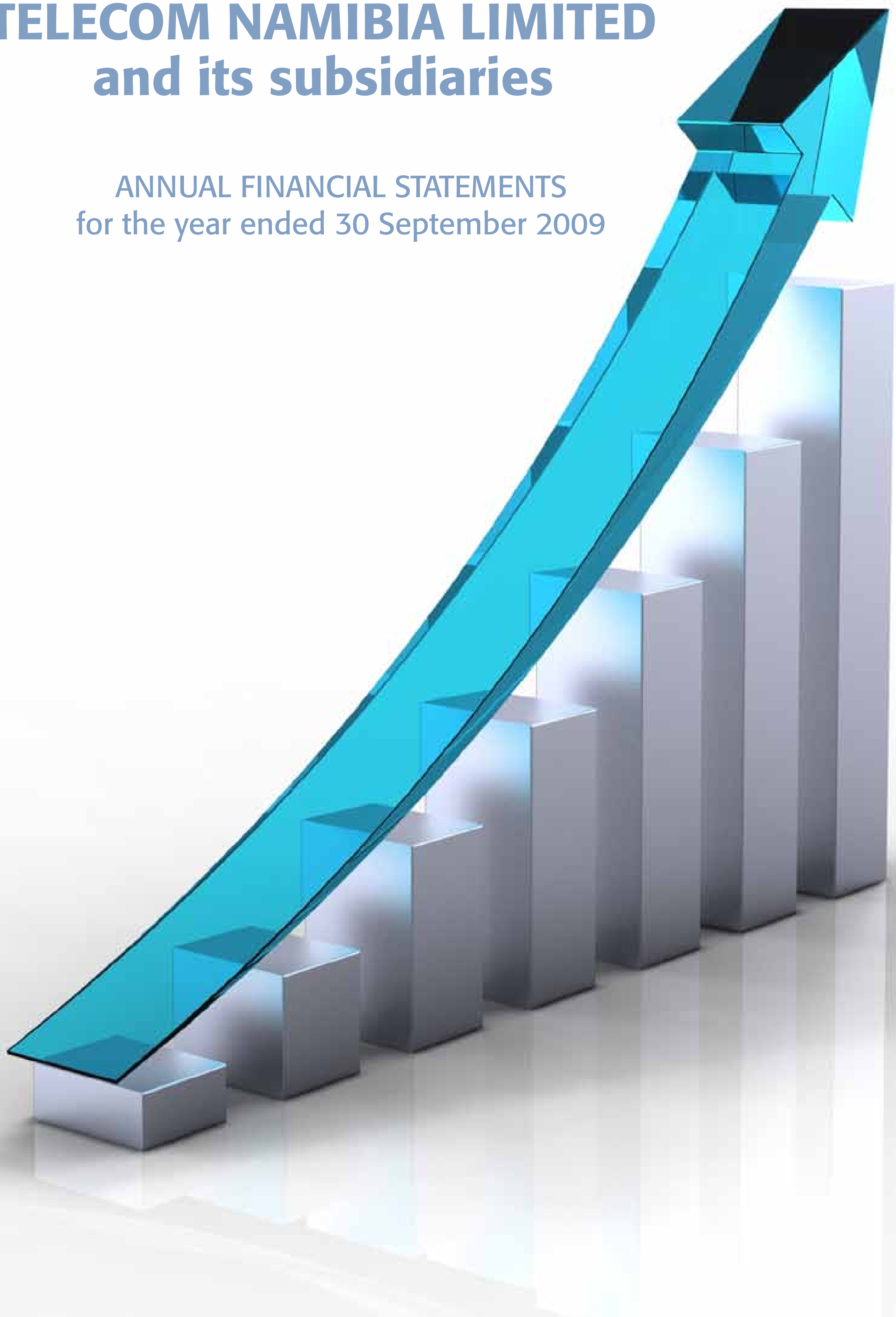
TELECOM NAMIBIA LIMITED
and its subsidiaries

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 September 2009



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 behavior, 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 5 directors:

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

CORPORATE GOVERNANCE STATEMENT (Continued)

Board of Directors (Continued)

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	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.

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.

Board of Directors (Continued)

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. Eight board meetings were held in the financial year ended 30 September 2009.

A record of the Directors' attendance at Board meetings during the financial year ended 30 September 2009 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							
		11 Nov 08	4 Dec 08	25 Feb 09	27 Mar 09	27 May 09	17 Jun 09	21 Aug 09	30 Sep 09
JS Iita (Chairman)	1 August 1992	v	v	v	v	v	v	•	v
FJP Ndoroma (MD)	1 November 2002	v	v	v	v	v	v	v	v
R Gertze	21 August 2007	v	v	v	v	v	v	v	v
F Veldskoen	21 August 2007	v	v	•	v	•	v	v	v
M Mukete	21 August 2007	v	v	v	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 2009 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 2009 is summarised below:

Name	Fees for services N$
JS Iita (Chairman)	62,203
R Gertze	77,056
F Veldskoen	68,701
M Mukete	69,049
	277 009

Board Committees

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

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

Risk Management Committee

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

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

Board of Directors (Continued)

Board Committees (Continued)

Risk Management Committee (Continued)

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 2008 facilitated by an independent risk expert 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, international business to legal. The following were identified as specific risks to be addressed in the financial year: loss of market share due to mobility, IT security, international investment in Angola, and the changing regulatory landscape and the uncertainty it brings, amongst others.

The company also identified new risks to be addressed in the new financial year and putting in place a strategic risk register. These risks include (non) compliance with the Communications Act, when passed, and lack of the requisite skills mix among the employees, associated with rapid technological changes, among others.

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.

CORPORATE GOVERNANCE STATEMENT (Continued)

Board of Directors (Continued)

Board Committees (Continued)

Audit Committee (Continued)

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 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 13 to 73 have been prepared by management in compliance with International Financial Reporting Standards ("IFRS") adopted by the International Accounting Standards Board ("IASB") and the interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB. The financial statements incorporate full and reasonable disclosure and are based on appropriate accounting policies which, apart from the implementation of new and revised standards, have been consistently applied and are supported by reasonable and prudent estimates and judgments.

External Auditors

The external auditors are responsible for carrying out an independent examination of the financial statements in accordance with International Standards on Auditing and reporting their opinion thereon. Their report is set out on page 13.

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)

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.

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.

CORPORATE GOVERNANCE STATEMENT (Continued)

Board of Directors (Continued)

Board Committees (Continued)

Information Technology (IT) Steering Committee (Continued)

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.

Board Committees Attendance Register

For the period 1 October 2008 to 30 September 2009

Board of directors	Risk Management Committee Composition – Attendance Six meetings held during the year		HR and Compensation Committee Composition – Attendance Three meetings held during the year		Audit Committee Composition – Attendance Five meetings held during the year	
F Veldskoen	Chairperson	6	Member	3		
FJP Ndoroma	Member	6	Member	3	Member	3
R Gertze			Chairman	3	Member	5
M Mukete	Member	6			Chairman	5

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 behavior expected in accordance with the company's values;
- Promote transparency and avoid business-related conflicts of interest;
- Ensure fairness in dealing with the interests of all employees, other affected individuals, and the company;
- Document the process for disclosure, approval and review of activities that may amount to actual, potential or; perceived conflict of 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 behavior is encouraged throughout the company by communicating regularly with employees, using a number of different communication channels.

Formal disciplinary measures are in place to deal with any identified incidents of corruption, fraud and dishonest practices or other similar matters. In addition to Telecom Namibia's other compliance and enforcement activities, a reporting hotline (whistle-blowing) is in place through which all stakeholders can report suspected theft, corruption, 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, 1973, to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the company and the Group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the financial statements.

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

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Group and all employees are required to maintain the highest ethical standards in ensuring the Group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management 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 13.

The financial statements set out on pages 14 to 74 were approved and authorised for issue by the board of directors on 17 March 2010 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 Group annual financial statements of Telecom Namibia Limited, which comprise the balance sheet and the consolidated balance sheet as at 30 September 2009, the income statement, the consolidated income statement, the statement of changes in equity, the consolidated statement of changes in equity, the cash flow statement, the consolidated cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes as set out on pages 14 to 74.

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 financial position of the company and of the Group as of 30 September 2009, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of Namibia.

Deloitte & Touche

DELOITTE & TOUCHE
Registered Accountants and Auditors
Chartered Accountants (Namibia)
8th Floor, Namdeb Centre
10 Dr Frans Indongo Street
Windhoek
NAMIBIA
ICAN Practice Number 9407

Per R.H. Mc Donald
Partner
24 March 2010

BALANCE SHEETS
as at 30 September 2009

	Notes	Group 2009 N$'000	Group 2008 N$'000	Company 2009 N$'000	Company 2008 N$'000
ASSETS					
Non-current assets					
Plant and equipment	2	1 543 702	1 578 632	1 543 702	1 578 632
Intangible assets	3	54 441	14 772	54 441	14 772
Goodwill	4	13 246	13 246	--	--
Investment in subsidiary	5			267 363	164 224
Loans advanced	6	69 004	40 825	--	--
Investment in associates	7	129 788	129 525	135 098	116 904
Derivative financial instruments	8	17 088	28 423	17 088	28 423
Finance lease receivable	9	21 826	16 340	21 826	16 340
Investments	10	--	--	--	--
		1 849 095	1 821 763	2 039 518	1 919 295
Current assets					
Inventories	11	49 499	46 303	49 499	46 303
Trade and other receivables	12	185 652	195 759	185 652	195 759
Derivative financial instruments	8	--	578	--	578
Amounts owing by fellow subsidiaries	13	1 124	779	1 124	779
Amounts owing by holding company	13	--	16	--	16
Current tax asset	14	1 079	23 251	1 079	23 251
Short-term portion of finance lease receivable	9	9 937	6 723	9 937	6 723
Cash and cash equivalents	15	37 839	38 108	37 787	38 055
		285 130	311 517	285 078	311 464
Total assets		2 134 225	2 133 280	2 324 596	2 230 759
EQUITY					
Capital and reserves attributable to the company's equity holders					
Share capital	16	154 530	154 530	154 530	154 530
Retained earnings		689 963	777 048	933 438	907 840
Total equity		844 493	931 578	1 087 968	1 062 370
LIABILITIES					
Non-current liabilities					
Post-retirement benefit obligations	17	68 554	60 649	68 554	60 649
Long-term liabilities	18	254 102	190 617	200 998	157 817
Deferred tax	19	433 676	424 478	433 676	424 478
		756 332	675 744	703 228	642 944
Current liabilities					
Trade and other payables	20	186 067	182 731	186 067	182 218
Derivative financial instruments	8	--	222	--	222
Short-term portion of long-term liabilities	18	40 696	13 876	40 696	13 876
Bank overdraft	15	256 200	328 376	256 200	328 376
Amount owing to fellow subsidiaries	13	436	753	436	753
Amount owing to holding company	13	25 001	--	25 001	--
Deferred revenue	21	25 000	--	25 000	--
		533 400	525 958	533 400	525 445
Total liabilities		1 289 732	1 201 702	1 236 628	1 168 389
Total equity and liabilities		2 134 225	2 133 280	2 324 596	2 230 759

INCOME STATEMENT

for year ended 30 September 2009

	Notes	Group 2009 N$'000	Group 2008 N$'000	Company 2009 N$'000	Company 2008 N$'000
Revenue		1 129 828	1 080 491	1 129 828	1 080 491
- Sale of goods		18 164	36 404	18 164	36 404
- Services rendered		1 111 664	1 044 087	1 111 664	1 044 087
Other operating income		14 132	22 053	14 132	22 053
Distribution costs		(340 261)	(297 525)	(340 261)	(297 525)
Administrative expenses		(550 957)	(555 491)	(550 776)	(555 215)
Other operating expenses		(194 387)	(146 837)	(194 387)	(146 837)
Operating profit	22	58 355	102 691	58 536	102 967
Finance income	23	32 361	19 320	29 006	20 591
Finance costs	23	(52 746)	(43 476)	(52 746)	(43 476)
Share of results of associates after tax	7	(115 857)	(69 833)	--	--
(Loss)/Profit before tax		(77 887)	8 702	34 796	80 082
Taxation	25	(9 198)	(33 139)	(9 198)	(33 139)
(Loss)/Profit for the year		(87 085)	(24 437)	25 598	46 943
Attributable to:					
Equity holders of the company		(87 085)	(24 437)	25 598	46 943

INCOME STATEMENTS OF CHANGES IN EQUITY

for year ended 30 September 2009

Group	Share capital N$'000	Retained earnings N$'000	Total N$'000
Balance at 1 October 2007	**154 530**	**801 485**	**956 015**
Loss for the year	--	(24 437)	(24 437)
Balance at 30 September 2008	**154 530**	**777 048**	**931 578**
Loss for the year	--	(87 085)	(87 085)
Balance at 30 September 2009	**154 530**	**689 963**	**844 493**

No dividends were paid or declared during the year (2008: Nil).

STATEMENTS OF CHANGES IN EQUITY

for year ended 30 September 2009

Company	Share capital N$'000	Retained earnings N$'000	Total N$'000
Balance at 1 October 2007	**154 530**	**860 897**	**1 015 427**
Profit for the year	--	46 943	46 943
Balance at 30 September 2008	**154 530**	**907 840**	**1 062 370**
Profit for the year	--	25 598	25 598
Balance at 30 September 2009	**154 530**	**933 438**	**1 087 968**

No dividends were paid or declared during the year (2008: Nil).

CASH FLOW STATEMENTS

for year ended 30 September 2009

	Notes	Group 2009 N$'000	Group 2008 N$'000	Company 2009 N$'000	Company 2008 N$'000
Cash flow from operating activities					
Operating profit		58 355	102 691	58 536	102 967
Adjustment for :					
Increase in post-retirement benefit obligation		7 905	11 074	7 905	11 074
Movement on derivative financial instrument		11 336	(7 864)	11 336	(7 864)
Movement in Forward Exchange Contract - Asset		578	1 485	578	1 485
Movement in Forward Exchange Contract- Liability		(222)	(1 125)	(222)	(1 125)
Gain on exchange rate changes on the balance of cash held in foreign currencies		(571)	(300)	(571)	(300)
Loss on impairment of investment		17 222	24 042	17 222	24 042
Gain on restatement of foreign currency denominated loan granted to associate company		(17 222)	(24 042)	(17 222)	(24 042)
Depreciation of plant & equipment	2	155 296	138 515	155 296	138 515
(Gain)/Loss on restatement of foreign currency denominated loan		(6 018)	5 472	(6 018)	5 472
Amortisation of intangible assets	3	5 194	975	5 194	975
(Profit)/Loss on disposal of plant and equipment		1 888	(945)	1 888	(945)
Working capital changes	26	60 115	(38 905)	60 115	(39 418)
Cash generated from operations		293 856	211 073	294 037	210 836
Interest paid		32 361	19 320	29 006	20 591
Interest received		(52 746)	(43 476)	(52 746)	(43 476)
Refunds received	14	22 172	6 063	22 172	6 063
Net cash flow from operating activities		295 643	192 980	292 469	194 014
Cash flow from investing activities					
Movement on finance lease receivable		(8 700)	(3 977)	(8 700)	(3 977)
Plant and equipment acquired	2	(160 925)	(245 850)	(160 925)	(245 850)
Intangible assets acquired	3	(6 372)	(14 799)	(6 372)	(14 799)
Decrease in investment		--	67 470	--	67 470
Increase in loans advanced		(28 795)	(37 962)	--	--
Proceeds on disposals – Plant and equipment		179	1 004	179	1 004
Investment in subsidiary acquired		--	--	(31 000)	(44 000)
Investment in associated company acquired		(20 304)	(21 878)	--	--
Increase in loan to subsidiary company		--	--	(72 139)	(63 033)
Increase in loan to associate company		(95 816)	(91 353)	(18 194)	(21 764)
Net cash flow used in investing activities		(320 733)	(347 345)	(297 151)	(324 949)
Cash flow from financing activities					
Long-term loans raised		120 407	116 429	100 000	93 000
Loss on restatement of foreign currency denominated loans		--	(5 472)	--	(5 472)
Long-term loans repaid		(23 981)	(278 920)	(23 981)	(278 920)
Net cash flow used in financing activities		96 426	(167 963)	76 019	(191 392)
Net increase / (decrease) in cash and cash equivalents		71 336	(322 328)	71 337	(322 327)
Cash and cash equivalents at beginning of year		(290 268)	31 760	(290 321)	31 706
Effects of exchange rate changes on the balance of cash held in foreign currencies		571	300	571	300
Cash and cash equivalents at end of year	15	(218 361)	(290 268)	(218 413)	(290 321)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

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 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 30 September 2009 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
IFRIC 12	Service Concession Agreements	01-Jan-08	IFRIC 12 provides guidance on the whether the grantor should control or regulates the price of the service provided by the infrastructure. The interpretation had no effect on the Group.
IFRIC 13	Accounting for Customer Loyalty Programmes	01-July-08	IFRIC 13 addresses accounting by entities that grant loyalty award credits to customers who buy other goods or services. Specifically, it explains how such entities should account for their obligations to provide free or discounted goods or services to customers who redeem award credits. The interpretation had no effect on the Group.
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	01-Oct-08	IFRIC 16 provides guidance on identifying the foreign currency risks that qualify as a hedged risk (in the hedge of a net investment in a foreign operation). It secondly provides guidance on where, within a Group, hedging instruments that are hedges of a net investment in a foreign operation can be held to qualify for hedge accounting. Thirdly, it provides guidance on how an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item. The interpretation had no effect on the Group.
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	Annual periods beginning on or after 1 January 2008.	IFRIC 14 provides general guidance on how to assess the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected when there is a statutory or contractual minimum funding requirement. The interpretation had no effect on the Group.

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.

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 operating profit.

Intangible assets

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

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

Research costs are recognised in profit or loss when incurred.

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

for year ended 30 September 2009

1. Summary of significant accounting policies (Continued)

Intangible assets (Continued)

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

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

Inventories

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

Taxation

Current tax

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

Deferred tax

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

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

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

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

1. Summary of significant accounting policies (Continued)

Financial Instruments

Initial recognition and measurement

All financial instruments, including derivative instruments, are recognised on the balance sheet. Financial instruments are initially recognised when the Group becomes party to the contractual terms of the instruments and are measured at cost, which is the fair value of the consideration given (financial asset) or received (financial liability or equity instrument) for it.
Financial liabilities and equity instruments are classified according to the substance of the contractual agreement on initial recognition. Subsequent to initial recognition these instruments are measured as set out below.

Fair value methods and assumptions

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

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

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

De-recognition of assets and liabilities

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

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

Effective interest rate method

The effective interest rate method is a method of calculating the amortised cost of a financial 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.

1. Summary of significant accounting policies (Continued)

Financial Instruments (Continued)

Financial assets (Continued)

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

Financial assets at FVTPL

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

Held-to-maturity investments

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

Available-for-sale financial assets

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

Loans and receivables

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

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

Impairment of financial assets

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

Bank and cash balances

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

1. Summary of significant accounting policies (Continued)

Financial Instruments (Continued)

Classification of debt or equity

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

Financial liabilities

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

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

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.

1. Summary of significant accounting policies (Continued)

Financial Instruments (Continued)

Derivative financial instruments

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

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

Cash and cash equivalents

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

Provisions

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

Leases

A Group company is the lessee

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

A Group company is the lessor

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

1. Summary of significant accounting policies (Continued)

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

Revenue

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

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

Post-paid products

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

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

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

1. Summary of significant accounting policies (Continued)

Revenue (Continued)

Pre-paid products

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

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

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

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

Data service revenue

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

Sale of equipment

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

Other revenue and income:

Interconnect and international revenue

Interconnect and international revenue is recognised on the usage basis.

Interest

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

1. Summary of significant accounting policies (Continued)

Revenue (Continued)

Rental income

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

Basis of consolidation

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

Subsidiaries

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Company. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

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

Transactions and minority interest

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

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The 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.

1. Summary of significant accounting policies (Continued)

Basis of consolidation (Continued)

Associates (Continued)

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

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

Dilution gains and losses arising in investments in associates are recognised in the income statement.

Goodwill

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

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or Groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Impairment of non-financial tangible and intangible assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Foreign currency translation

Functional and presentation currency

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

1. Summary of significant accounting policies (Continued)

Foreign currency translation (Continued)

Transactions and balances

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

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

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

Borrowings

Borrowings 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 balance sheet 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

1. Summary of significant accounting policies (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.

2. Plant and equipment – Group and Company

	Telecommunication installations and equipment	Furniture and fittings	Computer equip-ment	Capital work-in-progress	Motor vehicles	Total
	N$'000	N$'000	N$'000	N$'000	N$'000	N$'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
Book value	1 382 040	7 998	5 657	148 007	--	1 543 702

Included in work-in-progress is an amount of N$25 000 000 (2008: N$Nil) 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$556 500 000 (USD75 000 000) (2008:N$ Nil), 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$278 250 000 (USD37 500 000) (2008: N$ Nil) to the Group to cover its prorata portion of the capacity to be accessed through the cable once construction is completed. Refer to note 31 for further information.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

for year ended 30 September 2009

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

	Telecommunication installations and equipment N$'000	Furniture and fittings N$'000	Computer equipment N$'000	Capital work-in-progress N$'000	Motor vehicles N$'000	Total N$'000
Year ended 30 September 2008						
Cost						
Opening balance	1 965 289	36 761	71 412	230 387	1 629	2 305 478
Additions	172 792	1 838	4 006	67 214	--	245 850
Disposals	--	(4 299)	(1 172)	--	--	(5 471)
Transfers	183 184	2	747	(183 933)	--	--
Closing balance	2 321 265	34 302	74 993	113 668	1 629	2 545 857
Accumulated depreciation						
Opening balance	752 717	30 425	49 371	--	1 609	834 122
Depreciation charge	116 743	2 032	19 729	--	11	138 515
Depreciation on disposals	--	(4 283)	(1 129)	--	--	(5 412)
Closing balance	869 460	28 174	67 971	--	1 620	967 225
Book value	1 451 805	6 128	7 022	113 668	9	1 578 632

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

3. Intangible assets - Group and Company

	2009	2008
Computer software		
	N$'000	**N$'000**
Opening balance	126 333	111 534
Additions	6 372	14 799
Transfers	39 251	--
Closing balance	171 956	126 333
Accumulated amortisation		
Opening balance	111 561	110 586
Current year charge	5 194	975
Transfer	760	--
Closing balance	117 515	111 561
Book value	54 441	14 772

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

	Group 2009 N$'000	Group 2008 N$'000	Company 2009 N$'000	Company 2008 N$'000

4. Goodwill

	Group 2009 N$'000	Group 2008 N$'000	Company 2009 N$'000	Company 2008 N$'000
Opening and closing balances	13 246	13 246	--	--

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

5. Investment in subsidiary

	Group 2009 N$'000	Group 2008 N$'000	Company 2009 N$'000	Company 2008 N$'000
Ordinary shares			9 000	9 000
Preference shares			75 000	44 000
Opening balance			44 000	--
Acquired during the year			31 000	44 000
Total			84 000	53 000
Loans				
Opening balance			111 224	--
Loan advanced			72 139	111 224
Closing balance			183 363	111 224
Balance at end of the year			267 363	164 224

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.

6. Loans advanced

	Group 2009 N$'000	Group 2008 N$'000	Company 2009 N$'000	Company 2008 N$'000
Mkhonto We Sizwe Military Veterans Association	69 004	40 825	--	--

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.

	Group 2009 N$'000	Group 2008 N$'000	Company 2009 N$'000	Company 2008 N$'000

7. Investment in associates

Summary of investments in associates:

Shares at cost				
- Ordinary shares	29 893	29 893	29 893	29 893
- Preference shares	53 104	32 800	--	--
Share of results	(244 660)	(128 803)	--	--
Loans advanced	332 715	219 677	146 469	111 053
Impairment	(41 264)	(24 042)	(41 264)	(24 042)
Net Investment	129 788	129 525	135 098	116 904

Reconciliation of movements

Opening balance	129 525	75 205	116 904	95 140
Loans advanced	95 816	91 353	18 194	21 764
Gain on restatement	17 222	24 042	17 222	24 042
Share of losses	(115 857)	(69 833)	--	--
Impairment	(17 222)	(24 042)	(17 222)	(24 042)
Preference shares acquired	20 304	32 800	--	--
Closing balance	129 788	129 525	135 098	116 904

7.1 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	(41 035)	(29 301)	--	--
Loans advanced	146 469	111 053	146 469	111 053
Impairment	(41 264)	(24 042)	(41 264)	(24 042)
Net Investment	94 063	87 603	135 098	116 904

Reconciliation of movements

Opening balance	87 603	75 205	116 904	95 140
Loans advanced	35 416	45 806	35 416	45 806
Impairment	(17 222)	(24 042)	(17 222)	(24 042)
Share of losses	(11 734)	(9 366)	--	--
Closing balance	94 063	87 603	135 098	116 904

The loans were advanced in terms of the Mundo Startel Shareholders Agreement. The loan balance as at 30 September 2009 in foreign currency amounted to US$15 283 587 (2008: US$13 395 990). The loan bears interest at LIBOR plus a margin of 2%, is unsecured and not subject to any fixed terms of repayment. These arrangements are reviewed from time to time.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

for year ended 30 September 2009

7. Investment in associates (Continued)

7.1 Investment in Mundo Startel SARL (Continued)

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.

	Group 2009 N$'000	Group 2008 N$'000	Company 2009 N$'000	Company 2008 N$'000
Set out below is the summarised financial information of associate:				
Assets	149 190	116 582	--	--
Liabilities	196 659	132 288	--	--
Revenues	38 565	10 931	--	--
Loss after tax for the year	(26 669)	(21 286)	--	--

7.2 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$110 million (2008: N$192 million) are still to be made by Communitel in terms of the Neotel shareholders agreement. These will be paid over as and when the capital calls are made. The loans advanced bear interest at South African Prime Lending Rate and have no fixed terms of repayment.

	Group 2009 N$'000	Group 2008 N$'000	Company 2009 N$'000	Company 2008 N$'000
Comprising:				
Ordinary shares at cost	--	--	--	--
Preference shares at cost	53 104	32 800	--	--
Share of results	(203 625)	(99 502)	--	--
Loans advanced	186 246	108 624		
	35 725	41 922	--	--

	Group 2009 N$'000	Group 2008 N$'000	Company 2009 N$'000	Company 2008 N$'000
Reconciliation of movements				
Opening balance	41 922	--	--	--
Loans advanced	77 622	108 624	--	--
Preference shares acquired	20 304	32 800		
Share of losses	(104 123)	(99 502)	--	--
Closing balance	35 725	41 922	--	--

	Group 2009 N$'000	Group 2008 N$'000	Company 2009 N$'000	Company 2008 N$'000

7. Investment in associates (Continued)

Investment in Sepco Communications (Proprietary) Limited (Continued)

Set out below is the summarised financial information of associate Neotel:

	Group 2009 N$'000	Group 2008 N$'000	Company 2009 N$'000	Company 2008 N$'000
Assets	4 958 000	2 774 959	--	--
Liabilities	5 981 000	3 228 474	--	--
Revenues	1 117 000	473 010	--	--
Loss after tax for the year	(832 984)	(796 016)	--	--

8. Derivative financial instruments

Comprises:

	Group 2009 N$'000	Group 2008 N$'000	Company 2009 N$'000	Company 2008 N$'000
Interest rate and currency swaps				
Opening balance	28 423	20 559	28 423	20 559
Recognised in income statement	(11 335)	7 864	(11 335)	7 864
Closing balance	17 088	28 423	17 088	28 423
Foreign currency exchange contracts				
- Forward exchange contract - Asset				
Opening balance	578	2 063	578	2 063
Recognised in income statement	(578)	(1 485)	(578)	(1 485)
Closing balance	--	578	--	578
-Forward exchange contract - Liability				
Opening balance	222	1 347	222	1 347
Recognised in income statement	(222)	(1 125)	(222)	(1 125)
Closing balance	--	222	--	222

Allocated as follows:

	Group 2009 N$'000	Group 2008 N$'000	Company 2009 N$'000	Company 2008 N$'000
Long-term assets	17 088	28 423	17 088	28 423
Short-term assets	--	578	--	578
	17 088	29 001	17 088	29 001
Long-term liabilities	--	--	--	--
Short-term liabilities	--	222	--	222
	--	222	--	222

As at 30 September 2009, 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% (2008 : 10,96% to 12,25%). Gains and losses recognised on interest rate swap contracts are recognised in the income statement until the repayment of the bank borrowings.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

for year ended 30 September 2009

	Group 2009 N$'000	Group 2008 N$'000	Company 2009 N$'000	Company 2008 N$'000

9. Finance lease receivable

	Group 2009 N$'000	Group 2008 N$'000	Company 2009 N$'000	Company 2008 N$'000
Gross receivables from finance leases:				
Not later than 1 year	10 022	6 998	10 022	6 998
Later than 1 year and not later than 5 years	22 111	16 495	22 111	16 495
	32 133	23 493	32 133	23 493
Unearned future finance income on finance leases	(370)	(430)	(370)	(430)
Net investment in finance leases	31 763	23 063	31 763	23 063
The net investment in finance leases may be analysed as follows:				
Not later than 1 year	9 937	6 723	9 937	6 723
Later than 1 year and not later than 5 years	21 826	16 340	21 826	16 340
	31 763	23 063	31 763	23 063

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.

10. Investments

	Group 2009 N$'000	Group 2008 N$'000	Company 2009 N$'000	Company 2008 N$'000
Loans originated				
Bank Windhoek : Ceded deposit	--	--	--	--

The deposit earned interest at nil (2008: 18, 7%) p.a. The deposit was ceded as security for a Bank Windhoek loan account which was settled during the prior year.

	Group 2009 N$'000	Group 2008 N$'000	Company 2009 N$'000	Company 2008 N$'000
Opening balance	--	67 470	--	67 470
Additions	--	280	--	280
Withdrawal/Termination	--	(68 272)	--	(68 272)
Interest received	--	522	--	522
Closing balance	--	--	--	--

11. Inventories

	Group 2009 N$'000	Group 2008 N$'000	Company 2009 N$'000	Company 2008 N$'000
Materials for installations	36 544	32 611	36 544	32 611
Workshop and consumable stores	573	550	573	550
Goods for resale	14 036	14 796	14 036	14 796
Less: provision for impairment	(1 654)	(1 654)	(1 654)	(1 654)
	49 499	46 303	49 499	46 303

	Group 2009 N$'000	Group 2008 N$'000	Company 2009 N$'000	Company 2008 N$'000

12. Trade and other receivables

Trade receivables				
Total trade receivables	170 738	168 669	170 738	168 669
Less: Provision for impairment	(20 785)	(10 562)	(20 785)	(10 562)
Receiver of Revenue – VAT	--	13 388	--	13 388
Prepayments	34 562	21 232	34 562	21 232
Other debtors	1 137	3 032	1 137	3 032
	185 652	195 759	185 652	195 759

Provision for impairment of receivables

Opening balance	10 562	8 673	10 562	8 673
Amount written off against the income statement	--	(2 829)	--	(2 829)
Provision for impairment charged to the income statement	10 223	4 718	10 223	4 718
Closing balance	20 785	10 562	20 785	10 562

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)	3 277	30 012	3 277	30 012
2 months past due	861	4 852	861	4 852
3 months past due	4 261	15 531	4 261	15 531
	8 399	50 395	8 399	50 395

The aging of impaired receivables is as follows:

1 month past due	--	--	--	--
2 months past due	1 370	1 880	1 370	1 880
3 months past due	19 415	8 682	19 415	8 682
	20 785	10 562	20 785	10 562

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)
for year ended 30 September 2009

13. Related party transactions

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

Details of the Company's and Group's transactions with the subsidiary and associates are reflected in notes 5 and 7. Details of the Company's and Group's transactions with the Pension Fund are reflected in note 29.

The following transactions were carried out with related parties:

i) *Sales of services*

Namibia Post Limited: N$4 691 356 (2008: N$5 318 474)
Mobile Telecommunications Limited: N$293 002 080 (2008: N$303 792 065)

ii) *Purchases of services*

Namibia Post and Telecom Holdings Limited: N$70 294 490 (2008: N$61 133 193)
Namibia Post Limited: N$1 476 060 (2008: N$1 756 681)
Mobile Telecommunications Limited: N$98 573 742 (2008: N$136 447 214)

iii) *Investment in Telecom Bond (TCN15)*

The Group's pension fund, Napotel, held N$Nil (2008: N$400 000) of the bond issued by Telecom. Interest amounting to N$Nil (2008: N$16 171) was accrued during the financial year in respect of this bond. This was disposed during the current financial year.
Namibia Post Savings Bank, a division of fellow subsidiary, Namibia Post Limited, held N$ Nil (2008: N$50 000 000) of the bond issued by Telecom. Interest amounting to N$2 675 000 (2008: N$2 425 822) was accrued during the financial year in respect of this bond. Namibia Post Limited disposed of the bond held during the year.

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

Receivables from related parties:

Namibia Post Limited: N$1 124 000 (2008: N$778 607)
Namibia Post and Telecom Holdings Limited: N$ Nil (2008: N$15 817)

Payables to related parties:

Namibia Post Limited: N$ Nil (2008:N$ Nil)
Mobile Telecommunications Limited: N$ 436 000 (2008: N$753 380)

v) *Outstanding balances arising from loans granted*

Payable to related parties:

Namibia Post and Telecom Holdings Limited: N$25 001 451 (2008: N$ Nil)
The loan amounting to N$25 000 000 (2008: N$Nil) is interest free, unsecured and has no fixed term of repayment.

13. Related party transactions (Continued)

iv) Suretyships

- The Government of the Republic of Namibia granted a guarantee in respect of a loan extended to the Company by Kreditanstalt fur Wierderaufbau (KfW). The balance outstanding on the loan at 30 September 2009 amounted to N$ Nil (2008: N$825 000).
- The Company has extended a guarantee to Development Bank of South Africa, in terms of the Mundo Startel shareholders agreement, in respect of a loan amounting to N$18 550 000 (2008: N$20 725 000) which was extended to its associate, Mundo Startel.
- The Government of the Republic of Namibia has availed a letter of comfort to Alcatel for an amount of US$ 75 000 000 (2008: US$ Nil) 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$556 500 000 (US$75 000 000) (2008: N$ Nil) 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 prospectively 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$278 250 000 (US$37 500 000) (2008: N$ Nil).
- 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 2009 amounted to N$48 694 000 (2008: N$77 868 000).
- 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 (2008: N$160 000) were issued in respect of key management housing loans.

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 2009 N$'000	Group 2008 N$'000	Company 2009 N$'000	Company 2008 N$'000
Salaries and other short-term employee benefits	9 960	7 509	9 960	7 509
Other long-term benefits	1 196	1 110	1 196	1 110
	11 156	8 619	11 156	8 619

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

	Group 2009 N$'000	Group 2008 N$'000	Company 2009 N$'000	Company 2008 N$'000

13. Related party transactions (Continued)

viii) Directors emoluments

	Group 2009 N$'000	Group 2008 N$'000	Company 2009 N$'000	Company 2008 N$'000
Non-executive directors				
- for services as directors	277	341	277	341
Executive director				
- for services as director	--	--	--	--
- for managerial services	1 572	1 459	1 572	1 459
- salary and other short-term employee benefits	1 369	1 297	1 369	1 297
- other long-term benefits	203	162	203	162
	1 849	1 800	1 849	1 800

14. Current tax asset

	Group 2009 N$'000	Group 2008 N$'000	Company 2009 N$'000	Company 2008 N$'000
Opening balance	23 251	29 314	23 251	29 314
Closing balance	1 079	23 251	1 079	23 251
Refunds received	22 172	6 063	22 172	6 063

15. Cash and cash equivalents

	Group 2009 N$'000	Group 2008 N$'000	Company 2009 N$'000	Company 2008 N$'000
Bank balances	25 994	28 251	25 942	28 198
Cash on hand	11 845	9 857	11 845	9 857
	37 839	38 108	37 787	38 055

Cash amounting to N$ Nil (2008: N$12 982 686) has been pledged as security against payments due on a Letter of Credit issued by First National Bank of Namibia Limited. This is held in investments earning interest at Prime Lending Rate less nil (2008: 3.9%).
Underlying payments on the Letter of Credit were made during the 2009 financial year.

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

	Group 2009 N$'000	Group 2008 N$'000	Company 2009 N$'000	Company 2008 N$'000
Bank balances	25 994	15 268	25 942	15 215
Cash on hand	11 845	9 857	11 845	9 857
Investment in money market instruments	--	12 983	--	12 983
Bank overdraft	(256 200)	(328 376)	(256 200)	(328 376)
	(218 361)	(290 268)	(218 413)	(290 321)

The bank overdraft is unsecured.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

16. Share capital

Authorised

	Group 2009 N$'000	Group 2008 N$'000	Company 2009 N$'000	Company 2008 N$'000
200 000 000 (2008 : 200 000 000) ordinary shares of N$1 (2008 : N$1) each	200 000	200 000	200 000	200 000
Issued				
154 529 936 (2008 :154 529 936) ordinary shares of N$1 (2008 : N$1) each	154 530	154 530	154 530	154 530

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

17. Post-retirement 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$68 554 000 (2008 : N$60 649 000). The effective date of valuation of the liability is 30 September 2009 and the next date of valuation is 30 September 2010.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)
for year ended 30 September 2009

	Group 2009 N$'000	Group 2008 N$'000	Company 2009 N$'000	Company 2008 N$'000

17. Post-retirement benefit obligations (Continued)

The principal actuarial assumptions used for accounting purposes were:

- Real rate of return	1%	2%	1%	2%
- Discount rate	10.1%	9.9%	10.1%	9.9%
- Healthcare cost inflation	8.1%	7.9%	8.1%	7.9%
- 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	60 649	49 575	60 649	49 575
Current service cost	2 160	2 129	2 160	2 129
Interest cost	5 974	4 400	5 974	4 400
Subsidies paid	(1 416)	(1 455)	(1 416)	(1 455)
Actuarial loss	1 187	6 000	1 187	6 000
Closing balance	68 554	60 649	68 554	60 649
Present value of unfunded liability	68 554	60 649	68 554	60 649

The amounts recognised in the income statement are as follows:

Current service cost	2 160	2 129	2 160	2 129
Interest cost	5 974	4 400	5 974	4 400
Subsidies paid	(1 416)	(1 455)	(1 416)	(1 455)
Actuarial loss	1 187	6 000	1 187	6 000
	7 905	11 074	7 905	11 074

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 2009	943	1 025	943	1 025
Average age (years)	39.0	41.2	39.0	41.2

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

Number of pensioners	187	198	187	198
Average age (years)	61.0	56.8	61.0	56.8

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	10 054	12 264	10 054
Decrease	7 755	6 683	7 755	6 683

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

Increase	86 276	73 729	86 276	73 729
Decrease	58 210	50 660	58 210	50 660

	Group 2009 N$'000	Group 2008 N$'000	Company 2009 N$'000	Company 2008 N$'000
18. Long-term liabilities				
Secured				
European Investment Bank	48 694	77 868	48 694	77 868
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. (2008 : 10,96% and 12,25% p.a.) and to convert the foreign currency liabilities into Namibian Dollar. The capital amount is repayable in 11 (2008: 13) 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.				

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

	2009	2008	2009	2008
EUR	3 625 694	4 639 595	N$: 10.86	11.92
GBP	655 138	1 285 723	N$: 11.89	14.96
US$	204 203	400 754	N$: 7.43	8.29

	Group 2009 N$'000	Group 2008 N$'000	Company 2009 N$'000	Company 2008 N$'000
Mkhonto We Sizwe Military Veterans Association	53 104	32 800	--	--
The loan is unsecured and interest-free. Repayment of the loan is subject to the realisation of the underlying asset. These arrangements are reviewed from time to time.				
Kreditanstalt fur Wierderaufbau (KfW)	--	825	--	825
Channelled through the Government of the Republic of Namibia and bearing interest at Nil (2008: 2%) p.a. The last instalment due on the loan was repaid in 2009 (2008: 1 instalment).				
The loan of Euro: Nil (2008: Euro 69 207) has been stated at spot rate of Nil (2008 : N$11.92).				
Balance carried forward	101 798	111 493	48 694	78 693

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

for year ended 30 September 2009

	Group 2009 N$'000	Group 2008 N$'000	Company 2009 N$'000	Company 2008 N$'000
18. Long-term liabilities (Continued)				
Balance brought forward	101 798	111 493	48 694	78 693
Unsecured				
Telecom Bond (TCN15) Telecom Namibia registered loan stock bearing interest at 10.70% p.a. (2008: 10.70%) payable semi annually, with a maturity date of 17 April 2015. This was issued as part of the Telecom Namibia Bond Programme approved by the Namibia Stock Exchange (NSX) for the raising of capital amounting to N$400 000 000 (2008: N$400 000 000). Subsequent to year end, further approval has been granted by the NSX for the increase of total capital accessible under the Programme to an amount of N$600 000 000.	93 000	93 000	93 000	93 000
Nedbank Namibia Limited 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% (2008: Nil %). 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.	100 000	--	100 000	--
Total loans	294 798	204 493	241 694	171 693
Less: Short-term portion transferred to current liabilities	(40 696)	(13 876)	(40 696)	(13 876)
	254 102	190 617	200 998	157 817
Maturity of non-current borrowings:				
Not later than 1 year	40 696	13 876	40 696	13 876
Later than 1 year and not later than 5 years	107 998	190 617	107 998	157 817
More than 5 years	146 104	--	93 000	--
	294 798	204 493	241 694	171 693
Total interest bearing borrowings				
- Long-term loans	254 102	190 617	200 998	157 817
- Short-term loans	40 696	13 876	40 696	13 876
- Bank overdrafts	256 200	328 376	256 200	328 376
	550 998	532 869	497 894	500 069

	Group 2009 N$'000	Group 2008 N$'000	Company 2009 N$'000	Company 2008 N$'000

18. Long -term liabilities (Continued)

Interest rate exposure

Pre-hedging

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

	Group 2009 N$'000	Group 2008 N$'000	Company 2009 N$'000	Company 2008 N$'000
Interest free	53 104	32 800	--	--
At fixed rates	141 694	171 693	141 694	171 693
At floating rates	356 200	328 376	356 200	328 376
	550 998	532 869	497 894	500 069

Post-hedging

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

	Group 2009 N$'000	Group 2008 N$'000	Company 2009 N$'000	Company 2008 N$'000
Interest free	53 104	32 800	--	--
At fixed rates	93 000	93 825	93 000	93 825
At floating rates	404 894	406 244	404 895	406 244
	550 998	532 869	497 894	500 069

19. Deferred tax

Deferred income taxes are calculated on all temporary differences under the comprehensive method using a principal tax rate of 35% (2008 : 35%).

The movement on the deferred tax account is as follows:

	Group 2009 N$'000	Group 2008 N$'000	Company 2009 N$'000	Company 2008 N$'000
Opening balance	424 478	391 339	424 478	391 339
Movements during year attributable to:				
Timing differences	9 198	33 139	9 198	33 139
- current year movement	9 198	33 139	9 198	33 139
Closing balance	433 676	424 478	433 676	424 478

Deferred tax liabilities may be analysed as follows:

	Group 2009 N$'000	Group 2008 N$'000	Company 2009 N$'000	Company 2008 N$'000
Tax losses	(21 635)	(9 840)	(21 635)	(9 840)
Capital allowances	483 735	457 506	483 735	457 506
Prepayments	10 377	--	10 377	--
Provisions	(23 994)	(21 227)	(23 994)	(21 227)
Derivatives	5 980	10 073	5 980	10 073
Advance income	(20 787)	(12 034)	(20 787)	(12 034)
	433 676	424 478	433 676	424 478

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

	Group 2009 N$'000	Group 2008 N$'000	Company 2009 N$'000	Company 2008 N$'000

20. Trade and other payables

	Group 2009 N$'000	Group 2008 N$'000	Company 2009 N$'000	Company 2008 N$'000
Trade payables	152 509	150 584	152 509	150 071
Accruals	27 755	31 577	27 755	31 577
Unpresented cheques	5 803	570	5 803	570
	186 067	182 731	186 067	182 218

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

	Group 2009 N$'000	Group 2008 N$'000	Company 2009 N$'000	Company 2008 N$'000
Current	117 008	136 100	117 008	135 587
30-60 days	21 273	14 484	21 273	14 484
>60 days	14 228	--	14 228	--
	152 509	150 584	152 509	150 071

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.

21. Deferred revenue

	Group 2009 N$'000	Group 2008 N$'000	Company 2009 N$'000	Company 2008 N$'000
Derived from customer upfront payment	25 000	--	25 000	--
	25 000	--	25 000	--

Telecom Namibia received an amount of N$25 000 000 (2008:Nil) from the Department of Civil Aviation (DCA) during the year. In terms of the underlying agreement, Telecom Namibia will apply the money received towards the construction of towers and optic fibre links for use by the DCA. Upon completion of the project, ownership of the assets will vest in Telecom Namibia which in turn, is expected to render services to the DCA in lieu of and to the extent of, the prepayment received and applied towards project costs. The prepayment received will be released to the income statement as the services are rendered.

	Group 2009 N$'000	Group 2008 N$'000	Company 2009 N$'000	Company 2008 N$'000

22. Operating profit

	Group 2009 N$'000	Group 2008 N$'000	Company 2009 N$'000	Company 2008 N$'000
Operating profit is arrived at after the following items:				
Auditor's remuneration				
Audit fees - current year	952	754	893	630
Other services – current year	151	--	151	---
Prior year overprovision	--	(291)	--	(291)
Penalties and interest	--	769	--	769
Depreciation of plant and equipment	155 296	138 515	155 296	138 515
Amortisation of intangible assets	5 194	975	5 194	975
Loss/(Profit) on disposal of plant and equipment	1 888	(945)	1 888	(945)
Staff costs (Note 24)	353 984	335 261	353 984	335 261
Cost of sales	33 909	27 086	33 909	27 086
Advertising and promotions	18 286	19 560	18 286	19 560
International settlements	107 659	235 192	107 659	235 192
Operating lease expenses				
Vehicles	19 322	18 041	19 322	18 041
Office machines	1 507	1 605	1 507	1 605
Building rentals	38 773	34 795	38 773	34 795
Repairs and maintenance	48 626	61 086	48 626	61 086
Actuarial gain on post-retirement benefits	1 187	6 000	1 187	6 000
(Gain)/Loss on restatement of foreign currency denominated loans	(6 018)	5 472	(6 018)	5 472
Fees for managerial, technical and other services	4 145	5 783	4 070	5 783
Fair value adjustment on derivative	11 335	(7 864)	11 335	(7 864)

23. Finance income and costs

	Group 2009 N$'000	Group 2008 N$'000	Company 2009 N$'000	Company 2008 N$'000
Interest received				
Money market investments	3 005	1 107	3 005	1 107
Loans	27 599	15 649	24 244	16 920
Cash balance	1 560	2 397	1 560	2 397
Interest on finance lease receivables	197	167	197	167
	32 361	19 320	29 006	20 591

	Group 2009 N$'000	Group 2008 N$'000	Company 2009 N$'000	Company 2008 N$'000
Interest paid				
Telecom bonds	9 065	15 826	9 065	15 826
- Paid to related parties	2 691	2 029	2 691	2 029
- Other	6 374	13 797	6 374	13 797
Term loans	4 322	7 222	4 322	7 222
Short-term borrowing facilities	39 359	20 428	39 359	20 428
	52 746	43 476	52 746	43 476

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

for year ended 30 September 2009

	Group 2009 N$'000	Group 2008 N$'000	Company 2009 N$'000	Company 2008 N$'000

24. Staff costs

Salaries and other related costs	305 252	291 636	305 252	291 636
Social security	595	934	595	934
Medical aid	18 932	16 275	18 932	16 275
Pension fund	29 205	26 416	29 205	26 416
	353 984	335 261	353 984	335 261

25. Taxation

Namibian normal income tax	--	--	--	--
Deferred tax credit/(charge)				
- current year	(13 177)	(33 139)	(13 177)	(33 139)
- prior year	3 979	--	3 979	--
Tax credit/(charge) for the year	(9 198)	(33 139)	(9 198)	(33 139)

Reconciliation of the taxation:

(Loss)/Profit before tax	(77 887)	8 702	34 796	80 082
Tax calculated at a tax rate of 35% (2008: 35%)	27 260	(3 045)	(12 179)	(28 028)
-Non taxable income/(Expenses not deductible for tax purposes)	112	(1 513)	(998)	(972)
- Prior year adjustment	3 979	(4 139)	3 979	(4 139)
- Share of results of associates	(40 549)	(24 442)	--	--
Tax charge	(9 198)	(33 139)	(9 198)	(33 139)

Reconciliation of rate of taxation:

	%	%	%	%
Namibian normal taxation rate	35	35	35	35
Reduction in rate of taxation due to:				
- prior year adjustment	5	47	(11)	5
Increase in rate of taxation due to:				
- Non taxable income/(Expenses not deductible for tax purposes)	--	17	3	1
- share of results of associates	(52)	281	--	--
	(12)	380	27	41

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

	N$'000	N$'000	N$'000	N$'000
Assessed losses	61 812	28 115	61 812	28 115
Less: applied to reduce deferred tax liability	(61 812)	(28 115)	(61 812)	(28 115)
Available to reduce future taxable income	--	--	--	--

	Group 2009 N$'000	Group 2008 N$'000	Company 2009 N$'000	Company 2008 N$'000
26. Working capital changes				
Increase/(Decrease) in working capital during the year				
Decrease/(Increase) in inventories	(3 196)	6 311	(3 196)	6 311
Decrease/(Increase) in trade and other receivables	10 107	(24 137)	10 107	(24 137)
Increase/(Decrease) in trade and other payables	3 849	(3 980)	3 849	(4 493)
Decrease/(Increase) in indebtedness by fellow subsidiaries	(345)	450	(345)	450
Decrease in amount owing to fellow subsidiaries	(317)	(13 339)	(317)	(13 339)
Increase in deferred revenue	25 000	--	25 000	--
Increase in loan due to holding company	25 000	--	25 000	--
Increase/(Decrease) in amount owing to holding company	1	(4 194)	1	(4 194)
Decrease/(Increase) in amount owing by holding company	16	(16)	16	(16)
	60 115	(38 905)	60 115	(39 418)

	Group 2009 N$'000	Group 2008 N$'000	Company 2009 N$'000	Company 2008 N$'000

27. Capital expenditure commitments

	Group 2009 N$'000	Group 2008 N$'000	Company 2009 N$'000	Company 2008 N$'000
Commitments in respect of contracts placed	29 534	42 674	29 534	42 674
Shareholder capital commitments - Neotel	110 000	192 000	110 000	192 000

A total of N$159 million was approved for capital expenditure for the year ending 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 2009 was spent. The Group finances capital expenditure from existing borrowing facilities and cash resources generated from operations. Refer to note 2 for the commitments due on WACS.

28. Operating lease commitments

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

	Group 2009 N$'000	Group 2008 N$'000	Company 2009 N$'000	Company 2008 N$'000
No later than one year:	61 574	42 379	61 574	42 379
- Vehicles	18 183	22 508	18 183	22 508
- Office machines	1 658	1 777	1 658	1 777
- Buildings	41 733	18 094	41 733	18 094
Later than one year, but not later than 5 years:	21 078	21 527	21 078	21 527
- Vehicles	12 614	14 419	12 614	14 419
- Office machines	8 464	7 108	8 464	7 108

The vehicles are leased from Avis Fleet Services for periods 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

29. 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 2009, which indicated that the fund was in a sound financial position.

As at the 30th of September 2009, a total of 943 (2008: 1 193) employees were members of the Napotel Pension Fund.

	Group 2009 N$'000	Group 2008 N$'000	Company 2009 N$'000	Company 2008 N$'000
Contributions to the pension fund:	29 205	26 416	29 205	26 416
Company	20 317	18 376	20 317	18 376
Employees	8 888	8 040	8 888	8 040

30. Guarantee(s)

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

	Group 2009 N$'000	Group 2008 N$'000	Company 2009 N$'000	Company 2008 N$'000
Mundo Startel	18 550	9 119	18 550	9 119
	18 550	9 119	18 550	9 119

	Group 2009 N$'000	Group 2008 N$'000	Company 2009 N$'000	Company 2008 N$'000

31. Contingent assets and contingent liabilities

31.1 Contingent asset

Government of the Republic of Botswana	278 250	--	278 250	--
	278 250	--	278 250	--

The Government of the Republic of Botswana has provided a guarantee for the amount of N$278 250 000 (USD37 500 000) (2008:Nil) for the participation of Botswana Telecommunications Corporation in WACS where Telecom Namibia is the lead agent for the Namibia, Swakopmund Landing Point.

31.2 Contingent liabilities

Alcatel Translucent	556 500	--	556 500	--
	556 500	--	556 500	--

A contingent liability in the amount of NS556 500 000 (USD75 000 000) (2008:Nil) 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.

32. Financial instruments and risk management

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

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

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

	Group		Company	
	2009	2008	2009	2008
	N$'000	N$'000	N$'000	N$'000
Financial assets at fair value				
Bank	37 839	38 108	37 787	38 055
Derivatives	17 088	29 001	17 088	29 001
Financial liabilities at fair value				
Bank overdraft	256 200	328 376	256 200	328 376
Derivatives	--	222	--	222
Loans and receivables at amortised cost				
Loans advanced	69 004	40 825	--	--
Loan to subsidiary	--	--	183 363	111 224
Loan to associate	291 451	195 635	105 205	87 011
Trade and other receivables	185 652	174 527	185 652	174 527
- Financial instruments	185 652	161 139	185 652	161 139
- Non-financial instruments(Value Added Tax)	--	13 388	--	13 388
Amounts owing by fellow subsidiaries	1 124	779	1 124	779
Amounts owing by holding company	--	16	--	16
Finance lease receivables	31 763	23 063	31 763	23 063
Financial liabilities at amortised cost				
Long-term liabilities	254 102	190 617	200 998	157 817
Short-term portion of long-term liabilities	40 696	13 876	40 696	13 876
Trade and other payables	186 067	182 731	186 067	182 218
- Financial instruments	175 095	182 731	175 095	182 218
- Non-financial instruments (Value Added Tax)	10 972	--	10 972	--
Amounts owing to fellow subsidiaries	436	753	436	753
Loan due to holding company	25 001	--	25 001	--

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

32. Financial instruments and risk management (Continued)

Fair value of financial instruments

The carrying values of all financial instruments which are disclosed in the balance sheets approximate their fair values except as reflected for the Telecom Bond. The estimated net fair values as at 30 September 2009 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:

	2009		2008	
	Carrying amount N$'000	Fair Value N$'000	Carrying amount N$'000	Fair Value N$'000
Financial liabilities				
Long-term loans	93 000	47 754	93 825	35 230

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 2009 and at 30 September 2008.

		Interest Rate			Balance	
Loan Number	**Currency**	**Original Fixed**	**Swap Variable**	**Maturity Date**	**30 Sept 2009**	**30 Sept 2008**
A	EURO	3.00%	10.10%	15-Nov-13	2 720 822	6 062 438
B	GBP	3.00%	11.08%	20-Jun-10	338 062	2 976 439
C	EURO	3.00%	11.40%	20-Jun-10	28 152	238 189
D	EURO	3.90%	11.35%	15-Nov-13	545 055	1 214 473
E	EURO	3.00%	10.96%	20-Jun-10	331 063	2 914 809
F	USD	3.00%	11.70%	21-Jun-10	85 172	720 610
G	USD	3.90%	10.96%	20-Jun-10	59 376	502 363
H	GBP	3.90%	11.46%	21-Jun-10	317 075	2 682 679
I	USD	3.00%	11.41%	21-Jun-10	59 656	504 730

32. Financial instruments and risk management (Continued)

Credit risk management

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

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

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

The Group provides for impairment of trade receivables which could arise as a result of non payment by any of the customers once an adequate assessment has been undertaken 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's exposure to credit risk has increased significantly during the year 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.

Telecom has in turn entered into a joint venture with Botswana Telecommunications Corporation (BTC) wherein the latter will own fifty percent (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 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 up front 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.

32. Financial instruments and risk management (Continued)

Credit risk management (Continued)

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's overdraft utilisation has decreased to N$256.2 million as at balance sheet (2008: N$328.3 million). This decrease has been driven by management's initiative to convert the short-term facilities into long-term financing instruments. This has provided relief on the working capital position and it is envisaged that finalisation of discussions of further long term facilities will augment this position.

Telecom Namibia currently has an approval from the Namibia Stock Exchange (NSX) to raise up to a total amount of N$400 million from the market by way of bond issue. An initial tranche of N$93 million was raised in April 2009 under this programme. Subsequent to year end but before the date of these financial statements, the Group has obtained further approval from the NSX increase the programme to a total amount of N$600 million.

Telecom Namibia recently received a favourable credit rating of triple B minus by internationally renowned rating agency, Fitch and this has put it in good standing to attract investors for the upcoming bond programme.

The Development Bank of Namibia has approved a corporate finance facility in the amount of N$120 million in December 2009 and this will be drawn down in the new financial year and a significant portion thereof will be applied towards the redemption of part of the short-term facilities.

Telecom Namibia has ongoing commitments to provide funds amounting to N$110 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$556.5 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$278.3 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.

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 2009 financial year.

32. 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

2009	<1 year N$'000	2-5 years N$'000	>5 years N$'000	Interest Adjustment N$'000	Total N$'000
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
2008					
Trade and other payables	182 731	--	--	--	182 731
Short-term portion of long- term liabilities	16 233	--	--	(2 357)	13 876
Bank overdraft	368 602	--	--	(40 226)	328 376
Amount owing to fellow subsidiaries	753	--	--	--	753
Loan due to Mkonto We Sizwe Military Veterans Association	--	--	32 800	--	32 800
Long-term liabilities	--	134 197	100 000	(76 380)	157 817
	568 319	134 197	132 800	(118 963)	716 353

Company

2009	<1 year N$'000	2-5 years N$'000	>5 years N$'000	Interest Adjustment N$'000	Total N$'000
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
2008					
Trade and other payables	182 218	--	--	--	182 218
Short-term portion of long-term liabilities	16 233	--	--	(2 357)	13 876
Bank overdraft	368 602	--	--	(40 226)	328 376
Amount owing to fellow subsidiaries	753	--	--	--	753
Long-term liabilities	--	76 100	132 804	(51 087)	157 817
	567 806	76 100	132 804	(93 670)	683 040

32. 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

2009	<1 year N$'000	2-5 years N$'000	>5 years N$'000	Interest Adjustment N$'000	Total N$'000
Trade and other receivables	185 652	--	--	--	185 652
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
	234 637	22 111	360 455	(370)	616 833
2008					
Trade and other receivables	195 759	--	--	--	195 759
Amounts owing by fellow subsidiaries	779	--	--	--	779
Loan to associate	--	--	195 635	--	195 635
Loan due from Mkonto We Sizwe Military Veterans Association	--	--	40 825	--	40 825
Amounts owing by holding company	16	--	--		16
Finance lease receivables	6 848	16 645	--	(430)	23 063
Cash and bank balances	41 538	--	--	(3 430)	38 108
	244 940	16 645	236 460	(3 860)	494 185

Company

2009	<1 year N$'000	2-5 years N$'000	>5 years N$'000	Interest Adjustment N$'000	Total N$'000
Trade and other receivables	185 652	--	--	--	185 652
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
	234 585	22 111	288 568	(370)	544 894

32. Financial instruments and risk management (Continued)

Company (Continued)

Liquidity risk management (Continued)

	<1 year N$'000	2-5 years N$'000	>5 years N$'000	Interest Adjustment N$'000	Total N$'000
2008					
Trade and other receivables	195 759	--	--	--	195 759
Amounts owing by fellow subsidiaries	779	--	--	--	779
Loan to subsidiary	--	--	111 224	--	111 224
Loan to associate	--	--	87 011	--	87 011
Amounts owing by holding company	16	--	--	--	16
Finance lease receivables	6 848	16 645	--	(430)	23 063
Cash and bank balances	41 538	--	--	(3 483)	38 055
	244 940	16 645	198 235	(3 913)	455 907

Foreign currency risk

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

The Group manages its foreign currency exchange rate risk by:

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

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

32. Financial instruments and risk management (Continued)

Foreign currency risk (Continued)

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 2009 N$'000	Group 2008 N$'000	Company 2009 N$'000	Company 2008 N$'000
For 10% increase in exchange rates				
Decrease in profit for year	40 223	1 127	40 223	1 127
For 10% decrease in exchange rates				
Increase in profit for year	40 223	1 127	40 223	1 1247

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

Loan	**Currency**	**2009 Balance**	**2008 Balance**
1	EURO	3 625 693	4,639,595
2	GBP	655 138	1,285,723
3	USD	204 203	400,754

Forward Exchange Contracts

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

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

	Group 2009 N$'000	Group 2008 N$'000	Company 2009 N$'000	Company 2008 N$'000
FEC Asset-Mundo loan	--	578	--	578
FEC Liability-KfW loan	--	222	--	222

32. Financial instruments and risk management (Continued)

Foreign currency risk (Continued)

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

	Group 2009 N$'000	Group 2008 N$'000	Company 2009 N$'000	Company 2008 N$'000
Receivable:				
USD	15 238	13 396	15 238	13 396
Contingent Asset:				
USD	37 500	--	37 500	--
Payables:				
Euro	618	--	618	--
USD	968	13 413	968	13 413
GBP	2	--	2	--
CHF	9	--	9	--
Contingent Liabilities:				
USD	67 500	--	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 2009 financial year.

Interest rate risk

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

32. Financial instruments and risk management (Continued)

Interest rate risk (Continued)

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 2009 N$'000	Group 2008 N$'000	Company 2009 N$'000	Company 2008 N$'000
For 100 basis points higher				
Decrease in profit for year	4 979	3 341	4 979	2 638
For 100 basis points lower				
Increase in profit for year	4 979	3 341	4 979	2 638

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 2009 N$'000	Group 2008 N$'000	Company 2009 N$'000	Company 2008 N$'000
For 300 basis points higher				
Decrease in profit for year	14 937	10 023	14 937	7 914
For 300 basis points lower				
Increase in profit for year	14 937	10 023	14 937	7 914

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

Capital management

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

32. Financial instruments and risk management (Continued)

Capital management (Continued)

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

	Group 2009 N$'000	Group 2008 N$'000	Company 2009 N$'000	Company 2008 N$'000
The gearing ratio at the year end was as follows:				
Long-term borrowings	294 798	204 493	241 694	171 693
Cash and cash equivalents	37 839	38 108	37 787	38 055
Net Debt	256 959	166 385	203 907	133 638
Equity	844 493	931 578	1 087 968	1 062 370
Equity to debt ratio	3.29	5.59	5.34	7.95

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 2009, total unutilised borrowing facilities amounted to 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 2009.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

for year ended 30 September 2009

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 2009 or latter periods, and will be adopted by the Group in the year they become effective:

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

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

for year ended 30 September 2009

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

Number	Title	Effective date	Executive summary
IAS 39	Financial Instruments: Recognition and Measurement – amendments for eligible hedged items	Annual periods beginning on or after 1 July 2009.	The objective of IAS 39 is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.
IAS 31	Interests in Joint Ventures –Consequential amendments arising from amendments to IFRS 3	Annual periods beginning on or after 1 January 2009.	IAS 31 applies to accounting for all interests in joint ventures and the reporting of joint venture assets, liabilities, income, and expenses in the financial statements of venturers and investors, regardless of the structures or forms under which the joint venture activities take place, except for investments held by a venture capital organisation, mutual fund, unit trust, and similar entity that (by election or requirement) are accounted for as under IAS 39 at fair value with fair value changes recognised in profit or loss. [IAS 31.1]
IAS 32	Financial Instruments: presentation – Amendments relating to puttable instruments and obligations arising on liquidation	Annual periods beginning on or after 1 January 2009.	The stated objective of IAS 32 is to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance, and cash flows.
IAS 36	Impairment of Assets – Amendments resulting from May 2008 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2009.	IAS 36 applies to accounting to ensure that assets are carried at no more than their recoverable amount, and to define how recoverable amount is calculated.
IAS 38	Intangible Assets – Amendments resulting from may 2008 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2009.	The objective of IAS 38 is to prescribe the accounting treatment for intangible assets that are not dealt with specifically in another IAS. The Standard requires an enterprise to recognise an intangible asset if, and only if, certain criteria are met. The Standard also specifies how to measure the carrying amount of intangible assets and requires certain disclosures regarding intangible assets.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

for year ended 30 September 2009

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

Number	Title	Effective date	Executive summary
IAS 39	Financial Instruments: Recognition and Measurement – Amendments resulting from may 2008 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2009.	The objective of IAS 39 is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.
IAS 40	Investment Property – Amendments resulting from may 2008 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2009.	Investment property is property (land or a building or part of a building or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both. [IAS 40.5]
IAS 1	Presentation of Financial Statements – Revised	Annual periods beginning on or after 1 January 2009.	The changes made to IAS 1 are to require information in financial statements to be aggregated on the basis of shared characteristics and to introduce a statement of comprehensive income. This will enable readers to analyse changes in a company's equity resulting from transactions with owners in their capacity as owners separately from 'non-owner' changes. The revisions include changes in the titles of some of the financial statements to reflect their function more clearly. The new titles are not mandatory for use in financial statements.
IAS 23	Borrowing Costs – Revised	Annual periods beginning on or after 1 January 2009.	The main change from the previous version of IAS 23 is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale.
IAS 27	Consolidated and Separate Financial Statements – Revised	Annual periods beginning on or after 1 January 2009.	IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. They will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)
for year ended 30 September 2009

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

Number	Title	Effective date	Executive summary
N/a	Improvements to IFRS	Unless otherwise specified the amendments are effective for annual periods beginning on or after 1 January 2009	This is a collection of amendments to IFRSs. These amendments are the result of conclusions the IASB reached on proposals made in its annual improvements project. The annual improvements project provides a vehicle for making non-urgent but necessary amendments to IFRSs. Some amendments involve consequential amendments to other IFRSs.
Amendment to IAS 32 and IAS 1	Amendment to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of financial statements - Puttable Financial Instruments and Obligations Arising on Liquidation	Annual periods beginning on or after 1 January 2009.	The amendments require entities to classify the following types of financial instruments as equity, provided they have particular features and meet specific conditions: a) puttable financial instruments (for example, some shares issued by co-operative entities); b) instruments, or components of instruments, that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation (for example, some partnership interests and some shares issued by limited life entities). Additional disclosures are required about the instruments affected by the amendments.
Amendments to IAS 39	Amendments to IAS 39 Financial Instruments: Recognition and Measurement Exposures Qualifying for Hedge Accounting	Annual periods beginning on or after 1 July 2009.	The IASB has therefore focused on developing application guidance to illustrate how the principles underlying hedge accounting in the following situations: (a) a one-sided risk in a hedged item, and (b) inflation in a financial hedged item.

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

Number	Title		Effective date		Executive summary
IFRIC 17	Distribution of Non-cash Assets to Owners		Annual periods beginning on or after 1 January 2009.		IFRIC 17 Distributions of Non-cash Assets to Owners applies to the entity making the distribution, not to the recipient. It applies when non-cash assets are distributed to owners or when the owner is given a choice of taking cash in lieu of the non-cash assets.
IFRIC 18	Transfer of Assets from Customers		Transfers received on or after 1 July 2009		IFRIC 18 clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant, and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). In some cases, the entity receives cash from a customer that must be used only to acquire or construct the item of property, plant, and equipment in order to connect the customer to a network or provide the customer with ongoing access to a supply of goods or services (or to do both).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

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 2008 or latter periods but are not relevant for the Group's operations:

Number	**Title**	**Effective date**	**Executive summary**
IFRS 1	First-time Adoption of International Financial Reporting Standards – Amendment relating to cost of an investment on first-time adoption	Annual periods beginning on or after 1 January 2009.	IFRS 1 First-time Adoption of International Financial Reporting Standards sets out the procedures that an entity must follow when it adopts IFRSs for the first time as the basis for preparing its general purpose financial statements.
IFRS 8	Operating Segments	Annual periods beginning on or after 1 January 2009.	IFRS 8 requires an entity to adopt the 'management approach' to reporting on the financial performance of its operating segments. The Standard sets out requirements for disclosure of information about and entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers. The disclosure should enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates.
Amendment to IFRS 2	Amendment to IFRS 2 Share-Based Payment: Vesting Conditions and Cancellations	Annual periods beginning on or after 1 January 2009.	The amendment clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based are not vesting conditions. It also specifies that all cancellations, whether by the entity or by the other parties, should receive the same accounting treatment.
IFRIC 15	Agreements for the Construction of Real Estate	Annual periods beginning on or after 1 January 2009.	IFRIC 15 addresses diversity in accounting for real estate sales. IFRIC 15 clarifies how to determine whether an agreement is within the scope of IAS 11 – Construction contracts or IAS 18 - Revenue and when revenue from construction should be recognised. The guidance replaces example 9 in the appendix to IAS 18.

Annexure B – Standards and interpretations issued and not yet effective and not relevant to the Group (Continued)

Number	**Title**	**Effective date**	**Executive summary**
IAS 29	Financial Reporting in Hyperinflationary Economies – Amendments – Amendments resulting from may 2008 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2009.	The objective of IAS 29 is to establish specific standards for enterprises reporting in the currency of a hyperinflationary economy, so that the financial information provided is meaningful.
IAS 41	Agriculture – Amendments resulting from May 2008 annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2009.	The objective of IAS 41 is to establish standards of accounting for agricultural activity -- the management of the biological transformation of biological assets (living plants and animals) into agricultural produce (harvested product of the enterprise's biological assets).

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