INTEGRATED ANNUAL REPORT 2019

nampost®

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The Namibia Post Ltd (NamPost) Group (the Group) comprises NamPost Ltd (NamPost or the company) (which includes Postal Services, Courier Services and Financial Services business units), its 100%-owned subsidiary, NamPost Financial Brokers (Pty) Ltd (PostFin), and its 50% share in SmartSwitch Namibia (Pty) Ltd (SSN), which is a joint venture with Net1. Namibia Post and Telecom Holdings Ltd (NPTH) is our sole shareholder. NamPost, PostFin and SSN are consolidated in the Group annual financial statements as required by International Financial Reporting Standards.

We are proud to present the 2019 integrated annual report for the NamPost Group. This report covers the financial year from 1 October 2018 to 30 September 2019 (the year).

Signed on behalf of the Board

Evangelina N Hamunyela | **Festus F Hangula**

WE **DELIVER** MORE

As Namibia's national postal operator, NamPost endeavours to enhance the quality of life for all Namibians through its affordable postal, financial and courier services.

We strive to enhance stakeholder value through financial and social inclusion.

VISION

To always be the best at what we do!

MISSION

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

VALUES

Integrity
Accountability
Caring
Teamwork

(I-ACT)

PURPOSE

NamPost's purpose is to

"conduct postal services and supplementary services"

with supplementary services defined as

"the control and management of the Savings Bank" and "the rendering of a money transfer service".

Posts and Telecommunications Companies Establishment Act, (Act 17 of 1992)

"The company shall exercise its powers with a view to enhancing corporate profit and shareholder gain, taking into account the enhancement of corporate profit and shareholder gain by the company in the promotion of an economically prosperous and efficient postal system conducted on sound business principles."

NamPost's Memorandum of Association, section 6

ABOUT THIS REPORT

AUDIENCE AND PURPOSE

The report is our primary report to NamPost's shareholder and it contains information relevant to our other stakeholders. This report outlines the Group's financial and non-financial performance and it aims to help the reader understand our strategy, business model, governance, stakeholder engagement, material matters and risk management.

SCOPE AND BOUNDARY

The report covers the period 1 October 2018 to 30 September 2019. This report encompasses the activities of the Group.

FRAMEWORKS AND ASSURANCE

Our integrated reporting is guided by various codes and standards. These include:

- The International Integrated Reporting Council's Integrated Reporting Framework
- Companies Act (Act 28 of 2004) (Companies Act)
- Corporate Governance Code for Namibia (NamCode)
- NamPost Enterprise Risk Management (ERM) Framework
- King III Report on Corporate Governance for South Africa, 2009 (King III)
- King Report on Corporate Governance™ for South Africa, 2016 (King IV)[1]

The annual financial statements were audited by PricewaterhouseCoopers, who expressed an unqualified audit opinion. No external assurance was sought on the non-financial information.

MATERIALITY

This report contains feedback on the topics NamPost deems to be most material to our stakeholders and our ability to create value in the short, medium and long term. These topics are informed by our operating context, our stakeholders' key concerns and the risks and opportunities the Group faces.

FORWARD LOOKING STATEMENTS

The report comprises statements that relate to the possible future performance and financial position of the Group. These statements are not guarantees of future operating, financial or other results and involve certain risks, uncertainties and assumptions. The Group's external auditors have not reviewed these forward looking statements.

APPROVAL OF THE INTEGRATED ANNUAL REPORT

The NamPost Board confirms that the 2019 report addresses all material aspects of the company, and fairly represents the Group's performance.

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GOVERNMENT OF THE REPUBLIC OF NAMIBIA

100% owned
Namibia Post and Telecom Holdings LTD

100% owned

nampost®

NAMPOST FINANCIAL BROKERS (PTY) LTD

100% owned

50% owned

OUR VALUE CREATING SERVICES

> "NamPost is a community-focused commercial entity addressing mail needs of all Namibians, providing express parcel services, and making basic financial services accessible in remote areas and to the underserved."
>
> **Festus F Hangula**
> NamPost Chief Executive Officer (CEO)

NamPost primarily provides traditional postal services, but we are progressively modernising by becoming more digital in our postal, financial and courier offerings. Our post offices are the retail channel for all NamPost postal, financial, courier and third-party agency services.

The NamPost brand is well known throughout Namibia. We are trusted as a reliable and safe partner who delivers on our promises.

In most countries the provision of postal services, especially the Universal Service Obligation (USO) component, is funded from government budget. However, since incorporation in 1992 NamPost has fulfilled that obligation from funds generated by its own operations. In Namibia USO is not well defined, as NamPost is self-regulating within the confines of the Universal Postal Union. It is expected that, following the introduction of postal regulations by the Communications Regulatory Authority of Namibia (CRAN) and once NamPost is formally licensed as a postal operator, USO will be better defined and external funding for it may be considered.

WHAT WE DO

ENHANCING QUALITY OF LIFE

NamPost's primary objective is to create shareholder and stakeholder value and social return. We create value for communities by providing and ensuring the availability and affordability of postal, financial and courier services.

Providing postal services to all Namibians

Contribution to revenue	Contribution to profit
23%	**7%**
(2018: 26%[1])	(2018: 19%)

POSTAL SERVICES

Communication through the post office is a basic human right according to the 1948 United Nations Charter. NamPost's extensive network provides quality local and international postal services to all Namibians at uniform postage rates irrespective of their location or income.

Saving, money transfer services and insurance

Contribution to revenue	Contribution to profit
62%	**78%**
(2018: 59%[1])	(2018: 69%)

FINANCIAL SERVICES

NamPost is legally mandated to manage the Savings Bank and to transfer money locally and internationally. This provision uses the post office's reach, which includes the world-wide postal network. Our network reaches remote areas and assists in communities' financial and social inclusion.

Through our subsidiary, PostFin, we provide access to affordable micro-loans. SSN enables payment services on our SmartCard; we are transitioning to a new payment system to improve our service offering.

Courier solutions serving our core purpose

Contribution to revenue	Contribution to profit
15%	**15%**
(2018: 15%[1])	(2018: 12%)

COURIER SERVICES

Mail handling is a logistics function (transporting, sorting, and distributing mail to post offices and mailboxes). Adding Courier Services maximises value in the business and makes its core function more efficient.

[1] *Restated.*

OUR BUSINESS MODEL

ACTIVITIES

To conduct postal services and supplementary services.

We deliver our services and achieve our inclusion objectives through our trusted brand name, positioning and expertise in the following activities:

MAIL AND LOGISTICS

We transport, sort, and distribute mail to post offices and mailboxes. We offer logistics and supply chain solutions to our customers in Namibia and throughout the world.

FINANCIAL SERVICES

NamPost is legally mandated to manage the Savings Bank and to transfer money locally and internationally. We manage savings and investment deposits, and provide insurance and micro-financing products and payment switching services.

RETAIL CHANNEL

Our post office infrastructure is our core strategic advantage. These post offices are the retail channel for all our services. Retail activities include customer service, distributing and selling all NamPost products and services, as well as stock, cash and inventory management. Each post office services multiple customer needs having regard to community it is located in.

SUPPORT UNITS

Our support units enable us to efficiently deliver products and services.

- Human Resources (HR)
- Information and Communications Technology (ICT)
- Corporate Marketing, Communication and Business Development
- Enterprise Risk Management (ERM)
- Internal Audit and Forensic Services
- Legal, Compliance, and Governance
- Finance

Near the end of the year, we completed the project to restructure our operating model to align it to our strategic objectives. Refer to page 51 for more detail.

The Group values customer centricity and aims to enhance efficiencies. We are committed to delivering affordable products and services that increase accessibility to services.

INPUTS

FINANCIAL CAPITAL

- Deposits that fund NamPost's production and services provision
- Own capital and proceeds from product and service sales

OPERATIONAL ENABLERS

This includes our manufactured capital – which consists of our network of post offices that reach communities throughout Namibia

- 137 post offices
- Buildings leased from NPTH and other landlords

N$5.83 billion	**10%**	**4%**	**N$14 million**	**48%**
deposits (2018: N$4.91 billion) (19% increase)	expense growth (2018: -1%)	return on equity (ROE) (2018: 20%)	profit before tax (PBT) (2018: N$55 million)	operating expenses to income ratio (2018: 45%[1])
19%	**5%**	**270%**	**(66%)**	**85 million**
asset growth (2018: 19%)	revenue growth (2018: 7%)	return on investment (ROI) before tax (2018: 1.075%)	profit after tax (PAT) growth (2018: 76%)	mail items handled (2018: 102 million)

[1] *Restated.*

[2] *Includes fixed-term (contract) workers.*

OUTPUTS

The provision of postal services is the key reason for NamPost's existence; all other services are supplementary.

Postal Services

- **Mail:** We offer a global service and solutions for all mail requirements
- **Third-party agency services:** Customers can purchase and pay for various products and services at all post offices country-wide
- **Philately:** We offer a range of postage stamps

Financial Services

- **Banking:** We offer a SmartCard savings account and a wide range of investment products such as fixed-term deposits, call accounts, notice accounts and save-as-you-earn accounts
- **Insurance:** Affordable funeral cover is available for our SmartCard holders
- **Micro-lending:** Unsecured personal loans are available to pensioners and to customers who are employed by companies who have a payroll deduction agreement with PostFin. Permanently employed customers with SmartCards are also eligible for loans
- **Payment switch:** Our technology platform enables us to use SmartCards

Courier Services

- **Courier:** We offer logistics and supply chain solutions to our customers
- **Mail delivery:** We complement Postal Services by delivering mail to post offices

OUR PEOPLE

The dedication and skills of our employees are critical for delivering our services and we are invested in their development

- 826 employees[2]

SOCIAL AND RELATIONSHIP CAPITAL

Our commitment to enhancing all Namibians' quality of life

- Connecting communities through our activities
- Engagements with stakeholders

OUTCOMES

79%
post office boxes (PO boxes) rented out (2018: 82%)

137
post offices (2018: 137)

N$254 million
spent on employment (2018: N$240 million)

Our commitment to enhancing all Namibians' quality of life: **49,219** cash social grant recipients served monthly (2018: 55,043) (decrease due to migration to SmartCards)

67,901
VISA SmartCards rolled out

N$149 million
mail revenue (2018: N$160 million[1])

21,731
new insurance policies (2018: 24,031)

N$3.9 million
training expenses (2018: N$3.3 million)

N$62.8 million
tax paid (2018: N$57.9 million)

THE **SOCIAL VALUE** WE DELIVER

NamPost aims to enhance shareholder value through two components – financial return and social return. Social return improves quality of life through financial and social inclusion.

SOCIAL INCLUSION

NamPost helps Namibians access essential services in a convenient space.

NamPost's **post office footprint** provides a key point of contact in many communities across all regions of Namibia, covering remote towns, villages and settlements. These post offices provide access to essential social and financial services.

Namibia covers **824,269 km²** and hosts a population of **2,324,388** (2016 estimate).

137 **post offices** across Namibia's vast geography

52 of our post offices are the **only access point for financial services** in their communities

Our post offices provide a **one-stop shop** for third-party agency services such as airtime purchase, social grant payouts or utility bill payments

Post offices in remote locations **create jobs** that would not otherwise exist

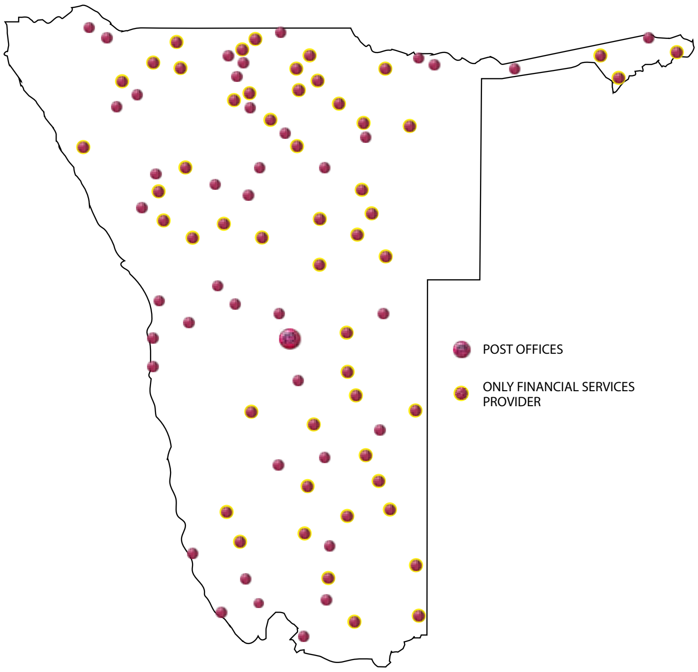
826 NamPost **employs 826** people

71 vehicles including vans, cars, line-haul trucks and trailers for domestic parcel deliveries

Our **letter service** is accessible and reliable, at a uniform price, to all Namibians

84.7 million mail items handled annually

16,966 Namibians served per post office on average



Helping other businesses extend their reach – NamPost, in view of its nation-wide infrastructure, provides third-party **agency services** to businesses that require a national reach but are unable to build one. This allows NamPost to operate a retail business for other businesses and provides customers with better services, such as the ability to pay their utility bills and telephone bills, as well as purchase airtime, cell phones, mosquito nets, etc.

We remain committed to maintaining our standing as a leader in ethical behaviour and social responsibility.

FINANCIAL INCLUSION

In 2006 NamPost converted the savings books into SmartCards – the first Namibian institution to have a successful biometric card with a chip.

NamPost's **SmartCard** provides 307,648 Namibians with access to **secure savings facilities**, enabling them to be included in the financial system.

The new VISA SmartCard, released in 2019, is **interoperable** – meaning that it is usable at any Namibian automated teller machine (ATM) or point-of-sale (POS) device. Card holders are now able to **transact** on the card and send money to other people in remote areas via the post office. This **reduces cash risk** and provides increased financial access.

By being exclusively domestic, the VISA SmartCard remains **affordable**.

The SmartCard allows users to use their **fingerprints** as biometric pins. This **protects** them from fraud and theft.

62,252 Namibians were onboarded to the new VISA SmartCard in 2019 (refer to pages 22, 36 and 43).

Pensioners served

136,109 social grant recipients served monthly

We enhance the lives of pensioners through reduced travel distances and simplifying the process to receiving funds due to them.

84,584 individuals, primarily at the low end of the market, have **insurance** via NamPost – a great step in financial inclusion.

N$359 million in **micro-loans** empower customers who would otherwise not qualify for formal loans, as well as small businesses, particularly those run by women.

Contribution to employment

N$254 million in salaries and benefits

Contribution to skills development

We spent **N$3.9 million** on training.

Our contribution to skills development increases the skill base of the country.

Value for Government

NamPost is closely connected to Government. Our Board is selected by NPTH which is 100% Government owned.

We paid **N$63 million** in taxes during the year (2018: N$58 million).

Corporate social investment

We have a small corporate social responsibility budget, considering that we make N$19 million in losses through non-profitable post offices dedicated to social and financial inclusion.

98 of our **137** post offices are profitable, and the remainder are sustained by cash flow from the profitable ones.

VALUE DRIVERS

STRATEGY

During the year, NamPost continued with its strategic objectives as listed below. We restructured our business model to align it more closely with our strategy. This included beginning arrangements to create a Strategic Project Management Office (PMO) to prioritise and manage projects; implementing change management training; and assigning new titles to Executive Management (refer to pages 28 to 29, and 51 to 52). NamPost mapped its processes to understand and mitigate risks, improve efficiencies and enforce behaviour that aligns to our values and strategy. The next step is to optimise those processes throughout the organisation.

Our forward looking strategic initiatives recognise that our operating environment is unlikely to materially improve in the short term. We will implement the new structure and operationalise our Strategic PMO to address the matter.

Strategic objective	Route to deliver strategy	Progress during 2019	Future focus
Enhance shareholder value	○ Increase net profit ○ Increase social return	Group profit decreased and NamPost made a loss. The prolonged recession led to significant underperformance in Postal Services and Courier Services.	○ Gradually shift mail to digital ○ Maximise value from the Courier software with possibility to expand to other service offerings ○ Continue enhancing Financial Services
Journey towards customer centricity	○ Increase net profit ○ Increase social return	We initiated a project to address the key elements of customer experience.	○ Execute Customer Experience Plan
Achieve operational effectiveness (get the basics right)	○ Enhance all business processes ○ Enforce policies and discipline ○ Ensure fit-for-purpose ICT ○ Improve management information	We have mapped our business processes (refer to page 24). This has allowed us to enforce discipline and mitigate out-of-line activities.	○ Continue focusing on strategic objective
Measure and manage business risks	○ Introduce and implement ERM Framework	We introduced the ERM Framework, and we are executing a work plan for implementing key items.	○ Execution of planned activities are approved by the Board
Enhance human capital and culture effectiveness	○ Recruit, develop and retain skilled employees ○ Create and embed aspects of high-performance culture	We enhanced the HR process. Performance expectations are highlighted in scorecards and enforced.	○ Implement the new structure fully ○ Continue initiatives taken and maintain achievements

OUR **BUSINESS** DRIVERS

The following is an overview of the key themes in our operating context, our top risks and opportunities and matters that materially influence NamPost's ability to deliver value. The drivers collaboratively influence NamPost's reputation – a key driver in its own right. Our brand is based on trust and should be continuously protected and improved through excellent products, service and social return.

Delivering financial value for our shareholders and social value for the people of Namibia

Reputation

CUSTOMER EXPERIENCE

Customer experience is critical to NamPost's reputation. To remain sustainable, we must provide customers with excellent products, services and support at convenient branches.

Certain factors that impact our customers' experience are beyond our control. For example, delays at the South African Post Office have a knock-on effect on our business and our customers, and technological difficulties in parts of our value chain that we do not manage reflect badly on the Group.

We recognise the opportunity in engaging with customers to better serve them and improve our brand. Our strategic objective of customer centricity directs our response to customer experience and is executed within the limits of a constrained budget.

We created a Customer Experience Plan to enhance customer centricity. Refer to page 23 for more detail.

Risk: Strategic

Functional, reliable online platforms

Drivers of innovation

Customer-facing call centres

TECHNOLOGY

NamPost's competitiveness depends on its ability to respond to market trends with products and services that add value for customers. Technology redefines the communication and logistics arena and the payment systems for financial services.

We drive a culture of innovation that considers employees' individual efficiency measures and how these can be applied throughout the organisation. Our systems need to be stable and able to interact well with external platforms. New products and regulations require more intensive technological support and back-end testing.

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Risks: Strategic, operational, fraud, technology

OUR PEOPLE

NamPost's people are critical to its strategy. They drive our daily business and innovations. It is critical that they are skilled and remain motivated.

NamPost has a disadvantage in sourcing skills, as Government mandates salary caps for our employees. We compensate them by rewarding excellent performance through performance bonuses and by providing excellent benefits and training opportunities.

Page 14

Risk: Operational

Increasing competition from market saturation and shrinkage

BALANCING PROFITABILITY AND SOCIAL RETURN

NamPost's post offices supply postal, financial, courier and third-party agency services throughout Namibia. We consider these services social imperatives that are necessary even at the expense of profitability. As we are not government funded, we leverage our highly profitable Financial Services business unit to maintain cash flows.

These post offices have fixed costs in machinery, HR, and leasing contracts, which persist despite a weakening economy and lower customer spending. However, through them we deliver social returns that connect all Namibians to each other and the world.

Risks: Strategic, operational, credit

COMPETITION

Commercial banks' traditional target markets are becoming saturated, causing them to target NamPost's customer base.

More competition is entering the financial inclusion space, including informal competitors.

Risk: Strategic

Less government spending
Less savings
Greater social need

Licensing conditions

ECONOMY

The Namibian dollar and gross domestic product (GDP) have progressively weakened in consecutive recessions which are expected to continue into 2020, potentially leading to more business closures, job losses, and decreasing customer buying power. These factors were exacerbated by the country's sub-investment grade status, as rated in 2017 by Fitch Ratings and Moody's Investor Services.

Consequently, Government and corporate customers are cutting costs, and NamPost's revenue and margins are under pressure, while its fixed costs remain high.

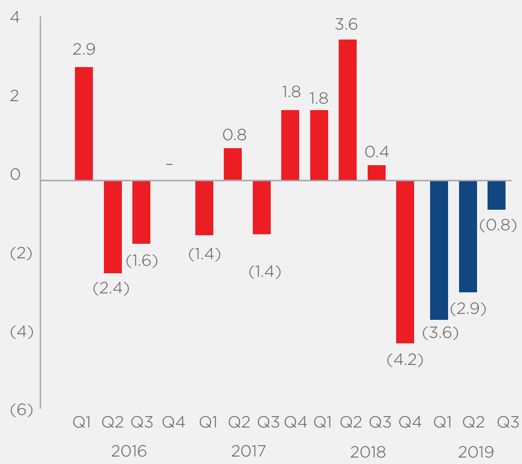
Market volatility in countries where Financial Services invests impacts interest earned income.

We depend on innovations and functional processes to remain sustainable.

Page 20

Risks: Strategic, operational, credit

GDP % growth per quarter



REGULATION

Historically, NamPost has been the de facto postal operator in Namibia. However, under the recently published postal services chapter of the Namibian Communications Act (Act 8 of 2009), NamPost needs to apply to be the licensed designated postal provider. This licence will expand the requirements to which NamPost must adhere. These include gathering statistics, which NamPost sees as an opportunity to improve its functions.

PSD 6 Licence

NamPost is not a commercial bank. Therefore it cannot legally, according to market rules, provide certain banking services. We are progressively acquiring licences that allow us to expand our offering. During the year, Bank of Namibia extended a Payment Systems Directive 6 (PSD 6) licence to NamPost (payment licence). This interoperable licence allows NamPost to participate in the Namibian national payment industry and maintain products such as the VISA SmartCard (refer to page 9).

The licence has conditions for transparency of information and security. NamPost dedicates significant resources to these requirements across all business and support units.

NamPost aims to acquire a PSD 7 licence, which will allow it to provide internet banking products such as electronic funds transfers and e-wallet services.

New legislation obligates state-owned entities (SOEs) to procure services from other SOEs, which presents us an opportunity to gain more business.

New laws oblige Namibian companies to invest a higher portion of their liquidity in domestic assets. Consequently, competition to find high-quality Namibian assets has increased. Our concentration risk increases as we make more investments with Government, being the largest issuer of bonds.

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Risks: Strategic, measure and manage business

HOW WE RESPOND

Our strategy

Refer to our CEO's review and our strategy section on page 22 and 11 respectively for more detail.

OUR **PEOPLE**

Sonia Bergh
Executive Human Resources

Our people are key to the success of our business, and in turn we are committed to providing them with a beneficial employee value proposition and positive work environment.

OUR HR DEPARTMENT'S ROLE

The HR Department handles the strategic planning, advice, management, budgeting and cost management for HR. It oversees compensation and HR administration and takes care of specialised HR services and organisational development management. It manages training, development, industrial, union and labour relations, wellness, health and safety, as well as corporate and departmental HR risk and compliance.

During the year, the HR Department established service level agreements with NamPost business units as customers to standardise its offerings and measure its performance. We focused on continuously applying robust cost management and maintaining stable employee relations. We concluded the project to map all HR and related processes and develop standard operating procedures. We assess our culture through surveys and promote our values through various initiatives and activities. There were no surveys during this year because we are addressing matters raised during previous surveys. Each department has an action plan in place for this.

Future focus

- Improve HR service delivery
- Develop an online learning facility
- Focus on delivering the HR strategy and balanced scorecard key performance indicators

Our ongoing focus areas are to:

- Implement the approved Level 1 and 2 Vocational Certificate in Postal Services training
- Capacitate the NamPost workforce towards its strategy
- Implement enhanced performance management systems which drive a high-performance culture
- Improve risk management
- Ensure fit-for-purpose company-wide organisational structures
- Increase awareness of NamPost's values (I-ACT)

OUR PEOPLE DRIVE OUR BUSINESS

To operate effectively, our business units require a fit-for-purpose workforce geared for NamPost's future needs and in accordance with corporate governance, and Broad-Based Black Economic Empowerment requirements. We recruit and train employees to ensure the necessary skills and competencies are in place to execute on our strategy. We ensure stable labour relations, and, where necessary, we satisfy our short-term needs with fixed-term (contract) workers.

Skilled employees	Training to support the strategy	
Stable labour force	Black Economic Empowerment	Future skills

87.80%
previously disadvantaged employees

95.62%
retention rate (2018: 93.39%)

0.40%
absenteeism (2018: 0.56%)

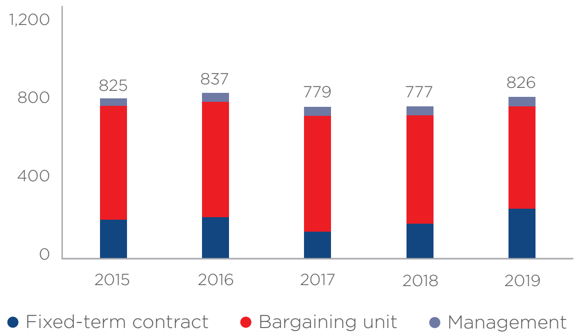
55%
female employees

3
employees with disabilities

12.17 years
average length of service (2018: 11.82)

30
union representatives (2018: 28)

Total employee complement at year-end



TRAINING

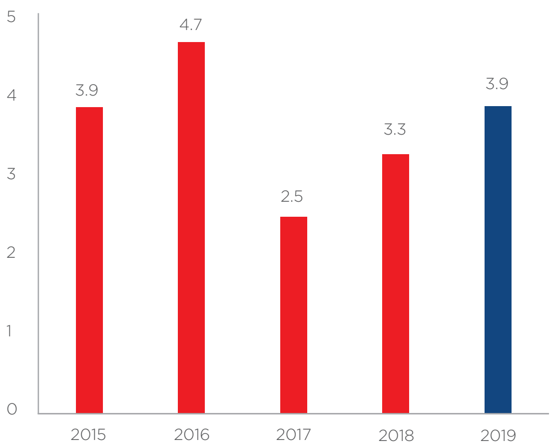
NamPost decides on training based on NamPost's specific business needs and requirements, the company strategy, legal and legislative requirements, general workplace requirements, and, more broadly, Namibia's requirements.

Considering budget constraints, NamPost hosted fewer but more intensive training activities during the year aimed at:

- Financial services and the related legal requirements such as anti-money laundering
- Training to migrate customers to the new SmartCard
- Change management to transition to our new structure
- Financial services training to support our new SmartCard offering and the related legal training requirements

157	156	87%
employees trained in sales skills	employees received training in service skills	pass rate in anti-money laundering training

Training spend (N$ million)



Programme[1]	Number of people trained
Anti-money laundering[2]	627
Sales	80
Customer service	81
Product knowledge	
Mail/NamPost Savings Bank postal administration	16
SmartLife	557
System training	
WebRiposte Essential	14
System application and product data	38
Front-end/migration	557
Change management training	38

Due to our high level of compliance with the regulatory requirements of the Namibia Training Authority, NamPost earns back 50% of the training levy that is deducted from its salary bill. This amounted to just under N$1.5 million for 2019, thus positively contributing back to our budget.

Postal services training

NamPost developed postal services training with courses on all NamPost activities, including finance and courier. The training modules are now recognised and registered as Namibian standards. The training school is a registered training provider with certified trainers. This training works on social inclusion for the general population.

EMPLOYING CONTRACT WORKERS FOR THE MIGRATION

The Migration Project (refer to pages 22, 36 and 43) required NamPost to hire temporary workers. Of NamPost's 254 contract workers, 58 were hired for this purpose.

CHANGE MANAGEMENT

NamPost has reworked our management structure and is undergoing significant changes. We recognised the need to proactively minimise productivity losses, uncertainty and misunderstanding, and to instil excitement among employees. Change management training aims to equip employees from each branch or department with the functional and inter-personal skills to effect behavioural and performance changes in their areas in line with NamPost's strategic goals.

HEALTH AND SAFETY

NamPost considers occupational health and safety (OHS) a prerequisite for company-wide prosperity and welfare. We:

- Place a high premium on employees' wellbeing
- Acknowledge that the costs involved in accidents, incidents, health risks and health exposures affect the wellbeing of employees, profitability and growth of NamPost and create a negative image which impacts clients and stakeholders
- Are committed to create and maintain a healthy, safe, secure and comfortable working environment

The CEO is ultimately accountable for OHS and has delegated some relevant functions to management.

[1] *The programmes reported ran from 2017 to 2019.*
[2] *Anti-money laundering training was a requirement for the payment licence.*

The HR Department monitors and advises on the implementation of the OHS Management Programme.

NamPost appointed a permanent health and safety officer, and each business unit has nominated, appointed and trained dedicated safety representatives, first aiders and fire marshals from the employees. They assist with routine health and safety inspections and provide regular feedback to management for review and management action.

NamPost signed a five-year memorandum of understanding (MoU) on road safety with the Motor Vehicle Accident Fund of Namibia. The MoU establishes general terms to promote and inculcate a road safety culture among employees and promote self-regulating safety guidelines through jointly identified and mutually agreed road safety interventions and public education programmes as per the Namibian Chapter of the Decade of Action for Road Safety 2011 to 2020.

Road accidents (number)	2017	2018	2019
Vehicles involved	37	17	9
Number of operators	37	17	9
Fatal/serious accidents	2	4	2

For more information on our vehicle safety, refer to page 47.

58 post offices and 13 business units were visited for health and safety inspections during the year. Agent-managed post offices are not subject to such scrutiny as they are not regarded as employees and their premises are not owned by NamPost.

THE VALUE WE PROVIDE TO OUR PEOPLE

Skilled and motivated employees are essential to our competitiveness, performance, operations, and strategy. Continuous development, empowerment and care contribute to a productive and healthy workforce. We view stable labour relations as key to an environment that fosters optimal performance, diligence, integrity and teamwork.

While NamPost's Rewards Policy does not specifically mention long-term value creation, rewards are based on achieving the annual goals as directly linked to NamPost's long-term strategy.

N$25 million in housing benefits

27.24% of employees have been with NamPost for over 10 years, and

Management Principles NQF **Level 5** for **32** participants

21.96% for more than 20 years

Interest-free study loans for 18 people to the value of **N$201,203**

Accredited qualifications for 22 people at a cost of **N$224,819**

National Vocational Certificate in Postal Service NQF **Level 1** for **9** beneficiaries

Further education opportunities benefiting 21 people at a cost of **N$215,758**

NamPost has **never** had a **strike**

Benefits

Permanent employees receive medical aid, pension and continuous engagement and support.

Learning and development

NamPost provides study loans and development programmes that support the company strategy, and we provide skills training that employees can use beyond NamPost.

Compensation

Employees' compensation is based on comparative analysis against the market.

Culture

NamPost engages with employees to see how to best instil its values. We address employee concerns and feedback.

Job security

NamPost has never retrenched employees thanks to stringent HR cost management. Wherever possible, we redeploy existing employees rather than engaging new hires.

STAKEHOLDER ENGAGEMENT

NamPost follows a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the Group over time.

Considering NamPost's reach and portfolio of products and services, every Namibian will likely be a customer at a point in time. Below are NamPost's key stakeholders and their expectations. We generally connect through one-on-one engagements, customer engagements in our post offices, social media, road shows, meetings, forums and newsletters.

How we create value		Expectations and concerns	Responses
Customers	NamPost services corporate, retail and branch customers. We provide affordable products and services for all Namibians. Our ultimate goal is to enhance the quality of life of all Namibian citizens.	○ Ease of access and affordability of products and services ○ Interoperability of the SmartCard ○ Good and consistent service delivery	○ Affordable, interoperable VISA SmartCard ○ Research and development of new products and services ○ Relevant product offering ○ Interactive website
Shareholder	NPTH is our sole shareholder, to whom we are accountable for strong, sustainable financial performance and long-term shareholder value.	○ Financial return ○ Equity and reserves	○ Research and development and new products and services ○ Profitable operations in Financial Services ○ Cost management initiatives
Government	NamPost is an upstanding corporate citizen that supports Government and promotes social inclusion. Government is a regulator and customer that depends on our products and services.	○ Financial inclusion ○ Supporting the fifth National Development Plan ○ Supporting the Namibia Vision 2030 ○ Compliance with the Affirmative Action (Employment) Act, 1998 (Act 29 of 1998)	○ Financially inclusive post offices in operation, even when not profitable ○ Key personnel engage with Government ○ Engaging parliamentary committees, ministers and industries
Employees	Our employees are the backbone of the Group. We provide employment and development opportunities.	○ Wellness and quality of life ○ Stable labour relations ○ Housing ○ Remuneration and benefits ○ Job security	○ Benchmarking remuneration against the industry ○ Housing benefits ○ Training opportunities ○ Zero retrenchments ○ Stringent headcount management

How we create value		Expectations and concerns	Responses
Regulators/ legislators	We comply with regulations and legislation which uphold the rule of law in Namibia.	Compliance with regulation and legislation ○ CRAN ○ Bank of Namibia	○ Increasing awareness and adjusting to comply with impending regulation and legislation
Suppliers and communities	We contribute towards improved quality of life through our financial and social inclusion products. Our continued success benefits the suppliers in our supply chain.	○ Improved quality of life through contribution to revenue ○ Social grant payments and assistance with difficulties on pension payout day ○ Having a NamPost point of presence in a specific region	○ Provision of facilities (such as seating, toilets and shade) to social grant recipients on payout days
Subsidiary and joint venture	Through our subsidiary PostFin we provide access to affordable financial services. We provide SmartCard services through our joint venture, SSN while we migrate to the new payment system.	○ PostFin: Assistance in accessing affordable funding ○ SSN: Interoperability with the National Payment System and discontinuation of joint venture by insourcing the card switch	○ Processes in progress to secure a N$325 million loan from Kreditanstalt für Wiederaufbau (KfW) and from Agence Française de Développement (AFD) to finance PostFin loans ○ The new interoperable VISA-branded SmartCard
Labour unions	Fostering a supportive relationship within the constraints of the economy. Namibia Public Worker's Union (NAPWU) represents 76% (68% 2018) of our employees.	○ A living wage and good living standards for employees ○ Annual wage negotiations ○ Good benefits	○ Zero retrenchments or salary cuts to support employees in current economy ○ Stringent headcount management ○ Extensive training to shop stewards in dispute resolution and conflict management, as well as how disciplinaries are conducted, basic economics, and policies and procedures

OUR LEADERSHIP

CHAIRPERSON'S REVIEW

Evangelina N Hamunyela
Chairperson

Namibia has been fraught with difficulties over the past few years, the economy has been suffering and many domestic turbulences are weakening investor confidence. Within this difficult environment, NamPost continued delivering financial returns. We maintained social returns by embracing financial and social inclusion for Namibians who would otherwise be left behind. Our results reflect the challenges we faced in balancing our profitability with these socially orientated needs.

We recognise the need to adapt in order to survive, and constantly explore how to improve our business. This includes reorganising our business model and consequently restructuring to enable NamPost to move towards, inter alia, digital transformation. Financial Services' increased proportion of our revenue and profits demonstrates the value in diversifying our business beyond mail, and opens a path for NamPost to sustain a better future.

The NamPost Board takes an active role in the annual strategic and budget planning initiatives and attends sessions with the Executive Committee (Exco) in preparing to approve the business plans and budgets.

NamPost delivered on a national strategic initiative of financial inclusion in time, within budget, independently.

BOARD FOCUS AREAS DURING 2019

Bank of Namibia issued a payment licence to NamPost (refer to page 13). This is a significant achievement, as preparations spanned two years and involved every part of NamPost's business. This licence enables the NamPost SmartCard to transact, in addition to the existing NamPost branches and merchants, at any commercial bank's ATM infrastructure, and SmartCard holders now have 24/7 access to their funds. The licence drastically improves NamPost's offering to customers, and opens up channels for revenue that begin to bridge the gap between NamPost and commercial banks, and thereby ensuring availability and equality of opportunities to the under and unbanked segment of the Namibian citizenry. However, it is only one step in our journey to be more successful and better execute on our mandate (refer to page 54).

Post year-end we finalised a deal with Kreditanstalt für Wiederaufbau Development Bank (KfW) to secure N$325 million. PostFin will use the funds to provide micro-loans, primarily to assist pensioners who would not otherwise qualify for loans (refer to page 45). Negotiations are also underway with Agence Française de Développement to provide funding to replace more expensive domestic loans as part of our efforts to offer more affordable products to our clients.

NamPost is looking to modernise Courier Services and implemented a new Transport Management Software (TMS) with improved functionality, transparency, and security for our customers.

The Board and Exco, with the assistance of an independent consultant evaluated our operating model against our strategy and, following Board approval, decided to restructure the business strategy to better serve our ambitions. The executive team and HR managed the project well and it is anticipated that there will be no retrenchments. They will fully operationalise the project in the coming year (refer to page 51).

ETHICS

NamPost believes that ethics is the responsibility of every employee. Our code of conduct is a set of rules that are considered binding on all employees working for NamPost and our corporate values of I-ACT are entrenched within the code of conduct. We firmly believe that ethical behaviour and corporate social responsibility can bring significant benefits to the business and we strive to reinforce these concepts in the way we execute our daily operations.

We have an anonymous, externally hosted whistle blower hotline that can be utilised by employees, customers or the public to report any concerns.

GOOD GOVERNANCE, BOARD COMPOSITION AND DIVERSITY

Good corporate governance is essential. The Board is committed to high standards of corporate governance aligned with the company's needs and the interests of our stakeholders. We adhere to the pillars of integrity, responsibility and accountability to all our stakeholders. We aim to deliver an ethical culture, good performance, effective control and legitimacy.

We appreciate our role as the Board in the company's efficiency and in the Board's independence in managing the Group's risks. To this end, the Board comprises a mix of directors in terms of diversity, skills and relevant experience, and our committees operate efficiently (refer to page 54).

The Board performed well throughout the year. The Board is satisfied that the Group meets the requisite standards of governance and compliance in accordance with applicable governance and regulatory requirements, and that matters for our consideration have been robustly reviewed.

SOCIAL RETURN

The value NamPost creates extends further than the products and services we offer, and creates an impact greater than financial return. It is encapsulated in our mandate and our relevance is felt by the communities we serve. NamPost's broader value is the connectivity we provide to all Namibian communities, both urban and rural, and the access we provide to financial and social services. We are a Namibian pillar, by serving the Namibian Government and people. As such, we hold ourselves to high ethical standards.

We paid over N$63 million in taxes to Government. We comply with Namibia's prevailing tax laws and will continue to do so. We are committed to remaining a corporate citizen fully compliant with legislation and regulatory practices.

DIVIDEND AND INVESTMENT

NamPost's Dividend Policy is guided by:

- Company profitability
- Availability of cash (liquidity) and envisioned cash flows in the near future including funding for key projects

In view of profit and ongoing projects, no dividend was declared to NPTH during 2019.

LOOKING AHEAD

We are yet to emerge from our prolonged period of economic challenges, and need to remain focused on strong financial management and tight governance practices as we weather this phase. Our strategy remains firm and we are focused on remaining relevant and delivering services that uplift our population.

TRANSITIONING TO A NEW BOARD

The Board's tenure ends in May 2020. We have enjoyed the privilege of leading NamPost over our term and are confident that it is positioned to be a sustainable corporate citizen that creates value for all its stakeholders.

NamPost will induct the new Board, and continue executing on its strategy under its guidance. The company will focus on implementing the new operating model. It will continue exploring digital opportunities, especially in the e-commerce and internet banking spaces.

APPRECIATION

My sincere appreciation goes out to my fellow Board members, some of whom have served consecutive terms. Your leadership has allowed NamPost to weather difficult times while continuing to deliver on its mandate. I would further like to thank every NamPost employee and every Namibian who contributed to NamPost's business. Without you, there would be no NamPost.

Hamunyela

Evangelina N Hamunyela
Chairperson

CHIEF EXECUTIVE OFFICER'S REVIEW

Festus F Hangula
Chief Executive Officer

The year has been a serious test of NamPost's capacity to balance socially orientated services with commercial needs in a prolonged recession.

Our economy makes it difficult to deliver on our aspirations. Nevertheless, NamPost took key steps toward financial inclusion as we launched our new VISA SmartCard and reorganised our business.

OUR YEAR IN REVIEW

Group revenue[1] increased by 5% to N$870 million (2018: N$830 million) driven primarily by growth in Financial Services, especially PostFin (micro-lending), which registered a 28% growth in revenue. Group PBT declined to N$14 million (2018: N$55 million) and total comprehensive income increased to N$58.7 million (2018 $16.13 million) on the back of positive mark-to-market movements in financial assets. The decline in profit is due to a N$10 million loss at company level (2018: N$29.49 million profit) primarily from underperformance in Postal Services and Courier Services. PostFin's profits increased by 35%, and SSN's profits declined by 2%; the latter was partially impacted by the migration of cards to a new system.

The weakening economy was mostly felt in Postal Services as mail volumes declined by 17%. Domestic generated mail dropped by 11% compared to a 6% increase in 2018 and international mail dropped by 28% compared to 2.5% drop in 2018. Mail revenue fell below targets, following customers' cost-cutting drives, cheaper alternatives and proliferation of digital mail. Initiatives to renew mail's profitability will take time to enact and need to consider fixed costs such as employees and machinery. We have restructured the business to contain costs and produce better results for our shareholder (refer to page 51). Government mail volumes declined by 30.6% and revenue by 26%. Consequently, Government contribution to Group revenue declined from 6% in 2018 to 5.8%[2]. Further decline is likely in 2020.

Good progress was made in Financial Services, especially micro-lending, our payment system (SSN), and insurance, where we saw a 91% increase in dividend from our joint arrangement with Hollard.

Our key highlights were receiving a payment licence from Bank of Namibia, which enabled us to roll out our VISA-branded SmartCard – delivered on time and within budget on 16 July 2019. This contributes to a strategic national imperative of financial inclusion and allows our customers to transact on the National Payments System. The ongoing roll-out entails a migration project, whereby old cards and banking records are being migrated to our new payment system. Customers are being migrated at local post offices as a collaborative effort between our Postal Services and Financial Services teams. At the end of the financial year, 62,252 customers were migrated to the new system, and 5,915 new customers received the new card.

Later in the financial year, we progressed in key Courier Services initiatives. We rebranded and expanded the EasyPack product range, which, alongside the EasyBox product, provides customers with good value for money. They assist in social inclusion by connecting rural and

[1] *Revenue for 2018 has been restated due to the change in the accounting treatment of revenue from the sale of airtime (refer to page 34).*
[2] *2018 figure was restated from 4.8% to 6% due to changes under note one above.*

urban communities. We launched the new courier system, TMS, on 2 September 2019. The system is designed to enhance Courier Services' administrative processes, provide dynamic pricing capabilities and enhanced parcel tracking capability, as well as the opportunity to sell tracking services as a third-party product. Moreover, the system elevates Courier Services to international compliance and ensures we are competitive. We will build on e-commerce and customer convenience initiatives in the system during 2020.

Recognising that our strategy needs to adapt to our changing environment, and that our operating model needs to support that strategy, we reorganised our structure. The changes that follow happened towards the end of the financial year and will be fully functional in 2020.

NamPost changed its operating model by:

- Merging Postal Services and Courier Services into Mail and Logistics
- Creating a Retail business unit under which all post offices fall, as they are the outlets for NamPost products and services

Financial Services remained unchanged.

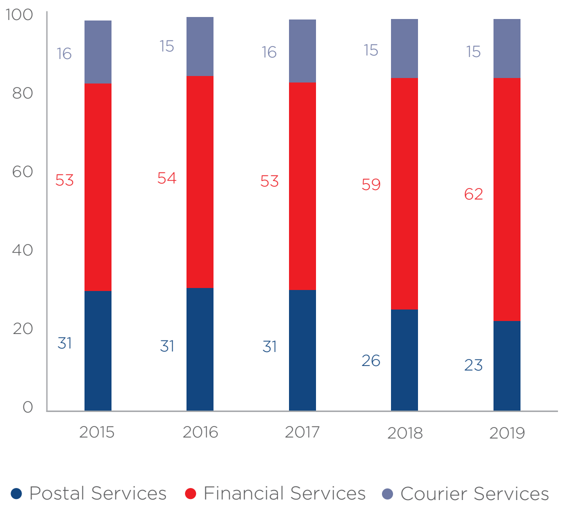
PROGRESS AGAINST OUR STRATEGY

Enhancing shareholder value

The prolonged recession significantly dampened Postal Services' and Courier Services' performance, resulting in a decrease in Group profit. PostFin's solid performance kept the Group profitable. This demonstrates the value of our diversification efforts, as we adjust to the rapid changes in the traditional mail and communication landscape. As an example, the new VISA SmartCard carries significantly more customer value and potential for NamPost's revenue.

We continue diversifying our revenue to balance our financial and social return. Postal Services' revenue contribution decreased to 23% (2018: 26%). Financial Services' revenue contribution increased to 62% (2018: 59%), and Courier Services contribution is unchanged at 15%.

Group revenue (%)



Journey to customer centricity

NamPost considers the journey to customer centricity never-ending. The company has various products and services that are aimed at parcels and mail logistics, financial inclusion, social inclusion and effectively enhancing the quality of people's lives. Products such as our SmartCard offerings and the EasyPack and EasyBox ranges are customised and tailored with customers in mind. The VISA SmartCard, in particular, was built with a set of customised specifications that kept it affordable, such as only being domestic, which cuts out international costs. Our biometric services allow customers to use these SmartCards more conveniently and safely.

We created a Customer Experience Plan to enhance customer centricity. We engaged with customers and are creating plans and sourcing funding to address the matters critical to their experience. We aim to concretise our Customer Experience Plan by, among other things, creating a 24/7 customer call centre to offer technical support after business hours.

Achieve operational effectiveness (get the basics right)

To drive efficiencies, NamPost mapped all its business units' and supporting departments' processes. This allowed us to:

- Identify risk areas, including opportunities for fraud
- Identify areas that could be consolidated or integrated
- Eliminate duplications
- Create standard operating procedures
- Understand NamPost's needs, including systems to be developed, training and skills needed and bottlenecks
- Exercise more control over the business

We also introduced regular post office inspections, to ensure good behaviour. Postal Services personnel inspected an average of 96% of post offices each month (refer to page 40). Consequently, discipline is being enforced and out-of-line activities are reducing. The next step is to optimise all processes.

We drafted service level agreements between Postal Services and our other business units to improve and standardise intra-Group offerings.

We continue focusing on our ICT Department to ensure it is fit for purpose under the supervision of our Executive Technology, and we continue improving our management information.

Measure and manage business risks

In 2018, we appointed an Executive Enterprise Risk Management and developed the ERM Framework. In 2019 we established a Risk Committee with a sharp focus on the ERM Framework. The committee reports to the Board Audit and Risk Committee (BARC) via the Exco. The Internal Audit and Risk Department has become Internal Audit and Forensic Services Department. The BARC and Departments, whose mandates and focus areas are described more fully on pages 54 and 61, improve our control over business risks.

Enhance human capital and culture effectiveness

To instil a high-performance culture, NamPost standardised employees' scorecards to ensure consistency in managing and rewarding performance.

To support our current projects, strategy and compliance, the HR Department prioritised training initiatives aimed at (i) change management to support our structural shifts, (ii) the Migration Project, and (iii) anti-money laundering training, which was legally required training for our payment licence.

We will continue focusing on our human capital during our transition to our new operating structure to ensure that employees are motivated and perform well.

OUTLOOK AND FUTURE FOCUS AREAS

Namibia is in its third year of recession, and projections expect another negative growth year in 2020. The outlook for mail is unfavourable. Government and corporate cost-cutting drives, as well as indirect competition from modern and efficient communications, pose significant threats. We do not expect that normal mailing habits will resume even if the economy improves. If the decline continues apace with 2019, Postal Services is unlikely to achieve its 2020 targets. We are looking into strategic initiatives that will reduce the stepped-up decline in mail.

Financial Services operates in a competitive environment characterised by well-funded and sizeable competitors. Individual savings will remain under pressure as wage increases slow down and surplus funds for investment dwindle. Business closures affect our core market, along with the impact of growing unemployment and retrenchments. Nonetheless, we expect modest growth in retail deposits. We expect steady growth in insurance business on the back of retail deposit growth and credit life for micro-lending. Micro-lending should slow down as, while demand is increasing, credit has been tightened and fewer customers will qualify for loans. 2020 will be a challenging year, but we expect the Financial Services business unit and PostFin to reach their targets.

The main challenge for Courier Services will be an overall decline in transported volumes, which directly impacts revenue. This is exacerbated by an increase in direct competition, price undercutting, and margin squeeze as service providers compete for declining volumes on a price basis. Formal and informal logistics service providers in particular will continue to be highly competitive. These factors increase the likelihood of industry consolidation. Our strategic initiatives address these challenges, and we expect continued growth. Levels of company defaults and, therefore, bad debt are expected to rise, which will place financial stress on the company. We believe NamPost has a competitive advantage through its footprint and country coverage as well as the strategic initiatives implemented this year. Therefore, we expect the business unit to meet its 2020 targets.

We set up a new Strategic PMO to coordinate and govern our future key projects (refer to page 11). This office will be operationalised in the coming year.

Our focus areas are clear

NamPost needs an alternative strategy to address the fast decline in mail to allow NamPost to continue offering reliable and cost-effective methods of communicating and package/parcel delivery to all Namibians.

We believe opportunities exist in consolidating some functions and fully leveraging the postal infrastructure. In view of this, we will continue our gradual shift to digital and enhance financial services. To enhance customer experience, we will continue our focus on the basics and execute our Customer Experience Plan.

We will continue monitoring changes to licensing and regulatory requirements as may be imposed by CRAN and the Banking Institutions Act (Act 2 of 1998) to ensure compliance and assess any financial implications that may emerge. In this regard, we continue to engage with our stakeholders.

Operationally, we will fully action the new structure and leverage the TMS to enhance our customers' courier experience. We will continue migrating customers to the new payment system to provide further payment capability and convenience with a target for completion by the end of the 2020 financial year.

APPRECIATION

2019 was a year of operational execution and change that required a coordinated effort across our business and support units. I thank my Exco team who actioned this vision and the employees who supported its execution.

My thanks to our customers for their trust in our brand and their continued support.

Finally, thank you to the Minister of Information and Communication Technology, NPTH and our Board for their guidance. NamPost remains a trusted corporate citizen that adheres to high ethical standards due to your leadership.

Festus F Hangula
Chief Executive Officer

BOARD AND EXECUTIVE COMMITTEE

OUR BOARD

Evangelina N Hamunyela

Non-executive Chairperson

- MBA (UNAM/Maastricht School of Management)
- Senior Management Programme, University of Stellenbosch
- BCom, University of the North

Appointed to the Board in 2013

Tenure as director: Six years

Muronga Haingura

Non-executive Deputy Chairperson

- MBA, UNAM/Maastricht School of Management
- Dip (State Finance and Auditing), University of Zululand

Appointed to the Board in 2016

Tenure as director: Three years

Dr Perien Boer

Non-executive director

- PGDip (African Leadership in ICTs), Dublin University/Global e-Schools Alliance, Ireland
- DEd (Instructional Technology and Media/ Educational Technology), Teachers College, Columbia University, New York
- MEd (Instructional Technology and Media), Teachers College, Columbia University, New York
- MEd (Media and Computers), University of Arizona HDE (Secondary with teaching methodology in General Science and Biology), University of Cape Town
- BSc (Botany and Zoology), University of the Western Cape

Appointed to the Board in 2013

Tenure as director: Six years

Note: Biographical details are correct as at 30 September 2019.

Israel UD Kalenga

Non-executive director

- Cert (Road Transport), Rand Afrikaans University
- Cert (Safety Management), National Occupation Safety Association
- Dip (Supervisory Development Programme), The Anglo American CTU and Technikon Witwatersrand

Appointed to the Board in 2016

Tenure as director: Three years

James A Cumming

Non-executive director

- CFA
- CA(Nam)
- BSc
- PGDip (Accounting)

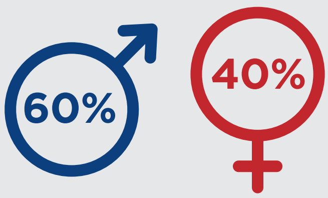
Appointed to the Board in 2016

Tenure as director: Three years

OUR BOARD IS APPOINTED BY NPTH

Board gender diversity

The NamPost Board has consistently been represented by two female directors and three male directors since 2014, which supports affirmative action guidelines. Female representation: percentage of total Board



The Board's skills and experience

ICT, banking, lending, retail and logistics, finance and auditing

Age profile

Average age of all directors: **55.2 years**

Board race diversity

Policy: The Employment Equity Commission's representation of previously disadvantaged people: percentage of total Board **80%**

Board tenure

Policy: Directors are appointed for a three-year term and generally do not serve for more than two consecutive terms. All directors' tenures are between three to six years.

The current Board's term was extended from the end of 2019 to May 2020 to allow for the finalisation of the appointment process.

OUR EXCO

Festus F Hangula

Chief Executive Officer

- MBA (Finance)
- MEFMI Fellow
- BAdmin

Appointed to Exco in January 2010

Deon Claasen

Executive Enterprise Risk Management

- Dip (Accounting and Finance)

Appointed to Exco in May 2017

Guilleame Christ

Acting GM Courier

- NDip (Mechanical Engineering)

Appointed to Exco in February 2018

Sonia Bergh

Executive Human Resources

- BA (Health Science and Social Services)
- PGDip (Masters) (HR)

Appointed to Exco in January 2005

Eldorette Harmse

Executive Legal, Compliance, and Governance

- BProc
- LLB
- Admitted Legal Practitioner

Appointed to Exco in May 2006

Jorn Schnoor

Executive Technology

- BSc (Information Technology and Computing)

Appointed to Exco in December 2015

Batsirai Pfigirai

Executive Finance

- BAcc (Hons)
- BCompt (Hons)
- CA(Nam), CA(Zim)

Appointed to Exco in March 2017

Berlindi van Eck

Executive Marketing, Business Development and Communication

- MBA (Executive Management and Business Administration)
- BA (Personnel Leading, Communication and Marketing)

Appointed to Exco in August 2006

Tangeni Erkana

GM Postal Services

- PGDip (Investigative and Forensic Accounting)
- BCom (Accounting)
- CFP (Commercial Fraud Practitioner)

Appointed to Exco in August 2016

Note: Biographical details are correct as at 30 September 2019.

Jenny Comalie

Executive Financial Services

- BCompt (Honours)
- BCom
- CA(Nam)

Appointed to Exco in January 2016

Kgomotso Hochobeb

Executive Internal Audit

- BCompt
- Member of Institute of Internal Auditors
- SA Member of Institute of Risk Management SA

Appointed to Exco in March 2016

THE GROUP EXECUTIVE MANAGEMENT IS REPRESENTED SCHEMATICALLY BELOW:

Namibia Post Ltd				
Board of Directors				Executive Internal Audit
NamPost Executive Management Group CEO				
Support services	**GM Postal Services**	**GM Courier Services**	**Financial Services Executive Financial Services**	
Executive Finance	Mail Third-party agency services Retail Services	Express Domestic International	Banking Insurance	
Executive Technology			Subsidiary and joint venture	
Executive Marketing, Business Development and Communication			PostFin CEO	SSN CEO
Executive Human Resources			Micro-lending financial brokerage	Payment technology Payment switch
Executive Legal, Compliance, and Governance				
Executive Enterprise Risk Management				

EXECUTIVE GENDER DIVERSITY

55% FEMALE

FORMERLY DISADVANTAGED

91%

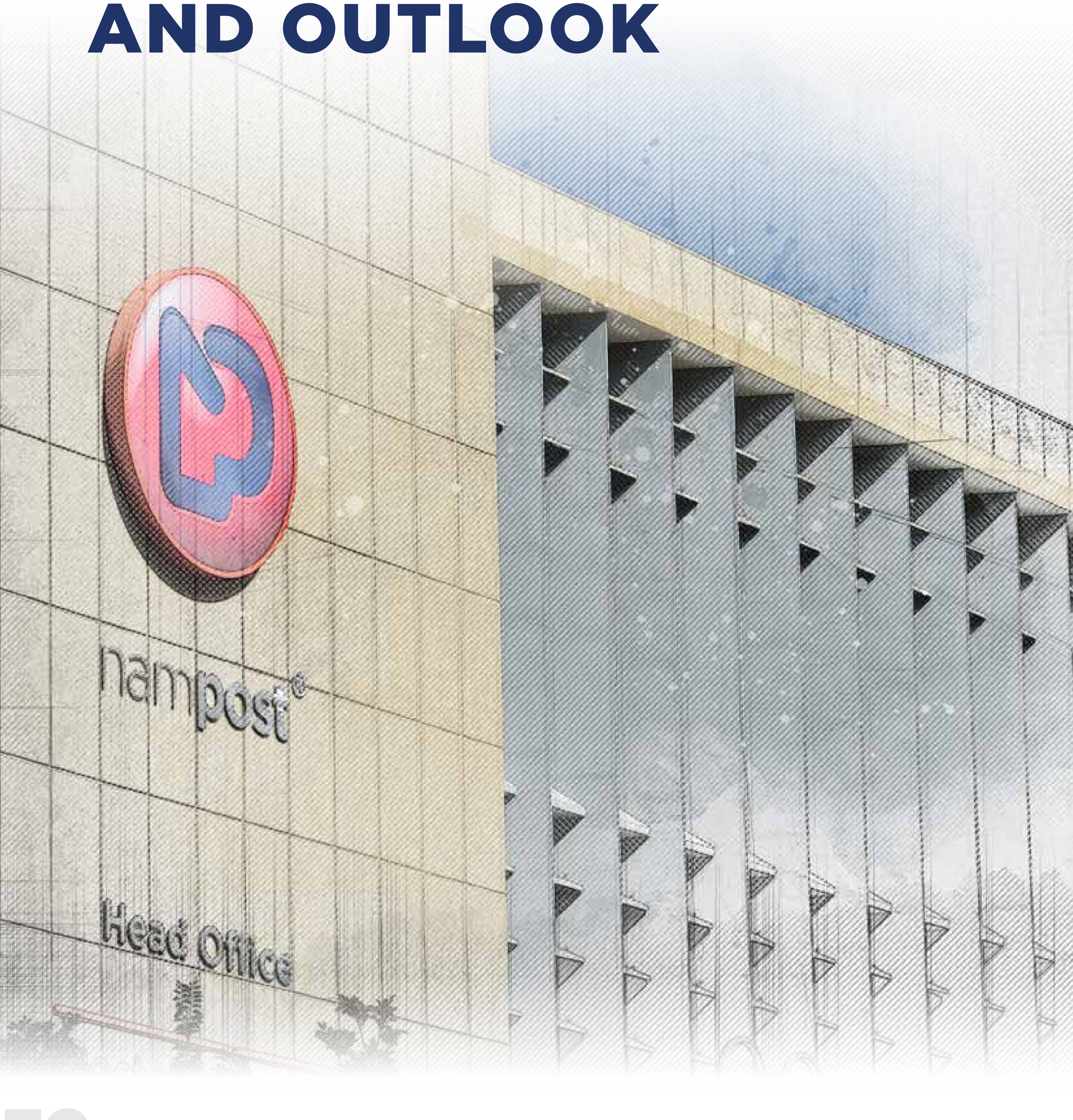
AVERAGE EXECUTIVE TENURE

6.9 YEARS

AVERAGE AGE

45.2 YEARS

OUR PERFORMANCE AND OUTLOOK



FINANCIAL REVIEW

Batsirai Pfigirai
Executive Finance

A strong performance from Financial Services amid weaker performances from Postal Services and Courier Services.

OVERVIEW OF PERFORMANCE

Group revenue for the year was at N$870 million (2018: N$830 million[1]) and PBT was at N$14 million (2018: N$55 million). The degree of operating leverage for NamPost is high; considering that costs are rising at a higher rate than income, this ratio is increasing, which ultimately leads to the company operating below breakeven point ie loss making. Our operating expenses-to-income ratio was at 48% (2018: 45%[1]). Though all business units remained profitable before shared services cost, NamPost made a N$10 million loss before tax during the year (2018: N$29.5 million PBT) considering the prolonged and significant difficulties affecting Postal Services and Courier Services (refer to pages 35 and 47). However, PostFin made a N$28 million profit, elevating Group profit to N$14 million.

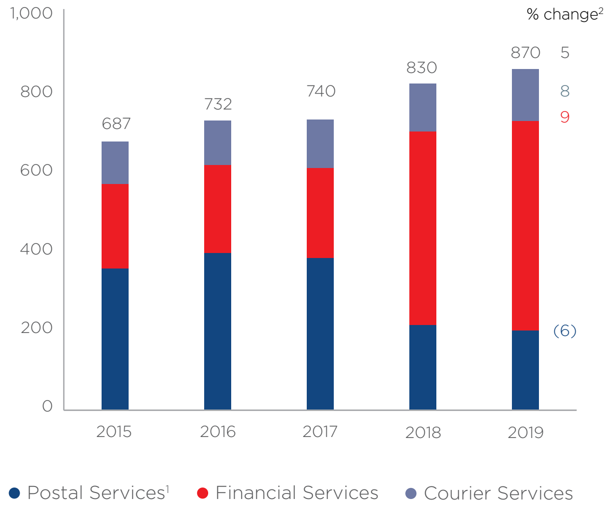
NamPost continues to deliver social value through our utilisation of local suppliers, and payment of taxes to Government. During the year, the Group contributed N$63 million (2018: N$58 million) in taxes (in the form of income tax, import value added tax, VAT, and pay as you earn) to Government, and N$538 million to local suppliers for goods and services.

NamPost's financial priorities were dictated by company corporate strategic objectives. The key focus areas were:

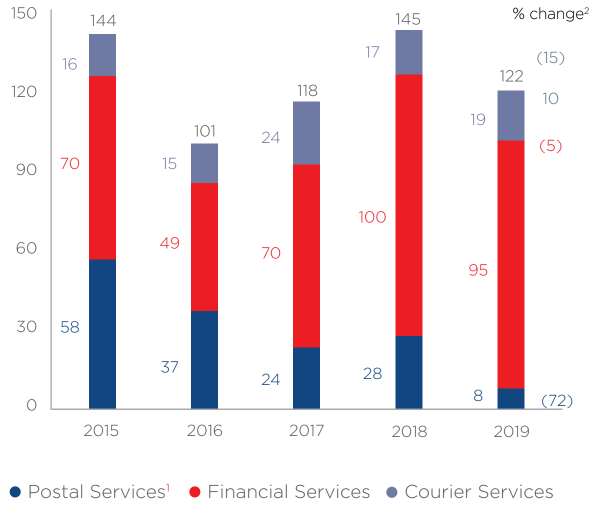
- Cost containment across the company to ensure profitability and keep liquidity stable
- Financial planning and forecasting to ensure appropriate allocation and utilisation of company resources and to be able to confirm NamPost's going concern status
- Monthly financial reporting to measure actual performance against the plan and advise business units
- Managing finance-related risks:
  - Liquidity risk – sourcing funding for the Group to ensure long-term sustainability
  - Credit risk – debt collection to keep working capital stable

[1] *2018 restated due to the changes in accounting policies (refer to page 34).*

Group revenue (N$ million)



Profit contribution (N$ million)



Overall Group revenue increased by 5%.

Postal Services: Revenue fell by 6% largely due to depressed physical mail business, with a 26% drop in Government mail revenue and a combined mail revenue drop of 8%. Mail volumes for 2019 fell below expectations and below the previous year.

Financial Services: Revenue increased by 9%, largely due to increased investment income and interest and similar income earned from micro-loans advanced. Although there was growth year on year, income from investments and the transaction business fell below target for the year due to the volatility in the financial markets.

Courier Services: Revenue grew by 8% owing primarily to the new price matrix that was implemented in September 2019 which boosted domestic business, and new account clients. Results were impacted by the delayed roll-out of the new TMS.

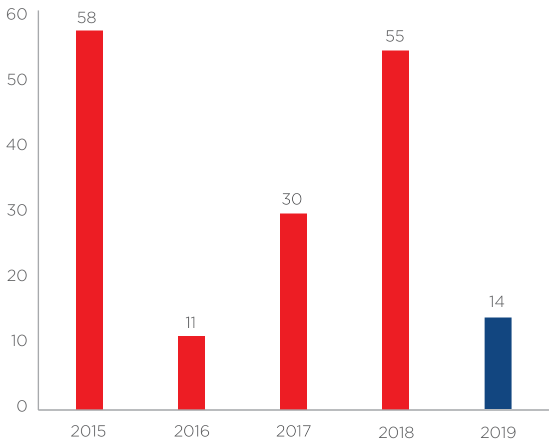
Postal Services' profit decreased by 72% year on year due largely to falling mail revenue and increase in costs. Corporate and Government mail volumes dropped owing to the tough economy and, in some instances, businesses replacing physical mail for digital communications. Mail business is under threat and the trend is expected to continue.

Financial Services' profit decreased by 5% due to the adverse and volatile financial markets conditions constraining the interest margin as well as higher cost of sales. Expensive deposits resulted in an increase in cost of funds at a rate higher than growth in treasury revenue, which negatively impacted profitability. The transaction business improved year on year but failed to reach revenue targets due to lower banking transaction volumes. PostFin's revenue increased by 28%, and its profit increased by 35%. SSN's profit declined by 2%, partially impacted by migration of cards to the new system. In view of the declining performance in the Postal Services business, Financial Services increased its contribution to NamPost's revenue to 62% (2018: 59%) and profit to 78% (2018: 69%).

Courier Services' profit increased by 10% due to revenue growth relative to the previous year, although this was below expectations. Fuel and vehicle lease costs increased above expected targets, diminishing the profit growth rate.

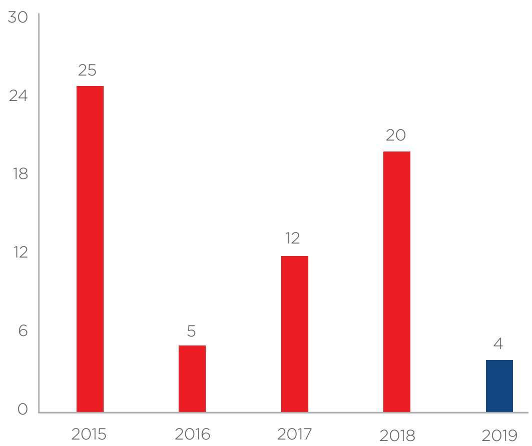
[1] *2018 restated due to the changes in accounting policies (refer to page 34).*
[2] *Percentage change between 2018 and 2019.*

Profit before tax (N$ million)



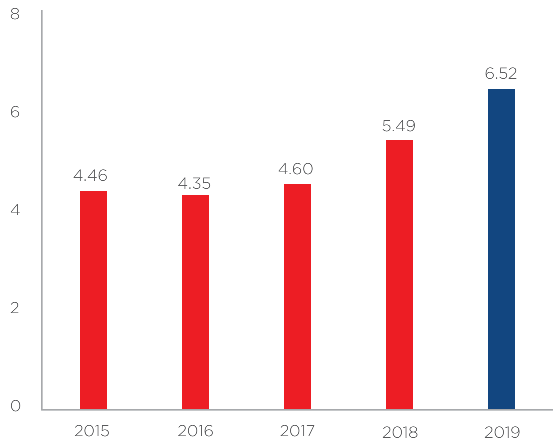
PBT decreased by 75%, revenue grew by 5%, and expenses grew by 9%. Unexpected costs were incurred on Microsoft licence fees and leave liability, which strained the already suppressed revenue.

ROE: PBT (%)



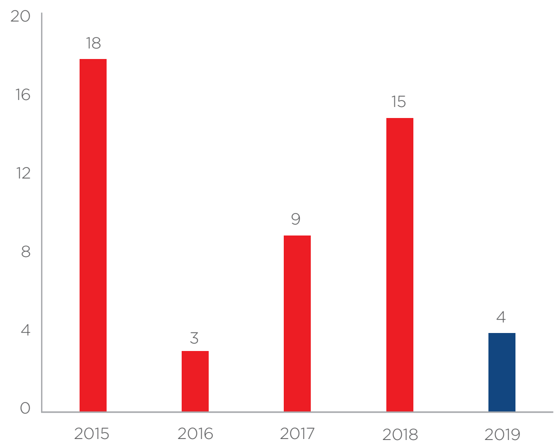
The ROE based on PBT was 4% (2018: 20%) following the Group's significantly lower profit.

Total assets (N$ million)



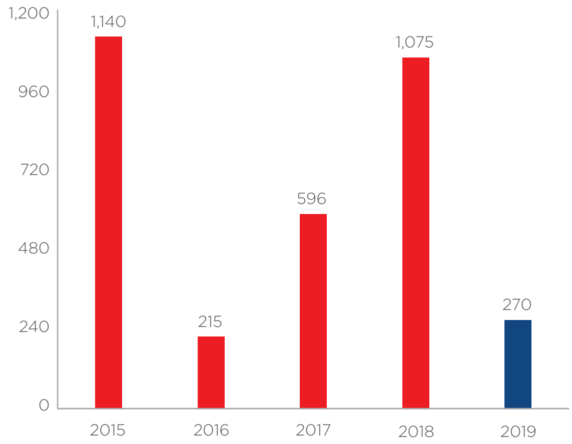
Total assets increased by 19% on the back of Savings Bank deposit book growth. Financial assets make up over 90% of the assets. Financial assets increased relative to 2018 due to Savings Bank deposits, which also increased by 19%. Total liabilities increased by 19% to N$6.199 billion (2018: N$5.224 billion) primarily driven by an increase in Savings Bank customer deposits, which came as a result of our strategy to grow the deposit book in light of declining interest rates and improved liquidity in the market. Cash and cash equivalents increased to N$183.1 million (2018: N$87.6 million).

ROE: PAT (%)



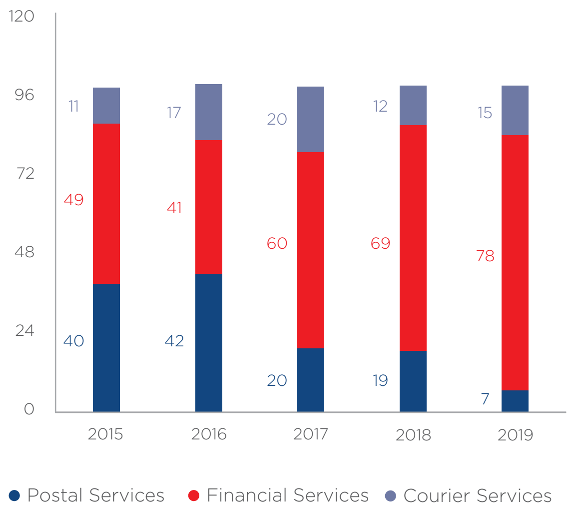
The ROE on PAT was 4% (2018: 15%) following decreased profits.

ROI: PBT (%)



The return on the shareholder's initial investment decreased to 270% (2018: 1,075%) as a result of the decrease in profit reported.

Profit diversification (N$ million)



The percentage depicts the increasing importance of Financial Services against the background of a decrease in traditional or physical mail business and the suppressed growth in Courier Services.

CHANGES IN ACCOUNTING POLICIES

IFRS 9: *Financial Instruments* was applied on loan advances to customers for PostFin. This led to increased disclosure in the notes to the financial statements and accounting policies. However, no restatement to the retained earnings was necessary since the quantitative impact was immaterial.

IFRS 15 became effective on 1 January 2019. This did not impact the Group significantly given that the nature of Group revenue was largely recognised more or less within the criteria of the new standard. However, as per the new third-party agency/principal relationships requirements in IFRS 15, the Group has changed the way it recognises revenue from airtime sales; whereby the Group now recognises that it is providing this service on a third-party agency basis rather than as a principal. Consequently, revenue from this service is now recognised on net basis, ie commission rather than gross. The impact of this is a significant reduction in revenue and cost of sales in the financial year, but with no impact on the net position ie profit for the year. The prior year was adjusted to reflect the same effect. As a result, prior year revenue has been reduced by N$283 million, and cost of sales by N$275 million. Furthermore, the inventory for airtime vouchers was reclassified to prepayments under trade and other receivables. This reduces the prior year inventory balance by N$21 million and increase in prepayment under other receivables by same amount. (This change is reflected in notes 1.21; 14 and 15 of the annual financial statements.)

OUTLOOK

Key dependencies and uncertainties going into 2020 include:

- Successful completion of the current Savings Bank Migration Project
- Financial market stability
- No major customers/clients being lost across all the business units
- Liquidity in the market remains stable

Most of these factors are external and are largely encapsulated in our risk register. These risks are monitored and updated each month, and management discusses how to mitigate the risks to an acceptable level. Unfortunately, there is no tactical response guaranteed to address these dependencies' or uncertainties' occurrence or non-occurrence. Nonetheless, NamPost believes it can implement the necessary initiatives to reduce their impact.

The economic terrain will continue to be rough into the foreseeable future. NamPost will continue navigating these challenges to ensure customer satisfaction with our service delivery and maintain our stakeholders' trust.

POSTAL SERVICES

Tangeni Erkana
GM Postal Services

Postal Services handles traditional post, hybrid mail and third-party agency services such as airtime sales, social grant payments and utility payments.

Postal Services revenue for the year reached N$203 million (2018: N$217 million[1]), while profit lowered to N$8 million (2018: N$28 million[1]). The decline came from lower Government and corporate spending, as well as a customer shift towards modern, lower-cost alternatives to mail and payments. At the same time, employee costs reached 51% against total revenue (2018: 46%).

Postal Services remains the backbone of the Group's offerings, and is considered the retail channel for other business units' products and services. The Group's restructure was mindful of this positioning (refer to page 51). In line with this, Postal Services agreed on terms for service-level agreements for services rendered to other business units.

The postal tariff increased by 6%, and we have an occupancy rate of 80% for the 123,850 installed post boxes (2018: 82% of 123,850). Our administrative and operational costs increased by 4% (in line with inflation) due to higher forex expenses, compared to a gain in the previous year, general employee cost increases. Teller discrepancies were at 0.4% (2018: 0.05%), and we aim to further reduce these with a blind balance system that reduces the risk of fraud by limiting the information displayed to an operator. The increase was due to system errors created with the launch of the new payment system.

Highlights

- Successful start to the Migration Project
- Finalised business rules and process mappings to drive customer service, efficiencies and security
- Enhanced controls to mitigate and reduce fraudulent activities thereby reducing stock and cash losses

Challenges

- ICT budget constraints delaying projects
- Mitigating loss-making post offices
- Lag in the international mail management system roll-out
- Difficulties with agent-run post offices

Normal letter mail performance in the same town, and between towns, is within targets (see quality of service measurements on page 39). We removed inefficiencies by not sorting mail too granularly before posting to areas with low volumes, and we negotiated with Courier Services to prioritise mail. The Ministry of Information and Communication Technology issued the postal services chapter of the Namibian Communications Act (Act 8 of 2009) in 2019. The chapter introduces potentially onerous conditions to which NamPost must comply. Refer to page 57 for more information.

[1] *Restated.*

Postal Services employees facilitated the SmartCard migration at our post offices (refer to pages 22 and 43). We migrated 62,252 customers from the SmartSwitch system and onboarded 5,915 new customers. The goal is to have transferred all customers by September 2020.

We mapped our processes to see how we can improve our quality of service to communities where we operate non-profitable post offices as part of our social imperative and will now implement standard operating procedures to this end. The service level agreement with NamPost Savings Bank ensures that those offices that predominately service Savings Bank transactions are receiving sufficient fees to cover the related expenses.

Process mapping also assisted in identifying current risks and will allow us, going forward, to mitigate them.

The international postal system, IPS, also known as the mail management system, was scheduled for roll-out during the year. Operational and budget constraints hindered efforts in this regard. NamPost has dispatched a team to consider any shortcomings, and we will budget accordingly in future.

As we prioritised the Migration Project, we have yet to establish an effective customer call centre, and all sales and postal employees were required to focus on the migration instead of their regular duties. However, we continue improving our marketing and sales initiatives. We applied and implemented the new Universal Postal Union Codes and will retain our compliant status until September 2021. We have to educate the public in using the postal codes and accommodate sorting software accordingly.

Some of our post offices are managed by external agents. We have identified general difficulties with these offices and plan to review our agency model.

We have made good progress in addressing financial risk from fraudulent activities, and we have increased post office inspections.

CONTRIBUTION TO STRATEGY

Enhance shareholder value

Postal Services remains NamPost's biggest employer with the largest employee component revenue driver and continues engaging with stakeholders to mitigate losses.

Journey towards customer centricity

Our post offices are a one-stop shop for many customers' needs. Our process mapping assisted in identifying better ways to serve our customers, and a customer segmentation exercise was conducted for better customer understanding. We provide continuous product and service training for our client-facing employees.

Achieve operational effectiveness

Our process mapping and internal efficiency drives contributed to our operational effectiveness.

Measure and manage business risks

Through process mapping and Web Riposte, we identified risks. Addressing them is an ongoing initiative.

Enhance human capital culture and effectiveness

Continuous employee engagement and regional I-ACT initiatives embed the company values. A monthly customer service excellence recognition initiative was introduced to recognise and drive this behaviour.

OUR PEOPLE

The HR Department is improving NamPost's culture through an ongoing Change Management Project. The focus is primarily on operational effectiveness through customer service.

The HR Department provided sales training to 157 of our 396 postal employees (2018: 412) to assist them in their retail duties. Employee figures include fixed-term (contract) workers.

NamPost's postal services training is now a Namibian national qualification with accredited modules, and our training school has become a registered training provider.

TECHNOLOGY

As most of NamPost's ICT resources were dedicated to creating a sound environment for Financial Services and a platform for Courier Services in 2019, Postal Services' products and services will be a focus for 2020, as part of the Mail and Logistics business unit (refer to page 51).

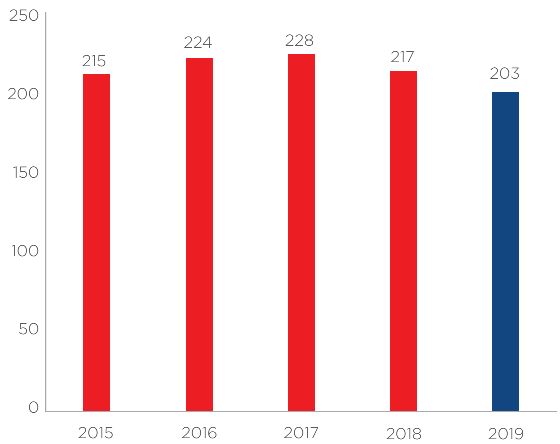
The Department aims to enhance and enable mail to participate in a digital economy with digitised payments based on Universal Postal Union rules for parcels. The challenge here is that these rules are unique, and require significant effort from ICT to create the necessary IT bridge toward NamPost.

In 2019, ICT:

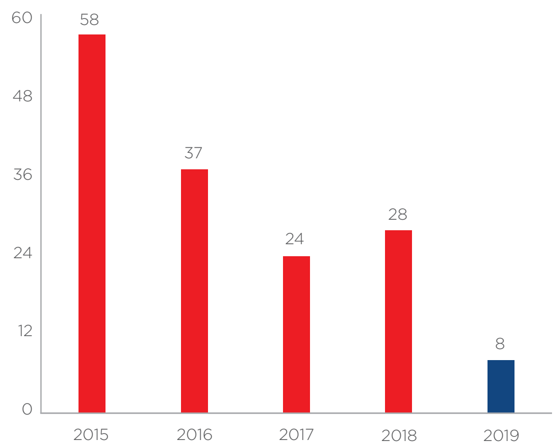
- Delivered a digital hybrid mail proof of concept with improved connectivity – this is an ongoing project
- Improved reporting tools and operational data, which significantly improves business services
- Tested the development of online batch processing for third-party agency services

PERFORMANCE

Revenue[1] (N$ million)



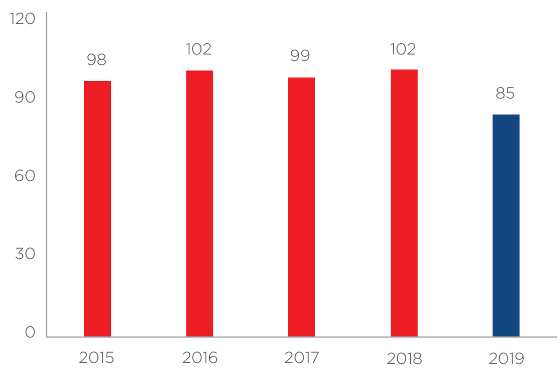
Net profit (N$ million)



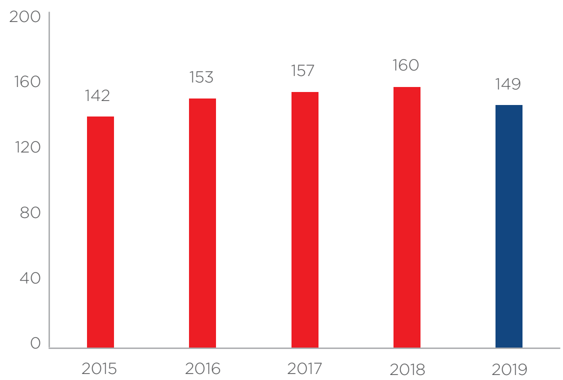
Letter volumes

The letters handled decreased by 17%. Letters posted decreased by 11% while letters received (international) decreased by 17%. The decrease is mainly attributed to bulk mail from the South African Post Office no longer being received. This resulted in a decrease of N$11 million in our mail-related revenue.

Letter volumes (million)



Mail-related revenue (N$ million)

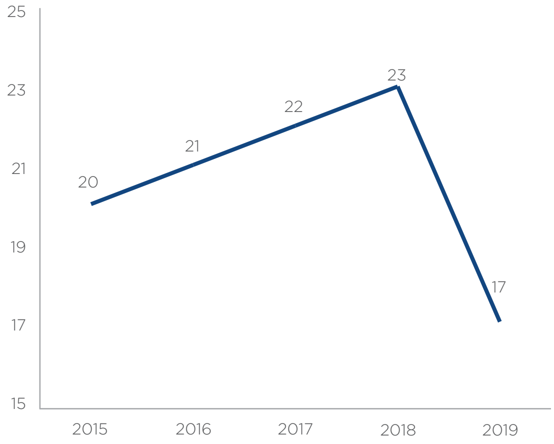


[1] *2015 – 2018 restated due to the changes in accounting policies (refer to page 34).*

Government mail

Government mail revenue continues to decline as Government continues to intensify their cost-saving efforts.

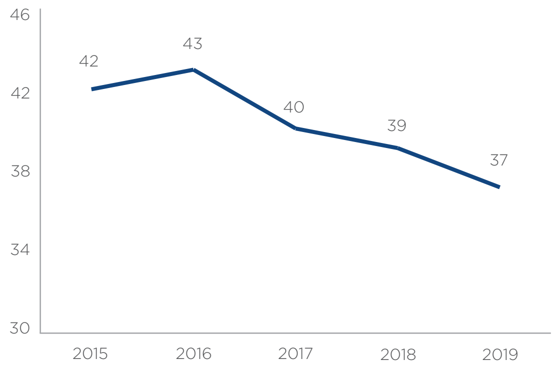
Government mail revenue (N$ million)



Business (bulk) mail

Bulk mail decreased by 4% due to clients digitising their communication channels. Our hybrid mail channel provides solutions to bridge this gap and retain a portion of business mail revenue within NamPost.

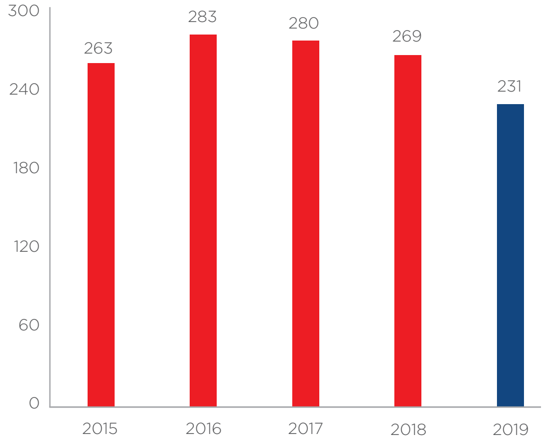
Business (bulk) mail (N$ million)



Parcel volumes

The total number of parcels handled decreased by 14% to 231,608 (2018: 269,000). This is due to customers opting to send their parcels through couriers and the shift of inbound parcels being categorised as small registered packets (letter mail).

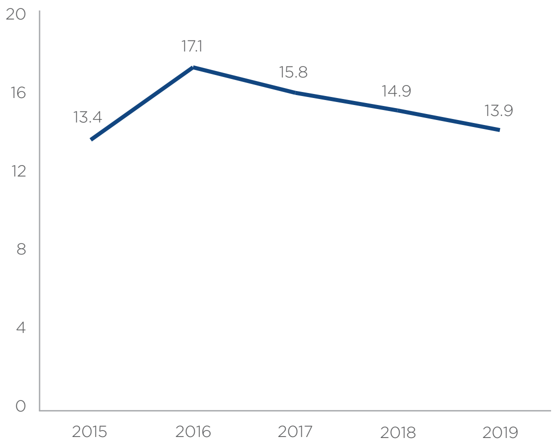
Parcel volumes (thousand)



Hybrid Mail Services

Hybrid Mail Services converts digital mail into physical mail, with each face of a page considered to be one image. The service depends on large orders from Government among others.

Hybrid mail images printed (million)



Images printed decreased to 13.9 million (2018: 14.9 million). This is due to the introduction of systems, such as Government's Integrated Tax Administration System which lower our volumes, albeit gradually. Government stopped using SMS during the year, which assisted in increasing volumes, though the effect is unlikely to reoccur.

We aim to have digital portals that will enable us to automate the extraction and population of client data. We also aim to leverage potential opportunities in the SMS platform segment.

Third-party agency services[1]

Postal Services revenue is earned from commission from third-party agency services such as the sale of airtime, payments of social grants and utility bills.

Commission income fell below the target and decreased by 6% against prior year to N$26 million (2018: N$27 million). The decrease comes from revenue stamps, City of Windhoek and NBC, as well as resource constraints preventing us from signing up new services.

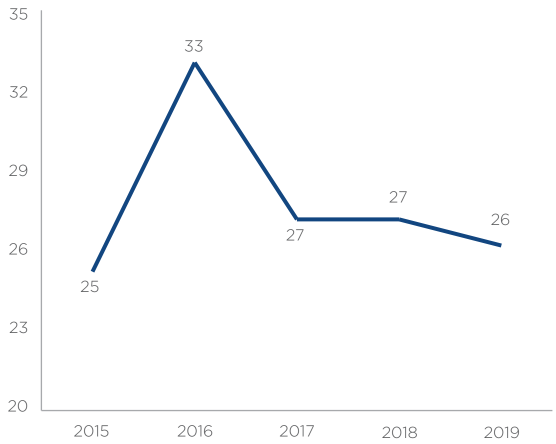
The calculation for airtime sales has changed during the year, which has a direct impact on reported revenue (refer to page 34).

Commission from pension and grant payouts reflects a recovery from the prior year of 2% and is 4% below budget due to the focused Migration Project. SmartCard payouts increased by 20% from the prior year. There is an influx of pensioners during the first two days of payouts, which strains our post offices beyond their capacity. Each region is reviewing its capacity and all offices with the problem. They are engaging with local authorities and municipalities on the possibility of using community halls for grant payments.

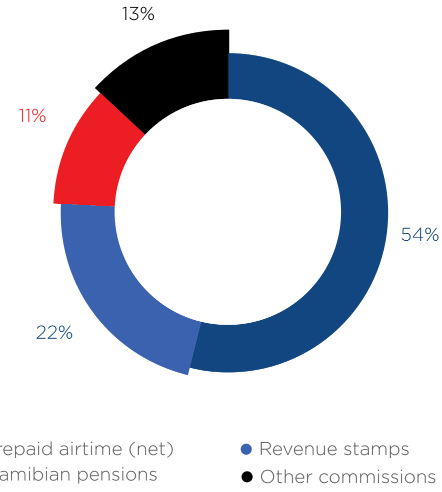
Commission income from revenue stamps was behind budget by 11%. A new authority in charge of new registration and renewals of new business does not use revenue stamps. We are introducing new payment methods to recover the lost market.

Concerning airtime sales, the scratch market is losing ground to the virtual market, and retailers are buying directly from telecommunications providers to receive the rebate. Digital innovations will further impact revenue.

All third-party agency devices (N$ million)



Third-party agency services revenue contribution (N$ million)



Quality of service standards

We measure our quality of service by tracking the date of acceptance of a letter/parcel at the post office against the number of days to delivery. We remained above our 90% target for same and another town deliveries, however, our year-on-year performance declined due to migration to e-statements.

Post office to post office in same town:

Delivery standard	Target	Performance
2017 = D+2	90%	95%
2018 = D+2	90%	94%
2019 = D+2	90%	91%

Post office to post office in another town:

Delivery standard	Target	Performance
2017 = D+3[2]	90%	96%
2018 = D+3[2]	90%	98%
2019 = D+3	90%	97%

- Overall delivery time is represented as (D+n)
- "D" represents the date of acceptance of letter/parcel at the post office
- "D+n" refers to the number of days till delivery

[1] *In previous years, we reported on these as agency services. We refer to them here as third-party agency services to differentiate these from agent-managed post offices.*

[2] *Restated.*

Post office inspections

We introduced regular post office inspections, with an element of surprise, to ensure good behaviour. Postal Services personnel inspected 96% of post offices on average each month.

Consequently, discipline is being enforced and out-of-line activities are reducing.

Region	Post offices (number)	Average inspected per month (%)
Central region	39	100
South	24	97
Erongo	25	92
North east	15	96
North west	34	93
Total/average	137	96

OUTLOOK AND FUTURE FOCUS AREAS

Paper-based mail's decline is inevitable, but faster than anticipated, likely due to the continued economic challenges, and cost saving requirements of businesses and Government, as well as improvements in digital technology. To continue providing our services as per our social imperative, we need to adjust and enhance other supplementary value-adding services. This will be enhanced through the new operating model, and service level agreements between the new Retail business unit and the other NamPost businesses who service Namibians through the post office.

Our future focus areas include:

- Driving sales and marketing plans
- Reviewing our agency business model to improve efficiencies and reduce risk at those post offices run by external agents
- Enhancing customer-centricity through initiatives such as our monthly customer service excellence recognition and establishing a customer call centre
- Continuing to review loss-making post offices to understand the drivers of their performance, and drive turnaround plans for those that should be profitable
- Continuing to encourage grant beneficiaries to convert from cash to SmartCards – which is beneficial in terms of safety and assists in managing the influx of pensioners and queue times on pension payout days
- Negotiating an appropriate fee with the Ministry of Gender Equality and Child Welfare, and Ministry of Poverty Eradication and Social Welfare for distributing social grant payments
- Upgrading all third-party agency services from offline batch processing to online, real-time processing. This allows payments to be reflected immediately

PHILATELY

Philately issued four new stamps and printed revenue stamps for the Ministry of Finance.

Philately is the art of stamp collecting. It dates to the invention of postages stamps in the mid-19th century.

The revenue for Philately reduced year on year since the local sales were posted to the different regions. The Philately unit only served international collectors from 2018.

In 2019 we signed up 42 new international collectors.

We experience a challenge with the youth not interested in this product and the elders are closing their accounts due to the current tough economic conditions.

Issues 2019	Stamps	Place of issue	Date of issue
Whales	6	Walvis Bay	19 March 2019
Cuckoos	4	Divundu	25 April 2019
Whales reprint	1	Walvis Bay	25 April 2019
Large felids	3	Okaukuejo	1 August 2019

FINANCIAL SERVICES

Jenny Comalie
Executive Financial Services

Jan Engelbrecht
Acting Chief Executive Officer
SSN

Patrick Gardiner
Chief Executive Officer
PostFin

Highlights

- Granted a payment licence to enter the national payments system
- Launched our new VISA-branded SmartCard
- 19% deposit book growth

Challenges

- Persistently weak economy
- Access to funding
- Limited financial assets for investment purposes

Financial Services (NamPost)

PostFin (Subsidiary)

Micro-lending
Financial brokering

SmartSwitch (Joint venture)

Support payments solutions for the Savings Bank

Retail Banking

Transactional
Bank insurance
Retail investments
Payments

Treasury

Corporate customers
Liability side
Financial assets

The core objective of Financial Services is to provide affordable and accessible products and services to promote financial inclusion.

The business unit comprises a Savings Bank which services the unbanked or underbanked sector and provides tax-free investments and insurance products to our clients. The Treasury division services our corporate clients with investment products, and Financial Services develops products and runs the back-end. PostFin, our subsidiary, provides micro-lending and financial brokering. Post offices provide the retail channel for these products.

Financial Services' consolidated revenue (transactional banking, treasury, insurance and micro-lending) increased by 9% to N$534 million (2018: N$492 million) on the back of increased investor income and income from micro-loans advanced. Market volatility subdued this growth, which led the business's profits to drop by 5% to N$95 million (2018: N$100 million).

During the year, NamPost received a payment licence to issue card instruments interoperable within the National Payment System. Previously, NamPost SmartCards were usable at NamPost post offices and NamPost POS devices only. Our new payment licence allowed NamPost to develop our new domestic VISA SmartCard with interoperable functionality – meaning that it is now usable at any Namibian ATM or POS device. Customers can upgrade their SmartCards at any NamPost post office as part of what we have dubbed our Migration Project. Refer to page 9 for more information on the SmartCard and pages 22, 36 and 43 for more information on the Migration Project.

In a bid to boost the micro-loan book of PostFin and ensuring its future sustainability, the Group is in the process of securing funding from KfW for N$325 million and AFD for N$235 million. The loans will target mainly pensioners and focus on productive purposes. We anticipate receiving these funds during 2020 financial year.

CONTRIBUTION TO STRATEGY

Enhance shareholder value

Despite the poor overall operating environment, Financial Services is well positioned and continues to develop strategies to remain relevant and create value for our shareholders.

We introduced the VISA SmartCard with new capabilities and grew the deposit book by 19%.

Journey towards customer centricity

We mapped our processes to identify our customer-related shortcomings and completed phase one of our customer-centricity strategy and roadmap.

Achieve operational effectiveness

We re-engineered and embedded processes and procedures. The HR Department is improving NamPost's culture through an ongoing Change Management Project. The focus is primarily on operational effectiveness through customer service.

Measure and manage business risks

We developed a Business Continuity Plan. We reviewed our Investment Policy to mitigate inherent risks.

Enhance human capital culture and effectiveness

Continuous training is facilitated to remain competitive in the small Namibian skills pool.

OUR PEOPLE

We implemented a Change Management Project to enhance employees' effectiveness.

To assist with the Migration Project and the SmartCard in general, 75 temporary employees joined Financial Services, bringing our total complement for the year to 134 (2018: 59).

Training spend was intensively focused on Financial Services: 400 employees were trained in 2019.

TECHNOLOGY

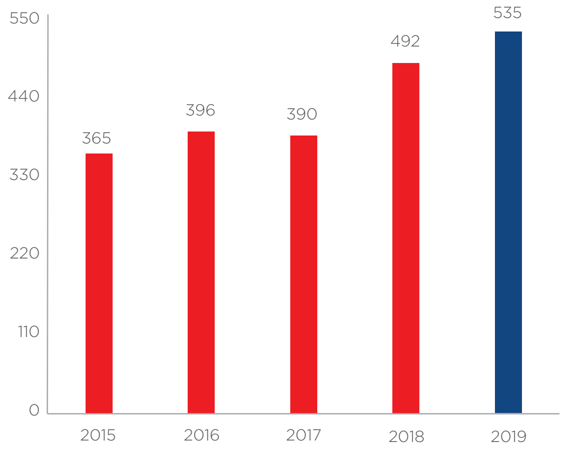
The ICT Department designed the enabling architecture for the payment licence and built the prerequisite security framework. The Department performed extensive testing to ensure it complies with all licence requirements.

ICT created a disaster recovery site and completed the disaster recovery test to support Financial Services' Business Continuity Plan.

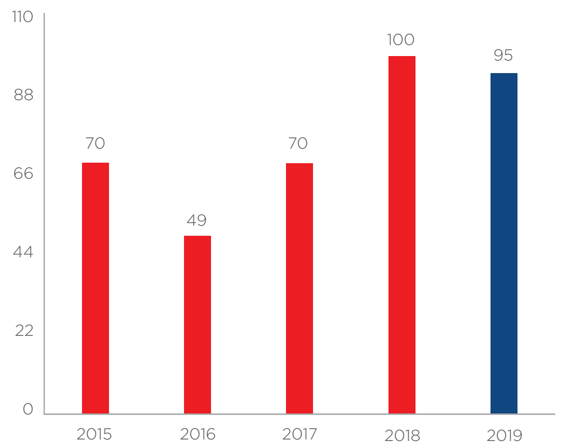
ICT improved reporting tools and operational data which significantly improves business services.

PERFORMANCE

Revenue (N$ million)



Net profit (N$ million)



SAVINGS BANK

The Savings Bank caters for individual (retail) customers.

The Savings Bank serves retail customers with the SmartCard. SmartCards can be acquired for personal transactional use, business use, or power of attorney to transact on another's behalf. Transactional SmartCards have a funeral cover option for N$9.99 per month.

Transactional business

We built a trusted transactional business brand and leveraged it to foster financial inclusion and generate profits. We have 307,648 customers, and the 62,252 VISA-branded SmartCards in circulation are only beginning to realise their potential. We have 707 merchants throughout Namibia, and our transaction fee increased by 5% due to inflation.

Bank insurance

Insurance is one of the key revenue streams in Financial Services. 22,236 new policies were issued during the financial year. A total dividend of N$9,802,020 was received from the joint arrangement with Hollard Namibia. We plan to roll out new funeral products in 2020 to complement the existing funeral and life cover products offered.

Retail investments

Our retail investment products are tax-free and include Flexi Save products without fixed amounts or duration deposits, as well as fixed-term deposits and group save products that pay out to individuals among the group at a predetermined time.

Payments

Payments creates and implements infrastructure and products to facilitate payments within the NamPost environment, as well as payments to and from other participants such as commercial banks in Namibia. This includes traditional payments infrastructure and products, and digital payment products and infrastructure.

TREASURY

Treasury caters for corporate clients' investments.

Market volatility impacted performance, but this was compensated for by good growth in the deposit book. New legislation requires more liquidity to remain in domestic assets, which increased competition among institutional investors, and creates difficulty to find high-quality assets. The liability book performed well.

POSTFIN

"Smart borrowing made simple"

PostFin provides access to affordable financial services (micro-lending and financial brokering) throughout Namibia.

PostFin is a wholly owned subsidiary of NamPost. It is registered as a financial broker and term lender regulated by Namibia Financial Institutions Supervisory Authority (NAMFISA). These services are available to customers who are permanently employed and have SmartCards, as well as employees of companies who have a payroll deduction agreement with PostFin. PostFin strives to empower the unbanked and underbanked into the formal economy by providing loans to pensioners and other vulnerable people. Refer to page 8 for more information on our impact. As loans are unsecured, PostFin applies a strict credit policy to protect against excessive impairment growth.

PostFin became subject to several legislative changes by NAMFISA. The regulator also placed a greater focus on reporting and compliance. PostFin's PBT increased by 35% to N$27.8 million (2018: N$20.5 million).

PostFin's revenue increased by 28% and its loan book increased by 18%. PostFin maintained a healthy loan book with a comparatively low-risk profile despite the significant growth. ROE was 44% (2018: 47%). Management focused on improving client satisfaction (the average of the overall client satisfaction survey improved to 85% (2018: 84%).

Hollard is the insurance underwriter of Credit Life cover, offered by PostFin to its customers if they elect to use Hollard's services. Given PostFin's low historic claims ratio, we have negotiated favourable prices, terms and conditions which directly benefit our customers.

PostFin has 41 employees at its head office, and 35 sales agents are stationed at various post offices throughout Namibia. PostFin clients are served by the remaining post offices in terms of completing their PostFin loan applications.

OUR SOCIAL IMPACT

Financial inclusion for pensioners

Pensioners have difficulties in securing micro-loans from formal institutions, especially in the absence of a credit record or an account with a commercial bank. Without the means of securing the money they need, they are often pressured into dealing with loan sharks. PostFin provides pensioners with unsecured finance to assist them in living a dignified life, or to better their own, their children's or grandchildren's lives.

KfW Development Bank

NamPost is securing funding from KfW for a concessional loan of N$325 million. PostFin will use this money to finance productive loans to Namibians with a specific emphasis on financial inclusion and disadvantaged persons.

PostFin's robust credit policy ensures loans are allocated prudently.

PAYMENT SERVICES: SMARTSWITCH NAMIBIA

SSN is a payment switch technology company that enables us to offer payment services on our SmartCard.

SSN's PBT decreased by 2% to N$17.5 million (2018: N$17.8 million), partially owing to the migration to the new payment system to accommodate the VISA SmartCard. A dividend of N$10 million (2018: N$1.5 million) was declared and paid to NamPost. SSN renders proof-of-life verification services to the Government Institutions Pension Fund (GIPF), using 54,000 SmartCards (2018: 51,000) issued to GIPF members. This uses the biometric verification function and benefits payment system of the Universal Electronic Payment System.

As the new SmartCard operates on the new payment system, SSN will wind down at the end of the migration process of the SmartCards to the new system.

OUTLOOK AND FUTURE FOCUS AREAS

Namibia's economic growth remains constrained with the impact of policies to remedy the economic difficulties still uncertain. Given that, NamPost's investment and transactional business could be negatively affected if no uptick in economic activities are brought about, which will improve our customers' disposable income.

The current accommodative monetary policy, which needs to spur economic growth, could deter clients from saving given the low interest rates. Coupled with that, the Namibian financial sector is characterised by limited financial assets which remains a limitation on the investment revenue.

NamPost continuously reviews its value proposition to remain relevant in its niche, through the best possible product offering, which will answer to its customers' financial needs.

Our future focus area is to acquire a PSD 7 licence, which will qualify NamPost for internet banking, including e-wallets and electronic funds transfers. This will enable our customers to transact from their savings account, further increasing their financial inclusion.

We aim to continue the journey towards customer-centricity to provide unforgettable customer experiences and enhance shareholder value.

COURIER SERVICES

Guilleame Christ
Acting GM Courier

NamPost Courier is one of Namibia's leading logistics agencies. It focuses on domestic and international express freight. Our strong national footprint allows us to offer a domestic service, covering over 60 overnight destinations, and 220 international destinations through strategic partnerships.

Courier Services revenue grew by 8% to N$132 million (2018: N$122 million). This is owed to the new price matrix introduced in September 2019, and few account clients being signed up during the year. The growth was below target, though the target was premised on an earlier implementation of the TMS. Furthermore, unanticipated increases in vehicle leases and fuel costs constrained profit growth which increased by 10% to N$19 million (2018: N$17 million). The average weight of parcels couriered decreased by 3.6%. Operational expenses for the year increased to N$66 million (2018: N$63 million) largely due to increased rental costs of the renovated courier warehouse. Express overnight services contributed 85% (2018: 84%) of overall revenue.

OUR FLEET

NamPost's fleet comprises 71 vehicles. These include 14 line-haul trucks and seven trailers that transport goods to the overnight hubs, while the remaining vehicles make local deliveries or deliveries along shorter routes.

Our fleet management information system collects all relevant fleet data and simplifies decisions around right-sizing – this optimises the fleet and improves efficiency.

Highlights

- EasyBox rebrand and expanded range
- Introduction of the price matrix and TMS
- Smart partnerships

Challenges

- Poor economic conditions
- Low uptake of the price matrix and TMS

We continuously monitor our various budgets and continuously update our knowledge of industry events and trends. We have progressed with our vehicle leasing strategy and thus renewed our fleet. NamPost fleet adheres to strict, timely, preventative maintenance, recognising that well-maintained vehicles are safer and carry fewer costs. Regrettably, there were two major accidents (2018: four) during the year, which cost the company N$140 000 (2018: N$250 000). These figures are low, considering that every vehicle in our fleet drives nearly every day of the year, except maintenance days.

EASYBOX AND EASYPACK

Our EasyBox and EasyPack product ranges are durable and have standardised in size and cost to the benefit of our customers. We rebranded the EasyPack range during the year and expanded its offering. We now have same-day delivery services available on request.

EMISSIONS

Though NamPost does not yet have a formalised strategy for reducing its carbon footprint, we are aware that Courier Services' vehicles impact on the environment. We maintain our carbon emissions below the standard and employ fuel-efficient vehicles. Our EasyBox products are completely recyclable and reusable.

CONTRIBUTION TO STRATEGY

Enhance shareholder value

Courier Services now operates on upfront payments, eliminating the risk of discrepancies or disputes from cash on delivery payments.

The new Procurement Act (Act 15 of 2015) obligates state-owned entities (SOEs) to procure from other SOEs, and we are engaging with other state entities and Government to capitalise on the opportunity to provide courier services to these entities.

We continued participating in the Bank Windhoek Cancer Apple Project (refer to next page).

Lower-income Namibians have an easier time applying for jobs using the EasyPack range.

Achieve operational effectiveness

We developed the new price matrix to standardise payments for routes, which improves our planning systems. The TMS improves our operational effectiveness as well.

Measure and manage business risks

The new price matrix reduces fraud risk. The visibility of freight reduces the risk of non-delivery.

Journey towards customer centricity

The TMS gives customers greater control, convenience and peace of mind for deliveries. Our EasyPack and EasyBox product ranges are dependable and affordable.

Enhance human capital culture and effectiveness

Courier Services has developed and implemented an employee engagement plan.

OUR PEOPLE

The HR Department supplied training to 76 employees on customer care, portal certification and fraud and fraudulent activities.

Total employees: 204 (2018: 211[1])

[1] *Restated to include fixed-term employees.*

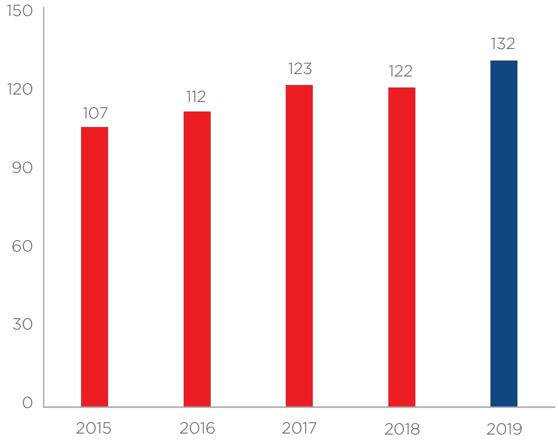
TECHNOLOGY

NamPost's ICT Department phased in the TMS to fully replace Courier Services' legacy IT platform. The TMS comprises four platforms (Freightware online, Freightware, E-Docs and WMS) which the Department integrated into one another and into NamPost overall. The TMS has a full visibility track-and-trace system, which NamPost can now charge for, and improved real-time support. The software improves administration accuracy and timings, allows for mobile communication between drivers and the office, and allows customers to view documentation related to their orders. Although the TMS was implemented behind schedule, and initial uptake did not meet expectations, we are confident that it will provide financial return in the near future.

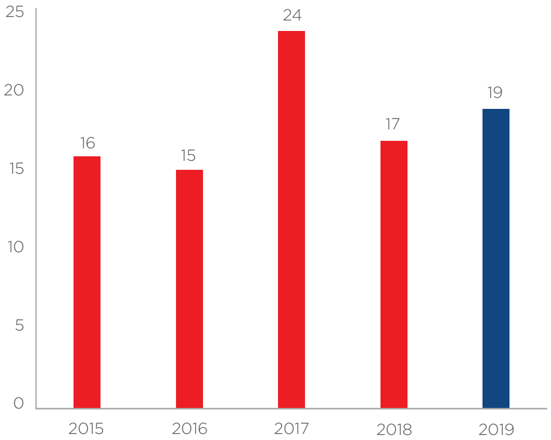
The ICT Department also assisted in installing a new price matrix, which is an automated price calculator that ensures a standardised, objective price for deliveries and minimised human error. We have an e-commerce strategy which includes plans to host key service providers on NamPost's website.

PERFORMANCE

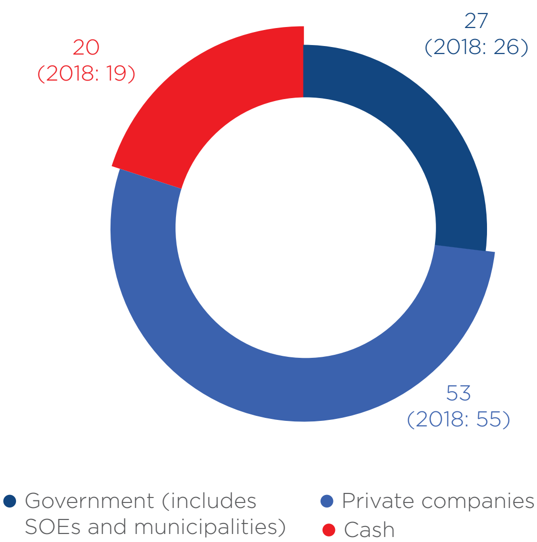
Revenue (N$ million)



Net profit (N$ million)



Revenue contribution (%)



OUR SOCIAL IMPACT | BANK WINDHOEK CANCER APPLE PROJECT

The Cancer Apple Project raises money for the Cancer Association of Namibia by selling apples for N$5 each.

NamPost makes its Courier Services fleet available free of charge to deliver the apples throughout Namibia at a value of N$0.452 million.

NamPost delivered approximately 100,000 apples, which raised N$500,000 for the cause.

> "More than an apple. It's a fruit of hope."

Bank Windhoek CANCER APPLE PROJECT

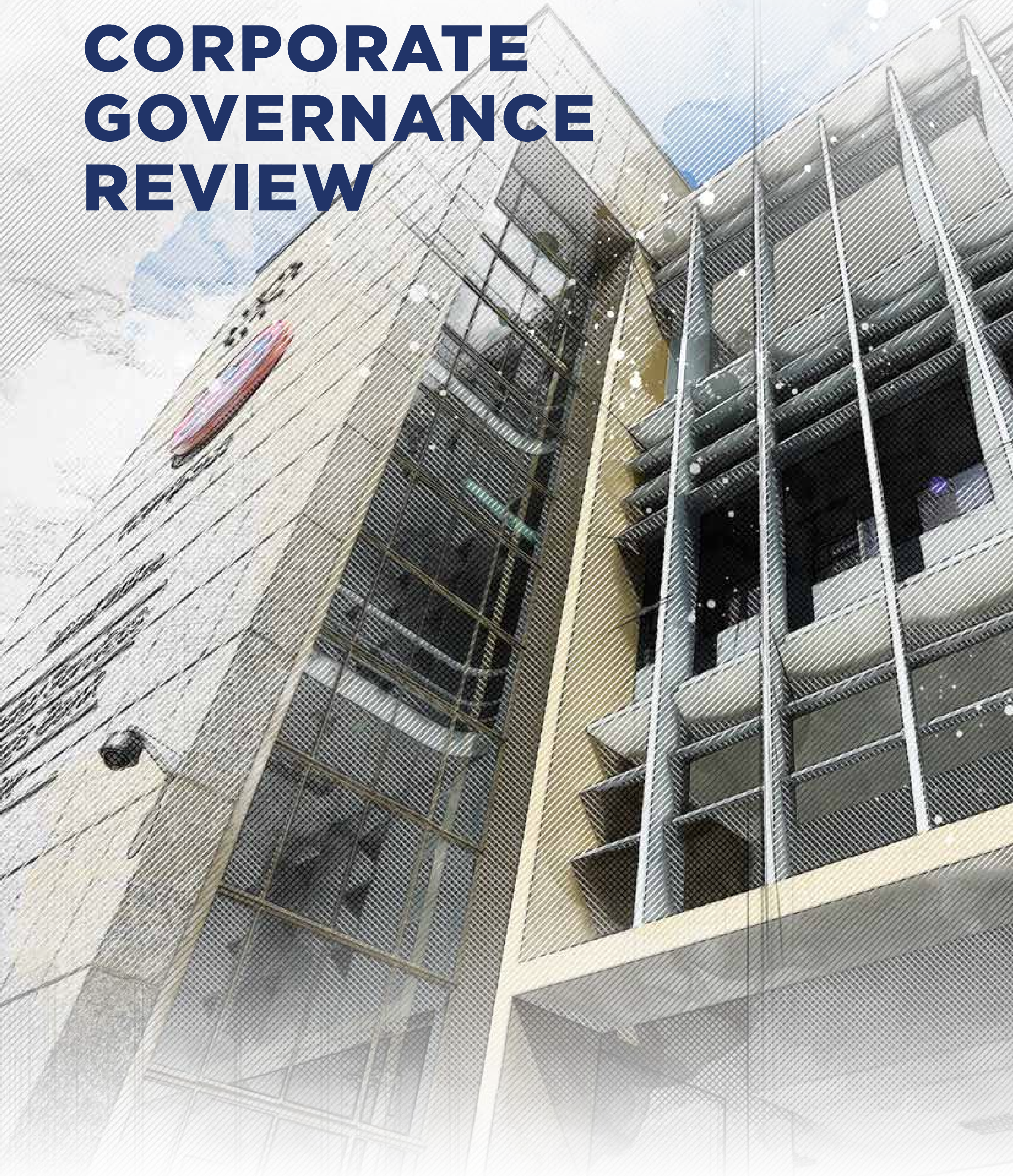
OUTLOOK AND FUTURE FOCUS AREAS

Going forward, growth is expected to remain flat – potential freight volumes declining will lower revenue. Customers can expect to use our new cross-border service and prepaid cash accounts, as well as line haul optimisation.

Our focus will be on:

- Prepaid cash accounts to reduce fraud risk
- Further optimising our line haul fleet for better efficiencies
- Developing an e-commerce platform to allow Namibians to order products online through NamPost's website
- Continuing cost containment initiatives
- Expanding the customer base to include more parastatals and other customers

CORPORATE GOVERNANCE REVIEW



GOVERNANCE

Eldorette Harmse
Executive Legal, Compliance, and Governance

Remaining a model corporate citizen during troubling times.

Highlights	Challenges
○ Board term extended to May 2020 ○ Key financial deliverables delivered (PSD 4 and 6 licences issued by Bank of Namibia) ○ Issue of new card, inter-operability and VISA domestic functionality	○ Economic climate

The Board oversees NamPost's operations, direction and performance. It is accountable to NPTH for creating and delivering strong, sustainable financial performance and long-term shareholder value. The Board manages NamPost in accordance with the company's articles of association, which may only be amended by NPTH's special resolution.

The NamCode, which is based on King III Report on Corporate Governance for South Africa 2009 (King III) principles, guide NamPost's governance practices, and we consider best practice recommendations from King Report on Corporate Governance™ for South Africa, 2016 (King IV), where applicable.

OUR FOCUS AREAS

The Board holds an annual planning session, and it reviews the company scorecard annually. It develops NamPost's strategy to dovetail with five-year strategy plans and annual business plans. An annual business plan informs each year's budget.

During the year our key focus areas were to:

- Execute Financial Services projects, most importantly the payment licence, allowing for an interoperable card
- Finalise arrangements to secure a loan from KfW to fund micro-lending
- Improve Courier Services' efficiency through improved software
- Align NamPost's operating structure to its new strategy
- Track progress for strategic objectives, ensure they were implemented or operationalised

Organisational changes

Structural change

NamPost recognises that its strategy needs to respond to its external environment (refer to page 11), and has redesigned its operating model accordingly. The changes that follow happened towards the end of the financial year, and will be fully operationalised in the next year. Consequently, this integrated report discusses the model as it stood for the majority of the year.

NamPost changed its operating model by:

- Merging Postal Services and Courier Services into Mail and Logistics
- Creating a Retail business unit under which all post offices fall, as they are the outlets for NamPost products and services

Financial Services remained unchanged.

None of these changes resulted in retrenchments. NamPost's policy is to redeploy employees before hiring any new ones.

Committee and title changes

- NamPost restructured Internal Audit and Risk into Internal Audit and Forensic Services, and established a Risk Committee
- All executive directors received new titles

Strategic PMO

Acting on the recommendation of Bank of Namibia, NamPost commenced during the year with the establishment of the PMO. The office will have a central oversight of enterprise projects across the company and will ensure that such projects are managed in a structured and standardised manner with the goal of achieving project objectives. By year-end its structure was approved. The aim is to operationalise the office as soon as possible.

BOARD COMPOSITION

The Board comprises five independent non-executive directors, appointed by NPTH. It is satisfied that it has the requisite skills, diversity and experience to strategically and operationally guide the company. It is satisfied that it executed its mandate and responsibilities in accordance with our Board charter and with the support of its committees. We are confident that the Board and its respective committees discharged their fiduciary duties in good faith, with due diligence and care, and in the best interests of NamPost and its stakeholders.

The Chairperson and CEO have distinct roles. The roles have specific responsibilities divided between them to ensure a balance of power and authority. No individual has unfettered powers of decision-making or the ability to dominate Board's decisions. The Board's duties and the Exco's day-to-day duties and implementation of the Board's mandate are separate and distinct from one another.

Chairperson

The Chairperson leads the Board in effectively discharging its mandate.

CEO

The CEO is responsible for the day-to-day management of NamPost. This involves formulating and implementing strategy. The CEO leads and oversees Exco and oversees the implementation of Board-approved actions.

BOARD DIVERSITY

The Board's diversity supports the company's strategy and competitive edge. Our strategy requires that we attract and retain the right skills. The Affirmative Action (Employment) Act, 1998 (Act 29 of 1998), which is outlined by Namibia's Employment Equity Commission, dictates and assesses our employment of previously racially disadvantaged people, and women. The Department of Labour annually certifies our affirmative action.

Indicators of diversity and tenure are provided on page 27.

APPOINTMENT, INDUCTION AND CONTINUING EDUCATION AND TRAINING

NPTH appoints NamPost's directors on three-year tenures. New directors' induction and ongoing development are the responsibility of the Chairperson, supported by the Company Secretary. Induction includes formal sessions, face-to-face meetings with executives and site visits to orientate and familiarise directors with business operations. If necessary, directors have access to additional training to assist with their duties. Training covers the company's culture and values, strategy, business model, businesses, operations, risks and governance arrangements upon appointment.

In 2019, the Chairperson attended a two-day leadership training programme as highlighted below:

Date of attendance	Training subject	Director
27 – 28 June 2019	Board Leadership and Corporate Governance MasterClass	EN Hamunyela

NPTH extended the current Board's tenure until May 2020 in order to allow for the completion of the recruitment process.

ETHICAL LEADERSHIP

Code of ethics

The NamPost Values were incorporated into the code of ethics during 2018. During the year, the Chairperson of the Board participated in the Fraud Perception Survey arranged by Internal Audit and Forensic Services. A fraud risk assessment, in line with the Board-approved Fraud Risk Management Framework, commenced to identify and assess vulnerabilities within identified business units. The Fraud Risk Assessment also incorporated the outcomes expressed in the Fraud Perception Survey.

Arrangements for governing and managing ethics

The declaration of interests is a standing item at every Board meeting. The Board approved the revised Whistleblower Policy as part of its drive to continuously improve its corporate governance practices (refer to page 62). The whistle blower hotline is managed by an independent third party. NamPost's Board and management team are committed to the highest standards of openness, probity and accountability. We encourage employees and others with serious concerns about any aspect of the company's work to voice those concerns. We conduct due diligence on all our commercial suppliers.

FUTURE FOCUS AREAS

- The Public Enterprises Minister is expected to issue new guidelines on corporate governance. He will oversee commercial entities, which include NPTH, and therefore NamPost
- New performance and governance agreements will be signed with NPTH and the Minister
- The new Board will be inducted and familiarised with NamPost
- Continuity of strategic objectives with new Board
- Overseeing CRAN licence obligations and compliance

GOVERNANCE STRUCTURES AND DELEGATION

BOARD LEVEL			
Board	**Board Audit and Risk Committee (BARC)**	**Human Resources and Compensation Committee (HRCC)**	**Board Investment Committee (BIC)**
○ EN Hamunyela CC ○ M Haingura DC ○ Dr P Boer ○ IUD Kalenga ○ JA Cumming	○ M Haingura CC ○ Dr P Boer ○ JA Cumming	○ Dr P Boer CC ○ EN Hamunyela ○ IUD Kalenga	○ EN Hamunyela ○ M Haingura ○ JA Cumming CC
The Board is responsible for NamPost's long-term success and for ensuring leadership within a framework of effective controls. It sets NamPost's strategic direction and approves the strategy. It considers its decisions' impact on, and its responsibilities to, all stakeholders, including the shareholder, regulators, customers, the environment and NamPost's communities.	In accordance with its risks, the BARC assists the Board with overseeing and reviewing financial, risk, ICT, audit and internal control issues. BARC strategically monitors aspects of financial management, as well as financial policies, technology, enterprise-wide risk management and assurance functions. Note: The Audit Committee was renamed BARC in April 2018 and the committee charter was updated to reflect the committee's role.	The HRCC deals with strategic aspects of human capital management and alignment of the operational structure to NamPost's strategic intent. In accordance with its terms of reference, it assists the Board in overseeing and reviewing the remuneration, incentive schemes and organisational alignment. The HRCC meets at least biannually, with authority to convene more meetings if required by circumstances.	The BIC primarily monitors and oversees Savings Bank funds' investment and manages related risks, which include liquidity, credit and market. It assists the Board in its oversight responsibilities relating to managing the mix of the company's asset and liability portfolios, the maturity structure and market-related risks. In discharging its responsibilities, the committee will report and, where appropriate, make recommendations to the Board in respect of all matters entrusted to it under its charter.
Five-year focus areas ○ Enhance shareholder value ○ Increase focus on customer centricity ○ Enhance operational effectiveness ○ Measure and manage business risks ○ Enhance human capital and culture effectiveness	**Focus areas** ○ Quarterly reviews of the company's risk reports detailing changes in the level or nature of the risks faced by the company, developments in risk management and operational events, including significant errors and omissions	**Focus areas** ○ Continue reviewing policies and procedures ○ Measures to ensure an engaged workforce ○ Company-wide salary review by external company (conducted every third year)	**Focus areas** ○ Continuously monitoring NamPost's Investment Policy implementation ○ Managing the risk exposure in the portfolio
	Future focus areas ○ Fraud risk management and awareness ○ Embedding a combined assurance model ○ Standing ICT matters and cyber security ○ Oversee and monitor CRAN compliance	**Future focus areas** ○ Implementation of the alignment of changes in business and operational model (2019) ○ Continuous review and improvement of HR Policies	**Future focus areas** ○ Review Investment and Risk Policy to align with current operations ○ Cost of funds management

CC Committee chairperson
DC Deputy chairperson
UR Tender Committee
SI Standing invitee

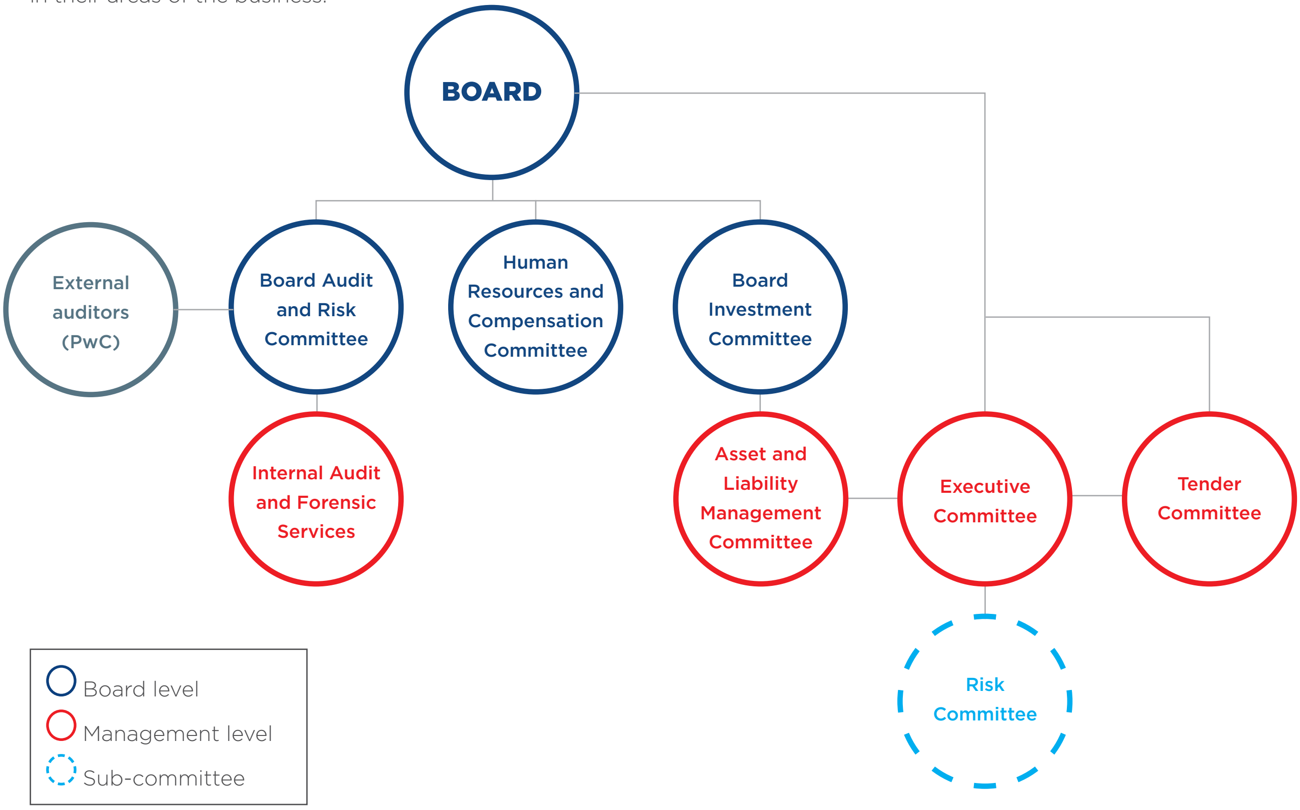
MANAGEMENT LEVEL

Executive Committee (Exco)	Tender Committee	Asset and Liability Management Committee (ALCO)	Risk Committee (Exco sub-committee)
○ FF Hangula CC ○ G Christ ○ EC Harmse ○ B Pfigirai ○ T Erkana ○ D Claasen ○ S Bergh ○ J Schnoor ○ B van Eck ○ J Comalie ○ K Hochobeb	○ B Pfigirai CC ○ EC Harmse DC ○ J Mouton ○ S Bergh ○ T Erkana ○ G Christ ○ L Mungunda UR ○ R Knittle SI ○ C Kruger SI	○ FF Hangula CC ○ D Claasen ○ J Comalie ○ B Pfigirai ○ C Klazen SI ○ J Mouton SI ○ O Musilika SI ○ M Ngaujake SI	○ D Claasen ○ A Kauatuuapehi DC ○ J Mouton ○ R Muranda ○ M Ikanga ○ C Viljoen ○ G Christ ○ W Shikoto ○ G van Wyk ○ G Ihuhua
The Exco charter sets outs the purpose of the Exco as follows: ○ To assist the CEO in the overall leadership and management of NamPost to execute its mandate and fulfil the company's strategic objectives ○ Act as medium of communication and coordination between business units, departments and the Board ○ Determine matters or make recommendations to the CEO and, through the CEO, make recommendations to the Board regarding the direction and operations of NamPost and progress made on strategic objectives ○ Individually, and as a committee support the CEO to lead, direct, coordinate and control NamPost's operations and performance in accordance with the policies, strategy and plans approved by the Board	The committee is vested with the responsibility to ensure compliance with the rules governing the procurement of all goods and services as set out in the Procurement Policy and the company's Financial Delegations of Authority.	The ALCO) is a standing committee responsible for monitoring the implementation of the Investment Policy, and reviewing NamPost's assets and liabilities. The ALCO reports to the BIC, with responsibility of ensuring BIC directives are implemented and adhered to.	The Risk Committee assists the Exco in fulfilling its management responsibilities, to: ○ Identify, assess, measure, manage, monitor and report on all risk areas ○ Make recommendations to Exco on their findings ○ Ensure coordination of activity among Exco sub-committees ○ Ensure that the controls, processes, procedures and systems deployed are within the NamPost's risk appetite and the requirements of the regulatory authorities ○ Ensure adequate risk averse culture is adopted throughout NamPost by providing the relevant company-wide awareness and relevant training ○ Act as the central point for all risk enforcing into the organisation

DELEGATION OF AUTHORITY

Our Board is supported by three committees and has delegated specific responsibilities to them. These include the BARC, the HRCC and the BIC. A brief description of the terms of the committees are set out on page 54.

The Chairperson sets the Boards' agenda, ensures directors receive accurate, timely and clear information, and promotes effective relationships and open communication between directors. At the discretion of the Board or relevant committee, executives and/or senior management are invited to attend meetings and make presentations on developments and results in their areas of the business.



MEETING ATTENDANCE

Ordinary Board and committee meetings are held quarterly and extra-ordinary Board meetings are held as required. The CEO, Executive Finance and Company Secretary (Executive Legal, Compliance, and Governance) are standing invitees to Board meetings. During the year, the following meetings were held:

Member	Board	BARC	HRCC	BIC	Other#
Meetings held	**6**	**4**	**2**	**4**	**5**
EN Hamunyela (Chairperson)	6	–	2	2	5
M Haingura (Deputy Chairperson)	5	4*	–	4	4
Dr P Boer	6	4	2*	–	4
IUD Kalenga	6	–	2	–	4
JA Cumming	5	4	–	4*	5

* *Chairperson.*
\# *Strategic review and shareholders meeting (AGM and general).*

COMPANY SECRETARY

The Company Secretary acts as a secretary to the Board and its committees. The Company Secretary is accountable to the Board for ensuring its processes and corporate governance practices are followed. All directors have access to the Company Secretary's advice and services. Directors also have access to independent professional advice at the company's expense where relevant to their duties. The Board considers its arrangements for accessing professional corporate governance services as effective.

STAKEHOLDER RELATIONSHIPS

Overview of arrangements for governing, managing stakeholder relationships

The Board recognises the importance of good relationships with its shareholder and stakeholders. The Chairperson, CEO and Executive Finance ensure regular communication with the shareholder on finance, governance and strategy. The Chairperson ensures that the Board appreciates the shareholder's views on NamPost's strategy.

COMPLIANCE

OVERVIEW OF ARRANGEMENTS FOR GOVERNING AND MANAGING COMPLIANCE

NamPost is committed to the highest standards of integrity, professionalism and ethical behaviour. Employees are required to adhere to these standards and comply with all relevant laws, rules and standards when conducting NamPost's business. The company implements procedures to ensure compliance to relevant statutory, regulatory and supervisory requirements. Compliance risk is the potential that these procedures are not adhered to, and/or are inefficient or ineffective. Any breaches or illegal behaviour pose reputational risks to the company.

POSTAL LICENCE

The Namibian Communication Act (Act 8 of 2009) was promulgated in 2009, and the postal services chapter is outstanding. During the year, the Minister of Information and Communication technology published the chapter, and NamPost is applying for a postal licence (previously the company had been Namibia's de facto postal service provider). This licence will confer certain rights onto NamPost, while adding legal requirements. Government acknowledges that NamPost is largely self-regulating and focused requirements on consumer-driven issues.

PSD 6 LICENCE

Namibia applies market rules that describe the types of organisations that may provide payment services. During the year, NamPost acquired a PSD 6 licence from Bank of Namibia. This is an interoperable licence that enables NamPost to participate in the Namibian clearing and settlement (payment system) industry, subject to business conduct rules that specify degrees of information transparency to be provided.

The licence effectively expands NamPost's legal rights as a financial institution and enabled the company to deploy the VISA-branded SmartCard with improved capabilities. As NamPost offers more financial services, compliance considerations are becoming increasingly important.

KEY AREAS OF FOCUS

- Improved compliance risk management and control methodologies, measurement and processes by applying international best practice and standards – the Board approved all necessary policies.
- Drafted and completed a company-wide compliance regulatory universe, and commenced with CRMPs for high-rated legislation. This is strictly enforced.

ACTIONS TAKEN TO MONITOR THE EFFECTIVENESS OF COMPLIANCE MANAGEMENT AND HOW OUTCOMES WERE ADDRESSED

The Financial Intelligence Act (Act 13 of 2012) requires an independent opinion of the implementation of the Anti-money Laundering Compliance Framework. Bank of Namibia and Internal Audit and Forensic Services each conducted an anti-money laundering assessment and identified the following actions to improve the environment: current Compliance Risk Management Framework, developing Risk Management Plans, and building a compliance culture.

During the year under review no significant compliance risk violations were noted or reported to the compliance function.

RISK MANAGEMENT

Deon Claasen
Executive Enterprise Risk Management

NamPost ranks and manages the risks that impact its ability to provide financial and social returns sustainably.

NamPost uses an ERM Framework based on the Committee of Sponsoring Organisations of the Treadway Commission principles. It comprises core risk management processes, governance and policy frameworks. The ERM process enhances NamPost's ability to manage uncertainty. It is a comprehensive, systematic approach to identify events, and measure, prioritise and respond to the risks challenging its most critical objectives and related projects, initiatives, and day-to-day operating practices. The ERM Framework provides a detailed set of principles to enable risk identification, risk measurement, risk management and control, risk reporting and risk monitoring to ensure an efficient and effective integration of risk management across the NamPost Group's risk universe.

The ERM Framework forms the basis for business policies and procedures must either be ascribed to or complied with by business. It is the responsibility of the business to ensure that it has drawn up and implemented appropriate governance structures, policies, procedures and controls that comply with the ERM Framework.

NamPost's ERM strategic objectives are to:

- Ensure key risks are well understood, identified, measured and managed
- Support principal risk owners in attaining their strategic initiative
- Optimise risk and reward
- Ensure accountability for risk management is clearly communicated and accepted
- Create efficiencies and opportunities

NamPost's Board oversees the ERM Framework's implementation, with the support of the BARC. The company monitors the effectiveness of internal control and risk management strategies. The BIC focuses on NamPost asset and liability management-related risks.

The Executive ERM, Executive Finance, Executive Internal Audit and external auditors are standing invitees to all ordinary BARC meetings and they support the committee in discharging its duties. Managers in each department maintain a risk register. NamPost's ERM Department is responsible for the consolidated risk reporting, policy implementation, facilitation and coordination of the risk management and the risk governance processes. Internal Audit is the third line of defence and provides independent assurance over the adequacy and effectiveness of risk management controls, processes and practices.

Each department supplies a summary of its risks to the BARC via the ERM Department at quarterly workshops to review and approve the strategic risk register recommended by Exco. Thereafter, the Board reviews risks, assisted by BARC. Before each year-end, the Board receives the plans and risk register for the year. BARC has a standing item for ICT, and the Board has a standing item to assess, monitor, and approve (among other things) key projects.

Although NamPost's risk appetite for some principal risks is not defined, ALCO monitors certain risk appetite thresholds; and the Group's Investment Policy guides market, liquidity and credit risk and some regulatory thresholds. NamPost is in the process of formalising the risk appetite statements for the Group's principal risks.

The Internal Audit Department assesses the ERM Framework's effectiveness. BARC and the Board receive quarterly risk reports that outline changes in the level or nature of the risks faced by the company, developments in risk management, and operational events, including significant errors and omissions. There were no changes to the ERM Framework and its governance processes during the year.

Governance committee at Board level	ERM Framework risk responsibility
BARC	○ All risks
BIC	○ Market risk ○ Liquidity risk ○ Financial risk

Governance committee at management level	ERM Framework risk responsibility
Exco	○ ERM Framework ○ All risks
Risk Committee	○ Operational risk ○ Financial crime risk ○ Compliance, legal and regulatory risk ○ Information technology risk ○ People risk
Credit Risk Management Committee	○ Credit risk
ALCO	○ Liquidity risk ○ Market and capital risk

Key risks in 2019		Related opportunities
Strategic risk ○ PSD 7 ○ Concentration risk ○ Project Management Office Impact: Very high Likelihood: Highly likely	The risk that achieving the strategic objectives will be adversely affected by defective strategic planning or poor execution of strategic objective	○ NamPost customers will have more convenience ○ Enhanced customer offerings ○ Increased profitability and sustainability
Operational risk ○ Fraud risk ○ Business continuity management (business recovery) Impact: High Likelihood: Likely	The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This includes information and legal risk and excludes reputational and strategic risk	○ Business resilience and customer trust ○ Reliability and improve loyalty
Credit risk Impact: Very high Likelihood: Highly likely	The risk of credit loss to NamPost as a result of failure by a counterparty to meet its financial and/or contractual obligations to NamPost	○ Improved working capital management resulting in better cash flow
Fraud risk Impact: Very high Likelihood: Likely	The risk of fraud or dishonesty, misconduct or misuse of company assets by employees for their own benefit	○ Improved employee morale and productivity
Technology risk ○ Cyber security risk ○ Business continuity management (disaster recovery capability) ○ Resource constraints Impact: Very high Likelihood: Likely	Arises when NamPost strategic technology investment is not aligned to its vision and or its business strategy Technology risk also arises when IT systems fail in providing critical business services	○ Investor confidence ○ Leveraging IT infrastructure

LIQUIDITY COVERAGE

Based on NamPost's 2018 results, some stakeholders raised concerns that NamPost Savings Bank may face short-term liquidity problems, given that current liabilities exceed current assets. Although the 2019 results indicate the same status, this does not pose a major risk to NamPost.

Normally, a banking entity owns non-current (long-term) assets that are difficult to liquidate on short notice. As NamPost is not a commercial bank, it does not own these kinds of assets. We have a high-quality portfolio of non-current assets that can be liquidated within a week. This means that some non-current assets are more liquid than current assets.

According to Basel III "The liquidity coverage ratio is designed to ensure financial institutions have the necessary assets on hand to ride out short-term liquidity disruptions. 30-day Liquidity Coverage Ratio must be greater than 100%". At 30 September 2019, NamPost's liquidity coverage ratio was at 308%.

FUTURE FOCUS AREAS

- Finalise all high-rated and medium-rated Compliance Risk Management Plans (CRMPs)
- Develop and implement the controls to implement the CRMPs
- Implement a Compliance Policy

COMBINED ASSURANCE

The Board adopted a combined assurance model to take a broader and more holistic approach to risk and its management. The model classifies the risk landscape into types of risk with a potentially positive or negative effect on the ability of business to meet its strategy and protect or create value. Using the combined assurance model, the company incorporates and optimises all assurance services and functions, taken as a whole, to enable an effective control environment; and support the integrity of information used for internal decision-making by management, the governing body and its committees. The Board delegates the responsibility for overseeing the direction concerning the arrangements for assurance services and functions to BARC.

There are fundamentally three classes of assurance providers, differentiated by the stakeholders they serve, their level of independence from the activities over which they provide assurance and the robustness of that assurance.

The Board sets the foundation for NamPost's combined assurance, and the company is progressively maturing in how it implements combined assurance to adapt the model to obtain the appropriate level of risk assurance. Current efforts include establishing structures for the combined assurance approach to be fully embedded. These entail:

- Establishing a combined assurance framework that governs and defines the roles and responsibilities and accountability for the combined assurance process
- Adopting a combined assurance methodology which sets out the minimum guidelines to be applied in the combined assurance process stages (planning, execution and reporting)
- Develop a combined assurance plan which clearly and directly links top risks with key mitigating controls, and the planned assurance reviews (by assurance providers) to gain comfort over the adequacy and effectiveness of the indicated key controls
- Prepare a combined assurance reporting dashboard which:
  - Provides insights into the assurance of top risks and key mitigating controls, and their impact on achieving NamPost's strategic objectives and performance goals
  - Supports the BARC in its responsibility for assessing the effectiveness and efficiency of the control environment

INTERNAL AUDIT AND FORENSIC SERVICES

Kgomotso Hochobeb
Executive Internal Audit

Internal Audit provides independent objective assurance on the adequacy and effectiveness of NamPost's internal controls, risk management and governance processes. The Department functionally reports to the BARC and is responsible for developing and executing an annual risk-based Internal Audit Plan. The intent of this audit plan is to convey a sense of NamPost's internal control environment and the extent to which institutional risk mitigation is being managed within the strategic and operational process universe, through the assessment of regular audits.

In November 2018, BARC approved a three-year annual risk-based internal audit for the financial years 2019 to 2021. The 2019 annual risk-based Internal Audit Plan provided assurance on the following key focus areas:

Focus areas
Key financial control accounts reconciliations
Salary increases and bonus payouts
Investment – treasury verification
Leave administration
Banking platform system migration
Courier joint venture relationship management
Tariff rates approval process and system uploads
Post office branch controlling
Courier insurance claims handling process
Courier revenue management (corporate and donation accounts)

The Department provides fraud risk management services to assist NamPost in combating fraud. A Manager Forensic Audit and Investigations, who reports to the Executive Internal Audit, was appointed on 1 February 2019 to manage the newly established Forensic Services Division[1] which provides a more comprehensive approach to managing fraud risk. The Board approved the Fraud Risk Management Framework and Policy as well as the revised Whistleblower Policy in 2019. NamPost has a zero tolerance for fraud, corruption and bribery and will apply appropriate prevention and detection controls and use available resources to investigate and follow up on any allegations of fraud, corruption or bribery.

The division has the following proposed focus areas for 2020, and began executing them in August 2019:

- Company-wide fraud risk assessment
- Assist in the design and implementation of fraud prevention and detective controls
- Provide ongoing anti-fraud training and awareness
- Monitor and evaluate the Total Fraud Risk Management Programme

The division conducts branch inspections at post offices. These inspections are conducted at random without prior warning. A total of 32 inspections and investigations into theft, burglaries and related activities were conducted and reported during the year. The Whistleblower Policy is aligned to the Whistleblower Protection Act (Act 10 of 2017) (not gazetted yet) and whistle blowers are provided with protection and anonymity when reporting incidences of fraud and misconduct. The Whistle blower hotline remains active, and gives all employees, customers, suppliers, contractors and the general public the opportunity to report on irregularities.

NamPost's compliance function supports management in managing compliance risk in the company. It monitors compliance with policies and procedures and ensures the corrective action is taken when compliance breaches are identified.

NamPost received no penalties during the year. All findings from regulatory bodies and audits are reported to BARC for appropriate action.

[1] *The Internal Audit Department comprises two divisions, being Audit and Forensic Services.*

ICT GOVERNANCE

Jorn Schnoor
Executive Technology

ICT supports, enables and enhances NamPost's business operations.

NamPost's ICT Department serves to support its business units with streamlined and stable functionality. The Department provides:

1. **Business support** that aims to work closely with the business units, still to be approved by the HRCC and Board, that identifies and implements business improvement and optimisations
2. **Enablement** by creating improvements based on systemic controls and optimise business processes using digital platforms and principles
3. **Enhancement** through new products and services

BARC oversees ICT governance within NamPost. NamPost implemented a Technology Risk Governance (TRG) Framework, approved by the Board in June 2018. The Executive Technology implements the approved security policies and procedures. We aim to ensure consistency in NamPost policies' application across the Group, using its ERM Framework. As part of the process, we aim to implement a revised Cyber Security Framework that follows the relevant guidelines of King IV.

The Executive Technology is responsible for the banking technology operations support team, established to support the new online payment infrastructure (biometric issuing and acquiring platforms) throughout Namibia and the NamPost network. The team implemented the company's production server infrastructure for payment systems and operational platforms within budget, ahead of schedule in 2019. This assists in aligning the company's strategic objectives and business models (refer to page 6). The return on this investment is demonstrated by faster, reliable and consistent infrastructure and reduced risk. The infrastructure upgrade for country-wide improved telecommunications connectivity is ongoing, with already improved ROI. The initial ROI for improved very small aperture terminal technology was demonstrated.

As NamPost becomes increasingly digitised to participate in the online banking market, it becomes more exposed within the ICT risk landscape, particularly regarding cyber security and data privacy breaches. There were no cyber security breaches during 2019. However, cyber threats evolve hourly, and remain a constant risk. NamPost adjusted contractual agreements with employees to encompass elements of governance, risk and compliance in each job description. NamPost continues addressing any audit findings and ensures relevant security policies are adhered to, to address internal and external risks. All listed audits and subsequent audit findings were addressed and mitigated.

NamPost employees are expected to adhere to NamPost's risk policies and frameworks by instilling and complying with a risk averse culture in all operational matters. The Executive Enterprise Risk Management raises awareness among employees and provides appropriate and continued awareness and education. During 2019, NamPost held cyber security awareness sessions that assisted in reducing the initial risks in employee behaviour. NamPost will continue to upskill its employees regarding their cyber security responsibilities.

ICT GOVERNANCE FRAMEWORK

The TRG Framework is aligned to the ERM Framework and is based on COBIT 5, King IV, NamCode, Information Technology Infrastructure Library (ITIL) 3 and Payment Card Industry Data Security Standards (PCI-DSS). NamPost's policy outlines the controls for, among others:

- Incident management
- User access control
- Security management
- Physical and environment control
- Change management
- ICT service continuity
- Other COBIT 5 based governance

The internal risk management system, in conjunction with ICT risk systems, processes and controls, is used to assess, mitigate, monitor and control all ICT risks, audit findings, actions and responsibilities.

ASSURANCE

BARC and the Executive Technology ensure the effectiveness of the TRG Framework through internal and external assurance processes. In 2019, NamPost ICT underwent over five different assurances or audits, which were provided by Bank of Namibia and various local audit firms among others. Internal audits further strengthen assurance within NamPost ICT.

TECHNOLOGY IN SUPPORT OF BUSINESS

One of the ICT Department's core functions is to be a partner to business units, to improve their operational efficiencies, reach financial targets and drive innovation in products and services. To this end, they regularly interact, and establish technology options via enterprise architecture aligned directly with business units' strategic objectives.

Enterprise architecture is a powerful tool in establishing structures that demonstrate current business and technology states, assess future business requirements and implement visual views of how NamPost wants to appear and operate. Therefore, the expansion of The Open Group Architecture Framework 9 based enterprise architecture into business and technology pillars, aligned with constantly adjusting business pressures, remains core to our function. Budget constraints halted the initiative during 2019, but it remains an executive priority. Planning for the 2021 financial year includes business process architecture and database architecture; the network architecture is already in an advanced state.

NamPost remains committed to the financial inclusion ideology with third-party vendor negotiations and projects tightly controlled and negotiated.

Our technology focus remains strong regarding the financial inclusion mandate as expected by the NPTH and Namibian Government. Designs are based on the needs of the underbanked, with services and costs aligned to their financial living standards measure.

KEY AREAS OF FOCUS

Approval for an ICT PMO governance and associated ICT project management test governance framework and policies	Historically NamPost lacked a central place for projects. NamPost ICT established a PMO responsible for managing ICT projects. This PMO included governance and test governance framework with pure focus on ICT projects and testing so that it can support enterprise projects that include ICT deliverables. The PMO frameworks were shared with the central bank and Deloitte during audits and were found to adequately address ICT PMO requirements.
Cyber Security Framework aligned to King IV	NamPost ICT established the function of Information Security Officer to implement the enterprise Cyber Security Framework, King IV, ITIL 3, COBIT 5 and NamCode. The initial draft framework is in the review phase. It requires a company-wide view and input from other governance departments.
Stakeholder awareness training and ICT employees upskilling	Weekly awareness sessions address and inform all employees of their responsibilities regarding cyber security threats and behaviour. All ICT employees completed COBIT 5 and PCI-DSS training during 2018 and 2019. ITIL 3 training is scheduled for 2020. Board, BARC, Exco and other senior executives participate in regular cyber security risk reporting.

Pursuit of continual improved environments in support of business services	During 2019, the ICT PMO captured a significant amount of business processes for various business units. This exercise will continue for the foreseeable future due to the complex and varied nature of the business. Company-wide infrastructure improvements were concluded for production servers, cyber security firewalls, and country-wide telecommunications infrastructure. These improvements assist businesses to provide consistent services to NamPost customers. All computers and related operating systems were upgraded/updated to comply with the latest requirements. ICT established an experienced technical banking and business support unit to provide faster and direct access from business to ICT support. This Department will expand significantly in 2020 to ensure further focused support functions to business units are available. Following the completion of the business processes project, the business support unit, in close cooperation with relevant business units, will table a business improvement project for budget and approval. The aim is to assess critical business tasks and provide improved technology for improved business services and revenue. Various assessments were conducted via audits to understand and improve the environment, governance, services and confirmation of the current status of infrastructure and relevant inspection points. The centralised ICT budgeting process, for technology-related expenses, was introduced and refined. Further improvements are planned for 2020 to ensure full visibility of ICT costs and cost allocation, improved third-party vendor negotiations and cost management. NamPost ICT concluded its first full banking disaster recovery exercise. This included the confirmation of the current disaster recovery plan and some input from business units. The findings were shared and approved by Bank of Namibia. Refer to individual business units' sections on pages 35, 42 and 47 for more information.
Strong management information and business information architecture and other business enabling tools	The ICT Department is conducting two proof of concepts for artificial intelligence (AI) (based on business data) and a business improvement tool (also based on operational and business data). The first stakeholder session is scheduled for February 2020 for the first-round demonstration of the AI tool to business and support units.
Integration layers to enable external secure structures and standardised access for partners' and third parties' integration into NamPost	The initial application programming interface integration layer framework was established. We will focus on this complex undertaking in 2020.
Expansion of the governance, project management, banking operations support and help desk teams	The next steps for governance are in establishing of a complete cyber security framework. The business support unit expansion relies on HRCC approval 2020.
Expansion of banking services via digital channels	The ICT Department needs to source the necessary skilled resources that can support and build (if required) digital innovations and infrastructure. Business units are establishing their digital strategies which will, once approved, be shared with ICT. Digital transformation has highest priority from the Exco team.

OUTLOOK

Digital transformation is a focus that the entire organisation must adopt and adapt to. Existing manual customer services require different business structures than when dealing with digital customer services. Digital support, queries and services are instantaneous, and so technology needs to be based on clearly defined business strategies, and business process need to be adjusted accordingly.

Digital transformation requires change management, which is more complicated and time consuming than it is to deploy the technology. To this end, NamPost prioritises strengthening its resources in ICT business support functions. Unfortunately, the lack of affordable, adequately skilled ICT resources in Namibia's labour market remains a challenge when considering the competitive packages offered by local commercial banks and private companies. In an effort to upskill, NamPost ICT employees received banking-related training such as COBIT, ITIL and PCI-DSS.

Customer centricity remains a core focus for 2020. The challenge is that strained economic and social environments make it difficult to align services to the various regional dynamics. NamPost aims to establish clear customer-centric requirements that address the varied regional social and economic environments. Digital transformation that caters to the relevant products and services is likely to improve lives in the various regions.

NamPost obtained approval for the electronic funds transfer banking licences, which could elevate it to the same status as local commercial banks. Business improvement drives for selected business processes should also improve revenue and service offerings throughout the organisation.

FUTURE FOCUS AREAS

Having successfully implemented the priority projects, the ICT Department's focus is to consolidate services, and establish resources to strengthen the relevant areas needed to embark on focused business enhancements.

The digital strategy will focus on NamPost's services and internal processes, efficiencies and effectiveness and revenue-driving initiatives. Digital transformation and customer centricity remain top priorities from a strategic perspective. As part of the digital transformation, NamPost readies itself to establish local regulations aimed at governing information risk management.

Other initiatives and focus areas will, among others, include:

- Conclusion of the SmartCard migration
- Strengthening our security (introduction of a company-wide cyber awareness tool and an external cyber security prevention tool, as well as closed-circuit television and biometrics user authentication for operational employees)
- Upgrading and rolling out business operation support tools (Office 365 roll-out, Windows 10 upgrade, SharePoint workflow)
- Strengthen ICT infrastructure (upgrade infrastructure, full disaster recovery failover for banking and operational infrastructure, hardware security module for banking encryption keys reload for disaster recovery, and improved core network upgrade for head office)
- Training (adding PCI-DSS awareness and attestation as part of HR onboarding processes, and completing ITIL 4 training for all ICT employees)
- PCI-DSS audit conclusion and compliance
- Active directory reorganisation and improved Group policies
- Digital Banking products dependent on the awarding of various banking licences

ANNUAL FINANCIAL STATEMENTS

NAMIBIA POST LIMITED AND ITS SUBSIDIARY

(Registration number 92/284)

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

General Information

Country of incorporation and domicile	Namibia
Nature of business and principal activities	Namibia Post Limited Group is engaged in the supply of postal services, savings bank services and micro-lending and operates principally in Namibia. In addition, the group provides Universal Electronic Payment System's applications, products and services to financial institutions, government organisations, retailers, employers and other service providers.
Directors	Evangelina N Hamunyela Perien J Boer Muronga Haingura Israel U D Kalenga James A Cumming
Registered Office	Post Office Building Corner Independence Avenue and Daniel Munamava Street Windhoek
Business address	Post Office Building Corner Independence Avenue and Daniel Munamava Street Windhoek
Postal address	P O Box 287 Windhoek Namibia
Holding company	Namibia Post and Telecom Holdings Limited incorporated in Namibia
Bankers	Bank Windhoek Limited Standard Bank of Namibia Limited
Auditors	PricewaterhouseCoopers Registered Accountants and Auditors Chartered Accountants (Namibia)
Secretary	Eldorette C Harmse
Company registration number	92/284
Lawyers	Shikongo Law Chambers and ENSafrica/Namibia

Contents

Directors' Responsibilities and Approval

The directors are required in terms of the Companies Act of Namibia to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the group as at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

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

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

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

The directors have reviewed the group's cash flow forecast for the year to 30 September 2020 and, in light of this review and the current financial position, they are satisfied that the group has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the group's annual financial statements. The annual financial statements have been examined by the group's external auditors and their report is presented on pages 72 to 74.

The annual financial statements set out on pages 75 to 135, which have been prepared on the going concern basis, were approved by the board of directors and were signed on their behalf by:

Signed on behalf of the Board of Directors By:

Director	**Director**

Windhoek

Date: 29/11/2019

Independent auditor's report

To the Member of Namibia Post Limited

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Namibia Post Limited (the Company) and its subsidiaries (together the Group) as at 30 September 2019, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Namibia.

What we have audited

Namibia Post Limited's consolidated and separate financial statements set out on pages 75 to 135 comprise:

- the directors' report for the year ended 30 September 2019;
- the consolidated and separate statements of financial position as at 30 September 2019;
- the consolidated and separate statements of Profit and loss and other comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- accounting policies
- the notes to the financial statements.

Basis for opinion

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

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

Independence

We are independent of the Group in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants (Revised July 2016)*, parts 1 and 3 of the International Ethics Standards Board for Accountants *International Code of Ethics for Professional Accountants (including International Independence Standards) (Revised July 2018)* (Code of Conduct) and other independence requirements applicable to performing audits of financial statements in Namibia. We have fulfilled our other ethical responsibilities in accordance with the Code of Conduct and in accordance with other ethical requirements applicable to performing audits in Namibia.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Namibia Post Limited Annual Financial Statements for the year ended 30 September 2019". The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

PricewaterhouseCoopers, 344 Independence Avenue, Windhoek, P O Box 1571, Windhoek, Namibia
Practice Number 9406, T: +264 (61) 284 1000, F: +264 (61) 284 1001, www.pwc.com/na

Country Senior Partner: R Nangula Uaandja
Partners: Louis van der Riet, Anna EJ Rossouw, Chantell N Husselmann, Gerrit Esterhuyse, Samuel N Ndahangwapo, Hans F Hashagen, Johannes P Nel, Trofimus Shapange, Hannes van der Berg

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

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

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

Responsibilities of the directors for the consolidated and separate financial statements

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or

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conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and / or Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

PricewaterhouseCoopers
Registered Accountants and Auditors
Chartered Accountants (Namibia)
Per: Samuel N Ndahangwapo
Partner
Windhoek
Date: 24 January 2020

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Directors' Report

The directors have pleasure in submitting their report on the annual financial statements of Namibia Post Limited, consolidated and separate for the year ended 30 September 2019.

1. Nature of business

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

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

2. Review of financial results and activities

The consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Namibia. The accounting policies have been applied consistently compared to the prior year, with the exception of IFRS 15 which became effective in the current year.

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

3. Share capital

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

4. Dividends

No dividends were declared during the year under review, however a dividend of N$5 million which was subsequently declared in the prior year was paid during the current year.

5. Directorate

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

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

6. Interest in subsidiaries and joint venture

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

6. Interest in subsidiaries and joint venture (continued)

	2019 N$ '000	2018 N$ '000
NamPost Financial Brokers (Pty) Ltd		
Total profit after income tax	18,899	13,527
SmartSwitch Namibia (Pty) Ltd		
Total profit after income tax	11,920	12,133
	30,819	**25,660**

There were no significant acquisitions or divestitures during the year ended 30 September 2019.

7. Holding company

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

8. Events after the reporting year

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

9. Auditors

PricewaterhouseCoopers continued in office as auditors for the company, its subsidiary and joint venture for 2019 in accordance with section 278(2) of the Companies Act of Namibia.

10. Secretary

The company secretary is E C Harmse.

Postal address	P O Box 287 Windhoek
Business address	Post Office Building Corner Independence Avenue and Daniel Munamava Street Windhoek

11. Acknowledgements

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

Namibia Post Limited
Annual Financial Statements for the year ended 30 September 2019

Statements of Financial Position as at 30 September 2019

		Group		Company	
	Notes	2019 N$ '000	2018 N$ '000	2019 N$ '000	2018 N$ '000
Assets					
Non - Current Assets					
Property, plant and equipment	4	28,977	20,304	27,496	18,905
Intangible assets	5	75,375	71,800	74,301	70,554
Investments in subsidiary	6	-	-	15,001	15,001
Investment in joint ventures	7	6,594	10,634	2,000	2,000
Loans to group companies	8	-	-	205,357	209,712
Other financial assets	9	2,776,575	2,774,448	2,590,619	2,470,539
Deferred tax	11	17,188	29,166	14,152	27,027
		2,904,709	**2,906,352**	**2,928,926**	**2,813,738**
Current Assets					
Inventories	14	14,035	9,576	14,035	9,576
Loans to group companies	8	-	-	6,168	6,678
Trade and other receivables	15	97,544	84,719	97,276	84,443
Other financial assets	9	3,385,406	2,393,920	3,212,337	2,393,920
Current tax receivable	19	14,145	11,742	14,936	12,871
Cash and cash equivalents	16	106,802	87,638	98,907	85,666
		3,617,932	**2,587,595**	**3,443,659**	**2,593,154**
Total Assets		**6,522,641**	**5,493,947**	**6,372,585**	**5,406,892**
Equity and Liabilities					
Equity					
Share capital	17	5,075	5,075	5,075	5,075
Retained income		319,051	265,335	266,508	227,650
		324,126	**270,410**	**271,583**	**232,725**
Liabilities					
Non-Current Liabilities					
Other financial liabilities	18	145,891	105,441	52,974	51,993
Retirement benefit obligation	12	11,926	12,278	11,926	12,278
Savings bank Investors	13	722,622	654,145	722,622	654,145
		880,439	**771,864**	**787,522**	**718,416**
Current Liabilities					
Trade and other payables	20	210,177	191,039	199,389	185,195
Other financial liabilities	18	5,207	3,033	524	1,374
Savings bank Investors	13	5,102,692	4,257,601	5,113,567	4,269,182
		5,318,076	**4,451,673**	**5,313,480**	**4,455,751**
Total Liabilities		**6,198,515**	**5,223,537**	**6,101,002**	**5,174,167**
Total Equity and Liabilities		**6,522,641**	**5,493,947**	**6,372,585**	**5,406,892**

Statements of Profit or Loss and other Comprehensive Income

		Group		Company	
	Notes	2019	2018 Restated*	2019	2018 Restated*
		N$ '000	N$ '000	N$ '000	N$ '000
Revenue	22	869,862	830,316	787,265	763,058
Cost of sales	23	(450,520)	(415,699)	(444,334)	(413,196)
Gross profit		**419,342**	**414,617**	**342,931**	**349,862**
Other operating income (loss)	24	1,787	11,749	(184)	9,700
Operating expenses		(427,116)	(388,189)	(392,546)	(359,078)
Operating profit (loss)	25	**(5,987)**	**38,177**	**(49,799)**	**484**
Investment income	27	14,774	11,266	40,794	29,941
Finance costs	28	(1,021)	(929)	(1,021)	(929)
Income from equity accounted investments	7	5,960	6,066	-	-
Profit (loss) before taxation		**13,726**	**54,580**	**(10,026)**	**29,496**
Taxation	29	(407)	(15,290)	8,487	(8,300)
Profit (loss) for the year		**13,319**	**39,290**	**(1,539)**	**21,196**
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Remeasurements on net defined benefit liability/asset		637	1,065	637	1,065
Fair value adjustments		66,123	(35,114)	66,123	(35,114)
Income tax relating to items that will not be reclassified	30	(21,363)	10,896	(21,363)	10,896
Total items that will not be reclassified to profit or (loss)		**45,397**	**(23,153)**	**45,397**	**(23,153)**
Other comprehensive income (loss) for the year net of taxation		**45,397**	**(23,153)**	**45,397**	**(23,153)**
Total comprehensive income (loss) for the year		**58,716**	**16,137**	**43,858**	**(1,957)**

*Certain amounts shown here do not correspond to the 2018 financial statements and reflect adjustments made, refer to Notes 22 and 23.

Statements of Changes in Equity

	Share capital N$ '000	Retained income N$ '000	Total equity N$ '000
Group			
Balance at 01 October 2017	**5,075**	**249,198**	**254,273**
Profit for the year	-	39,290	39,290
Other comprehensive income	-	(23,153)	(23,153)
Total comprehensive income for the year	**-**	**16,137**	**16,137**
Balance at 01 October 2018	**5,075**	**265,335**	**270,410**
Profit for the year	-	13,319	13,319
Other comprehensive income	-	45,397	45,397
Total comprehensive income for the year	-	**58,716**	**58,716**
Dividends paid	-	(5,000)	(5,000)
Total	**-**	**53,716**	**53,716**
Balance at 30 September 2019	**5,075**	**319,051**	**324,126**

Refer to note 17 for details on share capital

	Share capital N$ '000	Retained income N$ '000	Total equity N$ '000
Company			
Balance at 01 October 2017	**5,075**	**229,606**	**234,681**
Profit for the year	-	21,196	21,196
Other comprehensive income	-	**(23,153)**	**(23,153)**
Total comprehensive loss for the year	**-**	**(1,957)**	**(1,957)**
Balance at 01 October 2018	**5,075**	**227,650**	**232,725**
Loss for the year	-	(1,539)	(1,539)
Other comprehensive income	-	45,397	45,397
Total comprehensive income for the year	**-**	**43,858**	**43,858**
Dividends paid	-	(5,000)	(5,000)
Total	**-**	**38,858**	**38,858**
Balance at 30 September 2019	**5,075**	**266,508**	**271,583**

Refer to note 17 for details on share capital

Statements of Cash Flows

		Group		Company	
	Notes	2019 N$ '000	2018 N$ '000	2019 N$ '000	2018 N$ '000
Cash flows from operating activities					
Cash generated by operations	31	14,880	80,954	(44,442)	39,913
Interest received	27	4,972	4,706	20,992	21,881
Finance costs	28	(1,021)	(929)	(1,021)	(929)
Dividend received	27	9,802	6,559	19,802	8,059
Tax paid	32	(12,194)	(15,363)	(2,065)	(8,304)
Net cash inflow from operating activities		**16,439**	**75,927**	**(6,734)**	**60,620**
Cash flows from investing activities					
Purchase of property, plant and equipment	4	(8,928)	(3,703)	(8,456)	(2,669)
Sale of property, plant and equipment	4	215	307	215	34
Purchase of intangible assets	5	(17,688)	(28,510)	(17,688)	(28,510)
Net movement in financial assets		(927,490)	(883,189)	(872,374)	(863,884)
Movement in loans to group companies		-	-	4,865	7,287
Proceeds from a share buy back	7	-	-	-	4,000
Net cash outflow from investing activities		**(953,891)**	**(915,095)**	**(893,438)**	**(883,742)**
Cash flows from financing activities					
Movement in other financial liabilities		41,997	24,283	(500)	(340)
Movement in agency / third party funds		6,051	5,270	6,051	5,270
Dividends paid		(5,000)	-	(5,000)	-
Movement in savings deposits liabilities		913,568	833,017	912,862	840,069
Net cash from financing activities		**956,616**	**862,570**	**913,413**	**844,999**
Total cash and cash equivalents movement for the year		**19,164**	**23,402**	**13,241**	**21,877**
Cash and cash equivalents at the beginning of the year		87,638	64,236	85,666	63,789
Total cash and cash equivalents at the end of the year	16	**106,802**	**87,638**	**98,907**	**85,666**

Accounting Policies

1. Presentation of annual financial statements

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

These accounting policies are consistent with the previous year.

1.1 Consolidation

Basis of consolidation

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

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

Subsidiaries

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

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

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

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

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

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

1.1 Consolidation (continued)

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

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

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

Jointly controlled entities

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

1.2 Statement of compliance

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

1.3 Significant judgements and sources of estimation uncertainty

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

Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the group is the current bid price.

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

1.3 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

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

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

Impairment of financial assets measured at amortised costs and fair value through other comprehensive income (FVOCI)

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers and counterparties defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed under Risk Management in Note 3. A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

a. Determining criteria for significant increase in credit risk;
b. Choosing appropriate models and assumptions for the measurement of ECL;
c. Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL.

Provision for post retirement medical aid benefits

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

Deferred tax asset

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

1.3 Significant judgements and sources of estimation uncertainty (continued)

Deferred Income

Income from the postal business and courier are recognised when the services are rendered. Management has applied the principle of deferred revenue in the following areas:

Post box rentals are recognised as the services are rendered, and is deferred when payments are made in advance.

Discount Rates

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

Residual values and useful lives

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

1.4 Property, plant and equipment

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

The group applies the cost model on measurement of the property, plant and equipment. The assets are carried at cost less accumulated depreciation and impairment losses.

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

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

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

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

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

1.5 Intangible assets

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

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

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

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

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the year over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

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

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

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

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

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

Item	**Useful life**
Computer software	10 years

1.6 Investments in subsidiaries

Company annual financial statements

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

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

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

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

1.7 Investments in joint ventures

Company annual financial statements

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

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

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

1.8 Financial instruments

Financial assets

The Group early adopted IFRS 9 in financial year 2016 and classifies its financial assets in any of the following measurement categories:

a. Amortised cost
b. Fair value through other comprehensive income (FVOCI).
c. Fair value through profit & loss

Debt investments

Classification and subsequent measurement of debt instruments depend on:
(I) the Group's business model for managing the asset; and
(ii) the cash flow characteristics of the asset.
Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent sole payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described under risk management. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest rate method.

1.8 Financial instruments (continued)

Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in ' Investment income' as per Note 22. Income from these financial assets is included in Investment revenue.

Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

Business model: the business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the Group in determining the business model for a Group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Recognition and measurement

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

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

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

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

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

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

1.8 Financial instruments (continued)

Derecognition

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

Impairment of financial assets

Assets carried at amortised cost

The Group assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortised cost and FVOCI . The Group recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Write-off of financial assets
The Group writes off a loan or an investment in debt securities, partially or fully, and any related provision for impairment loss, when it is determined that there is no realistic prospect for recovery. This is generally the case when the Group determines that the borrower counter part does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's

Loans to (from) group companies

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

Loans to group companies are classified as loans and receivables.

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

Loans to shareholders, directors, managers and employees

These financial assets are classified as loans and receivables.

Trade and other receivables

Trade receivables are carried at original invoice amount less provision made for impairment of these receivables. Such provision for impairment of trade receivables is established if there is objective evidence that the provision is the difference between the carrying amount and the recoverable amount, being the present value of the expected cash flows, discounted at the market rate of interest for similar borrowers.

1.8 Financial instruments (continued)

Financial liabilities

Savings bank investors and long -term borrowings

The group measures these financial instruments at amortised cost using effective interest rate (EIR).

Trade and other payables

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

Cash and cash equivalents

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

Bank overdraft and borrowings

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

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

1.9 Income tax

Current tax assets and liabilities

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

Current income tax liabilities (assets) for the current and prior yearsare measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting year.

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

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

Current tax assets and liabilities (continued)

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

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

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

Income tax expenses

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

- a transaction or event which is recognised, in the same or a different year, to other comprehensive income, or
- a business combination.

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

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

1.10 Leases

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

Finance leases – lessee

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

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

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

1.10 Leases (continued)

Operating leases - lessor

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

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

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

Operating leases – lessee

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

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

1.11 Inventories

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

Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

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

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

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

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

1.12 Impairment of non-financial assets

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

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

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

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

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

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

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

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

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

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

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

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss.

1.13 Share capital and equity

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

Ordinary shares are classified as equity.

1.14 Employee benefits

Short-term employee benefits

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

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

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

Defined benefit plans

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

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

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

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

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

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

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

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

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

1.15 Provisions and contingencies

Provisions are recognised when:

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

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

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

Contingent assets and contingent liabilities are not recognised.

1.16 Revenue

The Group derives its revenue from contracts with customers on the goods or services transferred and from interest on various financial assets measured at amortised cost and FVOCI. Revenue from contracts with customers comprises philately stamps revenue, postal mail revenue, courier services, savings bank fees and agency commission, and is recognised at a point in time. Below is the IFRS 15 five step model applied by the Group in recognising these revenue streams:

The five-step model framework applied by the Group

The core principle of the new revenue standard (IFRS 15) is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Application of this guidance will depend on the facts and circumstances present in a contract with a customer and will require the exercise of judgment by the Group. This core principle is delivered in the following five-step model framework which Group applied on all of its revenue derived from contracts with customers :

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Application of this guidance will depend on the facts and circumstances present in a contract with a customer and will require the exercise of judgment by the Group.

Step 1: Identify the contract with the customer

The Group has assessed contracts with its customers on mail, philately, agency, logistics, and savings bank fees and has satisfactorily applied the following IFRS 15 criteria on all the revenue streams derived from contracts with customers to be able to identify existing contracts with the customers:

1.16 Revenue (continued)

The five-step model framework (continued)

A contract with a customer will be within the scope of IFRS 15 if all the following conditions are met:

- the contract has been approved by the parties to the contract;
- each party's rights in relation to the goods or services to be transferred can be identified;
- the payment terms for the goods or services to be transferred can be identified;
- the contract has commercial substance; and
- it is probable that the consideration to which the entity is entitled to in exchange for the goods or or services will be collected.

Step 2: Identify the performance obligations in the contract

At the inception of the contract, the Group assesses the goods or services that have been promised to the customer, and identify as a performance obligation:

- a good or service (or bundle of goods or services) that is distinct; or
- a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

Below is the summary of performance obligations for major revenue streams derived from contract with customers:

- Philately stamps- Group ensures that the customer receives the purchased stamps upon payment.
- Mail revenue- This includes physical mail, small parcels (both domestic and international), and hybrid mail among others. Group's obligation is to ensure that mail or parcels are delivered to the correct destination. PO boxes are rented annually and customers have to renew on an annual basis and it is the Group's obligation to ensure that customers who have renewed their PO Boxes have access to their physical PO Boxes at any point during that financial year. The annual PO Box renewal fee is fixed and is not apportionable for a part of the year irrespective of when the customer has paid for renewal.
- Logistics services revenue- Group's obligation is to ensure that the parcels shipped reach their destination and revenue is recognised when this service is rendered.
- Agency commission- the Group's obligation is to collect funds on behalf of third parties and also sell airtime on behalf of mobile and telecom companies for a commission or fee. Revenue is recognised based on the collections done and also based on airtime sold at a point in time.
- Savings Bank fees- the Group's obligation is to provide deposit , withdrawal services and other transactional services to its retail clients and also maintain the savings accounts for a fee. Revenue is recognised at a point in time when these services are rendered.

A series of distinct goods or services is transferred to the customer in the same pattern if both of the following criteria are met:

- each distinct good or service in the series that the entity promises to transfer consecutively to the over time (see below); and
- a single method of measuring progress would be used to measure the entity's progress towards complete each distinct good or service in the series to the customer.

A good or service is distinct if both of the following criteria are met:

- the customer can benefit from the good or services on its own or in conjunction with other readily available resources; and
- the entity's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract.

1.16 Revenue (continued)

The five-step model framework (continued)

Factors for consideration as to whether a promise to transfer goods or services to the customer is not separately identifiable include, but are not limited to:

- the entity does provide a significant service of integrating the goods or services with other goods or services promised in the contract;
- the goods or services significantly modify or customise other goods or services promised in the contract;
- the goods or services are highly interrelated or highly interdependent.

Step 3: Determine the transaction price

The transaction price is the amount to which the Group expects to be entitled in exchange for the transfer of goods and services. The Group's prices or fees for its major revenue streams for Mail & Logistics are fixed and gazetted annually and are charged to customers as and when the service or product is delivered. Revenue from Agency services is derived from commission or percentage fee which is contractually agreed and the commission or fee charge is applied when the service is delivered a point in time.

Where a contract contains elements of variable consideration, the Group will estimate the amount of variable consideration to which it will be entitled under the contract. Variable consideration can arise, for example, as a result of discounts, rebates, refunds, credits, price concessions, incentives, performance bonuses, penalties or other similar items. Variable consideration is also present if the Group's right to consideration is contingent on the occurrence of a future event.

Step 4: Allocate the transaction price to the performance obligations in the contracts

Where a contract has multiple performance obligations, the Group will allocate the transaction price to the performance obligations in the contract by reference to their relative standalone selling prices. If a standalone selling price is not directly observable, the Group will need to estimate it. IFRS 15 suggests various methods that might be used, including:

- Adjusted market assessment approach
- Expected cost plus a margin approach
- Residual approach (only permissible in limited circumstances).

None of the Group's current contracts with customers has multiple performance obligations to warrant allocation of transaction price or fee to each performance obligation.

Where consideration is paid in advance or in arrears, the Group considers whether the contract includes a significant financing arrangement and, if so, adjust for the time value of money.

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Revenue is recognised as control is passed, either over time or at a point in time. The Group assessed its revenue streams from contracts with customers in the context of contractual agreements in place and guided by IFRS 15 factors below, and concluded that revenue recognised in the current year depicts the consideration received or receivable after performance obligation was satisfied.

Control of an asset is defined as the ability to direct the use of and obtain substantially all of the remaining benefits from the asset. This includes the ability to prevent others from directing the use of and obtaining the benefits from the asset. The benefits related to the asset are the potential cash flows that may be obtained directly or indirectly. These include, but are not limited to:

1.16 Revenue (continued)

The five-step model framework (continued)

- using the asset to produce goods or provide services;
- using the asset to enhance the value of other assets;
- using the asset to settle liabilities or to reduce expenses;
- selling or exchanging the asset;
- pledging the asset to secure a loan; and
- holding the asset.

The Group recognises revenue over time if one of the following criteria is met:

- the customer simultaneously receives and consumes all of the benefits provided by the entity as the Group performs;
- the group's performance creates or enhances an asset that the customer controls as the asset is created; or
- the Group's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

None of the above-mentioned Group revenue streams from contracts with customers is recognised over time. Hence the revenue from the Group's sale of goods or services from the contract with customers is recognised at a point in time as non-of the above IFRS 15 criteria is met.

If the Group does not satisfy its performance obligation over time, it satisfies it at a point in time. Revenue

- the Group has a present right to payment for the asset;
- the customer has legal title to the asset;
- the Group has transferred physical possession of the asset;
- the Group has the significant risks and rewards related to the ownership of the asset; and
- the customer has accepted the asset.

The Group has assessed its revenue streams from contracts with customers and concluded that the above factors as guided by IFRS 15 which indicate the point in time are satisfied.

Principal/Agency relationship

IFRS 15 gives emphasis on 'control' as opposed to the 'transfer of risks and rewards', and this has resulted in the Group changing its accounting policy on the sale of airtime. The Group now recognises revenue from airtime sales on a net basis rather the gross as with the previous standard (IAS 18). This however, has no impact to the retained earnings. Prior year revenue and cost of sales figures were accordingly adjusted, refer to note 1.21 and note 22.

The identification of a principal in a contract is not always clear, however the Group applied the IFRS 15 non-exhaustive list of indicators of agency relationships:

- Another party has primary responsibility for fulfilling the contract
- The entity has no inventory risk before or after the goods have been ordered, during shipping or on return,
- The entity does not have discretion to establish pricing for the other party's goods or services (i.e., the benefit the entity can receive from those goods or services is limited)
- The entity's consideration is in the form of a commission
- The entity is not exposed to credit risk for the amount receivable in exchange for the goods or services.

Accounting Policies

1.16 Revenue (continued)

Interest revenue from financial investments and loan advances

The Group recognizes interest revenue as it accrues by applying the effective interest rate (EIR) to the gross carrying amount of a financial asset. The gross carrying amount of a financial asset is the asset's amortised cost or fair value gross of any impairment allowance. However, when a financial asset is credit impaired interest revenue is calculated by applying EIR on the net amount. i.e amortised cost or fair value less any impairment allowance.

1.17 Borrowing costs

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

1.18 Translation of foreign currencies

Foreign currency transactions

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

At the end of the reporting year:

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

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

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

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

1.19 Financial Liabilities

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

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

Accounting Policies

1.20 Dividend distribution

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

1.21 Change in accounting policies

IFRS 9 became effective on 1 January 2019. However the Group had early adopted IFRS 9 in 2016. Consequently there is no transitional impact in the current financial year.

IFRS 15 became effective on 1 January 2019. This has not impacted the Group significantly given that the nature of its revenue was largely recognised more or less within the criteria of the new standard. The Group however changed the way it recognises revenue from airtime sales in terms of which the new Agency/Principal relationships requirements in IFRS 15 has made the Group to conclude that it is providing this service as an agency basis rather than as a principal. Consequently revenue from this service is now recognised on net basis i.e. commission rather than gross. The impact of this would be a significant reduction in revenue and cost of sales in the current financial year, and the prior year has also been adjusted to reflect the same effect, but with no impact on the net position. Furthermore the inventory for airtime vouchers will be reclassified to prepayments under trade and other receivables (refer to note 14 and 15). The effects are presented in the statement of profit or loss and statement of financial position as follows:

	Group		Company	
	2019 N$ '000	2018 N$ '000	2019 N$ '000	2018 N$ '000
Statement of Profit or loss effect				
Revenue from sale of goods				
Reduction in Revenue - mobile products	-	(282,789)	-	(282,789)
Reduction in Cost of sales	-	274,991	-	274,991
Agency commission				
Net fee	8,189	7,798	8,189	7,798
Rebate	5,656	6,902	5,656	6,902
Total agency revenue	**13,845**	**14,700**	**13,845**	**14,700**
Statement of Financial Position effect				
Reduction in inventory	-	(20,685)	-	(20,685)
Increase of prepayment (trade and other receivables)	-	20,685	-	20,685

1.22 Statement of Cashflows

The group has consistently presented movement in its financial assets and movement in savings bank deposits liabilities on a net basis as permitted by IAS 7 paragraph 22-24.

Notes to the Annual Financial Statements

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/	Effective date: Years beginning on or after	Expected impact
IFRS 15 Revenue from Contracts from Customers - Amendments on recognition of revenue and revenue disclosures	**1 January 2018**	**The significant impact is on revenue generated from sale of airtime which is now recognised on the net basis and also on the disclosure of revenue, refer to note 1.16 and note 22.**

2.2 Standards and Interpretations early adopted

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

Standard/	Effective date: Years beginning on or after	Expected impact
• IFRS 9 Financial Instruments	1 January 2018	The impact of the amendment is not material

2.3 Standards and interpretations not yet effective

The group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the group's accounting years beginning on or after 01 October 2018 or later years:

Standard/	Effective date: Years beginning on or after	Expected impact
• IFRS 10 and IAS 28 Consolidated Financial Statements - Amendment on sale or contribution of assets between an Investor and its Associate or Joint Venture	The effective date has been deferred indefinitely	Unlikely to have a material impact
IFRS 3 Business Combinations - Annual Improvements 2015-2017 Cycle: Clarification that when an entity obtains control of a business that is a joint operation, it is required to remeasure previously held interests in that business.	1 January 2019	Unlikely to have a material impact

2.3 Standards and interpretations not yet effective (continued)

IFRS10 Consolidated Financial Statements: Narrow scope amendment address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.	The effective date of this amendment has been deferred indefinitely until further notice	Unlikely to have a material impact

Standard/	Effective date: Years beginning on or after	
• IFRS 16 Leases - Amendments on recognition and disclosures of leased assets and liabilities	1 January 2019	

Impact of IFRS 16

- IFRS 16: Leases has not yet been applied, as it is applicable for annual reporting years commencing 1 January 2019, though Group will only apply IFRS 16 in the next accounting year.
- The IFRS 16 implementation project is in early stage and is expected to be completed in the fourth quarter of the 2020 financial year. No implementation was done as at current financial year end, hence the impact can not be quantitatively disclosed.
- The simplified approach will be adopted in transitioning to IFRS 16.
- Key judgements and estimates to be made include assessing whether an arrangement contains a lease, determining the lease term, calculating the discount rate and determining any service/ lease components of arrangements to be separated from the lease payments.
- The expected impact of transitioning to IFRS 16 on the date of transition is an increase in assets. (Right-of-use) and a corresponding increase in lease liabilities. The quantitative assessment is still work in progress.

• IAS 19 Employee Benefits - Amendments on using assumptions from a plan amendment, curtailment or settlement	1 January 2019	Unlikely to have a material impact
IFRS 11 Joint arrangements Clarification that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business	1 January 2019	Unlikely to have a material impact
IAS 1 Presentation of Financial Statements The amendments clarify and align the definition of ‘material’ and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards	1 January 2020	Unlikely to have a material impact

2.3 Standards and interpretations not yet effective (continued)

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.	1 January 2020	Unlikely to have a material impact

3. Risk management

Capital risk management

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

The capital structure of the group consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes 8 & 18 cash and cash equivalents disclosed in note 16, and equity as disclosed in the statement of financial position.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholder, return capital to shareholder, issue new shares or sell assets to reduce debt.

Financial risk management

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

The group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance. The group uses derivative financial instruments to hedge certain risk exposures. The board of directors provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Liquidity risk

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

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

Notes to the Annual Financial Statements

Liquidity risk (continued)

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

Group

As at 30 September 2019	Less than 1 year	Between 2 and 5 years
Borrowings	5,207	145,891
Trade and other payables (Excluding VAT and amounts received in advance)	202,205	-
Savings Bank Investors	5,102,692	722,622
Retirement benefit obligation	-	11,926

Group

As at 30 September 2018	Less than 1 year	Between 2 and 5 years
Borrowings	3,033	105,441
Trade and other payables (Excluding VAT and amounts received in advance)	181,257	-
Savings Bank Investors	4,257,601	654,145
Retirement benefit obligation	-	12,278

Company

As at 30 September 2019	Less than 1 year	Between 2 and 5 years
Borrowings	524	52,974
Trade and other payables (Excluding VAT and amounts received in advance)	191,797	-
Savings Bank Investors	5,113,567	722,622
Retirement benefit obligation	-	11,926

Company

As at 30 September 2018	Less than 1 year	Between 2 and 5 years
Borrowings	1,374	51,993
Trade and other payables (Excluding VAT and amounts received in advance)	171,090	-
Savings Bank Investors	4,269,182	654,145
Retirement benefit obligation	-	12,278

Liquidity risk (continued)

Short term exposure	Group		Company	
	2019 N$ '000	2018 N$ '000	2019 N$ '000	2018 N$ '000
Current portion of Savings Bank investors	(5,102,692)	(4,257,601)	(5,113,567)	(4,269,182)
Current portion of other financial assets	3,385,406	2,393,920	3,212,337	2,393,920
Cash and cash equivalents (excluding cash on hand)	75,989	71,323	68,102	69,359
	(1,641,297)	(1,792,358)	(1,833,128)	(1,805,903)

Long term exposure	Group		Company	
	2019 N$ '000	2018 N$ '000	2019 N$ '000	2018 N$ '000
Long term portion of Savings Bank investors	(722,622)	(654,145)	(722,622)	(654,145)
Long term portion of other financial assets	2,776,575	2,774,448	2,590,619	2,470,539
	2,053,953	2,120,303	1,867,997	1,816,394

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. This poses a risk as the company borrows and places funds in financial instruments at both fixed and floating interest rates.

At 30 September 2019, if interest rates on Namibia Dollar-denominated borrowings had been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been N$59 million (2018: N$49 million) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

If interest rates on Namibia Dollar-denominated financial assets had been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been N$54 million (2018: N$43 million) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings; other components of equity would have been N$8 million (2018: N$8 million) lower/higher mainly as a result of a decrease/increase in the fair value of fixed rate financial assets at fair value through profit and loss.

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

Interest rate risk (continued)

Interest rate effect on profit

Group (N$'000)	Effect on profit 2019		Effect on profit 2018	
	100bp increase in market	100bp decrease in market	100bp increase in market	100bp decrease in market
Cash and cash equivalents	1,068	(1,068)	876	(876)
Other financial assets	61,620	(61,620)	51,684	(51,684)
Other financial liabilities	(1,511)	1,511	(1,085)	1,085
Savings Bank investors	(58,362)	58,362	(49,117)	49,117
	2,815	**(2,815)**	**2,358**	**(2,358)**

Company (N$'000)	Effect on profit 2019		Effect on profit 2018	
	100bp increase in market	100bp decrease in market	100bp increase in market	100bp decrease in market
Cash and cash equivalents	989	(989)	857	(857)
Other financial assets	58,030	(58,030)	48,645	(48,645)
Other financial liabilities	(535)	535	(534)	534
Loans to group companies	2,115	(2,115)	1,595	(1,595)
	60,599	**(60,599)**	**50,563**	**(50,563)**

Fair value estimation

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

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

Credit risk

'Credit risk' is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and this arises from the Group's investment in various financial assets; credit sales to customers and loans and advances to customers. Management is responsible for managing credit risk and reports to the Audit and Risk Committee and the Board and Investment Committee.

Credit risk exists on loans and advances due to the fact that advances granted to customers are unsecured. The risk is however mitigated by the collection of payments at source via smart card deductions, payroll agreements or government deduction codes.

Credit risk exists on financial assets investments measured at FVOCI and on accounts receivables owing to a plethora of factors which may include negative credit ratings, general economic challenges, history of default, global factors etc. The changes in the credit risk is monitored and if necessary adjustments are made to the impairment provision in accordance with IFRS 9.

Credit risk (continued)

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

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

Expected credit loss (ECL) measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Group
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- The underlying principle in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

The diagram below summarises the three stage impairment model under IFRS 9 which the Group has adopted.

Stage 1	Stage 2	Stage 3
[Initial Recognition] 12 month expected credit loss (ECL)	(Significant increase in credit risk since initial recognition) Lifetime expected credit losses	(Credit-impaired assets) Lifetime expected credit losses

Significant increase in credit risk (SICR)

The Group uses qualitative and quantitative factors in assessing any significant increase in credit risk. Quantitative factors may include but not limited to actual default, extension of the credit period etc. Qualitative factors include but not limited to the general economic environment; adverse changes in the counterparty's external credit ratings, and any other publicly available information that can give a forward looking picture.

Credit risk (continued)

Measuring ECL – inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-months or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit loss is a product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a counter part or a borrower defaulting on its financial obligation, either over the next 12 months (12 months PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12 months EAD) or over the remaining lifetime (Lifetime EAD) which for example, for debt investment, is the market value as at year end.
- Loss Given Default (LGD) represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The provision matrix was determined based on available forward looking information on the probability of default per each category. Furthermore, the actual history of default was used in determining the level of provision in the matrix. The provision matrix is reviewed on an annual basis to determine if there are possible changes to credit risk that might warrant an increase or decrease in the provision matrix rates.

Details of accounts receivable credit loss (provision matrix) is presented below at group level:

Trade receivables

2019 (N$ 000)

Description	**Current**	**30 days**	**60 days**	**90 days**	**180 days**	**365 days+**
Corporate trade debtors	7,173	3,112	3,924	1,602	958	1,743
Government trade debtors					1,365	3,352
Provision matrix	0.2%	1%	2%	5%	50%	100%
Total Provision	14	31	78	80	1,161	5,095

2018 (N$ 000)

Description	**Current**	**30 days**	**60 days**	**90 days**	**180 days**	**365 days+**
Corporate trade debtors	7,525	3,536	476	1,167	403	1,753
Government trade debtors					1,598	2,928
Provision matrix	0.2%	1%	2%	5%	50%	100%
Total Provision	15	35	10	58	1,001	4,681

Credit risk (continued)

Other components of accounts receivables:

- Insurance debt - provision is made on the forward looking information of the expected repudiations
- Staff debt - a full provision is made for employees with outstanding balances who have left employment whilst the company takes legal actions to recover.
- Shortages - any shortages that can not be matched to existing surplus are provided for in full in the year they would have occurred.
- International dues - these are imbalances between countries and has zero probability of default, and settlement is done on a net basis. There is no history of defaults in this category.

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

Financial instrument	Group		Company	
	2019 N$ '000	2018 N$ '000	2019 N$ '000	2018 N$ '000
Loans to group companies	-	-	211,525	216,390
Other financial assets	6,161,981	5,172,841	5,802,956	4,864,459
Trade and other receivables (excluding prepayments and VAT)	68,164	60,281	68,091	60,271
Cash and cash equivalents	106,802	87,638	98,907	85,666

Loans and advances (measured at amortised cost)

The Group considers the probability of default upon initial recognition of an asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- Internal credit rating
- External credit rating (Group makes use of the Credit Bureaus in Namibia on each new loan application)
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- Group's loans are unsecured
- Significant changes in the level of indebtedness of existing borrowers

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model. In view of the current Namibian CPI and the limited salary increase received by the employees. Thus there seem to be a slow growth in real in income.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. However, this assumption is rebuttable in accordance with IFRS 9.

A default on the loan is when the counterparty fails to make contractual payments within 60 days of when they fall due.

Loans and advances are written off when there is no reasonable expectation of recovery, such as a borrower failing to engage in a repayment plan with the Group. The Group categorises a loan for write off when a borrower fails to make contractual payments more than 365 days past due. Where loans have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where

Notes to the Annual Financial Statements

Credit risk (continued)

The Group uses five categories for loans which reflect their credit risk and how the loan impairment provision is determined for each of those categories.

A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	**Group definition of category**	**Basis for recognition of expected credit loss provision**
Loans Current	Loans whose credit risk is in line with original expectations	12 month expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime (stage 1)
Loans 30 days and 60 days	Loans for which a significant increase in credit risk has occurred compared to original expectations; a significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due.	Lifetime expected losses (stage 2)
Loans 60 days > < 6 months	Loans for which a significant increase in credit risk has occurred compared to original expectations; a significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due.	Lifetime expected losses (stage 2)
Loans 6 months > < 9 months	Interest and/or principal repayments are more than 6 months past due or it becomes probable a customer will enter bankruptcy	Lifetime expected losses (stage 3)
Loans >12 months	Interest and/or principal repayments are 12 months past due and there is no reasonable expectation of recovery	Loan is written off (stage 3)

Interest-bearing loans are provided to employed individuals and recipients of social grants. The Group does not require the borrowers to pledge collateral as security against the loan.

Over the term of the loans, the Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of customers, and adjusts for forward-looking macroeconomic data. The Group provides for credit losses against loans to customers as follows:

Group 2019

Group internal Credit rating	**Expected credit loss rate***	**Gross carrying amount (stage 1) (N$ 000)**	**Gross carrying amount (stage 2) (N$ 000)**	**Gross carrying amount (stage 3) (N$ 000)**
High-AAA	1%	358,787		
High-A	4%		1,435	
Moderate	3%		1,290	
Credit impaired	66%			4,104
Fully impaired	100%			7,312

Notes to the Annual Financial Statements

Credit risk (continued)

Group 2018

Group internal Credit rating	Expected credit loss rate*	Gross carrying amount (stage 1) (N$ 000)	Gross carrying amount (stage 2) (N$ 000)	Gross carrying amount (stage 3) (N$ 000)
High-AAA	1%	298,020		
High-A	4%		5,927	
Moderate	3%		1,718	
Credit impaired	66%			4,450
Fully impaired	100%			4,620

*No significant changes to estimation techniques or assumptions were made during the reporting period.

Internal rating categories

High-AAA	Clients in this rating category have no previous records of default as independently verified by the Credit Bureau in Namibia and are currently repaying on time.
High-A	Clients in this rating category have arrears but have made payment plans or re-negotiated new payment terms and are in compliance with new terms or new payment plan.
Moderate	Clients are in arrears on their loans with the Group , but they still have a steady monthly income and are making partial payments to reduce the outstanding balances.
Credit impaired	Clients in this category have been handed over for legal action by the Group's attorneys for the recovery of the outstanding balances.
Fully impaired	Legal action has been taken against clients in this category and the process is till ongoing. However according to internal credit risk management procedures, the total gross amount in this category is fully impaired.

Foreign exchange risk

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

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

Foreign currency exposure at the statement of financial position date

	Group		Company	
	2019	**2018**	**2019**	**2018**
Assets				
SDR*	1,290	1,398	1,290	1,398
Liabilities				
Euro	3,010	2,709	3,010	2,709
SDR*	341	406	341	406

Credit risk (continued)

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

Price risk

The group is exposed to quoted securities price risk because of investments held by the Group and classified on the consolidated balance sheet at FVOCI. The group is not exposed to commodity price risk. To manage its price risk arising from investments in quoted securities, the group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by ALCO.

Notes to the Annual Financial Statements

4. Property, plant and equipment

Group	2019 N$ '000 Cost	2019 N$ '000 Accumulated depreciation	2019 N$ '000 Carrying value	2018 N$ '000 Cost	2018 N$ '000 Accumulated depreciation	2018 N$ '000 Carrying value
Furniture and fixtures	7,587	(4,656)	2,931	6,699	(4,126)	2,573
Motor vehicles	2,540	(1,432)	1,108	2,540	(1,164)	1,376
IT equipment	49,162	(35,115)	14,047	34,741	(31,490)	3,251
Leasehold improvements	3,467	(1,638)	1,829	3,106	(1,343)	1,763
Other equipment	46,108	(37,046)	9,062	44,827	(33,487)	11,341
Total	**108,864**	**(79,887)**	**28,977**	**91,913**	**(71,610)**	**20,304**

Company	2019 N$ '000 Cost	2019 N$ '000 Accumulated depreciation	2019 N$ '000 Carrying value	2018 N$ '000 Cost	2018 N$ '000 Accumulated depreciation	2018 N$ '000 Carrying value
Furniture and fixtures	7,110	(4,406)	2,704	6,411	(3,953)	2,458
Motor vehicles	1,343	(1,145)	198	1,343	(1,008)	335
IT equipment	47,811	(34,109)	13,702	33,673	(30,664)	3,009
Leasehold improvements	3,467	(1,638)	1,829	3,106	(1,342)	1,764
Other equipment	46,107	(37,044)	9,063	44,827	(33,488)	11,339
Total	**105,838**	**(78,342)**	**27,496**	**89,360**	**(70,455)**	**18,905**

Reconciliation of property, plant and equipment - Group 2019 - N$'000

	Opening balance	Additions	Transfers	Disposals	Depreciation	Total
Furniture and fixtures	2,573	947	-	(30)	(559)	2,931
Motor vehicles	1,376	-	-	-	(268)	1,108
IT equipment	3,251	6,311	8,258	(146)	(3,627)	14,047
Leasehold improvements	1,763	394	-	(31)	(297)	1,829
Other equipment	11,341	1,276	19	(8)	(3,565)	9,062
	20,304	**8,928**	**8,277**	**(215)**	**(8,316)**	**28,977**

Reconciliation of property, plant and equipment - Group 2018 - N$'000

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	2,962	126	-	(515)	2,573
Motor vehicles	1,003	611	-	(239)	1,376
IT equipment	3,332	2,262	(13)	(2,330)	3,251
Leasehold improvements	1,832	215	-	(284)	1,763
Other equipment	14,663	489	(294)	(3,516)	11,341
	23,792	**3,703**	**(307)**	**(6,884)**	**20,304**

Notes to the Annual Financial Statements

Reconciliation of property, plant and equipment - Company 2019 - N$'000

	Opening balance	Additions	Transfers	Disposals	Depreciation	Total
Furniture and fixtures	2,458	759	-	(30)	(483)	2,704
Motor vehicles	335	-	-	-	(137)	198
IT equipment	3,009	6,026	8,258	(146)	(3,445)	13,702
Leasehold improvements	1,764	393	-	(31)	(297)	1,829
Other equipment	11,339	1,278	19	(8)	(3,565)	9,063
	18,905	**8,456**	**8,277**	**(215)**	**(7,927)**	**27,496**

Reconciliation of property, plant and equipment - Company 2018 - N$'000

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	2,843	78	-	(463)	2,458
Motor vehicles	472	-	-	(137)	335
IT equipment	2,950	2,160	(13)	(2,088)	3,009
Leasehold improvements	1,832	216	-	(284)	1,764
Other equipment	14,663	215	(21)	(3,518)	11,339
	22,760	**2,669**	**(34)**	**(6,490)**	**18,905**

5. Intangible assets

Group	**2019 N$ '000**			**2018 N$ '000**		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	126,008	(51,421)	74,587	53,635	(45,619)	8,016
Work in progress (WIP)	788	-	788	63,784	-	63,784
Total	**126,796**	**(51,421)**	**75,375**	**117,419**	**(45,619)**	**71,800**

Company	**2019 N$ '000**			**2018 N$ '000**		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Computer software	124,335	(50,822)	73,513	51,963	(45,193)	6,770
Work in progress (WIP)	788	-	788	63,784	-	63,784
Total	**125,123**	**(50,822)**	**74,301**	**115,747**	**(45,193)**	**70,554**

Notes to the Annual Financial Statements

Reconciliation of intangible - Group 2019 - N$'000

	Opening balance	Additions	Transfers	Amortisation	Total
Computer software	8,016	16,918	55,489	(5,836)	74,587
Work in progress (WIP)	63,784	770	(63,766)	-	788
Total	**71,800**	**17,688**	**(8,277)**	**(5,836)**	**75,375**

Reconciliation of intangible assets- Group 2018 - N$'000

	Opening balance	Additions	Amortisation	Total
Computer software	9,994	1,467	(3,445)	8,016
Work in progress (WIP)	36,741	27,043	-	63,784
Total	**46,735**	**28,510**	**(3,445)**	**71,800**

Reconciliation of intangible assets - Company 2019 - N$'000

	Opening balance	Additions	Transfers	Amortisation	Total
Computer software	6,770	16,918	55,489	(5,664)	73,513
Work in progress (WIP)	63,784	770	(63,766)	-	788
Total	**70,554**	**17,688**	**(8,277)**	**(5,664)**	**74,301**

Reconciliation of intangible assets - Company 2018 - N$'000

	Opening balance	Additions	Amortisation	Total
Computer software	8,575	1,467	(3,272)	6,770
Work in progress (WIP)	36,741	27,043	-	63,784
Total	**45,316**	**28,510**	**(3,272)**	**70,554**

6. Investments in Subsidiary

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

Company

Name of company	**% holding 2019**	**% holding 2018**	**Carrying amount 2019 N$ '000**	**Carrying amount 2018 N$ '000**
NamPost Financial Brokers (Pty) Ltd	100	100	15,001	15,001

Nature of business of subsidiary

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

Directors valuation:

The directors have valued the subsidiary at its net asset value of N$71,855,242 (2018: N$44,232,929).

Notes to the Annual Financial Statements

7. Investment in Joint Ventures

Joint venture - SmartSwitch

SmartSwitch Namibia Limited has been operational since February 2006 and is 50% owned by NamPost at an initial investment cost of N$6 million which reduced to N$2 million following a N$4 million share buy back in 2018.

Group

Name of company	% holding 2019	% holding 2018	Carrying amount 2019 N$ '000	Carrying amount 2018 N$ '000
SmartSwitch Namibia (Pty) Ltd unlisted share investment	50	50	6,594	10,634

Summarised financial information of material joint ventures

Summarised Statement of Comprehensive Income

	SmartSwitch Namibia (Pty) Ltd 2019 N$ '000	2018 N$ '000
Revenue	30,045	28,900
Cost of sales	(1,525)	(1,297)
Operating expenses	(11,825)	(10,746)
Investment revenue	835	986
Profit before tax	17,530	17,843
Tax expense	(5,610)	(5,710)
Profit from continuing operations	11,920	12,133
Total comprehensive income	**11,920**	**12,133**

Summarised Statement of Financial Position

	2019	2018
Non-current assets	182	136
Current assets	9,076	17,329
Non-current liabilities	(125)	(125)
Current liabilities	(802)	(931)
Net assets	**8,331**	**16,409**
Investment at beginning of the year	10,634	10,068
Share of total comprehensive income	5,960	6,066
Dividends received from joint venture	(10,000)	(1,500)
Share buy back	-	(4,000)
Carrying amount of Investment	**6,594**	**10,634**

Directors valuation

The directors have valued the joint venture at its net carrying value N$ 6 594 million (2018: N$ 10 634 million).

7. Investment in Joint Ventures (continued)

Joint Venture - Hollard

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

8. Loans to group companies

	Group		Company	
	2019 N$ '000	2018 N$ '000	2019 N$ '000	2018 N$ '000
Subsidiary				
NamPost Financial Brokers (Pty) Ltd This loan has fixed repayment terms, has a term of 10 years and interest payable on capital only every 6 months. The loan attracts interest at an effective rate of prime less 3% with a grace period of two years. Capital to be paid in December annually.	-	-	30,842	37,022
NamPost Financial Brokers (Pty) Ltd Prior to 1 October 2016, loan interest was charged at 5% with no repayment terms. Effective 1 October 2016, N$ 149 million of the total loan balance has a five year repayment period, carries an interest rate of Prime less 1% payable annually on 30 September, and a bullet payment of the capital payable in the 5th year. Total interest outstanding as at 30 September 2017 is repayable in 4 equal instalments commencing year 2020. The remaining N$ 10 million of the loan balance is a subordinated loan and attracts interest at 5% per annum with no fixed repayment terms.	-	-	180,683	179,368
	-	**-**	**211,525**	**216,390**
Non-current assets	-	-	205,357	209,712
Current assets	-	-	6,168	6,678
	-	**-**	**211,525**	**216,390**

Notes to the Annual Financial Statements

	Group		Company	
	2019	**2018**	**2019**	**2018**
	N$ '000	N$ '000	N$ '000	N$ '000
9. Other financial assets				
At fair value through other comprehensive income				
Quoted investments	760,155	846,426	760,155	846,426
Bonds*	2,405,499	2,101,291	2,405,499	2,101,291
	3,165,654	**2,947,717**	**3,165,654**	**2,947,717**
At fair value through profit and loss				
Fixed term deposits, call accounts and money market instruments	2,637,302	1,916,742	2,637,302	1,916,742
	2,637,302	**1,916,742**	**2,637,302**	**1,916,742**
At amortised cost				
Other financial assets	359,025	303,909	-	-
Total other financial assets	**6,161,981**	**5,168,368**	**5,802,956**	**4,864,459**

* Limited surety in the form of Internal Registered Stock GC024 to the nominal value of N$200,000,000 issued by the Republic of Namibia has been provided on the Bank Windhoek loan.

	Group 2019	Group 2018	Company 2019	Company 2018
Non-current assets				
At fair value through other comprehensive income	2,138,444	2,470,539	2,138,444	2,470,539
At fair value through profit or loss	452,175	-	452,175	-
Other financial assets - at amortised cost	185,956	303,909	-	-
	2,776,575	**2,774,448**	**2,590,619**	**2,470,539**
Current assets				
At fair value through other comprehensive income	1,519,553	2,393,920	1,519,553	2,393,920
At fair value through profit or loss	1,692,784	-	1,692,784	-
Other financial assets - at amortised cost	173,069	-	-	-
	3,385,406	**2,393,920**	**3,212,337**	**2,393,920**
	6,161,981	**5,168,368**	**5,802,956**	**4,864,459**

The fair values of the financial assets were determined as follows:
The fair values of listed or quoted investments are based on the quoted market price.
The fair values on investments not listed or quoted are estimated using the discounted cash flow analysis.

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

Notes to the Annual Financial Statements

	Group		Company	
	2019	**2018**	**2019**	**2018**
	N$ '000	N$ '000	N$ '000	N$ '000

9. Other financial assets (continued)

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

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

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

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

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

	Group 2019	Group 2018	Company 2019	Company 2018
Level 1				
Quoted investments	760,155	846,426	760,155	846,426
Level 2				
Bonds	2,405,499	2,101,291	2,405,499	2,101,291
Fixed term deposits, call accounts and money market instruments	2,637,302	1,916,742	2,637,302	1,916,742
	5,042,801	**4,018,034**	**5,042,801**	**4,018,034**
Level 3				
Other instruments	359,025	-	-	-
	359,025	**-**	**-**	**-**
	6,161,981	**4,864,459**	**5,802,956**	**4,864,459**

	Group 2019	Group 2018	Company 2019	Company 2018
Financial assets through other comprehensive income				
Opening balance	5,168,368	4,320,293	4,864,459	4,035,689
Additions	16,750,479	8,218,315	16,695,363	8,199,010
Disposals	(15,904,677)	(7,465,795)	(15,904,677)	(7,465,795)
Interest	81,688	130,670	81,688	130,670
Fair value adjustments	66,123	(35,114)	66,123	(35,114)
	6,161,981	**5,168,368**	**5,802,956**	**4,864,459**

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

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

The credit quality of financial assets can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Notes to the Annual Financial Statements

	Group		Company	
	2019	**2018**	**2019**	**2018**
	N$ '000	N$ '000	N$ '000	N$ '000

9. Other financial assets (continued)

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

	Group 2019 N$ '000	Group 2018 N$ '000	Company 2019 N$ '000	Company 2018 N$ '000
Credit rating				
Bank Windhoek Limited AA (Global credit rating)	1,372,091	1,028,350	1,372,091	1,028,350
Standard Bank Namibia Limited AA+ (Fitch credit rating)	493,946	660,917	493,946	660,917
Namibian Government bond Baa3 (Moody's credit rating)	2,050,639	1,574,728	2,050,639	1,574,728
Entities with no external credit rating	438,689	707,399	438,689	403,490
Nedbank Namibia Limited F1+	484,289	288,365	484,289	288,365
Old Mutual F2	249,454	201,467	249,454	201,467
Sanlam Namibia AA	337,296	448,687	337,296	448,687
First National Bank AA (zaf)	376,552	258,455	376,552	258,455
	5,802,956	**5,168,368**	**5,802,956**	**4,864,459**

Credit quality of other financial assets - at amortised cost
Loans and advances are issued to individuals with no external credit ratings. ITC check is done on each applicant before the loan is issued.
The credit quality of loans and advances can be assessed by reference to historical information about counterparty default rates.

	Group 2019 N$ '000	Group 2018 N$ '000	Company 2019 N$ '000	Company 2018 N$ '000
Loans and advances				
Gross	372,928	314,735	-	-
Less provision for impairment	(13,903)	(10,826)	-	-
	359,025	**303,909**	**-**	**-**
Impairment allowance on loans and advances				
Opening balance	10,826	7,192	-	-
Additional provision raised during the current year	12,365	9,460	-	-
Utilised during the year (previous provision)	(9,288)	(5,826)	-	-
	13,903	**10,826**	**-**	**-**

Refer to note 3 for detailed information on credit risk management, credit quality, assumptions and estimates

The Group performed a detailed assessment of impairment allowance during the year. Actual historic write-off losses and wider credit risk associated with lending to pensioners, corporate employees and other smart-card holders were considered and impairment allowance was adjusted accordingly.

Notes to the Annual Financial Statements

	Group		Company	
	2019 N$ '000	**2018** N$ '000	**2019** N$ '000	**2018** N$ '000

10. Financial assets by category

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

At amortised cost				
Loans to group companies	-	-	211,525	216,390
Other instruments	359,025	-		
Trade and other receivables (excluding VAT)	97,544	64,036	97,276	84,443
	456,570	**64,036**	**308,802**	**300,833**
At fair value through other comprehensive income				
Quoted investments and Bonds	3,165,654	2,947,717	3,165,654	2,947,717
At fair value through profit and loss				
Fixed term deposits, call accounts and money market instruments	2,637,302	1,916,742	2,637,302	1,916,742
	5,802,956	**4,864,459**	**5,802,956**	**4,864,459**
At amortised cost				
Loans and receivables	359,025	303,909	-	-
Cash and cash equivalents	106,802	87,638	98,907	85,666
Total other financial assets	**465,827**	**391,547**	**98,907**	**85,666**

11. Deferred tax

Deferred tax liability				
Property plant and equipment	(9,165)	(6,550)	(12,201)	(5,964)
Fair value adjustments	(12,097)	10,085	(12,097)	10,085
Terminal dues	(1,215)	(2,858)	(1,215)	(2,858)
Stock - Consumables	(1,729)	(1,172)	(1,729)	(1,172)
Prepayments and other deferred tax liabilities	(581)	(1,201)	(581)	(1,117)
Total deferred tax liability	**(24,787)**	**(1,697)**	**(27,823)**	**(1,026)**
Deferred tax asset				
Retirement benefit obligation	3,816	4,270	3,816	4,270
Provisions	17,542	20,934	17,542	18,124
Deferred tax balance from temporary differences other than unused tax losses	21,358	25,204	21,358	22,394
Income received in advance	2,587	4,153	2,587	4,153
	23,945	29,357	23,945	26,547
Other deferred tax (unrealised foreign) exchange, loans etc.	18,030	1,506	18,030	1,506
Total deferred tax asset, net of valuation allowance recognised	**41,975**	**30,863**	**41,975**	**28,053**

Notes to the Annual Financial Statements

11. Deferred tax (continued)

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

	Group 2019 N$ '000	Group 2018 N$ '000	Company 2019 N$ '000	Company 2018 N$ '000
Deferred tax liability	**(24,787)**	**(1,697)**	**(27,823)**	**(1,026)**
Deferred taxation liability to be recovered after more than 12 months	(24,787)	(1,697)	(27,823)	(1,026)
Deferred taxation liability to be recovered within 12 months	-	-	-	-
Deferred tax asset	***41,975***	**30,863**	***41,975***	**28,053**
Deferred taxation asset to be recovered after more than 12 months	41,975	30,863	41,975	28,053
Deferred taxation asset to be recovered within 12 months	-	-	-	-
Total net deferred tax asset	**17,188**	**29,166**	**14,152**	**27,027**

Reconciliation of deferred tax asset / (liability)

	Group 2019 N$ '000	Group 2018 N$ '000	Company 2019 N$ '000	Company 2018 N$ '000
At the beginning of year	29,166	15,384	27,027	15,154
Temporary differences on terminal dues and parcel credits	1,643	1,274	1,643	1,274
Temporary differences on income received in advance	(1,566)	2,005	(1,566)	2,005
Originating temporary differences on tangible fixed assets	(3,200)	166	(6,237)	227
Originating / (Reversing) temporary differences on Post retirement obligation	(454)	124	(454)	124
Temporary differences on fair value adjustments	(22,182)	7,491	(22,182)	7,491
Originating temporary differences on provisions	(699)	3,643	(699)	1,729
Originating temporary differences on stock - consumables	(557)	111	(557)	111
Temporary differences on prepayments	599	(3,033)	599	(3,090)
Other deferred tax (unrealised forex, workmen compensation, etc.)	14,438	2,001	16,578	2,002
	17,188	**29,166**	**14,152**	**27,027**

	Group		Company	
	2019	**2018**	**2019**	**2018**
	N$ '000	N$ '000	N$ '000	N$ '000

12. Post employment benefits

Medical benefit - (defined benefit plan)

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

The plan is a final post employment medical benefit plan.

Carrying value

Present value of the defined benefit obligation - wholly unfunded	(11,926)	(12,278)	(11,926)	(12,278)

Movements for the year

Opening balance	(12,278)	(12,958)	(12,278)	(12,958)
Benefits paid	953	946	953	946
Actuarial gain / (loss)	637	1,065	637	1,065
Net expense recognised in profit or (loss)	(1,238)	(1,331)	(1,238)	(1,331)
	(11,926)	**(12,278)**	**(11,926)**	**(12,278)**

Net expense recognised in the statement of profit or loss and other comprehensive income

Current service cost	(106)	(102)	(106)	(102)
Interest cost	(1,132)	(1,229)	(1,132)	(1,229)
Acturial gain / (loss)	637	1,065	637	1,065
	(601)	**(266)**	**(601)**	**(266)**

Key assumptions used

Assumptions used on last valuation on 30 September 2019.

Average retirement age	58	58	58	58
Discount rates used	9.99%	9.48%	9.99%	9.48%
Health care cost inflation	7.44%	7.39%	7.44%	7.39%

Pension Fund - (defined contribution)

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

The Napotel Pension Fund converted from a defined benefit plan to defined contribution plan with effect from 1 October 1997. A statutory actuarial valuation was carried out as at 30 September 2019, which indicate that the fund was in a sound financial position.

	Group		Company	
	2019	**2018**	**2019**	**2018**
	N$ '000	N$ '000	N$ '000	N$ '000

12. Post employment benefits (continued)

Sensitivity Analysis

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

In order to illustrate the sensitivity of our results to changes in certain key variables, we have recalculated the liabilities using the following assumptions:
20 % increase/ decrease in the assumed level of mortality;
1 % increase/ decrease in the Medical Aid inflation

Mortality

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

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

Balance of liability with change in assumption:

20% decrease in mortality rate	12,991	13,388	12,991	13,388
Valuation assumption	11,926	12,278	11,926	12,278
20% increase in mortality rate	11,077	11,395	11,077	11,395

Medical Aid inflation

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

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

Balance of liability with change in assumption:

1% decrease in medical aid inflation	10,873	11,134	10,873	11,134
Valuation assumption	11,926	12,278	11,926	12,278
1% decrease in valuation assumption	13,146	13,609	13,146	13,609

Notes to the Annual Financial Statements

	Group		Company	
	2019 N$ '000	2018 N$ '000	2019 N$ '000	2018 N$ '000
13. Savings bank investors				
Composition of savings bank investors				
Savings accounts	604,541	614,887	604,541	614,887
Save as you earn	20,333	17,517	20,333	17,517
Fixed term deposits	5,045,976	4,145,555	5,056,851	4,157,136
Call and notice accounts	132,993	112,047	132,993	112,046
Mychoice accounts	21,471	21,740	21,471	21,740
	5,825,314	**4,911,746**	**5,836,189**	**4,923,327**
The current and long term portions of the portfolio is split as follows:				
Non current portion	722,622	654,145	722,622	654,145
Current portion	5,102,692	4,257,601	5,113,567	4,269,182
	5,825,314	**4,911,746**	**5,836,189**	**4,923,327**
14. Inventories				
Goods for resale	2,376	2,262	2,376	2,262
Stamps	2,968	3,156	2,968	3,156
Stationery	5,403	4,000	5,403	4,000
Other inventories (Smartcards, philately new range)	3,288	158	3,288	158
	14,035	**9,576**	**14,035**	**9,576**
15. Trade and other receivables				
Trade receivables	44,113	34,717	44,113	34,717
Employee loans	2,760	2,124	2,760	2,124
Prepayments	29,380	24,438	29,185	24,172
Other receivables (Agency fees etc)	21,291	23,440	21,218	23,430
	97,544	**84,719**	**97,276**	**84,443**

The credit quality of trade and other receivables can be assessed by reference to external credit ratings (if available) and a combination of information of historical information about counterparty default rates and forward looking information available.

Notes to the Annual Financial Statements

	Group		Company	
	2019 N$ '000	**2018** N$ '000	**2019** N$ '000	**2018** N$ '000

15. Trade and other receivables (continued)

Trade receivables

	Group 2019 N$ '000	Group 2018 N$ '000	Company 2019 N$ '000	Company 2018 N$ '000
Counterparties without external credit rating				
State owned entities (existing clients with no history of default)	3,720	2,774	3,720	2,774
State owned entities (existing clients with history of default)	12,287	2,264	12,287	2,264
Government entities (existing clients with no history of default)	7,621	7,437	7,621	7,437
Government entities (existing clients with history of default)	4,096	6,130	4,096	6,130
Corporate clients (existing clients with no history of default)	7,886	11,759	7,886	11,759
Corporate clients (existing clients with history of default)	7,573	4,150	7,573	4,150
Private individuals(existing clients with no history of default)	179	105	179	105
Private individuals (existing clients with history of default)	751	97	751	97
	44,113	**34,717**	**44,113**	**34,717**
Trade and other receivables				
Gross	133,208	118,171	132,940	117,895
Less provision for impairment	(35,664)	(33,452)	(35,664)	(33,452)
	97,544	**84,719**	**97,276**	**84,443**
Impairment allowance on trade and other receivables				
Opening balance	33,452	28,723	33,452	28,723
Impairment adjustment increase / (decrease) for the year	2,212	4,729	2,212	4,729
	35,664	**33,452**	**35,664**	**33,452**

Refer to note 3 for detailed information on credit risk management, credit quality, assumptions and estimates

The Group performed a detailed assessment of impairment allowance during the year. Provision matrix was reviewed based on actual write-offs and available forward looking information and impairment allowance was adjusted accordingly.

Notes to the Annual Financial Statements

	Group		Company	
	2019 N$ '000	**2018** N$ '000	**2019** N$ '000	**2018** N$ '000

16. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	30,813	16,315	30,805	16,307
Bank balances	75,989	71,323	68,102	69,359
	106,802	**87,638**	**98,907**	**85,666**
Cash and cash equivalents held by Namibia Post Limited on behalf of savings bank customers and are not available for use by the group.	27,977	36,679	27,977	36,679

The company has undrawn bank overdraft facilities of N$ 14 million (2018: N$ 14 million) applicable to all current accounts. The overdraft facilities are unsecured. There are specific covenants attached to the facility with which Namibia Post Limited needs to comply.

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

The credit quality of cash at bank, excluding cash on hand can be assessed by reference to external credit ratings (if available) and to a combination of historical information about counterparty default rates and forward looking information available.

Credit rating				
Bank Windhoek Limited (AA) Global credit rating	7,723	15	-	15
Standard Bank Namibia Limited (AA+)	68,011	68,951	68,011	68,951
Nedbank Namibia (A1+)	164	1,964	-	-
First National Bank Namibia (AA+)	91	393	91	393
	75,989	**71,323**	**68,102**	**69,359**

17. Share capital

Authorised				
50,000,000 Ordinary shares	50,000	50,000	50,000	50,000
Issued				
5,075,000 Ordinary shares	5,075	5,075	5,075	5,075

Notes to the Annual Financial Statements

	Group		Company	
	2019 N$ '000	**2018** N$ '000	**2019** N$ '000	**2018** N$ '000
18. Other financial liabilities				
Held at amortised cost				
Kreditanstalt Fur Wiederaufbau loan (KfW)	53,498	53,367	53,498	53,367
The loan is issued in Euros and is repayable in half yearly instalments of 15,000 euros which commenced on 30 June 2015. The initial amount borrowed was 883,767 Euros, a further loan amount of 6,070,000 Euros was subsequently borrowed, payable from June 2023 to June 2027 at an instalment of 151,000 euros and 152,000 Euros from June 4% (2017: 4%). The loan is unsecured and the effective interest rate is 2% (2017: 2%).				
Development Bank of Namibia	30,451	30,451	-	-
The loan bears interest of 8% and is repayable over a period of 5 years including 4 months grace period on interest. Capital portion will be repaid as a bullet payment on last day of the 5th year.				
Bank Windhoek	67,149	24,656	-	-
The loan bears Interest at the nominal annual Prime Interest Rate (10.50% at present) plus 0.50% and is repayable over a period of 5 years (60 months) with a balloon payment of the outstanding amount in month 60, with a refinancing option for another 5 years. The loan is being withdrawn in tranches and the full loan amount of N$ 200 million will be withdrawn by 30 September 2019.				
	151,098	**108,474**	**53,498**	**53,367**
Non-current liabilities				
At amortised cost	145,891	105,441	52,974	51,993
Current liabilities				
At amortised cost	5,207	3,033	524	1,374
	151,098	**108,474**	**53,498**	**53,367**

Notes to the Annual Financial Statements

	Group		Company	
	2019 N$ '000	2018 N$ '000	2019 N$ '000	2018 N$ '000

18. Other financial liabilities (continued)

	Kreditanstalt fur Wieder aufbau 2019 N$ '000	Kreditanstalt fur Wieder aufbau 2018 N$ '000	Kreditanstalt fur Wieder aufbau 2019 N$ '000	Kreditanstalt fur Wieder aufbau 2018 N$ '000
Opening balance	53,367	52,407	53,367	52,407
Interest expense	968	928	968	928
Foreign exchange (gain) / loss	462	1,292	462	1,292
Payments	(1,299)	(1,260)	(1,299)	(1,260)
	53,498	**53,367**	**53,498**	**53,367**

19. Current tax receivable / (payable)

	Group 2019	Group 2018	Company 2019	Company 2018
Current tax receivable				
Current tax receivable	14,145	11,742	14,936	12,871
Reconciliation for current tax receivable / (payable):				
Opening balance	11,742	14,556	12,871	13,844
Current tax for the year	(9,791)	(16,906)	-	(9,277)
Opening balance adjustment	-	(1,271)	-	-
Provisional tax payment - 2019	12,194	15,363	2,065	8,304
	14,145	**11,742**	**14,936**	**12,871**
Balance of provision for taxation consists of:				
2015	3,627	3,627	3,627	3,627
2016	13,117	13,252	13,089	13,224
2017	(3,003)	(3,167)	(2,871)	(3,007)
2018	(1,029)	-	(342)	(973)
2019	1,433	(1,970)	1,433	
	14,145	**11,742**	**14,936**	**12,871**

20. Trade and other payables

	Group 2019	Group 2018	Company 2019	Company 2018
Trade payables	23,276	25,247	17,632	23,361
Amounts received in advance	5,343	11,789	5,247	11,789
VAT	2,629	2,447	2,345	2,318
Telecom- telephone payments	348	378	348	378
Provisions and Accruals	32,627	32,595	28,238	30,244
Deposits received	121,517	115,466	121,517	115,466
Other payables	24,437	3,119	24,062	1,639
	210,177	**191,039**	**199,389**	**185,195**

The carrying amount of trade and other payables excluding VAT and amounts received in advance approximates their fair values because they are short term in nature.

Notes to the Annual Financial Statements

	Group		Company	
	2019 N$ '000	**2018** N$ '000	**2019** N$ '000	**2018** N$ '000

21. Financial liabilities

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

Financial liabilities at amortised cost				
Other financial liabilities	151,098	108,474	53,498	53,367
Trade and other payables (excluding VAT)	202,205	188,593	191,797	182,877
Savings bank investors	5,825,314	4,911,746	5,836,189	4,923,327
	6,178,617	**5,208,813**	**6,081,484**	**5,159,571**

22. Revenue

Revenue from contracts with customers				
Philately stamps revenue	2,833	970	2,833	970
Mail revenue	146,348	159,218	146,348	159,218
Agency commission	28,485	28,885	28,485	28,885
Logistics services	126,234	116,218	126,234	116,218
Savings bank fees	65,438	61,414	65,438	61,414
Other	2,700	1,986	2,700	1,986
Total revenue recognised at a point in time	**372,038**	**368,691**	**372,038**	**368,691**
Interest and similar income				
Interest on investments	415,227	394,367	415,227	394,367
Interest on loan advances	82,597	67,258	-	-
Total Interest	**497,824**	**461,625**	**415,227**	**394,367**
Total revenue	**869,862**	**830,316**	**787,265**	**763,058**

Due to adoption of IFRS 15 in the current year , revenue from sale of mobile products is now recognised on a net basis under agency commission as opposed to gross basis. The prior year figures have been restated to reflect the same net basis effect. This has no impact on the retained earnings.

23. Cost of sales

Cost of sales	450,520	415,699	444,334	413,196

Due to the new accounting policy on mobile products, the cost of sales balance has significantly reduced. The prior year figures have also been adjusted to reflect the same effect.

24. Other income

Profit on sale of assets and liabilities	18	23	18	15
Recoveries	1,902	1,922	-	-
Other income	2,293	9,074	2,224	8,955
Profit (loss) on exchange differences	(2,426)	730	(2,426)	730
	1,787	**11,749**	**(184)**	**9,700**

	Group		Company	
	2019	**2018**	**2019**	**2018**
	N$ '000	N$ '000	N$ '000	N$ '000

25. Operating profit (loss)

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

	Group 2019 N$ '000	Group 2018 N$ '000	Company 2019 N$ '000	Company 2018 N$ '000
Auditor's remuneration - external				
Audit fees	1,836	2,127	1,543	1,868
	1,836	**2,127**	**1,543**	**1,868**
Remuneration, other than to employees				
Consulting and professional services	10,411	6,993	9,766	6,448
Leases				
Operating lease charges				
Premises	28,890	27,050	27,916	26,216
Contingent rentals on operating leases				
Premises	9,521	9,321	9,521	9,321
Total operating lease charges	**38,411**	**36,371**	**37,437**	**35,537**
Depreciation and amortisation				
Depreciation of property, plant and equipment	8,316	6,884	7,927	6,490
Amortisation of intangible assets	5,836	3,445	5,664	3,272
Total depreciation and amortisation	**14,152**	**10,329**	**13,591**	**9,762**
Expenses by nature				
Employee costs	251,062	240,294	236,285	228,557
Operating lease charges	38,330	36,371	37,437	35,537
Depreciation, amortisation and impairment	14,152	10,329	13,591	9,762
Advertising	9,198	7,583	5,623	7,144
IT expenses	17,282	7,783	17,687	7,783
Security	7,991	8,786	7,991	8,786
Municipal expenses	2,920	2,877	2,920	2,877
Consulting and professional fees	10,411	6,993	9,766	6,448
Bad debts	10,841	13,588	3,427	5,490
Telephone and fax	12,048	11,853	11,993	11,755
Commission paid	5,419	4,902	5,419	4,901
Other expenses	47,462	36,830	40,407	30,038
	427,116	**388,189**	**392,546**	**359,078**

Notes to the Annual Financial Statements

	Group		Company	
	2019 N$ '000	**2018** N$ '000	**2019** N$ '000	**2018** N$ '000
26. Depreciation, amortisation and impairment losses				
Depreciation				
Property, plant and equipment	8,316	6,884	7,927	6,490
Amortisation				
Intangible assets	5,836	3,445	5,664	3,272
Total depreciation, amortisation and				
Depreciation	8,316	6,884	7,927	6,490
Amortisation	5,836	3,445	5,664	3,272
	14,152	**10,329**	**13,591**	**9,762**
27. Investment Income				
Dividends received	9,802	6,559	19,802	8,059
Interest received	4,972	4,707	20,992	21,882
	14,774	**11,266**	**40,794**	**29,941**
28. Finance costs				
Non-current borrowings	1,021	929	1,021	929
Total finance costs	**1,021**	**929**	**1,021**	**929**
29. Income tax expense				
Major components of the income tax expense				
Current				
Local income tax - current year	9,791	16,906	-	9,277
Deferred				
Current year	(10,747)	(5,349)	(9,850)	(4,712)
Arising from prior year adjustments	1,363	3,733	1,363	3,735
	(9,384)	**(1,616)**	**(8,487)**	**(977)**
	407	**15,290**	**(8,487)**	**8,300**
Reconciliation of the income tax expense				
Accounting profit	13,726	54,580	(10,026)	29,496
Tax at the applicable tax rate of 32% (2018: 32%)	4,392	17,466	(3,208)	9,439
Tax effect of adjustments on taxable income				
Net Permanent differences	(5,348)	3,733	(6,642)	3,735
Prior year adjustments	1,363	(5,909)	1,363	(4,874)
	407	**15,290**	**(8,487)**	**8,300**

Notes to the Annual Financial Statements

	Group		Company	
	2019 N$ '000	**2018** N$ '000	**2019** N$ '000	**2018** N$ '000

30. Income tax expense (other comprehensive income)

Major components of the income tax expense

	Group 2019	Group 2018	Company 2019	Company 2018
Current relating to other comprehensive income				
Local income tax - current year	-	-	-	-
Deferred relating to other comprehensive income / (loss)				
Current year	21,363	(10,896)	21,363	(10,896)
Reconciliation of the income tax expense				
Reconciliation between other comprehensive income and tax expense				
Other comprehensive income / (loss)	66,760	(34,049)	66,760	(34,049)
Tax at the applicable tax rate of 32% (2018: 32%)	21,363	(10,896)	21,363	(10,896)
Tax effect of adjustments on taxable other comprehensive income	**21,363**	**(10,896)**	**21,363**	**(10,896)**

31. Cash generated from operations

	Group 2019	Group 2018	Company 2019	Company 2018
Profit (loss) before taxation	14,363	55,645	(9,389)	30,561
Adjustments for:				
Depreciation and amortisation	14,152	10,329	13,591	9,762
Dividend income	(9,802)	(6,559)	(19,802)	(8,059)
Interest received - investment	(4,972)	(4,706)	(20,992)	(21,881)
Finance costs	1,021	929	1,021	929
Foreign exchange differences	2,594	(730)	2,594	(730)
Movements in retirement benefit assets and liabilities	(352)	(680)	(352)	(680)
Other non - cash items	-	-	-	-
Equity accounting	4,040	(566)	-	-
Changes in working capital:				
Inventories	(4,459)	15,815	(4,459)	15,815
Trade and other receivables	(14,788)	(1,957)	(14,796)	(1,803)
Trade and other payables	13,083	13,434	8,142	15,999
	14,880	**80,954**	**(44,442)**	**39,913**

32. Tax (paid) refunded

	Group 2019	Group 2018	Company 2019	Company 2018
Balance at the beginning of the year	11,742	14,556	12,871	13,844
Prior year adjustment	-	(1,271)	-	-
Current tax for the year recognised in profit or (loss)	(9,791)	(16,906)	-	(9,277)
Balance at end of the year	(14,145)	(11,742)	(14,936)	(12,871)
	(12,194)	**(15,363)**	**(2,065)**	**(8,304)**

Notes to the Annual Financial Statements

	Group		Company	
	2019	**2018**	**2019**	**2018**
	N$ '000	N$ '000	N$ '000	N$ '000
33. Commitments				
Authorised capital expenditure				
Already contracted for but not provided for				
Commitments in respect of contracts placed	660	1,246	660	1,246
Not yet contracted for and authorised by	18,567	25,766	18,567	25,766
Guarantees				
Ministry of Finance	70	70	70	70
Avon and Justine	150	150	150	150
Roads Authority	690	-	690	-
Puma Energy	1,500	-	1,500	-
Operating leases – as lessee (expense)				
Minimum lease payments due				
Within one year	57,391	57,651	57,391	57,651
In second to fifth year inclusive	177,380	213,748	177,380	213,748
	234,771	**271,399**	**234,771**	**271,399**

Operating lease payments represent rentals payable by the group for certain of its office properties

and fleet. The operating leases are from multiple lessors with average lease periods ranging from one to five years with an option for renewal.

34. Related parties

Relationships

Ultimate shareholder	Government of the Republic of Namibia
Holding company	Namibia Post and Telecom Holdings Limited
Subsidiary	NamPost Financial Brokers (Pty) Ltd, Refer to note 6
Joint arrangements	SmartSwitch Namibia (Pty)Ltd, Refer to note 7
NamPost directors	Refer to directors' report on pages 75 – 76
Directors (Nampost Financial Brokers (Pty) Ltd)	Mr Festus F Hangula Mr James A Cumming Ms Jennifer J Comalie
Fellow Subsidiaries	Telecom Namibia Limited Mobile Telecommunications Limited
Members of key management	Festus Hangula (Chief Executive Officer: Namibia Post Limited) Patrick Gardiner (Chief Executive Officer: NamPost Financial Brokers (Pty) Ltd) Batsirai Pfigirai (Executive: Finance) Jorn Schnoor (Executive: Information Technology) Sonia Bergh (Executive: Human Resources) Jennifer Comalie (Executive: Financial Services) Berlindi van Eck (Executive: Marketing) Eldorette Harmse (Executive: Legal, Compliance and Governance) Tangeni Erkana (General Manager: Retail Services) Kgomotso Hochobeb (Executive: Internal Audit) Deon Claasen (Executive Enterprise Risk Management) Guilleame Christ (Acting General Manager: Courier Services)

Notes to the Annual Financial Statements

	Group		Company	
	2019 N$ '000	2018 N$ '000	2019 N$ '000	2018 N$ '000
34. Related parties (continued)				
Related party balances				
Receivable from related parties				
Mobile Telecommunications Limited	343	342	343	342
Telecom Namibia Limited	2,511	119	2,511	119
Namibia Post and Telecom Holdings Limited	-	2	-	2
Payable to related parties				
Mobile Telecommunications Limited	2,017	1,926	2,017	1,926
Telecom Namibia Limited	-	84	-	84
SmartSwitch Namibia (Pty) Ltd	5,337	2,838	5,337	2,838
NamPost Financial Brokers (Pty) Ltd	-	-	10,875	11,581
Loans to related parties				
NamPost Financial Brokers (Pty) Ltd	-	-	211,525	216,390
Related party transactions				
Sales of goods / services				
Telecom Namibia Limited	7,198	2,595	7,198	2,595
Namibia Post and Telecom Holdings Limited	2	6	2	6
Mobile Telecommunications Limited	11,733	12,495	11,733	12,495
NamPost Financial Brokers (Pty) Ltd	-	-	359	306
SmartSwitch Namibia (Pty) Ltd	10,972	7,474	10,972	7,474
Hollard Life Namibia Ltd	18,111	13,834	18,111	13,834
Purchases of goods / services				
Namibia Post and Telecom Holdings Limited	34,705	33,231	34,705	33,231
Mobile Telecommunications Limited	327,632	293,471	327,632	293,471
Telecom Namibia Limited	3,507	247	3,507	247
SmartSwitch Namibia (Pty) Ltd	19,206	15,904	19,206	15,904
NamPost Financial Brokers (Pty) Ltd		-	720	709
Directors'emoluments				
Evangelina N Hamunyela	214	179	214	179
Perien J Boer	150	157	150	157
Muronga Haingura	173	151	173	151
Israel U D Kalenga	142	122	142	122
James A Cumming	272	146	176	101
Compensation: Key management				
Short -term employee benefits	**22,695**	**22,681**	**20,119**	**17,172**

Detailed Income Statement

	Notes	Group 2019 N$ '000	Group 2018 N$ '000	Company 2019 N$ '000	Company 2018 N$ '000
Revenue					
Philately stamps revenue		2,833	970	2,833	970
Mail revenue		146,348	159,218	146,348	159,218
Agency commission		28,485	28,885	28,485	28,885
Courier services		126,234	116,218	126,234	116,218
Interest on loan advances		82,597	67,258	-	-
Savings bank investments		415,227	394,367	415,227	394,367
Savings bank fees		65,438	61,414	65,438	61,414
Other revenue		2,700	1,986	2,700	1,986
		869,862	**830,316**	**787,265**	**763,058**
Cost of sales					
Opening stock		(9,576)	(11,879)	(9,576)	(11,879)
Purchases		(454,979)	(413,449)	(448,793)	(410,946)
Closing stock		14,035	9,576	14,035	9,576
Discount received		-	53	-	53
	23	**(450,520)**	**(415,699)**	**(444,334)**	**(413,196)**
Gross profit		**419,342**	**414,617**	**342,931**	**349,862**
Other operating income (loss)					
Bad debts recovered		1,902	1,922	-	-
Other income		2,293	9,074	2,224	8,955
Profit / (loss) on exchange differences		(2,426)	730	(2,426)	730
Profit / (loss) on sale of assets and liabilities		18	23	18	15
Operating profit (loss)	24	**1,787**	**11,749**	**(184)**	**9,700**
Expenses (Refer to page 137 – 138)		**(427,116)**	**(388,189)**	**(392,546)**	**(359,078)**
Operating profit (loss)	25	**(5,987)**	**38,177**	**(49,799)**	**484**
Investment income		14,774	11,266	40,794	29,941
Finance costs		(1,021)	(929)	(1,021)	(929)
Income from equity accounted investments		5,960	6,066	-	-
Profit (loss) before taxation		**13,726**	**54,580**	**(10,024)**	**29,496**
Taxation		(407)	(15,290)	8,487	(8,300)
Profit (loss) for the year		**13,319**	**39,290**	**(1,539)**	**21,196**

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

Detailed Income Statement

		Group		Company	
	Notes	2019 N$ '000	2018 N$ '000	2019 N$ '000	2018 N$ '000
Other operating expenses					
Selling and distribution expenses					
Commission paid		(7,667)	(6,396)	(5,420)	(4,902)
Motor vehicle expenses		(3,119)	(2,592)	(3,074)	(2,592)
Postage		(561)	(413)	(86)	(100)
		(11,347)	(9,401)	(8,580)	(7,594)
Marketing expenses					
Advertising		(6,253)	(7,583)	(5,623)	(7,144)
General and administrative expenses					
Auditors remuneration - external auditors	25	(1,836)	(2,127)	(1,543)	(1,868)
Bank charges		(1,835)	(2,028)	(1,806)	(1,998)
Computer expenses		(1,674)	(113)	-	-
Depreciation		(8,316)	(6,884)	(7,927)	(6,490)
Employee costs		(253,628)	(240,018)	(236,194)	(228,282)
Insurance		(3,170)	(3,103)	(3,088)	(3,034)
IT expenses		(18,057)	(7,783)	(17,687)	(7,783)
Lease rentals on operating lease		(38,715)	(35,537)	(37,437)	(35,537)
Municipal expenses		(2,920)	(2,877)	(2,920)	(2,877)
Printing and stationery		(1,350)	(1,426)	(1,248)	(1,330)
Telephone and fax		(12,104)	(11,853)	(11,993)	(11,755)
		(343,605)	(313,749)	(321,843)	(300,954)
Maintenance expenses					
Repairs and maintenance		(2,649)	(1,474)	(2,646)	(1,469)

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

Detailed Income Statement

		Group		Company	
	Notes	2019 N$ '000	2018 N$ '000	2019 N$ '000	2018 N$ '000
Other operating expenses					
Amortisation		(5,836)	(3,445)	(5,664)	(3,272)
Bad debts		(3,427)	(5,490)	(3,427)	(5,490)
Cleaning		(1,306)	(1,299)	(1,285)	(1,272)
Consulting and professional fees		(10,411)	(6,993)	(9,766)	(6,448)
Consulting and professional fees - legal		(297)	(544)	(297)	(175)
Entertainment		(1,724)	(873)	(1,094)	(865)
HIV/ Aids expenses		(663)	(493)	(663)	(493)
Recruitment fees		(91)	(276)	(91)	(276)
Impairment of loans		(7,415)	(8,098)	-	-
Mass distance charges		(355)	(308)	(355)	(308)
Corporate communication		(450)	(204)	(444)	(204)
Safe custody fees		(74)	(35)	(74)	(35)
Fines and penalties		(20)	(3,251)	(20)	(688)
Other expenses		(22,739)	(19,705)	(22,534)	(17,760)
Security		(1,062)	(1,021)	(1,062)	(1,021)
Staff welfare		(684)	(376)	(624)	(304)
Subscriptions		(4,226)	(2,166)	(4,226)	(2,166)
Training		(1,786)	(869)	(1,553)	(637)
Travel - local		(638)	(501)	(617)	(468)
Travel - overseas		(58)	(36)	(58)	(36)
		(63,262)	(55,982)	(53,854)	(41,917)
		(427,116)	**(388,189)**	**(392,546)**	**(359,078)**

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

GLOSSARY

Abbreviation	Term
AFD	Agence Française de Développement
AGM	Annual general meeting
AI	artificial intelligence
ALCO	Asset and Liability Management Committee
ATM	automated teller machine
BARC	Board Audit and Risk Committee
BIC	Board Investment Committee
CEO	Chief Executive Officer
CRAN	Communications Regulatory Authority of Namibia
CRMP	Compliance Risk Management Plan
ERM	Enterprise Risk Management
GDP	gross domestic product
GIPF	Government Institutions Pension Fund
GM	General Manager
Group	The NamPost Group
HR	Human Resources
HRCC	Human Resources and Compensation Committee
I-ACT	Integrity, Accountability, Caring, Teamwork (NamPost Values)
ICT	Information and Communications Technology
ITIL	Information Technology Infrastructure Library
KfW	Kreditanstalt für Wiederaufbau
King III	King III Report on Corporate Governance for South Africa 2009
King IV	King Report on Corporate Governance™ for South Africa, 2016
MoU	memorandum of understanding
NAMFISA	Namibia Financial Institutions Supervisory Authority
NamPost	Namibia Post Ltd
NPTH	Namibia Post and Telecom Holdings Ltd
OHS	occupational health and safety
PAT	profit after tax
PBT	profit before tax
PCI-DSS	Payment Card Industry Data Security Standards
PO boxes	post office boxes
POS	point-of-sale
PMO	Project Management Office
PostFin	NamPost Financial Brokers (Pty) Ltd
ROE	return on equity
ROI	return on investment
SSN	SmartSwitch Namibia (Pty) Ltd
TMS	Transport Management Software
TRG	Technology Risk Governance
USO	Universal Service Obligation
VAT	value added tax

ADMINISTRATION AND CONTACT INFORMATION

Nature of business and principal activities

Supply of postal services, courier services and financial services

Holding company

Namibia Post and Telecom Holdings Ltd

Company registration number

92/284

Country of incorporation and domicile

Namibia

Business address and registered office

175 Independence Avenue, Windhoek, Namibia.

Tel: (+264) 61 201 3911

info@NamPost.com.na

Postal address

PO Box 287, Windhoek, Namibia

Company Secretary

Eldorette Harmse

Bankers

Bank Windhoek Ltd

Standard Bank of Namibia Ltd

Auditors

PwC

Registered Accountants and Auditors

Chartered Accountants (Namibia)

nampost®

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