telecom namibia

Annual Report 2007/8

Creating Next-Generation Services


telecom
namibia

Contents

Vision

To be Namibia's most preferred, high-performance information communication technology (ICT) service provider of world-class standards.

Mission

To anticipate, understand and satisfy the telecommunications/ information needs and wants of our customers. We will address these demands through the development of solutions, sales and support of quality electronic, voice, data, image and text services at competitive rates.

**BHAG2010

Telecom Namibia is the trusted, first choice solution for communications customers, and towers head-and-shoulders above the competition. We will double our *EVA per employee and generate shareholder value through superior service to our customers at home, and by seizing opportunities in selected African regional economic markets. Furthermore, we are welcomed as a leading corporate citizen in the communities in which we operate because of our commitment to social responsibility. Our fast, simple and leading edge operations will serve as a benchmark for world telecommunications. We are well known for "doing things right the first time." Therefore, we are an employer of choice, and our employees are recognised for their excellent performance and valuable contributions.

*EVA - Economic Value Added using 2003 as a baseline.

**Big Hairy Audacious Goal

Values

INTEGRITY described as trustworthy by others and known for being reliable.

CARE sensitive to the needs and happiness of others.

COMMITMENT a passionate determination for achieving goals.

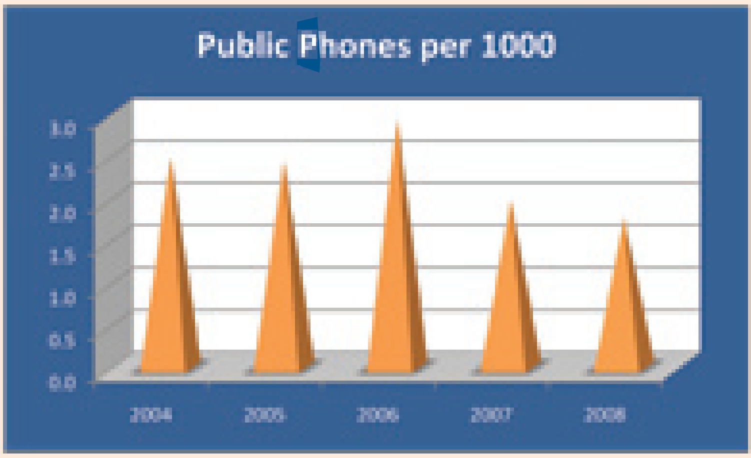
ACCOUNTABILITY takes every task assigned to them personally, and ensures its completion.

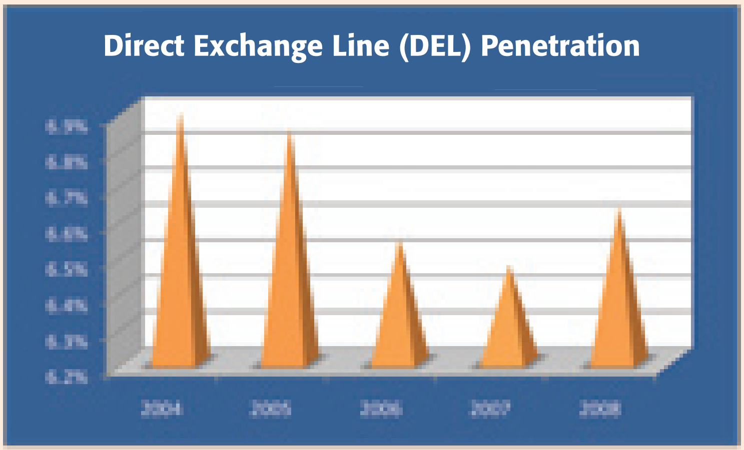
EMPOWERMENT proactively provides support and helps employees understand the company's vision and strategic plan.

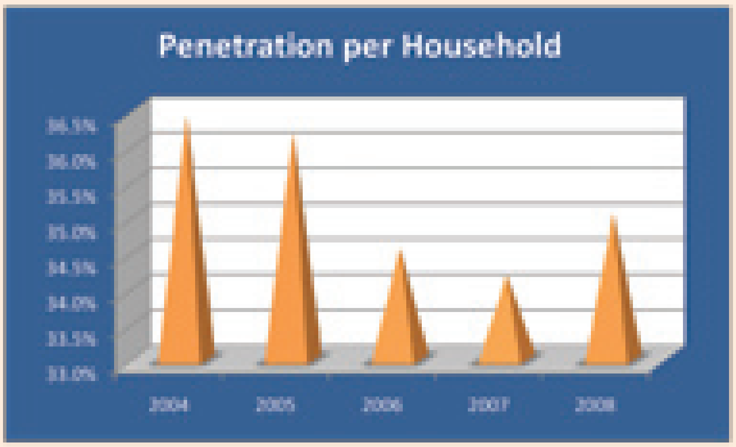
TEAMWORK a team player that sacrifices personal needs to help the team as a collective success.

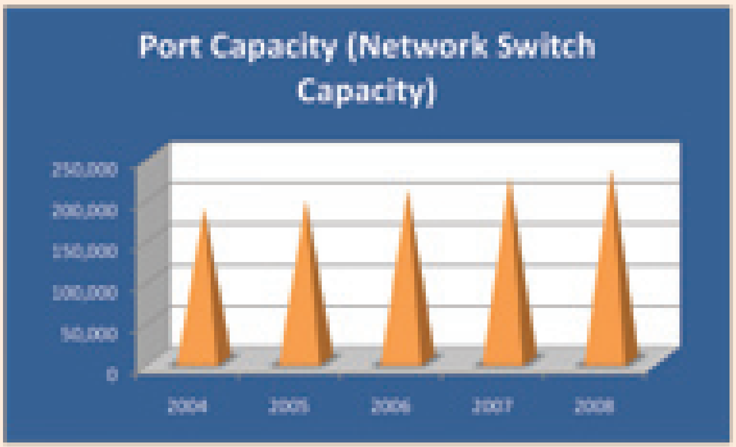
MUTUAL RESPECT acknowledges and celebrates the knowledge and achievements of others and sensitive to other people's rights, customs and wishes.

Network Statistics









We guarantee fast data connections of between

5Mbps - 100Mbps

for enterprise customers

We're able to deliver broadband connections between

256kbps - 3.1Mbps

adsl, wimax & 3G-evdo

A team of

1 134

Around the country

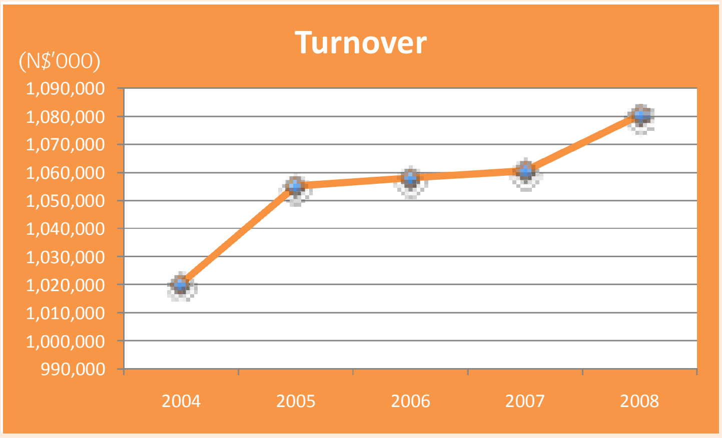
408 000 km of primary copper cable, and

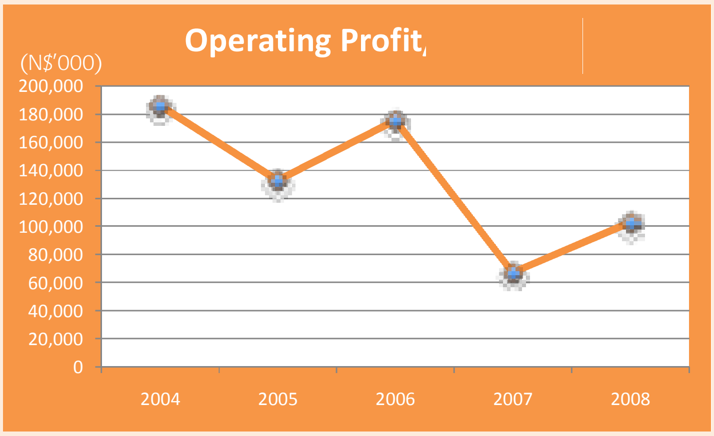
7 060 km

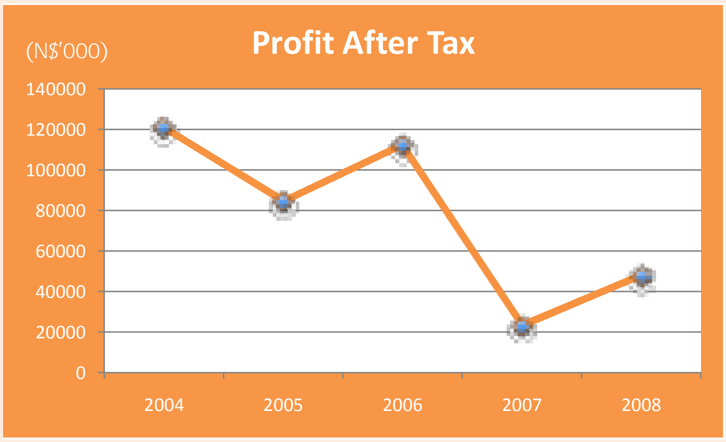
of fibre routes

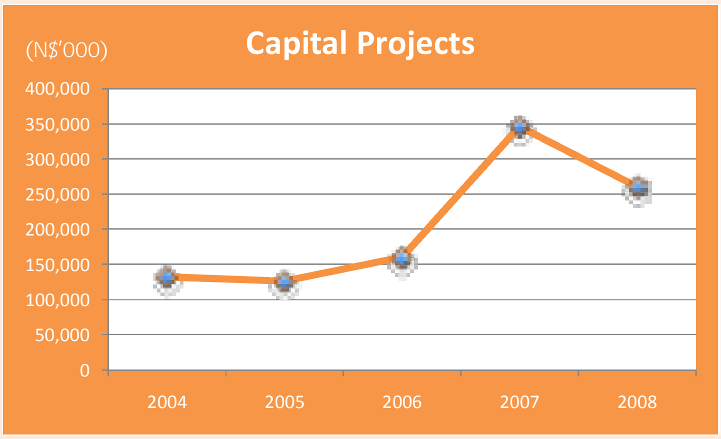

website hosting &
www.iway.

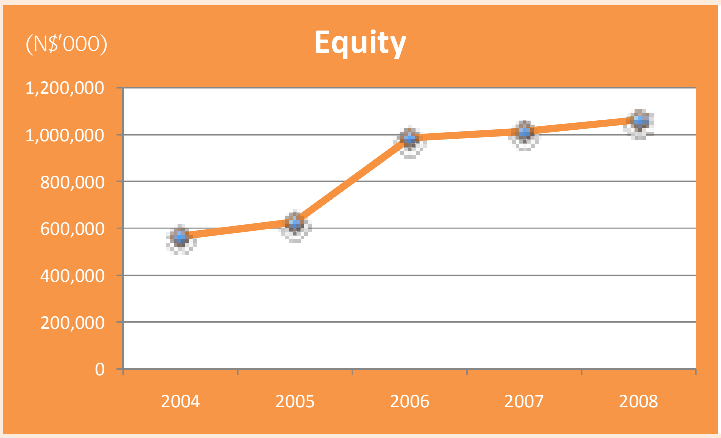
Telecom Financial Highlights 2004 - 2008

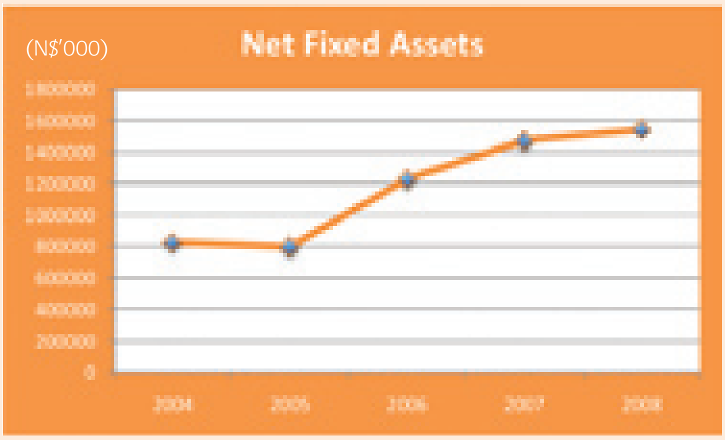




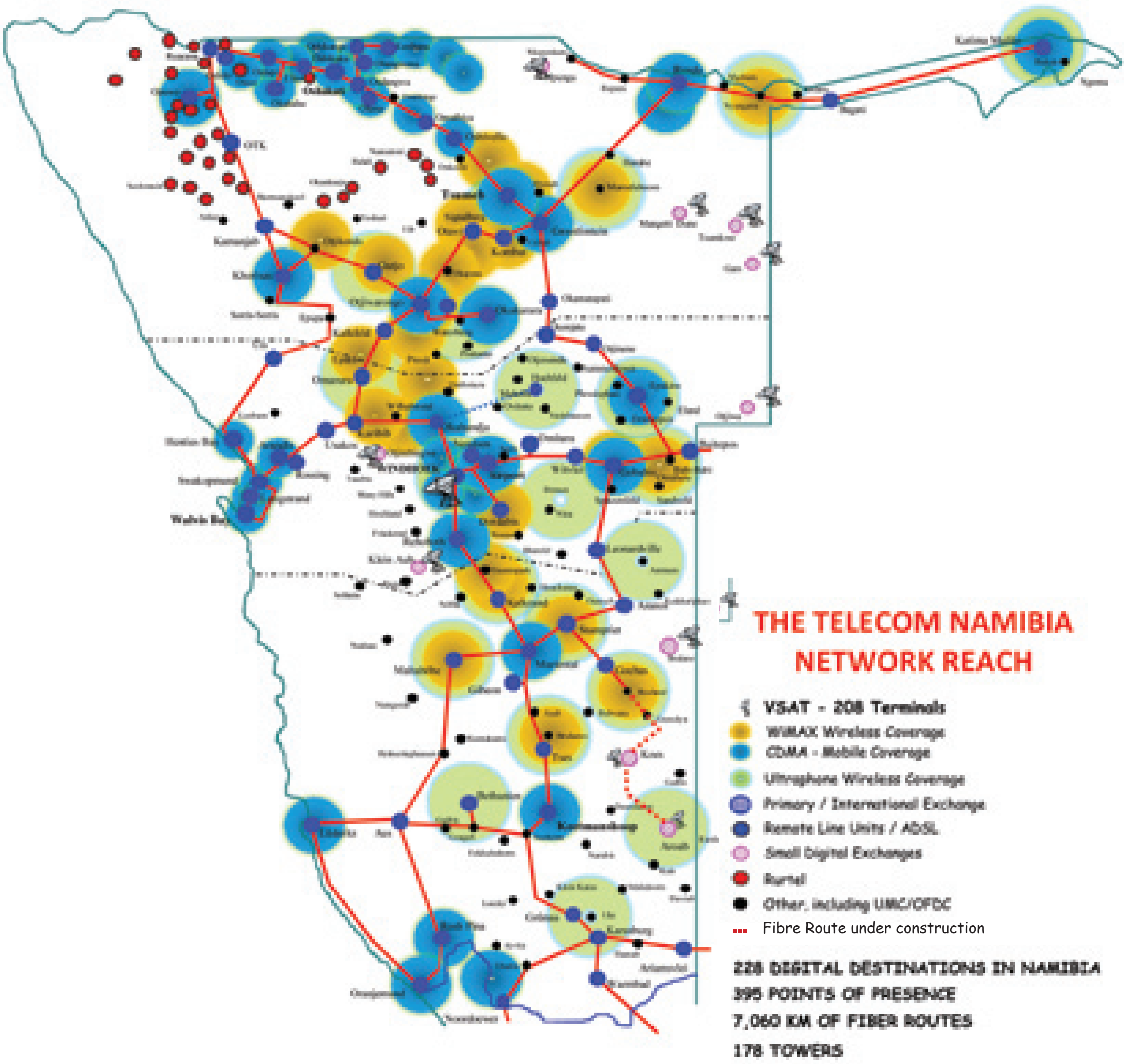








Network Map


THE TELECOM NAMIBIA
NETWORK REACH
VSAT - 208 Terminals
WiMAX Wireless Coverage
CDMA - Mobile Coverage
Ultraphone Wireless Coverage
Primary / International Exchange
Remote Line Units / ADSL
Small Digital Exchanges
Rurtel
Other, including UMC/OFDC
Fibre Route under construction
228 DIGITAL DESTINATIONS IN NAMIBIA
395 POINTS OF PRESENCE
7,060 KM OF FIBER ROUTES
178 TOWERS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Board of Directors

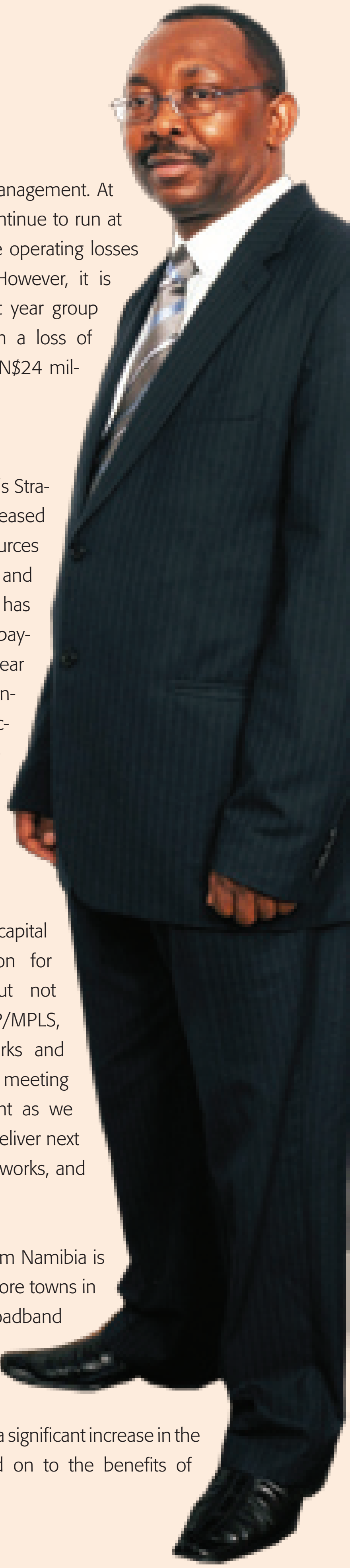
Roger Gertze, Frans Ndoroma (Managing Director), Joseph Iita (Chairman), Feitjie Veldskoen and Michael Mukete

Management Structure

Hein Bader (GM: Technology), Dr Ben van der Merwe (Head: Internal Audit and Risk Management), Chie Wasserfall (GM: Service Provisioning & Assurance), Frans Ndoroma (Managing Director), Amanda Hauuanga (GM: Marketing & Sales), Andrew Kanime (GM: Human Resource & Strategic Training), Coenraad Coetzee (GM: ICT & Corporate Business Solutions)

Oiva Angula (Senior Manager: Corporate Communications & PR), Laban Hiwilepo (GM: Network Provisioning & Assurance), Robert Offner (GM: Finance & Administration), Wessel van der Vyver (GM: International Services), Stanley Shanapinda (Head: Legal Services & Company Secretary) and Theodorus Klein (GM: Corporate Strategy)

Chairman's Review



On behalf of the Board of Directors, I have great pleasure in presenting the 15th Annual Report providing an overview of Telecom Namibia's operations, our operating environment and the Audited Financial Statements for the year ended 30 September 2008.

Despite the numerous challenges experienced during the year, the business has achieved a great deal of success and the board is pleased with the progress the group is making.

From a strategic perspective, Telecom Namibia is repositioning into a new phase of development. Our 'Strategy 2010' agenda is delivering against set targets in many respects and the organisation is steadily moving towards attaining next generation service provider status.

The board is confident that the changes undertaken over the past two years will deliver sustainable benefits, and that the group is well positioned to embark on the next phase of growth.

Financial Performance

The group had a satisfactory growth with an operating profit N$103 million compared to N$67m in 2007. However, loss after tax amounted to N$24m compared to N$31 in the preceding year. This is attributable to the losses incurred by the subsidiary and associates. We are determined to improve this situation as the desire of the Board and the shareholder is to bring about a step shift in performance through a well thought out strategy and plan to implement a series of changes to improve performance and create shareholder value over the medium term. We have started on this process and I am confident from my initial review that we can achieve improvements quickly.

The net assets decreased by 3% from N$956m as at 30 September 2007 to N$932 at the end of the year under review as a result of the group loss incurred. The overall asset base however increased and this was underpinned by the significant investment in local capital infrastructure development and further investments in foreign ventures in which Telecom Namibia has acquired shareholding stakes. This resulted in an increase in net assets value per share from N$6.57 to N$6.87, representing a 5% increase.

In terms of profitability, the group and company improved markedly in the current financial year. The company's profit after tax went up by 102% from 23.2 million in the previous financial year to N$46.9 million in the current year as a result of increased turnovers and improved cost management. At a group level, the operations continue to run at an overall loss as a result of the operating losses incurred by foreign ventures. However, it is pleasing to to note that current year group loss decreased by 20% - from a loss of N$31 million in 2007 down to N$24 million in the current year.

Dividend

The ongoing rollout of the group's Strategic Blueprint has invariably increased the demand for financial resources to fund the underlying projects and ventures. As a result, the board has decided not to recommend the payment of a dividend for the year ended 30 September 2008 but instead to plough back the resources into the business to facilitate the successful attainment of the group's goals. The position will be kept under review.

Capital Projects

The Board approved a total capital budget of over N$260 million for various projects, including but not limited to, the deployment of IP/MPLS, ADSL and WiMAX, ring networks and others. These are all aimed at meeting targets in the Strategic Blueprint as we continue the transformation to deliver next generation fixed and mobile networks, and IT services.

I am happy to report that Telecom Namibia is delivering faster broadband to more towns in Namibia. We anticipate our broadband enhancement project will make high-speed broadband available to many Namibians by 2011, which over time will mean a significant increase in the number of Namibians switched on to the benefits of broadband.

Governance and Risk Management

To protect and enhance shareholder value, the board has a strong ongoing commitment to transparency and good corporate governance as an imperative part of discharging its responsibilities. The annual report include a number of statements on the robust corporate governance structure and risk management framework prevailing throughout the company and the group. We have always maintained a high level of corporate governance and we continue to refine our practices in this area each year.

The board again this year actively contributed to the oversight of the company and group's business, strategy and people development.

The board sub-committees met on a regular basis during the year and continued to provide the board with the necessary assurance that risk, audit and remuneration structures and processes were being correctly implemented by management.

The board awaits the much anticipated King III Report on Corporate Governance, to be published in 2009.

Sustainable Development

It is pleasing to report that Telecom Namibia issued 3 759 orders to the value of about N$187 million to black economic empowerment (BBE) suppliers or contractors during the year. This constitutes 46.30% of all orders placed and 41.60% of the overall value of all orders placed. When one takes into account that Telecom Namibia and the group purchase items this is indeed an exemplary achievement.

The group continues its corporate social investment programme, with education, ICT and other social causes as its key focus areas. It will continue to target projects that align with the footprint and strategies of the group activities. Our social activities help to sustain business performance by strengthening the communities in which we operate, improve business efficiency and developing relationships with stakeholders, and ultimately leading to increased shareholder returns.

Employees

One of the underlying strengths of the group is the quality of its people. Their commitment to Telecom Namibia's core values underpins the results achieved this year. On behalf of the board, I would like to thank all employees for their special efforts and contributions during the year under review.

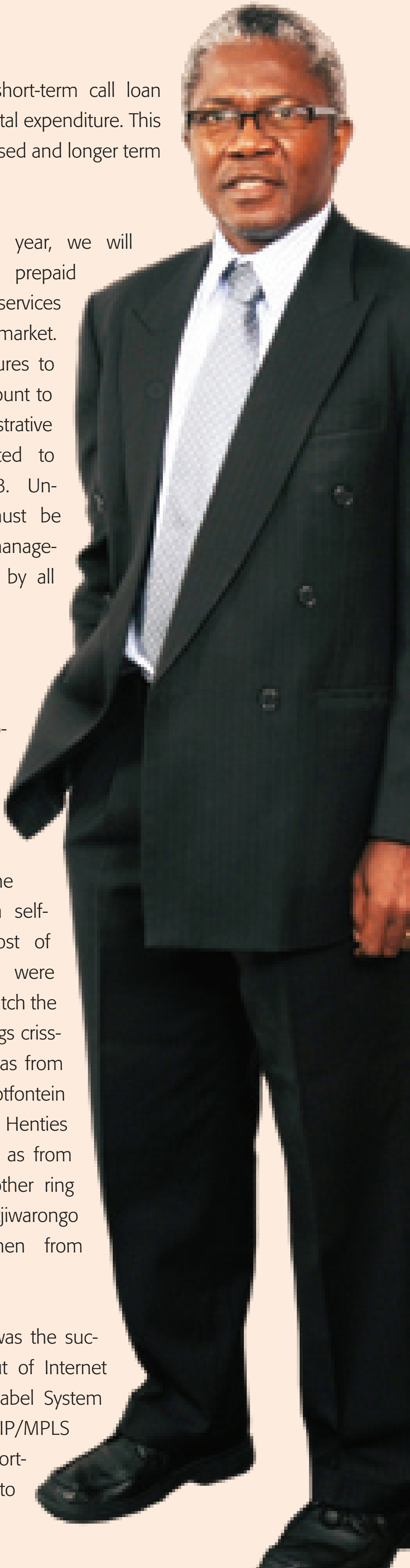
Outlook

In summary, Telecom Namibia continues to be committed to growing all its businesses over the longer term to build the company's value for our shareholder, by further strengthening its position in the market, increasing operational efficiency, boosting revenue and significantly improving margins and earnings.

Our ongoing investment in new product development, marketing, the loyalty of customers, staff training and infrastructure will support Telecom Namibia's ambitious growth planned for the future.

Joseph S. Iita
Chairman

Managing Director's Report



Two years ago, the company embarked on a repositioning drive with the aim of transforming itself into a Next Generation Network (NGN) service provider, building core competencies across a range of disciplines and creating a more focused portfolio of next generation products and services.

In support we are making substantial investments for the long-term health of the business.

Key Areas

Since the adoption of our transformation strategy in July 2006, which is focused on building customer preference in the key areas of mobile, broadband and ICT, and on defending our traditional revenue streams, we have been vigorously pursuing our strategy to develop our underlying business and deliver on our Strategic Blueprint.

The main components of focus for the 2007/08 financial year are:

- Rolling out of new technologies required for the introduction of a broad range of products and services;
- Building excellence in sales and marketing to help develop a more customer focused organisation;
- Driving costs down;
- Improving all aspects of capital discipline;
- Developing talent management processes; and
- Changing the culture of the company.

I am delighted to report that we have been successful on all of these fronts and I believe the company is now well placed to build on these results to further develop the company's position.

Financial Progress

Turnover for 2008 grew by 2% to N$1.08 billion.

Profit before tax of the company for the period amounts to N$80 million. This is attributable to increased turnover and improved cost control measures.

Capital expenditure in local infrastructure and fixed asset acquisitions amounted to N$246 million in 2008. Our cumulative capital expenditure over the past 5 years stands now at N$1.1 billion. This investment has increased the current fixed asset cost base to N$2.6 billion.

Our long-term debt increased from N$75 million in 2007 to N$158 million as at 30 September 2008. However, the business continues to utilise the short-term call loan facilities to finance the capital expenditure. This situation needs to be reversed and longer term loans sourced.

In the 2008/9 financial year, we will focus on pushing our prepaid products and data & IP services more aggressively in the market. We will implement measures to cut direct costs which amount to N$298 million and administrative expenses which amounted to N$555 million in 2008. Unnecessary expenditure must be curtailed and the cost management measures enforced by all departments.

Creating Broadband Namibia

Large projects are progressing well with a number of significant milestones achieved. One of them is the project to create backbone fibre ring networks for a self-healing infrastructure. Most of our transmission routes were upgraded to STM-64 to match the MPLS standards. These rings criss-cross large swathes of areas from Gobabis via Epukiro to Grootfontein and then Tsumeb; from Henties Bay to Kamanjab, as well as from Tsumeb to Oshakati. Another ring runs from Karibib via Otjiwarongo to Grootfontein and then from Otjiwarongo to Kamanjab.

In parallel to the above, was the successful countrywide rollout of Internet Protocol / Multiprotocol Label System (IP/MPLS) network. With IP/MPLS in place, our broadband portfolio is evolving rapidly into next generation IP products, with WiMAX, ADSL, 3G-EVDO and Metro Ethernet core services already available to consumers around the country.

Our new MPLS IP-VPN service is due to be operational by the first quarter of 2009 with full service available to customers. IP/MPLS VPN should allow us to provide our customers with a cutting-edge service which combines flexibility of the Internet and the security and reliability of private networks to cost-efficiently deliver quality IP performance with specific classes of service and industry-leading service level agreements. Utilising the most advanced technological solutions to provide maximum security, IP-VPN service seamlessly connects customers to their corporate headquarters, branch offices, remote users and business partners – all in a secure, highly-scalable environment.

Our technology rollout programme is playing a pivotal role in ensuring that Namibians have access to affordable and reliable broadband products and services.

New Product Development

In terms of new product development, our achievements are numerous. They include the introduction of EVDO data services, Fax2email service, Metro Ethernet services, Bulk SMS solution and a fixed mobile convergence product that allows for the call forwarding of calls from the fixed network to the Switch network. We also make it possible for Wireless Access Service providers to add SMS based content and competitions to our Switch product.

In the field of IT and business solutions, our achievements include the successful rolling out of a new point of sale system, upgrade of the SAP system, the setting up of an ICT Lab, international SMS to South Africa, connecting our first Metro-E customers, and a host of others.

Legal and Regulatory Issues

The past financial year has seen a rather fragmented and ad-hoc application of regulation and licensing with no clear and formal processes, guidelines and regulations. This has stirred the market and not for the better. The good news is that government engaged the industry in formulating the various ICT and Telecommunications licences, amongst others. The development and adoption of these policies give a sense of direction to the players and was therefore a positive step. I applaud the Ministry of Information and Communi cation Technology's intervention that put a halt to any new licenses being issued.

The Bill considere various issues ranging from abuse of dominant position, service and technology neutral licensing, promotion of competition, and interconnection amongst others. Telecom made various submissions requesting the introduction of market segments and the regulation thereof, coupled with clear criteria, instead of merely deeming any operator as dominant. We trust that these matters would be resolved in the development of the industry and providing the much need certainty in regulation.

Investment in SADC Markets

Telecom Namibia participates in joint ventures in two markets in the sub-region where there is significant potential for future growth.

During the year, the ventures had mixed success with Neotel launching a full service portfolio and securing funding to build a world-class network in South Africa. The revenue potential for next year is about double that of Telecom Namibia itself, so in time we will reap the benefits.

In Angola, we have not been so successful and we could not get the show on the road. To date we are providing limited services to corporate clients with potential to grow in the medium term. A concerted effort in the coming year will be made to turn this situation around. In Luanda, the inner-ring network was commissioned and international voice traffic is currently delivered to local operators using Startel's network. This traffic is sourced from an international operator as well as Telecom Namibia.

Outlook

The next few years will be challenging, but we are confident that we are creating a business that is more agile, innovative and efficient.

The strategic challenges for Telecom Namibia for the 2008/2009 financial year is to improve the quality of service in a next generation network architecture and increase the number of broadband services to reduce the per unit fixed cost. The last step towards an all IP network architecture remains the migration from the EWSD exchanges to our soft switch towards 2010.

We will continue our growth strategy to create additional shareholder value and capitalise on the excellent foundations we have put in place over the last year. I look forward to another exciting year ahead and to the continued support of our stakeholders.

Frans Ndoroma
Managing Director

www.iway.na
iWAY
your world ahead

Commercial Operations

Telecom Namibia has been in the forefront of developing and introducing new solutions for customers, supported by a variety of access technologies which are running on a single IP/MPLS platform.

New Products

During 2007/8 Telecom Namibia introduced the following into the market:

- EVDO-Broadband data services in October 2007.
- Metro Ethernet services in April 2008.
- Wireless Access Service providers to add SMS based content and competitions to the Switch product.
- Bulk SMS solution enabling the sending of high volumes of SMS to customers.
- A fixed mobile convergence product which allows the forwarding of calls from the fixed network to the Switch network. This makes it possible for customers not to miss those calls made to their phones while away. Call forwarding to the selected mobile Switch number is done free of charge.
- Prepaid EVDO service to cater for the pay-as-you-go customer that requires fast mobile Internet connectivity and enjoy the service within their planned budget.
- The revolutionary Fax2Email service allows customers to receive faxes as an attachment in their electronic inbox. The faxes are sent from traditional fax machines and are delivered as PDF attachment in your inbox all over the world.
- A standard layer 3 Virtual Private Network (VPN) services on the IP/MPLS cloud was developed to allow businesses to interconnect their satellite office(s) in a secure and cost effective manner.

Customer Contact Centre

Customer care is an integral part of Telecom Namibia's business model. On 11 July 2008 the Minister of Information and Communication Technology, Hon. Joel Kaapanda, officially launched the Telecom Namibia Customer Contact Centre in Windhoek.

Pricing and Tariffs

During the year, the company continued with the tariff re-balancing process, an initiative that is aimed at aligning tariffs to the costs of providing the different services. This initiative was supported by a number of product costing projects that were completed during the financial year, with special attention drawn to telephony services and other corporate data and network solutions.

Telecom Namibia implemented a tariffs reduction on average of 14% for international calls on 1 October 2007. The reduction was applicable for international destinations like Angola, Germany, Netherlands, Sweden, Switzerland, UK, USA, Spain, Australia, France, Portugal and the rest of the world. In addition, Inmarsat and international IP bandwidth tariffs were also reduced by 10%, line rental tariffs increased by 10%, and long-distance (>200km) national leased line tariffs cut by 13%.

As from 1 October 2007 international leased line tariff were slashed by 8% after another 10% drop implemented on 1 July 2007.

The introduction of full per second billing for all Switch calls on the Telecom Namibia networks for both prepaid and postpaid call plans on 1 October 2007. Customers are now billed in increments of one second from the first second without any set-up charges when making on-net Switch calls.

A number of bundled options for 3G-EVDO and 1X CDMA data were introduced in November 2007. With our CDMA data packages, customers can select from a variety of bundles based on their usage profiles at affordable flat rates. Discount structures were also put in place for most of our data services, such as IP/MPLS VPNs, Metro-Net, Leased Lines and so on – all bundled with long-term contracts.

A new pricing model for the XNET Development Alliance Trust was developed and implemented during the year. This model allows schools and other educational institutions to benefit from subsidised rates through XNET with the aim of enhancing Internet access.

Furthermore, Telecom Namibia introduced monthly charges for 12-month contracts for ADSL and WiMAX packages in an effort to provide more choices for our internet users. A lower WiMAX package with access speed of 128 Kbps was introduced at an affordable flat rate mainly targeting users in the rural areas.

ICT and Corporate Business Solutions

Telecom Namibia offers high quality, reliable ICT technical and corporate business solutions to customers. The portfolio of offerings includes the following:

- Customer premises equipment (CPE)
- Value added services (VAS)
- Data services
- Internet Protocol services (IP)
- Internet access services (WWW)
- Virtual private networks (VPN)
- LAN, WAN, Intranet & Extranet services
- Structured cabling
- Least cost routing
- Co-location services
- Disaster recovery centre facilities
- Web hosting
- Web development
- Domain administration
- E-mail services
- Videoconferencing
- Consultancy services

The above offerings are bundled to satisfy the needs of the customers per segment. Customised solutions are offered by addressing each customer's individual needs and wants.

Access to the various services is provided via a range of access network technologies:

- Radio based services (Broadband Wireless, Multi Gain Wireless services, Wireless LAN services, Wi-Fi Hotspots, WiMAX, CDMA 1X and 3G-EvDO)
- Copper-based (analogue, HDSL, basic and primary ISDN, leased lines and ADSL)
- Fibre optic networks (MetroNET)
- Satellite (Faraway and Dial@way)

The pace of business is accelerating at a rapid rate, thereby never allowing a telecommunications service provider to be in a state of rest. The business world is continually reinventing itself to obtain a competitive advantage in a world where geographic distance is becoming insignificant. Similarly, countries are competing to obtain a competitive advantage in the global marketplace. The result of such competitive advantages is seen as wheels that drive long-term economic development which is expected to bring with it prosperity to the residents of the country.

Telecom Namibia is focused on addressing ICT convergence within Namibia by providing state-of-the-art ICT products and services to our customers.

iWAY

iWAY, Namibia's leading Internet Service Provider (ISP), has shown positive growth despite tremendous competition within this space.

iWAY operations were fully incorporated into Telecom Namibia and physically relocated to the corporate head office in Windhoek. The billing system was merged with the company billing system – known as ICMS - and the product range was broadened to include Telecom Namibia's broadband products. The change came as IWAY celebrated its 7th anniversary since its creation as a stand-alone ISP with a respected and trusted brand identity in the marketplace. .

Although market share battle within the Namibian ISP market will continue, the emphasis should also be on increasing ICT penetration countrywide. Major ISP and ICT players should not only embrace change, but also support initiatives such as the XNET Development Alliance Trust, for school connectivity.

Infinitum & Telematics (IP & DATA)

Telecom Namibia's IP backbone is the largest IP backbone in the country and was recently upgraded to be a carrier-grade IP/MPLS network that is capable of delivering next generation network (NGN) ICT products and services. During the past year the company continued to make huge capital investments to expand the international internet connectivity through global internet carrier partnerships with SAIX and Intelsat.

Telecom Namibia's IP and data communications have huge growth potential. Technological change is bringing new technologies to the Namibian market such as Wi-Fi, WiMAX, CDMA, ADSL, IP/MPLS and MetroNET.

During the last quarter of 2007, Telecom Namibia became the first service provider in Emerging Africa (excluding South Africa) to achieve Cisco Powered Programme Membership Status. High levels of quality, reliability and customer satisfaction have enabled Telecom Namibia to qualify for Cisco Powered Network (CPN) designation. The CPN endorsement follows closely on Telecom Namibia receiving "The Best IP Network of the Year" Award at the Cisco Networkers Conference held at Sun City, South Africa earlier in 2007.

Customer Premises Equipment (CPE)

Telecom Namibia provides a wide range of products, installation and maintenance services for the branch exchange (PBX) market. The CPE and PBX offering include a wide range of PBX, telephone management system (TMS) and least cost routing (LCR) products and services. The company remains highly competitive in the CPE and PBX market due to the fact that it is continuously investing in top quality technology and solutions through partnerships with leading brands.

ICT Consulting and Design

ICT consultants and project managers are focusing on technical network optimisation, network design, customised solutions and project management to address the ICT needs of our current and potential customers.

IT Infrastructure and OSS/BSS

IT Infrastructure within the company focuses mainly on server and storage consolidation, data lifecycle management and license/software management.

Operations Support Systems/Business Support Systems (OSS/BSS) focuses on improving and enhancing the existing billing (post and prepaid), mediation and ERP environments within Telecom Namibia, with the ultimate objective to provide accurate billing for customers.

The company's new e-commerce section managed to build capacity to deliver web design, web development and hosting services to customers. There is a growing use of the Internet and emerging Internet technology applications. The growth of e-commerce and Internet distribution channels will reduce cost in the local environment.

Annual ICT Summit 2008

Telecom Namibia organised its second Annual ICT Summit 2008 under the theme, "Sharing Collective Wisdom," highlighting and encouraging sharing and exchange of knowledge and experience. Real capacity growing in terms of ICT skills building and implementation of intelligent technologies in the Namibian and African context can only be achieved in a combined effort between decision makers.

The event brought together 600 participants from business counterparts, regulatory authority Namibian Communication Commission (NCC), relevant government bodies (Directorate of Communication, Revenue Authority, etc.), commercial banks, various suppliers of equipment, insurance companies, and asset management companies to inform themselves, debate issues, share knowledge and expertise, see the latest technology developments.

Key topics covered areas such as Virtualisation, Unified Communications, and Enhancing quality of life through ICT, with a focus on areas such as education, health and entertainment. The use of ICT for Disaster Recovery and Management Emerging technologies such as VoIP (Voice Over Internet Protocol). The impact of next generation networks on service licensing. There were also a number of exhibition booths showcasing a wide range of products and solutions from around the world.

This year's summit not only marks the mid-point of our strategic roadmap towards 2010 but also symbolises our unwavering commitment to take our country and people into the information superhighway.

Service Provisioning and Assurance

Telecom Namibia strives to provide a high quality, reliable service in order to maximise customer satisfaction and enhance shareholder value. The focus is thus on ensuring that all access networks are in good shape to provide uninterrupted services to customers. By so doing, the company ensures that customer gets good service in all areas, guaranteed uptime and attending to all customer needs from corporate, medium and small enterprises to individual households.

There are about 408,000km of copper lines and a host of wireless technologies (VSAT, WiMAX and CDMA) deployed countrywide. Some rural communities served with old systems such as SOR-18 were converted to the wireless technologies. As of September 2008, 2,072 customers converted.

Despite the numerous challenges related to network sabotages like, fibre damages, solar panel and copper theft, we have still managed to maintain a higher network uptime. With copper thefts being so rampant, Telecom submitted that the theft, possession and conspiracy to the steal or sabotage "copper" be punished heftily.

Network Operations and Maintenance

The CDMA network shows increased service utilisation and has reached a 71% level, signaling the need for the next phase of the network expansion. A total of nine existing ADSL sites were expanded (a total of 1,184 new ports added) and four new ADSL sites were added (with a combined 160 ports capacity), bringing ADSL ports installed capacity to 12,606.

Traffic cutover to new OMS nodes and traffic protection is being carried out in steps. Express routes between major areas are established and traffic optimally routed. To date a total of 626 circuits for Telecom Namibia, MTC and Cell One's circuits are now protected. These include trunks for IP/MPLS, BSC trunks, interconnect traffic, trunks between primary exchanges, routes to SAIX and international voice traffic.

The activity to convert a selection of sites in Kunene from Solar to Grid Power is ongoing and work has started at Anabeb, Kaoko Otavi, Otjimotemba & Sesfontein for this conversion. This needs to be done to minimise solar panel theft that costs the company a lot of money.

Foreign Ventures

We also do not only call our neighbours, but work with them to improve telecommunications in the region. Telecom Namibia is a shareholder in the second network operator in South Africa, Neotel. We are proud to be a partner in Neotel that is now in operation with a full fibre backbone between main centres and with both metro fibre and radio connections to connect to customers.

Neotel has launched their services via three Business Units focussing on three main market segments of wholesale, enterprise and consumer. To serve the market without having to lay copper cables, Neotel has built both a CDMA as well as WiMAX network in the main cities. To date Gauteng and Cape Town are served; and will be followed soon by Durban. As part of this strategy, Neotel and Telecom Namibia will be connecting at the RSA/Namibia borders in order to facilitate Telecom Namibia acces to it's Sat-3 landing point in Cape Town.

In Angola, Telecom Namibia is also the managing partner of Mundo Startel, a start-up operator. The Angolan market is very tough to enter and we are just now ready to launch services after an extended start-up period.

Mundo Startel has set up a main operations centre on the periphery of the Central Business District of Luanda and from there will serve its customers via a high capacity microwave ring system in the city. During the next year this will be extended to Luanda Sul and two more centres and thereafter to the rest of Angola. Customers are served with WiMAX to offer Virtual Private Networks (VPNs), internet and voice services. Telecom Namibia is represented on site by the Mundo Startel's Managing Director, as well as the Financial and Technical heads.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Technology Update

Namibia's economic development depends to a large extent on our telecommunication capabilities. The country is well positioned in this sector thanks to investment into fixed networks, mobile broadband, ADSL, fixed wireless broadband and so on. Namibia can boast as one of the best developed in terms of a digital telecommunication network infrastructure in Africa.

Government has mandated Telecom Namibia to lead efforts in strengthening of our telecommunications capacity and the possibility of direct access to the world wide network of cable systems through a submarine cable link. Towards that end, the Government has provided financial guarantee for Telecom Namibia to participate in the West African Coast Cable System (WACS) project, as a means of bringing cheap broadband to the country through the development of this undersea cable system and a terrestrial fibre optic network. An investment level of 2% for Telecom Namibia is envisaged in this 3.84 Tbps 4 fibre Cape Town to the UK system being built at an estimated cost estimate of U$ 550 million. Our share of the capacity of 3.84 Tbps will be sufficient for the country's needs for more than 10 years.

Total capital expenditure for 2007/08 amounted to N$260 million, a decrease of N$86 million compared to 2006/07.

The growth in Telecom Namibia's capital expenditure reflected increased investment in customer service capability, broadband capacity and coverage and upgrade of SDH backbone network from STM-1 to TM-64 to meet the capacity requirements of the IP/MPLS core infrastructure.

Some of the important projects implemented during the year to meet the company's 2010 targets as set out in its Strategic Blueprint include the following:

Internet Protocol / Multiprotocol Label System (IP/MPLS)

The IP/MPLS network was rolled out countrywide in the following way:

- Four super points of presence (PoPs) in Windhoek with fully meshed fibre backbone routes between all on 10 GB capacity.
- Keetmanshoop, Walvis Bay, Tsumeb and Oshakati have each a major PoP interconnected on 1 GB pipes running on the SDH backbone network.
- To take the IP networks even closer to the customers, minor PoPs were set up in Luderitz, Gobabis, Otjiwarongo, Rundu and Katima Mulilo. The next batch of micro PoPs is in the design stage.

IP backbone traffic is already running on this platform, e.g. the ADSL internet traffic between PoPs, four Windhoek WiMAX base stations, Infinitum and Digicon traffic and the EWSD softswitch traffic. The migration of the CDMA network onto the MPLS network is in full swing.

Asymmetrical Digital Subscriber Line (ADSL)

ADSL services are well established with a good take up of more than 6 000 users. Presently there are 34 towns with an ADSL infrastructure. The network capacity and coverage is being expanded constantly due to demand and traffic. To guarantee broadband service quality (data speed) the backhauling capacities are being expanded continually and being connected to the new PoPs of the MPLS network.

WIMAX

Thirty-five base stations are in service spread all over the area between Keetmanshoop, the Kavango and the coastal areas. This technology is mainly used for "ADSL-like services over the air" in urban areas as well as for long distance coverage for voice and data/ Internet services in rural areas.

As an IP/NGN ready system with long distance coverage capability, WiMAX makes itself an ideal future-proof solution for Namibia's rural challenges. The intention is to make WiMAX the de-facto rural NGN network over time, covering large swathes of the country.

WiMAX can be used for normal FWLL voice services and for always-on Internet broadband services over long distances. This system is suitable to replace legacy rural systems, especially the old wire-based networks.

WiMAX is also Telecom Namibia's first true full-IP access network up to the customer's premises, although initially the voice is routed via V5.2 interfacing into the EWSD voice network due to lack of IP voice networks.

In the meantime the Windhoek base stations were migrated to the IP/MPLS backbone network via MetroNet. This has now put in place the very basic end-to-end IP access network requirements and adding now the SIP-Server platform allows for future SIP-telephony and VoIP services/features.
Integrated as part of the current WiMAX product, Telecom Namibia

has a WI² unit which allows very quick and solid WiFi/Hotspot services by using WiMAX as the backbone for WiFi. It is one single unit with "WiMAX-in/WiFi-out" which requires only power supply for quick roll-out. Due to its very good coverage area, this unit is the ideal solution for public Hotspots.

Code Division Multiple Access (CDMA)

59 sites are in full service in the main towns of the country to provide Switch services, both mobile voice and data. Twenty of the sites are equipped with EVDO for 3G services. EVDO capacities will be expanded and rolled out further with additional stations during 2009. In particular, Windhoek will have additional base stations and 3G-EVDO capacity in the city was already doubled by an additional carrier.

The 3G EVDO network is technically separated from the voice/1X network as the 3G is directly linked to the IP network (always-on-IP). This 3G-EVDO traffic will soon be carried via the MPLS network when the migration is done. In addition, international SMS service was added to the features of the Switch service during the year.

MetroNet

The MetroNet is a new network to provide Ethernet services to corporate customers as well as serving as aggregation (feeder) network between IP access networks (ADSL, WiMAX) and MPLS and backbone.

MetroNet Ethernet nodes are installed at all major points of presence (PoPs) at Keetmanshoop, Walvis Bay, Tsumeb and Oshakati, and at additional minor PoPs at Luderitz, Gobabis, Otjiwarongo, Rundu and Katima Mulilo, as well as at micro PoPs in the country to shorten the backhauling networks and distances for DSLAMs, WiMAX base stations and corporate customer networks to reach as quick as possible the MPLS IP backbone.

MetroNet Ethernet provides 10BT, 100BT and 1GE IP backhauling connections although the target is to enable 10GE pipes as soon as such technology is available and integrated into MPLS.

Backbone fibre ring networks with SDH STM-64 expansion

The Omaheke backbone ring between Gobabis via Epukiro to Grootfontein was closed by aerial fibre cable and connected at Grootfontein to the existing SDH network. This connection now provides for an alternative route to the north from Windhoek via Gobabis, Epukiro, Otjinene, Okamatapati and Grootfontein to Tsumeb.

The SDH transmission system was simultaneously upgraded to STM-64 (i.e. equal to 10G capacity to match the MPLS standards) all the way from Walvis Bay via Karibib, Okahandja, Windhoek, Gobabis, Grootfontein to Tsumeb and then to the Buitepos borderpost to Botswana.

Traffic for the STM-64 stations along the route now runs on the new transmission network. An alternative STM-1 pipe from Windhoek to Oshakati was provided as alternative route for the cellular operator and for Telecom Namibia's major core networks.

Civil fibre construction works started for the closure of the Erongo ring (Henties Bay–Kamanjab). This project will include a new aerial fibre cable between Tsumeb to Oshakati as the existing cable does not meet STM-64 specifications (this is first fibre cable in Namibia in 1988 and has only four fibres). Under this project, the total Erongo-Kunene backbone rings are to be upgraded to STM-64 capacity during 2009.

Before the end of 2008, two existing backbone routes, i.e. Karibib–Otjiwarongo–Grootfontein and the Otjiwarongo–Kamanjab, will be upgraded to STM-64 to complement the Omaheke ring.

By mid-2009 the total backbone network from Windhoek to Oshakati will be ring protected with STM-64 (i.e. 10G) capacity.

Neotel Link

Construction works from Karasburg through Warmbad to Velloorsdrift to provide for the direct link to Neotel, South Africa's second telecommunications operator, at Velloorsdrift was started and was scheduled for completion December 2008. This new interconnect route is envisaged to provide voice and data and Internet services with Neotel.

Zambia

A direct fibre connection was provided and commissioned at Katima Mulilo to connect to Zesco in Zambia. The direct transmission route between Windhoek and Lusaka is now being tested and configured.

Making EWSD Switches NGN Ready

The EWSD switches and the company's two international gateways were made NGN-ready. While these will continue with the traditional voice services and traffic handling, they are ready for new NGN/IP services and IP interconnectivity.

All EWSD exchanges were upgraded to the latest V17 hardware and software standard to allow for the coming NGN roadmap. In addition, a softswitch was installed at IDU/ISC-2 and Media Gateways (MGW) at IDU/ISC-2 and Oshakati to allow Mobile Telecommunications (MTC) direct backbone connectivity at their second mobile switch in Oshakati.

This NGN-ready switching infrastructure was also successfully migrated and interconnected to the IP/MPLS platform.

A second softswitch is to be installed at ISC-1 for essential redundancy as well as MGW's at all six primary exchanges to replace the current local processor networks which will then function centrally off the softswitches.

The new V17 software platform now allows for many new value-adding features and services for commercial business and revenue enhancement, like CLIP, CLIR, Centrex, FL-SMS, etc.


sharing your world

Corporate Social Responsibility Report

Social responsibility is one of the main values of Telecom Namibia. Every year, the company spends millions of dollars on its social policies.

Since its inception in 1992, Telecom Namibia has committed millions of dollars towards service provisioning to the remotest of poor areas, on education, training, sports and culture, charity and relief of poverty.

In other words, Telecom Namibia plays an important role in the lives of many Namibians, in the national economy, and in the telecommunication industry. Against an ever more competitive and challenging backdrop, the company remains committed to leading not only from a business standpoint, but economically, socially and environmentally as well.

With so many people depending on the continued success of our company, we remain intensely focused on delivering strong results, with great products and services, sustained profitability, lower emissions through environmentally friendly services (e.g. videoconferencing), strong community involvement and exemplary corporate citizenship. While living up to this commitment is at times very challenging, the men and women of Telecom Namibia are making important and measurable progress.

Paying VAT for the Public

The greatest test of our commitment to social responsibility came on 15 January 2008 when the Receiver of Revenue publicly announced an imposition of a 15% value added tax (VAT) on all telecommunication pre-paid products. Naturally, this was a matter of great concern to the consumers of these products. The new ruling was implemented on 1 February 2008.

Telecom Namibia is very cognisant of the impact any rise in the cost of telecommunication services will have on ordinary Namibians, who are largely the consumers of these products. Here we have in mind a huge number of prepaid card users most of whom are students and non-income earners, for whom the imposition of the VAT would therefore, worsen their financial plight. Thus the company's decision represents an effort to bring relief to the vulnerable groups most susceptible to the increased inflation that the VAT can cause.

As a caring organisation, Telecom Namibia again led by example, by extending the corporate responsibility towards the mainstream consumer in paying the VAT for each and every prepaid user. This was a milestone for us as the company had to tighten its belt in order to assist the public, the end-users.

Assistance During Natural Calamities

Telecom Namibia always remains awake to its responsibility as a corporate citizen. When the flooding occurred in the northern regions, the company swung into action immediately for providing relief to the affected comunities. Communication networks at towns and telephone services were restored in record time in the flood-hit regions of Oshana and Omusati, villages were promptly restored within the shortest possible time. Telecom Namibia contributed an amount of N$150 000 to the Namibia Disaster Relief Fund.

Learning and Development Opportunities

We continue to improve our employee engagement programme with a focus on staff retention through learning and development opportunities with leadership and technical skills development. This is a critical area which we will continue to develop over the coming year, as our people are essential to the success of our business.

Supporting ICT Education

At the social level, like other telecom providers in Africa, we are seized by issues that relate to the digital inclusion and the creation of a Knowledge Society. In this context, Telecom Namibia supports the Government's ICT initiative, Tech! Na, which is designed to contribute strongly to the digital inclusion of the population.

We have also teamed up with the XNet Development Alliance Trust in an innovative partnership which is bound to make a strong and long-lasting impact in an area of priority for Namibia, namely ICT rollout in schools.

A new pricing model for the XNET Development Alliance Trust was developed and implemented during the year. This model allows schools and other educational institutions to benefit from subsidised rates through XNET with the aim of enhancing Internet access.

Universal Access

Telecom Namibia continues to invest millions of dollars and substantial technical resources in providing services to disadvantaged sections of the society, with the aim of realising the dream of universal access for Namibians. A typical example in this regard, was the installation of a VSAT system for the Ovatua community at Ohaiua in the Kunene region.

UN Global Compact Initiative

During the year, Telecom Namibia joined the United Nations Global Compact through the Network Namibia. The local chapter was launched on April 23, 2008 under the auspices of the Namibian Employers' Federation to serve as a platform to engage the private sector in positive corporate practices.

The Compact is an initiative to encourage businesses worldwide to adopt sustainable and socially responsible policies and procedures, focused on addressing human rights issues, labour, environmental concerns, transparency and anti-corruption.

Nova Vita

Nova Vita is a rehabilitation centre which helps drug addicts to regain sobriety. Potential beneficiaries include Telecom Namibia's employees, staff of other private companies, government workers and community members at large.

The rehab centre continues to attract a large number of patients. This year five employees laudably joined the rehab programme.

Sport

For Telecom Namibia, sport in general is not viewed as a peripheral activity, but as a modern way of life, just as important in its own way as academic excellence or industrial success. Thus, the company is a big sponsor of boxing and netball in Namibia. By supporting boxing and netball, Telecom Namibia is making a contribution to the upliftment of current and future boxers/netballers, thus making a positive difference in the lives of so many young people.

Health, Safety & Environment

Telecom Namibia is serious about safety, health and environment (SHE) issues and deliberate efforts are made to ensure compliance with relevant legislation and establishing best practices in employee safety and wellbeing. The company made significant progress during the year in managing and mitigating various occupational health, safety and employee wellness risk factors, as well as in improving and extending our SHE reporting structures.

Audits with regard to safety were done throughout the year to ensure legal compliance. Installation of first aid kits as well as training in fire fighting and first aid were carried out. The Managing Director reiterated his commitment to ensuring a safer working environment for all Telecom Namibia employees by appointing in writing all General Managers to take care of Health and Safety in their respective Divisions.

The wellness of our employees is an important indicator of our people's ability to effectively and efficiently perform their roles. The following initiatives aim to improve our employees' wellness:
Employees are our most valued asset, and their safety is of the utmost concern. By working with our employees and union partners, our workplaces throughout the country have experienced little or no job-related injuries over the past year. The few injuries on duty experienced during the year resulted mainly from motor vehicle accidents.

SHE training and awareness sessions are conducted to assist employees to gain the knowledge necessary for a safer and healthier working environment.

The number of employees on anti-retroviral therapy continues to increase, i.e. from 105 at the start of the financial year to 118 as at 30 September 2008. The increase is attributable to a comprehensive HIV/AIDS awareness sessions being carried out within the company.

Several HIV/AIDS materials (educational booklets, leaflets, posters, and condoms) were distributed. HIV/AIDS specific educational/awareness sessions were also carried out both in Windhoek and in the Regions with the assistance of our Wellness Educators.

In 2008, 32 wellness educators were appointed and trained. The training was to equip and update the educators with the necessary information on physical wellness, mental wellness, socio-economical wellness and HIV/AIDS.

The company for the first time defined the medical surveillance requirements for its various job categories and will in the new financial year implement medical screenings to ensure the adequate management of critical safety and health risks.

Our wellness programme provides employees and their direct families with personal assistance to address personal needs, for example face-to-face trauma counselling. Stress related ailments and absenteeism necessitated information/awareness sessions on stress management to employees. These programmes have helped to remove distracting factors from the minds of employees, leaving them time and energy to focus on the job at hand.

Several wellness days were observed, including the World AIDS Day (1 December), World Cancer Day (4 February), World Tobacco Day (31 May) and International Day against Drug Abuse and Illicit Trafficking (26 June). The objective was to raise awareness of these conditions and to encourage their prevention, detection and treatment. A cancer awareness week was held during which we did cancer testing, 'pap smear' for ladies and prostate testing for men.

Human Resources Management

The Human Resources and Strategic Training Division is committed to recruiting, selecting, developing, rewarding, and retaining, the highest quality workforce attainable. The division strives to provide quality human resources services with integrity, objectivity, responsiveness, sensitivity, and confidentiality, to the employees and other stakeholders. It is committed to upholding a critical human resources principle: Equal Employment Opportunity. And, the division is committed to being a source of information to fulfill the ever-changing needs of our employees.

Staff Complement

The permanent staff complement of Telecom Namibia stood at 1134 as at 30 September 2008. In addition to the permanent staff complement, 33 students were employed as Engineers in Training, Technicians in Training and IP Technicians in Training. A total of 99 contracts were employed in various fields for a fixed term period.

Employment Equity

In compliance with the Affirmative Act, Act 29 of 1998, Telecom Namibia successfully submitted the Affirmative Action Three Year Report for 2008 – 2010 and the Affirmative Action Progress Report for 2007/2008. A compliance certificate was issued and Telecom Namibia was also awarded with a Certificate of Achievement.

At 30 September 2008, 76% of the Telecom Namibia staff complement represented the designated groups of which 27% are women and 0.01% people with disabilities.

Of all recruitments made, 96% were from the designated groups, with women constituting 34%, whilst out of all promotions made 86% were from the designated groups with women once again constituting 64%.

The Afirmmative Action (AA) Committee successfully conducted consultation sessions with employees across the company. Feedback on issues raised during these sessions shall be provided to employees in the new business year. In addition the AA Committee endorsed the implementation of the Understudy Development Programme and the Governance Framework which was specifically formulated to accord the necessary focus to development of understudies.

Employee Relations

Productive relationships between the company and the Union are crucial to avoid disturbances in the workplace and general negativity among employees. As part of the efforts to nurture and deepen our partnership with organised labour, we continue to engage employee representatives on issues affecting the interests of both the company and its employees. This is achieved through regular consultation sessions with employee representatives, and a formal consultation on a quarterly basis.

Talent Acquisition

Telecom Namibia operates in a highly competitive and fast-paced ICT environment. In order to keep pace with this ever changing environment, the company strives to source the right capabilities to be able to deliver on its mandate.

In order to overcome the shortage of required skills and capability in both the local and regional market, Telecom Namibia has proactively adopted several measures to recruit and develop the green talent available in order to ensure a sustainable supply of skills to the company. The following programmes and schemes were thus implemented to ensure the continued supply of skills to both Telecom Namibia and the industry:

Graduate Recruitment Programme

The campus-based Graduate Recruitment Programme was introduced to entice young talent pursuing studies at reputable Institutions of Higher Learning to join the company. Local and Regional Institutions of Higher Learning were visited with more than 40 Namibian students in the final year studies of IP, IT and Electronics Engineering having partaken in this programme. The programme seeks to empower the students with all the necessary information and career opportunities available in the company.

Graduate Internship Scheme

The Graduate Internship Scheme targets graduates in the fields of IT, IP and Electronic Engineering and seeks to develop and equip young talent with ICT and telecommunication skills and capability required for the information age. A total of 33 graduates participated in this programme, which aims at ensuring a sustainable supply of skills and to accelerate ICT skills development not only for Telecom Namibia but the industry. Of these candidates, 52% are permanently employed by Telecom Namibia.

Graduate Development Scheme

As part of our social responsibility, Telecom Namibia extends scholarships to Namibian school leavers wishing to undertake further studies at Institutions of Higher Learning. Ten (10) bursaries were awarded to school leavers to study in the fields of Electronic Engineering and Information Technology. This brings the total number of current Telecom Namibia bursary holders to 28 recipients.

Talent Management

Telecom Namibia is operating in a highly liquid and competitive environment where effective talent management underpins the success of the organisation. Organisations that manage their talent in an effective and comprehensive manner are therefore set to derive benefits from this critical asset in any organisation. Our talent management programme consists of the following programmes:

Assessment Tools

In order to identify, develop and nurture the right talent in an unbiased, professional and fair manner, assessment tools were introduced and adopted for use in all recruitment and selection, training and development as well as succession and talent management processes, enabling the business to deliver on the business plan and meet the demands of the information age.

Succession Planning and Talent Management

Telecom Namibia is well on track with the implementation of its succession and talent management programme. All mission critical positions were identified, taking into account the manpower planning forecast for the company which was finalised during the year and used to inform identification of mission critical positions for succession planning purposes.

Logistical arrangements have been finalised to commence with the assessment and profiling of all qualifying employees relative to succession target positions, where-after possible succession candidates will be identified using performance and potential as the primary criteria. This initiative has the full support of employee stakeholders, Management and the Company Board.

Career Path / Ladder Scheme

The Career Path Scheme was underpinned by two business objectives. The first one being the improvement of productivity through multi-skilled employees and through a reward mechanism encouraging employees to be multi-skilled and obtain qualifications that would provide for flexibility of deployment across the growing plethora of new technologies that typify a New Generation Network (NGN) Organisation.

A total of 135 employees passed the stringent criteria set for progression for Telecom Electricians (119) and System Analysts (16). The employees were successfully profiled and tested for technical competence and behavioural competencies.

At the end of the financial year, a total of 17 ladders in the Technical Divisions were completed and 78 expected to be in place in the new financial year when all technical divisions are targeted for completion in terms of the roll-out plan.

Compensation and Benefits

Our remuneration strategy is aimed at remunerating employees for their value contribution to the organisation. Remuneration is reviewed annually and in circumstances where critical skills are needed, and depending on supply and demand constraints for skills in the market, remuneration is reviewed on a need basis to ensure it remains competitive.

A Performance Management System aligned to the Balanced Scorecard and which includes development plans for each employee is in place and applies to all employees. This system will continue to be enhanced to ensure that employees are measured on areas that position Telecom Namibia to become a High Performing Organisation.

Performance Recognition

The Telecom Namibia Award function was successfully hosted during December. Overall, an improvement from last year and feedback very positive as received from all levels.

Short Term Incentive Scheme

A Short Term Incentive Scheme is in place which seek to reward employees for superior performance, incentivise and motivate employees towards the successful implementation of business strategies.

Talent Development

Talent development is key to the overall success of our company and to ensure that our employees continue to meet the ever changing telecommunication needs and demands of our customers. For the year under review, an amount of N$16 million was invested in the training and development of our employees, which equates to 5% of our total labour costs. This places Telecom Namibia amongst the top investors in training and development in Namibia. As new information communication and telecommunication technologies are continuing to be introduced in the market, Telecom Namibia will continue to be on the fore front of up-skilling the workforce. This will ensure that employees' keeps abreast with the changing demands of new technologies and the products and services associated with such technologies.

Up skilling Programmes

As part of our efforts to align the existing skills profile to the requirements of our 2010 Blueprint and to improve employee's competencies and their professional qualifications significant resources were allocated to the up skilling programmes.

Our special partnership with the Polytechnic of Namibia for the upgrading of qualifications for our telecom Electricians continued in 2008. This year again a total of 54 employees were enrolled at the Polytechnic of Namibia to attend bridging programmes that will enable them to continue with the National Diploma in Engineering course. All programmes are being conducted in Windhoek. The Bridging and S0 programmes are offered once a week for every month for one and half years respectively whilst the S1 programme is being offered on a full-time basis. The total cost for those programmes amount to N$ 4.5 million.

Study Assistance Programme

As an ongoing effort from the company's side to assist employees with the professional development a total of 56 employees were approved to be awarded financial study assistance to upgrade their professional qualifications.

E-Learning focusing on ICT

E-learning was successfully introduced in the business during this year. Training sessions were conducted with employees to introduce e-learning to employees in the company.

TELECOM NAMIBIA LIMITED
and its subsidiaries

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 September 2008

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

CORPORATE GOVERNANCE STATEMENT

Telecom Namibia Limited and its subsidiaries are committed to the principles of integrity, safety, professionalism, transparency, responsibility and accountability and the directors recognise the competitive need for management to conduct the business of the Group accordingly and in accordance with generally accepted corporate practices, in keeping with the Group's policies and the laws of Namibia.

Board of directors

The board meets regularly, retains control over the Group and monitors executive management. The board reserves to itself a range of key decisions to ensure that it retains proper direction and control of the Group. The roles of the Chairperson and Managing Director do not vest in the same person and the Chairperson is a non-executive director. The Chairperson provides leadership and guidance to the Group's board, encourages proper deliberation of all matters requiring the board's attention, obtains optimum input from the other directors and ensures all decisions of the board are clearly worded and are likely to advance the Group's interests.

Non-executive directors

The board has four non-executive directors. Non-executive directors are appointed by the shareholder for specific terms and re-appointment is not automatic.

Executive directors

There is one executive director on the board. An executive director's service contract does not exceed five years in duration, except where a longer period has been approved by the shareholder at a general meeting. There is full disclosure in the notes to the financial statements of emoluments to directors.

Group secretary and professional advice

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

Internal control systems

The Group maintains systems of internal control over financial reporting and over safeguarding of assets against unauthorised acquisition, use or disposition, all designed to provide reasonable assurance to the Group's management and board of directors regarding the preparation of reliable published financial statements and the safeguarding of the Group's assets. The system includes a documented organisational structure and division of responsibility, established policies and procedures which are communicated throughout the Group and used for the proper training and development of its people.

There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even an effective internal control system can provide only reasonable assurance with respect to financial statement preparation and the safeguarding of assets. Furthermore, the effectiveness of an internal control system can change with circumstances.

Corporate governance

The board subscribes to the principles of transparent and honest corporate governance. The following committees assist the Group with the compliance thereof: audit committee, executive committee, remuneration committee and risk management committee.

STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

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

The financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Group and all employees are required to maintain the highest ethical standards in ensuring the Group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Group is on identifying, assessing, managing and monitoring all known forms of risk across the Group. While operating risk cannot be fully eliminated, the Group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

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

The financial statements have been audited by the independent 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 4.

The financial statements set out on pages 5 to 61 were approved and authorised for issue by the board of directors on 27 March 2009 and are signed on their behalf by:

....
Chairperson

....
Managing Director

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBER OF TELECOM NAMIBIA LIMITED

We have audited the annual financial statements and Group annual financial statements of Telecom Namibia Limited, which comprise the balance sheet and the consolidated balance sheet as at 30 September 2008, the income statement and the consolidated income statement, statement of changes in equity and the consolidated statement of changes in equity, the cash flow statement and the consolidated cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes as set out on pages 5 to 61.

Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company and of the Group as at 30 September 2008, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of Namibia.

Deloitte & Touche

Deloite & Touche
Registered Accountants and Auditors
Chartered Accountants (Namibia)
8th Floor, Namdeb Centre
10 Dr Frans Indongo Street
Windhoek
NAMIBIA

Per R H McDonald
Partner
27 March 2009

Regional Executives:	**GG Gelink (Chief Executive)**
	A Swiegers (Chief Operating Officer)
	GM Pinnock
Resident Partners:	**VJ Mungunda (Managing Partner)**
	RH McDonald
	J Kock
	H de Bruim

Telecom Namibia Limited
Balance Sheets
at 30 September 2008

	Notes	Group 2008 N$'000	Restated Group 2007 N$'000	Company 2008 N$'000	Restated Company 2007 N$'000
ASSETS					
Non-current assets					
Plant and equipment	**2**	1 578 632	1 471 356	1 578 632	1 471 356
Intangible assets	**3**	14 772	948	14 772	948
Goodwill	**4**	13 246	13 246	--	--
Investment in subsidiary	**5**			164 224	57 191
Loans advanced	**6**	40 825	13 785	--	--
Investment in associates	**7**	129 525	75 205	116 904	95 140
Derivative financial instruments	**8**	28 423	20 559	28 423	20 559
Finance lease receivable	**9**	16 340	12 960	16 340	12 960
Investments	**10**	--	67 470	--	67 470
		1 821 763	1 675 529	1 919 295	1 725 624
Current assets					
Inventories	**11**	46 303	52 614	46 303	52 614
Trade and other receivables	**12**	195 759	171 622	195 759	171 622
Derivative financial instruments	**8**	578	2 063	578	2 063
Amounts owing by fellow subsidiaries	**13**	779	1 229	779	1 229
Amounts owing by holding company	**13**	16	--	16	--
Current tax asset	**14**	23 251	29 314	23 251	29 314
Short-term portion of finance lease receivable	**9**	6 723	6 126	6 723	6 126
Cash and cash equivalents	**15**	38 108	51 660	38 055	51 606
		311 517	314 628	311 464	314 574
Total assets		**2 133 280**	**1 990 157**	**2 230 759**	**2 040 198**

Telecom Namibia Limited Balance Sheets continued at 30 September 2008

	Notes	Group 2008 N$'000	Restated Group 2007 N$'000	Company 2008 N$'000	Restated Company 2007 N$'000
EQUITY					
Capital and reserves attributable to the company's equity holders					
Share capital	**16**	154 530	154 530	154 530	154 530
Retained earnings		777 048	801 485	907 840	860 897
Total equity		931 578	956 015	1 062 370	1 015 427
LIABILITIES					
Non-current liabilities					
Post-retirement benefit obligations	**17**	60 649	49 575	60 649	49 575
Long-term liabilities	**18**	190 617	84 450	157 817	75 079
Deferred tax	**19**	424 478	391 339	424 478	391 339
		675 744	525 364	642 944	515 993
Current liabilities					
Trade and other payables	**20**	182 731	186 711	182 218	186 711
Derivative financial instruments	**8**	222	1 347	222	1 347
Short-term portion of long-term liabilities	**18**	13 876	282 534	13 876	282 534
Bank overdraft	**15**	328 376	19 900	328 376	19 900
Amount owing to fellow subsidiaries	**13**	753	14 092	753	14 092
Amount owing to holding company	**13**	--	4 194	--	4 194
		525 958	508 778	525 445	508 778
Total liabilities		1 201 702	1 034 142	1 168 389	1 024 771
Total equity and liabilities		**2 133 280**	**1 990 157**	**2 230 759**	**2 040 198**

Telecom Namibia Limited
Income Statements
for the year ended 30 September 2008

	Notes	Group 2008 N$'000	Restated Group 2007 N$'000	Company 2008 N$'000	Restated Company 2007 N$'000
Revenue		**1 080 491**	**1 060 687**	**1 080 491**	**1 060 687**
- Sale of goods		36 404	54 877	36 404	54 877
- Services rendered		1 044 087	1 005 810	1 044 087	1 005 810
Other operating income		22 053	3 154	22 053	3 154
Distribution costs		(297 525)	(285 932)	(297 525)	(285 932)
Administrative expenses		(555 491)	(558 087)	(555 215)	(557 991)
Other operating expenses		(146 837)	(152 695)	(146 837)	(152 695)
Operating profit	**21**	**102 691**	**67 127**	**102 967**	**67 223**
Finance income	**22**	19 320	20 490	20 591	18 271
Finance costs	**22**	(43 476)	(36 930)	(43 476)	(34 368)
Share of results of associates after tax	**7**	(69 833)	(53 404)	--	--
Profit / (loss) before tax		**8 702**	**(2 717)**	**80 082**	**51 126**
Taxation	**24**	(33 139)	(27 909)	(33 139)	(27 909)
(Loss) / profit for the year		**(24 437)**	**(30 626)**	**46 943**	**23 217**
Attributable to: Equity holders of the company		(24 437)	(30 626)	46 943	23 217

Telecom Namibia Limited
Statements of changes in equity
for the year ended 30 September 2008

Group	Note	Share capital N$'000	Retained earnings N$'000	Total N$'000
Balance at 1 October, 2006 - Restated		**154 530**	**832 111**	**986 641**
As previously stated		154 530	825 746	980 276
Prior year adjustment	**30**	--	6 365	6 365
Restated loss for the year		**--**	**(30 626)**	**(30 626)**
As previously stated		--	(28 634)	(28 634)
Prior year adjustment	**30**	--	(1 992)	(1 992)
Balance at 30 September, 2007 - Restated		**154 530**	**801 485**	**956 015**
Loss for the year		--	(24 437)	(24 437)
Balance at 30 September, 2008		**154 530**	**777 048**	**931 578**

No dividends were paid or declared during the year (2007: Nil).

Telecom Namibia Limited
Statements of changes in equity
for the year ended 30 September 2008

Company	Note	Share capital N$'000	Retained earnings N$'000	Total N$'000
Balance at 1 October , 2006 - Restated		**154 530**	**837 680**	**992 210**
As previously stated		154 530	831,315	985 845
Prior year adjustment	**30**	--	6 365	6 365
Restated profit for the year		--	**23 217**	**23 217**
As previously stated		--	25 209	25 209
Prior year adjustment	**30**	--	(1 992)	(1 992)
Balance at 30 September , 2007 - Restated		154 530	860 897	1 015 427
Profit for the year		--	46 943	46 943
Balance at 30 September, 2008		**154 530**	**907 840**	**1 062 370**

No dividends were paid or declared during the year (2007: Nil).

Telecom Namibia Limited
Cash flow statements
for the year ended 30 September 2008

	Notes	Group 2008 N$'000	Restated Group 2007 N$'000	Company 2008 N$'000	Restated Company 2007 N$'000
Cash flow from operating activities					
Operating profit		102 691	67 127	102 967	67 223
Adjustment for :					
Increase in post-retirement benefit obligation		11 074	3 452	11 074	3 452
Movement on derivative financial instrument		(7 864)	6 043	(7 864)	6 043
Movement in Forward Exchange Contract - Asset		1 485	(2 063)	1 485	(2 063)
Movement in Forward Exchange Contract - Liability		(1 125)	(319)	(1 125)	(319)
Gain on exchange rate changes on the balance of cash held in foreign currencies		(300)	--	(300)	--
Loss on restatement of foreign loans		5 472	3 065	5 472	3 065
Depreciation of plant & equipment	**2**	138 515	134 333	138 515	134 333
Amortisation of intangible assets	**3**	975	199	975	199
(Profit)/Loss on disposal of plant and equipment		(945)	892	(945)	892
Working capital changes	**25**	(38 905)	(58 948)	(39 418)	(58 948)
Cash generated from operations		*211 073*	*153 781*	*210 836*	*153 877*
Investment income		19 320	20 490	20 591	18 271
Finance costs		(43 476)	(36 930)	(43 476)	(34 368)
Refunds received/(Tax paid)	**14**	6 063	(26 543)	6 063	(26 543)
Net cash flow from operating activities		**192 980**	**110 798**	**194 014**	**111 237**
Cash flow from investing activities					
Movement on finance lease receivable		(3 977)	(2 501)	(3 977)	(2 501)
Plant and equipment acquired	**2**	(245 850)	(346 145)	(245 850)	(346 145)
Intangible assets acquired	**3**	(14 799)	--	(14 799)	--
Decrease in investment		67 470	11 470	67 470	4 473
Increase in loans advanced		(107 551)	(10 040)	--	--
Proceeds on disposals – Plant and equipment		1 004	235	1 004	235
Investment in subsidiary acquired		--	--	(44 000)	--
Investment in associated company acquired		(21 878)	(39 035)	--	--
Increase in loan to subsidiary company		--	--	(63 033)	(33 146)
Increase in loan to associate company		(21 764)	(60 814)	(21 764)	(60 814)
Net cash flow used in investing activities		**(347 345)**	**(446 830)**	**(324 949)**	**(437 898)**

Telecom Namibia Limited
Cash flow statements
for the year ended 30 September 2008

	Notes	Group 2008 N$'000	Restated Group 2007 N$'000	Company 2008 N$'000	Restated Company 2007 N$'000
Cash flow from financing activities					
Long-term loans raised		116 429	200 000	93 000	200 000
Loss on restatement of foreign currency denominated loans		(5 472)	(3 065)	(5 472)	(3 065)
Long-term loans repaid		(278 920)	(42 036)	(278 920)	(51 407)
Net cash flow from financing activities		**(167 963)**	**154 899**	**(191 392)**	**145 528**
Net (decrease) in cash and cash equivalents		**(322 328)**	**(181 133)**	**(322 327)**	**(181 133)**
Cash and cash equivalents at beginning of year		31 760	212 893	31 706	212 839
Effects of exchange rate changes on the balance of cash held in foreign currencies		300	--	300	--
Cash and cash equivalents at end of year	**15**	**(290 268)**	**31 760**	**(290 321)**	**31 706**

Telecom Namibia Limited
Notes to the financial statements
for the year ended 30 September 2008

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

These 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 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.

Improved, Revised and Replaced International Financial Reporting Standards effective for the first time for 30 September 2008 year-end.

In the current year, the Group has adopted the following new and revised standards which were effective for the financial year under review:

Number	Title	Effective date	Executive summary
IFRS 7	Financial Instruments: Disclosures	01-Jan-07	This standard deals with the disclosure of financial instruments, as well as the disclosure of related qualitative and quantitative risks associated with financial instruments. The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these financial statements regarding the Group's to financial statements (refer to note 31)
IFRIC 10	Interim Financial Reporting and Impairment	01-Nov-06	This standard had no effect on the Group.
IFRIC 11	IFRS 2 – Group and Treasury Share Transactions	01-Mar-07	IFRIC 11 addresses how to apply IFRS 2 to share-based payment arrangements involving an entity's own equity instruments or equity instruments of another entity in the same Group (e.g. equity instruments of its parent). This standard had no effect on the Group.
IAS 1 Revised	Presentation of Financial Statements	01-Jan-07	This standard requires the disclosure of the Group's objectives, policies and processes for managing capital, quantitative data about what the Group regards as capital, whether the Group has complied with any capital requirements and if it has not complied, the results of such non compliance. The impact of this amendment has been disclosed under note 31.

Telecom Namibia Limited
Notes to the financial statements (Continued)
for the year ended 30 September 2008

1. Summary of significant accounting policies (Continued)

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 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 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. 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%
- Telecommunications 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 are taken into account in determining operating profit.

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 income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

Telecom Namibia Limited
Notes to the financial statements (Continued)
for the year ended 30 September 2008

1. Summary of significant accounting policies (Continued)

Intangible assets (Continued)

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 the income statement 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.

Taxation

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement 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 Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet 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 balance sheet 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 balance sheet 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 balance sheet 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.

Telecom Namibia Limited
Notes to the financial statements (Continued)
for the year ended 30 September 2008

1. Summary of significant accounting policies (Continued)

Financial Instruments

Initial recognition and measurement

All financial instruments, including derivative instruments, are recognised on the balance sheet. 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 balance sheet 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 the income statement.

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 the income statement.

Effective interest rate method

The effective interest rate method is a method of calculating the amortised cost of a financial liability and of allocating the interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or asset, 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.

Telecom Namibia Limited
Notes to the financial statements (Continued)
for the year ended 30 September 2008

1. Summary of significant accounting policies (Continued)

Financial Instruments (Continued)

Financial Assets (Continued)

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 balance sheet 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 balance sheet 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 balance sheet 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.

Telecom Namibia Limited
Notes to the financial statements (Continued)
for the year ended 30 September 2008

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 fair value through profit and loss (FVTPL)

Financial liabilities are classified as FVTPL where the financial liability is either held for trading or is designated as at FVPTL. The Group only has financial liabilities as 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 a 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.

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.

Telecom Namibia Limited
Notes to the financial statements (Continued)
for the year ended 30 September 2008

1. Summary of significant accounting policies (Continued)

Financial Instruments (Continued)

Derivative financial instruments

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 unfavorable 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 forward 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.

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 on 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 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 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.

Telecom Namibia Limited
Notes to the financial statements (Continued)
for the year ended 30 September 2008

1. Summary of significant accounting policies (Continued)

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 against income 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 balance sheet date. The movement has been expensed in the income statement.

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 stand-alone 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.

Telecom Namibia Limited
Notes to the financial statements (Continued)
for the year ended 30 September 2008

1. Summary of significant accounting policies (Continued)

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 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).

Telecom Namibia Limited
Notes to the financial statements (Continued)
for the year ended 30 September 2008

1. Summary of significant accounting policies (Continued)

Revenue (continued)

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.

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, 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. Where necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies in line with those used 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 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.

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.

Telecom Namibia Limited
Notes to the financial statements (Continued)
for the year ended 30 September 2008

1. Summary of significant accounting policies (Continued)

Basis of Consolidation (continued)

Associates (Continued)

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 are recognised in the income statement.

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 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 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. 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.

Telecom Namibia Limited
Notes to the financial statements (Continued)
for the year ended 30 September 2008

1. Summary of significant accounting policies (Continued)

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 Namibian Dollar (N$) rounded to the nearest thousand which is the company's functional and presentation currency.

Tranactions 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.

Borrowings

Borrowings are expensed when incurred.

Comparative figures

Certain comparative figures have been re-stated or reclassified to take effect of changes in presentation in the current year resulting from the adoption of new accounting standards and from reclassifications in the current year.
Details of comparative figures that have been re-stated are reflected in note 30.

Telecom Namibia Limited
Notes to the financial statements (Continued)
for the year ended 30 September 2008

1. Summary of significant accounting policies (Continued)

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 further 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 balance sheet date.

Discount rates

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

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

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.

Telecom Namibia Limited
Notes to the financial statements (Continued)
for the year ended 30 September 2008

2. 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 2008						
Cost						
Opening balance - restated	1 965 289	36 761	71 412	230 387	1 629	2 305 478
Additions	172 792	1 838	4 006	67 214	--	245 850
Disposals	--	(4 299)	(1 172)	--	--	(5 471)
Transfers	183 184	2	747	(183 933)	--	--
Closing balance	2 321 265	34 302	74 993	113 668	1 629	2 545 857
Accumulated depreciation						
Opening balance - restated	752 717	30 425	49 371	--	1 609	834 122
Depreciation charge	116 743	2 032	19 729	--	11	138 515
Depreciation on disposals	--	(4 283)	(1 129)	--	--	(5 412)
Closing balance	869 460	28 174	67 971	--	1 620	967 225
Book value at 30 September 2008	**1 451 805**	**6 128**	**7 022**	**113 668**	**9**	**1 578 632**

Telecom Namibia Limited
Notes to the financial statements (Continued)
for the year ended 30 September 2008

2. Plant and equipment (continued) – 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 2007						
Cost						
Opening balance - restated	1 711 215	39 267	158 486	157 489	2 013	2 068 470
Additions	--	4 133	3 384	338 628	--	346 145
Disposals	(15 699)	(2 280)	(90 774)	--	(384)	(109 137)
Transfers	269 773	(4 359)	316	(265 730)	--	--
Closing balance - restated	1 965 289	36 761	71 412	230 387	1 629	2 305 478
Accumulated depreciation						
Opening balance - restated	662 250	31 230	112 339	--	1 981	807 800
Depreciation charge	105 121	1 438	27 763	--	11	134 333
Depreciation on disposals	(14 654)	(2 243)	(90 731)		(383)	(108 011)
Closing balance - restated	752 717	30 425	49 371	--	1 609	834 122
Book value at						
30 September 2007	**1 212 572**	**6 336**	**22 041**	**230 387**	**20**	**1 471 356**

There are no encumbrances on any of the company and group's Plant and Equipment.
Refer to note 30 for restatements

Telecom Namibia Limited
Notes to the financial statements (Continued)
for the year ended 30 September 2008

3. Intangible assets - Group and Company

	2008	2007 restated
Computer software		
	N$'000	N$'000
Cost		
Opening balance - restated	111 534	111 534
Additions	14 799	--
Closing balance	126 333	111 534
Accumulated armortisation		
Opening balance - restated	110 586	110 387
Current year charge	975	199
Closing balance	111 561	110 586
Book value	14 772	948

There are no encumbrances on any of the company and group's intangible assets.

Telecom Namibia Limited
Notes to the financial statements (Continued)
for the year ended 30 September 2008

	Group 2008 N$'000	Restated Group 2007 N$'000	Company 2008 N$'000	Restated Company 2007 N$'000

4. Goodwill

	Group 2008 N$'000	Restated Group 2007 N$'000	Company 2008 N$'000	Restated Company 2007 N$'000
Opening and closing balances	13 246	13 246	--	--

Goodwill arose on the acquisition of 75% of the shares in Communitel Telecommunications (Proprietary) Limited and is assessed for impairment annually. No need to impair goodwill was identified.

5. Investment in subsidiary

	Company 2008 N$'000	Restated Company 2007 N$'000
Opening balance – ordinary shares	9 000	9 000
Acquisition of subsidiary – preference shares	44 000	--
Closing balance	53 000	9 000
Loans		
Loan advanced	111 224	48 191
	111 224	48 191
Balance at end of the year	164 224	57 191

The company holds a 75% interest in a subsidiary, Communitel Telecommunications (Proprietary) Ltd, an Investment holding company. The company is registered in the Republic of South Africa with an issued share capital of 40 ordinary shares of ZAR 1.00 each. In the current year the company acquired 100% of the preference shares in Communitel (Telecomunications)(Pty) Ltd. The loans advanced bear interest at Prime lending rate and have fixed terms of repayement.

6. Loans advanced

	Group 2008 N$'000	Restated Group 2007 N$'000	Company 2008 N$'000	Restated Company 2007 N$'000
Mkhonto We Sizwe Military Veterans Association	40 825	13 785	--	--

The loan advanced represents capital contributions to the Subsidiary's associate paid in on behalf of Mkhonto We Sizwe Military Veterans Association. This loan bears interest at Prime Lending Rate plus 2%, is unsecured and not subject to any fixed terms of repayment. These arrangements are reviewed from time to time.

Telecom Namibia Limited
Notes to the financial statements (Continued)
for the year ended 30 September 2008

7. Investment in associates

Summary of investments in associates:

	Group 2008 N$'000	Restated Group 2007 N$'000	Company 2008 N$'000	Restated Company 2007 N$'000
Shares at cost				
- Ordinary shares	29 893	29 893	29 893	29 893
- Preference shares	32 800	9 371	--	--
Share of results	(128 803)	(58 970)	--	--
Loans advanced	195 635	94 911	87 011	65 247
Total Investment	129 525	75 205	116 904	95 140
Share of losses per income statement	69 833	53 404	--	--

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 2008 N$'000	Restated Group 2007 N$'000	Company 2008 N$'000	Restated Company 2007 N$'000
Shares at cost	29 893	29 893	29 893	29 893
Share of results	(29 301)	(19 935)	--	--
Loans advanced	87 011	65 247	87 011	65 247
	87 603	75 205	116 904	95 140

The loans were advanced in terms of the Mundo Startel Shareholders Agreement. The loan balance as at 30 September 2008 in foreign currency amounted to US$13 395 990 (2007: US$10 181 248). The loan bears interest at LIBOR plus a margin of 2%, is unsecured and not subject to any fixed terms of repayment. These arrangements are reviewed from time to time.

Set out below is the summarised financial information of associate:

	Group 2008 N$'000	Restated Group 2007 N$'000	Company 2008 N$'000	Restated Company 2007 N$'000
Assets	116 582	128 007	--	--
Liabilities	132 288	119 213	--	--
Revenues	10 931	790	--	--
Loss after tax	(26 732)	(15 203)	--	--

Telecom Namibia Limited
Notes to the financial statements (Continued)
for the year ended 30 September 2008

	Group 2008 N$'000	Restated Group 2007 N$'000	Company 2008 N$'000	Restated Company 2007 N$'000

7. Investment in associates (Continued)

Investment in Sepco Communications (Proprietary) Limited:
The subsidiary, Communitel Communications (Proprietary) Limited holds a 24.5% interest In an associate, Sepco Communications (Proprietary) Limited. The Company is registered in the Republic of South Africa. Sepco in turn holds 51% of the shares in Neotel (Proprietary) Limited, a company which was recently licensed to provide information, communication and technology services in the Republic of South Africa. Additional capital contributions amounting to N$192 million are still to be made by Communitel in terms of the Neotel shareholders agreement. These will be paid over as and when the capital calls are made.

	Group 2008 N$'000	Restated Group 2007 N$'000	Company 2008 N$'000	Restated Company 2007 N$'000
Ordinary shares at cost	--	--	--	--
Preference shares at cost	32 800	9 371	--	--
Share of results	(99 502)	(39 035)	--	--
Loans advanced	108 624	29 664		
	41 922	--	--	--

Set out below is the summarised financial information of associate:

	Group 2008 N$'000	Restated Group 2007 N$'000	Company 2008 N$'000	Restated Company 2007 N$'000
Assets	2 774 959	1 048 949	--	--
Liabilities	3 228 474	1 179 874	--	--
Revenues	473 010	40 824	--	--
Loss after tax	(323 349)	(134 082)	--	--

Telecom Namibia Limited
Notes to the financial statements (Continued)
for the year ended 30 September 2008

	Group 2008 N$'000	Restated Group 2007 N$'000	Company 2008 N$'000	Restated Company 2007 N$'000
8. Derivative financial instruments				
Interest rate and currency swaps				
Opening balance	20 559	26 602	20 559	26 602
Recognised in income statement	7 864	(6 043)	7 864	(6 043)
Closing balance	28 423	20 559	28 423	20 559
Foreign currency exchange contracts				
- Forward exchange contract - Asset				
Opening balance	2 063	--	2 063	--
Recognised in income statement	(1 485)	2 063	(1 485)	2 063
Closing balance	578	2 063	578	2 063
- Forward exchange contract - Liability				
Opening balance	1 347	1 666	1 347	1 666
Recognised in income statement	(1 125)	(319)	(1 125)	(319)
Closing balance	222	1 347	222	1 347

As at 30 September 2008, the Group had interest rate swap agreements in terms of which certain of the loans with fixed interest rates were converted to floating rates ranging between 10,96% to 12,25% (2007 : 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 2008 will be recognised in the income statement until the repayment of the bank borrowings.

The Group further had forward exchange agreements in terms of which commitments were made to purchase foreign currency amounts payable under certain loan agreements.

Telecom Namibia Limited
Notes to the financial statements (Continued)
for the year ended 30 September 2008

	Group 2008 N$'000	Restated Group 2007 N$'000	Company 2008 N$'000	Restated Company 2007 N$'000
9. Finance lease receivable				
Gross receivables from finance leases:				
Not later than 1 year	6 998	6 249	6 998	6 249
Later than 1 year and not later than 5 years	16 495	13 219	16 495	13 219
	23 493	19 468	23 493	19 468
Unearned future finance income on finance leases	(430)	(382)	(430)	(382)
Net investment in finance leases	23 063	19 086	23 063	19 086
The net investment in finance leases may be analysed as follows:				
Not later than 1 year	6 723	6 126	6 723	6 126
Later than 1 year and not later than 5 years	16 340	12 960	16 340	12 960
	23 063	19 086	23 063	19 086

The Group provides PABX's for rental to customers on a finance lease basis. The disclosed information relates to these arrangements with customers which were assessed to be finance leases in terms of IAS17.

10. Investments

	Group 2008 N$'000	Restated Group 2007 N$'000	Company 2008 N$'000	Restated Company 2007 N$'000
Loans originated				
Bank Windhoek : Ceded deposit	--	67 470	--	67 470

The deposit earned interest at 18, 7% (2007: 18, 7%) p.a, The deposit was ceded as security for a Bank Windhoek loan account which was settled during the current year (refer note 18).

	Group 2008 N$'000	Restated Group 2007 N$'000	Company 2008 N$'000	Restated Company 2007 N$'000
Opening balance	67 470	71 943	67 470	71 943
Additions	280	3 141	280	3 141
Withdrawal/Termination	(68 272)	(20 000)	(68 272)	(20 000)
Interest received	522	12 386	522	12 386
Closing balance	--	67 470	--	67 470

Telecom Namibia Limited
Notes to the financial statements (Continued)
for the year ended 30 September 2008

	Group 2008 N$'000	Restated Group 2007 N$'000	Company 2008 N$'000	Restated Company 2007 N$'000

11. Inventories

	Group 2008 N$'000	Restated Group 2007 N$'000	Company 2008 N$'000	Restated Company 2007 N$'000
Materials for installations	32 611	35 978	32 611	35 978
Workshop and consumable stores	550	463	550	463
Goods for resale	14 796	16 204	14 796	16 204
Less: provision for impairment	(1 654)	(31)	(1 654)	(31)
	46 303	52 614	46 303	52 614

The value of inventory shown at net realisable value is nil (2007 - N$2 329 505).

12. Trade and other receivables

	Group 2008 N$'000	Restated Group 2007 N$'000	Company 2008 N$'000	Restated Company 2007 N$'000
Trade receivables				
Total trade receivables	168 669	135 439	168 669	135 439
Less: Provision for impairment	(10 562)	(8 673)	(10 562)	(8 673)
Receiver of Revenue – VAT	13 388	12 931	13 388	12 931
Outstanding deposits	--	511	--	511
Prepayments	21 232	25 340	21 232	25 340
Other debtors	3 032	6 074	3 032	6 074
	195 759	171 622	195 759	171 622

Provision for impairment of receivables

	Group 2008 N$'000	Restated Group 2007 N$'000	Company 2008 N$'000	Restated Company 2007 N$'000
Opening balance	8 673	11 627	8 673	11 627
Amount written off against the income statement	(2 829)	--	(2 829)	--
Provision for impairment charged/(credited) to the income statement	4 718	(2 954)	4 718	(2 954)
Closing balance	10 562	8 673	10 562	8 673

Telecom Namibia Limited
Notes to the financial statements (Continued)
for the year ended 30 September 2008

	Group 2008 N$'000	Restated Group 2007 N$'000	Company 2008 N$'000	Restated Company 2007 N$'000

12. Trade and other receivables

Provision for impairment of receivables (Continued)

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 valueof each class of the receivable.

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

	Group 2008 N$'000	Restated Group 2007 N$'000	Company 2008 N$'000	Restated Company 2007 N$'000
1 month past due	30 012	34 156	30 012	34 156
2 months past due	4 852	5 381	4 852	5 381
3 months past due	15 531	14 672	15 531	14 672
	50 395	54 209	50 395	54 209

The aging of impaired receivables is as follows:

	Group 2008 N$'000	Restated Group 2007 N$'000	Company 2008 N$'000	Restated Company 2007 N$'000
1 month past due	--	--	--	--
2 months past due	1 880	659	1 880	659
3 months past due	8 682	8 014	8 682	8 014
	10 562	8 673	10 562	8 673

Telecom Namibia Limited
Notes to the financial statements (Continued)
for the year ended 30 September 2008

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 5 and 7.

The following transactions were carried out with related parties:

i) Sales of services

Namibia Post Limited: N$5 318 474 (2007: N$4 632 964)
Mobile Telecommunications Limited: N$303 792 065
(2007: N$299 468 427)

ii) Purchases of services

Namibia Post and Telecom Holdings Limited: N$61 133 193 (2007: N$49 419 648)
Namibia Post Limited: N$1 756 681
(2007: N$2 238 162)
Mobile Telecommunications Limited: N$136 447 214
(2007: N$134 500 193)

iii) Investment in Telecom Bond (TCN15)

The Group's pension fund, Napotel, held N$400 000
(2007: N$ nil) of the bond issued by Telecom. Interest amounting to N$16 171 (2007: N$ nil) was accrued during the financial year in respect of this bond.
Namibia Post Savings Bank, a division of fellow subsidiary, Namibia Post Limited, held N$50 000 000 (2007: N$ nil) of the bond issued by Telecom. Interest amounting to N$2 425 822 (2007: N$ nil) was accrued during the financial year in respect of this bond.

iv) Outstanding balances arising from sale/purchases of goods/services

Receivables from related parties:

Namibia Post Limited: N$778 607 (2007: N$1 229 071)
Namibia Post and Telecom Holdings Limited: N$ 15 817
(2007: N$ nil)

Payables to related parties:

Namibia Post Limited: N$ Nil (2007 : nil)
Mobile Telecommunications Limited: N$753 380
(2007 : N14 092 128)
Namibia Post and Telecom Holdings Limited: N$ Nil
(2007 : N$4 193 748)

v) Suretyships

- The Government of the Republic Namibia has granted a guarantee in respect of a loan extended to the Company by Kreditanstalt fur Wierderaufbau (KfW). The balance outstanding on the loan at 30 September 2008 amounted to N$825 000 (2007: N$4 091 000)
- The Company has extended a guarantee to Development Bank of South Africa, in terms of the Mundo Startel shareholders agreement, in respect of a loan amounting to USD2.5 million (2007: nil) which was extended to its associate, Mundo Startel.
- 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 2008 amounted to N$77 868 000 (2007: N$85 994 000).
- 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 (2007: N$160 000) were issued in respect of key management housing loans.

Telecom Namibia Limited
Notes to the financial statements (Continued)
for the year ended 30 September 2008

	Group 2008 N$'000	Restated Group 2007 N$'000	Company 2008 N$'000	Restated Company 2007 N$'000

13. Related party transactions (Continued)

vi) Key management compensation

Key management comprises of the General Managers of the various operating divisions of the Group. The remuneration of key management is determined by the Remuneration Committee of the Board of Directors and is reviewed on an annual basis.

	Group 2008 N$'000	Restated Group 2007 N$'000	Company 2008 N$'000	Restated Company 2007 N$'000
Salaries and other short-term employee benefits	7 509	6 971	7 509	6 971
Other long-term benefits	1 110	1 031	1 110	1 031
	8 619	8 002	8 619	8 002

vii) *Directors emoluments*

	Group 2008 N$'000	Restated Group 2007 N$'000	Company 2008 N$'000	Restated Company 2007 N$'000
Non-executive directors				
- for services as directors	341	577	341	577
Executive directors				
- for services as director	--	--	--	--
- for managerial services	1 459	1 257	1 459	1 257
- salary and other short-term employee benefits	1 297	1 095	1 297	1 095
- other long-term benefits	162	162	162	162
	1 800	1 834	1 800	1 834

14. Current tax asset

	Group 2008 N$'000	Restated Group 2007 N$'000	Company 2008 N$'000	Restated Company 2007 N$'000
Opening balance	(29 314)	(2 771)	(29 314)	(2 771)
Closing balance	23 251	29 314	23 251	29 314
Refunds received/(Payments made)	(6 063)	26 543	(6 063)	26 543

Telecom Namibia Limited
Notes to the financial statements (Continued)
for the year ended 30 September 2008

	Group 2008 N$'000	Restated Group 2007 N$'000	Company 2008 N$'000	Restated Company 2007 N$'000

15. Cash and cash equivalents

	Group 2008 N$'000	Restated Group 2007 N$'000	Company 2008 N$'000	Restated Company 2007 N$'000
Bank balances	28 251	48 544	28 198	48 490
Cash on hand	9 857	3 116	9 857	3 116
	38 108	51 660	38 055	51 606

Cash amounting to N$12 982 686 (2007: N$21 925 011) has been pledged as security against payments due on a Letter of Credit issued by First National Bank of Namibia Limited. This is held in investments earning interest at Prime Lending Rate less 3.9% (2007: Prime lending Rate less 3.9%). Underlying payments on the Letter of Credit are due in the 2009 financial year.

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

	Group 2008 N$'000	Restated Group 2007 N$'000	Company 2008 N$'000	Restated Company 2007 N$'000
Bank balances	15 268	26 619	15 215	26 565
Cash on hand	9 857	3 116	9 857	3 116
Investment in money market instruments	12 983	21 925	12 983	21 925
Bank overdraft	(328 376)	(19 900)	(328 376)	(19 900)
	(290 268)	31 760	(290 321)	31 706

The bank overdraft is unsecured. The facilities were due for renewal on the 31st of January 2009 and were subsequently renewed.

16. Share capital

Authorised

	Group 2008 N$'000	Restated Group 2007 N$'000	Company 2008 N$'000	Restated Company 2007 N$'000
200 000 000 (2007 : 200 000 000) ordinary shares of N$1 (2007 : N$1) each	200 000	200 000	200 000	200 000

Issued

	Group 2008 N$'000	Restated Group 2007 N$'000	Company 2008 N$'000	Restated Company 2007 N$'000
154 529 936 (2007 :154 529 936) ordinary shares of N$1 (2007 : 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 of the Shareholder.

Telecom Namibia Limited
Notes to the financial statements (Continued)
for the year ended 30 September 2008

	Group 2008	Restated Group 2007	Company 2008	Restated Company 2007

17. Post-retirement 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$60,649 million (2007 : N$49,575 million). The principal actuarial assumptions used for accounting purposes were:

	Group 2008	Restated Group 2007	Company 2008	Restated Company 2007
- Real rate of return	2%	2%	2%	2%
- Discount rate	9.9%	9%	9.9%	9%
- Healthcare cost inflation	7.9%	7%	7.9%	7%
- Expected average retirement age (yrs)	59	59	59	59
- Normal retirement age (yrs)	60	60	60	60
	N$'000	N$'000	N$'000	N$'000
Opening balance	49 575	46 123	49 575	46 123
Current service cost	2 129	2 177	2 129	2 177
Interest cost	4 400	4 428	4 400	4 428
Subsidies paid	(1 455)	(939)	(1 455)	(939)
Actuarial profit/(loss)	6 000	(2 214)	6 000	(2 214)
Closing balance	60 649	49 575	60 649	49 575
Present value of unfunded liability	60 649	49 575	60 649	49 575

The amounts recognised in the income statement are as follows:

	Group 2008	Restated Group 2007	Company 2008	Restated Company 2007
Current service cost	2 129	2 177	2 129	2 177
Interest cost	4 400	4 428	4 400	4 428
Subsidies paid	(1 455)	(939)	(1 455)	(939)
Actuarial profit/(loss)	6 000	(2 214)	6 000	(2 214)
	11 074	3 452	11 074	3 452

Telecom Namibia Limited
Notes to the financial statements (Continued)
for the year ended 30 September 2008

	Group 2008	Restated Group 2007	Company 2008	Restated Company 2007

17. Post-retirement benefit obligations (Continued)

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:

	Group 2008	Restated Group 2007	Company 2008	Restated Company 2007
Number of employees at year end	1 025	1 069	1 025	1 069
Average age (years)	41.2	40.7	41.2	40.7
Details of the current pensioner members belonging to the medical aid are as follows:				
Number of pensioners	198	190	198	190
Average age (years)	56.8	58.6	56.8	58,6

Company and Group

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:

Increase N$'000	Decrease N$'000
10 054	6 683

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 N$'000	Decrease N$'000
73 729	50 660

Telecom Namibia Limited
Notes to the financial statements (Continued)
for the year ended 30 September 2008

	Group 2008 N$'000	Restated Group 2007 N$'000	Company 2008 N$'000	Restated Company 2007 N$'000

18. Long-term liabilities

Secured

	Group 2008 N$'000	Restated Group 2007 N$'000	Company 2008 N$'000	Restated Company 2007 N$'000
Loan from European Investment Bank. The Group obtained various loans from the European Investment Bank in December 1999 for tenures ranging from 10 to 14 years. The Loans were original 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 entitle it to pay interest at rates varying between 10,96% and 12,25% p.a. (2007 : 10,96% and 12,25% p.a.) and to convert the foreign currency liabilities into Namibian dollar. The capital amount is repayable in 13 (2007: 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.	77 868	85 782	77 868	85 782

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

	2008	2007	2008	2007
EUR	4 639 595	5 621 314	N$: 11.92	9.74
GBP	1 285 723	1 892 356	N$: 14.96	14.26
US$	400 754	589 838	N$: 8.29	6.86

	Group 2008 N$'000	Restated Group 2007 N$'000	Company 2008 N$'000	Restated Company 2007 N$'000
Loan from Bank Windhoek Limited. The loan was settled during the current year.	--	67 740	--	67 740
Mkhonto We Sizwe Military Veterans Association. The loan is unsecured and interest-free. Repayment of the loan is subject to the realisation of the underlying asset. These arrangements are reviewed from time to time.	32 800	9 371	--	--
Loan from Kreditanstalt fur Wierderaufbau (KfW) Channelled through the Government of the Republic of Namibia bearing interest at 2% (2007: 2%) p.a. The loan is repayable in 2009. The loan is repayable in one instalment (2007: 3 instalments). The loan of Euro 69 207 (2007: Euro 420 028) has been stated at spot rate of N$11.92 (2007 : N$9.74).	825	4 091	825	4 091
Balance carried forward	111 493	166 984	78 693	157 613

Telecom Namibia Limited
Notes to the financial statements (Continued)
for the year ended 30 September 2008

	Group 2008 N$'000	Restated Group 2007 N$'000	Company 2008 N$'000	Restated Company 2007 N$'000

18. Long -term liabilities (Continued)

	Group 2008 N$'000	Restated Group 2007 N$'000	Company 2008 N$'000	Restated Company 2007 N$'000
Balance brought forward	111 493	166 984	78 693	157 613
Telecom Bills (TCN 08) Telecom Namibia issued registered loan stock on the 1st of August 2007 for a period of 183 days maturing on the 31st of January 2008. The bills were issued at an interest rate of 10.85% p.a payable on maturity. The bills were redeemed on the 31st of January 2008.	--	200 000	--	200 000
Telecom Bond (TCN15) Telecom Namibia registered loan stock bearing interest at 10.70% p.a, with a maturity date of 17 April 2015.	93 000	--	93 000	--
	204 493	366 984	171 693	357 613
Less: Short-term portion transferred to current liabilities	(13 876)	(282 534)	(13 876)	(282 534)
	190 617	84 450	157 817	75 079
Maturity of non-current borrowings:				
Not later than 1 year	13 876	282 534	13 876	282 534
Later than 1 year and not later than 5 years	190 617	84 450	157 817	75 079
	204 493	366 984	171 693	357 613
Total interest bearing borrowings				
- Long-term loans	190 617	84 450	157 817	75 079
- Short-term loans	13 876	282 534	13 876	282 534
- Bank overdrafts	328 376	19 900	328 376	19 900
	532 869	386 884	500 069	377 513

Interest rate exposure

Pre-hedging

The interest rate exposure prior to hedging activities of borrowings is as follows:

	Group 2008 N$'000	Restated Group 2007 N$'000	Company 2008 N$'000	Restated Company 2007 N$'000
Interest free	32 800	9 371	--	--
At fixed rates	171 693	357 613	171 693	357 613
At floating rates	328 376	19 900	328 376	19 900
	532 869	386 884	500 069	377 513

Post-hedging

The interest rate exposure post hedging activities of borrowings is as follows:

	Group 2008 N$'000	Restated Group 2007 N$'000	Company 2008 N$'000	Restated Company 2007 N$'000
Interest free	32 800	9 371	--	--
At fixed rates	93 825	271 831	93 825	271 831
At floating rates	406 244	105 682	406 244	105 682
	532 869	386 884	500 069	377 513

Telecom Namibia Limited
Notes to the financial statements (Continued)
for the year ended 30 September 2008

	Group 2008 N$'000	Restated Group 2007 N$'000	Company 2008 N$'000	Restated Company 2007 N$'000

19. Deferred tax

Deferred income taxes are calculated on all temporary differences under the comprehensive method using a principal tax rate of 35% (2007 : 35%).
The movement on the deferred tax account is as follows:

	Group 2008 N$'000	Restated Group 2007 N$'000	Company 2008 N$'000	Restated Company 2007 N$'000
Opening balance- restated	391 339	363 430	391 339	363 430
- As previously stated	391 339	360 002	391 339	360 002
- Prior year adjustments (Note 30)	--	3 428	--	3 428
Movements during year attributable to:				
Timing differences - restated	33 139	27 909	33 139	27 909
- As previously stated	33 139	28 982	33 139	28 982
- Prior year adjustments (Note 30)	--	(1 073)	--	(1 073)
Closing balance	424 478	391 339	424 478	391 339

Deferred tax liabilities may be analysed as follows:

	Group 2008 N$'000	Restated Group 2007 N$'000	Company 2008 N$'000	Restated Company 2007 N$'000
Tax losses	(9 840)	(3 493)	(9 840)	(3 493)
Capital allowances	457 506	407 189	457 506	407 189
Provisions	(21 227)	(20 150)	(21 227)	(20 150)
Derivatives	10 073	9 311	10 073	9 311
Advance income	(12 034)	(1 518)	(12 034)	(1 518)
	424 478	391 339	424 478	391 339

20. Trade and other payables

	Group 2008 N$'000	Restated Group 2007 N$'000	Company 2008 N$'000	Restated Company 2007 N$'000
Unpresented cheques	570	35 076	570	35 076
Trade payables	150 584	95 876	150 071	95 876
Accruals	31 577	55 759	31 577	55 759
	182 731	186 711	182 218	186 711

The following is an aged analysis of trade payables at balance sheet date:

	Group 2008 N$'000	Restated Group 2007 N$'000	Company 2008 N$'000	Restated Company 2007 N$'000
Current	136 100	65 916	135 587	65 916
30-60 days	14 484	9 346	14 484	9 346
>60 days	--	20 614	--	20 614
	150 584	95 876	150 071	95 876

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.

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Notes to the financial statements (Continued)
for the year ended 30 September 2008

	Group 2008 N$'000	Restated Group 2007 N$'000	Company 2008 N$'000	Restated Company 2007 N$'000

21. Operating profit

	Group 2008 N$'000	Restated Group 2007 N$'000	Company 2008 N$'000	Restated Company 2007 N$'000
Operating profit is arrived at after the following items:				
Auditors' remuneration				
Audit fees - current year	754	1 262	630	1 262
Other services – current year	--	292	---	256
Prior year overprovision	(291)	--	(291)	--
Penalties and interest	769	25 168	769	25 168
Depreciation of plant and equipment	138 515	134 333	138 515	134 333
Amortisation of intangible assets	975	199	975	199
Profit/(Loss) on disposal of plant and equipment	945	(892)	945	(892)
Staff costs (Note 23)	335 261	314 609	335 261	314 609
Cost of sales	27 086	27 385	27 086	27 385
Advertising and promotions	19 560	13 429	19 560	13 429
International settlements	235 192	216 118	235 192	216 118
Operating lease expenses				
Vehicles	18 041	18 005	18 041	18 005
Office machines	1 605	1 370	1 605	1 370
Building rentals	34 795	31 922	34 795	31 922
Repairs and maintenance	61 086	53 440	61 086	53 440
Actuarial gain/(loss) on post-retirement benefits	6 000	(2 214)	6 000	(2 214)
Loss on restatement of foreign currency denominated loans	5 472	3 065	5 472	5 472
Fees for managerial, technical and other services	5 783	3 271	5 783	3 271
Fair value adjustment on derivative	(7 864)	6 043	(7 864)	6 043

22. Finance income and costs

	Group 2008 N$'000	Restated Group 2007 N$'000	Company 2008 N$'000	Restated Company 2007 N$'000
Interest received				
Money market investments	1 107	13 164	1 107	13 164
Loans - Intercompany	15 649	3 406	16 920	1 187
Cash balance	2 397	3 898	2 397	3 898
Interest on finance lease receivables	167	22	167	22
	19 320	20 490	20 591	18 271
Interest paid				
Telecom bonds	15 826	3 617	15 826	3 617
Paid to related parties	2 029	3 617	2 029	3 617
Other	13 797	--	13 797	--
Term loans	7 222	7 521	7 222	7 521
Short-term borrowing facilities	20 428	25 792	20 428	23 230
	43 476	36 930	43 476	34 368

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	Group 2008 N$'000	Restated Group 2007 N$'000	Company 2008 N$'000	Restated Company 2007 N$'000

23. Staff costs

Salaries and other related costs	291 636	273 809	291 636	273 809
Social security	934	404	934	404
Medical aid	16 275	15 458	16 275	15 458
Pension fund	26 416	24 938	26 416	24 938
	335 261	314 609	335 261	314 609

24. Taxation

Namibian normal income tax	--	--	--	--
Deferred tax charge	(33 139)	(27 909)	(33 139)	(27 909)
Tax charge for the year	(33 139)	(27 909)	(33 139)	(27 909)

Reconciliation of the taxation:

Profit/(Loss) before tax	8 702	(2 717)	80 082	51 126
Tax calculated at a tax rate of 35% (2007 : 35%)	(3 045)	951	(28 028)	(17 894)
Expenses not deductible for tax purposes	(1 513)	(11 242)	(972)	(11 088)
Prior year adjustment	(4 139)	1 073	(4 139)	1 073
Share of results of associates	(24 442)	(18 691)	--	--
Tax charge	(33 139)	(27 909)	(33 139)	(27 909)

Reconciliation of rate of taxation:

	%	%	%	%
Namibian normal taxation rate	35	(35)	35	35
Reduction in rate of taxation due to:				
- prior year adjustment	--	(39)	--	(2)
Increase in rate of taxation due to:				
- expenses not deductible for tax purposes	64	414	6	22
- share of results of associates	281	687	--	--
Effective rate	380	1 027	41	55

No provision has been made for taxation as the company has an assessed loss for the year:

	N$'000	N$'000	N$'000	N$'000
Assessed losses	28 115	9 980	28 115	9 980
Less: applied to reduce deferred tax liability	(28 115)	(9 980)	(28 115)	(9 980)
Available to reduce future taxable income	--	--	--	--

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Notes to the financial statements (Continued)
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25. Working capital changes

	Group 2008 N$'000	Restated Group 2007 N$'000	Company 2008 N$'000	Restated Company 2007 N$'000
Decrease in working capital during the year				
Decrease/(Increase) in inventories	6 311	(27 200)	6 311	(27 200)
Increase in trade and other receivables	(24 137)	(29 637)	(24 137)	(29 637)
Decrease in trade and other payables	(3 980)	(20 427)	(4 493)	(20 427)
Increase in indebtedness by fellow subsidiaries	450	13 521	450	13 521
Decrease in amount owing to fellow subsidiaries	(13 339)	--	(13 339)	--
(Increase)/Decrease in amount owing to holding company	(4 194)	4 194	(4 194)	4 194
(Decrease) / Increase in amount owing by holding company	(16)	601	(16)	601
	(38 905)	(58 948)	(39 418)	(58 948)

Telecom Namibia Limited
Notes to the financial statements (Continued)
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	Group 2008 N$'000	Restated Group 2007 N$'000	Company 2008 N$'000	Restated Company 2007 N$'000

26. Capital expenditure commitments

	Group 2008 N$'000	Restated Group 2007 N$'000	Company 2008 N$'000	Restated Company 2007 N$'000
Commitments in respect of contracts placed	42 674	74 768	42 674	74 768

A total of N$150 million was approved for capital expenditure for the year ending 30th of September 2009. Save for the aforelisted commitments in respect of contracts placed, the approved capital expenditure of N$250 million for the year ended 30th of September 2008 was spent. The Group finances capital expenditure from existing borrowing facilities and cash resources generated from operations. The Group has an obligation to make capital contributions amounting to N$192million in terms of the shareholder commitments in Neotel.

27. Operating lease commitments

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

	Group 2008 N$'000	Restated Group 2007 N$'000	Company 2008 N$'000	Restated Company 2007 N$'000
No later than one year:	42 379	37 414	42 379	37 414
- Vehicles	22 508	17 830	22 508	17 830
- Office machines	1 777	1 606	1 777	1 606
- Buildings	18 094	17 978	18 094	17 978
Later than one year, but not later than 5 years:	21 527	38 643	21 527	38 643
- Vehicles	14 419	32 219	14 419	32 219
- Office machines	7 108	6 424	7 108	6 424
- Buildings	--	--	--	--

The vehicles are leased from Avis Fleet Services for periods of 4 years with the option of the Group to purchase the leased vehicles upon expiry of the leases at 20% residual value. Thransfer 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 ia 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.

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Notes to the financial statements (Continued)
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	Group 2008 N$'000	Restated Group 2007 N$'000	Company 2008 N$'000	Restated Company 2007 N$'000

28. 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 actuarial valuation was carried out for the year ended 30 September 2008, which indicated that the fund was in a sound financial position. As at the 30th of September 2008, a total of 1 193 (2007: 1 171) employees were members of the Napotel Pension Fund.

	Group 2008 N$'000	Restated Group 2007 N$'000	Company 2008 N$'000	Restated Company 2007 N$'000
Contributions to the pension fund:	26 416	24 938	26 416	24 938
Company	18 376	17 348	18 376	17 348
Employees	8 040	7 590	8 040	7 590

29. Guarantees

The Group had a contingent liability in favour of Standard Bank Namibia Limited in respect of guarantees supplied by the bank on behalf of the Group:

	Group 2008 N$'000	Restated Group 2007 N$'000	Company 2008 N$'000	Restated Company 2007 N$'000
The guarantees are:				
China Jiangsu International	--	144	--	144
Stocks & Stocks Namibia (Pty) Ltd	--	25	--	25
The Deputy Sheriff for Windhoek	--	107	--	107
Home Heart CC	--	2	--	2
The Company issued a guarantee in favour of Millennium Bank in respect of a loan granted to its associate:				
Mundo Startel	9 119	--	9 119	--
	9 119	278	9 119	278

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Notes to the financial statements (Continued)
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30. Prior year adjustment and restatement of comparatives

The table below summarises adjustments processed in the current financial year in respect of the prior year:

	Company and Group Adjustment N$'000	Company Restated N$'000	Group Restated N$'000
Statement of changes in equity			
Retained earnings		831 315	825 746
Effect of restatement			
Exchange loss on restatement of foreign loan	(24 579)	(24 579)	(24 579)
Reversal of accumulated depreciation	34 372	34 372	34 372
Deferred tax	(3 428)	(3 428)	(3 428)
Restated earnings at 1 October 2006	6 365	837 680	832 111
Income Statement			
Profit for the year as previously stated		25 209	(28 634)
Loss on restatement of foreign loans	(3 065)	(3 065)	(3 065)
Tax	1 073	1 073	1 073
Profit for the year ended 30 September 2007 - restated	(1 992)	23 217	(30 626)
Balance sheet - 30 September 2007 (Company and Group)			
Long-term loans	27 644	75 079	84 450
Property, plant & equipment	33 424	1 471 356	1 471 356
Intangible assets	948	948	948
Deferred tax	2 355	391 339	391 339

30.1 Foreign Loans – Group and Company

In terms of IAS 21, Effects of changes in foreign exchange rates, the Group is required to initially record all foreign transactions at the rate of exchange at the date of the transaction and at each subsequent balance sheet date, restate the balances at rates prevailing on that date. However, loans in various foreign currency denominations which were obtained from the European Investment Bank and swapped into South African Rand were not restated to the local currency at exchange rates ruling on balance sheet dates in previous years.

The effects of the adjustments on the financial statements were as follows:

- a decrease in net profit for the year of N$5 417 000 (2007: N$3 065 000).
- an increase in the long term liabilities of N$5 417 000 (2007: N$3 065 000).
- a decrease in the deferred tax liability of N$1 896 295 (2007: N$1 072 860).

Telecom Namibia Limited
Notes to the financial statements (Continued)
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30. Prior year adjustment and restatement of comparatives (Continued)

The effects of the adjustment at the beginning of the earliest period presented were as follows:

- a decrease in the opening balance of retained earnings for the year ended 30th of September 2007 by an amount of N$24 579 000.
- an increase in long term liabilities of N$24 579 000.
- a decrease in the opening balance of deferred tax of N$8 602 650.

30.2 Intangible assets – Group and Company

In terms of IAS 38: Intangible Assets, the Group reclassified Intangible assets comprising computer software were previously disclosed as part of computer equipment under plant and equipment. These assets are now separately disclosed as intangible assets and the comparatives have been restated accordingly.

The effects of the adjustments on the 2007 financial statements were as follows:

- a decrease in the cost of plant and equipment of N$111 534 000.
- a decrease in accumulated depreciation for Property, plant and equipment of N$110 586 000.
- an increase in the cost of Intangible assets of N$111 534 000.
- an increase in accumulated depreciation for Intangible assets of N$110 586 000.

30.3 Plant and equipment

In terms of IAS 38: Intangible Assets, the Group reclassified Intangible assets comprising computer software which was previously disclosed as part of computer equipment under plant and equipment. These assets are now separately disclosed as intangible assets.

Please refer to note 30.2 above for the effect of change.

The accumulated depreciation balance as at 30 September 2007 incorrectly included an amount of N$34 375 764 in respect of Customer Premises Equipment which was derecognised under finance lease arrangements in the prior year. The accumulated depreciation of the prior year was restated and the opening balance of retained earnings increased by the same amount. Deferred tax was increased by an amount of N$12 031 517 as a result of the change.

Telecom Namibia Limited
Notes to the financial statements (Continued)
for the year ended 30 September 2008

31. 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 ongoing 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 predominantly financed by internally generated cash flows 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 balance sheet date:

	Group 2008 N$'000	Restated Group 2007 N$'000	Company 2008 N$'000	Restated Company 2007 N$'000
Financial assets at fair value				
Bank	38 108	51 660	38 055	51 606
Derivatives	578	2 063	578	2 063
Financial liabilities at fair value				
Bank overdraft	328 376	19 900	328 376	19 900
Derivatives	222	1 347	222	1 347
Held to maturity investments				
Investments	--	67 470	--	67 470
Loans and receivables at amortised cost				
Loan to subsidiary	--	--	111 224	48 191
Loan to associate	195 635	94 911	87 011	65 247
Trade and other receivables	195 759	171 622	195 759	171 622
- Financial instruments	182 371	158 691	182 371	158 691
- Non-financial instruments (Value Added Tax)	13 388	12 931	13 388	12 931
Finance lease receivables	23 063	19 086	23 063	19 086
Financial Liabilities at amortised cost				
Long-term liabilities	190 617	84 450	190 617	84 450
Short-term portion of long-term liabilities	13 876	282 534	13 876	282 534
Trade and other payables	182 731	186 711	182 218	186 711
Amounts owing to fellow subsidiaries	753	14 092	753	14 092
Amounts owing to holding company	--	4 194	--	4 194

Telecom Namibia Limited
Notes to the financial statements (Continued)
for the year ended 30 September 2008

31. Financial instruments and risk management (Continued)

Fair value of financial instruments

The fair values of all financial instruments which are disclosed in the balance sheets approximate their carrying values except as reflected for the Telecom Bond. The estimated net fair values as at 30 September 2008 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 fair value of receivables, bank balances, payables and accruals, approximate their carrying 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 fair values:

	2008		2007	
	Carrying amount N$'000	Fair Value N$'000	Carrying amount N$'000	Fair Value N$'000
Financial liabilities				
Long-term loans	93 825	35 230	4 091	3 550

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 2008.

		Interest Rate		Maturity
Loan Number	Currency	Original	Swap	Date
		Fixed	Variable	
A	DEM	3.00%	10.10%	15-Nov-13
B	DEM	3.00%	11.08%	20-Jun-10
C	GBP	3.00%	11.40%	20-Jun-10
D	GBP	3.90%	11.35%	15-Nov-13
E	USD	3.00%	10.96%	20-Jun-10
F	USD	3.00%	11.70%	21-Jun-10
G	USD	3.90%	10.96%	20-Jun-10
H	EURO	3.90%	11.46%	21-Jun-10
I	EURO	3.00%	11.41%	21-Jun-10

Telecom Namibia Limited
Notes to the financial statements (Continued)
for the year ended 30 September 2008

31. Financial instruments and risk management (Continued)

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.

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 on 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.

A total amount of N$71 million of the Group's trade receivables (making up 54% of the total accounts receivable book) is owed by government departments and ministries, who perennially take relatively long periods of time to settle their accounts. It is Group policy not to provide for these debtors as they invariably pay albeit late.

Telecom 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 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 did not note any significant changes in its exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the 2008 financial year.

The maximum exposure to credit risk for financial assets at the reporting date by type of customers is disclosed on note 12.

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'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.

The Group's overdraft utilisation has increased to N$328.3 million as at balance sheet (2007: N$19.9 million). This arrangement is secured against facilities obtained from the relevant financial institutions and it is management's intention to mitigate the liquidity risk arising from this short-term exposure by converting the borrowings to long-term debt.

In terms of its long-term liquidity risk, the Group seeks to attain, acceptable levels of gearing vis-à-vis the capital employed in the business and a logical match between the period over which assets generate funds and the period over which the respective assets are funded. The Group obtained approval from the Namibia Stock Exchange to raise a total amount of N$400 million through a listed bond. As at year end, an amount of N$300 million was still to be raised under this bond programme.

The Group did not note any significant changes in its exposure to liquidity risk and its objectives, policies and processes for managing and measuring the risk during the 2008 financial year.

Telecom Namibia Limited
Notes to the financial statements (Continued)
for the year ended 30 September 2008

31. 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 N$'000	2-5 years N$'000	>5 years N$'000	Interest Adjustment N$'000	Total N$'000
2008					
Trade and other payables	182 731	--	--	--	182 731
Short-term portion of long- term liabilities	16 233	--	--	(2 357)	13 876
Bank overdraft	368 602	--	--	(40 226)	328 376
Amount owing to fellow subsidiaries	753	--	--	--	753
Long-term liabilities	--	134 193	132 804	(76 380)	190 617
2007					
Trade and other payables	186 711	--	--	--	186 711
Short-term portion of long-term liabilities	301 074	--	--	(18 540)	282 534
Bank overdraft	22 064	--	--	(2 164)	19 900
Amount owing to fellow subsidiaries	14 092	--	--	--	14 092
Amount owing to holding company	4 194	--	--	--	4 194
Long-term liabilities	--	99 151	--	(14 701)	84 450

Company

	<1 year N$'000	2-5 years N$'000	>5 years N$'000	Interest Adjustment N$'000	Total N$'000
2008					
Trade and other payables	182 218	--	--	--	182 218
Short-term portion of long term liabilities	16 233	--	--	(2 357)	13 876
Bank overdraft	368 602	--	--	(40 226)	328 376
Amount owing to fellow subsidiaries	753	--	--	--	753
Long-term liabilities	--	76 100	132 804	(51 087)	157 817
2007					
Trade and other payables	186 711	--	--	--	186 711
Short-term portion of long term liabilities	301 074	--	--	(18 540)	282 534
Bank overdraft	22 064	--	--	(2 164)	19 900
Amount owing to fellow subsidiaries	14 092	--	--	--	14 092
Amount owing to holding company	4 194	--	--	--	4 194
Long-term liabilities	--	83 792	--	(8 713)	75 079

Telecom Namibia Limited
Notes to the financial statements (Continued)
for the year ended 30 September 2008

31. 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

	<1 year N$'000	2-5 years N$'000	>5 years N$'000	Interest Adjustment N$'000	Total N$'000
2008					
Trade and other receivables	195 759	--	--	--	195 759
Amounts owing by fellow subsidiaries	779	--	--	--	779
Amounts owing by holding company	16	--	--		16
Finance lease receivables	6 848	16 645	--	(430)	23 063
Cash and bank balances	41 538	--	--	(3 430)	38 108
2007					
Trade and other receivables	171 622	--	--	--	171 622
Amounts owing by fellow subsidiaries	1 229	--	--	--	1 229
Finance lease receivables	6 248	13 220	--	(382)	19 086
Cash and bank balances	47 332	10 263	--	(5 935)	51 660

Company

	<1 year N$'000	2-5 years N$'000	>5 years N$'000	Interest Adjustment N$'000	Total N$'000
2008					
Trade and other receivables	195 759	--	--	--	195 759
Amounts owing by fellow subsidiaries	779	--	--	--	779
Amounts owing by holding company	16	--	--	--	16
Finance lease receivables	6 848	16 645	--	(430)	23 063
Cash and bank balances	41 538	--	--	(3 483)	38 055
2007					
Trade and other receivables	171 622	--	--	--	171 622
Amounts owing by fellow subsidiaries	1 229	--	--	--	1 229
Finance lease receivables	6 248	13 220	--	(382)	19 086
Cash and bank balances	46 907	10 263	--	(5 564)	51 606

Telecom Namibia Limited
Notes to the financial statements (Continued)
for the year ended 30 September 2008

31. 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 unfavorable 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 balance sheet date excluding those for which forward cover contracts have been taken out with counterparties.

	Group 2008 N$'000	Restated Group 2007 N$'000	Company 2008 N$'000	Restated Company 2007 N$'000
For 10% increase in exchange rates				
Decrease in profit for year	1 127	1 917	1 127	1 917
For 10% decrease in exchange rates				
Increase in profit for year	1 127	1 917	1 127	1 917

Forward Exchange Contracts

It is the policy of the Group to enter into forward foreign exchange contracts (FEC's) to cover certain payments due in foreign currencies under contractual obligations with third parties.

The following table indicates the details of the foreign currency swaps in place as at balance sheet date:

Loan	Currency	2008 Balance	2007 Balance
1	EURO	4,639,595	5 621 314
2	GBP	1,285,723	1 892 356
3	USD	400,754	589 838

Telecom Namibia Limited
Notes to the financial statements (Continued)
for the year ended 30 September 2008

31. Financial instruments and risk management (Continued)

Foreign currency risk (Continued)

The following table lists FEC's in place as at balance sheet date:

	Group 2008 N$'000	Restated Group 2007 N$'000	Company 2008 N$'000	Restated Company 2007 N$'000
FEC Asset-Mundo loan	578	2063	578	2063
KfW loan	222	1 347	222	1 347

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

Receivable:				
USD	13 396	10 181	13 396	10 181
Payables:				
Euro	--	5	--	5
USD	13 413	11 370	13 413	11 370
GBP	--	23	--	23

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 2008 financial year.

Interest rate risk

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

Telecom Namibia Limited
Notes to the financial statements (Continued)
for the year ended 30 September 2008

31. Financial instruments and risk management (Continued)

Interest rate risk sentiments

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 2008 N$'000	Restated Group 2007 N$'000	Company 2008 N$'000	Restated Company 2007 N$'000
For 100 basis points higher Decrease in profit for year	3 341	234	2 638	348
For 100 basis points lower Increase in profit for year	3 341	234	2 638	348

If interest rates had been 300 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 2008 N$'000	Restated Group 2007 N$'000	Company 2008 N$'000	Restated Company 2007 N$'000
For 300 basis points higher Decrease in profit for year	10 023	702	7 914	1 044
For 300 basis points lower Increase in profit for year	10 023	702	7 914	1 044

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

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 balance sheet date.

	Group 2008 N$'000	Restated Group 2007 N$'000	Company 2008 N$'000	Restated Company 2007 N$'000
The gearing ratio at the year end was as follows:				
Long-term borrowings	205 006	366 984	171 693	357 613
Cash and cash equivalents	38 108	51 660	38 055	51 606
Net Debt	166 898	315 324	133 638	306 007
Equity	931 578	956 015	1 062 370	1 015 427
Equity to debt ratio	5.58	3.03	7.95	3.3

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 2008, total unutilised borrowing facilities amounted to N$300 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 2008.

Telecom Namibia Limited
Notes to the financial statements (Continued)
for the year ended 30 September 2008

Annexure A – Standards and interpretations issued but not yet effective

The following Standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 October 2008 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 Standards – Amendment relating to cost of an investment on first-time adoption	Annual periods beginning on or after 1 January 2009.	IFRS 1 First-time Adoption of International Financial Reporting Standards sets 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 3	Business Combinations – Revised	Annual periods beginning on or after 1 July 2009.	The new standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with some contingent payments subsequently re-measured at fair value through income. Goodwill may be calculated based on the parent's share of net assets or it may include goodwill related to the minority interest. All transaction costs will be expensed.
IFRS 5	Non-current Assets Held for Sale and Discontinued operations – Amendments resulting from May 2008 Annual Improvements to IFRSs	Annual periods beginning on or after 1 July 2009.	IFRS 5 establishes a classification for non-current assets 'held for sale' using the same criteria as those contained in US FASB Statement 144 Accounting for the Impairment or Disposal of Long-Lived Assets.
IAS 1	Presentation of Financial Statements – Amendments resulting from May 2008 Annual Improvements to IDRSs	Annual periods beginning on or after 1 January 2009.	The objective of IAS 1 (revised 1997) 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 sets out the overall framework and responsibilities for the presentation of financial statements, guidelines for their structure and minimum requirements for the content of the financial statements. Standards for recognising, measuring, and disclosing specific transactions are addressed in other Standards and Interpretations.
IAS 16	Property, Plant and equipment – Amendments resulting from may 2008 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2009.	The objective of IAS 16 is to prescribe the accounting treatment for property, plant, and equipment. The principal issues are the timing of recognition of assets, the determination of their carrying amounts, and the depreciation charges to be recognised in relation to them.

Telecom Namibia Limited
Notes to the financial statements (Continued)
for the year ended 30 September 2008

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

IAS 19	Employee Benefits - Amendments resulting from May 2008 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2009.	The objective of IAS 19 (Revised 1998) is to prescribe the accounting and disclosure for employee benefits (that is, all forms of consideration given by an enterprise in exchange for service rendered by employees). The principle underlying all of the detailed requirements of the Standard is that the cost of providing employee benefits should be recognised in the period in which the benefit is earned by the employee, rather than when it is paid or payable.
IAS 20	Government Grants and Disclosure of Government Assistance	Annual periods beginning on or after 1 January 2009.	The objective of IAS 20 is to prescribe the accounting for, and disclosure of, government grants and other forms of government assistance.
IAS 27	Consolidated and Separate Financial Statements – Amendments resulting from May 2008 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2009.	IAS 27 has the twin objectives of setting standards to be applied: in the preparation and presentation of consolidated financial statements for a group of entities under the control of a parent; and in accounting for investments in subsidiaries, jointly controlled entities, and associates when an entity elects, or is required by local regulations, to present separate (non-consolidated) financial statements.
IAS 28	Investments in Associates – Consequential amendments arising from amendments to IFRSs	Annual periods beginning on or after 1 January 2009.	IAS 28 applies to all investments in which an investor has significant influence but not control or joint control except for investments held by a venture capital organisation, mutual fund, unit trust, and similar entity that (by election or requirement) are accounted for as under IAS 39 at fair value with fair value changes recognised in profit or loss. [IAS 28.1]
IAS 28	Investments in Associates – Amendments resulting from may 2008 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2009.	IAS 28 applies to all investments in which an investor has significant influence but not control or joint control except for investments held by a venture capital organisation, mutual fund, unit trust, and similar entity that (by election or requirement) are accounted for as under IAS 39 at fair value with fair value changes recognised in profit or loss. [IAS 28.1]
IAS 29	Financial Reporting in Hyperinflationary Economies – Amendments – Amendments resulting from may 2008 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2009.	The objective of IAS 29 is to establish specific standards for enterprises reporting in the currency of a hyperinflationary economy, so that the financial information provided is meaningful.
IAS 39	Financial Instruments: Recognition and Measurement – amendments for eligible hedged items	Annual periods beginning on or after 1 July 2009.	The objective of IAS 39 is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Telecom Namibia Limited
Notes to the financial statements (Continued)
for the year ended 30 September 2008

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

IAS 31	Interests in Joint Ventures –Consequential amendments arising from amendments to IFRS 3	Annual periods beginning on or after 1 January 2009.	IAS 31 applies to accounting for all interests in joint ventures and the reporting of joint venture assets, liabilities, income, and expenses in the financial statements of venturers and investors, regardless of the structures or forms under which the joint venture activities take place, except for investments held by a venture capital organisation, mutual fund, unit trust, and similar entity that (by election or requirement) are accounted for as under IAS 39 at fair value with fair value changes recognised in profit or loss. [IAS 31.1]
IAS 32	Financial Instruments: presentation – Amendments relating to puttable instruments and obligations arising on liquidation	Annual periods beginning on or after 1 January 2009.	The stated objective of IAS 32 is to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance, and cash flows.
IAS 36	Impairment of Assets – Amendments resulting from May 2008 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2009.	IAS 36 applies to accounting to ensure that assets are carried at no more than their recoverable amount, and to define how recoverable amount is calculated.
IAS 38	Intangible Assets – Amendments resulting from may 2008 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2009.	The objective of IAS 38 is to prescribe the accounting treatment for intangible assets that are not dealt with specifically in another IAS. The Standard requires an enterprise to recognise an intangible asset if, and only if, certain criteria are met. The Standard also specifies how to measure the carrying amount of intangible assets and requires certain disclosures regarding intangible assets.
IAS 39	Financial Instruments: Recognition and Measurement – Amendments resulting from may 2008 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2009.	The objective of IAS 39 is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.
IAS 40	Investment Property – Amendments resulting from may 2008 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2009.	Investment property is property (land or a building or part of a building or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both. [IAS 40.5]
IAS 41	Agriculture – Amendments resulting from May 2008 annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2009.	The objective of IAS 41 is to establish standards of accounting for agricultural activity -- the management of the biological transformation of biological assets (living plants and animals) into agricultural produce (harvested product of the enterprise's biological assets).

Telecom Namibia Limited
Notes to the financial statements (Continued)
for the year ended 30 September 2008

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

IAS 1	Presentation of Financial Statements – Revised	Annual periods beginning on or after 1 January 2009.	The changes made to IAS 1 are to require information in financial statements to be aggregated on the basis of shared characteristics and to introduce a statement of comprehensive income. This will enable readers to analyse changes in a company's equity resulting from transactions with owners in their capacity as owners separately from 'non-owner' changes. The revisions include changes in the titles of some of the financial statements to reflect their function more clearly. The new titles are not mandatory for use in financial statements.
IAS 23	Borrowing Costs – Revised	Annual periods beginning on or after 1 January 2009.	The main change from the previous version of IAS 23 is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale.
IAS 27	Consolidated and Separate Financial Statements – Revised	Annual periods beginning on or after 1 January 2009.	IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. They will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss.
Amendment to IAS 32 and IAS 1	Amendment to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of financial statements - Puttable Financial Instruments and Obligations Arising on Liquidation	Annual periods beginning on or after 1 January 2009.	The amendments require entities to classify the following types of financial instruments as equity, provided they have particular features and meet specific conditions: a) puttable financial instruments (for example, some shares issued by co-operative entities); b) instruments, or components of instruments, that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation (for example, some partnership interests and some shares issued by limited life entities). Additional disclosures are required about the instruments affected by the amendments.
N/a	Improvements to IFRS	Unless otherwise specified the amendments are effective for annual periods beginning on or after 1 January 2009	This is a collection of amendments to IFRSs. These amendments are the result of conclusions the IASB reached on proposals made in its annual improvements project. The annual improvements project provides a vehicle for making non-urgent but necessary amendments to IFRSs. Some amendments involve consequential amendments to other IFRSs.

Telecom Namibia Limited
Notes to the financial statements (Continued)
for the year ended 30 September 2008

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

Amendments to IFRS 1 and IAS 27	Amendments to IFRS 1 First-Time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	Annual periods beginning on or after 1 January 2009.	The amendment allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removed the definition of the cost method from IAS 27 and replaced it with a requirement to present dividends as income in the separate financial statements of the investor.
Amendments to IAS 39	Amendments to IAS 39 Financial Instruments: Recognition and Measurement Exposures Qualifying for Hedge Accounting	Annual periods beginning on or after 1 July 2009.	The IASB has therefore focused on developing application guidance to illustrate how the principles underlying hedge accounting in the following situations: (a) a one-sided risk in a hedged item, and (b) inflation in a financial hedged item.
IFRIC 13	Customer Loyalty Programmes	Annual periods beginning on or after 1 July 2008.	IFRIC 13 addresses accounting by entities that grant loyalty award credits to customers who buy other goods or services. Specifically, it explains how such entities should account for their obligations to provide free or discounted goods or services to customers who redeem award credits.
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	Annual periods beginning on or after 1 October 2008.	IFRIC 16 provides guidance on identifying the foreign currency risks that qualify as a hedged risk (in the hedge of a net investment in a foreign operation). It secondly provides guidance on where, within a Group, hedging instruments that are hedges of a net investment in a foreign operation can be held to qualify for hedge accounting. Thirdly, it provides guidance on how an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item.
IFRIC 17	Distribution of Non-cash Assets to Owners	Annual periods beginning on or after 1 January 2009.	IFRIC 17 Distributions of Non-cash Assets to Owners applies to the entity making the distribution, not to the recipient. It applies when non-cash assets are distributed to owners or when the owner is given a choice of taking cash in lieu of the non-cash assets.
IFRIC 18	Transfer of Assets from Customers	Transfers received on or after 1 July 2009	IFRIC 18 clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant, and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). In some cases, the entity receives cash from a customer that must be used only to acquire or construct the item of property, plant, and equipment in order to connect the customer to a network or provide the customer with ongoing access to a supply of goods or services (or to do both).

Telecom Namibia Limited
Notes to the financial statements (Continued)
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Annexure B – Standards and interpretations issued and not yet effective and that are not relevant to the Group

Interpretations to existing standards that are not yet effective and not relevant for the Group's operations

The following interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 October 2008 or latter periods but are not relevant for the Group's operations:

Number	Title	Effective date	Executive summary
IFRS 8	Operating Segments	Annual periods beginning on or after 1 January 2009.	IFRS 8 requires an entity to adopt the 'management approach' to reporting on the financial performance of its operating segments. The Standard sets out requirements for disclosure of information about and entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers. The disclosure should enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates.
Amendment to IFRS 2	Amendment to IFRS 2 Share-Based Payment: Vesting Conditions and Cancellations	Annual periods beginning on or after 1 January 2009.	The amendment clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based are not vesting conditions. It also specifies that all cancellations, whether by the entity or by the other parties, should receive the same accounting treatment.
IFRIC 12	Service Concession Arrangements	Annual periods beginning on or after 1 January 2008.	IFRIC 12 addresses how service concession operators should apply existing IFRSs to account for the obligations they undertake and rights they receive in service concession arrangements.
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	Annual periods beginning on or after 1 January 2008.	IFRIC 14 provides general guidance on how to assess the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected when there is a statutory or contractual minimum funding requirement.
IFRIC 15	Agreements for the Construction of Real Estate	Annual periods beginning on or after 1 January 2009.	IFRIC 15 addresses diversity in accounting for real estate sales. IFRIC 15 clarifies how to determine whether an agreement is within the scope of IAS 11 – Construction contracts or IAS 18 - Revenue and when revenue from construction should be recognised. The guidance replaces example 9 in the appendix to IAS 18.

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