Namibia Post Limited

Annual Report

2006

VISION
MISSION
VALUES

Vision

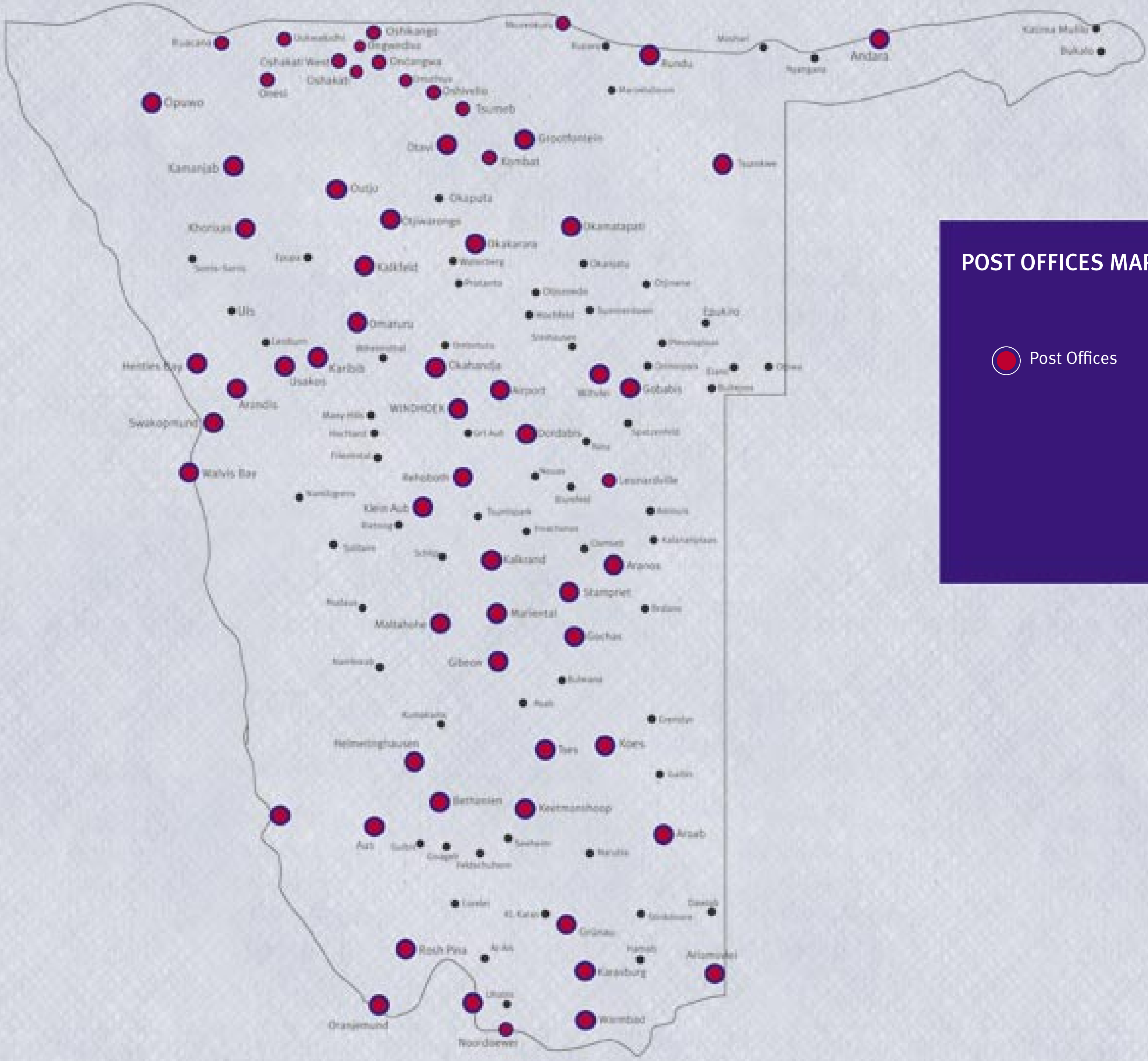
NamPost shall be the communication, financial and courier services company of choice, striving to blue-chip status by 2010.

Mission

- NamPost serves all echelons of the Namibian population with communication, courier and affordable financial services.
- Through our country-wide presence, we are able to meet the needs of our customers within close proximity of their own homes.
- We will ensure a work environment that is conducive to high performance in which our employees can feel valued and cared for.
- We employ state-of-the art technology and business systems to ensure fast and reliable delivery of information, parcels and mail.
- We are committed to become a truly Namibian financial powerhouse addressing the finance and investment needs of Namibians.
- NamPost will soon be the benchmark of a growing, cost-effective service provider whilst fulfilling its Shareholder's mandate.

Values

- Integrity
- Care
- Commitment
- Accountability
- Teamwork
- Mutual respect



POST OFFICES MAP

Post Offices

CHAIRMAN'S REPORT

Sebby Kankondi

Introduction

Last time, I reported that we had stabilised the business and had built a solid foundation for future innovation and growth. I further reported that the financial turn-around that we were experiencing was based on strong business fundamentals and would be sustained. This business growth has indeed been sustained and our financial performance exceeded expectations. The Company's holistic transformation is being intensified with the objective of attaining our twin goals of enhanced customer service and financial sustainability.

Strategic Focus

NamPost is a major national asset with great potential. To ensure the Company's full contribution to the economy, we have focused our strategy on the following key areas:

- Consolidating NamPost's position in financial services provision
- Exploiting business opportunities in the Courier market in Namibia
- Expanding options available in terms of our Agencies business by turning the Post Offices into true ***'one-stop shops'*** for our customers
- Exploiting growth opportunities in Corporate Mail to ensure we remain a relevant postal operator
- Expanding our customer base of stamp collectors in foreign markets

To achieve these strategic objectives, we have embarked upon a process of systematically investing in technology and in our employees. This year, for example, we successfully introduced the NamPost Smart Card and established a Namibian-based Switch for our banking operations. The Smart Card has made basic financial services accessible to ordinary Namibians and has created healthy competition in the banking environment – resulting in benefits for the consumer. With the introduction of the Smart Card system, all our Post Offices have now been computerized.

Furthermore, we have started upgrading our computerised Post Office Counter System (Riposte) to increase the speed and efficiency with which transactions are processed at Post Offices. This process should be completed by 30 June 2007.

Similarly, we have started upgrading our Courier Parcel Management System (Win-freight) to increase efficiency in capturing parcel information, to provide proof of payment to our customers more promptly and to ensure completeness of billing.

Once upgraded, the courier system will be extended to Post Offices outside Windhoek. The upgraded system will ultimately enable us to 'track-and-trace' parcels throughout our network. It will also enable our customers to 'track-and-trace' the movement of their parcels via the internet. All these technological advancements should enhance customer service.

The development of our employees is equally important. Our Training Centre conducted courses for our employees throughout the year, varying from basic computer literacy to supervisory and managerial development. Next year, we will focus on the following types of training for employees:

- Business Literacy
- Customer Care
- Computer Literacy (including advanced modules)
- Postal Services

With well-trained and motivated employees and efficient Information Technology systems, we will be best positioned to meet our objectives of delivering superior customer service and strengthening the company financially. Our goal is to build an exemplary company that consistently adds value to its customers and shareholder.

Business Outlook

The Namibian economy is expected to remain strong in 2007. However, a slow-down in consumer spending is anticipated as a result of monetary tightening to control inflation. Notwithstanding, we expect NamPost to record solid growth in the year ahead as a result of the rigorous implementation of our strategic initiatives.

Expression of Thanks

The Board is grateful to the Shareholder for its support; and especially our line Minister, the Honourable Joel Kaapanda, for his wisdom and guidance. My fellow directors have been steadfast in their commitment to NamPost. I thank them for their dedication, counsel and vision. Mr Johannes !Gawaxab retired from the Board when his term expired in August 2006 after two full terms of utmost dedication. He has been a valuable asset to the Board and Company and has given freely of his time, extensive knowledge and expertise.

On my own behalf and that of my remaining colleagues on the Board, I express profound gratitude to Mr !Gawaxab and wish him success in his expanded role at Old Mutual.

We have recorded another brilliant year for NamPost thanks to the focused efforts of Management and staff. I congratulate them and urge them to work even harder and scale new heights in the year ahead.

Sebby Kankondi
CHAIRMAN

CEO's REVIEW

Sakaria H. Nghikembua

Introduction

This report covers the period from 1 October 2005 to 30 September 2006.

Last year, we related the story of an admirable financial turn-around and the holistic recovery of Namibia Post Limited. During the review period, we rigorously implemented the Key Milestones in our Strategic Plan for 2005/6, with positive outcomes. These outcomes are outlined in this Annual Report.

Financial Highlights

With the acquisition of a 50% shareholding in SmartSwitch Namibia (Pty) Limited, Namibia Post Limited is now classified as a Group for accounting purposes. The financial results are presented in that format in this Report. For year-on-year comparative purposes, and as the contribution of the SmartSwitch joint venture was limited in its maiden year, the financial highlights below relate to the Company and not to the Group.

- Revenue increased by 20% year-on-year
- Operating profit increased by 70.4% year-on-year
- Profit-before-tax grew by 72.3 % year-on-year
- Profit-after-tax increased by 162.7 % year-on-year
- Return on Equity (after-tax) was 42.8 % compared to 27.9% in the previous year. The target set by the Shareholder is 12%.
- Net cash generated from operations increased by 154.3% year-on-year

For the first time in its history, NamPost's total assets exceeded **N$1 billion**, principally driven by significant growth in the deposit book in our financial services leg. This milestone catapulted NamPost into the big league in Corporate Namibia.

Operational Highlights

Marketing and Business Development

This Department was restructured to expand capacity in the areas of market research, business intelligence and business development. The effects of this change should be felt in the new year. Accordingly, the Department's name was changed from *Marketing and Communications* to *Marketing and Business Development*.

Internal communication remained a priority area for the Company. Multi-pronged strategies were implemented to disseminate information and included the appointment of Communication Champions throughout the company, the dissemination of regular *Information Bulletins* to employees in electronic and hard formats and the undertaking of Executive Road Shows to the various business regions.

These road shows afforded management and employees an opportunity to interact on a variety of crucial issues.

The Department rigorously identified and actualised business opportunities, resulting in the Bill Payment Service for the City of Windhoek, direct TV licence payments for the Namibian Broadcasting Corporation (NBC) and the facilitation of applications regarding claims to the Motor Vehicle Accident Fund (MVA). Other business opportunities were identified and should lead to new services in the year ahead. NamPost's objective is to become a "one-stop" facility for current and future customers.

In 2007, the Department will focus on repositioning the Company's brand. An Image Plan has been developed and will be implemented over the next three (3) years. Key components of this Plan include:

- the *'look-and-feel'* of Post Offices
- customer-service knowledge of our employees
- the *"look-and-feel"* of employees dealing with customers
- the development of our corporate web-site
- standardisation of corporate stationery, and
- consistent branding of NamPost vehicles and buildings

Finance

International Financial Reporting Standards

Namibia Post Limited has adopted the International Financial Reporting Standards (IFRS), in a phased-in format, effective as from 1 October 2005. These results are therefore reported in compliance with the new standard

Financing

Funding of **N$15 million** was secured from the Development Bank of Namibia to assist in establishing SmartSwitch Namibia (Pty) Ltd, a company in which Namibia Post Limited has a 50% shareholding. A soft loan of **Euro 888,776** was secured from KfW (Germany). These funds were used to partially fund the computerisation of rural Post Offices and the upgrade of our point-of-sale system.

Expenditure

Prudent expenditure management continued. Increases were noted in respect of transport expenses (due to general increases in the price of fuel, expansion of our Courier routes and an increase in the frequency of Courier trips), computer expenses (resulting from computerisation of all our Post Offices) and marketing expenses (because of a more aggressive marketing approach).

Cash flow

Rigorous cash-flow management remained in place, thus strengthening the company's cash-flow position. This was achieved through improved debtors management as well as daily planning and monitoring of cash-flows. With the required systems in place, we are confident that this healthy cash flow status will be maintained in the new financial year.

Human Resources

Several initiatives started during the previous financial year continued or were finalised during the year under review. A comprehensive *Performance Management System* was developed and is ready for implementation during the new financial year. Several *Human Resources Policies and Procedures* were reviewed, a Job Descriptions Review process was initiated and many smaller initiatives from the previous year were completed.

Further initiatives included an evaluation of *Remuneration Practices and Policies* in the Company, improvement of Discipline Management and enhancement of *Staff Capacity and Skills. Recruitment and Selection* processes were reviewed and NamPost gained a valuable reserve of professional skills during this period.

The development of employees remains a key strategic initiative, with the following training programmes planned for implementation in 2007:

- Customer Care
- Business Literacy
- PC Literacy

Plans are in place to develop a tailor-made training programme for a postal services environment and to align job requirements to the dynamic needs of the business.

Strategy and Transformation

This is a new Department whose scope of operations covers:

- Strategy Coordination
- Business Process Re-engineering, and
- Information and Communications Technology Management and Development

In 2006, Namibia Post Limited introduced a dynamic strategic management framework to align the Company's strategic plans, capital projects and risk management directives. The Balanced Score Card system was also introduced to measure the success of this roadmap.

The *Information Technology* (IT) Department is being transformed into an *Information and Communications Technology* (ICT) Department. This transformation is a prerequisite for exploiting convergence in communication technologies, improving operational efficiency and rendering dynamic, cost-effective services to customers. The Department's most pressing task is to facilitate the transformation of current systems into an integrated, dynamic systems environment.

A *Transformation Framework* has been developed and its implementation started towards the end of the financial year. The *Transformation Plan* seeks to change the way the Company operates, as well as how we *"touch"* the customer.

Smart Card technology was successfully implemented. The upgrading of Riposte has started and should be completed by 30 June 2007. We have developed and launched the virtual vouchers functionality, enabling us to dispense virtual airtime for *MTC, CellOne* and *Telecom Namibia* at our Post Offices.

In the year ahead, the ICT Division will focus on the following:

- Completion of the Riposte upgrade
- Upgrading of *Hybrid Mail Systems* to offer smaller customers an affordable automated mail management solution
- Upgrading of Courier *Track and Trace* and *Billing* systems
- Implementing new Smart Card functionalities
- Reviewing the state of our SAP system
- Upgrading our Network infrastructure to ensure reliability of our Post Office systems

Internal Audit

Enterprise-wide Risk Management was reinforced through active management of identified risks. This process will be consolidated in the new year, with the appointment of Risk Champions in various Business Units/Departments of the Company.
Regular audits and audit inspections were performed, with specific emphasis on Post Offices. A remarkable improvement in the control environment has been noted and confirmed by our external auditors.

The high vacancy rate in the Department, as previously reported, has been addressed through the appointment of a new Head of Department and two Internal Auditors, thus enhancing the Department's operational capacity considerably.

Company Secretary

To strengthen Corporate Governance, a Company Secretary was appointed. Some of this individual's functions were previously performed by the Head of Internal Audit on an interim basis. The role of the Company Secretary is to co-ordinate Board matters, review legal contracts and offer legal advice to the Company.

Treasury Services

This Business Unit recorded another exceptional year. The portfolio of investments for corporates grew by 104%, while both income and profit-before-tax experienced growth of similar magnitude. The strategy of personal client service and direct marketing has assisted greatly in achieving the Business Unit's growth objectives. Capacity building was taken a step further with the appointment of a Deputy Treasurer. Sustained profitability, portfolio growth, service excellence, new product development and employee development will be the main focus areas in the new financial year.

Savings Bank

The Smart Card was introduced to the market this year, with phenomenal success. Only a basic Savings Account was launched, with additional functionalities planned for the new year. These functionalities should broaden the scope of our products and services. Individual clients' savings grew in Namibia Dollar value by a further 11% while 50,000 new Savings Accounts were opened during the year. The latter significant growth may be attributed to the introduction of the Smart Card and an aggressive marketing approach.

The focus for the new year is on introducing new products and services and increasing the customer base as far as savings accounts and investment products are concerned.

Mail Services

Internationally, Mail Service Providers are challenged by competing communication technologies, escalating service-provision costs and changing customer needs. To remain competitive, alternative strategies are required.

NamPost has, towards this end, applied itself to:

- creating solutions for corporate customers *(Hybrid Mail)*
- ensuring completeness of income *(Franking Machines)*, and
- improving operational processes to create efficiencies and contain costs

Hybrid Mail offers business an integrated electronic mail management service. This product was introduced towards the end of 2004, and has since become increasingly popular. An upgrade of both machinery and operating space is now required.

Franking machines have been deployed at various customer premises to ensure completeness of income. These machines endorse postal items electronically (eliminating stamps) and are replenished electronically from a central server.

Notwithstanding these positive developments, continuing challenges remain with regard to mail turn-around efficiencies and mail security. In particular, the delivery of mail bound for Namibia from other countries remains problematic. While Namibia Post has very little control over the efficiency and integrity of other postal operators, it has borne the brunt of their shortcomings over the years. As their inefficiencies directly affect our reputation, we will continue to engage these partner operators to iron out inefficiencies so that the service to the end-customer in Namibia could be improved.

Post Offices

This Division delivered a satisfactory increase in profits. The Northern Region's attainment of profitability during the previous year was sustained with significant growth in both revenue and profits. The priority for the future will be to ensure that each Post Office is self-financing irrespective of size or location. To project an acceptable image, Post Offices will be renovated and correctly branded over the next three (3) years.

No new Post Offices were opened during the year. Our strategy is to expand cautiously, in line with our resources capacity.

Philately

During the year, NamPost issued stamp series' depicting the following:

- Sea Gulls of Namibia
- Dolphins of Namibia
- Perennial Rivers of Namibia
- Traditional Men in Namibia
- Omeg Railway in Namibia

The following themes have been approved for the new financial year:

- 100 Years of Otjiwarongo
- 4th Definitive Stamp Issue
- Centenary of the Etosha National Park
- Dragon Flies of Namibia
- Commiphoras (Trees) of Namibia
- Indigenous Flowers of Namibia

Our corporate strategy for philately is to broaden our customer base especially in foreign markets. High-potential markets have been identified and plans to utilise opportunities in this regard are already being implemented.

Courier Services

Courier underwent major repositioning during the year. A new Management Team was recruited and various operational and financial control measures were implemented. The new Management Team prioritized customer acquisition and service. As a result of the various initiatives, the control environment at Courier improved significantly, clients were won over from competitors and good revenue growth was recorded. Although operational costs remained relatively high, the platform for even higher revenue and a more controlled operational-cost environment has been created. Because of the various repositioning strategies implemented, Courier's return to profitability has been achieved in 12 months, instead of the 24 months forecast in the previous annual report. Thus, Courier's profitability should be assured in the new financial year.

Conclusion

NamPost is reaping dividends from initiatives implemented in the past three (3) years. Nevertheless, continued enhancement of customer service poses a formidable challenge. With the required skills and plans in place, as well as an unprecedented commitment from our employees, I am confident that we will address these challenges successfully.

I owe a debt of gratitude to all the key players: the Shareholder, the Board, Management and all employees of NamPost. Their dedication continues to inspire me.

But it is you, our customers, who have really made all the difference. You chose us when you could have gone elsewhere; you informed us of our shortcomings when necessary and you applauded us when you felt we responded appropriately to your needs. My heartfelt thanks to you.

Sakaria H. Nghikembua
CHIEF EXECUTIVE OFFICER

BOARD OF DIRECTORS:
(from left to right)

Mr Sebby Kankondi (Chairman)

Mr Sackey Aipinge (Deputy Chairman)

BOARD OF DIRECTORS:
(from left to right)

Mrs Ndahafa Nambira

Mrs Nangula Hamutenya

EXECUTIVE COMMITTEE
(from left to right, top to bottom)

Mr Sakaria H. Nghikembua
Chief Executive Officer

Mr George Itembu
Head: Internal Audit

Mr Herman Roux
GM: Treasury

Ms Eldorette Harmse
Company Secretary

Mr Ambrosius Iipinge
GM: Postal Services

EXECUTIVE COMMITTEE
(from left to right, top to bottom)

Mr Ben Jacobs
GM: Strategy and Transformation

Mr Mike Rissik
GM: Courier

Ms Sonia Bergh
GM: Human Resources

Mr Norman Cloete
GM: Finance

Mr Patrick Gardiner
GM: Savings Bank

Ms Berlindi Malan
GM: Marketing and Business Development

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 September 2006

Company Information

Registration number:	92/284
Country of incorporation:	Namibia
Registered address:	Room D27, Post Office Building Corner Independence Avenue and Daniel Munamava Street Windhoek
Postal address:	P O Box 287 Windhoek Namibia
Auditors:	PricewaterhouseCoopers Namibia
Attorneys:	Lorentz Angula Incorporated, Conradie & Damaseb and Shikongo Law Chambers
Bankers:	Standard Bank of Namibia Limited

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 September 2006

Contents

STATEMENT OF DIRECTORS' RESPONSIBILITY
for the year ended 30 September 2006

The directors are required by the Namibian Companies Act, 1973, to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the company and the group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with Namibian Statements of Generally Accepted Accounting Practice. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with Namibian Statements of Generally Accepted Accounting Practice 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 controls 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 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 company's cash flow forecast for the year to 30 September 2007 and, in the light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

The financial statements set out on pages 22 to 55 were approved and authorised for issue by the board of directors and are signed on their behalf by:

Director
07/02/2007

Director
07/02/2007

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBER OF NAMIBIA POST LIMITED
and its joint venture

We have audited the accompanying financial statements of Namibia Post Limited and its joint venture, which comprise the balance sheet as at 30 September 2006, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' and Management's Responsibility for the Financial Statements

Directors' and Management are responsible for the preparation and fair presentation of these financial statements in accordance with Namibian Statements of Generally Accepted Accounting Practice and in the manner required by the Companies Act of Namibia. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company and its joint venture as of 30 September 2006, and of its financial performance and its cash flows for the year then ended in accordance with Namibian Statements of Generally Accepted Accounting Practice and in a manner required by the Companies Act in Namibia.

PricewaterhouseCoopers

PRICEWATERHOUSECOOPERS
CHARTERED ACCOUNTANTS (NAMIBIA)

09/02/2007

DIRECTORS' REPORT
for the year ended 30 September 2006

1. The directors present their annual report, which forms part of the audited financial statements of the company and its joint venture for the year ended 30 September 2006.

General review

2. There were no changes in the nature of the company's business during the year under review. The current business operation of the company is the supply of postal services and savings bank services throughout Namibia, provision of courier services, as well as providing banking services through Nampost Savings Bank. The company's performance for the year is summarised by means of the following indicators:

	2006		2005	
	%	N$	%	N$
Change in revenue	20.01%	50 591	20.71%	30 961
Change in direct operating expenses	24.93%	53 919	20.83%	31 629
Change in other expenses	27.16%	5 718	-22.53%	(6 122)
Change in net finance costs	49.88%	818	0.71%	193
Change in profit before taxation	72.35%	12 245	607.92%	20 256
Net cash flow generated by operating activities	- -	39 824	- -	17 324
Return on shareholders' equity	42.8%	- -	27.9%	- -

Events subsequent to balance sheet date

3. No matter that is material to the financial affairs of the company has occurred between 30 September 2006 and the date of approval of the annual financial statements

Financial results and dividends

4. Full details of the financial results of the company and the joint venture are disclosed on pages 22 to 55.

5. N$2 million dividend has been declared and paid for the year under review (2005: Nil).

Share capital

6. The authorised and issued share capital have remained unchanged during the year under review.

DIRECTORS' REPORT
for the year ended 30 September 2006

Directors and secretaries

7. The following were directors of the company during the year:
   SI Kankondi
   SN Aipinge
   J !Gawaxab
   NH Hamutenya
   N Nambira

   J !Gawaxab resigned on 25/08/2006 and the terms of the other directors was extended to 25/08/2007.

8. The secretary of the company is EC Harmse (previously N Cloete) appointed on 1/05/2006 , whose business and postal addresses are:

   Business:
   Room D27, Post Office Building
   Cnr. Independence & Daniel Munamava
   Windhoek

   Postal:
   PO Box 287
   Windhoek

Holding company

9. The company is a wholly-owned subsidiary of Namibia Post and Telecom Holdings Limited, a company registered in the Republic of Namibia.

Auditors

10. PricewaterhouseCoopers will continue in office in accordance with Section 270(2) of the Namibian Companies Act.

BALANCE SHEET
at 30 September 2006

	Notes	The Group 2006 N$'000	The Group 2005 N$'000	The Company 2006 N$'000	The Company 2005 N$'000
ASSETS					
Non-current assets		454 349	503 418	465 504	515 168
Property, plant and equipment	2	15 941	8 391	13 832	8 391
Intangible assets	3	10 449	4 158	5 997	4 158
Investment in joint venture	4	- -	- -	17 716	11 750
Available-for-sale investments	5	427 959	490 869	427 959	490 869
Current assets		611 867	211 584	608 893	199 834
Inventories	6	18 533	9 441	17 599	9 441
Receivables and prepayments	7	28 220	23 543	27 966	23 543
Current portion of available-for-sale investments	5	513 239	143 410	513 239	143 410
Current tax asset	16	1 615	1 039	1 615	1 039
Cash and cash equivalents	8	50 260	34 151	48 474	22 401
Total assets		1 066 216	715 002	1 074 397	715 002
EQUITY AND LIABILITIES					
Capital and Reserves		55 449	33 440	57 364	33 440
Share capital	9	5 075	5 075	5 075	5 075
Fair value reserve	10	8 967	7 585	8 967	7 585
Retained earnings		41 407	20 780	43 322	20 780
Non-current liabilities		36 230	15 457	41 075	15 457
Post-retirement benefits	31	14 280	12 414	14 280	12 414
Interest-bearing borrowings	11	20 738	1 804	24 596	1 804
Deferred tax liability	13	1 212	1 239	2 199	1 239
Current liabilities		974 537	666 105	975 958	666 105
Trade and other payables	14	56 967	44 722	57 544	44 722
Current portion of interest bearing borrowings	11	2 407	5 770	3 251	5 770
Savings Bank investors		915 163	595 613	915 163	595 613
Repurchase agreement	15	- -	20 000	- -	20 000
Total liabilities		1 010 767	681 562	1 017 033	681 562
Total equity and liabilities		1 066 216	715 002	1 074 397	715 002

INCOME STATEMENT
for the year ended 30 September 2006

		The Group		The Company	
		2006	2005	2006	2005
	Notes	N$'000	N$'000	N$'000	N$'000
Revenue	1.21, 17	310 213	252 876	303 467	252 876
Cost of sales	18	(155 873)	(106 628)	(151 219)	(106 628)
Gross profit		154 340	146 248	152 248	146 248
Other operating income	19	25 742	2 996	25 105	2 996
Expenses		(150 129)	(130 680)	(145 726)	(130 680)
Other operating expenses	21	(118 996)	(109 630)	(118 958)	(109 630)
Administrative expenses	21	(31 133)	(21 050)	(26 768)	(21 050)
Operating profit	20	29 953	18 564	31 627	18 564
Finance costs	22	(3 686)	(1 640)	(2 458)	(1 640)
Profit before taxation		26 267	16 924	29 169	16 924
Taxation	23	(3 640)	(7 583)	(4 627)	(7 583)
Profit for the year		22 627	9 341	24 542	9 341

STATEMENT OF CHANGES IN EQUITY
for the year ended 30 September 2006

		The Group		The Company	
		2006	2005	2006	2005
	Notes	N$'000	N$'000	N$'000	N$'000
Share capital					
Total issued share capital at beginning and end of year	9	5 075	5 075	5 075	5 075
Fair value reserve					
Opening balance		7 585	- -	7 585	- -
Revaluation of available-for-sale investments		1 382	7 585	1 382	7 585
Closing balance	10	8 967	7 585	8 967	7 585
Retained earnings					
Opening balance		20 780	11 439	20 780	11 439
Profit for the year		22 627	9 341	24 542	9 341
Dividends paid		(2 000)	- -	(2 000)	- -
Closing balance		41 407	20 780	43 322	20 780
Dividends per share (in cents)		39.41	- -	39.41	- -

CASH FLOW STATEMENT
for the year ended 30 September 2006

	Notes	The Group 2006 N$'000	The Group 2005 N$'000	The Company 2006 N$'000	The Company 2005 N$'000
Cash flow from operating activities					
Cash receipts from customers		307 523	250 149	301 030	250 149
Cash paid to suppliers and employees		(294 298)	(217 203)	(285 436)	(217 203)
Cash flows generated from operations	24	13 225	32 946	15 594	32 946
Interest received	20	2 350	359	1 713	359
Interest paid	22	(3 686)	(1 640)	(2 458)	(1 640)
Taxation paid	16	(4 989)	(10 625)	(4 989)	(10 625)
Taxation refund	16	- -	1 672	- -	1 672
Cash received from investors		319 550	184 369	319 550	184 369
Purchase of available for sale investments		(304 554)	(191 503)	(304 554)	(191 503)
Dividends received	20	16 968	1 746	16 968	1 746
Dividends paid		(2 000)	- -	(2 000)	- -
Net cash flow generated from operating activities		36 864	17 324	39 824	17 324
Cash flow from investing activities					
Acquisition of property, plant and equipment	2	(11 851)	(4 704)	(8 720)	(4 704)
Proceeds on disposal of property, plant and equipment	2	403	80	403	80
Proceeds on disposal of intangible assets	3	239	- -	239	- -
Acquisition of intangible assets	3	(9 344)	(1 666)	(4 207)	(1 666)
Acquisition of investment in joint venture	4	- -	- -	- -	(4 000)
Net cash flow utilised in investing activities		(20 553)	(6 290)	(12 285)	(10 290)
Cash flow from financing activities					
Increase / (decrease) in interest-bearing borrowings		19 798	(2 972)	24 500	(2 972)
Loan to joint venture	4	- -	- -	(5 966)	(7 750)
(Repayment)/ proceeds from repurchase agreement		(20 000)	20 000	(20 000)	20 000
Net cash flow generated from/ (utilised in) financing activities		202	17 028	(1 466)	9 278
Net change in cash and cash equivalents		16 109	28 062	26 073	16 312
Cash and cash equivalents					
at the beginning of the year		34 151	6 089	22 401	6 089
at the end of the year	8	50 260	34 151	48 474	22 401

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 September 2006

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1.1 Basis of preparation

The financial statements have been prepared in accordance with Namibian Statements of Generally Accepted Accounting Practice. The financial statements have been prepared under the historical cost convention as modified by the revaluation of available-for-sale investment securities, financial assets, and financial liabilities at fair value through profit or loss.

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

Critical accounting estimates and assumptions

a) Revenue recognition
The Group uses the percentage-of-completion method in accounting for its sales of services. Use of the percentage-of-completion method requires the Group to estimate the services perfomed to date as a proportion of the total services to be perfomed. 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.

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

c) Provision for post retirement medical aid benefits
Post retirement medical aid benefit provision is based on actuarial valuation by independent valuers. The discount rate used is based on the current long term bond yield, gross of tax. There was no valuation done in the current year. However, the 2006 forecasted valuation performed in 2005 was used. Therefore there have been no changes in the assumptions.

d) Impairment of Intangibles
Intangible assets are reviewed annually for impairment and if indicators of impairment are prevalent, impairment testing is done.

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

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

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

1.2 Consolidation

Investment in Joint Venture
The Company's interests in a jointly controlled entity are accounted for by proportionate consolidation. The Company combines its share of the joint venture's individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Company's financial statements. The Company recognises the portion of gains and losses on the sale of assets by the Company to the joint venture that is attributable to the other venturer. The Company does not recognise its share of profits or losses from the joint venture that result from the Company's purchase of assets from the joint venture until it resells the assets to an independent party. However a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

1.3 Foreign Currency translation
Foreign currency balances are translated into the functional currency using the exchange rates prevailing at the balance sheet date. Foreign exchange gains and losses resulting from

the settlement of such balances and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

1.4 Share capital and equity

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

If the company reacquires its own equity instruments, those are deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the company's own equity instruments. Consideration paid or received shall be recognised directly in equity.

1.5 Property, plant and equipment

All property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to bring the assets to working condition for their intended use.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated on the straight-line method to write off the cost of each asset to its residual value over its estimated useful life as follows:

- Furniture and Fittings	10 years
- Other equipment	4 - 12 years
- Computer equipment	3 years
- Motor vehicles	5 - 7 years

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

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. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

1.6 Intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (5 years).

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

1.7 Impairment of assets

Non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

1.8 Financial assets

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

(a) Financial assets at fair value through profit and loss

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

(b) Loans and receivables

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

(c) Available-for-sale

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

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

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

Dividends on available-for-sale equity instruments are recognised in the income statement when the entity's right to receive payment is established.

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

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

1.9 Impairment of financial assets

(a) Assets carried at amortised costs
The group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and 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. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the group about the following loss events:

(i) significant financial difficulty of the issuer or obligor;
(ii) a breach of contract, such as a default or delinquency in interest or principal payments;
(iii) the group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
(iv) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
(v) the disappearance of an active market for that financial asset because of financial difficulties; or
(vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
– adverse changes in the payment status of borrowers in the group; or
– national or local economic conditions that correlate with defaults on the assets in the group.

The group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e., on the basis of the group's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the group to reduce any differences between loss estimates and actual loss experience.

1.10 Impairment of financial assets
When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

(b) Assets carried at fair value

The group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement.

1.11 Leases

Finance lease

Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the current value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

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

Operating Leases- Lessee

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

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

1.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

1.13 Trade receivables

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

1.14 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the balance sheet, bank overdrafts are included in borrowings in current liabilities.

1.15 Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

1.16 Deferred tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The principal temporary differences arise from depreciation of property, plant and equipment, revaluation of certain financial assets and liabilities including derivative contracts, provisions for pensions and other post-retirement benefits and tax losses carried forward; and, in relation to acquisitions, on the difference between the fair values of the net assets acquired and their tax base. The rates enacted or substantively enacted at the balance sheet date are used to determine deferred income tax. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Income tax payable on profits, based on the applicable tax law in each jurisdiction, is recognised as an expense in the period in which profits arise. The tax effects of income tax losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Deferred tax related to fair value re-measurement of available-for-sale investments and cash flow hedges, which are charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in the income statement together with the deferred gain or loss.

1.17 Current tax assets and liabilities

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

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

1.18 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, or directly in equity, or
- a business combination

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

1.19 Trade payables

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

1.20 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

1.21 Revenue recognition

Revenue comprises the invoiced value for sale of goods and services net of value-added tax, rebates and discounts. Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer.

Revenue arising from rendering of services is based on the stage of completion determined by reference to services performed to date as a percentage of total services to be performed. Interest income is recognised on a time proportion basis. Dividend income is recognised when the right to receive payment is established.

Dividends

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

1.22 Financial instruments

(i) Financial risk factors

In the normal course of its operations, the group is exposed to currency, interest rate, liquidity and credit risk. The group manages these risks as follows:

Foreign currency risk

Foreign currency risk is created due to the influence of exchange rate fluctuations. The group has a policy not to take out cover on outstanding foreign currency transactions.

Interest rate risk

As part of managing interest rate exposure, interest rate characteristics of new borrowings and the refinancing of existing borrowings are positioned according to the expected movement in interest rates.

Credit risk

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

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the group aims at maintaining flexibility in funding by keeping committed credit lines available. The bank overdraft facility negotiated by the group amounted to N$10 million (2005: N$10 million) at year-end date.

(ii) Fair value estimation

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

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

1.23 Pension fund arrangements

Current contributions to the defined contribution pension fund, operated for group employees, are charged against income as incurred.

1.24 Other post retirement obligations

The company continues to pay two thirds of total contributions towards the medical scheme when an employee retires, becomes redundant or disabled. The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age. The expected costs of these benefits are accrued over the period of employment, using accounting methodology similar to that for defined benefit pension plans (refer to note 32.). Valuations of these obligations are carried out by independent qualified actuaries.

1.25 New accounting standards and IFRIC interpretation

Certain new accounting standards and IFRIC interpretations have been published that are mandatory for accounting periods beginning on or after 1 January 2006. These new standards and interpretations have not been early adopted by the group and a reliable estimate of the impact of the adoption thereof for the group cannot yet be determined. Directors' do not expect that the adoption of the standards and interpretations will have a material impact on future financial statements.

IFRS 6 (AC 143) - Exploration for and Evaluation of Mineral Resources (effective from 1 January 2006)
IFRS 7 (AC 144), Financial Instruments: Disclosures, and a complementary Amendment to IAS 1 (AC 101), Presentation of Financial Statements - Capital Disclosures (effective from 1 January 2007)
IFRS 1 (AC 138) (Amendment), First-time Adoption of International Financial Reporting Standards and IFRS 6 (AC 143) (Amendment), Exploration for and Evaluation of Mineral Resources (effective from 1 January 2006)
IAS 19 (AC 116) (Amendment) – Employee Benefits (effective from 1 January 2006)
IAS 21 (AC 112) (Amendment) – Net Investment in a Foreign Operation (effective from 1 January 2006)
IAS 39 (AC 133) and IFRS 4 (AC 141) (Amendment) – Financial Guarantee Contracts (effective from 1 January 2006)
IAS 39 (AC 133) (Amendment) – Cash Flow Hedge Accounting of Forecast Intragroup Transactions (effective from 1 January 2006)
IAS 39 (AC 133) (Amendment) – The Fair Value Option (effective from 1 January 2006)
IFRIC Interpretation 4 (AC 437) - Determining whether an Arrangement Contains a Lease (effective from 1 January 2006)
IFRIC Interpretation 5 (AC 438) - Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (effective from 1 January 2006)
IFRIC Interpretation 6 (AC 439) – Liabilities arising from Participating in a Specific Market – Waste electrical and Electronic Equipment (effective from 1 January 2006)
IFRIC Interpretation 7 (AC 440) – Applying the Restatement Approach under IAS 29 (AC 124) Financial Reporting in Hyperinflationary Economics (effective from 1 March 2006)
IFRIC Interpretation 8 (AC 441) – Scope of IFRS 2 (effective from 1 May 2006
IFRIC Interpretation 9 (AC 442) - Reassessment of Embedded Derivatives
AC 503 – Accounting for Black Economic Empowerment ("BEE") transactions
IFRIC Interpretation 11- IFRS 2-Group and Treasury share transaction (effective from 1 March 2007)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2006 (continued)

Notes to the balance sheet

2. PROPERTY, PLANT AND EQUIPMENT

	Furniture fittings and other equipment N$'000	Work-in progress N$'000	Computer equipment N$'000	Motor vehicles N$'000	Total N$'000
The Group					
2.1 30 September 2006					
Opening net carrying value	2 954	1 660	2 365	1 412	8 391
Additions	6 384	1 821	3 646	- -	11 851
Disposals	(2)	- -	- -	(545)	(547)
Depreciation charge	(1 445)	- -	(2 116)	(311)	(3 872)
Depreciation on disposals	- -	- -	- -	118	118
Reclassification	452	(1 660)	1 208	- -	- -
Closing net carrying value	8 343	1 821	5 103	674	15 941
Cost	17 900	3 481	17 397	2 209	40 987
Reclassification	452	(1 660)	1 208	- -	- -
Accumulated depreciation	(10 009)	- -	(13 502)	(1 535)	(25 046)
Net carrying value	8 343	1 821	5 103	674	15 941
2.2 30 September 2005					
Opening net carrying value	2 508	1 315	3 358	231	7 412
Additions	1 530	345	1 375	1 454	4 704
Disposals	(43)	- -	(40)	(33)	(116)
Depreciation charge	(1 062)	- -	(2 368)	(273)	(3 703)
Depreciation on disposals	21	- -	40	33	94
Closing net carrying value	2 954	1 660	2 365	1 412	8 391
Cost	11 518	1 660	13 752	2 754	29 684
Accumulated depreciation	(8 564)	- -	(11 387)	(1 342)	(21 293)
Net carrying value	2 954	1 660	2 365	1 412	8 391

Software was reclassified to intangible assets refer to note 3 below.

2. PROPERTY, PLANT AND EQUIPMENT (continued)

	Furniture fittings and other equipment N$'000	Work-in progress N$'000	Computer equipment N$'000	Motor vehicles N$'000	Total N$'000
The Company					
30 September 2006					
Opening net carrying value	2 954	1 660	2 365	1 412	8 391
Additions	5 783	1 821	1 116	- -	8 720
Disposals	(2)		- -	(545)	(547)
Depreciation charge	(1 253)	- -	(1 286)	(311)	(2 850)
Depreciation on disposals	- -	- -	- -	118	118
Reclassification	452	(1 660)	1 208	- -	- -
Closing net carrying value	7 934	1 821	3 403	674	13 832
Cost	17 299	3 481	14 867	2 209	37 856
Reclassification	452	(1 660)	1 208		- -
Accumulated depreciation	(9 817)	- -	(12 672)	(1 535)	(24 024)
Net carrying value	7 934	1 821	3 403	674	13 832
30 September 2005					
Opening net carrying value	2 508	1 315	3 358	231	7 412
Additions	1 530	345	1 375	1 454	4 704
Disposals	(43)	- -	(40)	(33)	(116)
Depreciation charge	(1 062)	- -	(2 368)	(273)	(3 703)
Depreciation on disposals	21	- -	40	33	94
Closing net carrying value	2 954	1 660	2 365	1 412	8 391
Cost					
Accumulated depreciation	11 518	1 660	13 752	2 754	29,684
	(8 564)	- -	(11 387)	(1 342)	(21,293)
Net carrying value	2 954	1 660	2 365	1 412	8 391

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 September 2006 (continued)

		The Group		The Company	
		2006	2005	2006	2005
		N$'000	N$'000	N$'000	N$'000
2.3	**Assets under lease agreements included above:**				
	Computer equipment				
	Cost	- -	14 447	- -	14 447
	Accumulated depreciation	- -	(13 866)	- -	13 866)
	Closing net carrying amount	- -	581	- -	581

2.4 The following property, plant and equipment serve as security for borrowings (refer to note 11):

Nature of property, plant and equipment	Nature of security	Book value			Book value
Computer equipment	Quincap Finance lease	- -	159	- -	159
Computer equipment	Standard Bank finance lease and loan	226	1 002	226	1 002
Motor vehicles	Instalment sale agreement	656	1 406	656	1 406
Smartcards	Smartcard lease agreement	4 512	- -	4 512	- -
Hybrid mail	Instalment sale agreement	811	- -	811	- -

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 September 2006
(continued)

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
	N$'000	N$'000	N$'000	N$'000
3 INTANGIBLE ASSETS				
Opening net carrying value	4 158	7 675	4 158	7 675
Additions	9 344	1 666	4 207	1 666
Disposals	(239)	- -	(239)	- -
Amortization	(2 539)	(5 097)	(1 854)	(5 097)
Impairment charge	(275)	(86)	(275)	(86)
Closing net carrying value	10 449	4 158	5 997	4 158
Cost	45 854	36,747	40 717	36,747
Accumulated amortization	(35 044)	(32,503)	(34359)	(32,503)
Impairment	(361)	(86)	(361)	(86)
Closing net carrying value	10 449	4 158	5 997	4 158

Intangibles include Globus, SAP, Riposte software and costs associated with the smartcard project.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2006 (continued)

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
	N$'000	N$'000	N$'000	N$'000
4 INTEREST IN JOINT VENTURE				
Beginning of the year			11 750	- -
Acquisition of joint venture			- -	4 000
Loan to joint venture			4 750	7 750
Interest accrued on loan			1 216	- -
Balance at end of the year			17 716	11 750

The Company has a 50% interest in a joint venture, SmartSwitch (PTY) Ltd, which is in the information technology industry. The Company is registered in the Republic of Namibia. The following amounts represent the Company's 50% share of the assets and liabilities, and sales and results of the joint venture. These are included in the balance sheet and income statement :

	The Group 2006	The Group 2005	The Company 2006	The Company 2005
Assets				
Non-current assets			11 439	- -
Current assets			4 927	11 750
			16 366	11 750
Liabilities				
Long-term liabilities			13 750	- -
Current liabilities			531	- -
			14 281	
Net assets			2 085	11 750
Income			2 729	- -
Expenses			(4 644)	- -
Profit after income tax			(1 915)	
Propotionate interest in joint venture's commitments	25	--	--	--

There are no contingent liabilities relating to the Company's interest in the joint venture, and no contingent liabilities of the venture itself.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2006 (continued)

		The Group		The Company	
		2006	2005	2006	2005
		N$'000	N$'000	N$'000	N$'000
5	AVAILABLE-FOR-SALE INVESTMENTS				
5.1	Listed investments	561	380	561	380
	Opening balance	380	327	380	327
	Fair value gain	181	53	181	53
	The listed investment comprises of shares in the following companies:				
	Sanlam Limited - 12 434 (2005: 12 434) shares	186	117	186	117
	Old Mutual Plc - 14 400 (2005: 14 400) shares	375	263	375	263
		561	380	561	380
5.2	Unit trusts	126	69	126	69
	Opening balance	69	69	69	69
	Fair value gain	57	- -	57	- -
5.3	Available-for-sale investments				
	Government stock and treasury bills	457 663	575 701	457 663	575 701
	Negotiable certificates of Deposits	16 909	- -	16 909	- -
	Short term deposits and funds at call with banks and building societies.	465 939	58 129	465 939	58 129
					- -
		940 511	633 830	940 511	633 830
	Total available-for-sale investments	941 198	634 279	941 198	634 279
	The maturity of these investments are analysed as follows:				
	Current investments - not later than 1 year	513 239	143 410	513 239	143 410
	Non-current investments	427 959	490 869	427 959	490 869
	Later than 1 year and not later than 5 years	246 133	490 869	246 133	490 869
	Later than 5 years	181 826	- -	181 826	- -

N$9 million of government bonds have been pledged as security for the DBN loan, refer to note 11.3.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 September 2006 (continued)

	The Group		The Company	
	2006	2005	2006	2005
	N$'000	N$'000	N$'000	N$'000
6 INVENTORIES				
Stamps	1 882	1 123	1 882	1 123
Stationery	1 195	1 962	1 195	1 962
Goods for resale	8 028	6 447	8 028	6 447
Documents of value	386	195	386	195
Other stock	1 799	443	460	443
Impairment for damaged inventories	(185)	(729)	(185)	(729)
Smartcards on hand	5 833	- -	5 833	- -
Provision for stock losses	(405)	- -	- -	- -
Total inventories	18 533	9 441	17 599	9 441

Inventories included above, are stated at net realisable value.

Goods for resale comprise vault items. Documents of value comprise philately items, value cards, telephone cards, postal orders and postal stationery. Other stock comprise of uniforms.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 September 2006 (continued)

		The Group		The Company	
		2006	**2005**	**2006**	**2005**
		N$'000	N$'000	N$'000	N$'000
7	RECEIVABLES AND PREPAYMENTS				
7.1	Trade receivables				
	Agency fees receivables	1 500	2 676	1 500	2 676
	Courier debtors	7 874	7 492	7 874	7 492
	Government ministries	2 434	1 500	2 434	1500
	International debtors	6 027	5 383	6 027	5 383
	Mail debtors	5 226	3 428	5 226	3 428
	Philately debtors	178	208	178	208
	Other	7	- -	- -	- -
		23 246	20 687	23 239	20 687
	Less: Provision for impairment of receivables	(4 670)	(4 370)	(4 658)	(4 370)
		18 576	16 317	18 581	16 317
7.2	Other receivables				
	Accrued income	3 274	2 673	3 274	2 673
	Clearing accounts	2 631	1 442	2 631	1 442
	Receiver of Revenue - VAT	427	- -	331	- -
	Staff loans	2 694	2 376	2 694	2 376
	Sundry debtors	2 677	147	2 677	147
	Due from group entities	554	560	554	560
	Deposits and prepayments	774	666	611	666
		13 031	7 864	12 772	7 864
	Less: Provision for impairment of other receivables	(3 387)	(638)	(3 387)	(638)
		9 644	7 226	9 385	7 226
	Total receivables and prepayments	28 220	23 543	27 966	23 543

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 September 2006
(continued)

		The Group		The Company	
		2006	2005	2006	2005
		N$'000	N$'000	N$'000	N$'000
8	CASH AND CASH EQUIVALENTS				
	Bank balances	46 314	32 409	45 111	20 659
	Cash on hand	3 946	1 742	3 363	1 742
		50 260	34 151	48 474	22 401
	For the purpose of the cash flow statement the year-end cash and cash equivalents comprise the following:				
8.1	Cash and bank balances	50 260	34 151	48 474	22 401
8.2	Bank overdraft (refer to note 8.3)	- -	- -	- -	- -
	Total cash and cash equivalents	50 260	34 151	48 474	22 401
	N$6,505,223.34 of the cash and cash equivalent balances held by the company belongs to the bank customers and is not available for use by the group.				
8.3	Bank overdraft				
	Bank overdraft	- -	- -	- -	- -
	The company has a bank overdraft facility of N$10,000,000 (2005: N$10,000,000) applicable to all the current accounts on an aggregate balance.				
9	SHARE CAPITAL				
	Authorised				
	Ordinary shares of 50,000,000 (2005: 500,000,000) at N$1 each	50 000	50 000	50 000	50 000
	Issued				
	Ordinary shares of 5,075,000 (2005: 5,075,000) at N$1 each	5 075	5 075	5 075	5 075

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2006 (continued)

		The Group		The Company	
		2006	2005	2006	2005
		N$'000	N$'000	N$'000	N$'000
10	**FAIR VALUE RESERVE**				
	Investments in government bonds, treasury bills and other deposits and funds in institutions are classified as available-for-sale investments. These investments are currently measured at fair value through equity.				
	Opening balance	7 585	- -	7 585	- -
	Fair value adjustment (net of deferred tax)	1 382	7 585	1 382	7 585
		8 967	7 585	8 967	7 585
11	**INTEREST-BEARING BORROWINGS**				
11.1	*Loan*				
11.1.1	Standard Bank	- -	493	- -	493
	Total amount outstanding	494	2 845	494	2 845
	Short-term portion (disclosed under current)	(494)	(2 352)	(494)	(2 352)
	At year-end the average interest rate was 8.1% (2005: 8.1%) and is repayable in half yearly instalments of N$1,253,860 (2005: N$1,253,860). Secured by: Suretyship for N$13,303,200 (2005: N$13,303,200) by Namibia Post and Telecom Holdings Ltd and computer equipment (Refer note 2).				
11.2	KFW Loan	4 555	- -	4 555	- -
	Total amount outstanding	4 555	- -	4 555	- -
	Short-term portion (disclosed under current)	- -	- -	- -	- -
	At year-end the average interest rate was 3.25% and is repayable in half yearly instalments of 15,000 euros commencing 30 June 2015. An interest rate of 4.5% was used to fair value the loan. The loan is unsecured.				
11.3	DBN Loan	11 851	- -	11 851	- -
	Total amount outstanding	11 851	- -	11 851	- -
	Short-term portion (disclosed under current)	- -	- -	- -	- -
	Secured by N9 million of government bonds refer to note 5.3 At year-end the average interest rate was 9.07% and is repayable in monthly instalments of N$384,050. The loan has a grace period for repayment of 12 months.				

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 September 2006 (continued)

		The Group		The Company	
		2006	2005	2006	2005
		N$'000	N$'000	N$'000	N$'000
11.4	***Finance lease agreements***				
11.4.1	Quincap finance lease	- -	- -	- -	- -
	Total amount outstanding	- -	502	- -	502
	Short-term portion (disclosed under current)	- -	(502)	- -	(502)
	The loan was fully paid during the year				
11.4.2	Standard Bank finance lease	- -	359	- -	359
	Total amount outstanding	359	2 073	359	2 073
	Short-term portion (disclosed under current)	(359)	(1 714)	(359)	(1 714)
	At year-end the average interest rate was 8.1% (2005: 8.1%) and is repayable in full in 2007. Secured by: Suretyship for N$9,696,800 (2005: N$9,696,800) by Namibia Post and Telecom Holdings Ltd and computer equipment (Refer note 2).				
11.4.3	SmartSwitch Finance Lease	3 892	- -	7 784	- -
	Total amount outstanding	4 755	- -	9 510	- -
	Short-term portion (disclosed under current)	(863)	- -	(1 726)	- -
	A rental agreement exist between Namibia Post limited and SmartSwitch (Pty) Limited. The substance of the agreement is a finance lease. The rentals were discounted over a period of 5 years at 11.25%. The instalment is N$240 000 per month.				
11.4.4	Standard Bank finance lease	34	- -	- -	- -
	Total amount outstanding	53	- -	- -	- -
	Short-term portion (disclosed under current)	(19)	- -	- -	- -
	At year-end the average interest rate was 11.9% and is repayable in monthly instalments of N$3,577				

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 September 2006 (continued)

		The Group		The Company	
		2006	**2005**	**2006**	**2005**
		N$'000	N$'000	N$'000	N$'000
11	INTEREST-BEARING BORROWINGS (CONTINUED)				
11.4.5	Instalment sale agreement	406	952	406	952
	Total amount outstanding	1 078	2 154	1 078	2 154
	Short-term portion (disclosed under current)	(672)	(1 202)	(672)	(1 202
	The loan bears interest at prime less 2.25% (2005:prime less 2.25%) and is repayable in monthly instalments of N$ 36,250 (2005: N$35,896).				
	Secured by: Motor Vehicles (Refer note 2).				
	Total non-current interest bearing borrowings	20 738	1 804	24 596	1 804
11.5	Current portion of interest bearing borrowings	2 407	5 770	3 251	5 770
11.6	Maturity of non-current borrowings (excluding finance lease liabilities):				
	Not later than 1 year	1 166	3 554	1 166	3 554
	Later than 1 year and not later than 5 years	16 812	1 445	16 812	1 445
		17 978	4 999	17 978	4 999
11.7	Reconciliation between the total of minimum lease payments and the present value of finance leases included above:				
	Not later than 1 year	820	1 965	796	1 965
	Later than 1 year and not later than 5 years	494	749	462	749
		1 314	2 714	1 258	2 714
	Less: Deferred finance costs	(126)	(139)	(118)	(139)
	Present value	1 188	2 575	1 140	2 575
11.8	Interest rate exposure				
	The interest rate exposure of borrowings is as follows:				
	At fixed rates	4 555	4 918	4 555	4 918
	At floating rates	18 590	2 656	23 292	2 657
		23 145	7 574	27 847	7 574

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 September 2006 (continued)

12 FAIR VALUE OF FINANCIAL INSTRUMENTS

At 30 September 2006, the carrying amounts of cash and short-term deposits, trade accounts receivable, trade accounts payable, accrued expenses and current interest-bearing borrowings approximated fair values due to the short-term maturities of these assets and liabilities.

The carrying value of non-current interest-bearing borrowings approximates fair value due to the fact that the underlying interest rate is linked to the Namibian prime rate and is equivalent to prevailing market interest rates. Settlement costs are expected to be immaterial.

Financial Instruments

	2006		2005	
	Carrying Value N$'000	Fair Value N$'000	Carrying Value N$'000	Fair Value N$'000
The Group				
Available-for-sale investments	941 198	941 198	634 279	634 279
Trade and other receivables	28 220	28 220	23 543	23 543
Cash and cash equivalents	50 260	50 260	22 401	22 401
Trade and other liabilities	56 967	56 967	44 722	44 722
Borrowings	23 145	23 145	7 574	7 574
The Company				
Available-for-sale investments	941 198	941 198	634 279	634 279
Trade and other receivables	27 966	27 966	23 543	23 543
Cash and cash equivalents	48 474	48 474	22 401	22 401
Trade and other liabilities	57 544	57 544	44 722	44 722
Borrowings	27 847	27 847	7 574	7 574

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 September 2006
(continued)

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

13 DEFERRED TAX LIABILITY

Deferred income taxes are calculated on all temporary differences under the liability method using a tax rate of 35% (2005: 35%).
The movement on the deferred income tax account is as follows:

	The Group 2006 N$'000	The Group 2005 N$'000	The Company 2006 N$'000	The Company 2005 N$'000
At beginning of year	1 239	(842)	1 239	(842)
Fair value adjustment	746	4 084	746	4 084
Income statement charge	(773)	(2 003)	214	(2 003)
At end of year	1 212	1 239	2 199	1 239

	2005	Charged against equity movement	Charged/ (credited) to net profit	2006
Deferred tax liability	7 935	746	896	9 577
Capital allowances	2 310	- -	363	2 673
Fair value adjustment	4 084	746	1 479	6 309
Income received in advance	205	- -	- -	205
Unrealised income	1 336	- -	(946)	390
Deferred tax asset	(6 696)		(681)	(7 377)
Retirement benefits obligation	(4 345)	- -	(653)	(4 998)
Provision for doubtful debt	(1 100)	- -	(862)	(1 962)
Finance lease liability	(901)	- -	776	(125)
Unrealised foreign exchange differences	(350)	- -	58	(292)
Net deferred tax liability / (asset)	1 239	746	214	2 199

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 September 2006
(continued)

		The Group		The Company	
		2006	2005	2006	2005
		N$'000	N$'000	N$'000	N$'000
		2005	Charged against equity movement	Charged/ (credited) to net profit	2006
14	TRADE AND OTHER PAYABLES				
	Trade payables	14 006	9 952	14 982	9 952
	Revenue received in advance	522	3 625	522	3 625
	Agency creditors	21 838	13 946	21 838	13 946
	Money held on behalf of public	1 969	1 926	1 969	1 926
	Other payables	18 632	15 273	18 233	15 273
	Other accruals	2 925	2 647	2 730	2 647
	Salary related accruals	11 974	9 122	11 974	9 122
	Payables - Fellow subsidiaries	204	- -	- -	- -
	Receiver of Revenue - VAT	- -	659	- -	659
	Sundry payables	1 320	1 216	1 320	1 216
	Suspense and clearing accounts	2 209	1 629	2 209	1 629
		56 967	44 722	57 544	44 722
15	REPURCHASE AGREEMENT				
	Bank Windhoek repurchase agreement	- -	20 000	- -	20 000
	The bonds were repurchased on 26 October 2005 at a value of N$20,132 million.				
16	CURRENT TAX ASSET				
	Opening balance	(1 039)	(1 672)	(1 039)	(1 672)
	Charge to the income statement	4 413	9 586	4 413	9 586
	Tax refund	- -	1 672	- -	1 672
	Tax payments	(4 989)	(10 625)	(4 989)	(10 625)
	Closing balance	(1 615)	(1 039)	(1 615)	(1 039)

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 September 2006
(continued)

Notes to the income statement

17 REVENUE

Revenue comprises of gross receipts from postal business, international dues, savings bank interest, money transfer services, agency fees, philately sales, courier services and sales of flexi, tango and telephone cards, savings bank interest and other income..

	The Group 2006 N$'000	The Group 2005 N$'000	The Company 2006 N$'000	The Company 2005 N$'000
Revenue earned is split between the classes as follows:				
Postal business	79 717	73 705	79 717	73 705
International dues	8 689	8 890	8 689	8 890
Agency fees	6 492	5 840	6 492	5 840
Philately sales	6 316	6 394	6 316	6 394
Courier services revenue	25 561	21 304	25 561	21 304
Telecard, flexicards, tango cards and MTC vouchers	90 296	64 357	90 296	64 357
Savings Bank fee income	8 578	7 708	8 578	7 708
Savings Bank interest income	52 457	58 807	52,457	58 807
Profit on sales of available-for-sale investments	25 361	5 871	25 361	5 871
Card registration and enrolment fees	167	- -	- -	- -
Transaction fees	444	- -	- -	- -
Hardware and consumable sales	5 476	- -	- -	- -
Software sales	147	- -	- -	- -
Equipment rental	488	- -	- -	- -
Other	24	- -	- -	- -
	310 213	252 876	303 467	252 876

18 COST OF SALES

	The Group 2006 N$'000	The Group 2005 N$'000	The Company 2006 N$'000	The Company 2005 N$'000
Stock expenses	4 290	4 056	4 290	4 056
Telephone cards	84 047	59 869	84 047	59 869
Transport expenses	2 201	2 366	2 201	2 366
International expenses	2 516	2 087	2 516	2 087
Philately commission	2 847	2 612	2 847	2 612
Philately expenses	183	334	183	334
Savings bank interest expense	52 571	32 817	52 571	32 817
Other	7 218	2 487	2 564	2 487
	155 873	106 628	151 219	106 628

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2006 (continued)

		The Group		The Company	
		2006	2005	2006	2005
		N$'000	N$'000	N$'000	N$'000
19	OTHER OPERATING INCOME				
	(Loss)/ profit on disposal of property, plant and equipment	(26)	58	(26)	58
	Profit on foreign exchange	647	105	647	105
	Interest received	2 350	359	1 713	359
	Fair value of available-for-sale investment	238	53	238	53
	Fair value adjustment of financial liability	4 227	- -	4 227	- -
	Dividends received	16 968	1 746	16 968	1 746
	Other	1 338	675	1 338	675
		25 742	2 996	25 105	2 996
20	OPERATING PROFIT				
20.1	*The following items have been charged in arriving at operating profit for the year:*				
	Administration fees RSA	360	34	22	34
	Auditors' remuneration	1 351	527	1 348	527
	Audit fees - current year	491	362	491	362
	- provision	228	- -	228	- -
	Other services	632	165	629	165
	Depreciation (a detailed breakdown is presented in note 2.)	3 872	3 703	2 850	3 703
	Amortization of intangible assets (a detailed breakdown is presented in note 3)	2 539	5 097	1 854	5 097
	Directors' remuneration: non-executive directors				
	For services as directors	286	214	286	214
	Consultancy fees	1 506	1 315	1 506	1 315
	Loss on disposal of property, plant and equipment	26	- -	26	- -
	Rental under operating leases	18 531	17 286	18 266	17 286
	Land and buildings	11 132	10 287	10 913	10 287
	Motor vehicle	5 546	5 349	5 500	5 349
	Other fixed assets	1 853	1 650	1 853	1 650
	Salaries and wages (refer to note 26.)	80 951	72 749	79 861	72 749

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
	N$'000	N$'000	N$'000	N$'000
20.2 *The following items have been credited in arriving at operating profit/(loss) for the year:*				
Dividend received - Listed investments	16 968	1 746	16 968	1 746
Interest received	2 350	359	1 713	359
Fair value adjustment of available-for-sale investments	238	53	238	53
Foreign exchange gain/ (loss)	647	105	647	105
Realised	172	(367)	172	(367)
Unrealised	475	472	475	472
Profit on disposal of property, plant and equipment	- -	58	- -	58
Profit on sales of available-for-sale investments	25 361	5 871	25 361	5 871
Savings Bank net income	27 156	35 438	27 156	35 438
Interest income from held-to-maturity investments	- -	- -	- -	- -
Interest income from available-for-sale investments	69 402	62 370	69 402	62 370
Other income	8 578	5 885	8 578	5 885
Interest expense	(50 824)	(32 817)	(50 824)	(32 817)

21 EXPENSES BY NATURE

Employee compensation and benefit expense	81 274	73 073	80 139	73 073
Auditors remuneration	1 351	527	1 348	527
Depreciation, amortization and impairment charges	6 686	8 888	4 979	8 888
Advertising	2 336	867	2 279	867
Operating lease rentals	18 536	17 286	18 266	17 286
Computer expenses	8 719	7 687	8 719	7 687
Motor vehicle expenses	6 066	3 326	6 066	3 326
Security costs	2 630	2 209	2 627	2 209
Water and electricity	2 035	1 565	2 003	1 565
Communication expenses	4 012	3 354	3 934	3 354
Insurance	2 467	1 723	2 429	1 723
Provision for bad debts	3 725	2 581	3 713	2 581
Repairs & maintenance	3 099	2 209	3 074	2 209
Sundry expenses	802	131	802	131
Consulting fees	1 506	1 315	1 506	1 315
Other	4 885	3 939	3 842	3 939
	150 129	130 680	145 726	130 680

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 September 2006 (continued)

		The Group		The Company	
		2006	2005	2006	2005
		N$'000	N$'000	N$'000	N$'000
22	FINANCE COSTS				
	Interest expense				
	Bank overdraft	28	28	26	28
	Finance lease agreements	631	526	626	526
	Instalment sale agreements	1 038	146	1 038	146
	Loans	1 234	106	13	106
	Repurchase agreements	755	834	755	834
	Total net finance costs	3 686	1 640	2 458	1 640
23	TAXATION				
23.1	Namibian normal tax				
	Current year	5 020	9 586	5 020	9 586
	Prior year	(607)	- -	(607)	- -
23.2	Deferred tax				
	Current year	(773)	(2 003)	214	(2 003)
		3 640	7 583	4 627	7 583
23.3	**Reconciliation of taxation on the group's profit before tax with the tax charge in the income statement:**				
	Operating profit	26 267	16 924	29 169	16 924
	Tax thereon at the normal tax rate of 35%	9 194	5 923	10 209	5 923
	Adjusted for:				
	Non-taxable income received	(5 783)	(2)	(5 783)	(2)
	Non-deductible expense	836	1 662	808	1 662
	Prior period adjustment - current tax	(607)	- -	(607)	- -
		3 640	7 583	4 627	7 583

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 September 2006 (continued)

Notes to the cash flow statement

24 CASH GENERATED FROM OPERATIONS

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
	N$'000	N$'000	N$'000	N$'000
Reconciliation of profit before tax to cash generated from operations:				
Profit for the year	26 267	16 924	29 169	16 924
Adjusted for:				
Depreciation	3 872	3 705	2 850	3 705
Amortization of intangible assets	2 539	5 097	1 854	5 097
Dividends received	(16 968)	(1 746)	(16 968)	(1 746)
Fair value adjustment	(238)	(53)	(238)	(53)
Interest received	(2 350)	(359)	(1 713)	(359)
Finance expense	3 686	1 640	2 458	1 640
Impairment of property, plant and equipment	275	86	275	86
Fair value adjustment of financial liability	(4 227)	- -	(4 227)	- -
Profit on sale of property, plant and equipment	26	(58)	26	(58)
Provision for post-retirement benefits	1 866	1 573	1 866	1 573
Changes in working capital:				
Increase in trade and other receivables	(4 676)	(3 508)	(4 422)	(3 508)
Increase in inventory	(9 092)	(1 364)	(8 158)	(1 364)
increase in trade and other payables	12 245	11 009	12 822	11 009
Cash generated from operations	13 225	32 946	15 594	32 946

25 Reconciliation of tax paid during the year

	The Group 2006	The Group 2005	The Company 2006	The Company 2005
Charge to the income statement	3 640	7 583	4 627	7 583
Adjustment for deferred tax	773	2 003	(214)	2 003
Refund made	- -	1 672	- -	1 672
Movement in taxation liability	576	(633)	576	(633)
Payments made	4 989	10 625	4 989	10 625

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 September 2006 (continued)

		The Group		The Company	
		2006	**2005**	**2006**	**2005**
		N$'000	N$'000	N$'000	N$'000
26	STAFF AND RETIREMENT BENEFIT COSTS				
	Number of current employees	754	733	740	733
	Salaries and wages	67 028	59 916	66 060	59 916
	Social security	212	196	209	196
	Pension costs	5 995	5 661	5 897	5 661
	Medical aid contributions	5 850	5 403	5 829	5 403
	Post-retirement benefits	1 866	1 573	1 866	1 573
		80 951	72 749	79 861	72 749

27 RELATED PARTY TRANSACTIONS

The company is wholly-owned by Namibia Post and Telecom Holdings Limited (incorporated in the Republic of Namibia). Telecom Namibia Limited and Mobile Telecommunications Limited are fellow subsidiaries of the company. SmartSwitch (Pty) Limited is the joint venture between Namibia Post Limited and Net 1 UEPS Technologies Inc.

		The Group 2006 N$'000	The Group 2005 N$'000	The Company 2006 N$'000	The Company 2005 N$'000
27.1	**The following transactions were carried out with related parties:**				
	Sales of goods / services				
	Telecom Namibia Limited	3 317	2 177	3 317	2 177
	SmartSwitch (Pty) Limited	608	- -	1 215	- -
	Namibia Post and Telecom Holdings Limited	4	- -	4	- -
	Mobile Telecommunications Limited	1 427	- -	1 427	- -
	Purchases of goods / services				
	Namibia Post and Telecom Holdings Limited	12 503	13 058	12 503	13 058
	Mobile Telecommunications Limited	56 943	28 739	56 943	28 739
	Telecom Namibia Limited	35 452	25 108	35 452	25 108
	SmartSwitch (Pty) Limited	7 361	- -	14 721	- -

		The Group		The Company	
		2006	**2005**	**2006**	**2005**
		N$'000	N$'000	N$'000	N$'000
27.2	Outstanding balances arising from the purchases and sales of goods Receivable from related parties:				
	SmartSwitch (Pty) Limited	26	- -	52	- -
	Mobile Telecommunications Limited	1 522	- -	1 522	- -
	Telecom Namibia Limited	479	- -	479	- -
	Namibia Post and Telecom Holdings Limited	2 027	2	8	2
27.3	Outstanding balances arising from the purchases and sales of goods Payable to related parties:				
	Mobile Telecommunications Limited	5 273	2 951	5 273	2 951
	Telecom Namibia Limited	6 479	5 024	6 479	5 024
	SmartSwitch (Pty) Limited	1 068	- -	2 135	- -
27.4	Directors' remuneration				
	Directors' remuneration is disclosed in note 20.				
27.5	Key Management Compensation				
	Salaries and other short-term employee benefits	10 659	7 403	10 659	7 403
	Post-employment benefits	4	-	4	- -
	Other long-term benefits	1 738	1 282	1 738	1 282
		12 401	8 685	12 401	8 685

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 September 2006 (continued)

	The Group		The Company	
	2006	2005	2006	2005
	N$'000	N$'000	N$'000	N$'000
28 CONTINGENT LIABILITIES				
The company is a defendant in various legal actions. In the opinion of the directors, after taking appropriate legal advice, the outcome of such actions might give rise to losses amounting to the total amounts claimed plus legal costs not exceeding N$235,000 (2005: N$212,663).				
29 OPERATING LEASE COMMITMENTS				
The future aggregate minimum lease payments under non-cancellable operating leases are as follows:				
Up to one year	1 800	3 659	1 523	3 659
1 to 5 years	826	1 323	826	1 323
Longer than 5 years	- -	31	- -	31
Total future minimum operating lease payments	2 626	5 013	2 349	5 013
29 OTHER COMMITMENTS				
29.1 Capital commitments				
Commitments in respect of contracts placed amounts to N$3,111,000 (2005: N$958,395). Capital commitment approved by the Board of Directors, but not yet ordered amounts to N$ 13,190,975 (2005: N$ 4,623,334). It is intended to finance capital expenditure from working capital generated within the company and loans.				
29.2 Guarantees				
The company has issued the following guarantees				
Telecom	3 350	3 350	3 350	3 350
Ministry of Finance	20	20	20	20

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 September 2006 (continued)

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

30 PENSION FUND

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

The Napotel Pension Fund converted from a defined benefit plan to a defined contribution plan with effect 1 October 1997. An actuarial valuation was carried out at 16 August 2004 for the year ended 30 September 2003, which indicated that the fund was in a sound financial position.

31 POST-RETIREMENT BENEFITS

The company provides post retirement benefits by way of a medical aid scheme.

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

	The Group 2006 N$'000	The Group 2005 N$'000	The Company 2006 N$'000	The Company 2005 N$'000
Reconciliation of liability recognised on the balance sheet				
Present value of unfunded liability	14,280	12,414	14 280	12 414
A reconciliation showing the movements during the year in the net liability recognised in the balance sheet:				
Opening balance	12 414	10 841	12 414	10 841
Current Service Cost	1 068	687	1 068	687
Interest cost	1 073	1 126	1 073	1 126
Benefit payments	(275)	(240)	(275)	(240)
Net liability in the balance sheet	14 280	12 414	14 280	12 414
The amounts recognised in the income statement are as follows:				
Current Service Cost	1 068	687	1 068	687
Interest cost	1 073	1 126	1 073	1 126
Miscellaneous items	(275)	(240)	(275)	(240)
Total	1 866	1 573	1 866	1 573
Principal actuarial assumptions at the balance sheet date:				
Health care cost inflation	6.5%	6.5%	6.5%	6.5%
Discount rate	8.5%	8.5%	8.5%	8.5%
CPI Inflation	4.5%	4.5%	4.5%	4.5%
Normal retirement age	60	60	60	60
Expected average retirement age	59	59	59	59

ADMINISTRATION

Namibia Post Limited
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Windhoek
Namibia

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