ANNUAL REPORT
2017

nampost®

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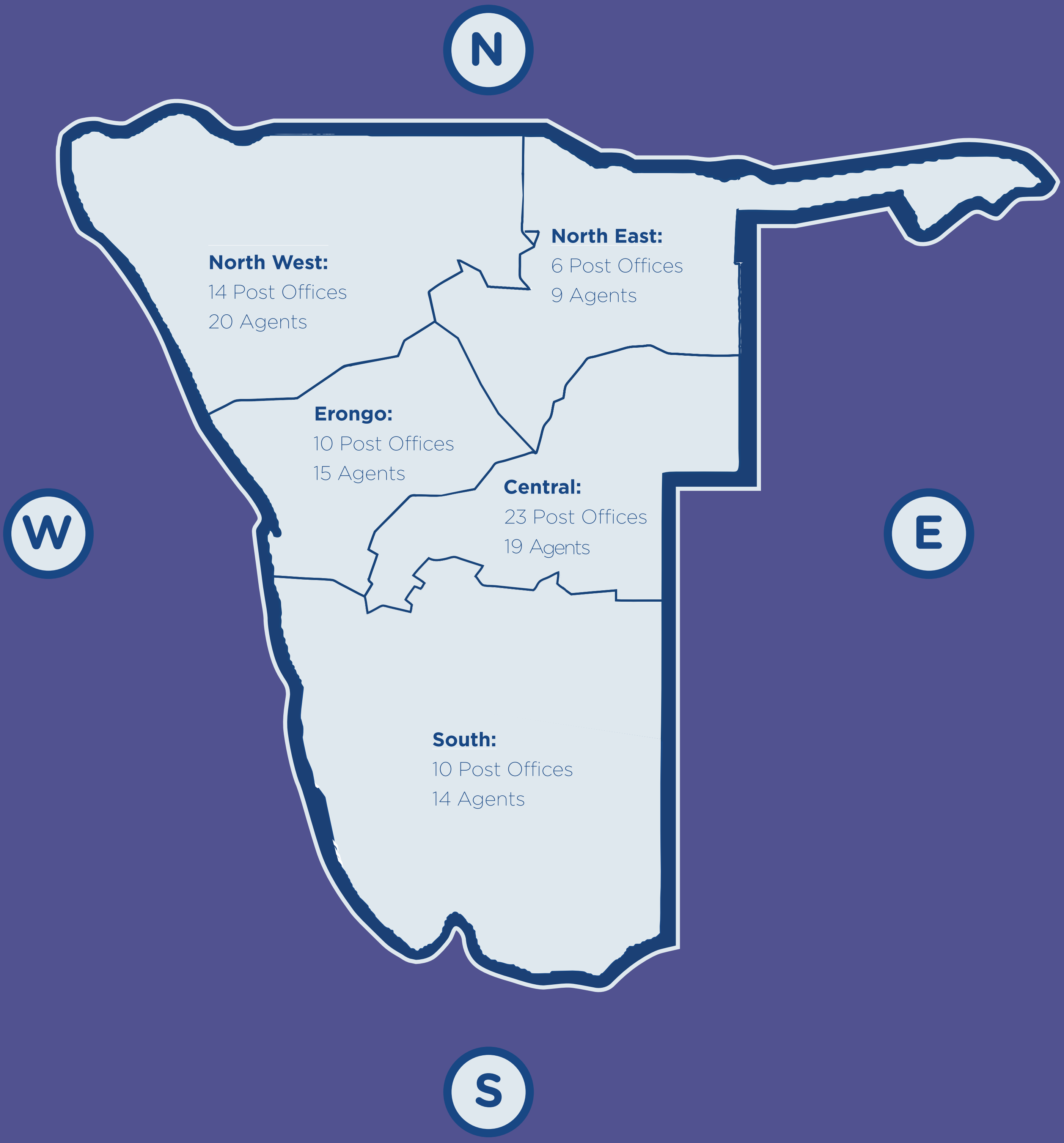
REGIONAL POST OFFICES AND AGENCIES MAP



Total number of Post Offices and Agents countrywide:
63 Post Offices
77 Agents

FACTS ABOUT NAMIBIA

Land Area:	824, 269 km2
Population	2, 324, 388 (2016 estimate)
Capital City:	Windhoek
Official language	English
Other Languages	Oshiwambo, Afrikaans, Nama, Damara, Otjiherero German, Rukwangali, Setswana, and others
Major Ethnic Groups:	Ovawambo, Vakwangali, Damara, Ovaherero, Nama, San, Afrikaner, German and others.
Currency	Namibia Dollar (N$)
NamPost Offices	140

ABOUT NAMPOST

The purpose for Namibia Post Limited as outlined in the establishing Act is to “conduct postal services and supplementary services”. The supplementary services are defined as the provision of the savings bank services and money transfers.

A condition for the incorporation of NamPost as stated in Section 6 of the Memorandum of Association is: *“The company shall exercise its powers with a view to enhancing corporate profit and shareholder gain, taking into account the enhancement of corporate profit and shareholder gain by the company in the promotion of an economically prosperous and efficient postal system conducted on sound business principles.”*

VISION

To always be the best at what we do!

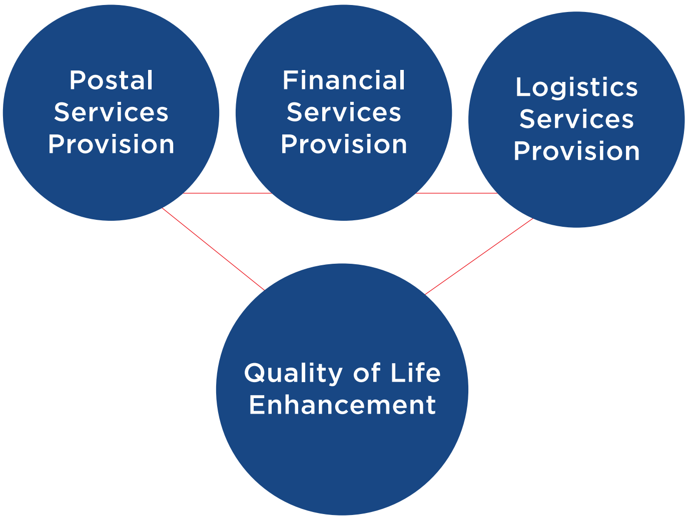
MISSION

We provide postal, financial and logistic solutions to keep people in touch and to enhance their quality of life.

VALUES

Integrity
Accountability
Caring
Teamwork

The Mission of NamPost is: “We provide postal, financial, and logistics solutions to keep people in touch and to enhance their quality of life”. The sketch below highlights the key operational elements in the mission.



Postal Services Provision: Provision of postal services is a key reason for NamPost’s existence; all other services are supplementary services. NamPost is obliged to provide universal postal services to all Namibians at the same price irrespective of location or level of income. In most countries this service is funded from government budget. However, since NamPost is a commercial entity, it funds these services from cash generated by its own operations.

To maintain this service at an affordable level, supplementary services are developed further to create revenue streams. It is from this perspective that NamPost has an objective of enhancing shareholder value which has two components; namely, financial return and social return. The latter is aimed at financial inclusion, social inclusion, and their related enhancement of quality of life.

Financial Services Provision: NamPost is legally mandated to manage the savings bank and to transfer money locally and internationally. This provision is made on the back of the reach of the post office, including the postal network world-wide. Invariably, this network reaches remote areas and it is therefore used in many countries for social and financial inclusion. NamPost, as it pursues its financial value enhancement, uses such return to enable it to sustain post offices that are community services with little or no prospectus of generating profit.

Logistics Solutions Provision: Handling mail is a logistics function (transporting, sorting, and distributing mail to post offices and mail boxes). To maximise value, courier services is added. Therefore, the logistics component of the business is another supplementary service that makes the provision of the core function of mail possible.

Enhancement of quality of life: By design, the provision of the three services culminate in value addition to individual people in the communities, through availability of basic services at an affordable price.

Creation of shareholder value *(financial value and social return)* underpins NamPost’s strategic objectives which feeds directly into our mission. Therefore, the other objectives support the achievement of this objective.

Ownership Structure

GOVERNMENT OF THE REPUBLIC OF NAMIBIA

100% Owned
Namibia Post and Telecom Holdings LTD

100% Owned

nampost®

NAMPOST FINANCIAL BROKERS (PTY) LTD

PostFin

Smart Switch NAMIBIA

100% Owned

50% Owned

BOARD OF DIRECTORS

NANGULA HAMUNYELA
CHAIRPERSON

MURONGA HAINGURA
Deputy Chairperson

ISRAEL KALENGA
Board Member

DR. PERIEN BOER
Board Member

JAMES CUMMING
Board Member

EXCO

FESTUS F. HANGULA
CHIEF EXECUTIVE OFFICER

ELDORETTE HARMSE

Head: Legal Services & Company Secretariat

MAX SCHAFER
GM: Courier

TANGENI ERKANA
GM: Postal Services

JORN SCHNOOR
Chief Information Officer

SONIA BERGH
GM: Human Resources

DEON CLAASEN
Acting Chief Risk Officer

BERLINDI VAN ECK
GM: Corporate Marketing & Communication

BATSIRAI PFIGIRAI
GM:Corporate Finance

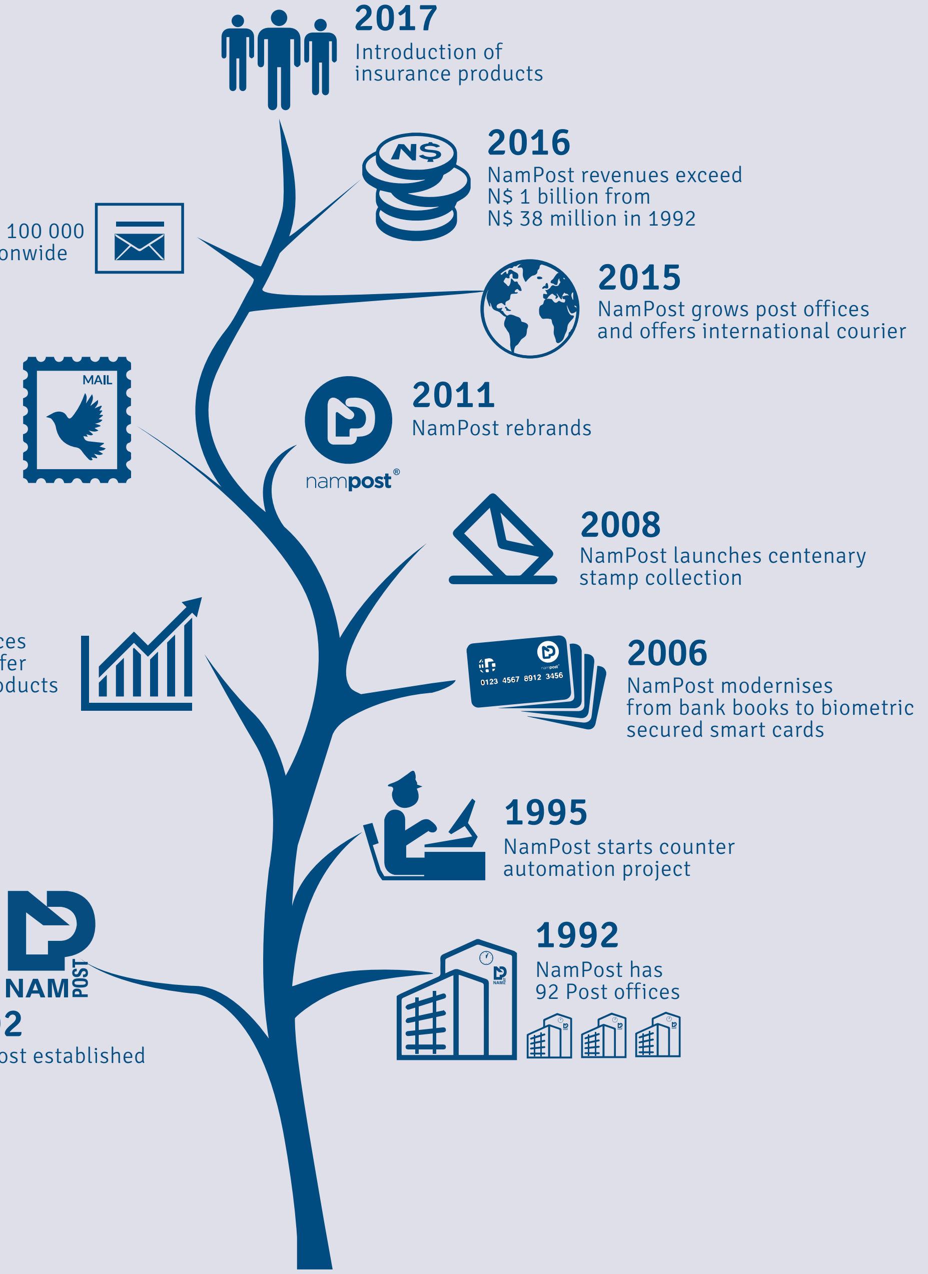
KGOMOTSO HOCHOBEB
Head: Internal Audit

JENNY COMALIE
Group Chief Commercial Officer

#ournampost25

NAMPOST TWENTY FIFTH ANNIVERSARY
25 Years
1992 - 2017

25 YEARS OF DELIVERING MORE FOR NAMIBIA.



2017
Introduction of insurance products

2016
NamPost revenues exceed N$ 1 billion from N$ 38 million in 1992

2014
NamPost offers 100 000 post boxes nationwide

2015
NamPost grows post offices and offers international courier

2011
NamPost rebrands

2010
Mail sorting is automated

2008
NamPost launches centenary stamp collection

2003
Treasury services launched to offer investment products to public

2006
NamPost modernises from bank books to biometric secured smart cards

1995
NamPost starts counter automation project

1992
NamPost has 92 Post offices

1992
NamPost established

Post &
Telecommunications Department
under Ministry of Works

We
Deliver
More.

nampost®

www.nampost.com.na

25 YEARS OF DELIVERING MORE FOR NAMIBIA

Few Highlights on NamPost achievements:

1995: NamPost computerised its operations and never looked back since then. Today all 140 NamPost Post Offices are online and use of technology is entrenched in NamPost.

2006: NamPost converted the savings books into smartcards. That was a big jump from pen and paper to mouse and clicks. The smartcard technology was well ahead of the game in the card payment arena in Namibia. When this was introduced in the market, no other banking institution had a card with a chip. Indeed, it is only roughly two years ago that the rest of the market started catching up on the idea of using a chip! At the same time, we introduced biometrics as a means of identity verification. To date, no other banking institution in Namibia has yet caught up with the idea. But I am sure it is coming—just listen on the ground; they have started testing that technology in South Africa. So, they are likely to follow.

2011: NamPost rebranded and modernised its logo to what it is today; modern but rooted in its tradition.

2015: NamPost significantly revamped its IT infrastructure and started a journey towards the next stage in the evolution of the smartcard and payment services under NamPost. Next year we should see a new generation of smartcards and enhanced payment facilities.

2016: NamPost revamped its insurance offering and signed a joint venture with Hollard to underwrite the insurance. To date, well over 140,000 individuals primarily at the low end of the market have insurance via NamPost - indeed, a great step in financial inclusion.

In the same year, the revenue of NamPost exceeded the N$1 billion mark; 25 years ago, the revenue was a mere N$26m!

2017: NamPost signed a bank sponsoring agreement with Standard Bank to facilitate NamPost entering the main stream of payment in the Namibian Financial Market. This is good news not only for our customers but also for all Namibians as it enhances our ability to further impact or reduce financial exclusion.

A few more pointers on the journey of NamPost:

- Assets increased from N$97m in 1993 to N$4.3 billion in 2016.

- Equity and reserves increased from N$6.4m in 1993 to N$229m in 2016 of which N$224m is made up of retained earnings which indicates that the company has been consistently profitable and significant value (both financially and socially) has been created and accumulated for the shareholder.

- As for post office outlets, in 1993 we had 84 post offices, today we have 140.

- Meanwhile, employment was relatively steady with 721 employees in 1993 and 820 employees, today. (NamPost Group Total number of employees 869). NamPost maintained a fairly high level of employment.

CHAIRPERSON'S REVIEW 2016/17

NANGULA HAMUNYELA
CHAIRPERSON

CHAIRPERSON REVIEW 2016/17

Introduction

It has been a challenging year for NamPost, but I remain positive and confident about the future of this great business. NamPost is a national institution and I'm conscious of the huge responsibilities, not just to our customers, colleagues and shareholder, but also to all our other stakeholders. As we celebrated its 25th year of operation in July 2017, NamPost can truly be said to have come of age, and it has been my great privilege to take over the chairmanship at this pivotal point in the Company's development.

We made good progress in the year under review, despite the fact that 2016 will be remembered for its significant and to a large extent, unexpected economic events. The implementation of our strategic actions is well advanced, and our business model performed well in the face of challenging conditions.

Customers continue to look for greater range of products and services, convenience and speed, and added to this, the postal industry has seen ongoing pressure from stagnating volumes and price competition from other competing market segments. Nonetheless, our financial inclusion initiatives in line with Vision 2030 remain a high priority, although there are hurdles which impede their progress, one being to compete on a level playing field with other financial institutions.

Celebrating 25 years

In 1992 the Department of Posts and Telecommunication existing in the Ministry of Works, Transport and Communications commercialised and the transfer of the postal enterprise to the postal company took place upon the incorporation of NamPost.

It is with pride that in the face of numerous challenges, notably the geographical spread of the vast Namibian landscape and in the pursuit to provide access to postal and financial services to all echelons in Namibian society, that I can report that over the 25 years:

- The number of post office outlets increased from 84 to 140.
- The asset base grew from N$69 million to N$4.6 billion in 2017;
- Savings bank deposits were worth N$55m and now they are over N$4 billion. This is testimony to the fact that NamPost is a trusted brand, has a proven track record in handling deposits, and offers competitive services;
- Employment numbers were sustained and grew from 721 staff members to 807 and 869 for the NamPost Group.

Finally, in 2015, the Group hit a magical milestone of N$1 billion in revenue and sustains that level today. This dwarfs the N$26 million revenue in 1993.

Strategic Progress and Investments

NamPost's core mission has remained intact since its foundation, but this implementation is under constant review and, where necessary, adjustments are made to accommodate changing circumstances in particular having regard to the customer as the center of the business. In reviewing performance in 2016/7, the Board noted with approval the traction now evidenced from actions and initiatives over the last decade to reshape the NamPost Group and the challenges brought about by a declining worldwide postal industry and the ever increasing need to diversify.

The overall operating environment, nevertheless, is more demanding than at any time in the past and the Board and management continue to look closely at all the realistically conceivable scenarios for the future, identifying the opportunities and obstacles that lie ahead, and incorporating them in our planning.

I am however pleased that in the long-run NamPost created good value for the shareholder. Over ten years, that value amounts to N$176 million and currently Group retained profit stands at N$263m (no dividend payments in the last 5 years, therefore retained income is a fairly good measure of value created). Based on profit before tax (PBT) the ten year average return on equity (ROE) and unrealized fair value adjustment is 15% and 17%, respectively over five years.

Good Governance, Board Composition and Diversity

Good governance is vital in any business, particularly one such as NamPost, which operates in so many diverse and dynamic markets therefore ensuring governance and high ethical standards remain of the highest priority.

NamPost recognises the importance and benefits of having a diverse Board and believes that diversity at Board level is an essential element in maintaining a competitive advantage. It is my view that the Board has the right balance of skills, experience and backgrounds to support and challenge the management team. Collectively individual Board members form a strong and balanced Board, with a range of complementary skills to support the strategic and operational direction of NamPost.

Social Return

We remain committed to maintaining our standing as a leader in ethical behaviour and social responsibility. Besides financial returns for its shareholder, NamPost is also creating social value for the government and for communities in which it operates. NamPost continues to offer services in remote areas in all Regions of Namibia, covering remote towns, villages and settlements, with 54 of these being the only financial access point available to those communities.

Taxes

As a corporate citizen NamPost has paid over N$51 million in taxes to the Government. NamPost remains committed to complying with the prevailing tax laws in the country and will continue to do so, as it is committed to maintaining its status of a corporate citizen that complies with legislation and regulatory practices.

Dividends

In line with its dividend policy, NamPost has not declared a dividend for the period of review, as its funds are invested in the further expansion of the business, and in particular the expansion of its financial services offering to ensure both financial and social inclusion of the Namibian people.

Our People

NamPost is a people's business and the strength of the business performance during challenging times demonstrates the dedication, hard work and passion of our teams.

Shareholder Engagement

The Board recognises its responsibility for ensuring that a satisfactory dialogue takes place with shareholders. Effective engagement with the shareholders' representatives is an important part of my role as Chairperson. In this respect, the NamPost Board was pleased to meet with the shareholder representatives at various platforms, in particular in quarterly briefings and notably at last year's annual general meeting (AGM). The AGM is a key mechanism enabling shareholders to exercise their ownership rights and also provide the opportunity for the shareholder to question the Board directly.

Looking Ahead

This is an exciting time for NamPost. We have a clear strategic plan aimed at driving sustainable long-term growth delivered by engaged employees.

NamPost aims to be a business fit for the future, while our strategic actions are improving our operational efficiencies and service to our customers, we are also anticipating and adapting to the economic, social and technological trends that are changing our operating environment and our customers' needs and expectations.

Acknowledgements & Conclusion

Though I am entirely realistic regarding the complexity of the challenges that lie ahead, I am comforted by the company's performance and prospects. NamPost is a strong business with an excellent track record and we are at an exciting time in our development and diversification.

I would like to thank the management team and all the NamPost employees, as well as the customers and business partners for their support in 2017. I look forward to the year ahead as one of further investment in the group's growth and continued value-creation for the shareholder.

I also take this opportunity to thank my fellow directors for their support and for the vision that they bring to the Board.

Yours sincerely,

Hamunyela

MRS. EVANGELINA NANGULA HAMUNYELA
CHAIRPERSON

OPERATIONAL HIGHLIGHTS

Business Highlights

- **99m** Mail items handled ↓
- **86%** P.O. Boxes rented out ↑
- **N$ 117m** Mail Revenue ↑
- **140** Post Offices ↓
- **N$ 4.1 bn** Deposits ↑
- **41,000** New Insurance policies ↑

Financial Highlights

- **6.1%** Asset Growth ↑
- **6.5%** Expense Growth ↑
- **-1%** Revenue Growth ↓
- **52.4%** PBT Growth ↑
- **8.5%** ROE ↑
- **36.6%** PAT Growth ↑

Profit before tax (PBT) and Profit after tax (PAT) exclude unrealised fair value gains.

Social Impact

- **58,000** Social grant recipients served monthly ↑
- **86%** of staff health screened for free ↑
- **N$ 51m** Tax Paid ↑
- **N$ 230m** Spend in employment ↑

NamPost Operating Structure

Business Units

Postal Services	Courier Services	Financial Services
Mail Agency services Philately	Express: Domestic and International	Banking (NamPost Savings Bank) Insurance (JV with Hollard) Micro-lending (PostFin) Payment Switch (Smart Switch Namibia)

Support Units

Human Resources	ICT (Technology)	Marketing	ERM	Audit	Legal, Compliance, and Secretariat

HOW VALUE IS CREATED IN NAMPOST

NamPost creates value by providing products and services in the mail, logistics, agency and financial services space. The business is built on the postal infrastructure, which was put in place over more than a century ago. Currently, there are 140 post offices spread across all Namibia Regions as dictated to by both social obligation aspects and business motives. The postal infrastructure is NamPost's main competitive differentiator and a core strategic advantage.

Revenue and Profit drivers

Revenue is derived from five business areas: Postal Services, Agency Services, Financial Services, Courier and Technology (card payment switch).

Under Postal Services, NamPost carries out postal services which includes mail, parcels delivery, philately, and hybrid mail (facility for bulk mail that prints, inserts in envelopes, franks letters). The provision of mail is carried under a competitive environment characterised by mail substitution products like e-mail.

NamPost, in view of its nation-wide infrastructure, provides Agency Services to businesses that require a national reach but their businesses do not allow them to efficiently open offices in all the Regions. In essence, the Agency Business Services allows NamPost to operate a retail business arm for other businesses. Through this service, NamPost provides customers with an ability to pay for their utility bills, telephone bills, purchase airtime, purchase cell phones, mosquito nets, etc. The Agency business is housed under the Postal Services business unit. The postal business, including agency services, contributed N$23.6 million to the profitability of NamPost during 2017.

Courier Business unit is responsible for overnight parcel delivery and complements Postal Services by also delivering mail to post offices. The Courier industry is highly competitive with at least 34 registered courier companies and many others that are not registered (including commuter buses). During 2017, the courier business contributed N$23.8 million to the profitability of NamPost.

Financial Services business comprises of 4 segments: Banking, Insurance, Micro-lending and Payment Switch.

The Banking Business provides access to savings facilities primarily targeting low income Namibian residents. The business unit consists of retail and wholesale deposit-taking through the Treasury operations. Banking contributed 23% to NamPost profitability.

OPERATIONAL HIGHLIGHTS
(continued)

Insurance business is provided under a joint venture with Hollard Insurance and provides befitting insurance coverage to both retail banking and micro-lending business customers. Insurance contributed 10% to profitability of NamPost.

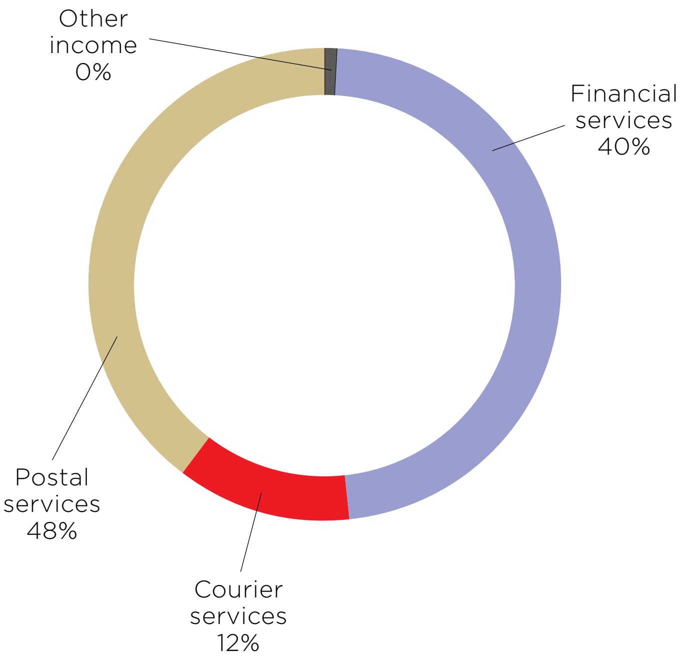
NamPost Financial Brokers (Pty) Limited (PostFin) is a micro-lender which is also registered as a financial services broker. The company is 100% owned by NamPost and forms part of its financial services offering. The financial services business provided 55% of NamPost profitability during 2017 of which 16% is provided by PostFin.

NamPost also owns 50% of a technology company called SmartSwitch Namibia (Pty) Limited (SSN): the 50/50 joint venture with Net 1 provides a card switching system, and related banking cards (SmartCards) that NamPost issues to its customers. Though small, SSN contributed 5% to the profitability of NamPost.

Income Contribution

As per chart below, total income is 48% driven by Postal service business unit, which includes: mail, philately, and agency services (including airtime which has very low margin)
- see also chart below.

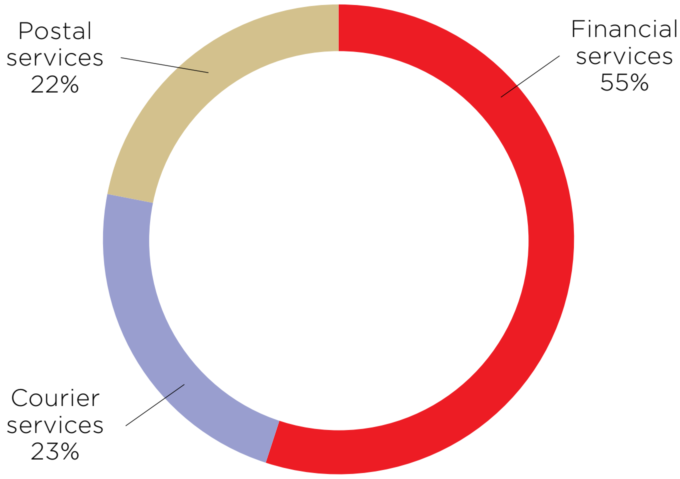
TOTAL INCOME CONTRIBUTION



Profit Contribution

Notwithstanding the relatively high income attributed to Postal and Agency business, the main profit driver for the past few years has been Financial Services and it is anticipated that this business line will continue to lead the company's profitability
- see chart below.

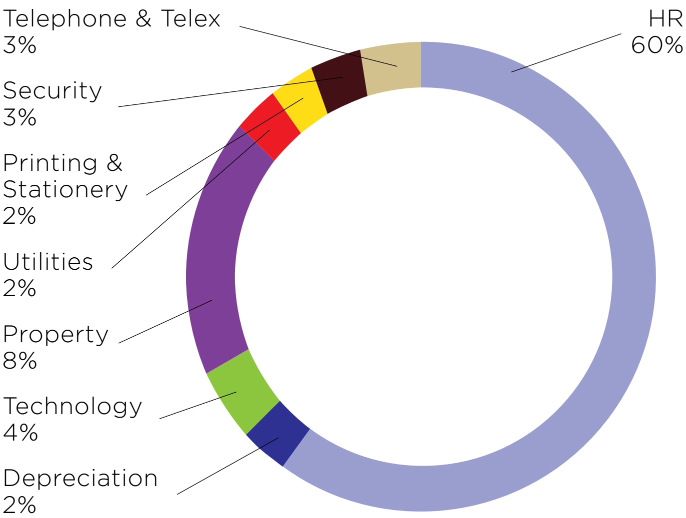
PROFIT CONTRIBUTION

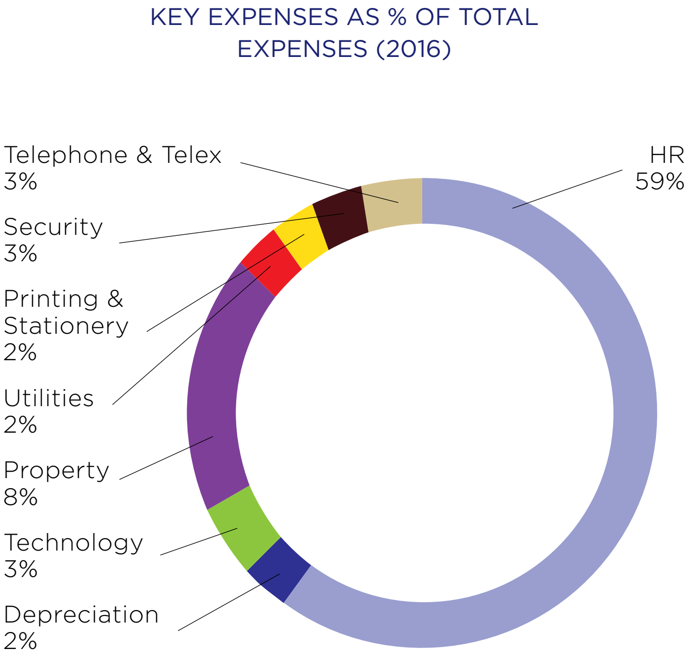


Cost Drivers

Postal and Courier operations are cost intensive businesses. It therefore follows that the bulk of NamPost operational cost is related to these two businesses. Below is an indication of the major operational cost that make up 82% of total operational expenses.

KEY EXPENSES AS % OF TOTAL EXPENSES (2017)

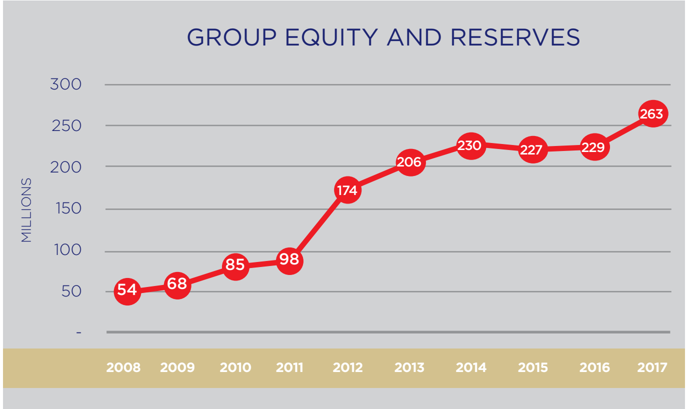




Looking forward, cost of doing logistics business, in postal and courier will remain high and a challenge to profit sustainability.

Sustained Value Creation

As attested to by the accumulation of Retained Income in the chart below, NamPost has in the long-run created good value for the shareholder. Over ten years, that value created amounts to N$176 million and currently group retained profit stands at N$263 million (no dividend payments in the last 5 years, therefore retained income is a fairly good measure of value created).

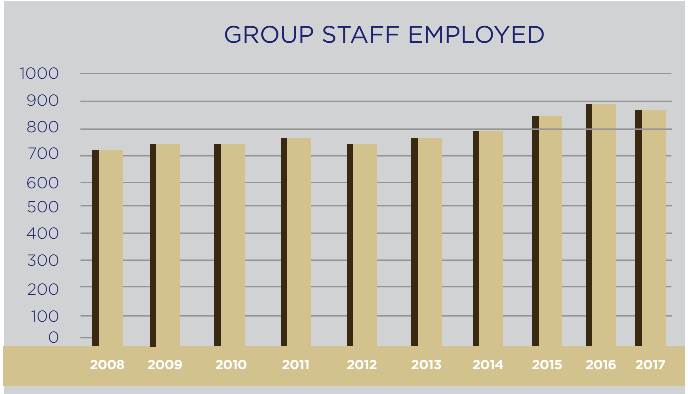


Social Return and Impact

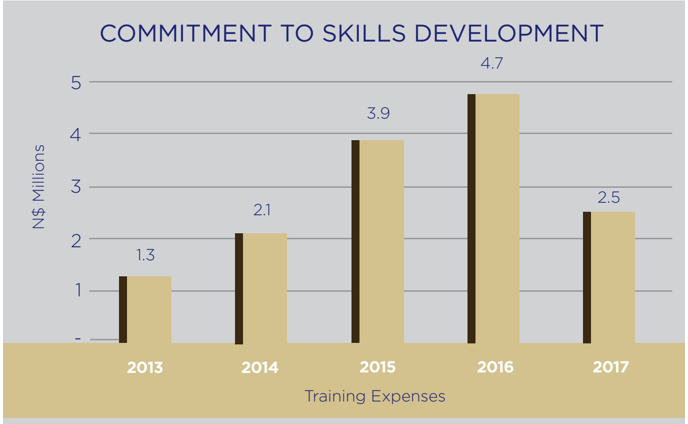
Besides financial returns, NamPost is also creating social value for the government and for communities in which it operates.

Pensioners served: As at the end of the 2016 financial year, 47 616 pensioners received their pension via NamPost monthly. This number has grown to over 58 000 during 2017 financial year. Therefore, NamPost continues to provide convenience to senior citizens in Namibia, thereby enhancing their quality of life by reducing the distance to the point of receiving their grants.

Contribution to employment: NamPost Group employs about 869 employees and spent over N$245 million in salaries and benefits during the financial year. The positive knock-on effect of employment creation and maintenance is positively felt in all regions
-see also chart below.

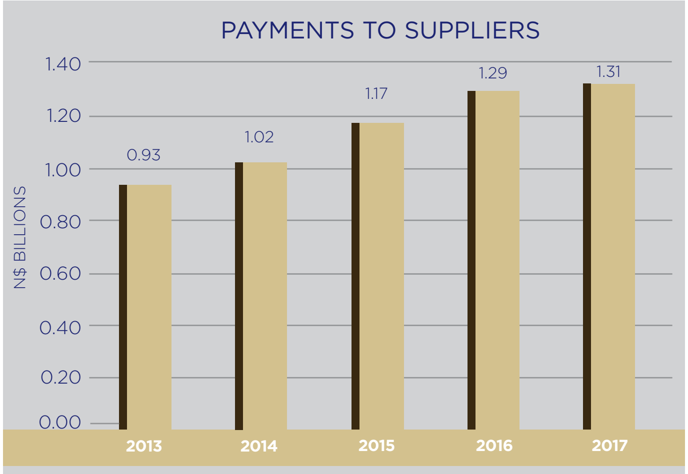


Contribution to Skills Development: NamPost continues to focus on skills development which has a knock-on effect on the skill base of the country. Last year, N$2.5 million was spent in training having declined from N$4.7 million spent the year before. The decline is primarily due to harsh economic conditions experienced during the financial year which forced the company to reduce cost wherever possible.



Contribution to Suppliers: NamPost makes significant contribution to suppliers as per chart below. The bulk of the value paid, over 95%, is paid to Namibian suppliers.

OPERATIONAL HIGHLIGHTS (continued)



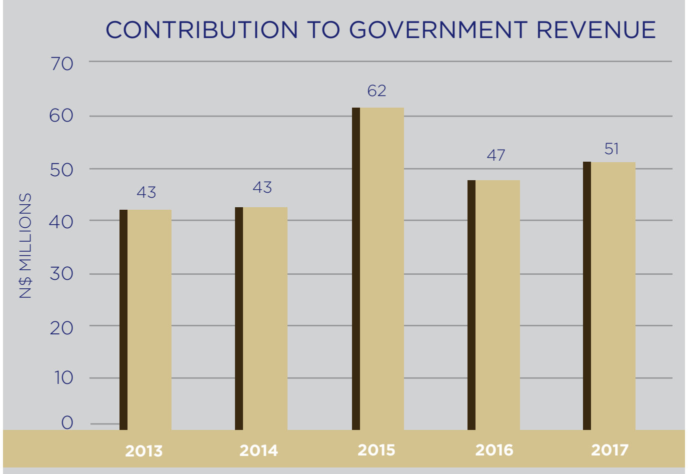
Financial Inclusion: NamPost continues to offer services in remote areas. We are not only present in all Regions, but we have also covered remote small villages, settlements and places. Indeed, in 54 of the towns/villages/settlements or places that NamPost operates in, it is the only bank/financial access point available to the community. The table below gives an indication of NamPost representation in the Regions. Notably, there is still some work to be done to achieve better representation in some of the Regions.

Post Office Representation

	Region	Population (2016) [1]	Points of Presence	Number of Staff [2]	Persons per Post Office
1	//Karas	85 759	17	44	5 045
2	Erongo	182 402	14	47	13 029
3	Hardap	87 186	9	22	9 687
4	Khomas	415 780	30	88	13 859
5	Kavango East	148 466	2	16	74 233
6	Kavango West	89 313	2	2	44 657
7	Kunene	97 865	6	10	16 311
8	Ohangwena	255 510	9	26	28 390
9	Omaheke	74 629	8	11	9 329
10	Omusati	249 885	11	23	22 717
11	Oshana	189 237	10	70	18 924
12	Otjozondjupa	154 342	13	38	11 872
13	Zambezi	98 849	4	11	24 712
14	Oshikoto	195 165	13	25	15 013
	Total	**2 324 388**	**148**	**433**	

As per chart above, NamPost is represented in all the Regions even though there is a need for more representation in some of the Regions particularly Kavango West and Kavango East. The average number of Namibian people per post office stands at 15,705 people.

Contribution to government revenue: NamPost continues to contribute positively to the revenue of the government through payment of taxes in the form of Income Tax, Import VAT, VAT, and PAYE. Over the years the contribution is as per chart below with the contribution of the financial year just ended being N$51 million.



Corporate social responsibility: Corporate Social Investment and Responsibility has been cut drastically due to financial constraints. In 2016/17 cash in kind sponsorship and donations initiated through Corporate communications totalled N$ 150 000 from more than N$368,000 in 2016 financial year.

External Environment

Legal environment: there are no major legal issues anticipated with the exception of possible change in ownership of NamPost from NPTH to Government and consequently direct overseeing of NamPost by the Ministry of Public Enterprises under a legislation that is yet to be passed. We do not expect significant business impact from the impending regulations during the next financial year.

Commercial Environment and Market Forces: The South African (SA) economy entered a technical recession early in 2017, with two successive quarters of negative growth recorded.

The rand has reversed most of this year's gains against the dollar as an apprehensive market is electing to pay for protection because of upcoming event risk, as is evident in the increase in the rand's 3-month implied volatility against the dollar vs. the actual fluctuations.

While much of this month's rand volatility is due to the stronger dollar, much may be ascribed to domestic uncertainty such as the medium-term budget statement in October and the ANC's elective conference in December.

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[1] Namibia Inter-censal Demographic Survey 2016 Report. Namibia Statistics Agency, September 2017, Windhoek.

[2] Staff numbers indicated in the Table exclude Head Office staff and staff at the Courier hub in Windhoek.

The possible Federal Reserve Bank rate hike, and low SA domestic business and consumer confidence, are adding to uncertainty for the rand beyond December 2017. The low business confidence index was put down to the following factors:

- Continued weak demand
- Subdued business activity
- Low profitability
- Heightened political uncertainty

The SA growth prospects are still low and inflation (currently 4.8%) is expected to remain within the targeted levels of 4% to 6% for the next 18 months at least. Interest rates are expected to remain low, unless there is a marked increase in international rates during 2018.

Namibia did not escape the ratings agencies round of downgrades, with Moody's moving the Namibian sovereign rating to sub investment grade with a negative outlook. The key factors considered to have contributed to downgrading are:

- Erosion of Namibia's fiscal strength due to sizeable fiscal imbalances and an increasing debt burden.
- Limited institutional capacity to manage shocks and address long-term structural fiscal rigidities.
- Risk of renewed government liquidity pressures in the coming years.

Namibian Government finances have been under increasing pressure with under subscribed bond auctions, and negative perceptions of Government debt. Since the beginning of 2017, however, the one-year Treasury Bills have dropped by over 2%, and there are more institutional buyers in the market. This is a factor of both impending legislation forcing pension funds to invest more in local assets and improved liquidity.

The Bank of Namibia attributes the substantial increase in liquidity to the repatriation of funds by financial institutions, the African Development Bank (AfDB) government loan inflow, and the repayments by the National Bank of Angola to Bank of Namibia.

Growth rates remain low, with some improvement seen in the agricultural sector after better rains.

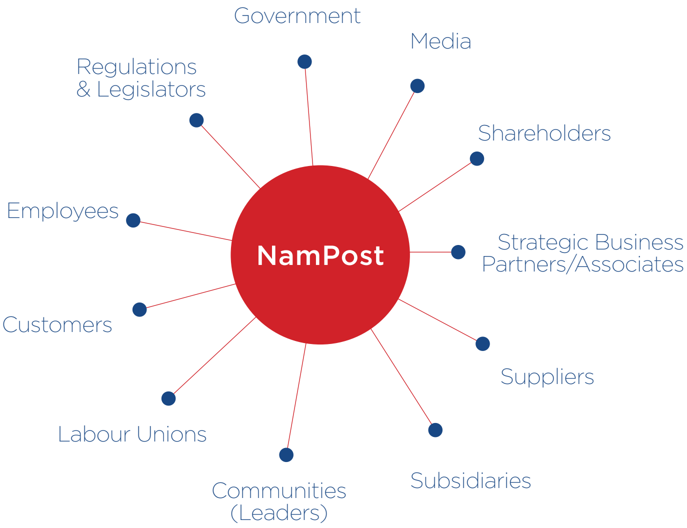
Namibia inflation seems relatively under control at just under 6% and the prospectus are for continued relatively low inflation during the next financial year.

Meanwhile, interest rates in Namibia are expected to follow the same pattern as those in South Africa, as the economies remain closely linked. We therefore expect stable to lower rates over the next year.

Social Environment: the focus on financial inclusion and social inclusion remains paramount to the government. NamPost is best positioned to assist in financial inclusion and will continue to play such role balancing business principles with social needs.

Political environment: remains stable and is expected to remain so and therefore supportive to business initiative.

Stakeholder interests: NamPost operations spreads across retail and wholesale operations. At one point or another each Namibian is likely to be a customer of NamPost. There are, however, some stakeholders that are critical to the success of the company. The chart below, summarises the key stakeholders of the company. It is noteworthy that customers, NPTH (sole shareholder), Government, employees, regulators, strategic business partners, suppliers and communities in which we operate are the most critical.



Throughout the year, the key stakeholders are being engaged.

OPERATIONAL HIGHLIGHTS (continued)

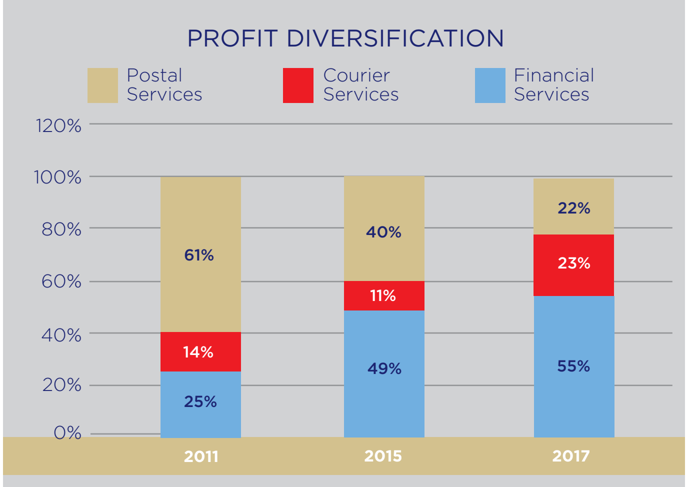
NamPost Strategy

NamPost has five underpinning strategic objectives as tabulated below:

Strategic Objective	How to Achieve It!
1) Enhance Shareholder Value	a) Increase net profit. b) Increase social return.
2) Start journey towards customer centricity.	a) Enhance customer experience b) Maintain stakeholder engagement
3) Achieve Operational Effectiveness (Get the basics right).	a) Enhance all business processes. b) Enforce policies and discipline c) Ensure fit for purpose ICT d) Improve management information
4) Measure and Manage Business Risks.	Introduce and implement Enterprise Risk Management Framework
5) Enhance Human Capital and Culture Effectiveness.	a) Recruit, develop & retain relevantly skilled employees. b) Create and imbed aspects of high performance culture.

The above five areas of focus are critical to sustaining value creation by NamPost. Underpinning the Shareholder value creation objective is the enhancement of financial services offering modernising the offering and building on existing products (savings and investments, transaction ability and insurance). Financial services has also a significant element of social return by impacting on financial inclusion given that the NamPost customer focus is the low end of the market. Secondly, shareholder value creation is enhanced by diversification of revenue and profit sources.

NamPost Group recorded good success in diversification as per chart below (SSN and PostFin included):



Other objectives are supporting the shareholder value creation and focus on customer experience which is key, operational effectiveness in both courier and postal in particular, risk management and of course the underpinning objective of human capital enabling it to deliver on the strategy.

CEO's OVERVIEW

FESTUS F. HANGULA
CEO

CHIEF EXECUTIVE OFFICER'S OVERVIEW

It gives me a great pleasure to report on the NamPost Group results of the financial year ended 30 September 2017. Economically, it was yet another challenging year. Seen in that context, the performance of NamPost was encouraging.

Financially, the Group achieved a revenue of N$1.03 billion which represents a 1% decline from the previous year. The decline in revenue was across all NamPost business units (Postal, Courier, and Financial Services). However, it is pleasing to note that at the Group level, PostFin which is a NamPost micro-lending subsidiary, recorded an increase in revenue of 66% while the joint venture with Net 1, SmartSwitch Namibia, recorded an increase in revenue of 7.63%.

Group profit before tax is up 52.4% to N$30.3 million. This is supported in particular by a 40% improvement in profit of the Financial Services business. With a 6.5% increase in operating expenses for the Group and 5.6% for NamPost as a company, prudent cost management has contributed to better profitability (average inflation during the financial year 2017 is 6.7%).

PostFin produced a 96% growth in profit to N$17.28 million. This growth is on the back of good demand for the loan product. However, even though the demand for the loans remains strong, we expect a slowdown in business during the next financial year due to loan portfolio funding challenges.

SmartSwitch achieved a profit of N$17.28 million which is 22.6% growth on previous year once more demonstrating a steady growth. SmartSwitch growth is spearheaded by good growth in banking cards issued by the Savings Bank and related banking card transactions.

With regard to mail, total letters handled during the year decreased by 3% to 99.35 million after increasing by 4% the previous year. Mail remains a good revenue driver, and contributed N$117 million to the NamPost revenue which represents less than 1% decline from N$118 million observed in 2016.

Strategic Thrust

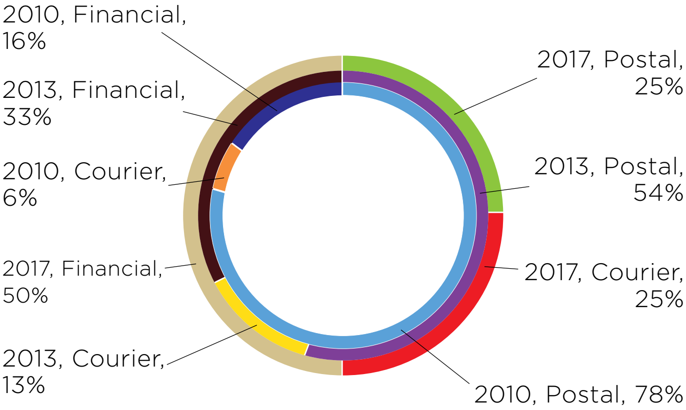
Broadly, we continued to aim at strategically transforming the post office by maintaining mail, repositioning courier, enhancing the financial offering, putting in place supporting IT infrastructure, enhancing the performance culture, and engaging strategic stakeholders.

We made good progress on all fronts. For example, on transforming the post office, we continued to diversify product offering and service delivery. To that end, ample time and energy was spent on strengthening operational efficiencies and solidifying the new revenue streams (particularly insurance and micro-lending).

As indicated last year, we have a new arrangement with Hollard to provide funeral cover insurance to NamPost SmartCard holders and credit life cover to PostFin micro-lending customers. During the year, these products sold very well and more than 41,000 new policies were issued generating over N$35 million in premiums.

As a consequence of the implementation of the diversification initiatives, the income of NamPost as a company continues to gradually move away from Postal Services which includes mail and agency services to financial services and courier—see also chart below showing NamPost company diversification excluding subsidiary and joint venture.

PROFIT DIVERSIFICATION



As per chart above (SSN and PostFin excluded), Postal Services business (includes mail and agency services) profit as percent of total profit is 25% from 54% recorded in 2013 and 78% back in 2010. The decrease is caused by Financial Services business unit which significantly increased from 16% in 2010 to 33% in 2013 and 50% in 2017. Courier Services, meanwhile, climbed to 25% of profit in 2017 from 13% in 2013 and 6% in 2010.

Last year, the Courier warehouse in Windhoek was revamped and modernised. This move created scope for further efficiencies and customer convenience. We are also at an advanced stage of scoping more possibilities in the logistics value chain.

We are, admittedly, behind on rolling out the new smartcard. As indicated last year, we had to adjust our strategy which I believe was adjusted successfully. Therefore, we now expect to complete the migration and upgrade of the smartcard by the end of 2018. The end result remains the same: a dynamic, secure smartcard linked to more products and delivered on a modern payment platform able to interface with the rest of the Namibian National Payment System.

Strategy Going Forward

Even though the underpinning strategy of NamPost remains post transformation, a few adjustments were effected during the year for better focus in the next three years. At the centre of the strategic objectives is enhancement of shareholder value. Looking back at the results achieved the past few years, transformation and diversification remain tools to achieve this objective.

During the course of next year and beyond, we will also be focusing on customer centricity by enhancing customer experience in our outlets and maintaining good stakeholder relations.

We believe that not much will be achieved in shareholder value enhancement and customer centricity without being operationally efficient. Therefore, improvement of effectiveness and efficiency of operations remains a high priority in strategic focus. The remaining two objectives; namely, business risk management and human capital effectiveness are pursued to support the other objectives.

Funding requirement needs remain high and a challenge. The business needs more funding especially for the micro-lending business to maintain the strong growth trajectory and in other areas, to innovate and modernize product and service offering.

Regulatory Environment

As indicated in the previous annual report, the Communication Regulatory Authority of Namibia (CRAN) is looking into introducing regulations for Postal Operations. Not much direct impact to the operations developed during the financial year. However, we expect further developments to take place during 2018.

Looking Forward

We stand solidly on our commitment “To always be the best at what we do” which calls on all NamPost employees to be the best at what they do. I am optimistic about the future of NamPost and stand confident that the strategy adopted and deployed will continue to yield positive results.

Appreciation

I am grateful to the Minister of Information and Communication Technology, the Honourable Tjekero Tweya, for his vision, continued support and guidance. Further, I am grateful to the shareholder (NPTH) and to the NamPost Board members for their solid guidance and for giving me an opportunity to work with NamPost. Finally, thank you to all NamPost staff for contributing to NamPost and making it stand out in the market positively.

FESTUS F. HANGULA
CHIEF EXECUTIVE OFFICER

CORPORATE FINANCE

BATSIRAI PFIGIRAI
GM: CORPORATE FINANCE

FINANCIAL HIGHLIGHTS

Group Key Financial Performance Highlights

- Revenue decreased by 1% to N$1.03 billion.
- Profit before tax excluding unrealised fair value adjustments increased by 52.4% to N$30.3 million (2016: N$19.9 million).
- Unrealised fair value adjustments moved by 172.5% to N$15.2 million gain (2016: N$21 million loss).
- Profit after tax for the year excluding unrealised fair value adjustments increased by 36.6% to N$22.4 million (2016: N$16.4 million)
- Return on equity (PAT) 8.49% (2016: 7.14%).
- Total assets increased by 6.10% to N$4.6 billion

The Group has realised profits before tax and unrealised fair value adjustments ranging between N$20 million and N$58 million over the five years.

Financial results for 2017 were mostly shaped by the following factors:

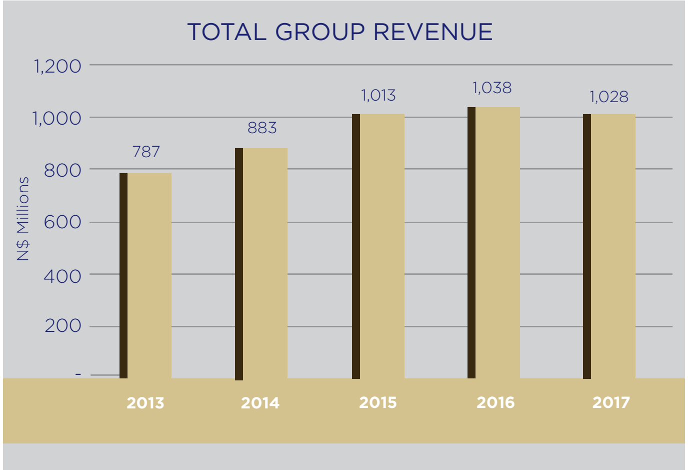
For the first three quarters of the year, the Financial Services division saw a sustained decline in the deposits and increase in withdrawals due to liquidity challenges in the market. However in the last quarter, deposits increased due to a notable liquidity improvement in the market.

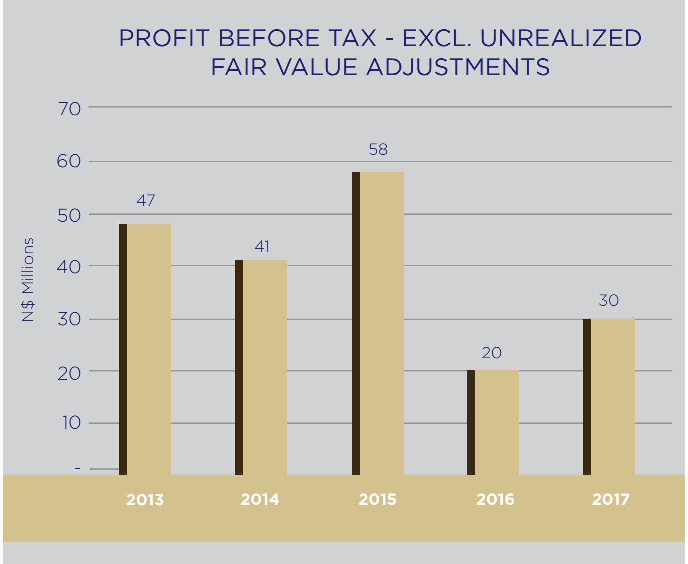
Freight volumes in the courier business reduced significantly as well as weightier consignments which as a result negatively affected revenue growth as projected.

The change in customer behaviour in favour of online communication and payment options continues to erode the mail volumes. There are, however, plans in place to enhance the services and product offerings in the new financial year in order to compensate for the declining revenue streams.

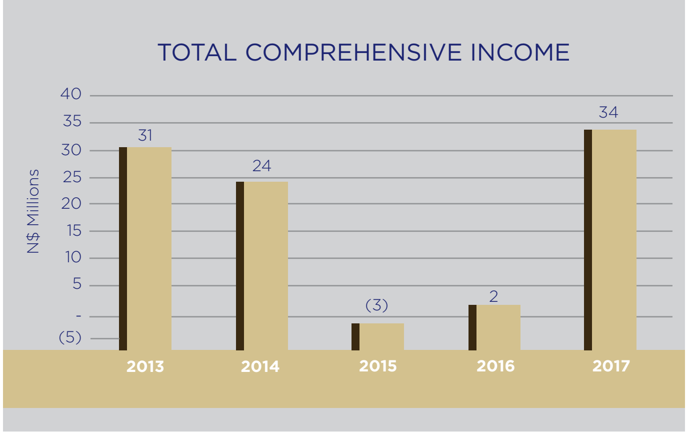
Despite the challenges in the economy, NamPost business units, its joint venture SmartSwitch Namibia (Pty) Ltd and its subsidiary NamPost Financial Brokers (Pty) Ltd (PostFin), recorded fairly good results in their respective areas of operation.

SmartSwitch Namibia recorded a profit after tax of N$11.1 million (2016: N$9.1 million). PostFin recorded a profit after tax of N$11.7 million (2016: N$6.5 million). PostFin has now established itself well in the micro-lending business and is expected to continue growing to become one of the leading micro-lenders in Namibia.





Unrealized fair value adjustments (uFVA) which was a gain of N$15.2m this year is primarily made up of financial assets of the savings bank that are mostly held to maturity; the reflection of figures excluding them.



Cash Flow and Investments

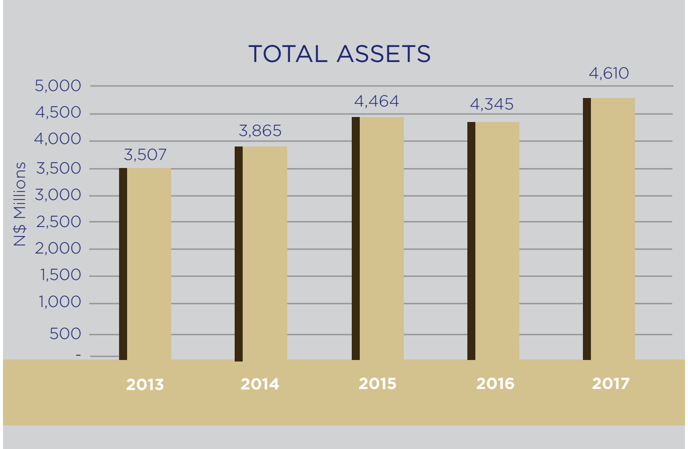
Cash generated in operating activities amounted to N$72.0 million (2016: N$15.9 million). The overall cash and cash equivalents at year-end decreased by N$74.7 million to N$73.2 million (2016: N$147.9 million).

The group has invested N$21.4 million in infrastructure of which N$6.9 million was on property, plant and equipment to support the ever-growing demands on operations, and N$14.5 million on enhancing the IT infrastructure including the development of the financial services system.

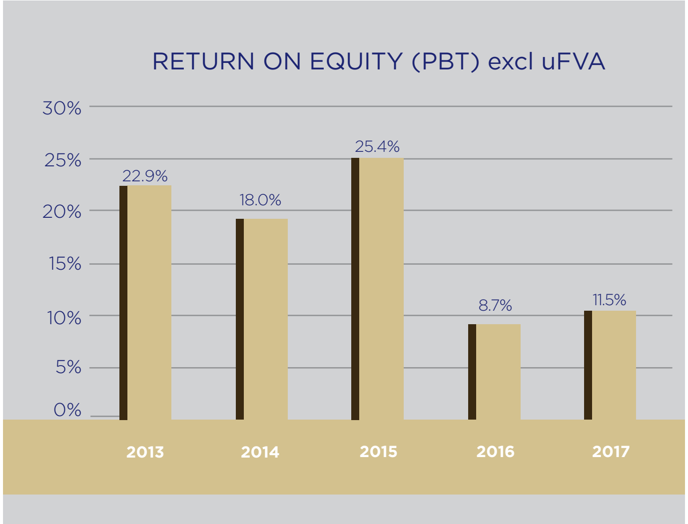
The total value of the Group's total assets increased from N$4.3 billion to N$4.6 billion.

The depositors' funds have increased by 5.98% to N$4.1 billion. The strength of the statement of financial position remains a key focus area to serve as the engine for sustainability and future growth. In light of this, further investments have been made in our subsidiary to strengthen the financial position and to enable further growth of their book.

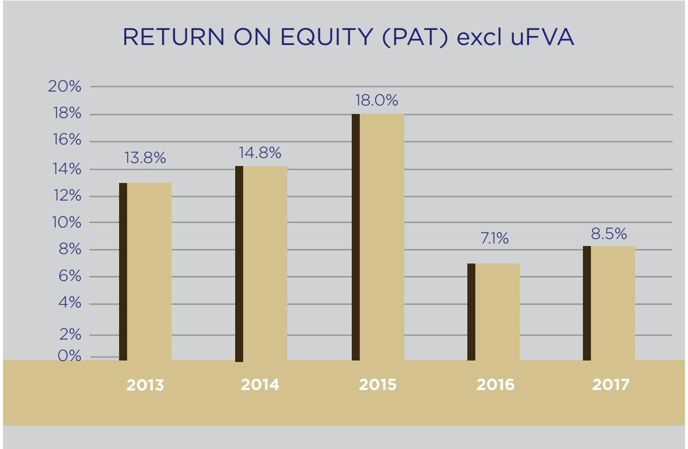
Investment management is an ongoing process whereby we strive to achieve consistently high returns by actively managing the investment portfolio for sustainable profits. We have ensured that risks are managed appropriately through effective asset and liability governance structures.



Return on assets excluding unrealised fair value adjustments increased to 0.66% from 0.46% in 2016.



Since NamPost is ultimately owned by the Government, return on equity before tax could be a more accurate gauge of the value generated for the Government as tax is paid to the shareholder. The five year average return on equity before tax and uFVA (unrealized fair value adjustments) is 17.2%.



The five year average return on equity on profit after tax (PAT) but excluding uFVA is 12.4%.

CORPORATE GOVERNANCE

ELDORETTE HARMSE
HEAD: LEGAL SERVICES &
COMPANY SECRETARIAT

CORPORATE GOVERNANCE

Introduction

Corporate governance remains a key area of focus for the NamPost Board, as good governance not only enhances a company's sustainable performance it also helps underpin long-term economic growth.

Governance Structures

NamPost Board

The Board is collectively responsible for the long-term success of the Company and for ensuring leadership within a framework of effective controls. The Board sets the strategic direction and approves the strategy The Board considers both the impact of its decisions and its responsibilities to all of the Company's stakeholders, including the shareholders, regulators, clients, the environment and the communities in which it operates.

Chief Executive Officer (CEO)

The CEO is responsible for the management of all aspects of the Company's business, developing the strategy in conjuction with the Board, and leading its implementation. The CEO leads and oversees the Executive Team and oversees the implementation of Board approved actions.

Executive Management Team

The Executive Management Team comprises the Chief Executive and Executive Management Team members,who have responsibility for the executive management of the Company's business.

Audit & Risk Committee

The Committee under the authority and the governance of its character assists the Board with oversight and review of financial, risk, ICT, Audit and internal control issues.

Human Resources & Compensation Committee

The Committee under the authority and the governance of its character assists the Board with oversight and review of the remuneration, incentive schemes and organisational alignment. The Remuneration Committee meets at least twice a year, with authority to convene more meetings if required by circumstances.

Investment Committee

The Committee assists the Board in discharging its oversight responsibilities relating to the management of the mix of the Company's asset and liability portfolios, the maturity structure and market related risks. In discharging its responsibilities, the Committee will report and, where appropriate, make recommendations to the Board in respect of all matters entrusted to it under its Charter

Board Composition, Diversity and Tenure

NamPost has five non-executive directors who possess a range of complementary skills to support the strategic and operational direction of the Company. Directors are appointed for a three year term and generally do not serve for more than two consecutive terms. The delivery of the Company's strategy depends on attracting and retaining the right skills. NamPost recognises the importance of having a diverse Board and that the diversity aids in maintaining a competitive edge.

Director Induction & Continuing Education

The Chairperson, with the support of the Company Secretary is responsible for the induction of new Directors, and ongoing development of all Directors. Upon appointment new Directors were provided with training to help them to familiarise themselves with their duties and the Company's culture and values, strategy, business model, businesses, operations, risks and governance arrangements. The induction included amongst others a formal session, face to face meetings with executives and site visits to orientate and familiarise Directors with business operations. As part of ongoing development Directors attended governance training and financial literacy training for the year under review. Additional training is available on request, so that Directors can update their skills and knowledge base, as appropriate.

Independent Professional Advice

All Directors may seek independent professional advice in connection with their roles as Directors of the Company and also have access to the advice and services of the Company Secretary, all at the expense of the Company.

Company Secretary

All Directors have access to the advice and services of the Company Secretary who acts as Secretary to the Board and its committees. The Company Secretary is accountable to the Board for ensuring that Board processes and corporate governance practices are followed. Directors are also given access to independent professional advice at the company's expense where they consider such advice is necessary to enable them to fulfill their responsibilities.

Board Functions

The Board has the collective responsibility for the management, direction and performance of the Company. The Board is accountable to the shareholder for the creation and delivery of strong, sustainable financial performance and long-term shareholder value. It is authorised to manage the business of the Company in accordance with the Company's Articles of Association, which may only be amended by special resolution of the shareholder.

Board Committees

The Board has delegated specific responsibilities to Board committees, notably the Board Audit and Risk Committee (BAC), the Human Resources & Compensation Committee (HRC) and the Board Investment Committee (BIC). A brief description of the terms of the Committees are set out on page 30. At the discretion of the Board or relevant Committee, executive and/or senior management are invited to attend meetings and make presentations on developments and results in their areas of the business.

Board and Committee meetings are held quarterly and Board meetings ad hoc as required. The Chairperson sets the Boards' agenda, ensures the Directors receive accurate, timely and clear information, promotes effective relationships and promotes open communication between the Directors.

Board Meeting Attendance

During the year, Board Meetings were held as follow:

Board of Directors	Board	BAC	HRC	BIC	Other (Induction, Risk & AGM)
Meetings held	7	4	3	4	3
Ms. E.N Hamunyela (Chairperson)	7	n/a	3	2	2
Mr. M. Haingura (Deputy Chairperson)	5	3	n/a	2	3
Dr. P. Boer	6	4	3	n/a	3
Mr. IUD Kalenga	7	n/a	3	n/a	2
Mr. JA Cumming	6	4		4	3

Boards' Assessment of Compliance with the Risk and Internal Controls

The Board has overall responsibility for the Company's system of internal controls, the ongoing monitoring of risk and internal control systems and for reporting on any significant failings or weaknesses. The system of control is designed to manage rather than eliminate the risk of failure to achieve the Company's strategic objectives and can only provide reasonable assurance against material misstatement or loss. The Board has delegated to the Audit & Risk Committee the responsibility for reviewing the effectiveness and monitoring of the risk and internal controls framework.

NamPost is committed to embedding risk management practices to support the achievement of business objectives and fulfill corporate governance obligations.

The Board, through the Audit & Risk Committee, have reviewed the assessment of risks, internal controls and disclosure controls and procedures in operation within NamPost. They have also considered the effectiveness of any remedial actions taken for the year covered by this report and up to the date of its approval by the Board.

The Committee reviewed NamPost's overall approach to risk management and control, and its processes, outcomes and disclosure. For the period under review, the Board reviewed and approved an enhanced Enterprise Risk Management Framework for the organization. The Audit & Risk Committee and the Board receives quarterly risk reports which details changes in the level or nature of the risks faced by the Company, developments in risk management and operational events, including significant errors and omissions.

Internal Audit Function

The Committee reviewed Internal Audit's audit plan for the year and agreed its budget and resource requirements. The internal audit function is carried out by Internal Audit Department and is independent of the external auditor. The internal audit provides independent, objective assurance and advisory services on NamPost's system of risk management, internal control and governance through:

- quarterly risk reporting to the Board;
- performing audits and other advisory services to assure risk management throughout NamPost;
- adopting a risk-based approach in formulating its audit plan to align audit activities to the key risks across the Company. The audit plan is approved by the Audit & Risk Committee annually.

The Head of the Internal Audit Department has a direct reporting line to the Audit & Risk Committee.

Compliance

The Audit & Risk Committee receives regular reports on the operation of the Company's whistleblowing arrangements and anti-money laundering processes.

CORPORATE GOVERNANCE 2016/2017 (continued)

Information and Communications Technology Governance

NamPost has an extensive information and communications technology ("ICT") environment that acts as an enabler of its business strategies and operations. ICT governance is done in context of NamPost's corporate governance and risk management structures and processes. The overall NamPost risk management system is used to capture and track all ICT risks, audit findings, actions and responsibilities.

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.

Shareholder Engagement

The Board recognises the importance of establishing and maintaining a good relationship with the shareholder. The Chairperson, together with the Chief Executive Officer and General Manager Finance ensures that there is regular communication with the shareholder on matters of finances, governance and strategy and the Chairperson ensures that the full Board appreciates the views of the shareholder as it concerns strategy.

Annual General Meeting

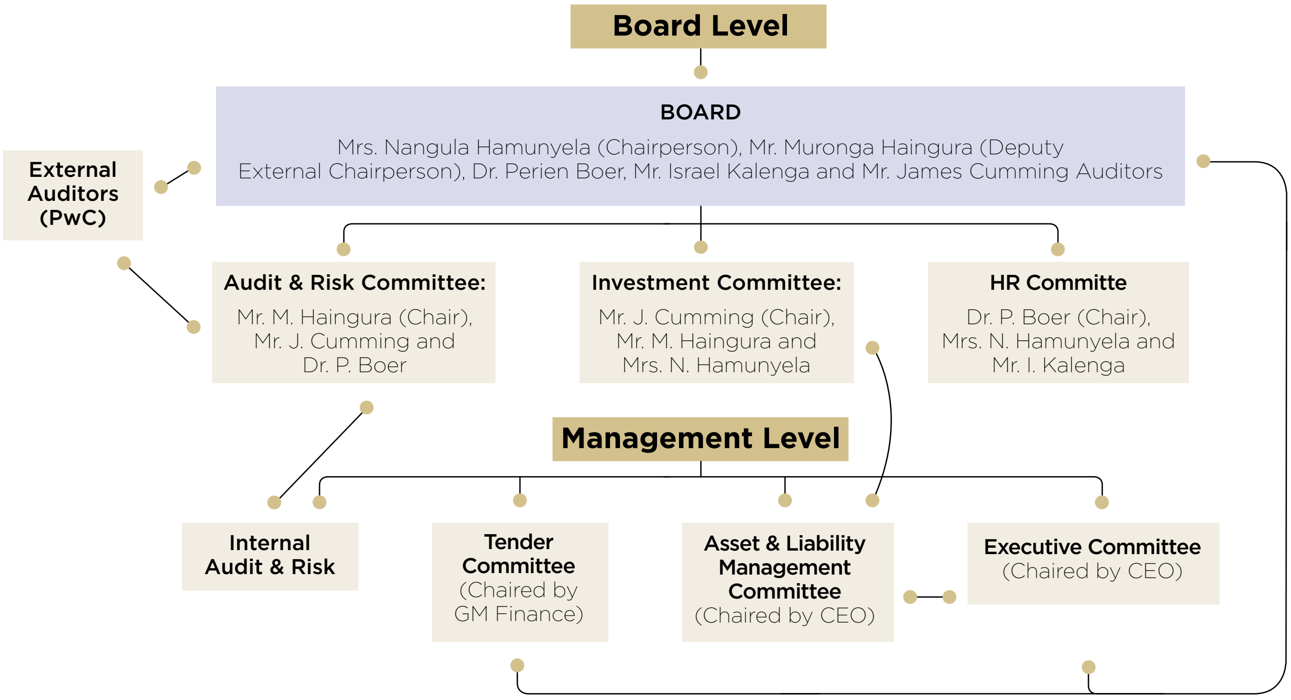
The Company's annual general meeting took place in June 2017. The Chairperson of the Board and the Chairpersons of the Board committees, together with senior management, as well as the external auditors were in attendance to respond to the shareholder questions at the meeting.

NamPost Governance Structure

NamPost is governed by a Board of Directors consisting of 5 Directors including the Chairperson. The Board has established three Board Committees to assist it in carrying out its mandate. The three committees are:

- The Audit and Risk Committee which is responsible for strategic monitoring of financial management aspects, financial policies, technology, enterprise-wide risk management, and assurance functions.
- The Investment Committee which is primarily responsible for monitoring and overseeing investment of the Savings Bank funds and management of related risks which include liquidity, credit, and market risk.
- Human Resources and Compensation Committee which deals with strategic aspects of human capital management and strategic alignment of the operational structure to the strategic intent of NamPost.

The schematic representation of the governance structure is given below:



Exco Structure

The Group consists of NamPost which is the holding company which owns Namibia Post Financial Brokers Pty Limited and a joint venture, SmartSwitch Namibia Pty Limited. NamPost, as a company, has three business units (Postal Services, Financial Services, and Courier Services). The subsidiary and joint venture form part of the Financial Services offering of NamPost. Meanwhile, support services are shared across the Group.

The Group Executive Management is as represented schematically below:

Namibia Post Limited

Board of Directors: (N. Hamunyela, M. Haingura, I. Kalenga, J. Cumming and Dr. P. Boer)

NAMPOST EXECUTIVE MANAGEMENT
Group Chief Executive Officer
(Festus F. Hangula)

INTERNAL AUDIT
Head
Kgomotso Hochobeb

GROUP SERVICES

FINANCE
General Manager
(Batsirai Pfigirai)

TECHNOLOGY
Chief Information Officer
(Jorn Schnoor)

MARKETING
General Manager
(Berlindi van Eck)

HUMAN RESOURCES
General Manager
(Sonia Bergh)

LEGAL, COMPLIANCE, SECRETARIAT Head
(Eldorette Harmse)

ENTERPRISE RISK MANAGEMENT
Chief Risk Officer
(Deon Claasen - Acting)

POSTAL SERVICES
General Manager
(Tangeni Erkana)

Mail, Agency, Retail Services

COURIER SERVICES
General Manager
(Max Schafer)

Express:
Domestic
International

FINANCIAL SERVICES
Group Chief Commercial Officer
(Jennifer Comalie)

Banking, Insurance

Subsidiary and Joint Venture

PostFin Ltd.
Chief Executive Officer
(Patrick Gardiner)

Micro-lending Financial brokerage

SSN Ltd.
Chief Executive Officer
(Jan Engelbrecht - Acting)

Payment technology, Payment Switch

RISK MANAGEMENT

DEON CLAASEN
ACTING CHIEF
RISK OFFICER

RISK MANAGEMENT

NamPost Board and its sub-committees is committed to enhancing its ability to effectively manage uncertainty and increase shareholder value. The Board approved Enterprise Risk Management Framework (ERMF) is a comprehensive, systematic approach to identify key events, and measure, prioritize and respond to the risks challenging its most critical objectives and related projects, initiatives and day-to-day operating practices.

Risk Management Objectives

NamPost strategic risk management objectives are to ensure that:

- all key risks are identified, well understood, managed and monitored
- there is clear accountability for risk management
- all expected or known risk exposures are managed within the acceptable risk appetite

In managing risk, NamPost believes in three lines of defence as highlighted below:

1. **1st Line of Defence**
   Staff and Management
   Identify, quantify, manage and monitor all key risks
   Design business and risk management processes
   Implement risk mitigating strategies
   Implement smart corrective actions

2. **2nd Line of Defence**
   Risk and Compliance
   Responsible for risk management process and policies
   Facilitate risk management process implementation
   Consolidate risk responses, analyse and escalate significant risk exposures and corrective actions implementation of risk governance structures

3. **3rd Line of Defence**
   Internal & External Audit
   Provides independent assurance to the governance committees on the effectiveness of control effectiveness and adequacy

The ERMF provides that the following minimum Principal categories of risk be considered:

	STRATEGIC RISK	FINANCIAL RISK	OPERATIONAL RISK	COMPLIANCE AND REGULATORY RISK
RISK CATEGORIES:	Both internal and external events and scenarios that can inhibit an organisation's ability to achieve its strategic objectives.	A category of risks related to unexpected changes in external markets, prices, rates, and liquidity supply and demand.	The risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.	The risk that laws, regulations and internal policies will be breached.
SUB-RISK:	Business Model	Market	Business Continuity	Legal
	Competitor	Credit	Fraud	Regulatory
	Customer	Liquidity	People	Financial Crime
	Emerging	Capital Availability	Process	
	External		Systems/ Technology	
	Environment		Reporting and disclosure (Accounting, Budget, Taxation and Financial Reporting)	
	Governance			
	Industry			
	Political			
	Reputation			
	Social Media			

Having gone through the risk identification process, a total of twelve principles were identified as making up the enterprise risk universe of NamPost; these are:

1. Finance & tax risk
2. Operational risk
3. Regulatory risk
4. Legal risk
5. Financial crime risk
6. Credit risk
7. Capital risk
8. Liquidity risk
9. Market risk
10. People risk
11. Technology risk
12. Reputational risk

Risk Oversight

The Board is responsible for reviewing and overseeing effective implementation of the Enterprise Risk Management Framework. The Board Audit Committee (BAC) supports the Board in discharging their duties to monitor overall internal control effectiveness and risk management strategies. The BAC is supported by the Board Investment Committee (BIC) which focuses specifically on bank management related risks.
-see also Tables below:

Governance Committee at Board Level	ERMF Risk Responsibility
Board Audit Committee (BAC)	ERMF All Risks
Board Investment Committee (BIC)	Market Risk
	Liquidity Risk
	Financial Risk

Governance Committee at Management Level	ERMF Risk
Executive Committee	Enterprise Risk Management Framework All Risks
Risk Committee	Operational Risk, Financial Crime Risk
	Compliance, Legal & Regulatory Risk
	Information Technology Risk, People Risk
Credit Risk Management Committee	Credit Risk
Asset & Liability Committee (ALCO)	Liquidity Risk
	Market and Capital Risk

The Chief Risk Officer, GM Finance, Head Internal Audit and External Auditors permanently attend all ordinary BAC meetings to support the Committee in discharging its duties.

As part of the risk assurance model NamPost ERM department is responsible for the consolidated risk reporting, policy implementation, facilitation and coordination of the risk management and the risk governance processes.

The Group Internal Audit, as the third line of defense, provides independent assurance of the adequacy and effectiveness of risk management controls, processes and practices.

POSTAL SERVICES

TANGENI ERKANA

GM: POSTAL SERVICES

POSTAL SERVICES

Postal Environment

Postal services is under pressure from digitalization and it is generally expected that mail will decline overtime. Under NamPost, mail falls under the Postal Services Business unit which also includes the following: Hybrid Mail Services, Post Offices , Agency Services, and Philately Services.

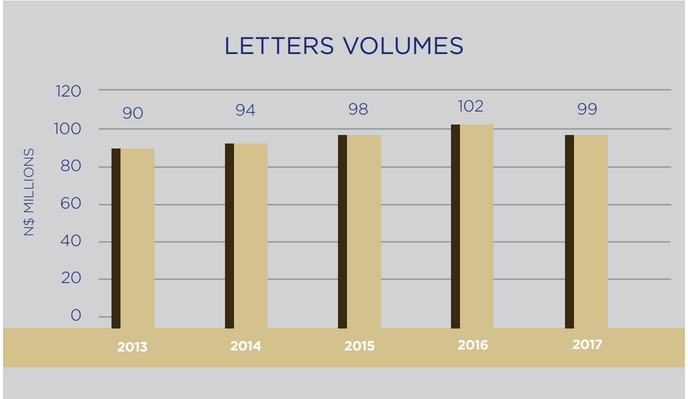
Postal Services reported a revenue of N$516 million which is N$4.9 million worse than the previous financial year. Profit for the financial year was N$24 million which is a 13% growth on prior year.

Postal Services is the main channel for distribution of products and services of NamPost for which it receives commission from other business units. Financial services commission to postal services increased by 8% and fees from Agency services provided to other companies also reflected a growth of 8%. No new post offices were opened during the financial period under review.

Currently, over 123 000 post boxes are installed and enjoy an occupancy rate of 86%.

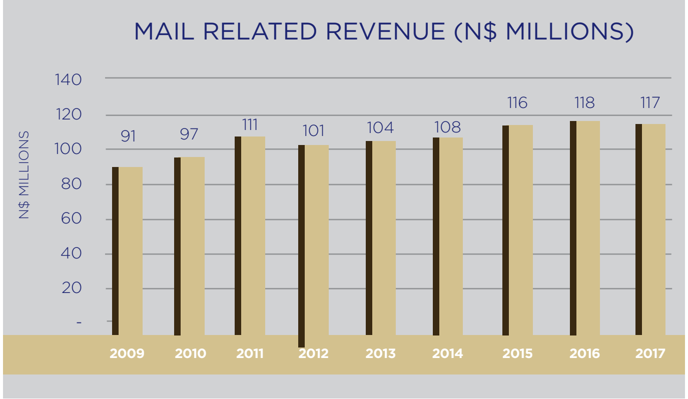
During the year, the postal tariff increases were kept in line with inflation which was in the region of 6.7% in light of the prevailing difficult economic environment.

The graph below illustrates domestic and international mail handled from 2011 to 2017.

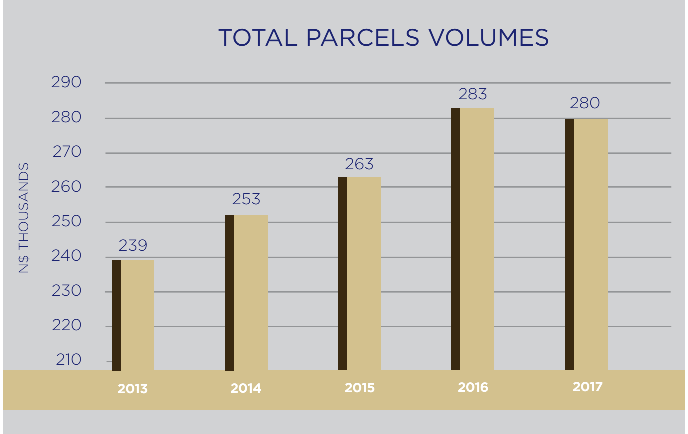


Letters posted increased by 4% while letters received decreased by 13.5% during the period under review. Total letters handled during the year decreased by 3% to 99.35 million pieces.

Mail related revenue has declined slightly by 0.89% (see chart below) due to decrease in mail volumes which was not fully offset by the inflationary increase in postal fees.



Parcels handled decreased by 1% deviating from the trend observed for at least the last four years. This could be due to the difficult recessionary economic conditions.



Quality of service measurement standards

The postal delivery standard performance achieve is 95% for items posted in the same Post Offices and 96% for main Post Offices all over the country. The table below shows the performance on the delivery of postal items from post office to another post office in the same town. An improvement of 3% was recorded from 92% to 95%; meaning, 95% of the time mail was delivered within 3 days from the day of mailing (J+2).

Post Office to Post Office in Same Town:

Delivery standard	Target	Performance
2015 = J+2	**90%**	**90%**
2016 = J+2	**90%**	**92%**
2017 = J+2	**90%**	**95%**

The following table shows postal items posted for delivery between main Namibian towns. During the financial year, 96% of the time mail was delivered from one town to the other within 4 days (j+3). There is an improvement of 1% from the previous year.

Main Town to Main Town:

Delivery standard	Target	Performance
2015 = J+3	90%	96%
2016 = J+3	90%	95%
2017 = J+3	90%	96%

Hybrid Mail Services

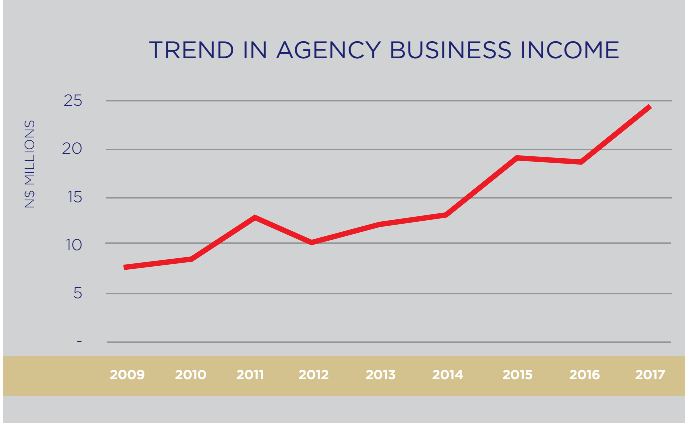
Hybrid mail services combines electronic transmission and physical delivery that utilises an integrated mailing technology that accelerates the delivery of an institution's invoices or statements to their clients at affordable prices.

Hybrid Mail revenue increased by 36%. The following was done to improve service delivery:

- An automated sorting machine was procured from the USA and operationalised;
- Hybrid Centre was equipped with a new additional document inserter; and
- Our clients can view tracking events of traceable items on NamPost website.

Agency Services

Agency fees continue to grow positively and we will continue to stimulate this business stream focusing in particular on areas that are likely to yield higher income at lower effort on NamPost's part and that will not necessarily congest the post office.



Note: Agency income includes insurance agency business.

FINANCIAL SERVICES

PATRICK GARDINER
CEO POSTFIN

JENNY COMALIE
GROUP CHIEF
COMMERCIAL OFFICER

JAN ENGELBRECHT
ACTING CEO
SMARTSWITCH
NAMIBIA (SSN)

FINANCIAL SERVICES BUSINESS

Financial Services business focuses on banking (savings, investments, transactional banking and money transfer), insurance, micro-lending and financial brokering.

Banking: The year under review was particularly difficult in the financial markets, and featured bouts of illiquidity that impacted the ability to attract both wholesale and retail deposits. Despite this, the total deposit book grew by 8.31%.

Interest rates remained constant throughout the year, only dropping by 25 basis points during August 2017. Assets sensitive to interest rates started anticipating the decline as early as January 2017, and this had the effect of pressurising margins. Nonetheless, net margin was maintained at an acceptable level commensurate with market conditions.

Government funding has been under pressure for most of the year, with bond auctions under subscribed and not allotted. Namibian bond spreads to the South African benchmarks widened as was broadly expected. Emerging market flows into South African debt kept a cap on bond yields, however, this may not last.

South African politics swayed the market in both directions. Fundamentally, we see this trend continuing until well into the new financial year. Moreover, further downgrades are possible for both Namibia and South Africa.

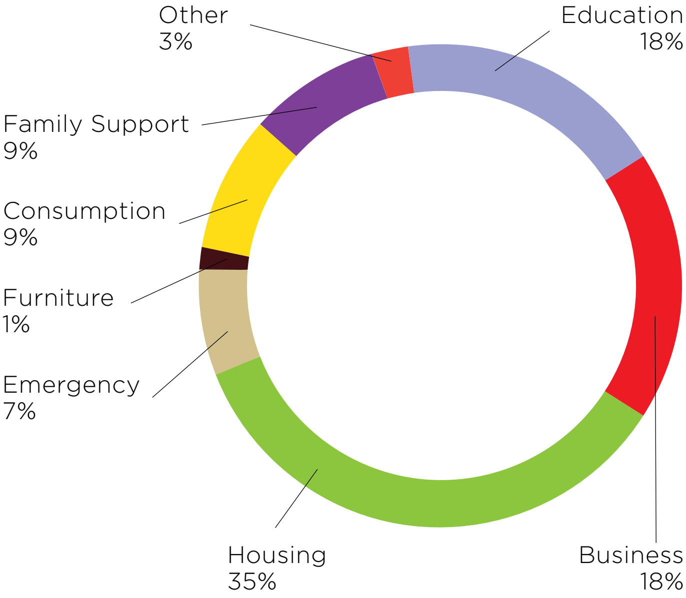
The **Insurance business** operates on the back of SmartCards and micro-lending business. Therefore there are two products currently—the funeral cover for SmartCard holders and a credit life product for micro-lenders. During the year, the business was stimulated and more than 41,000 policies were signed up yielding a combined premium collection in excess of N$35 million. The business benefited from good growth in both SmartCards and micro-lending business. Meanwhile, dividends to the tune of N$3.4 million were paid out by the insurance joint venture to NamPost.

NamPost Financial Brokers (Pty) Ltd (Micro-lending and financial brokerage): micro-lending is offered under the subsidiary of NamPost, NamPost Financial Brokers (Pty) Ltd. trading as PostFin which is owned 100% by NamPost. PostFin is a registered financial broker as well as a registered term-lender with its Head Office situated in Windhoek.

The company employs 60 staff members of whom 27 are sales focused at various Post Offices. Where there are no PostFin sales representatives, the post office staff serve the customers.

PostFin has over 15,000 active clients with over 70% of the loans being used for productive purposes such as micro-housing, micro-business and education. -see also chart below.

POSTFIN LOAN UTILIZATION



The very challenging economic conditions which have been prevalent in Namibia over the past year or so have created a situation wherein people have a greater need for access to finance. Therefore, it was of cardinal importance that no undue risks were taken during the year to avoid significant increases in impairment losses. Accordingly, the growth which PostFin experienced was a closely managed one whereby the Credit Policy was applied tightly.

The loan impairment rate reduced from 4.2% in 2016 to 2.7% in 2017 while still growing the book by over 54% (ending at N$ 285 million loan portfolio), which was significantly higher than the average sector growth of 20%. PostFin therefore has a healthy loan book with a comparatively low risk profile, despite having issued over N$ 183 million in new loans during the year.

PostFin's profit before tax for the 2017 financial year increased with 96% to N$ 17.3 million. The Return-on-Investment for the past financial year was 78% while the ROE was 38%. The cost to income ratio (after interest and impairments) was 52% (62% in 2016) with human resources forming 66% of the expenses.

SmartSwitch Namibia Limited (payment solutions) has been operational since February 2006 and is 50% owned by NamPost with the rest of the shares owned by Net 1. The company maintains the Universal Electronic Payment System (UEPS) based transaction switch that effects and manages a variety of financial and non-financial smartcard applications designed to primarily address the needs of the under-banked and un-banked population of Namibia. The switch is fully authorised by the Payment Association of Namibia (PAN) to provide payment system services using smartcard solutions.

SmartSwitch Namibia has the benefit of more than 10 years' experience in implementing and operating smartcard based solutions in Namibia, through the migration of NamPost Savings Bank clients from book-based investments to smart cards.

SmartSwitch Namibia's profit before tax for the 2017 financial year increased from N$13.3 million in 2016 to N$ 16.3 million in 2017. Dividends of N$13.50 million (2016: N$10.00 million) were declared and paid during the 2017 financial year.

We are proud to note that for the past year, there has been minimal downtime on the Stratus System hosting the UEPS, the financial information and transaction switching system utilised by the smartcards.

Members of the Government Institutions Pension Fund (GIPF) use the biometric verification function and benefits payment system of the UEPS System to provide proof of life verifications for pensioners.

Combined, Financial Services (banking, insurance, micro-lending and payment solutions) generated revenue of N$444.59 million which is a 4% increase from the previous year. Profit was N$80.69 million which is a 45% improvement from the previous year.

COURIER SERVICES

MAX SCHAFER
GM: COURIER

COURIER BUSINESS

Despite the ongoing economic challenges and recession being experienced in Namibia, the Courier business recorded a 1% revenue growth. However, profit declined by 2% compared to the previous year.

The results reflect the severe cuts in government spending, and contraction of the construction sector in particular that is projected to contract by 26% during 2017.

The international courier services grew significantly by 19% even though it remains a fairly small component (about 1%) of the Courier revenue.

Revenue growth is supported by continued marketing efforts, dedicated sales initiatives, competitive pricing and word of mouth. In general, both parcel volumes and weight declined compared to previous year.

The Courier warehouse expansion project is well underway although work is being performed in phases. It is expected that the warehouse will be fully operational early in the 2018 financial year.

NAMPOST TWENTY FIFTH ANNIVERSARY
25 Years
1992 - 2017

NAMPOST COURIER. PMR DIAMOND AWARD WINNER FOR THE 6TH TIME IN A ROW.

Our team works round the clock to not only erase the distance between Namibian towns, but Namibia and the world. That is why we are proud to accept the celebrated PMR Africa Diamond award for Courier Services, yet again – a testament to the customer centric focus at the heart of every parcel we deliver.

500/08/02/2018

Courier Customer Care:
Tel: +264 (0) 61 201 3174/3112/3106/3248
Fax: +264 (0) 61 228 988
Email: parcelcollection@nampost.com.na
www.nampost.com.na

We Deliver More.

nampost®
courier

INFORMATION & COMMUNICATION TECHNOLOGY

JORN SCHNOOR
CHIEF INFORMATION
OFFICER

NAMPOST TECHNOLOGY

During the past twelve months, the primary focus was supporting the NamPost strategies particularly on establishing the appropriate technology backbone in support of the financial services strategy.

In that regard, the key focus was building a secure reliable infrastructure, combining several differing telecommunication technologies and presenting these as one consistent network on which all existing and new NamPost service offerings are presented to our customers. This meant a complete overhaul of the security perimeters, monitoring and alerting. A separate, compliant infrastructure has recently been approved by the NamPost Board and the Technology team is ready to implement during the latter part of 2017 in preparation for the piloting of the new banking card system in March 2018.

The main Postal point-of-sale (POS) platform was also upgraded with further improvements scheduled to take place towards the end of 2017. These improvements not only increased the performance of the PCs in Postal Services department, but also hosts the new card system front-end and new POS device in a banking payment system. Indeed, NamPost is working towards full PCI-DSS (Payment Card Industry Data Security Standard) certified acquiring environment scheduled to go live during 2018.

Further improvements completed during the 2016/17 financial year were in support of the provisional Payments System Determination 6 (PSD-6) license received from the central bank (Bank of Namibia). This marks a significant milestone for NamPost as this signals NamPost's readiness to expand on its payment role in the Namibian market addressing the financial inclusion needs in particular. A revised disaster recovery procedure and capacity is being built in support of the provisional PSD-6 license.

The above activities automatically increase the experience and exposure of the NamPost Technology team to best practices in the payment and banking arena. Meanwhile, the long-standing and traditional outsourced technical support team has been transitioned and now forms part of the NamPost internal support structures.

External and internal security threats remain constant with ever more evolving hacks and viruses. NamPost continues to be vigilant and is constantly revising and aligning its internal defences to mitigate these risks.

Many new developments are scheduled for 2018 with improvements for Courier, Hybrid Mail, Postal, HR, internal platforms for document workflow, new NamPost website and of course the new banking front-end.

Meanwhile, NamPost continues to work closely with the industry to ensure it remains on top of the fast changing information technology environment.

HUMAN RESOURCES

SONIA BERGH
GM: HUMAN RESOURCES

HUMAN CAPITAL

During the course of the year, to further the achievement of NamPost objectives, focus was given to all operational units through targeted sessions aimed at inculcating an enhanced performance management system and ensure a high performance culture. The Performance Management System Policies have been reviewed and scoring system adjusted.

Staff engagement sessions took place to foster the concept. This included visitation to all the Regions during the financial year. Corporate engagement activities such as the newly implemented communication strategy, will aid in keeping employees engaged via knowledge and information sharing.

Efforts to entrench the NamPost Values I-Act (Integrity, Accountability, Caring and Teamwork) continued via regular communication briefs linking the corporate values to various work and human resources related topics.

Training continues to be a critical component of the business to effectively meet operational and strategic needs. A Competency GAP analysis was also initiated and completed which fed into training undertaken during the year. Specialized training was sourced as needed, however, care was taken to provide only essential training in the face of harsh economic conditions.

In support of the strategic initiative to enhance the financial offering of NamPost, the provisional training plan is designed and will be adjusted as we get closer to implementation of the new card system during the first half of 2018.

The National Vocational Certificate in Postal Services was launched in March 2017. The first group of 14 employees to benefit from this initiative is expected to undergo national assessment in October 2017.

Employee wellness is at the center of focus and together with NamPost wellness partners (Walvis Bay Corridor Group) we embarked on voluntary staff screening to ensure that the workforce remains healthy and productive. It is pleasing to note that during the period under review more than 85% of total workforce underwent voluntary health screening.

TO
KNOW
IS TO
GROW

MARKETING & COMMUNICATION

BERLINDI VAN ECK
GM: CORPORATE MARKETING & COMMUNICATION

MARKETING AND COMMUNICATION

The strategy for the year was to ensure that the company image and brand remains positive and trusted among customers. The promotion of products and services was challenging due to the tough economic conditions and extra care had to be taken to ensure that optimal exposure was received vis-à-vis cost for the communication medium selected.

The communication annual plan and goals were realised by developing, implementing and sustaining important communication channels for both external and internal stakeholders and strengthening relationships with various stakeholders. Various platforms and activities were in place to initiate and maintain good relationships and promote the sharing of information about NamPost operations with stakeholders.

Various strategic communication activities were implemented to disseminate information about NamPost via a variety of channels in the print and electronic media. We pride ourselves with high reach of stakeholders through various social media platforms.

One of the key focus areas for the year was the celebration of the 25th anniversary, which culminated into enhancement of internal communication through various regional reach outs. The reach out programme is meant to engage internal staff members and speak about key achievements of NamPost.

Media relations were facilitated through rapid responses to media enquiries; this has promoted the strengthening of relationship with the media and facilitated balanced coverage of NamPost operations and business activities.

INTERNAL AUDIT

KGOMOTSO HOCHOBEB
HEAD: INTERNAL AUDIT

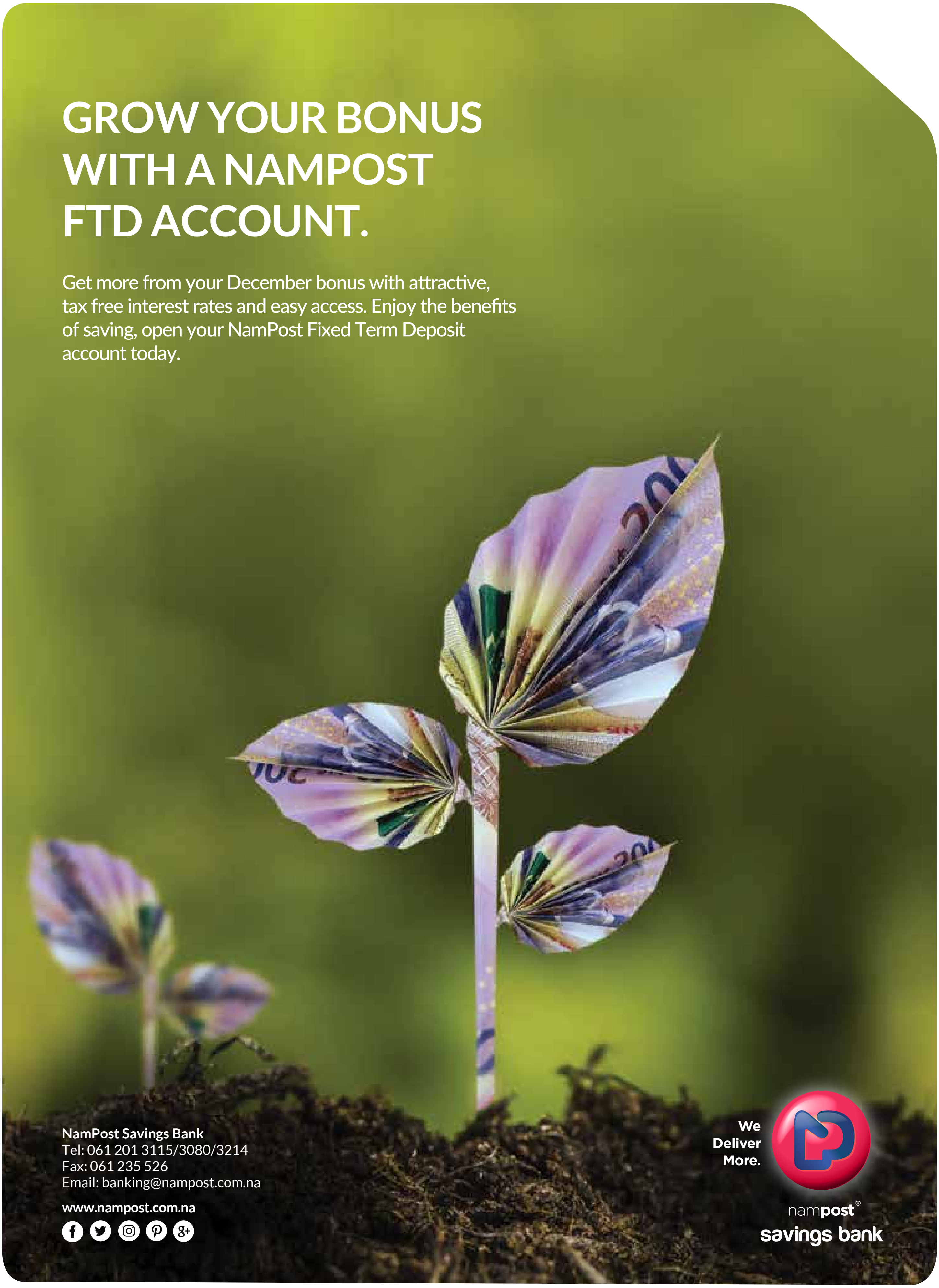
ASSURANCE FUNCTION

The Internal Audit Department provides independent and objective assurance on the adequacy and effectiveness of NamPost's control and governance processes. This is demonstrated by the direct functional reporting of the department to and approval of the Annual Work Plan and Risk-Based Strategy by the Board Audit Committee.

Various independent and ad-hoc audits were conducted during the year under review. In this regard, certain key matters affecting NamPost have been raised and reported. Appropriate actions were recommended where Management agreed to implement the recommended actions. All the reports have been presented to Management and quarterly to the Board Audit Committee for monitoring.

The Department also conducts branch inspections at Post Offices. These inspections are conducted randomly with an element of surprise. A total of 19 inspections and investigations into theft, burglaries and related activities have been conducted and reported on during the year. The Whistle-Blowing program remains active which gives the staff and public the opportunity to report irregularities on an anonymous basis.

The Board Audit Committee meets quarterly and is well informed of audits performed and other activities of the department.



GROW YOUR BONUS WITH A NAMPOST FTD ACCOUNT.

Get more from your December bonus with attractive, tax free interest rates and easy access. Enjoy the benefits of saving, open your NamPost Fixed Term Deposit account today.

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We
Deliver
More.

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savings bank

FINANCIAL STATEMENTS

NAMIBIA POST LIMITED AND ITS SUBSIDIARY
(Registration number 92/284)
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2017

GENERAL INFORMATION

Country of incorporation and domicile	Namibia
Nature of business and principal activities	Namibia Post Limited and its subsidiary are engaged in the supply of postal services, courier services, savings bank services and micro - lending and operates principally in Namibia. In addition, the group provides Universal Electronic Payment System's applications, products and services to financial institutions, government organisations, retailers, employers and other service providers.
Directors	Evangelina N. Hamunyela Perien J. Boer Muronga Haingura Israel U. D. Kalenga James A. Cumming
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 Registered Accountants and Auditors Chartered Accountants (Namibia)
Secretary	Eldorette C. Harmse
Company registration number	92/284
Lawyers	Conradie and Damaseb, Shikongo Law Chambers and ENSafrica | Namibia

CONTENTS

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

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Independent Auditor's Report	77 -79
Directors' Report	80 - 81
Statement of Financial Position	82
Statement of Comprehensive Income	83
Statement of Changes in Equity	84
Statement of Cash Flows	85
Accounting Policies	86 - 99
Notes to the Annual Financial Statements	100 - 131
The following supplementary information does not form part of the annual financial statements and is unaudited: Detailed Income Statement	132 - 134

Directors' Responsibilities and Approval

The directors are required in terms of the Companies Act of Namibia to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual 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 annual financial statements.

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

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

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual 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 2018 and, in light of this review and the current financial position, they are satisfied that the group has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the group's annual financial statements. The annual financial statements have been examined by the group's external auditors and their report is presented on pages 77 to 79.

The annual financial statements set out on pages 80 to 134, which have been prepared on the going concern basis, were approved by the board of directors and were signed on their behalf by:

Signed on behalf of the Board of Directors By:

Director

Director

Windhoek

Date: 4 December 2017

Independent Auditor's Report

To the Member of Namibia Post Limited and its subsidiary

Report on the audit of the consolidated and separate annual financial statements

Our opinion

In our opinion, the consolidated and separate annual financial statements present fairly, in all material respects, the consolidated and separate financial position of Namibia Post Limited and its subsidiary (the Company) and its subsidiaries (together the Group) as at 30 September 2017, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Namibia.

What we have audited

Namibia Post Limited and its subsidiary's consolidated and separate annual financial statements set out on pages 80 to 134 comprise:

- the director's report for the year ended 30 September 2017;
- the consolidated and separated statements of financial position as at 30 September 2017;
- the consolidated and separated statements of comprehensive income for the year then ended;
- the consolidated and separated statements of changes in equity for the year then ended;
- the consolidated and separated statements of cash flows for the year then ended; and
- the notes to the annual financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the consolidated and separate annual financial statements* section of our report.

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B) (IESBA Code) and other independence requirements applicable to performing audits of financial statements in Namibia. We have fulfilled our other ethical responsibilities in accordance with this and in accordance with other ethical requirements applicable to performing audits in Namibia.

Independent Auditor's Report

Other information

The directors are responsible for the other information. The other information comprises the company information and the statements of responsibility of the directors, but does not include the consolidated and separate annual financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate annual financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate annual financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate annual financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate annual financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Namibia, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate annual financial statements, the directors are responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and / or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate annual financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate annual financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Independent Auditor's Report

- Obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and / or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate annual financial statements, including the disclosures, and whether the consolidated and separate annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers.

PricewaterhouseCoopers
Registered Accountants and Auditors
Chartered Accountants (Namibia)

Per: Nangula Uaandja
Partner

Windhoek

Date: 12 December 2017

Directors' Report

The directors have pleasure in submitting their report on the annual financial statements of Namibia Post Limited and its subsidiary consolidated and separate for the year ended 30 September 2017.

1. Nature of business

Namibia Post Limited and its subsidiary are engaged in the supply of postal services, courier services, savings bank services and micro - lending and operates principally in Namibia. In addition, providing the Universal Electronic Payment System's applications, products and services to financial institutions, government organisations, retailers, employers and other service providers.

There have been no material changes to the nature of the group's business from the prior year.

2. Review of financial results and activities

The consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Namibia. The accounting policies have been applied consistently compared to the prior year, except for the change disclosed in note 35.

Full details of the financial position, results of operations and cash flows of the group are set out in these annual financial statements.

3. Share capital

There have been no changes to the authorised or issued share capital during the year under review.

4. Dividends

No dividends were paid during the year under review (2016: Nil).

5. Directorate

The directors in office for the period covered by and as at the date of this report are all Namibians and their details are as follows:

Directors	***Appointed***	***Current designation***
Evangelina N Hamunyela	20 November 2013	Chairperson
Perien J Boer	26 August 2013	Non-executive
Muronga Haingura	01 October 2016	Vice Chairperson
Israel U D Kalenga	01 October 2016	Non-executive
James A Cumming	01 October 2016	Non-executive

Directors' Report

6. Interest in subsidiaries and joint venture

Name of subsidiary / joint venture	**Country of incorporation**	**% Holding**
NamPost Financial Brokers (Pty) Ltd	Namibia	100
SmartSwitch Namibia (Pty) Ltd	Namibia	50

	2017 N$ '000	2016 N$ '000
NamPost Financial Brokers (Pty) Ltd		
Total profit after income tax	11,569	6,456
SmartSwitch Namibia (Pty) Ltd		
Total profit after income tax	11,065	9,063
	22,634	**15,519**

There were no significant acquisitions or divestitures during the year ended 30 September 2017.

7. Holding company

The group's holding company is Namibia Post and Telecom Holdings Limited incorporated in Namibia.

8. Events after the reporting period

The directors are not aware of any significant event which occurred after the reporting date and up to the date of this report that can have an impact on these financial statements.

9. Auditors

PricewaterhouseCoopers continued in office as auditors for the company, its subsidiary and joint venture for 2017 in accordance with section 278(2) of the Companies Act of Namibia.

10. Secretary

The company secretary is E C Harmse.

Postal address
P O Box 287
Windhoek

Business address
Post Office Building
Corner Independence Avenue and Daniel Munamava Street
Windhoek

11. Acknowledgements

Thanks and appreciation are extended to all of our shareholders, staff, suppliers, customers and clients for their continued support of the group.

Statements of Financial Position as at 30 September 2017

		Group		Company	
	Note(s)	2017 N$ '000	2016 N$ '000	2017 N$ '000	2016 N$ '000
Assets					
Non-Current Assets					
Property, plant and equipment	4	23,792	26,211	22,760	25,108
Intangible assets	5	46,735	37,693	45,316	36,102
Investments in subsidiaries	6	-	-	15,001	15,001
Investments in joint ventures	7	10,068	11,285	6,000	6,000
Loans to group companies	8	-	-	216,999	128,787
Other financial assets	9	2,052,848	2,209,565	1,772,268	2,111,975
Deferred tax	11	15,384	20,227	15,154	19,484
		2,148,827	**2,304,981**	**2,093,498**	**2,342,457**
Current Assets					
Inventories	14	46,074	54,511	46,074	54,511
Loans to group companies	8	-	-	6,678	6,250
Trade and other receivables	15	60,049	96,539	59,927	96,388
Other financial assets	9	2,267,445	1,724,543	2,263,421	1,641,441
Current tax receivable	19	14,556	16,751	13,844	16,723
Cash and cash equivalents	16	73,163	147,884	72,746	146,396
		2,461,287	**2,040,228**	**2,462,690**	**1,961,709**
Total Assets		**4,610,114**	**4,345,209**	**4,556,188**	**4,304,166**
Equity and Liabilities					
Equity					
Share capital	17	5,075	5,075	5,075	5,075
Retained income		258,155	224,229	238,563	215,158
		263,230	**229,304**	**243,638**	**220,233**
Liabilities					
Non-Current Liabilities					
Other financial liabilities	18	81,744	74,000	51,291	43,547
Retirement benefit obligation	12	12,958	14,367	12,958	14,367
Savings bank Investors	13	609,601	590,255	609,601	590,255
		704,303	**678,622**	**673,850**	**648,169**
Current Liabilities					
Trade and other payables	20	172,337	168,061	163,927	162,013
Loans from group companies	8	-	6,250	-	6,250
Other financial liabilities	18	1,116	4,758	1,116	4,758
Savings bank Investors	13	3,469,128	3,258,214	3,473,657	3,262,743
		3,642,581	**3,437,283**	**3,638,700**	**3,435,764**
Total Liabilities		**4,346,884**	**4,115,905**	**4,312,550**	**4,083,933**
Total Equity and Liabilities		**4,610,114**	**4,345,209**	**4,556,188**	**4,304,166**

Statements of Comprehensive Income

		Group		Company	
	Note(s)	2017 N$ '000	2016 N$ '000	2017 N$ '000	2016 N$ '000
Revenue	22	1,027,865	1,038,483	967,867	1,001,008
Cost of sales	23	(641,458)	(664,155)	(635,752)	(660,563)
Gross profit		**386,407**	**374,328**	**332,115**	**340,445**
Other operating income	24	18,308	3,658	17,188	3,186
Fair value adjustments	9	-	(20,967)	-	(20,967)
Operating expenses		(390,166)	(366,900)	(363,684)	(344,233)
Operating profit (loss)	25	**14,549**	**(9,881)**	**(14,381)**	**(21,569)**
Investment income		11,596	5,610	29,526	11,896
Finance costs	27	(1,414)	(1,369)	(931)	(1,369)
Income from equity accounted investments		5,533	4,532	-	-
Profit (loss) before taxation		**30,264**	**(1,108)**	**14,214**	**(11,042)**
Taxation	28	(7,908)	3,214	(2,379)	5,564
Profit (loss) for the year		**22,356**	**2,106**	**11,835**	**(5,478)**
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Remeasurements on net defined benefit liability/asset		1,811	(344)	1,811	(344)
Fair value adjustments	35	15,204	-	15,204	-
Income tax relating to items that will not be reclassified	29	(5,445)	110	(5,445)	110
Total items that will not be reclassified to profit or (loss)		**11,570**	**(234)**	**11,570**	**(234)**
Other comprehensive income for the year net of taxation		**11,570**	**(234)**	**11,570**	**(234)**
Total comprehensive income (loss) for the year		**33,926**	**1,872**	**23,405**	**(5,712)**

Statements of Changes in Equity

	Share capital N$ '000	Retained income N$ '000	Total equity N$ '000
Group			
Balance at 01 October 2015	**5,075**	**222,357**	**227,432**
Profit for the year	-	2,106	2,106
Other comprehensive loss	-	(234)	(234)
Total comprehensive income for the year	**-**	**1,872**	**1,872**
Balance at 01 October 2016	**5,075**	**224,229**	**229,304**
Profit for the year	-	22,356	22,356
Other comprehensive income	-	11,570	11,570
Total comprehensive income for the year	**-**	**33,926**	**33,926**
Balance at 30 September 2017	**5,077**	**258,155**	**263,230**

Refer to note 17 for details on share capital

	Share capital N$ '000	Retained income N$ '000	Total equity N$ '000
Company			
Balance at 01 October 2015	**5,075**	**220,870**	**225,945**
Loss for the year	-	(5,478)	(5,478)
Other comprehensive loss	-	(234)	(234)
Total comprehensive loss for the year	**-**	**(5,712)**	**(5,712)**
Balance at 01 October 2016	**5,075**	**215,158**	**220,233**
Profit for the year	-	11,835	11,835
Other comprehensive income	-	11,570	11,570
Total comprehensive income for the year	**-**	**23,405**	**23,405**
Balance at 30 September 2017	**5,075**	**238,563**	**243,638**

Refer to note 17 for details on share capital

Statements of Cash Flows

		Group		Company	
	Note(s)	2017 N$ '000	2016 N$ '000	2017 N$ '000	2016 N$ '000
Cash flows from operating activities					
Cash generated from operations	30&31	68,211	26,700	29,968	(8,700)
Interest income		8,153	3,110	19,333	6,896
Dividend income		3,443	2,500	10,193	5,000
Finance costs		(1,414)	(1,369)	(931)	(1,369)
Tax paid	32	(6,314)	(15,000)	(614)	(13,580)
Net cash from operating activities		**72,079**	**15,941**	**57,949**	**(11,753)**
Cash flows from investing activities					
Purchase of property, plant and equipment	4	(6,861)	(7,878)	(6,547)	(7,016)
Sale of property, plant and equipment	4	202	87	202	87
Purchase of other intangible assets	5	(14,504)	(24,570)	(14,889)	(23,652)
Movement in loans to group companies	8	(6,250)	(8)	(94,890)	(49,910)
(Purchase)/sale of financial assets		(370,981)	205,637	(267,069)	325,731
Repayment of shareholder's loan		-	(6,250)	-	(6,250)
Net cash from investing activities		**(398,394)**	**167,018**	**(383,193)**	**238,990**
Cash flows from financing activities					
Movement in other financial liabilities		4,102	29,341	4,102	(1,112)
Movement in savings bank investors		230,260	(196,781)	230,260	(210,833)
Movement in third party funds	31	17,232	41,220	17,232	41,220
Net cash from financing activities		**251,594**	**(126,220)**	**251,594**	**(170,725)**
Total cash and cash equivalents movement for the year		**(74,721)**	**56,739**	**(73,650)**	**56,512**
Cash and cash equivalents at the beginning of the year		147,884	91,145	146,396	89,884
Total cash and cash equivalents at end of the year	16	**73,163**	**147,884**	**72,746**	**146,396**

Accounting Policies

1. Presentation of annual financial statements

The annual financial statements have been prepared in accordance with International Financial Reporting Standards, and the Companies Act of Namibia. The annual financial statements have been prepared on the historical cost basis with the exception of financial assets carried at fair value, and incorporate the principal accounting policies set out below. They are presented in Namibian Dollars.

These accounting policies are consistent with the previous period.

1.1 Consolidation

Basis of consolidation

The consolidated annual financial statements incorporate the annual financial statements of the company and all entities, which are controlled or jointly 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.

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are derecognised from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the group’s share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement. Inter-company transactions, balances and unrealised

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

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

Adjustments are made when necessary to the annual 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.

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the group's interest therein, and are recognised within equity. Losses of subsidiaries attributable to non-controlling interests are allocated to the non-controlling interest even if this results in a debit balance being recognised for non-controlling interest.

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.

Accounting Policies

1.1 Consolidation (continued)

Where a subsidiary is disposed of and a non-controlling shareholding is retained, the remaining investment is measured to fair value with the adjustment to fair value recognised in profit or loss as part of the gain or loss on disposal of the controlling interest.

Jointly controlled entities

An interest in a jointly controlled entity is accounted for using the equity method, except when the investment is classified as held-for-sale in accordance with IFRS 5 Non-current assets held-for-sale and discontinued operations. Under the equity method, interests in jointly controlled entities are carried in the consolidated statement of financial position at cost adjusted for post acquisition changes in the group's share of net assets of the jointly controlled entity, less any impairment losses. Profits or losses on transactions between the group and a joint venture are eliminated to the extent of the group's interest therein.

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 and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual 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 annual financial statements. Significant judgements include:

Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The 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 less cost to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may 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, together with economic factors.

1.3 Significant judgements and sources of estimation uncertainty (continued)

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 that relates to deferred income tax assets to the extent that it is probable that the deductible tax temporary difference 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 application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differs 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 are recognised when the services are rendered. Management uses the following to determine the amount of revenue deferred.

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

Postal services - according to the set standards of the Ministry of Works and Transport and Communication (1 day delivery in Windhoek, 2 - 3 days outside Windhoek).

Post box rentals are recognised as the services are rendered.

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

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 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.

Residual values

The residual value, useful life and depreciation method of each asset is reviewed, and adjusted if appropriate, 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.

Accounting Policies

1.4 Property, plant and equipment

Property, plant and equipment are tangible assets which the group holds for its own use or for rental to others and which are expected to be used for more than one year.

Item	*Depreciation method*	*Average useful life*
Furniture and fixtures	Straight line	4-12 years
Motor vehicles	Straight line	5-7 years
IT equipment	Straight line	3 years
Leasehold improvements	Straight line	10 years
Other equipment	Straight line	4-12 years

The depreciation method, useful life and residual value of each asset are reviewed, and adjusted if appropriate, 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.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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. An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount.

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.

Intangible assets are initially recognised at cost.

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, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. 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.

1.5 Intangible assets (continued)

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Work in progress comprises computer software bought and not in use. These items are carried at cost and not depreciated as they are not available for use.

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 annual financial statements

In the company’s separate annual 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.

1.7 Investments in joint ventures

Company annual financial statements

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

In respect of its interests in jointly controlled operations, the company recognises in its annual financial statements:

- the assets that it controls and the liabilities that it incurs; and
- the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the joint venture.

1.8 Financial instruments

Financial assets

As from 1 October 2010, the group classifies its financial assets in the following categories: those to be measured subsequently at fair value, and those to be measured at amortised cost. This classification depends on whether the financial asset is a debt or equity investment.

Debt investments

(a) Financial assets at amortised cost

A debt investment is classified as 'amortised cost' only if both of the following criteria are met: The objective of the group's business model is to hold the asset to collect the contractual cash flows; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. The nature of any derivatives embedded in the debt investment are considered in determining whether the cash flows of the investment are solely payment of principal and interest on the principal outstanding and are not accounted for separately.

(b) Financial assets at fair value

If either of the two criteria above are not met, the debt instrument is classified as 'fair value through profit or loss'.The group has not designated any debt investment as measured at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch.

Equity instruments

All equity investments are measured at fair value. Equity investments that are held for trading are measured at fair value through profit or loss. For all other equity investments, the group can make an irrevocable election at initial recognition to recognise changes in fair value through other comprehensive income rather than profit or loss.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Transaction costs of financial assets carried at fair value though profit or loss are expensed in the income statement. A gain or loss on a debt investment that is subsequently measured at fair value and is not part of a hedging relationship is recognised in profit or loss and presented in the income statement within 'other (losses)/gains —net' in the period in which they arise.

A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the financial asset is derecognised or impaired and through the amortisation process using the effective interest rate method.

The group subsequently measures all equity investments at fair value. Where the group's management has elected to present unrealised and realised fair value gains and losses on equity investments in other comprehensive income, there is no subsequent recycling of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognised in profit or loss as long as they represent a return on investment.

1.8 Financial instruments (continued)

The group is required to reclassify all affected debt investments when and only when its business model for managing those assets changes.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

Impairment of financial assets

Assets carried at amortised cost

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets measured at amortised cost is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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 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.

Trade and other payables

Trade payables are carried at 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.

Accounting Policies

1.8 Financial instruments (continued)

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.

Bank overdrafts and borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment'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 investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the group has the positive intention and ability to hold to maturity are classified as held to maturity.

1.9 Income tax

Current tax assets and liabilities

Current income 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 income 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 end of the reporting period.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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).

1.9 Income tax (continued)

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

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 end of the reporting period.

Income 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, to other comprehensive income, or
- a business combination.

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

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 in equity.

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 statement of financial position 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 statement of financial position 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. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This asset is not discounted.

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 statement of comprehensive income.

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.

1.10 Leases (continued)

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 applicable variable selling expenses.

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 of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

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.

1.12 Impairment of non-financial assets

The group assesses at each end of the reporting period 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, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

Accounting Policies

1.12 Impairment of non-financial assets (continued)

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.

Ordinary shares are classified as equity.

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 profit sharing and 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.

1.14 Employee benefits (continued)

Defined benefit plans

Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

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.

To the extent that, at the beginning of the financial year, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in profit or loss over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Actuarial gains and losses are recognised in the year in which they arise, in other comprehensive income.

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.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Contingent assets and contingent liabilities are not recognised.

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.

1.16 Revenue (continued)

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 end of the reporting period. 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 end of the reporting period 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.

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.

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 Namiban Dollar, 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 the end of the reporting period:

- 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.

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 annual 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 to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated 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.

Cash flows arising from transactions in a foreign currency are recorded in by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

Accounting Policies

1.19 Financial Liabilities

Deposits from the public represent customer or the public's funds held by Savings Bank. These are disclosed as current liabilities unless an investment period of longer than one 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 and sustainability different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit and loss.

1.20 Dividend distribution

Dividend distribution to the group shareholders is recognised as a liability in the annual financial statements in the period in which the dividends are approved by the directors of the company.

Notes to the Annual 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:

Standard/ Interpretation:	***Effective date: Years beginning on or after***	***Expected impact:***
• Amendment to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations	01 January 2016	The impact of the amendment is not material.
• Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation	01 January 2016	The impact of the standard is not material.
• Amendment to IAS 27: Equity Method in Separate Financial Statements	01 January 2016	The impact of the standard is not material.
• IFRS 14 Regulatory Deferral Accounts	01 January 2016	The impact of the amendment is not material.
• Amendments to IFRS 10, 12 and IAS 28: Investment Entities. Applying the consolidation exemption	01 January 2016	The impact of the amendment is not material.
• Amendment to IFRS 5: Non-current Assets Held for Sale and Discontinued Operations: Annual Improvements project	01 January 2016	The impact of the amendment is not material.
• Amendment to IFRS 7: Financial Instruments: Disclosures: Annual Improvements project	01 January 2016	The impact of the amendment is not material.
• Amendment to IAS 19: Employee Benefits: Annual Improvements project	01 January 2016	The impact of the amendment is not material.
• Disclosure Initiative: Amendment to IAS 1: Presentation of Financial Statements	01 January 2016	The impact of the amendment is not material.
• Amendment to IAS 34: Interim Financial Reporting. Annual Improvements project	01 January 2016	The impact of the amendment is not material.

2.2 Standards and Interpretations early adopted

The group has chosen to early adopt the following standards and interpretations:

Standard/ Interpretation:	***Effective date: Years beginning on or after***	***Expected impact:***
• IFRS 9 Financial Instruments	01 January 2018	The impact of the standard is not material.

2. New Standards and Interpretations (continued)

2.3 Standards and interpretations not yet effective

The group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after 01 October 2017 or later periods:

Standard/ Interpretation:	*Effective date: Years beginning on or after*	*Expected impact:*
• Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	01 January 2019	Unlikely there will be a material impact
• **IFRS 16 Leases**	**01 January 2019**	**Expected impact is material**
• **IFRS 15 Revenue from Contracts with Customers**	**01 January 2018**	**Expected impact is material**
• **Amendments to IFRS 15: Clarifications to IFRS 15 Revenue from Contracts with Customers**	**01 January 2018**	**Expected impact is material**
• Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions	01 January 2018	Unlikely there will be a material impact
• Amendments to IAS 7: Disclosure initiative	01 January 2017	Unlikely there will be a material impact
• Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses	01 January 2017	Unlikely there will be a material impact

The aggregate impact of the initial application of the statements and interpretations on the group's annual financial statements is expected to be as follows:

3. 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 shareholder 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 & 18 cash and cash equivalents disclosed in note 16, 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 shareholder, return capital to shareholder, issue new shares or sell assets to reduce debt.

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. The group uses derivative financial instruments to hedge certain risk exposures. The board of directors provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

3. Risk management (continued)

Liquidity risk

Cash flow forecasting is performed in the operating entities of the company in and aggregated by company finance. Company finance monitors rolling forecasts of the company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the company's debt financing plans, covenant compliance, compliance with internal statement of financial position ratio targets and, if applicable external regulatory or legal requirements – for example, currency restrictions.

The company has the following facilities available at the bank: overdraft of N$ 14m, master card of N$ 0.3m, fleet management of N$ 0.8m, vehicle asset finance N$ 1m, guarantee N$0.17, foreign exchange N$ 1m, forward exchange N$ 1m, interest rate swaps amounts to N$2.76m.

The table below analyses the group's financial liabilities and net-settled derivative 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

At 30 September 2017	**Less than 1 year**	**Between 2 and 5 years**
Borrowings	1,116	81,744
Trade and other payables (Excluding VAT and amounts recieved in advance)	170,863	-
Savings Bank Investors	3,469,128	609,601

At 30 September 2016	**Less than 1 year**	**Between 2 and 5 years**
Loans from related parties	6,250	-
Trade and other payables (Excluding VAT and amounts recieved in advance)	164,851	-
Savings Bank Investors	3,258,214	590,255

Company

At 30 September 2017	**Less than 1 year**	**Between 2 and 5 years**
Borrowings	1,116	51,291
Trade and other payables (excluding VAT and amounts received in advance)	162,453	-
Savings bank investors	3,473,657	609,601

At 30 September 2016	**Less than 1 year**	**Between 2 and 5 years**
Loans from related parties	6,250	-
Trade and other payables (excluding VAT and amounts received in advance)	158,803	-
Savings Bank investors	3,262,743	590,255

3. Risk management (continued)

Short term exposure	***2017*** ***N$ '000***	***2016*** ***N$ '000***	***2017*** ***N$ '000***	***2016*** ***N$ '000***
Current portion of Savings Bank investors	(3,469,128)	(3,258,214)	(3,473,657)	(3,262,743)
Current portion of other financial assets	2,267,445	1,724,543	2,263,421	1,641,441
Cash and cash equivalents (excluding cash on hand)	43,703	113,535	43,292	112,049
	(1,157,980)	**(1,420,136)**	**(1,166,944)**	**(1,509,253)**

Long term exposure	***2017*** ***N$ '000***	***2016*** ***N$ '000***	***2017*** ***N$ '000***	***2016*** ***N$ '000***
Long term portion of Savings Bank investors	(609,601)	(590,255)	(609,601)	(590,255)
Long term portion of other financial assets	2,052,848	2,209,565	1,772,268	2,111,975
	1,443,247	**1,619,310**	**1,162,667**	**1,521,720**

Interest rate risk

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. This poses a risk as the company borrows and places funds in financial instruments at both fixed and floating interest rates.

At 30 September 2017, if interest rates on Namibia 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$ - (2016: N$ 3,933,478) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings; other components of equity would have been N$ - (2016: N$ 3,933,478) lower/higher mainly as a result of a decrease/increase in the fair value of fixed rate financial assets classified as available for sale.

If interest rates on Namibia Dollar-denominated financial assets had been 0.1% higher/lower with all other variables held constant, post-tax profit for the year would have been N$ (2016: N$ 3,828,513) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings; other components of equity would have been N$ (2016: N$ 3,828,513) lower/higher mainly as a result of a decrease/increase in the fair value of fixed rate financial assets at fair value through profit and loss.

The 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.

Interest rate effect on profit

	Effect on profit 2017		***Effect on profit 2016***	
Group (N$'000)	***100bp increase in market***	***100bp decrease in market***	***100bp increase in market***	***100bp decrease in market***
Cash and cash equivalents	732	(732)	1,479	(1,478)
Other financial assets	43,203	(43,203)	38,285	(38,285)
Other financial liabilities	(829)	929	(788)	788
Savings Bank investors	(40,787)	40,787	(38,485)	38,485
Loans from group companies	-	-	(63)	63
	2,319	**(2,219)**	**428**	**(427)**

3. Risk management (continued)

Company (N$'000)	***Effect on profit 2017***		***Effect on profit 2016***	
	100bp increase in market	***100bp decrease in market***	***100bp increase in market***	***100bp decrease in market***
Cash and cash equivalents	73	(73)	1,464	(1,464)
Other financial assets	41,202	(41,202)	36,478	(36,478)
Other financial liabilities	(513)	513	(483)	483
Loans to group companies	1,392	(1,392)	63	(63)
Loans from group companies	-	-	(63)	63
	42,154	**(42,154)**	**37,459**	**(37,459)**

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 statement of financial position 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 adjustments for financial assets and liabilities with 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.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	**Group - 2017 N$**	**Group - 2016 N$**	**Company - 2017 N$**	**Company - 2016 N$**
Other financial assets	4,320,293	3,934,108	4,035,689	3,753,416
Trade and other recievables(excluding prepayments and VAT)	60,034	89,459	59,927	89,445
Cash and cash equivalents	73,163	147,884	72,746	146,396

Foreign exchange risk

The group transacts with foreign entities/ individuals and hence is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, Euro, SDR (Special Drawing Right) and the UK pound. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.

3. Risk management (continued)

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 the statement of financial position date

Assets				
Euro	-	137	-	137
SDR*	935	1,073	935	1,073
Liabilities				
Euro	2,709	3,232	2,709	3,232

*Special drawing rights (XDR - aka: SDR) are supplementary foreign exchange reserve assets defined and maintained by the International Monetary Fund (IMF). The XDR is not a currency per se. It instead represents a claim to currency held by IMF member countries for which they may be exchanged.

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 at fair value through profit or loss. 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.

4. Property, plant and equipment

Group	**2017 N$'000**			**2016 N$'000**		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fixtures	6,563	(3,601)	2,962	6,041	(3,167)	2,874
Motor vehicles	2,161	(1,158)	1,003	2,161	(930)	1,231
IT equipment	32,570	(29,238)	3,332	30,680	(24,777)	5,903
Leasehold improvements	2,890	(1,058)	1,832	2,433	(792)	1,641
Other equipment	44,631	(29,968)	14,663	40,765	(26,203)	14,562
Total	**88,815**	**(65,023)**	**23,792**	**82,080**	**(55,869)**	**26,211**

Company	**2017 N$'000**			**2016 N$'000**		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fixtures	6,323	(3,480)	2,843	5,934	(3,107)	2,827
Motor vehicles	1,343	(871)	472	1,343	(734)	609
IT equipment	31,608	(28,658)	2,950	29,953	(24,484)	5,469
Leasehold improvements	2,890	(1,058)	1,832	2,433	(792)	1,641
Other equipment	44,631	(29,968)	14,663	40,765	(26,203)	14,562
Total	**86,795**	**(64,035)**	**22,760**	**80,428**	**(55,320)**	**25,108**

Notes to the Annual Financial Statements

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Group - 2017 - N$'000

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	2,874	611	(89)	(434)	2,962
Motor vehicles	1,231	-	-	(228)	1,003
IT equipment	5,903	1,917	(103)	(4,385)	3,332
Leasehold improvements	1,641	457	-	(266)	1,832
Other equipment	14,562	3,876	(10)	(3,765)	14,663
	26,211	**6,861**	**(202)**	**(9,078)**	**23,792**

Reconciliation of property, plant and equipment - Group - 2016 - N$'000

	Opening balance	Additions	Disposals	Work in progress (WIP)	Depreciation	Total
Furniture and fixtures	2,603	714	(1)	-	(442)	2,874
Motor vehicles	534	877	-	-	(180)	1,231
IT equipment	7,233	2,822	(1)	-	(4,151)	5,903
Leasehold improvements	1,126	728	-	-	(213)	1,641
Other equipment	14,324	2,737	(12)	897	(3,384)	14,562
Work in progress (WIP)	897	-	-	(897)	-	-
	26,717	**7,878**	**(14)**	**-**	**(8,370)**	**26,211**

Reconciliation of property, plant and equipment - Company - 2017 - N$'000

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	2,827	478	(89)	(373)	2,843
Motor vehicles	609	-	-	(137)	472
IT equipment	5,469	1,736	(103)	(4,152)	2,950
Leasehold improvements	1,641	457	-	(266)	1,832
Other equipment	14,562	3,876	(10)	(3,765)	14,663
	25,108	**6,547**	**(202)**	**(8,693)**	**22,760**

Reconciliation of property, plant and equipment - Company - 2016 - N$'000

	Opening balance	Additions	Disposals	Work in progress WIP	Depreciation	Total
Furniture and fixtures	2,552	688	(1)	-	(412)	2,827
Motor vehicles	121	560	-	-	(72)	609
IT equipment	7,097	2,357	(1)	-	(3,984)	5,469
Leasehold improvements	1,126	728	-	-	(213)	1,641
Other equipment	14,378	2,683	(12)	897	(3,384)	14,562
Work in progress (WIP)	897	-	-	(897)	-	-
	26,171	**7,016**	**(14)**	**-**	**(8,065)**	**25,108**

Notes to the Annual Financial Statements

5. Intangible assets

Group	2017 N$'000			2016 N$'000		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	52,241	(42,247)	9,994	51,909	(36,453)	15,456
Work in progress (WIP)	36,741	-	36,741	22,237	-	22,237
Total	**88,982**	**(42,247)**	**46,735**	**74,146**	**(36,453)**	**37,693**

Company	2017 N$'000			2016 N$'000		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	50,569	(41,994)	8,575	50,183	(36,318)	13,865
Work in progress (WIP)	36,741	-	36,741	22,237	-	22,237
Total	**87,310**	**(41,994)**	**45,316**	**72,420**	**(36,318)**	**36,102**

Reconciliation of intangible assets - Group - 2017 - N$ '000

	Opening balance	Additions	Amortisation	Total
Computer software	15,456	-	(5,462)	9,994
Work in progress (WIP)	22,237	14,504	-	36,741
	37,693	**14,504**	**(5,462)**	**46,735**

Reconciliation of intangible assets - Group - 2016 - N$ '000

	Opening balance	Additions	Other changes, movements	Amortisation	Total
Computer software	11,890	9,565	(54)	(5,945)	15,456
Work in progress (WIP)	7,232	15,005	-	-	22,237
	19,122	**24,570**	**(54)**	**(5,945)**	**37,693**

Reconciliation of intangible assets - Company - 2017 - N$ '000

	Opening balance	Additions	Amortisation	Total
Computer software	13,865	385	(5,675)	8,575
Work in progress (WIP)	22,237	14,504	-	36,741
	36,102	**14,889**	**(5,675)**	**45,316**

Notes to the Annual Financial Statements

5. Intangible assets (continued)

Reconciliation of intangible assets - Company - 2016 - N$'000

	Opening balance	Additions	Amortisation	Total
Computer software	11,082	8,647	(5,864)	13,865
Work in progress (WIP)	7,232	15,005	-	22,237
	18,314	**23,652**	**(5,864)**	**36,102**

6. Investment in subsidiary

The following table lists the entities which are controlled by the group.

Company

Name of company	% holding 2017	% holding 2016	Carrying amount 2017	Carrying amount 2016
NamPost Financial Brokers (Pty) Ltd	100	100	15,001	15,001

Nature of business of subsidiaries

NamPost Financial Brokers (Pty) Ltd is engaged in micro-lending business activities and to carry on the business of financial services broker.

Directors valuation:

The directors have valued the subsidiary at its net asset value of N$30,526,478 (2016: N$18,786,292).

7. Joint arrangements

Joint venture

Group

Name of company	% holding 2017	% holding 2016	Carrying amount 2017 N$'000	Carrying amount 2016 N$'000
SmartSwitch Namibia (Pty) Ltd unlisted share investment	50	50	**10,068**	**11,285**

Notes to the Annual Financial Statements

7. Joint arrangements (continued)

Summarised financial information of material joint ventures

Summarised Statement of Comprehensive Income	SmartSwitch Namibia (Pty) Ltd	
	2017 N$'000	2016 N$'000
Revenue	28,112	26,022
Cost of sales	(1,342)	(1,523)
Operating expenses	(11,583)	(11,940)
Investment revenue	1,095	1,117
Finance cost	(2)	(392)
Profit before tax	16,280	13,284
Tax expense	(5,215)	(4,221)
Profit from continuing operations	11,065	9,063
Total comprehensive income	11,065	9,063
Investment at beginning of the year	11,285	9,253
Share of profit	5,533	4,532
Dividends received from joint venture	(6,750)	(2,500)
Investment at end of period	10,068	11,285

Directors valuation

The directors have valued the joint venture at its net asset value whose 50% is of N$7,638,064 (2016: N$ 8,855,755)

NamPost/Hollard Joint arrangement

NamPost entered into a joint arrangement with Hollard Life Namibia Ltd in 2016 on the credit life and funeral cover products and is entitled to dividend distributions as declared by Hollard directors. NamPost invested N$1 in the arrangement and this has been accounted for as a normal financial asset.

Notes to the Annual Financial Statements

	Group		Company	
	2017 N$ '000	**2016 N$ '000**	**2017 N$ '000**	**2016 N$ '000**
8. Loans to / (from) group companies				
Subsidiaries				
NamPost Financial Brokers (Pty) Ltd This loan has a term of 10 years and interest payable on capital only every 6 months fixed repayment terms. The loan attracts interest at an effective rate of prime less 3% with a grace period of two years. Capital to be paid in December annually.	-	-	43,207	38,722
NamPost Financial Brokers (Pty) Ltd (NPTH) This loan was obtained from the holding company (Namibia Post and Telecom Holdings Limited) with the sole purpose of lending it to NamPost Financial Brokers (Pty) Ltd. The loan bears interest at prime less 3% and is repayable in equal capital installments of N$ 6.25 million with the final installment due on 30 September 2017.	-	-	-	6,250
NamPost Financial Brokers (Pty) Ltd Prior to 1 October 2016, loan interest was charged at 5% with no repayment terms. Effective 1 October 2016, N$ 149 million of the total loan balance has a five year repayment period, carries an interest rate of Prime less 1% payable annually on 30 September, and a bullet payment of the capital payable in the 5th year. Total interest outstanding as at 30 September 2017 is repayable in 4 equal installments commencing year 2020. The remaining N$ 10 million of the loan balance is a subordinated loan and attracts interest at 5% per annum with no fixed repayment terms.	-	-	180,470	90,065
	-	**-**	**223,677**	**135,037**

8. Loans to / (from) group companies (continued)

	Group		Company	
	2017 N$ '000	**2016 N$ '000**	**2017 N$ '000**	**2016 N$ '000**
Holding company				
Namibia Post and Telecom Holdings Limited Loan The loan is set aside for the sole use of NamPost Financial Brokers (Pty) Ltd. The loan bears interest at prime less 3% and is repayable in equal installments of N$ 6,25 million starting 30 September 2014, with the final installment due on 30 September 2017.	-	(6,250)	-	(6,250)
Non-current assets	-	-	216,999	128,787
Current assets	-	-	6,678	6,250
Current liabilities	-	(6,250)	-	(6,250)
	-	**(6,250)**	**223,677**	**128,787**

9. Other financial assets

	Group		Company	
	2017 N$ '000	**2016 N$ '000**	**2017 N$ '000**	**2016 N$ '000**
At fair value through other comprehensive income				
Other instruments	1,042,654	740,125	1,042,654	740,125
Bonds	1,821,261	1,783,188	1,821,261	1,783,188
Other financial assets	4,024	-	-	-
Fixed term deposits, call accounts and money instruments	1,171,774	1,230,103	1,171,774	1,230,103
	4,039,713	**3,753,416**	**4,035,689**	**3,753,416**
At amortised cost				
Other financial assets (NamPost Financial Brokers (Pty) Ltd	280,580	180,692	-	-
Total other financial assets	**4,320,293**	**3,934,108**	**4,035,689**	**3,753,416**
Non-current assets				
At fair value through other comprehensive income	1,772,268	2,111,975	1,772,268	2,111,975
Other financial assets - at amortised cost	280,580	97,590	-	-
	2,052,848	**2,209,565**	**1,772,268**	**2,111,975**
Current assets				
At fair value through other comprehensive income	2,267,445	1,641,441	2,263,421	1,641,441
Other financial assets - at amortised cost	-	83,102	-	-
	2,267,445	**1,724,543**	**2,263,421**	**1,641,441**

Notes to the Annual Financial Statements

	Group		Company	
	2017 N$ '000	**2016 N$ '000**	**2017 N$ '000**	**2016 N$ '000**
9. Other financial assets (continued)				
	4,320,293	**3,934,108**	**4,035,689**	**3,753,416**

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.
- The fair values on investments not listed or quoted are estimated using the discounted cash flow analysis.

Fair values are determined annually at statement of financial position date.

Fair value hierarchy of financial assets at fair value through other comprehensive income

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 2017	Group 2016	Company 2017	Company 2016
Level 1				
Listed shares	862,397	726,775	862,397	726,775
Level 2				
Bonds	1,741,452	1,683,188	1,741,452	1,683,188
Fixed term deposits, call accounts and money market instruments	1,431,840	1,151,000	1,431,840	1,151,000
Other instruments	284,604	1,099,920	-	919,228
	3,457,896	**3,934,108**	**3,173,292**	**3,753,416**
	4,320,293	**4,660,883**	**4,035,689**	**4,480,191**
Financial assets through other comprehensive income				
Opening balance	3,934,108	4,093,864	3,753,416	4,093,864
Additions	4,667,543	4,500,451	4,563,631	4,500,451
Disposals	(4,496,394)	(4,862,842)	(4,496,394)	(5,043,534)
Interest	199,832	223,602	199,832	223,602
Fair value adjustments	15,204	(20,967)	15,204	(20,967)
	4,320,293	**3,934,108**	**4,035,689**	**3,753,416**

The unrealised fair value adjustments relates to IFRS 9 revaluations of financial assets at year end.

Notes to the Annual Financial Statements

	Group		Company	
	2017 N$ '000	2016 N$ '000	2017 N$ '000	2016 N$ '000

9. Other financial assets (continued)

Credit quality of other financial assets - At fair value through other comprehensive income

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.

Credit quality of other financial assets - At fair value through other comprehensive income

Credit rating				
Bank Windhoek Limited AA (Global credit rating)	601,629	704,836	601,629	704,836
Standard Bank Namibia Limited AA+ (fitch credit rating)	615,307	505,364	615,307	505,364
Namibian Government bond BBB (Moody's credit rating)	1,357,798	1,185,490	1,357,798	1,185,490
Entities with no external credit rating	328,694	475,456	328,694	475,456
Nedbank Namibia Limited F1+	102,530	179,188	102,530	179,188
Old Mutual F2	202,562	41,947	202,562	41,947
Sanlam Namibia AA	348,505	325,097	348,505	325,097
First National Bank AA (zaf)	478,664	336,038	478,664	336,038
	4,035,689	**3,753,416**	**4,035,689**	**3,753,416**

Credit quality of other financial assets - at amortised cost

Loans and advances are issued to individuals with no external credit ratings. ITC check is done on each applicant before the loan is issued.

The credit quality of loans and advances that are neither past nor due nor impaired can be assessed by reference to historical information about counterparty default rates.

Counterparties				
With history of no default	285,209	182,996	-	-
With history of default	2,563	2,157	-	-
Less provision for impairment	(7,192)	(4,461)	-	-
	280,580	**180,692**	**-**	**-**

Loans and advances past due but not impaired

Loans and advances which are less than 3 months are generally not impaired. As at 30 September 2017 the loans and advances past due but not impaired is N$ 0.00 (2016: N$ 0.00)

Loans and advances impaired

As at 30 September 2017, loans and advances impaired of N$7,192 million (2016: N$ 4,461 million) were impaired and provided for.

The ageing of these loans are as follows:

Notes to the Annual Financial Statements

9. Other financial assets (continued)

	Group		Company	
	2017 N$ '000	2016 N$ '000	2017 N$ '000	2016 N$ '000
Current	5,710	2,581	-	-
Past due 31 to 60 days	42	297	-	-
Past due 61 to 90 days	26	276	-	-
Past due 90+ days	1,415	1,307	-	-
	7,192	**4,461**	**-**	**-**
Reconciliation of provision for impairment of loans and advances				
Opening balance	4,461	4,123	-	-
Movement	2,731	338	-	-
	7,192	**4,461**	**-**	**-**

10. Financial assets by category

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

	Group		Company	
	2017 N$ '000	2016 N$ '000	2017 N$ '000	2016 N$ '000
At Fair value through profit/(loss)				
Loans to group companies	-	-	139,211	135,037
Other financial assets	4,320,293	3,753,416	4,035,689	3,753,416
Trade and other receivables (excluding prepayments and VAT)	60,034	89,466	59,927	89,445
	4,380,327	**3,842,882**	**4,234,827**	**3,977,898**
At Amortised Cost				
Loans to group companies	-	180,692	-	-
Cash and cash equivalents	73,163	147,884	72,746	146,396
	73,163	**328,576**	**72,746**	**146,396**

11. Deferred tax

Deferred tax liability

	Group		Company	
	2017 N$ '000	2016 N$ '000	2017 N$ '000	2016 N$ '000
Property plant and equipment	(6,716)	(6,546)	(6,192)	(6,067)
Fair value adjustments	2,595	6,973	2,595	6,973
Terminal dues and parcel credits	(4,132)	(2,871)	(4,132)	(2,871)
Stock- Consumables	(1,283)	(2,356)	(1,283)	(2,356)
Prepayments and other defferd tax	1,832	1,318	1,974	1,354
Total deferred tax liability	**(7,704)**	**(3,482)**	**(7,038)**	**(2,967)**

Notes to the Annual Financial Statements

	Group		Company	
	2017 N$ '000	2016 N$ '000	2017 N$ '000	2016 N$ '000

11. Deferred tax (continued)

Deferred tax asset

Retirement benefit obligation	4,146	4,597	4,146	4,597
Provisions	17,291	18,575	16,395	17,317
Deferred tax balance from temporary differences other than unused tax losses	21,437	23,172	20,541	21,914
Income recieved in advance	2,148	1,034	2,148	1,034
	23,585	24,206	22,689	22,948
Other deferred tax (unrealised foreign exchange, loans, etc)	(497)	(497)	(497)	(497)
Total deferred tax asset, net of valuation allowance recognised	**23,088**	**23,709**	**22,192**	**22,451**

The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:

Deferred tax liability	**(7,704)**	**(3,482)**	**(7,038)**	**(2,967)**
Deferred taxation liability to be recovered after more than 12 months	(7,704)	(2,018)	(7,038)	(2,018)
Deferred taxation liability to be recovered within 12 months	-	(1,464)	-	(949)
Deferred tax asset	**23,088**	**23,709**	**22,192**	**22,451**
Deferred taxation asset to be recovered after more than 12 months	23,088	16,424	22,192	15,267
Deferred taxation asset to be recovered within 12 months	-	7,285	-	7,184
Total net deferred tax asset	**15,384**	**20,227**	**15,154**	**19,484**

Notes to the Annual Financial Statements

	Group		Company	
	2017 N$ '000	**2016 N$ '000**	**2017 N$ '000**	**2016 N$ '000**

11. Deferred tax (continued)

Reconciliation of deferred tax asset / (liability)

	Group 2017	Group 2016	Company 2017	Company 2016
At beginning of year	20,227	15,093	19,484	13,370
Other	-	(766)	-	-
Reversing temporary differences on terminal dues and partial credits	(1,261)	(1,854)	(1,261)	(1,854)
(Reversing)/Originating temporary difference on income received in advance	1,114	(1,304)	1,114	(1,304)
Originating temporary differences on tangible fixed assets	(170)	(1,095)	(125)	(616)
Originating/(Reversing) temporary differences on post retirement obligations	(451)	146	(451)	149
Reversing temporary differences on fair value adjustments	(4,378)	9,175	(4,378)	9,175
Originating temporary differences on provisions	(1,284)	981	(921)	677
Originating temporary differences on stock - consumables	1,073	(451)	1,073	(451)
Reversing/(Originating) temporary differences on prepayments	2,247	2,051	2,352	2,087
Other deferred tax (unrealised forex, workman compensation, etc)	(1,733)	(1,749)	(1,733)	(1,749)
	15,384	**20,227**	**15,154**	**19,484**

12. Retirement benefits

Defined benefit plan

The company continues to pay two thirds of total contributions towards the medical scheme when qualifying employees retire, become redundant or disabled.

The plan is a final post employment medical benefit plan.

Carrying value

	Group 2017	Group 2016	Company 2017	Company 2016
Present value of the defined benefit obligation-wholly unfunded	(12,958)	(14,367)	(12,958)	(14,367)

Movements for the year

	Group 2017	Group 2016	Company 2017	Company 2016
Opening balance	(14,367)	(13,408)	(14,367)	(13,408)
Benefits paid	1,090	716	1,090	716
Actuarial gain/(loss)	1,811	-	1,811	-
Net expense recognised in profit or loss	319	(1,675)	(1,492)	(1,675)
	(11,147)	**(14,367)**	**(12,958)**	**(14,367)**

	Group		Company	
	2017 N$ '000	2016 N$ '000	2017 N$ '000	2016 N$ '000

12. Retirement benefits (continued)

Net expense recognised in the income statement

Current service cost	(101)	(105)	(101)	(105)
Interest cost	(1,391)	(1,226)	(1,391)	(1,226)
Actuarial gain/(loss)	1,811	(344)	1,811	(344)
	319	**(1,675)**	**319**	**(1,675)**

Key assumptions used

Assumptions used on last valuation on 30 September 2017.

Average retirement age	58	60	58	60
Discount rates used	9.74 %	9.91 %	9.74 %	9.91 %
Health care cost inflation	8.20 %	8.99 %	8.20 %	8.99 %

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 contributions amounts to 16% of basic salary.

The Napotel Pension Fund converted from a defined benefit plan to defined contribution plan with effect 1 October 1997. A statutory actuarial valuation was carried out as at 30 September 2017, which indicate that the fund was in a sound financial position. Such financial reviews are performed every three years.

Sensitivity Analysis

The valuation above is only an estimate of the cost of providing post - employment medical aid benefits. The actual cost to the organisation will be dependent on actual future levels of assumed variables.

In order to illustrate the sensitivity of our results to changes in certain key variables, we have recalculated the liabilities using the following assumptions:

20 % increase/ decrease in the assumed level of mortality;
1% increase/ decrease in the Medical Aid inflation.

Mortality

Deviations from the assumed level of mortality experience of the current employees and the continuation members (pensioners) will have a large impact on the actual cost to the company. If the actual rates of mortality turns out higher than the rates assumed in the valuation basis, the cost to the company in the form of subsidies will reduce and vica versa.

We have illustrated the effect of higher and lower mortality rates on total accrued liability by increasing and decreasing the mortality rates by 20%. The effect is as follows:

Notes to the Annual Financial Statements

12. Retirement benefits (continued)

	Group		Company	
	2017 N$ '000	**2016 N$ '000**	**2017 N$ '000**	**2016 N$ '000**
Balance of liability with change in assumption:				
20% decrease in mortality rate	15,175	15,729	15,175	15,729
Valuation assumption	12,958	14,367	12,958	14,367
20% increase in mortality rate	11,997	13,294	11,997	13,294

Medical Aid inflation

The cost of the subsidy after retirement is dependent on the increase in the contributions to the medical aid scheme before and after retirement. The rate at which these contributions increase will thus have a direct effect on the liability of future retirees.

We have tested the effect of a 1% p.a change in the medical aid inflation assumption. The effect is as follows:

Balance of liability with change in assumption:				
1% decrease in medical aid inflation	11,703	12,887	11,703	12,887
Valuation assumption	12,958	14,367	12,958	14,367
1% decrease in valuation assumption	14,429	16,113	14,429	16,113

13. Savings bank investors

Composition of savings bank investors:				
Savings accounts	580,508	562,941	580,508	562,941
Save as you earn	8,420	7,140	8,420	7,140
Fixed term deposits	3,268,159	2,954,098	3,272,688	2,958,627
Call and notice accounts	200,969	304,116	200,969	304,116
Mychoice accounts	20,673	20,174	20,673	20,174
	4,078,729	**3,848,469**	**4,083,258**	**3,852,998**
The current and long term portions of the portfolio is split as follows:				
Non current portion	609,601	590,255	609,601	590,255
Current portion	3,469,128	3,258,214	3,473,657	3,262,743
	4,078,729	**3,848,469**	**4,083,258**	**3,852,998**

14. Inventories

Goods for resale	37,474	43,240	37,474	43,240
Stamps	3,860	3,348	3,860	3,348
Stationery	4,486	7,276	4,486	7,276
Other inventories (Smartcards, philatey new range, etc)	254	647	254	647
	46,074	**54,511**	**46,074**	**54,511**

Notes to the Annual Financial Statements

	Group		Company	
	2017 N$ '000	**2016 N$ '000**	**2017 N$ '000**	**2016 N$ '000**

15. Trade and other receivables

Trade receivables	41,724	54,585	42,057	54,583
Employee loans	1,523	1,886	1,523	1,886
Prepayments	2,381	3,476	1,941	3,364
VAT	15	3,469	-	3,451
Other receivables (agency fees etc)	7,694	25,777	7,694	25,777
Other receivable	6,712	7,346	6,712	7,327
	60,049	**96,539**	**59,927**	**96,388**

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 counterparty default rates:

Trade receivables

Counterparties without external credit rating				
State owned entities (existing clients with no history of default)	15,262	4,716	15,262	4,716
State owned entities (existing clients with history of default)	1,205	1,056	1,205	1,056
Goverment entities (existing clients with no history of default)	7,116	13,686	7,116	13,686
Goverment entities (existing clients with history of default)	1,352	4,049	1,352	4,049
Corporare clients (existing clients with no history of default)	11,809	15,281	12,142	15,279
Corporare clients (existing clients with history of default)	1,451	3,774	1,451	3,774
Private individuals (existing clients with no history of default)	3,273	345	3,273	345
Private individuals (existing clients with history of default)	256	11,678	256	11,678
	41,724	**54,585**	**42,057**	**54,583**

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 September 2017, N$ 44,460 million (2016: N$ 24,907 million) were past due but not impaired.

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

1 month past due	26,527	25,928	26,527	25,928
2 months past due	3,455	5,643	3,455	5,643
3 months past due	14,477	(6,664)	14,477	(6,664)

	Group		Company	
	2017 **N$ '000**	**2016** **N$ '000**	**2017** **N$ '000**	**2016** **N$ '000**

Trade and other receivables impaired

As of 30 September 2017, trade and other receivables of N$ 28,723 million (2016: N$ 21,091 million) were impaired and provided for.

The amount of the provision was N$ 28,723 million as of 30 September 2017 (2016: N$ (21,091) million).

The ageing of these loans is as follows:

3 months to more than 1 year	28,723	21,091	28,723	21,091

International debtors

Ageing for terminal dues, parcel credits and EMS:

18 months	1,612	4,626	1,612	4,626
24 months	1,135	1,305	1,135	1,305
30 months	2,812	890	2,812	890
36 months and above	14,201	16,724	14,201	16,724
Total	19,760	23,545	19,760	23,545

Reconciliation of provision for impairment of trade and other receivables

Opening balance	21,091	17,280	21,091	17,280
Movement for the year	7,632	3,811	7,632	3,811
	28,723	**21,091**	**28,723**	**21,091**

16. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	29,460	34,349	29,454	34,347
Bank balances	43,703	113,535	43,292	112,049
	73,163	**147,884**	**72,746**	**146,396**

Cash and cash equivalents held by Namibia Post Limited on behalf of savings bank customers and are not available for use by the group.	25,015	58,447	25,015	58,447

The company has undrawn bank overdraft facilities of N$ 14 million (2016: N$ 14 million) applicable to all current accounts. The overdraft facilities are unsecured. There are specific covenants attached to the facility with which Namibia Post Limited needs to comply.

The company has a cession of N$ 20 million units held in the Pointbreak Institutional money fund.

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 counterparty default rates:

Notes to the Annual Financial Statements

16. Cash and cash equivalents (continued)

	Group		Company	
	2017 N$ '000	2016 N$ '000	2017 N$ '000	2016 N$ '000
Credit rating				
Bank Windhoek Limited (AA)	-	2,052	-	2,052
Standard Bank Namibia Limited (AA+)	44,781	111,483	44,781	109,997
Nedbank Namibia (A1+)	411	-	-	-
First National Bank Namibia (AA+)	52	-	52	-
	45,244	**113,535**	**44,833**	**112,049**

17. Share capital

	Group		Company	
	2017 N$ '000	2016 N$ '000	2017 N$ '000	2016 N$ '000
Authorised				
50,000,000 Ordinary shares of N$ 1each	50,000	50,000	50,000	50,000
Issued				
5,075,000 Ordinary shares of N$ 1 each	5,075	5,075	5,075	5,075

18. Other financial liabilities

	Group		Company	
	2017 N$ '000	2016 N$ '000	2017 N$ '000	2016 N$ '000
Held at amortised cost				
Kreditanstalt Fur Wiederaufbau loan (KfW) The loan is issued in Euros and is repayable in half yearly installments of 15,000 euros commencing on 30 June 2015. The initial amount borrowed was 883,767 Euros, a further loan amount of 6,070,000 Euros was subsequently borrowed, payable from June 2023 to June 2027 at an instalment of 151,000 euros and 152,000 Euros from June 2028 to December 2042. The loan accrues interest at 0.75% (2016: 0.75%). The nominal interest rate on the loan is 4% (2016: 4%). The loan is unsecured and the effective interest rate is 2% (2016: 3.5%).	52,407	48,305	52,407	48,305
Development Bank of Namibia The loan bears interest at a variable interest rate linked to prime rate and is repayable over a period of 5 years including 4 months grace period on interest. Capital portion will be repaid as a bullet payment on last day of the 5th year.	30,453	30,453	-	-
	82,860	**78,758**	**52,407**	**48,305**

Notes to the Annual Financial Statements

	Group		Company	
	2017 **N$ '000**	**2016** **N$ '000**	**2017** **N$ '000**	**2016** **N$ '000**

18. Other financial liabilities (continued)

Non-current liabilities				
At amortised cost	81,744	74,000	51,291	43,547
Current liabilities				
At amortised cost	1,116	4,758	1,116	4,758
	82,860	**78,758**	**52,407**	**48,305**

	Kreditanstalt fur Wieder aufbau 2017 N$ '000	***Kreditanstalt fur Wieder aufbau 2016 N$ '000***	***Kreditanstalt fur Wieder aufbau 2017 N$ '000***	***Kreditanstalt fur Wieder aufbau 2016 N$ '000***
Opening balance	48,305	49,417	48,305	49,417
Interest expense	887	1,042	887	1,042
Foreign exchange (gain)/loss	(465)	(1,679)	(465)	(1,679)
Payments	(646)	(475)	(646)	(475)
Receipts	4,326	-	4,326	-
	52,407	**48,305**	**52,407**	**48,305**

19. Current tax receivable / (payable)

The current tax balance is made up as follows:

Current tax receivable				
Current tax receivable	14,556	16,751	13,844	16,723

Reconciliation for current tax receivable/(payable):				
Opening balance	16,751	3,627	16,723	3,627
Current tax for the year	(8,509)	(1,833)	(3,493)	(441)
Tax refund	(4,568)	-	(4,432)	-
Opening balance adjustment	128	-	(8)	-
Provisional tax payment - 2017	10,754	-	5,054	-
Provisional tax payment - 2016	-	10,571	-	9,151
Provisional tax payment - 2015	-	4,386	-	4,386
	14,556	**16,751**	**13,844**	**16,723**

Balance of provision for taxation consists of:				
2015	3,627	3,627	3,627	3,627
2016	13,252	13,124	13,224	13,096
2017	(2,323)	-	(3,007)	-
	14,556	**16,751**	**13,844**	**16,723**

20. Trade and other payables

	Group		Company	
	2017 **N$ '000**	**2016** **N$ '000**	**2017** **N$ '000**	**2016** **N$ '000**
Trade payables	20,628	31,680	17,238	28,292
Amounts received in advance	2,889	3,210	2,889	3,210
VAT	1,474	-	1,474	-
Telecom - telephone payments	3,194	2,511	557	661
Provisions	27,429	22,795	27,429	22,795
Deposits received	111,020	93,100	110,821	92,875
Other payables	5,703	14,765	3,519	14,180
	172,337	**168,061**	**163,927**	**162,013**

21. Financial liabilities by category

The accounting policies for financial instruments have been applied at amortised cost to the following line items:

	Group		Company	
	2017 **N$ '000**	**2016** **N$ '000**	**2017** **N$ '000**	**2016** **N$ '000**
Financial liabilities at amortised cost				
Loans from group companies	-	6,250	-	6,250
Other financial liabilities	82,860	78,759	52,407	48,305
Trade and other payables (excluding VAT)	166,790	168,060	158,380	162,013
Savings bank investors	4,078,729	3,848,469	4,083,258	3,852,998
	4,328,379	**4,101,538**	**4,294,045**	**4,069,566**

22. Revenue

	Group		Company	
	2017 **N$ '000**	**2016** **N$ '000**	**2017** **N$ '000**	**2016** **N$ '000**
Sale of goods	301,603	322,889	301,603	322,889
Rendering of services	269,658	274,763	269,658	275,547
Cash Deposit and withdrawal fee	30,449	25,696	30,449	25,696
Interest received (trading)	337,868	332,919	294,708	310,922
Agency fees	37,324	34,514	38,433	33,730
Savings bank management, smart card and loans' administration fee	47,757	44,642	29,810	29,164
Other	3,206	3,060	3,206	3,060
	1,027,865	**1,038,483**	**967,867**	**1,001,008**

23. Cost of sales

	Group		Company	
	2017 **N$ '000**	**2016** **N$ '000**	**2017** **N$ '000**	**2016** **N$ '000**
Sale of goods				
Cost of goods sold	307,850	327,476	307,850	327,476
Rendering of services				
Savings Bank interest expense	255,332	265,826	246,332	262,234
Other services	49,757	42,265	52,526	42,265
Distribution Cost	28,519	28,588	29,044	28,588
	333,608	**336,679**	**327,902**	**333,087**
	641,458	**664,155**	**635,752**	**660,563**

Notes to the Annual Financial Statements

	Group		Company	
	2017 N$ '000	**2016 N$ '000**	**2017 N$ '000**	**2016 N$ '000**

24. Other income

Profit/(loss) on sale of assets and liabilities	15	53	14	73
Recoveries	1,120	472	-	-
Other income	18,203	2,246	18,203	2,246
Profit/(loss) on exchange differences	(1,029)	867	(1,029)	867
	18,309	**3,638**	**17,188**	**3,186**

25. Operating profit (loss)

Operating profit (loss) for the year is stated after charging (crediting) the following, amongst others:

Auditor's remuneration - external				
Audit fees	1,638	1,577	1,434	1,355
Other consultation services	81	253	81	207
	1,719	**1,830**	**1,515**	**1,562**
Remuneration, other than to employees				
Consulting and professional services	5,602	4,963	5,256	4,529
Leases				
Operating lease charges				
Premises	24,822	24,293	23,987	23,527
Contingent rentals on operating leases				
Premises	3,968	3,326	3,968	3,326
Operating lease recoveries from subleases				
Premises	807	691	807	691
Total operating lease charges	**29,597**	**28,310**	**28,762**	**27,544**
Depreciation and amortisation				
Depreciation of property, plant and equipment	9,078	8,370	8,693	8,065
Amortisation of intangible assets	6,002	5,632	5,829	5,551
Total depreciation and amortisation	**15,080**	**14,002**	**14,522**	**13,616**
Impairment losses				
Goodwill	-	903	-	-

Notes to the Annual Financial Statements

25. Operating profit (loss) (continued)

Expenses by nature

The total cost of sales, selling and distribution expenses, marketing expenses, general and administrative expenses, research and development expenses, maintenance expenses and other operating expenses are analysed by nature as follows:

	Group		Company	
	2017 N$ '000	2016 N$ '000	2017 N$ '000	2016 N$ '000
Cost of sales	641,458	664,155	635,752	660,563
Employee costs	232,602	215,512	219,950	206,298
Operating lease charges	29,597	28,310	28,762	27,544
Depreciation, amortisation and impairment	15,080	14,905	14,522	13,616
Other expenses	39,896	40,974	29,814	31,555
Advertising	4,785	9,541	4,785	9,541
IT expenses	15,109	12,627	14,881	12,467
Security	11,625	11,316	11,625	11,316
Municipal expenses	9,185	8,016	9,185	8,016
Consulting and professional fees	5,427	4,927	5,081	4,529
Bad debts	7,898	3,995	7,898	3,995
Telephone and fax	12,157	10,503	12,063	10,423
Commission paid	6,805	6,274	5,118	4,933
	1,031,624	**1,031,055**	**999,436**	**1,004,796**

26. Depreciation, amortisation and impairment losses

	Group		Company	
	2017 N$ '000	2016 N$ '000	2017 N$ '000	2016 N$ '000
Depreciation				
Property, plant and equipment	9,078	8,370	8,693	8,065
Amortisation				
Intangible assets	6,002	5,632	5,829	5,551
Impairment losses				
Goodwill impaired	-	903	-	-
Total depreciation, amortisation and impairment				
Depreciation	9,078	8,370	8,693	8,065
Amortisation	6,002	5,632	5,829	5,551
Impairment losses	-	903	-	-
	15,080	**14,905**	**14,522**	**13,616**

27. Finance costs

	Group		Company	
	2017 N$ '000	2016 N$ '000	2017 N$ '000	2016 N$ '000
Non-current borrowings	1,370	1,329	887	1,329
Bank overdraft	44	40	44	40
Total finance costs	**1,414**	**1,369**	**931**	**1,369**

Notes to the Annual Financial Statements

	Group		Company	
	2017 N$ '000	**2016 N$ '000**	**2017 N$ '000**	**2016 N$ '000**
28. Income tax expense				
Major components of the income tax expense				
Current				
Local income tax - current period	8,509	1,943	3,493	551
Deferred				
Originating and reversing temporary differences	(753)	(3,224)	(1,266)	(4,113)
Changes in tax rates	-	473	-	405
Arising from prior period adjustments	152	(2,406)	152	(2,407)
	(601)	**(5,157)**	**(1,114)**	**(6,115)**
	7,908	**(3,214)**	**2,379**	**(5,564)**
Reconciliation of the income tax expense				
Accounting profit/(loss)	30,264	(1,108)	14,207	(11,042)
Tax at the applicable tax rate of 32% (2016: 32%)	9,684	(355)	4,546	(3,533)
Tax effect of adjustments on taxable income				
Prior period adjustment - deferred tax	152	(3,469)	152	(2,409)
Net Permanent differences	(1,928)	(27)	(2,319)	(27)
Rate change adjustment	-	472	-	405
Other	-	165	-	-
	7,908	**(3,214)**	**2,379**	**(5,564)**

Notes to the Annual Financial Statements

29. Income tax expense (other comprehensive income)

	Group 2017 N$ '000	Group 2016 N$ '000	Company 2017 N$ '000	Company 2016 N$ '000
Major components of the income tax expense				
Current relating to other comprehensive income				
Local income tax - current period	-	-	-	-
Deferred relating to other comprehensive income/(loss)				
Current year	5,445	(110)	5,445	(110)
Reconcialiation of the income tax expense				
Reconciliation between other comprehensive income and tax expense.				
Other comprehensive income/(loss)	17,015	(344)	17,015	(344)
Tax at the applicable tax rate of 32% (2016: 32%)	5,445	(110)	5,445	(110)
Tax effect of adjustments on taxable other comprehensive income				
Originating and reversing temporary differences	-	-	-	-
	5,445	**(110)**	**5,445**	**(110)**

30. Cash generated from operations

	Group 2017 N$ '000	Group 2016 N$ '000	Company 2017 N$ '000	Company 2016 N$ '000
Profit (loss) before taxation	30,264	(1,108)	14,214	(11,042)
Adjustments for:				
Depreciation and amortisation	15,080	14,002	14,522	13,616
Net (profit)/loss on disposal of property, plant and equipment	-	(73)	-	(73)
Income from equity accounted investments	(5,533)	(4,532)	-	-
Dividend income	(3,443)	(2,500)	(10,193)	(5,000)
Interest received - investment	(8,153)	(3,110)	(19,333)	(6,896)
Finance costs	1,414	1,369	931	1,369
Fair value adjustments	-	20,967	-	20,967
Goodwill written off	-	903	-	-
Movements in retirement benefit assets and liabilities	402	535	402	535
Other non-cash items	6,209	397	(155)	(14,677)
Equity accounting	-	2,500	-	-
Changes in working capital:				
Inventories	8,437	(610)	8,437	(610)
Trade and other receivables	36,490	(12,931)	36,461	(12,949)
Trade and other payables	(12,956)	10,891	(15,318)	6,060
	68,211	**26,700**	**29,968**	**(8,700)**

	Group		Company	
	2017 N$ '000	2016 N$ '000	2017 N$ '000	2016 N$ '000

31. Reclassification of third party funds

Nampost provide agency services to various third parties.

Movements in third party funds were previously presented under cash flow from operating activities. However for true reflection of cash flow from operating activities, management considered it more appropriate to present it under financing activities hence the reclassification. The cash flow effect of the reclassification is as follows:

Statement of cash flows

Cash flow from operating activities				
Cash out flow from operating activities	(17,232)	(41,220)	(17,232)	(41,220)
Cash flow from financing activities activities				
Cash in flow from financing activities	17,232	41,220	17,232	41,220

32. Tax (paid) refunded

Balance at beginning of the year	16,751	3,584	16,723	3,584
Current tax for the year recognised in profit or loss	(8,509)	(1,833)	(3,493)	(441)
Balance at end of the year	(14,556)	(16,751)	(13,844)	(16,723)
	(6,314)	**(15,000)**	**(614)**	**(13,580)**

33. Commitments

Authorised capital expenditure

Already contracted for but not provided for				
Commitments in respect of contracts placed	3,243	573	3,243	573
Not yet contracted for and authorised by directors	64,560	73,132	64,560	73,132

Guarantees

Ministry of Finance	70	70	70	70

Operating leases – as lessee (expense)

Minimum lease payments due				
- within one year	39,898	37,931	39,898	37,931
- in second to fifth year inclusive	93,125	45,380	93,125	45,380
	133,023	**83,311**	**133,023**	**83,311**

Operating lease payments represent rentals payable by the group for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

Notes to the Annual Financial Statements

	Group		Company	
	2017 N$ '000	2016 N$ '000	2017 N$ '000	2016 N$ '000

34. Related parties

Relationships

Ultimate holding company	Goverment of the Republic of Namibia
Holding company	Namibia Post and Telecom Holdings Limited
Subsidiary	NamPost Financial Brokers (Pty) Ltd,Refer to note 6
Joint arrangements	SmartSwitch Namibia (Pty)Ltd, Refer to note 7
Nampost directors	Refer to directors' report on page 7
Directors (Nampost Financial Brokers (Pty) Ltd)	Mr Festus F Hangula Mr Frederick A Botha Mrs Evangelina N Hamunyela Mr James A Cumming Ms Jennifer J Comalie
Fellow Subsidiaries	Telecom Namibia Limited Mobile Telecommunications Limited
Members of key management	Festus Hangula (Chief Executive Officer for Namibia Post Limited) Patrick Gardiner (Chief Executive Officer for Nampost Finacial Brokers (Pty) Ltd Batsirai Pfigirai (General Manager: Finance) Jorn Schnoor (Chief Information Officer) Sonia Bergh (General Manager: Human Resources) Max Schafer (General Manager: Courier) Jennifer Comalie (Chief Commercial Officer) Berlindi van Eck (General Manager: Marketing) Eldorette Harmse (Head: Legal and Company Secretary) Tangeni Erkana (General Manager: Retail Services) Kgomotso Hochobeb (Head: Internal Audit) Deon Claasen (Chief Risk Officer)

	Group		Company	
	2017 N$ '000	2016 N$ '000	2017 N$ '000	2016 N$ '000
34. Related parties (continued)				
Related party balances				
Receivable from related parties				
Mobile Telecommunications Limited	1,450	2,318	1,450	2,318
Telecom Namibia Limited	459	1,185	459	1,185
SmartSwitch Nambia (Pty) Ltd	-	531	-	531
Namibia Post and Telecom Holdings Limited	-	2	-	2
Hollard Life Namibia Ltd	510	-	-	-
Payable to related parties				
Mobile Telecommunications Limited	1,128	2,560	1,128	2,560
Telecom Namibia Limited	198	1,019	198	1,019
SmartSwitch Namibia (Pty) Ltd	2,838	2,018	2,838	2,018
Hollard Life Namibia Ltd	(1)	-	(1)	-
Loans to related parties				
NamPost Financial Brokers (Pty) Ltd	43,227	129,581	43,227	129,581
Related party transactions				
Sales of goods / services				
Telecom Namibia Limited	7,364	22,459	7,364	22,459
Namibia Post and Telecom Holdings Limited	7	6,556	7	6,556
Mobile Telecommunications Limited	10,141	7,961	10,141	7,961
NamPost Financial Brokers (Pty) Ltd	5,580	62,141	5,580	62,141
SmartSwitch Namibia (Pty) Ltd	2	2,154	2	2,154
Hollard Life Namibia Ltd	83	-	83	-
Purchases of goods / services				
Namibia Post and Telecom Holdings Limited	30,916	39,074	41,212	39,074
Mobile Telecommunications Limited	448,952	413,136	448,952	413,136
Telecom Namibia Limited	2,699	2,591	2,699	2,591
SmartSwitch Namibia (Pty) Ltd	16,218	17,527	16,218	17,527
Hollard Life Namibia Ltd	(1)	-	(1)	-
Directors'emoluments				
Evangelina N Hamunyela	212	169	191	131
Frederick A Botha	31	28	-	-
Neville S B Field	8	168	8	168
Kalumbi Shangula	-	167	-	167
Coenraad J W Coetzee	-	175	-	175
Perien J Boer	145	-	145	-
Muronga Haingura	129	-	129	-
Israel U D Kalenga	127	-	127	-
James A Cumming	184	-	153	-

	Group		Company	
	2017 N$ '000	2016 N$ '000	2017 N$ '000	2016 N$ '000

34. Related parties (continued)

Compensation key management				
Short-term employee benefits	19,663	19,392	19,579	14,435

35. Fair value adjustment

The fair value movements in financial assets have been reclassified from profit and loss to other comprehensive income. In prior years, the company's business model for managing financial assets portfolio (which comprises mainly Bonds and other collective investments) was that for trading. Consequently, the financials assets were measured at fair value through profit and loss. However, as the new banking project begun, management reconsidered the business model of the Bonds and concluded that, these financial assets are in substance not held for trading but rather held to collect and sell hence the change in measurement to fair value through other comprehensive income. The after tax effect of the reclassification is as follows:

Statement of comprehensive income				
Profit for the year - (decrease)	(15,204)	-	(15,204)	-
Tax effect at 32%	4,865	-	4,865	-
After tax effect	**(10,339)**	**-**	**(10,339)**	**-**
Other comprehensive income for the year - increase	15,204	-	15,204	-
Tax effect at 32%	(4,865)	-	(4,865)	-
After tax effect	**10,339**	**-**	**10,339**	**-**

Detailed Income Statement

		Group		Company	
	Note(s)	2017 N$ '000	2016 N$ '000	2017 N$ '000	2016 N$ '000
Revenue					
Sale of goods		301,603	322,889	301,603	322,889
Rendering of services		269,658	274,763	269,658	275,547
Other rental income		30,449	25,696	30,449	25,696
Miscellaneous other revenue		3,206	3,060	3,206	3,060
Interest received (trading)		337,868	332,919	294,708	310,922
Agency fees		37,324	34,514	38,433	33,730
Savings bank management, smart card and loans' administration fee		47,757	44,642	29,810	29,164
	22	**1,027,865**	**1,038,483**	**967,867**	**1,001,008**
Cost of sales					
Opening stock		(54,511)	(53,901)	(54,511)	(53,901)
Purchases		(633,066)	(664,765)	(627,360)	(661,173)
Closing stock		46,074	54,511	46,074	54,511
Discount received		45	-	45	-
	23	**(641,458)**	**(664,155)**	**(635,752)**	**(660,563)**
Gross profit		**386,407**	**374,328**	**332,115**	**340,445**
Other operating income					
Bad debts recovered		1,120	472	-	-
Other income		18,203	2,246	18,203	2,246
Profit/(loss) on exchange differences		(1,029)	867	(1,029)	867
Profit/(loss) on sale of assets and liabilities		14	73	14	73
	24	**18,308**	**3,658**	**17,188**	**3,186**
Expenses (Refer to page 60)		**(390,166)**	**(366,900)**	**(363,684)**	**(344,233)**
Operating profit (loss)	25	**14,549**	**11,086**	**(14,381)**	**(602)**
Investment income		11,596	5,610	29,526	11,896
Finance costs	27	(1,414)	(1,369)	(931)	(1,369)
Income from equity accounted investments		5,533	4,532	-	-
Profit before taxation		**30,264**	**19,859**	**14,214**	**9,925**
Taxation	28	(7,908)	(3,495)	(2,379)	(1,145)
Profit for the year		**22,356**	**16,364**	**11,835**	**8,780**

The supplementary information presented does not form part of the annual financial statements and is unaudited

Detailed Income Statement

		Group		Company	
	Note(s)	2017 N$ '000	2016 N$ '000	2017 N$ '000	2016 N$ '000
Other operating expenses					
Selling and distribution expenses					
Commission paid		(6,805)	(6,274)	(5,118)	(4,933)
Motor vehicle expenses		(2,313)	(2,085)	(2,258)	(2,071)
Postage		(452)	(255)	(119)	(4)
		(9,570)	(8,614)	(7,495)	(7,008)
Marketing expenses					
Advertising		(4,785)	(9,541)	(4,785)	(9,541)
General and administrative expenses					
Auditors remuneration - external auditors	25	(1,719)	(1,830)	(1,515)	(1,562)
Bank charges		(2,113)	(2,484)	(2,090)	(2,465)
Computer expenses		(357)	(137)	-	-
Depreciation		(9,078)	(8,370)	(8,693)	(8,065)
Employee costs		(232,602)	(215,512)	(219,950)	(206,298)
Insurance		(2,969)	(3,420)	(2,906)	(3,363)
IT expenses		(15,109)	(12,627)	(14,881)	(12,467)
Impairment		-	(903)	-	-
Lease rentals on operating lease		(29,597)	(28,310)	(28,762)	(27,544)
Municipal expenses		(9,185)	(8,016)	(9,185)	(8,016)
Printing and stationery		(9,452)	(5,542)	(9,216)	(5,396)
Telephone and fax		(12,157)	(10,503)	(12,063)	(10,423)
		(324,338)	(297,654)	(309,261)	(285,599)
Maintenance expenses					
Repairs and maintenance		(2,009)	(2,092)	(2,006)	(2,092)
Other operating expenses					
Amortisation		(6,002)	(5,632)	(5,829)	(5,551)
Bad debts		(7,898)	(3,995)	(7,898)	(3,995)
Cleaning		(1,557)	(1,503)	(1,557)	(1,503)
Consulting and professional fees		(5,427)	(4,973)	(5,081)	(4,539)
Consulting and professional fees - legal fees		(175)	10	(175)	10
Entertainment		(930)	(1,135)	(914)	(1,133)
HIV/Aids expenses		(1,256)	(246)	(475)	(117)
Recruitment fees		(62)	(49)	(34)	(36)
Impairment of loans		(7,622)	(7,687)	-	-
Mass distance charges		(488)	(735)	(322)	(309)
Signage		(22)	(14)	-	-
Corporate communication		(161)	-	(161)	-

Detailed Income Statement

		Group		Company	
	Note(s)	2017 N$ '000	2016 N$ '000	2017 N$ '000	2016 N$ '000
Safe custody fees		(70)	-	(70)	-
Fines and penalties		(341)	(1,938)	(341)	(1,938)
Other expenses		(1,134)	(2,703)	(1,134)	(2,703)
Security		(11,625)	(11,316)	(11,625)	(11,316)
Staff welfare		(228)	(529)	(227)	(527)
Subscriptions		(2,533)	(2,874)	(2,533)	(2,874)
Training		(970)	(2,251)	(813)	(2,050)
Travel - local		(594)	(921)	(579)	(904)
Travel - overseas		(369)	(508)	(369)	(508)
		(49,464)	(48,999)	(40,137)	(39,993)
		(390,166)	**(366,900)**	**(363,684)**	**(344,233)**

NOTES

nampost®

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