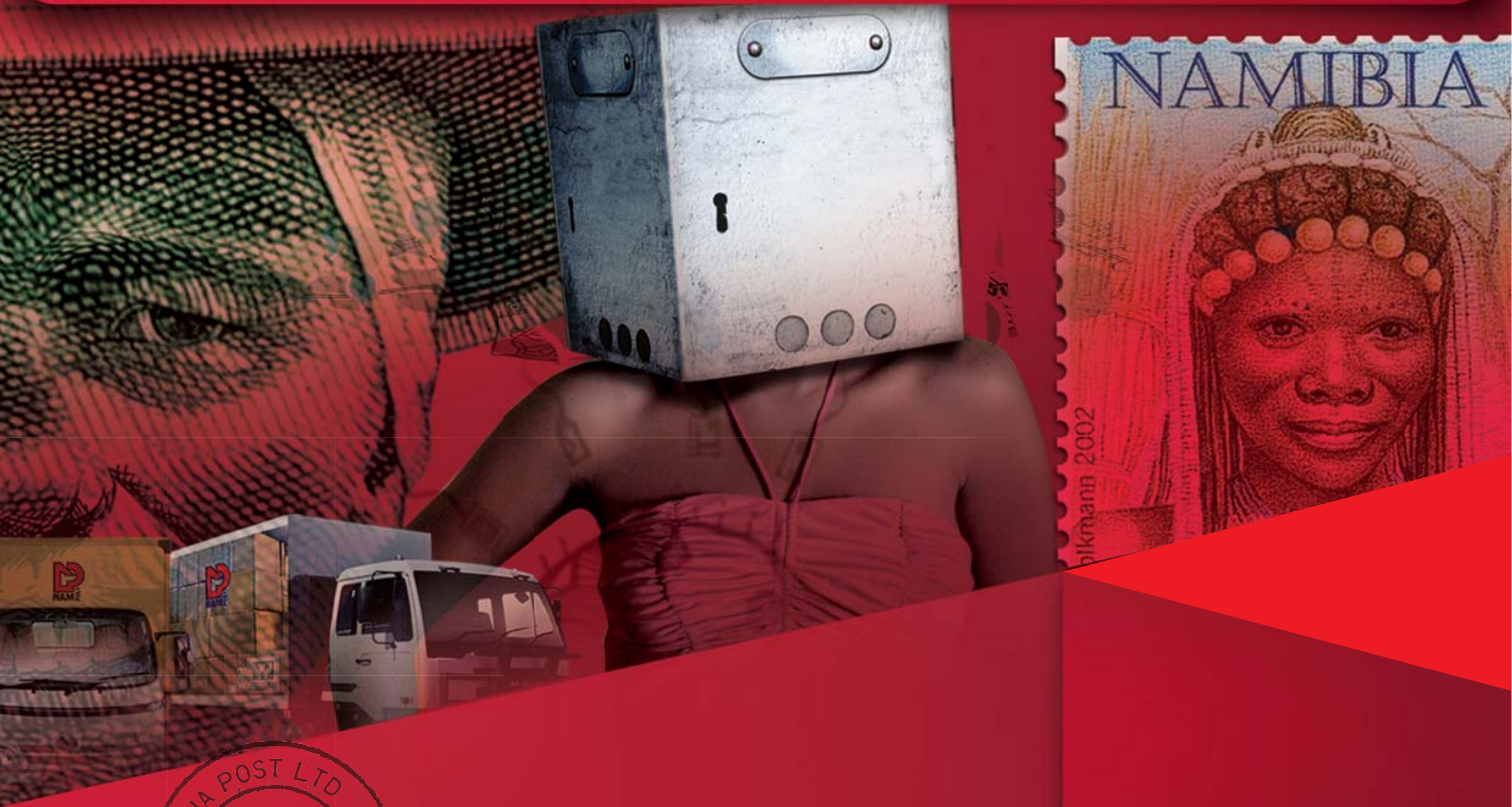

Annual Report 2010


NAM POST

Annual Report 2010

Contents

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At NamPost we believe that we can deliver more. Which is why we aim to fulfill the need of every Namibian, whether it be communication, courier, financial service, at the same time not taking anything away from our superior service.

Vision

To provide superior postal, logistics and savings solutions.

Mission

In order to add value for our customers we shall:

Provide a network of standardised service points easily accessible to all Namibians.

Attract the right people for the right job and further develop them.

Implement state of the art technology and reliable, physical and electronic networks in an environmentally friendly way.

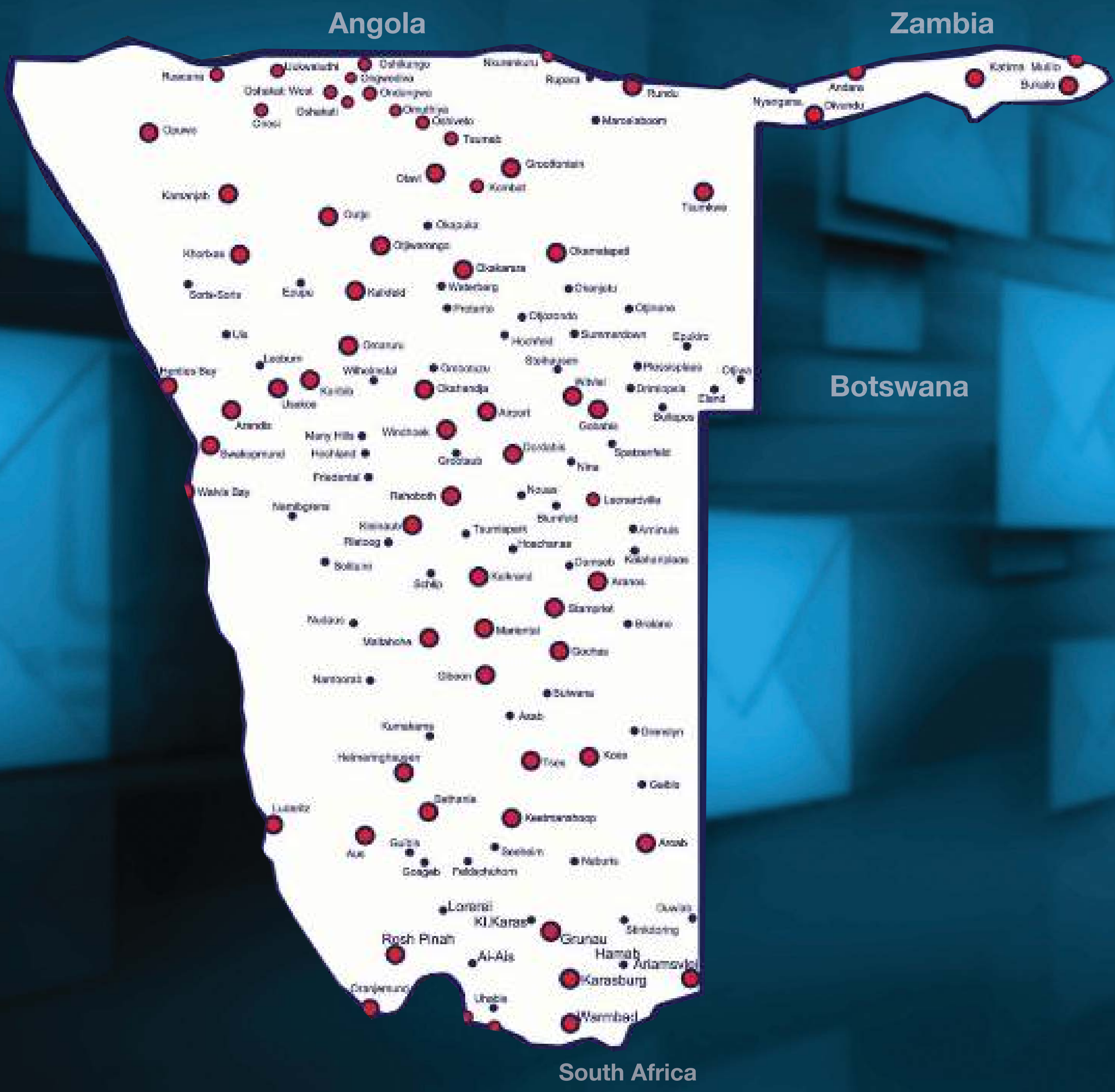
Enhance relationships with government and other stakeholders.

At all times adhere to corporate governance best practices.

Values

- Communicate openly and honestly
- Take ownership for all actions
- Foster teamwork
- Act with Integrity
- Act with mutual respect
- Care for our employees, customers and stakeholders

Post Office
Map



101 - Post Offices
29 - Post Office Agencies

FACTS ABOUT NAMIBIA

Land Area 824,269 km^2.

Population 2,108,665 (2009 estimate)
2,088,669 (2008 census)

Capital city Windhoek

Official Language English

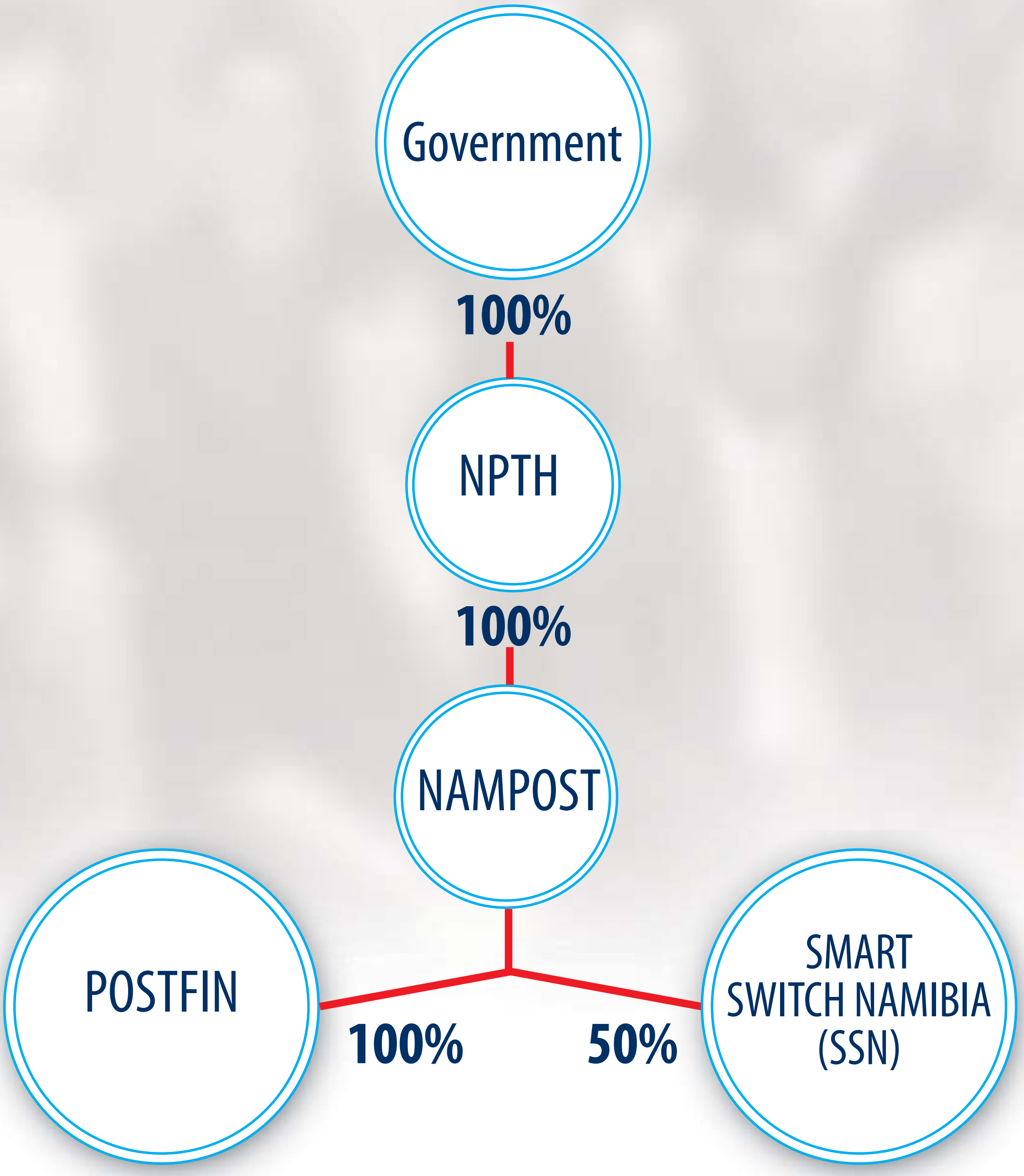
Other Languages Oshiwambo, Afrikaans, Nama, Damara, Otjiherero, German, Rukwangali, Setswana, and others.

Major Ethnic Groups Ovambo, Kwangali, Damara, Herero, Nama, San, Afrikaner, German, and others.

Currency Namibia Dollar (NAD)

NamPost Branches 130 (2010)

Group Structure



Board of **Directors** & Exco **Members**

Board of Directors

1 **Mr. Sebby Kankondi** - Chairman of the Board
2 **Mrs. Ndahafa Nambira**
3 **Mr. Neville Field**
4 **Mrs. Nangula Hamutenya**
5 **Mr. Boas Mweendeleli**

Exco Members

1	**Festus Hangula** - Chief Executive Officer
2	**Sonia Bergh** - GM: Human Resources
3	**Suzette Scheepers** - Head: ICT
4	**George Itembu** - Head: Internal Audit
5	**Berlindi Van Eck** - GM: Corporate Marketing
6	**Norman Cloete** - GM: Corporate Finance
7	**Eldorette Harmse** - Head: Legal and Secretarial Services
8	**Wilmarc Lewies** - GM: Courier
9	**Lorentha Harases** - Treasurer
10	**Bertie Reyneke** - GM: Savings Bank
11	**Ambrosius Iipinge** - GM: Postal Services

Chairman's Report

Introduction

I am pleased to report, with a sense of achievement, that NamPost recorded a successful year and that the company improved on its financial results compared to the previous year. As a Company, we are continuously seeking opportunities to diversify the business to improve its financial sustainability. I consider it the Board's duty to ensure that we are creating real and tangible value for our Shareholder.

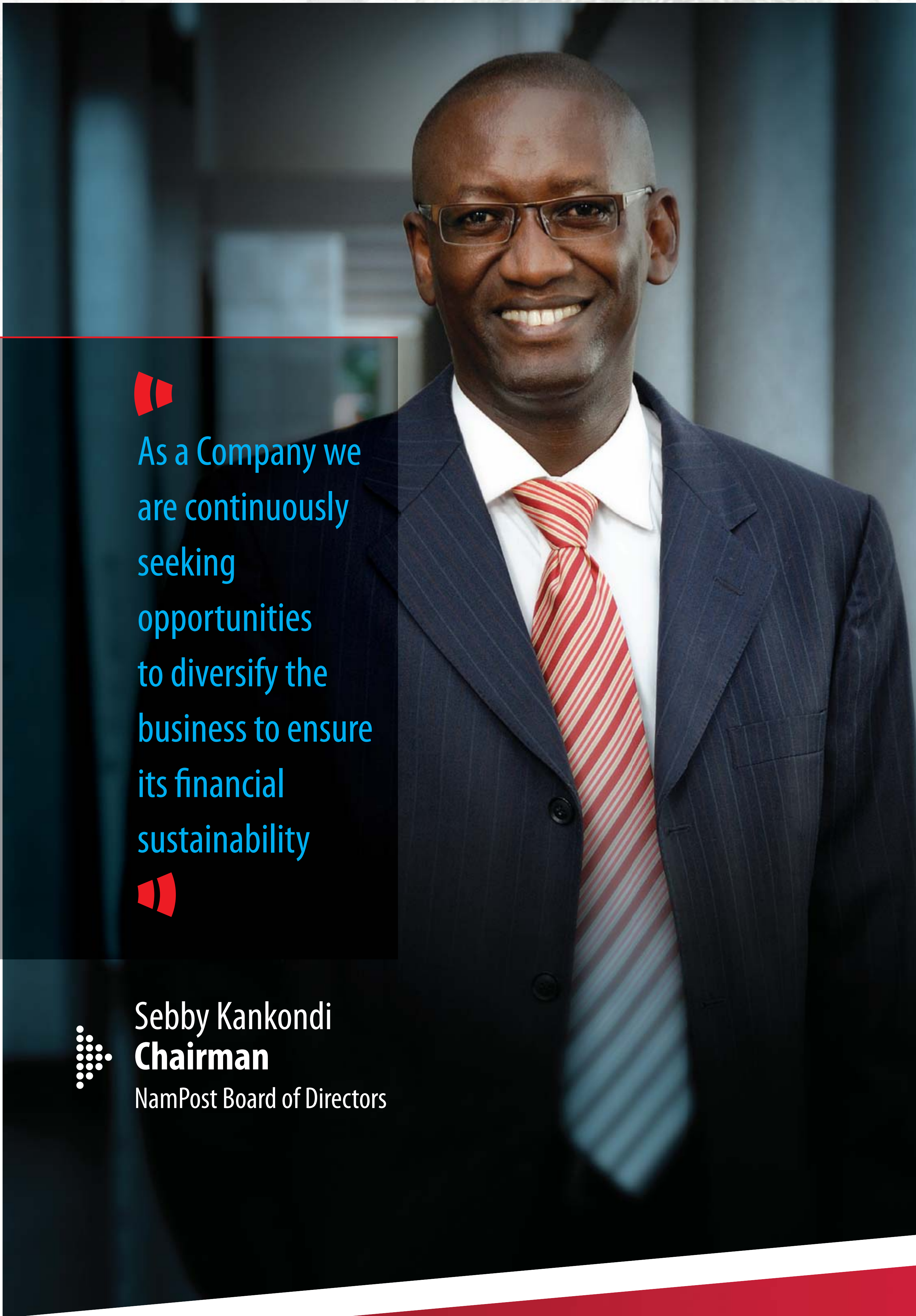
Strategic Focus

We have previously informed you that NamPost embarked on a Strategic Plan (2009-2015) with the following broad objectives:

- Growing revenue
- Increasing loyalty, satisfaction and creating customer and stakeholder delight
- Becoming an employer of choice and fostering good Human Resource principles to enhance our productivity
- Improving the quality of our service offerings at all times

I can report that the improved financial results are a direct consequence of the strategic goals being implemented, which implementation is characterized by a vigorous commitment and dedication.

We are particularly excited about a new project that we have embarked upon namely the Post Office Transformation Project; the expected outcome of the project is better product and service offerings, enhanced customer focus and optimum utilization of the post office infrastructure to meet customer needs. This project is key to NamPost as the designated Postal Operator in view of the decline of traditional mail volumes worldwide. Though the decline had started before the financial and economic crisis, the crisis accelerated it. Even though the global economy is recovering, mail volumes are unlikely to return to their previous levels. The project is in its infancy stage and I look forward to informing you next time of the positive results.



"As a Company we are continuously seeking opportunities to diversify the business to ensure its financial sustainability"

Sebby Kankondi
Chairman
NamPost Board of Directors

In 2006, NamPost embarked on a strategy to ensure dramatic improvements in "the way we work".

The company's intention is to focus on synergistic opportunities that will consolidate systems, data and infrastructure. This past year we continued to invest heavily in systems and information technology with notably a new Banking and Treasury platform, an upgrade of the SAP Accounting System as well as an Electronic Performance Management solution. The new systems will enable NamPost to deliver customer solutions and enhance business processes.

Trends in Postal Sector

Volume decline as a result of electronic competition is much more serious than anything faced in the past by Postal Operators.

Globally the Postal sector is under threat from electronic communication, which present a serious threat to the viability of Postal Operators as mail volumes decline. The Postal Operators and NamPost in particular will have to be more innovative in designing products that compete more effectively with electronic substitutes.

Smart Public Private Partnerships

NamPost entered into a strategic partnership with Deutsche Post and DHL and established an International Mail Processing Centre (under the auspices of NamPost) in Windhoek. This is the first such initiative of its kind in Africa. The operation has proven successful and profitable in its first year.

Prudential Regulation

Bank of Namibia has given an indication of its intention to formally regulate NamPost Savings Bank. As a Board, we welcome this initiative and view it as an opportunity to assure our customers of the prudent management of their funds in the hands of NamPost Savings Bank.

Dividends

Though the Company made a profit, the Board has resolved not to declare any dividends for the period under review. This will allow company funds to be utilized for the capital expenditure that is necessary for planned projects rather than to look for funding from the market.

Gratitude

On behalf of the Board, I want to thank all the staff of Namibia Post together with the Management team for their efforts this year. We are pleased with their performance and under the new leadership of Mr. Festus Hangula the Company has stepped up efforts to meet a new realm of challenges and opportunities.

I want to thank my fellow Board members for their steadfast commitment to the continued growth of NamPost. I thank them for their dedication, support and guidance.

Lastly, I want to express my appreciation towards the Government represented by the Honourable Joel Kaapanda, our Shareholder (Namibia Post and Telecom Holdings Limited), and all Stakeholders in the Company for your continued support.

Sebby Kankondi
Chairman
NamPost Board of Directors

Chief Executive Officer's Operational Overview

General

We witnessed yet another year in the history of NamPost where noticeable strides were made to provide superior postal, logistics and financials services to the population of Namibia. We achieved this through the provision of a network of service points easily accessible to all Namibians, the implementation of state of the art technology, and adhering to corporate governance best practices.

NamPost continues to be driven by three business units; namely, Postal Services, Banking through the Savings Bank and Treasury, and the Courier Services business.

Expansion of Services

To bring services closer to the people, we added five new Post Offices bringing the number of branches and agencies of NamPost in Namibia to an enviable 130. As a consequence, postal services are brought closer to the people and we have contributed to the achievement of the universal requirements of the Universal Postal Union (UPU).

Financial products are now more accessible to our customers. Indeed, we continue to play an active role in ensuring the poor in Namibia are given access to financial services and in so doing we empower their financial participation in the economy.

As a business operation covering all corners of Namibia, NamPost Courier services is undoubtedly the most accessible courier service in Namibia.

Subsidiaries

NamPost Financial Brokers (trading as PostFin)

During the financial year, NamPost bought out the 50% shareholding by Nedbank in NamPost Financial Brokers making NamPost the sole owner of the business. Meanwhile, the PostFin business strategy is finalised and will be rolled out during the course of 2011 financial year.

Audited financials of PostFin indicate a loss before tax of N$350,934 which is an improvement from a loss of N$1.12 million during the previous financial year. The decrease in the loss is primarily attributed to strong growth in the lending book. This is encouraging as significant growth was achieved without active marketing of the services.

> Surely the positive financial results achieved are attestation of your diligence, dedication and commitment as a team

Festus Hangula
Chief Executive Officer
Namibia Post

SmartSwitch Namibia (SSN)

SmartSwitch Namibia is jointly owned by NamPost and Net1 each shareholder holding 50% percent of the company. Business performance has improved and SSN reported a profit before tax of N$1.6 million from a loss of N$2.6 million for the financial year. This is primarily due to a 53% increase in revenue and a 13% drop in administrative expenses.

It is also pleasing to note that the debt repayment to shareholders has been honoured during the course of the financial year resulting in reduction in debt from N$19.48 million to N$7.64 million.

Membership to International Bodies

NamPost remains a member of the Universal Postal Union (UPU) an organ of the United Nations geared toward the promotion of universal services access, and therefore world postal standards. We also continue to be members of the Southern Africa Postal Operators Association, SAPOA.

Philately

Namibian stamps continue to be acclaimed as amongst the best and sought after collectors' products locally and internationally. Amongst some of the most memorable issues this year are: commemorative stamp for the 20th Independence Anniversary of Namibia, the FIFA World Cup stamp issued jointly with SAPOA member countries, and the Christuskirche of Namibia Centenary stamp.

Technology

We continue to believe that technology is key to our service delivery. It is in this context that we spend more than N$12,5 million upgrading and introducing new systems. This of course, compliments NamPost's existing industry leading biometric based SmartCard.

Customer Care

Customer service remains a corner stone of the NamPost business. While there is no doubt that there are areas that we need to improve on, it is pleasing to observe that customer satisfaction as indicated by a recent survey conducted by a reputable company reflects a customer approval rating of 80%.

The same survey indicates that relatively less time is spent in our queues compared to similar institutions in Namibia. To most customers this is, however, time well spent as more customer transactions are available at NamPost counters (stamps, airtime, courier, bills payment, banking services, etc.).

Looking Forward

For years, people have trusted NamPost to securely and confidentially deliver information to all corners of the world in fulfilling "Universal Postal Service Obligation". NamPost will continue to honour that role through innovative and secure products and services. More specifically, we will continue with the following:

- Exploring strategic options to transform the post office and position it to be a beneficial presence in each community in which it operates. NamPost will therefore seek to position itself in a way that will allow it to dynamically respond to the changes in the market place and to its customer needs.
- Pursuing a strategy aimed at bringing more and more financial services to the people and foster the ideals of financial inclusion for all Namibians.
- Expanding the NamPost footprint across the Republic of Namibia as our resources allow.
- Exploring strategic partnerships with local and international entities to strengthen our customer offerings and our financial position.
- Modernising our IT infrastructure and standardising the post offices.

Conclusion

I deeply appreciate the efforts of the 758 staff of NamPost that under challenging conditions worked diligently as a team to further our strategic objectives. I am also appreciative of our Board of Directors for their dedication in strategically guiding NamPost to achieving its mission. Lastly and most importantly, thank you to our customers for their belief in the Post Office, its products, and its services.

Festus Hangula
Chief Executive Officer
Namibia Post

FINANCE / POSTAL SERVICES / COURIER SERVICES / CORPORATE MARKETING / SAVINGS BANK / HUMAN RESOURCES / I.C.T / INTERNAL AUDIT / CORPORATE GOVERNANCE

Operational **Highlights**

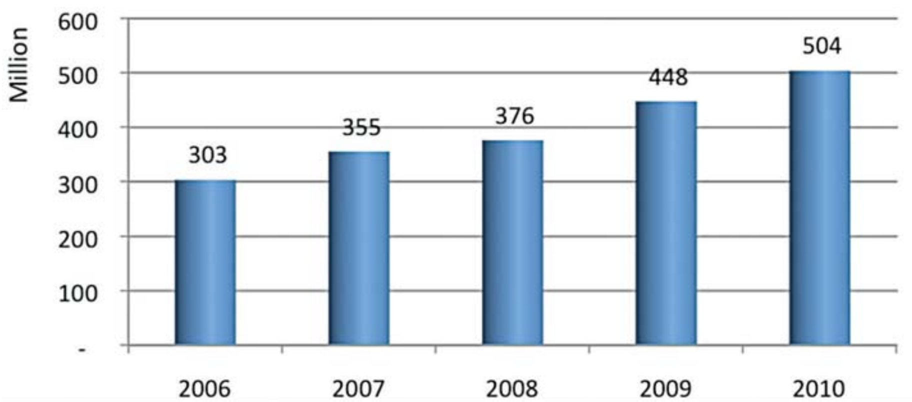
Finance

The company continued to improve its financial results. The revenue of the company continued to grow and a growth of 13% was experienced in comparison to 19% in the previous year. Revenue reached the N$0,504 billion mark (2008/9: N$0,448 billion) and profit before tax increased by 220% to N$14,0 million (2008/9: N$4,4 million). Taxation amounted to N$(9,1) million (2008/9: N$4,6 million).

The Group net comprehensive income, which includes shareholding in SmartSwitch Namibia (Pty) Limited and NamPost Financial Brokers (Pty) Limited, increased by 31% to N$17,8 million (2008/9: N$13,6m).

All the business units (Postal Services, Courier, Savings Bank, and Treasury) recorded positive revenue growth resulting in the revenue increasing from N$448 to N$504 million (see also Chart below) for the financial year under review.

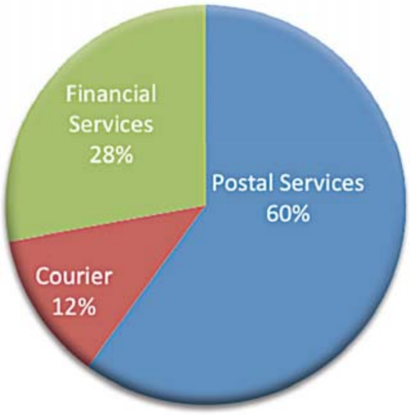
Growth in Revenue



Postal Services continue to be the main contributor to NamPost revenue having contributed 60% of the revenue during the financial year (see also Chart on next page).

Norman Cloete
GM Corporate Finance
Namibia Post

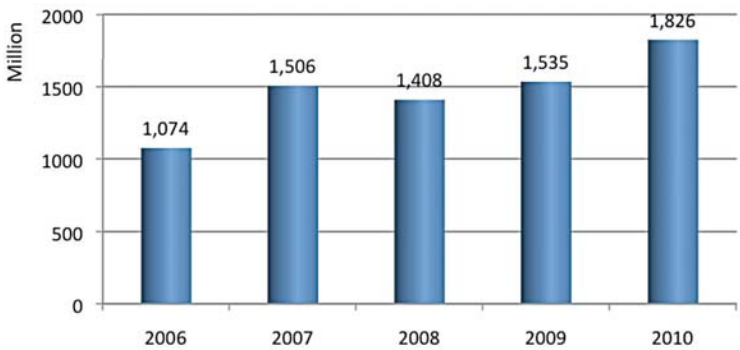
Revenue Distribution



Operational expenses have increased by **13% to N$226.9 million**. This situation can be attributed to increases in, inter alia, depreciation and amortisation of investments in non-current assets, an increase in the defined benefit plan and the costs of additions to permanent staff.

As per chart below total assets have increased to **N$1.83 billion**. This represents a healthy growth of 19%.

Growth in Assets



Investments in systems:

The SAP accounting system was upgraded to the latest version (ECC6) of the SAP system. As a consequence, sub-systems like the treasury system and banking systems are now integrated within the SAP system. Furthermore, we interfaced the Web-Riposte Essential (WRE) point-of-sale system to SAP. This has eliminated a significant amount of manual management of source information resulting in an improvement in the accuracy and availability of information.

We improved our credit management practices by introducing a Credit and Debt Collection Policy. The policy has been implemented during the course of the year.

A project to correct the fixed asset register and to ensure that all NamPost assets are properly tagged and movements are tracked was embarked upon and is expected to be completed by the second half of 2011.

Ambroius Iipinge
GM: Postal Services
Namibia Post

Postal Services

The 2009/2010 financial year saw the advent of important events for Postal Services and allowed stakeholders to take stock of what has been achieved through the implementation of the Postal Services business plan and gave insights to its future strategies.

NamPost being a member of the Universal Postal Union family plays a pivotal role in the global paper-based communication industry and provides a vast array of services to its citizens. In spite of the rapid growth of electronic communication services, the infrastructure for physical communications that is provided by postal services remains an essential element in the exchange of information in Namibia.

The primary goal of the postal network is to ensure easy access to the network for all citizens. The network is relatively developed compared to other countries in the region, and the average post office density (i.e. the number of people to a post office) remains high at 18 000 as opposed to international standard of 12 000 people per post office. We plan to increase the number of outlets to 145 by 2014 to increase access to our services for the Namibian people.

100 000 postal boxes are installed countrywide of which 95% were rented out in 2010 as compared to 93% in 2009. Effort is being made to improve the addressing standards and Postcode systems and to ensure that all Namibians have access to an address.

Prospects

The continued profitability of the Postal business demonstrates that the business model remains sustainable and that our strategy of diversifying revenue streams is bearing fruit. The contribution of the agency business and the financial services to postal services' revenue had grown proportionally and has enabled us to perform well. Notwithstanding the difficult times faced during the financial year, the Postal businesses unit showed resilience in difficult times.

Cost Containment

Reducing costs in line with declining postal revenue and the diversification to other activities have assisted the business unit in achieving its budget in a tough economic environment. Postal tariff increases were kept in line with inflation. Resources were ploughed into IT and physical infrastructure. This supported our goal of providing a communication infrastructure and meeting the Government's Vision 2030.

Postal Service business unit encompasses the following Business Divisions:

- Domestic and International Mail Services
- Hybrid Mail Services
- Post Offices
- Agency Services
- Philately Services

Domestic and International Mail Services

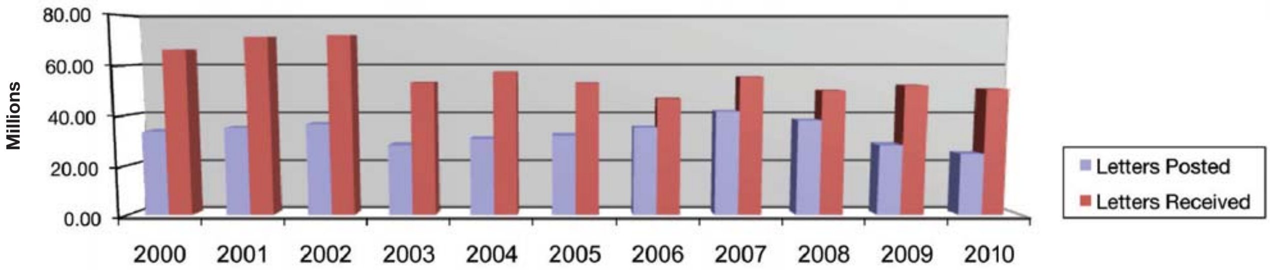
The core business of NamPost, mail, showed an increase in the inbound mail volume as compared to a decline in the inbound mail volume in 2009. A combination of factors such as the impact of the recession and customers choosing other communications explains these trends.

In spite of these trends, the mail business unit continues to be the key revenue generator for NamPost. The following is worth noting:

- While in 2008 to 2009, we witnessed a decline in domestic mail of around 36%, in 2010 mail volume grew by 25% supported by both the business to business mail (B2B), business to consumer (B2C) mail and Hybrid Mail.

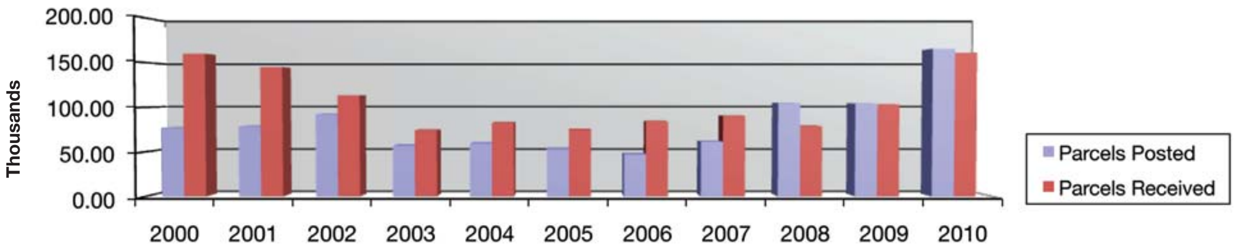
- International inbound mail grew by 17% in 2010, which is lower than the 35% increase of the financial year ended 30 September 2009. Global economic difficulties and consumers opting to utilize other means of communications primarily explain the decline. The creation of the International Mail Processing Centre (IMPC) is expected to assist in maintaining growth in mail revenue streams (see also Chart on next page).

Inbound and Outbound Mail



- A slight increase of 3% was noticed in the inbound parcels. We will be leveraging on this positive trend by introducing a Track and Trace System to allow customers to keep track of their posted parcel. Furthermore, a robust Global Mail Monitoring Services system will be deployed in 2011 to ensure that mail is delivered within the approved Mail delivery Standards for International mail (J+5) and for Domestic Mail (J+3) respectively.

Inbound and Outbound Parcels



Hybrid Mail Services

Hybrid Mail Services combines electronic transmission and a physical delivery that uses a state of the art integrated mailing technology that expedites an institutions invoices or statements to their clients at an affordable price. These are usually time consuming and Hybrid offers a quicker and more efficient methodology.

NamPost accepts an electronic data stream, prints the invoices or statements or letters and marketing information, then folds, inserts, franks and mails the material directly to customers. In the process, an audit trail is left enabling a customer to have control and an accurate costing of the service. The client base for Hybrid Mail Services has grown from 17 in 2009 to 20 in 2010.

Postal Infrastructure

It remains NamPost's strategic intent to increase access of the company's services to the people by expanding the postal infrastructure in line with the available resources. This objective ties in with the National Development Plan (NDP3). As a result, the following new post offices were opened bringing the total number of post offices to 130 in 2010 from 123 in 2009:

- Okondjatu Post Office (Otjozodjupa Region)
- Epukiro Post Office (Omaheke Region)
- Sesfontein Post Office (Kunene Region)
- Okongo Post Office (Ohangwena Region)
- Okuryangava Post Office (Khomas Region)

Agency Services

The Agency division's strategy resulted in significant increase in the sale of some of the products and services, notably the prepaid airtime. We shall continue to build on the successes and strategically position the Division to continue the profitable leveraging of our postal infrastructure.

Two new agency agreements were concluded allowing customers of the following institutions to pay their bills at any post office countrywide.

- Namibia Institute of Pathology (NIP)

NIP

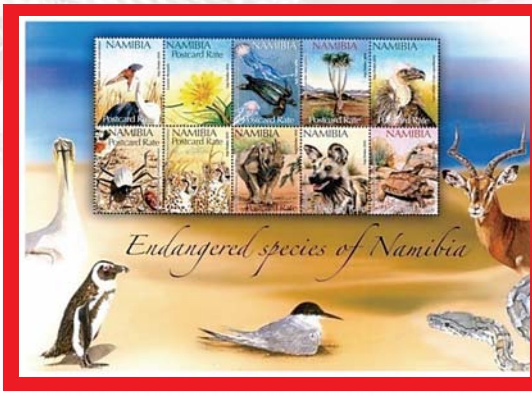
- Namibia Housing Enterprises (NHE)

NHE
Affordable and
Quality Housing

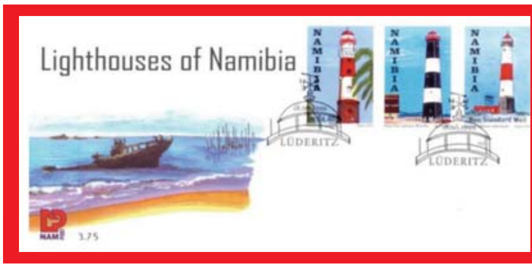
The existing services continued to add significant value to the postal services revenue.

Philately Services

We are proud to have issued a series of commemorative stamps and definitive stamps during the course of the year and the following are some of the highlights.

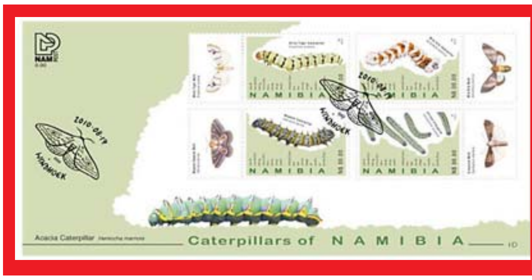


Commemorative stamp of the Endangered Species of Namibia issued on the 8th of February 2010



Stamps celebrating the Lighthouses of Namibia were issued on 18th June 2010.

Never before in the history of the African continent has one sporting event profoundly affected the continent and Southern Africa in particular like the 2010 FIFA World Cup. It is therefore fitting that the Southern African Postal Operators Association's (SAPOA) marked this momentous event with a third SAPOA Joint Stamp issued on the 9th April 2010.



On 1st October 2010 stamps were issued commemorating the Caterpillars of Namibia

Stamps celebrating the 20th anniversary of Namibia were issued and launched by the Hon. Joel Kaapanda, Minister of Information and Communication Technology.

Stamps celebrating the beautifulness of the bustards of Namibia were issued on the 14 April 2010.

Stamps for the centenary of the Christuskirche of Namibia were official launched on 6th August 2010.

Our strategy is to promote and encourage an interest in philately among the youth and in so doing develop stamp collecting as a hobby from an early age.

Product Development

We are pleased to report that the philately division introduced two new products, the tourist pack and the first ever Personalized Stamp on the African continent.

A tourist pack product was launched on 28th April to make life easier for our visitors. The pack included a note pad & pen, an international MTC starter pack with a SIM card and airtime, 20 postcards and 20 stamps.

A first ever personalized stamp in Africa was launched at the Bank Windhoek Kidz Fun Fair on the 18th September 2010.

The Nairobi Postal Strategy of 2009-2012

The Universal Postal Union (UPU) Nairobi Postal Strategy of 2009-2012 lays a solid foundation for global, regional and national designated postal operators. The pillars of the strategy are structured around the following four programmes designed to respond to specific global, regional and national challenges:

- Improving the interoperability, quality and efficiency of the three – dimensional postal network in order to keep the sector relevant to market and customer needs;
- Stimulating a universal postal service that is adapted to the social, economic and technological environment;
- Promoting the sustainable development of the postal sector and its economy;
- Fostering the growth of the postal markets and services.

The above pillars of strategy present an opportunity to reflect on what Postal Services can do to boost the economy in our country and more so the greater regional economic block and beyond.

Pan African Postal Union (PAPU)

Namibia joined the PAPU in 2010, a specialized agency of the African Union (AU) whose mandate is to spearhead the development of postal services in Africa.

Southern Africa Postal Operators Association (SAPOA)

The Southern Africa Development Community Ministers of Information and Communication Technology (ICTs) approved the SAPOA strategic plan for the four years 2008-2012 aimed at addressing key policy decisions affecting the postal sector as well as closing operational gaps identified by designated postal operators.

Three Regional Projects were implemented aimed at eliminating mail delivery inefficiencies and to introduce an affordable regional money transfer system for the mass market.

1. **Quality of Service**
   The programme requires the international mail to be monitored and transmissions to be tested monthly. NamPost has invested N$ 500,000 in the Radio Frequent Identification (RFID) technologies and electronic gates will be installed at the Hosea Kutako Airport and at Mail Centre in Windhoek to further improve mail turnaround times. The project is envisaged to be completed by April 2011.

2. **Regional Money Transfer System**
   Due to the complexity of the project, the preferred approach was to develop a joint project involving the UPU and the South Africa Post Office to develop an interface solution to allow countries to exchange electronic transactions. Good progress has been made in sorting out technical and commercial issues during 2010 and the project is expected to be completed in 2011.

3. **Sub Regional Transport Network**
   This project aims to move mail by road to reduce conveyance charges, transmission times and improve mail security. NamPost and Botswana Post were the first in the region to commence with the project and other countries are expected to follow in 2011. With the introduction of Road Transport, the delivery times between Namibia and Botswana improved from 8 days in 2009 to 4 days 2010. This demonstrates our intention to enhance customer service and operational efficiency.

Wilmarc Lewies
GM: Courier Services
Namibia Post

Courier Services

During the last year, NamPost Courier has consolidated its position as a market leader in the domestic express courier segment. The business posted strong growth in volumes and its bottom line with a 5% increase in total parcels distributed whilst revenue grew by 11%. Total weight carried during the period under review showed 7% growth over the preceding financial year.

With our focus remaining on customer service, we have once again invested heavily in ensuring the continuation of our service by spending approximately N$ 25 million on a brand new fleet of vehicles. This comes three years after we acquired the previous fleet to ensure that the service levels within the business are maintained. Our new fleet carried our new brand image which reflects our passion for delivering our customers' parcels on time and in good condition.

In an attempt to get some much needed feedback from our customers, we have for the first time in many years conducted a Customer Satisfaction Survey. The results of this survey will ensure that we improve in the areas where shortcomings were identified to deliver superior customer service.

For the third year running, NamPost Courier received the Golden Arrow award for the best courier company in the country.

pmr.africa

Golden Arrow

2010

Namibia Country Survey

Leaders and Achievers

Companies and institutions doing most in their sectors over the past months to stimulate the economic growth and development of Namibia

NamPost Courier

Courier Companies

Excellent – 2nd Overall

Rated by random national sample comprising of CEO's, MD's, business owners, company directors, senior national and local government officials based in Namibia

NamPost Courier emerged winners of the prestigious **PMR Award** for **Namibian courier companies**. We had previously won Silver in 2007, Gold in 2008, Gold in 2009 and now Gold in 2010.

As part of our social responsibility initiatives we transported apples across the country through sponsoring the annual Bank Windhoek Apple Project aimed at curbing cancer.

The year ahead promises to be a very exciting year for us as we plan to move into new business avenues whilst embracing technology.

Berlindi Van Eck

GM: Corporate Marketing

Namibia Post

Corporate Marketing

During the period under review the Corporate Marketing department embarked on various strategic projects. Two of the major projects entailed the execution of two companywide national surveys; namely, a Customer Satisfaction survey and Employee Health Check survey. The Customer Satisfaction survey was completed in September 2010 followed by the Employee Health Check results in October 2010.

The third project, Branding and Standardisation of NamPost Post Offices, started in August 2010 with a project time line of 18 months before completion and implementation.

Adforce DDB was retained as an advertisement agent following a competitive tender process. The Agent will render advertising and promotional services to NamPost for a period of three years from April 2010. To this end, the company has already started with strategic engagements with the NamPost business units.

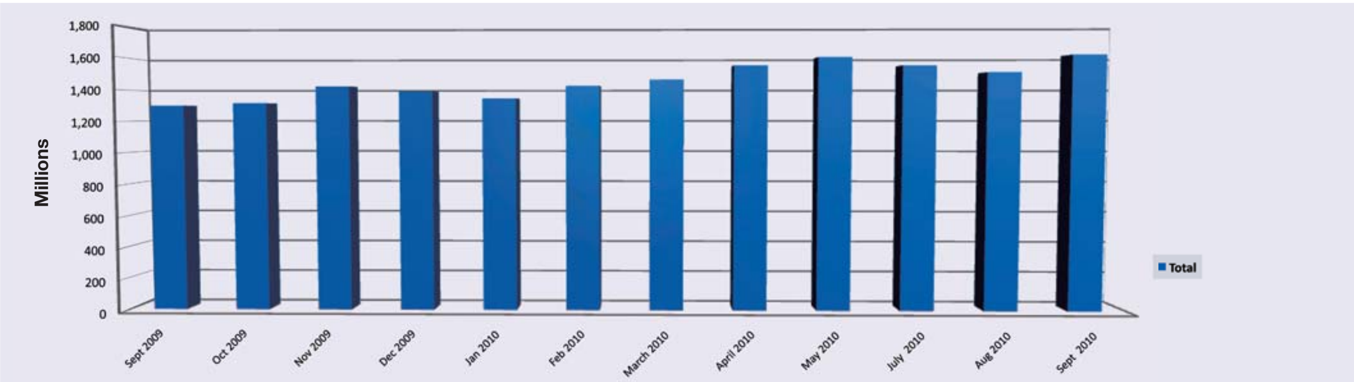
We are also delighted to highlight that many document templates, concepts and designs for various product and service lines to enhance the NamPost Brand have already been designed.

NamPost Savings Bank and Treasury

NamPost Savings Bank provides accessible and affordable banking services to everyone in Namibia on a sustainable basis, using state-of-the-art smart card technology that enables customers to transact securely and conveniently.

During the financial year under review, SmartCard based savings account achieved a portfolio growth of over 13.02%. The value of the investors' book has grown to N$1.6 billion at the end of September 2010 (2009 N$1.3 billion). This reflects a clear continued faith in our product offering and its relevance to its target market.

Liabilities Portfolio - September 2010

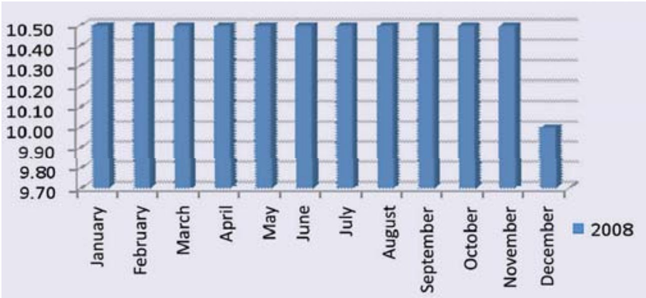


Like many other similar operations, NamPost Savings Bank and Treasury experienced a difficult trading year due to prevailing economic and market conditions. Economic conditions necessitated a reduction in interest rates and the consequently narrowing of margins on deposits (see graphs on page 33)

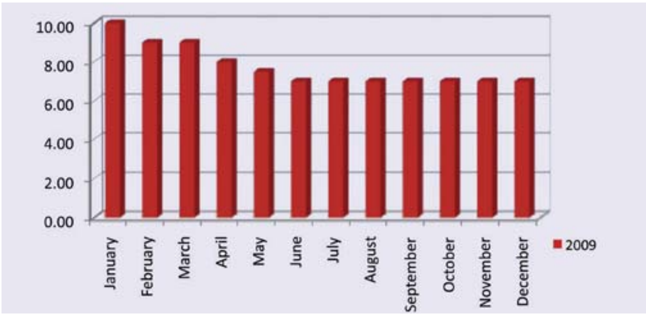
Non-interest income, however, grew significantly by 84.38%. This can be attributed to the 13.02% increase in accountholders as well as the 31.53% increase in transaction volumes. Effective control of our expenses had a positive impact on our profits.

A new SAP Banking and Treasury System was implemented in May 2010 and in June 2010 respectively. The benefits of this system are more efficient work processes, better quality statements and overall better customer service and the system are expected to have a positive impact during the new financial year.

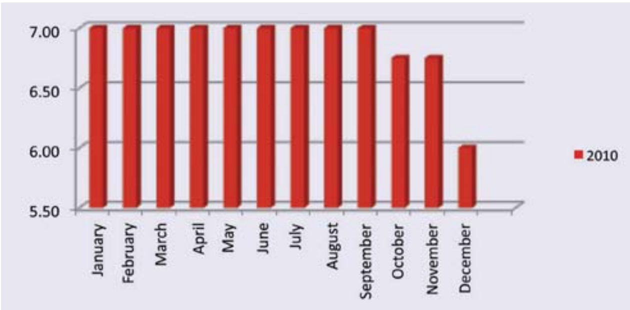
2008 Repo rate



2009 Repo rate



2010 Repo rate



Furthermore, a new Money and Postal Order system at the Main Post Office in Windhoek was introduced and is expected to enhance the internal processes and contribute to the delivery of a better customer service.

Staff training on the use of the new system received preference during the year. Next year, we will embark on an extensive program to train middle management on gaps that have been identified in the individual development plans. We will also concentrate on product knowledge training to ensure our clients receive a better service.

With the introduction of the new Customer Service centre, the Savings Bank has illustrated its commitment to quality customer service. We recognize the customer as the most important visitor to our premises and are committed to fulfil his/her banking needs and expectations.

We have undertaken a project to increase our Point of Sale devices throughout the country that will enable our clients to operate at any given time with their SmartCards.

Sonia Bergh
GM: Human Resources
Namibia Post

Human Resources

HR Admin and Compensation SAP PMS

A SAP Performance Management module was implemented to ensure efficiency and consistency in managing staff performances in NamPost. The new system can also provide reports on overall Company performance and separate reports for departments. Comparative analysis can be done to identify areas of concern or to determine overall improvement of performance.

Industrial Relations

The Company received its AA compliance certificate for 2010, which put it in position to do business with Government and Government owned institutions.

NamPost reviewed and changed the Recognition and Procedural Agreement with the recognized trade union, NAPWU, and the parties signed the new agreement during November 2010.

NamPost successfully concluded substantive wage negotiations within a very short period of time and new salary and benefit increases were implemented accordingly on the 1st of October 2010.

Health and Safety

NamPost implemented a Health and Safety policy and strategy as required. Health and Safety Inspections were done at 126 post Offices across Namibia in order to identify possible risks and problems, and to ensure compliance with legal and other requirements.

HIV/AIDS

NamPost has an approved HIV/Aids policy and participated in several awareness initiatives in this regard. The Company also trained peer educators for all the regions in order to assist employees who need information regarding this.

Policies and Procedures

NamPost embarked on a process to ensure relevant and applicable HR policies and procedures. Thirteen policies were reviewed and approved by the Board of Directors for the financial year under review.

Training and Development

NamPost continuously educates our staff to ensure that we shall:

- Grow and Develop people
- Empower People
- Communicate openly, honestly and effectively
- Take ownership for all actions
- Foster teamwork
- Act with Integrity
- Act with mutual respect
- Care for our employees, customers and stakeholders

While the department experienced a shortage of resources and stringent budget control measures during the financial year under review, funds were allocated to priority areas, among which included the ongoing training and development of staff.

We strive to identify, develop and improve the employees' performance and productivity through training and organisational development. During the course of the year, amongst others, training events in sales, customer care, PC literacy, Treasury and Auditing took place. These activities were carried out in line with the NamPost strategic plan of 2010.

Information and Communication Technology

Replacement of Hardware and Disaster Recovery:

Due to general developments in the business operations NamPost has over the past decades increasingly relied on its IT infrastructure to deliver better services to its customers. It has now been indentified that a more extensive business continuity plan and IT disaster recovery is critical. This initiative is combined with the replacement of aged hardware.

The new infrastructure is mission critical hardware for NamPost and had to be designed to provide resilient, secure and scalable hardware that can host the applications that run the business of NamPost and its subsidiaries.

To migrate from a static ICT environment to a hybrid environment, the solution had to aim at a Unified Storage and Disaster Recovery Infrastructure that had to provide the stated primary objectives. The solution had to include consolidation of the servers onto technologies like virtualizations and consolidate storage onto one single platform that will provide for the required storage per application. Coupled to this, NamPost further intended to achieve a cost effective Disaster Recovery solution that will meet the new hosted environment and needs to be able to scale for future requirements.

New Platform for Banking and Treasury:

In 2006, NamPost embarked on a strategy to ensure dramatic improvements in "the way we work". The company wanted to focus on synergistic opportunities to consolidate systems, data and infrastructure.

This strategy was further imbedded in 2010 with the implementation of a turnkey product for Savings Bank. With the new system, NamPost will achieve increased efficiency in its banking operations, integrated customer service offerings, risk management and compliance measures.

The banking solution offers a single client view across the enterprise and enables customer-centric banking operations for true relationship banking.

Implementation of a Corporate Performance Solution:
Performance appraisals traditionally required a lot of work and co-ordination within NamPost, to such an extent that it took the focus away from the true goal of performance appraisals being organization improvement, employee development and performance management.

Electronic Performance Management was identified as a continuous business improvement initiative whereby immediate benefit could be derived through the implementation of additional SAP functionality. The goal of the project was to enable timeous, accurate and trustworthy delivery of companywide performance reviews and scores. This project was completed late in September 2010 and performance reviews will be done electronically during 2011.

Internal Audit

Internal Audit Department conducted various independent planned and ad-hoc audits during the year under review. The planned risk based audits were conducted, based on an Annual Plan approved by the Board Audit Committee. Substantive reports were submitted to Management, with audit recommendations to address weaknesses that have been identified. The Board Audit Committee was regularly informed of findings, recommendations and management actions on the audits conducted.

The Internal Audit Department has a role of co-ordinating and facilitating the Risk Management Function within NamPost.

A comprehensive and annual Enterprise-Wide Risk Identification Workshop was held on the 4th June 2010. Such Workshop is a prerequisite of Good Corporate Governance. Both Management and the NamPost Board of Directors attended the workshop and constructively identified and debated all high risks that the Company is facing. Risks were then classified and allocated to Departments and their Champions for further management. Risk profiles of each Department are reported and debated on at each EXCO and Board Audit Committee meeting.

Eldorette Harmse
Head Legal & Secretarial Services
Namibia Post

Corporate Governance

Introduction

NamPost remained committed to good corporate governance practices for the period under review. As a State-Owned Enterprise through our corporate governance processes we are vigilant to ensure transparent and accountable stewardship of the Company. We believe that effective corporate governance will attempt to implement the strategic goals of the corporation consistent with maximizing shareholder value.

At NamPost we know that good governance practices not only enhance corporate performance, but it reassures our stakeholders that the company is well run.

Board Structure and Composition

The NamPost Board of Directors was re-appointed by the Shareholder, Namibia Post and Telecom Holdings Limited, for another three year term of office.
All five directors are non-executive directors, their roles can be summarized as follows:

- constructive challenge and help in developing proposals on strategy;
- scrutiny of management's performance in meeting agreed goals and objectives and the monitoring of performance reports;
- satisfying themselves on the integrity of financial information and that controls and risk management systems are robust and defensible.

Role of the Board

The Board plays a vital role in determining the Company's direction, monitoring its performance, overseeing risk and discharging responsibilities to stakeholders. All major decisions (those that change the Company in some fundamental way) must be approved by the Board. The Board executes it main roles and functions adding significant value to the Company by:

- providing entrepreneurial leadership;
- setting strategy;
- ensuring the human and financial resources are available to achieve objectives;
- reviewing management performance;
- setting the company's values and standards;
- ensuring that obligations to shareholders and other stakeholders are understood and met.

The Board holds meetings at which directors can vote on the major issues affecting the company. Directors receive information on these issues and familiarize themselves with the issues before voting. Board meetings are typically held every three months or so, although the Boards may call special meetings for pressing matters, at its discretion.

Board Committees

Board Committees function in terms of the mandate conferred upon them in Committee Charters approved and reviewed from time to time by the Board. The mandates set scope of authority, roles and responsibilities and composition.

The Board of Directors appoints the members of the Board Committees and can at any point in time co-opt external expert support to execute their functions in serving the full Board, where it deems necessary to elicit such expert support.

The Board has established three Committees, namely:

- Board Audit Committee
- Human Resources and Compensation Committee
- Board Investment Committee

Most Board Committee meetings are scheduled around Board meetings in such a way that the Committee Chairman can give a full and timely report to their collegues on the Committee debate and decision making and bring to the Board's attention any issues of note or concern.

Financial and Reporting Controls

A crucial role of the Board is to ensure that adequate internal auditing and control mechanisms are established so that the financial statements produced by senior management accurately reflect the financial performance of the enterprise. The board is responsible for insuring that the Company complies with the applicable financial reporting standards.

Code of Conduct

As part of it corporate governance practices the Board adopted a new Code of Conduct for all its employees. All employees are required to abide by the Company's Code of Conduct which encourages high standards of integrity.

Whistle Blowing Policy

The Board approved a Whistle Blowing Policy as part of its ongoing quest to improve its corporate governance practices. The Board and Management of NamPost are committed to the highest possible standards of openness, probity and accountability. In line with that commitment we encourage employees and others with serious concerns about any aspect of the Company's work to come forward and voice those concerns.

Risk Management Strategy

The Board has overall responsibility for the Company's systems of internal control and risk management and for reviewing their effectiveness. The Board Audit Committee provides oversight and independent challenge in relation to internal control and risk management.

The Board's role includes:

- Setting the Company's risk appetite and overall risk management strategy;
- Developing overall appropriate risk management and governance systems; and
- Establishing and maintaining effective monitoring of internal control systems.

NamPost recognizes, in line with good corporate principles, that Risk Management is an essential part of its planning and business strategy achievements. A risk 'appetite', which refers to an acceptable risk level, is set and monitored in running all aspects of our business. Risks are assessed on an inherent basis and suitable strategies are formulated to bring these individual risks within the set risk appetite. Reporting is on a residual basis, per department within NamPost. The overall risk management strategy as defined in the Risk Management Policy and Framework is defined by the

Board and Management is accountable to the Board for its design, implementation and integration into business activities on a day-to-day basis. The Heads of Departments are the Risk Owners and each department has a designated Risk Champion, who is responsible for maintaining their respective Risk Profiles.

The Policy also directs that an Annual Enterprise Wide Risk Assessment Workshop, attended by both the NamPost Board and Key Managers, is held once per annum. It was during such Workshop, conducted in June 2010, that key risks and their management was discussed by Management and the Board.

External Consultants are also engaged on an ad-hoc basis to independently benchmark and evaluate our Risk Management Policies and Strategies. The Internal Audit Department also evaluates the effectiveness of the Risk Management Process, and send regular reports to the Board Audit Committee.

Risk Monitoring

In terms of the Company's Risk Management Framework and Policy, responsibility for risk self-assessment and management lies with departmental Management. This is typically assigned to the Heads of Department, key managers and Risk Champions. Risks are appropriately identified, evaluated and managed and resources are allocated to support the Risk Management Framework and Policy. An interactive and integrated Risk Database is maintained by the Internal Audit Department, which is also responsible for co-ordination and reporting of the process. Quarterly progress reports are submitted to the Board Audit Committee and the Board.

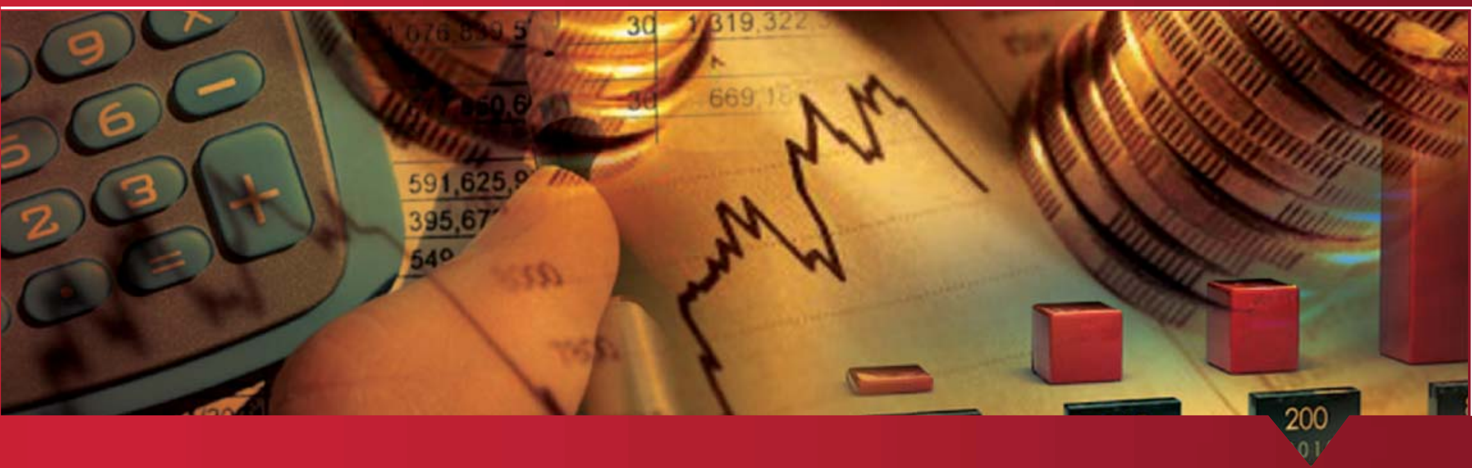
Internal Audit

The Internal Audit Department provides independent and objective assurance to the Board and Management about the appropriateness and adequacy of internal controls in the company. A key competency area of the Internal Audit department is the co-ordination of corporate and company-wide risks. The Head of Internal Audit has unrestricted access to the Chairman of the Board, Board Audit Committee and the Chief Executive Officer. The Board Audit Committee on an annual basis approves the Annual Work Plan of the Internal Audit Department.

Shareholder Communication

Shareholder communication is viewed as essential in order to discharge the Company's responsibility to create shareholder value. Information is communicated to the shareholders and Government, where appropriate, through a number of channels. One such channel is the Annual General Meeting (AGM) of the Company, which is attended not only by Namibia Post and Telecom Holdings (NPTH), the direct sole shareholder, but also by the designated line Minister. At the AGM key areas of the company are highlighted and questions are addressed where raised. The external Auditors are always available at the AGM to address any questions pertaining to the financial status and other relevant areas.

Board of Directors	Board	Audit Committee	Human Resources & compensation	Investment Committee	Other Meetings
Meetings held:	5	3	3	4	3
Attendance:					
Kankondi S I	**(Chairperson)** 5		1		0
Hamutenya N	5	3	2	4	3
Field N	5	**(Chairperson)** 3		**(Chairperson)** 3	3
Nambira N	5		**(Chairperson)** 3	4	2
Mweendeleli B	4		3		2



Financial Statements

Contents

The reports and statements set out below comprise the financial statements presented to the member:

General Information

Country of incorporation and domicile	Namibia
Nature of business and principal activities	Supply of postal services, courier services and savings bank services
Directors	S I Kankondi N Hamutenya N Nambira B Mweendeleli N S B Field
Registered office	Post Office Building Corner Independence Avenue and Daniel Munamava Street Windhoek
Business address	Post Office Building Corner Independence Avenue and Daniel Munamava Street Windhoek
Postal address	P O Box 287 Windhoek Namibia
Holding company	Namibia Post and Telecom Holdings Limited incorporated in Namibia
Bankers	Bank Windhoek Limited Standard Bank of Namibia Limited
Auditors	PricewaterhouseCoopers Chartered Accountants (Namibia) Registered Accountants and Auditors
Secretary	Ms E C Harmse
Company registration number	92/284

Directors' Responsibilities and Approval

The directors are required by the Companies Act of Namibia, 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 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 judgments 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 directors set standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the group and all employees are required to maintain the highest ethical standards in ensuring the group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. While operating risk cannot be fully eliminated, the group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The directors have reviewed the group's cash flow forecast for the year to 30 September 2011 and, in the light of this review and the current financial position, they are satisfied that the group has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the group's financial statements. The financial statements have been examined by the group's external auditors and their report is presented on page 43.

The financial statements set out on page, which have been prepared on the going concern basis, were approved by the directors and were signed on its behalf by:

Director

Director

Windhoek
14 January 2011

PricewaterhouseCoopers
Practise Number 9406
344 Independence Avenue
Windhoek. P.O.Box 1571
Windhoek Namibia
Telephone +264 61 284 1000
Facsmile +264 61 284 1001
www.pwc.com.na

Independent Auditor's Report

To the members of Namibia Post Limited and its subsidiaries

Report on the Financial Statements
We have audited the group financial statements of Namibia Post Limited and its subsidiaries, and the annual financial statements of Namibia Post Limited, which comprise the separate and consolidated statement of financial position as at 30 September 2010, and the separate and consolidated statement of comprehensive income, the separate and consolidated statement of changes in equity and the separate and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 56 to 105 .

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, 1973. 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 auditors' 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 group financial position of Namibia Post Limited and its subsidiaries as at 30 September 2010, and its financial performance and its 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, 1973.

Supplementary Information
We draw your attention to the fact that the supplementary information set out on page does not form part of the annual financial statements and is presented as additional information. We have not audited this information and accordingly do not express an opinion thereon.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants (Namibia)
Registered Accountants and Auditors
Windhoek 14 January 2011

Directors' Report

The directors submit their report for the year ended 30 September 2010.

1. Review of activities

Main business and operations

There were no changes in the nature of the company's and group's business during the year under review.The group is engaged in supply of postal services, courier services and savings bank services and operates principally in Namibia.

The operating results and state of affairs of the company are fully set out in the attached financial statements and do not in our opinion require any further comment.

Net profit of the group was N$ 5,566 million (2009: N$ 7,595 million profit), after taxation of N$ 9,387 million (2009: N$ (5,080) million).

2. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The directors have reviewed the group's cashflow forecast for the year ended 30 September 2011, and in the light of this review and the current financial position, they are satisfied that the group has or has access to adequate resources to continue in operational existence for the foreseeable future.

3. Events subsequent to reporting date

The directors are not aware of any matter that is material to the financial affairs of the company and group arising between the end of the financial year and the date of approval of the annual financial statements.

4. Authorised and issued share capital

There were no changes in the authorised or issued share capital of the group during the year under review.

5. Dividends

No dividends were declared or paid to members during the year. (2009: N$ Nil)

No dividends were declared or paid to shareholders subsequent to year-end. (2009: N$ Nil).

6. Directors

The directors of the company during the year and to the date of this report are as follows:

Name	Nationality
S I Kankondi	Namibian
N Hamutenya	Namibian
N Nambira	Namibian
B Mweendeleli	Namibian
N S B Field	Namibian

Directors' Report

7. Secretary

The secretary of the company is Ms E C Harmse whose business and postal addresses are:

Business address

Post Office Building
Corner Independence Avenue and Daniel Munamava Street
Windhoek

Postal address

P O Box 287
Windhoek

8. Holding company

The company's holding company is Namibia Post and Telecom Holdings Ltd, A company registered in the Republic of Namibia.

9. Auditors

PricewaterhouseCoopers are the current auditors employed for the year ended 30 September 2010.

A decision as to whether PricewaterhouseCoopers will continue in office for the forthcoming financial year will be decided at the annual general meeting to be held in March 2011, in accordance with section 270(2) of the Companies Act.

Statements of Financial Position

		Group		Company	
		2010	2009	2010	2009
Assets	Note	N$ '000	N$ '000	N$ '000	N$ '000
Non-Current Assets					
Property, plant and equipment	3	15,794	17,206	15,007	15,812
Goodwill	4	903	-	-	-
Intangible assets	5	32,562	25,925	29,534	22,657
Investments in subsidiaries	6	-	-	7,339	-
Investment in joint ventures	7	-	-	15,816	22,685
Loans to joint ventures	8	1,908	5,342	-	-
Other financial assets	9	695,770	418,702	695,770	418,702
Deferred tax	11	30,734	38,268	25,982	32,899
		777,671	**505,443**	**789,448**	**512,755**
Current Assets					
Inventories	13	23,888	19,159	23,511	18,265
Other financial assets	9	889,780	921,161	889,780	920,945
Trade and other receivables	14	46,108	43,189	40,920	42,559
Cash and cash equivalents	15	85,081	40,827	82,734	39,989
		1,044,857	**1,024,336**	**1,036,945**	**1,021,758**
Total Assets		**1,822,528**	**1,529,779**	**1,826,393**	**1,534,513**
Equity and Liabilities					
Equity					
Share capital	16	5,075	5,075	5,075	5,075
Reserves		7,894	(4,320)	7,894	(4,320)
Retained income		72,491	66,925	78,654	73,813
		85,460	**67,680**	**91,623**	**74,568**
Liabilities					
Non-Current Liabilities					
Finance lease obligation	18	-	505	-	1,010
Retirement benefit obligation	12	25,213	20,382	25,213	20,382
Deferred tax	11	14,162	6,172	13,063	4,431
Interest bearing borrowings	19	4,881	13,041	4,881	7,732
Savings bank investors	20	69,796	385,621	69,796	389,855
		114,052	**425,721**	**112,953**	**423,410**
Current Liabilities					
Finance lease obligation	18	505	1,280	1,010	2,560
Trade and other payables	21	112,240	92,434	111,482	91,311
Retirement benefit obligation	12	468	385	468	385
Interest bearing borrowings	19	4,436	3,247	2,523	3,247
Savings bank investors	20	1,505,367	939,032	1,506,334	939,032
		1,623,016	**1,036,378**	**1,621,817**	**1,036,535**
Total Liabilities		**1,737,068**	**1,462,099**	**1,734,770**	**1,459,945**
Total Equity and Liabilities		**1,822,528**	**1,529,779**	**1,826,393**	**1,534,513**

Statements of Comprehensive Income

		Group		Company	
	Note	2010 N$ '000	2009 N$ '000	2010 N$ '000	2009 N$ '000
Revenue	23	511,314	450,153	504,167	447,841
Cost of sales	24	(267,425)	(244,532)	(266,191)	(246,029)
Gross profit		**243,889**	**205,621**	**237,976**	**201,812**
Other income		3,126	2,774	2,655	2,719
Operating expenses		(232,432)	(205,412)	(226,920)	(199,722)
Operating profit	25	**14,583**	**2,983**	**13,711**	**4,809**
Finance income	26	1,202	1,474	1,072	1,380
Finance costs	27	(832)	(1,942)	(832)	(1,829)
Profit before taxation		**14,953**	**2,515**	**13,951**	**4,360**
Taxation	28	(9,387)	5,080	(9,110)	4,601
Profit for the year		**5,566**	**7,595**	**4,841**	**8,961**
Other comprehensive income:					
Available-for-sale financial assets adjustments		18,652	9,209	18,652	9,209
Taxation related to components of other comprehensive income		(6,438)	(3,223)	(6,438)	(3,223)
Other comprehensive income for the year net of taxation		**12,214**	**5,986**	**12,214**	**5,986**
Total comprehensive income		**17,780**	**13,581**	**17,055**	**14,947**

Statements of Changes in Equity

	Share capital	Fair value adjustment assets-available-for-sale reserve	Retained income	Total equity
	N$ '000	N$ '000	N$ '000	N$ '000
Group				
Balance at 01 October 2008	**5,075**	**(10,306)**	**59,330**	**54,099**
Changes in equity				
Total comprehensive income for the year	-	5,986	7,595	13,581
Total changes	-	5,986	7,595	13,581
Balance at 01 October 2009	**5,075**	**(4,320)**	**66,925**	**67,680**
Changes in equity				
Total comprehensive income for the year	-	12,214	5,566	17,780
Total changes	-	12,214	5,566	17,780
Balance at 30 September 2010	**5,075**	**7,894**	**72,491**	**85,460**
Note	16	17		
Company				
Balance at 01 October 2008	**5,075**	**(10,306)**	**64,852**	**59,621**
Changes in equity				
Total comprehensive income for the year	-	5,986	8,961	14,947
Total changes	-	5,986	8,961	14,947
Balance at 01 October 2009	**5,075**	**(4,320)**	**73,813**	**74,568**
Changes in equity				
Total comprehensive income for the year	-	12,214	4,841	17,055
Total changes	-	12,214	4,841	17,055
Balance at 30 September 2010	**5,075**	**7,894**	**78,654**	**91,623**
Note	16	17		

Statements of Cash Flows

		Group		Company	
	Note(s)	2010 N$ '000	2009 N$ '000	2010 N$ '000	2009 N$ '000
Cash flows from operating activities					
Cash receipts from customers		480,311	442,686	493,468	439,778
Cash paid to suppliers and employees		(439,250)	(440,545)	(450,057)	(437,062)
Cash generated from operations	30	41,061	2,141	43,411	2,716
Interest income		1,202	1,474	1,072	1,380
Finance costs		(832)	(1,942)	(832)	(1,829)
Net cash from operating activities		**41,431**	**1,673**	**43,651**	**2,267**
Cash flows from investing activities					
Purchase of property, plant and equipment	3	(3,365)	(3,006)	(3,180)	(2,678)
Sale of property, plant and equipment	3; 25	1	2	1	2
Purchase of intangible assets	5	(10,637)	(5,058)	(11,106)	(5,058)
Business combinations	31	89	-	-	-
Loans to group companies repaid		3,434	-	-	-
Loans advanced to group companies		-	(2,194)	-	-
Purchase of financial assets		(226,747)	(118,625)	(227,251)	(118,409)
Net cash from investing activities		**(237,225)**	**(128,881)**	**(241,536)**	**(126,143)**
Cash flows from financing activities					
Movement in interest bearing borrowings		(8,734)	(822)	(3,575)	(2,905)
Movement in savings bank investors		250,510	101,666	247,243	103,866
Finance lease payments		(1,280)	(1,280)	(2,560)	(2,560)
Acquisition of additional shares in subsidiary from non-controlling interest		(448)	-	(448)	-
Increase in loans to joint ventures and subsidiaries		-	-	(30)	(1,540)
Net cash from financing activities		**240,048**	**99,564**	**240,630**	**96,861**
Total cash movement for the year		44,254	(27,644)	42,745	(27,015)
Cash at the beginning of the year		40,827	68,471	39,989	67,004
Total cash at end of the year	15	**85,081**	**40,827**	**82,734**	**39,989**

Notes to the Financial Statements

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with International Financial Reporting Standards, and the Companies Act of Namibia, 1973. The financial statements have been prepared on the historical cost basis, as modified by the revaluation of available-for-sale financial assets.

These accounting policies are consistent with the previous period.

1.1 Consolidation

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and all entities, including special purpose entities, which are controlled by the company.

Control exists when the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries are included in the consolidated financial statements from the effective date of acquisition to the effective date of disposal.

Adjustments are made when necessary to the financial statements of subsidiaries to bring their accounting policies in line with those of the group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Transactions which result in changes in ownership levels, where the group has control of the subsidiary both before and after the transaction are regarded as equity transactions and are recognised directly in the statement of changes in equity.

The difference between the fair value of consideration paid or received and the movement in non-controlling interest for such transactions is recognised in equity attributable to the owners of the parent.

Business combinations

The group accounts for business combinations using the acquisition method of accounting. The cost of the business combination is measured as the aggregate of the fair values of assets given, liabilities incurred or Assumed and equity instruments issued. Costs directly attributable to the business combination are expensed as incurred, except the costs to issue debt which are amortised as part of the effective interest and costs to issue equity which are included in equity.

Contingent consideration is included in the cost of the combination at fair value as at the date of acquisition. Subsequent changes to the assets, liabilities or equity which arise as a result of the contingent consideration are not affected against goodwill, unless they are valid measurement period adjustments.

The acquiree's identifiable assets, liabilities and contingent liabilities which meet the recognition conditions of IFRS 3 Business Combinations are recognised at their fair values at acquisition date, except for non-current assets (or disposal group) that are classified as held-for-sale in accordance with IFRS 5 Non-current Assets Held-For-Sale and discontinued operations, which are recognised at fair value less costs to sell.

Contingent liabilities are only included in the identifiable assets and liabilities of the acquiree where there is a present obligation at acquisition date.

On acquisition, the group assesses the classification of the acquiree's assets and liabilities and reclassifies them where the classification is inappropriate for group purposes. This excludes lease agreements and insurance contracts, whose classification remains as per their inception date.

Non-controlling interest arising from a business combination is measured either at their share of the fair value of the assets and liabilities of the acquiree or at fair value. The treatment is not an accounting policy choice but is selected for each individual business combination, and disclosed in the note for business combinations.

Notes to the Financial Statements

1.1 Consolidation (continued)

In cases where the group held a non-controlling shareholding in the acquiree prior to obtaining control, that interest is measured to fair value as at acquisition date. The measurement to fair value is included in profit or loss for the year. Where the existing shareholding was classified as an available-for-sale financial asset, the cumulative fair value adjustments recognised previously to other comprehensive income and accumulated in equity are recognised in profit or loss as a reclassification adjustment.

Goodwill is determined as the consideration paid, plus the fair value of any shareholding held prior to obtaining control, plus non-controlling interest and less the fair value of the identifiable assets and liabilities of the acquiree.

Goodwill is not amortised but is tested on an annual basis for impairment. If goodwill is assessed to be impaired, that impairment is not subsequently reversed.

Interests in joint ventures

A joint venture is a contractual agreement whereby the group and other parties undertake an economic activity that is subject to joint control, that is when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control.

Jointly controlled entities

Investments in jointly controlled entities are proportionately consolidated from the date on which the group has the power to exercise joint control, up to the date on which the power to exercise joint control ceases. This excludes cases where the investment is classified as held-for-sale in accordance with IFRS 5 Non-current Assets Held-For-Sale and discontinued operations.

The group's share of assets, liabilities, income, expenses and cash flows of jointly controlled entities are combined on a line by line basis with similar items in the consolidated financial statements.

The group's proportionate share of inter-company balances and transactions, and resulting profits or losses between the group and jointly controlled entities are eliminated on consolidation.

When the group loses joint control, the group proportionately reclassifies the related items which were previously accumulated in equity through other comprehensive income to profit or loss as a reclassification adjustment. In such cases, if an investment remains, that investment is measured to fair value, with the fair value adjustment being recognised in profit or loss as part of the gain or loss on disposal.

1.2 Statement of compliance

The financial statements are prepared in compliance with International Financial Reporting Standards (IFRS) and interpretations of those standards, as adopted by the International Accounting Standards Board (IASB) and the requirements of the Companies Act of Namibia.

1.3 Significant judgements

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

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.

Allowance for slow moving, damaged and obsolete stock

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

Notes to the Financial Statements

1.3 (continued)

1.3 Significant judgements (continued)

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the group is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptionsmay change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including production estimates, supply demand, together with economic factors such as interest rates and inflation.

Provision for post retirement medical aid benefits

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

Deferred tax asset

The Group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the group to realise the net deferred tax assets recorded at the balance sheet date could be impacted.

Deferred income

Income from the postal business and courier services is recognised when the services are rendered. Management uses the following to determine the amount of revenue deferred:

Courier services - the number of days it takes to deliver a parcel.

Postage - according to the set standards from the Ministry of Works Transport and communication (1 day delivery for Windhoek, 2 - 3 days outside Windhoek)

Franking fees - the estimated number of days the customer utilises the units.

Notes to the Financial Statements

1.3 (continued)

1.3 Significant judgements (continued)

Discount rates

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

Revenue recognition

The Group uses the percentage-of-completion method in accounting for its rendering of services. Use of the percentage-of-completion method requires the Group to estimate the services performed to date as a proportion of the total services to be performed. In this regard the Group estimates the amount of revenue from postage stamps and courier relating to services still to be provided for and defers recognising that income.

1.4 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- It is probable that future economic benefits associated with the item will flow to the company; and
- The cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The useful lives of items of property, plant and equipment have been assessed as follows.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Furniture, fittings and other equipment	
▪ Furniture and fittings	10 years
▪ Other equipment	4 - 12 years
Motor vehicles	5 -7 years
IT equipment	3 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.5 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Notes to the Financial Statements

1.5 Intangible assets (continued)

Intangible assets are initially recognised at cost.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	5 years

1.6 Investments in subsidiaries

Company financial statements

In the company's separate financial statements, investments in subsidiaries are carried at cost less any accumulated impairment.

The cost of an investment in a subsidiary is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the company; plus
- any costs directly attributable to the purchase of the subsidiary.

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

Notes to the Financial Statements

1.7 Investment in joint ventures

Company financial statements

An investment in a joint venture is carried at cost less any accumulated impairment.

In respect of its interest in jointly controlled assets, the company recognises in its financial statements:

- its share of the jointly controlled assets, classified according to the nature of the assets;
- any liabilities that it has incurred;
- its share of any liabilities incurred jointly with the other venturers in relation to the joint venture;
- any income from the sale or use of its share of the output of the joint venture, together with its share of any expenses incurred by the joint venture; and
- any expenses that it has incurred in respect of its interest in the joint venture.

1.8 Financial instruments

Classification

The group classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Available for sale financial assets

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. For financial instruments which are not at fair value through profit or loss, classification is re-assessed on an annual basis.

Initial recognition and measurement

Financial instruments are recognised initially when the group becomes a party to the contractual provisions of the instruments.

The group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Regular way purchases of financial assets are accounted for at trade date.

Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Available for sale financial assets are subsequently measured at fair value.

Gains and losses arising from changes in fair value are recognised in other comprehensive income until the asset is disposed of or determined to be impaired. Interest on available for sale financial assets calculated using the effective interest method is recognised in profit or loss as part of other income. Dividends received on available for sale equity instruments are recognised in profit or loss as part of other income when the group's right to receive payment is established.

Changes in fair value of available for sale financial assets denominated in a foreign currency are analysed between translation differences resulting from changes in amortised cost and other changes in the carrying amount. Translation differences on monetary items are recognised in profit or loss, while translation differences on non-monetary items are recognised in equity.

Notes to the Financial Statements

1.8 Financial instruments (continued)

Impairment of financial assets

At each statement of financial position date the group assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the group, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available for sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in profit or loss.

Impairment losses are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in profit or loss except for equity investments classified as available for sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Loans to / (from) group companies

These include loans to and from holding companies, fellow subsidiaries, subsidiaries, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

Loans to group companies are classified as loans and receivables.

Loans from group companies are classified as financial liabilities measured at amortised cost.

Loans to shareholders, directors, managers and employees

These financial assets are classified as loans and receivables.

Trade and other receivables

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

Notes to the Financial Statements

1.8 Financial instruments (continued)

Trade and other payables

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the group's accounting policy for borrowing costs.

1.9 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, directly in equity, or
- a business combination.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

Notes to the Financial Statements

1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases – lessee

Finance leases are recognised as assets and liabilities in the balance sheet at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability.The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Operating leases - lessor

Operating lease income is recognised as an income on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Income for leases is disclosed under revenue in the income statement.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

1.11 Inventories

Inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Notes to the Financial Statements

1.12 Impairment of assets

The group assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the group estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the group also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit and
- then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.13 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

If the group reacquires its own equity instruments, the consideration paid, including any directly attributable incremental costs (net of income taxes) on those instruments are deducted from equity until the shares are cancelled or reissued. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the group's own equity instruments. Consideration paid or received shall be recognised directly in equity.

Notes to the Financial Statements

1.14 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected unit credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to the end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

1.15 Provisions and contingencies

Provisions are recognised when:

- the group has a present obligation as a result of a past event;
  it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Provisions are not recognised for future operating losses.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Notes to the Financial Statements

1.16 Revenue

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the balance sheet date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the group;
- the stage of completion of the transaction at the balance sheet date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at balance sheet date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Interest is recognised, in profit or loss, using the effective interest rate method.

Dividends are recognised, in profit or loss, when the company's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Revenue comprises of sales to customers and service rendered to customers. Revenue is stated at the invoice amount and is exclusive of value added taxation.

1.17 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.18 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Namibian Dollars, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At each balance sheet date:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Notes to the Financial Statements

1.18 Translation of foreign currencies (continued)

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised directly in equity, any exchange component of that gain or loss is recognised directly in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

1.19 Financial Liabilities

Deposits from the public represent customers or the public's funds held by Savings bank. These are disclosed as current liabilities unless an investment period of longer than a year has been agreed.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Notes to the Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

IAS 1 (Revised) Presentation of Financial Statements

The main revisions to IAS 1:

- Require the presentation of non-owner changes in equity either in a single statement of comprehensive income or in an income statement and statement of comprehensive income.
- Require the presentation of a statement of financial position at the beginning of the earliest comparative period whenever a retrospective adjustment is made. This requirement includes related notes.
- Require the disclosure of income tax and reclassification adjustments relating to each component of other comprehensive income. The disclosures may be presented on the face of the statement of comprehensive income or in the notes.
- Allow dividend presentations to be made either in the statement of changes in equity or in the notes only.
- Have changed the titles to some of the financial statement components, where the 'balance sheet' becomes the 'statement of financial position' and the 'cash flow statement' becomes the 'statement of cash flows.' These new titles will be used in International Financial Reporting Standards, but are not mandatory for use in financial statements.

The effective date of the standard is for years beginning on or after 01 January 2009.
The group has adopted the standard for the first time in the 2010 financial statements.
The impact of the standard is not material.

IAS 23 (Revised) Borrowing Costs

The revision requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs has been removed.

The effective date of the standard is for years beginning on or after 01 January 2009
The group has adopted the standard for the first time in the 2010 financial statements.
The impact of the standard is not material.

IFRS 8 Operating segments

IFRS 8 replaces IAS 14 Segment Reporting. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes.

The effective date of the standard is for years beginning on or after 01 January 2009.
The group has adopted the standard for the first time in the 2010 financial statements.
The impact of the standard is not material.

Notes to the Financial Statements

2. New standards and interpretations (continued)

IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements Amendment: Puttable Financial Instruments and obligations Arising on Liquidation

The revision requires that certain puttable financial instruments and other instruments that impose on the entity an obligation to deliver a pro rata share of the net assets of the entity on liquidation should be classified as equity if certain conditions are met. Any classifications of such items are to be disclosed in the financial statements, together with information concerning the entity's objectives and policies with regards to managing such obligations.

The effective date of the standard is for years beginning on or after 01 January 2009.
The group has adopted the standard for the first time in the 2010 financial statements.
The impact of the standard is not material.

May 2008 Annual Improvements to IFRS's: Amendments to IFRS 7 Financial Instruments: Disclosures

The amendment relates to changes in the Implementation Guidance of the Standard. 'Total interest income' was removed as a component of finance costs from paragraph IG13. This was to remove inconsistency with the requirement of IAS 1 Presentation of Financial Statements which precludes the offsetting of income and expenses.

The effective date of the amendment is for years beginning on or after 01 January 2009.
The group has adopted the amendment for the first time in the 2010 financial statements.
The impact of the amendment is not material.

May 2008 Annual Improvements to IFRS's: Amendments to IAS 1 Presentation of Financial Statements

The amendment is to clarify that financial instruments classified as held for trading in accordance with IAS 39 Financial Instruments: Recognition and Measurement are not always required to be presentead as current assets/liabilities.

The effective date of the amendment is for years beginning on or after 01 January 2009.
The group has adopted the amendment for the first time in the 2010 financial statements.
The impact of the amendment is not material.

May 2008 Annual Improvements to IFRS's: Amendments to IAS 8 Accounting Policies Changes in Accounting Estimates and Errors

The amendment clarified that Implementation Guidance related to any Standard is only mandatory when it is identified as an integral part of the Standard.

The effective date of the amendment is for years beginning on or after 01 January 2009.
The group has adopted the amendment for the first time in the 2010 financial statements.
The impact of the amendment is not material.

Notes to the Financial Statements

2. New standards and interpretations (continued)

May 2008 Annual Improvements to IFRS's: Amendments to IAS 10 Events after the Reporting Period

The amendment clarified that if dividends are declared (appropriately authorised and no longer at the discretion of the entity) after the reporting period but before the financial statements are authorised for issue, the dividends may not be recognised as a liability as no obligation exists at the reporting date. Thus clarifying that in such cases a liability cannot be raised even if there is a constructive obligation.

The effective date of the amendment is for years beginning on or after 01 January 2009.
The group has adopted the amendment for the first time in the 2010 financial statements.
The impact of the amendment is not material.

May 2008 Annual Improvements to IFRS's: Amendments to IAS 16 Property, Plant and Equipment

The term "net selling price" has been replaced with "fair value less cost to sell" in the definition of recoverable amount.
The effective date of the amendment is for years beginning on or after 01 January 2009.
The group has adopted the amendment for the first time in the 2010 financial statements.
The impact of the amendment is not material.

May 2008 Annual Improvements to IFRS's: Amendments to IAS 16 Property, Plant and Equipment

The amendment requires entities that routinely sell items of property, plant and equipment that they have previously held for rental to others, to transfer such assets to inventories at their carrying amount when they cease to be rented and are held for sale. The proceeds from the sale of such assets should be recognised as revenue in accordance with IAS 18 Revenue. IFRS 5 Non-current Assets Held for Sale and Discontinued Operations does not apply in these situations.

The effective date of the amendment is for years beginning on or after 01 January 2009.
The group has adopted the amendment for the first time in the 2010 financial statements.
The impact of the amendment is not material.

May 2008 Annual Improvements to IFRS's: Amendments to IAS 7 Statement of Cash Flows

Cash payments to manufacture or acquire property, plant and equipment that entities routinely sell and which they have previously held for rentals to others, and cash receipts from rental and sale of such assets are to be included within operating activities.

The effective date of the amendment is for years beginning on or after 01 January 2009.
The group has adopted the amendment for the first time in the 2010 financial statements.
The impact of the amendment is not material.

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Notes to the Financial Statements

2. New standards and interpretations (continued)

May 2008 Annual Improvements to IFRSís: Amendments to IAS 18 Revenue

With regards to financial service fees, the term "direct costs" have been replaced with "transaction costs" as defined in IAS 39 Financial Instruments: Recognition and Measurement. This was in order to remove the Inconsistency for costs incurred in originating financial assets and liabilities that should be deferred and recognised as an adjustment to the underlying effective interest rate

The effective date of the amendment is for years beginning on or after 01 January 2009.
The group has adopted the amendment for the first time in the 2010 financial statements.
The impact of the amendment is not material.

May 2008 Annual Improvements to IFRS's: Amendments to IAS 19 Employee Benefits

With regards to curtailments and negative past service costs clarification has been made that:

- When a plan amendment reduces benefits, the effect of the reduction for future service is a curtailment and the effect of any reduction for past service is a negative past service cost;
- Negative past service cost arises when a change in the benefits attributable to past service results in a reduction in the present value of the defined benefit obligation; and
- A curtailment may arise from a reduction in the extent to which future salary increases are linked to the benefits payable for past service.

The definition of "return on plan assets" has also been amended to require the deduction of plan administration costs only to the extent that such costs have not been reflected in the actuarial assumptions used to measure the defined benefit obligation.

The term "fall due" in the definition of "short term employee benefits" has been replaced with "due to be settled"

The effective date of the amendment is for years beginning on or after 01 January 2009.
The group has adopted the amendment for the first time in the 2010 financial statements.
The impact of the amendment is not material.

May 2008 Annual Improvements to IFRS's: Amendments to IAS 20 Accounting for Government Grants and Disclosure of Government Assistance

The amendment requires that the benefit of loans from Government with a below market rate of interest be accounted for as a government grant, measured as the difference between the initial carrying amount of the loan determined in accordance with IAS 39 Financial Instruments: Recognition and Measurement and the proceeds received.

The terminology in the Standard was also amended to bring it in line with other Standards and Interpretations.

The effective date of the amendment is for years beginning on or after 01 January 2009.
The group has adopted the amendment for the first time in the 2010 financial statements.
The impact of the amendment is not material.

Notes to the Financial Statements

2. New standards and interpretations (continued)

May 2008 Annual Improvements to IFRS's: Amendments to IAS 23 Borrowing Costs (as revised in 2007)
The description of specific components of borrowing costs has been replaced with a reference to the guidance in IAS 39 Financial Instruments: Recognition and Measurement on effective interest rate.

The effective date of the amendment is for years beginning on or after 01 January 2009.
The group has adopted the amendment for the first time in the 2010 financial statements.
The impact of the amendment is not material.

May 2008 Annual Improvements to IFRSís: Amendments to IAS 27 Consolidated and Separate Financial Statements
The amendment requires that investments in subsidiaries, jointly controlled entities and associates accounted for in accordance with IAS 39 Financial Instruments: Recognition and Measurement in the parent's separate financial statements should continue to be measured in accordance with IAS 39 when classified as held for sale (or included in a disposal group classified as held for sale), and not in accordance with IFRS 5 Non-current Assets held for Sale and Discontinued Operations.

The effective date of the amendment is for years beginning on or after 01 January 2009.
The group has adopted the amendment for the first time in the 2010 financial statements.
The impact of the amendment is not material.

May 2008 Annual Improvements to IFRS's: Amendments to IFRS 7 Financial Instruments: Disclosures; IAS 32 Financial Instruments: Presentation; IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures
The amendment adjusted the disclosure requirements of investments in associates and interests in joint ventures which have been designated as at fair value through profit or loss or are classified as held for trading. The amendment provides that only certain specific disclosure requirements of IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures are required together with the disclosures of IFRS 7 Financial Instruments: Disclosures; IAS 32 Financial Instruments: Presentation.

The effective date of the amendment is for years beginning on or after 01 January 2009.

The group has adopted the amendment for the first time in the 2010 financial statements.
The impact of the amendment is not material.

May 2008 Annual Improvements to IFRS's: Amendments to IAS 34 Interim Financial Reporting
The amendment clarifies that the requirement to present information on earnings per share in interim financial reports applies only to entities within the scope of IAS 33 Earnings per Share.

The effective date of the amendment is for years beginning on or after 01 January 2009.

The group has adopted the amendment for the first time in the 2010 financial statements.
The impact of the amendment is not material.

Notes to the Financial Statements

2. New standards and interpretations (continued)

May 2008 Annual Improvements to IFRS's: Amendments to IAS 36 Impairment of Assets

The amendment requires disclosures of estimates used to determine the recoverable amount of cash-generating units containing goodwill or intangible assets with indefinite useful lives. Specifically, the following disclosures are required when discounted cash flows are used to estimate fair value less costs to sell:

- The period over which management has projected cash flows;
- The growth rate used to extrapolate cash flow projections; and
- The discount rate(s) applied to the cash flow projections.

The effective date of the amendment is for years beginning on or after 01 January 2009.
The group has adopted the amendment for the first time in the 2010 financial statements.
The impact of the amendment is not material.

May 2008 Annual Improvements to IFRS's: Amendments to IAS 38 Intangible Assets

The amendments clarify the circumstances in which an entity can recognise a prepayment asset for advertising or promotional expenditure. Recognition of an asset would be permitted up to the point at which the entity has the right to access the goods purchased or up to the point of receipt of services.

In addition, wording perceived as prohibiting the use of the unit of production method if it results in a lower amount of accumulated amortisation than under the straight line method has been removed. Entities may use the unit of production method when the resulting amortisation charge reflects the expected pattern of consumption of the expected future economic benefits embodied in an intangible asset.

The effective date of the amendment is for years beginning on or after 01 January 2009.
The group has adopted the amendment for the first time in the 2010 financial statements.
The impact of the amendment is not material.

May 2008 Annual Improvements to IFRS's: Amendments to IAS 39 Financial Instruments: Recognition and Measurement

IAS 39 prohibits the classification of financial instruments into or out of the fair value through profit or loss category after initial recognition. The amendments set out a number of changes in circumstances that are not considered to be reclassifications for this purpose.

The amendments have also removed references to the designation of hedging instruments at the segment level.
The amendments further clarify that the revised effective interest rate calculated when fair value hedge accounting ceases, in accordance with paragraph 92 IAS 39 should be used for the remeasurement of the hedged item when paragraph AG8 of IAS 39 is applicable.

The effective date of the amendment is for years beginning on or after 01 January 2009
The group has adopted the amendment for the first time in the 2010 financial statements.
The impact of the amendment is not material.

Notes to the Financial Statements

2. New standards and interpretations (continued)

May 2008 Annual Improvements to IFRS's: Amendments to IAS 40 Investment Property and IAS 16 Property, Plant and Equipment

Property being constructed for use as investment property is now classified as investment property and not property, plant and equipment (as previously required). Even if the entity accounts for investment property at fair value, such property may be measured at cost until the earlier of date fair value is determinable or construction is complete.

Some terminology in the Standard has been amended to be consistent with other Standards and Interpretations. In determining the carrying amount of investment property held under a lease and accounted for using the fair value model, the amendment clarified that any lease liability should be added back to the valuation to arrive at the carrying amount, rather than the fair value of the investment property.

The effective date of the amendment is for years beginning on or after 01 January 2009.
The group has adopted the amendment for the first time in the 2010 financial statements.
The impact of the amendment is not material.

IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements: Amendment for determining cost of investment in the separate financial statements on first time adoption

The amendments:

- Allow for the purposes of first time adoption of IFRS, investors to use a deemed cost to measure the initial cost of investments in subsidiaries, jointly controlled entities, and associates in the separate financial statements. This deemed cost is either fair value or the carrying amount under previous accounting practice.
- Require that, when a new parent is formed in a reorganisation, the new parent must measure the cost of its investment in the previous parent at the carrying amount of its share of the equity items of the previous parent at the date of the reorganisation.

The effective date of the amendment is for years beginning on or after 01 January 2009.
The group has adopted the amendment for the first time in the 2010 financial statements.
The impact of the amendment is not material.

IAS 18 Revenue: Consequential amendments

Dividends paid out of pre-acquisition profits are no longer deducted from the cost of the investment.

The effective date of the amendment is for years beginning on or after 01 January 2009.
The group has adopted the amendment for the first time in the 2010 financial statements.
The impact of the amendment is not material.

Notes to the Financial Statements

2. New standards and interpretations (continued)

IAS 21 The Effects of Changes in Foreign Exchange Rates: Consequential amendments

A dividend paid out of pre-acquisition profits is no longer considered to be part of a disposal of an interest in a foreign operation.

The effective date of the amendment is for years beginning on or after 01 January 2009.
The group has adopted the amendment for the first time in the 2010 financial statements.
The impact of the amendment is not material.

IAS 36 Impairment of Assets: Consequential amendments

Under certain circumstances, a dividend received from a subsidiary, associate or joint venture could be an indicator of impairment. This occurs when:

- Carrying amount of investment in separate financial statements is greater than carrying amount of investee's net assets including goodwill in consolidated financial statements or
- Dividend exceeds total comprehensive income of investee in period dividend is declared.

The effective date of the amendment is for years beginning on or after 01 January 2009.
The group has adopted the amendment for the first time in the 2010 financial statements.
The impact of the amendment is not material.

IFRS 3 (Revised) Business Combinations

The revisions to IFRS 3 Business combinations require:

- Acquisition costs to be expensed.
- Non-controlling interest to either be calculated at fair value or at their proportionate share of the net identifiable assets of the acquiree.
- Contingent consideration to be included in the cost of the business combination without further adjustment to goodwill, apart from measurement period adjustments.
- All previous interests in the acquiree to be remeasured to fair value at acquisition date when control is achieved in stages, and for the fair value adjustments to be recognised in profit or loss.
- Goodwill to be measured as the difference between the acquisition date fair value of consideration paid, non-controlling interest and fair value of previous shareholding and the fair value of the net identifiable assets of the acquiree.
- The acquirer to reassess, at acquisition date, the classification of the net identifiable assets of the acquiree, except for leases and insurance contracts.
- Contingent liabilities of the acquiree to only be included in the net identifiable assets when there is a present obligation with respect to the contingent liability.

The effective date of the standard is for years beginning on or after 01 July 2009.
The group has adopted the standard for the first time in the 2010 financial statements.
The impact of the standard is not material.

Notes to the Financial Statements

2. New standards and interpretations (continued)

IAS 27 (Amended) Consolidated and Separate Financial Statements

The revisions require:

- Losses of the subsidiary to be allocated to non-controlling interest, even if they result in the non-controlling interest being a debit balance.
- Changes in level of control without loss of control to be accounted for as equity transactions, without any gain or loss being recognised or any remeasurement of goodwill.
- When there is a change in the level of control without losing control, the group is prohibited from making reclassification adjustments.
- When control is lost, the net identifiable assets of the subsidiary as well as non-controlling interest and goodwill are to be derecognised. Any remaining investment is remeasured to fair value at the date on which control is lost, and a gain or loss on loss of control is recognised in profit or loss.

The effective date of the amendment is for years beginning on or after 01 July 2009.
The group has adopted the amendment for the first time in the 2010 financial statements.
The impact of the amendment is not material.

IAS 7 Statement of Cash Flows: Consequential amendments due to IAS 27 (Amended) Consolidated and Separate Financial Statements

Cash flows arising from changes in level of control, where control is not lost, are equity transactions and are therefore accounted for as cash flows from financing transactions.

The effective date of the amendment is for years beginning on or after 01 July 2009.
The group has adopted the amendment for the first time in the 2010 financial statements.
The impact of the amendment is not material.

IAS 31 Interests in Joint Ventures: Consequential amendments due to IAS 27 (Amended) Consolidated and Separate Financial Statements

When an interest in a joint venture is reduced but joint control is retained, a proportionate share of other comprehensive income must be reclassified to profit or loss.

The effective date of the amendment is for years beginning on or after 01 July 2009.
The group has adopted the amendment for the first time in the 2010 financial statements.
The impact of the amendment is not material.

IAS 12 Income Taxes - consequential amendments due to IAS 27 (Amended) Consolidated and Separate Financial Statements

The amendment is as a result of amendments to IAS 27 Consolidate and Separate Financial Statements. The amendment refers to situations where a subsidiary, on acquisition date, did not recognise a deferred tax asset in relation to deductible temporary differences, because, for example, there may not have been sufficient future taxable profits against which to utilise the deductible temporary differences. If the deferred tax asset subsequently becomes recognisable, the amendment now requires that the deferred tax asset should be recognised against goodwill (and profit or loss to the extent that it exceeds goodwill), only if it results from information in the

Notes to the Financial Statements

2. New standards and interpretations (continued)

measurement period about circumstances that existed at acquisition date. No adjustment may be made to goodwill for information outside of the measurement period.

The effective date of the amendment is for years beginning on or after 01 July 2009.
The group has adopted the amendment for the first time in the 2010 financial statements.
The impact of the amendment is not material.

May 2008 Annual Improvements to IFRSís: Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

The amendment clarifies that assets and liabilities of a subsidiary should be classified as held for sale if the parent is committed to a plan involving loss of control of the subsidiary, regardless of whether the entity will retain a non-controlling interest after the sale.

The effective date of the amendment is for years beginning on or after 01 July 2009.
The group has adopted the amendment for the first time in the 2010 financial statements.
The impact of the amendment is not material.

IAS 39 Financial Instruments: Recognition and Measurement - Amendments for eligible hedged items

The amendment provides clarification on two hedge accounting issues:

- Inflation in a financial hedged item and
- A one sided risk in a hedged item.

The effective date of the amendment is for years beginning on or after 01 July 2009.
The group has adopted the amendment for the first time in the 2010 financial statements.
The impact of the amendment is not material.

Amendments to IAS 24 - Related party disclosures

This amendment provides partial relief from the requirement for government related entities to disclose details of all transactions with the government and other government-related entities. It also clarifies and simplifies the definition of a related party.

The effective date of the standard is for years beginning on or after 01 January 2011.
The group has early adopted the standard for the first time in the 2010 financial statements.
The impact of the standard is not material.

IFRS 9 Financial Instruments

This IFRS is part of the IASB's project to replace IAS 39. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value.

The effective date of the amendment is for years beginning on or after 01 January 2013.
The group will adopt the amendment for the first time in future periods.
The impact of the amendment is not material.

Notes to the Financial Statements

2. New standards and interpretations (continued)

IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments

This IFRIC clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in the profit and loss account based on the fair value of the equity instruments compared to the carrying amount of the debt.

The effective date of the amendment is for years beginning on or after 01 July 2010.
The group expects to adopt the amendment for the first time in the 2011 financial statements.
It is unlikely that the amendment will have a material impact on the company's financial statements.

IFRIC 14 - Pre-payments of a Minimum Funding Requirement

This amendment will have a limited impact as it applies only to companies that are required to make minimum funding contributions to a defined benefit pension plan. It removes an unintended consequence of IFRIC 14 (AC 447) related to voluntary pension prepayments when there is a minimum funding requirement.

The effective date of the amendment is for years beginning on or after 1 January 2011.
The group expects to adopt the amendment for the first time in the 2011 financial statements.
It is unlikely that the amendment will have a material impact on the company's financial statements.

Notes to the Financial Statements

3. Property, plant and equipment

Group	2010			2009		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Furniture and fixtures	27,848	(15,469)	12,379	26,459	(14,691)	11,768
Motor vehicles	1,369	(997)	372	1,189	(900)	289
IT equipment	16,455	(13,412)	3,043	15,988	(10,839)	5,149
Total	**45,672**	**(29,878)**	**15,794**	**43,636**	**(26,430)**	**17,206**

Company	2010			2009		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Furniture and fixtures	24,360	(12,441)	11,919	22,974	(12,235)	10,739
Motor vehicles	1,011	(922)	89	1,011	(884)	127
IT equipment	15,246	(12,247)	2,999	14,810	(9,864)	4,946
Total	**40,617**	**(25,610)**	**15,007**	**38,795**	(22,983)	**15,812**

Reconciliation of property, plant and equipment
Group - 2010

	Opening Balance	Additions	Depreciation	Impairment reversal	Total
Furniture and fixtures	11,768	2,746	(2,820)	685	12,379
Motor vehicles	289	152	(69)	-	372
IT equipment	5,149	467	(2,573)	-	3,043
	17,206	**3,365**	**(5,462)**	**685**	**15,794**

Reconciliation of property, plant and equipment
Group - 2009

	Opening Balance	Additions	Transfers	Depreciation	Impairment reversal	Total
Furniture and fixtures	11,593	2,346	7	(2,283)	105	11,768
Motor vehicles	50	318	-	(79)	-	289
IT equipment	2,524	342	3,677	(1,394)	-	5,149
	14,167	**3,006**	**3,684**	**(3,756)**	**105**	**17,206**

Reconciliation of property, plant and equipment -
Company - 2010

	Opening Balance	Additions	Depreciation	Impairment reversal	Total
Furniture and fixtures	10,739	2,744	(2,249)	685	11,919
Motor vehicles	127	-	(38)	-	89
IT equipment	4,946	436	(2,383)	-	2,999
	15,812	**3,180**	**(4,670)**	**685**	**15,007**

Notes to the Financial Statements

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Company - 2010

	Opening Balance	Additions	Transfers	Depreciation	Impairment reversal	Total
Furniture and fixtures	10,016	2,344	7	(1,733)	105	10,739
Motor vehicles	165	-	-	(38)	-	127
IT equipment	2,109	334	3,677	(1,174)	-	4,946
	12,290	**2,678**	**3,684**	**(2,945)**	**105**	**15,812**

Assets subject to finance lease (Net carrying amount)

	Group		Company	
	2010 N$ '000	2009 N$ '000	2010 N$ '000	2009 N$ '000
Smartcards	8,223	7,277	8,223	7,277

4. Goodwill

Group

	2010			2009		
	Cost	Accumulated impairment	Carrying value	Cost	Accumulated impairment	Carrying value
Goodwill	903	-	903	-	-	-

Reconciliation of goodwill - Group - 2010

	Opening Balance	Additions through business combinations	Total
Goodwill	-	903	903

5. Intangible assets

Group

	2010			2009		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	74,314	(41,752)	32,562	62,854	(36,929)	25,925

Company

	2010			2009		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	68,776	(39,242)	29,534	57,668	(35,011)	22,657

Reconciliation of Intangible assets - Group - 2010

	Opening Balance	Additions	Transfers	Amortisation	Total
Computer software	25,925	10,637	821	(4,821)	32,562

Notes to the Financial Statements

5. Intangible assets (continued)

Reconciliation of intangible assets - Group - 2009

	Opening Balance	Additions	Transfers	Amortisation	Total
Computer software	23,344	8,742	(3,684)	(2,477)	25,925

Reconciliation of intangible assets - Company - 2010

	Opening Balance	Additions	Transfers	Amortisation	Total
Computer software	22,657	10,285	821	(4,229)	29,534

Reconciliation of intangible assets - Company - 2009

	Opening Balance	Additions	Transfers	Amortisation	Total
Computer software	19,551	8,742	(3,684)	(1,952)	22,657

Intangibles include Stratus, Globus, SAP - Banking, SAP - Treasury, SAP, Riposte software and costs associated with the smartcard project.

6. Investments in subsidiaries

Company

	2010	2009	2010	2009
	% holding	% holding	Carrying Amount	Carrying Amount
NamPost Financial Brokers (Pty) Ltd - Share Capital	100.00%	50.00%	1	-
Loan to NamPost Financial Brokers (Pty) Ltd	100.00 %	50.00%	7,338	-
			7,339	-

The carrying amounts of subsidiaries are shown net of impairment losses.

7. Investment in joint ventures

Company

		2010	2009	2010	2009	2010	2009
	Listed / Unlisted	% holding	% holding	Carrying Amount	Carrying Amount	Fair value 2010	Fair value 2009
SmartSwitch Namibia (Pty) Ltd - investment	Unlisted	50.00 %	50.00 %	12,000	12,000	12,000	12,000
SmartSwitch Namibia (Pty) Ltd - loan	Unlisted	50.00%	50.00%	3,816	9,735	3,816	9,735
NamPost Financial Brokers (Pty) Ltd - loan	Unlisted	100.00%	50.00%	-	950	-	950
				15,816	**22,685**	**15,816**	**22,685**

7. Investment in joint ventures (continued)

The carrying amounts of Joint ventures are shown net of impairment losses.
During the year ended 30 September 2010, Namibia Post Limited acquired all the share capital of NamPost Financial Brokers (Pty) Ltd. NamPost Financial Brokers (Pty) Ltd is now classified as a subsidiary of Namibia Post Limited.

8. Loans to joint ventures

	Group		Company	
	2010 N$ '000	2009 N$ '000	2010 N$ '000	2009 N$ '000
SmartSwitch Namibia (Pty) Ltd	1,908	4,867	-	-
NamPost Financial Brokers (Pty) Ltd	-	475	-	-
	1,908	**5,342**	-	-

As of 30 September 2010, the loans attracted interest of 9.5% (2009: 10.5%), which represents the prime lending rate as qouted by Nedbank. The loans are unsecured.

Repayments of capital and interest previously accrued on these loans have commenced in accordance with an approved repayment schedule during July 2010.

9. Other financial assets

	Group		Company	
	2010 N$ '000	2009 N$ '000	2010 N$ '000	2009 N$ '000
Available-for-sale				
Listed shares	167	480	167	480
The listed investment comprises of shares in Sanlam Limited (11,191 shares) and Old Mutual Plc (14,400 shares)				
Unit trusts	650,125	608,978	650,125	608,978
Bonds	699,325	321,006	699,325	321,006
Fixed term deposits and call accounts	235,933	216	235,933	-
	1,585,550	**930,680**	**1,585,550**	**930,464**
Loans and receivables				
Investment in preference shares	-	409,183	-	409,183
Total other financial assets	**1,585,550**	**1,339,863**	**1,585,550**	**1,339,647**

Notes to the Financial Statements

9. Other financial assets (continued)

N$9 million of government bonds have been pledged as security for the Development Bank of Namibia loan.
None of the available-for-sale investments above are either past due or impaired.

	Group		Company	
	2010 N$ '000	2009 N$ '000	2010 N$ '000	2009 N$ '000
Non-current assets				
Available-for-sale	695,770	9,519	695,770	9,519
Loans and receivables	-	409,183	-	409,183
	695,770	**418,702**	**695,770**	418,702
Current assets				
Available-for-sale	889,780	921,161	889,780	920,945
	1,585,550	**1,339,863**	**1,585,550**	**1,339,647**

The fair values of the financial assets were determined as follows:

- the fair values of listed or quoted investments are based on the quoted market price.
- Fair values are determined annually at balance sheet date.

Fair value hierarchy of financial assets

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements.

Level 1 represents those assets which are measured using unadjusted quoted prices for identical assets.

Level 2 applies inputs other than quoted prices that are observable for the assets either directly (as prices) or indirectly (derived from prices).

Level 3 applies inputs which are not based on Observable market data.

	Group		Company	
	2010 N$ '000	2009 N$ '000	2010 N$ '000	2009 N$ '000
Level 1				
Listed shares	167	480	167	480
Unit Trusts	650,125	608,978	650,125	608,978
Preference shares	-	409,183	-	409,183
	650,292	**1,018,641**	**650,292**	**1,018,641**
Level 2				
Bonds	699,325	321,006	699,325	321,006
Fixed term deposits and call accounts	235,933	216	235,933	-
	935,258	**321,222**	**935,258**	**321,006**
	1,585,550	**1,339,863**	**1,585,550**	**1,339,647**

Notes to the Financial Statements

9. Other financial assets (continued)

Credit quality of other financial assets

Available-for-sale financial assets

	Group		Company	
	2010 N$ '000	2009 N$ '000	2010 N$ '000	2009 N$ '000
Credit rating Bank Windhoek Limited A1+ (Moody's credit rating)	205,958	20,922	205,958	20,922
First National Bank AA+ (Fitch credit rating)	79,371	35,619	79,371	35,619
Standard Bank Namibia Limited BBB+ (Fitch credit rating)	98,373	105,819	98,373	105,819
Namibian Government BBB- (Fitch credit rating)	315,744	9,640	315,744	9,640
Entities with no credit rating	886,104	758,680	886,104	758,464
	1,585,550	**930,680**	**1,585,550**	**930,464**

Loans and receivables

	Group		Company	
Credit rating				
Namibian Government - BBB- (Fitch credit rating)	-	62,748	-	62,748
Entities with no credit rating		346,435		346,435
	-	**409,183**	-	**409,183**

There is no history of defaults from the above counterparties.

Other financial assets consists of:

	Group 2010	Group 2009	Company 2010	Company 2009
Available-for-sale financial assets	1,585,550	930,680	1,585,550	930,464
Loans and receivables	-	409,183	-	409,183
	1,585,550	**1,339,863**	**1,585,550**	**1,339,647**

The credit quality of financial assets that are Neither past due nor impaired can be Assessed by reference to external credit Ratings (if available) or to historical information about counterparty default rates.

Notes to the Financial Statements

10. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

	Loans and receivables	Available for sale	Total
Group - 2010			
Loans to group companies	1,908	-	1,908
Trade and other receivables (Excluding prepayments and VAT)	44,009	-	44,009
Cash and cash equivalents	85,081	-	85,081
Available-for-sale investments	-	1,585,550	1,585,550
	130,998	**1,585,550**	**1,716,548**
Group - 2009			
Loans to group companies	5,342	-	5,342
Trade and other receivables (Excluding prepayments and VAT)	41,416	-	41,416
Cash and cash equivalents	40,827	-	40,827
Available-for-sale investments	-	930,680	930,680
Investment in preference shares	409,183	-	409,183
	496,768	**930,680**	**1,427,448**
Company - 2010			
Loans to joint ventures	3,816	-	3,816
Loans to subsidiaries	7,338	-	7,338
Trade and other receivables (Excluding prepayments and VAT)	39,043	-	39,043
Cash and cash equivalents	82,734	-	82,734
Available-for-sale investments	-	1,585,550	1,585,550
	132,931	**1,585,550**	**1,718,481**
Company - 2009			
Loans to joint ventures	10,685	-	10,685
Trade and other receivables (Excluding prepayments and VAT)	41,051	-	41,051
Cash and cash equivalents	39,989	-	39,989
Available-for-sale investments	-	930,464	930,464
Investment in preference shares	409,183	-	409,183
	500,908	**930,464**	**1,431,372**

	Group		Company	
	2010 N$ '000	2009 N$ '000	2010 N$ '000	2009 N$ '000
11. Deferred tax				
Deferred tax asset / (liabilities)				
Accelerated capital allowances for tax purposes	(7,763)	(4,331)	(7,150)	(4,242)
Retirement benefit obligation	8,732	7,268	8,732	7,268
Provisions and allowances	7,899	6,938	7,899	6,881
Fair value adjustments	(4,042)	2,396	(4,042)	2,396
Tax losses available for set off against future taxable income	8,601	16,814	4,383	12,163
Income received in advance	4,625	3,069	4,625	2,942
Finance lease liabilities	343	1,249	343	1,249
Other	(1,823)	(1,307)	(1,871)	(189)
	16,572	**32,096**	**12,919**	**28,468**
Reconciliation of deferred tax asset (liability)				
At beginning of the year	32,096	27,331	28,468	24,182
Increase (decrease) in tax losses available for set off against future taxable income	(8,213)	2,025	(7,780)	1,923
Originating temporary difference on tangible fixed assets	(3,432)	(448)	(2,907)	(661)
Originating temporary difference on retirement benefit obligation	1,464	926	1,464	926
Originating temporary difference on fair value adjustments	(6,438)	(408)	(6,438)	(316)
Originating temporary differences on provisions and accruals	1,006	2,881	1,018	2,886
Originating differences on finance lease liabilities	(906)	(786)	(906)	(786)
Other	995	575	-	314
	16,572	**32,096**	**12,919**	**28,468**
Deferred tax is disclosed as follows:				
Non-current assets	30,734	38,268	25,982	32,899
Non-current liabilities	(14,162)	(6,172)	(13,063)	(4,431)
	16,572	**32,096**	**12,919**	**28,468**

Recognition of deferred tax asset

An entity shall disclose the amount of a deferred tax asset and the nature of the evidence supporting its recognition, when:

- The utilisation of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences; and
- The entity has suffered a loss in either the current or preceding period in the tax jurisdiction to which the deferred tax asset relates.

Use and sales rate

The deferred tax rate applied to the fair value adjustments of financial assets is determined by the expected manner of recovery. In Namibia, no capital gains tax is applicable, hence a standard rate of 34% (2009 : 35%) is applied irrespective of the manner of recovery.

The deferred tax on the fair value adjustments on investment properties/financial assets comprises of:
N$ 6,438 million (2009 : N$ 3,223 million) at the normal tax rate.

Notes to the Financial Statements

12. Retirement benefits

Defined benefit plan

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

The plan is a final post employment medical benefit plan.

	Group		Company	
	2010 N$ '000	2009 N$ '000	2010 N$ '000	2009 N$ '000
Carrying value				
Present value of the defined benefit obligation-wholly unfunded	(25,681)	(20,767)	(25,681)	(20,767)
Non-current liabilities	(25,213)	(20,382)	(25,213)	(20,382)
Current liabilities	(468)	(385)	(468)	(385)
	(25,681)	**(20,767)**	**(25,681)**	**(20,767)**
Movements for the year				
Opening balance	(20,767)	(18,121)	(20,767)	(18,121)
Benefits paid	468	372	468	372
Net expense recognised in profit or loss	(5,382)	(3,018)	(5,382)	(3,018)
	(25,681)	**(20,767)**	**(25,681)**	**(20,767)**
Net expense recognised in the Income statement				
Current service cost	(1,033)	(861)	(1,033)	(861)
Interest cost	(2,180)	(1,785)	(2,180)	(1,785)
Actuarial losses	(1,394)	(1,147)	(1,394)	(1,147)
Miscellaneous items	(775)	775	(775)	775
	(5,382)	**(3,018)**	**(5,382)**	**(3,018)**
Key assumptions used				
Assumptions used on last valuation on 30 September 2010	.			
Normal retirement age	60	60	60	60
Expected average retirement age	59	59	59	59
Discount rates used	7.98 %	10.12 %	7.98 %	10.12 %
Health care cost inflation	5.98 %	8.12 %	5.98 %	8.12 %

Pension fund

At the financial year-end, all the permanent employees of the company were members of the Napotel Pension Fund, a defined contribution fund, governed by the Pension Fund Act no. 24 of 1956. Employees' contributions amount to 7% of basic salary and the company's contribution amounts to 16% of basic salary.

The Napotel Pension Fund converted from a defined benefit plan to a defined contribution plan with effect 1 October 1997. A statutory actuarial valuation was carried out as at 30 September 2009, which indicated that the fund was in a sound financial position. In addition a financial review was performed in 2008 which indicated that the fund was in a sound financial position. Such financial reviews are performed every three years.

13. Inventories	Group 2010 N$ '000	Group 2009 N$ '000	Company 2010 N$ '000	Company 2009 N$ '000
Goods for resale	16,430	12,459	16,430	12,459
Stamps	2,470	2,524	2,470	2,524
Stationery	3,563	1,954	3,563	1,954
Smartcards on hand	287	207	287	207
Other inventories for sale	1,138	2,015	761	1,121
	23,888	**19,159**	**23,511**	**18,265**

Smartcards on hand included in inventory, are stated at net realisable value.

14. Trade and other receivables

	Group 2010	Group 2009	Company 2010	Company 2009
Trade receivables	36,561	29,986	31,712	29,621
Employee loans	1,286	3,199	1,286	3,199
Prepayments	1,903	1,602	1,690	1,337
Deposits	10	-	-	-
VAT	196	171	187	171
Interest receivable	65	51	65	51
Other receivables	5,984	8,180	5,980	8,180
Investment in International Mail Processing Centre	103	-	-	-
	46,108	**43,189**	**40,920**	**42,559**

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (If available) or to historical information about

Trade receivables

Counterparties without external credit rating

	Group 2010	Group 2009	Company 2010	Company 2009
State Owned Entities (existing clients with no history of defaults)	4,061	748	4,061	748
State Owned Entities (existing clients with history of defaults)	520	170	520	170
Government departments (existing clients with no history of defaults)	6,305	976	6,305	976
Government departments (existing clients with history of defaults)	6,928	1,260	6,928	1,260
Big corporate clients (existing clients with no history of defaults)	9,942	5,437	9,942	5,351
Big corporate clients (existing clients with history of defaults)	5,675	1,686	5,675	1,686
Private individuals (existing clients with no history of defaults)	6,933	2,261	6,933	2,261
Private individuals (existing clients with history of defaults)	5,744	30,651	556	30,107
	46,108	43,189	40,920	42,559

Notes to the Financial Statements

14. Trade and other receivables (continued)

Trade and other receivables past due but not impaired

The ageing of amounts past due but not Impaired is as follows:

	Group		Company	
	2010 N$ '000	2009 N$ '000	2010 N$ '000	2009 N$ '000
1 month past due	6,938	5,466	6,938	5,362
2 months past due	3,951	3,079	3,951	3,077
3 months past due	11,001	9,150	6,152	8,980
	21,890	**17,695**	**17,041**	**17,419**

Trade and other receivables impaired

As of 30 September 2010, trade and other receivables of N$ 14,671 million (2009: N$ 13,208 million) were impaired and provided for.

The amount of the provision was N$ 14,671 million as of 30 September 2010 (2009: N$ 13,208 million).

The ageing of these receivables is as follows:

	Group		Company	
	2010 N$ '000	2009 N$ '000	2010 N$ '000	2009 N$ '000
3 to 6 months	14,671	13,208	14,671	13,208
Reconciliation of provision for impairment of trade and other receivables				
Opening balance	13,208	7,935	13,208	7,915
Provision for impairment	6,767	5,273	6,767	5,293
Amounts written off as uncollectable	(5,304)		(5,304)	-
	14,671	**13,208**	**14,671**	**13,208**

The creation and release of provision for impaired receivables have been included in operating expenses in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The group does not hold any collateral as security.

15. Cash and cash equivalents

Cash and cash equivalents consist of:

	Group		Company	
	2010 N$ '000	2009 N$ '000	2010 N$ '000	2009 N$ '000
Cash on hand	16,803	3,687	16,697	3,315
Bank balances	68,278	37,140	66,037	36,674
	85,081	**40,827**	**82,734**	**39,989**

15. Cash and cash equivalents (continued)

	Group		Company	
	2010 N$ '000	2009 N$ '000	2010 N$ '000	2009 N$ '000
Cash and cash equivalents held by the entity belonging to Savings bank customers and are not available for use by the group.	12,259	12,298	12,259	12,298

The company has a bank overdraft facility of N$15,000,000 (2009: N$15,000,000) applicable To all the current accounts on an aggregate balance.

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counter party default rates:

	Group		Company	
	2010 N$ '000	2009 N$ '000	2010 N$ '000	2009 N$ '000
Credit rating				
Standard Bank Namibia Limited - BBB+(Fitch credit rating)	64,914	31,892	62,846	31,892
Bank Windhoek Limited - A1+ (Moody's credit rating)	3,191	5,126	3,191	4,782
Nedbank Namibia Limited - BBB (Fitch credit rating)	173	122	-	-
	68,278	**37,140**	**66,037**	**36,674**

16. Share capital

	Group		Company	
Authorised				
50,000,000 Ordinary shares of N$1 each	50,000	50,000	50,000	50,000
Issued				
Ordinary	5,075	5,075	5,075	5,075

17. Fair value adjustment assets-available-for-sale reserve

The fair value adjustment assets available-for-sale reserve comprises all fair value adjustmens on available for sale financial instruments. When an asset or liability is derecognised, the fair value adjustment relating to that asset or liability is transferred to profit or loss.

	Group		Company	
	2010 N$ '000	2009 N$ '000	2010 N$ '000	2009 N$ '000
Available-for-sale financial instruments	7,894	(4,320)	7,894	(4,320)

Notes to the Financial Statements

	Group		Company	
	2010 N$ '000	2009 N$ '000	2010 N$ '000	2009 N$ '000
18. Finance lease obligation				
Minimum lease payments due				
- within one year	520	1,440	1,040	2,880
- in second to fifth year inclusive	-	520	-	1,040
	520	1,960	1,040	3,920
less: future finance charges	(15)	(175)	(30)	(350)
Present value of minimum lease payments	**505**	**1,785**	**1,010**	**3,570**
Non-current liabilities	-	505	-	1,010
Current liabilities	505	1,280	1,010	2,560
	505	**1,785**	**1,010**	**3,570**

A rental agreement exist between Namibia Post Limited and SmartSwitch Namibia (Pty) Ltd. The substance of the agreement is a finance lease. The rentals were discounted over a period of 5 years at 11.25% (2009: 11.25%). The installment is N$240 000 (2009: N$240 000) per month. The liability is unsecured.

19. Interest bearing borrowings

A loan was taken out with Kreditanstalt für Wiederaufbau ("KfW"). The loan is issued in Euros and is repayable in half yearly installments of 15,000 Euros commencing 30 June 2015. The initial amount borrowed was 883,767 Euros. The loan accrues interest at 0.75%. The effective interest rate (based on the market rates) on the loan is 4% (2009: 4%). The loan is unsecured.

A second loan was taken out with Development Bank of Namibia. At year-end the average interest rate was 9.00% (2008: 9.25%) and is repayable in monthly installments of N$324 069 (2009: N$324,069). Interest is charged at prime less 2.25%. The loan has a grace period for repayment of 12 months. The loan is secured by government bonds to the value of N$9 million.

The group has a loan payable to Net1 U.E.P.S which is a shareholder of SwartchSwitch Namibia Limited. The loan attracts interest of 9.5% (2009: 10.5%). Repayments of the capital and interest previously accrued has commenced according to an approved repayment schedule during July 2010. The carrying value of the loan approximates its fair value.

	Group		Company	
	2010 N$ '000	2009 N$ '000	2010 N$ '000	2009 N$ '000
Kreditanstalt für Wiederaufbau ("KfW")				
Total amount outstanding (Non-current)	4,881	5,422	4,881	5,422
Movement in Kreditanstalt für Wiederaufbau ("KfW") loan				
Opening balance	5,422	5,766	5,422	5,766
Interest expense	192	242	192	242
Foreign exchange (gains)	(733)	(586)	(733)	(586)
	4,881	**5,422**	**4,881**	**5,422**

Notes to the Financial Statements

19. Interest bearing borrowings (continued)

	Group		Company	
	2010 N$ '000	2009 N$ '000	2010 N$ '000	2009 N$ '000
Development Bank of Namibia Loan				
Total amount outstanding	2,523	5,557	2,523	5,557
Short-term portion (disclosed under current)	(2,523)	(3,247)	(2,523)	(3,247)
Non-current liability portion	**-**	**2,310**	**-**	**2,310**
Net1 U.E.P.S loan				
Opening balance	4,873	4,578	-	-
Interest accrued	192	295	-	-
Repayments made	(3,152)	-	-	-
Closing balance	**1,913**	**4,873**	-	-
Net1 U.E.P.S loan is disclosed as follows				
Non-current liabilities	-	4,873	-	-
Current liabilities	1,913	-	-	-
	1,913	**4,873**	**-**	**-**
Other immaterial loans				
Non-current portion	-	436	-	-

Notes to the Financial Statements

20. Savings bank investors

	Group		Company	
	2010 N$ '000	2009 N$ '000	2010 N$ '000	2009 N$ '000
Savings accounts	285,743	288,631	285,743	288,631
Savings certificates	-	28,936	-	28,936
Save-as-you-earn	1,187	924	1,187	924
Fixed term deposits	1,254,277	1,006,162	1,255,244	1,010,396
Call and Notice accounts	7,006	-	7,006	-
Mychoice accounts	26,950	-	26,950	-
	1,575,163	**1,324,653**	**1,576,130**	**1,328,887**

Savings certificates have been discontinued during the year ended 30 september 2010. They have been replaced with various call and notice products.

The current and long-term splits are as follows:

Non-current portion	69,796	385,621	69,796	389,855
Current portion	1,505,367	939,032	1,506,334	939,032
	1,575,163	**1,324,653**	**1,576,130**	**1,328,887**

21. Trade and other payables

Trade payables	27,616	27,488	27,514	27,059
Amounts received in advance	7,073	4,818	7,073	4,456
VAT	54	115	-	-
Sundry creditors	18,345	11,625	17,819	11,625
Payables to fellow subsidiaries and holding companies	3,334	3,133	3,334	3,133
Payroll related accruals	13,083	12,924	13,083	12,924
Sundry accruals	76	217	-	-
Agency creditors	42,659	32,114	42,659	32,114
	112,240	**92,434**	**111,482**	**91,311**

	Group		Company	
	2010 N$ '000	2009 N$ '000	2010 N$ '000	2009 N$ '000
22. Financial liabilities by category The accounting policies for financial Instruments have been applied to the line items below:	Financial liabilities at amortised cost	Fair value through profit or loss - held for trading	Fair value through profit or loss - designated	Total
Group - 2010				
Interest bearing borrowings	9,317	-	-	9,317
Trade and other payables	112,240	-	-	112,240
Savings bank investors	1,575,163	-	-	1,575,163
	1,696,720	-	-	**1,696,720**
Group - 2009				
Interest bearing borrowings	16,288	-	-	16,288
Trade and other payables	92,434	-	-	92,434
Savings bank investors	1,324,653	-	-	1,324,653
	1,433,375	-	-	**1,433,375**
Company - 2010				
Interest bearing borrowings	7,404	-	-	7,404
Trade and other payables	111,482	-	-	111,482
Savings bank investors	1,576,130		-	1,576,130
	1,695,016	-	-	**1,695,016**
Company - 2009				
Interest bearing borrowings	10,979	-	-	10,979
Trade and other payables	91,311	-	-	91,311
Savings bank investors	1,328,887	-	-	1,328,887
	1,431,177	-	-	**1,431,177**
23. Revenue				
Sale of goods	150,539	118,160	150,539	118,160
Rendering of services	351,064	322,940	343,918	320,628
Agency fees	9,711	9,053	9,710	9,053
	511,314	**450,153**	**504,167**	**447,841**

Notes to the Financial Statements

	Group		Company	
	2010 N$ '000	2009 N$ '000	2010 N$ '000	2009 N$ '000
24. Cost of sales				
Sale of goods				
Cost of goods sold	135,809	106,819	135,809	106,819
Philately sales	230	432	230	432
Distribution costs	3,441	3,993	3,441	3,993
Other	8,607	9,175	7,644	8,887
	148,087	**120,419**	**147,124**	**120,131**
Rendering of services				
Savings bank interest expense	110,321	120,608	110,321	122,393
Other	9,017	3,505	8,746	3,505
	119,338	**124,113**	**119,067**	**125,898**
	267,425	**244,532**	**266,191**	**246,029**
25. Operating profit				
Operating profit for the year is stated after accounting for the following:				
Operating lease charges				
Contractual amounts				
▪ Premises	14,507	13,549	14,351	13,401
▪ Motor vehicles	10,103	10,224	10,103	10,214
▪ Equipment	1,411	1,525	1,351	1,525
	26,021	**25,298**	**25,805**	**25,140**
Net gains (losses) on financial instruments:				
Profit on sales of available-for-sale financial assets.	1,841	13,649	1,841	13,649
Interest income from available-for-sale investments	119,930	137,350	119,930	137,350
Savings bank fee income	29,982	16,258	29,982	16,258
Interest expense	(110,321)	(122,393)	(110,321)	(122,393)
Profit on sale of property, plant and equipment	1	2	1	2
Profit share from International Mail Processing Centre	103	-	-	-
Reversal of impairment on property, plant and equipment	685	35	685	35
Profit on exchange differences	718	778	718	833
Amortisation on intangible assets	3,949	2,189	3,358	1,663

	Group		Company	
	2010 N$ '000	2009 N$ '000	2010 N$ '000	2009 N$ '000
25. Operating profit (continued)				
Depreciation on property, plant and equipment	6,265	3,894	5,473	3,084
Employee costs	121,133	104,763	119,222	102,687
Expenses by nature				
Consultancy and professional fees	3,975	5,278	3,355	5,167
Cost of MTC, Leo and Telecom telecards	135,809	106,819	135,809	106,819
Depreciation and amortisation	10,214	6,083	8,831	4,747
Employee costs	121,133	104,763	119,224	102,235
I.T. expenses	10,314	11,706	10,314	11,706
Motor vehicle expenses	11,883	11,173	11,883	11,173
Other operating expenses	57,281	42,203	54,663	42,143
Operating lease rentals	26,021	25,298	25,805	25,140
Provision for bad debts	3,127	5,293	3,127	5,293
Savings bank interest expense	110,321	122,393	110,321	122,393
Security and utilities	9,779	8,935	9,779	8,935
	499,857	**449,944**	**493,111**	**445,751**
Expenses by nature consists of:				
Cost of sales	267,425	244,532	266,191	246,029
Operating expenses	232,432	205,412	226,920	199,722
	499,857	**449,944**	**493,111**	**445,751**
26. Finance income				
Interest revenue				
Bank	1,042	1,156	1,072	1,380
Interest on lease	160	318	-	-
	1,202	**1,474**	**1,072**	**1,380**
27. Finance costs				
Non-current borrowings	206	242	206	242
Bank	5	5	5	5
Finance charges on finance leases	301	947	301	947
Installment sales agreement	320	748	320	635
	832	**1,942**	**832**	**1,829**

Notes to the Financial Statements

	Group		Company	
	2010 N$ '000	2009 N$ '000	2010 N$ '000	2009 N$ '000
28. Taxation				
Major components of the tax (expense) / income				
Deferred				
Current year	9,387	(5,080)	9,110	(4,601)
Reconciliation of the tax expense				
Reconciliation between accounting profit and tax expense.				
Accounting profit	14,953	2,515	13,951	4,360
Tax at the applicable tax rate of 34% (2009: 35%)	5,084	880	4,743	1,526
Tax effect of adjustments on taxable income				
Non-taxable income	(3,492)	(14,694)	(3,492)	(14,694)
Non-deductable expenses	3,407	8,734	3,471	8,567
Prior period adjustment	4,388	-	4,388	-
	9,387	**(5,080)**	**9,110**	**(4,601)**
The income tax rate of 35% in 2009 was reduced to 34% in 2010.				
Tax loss available for utilisation against future taxable income	25,297	49,566	12,891	34,752
29. Auditors' remuneration				
Fees	655	1,170	466	1,049
Other services	107	249	107	243
	762	**1,419**	**573**	**1,292**

30. Cash generated from operations

	Group		Company	
	2010 N$ '000	2009 N$ '000	2010 N$ '000	2009 N$ '000
Profit before taxation	14,953	2,515	13,951	4,360
Adjustments for:				
Depreciation, amortisation and impairment	10,214	6,083	8,831	4,747
Profit on sale of assets	(1)	(2)	(1)	(2)
Interest received	(1,202)	(1,474)	(1,072)	(1,380)
Finance costs	832	1,942	832	1,829
Impairment reversals	(685)	(35)	(685)	(35)
Movements in retirement benefit assets and liabilities	4,914	2,646	4,914	2,646
Other non-cash items	95	86	77	83
Profit share from IMPC investment	103	-	-	-
Changes in working capital:				
Inventories	(4,729)	(5,348)	(5,246)	(4,474)
Trade and other receivables	(2,903)	(10,221)	1,639	(10,779)
Trade and other payables	19,470	5,949	20,171	5,721
	41,061	**2,141**	**43,411**	**2,716**

31. Business combinations

NamPost Financial Brokers (Pty) Ltd

On 01 January 2010 the group acquired a further 50%, in addition to its existing 50%, of the voting equity interest of NamPost Financial Brokers (Pty) Ltd, which resulted in the group obtaining control over NamPost Financial Brokers (Pty) Ltd. NamPost Financial Brokers (Pty) Ltd is principally involved in the financial services industry.

Goodwill of N$ 903 thousand arising from the acquisition consists largely of the synergies and economies of scale expected from combining the operations of the entities, as well as from intangible assets which did not qualify for separate recognition. Goodwill is not deductible for income tax purposes.

Fair value of assets acquired and Liabilities assumed

	Group		Company	
	2010 N$ '000	2009 N$ '000	2010 N$ '000	2009 N$ '000
Property, plant and equipment	317	-	-	-
Other financial assets	288	-	-	-
Deferred tax	486	-	-	-
Trade and other receivables	16	-	-	-
Cash and cash equivalents	89	-	-	-
Shareholders loan	(1,763)	-	-	-
Trade and other payables	(336)	-	-	-
Total identifiable net liabilities	(903)	-	-	-
Fair value of equity interest held before the business combination	448	-	-	-
Goodwill	903	-	-	-
Total consideration	**448**	-	-	-

Notes to the Financial Statements

	Group		Company	
	2010 N$ '000	2009 N$ '000	2010 N$ '000	2009 N$ '000
32. Commitments				
Authorised capital expenditure				
Already contracted for but not provided for				
Commitments in respect of contracts placed	14,141	1,600	14,141	1,600
Not yet contracted for and authorised by directors	14,975	30,000	14,975	30,000

It is intended to finance capital expenditure Partially from working capital generated Within the company profit and through external finance.

Guarantees

The group has issued the following guarantees:

	Group 2010	Group 2009	Company 2010	Company 2009
Ministry of Finance	30	20	30	20
Millennium Challenge Account	102	-	102	-
	132	**20**	**132**	**20**

Operating leases – as lessee (expense)

	Group 2010	Group 2009	Company 2010	Company 2009
Minimum lease payments due				
- within one year	8,013	7,529	8,013	7,379
- in second to fifth year inclusive	3,627	2,975	3,067	2,452
	11,640	**10,504**	**11,080**	**9,831**

33. Contingencies

The company is a defendant in various legal actions. In the opinion of the directors, after taking appropriate legal advice, the outcome of such actions might give rise to losses amounting to the total amounts claimed plus legal costs not exceeding N$ 621,582 (2009: N$ 172,147).

Notes to the Financial Statements

34. Related parties

Ultimate holding entity	Namibian Government
Holding company	Namibia Post and Telecom Holdings Limited
Subsidiaries	NamPost Financial Brokers (Pty) Ltd - Refer to note 6
Joint ventures	SmartSwitch Namibia (Pty) Ltd - Refer to note 7
Fellow subsidiaries	Telecom Namibia Limited Mobile Telecommunications Limited

Related party balances

	Group		Company	
	2010 N$ '000	2009 N$ '000	2010 N$ '000	2009 N$ '000
Receivable from related parties				
Mobile Telecommunications Limited	914	285	914	285
Telecom Namibia Limited	449	420	449	420
Namibia Post and Telecom Holdings Limited	641	2	641	2
Payable to related parties				
Mobile Telecommunications Limited	437	8,714	437	8,714
Telecom Namibia Limited	-	234	-	234
Balances due to related parties relating to Savings bank investors				
Namibia Post and Telecom Holdings Limited	100,000	79,078	100,000	79,078
Mobile Telecommunications Limited	3,639	3,392	3,639	3,392
SmartSwitch Namibia (Pty) Ltd	2,046	4,234	4,091	8,468
NamPost Financial Brokers (Pty) Ltd	-	-	967	-
Loans to related parties				
SmartSwitch Namibia (Pty) Ltd	1,908	4,867	3,816	9,735
NamPost Financial Brokers (Pty) Ltd	-	475	7,338	950
Related party transactions				
Sales of goods / services				
Telecom Namibia Limited	1,538	1,282	1,538	1,282
Namibia Post and Telecom Holdings Limited	10	11	10	11
Mobile Telecommunications Limited	3,750	6,441	3,750	6,441
Purchases of goods / services				
Namibia Post and Telecom Holdings Limited	20,681	17,521	20,681	17,521
Mobile Telecommunications Limited	170,518	121,722	170,518	121,722
Telecom Namibia Limited	9,216	11,460	9,216	11,460
SmartSwitch Namibia (Pty) Ltd	1,908	1,785	3,816	3,570

35. Directors' remuneration

Directors' remuneration of N$ 542,507 (2009: N$ 454,176) were paid to the directors during the year.

Notes to the Financial Statements

36. Prior period reclassification

It was discovered that on consolidation in the prior period, intercompany balances were not classified in the same manner, thus did not eliminate correctly.
This reclassification had no influence on the consolidated retained earnings of the company, nor did it affect the value of the consolidated net assets.
Figures relating to the year ended 30 September 2010 have been correctly classified during the period. Comparative figures have been adjusted as per the table below:

	Group		Company	
	2010 N$ '000	2009 N$ '000	2010 N$ '000	2009 N$ '000
Statement of Financial Position				
Loans to group companies		5,342		-
Finance lease liabilities		(1,785)		-
Interest bearing borrowings		(3,524)		-
Trade payables		(33)		-
Net impact		-		-

37. Risk management

Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for members and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the group consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes 8 and 18 as well as cash and cash equivalents disclosed in note 15, and equity as disclosed in the statement of financial position.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to members, return capital to members, issue new shares or sell assets to reduce debt.
There are no externally imposed capital requirements.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

The gearing ratio at 2010 and 2009
Respectively were as follows:

	Group		Company	
	2010 N$ '000	2009 N$ '000	2010 N$ '000	2009 N$ '000
Gearing ratio	(9,567) %	(136) %	(826)%	(95) %

Financial risk management

The group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance.

Notes to the Financial Statements

37. Risk management (continued)

Risk management is carried out by the Board Investment Committee, Board Audit Committee and Executive Committee under policies approved by the board of directors.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, group treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The table below analyses the group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Group	Less than 1 year N$ '000	Between 1 and 2 years N$ '000	Between 2 and 5 years N$ '000	Over 5 years N$ '000
At 30 September 2010				
Borrowings	4,436	-	4,881	-
Trade and other payables	112,240	-	-	-
Savings bank investors	1,505,367	-	69,796	-
Finance lease payable	505	-	-	-
At 30 September 2009				
Borrowings	3,247	-	7,619	5,422
Trade and other payables	92,434	-	-	-
Savings bank investors	939,032	-	385,621	-
Finance lease payable	1,280	-	505	-
Company				
At 30 September 2010				
Borrowings	2,523	-	4,881	-
Trade and other payables	111,482	-	-	-
Savings bank investors	1,506,334	-	69,796	-
Finance lease payable	1,010	-	-	-
At 30 September 2009				
Borrowings	3,247	-	2,310	5,422
Trade and other payables	91,311	-	-	-
Savings bank investors	939,032	-	389,855	-
Finance lease payable	2,560	-	1,010	-

The table on the next page analyses the group's exposure to Savings bank investors' liability:

Notes to the Financial Statements

37. Risk management (continued)

Group

	Group		Company	
	2010 N$ '000	2009 N$ '000	2010 N$ '000	2009 N$ '000
Short-term exposure				
Current portion of Savings bank investors	(1,505,367)	(939,032)	(1,506,334)	(939,032)
Current portion of available-for-sale investments	889,780	921,161	889,780	920,945
Bank and cash (restricted to savings bank)	12,259	12,298	12,259	12,298
Long-term exposure				
Non-current portion of Savings bank investors	(66,796)	(385,621)	(66,796)	(389,855)
Non-current portion of available-for-sale investments	695,770	9,519	695,770	9,519
Investment in preference shares	-	409,183	-	409,183

Interest rate risk

At 30 September 2010, if interest rates on Namibian Dollar-denominated borrowings had been 0.1% higher/lower with all other variables held constant, post-tax profit for the year would have been N$ 68,647 (2009: N$ 123,220) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings; other components of equity would have been N$ 4,828,937 (2009: N$ 3,467,198) lower/higher mainly as a result of a decrease/increase in the fair value of fixed rate financial assets classified as available for sale.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The group is exposed to interest rate risks as it borrows and places funds in financials instruments at both fixed and floating interest rates.

This risk is managed by maintaining an approximate mix between fixed and floating interest rates, and by matching the underlying profiles of borrowings and investments based on asset and liability principles.

Fair value estimation

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

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

Credit risk

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

Notes to the Financial Statements

37. Risk management (continued)

Foreign exchange risk

Foreign currency exposure arises from the rendering of international postal services and products and loans denominated in foreign currency. The group has a policy not to take out cover on outstanding foreign currency transactions.

Foreign currency exposure at balance Sheet date	Group		Company	
	2010 N$ '000	2009 N$ '000	2010 N$ '000	2009 N$ '000
Assets				
Euro	3,191	4,782	3,191	4,782
Special Drawing Rights *	-	7,599	-	7,599
Liabilities				
Euro	4,881	5,442	4,881	5,442

* Accounting unit of the International Monetary Fund (IMF) based on a basket of five currencies (US Dollar, German Mark, French Franc, Yen and Great Britain Pound)

Price risk

The group is exposed to equity securities price risk because of investments held by the group and classified on the consolidated balance sheet as available for sale. The group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the group.

At 30 September 2010, if the listed share prices had decreased/increased by 10% with all other variables held constant, the fair value reserve would have been N$ 16,776 (2009: N$ 14,453) lower/higher.

Notes

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