2016

ANNUAL REPORT

nampost®

CONTENT

VISION. MISSION. VALUES	3
FACTS ABOUT NAMIBIA	4
GROUP STRUCTURE	5
BOARD OF DIRECTORS	6
EXCO MEMBERS	8
CHAIRMAN'S REVIEW	10
CEO'S OVERVIEW	14
CORPORATE FINANCE	18
POSTAL SERVICES	22
COURIER	28
FINANCIAL SERVICES	32
CORPORATE MARKETING	36
INTERNAL AUDIT	40
HUMAN RESOURCES	44
INFORMATION & COMMUNICATION TECHNOLOGY	48
CORPORATE GOVERNANCE	52
FINANCIAL STATEMENTS	58

WE DELIVER MORE.

VISION

To always be the best at what we do!

MISSION

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

VALUES

Integrity
Accountability
Caring
Teamwork

FACTS ABOUT NAMIBIA

Land Area:	824, 269 km^2
Population	2,165,828 (2012 estimate)
Capacity:	Windhoek
Official language	English
Other Languages	Oshiwambo, Afrikaans, Nama, Damara, Otjiherero German, Rukwangali, Setswana, and others.
Major Ethnic Groups:	Ovawambo, Vakwangali, Damara, Ovaherero, Nama, San, Afrikaner. German and others.
Currency	Namibia Dollar (NAD)
NamPost Branches	140

GROUP STRUCTURE

GOVERNMENT OF THE REPUBLIC OF NAMIBIA

UNITY LIBERTY JUSTICE

100% Owned
Namibia Post and Telecom Holdings LTD

100% Owned

nampost®

NAMPOST FINANCIAL BROKERS (PTY) LTD

PostFin

100% Owned

Smart Switch NAMIBIA

50% Owned

DR. K SHANGULA
CHAIRMAN

C.J.W Coetzee

E.N Hamunyela

BOARD OF DIRECTORS

Dr. P.J Boer

N.S Field

FESTUS HANGULA
CHIEF EXECUTIVE OFFICER

EXCO

Norman Cloete
GM: Corporate Finance

Jennifer Comalie
Chief Commercial Officer

Sonia Bergh
GM: Human Resources

Eldorette Harmse
Head: Legal Services &
Company Secretary

Max Schafer
GM: Courier

Jörn Schnoor
Chief Information Officer

Tangeni Erkana
GM: Postal Services

Kgomotso Hochobeb
Head: Internal Audit

Berlindi Van Eck
GM: Corporate Marketing
& Communication

CHAIRMAN'S REVIEW

DR. K SHANGULA
CHAIRMAN

Introduction

I am pleased to present this review of NamPost's progress for the 2016 financial year, despite a challenging operating context. The NamPost Board has continued to develop the NamPost Group's strategy with a focus on gearing itself for entry into the broader financial service markets, particularly within the context of financial inclusion and with the ultimate aim to position NamPost for long term performance.

Over the last couple of years, and noticeably in the year under review, we made strides in laying the foundation for a sustainable future and demonstrated the value being created through our focus on improving services for our customer, while investing in our core and growth businesses.

Our customers remain our highest priority. Throughout the year, and right across the Company, we worked to find ways to build a service culture by improving how we interact with our customers every day, and to have a positive impact on their lives with our products and services.

Strategic progress and investments

One of the primary roles of the NamPost Board is to provide oversight of strategy development and delivery, while maintaining the highest standards of corporate governance. The Board conducted its annual strategy review with the NamPost Executive Team in July 2016, reaffirming our commitment to become the recognised leader in providing financial services to the unbanked and under banked segment of the Namibian market.

I am pleased to report that the key initiatives underpinning the five year strategy continue to progress well.

Good Governance

The Board is responsible for setting the right tone from the top and ensuring that a robust governance structure is in place to enable the business to succeed and deliver long-term sustainable growth.

The Board meets regularly to discuss strategy and holds the Senior Management team accountable for its execution. The Board is confident that the proper internal and external controls are in place to ensure the Group's long-term success while continuing to allow for the necessary entrepreneurial spirit that has long guided NamPost and helped it to grow so successfully since its foundation.

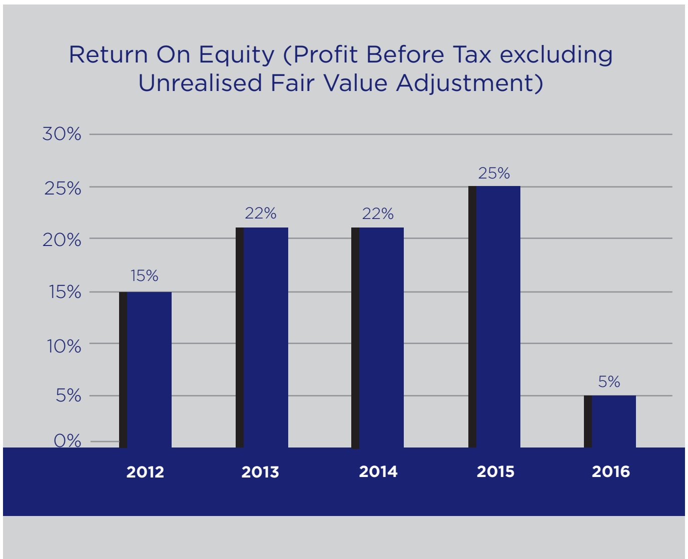
Board composition and diversity

We strive for a diversified Board with a wide range of experience, thought and perspective. We have a strong and balanced Board, with a range of complementary skills to support the strategic and operational direction of NamPost. We recognize the importance of diversity at Board level and our Board members have a wide range of skills and experiences from a variety of business backgrounds.

Moving Forward

Looking ahead, I anticipate some further challenges in the macroeconomic environment. The Namibian economy has faced a particularly tough year and these pressures will continue to place a strain on the economy in the next year. Looking ahead, our priorities for the year ahead are clear. The business strategy and operating model remain unchanged. The objective is to continue to grow earnings and maintain a high level of returns over the long term. The journey continues to pose challenges and opportunities. We relish these alongside our successes for making us a vibrant and dynamic company to work for. In turn, this will continue to drive strong returns for all stakeholders.

A major challenge facing NamPost is how to remain relevant and meet the needs of a growing global population that are using cutting edge technologies. We remain focused on delivering for our customers and shareholders over the long term. I include a graph depicting the return on equity ratio over the last five years that shareholders earned for their investment in the company.



Social Responsibility

We remain committed to maintaining our standing as a leader in ethical behaviour and social responsibility. Our continued strive in this area is evidence of our concern for the health and well-being of our employees, the environment and the communities we serve. NamPost continues to provide its products and services in several communities around Namibia purely as a social responsibility obligation, delivering services at a cost greater than the revenue being generated, in line with universal service obligations principles. Rendering these services in the communities in which we operate is something that has always been important to NamPost and we are committed to continue to do so. In the new context of greater liberalisation, postal operators worldwide are adapting and deepening their strategies and practices, both as socially responsible organisations and as key drivers of economic and social development.

Taxes

NamPost remains committed to complying with the prevailing tax laws in the country and will continue to do so, as it is committed to maintaining it's status of a corporate citizen that complies with legislation and regulatory practices. During 2016, as a corporate citizen NamPost paid over N$23,9 million in taxes to the Government .

Dividends

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

Our People

At NamPost we believe that our people are our greatest asset. We are focused on retaining and developing a deep pool of diversified talent with a shared commitment to the Company's core values and strategic goals.

Shareholder Engagement

We need to constantly balance the needs of shareholders, customers and our people – while protecting and shaping the future of the business. The Company has established a strong track record of value creation, and the Board remains confident that all the building blocks are in place for sustained growth and continued improvement in shareholder returns.

Effective engagement with the shareholders' representatives is an important part of my role as Chairman. In this respect, the NamPost Board was pleased to meet with our Shareholder representatives at various platforms and notably at last year's annual general meeting (AGM) as well as quarterly meetings to discuss pertinent issues.

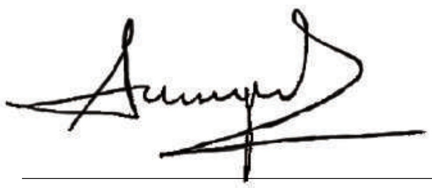
Acknowledgements & Conclusion

This is my last term as Chairperson of the NamPost Board and I will be handing over the reigns as Chairman at the end of September 2016 and what a privilege it was to serve in this capacity. I would like to thank my fellow Directors for their contributions over the past year with the Group benefiting from their skills and experience at both an individual business and Board level.

On behalf of the entire board of directors, I thank the NamPost executives for their outstanding leadership and all of the employees for carrying forth the Company's outstanding legacy and enduring commitment to serving the public. 2015 has been a challenging year for NamPost with uncertain financial markets and the need to restructure operations to achieve a good performance. This has been achieved through the dedication, passion and hard work of all our people. On behalf of the Board I would like to thank all of our people for their contribution in 2015.

I would like to conclude by expressing gratitude to the line Minister, the Honourable Tjekero Tweya, Minister of Information and Communication Technology as well as to our parent company, Namibia Post and Telecom Holdings Ltd for supporting NamPost to achieve its objectives.

I would like to conclude and note that the Board and I remain confident in NamPost's long-term growth prospects.



DR. K. SHANGULA
CHAIRMAN

CEO'S OVERVIEW

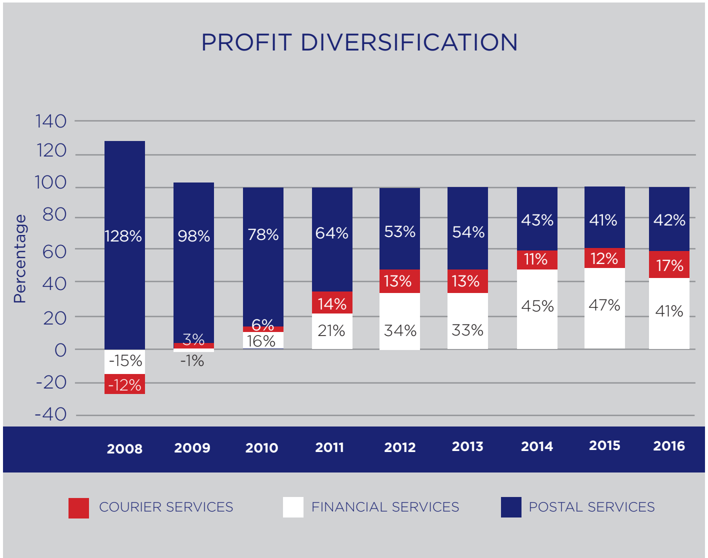
FESTUS HANGULA
CHIEF EXECUTIVE OFFICER

The year ended September 2016 started out promising but ended with insignificant reward for NamPost. Nonetheless, I believe this is not reflective of the strategy adopted but rather the hard economic conditions, and investments into expansion. Therefore, I believe that NamPost still has the right strategy and we will continue to aggressively roll it out in the next 2 years.

Delivery on Strategic Objectives

We continue to make good progress on goals to strategically transform NamPost and position it to better serve the customer; diversifying NamPost revenue base; and positioning NamPost staff to better understand, pursue and achieve the company's strategic objectives.

On transformation, we continue to pursue enhancement of utilization of the postal infrastructure, expansion of courier business, and extension and modernization of the financial services offering. As a consequence, the income of NamPost continues to gradually move away from Postal Services (includes mail) to other areas like financial services, agency services, and courier—see also chart below.



As per chart above, Postal Services business (includes mail) profit as percent of total profit was 42% from 41% last year. The increase is caused by Financial Services business unit which significantly under performed during this year. We, however, expect this development to be temporary as initiatives on the ground favour a faster expansion of Financial Services, share of profit. Courier Services improved from 12% to 17% of the total profit as a consequence of a relatively better performance by Courier compared to other business units. In the long-term, I expect the trend to remain measurably that of a declining Postal Services percentage of profit while Financial Services and Courier increase their share.

I am delighted to note that there is also diversification of revenue within each business unit. For example, during the financial year the insurance component was strengthened through a new agreement with Hollard. Positive results are already being experienced and more is expected especially once we complete the migration of smartcards to a new platform. Moreover, the insurance component is strongly benefiting from very good growth experience in PostFin (the micro-lending business).

We continue making good progress in modernising the delivery of courier services. Initiatives are in place that will culminate in a revamped courier warehouse and possibly diversification of the courier product offering. Indeed, the international business focus is already yielding positive results and we will continue to stimulate it.

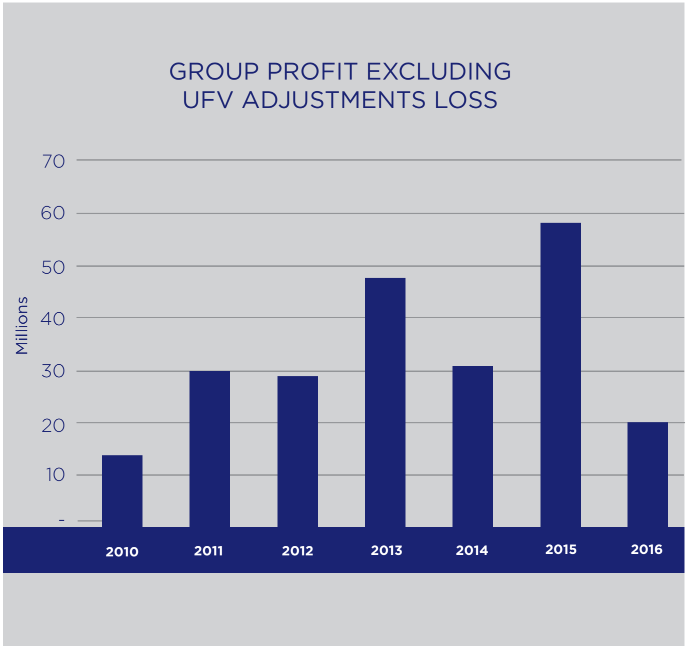
Both PostFin (micro-lending) and SmartSwitch Namibia (SSN) have registered good results. While in the interim funding of the micro-lending book is challenging, in the long-run we expect our strategy to reduce the funding need and for the business to become an even more beneficial contributor to financial services revenue and financial inclusion in Namibia. SSN continues to perform well on the back of good growth in savings bank cards.

Notably, we fell behind on the enhancement of SmartCards (savings bank cards) and replacement of the card system/platform. This was due to technical and market reasons that necessitated a readjustment in strategy. I am, however, pleased that we successfully adjusted the strategy and are now busy executing it. We expect to complete the migration and upgrading by the end of 2017. As indicated last year, the end result of this exercise is a solid, dynamic, secure card linked to more products and delivered on a modern payment platform able to interface with the rest of the Namibian national payment system.

With the introduction of new services, systems, and revenue lines staff are being trained to elevate their skills to the levels required by the new initiatives. This, amongst others, includes a strategy for staff engagement and continued bedding down of NamPost values; namely, Integrity, Accountability, Caring, and Teamwork (I-ACT).

Financial Performance

From the financial perspective, it was not a gratifying year. Even if we adjust the profit by removing the revaluation of financial assets that recorded an unrealized fair value (uFV) loss of N$20m due to continued increase in interest rates, Group profit before tax would still have decreased to N$19.8m from N$58m. We must, however, recognise very good performance from PostFin and SmartSwitch Namibia that recorded significant increases in profit before tax and therefore bringing the Group profit before uFV loss to N$19.8m compared to N$9m for NamPost alone.



Notably all business units (Financial Services, Postal Services, and Courier Services) underperformed and are the key reasons for underperformance during the year.

Strategic outlook and looking forward

Strategy: Our strategic goals remain generally unchanged even though tactical adjustments are effected in certain areas. Therefore we will continue with post office transformation, revenue growth and diversification, dynamic response to customer needs, and positioning our staff to better understand, pursue and achieve the company's strategic objectives. Noteworthy in the strategy is financial services expansion and modernization, IT infrastructure upgrading and staff skills and attitude alignment to strategy imperatives.

Regulations: as indicated in the previous annual report, the Communication Regulatory Authority of Namibia (CRAN) is in an advanced stage of regulating Postal Operations. We expect further developments to materialize during 2017.

Looking forward: the future is promising, NamPost's strategic advantage remains intact, and the strategy deployed is clear and solid. More importantly, we are prepared to fully bring the strategic advantages of the NamPost, to fruitfully bear on its standing.

Appreciation

It is really the efforts of the people that make things happen. In fact, that is what will propel us to our aspiration "To always be the best at what we do". Therefore I am grateful to the Minister of Information and Communication Technology, the Honourable Tjekero Tweya, for his support, and guidance during the financial year. Further, I am grateful to NamPost Board members for their solid guidance; NamPost staff at all levels of the company for their contribution to NamPost, and to all NamPost customers and stakeholders that supported the company. Please continue supporting us and we will Deliver More!

FESTUS HANGULA
CHIEF EXECUTIVE OFFICER

CORPORATE FINANCE

NORMAN CLOETE
GENERAL MANAGER: CORPORATE FINANCE

FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 SEPTEMBER 2016

Group Key Financial Performance Highlights

- Revenue increased by 3% to N$1.04 billion.
- Operating profit including investment revenue and finance costs but before unrealised fair value losses decreased by 65% to N$19.8 million.
- Unrealised fair value adjustments were 67% (N$42 million) lower than in 2015.
- Profit for the year increased by N$4 million to a profit of N$2 million
- Return on equity 0.8% (2015: -1.1%) was recorded.
- Total assets decreased by 2.7% to N$4.3 billion

The NamPost Group revenue increased by N$25.8 million to N$1.04 billion, achieving year-on-year growth of 3 per cent. This performance was achieved despite the prevailing financial strain on the economy and the current drought that has affected our business operations, mainly the logistics business.

The Group has realised profits before tax and unrealised fair value adjustments that ranged between N$25 million and N$58 million during the prior five years. In 2016, the group realised a profit before tax and unrealised fair value adjustments of N$19.8 million.

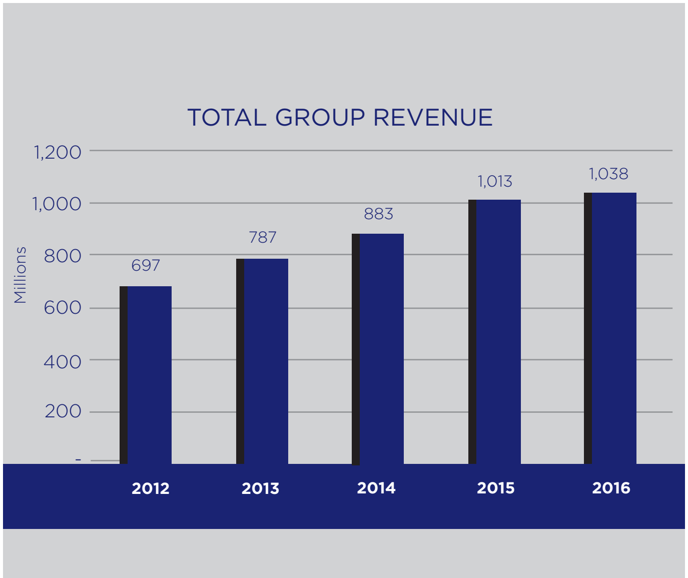
The group profit for the year after taxation amounted to N$2.1 million (2015: a loss after taxation of N$2.2 million). This includes an unrealised fair value loss of N$20.9 million (2015: N$63.3 million).

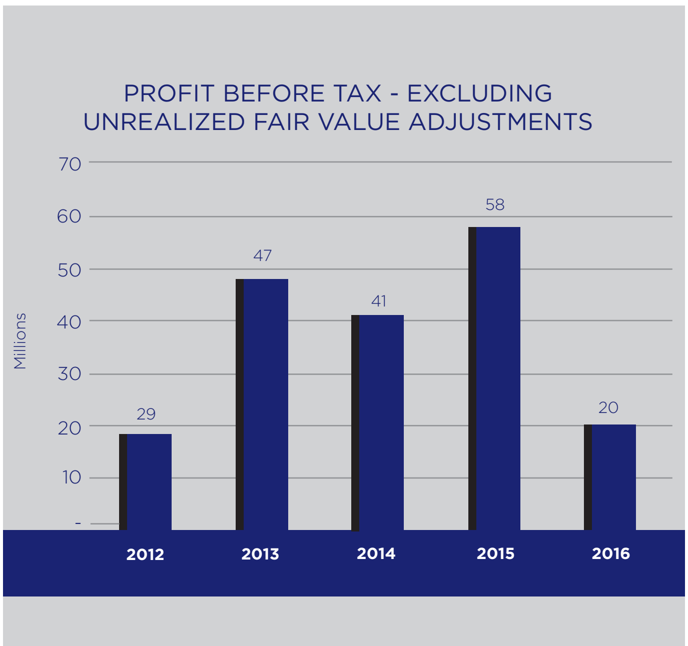
Financial results for 2016 were mostly shaped by the following factors:

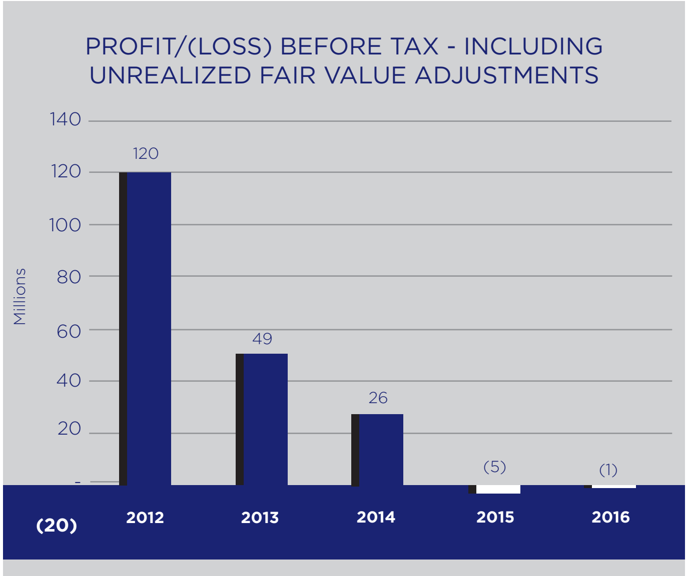
The financial services division saw a decline in the deposits held mainly due to adverse market conditions. The Angolan market conditions also had an impact on the financial services business as it led to decline in deposits. Freight volumes in the courier business reduced significantly, especially in the northern part of the country. The change in customer behaviour in favour of online communication and payment options continues to erode mail volumes. There are, however, plans in place to enhance the services and product offerings in the new financial year in order to compensate for the declining revenue streams.

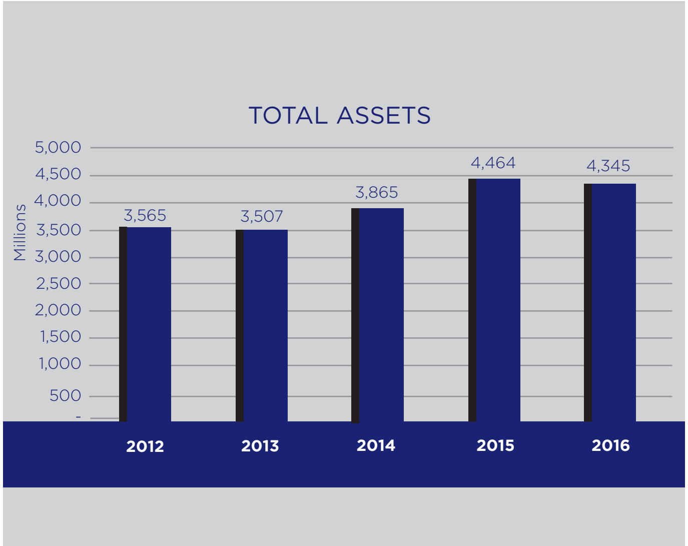
NamPost business units, its joint venture SmartSwitch Namibia (Pty) Ltd and its subsidiary NamPost Financial Brokers (Pty) Ltd (PostFin), recorded good growth in their respective areas of operation.

SmartSwitch Namibia recorded a profit after tax of N$9.1 million (2015: N$7.5 million). PostFin recorded a profit after tax of N$6.5 million (2015: N$507 thousand). PostFin has now established itself well in the micro-lending business and is expected to continue growing to become one of the leading micro-lenders in Namibia.









Cash Flow and Investments

Cash generated in operating activities amounted to N$57.2 million (2015: N$13.7 million). The overall cash and cash equivalents at year-end increased by N$56.7 million to N$147.9 million (2015: N$91.1 million).

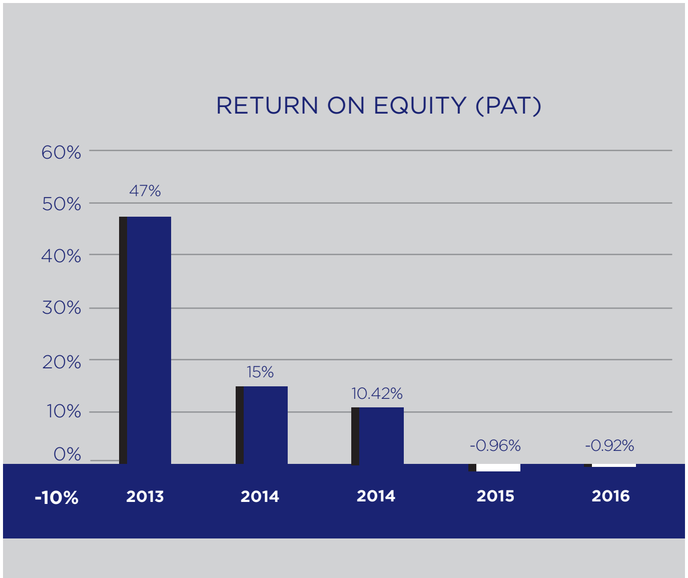
The group has invested N$30.7 million in infrastructure of which N$15.6 million was on property, plant and equipment to support the ever-growing demands on operations, and N$15 million on enhancing the IT infrastructure including the development of the financial services system. A further N$30 million is committed to mainly revamp the IT infrastructure and further expansion on the financial services platform.

The current market and economic pressure has contributed to a decline from N$4.5 billion to N$4.3 billion in the total value of the Group's total assets.

This is mainly influenced by the decline in the investments portfolio (whole sale customer deposits). The depositors' funds have decreased by 4.86% (N$197 million) to N$3.8 billion. The strength of the statement of financial position remains a key focus area to serve as the engine for sustainability and future growth. In light of this, further investments have been made in our subsidiary to strengthen the financial position and to enable further growth of their book

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

Return on assets before unrealized fair value losses amounted to 0.46%, but was reduced to a negative return of 0.03% after accounting for unrealised fair value losses of N$ 21.0 million.



Looking ahead

Good progress is being made with the implementation of our strategies to diversify our business operations and introduce innovative products and services. We maintained our leading role in the competitive courier market by delivering a service of high standard to our customers and we continue to play an important role in the financial services market.

Improvement of effectiveness and efficiency of operations remains a high priority. Funding requirements remain high and challenges to source funding timely may limit the pace of expansion and the introduction of innovative service and product offerings.

POSTAL SERVICES

TANGENI ERKANA
GENERAL MANAGER: POSTAL SERVICES

POSTAL
SERVICES

Postal operations strives to remain relevant and responsive to the needs of customers and the Namibian nation. Our strategy remains to be a one stop shop for many services offering convenience to our customers. Customer needs are however changing rapidly and they demand flexible and personalised services.

The provision of mail, traditionally our core function, is now carried under a competitive environment characterized by mail substitution products like e-mail. Competition in the hybrid mail space is also increasing rapidly with mail to mail operators competing directly with NamPost services.

Departmental performance

The 2016 financial year saw postal services facing stiff competition and thereby resulted in a downward trend in profitability.

Postal Services reported a revenue of N$530 million, which is N$10m less than the previous financial year. Profitability for the financial year under review was reported at N$37 million which is a 37% decrease from prior year.

Postal Services is the main channel for distribution of products and services for NamPost for which it receives commission from other business units. Financial services, commission to postal services decreased by 8% and contribution of the Courier business to Postal services decreased by 19%. Commission from Agency services also declined by 14% which all contributed to the declined revenue and profitability of the business unit.

Administration and operating expenses grew by 18% from prior financial year and were ahead of budget with 4%. The main contributors to these escalated expenses were telecommunication, printing, stationary and human resources expenses. Meanwhile, the Postal tariff increases were kept in line with inflation which was in the region of 6%.

Postal Services Business Unit encompasses the following business divisions:

- Mail Services
- Hybrid Mail Services
- Post Offices
- Agency Services
- Philately Services

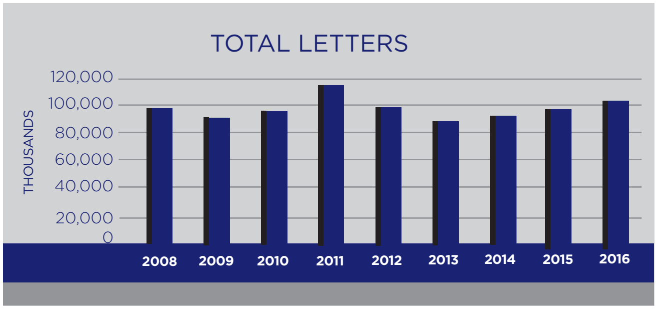
The Post Offices:

The primary goal of the postal network is to ensure easy access by all citizens to Postal, Courier and Banking services in line with our mandate. The network is relatively well developed with 140 Post Offices nationwide.

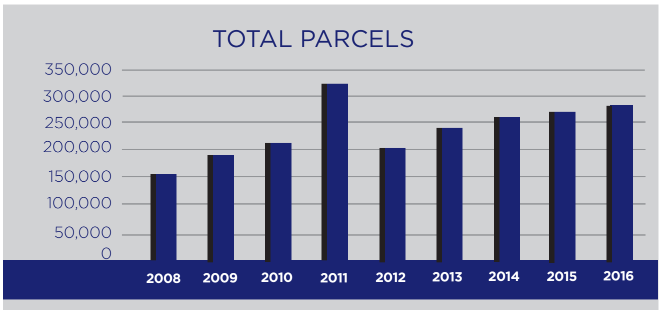
No new post offices were opened during the financial period under review. Currently, 119 010 post boxes are available for use and enjoy a 93% occupancy rate.
We are proud of the Windhoek Postal Region that participated in the annual Windhoek Industrial and Agricultural Show where they won a gold certificate for best exhibitor. We intend to continue participating in these shows as a form of sensitising our customers about our products and providing services to customers visiting the shows.

Mail Services:

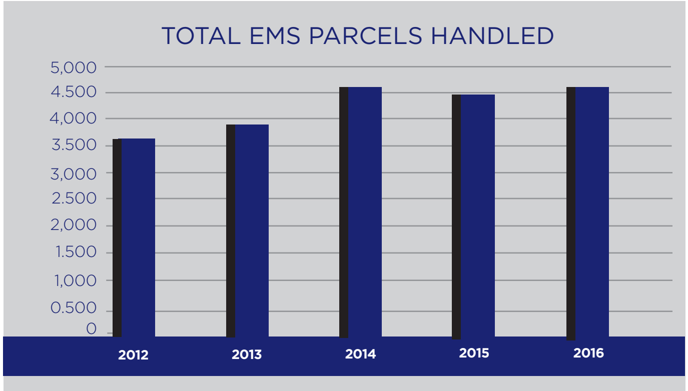
Mail services prides itself on continuously offering quality products and services. The graph below illustrates Inbound and Outbound mail handled from 2008 to 2016.

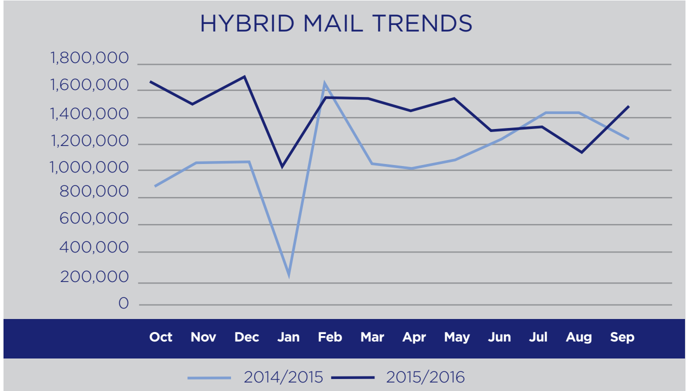


Letters posted increased by 8% while letters received decreased by 3% during the period under review. In total all letters handled increased by 5%. As per chart below, parcels posted increased by 7% while parcels received increased by 8% resulting in a total increase in parcels of 7%.



EMS (Express Mail Services) posted has increased by 26% and EMS received has declined by 13%. The increase in EMS posted was due to a promotion of the EMS product locally. The decrease in inbound EMS is primarily due to the migration of parcels to registered parcels. The total increase of in and outbound EMS is 3%.





Quality of service measurement standards

The table below shows postal items posted at a post office for delivery at another post office in the same town. An improvement of 2% was recorded from 90% to 92%; meaning, 92% of the time mail was delivered within 3 days from the day of mailing (J+2).

Delivery standard	Target	Performance
2010 = J+1 80%	80%	76%
2011 = J+1 85%	85%	82%
2012 = J+2 90%	90%	81%
2013 = J+2 90%	90%	87%
2014 = J+2 90%	90%	90%
2015 = J+2 90%	90%	90%
2016 = J+2 90%	90%	92%

The table below shows postal items posted for delivery between main towns. During the financial year, 95% of the time mail was delivered from one town to the other within 4 days (j+3).

Delivery standard	Target	Performance
2010 = J+3 80%	80%	93%
2011 = J+3 85%	85%	90.5%
2012 = J+3 90%	90%	90.4%
2013 = J+3 90%	90%	92.7%
2014 = J+3 90%	90%	93%
2015 = J+3 90%	90%	96%
2016 = J+3 90%	90%	95%

Hybrid Mail Services:

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

The graph below shows the trend in Hybrid Mail items processed over the past two years.

The key clients in Hybrid/Business mail are telecommunication companies, banks, central government and local governments.

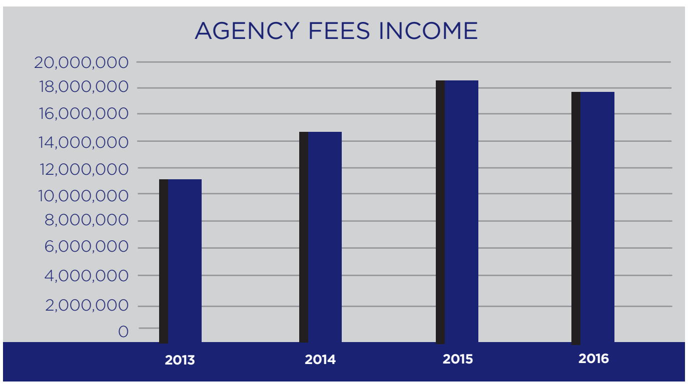
Philately:

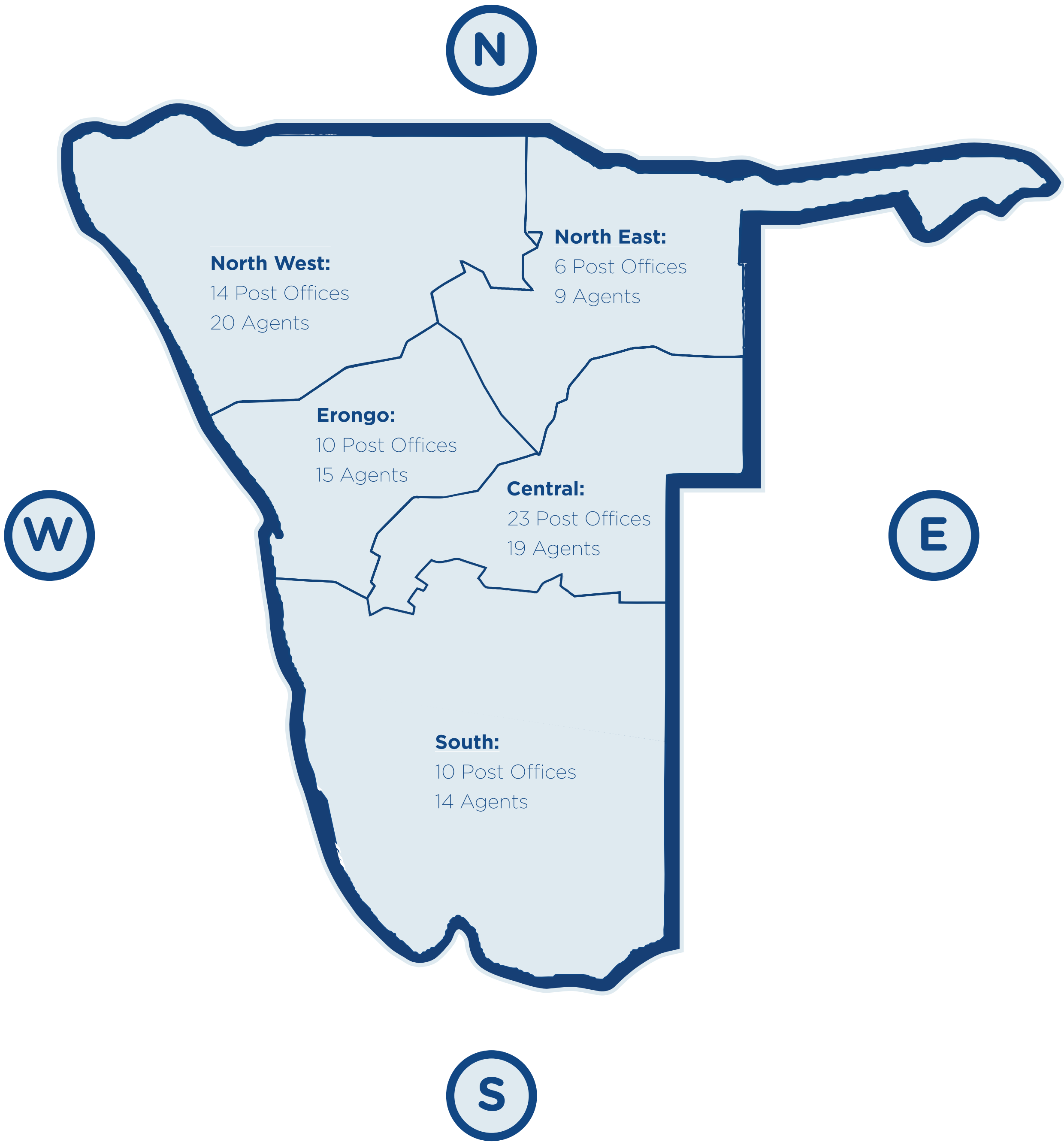
The following commemorative stamp series were issued during the period under review:

- On 22nd July stamps celebrating the 100 Years Allgemeine Zeitung (local German language newspaper) were launched.
- On 18th March 2016 stamps commemorating Whydahs of Namibia were issued.
- On 11th May 2016, stamps depicting the Tortoises of Namibia were issued.
- Stamps for the Herons of Namibia were issued on 07th July 2016. Herons are a long-legged, long-billed and long-necked distinctive sub-family of birds.
- On 11th August 2016, stamps commemorating Forestry in Namibia were issued.
- On 30th September 2016 a series of stamps depicting the Large Canines of Namibia was issued.

Agency Services:

Commission income continued to do well despite the slight decline experienced under the current financial period. Income from pension distribution continued to indicate a marginally positive growth of 6%. Nonetheless, the agency fees as a whole declined by 5%.





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

Celebrating Postal Excellence

World Post Day - 9 October

As the world changes and technology moves forward, postal services have evolved to keep pace. In Namibia this has seen NamPost Post Offices grow to over 140 covering the country. Each one allowing Namibians to be closer to one another and the world through affordable philately, courier, banking and postal service products. This is all made possible by our commitment to remain the trusted, reliable and affordable communication service provider for institutions, businesses and citizens, not only in Namibia but the world.

Happy World Post Day.

www.nampost.com.na

COURIER SERVICES

MAX SCHAFER
GENERAL MANAGER: COURIER

COURIER
SERVICES

The Courier Business Unit displayed 2% revenue growth in the financial year ended 30 September 2016. However, profit before internal charges reflects a 31% drop from last financial year.

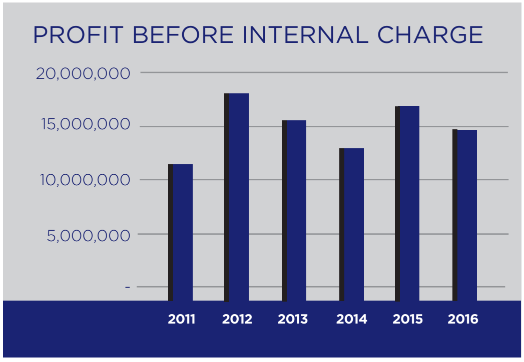
Courier's performance is impacted by below average economic performance of the country that is a result of the ongoing drought and other aspects. The country is facing its most severe drought in 20 years. Generally, the economic situation has been so destructive that some businesses had to scale down on production or even shut down operations in some areas such as Oshikango. Water restrictions in the city also affected production and transportation of goods with Courier.

On a positive note, our international courier service registered positive growth as it generated a 15% growth from the previous financial year. This positive growth is the result of continues targeted marketing efforts and sales calls to prospects with the aim of gaining business from competitors.
Our pre-paid product known as EasyPack also recorded revenue growth of 29% against previous year. EasyPack benefitted from mass media campaigns such as billboard advertising and radio commercials.

Despite the strain on the economy and the high inflation rate (6.7%), our parcel volumes increased slightly by 4.2%, whereas parcel weight increased with 2% compared to last year. We thus experience continued growth regardless of the fierce competition we face in the domestic market. Competitors range from formal courier companies to briefcase companies often owned by an individual with a bakkie.

Courier Profit before Tax and Internal charges

Even though revenue growth was -9% below last year, our profit before tax and internal charges is below by 31%.



Courier Debtors days

Debtor days remain a challenge and continuous to be a focus area in the business. Measures are being taken to address the problem these include the methods of capturing waybills.

Parcel volumes in Courier

Growth in number of parcels handled increased with 4.2% compared to previous year. Total weight (kg) carried increased with 2% for the period under review.

FINANCIAL SERVICES

JENNIFER COMALIE
CHIEF COMMERCIAL OFFICER

During the year under review, retail deposits continued to show small, but consistent growth of 2.49% per annum. With the ever increasing demand for retail deposits in the banking sector evident in Namibia, NamPost was fortunate to retain market share. This was achieved by careful management of maturing fixed deposits, and the maintenance of long standing client relationships.

The Treasury department went through a rather challenging period, which saw local rates rising over the year, putting strain on the cost of funds. Investors have been seeing better value in the longer end of the money market curve, which made it difficult to be competitive without significantly increasing cost of funds. This resulted in the overall size of the liability portfolio being reduced in favour of better liquidity risk management and reasonable cost of funding. Therefore the wholesale liability portfolio posted a decrease of 6.97% for the period under review. Whilst volumes are lower than previous years, we believe that costs were kept at acceptable levels in aid of maintaining reasonable income margins.

2016 saw the issuance of several new banking licenses in Namibia, which significantly increased the demand for funding deposits, thus placing further pressure on both retail and wholesale funding rates. The NamPost team relied on consistently high quality of service and enhanced client interaction, adding that extra personal touch which we believe aided the retention of current investments at well managed, competitive rates.

Global Economic Overview

Global economic growth is set to be below par at 3.1% in 2016, with slight increase to 3.4% in 2017. Persistent stagnation in advanced economies could further fuel anti-trade sentiment that would stifle growth. Countries will need to rely on all policy levers such as monetary, fiscal and structural to lift growth prospects.

Sub-Saharan Africa's largest economies continue to struggle with lower commodity revenues weighing on growth in the region. Surprise election of Donald Trump as USA president is set to force USA economists to rip up their forecasts as the world's largest economy sails into uncharted waters. Emerging market currencies' sell off stabilized somewhat and it is almost certain that US rates will rise in 2017.

Regional Economic Overview

South African politics is still in turmoil with the ever present risk of a credit rating downgrade. SA National treasury plans to raise an extra R43bn in taxes and trim government expenditure by R26bn over the next two years in an attempt to stave off the possible ratings downgrade.

ZAR currency is under pressure from emerging markets sell off and a stronger US Dollar. As a result, domestic bonds find themselves under pressure from offshore sellers. But there are a few high yielding emerging market bond markets, and a sell off should be capped by local demand, particularly in the face of poor domestic growth, and easing inflation. The risk lies in SA bonds falling out of the global Emerging Market indices, if SA is downgraded.

Domestic Economic Outlook

The Namibian economy has been hit by a combination of the drought conditions and poor commodity prices (particularly uranium).

Government finances are under pressure with poorly supported domestic bond auctions. Changes to Regulation 28 for local asset holdings from 35% to 50% may improve the position, but other fundamental problems still exist.

Inflation continues to rise (7.3%) in October, mainly fuelled by rising food costs and transportation costs.

Interest rates are likely to remain on hold, with the potential to start decreasing in line with SA rates (possibly mid 2017).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CORPORATE MARKETING

BERLINDI VAN ECK

GENERAL MANAGER: CORPORATE MARKETING & COMMUNICATION

CORPORATE
MARKETING

In recent years, the strategic objective of Corporate Marketing and Communications department is to build strong recognition for the NamPost brand and the brand promise, We Deliver More. Furthermore, we aim to ensure that the NamPost brand becomes a brand of choice and loved brand by all in the Namibian market. Associating the brand personality with the company's overall vision, "To always be the best at what we do", forms the underlying foundation of the brand strategy and all planned Marketing and Communication activities.

Results from the Customer Satisfaction Survey 2016 shows a steady increase in awareness of the NamPost brand and brand promise amongst customers as well as non-customers. The personality of the brand, described through a selection of words by the various respondents was "Caring for all Namibians" which is in line with our objectives.

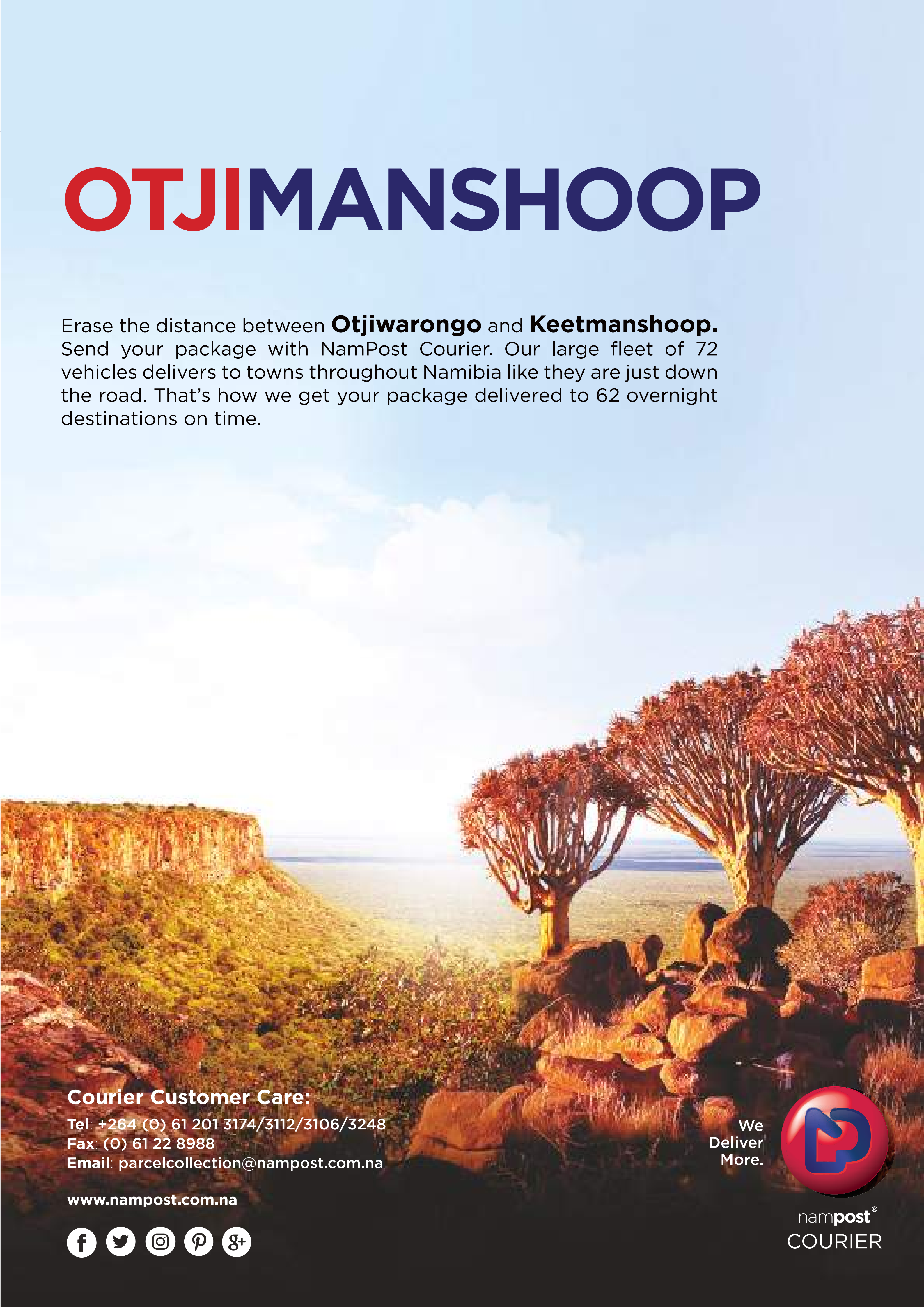
Marketing continued to fulfil its mandate to promote the various product and service offerings of the company to its customers through the execution of cost effective marketing campaigns, building brand recognition through attendance of well-planned events and Corporate Social Investment initiatives. All objectives set in the Institutional Marketing plan for 2016 for the company have been met.

During the year under review, a new leg was added to the structure of Corporate Marketing; namely, the appointment of a Communication Manager and official spokesperson for the company. Identifying, developing, implementing and enhancing better communication via several communication channels for both internal and external stakeholders, is the key focus point. Media engagement and management is handled with utmost care not to infringe on the company brand values.

In the next financial year, Corporate Marketing and Communication department will continue to focus on enhancing its electronic communication channels by enhancing the company website and continue with the growth strategy for all its social media communication platforms.

For the financial year under review, various Corporate Social Responsibility requests were considered. We have continued to give generously to a number of community initiatives by investing resources into projects that directly address local needs. Beneficiaries of our donations are charities, sport clubs as well as vulnerable children and senior citizens. In the financial year ended September 2016 we have made donations totalling N$368 175. The categories were as follows:

- Youth and Education (N$73 384)
- Sport (N$14 243)
- Community Development (N$80 548)
- CAN Apple Project (N$200 000)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Erase the distance between **Otjiwarongo** and **Keetmanshoop.** Send your package with NamPost Courier. Our large fleet of 72 vehicles delivers to towns throughout Namibia like they are just down the road. That's how we get your package delivered to 62 overnight destinations on time.
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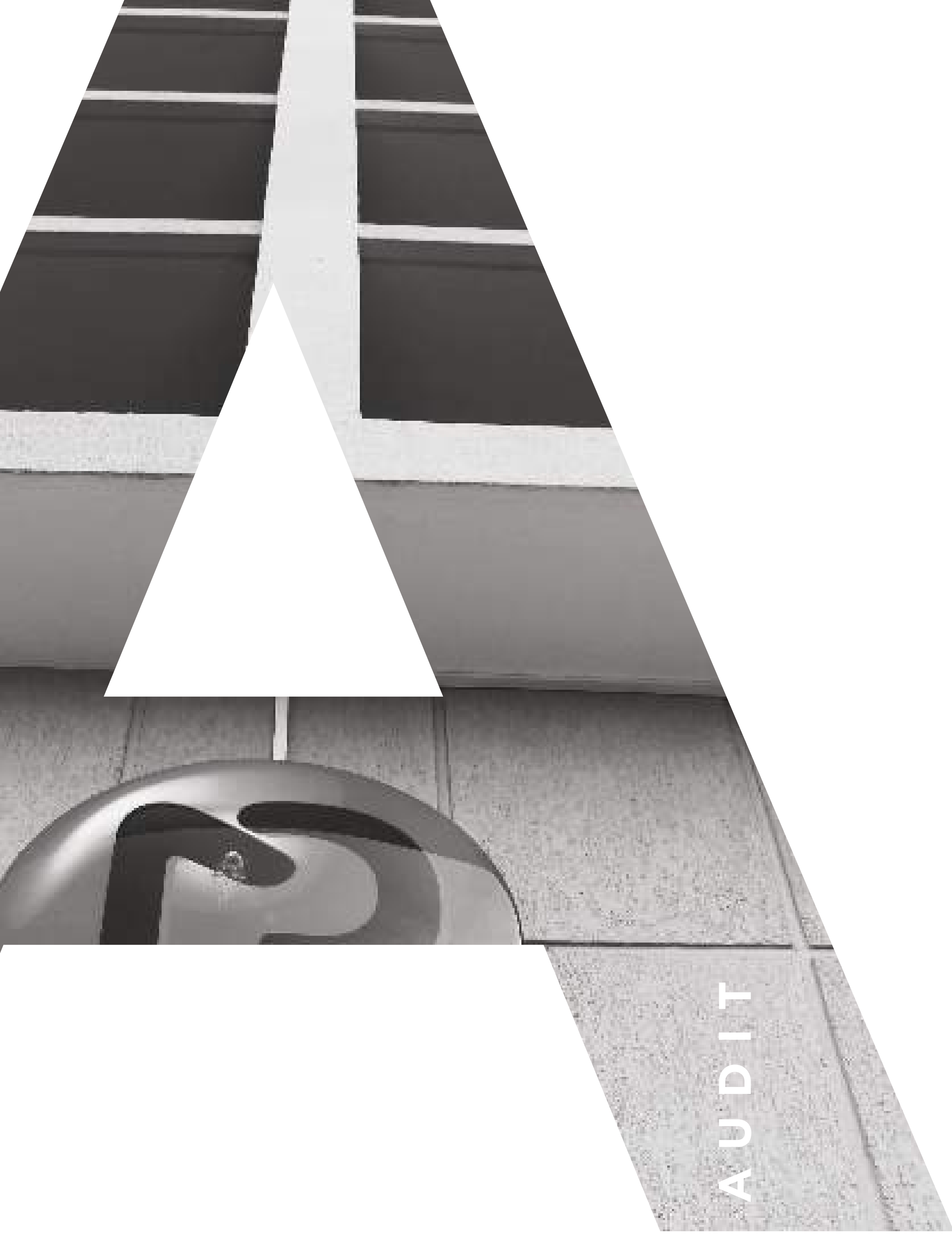


INTERNAL AUDIT

KGOMOTSO HOCHOBEB
HEAD: INTERNAL AUDIT

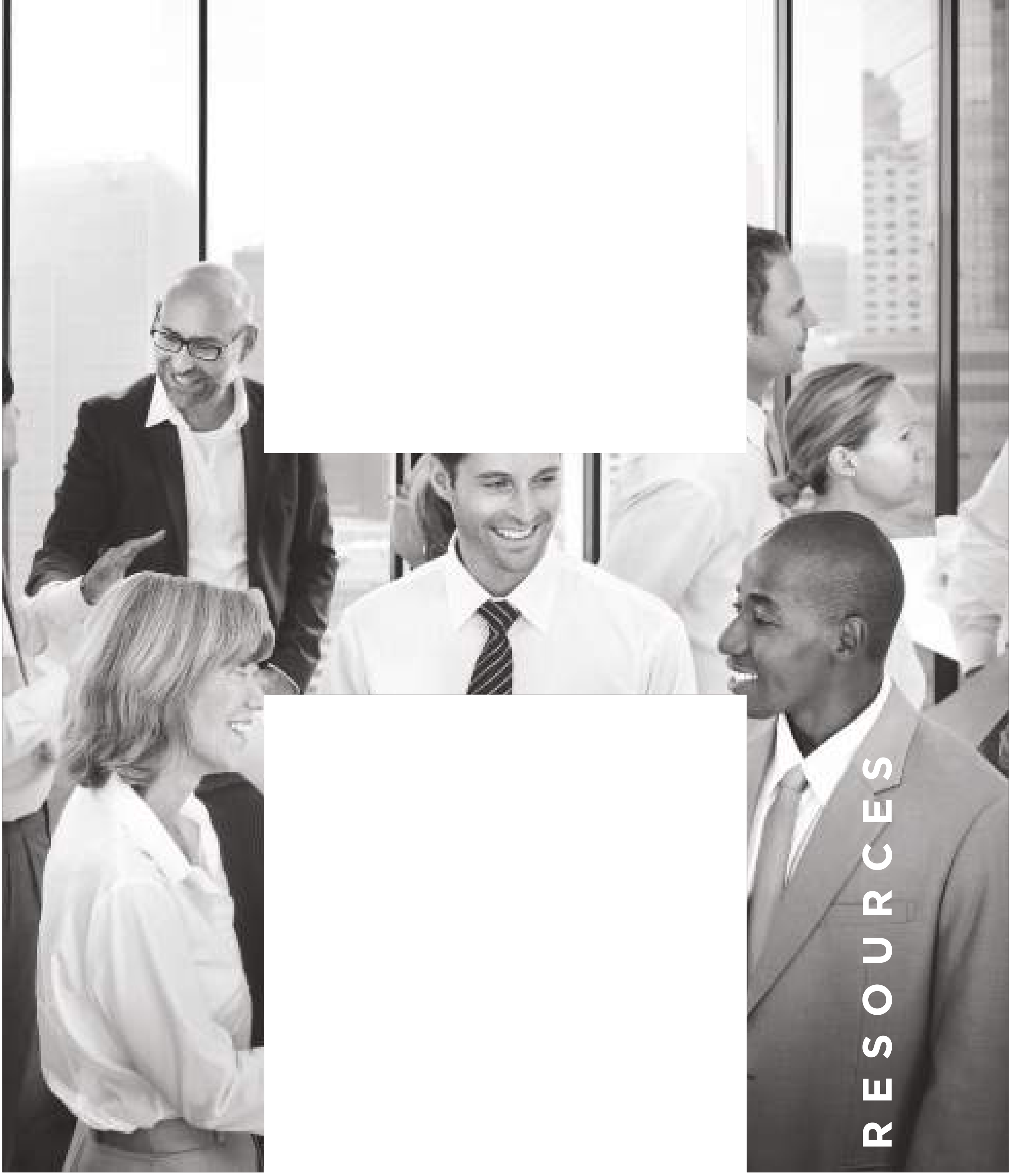
INTERNAL AUDIT

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

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

The Department also conducts branch inspections at Post Offices. These inspections are conducted randomly with an element of surprise. A total of 29 inspections and investigations into theft, burglaries and related activities have been conducted and reported on during the year. The Whistle-Blowing program remains active which gives the staff and public the opportunity to report irregularities on an anonymous basis.

As per Board approved Enterprise Risk Management Framework, Internal Audit has the role of coordinating and facilitating the Risk Management Process of NamPost. Hence, all risk pertaining to the strategy, operations, financial and compliance matters were assessed. This enabled NamPost to respond proactively to opportunities, while managing the probability of any unforeseen events that could materialise as well as limit the effect of the consequences. The Board Audit Committee received reports of the risk NamPost faces as well as the strategies implemented by Management in response to the anticipated risk.



HUMAN RESOURCES

SONIA BERG
GENERAL MANAGER: HUMAN RESOURCES

Budgets and cost control

Proper management of costs is important in Human Resources (HR) and needs to be justified to the revenue generating departments. Cost containment measures were put in place and adhered to resulting in HR spending remaining within budget during the year under review.

Entrench NamPost Values I-ACT (Integrity, Accountability, Caring and Teamwork)

The NamPost values must be known and lived by NamPost staff and activities are ongoing to ensure that NamPost values do not remain only written on posters, but that our employees are living proof of our values.

The I Act Survey was completed, results communicated and action plans put in place to address any shortcomings identified.

Applicable HR policies

The Board of Directors approved changes to the following HR policies.

- Recruitment and Selection Policy
- Employment of Fixed Term Employees
- Performance Reward Policy for Management
- Performance Management System Policy
- Subsistence and Travel Policy
- Farewell Policy - New Policy

Executive and Management Development

It is important that management should be resilient leaders. NamPost endeavours to develop the management team to be able to face any business challenge and grow the Company in order to remain a sustainable and relevant entity for many years to come.

EXCO and management participated in the following:

- Coaching for Performance
- Commercial Mediator Training
- SADC Banking Payments Training
- Bank Insurance and Finance Investment Training
- Job Description Reviews Training
- Chairing Disciplinary Hearings Training
- Leadership and Supervisory Development
- IR Negotiations Training
- Mastering Job Analysis Training
- Performance Management Training

Capacity Building Plans and Training Conducted

Capacity building is an important objective of NamPost. It recognizes that we do not only build capacity for the Company, but for the Nation as well.

Training was conducted based on the training needs analysis for the period under review. This process is repeated annually, at the beginning of the financial year, and training schedules are developed and executed accordingly. In-house operational and support training are conducted as per the identified needs, and training that could not be provided in-house was sourced from service providers.

Staff Engagement

The Human Resource Managers attended several Regional Postmasters and staff meetings on a regular basis, and provided assistance, explained procedures and gave clarity on policy and human resources related issues. Human resources were also involved in resolving disputes and grievances.

We could be right for each other

I am a young and single post box that's new in town, and I would like to meet someone who is as ambitious as me. I am extremely reliable and I do not mind mixing business with pleasure. If you feel we are compatible, lets make a date at your nearest post office. You could be the one to hold the keys to my heart.

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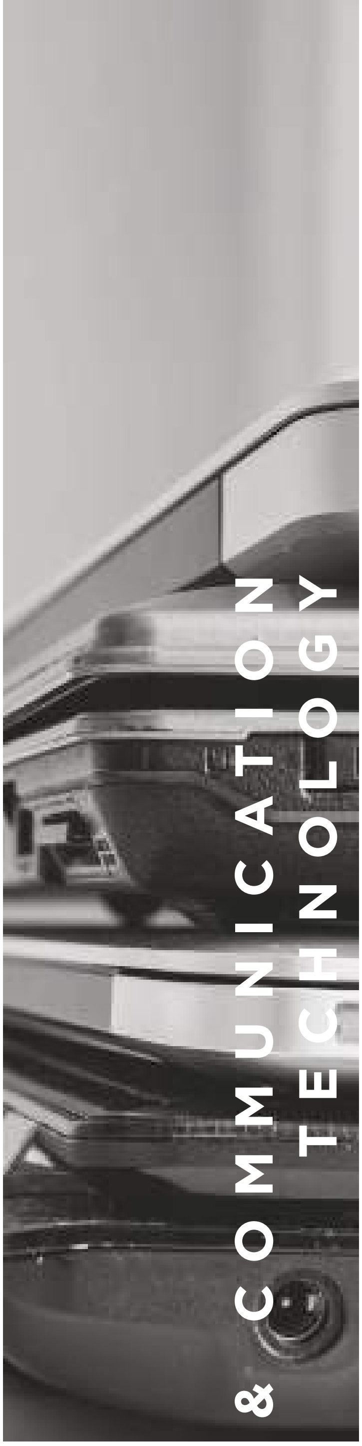


INFORMATION & COMMUNICATION TECHNOLOGY

JÖRN SCHNOOR
CHIEF INFORMATION OFFICER

INFORMATION & COMMUNICATION TECHNOLOGY

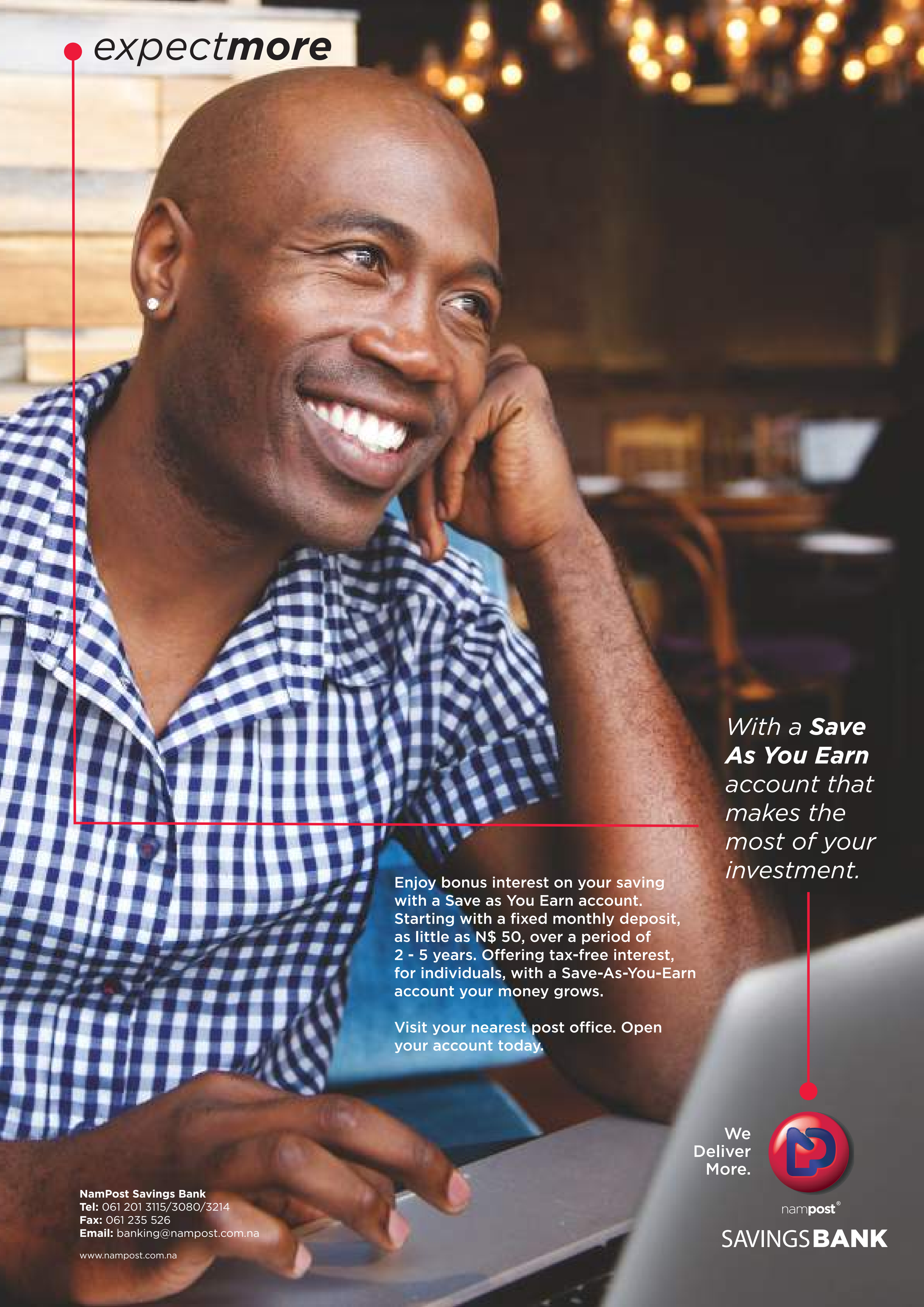
In support of the NamPost banking and financial inclusion strategy, big strides have been made with regards to establishing the necessary supporting structures including structures within the technology department. To facilitate this strategy, the technology department had to assess the impact of newly introduced services and associated technologies into its current environment since the majority of technology services are structured around the traditional and historic postal operations. This meant that banking type governance, risk and compliance frameworks had to be formulated, which will ensure highest standard of compliance based on banking industry best practices into the organisation. The team's knowledge and exposure in this field will continue to mature and expand in close co-operation with regulators and the financial services industry.

This means that new opportunities from within the technology team are available, with fresh exposure and experience to financial services environments. In addition to these new challenges, the team has grown in areas that ensure support to the Group's key technologies from within NamPost. Therefore the department aims to become less dependent on national and international third party support, solution providers.

Further transformation is under way to provide a stable technology infrastructure and support model, built on innovative technologies, which will support NamPost's strategic objectives and drive for improved customer centric services. A revision and remediation of current technology use cases and support models have already yielded substantial savings and identified gaps that aim to deliver on the above promise.

In summary, NamPost Technology Department's development will continue to accelerate and grow in sync with the overall NamPost strategic direction. Traditional postal services already benefit from this transition, and as a result will see even more new innovative technologies and services to enhance the overall customer experience.

Meanwhile, we thank all our partners for a stimulating but productive 2016.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CORPORATE GOVERNANCE

ELDORETTE HARMSE
HEAD: LEGAL SERVICES &
COMPANY SECRETARY

Introduction

The world of governance continues to evolve rapidly and it is pertinent to ensure that boards and management are best equipped to create resilient and long-term growth. Our governance strategy is to improve our Company by ensuring that the board and management are the best they can be and aligned for long-term growth.

Governance

The Board of Directors has established an executive committee which, by delegation of the board, has general decision-making powers.

The Board has the following established Board Committees, namely

a) Audit & Risk;
b) Human Resources & Compensation; and
c) Investment

The Committees are vested with delegated authority and report back to the board on a quarterly basis.

Board Composition And Diversity

NamPost has a strong and balanced Board, with a range of complementary skills to support the strategic and operational direction of the Company. The Board recognises the importance of diversity at Board level and our Board members have a wide range of skills and experiences from a variety of business backgrounds.

Director Continuing Education

Directors are continually advised of policies and procedures applicable to the Board and committee meetings and the rights and responsibilities of Directors. The Company also encourages Directors to attend appropriate outside continuing education programs, the costs of which are carried by the Company.

Board Effectiveness

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

In 2016, the Board met at least quarterly and considered important corporate events and actions, such as:

i. reviewing, developing and approval of the overall strategy and budgets;
ii. oversight of the performance of the business;
iii. review of risks and internal risk management and control systems;
iv. authorisation of major transactions;
v. declaration of dividends; and
vi. convening of shareholders' meetings.

During the year, Board Meetings were held as follow:

Board of Directors	Board	Audit Committee	Human Resources & Compensation	Investment Committee	Other Meetings
Meetings held	8	5	3	3	4
Dr. K. Shangula (Chairperson)	8	n/a	n/a	n/a	2
C.J.W. Coetzee	8	4	3	3	4
Dr. P. J. Boer (Deputy Chairperson)	7	n/a	3	n/a	4
N.S. Field	7	5		3	3
E. N. Hamunyela	6	3	3	n/a	n/a

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 certain of its governance responsibilities to these three dedicated committees, which are composed of the non-executive directors.

(a) Audit Committee
The role and responsibilities of the Audit Committee are set out in written terms of reference which are reviewed periodically by the Committee taking into account relevant legislation and recommended good practice. The Committee's responsibilities include, but are not limited to, the following matters with a view to bringing any relevant issues to the attention of the Board:

i. oversight of the integrity of NamPost's financial statements;
ii. review of NamPost 's quarterly and annual financial statements;
iii. oversight of risk management and internal control arrangements;
iv. oversight of compliance with legal and regulatory requirements;
v. oversight of the external auditors' performance, objectivity, qualifications and independence; the approval process of non-audit services; and
vi. the performance of the internal audit function.

(b) Board Remuneration Committee
The Company has a Remuneration Committee under the authority and the governance of the Company's Remuneration Charter, approved by the Board. The Remuneration Committee meets at least twice a year, with authority to convene more meetings if required by circumstances. The Committee consists of three Directors. The primary functions of the Remuneration Committee are to assist the Board of Directors in fulfilling its oversight responsibilities with respect to:

i. The establishment and review of appropriate; remuneration for all Directors, Management and all other Employees of the company;
ii. Review organizational and staffing matters;
iii. Recommending annual bonuses; and
iv. Review annual salary increases.

(b) Investment Committee
The Committee assists the board in discharging its oversight responsibilities relating to the management of Namibia Post Limited's asset and liability portfolios-the mix, the maturity structure and market related risks. In discharging its responsibilities, the Committee will report and, where appropriate, make recommendations to the Board in respect of all matters identified in the Board Investment Charter.
The role of the Committee is to work on behalf of the Board and be responsible for recommendations and will:

i. Determine, agree and develop the Company's policy for Asset and Liability Management;
ii. Determine, agree and develop the Company's policy for Investment and Risk Management, Determine specific Regulatory requirements pertaining to the Treasury function performed by NamPost;
iii. Determine the criteria and parameters within which the Treasury Department must operate, and
iv. Determine the reporting requirements to measure the effectiveness of risk management.

Boards' Assessment of Compliance with the Risk Management Frameworks

NamPost is committed to embedding risk management practices to support the achievement of business objectives and fulfill corporate governance obligations. The Boards, advised by the Committees where appropriate, regularly review the significant risks and decisions that could have a material impact on NamPost. These reviews consider the level of risk that NamPost is prepared to take in pursuit of the business strategy and the effectiveness of the management controls in place to mitigate the risk exposure.

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

Risk Management

The Audit Committee reviews all principal risks and the overall internal controls and risk management framework, as part of its annual activities-as this process supports the Board's overall responsibility to review, at least annually, the effectiveness of the Company's risk management.

Risk Management and Internal Control Arrangements

The Committee reviewed NamPost's overall approach to risk management and control, and its processes, outcomes and disclosure.

Internal Audit Function

The Committee reviewed Internal Audit's audit plan for the year and agreed its budget and resource requirements. It reviewed interim and year-end summary reports and management's response. 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.

Whistle Blowing Policy

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

Company Secretary

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

Conclusion

Overall, at NamPost the Board of Directors recognizes that it is responsible to the shareholder for ensuring the smooth running of the company. This can only be achieved if the board is supported by appropriate and well managed governance processes.


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FINANCIAL STATEMENTS

NAMIBIA POST LIMITED AND ITS SUBSIDIARY
(Registration number 92/284)
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2016

GENERAL INFORMATION

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

CONTENTS

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

Contents	Page
Directors' Responsibilities and Approval	62
Independent Auditor's Report	63
Directors' Report	64 - 65
Statement of Financial Position	66
Statement of Profit or Loss and Other Comprehensive Income	67
Statement of Changes in Equity	68
Statement of Cash Flows	69
Accounting Policies	70 - 84
Notes to the Annual Financial Statements	85 - 116

DIRECTORS' RESPONSIBILITIES AND APPROVAL

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

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

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

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

The directors have reviewed the group's cash flow forecast for the year to 30 September 2017 and, in light of this review and the current financial position, they are satisfied that the group has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the group's annual financial statements. The annual financial statements have been examined by the group's external auditors and their report is presented on page 65.

The annual financial statements set out on pages 66 to 118, which have been prepared on the going concern basis, were approved by the board of directors and were signed on their behalf by:

Director

Director

Windhoek
14 December 2016

INDEPENDENT AUDITOR'S REPORT

To the Member of Namibia Post Limited

We have audited the group and company's annual financial statements of Namibia Post Limited, which comprise the consolidated and seperate statements of financial position as at 30 September 2016, and the consolidated and separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and the directors' report, as set out on pages 66 to 118.

Directors' Responsibility for the Annual Financial Statements

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

Auditors's Responsibility

Our responsibility is to express an opinion on these annual 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 annual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditors's judgement, including the assessment of the risks of material misstatement of the annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company`s preparation and fair presentation of the annual 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 company`s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the annual 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 seperate financial position Namibia Post Limited as at 30 September 2016, and its consolidated and seperate financial performance and its consolidated and seperate cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of Namibia.

PricewaterhouseCoopers.

PricewaterhouseCoopers
Registered Accountants and Auditors
Chartered Accountants (Namibia)

Per: R Nangula Uaandja
Partner

Windhoek
14 December 2016

DIRECTORS' REPORT

The directors have pleasure in submitting their report on the annual financial statements of Namibia Post Limited and its subsidiaries and the group for the year ended 30 September 2016.

1. Nature of business

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

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

2. Review of financial results and activities

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

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

3. Share capital

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

4. Dividends

No dividends were paid during the year under review (2015: Nil).

5. Directorate

The directors in office at the date of this report are all Namibians; details are as follows:

Directors	***Date of initial appointment***	***Appointed designation***	***Changes***	***Current designation***
Nangula E. Hamunyela	20 November 2013	Non-executive	Re-appointed 01 Oct 2016	Chairperson
Neville S. B. Field	26 August 2013	Non-executive	Resigned 30 Sept 2016	
Kalumbi Shangula	26 August 2013	Chairperson	Resigned 30 Sep 2016	
Coenraad J. W. Coetzee	26 August 2013	Non-executive	Resigned 30 Sept 2016	
Perien J. Boer	26 August 2013	Vice chairperson	Re-appointed 01 Oct 2016	Non-executive
Muronga Haingura			Appointed 01 Oct 2016	Vice Chairperson
Israel U. D. Kalenga			Appointed 01 Oct 2016	Non-executive
James A. Cumming			Appointed 01 Oct 2016	Non-executive

6. Interest in subsidiaries and joint venture

Name of subsidiary/joint venture	**Country of incorporation**	**% Holding**
NamPost Financial Brokers (Pty) Ltd Namibia100		
SmartSwitch Namibia (Pty) Ltd	Namibia	100
	Namibia	50

	2016 N$ '000	**2015 N$ '000**
NamPost Financial Brokers (Pty) Ltd		
Total profit after income tax	6,456	507
SmartSwitch Namibia (Pty) Ltd		
Total profit after income tax	9,063	7,485
TOTAL	**15,519**	**7,992**

There were no significant acquisitions or divestitures during the year ended 30 September 2016.

7. Holding company

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

During 2014 financial year, the Cabinet made a decision that Namibia Post and Telecom Holdings should be dismantled. Once this is effected, the shareholder of Namibia Post Limited will be the Government of the Republic of Namibia. The dismantling process is expected to be finalised in the first half of 2017.

8. Events after the reporting period

The directors are not aware of any event which occurred after the reporting date and up to the date of this report.

9. Auditors

PricewaterhouseCoopers continued in office as auditors for the company, its subsidiary and joint venture for 2016 in accordance with section 278(2) of the Companies Act of Namibia.

10. Secretary

The company secretary is E C Harmse.

Postal address

P.O.Box 287
Windhoek

Business address

Post Office Building
Corner Independence Avenue and Daniel Munamava Street
Windhoek

11. Acknowledgements

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

Statement of Financial Position as at 30 September 2016

		Group		Company	
	Note(s)	2016 N$ '000	2015 N$ '000	2016 N$ '000	2015 N$ '000
Assets					
Non-Current Assets					
Property, plant and equipment	4	26,211	26,717	25,108	26,171
Goodwill	5	-	903	-	-
Intangible assets	6	37,693	19,122	36,102	18,314
Investments in subsidiary	7	-	-	15,001	1
Investments in joint venture	8	11,285	9,253	6,000	6,000
Loans to group companies	9	-	-	128,787	85,135
Other financial assets	10	2,209,565	1,763,961	2,111,975	1,737,488
Deferred tax	12	20,227	15,093	19,484	13,370
		2,304,981	**1,835,049**	**2,342,457**	**1,886,479**
Current Assets					
Inventories	14	54,511	53,901	54,511	53,901
Loans to group companies	9	-	-	6,250	6,250
Trade and other receivables	15	96,411	83,564	96,260	83,397
Other financial assets	10	1,724,543	2,396,751	1,641,441	2,356,376
Current tax receivable	20	16,879	3,627	16,851	3,627
Cash and cash equivalents	16	147,884	91,145	146,396	89,884
		2,040,228	**2,628,988**	**1,961,709**	**2,593,435**
Total Assets		**4,345,209**	**4,464,037**	**4,304,166**	**4,479,914**
Equity and Liabilities					
Equity					
Share capital	17	5,075	5,075	5,075	5,075
Retained income		224,229	222,357	215,158	220,870
		229,304	**227,432**	**220,233**	**225,945**
Liabilities					
Non-Current Liabilities					
Loans from group companies	9	-	6,250	-	6,250
Other financial liabilities	18	74,000	48,975	43,547	48,975
Retirement benefit obligation	13	14,367	13,488	14,367	13,488
Savings bank Investors	19	590,255	540,605	590,255	540,605
		678,622	**609,318**	**648,169**	**609,318**
Current Liabilities					
Loans from group companies	9	6,250	6,250	6,250	6,250
Other financial liabilities	18	4,758	442	4,758	442
Trade and other payables	21	168,061	115,950	162,013	114,733
Savings bank investors	19	3,258,214	3,504,645	3,262,743	3,523,226
		3,437,283	**3,627,287**	**3,435,764**	**3,644,651**
Total Liabilities		**4,115,905**	**4,236,605**	**4,083,933**	**4,253,969**
Total Equity and Liabilities		**4,345,209**	**4,464,037**	**4,304,166**	**4,479,914**

Statement of Profit or Loss and Other Comprehensive Income

		Group		Company	
	Note(s)	2016 N$ '000	2015 N$ '000	2016 N$ '000	2015 N$ '000
Revenue	23	1,038,483	1,012,645	1,001,008	999,894
Cost of sales	24	(664,155)	(635,707)	(660,563)	(635,707)
Gross profit		**374,328**	**376,938**	**340,445**	**364,187**
Other income	25	3,658	5,270	3,186	7,797
Operating expenses		(366,900)	(330,221)	(344,233)	(323,258)
Operating profit/(loss)	26	**11,086**	**51,987**	**(602)**	**48,726**
Investment revenue	27	5,610	3,388	11,896	9,461
Fair value adjustments	10	(20,967)	(63,275)	(20,967)	(63,275)
Income from equity accounted investments	8	4,532	3,743	-	-
Finance costs	28	(1,369)	(1,240)	(1,369)	(1,240)
Loss before taxation		**(1,108)**	**(5,397)**	**(11,042)**	**(6,328)**
Taxation	29	3,214	3,208	5,564	3,063
Profit/(loss) for the year		**2,106**	**(2,189)**	**(5,478)**	**(3,265)**
Other comprehensive loss:					
Items that will not be reclassified to profit or loss:					
Remeasurements on net defined benefit liability		(344)	(480)	(344)	(480)
Income tax relating to items that will not be reclassified		110	158	110	158
Total items that will not be reclassified to loss		**(234)**	**(322)**	**(234)**	**(322)**
Other comprehensive loss for the year net of taxation		**(234)**	**(322)**	**(234)**	**(322)**
Total comprehensive income/(loss) for the year		**1,872**	**(2,511)**	**(5,712)**	**(3,587)**

Statement of Changes in Equity

	Share capital N$ '000	Retained income N$ '000	Total equity N$ '000
Group			
Balance at 01 October 2014	**5,075**	**224,868**	**229,943**
Loss for the year	-	(2,189)	(2,189)
Other comprehensive loss	-	(322)	(322)
Total comprehensive loss for the year	**-**	**(2,511)**	**(2,511)**
Balance at 01 October 2015	**5,075**	**222,357**	**227,432**
Profit for the year	-	2,106	2,106
Other comprehensive loss	-	(234)	(234)
Total comprehensive income for the year	**-**	**1,872**	**1,872**
Balance at 30 September 2016	**5,075**	**224,229**	**229,304**

Refer to note 17

	Share capital N$ '000	Retained income N$ '000	Total equity N$ '000
Company			
Balance at 01 October 2014	**5,075**	**224,457**	**229,532**
Loss for the year	-	(3,265)	(3,265)
Other comprehensive loss	-	(322)	(322)
Total comprehensive loss for the year	**-**	**(3,587)**	**(3,587)**
Balance at 01 October 2015	**5,075**	**220,870**	**225,945**
Loss for the year	-	(5,478)	(5,478)
Other comprehensive loss	-	(234)	(234)
Total comprehensive loss for the year	**-**	**(5,712)**	**(5,712)**
Balance at 30 September 2016	**5,075**	**215,158**	**220,233**

Refer to note 17

Statement of Cash Flows

		Group		Company	
	Note(s)	2016 N$ '000	2015 N$ '000	2016 N$ '000	2015 N$ '000
Cash flows from operating activities					
Cash generated from operations	31	68,005	31,545	32,605	25,925
Interest income	27	3,110	3,388	6,896	5,461
Dividends received		2,500	-	5,000	4,000
Finance costs	28	(1,369)	(1,240)	(1,369)	(1,240)
Tax paid	32	(15,085)	(20,010)	(13,665)	(20,010)
Net cash from operating activities		**57,161**	**13,683**	**29,467**	**14,136**
Cash flows from investing activities					
Purchase of property, plant and equipment	4	(7,878)	(11,633)	(7,016)	(11,585)
Sale of property, plant and equipment	4	87	957	87	1
Purchase of other intangible assets	6	(24,570)	(10,693)	(23,652)	(9,832)
Sale of other intangible assets	6	-	61	-	61
Movement in loans to group companies	9	(8)	(6,250)	(49,910)	(36,980)
(Purchase) / sale of financial assets	10	205,637	(640,454)	319,481	(621,183)
Movement in loan to group companies	19	(6,250)	-	-	-
Net cash from/(to) investing activities		**167,018**	**(668,012)**	**238,990**	**(679,518)**
Cash flows from financing activities					
Repayment of financial liabilities	18	29,341	2,396	(1,112)	2,396
Movement in savings bank investors		(196,781)	632,538	(210,833)	643,073
Repayment of shareholders loan		-	(15)	-	-
Net cash from/(to) financing activities		**(167,440)**	**634,919**	**(211,945)**	**645,469**
Total cash and cash equivalents movement for the year		**56,739**	**(19,410)**	**56,512**	**(19,913)**
Cash and cash equivalents at the beginning of the year		91,145	110,555	89,884	109,797
Total cash and cash equivalents at end of the year	16	**147,884**	**91,145**	**146,396**	**89,884**

Accounting Policies

1. Presentation of annual financial statements

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

These accounting policies are consistent with the previous period.

1.1 Consolidation

Basis of consolidation

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

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

Subsidiaries

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

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

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

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

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

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

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

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

Accounting Policies

1.1 Consolidation (continued)

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

Jointly controlled entities

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

1.2 Statement of compliance

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

1.3 Significant judgements and sources of estimation uncertainty

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

Fair value estimation

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

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

Impairment testing

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

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

1.3 Significant judgements and sources of estimation uncertainty (continued)

Provision for post retirement medical aid benefits

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

Deferred tax asset

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

Deferred Income

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

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

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

Post box rentals are recognised as the services are rendered.

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

Discount Rates

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

Revenue recognition

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

Residual values

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

Accounting Policies

1.4 Property, plant and equipment

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

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

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

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

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

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

1.5 Intangible assets

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

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

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

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

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

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

1.5 Intangible assets (continued)

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

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

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

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

Item	**Useful life**
Computer software	5 years

1.6 Investments in subsidiary

Company annual financial statements

In the company's separate annual 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 Investments in joint venture

Company annual financial statements

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

In respect of its interests in jointly controlled operations, the company recognises in its annual financial statements:
- the assets that it controls and the liabilities that it incurs; and
- the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the joint venture.

1.8 Financial instruments

Financial assets

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

Debt investments

(a) Financial assets at amortised cost

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

(b) Financial assets at fair value

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

Equity instruments

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

Recognition and measurement

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

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

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

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

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

Accounting Policies

1.8 Financial instruments (continued)

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

Derecognition

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

Impairment of financial assets

Assets carried at amortised cost

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

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

Loans to (from) group companies

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

Loans to group companies are classified as loans and receivables.

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

Loans to shareholders, directors, managers and employees

These financial assets are classified as loans and receivables.

Trade and other receivables

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

Trade and other payables

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

Cash and cash equivalents

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

1.8 Financial instruments (continued)

Bank overdraft and borrowings

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

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

Held to maturity

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

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

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

Accounting Policies

1.9 Income tax

Current tax assets and liabilities

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

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

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

Deferred tax assets and liabilities

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

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

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.

Accounting Policies

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.

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

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

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

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

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

1.12 Impairment of non-financial assets

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

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

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

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

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

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

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

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

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

Accounting Policies

1.12 Impairment of non-financial assets (continued)

- then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

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

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

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

1.13 Share capital and equity

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

Ordinary shares are classified as equity.

1.14 Employee benefits

Short-term employee benefits

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

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

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

Accounting Policies

1.14 Employee benefits (continued)

Defined benefit plans

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

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

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

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

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

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

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

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

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

1.15 Provisions and contingencies

Provisions are recognised when:

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

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

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

Contingent assets and contingent liabilities are not recognised.

1.16 Revenue

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

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

Accounting Policies

1.16 Revenue (continued)

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

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

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

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.

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

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

1.17 Borrowing costs

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

1.18 Translation of foreign currencies

Foreign currency transactions

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

At the end of the reporting period:

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

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

Accounting Policies

1.18 Translation of foreign currencies (continued)

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 one year has been agreed.

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

1.20 Dividend distribution

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

Notes to the Annual Financial Statements

2. New Standards and Interpretations

2.1 Standards and Interpretations early adopted

The group has chosen to early adopt the following standard and interpretation:

Standard/ Interpretation:	*Effective date: Years beginning on or after*	*Expected impact:*
• IFRS 9 Financial Instruments	01 January 2018	The adoption of this standard was implemented in prior years.

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's accounting periods beginning on or after 01 October 2016 or later periods:

Standard/ Interpretation:	*Effective date: Years beginning on or after*	*Expected impact:*
• Amendment to IAS 7 – Cash flow statements	01 January 2017	Unlikely there will be a material impact
• Amendment to IAS 12 – Income taxes	01 January 2017	Unlikely there will be a material impact
• IFRS 16 – Leases	01 January 2019	Impact is currently being assessed
• Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28,'Investments in associates and joint ventures' on sale or contribution of assets	01 January 2016	Unlikely there will be a material impact
• Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28,'Investments in associates and joint ventures' on applying the consolidation exemption	01 January 2016	Unlikely there will be a material impact
• Amendment to IFRS 11, 'Joint arrangements' on acquisition of an interest in a joint operation.	01 January 2016	Unlikely there will be a material impact
• IFRS 14 – Regulatory deferral accounts	01 January 2016	Unlikely there will be a material impact
• IFRS 15 Revenue from Contracts with Customers	01 January 2017	Impact is currently being assessed
• Amendment to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations	01 January 2016	Unlikely there will be a material impact
• Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation	01 January 2016	Unlikely there will be a material impact
• Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	01 January 2016	Unlikely there will be a material impact
• Amendment to IAS 27: Equity Method in Separate Financial Statements	01 January 2016	Unlikely there will be a material impact
• IFRS 14 Regulatory Deferral Accounts	01 January 2016	Unlikely there will be a material impact
• Amendment to IFRS 5: Non-current Assets Held for Sale and Discontinued Operations: Annual Improvements project	01 January 2016	Unlikely there will be a material impact
• Amendment to IFRS 7: Financial Instruments: Disclosures: Annual Improvements project	01 January 2016	Unlikely there will be a material impact

2. New Standards and Interpretations (continued)

• Amendment to IAS 19: Employee Benefits: Annual Improvements project	01 January 2016	Unlikely there will be a material impact
• Disclosure Initiative: Amendment to IAS 1: Presentation of Financial Statements	01 January 2016	Unlikely there will be a material impact

3. Risk management

Capital risk management

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

The capital structure of the group consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes 9 & 18 cash and cash equivalents disclosed in note 16, and equity as disclosed in the statement of financial position.

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

Financial risk management

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

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

Liquidity risk

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

The company has the following facilities available at the bank: overdraft of N$ 14m, master card of N$ 0.3m, fleet management of N$ 0.8m, vehicle asset finance N$ 1m, guarantee N$ 13m, foreign exchange N$ 1m, forward exchange N$ 1m, EFT credit N$ 5m, and EFT debit N$ 1.5m.

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

Notes to the Annual Financial Statements

3. Risk management (continued)

Group

At 30 September 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Loans from related parties	6,250	-	-	-
Trade and other payables (Excluding VAT and amounts recieved in advance)	164,851	-	-	-
Savings Bank Investors	3,848,469	-	-	-

At 30 September 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	442	48,975	-	-
Loans from related parties	6,250	6,250	-	-
Trade and other payables (Excluding VAT and amounts recieved in advance)	108,896	-	-	-
Savings Bank Investors	3,504,645	540,605	-	-

Company

At 30 September 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Loans from related parties	6,250	-	-	-
Trade and other payables (excluding VAT and amounts received in advance)	158,803	-	-	-

At 30 September 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	119	-	-	-
Loans from related parties	6,250	-	-	-
Trade and other payables (excluding VAT and amounts received in advance)	107,679	-	-	-
Savings Bank investors	3,158,168	-	-	-

Short term exposure	*2016 N$ '000*	*2015 N$ '000*	*2016 N$ '000*	*2015 N$ '000*
Current portion of Savings Bank investors	(3,258,214)	(3,504,645)	(3,262,743)	(3,523,226)
Current portion of other financial assets	1,724,543	2,356,376	1,641,441	2,356,376
Cash and cash equivalents (excluding cash on hand)	113,535	50,452	112,049	49,194
	(1,420,136)	**(1,097,817)**	**(1,509,253)**	**(1,117,656)**

Long term exposure	*2016 N$ '000*	*2015 N$ '000*	*2016 N$ '000*	*2015 N$ '000*
Long term portion of Savings Bank investors	(590,255)	(540,605)	(590,255)	(540,605)
Long term portion of other financial assets	2,209,565	1,763,961	2,111,975	1,737,488
	1,619,310	**1,223,356**	**1,521,720**	**1,196,883**

3. Risk management (continued)

Interest rate risk

At 30 September 2016, 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$ 3,933,478 (2015: N$ 4,063,831) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings; other components of equity would have been N$ 3,933,478 (2015: N$ 4,063,831) lower/higher mainly as a result of a decrease/increase in the fair value of fixed rate financial assets classified as available for sale.

If interest rates on Namibia Dollar-denominated financial assets had been 0.1% higher/lower with all other variables held constant, post-tax profit for the year would have been N$ 3,828,513 (2015: N$ 4,093,864) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings; other components of equity would have been N$ 3,828,513 (2015: N$ 4,093,864) 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 a financial instrument will fluctuate because of changes in market interest rates. This poses a risk as the company borrows and places funds in financial instruments at both fixed and floating interest rates.

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

Interest rate effect on profit

	Effect on profit 2016		*Effect on profit 2015*	
Group (N$'000)	***100bp increase in market***	***100bp decrease in market***	***100bp increase in market***	***100bp decrease in market***
Cash and cash equivalents	1,479	(1,478)	504	(504)
Other financial assets	38,285	(38,285)	41,607	(41,607)
Other financial liabilities	(788)	788	(494)	494
Savings Bank investors	(38,485)	38,485	(39,961)	39,961
Loans from group companies	(63)	63	1,464	125
	428	**(427)**	**3,120**	**(1,531)**

	Effect on profit 2016		*Effect on profit 2015*	
Company (N$'000)	***100bp increase in market***	***100bp decrease in market***	***100bp increase in market***	***100bp decrease in market***
Cash and cash equivalents	1,464	(1,464)	492	(492)
Other financial assets	36,478	(36,478)	40,439	(40,439)
Other financial liabilities	483	483	(494)	494
Savings Bank investors	-	-	(39,961)	39,961
Loans to group companies	63	(63)	909	(909)
Loans from group companies	(63)	63	(125)	125
	38,425	**(37,459)**	**1,260**	**(1,260)**

Fair value estimation

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

Notes to the Annual Financial Statements

3. Risk management (continued)

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

Credit risk

Credit risk is managed on a group basis.

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

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

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

Financial instrument	Group - 2016 N$	Group - 2015 N$	Company - 2016 N$	Company - 2015 N$
Other financial assets	3,934,108	4,160,712	3,753,416	4,093,864
Trade and other recievables(excluding prepayments and VAT)	89,459	76,654	89,445	76,577
Cash and cash equivalents	147,884	50,452	146,396	49,194

Foreign exchange risk

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

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

Foreign currency exposure at the statement of financial position date

Assets				
Euro	137	156	137	156
SDR*	1,073	1,515	1,073	1,515
Liabilities				
Euro	3,232	3,717	3,232	3,717

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

3. Risk management (continued)

Price risk

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

4. Property, plant and equipment

Group	2016			2015		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fixtures	6,041	(3,167)	2,874	5,335	(2,732)	2,603
Motor vehicles	2,161	(930)	1,231	1,283	(749)	534
IT equipment	30,680	(24,777)	5,903	27,915	(20,682)	7,233
Leasehold improvements	2,433	(792)	1,641	1,706	(580)	1,126
Other equipment	40,765	(26,203)	14,562	37,144	(22,820)	14,324
Work in progress (WIP)	-	-	-	897	-	897
Total	**82,080**	**(55,869)**	**26,211**	**74,280**	**(47,563)**	**26,717**

Company	2016			2015		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fixtures	5,934	(3,107)	2,827	5,254	(2,702)	2,552
Motor vehicles	1,343	(734)	609	783	(662)	121
IT equipment	29,953	(24,484)	5,469	27,653	(20,556)	7,097
Leasehold improvements	2,433	(792)	1,641	1,706	(580)	1,126
Other equipment	40,765	(26,203)	14,562	37,198	(22,820)	14,378
Work in Progress (WIP)	-	-	-	897	-	897
Total	**80,428**	**(55,320)**	**25,108**	**73,491**	**(47,320)**	**26,171**

Reconciliation of property, plant and equipment - Group - 2016

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

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Group - 2015

	Opening balance	Additions	Disposals	Work in progress (WIP)	Depreciation	Total
Furniture and fixtures	2,062	983	(64)	-	(378)	2,603
Motor vehicles	577	125	(100)	-	(68)	534
IT equipment	3,167	8,562	(813)	-	(3,683)	7,233
Leasehold improvements	798	456	-	-	(128)	1,126
Other equipment	11,675	1,507	-	4,427	(3,285)	14,324
Work in progress (WIP)	5,324	-	-	(4,427)	-	897
	23,603	**11,633**	**(977)**	**-**	**(7,542)**	**26,717**

Reconciliation of property, plant and equipment - Company - 2016

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

Reconciliation of property, plant and equipment - Company - 2015

	Opening balance	Additions	Disposals	Work in progress (WIP)	Depreciation	Total
Furniture and fixtures	1,984	983	(64)	-	(351)	2,552
Motor vehicles	-	125	-	-	(4)	121
IT equipment	2,282	8,449	(6)	-	(3,628)	7,097
Leasehold improvements	798	456	-	-	(128)	1,126
Other equipment	11,675	1,572	(11)	4,427	(3,285)	14,378
Work in progress (WIP)	5,324	-	-	(4,427)	-	897
	22,063	**11,585**	**(81)**	**-**	**(7,396)**	**26,171**

5. Goodwill

Group	**2016**			**2015**		
	Cost	**Accumulated impairment**	**Carrying value**	**Cost**	**Accumulated impairment**	**Carrying value**
Goodwill	-	-	-	903	-	903

Goodwill relates to the acquisition of NamPost Financial Brokers (Pty) Ltd.

Notes to the Annual Financial Statements

6. Intangible assets

Group	2016			2015		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	51,909	(36,453)	15,456	42,398	(30,508)	11,890
Work in progress (WIP)	22,237	-	22,237	7,232	-	7,232
Total	**74,146**	**(36,453)**	**37,693**	**49,630**	**(30,508)**	**19,122**

Company	2016			2015		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	50,183	(36,318)	13,865	41,536	(30,454)	11,082
Work in progress (WIP)	22,237	-	22,237	7,232	-	7,232
Total	**72,420**	**(36,318)**	**36,102**	**48,768**	**(30,454)**	**18,314**

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

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

Reconciliation of intangible assets - Group - 2015 - N$ '000

	Opening balance	Additions	Disposals	Transfers to computer software	Amortisation	Total
Computer software	9,392	3,557	(61)	2,876	(3,874)	11,890
Work in progress (WIP)	2,972	7,136	-	(2,876)	-	7,232
	12,364	**10,693**	**(61)**	**-**	**(3,874)**	**19,122**

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

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

Notes to the Annual Financial Statements

6. Intangible assets (continued)

Reconciliation of intangible assets - Company - 2015 - N$ '000

	Opening balance	Additions	Disposals	Transfers to computer sotfware	Amortisation	Total
Computer software	9,392	2,696	(61)	2,876	(3,821)	11,082
Work in progress (WIP)	2,972	7,136	-	(2,876)	-	7,232
	12,364	**9,832**	**(61)**	**-**	**(3,821)**	**18,314**

7. Investment in subsidiary

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

Company

Name of company	% holding 2016	% holding 2015	Carrying amount 2016	Carrying amount 2015
NamPost Financial Brokers (Pty) Ltd	100	100	15,001	1

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

Directors valuation:

The directors have valued the subsidiary at its net asset value.

8. Joint arrangements

Name of company	% holding	% holding	Carrying amount	Carrying amount
	2016	**2015**	**2016 N$'000**	**2015 N$'000**
SmartSwitch Namibia (Pty) Ltd unlisted share investment	50	50	11,285	9,253

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

Notes to the Annual Financial Statements

8. Joint arrangements (continued)

Summarised financial information of material joint ventures

Summarised Statement of Profit or Loss and Other Comprehensive Income	SmartSwitch Namibia (Pty) Ltd	
	2016 N$'000	2015 N$'000
Revenue	26,022	23,272
Cost of sales	(1,523)	(713)
Other income	-	7
Operating expenses	(11,940)	(12,221)
Investment revenue	1,117	921
Finance cost	(392)	(123)
Profit before tax	13,284	11,143
Tax expense	(4,221)	(3,658)
Profit from continuing operations	9,063	7,485
Total comprehensive income	9,063	7,485

Directors valuation

The directors have valued the joint venture at its net asset value.

Notes to the Annual Financial Statements

	Group		Company	
	2016 N$ '000	**2015 N$ '000**	**2016 N$ '000**	**2015 N$ '000**
9. Loans to / (from) group companies				
Subsidiaries				
NamPost Financial Brokers (Pty) Ltd This loan has a term of 10 years and interest payable on capital only every 6 months fixed repayment terms. The loan attracts interest at an effective rate of prime less 3% with a grace period of two years. Capital to be paid in December annually.	-	-	38,722	38,601
NamPost Financial Brokers (Pty) Ltd (NPTH) This loan was obtained from the holding company (Namibia Post and Telecom Holdings Limited) with the sole purpose of lending it to NamPost Financial Brokers (Pty) Ltd. The loan bears interest at prime less 3% and is repayable in equal capital installments of N$ 6.25 million with the final installment due on 30 September 2017.	-	-	6,250	12,500
NamPost Financial Brokers (Pty) Ltd This loan has no fixed repayment terms but is payable on demand. The loan attracts interest at an effective rate of 5%. Interest shall be accrued and is subordinated in favour of other creditors of NamPost Financial Brokers (Pty) Ltd	-	-	90,065	40,284
	-	**-**	**135,037**	**91,385**

Notes to the Annual Financial Statements

	Group		Company	
	2016 N$ '000	2015 N$ '000	2016 N$ '000	2015 N$ '000

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

Holding company				
Namibia Post and Telecom Holdings Limited Loan The loan is set aside for the sole use of NamPost Financial Brokers (Pty) Ltd. The loan bears interest at prime less 3% and is repayable in equal installments of N$ 6,25 million starting 30 September 2014.	(6,250)	(12,500)	(6,250)	(12,500)
Non-current assets	-	-	128,787	85,135
Current assets	-	-	6,250	6,250
Non-current liabilities	-	(6,250)	-	(6,250)
Current liabilities	(6,250)	(6,250)	(6,250)	(6,250)
	(6,250)	**(12,500)**	**128,787**	**78,885**

10. Other financial assets

At fair value through profit or loss				
Other instruments	740,125	1,152,996	740,125	1,193,371
Bonds	1,783,188	1,950,258	1,783,188	1,909,883
Fixed term deposits, call accounts and money instruments	1,230,103	990,610	1,230,103	990,610
	3,753,416	**4,093,864**	**3,753,416**	**4,093,864**
At amortised cost				
Oher financial assets (NamPost Financial Brokers (Pty) Ltd short - term loans)	180,692	66,848	-	-
Total other financial assets	**3,934,108**	**4,160,712**	**3,753,416**	**4,093,864**
Non-current assets				
At fair value through profit or loss - designated	2,111,975	1,737,488	2,111,975	1,737,488
Other financial assets - at amortised cost	97,590	26,473	-	-
	2,209,565	**1,763,961**	**2,111,975**	**1,737,488**
Current assets				
At fair value through profit or loss	1,641,441	2,356,376	1,641,441	2,356,376
Other financial assets - at amortised cost	83,102	40,375	-	-
	1,724,543	**2,396,751**	**1,641,441**	**2,356,376**
	3,934,108	**4,160,712**	**3,753,416**	**4,093,864**

Notes to the Annual Financial Statements

10. Other financial assets (continued)

The fair values of the financial assets were determined as follows:
- The fair values of listed or quoted investments are based on the quoted market price.
- The fair values on investments not listed or quoted are estimated using the discounted cash flow analysis.

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

Fair value hierarchy of financial assets at fair value through profit or loss

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	
	2016 N$ '000	**2015 N$ '000**	**2016 N$ '000**	**2015 N$ '000**
Level 2				
Bonds	1,683,188	1,879,381	1,683,188	1,812,381
Fixed term deposits, call accounts and money market instruments	1,151,000	1,165,166	1,151,000	1,165,166
Other instruments	1,099,920	1,116,317	919,228	1,116,317
	3,934,108	**4,160,864**	**3,753,416**	**4,093,864**
Financial assets through profit or loss reconciliation				
Opening balance	4,093,864	3,535,956	4,093,864	3,535,956
Additions	4,500,451	5,392,800	4,500,451	5,392,800
Disposals	(4,862,842)	(4,809,345)	(5,043,534)	(4,876,345)
Interest	223,602	104,728	223,602	104,728
Fair value adjustments	(20,967)	(63,275)	(20,967)	(63,275)
	3,934,108	**4,160,864**	**3,753,416**	**4,093,864**

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

Notes to the Annual Financial Statements

	Group		Company	
	2016 N$ '000	2015 N$ '000	2016 N$ '000	2015 N$ '000

10. Other financial assets (continued)

Credit quality of other financial assets - At fair value through profit or loss

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

Credit quality of other financial assets - At fair value through profit or loss

Credit rating				
Bank Windhoek A1+	704,836	739,945	704,836	739,945
Standard Bank Namibia Limited BBB	505,364	483,439	505,364	483,439
Namibian Government bond BBB (Moody's credit rating)	1,185,490	1,404,058	1,185,490	1,404,058
Entities with no external credit rating	475,456	579,159	475,456	579,159
Nedbank Namibia Limited F1+	179,188	281,733	179,188	281,733
Old Mutual F2	41,947	58,170	41,947	58,170
Sanlam Namibia AA	325,097	349,230	325,097	349,230
First National Bank AA (zaf)	336,038	198,130	336,038	198,130
	3,753,416	**4,093,864**	**3,753,416**	**4,093,864**

Credit quality of other financial assets - at amortised cost

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

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

Counterparties				
With history of no default	182,996	63,726	-	-
With history of default	2,157	7,245	-	-
Less provision for impairment	(4,461)	(4,123)	-	-
	180,692	**66,848**	**-**	**-**

Loans and advances past due but not impaired

Loans and advances which are less than 3 months are generally not impaired. As at 30 September 2016 the loans and advances past due but not impaired is N$ 0.00 (2015: N$ 0.00)

Loans and advances impaired

As at 30 September 2016, loans and advances impaired of N$ 4,461 million (2015: N$ 4,123 million) were impaired and provided for.

The ageing of these loans are as follows:

Notes to the Annual Financial Statements

	Group		Company	
	2016 N$ '000	2015 N$ '000	2016 N$ '000	2015 N$ '000

10. Other financial assets (continued)

Current	2,581	-	-	-
Past due 31 to 60 days	297	-	-	-
Past due 61 to 90 days	276	2,793	-	-
Past due 90+ days	1,307	1,330	-	-
	4,461	**4,123**	**-**	**-**
Reconciliation of provision for impairment of loans and advances				
Opening balance	4,123	4,903	-	-
Movement	338	(780)	-	-
	4,461	**4,123**	**-**	**-**

11. Financial assets by category

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

At Fair value through profit/(loss)				
Loans to group companies	-	-	135,037	91,385
Other financial assets	3,753,416	4,093,864	3,753,416	4,093,864
Trade and other receivables (excluding prepayments and VAT)	89,466	76,623	89,445	76,610
	3,842,882	**4,170,487**	**3,977,898**	**4,261,859**
At Amortised Cost				
Loans to group companies	180,692	66,848	-	-
Cash and cash equivalents	147,884	91,145	146,396	89,884
	328,576	**157,993**	**146,396**	**89,884**

12. Deferred tax

Deferred tax liability

Property plant and equipment	(6,546)	(5,451)	(6,067)	(5,451)
Fair value adjustments	6,973	(2,202)	6,973	(2,202)
Terminal dues and parcel credits	(2,871)	(1,017)	(2,871)	(1,017)
Stock- Consumables	(2,356)	(1,905)	(2,356)	(1,905)
Prepayments and other defferd tax	1,318	(733)	1,354	(733)
Total deferred tax liability	**(3,482)**	**(11,308)**	**(2,967)**	**(11,308)**

Notes to the Annual Financial Statements

	Group		Company	
	2016 N$ '000	**2015 N$ '000**	**2016 N$ '000**	**2015 N$ '000**

12. Deferred tax (continued)

Deferred tax asset

Retirement benefit obligation	4,597	4,451	4,597	4,451
Provisions	18,575	17,594	17,317	16,640
Deferred tax balance from temporary differences other than unused tax losses	23,172	22,045	21,914	21,091
Income recieved in advance	1,034	3,104	1,034	2,335
	24,206	25,149	22,948	23,426
Other deferred tax (unrealised foreign exchange, loans, etc)	(497)	1,252	(497)	1,252
Total deferred tax asset, net of valuation allowance recognised	**23,709**	**26,401**	**22,451**	**24,678**

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

Deferred tax liability	**(3,482)**	**(11,308)**	**(2,967)**	**(11,308)**
Deferred taxation liability to be recovered after more than 12 months	(2,018)	(9,570)	(2,018)	(9,570)
Deferred taxation liability to be recovered within 12 months	(1,464)	(1,738)	(949)	(1,738)
Deferred tax asset	**23,709**	**26,401**	**22,451**	**24,678**
Deferred taxation asset to be recovered after more than 12 months	16,424	20,950	15,267	19,227
Deferred taxation asset to be recovered within 12 months	7,285	5,451	7,184	5,451
Total net deferred tax asset (liability)	**20,227**	**15,093**	**19,484**	**13,370**

Notes to the Annual Financial Statements

	Group		Company	
	2016 N$ '000	**2015 N$ '000**	**2016 N$ '000**	**2015 N$ '000**

12. Deferred tax (continued)

Reconciliation of deferred tax asset / (liability)

At beginning of year	15,093	(10,046)	13,370	(10,789)
Other	(766)	-	-	-
Reversing temporary differences on terminal dues and partial credits	(1,854)	668	(1,854)	668
(Reversing)/Originating temporary difference on income received in advance	(1,304)	(3,169)	(1,304)	(3,169)
Originating temporary differences on tangible fixed assets	(1,095)	(392)	(616)	(537)
Originating/(Reversing) temporary differences on post retirement obligations	146	291	149	291
Reversing temporary differences on fair value adjustments	9,175	21,672	9,175	21,672
Originating temporary differences on provisions	981	4,864	677	4,864
Originating temporary differences on stock - consumables	(451)	(122)	(451)	(122)
Reversing/(Originating) temporary differences on prepayments	2,051	23	2,087	23
Other deferred tax (unrealised forex, workman compensation, etc)	(1,749)	1,304	(1,749)	469
	20,227	**15,093**	**19,484**	**13,370**

13. Retirement benefits

Defined benefit plan

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

The plan is a final post employment medical benefit plan.

Carrying value

Present value of the defined benefit obligation-wholly unfunded	(14,367)	(13,488)	(14,367)	(13,488)

Movements for the year

Opening balance	(13,408)	(12,605)	(13,408)	(12,605)
Benefits paid	716	697	716	697
Net expense recognised in profit or loss	(1,675)	(1,500)	(1,675)	(1,500)
	(14,367)	**(13,408)**	**(14,367)**	**(13,408)**

Net expense recognised in the income statement

Notes to the Annual Financial Statements

	Group		Company	
	2016 N$ '000	2015 N$ '000	2016 N$ '000	2015 N$ '000

13. Retirement benefits (continued)

Current service cost	(105)	(102)	(105)	(102)
Interest cost	(1,226)	(918)	(1,226)	(918)
Actuarial losses	(344)	(480)	(344)	(480)
	(1,675)	**(1,500)**	**(1,675)**	**(1,500)**

Key assumptions used

Assumptions used on last valuation on 30 September 2016.

Normal retirement age	60	60	60	60
Discount rates used	9.91 %	9.28 %	9.91 %	9.28 %
Health care cost inflation	8.99 %	8.43 %	8.99 %	8.43 %

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 2015, which indicate that the fund was in a sound financial position. Such financial reviews are performed every three years.

Sensitivity Analysis

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

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

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

Mortality

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

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

Notes to the Annual Financial Statements

	Group		Company	
	2016 N$ '000	2015 N$ '000	2016 N$ '000	2015 N$ '000

13. Retirement benefits (continued)

Balance of liability with change in assumption:				
20% decrease in mortality rate	15,729	14,743	15,729	14,743
Valuation assumption	14,367	13,448	14,367	13,448
20% increase in mortality rate	13,294	12,503	13,294	12,503
	43,390	**40,694**	**43,390**	**40,694**

Medical Aid inflation

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

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

Balance of liability with change in assumption:				
1% decrease in medical aid inflation	12,887	11,995	12,887	11,995
Valuation assumption	14,367	13,448	14,367	13,448
1% decrease in valuation assumption	16,113	15,276	16,113	15,276
Subtotal	43,367	40,719	43,367	40,719
	43,367	**40,719**	**43,367**	**40,719**

14. Inventories

Goods for resale	43,240	44,127	43,240	44,127
Stamps	3,348	3,822	3,348	3,822
Stationery	7,276	5,716	7,276	5,716
Other inventories (Smartcards, philatey new range, etc)	647	236	647	236
	54,511	**53,901**	**54,511**	**53,901**

15. Trade and other receivables

Trade receivables	54,585	52,019	54,583	51,961
Employee loans	1,886	2,942	1,886	2,942
Prepayments	3,476	2,296	3,364	2,222
VAT	3,469	4,614	3,451	4,598
Other receivables (agency fees, etc)	25,777	14,319	25,777	14,319
Other receivable	7,218	7,374	7,199	7,355
	96,411	**83,564**	**96,260**	**83,397**

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:

Notes to the Annual Financial Statements

	Group		Company	
	2016 **N$ '000**	**2015** **N$ '000**	**2016** **N$ '000**	**2015** **N$ '000**

15. Trade and other receivables (continued)

Trade receivables

Counterparties without external credit rating				
State owned entities (existing clients with no history of default)	4,716	2,676	4,716	2,676
State owned entities (existing clients with history of default)	1,056	863	1,056	863
Goverment entities (existing clients with no history of default)	13,686	9,042	13,686	9,042
Goverment entities (existing clients with history of default)	4,049	2,322	4,049	2,322
Corporare clients (existing clients with no history of default)	15,281	24,745	15,279	24,687
Corporare clients (existing clients with history of default)	3,774	6,416	3,774	6,416
Private individuals (existing clients with no history of default)	345	1,854	345	1,854
Private individuals (existing clients with history of default)	11,678	4,101	11,678	4,101
	54,585	**52,019**	**54,583**	**51,961**

Notes to the Annual Financial Statements

	Group		Company	
	2016 N$ '000	2015 N$ '000	2016 N$ '000	2015 N$ '000

15. Trade and other receivables (continued)

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 September 2016 N$ 24,907 million (2015: N$ 30,113 million) were past due but not impaired.

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

1 month past due	25,928	23,445	25,928	23,445
2 months past due	5,643	1,233	5,643	1,233
3 months past due	(6,664)	5,434	(6,664)	5,434

Trade and other receivables impaired

As of 30 September 2016, trade and other receivables of N$ 21,091 million (2015: N$ 17,280 million) were impaired and provided for.

The amount of the provision was N$ (21,091) million as of 30 September 2016 (2015: N$ (17,280) million).

The ageing of these loans is as follows:

3 months to more than 1 year	21,091	17,280	21,091	17,280

Reconciliation of provision for impairment of trade and other receivables

Opening balance	17,280	9,916	17,280	9,916
Movement for the year	3,811	7,364	3,811	7,364
	21,091	**17,280**	**21,091**	**17,280**

16. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	34,349	40,693	34,347	40,690
Bank balances	113,535	50,452	112,049	49,194
	147,884	**91,145**	**146,396**	**89,884**
Cash and cash equivalents held by Namibia Post Limited on behalf of savings bank customers and are not available for use by the group.	58,447	26,654	58,447	26,654

The company has undrawn bank overdraft facilities of N$ 14 million (2015: N$ 14 million) applicable to all current accounts. The overdraft facilities are unsecured. There are specific covenants attached to the facility with which Namibia Post Limited needs to comply.

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

Notes to the Annual Financial Statements

16. Cash and cash equivalents (continued)

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:

	Group 2016 N$ '000	Group 2015 N$ '000	Company 2016 N$ '000	Company 2015 N$ '000
Credit rating				
Bank Windhoek Limited AA	2,052	132	2,052	132
Standard Bank Namibia Limited AA+	111,483	50,320	109,997	49,062
	113,535	**50,452**	**112,049**	**49,194**

17. Share capital

	Group 2016 N$ '000	Group 2015 N$ '000	Company 2016 N$ '000	Company 2015 N$ '000
Authorised				
50,000,000 Ordinary shares of N$ 1each	50,000	50,000	50,000	50,000
Issued				
5,075,000 Ordinary shares of N$ 1 each	5,075	5,075	5,075	5,075

Notes to the Annual Financial Statements

	Group		Company	
	2016 N$ '000	2015 N$ '000	2016 N$ '000	2015 N$ '000
18. Other financial liabilities				
Held at amortised cost				
Kreditanstalt Fur Wiederaufbau loan (KfW) The loan is issued in euros and is repayable in half yearly installments of 15,000 euros commencing on 30 June 2015. The initial amount borrowed was 883,767 euros, a further loan amount of 6,070,000 euros was subsequently borrowed, payable from June 2023 to June 2027 at an instailment of 151,000 euros and 152,000 Euros from June 2028 to December 2042. The loan accrues interest at 0.75% (2015: 0.75%). The nominal interest rate on the loan is 4% (2015: 4%). The loan is unsecured and the effective interest rate is 3.5% (2015: 3.5%).	48,305	49,417	48,305	49,417
Development Bank of Namibia The loan bears interest at a variable interest rate linked to prime rate and is repayable over a period of 5 years including 4 months grace period on interest. Capital portion will be repaid as a bullet payment on last day of the 5th year.	30,453	-	-	-
	78,758	**49,417**	**48,305**	**49,417**
Non-current liabilities				
At amortised cost	74,000	48,975	43,547	48,975
Current liabilities				
At amortised cost	4,758	442	4,758	442
	78,758	**49,417**	**48,305**	**49,417**

Movement in KfW loan (Group and Company 2016)

Notes to the Annual Financial Statements

	Group		Company	
	2016 N$ '000	2015 N$ '000	2016 N$ '000	2015 N$ '000

18. Other financial liabilities (continued)

	Kreditanstalt fur Wieder aufbau 2016 N$ '000	*Kreditanstalt fur Wieder aufbau 2015 N$ '000*	*Kreditanstalt fur Wieder aufbau 2016 N$ '000*	*Kreditanstalt fur Wieder aufbau 2015 N$ '000*
Opening balance	49,417	47,021	49,417	47,021
Interest expense	1,042	1,062	1,042	1,061
Foreign exchange (gain)/loss	(1,679)	2,326	(1,679)	2,326
Payments	(475)	(992)	(475)	(992)
	48,305	**49,417**	**48,305**	**49,416**

19. Savings bank investors

Composition of savings bank investors:				
Savings accounts	562,941	518,992	562,941	518,992
Save as you earn	7,140	5,142	7,140	5,142
Fixed term deposits	2,954,098	3,235,869	2,958,627	3,254,450
Call and notice accounts	304,116	268,774	304,116	268,774
Mychoice accounts	20,174	16,473	20,174	16,473
	3,848,469	**4,045,250**	**3,852,998**	**4,063,831**

The current and long term portions of the portfolio is split as follows:				
Non current portion	590,255	540,605	590,255	540,605
Current portion	3,258,214	3,504,645	3,262,743	3,523,226
	3,848,469	**4,045,250**	**3,852,998**	**4,063,831**

20. Current tax receivable / (payable)

The current tax balance is made up as follows:

Current tax receivable				
Current tax receivable	16,879	3,627	16,851	3,627

Notes to the Annual Financial Statements

	Group		Company	
	2016 N$ '000	2015 N$ '000	2016 N$ '000	2015 N$ '000

20. Current tax receivable / (payable) (continued)

Reconciliation for current tax receivable/(payable):				
Opening balance	3,627	4,554	3,627	4,554
Current tax for the year	(1,833)	(20,937)	(441)	(20,937)
Provisional tax payment - 2016	10,571	20,010	9,151	20,010
Provisional tax payment - 2015	4,514	-	4,514	-
	16,879	**3,627**	**16,851**	**3,627**

Balance of provision for taxation consists of:				
2015	3,627	3,627	3,627	3,627
2016	13,252	-	13,224	-
	16,879	**3,627**	**16,851**	**3,627**

21. Trade and other payables

Trade payables	31,680	18,802	28,292	18,202
Amounts received in advance	3,210	7,054	3,210	7,054
Payables to holding company	2,511	764	661	764
Payroll related accruals	22,795	24,868	22,795	24,868
Agency creditors	93,100	51,458	92,875	51,385
Other payables	14,765	13,004	14,180	12,460
	168,061	**115,950**	**162,013**	**114,733**

22. Financial liabilities by category

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

Financial liabilities at amortised cost				
Loans from group companies	6,250	12,500	6,250	12,500
Other financial liabilities	78,759	49,417	48,305	49,417
Trade and other payables	168,060	115,950	162,013	114,733
Savings bank investors	3,848,469	4,045,250	3,852,998	4,063,831
	4,101,538	**4,223,117**	**4,069,566**	**4,240,481**

Notes to the Annual Financial Statements

	Group		Company	
	2016 N$ '000	2015 N$ '000	2016 N$ '000	2015 N$ '000

23. Revenue

Sale of goods	322,889	338,513	322,889	338,513
Rendering of services	275,547	299,107	275,547	299,107
Cash Deposit and withdrwal fees	25,696	27,530	25,696	27,530
Interest received (trading)	332,919	290,144	310,922	280,371
Agency fees	33,730	25,869	33,730	24,572
Savings bank management, smart card and loans' administration fee	44,642	27,985	29,164	26,304
Other	3,060	3,497	3,060	3,497
	1,038,483	**1,012,645**	**1,001,008**	**999,894**

24. Cost of sales

Sale of goods				
Cost of goods sold	327,476	338,285	327,476	338,285
Rendering of services				
Savings Bank interest expense	265,826	232,080	262,234	232,080
Other services	42,265	27,453	42,265	27,453
Distribution Cost	28,588	37,889	28,588	37,889
	336,679	**297,422**	**333,087**	**297,422**
	664,155	**635,707**	**660,563**	**635,707**

25. Other income

Profit/(loss) on sale of assets and liabilities	73	(20)	73	(80)
Profit on exchange differences	867	-	867	-
Fees earned	-	42	-	-
Recoveries	472	366	-	-
Other income	2,246	2,421	2,246	5,336
KFW Loan adjustments	-	2,461	-	2,541
	3,658	**5,270**	**3,186**	**7,797**

26. Operating profit/(loss)

Operating profit/(loss) for the year is stated after accounting for the following:

Operating lease charges				
Premises				
• Contractual amounts	24,293	22,715	23,527	21,947
• Contingent amounts	3,326	2,989	3,326	2,989
• Recovered from sublease	691	981	691	981
	28,310	**26,685**	**27,544**	**25,917**

Notes to the Annual Financial Statements

	Group		Company	
	2016 N$ '000	**2015 N$ '000**	**2016 N$ '000**	**2015 N$ '000**
26. Operating profit/(loss) (continued)				
(Profit)/loss on sale of property, plant and equipment	(73)	99	(73)	80
(Profit)/loss on exchange differences	(867)	1,336	(867)	1,336
Amortisation on intangible assets	5,632	3,872	5,551	3,818
Depreciation on property, plant and equipment	8,370	7,542	8,065	7,396
Employee costs	215,512	195,748	206,298	190,643
Expenses by nature				
Cost of sales	664,155	635,707	660,563	635,707
Employee costs	215,512	195,748	206,298	190,643
Depreciation, amortisation and impairments	14,905	11,414	13,616	11,214
Advertising	9,541	11,126	9,541	11,126
Lease rentals on operating lease	28,310	26,685	27,544	25,917
IT expenses	12,627	10,475	12,467	10,386
Security	11,316	11,217	11,316	11,217
Municipal expenses	8,016	7,933	8,016	7,933
Consulting and professional fees	4,927	7,834	4,529	7,771
Bad debts	3,995	7,754	3,995	7,754
Telephone and fax	10,503	7,225	10,423	7,150
Commission paid	6,274	5,401	4,933	5,401
Goodwill written off	903	-	-	-
Other expenses	40,071	27,409	31,555	26,746
Total distribution costs and administrative expenses	**366,900**	**330,221**	**344,233**	**323,258**
Total cost of sales, distribution costs and administrative expenses	**1,031,055**	**965,928**	**1,004,796**	**958,965**
27. Investment revenue				
Dividend revenue				
Joint ventures - Local	2,500	-	5,000	4,000
Interest revenue				
Bank	3,110	3,388	2,517	1,898
Interest on loan to NamPost Financial Brokers (Pty) Ltd	-	-	4,379	3,563
	3,110	**3,388**	**6,896**	**5,461**
	5,610	**3,388**	**11,896**	**9,461**

Notes to the Annual Financial Statements

	Group		Company	
	2016 N$ '000	2015 N$ '000	2016 N$ '000	2015 N$ '000

28. Finance costs

Non-current borrowings	1,329	1,180	1,329	1,180
Bank	40	60	40	60
	1,369	**1,240**	**1,369**	**1,240**

29. Income tax expense

Major components of the income tax expense

Current				
Local income tax - current period	1,943	20,937	551	20,937
Deferred				
Originating and reversing temporary differences	(3,224)	(23,105)	(4,113)	(23,210)
Changes in tax rates	473	-	405	-
Arising from prior period adjustments	(2,406)	(1,040)	(2,407)	(790)
	(5,157)	**(24,145)**	**(6,115)**	**(24,000)**
	(3,214)	**(3,208)**	**(5,564)**	**(3,063)**

Reconciliation of the income tax expense

Accounting loss	(1,108)	(5,397)	(11,042)	(6,328)
Tax at the applicable tax rate of 32% (2015: 33%)	(355)	(1,661)	(3,533)	(2,088)
Tax effect of adjustments on taxable income				
Prior period adjustment - deferred tax	(3,469)	-	(2,409)	-
Net Permanent differences	(27)	(184)	(27)	(185)
Prior periods adjustments (arising from fair value adjustments in respect of other financial assets)	-	(1,040)	-	(790)
Rate change adjustment	472	-	405	-
Other	165	(323)	-	-
	(3,214)	**(3,208)**	**(5,564)**	**(3,063)**

30. Auditors's remuneration

Fees	1,830	1,371	1,562	1,272
Other services	-	86	-	86
	1,830	**1,457**	**1,562**	**1,358**

Notes to the Annual Financial Statements

	Group		Company	
	2016 N$ '000	2015 N$ '000	2016 N$ '000	2015 N$ '000

31. Cash generated from operations

Loss before taxation	(1,108)	(5,397)	(11,042)	(6,328)
Adjustments for:				
Depreciation and amortisation	14,002	11,414	13,616	11,214
Net (profit)/loss on disposal of property, plant and equipment	(73)	20	(73)	80
Income from equity accounted investments	(4,532)	(3,743)	-	-
Dividends received	(2,500)	-	(5,000)	(4,000)
Interest received - investment	(3,110)	(3,388)	(6,896)	(5,461)
Finance costs	1,369	1,240	1,369	1,240
Fair value adjustments	20,967	63,275	20,967	63,275
Goodwill written off	903	-	-	-
Movements in retirement benefit assets and liabilities	535	883	535	883
Other non-cash items	397	(7,066)	(14,677)	(10,246)
Equity accounting	2,500	-	-	-
Work in Progress (WIP)	-	9,768	-	9,768
Changes in working capital:				
Inventories	(610)	(3,295)	(610)	(3,295)
Trade and other receivables	(12,846)	(14,468)	(12,864)	(14,215)
Trade and other payables	52,111	(17,698)	47,280	(16,990)
	68,005	**31,545**	**32,605**	**25,925**

32. Tax paid

Balance at beginning of the year	3,627	4,554	3,627	4,554
Current tax for the year recognised in profit or loss	(1,833)	(20,937)	(441)	(20,937)
Balance at end of the year	(16,879)	(3,627)	(16,851)	(3,627)
	(15,085)	**(20,010)**	**(13,665)**	**(20,010)**

Notes to the Annual Financial Statements

	Group		Company	
	2016 N$ '000	**2015 N$ '000**	**2016 N$ '000**	**2015 N$ '000**
33. Commitments				
Authorised capital expenditture				
Already contracted for but not provided for				
Commitments in respect of contracts placed	573	3,804	573	3,804
Not yet contracted for and authorised by directors	73,132	136,207	73,132	136,207
Guarantees				
Ministry of Finance	70	70	70	70
City of Windhoek	-	100	-	100
Operating leases – as lessee (expense)				
Minimum lease payments due				
- within one year	37,931	37,485	37,931	37,485
- in second to fifth year inclusive	45,380	140,344	45,380	140,344
	83,311	**177,829**	**83,311**	**177,829**

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

34. Related parties

Relationships

Ultimate holding company	Goverment of the Republic of Namibia
Holding company	Namibia Post and Telecom Holdings Limited
Subsidiary	NamPost Financial Brokers (Pty) Ltd, refer to note 7
Joint arrangements	SmartSwitch Namibia (Pty) Ltd, refer to note 8
Fellow Subsidiaries	Telecom Namibia Limited Mobile Telecommunications Limited
Members of key management	Festus Hangula (Chief Executive Officer) Norman Cloete (General Manager: Finance) Jorn Schnoor (Chief Information Officer) Sonia Bergh (General Manager: Human Resources) Max Schafer (General Manager: Courier) Jennifer Comalie (Chief Commercial Officer) Berlindi van Eck (General Manager: Marketing)

Notes to the Annual Financial Statements

	Group		Company	
	2016 N$ '000	2015 N$ '000	2016 N$ '000	2015 N$ '000

34. Related parties (continued)

Eldorette Harmse (Head: Legal and Company Secretary)
Tangeni Erkana (General Manager: Postal Services)
Kgomotso Hochobeb (Head: Internal Audit & Risk Management)

	Group 2016 N$ '000	Group 2015 N$ '000	Company 2016 N$ '000	Company 2015 N$ '000
Related party balances				
Receivable from related parties				
Mobile Telecommunications Limited	2,318	2,763	2,318	2,763
Telecom Namibia Limited	1,175	1,226	1,175	1,226
TN mobile	10	-	10	-
State owned entities	16,493	10,878	16,493	10,878
SmartSwitch Nambia (Pty) Ltd	531	-	531	-
Namibia Post and Telecom Holdings Limited	2	-	2	-
Payable to related parties				
Mobile Telecommunications Limited	2,560	2,912	2,560	2,912
TN mobile	206	-	206	-
Telecom Namibia Limited	813	319	813	319
State owned entities	43	-	43	-
SmartSwitch Namibia (Pty) Ltd	2,018	2,097	2,018	2,097
Loans to related parties				
NamPost Financial Brokers (Pty) Ltd	105,721	90,027	105,721	90,027
Related party transactions				
Sales of goods / services				
Telecom Namibia Limited	8,759	8,790	8,759	8,790
Namibia Post and Telecom Holdings Limited	6,556	7	6,556	7
Mobile Telecommunications Limited	7,961	8,395	7,961	8,395
NamPost Financial Brokers (Pty) Ltd	62,141	2,895	62,141	2,895
State owned entities	72,915	61,506	72,915	61,506
SmartSwitch Namibia (Pty) Ltd	2,154	3	2,154	3
TN mobile	6,850	-	6,850	-
Purchases of goods / services				
Namibia Post and Telecom Holdings Limited	39,074	37,724	39,074	37,724
Mobile Telecommunications Limited	413,136	415,000	413,136	415,000
Telecom Namibia Limited	1,426	3,848	1,426	3,848
SmartSwitch Namibia (Pty) Ltd	17,527	13,581	17,527	13,581
TN mobile	1,165	-	1,165	-
Compensation key management				
Short-term employee benefits	19,392	20,207	14,435	14,460

Notes to the Annual Financial Statements

	Group		Company	
	2016 N$ '000	2015 N$ '000	2016 N$ '000	2015 N$ '000

35. Directors' emoluments

Directors' remuneration of N$ 640,806 (2015 :N$571,240) was paid to non-executive directors during the year.

36. Comparative figures

Certain comparative figures have been reclassified.

The effect of the reclassification are as follows:

	Group 2016 N$ '000	Group 2015 N$ '000	Company 2016 N$ '000	Company 2015 N$ '000
Statement of Cashflow				
Foreign exchange gains/losses other	-	(64,040)	-	(64,040)
(Purchase) / sale of financial assets	-	63,275	-	63,275
Other non-cash items	-	1,129	-	1,129

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