Notes to the financial statements
for the year ended 30 September 2007

1. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The consolidated financial statements are prepared in accordance with and comply with International Financial Reporting Standards (IFRS). The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of 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.

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. 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.

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of further events that are believed to be reasonable under the circumstances. The group makes estimates and assumptions concerning the future. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year, are discussed below:

a) 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.

b) Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date.

c) Inventories

Stock counts are performed annually, and thereafter management writes off or provides for any missing or damaged stock items.

d) Discount rates

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

e) 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.

Notes to the financial statements
for the year ended 30 September 2007

f) 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. A valuation was done for the current year. All actuarial gains and losses are recognised in full.

g) Estimated impairment of goodwill

The group tested 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.

Plant and equipment

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

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

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.

Rates of depreciation currently applied are as follows:

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

Repairs and maintenance are generally charged to expenses during the financial period in which they are incurred. However, major renovations are capitalized and included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the group. Major renovations are depreciated over the remaining useful life of the related asset.

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 of plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Inventories and work in progress

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 realizable value is 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.

Notes to the financial statements
for the year ended 30 September 2007

Deferred tax

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

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

Financial assets

The group classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

(a) Financial assets at fair value through profit and loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. There were no such fair value assets held during the year.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the group provides money, goods or services directly to a debtor with no intention of trading the receivable.

(c) Available-for-sale

Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Purchases and sales of financial assets at fair value through profit or loss, held to maturity and available for sale are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Loans are recognised when cash is advanced to the borrowers. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity should be recognised in profit or loss. However, interest calculated using the effective interest method is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the entity's right to receive payment is established.

Notes to the financial statements
for the year ended 30 September 2007

Financial assets - continued

The fair values of quoted investments in active markets are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

(d) Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the group's management has the positive intention and ability to hold to maturity. Were the group to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available for sale. During the period the group did not hold any investments in this category.

Accounts receivable

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

Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks, and investments in money market instruments, net of bank overdrafts. In the balance sheet, 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) 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 income statement 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 ways of penalty is recognised as an expense in the period in which termination takes place.

b) 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.

Notes to the financial statements
for the year ended 30 September 2007

Dividends

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

Pension fund arrangements

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

Post-retirement obligations

The group provides post-retirement pension fund and medical aid benefits to their retirees (refer note 20). The entitlement of these benefits is based on the employee remaining in service up to retirement age. The expected costs of these benefits are accrued over the period of employment. Valuations of these obligations are carried out by an independent qualified actuary.

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 group invoices independent service providers for the revenue billed by them on behalf of the group, when the deliverables are used.

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.

- 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.

Notes to the financial statements
for the year ended 30 September 2007

Revenue - continued

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 is 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 are 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 operating leases of the base stations and other equipment are recognised on a straight line basis over the lease terms.

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Financial instruments

(i) Financial risk factors

In the normal course of its operations, the group is exposed to interest rate, liquidity, exchange rate and credit risk. The group manages the risk as follows:

Interest rate risk

The group's income and operating cash flows are substantially independent of changes in market interest rates. As part of managing interest rate exposure, interest rate characteristics of new borrowings will be positioned according to expected movements in interest rates.

On a long-term basis, the group borrows from financial institutions at interest rates varying between 10,96% and 19% (2006 : 10,96% and 19%).

Credit risk

The group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. The group has policies that limit the amount of credit risk exposure to any one financial institution, and cash transactions are limited to high credit quality financial institutions.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. The group aims at maintaining flexibility in funding by keeping committed credit lines available.

Exchange credit risk

The local currency amounts to be paid and contractual exchange rates of the group's outstanding contracts were:
EUR 420 028 N$9,74 = EUR 1

(ii) Fair value estimation

In assessing the fair value of financial instruments, the group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for the specific or similar instruments are used for long-term debt.

The face value, less any estimated credit adjustment for financial assets and liabilities with a maturity of less than one year, are assumed to approximate fair values. The fair value of financial assets and liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rates available to the group for similar financial instruments.

Borrowings

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective interest rate method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings.

Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the group 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 group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. 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 group. 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, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

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. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

(b) 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 income statement. 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.

(c) 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 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 income statement 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 re recognised in the income statement.

Intangible assets

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 on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill on acquisitions of associates is included in 'investments in associates' and is tested for impairment as part of the overall balance. Separately recognised 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 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. 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

(a) 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 Namibian Dollar (N$) which is the company's functional and presentation currency.

(b) 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 income statement, 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.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary

Foreign currency translation - continued

economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates on the dates of the transactions); and
(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Trade payables

Trade payables are carried at the fair value of the consideration to be paid in future for goods or services that have been received or supplied and invoiced or formally agreed with the supplier.

Derivative financial instruments

Derivatives are carried at their fair value upon initial recognition. The fair value are also relevant for subsequent measurement. The fair value of traded derivatives is equal to their market value, which can be positive or negative. If there is no market value available the fair value must be calculated using standard financial valuation models. For recording changes in the fair values, recognition in either the income statement or directly in equity, a determination is made whether or not the derivative is part of an effective hedging relationship as set out in IAS 39. If no hedge accounting is employed, the changes in the fair values of the derivatives must always be recognised in profit or loss.

New accounting standards and IFRIC interpretations

(a) Certain new accounting standards and IFRIC interpretations have been published that are mandatory for accounting periods beginning on or after 1 October 2006.

IFRS 6 Exploration for and Evaluation of Mineral Resources (effective from 1 January 2006)

IAS 19 (Amendment) Employee Benefits (effective from 1 January 2006)

IAS 21 (Amendment) Net Investment in a Foreign Operation (effective from 1 January 2006)

IAS 39 and IFRS 4 (Amendment) Financial Guarantee Contracts (effective from 1 January 2006)

IAS 39 (Amendment) Cash Flow Hedge Accounting of Forecast Intragroup Transactions (effective from 1 January 2006)

New accounting standards and IFRIC interpretations - continued

IAS 39 (Amendment) The Fair Value Option (effective from 1 January 2006)

IFRIC Interpretation 4 Determining whether an Arrangement Contains a Lease (effective from 1 January 2006)

IFRIC Interpretation 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (effective from 1 January 2006)

IFRIC Interpretation 6 Liabilities arising from Participating in a Specific Market – Waste electrical and Electronic Equipment (effective from 1 January 2006)

IFRIC Interpretation 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economics (effective from 1 March 2006)

IFRIC Interpretation 8 Scope of IFRS 2 (effective from 1 May 2006)

IFRIC Interpretation 9 Reassessment of Embedded Derivatives (effective from 1 June 2006)

AC 503 Accounting for Black Economic Empowerment ("BEE") transactions (effective from 1 May 2006)

(b) Interpretations and amendments issued but not effective for your September 2007 year-end and have not been early adopted by the group.

IFRS 7 Financial Instruments: Disclosures, and a complementary Amendment to IAS 1 (AC 101), Presentation of Financial Statements - Capital Disclosures (effective from 1 January 2007)

IFRS 8 Operating Segments (effective from 1 January 2009)

IFRIC Interpretation 10 Interim financial reporting and impairment (effective from 1 November 2007)

IFRIC Interpretation 11 IFRS 2 Group and Treasury share transaction (effective from 1 March 2007)

IFRIC 12 Service Concession Arrangements (effective from 1 January 2008)

IFRIC 14 IAS 19 The limit on a defined benefit asset, minimum funding requirements and their interaction (effective from 1 January 2008)

IFRIC 13 Customer Loyalty Programs (effective from 1 July 2008)

IAS 23 Borrowing costs (effective from 1 January 2009)

2. Transition to IFRS

1.1 Basis of transition to IFRS

2.1.1 Application of IFRS 1

The Group's financial statements for the year ended 30 September 2007 will be the first annual financial statements that comply with IFRS. These financial statements have been prepared as described in Note 1. The Group has applied IFRS 1 in preparing these consolidated financial statements.

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2. Transition to IFRS - continued

The group's transition date is 1 October 2005. The Group prepared its opening IFRS balance sheet at that date.

In preparing these consolidated financial statements in accordance with IFRS 1, the Group has applied the mandatory exceptions from full retrospective application of IFRS.

2.1.2 Exemptions from full retrospective application – elected by the group

The group has elected not to apply the following optional exemptions from full retrospective application.

(a) Business combinations exemption

The group has not applied the business combinations exemption in IFRS 1. No business combination occurred prior to the 1 October 2005 transition date.

(b) Fair value as deemed cost exemption

A first time adopter may elect to measure certain items of plant and equipment at fair value as at transition date. The group did not make use of this exemption.

(c) *Employee benefits*

A first time adopter may elect to recognise all cumulative actuarial gains and losses as at transition date. The group did not have accumulative actuarial gains and losses; this exemption is not applicable.

(d) Cumulative translation differences exemption

A first time adopter may elect to set the previously accumulated cumulative translation differences to zero at transition date. The Group did not have cumulative translation differences; this exemption is not applicable.

(e) *Compound financial instruments exemption*

The Group has not issued any compound instruments; this exemption is not applicable.

(f) *Assets and liabilities of subsidiaries, associates and joint ventures exemption*

This exemption is not applicable, as the use of the exemption is made at the level of the subsidiary, associate or joint venture that adopts IFRS later than its parent company.

(g) *Designation of previously recognised financial assets and financial liabilities exemption*

The group has not applied this exemption in IFRS 1.

(h) *Share-based payment transaction exemption*

This exemption is not applicable. The group has not made any share-based payments.

(i) *Insurance contracts exemption*

2. Transition to IFRS - continued

(j) *Decommissioning liabilities included in the cost of plant and equipment exemption*

The Group does not have decommissioning liabilities; this exemption is not applicable.

(k) *Fair value measurement of financial assets or liabilities at initial recognition*

The Group has not applied the exemption offered by the revision of IAS 39 on the initial recognition of the financial instruments measured at fair value through profit and loss where there is no active market. This exemption is therefore not applicable.

(l) *Exemption from restatement of comparatives for IAS 32, IAS 38 and IFRS 4*

The group has not applied this exemption in IFRS 1.

(m) *Exemption from the requirements to present comparative information for IFRS 6*

This exemption is not applicable to the Group.

(n) Exemption from the requirements to provide comparative disclosures for IFRS 7

This exemption is not applicable to the Group.

2.1.3. Exceptions from full retrospective application followed by the Group

The Group has applied the following mandatory exceptions from retrospective application.

(a) Derecognition of financial assets and liabilities exception

Financial assets and liabilities derecognised before 1 October 2005 have not been re-stated in terms of IFRS. Management did not choose to apply the IAS 39 derecognition criteria to a date earlier than 1 October 2006.

(b) Hedge accounting exception

Management has claimed hedge accounting from 1 October 2006 only if the hedge relationship meets all the hedge accounting criteria under IAS 39. No formal hedge documentation was put in place in the past and therefore hedge accounting has not been applied.

(c) Estimates exception

Estimates under IFRS at 1 October 2005 should be consistent with estimates made for the same date under previous GAAP, unless there is evidence that those estimates were in error.

(d) Assets held for sale and discontinued operations exception

Management applies IFRS 5 prospectively from 1 October 2006. The Group did not have any assets that met the held-for-sale criteria during the period presented. No adjustment was required.

Notes to the financial statements
for the year ended 30 September 2007

3. Expenses by Nature

The following items have been charged/(credited) in arriving at operating profit:

	Group 2007 N$'000	Group 2006 N$'000	Company 2007 N$'000	Company 2006 N$'000
Auditors' remuneration				
Audit fees - current year	1 262	478	1 262	478
Other services – current year	292	285	256	285
Penalties and interest	25 168	--	25 168	--
Depreciation	134 532	119 662	134 532	119 662
Loss/ (Profit) on disposal of plant and equipment	892	(607)	892	(607)
Operating lease rentals	49 960	46 216	49 960	46 216
Cost of sales	27 385	6 533	27 385	6 533
Staff costs (refer to note 6)	314 609	274 177	314 609	274 177
Directors' emoluments	1 834	1 462	1 834	1 462
Advertising and Promotions	13 429	13 008	13 429	13 008
International settlements	216 118	223 078	216 118	223 078
Repairs and maintenance	53 440	53 070	53 440	53 070
Acturial (gain)/loss on post retirement benefits	(2 214)	(1 308)	(2 214)	(1 308)
Other expenses	150 899	146 538	150 839	146 535
Fair value adjustment on derivative	6 043	2 070	6 043	2 070
	993 649	884 662	993 553	884 659

Notes to the financial statements
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	Group 2007 N$'000	Group 2006 N$'000	Company 2007 N$'000	Company 2006 N$'000
4. Financial Items				
Interest received	20 490	28 598	18 271	28 598
Less: Interest paid	(36 930)	(30 000)	(34 368)	(30 000)
Long-term loans and promissory notes	(32 238)	(26 800)	(29 676)	(26 800)
Other interest	(4 692)	(3 200)	(4 692)	(3 200)
	(16 440)	(1 402)	(16 097)	(1 402)
5. Taxation				
Namibian normal income tax	–	(55 698)	–	(55 698)
Deferred tax				
Current year timing differences	(28 982)	(6 103)	(28 982)	(6 103)
Tax charge for the year	(28 982)	(61 801)	(28 982)	(61 801)

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

	Group 2007 N$'000	Group 2006 N$'000	Company 2007 N$'000	Company 2006 N$'000
Profit before tax	53 752	174 092	54 191	174 095
Tax calculated at a tax rate of 35% (2006 : 35%)	(18 813)	(60 932)	(18 967)	(60 933)
- Income not subject to tax	–	316	–	316
-Expenses not deductible for tax purposes	(10 169)	(1 185)	(10 015)	(1 184)
Tax charge	(28 982)	(61 801)	(28 982)	(61 801)
5. Staff Costs				
Salaries and other related costs	273 809	273 809	235 193	235 193
Social Security	404	404	411	411
Medical Aid	15 458	15 458	14 860	14 860
Pension Fund	24 938	24 938	23 713	23 713
	314 609	314 609	274 177	274 177

Notes to the financial statements
for the year ended 30 September 2007

	Telecommunication installations and equipment N$'000	Furniture and fittings N$'000	Capital work in progress N$'000	Motor vehicles N$'000	Total N$'000
7. Plant and equipment - Company					
Year ended 30 September 2007					
Cost					
Beginning of year - restated	1 717 271	303 250	157 488	2 012	2 180 021
Beginning of year - as previously stated	1 756 468	303 250	157 488	2 012	2 219 218
Prior year adjustment - note 30.1	15 837	–	–	–	15 837
Prior year adjustment - note 30.4	(55 034)	–	–	–	(55 034)
Additions	–	7 514	338 629	–	346 143
Disposals	(15 699)	(93 055)	–	(384)	(109 138)
Transfers	269 773	(4 044)	(265 729)	–	–
Closing Balance	1 971 345	213 665	230 388	1 628	2 417 026
Accumulated depreciation					
Beginning of year - restated	697 883	252 705	–	1 985	952 573
Beginning of year - as previously stated	1 172 125	252 705	–	1 985	1 426 815
Prior year adjustment - note 30.1	15 837	–	–	–	15 837
Prior year adjustment - note 30.2	(457 371)	–	–	–	(457 371)
Prior year adjustment - note 30.4	(32 708)	–	–	–	(32 708)
Depreciation charge	105 320	29 201	–	11	134 532
Depreciation on disposals	(14 653)	(92 974)	–	(384)	(108 011)
Closing balance	788 550	188 932	–	1 612	979 094
Bookvalue at 30 September 2007	1 182 795	24 733	230 388	16	1 437 932

Notes to the financial statements
for the year ended 30 September 2007

7. Plant and equipment (continued) - Company

	Telecommunication installations and equipment N$'000	Furniture and fittings N$'000	Capital work in progress N$'000	Motor vehicles N$'000	Total N$'000
Year ended 30 September 2006					
Cost					
Beginning of year - restated	1 657 490	295 311	70 457	2 441	2 025 699
Beginning of year - as previously stated	1 686 661	295 311	70 457	2 441	2 054 870
Prior year adjustment - note 30.1	15 837	--	--	--	15 837
Prior year adjustment - note 30.4	(45 008)	--	--	--	(45 008)
Additions	--	11 499	158 510	--	17 0 009
Disposals	(1 672)	(3 560)	--	(429)	(5 661)
Transfers - restated	61 453	--	(71 479)	--	(10 026)
Transfers - as previously stated	71 479	--	(71 479)	--	--
Prior year adjustment - note 30.4	(10 026)	--	--	--	(10 026)
Closing Balance	1 717 271	303 250	157 488	2 012	2 180 021
Accumulated depreciation					
Beginning of year - restated	609 449	226 576	--	2 403	838 428
Beginning of year - as previously stated	1 028 610	226 576	--	2 403	1 257 589
Prior year adjustment - note 30.1	15 837	--	--	--	15 837
Prior year adjustment - note 30.2	(414 573)	--	--	--	(414 573)
Prior year adjustment - note 30.4	(20 425)	--	--	--	(20 425)
Depreciation charge - restated	90 076	29 575		11	119 662
Depreciation charge - as previously stated	145 157	29 575	--	11	174 743
Prior year adjustment - note 30.2	(42 798)	--	--	--	(42 798)
Prior year adjustment - note 30.4	(12 283)	--	--	--	(12 283)
Depreciation on disposals	(1 642)	(3 446)	--	(429)	(5 517)
Closing balance	697 883	252 705	--	1 985	952 573
Bookvalue at 30 September 2006	1 019 388	50 545	157 488	27	1 227 448

Certain of the fixed assets have been encumbered as stated in note 13.

Notes to the financial statements
for the year ended 30 September 2007

7. Plant and equipment (continued) - Group

	Telecommunication installations and equipment N$'000	Furniture and fittings N$'000	Capital work in progress N$'000	Motor vehicles N$'000	Total N$'000
Year ended 30 September 2007					
Cost					
Beginning of year - restated	1 717 271	303 250	157 488	2 012	2 180 021
Beginning of year - as previously stated	1 756 468	303 250	157 488	2 012	2 219 218
Prior year adjustment - note 30.1	15 837	--	--	--	15 837
Prior year adjustment - note 30.4	(55 034)	--	--	--	(55 034)
Additions	--	7 514	338 629	--	346 143
Disposals	(15 699)	(93 055)	--	(384)	(109 138)
Transfers	269 773	(4 044)	(265 729)	--	--
Closing Balance	1 971 345	213 665	230 388	1 628	2 417 026
Accumulated depreciation					
Beginning of year - restated	697 883	252 705	--	1 985	952 573
Beginning of year - as previously stated	1 172 125	252 705	--	1 985	1 426 815
Prior year adjustment - note 30.1	15 837	--	--	--	15 837
Prior year adjustment - note 30.2	(457 371)	--	--	--	(457 371)
Prior year adjustment - note 30.4	(32 708)	--	--	--	(32 708)
Depreciation charge	105 320	29 201	--	11	134 532
Depreciation on disposals	(14 653)	(92 974)	--	(384)	(108 011)
Closing balance	788 550	188 932	--	1 612	979 094
Bookvalue at 30 September 2007	1 182 795	24 733	230 388	16	1 437 932

Notes to the financial statements
for the year ended 30 September 2007

7. Plant and equipment (continued) - Group

	Telecommunication installations and equipment N$'000	Furniture and fittings N$'000	Capital work in progress N$'000	Motor vehicles N$'000	Total N$'000
Year ended 30 September 2006					
Cost					
Beginning of year - restated	1 657 490	295 311	70 457	2 441	2 025 699
Beginning of year - as previously stated	1 686 661	295 311	70 457	2 441	2 054 870
Prior year adjustment - note 30.1	15 837	--	--	--	15 837
Prior year adjustment - note 30.4	(45 008)	--	--	--	(45 008)
Additions	--	11 499	158 510	--	17 0 009
Disposals	(1 672)	(3 560)	--	(429)	(5 661)
Transfers - restated	61 453	--	(71 479)	--	(10 026)
Transfers - as previously stated	71 479	--	(71 479)	--	--
Prior year adjustment - note 30.4	(10 026)	--	--	--	(10 026)
Closing Balance	1 717 271	303 250	157 488	2 012	2 180 021
Accumulated depreciation					
Beginning of year - restated	609 449	226 576	--	2 403	838 428
Beginning of year - as previously stated	1 028 610	226 576	--	2 403	1 257 589
Prior year adjustment - note 30.1	15 837	--	--	--	15 837
Prior year adjustment - note 30.2	(414 573)	--	--	--	(414 573)
Prior year adjustment - note 30.4	(20 425)	--	--	--	(20 425)
Depreciation charge - restated	90 076	29 575		11	119 662
Depreciation charge - as previously stated	145 157	29 575	--	11	174 743
Prior year adjustment - note 30.2	(42 798)	--	--	--	(42 798)
Prior year adjustment - note 30.4	(12 283)	--	--	--	(12 283)
Depreciation on disposals	(1 642)	(3 446)	--	(429)	(5 517)
Closing balance	697 883	252 705	--	1 985	952 573
Bookvalue at 30 September 2006	1 019 388	50 545	157 488	27	1 227 448

Certain of the fixed assets have been encumbered as stated in note 13.

Notes to the financial statements
for the year ended 30 September 2007

	Group 2007 N$'000	Group 2006 N$'000	Company 2007 N$'000	Company 2006 N$'000
8. Investments				
Loans originated				
Bank Windhoek : Ceded deposit	67 470	71 943	67 470	71 943
The deposit earns interest at 18.7% (2006:18.7%)p.a.				
The deposit was ceded as security for a				
Bank Windhoek loan account (refer note 13).				
Available-for-sale				
Sepco Communications (Pty) Ltd				
- preference shares	--	1 749	--	--
- loan advanced	--	5 248	--	--
	67 470	78 940	67 470	71 943
At the beginning of year	78 940	64 344	71 943	64 344
Investment transferred to investment in associate	(6 997)	--	--	--
Acquisition of subsidary	--	1 250	--	--
Additions	3 141	13 346	3 141	7 599
Repayments made	(20 000)	--	(20 000)	--
Interest received	12 386	--	12 386	--
At end of year	67 470	78 940	67 470	71 943
9. Inventories				
Materials for installations	35 947	22 418	35 947	22 418
Workshop and consumable stores	463	810	463	810
Goods for resale	16 204	2 186	16 204	2 186
	52 614	25 414	52 614	25 414

The value of inventory shown at net realisable value = N$2 329 505.

	Group 2007 N$'000	Group 2006 N$'000	Company 2007 N$'000	Company 2006 N$'000
10. Accounts receivable				
Trade receivables				
Total trade receivables	132 141	145 372	132 141	145 372
Less: Provision for impairment	(8 673)	(11 627)	(8 673)	(11 627)
Forward Exchange contract	2 063	--	2 063	--
Receiver of Revenue - VAT	12 931	--	12 931	--
Outstanding deposits	511	--	511	--
Other debtors	31 414	8 240	31 414	8 240
	170 387	141 985	170 387	141 985

Notes to the financial statements
for the year ended 30 September 2007

	Group 2007 N$'000	Group 2006 N$'000	Company 2007 N$'000	Company 2006 N$'000
11. Cash and cash equivalents				
Bank balances	46 706	202 594	46 652	202 540
Cash on hand	3 116	10 299	3 116	10 299
	49 822	212 893	49 768	212 839

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

	Group 2007 N$'000	Group 2006 N$'000	Company 2007 N$'000	Company 2006 N$'000
Bank balances	46 706	202 594	46 652	202 540
Cash on hand	3 116	10 299	3 116	10 299
Bank overdraft	(19 900)	--	(19 900)	--
	29 922	212 893	29 868	212 839

The bank overdraft is secured by cession of fixed deposits dated 20 April 2006.

	Group 2007 N$'000	Group 2006 N$'000	Company 2007 N$'000	Company 2006 N$'000
12. Share capital				
Authorised				
200 000 000 (2006: 200 000 000) ordinary shares of N$1 (2006: N$1) each	200 000	200 000	200 000	200 000
Issued				
154 529 936 (2006:154 529 936) ordinary shares of N$1 (2006: N$1) each	154 530	154 530	154 530	154 530

Notes to the financial statements
for the year ended 30 September 2007

	Group 2007 N$'000	Group 2006 N$'000	Company 2007 N$'000	Company 2006 N$'000
13. Long Term Liabilities				
Secured				
Loan from European Investment Bank. The group has entered into currency swap agreements that entitle it to pay interest at rates varying between 10,96% and 12,25% p.a. (2006: 10,96% and 12,25% p.a.) The capital amount is repayable in13 (2006 : 15) 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 Namibia.	58 654	71 575	58 654	71 575

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

EUR 5 621 314	N$ 9,74	=	EUR 1
GBP 1 892 356	N$ 14,26	=	GBP 1
US$ 589 838	N$ 6,86	=	USD 1

	Group 2007 N$'000	Group 2006 N$'000	Company 2007 N$'000	Company 2006 N$'000
Loan from Bank Windhoek Limited The Bank Windhoek loan account is currently bearing interest at a fixed rate of 19% (2006 : 19%). The capital amount is repayable in 1 (2006: 3) semi-annual instalments, with the first payment due in April 2006 and the final instalment payable in October 2007. The Bank Windhoek deposit was ceded as security for this loan. The deposit earns interest at 18,7% (2006 : 18,7%) p.a.	67 740	75 053	67 740	75 053
MKhonto we Sizwe Military Veterans Association The loan is unsecured, interest-free and is not subject to any fixed terms of repayment. These arrangements are reviewed from time to time.	9 371	--	--	--
Balance carried forward	135 765	146 628	126 394	146 628

Notes to the financial statements
for the year ended 30 September 2007

	Group 2007 N$'000	Group 2006 N$'000	Company 2007 N$'000	Company 2006 N$'000
13. Long Term Liabilities (continued)				
Balance brought forward	135 765	146 628	126 394	146 628
First National Bank of Namibia	--	10 213	--	10 213
This loan was fully repaid in the year.				
Telecom Namibia registered loan stock bearing interest at 16% (2006:16%)p.a., paid bi-annually in arrears. The capital amount was repaid in 2007.	--	20 535	--	20 535
Loan from Kreditanstalt für Wiederaufbau (KfW) channelled through the Government of the Republic of Namibia bearing interest at 2% (2006:2%)p.a. The loan is repayable in 3(2006:5) semi-annual instalments. The loan of Euro 420 028 (2006: Euro 709 760) has been stated at spot rate of N$9,74 (2006: N$9.98). Also refer note 16.	4 091	6 957	4 091	6 957
Short-term bonds	200 000	--	200 000	--
The bond bears interest at 10,85% p.a., with a maturity date of 31/01/2008. The capital amount are repayable in 2008.				
	339 856	184 333	330 485	184 333
Less: Short-term portion transferred to current liabilities	(282 534)	(64 569)	(282 534)	(64 569)
	57 322	119 764	47 951	119 764
Maturity of non-current borrowings (excluding finance lease liabilities):				
Not later than 1 year	282 534	64 569	282 534	64 569
Later than 1 year and not later than 5 years	57 322	119 764	47 951	119 764
	339 856	184 333	330 485	184 333

Notes to the financial statements
for the year ended 30 September 2007

	Group 2007 N$'000	Group 2006 N$'000	Company 2007 N$'000	Company 2006 N$'000
14. Total interest bearing borrowings				
- Long-term loans	57 322	119 764	47 951	119 764
- Short-term loans	282 534	64 569	282 534	64 569
- Bank overdrafts	19 900	--	19 900	--
	359 756	184 333	350 385	184 333

15. Deferred tax

Deferred income taxes are calculated on all temporary differences under the comprehensive method using a principal tax rate of 35% (2006 : 35%).

The movement on the deferred income account is as follows:

	Group 2007 N$'000	Group 2006 N$'000	Company 2007 N$'000	Company 2006 N$'000
At beginning of year - restated	360 002	353 899	360 002	353 899
As previously stated	194 137	203 192	194 137	203 192
Priot Year Adjustments	165 865	150 707	165 865	150 707
Movements during year attributable to:				
Timing differences	28 982	6 103	28 982	6 103
At end of year	388 984	360 002	388 984	360 002
Deferred tax liabilities may be analysed as follows:				
Tax losses	(3 494)	--	(3 494)	--
Capital allowances	425 692	390 869	425 692	390 869
Provisions	(23 098)	(21 858)	(23 098)	(21 858)
Advanced income	(10 116)	(9 009)	(10 116)	(9 009)
	388 984	360 002	388 984	360 002

16. Trade and other payables

	Group 2007 N$'000	Group 2006 N$'000	Company 2007 N$'000	Company 2006 N$'000
Unpresented cheques	35 076	24 056	35 076	24 056
Trade payables	90 114	126 322	90 114	126 322
Foreign exchange contracts (refer note 13)	1 347	1 666	1 347	1 666
Accruals	55 869	38 479	55 869	38 479
Receiver of Revenue - VAT	--	18 391	--	18 391
	182 406	208 914	182 406	208 914

Notes to the financial statements
for the year ended 30 September 2007

	Group 2007 N$'000	Group 2006 N$'000	Company 2007 N$'000	Company 2006 N$'000
17. Current tax asset				
Balance at beginning of year	(2 771)	4 917	(2 771)	4 917
Charge to income statement	192 701	46 643	192 701	46643
Deferred tax adjustment	(192 701)	9 055	(192 701)	9 055
Balance at end of year	29 314	2 771	29 314	2 771
Payments made	26 543	63 386	26 543	63 386
18. Capital expenditure approved				
Commitments in respect of contracts placed	74 768	44 894	74 768	44 894

It is intended to finance capital expenditure from existing borrowing facilities and from working capital generated within the group.

19. 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 Pension Funds Act. Employees' contributions amount to 7% of basic salary and the group's contribution amounts to 16% of basic salary.

An acturial valuation was carried out for the year ended 30 September 2006, which indicated that the fund was in a sound financial position.

20. Post retirement benefits

The group provides post employment benefits by way of a medical aid scheme.

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

The liability created in terms of IAS 19 amounts to N$ 49,575 million (2006: N$46,123 million).
The principal actuarial assumptions used for accounting purposes were:

Notes to the financial statements
for the year ended 30 September 2007

	Group 2007 N$'000	Group 2006 N$'000	Company 2007 N$'000	Company 2006 N$'000
20. Post retirement benefits (continued)				
- Real rate of return	2%	2%	2%	2%
- Discount rate	9%	9%	9%	9%
- Medical inflation rate	7%	7.75%	7%	7.75%
Balance at beginning of year	46 123	44 072	46 123	44 072
Current service cost	2 177	1 887	2 177	1 887
Interest cost	4 428	3 608	4 428	3 608
Miscellaneous item	(939)	(2 136)	(939)	(2 136)
Actuarial profit	(2 214)	(1 308)	(2 214)	(1 308)
Balance at end of year	49 575	46 123	49 575	46 123
Particulars in respect of the current employee members belong to the medical aid for which the group has a post-retirement medical aid liability as the investigation date are as follows:				
Number of employees	1 069	1 177	1 069	1 177
Average age (years)	40,7	39.7	40,7	39,7
Details of the current pensioner members belonging to the medical aid are as follows:				
Number of employees	190	172	190	172
Average age (years)	58,6	58,7	58,6	58,7
21. Working capital changes				
Decrease in working capital during the year				
Increase in inventories	(27 200)	(320)	(27 200)	(320)
(Increase)/Decrease in accounts receivable	(28 402)	1 246	(28 402)	10 541
(Decrease)/Increase in accounts payable	(26 508)	56 772	(26 508)	56 772
Increase in indebtness by fellow subsidiaries	12 829	916	12 829	916
Decrease in indebtness to fellow subsidiaries	692	2 321	692	2 321
Decrease in amount owing to holding group	4 194	--	4 194	--
Increase/(Decrease) in amount owing by holding group	601	(354)	601	(354)
	(63 794)	60 581	(63 794)	69 876

Notes to the financial statements
for the year ended 30 September 2007

22. Related party transactions: Company

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

The following transactions were carried out with related parties:

i) Sales of services
Namibia Post Limited : N$19 729 500 (2006 : N$26 084 500)
Mobile Telecommunications Limited : N$123 706 724 (2006 : N$100 472 363)

ii) Purchases of services
Namibia Post and Telecom Holdings Limited : N$49 419 648 (2006 : N$44 110 021)
Namibia Post Limited : N$ 2 238 162 (2006 : N$2 390 334)
Mobile Telecommunications Limited: N$134 500 193 (2006: N$140 355 000)

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

iii) Outstanding balances arising from sale/purchases of goods/services
Receivables from related parties:
Namibia Post Limited : N$ 1 229 071 (2006 : N$1 921 218)
Namibia Post & Telecom Holdings Limited: N$ nil (2006: N$601 371)

Payables to related parties:
Namibia Post Limited : N$ nil (2006 : N$580 838)
Mobile Telecommunications Limited : N$14 092 128 (2006 : N$: 682 314)
Namibia Post & Telecom Holdings Limited: N$4 193 748 (2006: N$ nil)

iv) Suretyships
The following suretyships were given by the holding group, Namibia Post and Telecom Holdings Limited:
- Suretyship for N$ 30 000 000 (2006 : N$ 30 000 000) has been provided to Standard Bank Namibia in respect of general short-term banking facilities.
- Suretyship for N$ 50 000 000 (2006 : N$ 50 000 000) has been provided to First National Bank of Namibia Limited in respect of a funding facility provided.
- Cession of fixed deposits dd 20/04/2006 to First National Bank of Namibia Limited.
- Guarantee to Bank of Namibia Limited.

Notes to the financial statements
for the year ended 30 September 2007

	Group 2007 N$'000	Group 2006 N$'000	Company 2007 N$'000	Company 2006 N$'000
22. Related party transactions: Company (continued)				
v) Key management compensation				
Salaries and other short-term employee benefits	30 375	26 286	30 375	26 286
Other long-term benefits	4 494	4 264	4 494	4 264
	34 869	30 550	34 869	30 550
23. Operating lease commitments				
The future minimum lease payments under operating lease contracts are as follows:				
- Not later than one year	5 173	33 274	5 173	33 274
- Later than one year, but not later than five years	49 610	38 089	49 610	38 089

24. Guarantees

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

The guarantees are:	Group 2007	Group 2006	Company 2007	Company 2006
China Jiangsu International	144	139	144	139
Stocks & Stocks Namibia (Pty) Ltd	25	25	25	25
The Deputy Sheriff for Windhoek	107	107	107	107
Home Heart CC	2	--	2	--
	278	271	278	271

25. Investment in subsidiary

	Group 2007	Group 2006	Company 2007	Company 2006
Beginning of the year	--	--	9000	--
Acquisition of subsidiary - shares	--	--	--	9000
	--	--	9 000	9000
Loans				
Loan advanced	--	--	48 191	15 045
	--	--	48 191	15 045
Balance at end of the year	--	--	57 191	24 045

The company holds a 75% interest in a subsidiary, Communitel Telecommunications (Pty) Ltd. The company is registered in the Republic of South Africa.

Notes to the financial statements
for the year ended 30 September 2007

	Group 2007 N$'000	Group 2006 N$'000	Company 2007 N$'000	Company 2006 N$'000
26. Investment in associated company				
Investment in Mundu Startel SARL:				
Shares at cost	29 893	29 893	29 893	29 893
Share of results	(19 935)	(5 566)	--	--
Loans advanced	65 247	4 433	65 247	4 433
	75 205	28 760	95 140	34 326

Set out below is the summarised financial information of associate :

	Group 2007 N$'000	Group 2006 N$'000	Company 2007 N$'000	Company 2006 N$'000
Assets	128 007	130 169	--	--
Liabilities	119 213	93 448	--	--
Revenues	790	316	--	
Loss after tax	(15 203)	(12 651)	--	--

The company holds a 44% interest in an associate, Mundu Startel SARL. The company is registered in the Republic of Angola.

Investment in Sepco Communications (Pty) Ltd:

	Group 2007 N$'000	Group 2006 N$'000	Company 2007 N$'000	Company 2006 N$'000
Ordinary shares at cost	--	--	--	--
Preference shares at cost	9 371	--	--	--
Share of results	(39 035)	--	--	--
Loans advanced	29 664	--	--	--
	--	--	--	--

Set out below is the summarised financial information of associate :

	Group 2007 N$'000	Group 2006 N$'000	Company 2007 N$'000	Company 2006 N$'000
Assets	1 048 949	--	--	--
Liabilities	1 179 874	--	--	--
Revenues	40 824	--	--	--
Loss after tax	(134 082)	--	--	--

The subsidiary, Communitel Telecommunications (Pty) Ltd holds a 24,5% interest in an associate, Sepco Communications (Pty) Ltd. The company is registered in the Republic of South Africa.

	Group 2007 N$'000	Group 2006 N$'000	Company 2007 N$'000	Company 2006 N$'000
Total	75 205	28 760	95 140	34 326

Notes to the financial statements
for the year ended 30 September 2007

	Group 2007 N$'000	Group 2006 N$'000	Company 2007 N$'000	Company 2006 N$'000
27. Loans advanced				
Mkhonto We Sizewe Military Veterans Association	13 785	3 745	--	--

This bears interest at prime plus 2%, unsecured and not subject to any fixed terms of repayment. These arrangements are reviewed from time to time.

28. Intangible asset

	Group 2007 N$'000	Group 2006 N$'000	Company 2007 N$'000	Company 2006 N$'000
Goodwill				
Balance at beginning of year	13 246	--	--	--
Subsidiary acquired	--	13 246	--	--
Balance at end of year	13 246	13 246	--	--

Goodwill arised on the acquisition of 75% of the shares in Communitel Telecommunications (Pty) Ltd.

29. Derivative financial instruments

	Group 2007 N$'000	Group 2006 N$'000	Company 2007 N$'000	Company 2006 N$'000
Interest rate swaps				
Opening balance	26 602	28 672	26 602	28 672
Recognised in income statement	(6 043)	(2 070)	(6 043)	(2 070)
Closing balance	20 559	26 602	20 559	26 602

At 30 September 2007, the fixed interest rates vary from 10.96% to 12,25% (2006 : 10,96% to 12,25%), and the main floating rates are LIBOR. Gains and losses recognised on interest rate swap contracts as of 30 September 2007 will be continuously recognised in the income statement until the repayment of the bank borrowings.

30. Prior year adjustments

30.1 Input VAT not claimable

During October 2006, Telecom Namibia Limited paid N$27 626 573 in respect of underpaid import VAT for the period November 2000 to September 2004. In terms of the 2007 VAT amendment Act, the tax payer is entitled to claim import VAT paid within a period of 3 years as input VAT, provided the tax payer is in possession of the required import documentation. Included in the payment of N$27 626 573 is import VAT of N$15 836 939 for the period November 2000 till September 2003 which is not claimable as input VAT as it falls outside the allowed 3 year claimable period. This resulted in the N$15 836 939 being accounted for as fixed assets and depreciated over their useful lives. The result was a decrease in opening retained earnings 1 October 2005 of N$15 836 939.

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30.2 Change in useful lives

The estimated useful lives for telecommunication installations and equipment were never assessed from inception to determine if the correct rates were used. During the 2007 year the company then for the first time assessed the useful lives. The company determined that the equipment are used for between 5 and 45 years.

The correction of the error resulted in the following:
An increase in opening retained earnings of N$457 370 831 (2006 : N$414 572 944) and net profit before tax of N$40 254 157 (2006 : N$42 797 887) and an increase in the deferred tax liability for the year of N$14 088 955 (2006 : N$14 979 260).

30.3 Derivative financial instruments

Included in long-term borrowings are currency swap agreements entered into with European Investment Bank. Terms and conditions were embedded within the host contract that behaves like a free standing derivative. These embedded derivatives should have been recognised at their fair value, separately from the non-derivative host contract. The embedded derivatives were not previously recognised. The derivative was recognised in 2007, which resulted in the following:

An increase in opening retained earnings of N$26 602 382 (2006 : N$28 671 698). A decrease in net profit before tax of N$6 043 120 (2006 : N$2 069 315) and a decrease in the deferred tax liability of N$2 115 092 (2006 : N$724 260).

30.4 Finance lease receivable

In prior years the PABX finance leases were incorrectly treated as operating leases. This was corrected in the current year.

The correction of the error resulted in the following:
A decrease in opening retained earnings of N$5 741 657 (2006 : N$12 660 962) and an increase in net profit before tax of N$2 543 809 (2006 : N$6 919 305) and an increase in the deferred tax liability of N$890 333 (2006 : N$2 421 757).

30.5 Unearned revenue

No unearned revenue were recognised in prior years in respect of prepaid tele-cards. This was done for the first time in 2007. The adjustment was only made in 2007 and 2006, as it is impractical to determine the effects on the opening balance sheet of 1 October 2005.

The effects of the adjustments were as follows:
A decrease in the net profit for the year of N$5 011 247 (2006 : N$4 337 755) and a decrease in the deferred tax liability of N$1 753 936 (2006 : N$1 518 214).

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	Group 2007 N$'000	Group 2006 N$'000	Company 2007 N$'000	Company 2006 N$'000
31. Finance lease receivable				
Gross receivables from finance leases:				
Not later than 1 year	6 249	4 761	6 249	4 761
Later than 1 year and not later than 5 years	13 219	12 156	13 219	12 156
	19 468	16 917	19 468	16 917
Unearned future finance income on finance leases	(382)	(332)	(382)	(332)
Net investment in finance leases	19 086	16 585	19 086	16 585
The net investment in finance leases may be analysed as follows:				
Not later than 1 year	6 126	4 668	6 126	4 668
Later than 1 year and not later than 5 years	12 960	11 917	12 960	11 917
	19 086	16 585	19 086	16 585