



telecom

namibia

Annual Report 2009/10

PREPARING A **BROADBAND** FUTURE



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.

Values

Integrity
Care
Commitment
Accountability
Empowerment
Teamwork
Mutual respect

Sharing our dreams

In every corner of our country
With horizons far and wide
There's a voice that echoes clearly
And it brings our dreams to life

It's a voice that invites you and I
To share our dreams and let them fly
No matter where we are
We will be heard
Sharing our passions with the world

Chorus

Let's share our dreams
Let's set them free
Share our everyday reality
Walk side by side
The future's open wide
The time is right
Let's share our dreams
Let's set them free
Share our everyday reality
Walk side by side
The future's open wide
The time is right
Sharing your world

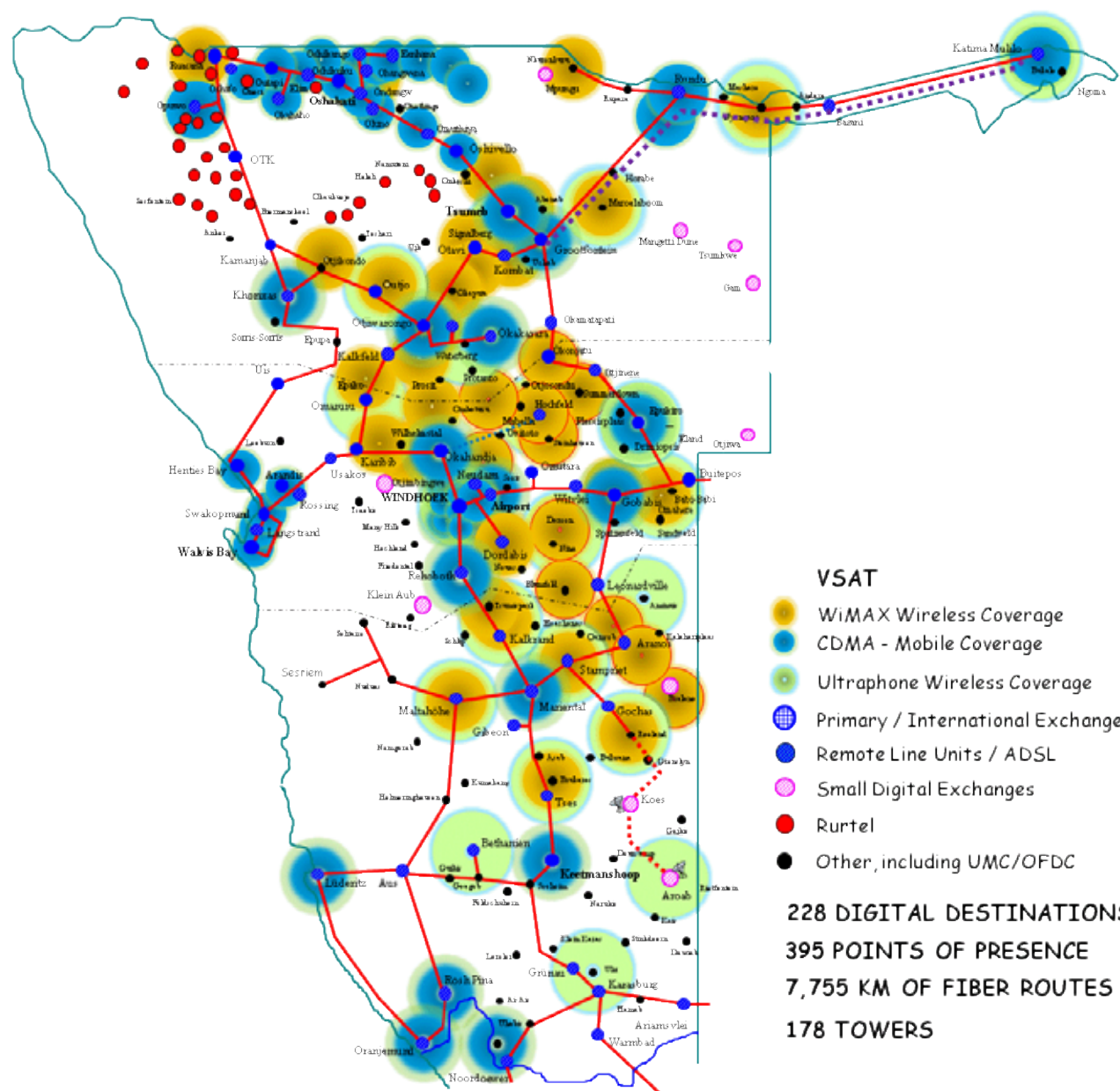
BROADBAND FUTURE

Like transport, energy and water supply systems, we must look at broadband networks as basic national infrastructure. Telecom Namibia's continued efforts to harness the power of broadband will give us the edge to meet the Millennium Development Goals.
.more quickly.

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Telecom Namibia Network Map

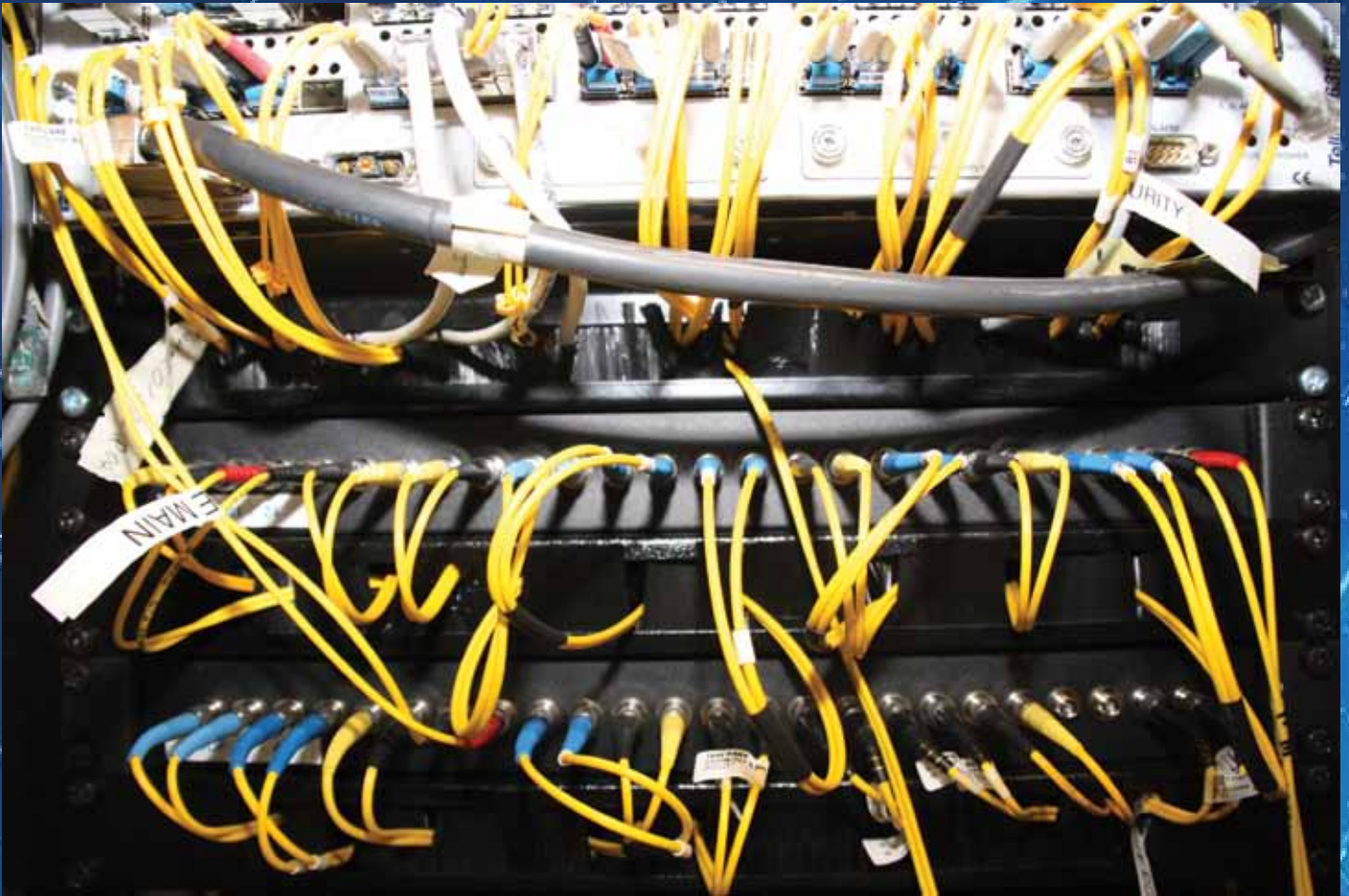


- VSAT**
- WiMAX Wireless Coverage
 - CDMA - Mobile Coverage
 - Ultraphone Wireless Coverage
 - Primary / International Exchange
 - Remote Line Units / ADSL
 - Small Digital Exchanges
 - Rurtel
 - Other, including UMC/OFDC

228 DIGITAL DESTINATIONS IN NAMIBIA
 395 POINTS OF PRESENCE
 7,755 KM OF FIBER ROUTES
 178 TOWERS

BROADBAND STRATEGY

Telecom Namibia broadband strategy includes:



Developing our business by strengthening existing core product and increasing customer loyalty;

Exploiting new opportunities by developing new product ranges and bundling;

Expanding the business through creation of premium VAS* when the opportunities arise.

*Value Added Services

Technical & Financial Highlights

for the years 2005 to 2010

Comparative Growth

Technical	2005	2006	2007	2008	2009	2010
Port Capacity (Network Switch Capacity)	195,023	208,178	223,238	233,903	231,760	229,947
Percentage Digital	100%	100%	100%	100%	100%	100%
Direct Exchange Lines (DEL's)						
Analogue, ISDN & DID slots	138,880	136,042	138,105	145,294	148,606	157,037
(Including public telephones)						
Manual	117	121	66	66	66	26
TOTAL (DELs)	138,997	136,163	138,171	145,360	148,672	157,063
Waiting List	3,521	3,844	3,100	2,829	1,410	629
DEL Penetration	6.9%	6.5%	6.5%	6.6%	6.6%	7.3%
Population	2,028,238	2,080,972	2,135,077	2,190,589	2,247,544	2,143,410
# of Public Phones	4,930	6,086	4,200	3,860	3,726	2,949
Public phones per 1000	2.4	2.9	2.0	1.8	1.7	1.4
Number of Households (projected)	383,916	393,898	404,139	414,647	425,428	405,725
Penetration per Households	36.2%	34.6%	34.2%	35.1%	34.9%	38.7%

Financial	2006	2007	2008	2009	2010
Company	N\$'000	N\$'000	N\$'000	N\$'000	N\$'000
Revenue	1,058,072	1,060,687	1,080,491	1,129,828	1,160,663
Operating profit	175,497	67,223	102,967	58,536	103,964
Profit after Taxation	112,294	23,217	46,943	25,598	69,712
Accumulated Retained Profits	539,123	860,897	907,840	933,438	100,031
Fixed Assets	831,315	1,472,304	1,593,404	1,598,143	1,600,530
Long term Liabilities	119,764	75,079	157,817	200,998	546 871
Equity	992,210	1,015,427	1,062,370	1,087,968	1,157,680
Capital Projects	170,009	346,145	260,649	167,297	159,350
Equity to Debt Ratio	8.28	13.52	6.73	5.41	2.11
Return on Fixed Assets	13.50%	1.57%	2.94%	1.60%	4.35

Board of Directors

FJP Ndoroma (MD)

Frans Joseph Petrus Ndoroma was appointed Managing Director and the Chief Executive Officer of Namibia Post and Telecom Holdings (NPTH) in 2002. Holder of a BSc (Hons), Mr Ndoroma serves as director on Neotel (Pty) Ltd, Communitel Telecommunications (Pty) Ltd, De Beers Marine (Pty) Ltd, SEPCO Communications (Pty) Ltd and Twine Investments Holdings (Pty) Ltd.

R Gertze

Roger Gertze is the chairman of the Human Resources and Remuneration Committee and has been serving on the Board since 21 August 2007. Holder of a BComm degree (Unam) and a MA degree of Business Leadership (Unisa), Mr Gertze is the Strategic Executive of Finance at the City of Windhoek Municipality and a Trustee of Namibia Medical Aid. He is registered with the Institute of Internal Auditors of South Africa. He also attended MDP and EDP with the Stellenbosch Business School. Mr Gertze is also a member of the Audit committee and Risk committee.

JS Iita (Chairman)

F Veldskoen

Feitjie Veldskoen was appointed to the Telecom Namibia Board on 21 August 2007. A qualified accountant, Ms Veldskoen holds a BAcc (Unam), a post graduate certificate in Forensic and Investigative Auditing (SA) and a post graduate certificate in Taxation (SA). She is Chairperson of the Risk Management Committee. She is currently employed as the Finance Manager at the Namibia National Reinsurance Corporation, and serves as a director of the INara Training Centre.

Joseph S Iita was appointed Chairman and non-executive director of the Board in August 2007, but has been a board member since 1994. He is the Permanent Secretary at the Ministry of Mines and Energy and serves as director of De Beers South Africa. Mr Iita holds an Ordinary Diploma in Electrical and Mechanical Engineering (UK), a Higher Diploma in Electrical and Electronic Engineering (UK), B.Eng (Hons) Communications (Electronic) Engineering (UK) and a Masters Degree in Public Policy and Administration.



Michael Mukete
Resigned 25 August 2010

Top Management Structure



FJP Ndoroma
Managing Director



Andrew Kanime
General Manager:
HR and Strategic Training



Heinrich Paul Bader
General Manager: Special
Projects



Patricia Brigitte Hauuanga
General Manager: Marketing
and Sales



Barend Frederik van der Merwe
Head: Internal Audit & Risk
Management



Oiva Alikie Angula
Senior Manager: Corporate
Communications and Public
Relations



Robert Offner
General Manager: Finance
and Administration



Wessel van der Vyver
General Manager: Interna-
tional & Wholesale



Patience Kanguenzi – Kanalelo
Head: Legal Services &
Company Secretary



Theodorus Gerhardus Klein
General Manager: Strategy



Hiwilepo Laban Hiwilepo
General Manager: Network
Provisioning and Assurance



Concepcion Chie Wasserfall
General Manager: Service
Provisioning and Assurance



Coenraad Coetzee
General Manager: ICT and
Corporate Business Solutions

Managing Director

Frans Joseph Petrus Ndoroma was appointed Managing Director and the Chief Executive Officer of Namibia Post and Telecom Holdings (NPTH) in 2002. Holder of a BSc (Hons), Mr Ndoroma serves as director on Neotel (Pty) Ltd, Communitel Telecommunications (Pty) Ltd, De Beers Marine, SEPCO Communications (Pty) Ltd and Twine Investments Holdings (Pty) Ltd.

Andrew Kanime

General Manager:
HR and Strategic Training

Kanime has been in the current position for the past four years. He has a BA degree from the University of the Western Cape, a postgraduate BTech (HR Management) from Technikon South Africa and a postgraduate Diploma in Business Management from the University of KwaZulu-Natal. Kanime completed a MDP (University of Stellenbosch) and an Advanced Programme in HR Management (University of California).

Heinrich Paul Bader

General Manager:
Special Projects

Bader is the General Manager: Special Projects since the division was established in 2006 to oversee all strategic projects as per the Strategic Blueprint 2010. He is a qualified engineer with a BSc. Eng. (Electronics) and a registered Professional Engineer with the Engineering Council, which he helped establish. With 35 years of engineering experience in the telecommunications field, Bader has amassed a wealth of practical experience in the field.

Patricia Brigette Hauuanga

General Manager:
Marketing and Sales

Hauuanga is the General Manager: Marketing and Sales responsible for overseeing all sales activities, marketing strategy execution, and achievement of company sales targets while maintaining focus on the company's strategic goals. Her major qualifications include a B.Comm from the University of Western Cape (South Africa) as well as Hons. BA and MBA degrees from the Business School of the University of Stellenbosch.

Barend van der Merwe

Head: Internal Audit &
Risk Management

Dr. Van der Merwe is Head: Internal Audit & Risk Management since 1993. He started his career as an Assistant Auditor in the Office of the Auditor General in 1979 and rose to the rank of Deputy Chief before joining Telecom Namibia in 1993. He has an MComm (Cost Accounting) and a PhD in Business Economics, and is a member of the Institute of Internal Auditors of Namibia.

Oiva Alikie Angula

Senior Manager: Corporate
Communications & PR

Angula joined the top management team in November 2006. With 20 years in the field of journalism and PR, Angula has an Advanced Diploma: Social Sciences (Academy of Social Sciences and Social Management, Bulgaria), Diploma Press Journalism (International Institute for the Training of Journalists, Hungary), Certification in Public Relations (LCCI, UK) and In-service training Journalism (The Wenatchee World, USA). He completed the MDP and SMP (Stellenbosch).

Robert Offner

General Manager:
Finance and Administration

Offner has been with Telecom Namibia for 14 years with the last seven in his current position. He has a BCompt (Unisa), Articles Freidberg, Miller, Gruft and co, PricewaterhouseCoopers. Offner is a Board member of CommuniTel and Chairman of Audit Committee of Mundo Startel.

Wessel van der Vyver

General Manager:
International and Joint Ventures

Van der Vyver, with more than 30 years experience in the Namibian telecommunications industry, is responsible for Telecom Namibia's international voice and data business as well as the two foreign operations in Angola and South Africa. He has a B.Sc. Engineering degree as well as advanced business qualifications from Kalmar in Sweden and Henley Management College in the UK, and is a registered with the Engineering Council of Namibia.

Patience Kanguuehi – Kanalelo

Head: Legal Services &
Company Secretary

Patience Kanguuehi – Kanalelo joined Telecom on 1 December 2010 and holds LLB (Hons) from Rhodes University, South Africa and is an admitted attorney of the High Court Of Namibia since 2004. She has vast corporate experience from internationally listed companies, has worked in the private sector as a private attorney and has gained invaluable experience she brings to Telecom. She has attended various courses on corporate governance in South Africa.

Theodorus Gerhardus Klein

General Manager:
Corporate Strategy

Klein is charged with the execution of the strategic blueprint for Telecom Namibia aimed at repositioning the company as an ICT leader towards 2010. He has a B.Sc (Electronics), Hons. BA and MBA from the University of Stellenbosch. Klein has worked for 25 years in the telecommunications industry.

Hiwilepo Laban Hiwilepo

General Manager: Network
Provision and Assurance

Hiwilepo holds a BSc (Engineering, Electronics and Telecommunications) from the University of Cape Town (South Africa) and a MSc (Engineering, Communications Technology) from the University of Ulm (Germany). A registered professional engineer, Hiwilepo is a member of the Institute of Electrical and Electronics Engineers, the Engineering Council of Namibia, and a Corporate Member of the Engineering Professions Association of Namibia.

Concepcion Chie Wasserfall

General Manager: Service
Provisioning and Assurance

Wasserfall was promoted to the top management team in October 2006 as the General Manager: Service Provisioning and Assurance. She is a registered professional electronics engineer with 16 years experience in the telecommunications industry. Wasserfall also holds a Bachelor degree in Business Management & Administration (with Honours) and a MBA from the University of Stellenbosch.

Coenraad Coetzee

General Manager: ICT &
Corporate Business Solutions

Coetzee was appointed in this position in 2006. Previously, Coetzee served as was Manager: Infinitum/ Telematics Operations and as Project Manager. He holds a BTech in Electronical/Electrical Engineering), BB&A Hons and MBA from Stellenbosch. He also completed MDP (Stellenbosch) and Project Management (Pretoria). Coetzee is a board member of the Xnet, NETSS, ICT Alliance and of the Government ICT Steering Committee.

Chairman's review

WE HAVE INVESTED IN ENHANCED BROADBAND PRODUCT OFFERINGS TO MAKE OUR CUSTOMERS MORE PRODUCTIVE.



Joseph S Iita, Chairman

I have pleasure, on behalf of the Board of Directors, in presenting the seventeenth annual report on the business and operations of Telecom Namibia together with audited financial statements and accounts for the year ended September 30, 2010.

During the 2009/10 financial year, Telecom Namibia continued on the path of business growth, customer confidence and satisfaction, building advanced network capability, staff development and corporate social responsibility programmes. More importantly, the company successfully recorded significant steps forward in preparing our country for a broadband future. Hence the theme for this annual report is, "Preparing for a broadband future."

This unbroken growth record since the company's commercialization in 1992 is clear reflection of our timely and closely appointed strategies and business focus, both of which will in the long run, propel the company into a leading and preferred ICT service provider in Namibia.

Strategy and Financial Progress

The changing business environment which is characterised by cut-throat competition and the introduction of new technologies towards a next generation network (NGN) environment have necessitated the introduction of a series of work and structural processes in order to improve customer experience and value to the shareholder.

The transformation exercise is progressing well. During the year under review, we have continued to invest in enhanced broadband product offerings to make our customers more productive and Telecom Namibia a more valued partner.

Our transformation agenda is not targeted at short term change, but at maintaining our momentum while better aligning us in key areas for long term growth as we take our company to new heights over the coming years.

In financial performance, our focus has been on margin development and capital discipline. Good revenue growth, tight cost control and our repositioning programme have delivered meaningful margin improvement.

Legal and Regulatory Developments

The Communications Act 8 of 2009 was promulgated in November 2009 and CRAN (Communications Regulatory Authority of Namibia) has published Regulations for decision making process and requested comments on Regulations 14,15,16,17 and 18 on 11 February 2011. It is expected that the Act will be enacted during 2011; once the Communications Act is enacted it will prescribe the process of issuing of licenses to operators.

The Communications Act amends the Post and Telecommunications Act 19 of 1992. One of the biggest changes for Telecom Namibia is that it will fall under the regulatory jurisdiction of CRAN and will no longer hold its statutory license. However, in terms of the Communications Act Telecom Namibia will be deemed to have applied and be granted a service neutral and technology neutral license which licence will enable Telecom Namibia to continue providing products and services across the information communication technology (ICT) value chain.

In September 2009 the Namibia Communication Commission (NCC) passed termination rates for interconnection between the operators. The passing of this directive aims at regulating the charges payable between the operators.

Corporate Governance

In accordance with the Telecom Namibia goal to become a well governed company, the role of the Board of Directors is becoming increasingly important in the implementation of the principles of good corporate governance through its oversight function. The Board of Directors monitors and evaluates the implementation of strategic policies of the company through reports of the Board's sub-committees.

The Board of Directors also performs monitoring duties through periodic meetings and oversees the work of the Audit Committee, the Human Resources and Compensation Committee, the Executive Committee, the Information Technology (IT) Steering Committee and the Risk Management Committee. Another important task is to ensure that Telecom Namibia complies with all applicable regulations in the telecommunications sector.

Outlook

Changes in technology, evolution in policy and the dynamic market place are shaping the future in ways never imagined before. The challenges that the future poses will soon enough be common to all in the telecommunications industry where operators will have to field these challenges in styles best fitted to their organisations, Telecom Namibia included.

With the evidence of improvement in the Namibian economy, we in the industry can only conclude that there is a future for us all. We believe that with our experience, a healthy balance sheet, sufficient resources, strong brand and solid management, Telecom Namibia will continue to grow in coming years.

Considering the resources we have and the initiatives taken, I am confident that we will invite further growth in market and financial terms. In the face of increasing competition, it is my task to ensure that the consequent impact on Telecom Namibia is positive. I wish to assure the shareholder that we are well prepared to engage in competition and confident of ensuring a continuing bright future for the company.

Appreciation

The 2009/10 financial year was highlighted by Telecom Namibia's effort to meet the need for transformation a NGN environment and more importantly, laying a foundation for a "New Telecom Namibia".

It is indeed my strong belief that with the unstinting support of all levels of staff, Telecom Namibia will make the changes with minimal transitional strain.

On behalf of the Board of Directors, I wish to extend my thanks to the management and all employees for their undivided support, dedication and contributions to fostering a dynamic and progressive telecommunications company.

To the members of the Board, I wish to express my deep appreciation for their valuable and professional counsel without which the development of the company would have been less impactful.

My special thanks go to our valued customers, shareholder, suppliers and contractors for their ongoing support.



Joseph S. Iita
Chairman

Managing Director's Report

WE HAVE EXPANDED OUR BROADBAND ACCESS TECHNOLOGIES AT A REMARKABLE PACE.



Frans JP Ndoroma, Managing Director

The theme of this year's annual report is "Preparing for a broadband future". This theme defines Telecom Namibia today—as we embarked on the most aggressive programme to roll out broadband technologies while, at the same time moving from legacy digital to Internet Protocol (IP) based or the Next Generation Network (NGN).

Telecom Namibia has placed its bets on NGN products, but more robust broadband infrastructure is required for modern information ecosystem to take hold.

We are now at a crossroad in the history of Telecom Namibia, poised on the brink of content-rich products and services that will take business communications and lifestyles to a whole new dimension. Much of this is being fuelled by broadband. In Namibia, Telecom Namibia is at the epicenter of this exciting evolution.

Broadband Development

Telecom Namibia is committed to building a nationwide high speed broadband network. The purpose is not only to prepare us for competition in today's global economy, but also to ensure efficient delivery of online health care, education, and government services for our citizens. The availability of affordable, fast and reliable connectivity is also an important enabler to stimulating investment in new businesses.

Like transport, energy and water supply systems, we see broadband networks as basic national infrastructure. Our continued efforts to harness the power of broadband will give us the edge to meet the Millennium Development Goals more quickly.

We have expanded our broadband access technologies at a remarkable space, and Telecom Namibia is now well-positioned to achieve substantial organic growth in this revenue stream by ramping-up actual broadband connections.

However with an increasing demand for broadband services comes the demand for more bandwidth. As a direct result, Telecom Namibia was connected to Seacom and SAT-3 submarine cables via Neotel in South Africa. With the anticipated landing in Namibia of the WACS submarine cable in 2011, Telecom Namibia needs to have both the capacity and the reach to deliver and collect traffic. Our focus is now geared towards putting in place a good quality, reliable and national backbone infrastructure with ample capacity – i.e. 40 Gb/s as opposed to the current 10 Gb/s.

Strategic Focus and Transformation

Our strategic focus remains defending and growing profitable revenue, protecting the brand and driving cost down. Our focus is on extending the business model in order to play along the ICT industry value chain, through the development of the required IT/IP, technical and commercial capabilities, while building a next generation infrastructure.

In spite of the difficult operational environment which continued to put pressure on our performance, we nevertheless continued to execute our transformation strategy. Our vision is to be the leading and preferred ICT player in the country. Achieving this vision entails a broad approach and includes initiatives that will deliver positive benefits for the company and the country as a whole.

A strategic blueprint was drawn to transform Telecom Namibia into a full-fledged ICT company, replete with a roadmap that paves its way boldly into the future. The roadmap provides direction in the development and innovation of solutions geared towards satisfying customer requirements while creating sustainable returns and high value for stakeholders. The key issues in the blueprint are:

- Deploying network capacity with the highest possible value, a new next generation network (NGN);
- Building Telecom Namibia retail, corporate and wholesale segments and related equities;
- Restructuring at staff levels to allow for a more effective deployment of competencies in an aligned fashion;
- Building world-class operational and systems capabilities; and
- Enabling Telecom Namibia to operate as a well-integrated, adaptable organisation.

The main objective of transforming Telecom Namibia is to build a highly competitive organisation that drives innovation and profitable growth. We have been successful in growing our NGN technology and service portfolios and providing broadband services to business and individual users across the whole of Namibia. In terms of strategy, broadband services are to play a highly significant role in delivering to the customer a 'one time' solution to a variety of needs spanning voice, data, video and mobility - all delivered on a single platform, offering customers unprecedented conveniences and flexibility, while such a single network will effect significant cost savings.

The deployment of new networks has laid the foundations of the company's repositioning and transformation to conform to its new business model. This model requirement includes a significant reduction in general and administrative expenses, driven by simplified operations, reduced systems and improved processes. In addition, R&D investment will continue to be a top priority. Capital investment will be in high-growth opportunities. Our efforts to increase the company's focus in sales and other customer-facing functions remain unchanged.

We have started to effect changes in the company's organisational structure. We believe that this structural change will be beneficial in further enhancing our operating efficiency and in supporting the company's transition from a traditional fixed and mobile service provider to a more innovative ICT service provider. In addition, this organisational change allows us to react with greater speed to changes in the market place and the wider economic environment, thus protecting and growing our market share.

Financial Performance

The Group's revenue for the year ended 30th of September 2010 increased by 3% from N\$1.13 billion in the previous financial year to N\$1.16 billion for the period under review. The growth in demand of broadband product and service offerings contributed significantly to the increase in revenue.

There was a significant increase in the Group's operating profit for the year from N\$58.5 million realised in the previous financial year, to N\$103.7 million for the year ended 30 September 2010. This represents an increase of 77% year on year and is largely attributable to the immense savings made in the cost of distributing the Group's products and services.

The Group's loss after tax increased from N\$87 million in the preceding financial year to N\$122 million for the year ended 30th of September 2010. While the local operations of the Group made a vast improvement in profitability from N\$25.5 million for the year ended 30th of September 2009 to N\$ 69.7 million for the period under review, this was unfortunately eroded by the foreign operations which continue to perform below par. Losses of foreign operations for year ended 30 September 2010 amounted to N\$205.2 million, up from N\$115.9 million for the previous financial

year. The Board and Management continue to closely monitor the performance of the foreign entities with the view to assess their strategic importance and contribution to the Group's operating results.

The Group's total assets have increased from N\$2.13 billion as at the 30th of September 2009 to N\$2.18 billion at the end of the period under review, representing an increase of 3%. Additional investments amounting to N\$159 million and N\$218 million were made towards local capital infrastructure development and foreign ventures respectively.

The Group successfully concluded a bond issue during the financial year resulting in the injection of N\$254 million in long term capital to the business. Additional long term debt amounting to N\$120 million was raised by the Group during the year. Total long term borrowings thus increased from N\$294 million as at 30 September 2009 to N\$659 million as at the end of the period under review. The additional capital, augmented by the positive cash flow generated from operations, saw the Group fully redeem the overdraft outstanding at the beginning of the period under review amounting to N\$256 million, during the year ended 30th of September 2010. A net amount of N\$327 million was generated from operations for the period under review, up from N\$295 million generated in the previous financial year.

Capital Projects

During the review period, N\$159 million was spent on local infrastructure, of which N\$45 million was paid towards the West African Cable System (WACS). A further N\$218 million was paid towards the foreign ventures, i.e. Neotel in South Africa and Mundo Statel in Angola. This brings the total capital investment made during the 2009/10 financial year to N\$358 million.

Among the local projects carried out were the following:

- Building of the WACS Landing Station at Swakopmund, of which the building construction work was completed and the first batch of equipment is being installed. This project is well on schedule.
- Continued deployment of broadband services, especially those based on ADSL and WiMAX access technologies.
- Upgrade of the South Fibre Ring from STM-16 to STM-64.
- Deployment of a modern air traffic control system for the Directorate of Civil Aviation is another major project being implemented.
- All border posts for Ministry Home Affairs were serviced with new infrastructure, except the new one at Wakashamane.
- Construction of the Hardap West Project which involves a new aerial fibre construction between Nudaus and Sesriem.

Corporate Social Responsibility

Telecom Namibia is making steady progress towards our goal of extending our corporate social responsibility way beyond building the telecommunication infrastructure that forms the framework of our economy and our society. We readily embrace our duty to enhance the quality of life of our employees and the people touched by our operations across all our businesses, in our conduct and in our strategic plans for growth.

Our commitment to corporate social responsibility is at the heart of our ethical standards, policies and business practices. We have committed ourselves to the Global Compact Network and its key elements of business ethics and transparency; workplace practices and employee relations; community engagement and development; environmental health and safety; human rights and the integration of corporate social responsibility into our supply chain.

As an example, during the 2009/2010 financial year, Telecom Namibia issued 3 483 orders to the value of close to N\$148 million to Black Economic Empowerment (BEE) companies. This constitutes 39 % of all orders that were placed with suppliers or contractors and

38.2 % in terms of overall value of all orders placed.

Our community investment programs focus on education, health and human services, as well as our environmental and resource conservation efforts. We have made the development of products that are free of hazardous substances a priority for Telecom Namibia.

Working together with our partners and suppliers, we have empowered people by facilitating communication; simplifying mundane activities; enabling information to flow seamlessly; and creating added value by widening the reach and access of our customers. We have implemented a number of new technologies that help to transform the lifestyle of customers and enhancing their businesses, but are contributing to making the world a smarter, safer and more connected place.

Acknowledgement

Despite a challenging external environment and the ongoing internal realignment, the Management and Staff have remained focused on

improving the company and implementing outcomes which resulted in improved financial performance for the company and benefits for our customers.

I wish to thank our shareholder, our Chairman, Joseph Iita, Telecom Namibia's Board of Directors, my colleagues in the Management team, and our family of 1073 employees, as well as all our stakeholders for the support that has enabled us to deliver on our promises.

Let us all continue to take Telecom Namibia forward in its transformation into a new generation service provider. With your support, Telecom Namibia will continue to deliver and create value for its stakeholders.



FJP Ndoroma
Managing Director

Commercial Review

TELECOM NAMIBIA OFFERS CORPORATE AND RESIDENTIAL COMMUNICATIONS SOLUTIONS.



It was a year of challenge but Telecom Namibia displayed the strength and resilience and closed it on a positive note. All the company's infrastructure, technology, skilled personnel, products and services came together in a holistic sense to record a satisfactory performance.

Telecom Namibia continues to be Namibia's paramount telecommunications service provider.

In a strategic sense, our journey towards becoming a fully-fledged Next Generation Network (NGN) Service Provider continued to evolve during the course of the year, which saw Telecom Namibia pursuing leadership of the industry via a paradigm shift - from network to market in line with its Strategic Blueprint 2010.

This is a logical progression which sees the company's emphasis on network and infrastructure shifting towards a more inclusive customer centricity.

Playing along the information communication technology (ICT) value chain is the destination for Telecom Namibia. In order not to be dis-intermediated from its customers, Telecom Namibia is striving to do so in a customer centric way, through quality of service and affordability.

The company's strategic thrust is four-fold:

- Re-alignment of technical operations to deliver service quality;
- Re-focus and address the wholesale and corporate markets;
- Grow non-voice services, nationally and regionally; and
- Driving costs down.

Our Strategy 2010 has made Telecom Namibia to become an ICT service provider, offering both fixed and mobile services. This ICT value chain is now already 55% covered with an extensive product portfolio. The company has also managed to achieve a safe level of dependency on voice as planned.

The utilisation of undersea fibre optic capacities on SAT-3 and SEA-COM has been achieved, strengthening our position as a regional player and a Tier-2 service provider. With this secured access to undersea fibre optic cables, the IP satellite link was switched off. In addition, the remaining 48 manual, magneto services were switched off with the deployment of the Sky-Edge II VSAT system.

It is a strategic imperative for Telecom Namibia to strengthen its position as a fully fledged ICT service provider by 2013. The biggest challenge facing the company is to become a lean telecommunications company with a unified service delivery capability and driving down its operational cost while maintaining a moderate revenue growth (improving profit margins). Telecom Namibia will also have to continue expanding its products and services along the ICT value chain while continuing with the recruitment, development and retention of Information Technology (IT) and Internet Protocol (IP) skills.

Products and Services

Telecom Namibia offers corporate and residential communications solutions. The products and services, coupled with customer service platforms that are continuously improving, have continued to keep the company firmly established as the market leader in most solution areas. The synergies we leverage upon in

voice, data, video and networking gives us the impetus to create innovations that far surpass the norms and practices prevalent in Namibia today.

Wholesale Business

Telecom Namibia uses a nation-wide network and world-class technology to provide wholesale network connectivity products to other service providers in Namibia.

Our broadband, business data, voice and interconnect products give wholesale customers the foundation on which to build their own network or telecommunications services for their end-users.

Telecom Namibia has continued its investments in submarine cable capacity in the past years, which is considered as the lifeblood of ICT development for the country, and to better service our wholesale customers.

Corporate Solutions

Telecom Namibia offers high quality, reliable ICT technical solutions and business systems to corporate customers. The broadband backbone infrastructure and access networks have been expanded to provide a wide portfolio of ICT solutions to customers. These new infrastructure investments included national and regional Internet Protocol (IP) connectivity solutions, such as new points-of-presence (PoPs) and customised corporate solutions.

The solutions focus on data services (Leased line and Metro Ethernet), IP/MPLS VPN services, customer premises equipment (CPE), disaster recovery centre facilities and co-location services. Other solutions are Internet access (Web hosting, Web development, Domain administration and E-mail services), Internet Protocol (IP), video conferencing; structured cabling; e-commerce, LAN, WAN, Intranet & Extranet services, least cost routing, ICT consultancy and other value added ICT products and services.

Telecom Namibia's IP/MPLS backbone is the largest carriergrade IP backbone in the country, and the company's continued investment in NGN solutions during the past year, has increased the availability of innovative solutions and applications through a truly converged IP/MPLS offering that provides both data and voice services, with no distinction between fixed and wireless networks.

The IP/MPLS network allows users unfettered, ubiquitous access to other operators' networks, and with capacity for full mobility. The implementation of the IP/MPLS technology enabled Telecom Namibia to introduce further cost reductions on our IP and data product portfolio. The combination of legacy and new services reduced access costs and enabled truly convergence services.

During the 2009/10 financial year, a number of products/services were introduced, namely:

- *Network Interconnect:* This is a product which defines the network interconnection between the Telecom Namibia network and the wholesaler network. The network interconnect is established via SDH or Ethernet. An Ethernet connection provides link speeds from 5Mbps to 100 Mbps. The product itself establishes only a physical connection and is the basis of most of the wholesale products defined by Telecom Namibia.
- *Broadband Online Services for Resellers:* These services are designed for resellers that want to use Telecom Namibia's access technologies to connect to their own networks. A reseller is defined as an ISP or System Integrator without an own autonomous system.
- *Managed/Unmanaged Online Service for Reseller:* These services are designed for wholesalers that want to use Telecom Namibia access technologies to connect to their own networks. The unmanaged variant enables the reseller to install own CPE, while in the managed variant the CPE is provided by Telecom Namibia.

- *Online Broadband Service for Wholesale:* These services are designed for wholesalers that use Telecom Namibia's access technologies to connect to their own networks.
- *Managed MPLS VPN Products for Reseller:* In the Managed MPLS VPN Reseller scenario, the reseller owns the customer and creates own brand in the market. Telecom Namibia offers the service to the reseller who in turn sells it to end users.
- *Unmanaged MPLS Products for Reseller:* The reseller owns the customer and creates own brand in the market. Telecom Namibia offers the whole network service to the reseller, with the latter delivering and installing the CPE at customer premises.
- *Advanced and Business Triple Play Packages:* This is a combination of fixed and mobile as well as fixed and mobile broadband to provide tailor made solutions to end users.

Retail and Residential Products

Telecom Namibia has introduced a state-of-the-art infrastructure in the past years. It is from such an excellent platform of network and technology that Telecom Namibia launches a complete portfolio of highly innovative services to customers. The development of this platform has provided the company with a firm base from which to launch its strategic journey towards a fully-fledged ICT player in the coming years.

Broadband delivered via ADSL, WiMAX, VSAT and CDMA access technologies is viewed as the gateway to the coming years, and a coverage extending across the country has made Telecom Namibia the clear leader in the broadband category. With the head-start achieved and the constant search for optimisation of the broadband medium, Telecom Namibia is well placed to hold market ground.

The company offers packaged broadband products, which are distinguished by differing mixes of two factors - download speeds and upload speeds. Fixed broadband services are offered with unlimited monthly usage at flat rates, with a host of value additions. However, the mobile broadband packages are capped, except for the 3G-EvDO Premium package which has unlimited monthly usage at a flat rate.

In the voice category, Telecom Namibia offers a range of pre-paid and post-paid options, with different service configurations (e.g. - Voice only or Data and Voice) to suit customer preference. Strong competition in the voice market prevailed during the year.

The company operates public payphones across the country. At the close of the year, the total number of such public payphones stood at 2,949 situated basically across the country. The company's public payphone is ubiquitous across the country, and has effectively brought telecommunications facilities within reach of the wider community.

Some of the key products and services for the retail and residential segments which were introduced during the year include:

- *EvDO SMS Notification:* This is value-added service for the post-paid 3G-EVDO mobile broadband as well as Switch postpaid voice customers to send a blank SMS to 1185 to query data or voice minutes usage balances either from either an EvDO device or any mobile Switch phone.
- *High Speed Fixed Broadband Packages:* The packages are fast internet access services that make use of ADSL technology to send/receive data at speeds up to 10MB, which is the fastest internet connection so far in Namibia. The packages start from 4096k, 6144k, 8192k up to 10240k.
- *NGN VSAT:* The VSAT network offers value-added satellite-based services for home and business users, and is capable of supporting the internet, data, video, LAN, voice/fax communications.
- *Radio Streaming:* Radio stations are now able to broadcast audio content to their audience through the internet.

- *City Phone:* It is both a postpaid and prepaid service that enables customers to have a Switch service that is limited to a particular town(s) at fixed line rates.
- *Link Speed Upgrade:* All the existing download and upload speeds of fixed broadband packages were upgraded to the next level at no cost, meaning if a customer was on 192k package, he/she was automatically upgraded to 256k and 256k to 384k, etc. up to 2048k as a gift and at the same monthly flat rate.

iWay Business

iWay is one of the leading Internet access providers in Namibia, providing dedicated and dial-up Internet services as well as value added services.

In order to grow the portfolio, an opportunity has been identified to develop customised websites for small-medium-enterprises (SMEs) and schools. The iWay customer base has expanded beyond residential customers, service providers and SME's, and now includes many corporate businesses.

International Business

Telecom Namibia is well connected to its neighbours through our voice, data and Internet connections, with solid cross border connections via fibre optic networks to all our borders. In addition, the company has established a regional presence through shareholding in two telecommunication ventures in neighbouring Angola and South Africa.

Telecom Namibia is a minority shareholder in Neotel, the second fixed network operator in South Africa, which is now in its second year of operation with a fibre backbone between main cities and with a substantial metro fibre in the main centres. Radio connections are used to connect tens of thousands of customers in Gauteng and Cape Town.

Neotel has built both a CDMA as well as WiMAX network to ensure good coverage in the main cities. To date Gauteng, Cape Town and Durban are served and this will be followed soon by more big cities.

As part of the regional strategy, Neotel and Telecom Namibia were connected at the RSA/Namibia border crossing at Onseepkans-Velloorsdrif. This connection made it financially viable for Telecom Namibia to access its capacity on the SAT-3 landing point in Cape Town.

As the managing partner of Mundo Startel in Angola, Telecom Namibia oversaw the network build out of this start-up operator. Even though the Angolan market has proven very tough to enter, we were only able to launch limited services in May 2010 after an extended start-up period. Mundo Startel has its main operations centre on the periphery of the Central Business District of Luanda from where it serves customers via a high capacity microwave ring system in the city. During the next year this will be extended to Luanda Sul and to more centres thereafter covering the rest of Angola. Customers are served with WiMAX to offer Virtual Private Networks (VPNs), internet and voice services.

Mundo Startel is only starting its long journey, but is already carrying voice traffic for all the major operators in Angola. Mundo Startel's satellite operations are also put to good use by local ISPs and international operators servicing the oil sector.

Apart from the two foreign ventures, Telecom Namibia has been designated as the lead agent for the West Africa Cable System being built from London to Cape Town with landings all along the African West Coast. Namibia will land the cable in Swakopmund with Telecom Namibia, Botswana Telecommunications Corporation and Mobile Telecommunication Limited (Namibia) being joint capacity owners in the venture. The Government of Namibia is also a sponsor to the cable via Namibia Post and Telecom Holdings which it wholly owns. Completion of the project is planned for the first half of 2012.

Pricing and Tariffs

Telecom Namibia continued to re-model its pricing structures for the different products and services in line with the company's long-term strategic plan. During the year, a number of changes were introduced to pricing of our telecommunication products and services. Some of the key pricing initiatives introduced during the year were.

- Following extensive cost and benchmark studies, tariffs changes for 2010/11 were implemented from 1 October 2010. These changes included upward adjustment of rental charges for basic telephone lines, ISDN, co-location and site sharing services. A major special rates campaign was launched for reduced international call tariffs to major international destinations for a period of three months starting from 1 October 2010.
- A new pricing model for the Xnet Development Alliance Trust was implemented to allow schools and other institutions of higher learning to benefit from discounted pricing for internet access for schools.
- A promotion was introduced to double-up usage for selected mobile broadband packages while keeping the monthly charges unchanged, coupled with a reduced out-of-bundle (OOB) usage tariff of 25c/MB. This promotion aimed at stimulating internet usage, retain existing and attract new subscribers to our network. The promotion attracted great interest and resulted in increased internet usage over our network and a decision was taken to implement the usage double-up permanently while maintaining same price levels. The promotion on reduced usage tariff of 25c/MB was further extended.
- New broadband and MPLS pricing models for wholesalers and resellers were implemented. This initiative allows Telecom Namibia to expand the distribution network for its broadband and other IP services in the market.

In order to accelerate mobile internet access penetration, 3G EvDO and 1x data prepaid packages were revised to make them more attractive and affordable to the market. This initiative was realised by subsidising the device cost to minimise barrier to entry.

- The broadband retailer's commission structure and compensation terms were revised and implemented to make it more attractive for our broadband retailers.
- A new fixed line flat rate package was introduced for customers to make free and unlimited calls using their fixed line service during off-peak times including weekends at a flat rate. Off-net national calls will also be charged at a preferential rate for subscribers of this package.

New packages that were introduced include bundles composed of fixed voice, mobile voice, fixed broadband, mobile broadband and other value added services all in one bundle at flat monthly rates.

- A new discount framework was implemented for internet access products targeting wholesale, corporate and other small to medium businesses. This was concluded simultaneously with the revision of internet access pricing models that were approved and implemented in 2010 in line with movements in international IP bandwidth costs. A new discount framework was also introduced for international private leased circuits from E1 to STM1 levels.
- Following upgrade of the VSAT HUB, new VSAT packages were introduced. New broadband VSAT packages include bundles of CPE, voice lines, emails, web space, fax to email, unlimited internet usage and free on-net minutes at a flat rate per month. New commercial VSAT broadband packages range from 192k to 2048k. A lower subsidised package was also introduced which caters for VSAT voice only service at a reduced monthly rate and VSAT Always-on 64kbps, unlimited

internet usage at a flat monthly rate.

- Flexible and attractive pricing models were developed and implemented for some of the Telecom Namibia products including; additional call plans for Switch Biznet, City phone, Switch basic service, high bandwidth broadband packages (3 Mbps to 10 Mbps), fixed-mobile convergence (FMC) packages, etc.

The focus for 2011 will include completion of other major activity based costing and pricing projects that are currently ongoing to re-position some services such as leased lines for wholesale and corporate customers out of which attractive discount schemes will also be defined. More FMC packages and rate plans are expected to be introduced, supported by aggressive promotional pricing for the various products and services.



Network Operations

OUR IP/MPLS BACKBONE IS THE LARGEST CARRIER-GRADE IP BACKBONE IN THE COUNTRY.



The Company employs state-of-the-art IP-MPLS (Internet Protocol-Multi Protocol Label Switching) as a core technology. This is the foundation for the provision of a multiple service delivery regime, which we envisage with the coming NGN. IP-MPLS roll out across our fibre network is complete. Our core network is evolving towards IP-MPLS.

IP-MPLS transforms a traditional IP network into a carrier class IP bearer network with the best multi-service offering in Namibia. It provides a prime technological platform for Telecom Namibia to offer value added services such as Internet Protocol TV (IPTV), the NGN and an IP Multimedia sub-system which opens the door to offering Fixed Mobile Convergence.

IP-MPLS technology also supports the company's offer of Internet Protocol Virtual Private Networks (IP-VPN) used for enterprise networking, which is a huge boon to the ICT segment of our operations.

When early in the financial year the IP/MPLS project was completed, commercial services, especially MPLS/VPNs, were made available to corporate customers. This made it possible for Telecom Namibia to connect Langer Heinrich Mine and Ohorongo Cement Factory by direct fibre cable routes to Telecom Namibia's IP/MPLS backbone transport network. These sites went live successfully during Q1/2010 and Q2/2010 respectively.

This modern IP/MPLS transport network secured business for international transit traffic from abroad via South Africa to Zambia.

The completion of the IP/MPLS network further consolidated our Metro Ethernet product, which is a triple play ready system that enables accessing of voice, data and video content via

single port connectivity. Our Metro Ethernet is an access technology consisting of a network of fibre optic rings, employing MPLS technology, linking many designated building complexes. The Metro Ethernet is particularly suited for businesses and high-end customers, who require access to specific services such as video conferencing, high speed internet, high speed data and voice applications.

CDMA

One key technology employed by Telecom Namibia as a broadband access technology is the CDMA (Code Divisional Multiple Access). It is a key wireless technology which supports a variety of services and has a 'no boundaries' aspect to the manner in which it is deployed as a network.

On the CDMA platform, the initial restriction to the mobile service was finally lifted in mid 2009 by Government. By the end of 2009 six new sites (Kleine Kuppe, Pioniers Park, Otjimuiise, Khomasdal, Katutura and Avis) for voice and 3G were taken into service to improve coverage and loading of traffic in Windhoek. Another base station was commissioned at Oshikango. 3G/EVDO facilities were added to the existing voice stations at Ondangwa, Katima, Okahandja, Langstrand and Henties Bay.

Early in 2010 the CityPhone was launched successfully which allows the utilisation of the CDMA technical platform to provide fixed wireless telephone services. Normal telephony services can now be provided by means of a FWT (Fixed Wireless Terminal) with integrated CDMA radio, which was developed in-house with specific customisation and work-arounds.

ADSL

Telecom Namibia has been blessed with an unmatched copper wire line network that stretches across the length and breadth of the country. This is the network which supported the company's earliest telecommunication services. Today, this copper-based network continues to be an invaluable medium, delivering the Company's broadband technologies such as ADSL.

ADSL is a data communications technology known as Asymmetrical Digital Subscriber Line that provides a faster data transmission over copper telephone lines. ADSL access has the highlights with high bandwidth, reliability and security.

ADSL was initially rolled out in December 2006, and was intended to provide short term solution serving as an early start of the service. The solution presented many restrictions in terms of capacity and flexibility due to non-availability of supporting networks. With the supporting network (MPLS and Metro Ethernet network) roll outs, the ADSL expansion continued to expand to other regions throughout the country including remote areas. Sites with minimal backhaul capacity were also redesigned and migrated to high bandwidth networks to avoid bottlenecks while ensuring high availability, and preparing the network for fixed broadband access (FBA) services.

FBA were completed and packaged and have since grown in popularity. A 10MB package was added at the end of the financial year. To deliver such a broadband package to urban customers, an additional 5,431 ports were added to the ADSL DSLAM infrastructure. Currently 109 DSLAM's cater for a 22,382 ports capacity in total of which 13,274 were connected at end of the year. All DSLAM's are now backhauled by means of the new IP/MPLS standards and network.

ADSL services have made remarkable progress as seen in the number of ports rolled out countrywide and the number of customers acquired to date. Currently there are 22 657 numbers of ports.

WiMAX

The Worldwide Interoperability for Microwave Access (WiMAX) is a wireless technology suitable to support multiple service delivery and is a key component of our suite of core technologies, being an all-IP, all-packet technology with no legacy telephony, which makes operational expenses very low.

WiMAX is today a field proven technology embraced by a growing number of countries across the world. What it brought to Telecom Namibia and its customers is a low cost, wireless broadband option that supports the company's broadband strategy. Its scalability ensures it can embrace quad play services when they come on stream.

Fixed broadband services are transported to rural/farming customers by means of the WiMAX platform, providing broadband/internet services to the rural community. The WiMAX connectivity became very popular among the farming community due to the powerful data/internet service and performance.

During the year, 17 new WiMAX base stations were added successfully (Eersterus, Adrianopel, Wilheben, Eliesenheim, Omandumba, Doreen, Blumfelde, Ohorongo, Emmabrunn, Grootfontein, Ruacana, Uutapi, Lusese, Kamuchonga, Katwitwi, Bergquelle, Onguari).

Three new sites were installed and are currently in the testing phase (Summerdown, Steinhausen, Mbela). Another 13 sites are in different stages of rollout. Except one remaining, all base stations are now backhauled via the IP/MPLS network. This makes WiMAX our only true end-to-end IP access network at this stage.

VSAT

The new VSAT platform was implemented in June/July 2010, which is IP and is based on Gilat's SkyEdge II product. It offers reliable internet and voice services. The new platform is also serving as backhaul transmission to eight small digital exchanges (SDEs), connecting remotely located communities such as Tsumkwe, Koes, Gam, etc.

A new VSAT hub and system was installed – the full-IP SkyEdge II VSAT (SEII) platform. The hub was commissioned in July 2010 and the total old Faraway VSAT services were migrated across to SEII.

The VSAT upgrade is aimed at replacing the outdated FaraWay and DialAway VSAT platforms in order to improve VSAT service delivery, retain current VSAT customers on a growing competitive market and offer broadband satellite services to new applicants in remote areas.

Currently, all Dialaway services of Telecom Namibia are being migrated as customers take up the new product. To date, 209 SEII VSATs are in service with another 27 in the process of construction works for migration. This new SEII VSAT system will bring our standard broadband services and packages across the country into an "anywhere – anytime" mode. The objective of this transformation is to replace old obsolete technologies like open wire infrastructure, Magneto, Magnolia and SOR-18.

The roll-out of broadband access networks (ADSL, WiMAX and VSAT) will continue at a much higher pace to connect as many customers and as quick as possible so that the backbone network can be loaded with traffic and driven by attractive broadband packages and features.

Fibre Backbone Network Upgrade

To carry all broadband traffic, our fibre backbone network requires constant capacity upgrades. During the previous year up to mid 2009, the total northern backbone network (i.e. north of Windhoek and inclusive) was closed into ring networks (Erongo, Kunene and Omaheke rings) and also upgraded to SDH STM-64 capacities (excluding Grootfontein-Katima Mulilo).

During the year, the southern backbone network was partially upgraded in a phased approach. The route Gobabis-Aranos-Stam-priet-Maltahöhe-Aus-Bethanien-Keetmanshoop was upgraded from STM-16 to STM-64 capacity. The recovered STM-16 equipment from the north was installed onto separate fibre pairs to provide additional parallel STM-16 capacity between Aus-Oranjemund as well as Keetmanshoop-Karasburg as an interim measure to provide additional circuits from Windhoek to South Africa for big customers and international transit routes in the interim solution until the very far south is also upgraded to STM-64 level.

This additional capacity in the south enabled Telecom Namibia to utilise the new interconnection at Velloorsdrift to Neotel and at the same time provide access to SEACOM. The Neotel interconnection was in December 2009.

In the same project, a new upgraded Network Element Management System was installed to handle the new technologies as well as a geographical redundancy at Pioniers Park.

Similarly, the single spur fibre cable route from Grootfontein to Katima Mulilo was upgraded by adding a STM-16 system onto another fibre pair in addition to the existing STM-4 system. This allowed for a 400% capacity increase to Katima Mulilo with the view also to provide cross border interconnect services to Zambia.

Technically, Telecom Namibia has reached the target to provide and operate a broadband network as well as several fit-for-all-purpose broadband access networks.

The basic NGN backbone network is now in place, but demand requires ever growing capacities which forces Telecom Namibia to get a 40G backbone capacity in place on existing fibre infrastructure and to continue expanding the fibre infrastructure and capacity on an ongoing basis.

DCA Project

The unique and special project for the Namibian Department of Civil Aviation (DCA) was to roll out 36 remote stations with Telecom Namibia backbone backhauling to a centralised control centre in Windhoek (for a national air traffic management system to secure the Namibian air space and increase air safety as demanded by international air traffic control-

ling body). This was completed early 2010 and all 36 stations were in service by April 2010. According to the DCA, the total system performs extremely well and the next phase will bring along some further enhancements and additional remote stations.

Border Posts Connection

Another unusual project was carried out to connect all border posts to the broadband MPLS network due to FIFA Soccer World Cup requirements. Eight rural border posts without any local or backbone network were connected by means of WiMAX base stations, with installation at Ruacana, Uutapi, Katwitwi, Kamuchonga and Lusesse.

Hardap West Project

To satisfy various waiting service applications and to bring broadband infrastructure to the main tourism area of Sesriem/Sossusvlei, the Hardap West project was launched in mid 2010. This project will connect Sesriem by an aerial fibre backbone network to Nudaus (towards Maltahöhe) and provide broadband infrastructure at Solitaire, Sesriem and Rooiberg. Currently the new fibre cable was installed and in the new financial year the Sesriem site and three WiMAX stations are planned for completion.

NamPower Optical Power Ground Wire

The negotiations with NamPower to utilise their NamPower Optical Power Ground Wire (OPGW) fibre infrastructure continued throughout the year. Together with MTC the three parties are in technical agreement in which each party will obtain one fibre pair to implement its transmission infrastructure. Our essential construction works and rollout is expected in 2011.

Undersea Cable Systems

With our avowed goal of becoming an NGN Service Provider as well as an effective regional telecommunications player, it was necessary for the company to have in place a suitable infrastructure and network to support our progress well beyond current times. Telecom Namibia has been investing in undersea cable networks to enable the company to pursue its goal of providing next generation services to its customers.

SAT-3

Although Telecom Namibia holds a stake in SAT-3, Namibia has no landing point.



Five STM1's are activated on SAT-3 via Telkom SA. Four STM1's are for our main IP link to Namibia with the 5th one continuing to Zambia. On the South African side of the border the services are running on two diverse routes up to Keetmanshoop, but in Namibia we still do not have independently protected circuits. Network upgrades were done to alleviate capacity bottlenecks and a single fibre outside Keetmanshoop was completed by September 2010.

The Mundo StarTel request to land SAT-3 capacity in Luanda may be granted to Angola Cables (AC), the new company that is co-owned by all operators. Mundo StarTel owns 3% of the company.

In early 2009 SAT-3 had a capacity of 120 Gbps, but this was 'tripled' to 340 Gbps in late 2009.

SEACOM

SEACOM was developed at a cost of more than US\$550-million (N\$3,8-billion) and connects the African continent to Europe, Asia and India. It lands in Mozambique, Madagascar, Tanzania, Kenya and the United Arab Emirates. This 17,000 km sea cable system supporting 1.28 terrabits per second (Tbps) of capacity has made it possible for Namibia to access cheaper international bandwidth via the "connecting" plant of Neotel at Mtunzini in Northern KwaZulu-Natal. Telecom Namibia is using its STM1's via a DDP link from Velloorsdrif to Mtunzini, with both STM1's already carrying full capacity and needing upgrade.

West African Cable System (WACS)01

The year saw the construction and implementation of Namibia's first ever submarine fibre cable landing station for WACS (West African Cable System) at Swakopmund. The landing station is completed up to the beach and the Seabed & Seashore Utilisation Agreement was signed off by His Excellency President Hifikepunye Pohamba. Namibia's landing station is the first station ready along the total project and well on schedule. The equipment delivery is currently in progress and installation construction works started.

Cable landing is expected during the first week of February 2011. Deployment of WACS, done by Alcatel-Lucent Submarine Networks, began in 2009 and the design capacity of the cable has been increased from 3.84 Tbps to 5.12Tbps.

Namibia's landing station is therefore well on track and far ahead of other countries like South Africa. This cable system would not only provide Namibia with independence regarding international connectivity, but also with faster and better connectivity to Europe and the rest of the world, and ample capacity that will serve our country's international connectivity needs for many years to come. The cable also serves as a gateway to SADC countries such as Botswana, Zambia, Zimbabwe and to some extent South African and Angola.

With commercial services expected by early 2012, the WACS will connect South Africa to the UK with landings in Namibia, Angola, the Democratic Republic of Congo, the Republic of Congo, Cameroon, Nigeria, Togo, Ghana, Côte d'Ivoire, Cape Verde, the Canary Islands, and Portugal. There have been delays in obtaining landing rights in a number of South and West African countries. All of these have now been resolved and construction is progressing.

SADC Connections

Telecom Namibia remains well connected to its neighbours through our voice, data and Internet connections; with solid cross-border links via fibre optic networks to all our country's borders.

The first link was connected to Neotel in South Africa via Velloorsdrif border post to carry voice and data traffic to South Africa. The other link via the Caprivi is the first fibre connection into Zambia connecting Zambia's state power utility Zesco to provide Internet connectivity to that country. The fibre connection to Angola has just been completed and is currently in the testing phase.

Corporate Social Responsibility Report

OUR VISION IS TO EXTEND CSR BEYOND PROVIDING TELECOMMUNICATIONS INFRASTRUCTURE AND SERVICE.



Telecom Namibia is a business that takes our Corporate Social Responsibility (CSR) very seriously. The very concept of CSR is at the heart of Telecom Namibia as it underpins the very essence of our organisation through the commitment to our vision of a responsible corporate citizen.

We are happy to report that we have made steady progress in our vision of extending CSR way beyond providing telecommunications infrastructure and services that form the framework of our economy, our society and the other areas of social need.

We readily embrace our duty to enhance the quality of life of those we employ in our conduct and in our strategic plans for growth. Promoting CSR activities not only within Telecom Namibia but also to our supply chain and partners, our customers and communities is a fundamental aspect of our business plan. We feel a strong sense of responsibility towards all our key stakeholders to embrace opportunities that make a positive difference.

Developing Our People

The development of the people who work at Telecom Namibia is a priority and the company provides a variety of internal and external training and development programmes to assist their professional growth.

We have a comprehensive Training and Development department that manages the employees' development process, our Telecom Namibia Training Centre and our numerous workplace training programmes, such as the Management Development and Senior

Management Programmes (MDP and SMP).

During the year, a total of 1 549 headcounts of employees attended commercial, technical and IT/IP training to address their individual and broad-based training needs. The training equipped them with the knowledge to maintain the network infrastructure deployed across the country as to provide superior services to our customers. On the commercial side, the focus has been to aggressively roll out product knowledge training to ensure that our staff explain the benefits of our products and services in a more effective and efficient way. Overall, the Training and Development department is on track with addressing the Individual Development Plans for employees based on their actual training needs.

Engaging with Our Employees

We have a number of ways we engage with our employees that ensures communication flows in a two way conversation. We have developed and honed an internal communications process that ensures important business information is cascaded down to all staff in a timely, clear way.

Each year we conduct an in-house employee survey and use the main outcomes to form the priorities for employee engagement. The results from this year's employee survey were really positive as they showed an improvement in some areas. With 26% of total workforce participation, the overall satisfaction rating was 66% amidst the ongoing re-organisation at Telecom Namibia. The outputs from the survey this year were that we need to continue our focus on leadership, communication and change management which received the lowest ratings.

Another important way in which we engage with all our employees is via the MD Forums and the PDR sessions. Employees are encouraged to ask questions and feedback their comments on the brief which ensures our engagement is a two way conversation and that we are reacting to what our employees think and feel.

Recognising Our Staff

We have a whole host of recognition initiatives for our staff which aims to reward them for doing a great job and for their loyalty to Telecom Namibia. During the year, 134 long service awards were presented as follows: 2 (40 years), 1 (35), 13 (30), 7 (25), 71 (20), 13 (15) and 27 (10).

The Telecom Namibia Annual Awards is our company wide recognition scheme based around the principle of rewarding outstanding performance from all staff on all levels. Furthermore, Long Service Awards are given to employees to recognise their loyalty and dedicated service to building Telecom Namibia.

We are conscious that we want to make sure that we retain as many of our staff as we can and our communication and recognition initiatives serve as testimony to our commitment that we value and believe in our entire employees.

Connecting with the workplace

As well as the employee survey, one of the key ways we engage with all staff is through our monthly newsletter Telescope. Telescope is a fantastic opportunity for us to display all the great activities we do in the communities we work in as well as recognise our employees for their work, by publishing letters we get in from customers praising their efforts on a particular job. Telescope always focuses on our values and reiterates our key themes of being great at customer service, caring about our people and to always strive to achieve a first class performance.

Promoting Wellness

Our proactive management of sustainability issues extends to the wellness of our employees. We aim to understand their concerns and provide them with information and opportunities to proactively manage their own health. Awareness sessions at departmental level concentrated on tuberculosis, stress, cancer, chronic diseases and HIV/AIDS.



Employee Medical Surveillance

Special efforts were made to ensure that all the 34 employees who joined the company during the year were medically fit for the job role they had applied for. This is a significant compliance issue for Telecom Namibia as an employer.

The medical surveillance programme was continued with a total of 210 employees going for medical examinations and given confidential feedback. Over the past two years, 719 employees had their periodical medical assessments done - which represents 66% our current headcount.

Employee Counseling Service

Telecom Namibia provides in-house counseling services to employee. These services continued to be delivered effectively by our own professional staff in areas of financial problems, marital issues, conflict relationships in the workplace, family health as well as drug and alcohol abuse. A total of 201 employees benefited from these services in the financial year 2009/10.

The constraint in our outreach efforts continues to be the limited proficiency in the medium of communication being used, namely the English language. This is further compounded by the fact that only 60% of our employees have access to personal computers.

Psycho-Social Wellness

The Wellness Department issue a monthly Wellness Tips electronic leaflet based on a specific theme in order to help focus the activities of our Wellness/Peer Educators. As a result a total of 35 informational releases were made available providing health tips with graphics and readable health information useful in empowering employees to manage their own wellbeing.

The themes are identified based on the most prevalent health or social problems experienced in and around the workplace. In support of the chosen themes, information sessions are held. The most important activity was the establishment of the Alcohol & Drug Support Group on 10 September 2010. At this event, true life story testimonials were narrated by the two former alcoholics who are currently remaining sober for four years.

HIV/AIDS Workplace Programme

The pandemic continues to be a strategic issue for Telecom Namibia. A total of 134 employees are under treatment compared to 123 in the previous year. The increase, though marginal, is a positive trend as employees are not shying away from treatment.

The anti-retroviral therapy is also available to all employees' dependants who are registered as such in their medical aid. All benefits are at no cost to employees or their family members.

During the year, a total of 750 employees took part in the in-house Voluntary Testing and Counseling (VTC) initiative, which represents an increase of 123 employees compared to the preceding year. In the new financial year, the company will put more effort into knowledge and awareness surveys in order to improve participation levels.

A concerted effort was made during the year to bring HIV/Aids awareness to employees by directly engaging them at workstations countrywide. The feedback from employees has been flattering and the demand for more sessions quite high.

As in previous years the World Aids Day was commemorated in-house with employee publically demonstrating the company's commitment to fighting the virus through knowledge and awareness.

Nova Vita Rehabilitation Centre

The facility continues to provide a much needed service for patients suffering from drug or alcohol addiction. A total of 101 patients were

treated during the 2009/2010 financial year compared to 112 the previous year.

The decline in numbers is attributable to regulatory requirements that restrict number of patients as per the capacity of the facility. Unfortunately, the demand for Nova Vita services continues to exceed the facility capacity. Over the past two years no less than 25 patients were turned away because of over-subscription.

Improving Our Safety Culture

We continue our efforts to create a positive safety culture. Continuous improvement in our occupational safety remains a primary management objective, as well as the individual and collective responsibility of all Telecom Namibia employees. Our Safety Coordinators are tracking safety initiatives and positive performance indicators while recognising initiatives that reduce medical treatment injury cases.

The challenge remains in the domain of vehicular safety. During the year the company attained its goal of zero fatalities as no employee died in a vehicle accident. Speed has been a common factor in past fatal accidents. Legal and safety compliance continued to improve across all sections with all divisions being above the 60% threshold on overall compliance on higher level than the last safety audit.

Good Corporate Governance

In line with its CSR strategy, Telecom Namibia ensures that all its activities are underpinned by the highest standards of corporate governance and ethics and that all Board and management committees, as well as the control mechanisms are put in place to foster good corporate governance.

As evident from the aforesaid, Telecom Namibia provides fair working conditions to its employees, offers secure products and services to its customers at competitive prices and avoids damaging the environment.

Community

At Telecom Namibia we continually strive to maintain a business ethic that places our commitment to CSR at the forefront of our operations, and as such Telecom Namibia recognises the importance of supporting and investing in our local communities. Over the past year, our businesses have reduced some of their community activities due to the difficult financial times caused by the global financial crisis.



During 2009/10, Telecom Namibia supported several worthwhile projects at local level, with the welfare of the society it serves in mind. In providing support through sponsorship, we aim to align ourselves with organisations and activities that reflect Telecom Namibia's brand values and principles. Some of the projects sponsored during the year include:

- Agreement was reached between the Ministry of Education and the Xnet Development Alliance Trust to provide the bulk of the schools used during the elections as polling stations with broadband services. This will enable these schools to have permanent always-on Internet connections from Telecom Namibia. Besides, Telecom Namibia is already offering subsidised Internet capacity to the University of Namibia (UNAM) and the Polytechnic of Namibia.
 - A total of 18 Namibian students receive bursaries from Telecom Namibia for the 2010 academic year. The recipients will further their studies in the fields of Electronic Engineering, Information Technology and Accounting. Telecom Namibia also donated a Telecommunication Educational Model to the Ministry of Education. The portable model represents the complex telecommunication environment in a more simplified way to learners and adults alike to capture the full complexity of a telecommunication network. The model will therefore be used by the Ministry at educational fairs of schools countrywide, aims to help learners to know all about the different kinds of telecommunication networks that Telecom Namibia offers to the public.
 - Telecom Namibia is the main sponsor of the Namibian Businesswomen Projects that aims to empower and encourage entrepreneurs, business and professional women to achieve success in their careers through mentorship by seasoned business and professional women.
 - Telecom Namibia is a founding member of the Communal Farmers Consortium which financially assists with the development of the farmers for sustainable development in the communal farming sector of the economy, by sponsoring agricultural shows and workshops in advanced farming techniques through the Namibia National Farmers Union (NNFU).
 - Telecom Namibia continued to direct vast resources in sporting events in the country, notably for boxing and netball at both amateur and professional levels.
 - At the charitable level, Telecom Namibia initiated the Warm a Heart Charity Campaign to assist the vulnerable members of society. The company employees donated clothes, non-perishable food and toys to the vulnerable children at the Mount Sinai Centre in Katutura, Windhoek. It also provided telephony connectivity to the Centre. The centre for orphans and vulnerable children (TOV) at Tsumeb received 20 computers to facilitate e-learning for these children and unemployed youths in that community.
 - Telecom Namibia contributed financially to the Government's Nationhood and National Pride programme under the Ministry of Information and Communication Technology (MICT).
 - As part of its contribution in fighting crime and ensuring the safety of communities, Telecom Namibia committed itself in supporting the launch of the Windhoek City Police Zonal Policing Operational Method. The company provided the Windhoek City Police with a toll free emergency number 302 302.
 - At Telecom Namibia we recognise the importance of sustainable suppliers and sub-contractors. We work hard to continuously improve our procurement processes and as such Telecom Namibia has a BEE Procurement Policy which covers the purchase of all goods and services and day to day work and this provide our company with a company-wide framework to ensure that the business secures all potential benefits from its third party relationships in order to assist and maintain our service delivery to our customers through BEE procurement.
- Our key areas of support are learning, empowerment and community wellbeing. Our challenge remains to improve measurement and reporting of our community activities and the value of corporate donations and economic support.



Stakeholder Engagement

Engaging effectively with our key stakeholders; customers, employees, supply chain partners, and local communities is the best way for us to decide upon our social, environment and economic priorities. With this in mind, we treat all our stakeholders with respect and use a variety of different methods to understand their views, needs and ideas.

During the year the Managing Director engaged a number of stakeholders through meetings. Taking feedback and using this as part of our business planning processes means that we create an organisation that is aligned effectively with our stakeholders. Those engaged include regional governors, mayors, constituency councillors, local government executives as well as elected local authority officials in towns and villages across the country.

Contributing to Economic Development

Our support for the government's economic development agenda, infrastructure development and the provision of telecommunications for the country as a whole was again well received.

Telecom Namibia's well-established role and continuing investment in Namibia's economic growth and development was emphatically recognised at the annual PMR.africa Awards in Windhoek during the year. The company was awarded the Golden Arrow Award in the Telecommunications Sector for single companies and institutions in business sectors rated on their contribution to the economic growth and development of the country. The score was a remarkable overall rating of 4.00 out of a possible 5.00. The award is greatly encouraging in that context, as it recognises the all-encompassing nature of the company's involvement in achieving the national economic development agenda.

Telecom Namibia, as the incumbent service provider, is living up to its commitment to serve as an engine for economic growth in Namibia. Over the past 5 years, Telecom Namibia has injected about N\$ 1.04 billion in its network expansion and modernisation programme. It has created an advanced IP-based networking infrastructure for Namibia, creating significant opportunity to drive IP networking for both local and foreign network operators to some of the most exciting, dynamic, but so far under-served markets inside and outside Namibia.

Cooperating with the Regulator

Telecom Namibia made regular submissions and submitted responses to enquiries from the Namibia Communications Commission (NCC), and comply with all the regulatory requirements in our operational areas.

Media Interface

Given the vast scope of our operations and significant corporate action, there were high levels of media interest during the year. We pride ourselves on rapidly processing media questions and on giving journalists accurate and concise information. Additionally, all customer complaints that came via the media received high-level attention.



Human Resources Management

WE HAVE ALWAYS CONSIDERED OUR HUMAN RESOURCES AS ONE OF OUR GREATEST ASSETS



The telecommunication industry in Namibia is going through a renewal phase and Telecom Namibia has to be managed in such a way to stay aligned to a changing business environment in customer needs and expectations, technology and profiles of competitors. Given this, human resources management is at the core of our activities for rapid business strides leading to success in all strata of our operations. During the year we continued our endeavours towards world standards human resources strategies and best practices.

We have always considered our human resources as one of our greatest assets and this is what differentiates Telecom Namibia from its competitors. We have a workforce with a wide array of technical and managerial competencies and exposing them to state of the art technologies in the company's toolkit is a constant effort. As a step towards restructuring our human resources, we have adopted a dual pronged strategy, viz., recruiting young and talented professionals especially in the technical fields on the other hand we have taken steps towards right-sizing of the organisation through initiatives for optimal employment levels.

Thus diversifying our existing workforce mix in terms of age, qualification and aptitude is a business exigency in order to meet the demands posed by the changing business environment and to take advantage of the opportunities presented to serve an ever-complex customer base.

Reorganisation

The financial year 2009/10 was marked by unique changes in the development of the organisation into Next Generation Network organisation. The new network infrastructure has been in place for two years already making it imperative that our organisation re-structures in order to achieve alignment of technology, business process-

es and the functional structures. A new organisational structure was introduced with the help of experienced NGN experts. A key feature of the new structure is a stream-lined Executive Management.

- In the technologically and service focused structure all technical functions will be consolidated under a Chief Operations Officer, while the commercial operations will be amalgamated and resort under a Chief Commercial Officer.
- Job analysis was undertaken for the technical operations and the commercial divisions, as well as the support structures (Human Resources, Finance, Strategy, and so on).
- The process of job evaluation was done top-down up to level three in line with best practice.
- Agreement was reached with the Union stakeholders to first appoint the Executive Management (EXCO) before consulting on divisional structures in keeping with current governance requirements.
- Employee and job profiling for level three positions was completed in preparation of the selection and placement into the new positions on the revised organisational structure.

The Board mandate to review EXCO conditions of employment was completed, and involved intensive consultations with affected employees and affirmation of the legal ramifications with legal experts. The resultant governance framework for executive remunerations was subsequently approved by the Board of Directors. The State Owned Enterprises Governance Council will have to be engaged more robustly with regard to executive remunerations to align our policy parameters to public policy in the coming year.

Challenges for 2010/11

The new financial year dawns with significant carry-over challenges. Chief among these is the need to proceed with the recruitment and selection of a new EXCO. This process will of necessity be preceded by the Board of Directors' validation of the reviewed sub-grades for all positions which form part of the EXCO.

The filling of the levels in the collective bargaining unit is a mammoth task, with job evaluation of positions falling within the transformed work units or whose role or content have changed.

The focus also is to explore a career paths scheme that supersedes the current one; whose primary focus is process anchored jobs in the C band to a broader scope and across levels and disciplines in the company.

Alongside these is the implementation of talent and succession management which is hamstrung by the current non-availability of comprehensive employee assessment and job profile information.

The complete outsourcing of the cleaning function should see implementation in coming financial year. Voluntary separation offers have been made and a sizable uptake is expected. The current public policy on redundancies has stalled mandatory separations.

Workforce Status

The full-time staff complement of Telecom Namibia stood at 1073 as at 30 September 2010, representing a net decrease of 20 employees compared to 1 093 the previous year. Of these full time workforce 85% represents designated groups of which 35% are women and 0.01% are people with disabilities.

In addition to the above, 116 students were employed as Engineers-in-Training, Technicians-in-Training, Information Technology and Internet Protocol, Telecom Trainees, Bursary Holders, Experiential Attachments and in-house students. A total of 69 contracts were employed in various fields for a fixed term period.

During the year under review, 37 appointments were made and 12 employees were promoted to various levels of management in the business.

Staffing and Staff Exists

During the year, 62 employees separated from Telecom Namibia through natural attrition:

Termination	Numbers	% of the workforce	% of total employee separation
Resignation	33	3.1%	53%
Death	6	0.1%	10%
Dismissal	2	0.01%	0.03%
Retirement	3	0.05%	0.05%
Retirement to Ill Health	4	0.003%	6%
Voluntary Separation	14	0.01%	0.23%
	62		

Affirmative Action

In compliance with the Affirmative Act, Act 29 of 1998, Telecom Namibia successfully attained the Affirmative Action Compliance Certificate for 2009/2010.

While Telecom Namibia in general continues to be affirming, the attaining of equity targets as reflected in the company's 3-year Affirmative Action Plan with respect to representation of women and persons with disability remains a challenge. Telecom Namibia continues to target females for internal promotions as well as external bursaries and recruitment into the graduate development scheme.

Compensation and Benefits

• Remuneration

Total remuneration packages are reviewed on a yearly basis to keep them at sufficiently competitive levels. Our focus is to maintain our status as a preferred employer of choice in both the general and ICT market. The benchmark process is undertaken through participation in both regional and national remuneration surveys to ensure that we remain relatively competitive.

Company philosophy encourages the growth of employee wealth through performance-based remuneration incentives. This approach means in practice remuneration is not driven by seniority, but to significant extent employee performance. Telecom Namibia's remuneration philosophy among other things seeks not only to retain talent but also to grow it through competence-based progression built into a career ladder system. This is the essence indeed of employee engagement.

In the 2009/2010 year the company agreed with the Union stakeholders not to increase basic salaries. This conscious decision took into account the company philosophy of aligning increases in remuneration to business performance. In line with the Telecom Namibia's value of care and the remuneration philosophy's sensitivity to averting the negative consequences of salaries freezes on employee quality of life, the Board mandated increases in transport and housing benefits.

• Short-term incentive scheme

The short-term incentive scheme rewards employees for superior performance, and incentivises and motivates them to meet business targets. The scheme helps focus employee efforts towards the attainment of Telecom Namibia's short to medium term strategic objectives, both financial and operational.



NAPOTEL Pension Fund

The NAPOTEL Pension Fund is an in-house defined contribution pension fund, managed by a Board of Trustees. Membership to the Fund is compulsory for all Telecom Namibia fulltime employees. The Fund is financially sound.

A capital protection scheme is available to employees aged 50 years and older allowing them to exercise their option in terms of whether they want to have their money invested in a cash or market portfolio.

NAPOTEL Medical Aid Fund

The NAPOTEL Medical Aid Fund is an in-house medical aid fund, managed by a Board of Trustees. The Fund is financially sound.

Training and Development

Continuing to invest in many areas from infrastructure to delivery network, from human resources to development of new products and services, Telecom Namibia is a company which has been like a school for many years in the industry. Investing into human resources continued to be one of the most important agenda items amidst the challenges of rapid technological advances and changes in consumer demands.

The company's most trusted asset for its long term growth strategy is its employees. Therefore, investment into employees continues at unfaltering speed to maximise our business performance by continuously upgrading their skills and competencies through a variety of internally and externally led programmes.

Telecom Namibia Training Centre trains both newly-graduated engineers and technicians recruited by the company, and also provides training opportunities to its employees which empower them to upgrade their specialisations to desired levels.

Being the unit which organizes and implements in-house training activities, Telecom Namibia Training Centre raised the quality of its in-house training activities in 2009/10. A total amount of about N\$9,4 million was spent during the period on the training and development. This equates to an average of 2.62% of the overall company labour cost, and translates to 5.11 training days per employee.

New employees received comprehensive training on all divisions of the company and their activities. The Training Centre has incorporated a foundation and product knowledge training into induction programme for new employees. It means, all new employees are taken through all the products and services available in the company during the induction session.

As Telecom Namibia moves towards a NGN service provider, a total of 221 technical staff attended NGN foundation courses. The Telecom Namibia Training Centre started with the multi-skilling of Telecom Electricians (TEs). The first phase has trained 45 TEs in cable jointing. This training, which is due to be completed by mid 2011, will be followed by Fitter Faultsman training.

In order to build institutional capacity, the company embarked on a graduate development scheme targeting graduates from institutions of higher learning such as the Polytechnic of Namibia and the University of Namibia. A total of 123 trainees are participating in this programmes.

Registration With Engineering Council of Namibia's (ECN)

Telecom Namibia has over the years trained Engineers-in-Training (EiT) and engineering Technicians-in-Training (ETiT). However, candidates who participated on the EiT and ETiT programmes have yet to register for professional status with the ECN. To date only two candidates successfully registered after completing the graduate development programme. Efforts are underway to encourage EiT and ETiT who have completed their training with the company to register for professional status.

Financial Study Assistance

In line with the company's social responsibility to empower Namibians, a total of 18 new bursaries were awarded during the year. This brings the total number of active bursaries to 42, of which six bursary holders will complete their studies at the end of the 2010 academic year.

The company provided study assistance to 13 employees this year, bringing the total to 49. Eight of these will complete their studies at the end of the 2010 academic year. In addition, four artisans are upgrading their qualifications at the Polytechnic of Namibia in order to attain technician status.

E-learning Implementation

Telecom Namibia has implemented an online training platform on the company intranet to allow employees to attend courses remotely. The company is exploring the possibility of developing more e-learning based training modules, especially for commercial ICMS, SAP, business processes, and many more. In addition, an employee needs assessment is planned to engage the workforce on online training modules.

Talent Management

• Succession planning

Succession planning remains one of the key imperatives in managing the future human resources requirements. Employees are encouraged to take part in assessments for both Career Path Analysis (CPA) and Personnel Index which profiles the level of alignment of the employee behavioural inclination and job profile requirements. This is important to enable the organisation to draw up its Human Capital Balance Sheet.

• Career path/Ladder scheme

The career path scheme is underpinned by two business objectives: improving productivity (1) through the multi-skilling of employees and (2) through a reward mechanism to encourage them to be multi-skilled. Multi-skilling would make it easy to deploy such competencies across the growing plethora of new technologies that typify a New Generation Network (NGN) organisation.

• Retention programme

A total of 134 employees qualified for long service recognition during the year in the various recognition categories. This is reflective of the fact that Telecom Namibia is regarded not only by potential employees but also by our own employees as a preferred employer of choice.

Employee Engagement

The overall internal climate rating stands at 66% during the year. Positive gains were made in traditionally weak areas like training, rewards and living the values, a lot needs to be done in areas on how human resources policies are administered, leadership as well as the efficacy of our in-house communication system.

In the year under review, there has been a positive growth in customer satisfaction across the various customer segments, which is indirectly the result of the positive engagement of our employees. However, the rating is still below the envisaged target of 75% which we hope to achieve through a number of planned interventions.

Industrial Relations

Relations with the Employees remain cordial and Management wish to place on record their appreciation of the co-operation and contribution made by the employees at all levels.

Industrial peace and industrial harmony based on healthy employee relations, like the previous year prevailed throughout the year. The grievances/issues raised by the employees/Union were given due


attention and regard. The cases/issues brought up by them were settled through regular meetings and interactions between Management and the Union and action as mutually agreed was taken to settle them.

A further step towards workers participation in critical issues concerning business endeavours, quarterly and annual information sharing sessions were convened at EXCO and Board levels respectively with the Union Executive to share the views of recognised Unions on the various aspects of our business endeavours and to obtain opinion from them in further improving the same.

Engaging Our People

With our business being undergoing transformation, it is particularly important to provide relevant and meaningful information for our employee base. We regularly communicate our business strategies, new initiatives and achievements through the telescope bi-monthly magazine, regular face-to-face team briefings, email alerts, regular Managing Director fora and website updates. We promote the use of online knowledge-sharing tools to help groups work together more closely. Through internal surveys and focus groups, we are seeking more feedback from employees on all aspects of the employment cycle.



The background is a complex collage of financial data. It includes various line graphs, bar charts, and numerical values in different colors (white, yellow, green, red) against a blue gradient. Some visible text includes 'Asia', 'Tokyo', 'Hong Kong', 'Sydney', 'GlobalDow', 'Europe', 'London', 'Paris', 'Frankfurt', 'GlobalDow', 'U.S. Dow', 'Nasdaq', 'Gold', 'Oil', 'Tokyo', 'Hong Kong', 'Sydney', 'GlobalDow', 'Europe', 'London', 'Paris', 'Frankfurt', 'GlobalDow', 'U.S. Dow', 'Nasdaq', 'Gold', 'Oil'. There are also percentages like '+1.09%', '+1.14%', '+1.56%', '+1.53%', '+1.41%', '+1.53%', '+1.41%', '+1.53%', '+1.41%'.

TELECOM NAMIBIA LIMITED **and its subsidiaries** **ANNUAL FINANCIAL STATEMENTS** **for the year ended 30 September 2010**

GENERAL INFORMATION

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

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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

Introduction

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

Approach to Corporate Governance

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

Compliance with King II and III Code of Governance of South Africa

The Telecom Namibia board, committees and management believe compliance, with best business practices as contained in the King Codes of Governance, while not mandatory, is key in maintaining the company's values. The company supports the provisions and principles of corporate governance as defined by King II and the new King III, and complied in all material respects with the Code of Corporate Practices and Conduct in King II and the requirements of the company's articles of association during the review period. An assessment of the implications of King III and the appropriate response by the Board and the Company will be done during the course of next financial year.

Board of Directors

Composition and appointment

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

The board currently comprises of 4 directors:

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

The composition is reflected as follows:

Directors	
Independent Non-Executive	Qualifications
JS Iita (Chairman)	Ordinary Diploma in Electrical and Mechanical Engineering (UK) 1983, a Higher Diploma in Electrical and Electronic Engineering (UK) 1990, B.Eng (Hons) Communications (Electronic) Engineering (UK) 1991; Masters Degree in Public Policy and Administration.
R Gertze	BCom Degree UNAM, 1992; Master of Business Leadership UNISA 2003. MDP 2001, EDP Stellenbosch Business School (2003).
F Veldskoen	Bachelor of Accounting (UNAM) 2001; Postgraduate Certificate in Forensic and Investigative Auditing (SA) 2007; Postgraduate Certificate in Taxation (SA) 2007
M Mukete (resigned August 2010)	Bachelor of Economics (Accounting) UNAM 1996; CAIB (SA) 1999; M Sc IM (UK) 2002; MDP University of Stellenbosch 2003. EDP at Wits (2007)
Executive	
FJP Ndoroma (MD)	BSc (Hons) degree in Mineral Engineering in 1981 Leeds University in London; Management Development Programme (MDP) at the University of South Africa (UNISA) 1989; Executive Development Programme (EDP) at the University of Witwatersrand (WITS) in 1994; Telecommunications Management Course through TEMIC in Canada 2003.

CORPORATE GOVERNANCE STATEMENT (Continued)

Board of Directors (Continued)

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

Functions

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

The Board oversees the business affairs of Telecom Namibia. It assumes responsibility for the company’s overall strategic plans and performance objectives, financial plans and annual budget, key operational initiatives, major funding and investment proposals, financial performance reviews, compliance and accountability systems, and corporate governance practices. The Board also appoints the MD and the Executive Committee (“EXCO”), approves the policies and guidelines for remuneration.

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

Accountability

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

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

Access to Information

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

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

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

Board Meetings

The board meets regularly, and sets aside time at each scheduled board meeting to meet without the presence of management. Board meetings include presentations by senior executives on strategic issues relating to specific business areas. In addition to scheduled meetings each year, the board meets as and when warranted by particular circumstances. Five board meetings were held in the financial year ended 30 September 2010.

A record of the Directors’ attendance at Board meetings during the financial year ended 30 September 2010 is set out below. Directors are required to act in good faith and in the interests of Telecom Namibia.

Attendance Register						
Member	Appointed to Board	Scheduled Board Meetings				
		2 December 09	24 February 10	19 May 10	26 May 10	25 August 10
JS Iita (Chairman)	1 August 1992	v	v	v	v	v
FJP Ndoroma (MD)	1 November 2002	v	v	v	v	v
R Gertze	21 August 2007	v	v	v	v	v
F Veldskoen	21 August 2007	v	v	v	v	v
M Mukete	21 August 2007	v	v	v	v	v
		v Attended	• Apologies			

CORPORATE GOVERNANCE STATEMENT (Continued)

Board of Directors (Continued)

Remuneration

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

The fees for non-executive directors for the financial year ended 30 September 2010 comprised a basic retainer fee, attendance fees for board meetings and a travel allowance for directors who were required to travel out of town of residence to attend board meetings and board committee meetings. The fees were benchmarked against fees paid by other comparable companies in Namibia and the holding company. The directors also receive subsidised services of the company.

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

Non-executive directors’ remuneration for the year ended 30 September 2010 is summarised below:

Name	Fees for services N\$
JS Iita (Chairman)	111 550.00
R Gertze	154 163.00
F Veldskoen	139 828.00
M Mukete	118 200.00
	523 741.00

Board Committees

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

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

Risk Management Committee

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

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

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

During the year under review, the Risk Management Committee held a strategic workshop in November 2009 to identify relevant and new risks the company is facing and to devise treatments for these risks. The workshop identified the risks ranging from marketing, technical, financial, IT (Information Technology), human resources to international business. The following were identified as specific risks to be addressed in the financial year: loss of market share due to not having strategic partnerships, a non aggressive sales force and a lack of innovation. Other risks include the recessional environment, IT security, international investment in Angola, and the lack of integrated HR and technology master plans.

CORPORATE GOVERNANCE STATEMENT (Continued)

Board of Directors (Continued)

Board Committees (Continued)

Human Resources and Compensation Committee

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

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

Audit Committee

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

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

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

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

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

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

The directors are responsible for preparing the financial statements and other information presented in the annual report in a manner that fairly presents the state of affairs and the results of operations and cash flows of the Group. The financial statements set out on pages 10 to 57 have been prepared by management in compliance with International Financial Reporting Standards ("IFRS") adopted by the International Accounting Standards Board ("IASB") and the interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB. The financial statements incorporate full and reasonable disclosure and are based on appropriate accounting policies which, apart from the implementation of new and revised standards, have been consistently applied and are supported by reasonable and prudent estimates and judgements.

External Auditors

The external auditors are responsible for carrying out an independent examination of the financial statements in accordance with International Standards on Auditing and reporting their opinion thereon. Their report is set out on page 9.

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

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

CORPORATE GOVERNANCE STATEMENT (Continued)

Board of Directors (Continued)

Board Committees (Continued)

Information Technology (IT) Steering Committee

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

The objectives of the committee are to:

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

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

Executive Committee

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

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

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

EXCO is responsible for the following, among others:

- Implement strategies and policies of the company.
- Manage the business and affairs of the company, including finance and administration, human resources and strategic training, sales and marketing, international business ventures, information communication technology and corporate business solutions, strategy, special projects, network provisioning and assurance, service provisioning and assurance, internal audit and risk management functions, legal, regulatory and company secretarial functions and corporate communications and public relations.
- Prioritise the allocation of capital, technical and human resources.
- Establish the best management practices and functional standards.

CORPORATE GOVERNANCE STATEMENT (Continued)

Board of Directors (Continued)

Board Committees (Continued)

Board Committees Attendance Register

For the period 1 October 2009 to 30 September 2010

Board of directors	Risk Management Committee Composition – Attendance Four meetings held during the year		HR and Compensation Committee Composition – Attendance Four meetings held during the year		Audit Committee Composition – Attendance Three meetings held during the year	
F Veldskoen	Chairperson	4	Member	4		
FJP Ndoroma	Member	4	Member	4	Member	3
R Gertze			Chairman	4	Member	3
M Mukete	Member	4			Chairman	3

Sustainability

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

- Our environmental sustainability commitment is based on three tenants:
- Minimising our own environmental impact in our day to day operations.
- Ensuring that ICT products and services enable customers to increase energy efficiency and productivity while also reducing carbon emissions.
- Harnessing our technology and innovation to develop forward-looking technologies that meet environmental needs in unique ways.

Black Economic Empowerment (BEE)

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

Conflicts of Interest

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

- Provide guidance on the behaviour expected in accordance with the company’s values;
- Promote transparency and avoid business-related conflicts of interest;
- Ensure fairness in dealing with the interests of all employees, other affected individuals, and the company;
- Document the process for disclosure, approval and review of activities that may amount to actual, potential or; perceived conflict of interests; and
- Provide a mechanism for the objective review of personal outside interests.

Codes of Conduct and Practice

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

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

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

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

STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

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

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

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


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

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

The financial statements have been audited by the independent external auditors, Deloitte & Touche, which was given unrestricted access to all financial records and related data, including minutes of all meetings of the shareholders and the board of directors. The directors believe that all representations made to the independent auditors during their audit were valid and appropriate. The auditor's report is presented on page 9.

The financial statements set out on pages 10 to 57 were approved and authorised for issue by the board of directors on 12 April 2011 and are signed on their behalf by:


.....
Chairperson


.....
Managing Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF TELECOM NAMIBIA LIMITED

We have audited the annual financial statements and the group annual financial statements of Telecom Namibia Limited, which comprise the consolidated and separate statements of financial position as at 30 September 2010, the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity, and the consolidated and separate statements of cash flows, for the year then ended, a summary of significant accounting policies and other explanatory notes as set out on pages 10 to 57.

Directors' Responsibility for the Financial Statements

The Company'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

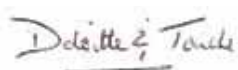
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether 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 consolidated and separate financial position of Telecom Namibia Limited as at 30 September 2010, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of Namibia.



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

Per R.H. Mc Donald
Partner
12 April 2011

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

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

	Notes	Group 2010 N\$'000	Group 2009 N\$'000	Company 2010 N\$'000	Company 2009 N\$'000
ASSETS					
Non-current assets					
Plant and equipment	3	1 549 772	1 543 702	1 549 772	1 543 702
Intangible assets	4	50 758	54 441	50 758	54 441
Goodwill	5	13 246	13 246	--	--
Investment in subsidiary	6	--	--	435 427	267 363
Loans advanced	7	114 599	69 004	--	--
Investment in associates	8	75 176	129 788	115 017	135 098
Derivative financial instruments	9	6 441	17 088	6 441	17 088
Finance lease receivable	10	25 574	21 826	25 574	21 826
		1 835 566	1 849 095	2 182 989	2 039 518
Current assets					
Inventories	11	65 398	49 499	65 398	49 499
Trade and other receivables	12	170 932	185 652	170 932	185 652
Derivative financial instruments		--	--	--	--
Amounts owing by fellow subsidiaries	13	353	1 124	353	1 124
Amounts owing by holding company	13	105	--	105	--
Current tax asset	21	--	1 079	--	1 079
Short-term portion of finance lease receivable	10	14 683	9 937	14 683	9 937
Cash and cash equivalents	15	99 186	37 839	99 135	37 787
		350 657	285 130	350 606	285 078
Total assets		2 186 223	2 134 225	2 533 595	2 324 596
EQUITY					
Capital and reserves attributable to the company's equity holders					
Share capital	16	154 530	154 530	154 530	154 530
Retained earnings		567 720	689 963	1 003 150	933 438
Total equity		722 250	844 493	1 157 680	1 087 968
LIABILITIES					
Non-current liabilities					
Post-retirement benefit obligations	17	78 725	68 554	78 725	68 554
Long-term liabilities	18	634 929	254 102	546 871	200 998
Deferred tax	19	439 236	433 676	439 236	433 676
Deferred revenue	22	27 309	20 200	27 309	20 200
		1 180 199	776 532	1 092 141	723 428
Current liabilities					
Trade and other payables	20	171 248	186 067	171 248	186 067
Derivative financial instrument		--	--	--	--
Current tax liability	21	11 325	--	11 325	--
Short-term portion of long-term liabilities	18	24 684	40 696	24 684	40 696
Bank overdraft	15	--	256 200	--	256 200
Amount owing to fellow subsidiaries	13	--	436	--	436
Amount owing to holding company	13	39 000	25 001	39 000	25 001
Deferred revenue	22	37 517	4 800	37 517	4 800
		283 774	513 200	283 774	513 200
Total liabilities		1 463 973	1 289 732	1 375 915	1 236 628
Total equity and liabilities		2 186 223	2 134 225	2 533 595	2 324 596

Statements of Comprehensive Income for the year ended at 30 September 2010

	Notes	Group 2010 N\$'000	Group 2009 N\$'000	Company 2010 N\$'000	Company 2009 N\$'000
Revenue		1 160 663	1 129 828	1 160 663	1 129 828
- Sale of goods		23 684	18 164	23 684	18 164
- Services rendered		1 136 979	1 111 664	1 136 979	1 111 664
Other operating income		28 385	14 132	28 385	14 132
Distribution costs		(277 944)	(340 261)	(277 944)	(340 261)
Administrative expenses		(625 977)	(550 957)	(625 717)	(550 776)
Other operating expenses		(181 423)	(194 387)	(181 423)	(194 387)
Operating profit	23	103 704	58 355	103 964	58 536
Finance income	24	44 794	32 361	31 250	29 006
Finance costs	24	(47 538)	(52 746)	(47 538)	(52 746)
Share of results of associates after tax	8	(205 239)	(115 857)	--	--
(Loss)/Profit before tax		(104 279)	(77 887)	87 676	34 796
Taxation	26	(17 964)	(9 198)	(17 964)	(9 198)
(Loss)/Profit for the year		(122 243)	(87 085)	69 712	25 598
Other comprehensive income		--	--	--	--
Total comprehensive (loss)/income for the year		(122 243)	(87 085)	69 712	25 598
Attributable to:					
Equity holders of the company		(122 243)	(87 085)	69 712	25 598

Statements of Changes in Equity for the year ended 30 September 2010

Group	Share capital N\$'000	Retained earnings N\$'000	Total N\$'000
Balance at 1 October 2008	154 530	777 048	931 578
Total comprehensive loss for the year	--	(87 085)	(87 085)
Loss for the year		(87 085)	(87 085)
Balance at 30 September 2009	154 530	689 963	844 493
Total comprehensive loss for the year	--	(122 243)	(122 243)
Loss for the year		(122 243)	(122 243)
Balance at 30 September 2010	154 530	567 720	722 250

No dividends were paid or declared during the year (2009: Nil).

Statements of Changes in Equity for the year ended 30 September 2010

Company	Share capital N\$'000	Retained earnings N\$'000	Total N\$'000
Balance at 1 October 2008	154 530	907 840	1 062 370
Total comprehensive income for the year	--	25 598	25 598
Profit for the year		25 598	25 598
Other comprehensive income		--	--
Balance at 30 September 2009	154 530	933 438	1 087 968
Total comprehensive income for the year	--	69 712	69 712
Profit for the year		69 712	69 712
Other comprehensive income		--	--
Balance at 30 September 2010	154 530	1 003 150	1 157 680
No dividends were paid or declared during the year (2009: Nil).			

	Notes	Group 2010 N\$'000	Group 2009 N\$'000	Company 2010 N\$'000	Company 2009 N\$'000
Cash flow from operating activities					
Operating profit		103 704	58 355	103 964	58 536
Adjustment for :					
Increase in post-retirement benefit obligation		10 171	7 905	10 171	7 905
Movement on derivative financial instrument		10 647	11 336	10 647	11 336
Movement in Forward Exchange Contract - Asset		--	578	--	578
Movement in Forward Exchange Contract- Liability		--	(222)	--	(222)
Gain on exchange rate changes on the balance of cash held in foreign currencies		(9 247)	(571)	(9 247)	(571)
Loss on impairment of investment		20 000	17 222	20 000	17 222
Loss/(Gain) on restatement of foreign currency denominated loan granted to associate company		3 160	(17 222)	3 160	(17 222)
Gain on restatement of foreign currency denominated Loan		(3 494)	(6 018)	(3 494)	(6 018)
Depreciation of plant & equipment	3	150 730	155 296	150 730	155 296
Amortisation of intangible assets	4	6 160	5 194	6 160	5 194
(Profit)/Loss on disposal of plant and equipment		(17)	1 888	(17)	1 888
Working capital changes	27	38 057	60 115	38 057	60 115
<i>Cash generated from operations</i>		329 871	293 856	330 131	294 037
Interest paid		44 794	32 361	31 250	29 006
Interest received		(47 538)	(52 746)	(47 538)	(52 746)
Refunds received	21	--	22 172	--	22 172
<i>Net cash flow from operating activities</i>		327 127	295 643	313 843	292 469
Cash flow from investing activities					
Movement on finance lease receivable		(8 494)	(8 700)	(8 494)	(8 700)
Plant and equipment acquired	3	(158 814)	(160 925)	(158 814)	(160 925)
Intangible assets acquired	4	(536)	(6 372)	(536)	(6 372)
Increase in loans advanced		(45 595)	(28 795)	--	--
Proceeds on disposals – Plant and equipment		89	179	89	179
Investment in subsidiary acquired		--	--	(50 000)	(31 000)
Investment in associated company acquired		--	(20 304)	--	--
Increase in loan to subsidiary company		--	--	(118 064)	(72 139)
Increase in loan to associate company		(173 171)	(95 816)	(3 079)	(18 194)
<i>Net cash flow used in investing activities</i>		(386 521)	(320 733)	(338 898)	(297 151)
Cash flow from financing activities					
Long-term loans raised		422 338	120 407	388 000	100 000
Long-term loans repaid		(54 644)	(23 981)	(54 644)	(23 981)
<i>Net cash flow used in financing activities</i>		367 694	96 426	333 356	76 019
Net increase in cash and cash equivalents					
Cash and cash equivalents at beginning of year		308 300	71 336	308 301	71 337
Effects of exchange rate changes on the balance of cash held in foreign currencies		(218 361)	(290 268)	(218 413)	(290 321)
		9 247	571	9 247	571
Cash and cash equivalents at end of year	15	99 186	(218 361)	99 135	(218 413)

1. Summary of significant accounting policies

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

Basis of preparation

The annual financial statements are prepared in accordance with and comply with International Financial Reporting Standards (IFRS). These financial statements have been prepared on the historical cost basis as modified by the revaluation of derivative financial instruments available-for-sale investment securities and financial assets and liabilities held-for-trading. The principal accounting policies adopted in the preparation of these annual financial statements are set out below and are consistent with those of the previous year unless otherwise stated.

(a) Improved, Revised and Replaced International Financial Reporting Standards effective for the first time for the 30 September 2010 year-end.

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

Number	Title	Effective date	Executive summary
IAS 1	Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2009)	01-Jan-09	The amendments to IAS 1 cclarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current..
IAS 7	Statement of Cash Flows	01-Jan-09	The amendments to IAS 7 specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows.
IFRS 7	Financial Instruments: Disclosures (as part of Improvements to IFRSs issued in 2010)	01-July-08	The amendments to IFRS 7 clarify the required level of disclosures about credit risk and collateral held and provide relief from disclo-sures previously required regarding renegotiated loans.
IFRS 8	Operating segments	1-Jan- 09	The amendments require operating segments to be identified on the basis of internal reports about components of the entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.
IAS23	Borrowing costs	1-Jan- 09	This requires that borrowing costs directly attributable to the acquisi-tion, construction or production of a qualifying asset for part of the cost of that asset and, therefore should be capitalised. Other borrow-ing costs are recognised as an expense.

1. Summary of significant accounting policies (Continued)

Plant and equipment

Plant and equipment are included at cost less accumulated depreciation and accumulated impairment losses. Cost includes all costs directly attributable to bringing the assets to working condition for their intended use. Capital work-in-progress is carried at cost less any recognised impairment loss. Depreciation of these assets, on the same basis as other plant and equipment commences when the assets are ready for their intended use. All other fixed assets, including capitalised leased assets, are depreciated at rates calculated to write off the cost of the assets on a straight-line basis over their expected useful lives. Minor items of plant and equipment, individually costing less than N\$1 000 are expended in full in the year of acquisition in profit and loss.

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

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

Rates of depreciation currently applied are as follows:

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

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

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

Intangible assets

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

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

Research costs are recognised in profit or loss when incurred.

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

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis, and includes transport and handling costs. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs, but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business less the costs of completion and selling expenses. Where necessary, provision is made for obsolete, slow moving and defective inventories.

1. Summary of significant accounting policies (Continued)

Taxation

Current tax

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

Deferred tax

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

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

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

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

Financial Instruments

Initial recognition and measurement

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

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

Fair value methods and assumptions

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

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

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

De-recognition of assets and liabilities

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

1. Summary of significant accounting policies (Continued)**Financial Instruments (Continued)*****De-recognition of assets and liabilities (Continued)***

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

Effective interest rate method

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

Financial assets

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

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

Financial assets at FVTPL

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

Held-to-maturity investments

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

Available-for-sale financial assets

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

Loans and receivables

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

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

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each 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 reporting date, and posted against a provision account. When the trade receivable is uncollectible, it is written off against the provision account. Bad debts are written off during the period in which they are identified.

Bank and cash balances

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

1. Summary of significant accounting policies (Continued)

Financial Instruments (Continued)

Classification of debt or equity

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

Financial liabilities

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

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

Other financial liabilities

Interest-bearing debt

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

Non-interest-bearing debt

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

Trade and other payables

Trade and other payables are stated at cost.

Bank overdrafts and other short-term borrowings

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

Equity instruments

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

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

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

1. Summary of significant accounting policies (Continued)**Cash and cash equivalents**

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

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Leases***A Group company is the lessee***

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

A Group company is the lessor

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

Dividends

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

Post-employment benefit costs***Retirement benefits***

The policy of the Group is to provide retirement benefits for its employees, the assets of which are held in a separate trustee administered fund. The contribution paid by the companies in the Group to fund obligations for the payment of retirement benefits is charged 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 reporting date. The movement has been expensed in profit or loss.

Revenue

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

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

Post-paid products

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

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

1. Summary of significant accounting policies (Continued)

Revenue (Continued)

Post-paid products (Continued)

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

Pre-paid products

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

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

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

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

Data service revenue

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

Sale of equipment

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

Other revenue and income:

Interconnect and international revenue

Interconnect and international revenue is recognised on the usage basis.

Interest

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

Rental income

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

Basis of consolidation

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

1. Summary of significant accounting policies (Continued)**Basis of consolidation (Continued)*****Subsidiaries***

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

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

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

Transactions and minority interest

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

Associates

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

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

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

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

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill 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.

1. Summary of significant accounting policies (Continued)

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

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

Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

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

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

Borrowings

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

All other borrowing costs are expensed when incurred.

Critical accounting estimates and judgements

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

Allowance for doubtful debts

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

Fair value estimation

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

Discount rates

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

1. Summary of significant accounting policies (Continued)**Critical accounting estimates and judgements (Continued)*****Asset lives and residual values***

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

Provision for post - retirement medical aid benefits

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

Estimated impairment of goodwill

The Group 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.

Recoverability of the investments in foreign ventures**Investment in Communitel ("Ultimately in Neotel")**

Neotel holds a second telecom fixed line operator licence in South Africa, and the company is still in a start up phase. Telecom Namibia holds an effective interest in this company of 9.37% and has so far invested an amount of N\$435 million in this venture as part of its capital contribution as a shareholder, refer to Note 6.

Neotel has not met some of its business targets set out in its original plan requiring the shareholders in this investment to provide further capital funding in addition to the original business plan in order to secure ongoing funding for the network roll out by Neotel. This additional funding, both shareholder and external has been secured by the end of February 2011. Furthermore a revised business strategy was approved by the Board of directors of Neotel in consultation with independent business advisors on 14 December 2010. It is still too early to determine the outcome of this revised strategy.

As the result of the above Telecom management and the Board continues to monitor the performance of this significant investment and believes that the carrying value in the company of the investment is appropriate. At a group level, the accumulated share of losses of N\$399 million has been equity accounted for, reducing the carrying value of the investment at group level to N\$10.6 million.

Should the historical trend continue and not improve as anticipated, the future may turn out to be different resulting in material adjustments to the financial statements of Telecom Namibia Limited.

Investment in Mundo Startel

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

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

The shareholders and management of Mundo are investigating options on the future sustainability of this company as well as continued participation by Telecom in this investment. It is however too early to determine the outcome of these plans.

In light of the current difficult financial situation of this venture, Telecom management and the Board have impaired the carrying value of this investment in the company financial statements by a further amount of N\$20 million in the current year to bring the accumulated impairment of the investment to N\$61.3 million including foreign currency restatement gains and losses and the carrying value of the investment down to N\$115 million. At group level the investment has also been impaired with similar amount of N\$61.3 million in addition to the equity accounted losses bringing the investment down to N\$64.5 million, refer to Note 8.1.

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

2. Segment information

2.1 Products and services from which reportable segments derive their revenues

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

Post paid services	<ul style="list-style-type: none">- Lines rental- Value added services- Calls- VSAT- Switch- Telephone installations
Pre paid services	<ul style="list-style-type: none">- Switch- Cards
Interconnection	<ul style="list-style-type: none">- Local- International
Data and IP services	<ul style="list-style-type: none">- Internet access services- ADSL- WiMax- CDMA- Metro Ethernet- IP/MPLS- iWay- ISDN- Telematics
Other services	<ul style="list-style-type: none">- Customer Premises Equipment- Directories- Switchboard

2. Segment information

2.2 Segment revenue and results

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

	Segment Revenue		Segment Profit	
	2010	2009	2010	2009
	N\$ 000	N\$ 000	N\$ 000	N\$ 000
Post- paid services	217,497	240,027	212,596	234,475
Pre- paid services	39,499	28,885	26,192	5,612
Interconnection	402,689	496,269	248,242	292,124
Data and IP services	424,198	296,720	344,513	197 977
Other services	76,780	67,927	51,176	59,379
Total	1,160,663	1,129,828	882,719	789,567
Other operating income			28,385	14,132
Administrative expenses			(625 977)	(550,957)
Other operating expenses			(181,423)	(194,387)
Operating profit			103,704	58,355
Finance income			44,794	32,361
Finance costs			(47,538)	(52,746)
Share of results of associates			(205,239)	(115,857)
(Loss) before taxation			(104,279)	(77,887)
Taxation			(17, 964)	(9,198)
(Loss) after taxation			(122,243)	(87,085)

2. Segment information (Continued)

2.2 Segment revenue and results

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

	Segment Revenue		Segment Profit	
	2010	2009	2010	2009
	N\$'000	N\$'000	N\$'000	N\$'000
Post- paid services	217,497	240,027	212,596	234,475
Pre- paid services	39,499	28,885	26,192	5,612
Interconnection	402,689	496,269	248,242	292,124
Data and IP service	424,198	296,720	344,513	197,922
Other services	76,780	67,927	51,176	59,379
Total	1,160,663	1,129,828	882,719	789,567
Other operating income			28,385	14,132
Administrative expenses			(625,717)	(550,776)
Other operating expenses			(181,423)	(194,387)
Operating profit			103,964	58,536
Finance income			31,250	29,006
Finance costs			(47,538)	(52,746)
Profit before taxation			87,676	34,796
Taxation			(17,964)	(9,198)
Profit after taxation			69,712	25,598

Segment revenue reported above represents revenue generated from external customers. There were no intersegment sales in the current financial year (2009:Nil)

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

2.3 Segment assets and liabilities

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

3. Plant and equipment – Group and Company

	Telecommunica- tion installations and equipment	Furniture and fittings	Computer equipment	Capital work-in- progress	Motor vehicles	Total
	N\$'000	N\$'000	N\$'000	N\$'000	N\$'000	N\$'000
Year ended 30 September 2010						
Cost						
Opening balance	2 454 168	37 772	13 966	148 007	1 629	2 655 542
Prior year adjustment	(1 013)	--	--	--	--	(1 013)
Additions	68 509	979	1 987	84 938	--	156 413
Borrowing costs (Note 24)	--	--	--	2 401	--	2 401
Disposals	(3)	(49)	(820)	--	--	(872)
Transfers	65 521	849	--	(68 319)	--	(1 949)
Closing balance	2 587 182	39 551	15 133	167 027	1 629	2 810 522
Accumulated depreciation						
Opening balance	1 072 128	29 774	8 309	--	1 629	1 111 840
Prior year adjustment	(1 012)	--	--	--	--	(1 012)
Depreciation charge	145 118	2 036	3 576	--	--	150 730
Depreciation on disposals	(3)	(47)	(750)	--	--	(800)
Transfers	(8)	--	--	--	--	(8)
Closing balance	1 216 223	31 763	11 135	--	1 629	1 260 750
Closing Book value	1 370 959	7 788	3 998	167 027	--	1 549 772
Opening book value	1 382 039	7 998	5 657	148 007	--	1 543 702

Included in work-in-progress is an amount of N\$71 843 281 (2009: N\$26 269 000) in respect of payments made towards the Group's participation in the West Africa Coast Cable System (WACS) currently undergoing construction. In terms of the agreement between the Group, the contractor, Alcatel and other participating parties, risks and rewards of ownership of the capacity, in respect of which the Group is making contributions, will revert to the Group upon completion of the WACS cable.

Alcatel has issued a ten percent (10%) performance guarantee to the Group to safeguard the progress payments which will be made during the tenure of the construction of the cable. This will expire upon transfer of the risks and rewards of ownership to the Group. While the Group has committed to participation in the amount of N\$542 500 000 (USD75 000 000) (2009 : N\$556 500 000 (USD75 000 000)), this pertains to the full capacity costs, including the portion attributable to Botswana Telecommunications Corporation. The latter has availed a guarantee for the amount of N\$271 125 000 (USD37 500 000) (2009 : N\$278 250 000 (USD37 500 000)) to the Group to cover its prorated portion of the capacity to be accessed through the cable once construction is completed. A total of US\$23 144 062 (2009: N\$7 500 000) had been paid as at the 30th of September 2010 towards the Group's full participation in the WACS project with the balance payable over the period to completion. Refer to note 32 for further information.

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

	Telecommu- nication ins- tallations 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 2009						
Cost						
Opening balance	2 321 265	34 302	74 993	113 668	1 629	2 545 857
Additions	55 791	428	2 356	102 350	--	160 925
Disposals	(1 855)	(140)	(9 994)	--	--	(11 989)
Transfers	78 967	3 182	(53 389)	(68 011)	--	(39 251)
Closing balance	2 454 168	37 772	13 966	148 007	1 629	2 655 542
Accumulated depreciation						
Opening balance	869 460	28 174	67 971	--	1 620	967 225
Depreciation charge	148 430	1 747	5 110	--	9	155 296
Depreciation on disposals	--	(135)	(9 786)	--	--	(9 921)
Transfers	54 238	(12)	(54 986)	--	--	(760)
Closing balance	1 072 128	29 774	8 309	--	1 629	1 111 840
Closing Book value	1 382 040	7 998	5 657	148 007	--	1 543 702
Opening book value	1 451 805	6 128	7 022	113 668	9	1 578 632

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

4. Intangible assets - Group and Company

	2010	2009
Computer software		
	N\$'000	N\$'000
Opening balance	171 956	126 333
Additions	536	6 372
Transfers	1 949	39 251
Closing balance	174 441	171 956
Accumulated amortisation		
Opening balance	117 515	111 561
Current year charge	6 160	5 194
Transfer	8	760
Closing balance	123 683	117 515
Book value	50 758	54 441

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

	Group 2010 N\$'000	Group 2009 N\$'000	Company 2010 N\$'000	Company 2009 N\$'000
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5. Goodwill

Opening and closing balance	13 246	13 246	-	-
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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 in the current year.

6. Investment in subsidiary

Ordinary shares

Preference shares

Opening balance
Acquired during the year
Total

9 000	9 000
125 000	75 000
75 000	44 000
50 000	31 000
134 000	84 000

Loans

Opening balance
Advanced during the year
Closing balance
Balance at end of year

183 363	111 224
118 064	72 139
301 427	183 363
435 427	267 363

Telecom Namibia holds a 75% interest in a subsidiary, Communitel Telecommunications (Proprietary) Limited, an investment holding company. The subsidiary is registered in the Republic of South Africa with an issued share capital of 40 ordinary shares of ZAR 1.00 each. In the current year the company acquired 100% of the Preference shares in Communitel Telecommunications (Proprietary) Limited. The loans advanced bear interest at South African Prime Lending Rate and have no fixed terms of repayment.

7. Loans advanced

Mkhonto We Sizwe Military Veterans Association	114 599	69 004	--	--
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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 South African Prime Lending Rate plus 2%, is unsecured and not subject to any fixed terms of repayment. These arrangements are reviewed from time to time.

8. Investment in associates

Summary of investments:

Shares at cost
- Ordinary shares
- Preference shares
Share of results
Loans advanced
Impairment
Net Investment

29 893	29 893	29 893	29 893
88 058	53 104	--	--
(449 899)	(244 660)	--	--
468 388	332 715	146 388	146 469
(61 264)	(41 264)	(61 264)	(41 264)
75 176	129 788	115 017	135 098

Directors' valuation of unlisted investment

75 176	129 788	115 017	135 098
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	Group 2010 N\$'000	Group 2009 N\$'000	Company 2010 N\$'000	Company 2009 N\$'000
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8. Investment in associates (Continued)

Reconciliation of movements

Opening balance	129 788	129 525	135 098	116 904
Loans advanced/(repaid)	138 833	95 816	3 079	18 194
(Loss)/Gain on restatement	(3 160)	17 222	(3 160)	17 222
Share of losses	(205 239)	(115 857)	--	--
Impairment	(20 000)	(17 222)	(20 000)	(17 222)
Preference shares acquired	34 954	20 304	--	--
Closing balance	75 176	129 788	115 017	135 098

8.1 Investment in Mundo Startel SARL:

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

Comprising:

Shares at cost	29 893	29 893	29 893	29 893
Share of losses	(50 509)	(41 035)	--	--
Loans advanced	146 388	146 469	146 388	146 469
Impairment	(61 264)	(41 264)	(61 264)	(41 264)
Net Investment	64 508	94 063	115 017	135 098

Reconciliation of movements

Opening balance	94 063	87 603	135 098	116 904
Loans advanced/(repaid)	3 079	18 194	3 079	18 194
(Loss)/Gain on restatement	(3 160)	17 222	(3 160)	17 222
Impairment	(20 000)	(17 222)	(20 000)	(17 222)
Share of losses	(9 474)	(11 734)	--	--
Closing balance	64 508	94 063	115 017	135 098

The loans were advanced in terms of the Mundo Startel Shareholders Agreement. The loan balance as at 30 September 2010 in foreign currency amounted to US\$15 682 092 (2009: US\$15 283 587). The loan bears interest at LIBOR plus a margin of 2%, is unsecured and not subject to any fixed terms of repayment. Subsequent to year end the Group's Board passed a resolution to temporarily impose a moratorium on the levying of interest on the shareholders loan.

The Group is reconsidering its continued participation in the Mundo Startel joint venture and the Board of Directors has since tasked management to assess potential exit strategies.

Set out below is the summarised financial information of associate:

Assets	150 168	149 190	--	--
Liabilities	215 250	196 659	--	--
Revenue	45 058	38 565	--	--
Loss after tax for the year	(23 754)	(26 669)	--	--

	Group 2010 N\$'000	Group 2009 N\$'000	Company 2010 N\$'000	Company 2009 N\$'000
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8. Investment in associates (Continued)

8.2 Investment in Sepco Communications (Proprietary) Limited:

The subsidiary, Communitel Telecommunications (Proprietary) Limited holds a 24.5% interest in an associate, Sepco Communications (Proprietary) Limited which is registered in the Republic of South Africa. Sepco in turn holds 51% of the shares in Neotel (Proprietary) Limited, a company which was recently licensed to provide information, communication and technology services in the Republic of South Africa. Additional capital contributions amounting to N\$45 million (2009: N\$110 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. The loans advanced bear interest at South African Prime Lending Rate and have no fixed terms of repayment.

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

Comprising:

Ordinary shares at cost	--	--	--	--
Preference shares at cost	88 058	53 104	--	--
Share of results	(399 390)	(203 625)	--	--
Loans advanced	322 000	186 246	--	--
	10 668	35 725	--	--

Reconciliation of movements

Opening balance	35 725	41 922	--	--
Loans advanced/(repaid)	135 754	77 622	108 624	--
Preference shares acquired	34 954	20 304	32 800	--
Share of losses	(195 765)	(104 123)	(99 502)	--
Closing balance	10 668	35 725	41 922	--

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

Assets	5 072 800	4 958 000	2 774 959	--
Liabilities	7 576 191	5 981 000	3 228 474	--
Revenue	1 102 627	1 117 000	473 010	--
Loss after tax for the year	(510 367)	(832 984)	(796 016)	--

Group 2010 N\$'000	Group 2009 N\$'000	Company 2010 N\$'000	Company 2009 N\$'000
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9. Derivative financial instruments

Comprises:

Interest rate swaps

Opening balance	17 088	28 423	17 088	28 423
Recognised in profit or loss	(10 647)	(11 335)	(10 647)	(11 335)
Closing balance	6 441	17 088	6 441	17 088

Foreign currency exchange contracts

-Forward exchange contract - Asset

Opening balance	--	578	--	578
Recognised in profit or loss	--	(578)	--	(578)
Closing balance	--	--	--	--

-Forward exchange contract - Liability

Opening balance	--	222	--	222
Recognised in profit or loss	--	(222)	--	(222)
Closing balance	--	--	--	--

Allocated as follows:

Long -term assets	6 441	17 088	6 441	17 088
Short -term assets	--	--	--	--
	6 441	17 088	6 441	17 088
Long -term liabilities	--	--	--	--
Short- term liabilities	--	--	--	--
	--	--	--	--

As at 30 September 2010, the Group had interest rate and foreign currency swap agreements in terms of which certain of the loans denominated in foreign currencies with fixed interest rates were converted to the South African Rand at floating rates ranging between 10,96% to 12,25% (2009: 10,96% to 12,25%). Gains and losses recognised on interest rate swap contracts are recognised in profit or loss until the repayment of the bank borrowings.

10. Finance lease receivable

Gross receivables from finance leases:

Not later than 1 year	14 947	10 022	14 947	10 022
Later than 1 year and not later than 5 years	26 035	22 111	26 035	22 111
	40 982	32 133	40 982	32 133
Unearned future finance income on finance leases	(725)	(370)	(725)	(370)
Net investment in finance leases	40 257	31 763	40 257	31 763

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

Not later than 1 year	14 683	9 937	14 683	9 937
Later than 1 year and not later than 5 years	25 574	21 826	25 574	21 826
	40 257	31 763	40 257	31 763

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

	Group 2010 N\$'000	Group 2009 N\$'000	Company 2010 N\$'000	Company 2009 N\$'000
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11. Inventories

Materials for installations	57 482	36 544	57 482	36 544
Workshop and consumable stores	2 687	573	2 687	573
Goods for resale	7 774	14 036	7 774	14 036
Less: provision for impairment	(2 545)	(1 654)	(2 545)	(1 654)
	65 398	49 499	65 398	49 499

12. Trade and other receivables

Trade receivables	187 668	170 738	187 668	170 738
Provision for impairment	(29 102)	(20 785)	(29 102)	(20 785)
Prepayments	11 799	34 562	11 799	34 562
Other debtors	567	1 137	567	1 137
	170 932	185 652	170 932	185 652

Provision for impairment of receivables

Opening balance	20 785	10 562	20 785	10 562
Amount written off against the income statement	--	--	--	--
Provision for impairment charged to the income statement	8 317	10 223	8 317	10 223
Closing balance	29 102	20 785	29 102	20 785

Provision for impairment of receivables

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

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

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

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

1 month past due (+60 days)	5 062	3 277	5 062	3 277
2 months past due	1 960	861	1 960	861
3 months past due	2 862	4 261	2 862	4 261
	9 884	8 399	9 884	8 399

The aging of impaired receivables is as follows:

1 month past due (+60 days)	--	--	--	--
2 months past due	1 586	1 370	1 586	1 370
3 months past due	27 516	19 415	27 516	19 415
	29 102	20 785	29 102	20 785

13. Related party transactions

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

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

The following transactions were carried out with related parties:

i) *Sales of services*

Namibia Post Limited: N\$2 369 090 (2009: N\$4 691 356)
 Mobile Telecommunications Limited: N\$151 089 316 (2009: N\$293 002 080)
 Namibia Post and Telecom Holdings Ltd: N\$480 000 (2009: nil)

ii) *Purchases of services*

Namibia Post and Telecom Holdings Limited: N\$41 231 271 (2009: N\$70 294 490)
 Namibia Post Limited: N\$2 379 484 (2009: N\$1 476 060)
 Mobile Telecommunications Limited: N\$69 302 186 (2009: N\$98 573 742)

iii) *Outstanding balances arising from sale/purchases of goods/services*

Receivables from related parties:

Namibia Post Limited: N\$353 696 (2009: N\$1 124 000)
 Namibia Post and Telecom Holdings Limited: N\$105 045 (2009: N\$ nil)

Payables to related parties:

Namibia Post Limited: N\$nil (2009: N\$nil)
 Mobile Telecommunications Limited: N\$Nil (2009: N\$436 000)

iv) *Outstanding balances arising from loans granted*

Payable to related parties:

Namibia Post and Telecom Holdings Limited: N\$39 000 000 (2009: N\$25 001 451)
 The loan amounting to N\$39 000 000 (2009: N\$25 000 000) is interest free, unsecured and has no fixed terms of repayment.

v) *Investment in Telecom Bonds*

The Group pension fund, Napotel, held N\$350 000.00 (2009: N\$ nil) of the bonds issued by Telecom. Namibia Post Savings Bank, a division of fellow subsidiary, Namibia Post Limited, held N\$39 500 000.00 (2009: N\$ nil) of the bonds issued by Telecom.

vi) *Suretyships*

- 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 N\$18 550 000 (2009: N\$18 550 000) which was extended to its associate, Mundo Startel.
- The Government of the Republic of Namibia has availed a letter of comfort to Alcatel for an amount of US\$ 75 000 000 (2009: US\$75 000 000) in respect of Telecom Namibia's participation in the West Africa Coast Cable System (WACS) project. In terms of the WACS project, Telecom Namibia is Namibia's Landing Point Lead Agent and is directly responsible for the payment of N\$542 500 000 (US\$75 000 000) (2009: N\$556 500 000 (US\$75 000 000)) for the full capacity to be accessed through, and due to land at, Swakopmund, Namibia. Fifty percent of this capacity has been on sold by Telecom Namibia to Botswana Telecommunications Corporation and the latter has in turn provided a guarantee through the Government of the Republic of Botswana to the Government of the Republic of Namibia for the amount of N\$271 125 000 (US\$37 500 000) (2009: N\$ 278 250 000 (N\$37 500 000)).
- 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 2010 amounted to N\$24 555 000 (2009: N\$48 694 000).
- 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 (2009: N\$160 000) were issued in respect of key management housing loans.

13. Related party transactions (Continued)

vii) 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 Human Resources and Compensation Committee of the Board of Directors and is reviewed on an annual basis.

	Group 2010 N\$'000	Group 2009 N\$'000	Company 2010 N\$'000	Company 2009 N\$'000
Salaries and other short-term employee benefits	7 472	9 960	7 472	9 960
Other long-term benefits	1 124	1 196	1 124	1 196
	8 596	11 156	8 596	11 156

viii) Directors emoluments

Non-executive directors				
- for services as directors	532	277	532	277
Executive director				
- for services as director	--	--	--	--
- for managerial services	1 573	1 572	1 573	1 572
- salary and other short-term employee benefits	1 370	1 369	1 370	1 369
- other long-term benefits	203	203	203	203
	2 105	1 849	2 105	1 849

14. Investments

Money market investment (Note 15)	54 710	--	54 710	--
	54 710	--	54 710	--

15. Cash and cash equivalents

Bank balances	31 902	25 994	31 851	25 942
Cash on hand	12 574	11 845	12 574	11 845
	44 476	37 839	44 425	37 787

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

Bank balances	31 902	25 994	31 851	25 942
Cash on hand	12 574	11 845	12 574	11 845
Investment in money market instruments (Note 14)	54 710	--	54 710	--
Bank overdraft	--	(256 200)	--	(256 200)
	99 186	(218 361)	99 135	(218 413)

The bank overdraft was unsecured.

	Group 2010 N\$'000	Group 2009 N\$'000	Company 2010 N\$'000	Company 2009 N\$'000
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16. Share capital

Authorised

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

154 529 936 ordinary shares of N\$1 each	154 530	154 530	154 530	154 530
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The unissued ordinary shares are under the control of the directors until the next annual general meeting.

17. Post-retirement medical benefit obligations

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

Medical scheme:

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

The liability created in terms of IAS 19 amounts to N\$78 725 000 (2009 : N\$68 554 000). The effective date of valuation of the liability is 30 September 2010 and the next date of valuation is 30 September 2011.

The principal actuarial assumptions used for accounting purposes were:

	Group 2010	Group 2009	Company 2010	Company 2009
- Real rate of return	2%	1%	2%	1%
- Discount rate	7,98%	10,1%	7,98%	10,1%
- Healthcare cost inflation	5,98%	8.1%	5,98%	8.1%
- 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	68 554	60 649	68 554	60 649
Current service cost	2 742	2 160	2 742	2 160
Interest cost	7 115	5 974	7 115	5 974
Subsidies paid	(1 560)	(1 416)	(1 560)	(1 416)
Actuarial loss	1 874	1 187	1 874	1 187
Closing balance	78 725	68 554	78 725	68 554
Present value of unfunded liability	78 725	68 554	78 725	68 554

The amounts recognised in profit or loss are as follows:

Current service cost	2 742	2 160	2 742	2 160
Interest cost	7 115	5 974	7 115	5 974
Subsidies paid	(1 560)	(1 416)	(1 560)	(1 416)
Actuarial loss	1 874	1 187	1 874	1 187
	10 171	7 905	10 171	7 905

	Group 2010	Group 2009	Company 2010	Company 2009
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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:

Number of employees at 30 September 2010	889	943	889	943
Average age (years)	40.0	39.0	40.0	39.0

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

Number of pensioners	187	187	187	187
Average age (years)	59	61.0	59.0	61.0

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

	N\$'000	N\$'000	N\$'000	N\$'000
Increase	12 264	12 264	12 264	12 264
Decrease	7 466	7 755	7 466	7 755

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	96 103	86 276	96 103	86 276
Decrease	65 499	58 210	65 499	58 210

18. Long-term liabilities

Secured

European Investment Bank

24 555	48 694	24 555	48 694
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The Group obtained various loans from the European Investment Bank in December 1999 for tenures ranging from 10 to 14 years. The loans were originally denominated in Euros, British Pounds and United States Dollars and attracted fixed interests varying between 3% and 3.9% p.a. The Group then entered into currency and interest swap agreements that entitles it to pay interest at rates varying between 10,96% and 12,25% p.a. (2009 : 10,96% and 12,25% p.a.) and to convert the foreign currency liabilities into Namibia Dollar. The capital amount is repayable in 7 (2009: 11) semi-annual instalments with the final instalment due in 2013. Interest is paid semi-annually on the outstanding capital amount. A letter of guarantee covering the principal debt and interest has been issued by the Government of the Republic of Namibia.

	Group 2010 N\$'000	Group 2009 N\$'000	Company 2010 N\$'000	Company 2009 N\$'000
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18. Long-term liabilities (continued)

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

	2010	2009	2010	2009
EUR	2 576 754	3 625 694	N\$: 9.85	10.86
GBP	-	655 138	-	11.89
US\$	-	204 203	-	7.43

Mkhonto We Sizwe Military Veterans Association

88 058	53 104	--	--
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This 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.

Unsecured

Development Bank of Namibia

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

Telecom Bonds

347 000	93 000	347 000	93 000
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Telecom Namibia registered loan stocks bearing interest at fixed and floating rates ranging between 8.095% and 10.70% p.a. (2009: 10.70%). Interest on the bonds is payable quarterly and semi-annually. The bonds are scheduled to mature in the period April to August 2015 and were issued as part of the Telecom Namibia's Bond Programme approved by the Namibia Stock Exchange (NSX) for the raising of capital amounting to N\$600 000 000 (2009: N\$600 000 000).

Nedbank Namibia Limited

80 000	100 000	80 000	100 000
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The Group obtained a loan from Nedbank on the 30th of September 2009 for a five year tenure. The loan attracts interest at prevailing Nedbank Namibia Prime Lending Rate less 2% (2009: Nedbank Namibia Prime Lending Rate less 2%). Repayment of the loan is in five annual instalments of N\$20 000 000 each commencing the 31st of January 2010. The loan is unsecured.

Total loans

659 613	294 798	571 555	241 694
(24 684)	(40 696)	(24 684)	(40 696)
634 929	254 102	546 871	200 998

Less: Short-term portion transferred to current liabilities

Maturity of non-current borrowings:

No later than 1 year	24 684	40 696	24 684	40 696
Later than 1 year and not later than 5 years	387 871	107 998	387 871	107 998

More than 5 years

247 058	146 104	159 000	93 000
659 613	294 798	571 555	241 694

Group 2010 N\$'000	Group 2009 N\$'000	Company 2010 N\$'000	Company 2009 N\$'000
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18. Long-term liabilities (continued)

Pre-hedging

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

Interest free	88 058	53 104	--	--
At fixed rates	321 055	141 694	321 055	141 694
At floating rates	250 500	356 200	250 500	356 200
	659 613	550 998	571 555	497 894

Post-hedging

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

Interest free	88 058	53 104	--	--
At fixed rates	296 500	93 000	296 500	93 000
At floating rates	275 055	404 894	275 055	404 894
	659 613	550 998	571 555	2497 894

19. Deferred tax

Deferred income taxes are calculated on all temporary differences under the comprehensive method using a principal tax rate of 34% (2009: 35%).

The movement on the deferred tax account is as follows:

Opening balance	433 676	424 478	433 676	424 478
Movements during year attributable to:				
- current year movement timing difference	5 560	9 198	5 560	9 198
- effect of change in tax rate	17 950	9 198	17 950	9 198
	(12 390)	--	(12 390)	--
Closing balance	439 236	433 676	439 236	433 676

Deferred tax liabilities may be analysed as follows:

Tax losses	--	(21 635)	--	(21 635)
Capital allowances	489 124	483 735	489 124	483 735
Prepayments	4 011	10 377	4 011	10 377
Provisions	(30 109)	(23 994)	(30 109)	(23 994)
Derivatives	(440)	5 980	(440)	5 980
Advance income	(23 350)	(20 787)	(23 350)	(20 787)
	439 236	433 676	439 236	433 676

20. Trade and other payables

Trade payables	129 559	152 509	129 559	152 509
Performance bonus provision	9 621	--	9 621	--
Leave pay accrual	31 269	27 755	31 269	27 755
Unpresented cheques	799	5 803	799	5 803
	171 248	186 067	171 248	186 067

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

Current	110 282	117 008	110 282	117 008
30-60 days	4 389	21 273	4 389	21 273
>60 days	14 888	14 228	14 888	14 228
Closing balance	129 559	152 509	129 559	152 509

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

	Group 2010 N\$'000	Group 2009 N\$'000	Company 2010 N\$'000	Company 2009 N\$'000
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21. Current tax

Opening balance	1 079	23 251	1 079	23 251
Charge for the year	(12 404)	--	(12 404)	--
Taxation paid/(Refund received)	--	(22 172)	--	(22 172)
Closing balance	(11 325)	1 079	(11 325)	1 079

22. Deferred revenue

Derived from customer upfront payment				
Comprises of:				
- Long -term	27 309	20 200	27 309	20 200
- Short- term	37 517	4 800	37 517	4 800
	64 826	25 000	64 826	25 000

Telecom Namibia received an amount of N\$ nil (2009: N\$25 000 000) from the Department of Civil Aviation (DCA) during the prior year. In terms of the underlying agreement, Telecom Namibia will apply the money received towards the construction of towers and optic fibre links for use by the DCA. Upon completion of the project, ownership of the assets will vest in Telecom Namibia which in turn, is expected to render services to the DCA in lieu of and to the extent of, the prepayment received and applied towards project costs. The prepayment received will be released to the income statement as the services are rendered. Telecom Namibia received an amount of N\$7 109 000 (2009: N\$ Nil) from the Ministry of Home Affairs during the current financial year for the roll out of optic fibre links on behalf of the Ministry. This will be applied against future invoices to be billed by Telecom once the services are rendered to the Ministry.

Telecom Namibia receives rental from customers one month in advance of rendering the underlying goods and services. Advance rental held as at the 30th of September 2010 is included in the balance of short term deferred revenue.

	Group 2010 N\$'000	Group 2009 N\$'000	Company 2010 N\$'000	Company 2009 N\$'000
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23. Operating profit

Operating profit is arrived at after the following items:

Auditor's remuneration

Audit fees - current year	538	952	538	893
Prior year overprovision	(195)	--	(195)	--
Depreciation of plant and equipment	150 730	155 296	150 730	155 296
Amortisation of intangible assets	6 160	5 194	6 160	5 194
Loss/(Profit) on disposal of plant and equipment	(17)	1 888	(17)	1 888
Staff costs (Note 25)	373 790	353 984	373 790	353 984
Advertising and promotions	26 742	18 286	26 742	18 286
International settlements	85 561	107 659	85 561	107 659
Operating lease expenses				
Vehicles	16 404	19 322	16 404	19 322
Office machines	1 497	1 507	1 497	1 507
Building rentals	41 231	38 773	41 231	38 773
Repairs and maintenance	61 708	48 626	61 708	48 626
Post-retirement benefits recognised in profit or loss	10 171	1 187	10 171	1 187
Gain on restatement of foreign currency denominated loans	(3 494)	(6 018)	(3 494)	(6 018)
Fees for managerial, technical and other services	7 660	4 145	7 660	4 070
Fair value adjustment on derivative	10 647	11 335	10 647	11 335

	Group 2010 N\$'000	Group 2009 N\$'000	Company 2010 N\$'000	Company 2009 N\$'000
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24. Finance income and costs

Interest received

Money market investments	538	3 005	538	3 005
Loans	41 528	27 599	27 984	24 244
Cash balance	2 021	1 560	2 021	1 560
Interest on finance lease receivables	707	197	707	197
	44 794	32 361	31 250	29 006

Interest paid

Telecom bonds	18 225	9 065	18 225	9 065
Paid to related parties	--	2 691	--	2 691
Other	18 225	6 374	18 225	6 374
Term loans	2 611	4 322	2 611	4 322
Short-term borrowing facilities	29 103	39 359	29 103	39 359
	49 939	52 746	49 939	52 746
Less: borrowing costs capitalised (Note 3)	(2 401)	--	(2 401)	--
	47 538	52 746	47 538	52 746

25. Staff costs

Salaries and other related costs	323 433	305 252	323 433	305 252
Social security	758	595	758	595
Medical aid	20 675	18 932	20 675	18 932
Pension fund	28 924	29 205	28 924	29 205
	373 790	353 984	373 790	353 984

26. Taxation

Namibian normal income tax	(12 404)	--	(12 404)	--
Deferred tax credit/(charge)				
- current year	(5 560)	(13 177)	(5 560)	(13 177)
- prior year	--	3 979	--	3 979
Tax (charge) for the year	(17 964)	(9 198)	(17 964)	(9 198)

Reconciliation of the taxation:

(Loss)/Profit before tax	(104 279)	(77 887)	87 676	34 796
Tax calculated at a tax rate of 34% (2009: 35%)	35 455	27 260	(29 810)	(12 179)
-Non-taxable income/(Expenses not deductible for tax purposes)	3 971	112	(545)	(998)
- Prior year adjustment	--	3 979	--	3 979
- Share of results of associates	(69 781)	(40 549)	--	--
- Effect of change in tax rate	12 391	--	12 391	--
Tax charge	(17 964)	(9 198)	(17 964)	(9 198)

Reconciliation of rate of taxation:

	%	%	%	%
Namibian normal taxation rate	(34)	(35)	34	35
Reduction in rate of taxation due to:				
- prior year adjustment	--	(5)	--	(11)
- Effect of change in tax rate	(13)	--	(13)	--
Increase in rate of taxation due to:				
- Non-taxable income	(4)	--	(1)	3
- share of results of associates	68	52	--	--
	17	12	20	27

	Group 2010 N\$'000	Group 2009 N\$'000	Company 2010 N\$'000	Company 2009 N\$'000
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27. Working capital changes

Increase/(Decrease) in working capital during the year

Decrease/(Increase) in inventories	(15 899)	(3 196)	(15 899)	(3 196)
Decrease/(Increase) in trade and other receivables	14 720	10 107	14 720	10 107
Increase/(Decrease) in trade and other payables	(14 819)	3 849	(14 819)	3 849
Decrease/(Increase) in indebtedness by fellow subsidiaries	771	(345)	771	(345)
Decrease in amount owing to fellow subsidiaries	(436)	(317)	(436)	(317)
Increase in deferred revenue	39 826	25 000	39 826	25 000
Increase in loan due to holding company	13 999	25 000	13 999	25 000
Increase/(Decrease) in amount owing to holding company	(105)	1	(105)	1
Decrease/(Increase) in amount owing by holding company	--	16	--	16
	38 057	60 115	38 057	60 115

28. Capital expenditure commitments

Commitments in respect of contracts placed

Shareholder capital commitments - Neotel	13 447	29 534	13 447	29 534
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	45 728	110 000	45 728	110 000
--	--------	---------	--------	---------

A total of N\$159 million was approved for capital expenditure for the year ended 30th of September 2010. Save for the aforelisted commitments in respect of contracts placed, the approved capital expenditure of N\$150 million for the year ended 30th of September 2010 was spent. The Group finances capital expenditure from existing borrowing facilities and cash resources generated from operations. Refer to note 3 for the commitments due on WACS.

29. Operating lease commitments

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

No later than one year:

- Vehicles	83 215	61 574	83 215	61 574
- Office machines	35 857	18 183	35 857	18 183
- Buildings	1 784	1 658	1 784	1 658
	45 574	41 733	45 574	41 733

Later than one year, but not later than 5 years:

- Vehicles	255 042	217 509	255 042	217 509
- Office machines	36 740	12 614	36 740	12 614
- Buildings	12 049	8 464	12 049	8 464
	206 253	196 431	206 253	196 431

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

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

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

	Group 2010 N\$'000	Group 2009 N\$'000	Company 2010 N\$'000	Company 2009 N\$'000
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30. Pension Fund

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

An actuarial valuation was carried out for the year ended 30 September 2010, which indicated that the fund was in a sound financial position. As at the 30th of September 2010, a total of 943 (2009: 943) employees were members of the Napotel Pension Fund.

Contributions to the pension fund:

Company	28 924	29 205	28 924	29 205
Employees	20 121	20 317	20 121	20 317
	8 803	8 888	8 803	8 888

31. Guarantee(s)

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

Mundo Startel	18 075	18 550	18 075	18 550
	18 075	18 550	18 075	18 550

32. Contingent assets and contingent liabilities

32.1 Contingent asset

Government of the Republic of Botswana

	271 125	278 250	271 125	278 250
	271 125	278 250	271 125	278 250

The Government of the Republic of Botswana has provided a guarantee for the amount of N\$271 125 000 (US\$37 500 000) (2009: N\$278 250 000 (US\$37 500 000)) for the participation of Botswana Telecommunications Corporation in WACS where Telecom Namibia is the lead agent for the Namibia, Swakopmund Landing Point.

32.2 Contingent liabilities

Alcatel-Lucent

	542 250	556 500	542 250	556 500
	542 250	556 500	542 250	556 500

A contingent liability in the amount of N\$374 918 432 US\$51 855 938 (2009: N\$556 500 000 (US\$75 000 000)) has arisen as a result of Telecom Namibia's participation in the West Africa Coast Cable System. In terms of this project, Telecom Namibia, as the lead agent for the Namibia landing point is directly responsible for the payments due for the landing point albeit recoverable prorata from Botswana Telecommunications Corporation and Mobile Telecommunications Corporation.

33. Change in accounting policy

During the current financial year, the Group’s Board of Directors changed the accounting policy as regards Borrowing Costs as a result of the changes to IAS 23 that became effective in the current year. Whereas the Group previously expensed borrowing costs when they were incurred, the change in policy now entails the capitalisation of those borrowing costs relating the acquisition, construction or production of qualifying assets (i.e. those assets which take a considerable period of time before they are ready for sale or their intended use). Any interest earned on borrowed funds pending application on the qualifying assets’ construction, production or acquisition is set off against the borrowing costs ultimately capitalised as part of the cost of the qualifying asset. The change in policy seeks to enhance the accuracy of reporting by deferring of expensing of borrowing costs to future periods when the benefits from underlying assets are realised by the Group.

The Group has applied the transitional provisions of IAS23: Borrowing costs in terms of which borrowing costs have only been capitalised relating to qualifying assets for which the commencement date for capitalisation was on or after the effective date and as a result comparative information has not been re-stated.

The impact of the change in policy on the Group’s results is as follows:

Increase in the cost of Plant and Equipment (Work-in-Progress)	N\$2 401 388 (2009: N\$ Nil)
Decrease in finance costs	N\$2 401 388 (2009: N\$ Nil)
Increase in profit before tax	N\$2 401 388 (2009: N\$ Nil)

34. Financial instruments and risk management

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

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

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

	Group		Company	
	2010	2009	2010	2009
	N\$000	N\$000	N\$000	N\$000
Financial assets at fair value				
Bank	44 476	37 839	44 425	37 787
Investments	54 710	--	54 710	--
Derivatives	6 441	17 088	6 441	17 088
Financial liabilities at fair value				
Bank overdraft	--	256 200	--	256 200
Loans and receivables at amortised cost				
Loans advanced	114 597	69 004	--	--
Loan to subsidiary	--	--	435 427	267 363
Loan to associate	468 388	332 715	122 346	146 469
Trade and other receivables	170 932	185 651	170 932	185 651
Amount by fellow subsidiaries	353	1 124	353	1 124
Amounts owing by holding company	105	--	105	--
Finance lease receivables	40 257	31 763	40 357	31 763
Financial liabilities at amortised cost				
Long-term liabilities	634 929	254 102	546 871	200 998
Short-term portion of long-term liabilities	24 684	40 696	24 684	40 696
Trade and other payables	171 248	186 067	171 248	186 067
- Financial instruments	139 979	158 312	139 979	158 312
- Non-financial instruments	31 269	27 755	31 269	27 755
Amounts owing to fellow subsidiaries	--	436	--	436
Amounts owing to holding company	39 000	25 001	39 000	25 001

34. Financial instruments and risk management (Continued)

Fair value of financial instruments

The carrying values of all financial instruments which are disclosed in the statements of financial position approximate their fair values except as reflected for the Telecom Bond. The estimated net fair values as at 30 September 2010 have been determined using available market information as at that date. These values are however not necessarily an entirely accurate reflection of the amounts that the Group could realise in the normal course of business.

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

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

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

2010		2009	
Carrying amount N\$'000	Fair Value N\$'000	Carrying amount N\$'000	Fair Value N\$'000

Financial liabilities

Long-term loans	296 500	176 994	93 000	47 754
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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 2010 and at 30 September 2009.

Loan number	Currency	Interest Rate		Maturity Date	Balance	
		Original	Swap		30 Sept 2010	30 Sept 2009
		Fixed	Variable			
A	EURO	3.00%	10.10%	15-Nov-13	2 146 709	2 720 822
B	GBP	3.00%	11.08%	20-Jun-10	--	338 062
C	EURO	3.00%	11.40%	20-Jun-10	--	28 152
D	EURO	3.90%	11.35%	15-Nov-13	430 045	545 055
E	EURO	3.00%	10.96%	20-Jun-10	--	331 063
F	USD	3.00%	11.70%	21-Jun-10	--	85 172
G	USD	3.90%	10.96%	20-Jun-10	--	59 376
H	GBP	3.90%	11.46%	21-Jun-10	--	317 075
I	USD	3.00%	11.41%	21-Jun-10	--	59 656

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.

34. Financial instruments and risk management (Continued)**Credit risk management (Continued)**

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

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

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

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

The Group has a significant exposure to credit risk as a result of it taking the role of Namibia's Lead Agent for WACS. As the Lead Agent for Namibia, the Group has committed to the project to the extent of seventy five million United States dollars (US\$75 000 000), this representing the capacity which will be accessible on the cable upon completion of construction. As at the 30th of September 2010, a total of twenty three million United States dollars, one hundred and forty four thousand and sixty two dollars (US\$23 144 062) had been contributed towards the Group's commitment in the WACS project.

Telecom has in turn entered into a joint venture with Botswana Telecommunications Corporation (BTC) wherein the latter will own fifty per cent (50%) of the capacity acquired by Telecom Namibia for a payment amounting to thirty seven million and five hundred thousand United States Dollars (US\$37 500 000). Telecom Namibia obtained a letter of comfort from the Government of the Republic of Namibia (GRN) in respect of its participation in the project while the Botswana Government has also availed a guarantee to the Government of the Republic of Namibia in the amount thirty seven million and five hundred thousand United States Dollars (US\$37 500 000) in support of BTC.

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

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

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

Liquidity risk management

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

The Group redeemed its overdraft during the current financial year and none of the facilities had a balance outstanding at balance sheet date (2009: N\$256.2 million). This redemption was financed from the proceeds of the two bond issues finalised during the current financial year which saw the Group raise a total of N\$254 million from the open market. Management envisages that this provides relief to the business from liquidity perspective whilst simultaneously mitigating the higher costs of borrowing associated with the short term overdraft facilities previously utilised. The two bond issues were issued under the Namibia Stock Exchange (NSX) Telecom Namibia Bond Programme which entitles the Group to raise up to a total amount of N\$600 million from the market.

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

The Development Bank of Namibia approved and subsequently disbursed a corporate finance facility to Telecom Namibia in the amount of N\$120 million in December 2009. The loan was granted to refinance the MPLS Project.

34. Financial instruments and risk management (Continued)

Liquidity risk management (Continued)

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

Telecom Namibia has invested a total of N\$550 million towards its ventures in Angola (Mundo Startel) and South Africa (Neotel). This comprises of cost of the investments as well as shareholders loans granted. While the intention of the Group was to retain these investments until such time that they became fully operational and commenced distributing returns to shareholders, the Board has since advised management to reconsider Telecom's continued participation in the ventures in light of new developments affecting these investments.

The Group did not identify any significant changes in its exposure to liquidity risk and its objectives, policies and processes for managing and measuring the risk during the 2010 financial year.

34. Financial instruments and risk management (Continued)
Liquidity risk management (Continued)

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

Group

	<1 year	2-5 years	>5 years	Interest Adjustment	Total
	N\$'000	N\$'000	N\$'000	N\$'000	N\$'000
2010					
Trade and other payables	171 248	--	--	--	171 248
Short-term portion of long-term liabilities	30 422	--	--	(5 738)	24 684
Loan due to holding company	--	--	39 000	--	39 000
Loan due to Mkonto We Sizwe Military Veterans Association	--	--	88 058	--	88 058
Long-term liabilities	--	568 574	209 407	(231 110)	546 871
	201 670	568 574	336 465	(236 848)	869 861
2009					
Trade and other payables	186 067	--	--	--	186 067
Short-term portion of long-term liabilities	42 147	--	--	(1 451)	40 696
Bank overdraft	277 828	--	--	(21 628)	256 200
Amount owing to fellow subsidiaries	436	--	--	--	436
Loan due to holding company	--	--	25 001	--	25 001
Loan due to Mkonto We Sizwe Military Veterans Association	--	--	53 104	--	53 104
Long-term liabilities	--	179 290	110 756	(89 048)	200 998
	506 478	179 290	188 861	(112 127)	762 502

Company

	<1 year	2-5 years	>5 years	Interest Adjustment	Total
	N\$'000	N\$'000	N\$'000	N\$'000	N\$'000
2010					
Trade and other payables	171 248	--	--	--	171 248
Short term portion of long-term liabilities	30 422	--	--	(5 738)	24 684
Loan due to holding company	--	--	39 000	--	39 000
	--	568 574	209 407	(231 110)	546 871
Long-term liabilities	201 670	568 574	248 401	(236 848)	781 803
2009					
Trade and other payables	186 067	--	--	--	186 067
Short-term portion of long-term liabilities	42 147	--	--	(1 451)	40 696
Bank overdraft	277 828	--	--	(21 628)	256 200
Loan due to holding company	--	--	25 001	--	25 001
Amount owing to fellow subsidiaries	436	--	--	--	436
Long-term liabilities	--	179 290	110 756	(89 048)	200 998
	506 478	179 290	135 757	(112 127)	709 398

34. Financial instruments and risk management (Continued)
Liquidity risk management (Continued)

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

Group

	<1 year	2-5 years	>5 years	Interest	Total
2010	N\$'000	N\$'000	N\$'000	Adjustment	N\$'000
Trade and other receivables	170 932	--	--	--	170 932
Amounts owing by fellow subsidiaries	353	--	--	--	353
Amount owing by holding company	105	--	--	--	105
Loan due to Mkonto We Sizwe Military Veterans Association	--	--	114 597	--	114 597
Loan to associate	--	--	146 388	--	146 388
Finance lease receivables	14 947	26 035	--	(725)	40 257
Investments	54 710	--	--	--	54 710
Cash and bank balances	44 476	--	--	--	44 476
	285 523	26 035	260 985	(725)	571 818
2009					
Trade and other receivables	186 067	--	--	--	186 067
Amounts owing by fellow subsidiaries	1 124	--	--	--	1 124
Loan due from Mkonto We Sizwe Military Veterans Association	--	--	69 004	--	69 004
Loan to associate	--	--	291 451	--	291 451
Finance lease receivables	10 022	22 111	--	(370)	31 763
Cash and bank balances	37 839	--	--	--	37 839
	235 052	22 111	360 455	(370)	617 248

Company

	<1 year	2-5 years	>5 years	Interest	Total
2010	N\$'000	N\$'000	N\$'000	Adjustment	N\$'000
Trade and other receivables	170 932	--	--	--	170 932
Amounts owing by fellow subsidiaries	353	--	--	--	353
Loan to subsidiary	--	--	435 427	--	435 427
Loan to associate	--	--	146 388	--	146 388
Finance lease receivables	14 947	26 035	--	(725)	40 257
Investments	54 710	--	--	--	54 710
Cash and bank balances	44 425	--	--	--	44 425
	285 367	26 035	581 815	(725)	892 492
2009					
Trade and other receivables	186 067	--	--	--	186 067
Amounts owing by fellow subsidiaries	1 124	--	--	--	1 124
Loan to subsidiary	--	--	183 363	--	183 363
Loan to associate	--	--	105 205	--	105 205
Finance lease receivables	10 022	22 111	--	(370)	31 763
Cash and bank balances	37 787	--	--	--	37 787
	235 000	22 111	288 568	(370)	545 309

34. Financial instruments and risk management (Continued)

Foreign currency risk

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

The Group manages its foreign currency exchange rate risk by:

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

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

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

	Group 2010 N\$'000	Group 2009 N\$'000	Company 2010 N\$'000	Company 2009 N\$'000
For 10% increase in exchange rates				
Decrease in profit for year	15 822	40 223	15 822	40 223
For 10% decrease in exchange rates				
Increase in profit for year	15 822	40 223	15 822	40 223

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

	Group 2010 N\$'000	Group 2009 N\$'000	Company 2010 N\$'000	Company 2009 N\$'000
Receivable:				
USD	15 682	15 238	15 682	15 238
Contingent Asset:				
USD	25 928	37 500	25 928	37 500
Payables:				
Euro	642	618	642	618
USD	1 504	968	1 504	968
GBP	--	2	--	2
CHF	--	9	--	9
Contingent Liabilities:				
USD	51 856	67 500	51 856	67 500

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 2010 financial year.

34. Financial instruments and risk management (Continued)

Interest rate risk

The sensitivity analyses below have been determined based on the exposure to interest rates at the balance sheet date. For floating rate liabilities, the analysis is prepared on 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.

Interest rate risk management

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

Group 2010 N\$’000	Group 2009 N\$’000	Company 2010 N\$’000	Company 2009 N\$’000
--------------------------	--------------------------	----------------------------	----------------------------

For 100 basis points higher

Decrease in profit for year

6 060	4 979	6 060	4 979
-------	-------	-------	-------

For 100 basis points lower

Increase in profit for year

6 060	4 979	6 060	4 979
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If interest rates had been 300 basis points higher/lower and all other variables were held constant, the Group’s and Company’s effect on the income statement would be as follows:

Group 2010 N\$’000	Group 2009 N\$’000	Company 2010 N\$’000	Company 2009 N\$’000
--------------------------	--------------------------	----------------------------	----------------------------

For 300 basis points higher

Decrease in profit for year

18 180	14 937	18 180	14 937
--------	--------	--------	--------

For 300 basis points lower

Increase in profit for year

18 180	14 937	18 180	14 937
--------	--------	--------	--------

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

34. Financial instruments and risk management (Continued)

Capital management

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

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

	Group 2010 N\$’000	Group 2009 N\$’000	Company 2010 N\$’000	Company 2009 N\$’000
The gearing ratio at the year-end was as follows:				
Long-term borrowings	659 613	294 798	571 555	241 694
Cash and cash equivalents	(99 186)	(37 839)	(99 135)	(37 787)
Net Debt	560 427	256 959	472 420	203 907
Equity	722 250	844 493	1 157 680	1 087 968
Equity to debt ratio	1.28	3.29	2.45	5.34

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

As at the 30th of September 2010, total unutilised borrowing facilities amounted to N\$184 million (2009: N\$124 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 2010.

Annexure A – Standards and interpretations issued but not yet effective

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

The following Standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning after 1 October 2010 or latter periods, and will be adopted by the Group in the year they become effective:

Number	Title		Effective date		Executive summary
IFRS 1	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters		Annual periods beginning on or after 1 July 2010		The objective of this amendment is to relieve first time adopters of IFRS from the additional disclosure introduced in March 2009.
IFRS 1	First-time Adoption of International Financial Reporting –Amendments resulting from May 2010 Annual Improvements to IFRS's		Annual periods beginning on or after 1 January 2010		The objective of this amendment is to set out the procedures that an entity must follow when it adopts IFRSs for the first time as the basis for preparing its general purpose financial statements.
IFRS 2	Share-based Payments- Amendments resulting from May 2010 Annual Improvements to IFRS's		Annual periods beginning on or after 1 January 2010		The objective of this IFRS is to specify the financial reporting by an entity when it undertakes share-based payment transaction.
IFRS 3	Business Combinations- Amendments resulting from May 2010 Annual Improvements to IFRS's		Annual periods beginning on or after 1 July 2010		The objective of this IFRS is to specify the financial reporting by an entity when it undertakes a business combination
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations- Amendments resulting from May 2010 Annual Improvements to IFRS's		Annual periods beginning on or after 1 January 2010		The objective of this IFRS is to specify the accounting for assets held for sale, and the presentation and disclosure of discontinued operations.
IFRS 7	Financial Instruments Disclosures- Amendments resulting from May 2010 Annual Improvements to IFRS's		Annual periods beginning on or after 1 January 2011		The objective of this IFRS is to require entities to provide disclosures in their financial statements that enable users to evaluate the risk the significance of financial instruments for the entity's financial position and performance; and the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the reporting date, and how the entity manages those risks.
IFRS 7	Disclosures- Transfers of Financial Assets		Annual periods beginning on or after 1 July 2011		The requirement to present additional disclosures of IAS 27, IAS 28, and IAS 31 in the individual financial statements accounting for interests in subsidiaries, associates or joint ventures in accordance with IAS 39 has been deleted.
IFRS 8	Operating Segments- Amendments resulting from May 2010 Annual Improvements to IFRS's		Annual periods beginning on or after 1 January 2009		This IFRS requires an entity to report financial and descriptive information about its reportable segments.
IFRS 9	Financial Instruments		Annual periods beginning on or after 1 January 2013		This provides new requirements on accounting for financial liabilities, and carrying over from IAS 39 and the requirements for derecognition of financial assets and financial liabilities.

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

Number	Title	Effective date	Executive summary
IFRS 9	Financial Statements- Classification and Measurement	Annual periods beginning on or after 1 January 2013	The objective of this IFRS is to incorporate new requirements on accounting for financial liabilities and carrying over from IAS 39 the requirements for derecognition of financial assets and financial liabilities.
IAS 1	Presentation of Financial Statements- Amendments resulting from May 2010 Annual Improvements to IFRS's	Annual periods beginning on or after 1 January 2011	The objective of IAS 1 is to prescribe the basis for presentation of general purpose financial statements, to ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other entities.
IAS 7	Statement of Cash Flows - Amendments resulting from May 2010 Annual Improvements to IFRS's	Annual periods beginning on or after 1 January 2010	The objective of this Standard is to require the provision of information about the historical changes in cash and cash equivalents of an entity by means of a statement of cash flows which classifies cash flows during the period from operating, investing and financing activities.
IAS 17	Leases- Amendments resulting from May 2010 Annual Improvements to IFRS's	Annual periods beginning on or after 1 January 2010	The objective of this Standard is to prescribe, for lessees and lessors, the appropriate accounting policies and disclosure to apply in relation to leases.
IAS 24	Related Party Disclosures	Annual periods beginning on or after 1 January 2011	The objective of this standard is to ensure that an entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.
IAS 27	Consolidated and Separate Financial Statements- Amendments resulting from May 2010 Annual Improvements to IFRS's	Annual periods beginning on or after 1 July 2010	The objective of IAS 27 is to enhance the relevance, reliability and comparability of the information that a parent entity provides in its separate financial statements and in its consolidated financial statements for a group of entities under its control.
IAS 32	Financial Instruments: Presentation- Amendments resulting from May 2010 Annual Improvements to IFRS's	Annual periods beginning on or after 1 February 2010	The objective of this Standard is to establish principles for presenting financial instruments as liabilities or equity and for offsetting financial assets and financial liabilities.
IAS 34	Interim Financial Reporting- Amendments resulting from May 2010 Annual Improvements to IFRS's	Annual periods beginning on or after 1 January 2011	The objective of IAS 34 is to prescribe the minimum content of an interim financial report and to prescribe the principles for recognition and measurement in financial statements presented for an interim period
IAS 36	Impairments of Assets- Amendments resulting from May 2010 Annual Improvements to IFRS's	Annual periods beginning on or after 1 January 2010	The objective of this Standard is to prescribe the procedures that an entity applies to ensure that its assets are carried at no more than their recoverable amount.
IAS 39	Financial Instruments: Recognition and Measurement- Amendments resulting from May 2010 Annual Improvements to IFRS's	Annual periods beginning on or after 1 January 2010	The objective of this Standard is to establish principles for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

Annexure B – Standards and interpretations issued and not yet effective and 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 2009 or latter periods but are not relevant for the Group’s operations:

Number	Title		Effective date		Executive summary
IAS 32	Classification of Rights Is-sues		Annual periods beginning on or after 1 February 2010		The stated objective of IAS 32 is to establish principles for presenting financial instruments as liabilities or equity and for offsetting financial assets and liabilities.
IFRIC 14	Prepayments of a mini-mum funding require-ment		Annual periods beginning on or after 1 January 2011		The objective of the interpretation is to clarify the accounting where an entity makes voluntary prepaid contributions and there is a minimum funding requirement.
IFRIC 19	Extinguishing financial liabilities with equity in-struments		Annual periods beginning on or after 1 July 2010		The objective of the interpretation is to provide guidance on how an entity should account for transactions where terms of financial liabilities are renegotiated with creditors.

Corporate Information

Registered Office
9 Lüderitz Street
PO Box 297, Windhoek, Namibia
Main Switchboard: +264-61-201 9211
Fax: +264-61-23 9844
www.telecom.na

Registration Number: 92/282

Auditors:
Deloitte & Touche

Bankers:
Standard Bank Namibia

Finance and Administration Division
Telecom Headquarters
Private Bag 13379, Windhoek
Tel: +264-61-201 2343
Fax: +264-61-23 9014

Sales Division
Telecom Headquarters
PO Box 297, Windhoek, Namibia
Tel: +264-61-201 2474
Fax: +264-61-24 0933

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