



nampost®

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# ANNUAL REPORT 2011

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**nampost**<sup>®</sup>

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# VISION

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## VISION

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To be the best at what we do!

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# MISSION

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## MISSION

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

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# VALUES

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## VALUES

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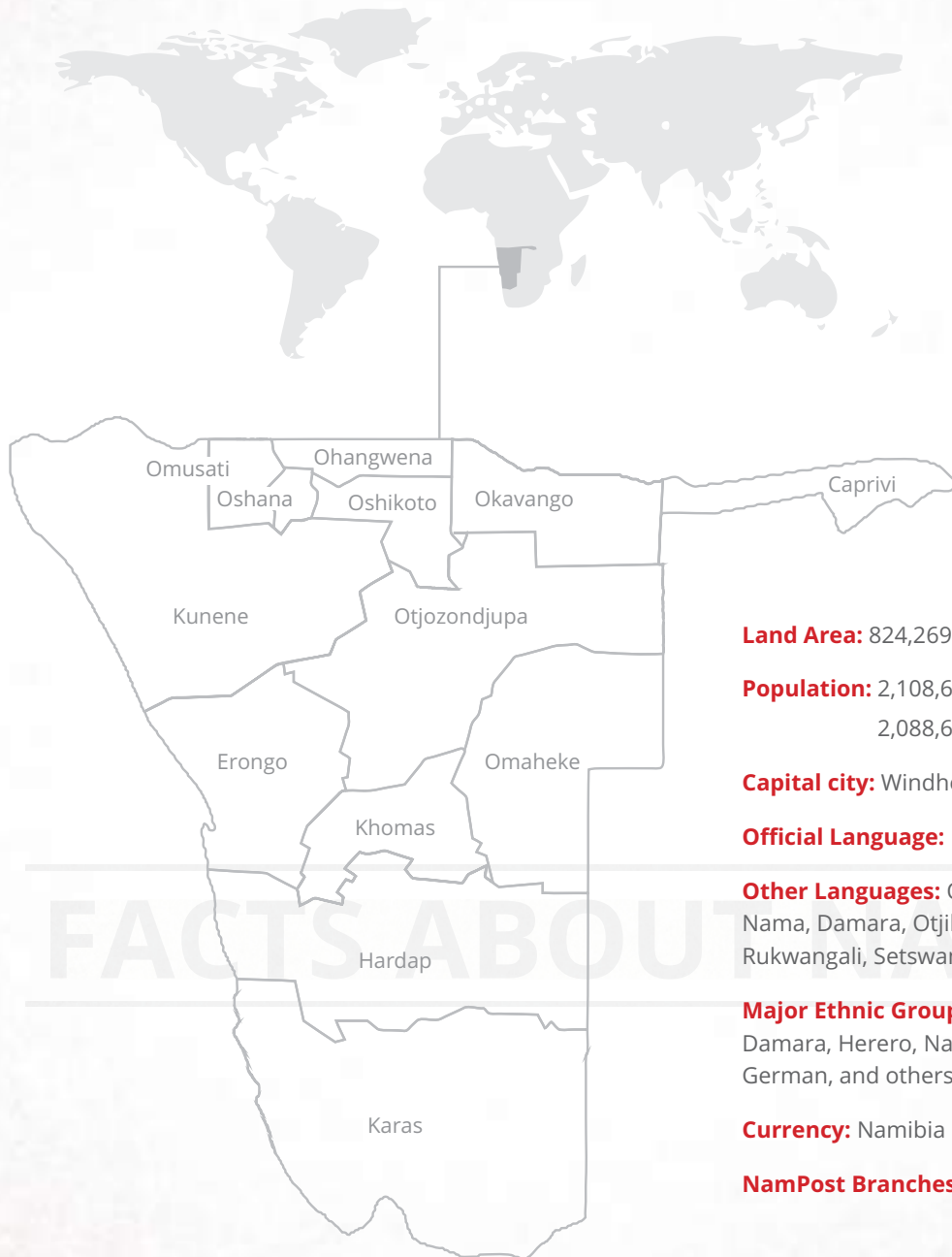
Integrity (uphold ethical behaviour, respect, and good governance).

Accountability (take ownership of our actions).

Caring (for ourselves, our customers, and our stakeholders).

Teamwork (work together to achieve our mission).

# FACTS ABOUT NAMIBIA



**Land Area:** 824,269 km<sup>2</sup>

**Population:** 2,108,665 (2009 estimate)  
2,088,669 (2008 census)

**Capital city:** Windhoek

**Official Language:** English

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

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

**Currency:** Namibia Dollar (NAD)

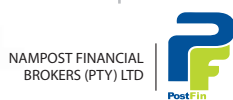
**NamPost Branches:** 135 (2011)

# GROUP STRUCTURE

GOVERNMENT OF THE REPUBLIC OF NAMIBIA



Namibia Post and Telecommunications Holdings



NAMPOST FINANCIAL  
BROKERS (PTY) LTD

100% Owned



50% Owned

# GROUP STRUCTURE



*All NamPost  
business units  
(Postal Services,  
Savings Bank and  
Courier) have  
contributed  
positively to  
profitability.*

# BOARD OF DIRECTORS



| **Neville Field** |



| **Nangula Hamutenya** |



# BOARD OF DIRECTORS



| **Seby Kankondi** |  
| Chairman |



| **Ndahafa Nambira** |



| **Boas Mweendeleli** |

# EXCO



| **Ambrosius lipinge** |  
| GM: Postal Services |

| **Wilmarc Lewies** |  
| GM: Courier |

| **Eldorette Harmse** |  
| Head: Legal service and Company Secretary |

| **Festus Hangula** |  
| Chief Executive Officer |

| **Sonia Bergh** |  
| GM: Human Resources |

# EXCO



| **George Itembu** |  
| Head: Internal Audit |

| **Suzette Scheepers** |  
| Head: ICT |

| **Bertie Reyneke** |  
| GM: Savings Bank |

| **Berlindi Van Eck** |  
| GM: Corporate Marketing |

| **Norman Cloete** |  
| GM: Corporate Finance |

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# CHAIRMAN'S REVIEW

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**Introduction:** It is indeed a privilege to present the Annual Report of Namibia Post Limited for the year ended 30 September 2011. I am pleased to report that NamPost has accomplished much of what we set out to achieve for the period under review. We have forged ahead and pursued a strategy that strengthened NamPost's position after the worldwide financial crisis in 2008/9.

At NamPost, we have large ambitions and we are putting in place strategies to achieve them. We have reduced our costs, launched new products and made processes more efficient.

**Major Achievements:** During the year, the NamPost Board and Management reviewed the five year strategic plan. A top down approach was followed, looking at the Company in totality and reviewing the mission, vision, values and strategic objectives to ensure that they remain relevant. At the end of the exercise, the vision, mission and values of NamPost were modified, as reported elsewhere in the Annual Report. The strategic objectives were generally confirmed as still valid.

The strategic themes for NamPost on which we will focus for the next three years are:

- Strategic transformation of the institution to remain financially sustainable;
- Provision of customer solutions; and
- Business risk management.

**Financial Highlights:** I am exceedingly pleased to share with you that the NamPost Group has achieved the best ever financial results since commercialisation in 1992. I believe that the strong financial results are a direct consequence of the sound business strategy adopted by the Board in 2009. Financial sustainability remains a key objective in the Board's quest to create real and tangible value for its Shareholder.

The NamPost Group recorded an Operating Profit of N\$30.4m and the Company recorded an Operating Profit of N\$27.1m. Return on equity is standing at 13%, which is commendable for a Company that provides some of its core services as a social responsibility to the Namibian nation.

**Dividends:** I am pleased to announce that the NamPost Board in line with a newly approved Dividend Policy approved the payment of a dividend of N\$5 million to the Shareholder, Namibia Post and Telecom Holdings Limited.

**Moving Forward:** The growth potential in the financial services market remains promising. NamPost is taking strides to expand its financial services offering and to play a major role in Government's objective for financial inclusion.

The future provides us not only with challenges, but also with exciting opportunities, the opportunity to build on our success. Let us embrace that opportunity.

We must recognise that we are presently operating in exceptionally challenging times. Times that require making a skillful choice in strategy, its timely implementation, maturity in leadership and a work force that is committed to the Company.

We are committed towards building a sustainable, growing and vibrant institution that is smart, efficient, technology and knowledge driven and which meets the aspirations of its stakeholders. Our foremost aim is “to be the best at what we do”.

**Acknowledgements:** I thank the NamPost team for the effort, energy and understanding in our quest to continuously prepare the post office to be relevant to the needs and demands of our evolving society.

The coming year promises again to be challenging. I look forward to working with all stakeholders in ensuring that NamPost continues to show growth and relevance.



| **Seby Kankondi** |  
| Chairman |



## CHAIRMAN'S REVIEW

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# CHIEF EXECUTIVE OFFICER'S OVERVIEW

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**Operational Report:** I am delighted to report on yet another financial year where NamPost put its foot forward to "...provide postal, financial and logistics solutions to keep people in touch and to enhance their quality of life". I believe that we have achieved good results in all areas of the business. We have not only achieved most of our targets as set out on the business plan for the year ended 30 September 2011, but we have significantly exceeded some of the targets. This is evident in the 98% increase in operational profit of the company.

All NamPost business units (Postal Services, Savings Bank, and Courier Services) have contributed positively to profitability. Collectively, the business units have grown revenue by 32% despite difficult market conditions—highly competitive financial markets and parcel delivery industry, and the challenge from communication digitalisation.

We have also managed our costs to realise a year on year growth expense of -3% even though we continue to invest in new ways of doing things and in training our staff. This is commendable given that inflation has increased by 4.3% during the financial year.

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

Country-wide, more individual post offices are becoming profitable. For example, only 3 post offices out of 32 in the North-west Postal Region are loss making and only 2 post offices out of 25 in Erongo Postal Region are loss making. However, we face significant challenges in the South and North East Postal Regions due to limited economic activities in some of the towns in which we operate. We will continue with strategies that will ensure that all post offices maximise revenue within their communities.

We continued to deploy technology to facilitate the business. For example, the global monitoring system (GMS) and track and trace technology have been successfully implemented. These are facilitating mail services enabling NamPost to more accurately measure the efficiency of mail delivery.

NamPost Courier remains the premier parcel delivery entity in the country reaching all the corners of Namibia where we have post offices. We are enhancing our Courier product offering and look forward to offering more convenience to our customers.

Our savings products continue to grow and attract both high income and the lowest end of the market. The biometric enabled technology SmartCard remains very popular as a means of accessing savings and transactional facilities. The SmartCard is loved not only because of its security aspects but also due to affordability, accessibility of post offices country-wide and convenience. To make it easier for our customers to transact at shops, we increased our point of sales by 51% during the financial year.

## **Looking forward:**

- We will continue to focus the institution's energy in transforming the post office and position it to be a beneficial presence in each community in which it operates, and to enhance shareholder value.
- Seek to position NamPost to dynamically respond to customer needs and to the changes in the market place.
- Continue to pursue a strategy aimed at bringing more and more financial services to the people and foster the ideals for financial inclusion of all Namibians.
- Leverage off technology and mitigate the threats of digitalization

To the 743 employees of NamPost, I say thank you for your efforts, diligence, and team work in the push towards the realisation of the strategic objectives of NamPost.

Lastly and most importantly, thanks to our customers for their belief in the Post Office, its products, and its services. I can assure you that we aim to be the best at what we do and I look forward to a continued, mutual beneficial relationship into next year and beyond.



| **Festus Hangula** |  
| Chief Executive Officer |



## CHIEF EXECUTIVE OFFICER'S

# CORPORATE FINANCE

The Company performed very well during the 2010/11 financial year and achieved its best financial results since commercialisation in 1992.

Revenue of the Group increased by 32% from N\$511 million in 2010 to N\$677 million in 2011. NamPost, its joint venture, SmartSwitch Namibia (Pty) Limited and its subsidiary, NamPost Financial Brokers (Pty) Limited (PostFin), recorded good growth in their respective areas of operations. Contribution to group results from the International Mail Processing Centre (IMPC), the cooperation arrangement with DHL/ Deutsche Post, however remained insignificant mainly due to unforeseen external factors.

All the business units, namely Savings Bank, Postal Services, Agency Services and Courier Services performed very well during the 2010/2011 financial year.

Operating expenses decreased from N\$227 million in 2010 to N\$220 million in 2011.

Operating income of the Company increased by 98% from N\$13,7 million in 2010 to N\$27,1 million in 2011 and that of the Group increased by 108% from N\$14,6 million in 2010 to N\$30,4 million in 2011.

Two important aspects should be highlighted; namely, the impact of unrealised adjustments on total comprehensive income of the Company and the Group and the early adoption of IFRS 9.

a. Unrealised positive adjustment of available for sale financial assets in 2010 amounted to N\$18,6 million and a negative unrealised fair value adjustment in 2011 amounted to N\$12,5 million.

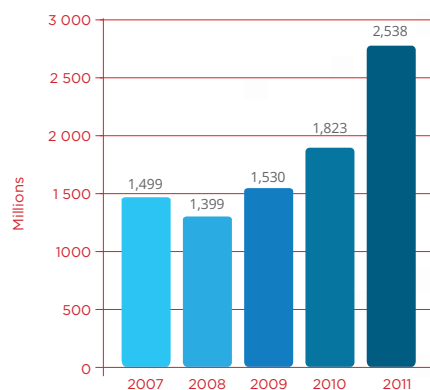
b. The Group opted to early adopt IFRS 9 in 2010/11 and the impact of this is the recognition of realised and unrealised fair value adjustments in the statement of comprehensive income as per the Director's Report and the Financial Statements.

Total comprehensive income (after net unrealised adjustments) of the Company and the Group decreased from N\$17,0 million in 2010 to N\$10,5 million in 2011 and

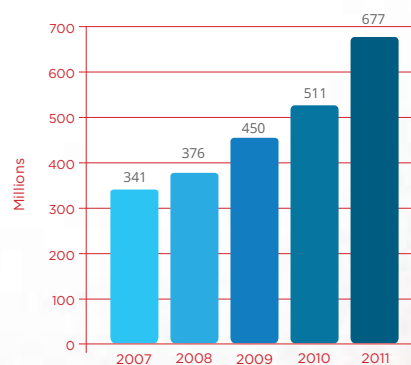
from N\$17,8 million to N\$12,7 million, respectively.

Total Group assets grew by 39% from N\$1,8 billion in the previous financial year to N\$2,5 billion in the current financial year. Investment in property, plant and equipment and intangible assets amounted to N\$13,7 million (2010: N\$14,0 million).

It is expected that the positive trend in the performance of the company will continue in the new financial year, but that challenges will be faced due to a highly competitive environment and the fluctuations in the financial markets. This may make the performance of the Group relatively unpredictable.

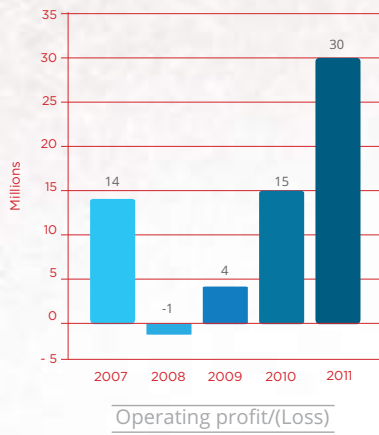


Growth in Assets

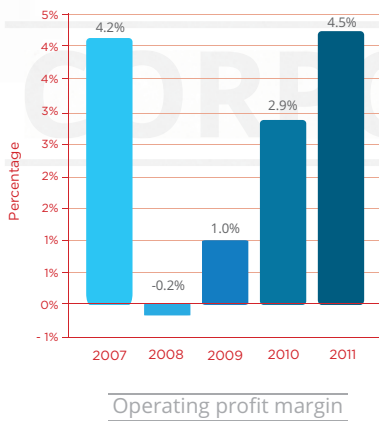


Growth in revenue

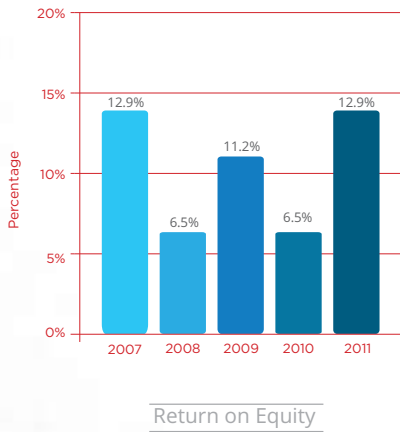




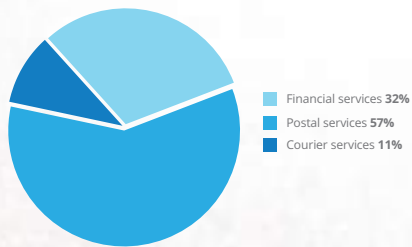
Operating profit/(Loss)



Operating profit margin



Return on Equity



Revenue Distributed



| **Norman Cloete** |  
| GM: Corporate Finance |

# POSTAL SERVICES

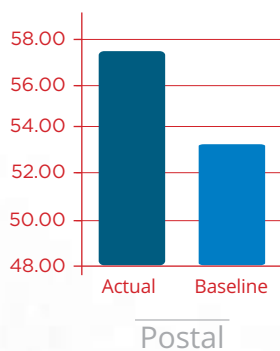
**Operational Overview:** The financial year ended 30 September 2011 witnessed important events in the Postal Service business unit as the business unit started to realise the fruits of implementing the business plan.

Postal services reported a revenue of N\$338m which is a N\$44m increase from the previous year. Operating income for the business unit was N\$54.7m against N\$52.4m from the previous year which is a 4% increase. Despite stiff competition, loss of some key business to electronic mailing and loss of business to La Post in France, Postal Services performed well.

Postal Service business unit encompasses the following Business Divisions:

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

The chart below shows actual profit before tax vs the previous year in millions.



In 2011, we embarked upon a Post Office Transformation Project, setting an exciting new direction towards customer-driven, sustainable growth for the business unit. During the financial year, we took strides in meeting this objective, as we stabilised the business and laid a solid foundation for a better future.

As the population and economy grew, so too did postal services' core business. But over the past years, the

rapid shift by consumers to digital communications and transactions sharply eroded letter volumes and put stress on the cost base of traditional mail delivery infrastructure. It was apparent that a new direction was essential, not only to survive but also to thrive in the era of digital economy.

**Postal Business Prospects:** The continued profitability of the business unit demonstrates that it continues to be relevant to Namibia and that the strategy of diversifying revenue streams is bearing fruit. The contribution of the agency business (bills payment, phone cards and other services) to postal services' revenue has grown proportionally and has enabled it to perform well.

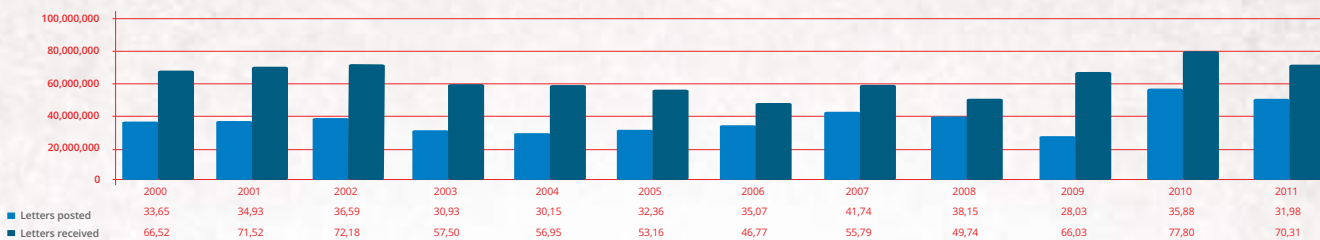
**Cost Containment:** Reducing costs in line with possible future decline in revenue assisted in achieving the budget in a challenging economic environment. The postal tariff increases were kept in line with inflation.

NamPost continued ploughing resources into IT and physical infrastructure as expected in its mandate of providing communication infrastructure and in support of the Government's Vision 2030 of making Namibia a leader in the development of the postal sector and the use of ICTs for socio-economic development.

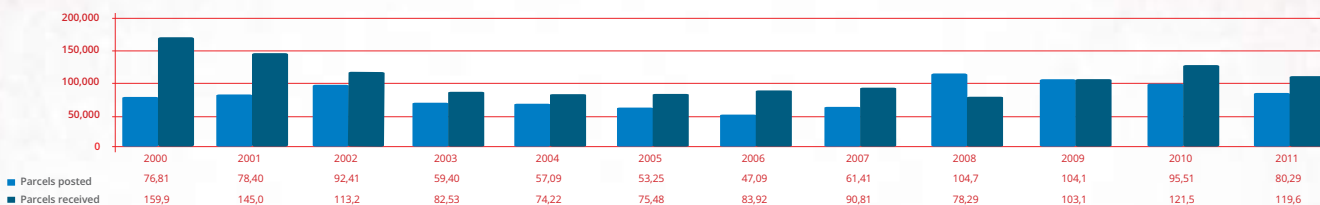
**Domestic and International Mail Services:** In spite of digital communications alternatives, NamPost continues to deliver on its mandate. The Mail Business unit continues to be the key revenue generator for the Namibia Post Limited.

The core business of NamPost mail showed a decline in the inbound mail volume as compared to the mail volume in 2010. A combination of factors such as the impact of the recession and customers choosing other communication means are responsible for this trend.

**Graph A**



**Graph B**



**Graph A** above illustrates Inbound and Outbound Mail handled as from 2000 to 2011. The following can be noted:

- Despite an increase in domestic mail of 28% from 2009 to 2010, the mail volume decreases by 11% in 2011 due to a decrease in business to business mail (B2B) and business to consumer (B2C) mail.
- International inbound Mail decreased by 10% in 2011 from the volumes of 2010, due to global economic recession and consumers opted to utilise other means of communications.

**Graph B** above shows Outbound and Inbound Parcels handled as from 2000 to 2011.

- Parcels posted declined by 16% primarily due to security enforcement by the US Post on direct and transit parcels.
- A slight increase of 1.6% was noticed in inbound parcels.
- A Track and Trace System was installed to allow customers to keep track of their parcel and record items posted.
- A Global Mail Monitoring Services was deployed to ensure effective monitoring of turnaround times of the international mail. This system monitors letters posted by local and international anonymous panelists to determine how long it takes for the mail to reach its destination.
- Robust control measures also played a major role in ensuring the increase in the Mail Business unit's operating profit.

**Hybrid Mail services:** Hybrid Mail Services combines electronic transmission and a physical delivery utilising state of the art integrated mailing technology to expedite invoices or statements on behalf of high volume mailers at an affordable price.

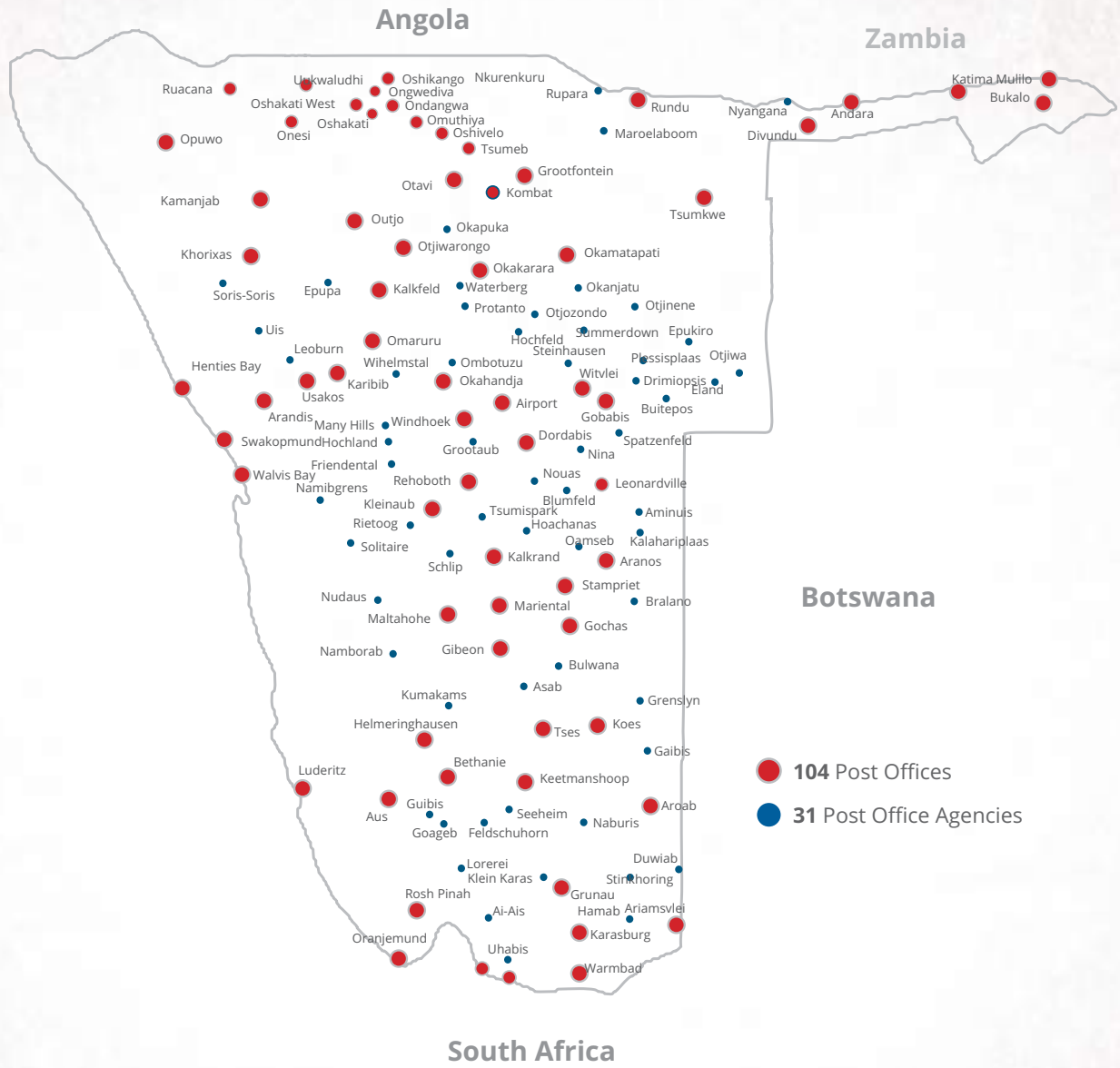
- Hybrid Mail Services' client base grew from 20 to 28, an increase of 40%.
- Documents printed at the Hybrid centre increased from 5 million in 2010 to 8 million during 2011, an increase of 60%.
- Revenue from Hybrid mail services increased by 35%.

**Impact of e-commerce on Postal Services Globally:** The core postal business will for a long time still remain the delivery of paper-based traditional products. Namibia Post being part of the Universal Postal Union realises the benefits of applying information and communication technologies to improve the quality of service to its stakeholder's expectations.

Digital migration creates challenges on physical communications, reducing the rate of growth in mail volumes. The communications and information revolution is affecting every area of human life, in every part of the world and have enormous potential to reshape and transform the ways in which people of the world interact with each other and participate in the various spheres of society. While embracing both challenges and opportunities brought by these developments, effective strategies were developed to mitigate the risk over this area.

However, the future holds that substantive and sustainable development in the information society of the 21st century cannot be conceived and achieved on a worldwide basis without integrating all existing and future communication infrastructures and services, including postal and other physical communication services. In this context, postal services are not part of a sunset industry, but shall continue playing a significant role in domestic and world economy, as well as the world's information society.

# POST OFFICE MAP



# POSTAL SERVICES

**Trust:** In fulfilling Universal Postal Service Obligation, NamPost has securely and confidentially delivered information to all corners of the world. NamPost will continue to play that role through innovative and secure products, with a special focus on quality of service delivery.

**Post Office Access:** The primary goal of the postal network is to ensure easy access by all citizens. The network is relatively developed compared to other countries in the region, but the average post office density (i.e. the number of people to a post office ) remains high at 18 000 as opposed to international standard of 12 000 people per post office.

- Over 35 000 clients are served at our 135 Post offices weekly.
- 100 000 postal boxes are installed countrywide of which 96% were rented out in 2011, compared to 95% in 2010.

The following new post offices were opened in line with the National Development Plan (NDP3) target, bringing the total of post offices from 128 in 2010 to 135 in 2011.

- Osire Post Office - Otjozondjupa Region
- Omatjete Post Office – Otjozondjupa
- Ongha Post Office – Ohangwena Region
- Rocky Crest Post Office – Khomas Region
- Auas Valley Post Office – Khomas Region
- Klein Kuppe Post Office – Khomas Region
- Onaanda Post Office – Omusati Region

**Agency Services:** The Agency division’s strategy resulted in an increase in the sale of prepaid airtime. We shall continue to build on our successes during 2011.

Two new agency agreements were concluded during the period under review, with the following entities:

- Universal Sounds
- Estate Tracing Agency
- Mobipay

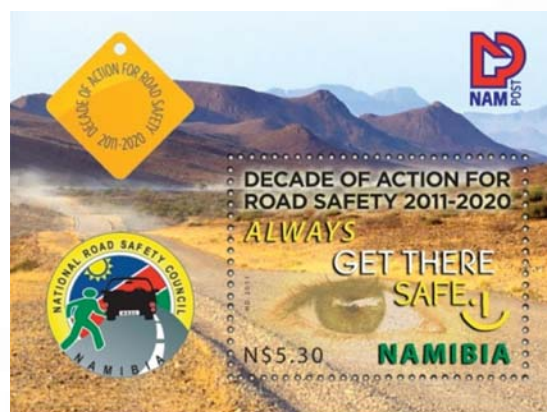
**Philately Services:** The following commemorative stamp and personalised stamp series were issued during period under review:



- On 28 January 2011 stamps commemorating the Big Five of Namibia were issued.



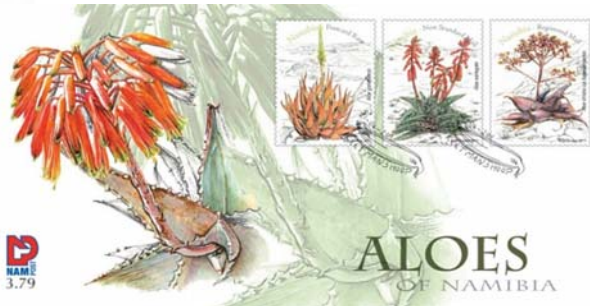
- On 23 March 2011, stamps celebrating the Frogs of Namibia were issued.



- Stamps launching Decade of Action for road safety 2011-2020 of Namibia were issued on 11 May 2011 and officially launched by Honorable Minister Erkki Nghimtina.



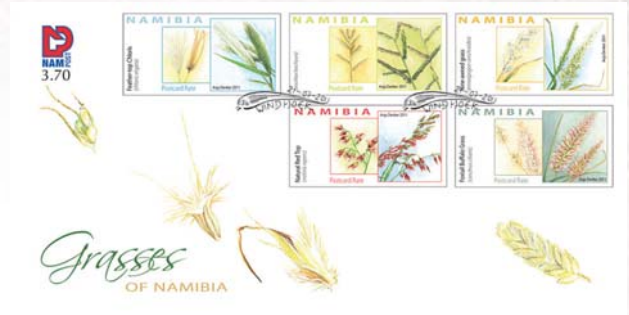
Stamps celebrating the endangered marine life of Namibia were issued on 16 May 2011.



Stamps for the Aloes of Namibia were official launched on 21 June 2011.

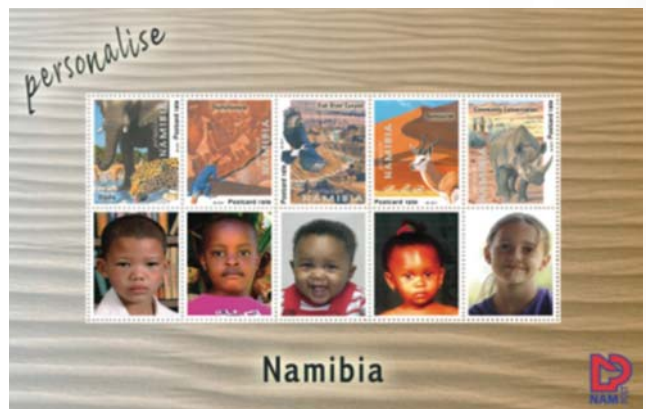


On 18 July, stamps were issued commemorating the Grebes of Namibia.



On 30 September 2011 special stamps were issued celebrating the Grasses of Namibia.

NamPost Philately introduced and launched the personalised stamps successfully. As per sheet example below.



**The Nairobi Postal Strategy of 2009-2012:** The Nairobi Postal Strategy of 2009-2012, lays solid foundations for global, regional and national designated postal operators. The four pillars of strategy are structured to respond to specific global, regional and national challenges:

- Improving the interoperability, quality and efficiency of the three-dimensional postal network in order to keep the sector relevant to market and customer needs;
- Stimulating a universal postal service that is adapted to the social, economic and technological environment and its economy;
- Promoting the sustainable development of the postal sector and its economy;
- Fostering the growth of the postal markets and services.

The above pillars of strategy presents an opportunity to reflect on the possibilities of what the postal services can do to boost the economy in our country and more so the greater regional economic block and beyond.

**Pan African Postal Union (PAPU):**

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

**Southern Africa Postal Operators Association (SAPOA):**

The Southern Africa Development Community Ministers of Information and Communication Technology (ICTs) approved the SAPOA four year 2008 - 2012 strategic plan aimed at addressing key policy decisions affecting the postal sector in SADC. NamPost will continue to support SAPOA and foster greater regional cooperation in postal operations.



| **Ambrosius Ipinge** |  
| GM: Postal Services |

## COURIER

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

Courier revenue increased by 14% and operating income by more than 200%. This was achieved through a combination of revenue growth, close control in expenditure and focusing on service improvement. There was also an improvement in our debtors' collection days which currently stands at the lowest level it has been since the inception of the Courier department.

Strategic investments were made in the areas of staff, fleet and fleet management systems, debtors and document processors, and package management. All of which have further broadened Courier's platform to improve on service offering to the market.

The focus for the next year will be on enhancing product offerings and to introduce Customer Relationship Management systems that will make us understand our customer needs even better. We will continue to focus on finding ways to make it easier to do business with NamPost Courier.

| **Wilmarc Lewies** |  
| GM: Courier |







***Courier revenue  
increased by 14%  
and operating  
income by more  
than 200%.***

# SAVINGS BANK AND TREASURY

During the year in review the Savings Bank continued its strong growth and registered a 28% increase in operating income.

The deposit book grew by 39% compared to a growth of 25% the previous financial year. The number of retail investors increased by 13.2%, the number of SmartCard transactions by 9.6%, and the number of accounts by 12.4%. In the year to come we will concentrate on creating awareness among the public at large concerning the various usages and enhanced safety features of the biometric solution used within the Smartcards. We will also concentrate on increasing the average number of transactions per cardholder. Our product remains the most secure and preferred bank account among Namibians. The cards can be used at any of our 135 Post Offices throughout Namibia or at any of our Point of Sales devices at retailers. In the near future, NamPost will remain focused on providing banking services to the unbanked and under-banked.

During the financial year, we successfully implemented the remaining part of the new investment system. Our focus will now be on entrenching the level of knowledge and ability to operate the system to its full potential.

During the financial year we also commenced with the Know Your Customer project to adhere to and comply with the Financial Intelligence Act. We made substantial progress and will continue with the drive to obtain customer information in the new financial year.

We expect the low interest rates to prevail for the larger part of the financial year, which should make it a very challenging but also an exciting year.

## Global economy

The recovery in the global economy continued during the second quarter of 2011, although the pace of growth has slowed somewhat. Key factors which contributed to slow growth included sovereign debt problems in the Euro Area as well as fiscal challenges in the US which affected consumer and business confidence.

On the monetary policy front, most central banks continued to maintain accommodative monetary policy stances, while a few others, especially in the emerging market economies raised their policy rates during 2011.

## Domestic Economy

As a small open economy, Namibia's performance is linked to that of the global economy, so that 2011 brought contagion to Namibia with a consequent slowdown in growth to an estimated 4.2%. Growth would have been even lower if Government had not adopted an expansionary fiscal and monetary policy.

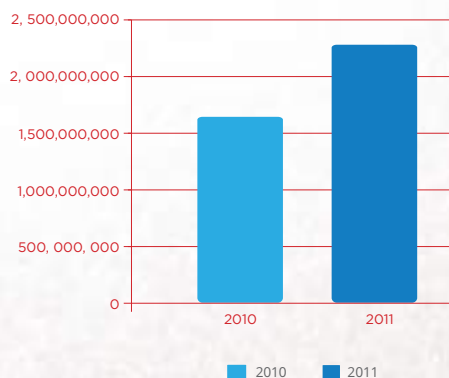
- **Inflation:** The annual rate of inflation increased to 5.41% in August from 4.77% in July. However, in September the annual rate of inflation decelerated to 5.29%
- **Repo Rate:** Bank of Namibia decided to keep the Repo Rate unchanged at 6%. We expect the Bank of Namibia to keep the rate unchanged due to the current turbulent global economic environment and the fear of renewed global financial instability.
- **Currency:** The Namibian Dollar depreciated by 19.6% against the US dollar over the third quarter, from 6.77% in June to 8.10% in September.

## Treasury

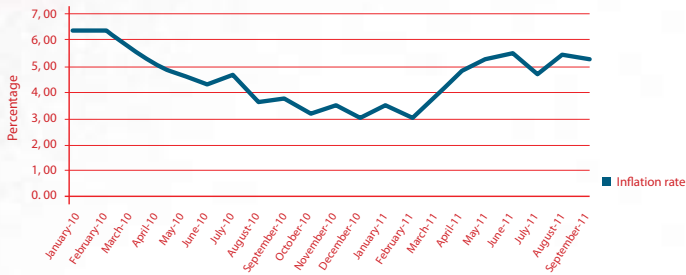
The Treasury continued to perform satisfactorily under current volatility in the financial markets. Both income and profit before tax experienced higher than expected growth.

Total funds under management from clients (wholesale and retail) have increased above the N\$2 billion mark.

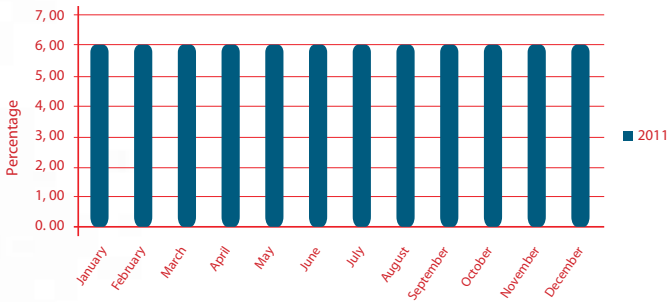
Numerous benefits have been derived since the implementation of SAP Treasury System last year in terms of segregation of duties, efficient work processes, dealing and reporting.



Liabilities Portfolio 2012 v 2011



Inflation Rate



2011 Repo Rate

| **Bertie Reyneke** |  
 | GM: Savings Bank |



SAVINGS BANK

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# CORPORATE MARKETING

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## Branding

The Branding and Standardisation of NamPost Post Offices kicked off when the Board of Directors approved the new, stylised logo for the company in September 2011. The logo will be launched during the financial year commencing 1 October 2011, starting with the branding of the Head Office and Courier trucks.

The next step in terms of branding will be the standardisation of the look and feel of our post offices during 2012.

- Bible Society of Namibia: Free distribution of all entry forms and leaflets into selected post boxes countrywide, promoting various fund raising events throughout the year for the Bible Society.
- Breast Cancer: 150 NamPost staff members in Windhoek, Swakopmund and Otjiwarongo participated in the march to raise funds for Breast Cancer Awareness.

## Market Research

NamPost participated in the first ever Deloitte's Best-Company-to-Work-For survey. Even though the company was not in the first three Best Companies, valuable information was obtained to guide it in managing staff issues and perceptions.

A second run in the customer satisfaction survey for 2011 indicates that NamPost's position from the previous year had been maintained with a slight improvement of 1% on the overall rating, totaling an 84% satisfaction rating by various customers.

## Corporate Social Investment

On the Social Investment Portfolio, various key organisations have been assisted either financially or by means of offering NamPost products and services.

- Apple Cancer Project: Free delivery of apples by NamPost Courier across the country in support of the annual Cancer Apple Project.
- Northern Flood Victims: Donation of 2 000 blankets to the northern flood victims.
- Southern Pensioners: Free blankets and soup were handed out to all pensioners in the Aus area who faced an extremely cold winter.
- Winter Nights: NamPost manned one of the busiest intersections in Windhoek to raise funds and collect blankets for the needy in support of the Round Table Winter Nights Project.



| **Berlindi Van Eck** |  
| GM: Corporate Marketing |

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# CORPORATE MARKETING

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# HUMAN RESOURCES

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**Internal Customer Support and Services:** Several trips took place where the General Manager together with the Chief Executive Officer visited post offices. Other Human Resources Managers in coordination with other departments also visited Post Offices all over the country. Employees expressed appreciation for these visits and these will continue in 2012.

**SAP Performance Management System (PMS):** In order to make the performance review exercise more objective, the NamPost invested in SAP software which will assist the company in its evaluation process without any bias. The programme was launched recently and is still in pilot phase, where after it will be implemented during the current financial year (mid April 2012).

**Employee Relations Information Link:** A database was developed to allow NamPost employees quick and easy access to NamPost policies. Linked to this will be the applicable legislation to support policy requirements and statements.

**Recognition and Procedural Agreement:** The Company and the recognised Union, NAPWU reviewed the Recognition and Procedural agreement between the parties, and a new agreement was signed during the financial year ended 30 September 2011.

**Substantive Wage Agreement:** Wage negotiations were concluded in good spirit and time, and wage increases were implemented on 1 October 2011 for the financial year 2011/12.

**Policies Reviewed:** Several policies were reviewed during 2011 and approved by the NamPost Board of Directors. This is a process of continuous improvement. Policies reviewed include S & T Policy, Disciplinary Code and Procedures, Performance Reward Policies, Housing Allowance Policy, Recruitment and Selection Policy and Insurance Assistance Policy.

**Job Requirements Review:** All job requirements were reviewed and approved during 2011, which will result in the employment of suitable people as part of the NamPost team.

**Review of Remuneration Practices:** NamPost remuneration structures were reviewed in partnership with PwC, in order to ensure that NamPost remuneration

remains in line with the market. The new structures and practices were approved for implementation on 1 October 2011.

**Training & Development:** The Training and Development schedule for the year was executed while several additional training courses identified during the year were also attended by NamPost employees. During the financial year 392 employees were trained in different disciplines. The training and development of our people is critical to our business plan and strategy. We also commenced with Sign language courses in order to assist the hearing impaired.

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

**Employee Wellness:** NamPost embarked on an Employee Wellness programme in order to ensure employees are aware of their wellness status, and have access to information that enables them to take action accordingly. It is important for NamPost to have healthy well motivated employees.

## **Affirmative Action Status Report**

This report clearly indicates that there has been remarkable progress in many areas. NamPost has an ongoing commitment towards equal employment opportunity and workplace diversity through the implementation of its AA plan.

## **Fixed Term Employees**

Due to operational requirements and the inherent nature of post offices, it is expected of NamPost to have post offices operating in all corners of Namibia. This has necessitated the need to appoint fixed-term staff until such time when due diligence is made in order to establish the long term sustainability plan of such small post offices. NamPost, during the period under review continued to integrate temporary employees with permanent to curb

# HUMAN RESOURCES

the number of casual or temporary employees. However, due to operational requirements, it became difficult for NamPost to eliminate the employment of fixed term staff as envisaged.

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

| **Sonia Bergh** |  
| GM: Human Resources |



# HUMAN RESOURCES

A photograph of a modern building's exterior walkway. The walkway is covered by a series of white, rectangular overhangs supported by thick, cylindrical columns. The ground is paved with light-colored tiles. In the background, two people are walking away from the camera. To the left, a large glass window reflects the street scene, including a car and a building with a dome. A red circular graphic with a white border is overlaid on the left side of the image, containing white text.

*All job requirements were reviewed and approved during 2011, which will result in the employment of suitable people as part of the NamPost team.*



## ICT

Since the bulk of NamPost customers live in rural and remote areas, where access to information and communication technologies is scarce or absent, NamPost plays an integral part in keeping people in touch and enhancing their quality of life.

Since 2006, NamPost adopted and implemented ICT systems seeking to change the way the Company operates, as well as how we “touch” the customer. Again in 2011, the company’s digital strategy provided a framework for the implementation of Self Service Kiosks and the initiation of focussed research into the provision of Electronic Post Boxes to all citizens of Namibia.

Underpinning these initiatives is the need to ensure that our infrastructure stays abreast with the latest technology. This meant that countrywide, hardware had to be upgraded. We also finalised the virtualisation of the server and the disaster recovery environment.

During the year NamPost acquired Management Information Software with the aim of closing the gap between execution and strategy. The solution will support better business decisions by analysing business data in the various software solutions used at NamPost. Once implemented, the software will allow management to review historical, current and predictive views of business operations on a day-to-day basis.



| **Suzette Scheepers** |  
| Head: ICT |

# ICT

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# INTERNAL AUDIT

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

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

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

An anonymous whistle-blowing telephone line was launched during the year. This gives staff and the public the opportunity to report any fraud or corruption observed in the Company without fear of possible victimization.

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

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

| **George Itembu** |  
| Head: Internal Audit |



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# INTERNAL AUDIT

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# CORPORATE GOVERNANCE

**Introduction:** Namibia Post Limited's corporate governance philosophy is built around its commitment to ethical practices in the conduct of its business, while striving to enhance Shareholders' value.

NamPost believes that proper principles and practices are indispensable to achieving its goals and maximising the growth of shareholder value and ensuring the trust and confidence of its stakeholders.

**Board Structure and Composition:** The NamPost Board of Directors remained unchanged for the period under review and a further two years remain of the current term of office.

All five directors are non-executive directors.

**Role of the Board:** The role of the Board is to determine and review business direction and strategy, monitor executive performance, oversee the management of risk and internal controls, and ensure that the Company discharges its responsibilities to shareholders and other stakeholders.

The Board holds meetings at which directors can vote on the major issues affecting the company.

Directors receive information on these issues and familiarise themselves with the issues before voting. Board meetings are typically held every three months, although the Board may call special meetings for pressing matters, at its discretion.

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

During the year, Board Meetings were held as follows:

(See table below).

## NAMIBIA POST LIMITED

| Board of Directors Meetings | Board           | Board Audit Committee | Board Human Resources & Compensation Committee | Investment Committee Compensation | Other |
|-----------------------------|-----------------|-----------------------|--|-----------------------------------|-------|
| <b>Meetings held:</b>       | 6               | 4                     | 2  | 4                                 | 4     |
| <b>Attendance:</b>          |                 |                       |  |                                   |       |
| <b>Kankondi S I</b>         | 5 (Chairperson) |                       |  |                                   | 2     |
| <b>Hamutenya N</b>          | 6               | 4                     | 2  | 4                                 | 4     |
| <b>Field N</b>              | 6               | 4 (Chairperson)       |  | 4 (Chairperson)                   | 3     |
| <b>Nambira N</b>            | 6               |                       | 2 (Chairperson)                                | 4                                 | 3     |
| <b>Mweendeleli B</b>        | 6               |                       | 2  |                                   | 4     |

**Board Committees:** In line with the best practices the NamPost Board has formed various committees to monitor every aspect of business.

The Board has delegated certain of its governance responsibilities to three dedicated committees; namely, the Board Audit Committee, the Board Remuneration and Compensation Committee and the Board Investment Committee. These Committees are composed of the non-executive directors, save for the Audit Committee that has an Independent Member.

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

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

**Risk Management Strategy:** The Board has overall responsibility for the Company's systems of internal control and risk management and for reviewing their effectiveness. The Board Audit Committee provides oversight and independent challenge in relation to internal control and risk management.

The Board's role includes:

- Setting the Company's risk appetite and overall risk management strategy;
- Developing overall appropriate risk management and governance systems; and
- Establishing and maintaining effective monitoring of internal control systems.

The overall risk management strategy as defined in the Risk Management Policy and Framework, considers the Board and Management accountable for its design, implementation and integration into business activities on a day-to-day basis. The Policy directs that an Annual Enterprise Wide Risk Assessment Workshop, attended by both the NamPost Board and Key Managers, be held once per annum. The Workshop for the period under review was conducted in October 2011, where key risks and their management were discussed by Management and the Board.

External Consultants are also engaged on an ad-hoc basis to independently benchmark and evaluate our Risk Management Policies and Strategies. The Internal Audit Department also evaluates the effectiveness of the Risk Management Process, and makes regular reports to the Board Audit Committee.

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

**Whistle Blowing Policy:** As previously indicated, the Board approved a Whistle Blowing Policy as part of its ongoing quest to improve its corporate governance practices. The Company has introduced a confidential whistle blowing hotline service whereby stakeholders are able to report workplace dishonesty and unethical and inappropriate behaviour. The hotline is administered by an external independent party namely Deloitte.

**Internal Audit:** The Internal Audit Department provides independent and objective assurance to the Board and Management about the appropriateness and adequacy of internal controls in the company. A key competency area of the Internal Audit department is the co-ordination of corporate and company-wide risks. The Head of Internal Audit has unrestricted access to the Chairman of the Board, Board Audit Committee and the Chief Executive Officer. The Board Audit Committee on an annual basis approves the Annual Work Plan of the Internal Audit Department.

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

**Shareholder Communication:** NamPost recognises the importance of forthright communication as key in building shareholder value and that to prosper and achieve growth it must, among other things, earn the trust of its Shareholder and stakeholders alike. Full advantage is taken of the annual general meetings to inform the Shareholder of recent developments and key milestones of the Company and to provide a platform for asking questions. The Company's external auditor, PricewaterhouseCoopers attends the annual general meeting and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

| **Eldorette Harmse** |

| Head: Legal Services and Company Secretary |





*NamPost  
recognises  
the importance  
of forthright  
communication  
in building  
shareholder  
value...*

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# FINANCIAL STATEMENTS

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NAMIBIA POST LIMITED AND ITS SUBSIDIARY

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**FINANCIAL STATEMENTS FOR THE YEAR ENDED**

30 SEPTEMBER 2011

**NAMIBIA POST LIMITED AND ITS SUBSIDIARY**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**30 SEPTEMBER 2011**

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# NAMIBIA POST LIMITED AND ITS SUBSIDIARY

## FINANCIAL STATEMENTS FOR THE YEAR ENDED

30 SEPTEMBER 2011

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### GENERAL INFORMATION

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|   |  |
|---|--|
| <b>Country of incorporation and domicile:</b>       | Namibia  |
| <b>Nature of business and principal activities:</b> | Supply of postal services, courier services and savings bank services                            |
| <b>Directors:</b>                                   | S I Kankondi<br>N Hamutenya<br>N Nambira<br>B Mweendeleli<br>N S B Field                         |
| <b>Registered office:</b>                           | Post Office Building<br>Corner Independence Avenue and Daniel Munamava Street<br>Windhoek        |
| <b>Business address:</b>                            | Post Office Building<br>Corner Independence Avenue and Daniel Munamava Street<br>Windhoek        |
| <b>Postal address:</b>                              | P O Box 287<br>Windhoek<br>Namibia   |
| <b>Holding company:</b>                             | Namibia Post and Telecom Holdings Limited<br>Incorporated in Namibia                             |
| <b>Bankers:</b>                                     | Bank Windhoek Limited<br>Standard Bank of Namibia Limited  |
| <b>Auditors:</b>                                    | PricewaterhouseCoopers<br>Chartered Accountants (Namibia)<br>Registered Accountants and Auditors |
| <b>Secretary:</b>                                   | Ms E C Harmse  |
| <b>Company registration number:</b>                 | 92/28  |

## NAMIBIA POST LIMITED AND ITS SUBSIDIARY

### FINANCIAL STATEMENTS FOR THE YEAR ENDED

30 SEPTEMBER 2011

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## DIRECTORS' RESPONSIBILITIES AND APPROVAL

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The directors are required by the Companies Act of Namibia, 2004, to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the financial statements.

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

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

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

The directors have reviewed the group's cash flow forecast for the year to 30 September 2012 and, in the light of this review and the current financial position, they are satisfied that the group has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the group's financial statements.

The financial statements have been examined by the group's external auditors and their report is presented on page 3.

The financial statements set out on pages 4 to 49, which have been prepared on the going concern basis, were approved by the directors and were signed on its behalf by:



Director  
Windhoek  
02 December 2011



Director

**NAMIBIA POST LIMITED AND ITS SUBSIDIARY**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**30 SEPTEMBER 2011**

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**INDEPENDENT AUDITOR'S REPORT**

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To the member of Namibia Post Limited and its subsidiary

**Report on the Financial Statements**

We have audited the consolidated and separate annual financial statements of Namibia Post Limited, which comprise the consolidated and separate statements of financial position as at 30 September 2011, and the consolidated and separate statements of 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 4 to 49.

**Directors' Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

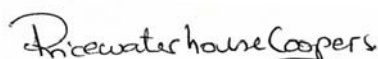
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances,

but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the consolidated and separate financial position of Namibia Post Limited and its subsidiary as at 30 September 2011, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of Namibia.



PricewaterhouseCoopers  
Chartered Accountants (Namibia)  
Registered Accountants and Auditors  
Windhoek  
09 December 2011

# NAMIBIA POST LIMITED AND ITS SUBSIDIARY

## FINANCIAL STATEMENTS FOR THE YEAR ENDED

30 SEPTEMBER 2011

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## DIRECTORS' REPORT

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The directors submit their report for the year ended 30 September 2011.

### 1. Review of activities

#### *Main business and operations*

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

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

Net profit of the group was N\$ 12,692 million (2010: N\$ 5,566 million ) after taxation of N\$ 5,281 million (2010: N\$ 9,387 million).

### 2. Events subsequent to reporting date

The company declared dividend of N\$ 5 million on 2 December 2011.

### 3. Authorised and issued share capital

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

### 4. Dividends

No dividends were declared or paid to the shareholders during the year (2010: N\$ Nil). Dividends of N\$ 5 million were declared to the shareholder subsequent to year-end (N\$ 2010: N\$ Nil).

### 5. Directors

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

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

### 6. Secretary

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

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

**Postal address:** P O Box 287, Windhoek

### 7. Holding company

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

### 8. Auditors

PricewaterhouseCoopers are the current auditors employed for the year ended 30 September 2011.

A decision as to whether PricewaterhouseCoopers will continue in office for the forthcoming financial year will be decided at the annual general meeting to be held in March 2012, in accordance with section 278(2) of the Companies Act.

### 9. Early adoption of IFRS 9

The group opted to early adopt IFRS 9 to avoid onerous disclosure when the standard becomes mandatory for annual periods beginning on or after 01 January 2015. The impact of this early adoption is the recognition of realised and unrealised fair value movements in the statement of comprehensive income. As the group previously elected under IAS 39 to classify the majority of its financial assets as available for sale, unrealised fair value movements were recognised directly in equity. Normally IFRS 9 requires restatement of prior year figures using the same financial asset classification as applied in the current year. However, since the group has opted to early adopt the statement, it has applied it prospectively as per the transition arrangement for entity's adopting it for financial years coming before 1 January 2012. Refer to note 1.8 and 9 and 37 for more information on financial assets and their accounting policy.

# NAMIBIA POST LIMITED AND ITS SUBSIDIARY

## FINANCIAL STATEMENTS FOR THE YEAR ENDED

30 SEPTEMBER 2011

### STATEMENTS OF FINANCIAL POSITION

|                                     | Note | Group            |                  | Company          |                  |
|-------------------------------------|------|------------------|------------------|------------------|------------------|
|                                     |      | 2011<br>N\$ '000 | 2010<br>N\$ '000 | 2011<br>N\$ '000 | 2010<br>N\$ '000 |
| <b>Assets</b>                       |      |                  |                  |                  |                  |
| <b>Non-Current Assets</b>           |      |                  |                  |                  |                  |
| Property, plant and equipment       | 3    | 17,219           | 15,794           | 15,020           | 15,007           |
| Goodwill                            | 4    | 903              | 903              | -                | -                |
| Intangible assets                   | 5    | 36,232           | 32,562           | 33,725           | 29,534           |
| Investments in subsidiary           | 6    | -                | -                | 21,491           | 7,339            |
| Investment in joint ventures        | 7    | -                | -                | 13,937           | 15,816           |
| Loans to joint ventures             | 8    | 969              | 1,908            | -                | -                |
| Other financial assets              | 9    | 569,114          | 695,770          | 569,114          | 695,770          |
| Deferred tax                        | 11   | 28,996           | 30,734           | 26,027           | 25,982           |
|                                     |      | <b>653,433</b>   | <b>777,671</b>   | <b>679,314</b>   | <b>789,448</b>   |
| <b>Current Assets</b>               |      |                  |                  |                  |                  |
| Inventories                         | 13   | 26,262           | 23,888           | 25,749           | 23,511           |
| Other financial assets              | 9    | 1,711,979        | 889,780          | 1,711,979        | 889,780          |
| Trade and other receivables         | 14   | 88,636           | 46,108           | 73,648           | 40,920           |
| Cash and cash equivalents           | 15   | 57,803           | 85,081           | 54,773           | 82,734           |
|                                     |      | <b>1,884,680</b> | <b>1,044,857</b> | <b>1,866,149</b> | <b>1,036,945</b> |
| <b>Total Assets</b>                 |      | <b>2,538,113</b> | <b>1,822,528</b> | <b>2,545,463</b> | <b>1,826,393</b> |
| <b>Equity and Liabilities</b>       |      |                  |                  |                  |                  |
| <b>Equity</b>                       |      |                  |                  |                  |                  |
| Share capital                       | 16   | 5,075            | 5,075            | 5,075            | 5,075            |
| Reserves                            | 17   | -                | 7,894            | -                | 7,894            |
| Retained income                     |      | 93,078           | 72,492           | 97,069           | 78,654           |
|                                     |      | <b>98,153</b>    | <b>85,461</b>    | <b>102,144</b>   | <b>91,623</b>    |
| <b>Liabilities</b>                  |      |                  |                  |                  |                  |
| <b>Non-Current Liabilities</b>      |      |                  |                  |                  |                  |
| Retirement benefit obligation       | 12   | 27,274           | 25,213           | 27,274           | 25,213           |
| Deferred tax                        | 11   | 8,214            | 14,162           | 8,214            | 13,063           |
| Interest bearing borrowings         | 19   | 27,951           | 4,881            | 27,951           | 4,881            |
| Savings bank investors              | 20   | 80,266           | 69,796           | 80,266           | 69,796           |
|                                     |      | <b>143,705</b>   | <b>114,052</b>   | <b>143,705</b>   | <b>112,953</b>   |
| <b>Current Liabilities</b>          |      |                  |                  |                  |                  |
| Current tax payable                 |      | 1,258            | -                | 1,247            | -                |
| Finance lease obligation            | 18   | -                | 505              | -                | 1,010            |
| Trade and other payables            | 21   | 106,252          | 112,239          | 104,721          | 111,482          |
| Retirement benefit obligation       | 12   | 444              | 468              | 444              | 468              |
| Interest bearing borrowings         | 19   | 969              | 4,436            | -                | 2,523            |
| Savings bank investors              | 20   | 2,187,332        | 1,505,367        | 2,193,202        | 1,506,334        |
|                                     |      | <b>2,296,255</b> | <b>1,623,015</b> | <b>2,299,614</b> | <b>1,621,817</b> |
| <b>Total Liabilities</b>            |      | <b>2,439,960</b> | <b>1,737,067</b> | <b>2,443,319</b> | <b>1,734,770</b> |
| <b>Total Equity and Liabilities</b> |      | <b>2,538,113</b> | <b>1,822,528</b> | <b>2,545,463</b> | <b>1,826,393</b> |

## NAMIBIA POST LIMITED AND ITS SUBSIDIARY

### FINANCIAL STATEMENTS FOR THE YEAR ENDED

30 SEPTEMBER 2011

## STATEMENTS OF COMPREHENSIVE INCOME

|  | Note | Group            |                  | Company          |                  |
|--|------|------------------|------------------|------------------|------------------|
|  |      | 2011<br>N\$ '000 | 2010<br>N\$ '000 | 2011<br>N\$ '000 | 2010<br>N\$ '000 |
| Revenue  | 23   | 676,927          | 511,314          | 667,891          | 504,167          |
| Cost of sales  | 24   | (423,160)        | (267,425)        | (422,524)        | (266,191)        |
| <b>Gross profit</b>  |      | <b>253,767</b>   | <b>243,889</b>   | <b>245,367</b>   | <b>237,976</b>   |
| Other income   |      | 2,097            | 3,126            | 2,097            | 2,655            |
| Operating expenses   |      | (225,492)        | (232,431)        | (220,360)        | (226,920)        |
| <b>Operating profit</b>  | 25   | <b>30,372</b>    | <b>14,584</b>    | <b>27,104</b>    | <b>13,711</b>    |
| Finance income   | 26   | 1,191            | 1,202            | 814              | 1,072            |
| Fair value adjustments - unrealised                                | 37   | (12,472)         | -                | (12,472)         | -                |
| Finance costs  | 27   | (1,118)          | (832)            | (323)            | (832)            |
| <b>Profit before taxation</b>                                      |      | <b>17,973</b>    | <b>14,954</b>    | <b>15,123</b>    | <b>13,951</b>    |
| Income tax expense   | 28   | (5,281)          | (9,387)          | (4,602)          | (9,110)          |
| <b>Profit for the year</b>   |      | <b>12,692</b>    | <b>5,567</b>     | <b>10,521</b>    | <b>4,841</b>     |
| <b>Other comprehensive income:</b>                                 |      |                  |                  |                  |                  |
| Available-for-sale financial assets<br>adjustments - unrealised    |      | -                | 18,652           | -                | 18,652           |
| Taxation related to components of other<br>comprehensive income    |      | -                | (6,438)          | -                | (6,438)          |
| <b>Other comprehensive income for the<br/>year net of taxation</b> |      | <b>-</b>         | <b>12,214</b>    | <b>-</b>         | <b>12,214</b>    |
| <b>Total comprehensive income</b>                                  |      | <b>12,692</b>    | <b>17,781</b>    | <b>10,521</b>    | <b>17,055</b>    |
| <b>Total comprehensive income<br/>attributable to:</b>             |      |                  |                  |                  |                  |
| Owners of the parent   |      | 12,692           | 17,781           | 10,521           | 17,055           |

# NAMIBIA POST LIMITED AND ITS SUBSIDIARY

## FINANCIAL STATEMENTS FOR THE YEAR ENDED

30 SEPTEMBER 2011

### STATEMENTS OF CHANGES IN EQUITY

|  | Share capital | Fair value<br>adjustment<br>assets- available-<br>for-sale reserve | Retained<br>income | Total equity   |
|--|---------------|--|--------------------|----------------|
|  | N\$ '000      | N\$ '000   | N\$ '000           | N\$ '000       |
| <b>Group</b>   |               |  |                    |                |
| <b>Balance at 01 October 2009</b>  | <b>5,075</b>  | <b>(4,320)</b>   | <b>66,925</b>      | <b>67,680</b>  |
| Changes in equity  |               |  |                    |                |
| Total comprehensive income for the year  | -             | 12,214   | 5,567              | 17,781         |
| Total changes  | -             | 12,214   | 5,567              | 17,781         |
| <b>Balance at 01 October 2010</b>  | <b>5,075</b>  | <b>7,894</b>   | <b>72,492</b>      | <b>85,461</b>  |
| Changes in equity  |               |  |                    |                |
| Total comprehensive income for the year  | -             | -  | 12,692             | 12,692         |
| Fair value movements reclassified to retained earnings due to early adoption of IFRS 9 | -             | (7,894)  | 7,894              | -              |
| Total changes  | -             | (7,894)  | 20,586             | 12,692         |
| <b>Balance at 30 September 2011</b>  | <b>5,075</b>  | <b>-</b>   | <b>93,078</b>      | <b>98,153</b>  |
| Note(s)  | 16            | 17 & 37  |                    |                |
| <b>Company</b>   |               |  |                    |                |
| <b>Balance at 01 October 2009</b>  | <b>5,075</b>  | <b>(4,320)</b>   | <b>73,813</b>      | <b>74,568</b>  |
| Changes in equity  |               |  |                    |                |
| Total comprehensive income for the year  | -             | 12,214   | 4,841              | 17,055         |
| Total changes  | -             | 12,214   | 4,841              | 17,055         |
| <b>Balance at 01 October 2010</b>  | <b>5,075</b>  | <b>7,894</b>   | <b>78,654</b>      | <b>91,623</b>  |
| Changes in equity  |               |  |                    |                |
| Total comprehensive income for the year  | -             | -  | 10,521             | 10,521         |
| Fair value movements reclassified to retained earnings due to early adoption of IFRS 9 | -             | (7,894)  | 7,894              | -              |
| Total changes  | -             | (7,894)  | 18,415             | 10,521         |
| <b>Balance at 30 September 2011</b>  | <b>5,075</b>  | <b>-</b>   | <b>97,069</b>      | <b>102,144</b> |
| Note(s)  | 16            | 17 & 37  |                    |                |

# NAMIBIA POST LIMITED AND ITS SUBSIDIARY

## FINANCIAL STATEMENTS FOR THE YEAR ENDED

30 SEPTEMBER 2011

### STATEMENTS OF CASH FLOWS

|   | Note | Group            |                  | Company          |                  |
|---|------|------------------|------------------|------------------|------------------|
|   |      | 2011<br>N\$ '000 | 2010<br>N\$ '000 | 2011<br>N\$ '000 | 2010<br>N\$ '000 |
| <b>Cash flows from operating activities</b>                                   |      |                  |                  |                  |                  |
| Cash receipts from customers  |      | 638,175          | 480,311          | 639,003          | 493,468          |
| Cash paid to suppliers and employees  |      | (653,606)        | (439,250)        | (649,095)        | (450,057)        |
| Cash (used in) / generated from operations                                    | 30   | (15,431)         | 41,061           | (10,092)         | 43,411           |
| Interest income   |      | 1,191            | 1,202            | 814              | 1,072            |
| Finance costs   |      | (1,118)          | (832)            | (323)            | (832)            |
| Tax paid  |      | (2,950)          | -                | (2,961)          | -                |
| <b>Net cash (to)/from operating activities</b>                                |      | <b>(18,308)</b>  | <b>41,431</b>    | <b>(12,562)</b>  | <b>43,651</b>    |
| <b>Cash flows from investing activities</b>                                   |      |                  |                  |                  |                  |
| Purchase of property, plant and equipment                                     | 3    | (5,585)          | (3,365)          | (4,291)          | (3,180)          |
| Sale of property, plant and equipment   |      | 255              | 1                | 255              | 1                |
| Purchase of intangible assets   | 5    | (8,097)          | (10,637)         | (7,950)          | (11,106)         |
| Business combinations   | 31   | -                | 89               | -                | -                |
| Loans to group companies repaid   |      | 1,908            | 3,434            | -                | -                |
| Repayment of loans from group companies                                       |      | (969)            | (3,152)          | -                | -                |
| Purchase of financial assets  |      | (708,015)        | (226,747)        | (708,015)        | (227,251)        |
| <b>Net cash to investing activities</b>                                       |      | <b>(720,503)</b> | <b>(240,377)</b> | <b>(720,001)</b> | <b>(241,536)</b> |
| <b>Cash flows from financing activities</b>                                   |      |                  |                  |                  |                  |
| Movement in interest bearing borrowings                                       |      | 19,603           | (5,582)          | 20,547           | (3,575)          |
| Movement in savings bank investors  |      | 692,435          | 250,510          | 697,338          | 247,243          |
| Finance lease payments  |      | (505)            | (1,280)          | (1,010)          | (2,560)          |
| Acquisition of additional shares in subsidiary from non-controlling interest  |      | -                | (448)            | -                | (448)            |
| Increase in loans to joint ventures and subsidiaries                          |      | -                | -                | (12,273)         | (30)             |
| <b>Net cash from financing activities</b>                                     |      | <b>711,533</b>   | <b>243,200</b>   | <b>704,602</b>   | <b>240,630</b>   |
| <b>Total cash, cash equivalents and bank overdrafts movement for the year</b> |      | <b>(27,278)</b>  | <b>44,254</b>    | <b>(27,961)</b>  | <b>42,745</b>    |
| Cash, cash equivalents at the beginning of the year                           |      | 85,081           | 40,827           | 82,734           | 39,989           |
| <b>Total cash, cash equivalents and bank overdrafts at end of the year</b>    | 15   | <b>57,803</b>    | <b>85,081</b>    | <b>54,773</b>    | <b>82,734</b>    |



# NAMIBIA POST LIMITED AND ITS SUBSIDIARY

## FINANCIAL STATEMENTS FOR THE YEAR ENDED

30 SEPTEMBER 2011

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## ACCOUNTING POLICIES

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### 1. Presentation of Financial Statements

The financial statements have been prepared in accordance with International Financial Reporting Standards, and the Companies Act of Namibia, 2004. The financial statements have been prepared on the historical cost basis, as modified by the revaluation of available-for-sale financial assets and in accordance with principal accounting policies set out below.

These accounting policies are consistent with the previous period, except for early adoption of IFRS 9: Financial Instruments.

#### 1.1 Consolidation

##### *Basis of consolidation*

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

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

##### *Subsidiaries*

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair

values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the 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 gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

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

##### *Business combinations*

The group accounts for business combinations using the acquisition method of accounting. The cost of the business combination is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed and equity instruments issued. Costs directly attributable to the business combination are expensed as incurred, except the costs to issue debt which are amortised as part of the effective interest and costs to issue equity which are included in equity.

Contingent consideration is included in the cost of the combination at fair value as at the date of acquisition. Subsequent changes to the assets, liabilities or equity which arise as a result of the contingent consideration are not affected against goodwill, unless they are valid measurement period adjustments.

The acquiree's identifiable assets, liabilities and contingent liabilities which meet the recognition conditions of IFRS 3 Business Combinations are recognised at their fair values at acquisition date, except for non-current assets (or disposal group) that are classified as held-for-sale in accordance with IFRS 5 Non-current Assets Held-For-Sale and discontinued operations, which are recognised at fair value less costs to sell.

# NAMIBIA POST LIMITED AND ITS SUBSIDIARY

## FINANCIAL STATEMENTS FOR THE YEAR ENDED

30 SEPTEMBER 2011

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## ACCOUNTING POLICIES

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Contingent liabilities are only included in the identifiable assets and liabilities of the acquiree where there is a present obligation at acquisition date.

On acquisition, the group assesses the classification of the acquiree's assets and liabilities and reclassifies them where the classification is inappropriate for group purposes. This excludes lease agreements and insurance contracts, whose classification remains as per their inception date.

Non-controlling interest arising from a business combination is measured either at their share of the fair value of the assets and liabilities of the acquiree or at fair value. The treatment is not an accounting policy choice but is selected for each individual business combination, and disclosed in the note for business combinations.

In cases where the group held a non-controlling shareholding in the acquiree prior to obtaining control, that interest is measured to fair value as at acquisition date. The measurement to fair value is included in profit or loss for the year. Where the existing shareholding was classified as an available-for-sale financial asset, the cumulative fair value adjustments recognised previously to other comprehensive income and accumulated in equity are recognised in profit or loss as a reclassification adjustment.

Goodwill is determined as the consideration paid, plus the fair value of any shareholding held prior to obtaining control, plus non-controlling interest and less the fair value of the identifiable assets and liabilities of the acquiree.

Goodwill is not amortised but is tested on an annual basis for impairment. If goodwill is assessed to be impaired, that impairment is not subsequently reversed.

### **Interests in joint ventures**

The group's interests in jointly controlled entities are accounted for by proportionate consolidation. The group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the group's financial statements. The group recognises the portion of gains

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

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

### **Jointly controlled entities**

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

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

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

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

# NAMIBIA POST LIMITED AND ITS SUBSIDIARY

## FINANCIAL STATEMENTS FOR THE YEAR ENDED

30 SEPTEMBER 2011

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## ACCOUNTING POLICIES

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### 1.2 Statement of compliance

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

### 1.3 Significant judgements and sources of estimation uncertainty

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

#### *Allowance for doubtful debts*

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

#### *Allowance for slow moving, damaged and obsolete stock*

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

#### *Fair value estimation*

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

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

#### *Impairment testing*

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less cost to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] 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 such as production estimates, supply demand, together with economic factors such as exchange rates and inflation.

#### *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 related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are

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## **ACCOUNTING POLICIES**

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

### **Deferred income**

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

Courier services - the number of days it takes to deliver a parcel. Postal services - according to the set standards from the Ministry of Works Transport and communication (1 day delivery for Windhoek, 2 - 3 days outside Windhoek).

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 a proportion of the total services to be performed. In this regard the Group estimates the amount of revenue from postage stamps and courier relating to services still to be provided for and defers recognising that income.

### **1.4 Property, plant and equipment**

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

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

Property, plant and equipment is initially measured at cost.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

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

| <b>Item</b>                                     | <b>Average useful life</b> |
|---|----------------------------|
| <b>Furniture, fittings and other equipment:</b> |                            |
| • Furniture and fittings                        | 10 years                   |
| • Other equipment                               | 4 - 12 years               |
| Motor vehicles                                  | 5 - 7 years                |
| IT equipment                                    | 3 years                    |

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

# NAMIBIA POST LIMITED AND ITS SUBSIDIARY

## FINANCIAL STATEMENTS FOR THE YEAR ENDED

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## ACCOUNTING POLICIES

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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.

### 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.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

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.

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

| Item              | Useful life |
|-------------------|-------------|
| Computer software | 5 years     |

### 1.6 Investments in subsidiary

#### *Company financial statements*

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

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

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

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

# NAMIBIA POST LIMITED AND ITS SUBSIDIARY

## FINANCIAL STATEMENTS FOR THE YEAR ENDED

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## ACCOUNTING POLICIES

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### 1.7 Investment in joint ventures

#### *Company financial statements*

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

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

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

### 1.8 Financial instruments

#### *Financial assets*

##### Classification

The group classifies its financial assets as subsequently measured at either amortised cost or fair value on the basis of both: the entity's business model for managing financial assets; and the contractual cash flow characteristics of the financial asset. Financial assets are measured at amortised cost if both of the following conditions are met: the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and the contractual term of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. If a measurement or recognition inconsistency is eliminated or significantly reduced by designating a financial asset as measured at fair value through profit and loss, the group has the discretion to elect this option at the financial asset's initial recognition. Classification is not based on an instrument-by-instrument approach, but is determined at a higher level of aggregation.

This classification is determined at initial recognition of a financial asset. At this point, the group may make an irrevocable election to present in other comprehensive income subsequent changes in fair value of an investment in an equity instrument that is not held for trading.

Trade and other receivables are classified as financial asset at amortised cost.

#### *Recognition and measurement*

##### Initial 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. Investments are initially recognised at fair value plus, in the case of a financial asset not at fair value through profit and loss, transaction costs that are directly attributable to the acquisition of the financial asset. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the statement of comprehensive income.

##### 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.

##### Subsequent measurement

Financial assets at fair value are subsequently carried at fair value. Financial assets at amortised cost are carried at amortised cost using the effective interest method.

Realised and unrealised gains or losses arising from changes in the fair value of a financial asset that is measured at fair value and is not part of a hedging relationship shall be recognised in the statement of comprehensive income within 'realised gains/(losses) on financial assets' or 'unrealised gains/(losses) on financial assets' in the period in which they arise, unless the financial asset is an investment in an equity instrument and the entity has elected to present gains and losses on that investment in other comprehensive income.

# NAMIBIA POST LIMITED AND ITS SUBSIDIARY

## FINANCIAL STATEMENTS FOR THE YEAR ENDED

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## ACCOUNTING POLICIES

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Gains or losses on a financial asset that is measured at amortised cost and is not part of a hedging relationship shall be recognised in the statement of comprehensive income when the financial asset is derecognised, impaired or reclassified, and through the amortisation process.

Dividend income from financial assets at fair value and financial assets at amortised cost is recognised in the statement of comprehensive income as part of investment income when the group's right to receive payments is established. Interest on financial assets at fair value and financial assets at amortised cost calculated using the effective interest method is recognised in the statement of comprehensive income as part of investment income.

### **Financial Liabilities**

#### **Classification**

The group classifies its financial liabilities as at fair value through profit and loss or as financial liabilities at amortised cost. The group has the option to classify the financial liability as at fair value through profit and loss if it is held for trading or if the prerequisites in IAS 39.9 (b) are met and it is designated upon initial recognition as at fair value through profit and loss

Trade and other payables are classified as financial liabilities at amortised cost.

#### **Initial measurement**

Financial liabilities when the group becomes a party to the contractual provisions of the instrument. They are initially recognised at fair value plus, in the case of a financial liabilities not at fair value through profit and loss, transaction costs that are directly attributable to the acquisition of the liability. Financial liability carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the statement of comprehensive income.

#### **Subsequent measurement**

Financial liabilities at amortised cost are carried at amortised cost using the effective interest method.

Financial liabilities at fair value are subsequently carried at fair value, unless the exceptions in IAS 39 par 47 apply.

Gains or losses on a financial liability that is measured at amortised cost and is not part of a hedging relationship shall be recognised in the statement of comprehensive income when the financial liability is derecognised, impaired or reclassified, and through the amortisation process.

Realised and unrealised gains or losses arising from changes in the fair value of an financial liability that is measured at fair value and is not part of a hedging relationship shall be recognised in the statement of comprehensive income within 'realised gains/(losses) on financial liabilities' or 'unrealised gains/(losses) on financial liabilities' in the period in which they arise.

#### **Derecognition**

Financial liabilities are derecognised when they are extinguished - the obligation specified in the contract is discharged or cancelled or expires

#### **Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

#### **Impairment of financial assets**

At each reporting date the group assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the group, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED

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## ACCOUNTING POLICIES

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cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced and the amount of the loss is recognised in the statement of comprehensive income. If the financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

Receivables with a short duration are not discounted.

Equity instruments for which the entity has elected to present gains and losses in other comprehensive income

In the case of equity instruments for which the entity has elected to present gains and losses in other comprehensive income, a significant or prolonged decline in the fair value of the instrument below its cost is also evidence that the assets are impaired. If any such evidence exists, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the statement of comprehensive income.

### **Reversals of impairment**

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income, unless the investment is an equity instrument and the entity has elected to present gains and losses on that investment in other comprehensive income, in which case impairment losses recognised in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income.

### **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 group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of the expected cash flows, discounted at the market rate of interest for similar borrowers.

### **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.



# NAMIBIA POST LIMITED AND ITS SUBSIDIARY

## FINANCIAL STATEMENTS FOR THE YEAR ENDED

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## ACCOUNTING POLICIES

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### **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.

### **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.

#### **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).

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

### **1.10 Leases**

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

#### **Finance leases – lessee**

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

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

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

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## ACCOUNTING POLICIES

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### **Operating leases - lessor**

Operating lease income is recognised as an income on a straight-line basis over the lease term.

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 the estimated costs of completion and the estimated costs necessary to make the sale.

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 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

# NAMIBIA POST LIMITED AND ITS SUBSIDIARY

## FINANCIAL STATEMENTS FOR THE YEAR ENDED

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## ACCOUNTING POLICIES

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units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

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

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

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

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

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

### 1.13 Share capital and equity

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

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

### 1.14 Employee benefits

#### *Short-term employee benefits*

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

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

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

#### *Defined benefit plans*

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

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

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

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

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

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

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## **ACCOUNTING POLICIES**

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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.

Provisions are not recognised for future operating losses.

A constructive obligation to restructure arises only when an entity:

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

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

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

### **1.16 Revenue**

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

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

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

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

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

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

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## ACCOUNTING POLICIES

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

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

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

Dividends are recognised, in profit or loss, when the 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.

Revenue comprises of sales to customers and services rendered to customers. Revenue is stated at the invoice amount and is exclusive of value added taxation.

### 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 Namibia 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 financial statements are recognised in profit or loss in the period in which they arise.

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

### 1.19 Financial Liabilities

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

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

### 1.20 Dividend distribution

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

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## **ACCOUNTING POLICIES**

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### **2. New standards and interpretations**

#### ***2.1 Standards and interpretations effective and adopted in the current year***

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

Amendments to IFRS 2: Group cash-settled share-based payment transactions

The amendment clarifies the accounting for group cash-settled share-based payment transactions. The entity receiving the goods or services shall measure the share-based payment transaction as equity-settled only when the awards granted are its own equity instruments, or the entity has no obligation to settle the share-based payment transaction. The entity settling a share-based payment transaction when another entity in the group receives the goods or services recognises the transaction as equity-settled only if it is settled in its own equity instruments. In all other cases, the transaction is accounted for as cash-settled. The amendment did not have any effect on the amounts reported as there were no such transaction occurring in the current year. (Effective date: 1 January 2010).

Amendment to IAS 24 - Related party disclosures

This amendment provides partial relief from the requirement for government related entities to disclose details of all transactions with the government and other government-related entities. It also clarifies and simplifies the definition of a related party. (Effective date: 1 January 2011).

IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments.

This IFRIC clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in the profit and loss account based on the fair value of the equity instruments compared to the carrying amount of the debt. (Effective date: 1 July 2010)

Amendments to IFRIC 14: Pre-payments of a Minimum Funding Requirement

This amendment will have a limited impact as it applies only to companies that are required to make minimum funding contributions to a defined benefit pension plan. It removes an unintended consequence of IFRIC 14 related to voluntary pension prepayments when there is a minimum funding requirement. (Effective date: 1 January 2011)

#### ***2.2 Standards and Interpretations early adopted***

##### ***IFRS 9 – Financial Instruments (2009)***

This IFRS is part of the IASB's project to replace IAS 39. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. (Effective date: 1 January 2013).

##### ***IFRS 9 – Financial Instruments (2010)***

The IASB has updated IFRS 9, 'Financial instruments' to include guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39, 'Financial instruments: Recognition and measurement', without change, except for financial liabilities that are designated at fair value through profit or loss. (Effective date: 1 January 2013).

#### ***2.3 Standards and interpretations not yet effective***

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

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

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with IFRSs because its functional currency was subject to severe hyperinflation. ( Effective date: 1 July 2011).

Amendment to IFRS 7 Disclosures – Transfer of financial assets.

The amendments are intended to address concerns raised during the financial crisis by the G20, among others, that financial statements did not allow users to understand the ongoing risks the entity faced due to derecognised receivables and other financial assets. (Effective date: 1 July 2011).

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

Currently IAS 12, 'Income taxes', requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 Investment Property. Hence this amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, 'Income taxes- recovery of revalued non-depreciable assets', would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is accordingly withdrawn. (Effective date: 1 January 2012)

IFRS 10 – Consolidated financial statements.

This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess. This new standard might impact the entities that a group consolidates as its subsidiaries. (Effective date: 1 January 2013).

IFRS 11 – Joint arrangements.

This standard provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. (Effective date: 1 January 2013).

IFRS 12 – Disclosures of interests in other entities.

This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. (Effective date: 1 January 2013).

### **IAS 27 (revised 2011) – Separate financial statement**

This standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10. (Effective date: 1 January 2013).

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

This standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11. (Effective date: 1 January 2013).

IFRS 13 – Fair value measurement.

This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. (Effective date: 1 January 2013).

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## **ACCOUNTING POLICIES**

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Amendments to IAS 19, "Employee benefits".

The IASB has issued an amendment to IAS 19, 'Employee benefits', which makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. (Effective date: 1 January 2013).

First time adopters of IFRS may measure exploration and evaluation assets and assets in the development or production phase (for oil and gas properties) at the amount determined in accordance with their previous GAAP at date of transition. However, these assets should be tested for impairment in accordance with IAS 36 (AC 128) Impairment of Assets at the date of transition to IFRS and, if necessary, reduced. If the exemption for oil and gas assets is applied, then any decommissioning, restoration and similar liabilities at the date of transition shall be determined in accordance with IAS 37 (AC 130) Provisions, Contingent Liabilities and Contingent Assets. The difference between that amount and the amount recognised under previous GAAP shall be recognised directly in retained earnings.

Another exemption provides for first-time adopters who made the same determination of whether an arrangement contains a lease in accordance with previous GAAP as required by IFRIC 4 (AC 437) Determining Whether an Arrangement Contains a Lease, but at a date other than that required by IFRIC 4, the first time adopter need not reassess that determination when it adopts IFRS.

The effective date of the amendment is for years beginning on or after 01 January 2010.

The group has adopted the amendment for the first time in the 2011 financial statements.

The impact of the amendment is set out in note Changes in Accounting Policy.

### ***2.4 Standards and interpretations not yet effective or relevant***

IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments.

This IFRIC clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in the profit and loss account based on the fair value of the equity instruments compared to the carrying amount of the debt. (Effective date: 1 July 2010).

Amendments to IFRIC 14: Pre-payments of a Minimum Funding Requirement.

This amendment will have a limited impact as it applies only to companies that are required to make minimum funding contributions to a defined benefit pension plan. It removes an unintended consequence of IFRIC 14 related to voluntary pension prepayments when there is a minimum funding requirement. (Effective date: 1 January 2011).



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### NOTES TO THE FINANCIAL STATEMENTS

|   | N\$ '000      | N\$ '000                        | N\$ '000              | N\$ '000      | N\$ '000                        | N\$ '000              |
|---|---------------|---------------------------------|-----------------------|---------------|---------------------------------|-----------------------|
| <b>3. Property, plant and equipment</b> |               |                                 |                       |               |                                 |                       |
| <b>Group</b>                            | <b>2011</b>   |                                 |                       | <b>2010</b>   |                                 |                       |
|   | <b>Cost</b>   | <b>Accumulated depreciation</b> | <b>Carrying value</b> | <b>Cost</b>   | <b>Accumulated depreciation</b> | <b>Carrying value</b> |
| Furniture and fixtures                  | 30,179        | (16,364)                        | 13,815                | 27,848        | (15,469)                        | 12,379                |
| Motor vehicles                          | 1,027         | (786)                           | 241                   | 1,369         | (997)                           | 372                   |
| IT equipment                            | 17,230        | (14,067)                        | 3,163                 | 16,455        | (13,412)                        | 3,043                 |
| <b>Total</b>                            | <b>48,436</b> | <b>(31,217)</b>                 | <b>17,219</b>         | <b>45,672</b> | <b>(29,878)</b>                 | <b>15,794</b>         |

|                        |               |                                 |                       |               |                                 |                       |
|------------------------|---------------|---------------------------------|-----------------------|---------------|---------------------------------|-----------------------|
| <b>Company</b>         | <b>2011</b>   |                                 |                       | <b>2010</b>   |                                 |                       |
|                        | <b>Cost</b>   | <b>Accumulated depreciation</b> | <b>Carrying value</b> | <b>Cost</b>   | <b>Accumulated depreciation</b> | <b>Carrying value</b> |
| Furniture and fixtures | 25,951        | (13,659)                        | 12,292                | 24,360        | (12,441)                        | 11,919                |
| Motor vehicles         | 669           | (669)                           | -                     | 1,011         | (922)                           | 89                    |
| IT equipment           | 16,521        | (13,793)                        | 2,728                 | 15,246        | (12,247)                        | 2,999                 |
| <b>Total</b>           | <b>43,141</b> | <b>(28,121)</b>                 | <b>15,020</b>         | <b>40,617</b> | <b>(25,610)</b>                 | <b>15,007</b>         |

#### Reconciliation of property, plant and equipment - Group - 2011

|                        | Opening balance | Additions    | Disposals    | Impairments  | Depreciation   | Total         |
|------------------------|-----------------|--------------|--------------|--------------|----------------|---------------|
| Furniture and fixtures | 12,379          | 4,091        | (2)          | (140)        | (2,513)        | 13,815        |
| Motor vehicles         | 372             | 152          | (89)         | (113)        | (81)           | 241           |
| IT equipment           | 3,043           | 1,342        | (67)         | 1,969        | (3,124)        | 3,163         |
|                        | <b>15,794</b>   | <b>5,585</b> | <b>(158)</b> | <b>1,716</b> | <b>(5,718)</b> | <b>17,219</b> |

#### Reconciliation of property, plant and equipment - Group - 2010

|                        | Opening balance | Additions    | Depreciation   | Impairment reversal | Total         |
|------------------------|-----------------|--------------|----------------|---------------------|---------------|
| Furniture and fixtures | 11,768          | 2,746        | (2,820)        | 685                 | 12,379        |
| Motor vehicles         | 289             | 152          | (69)           | -                   | 372           |
| IT equipment           | 5,149           | 467          | (2,573)        | -                   | 3,043         |
|                        | <b>17,206</b>   | <b>3,365</b> | <b>(5,462)</b> | <b>685</b>          | <b>15,794</b> |

#### Reconciliation of property, plant and equipment - Company - 2011

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

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**NOTES TO THE FINANCIAL STATEMENTS**

N\$ '000      N\$ '000      N\$ '000      N\$ '000      N\$ '000      N\$ '000

**3. Property, plant and equipment (continued)**

**Reconciliation of property, plant and equipment - Company - 2010**

|                        | Opening<br>balance | Additions    | Depreciation   | Impairment<br>reversal | Total         |
|------------------------|--------------------|--------------|----------------|------------------------|---------------|
| Furniture and fixtures | 10,739             | 2,744        | (2,249)        | 685                    | 11,919        |
| Motor vehicles         | 127                | -            | (38)           | -                      | 89            |
| IT equipment           | 4,946              | 436          | (2,383)        | -                      | 2,999         |
|                        | <b>15,812</b>      | <b>3,180</b> | <b>(4,670)</b> | <b>685</b>             | <b>15,007</b> |

**4. Goodwill  
Group**

|          | 2011 |                             |                   | 2010 |                             |                   |
|----------|------|-----------------------------|-------------------|------|-----------------------------|-------------------|
|          | Cost | Accumulated<br>depreciation | Carrying<br>value | Cost | Accumulated<br>depreciation | Carrying<br>value |
| Goodwill | 903  | -                           | 903               | 903  | -                           | 903               |

**5. Intangible assets**

**Group**

|                   | 2011   |                             |                   | 2010   |                             |                   |
|-------------------|--------|-----------------------------|-------------------|--------|-----------------------------|-------------------|
|                   | Cost   | Accumulated<br>depreciation | Carrying<br>value | Cost   | Accumulated<br>depreciation | Carrying<br>value |
| Computer software | 79,687 | (43,455)                    | 36,232            | 74,314 | (41,752)                    | 32,562            |

**Company**

|                   | 2011   |                             |                   | 2010   |                             |                   |
|-------------------|--------|-----------------------------|-------------------|--------|-----------------------------|-------------------|
|                   | Cost   | Accumulated<br>depreciation | Carrying<br>value | Cost   | Accumulated<br>depreciation | Carrying<br>value |
| Computer software | 74,075 | (40,350)                    | 33,725            | 68,776 | (39,242)                    | 29,534            |

**Reconciliation of intangible assets - Group - 2011**

|                   | Opening<br>balance | Additions | Transfers | Amortisation | Impairment<br>reversal | Total  |
|-------------------|--------------------|-----------|-----------|--------------|------------------------|--------|
| Computer software | 32,562             | 8,097     | 173       | (8,891)      | 4,291                  | 36,232 |

**Reconciliation of intangible assets - Group - 2010**

|                   | Opening<br>balance | Additions | Transfers | Amortisation | Impairment<br>reversal | Total  |
|-------------------|--------------------|-----------|-----------|--------------|------------------------|--------|
| Computer software | 32,562             | 25,925    | 10,637    | 821          | (4,821)                | 32,562 |

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**NOTES TO THE FINANCIAL STATEMENTS**

|   | N\$ '000               | N\$ '000         | N\$ '000         | N\$ '000            | N\$ '000                   | N\$ '000     |
|---|------------------------|------------------|------------------|---------------------|----------------------------|--------------|
| <b>Reconciliation of intangible assets - Company - 2011</b> |                        |                  |                  |                     |                            |              |
|   | <b>Opening balance</b> | <b>Additions</b> | <b>Transfers</b> | <b>Amortisation</b> | <b>Impairment reversal</b> | <b>Total</b> |
| Computer software   | 29,534                 | 7,950            | (349)            | (7,700)             | 4,290                      | 33,725       |

**Reconciliation of intangible assets - Company - 2010**

|                   | Opening balance | Additions | Additions through business combination | Amortisation | Total  |
|-------------------|-----------------|-----------|--|--------------|--------|
| Computer software | 22,657          | 10,285    | 821                                    | (4,229)      | 29,534 |

**6. Investments in subsidiary**

| Company   | % holding 2011 | % holding 2010 | Carrying value 2011 | Carrying value 2010 |
|---|----------------|----------------|---------------------|---------------------|
| NamPost Financial Brokers (Pty) Ltd - Share Capital | 100.00 %       | 100.00 %       | 1                   | 1                   |
| Loan to NamPost Financial Brokers (Pty) Ltd         |                |                | 21,490              | 7,338               |
|   |                |                | 21,491              | 7,339               |

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

**7. Investment in joint ventures**

| Name of company                            | Listed / Unlisted | % holding 2011 | % holding 2010 | Carrying value 2011 | Carrying value 2010 |
|--|-------------------|----------------|----------------|---------------------|---------------------|
| SmartSwitch Namibia (Pty) Ltd - investment | Unlisted          | 50.00 %        | 50.00 %        | 12,000              | 12,000              |
| SmartSwitch Namibia (Pty) Ltd - loan       | Unlisted          |                |                | 1,937               | 3,816               |
|  |                   |                |                | 13,937              | 15,816              |

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

|  | GROUP |      | COMPANY |      |
|--|-------|------|---------|------|
|  | 2011  | 2010 | 2011    | 2010 |

**8. Loans to joint ventures**

|                               |     |       |   |   |
|-------------------------------|-----|-------|---|---|
| SmartSwitch Namibia (Pty) Ltd | 969 | 1,908 | - | - |
|-------------------------------|-----|-------|---|---|

As at 30 September 2011, the loan attracted interest of 9% (2010: 9.5%), which represents the prime lending rate as quoted by Nedbank.

The loan is unsecured.

Repayment of capital and interest previously accrued on the loan has commenced in accordance with an approved repayment schedule during July 2010.

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**NOTES TO THE FINANCIAL STATEMENTS**

|   | GROUP            |                  | COMPANY          |                  |
|---|------------------|------------------|------------------|------------------|
|   | 2011<br>N\$ '000 | 2010<br>N\$ '000 | 2011<br>N\$ '000 | 2010<br>N\$ '000 |
| <b>9. Other financial assets</b>  |                  |                  |                  |                  |
| <b>At fair value through profit or loss - designated</b>  |                  |                  |                  |                  |
| Listed shares   | 686              | -                | 686              | -                |
| The listed investments comprises of shares in Sanlam Limited (11,191 shares) and Old Mutual Plc (14,400 shares) |                  |                  |                  |                  |
| Unit trusts   | 882,149          | -                | 882,149          | -                |
| Bonds   | 1,064,758        | -                | 1,064,758        | -                |
| Fixed term deposits and call accounts   | 333,500          | -                | 333,500          | -                |
|   | <b>2,281,093</b> | <b>-</b>         | <b>2,281,093</b> | <b>-</b>         |
| <b>Available-for-sale</b>   |                  |                  |                  |                  |
| Listed shares   | -                | 167              | -                | 167              |
| The listed investments comprises of shares in Sanlam Limited (11,191 shares) and Old Mutual Plc (14,400 shares) |                  |                  |                  |                  |
| Unit trusts   | -                | 650,125          | -                | 650,125          |
| Bonds   | -                | 699,325          | -                | 699,325          |
| Fixed term deposits and call accounts   | -                | 235,933          | -                | 235,933          |
|   | <b>-</b>         | <b>1,585,550</b> | <b>-</b>         | <b>1,585,550</b> |
| <b>Total other financial assets</b>   | <b>2,281,093</b> | <b>1,585,550</b> | <b>2,281,093</b> | <b>1,585,550</b> |
| None of the available-for-sale investments above are either past due or impaired.                               |                  |                  |                  |                  |
| <b>Non-current assets</b>   |                  |                  |                  |                  |
| At fair value through profit or loss  | 569,114          | -                | 569,114          | -                |
| Available-for-sale  | -                | 695,770          | -                | 695,770          |
|   | <b>569,114</b>   | <b>695,770</b>   | <b>569,114</b>   | <b>695,770</b>   |
| <b>Current assets</b>   |                  |                  |                  |                  |
| At fair value through profit or loss  | 1,711,979        | -                | 1,711,979        | -                |
| Available-for-sale  | -                | 889,780          | -                | 889,780          |
|   | <b>1,711,979</b> | <b>889,780</b>   | <b>1,711,979</b> | <b>889,780</b>   |
|   | <b>2,281,093</b> | <b>1,585,550</b> | <b>2,281,093</b> | <b>1,585,550</b> |

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.
- Fair values are determined monthly.

**Fair value hierarchy of financial assets**

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).

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|  | GROUP    |          | COMPANY  |          |
|--|----------|----------|----------|----------|
|  | 2011     | 2010     | 2011     | 2010     |
|  | N\$ '000 | N\$ '000 | N\$ '000 | N\$ '000 |

**9. Other financial assets (continued)**

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

**Level 1**

|               |                |                |                |                |
|---------------|----------------|----------------|----------------|----------------|
| Listed shares | 686            | 167            | 686            | 167            |
| Unit Trusts   | 538,629        | 650,125        | 538,629        | 650,125        |
|               | <b>539,315</b> | <b>650,292</b> | <b>539,315</b> | <b>650,292</b> |

**Level 2**

|                                       |                  |                  |                  |                  |
|---------------------------------------|------------------|------------------|------------------|------------------|
| Bonds                                 | 1,064,758        | 699,325          | 1,064,758        | 699,325          |
| Fixed term deposits and call accounts | 677,020          | 235,933          | 677,020          | 235,933          |
|                                       | <b>1,741,778</b> | <b>935,258</b>   | <b>1,741,778</b> | <b>935,258</b>   |
|                                       | <b>2,281,093</b> | <b>1,585,550</b> | <b>2,281,093</b> | <b>1,585,550</b> |

**Credit quality of other financial assets**

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

**Financial instruments at fair value through profit or loss**

**Credit rating**

|  |                  |          |                  |          |
|--|------------------|----------|------------------|----------|
| Bank Windhoek Limited AA (Global credit rating)          | 499,456          | -        | 499,456          | -        |
| Standard Bank Namibia Limited BBB+ (Fitch credit rating) | 127,890          | -        | 127,890          | -        |
| Namibian Government BBB- (Fitch credit rating)           | 827,704          | -        | 827,704          | -        |
| Entities with no external credit rating                  | 826,043          | -        | 826,043          | -        |
|  | <b>2,281,093</b> | <b>-</b> | <b>2,281,093</b> | <b>-</b> |

**Available-for-sale financial assets**

**Credit rating**

|  |          |                  |          |                  |
|--|----------|------------------|----------|------------------|
| Bank Windhoek Limited AA (Global credit rating)          | -        | 205,958          | -        | 205,958          |
| First National Bank AA+ (Fitch credit rating)            | -        | 79,371           | -        | 79,371           |
| Standard Bank Namibia Limited BBB+ (Fitch credit rating) | -        | 98,373           | -        | 98,373           |
| Namibian Government BBB- (Fitch credit rating)           | -        | 315,744          | -        | 315,744          |
| Entities with no external credit rating                  | -        | 886,104          | -        | 886,104          |
|  | <b>-</b> | <b>1,585,550</b> | <b>-</b> | <b>1,585,550</b> |

# NAMIBIA POST LIMITED AND ITS SUBSIDIARY

## FINANCIAL STATEMENTS FOR THE YEAR ENDED

30 SEPTEMBER 2011

### NOTES TO THE FINANCIAL STATEMENTS

|  | GROUP            |                  | COMPANY          |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2011<br>N\$ '000 | 2010<br>N\$ '000 | 2011<br>N\$ '000 | 2010<br>N\$ '000 |

#### 9. Other financial assets (continued)

##### Other financial assets consists of:

|   |                  |                  |                  |                  |
|---|------------------|------------------|------------------|------------------|
| Fair value through profit/loss financial assets | 2,281,093        | -                | 2,281,093        | -                |
| Available-for-sale financial assets             | -                | 1,585,550        | -                | 1,585,550        |
|   | <b>2,281,093</b> | <b>1,585,550</b> | <b>2,281,093</b> | <b>1,585,550</b> |

##### Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired that have no credit ratings can be assessed by reference to historical information about counterparty default rates. No defaults have been experienced to date from these counter parties.

#### 10. Financial assets by category

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

##### Financial assets at fair value

|   |                  |                  |                  |                  |
|---|------------------|------------------|------------------|------------------|
| Other financial assets: Fair value through profit/loss      | 2,281,093        | -                | 2,281,093        | -                |
| Other financial assets: Available-for-sale financial assets | -                | 1,585,550        | -                | 1,585,550        |
|   | <b>2,281,093</b> | <b>1,585,550</b> | <b>2,281,093</b> | <b>1,585,550</b> |

##### Financial assets at amortised cost

|  |                |                |                |                |
|--|----------------|----------------|----------------|----------------|
| Trade and other receivable (excluding prepayments and VAT) | 86,705         | 44,009         | 71,881         | 39,043         |
| Cash and cash equivalents                                  | 57,803         | 85,081         | 54,773         | 82,734         |
| Loans to group companies                                   | 969            | 1,908          | -              | -              |
| Loans to joint ventures                                    | -              | -              | 1,930          | 3,816          |
| Loans to subsidiaries                                      | -              | -              | 21,490         | 7,338          |
|  | <b>145,477</b> | <b>130,998</b> | <b>150,074</b> | <b>132,931</b> |

#### 11. Deferred tax

##### Deferred tax asset / (liability)

|  |               |               |               |               |
|--|---------------|---------------|---------------|---------------|
| Accelerated capital allowances for tax purposes                | (1,746)       | (7,763)       | (4,715)       | (7,150)       |
| Retirement benefit obligation                                  | 9,424         | 8,732         | 9,424         | 8,732         |
| Provisions and allowances                                      | 8,355         | 7,899         | 8,355         | 7,899         |
| Fair value adjustments   | 4,240         | (4,042)       | 4,240         | (4,042)       |
| Tax losses available for set off against future taxable income | -             | 8,601         | -             | 4,383         |
| Income received in advance                                     | 4,008         | 4,625         | 4,008         | 4,625         |
| Finance lease liabilities                                      | -             | 343           | -             | 343           |
| Other  | (3,499)       | (1,823)       | (3,499)       | (1,871)       |
|  | <b>20,782</b> | <b>16,572</b> | <b>17,813</b> | <b>12,919</b> |

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|  | GROUP            |                  | COMPANY          |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2011<br>N\$ '000 | 2010<br>N\$ '000 | 2011<br>N\$ '000 | 2010<br>N\$ '000 |
| <b>11. Deferred tax (continued)</b>  |                  |                  |                  |                  |
| <b>Reconciliation of deferred tax asset / (liability)</b>                  |                  |                  |                  |                  |
| At beginning of the year   | 16,572           | 32,096           | 12,919           | 28,468           |
| Decrease in tax losses available for set off against future taxable income | -                | (8,213)          | -                | (7,780)          |
| Originating / (reversing) temporary difference on tangible fixed assets    | 2,551            | (3,432)          | 2,435            | (2,907)          |
| Reversing temporary difference on income in advance                        | 617              | -                | 617              | -                |
| Originating temporary difference on retirement benefit obligation          | 1,092            | 1,464            | 692              | 1,464            |
| Originating / (reversing) temporary difference on fair value adjustments   | 4,240            | (6,438)          | 4,240            | (6,438)          |
| Originating temporary differences on provisions and accruals               | 456              | 1,006            | 456              | 1,018            |
| Originating differences on finance lease liabilities                       | -                | (906)            | -                | (906)            |
| Other  | (4,746)          | 995              | (3,546)          | -                |
|  | <b>20,782</b>    | <b>16,572</b>    | <b>17,813</b>    | <b>12,919</b>    |

**Recognition of deferred tax asset**

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

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

**Deferred tax is disclosed as follows:**

|                         |               |               |               |               |
|-------------------------|---------------|---------------|---------------|---------------|
| Non-current assets      | 28,996        | 30,734        | 26,027        | 25,982        |
| Non-current liabilities | (8,214)       | (14,162)      | (8,214)       | (13,063)      |
|                         | <b>20,782</b> | <b>16,572</b> | <b>17,813</b> | <b>12,919</b> |

**12. Retirement benefits**

**Defined medical benefit plan**

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

The plan is a final post employment medical benefit plan.

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|   | GROUP            |                  | COMPANY          |                  |
|---|------------------|------------------|------------------|------------------|
|   | 2011<br>N\$ '000 | 2010<br>N\$ '000 | 2011<br>N\$ '000 | 2010<br>N\$ '000 |
| <b>12. Retirement benefits (continued)</b>                      |                  |                  |                  |                  |
| <b>Carrying value</b>   |                  |                  |                  |                  |
| Present value of the defined benefit obligation-wholly unfunded | (27,718)         | (25,681)         | (27,718)         | (25,681)         |
| Non-current liabilities   | (27,274)         | (25,213)         | (27,274)         | (25,213)         |
| Current liabilities   | (444)            | (468)            | (444)            | (468)            |
|   | <b>(27,718)</b>  | <b>(25,681)</b>  | <b>(27,718)</b>  | <b>(25,681)</b>  |
| <b>Movements for the year</b>                                   |                  |                  |                  |                  |
| Opening balance   | (25,681)         | (20,767)         | (25,681)         | (20,767)         |
| Benefits paid   | 444              | 468              | 444              | 468              |
| Net expense charged   | (2,481)          | (5,382)          | (2,481)          | (5,382)          |
|   | <b>(27,718)</b>  | <b>(25,681)</b>  | <b>(27,718)</b>  | <b>(25,681)</b>  |
| <b>Net expense recognised in the income statement</b>           |                  |                  |                  |                  |
| Current service cost  | (1,129)          | (1,033)          | (1,129)          | (1,033)          |
| Interest cost   | (2,048)          | (2,180)          | (2,048)          | (2,180)          |
| Actuarial (losses)/ gains                                       | 1,148            | (1,394)          | 1,148            | (1,394)          |
| Miscellaneous items   | (452)            | (775)            | (452)            | (775)            |
|   | <b>(2,481)</b>   | <b>(5,382)</b>   | <b>(2,481)</b>   | <b>(5,382)</b>   |

**Key assumptions used**

Assumptions used on last valuation on 30 September 2011.

|                                 |        |        |        |        |
|---------------------------------|--------|--------|--------|--------|
| Normal retirement age           | 60     | 60     | 60     | 60     |
| Expected average retirement age | 59     | 59     | 59     | 59     |
| Discount rate                   | 8.60 % | 7.98 % | 8.60 % | 7.98 % |
| Health care cost inflation      | 7.60 % | 5.98 % | 7.60 % | 5.98 % |

A statutory actuarial valuation was carried out as at 30 September 2011.

**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 contribution amounts to 16% of basic salary.



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|  | GROUP         |               | COMPANY       |               |
|--|---------------|---------------|---------------|---------------|
|  | 2011          | 2010          | 2011          | 2010          |
|  | N\$ '000      | N\$ '000      | N\$ '000      | N\$ '000      |
| <b>12. Retirement benefits (continued)</b>   |               |               |               |               |
| The Napotel Pension Fund converted from a defined benefit plan to a defined contribution plan with effect 1 October 1997. A statutory actuarial valuation was carried out as at 30 September 2009, which indicate that the fund was found in a sound financial position. In addition a financial review was performed in 2008 which indicated that the fund was in sound financial position. Such financial reviews are performed every three years. |               |               |               |               |
| <b>13. Inventories</b>   |               |               |               |               |
| Goods for resale   | 20,310        | 16,430        | 20,310        | 16,430        |
| Stamps   | 2,272         | 2,470         | 2,272         | 2,470         |
| Stationery   | 2,479         | 3,563         | 2,479         | 3,563         |
| Smartcards on hand   | 319           | 287           | 319           | 287           |
| Other inventories for sale   | 882           | 1,138         | 369           | 761           |
|  | <b>26,262</b> | <b>23,888</b> | <b>25,749</b> | <b>23,511</b> |

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

**14. Trade and other receivables**

|  |               |               |               |               |
|--|---------------|---------------|---------------|---------------|
| Trade receivables                                  | 75,313        | 36,561        | 60,600        | 31,712        |
| Employee loans                                     | 2,264         | 1,286         | 2,264         | 1,286         |
| Prepayments  | 1,931         | 1,903         | 1,767         | 1,690         |
| Deposits   | 10            | 10            | -             | -             |
| VAT  | -             | 196           | -             | 187           |
| Interest receivable                                | 46            | 65            | 46            | 65            |
| Other receivables                                  | 7,913         | 5,984         | 7,913         | 5,980         |
| Investment in International Mail Processing Centre | 1,159         | 103           | 1,058         | -             |
|  | <b>88,636</b> | <b>46,108</b> | <b>73,648</b> | <b>40,920</b> |

**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:

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|   | GROUP         |               | COMPANY       |               |
|---|---------------|---------------|---------------|---------------|
|   | 2011          | 2010          | 2011          | 2010          |
|   | N\$ '000      | N\$ '000      | N\$ '000      | N\$ '000      |
| <b>14. Trade and other receivables (continued)</b>                    |               |               |               |               |
| <b>Trade receivables</b>  |               |               |               |               |
| <b>Counterparties without external credit rating</b>                  |               |               |               |               |
| State Owned Entities (existing clients with no history of defaults)   | 5,918         | 4,061         | 5,918         | 4,061         |
| State Owned Entities (existing clients with history of defaults)      | 372           | 520           | 372           | 520           |
| Government departments (existing clients with no history of defaults) | 33,385        | 6,305         | 33,385        | 6,305         |
| Government departments (existing clients with history of defaults)    | 693           | 6,928         | 693           | 6,928         |
| Big corporate clients (existing clients with no history of defaults)  | 15,078        | 9,942         | 15,078        | 9,942         |
| Big corporate clients (existing clients with history of defaults)     | 5,704         | 5,675         | 5,704         | 5,675         |
| Private individuals (existing clients with no history of defaults)    | 9,516         | 6,933         | 9,516         | 6,933         |
| Private individuals (existing clients with history of defaults)       | 17,970        | 5,744         | 2,982         | 556           |
|   | <b>88,636</b> | <b>46,108</b> | <b>73,648</b> | <b>40,920</b> |

**Trade and other receivables past due but not impaired**

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

|                   |               |               |               |               |
|-------------------|---------------|---------------|---------------|---------------|
| 1 month past due  | 4,985         | 6,938         | 4,731         | 6,938         |
| 2 months past due | 2,080         | 3,951         | 1,896         | 3,951         |
| 3 months past due | 59,854        | 11,001        | 60,005        | 6,152         |
|                   | <b>66,919</b> | <b>21,890</b> | <b>66,632</b> | <b>17,041</b> |

**Trade and other receivables impaired**

As of 30 September 2011, trade and other receivables of N\$ 16,3 million (2010: N\$ 14,7 million) were impaired and provided for.

The amount of the provision was N\$ 16,3 million as of 30 September 2011 (2010: N\$ 14,7 million).

The ageing of these loans is as follows:

|               |        |        |        |        |
|---------------|--------|--------|--------|--------|
| 3 to 6 months | 16,329 | 14,671 | 16,329 | 14,671 |
|---------------|--------|--------|--------|--------|

**Reconciliation of provision for impairment of trade and other receivables**

|                                      |               |               |               |               |
|--------------------------------------|---------------|---------------|---------------|---------------|
| Opening balance                      | 14,671        | 13,208        | 14,671        | 13,208        |
| Provision for impairment             | 1,658         | 6,767         | 1,658         | 6,767         |
| Amounts written off as uncollectable | -             | (5,304)       | -             | (5,304)       |
|                                      | <b>16,329</b> | <b>14,671</b> | <b>16,329</b> | <b>14,671</b> |

The creation and release of provision for impaired receivables have been included in operating expenses in the income statement (note 25). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

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|--|------------------|------------------|------------------|------------------|
|  | 2011<br>N\$ '000 | 2010<br>N\$ '000 | 2011<br>N\$ '000 | 2010<br>N\$ '000 |

**14. Trade and other receivables (continued)**

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

**15. Cash and cash equivalents**

Cash and cash equivalents consist of:

|               |               |               |               |               |
|---------------|---------------|---------------|---------------|---------------|
| Cash on hand  | 19,730        | 16,803        | 19,277        | 16,697        |
| Bank balances | 38,073        | 68,278        | 35,496        | 66,037        |
|               | <b>57,803</b> | <b>85,081</b> | <b>54,773</b> | <b>82,734</b> |

Cash and cash equivalents held by the entity belonging to Savings bank customers and are not available for use by the group.

|  |        |        |        |        |
|--|--------|--------|--------|--------|
|  | 11,173 | 12,259 | 11,173 | 12,259 |
|--|--------|--------|--------|--------|

The company has an undrawn bank overdraft facilities of N\$ 9,2 million (2010:N\$ 9.2 million) applicable to all current accounts. The overdraft facilities is unsecured.

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

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

**Credit rating**

|   |               |               |               |               |
|---|---------------|---------------|---------------|---------------|
| Standard Bank Namibia Limited - BBB+(Fitch credit rating) | 34,996        | 64,914        | 32,807        | 62,846        |
| Bank Windhoek Limited - AA (Global credit ratings)        | 2,703         | 3,191         | 2,689         | 3,191         |
| Nedbank Namibia Limited - BBB (Fitch credit rating)       | 374           | 173           | -             | -             |
|   | <b>38,073</b> | <b>68,278</b> | <b>35,496</b> | <b>66,037</b> |

**16. Share capital**

**Authorised**

|   |        |        |        |        |
|---|--------|--------|--------|--------|
| 50,000,000 Ordinary shares of N\$1 each | 50,000 | 50,000 | 50,000 | 50,000 |
|---|--------|--------|--------|--------|

**Issued**

|  |       |       |       |       |
|--|-------|-------|-------|-------|
| Ordinary (5,075,000 shares of N\$1 each) | 5,075 | 5,075 | 5,075 | 5,075 |
|--|-------|-------|-------|-------|

**17. Fair value adjustment assets-available-for-sale reserve**

The fair value adjustment assets available for sale reserve comprises all fair value adjustments on available for sale financial instruments. When an asset or liability is derecognised, the fair value adjustment relating to that asset or liability is transferred to profit or loss.

|  |   |       |   |       |
|--|---|-------|---|-------|
| Available-for-sale financial instruments | - | 7,894 | - | 7,894 |
|--|---|-------|---|-------|

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|--|------------------|------------------|------------------|------------------|
|  | 2011<br>N\$ '000 | 2010<br>N\$ '000 | 2011<br>N\$ '000 | 2010<br>N\$ '000 |
| <b>18. Finance lease obligation</b>            |                  |                  |                  |                  |
| <b>Minimum lease payments due</b>              |                  |                  |                  |                  |
| - within one year                              | -                | 520              | -                | 1,040            |
|  | -                | 520              | -                | 1,040            |
| less: future finance charges                   |                  | -                | (15)             | (30)             |
| <b>Present value of minimum lease payments</b> | <b>-</b>         | <b>505</b>       | <b>-</b>         | <b>1,010</b>     |

A rental agreement exist between Namibia Post Limited and SmartSwitch Namibia (Pty) Ltd. The substance of the agreement is a finance lease. The rentals were discounted over a period of 5 years at 11.25% (2010: 11.25%). The instalment is N\$240 000 (2010: N\$240 000) per month.

**19. Interest bearing borrowings**

1. A loan was taken out with Kreditanstalt Für Wiederaufbau ("KfW") The loan is issued in Euros and is repayable in half yearly instalments of 15,000 Euros commencing 30 June 2015. The initial amount borrowed was 883,767 Euros. The loan accrues interest at 0.75%. The effective interest rate (based on the market rates) on the loan is 4% (2010: 4%). The loan is unsecured.

2. A second loan was taken out with Development Bank of Namibia. At year-end the average interest rate was 9% (2010: 9%) and is repayable in monthly installments of N\$ 324 069 (2010:N\$ 324 069). Interest is charged at prime less 2.25%. The loan has a grace period for repayment of 12 months. The loan is secured by government bonds to the value of N\$9 million. The loan was repaid fully in the current year.

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

4. The company entered into a sale and repurchase agreement with Sanlam Namibia in terms of which a Bond ( GC15 principal Government Bond issued by the Government of Namibia with a face value of N\$30 million, a maturity date of 15 April 2015 and a rate of 9.10%) was sold to Sanlam and will be repurchased by Namibia Post on 29 August 2014. The fair value of the Bond included in other financial assets is N\$22,4 million.

**Kreditanstalt für Wiederaufbau ("KfW") loan**

|                          |       |       |       |       |
|--------------------------|-------|-------|-------|-------|
| Total amount outstanding | 5,556 | 4,881 | 5,556 | 4,881 |
|--------------------------|-------|-------|-------|-------|

**Movement of Kreditanstalt für Wiederaufbau ("KfW") loan**

|                                   |              |              |              |              |
|-----------------------------------|--------------|--------------|--------------|--------------|
| Opening balance                   | 4,881        | 5,422        | 4,881        | 5,422        |
| Interest expense                  | 201          | 192          | 201          | 192          |
| Interest paid                     | (33)         | -            | (33)         | -            |
| Foreign exchange (gains) / losses | 507          | (733)        | 507          | (733)        |
|                                   | <b>5,556</b> | <b>4,881</b> | <b>5,556</b> | <b>4,881</b> |

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|---|------------------|------------------|------------------|------------------|
|   | 2011<br>N\$ '000 | 2010<br>N\$ '000 | 2011<br>N\$ '000 | 2010<br>N\$ '000 |
| <b>Development Bank of Namibia loan</b>                 |                  |                  |                  |                  |
| Current   | -                | 2,523            | -                | 2,523            |
| <b>Net1 U.E.P.S loan</b>                                |                  |                  |                  |                  |
| Opening balance   | 1,913            | 4,873            | -                | -                |
| Interest accrued  | -                | 192              | -                | -                |
| Repayments made   | (944)            | (3,152)          | -                | -                |
|   | <b>969</b>       | <b>1,913</b>     | -                | -                |
| <b>Repurchase liability</b>                             |                  |                  |                  |                  |
| Non-current   | 22,395           | -                | 22,395           | -                |
| <b>Interest bearing borrowing disclosed as follows:</b> |                  |                  |                  |                  |
| Non-current portion                                     | 27,951           | 4,881            | 27,951           | 4,881            |
| Current portion   | 969              | 4,436            | -                | 2,523            |
|   | <b>28,920</b>    | <b>9,317</b>     | <b>27,951</b>    | <b>7,404</b>     |

**20. Savings bank investors**

**Composition of savings bank investors:**

|                          |                  |                  |                  |                  |
|--------------------------|------------------|------------------|------------------|------------------|
| Savings accounts         | 320,241          | 285,743          | 320,241          | 285,743          |
| Save-as-you-earn         | 1,503            | 1,187            | 1,503            | 1,187            |
| Fixed term deposits      | 1,910,945        | 1,254,277        | 1,916,815        | 1,255,244        |
| Call and Notice accounts | 17,275           | 7,006            | 17,275           | 7,006            |
| Mychoice accounts        | 17,634           | 26,950           | 17,634           | 26,950           |
|                          | <b>2,267,598</b> | <b>1,575,163</b> | <b>2,273,468</b> | <b>1,576,130</b> |

Savings certificates have been discontinued during the year ended 30 September 2010. They have been replaced with MyChoice accounts.

The current and long term portions of the portfolio is split as follows:

|                     |                  |                  |                  |                  |
|---------------------|------------------|------------------|------------------|------------------|
| Non-current portion | 80,266           | 69,796           | 80,266           | 69,796           |
| Current portion     | 2,187,332        | 1,505,367        | 2,193,202        | 1,506,334        |
|                     | <b>2,267,598</b> | <b>1,575,163</b> | <b>2,273,468</b> | <b>1,576,130</b> |

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|---|------------------|------------------|------------------|------------------|
|   | 2011<br>N\$ '000 | 2010<br>N\$ '000 | 2011<br>N\$ '000 | 2010<br>N\$ '000 |
| <b>21. Trade and other payables</b>                   |                  |                  |                  |                  |
| Trade payables  | 21,616           | 27,614           | 21,229           | 27,513           |
| Amounts received in advance                           | 6,596            | 7,073            | 6,592            | 7,073            |
| VAT   | 588              | 54               | 192              | -                |
| Sundry creditors                                      | 9,803            | 11,843           | 9,173            | 11,317           |
| Payables to fellow subsidiaries and holding companies | 767              | 3,334            | 767              | 3,334            |
| Payroll related accruals                              | 13,473           | 13,083           | 13,473           | 13,083           |
| Sundry accruals                                       | 114              | 76               | -                | -                |
| Agency creditors                                      | 48,137           | 42,660           | 48,137           | 42,660           |
| Surplus cash  | 5,158            | 6,502            | 5,158            | 6,502            |
|   | <b>106,252</b>   | <b>112,239</b>   | <b>104,721</b>   | <b>111,482</b>   |

**22. Financial liabilities by category**

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

**At amortised cost**

|                             |                  |                  |                  |                  |
|-----------------------------|------------------|------------------|------------------|------------------|
| Interest bearing borrowings | 28,920           | 9,317            | 27,951           | 7,404            |
| Trade and other payables    | 106,252          | 112,239          | 104,721          | 111,482          |
| Savings bank investors      | 2,267,598        | 1,575,163        | 2,273,468        | 1,576,130        |
| Finance lease obligation    | -                | 505              | -                | 1,010            |
|                             | <b>2,402,770</b> | <b>1,697,224</b> | <b>2,406,140</b> | <b>1,696,026</b> |

**23. Revenue**

|                       |                |                |                |                |
|-----------------------|----------------|----------------|----------------|----------------|
| Sale of goods         | 188,341        | 150,539        | 188,341        | 150,539        |
| Rendering of services | 473,097        | 351,064        | 464,069        | 343,918        |
| Agency fees           | 15,489         | 9,711          | 15,481         | 9,710          |
|                       | <b>676,927</b> | <b>511,314</b> | <b>667,891</b> | <b>504,167</b> |

**24. Cost of sales**

|                    |                |                |                |                |
|--------------------|----------------|----------------|----------------|----------------|
| Sale of goods      |                |                |                |                |
| Cost of goods sold | 172,489        | 135,809        | 172,489        | 135,809        |
| Philately sales    | 411            | 230            | 411            | 230            |
| Distribution costs | 682            | 3,441          | 682            | 3,441          |
| Other              | 9,615          | 8,607          | 8,980          | 7,644          |
|                    | <b>183,197</b> | <b>148,087</b> | <b>182,562</b> | <b>147,124</b> |

**Rendering of services**

|                               |                |                |                |                |
|-------------------------------|----------------|----------------|----------------|----------------|
| Savings bank interest expense | 208,915        | 110,321        | 208,915        | 110,321        |
| Other                         | 31,048         | 9,017          | 31,047         | 8,746          |
|                               | <b>239,963</b> | <b>119,338</b> | <b>239,962</b> | <b>119,067</b> |
|                               | <b>423,160</b> | <b>267,425</b> | <b>422,524</b> | <b>266,191</b> |

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|---|------------------|------------------|------------------|------------------|
|   | 2011<br>N\$ '000 | 2010<br>N\$ '000 | 2011<br>N\$ '000 | 2010<br>N\$ '000 |
| <b>25. Operating profit</b>   |                  |                  |                  |                  |
| Operating profit for the year is stated after accounting for the following: |                  |                  |                  |                  |
| <b>Expenses by nature consist of:</b>                                       |                  |                  |                  |                  |
| Cost of sales   | 423,160          | 267,425          | 422,524          | 266,191          |
| Operating expenses  | 225,493          | 232,432          | 220,361          | 226,920          |
|   | <b>648,653</b>   | <b>499,857</b>   | <b>642,885</b>   | <b>493,111</b>   |
| <b>Expenses by nature</b>   |                  |                  |                  |                  |
| Consultancy and professional fees   | 4,204            | 3,975            | 4,146            | 3,355            |
| Cost of MTC, Leo and Telecom telecards                                      | 172,489          | 135,809          | 172,489          | 135,809          |
| Depreciation and amortisation   | 9,357            | 10,214           | 8,396            | 8,831            |
| Employee costs  | 122,629          | 121,133          | 120,157          | 119,224          |
| I.T. expenses   | 10,060           | 10,314           | 9,993            | 10,314           |
| Motor vehicle expenses  | 1,422            | 11,883           | 1,401            | 11,883           |
| Other operating expenses  | 298,671          | 167,602          | 296,797          | 164,984          |
| Operating lease rentals   | 18,320           | 26,021           | 18,045           | 25,805           |
| Provision for bad debts   | 1,290            | 3,127            | 1,290            | 3,127            |
| Security and utilities  | 10,211           | 9,779            | 10,171           | 9,779            |
|   | <b>648,653</b>   | <b>499,857</b>   | <b>642,885</b>   | <b>493,111</b>   |
| <b>Operating lease charges</b>  |                  |                  |                  |                  |
| Contractual amounts   |                  |                  |                  |                  |
| • Premises  | 15,753           | 14,507           | 15,597           | 14,351           |
| • Motor vehicles  | 1,416            | 10,103           | 1,416            | 10,103           |
| • Equipment   | 1,151            | 1,411            | 1,032            | 1,351            |
|   | <b>18,320</b>    | <b>26,021</b>    | <b>18,045</b>    | <b>25,805</b>    |
| Profit on sale of property, plant and equipment                             | 97               | 1                | 97               | 1                |
| Profit share from International Mail Processing Centre                      | 13               | 103              | -                | -                |
| Reversal of impairment on property, plant and equipment                     | (95)             | 685              | (95)             | 685              |
| Reversal of impairment on intangible assets                                 | 4,291            | -                | 4,291            | -                |
| (Loss) profit on exchange differences                                       | (195)            | 718              | (195)            | 718              |
| Amortisation on intangible assets   | 2,077            | 3,949            | 1,481            | 3,358            |
| Depreciation on property, plant and equipment                               | 10,939           | 6,265            | 11,205           | 5,473            |
| Employee costs  | 122,629          | 121,133          | 120,157          | 119,222          |

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|--|------------------|------------------|------------------|------------------|
|  | 2011<br>N\$ '000 | 2010<br>N\$ '000 | 2011<br>N\$ '000 | 2010<br>N\$ '000 |
| <b>25. Operating profit (continued)</b>                                    |                  |                  |                  |                  |
| <b>Net gains (losses) on financial instruments:</b>                        |                  |                  |                  |                  |
| Profit on sales of available-for-sale financial assets.                    | -                | 1,841            | -                | 1,841            |
| Interest income from available-for-sale investments                        | 75,237           | 119,930          | 75,237           | 119,930          |
| Savings bank fee income  | 35,819           | 29,982           | 35,819           | 29,982           |
| Interest expense   | (194,517)        | (110,321)        | (194,517)        | (110,321)        |
| Cost of sales  | 423,160          | 267,425          | 422,524          | 266,191          |
| Employee costs   | 122,629          | 121,133          | 120,157          | 119,222          |
| Depreciation, amortisation and impairments                                 | 8,820            | 9,529            | 8,490            | 8,146            |
| Advertising  | 4,142            | 2,681            | 4,105            | 2,653            |
| Lease rentals on operating lease   | 18,320           | 26,021           | 18,045           | 25,805           |
| Transport and freight  | 17               | 24               | -                | -                |
| Other expenses   | 71,564           | 73,043           | 69,563           | 71,094           |
| <b>Total distribution costs and administrative expenses</b>                | <b>225,492</b>   | <b>232,431</b>   | <b>220,360</b>   | <b>226,920</b>   |
| <b>Total cost of sales, distribution costs and administrative expenses</b> | <b>648,652</b>   | <b>499,856</b>   | <b>642,884</b>   | <b>493,111</b>   |
| <b>26. Finance income</b>  |                  |                  |                  |                  |
| <b>Interest revenue</b>  |                  |                  |                  |                  |
| Other  | 66               | 160              | 51               | -                |
| Bank   | 1,125            | 1,042            | 763              | 1,072            |
|  | <b>1,191</b>     | <b>1,202</b>     | <b>814</b>       | <b>1,072</b>     |
| <b>27. Finance costs</b>   |                  |                  |                  |                  |
| Non-current borrowings   | 201              | 206              | 201              | 206              |
| Bank   | 126              | 5                | 4                | 5                |
| Finance charges on finance leases  | 88               | 301              | 88               | 301              |
| Installment sales agreement  | 703              | 320              | 30               | 320              |
|  | <b>1,118</b>     | <b>832</b>       | <b>323</b>       | <b>832</b>       |
| <b>28. Income tax expense</b>  |                  |                  |                  |                  |
| <b>Major components of the tax expense / (income)</b>                      |                  |                  |                  |                  |
| <b>Current</b>   |                  |                  |                  |                  |
| Local income tax - current period  | 4,208            | -                | 4,208            | -                |



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|--|------------------|------------------|------------------|------------------|
|  | 2011<br>N\$ '000 | 2010<br>N\$ '000 | 2011<br>N\$ '000 | 2010<br>N\$ '000 |
| <b>28. Income tax expense (continued)</b>                        |                  |                  |                  |                  |
| <b>Deferred</b>  |                  |                  |                  |                  |
| Current year   | 792              | 4,999            | 113              | 4,722            |
| Arising from prior period adjustments                            | 281              | 4,388            | 281              | 4,388            |
|  | <b>1,073</b>     | <b>9,387</b>     | <b>394</b>       | <b>9,110</b>     |
|  | <b>5,281</b>     | <b>9,387</b>     | <b>4,602</b>     | <b>9,110</b>     |
| <b>Reconciliation of the income tax expense</b>                  |                  |                  |                  |                  |
| Reconciliation between accounting profit and tax expense.        |                  |                  |                  |                  |
| Accounting profit  | 17,973           | 14,954           | 15,123           | 13,951           |
| Tax at the applicable tax rate of 34%<br>(2010: 34%)             | 6,111            | 5,084            | 5,142            | 4,743            |
| <b>Tax effect of adjustments on taxable income</b>               |                  |                  |                  |                  |
| Non-taxable income   | (2,868)          | (3,492)          | (2,868)          | (3,492)          |
| Non-deductable expenses  | 1,757            | 3,407            | 2,047            | 3,471            |
| Prior period adjustment  | 281              | 4,388            | 281              | 4,388            |
|  | <b>5,281</b>     | <b>9,387</b>     | <b>4,602</b>     | <b>9,110</b>     |
| The income tax rate of 34% in both 2010 and 2011.                |                  |                  |                  |                  |
| Tax loss available for utilisation against future taxable income | 9,800            | 25,297           | -                | 12,891           |
| <b>29. Auditors' remuneration</b>                                |                  |                  |                  |                  |
| Fees   | 1,229            | 655              | 1,113            | 466              |
| Other services   | 100              | 107              | 100              | 107              |
|  | <b>1,329</b>     | <b>762</b>       | <b>1,213</b>     | <b>573</b>       |

**NAMIBIA POST LIMITED AND ITS SUBSIDIARY**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
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|  | GROUP            |                  | COMPANY          |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2011<br>N\$ '000 | 2010<br>N\$ '000 | 2011<br>N\$ '000 | 2010<br>N\$ '000 |
| <b>30. Cash (used in)/ generated from operations</b>   |                  |                  |                  |                  |
| Profit before taxation                                 | 17,973           | 14,954           | 15,123           | 13,951           |
| <b>Adjustments for:</b>                                |                  |                  |                  |                  |
| Depreciation, amortisation and impairment              | 13,016           | 10,214           | 12,686           | 8,831            |
| Profit on sale of assets                               | (97)             | (1)              | (97)             | (1)              |
| Interest received                                      | (1,191)          | (1,202)          | (814)            | (1,072)          |
| Finance costs  | 1,118            | 832              | 323              | 832              |
| Fair value adjustments                                 | 12,472           | -                | 12,472           | -                |
| Impairment reversals                                   | (4,196)          | (685)            | (4,196)          | (685)            |
| Movements in retirement benefit assets and liabilities | 2,037            | 4,914            | 2,037            | 4,914            |
| Other non-cash Property, Plant & Equipment movements   | 1,325            | 95               | 288              | 77               |
| Profit share from IMPC investment                      | -                | 103              | -                | -                |
| Impairments  | (1,716)          | -                | (899)            | -                |
| Deferred tax on prior year revaluation                 | (5,283)          | -                | (5,288)          | -                |
| <b>Changes in working capital:</b>                     |                  |                  |                  |                  |
| Inventories  | (2,374)          | (4,729)          | (2,238)          | (5,246)          |
| Trade and other receivables                            | (42,528)         | (2,904)          | (32,728)         | 1,639            |
| Trade and other payables                               | (5,987)          | 19,470           | (6,761)          | 20,171           |
|  | <b>(15,431)</b>  | <b>41,061</b>    | <b>(10,092)</b>  | <b>43,411</b>    |

**31. Business combinations**

**NamPost Financial Brokers (Pty) Ltd**

On 01 January 2010 the group acquired a further 50%, in addition to its existing 50%, of the voting equity interest of NamPost Financial Brokers (Pty) Ltd which resulted in the group obtaining control over NamPost Financial Brokers (Pty) Ltd. NamPost Financial Brokers (Pty) Ltd is principally involved in the financial services industry.

Goodwill of N\$ 903,000 arising from the acquisition consists largely of the synergies and economies of scale expected from combining the operations of the entities, as well as from intangible assets which did not qualify for separate recognition. Goodwill is not deductible for income tax purposes.

**Fair value of assets acquired and liabilities assumed**

|                                    |   |         |   |   |
|------------------------------------|---|---------|---|---|
| Property, plant and equipment      | - | 317     | - | - |
| Other financial assets             | - | 288     | - | - |
| Deferred tax                       | - | 486     | - | - |
| Trade and other receivables        | - | 16      | - | - |
| Cash and cash equivalents          | - | 89      | - | - |
| Shareholders loan                  | - | (1,763) | - | - |
| Trade and other payables           | - | (336)   | - | - |
| Total identifiable net liabilities | - | (903)   | - | - |

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|--|------------------|------------------|------------------|------------------|
|  | 2011<br>N\$ '000 | 2010<br>N\$ '000 | 2011<br>N\$ '000 | 2010<br>N\$ '000 |
| <b>31. Business combinations (continued)</b>                       |                  |                  |                  |                  |
| Fair value of equity interest held before the business combination | -                | 448              | -                | -                |
| Goodwill   | -                | 903              | -                | -                |
| <b>Total consideration</b>   | <b>-</b>         | <b>448</b>       | <b>-</b>         | <b>-</b>         |

**32. Commitments**

**Authorised capital expenditure**

**Already contracted for but not provided for**

|  |        |        |        |        |
|--|--------|--------|--------|--------|
| • Commitments in respect of contracts placed       | 4,475  | 14,141 | 4,475  | 14,141 |
| Not yet contracted for and authorised by directors | 37,669 | 14,975 | 37,669 | 14,975 |

It is intended to finance capital expenditure partially from working capital generated within the group profit and through external finance.

**Guarantees**

The group has issued the following guarantees:

|                              |           |            |           |            |
|------------------------------|-----------|------------|-----------|------------|
| Ministry of Finance          | 30        | 30         | 30        | 30         |
| Millennium Challenge Account | -         | 102        | -         | 102        |
|                              | <b>30</b> | <b>132</b> | <b>30</b> | <b>132</b> |

**Operating leases – as lessee (expense)**

|                                     |               |               |               |               |
|-------------------------------------|---------------|---------------|---------------|---------------|
| Minimum lease payments due          |               |               |               |               |
| - within one year                   | 13,669        | 8,013         | 13,298        | 8,013         |
| - in second to fifth year inclusive | 21,335        | 3,627         | 21,304        | 3,067         |
|                                     | <b>35,004</b> | <b>11,640</b> | <b>34,602</b> | <b>11,080</b> |

**33. Contingencies**

The company is a defendant in various legal actions. In the opinion of the directors, after taking appropriate legal advice, the outcome of such actions might give rise to losses amounting to the total amounts claimed plus legal costs not exceeding N\$ 1.3 million (2010: N\$ 621,582).

# NAMIBIA POST LIMITED AND ITS SUBSIDIARY

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|---|---|------------------|------------------|------------------|
|   | 2011<br>N\$ '000  | 2010<br>N\$ '000 | 2011<br>N\$ '000 | 2010<br>N\$ '000 |
| <b>34. Related parties</b>  |   |                  |                  |                  |
| Ultimate holding entity   | Government of the Republic of Namibia                     |                  |                  |                  |
| Holding company   | Namibia Post and Telecom Holdings Limited                 |                  |                  |                  |
| Subsidiary  | NamPost Financial Brokers (Pty) Ltd - Refer to note 6     |                  |                  |                  |
| Joint ventures  | SmartSwitch Namibia (Pty) Ltd - Refer to note 7           |                  |                  |                  |
| State-owned Enterprises   | Parastals, ministries and all government departments      |                  |                  |                  |
| Fellow subsidiaries   | Mobile Telecommunications Limited Telecom Namibia Limited |                  |                  |                  |
| <b>Related party balances</b>   |   |                  |                  |                  |
| <b>Receivable from related parties</b>                                    |   |                  |                  |                  |
| Mobile Telecommunications Limited   | 354   | 914              | 354              | 914              |
| Telecom Namibia Limited   | 1,670   | 449              | 1,670            | 449              |
| Namibia Post and Telecom Holdings Limited                                 | 1   | 641              | 1                | 641              |
| NamPost Financial Brokers (Pty) Ltd                                       | 21,488  | -                | 21,488           | -                |
| SmartSwitch Namibia (Pty) Ltd   | 1,930   | -                | 1,930            | -                |
| <b>Payable to related parties</b>   |   |                  |                  |                  |
| Mobile Telecommunications Limited   | -   | 437              | -                | 437              |
| Telecom Namibia Limited   | 676   | -                | 676              | -                |
| <b>Balances due to related parties relating to Savings bank investors</b> |   |                  |                  |                  |
| Namibia Post and Telecom Holdings Limited                                 | 151,742   | 100,000          | 151,742          | 100,000          |
| Mobile Telecommunications Limited   | 3,933   | 3,639            | 3,933            | 3,639            |
| SmartSwitch Namibia (Pty) Ltd   | 4,381   | 2,046            | 4,381            | 4,091            |
| NamPost Financial Brokers (Pty) Ltd                                       | 5,871   | -                | 5,871            | -                |
| <b>Loans to related parties</b>   |   |                  |                  |                  |
| SmartSwitch Namibia (Pty) Ltd   | 969   | 1,908            | 1,937            | 3,816            |
| NamPost Financial Brokers (Pty) Ltd                                       | -   | -                | 22,218           | 7,338            |
| <b>Related party transactions</b>   |   |                  |                  |                  |
| <b>Sales of goods / services</b>  |   |                  |                  |                  |
| Telecom Namibia Limited   | 5,524   | 1,538            | 5,524            | 1,538            |
| Namibia Post and Telecom Holdings Limited                                 | 8   | 10               | 8                | 10               |
| Mobile Telecommunications Limited   | 3,912   | 3,750            | 3,912            | 3,750            |
| NamPost Financial Brokers (Pty) Ltd                                       | 14,151  | -                | 14,151           | -                |

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|---|------------------|------------------|------------------|------------------|
|   | 2011<br>N\$ '000 | 2010<br>N\$ '000 | 2011<br>N\$ '000 | 2010<br>N\$ '000 |
| <b>34. Related parties (continued)</b>    |                  |                  |                  |                  |
| <b>Purchases of goods / services</b>      |                  |                  |                  |                  |
| Namibia Post and Telecom Holdings Limited | 21,088           | 20,681           | 21,088           | 20,681           |
| Mobile Telecommunications Limited         | 206,755          | 170,518          | 206,755          | 170,518          |
| Telecom Namibia Limited                   | 4,912            | 9,216            | 4,912            | 9,216            |

**35. Directors' remuneration**

Directors' remuneration of N\$ 560,841 (2010: N\$ 542,507) was paid to the directors during the year.

**36. Risk management**

**Capital risk management**

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

The capital structure of the group consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes 8 and 18 as well as cash and cash equivalents disclosed in note 15, and equity as disclosed in the statements of financial position.

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

There are no externally imposed capital requirements.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

The gearing ratio at 2011 and 2010 respectively were as follows:

|               |        |          |        |        |
|---------------|--------|----------|--------|--------|
| Gearing ratio | (143)% | (9,567)% | (116)% | (826)% |
|---------------|--------|----------|--------|--------|

**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. Risk management is carried out by the Board Investment Committee and Executive Committee under policies approved by the board of directors.

# NAMIBIA POST LIMITED AND ITS SUBSIDIARY

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|  | GROUP            |                  | COMPANY          |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2011<br>N\$ '000 | 2010<br>N\$ '000 | 2011<br>N\$ '000 | 2010<br>N\$ '000 |

#### 36. Risk management (continued)

##### Liquidity risk

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

The 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.

The company has the following facilities available at the bank: overdraft N\$9,2m, master card N\$0.3m, fleet management N\$0.8m, vehicle and asset finance N\$9.2ml, guarantee N\$13m, foreign exchange N\$1m, forward exchange N\$1m, EFT credit N\$5m and EFT debit N\$1.5m.

##### Group

|                          | Less than<br>1 year | Between 1<br>and 2 years | Between 2<br>and 5 years | Over<br>5 years |
|--------------------------|---------------------|--------------------------|--------------------------|-----------------|
| At 30 September 2011     |                     |                          |                          |                 |
| Borrowings               | -                   | -                        | 27,951                   | -               |
| Trade and other payables | 106,253             | -                        | -                        | -               |
| Savings bank investors   | 2,187,332           | 79,387                   | 879                      | -               |
| At 30 September 2010     |                     |                          |                          |                 |
| Borrowings               | 4,436               | -                        | 4,881                    | -               |
| Trade and other payables | 112,239             | -                        | -                        | -               |
| Savings bank investors   | 1,505,367           | -                        | 69,796                   | -               |
| Finance lease payable    | 505                 | -                        | -                        | -               |

##### Company

|                          |           |        |        |   |
|--------------------------|-----------|--------|--------|---|
| At 30 September 2011     |           |        |        |   |
| Borrowings               | -         | -      | 27,951 | - |
| Trade and other payables | 104,323   | -      | -      | - |
| Savings bank investors   | 2,193,202 | 79,387 | 879    | - |
| At 30 September 2010     |           |        |        |   |
| Borrowings               | 2,523     | -      | 4,881  | - |
| Trade and other payables | 111,482   | -      | -      | - |
| Savings bank investors   | 1,506,334 | -      | 69,796 | - |
| Finance lease payable    | 1,010     | -      | -      | - |

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|   | GROUP       |             | COMPANY     |             |
|---|-------------|-------------|-------------|-------------|
|   | 2011        | 2010        | 2011        | 2010        |
|   | N\$ '000    | N\$ '000    | N\$ '000    | N\$ '000    |
| <b>36. Risk management (continued)</b>              |             |             |             |             |
| <b>Group/company</b>                                |             |             |             |             |
| Short-term exposure                                 |             |             |             |             |
| • Current portion of Savings bank investors         | (2,187,332) | (1,505,367) | (2,193,202) | (1,506,334) |
| • Current portion of available-for-sale investments | 1,711,979   | 889,780     | 1,711,979   | 889,780     |
| • Bank and cash (restricted to savings bank)        | 11,173      | 12,259      | 11,173      | 12,259      |
| Long-term exposure                                  |             |             |             |             |
| • Current portion of Savings bank investors         | (80,266)    | (66,796)    | (80,266)    | (66,796)    |
| • Current portion of available-for-sale investments | 569,114     | 695,770     | 569,114     | 695,770     |

**Interest rate risk**

At 30 September 2011, if interest rates on Namibian Dollar-denominated borrowings had been 0.1% higher/lower with all other variables held constant, post-tax profit for the year would have been N\$ 2,301,419 (2010: N\$ 68,647) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings; other components of equity would have been N\$ - (2010: N\$ 4,828,937) lower/higher mainly as a result of a decrease/increase in the fair value of fixed rate financial assets classified as fair value through profit or loss (2010: available for sale).

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. The group is exposed to interest rate risks as it borrows and places funds in financial instruments at both fixed and floating interest rates.

This 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.

**Fair value estimation**

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

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

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|  | <b>GROUP</b>    |                 | <b>COMPANY</b>  |                 |
|--|-----------------|-----------------|-----------------|-----------------|
|  | <b>2011</b>     | <b>2010</b>     | <b>2011</b>     | <b>2010</b>     |
|  | <b>N\$ '000</b> | <b>N\$ '000</b> | <b>N\$ '000</b> | <b>N\$ '000</b> |

**36. Risk management (continued)**

**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.

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

|                            | <b>Group</b> | <b>Group</b> | <b>Company</b> | <b>Company</b> |
|----------------------------|--------------|--------------|----------------|----------------|
|                            | <b>2011</b>  | <b>2010</b>  | <b>2011</b>    | <b>2010</b>    |
| Financial instrument       |              |              |                |                |
| Trade and other receivable | 86,705       | 44,009       | 71,881         | 39,043         |

**Foreign exchange risk**

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 | 2,687 | 3,191 | 2,687 | 3,191 |
|------|-------|-------|-------|-------|

**Liabilities**

|      |       |       |       |       |
|------|-------|-------|-------|-------|
| Euro | 5,556 | 4,881 | 5,556 | 4,881 |
|------|-------|-------|-------|-------|

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

At 30 September 2011, if the listed share prices had decreased/increased by 10% with all other variables held constant, the fair



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value reserve would have been N\$ 68,578 (2010: N\$ 16,776) lower/higher.

|  | GROUP    |          | COMPANY  |          |
|--|----------|----------|----------|----------|
|  | 2011     | 2010     | 2011     | 2010     |
|  | N\$ '000 | N\$ '000 | N\$ '000 | N\$ '000 |

**37. Fair value adjustments**

In the current year, the company early adopted IFRS 9 and classified all its financial assets as fair value through profit or loss. The impact of adopting IFRS 9 is that, the fair value movements that were previously recognised in equity will now be recognised in the statement of comprehensive income.

|   |               |          |               |          |
|---|---------------|----------|---------------|----------|
| Opening balance (fair value reserves)                         | (7,894)       | -        | (7,894)       | -        |
| Movement in the current year                                  | 12,472        | -        | 12,472        | -        |
| Amount reclassified to retained earnings                      | 7,894         | -        | 7,894         | -        |
| <b>Amount recognised in statement of comprehensive income</b> | <b>12,472</b> | <b>-</b> | <b>12,472</b> | <b>-</b> |







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## NOTES

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## **CONTACT US**

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