon. Their report is set out on page 11.

Board of Directors (Continued)

Board of Committees (Continued)

Audit Committee (Continued)

External Auditors (Continued)

Telecom Namibia's external auditors carry out a review of the company's material internal controls to the extent of the scope as laid out in their audit plan to comply with International Standards on Auditing. Any material non-compliance and internal control weaknesses, together with the external auditors' recommendations to address them, are reported to the Audit Committee. Telecom Namibia's management, with the assistance of Telecom Namibia Internal Audit, follows up on the external auditor's recommendation as part of their role in reviewing the company's system of internal controls.

The Board is responsible for the initial appointment of external auditors. The shareholder then approves the appointment at Telecom Namibia's AGM. The external auditors hold office until their removal or resignation. The Audit Committee assesses the external auditors based on factors such as the performance and quality of their audit and the independence of the auditors, and recommends their re-appointment to the Board. However, external auditors act independent of the Audit Committee. The current auditor for Telecom Namibia, Deloitte & Touche, was appointed with effect from the financial year ended 30 September 2008.

Information Technology (IT) Steering Committee

As Telecom Namibia becomes a next generation carrier, it becomes more dependent on IT as a business enabler, hence the IT Steering Committee was established in August 2009, as a subcommittee of the Board, to guide the Company on IT service provisioning.

The objectives of the committee are to:

- Provide guidance (IT Strategy) to the application of IT resources in order to meet the company's strategic objectives.
- Review and participate in the development of the Company's strategic and functional plans for information technology.
- Oversee the development of quality assurance mechanisms and monitor feedback on the quality of IT services within Telecom Namibia.
- Review and provide feedback on IT policies as they are developed or amended.
- Continuously develop the IT Architecture Plan in terms of data, applications and infrastructure.
- Agree on IT standards for hardware, applications and storage.
- Align future technologies to the Architecture Plan and to approve deviations from such a Plan.
- Continuously develop vendor strategy.
- Continuously align IT Procurement Policy to IT Standards.
- Identify skills and integration gaps before technology is procured.

The committee consists of two members of the Board of Directors, the Heads of ICT & Corporate Solutions, Service Provisioning and Assurance and Network Provisioning and Assurance (NP&A), two senior managers from ICT, a senior manager from NP&A projects as well as procurement, including a delegate from the strategy department. It convenes at least quarterly.

Executive Committee

The Executive Committee (EXCO) is chaired by the MD and currently comprises all senior management members. It meets formally every month, with designated corporate staff members in attendance, and informally fortnightly.

EXCO is mandated, empowered and held accountable for implementing the strategies, business plans and policies determined by the Board; managing and monitoring the business affairs of Telecom Namibia in line with approved plans and budgets; prioritising the allocation of capital and other resources as approved by the Board and establishing best management and operating practices.

EXCO is also responsible for structured and transparent management succession planning and the identification, development and advancement of the company future leaders. Also, within EXCO's ambit is setting operational standards, codes of conduct and corporate ethics.

EXCO is responsible for the following, among others:

- Implement strategies and policies of the company.

Board of Directors (Continued)

Board Committees (Continued)

Executive Committee (Continued)

- Manage the business and affairs of the company, including finance and administration, human resources and strategic training, sales and marketing, international business ventures, information communication technology and corporate business solutions, strategy, special projects, network provisioning and assurance, service provisioning and assurance, internal audit and risk management functions, legal regulatory and company secretarial functions and corporate communications and public relations.

- Prioritise the allocation of capital, technical and human resources.

- Established best management practices and functional standards.

Board Committees Attendance Register

For the period 1 October 2010 to 30 September 2011:

Board of Directors	Risk Management Committee Composition – Attendance Four meetings held during the year	HR and Compensation Committee Composition – Attendance Four meetings held during the year	Audit Committee Composition – Attendance Four meetings held during the year	IT Steering Committee – Attendance Four meetings held during the year
F Veldskoen	Chairperson 4	Chairperson 4	In attendance 2	Member 4
FJP Ndoroma	Member 4	Member 4	Member 4	Member 4
R Gertze	In attendance 2	Member 4	Chairperson 4	Chairperson 3

Sustainability

Telecom Namibia is committed to environmental sustainability. By harnessing the scale of our network to deliver more sustainable solutions, we connect people and businesses seamlessly, increasing efficiency, minimising impact and strengthening our connection to the world we all share.

Our environmental sustainability commitment is based on three pillars:

- Minimising our own environmental impact in our day to day operations.

- Ensuring that ICT products and services enable customers to increase energy efficiency and productivity while also reducing carbon emissions.

- Harnessing our technology and innovation to develop forward-looking technologies that meet environmental needs in unique ways.

Black Economic Empowerment (BEE)

Our BEE procurement policy is the cornerstone of the company's approach to transformation and empowerment. Telecom Namibia is committed to BEE that is broad-based as a form of empowerment. We support the participation of historically disadvantaged Namibians in the economy, through the procurement of goods and services from BEE-listed companies as well.

Conflict of Interest

Telecom Namibia has a conflicts of interest policy that applies to all directors, management and employees in regulating conditions which could or do constitute a conflict. The primary objectives of this policy are to:

- Provide guidance on the behavior expected in accordance with the company's values;

- Promote transparency and avoid business-related conflicts of interest;

- Ensure fairness in dealing with the interests of all employees, other affected individuals, and the company;

- Document the process for disclosure, approval and review of activities that may amount to actual, potential or perceived conflict of interest and;

- Provide a mechanism for the objective review of personal outside interests.

Board of Directors (Continued)

Codes of Conduct of Practice

Telecom Namibia also has a code of conduct and business ethics that applies to all employees. The code sets out principles to guide employees in carrying out their duties and responsibilities to the highest standards of personal and corporate integrity when dealing with its competitors, customers, suppliers and the community. The code of conduct covers areas such as conduct in the workplace, business conduct, protection of the company's assets, confidentiality, non-solicitation of customers and employees, conflicts of interest and corporate opportunities. The code is posted on an internal website. The staff manual maps out policies and standards by which employees are expected to conduct themselves in the course of their employment.

In line with value of honest responsibility, compliance with the company's code of ethics is monitored by the Head Internal Audit and the Company Secretary. Ethical behavior is encouraged throughout the company by communicating regularly with employees, using a number of different communication channels.

Formal disciplinary measures are in place to deal with any identified incidents of corruption, fraud and dishonest practices or other similar matters. In addition to Telecom Namibia's other compliance and enforcement activities, a reporting hotline (whistle-blowing) is in place through which all stakeholders can report suspected theft, corruption, conflict of interest, contraventions of Telecom Namibia's values or other reportable irregularities, with guaranteed anonymity. Details of the reporting mechanisms: Hotline: 0800 20 35 79

Alleged irregularities reported on the hotline are fully investigated. Some resulted in criminal prosecution and /or disciplinary enquiries.

STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

The directors are required by the Namibian Companies Act, 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 Telecom Namibia and the Group as at the end of the financial year and the results of its operations and cash flows for the year 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 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 external auditors, Deloitte & Touche, 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. The auditor's report is presented on page 11.

The financial statements set out on pages 12 to 58 were approved and authorised for issue by the board of directors on 22 March 2012 and are signed on their behalf by:

……………………………………… ………………………………………

Chairperson **Managing Director**

We have audited the annual financial statements and the group annual financial statements of Telecom Namibia Limited, which comprise the consolidated and separate statements of financial position as at 30 September 2011 and the consolidated and separate statements of comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes as set out on pages 12 to 58.

Directors' Responsibility for the Financial Statements

The 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 and for such internal controls as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due fraud or error.

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 consolidated and separate financial position of Telecom Namibia Limited as at 30 September 2011 and its consolidated and separate financial performance and consolidated and separate 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.

Deloitte & Touche

DELOITTE & TOUCHE
Registered Accountants and Auditors
Chartered Accountants (Namibia)
Deloitte Building
Maerua Mall Complex
Jan Jonker Avenue
Windhoek
NAMIBIA
ICAN Practice Number 9407

Per R.H. Mc Donald
Partner
22 March 2012

Regional Executives: GG Gelink (Chief Executive), A Swiegers (Chief Operating Officer), GM Pinnock

Resident Partners: VJ Mungunda (Managing Partner), RH Mc Donald, J Kock, H de Bruin, J Cronjé, Director: G Brand

	Notes	Group 2011 N$'000	Group 2010 N$'000	Company 2011 N$'000	Company 2010 N$'000
ASSETS					
Non-current assets					
Plant and equipment	3	1 551 074	1 549 772	1 551 074	1 549 772
Intangible assets	4	51 535	50 758	51 535	50 758
Goodwill	5	16 990	13 246	--	--
Investment in subsidiary	6	--	--	540 052	435 427
Loans advanced	7	--	114 599	--	--
Investment in associates	8	--	75 176	--	115 017
Derivative financial instruments	9	7 016	6 441	7 016	6 441
Finance lease receivable	10	11 411	25 574	11 411	25 574
		1 638 026	1 835 566	2 161 088	2 182 989
Current assets					
Inventories	11	48 022	65 398	48 022	65 398
Trade and other receivables	12	172 536	170 932	172 536	170 932
Derivative financial instruments		--	--	--	--
Amounts owing by fellow subsidiaries	13	1 215	353	1 215	353
Amounts owing by holding company	13	72	105	72	105
Short-term portion of finance lease receivable	10	15 190	14 683	15 190	14 683
Cash and cash equivalents	14	59 875	99 186	59 825	99 135
		296 910	350 657	296 860	350 606
Non-current assets classified as held for sale	15	57 141	--	107 650	--
Total assets		1 992 077	2 186 223	2 565 598	2 533 595
EQUITY					
Capital and reserves attributable to the company's equity holders					
Share capital	16	154 530	154 530	154 530	154 530
Retained earnings		481 336	567 720	1 054 857	1 003 150
Total equity		635 866	722 250	1 209 387	1 157 680
LIABILITIES					
Non-current liabilities					
Post-retirement medical benefit obligations	17	90 251	78 725	90 251	78 725
Long-term liabilities	18	522 510	634 929	522 510	546 871
Deferred tax	19	428 260	439 236	428 260	439 236
Deferred revenue	22	15 694	27 309	15 694	27 309
		1 056 715	1 180 199	1 056 715	1 092 141
Current liabilities					
Trade and other payables	20	171 202	171 248	171 202	171 248
Current tax liability	21	9 057	11 325	9 057	11 325
Short-term portion of long-term liabilities	18	24 829	24 684	24 829	24 684
Amount owing to fellow subsidiaries	13	1 902	--	1 902	--
Amount owing to holding company	13	39 000	39 000	39 000	39 000
Deferred revenue	22	53 506	37 517	53 506	37 517
		299 496	283 774	299 496	283 774
Total liabilities		1 356 211	1 463 973	1 356 211	1 375 915
Total equity and liabilities		1 992 077	2 186 223	2 565 598	2 533 595

	Notes	Group 2011 N$'000	Restated Group 2010 N$'000	Company 2011 N$'000	Restated Company 2010 N$'000
Revenue		1 144 924	1 133 588	1 144 924	1 133 588
- Sale of goods		19 402	23 684	19 402	23 684
- Services rendered		1 125 522	1 109 904	1 125 522	1 109 904
Other operating income		6 430	28 385	6 430	28 385
Distribution costs		(219 933)	(277 944)	(219 933)	(277 944)
Administrative expenses		(671 474)	(598 902)	(642 643)	(598 642)
Other operating expenses		(183 757)	(181 423)	(183 757)	(181 423)
Operating profit	**23**	76 190	103 704	105 021	103 964
Finance income	**24**	32 831	44 794	30 487	31 250
Finance costs	**24**	(42 802)	(47 538)	(42 802)	(47 538)
Share of results of associates after tax	**8**	(111 604)	(205 239)	--	--
(Loss)/profit before tax		(45 385)	(104 279)	92 706	87 676
Taxation	**26**	(40 999)	(17 964)	(40 999)	(17 964)
(Loss)/Profit for the year		(86 384)	(122 243)	51 707	69 712
Other comprehensive income		--	--	--	--
Total comprehensive (loss)/income for the year		(86 384)	(122 243)	51 707	69 712
Attributable to:					
Equity holders of the company		(86 384)	(122 243)	51 707	69 712

Group	Share capital N$'000	Retained earnings N$'000	Total N$'000
Balance at 1 October 2009	**154 530**	**689 963**	**844 493**
Total comprehensive loss for the year	--	(122 243)	(122 243)
Loss for the year	--	(122 243)	(122 243)
Other comprehensive income	--	--	--
Balance at 30 September 2010	**154 530**	**567 720**	**722 250**
Total comprehensive loss for the year	--	**(86 384)**	**(86 384)**
Loss for the year	--	(86 384)	(86 384)
Other comprehensive income	--	--	--
Balance at 30 September 2011	**154 530**	**481 336**	**635 866**

No dividends were paid or declared during the year (2010: Nil).

Company	Share capital N$'000	Retained earnings N$'000	Total N$'000
Balance at 1 October 2009	**154 530**	**933 438**	**1 087 968**
Total comprehensive income for the year	--	69 712	69 712
Profit for the year	--	69 712	69 712
Other comprehensive income	--	--	--
Balance at 30 September 2010	**154 530**	**1 003 150**	**1 157 680**
Total comprehensive income for the year	--	51 707	51 707
Profit for the year	--	51 707	51 707
Other comprehensive income	--	--	--
Balance at 30 September 2011	**154 530**	**1 054 857**	**1 209 387**

No dividends were paid or declared during the year (2010: Nil).

	Notes	Group 2011 N$'000	Group 2010 N$'000	Company 2011 N$'000	Company 2010 N$'000
Cash flow from operating activities					
Operating profit		76 190	103 704	105 021	103 964
Adjustment for :					
Increase in post-retirement benefit obligation		13 278	10 171	13 278	10 171
Movement on derivative financial instrument		(575)	10 647	(575)	10 647
Loss on scrapping of assets		5 629	--	5 629	--
Gain on exchange rate changes on the balance of cash held in foreign currencies		(1 475)	(9 247)	(1 475)	(9 247)
Loss on impairment of investment		17 964	20 000	17 964	20 000
Gain/(loss) on restatement of foreign currency denominated loan granted to associate company		(10 597)	3 160	(10 597)	3 160
Gain/(loss) on restatement of foreign currency denominated Loan		1 478	(3 494)	1 478	(3 494)
Shareholders' loan taken over		(3 744)	--	(3 744)	--
Shareholders' loan written off		28 713	--	--	--
Depreciation of plant & equipment	3	161 136	150 730	161 136	150 730
Amortisation of intangible assets	4	6 424	6 160	6 424	6 160
Profit on disposal of plant and equipment		(233)	(17)	(233)	(17)
Working capital changes	27.1	21 173	38 057	21 173	38 057
Cash generated from operations		315 361	329 871	315 479	330 131
Interest received		2 702	44 794	30 487	31 250
Interest paid		(23 810)	(47 538)	(51 595)	(47 538)
Subsidies paid on post-retirement medical benefit liability		(1 752)	--	(1 752)	--
Taxation paid	21	(54 243)	--	(54 243)	--
Net cash flow from operating activities		238 258	327 127	238 376	313 843
Cash flow from investing activities					
Movement on finance lease receivable		13 656	(8 494)	13 656	(8 494)
Plant and equipment acquired	3	(173 231)	(158 814)	(173 231)	(158 814)
Intangible assets acquired	4	(3 065)	(536)	(3 065)	(536)
Increase in loans advanced		--	(45 595)	--	--
Proceeds on disposals – Plant and equipment		10 055	89	10 055	89
Investment in subsidiary acquired		--	--	--	(50 000)
Increase in loan to subsidiary company	6	--	--	(100 881)	(118 064)
Increase in loan to associate company		(100 764)	(173 171)	--	(3 079)
Net cash flow used in investing activities		(253 349)	(386 521)	(253 466)	(338 898)
Cash flow from financing activities					
Long-term loans raised		--	422 338	--	388 000
Long-term loans repaid		(25 695)	(54 644)	(25 695)	(54 644)
Net cash flow used in financing activities		(25 695)	367 694	(25 695)	333 356
Net increase in cash and cash equivalents		(40 786)	308 300	(40 785)	308 301
Cash and cash equivalents at beginning of year		99 186	(218 361)	99 135	(218 413)
Effects of exchange rate changes on the balance of cash held in foreign currencies		1 475	9 247	1 475	9 247
Cash and cash equivalents at end of year	14	59 875	99 186	59 825	99 135

1.Summary of significant accounting policies

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

Basis of preparation

The annual financial statements are prepared in accordance with and comply with International Financial Reporting Standards (IFRS). These financial statements have been prepared on the historical cost basis as modified by the revaluation of derivative financial instruments, available-for-sale investment securities and financial assets and liabilities held-for-trading. 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 unless otherwise stated.

(a) Improved, Revised and Replaced International Financial Reporting Standards effective for the first time for the 30 September 2011 year-end.

The Group has adopted all standards and interpretations that are effective for the current year and none of them impacted the financial position, results for the year or cash flows.

1. Summary of significant accounting policies (Continued)

Plant and equipment

Plant and equipment are included at cost less accumulated depreciation and accumulated impairment losses. Cost includes all costs directly attributable to bringing the assets to working condition for their intended use. Capital work-in-progress is carried at cost less any recognised impairment loss. Depreciation of these assets, on the same basis as other plant and equipment commences when the assets are ready for their intended use. 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 expensed in full in the year of acquisition in profit and loss.

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

Depreciation is recorded by a charge to operating profit computed on a straight-line basis so as to write off the cost of the assets to their residual values over their expected useful lives. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Rates of depreciation currently applied are as follows:

- Motor vehicles	20%
- Furniture and fittings	10% - 33,3%
- Computer equipment	33,3%
- Telecommunication installations and equipment	2,22% - 20%

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal or retirement of plant and equipment are determined by reference to the proceeds and their carrying amounts and are taken into account in determining profit and loss.

Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. It includes certain costs of purchase and installation of major information systems (including packaged software).

Intangible assets are initially recognised at cost if acquired separately or internally generated or at fair value as part of a business combination. If assessed as having an indefinite useful life, the intangible asset is not amortised but tested for impairment annually and impaired if necessary. If assessed as having a finite useful life, it is amortised over their useful life (generally three to seven years) using a straight-line basis and tested for impairment if there is an indication that they may be impaired.

Research costs are recognised in profit or loss when incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products or processes, is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete the development. The expenditure capitalised includes the cost of material, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the profit and loss in the period in which it is incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other subsequent expenditure is expensed when incurred.

Amortisation is charged to profit and loss on a straight-line basis over the estimated useful lives of the intangible assets. Amortisation commences when the project generating the intangible assets has been completed.

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. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs, but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business less the costs of completion and selling expenses. Where necessary, provision is made for obsolete, slow moving and defective inventories.

1. Summary of significant accounting policies (Continued)

Taxation

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax

Deferred tax is recognised on differences between carrying amounts of assets and liabilities in the financial statements and the recognised tax bases used in the computation of taxable profit and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with the investments in subsidiaries and associates except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Financial Instruments

Initial recognition and measurement

All financial instruments, including derivative instruments, are recognised on the statement of financial position. Financial instruments are initially recognised when the Group becomes party to the contractual terms of the instruments and are measured at cost, which is the fair value of the consideration given (financial asset) or received (financial liability or equity instrument) for it.

Financial liabilities and equity instruments are classified according to the substance of the contractual agreement on initial recognition. Subsequent to initial recognition these instruments are measured as set out below.

Fair value methods and assumptions

The fair value of financial instruments traded in an organised financial market are measured at the applicable quoted prices, adjusted for any transaction costs necessary to realise the assets or settle the liabilities.

The fair value of financial instruments not traded in an organised financial market is determined using a variety of methods and assumptions that are based on market conditions and risks existing at reporting date, including independent appraisals and discounted cash flow methods. The fair value determined is adjusted for any transaction costs necessary to realise the assets or settle the liabilities.

The carrying amounts of financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values due to the short-term trading cycle of these items.

De-recognition of assets and liabilities

Financial assets (or a portion thereof) are derecognised when the Group realises the rights to the benefits specified in the contract, the rights expire or the company surrenders or otherwise loses control of the contractual rights that comprise the financial asset. On derecognition, the difference between the carrying amount of the financial asset and proceeds receivable and any prior adjustment to reflect fair value that has been reported in equity are included in profit or loss.

1. Summary of significant accounting policies (Continued)

Financial Instruments (Continued)

De-recognition of assets and liabilities (Continued)

Financial liabilities (or a portion thereof) are derecognised when the obligation specified in the contract is discharged, cancelled or expires. On derecognition, the difference between the carrying amount of the financial liability, including related unamortised cost, and amounts paid for it are included in profit and loss.

Effective interest rate method

The effective interest rate method is a method of calculating the amortised cost of a financial instrument and of allocating the interest income/expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments/receipts through the expected life of the financial instrument, or, where appropriate, shorter period.

Financial assets

Financial assets are classified into the following categories: financial assets as at fair value through profit or loss (FVTPL), held to maturity investments, available-for-sale (AFS) financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The Company's and the Group's principal financial assets are group-company loans, investments and loans advanced, trade and other receivables and bank and cash balances.

Financial assets at FVTPL

Financial assets are classified as at FVTPL where the financial asset is either held for trading or is designated as at FVTPL. Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturity dates that the Group has positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest rate method less impairment, with revenue recognised on an effective yield basis.

Available-for-sale financial assets

Unlisted shares held by the Group, whose fair value cannot be reliably determined are classified as being AFS and are stated at cost. These assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition of the asset, the estimated future cash flows of the investment have been impacted.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortised cost using the effective interest rate method less any impairment.

Interest income is recognised by applying the effective interest rate except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. Trade and other receivables originated by the Group are stated at their cost less a provision for impairment. An estimate of impairment is made based on a review of all outstanding amounts at reporting date, and posted against a provision account. When the trade receivable is uncollectible, it is written off against the provision account. Bad debts are written off during the period in which they are identified.

Bank and cash balances

Bank and cash balances represent funds on call and short-term deposits all of which are available to the Group unless otherwise stated.

1. Summary of significant accounting policies (Continued)

Financial Instruments (Continued)

Classification of debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contract agreement.

Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities. The Group's principal financial liabilities are interest-bearing debt, non-interest-bearing debt, trade and other payables, bank overdrafts and other short-term borrowings:

Financial liabilities at FVTPL

Financial liabilities are classified as FVTPL where the financial liability is either held for trading or is designated as at FVPTL. The Group has no financial liabilities held for trading under this category.

A financial liability is classified as held for trading if:

- It has been incurred principally for the purpose of repurchasing in the near future; or
- It is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

Other financial liabilities

Interest-bearing debt

Interest-bearing debt is recognised at amortised cost, namely original debt less principal repayments and amortisations.

Non-interest-bearing debt

Non-interest-bearing debt is recognised at original debt less principal repayments.

Trade and other payables

Trade and other payables are stated at cost.

Bank overdrafts and other short-term borrowings

Interest-bearing bank overdrafts and other short-term borrowings are recorded at the proceeds received, net of direct issue costs.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue cost.

Derivative financial instruments, principally forward foreign exchange contracts, interest rate and currency swap agreements are used by the Group in its management of financial risks. Therefore, the Group's objective in using derivative financial instruments is to reduce the uncertainty over future cash flows arising from movements in currency and interest rates. The risks being hedged are exchange losses due to unfavourable movements between the Namibian dollar and foreign currencies and the movements in interest rates. Currency and interest exposure is managed within Board approved policies and guidelines. As a matter of principle, the Group does not enter into derivative contracts for speculative purposes.

Derivative financial instruments are initially recorded at cost and are re-measured at subsequent reporting dates. The fair value of foreign exchange contracts, interest and currency rate swaps represents the estimated amounts the Group would receive, should the contracts be terminated at the reporting date, thereby taking into account the unrealised gains or losses.

1. Summary of significant accounting policies (Continued)

Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and investments in money market instruments, net of bank overdrafts. In the statement of financial position, bank overdrafts are included in borrowings in current liabilities.

Provisions

Provisions are recognised when the Group 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.

Leases

A Group company is the lessee

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

A Group company is the lessor

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised when significant risks and rewards of ownership is transferred to the lessee.

Dividends

Dividends are recorded in the Group's financial statements in the period in which they are declared by the board of directors.

Post-employment benefit costs

Retirement benefits

The policy of the Group is to provide retirement benefits for its employees, the assets of which are held in a separate trustee administered fund. The contribution paid by the companies in the Group to fund obligations for the payment of retirement benefits is charged to profit or loss in the year incurred. The Napotel Pension Fund, which is a defined contribution fund, covers all the company employees and is governed by the Namibian Pension Funds Act.

Medical benefits

Qualifying employees in the Group companies are entitled to certain post-retirement medical benefits. The Group's obligation for post-retirement medical aid benefits to past and current employees is actuarially determined in respect of current and retired employees and is provided for in full. The cost of providing the benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each reporting date. The movement has been expensed in profit or loss.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration receivable, excluding discounts, rebates, and other sales taxes or duty.

The following specific recognition criteria must also be met before revenue is recognised:

Post-paid products

Post-paid products may include deliverables such as a SIM-card, a handset and a fixed period service and are defined as arrangements with multiple deliverables. The arrangement consideration is allocated to each deliverable based on the fair value of each deliverable on a standalone basis as a percentage of the aggregated fair value of the individual deliverables.

Revenue allocated to the identified deliverables in each revenue arrangement and the cost applicable to these identified deliverables are recognised based on the same recognition criteria of the individual deliverable at the time the product or service is delivered.

1. Summary of significant accounting policies (Continued)

Revenue (Continued)

Post-paid products (Continued)

- Revenue from connect packages, which includes activations, SIM-cards and phone, is recognised over the period of the contract.
- Revenue from SIM-cards, representing activation fees, is recognised upon activation of the SIM-card by the post-paid customer.
- Revenue from handsets is recognised when the product is delivered.
- Monthly service revenue received from the customer is recognised in the period in which the service is rendered.
- Airtime revenue is recognised on the usage basis.

Pre-paid products

Pre-paid products may include deliverables such as a SIM-card, a handset and airtime and are defined as arrangements with multiple deliverables. The arrangement consideration is allocated to each deliverable based on the fair value of each deliverable on a standalone basis as a percentage of the aggregated fair value of the individual deliverables. Revenue allocated to the identified deliverables in each revenue arrangement and the cost applicable to these identified deliverables are recognised based on the same recognition criteria of the individual deliverable at the time the product or service is delivered.

- Revenue from SIM-cards, representing activation fees, is recognised upon activation of the SIM-card by the pre-paid customer.
- Airtime revenue is recognised on the usage basis. The unused airtime is deferred in full.
- Deferred revenue related to unused airtime is recognised when utilised by the customer.

Upon termination of the customer contract, all deferred revenue for unused airtime is recognised in revenue.

Deferred revenue and costs related to unactivated starter packs, which do not contain any expiry date, is recognised in the period when the probability of these starter packs being activated becomes remote.

Data service revenue

Revenue net of discounts, from data services is recognised when the Group has performed the related service and depending on the nature of the service, is recognised either at the gross amount billed to the customer or the amount receivable by the Group as commission for facilitating the service.

Sale of equipment

Revenue from equipment sales is recognised when the product is delivered and acceptance has taken place. Revenue from equipment sales to third party service providers is recognised when delivery is accepted. No rights of return exist on sale to third party service providers.

Other revenue and income:

Interconnect and international revenue

Interconnect and international revenue is recognised on the usage basis.

Interest

Revenue is recognised as interest accrues (using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Rental income

Rental income arising from leasing out space on the Company's base stations to other operators on an operating lease basis and other equipment is recognised on a straight-line basis over the lease term.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and enterprises controlled by the company. Control is achieved where the company has the power to govern the financial and operating policies of investee enterprises so as to obtain benefits from active control.

1. Summary of significant accounting policies (Continued)

Basis of consolidation (Continued)

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the holding company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Company. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Costs directly attributable to the acquisition are recognised in profit or loss as incurred. Identifiable assets acquired and liabilities that meet the conditions for recognition, and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Where necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies in line with those used by other members of the Group.

Transactions and minority interest

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interest result in gains and losses for the Group that are recorded in the statement of comprehensive income. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The investment in associate is accounted for at cost in the Company. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates' post-acquisition profits or losses is recognised in the statement of comprehensive income and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in profit and loss.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill 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-generating units that are expected to benefit from the business combination in which the goodwill arose.

Impairment of non-financial tangible and intangible assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

1. Summary of significant accounting policies (Continued)

Impairment of non-financial tangible and intangible assets (Continued)

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Foreign currency translation:

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Namibia Dollar (N$) rounded to the nearest thousand which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale are included in the available-for-sale reserve in equity.

Borrowings

Borrowings costs that relate to acquisition, construction or production of qualifying assets (i.e. those assets which take a considerable period of time before they are ready for sale or their intended use) are capitalised as part of the costs of those assets. Any interest earned on borrowed funds pending application on the qualifying assets' construction, production or acquisition is set off against the borrowing costs ultimately capitalised as part of the cost of the qualifying asset. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are expensed when incurred.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed below:

Allowance for doubtful debts

Each debtor is assessed to determine recoverability of debt. Provision is made for all those debtors where evidence indicates that recoverability is doubtful. Accounts are written off when they are delinquent.

Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The fair value of non-traded instruments is determined by applying the prevailing market discount rate on the nominal value of the instrument.

Discount rates

Discount rates used to calculate discounted cash flows are based on prevailing market related interest rates.

1. Summary of significant accounting policies (Continued)

Critical accounting estimates and judgements (Continued)

Asset lives and residual values

Plant and equipment are depreciated over its useful life taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Provision for post - retirement medical aid benefits

Post-retirement medical aid benefit provision is based on actuarial valuation by independent actuaries. The discount rate used is based on the current long-term bond yield, gross of tax. All actuarial gains and losses are recognised in full.

Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

Recoverability of the investments in foreign ventures

Investment in Communitel ("Ultimately in Neotel")

Neotel holds a second telecom fixed line operator licence in South Africa, and the company is still in a start-up phase. Telecom Namibia holds an effective interest in this company of 12.5% and has so far invested an amount of N$540 million (2010: N$435 million) in this venture as part of its capital contribution as a shareholder, refer to Note 6.

During the current financial year, Telecom Namibia ceased making capital contributions towards Neotel with the main shareholder, Tata Communications since taking over a lead role in the funding of the business.

Neotel has not met some of its business targets as set out in its original plan requiring the shareholders in this investment to provide further capital funding in addition to the original business plans in order to secure on-going funding for the network roll out by Neotel. This additional funding, both shareholder and external had been secured by the end of February 2011.

Following the revision in the business strategy and approval thereof by the Board of directors of Neotel in consultation with independent business advisors on 14 December2010, it is encouraging to note that the business has since recorded positive earnings before interest, tax, depreciation and amortisation (EBITDA) since inception, in the 2011 financial year.

Telecom management and the Board continue to monitor the performance of this significant investment and believe that the carrying value in the company of the investment is appropriate. At a group level, the accumulated share of losses of N$510 million (2010: N$399 million) has been equity accounted for, reducing the carrying value of the investment to N$Nil (2010: N$10.6 million).

Telecom Namibia maintain confidence on the strategic importance of the investment in Neotel, buoyed by the turnaround in EBITDA during the current financial year, and retains a long term view on the investment.

Should the historical trend continue rather than the directors' current assessment of recoverability, the future may turn out to be different resulting in material adjustments to the financial statements of Telecom Namibia Limited.

Investment in Mundo Startel

Mundo Startel ("Mundo") holds a second telecom fixed line operator licence in Angola and the company is also still in a start-up phase. Telecom Namibia holds a direct interest in this company of 44% and has so far invested an amount of N$162 million (2010: N$162 million) in this venture as part of its capital contribution as a shareholder, refer to Note 8.1.

Mundo has struggled to achieve its business plan over the past few years and as a result there is an indication that carrying value of this investment in the Company accounts may be impaired.

In light of the current difficult financial situation of this venture, Telecom management and the Board have impaired the carrying value of this investment in the company financial statements by an amount of N$18 million (2010: N$20 million) in the current year to bring the accumulated impairment of the investment to N$79 million (2010: N$61.3 million) including foreign currency restatement gains and losses and the carrying value of the investment in the company down to N$108 million (2010: N$115 million). Pending the finalisation of on-going discussions for the disposal of Telecom Namibia's stake in Mundo Startel, the investment has been reclassified to an asset held for sale and the application of equity accounting was discontinued for the investment in associate as from 1st of October 2011.

1. Summary of significant accounting policies (Continued)

Critical accounting estimates and judgements (Continued)

Investment in Mundo Startel (Continued)

Should the historical trend continue rather than the directors' current assessment of recoverability, the future may turn out to be different resulting in material adjustments to the financial statements of Telecom Namibia Limited.

2. Segment information

2.1 Products and services from which reportable segments derive their revenues

Information reported to the Managing Director for the purposes of resource allocation and assessment of segment performance focuses on types of goods and services delivered/provided. The Group's reportable segments under IFRS 8 are as follows;

Post-paid services	- Lines rental - Value added services - Calls - VSAT - Switch - Telephone installations
Pre-paid services	- Switch - Cards
Interconnection	- Local - International
Data and IP services	- Internet access services - ADSL - WiMax - CDMA - Metro Ethernet - IP/MPLS - iWay - ISDN - Telematics
Other services	- Customer Premises Equipment - Directories - Switchboard

2. Segment information

2.2 Segment revenue and results

The following is an analysis of the Group's revenue and results from existing operations by reportable segments:

	Segment Revenue		Segment Profit	
	2011 N$ 000	Restated 2010 N$ 000	2011 N$ 000	Restated 2010 N$ 000
Post-paid services	183 020	203 959	179 424	199 058
Pre-paid services	30 201	39 499	18 838	26 192
Interconnection	384 492	395 920	241 915	241 473
Data and IP services	452 219	417 430	442 914	337 745
Other services	94 992	76 780	41 900	51 176
Total	**1 144 924**	**1 133 588**	**924 991**	**855 644**
Other operating income			6 430	28 385
Administrative expenses			(671 474)	(598 902)
Other operating expenses			(183 757)	(181 423)
Operating profit			**76 190**	**103 704**
Finance income			32 831	44 794
Finance costs			(42 802)	(47 538)
Share of results of associates			(111 604)	(205 239)
Loss before taxation			**(45 385)**	**(104 279)**
Taxation			(40 999)	(17 964)
Loss after taxation			**(86 384)**	**(122 243)**

2. Segment information (Continued)

2.2 Segment revenue and results

The following is an analysis of the Company's revenue and results from existing operations by reportable segments:

	Segment Revenue		Segment Profit	
	2011 N$'000	Restated 2010 N$'000	2011 N$'000	Restated 2010 N$'000
Post-paid services	183 020	203 959	179 424	199 058
Pre-paid services	30 201	39 499	18 838	26 192
Interconnection	384 492	395 920	241 915	241 473
Data and IP service	452 219	417 430	442 914	337 745
Other services	94 992	76 780	41 900	51 176
Total	**1 144 924**	**1 133 588**	**924 991**	**855 644**
Other operating income			6 430	28 385
Administrative expenses			(642 643)	(598 642)
Other operating expenses			(183 757)	(181 423)
Operating profit			**105 021**	**103 964**
Finance income			30 487	31 250
Finance costs			(42 802)	(47 538)
Profit before taxation			**92 706**	**87 676**
Taxation			(40 999)	(17 964)
Profit after taxation			**51 707**	**69 712**

Segment revenue reported above represents revenue generated from external customers. There were no intersegment sales in the current financial year (2010:Nil)

The accounting policies of the reportable segments are the same as those of the Group which are outlined in note 1 above. Segment profits represent the profit generated by each segment and excludes the allocation of central administration costs, directors salaries, share of profits of associate, investment income, finance costs and income tax expense.

2.3 Segment assets and liabilities

The Group's assets are utilised by all segments in generating the respective segments' revenue streams. As such they are incapable of being allocated to any specific operating segments. Similarly, borrowings are utilised for the whole Group's operations and cannot be definitively allocated to any operating segments. No segmentation is therefore provided for the Group's assets and liabilities.

3. Plant and equipment – Group and Company

	Telecommunication installations and equipment N$'000	Furniture and fittings N$'000	Computer equipment N$'000	Capital work-in-progress N$'000	Motor vehicles N$'000	Total N$'000
Year ended 30 September 2011						
Cost						
Opening balance	2 587 182	39 551	15 133	167 027	1 629	2 810 522
Additions	29 362	1 099	2 576	140 194	--	173 231
Borrowing costs (Note 24)	--	--	--	8 793	--	8 793
Disposals	(18 104)	(154)	(1 697)	--	--	(19 955)
Scrappings	(26 844)	--	--	--	--	(26 844)
Transfers	53 015	--	--	(57 163)	--	(4 148)
Closing balance	2 624 611	40 496	16 012	258 851	1 629	2 941 599
Accumulated depreciation						
Opening balance	1 216 223	31 763	11 135	--	1 629	1 260 750
Depreciation charge	156 070	2 208	2 858	--	--	161 136
Depreciation on disposals	(8 291)	(148)	(1 695)	--	--	(10 134)
Depreciation on scrappings	(21 215)	--	--	--	--	(21 215)
Transfers	(12)	--	--	--	--	(12)
Closing balance	1 342 775	33 823	12 298	--	1 629	1 390 525
Closing book value	1 281 836	6 673	3 714	258 851	--	1 551 074
Opening book value	1 370 959	7 788	3 998	167 027	--	1 549 772

Included in work-in-progress is an amount of N$80 855 218 (2010: N$71 843 281) in respect of payments made towards the Group's participation in the West Africa Coast Cable System (WACS) currently undergoing construction. In terms of the agreement between the Group, the contractor, Alcatel and other participating parties, risks and rewards of ownership of the capacity, in respect of which the Group is making contributions, will revert to the Group upon completion of the WACS cable.

Alcatel has issued a ten per cent (10%) performance guarantee to the Group to safeguard the progress payments which will be made during the tenure of the construction of the cable. This will expire upon transfer of the risks and rewards of ownership to the Group. While the Group has committed to participation amounting to N$600 750 000 (USD75 000 000) (2010: N$542 500 00 000 (USD75 000 000)), this pertains to the full capacity costs, including the portions attributable to Botswana Telecommunications Corporation (BTC) and Mobile Telecommunications Limited. BTC has availed a guarantee for the amount of N$300 375 000 (USD37 500 000) (2010 : N$271 125 000 (USD37 500 000)) to the Group to cover its prorated portion of the capacity to be accessed through the cable once construction is completed. A total of US$45 504 591 (N$364 491 774) (2010: USD 23 144 062 (N$167 331 568)) had been paid as at the 30th of September 2011 towards the Group's full participation in the WACS project with the balance payable over the period to completion. Refer to note 32 for further information.

3. Plant and equipment – Group and Company (Continued)

	Telecommunication installations and equipment	Furniture and fittings	Computer equipment	Capital work-in-progress	Motor vehicles	Total
	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000
Year ended 30 September 2010						
Cost						
Opening balance	2 454 168	37 772	13 966	148 007	1 629	2 655 542
Adjustment	(1 013)	--	--	--	--	(1 013)
Additions	68 509	979	1 987	84 938	--	156 413
Borrowing costs (Note 24)	--	--	--	2 401	--	2 401
Disposals	(3)	(49)	(820)	--	--	(872)
Transfers	65 521	849	--	(68 319)	--	(1 949)
Closing balance	2 587 182	39 551	15 133	167 027	1 629	2 810 522
Accumulated depreciation						
Opening balance	1 072 128	29 774	8 309	--	1 629	1 111 840
Adjustment	(1 012)	--	--	--	--	(1 012)
Depreciation charge	145 118	2 036	3 576	--	--	150 730
Depreciation on disposals	(3)	(47)	(750)	--	--	(800)
Transfers	(8)	--	--	--	--	(8)
Closing balance	1 216 223	31 763	11 135	--	1 629	1 260 750
Closing book value	1 370 959	7 788	3 998	167 027	--	1 549 772
Opening book value	1 382 040	7 998	5 657	148 007	--	1 543 702

There were no encumbrances on any of the Company's and the Group's Plant and Equipment.

4. Intangible assets - Group and Company

	2011	2010
Computer software		
Cost	**N$'000**	**N$'000**
Opening balance	174 441	171 956
Additions	3 065	536
Disposals	(5 123)	--
Transfer from plant and equipment	4 148	1 949
Closing balance	176 531	174 441
Accumulated amortisation		
Opening balance	123 683	117 515
Current year charge	6 424	6 160
Disposals	(5 123)	--
Transfer from plant and equipment	12	8
Closing balance	124 996	123 683
Book value	51 535	50 758

There were no encumbrances on any of the Company and Group's intangible assets.

	Group 2011 N$'000	Group 2010 N$'000	Company 2011 N$'000	Company 2010 N$'000

5. Goodwill

	Group 2011 N$'000	Group 2010 N$'000	Company 2011 N$'000	Company 2010 N$'000
Closing balance	16 990	13 246		
Opening balance	13 246	13 246		
Increase during the year	3 744	--		

Goodwill arose on the acquisition of the additional 25% (2010: 75%) of the shares in Communitel Telecommunications (Proprietary) Limited. During the year, Telecom Namibia obtained full ownership of Communitel following the take-over of Mkhonto We Sizwe Military Veterans Association's shares in Communitel. Goodwill is assessed for impairment annually.

6. Investment in subsidiary

	Group 2011 N$'000	Group 2010 N$'000	Company 2011 N$'000	Company 2010 N$'000
Ordinary shares			12 744	9 000
Opening balance			9 000	9 000
Acquired during the year			3 744	--
Preference shares			125 000	125 000
Opening balance			125 000	75 000
Acquired during the year			--	50 000
Total			137 744	134 000
Loans				
Opening balance			301 427	183 363
Advanced during the year			100 881	118 064
Closing balance			402 308	301 427
Balance at end of year			540 052	435 427
Directors valuation unlisted investment			540 052	435 427

Telecom Namibia holds a 100% interest in a subsidiary, Communitel Telecommunications (Proprietary) Limited, an investment holding company. The subsidiary is registered in the Republic of South Africa with an issued share capital of 40 ordinary shares of ZAR 1.00 each. The loans advanced bear interest at South African Prime Lending Rate less 2% and have no fixed terms of repayment (2010: South African Prime Lending Rate). The preference shares are reedeemable and attract a cumulative coupon rate equivalent to 75% of the prevailing Standard Bank South Africa Prime Lending rate.

7. Loans advanced

	Group 2011 N$'000	Group 2010 N$'000	Company 2011 N$'000	Company 2010 N$'000
Mkhonto We Sizwe Military Veterans Association	--	114 599	--	--

The loan advanced represented capital contributions to the subsidiary's associate paid in on behalf of Mkhonto We Sizwe Military Veterans Association. This loan attracted interest at South African Prime Lending Rate plus 2%, was unsecured and not subject to any fixed terms of repayment. The loan was acquired by Telecom Namibia on taking over the shares of Mkhonto We Sizwe Military Veterans Association during the year.

8. Investment in associates

	Group 2011 N$'000	Group 2010 N$'000	Company 2011 N$'000	Company 2010 N$'000
Summary of investments:				
Shares at cost				
- Ordinary shares	--	29 893	--	29 893
- Preference shares	107 239	88 058	--	--
Share of results	(510 994)	(449 899)	--	--
Loans advanced	403 755	468 388	--	146 388
Impairment	--	(61 264)	--	(61 264)
Net Investment	--	75 176	--	115 017
Directors valuation of unlisted investment	--	75 176	--	115 017

	Group 2011 N$'000	Group 2010 N$'000	Company 2011 N$'000	Company 2010 N$'000

8. Investment in associates (Continued)

Reconciliation of movements

	Group 2011 N$'000	Group 2010 N$'000	Company 2011 N$'000	Company 2010 N$'000
Opening balance	75 176	129 788	115 017	135 098
Loans advanced	81 755	138 833	--	3 079
Gain/(loss) on restatement of foreign exchange denominated loan	10 597	(3 160)	10 597	(3 160)
Share of losses	(111 604)	(205 239)	--	--
Impairment	(17 964)	(20 000)	(17 964)	(20 000)
Investment reclassified to non-current assets held for sale (note 15)	(57 141)	--	(107 650)	--
Preference shares acquired	19 181	34 954	--	--
Closing balance	--	75 176	--	115 017

8.1 Investment in Mundo Startel SARL:

The company holds a 44% interest in an associate, Mundo Startel SARL. The company is registered in the Republic of Angola. Its principal business activities are the provision of telecommunication and information technology services to the public and private sectors in Angola.

	Group 2011 N$'000	Group 2010 N$'000	Company 2011 N$'000	Company 2010 N$'000
Comprising:				
Shares at cost	--	29 893	--	29 893
Share of losses	--	(50 509)	--	--
Loans advanced	--	146 388	--	146 388
Impairment	--	(61 264)	--	(61 264)
Net Investment	--	64 508	--	115 017

Reconciliation of movements

	Group 2011 N$'000	Group 2010 N$'000	Company 2011 N$'000	Company 2010 N$'000
Opening balance	64 508	94 063	115 017	135 098
Loans advanced	--	3 079	--	3 079
Gain/loss) on restatement of foreign exchange denominated loan	10 597	(3 160)	10 597	(3 160)
Impairment	(17 964)	(20 000)	(17 964)	(20 000)
Investment reclassified to non-current assets held for sale (note 15)	(57 141)	--	(107 650)	--
Share of losses	--	(9 474)	--	--
Closing balance	--	64 508	--	115 017

The loans were advanced in terms of the Mundo Startel Shareholders Agreement. The loan balance as at 30 September 2011 in foreign currency amounted to US$13 582 092 (2010: US$15 682 092). The loan bears interest at LIBOR plus a margin of 2%, is unsecured and not subject to any fixed terms of repayment. Subsequent to prior year end the Group's Board passed a resolution to temporarily impose a moratorium on the levying of interest on the shareholders loan.

There are currently negotiations between Telecom Namibia and the co-shareholders in Mundo Startel with a view for the latter to buy out Telecom and take over full ownership of the business. Pursuant to this, the investment in the Associate has been reclassified to held for sale, pending finalisation of the disposal of the investment.

	Group 2011 N$'000	Group 2010 N$'000	Company 2011 N$'000	Company 2010 N$'000
Set out below is the summarised financial information of the associate:				
Assets	--	150 168	--	--
Liabilities	--	(215 250)	--	--
Revenue	--	45 058	--	--
Loss after tax for the year	--	(23 754)	--	--

	Group 2011 N$'000	Group 2010 N$'000	Company 2011 N$'000	Company 2010 N$'000

8. Investment in associates (Continued)

8.2 Investment in Sepco Communications (Proprietary) Limited:

The subsidiary, Communitel Telecommunications (Proprietary) Limited holds a 24.5% interest in an associate, Sepco Communications (Proprietary) Limited which is registered in the Republic of South Africa. Sepco in turn holds 51% of the shares in Neotel (Proprietary) Limited, a company is licensed to provide information, communication and technology services in the Republic of South Africa. Additional capital contributions amounting to N$3.6 million (2010: N$45 million) are still to be made by Communitel in terms of the Neotel shareholders' agreement. The loans advanced bear interest at South African Prime Lending Rate and have no fixed terms of repayment.

The Group is reconsidering its continued participation in Neotel. Pursuant to this, management has commenced negotiations with a potential buyer to take over its stake in Neotel. The Group envisages to recover the full cost of the investment made in Neotel to date.

Comprising:

	Group 2011 N$'000	Group 2010 N$'000	Company 2011 N$'000	Company 2010 N$'000
Ordinary shares at cost	--	--	--	--
Preference shares at cost	107 239	88 058	--	--
Share of results	(510 994)	(399 390)	--	--
Loans advanced	403 755	322 000	--	--
	--	10 668	--	--

Reconciliation of movements

	Group 2011 N$'000	Group 2010 N$'000	Company 2011 N$'000	Company 2010 N$'000
Opening balance	10 668	35 725	--	--
Loans advanced	81 755	135 754	--	--
Preference shares acquired	19 181	34 954	--	--
Share of losses	(111 604)	(195 765)	--	--
Closing balance	--	10 668	--	--

Set out below is the summarised financial information of Associate, Neotel:

	Group 2011 N$'000	Group 2010 N$'000	Company 2011 N$'000	Company 2010 N$'000
Assets	5 397 000	5 072 800		
Liabilities	(9 526 000)	(7 576 191)		
Revenue	1 381 000	1 102 627		
Loss after tax for the year	(769 000)	(510 367)		

	Group 2011 N$'000	Group 2010 N$'000	Company 2011 N$'000	Company 2010 N$'000

9. Derivative financial instruments

Comprises:

Interest rate swaps

	Group 2011 N$'000	Group 2010 N$'000	Company 2011 N$'000	Company 2010 N$'000
Opening balance	6 441	17 088	6 441	17 088
Recognised in profit or loss	575	(10 647)	575	(10 647)
Closing balance	7 016	6 441	7 016	6 441
Allocated as follows:				
Long -term assets	7 016	6 441	7 016	6 441
Short -term assets	--	--	--	--
	7 016	6 441	7 016	6 441

As at 30 September 2011, the Group had interest rate and foreign currency swap agreements in terms of which certain of the loans denominated in foreign currencies with fixed interest rates were converted to the South African Rand at floating rates ranging between 10,96% to 12,25% (2010 : 10,96% to 12,25%). Gains and losses recognised on interest rate swap contracts are recognised in profit or loss until the repayment of the bank borrowings.

10. Finance lease receivable

Gross receivables from finance leases:

	Group 2011 N$'000	Group 2010 N$'000	Company 2011 N$'000	Company 2010 N$'000
Not later than 1 year	15 509	14 947	15 509	14 947
Later than 1 year and not later than 5 years	11 651	26 035	11 651	26 035
	27 160	40 982	27 160	40 982
Unearned future finance income on finance leases	(559)	(725)	(559)	(725)
Net investment in finance leases	26 601	40 257	26 601	40 257

The net investment in finance leases may be analysed as follows:

	Group 2011 N$'000	Group 2010 N$'000	Company 2011 N$'000	Company 2010 N$'000
Not later than 1 year	15 190	14 683	15 190	14 683
Later than 1 year and not later than 5 years	11 411	25 574	11 411	25 574
	26 601	40 257	26 601	40 257

The Group provides PABX's for rental to customers on a finance lease basis for 5 year periods. Lease rentals are based on the prevailing Prime Lending Rate. The disclosed information relates to these arrangements with customers which were assessed to be finance leases in terms of IAS17.

11. Inventories

	Group 2011 N$'000	Group 2010 N$'000	Company 2011 N$'000	Company 2010 N$'000
Materials for installations	40 916	57 482	40 916	57 482
Workshop and consumable stores	--	2 687	--	2 687
Goods for resale	9 651	7 774	9 651	7 774
Less: provision for impairment	(2 545)	(2 545)	(2 545)	(2 545)
	48 022	65 398	48 022	65 398

12. Trade and other receivables

	Group 2011 N$'000	Group 2010 N$'000	Company 2011 N$'000	Company 2010 N$'000
Trade receivables	201 306	187 668	201 306	187 668
Provision for impairment	(37 602)	(29 102)	(37 602)	(29 102)
Prepayments	7 148	11 799	7 148	11 799
Other debtors	1 684	567	1 684	567
	172 536	170 932	172 536	170 932

Provision for impairment of receivables

	Group 2011 N$'000	Group 2010 N$'000	Company 2011 N$'000	Company 2010 N$'000
Opening balance	29 102	20 785	29 102	20 785
Amount written off in the current year	(3 340)	--	(3 340)	--
Provision for impairment charged to the income statement	11 840	8 317	11 480	8 317
Closing balance	37 602	29 102	37 602	29 102

The creation and release of the provision for impaired receivables have been included as part of the bad debts in the income statement. Amounts charged to the allowance are written off when there is no expectation of recovery of additional cash from the underlying debtors.

Other classes of receivables within trade and other receivables do not contain any impaired assets.

The maximum exposure to credit risk in respect of the receivables at reporting date is limited to the fair value of each class of the receivable.

An analysis of trade receivable amounts past due and not impaired is as follows:

	Group 2011 N$'000	Group 2010 N$'000	Company 2011 N$'000	Company 2010 N$'000
1 month past due (+60 days)	5 106	5 062	5 106	5 062
2 months past due	1 247	1 960	1 247	1 960
3 months past due	1 566	2 862	1 566	2 862
	7 919	9 884	7 919	9 884

The aging of impaired receivables is as follows:

	Group 2011 N$'000	Group 2010 N$'000	Company 2011 N$'000	Company 2010 N$'000
1 month past due (+60 days)	--	--	--	--
2 months past due	1 302	1 586	1 302	1 586
3 months past due	36 300	27 516	36 300	27 516
	37 602	29 102	37 602	29 102

13. Related party transactions

The Group is controlled by Namibia Post and Telecom Holdings Limited (incorporated in Namibia) which owns 100% of the Group's shares. The ultimate shareholder of the Group is the Government of the Republic of Namibia. Namibia Post and Telecom Holdings Limited is the Group's holding company whilst Namibia Post Limited and Mobile Telecommunications Limited are fellow subsidiaries.

Details of the Company's and Group's transactions with the subsidiary and associates are reflected in notes 7 and 8. Details of the Company's and Group's transactions with the Pension Fund are reflected in note 30.

The following transactions were carried out with related parties:

i) Sales of services

Namibia Post Limited: N$ 1 699 208 (2010: N$2 369 090)
Mobile Telecommunications Limited: N$119 158 601 (2010: N$151 089 316)
Namibia Post and Telecom Holdings Ltd: N$980 702 (2010: N$480 000)

ii) Purchases of services

Namibia Post and Telecom Holdings Limited: N$83 839 698 (2010: N$41 231 271)
Namibia Post Limited:N$476 240 (2010: N$2 379 484)
Mobile Telecommunications Limited: N$44 634 575 (2010: N$69 302 186)

iii) Outstanding balances arising from sales of goods/services

Receivables from related parties:

Namibia Post Limited: N$1 214 862 (2010: N$353 000)
Namibia Post and Telecom Holdings Limited: N$71 836 (2010: N$105 045)

Payables to related parties:

Mobile Telecommunications Limited: N$1 902 205 (2010: N$ Nil)
Neotel :N$887 400 (2010: N$ Nil)

iv) Outstanding balances arising from loans granted

Payable to related parties:

Namibia Post and Telecom Holdings Limited: N$39 000 000 (2010: N$39 000 000)
The loan amounting to N$ 39 000 000 (2010: N$39 000 000) is interest free, unsecured and has no fixed terms of repayment.

v) Investment in Telecom Bonds

The Group pension fund, Napotel, held N$Nil (2010: N$350 000.00) of the bonds issued by Telecom. Namibia Post Savings Bank, a division of fellow subsidiary, Namibia Post Limited, held N$Nil (2010: N$ 39 500 000) of the bonds issued by Telecom.

vi) Suretyships

- The Company has extended a guarantee to Millennium Bank, in terms of the Mundo Startel shareholders agreement, in respect of a loan amounting to N$20 025 000 (2010: N$18 550 000) which was extended to its associate, Mundo Startel. Following Telecom Namibia's decision to divest from Mundo Startel, discussions are currently underway with the majority shareholder to buy out Telecom Namibia's stake in Mundo Startel. Upon successful divestiture, this will see Telecom Namibia, inter alia, being relieved of its obligation under the suretyship agreement with DBSA. Pursuant to the intention to sell the investment in Mundo Startel, the investment was transferred to non-current assets held for sale during the current financial year. (Note 15).

- The Government of the Republic of Namibia has availed a letter of comfort to Alcatel for an amount of US$75 000 000 (2010: US$75 000 000) in respect of Telecom Namibia's participation in the West Africa Coast Cable System (WACS) project. In terms of the WACS project, Telecom Namibia is Namibia's Landing Point Lead Agent and is directly responsible for the payment of N$600 750 000 (US$75 000 000) (2010: N$542 500 000 (US$75 000 000)) for the full capacity to be accessed through, and due to land at, Swakopmund, Namibia. Fifty per cent of this capacity has been on sold by Telecom Namibia to Botswana Telecommunications Corporation and the latter has in turn provided a guarantee through the Government of the Republic of Botswana to the Government of the Republic of Namibia for the amount of N$300 375 000 (US$37 500 000) (2010: N$271 125 000 (NS$37 500 000)). Twenty five per cent of the capacity has also been on sold to Mobile Telecommunications Limited and an agreement making MTC liable for commensurate payment has been signed between the two parties.

13. Related party transactions (Continued)

vi) Suretyship (Continued)

- A letter of guarantee covering the principal debt owed by the Company to European Investment Bank and interest thereon has been issued by the Government of Namibia. The balance outstanding on the loan at 30 September 2011 amounted to N$20 339 000 (2010: N$24 555 000).

- The Group grants housing loan guarantees to all employees based on employee grade and level of remuneration. These guarantees are in turn secured against the respective employees' pensions. Guarantees amounting to N$160 000 (2010: N$160 000) were issued in respect of key management housing loans.

vii) Key management compensation

Key management comprises of the Heads of the various operating divisions of the Group. The remuneration of key management is determined by the Human Resources and Compensation Committee of the Board of Directors and is reviewed on an annual basis.

	Group 2011 N$'000	Group 2010 N$'000	Company 2011 N$'000	Company 2010 N$'000
Salaries and other short-term employee benefits	12 619	7 472	12 619	7 472
Other long-term benefits	1 047	1 124	1 047	1 124
	13 666	8 596	13 666	8 596

viii) Directors emoluments

Non-executive directors				
- for services as directors	502	532	502	532
Executive director				
- for managerial services	1 729	1 573	1 729	1 573
- salary and other short-term employee benefits	1 506	1 370	1 506	1 370
- other long-term benefits	223	203	223	203
	2 231	2 105	2 231	2 105

14. Cash and cash equivalents

Bank balances	53 815	31 902	53 765	31 851
Cash on hand	5 237	12 574	5 237	12 574
Investment in money market instruments	823	54 710	823	54 710
	59 875	99 186	59 825	99 135

	Group 2011 N$'000	Group 2010 N$'000	Company 2011 N$'000	Company 2010 N$'000

15. Assets classified as held for sale

Investment in associate	57 141	--	107 650	--
	57 141	--	107 650	--

The Group has made a formal decision to dispose of its 44% shareholding in an associate, Mundo Startel. It is envisaged that the disposal will be finalised once there is agreement with the majority shareholder for the take over the Group's shareholding.

16. Share capital

Authorised

200 000 000 ordinary shares of N$1 each	200 000	200 000	200 000	200 000

Issued

154 529 936 ordinary shares of N$1 each	154 530	154 530	154 530	154 530

The unissued ordinary shares are under the control of the directors until the next annual general meeting.

17. Post-retirement medical benefit obligations

The Group provides post-employment benefits by way of a medical aid scheme to all employees who joined the Group prior to the 1st of April 2007.

Medical scheme:

The Group continues to pay two thirds of total contributions towards the medical scheme when certain qualifying employees become redundant, disabled or when an employee retires.

The liability created in terms of IAS 19 amounts to N$90 251 000 (2010 : N$78 725 000). The effective date of valuation of the liability is 30 September 2011 and the next date of valuation is 30 September 2012.

The principal actuarial assumptions used for accounting purposes were:

	Group 2011	Group 2010	Company 2011	Company 2010
- Real rate of return	1%	2%	1%	2%
- Discount rate	8.6%	7.9%	8.6%	7.9%
- Healthcare cost inflation	7.6%	5.9%	7.6%	5.9%
- Expected average retirement age (yrs)	60	59	60	59
- Normal retirement age (yrs)	60	60	60	60
	N$'000	N$'000	N$'000	N$'000
Opening balance	78 725	68 554	78 725	68 554
Current service cost	2 829	2 742	2 829	2 742
Previously omitted members	358	--	358	--
Interest cost (Note 24)	6 278	7 115	6 278	7 115
Subsidies paid	(1 752)	(1 560)	(1 752)	(1 560)
Actuarial loss	3 813	1 874	3 813	1 874
Closing balance	90 251	78 725	90 251	78 725
Present value of unfunded liability	90 251	78 725	90 251	78 725

	Group 2011 N$'000	Group 2010 N$'000	Company 2011 N$'000	Company 2010 N$'000

17. Post-retirement benefit obligations (Continued)

The amounts recognised in profit or loss are as follows:

Current service cost	2 829	2 742	2 829	2 742
Previously omitted members	358	--	358	--
Interest cost (Note 24)	6 278	7 115	6 278	7 115
Subsidies paid	(1 752)	(1 560)	(1 752)	(1 560)
Actuarial loss	3 813	1 874	3 813	1 874
	11 526	10 171	11 526	10 171

Particulars in respect of the current employee members who belong to the medical aid for which the Group has a post-retirement medical aid liability as at the investigation date are as follows:

Number of employees at 30 September 2011	864	889	864	889
Average age (years)	41	40	41	40

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

Number of pensioners	205	187	205	187
Average age (years)	60	59	60	59

The effect of a 1% movement in the assumed medical cost inflation rate on the aggregate of the current service cost and interest cost would be as follows:

	N$'000	N$'000	N$'000	N$'000
Increase	15 549	12 264	15 549	12 264
Decrease	10 093	7 466	10 093	7 466

The effect of a 1% movement in the assumed medical cost inflation rate on the accumulated post-employment benefit obligation for medical costs would be as follows:

Increase	111 071	96 103	111 071	96 103
Decrease	74 603	65 499	74 603	65 499

18. Long-term liabilities

Secured

European Investment Bank	20 339	24 555	20 339	24 555

Telecom Namibia obtained various loans from the European Investment Bank in December 1999 for tenures ranging from 10 to 14 years. The loans were originally denominated in Euros, British Pounds and United States Dollars and attracted fixed interests varying between 3% and 3.9% p.a. The Group then entered into currency and interest swap agreements that entitles it to pay interest at rates varying between 10,96% and 12,25% p.a. (2010 : 10,96% and 12,25% p.a.) and to convert the foreign currency liabilities into Namibian Dollar. The capital amount is repayable in 5 (2010: 7) semi-annual instalments with the final instalment due in 2013. 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 the Republic of Namibia.

	Group 2011 N$'000	Group 2010 N$'000	Company 2011 N$'000	Company 2010 N$'000

18. Long-term liabilities (continued)

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

	2011	2010	2011	2010
EUR	1 867 256	2 576 754	10.77	9.85

Unsecured

	Group 2011 N$'000	Group 2010 N$'000	Company 2011 N$'000	Company 2010 N$'000
Mkhonto We Sizwe Military Veterans Association	--	88 058	--	--

This loan was unsecured and interest-free. Repayment of the loan was subject to the realisation of the underlying asset. These arrangements were reviewed from time to time. The loan was transferred to Communitel during the current financial year.

	Group 2011 N$'000	Group 2010 N$'000	Company 2011 N$'000	Company 2010 N$'000
Development Bank of Namibia	120 000	120 000	120 000	120 000

Telecom Namibia received a loan amounting to N$120 000 000 (2010: N$120 000 000) from the Development Bank of Namibia in December 2009. The loan is for a period of 11 years and attracts interest at the prevailing First National Bank of Namibia Prime Lending Rate less 2.50% per annum (2010: First National Bank of Namibia Prime Lending Rate less 2.50% per annum) . The loan is unsecured, has a two year grace period on capital repayment and is repayable in varying instalment amounts.

	Group 2011 N$'000	Group 2010 N$'000	Company 2011 N$'000	Company 2010 N$'000
Telecom Bonds	347 000	347 000	347 000	347 000

Telecom Namibia registered loan stocks bearing interest at fixed and floating rates ranging between 8.09% and 10.70% p.a. (2010: 10.70%). Interest on the bonds is payable quarterly and semi-annually. The bonds are scheduled to mature in the period April to August 2015 and were issued as part of the Telecom Namibia's Bond Programme approved by the Namibia Stock Exchange (NSX) for the raising of capital amounting to N$600 000 000 (2010: N$600 000 000).

	Group 2011 N$'000	Group 2010 N$'000	Company 2011 N$'000	Company 2010 N$'000
Nedbank Namibia Limited	60 000	80 000	60 000	80 000

Telecom Namibia obtained a loan amounting to N$100 000 000 from Nedbank on the 30th of September 2009 for a five year tenure. The loan attracts interest at prevailing Nedbank Namibia Prime Lending Rate less 2% (2010: Nedbank Namibia Prime Lending Rate less 2%). Repayment of the loan is in five annual instalments of N$20 000 000 each commencing the 31st of January 2010. The loan is unsecured.

	Group 2011 N$'000	Group 2010 N$'000	Company 2011 N$'000	Company 2010 N$'000
Total loans	547 339	659 613	547 339	571 555
Less: Short-term portion transferred to current liabilities	(24 829)	(24 684)	(24 829)	(24 684)
	522 510	634 929	522 510	546 871

Maturity of non-current borrowings:

	Group 2011 N$'000	Group 2010 N$'000	Company 2011 N$'000	Company 2010 N$'000
No later than 1 year	24 829	24 684	24 829	24 684
Later than 1 year and not later than 5 years	417 510	387 871	417 510	387 871
More than 5 years	105 000	247 058	105 000	159 000
	547 339	659 613	547 339	571 555

	Group 2011 N$'000	Group 2010 N$'000	Company 2011 N$'000	Company 2010 N$'000

18. Long-term liabilities (continued)

Pre-hedging

	Group 2011 N$'000	Group 2010 N$'000	Company 2011 N$'000	Company 2010 N$'000
The interest rate exposure pre-hedging activities of borrowings is as follows:				
Interest free	--	88 058	--	--
At fixed rates	316 839	321 055	316 839	321 055
At floating rates	230 500	250 500	230 500	250 500
	547 339	659 613	547 339	571 555

Post-hedging

	Group 2011 N$'000	Group 2010 N$'000	Company 2011 N$'000	Company 2010 N$'000
The interest rate exposure post hedging activities of borrowings is as follows:				
Interest free	--	88 058	--	--
At fixed rates	296 500	296 500	296 500	296 500
At floating rates	250 839	275 055	250 839	275 055
	547 339	659 613	547 339	571 555

19. Deferred tax

Deferred income taxes are calculated on all temporary differences under the comprehensive method using a principal tax rate of 34% (2010: 34%).

	Group 2011 N$'000	Group 2010 N$'000	Company 2011 N$'000	Company 2010 N$'000
The movement on the deferred tax account is as follows:				
Opening balance	439 236	433 676	439 236	433 676
Movements during year attributable to:	(10 976)	5 560	(10 976)	5 560
- current year movement timing difference	(16 390)	17 950	(16 390)	17 950
- prior year	5 414	--	5 414	--
- effect of change in tax rate	--	(12 390)	--	(12 390)
Closing balance	428 260	439 236	428 260	439 236
Deferred tax liabilities may be analysed as follows:				
Capital allowances	477 581	489 124	477 581	489 124
Prepayments	2 430	4 011	2 430	4 011
Provisions	(26 892)	(30 109)	(26 892)	(30 109)
Derivatives	(226)	(440)	(226)	(440)
Advance income	(24 633)	(23 350)	(24 633)	(23 350)
	428 260	439 236	428 260	439 236

20. Trade and other payables

	Group 2011 N$'000	Group 2010 N$'000	Company 2011 N$'000	Company 2010 N$'000
Trade payables	115 750	129 559	115 750	129 559
Performance bonus accrual	11 690	9 621	11 690	9 621
Value Added Tax	8 784	--	8 784	--
Leave pay accrual	34 705	31 269	34 705	31 269
Unpresented cheques	273	799	273	799
	171 202	171 248	171 202	171 248
The following is an aged analysis of trade payables at reporting date:				
Current	101 208	110 282	101 208	110 282
30-60 days	12 609	4 389	12 609	4 389
>60 days	1 933	14 888	1 933	14 888
Closing balance	115 750	129 559	115 750	129 559

The average credit period for the Group is 60 days. The Group has financial risk management policies and procedures in place to make certain that all payables are paid off upon expiry of the credit timeframe agreed with the relevant suppliers.

	Group 2011 N$'000	Group 2010 N$'000	Company 2011 N$'000	Company 2010 N$'000

21. Current tax

Opening balance	11 325	(1 079)	11 325	(1 079)
Charge for the year	51 975	12 404	51 975	12 404
Taxation paid	(54 243)	--	(54 243)	--
Closing balance	9 057	11 325	9 057	11 325

22. Deferred revenue

Derived from customer upfront payment

Comprises of:	15 694	27 309	15 694	27 309
- Long-term	53 506	37 517	53 506	37 517
- Short-term				
	69 200	64 826	69 200	64 826

Telecom Namibia received an amount of N$ 7.9 million (2010: N$ nil) from the Department of Civil Aviation (DCA) during the year. In terms of the underlying agreement, Telecom Namibia will apply the money received towards the construction of towers and optic fibre links for use by the DCA. Upon completion of the project, ownership of the assets will vest in Telecom Namibia which in turn, is expected to render services to the DCA in lieu of and to the extent of, the prepayment received and applied towards project costs. The prepayment received will be released to the income statement as the services are rendered. This is in addition to N$25 million previously received from the DCA for the first phase of the same project. An amount of N$20 million (2010: N$23 million) was still unutilised as at reporting date.

Telecom Namibia received an amount of N$ nil (2010: N$7 109 000) from the Ministry of Home Affairs during the previous financial year for the roll out of optic fibre links on behalf of the Ministry. This will be applied against future invoices to be billed by Telecom once the services are rendered to the Ministry. A further amount of N$2 581 750 (2010: N$ nil) was received from Mobile Telecommunications Limited during the current year in respect of a prepayment towards the construction of an optic fibre network.

Telecom Namibia receives rental from customers one month in advance of rendering the underlying goods and services. Advance rental of N$33 million held as at the 30th of September 2011 (2010: N$32 million) is included in the balance of short term deferred revenue.

	Group 2011 N$'000	Group 2010 N$'000	Company 2011 N$'000	Company 2010 N$'000

23. Operating profit

Operating profit is arrived at after the following items:

Auditor's remuneration				
Audit fees - current year	961	538	961	538
Prior year overprovision	--	(195)	--	(195)
Depreciation of plant and equipment	161 136	150 730	161 136	150 730
Amortisation of intangible assets	6 424	6 160	6 424	6 160
Profit on disposal of plant and equipment	(233)	(17)	(233)	(17)
Loss on scrapping of assets	5 629	--	5 629	--
Staff costs (Note 25)	400 113	373 790	400 113	373 790
Advertising and promotions	34 747	26 742	34 747	26 742
International settlements	80 427	85 561	80 427	85 561
Operating lease expenses				
Vehicles	16 836	16 404	16 836	16 404
Office machines	1 806	1 497	1 806	1 497
Building rentals	44 319	41 231	44 319	41 231
Repairs and maintenance	55 522	61 708	55 522	61 708
Post-retirement benefits recognised in profit or loss	11 526	10 171	11 526	10 171
Fees for managerial, technical and other services	4 626	7 660	4 626	7 660
Fair value adjustment on derivative	(575)	10 647	(575)	10 647

	Group 2011 N$'000	Group 2010 N$'000	Company 2011 N$'000	Company 2010 N$'000

24. Finance income and costs

	Group 2011 N$'000	Group 2010 N$'000	Company 2011 N$'000	Company 2010 N$'000
Interest received				
Money market investments	1 827	538	1 827	538
Loans	30 130	41 528	27 786	27 984
Cash balance	430	2 021	430	2 021
Interest on finance lease receivables	444	707	444	707
	32 831	44 794	30 487	31 250
Interest paid				
Telecom bonds	32 268	18 225	32 268	18 225
Term loans	17 376	2 611	17 376	2 611
Post-retirement benefit liability	6 278	--	6 278	--
Short-term borrowing facilities	1 951	29 103	1 951	29 103
	57 873	49 939	57 873	49 939
Less: - borrowing costs capitalised (Note 4)	(8 793)	(2 401)	(8 793)	(2 401)
- interest cost of post-retirement liability (Note 17)	(6 278)	--	(6 278)	--
	42 802	47 538	42 802	47 538

25. Staff costs

	Group 2011 N$'000	Group 2010 N$'000	Company 2011 N$'000	Company 2010 N$'000
Salaries and other related costs	341 460	323 433	341 460	323 433
Social security	766	758	766	758
Medical aid	22 952	20 675	22 952	20 675
Pension fund	34 935	28 924	34 935	28 924
	400 113	373 790	400 113	373 790

26. Taxation

	Group 2011 N$'000	Group 2010 N$'000	Company 2011 N$'000	Company 2010 N$'000
Namibian normal income tax	(51 975)	(12 404)	(51 975)	(12 404)
Deferred tax credit/(charge)				
- current year	10 976	(5 560)	10 976	(5 560)
Tax charge for the year	(40 999)	(17 964)	(40 999)	(17 964)
Reconciliation of the taxation:				
(Loss)/profit before tax	(45 385)	(104 279)	92 706	87 676
Tax calculated at a tax rate of 34% (2010: 34%)	15 431	35 455	(31 520)	(29 810)
-(Expenses not deductible for tax purposes)/ Non-taxable income	(18 485)	3 971	(9 479)	(545)
- Prior year adjustment	--	--	--	--
- Share of results of associates	(37 945)	(69 781)	--	--
- Effect of change in tax rate	--	12 391	--	12 391
Tax charge	(40 999)	(17 964)	(40 999)	(17 964)

Reconciliation of rate of taxation:

	%	%	%	%
Namibian normal taxation rate	34	(34)	(34)	34
Reduction in rate of taxation due to:				
- Prior year adjustment	--	--	--	--
- Effect of change in tax rate	--	(13)	--	(13)
- Non-taxable income/(expenses not deductible for tax purposes)	(41)	(4)	(10.2)	(1)
- Share of results of associates	(83)	68	--	--
	(90)	17	(44.2)	20

	Group 2011 N$'000	Group 2010 N$'000	Company 2011 N$'000	Company 2010 N$'000

27. Cash flow movements

27.1 Working capital changes

	Group 2011 N$'000	Group 2010 N$'000	Company 2011 N$'000	Company 2010 N$'000
Increase/(Decrease) in working capital during the year				
Increase/(Decrease) in inventories	17 376	(15 899)	17 376	(15 899)
(Increase)/Decrease in trade and other receivables	(1 604)	14 720	(1 604)	14 720
Decrease in trade and other payables	(46)	(14 819)	(46)	(14 819)
(Increase)/Decrease in indebtedness by fellow subsidiaries	(862)	771	(862)	771
Increase/(Decrease) in amount owing to fellow subsidiaries	1 902	(436)	1 902	(436)
Increase in deferred revenue	4 374	39 826	4 374	39 826
Increase in loan due to holding company	--	13 999	--	13 999
Increase/(Decrease) in amount owing by holding company	33	(105)	33	(105)
	21 173	38 057	21 173	38 057

27.2 Non cash movements

	Group 2011 N$'000	Group 2010 N$'000	Company 2011 N$'000	Company 2010 N$'000
Shareholders' loan taken at commencement of the year	--	--	88 058	--
	--	--	88 058	--

28. Capital expenditure commitments

	Group 2011 N$'000	Group 2010 N$'000	Company 2011 N$'000	Company 2010 N$'000
Commitments in respect of contracts placed	33 671	13 447	33 671	13 447
Shareholder capital commitments - Neotel	3 709	45 728	3 709	45 728

A total of N$156.7 million was approved for capital expenditure for the year ended 30th of September 2011. Save for the aforelisted commitments in respect of contracts placed, the approved capital expenditure for the year ended 30th of September 2011 was spent. The Group finances capital expenditure from existing borrowing facilities and cash resources generated from operations. Refer to note 4 for the commitments due on WACS.

29. Operating lease commitments

The future minimum lease payments under operating lease contracts are as follows:

	Group 2011 N$'000	Group 2010 N$'000	Company 2011 N$'000	Company 2010 N$'000
No later than one year:	69 842	83 215	69 842	83 215
- Vehicles	23 605	35 857	23 605	35 857
- Office machines	1 987	1 784	1 987	1 784
- Buildings - related party	44 250	45 574	44 250	45 574
Later than one year, but not later than 5 years:	210 072	255 042	210 072	255 042
- Vehicles	22 931	36 740	22 931	36 740
- Office machines	10 141	12 049	10 141	12 049
- Buildings - related party	177 000	206 253	177 000	206 253

The vehicles are leased from Avis Fleet Services for period of 4 years. Transfer of vehicles during the tenure of the lease is prohibited in terms of the lease agreement.

The office machines are leased from Nashua Namibia over varying lease periods. No contingent rent is payable on the machines. Transfer of the machines during the tenure of the lease is prohibited in terms of the lease agreement.

The buildings are leased from Namibia Post & Telecom Holdings Limited over varying lease periods. No contingent rent is payable on the leased buildings.

	Group 2011 N$'000	Group 2010 N$'000	Company 2011 N$'000	Company 2010 N$'000

30. Pension Fund

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

An actuarial valuation was carried out for the year ended 30 September 2011, which indicated that the fund was in a sound financial position. As at the 30th of September 2011, a total of 1 117 (2010: 943) employees were members of the Napotel Pension Fund.

	Group 2011 N$'000	Group 2010 N$'000	Company 2011 N$'000	Company 2010 N$'000
Contributions to the pension fund:	47 962	28 924	47 962	28 924
Company	35 701	20 121	35 701	20 121
Employees	12 261	8 803	12 261	8 803

31. Guarantee(s)

The Company issued a guarantee in favour of Millennium Bank in respect of a loan granted to its associate:

	Group 2011 N$'000	Group 2010 N$'000	Company 2011 N$'000	Company 2010 N$'000
Mundo Startel	20 025	18 075	20 025	18 075
	20 025	18 075	20 025	18 075

32. Contingent assets and contingent liabilities

32.1 Contingent asset

	Group 2011 N$'000	Group 2010 N$'000	Company 2011 N$'000	Company 2010 N$'000
Government of the Republic of Botswana	118 129	271 125	118 129	271 125
Mobile Telecommunications Limited	59 065	--	59 065	--
	177 194	271 125	177 194	271 125

The Government of the Republic of Botswana has provided a guarantee for the amount of N$118 129 113 (US$14 747 705) (2010: N$271 125 000 (US$37 500 000)) for the participation of Botswana Telecommunications Corporation in WACS where Telecom Namibia is the lead agent for the Namibia, Swakopmund Landing Point.

Mobile Telecommunications Limited has entered into agreement with Telecom Namibia in terms of which it is responsible for 25% of the WACS capacity landing in Namibia. It is therefore liable for an amount of N$59 064 557 (US$7 373 852) (2010:N$Nil (US$Nil)) of the total outstanding payments due to the contractor.

32.2 Contingent liabilities

	Group 2011 N$'000	Group 2010 N$'000	Company 2011 N$'000	Company 2010 N$'000
Alcatel-Lucent	236 258	542 250	236 258	542 250
	236 258	542 250	236 258	542 250

A contingent liability in the amount of N$236 258 226 (US$29 495 409), (2010: N$542 250 000 (US$75 000 000)) has arisen as a result of Telecom Namibia's participation in the West Africa Coast Cable System. In terms of this project, Telecom Namibia, as the lead agent for the Namibia landing point is directly responsible for the payments due for the landing point albeit recoverable prorata from Botswana Telecommunications Corporation and Mobile Telecommunications Corporation.

33. Prior year adjustment and restatement of comparatives

	Group 2011 N$'000	Restated Group 2010 N$'000	Company 2011 N$'000	Restated Company 2010 N$'000
The table below summarises adjustments processed in the current financial year in respect of the prior year.				
Income statement				
Revenue - services rendered		(27 075)		(27 075)
Administrative expenses		27 075		27 075
Net restatement		--		--

Monthly billing for the sale of services includes usage by employees of the Group's services. This is subsequently expensed in full as it is not recovered from the employees. The relevant revenue and expenditure were previously included in the Group's operating results but are now off against each other as they are considered internally generated revenue and expenditure.

The effects of the adjustments in the financial statements are as follows:

- A decrease in revenue N$20 183 000 (2010: N$27 075 000).
- A decrease in administrative expenses N$20 183 000 (2010: N$27 075 000).

34. Financial instruments and risk management

Exposure to constantly changing market conditions has driven the Group's management to take cognisance of financial risks which are of relevance and significance to the Group. The Group's risk management policies are monitored on an on-going basis by the Board of Directors' Risk Management Committee. In the course of conducting its day to day operations, the Group holds or issues financial instruments.

The Group's operations are financed by internally generated cash flows, bonds and loan facilities obtained from financial institutions. On a selected transaction basis, the Group utilises derivative financial instruments to mitigate and manage its exposure to market risks from changes in interest and foreign exchange rates.

The following are the categories of financial instruments held as at reporting date:

	Group 2011 N$000	Group 2010 N$000	Company 2011 N$000	Company 2010 N$000
Financial assets at fair value				
Bank	59 052	44 476	59 002	44 425
Investments	823	54 710	823	54 710
Derivatives	7 016	6 441	7 016	6 441
Financial liabilities at fair value				
Bank overdraft	--	--	--	--
Loans and receivables at amortised cost				
Loans advanced	--	114 599	--	--
Loan to subsidiary	--	--	402 308	435 427
Loan to associate	481 469	468 388	156 984	122 346
Trade and other receivables	172 536	170 932	172 536	170 932
Amount by fellow subsidiaries	1 215	353	1 215	353
Amounts owing by holding company	72	105	72	105
Finance lease receivables	26 601	40 357	26 601	40 357
Financial liabilities at amortised cost				
Long-term liabilities	522 510	634 929	522 510	546 871
Short-term portion of long-term liabilities	24 829	24 684	24 829	24 684
Trade and other payables	171 202	171 248	171 202	171 248
- Financial instruments	116 024	139 979	116 024	139 979
- Non-financial instruments	55 178	31 269	55 178	31 269
Amounts owing to fellow subsidiaries	1 902	--	1 902	--
Amounts owing to holding company	39 000	39 000	39 000	39 000

34. Financial instruments and risk management (Continued)

Fair value of financial instruments

The carrying values of all financial instruments which are disclosed in the statements of financial position approximate their fair values except as reflected for the Telecom Bond. The estimated net fair values as at 30 September 2011 have been determined using available market information as at that date. These values are however not necessarily an entirely accurate reflection of the amounts that the Group could realise in the normal course of business.

Derivatives are carried at fair value. The carrying value of receivables, bank balances, payables and accruals, approximate their fair value amounts due to the short-term maturities of these instruments. The fair value of the borrowings disclosed above are based on the expected future payments discounted at market interest rates.

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates prevailing on the market as inputs.

Except as detailed below, the directors consider that the carrying amounts of financial assets and liabilities recorded in the Group and Company's financial statements approximate their fair values:

	2011		2010	
	Carrying amount N$'000	Fair Value N$'000	Carrying amount N$'000	Fair Value N$'000
Financial liabilities				
Long-term loans	296 500	209 043	296 500	176 994

Interest rate risk management

Interest rate risk arises from the price adjustments effected on the Group's forward cover and floating rate debt as well as incremental funding or new borrowings and the refinancing of existing borrowings.

At year end, various loans granted by European Investment Bank loans which were converted to floating rates through a swap agreement entered into with Standard Chartered Corporate Merchant Bank, were still outstanding.

The table below summarises the interest rate swaps outstanding as at 30 September 2011 and at 30 September 2010.

		Interest Rate			Balance	
Loan Number	**Currency**	**Original**	**Swap**	**Maturity**	**30 Sept 2011**	**30 Sept 2010**
		Fixed	**Variable**	**Date**		
A	EURO	3.00%	10.10%	15-Nov-13	1 555 622	2 146 709
D	EURO	3.90%	11.35%	15-Nov-13	311 634	430 045

Credit risk management

Financial assets of the Group which are susceptible to credit risk comprise of held-to-maturity investments, bank and cash balances, financial assets held at fair value through profit or loss, loans and receivables and available-for-sale assets, (other than equity investments). This risk arises from the likelihood of default by a counterparty with whom the Group has entrusted custody of its financial asset(s). Where this default happens, the Group's loss would be limited to the fair value of the financial asset lost through such default.

There is a concentration of credit risk in the loans availed to Communitel (Refer to note 6 for more details) and to Mundo Startel (Refer to note 8 for more details).

34. Financial instruments and risk management (Continued)

Credit risk management (Continued)

The Group's exposure to credit risk is influenced mainly by each type of customer's credit worthiness. Management seeks to reduce the risk of irrecoverable debt through a comprehensive customer credit appraisal and independent credit checks at the time of application for post-paid services by all customers.

The Group has introduced a variety of prepaid products to cater for those customers to whom credit cannot be extended on the basis of their adverse credit ratings. This ensures that products and services are still provided to these customers on a cash basis and hence reducing the concomitant credit risk arising from extension of credit to these customers.

The Group provides for impairment of trade receivables which could arise as a result of non-payment by any of the customers once an adequate assessment has been undertaken of the likelihood of the customers failing to pay their accounts. This allowance is based on the duration over which accounts remain outstanding as well as assessment of individual customers' capacity to pay amounts owed.

Telecom Namibia guarantees a predetermined portion of employees' housing loans obtained under the Group Housing Scheme. Such guarantees are extended on the basis of employees' respective job grades and level of remuneration. In return, employees benefiting from such guarantees, undertake to cede an equivalent portion of their pensions which in turn can be applied by Telecom Namibia to settle any obligation arising from a default by the beneficiary employee under this arrangement. Given the underlying security against which any financial losses on such guarantees may be applied, the Group does not make any provision in respect of these contingencies.

The Group has a significant exposure to credit risk as a result of it taking the role of Namibia's Lead Agent for WACS. As the Lead Agent for Namibia, the Group has committed to the project to the extent of seventy five million United States dollars (US$75 000 000), this representing the capacity which will be accessible on the cable upon completion of construction. As at the 30th of September 2011, a total of US$45.5 million had been contributed towards the Group's commitment in the WACS project.

Telecom has in turn entered into a joint venture with Botswana Telecommunications Corporation (BTC) and Mobile Telecommunications Limited (MTC) for joint ownership of the capacity to become available on completion of WACS. In terms the agreement, BTC will own fifty per cent (50%) of the capacity acquired by Telecom Namibia for a payment amounting to thirty seven million and five hundred thousand United States Dollars (US$37 500 000) with the rest of the capacity jointly owned by Telecom Namibia and MTC. Telecom Namibia obtained a letter of comfort from the Government of the Republic of Namibia (GRN) in respect of its participation in the project while the Botswana Government has also availed a guarantee to the Government of the Republic Namibia in the amount thirty seven million and five hundred thousand United States Dollars (US$37 500 000) in support of BTC.

Telecom Namibia is thus exposed to potential credit risk from any failure by BTC and MTC to meet their financial commitments under this project as, by virtue of being the Lead Agent, it remains solely and directly liable for the costs attributable to the Namibia's prorata capacity within WACS and the Swakopmund Landing Station. The guarantee provided by the Government of the Republic of Botswana and the contract with MTC however mitigate the risk which would otherwise arise from the failure by BTC and MTC to meet their financial contributions towards this project. Refer to note 32 for more information.

Additionally, Telecom Namibia is exposed to potential credit risk through the upfront payments which will be made during the tenure of the construction project to the WACS contractor, Alcatel, because transfer of risks and benefits of ownership will transfer upon completion of the project. Alcatel has provided a performance guarantee to Telecom Namibia, alongside other participants in the project as assurance on the expected deliverables.

The movement in the allowance for impairment in respect of trade receivables during the years is disclosed in note 12.

Liquidity risk management

Liquidity risk pertains to the likelihood of the Group failing to meet its obligations when they fall due. Liquidity risk is managed by Telecom Namibia's Corporate Finance and Administration division in accordance with policies and guidelines formulated by Telecom's Board of Directors. In terms of its borrowing requirements the Group ensures that sufficient facilities exist with reputable financial institutions to meet its immediate obligations.

Telecom Namibia has unused short term borrowing facilities with local financial institutions amounting to N$198 million (2010: N$198 million).

Telecom Namibia credit rating of triple B minus was reaffirmed by internationally renowned rating agency, Fitch, during the current financial year.

The Development Bank of Namibia approved and subsequently disbursed a corporate finance facility to Telecom Namibia in the amount of N$120 million in December 2010. The loan was granted to refinance the MPLS Project.

Telecom Namibia has on-going commitments to provide funds amounting to N$45 million for the roll out of the Neotel business plan in terms of the Communitel shareholders agreement. In addition, the Group has further commitments towards Alcatel in respect of its participation in WACS in the amount of N$375 million. The Group envisages utilising a combination of internally generated resources and open market borrowings to be accessed through the Bond Programme, to finance these commitments. N$271.1 million in respect of the amount due to Alcatel will be financed by Botswana Telecommunications Corporation, in lieu of capacity to be made available upon completion of the project.

34. Financial instruments and risk management (Continued)

Liquidity risk management (Continued)

Telecom Namibia has invested a total of N$660 million towards its ventures in Angola (Mundo Startel) and South Africa (Neotel). This comprises of cost of the investments as well as shareholders loans granted.

Neotel has since improved and commenced generating positive EBITDA thus giving impetus to the medium to long term expectation of returns by Telecom Namibia.

The financial performance of Mundo Startel has been below expectation mainly because of cash flow constraints thus forcing Telecom Namibia to consider to dispose of its shareholding in the business. The Board of Telecom Namibia has approved the disposal and negotiations are currently on-going with co-shareholders for take-over of Telecom Namibia's shareholding in Mundo Startel. Refer to Note 15

There are currently no cash flow pay outs to either of the investment by Telecom Namibia, thus relieving the local operations of the financial burden which could otherwise arise from the payments.

The Group did not identify any significant changes in its exposure to liquidity risk and its objectives, policies and processes for managing and measuring the risk during the 2011 financial year.

34. Financial instruments and risk management (Continued)

Liquidity risk management (Continued)

The table below details the contractual maturities for the Group and Company's non-derivative financial liabilities. Year-end interest rates were used to determine the contractual amounts payable:

Group

	<1 year	2-5 years	>5 years	Interest Adjustment	Total
2011	**N$'000**	**N$'000**	**N$'000**	**N$'000**	**N$'000**
Trade and other payables	115 750	--	--	--	115 750
Short-term portion of long-term liabilities	64 945	--	--	(40 116)	24 829
Loan due to holding company	--	--	39 000	--	39 000
Long-term liabilities	--	483 463	159 000	(119 953)	522 510
	180 695	483 463	198 000	(160 069)	702 089
2010					
Trade and other payables	171 248	--	--	--	171 248
Short-term portion of long-term liabilities	30 422	--	--	(5 738)	24 684
Loan due to holding company	--	--	39 000	--	39 000
Loan due to Mkonto We Sizwe Military Veterans Association	--	--	88 058	--	88 058
Long-term liabilities	--	568 574	209 407	(231 110)	546 871
Short-term portion of long-term liabilities	201 670	568 574	336 465	(236 848)	869 861

Company

	<1 year	2-5 years	>5 years	Interest Adjustment	Total
2011	**N$'000**	**N$'000**	**N$'000**	**N$'000**	**N$'000**
Trade and other payables	115 750	--	--	--	115 750
Short-term portion of long-term liabilities	64 945	--	--	(40 116)	24 829
Loan due to holding company	--	--	39 000	--	39 000
Long-term liabilities	--	483 463	159 000	(119 953)	522 510
	180 695	483 463	198 000	(160 069)	702 089
2010					
Trade and other payables	171 248	--	--	--	171 248
Short-term portion of long-term liabilities	30 422	--	--	(5 738)	24 684
Loan due to holding company	--	--	39 000	--	39 000
Long-term liabilities	--	568 574	209 407	(231 110)	546 871
	201 670	568 574	248 407	(236 848)	781 803

34. Financial instruments and risk management (Continued)

Liquidity risk management (Continued)

The table below details the contractual maturities for the Group and Company's non-derivative financial assets. Year-end interest rates were used to determine the contractual amounts receivable:

Group

2011	<1 year N$'000	2-5 years N$'000	>5 years N$'000	Interest Adjustment N$'000	Total N$'000
Trade and other receivables	116 024	--	--	--	116 024
Amounts owing by fellow subsidiaries	1 215	--	--	--	1 215
Amount owing by holding company	72	--	--	--	72
Loan to associate	--	--	481 469	--	481 469
Finance lease receivables	15 509	11 651	--	(559)	26 601
Cash and bank balances	59 875	--	--	--	59 875
	192 695	11 651	481 469	(559)	685 256

2010	<1 year N$'000	2-5 years N$'000	>5 years N$'000	Interest Adjustment N$'000	Total N$'000
Trade and other receivables	170 932	--	--	--	170 932
Amounts owing by fellow subsidiaries	353	--	--	--	353
Amount owing by holding company	105	--	--	--	105
Loan due to Mkonto We Sizwe Military Veterans Association	--	--	114 597	--	114 597
Loan to associate	--	--	146 388	--	146 388
Finance lease receivables	14 947	26 035	--	(725)	40 257
Investments	54 710	--	--	--	54 710
Cash and bank balances	44 476	--	--	--	44 476
	285 523	26 035	260 985	(725)	571 818

Company

2011	<1 year N$'000	2-5 years N$'000	>5 years N$'000	Interest Adjustment N$'000	Total N$'000
Trade and other receivables	116 024	--	--	--	116 024
Amounts owing by fellow subsidiaries	1 215	--	--	--	1 215
Amount owing by holding company	72	--	--	--	72
Loan to subsidiary	--	--	540 052	--	540 052
Loan to associate	--	--	77 714	--	77 714
Finance lease receivables	15 509	11 651	--	(559)	26 601
Cash and bank balances	59 825	--	--	--	59 825
	192 645	11 651	617 766	(559)	821 503

2010	<1 year N$'000	2-5 years N$'000	>5 years N$'000	Interest Adjustment N$'000	Total N$'000
Trade and other receivables	170 932	--	--	--	170 932
Amounts owing by fellow subsidiaries	353	--	--	--	353
Loan to subsidiary	--	--	435 427	--	435 427
Loan to associate	--	--	146 388	--	146 388
Finance lease receivables	14 947	26 035	--	(725)	40 257
Investments	54 710	--	--	--	54 710
Cash and bank balances	44 425	--	--	--	44 425
	285 367	26 035	581 815	(725)	892 492

34. Financial instruments and risk management (Continued)

Foreign currency risk

Foreign currency risk arises from the likelihood of incurring losses as a result of settling a foreign obligation or realising an asset denominated in foreign currency at an unfavourable exchange rate.

The Group manages its foreign currency exchange rate risk by:

- Applying foreign currency proceeds from business conducted with foreign operators against foreign currency obligations; and
- Hedging material foreign currency exposures through certain financial instruments as approved by the Group's policies and guidelines.

Swap agreements converting foreign currency denominated borrowings and forward cover contracts cushioning against fluctuations in exchange rates, have been entered into to mitigate the risk arising from carrying the exposures in foreign currencies.

The following table illustrates the sensitivity to a reasonably possible change in the exchange rates, with all other variables held constant, to the Group's profit before tax. A 10% sensitivity rate is applied for internal reporting purposes to key management personnel. This sensitivity analysis is based on the outstanding foreign currency transactions at reporting date excluding those for which forward cover contracts have been taken out with counterparties.

	Group 2011 N$'000	Group 2010 N$'000	Company 2011 N$'000	Company 2010 N$'000
For 10% increase in exchange rates				
Decrease in profit for year	1 535	15 822	1 535	15 822
For 10% decrease in exchange rates				
Increase in profit for year	1 535	15 822	1 535	15 822

Amounts receivable and owing in foreign currencies which were not covered at reporting date are as follows:

	Group 2011 N$'000	Group 2010 N$'000	Company 2011 N$'000	Company 2010 N$'000
Receivable:				
USD	16 094	15 682	16 094	15 682
Contingent Asset:				
USD	14 748	25 928	14 748	25 928
Payables:				
Euro	2 030	642	2 030	642
USD	504	1 504	504	1 504
Contingent Liabilities:				
USD	29 496	51 856	29 496	51 856

The Group did not note any significant changes in its exposure to foreign currency risk and its objectives, policies and processes for managing and measuring the risk during the 2011 financial year.

34. Financial instruments and risk management (Continued)

Interest rate risk

The sensitivity analyses below have been determined based on the exposure to interest rates at the reporting date. For floating rate liabilities, the analysis is prepared on with the assumption that the amount of the liability outstanding at the reporting date was outstanding for the whole of the financial year.

A 100 basis point increase or decrease 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.

Interest rate risk management

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's and Company's effect on the income statement would be as follows:

	Group 2011 N$'000	Group 2010 N$'000	Company 2011 N$'000	Company 2010 N$'000
For 100 basis points higher				
Decrease in profit for year	5 863	6 060	5 863	6 060
For 100 basis points lower				
Increase in profit for year	5 863	6 060	5 863	6 060

If interest rates had been 300 basis points higher/lower and all other variables were held constant, the Group's and Company's effect on the income statement would be as follows:

	Group 2011 N$'000	Group 2010 N$'000	Company 2011 N$'000	Company 2010 N$'000
For 300 basis points higher				
Decrease in profit for year	17 589	18 180	17 589	18 180
For 300 basis points lower				
Increase in profit for year	17 589	18 180	17 589	18 180

The above effects on profit for the year would arise because of the Group's exposure to variable rate receivables and borrowings.

34. Financial instruments and risk management (Continued)

Capital management

The Group's policy is to continue to maintain an adequate capital base to finance its business as outlined in the Group Strategic Plan and continue to carry out its mandate to the nation whilst simultaneously ensuring sufficient profitability and returns for the shareholder.

The following indicates the Groups' gearing position as at reporting date.

	Group 2011 N$'000	Group 2010 N$'000	Company 2011 N$'000	Company 2010 N$'000
The gearing ratio at the year-end was as follows:				
Long-term borrowings	547 339	659 613	547 339	571 555
Cash and cash equivalents	(59 875)	(99 186)	(59 825)	(99 135)
Net Debt	487 464	560 427	487 514	472 420
Equity	747 470	722 250	1 209 387	1 157 680
Equity to debt ratio	1.53	1.28	2.48	2.45

Long-term debt includes all debt which is repayable over a period beyond one year from the reporting date. On an annual basis, capital requirements are determined, prioritised and aligned with the available financial resources. Provision is then made for any deficits in capital availability mainly through term loan facilities with financial institutions. The Group maintains a good credit record with reputable financial institutions and this ensures continued availability of funding in the case of any deficits.

As at the 30th of September 2011, total unutilised borrowing facilities amounted to N$ 198 million (2010: N$184 million). All the issued shares are owned by the Government of the Republic of Namibia.

There were no significant changes to the Group's methodology of capital management in the year ended 30th of September 2011.

34. Subsequent events

Telecom Namibia is currently in negotiations with Powercom (Proprietary) Limited for the acquisition of the latter's 100% shareholding in Leo Namibia (Leo). Leo is the second mobile operator in Namibia utilising GSM technology. Should the take-over successfully be concluded, Telecom Namibia intends to migrate its voice service offering from the current CDMA technology to GSM.

Annexure A – Standards and interpretations issued but not yet effective

Standards, amendments and interpretations and revisions to existing standards that are not yet effective and have not been early adopted by the Group.

The following Standards, amendments and interpretations and revisions to existing standards have been published and are mandatory for the Group's accounting periods beginning after 1 October 2011 or latter periods, and will be adopted by the Group in the year they become effective:

Number	Title		Effective date		Executive summary
IFRS 1	First-time Adoption of International Financial Reporting –Amendments resulting from May 2010 Annual Improvements to IFRS's		Annual periods beginning on or after 1 January 2011		The objective of this amendment is to set out the procedures that an entity must follow when it adopts IFRSs for the first time as the basis for preparing its general purpose financial statements.
IFRS 1	First-time Adoption of International Financial Reporting Standards – Replacement of 'fixed dates' for certain exceptions with 'the date of transition to IFRSs'		Annual periods beginning on or after 1 July 2011		The objective of this IFRS 1 is to set out the procedures that an entity must follow when it adopts IFRSs for the first time as the basis for preparing it's general purpose financial statements.
IFRS 7	Financial Instruments Disclosures- Amendments resulting from May 2010 Annual Improvements to IFRS's		Annual periods beginning on or after 1 January 2011		The objective of this IFRS is to require entities to provide disclosures in their financial statements that enable users to evaluate the risk the significance of financial instruments for the entity's financial position and performance; and the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the reporting date, and how the entity manages those risks.
IFRS 7	Financial Instruments: Disclosures- Amendments enhancing disclosures about transfers of financial assets		Annual periods beginning on or after 1 July 2011		The requirement to present additional disclosures of IAS 27, IAS 28, and IAS 31 in the individual financial statements accounting for interests in subsidiaries, associates or joint ventures in accordance with IAS 39 has been deleted.
IFRS 9	Financial Instruments- Classification and measurement of financial assets		Annual periods beginning on or after 1 December 2011		The objective of this IFRS is to introduce new requirements for classifying and measuring financial assets.
IFRS 9	Financial Instruments- Accounting for financial liabilities and derecognition		Annual periods beginning on or after 1 December 2011		The objective of this IFRS is to provide guidance on the process of accounting for, and derecognising financial liabilities.
IFRS 10	Consolidated Financial Statements		Annual periods beginning on or after 1 January 2013		The objective of this IFRS is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.
IFRS 11	Joint Arrangements		Annual periods beginning on or after 1 May 2011		The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.
IFRS 12	Disclosures of Interests in Other Entities		Annual periods beginning on or after 1 January 2013		The objective of this IFRS is to require the disclosure of information that enables users of financial statements to evaluate, the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

Annexure A – Standards and interpretations issued but not yet effective (Continued)

Number	Title	Effective date	Executive summary
IFRS 13	Fair Value Measurement	Annual periods beginning on or after 1 January 2011	The objective of the IFRS is to define fair value, set out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements.
IAS 1	Presentation of Financial Statements- Amendments resulting from May 2010 Annual Improvements to IFRS's	Annual periods beginning on or after 1 January 2011	The objective of IAS 1 is to prescribe the basis for presentation of general purpose financial statements, to ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other entities.
IAS 1	Presentation of Financial Statements-Amendments to revise the way other comprehensive income is presented	Annual periods beginning on or after 1 July 2012	The objective of IAS 1 is to prescribe the basis for presentation of general purpose financial statements, to ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other entities.
IAS 12	Income Taxes – Limited scope amendment (recovery of underlying assets).	Annual periods beginning on or after 1 January 2012	The purpose of the amendment is to provide an exception to the principle in IAS 12 that measurement of deferred tax assets (liabilities) is based on the manner the carrying amount of an asset is recovered.
IAS 19	Employee Benefits- Amended Standard resulting from the Post-Employment Benefits and	Annual periods beginning on or after 1 January 2013	The objective of this Standard is to prescribe the accounting and disclosure for employee benefits (that is, all forms of consideration given by an entity in exchange for service rendered by employees).
IAS 24	Related Party Disclosures- Revised definition of related parties	Annual periods beginning on or after 1 January 2011	The main objective of this Standard is to provide additional guidance and clarity in the scope of the Standard, the definitions and the disclosures for related parties.
IAS 32	Financial Instruments: Presentation- Amendments to application guidance on the offsetting of financial liabilities	Annual periods beginning on or after 1 February 2010	The objective of this Standard is to establish principles for presenting financial instruments as liabilities or equity and for offsetting financial assets and financial liabilities.
IAS 27	Consolidated and Separate Financial Statements-Reissued as IAS 27 Separate Financial Statements (as amended in 2011)	Annual periods beginning on or after 1 January 2013	The objective of this Standard is to set standards to be applied in accounting for investments in subsidiaries, jointly ventures, and associates when an entity elects, or is required by local regulations, to present separate (non-consolidated) financial statements.
IAS 28	Investments in Associates – Reissued as IAS 28 Investments in Associates and Joint Ventures (As amended in 2011)	Annual periods beginning on or after 1 January 2011	The objective of IAS 28 (as amended in 2011) is to prescribe the accounting for investments in associates and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.
IAS 32	Financial Instruments: Presentation- Amendments to application guidance on the offsetting of financial asset and financial liabilities	Annual periods beginning on or after 1 January 2014	The stated objective of this Standard is to establish principles for presenting financial instruments as liabilities or equity and for offsetting financial assets and liabilities.


MOBILE ADSL
INTERNET
CALLER ID
WIRELESS WEB
WLAN IP
METRONET I-STAY SMARTFAX VPN
HOT-SPOT
E-MAIL WIFI CONNECT ISDN
SPEED
ICT 3G-EVDO
COMPUTER
TECHNOLOGY
DIGICON
WIMAX