Celebrating 20 years of delivering excellence

nampost®

Annual Report 2012

nampost®

2012

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Vision

To 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 (uphold ethical behaviour, respect, and good governance).
- Accountability (take ownership of our actions).
- Caring (for ourselves, our customers, and our stakeholders).
- Teamwork (work together to achieve our mission).

Facts about | Namibia

Land Area: 824,269 km2

Population: 2,165,828 (2012 estimate)

Capital city: Windhoek

Official language: English

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

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

Currency: Namibia Dollar (NAD)

NamPost Branches: 135 (2011)

Group | Structure

GOVERNMENT OF THE REPUBLIC OF NAMIBIA

NAMIBIA POST AND TELECOM HOLDINGS LTD

nampost®

NAMPOST FINANCIAL BROKERS (PTY) LTD

PostFin

100% Owned

Smart Switch NAMIBIA

50% Owned

A history of NamPost

Our vision, Mission and Values

Our vision is: To be the best at what we do. We do this by living up to our mission everyday by:

Providing postal, financial and logistics solutions to keep people in touch and to enhance their quality of life.

At the core of fullfilling our mission are these values:

- **I**ntegrity (uphold ethical behaviour, respect and good governance)
- **A**ccountability (take ownership of our actions)
- **C**aring (for ourselves, our customers and our stakeholders).
- **T**eamwork (work together to achieve our mission)

I ACT is the theme of the values by which we live.

Postal services have a long and interesting history in Namibia. We can trace postal services as far back as 155 years. The story begins in the 1800's.

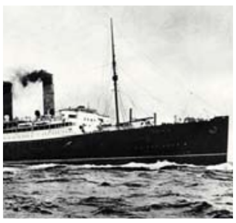
In 1846 missionaries decided to get organised and formalised routes for mail and parcel sending.

Unlike the wonderful roads of today, back then to cross the vast territory of South Western Africa one could not simply call on the swift services of our modern NamPost Courier, instead a little more work and ingenuity was required. Runners were therefore enticed with salaries paid in meat, rice, flour and tobacco.

"On our 20th anniversary, NamPost commits itself to providing postal, logistics and financial solutions effectively and efficiently. Our aim is very simple; we want to be the best at what we do!"

Mr. Festus Hangula, CEO: NamPost

On horse back and on foot they undertook the journey. Not only were these journeys long but dangerous. Runners were sometimes attacked by lions whilst criss-crossing wild SWA to deliver letters and parcels. Despite the odds the system developed to become a regular organised service as hunters and traders joined the missionaries to also use the system.



The establishment of the port of Walvis Bay provided a new way to transport mail and avoid the dangerous long land journey throughout the south. of the country. Now mail would go to Cape Town via the quick direct sea route.

1855 The establishment of the first regular Post Offices came under German rule of SWA.

1888 A Post Office was established in Otjimbingwe

1891 A Post Office opened in Windhoek

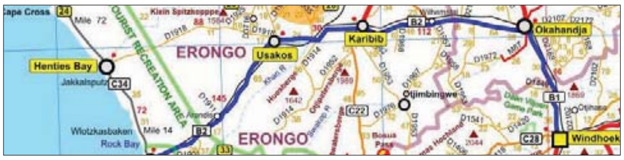
1895 A Post Office opened in Swakopmund.

1898 Swakopmund moved closer to Europe via an undersea cable to

A history of NamPost

Portugal, and as soon as the railway line to Windhoek was completed, a telegraph line quickly followed linking the infant capital of SWA to the world. In 1902 residents of Windhoek happily begun sending telegrams globally.

1902 The railway line between Swakopmund and Windhoek was completed, shortening the journey between Windhoek and Swakopmund from the traditional 12 days to a more predictable and regular 2 days. By 1906 a total of 3.9 million ordinary letters were posted and routed through Swakopmund.



Namibia's first Air mail delivery

1914 Pilot Bruno Buechner visited Namibia with his wood and canvas bi-plane. While he was doing demonstration flights, a quick thinking Post Master came up with the idea to have him take along letters meant for one of the destinations he would be flying to. The flight from Windhoek to Usakos took 12 hours but the mail reached its destination safely.

1915 Namibia has always found itself impacted by the events of the global environment, and in 1914 this was no exception. The start of the first world war saw Namibia falling under South African control and command; a direct result of South Africa aligning itself with England and being at war against Germany.

1920 Control of SWA (now Namibia) fell to South Africa which integrated it into her territory under South African colonial rule until 1990.

1990 Namibia gained independence from South Africa.

The birth of the modern NamPost:

1992 The modern and post apartheid NamPost was born out of an ambition to give Namibians the best logistics services and to send parcels and mail in and around Namibia and to any country they wished in the world.

Since then, NamPost has been at the forefront of giving Namibians the best postal, logistics, and savings solutions and services. The number of post boxes and private bags mushroomed with thousands of people now able to receive their mail and access NamPost services at 135 Post Offices nationwide.

Over the years we have introduced many innovations such as:

1995 NamPost computerised its operations to make them more efficient, reduce costs and improve service.

2003 NamPost introduces Treasury services

2006 Saw the introduction of a SmartCard for Savings Bank customers, which saw the replacement of savings books with a card operated system that also had better security

A history of NamPost

with a smart chip that requires a fingerprint of the owner to access the account and transact.

2010 NamPost modernised and renewed its fleet of trucks and delivery vehicles. Our vehicles travel a combined 4 000 000 km plus a year to ensure that packages, parcels and mail safely get to their destinations.

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2011 NamPost rebranded, modernising its logo and corporate feel in line with the other transformations occurring inside the organisation.

2012 We introduced automated kiosks to give customers access to selected NamPost services and to offer speedier service.

NamPost in 2012: Products and Services

Mail Services: For decades, Mail Services has been collecting, delivering and processing mail. With more than 98 million pieces of mail handled annually, Mail Services is determined to provide fast and reliable services in an increasingly competitive industry.

The Mail Services range includes:

- Domestic Mail
- International Mail
- Parcels
- Hybrid Mail Services (bulk and re-mailing services for large corporations)

Banking Services: NamPost Savings Bank (NSB) introduced the SmartCard to replace the Savings Book in 2006. The SmartCard was designed to give the general public an alternative, safe banking solution with competitive rates and easy access.

NSB offers various products, namely; Savings Accounts; Transactions Accounts, Savings Certificates, Fixed-Term Deposits, Save-As-You-Earn Accounts, Salary Payments into Accounts, Money Orders, Postal Orders and Electronic Money Transfer Services.

Treasury Services: Since the official establishment of NamPost's Treasury Department as an independent business unit in November 2003, it has become a financial service force in the local market.
Through the Treasury Department, clients have the opportunity to invest their funds in a flexible product range, suited to a large variety of customers.

Courier Services: With more than four million kilometres covered across Namibia on an annual basis, Courier Services are able to deliver any parcel anywhere in Namibia!

As the oldest courier service in Namibia, it caters for both the general public and corporate clients. Direct overnight deliveries to 61 towns across Namibia are offered at very competitive prices.

Services include Express Door-to-Door, Counter-to-Counter, Counter-to-Door, Door-to-Counter and International delivery of parcels.

Philately Services: Established in January 1994, Philately Services has been competing internationally with the production of world-class stamps. It has been recognised for producing stamps sought by discerning collectors around the world.

A history of NamPost

Philately Services oversees the design, production and marketing of various stamp products. They also do commemorative envelopes, mini-sheets and year packs. Through perceptive and well thought-out stamp issue themes, Philately Services shows its commitment to Namibian history and heritage.

Agency Services: With 135 post pffices across Namibia, it was only a matter of time before companies invested in the opportunity to sell their products through NamPost's Third Party Services.
When customers visit their nearest Post Office anywhere in Namibia, they are able to access the following products and services:

- NBC TV Licence Fees Payment
- MTC, Leo and Telecom Airtime Purchase
- Municipal Bill Payments
- Telecom Account Payment
- Namwater Payments
- NHE Payments
- Namibia Institute of Pathology Payments
- NaTis Drivers' Licence Manual Book Purchases
- Legal Shield Premiums Payments
- Mossi Mosquito Nets Purchase
- Avbob Funeral Products Purchase

The above clearly demonstrates the flexibility and creativity of NamPost as a postal and logistics company.

Through the years, NamPost has managed to move with the times while maintaining the long-standing importance and infrastructural role of the traditional mailing network; combining the convenience of technologically advanced communications and financial services with the old-world charm, beauty and personal attention of traditional mailing products.

Looking at the past and looking to the future: A special breed of NamPost employee

It's not often that you have the good fortune to chew the fat with 30-year stalwarts of a big corporate. But that is exactly what happened when six long-serving NamPost employees were interviewed in celebration of the 20th anniversary of NamPost Ltd.

Magrieta Platt, Regina Kahorongo, Aletta Snyders, Victoria Olivier, Gerson Kuzee and Violet Shikongo all started to work at the then-Post Office in the early to mid-eighties – with the exception of Gerson who already started his service in 1977.

The bulk of them were fresh-faced Matriculants, recruited by the Post Office to start as mail sorters and clerks.
Aletta Snyders (now Post Master of Windhoek Post Office) recalls this time with a wistful look in her eyes:

"We had six months of training with Mr Marthinus Petrus Volgraaff – he engraved the Post Office into our heads!

"We had to do calculations in our head; we weren't allowed to use calculators. The do's and the don'ts of the Post Office were drilled into us. You were taught to make the transition from a school child to a working person. He formed us as working people."

A history of NamPost

Because of their tough and intensive training, they all agree that this is still the way they like to do things, and they have a lot of pride in transferring their knowledge to a younger generation of NamPost employees.

They even go as far as saying that this is not just a task they set themselves – it is their responsibility. Says Victoria Olivier, now Post Master of Pionierspark Post Office:

"I absolutely feel a responsibility to transfer my knowledge, and I feel privileged to be able to do so. It is nice to tell people how we started."

Having been with NamPost in excess of 20 years, this group has also seen a lot of changes and challenges. One of the big changes occurred in 1995, when NamPost services had to migrate from a manual to a computerised system. Everyone laughs about it as they recall the mistrust with which they regarded their brand new computers. "We couldn't believe that the computers were accurate! I checked with my calculator as well. That manual impulse is still so strong! I still always check myself on the calculator", says Violet Shikongo (now Postmaster of Eros Post Office).

Another huge challenge was the change-over from saving books to SmartCard, but here the customers were the difficult ones to convince: because they couldn't 'see' the money any more, it was difficult to convince them to trust the new cards.

"That is what we strive for . The company really values the customer. if the customer isn't there, NamPost won't be there. We might not always succeed - but we always try!"

Other humorous encounters and anecdotes of weird and wonderful customers also flow freely throughout the conversation. Aletta recalls a male customer who placed an order from a mail-order clothing catalogue where a beautiful model wore a fashionable dress of the day.

When the parcel was finally delivered the customer was highly irate: 'But where is my wife'. She explains: "He had ordered the woman in the catalogue; not the clothes. It wasn't what he ordered and he didn't want to accept the parcel!"

Even in funny situations like these, the group firmly believes that the 'customer is king' at NamPost. "That is what we strive for. The company really values the customer. If the customer isn't there, NamPost won't be there. We might not always succeed – but we always try!"

Despite the relentless march of technology, the group shows admiration for the fact that NamPost has managed to move with the times, and is very proud of it being a profitable SOE – and also of the role that employees play in this profitability. Victoria explains: "As a postmaster you are also manager of a business unit – and you are responsible for that business unit. It must be profitable."

A history of NamPost

A group of some of the staff that have been with NamPost for over 20 years.

Another reason for NamPost's success is its infrastructure – an aspect with which almost no other company in Namibia can compete: there is a NamPost branch in nearly every Namibian city, town or village.

"This is a source of pride for me as well", says Violet. "NamPost has a social responsibility: if there is a community in need of sending a few letters, then we must open a Post Office within that community. You are not allowed to close a Post Office – it is against the law!"

But in an era where long-serving employees have become uncommon, why has such a large group of people such as this remained loyal to NamPost for such a long time? The whole group underscores the same sentiments as the interview is concluded:

"We are a family. NamPost has raised us. It is not just the place where we work – it is OUR NamPost. If something happens within NamPost, it affects us in a personal way. It has become a part of us."

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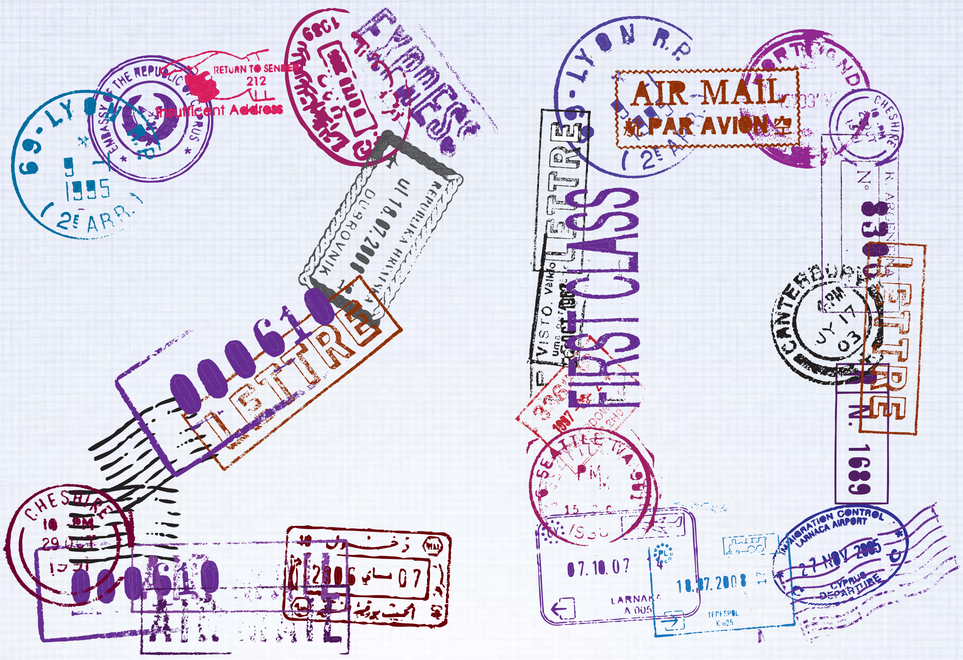
CELEBRATING



YEARS OF MAKING YOU **NUMBER ONE.**

20 years of
delivering
excellence

nam**post**®

Board of Directors

from left to right

Nangula Hamutenya

Neville Field

Sebby Kankondi
Chairman

Boas Mweendeleli

Ndahafa Nambira

EXCO

from left to right

Sonia Bergh
GM: Human Resources

Bertie Reyneke
GM: Savings Bank

Festus Hangula
Chief Excutive Officer

Norman Cloete
GM: Corporate Finance

Ambrosius Iipinge
GM: Postal Services

EXCO

from left to right

Chris Viljoen
Acting
GM: ICT

Eldorette Harmse
Head: Legal Service and Company Secretary

Max Schafer
GM: Courier

George Itembu
Head: Internal Audit

Berlindi Van Eck
GM: Coporate Marketing

Sebby Kankondi Chairman

Kankondi

Chairman's | Review

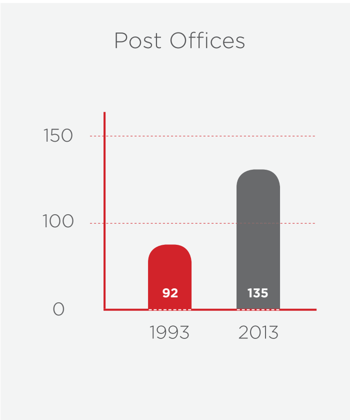
In the last 100 years of delivering Postal Services, NamPost's journey to sustainability has come a long way.

On 31 July 2012, NamPost celebrated 20 years of post commercialisation. It is indeed a privilege to share with you this remarkable journey which NamPost has taken over the past twenty years.

Major Achievements over the past 20 years:

NamPost's core statutory mandate is to provide postal and financial services. It has, however, expanded to provide logistic solutions over the past decade.

The following are noteworthy facts about NamPost that I would like to share with you:



43 more Post Offices

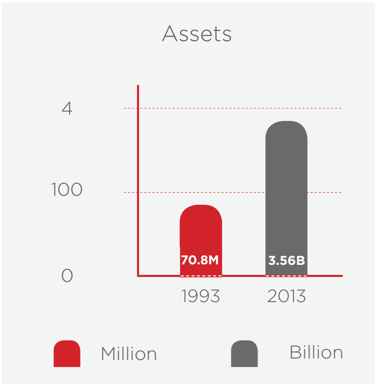
- Since 1992 the postal network expanded from 92 to 135 post offices.

"Our successes arose in major part from the quality of our employees and their passion for serving our customers. We thank you for your dedication to NamPost"

119.7m more Profit

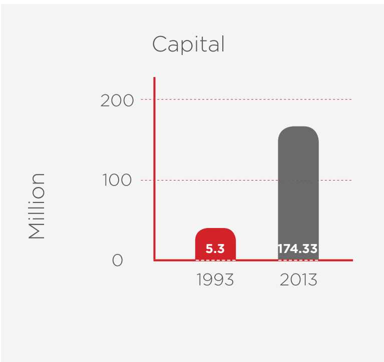
- The profit before tax as at the end of the first full year of operation, September 1993 was N$336.000. Last year, it was N$120 million.

Chairman's | Review



3.48b more Assets

- NamPost assets have grown from N$70.8 million to N$3.56 billion during the past twenty years.



169.03m more Capital

- Capital has grown from N$5.3 million initially invested to N$174,33 million mostly made of retained income. That is about N$8 million added to capital as retained earnings for each of the 20 years.

- We invested over N$20 million in operational efficiencies through systems and other innovative activities.

- NamPost has made inroads in contributing to financial inclusion and will continue to make this a priority area as part of its strategic objectives going forward.

Moving Forward

- We are well aware that we are operating in a very competitive environment; therefore it is imperative to continuously diversify and improve our service offering to our customers.

NamPost intends to focus on the following:

- Delivering on its mandate of providing postal services while gradually transforming itself by positioning the Post Office to remain a beneficial presence in all the Namibian communities in which it operates;

- Continue to lead financial inclusion by leveraging the NamPost foot print to the benefit of this initiative; and

- Enhancing its services delivery capacity in all the business units. Namely, Postal Services, Financial Services, and Courier and Logistics.

All in all, our aim is to be a strong, reliable partner and a beneficial presence in the Namibian communities. Yes, products may change, our colours may change, our logo may evolve, but NamPost will remain Namibia's Post Office and the service provider of choice.

Chairman's Review

Acknowledgements

I think it is befitting to express my gratitude to those that made it possible for NamPost to be what it is today.

- More than 20 years ago the Government of Namibia and the lawmakers of the young Republic saw it fit to commercialise the postal services. We thank them for their vision as it gave birth to NamPost.

- We are grateful to all the Ministers that served as line Ministers for NamPost. I am in particular grateful to the current line Minister, the Honourable Joel Kaapanda, Minister of Information and Communication Technology. His keen interest in NamPost and guidance has created an enabling environment for success.

- We are grateful to our parent company, Namibia Post and Telecommunications Holdings Ltd. for supporting NamPost to achieve its objectives.

- NamPost is blessed to have had visionary Board Members in the past and continues having such leaders presently. We say, thank you to all our Board members past and present for ensuring that the institution remained focused on delivering on its mandate.

- Our successes arose in major part from the quality of our employees and their passion for serving our customers. We thank you for your dedication to NamPost.

- Finally, to our most important stakeholders, the customers of NamPost. I am sure there are very few people that will be able to say that they have never used the services of a Post Office. Everybody is a NamPost customer! We thank you for your trust in us, trust in our services and most of all for making us what we are. You are the reason we exist and we will strive to continuously deliver more to you, our esteemed customers.

In Conclusion

NamPost has delivered solid results, as attested to by the return on equity of 46.6%, in what was a challenging year. We are looking forward to continue to be a dynamic Company committed to satisfying our customer's needs.

Sebby Kankondi
Chairman

Festus Hangula

Hangula

Chief
Executive
Officer

Chief Executive Officer's | Overview

Strategy Execution Impact

There is no doubt that NamPost excelled in the execution of its mandate; namely the provision of postal, financial and logistics solutions to keep people in touch and to enhance their quality of life. Invariably, most of the planned strategic actions have been taken, leading to results that are generally above expectations. Notably, we excelled in the following:

- NamPost experienced good growth in revenue and in its assets. Collectively, the business units have grown revenue by 16%. I believe this is a significant growth given the highly competitive financial markets and parcel delivery industry, and the challenge from communication digitalisation that is shrinking mail services.
- A reasonable growth was also experienced in profit before fair value adjustments when compared to the previous financial year.
- We have grown our customer base in all business units notably in Courier, Financial services and Agency services unit.
- Business risks were managed and controlled to ensure good balance between risks taken and profits generated.
- Our customer satisfaction rating remains above 80%.
- We focused on our people ensuring that they have the necessary skills to continue moving NamPost forward.

Business Performance and Efficiencies

It can be observed that Postal Services business unit experienced challenges in mail revenue growth. However, other revenue streams in this business unit reported significant increase in revenue; notably, agency services, sale of airtime, and prepaid electricity. Therefore postal remains a significant contributor to the profitability of NamPost. Nonetheless, we remain wary of the risks posed by digital substitution and general dynamics, and fluidity of mail across countries.

The performance of the financial services (including the Savings Bank) is commendable with all revenue streams contributing positively. I am in particular happy to observe the contribution of portfolio management activities to the revenue and profitability of the Savings Bank. I believe NamPost is well positioned to serve its target market in the financial market notwithstanding the focus by other financial services provider in this market.

Our savings products continue to grow and attract both high and low income customers in the market. Indeed, the biometric enabled technology SmartCard, remains very popular, secure, and affordable. Accordingly, we continue to steadily grow the number of SmartCard holders with an 11% growth registered during the year. We believe that we will remain a significant contributor to financial inclusion of all Namibian residents as we have done for the past few years.

NamPost Courier remains the premier parcel delivery in Namibia. We enhanced our courier service delivery and look forward to offering more convenience to our customers. The business unit experienced significant growth in volumes and revenue despite strong challenges from competitors who are now entering in areas where we previously had little competition. Strong growth by this business unit suggests that we are standing our ground.

Chief Executive Officer's | Overview

Costs have been judiciously managed as not to grow out of line, even though we are operating in an environment where we must invest in new ways of doing business.

There is a strong noticeable improvement in our debt collection as a consequence of stepped up debt collection activities. We will continue to pursue this strategy and ensure that cash due to the company is collected timely.

Country-wide, individual post offices are becoming profitable with 103 post offices being profitable out of 135. The concentration of loss making post offices is in the South Postal Region, where we face significant challenges due to limited economic activities in some of the towns in which we are operating. We will continue with strategies that will ensure that all the post offices maximise the revenue within their communities and judiciously manage costs.

Strategic Outlook

Strategically, we set some exciting targets for ourselves for the next few financial years. At the center of these are profitability, operational efficiency, and postal transformation.

"I am grateful to all within and outside NamPost that made it possible to achieve these good results"

Accordingly, we will focus on the following:

- Directing the institution's energy in transforming the post office and positioning it to be a beneficial presence in each community in which it operates, and to enhance shareholder value.
- Positioning NamPost to dynamically respond to customer needs and to the changes in the market place.
- Continue pursuing a strategy aimed at bringing more and more financial services to the people and foster the ideals of financial inclusion of all Namibians.
- Leverage off technology and mitigate the threats of digitalisation.

I am grateful to all within and outside NamPost that made it possible to achieve these good results. Our aim remains simple and clear: to be the best at what we do! I look forward to continuing our mutually beneficial relationship next year and beyond.

Festus Hangula
Chief
Executive
Officer


Up north, down south,
way east or west, we have Namibia covered.
Any parcel. Any time. Any place.
With the largest and newest fleet of courier vehicles,
we deliver packages on time and without delay to
over 130 post offices nationwide.
For more information, Contact: Hosky Gowaseb
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delivering
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Norman Cloete

Cloete

GM:
Corporate
Finance

Corporate | Finance

Highlights

- Revenue grew by 15.9%.
- Total assets grew by 40.3%.
- The depositors book grew by 40.1%.
- Declining mail revenue was offset by the diversification of revenue stream.

Introduction

NamPost recorded a total comprehensive income of N$81 million (2011: N$11 million) and celebrated her 20th anniversary of commercialisation with the best results during this time. Total comprehensive income includes a significant unrealised fair value adjustment of N$91 million before tax. The good performance of the company is also due to continued stringent controls to curb costs, streamlining operating processes to ensure improved efficiencies, and diversification of revenue streams.

Operations

Despite the prevailing economic challenges, particularly the negative impact of declining mail volumes, stiff competition and continued pressure on interest rates, the group's profit before tax has increased from N$18 million in 2011 to N$120 million in 2012. Group revenue for the year, has increased by 15.9% to N$697 million from the previous year whilst operating expenses have increased by 12.7% to N$254 million.

All business units of NamPost namely, financial services, postal services, agency services and courier services have performed well in the period under review. The NamPost joint venture, SmartSwitch Namibia (Pty) Ltd and the NamPost subsidiary, NamPost Financial Brokers (Pty) Ltd (trading as PostFin) each recorded good growth in their respective areas of operation. The contribution to group results by the International Mail Processing Centre (IMPC), the cooperation arrangement with DHL/ Deutsche Post, however, remained insignificant due to adverse external factors and this venture will most likely be terminated when the current agreement expires early in the new financial year.

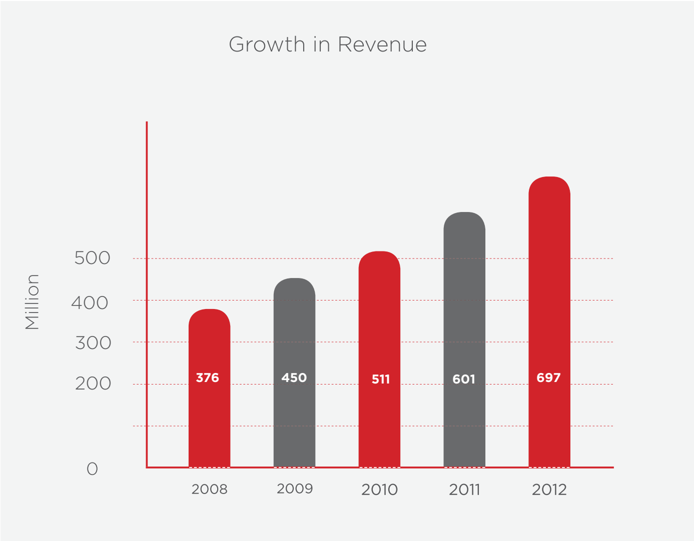
Total assets of the group grew by 40% (N$1 billion) to N$3,6 billion. This growth is mainly attributable to the strategies that enhance our financial service offering be an important contributor in our Government's financial inclusion initiatives. NamPost's contribution to improve financial inclusion was specifically recognised in the 2012 Finscope Consumer Survey. It was reported in the survey that exclusion from financial services was reduced from 51% in 2007 to 31% in 2012. NamPost introduced SmartCards in 2006 and introduced micro finance products, through Postfin in 2010.

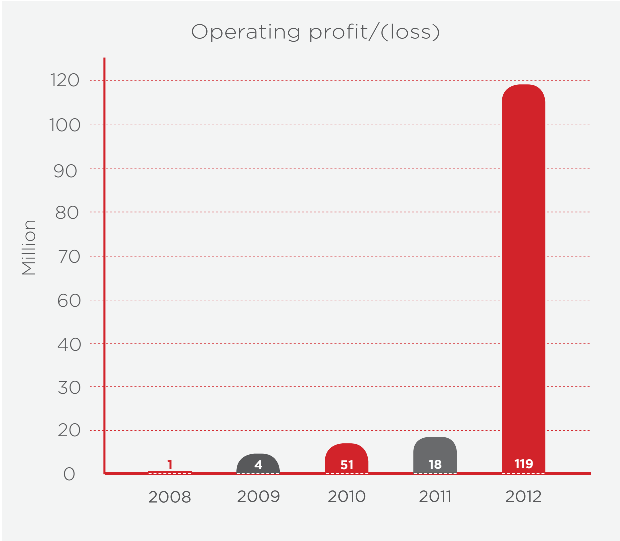
Retained income of the group grew by 82% from N$98 million to N$174 million.

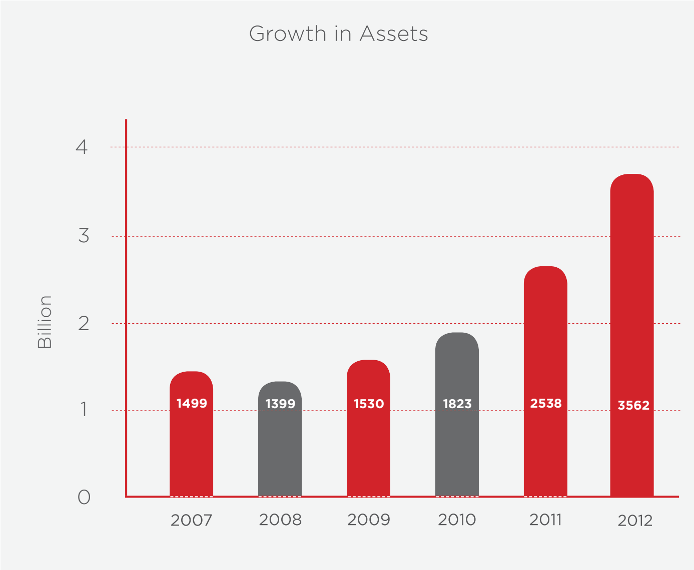
The group recorded a positive cash inflow of N$16,2 million for the year and closed the year with a cash and cash equivalent balance of N$74 million.

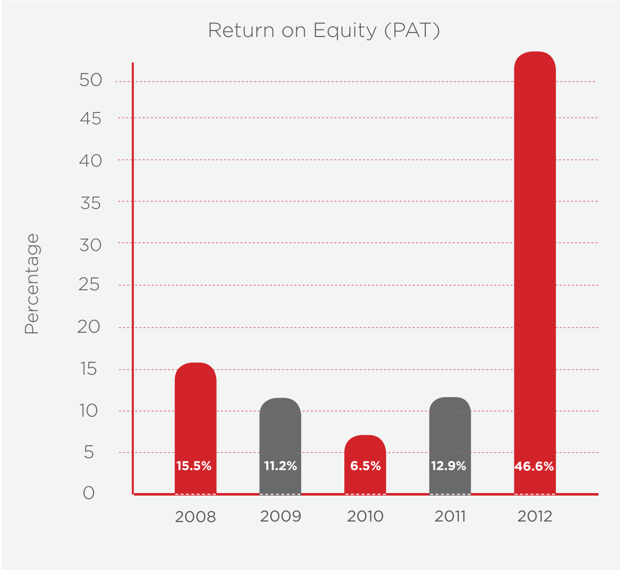
Implementation of strategies to grow the business in all business units through diversification and the introduction of innovative products and services will also see an increase in funding requirements in the next few years. We are confident that growth in the financial performance of the group will be sustained, possibly at lower rates than during the past three years.

Corporate | Finance










DON'T LET THE
ROMANCE DIE.
280

Ambrosius Iipinge

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GM:
Postal
Services

Postal | Services

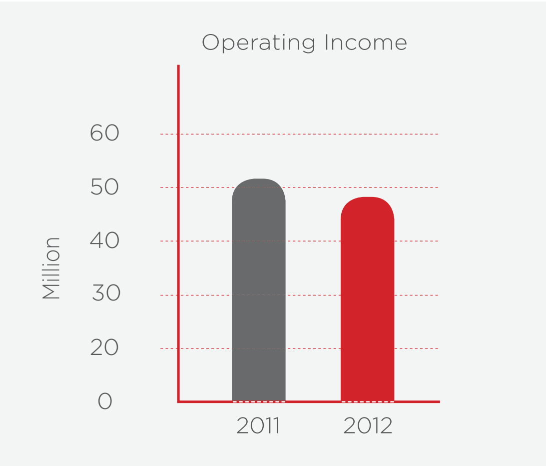
Operational Overview

The 2012 financial year, was a year that postal services faced stiff competition due to technological digital migration and effects of the economic conditions. Withstanding the difficult times faced, postal services showed resilience.

The Postal Service Business Unit encompasses the following Business Divisions:

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

Postal services reported revenue of N$ 369 million which is a N$ 31 million or 10% increase from the previous financial year. Operating income for the business unit was N$ 52.3 million which is 4% less than 2011.



Postal Business Prospects

The continued profitability of the business unit demonstrates that it continues to be relevant in the market place and that the strategy of diversifying revenue streams is bearing fruit. The contribution of the Agency business as well as the financial services business to Postal Services' revenue has grown proportionally and has enabled the business unit to perform well.

Postal Services Strategy for 2012/2013 will be focused on:

- Revenue growth through Agency Services Expansions, International EMS Parcel, Postal Boxes and footprint expansions
- Enhancement of operational effectiveness and efficiencies
- Risk management
- Entrenching I-ACT (NamPost Values)
- Developing human capital

Cost Containment:

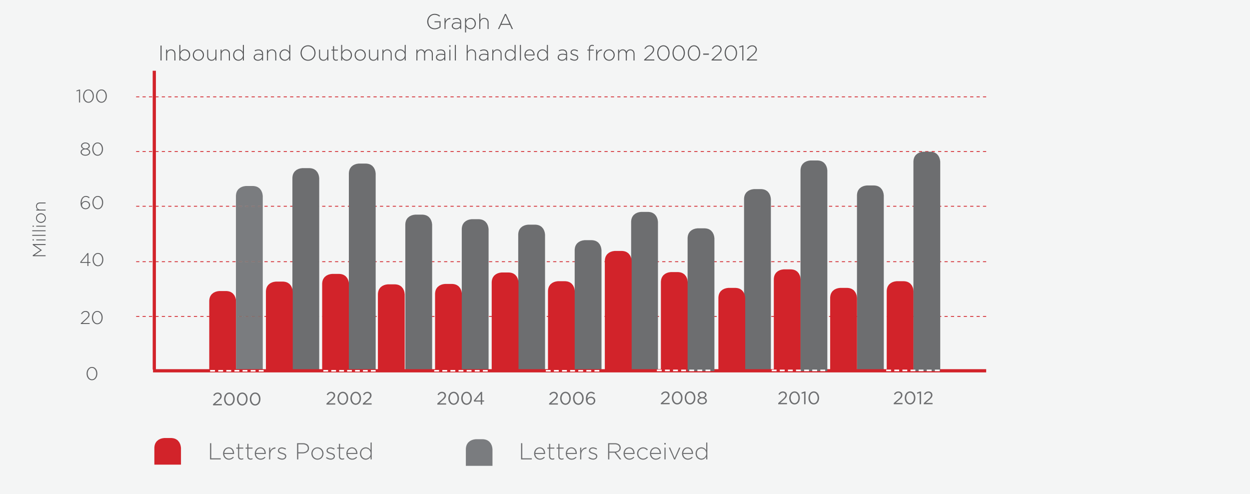
We remain conscious of the need to reduce costs in line with a possible future decline in revenue. To this end, postal tariffs increases were maintained in line with inflation.

Domestic and International Mail Services:

In spite of digital communications migration, NamPost continues to deliver on its mandate in connecting the unconnected. The Mail Business unit remains the key revenue contributor to Postal Services business unit.

Graph A illustrates Inbound and Outbound Mail handled as from 2000 – 2012.

Postal | Services



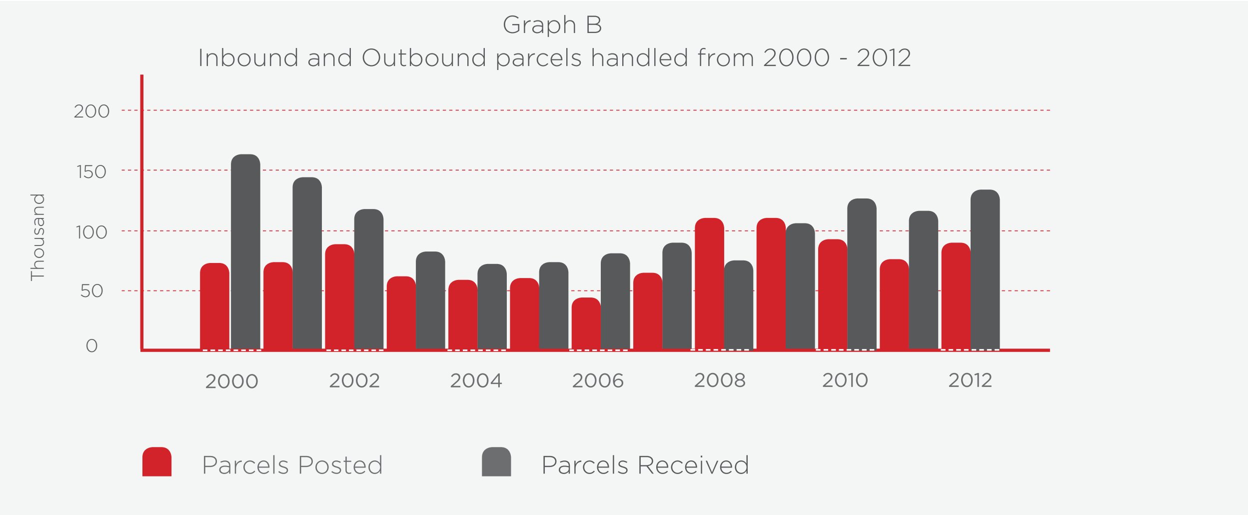
A grow of 4% in total mail volume was recorded in 2012 as compared to 6% in 2011. The Growth is primarily explained by growth in business to business and business to consumer mail.

A growth of 18% was recorded in the total international mail due to an increase in mail volume received from the regional designated postal operators.

Graph B shows Outbound and Inbound Parcels handled as from 2000-2012.

Parcels posted increased by 13% in 2012 from a 1.6% increase in 2011 due to an increase in Cross Border mail order parcel business.

A Global Mail Monitoring Services is operational to ensure effective monitoring of turnaround times of the international mail. This system monitors letters posted by local and international anonymous panelists to determine how long a letter takes to reach its destination.

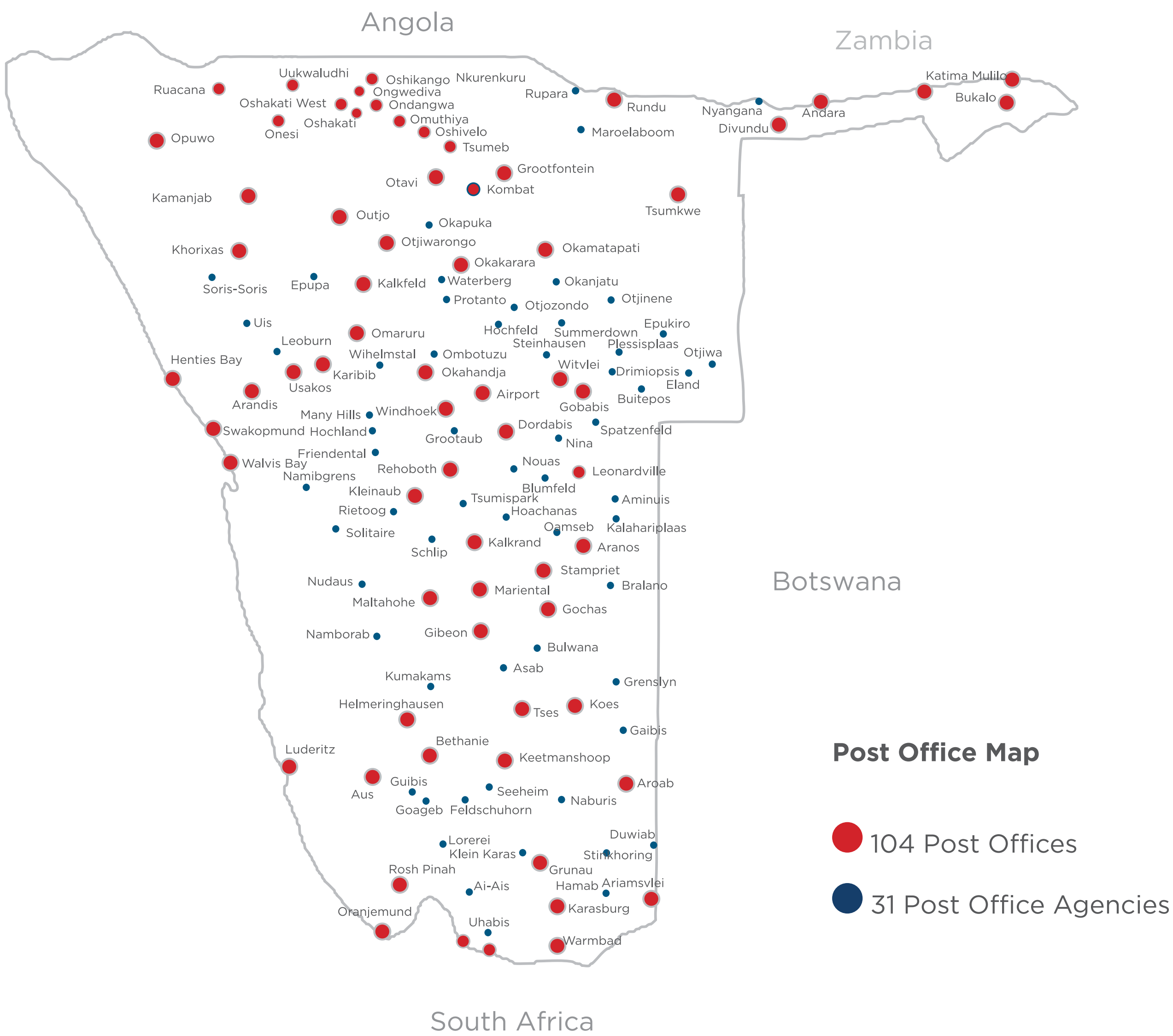


Postal | Services

A Track and Trace System was installed to allow designated operators to track customer recorded items posted. Plans are underway to make this system available to customers to enable them to track their parcels.

Hybrid Mail Services

Hybrid Mail Services combines electronic transmission and a physical delivery utilising a state of art integrated mailing technology to expedite invoices and statements for high mail volume mailers at an affordable price. Document's images decreased by 4%, whilst inserts decreased by 15% during 2012 due to the loss of one customer.



Post Office Map

Postal | Services

The primary goal of the postal network is to ensure easy access to postal services by all citizens. The network is relatively developed compared to other countries in the South African region, but the average post office density remains high at 18 000 people per post office, as opposed to international standards of 12 000 people. We are striving to increase the number of outlets to take the service closer to people.

Philately Services

The following commemorative stamps and personalised stamp series issued during the period are under review:

On the 15th of February 2012 stamps commemorating Birds of Namibia were issued.

On 9 April 2012, stamps celebrating the Bats of Namibia were issued.

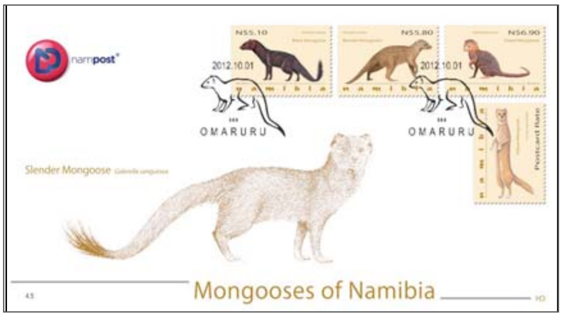
Stamps launching the 2012 Olympics were issued on 16 April.

Stamps celebrating the Scorpions of Namibia were launched on 11 June 2012.

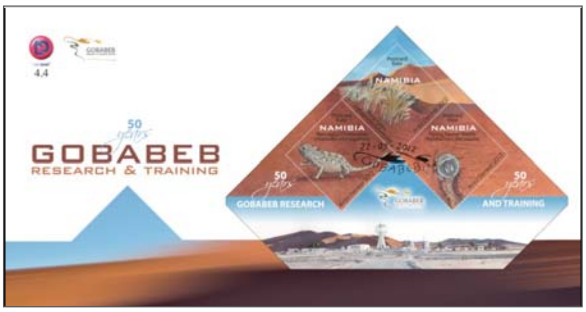
Postal | Services

Stamps commemorating NamPost and Telecom 20th Anniversary 2012 were issued on 31 July and officially launched by the Deputy Minister of ICT Honorable Stanley Simataa.

On 1st October 2012 stamps were issued commemorating the Mongooses of Namibia.



On 22nd September 2012 stamps were issued commemorating the Gobabeb Research Centre of Namibia.



The Doha Postal Strategy of 2012 -2014

Following the adoption of the Doha World Postal Strategy during the 25th UPU Congress in October 2012, we are planning to convene an all relevant stakeholders postal strategy meeting in 2013. The proposed meeting will reflect on the Doha Postal Strategy and identify country priorities. The four pillars of strategy are structured to respond to specific global, regional and national challenges in respect of:

Improving the interoperability, quality and efficiency of the three – dimensional postal network in order to keep the sector relevant to the market and customer needs;

Stimulating a universal postal service that is adapted to the social, economic and technological environment and its economy;

Promoting the sustainable development of the postal sector and its economy; and

Fostering the growth of the postal markets and services.

The above pillars of strategy present an opportunity to reflect on the possibilities to stimulate the postal business and to remain relevant in the market place.

Ambassador Hussein, a Kenyan national, was elected UPU Director General-the first official to occupy the post from the Sub Sahara Africa countries. Mr. Pascal Clivars, a Swiss national was elected Deputy Director General.

For the Council of Administration (CA), 11 African countries were elected; namely, Burkina Faso, The Democratic Republic of Congo, Cote Devour, Egypt, Gabon, Malawi, Morocco, Sudan, South Africa, Tanzania, and Uganda.

For the Postal Operations Council (POC), 7 African countries were elected; namely, Algeria, Benin, Egypt, South Africa, Kenya, Ghana and Tunisia.

Quality of Service Management Certification Audit Conducted by the UPU

A total of seven SADC Countries (Botswana, Lesotho, Mauritius, Namibia, South Africa, Zambia, and Zimbabwe) participated in the certification programme and Mauritius was certified gold while the rest obtained silver. The seven countries received their certification awards during the recently concluded 25th UPU Congress held in Doha, Qatar in October 2012.

Mr. Ambrosius Iipinge NamPost General Manager of Postal Services is receiving the Prestigious Award from Mr. Eduard Dayan, the Director General, UPU.

In the picture below is Mr. Ambrosius Iipinge, Mr. Eduard Dayan the Director General, the Deputy Minister of ICT Honourable Stanley Simataa, Mr. Maruta and Miss Linda Aipinge at the 25th UPU Congress.

Pan African Postal Union (PAPU)

Namibia is a proud member of PAPU, a specialised agency of the African Union (AU) mandate to spearheading the development of postal services in Africa in collaboration with the Universal Postal Union.

While we salute the outgoing Secretary General of PAPU, Madam Rhoda Masaviru, for her visionary leadership shown during her tenure of office, we also welcome Mr. Ypuniss Dupree, a Cameroonian national who, elected as the new Secretary General. We also welcome Mr. Kola Wole, a Nigerian national, who was elected Assistant Secretary General of PAPU during the plenipotentiary conference held in Addis Ababa, Ethiopia, in July, 2012. We wish them well in their new assignments to take Africa Postal Business to new heights.

Southern Africa Postal Operators Association (SAPOA)

During the period under review, the Association's main focus areas were: implementation of new products, evaluation of Regional Projects and preparation of the 25th Universal Postal Union (UPU) Congress content issues.

Max Schafer GM: Courier Services

Schafer

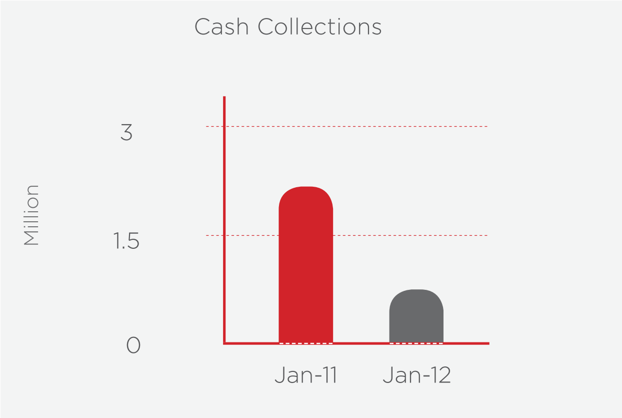
Courier | Services

The Courier department had another strong year in both operating income and volume growth during a very challenging time for transport companies due to increasing fuel costs.

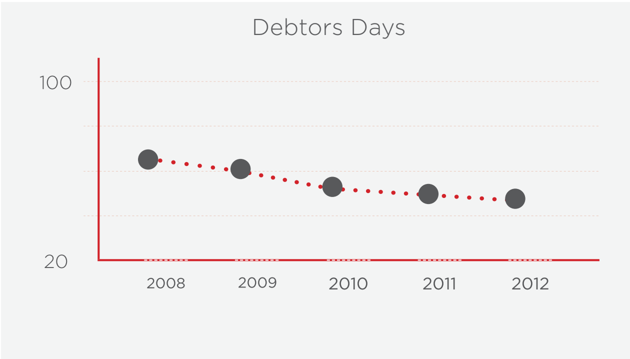
The Business Unit's revenue increased by 16% compared to 14% during the previous year while operating income improved by 50% from 2011. This growth was achieved through a combination of innovation, unity and team collaboration, making 2012 one of the best years ever. Meanwhile, during the financial year, a new operational model allowing for profit sharing between departments was introduced. The model is expected to impact positively on business growth going forward.

As part of the growth strategy, we put in place mechanisms that resulted in improved cash collection.

Consequently, as at the end of the financial year, cash-outstanding is at an all-time low—see the Chart below for the trend in cash collection.



Other improvements were in the form of service delivery as customers now have access to dedicated SMS and Email lines for collections and enquiries. Customers also benefit from the Same Day Express service launched during the financial year covering the Windhoek-Omaruru route with promising results.



There has also been a strong focus on debt collection. Debtors' collection days continue to improve as the Unit is committed towards reducing debtor's days during each financial year. The trend is clearly a reduction in debt.

Once again, we had the opportunity to participate in the annual Bank Windhoek Cancer Association Apple Project, an initiative aimed at raising funds for the Cancer Association of Namibia and create cancer awareness. Approximately 70 tons of apples were distributed across Namibia as part of our social responsibility. In monetary terms, this translates into over N$ 520,000.

Strategic changes were made in the way we deal with customers, as we often strive towards offering strong customer relationships which open doors for new customers whilst retaining existing business. The Business Unit's dedication towards exceeding customer expectations was recognised when we were awarded the 2011/2012 PMR Golden Arrow Award for Courier companies in Namibia for the fourth year consecutively.

"More efforts will also be invested in building enduring relationships with key accounts and continue to serve many more customers"

Plans for the next year include diversification into new areas of business as well as ways of expanding our office space. More efforts will also be invested in building enduring relationships with key accounts and continue to serve many more customers.

It is worth acknowledging that the Courier team has done a great job under the leadership of Mr. Wilmarc Lewies, who left NamPost Courier in May 2012. We wish him success in his new role.

Bertie Reyneke

Reyneke

GM:
Savings
Bank

Retail Banking

During the year in review, the Savings Bank continued its strong growth and registered a 19% increase in revenue. Profit before tax increase by 70% and expenses declined by 14%. We expect the interest rates to remain low for the larger part of the next financial year which will put some pressure on interest income.

The deposit book increased by 39% in value supported by an increase in the number of retail investors that increased by 15% compared to the 13.2% growth recorded the previous financial year. The number of SmartCard Savings Account holders increased by 11% while the number of transactions per card increased by 6%.

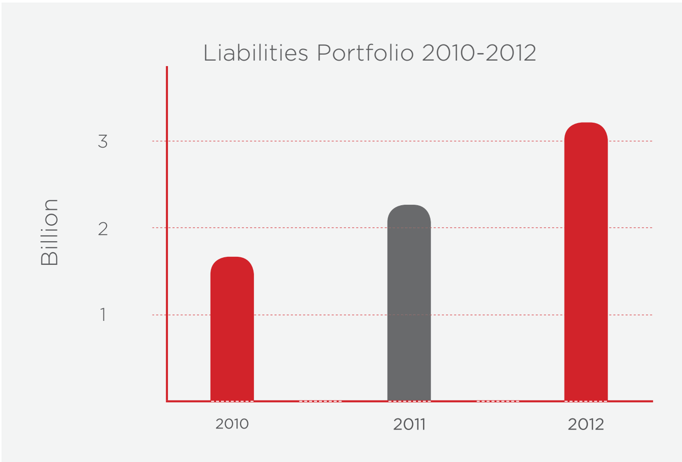
The 2012 FinScope survey indicated that 62% of adult Namibians are now banked as opposed to the 45% in 2007. NamPost Savings Bank was instrumental in the achievement of this growth. In 2006, the Savings Bank had a customer base of 180 000 and it has since grown to more than 400 000 customers at the end of September 2012.

We are proud that through our extended network, service levels and unique products, we have succeeded to make financial products available to Namibians. Our other efforts were also recognised by the Development Bank of Namibia that awarded the NamPost Savings Bank a Good Business Award in the sustainability category.

"During the year we successfully migrated to the new investment system and are pleased to note that it is operating smoothly"

Bertie Reyneke, GM Savings Bank receiving an award from Development Bank of Namibia for Good Business.

During the year we successfully migrated to the new investment system and are pleased to note that it is operating smoothly. We have also attended to the Know your Customer requirements as provided for under the Financial Intelligence Act. To this effect, the Savings Bank is in an advanced stage of verifying its customer details.



Savings Bank and | Treasury

Treasury Operations

The Treasury Department under the Savings Bank continued to perform very well under current volatility in the financial markets. Both profit and income before tax experienced high growth mainly due to our professional service and personal relationship with our customers.

Global Economy

The International Monetary Fund (IMF) forecast for world growth has, once again, been revised lower for both 2012 and 2013. The global economy was projected to grow by 3.9 per cent in 2013 and 3.5 per cent in 2012. According to IMF "low growth and uncertainty in advanced economies are effecting emerging market and developing economies through both trade and financial channels, adding to home-grown weaknesses." Global economic recovery is expected to be driven by continued reconstruction in Japan, recovery in the United States, and a gradual projected recovery of financial constraints and debt burdens in Europe. Risks to the outlook remain large and tilted to the downside.

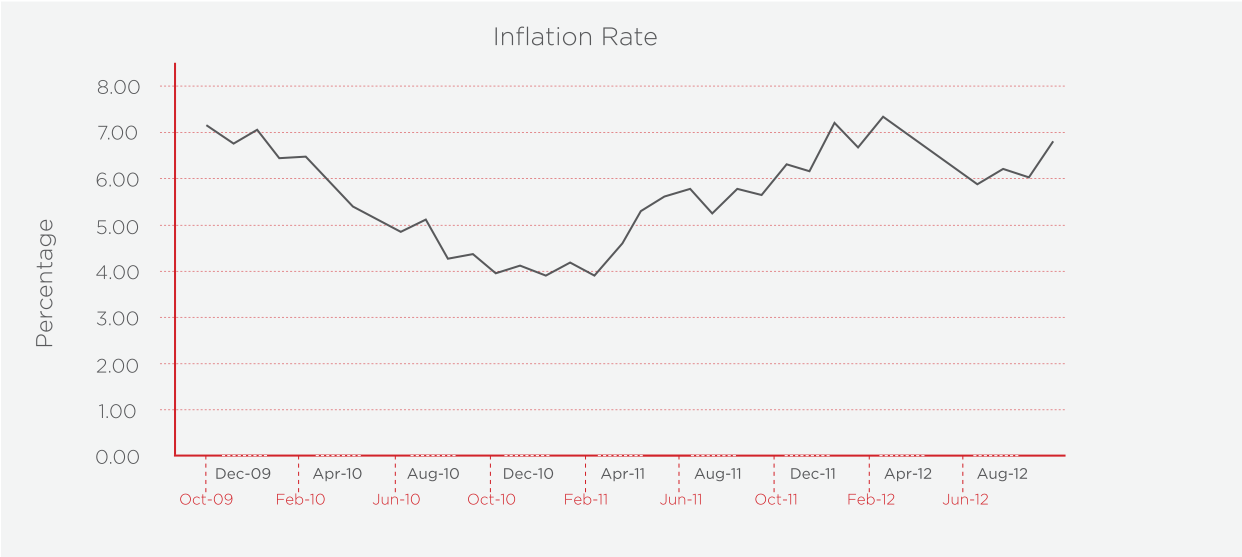
Regional Economy

Sub-Saharan Africa has been expected to continue growing strongly in both 2012 and 2013, with projected average growth of 5.4% in 2012. Most countries in the region are experiencing "strong" growth, with the exception of South Africa, which according to the IMF "has been hampered by its strong links with Europe". South Africa's real GDP was projected to decelerate from 3.1 percent in 2011 to 2.6 percent in 2012, on account of sluggish domestic and external demand growth.

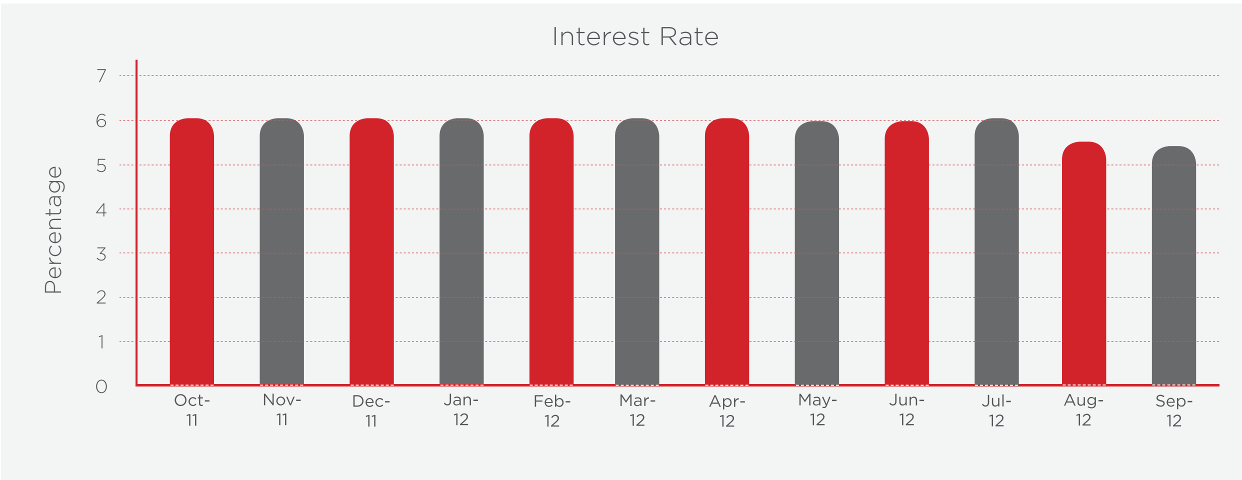
Domestic Economy

The Namibian economy was projected to grow within a range of 4.0 – 4.6 and 4.3 – 5.0 per cent in 2012 and 2013, respectively, depending on the scope and pace of deceleration of the world economy. A deceleration in Europe and China would increase the external current account deficit from 1.9 per cent of GDP in 2011 to 3.0 percent of GDP in 2012, thus reducing the import coverage of international reserves from 3.4 months to 3.0 months of imports of goods and services. Import reserve coverage may drop to about 2.4 months in 2013.

Annual inflation increased by 90 bps in September 2012 to 6.70% from 5.80% in August 2012. The increase in inflation was mainly driven by food and related categories. We expect inflationary pressure to remain on the upside for the remainder of 2012, as global uncertainties contribute to weakening of the rand. Imports' prices are expected to rise thereby leading an increase in the general price level. Therefore we forecast an annual average of 6.50% in 2012, compared to 5.00% in 2011.



The Bank of Namibia reduced its repo rate to its lowest level since its establishment in 1990. In the nine meetings of the MPC from December 2010 to June 2012, the Repo rate was kept unchanged at 6.00 per cent before being adjusted downwards by 50 basis points effective on the 23rd of August 2012. The adjustment was aimed at supporting the poorly performing economic sectors.



Berlindi Van Eck GM: Corporate Marketing

Van Eck

Corporate | Marketing

During the period under review, NamPost experienced major changes in terms of visibility and branding. The most notable change is the new "fresh look" of the re-designed corporate logo of the company. The new logo was officially launched on 8 December 2011 to corporate customers and the media at the Hilton Hotel in Windhoek. With the successful allocation of the signage tender, all post offices country wide will soon be fitted with the new corporate logo.

The aggressive marketing campaigns by the various business units produced good results. Campaigns focussing on growing the investment book as well as the promotion of international and cross regional postal products and services contributed significantly to revenue growth.

A customer-friendly interactive corporate website was introduced and is expected to facilitate the generation of more targeted leads, and enhance understanding of both our customers and prospects. With customer complaints now online, we are able to trace any customer complaint and resolve it faster.

Customer satisfaction surveys are imperative to understand whether NamPost is meeting customer needs or whether it needs to improve on service deliveries. The overall rating has improved from 81% in 2011 to 84% in 2012. Employee satisfaction, through annual participation in the Deloitte's Best Company-to-Work–For survey, once again provided valuable information on views and opinions concerning staff matters that critically need attention.

"The overall customer satisfaction rating has improved from 81% in 2011 to 84% in 2012"

As an institution that cares for its customers and environment where it operates, NamPost corporate social investment focuses on donations for charitable causes. Amongst others, corporate social investments during 2012 included the following:

- Channel 7 Golf day for charitable organisations;
- Bank Windhoek Apple cancer project transportation of 70 tons of apples;
- Bible Society of Namibia distribution of free flyers in post boxes;
- Winter Nights, and
- Breast Cancer Awareness Walk.

For more substantial corporate social investments, the NamPost sponsorship committee has been established with the objective of allocating and managing annually the Corporate Social Investment portfolio.

Sonia Bergh

Bergh

GM:
Human
Resources

Human | Resources

Internal Customer Support and Services: Several trips took place where the General Manager, together with the Chief Executive Officer, visited post offices. Other Human Resources Managers in coordination with other departments also visited Post Offices all over the country. Employees expressed appreciation for these visits and we will continue with similar visits during 2013.

SAP Performance Management System: In order to make the performance review exercise more objective, the NamPost invested in SAP software which will assist the company in its evaluation process without any bias. The programme has been successfully implemented.

Substantive Wage Agreement: Wage negotiations were finalised peacefully and increases were effected as per Recognition and Procedural Agreement between NamPost and the Namibia Public Workers Union.

Policies Reviewed: Several policies were reviewed during 2012 and approved by the NamPost Board of Directors. Notably, the following policies were reviewed:

- Exit Interview Policy
- Strike Management Policy
- Transfer Policy
- Acting Allowance Policy
- Corporate Clothing Policy
- Sick Leave Policy
- Recruitment and Selection Policy

We also implemented Memorial Service Procedures to pay our last respects to deceased employees.

Training & Development:

The training and development of our people is critical to our business plan and corporate strategy. During the past year, several training programmes were conducted while focusing on operational procedure, product knowledge, selling skills, customer service, supervisory development, etc.

In addition, employees were enrolled for the accredited programmes through UNISA in courses such as the Management Principles for First-line Managers and Customer Service Management. Participants in the mentioned courses were presented with certificates of development NQF level 5 and 6.

Moreover, about 4 people participated in the International Programmes offered though the Special Commonwealth Assistance Programme for Africa, their courses covered Leadership Development, General Management for Senior Executives and International Mail Management.

Further, the department upholds the strategic requirement of entrenching the NamPost credo I-ACT (Integrity, Accountability, Caring and Teamwork) by providing training on the vision, mission and values of the company with every training session. We have also compiled Individual Development Plans for the whole Postal Service Department and about to finalise capturing them onto the database.

This process will guide us in planning future training activities.

The Training and Development schedule for the year was executed while several additional training courses identified during the year were attended by NamPost employees. During the financial year 56, training courses were presented or sourced, employees were trained in different disciplines. We also commenced with sign language courses in order to assist the hearing impaired.

"Moreover, about 4 people participated in the International Programmes offered though Special Commonwealth Assistance Programme for Africa"

The impact of the recently approved business strategy could be seen through the implementation of some of its phases, which contributed to improved revenue streams. NamPost continued to make substantial efforts and investments in the fields of training and development. Training and developmental focus particularly operational training and computer literacy training, which was done with the assistance of other partners like KFW. This on-going training is aimed at achieving the set national policies.

Employee Health and Safety: NamPost developed a schedule for Health and Safety Audits and all regions and Post Offices were audited during the financial year under review.

Management of Budget: The Human Resources department managed its budget effectively, and efficiently managed to contain costs without compromising quality and remained within the budgeted targets.

Chris Viljoen

Viljoen

Acting
GM:
ICT

Information & Communications Technology

Information and Communications Technology

The Information and Communications Technology department works closely with all the departments in NamPost to provide the best, efficient and effective service. It supports and ensures the best available technology, software and hardware for optimal performance and service delivery to the company and their customers.

As part of continuous business improvement an electronic performance management system, as introduced through additional SAP functionality, enables accurate and trustworthy delivery of companywide performance reviews and scores. The NamPost website has also been re-designed and implemented to bring the new NamPost image and information to our customers.

"NamPost is in the process of acquiring and implementing Digital Post Boxes. This type of facility will make it easier for communications via digital channels to be secure, reliable, and traceable"

Investments were also made to upgrade the current systems to ensure that NamPost systems remain relevant and customer service driven. One such upgrade is our Courier system to provide track and trace countrywide. This facility enables the customers to know exactly where in the process of delivery the parcel is. Currently, track and trace functionality has been rolled out to all the major towns. During the next financial year, we will continue rolling it out to other towns until all Post Offices are covered.

NamPost is also in the process of acquiring and implementing Digital Post Boxes. This type of facility will make it easier for communications via digital channels to be secure, reliable, and traceable.

George Itembu Head: Internal Audit

Itembu

Internal | Audit

Internal Audit Department conducted various independent and ad-hoc audits during the year under review. Risk Based Audits are carried out as part of the Board Audit Committee approved Annual Plan with reports detailing control weaknesses and risk areas with their respective audit recommendations to remedy such weaknesses.

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

The Audit Department also conducts "inspections", which are surprise audits conducted at Post Offices. These Inspections are conducted randomly and by surprise. A number of investigations into theft, burglaries and related activities have been conducted and reported on during the year.

We are pleased that staff and the public make use of the opportunity to use the anonymous whistle-blowing telephone line that has been launched during the previous year without fear of possible victimisation.

"The Company is aware of the risks it faces in the pursuit of its business objectives, and to ensure that these are in line with its Risk Appetite as prescribed by the Risk Framework"

As per Board approved Risk Management Framework, Internal Audit has the role of coordinating and facilitating the Risk Management Process of the Company.

Annually the Board and Management meet and review the risks inherent in the Company. Recommendations from the annual Risk Assessment workshop, and all Company Risks are debated extensively per department, assessed, rated and classified in order to ensure that the Company is aware of the risks it faces in the pursuit of its business objectives, and to ensure that these are in line with its Risk Appetite as prescribed by the Risk Framework.

Two new staff members joined our Audit team during the year. We are now more dynamic and remain an independent and objective assurance function that keeps on adding value to NamPost.

Eldorette Harmse

Harmse

Head: Legal Services and Company Secretary

Introduction

Today corporate governance is the staple of everyday business language. There is however no single model of good corporate governance. It is a dynamic force that keeps evolving in the light of the changing circumstances of a company and must be tailored to meet those circumstances. These principles include discipline, independence, responsibility, transparency and the accountability of directors to all stakeholders of the Company.

Board Structure and Composition

The NamPost Board of Directors remained unchanged for the period under review and a further one year remains of the current term of office. All five directors are non-executive directors.

Role of the Board

The Board's primary role is to exercise leadership and sound judgement to steer the Company towards sustainable growth. They (Board and its Committees) strive to fulfil their mandate by overseeing the Company's strategy and performance. The Board ensures that structures are in place to foster compliance with internal policies and external regulations that shape NamPost's operating environment.

> "The Board holds at least five formal Board meetings a year, of which at least one comprises of a strategy review, preceded by a preparatory session."

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

Board Meetings

The Board holds at least five formal Board meetings a year, of which at least one comprises of a strategy review, preceded by a preparatory session. During board meetings the Board devoted significant time within its regular agenda to reviewing progress on strategy implementation.

During the year, Board Meetings were held as follows:

NAMIBIA POST LIMITED

Board of Directors	Board	Audit Committee	Human Resources & Compensation	Investment Committee	Other Meetings
Meetings held:	4	4	3	4	4
Attendance:					
Kankondi S I	(Chair) 3				0
Hamutenya N	4	4	3	4	4
Field N	4	(Chair) 4		(Chair) 4	4
Nambira N	4		(Chair) 3	4	4
Mweendeleli B	4		3		4

Board Committees

The NamPost Board is supported by three Committees, namely the Board Audit Committee, the Board Remuneration and Compensation Committee and the Board Investment Committee. The Board has delegated some of its governance responsibilities to these three dedicated committees, which are composed of the non-executive directors.

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

Audit Committee

The Audit Committee plays a vital role in providing the checks and balances, necessary to ensure that financial reporting throughout the NamPost Group is accurate and reliable.

Financial and Reporting Controls

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

The Board Recognises and Manages Risks

NamPost is committed to embedding risk management practices to support the achievement of business objectives and fulfill corporate governance obligations. The Board is responsible for reviewing and overseeing the risk management strategy for NamPost and for ensuring that NamPost has an appropriate corporate governance structure. Within that overall strategy, Management has designed and implemented a risk management and internal control system to manage NamPost's material business risks.

Risk Management Strategy

The NamPost Risk Management Framework supports the proactive management of risks facing NamPost. The Board has overall responsibility for the Company's systems of internal control and risk management and for reviewing their effectiveness.

The Board takes cognisance of its overall responsibility for the NamPost systems of internal control. The Company has in place an on-going process for identifying, evaluating, monitoring and managing the principal risks affecting the achievement of it objectives.

Every quarter, The Board Audit Committee reviews the Company's key risks contained in the corporate risk register and ensures that all new and emerging risks are appropriately evaluated and any further actions identified.

The Audit Committee also provides policy and guidance to those responsible for managing the individual risks and to the departmental risk leaders.

The Board and Management formulates the overall risk management strategy as defined in the Risk Management Policy and Framework. The Board and Management is furthermore accountable for the design, implementation and integration of the Risk Management Policy and Framework into the business activities on a day-to-day basis. They are also responsible for the Enterprise Wide Risk Assessment Workshop where NamPost Board and Key Managers attend once per annum and discuss the key risks.

Risk Monitoring

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

Whistle Blowing Policy

The NamPost Whistleblowing Policy encourages employees to report concerns relating to illegal, unethical or improper conduct in circumstances where they may be apprehensive about raising their concern because of fear of possible adverse repercussions.

The Company is maintaining a confidential whistle blowing hotline service whereby stakeholders are able to report workplace dishonesty and unethical and inappropriate behaviour. The hotline is administered by an external independent party, namely Deloitte.

External Auditor at AGM

The external auditor of NamPost attends the AGM and is available to answer shareholder questions on:

- The conduct of the audit
- The preparation and content of the Auditor's Report
- The accounting policies adopted by NamPost in relation to the preparation of the Financial Report
- The independence of the auditor in relation to the conduct of the audit

Internal Audit

The internal audit function is carried out by Internal Audit Department and is independent of the external auditor. The internal audit provides independent, objective assurance and advisory services on NamPost's system of risk management, internal control and governance through:

- Maintaining and improving the risk management framework as approved by the Board
- Quarterly risk reporting to the Board
- Performing audits and other advisory services to assure risk management throughout NamPost
- Adopting a risk-based approach in formulating its audit plan to align audit activities to the key risks across the Company. The audit plan is approved by the Audit Committee annually

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

Company Secretary

The Company Secretary provides support and guidance to the Board in matters relating to governance, directors duties, responsibilities and powers. The Company Secretary ensures that the directors are made aware of all law and legislation relevant to or affecting the Company. The Company Secretary is suitably qualified and empowered to discharge his/her responsibilities. All directors have unrestricted access to the Company Secretary.

The Board respects the rights of Shareholders

NamPost recognises the importance of effective communication with the Shareholder (Namibia Post and Telecom Holdings Ltd) and also the wider Namibian community.

Full advantage is taken of the annual general meetings to inform the Shareholders of recent developments in the Company and to give the Shareholders the opportunity to ask questions. The chairpersons of the Board Committees are generally available to answer questions, and all directors are expected to attend where possible. NamPost's external auditor, PriceWaterHouseCoopers attends the annual general meeting and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

FINANCIAL STATEMENTS

NAMIBIA POST LIMITED AND ITS SUBSIDIARY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2012

(Registration number 92/284)

GENERAL INFORMATION

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

NAMIBIA POST LIMITED AND ITS SUBSIDIARY | FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2012

CONTENTS

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

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 financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the financial statements.

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

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

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

The directors have reviewed the groupís cash flow forecast for the year to 30 September 2013 and, in the light of this review and the current financial position, they are satisfied that the group has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the group's financial statements. The financial statements have been examined by the group's external auditors and their report is presented on page 4 to 5. The financial statements set out on pages 6 to 61, which have been prepared on the going concern basis, were approved by the directors and were signed on its behalf by:

Director
Windhoek
30 November 2012

Director

Independent Auditors' Report

To the member of Namibia Post Limited and its subsidiary

We have audited the consolidated financial statements of Namibia Post Limited, which comprise the consolidated and separate statements of financial position as at 30 September 2012, and the consolidated and separate statement of comprehensive income, statement of changes in equity and consolidated and separate statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 6 to 59.

Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the consolidated and separate financial position of Namibia Post Limited and its subsidiary as at 30 September 2012, 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.

Supplementary Information

Without qualifying our opinion, we draw attention to the fact that supplementary information set out on pages 60 to 61 does not form part of the financial statements and is presented as additional information. We have not audited this information and accordingly do not express an opinion thereon.

PricewaterhouseCoopers

Registered Accountants and Auditors
Chartered Accountants (Namibia)

Per: Louis van der Riet
Partner
Windhoek
06 December 2012

Directors' Report

The directors submit their report for the year ended 30 September 2012.

1. Review of activities

Main business and operations

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

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

Net profit of the group was N$ 81,177 mil (2011: N$ 12,691 mil), after taxation of N$ 38,929 mil (2011: N$5,281 mil).

2. Events subsequent to reporting date

The directors are not aware of any matter or circumstance arising since the end of the financial year.

3. Authorised and issued share capital

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

4. Dividends

Dividends of N$ 5 million (2011: N$ 0.00) were paid to the shareholders during the year under review.

5. Directors

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

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

6. Secretary

The secretary of the company is Ms E. C. Harmse of:

Business address:

Post Office Building
Corner Independence
Avenue and Daniel
Munamava Street
Windhoek

Postal address:

P. O. Box 287
Windhoek

7. Holding company

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

8. Interest in subsidiary

Name of subsidiary	Country of incorporation	Net loss after tax
NamPost Financial Brokers (Pty) Ltd	Namibia	525,879

Details of the company's investment in subsidiaries are set out in note 7.

9. Auditors

PricewaterhouseCoopers will continue in office in accordance with section 278(2) of the Companies Act of Namibia.

Statements of Financial Position

	Note	Group 2012 N$ '000	Group 2011 N$ '000	Company 2012 N$ '000	Company 2011 N$ '000
Assets					
Non Current Assets					
Property, plant and equipment	4	14,538	17,219	12,850	15,020
Goodwill	5	903	903	-	-
Intangible assets	6	32,122	36,231	30,207	33,724
Investments in subsidiary	7	-	-	33,076	21,491
Investment in joint ventures	8	-	-	12,000	13,937
Loans to joint ventures	9	-	969	-	-
Other financial assets	10	1,071,425	569,114	1,071,425	569,114
Deferred tax	12	26,631	28,996	24,201	26,027
		1,145,619	**653,432**	**1,183,759**	**679,313**
Current Assets					
Inventories	14	27,275	26,262	26,916	25,749
Other financial assets	10	2,244,851	1,711,979	2,244,851	1,711,979
Current tax receivable	32	68	-	68	-
Trade and other receivables	15	69,878	88,636	45,948	73,648
Cash and cash equivalents	16	74,082	57,803	69,051	54,773
		2,416,154	**1,884,680**	**2,386,834**	**1,866,149**
Total Assets		**3,561,773**	**2,538,112**	**3,570,593**	**2,545,462**

Statements of Financial Position

	Note	Group 2012 N$ '000	Group 2011 N$ '000	Company 2012 N$ '000	Company 2011 N$ '000
Equity and Liabilities					
Equity					
Share capital	17	5,075	5,075	5,075	5,075
Retained income		169,254	93,077	172,255	97,068
		174,329	**98,152**	**177,330**	**102,143**
Liabilities					
Non Current Liabilities					
Retirement benefit obligation	13	31,181	27,274	31,181	27,274
Deferred tax	12	40,546	8,214	40,546	8,214
Interest bearing borrowings	18	30,194	27,951	30,194	27,951
Savings bank investors	19	228,598	80,266	228,598	80,266
		330,519	**143,705**	**330,519**	**143,705**

Statements of Financial Position

	Note	Group 2012 N$ '000	Group 2011 N$ '000	Company 2012 N$ '000	Company 2011 N$ '000
Current Liabilities					
Current tax payable	32	27	1,258	-	1,247
Trade and other payables	20	108,265	106,252	105,921	104,721
Retirement benefit obligation	13	491	444	491	444
Interest bearing borrowings	18	-	969	-	-
Savings bank investors	19	2,948,142	2,187,332	2,956,332	2,193,202
		3,056,925	**2,296,255**	**3,062,744**	**2,299,614**
Total Liabilities		**3,387,444**	**2,439,960**	**3,393,263**	**2,443,319**
Total Equity and Liabilities		**3,561,773**	**2,538,112**	**3,570,593**	**2,545,462**

Statement of Comprehensive Income

	Note	Group 2012 N$ '000	Group 2011 N$ '000	Company 2012 N$ '000	Company 2011 N$ '000
Revenue	22	696,998	601,361	684,880	592,325
Cost of sales	23	(417,878)	(347,914)	(417,223)	(347,278)
Gross profit		**279,120**	**253,447**	**267,657**	**245,047**
Other income	30	2,227	2,097	2,618	2,097
Operating expenses		(254,060)	(225,492)	(245,247)	(220,360)
Fair value adjustments unrealised	26	91,371	(12,472)	91,371	(12,472)
Operating profit	24	**118,658**	**17,580**	**116,399**	**14,312**
Finance income	25	3,084	1,510	2,312	1,133
Finance costs	27	(1,636)	(1,118)	(250)	(323)
Profit before taxation		**120,106**	**17,972**	**118,461**	**15,122**
Income tax expense	28	(38,929)	(5,281)	(38,274)	(4,602)
Profit for the year		**81,177**	**12,691**	**80,187**	**10,520**
Other comprehensive income		-	-	-	-
Total comprehensive income		**81,177**	**12,691**	**80,187**	**10,520**
Total comprehensive income attributable to:					
Owners of the parent		81,177	12,691	80,187	10,520

Statement of changes in Equity

	Share capital N$ '000	Fair value adjustment assets available for sale reserve N$ '000	Retained income N$ '000	Total equity N$ '000
Group				
Balance at 01 October 2010	**5,075**	**7,894**	**72,492**	**85,461**
Changes in equity				
Total comprehensive income for the year	-	(7,894)	12,691	4,797
Fair value movements reclassified to retained earnings due to early adoption of IFRS 9	-	-	7,894	7,894
Total changes	-	(7,894)	20,585	12,691
Balance at 01 October 2011				
Changes in equity	**5,075**	**-**	**93,077**	**98,152**
Total comprehensive income for the year	**-**	**-**	81,177	81,177
Dividends	-	-	(5,000)	(5,000)
Total changes	-	-	76,177	76,177
Balance at 30 September 2012	**5,075**	**-**	**169,254**	**174,329**
Note(s)	17			
Company				
Balance at 01 October 2010	5,075	7,894	78,654	91,623
Changes in equity				
Total comprehensive income for the year	-	(7,894)	10,520	2,626
Transfer between reserves	-	-	7,894	7,894
Total changes	**-**	**(7,894)**	**18,414**	**10,520**

Statement of changes in Equity

	Share capital N$ '000	Fair value adjustment assets available for sale reserve N$ '000	Retained income N$ '000	Total equity N$ '000
Balance at 01 October 2011	**5,075**	**-**	**97,068**	**102,143**
Changes in equity				
Total comprehensive income for the year	-	-	80,187	80,187
Dividends	-	-	(5,000)	(5,000)
Total changes	-	-	75,187	75,187
Balance at 30 September 2012	**5,075**	**-**	**172,255**	**177,330**
Note(s)	17			

Statements of Cash Flows

	Note	Group 2012 N$ '000	Group 2011 N$ '000	Company 2012 N$ '000	Company 2011 N$ '000
Cash flows from operating activities					
Cash generated from/ (used in) operations	31	68,317	(15,750)	72,815	(10,411)
Interest income		3,084	1,510	2,312	1,133
Finance costs		(1,636)	(1,118)	(250)	(323)
Tax paid	32	(7,773)	(2,950)	(7,789)	(2,961)
Net cash from/(to) operating activities		**61,992**	**(18,308)**	**67,088**	**(12,562)**
Cash flows from investing activities					
Purchase of property, plant and equipment	4	(3,686)	(5,585)	(3,464)	(4,291)
Sale of property, plant and equipment	4	84	255	64	255
Purchase of intangible assets	6	(1,390)	(8,097)	(1,381)	(7,950)
Movements in loan to joint venture		969	(969)	-	-
Purchase of financial assets		(947,106)	(708,015)	(947,106)	(708,015)
Loans to group companies repaid		-	1,908	-	-
Net cash to investing activities		**(951,129)**	**(720,503)**	**(951,887)**	**(720,001)**
Cash flows from financing activities					
Movement in interest bearing borrowings		1,274	19,603	2,243	20,547
Movement in savings bank investors		909,142	692,435	911,462	697,338
Finance lease payments		-	(505)	-	(1,010)
Increase in loans to joint ventures and subsidiaries		-	-	(9,628)	(12,273)
Dividends paid		(5,000)	-	(5,000)	-

Statements of Cash Flows

	Note	Group 2012 N$ '000	Group 2011 N$ '000	Company 2012 N$ '000	Company 2011 N$ '000
Net cash from financing activities		**905,416**	**711,533**	**899,077**	**704,602**
Total cash, cash equivalents and bank overdrafts movement for the year		**16,279**	**(27,278)**	**14,278**	**(27,961)**
Cash, cash equivalents at the beginning of the year		57,803	85,081	54,773	82,734
Total cash, cash equivalents and bank overdrafts at end of the year	16	**74,082**	**57,803**	**69,051**	**54,773**

Accounting Policies

1. Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards, and the Companies Act of Namibia. The financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in Namibian Dollars.
These accounting policies are consistent with the previous period.

1.1 Consolidation

Basis of consolidation

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

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

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 de consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the groupís share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement
Inter company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. 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 financial statements from the effective date of acquisition to the effective date of disposal.

Interests in joint ventures

The groupís interests in jointly controlled entities are accounted for by proportionate consolidation. The group combines its share of the joint venturesí individual income and expenses, assets and liabilities and cash flows on a line by line basis with similar items in the groupís financial

Accounting Policies

statements. The group recognises the portion of gains or losses on the sale of assets by the group to the joint venture that is attributable to the other venturers. The group does not recognise its share of profits or losses from the joint venture that result from the groupís purchase of assets from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

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

Jointly controlled entities

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

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

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

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

1.2 Statement of compliance

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

1.3 Significant judgements and sources of estimation uncertainty

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

Accounting Policies

Allowance for doubtful debts

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

Allowance for slow moving, damaged and obsolete stock

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

Fair value estimation

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

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

Impairment testing

The recoverable amounts of cash generating units and individual assets have been determined based on the higher of value in use calculations and fair values 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 economic factors, such as fluctuation in foreign exchange, special drawing rights (SDR), inflation, interest rate etc.

Provision for post retirement medical aid benefits

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

Deferred tax asset

The group recognise the net future tax benefit relates to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of

Accounting Policies

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 forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cashflows and taxable income differ significantly from estimates, the ability of the group to realise the net deferred tax assets recorded at the balance sheet date could be impacted.

Deferred income

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

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

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

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

Discount rates

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

Revenue recognition

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

1.4 Property, plant and equipment

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

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

Property, plant and equipment is initially measured at cost. Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Accounting Policies

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

Item	Average useful life
Furniture, fixtures and other equipment	- 4 to 12 years
Motor vehicles	- 5 to 7 years
IT equipment	- 3 years

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

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

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

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

Accounting Policies

to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

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

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.

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

Item	Useful life
Computer software	- 5 years

1.6 Investments in subsidiary
Company financial statements

In the companyís separate financial statements, investments in subsidiary 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 Investment in joint ventures

Company financial statements:

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

In respect of its interests in jointly controlled operations, the company recognises in its 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.

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

- Its share of the jointly controlled assets, classified according to the nature of the assets;

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

1.8 Financial instruments

Financial assets

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

Debt investments

(a) Financial assets at amortised cost

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

(b) Financial assets at fair value

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

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

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date 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 fairvalue 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

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subsequently measured at fair value and is not part of a hedging relationship is recognised in profit or loss and presented in the income statement within other (losses)/ gains net in the period in which they arise.

A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the financial asset is derecognised or impaired and through the amortisation process using the effective interest rate method (note 2.11).

The group subsequently measures all equity investments at fair value. Where the group 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.

Impairment of financial assets

Assets carried at amortised cost

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

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.

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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 ís 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 statements of financial position date.

1.9 Income tax

Current tax assets and liabilities

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

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

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

Deferred tax assets and liabilities

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

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises

Accounting Policies

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 period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Income tax expenses.

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

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

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

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

1.10 Leases

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

Finance leases-lessee

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

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

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

Operating leases-lessor

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

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

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

Operating leases-lessee

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

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

1.11 Inventories

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

Inventories are measured at the lower of cost and net realisable value on the weighted average cost basis.

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

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

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

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

1.12 Impairment of non-financial assets

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

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

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

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- Tests goodwill acquired in a business combination for impairment annually.

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

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

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

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

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

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

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

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

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

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

1.13 Share capital and equity

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

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

1.14 Employee benefits

Short term employee benefits

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

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

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

Defined benefit plans

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

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

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

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

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

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

The amount recognised in the statements 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. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds and have terms to maturity approximating the terms of the related pension liability.
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.

Accounting Policies

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;
- 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.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 34.

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1.16 Revenue

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

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

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

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the group;
- The stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

Contract revenue comprises:

- The initial amount of revenue agreed in the contract; and
- Variations in contract work, claims and incentive payments:
  - To the extent that it is probable that they will result in revenue; and
  - They are capable of being reliably measured.

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

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

Royalties are recognised on the accrual basis in accordance with the substance of the relevant agreements.

Dividends are recognised, in profit or loss, when the

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companyís right to receive payment has been established. Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.17 Borrowing costs

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

1.18 Translation of foreign currencies

Foreign currency transactions

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

At the end of the reporting period:

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

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

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

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

1.19 Financial Liabilities

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

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on 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, and the difference in the respective carrying amounts is recognised in profit and loss.

1.20 Dividend distribution

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

Notes to the Financial Statements

2. New standards and interpretations
2.1 Standards and interpretations effective and adopted in the current year

In the current year, the following standards and interpretations were issued effective for the first time in the current financial year:

1. Amendments to IFRS 1, 'First time adoption on hyperinflation and fixed dates

The first amendment replaces references to a fixed date of 1 January 2004 with the date of transition to IFRSs, thus eliminating the need for companies adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation.

Effective date: 1 July 2011

2. Amendment to IFRS 7 Financial Instruments: Disclosures Transfer of financial assets

The amendments are intended to address concerns raised during the financial crisis by the G20, among others, that financial statements did not allow users to understand the ongoing risks the entity faced due to derecognised receivables and other financial assets.

Effective date: 1 July 2011

3. Amendment to IAS 24 Related party disclosures

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

Effective date: 1 January 2011

4. Improvements to IFRSs (Issued May 2010)

This is a collection of amendments to IFRSs. These amendments are the result of conclusions the IASB reached on proposals made in its annual improvements project.

Effective date: On or after 1 January 2011

5. Amendments to IFRIC 14: Pre payments of a Minimum Funding Requirement (MFR)

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

Effective date: 1 January 2011

Notes to the Financial Statements

6. Early adoption of IFRS 9

IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value.

In 2011, the company has early adopted IFRS and classified all its financial assets at fair value through profit and loss.

2.2 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 accounting periods beginning on or after 01 October 2012 or later periods:

1. Amendment to IFRS 1, First time adoption on government loans

This amendment addresses how a first time adopter would account for a government loan with a below market rate of interest when transitioning to IFRS. It also adds an exception to the retrospective application of IFRS, which provides the same relief to first time adopters granted to existing preparers of IFRS financial statements when the requirement was incorporated into IAS 20 in 2008.

Effective date:1 January 2013

2. Amendment to IFRS 7 Financial Instruments: Disclosures, Asset and Liability offsetting

The IASB has published an amendment to IFRS 7, Financial instruments: Disclosures, reflecting the joint requirements with the FASB to enhance current offsetting disclosures. These new disclosures are intended to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP.

Effective date: 1 January 2013

Notes to the Financial Statements

3. Amendment to IAS 12, Income taxes' on deferred tax

Currently IAS 12, 'Income taxes', requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 Investment Property. Hence this amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, 'Income taxes recovery of revalued non depreciable assets', would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is accordingly withdrawn.

Effective date: 1 January 2012

4. Amendments to IAS 1, Presentation of Financial Statements, on presentation of items of OCI

The IASB has issued an amendment to IAS 1, Presentation of financial statements. The main change resulting from these amendments is a requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

Effective date: 1 July 2012

5. IAS 19, Employee benefits

The IASB has issued an amendment to IAS 19, Employee benefits, which makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits.

Effective date: 1 January 2013

6. IFRS 10 Consolidated financial statements

This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements.

The standard provides additional guidance to assist in determining control where this is difficult to assess. This new standard might impact the entities that a group consolidates as its subsidiaries.

Effective date: 1 January 2013

7. IFRS 11 Joint arrangements

This standard provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures.

Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement

Notes to the Financial Statements

and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

Effective date: 1 January 2013

8. IFRS 12 Disclosures of interests in other entities

This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

Effective date: 1 January 2013

9. IFRS 13 Fair value measurement

This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.

Effective date: 1 January 2013

10. IAS 27 (revised 2011) Separate financial statements

This standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.

Effective date: 1 January 2013

11. IAS 28 (revised 2011) Associates and joint ventures

This standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.

Effective date: 1 January 2013

12. Amendment to the transition requirements in IFRS 10, Consolidated financial statements, IFRS 11, Joint Arrangements, and IFRS 12, Disclosure of interests in other entities

The amendment clarifies that the date of initial application is the first day of the annual period in which IFRS 10 is adopted? for example, 1 January 2013 for a calendar-year entity that adopts IFRS 10 in 2013. Entities adopting IFRS 10 should assess control at the date of initial application; the treatment of comparative figures depends on this assessment.

The amendment also requires certain comparative disclosures under IFRS 12 upon transition.

Effective date: 1 January 2013

13. Amendments to IAS 32 Financial Instruments: Presentation

The IASB has issued amendments to the application guidance in IAS 32, Financial instruments: Presentation, that clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. However, the clarified offsetting requirements for amounts presented in the statement of financial position continue to be different from US GAAP.

Effective date: 1 January 2014

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 members and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the group consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes 9 cash and cash equivalents disclosed in note 16, and equity as disclosed in the statements of financial position.

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

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non current borrowings' as shown in the statements of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statements of financial position plus net debt.

	Group		Company	
	2012	**2011**	**2012**	**2011**
Gearing ratio	(95)%	(96)%	(95)%	(96)%

Financial risk management

The groups 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 groups overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the groupís financial performance. Risk management is carried out by the Board Investment Committee and Audit Committee under policies approved by the Board of directors.

Liquidity risk

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

The company has the following facilities available at the bank: overdraft N$9,2m, master card N$0,3m, fleet management N$0.8m, vehicle asset and finance N$1m, guarantee N$13m, foreign exchange N$ 1 million, forward exchange N$1 million, EFT credit N$5m and EFT debit N$1.5m.

Notes to the Financial Statements

3. Risk management (Continued)
Group

At 30 September 2012	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years Borrowings
	-	-	30,194	-
Borrowings				
Trade and other payables	108,265	-	-	-
Savings bank investors	2,948,112	227,968	630	-

At 30 September 2011	Less than 1 year	Between 1 and and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	-	-	27,951	-
Trade and other payables	106,252	-	-	-
Savings bank investors	2,187,332	79,387	879	-

Company

At 30 September 2012	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	-	-	30,194	-
Trade and other payables	105,921	-	-	-
Savings bank investors	2,956,332	227,968	630	-

At 30 September 2011	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	-	-	27,951	-
Trade and other payables	104,721	-	-	-
Savings bank investors	2,193,202	79,387	879	-

	Group 2012 N$ '000	Group 2011 N$ '000	Company 2012 N$ '000	Company 2011 N$ '000
Group/company				
Short term exposure				
• Current portion of Savings bank investors	(2,948,142)	(2,187,332)	(2,956,332)	(2,193,202)
• Current portion of other financial assets	2,244,851	1,711,979	2,244,851	1,711,979
• Bank and cash (restricted to savings bank)	4,767	11,173	4,767	11,173
Long term exposure				
• Long term portion of Savings bank investors	(228,598)	(80,266)	(228,598)	(80,266)
• Long term portion of other financial assets	1,071,425	569,114	1,071,425	569,114

Notes to the Financial Statements

Interest rate risk

At 30 September 2012, if interest rates on Namibia Dollar denominated borrowings had been 0.1% higher/lower with all other variables held constant, post tax profit for the year would have been N$ 2,121,982 (2011: N$ 1,518,936) lower/higher, mainly as a result of higher/lower interest expense on fixed rate borrowings.

If interest rates on Namibia Dollar denominated financial assets had been 0.1% higher/lower with all other variables held constant, post tax profit for the year would have been 1), N$ 2,125, 444 (2011: N$ 1,574, 129) lower/higher, mainly as a result of higher/lower interest income on floating rate investments and 2), N$ 1,190,842 (2011: N$ 706,964) 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.

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 of a financial instrument will fluctuate because of changes in market interest rates risk as it borrows and places funds in financial instruments at both fixed and floating interest rates.

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

Fair value estimation

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

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

Credit risk

Credit risk is managed on a group basis.

The group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. The group has policies that limit the amount of credit risk exposure to any one financial institution, and cash transactions are limited to high credit quality financial institutions
Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards.

Risk management (Continued)	Group 2012 N$ '000	Group 2011 N$ '000	Company 2012 N$ '000	Company 2011 N$ '000
Financial assets exposed to credit risk at year end were as follows:				
Financial instrument				
Other financial assets	3,316,276	2,281,093	3,316,276	2,281,093
Trade and other receivable	67,983	86,705	44,224	71,881
Cash and cash equivalents	73,884	57,803	69,051	54,773

Foreign exchange risk

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, SDR and the UK 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 2012	Group 2011	Company 2012	Company 2011
Assets				
Euro	1,738	2,687	1,738	2,687
Liabilities				
Euro	5,641	5,556	5,641	5,556

Price risk

The group is exposed to equity securities price risk because of investments held by the group. The group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the group.

At 30 September 2012, if the listed share prices had decreased/increased by 10% with all other variables held constant, the fair value reserve would have been N$50,476 (N$68,578).

Notes to the Financial Statements

4. Property, plant and equipment

Group	2012			2011		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Furniture and fixtures	30,402	(18,616)	11,786	30,179	(16,364)	13,815
Motor vehicles	1,027	(828)	199	1,027	(786)	241
IT equipment	18,931	(16,378)	2,553	17,230	(14,067)	3,163
Total	**50,360**	**(35,822)**	**14,538**	**48,436**	**(31,217)**	**17,219**

4. Property, plant and equipment (Continued)

Company	2012			2011		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Furniture and fixtures	26,116	(15,408)	10,708	25,951	(13,659)	12,292
Motor vehicles	669	(669)	-	669	(669)	-
IT equipment	18,117	(15,975)	2,142	16,521	(13,793)	2,728
Total	**44,902**	**(32,052)**	**12,850**	**43,141**	**(28,121)**	**15,020**

Reconciliation of property, plant and equipment - Group - 2012

	Opening balance	Additions	Disposals	Other changes, movements	Depreciation	Total
Furniture and fixtures	13,815	1,849	-	(430)	(3,448)	11,786
Motor vehicles	241	-	(22)	46	(66)	199
IT equipment	3,163	1,837	(41)	284	(2,690)	2,553
	17,219	**3,686**	**(63)**	**(100)**	**(6,204)**	**14,538**

Reconciliation of property, plant and equipment - Company - 2011

Notes to the Financial Statements

Reconciliation of property, plant and equipment - Company - 2012

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	12,292	1,848	-	(3,432)	10,708
IT equipment	2,728	1,616	(41)	(2,161)	2,142
	15,020	**3,464**	**(41)**	**(5,593)**	**12,850**

Reconciliation of property, plant and equipment - Company - 2011

	Opening balance	Additions	Disposals	Other changes, movements	Depreciation	Total
Furniture and fixtures	11,919	2,949	(2)	(84)	(2,490)	12,292
Motor vehicles	89	-	(89)	-	-	-
IT equipment	2,999	1,342	(67)	983	(2,529)	2,728
	15,007	**4,291**	**(158)**	**899**	**(5,019)**	**15,020**

5. Goodwill

Group	**2012**			**2011**		
	Cost	**Accumulated impairment**	**Carrying value**	**Cost**	**Accumulated impairment**	**Carrying value**
Goodwill	**903**	**-**	**903**	**903**	**-**	**903**

6. Intangible assets

Group	2012			2011		
	Cost / Valuation	**Accumulated depreciation**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation**	**Carrying value**
Computer software	69,112	(47,648)	21,464	56,018	(43,455)	12,563
Work in progress	10,658	-	10,658	23,668	-	23,668
Total	**79,770**	**(47,648)**	**32,122**	**9,686**	**(43,455)**	**36,231**

Notes to the Financial Statements

	2012			2011		
Company	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Computer software	63,491	(43,942)	19,549	50,406	(40,350)	10,056
Work in progress	10,658	-	10,658	23,668	-	23,668
Total	**74,149**	**(43,942)**	**30,207**	**74,074**	**(40,350)**	**33,724**

Reconciliation of intangible assets - Group - 2012

	Opening balance	Additions	Transfers	Amortisation	Total
Computer software	12,563	29	14,371	(5,499)	21,464
Work in progress	23,668	1,361	(14,371)	-	10,658
	36,231	**1,390**	**-**	**(5,499)**	**32,122**

Reconciliation of intangible assets - Group - 2011

	Opening balance	Additions	Transfers	Amortisation	Impairment reversal	Total
Computer software	16,322	319	-	(8,369)	4,291	12,563
Work in progress	16,239	7,778	(349)	-	-	23,668
	32,561	**8,097**	**(349)**	**(8,369)**	**4,291**	**36,231**

Notes to the Financial Statements

Reconciliation of intangible assets - Company - 2012

	Opening balance	Additions	Transfer	Impairment loss	Total
Computer software	10,056	20	14,371	(4,898)	19,549
Work in progress	23,668	1,361	(14,371)	-	10,658
	33,724	**1,381**	**-**	**(4,898)**	**30,207**

Reconciliation of intangible assets Company 2011

	Opening balance	Additions	Transfers	Amortisation	Impairment reversal	Total
Computer software	13,294	172	-	(7,700)	4,290	10,056
Work in progress	16,239	7,778	(349)	-	-	23,668
	29,533	**7,950**	**(349)**	**(7,700)**	**4,290**	**33,724**

Notes to the Financial Statements

7. Investments in subsidiary

Company		% holding 2012	% holding 2011	Carrying amount 2012	Carrying amount 2012
NamPost Financial Brokers (Pty) Ltd	Share Capital	100.00%	100.00%	1	1
Loan to NamPost Financial Brokers (Pty) Ltd				33,075	21,490
				33,076	**21,491**

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

8. Investment in joint ventures

Name of company		Listed / Unlisted	% holding 2012	% holding 2011	Carrying amount 2012	Carrying amount 2011
Smartswitch Namibia (Pty) Ltd	investment	Unlisted	50.00%	50.00%	12,000	12,000
Smartswitch Namibia (Pty) Ltd	loan	Unlisted			-	1,937
					12,000	13,937

Notes to the Financial Statements

	Group 2012 N$ '000	Group 2011 N$ '000	Company 2012 N$ '000	Company 2011 N$ '000

The carrying amounts of Joint ventures are shown net of impairment losses.

9. Loans to joint ventures

	Group 2012 N$ '000	Group 2011 N$ '000	Company 2012 N$ '000	Company 2011 N$ '000
Smartswitch Namibia (Pty) Ltd	-	969	-	-

As at 30 September 2012, the loan attracted interest of 8,5% (2011:9%) which represents the prime lending rate as quoted by Nedbank.

The loan is unsecured.

Repayment of capital and interest previously accrued on the loan has commenced in accordance with an approved repayment schedule during 2011. The loan was repaid during the year under review.

10. Other financial assets

	Group 2012 N$ '000	Group 2011 N$ '000	Company 2012 N$ '000	Company 2011 N$ '000
At fair value through profit or loss				
Listed shares	505	686	505	686
Unit trusts	1,510,471	882,149	1,510,471	882,149
Bonds	1,460,334	1,333,258	1,460,334	1,333,258
Fixed term deposits and call accounts	344,966	65,000	344,966	65,000
	3,316,276	**2,281,093**	**3,316,276**	**2,281,093**
Non current assets				
At fair value through profit or loss	1,071,425	569,114	1,071,425	569,114
Current assets				
At fair value through profit or loss	2,244,851	1,711,979	2,244,851	1,711,979
	3,316,276	**2,281,093**	**3,316,276**	**2,281,093**

Notes to the Financial Statements

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 are determined monthly.

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

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

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

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

		Group		Company
	2012 N$'000	**2011 N$ 000**	**2012 N$ '000**	**2011 N$'000**
Level 1				
Listed shares	505	686	505	686
Unit Trusts	1,510,471	882,149	1,510,471	882,149
	1,510,976	**882,835**	**1,510,976**	**882,835**
Level 2				
Bonds	1,460,334	1,333,258	1,460,334	1,333,258
Fixed term deposits and call accounts	344,966	65,000	344,966	65,000
	1,805,300	1,398,258	1,805,300	1,398,258
	3,316,276	**2,281,093**	**3,316,276**	**2,281,093**

	Group		Company	
	2012 N$ '000	2011 N$ '000	2012 N$ '000	2011 N$ '000

Credit quality of other financial assets
The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Financial instruments at fair value through profit or loss

	Group 2012 N$ '000	Group 2011 N$ '000	Company 2012 N$ '000	Company 2011 N$ '000
Credit rating				
Bank Windhoek Limited AA (Global credit rating)	553,082	499,456	553,082	499,456
Standard Bank Namibia Limited AA+ (Fitch credit rating)	540,378	127,890	540,378	127,890
Namibian Government Baa3 (Moody's credit rating)	689,449	827,704	689,449	827,704
Entities with no external credit rating	1,533,367	826,043	1,533,367	826,043
	3,316,276	**2,281,093**	**3,316,276**	**2,281,093**

11. Financial assets by category
The accounting policies for financial instruments have been applied to the line items below:

Financial assets at fair value through profit or loss

	Group 2012 N$ '000	Group 2011 N$ '000	Company 2012 N$ '000	Company 2011 N$ '000
Other financial assets	3,316,276	2,281,093	3,316,276	2,281,093
Financial assets at amortised costs				
Trade and other receivables (excluding prepayments and VAT)	67,983	86,705	44,224	71,881
Cash and cash equivalents	73,884	57,803	66,051	54,773
Loans to group companies	-	969	-	1,930
Loan to subsidiary	-	-	33,076	21,490
	3,458,143	**2,426,570**	**3,459,627**	**2,431,167**

Notes to the Financial Statements

	Group 2012 N$ '000	Group 2011 N$ '000	Company 2012 N$ '000	Company 2011 N$ '000
12. Deferred tax				
Deferred tax (liability) asset				
Accelerated capital allowances for tax purposes	(2,026)	(1,746)	(4,456)	(4,715)
Retirement benefit obligation	10,768	9,424	10,768	9,424
Provisions and allowances	9,428	8,355	9,428	8,355
Fair value adjustments	(31,066)	4,240	(31,066)	4,240
Income received in advance	4,005	4,008	4,005	4,008
Other	(5,024)	(3,499)	(5,024)	(3,499)
	(13,915)	**20,782**	**(16,345)**	**17,813**
Reconciliation of deferred tax asset (liability)				
At beginning of the year	20,782	16,572	17,813	12,919
Reversing temporary difference on tangible fixed assets	259	2,551	259	2,435
Reversing temporary differences on income in advance	(3)	617	(3)	617
Originating temporary differences on retirement benefit obligation	1,344	1,092	1,344	692
Originating/(reversing) temporary differences on fair value adjustments	(35,306)	4,240	(35,306)	4,240
Originating temporary differences on provisions and accruals	1,073	456	1,073	456
Other	(2,064)	(4,746)	(1,525)	(3,546)
	(13,915)	**20,782**	**(16,345)**	**17,813**

Notes to the Financial Statements

	Group 2012 N$ '000	Group 2011 N$ '000	Company 2012 N$ '000	Company 2011 N$ '000

Recognition of deferred tax asset

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

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

Deferred tax is disclosed as follows

	Group 2012 N$ '000	Group 2011 N$ '000	Company 2012 N$ '000	Company 2011 N$ '000
Non current assets	26,631	28,996	24,201	26,027
Non current liabilities	(40,546)	(8,214)	(40,546)	(8,214)
	(13,915)	**20,782**	**(16,345)**	**17,813**

13. Retirement benefits

Defined medical benefit plan

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

The plan is a final post employment medical benefit plan.

Carrying value

	Group 2012 N$ '000	Group 2011 N$ '000	Company 2012 N$ '000	Company 2011 N$ '000
Present value of the defined benefit obligation wholly unfunded	(31,672)	(27,718)	(31,672)	(27,718)
Non current liabilities	(31,181)	(27,274)	(31,181)	(27,274)
Current liabilities	(491)	(444)	(491)	(444)
	(31,672)	**(27,718)**	**(31,672)**	**(27,718)**

Notes to the Financial Statements

	Group 2012 N$ '000	Group 2011 N$ '000	Company 2012 N$ '000	Company 2011 N$ '000
Movements for the year				
Opening balance	(27,718)	(25,681)	(27,718)	(25,681)
Benefits paid	491	444	491	444
Net expense charged	(4,445)	(2,481)	(4,445)	(2,481)
	(31,672)	**(27,718)**	**(31,672)**	**(27,718)**
Net expense recognised in the income statement				
Current service cost	(1,674)	(1,129)	(1,674)	(1,129)
Interest cost	(2,384)	(2,048)	(2,384)	(2,048)
Actuarial losses/gains	(387)	1,148	(387)	1,148
Miscellaneous items	-	(452)	-	(452)
	(4,445)	**(2,481)**	**(4,445)**	**(2,481)**

Key assumptions used

Assumptions used on last valuation on 30 September 2011.

	Group 2012	Group 2011	Company 2012	Company 2011
Normal retirement age	60	60	60	60
Expecetd average retirement age	59	59	59	59
Discount rate	7.41%	8.60%	7.41%	8.60%
Health care cost inflation	6.41%	7.60%	6.41%	7.60%

A statutory actuarial valuation was carried out as at 30 September 2012.

Pension fund

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

The Napotel Pension fund converted from a defined benefit plan to defined contribution plan with effect 1 October 1997. A statutory actuarial valuation was carried out as at 30 September 2009, which indicate that the fund was found in a sound financial posItion. In addition a financial review was performed in 2008 which indicated that the fund was in a sound financial position. Such financial reviews are performed every 3 years.

	Group		Company	
14. Inventories	**2012 N$ '000**	**2011 N$ '000**	**2012 N$ '000**	**2011 N$ '000**
Goods for resale	20,450	20,310	20,450	20,310
Stamps	3,301	2,272	3,301	2,272
Stationery	2,881	2,479	2,881	2,479
Smartcards on hand	319	319	319	319
Other inventories for sale	324	882	(35)	369
	27,275	**26,262**	**26,916**	**25,749**

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

Notes to the Financial Statements

	Group 2012 N$ '000	Group 2011 N$ '000	Company 2012 N$ '000	Company 2011 N$ '000

15. Trade and other receivables

	Group 2012 N$ '000	Group 2011 N$ '000	Company 2012 N$ '000	Company 2011 N$ '000
Trade receivables	54,922	75,313	31,207	60,600
Employee loans	2,558	2,264	2,558	2,264
Prepayments	1,895	1,931	1,724	1,767
Deposits	44	10	-	-
Interest receivable	61	46	61	46
Other receivables	10,398	9,072	10,398	8,971
	69,878	**88,636**	**45,948**	**73,648**

Credit quality of trade and other receivables

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

Trade receivables

Counterparties without external credit rating

	Group 2012 N$ '000	Group 2011 N$ '000	Company 2012 N$ '000	Company 2011 N$ '000
State Owned Entities (existing clients with no history of defaults)	3,972	5,918	3,972	5,918
State Owned Entities (existing clients with history of defaults)	420	372	420	372
Government departments (existing clients with no history of defaults)	7,319	33,385	7,319	33,385
Government departments (existing clients with history of defaults)	1,926	693	1,926	693
Big corporate clients (existing clients with				

Notes to the Financial Statements

Counterparties without external credit rating (Continued)	Group 2012 N$ '000	Group 2011 N$ '000	Company 2012 N$ '000	Company 2011 N$ '000
no history of defaults)	10,158	15,078	10,158	15,078
Big corporate clients (existing clients with no history of default)	2,483	5,704	2,483	5,704
Private individuals (existing clients with no history of defaults)	12,457	9,516	12,457	9,516
Private individuals (existing clients with history of defaults	31,143	17,970	7,213	2,982
	69,878	**88,636**	**45,948**	**73,648**

Trade and other receivables past due but not impaired

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

	Group 2012 N$ '000	Group 2011 N$ '000	Company 2012 N$ '000	Company 2011 N$ '000
1 month past due	7,350	4,985	6,792	4,731
2 months past due	2,230	2,080	1,375	1,896
3 months past due	45,323	59,854	37,661	60,005

Notes to the Financial Statements

	Group 2012 N$ '000	Group 2011 N$ '000	Company 2012 N$ '000	Company 2011 N$ '000

Trade and other receivables impaired

As of 30 September 2012, trade and other receivables of N$ 14,907 (2011: N$ 16,329) were impaired and provided for. The amount of the provision was N$ (14,907) million as of 30 September 2012 (2011: N$ 16,329 million.

The ageing of these loans is as follows:

	Group 2012 N$ '000	Group 2011 N$ '000	Company 2012 N$ '000	Company 2011 N$ '000
3 to 6 months	14,907	16,329	14,907	16,329

Reconciliation of provision for impairment of trade and other receivables

	Group 2012 N$ '000	Group 2011 N$ '000	Company 2012 N$ '000	Company 2011 N$ '000
Opening balance	16,329	14,671	16,329	14,671
Provision for impairment	(1,422)	1,658	(1,422)	1,658
	14,907	**16,329**	**14,907**	**16,329**

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

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

16. Cash and cash equivalents

Cash and cash equivalents consist of:

	Group 2012 N$ '000	Group 2011 N$ '000	Company 2012 N$ '000	Company 2011 N$ '000
Cash on hand	24,620	19,730	23,843	19,277
Bank balances	49,462	38,073	45,208	35,496
	74,082	**57,803**	**69,051**	**54,773**

	Group 2012 N$ '000	Group 2011 N$ '000	Company 2012 N$ '000	Company 2011 N$ '000
Cash and cash equivalents held by the entity belonging to Savings bank customers and are not available for use by the group.	4,767	11,173	4,767	11,173

The company has undrawn bank overdraft facilities of N$9,2 million (2011: N$9.2 million) applicable to all current accounts. The overdraft facilities are unsecured.

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

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

Credit rating

	Group 2012 N$ '000	Group 2011 N$ '000	Company 2012 N$ '000	Company 2011 N$ '000
Standard Bank Namibia Limited BBB+(Fitch credit rating)	46,178	34,996	43,470	32,807
Bank Windhoek Limited AA (Global credit ratings)	3,476	2,703	1,738	2,689
Nedbank Namibia Limited BBB (Fitch credit rating)	6	374	-	-
	49,660	**38,073**	**45,208**	**35,496**

17. Share capital

Authorised

	Group 2012 N$ '000	Group 2011 N$ '000	Company 2012 N$ '000	Company 2011 N$ '000
50,000 Ordinary shares of N$1 each	50,000	50,000	50,000	50,000

Notes to the Financial Statements

	Group		Company	
	2012 N$ '000	2011 N$ '000	2012 N$ '000	2011 N$ '000
Issued				
Ordinary (5,075,000 shares of N$1 each)	5,075	5,075	5,075	5,075

18. Interest bearing borrowings

1. A loan was taken out with Kreditanstalt Für Wiederaufbau ("KfW") The loan is issued in Euros and is repayable in half yearly installments of 15,000 Euros commencing 30 June 2015. The initial amount borrowed was 883,767 Euros. The loan accrues interest at 0.75% (2011:0.75%). The effective interest rate (based on the market rates) on the loan is 4% (2011: 4%). The loan is unsecured.

2.The group has a loan payable to Net1 U.E.P.S which is a shareholder of SmartSwitch Namibia Limited. The loan attracts interest of 8.5% (2011: 9.5%). Repayments of the capital and interest previously accrued has commenced according to an approved repayment schedule during July 2010. The carrying value of the loan approximates its fair value. The loan was repaid durirng the year under review.

3. The company entered into a sale and repurchase agreement with Sanlam Namibia in terms of which a Bond (GC15 principal Government Bond issued by the Government of Namibia with a face value of N$30 million,a maturity date of 15 April 2015 at a rate of 9.10% was sold to Sanlam and will be repurchased by Namibia Post on 29 August 2014. The fair value of the Bond included in other financial assets is N$25 million.

Refer below for the disclores of the interest bearing borrowings above:

	Group 2012	Group 2011	Company 2012	Company 2011
1. Kreditanstalt fur Wiederaufbau				
Total amount outstanding	5,641	5,556	5,641	5,556
Movement of Kreditansalt fur Wiederaufbau (KFW) loan				
Opening balance	5,556	4,881	5,556	4,881
Interest expense	220	201	220	201
Interest paid	(68)	(33)	(68)	(33)
Foreign exchange gain/loss	(67)	507	(67)	507
	5,641	**5,556**	**5,641**	**5,556**

Notes to the Financial Statements

	Group 2012 N$ '000	Group 2011 N$ '000	Company 2012 N$ '000	Company 2011 N$ '000
2. Net 1 U.E.P.S loan				
Opening Balance	969	1,913	-	-
Repayments	(969)	(944)	-	-
	-	**969**	**-**	**-**
3. Repurchase liability				
Non current	24,552	22,395	24,552	22,395
Interest bearing borrowing disclosed as follows				
Non current portion	30,194	27,951	30,194	27,951
Current portion	-	969	-	-
	30,194	**28,920**	**30,194**	**27,951**
19. Savings bank investors				
Composition of savings bank investors:				
Savings accounts	371,698	320,241	371,698	320,241
Save as you earn	3,355	1,503	3,355	1,503
Fixed term deposits	2,764,052	1,910,945	2,772,242	1,916,815
Call and notice accounts	20,750	17,275	20,750	17,275
Mychoice accounts	16,885	17,634	16,885	17,634
	3,176,740	**2,267,598**	**3,184,930**	**2,273,468**

Notes to the Financial Statements

	Group 2012 N$ '000	Group 2011 N$ '000	Company 2012 N$ '000	Company 2011 N$ '000
The current and long term portions of the portfolio is split as follows:				
Non current portion	228,598	80,266	228,598	80,266
Current portion	2,948,142	2,187,332	2,956,332	2,193,202
	3,176,740	**2,267,598**	**3,184,930**	**2,273,468**

20. Trade and other payables

	Group 2012 N$ '000	Group 2011 N$ '000	Company 2012 N$ '000	Company 2011 N$ '000
Trade payables	21,759	21,616	21,162	21,229
Amounts received in advance	8,124	6,596	7,945	6,592
VAT	718	588	628	192
Sundry creditors	1,508	9,803	461	9,173
Payables to fellow subsidiaries and holding companies	1,079	767	1,079	767
Payroll related accruals	17,287	13,473	17,287	13,473
Sundry accruals	431	114	-	-
Agency creditors	53,545	48,137	53,545	48,137
Surplus cash	3,814	5,158	3,814	5,158
	108,265	**106,252**	**105,921**	**104,721**

	Group 2012 N$ '000	Group 2011 N$ '000	Company 2012 N$ '000	Company 2011 N$ '000
21. Financial liabilities by category				
The accounting policies for financial instruments have been applied to the line items below:				
Financial liabilities at amortised				
Interest bearing borrowings	30,194	27,951	30,194	27,951
Trade and other payables	108,265	106,252	105,921	104,721
Savings bank investor	3,176,740	2,267,598	3,184,930	2,273,468
	3,315,199	**2,401,801**	**3,321,045**	**2,406,140**
22. Revenue				
Sale of goods	231,313	188,341	231,313	188,341
Rendering of services (Postal, Courier, Philately, Mails and Others)	214,075	196,344	206,055	189,431
Interest received (trading)	188,921	157,219	185,442	155,590
Dividends received (trading)	3,000	7,626	3,000	7,626
Agency fees	19,222	15,489	19,213	15,481
Other	40,467	36,342	39,857	35,856
	696,998	**601,361**	**684,880**	**592,325**

Notes to the Financial Statements

	Group 2012 N$ '000	Group 2011 N$ '000	Company 2012 N$ '000	Company 2011 N$ '000
23. Cost of sales				
Sale of goods				
Cost of goods sold	233,020	185,579	232,425	184,944
Rendering of services				
Savings bank interest expense	138,021	118,950	138,021	118,950
Distribution costs	27,722	26,241	27,662	26,240
Other	19,115	17,144	19,115	17,144
	184,858	**162,335**	**184,798**	**162,334**
	417,878	**347,914**	**417,223**	**347,278**

24. Operating profit

Operating profit for the year is stated after accounting for the following:

	Group 2012 N$ '000	Group 2011 N$ '000	Company 2012 N$ '000	Company 2011 N$ '000
Expenses by nature consist of:				
Cost of sales	417,878	347,914	417,223	347,278
Operating expenses	254,060	225,492	245,247	220,360
	671,938	**573,406**	**662,470**	**567,638**

Notes to the Financial Statements

	Group 2012 N$ '000	Group 2011 N$ '000	Company 2012 N$ '000	Company 2011 N$ '000
Expenses by nature				
Consultancy and professional fees	5,807	4,426	5,733	4,368
Cost of MTC, Leo and Telecom products	221,243	172,489	221,243	172,489
Depreciation and amortisation and impairments	13,348	8,820	10,511	8,490
Employee costs	141,319	122,629	138,049	120,157
I.T. expenses	11,891	10,060	11,814	9,993
Motor vehicle expenses	1,813	1,422	1,801	1,401
Other operating expenses	240,552	223,461	237,689	220,956
Operating lease rentals	19,707	18,320	19,414	18,045
Provision for bad debts	4,676	1,565	4,676	1,565
Security and utilities	11,582	10,214	11,540	10,174
	671,938	**573,406**	**662,470**	**567,638**

	Group 2012 N$ '000	Group 2011 N$ '000	Company 2012 N$ '000	Company 2011 N$ '000
Operating lease charges				
Contractual amounts				
• Premises	16,998	15,753	16,718	15,597
• Motor vehicles	1,869	1,416	1,868	1,416
• Equipment	840	1,151	828	1,032
	19,707	**18,320**	**19,414**	**18,045**

Notes to the Financial Statements

Operating profit (continued)

	Group		Company	
	2012 N$ '000	**2011 N$ '000**	**2012 N$ '000**	**2011 N$ '000**
Profit on sale of property, plant and equipment	21	97	23	97
Profit share from International Mail Processing Centre	(120)	(46)	(120)	(46)
Reversal of impairment on property, plant and equipment	-	(95)	-	(95)
Reversal of impairment on intangible assets	-	(4,291)	-	(4,291)
Impairment on trade and other receivables	1,626	-	-	-
(Loss) profit on exchange differences	(588)	(195)	(588)	(195)
Amortisation on intangible assets	2,067	2,077	1,466	1,481
Depreciation on property, plant and equipment	9,611	10,939	9,001	11,205
Employee costs	141,319	122,629	138,049	120,157
Net gains (losses) on financial instruments:				
Interest received (trading)	(188,921)	(157,219)	(185,442)	(155,590)
Savings bank management and administration fees	17,787	14,719	17,787	14,719
Interest expense	138,021	118,950	138,021	118,950
Cost of sales	**417,878**	**347,914**	**417,223**	**347,278**
Employee costs	141,319	122,629	138,049	120,157
Depreciation, amortisation and impairments	13,304	8,820	10,467	8,490
Advertising	6,091	4,142	6,006	4,105
Lease rentals on operating lease	19,707	18,320	19,414	18,045
Transport and freight	24	17	-	-
Other expenses	73,569	71,564	71,265	69,563
Total distribution costs and administrative expenses	**254,014**	**225,492**	**245,201**	**220,360**
Total cost of sales, distribution costs and administrative expenses	**671,892**	**573,406**	**662,424**	**567,638**

Notes to the Financial Statements

	Group 2012 N$ '000	Group 2011 N$ '000	Company 2012 N$ '000	Company 2011 N$ '000
25. Finance income				
Interest revenue				
Other	29	64	29	49
Bank	1,732	1,125	960	763
Loans to joint venture	1,323	321	1,323	321
	3,084	**1,510**	**2,312**	**1,133**

26. Fair value adjustments

During the current year, the unrealised fair values adjustments of N$ 91 million (favourable) (N$ 12 million (unfavourable)) were reclassified on the face of the statement of comprehensive income in order to form part of profit from operations. The fair adjustments were initially below operating profit on the face of the statement of comprehensive income.

There is no need for a 3 column balance sheet since the reclassification does not affect the balance sheet.

	Group 2012 N$ '000	Group 2011 N$ '000	Company 2012 N$ '000	Company 2011 N$ '000
27. Finance costs				
Non current borrowings	221	201	221	201
Bank	92	126	29	4
Finance charges on finance leases	-	88	-	88
Installment sales agreement	1,323	703	-	30
	1,636	**1,118**	**250**	**323**

Notes to the Financial Statements

	Group 2012 N$ '000	Group 2011 N$ '000	Company 2012 N$ '000	Company 2011 N$ '000
28. Income tax expense				
Major components of the tax expense / (income)				
Current				
Local income tax current period	6,474	4,208	6,474	4,208
Deferred				
Current year	32,726	792	31,800	113
Arising from prior period adjustments	-	281	-	281
Deferred tax: prepayments	(271)	-	-	-
	32,455	**1,073**	**31,800**	**394**
	38,929	**5,281**	**38,274**	**4,602**

Notes to the Financial Statements

	Group 2012 N$ '000	Group 2011 N$ '000	Company 2012 N$ '000	Company 2011 N$ '000
Reconciliation of the income tax expense				
Reconciliation between accounting profit and tax expense.				
Accounting profit	120,106	17,972	118,461	15,122
Tax at the applicable tax rate of 34% (2011: 34%)	40,836	6,110	40,277	5,141
Tax effect of adjustments on taxable income				
Non taxable income	(1,150)	(2,868)	(1,150)	(2,868)
Non deductible expenses	(719)	1,758	(815)	2,048
Prior period adjustment	(38)	281	(38)	281
	38,929	**5,281**	**38,274**	**4,602**

The income tax rate was 34% in both 2011 and 2012.

	Group 2012 N$ '000	Group 2011 N$ '000	Company 2012 N$ '000	Company 2011 N$ '000
Tax loss available for utilisation against future taxable income	6,335	9,800	-	-
29. Auditors' remuneration				
Fees	1,213	1,229	1,007	1,113
Other services	213	100	213	100
	1,426	**1,329**	**1,220**	**1,213**

Notes to the Financial Statements

	Group 2012 N$ '000	Group 2011 N$ '000	Company 2012 N$ '000	Company 2011 N$ '000
30. Other income				
Foreign exchange differences	587	1,184	587	1,184
IMPC profit share	120	46	120	46
Other income	1,520	867	1,911	867
	2,227	**2,097**	**2,618**	**2,097**

Notes to the Financial Statements

	Group 2012 N$ '000	Group 2011 N$ '000	Company 2012 N$ '000	Company 2011 N$ '000
31. Cash generated from/(used in) operations				
Profit before taxation	120,106	17,972	118,461	15,122
Adjustments for:				
Depreciation, amortisation and impairment	11,678	13,016	10,467	12,686
Profit on sale of assets	(21)	(97)	(23)	(97)
Interest received	(3,084)	(1,510)	(2,312)	(1,133)
Finance costs	1,636	1,118	250	323
Impairment loss (reversal)	1,626	(4,196)	-	(4,196)
Movements in retirement benefit assets and liabilities	3,954	2,037	3,954	2,037
Other non cash items	2,367	1,326	2,362	289
Fair vale adjustments	(88,077)	12,472	(88,077)	12,472
Impairments	-	(1,716)	-	(899)
Deferred tax on prior year revaluation	-	(5,283)	-	(5,288)
Changes in working capital:				
Inventories	(1,013)	(2,374)	(1,167)	(2,238)
Trade and other receivables	17,132	(42,528)	27,700	(32,728)
Trade and other payables	2,013	(5,987)	1,200	(6,761)
	68,317	**(15,750)**	**72,815**	**(10,411)**
32. Tax paid				
Balance at beginning of the year	(1,258)	-	(1,247)	-
Current tax for the year recognised in profit or loss	(6,474)	(4,208)	(6,474)	(4,208)
Balance at end of the year	(41)	1,258	(68)	1,247
	(7,773)	**(2,950)**	**(7,789)**	**(2,961)**

Notes to the Financial Statements

	Group 2012 N$ '000	Group 2011 N$ '000	Company 2012 N$ '000	Company 2011 N$ '000
33. Commitments				
Authorised capital expenditure				
Already contracted for but not provided for				
•Commitments in respect of contracts placed	1,330	4,475	1,330	4,475
Not yet contracted for and authorised by directors	41,921	37,669	41,921	37,669

This committed expenditure relates to property and will be financed by available bank facilities, retained profits, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

Guarantees

The group has entered into a maintenance contract for the investment properties. Commitments regarding the maintenance are as follows.

	Group 2012	Group 2011	Company 2012	Company 2011
Ministry of Finance	70	30	70	30
Operating leases as lessee (expense)				
Minimum lease payments due				
within one year	29,962	13,669	29,962	13,298
– **in second to fifth year inclusive**	93,823	21,335	93,823	21,304
–	**123,785**	**35,004**	**123,785**	**34,602**

Notes to the Financial Statements

	Group 2012 N$ '000	Group 2011 N$ '000	Company 2012 N$ '000	Company 2011 N$ '000

34. Contingencies

The company is a defendant in various legal actions. In the opinion of the directors, after taking appropriate legal advice, the outcome of such actions might give rise to losses amounting to the total amounts claimed plus legal costs not exceeding N$ 249,093 (2011: 1.3 million).

35. Related parties

Ultimate holding entity	Government of the Republic of Namibia
Holding company	Namibia Post and Telecom Holdings Limited
Subsidiary	NamPost Financial Brokers (Pty) Ltd Refer to note 7
Joint ventures	SmartSwitch Namibia (Pty) Ltd Refer to note 8
State owned Enterprises	Parastatals, ministries and all government departments
Fellow subsidiaries	Telecom Namibia Limited
	Mobile Telecommunications Limited

Related party balances

	Group 2012 N$ '000	Group 2011 N$ '000	Company 2012 N$ '000	Company 2011 N$ '000
Receivable from related parties				
Mobile Telecommunications Limited	323	354	323	354
Telecom Namibia Limited	1,803	1,670	1,803	1,670
Namibia Post and Telecom Holdings Limited	1	1	1	1
NamPost Financial Brokers (Pty) Ltd	27,380	21,488	27,380	21,488
Smartswitch Namibia (Pty) Ltd	-	1,930	-	1,930
State owned entities	2,344	-	2,344	-
Payable to related parties				
Mobile Telecommunications Limited	1,804	-	1,804	-
Telecom Namibia Limited	1,079	676	1,079	676

Notes to the Financial Statements

	Group 2012 N$ '000	Group 2011 N$ '000	Company 2012 N$ '000	Company 2011 N$ '000
Balances due to related parties relating to Savings bank investors				
Namibia Post and Telecom Holdings Limited	161,047	151,742	161,047	151,742
Mobile Telecommunications Limited	4,176	3,933	4,176	3,933
Smartswitch Namibia (Pty) Ltd	6,973	4,381	6,973	4,381
NamPost Financial Brokers (Pty) Ltd	7,782	5,871	7,782	5,871
Loans to related parties				
Smartswitch Namibia (Pty) Ltd	-	969	-	1,937
NamPost Financial Brokers (Pty) Ltd	33,075	22,218	33,075	22,218
Related party transactions				
Sales of goods / services				
Telecom Namibia Limited	4,353	5,524	4,353	5,524
Namibia Post and Telecom Holdings Limited	2	8	2	8
Mobile Telecommunications Limited	3,904	3,912	3,904	3,912
NamPost Financial Brokers (Pty) Ltd	5,890	14,151	5,890	14,151
State owned entities	10,656	-	10,656	-
Purchases of goods / services				
Namibia Post and Telecom Holdings Limited	23,298	21,088	23,298	21,088
Mobile Telecommunications Limited	250,157	206,755	250,157	206,755
Telecom Namibia Limited	8,153	4,912	8,153	4,912
Smartswitch Namibia (Pty) Ltd	9,400	-	9,400	-

36. Directors' emoluments

Directors' remuneration of N$544,945 (2011: N$ 560,841) was paid to the directors during the year.

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