Notes to the financial statements
for the year ended 30 September 2006

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

1. Basis of preparation

The annual financial statements are prepared in accordance with and comply with Namibian Statements of Generally Accepted Accounting Practice. The annual financial statements are prepared under the historical cost convention as modified by the revaluation of available-for-sale investment securities and financial assets and liabilities held-for-trading. The principal accounting policies adopted in the preparation of these annual financial statements are set out below and are consistent with those of the previous year.

The preparation of financial statements in conformity with Namibian Statements of Generally Accepted Accounting Practice requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed below.

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of further events that are believed to be reasonable under the circumstances. The company makes estimates and assumptions concerning the future. No estimates and assumptions have been identified that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year.

a) Allowance for doubtful debts

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

b) Fair value estimation

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

c) Inventories

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

d) Discount rates

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

2. Plant and equipment

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

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

Depreciation is recorded by a charge to operating profit computed on a straight-line basis so as to write off the cost of the assets to their residual values over their expected useful lives.

Notes to the financial statements
for the year ended 30 September 2006

2. Plant and equipment (continued)

Rates of depreciation currently applied are as follows:

- Motor vehicles	20%
- Furniture and fittings	10% - 33,3%
- Computer equipment	33,3%
- Telecommunications installations and equipment	10% - 50%

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

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

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

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

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

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

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

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

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

Notes to the financial statements
for the year ended 30 September 2006

5. Financial assets - continued

(b) Loans and receivables

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

(c) Available-for-sale

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

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

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

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

(d) Held-to-maturity

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

6. Accounts receivable

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

7. Cash and cash equivalents

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

Notes to the financial statements
for the year ended 30 September 2006

8. 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.

9. Foreign currencies
Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions; gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Such balances are translated at year-end exchange rates.

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

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

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

13. Post-retirement obligations
The group provides post-retirement pension fund and medical aid benefits to their retirees (refer note 34). The entitlement of these benefits is based on the employee remaining in service up to retirement age. The expected costs of these benefits are accrued over the period of employment. Valuations of these obligations are carried out by an independent qualified actuary.

14. Revenue
Revenue comprises the invoiced value for the sale of goods and services net of value-added tax.

Sales are recognised upon delivery of products and customer acceptance, if any, or performance of service, net of VAT.

Other revenue earned by the group is recognised on the following basis:
- Interest income: as it accrues (taking into account the effective yield on the asset), unless collectability is in doubt.

Income received for services which have not yet been rendered, are deferred.

15. Financial instruments

(i) Financial risk factors
In the normal course of its operations, the group is exposed to interest rate, liquidity, exchange rate and credit risk.

Notes to the financial statements
for the year ended 30 September 2006

15. Financial instruments - continued
The group manages the risk as follows:

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

On a long-term basis, the group borrows from financial institutions at interest rates varying between 10,96% and 19% (2005: 10,96% and 19%).

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

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

Exchange credit risk
The local currency amounts to be paid and contractual exchange rates of the group's outstanding contracts were:

EUR	709 760	N$ 9,98	=	EUR 1

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

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

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

17. Impairment of assets
Plant and equipment and other non-current assets are reviewed for impairment losses 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 carrying amount of the asset exceeds its recoverable amount, that is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

18. Foreign currency translation
Foreign currency balances are translated into the functional currency using the exchange rates prevailing at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such balances and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Notes to the financial statements
for the year ended 30 September 2006

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

20. New accounting standards and IFRIC interpretations
Certain new accounting standards and IFRIC interpretations have been published that are mandatory for accounting periods beginning on or after 1 October 2005. These new standards and interpretations have not been early adopted by the group and a reliable estimate of the impact of the adoption thereof for the group cannot yet be determined. Directors' do not expect that the adoption of the standards and interpretations will have a material impact on future financial statements.

IFRS 6 (AC 143) - Exploration for and Evaluation of Mineral Resources (effective from 1 January 2006).

IFRS 7 (AC 144), Financial Instruments: Disclosures, and a complementary Amendment to IAS 1 (AC 101), Presentation of Financial Statements - Capital Disclosures (effective from 1 January 2007).

IFRS 8 (AC 145), Operating segments (effective 1 January 2009)

IAS 19 (AC 116) (Amendment) - Employee Benefits (effective from 1 January 2006).

IAS 21 (AC 112) (Amendment) - Net Investment in a Foreign Operation (effective from 1 January 2006).

IAS 39 (AC 133) and IFRS 4 (AC 141) (Amendment) - Financial Guarantee Contracts (effective from 1 January 2006).

IAS 39 (AC 133) (Amendment) - Cash Flow Hedge Accounting of Forecast Intragroup Transactions (effective from 1 January 2006).

IAS 39 (AC 133) (Amendment) - The Fair Value Option (effective from 1 January 2006).

IFRIC Interpretation 4 (AC 437) - Determining whether an Arrangement Contains a Lease (effective from 1 January 2006).

IFRIC Interpretation 5 (AC 438) - Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (effective from 1 January 2006).

IFRIC Interpretation 6 (AC 439) - Liabilities arising from Participating in a Specific Market - Waste electrical and Electronic Equipment (effective from 1 January 2006).

IFRIC Interpretation 7 (AC 440) - Applying the Restatement Approach under IAS 29 (AC 124) Financial Reporting in Hyperinflationary Economics (effective from 1 March 2006).

IFRIC Interpretation 8 (AC 441) - Scope of IFRS 2 (effective from 1 May 2006).

IFRIC Interpretation 9 (AC 442) - Reassessment of Embedded Derivatives.

IFRIC Interpretation 10 (AC 443) - Interim financial reporting and impairment (effective from 1 November 2006).

AC 503 - Accounting for Black Economic Empowerment ("BEE") transactions

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

AC 502 - Substantively Enacted Tax Rates and Tax Laws (Issued February 2006) (effective February 2006).

IFRIC Interpretation 12 (AC 445) - Service concession arrangements (effective from 1 January 2008).

Notes to the financial statements
for the year ended 30 September 2006

	Group 2006 N$'000	Company 2006 N$'000	Company 2005 N$'000
21. Operating Profit			
The following items have been charged/(credited) in arriving at operating profit:			
Auditors' remuneration			
Audit fees - current year	478	478	434
Other services – current year	285	285	156
	763	763	590
Depreciation (refer note 24)	174 743	174 743	153 388
Directors' emoluments			
For management	1 209	1 209	903
As directors	253	253	298
	1 462	1 462	1 201
Profit on disposal of plant and equipment	(607)	(607)	(330)
Operating lease rentals			
Land and buildings	28 651	28 651	25 752
Motor vehicles	17 565	17 565	17 482
Cost of sales	7 647	7 647	13 777
Staff costs			
Salaries and wages	150 791	150 791	148 773
Medical aid contributions	14 861	14 861	15 149
Pension fund contributions	23 713	23 713	23 462
Social Security Commission contributions	411	411	469

Notes to the financial statements
for the year ended 30 September 2006

	Group 2006 N$'000	Company 2006 N$'000	Company 2005 N$'000
22. Financial Items			
Interest received	28 598	28 598	40 953
Less: Interest paid	(30 000)	(30 000)	(45 833)
Long-term loans and promissory notes	(26 800)	(26 800)	(42 633)
Other interest	(3 200)	(3 200)	(3 200)
Foreign currency gains/(losses)	257	257	1 236
Realised	(199)	(199)	1 406
Unrealised	456	456	(170)
	(1 145)	(1 145)	(3 644)
23. Taxation			
Namibian normal income tax	(55 698)	(55 698)	(64 418)
Deferred tax			
Current year timing differences	9 055	9 055	16 297
Tax charge for the year	(46 643)	(46 643)	(48 121)

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

	Group 2006 N$'000	Company 2006 N$'000	Company 2005 N$'000
Profit before tax	130 783	130 786	132 729
Tax calculated at a tax rate of 35% (2005 : 35%)	(45 774)	(45 775)	(46 455)
- Income not subject to tax	316	316	--
- Expenses not deductible for tax purposes	(1 185)	(1 184)	(1 666)
Tax charge	(46 643)	(46 643)	(48 121)

Notes to the financial statements
for the year ended 30 September 2006

	Telecommunication installations and equipment N$'000	Furniture and fittings N$'000	Capital work in progress N$'000	Motor vehicles N$'000	Total N$'000
24. Plant and equipment					
Company					
Year ended 30 September 2006					
Cost					
Beginning of year	1 686 661	295 311	70 457	2 441	2 054 870
Additions	--	11 499	158 510	--	170 009
Disposals	(1 672)	(3 560)	--	(429)	(5 661)
Transfers	71 479	--	(71 479)	--	--
End of year	1 756 468	303 250	157 488	2 012	2 219 218
Accumulated depreciation					
Beginning of year	1 028 610	226 576	--	2 403	1 257 589
Depreciation charge	145 157	29 575	--	11	174 743
Depreciation on disposals	(1 642)	(3 446)	--	(429)	(5 517)
End of year	1 172 125	252 705	--	1 985	1 426 815
Bookvalue at 30 September 2006	584 343	50 545	157 488	27	792 403
Year ended 30 September 2005					
Cost					
Beginning of year	1 546 529	233 640	146 674	2 747	1 929 590
Additions	--	62 329	63 915	--	126 244
Disposals	--	(658)	--	(306)	(964)
Transfers	140 132	--	(140 132)	--	--
End of year	1 686 661	295 311	70 457	2 441	2 054 870
Accumulated depreciation					
Beginning of year	892 217	210 248	--	2 698	1 105 163
Depreciation charge	136 393	16 984	--	11	153 388
Depreciation on disposals	--	(656)	--	(306)	(962)
End of year	1 028 610	226 576	--	2 403	1 257 589
Bookvalue at 30 September 2005	658 051	68 735	70 457	38	797 281

Certain of the fixed assets have been encumbered as stated in note 30.

Notes to the financial statements
for the year ended 30 September 2006

	Telecommunication installations and equipment N$'000	Furniture and fittings N$'000	Capital work in progress N$'000	Motor vehicles N$'000	Total N$'000
24. Plant and equipment (continued)					
Group					
Year ended 30 September 2006					
Cost					
Beginning of year	1 686 661	295 311	70 457	2 441	2 054 870
Additions	--	11 499	158 510	--	170 009
Disposals	(1 672)	(3 560)	--	(429)	(5 661)
Transfers	71 479	--	(71 479)	--	--
End of year	1 756 468	303 250	157 488	2 012	2 219 218
Accumulated depreciation					
Beginning of year	1 028 610	226 576	--	2 403	1 257 589
Depreciation charge	145 157	29 575	--	11	174 743
Depreciation on disposals	(1 642)	(3 446)	--	(429)	(5 517)
End of year	1 172 125	252 705	--	1 985	1 426 815
Bookvalue at 30 September 2006	584 343	50 545	157 488	27	792 403

Notes to the financial statements
for the year ended 30 September 2006

	Group 2006 N$'000	Company 2006 N$'000	Company 2005 N$'000
25. Investments			
Loans originated			
Bank Windhoek : Ceded deposit	71 943	71 943	64 344
The deposit earns interest at 18,7% (2005: 18,7%) p.a. The deposit was ceded as security for a Bank Windhoek loan account (refer note 30).			
Available-for-sale			
Neotel (Pty) Ltd – preference shares	1 749	--	--
– loan advanced	5 248	--	--
	78 940	71 943	64 344
At beginning of year	64 344	64 344	189 058
Acquisition of subsidiary	1 250	--	--
Additions	13 346	7 599	6 316
Disposals	--	--	(120 725)
Proceeds on disposal	--	--	(12 521)
Profit on disposal	--	--	2 216
At end of year	78 940	71 943	64 344
26. Inventories			
Materials for installations	22 418	22 418	22 214
Workshop and consumable stores	810	810	693
Goods for resale	2 186	2 186	2 187
	25 414	25 414	25 094

Notes to the financial statements
for the year ended 30 September 2006

	Group 2006 N$'000	Company 2006 N$'000	Company 2005 N$'000
27. Accounts receivable			
Trade receivables			
Total trade receivables	145 372	145 372	122 059
Less: Provision for impairment	(11 627)	(11 627)	(14 292)
Other debtors	8 240	8 240	44 759
	141 985	141 985	152 526
28. Cash and cash equivalents			
Bank balances	202 594	202 540	217 121
Cash on hand	10 299	10 299	6 141
	212 893	212 839	223 262

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

	Group 2006 N$'000	Company 2006 N$'000	Company 2005 N$'000
Bank balances	202 594	202 540	217 121
Cash on hand	10 299	10 299	6 141
Bank overdraft	--	--	(19 424)
	212 893	212 839	203 838

29. Share capital

Authorised

	Group 2006 N$'000	Company 2006 N$'000	Company 2005 N$'000
200 000 000 (2005: 200 000 000) ordinary shares of N$1 (2005: N$1) each	200 000	200 000	200 000

Issued

	Group 2006 N$'000	Company 2006 N$'000	Company 2005 N$'000
154 529 936 (2005:154 529 936) ordinary shares of N$1 (2005: N$1) each	154 530	154 530	154 530

Notes to the financial statements
for the year ended 30 September 2006

	Group 2006 N$'000	Company 2006 N$'000	Company 2005 N$'000
30. Long Term Liabilities			
Secured			
Loan from European Investment Bank. The group has entered into currency swap agreements that entitle it to pay interest at rates varying between 10,96% and 12,25% p.a. (2005: 10,96% and 11,7% p.a.) The capital amount is repayable in 15 (2005 : 10) semi-annual instalments with the final instalment due in 2013. Interest is paid semi annually on the outstanding capital amount. A letter of guarantee covering the principal debt and interest has been issued by the Government of Namibia.	71 575	71 575	84 030

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

EUR 6 571 63	N$ 9,98	=	EUR 1
GBP 2 476 232	N$ 14,73	=	GBP 1
US$ 771 830	N$ 7,86	=	USD 1

	Group 2006 N$'000	Company 2006 N$'000	Company 2005 N$'000
Loan from Bank Windhoek Limited	75 053	75 053	71 634
The Bank Windhoek loan account is currently bearing interest at a fixed rate of 19% (2005 : 19%). The capital amount is repayable in 3 (2005: 4) semi-annual instalments, with the first payment due in April 2005 and the final instalment payable in October 2007. The Bank Windhoek deposit was ceded as security for this loan. The deposit earns interest at 18,7% (2005 : 18,7%) p.a.			
Balance carried forward	146 628	146 628	155 664

Notes to the financial statements
for the year ended 30 September 2006

	Group 2006 N$'000	Company 2006 N$'000	Company 2005 N$'000
30. Long Term Liabilities (continued)			
Balance brought forward	146 628	146 628	155 664
First National Bank of Namibia Limited	10 213	10 213	18 435
Promissory notes of N$ 50 million issued to First National Bank of Namibia Limited at a fixed interest rate of 15,5% (2005 :15,5%) p.a. or 10 years. Telecom Namibia Limited simultaneously deposited N$ 50 million with First National Bank on the same conditions as those applicable to the promissory notes. This deposit, with all rights, title and interest in and the right to receive payment of the loan together with all accrued interest thereon was ceded to First National Bank of Namibia Limited as security for the settlement of the promissory notes. First National Bank then provided a separate N$ 50 million variable funding facility to be repaid over the term of the transaction at an effective interest rate of 15,6% (2005 : 15,6%) p.a. The facility is repayable in 2 (2005 : 4) bi-annual instalments of N$ 5 618 325 (2005 : N$5 684 668)) each, with the final instalment due in 2007. The interest is capitalised to the loan. Suretyship for N$50 million has been provided to the bank by the holding group.			
- Funding facility	10 213	10 213	18 435
- Promissory notes plus capitalised interest	276 152	276 152	229 835
- Less: Deposit ceded plus capitalised interest	(276 152)	(276 152)	(229 835)
Telecom Namibia registered loan stock bearing interest at 16% (2005 : 16%) p.a., paid bi-annually in arrears. The capital amount is repayable in 2007. The bonds were issued at a premium of N$ 125 786.	20 535	20 535	20 535
Loan from Kreditanstalt fur Wiederaufbau (KfW) channelled through the Government of the Republic of Namibia bearing interest at 2% (2005 : 2%) p.a. The loan is repayable in 5 (2005 : 7) semi-annual instalments.	6 957	6 957	7 653
The loan of Euro 709 760 (2005: N$999 492) has been stated at spot rate of N$9,98 (2005: N$7,66). Also refer note 31.			
Balance carried forward	184 333	184 333	202 287

Notes to the financial statements
for the year ended 30 September 2006

	Group 2006 N$'000	Company 2006 N$'000	Company 2005 N$'000
30. Long Term Liabilities (continued)			
Balance brought forward	184 333	184 333	202 287
First National Bank of Namibia Limited, and	--	--	24 000
Bank Windhoek Limited	--	--	6 000
These loans were fully repaid in the year			
	184 333	184 333	232 287
Less: Short-term portion transferred to current liabilities	(64 569)	(64 569)	(62 581)
	119 764	119 764	169 706
Maturity of non-current borrowings (excluding finance lease liabilities):			
Not later than 1 year	64 569	64 569	62 581
Later than 1 year and not later than 5 years	119 764	119 764	169 706
	184 333	184 333	232 287

Notes to the financial statements
for the year ended 30 September 2006

	Group 2006 N$'000	Company 2006 N$'000	Company 2005 N$'000
31. Total interest bearing borrowings			
- Long-term loans	119 764	119 764	169 706
- Short-term loans	64 569	64 569	62 581
- Bank overdrafts	--	--	19 424
	184 333	184 333	251 711

32. Deferred tax

Deferred income taxes are calculated on all temporary differences under the comprehensive method using a principal tax rate of 35% (2005 : 35%).

The movement on the deferred income account is as follows:

	Group 2006 N$'000	Company 2006 N$'000	Company 2005 N$'000
At beginning of year	203 192	203 192	219 489
Movements during year attributable to:			
Timing differences	(9 055)	(9 055)	(16 297)
At end of year	194 137	194 137	203 192
Deferred tax liabilities may be analysed as follows:			
Capital allowances	223 486	223 486	232 788
Provisions	(19 928)	(19 928)	(21 478)
Advanced income	(9 421)	(9 421)	(8 118)
	194 137	194 137	203 192

33. Trade and other payables

	Group 2006 N$'000	Company 2006 N$'000	Company 2005 N$'000
Trade payables	146 040	146 040	72 088
Foreign exchange contracts (refer note 30)	1 666	1 666	4 248
Accruals	38 479	38 479	54 042
Receiver of Revenue - VAT	2 554	2 554	5 927
	188 739	188 739	136 305

34. Receiver of Revenue

	Group 2006 N$'000	Company 2006 N$'000	Company 2005 N$'000
Balance at beginning of year	4 917	4 917	20 696
Charge to income statement	46 643	46 643	48 121
Deferred tax adjustment	9 055	9 055	16 297
Balance at end of year	2 771	2 771	(4 917)
Payments made	63 386	63 386	80 197

Notes to the financial statements
for the year ended 30 September 2006

	Group 2006 N$'000	Company 2006 N$'000	Company 2005 N$'000
35. Capital expenditure approved			
Commitments in respect of contracts placed	44 894	44 894	1 052
	44 894	44 894	1 052

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

36. Pension Fund

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

An acturial valuation was carried out for the year ended 30 September 2005, which indicated that the fund was in a sound financial position.

37. Post retirement benefits

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

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

The liability created in terms of IAS 19 amounts to N$ 46,123 million (2005: N$44,072 million).
The principal actuarial assumptions used for accounting purposes were:

Notes to the financial statements
for the year ended 30 September 2006

	Group 2006 N$'000	Company 2006 N$'000	Company 2005 N$'000
37. Post retirement benefits (continued)			
- Real rate of return	2%	2%	2%
- Discount rate	9%	9%	8,5%
- Medical inflation rate	7,75%	7,75%	6,5%
Balance at beginning of year	44 072	44 072	38 602
Current service cost	1 887	1 887	2 081
Interest cost	3 608	3 608	4 019
Miscellaneous item	(2 136)	(2 136)	477
Actuarial profit	(1 308)	(1 308)	(1 107)
Balance at end of year	46 123	46 123	44 072
Particulars in respect of the current employee members belong to the medical aid for which the group has a post-retirement medical aid liability as the investigation date are as follows:			
Number of employees	1 177	1 177	1 160
Average age (years)	39,7	39,7	38,75
Details of the current pensioner members belonging to the medical aid are as follows:			
Number of employees	172	172	198
Average age (years)	58,7	58,7	57,65
38. Working capital changes			
Decrease in working capital during the year			
(Increase) / Decrease in inventories	(320)	(320)	8 363
Decrease / (Increase) in accounts receivable	1 246	10 541	(16 019)
Increase / (Decrease) in accounts payable	52 434	52 434	(102 668)
Increase in indebtness to fellow subsidiaries	916	916	219
Decrease in indebtness by fellow subsidiaries	2 321	2 321	668
Decrease in amount owing to holding group	--	--	(226)
Increase in amount owing by holding group	(354)	(354)	(247)
	56 243	65 538	(109 910)

Notes to the financial statements
for the year ended 30 September 2006

39. Related party transactions: Company

The group is controlled by Namibia Post and Telecom Holdings Limited (incorporated in Namibia) which owns 100% of the group's shares.

The following transactions were carried out with related parties:

i) Sales of services

Namibia Post Limited : N$26 084 500 (2005 : N$30 789 000)
Mobile Telecommunications Limited : N$100 472 363 (2005 : N$77 736 886))
Namibia Post and Telecom Holdings Limited is the group's holding group whilst
Namibia Post Limited and Mobile Telecommunications Limited are fellow subsidiaries.
Sales were carried out on commercial terms and conditions.

ii) Purchases of services

Namibia Post and Telecom Holdings Limited : N$44 110 021 (2005 : N$42 523 123)
Namibia Post Limited : N$ 2 390 334 (2005 : N$288 004)
Mobile Telecommunications Limited: N$140 355 000 (2005: N$145 575 928)

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

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

Receivables from related parties:
Namibia Post Limited : N$ 1 921 218 (2005 : N$4 242 056)
Namibia Post & Telecom Holdings Limited: N$601 371 (2005: N$247 436)

Payables to related parties:
Namibia Post Limited : N$580 838 (2005 : N$346 761)
Mobile Telecommunications Limited : N$682 314 (2005 : N$: NIL)

iv) Suretyships

The following suretyships were given by the holding group, Namibia Post and Telecom Holdings Limited:

- Suretyship for N$ 30 000 000 (2005 : N$ 30 000 000) has been provided to Standard Bank Namibia in respect of promissory notes.
- Suretyship for N$ 50 000 000 (2005 : N$ 50 000 000) has been provided to First National Bank of Namibia Limited in respect of a funding facility provided.
- Negative pledge to Standard Bank of Namibia.

Notes to the financial statements
for the year ended 30 September 2006

	Group 2006 N$'000	Company 2006 N$'000	Company 2005 N$'000
40. Operating lease commitments			
The future minimum lease payments under operating lease contracts are as follows:			
- Not later than one year	33 274	33 274	29 642
- Later than one year, but not later than five years	38 089	38 089	27 579

41. Guarantees

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

	Group 2006 N$'000	Company 2006 N$'000	Company 2005 N$'000
The guarantees are:			
China Jiangsu International	139	139	139
KCC (Pty) Ltd	--	--	12
Stocks & Stocks Namibia (Pty) Ltd	25	25	--
The Supreme Court for the District of Windhoek	--	--	20
Vantage Enterprises CC	--	--	12
The Deputy Sheriff for Windhoek	107	107	--
Keibeb Construction CC	--	--	12
	271	271	195

42. Investment in subsidiary

	Group 2006 N$'000	Company 2006 N$'000	Company 2005 N$'000
Beginning of the year	--	--	--
Acquisition of subsidiary - shares	--	9 000	--
	--	9 000	--
Loans			
Loan advanced	--	15 045	--
	--	15 045	--
Balance at end of the year	--	24 045	--

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

Notes to the financial statements
for the year ended 30 September 2006

	Group 2006 N$'000	Company 2006 N$'000	Company 2005 N$'000

43. Investment in associated company

Shares at cost	29 893	29 893	--
Share of results	(5 566)	--	--
Loans advanced	4 433	4 433	--
	28 760	34 326	--

Set out below is the summarised financial information of associate :

Assets	130 169	--	--
Liabilities	93 448	--	--
Revenues	316	--	--
Loss after tax	(12 651)	--	--

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

44. Loans advanced

Mkhonto We Sizewe Military Veterans Association	3 745	--	--

This loan is interest-free, unsecured and not subject to any fixed terms of repayment. These arrangements are reviewed from time to time.

45. Intangible asset

Goodwill			
Balance at beginning of year	--	--	--
Subsidiary acquired	13 246	--	--
Balance at end of year	13 246	--	--

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

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