2020 INTEGRATED ANNUAL REPORT

nampost®

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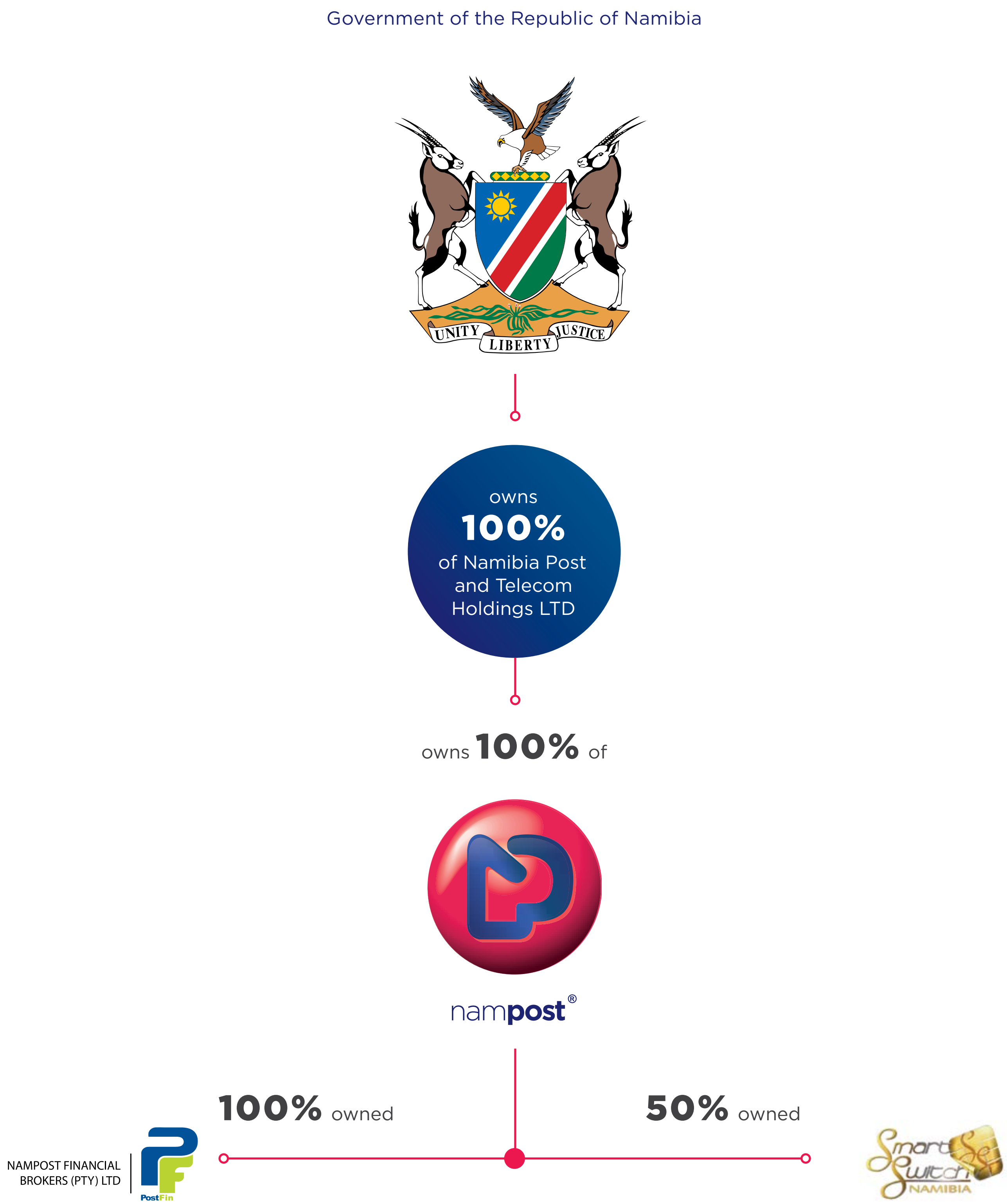
Welcome to our **2020** integrated annual report

We are proud to present the 2020 integrated annual report for the NamPost Group. This report covers the financial year from 1 October 2019 to 30 September 2020 (the year).

Signed on behalf of the Board

Festus F Hangula   Evangelina N Hamunyela

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



Connecting communities

As Namibia's national postal operator, NamPost provides social cohesion by connecting customers, businesses and communities through affordable financial, mail, courier and retail services.

Our Vision

To always be the best at what we do!

A trusted, reliable and safe service partner who delivers on our promises.

Our values and culture

(I-ACT)

Integrity

Accountability

Caring

Teamwork

Our brand promise

We Deliver More

Financial Services

Mail and Logistics Services

Retail Channel

Delivering on our mandate

NamPost's purpose is to "conduct postal services and supplementary services," with supplementary services defined as "the control and management of the Savings Bank" and "the rendering of a money transfer service."

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

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

NamPost's Memorandum of Association, section 6

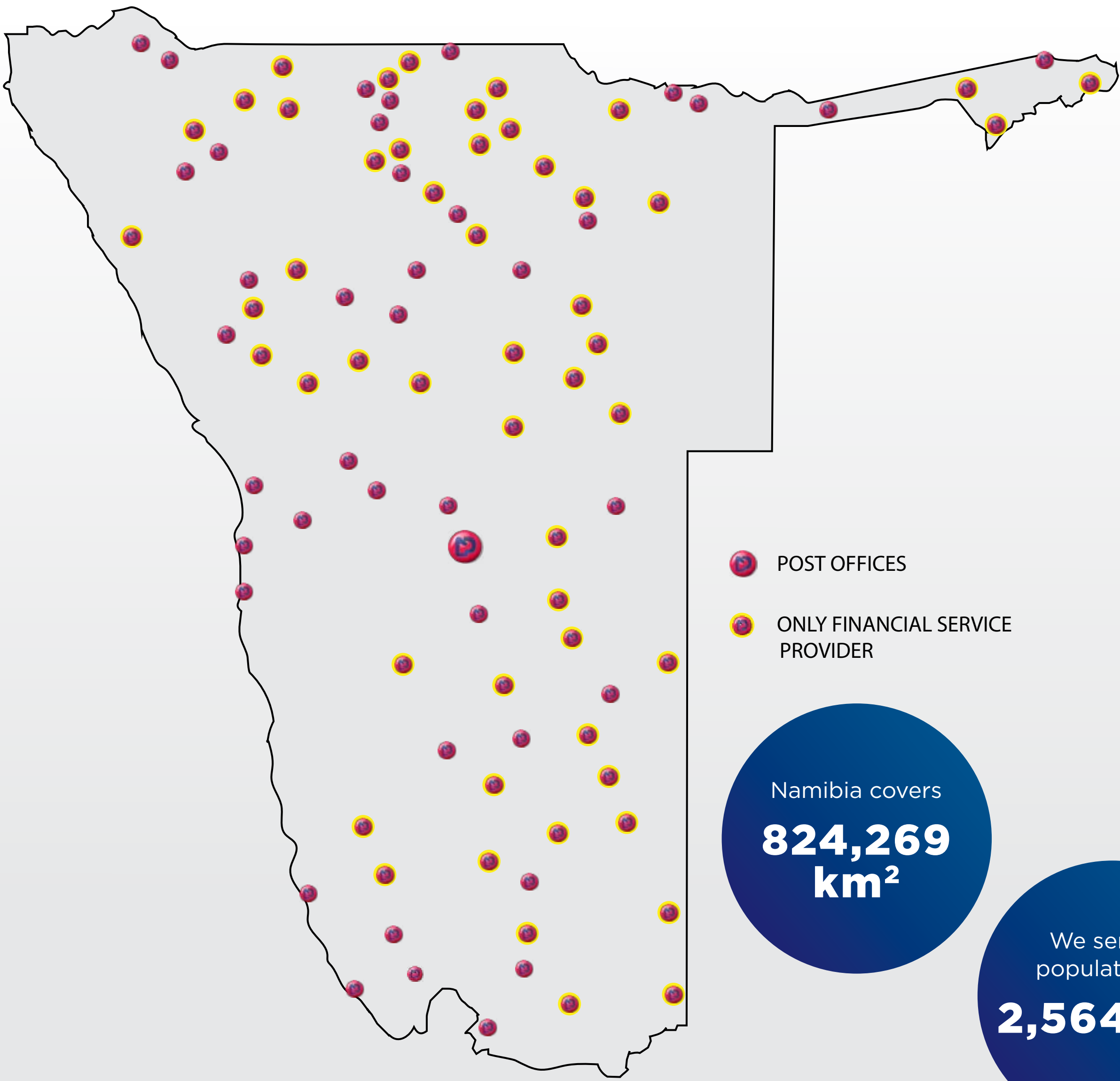
WHO WE ARE AND **WHAT WE DO**

Our context and position

NamPost is a community-focused commercial entity providing financial, mail, logistics and retail services to all Namibians. Considering NamPost's reach and wide portfolio of products and services, every Namibian will likely be a customer at a point in time. NamPost's footprint provides a key point of contact in many communities across all regions of Namibia, covering cities as well as remote towns, villages and settlements.

Our social imperative

NamPost's Retail Channel provides a physical infrastructure that is often the only point of contact for residents in remote communities to receive payments and buy essential services. With no subsistence from government, many retail outlets are non-profitable, but there is potential to make use of the infrastructure for additional retail offerings. In some areas, NamPost represents the only financial services provider for those communities.



Namibia covers
824,269 km²

We serve a population of
2,564,777

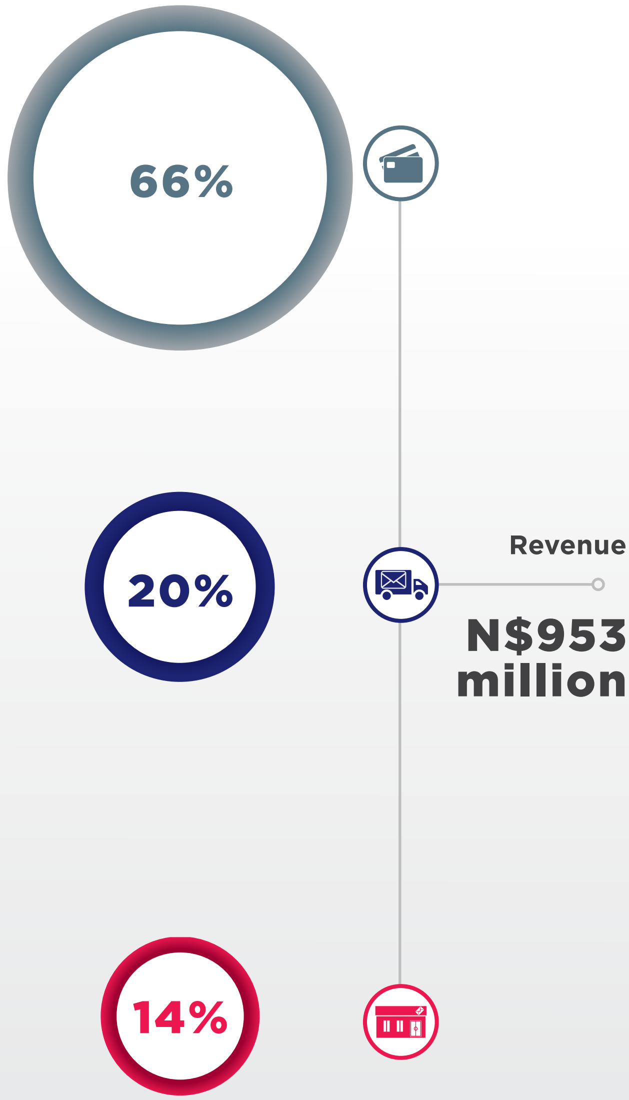
Our value-creating services

We deliver what people need and care about, ensuring the best customer experience for senders and receivers.

NamPost's primary objective is to create shareholder and stakeholder value and social return. We create value for communities and businesses by ensuring the availability and affordability of services that foster interaction and improve the quality of life for all Namibians. NamPost has a rich history of providing progressively innovative solutions to meet people's needs. Our offerings are becoming more digital, while still ensuring that traditional postal services are accessible.

Our three business units focus on specific service areas:

Total revenue and contribution per business unit



Financial Services

Banking accessibility across the country

The core objective of Financial Services is to provide access to savings facilities primarily serving low-income Namibian residents and the underbanked.

Mail and Logistics Services

Keeping people and businesses connected and in touch

NamPost receives, sorts and distributes mail and parcels to domestic and international destinations. We also offer courier, logistics and supply chain solutions to our business customers in Namibia and throughout the world.

Retail Channel

Providing local customer convenience

Through its nationwide postal infrastructure, Retail Channel is the channel through which our products flow. It is the customer-facing arm, also offering postal products and third-party agency services to businesses that require a national reach.

DELIVERING **SOCIAL VALUE**

Social inclusion

NamPost helps Namibians access essential services in a convenient space. We keep communities connected and help other businesses extend their reach. We are committed to maintaining our standing as a leader in ethical behaviour and social responsibility.

135 post offices across Namibia's vast geography

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

60 post offices supporting social inclusion via non-profit outlets in remote communities

790 **people employed** by NamPost Group

71 vehicles including vans, cars, line-haul trucks and 7 trailers for domestic parcel deliveries

71 million mail items handled annually at an affordable price to all Namibians

17,218 Namibians served per post office on average

28 years of **connecting** people and businesses across the country

71 of our **135** post offices are profitable; the remainder are sustained by cash flow from the profitable ones.

Delivering more for three decades

1992 – **Established** with 92 post offices

1995 – **Launch:** Counter automation project

2003 – **Launch:** Treasury Services for public investment

2006 – **Launch:** Biometric-secured smartcard

2008 – **Launch:** Centenary stamp collection

2010 – **Launch:** Automated mail sorting

2011 – NamPost **rebrands**

2014 – **Milestone:** 100,000 post boxes nationwide

Financial inclusion

NamPost's VISA Smartcard provides Namibians with access to payment services on the back of secure savings facilities, enabling card holders to be included in the financial system. Holders of the new, interoperable VISA SmartCard are able to transact money on the card and send money to other people in remote areas via the post office or other banking institutions. This reduces cash risk and provides increased financial access for the underbanked.

VISA SmartCard

- ☑ Interoperable
- ☑ Affordable
- ☑ Safe

140,000
Namibians were migrated to the new VISA SmartCard by September 2020

17,473
new VISA SmartCards issued by September 2020

125,896
social grant recipients[1] served monthly

78,539
individuals, primarily at the low end of the market, have **insurance** via NamPost

N$412 million
in **micro-loans** empowers customers and small businesses, particularly those run by women

N$263 million
paid in salaries and benefits

N$1.5 million
spent on upgrading skills and employee personal development

N$62 million
in taxes paid to government during the year (2019: N$63million)

N$24 million
in losses through non-profitable post offices dedicated to social and financial inclusion

2015 — **Launch:** NamPost offers international courier

2016 — **Milestone:** Revenue exceeds N$1 billion[2]

2017 — **Introduction** of insurance products

2018 — **Upgrade:** tracking system linking national and international postal systems

2019 — **Launch:** New, interoperable VISA SmartCard

2020 — **Implementation: phase:** EFT functionality and internet banking facilities

2021 — **Aim:** To develop our e-commerce platform

[1] *VISA SmartCard holders and cash recipients*

[2] *In line with International Financial Reporting Standards (IFRS) 15, which became effective in January 2019, the accounting methods for recognising agency revenue changed. Thus, revenue reported in 2020 is lower than N$1billion and not directly comparable to that reported in 2016.*

Delivering social value continued

Continuing to deliver social value during COVID-19

NamPost was designated an essential services provider under the national COVID-19 regulations.

As the pandemic took hold in Namibia, we mobilised support and equipment for our communities, ensured the safety of our front-line employees, office employees and customers, and developed a Business Continuity Plan to provide customer access to our essential services under altered circumstances.

The impact of COVID-19 on our strategy and business units, risk and governance, and how we have responded, is discussed throughout the report.

Safety

Delivering safely during the lockdown

The delivery of parcels for our customers was especially important in keeping business and people connected in light of physical distancing measures. Our customers called for NamPost to be declared an essential service and remain open, highlighting the critical role we play in society. We were trusted by the laboratories all over the country with the overnight delivery of COVID-19 samples and results.

NamPost continued operating while ensuring that all the national COVID-19 regulations were in place.

People

Protecting people and jobs

NamPost placed a priority on protecting people and jobs, ensuring our entire employee complement received full pay to support their extended families in light of major job losses around the country. To ensure physical distancing, where practical our teams were split – for example, in the banking building, some employees moved to work from our training centre instead.

In areas of the business that came to a standstill due to international border closures, such as international mail, we redeployed people into different units. We also implemented shift work to reduce the number of people in physical spaces in customer-facing areas. Those employees who could work from home were enabled to do so.

100% of NamPost jobs protected

790 NamPost group employees received full pay

Physical distancing:
split teams, shift work

Work from home:
300 Microsoft Office 365 installations

A COVID-19 Response Team was implemented at the onset of the pandemic to ensure business continuity and safety. At the height of the health crisis, this team met daily and continues to meet regularly in response to shifting phases of the pandemic.

- **Executive Committee (Exco)**
- **Health and Safety Officer**
- **Manager Marketing and Communications**
- **Manager Employee and Labour Relations**

Community

Delivered by us for communities in need

As a corporate citizen, NamPost acknowledged the informal settlements in the country as communities in need of our support. NamPost Courier transported hand sanitisers and toilet rolls to 70 local authorities across Namibia as part of the contribution to preventing the spread of COVID-19.

5 tons of surface sanitisers, hand sanitisers and toilet packs were transported for free to local authorities and sponsored by the Shack Dwellers Federation

N$90,000 in transport costs donated by NamPost Courier

Educational materials and sanitisers distributed through post offices countrywide

National pension payout day

Post offices provide an essential service in the heart of local communities

Countrywide pension payout days through community post offices have become a part of the Namibian experience for the elderly population, providing more than simply the receipt of payments, but also an opportunity to socialise and interact.

With the advent of the COVID-19 pandemic, NamPost invested intensive time in planning ahead to ensure COVID-19 safety regulations were in place at these community centres across the country. NamPost employees rallied behind this effort, providing tents, shading, physically spaced chairs, masks and sanitisers.

In collaboration with the Gobabis Constituency Disaster Risk Management Committee, NamPost involved the constituency council office, the regional council and Gobabis Municipality to assist in various areas to ensure safe distancing in queues.

Our meticulous planning and effort resulted in a safe and seamless pension payout day that was applauded by communities and on social media.

CHAIRPERSON'S **REVIEW**

NamPost stood on the front lines and delivered essential services to the nation during the COVID-19 pandemic.

In March 2020, the President declared a state of emergency in Namibia, which introduced measures such as the closure of borders and the suspension of gatherings. This had a negative impact on our business's bottom line, but our imperative to take care of our people remains unwavering and we took appropriate measures to ensure our front-line employees' and customers' safety. Notwithstanding the many challenges NamPost faced in adapting to the situation, I'm pleased to report that we remain standing, with a sustainable future.

Balancing the need for financial and social return

NamPost's broader relevance lies in the connectivity we provide to all Namibian communities, above and beyond any specific products and services. Our nationwide footprint provides outlying communities with a sense of social cohesion and we remain committed to our mandate to serve citizens and the government in this regard. To do this, some of our service pillars carry others.

EVANGELINA N. HAMUNYELA
Chairperson

The **Financial Services** arm of NamPost is our strongest performer. Although our long-term wish to convert the Savings Bank into a niche commercial bank addressing financial inclusion did not gain traction this year, the process of introducing the new VISA SmartCard continues, and the market is responding well to the initiative. This will be followed next year with electronic funds transfer (EFT) and internet banking facilities.

Another highlight of the year prior to the onset of the COVID-19 pandemic was the consolidation of our courier and mail business into a single, streamlined logistics division. The new **Mail and Logistics Services** business unit will focus on growing revenue through our courier offerings, balancing NamPost's reliance on Financial Services alone. Although government and corporate mail business is declining, there is an opportunity to offer digital mail solutions that will produce revenue in the long run. In the medium term, the cost of gearing this initiative will offset profit.

NamPost's **Retail Channel** remains our social imperative by providing outlets across the nation for residents in remote communities to receive or make payments, maintain post boxes and buy pre-paid airtime. Many retail outlets are non-profitable, but there is potential to make use of the infrastructure for extended and essential retail offerings. We have a strategy in place, which, once implemented, will potentially help this business unit become financially sustainable in its own right.

Board focus areas during 2020

During times of crisis, Board visibility and guidance is of utmost importance.

Early in the year, the Board asked management to draw up a plan for **COVID-19 business continuity** based on our standing disaster management plans. This proved to be a critical foresight as NamPost was declared an essential services provider during the lockdown period.

Management responded extremely well, producing a robust plan that we continue to review according to the various phases of the COVID-19 pandemic. The Board's primary role during this period was to provide ongoing encouragement and support to Executive Management, who were under extreme pressure.

Apart from providing support to the COVID-19 Response Team, the Board oversaw the realignment of the **Executive Committee**, to reduce the number of reporting lines directly into the CEO, allowing for his intensified focus on strategic matters. The Board also oversaw the organisational merging of Mail and Courier Services and the establishment of the retail channel as a stand-alone business unit. This proceeded smoothly, with no resultant labour issues, and we look forward to seeing improved efficiencies in the retail channel and a growing courier business from this new Mail and Logistics Services business unit.

Further details on these changes can be found in the governance report, pages 68 and 69.

Sustainability post-COVID-19

Our experiences during the COVID-19 pandemic underscored the critical role NamPost plays in the economy in terms of social and financial inclusion. We are encouraged that our Mail and Logistics Services business has performed well in the latter half of the year, driven by an increase in courier business, and Financial Services is also recovering well. At a subsidiary level, PostFin is now fully funded and is starting to show a positive impact on NamPost's bottom line.

Ethics and good governance

As Chairperson, I'm proud of NamPost's robust governance structure. Our code of ethics and well-functioning Board and Board committees give meaningful direction and oversight.

We regularly review our code of ethics to ensure it is relevant and we are satisfied that we are adhering to the pillars of integrity, responsibility and accountability to all our stakeholders. The corporate values of I-ACT are reinforced in our daily operations. This was even more evident in the wake of the COVID-19 challenges we faced this year. Our governance structure comprises an effective mix of diversity, skills and relevant experience.

Please refer to page 65, Our leadership teams and governance structure.

Chairperson's review continued

Managing compliance

NamPost has traditionally been self-regulating within the confines of the Universal Postal Union (UPU), but in August the Communications Regulatory Authority of Namibia (CRAN) awarded a Designated Postal Operator Licence to NamPost. It is anticipated that CRAN will focus on customer-driven regulations, and increased engagement is anticipated during the course of 2021.

Continued attention is given to compliance and risk management, ensuring a solid framework and compliance with the new regulations governing financial services and postal operations. The Board is reassured that NamPost's overall Enterprise Risk Management (ERM) Framework and risk matrix highlight any compliance issues such as tax regimes, social security and labour issues, and environmental laws. The Board is satisfied that nothing has been overlooked in this regard. The combined assurance model will be rolled out in early 2021 to further streamline our risk management and provide the Board with confidence that these areas are adequately managed.

Dividends and investment

Our dividend policy is guided by profitability and liquidity. NamPost is in an investment phase of the business and requires additional capital for new projects. In view of the many efficiency projects underway and NamPost's focus on gearing for e-commerce roll-out next year, combined with the economic impact of COVID-19 on our business, no dividend was declared during 2020.

Appointment of new directors

NamPost follows the Public Enterprises Governance Act of 2019 in the appointment of new Board directors, ensuring a transparent process. Those of us in our last term are looking forward to the induction of new members and will ensure the necessary assistance in transitioning to the NamPost business.

Looking ahead

I feel that, despite a struggling economy hard hit by the COVID-19 pandemic, the country and its people are resilient and will find a way forward. Tourism is showing signs of improvement and the forecast good rain season shows promise for the agricultural sector. All of this bodes well for Namibia and the people we serve.

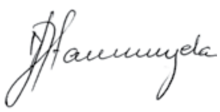
NamPost remains relevant in the socio-economic development of our country. We supply several key services through which people communicate; and our post office infrastructure provides essential access to social grants for many communities. Our operating model is geared for potential growth in Financial Services and Mail and Logistics to counter the decline in traditional postal services. We are on track to deliver more innovative products, competitive pricing, and enhanced customer convenience.

There are pockets of untapped potential for financial inclusion. In response, the new Board will undoubtedly focus on obtaining a commercial banking licence to expand our financial offerings tailored for Namibia's underbanked. We have been readying ourselves for this effort through compliance with the requirements of the Bank of Namibia.

Around the world, e-commerce has picked up. When it gains traction in this country, we are well placed to leverage related opportunities area due to our trusted brand, national footprint and wide reach.

Appreciation

I would like to acknowledge the resilience and outstanding effort of NamPost's people: from the drivers on the front lines who were champions in their willingness to do what it takes, all the way through to management and its excellent navigation of our business in the choppy waters of the COVID-19 pandemic. I'm grateful for the continued guidance of our shareholders through NPTH as well as every Namibian who has contributed to NamPost's business – our customers remain at the centre of our reason for existence.



Evangelina N Hamunyela
Chairperson

yes! TO DELIVERING MORE. EVERYDAY.

We believe in the power of savings. Not just for a rainy day, but for the peace of mind financial security provides. That's why our financial services are tailored to enable you to put aside a little now, for greater returns later. Helping you grow your investment today, so you can have one less thing to worry about tomorrow.

Visit any of our Post Offices nationwide to access our Savings Bank products.

CHIEF EXECUTIVE OFFICER'S REVIEW

The triple storm of a prolonged recession, a changing market landscape and the COVID-19 pandemic has brought NamPost's resilience to the fore.

NamPost faced a tumultuous year, with COVID-19-related movement restrictions bringing some areas of our business to a standstill at the peak of the pandemic. Border closures prevented the movement of international mail, national traffic to post offices slowed down and economic pressure reduced overall transactional activity.

We have emerged from the storm intact as an institution, thanks to the trust customers place in our brand, our progress in realigning business operations, and the easy and affordable access to services our countrywide infrastructure facilitates. However, the way forward has been brought into sharp focus. It requires ongoing flexibility and adaptability to the changing needs and trends in the landscape.

FESTUS F HANGULA
Chief Executive Officer

Changing economic dynamics

Hit by the COVID-19 pandemic in the second quarter of 2020, the Namibian gross domestic profit (GDP) shrank by 11%,[1] suppressing an already struggling economy. Although a base 2.1% GDP growth is expected next year, the prevailing recession remains a threat.

NamPost's customer base is largely representative of the country's demographics, extending from individual, low-income earners through to small business and large enterprise. Faced with possible retrenchment, cost cutting and business closures, customers across all our services are under financial pressure.

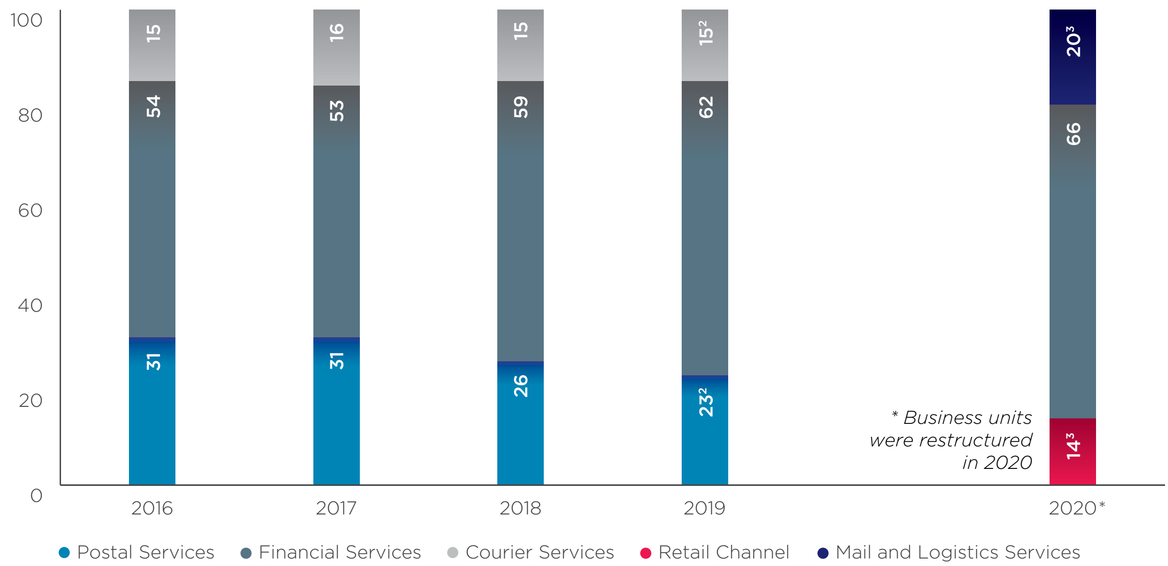
The decline in spending power filters through to NamPost's business units in various ways. Many companies are cost cutting by reducing or even halting their corporate mailing activity altogether. Similarly, utilisation of courier services has dropped, especially on the heavier items. Individuals' ability to save money is reduced, impacting our Financial Services business.

In response to the immediate crisis, NamPost has extended some customer relief in the form of extended terms of payment, discounts and waiver of interest on arrears. In the longer term, we expect most of our customers' businesses to recover, although many companies will adapt and change the way they do business. It will take time to build a better base for the future and the short-term prospects remain bleak.

Please refer to page 42, Financial review

Group revenue fell short of expectations, despite a 10% growth to N$953 million (2019: N$870 million). With the majority of our operating costs fixed, our profit before tax (PBT) declined by 53% and comprehensive income by 27%.

Group revenue (%)



[1] *Second quarter of calendar year comparative.*

[2] *There are no current year figures. Postal Services as a business unit no longer exists, with its functions now split between new business units, Retail Channel and Mail and Logistics. Courier Services is now consolidated under the Mail and Logistics business unit.*

[3] *Mail and Logistics and Retail Channel are new business units, hence there are no comparatives.*

Chief Executive Officer's review continued

Our response: shift towards customer centricity and business efficiency

Last year, NamPost began the process of mapping the customer experience and realigning our business operations to enable better business efficiency.

We have combined all our logistic operations, including mail and courier, into one business unit – Mail and Logistics Services; and we developed a Retail Channel business unit, which streamlines the retail channel processes. This **business reorganisation** enables us to better serve customer needs, navigate future opportunities and increase our operating efficiencies while containing costs.

NamPost values customer loyalty and recognises that its customers have different needs and expectations in an evolving landscape. As such, we aim to further tailor our **customer experience** and introduce new products and services based on specific market segments and their respective requirements. We have mechanisms in place to monitor changing expectations and respond accordingly. This customer focus will be further assessed as we meet the required customer satisfaction and efficiency standards of the new CRAN licence we received, effective 19 August 2020.

To facilitate new project prioritisation, allocation of resources and efficient project management, we are pleased to announce that the new **Project Management Office** (PMO) is now fully operational. The Head of PMO resumed duty during the course of the year. The project management framework is in place and all key best practices are being fostered.

Changing letter mail landscape and digital disruption

Worldwide, trends towards lower-cost digital alternatives to paper mail are evident.

Letter mail volume in Namibia continues to decline. This decline is driven by the recessionary climate, cost cutting and the proliferation of alternative digital mail services, and has been further exacerbated by the COVID-19 pandemic. The good news is that parcel volumes have increased slightly as a result of e-commerce businesses starting to gain a foothold in Namibia.

Retail Channel reported a loss of N$18 million due to the limitations on retail activity during the lockdown and the high fixed-cost structure of operating retail outlets. Mail and Logistics Services' revenue of N$193 million and profit of N$29 million fell below target due to the decline in paper mail and the impact of COVID-19 on the movement of mail and parcels.

Our response: shift towards a digital focus

NamPost is actively looking for and implementing new revenue streams. Our resulting shift away from paper mail to parcels and from paper to digital communications will render certain infrastructures, such as mail sorters, redundant. A digitally focused business has different skills requirements and significantly lower margins. As a result, our efforts in cost containment are ongoing and profit margins will remain lower in the medium term until digital volumes significantly increase.

This shift towards digitisation is not limited to the mail environment. The increasing demand for digitisation is changing the way we do business across all our services. The migration of our Savings Bank customers to the new VISA SmartCard is well underway, and due for completion in March 2021. Phase two will involve the establishment of EFT and internet banking facilities to embrace the younger demographic, which is increasingly digitally savvy and represents our future market.

Financial Services revenue increased by 18% and profit grew by 13% , thanks to a strong performance in the Treasury division.

Our e-commerce business plan is at the concept stage and, once finalised, it will receive priority status in our new PMO.

Accelerating strategic focus areas

NamPost's existing strategy remains in place until 2023 when a major strategic review will take place. Nonetheless, where circumstances dictate, changes in the strategic direction can be effected every year. Broadly, our objective of transforming post offices to retail channels for third-party services and diversifying our revenue remains the same. Overall, the impact of COVID-19 has accelerated our digital strategy, with e-commerce and digital communication prioritised as a consequence. Mail and Logistics Services is our new focus area with many efficiency projects underway.

We have secured loans from two European development organisations to expand our micro-lending activities. PostFin is now fully funded and the fact that we were able to do so is indicative of the health of our balance sheet.

COVID-19 response measures

NamPost created a COVID-19 Response Committee comprising Executive Management and key human resources (HR) employees, which, at the height of the pandemic, was meeting on a daily basis and continues to meet weekly. We implemented scenario testing and corresponding responses.

We remained open throughout the lockdown and our employees positively stepped up during this period. Given our widespread infrastructure, we were fortunate to have only 19 positive COVID-19 cases (all of whom have now recovered). These were limited to Windhoek, demonstrating the effectiveness of the measures we adopted to avoid transmission.

COVID-19 accelerated our internal technology initiatives to enable more employees to work from home. Although salary increases or bonuses were deemed impossible, we protected all jobs with no salary cuts. NamPost was also involved in massive community support efforts, donating N$90 000 in transport costs to the delivery of sanitation equipment.

Please refer to page 6, Delivering social value

Outlook

Our business is closely connected to the overall economy and we anticipate that 2021 will be another tough year. The impact of COVID-19 will continue to affect our customers' buying power in the short term.[1]

Liquidity is tight and investment assets are scarce, as banks shift cash to fixed income instruments. Margins will continue to shrink. As a consequence, our non-interest income will remain small, but we believe our Treasury division will continue to find pockets of value.

We expect a temporary surge in mail during the first quarter of the financial year as regional and European economies open. However, business may decline again thereafter. We will continue to play our role as a logistics facilitator of choice. We are actively seeking incremental areas of growth through our e-commerce business strategy. We anticipate growth in the courier business, albeit in a subdued way. NamPost's future lies in digital communication and we continue with strategic investments in this area.

Our financial offering will continue to be focused on the low end of the market to enable financial inclusion. Digital channels will be enhanced in both Financial Services and other products.

Future focus areas

Overall, our key challenge will be balancing the need for more information technology (IT) and digital skills against business growth and availability of cash flow to meet the business needs. Our immediate priorities for 2021 include:

- Completing the VISA SmartCard migration process
- Rolling out EFT capability
- Implementing our e-commerce strategy
- Deriving more value from the postal infrastructure

Appreciation

I would like to extend my heartfelt appreciation to all our employees for the way they responded to the challenges of COVID-19 and continued to deliver essential services. I further thank our customers for trusting us to deliver sensitive and critical items during the lockdown, and our shareholder, NPTH, for ongoing support. Finally, I express my gratitude to our Board for its support and guidance during trying times.

Festus F Hangula
Chief Executive Officer

[1] *Short-term refers to the timeframe of the next two years.*

OUR BUSINESS MODEL

Our pools of value

Our financial capital

Generated from sales, deposits and dues. The capital required to deliver our products and services

Our people and expertise

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

Our expertise **includes the** experience of successfully operating in our market since 1992 and the combined knowledge of our diverse leadership teams

Our infrastructure

Our network of 135 post offices, our IT infrastructure and logistics fleet that allow us to reach communities throughout Namibia

Our relationships

Understanding and engaging with our broad customer base, shareholder and communities

To connect Namibians

(via our activities, products and services)

What we do

We meet our social and commercial obligations and connect Namibians through the activities of our three business units (enabled by our support functions) and their respective products and services

How we do it

An effective workforce with a high-performance culture

(Our people, page 32)

Customer centricity Understanding and serving our customers' needs

(Creating value for stakeholders, page 26)

Operational effectiveness Efficient business processes with fit-for-purpose Information and Communications Technology (ICT)

(Information and Communication Technology, page 38)

Rigorous risk management

(Risk management, page 76)

Financial Services

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

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

Retail Channel

Our post offices are the retail channel for all our services.

Retail activities include customer service, distribution and sales of all NamPost products and services, as well as stock, cash and inventory management. Each post office services multiple customer needs with regard for the local community.

- ☑ **Third-party agency services:** Customers can purchase and pay for various products and services at all post offices countrywide
- ☑ **Philately:** We offer current postage stamps and a range of collectable postage stamp products
- ☑ **PO box rentals**
- ☑ **Social grant payments**

Mail and Logistics Services

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

- ☑ **Courier:** Local and international parcel delivery and collection, including overnight express
- ☑ **Mail:** Global service and solutions for all mail requirements
- ☑ **Logistics and supply chain solutions** for business customers

And create value

A large and stable workforce **providing employment** to 801 Namibians, who in turn contribute to the economies of their communities

Creating a more prosperous Namibia through **enabling financial inclusion** for the underbanked

Providing **social inclusion** opportunities for residents in remote areas and connecting communities across the country

Delivering mail, parcels and digital services through our **known and trusted brand**, with a focus on customer service

A reliable partner for business growth in Namibia, thereby enabling a more sustainable economy

Stimulating innovation in the broader Namibian landscape through innovative products and services in line with market trends

Our business model continued

Inputs	Outcomes
Our financial capital • Deposits that fund NamPost's goods production and services provision • Own capital and proceeds from product and service sales	**N$5.9 billion** deposits (2019: N$5.83 billion) (2% increase) **11%** asset ↑ (2019: 19%) **12%** expense ↑ (2019: 10%) **10%** revenue ↑ (2019: 5%) **2%** return on equity (ROE) (2019: 4%) **127%** return on investment (ROI) before tax (2019: 270%) **N$6.5 million** (PBT) (2019: N$14 million) **-38%** profit after tax (PAT) ↓ (2019: -66%) **49%** operating expenses to income ratio (2019: 48%[1])
Our people and expertise The dedication and skills of our employees are critical for delivering our services and we are invested in their development **790 employees[2]**	**N$263 million** spent on employment (2019: N$254 million) **N$1.5 million** (2019: N$3.9 million) training expenses
Our infrastructure This includes manufactured capital – which consists of our network of post offices that reaches communities throughout Namibia **135 post offices** Buildings leased from NPTH and other landlords	**71 million** mail items handled, consisting of 70 million letters and 109,000 parcels (2019: 85 million) **75%** post office boxes (PO boxes) rented out (2019: 79%) **N$130 million** mail revenue (2019: N$149 million) **135** post offices (2019: 137) **10,862** new insurance policies (2019: 22,172[1])
Our relationships This forms our social and relational capital and our commitment to enhancing all Namibians' quality of life • Social licence to operate • Connecting communities through our activities • Engagements with stakeholders	**125 896** cash social grant recipients served monthly (2019: 68 074) (decrease due to migration to SmartCards) A total of **140,000** VISA SmartCards rolled out (2019: 60,855) **N$62.3 million** tax paid (2019: N$62.8 million)

1 *Restated.*

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

STRATEGY

NamPost works on the basis of a five-year strategy. The existing strategy remains in place until 2023, when a major strategic review will take place. However, market circumstances have accelerated our digital focus. Having created a PMO to prioritise and manage projects and restructured our business units to align more closely with our strategy, we are now geared to deliver on our objectives with enhanced efficiency and a fresh perspective on customer centricity.

e-commerce as key strategic focus

In support of NamPost's strategic objective to enhance shareholder value by increasing revenue and placing a renewed emphasis on customer centricity, NamPost has identified e-commerce as a key area of focus. Our aim is to explore opportunities and implement strategies to increase our market share in e-commerce, particularly in the shipping environment. Project objectives have been mapped and NamPost is in the process of implementing a number of key activities towards building the e-commerce business on a solid IT platform.

Progress on our strategic objectives

Our **Financial Services** initiatives have gained ground since implementation in 2019. We have enhanced the offering and transitioned to a new, interoperable system to be more in line with market expectations. The insurance proposition has been strengthened and micro-lending activities expanded.

Mail and Logistics Services is our key focus area, with many efficiency projects underway. The e-commerce business plan is in progress, with a move away from the current mode of communication and the introduction of new business focused on digital communication. There will be a short-term trade-off as we invest in new systems and earn smaller margins, but this will contribute to the sustainability of the business in the long term.

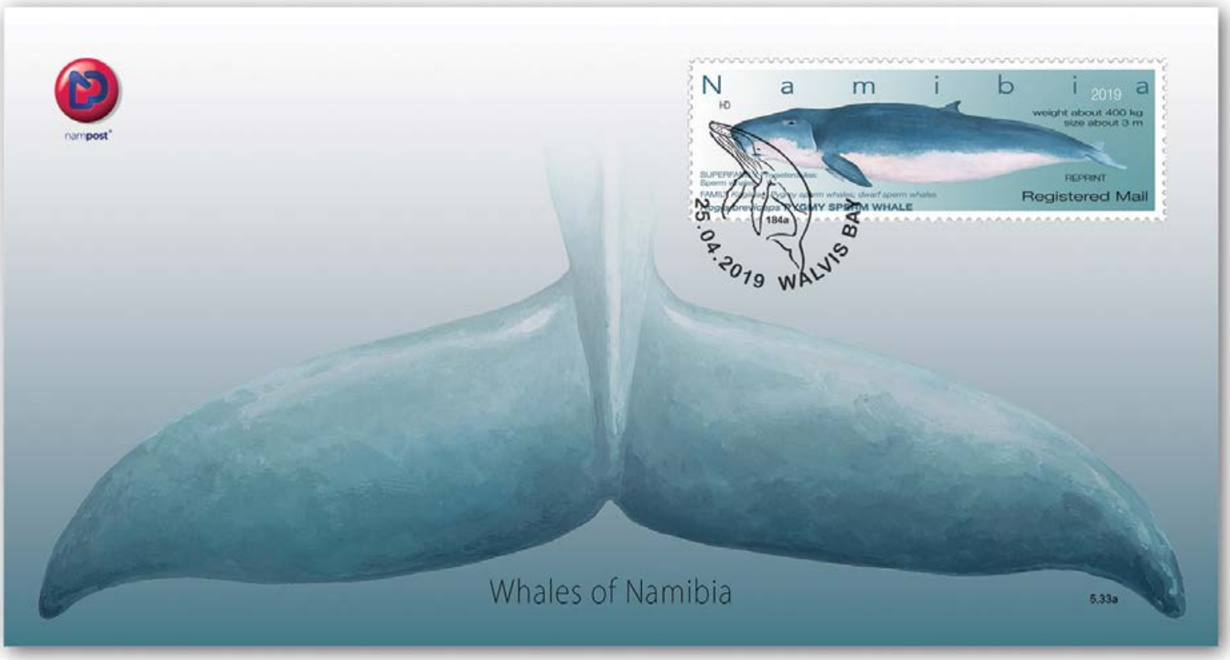
Retail Channel stands to benefit from adding additional professional, third-party business offerings to the mix. Our customer segmentation analysis, falling under the company-wide **Customer Experience Strategy**, will guide us in terms of what those additional products and services should be.

NamPost continued with its strategic objectives, as listed below:

Strategic objective	Route to deliver strategy	Progress during 2020	Future focus
Enhance shareholder value	• Increase net profit • Increase social return	• Group profit declined by 53% to N$6.5 million • Social grant recipients increased by 2% to 122 430 • Post offices remained open during COVID-19 lockdown • New price matrix implemented for courier services on the back of new system	• Better utilise banking assets • Stimulate e-commerce • Enhance financial products • Enrich postal agency services • Debt collection
Journey towards customer centricity	• Increase net profit • Seamless Customer Experience Strategy for company-wide implementation	• Customer Experience Champions identified and appointed • Customer Experience plan has been mapped and information gathered • Resulting Customer Experience Strategy is in place for immediate implementation	• Implement company-wide Customer Experience Strategy

Strategy continued

Strategic objective	Route to deliver strategy	Progress during 2020	Future focus
Achieve operational effectiveness (get the basics right)	• Enhance all business processes • Enforce policies and discipline • Ensure fit-for-purpose ICT • Improve management information	• Improvement of processes throughout the year • 18 forensic investigations conducted and completed. Two disciplinary actions undertaken • 92% of all 135 post offices inspected • ICT front-end systems enhanced • Management information improved	• Continue with fit-for-purpose ICT strategies • Continue process improvement • Continue management information system improvement
Measure and manage business risks	• Introduce and implement ERM Framework	• Framework in place • Plan of execution approved by Board • Risk Appetite Policy approved	Continue rolling out ERM plan
Enhance human capital and culture effectiveness	• Recruit, develop and retain skilled employees • Create and embed aspects of high-performance culture	• Enhanced the HR process. Performance expectations highlighted in scorecards and enforced • Group training slowed down due to COVID-19 gathering restrictions	• Embed and reward the customer-centric culture throughout the organisation via Customer Experience Champions • Implement the new e-learning initiative



yes! TO DELIVERING MORE.
EVERYWHERE.

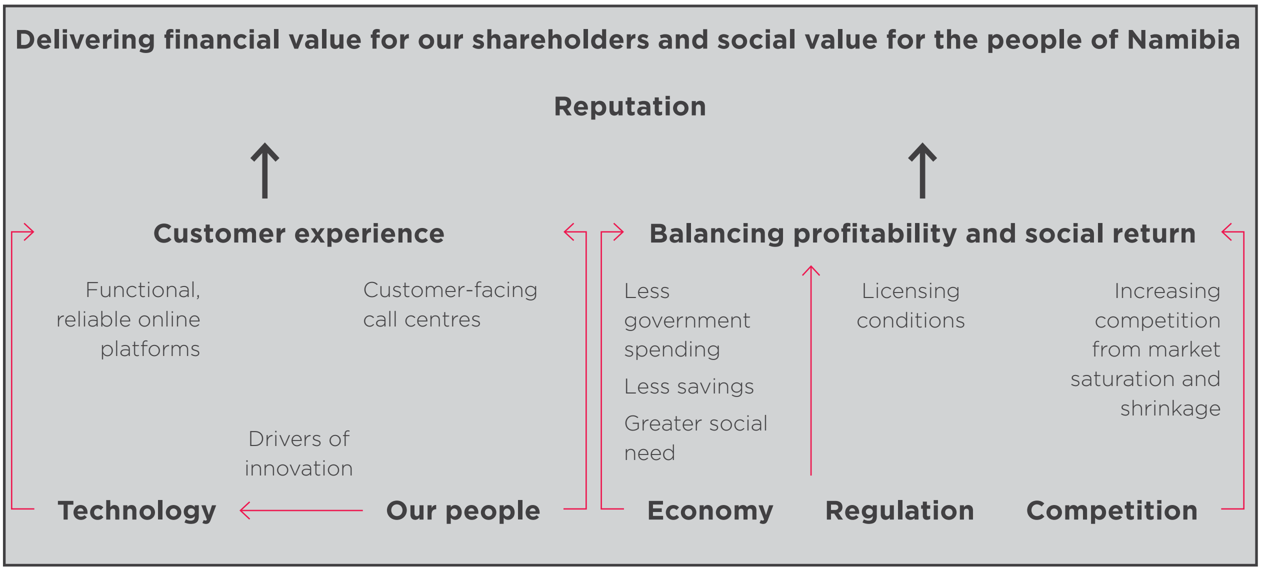
In the air, on the ground or providing delivery support. We always make sure to handle and deliver your precious cargo in the shape you sent it. Carefully making sure everything is exactly where you want it. Simple and easy!

Visit any of our depots countrywide to send and receive parcels.

BUSINESS DRIVERS OVERVIEW

The following is an overview of the key themes in our operating context and matters that impact NamPost's ability to deliver value. These drivers collaboratively influence NamPost's reputation and brand – a key driver in its own right.

Our response to each business driver is indicated in the related chapter as well as covered holistically in the CEO's review and strategy section, on pages 14 and 21 respectively.



Customer experience

NamPost is a service delivery business, and our customer-centric business strategy places customers at the core of our business. Our Customer Experience Plan is based on mapping their needs and preferences. Creating positive customer experiences is critical to NamPost's sustainability. Certain factors, such as the closure of international borders during the COVID-19 pandemic, are beyond our control. Our organisation is structured to monitor and respond to changing customer requirements. Our aim is to maintain the loyalty of our existing customers and attract new ones. Our new company-wide Customer Experience Strategy will drive new business.

Please refer to page 26, Creating value for shareholders

Risk: Strategic risk

Technology

The market is characterised by an increasing demand for digitisation, especially among the younger demographic. NamPost's many technology initiatives in the communication, logistics and financial services arena create value for our customers, drive innovation and increase efficiency. System stability, integration and cyber security are critical.

Please refer to page 38, Information and Communication Technology

Risk: Strategic risk; Operational risk; Fraud risk; Technology risk

Our people

NamPost's people drive our business and deliver on our core Customer Experience Strategy. In a changing environment, it is important they are adaptable, responsive to customer needs and motivated to perform at a high level. NamPost draws on a limited skills pool in Namibia and retains talent by caring for our people and providing excellent benefits and training opportunities.

Please refer to page 32, Our people

Risk: Operational risk

Balancing profitability and social return

NamPost's social imperative is to maintain our post office footprint throughout Namibia as they represent convenient retail and service outlets for the respective communities they serve. Many of these post offices are non-profitable, so we leverage our Financial Services and Mail and Logistics business units to maintain cash flow.

Please refer to page 42, Financial review

Risk: Strategic risk; Operational risk; Credit risk

Regulation

In addition to regulations through UPU to deliver on our obligations, NamPost is now also licensed by CRAN, in line with the new postal services chapter published during 2020.This licence expands the requirements NamPost must meet. These include gathering statistics and reporting on customer service standards, which NamPost sees as an opportunity to improve its functions.

The increasing regulatory environment, including legislation and laws relating to the procurement of services and investment in domestic assets, increases competition and concentrates compliance risks.

Please refer to page 75, Compliance

Risk: Strategic risk

Competition

With the saturation of commercial banks' traditional target markets, NamPost's customer base is a target risk. Informal competitors are entering the financial inclusion space. The growing courier sector is also experiencing increased price competition, placing pressure on NamPost to maintain its top position. There is increasing competition in the retail space for pre-paid airtime and digital solutions.

Please refer to page 48, Financial Services, page 54, Mail and Logistics Services and page 60, Retail Channel

Risk: Strategic risk

Economy

The Namibian economy, already in recession, was further hit by the economic impact of the COVID-19 pandemic. The market is facing decreased customer spending power, job cuts and business closures. Consequently, NamPost's revenue and margins are under pressure, while its fixed costs remain high. We depend on releasing functional efficiencies, cost containment initiatives and the pursuit of new revenue streams through innovative products and services to ensure sustainability.

Please refer to page 10, Chairperson's review and page 14, CEO's review

Risk: Strategic risk; Operational risk; Credit Risk

CREATING VALUE FOR STAKEHOLDERS

NamPost's Corporate Marketing, Communications and Business Development Department assists NamPost in creating value by analysing and understanding our stakeholders' needs and developing and promoting products that meet those needs.

Highlights

- Saving costs through use of internal marketing expertise instead of external advertising agencies for COVID-19 safety education campaigns
- Promoting the overarching NamPost brand in a cost-effective umbrella brand campaign

Challenges

- Postponing or delaying marketing efforts due to COVID-19 impact on business continuity priorities
- Managing increased digital channel enquiries flowing into the organisation as a result of COVID-19
- Implementing cost-effective communication strategies to all stakeholders while adhering to cost-containment measures to keep company afloat during COVID-19

Our aim is to develop, refine and deploy a systematic approach to supporting and managing all services in the areas of marketing, business development, research, innovation and communications:

Marketing:

- Building the NamPost brand
- Boosting sales via marketing campaigns

Business development and research:

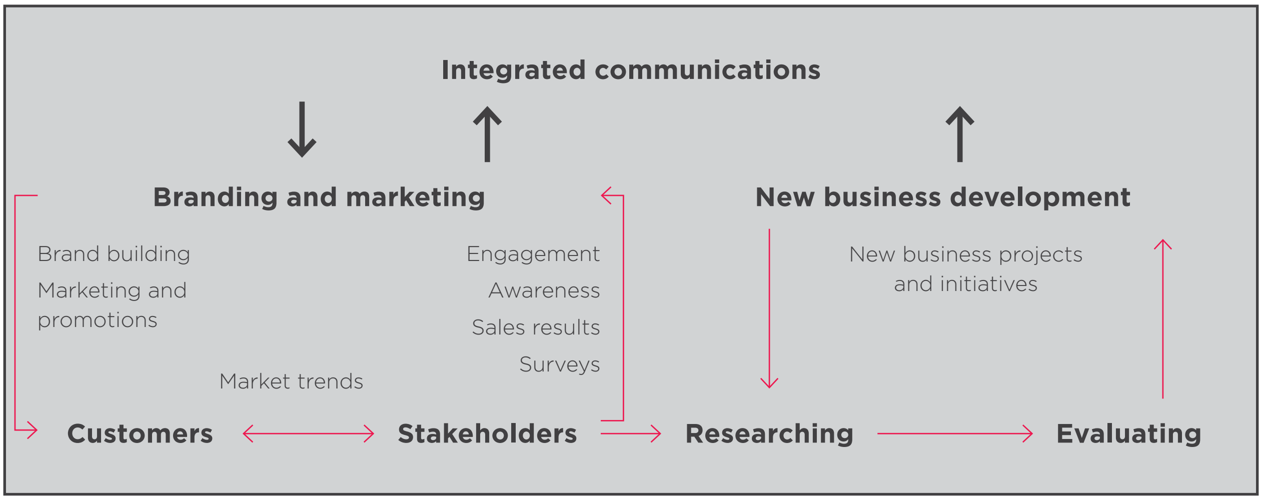
- Researching innovative new business projects
- Evaluating new product development initiatives

Customer and stakeholder engagement:

- Conducting customer satisfaction surveys and quarterly mystery shopping surveys
- Managing overall customer and stakeholder annual engagement plan
- Managing corporate and social responsibility committee

BERLINDI VAN ECK
Executive: Marketing and Business Development

To optimally serve the NamPost brand and its promise "to deliver more" across its service range we aim to develop an integrated approach to creating value for stakeholders.



Marketing and branding

Our objective is to increase revenue through well-planned marketing campaigns that boost sales of existing products and services and raise the visibility of the overall NamPost brand in the marketplace. Marketing develops, reviews and implements the marketing plans for each business unit on an annual basis, based on a predetermined marketing budget. This year, some activities on our marketing plans didn't materialise as both customers and the company faced subdued financial resources due to the COVID-19 environment. Instead, we developed a contingency plan and embarked on a general **NamPost brand campaign** to maintain top-of-mind awareness. Although the campaign was customised for each business unit, it fell under one umbrella, thus representing a prudent sharing of costs across business units.

Awards and recognition		
PMR Diamond Award for the 8th consecutive time: NamPost Courier	PMR recognition award: Most trustable company	PMR recognition award for accommodating/enhancing the interests of senior citizens

Our social impact

Despite having a limited budget for corporate social investment initiatives this year due to cost constraints, NamPost supported communities in need, donating sanitisers and transport of essential goods, as outlined on page 9. After a massive fire in two Walvis Bay informal settlements left residents without shelter, food and clothes, NamPost Courier transported and delivered more than 90 boxes to the affected community, using two NamPost trucks.

Creating value for stakeholders continued

COVID-19 Communication Plan

Marketing developed a specific communication strategy and plan at the onset of the COVID-19 pandemic, to keep both employees and customers informed, educated and up to date on national safety requirements and business modus operandi. The communication was spread across various media, including digital and traditional channels. The creative execution and implementation were fulfilled internally, to ensure cost management and savings. This COVID-19 communication is ongoing and adjusted as necessary as the pandemic and the country's response levels change.

New business development

A new Product Development and Review Committee has been established, incorporating specialists from various disciplines to guide, evaluate and recommend new products and services to Exco for final approval. The aim is to implement standardised procedures for the introduction of future products and services and eliminate any that are obsolete. This reduces company-wide risk and ensures newly introduced products are profitable and in line with market demand. This will become one of our focus areas.

Our planned national customer survey was postponed to 2021 due to the risk of COVID-19, as all interviews are conducted face to face.

Customer engagement

Customer Experience Plan

In its journey towards customer centricity, NamPost is guided by the Customer Experience Strategy. The goal is to create a seamless customer journey across all stages of the customer relationship with NamPost and across the range of our service offerings. This is a five-stage plan, with the final phase aiming to implement an integrated 24/7 call centre for centralised and customised customer interaction for all business units.

Phase one, completed in 2019, involved creating a Customer Experience Charter, detailing the way forward and setting customer excellence goals. We are in the second stage of the plan, which involves:

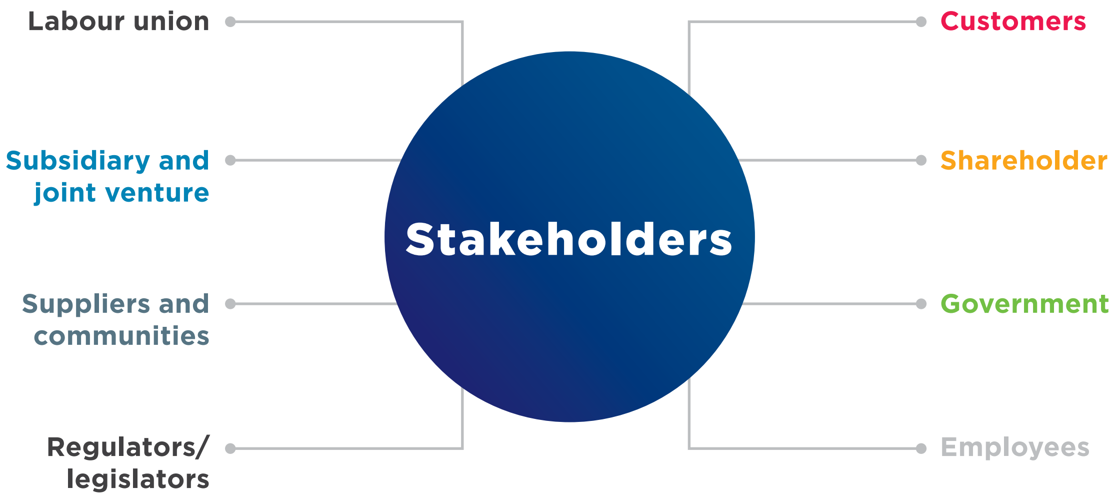
- The identification of 60 champions to drive customer centricity further in the organisation
- In-depth interviews with a sample of 30 customers to understand the "voice of the customer"
- In-depth stakeholder interviews to understand "the voice of the stakeholder"
- Customer profiling workshops – including segmentation and "persona" descriptions

Once we have inducted the champions and completed the customer and stakeholder interviews, the resulting information, together with the output from the workshops, will inform our **Customer Experience Strategy**. This will be implemented in phase three at the start of 2021, as this is an ongoing project with various stages staggered to accommodate budget constraints.

Stakeholder engagement

NamPost's stakeholder engagement plan was approved in July 2020. The plan maps NamPost's stakeholders, sets the framework for dealing with different stakeholder segments, and identifies the manner and frequency of engagement. We follow the principles of mutual involvement, openness, relevance, learning and action.

Below are NamPost's key stakeholders and their expectations.



How we create value	How we engage	Expectations and concerns	Responses
Customers			
NamPost serves various customer segments with bespoke solutions based on their respective needs. Our services connect communities, keep people and businesses in touch, and ultimately serve the aim of financial and social inclusion for all Namibians.	• At a **public level** through various platforms such as website, social media, radio talk shows and printed communication • **One-on-one** direct communication via e-mail, social media messaging and the respective business unit call centres • **Face-to-face** interaction via retail outlets in remote areas	• Our customers expect easy access to NamPost's various services via a centralised and responsive single entry point • Increasing demand for digital communication and e-commerce platforms is evident among the younger demographics • Specific COVID-19-related queries regarding unavoidable delays in shipments flooded the website	• Implementing the Customer Experience Strategy ultimately into an integrated, one-stop call centre, and rolling it out in progressive stages of business realignment around customer centricity • Migrating customers to the new interoperable VISA SmartCard, allowing transactions at any institution. EFT and online banking to follow in 2021 • Including digital in our corporate mailing offering • Prioritising our e-commerce project for launch in 2021 • Responding promptly to enquiries via social media

Creating value for stakeholders continued

How we create value	How we engage	Expectations and concerns	Responses
Shareholder			
NPTH is our sole shareholder, to whom we are accountable for strong, sustainable financial performance and long-term shareholder value.	• **One-on-one** direct communication via quarterly management and Board meetings	• Financial return • Equity and reserves	• Introducing the new Product Development and Review Committee to manage product lifecycles • Introducing the new PMO to prioritise projects and ensure efficiencies • Continuing to enhance profitable operations in Financial Services and Mail and Logistics through innovation • Enhancing cost efficiency through streamlining mail into the Mail and Logistics Services business unit and creating a sustainable strategy for the remaining Retail Channel
Government			
NamPost is an upstanding corporate citizen that supports government and promotes social inclusion. Government is a regulator and customer that depends on our products and services.	• Engaging directly with regional government representatives • Engaging parliamentary committees, ministers and industry via networking opportunities	• Facilitating financial and social inclusion • Supporting the fifth National Development Plan • Supporting the Namibia Vision 2030 • Compliance with the Affirmative Action (Employment) Act, 1998 (Act 29 of 1998) • Increasing demand for digital mailing solutions	• Providing financially and socially inclusive post offices in operation, serving communities in need without being profitable (page 9) • Digital mailing infrastructure slowly replacing the old mail sorting process
Employees			
Our employees are the backbone of NamPost. We provide employment to a large workforce and provide personal development opportunities.	• Company newsletters • Year-end functions • Long-term service awards • Information sessions with management and unions	• Wellness and quality of life • Stable labour relations • Remuneration, housing and benefits • Job security	• Participation in SAPOA sports events • Remuneration and housing benefits benchmarked against the industry • Zero retrenchments • All employees received full pay during the COVID-19 lockdown, although bonus payouts were frozen

How we create value	How we engage	Expectations and concerns	Responses
Regulators/legislators			
We comply with regulations and legislation, which uphold the rule of law in Namibia.	Licensed with CRAN. Direct engagement to commence in 2021.	Compliance with regulation and legislation • CRAN • Bank of Namibia • UPU	• Increasing awareness and adjusting to comply with impending regulations and legislation
Suppliers and communities			
We contribute towards improved quality of life through our financial and social inclusion products. Our continued success benefits our supply chain.	Always in touch with our key suppliers, either by way of meetings or formal written communication. The process helps us to strike favourable payment terms and ensures timeous delivery of service.	• Improved quality of life through contribution to revenue • Social grant payments and assistance with difficulties on pension payout day • A NamPost point of presence in a specific region	• Provision of facilities (such as seating, toilets and shade) to social grant recipients on payout days. See Pension Payout Day during COVID-19, page 9.
Subsidiary and joint venture			
Through our subsidiary PostFin we provide access to micro-loans.	• **One-on-one** direct communication via quarterly management and Board meetings	• PostFin: Assistance in accessing affordable funding	• Loan secured from Kreditanstalt für Wiederaufbau (KfW) and from Agence Francaise De Developpement (AFD) to finance PostFin loans
Labour union			
Fostering a supportive relationship within the constraints of the economy. Namibia Public Worker's Union (NAPWU) represents 46% (76% 2019) of our employees.		• A living wage and good living standards for employees • Annual wage negotiations • Good benefits	• Zero retrenchments or salary cuts to support employees in current economy • Stringent headcount management • Extensive training to shop stewards in dispute resolution and conflict management, as well as how disciplinaries are conducted, basic economics, and policies and procedures

OUR PEOPLE

The HR Department unlocks the power of people potential by providing guidance, training, support and advice to all employees across the organisation through to executive level.

Highlights

- No retrenchments or salary cuts despite the recessionary environment
- Communicating and implementing effective health and safety protocols in response to the COVID-19 pandemic

Challenges

- Retaining the current workforce, given the severe economic pressure resulting from COVID-19 and significant job losses across Namibia
- Redeploying people during the COVID-19 pandemic and splitting teams to minimise exposure

The Department **manages, develops** and **supports** the following areas for NamPost:

HR manages administration and compensations; recruitment and selection; industrial and employee relations; union relationships; healthy and safety; and training.

HR develops and implements policies and procedures to ensure stability, productivity, organisational and skills development.

HR supports and enables the customer-centric strategic focus in developing a customer-centric culture through ongoing training and assessments.

SONIA BERGH
Executive: Human Resources

Our people deliver more

As a service delivery company, NamPost aims to instil a customer-centric culture

Customer-centric culture

Listen → **Learn** → **Analyse** → **Deliver** → **Retain**

As a result of the recent organisational restructuring, combined with shifting customer demands and a changing communication landscape, NamPost is experiencing considerable change. HR is key in supporting all the business units in an ongoing change management process. We train people to become effective change agents, ensuring a flexible, adaptable, high-performance and future-ready workforce geared towards customer centricity.

This was an extraordinary year for NamPost. Because of the need to manage the consequences of the COVID-19 pandemic on our people, the health and safety of our employees – while still operating and providing essential services – became our primary focus.

We are pleased to report **100% labour stability** despite a very difficult and challenging year. Critical to this success was continuous engagement and communication with labour, balancing the need to retain our workforce and protect jobs with our fixed costs. Bonus payouts and increases were frozen to accommodate full pay with no salary cuts.

HR assisted each business unit in meeting requirements for redeployment of employees or splitting of teams to maintain physical distancing.

With 135 post offices spread across the country in different stages of lockdown, the central management of health and safety initiatives posed a challenge. As such, we mobilised regional representatives where necessary to fulfil health and safety roles.

Continuous **employee engagement** is critical during times of crisis. We accomplished this through various channels, keeping employees informed of safety measures and requirements.

We continue to engage regularly with employees and have adapted our efforts to remain relevant as the pandemic has progressed.

Our **cost management performance** was 25% below budget, as we had to postpone revenue-generating activities and absorb additional costs in gearing for COVID-19 safety regulations.

Diversity and inclusion

97.88% previously disadvantaged employees (2019: 87.88%)

55.23% female employees (2019: 55%)

3 employees with disabilities

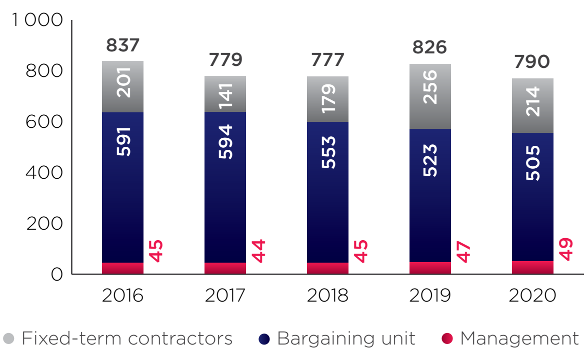
Retention and productivity

97.73% retention rate (2019: 95.62%)

3.63% absenteeism (2019: 0.40%)

9.80 years – average length of service

Total employee complement at year-end



Our people continued

Focus areas

Change management

NamPost is constantly evolving as we adapt to new innovations in a changing market. Our aim is to continue to develop an adaptable workforce, prepared for ongoing change. The change management initiative was established last year and, although it slowed down to some extent as a result of COVID-19 priorities, it is an ongoing programme.

Service Level Agreements (SLAs)

HR finalised and implemented SLAs with each business unit. This is now a part of the overall management of HR against which we are evaluated. HR delivered on all the balanced scorecard KPIs that were not altered as a result of prioritising employees' health and safety during the pandemic.

Online learning facility

NamPost aims to establish an e-learning facility that will enable employees across the country to attend training sessions from their computers. This will eliminate the need to travel across Namibia's vast geography, which can necessitate two or three days away from the office, as well as accommodation near the training centre. This will represent a substantial cost saving to the company and will benefit employees, who will be able to study at their own pace in the facilitated online environment.

The benefits of establishing this e-learning facility became more evident during the lockdown. Although progress on the implementation was postponed due to the COVID-19 environment, we aim to prioritise this development in 2021.

Fit-for-purpose company-wide organisational structures

We have restructured our business units to align more closely with our strategy. This is in the implementation phase. The Board approved a new high-level structure in 2019 that reflects the newly combined Mail and Logistics Services business unit. The respective departments job profiles, reporting levels and structures are in progress.

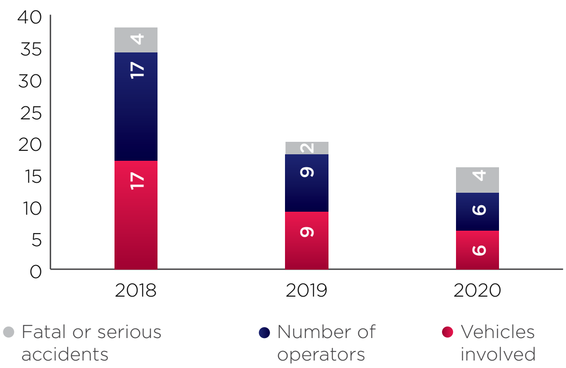
Health and safety

The COVID-19 prevention and mitigation activities became our priority. A COVID-19 Response team, including the Health and Safety Officer and Manager of Employee and Labour Relations, met daily to ensure all national health and safety requirements were met and communicated to all employees.

NamPost provided appropriate protective equipment, clothing and sanitisers for all employees and visitors. Visitor registration was implemented for contact tracing. National COVID-19 guidelines and information was shared across the organisation. Of the 38 possible exposures we tested, 19 were positive and limited to Windhoek. The appropriate decontamination and quarantine measures were followed and no further cases have been reported.

NamPost continues with the signed a five-year memorandum of understanding on road safety with the Motor Vehicle Accident Fund of Namibia.

Road accidents (number)



A total of 38 post offices had health and safety inspections during the year. The following training needs were identified:

- Legal liability, incident and accident investigation training for management and supervisors
- Refresher training for first aiders, health and safety representatives and fire marshals

Training

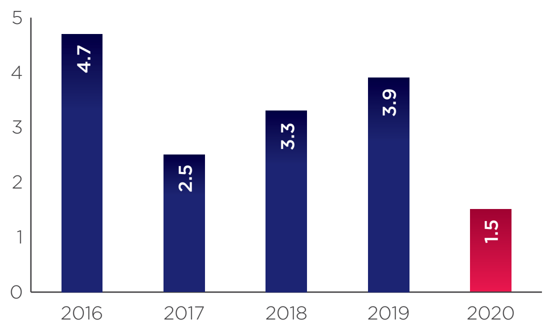
NamPost's training focus was less intensive this year as business continuity was prioritised. This was driven by COVID-19 restrictions, budget constraints and the use of training facilities to house various teams that were split from their buildings to ensure physical distancing. Our emphasis shifted from sales to customer service skills in support of our ongoing customer-centric focus.

41 employees trained in sales skills (2019: 157)

273 employees received training in service skills (2019: 156)

100% pass rate in anti-money laundering training (2019: 87%)

Training spend (N$ million)



Programme[1]	Number of people trained	
Anti-money laundering[2]	46	(2019: 627)
Sales – strategy and management	41	(2019: 80)
Customer service	14	(2019: 81)
Product knowledge	**55**	
NamPost Savings Bank	21	(2019: 16)
SmartLife	13	(2019: 557)
Postal administration	8	
FreightWare	13	
System training	**50**	
System application and product data	4	(2019: 38)
Front-end/migration	13	(2019: 557)
Microsoft Excel	23	
Information Technology Infrastructure Library (ITIL)	10	
Management Development	**49**	
Management principles	21	
Strategic management	1	
Compliance management	1	
Project management	3	
Internal audit development	3	
Risk management	2	
Reimaging management	7	
Team building	11	
Other training programmes	**28**	
Chairing of disciplinary hearing	11	
Induction	6	
National Vocational Certificate in Postal Services	9	
ITAS	1	
Executive Development	1	

[1] *The programmes reported ran from 2017 to 2019.*

[2] *Anti-money laundering training was a requirement for the payment licence.*

Employee value proposition

NamPost recognises that our people drive our business. We are invested in continual development, empowerment and care of our workforce.

Benefits

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

Learning and development

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

Compensation

Employees' compensation is based on comparative analysis against the market

Culture

NamPost engages with employees to see how to best instil its values. Employee concerns and feedback are addressed.

Job security

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

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Outlook and future focus areas

The HR Department's future planning is guided by the overall company strategy as well as individual business unit strategies. Once these are in place for 2021, HR will determine the support necessary for achieving the strategies. This includes, but isn't limited to:

- Change management
- Customer service
- Health and safety
- Wellness
- Employee engagement

Specific priority will be given to the automation of leave and overtime, implementing the e-learning initiative and embarking on the fit-for-purpose working hours project.

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EVERYWHERE.

In the air, on the ground or providing delivery support. We always make sure to handle and deliver your precious cargo in the shape you sent it. Carefully making sure everything is exactly where you want it. Simple and easy!

Visit any of our depots countrywide to send and receive parcels.

INFORMATION AND COMMUNICATION TECHNOLOGY

The ICT Department partners with NamPost's business units to improve efficiencies and drive innovation in products and services. We support, enable and enhance business operations with streamlined and stable functionality.

Highlights

- Efficiently enabled NamPost's critical employees, teams and groups to work from home
- Enhanced cyber security, with zero breaches reported
- Successfully completed a full disaster recovery test that included all Financial Services stakeholders and role players

Challenges

- Meeting constantly changing business continuity and business requirements driven by the COVID-19 environment
- An increase in cyber security exposure due to NamPost home access to the operating environment
- **Work from home** presented challenges such as support on poor connectivity and lack of physical access to employees to help manage and control the work environment
- Additionally, the unprotected and unsecured internet home routers provided additional risks and challenges. NamPost ICT mitigated this by putting formal cyber security measures in place, such as authorised VPN (virtual private network) connections
- Employee shortages

JORN SCHNOOR
Executive: Technology

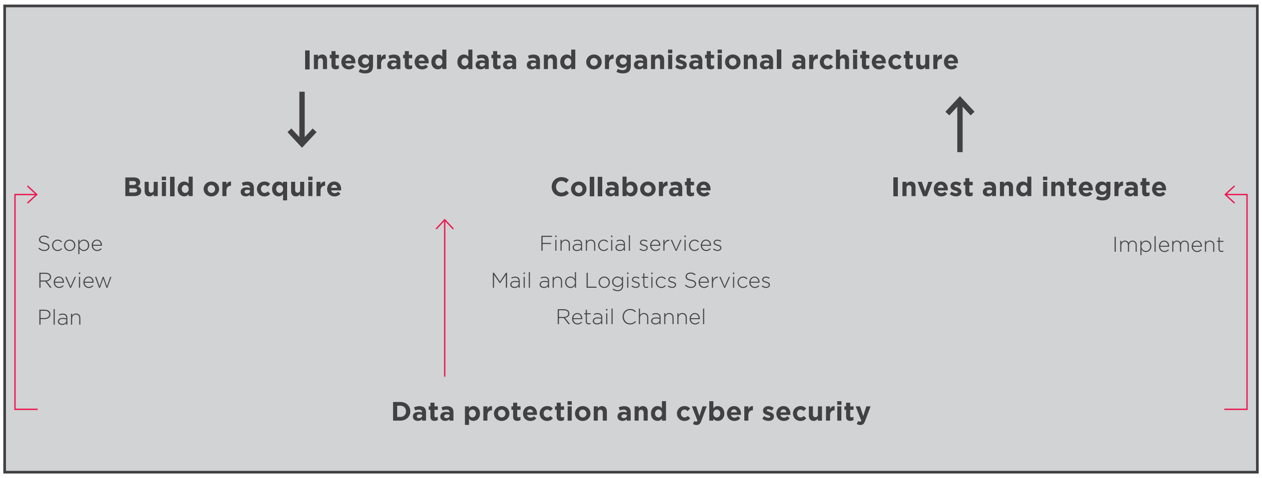
NamPost's ICT Department provides:

- **Support:** assist in cost reduction at an operational level; improve business processes and operational risks; and digitise business functions and products
- **Enablement:** create improvements based on systemic controls and optimise business processes using digital platforms and principles
- **Enhancement:** provide the technology for new products and services and nimble and agile integrated technology platforms to enable the business units to be proactive in their alignment of products

ICT is key to NamPost's ability to deliver on all its strategic objectives, as it provides the technology and infrastructure to support innovative customer-centric products and services, achieve operational effectiveness, drive synergies between our business units and manage risk.

Our technology focus aligns with NamPost's financial inclusion responsibilities as mandated by the NPTH and Namibian Government. As such, designs are based on the needs of the underbanked, with services and costs aligned to their financial living standards measure, and third-party vendor negotiations and projects tightly controlled and negotiated.

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



Digital transformation

Digital transformation and customer centricity remain top priorities from a strategic perspective.

In support of NamPost's journey to customer centricity, the goal of digital transformation is proceeding steadily. ICT successfully built additional banking functions for the Financial Services platform in record time and without requiring additional resources. Improvements are being made to business operations to reduce risk at the front end of NamPost business. NamPost also joined the EFT streams and is in the process of establishing technical and operational capabilities.

ICT is achieving many milestones in our technology journey, including many firsts for NamPost:

ICT firsts for NamPost		
Award of **Payment Card Industry Data Security Standards** (PCI-DSS) certification for the new banking services. This is a significant achievement within the context of the Namibian Payment System.	Successfully completing a **full disaster recovery test** that included all stakeholders and role players.	Successfully delivering **ICT governance industry-related training** to all ICT employees – developing their skills as we now also service the financial industry.

Digital strategy

We are in the process of developing our digital strategy, which will focus on NamPost's services and internal processes, efficiencies and effectiveness and revenue-driving initiatives.

Information and Communication Technology continued

Performance and 2020 focus areas

Despite unprecedented challenges brought about by COVID-19, the operational environment remains stable in the context of resource constraints, increasing business requirements, and increased cyber security, governance and compliance needs. We successfully completed our Department's customer satisfaction survey with an 85% satisfaction score. Budgetary constraints halted all Enterprise Architecture efforts until 2021.

Please refer to page 85, ICT Governance

Major focus areas for 2020 included the **alignment of support structures** within the ICT Department. This was mainly due to the company's strategic objectives and the need to align with ever-increasing demand from business requirements. Establishing stable support structures for banking and business unit support was another priority successfully implemented.

To assist in aligning the company's strategic objectives and business models, the team implemented the **new wide area network infrastructure**, new firewalls and core switches and improved cyber security measures. The return on this investment is demonstrated by faster, reliable and consistent infrastructure and reduced risk.

Cyber security

As NamPost becomes increasingly digitised, cyber security risks increase.

NamPost's increased digitisation, driven by our participation in the online banking market and digital innovations across our other business units, increases our exposure to the ICT risk landscape. Cyber security exposure has increased further by the remote working arrangements resulting from the COVID-19 lockdown measures. We remain acutely aware of the constant and evolving risk of cyber threats, including cyber security and data privacy breaches, and are improving our measures monthly with zero breaches reported to date.

We hold weekly awareness sessions for all employees to improve their understanding of cyber security and their related responsibilities. In 2020 several cyber security maturity sessions were held, reducing the initial risks in employee behaviour. In the next financial year we aim to automate cyber security tools, awareness sessions and maturity assessments.

COVID-19 and related work-from-home measures

The outbreak of the COVID-19 pandemic resulted in many business continuity requirements. The ICT team addressed these requirements timeously and enabled critical teams and groups to work from home. We converted 400 employees to Office 365 and from Windows 7 to the Windows 10 platform, and enabled collaboration throughout the organisation from remote locations. This new method of working remotely increased our cyber security exposure.

Please refer to page 85, ICT Governance for details on how we approach formal cyber security policies.

Current and future focus areas

		Status
Digitise and automate internal support processes (such as leave, overtime, and learning and content sharing)	🟢 🔵	Current and ongoing
Enhance business and support efficiencies and revenue via revised **data architecture** and improved management information systems (MIS)	🟢 🔵 🟠	In progress due for completion by 2022
Revise and align **enterprise architecture** in conjunction with business requirements. This includes upgrading/aligning the **ERP platforms** and architecture	🟢 🔵 🟠	Long-term project currently under design
Present **digital and online channels/services** to NamPost customers. This includes: • EFT digital payments (in testing) • Internet banking (in development) • USSD Send-Money (in development) • Mail and Logistics e-commerce channel (on tender) • Retail e-commerce channel (on tender) • Online payments for **all** NamPost customers (in progress)	🟠	Delivery 2021/2022
Automate the **biometric validation** for proof-of-life services to support our Retail Channel in pension payouts	🟢 🔵 🟠	Awaiting business requirement

🟢 **Support** 🔵 **Enablement** 🟠 **Enhancement**

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We believe in the power of savings. Not just for a rainy day, but for the peace of mind financial security provides. That's why our financial services are tailored to enable you to put aside a little now, for greater returns later. Helping you grow your investment today, so you can have one less thing to worry about tomorrow.

Visit any of our Post Offices nationwide to access our Savings Bank products.

FINANCIAL REVIEW

Battered by a prolonged domestic economic recession and stricken by the COVID-19 pandemic, 2020 has been a forgettable year. The Group experienced one of the most challenging years in recent history, but still managed to adjust its sails and navigate the waters, remaining relatively stable and optimistic about the future.

Highlights

- Successfully managing our liquidity against the backdrop of a harsh economic environment
- Securing funding for our micro-lending business, demonstrating the relative health of our balance sheet

Challenges

- Operating at reduced capacity due to lockdown restrictions and border closures
- Significantly subdued collections from credit customers

By all accounts, 2020 has been the most difficult year in recent history. The struggling Namibian economy reeled from the global economic consequences of COVID-19. Despite the Central Bank monetary policy interventions to sustain the economy through interest rate cuts, the palpable economic challenges facing many businesses and consumers remains largely unabated and is likely to persist for the foreseeable future.

The interest rate cuts affect our business in both positive and negative ways. Although lower interest rates allow our Treasury division to access deposits at a lower rate, we still have investments in our deposit book with fixed interest, which will only re-price upon maturity and are still being carried at a higher cost. The rate of returns on our assets has been negatively impacted by consumer affordability and unattractive lower interest-earning potential, coupled with reduced demand for savings and investment products. This has placed pressure on our interest margins.

Please refer to page 48, Financial Services

BATSIRAI PFIGIRAI
Executive: Finance

In light of these economic challenges, liquidity management became a focal point in our organisation, with costs strictly contained to preserve cash and working capital optimally managed to balance operating cash flow.

NamPost's financial priority areas were:

- Cost containment to preserve cash flow amid the negative impact of COVID-19
- Strict working capital management, including managing physical stock levels, engaging clients for prompt payments and negotiating with creditors for deferred payment terms
- Prioritisation of key strategic projects for implementation to leverage potential low-hanging fruits and delay of less critical projects

Key projects requiring significant financial investment include the emerging e-commerce evolution and broadening our digital revenue streams against the background of a rapidly declining physical mail business. The journey to digitise our banking products continues; EFT capabilities are the natural progression. All of this represents an investment phase of our business, with potential short-term trade-offs on profit.

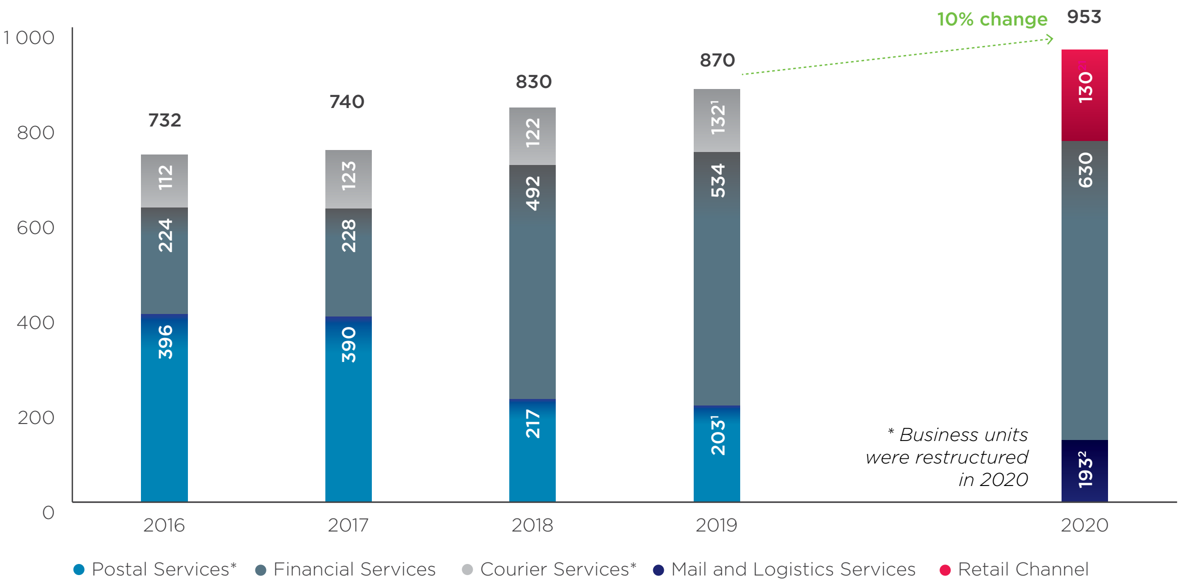
Overview of performance

NamPost was listed as an essential services provider during the government-enforced lockdown period, which meant that our business operations continued, albeit at reduced capacity. Operating costs, a significant portion of which is fixed in nature, continued to be incurred throughout the lockdown period, with less revenue coming through due to border closures and reduced activity across all our products and services.

Group revenue grew by 10% to N$953 million (2019: N$870 million) and PBT declined by 53% to N$6.5 million (2019: N$14 million). The revenue growth was not enough to absorb the increase in costs and this directly and negatively impacted the bottom line. Our operating expenses-to-income ratio was at 49% (2019: 48%). Though all business units combined remained profitable before shared services costs, NamPost at company level reported N$14.7 million loss before tax (2019: N$10 million loss). However, some business areas are showing signs of recovery, with Financial Services the strongest performer. PostFin reported N$21 million (2019: N$28 million) PBT, elevating Group profit to N$6.5 million. The Courier component of our Mail and Logistics business unit showed signs of recovery from June onwards, after two months (April and May) of stunted revenue growth due to COVID-19 lockdowns.

NamPost continues to deliver social value through our use of local suppliers and payment of taxes to government. During the year, the Group contributed value-added tax (VAT), income tax, import VAT, and pay-as-you-earn to the government of N$62 million (2019: N$63 million). N$600 million (2019: N$538 million) was paid to local suppliers for goods and services.

Group revenue (N$ million)



Overall Group revenue increased by 10%.

[1] *There are no current year figures. Postal Services as a business unit no longer exists, with its functions now split between new business units, Retail Channel and Mail and Logistics. Courier Services is now consolidated under Mail and Logistics business unit.*

[2] *Mail and Logistics and Retail Channel are new business units, hence there are no comparatives.*

Financial review continued

Financial Services

Interest and similar income grew substantially by 19% to N$590.0 million (2019: N$497.8 million), but fell short of the target. The growth was on the back of a higher deposit book and favourable trades in the bond market, which realised substantial fair value gains. Interest income on loans and advances for PostFin declined by 1% to N$81.6 million (2019: N$82.6 million) owing to a slump in loan volumes during the COVID-19 lockdown and interest rate cuts by the central bank.

Transactional (non-interest) income remained relatively flat at N$65.2 million (2019: N$65.4 million) and fell short of the target. Transactions volumes were largely subdued due to COVID-19 restrictions on in-branch client visits and the incompletion of NamPost Savings Bank client migration project. The completion date was deferred to 31 March 2021.

Bancassurance insurance products (Hollard funeral cover and credit life) net commission income increased by 14% to N$2.4 million (2019: N$2.1 million), although this fell short of the target. The marketing and promotion of products was impeded by lockdowns. Dividend income received increased by 14% to N$11.2 million (2019: N$9.8 million), which was relatively substantial, considering the economic circumstances that saw most organisations withholding dividends to preserve cash.

Mail and Logistics Services

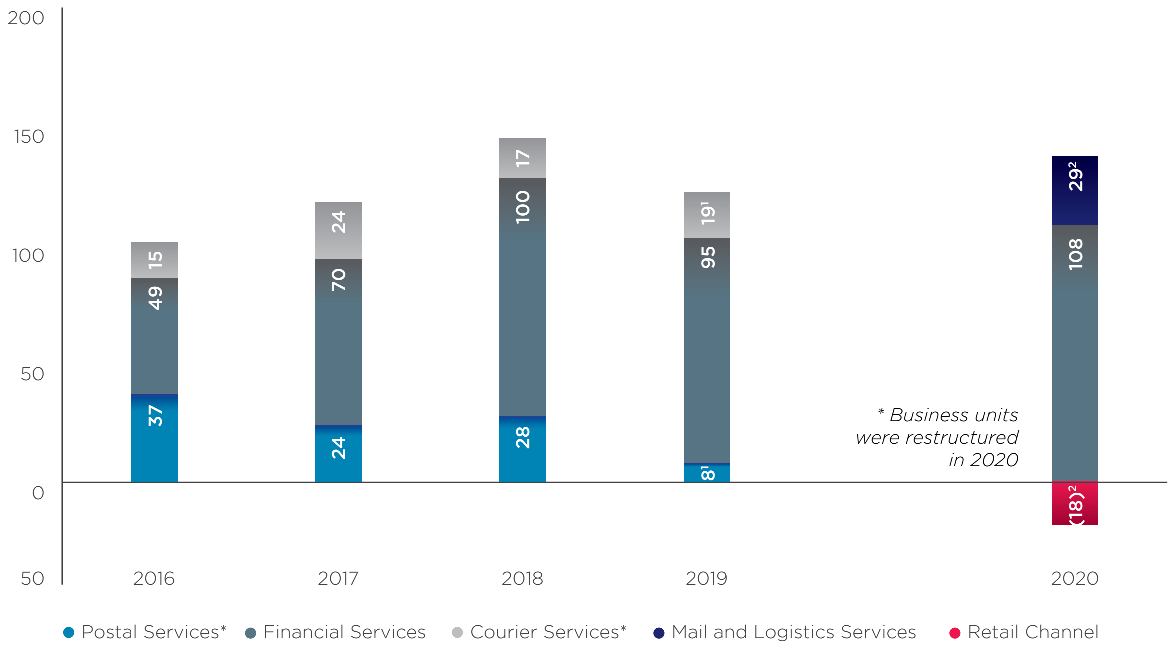
Courier revenue, largely driven by domestic parcels, fell short of expectations due to COVID-19 movement restrictions, which constricted volumes. However, there was year-on-year revenue growth of 5% to N$139 million (2019: N$132 million).

Mail revenue, which largely consists of business and bulk mail, government mail, re-mail, international mail, Hybrid Mail and post boxes, declined by 13% to N$130 million (2019: N$149 million), and significantly fell short of expectations amid dwindling volumes due to the trend away from paper mail.

Retail Channel

The key revenue driver excluding mail-related components was agency services, which remained virtually flat year on year, at N$25 million (2019: N$26 million), and fell short of expectations due to lack of new agency products introduced as originally planned.

Profit contribution (N$ million)



1 There are no current year figures. Postal Services as a business unit no longer exists, with its functions now split between new business units, Retail Channel and Mail and Logistics. Courier Services is now consolidated under Mail and Logistics business unit.

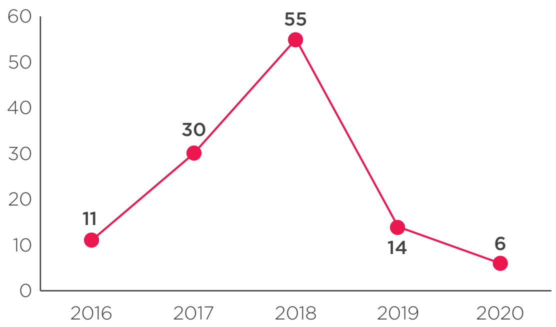
2 Mail and Logistics and Retail Channel are new business units, hence there are no comparatives.

Financial Services recorded a profit increase of 13% to N$108 million (2019: N$95 million), anchored by a strong performance in the Treasury business, which saw an increase in interest on investments of 22% due to a higher Savings Bank deposit book. Fair value gains were also realised on the trading and switching of fixed-income instruments. The growth in profit was achieved despite virtually static transaction business and a 23% decline in PostFin PBT to N$21 million (2019: N$28 million). PostFin profitability was largely impacted by a slump in loan volumes during the lockdown period of April and May and the interest rate cuts by the central bank, as interest income on micro-loans issued by PostFin is linked to prime rate.

Mail and Logistics reported a profit of N$29 million, which significantly fell below target, owing to a sustained natural decline in paper mail business and the impact of COVID-19 in the movement of mail and parcels both domestically and internationally. This is a new business unit following the restructuring exercise; hence there is no comparative information, either for revenue or profitability.

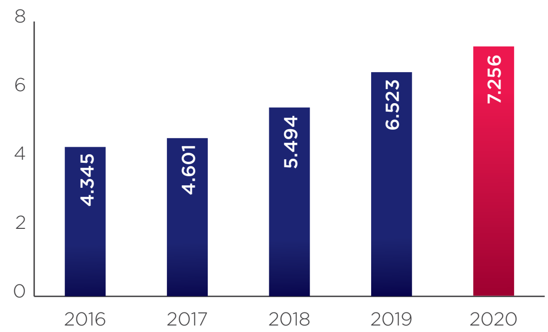
Retail Channel reported a loss of N$18 million, which was worse than expected. Significant components of Retail Channel revenue are mail-related; therefore the slump in mail business and the fixed nature of the operating expenses directly impacted the business unit's bottom line. No growth could be achieved in agency services income to reduce the quantum of the loss realised. This is a new business unit following the restructuring exercise; hence there is no comparative information, either for revenue or profitability.

Profit before tax (N$ million)



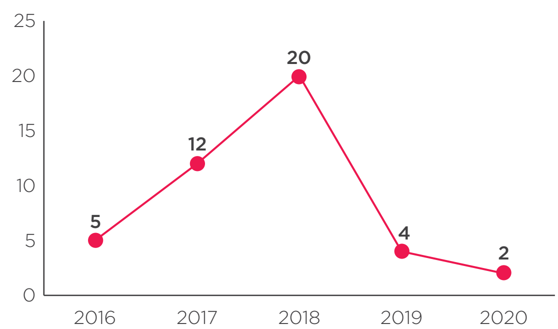
PBT decreased by 53%, revenue grew by 10%, and expenses grew by 12%. The increase in expenses is largely attributed to the annual inflationary increase in salaries and the provision for impairment on accounts receivables due to economic challenges, which have seen credit customers struggle to settle their accounts on time. Furthermore, amortisation expense was much higher due to the full-year amortisation of the capitalised banking system, whereas in 2019 amortisation was only applied for three months. In addition, the current Savings Bank migration project has seen a rise in human resources and stationary costs, above expectations and prior year levels. This put a strain on profitability despite a noticeable growth in revenue, hence a decline in PBT.

Total assets (N$ billion)



The total asset book increased by 11%, largely lifted by the growth in the Savings Bank deposit book and PostFin loan book, which was supported by new funds raised from KfW and AFD. PostFin's loan book grew by 10% to N$412 million (2019: N$373 million). Approximately 89% of the Group's financial assets relate to Financial Services investments.

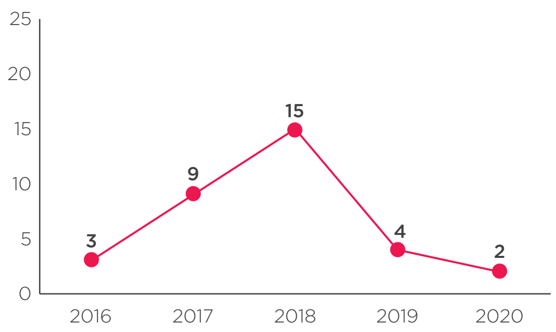
ROE: PBT (%)



This metric is dependent on profitability levels. The ROE on PBT was 2% (2019: 4%), an expected decline following the Group's significantly lower profit.

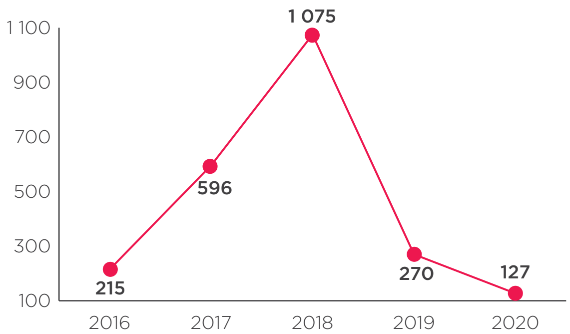
Financial review continued

ROE: PAT (%)



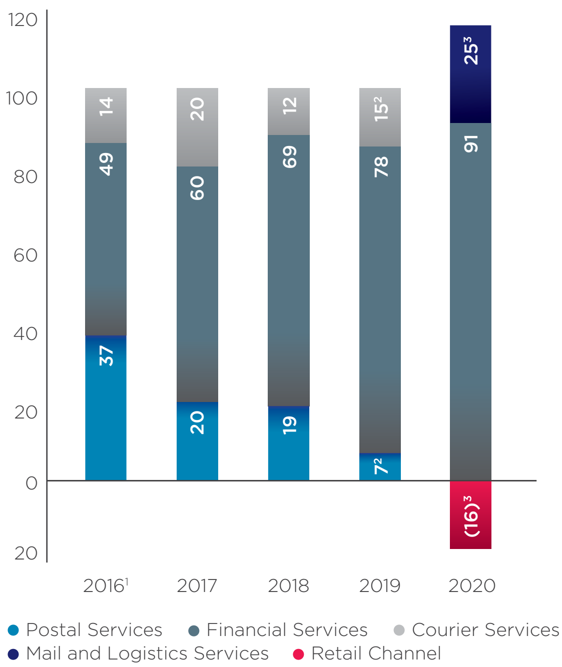
This metric is dependent on profitability levels. The ROE on PAT was 2% (2019: 4%), an expected decline following the Group's significantly lower profit.

ROI: PBT (%)



The return on the shareholder's initial investment decreased to 127% (2019: 270%), an expected decline as a result of the decrease in profit reported.

Profit diversification (%)



* *Business units were restructured in 2020*

The graph depicts the increasing importance of Financial Services against the background of a slump in traditional or physical mail business and constricted growth in other segments of Mail and Logistics. Retail Channel increasingly resembles a cost centre given its significant reliance on slumping mail business and relatively stagnant agency services.

Outlook

Despite overall sentiment that the COVID-19 pandemic may have plateaued, the uncertainty surrounding its trajectory will continue to present business challenges. Furthermore, recovery from the current domestic economic recession will be slow and gradual. Against this background, our focus areas will be:

- Cost containment: operational costs will continue to be strictly monitored against the backdrop of a waning business, especially in Mail. Operational activities will be closely monitored to ensure that only fit-for-purpose costs are incurred.
- Liquidity management: from the time COVID-19 became prevalent, focus shifted to implementing measures that would preserve the Group's cash, thereby ensuring sustainable liquidity. Given the persistence of the pandemic and the uncertainty it presents, the focus will remain the same and even stricter.
- Capital expenditure management: the business is operating in unusual times and it follows that capital spending will have to be disciplined and cannot be business as usual. The focus will shift to prioritising capital spending linked to key strategic projects that clearly present the Group with a quick and high investment return, as well as enabling the Group to mitigate business risks flagged as high and critical.
- Credit risk management: due to the current domestic economic recession and the impact of COVID-19, credit risk has become significantly high, as Mail and Logistics credit customers struggle to settle their accounts on time. More aggressive and strict initiatives will be implemented to mitigate the risk, which will ultimately help the Group to balance working capital.

1 *Restated to correct the 2016 percentages, which incorrectly reflected contribution at company level instead of the Group.*

2 *There are no current year figures. Postal Services as a business unit no longer exists, with its functions now split between new business units, Retail Channel and Mail and Logistics. Courier Services is now consolidated under Mail and Logistics business unit.*

3 *Mail and Logistics and Retail Channel are new business units, hence there are no comparatives.*

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Visit any of our Post Offices nationwide to access our Savings Bank products.

FINANCIAL SERVICES

The core objective of Financial Services is to provide accessible savings facilities and promote financial inclusion by reaching more unbanked and underbanked Namibian residents.

Highlights

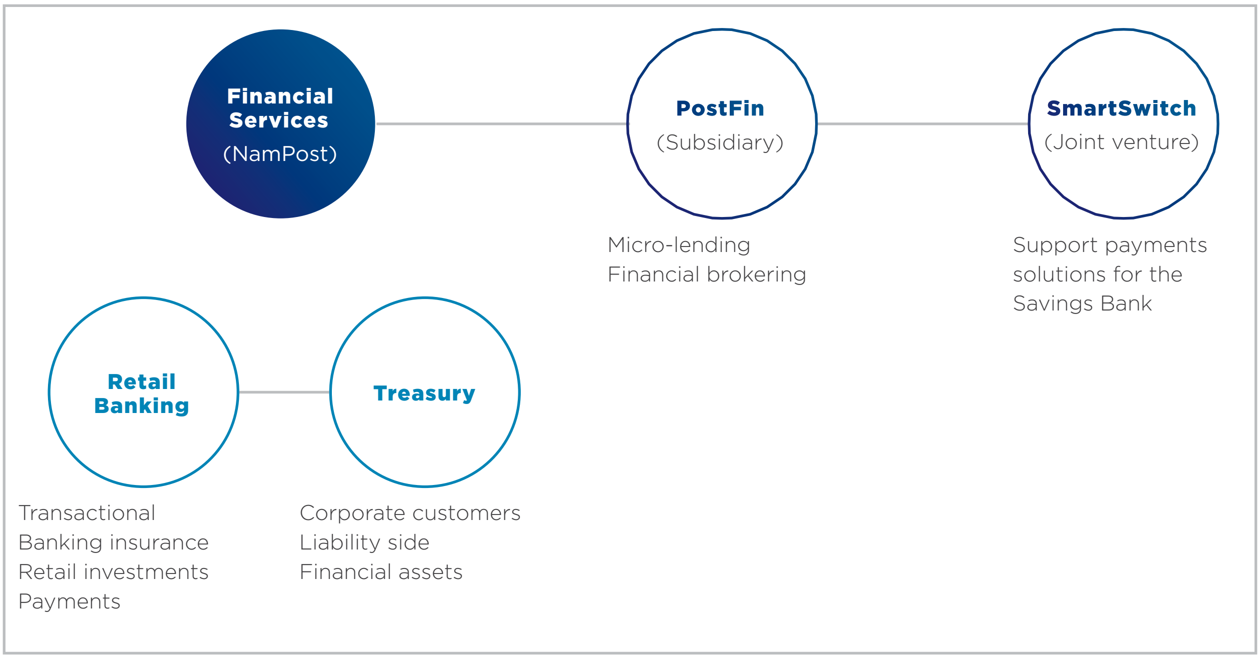
- 6.5% increase in deposit portfolio
- Stable growth in portfolio assets
- Increase in net Treasury income
- Implementation phase of EFTs at NamPost
- Continued migration of customers to new VISA SmartCard

Challenges

- Prevailing weak economic operating environment exacerbated by COVID-19 pandemic
- Low employment levels and subsequent low transactional volumes and savings product uptake
- Reduction in interest rates, negatively affecting savings customers

The Financial Services business unit consists of two primary divisions: retail banking through NamPost Savings Bank, established by an act of Parliament, and wholesale deposit taking through the Treasury operations, which serves corporate clients. Financial Services also manages the joint venture (JV) partnership with Hollard to provide insurance coverage to NamPost customers. Our payments and card services provided internally ensure we are compliant in the interoperable environment. Through our subsidiary, PostFin, we provide access to affordable micro-loans. We maintain and develop specific products and services for the different market segments we serve.

JENNY COMALIE
Executive: Financial Services



Financial Services faces a tough operating environment. Following the onset of COVID-19, the Bank of Namibia announced reductions in repo rates in an attempt to ease the economic impact of the pandemic. This reduces the cost of funding, but also creates a low interest rate environment that negatively affects our savings customers who rely on the interest margins. Similarly, wholesale investors start seeking higher returns through alternative products such as unit trust funds, resulting in increased pressure on NamPost to remain competitive.

Despite this challenging environment, careful management between our asset and deposit portfolio resulted in stable growth and an increase in net Treasury income. This was achieved by optimising our cost of funding and return on assets.

Financial Services consolidated revenue increased by 18% to N$630 million (2019: N$534 million), which is impressive growth amid a weak economic environment exacerbated by the COVID-19 pandemic. Due to high revenue growth in Treasury business, the business unit reported a 13% growth in profit to N$108 million (2019: N$95 million).

Business continuity was ensured during the COVID-19 lockdown period through our existing disaster recovery plan. Essential services and key functions were moved to an alternative venue to minimise exposure and many of our employees were able to work from home.

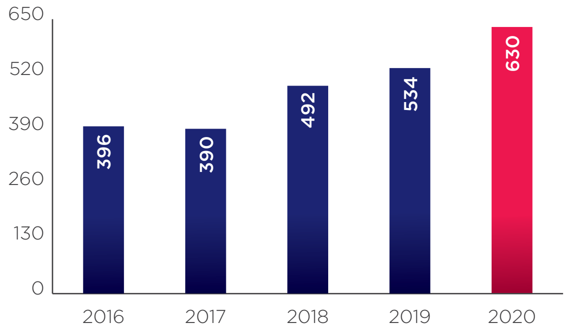
NamPost secured funding from KfW and AFD to support micro-loans via PostFin.

Financial Services is on track to migrate our customers to the new VISA SmartCard by March 2021. A mobile migration team is roaming the country to support these efforts.

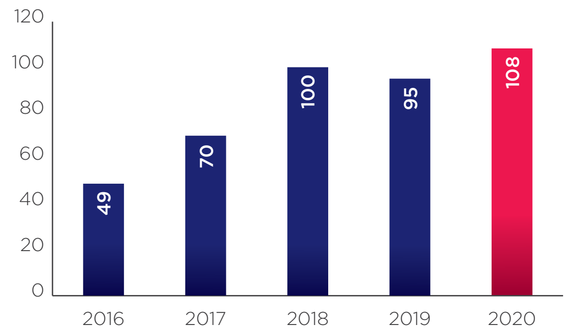
The facility enabling NamPost clients to send and receive EFTs to and from the other participants (both banks and participating non-banks) is in the implementation phase. With this functionality in place, NamPost will be on par with banking institutions for usability and interoperability of our services.

Performance

Revenue (N$ million)



Net profit (N$ million)



Financial services continued

Contribution to strategy

Enhance shareholder value
Financial Services balances potential redundancies in traditional postal services with continuous development of innovative products to serve the needs of investment and Treasury clients and attract new ones, within the boundaries of our investment guidelines.

Journey towards customer centricity
Our focus is on improving the customer experience.

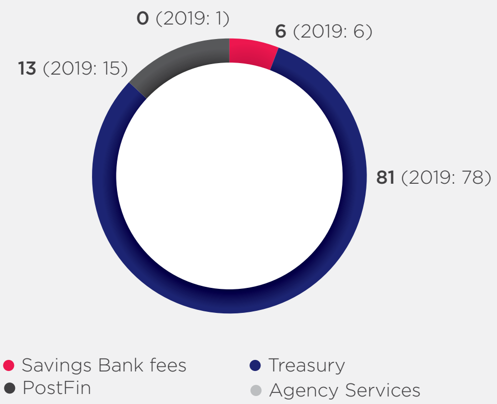
- Phase one of our customer centricity strategy and roadmap included the VISA SmartCard with new capabilities. The migration of customers to the new card is ongoing and will be finalised in March 2021.
- Phase two involves the establishment of EFT and internet banking facilities to enhance convenience. This is in the implementation phase for launch in 2021.

Achieve operational effectiveness
We are continually updating our processes and procedures to ensure operational effectiveness in the evolving environment.

Measure and manage business risks
Focus continues on the management of risk in our environment. Our Investment Policy mitigates inherent risks. The Business Continuity Plan was finalised and tested during the COVID-19 pandemic.

Enhance human capital culture and effectiveness
The HR Department's ongoing Change Management Project is improving NamPost's culture and ensures we retain and attract talent.

Contribution to revenue (%)



Total consolidated revenue:
N$630 million
(2019: N$534 million)

Savings Bank

The Savings Bank caters to individual (retail) customers.

The Savings Bank serves retail customers with its transactional VISA SmartCard, offers insurance through its joint venture with Hollard, delivers competitive retail investment products, and provides the infrastructure for payments to and from other participants.

Transactional business

Our transactional card provides access to financial services for the unbanked and underbanked. The business migrated nearly 140,000 customers to the new VISA SmartCard by September and the process will be complete by March 2021. We implemented a reasonable increase in our fees, which sustains the business.

The new interoperable card is linked to customers' savings accounts and serves as a transactional card at point of sale or automated teller machines (ATMs). It includes the option of linking power of attorney to the card. Education regarding personal identification number (PIN) safety is clearly communicated to customers.

Bank Insurance

Insurance is a developing revenue stream for Financial Services. Due to a slowdown in business caused by the COVID-19 pandemic and decreased affordability, only 10,696 new funeral covers were issued. Premium collection remained stable. A total dividend of N$11 million was received from the joint venture with Hollard Namibia. A number of new products will be rolled out during 2021 to meet the needs of the different customer segments.

Retail investments

Our retail investment products are very competitive with a tax-free. The products on offer include fixed-term deposits, notice and group-save accounts. Despite the impact of COVID-19, there was a 2% increase in retail deposits with a significant growth in our group-save accounts.

Payments

Through our ICT Department, we create and implement infrastructure and products to facilitate payments within the NamPost environment, as well as payments to and from other participants, such as commercial banks in Namibia. This includes traditional and digital payments infrastructure and products.

Treasury

Treasury caters to corporate clients' investments.

The advent of the COVID-19 pandemic coupled with downgrades by rating agencies impacted money and capital market instruments. However, this was mitigated by the growth in deposits and the performance of portfolio assets. Liquidity in the Namibian banking system remained relatively high following the implementation of the domestic asset requirement legislations. Despite this, Treasury maintained a positive net interest margin.

PostFin

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

Patrick Gardiner
CEO
PostFin

PostFin is a wholly owned subsidiary of NamPost. It is registered as a financial broker and term lender regulated by Namibia Financial Institutions Supervisory Authority (NAMFISA).

Namibia decreased the banking prime rate by 3% over the past year, requiring PostFin to decrease interest rates by 6% (micro-lenders' interest rates are set at twice the average prime rate of the banks as legislated by NAMFISA).

PostFin's efforts to secure sufficient funding in local currency bore fruit with a long-term loan facility of ZAR 325 million from the German Development Bank – KreditVerwaltung für Wiederaufbau (KfW) – and ZAR 235 million from the French Development Bank – Agence Française de Développement (AFD).

The company improved its net impairment rate after recoveries to 2.9% from 3.3% despite the worsened economic conditions. PostFin issued a similar number of loans but 20% less in terms of the value of loan disbursed in 2019/20 versus the previous year (directly impacted by the lockdowns during COVID-19). This is due to the focus on serving pensioners throughout Namibia as stipulated in the terms of the loans from both KfW and AFD. These loans are far smaller in size, given the affordability criteria of pensioners. PostFin nevertheless grew the loan book by over 10% and maintained a comparatively low risk profile despite the economic conditions.

PostFin increased employees by four to 45 and there are 36 sales agents (independent contractors) stationed at various post offices throughout Namibia. PostFin clients with loan applications are served by the remaining post offices.

There were several changes to the legislation by NAMFISA as well as a much greater focus by the regulator on reporting and compliance, requiring the micro-lending industry to adjust accordingly. As a result, fixed overhead expenses increased without generating additional revenue.

Hollard remain the insurance underwriter of the Credit Life cover offered by PostFin. PostFin contributed over N$30 million in insurance premiums (net of commission) over the past financial year to the NamPost/Hollard Joint Venture.

PostFin's PBT decreased by 23% to N$21 million (2019: N$28 million). The ROI for PostFin was 97%, with ROE of 19% (based on PAT). The expenses-to-income ratio was 43%, with Human Resources costs reflecting a ratio of 25% of total income.

The competitiveness of the term-lending market will continue to increase as the economic environment worsens. PostFin remains a responsible lender in this environment.

Payment services: SmartSwitch Namibia

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

Jan Engelbrecht
Acting CEO
SSN

SSN's PBT decreased by 54% to N$8 million (2019: N$17.5 million), partially owing to the migration to the new payment system to accommodate the VISA SmartCard. A dividend of N$3 million (2019: N$10 million) was declared and paid to NamPost. SSN renders proof-of-life verification services to the Government Institutions Pension Fund (GIPF), using 54 000 SmartCards (2019: 54 000) issued to GIPF members. This uses the biometric verification function and benefits payment system of the Universal Electronic Payment System.

As the new SmartCard operates on the new payment system, SSN will wind down.

Financial services continued

Growing the NamPost family through financial inclusion

Between 2019 and January 2020, the number of internet users in Namibia increased to 1.28 million and mobile connections represent 115% of the total population. Despite this, some of the more vulnerable and remote segments of the Namibian population remained without affordable access to interoperable banking facilities and financial products and services.

NamPost aims to ensure that no Namibian is left behind in this increasingly connected world, and the launch of the new, interoperable Visa SmartCard provides improved access to affordable financial services for all citizens.

The new SmartCard represents a new level of convenience for users, who can now present their card at any shop with a banking POS, and access cash via any local bank's ATM network, allowing them to withdraw cash at competitive prices. The Savings Account is free of charge and the emphasis on affordability is carried across all extended services that can be linked to the card, such as funeral cover, or power of attorney.

To address concerns regarding accessibility and safety, NamPost has ensured that the VISA SmartCard is protected by its unique biometric security validation and PIN options. This convenience and affordability is easily attainable by citizens countrywide at any post office throughout Namibia, where they can either apply for a new card or replace their old card and register their biometric fingerprints.

NamPost will continue to help bridge the gap and ensure financial inclusion for all citizens.

Outlook

Unemployment remains a challenge over the short to medium term, and this may impact NamPost's transactional volumes and savings product uptake.

The Treasury operating environment remains bleak, due to the persistence of the COVID-19 pandemic and future policy uncertainties. However, NamPost's Treasury is positioned to meet client obligations and deliver on its investment policy mandate amid the challenging economic environment.

The monetary policy accommodation implemented both in Namibia and South Africa could potentially spur growth in credit markets, positively impacting economic activities of small and medium businesses, which in turn would create employment opportunities.

Future focus areas

To encourage clients to develop a savings culture, we will continue to promote our fixed-term deposit and group-save accounts. These products enable people to make once-off deposits or save on a monthly basis.

We intend to place increased marketing focus on our investment products and we will introduce and actively promote a variation of our current funeral cover during 2021, which will allow customers to add dependants to these policies at an affordable premium.

We continue to innovate and develop new products. The "send money" functionality is in the implementation phase, with an expected launch in the second quarter of 2021.

The regulator has granted provisional authorisation for NamPost to participate in interbank electronic transfers. This is in the process of implementation and we expect to launch during the second quarter of 2021. Internet banking is an enhancement of EFT capability.

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TO DELIVERING MORE.

EVERYWHERE.

In the air, on the ground or providing delivery support. We always make sure to handle and deliver your precious cargo in the shape you sent it. Carefully making sure everything is exactly where you want it. Simple and easy!

Visit any of our depots countrywide to send and receive parcels.

MAIL AND LOGISTICS SERVICES

The consolidated Mail and Logistics Services business unit combines all logistics-related operations within one department. This provides economies of scale for the company and a convenient one-stop shop for customers.

Highlights

- Finalised business rules and process mappings to enhance customer service, resulting in improved efficiencies across our business unit

Mail:

- Two international flights arrived during the COVID-19 lockdown bringing international mail
- The collection of parcels via road from South Africa provided some continuity despite airport closure
- Hybrid Mail was enhanced with additional business from the Ministry of Finance

Courier:

- EasyPack rebranding and expansion of the range to EasyBoxes coupled with promotions over the winter period resulted in significant increase in revenue and volumes
- Introduction of the price matrix and Transport Management Software (TMS) increased profitability across all regions
- FreightWare and existing WebRepost (WRE)/SAP interface were integrated

Challenges

- Poor economic conditions and the impact of COVID-19 border restrictions reduced delivery volumes
- ICT budget constraints delayed projects: International Postal System (IPS) and Customs Declaration System (CDS)
- International mail management system roll-out lagged
- Provision for bad debt increased

MICHAEL FELDMANN
Executive: Mail and Logistics Services

Providing a total logistics solution

Client service → Delivery terms → Logistics → Deliver → Home or business

The newly formed Mail and Logistics Services business unit aims to be a profitable product house for logistical services, which includes Courier and Mail Services (including Hybrid mail) within the NamPost Group and within the Namibian marketplace. Mail distribution and sorting was previously located within our Postal Services business unit.

Contribution to strategy

Enhance shareholder value
The combined Mail and Logistics Services business unit ensures profits are generated for NamPost.

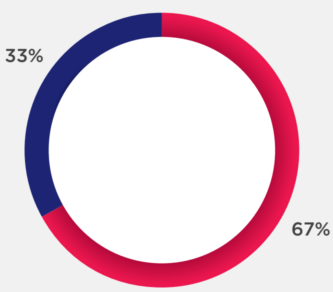
Journey towards customer centricity
Mail and Logistics is leading the way towards serving customers with a convenient one-stop shop.

Achieve operational effectiveness
The optimisation of mail and courier logistics processes being managed under one unit increases efficiency and effectiveness.

Measure and manage business risks
The unit adapted to COVID-19 by implementing new operational procedures to mitigate risks.

Enhance human capital culture and effectiveness
COVID-19 restrictions reduced training capacity, although individual training and facilitating the personal growth of employees continues.

Contribution to revenue (%)



● Courier ● Mail

Total consolidated revenue:
N$193 million

Prior to the arrival of COVID-19 and subsequent measures to mitigate the spread, the Mail and Logistics Services business unit continued with the implementation of existing strategies – most notably the roll-out of the new TMS.

The TMS was implemented on 1 September 2020 to positive customer feedback. We continue to finalise the integration of TMS with NamPost's own legacy systems – including WRE and SAP.

Unfortunately, the implementation of FreightWare Online was not completed as originally scheduled. The roll-out will commence by the end of December, creating a further platform for 2021.

The IPS was implemented in Windhoek and is being rolled out to outlying areas. However, the cross-border courier services we intended to introduce were delayed due to lockdown border closures.

The decision to reduce the line haul routes had a positive effect on cost containment and increased efficiency. Most notably, the Windhoek – Tsumeb route was cancelled and the freight incorporated into other routes.

COVID-19 had a significant impact on Mail and Logistics, with the cancellation of most international connection flights bringing international mail to a standstill. This loss was mitigated to some extent by the substantial improvement in courier business revenue for the period June – September.

Business disruption was minimised by the implementation of new operating procedures and reducing office hours. For our employees, we implemented shift work to reduce exposure. We remained operational and adapted to working with fewer resources while maintaining strict hygiene measures.

Although limited operations resulted in relative customer inconvenience, we increased communication via e-mail and telephone to ensure adequate engagement.

Mail and Logistics Services continued

Performance

Courier Services

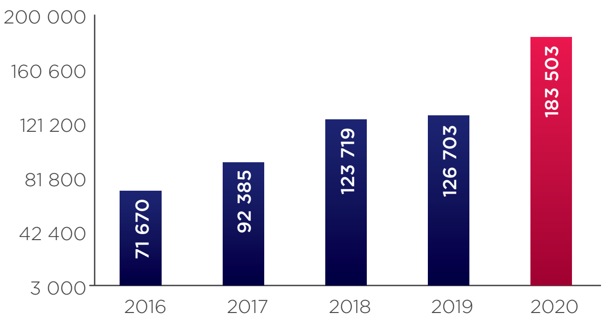
Pre-paid products: EasyPack and EasyBox

NamPost Courier introduced its first prepaid product, the EasyPack, in 2012, allowing users the opportunity to send documents securely and affordably across the country. The success of the EasyPack resulted in the introduction of the EasyBox range in July 2019, which is proving to be another success story.

EasyPack revenue started well but sales reduced significantly towards the latter half of the year. This was entirely due to the delay in physical stock caused by COVID-19 restrictions on delivery from South Africa. The growth in EasyBox is a result of successful marketing promotions, combined with the non-availability of EasyPack.

NamPost conducted an informal survey and found that approximately 50% of customers will remain with EasyBox regardless of the availability of EasyPack in the future. All customers indicated that they would continue to use the prepaid, discounted products in the future.

Pre-paid products volumes (quantity)



Express Overnight Service

Parcel volumes decreased by 8%, which is less than expected given the current circumstances.

We are focusing on promoting prepaid products and marketing to new customers as well as customising complete solutions for existing customers.

International Courier Service

International sales are consistently growing. A 9% increase reflected effective sales performance among both account holders and cash customers.

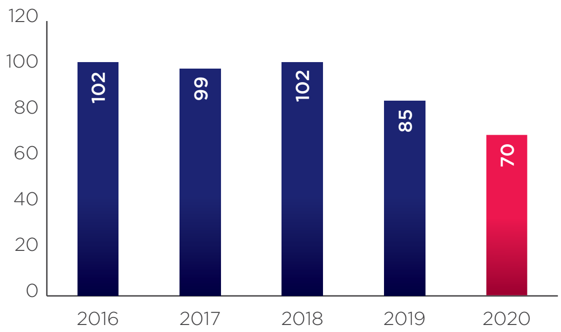
NamPost Courier uses both DHL and FedEx for international shipments and individually sources the best quote for road freight to South Africa. This ensures cost-effectiveness and business trends are positive.

Mail Services

Letter volumes

Letter volumes were severely negatively affected by COVID-19 restrictions – both domestically and internationally.

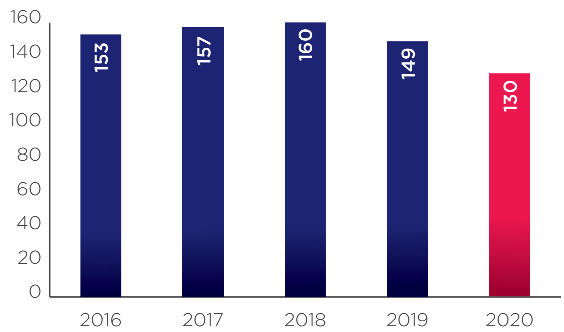
Letter volumes (millions)



Total mail-related revenue

Revenue declined by 13% compared to 2019, caused by a decrease in mail volumes and the impact of COVID-19 restrictions.

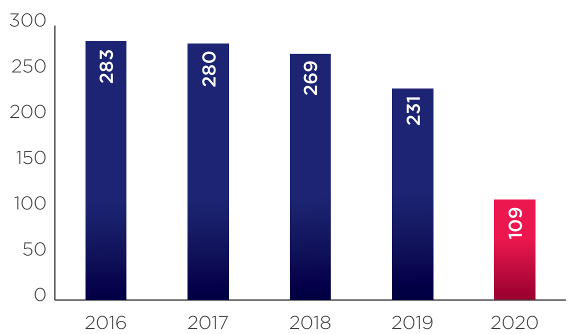
Mail-related revenue (N$ million)



Mail parcel volumes

Parcel volumes (posted and received) decreased by 53%. This was due to the migration of the lesser-weight parcels (less than 2kg) to e-commerce business and the cancellation of international flights due to COVID-19.

Parcel volumes (thousands)

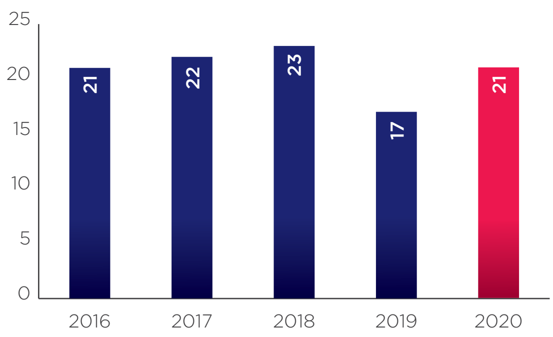


Government mail

Government mail revenue increased by 20% relative to 2019, due to an upturn in volume from the Ministry of Finance, our main customer. The Ministry of Education also mailed significant volumes.

Despite the growth, government ministries are incrementally shifting their customers to online platforms. To mitigate this inevitable loss of business, and assist government with this transition, NamPost can provide an end-to-end digital communication solution.

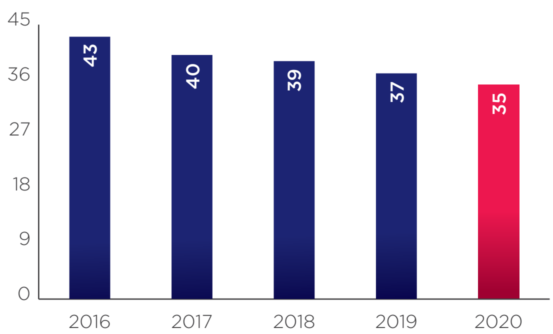
Government mail revenue (N$ million)



Business mail and bulk mail

Overall, revenue decreased by 6% compared to 2019. This was mainly due to COVID-19 restrictions. Recovery is very slow.

Business and bulk mail revenue (N$ million)



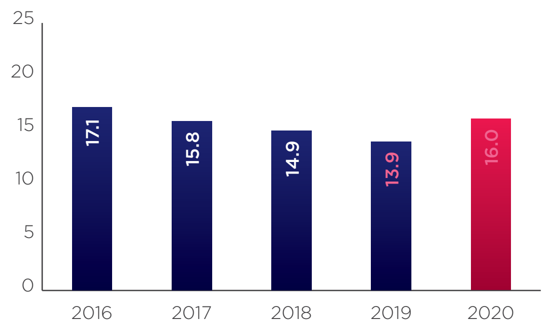
Hybrid Mail Services

Hybrid Mail images increased from 2019 levels by 15.7%, although they fell short of the target.

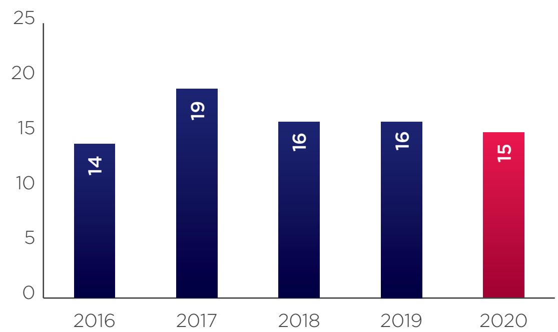
Hybrid Mail revenue declined by 7% from the previous year, mainly because of a reduction in the Ministry of Finance SMS service. Excluding the SMS component, Hybrid Mail revenue increased by 21% compared to the prior year. This was largely due to fairly sizeable volumes of Ministry of Finance jobs received and our flexibility in diversifying our offering and using existing infrastructure to respond to shifting customer requirements.

Hybrid Mail is actively looking for additional revenue streams such as printing, digitisations, SMS and e-mail.

Hybrid Mail images printed (millions)



Hybrid mail revenue (N$ million)



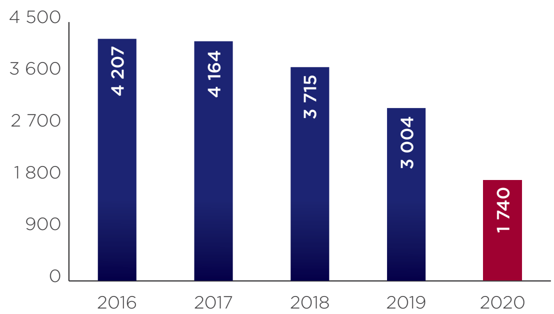
Mail and Logistics Services continued

Express Mail Services (EMS) measured by the UPU system reports

Total EMS volumes declined by 42.1%. Inbound EMS volumes decreased by 51.2% while outbound volumes also decreased by 29.7%. Delivery performance remains 94%.

The decrease is largely a result of COVID-19 and subsequent customer lack of confidence and restrictions on airlines.

Total EMS volumes



Fleet and emissions management

NamPost's fleet comprises 14 line haul trucks (Hino 500), 33 small trucks (Hino 300 and Dyna), 24 bakkies and panel vans (Hilux, Caddy & NP200) and seven trailers. The line haul trucks are used to transport goods to the bigger hubs. The small trucks, bakkies and panel vans are used for local deliveries and transportation to secondary and outlying centres.

We give serious consideration to the impact on the environment. As such, the fleet is carefully managed and vehicles are regularly serviced and repaired. We choose vehicles with low emission results and high technology. NamPost uses GPS Tracking Solutions as its vehicle management software platform. All vehicles are leased under full maintenance from a reputable third party, ensuring safe and efficient vehicles. Two minor accidents were reported with no fatalities.

Delivering more digital solutions – answering the call for digitisation

The single biggest change in customer requirements is the need for digitisation. From a courier perspective the new TMS embraces this.

Advanced track-and-trace system with real-time support to enhance our customers' courier experience

- ☑ Improved functionality, transparency and security for our customers
- ☑ Real-time support and ability for customers to view documentation related to their orders
- ☑ Enhanced tracking capability and timings
- ☑ Mobile communication between drivers and the office
- ☑ Improved administrative processes and accuracy
- ☑ Dynamic pricing capabilities
- ☑ International compliance

Outlook and future focus areas

Given the economic impact of COVID-19, our overall results were better than expected. NamPost Courier is still the largest overnight express company in Namibia by both volume and revenue, although this brings with it the challenges of increasing price competition, combined with the context of a recessionary economy. As the market becomes more price-sensitive, our strategy will include compelling one-stop solutions across our national footprint.

The road ahead will remain challenging in the short term, but NamPost Courier is gearing for regular customer visits, implementation of telesales and improved transparency for shipments.

2021 focus areas

In response to the ongoing trend towards digitisation, we are aiming to deliver online products from a new e-commerce platform on NamPost's website. The first draft of the business case and project charter was approved in September. Looking ahead, our main aim is to introduce, promote and develop e-commerce and ensure compliance with UPU regulations – which includes the IPS and CDS roll-out.

We will also complete the final leg of the TMS with the introduction of FreightWare Online to various customers and the Warehouse Management System to a selected customer.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RETAIL CHANNEL

Retail Channel is the conduit through which NamPost's products and services are channelled to customers, together with social grant and utility payments, airtime sales and other items the respective communities may need. Our post offices often represent the fabric of the communities they serve.

Highlights

- Completing the WRE enhancement rules and business requirements
- Effective in-store promotions to stimulate sales

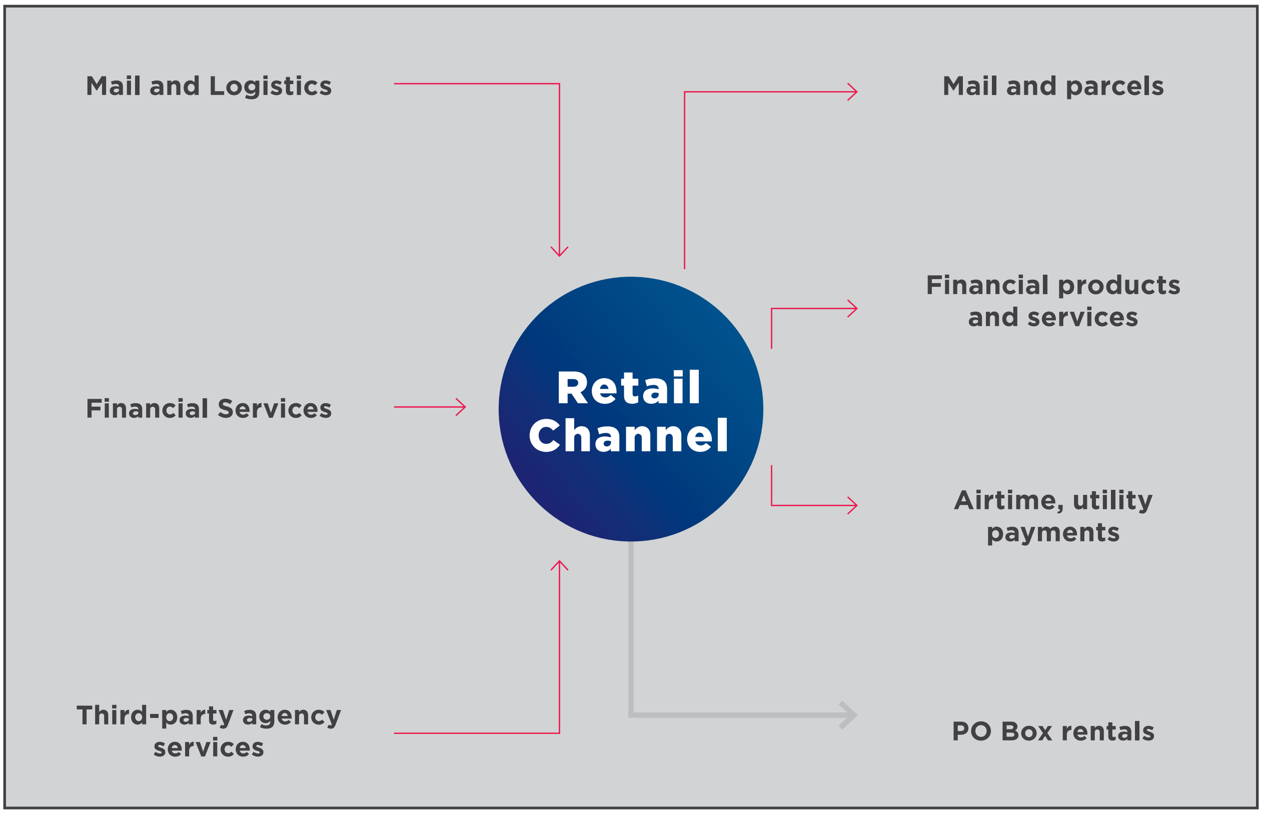
Challenges

- ITC resource constraints and resulting delays
- Managing the risks associated with postal agency outlets

With mail, parcels and sorting moved to NamPost's Mail and Logistics Services business unit, our post office infrastructure is now streamlined as the retail channel through which all NamPost products and services flow:

- **Mail and Logistics** ensures the efficient movement of stock and mail from the mail centre hub to each specific retail channel
- **Financial Services** makes use of the retail infrastructure to ensure efficient delivery of its products and services, compensating the retail channel with a fee per transaction
- **Third-party agency services** such as airtime, social grant and utility payments are also offered via our post office retail outlets
- **PO box rental services** remains the retail channel's core traditional product and one of its main revenue drivers

BENJAMIN JAKOBS
Executive: Retail Channel



The economic impact of COVID-19 and the associated lockdown reduced customer footfall into our stores, decreasing our revenue. Nevertheless, we remained open, following our well-crafted Business Continuity Plan, while safeguarding the health of our employees and customers by adhering to national COVID-19 safety regulations. This required an intensive and coordinated effort, especially on national pension payout days.

Please refer to page 6, Delivering social value

To reduce financial pressure on our customers as well as retain customers, we did not increase PO box rental fees and waived set penalty fees.

To ignite motivation and stimulate sales, we created a series of exciting and experiential in-store promotions. These small-scale initiatives and promotions implemented in the respective outlets proved successful, negating some of the negative impact on our sales results.

Two post offices were closed during the year. Our new CRAN operating licence was granted in August. Implementation of the customer-focus initiatives as per our Customer Experience Strategy will commence in the new financial year.

We continue encouraging grant beneficiaries to convert from cash to the safer SmartCard option and have clearly communicated this intention to government.

NamPost is negotiating a more appropriate fee with the Ministry of Gender Equality and Ministry of Poverty Eradication and Social Welfare for distributing social grant payments.

Retail Channel continued

Contribution to strategy

Enhance shareholder value
The physical post office infrastructure provides the backbone for more potential income-generating strategies. In the interim, our cost-containment performance demonstrates a 2% reduction in expenses, year on year.

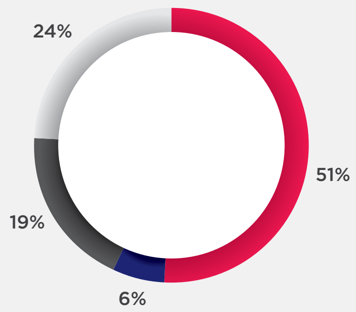
Journey towards customer centricity
Direct, face-to-face customer engagement when customers visit the channel is an opportunity to strengthen the customer experience. The latter will be further enhanced by the implementation of initiatives derived from our Customer Experience Strategy.

Achieve operational effectiveness
Streamlining the previous model into a focused retail channel releases functional efficiencies. Office errors and shortages have been reduced.

Measure and manage business risks
Regular post office inspections mitigate the risks presented by one-person offices and postal agencies. The anticipated implementation of WRE enhancement projects remains crucial.

Enhance human capital culture and effectiveness
Teamwork is fostered in the retail channel environment. Customer Experience Champions have been identified in each post office to propagate a culture of customer centricity.

Contribution to revenue (%)



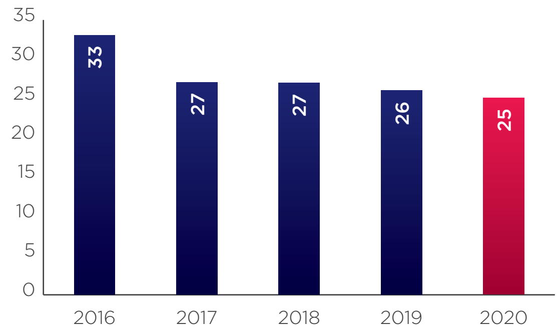
Total consolidated revenue:
N$130 million

Performance

Postal tariffs were adjusted by a minimal 3%, in line with inflation. Our post office box occupancy rate was relatively stable, falling by 4% to 76% (2019: 80%) of the 123 850 installed post boxes. The rental of post boxes is one of the major contributors to our revenue. We retain our philately products as a strategic niche offering to stamp collectors. The shutdown of borders during COVID-19 limited this revenue.

Third-party agency performance

All third-party agency services (N$ million)



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

	2019	2020	
Pre-paid airtime (net)	14	14	Pre-paid airtime remained relatively stable. Volume growth on scratch cards remains a challenge, with some customers preferring virtual airtime.
Revenue stamps	6	6	Commission income from revenue stamps remained constant. Limited growth is expected on this component as volumes continue to decline primarily due to the establishment of Business and Intellectual Property Authority (BIPA), which doesn't require revenue stamps for the registration of companies.
Namibia pensions	3	3	Commission income from pensions reported zero growth. Ongoing efforts to encourage beneficiaries to convert to SmartCards will naturally diminish the commission earned on this component and boost transaction business for NamPost Savings Bank.
Other commissions	3	2	Other commissions are driven by Avon cosmetics, where Avon agents pay their monthly invoices at our post offices.
Total	**26**	**25**	

Operational effectiveness

Operational effectiveness gained ground this year, as we reduced shortages and errors by 59% and 64% respectively. On average, 93% of post offices were inspected every month.

Region	Post offices (number)	Average inspected per month (%)	
		2019	2020
Central region	37	100	98
South	24	97	92
Erongo	25	92	93
North East	15	96	96
North West	34	93	84
Total/average	**135**	**96**	**93**

Segregation of duties at one-person and agency post offices remains a challenge. Efforts are underway to mitigate the risk through enhanced system controls and increased frequency of post office inspections.

To reduce teller discrepancies, the Blind Balance system requirements are complete and ready for implementation once we have secured the appropriate vendor.

Process mapping is complete and a reference manual is being produced for all users to aid with troubleshooting and training updates.

A **Management Information System** is being developed that will help us understand the drivers of loss-making post offices and develop effective turnaround plans for those with the potential to be profitable. Our Customer Experience Strategy will also guide us in terms of what buyers are looking for via our retail outlets.

Outlook and future focus areas

Despite a tough year, we are aware of the challenges facing us and concrete plans are in place to address changing trends in the market. Our aim is to keep adapting to stay relevant and there are some exciting initiatives underway.

As a subsection of the e-commerce project, we are investigating the implementation of an e-shopping channel for retail, which will represent a combination of our products and Mail and Logistics Services.


POST OFFICE
nampost

OUR LEADERSHIP TEAMS

Our Board

Board

1 **EVANGELINA N HAMUNYELA**
Non-executive Chairperson

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

Appointed to the Board in 2013
Tenure as director: Six years

2 **MURONGA HAINGURA**
Non-executive Deputy Chairperson

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

Appointed to the Board in 2016
Tenure as director: Three years

3 **DR PERIEN BOER**
Non-executive director

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

Appointed to the Board in 2013
Tenure as director: Six years

4 **ISRAEL UD KALENGA**
Non-executive director

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

Appointed to the Board in 2016
Tenure as director: Three years

5 **JAMES A CUMMING**
Non-executive director

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

Appointed to the Board in 2016
Tenure as director: Three years

Note: Biographical details are correct as at 30 September 2020.

- Board
- Board Audit and Risk Committee (BARC)
- Human Resources and Compensation Committee (HRCC)
- Board Investment Committee (BIC)

Our Exco

Exco

1 FESTUS F HANGULA
Chief Executive Officer

- MBA (Finance)
- MEFMI Fellow
- BAdmin

Appointed to Exco in January 2010

2 BERLINDI VAN ECK
Executive Marketing and Business Development

Executive Marketing and Business Development

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

Appointed to Exco in August 2006

3 BATSIRAI PFIGIRAI
Executive Finance

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

Appointed to Exco in March 2017

4 DEON CLAASEN
Executive Enterprise Risk Management

- Dip (Accounting and Finance)

Appointed to Exco in May 2017

5 ELDORETTE HARMSE
Executive Legal Services, Compliance and Governance

- BProc
- LLB
- Admitted Legal Practitioner

Appointed to Exco in May 2006

Note: Biographical details are correct as at 30 September 2020.

45% female
Executive gender diversity

63%
Formerly disadvantaged

6.9 yrs
Average executive tenure

45.2 yrs
Average age

Exco

1. **JORN SCHNOOR**
Executive Technology
- BSc (Information Technology and Computing)

Appointed to Exco in December 2015

2. **BENJAMIN JAKOBS**
Executive Retail Channel
- MSc Economics (International Trade and Finance)

Appointed to Exco in March 2020

3. **SONIA BERGH**
Executive Human Resources
- BA (Health Science and Social Services)
- PGDip (Masters) (HR)

Appointed to Exco in January 2005

4. **JENNY COMALIE**
Executive Financial Services
- BCompt (Honours)
- BCom
- CA(Nam)

Appointed to Exco in January 2016
Resigned in September 2020

5. **MICHAEL FELDMANN**
Executive Mail and Logistics
- BCom and Hons BCom (Economics)
- MBA in General Management
- MSc in Project Management

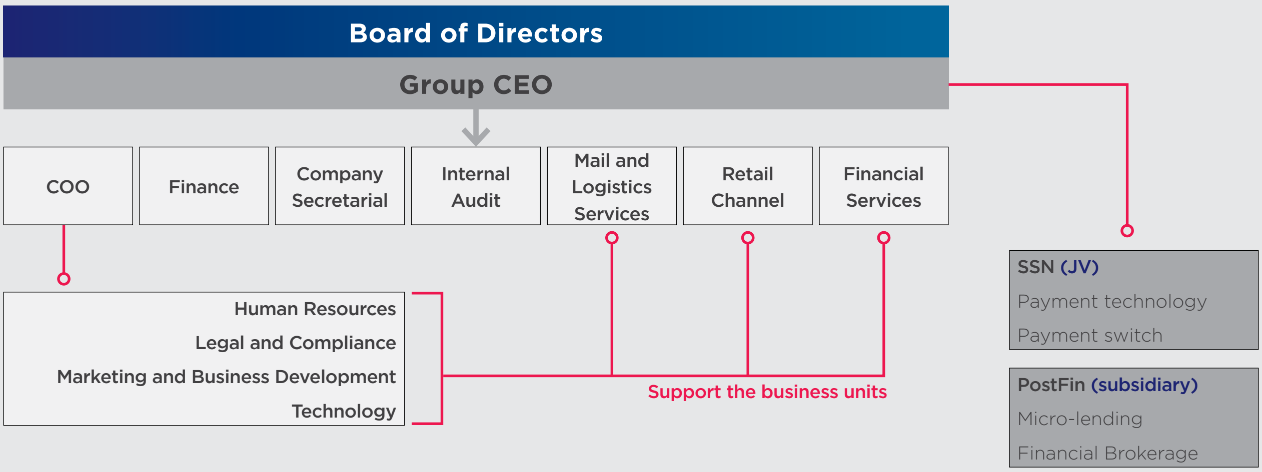
Appointed to Exco February 2020

6. **KGOMOTSO HOCHOBEB**
Executive Internal Audit
- BCompt
- Member of Institute of Internal Auditors
- SA Member of Institute of Risk Management SA

Appointed to Exco in March 2016

Note: Biographical details are correct as at 30 September 2020.

The management structure is represented schematically below:



GOVERNANCE

Delivering more for shareholders and stakeholders through good governance.

Our governance philosophy

The Board and Group Executive strive to create maximum shared value by delivering on our purpose and ensuring relevance and sustainability of the business model by monitoring the macro-environment, the availability and quality of capital inputs, and shareholder needs, all of which inform the strategy of the Group. This strategy, through our focus areas, enables the Group to maintain its focus on conducting operations underpinned by good governance, and at the same time delivering our financial targets.

ELDORETTE HARMSE
Executive Legal Services, Compliance and Governance

Accountability	Codes of governance	Strategic oversight
The Board oversees NamPost's operations, direction and performance. It is accountable to NPTH for creating and delivering strong, sustainable financial performance and long-term shareholder value. The Board manages NamPost in accordance with the company's articles of association, which may only be amended by NPTH's special resolution.	The Corporate Governance Code for Namibia (NamCode), which is based on King III Report on Corporate Governance for South Africa 2009 (King III) principles, guides NamPost's governance practices, and we consider best practice recommendations from King Report on Corporate Governance™ for South Africa, 2016 (King IV)[1], where applicable.	The Board holds an annual strategic planning session and reviews the company scorecard annually. It develops NamPost's five-year strategic plan and annual business plans. The annual business plan informs each year's budget.

Focus areas

NamPost strives to make governance a way of life. Through its corporate governance practices NamPost increases accountability and avoids making decisions that will have an adverse impact on the sustainability of the entity.

Performance and governance agreements were signed with NPTH. The appointment of a new Board has been delayed and the existing Board is still in place.

The CRAN licence was awarded to NamPost in August 2020. Since NamPost is already a part of the UPU, most of its obligations were already regulated. The new CRAN licence focuses on consumer-driven issues.

The Board oversaw the structural realignment of merging Mail and Courier Services into the combined Mail and Logistics Services business unit, as well as the creation of a Retail Channel business unit, which retains the post office infrastructure as outlets for our products and services and third-party agency services.

A new PMO was established and a dedicated resource appointed. The PMO Framework was approved by the Board and implementation is ongoing.

COVID-19 role

COVID-19 tested our governance model. Despite challenges, the Board placed an emphasis on ethical business practices and NamPost successfully maintained its employment status quo without any retrenchments or salary reductions and without compromising the sustainability of the company. This positive impact on our people extended to their families and communities, a particular testament to ethical leadership considering the economic environment.

In the COVID-19 environment, the Board meticulously continued to provide oversight and hold meetings without interruption. New to the agenda were the Business Continuity Plan and an increased focus on risk management. In consultation with the Board, three different scenario plans on the impact of COVID-19 were submitted to NPTH and the Minister of Public Enterprises.

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Governance continued

Board composition

Division of responsibilities

The Board comprises five independent non-executive directors, appointed by NPTH.

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

Chairperson
Evangelina N Hamunyela

Key responsibilities: The Chairperson leads the Board in effectively discharging its mandate.

Independent non-executive directors
Muronga Haingura, Dr Perien Boer, Israel UD Kalenga, James A Cumming

Key responsibilities: The Board is responsible for NamPost's long-term success and for ensuring leadership within a framework of effective controls. It sets NamPost's strategic direction and approves the strategy. It considers its decisions' impact on, and its responsibilities to, all stakeholders, including the shareholder, regulators, customers, the environment and NamPost's communities.

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

CEO
Festus F Hangula

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

Executive Committee
Festus Hangula, Sonia Bergh, Deon Claasen, Berlindi van Eck, Michael Feldmann, Eldorette Harmse, Kgomotso Hochobeb, Benjamin Jakobs, Batsirai Pfigirai, Jorn Schnoor and Jenny Comalie

Key responsibilities:

The Exco charter sets outs the purpose of the Exco as follows:

- To assist the CEO in the overall leadership and management of NamPost to execute its mandate and fulfil the company's strategic objectives
- Act as medium of communication and coordination between business units, departments and the Board
- Determine matters or make recommendations to the CEO and, through the CEO, make recommendations to the Board regarding the direction and operations of NamPost and progress made on strategic objectives
- Individually, and as a committee support the CEO to lead, direct, coordinate and control NamPost's operations and performance in accordance with the policies, strategy and plans approved by the Board

Company Secretary
Eldorette Harmse

Key responsibilities:

- Acts as secretary to the Board and its committees
- Accountable to the Board for ensuring its processes and corporate governance practices are followed

Company Secretary

All directors have access to the Company Secretary's advice and services. Directors also have access to independent professional advice at the company's expense where relevant to their duties. The Board considers its arrangements effective for accessing professional corporate governance services.

Board diversity

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

Our Board is appointed by NPTH

Board gender diversity

The NamPost Board has consistently been represented by two female directors and three male directors since 2014, which supports affirmative action guidelines.

Female representation: percentage of total Board

40% female **60%** male

Board tenure

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

The current Board's term was extended until 8 January 2021. The recruitment process is underway: a public call (advertisement in local media) was made for skilled directors.

Age profile

Average age of all directors:

55.2 years

The Board's skills and experience

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

Board race diversity

Representation of previously disadvantaged people: percentage of total Board

80%

Ethical leadership

Code of ethics

The NamPost values are incorporated into the code of ethics. Fraud risk assessments, in line with the Board-approved Fraud Risk Management Framework, were conducted for the revenue-generating business units and two out of the five service units. The fraud risk assessment produced fraud risk registers for each department. Potential key fraud risk areas were identified to strengthen controls in response to the risks. Fraud awareness campaigns and training sessions were held to emphasise NamPost's zero tolerance towards fraud, theft and corruption.

Arrangements for governing and managing ethics

NamPost's Board sets the ethical tone for NamPost and, with the management team, is committed to the highest standards of openness, probity and accountability. It is every employee's responsibility to ensure their behaviour aligns to our code of ethics and values. We have a zero tolerance approach towards fraud and encourage employees and others with serious concerns about any aspect of the company's work to voice those concerns, and have a Whistleblower Policy and independently managed anonymous whistle-blowing hotline in place (page 84). We conduct due diligence on all our commercial suppliers. The declaration of interests is a standing item at every Board meeting.

Governing, managing stakeholder relationships

The Board recognises the importance of good relationships with its shareholder and stakeholders. The Chairperson, CEO and Executive Finance ensure regular communication with the shareholder on finance, governance and strategy and quarterly engagement sessions take place. The Chairperson ensures the Board appreciates the shareholder's views on NamPost's strategy. At the statutory Annual General Meeting (AGM), the external auditor of the company is present to address any questions the shareholder may have. It has become standard practice to invite the Minister of Public Enterprises to the AGM as a platform on which to address any pertinent matters regarding company performance. During the state of emergency from April to June, NamPost was required to submit various scenario plans concerning financial and human resources impact to the Minister of Public Enterprises. The Minister oversees all commercial public enterprises and has a direct bearing on the economic outlook of the country.

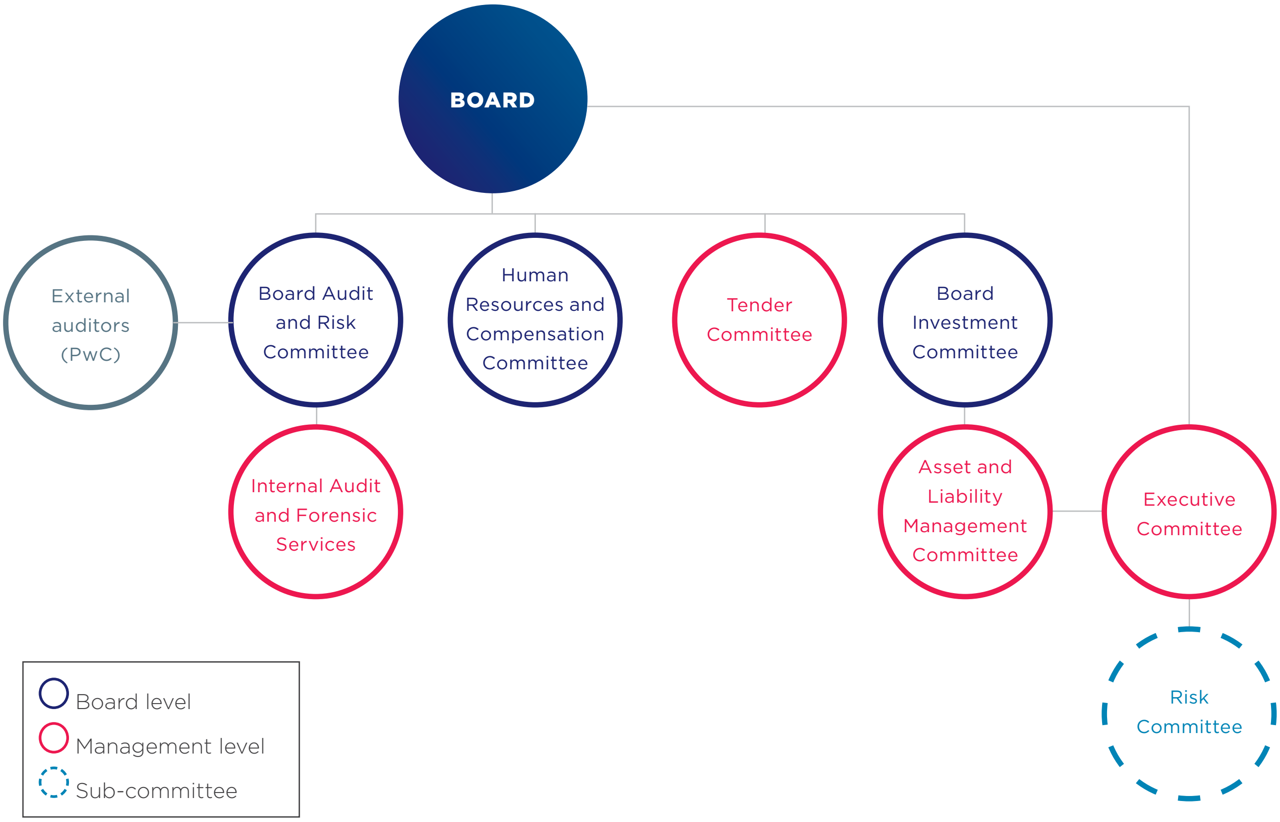
Governance continued

Governance structures

Delegation of authority

Our Board is supported by three committees and has delegated specific responsibilities to them. These include the Board Audit and Risk Committee (BARC), the Human Resources and Compensation Committee (HRCC), and the Board Investment Committee (BIC). A brief description of the terms of the committees is set out on page 73.

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



Meeting attendance

Ordinary Board and committee meetings are held quarterly and extraordinary Board meetings are held as required. The CEO, Executive Finance and Company Secretary are standing invitees to Board meetings. During the year, the following meetings were held:

Member	Board	BARC	HRCC	BIC	Other#
Meetings held	**5**	**3**	**2**	**3**	**3**
EN Hamunyela (Chairperson)*	5	3	2	3	3
M Haingura (Deputy Chairperson)	5	–	–	3	1
Dr P Boer	5	2	2	–	2
IUD Kalenga	4	–	2	–	1
JA Cumming	5	3	–	3	1

* *Chairperson*

\# *Strategic review and shareholder's meeting (AGM and general)*

Board level			
Board	**BARC**	**HRCC**	**BIC**
• EN Hamunyela CC • M Haingura DC • Dr P Boer • IUD Kalenga • JA Cumming	• M Haingura CC • Dr P Boer • JA Cumming	• Dr P Boer CC • M Haingura • IUD Kalenga	• JA Cumming CC • EN Hamunyela • M Haingura
The Board is responsible for NamPost's long-term success and for ensuring leadership within a framework of effective controls. It sets NamPost's strategic direction and approves the strategy. It considers the impact of its decisions on, and its responsibilities to, all stakeholders, including the shareholder, regulators, customers, the environment and NamPost's communities.	In accordance with its risks, the BARC assists the Board with oversight and review of financial, risk, ICT, audit and internal control issues. BARC strategically monitors aspects of financial management, as well as financial policies, technology, enterprise-wide risk management and assurance functions.	The HRCC deals with strategic aspects of human capital management and alignment of the operational structure to NamPost's strategic intent. In accordance with its terms of reference, it assists the Board in overseeing and reviewing the remuneration and incentive schemes and organisational alignment. The HRCC meets at least biannually, with authority to convene more meetings if circumstances require.	The BIC primarily monitors and oversees Savings Bank funds' investment and manages related risks, which include liquidity, credit and market. It assists the Board in its oversight responsibilities relating to managing the mix of the company's asset and liability portfolios, the maturity structure and market-related risks. In discharging its responsibilities, the committee will report and, where appropriate, make recommendations to the Board in respect of all matters entrusted to it under its charter.
Five-year focus areas: • Enhance shareholder value • Increase focus on customer centricity • Enhance operational effectiveness • Measure and manage business risks • Enhance human capital and culture effectiveness	**Focus areas:** • Drafting and implementation of required governance frameworks, ie PMO and compliance • Compliance with all relevant accounting standards	**Focus areas:** • Organisation-wide HR structure alignment with new operating model • Review and amendment of HR policies in line with best practices	**Focus areas:** • Revision of Treasury Policy
	Future focus areas: • Technology and cyber risk • Implementation and roll-out of ERM Framework • Compliance • Embedding of combined assurance model	**Future focus areas:** • Embedding the new HR structure • Review and amendment of HR policies in line with best practices	**Future focus areas:** • Compliance to Treasury Policy • Prudent cost-of-funds management

KEY

CC *Committee Chairperson*

DC *Deputy Chairperson*

Governance continued

Management level			
Executive Committee (Exco)	**Tender Committee**	**Asset and Liability Management Committee (ALCO)**	**Risk Committee** *(Exco sub-committee)*
• FF Hangula CC • M Feldmann • EC Harmse • B Pfigirai • D Claasen • S Bergh • J Schnoor • B van Eck • J Comalie • K Hochobeb	• B Pfigirai CC • EC Harmse DC • J Mouton • S Bergh • L Mungunda UR • R Knittle SI • C Kruger SI • M Feldmann	• B Pfigirai CC • FF Hangula • D Claasen • J Comalie • C Klazen SI • J Mouton SI • O Musilika SI • M Ngaujake SI	• D Claasen CC • A Kauatuuapehi DC • J Mouton • R Muranda • M Ikanga • C Viljoen • G Christ • W Shikoto • G van Wyk • G Ihuhua
The Exco charter sets outs the purpose of the Exco, which is to: • Assist the CEO in the overall leadership and management of NamPost to execute its mandate and fulfil the company's strategic objectives • Act as medium of communication and coordination between business units, departments and the Board • Determine matters or make recommendations to the CEO and, through the CEO, make recommendations to the Board regarding the direction and operations of NamPost and progress made on strategic objectives • Individually, and as a committee, support the CEO to lead, direct, coordinate and control NamPost's operations and performance in accordance with the policies, strategy and plans approved by the Board	The committee is vested with the responsibility to ensure compliance with the rules governing the procurement of all goods and services as set out in the Procurement Policy and the company's Financial Delegations of Authority.	The ALCO is a standing committee responsible for monitoring the implementation of the Investment Policy and reviewing NamPost's assets and liabilities. The ALCO reports to the BIC and is responsible for ensuring BIC directives are implemented and adhered to.	The Risk Committee assists the Exco in fulfilling its management responsibilities to: • Identify, assess, measure, manage, monitor and report on all risk areas • Make recommendations to Exco on its findings • Ensure coordination of activity among Exco subcommittees • Ensure that controls, processes, procedures and systems deployed are within NamPost's risk appetite and the requirements of the regulatory authorities • Ensure an adequate risk-averse culture is adopted throughout NamPost by providing the relevant company-wide awareness and relevant training • Act as the central point for all risk enforcement in the organisation

KEY

CC *Committee Chairperson*

DC *Deputy Chairperson*

UR *Union representative*

SI *Standing invitee*

COMPLIANCE

Overview of arrangements governing and managing compliance

NamPost is committed to the highest standards of integrity, professionalism and ethical behaviour. Employees are required to adhere to these standards and comply with all relevant laws, rules and standards when conducting NamPost's business. A combined assurance model was adopted by the NamPost Board in 2017 and a dedicated Compliance Division has been established since then. The combined assurance model incorporates and optimises all assurance services and functions so that, taken as a whole, these enable an effective control environment and support the integrity of information used for internal decision-making by management and the Board. For the year under review the Board approved a Risk Appetite Policy which articulates the aggregate level and types of risk NamPost is willing to accept, or avoid, to achieve its business objectives. The company implements procedures to ensure compliance to relevant statutory, regulatory and supervisory requirements. Compliance risk is the potential that these procedures are not adhered to, and/or are inefficient or ineffective. Any breaches or illegal behaviours pose reputational risks to the company.

Postal licence

The CRAN promulgated the Namibian Communication Act (Act 8 of 2009) in 2009 and, during 2020, the Minister of Information and Communication Technology enforced the postal services chapter. NamPost applied for and received a postal licence (previously the company had a postal licence by virtue of the provisions of the Post and Telecommunications Companies Establishment Act, 1992. This licence confers certain rights on NamPost, while adding legal requirements. Government acknowledges that NamPost is largely self-regulating and therefore the requirements focus on consumer-driven issues.

PSD 6 licence

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

Key areas of focus

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

Actions taken to monitor the effectiveness of compliance management and how outcomes were addressed

The Financial Intelligence Act (Act 13 of 2012) requires an independent opinion of the implementation of the Anti-Money Laundering Compliance Framework. Bank of Namibia and Internal Audit and Forensic Services each conducted an anti-money laundering assessment and made the following recommendations: maintain the current Compliance Risk Management Framework, develop Risk Management Plans, and build a compliance culture.

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

RISK MANAGEMENT

NamPost ranks and manages the risks that impact its ability to provide sustainable financial and social returns by taking a holistic view of its risk environment.

Highlights

- The Business Continuity Plan was an important risk management activity that successfully guided Executive Management in the COVID-19 environment
- Full IT DR capability testing was successfully performed during April 2020
- Risk management formed part of the core COVID-19 Response Team, assisting management by monitoring the regulatory environment and reporting on virus risk epicentres timeously and successfully avoiding exposure
- The Board has approved the Risk Appetite Policy

Challenges

- Planning key mission-critical processes and the associated resources necessary to ensure NamPost continued to deliver essential services during the COVID-19 lockdown
- Managing and controlling an increased risk environment due to accelerated change and innovation in the business

NamPost's Risk Management Department adds value to NamPost by:

- **Enabling innovation:** risk management enables the business to explore new opportunities in a structured manner, ensuring associated risks are calculated in a controlled environment
- **Creating efficiencies:** risk management projects (such as overseeing the new interoperable financial services environment) capacitates the company to "deliver more" services for customers

DEON CLAASEN
Executive: Enterprise Risk Management

Internal stakeholder awareness of our risk environment has significantly improved. The holistic risk environment has become part of our business culture, which recognises that risk management is a critical component of success. Our Risk Management Committee and Credit Risk Oversight Management Committee are now fully operational and have raised awareness of risks. An additional AML Compliance subcommittee under the Risk Committee was established to focus on the regulatory requirements for the Financial Intelligence Act (FIA Act) in terms of money laundering.

ERM Framework and strategic objectives

NamPost continues to use an ERM Framework based on the Committee of Sponsoring Organisations (COSO) of the Treadway Commission principles. It comprises core risk management processes, governance and policy frameworks. The ERM Framework provides a detailed set of principles to enable risk identification, risk measurement, risk management and control, risk reporting and risk monitoring to efficiently and effectively integrate risk management across the NamPost Group's risk universe.

The Corporate Governance Code for Namibia (NamCode) sets out key governance principles, including guidance regarding risk management practices. The adoption and application of the NamCode principles is recommended for all entities operating in Namibia, in particular public interest and listed entities.

The Board of NamPost is responsible for key matters, including:

- Strategy is plausible and aligned with the mandate
- Business conduct is ethical and responsible
- Operations support sustainable performance
- Assets are safeguarded and protected
- Resources are applied in a manner that advances the mandate and strategy
- Risks that may disrupt or prevent the strategy being achieved are identified and managed within acceptable levels
- Laws and regulations are understood and complied with
- The internal control environment provides reasonable assurance that risks identified are effectively and efficiently mitigated
- Adequate assurance activities are in place to confirm that internal control design is adequate and implemented with integrity

The Board delegates the design and implementation of activities to Executive Management of NamPost.

Setting expectations for and providing guidance about the level of risk to be taken in the delivery of the NamPost mandate and strategy enables a risk-aware culture to be instilled and supports responsible risk taking.

ERM Framework implementation and structure

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

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

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

Each department supplies a summary of its risks to the BARC via the ERM Department at quarterly workshops. . This enables BARC to review and approve the strategic risk register recommended by Exco. Thereafter, the Board reviews risks, assisted by BARC. Before each year-end, the Board receives the plans and risk register for the year.

The Internal Audit Department assesses the ERM Framework's effectiveness. BARC and the Board receive quarterly risk reports that outline changes in the level or nature of the risks faced by the company, developments in risk management and operational events, including significant errors and omissions.

Assessments didn't take place this year due to COVID-19 priorities and is earmarked for later in 2021. BARC reports were sent and the quarterly reports received and reviewed. No abnormal risks or caution were noted and no concerns raised. Minor changes to the ERM Framework were suggested and will be reviewed by the Board at financial year-end.

Risk management continued

NamPost's risk appetite

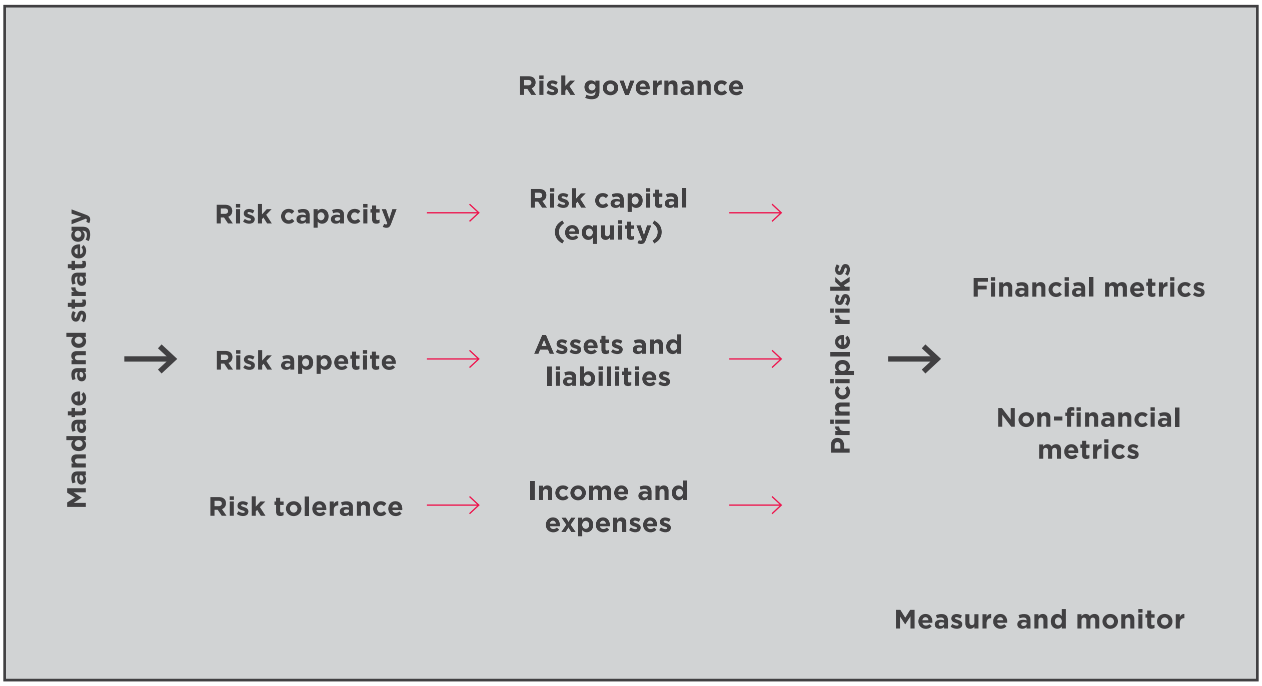
The Board approved the Risk Appetite Policy that enables NamPost to:

- Operate within the **risk capacity** as determined, to ensure adequate financial resources are available to support sustainable operations, withstand unexpected events, maintain the solvency of NamPost, and deliver the mandate
- Operate in a responsible manner in the pursuit of the mandate of NamPost, the execution of its operating mandate and delivery of services to customers, within the defined **risk appetite** guidance
- Implement sound internal controls to mitigate financial losses and negative incidents in accordance with the **risk tolerance** guidance

The newly developed Risk Appetite Policy sets out the key principle that NamPost will, on a regular basis, evaluate and determine:

- The capital resources available to be applied in pursuit of the strategy and mandate
- The levels of risk to be taken for each identified principal risk
- The tolerance for losses, failures and damage to be incurred

Risk Appetite Framework



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

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

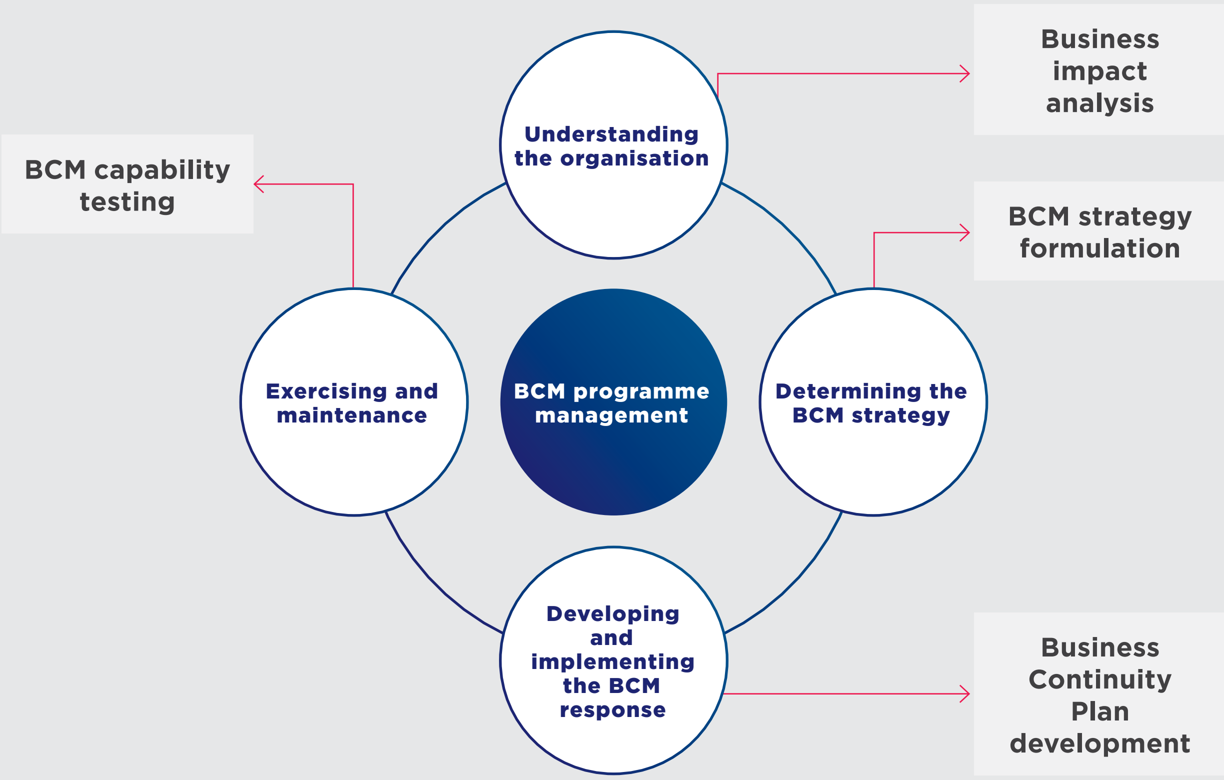
2020 focus areas

- Continue to finalise the ERM Framework implementation
- Enhance and test business unit continuity plans
- Formalise and implement risk appetite threshold for all principal risks

COVID-19 role

We drew from our existing Business Continuity Framework to create the Business Continuity Plan (BCP) for COVID-19. Key risk areas included the availability of people to fulfil critical functions. We introduced shift working, splitting of teams and work-from-home plans to mitigate the risk and ensure business continuity.

Business continuity management (BCM) life cycle



Liquidity coverage

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

According to Basel III, "The liquidity coverage ratio is designed to ensure financial institutions have the necessary assets on hand to ride out short-term liquidity disruptions. 30-day Liquidity Coverage Ratio must be greater than 100%". At 30 September 2020, NamPost's liquidity coverage ratio was at 326%, up from 308% previously.

Risk management continued

Key risks

Key risks in 2020		Related opportunities
Strategic risk • PSD 7 • Concentration risk **Impact** High **Likelihood** Likely	The risk that achieving the strategic objectives will be adversely affected by defective strategic planning; inability of the Project Management Office to coordinate, manage and ensure execution of strategic projects to attain the desired strategic objectives; or poor execution of strategic objectives. Refer to page 21	• More convenience for NamPost customers • Enhanced customer offerings • Increased profitability and sustainability
Operational risk • Fraud risk • Business continuity management (business recovery) **Impact** High **Likelihood** Likely	The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This includes information and legal risk and excludes reputational and strategic risk ICT governance page 85	• Business resilience and customer trust • Reliability and improved loyalty
Credit risk **Impact** High **Likelihood** Likely	The risk of credit loss to NamPost as a result of failure by a counterparty to meet its financial and/or contractual obligations	• Improved working capital management resulting in better cash flow
Fraud risk **Impact** High **Likelihood** Likely	The risk of fraud or dishonesty, misconduct or misuse of company assets by employees for their own benefit CEO's review page 14	• Improved employee morale and productivity
Technology risk • Cyber security risk • Business continuity management (disaster recovery capability) • ICT human resource constraints **Impact** High **Likelihood** Likely	Arises when NamPost strategic technology investment is not aligned to its vision and or its business strategy Technology risk also arises when IT systems fail to provide critical business services CEO's review page 14	• Investor confidence • Increased brand loyalty

Future focus

Enhancing the combined assurance model and structures is key for 2021, as we had to reprioritise our focus this year on the COVID-19 environment. We would also like to increase our risk management awareness throughout the organisational structure and across all levels next year.

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INTERNAL AUDIT AND FORENSIC SERVICES

Internal Audit aids the Board and management oversight by verifying internal controls such as operating effectiveness, risk mitigation controls, compliance with relevant laws or regulations and assurance that all business assets have been properly secured and safeguarded from threats.

The Internal Audit Department comprises the two divisions of Audit and Forensic Services.

The Audit division helps improve and mature business practices by providing independent and objective assurance and insight into NamPost culture, policies and procedures. The Forensic Services division provides specific fraud risk management services to assist NamPost in combating fraud.

The Internal Audit Department reports to the BARC and is responsible for developing and executing an annual risk-based Internal Audit Plan. This plan conveys a sense of NamPost's internal control environment and the extent to which institutional risk mitigation is managed within strategic and operational processes.

COVID-19 role

Internal Audit played an advisory role to the COVID-19 Response Team, assisting management on decisions taken in response to business continuity and financial management where risks are exposed. In managing the impact of COVID-19 on its own department, Audit management helped support employee motivation while working in a remote environment with weekly team meetings, daily video calls and one-on-one mentorship.

KGOMOTSO HOCHOBEB
Executive: Internal Audit

Audit

Focus areas

Audit Services held a follow-up review on previously identified audit findings, which were indicated as resolved by management. Key system audits are outsourced, but these were deferred until 2021 due to budget constraints resulting from necessary COVID-19 prioritisation of funds. The division performed the following reviews for the respective business units during the financial year:

Mail and Logistics Services

- Recruitment and selection
- Stock management
- Billing of contract customers
- User access management
- UPU Mail regulations compliance

Financial Services

- Financial Intelligence Act compliance
- Clearing accounts reconciliation

Company-wide:

- Recruitment pre-screening and onboarding governance
- Bonus payment and leave payouts verification

In the evaluation of the controls, limited assurance was provided. Management has agreed to strengthen the controls to mitigate any risk exposures identified. The Audit team performs follow-up reviews for each report issued to ensure that all control improvement action items have been completed by the subsequent review period.

Future focus areas

Key areas to be addressed by the Internal Audit Plan include the following reviews:

Increased regulation:

- Performance review of domestic postal delivery standards
- Review of Compliance Framework and Policy

Liquidity and cost management:

- Investment and Treasury management review
- Revenue management review
- Inventory management review
- Cash flow management review
- Expense management review in line with existing supplier contracts

Employee wellness:

- Review of strategy addressing employee wellness and safety impacted by COVID-19

Disaster and crisis management:

- Business continuity management review

Effectiveness and efficiency of operational processes:

- Advisory services on Retail Channel operational risk management processes
- Contract management review
- Post-implementation review on new banking system
- System functionality review on new courier management system
- System functionality review on legacy banking system
- Third-party payment distribution review

ERM:

- ERM maturity review
- Follow-up review on audit findings indicated by management as resolved

Forensic Services

The Forensic Services division is managed by the Manager Forensic Audit and Investigations, who reports to the Executive Internal Audit. Activities are guided by a Board-approved Fraud Risk Management Framework and Policy and Whistleblower.

The total Fraud Risk Management Programme comprises:

- Governance framework and policies
- Fraud risk assessment
- Forensic audits
- Fraud training and awareness
- Investigations
- Corrective action recommendations and tools for implementation

NamPost has a zero tolerance for fraud, corruption and bribery. We apply appropriate prevention and detection controls and use available resources to investigate and follow up on any allegations of fraud, corruption or bribery.

A proactive approach is taken in the control environment by providing recommendations throughout the year based on an assessment of the adequacy of controls as a result of investigations conducted. These recommendations enhance the control environment to ensure that all vulnerabilities are addressed.

Focus areas

Inspections

The Forensic Services division conducts branch inspections at post offices and a risk-based approach is used in selecting the post offices to be inspected. The objective of these inspections is to determine the extent of compliance with standard operating procedures as well as to safeguard assets. Due to the impact of COVID-19 on NamPost operations and financial performance, only seven post offices were inspected. Inspections will remain an ongoing focus.

Internal audit and forensic services continued

Company-wide fraud risk assessment

Fraud risk assessments were conducted for the revenue-generating business units and two of the five service units. The fraud risk assessment produced fraud risk registers for each department. Potential key fraud risk areas were identified to strengthen controls in response to the risks.

Fraud awareness campaigns and training

The Forensic Services division embarked on awareness campaigns to emphasise NamPost's zero tolerance stance. Fraud awareness and training sessions were held for employees until budget cuts and physical distancing measures due to COVID-19 put a stop to them.

Investigations

The Whistleblower Policy is aligned to the Whistleblower Protection Act (Act 10 of 2017). Whistle blowers are provided with protection and anonymity when reporting incidents of fraud and misconduct. The Whistleblower hotline gives all employees, customers, suppliers, contractors and the general public the opportunity to report irregularities. No changes were made to the policy and all allegations reported were investigated.

Future focus

Given the uncertainty created by the COVID-19 pandemic, fraud risk may change and controls will be adapted accordingly. The following areas are prioritised:

- Reviewing the Fraud Risk Management Framework and Policy
- Conducting fraud risk assessments
- Conducting forensic audits to test and evaluate fraud risk management controls
- Verifying the implementation of remedial actions recommended
- Ongoing training and awareness

The monitoring and evaluation of the Fraud Risk Management Plan is to be conducted in 2022 once all components of the programme are fully implemented.

Looking forward

The Internal Audit Department has prioritised the following areas for 2021:

- Implementing the communication plan to increase the Department's visibility and create anti-fraud awareness
- Implementing the audit issues tracking tool, which aids the monitoring of management actions addressing audit findings
- Ongoing training to support management, enabling resolution of audit findings in a timely and effective manner to maintain a suitable control governance framework

ICT GOVERNANCE

BARC oversees ICT governance within NamPost, and Executive Technology implements the approved security policies and procedures and is responsible for the banking technology operations support team. NamPost adheres to a Technology Risk Governance (TRG) Framework, approved by the Board in June 2018.

ICT governance framework

NamPost's ICT governance framework is based on COBIT 5, King IV, NamCode, Information Technology Infrastructure Library (ITIL) 3 and PCI-DSS certification. The TRG Framework is aligned to the ERM Framework. NamPost's policy determines the controls for the following, among others:

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

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

Cyber security

The Board recently adopted cyber security as part of its agenda, prompting a formal review of existing security policies, and improved cyber security measures. New technical boundaries have been added to the ICT governance framework. NamPost will work closure with industry on its revised security policies. We are in the process of approving our enterprise Cyber Security Framework aligned to King IV, which will be implemented in 2021. Executive Technology implements the approved security policies and procedures, in line with the Group's ERM Framework.

Employees' contractual agreements encompass elements of governance, risk and compliance, and employees are expected to adhere to NamPost's risk policies and frameworks and instil and comply with a risk-averse culture in all operational matters.

Assurance

BARC and Executive Technology ensure the effectiveness of the TRG Framework through internal and external assurance processes. In 2020, NamPost ICT underwent different assurances or audits from internal and external bodies, which were provided by Bank of Namibia and various local audit firms, among others. Internal audits further strengthen assurance within NamPost ICT by improving awareness, consistently informing management and executives about breaches and possible threats, and implementing improved cyber security measures. EDR, or endpoint detection and response measures, HTTPS inspection and various other trending cyber security measures/technologies were enhanced.

PCI-DSS certification confirmed no outstanding audit findings. Although a strenuous exercise, PCI-DSS certification confirms to the Namibian Payment System/Industry that NamPost's participation within the card stream can be trusted. This was successfully concluded in August 2020 and shared with industry stakeholders.

The outcome of the above certification is the establishment of an acquiring business model that allows us to introduce new revenue streams into NamPost Financial Services and Retail outlets.

To achieve strategic objectives, based on sound governance and compliance/certification, the business units can enhance their product and service offerings to their customers. Other technical assurances and audits confirm that internal processes are in place and adequate, protecting NamPost assets.

Focus areas 2020

2020 saw the conclusion of PCI-DSS certification and the conclusion and approval of audits, including the successful disaster recovery testing and sign-off. Existing standards were aligned and adjusted to incorporate COVID-19 forced measures. We concluded all ICT security audits as per our approved combined assurance audit schedule and successfully addressed any findings.

Future focus areas

We will continue to enhance governance and security and remote working policies, along with the security risk this poses. This will include elements such as additional data protection measures, which will impact on resources and costs.

The proposed NamPost digital strategy requires enhancements to the ICT governance framework via the introduction of NIST-based guidelines. These will strengthen NamPost's ability to respond to ongoing cyber threats and potential data breaches. Additional human resources will also be required to meet the increased reporting and monitoring obligations to various assurance bodies. Existing employees, executives and Board members will need to be upskilled to ensure the proper management of company assets on mobile and BOYD (bring your own devices) equipment. The proposed Board pack automation and the sharing of highly confidential information in this environment also require adjustments to the ICT governance framework.

Third-party management requires a new approach and alignment to contracts by introduction of cyber security clauses, insurance and other measures previously not necessary. Exposure must be limited and controlled with assessment of possible breaches from third parties part of the framework.

Cyber security risks must be monitored, understood and mitigated as part of this undertaking.


nampost
Head Office

NAMIBIA POST LIMITED AND ITS SUBSIDIARY

(Registration number 92/284)

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

Namibia Post Limited
Annual Financial Statements for the year ended 30 September 2020

General Information

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

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The following supplementary information does not form part of the annual financial statements and is unaudited:

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Namibia Post Limited

Annual Financial Statements for the year ended 30 September 2020

Directors' Responsibilities and Approval

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

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

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

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

The directors have reviewed the Group's cash flow forecast for the year to 30 September 2021 and, in light of this review and the current financial position, they are satisfied that the Group has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the Group's annual financial statements. The annual financial statements have been examined by the Group's external auditors and their report is presented on pages 91 to 93.

The annual financial statements set out on pages 94 to 157, which have been prepared on the going concern basis, were approved by the board of directors and were signed on their behalf by:

Signed on behalf of the Board of Directors By:

Director | **Director**

Windhoek

Date:

Independent auditor's report

To the Member of Namibia Post Limited

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Namibia Post Limited (the Company) and its subsidiary (together the Group) as at 30 September 2020, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Namibia.

What we have audited

Namibia Post Limited's consolidated and separate financial statements set out on pages 94 to 157 comprise:

- the directors' report for the year ended 30 September 2020;
- the consolidated and separate statements of financial position as at 30 September 2020;
- the consolidated and separate statements of profit and loss and other comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants *International Code of Ethics for Professional Accountants (including International Independence Standard)* (Code of Conduct) and other independence requirements applicable to performing audits of financial statements in Namibia. We have fulfilled our other ethical responsibilities in accordance with the Code of Conduct and in accordance with other ethical requirements applicable to performing audits in Namibia.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Namibia Post Limited Annual Financial Statements for

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Country Senior Partner: Chantell N Husselmann
Partners: R Nangula Uaandja, Louis van der Riet, Anna EJ Rossouw (Partner in charge: Coast), Gerrit Esterhuyse, Samuel N Ndahangwapo, Hans F Hashagen, Johannes P Nel, Hannes van den Berg, Willem A Burger

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the year ended 30 September 2020". The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the consolidated and separate financial statements

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and / or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

PricewaterhouseCoopers

PricewaterhouseCoopers
Registered Accountants and Auditors
Chartered Accountants (Namibia)
Per: Samuel N Ndahangwapo
Partner
Windhoek
Date: 23 December 2020

Namibia Post Limited
Annual Financial Statements for the year ended 30 September 2020

Directors' Report

The directors have pleasure in submitting their report on the annual financial statements of Namibia Post Limited, consolidated and separate for the year ended 30 September 2020.

1. Nature of business

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

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

2. Review of financial results and activities

The consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Namibia. The accounting policies have been applied consistently compared to the prior year, with the exception of IFRS 16 which became effective in the current year.

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

3. Share capital

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

4. Dividends

No dividends were paid during the year under review (2019: N$5 million).

5. Directorate

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

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

6. Interest in subsidiaries and joint venture

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

6. Interest in subsidiaries and joint venture (continued)

	2020 N$ '000	2019 N$ '000
NamPost Financial Brokers (Pty) Ltd		
Total profit after income tax	14,584	18,899
SmartSwitch Namibia (Pty) Ltd		
Total profit after income tax	5,414	11,920
	19,998	**30,819**

There were no significant acquisitions or divestitures during the year ended 30 September 2020.

7. Holding company

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

8. Events after the reporting year

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

9. Auditors

PricewaterhouseCoopers continued in office as auditors for the company, it's subsidiary and joint venture for the 2020 financial year in accordance with section 278(2) of the Companies Act of Namibia.

10. Secretary

The company secretary is E C Harmse.

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

11. Acknowledgements

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

12. Going concern

The Directors have assessed the financial impact of COVID-19 on the Group and can not identify a going concern risk within the short to medium term period. The duration of the pandemic is uncertain and the overall impact it will have on the economy. However, there is a reasonable expectation that the Group will have adequate resources to continue in operational existence, and as a going concern for the foreseeable future.

Namibia Post Limited
Annual Financial Statements for the year ended 30 September 2020

Statements of Financial Position as at 30 September 2020

	Notes	Group 2020 N$ '000	Group 2019 N$ '000	Company 2020 N$ '000	Company 2019 N$ '000
Assets					
Non - Current Assets					
Property, plant and equipment	4	23,052	28,977	21,760	27,496
Right-of-use assets	5	39,830	-	39,830	-
Intangible assets	6	65,833	75,375	64,932	74,301
Investments in subsidiary	7	-	-	15,001	15,001
Investment in joint ventures	8	6,301	6,594	2,000	2,000
Loans to Group companies	9	-	-	598,777	205,357
Other financial assets	10	3,185,018	2,776,575	2,947,671	2,590,619
Deferred tax	22	10,168	17,188	6,614	14,152
		3,330,202	**2,904,709**	**3,696,585**	**2,928,926**
Current Assets					
Inventories	12	12,102	14,035	12,102	14,035
Loans to Group companies	9	-	-	21,088	6,168
Trade and other receivables	13	108,481	97,544	108,273	97,276
Other financial assets	10	3,677,458	3,385,406	3,517,544	3,212,337
Current tax receivable	23	15,161	14,145	14,936	14,936
Cash and cash equivalents	14	112,845	106,802	107,482	98,907
		3,926,047	**3,617,932**	**3,781,425**	**3,443,659**
Total Assets		**7,256,249**	**6,522,641**	**7,478,010**	**6,372,585**
Equity and Liabilities					
Equity					
Share capital	15	5,075	5,075	5,075	5,075
Retained income		361,802	319,051	294,968	266,508
		366,877	**324,126**	**300,043**	**271,583**
Liabilities					
Non-Current Liabilities					
Other financial liabilities	16	622,864	145,891	622,864	52,974
Retirement benefit obligation	17	10,732	11,926	10,732	11,926
Savings bank Investors	18	688,870	722,622	688,870	722,622
Lease Liabilities	19	37,892	-	37,892	-
		1,360,358	**880,439**	**1,360,358**	**787,522**
Current Liabilities					
Trade and other payables	20	230,290	210,177	219,266	199,389
Other financial liabilities	16	40,123	5,207	9,690	524
Savings bank Investors	18	5,253,190	5,102,692	5,583,242	5,113,567
Lease Liabilities	19	5,411		5,411	
		5,529,014	**5,318,076**	**5,817,609**	**5,313,480**
Total Liabilities		**6,889,372**	**6,198,515**	**7,177,967**	**6,101,002**
Total Equity and Liabilities		**7,256,249**	**6,522,641**	**7,478,010**	**6,372,585**

Statements of Profit or Loss and other Comprehensive Income

	Notes	Group 2020 N$ '000	Group 2019 N$ '000	Company 2020 N$ '000	Company 2019 N$ '000
Revenue	24	952,983	869,862	871,383	787,265
Cost of sales	25	(450,205)	(450,520)	(465,028)	(444,334)
Gross profit		**502,778**	**419,342**	**406,355**	**342,931**
Other operating income (loss)	26	337	1,787	(1,854)	(184)
Operating expenses		(478,427)	(427,116)	(437,894)	(392,546)
Operating profit (loss)	28	**24,688**	**(5,987)**	**(33,393)**	**(49,799)**
Investment income	27	12,899	14,774	52,534	40,794
Finance costs	30	(33,833)	(1,021)	(33,833)	(1,021)
Income from equity accounted investments	8	2,707	5,960	-	-
Profit (loss) before taxation		**6,461**	**13,726**	**(14,692)**	**(10,026)**
Taxation	31	1,820	(407)	8,683	8,487
Profit (loss) for the year		**8,281**	**13,319**	**(6,009)**	**(1,539)**
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Remeasurements on net defined benefit liability/asset	17	1,430	637	1,430	637
Fair value adjustments	10	49,260	66,123	49,260	66,123
Income tax relating to items that will not be reclassified	32	(16,221)	(21,363)	(16,221)	(21,363)
Total items that will not be reclassified to profit or (loss)		**34,469**	**45,397**	**34,469**	**45,397**
Other comprehensive income (loss) for the year net of taxation		**34,469**	**45,397**	**34,469**	**45,397**
Total comprehensive income (loss) for the year		**42,750**	**58,716**	**28,460**	**43,858**

Namibia Post Limited
Annual Financial Statements for the year ended 30 September 2020

Statements of Changes in Equity

	Share capital N$ '000	Retained income N$ '000	Total equity N$ '000
Group			
Balance at 01 October 2018	**5,075**	**265,335**	**270,410**
Profit for the year	-	13,319	13,319
Other comprehensive income	-	45,397	45,397
Total comprehensive income for the year	-	**58,716**	**58,716**
Dividends paid	-	(5,000)	(5,000)
	-	**53,716**	**53,716**
Balance at 01 October 2019	**5,075**	**319,051**	**324,126**
Profit for the year	-	8,281	8,281
Other comprehensive income	-	34,469	34,469
Total comprehensive income for the year	-	**42,751**	**42,751**
Balance at 30 September 2020	**5,075**	**361,802**	**366,877**

Refer to note 15 for details on share capital

	Share capital N$ '000	Retained income N$ '000	Total equity N$ '000
Company			
Balance at 01 October 2018	**5,075**	**227,650**	**232,725**
Loss for the year	-	(1,539)	(1,539)
Other comprehensive income	-	**45,397**	**45,397**
Total comprehensive loss for the year	-	**43,858**	**43,858**
Dividends paid	-	(5,000)	(5,000)
Total	-	**38,858**	**38,858**
Balance at 01 October 2019	**5,075**	**266,508**	**271,583**
Loss for the year	-	(6,009)	(6,009)
Other comprehensive income	-	34,469	34,469
Total comprehensive income for the year	-	**28,460**	**28,460**
Balance at 30 September 2020	**5,075**	**294,968**	**300,043**

Refer to note 15 for details on share capital

Statements of Cash Flows

	Notes	Group 2020 N$ '000	Group 2019 N$ '000	Company 2020 N$ '000	Company 2019 N$ '000
Cash flows from operating activities					
Cash generated by operations	34	94,354	14,880	32,556	(44,442)
Interest received		1,683	4,972	33,359	20,992
Finance costs		(23,899)	(1,021)	(23,899)	(1,021)
Dividend received	27	11,161	9,802	14,161	19,802
Tax paid	33	(8,397)	(12,194)	-	(2,065)
Net cash inflow from operating activities		**74,902**	**16,439**	**56,177**	**(6,734)**
Cash flows from investing activities					
Purchase of property, plant and equipment	4	(4,948)	(8,928)	(4,648)	(8,456)
Sale of property, plant and equipment	4	21	215	21	215
Purchase of intangible assets	6	(1,415)	(17,688)	(1,415)	(17,688)
Net movement in financial assets		(651,234)	(927,490)	(612,999)	(872,374)
Movement in loans to Group companies		-	-	(404,057)	4,865
Net cash outflow from investing activities		**(657,576)**	**(953,891)**	**(1,023,098)**	**(893,438)**
Cash flows from financing activities					
Movement in other financial liabilities		492,418	41,997	560,020	(500)
Movement in agency / third party funds		7,145	6,051	7,145	6,051
Dividends paid		-	(5,000)	-	(5,000)
Movement in savings deposits liabilities		107,462	913,568	426,639	912,862
Lease payments		(18,308)	-	(18,308)	-
Net cash from financing activities		**588,717**	**956,616**	**975,496**	**913,413**
Total cash and cash equivalents movement for the year		**6,043**	**19,164**	**8,575**	**13,241**
Cash and cash equivalents at the beginning of the year		106,802	87,638	98,907	85,666
Total cash and cash equivalents at the end of the year	14	**112,845**	**106,802**	**107,482**	**98,907**

Namibia Post Limited

Annual Financial Statements for the year ended 30 September 2020

Accounting Policies

1. Presentation of annual financial statements

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

These accounting policies are consistent with the previous year, except for the adoption of new and amended standards as set out below in Note 1.10. The new accounting policies applied from 1 October 2019 are stated in the relevant notes.

1.1 Consolidation

Basis of consolidation

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

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

Subsidiaries

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

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

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

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

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

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

Accounting Policies

1.1 Consolidation (continued)

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

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

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

Jointly controlled entities

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

1.2 Statement of compliance

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

1.3 Significant judgements and sources of estimation uncertainty

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

Fair value estimation

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

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

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1.3 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

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

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

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

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

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

Provision for post retirement medical aid benefits

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

Deferred tax asset

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

1.3 Significant judgements and sources of estimation uncertainty (continued)

Deferred Income

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

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

Discount Rates

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

Residual values and useful lives

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

1.4 Property, plant and equipment

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

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

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

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

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

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

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

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1.5 Intangible assets

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

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

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

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

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

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

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

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

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

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

Item	Useful life
Computer software	10 years

Accounting Policies

1.6 Investments in subsidiaries

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

The cost of an investment in a subsidiary is the aggregate of:
- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the company; plus
- any costs directly attributable to the purchase of the subsidiary.

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

1.7 Investments in joint ventures

Company annual financial statements

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

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

1.8 Financial instruments

Financial assets

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

Debt investments
Classification and subsequent measurement of debt instruments depend on:
(I) the Group's business model for managing the asset; and

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

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

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Accounting Policies

1.8 Financial instruments (continued)

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

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

Recognition and measurement

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

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

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

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

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

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

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.

Accounting Policies

1.8 Financial instruments (continued)

Impairment of financial assets

Assets carried at amortised cost

The Group assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortised cost and FVOCI . The Group recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:
• An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
• Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

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

Loans to (from) Group companies

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

Loans to Group companies are classified as loans and receivables.

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

Loans to shareholders, directors, managers and employees

These financial assets are classified as loans and receivables.

Trade and other receivables

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

Financial liabilities

Savings bank investors and long -term borrowings

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

Trade and other payables

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

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Accounting Policies

1.8 Financial instruments (continued)

Cash and cash equivalents

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

Bank overdraft and borrowings

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

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

1.9 Income tax

Current tax assets and liabilities

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

Current income tax liabilities (assets) for the current and prior years 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 year.

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

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

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

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

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

Accounting Policies

1.9 Income tax (continued)

Income tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the year, except to the extent that the tax arises from:
- a transaction or event which is recognised, in the same or a different year, to other comprehensive income, or
- a business combination.

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

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

1.10 Leases

The Group has adopted IFRS 16 - Leases for the first time in the current reporting period (previously IAS 17 Leases: recognition and measurement was applied). The Group assesses at contract inception whether a contract is, or contains a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

The right-of-use assets is presented separately in the statement of financial position. At commencement date, lease liabilities are measured at an amount equal to the present value of the fixed payments for the underlying right-of-use assets during the lease term.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (that is, the date the underlying asset is available for use). Right-of-use assets are measured at its carrying amount on the lease commencement date and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and estimated useful lives of the assets as follows:

Details	***Basis***	***Amortisation period***
Property	Straight line	2 - 10 years
Vehicles	Straight line	3 - 5 years

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments), less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

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Accounting Policies

1.10 Leases (Continued)

Lease liabilities (Continued)

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and lease of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of property (i.e. those leases that have a lease term of 12 months or less from the commencement date). Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Operating leases

Prior to 1 October 2019, the Group classifies leases as operating leases if the lessor effectively retains the risks and rewards of ownership of the leased asset. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives are recognised in profit or loss as an integral part of the total lease expense.

1.11 Inventories

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

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

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

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

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

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

1.12 Impairment of non-financial assets

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

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

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

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

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

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

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

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

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

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

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

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

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

1.13 Share capital and equity

Ordinary shares are classified as equity.

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1.14 Employee benefits

Short-term employee benefits

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

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

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

Defined benefit plans

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

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

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

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

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

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

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

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

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

1.15 Provisions and contingencies

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

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

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

Contingent assets and contingent liabilities are not recognised.

1.16 Revenue

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

The five-step model framework applied by the Group

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

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

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

Step 1: Identify the contract with the customer

The Group has assessed contracts with its customers on mail, philately, agency, logistics, and savings bank fees and has satisfactorily applied the following IFRS 15 criteria on all the revenue streams derived from contracts with customers to be able to identify existing contracts with the customers:
A contract with a customer will be within the scope of IFRS 15 if all the following conditions are met:
- the contract has been approved by the parties to the contract;
- each party's rights in relation to the goods or services to be transferred can be identified;
- the payment terms for the goods or services to be transferred can be identified;
- the contract has commercial substance; and
- it is probable that the consideration to which the entity is entitled to in exchange for the goods or or services will be collected.

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Accounting Policies

1.16 Revenue (Continued)

The five-step model framework (continued)

Step 2: Identify the performance obligations in the contract

At the inception of the contract, the Group assesses the goods or services that have been promised to the customer, and identify as a performance obligation:
- a good or service (or bundle of goods or services) that is distinct; or
- a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

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

A series of distinct goods or services is transferred to the customer in the same pattern if both of the following criteria are met:
- each distinct good or service in the series that the entity promises to transfer consecutively to the customer over time (see below); and
- a single method of measuring progress would be used to measure the entity's progress towards complete satisfaction of the performance obligation to transfer each distinct good or service in the series to the customer.

A good or service is distinct if both of the following criteria are met:
- the customer can benefit from the good or services on its own or in conjunction with other readily available resources; and
- the entity's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract.

Factors for consideration as to whether a promise to transfer goods or services to the customer is not separately identifiable include, but are not limited to:
- the entity does provide a significant service of integrating the goods or services with other goods or services promised in the contract;
- the goods or services significantly modify or customise other goods or services promised in the contract;
- the goods or services are highly interrelated or highly interdependent.

Step 3: Determine the transaction price

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

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

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

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

1.16 Revenue (continued)

The five-step model framework (continued)

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

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

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

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

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

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

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

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

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

If the Group does not satisfy its performance obligation over time, it satisfies it at a point in time. Revenue will therefore be recognised when control is passed at a certain point in time. Factors that may indicate the point in time at which control passes include, but are not limited to:

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

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

Accounting Policies

1.16 Revenue (continued)

Principal/Agency relationship

IFRS 15 gives emphasis on 'control' as opposed to the 'transfer of risks and rewards', and this has resulted in the Group changing its accounting policy on the sale of airtime. The Group now recognises revenue from airtime sales on a net basis rather the gross as with the previous standard (IAS 18).

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

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

Interest revenue from financial investments and loan advances

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

1.17 Borrowing costs

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

1.18 Translation of foreign currencies

Foreign currency transactions

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

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

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

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

Accounting Policies

1.18 Translation of foreign currencies (Continued)

Foreign currency transactions (Continued)

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

1.19 Financial Liabilities

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

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

1.20 Dividend distribution

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

1.21 Change in accounting policies

IFRS 16 became effective on 1 January 2019. The Group applied IFRS 16 for the first time effective 1 October 2019. IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal form of a lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the statement of financial position.

The Group has lease obligations for the rental of premises and motor vehicles. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. These leases were previously measured in accordance with IAS 17. The Group adopted IFRS 16 using the modified retrospective approach, with the date of initial application of 1 October 2019. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less (short-term leases), and lease contracts for which the underlying asset is of low value
(low-value assets).

In addition an assessment was done to review the composition of the lease payments in all subsidiaries to determine if there are any non-lease components. In some cases the lease payments include an additional amount for services charges and these were considered to be non-lease components as they relate to utilities, garbage collection etc.

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Accounting Policies

1.21 Change in accounting policies (Continued)

Overall impact

The Group has lease obligations for the rental of premises and vehicles. These leases were previously measured in accordance with IAS 17. The Group has reassessed if these leases meet the definition of a lease on initial adoption of IFRS 16 and as such the leases were considered to have met the definition of a lease.

In addition an assessment was done to review the composition of the lease payments in all subsidiaries to determine if there are any non-lease components. In some cases the lease payments include an additional amount for services charges and these were considered to be non-lease components as they relate to utilities, garbage collection etc. The Group has taken the option to separate lease and non-lease components.

Impact on the Statement of Financial Position

IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead all leases are treated in a similar way to finance leases applying IAS 17. Leases are 'capitalised' by recognising the present value of the lease payments and showing them either as lease assets (right-of-use assets) or together with property, plant and equipment. Furthermore, the present value of the future lease payments is recognised as a financial liability if lease payments are made over time.

Impact on the Statement of Profit or Loss and Other Comprehensive income

IFRS 16 replaces the straight-line operating lease expense for those leases applying IAS 17 with a depreciation charge for the lease asset (included within operating costs) and an interest expense on the lease liability (included within finance costs). This change aligns the lease expense treatment for all leases. Although the depreciation charge is typically even, the interest expense reduces over the life of the lease as lease payments are made. This results in a reducing total expense as an individual lease matures.

Approach adopted by the Group

The standard allows for two approaches in the adoption being the full retrospective approach and the modified retrospective approach. The full retrospective requires the restatement of the prior year reported numbers whilst in the latter the adjustment as a result of the adoption of the standard are effected in the current year. The Group has opted for the modified retrospective approach and as such the effect of the new standard has been accounted for in the current year.

Discount factor

Under IFRS 16 'Leases', discount rates are used to determine the present value of the lease payments used to measure a lessee's lease liability. Discount rates are also used to determine lease classification for a lessor and to measure a lessor's net investment in a lease. For lessees, the lease payments are required to be discounted using:

- the interest rate implicit in the lease if readily determinable; or
- the lessee's incremental borrowing rate

Right of use asset

This is the lessee's right to use an asset over the life of the lease. The right of use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised and is depreciated over the lease term.

Accounting Policies

1.21 Change in accounting policies (Continued)

Lessee's incremental borrowing rate

Where the lessee is unable to readily determine the interest rate implicit in the lease, the discount rate will be the lessee's incremental borrowing rate. The incremental borrowing rate is an interest rate specific to the lessee that reflects:

- The credit risk of the lessee
- The term of the lease
- The nature and quality of the security
- The amount 'borrowed' by the lessee and
- The economic environment (the country, the currency and the date that the lease is entered into) in which the transaction occurs.

The Group has adopted the incremental borrowing rate as the discount factor applicable on 1 October 2019 , as follows:

Leased assets identified by nature	***Reference Rate***	***Incremental Borrowing Rates***
Property	Prime Rate	10.25%
Vehicles	Prime Rate Less 1%	9.25%

The Group's current external funding is from developmental financial institutions which invariably lend at relatively cheaper cost. Consequently, management by applying judgment determined the incremental borrowing rate on the basis of likely cost in the event that the source funds to finance similar underlying assets in the lease is from commercial financial institutions.

There has been significant changes to interest rates in the country since date of initial application of IFRS 16, however, these are not considered lease modifications. In addition, should the lease liability be reassessed for changes in lease payments, the Group shall use an unchanged discount rate unless the change in lease payments results from a change in floating interest rates.

The Group applied the available practical expedients as follows:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 October 2019 as short-term leases provided there was no option to extend the term.
- Excluded the direct cost from the measurement of the right of use asset at the date of initial application.

Explanation of the difference between operating lease commitments disclosed at 30 September 2019 and the Lease liabilities recognised at 1 October 2019

	Group	Company
	2020	**2020**
	N$ '000	**N$ '000**
Opening lease commitments disclosed as at 30 September 2019	235,748	234,771
Less: Short-term leases	(39,027)	(37,671)
Discounted using the lessee's incremental borrowing rate at the date of initial application	(153,849)	(154,228)
Lease liability recognised as at 1 October 2019 (Note 19)	**42,872**	**42,872**

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Accounting Policies

1.21 Change in accounting policies (Continued)

Operating lease commitments as at 30 September 2019:

Within one year	58,368	57,391
Later than 1 year and not later than 5 years	177,380	177,380
	235,748	**234,771**

Impact on the Group's statement of Financial Position on 1 October 2019

	Group		Company	
		IFRS 16 transition adjustment		IFRS 16 transition adjustment
	30 September 2019 N$ '000	1 October 2019 N$ '000	30 September 2019 N$ '000	1 October 2019 N$ '000
Assets				
Right of use asset	-	42,872	-	42,872
Total non-current assets	**-**	**42,872**	**-**	**42,872**
Liabilities				
Lease liabilities	-	42,872	-	42,872
Total lease liabilities	**-**	**42,872**	**-**	**42,872**

1.22 Statement of Cashflows

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

Notes to the Annual Financial Statements

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/	**Effective date: Years beginning on or after**	**Expected impact**
IFRS 16 Leases - Amendments on recognition and disclosures of leased assets and liabilities	**1 January 2019**	**The Group adopted IFRS 16 on 1 October 2019. The impact is disclosed in the notes 1.10; 1.21; 5 and note 19.**
IFRIC 23 - Uncertainty over Income Tax Treatments	**1 January 2019**	**The Group adopted IFRIC 23 in the current year. The impact of the amendment is not material.**

2.2 Standards and interpretations not yet effective

The Group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Group's accounting years beginning on or after 01 October 2019 or later years:

Standard/ Interpretation:	**Effective date: Years beginning on or after**	**Expected impact**
IAS 1 - Amendments on classification of Liabilities as Current or Non-current: to clarify how to classify debt and other liabilities as current or non-current.	1 January 2023	Unlikely to have a material impact
IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors - the amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.	1 January 2020	Unlikely to have a material impact

Standard/	**Effective date: Years beginning on or after**	**Expected impact**
IAS 28 Investments in Associates and Joint Venture: Narrow scope amendment address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.	The effective date of this amendment has been deferred indefinitely until further notice	Unlikely to have a material impact

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2.2 Standards and interpretations not yet effective (continued)

IFRS 3 Business Combinations - Amendments on the definition of Business.	1 January 2020	Unlikely to have a material impact
IAS 16 Property, Plant and Equipment(PPE) - the amendments prohibit an entity from deducting the cost of an item of PPE any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management.	1 January 2022	Unlikely to have a material impact

3. Risk management

Capital risk management

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

The capital structure of the Group consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes 9 &16, cash and cash equivalents disclosed in note14, and equity as disclosed in the statement of financial position.

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

Financial risk management

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

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

Liquidity risk

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

3. Risk management (Continued)

Liquidity risk (Continued)

The company has the following facilities available at the commercial bank: overdraft of N$ 14m, master card of N$ 0.3m, fleet management of N$ 0.8m, vehicle asset finance N$ 1m, guarantee N$0.17m, foreign exchange N$ 1m, forward exchange N$ 1m, interest rate swaps amounts to N$2.76m and intra-day financial services facility to the amount of N$ 40m.

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

Group

As at 30 September 2020	**Less than 1 year**	**Between 2 and 5 years**
Borrowings	40,123	622,864
Trade and other payables (Excluding VAT and amounts received in advance)	210,423	-
Savings Bank Investors	5,253,190	688,870
Retirement benefit obligation	-	10,732
Lease liabilities	5,411	37,892

Group

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

Company

As at 30 September 2020	**Less than 1 year**	**Between 2 and 5 years**
Borrowings	9,690	622,864
Trade and other payables (Excluding VAT and amounts received in advance)	210,423	-
Savings Bank Investors	5,583,242	688,870
Retirement benefit obligation	-	10,732
Lease liabilities	5,411	37,892

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3. Risk management (Continued)

Liquidity risk (Continued)

Company

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

Short term exposure	Group		Company	
	2020 N$ '000	2019 N$ '000	2020 N$ '000	2019 N$ '000
Current portion of Savings Bank Investors	(5,253,190)	(5,102,692)	(5,583,242)	(5,113,567)
Current portion of other financial assets	3,677,458	3,385,406	3,517,544	3,212,337
Cash and cash equivalents (excluding cash on hand)	97,631	75,989	92,276	68,102
	(1,478,101)	**(1,641,297)**	**(1,973,422)**	**(1,833,128)**

Long term exposure	Group		Company	
	2020 N$ '000	2019 N$ '000	2020 N$ '000	2019 N$ '000
Long term portion of Savings Bank Investors	(688,870)	(722,622)	(688,870)	(722,622)
Long term portion of other financial assets	3,185,018	2,776,575	2,947,671	2,590,619
	2,496,148	**2,053,953**	**2,258,801**	**1,867,997**

Interest rate risk

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

At 30 September 2020, if interest rates on Namibia Dollar-denominated borrowings had been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been N$43 million (2019: N$59 million) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

If interest rates on Namibia Dollar-denominated financial assets had been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been N$53 million (2019: N$54 million) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings; other components of equity would have been N$16 million (2019: N$8 million) lower/higher mainly as a result of a decrease/increase in the fair value of fixed rate financial assets at fair value through profit and loss.

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

3. Risk management (Continued)

Interest rate effect on profit

Group (N$'000)	Effect on profit 2020 100bp increase in market	Effect on profit 2020 100bp - decrease in market	Effect on profit 2019 100bp increase in market	Effect on profit 2019 100bp - decrease in market
Cash and cash equivalents	1,128	(1,128)	1,068	(1,068)
Other financial assets	68,625	(68,625)	61,620	(61,620)
Other financial liabilities	(6,630)	6,630	(1,511)	1,511
Savings Bank investors	(62,721)	62,721	(58,362)	58,362
	402	**(402)**	**2,815**	**(2,815)**

Company (N$'000)	Effect on profit 2020 100bp increase in market	Effect on profit 2020 100bp - decrease in market	Effect on profit 2019 100bp increase in market	Effect on profit 2019 100bp - decrease in market
Cash and cash equivalents	1,075	(1,075)	989	(989)
Other financial assets	64,652	(64,652)	58,030	(58,030)
Other financial liabilities	(6,326)	6,326	(535)	535
Loans to Group companies	6,199	(6,199)	2,115	(2,115)
	65,600	**(65,600)**	**60,599**	**(60,599)**

Fair value estimation

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

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

Credit risk

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

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

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

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3. Risk management (Continued)

Credit risk (Continued)

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

Expected credit loss (ECL) measurement

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

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

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

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

Significant increase in credit risk (SICR)

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

Measuring ECL – inputs, assumptions and estimation techniques

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

3. Risk management (Continued)

Measuring ECL – inputs, assumptions and estimation techniques (Continued)

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

Financial instruments at fair value through other comprehensive income

The significant component of the Group's FVOCI relates to sovereign bonds of which 94% of the sovereign bonds is with the Government of the Republic of Namibia and the 6% balance is with the South African Government. Corporate bonds comprises Bank Windhoek and NamWater. NamWater bond is sovereign guaranteed. Other instruments comprise unit trusts and money market instruments, which are short term in nature given that these instruments can be liquidated on short notice. The FVOCI instruments are periodically marked to market, with fair values available from the market. Internally, the Asset and Liability Committee (ALCO), evaluates the credit risk of the counterparties and the respective instruments to determine the credit quality and any possibility of default. In determining the level of credit risk, various factors are considered, which inter-alia include external credit ratings (if available); maturity date of the instrument (the long dated instruments likely to have higher risk of default) ; internal credit ratings (if available), historical information e.g. any history of default; forward looking economic and financial information that can be obtained without undue costs. The conclusion of the level of credit risk is not premised on one factor, hence there is reasonable judgement involved, taking into consideration both quantitative and qualitative factors.

Despite the downgrade of Namibian government long-term local currency debt, and the overall economy, based on the available forward looking information of projected economic growth, less severe Covid19 impact relative to year 2020, coupled with history of no default by the counterparties, the Group believes that there is no risk of default on sovereign debt. In regard to corporate bonds, the counterparties are Bank Windhoek and NamWater, and these entities are in a relatively stable financial position such that the Group concluded that there is no risk of default. The instruments will mature in less than two years as from the financial year end. Furthermore, NamWater bond is sovereign guaranteed. On other instruments, the underlying assets of these instruments are unit trusts and money market instruments. They are short term , which can be liquidated on short notice. Based on internal credit risk evaluation, due to the short term nature of these investments , the quality of the underlying assets and also the available credit history of the counterparties, there is no risk of default anticipated.

	Group		Company	
	2020 N$ '000	2019 N$ '000	2020 N$ '000	2019 N$ '000
Government Bonds	2,239,304	1,679,754	2,239,304	1,679,754
Corporate Bonds	383,306	725,745	383,306	725,745
Other instruments	1,573,483	760,155	1,573,483	760,155
Impairment	-	-	-	-
	4,196,093	**3,165,654**	**4,196,093**	**3,165,654**

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3. Risk management (Continued)

Trade receivables

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

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

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

Trade receivables

2020 (N$ 000) **Description**	**Current**	**30 days**	**60 days**	**90 days**	**180 days**	**365 days+**
Corporate trade debtors	6,772	2,416	2,135	3,163	1,697	1,360
Government trade debtors					4,316	3,652
Provision matrix	0.2%	1%	2%	5%	50%	100%
Total Provision	**14**	**24**	**43**	**158**	**3,007**	**5,013**

2019 (N$ 000) **Description**	**Current**	**30 days**	**60 days**	**90 days**	**180 days**	**365 days+**
Corporate trade debtors	7,173	3,112	3,924	1,602	958	1,743
Government trade debtors					1,365	3,352
Provision matrix	0.2%	1%	2%	5%	50%	100%
Total Provision	**14**	**31**	**78**	**80**	**1,161**	**5,095**

Other components of accounts receivables:

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

3. Risk management (Continued)

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

Financial instruments (measured at fair value through profit / loss and fair value through other comprehensive income

	Group		Company	
	2020 N$ '000	**2019 N$ '000**	**2020 N$ '000**	**2019 N$ '000**
Loans to Group companies	-	-	619,865	211,525
Other financial assets	6,862,476	6,161,981	6,465,215	5,802,956
Trade and other receivables (excluding prepayments and VAT receivable)	84,606	68,164	84,532	68,091
Cash and cash equivalents	112,845	106,802	107,482	98,907

Loans and advances (measured at amortised cost)

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

- Internal credit rating
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- Group's loans are unsecured
- Significant changes in the level of indebtedness of existing borrowers

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model. In view of the current Namibian CPI and the limited salary increase received by the employees. Thus there seem to be a slow growth in real in income.
Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. However, this assumption is rebuttable in accordance with IFRS 9.

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

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3. Risk management (Continued)

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

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

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

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

Group 2020

Group internal Credit	Expected credit	Gross carrying amount	Gross carrying	Gross carrying amount
High-AAA	1%	400,251	-	-
High-A	4%	-	2,000	-
Moderate	3%	-	1,277	-
Credit impaired	66%	-	-	940
Fully impaired	100%	-	-	7,389

Group 2019

Group internal Credit	Expected credit	Gross carrying amount	Gross carrying	Gross carrying amount
High-AAA	1%	358,787	-	-
High-A	4%	-	1,435	-
Moderate	3%	-	1,290	-
Credit impaired	66%	-	-	4,104
Fully impaired	100%	-	-	7,312

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

3. Risk management (Continued)

Internal rating categories

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

Foreign exchange risk

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

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

Foreign currency exposure at the statement of financial position date

	Group		Company	
	2020	**2019**	**2020**	**2019**
Assets				
SDR*	354	1,290	354	1,290
Liabilities				
Euro	3,000	3,010	3,000	3,010
USD	192	-	192	-
SDR*	117	341	117	341

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

Price risk

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

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4. Property, plant and equipment

Group	2020 N$ '000 Cost	2020 N$ '000 Accumulated depreciation	2020 N$ '000 Carrying value	2019 N$ '000 Cost	2019 N$ '000 Accumulated depreciation	2019 N$ '000 Carrying value
Furniture and fixtures	7,923	(5,329)	2,594	7,587	(4,656)	2,931
Motor vehicles	2,725	(1,730)	995	2,540	(1,432)	1,108
IT equipment	51,570	(40,385)	11,185	49,162	(35,115)	14,047
Leasehold improvements	3,612	(1,949)	1,663	3,467	(1,638)	1,829
Other equipment	46,683	(40,068)	6,615	46,108	(37,046)	9,062
Total	**112,513**	**(89,461)**	**23,052**	**108,864**	**(79,887)**	**28,977**

Company	2020 N$ '000 Cost	2020 N$ '000 Accumulated depreciation	2020 N$ '000 Carrying value	2019 N$ '000 Cost	2019 N$ '000 Accumulated depreciation	2019 N$ '000 Carrying value
Furniture and fixtures	7,381	(4,902)	2,479	7,110	(4,406)	2,704
Motor vehicles	1,528	(1,312)	216	1,343	(1,145)	198
IT equipment	50,000	(39,198)	10,802	47,811	(34,109)	13,702
Leasehold improvements	3,612	(1,949)	1,663	3,467	(1,638)	1,829
Other equipment	46,667	(40,067)	6,600	46,107	(37,044)	9,063
Total	**109,188**	**(87,428)**	**21,760**	**105,838**	**(78,342)**	**27,496**

Reconciliation of property, plant and equipment - Group 2020 - N$'000

	Opening balance	Additions	Transfers	Disposals	Depreciation	Total
Furniture and fixtures	2,931	357	(5)	(2)	(687)	2,594
Motor vehicles	1,108	185	-	-	(298)	995
IT equipment	14,047	3,682	5	(17)	(6,532)	11,185
Leasehold improvements	1,829	145	-	(1)	(310)	1,663
Other equipment	9,062	579	-	(1)	(3,025)	6,615
	28,977	**4,948**	**-**	**(21)**	**(10,852)**	**23,052**

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

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

Reconciliation of property, plant and equipment - Company 2020 - N$'000

	Opening balance	Additions	Transfers	Disposals	Depreciation	Total
Furniture and fixtures	2,704	293	(5)	(2)	(511)	2,479
Motor vehicles	198	185	-	-	(167)	216
IT equipment	13,702	3,463	5	(17)	(6,351)	10,802
Leasehold improvements	1,829	145	-	(1)	(310)	1,663
Other equipment	9,063	562	-	(1)	(3,024)	6,600
	27,496	**4,648**	**-**	**(21)**	**(10,363)**	**21,760**

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

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

5. Right-of-use assets

Group

	Property N$ '000	Motor vehicles N$ '000	Total N$ '000
Balance at 30 September 2019	-	-	-
Implementation of IFRS 16	7,807	35,065	42,872
Balance at 1 October 2019	**7,807**	**35,065**	**42,872**
Additions	8,267	10,472	18,739
Disposals / terminations	-	-	-
Depreciation	(3,791)	(17,990)	(21,781)
Balance at 30 September 2020	**12,283**	**27,547**	**39,830**

Company

	Property N$ '000	Motor vehicles N$ '000	Total N$ '000
Balance at 30 September 2019	-	-	-
Implementation of IFRS 16	7,807	35,065	42,872
Balance at 1 October 2019	**7,807**	**35,065**	**42,872**
Additions	8,267	10,472	18,739
Disposals / terminations	-	-	-
Depreciation	(3,791)	(17,990)	(21,781)
Balance at 30 September 2020	**12,283**	**27,547**	**39,830**

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6. Intangible assets

Group

	2020 N$ '000			2019 N$ '000		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	127,306	(62,377)	64,929	126,008	(51,421)	74,587
Work in progress (WIP)	904	-	904	788	-	788
Total	**128,210**	**(62,377)**	**65,833**	**126,796**	**(51,421)**	**75,375**

Company

	2020 N$ '000			2019 N$ '000		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Computer software	125,634	(61,606)	64,028	124,335	(50,822)	73,513
Work in progress (WIP)	904	-	904	788	-	788
Total	**126,538**	**(61,606)**	**64,932**	**125,123**	**(50,822)**	**74,301**

Reconciliation of intangible - Group 2020 - N$'000

	Opening balance	Additions	Transfers	Amortisation	Total
Computer software	74,587	1,299	-	(10,957)	64,929
Work in progress (WIP)	788	116	-	-	904
Total	**75,375**	**1,415**	**-**	**(10,957)**	**65,833**

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

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

Reconciliation of intangible assets - Company 2020 - N$'000

	Opening balance	Additions	Transfers	Amortisation	Total
Computer software	73,513	1,299	-	(10,784)	64,028
Work in progress (WIP)	788	116	-	-	904
Total	**74,301**	**1,415**	**-**	**(10,784)**	**64,932**

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

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

7. Investments in Subsidiary

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

Company

Name of company	% holding 2020	% holding 2019	Carrying amount 2020 N$ '000	Carrying amount 2019 N$ '000
NamPost Financial Brokers (Pty) Ltd	100	100	15,001	15,001
Unlisted share investment				

Nature of business of subsidiary

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

Directors valuation:

The directors have valued the subsidiary at its net asset value of N$77,545,637 (2019: N$62,961,466*).
* the prior year amount has been corrected to reflect the income tax charge which was omitted only on this note disclosure.

8. Investment in Joint Ventures

Joint venture - SmartSwitch

SmartSwitch Namibia Limited has been operational since February 2006 and is 50% owned by NamPost at an initial investment cost of N$6 million which reduced to N$2 million following a N$4 million share buy back in 2018.

Group

Name of company	% holding 2020	% holding 2019	Carrying amount 2020 N$ '000	Carrying amount 2019 N$ '000
SmartSwitch Namibia (Pty) Ltd	50	50	6,301	6,594
unlisted share investment				

Summarised financial information of material joint ventures

Summarised Statement of Comprehensive Income

	SmartSwitch Namibia (Pty) Ltd 2020 N$ '000	2019 N$ '000
Revenue	20,176	30,045
Cost of sales	(694)	(1,525)
Operating expenses	(11,992)	(11,825)
Investment revenue	472	835
Profit before tax	7,962	17,530
Tax expense	(2,548)	(5,610)
Profit from continuing operations	5,414	11,920
Total comprehensive income	**5,414**	**11,920**

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8. Investment in Joint Ventures (Continued)

Summarised Statement of Financial Position

Non-current assets	114	182
Current assets	8,660	9,076
Non-current liabilities	(125)	(125)
Current liabilities	(1,100)	(802)
Net assets	**7,549**	**8,331**
Investment at beginning of the year	6,594	10,634
Share of total comprehensive income	2,707	5,960
Dividends received from joint venture	(3,000)	(10,000)
Carrying amount of Investment	**6,301**	**6,594**

Directors valuation

The directors have valued the joint venture at its net carrying value N$ 6 301 million (2019: N$ 6 594 million).

Joint Venture - Hollard

NamPost entered into a joint venture with Hollard Life Namibia Ltd in 2016 on the credit life and funeral cover products and is entitled to dividend distributions as declared by Hollard directors. NamPost invested N$1 in the joint venture and this has been accounted for as a normal financial asset.

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9. Loans to Group companies

	Group		Company	
	2020	**2019**	**2020**	**2019**
	N$ '000	**N$ '000**	**N$ '000**	**N$ '000**
Subsidiary				
NamPost Financial Brokers (Pty) Ltd This loan has fixed repayment terms, has a term of 10 years and interest payable on capital only every 6 months. The loan attracts interest at an effective rate of prime less 3% with a grace period of two years. Capital to be paid in December annually.	-	-	24,503	30,842
NamPost Financial Brokers (Pty) Ltd Prior to 1 October 2016, loan interest was charged at 5% with no repayment terms. Effective 1 October 2016, N$ 149 million of the total loan balance has a five year repayment period, carries an interest rate of Prime less 1% payable annually on 30 September, and a bullet payment of the capital payable in the 5th year. Total interest outstanding as at 30 September 2017 is repayable in 4 equal instalments commencing year 2020. The remaining N$ 10 million of the loan balance is a subordinated loan and attracts interest at 5% per annum with no fixed repayment terms.	-	-	25,651	180,683
NamPost Financial Brokers (Pty) Ltd The loan amount of N$ 325 million bears interest at 7.3% and is repayable over 10 years, with 3 years grace period.	-	-	333,991	-
NamPost Financial Brokers (Pty) Ltd The loan is charged interest at 7.46% and is repayable over a period of 10 years, with the first 3 years being grace period.	-	-	235,720	-
	-	**-**	**619,865**	**211,525**
Non-current assets	-	-	598,777	205,357
Current assets	-	-	21,088	6,168
	-	**-**	**619,865**	**211,525**

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	Group		Company	
	2020 N$ '000	**2019** N$ '000	**2020** N$ '000	**2019** N$ '000
10. Other financial assets				
At fair value through other comprehensive income				
Quoted investments	1,573,483	760,155	1,573,483	760,155
Bonds*	2,622,610	2,405,499	2,622,610	2,405,499
	4,196,093	**3,165,654**	**4,196,093**	**3,165,654**
At fair value through profit and loss				
Fixed term deposits, call accounts and money market instruments	2,269,122	2,637,302	2,269,122	2,637,302
	2,269,122	**2,637,302**	**2,269,122**	**2,637,302**
At amortised cost				
Other financial assets	397,261	359,025	-	-
Total other financial assets	**6,862,476**	**6,161,981**	**6,465,215**	**5,802,956**

* Limited surety in the form of Internal Registered Stock GC027 to the nominal value of N$235,000,000 issued by the Republic of Namibia has been provided on the Agence Française de Développement (AFD) loan.

Non-current assets				
At fair value through other comprehensive income	2,608,496	2,138,444	2,608,496	2,138,444
At fair value through profit or loss	339,175	452,175	339,175	452,175
Other financial assets - at amortised cost	237,347	185,956	-	-
	3,185,018	**2,776,575**	**2,947,671**	**2,590,619**
Current assets				
At fair value through other comprehensive income	2,060,305	1,519,553	2,060,305	1,519,553
At fair value through profit or loss	1,457,239	1,692,784	1,457,239	1,692,784
Other financial assets - at amortised cost	159,914	173,069	-	-
	3,677,458	**3,385,406**	**3,517,544**	**3,212,337**
	6,862,476	**6,161,981**	**6,465,215**	**5,802,956**

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

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

	Group		Company	
	2020	2019	2020	2019
	N$ '000	N$ '000	N$ '000	N$ '000

10. Other financial assets (continued)

Fair value hierarchy of financial assets at fair value through other comprehensive income

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

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

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

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

	Group 2020 N$ '000	Group 2019 N$ '000	Company 2020 N$ '000	Company 2019 N$ '000
Level 1				
Quoted investments	1,573,483	760,155	1,573,483	760,155
Level 2				
Bonds	2,622,610	2,405,499	2,622,610	2,405,499
Fixed term deposits, call accounts and money market instruments	2,269,122	2,637,302	2,269,122	2,637,302
	4,891,732	**5,042,801**	**4,891,732**	**5,042,801**
Level 3				
Other instruments	397,261	359,025	-	-
	397,261	**359,025**	**-**	**-**
	6,862,476	**6,161,981**	**6,465,215**	**5,802,956**
Financial assets				
Opening balance	6,161,981	5,168,368	5,802,956	4,864,459
Additions	18,729,718	16,750,479	18,691,482	16,695,363
Disposals	(18,228,169)	(15,904,677)	(18,228,169)	(15,904,677)
Interest	149,686	81,688	149,686	81,688
Fair value adjustments	49,260	66,123	49,260	66,123
	6,862,476	**6,161,981**	**6,465,215**	**5,802,956**

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

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

The credit quality of financial assets can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

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	Group		Company	
	2020 N$ '000	**2019** N$ '000	**2020** N$ '000	**2019** N$ '000

10. Other financial assets (continued)

Credit rating

Bank Windhoek Limited AA (Global credit rating)	976,582	1,372,091	976,582	1,372,091
Standard Bank Namibia Limited AA+ (Fitch credit rating)	686,914	493,946	686,914	493,946
Namibian Government bond Baa1 (Moody's credit rating)	2,570,406	2,050,639	2,570,406	2,050,639
NamWater BB (Fitch credit rating)	26,434	-	26,434	-
South African Government bond BB (Moody's credit rating)	141,611	-	141,611	-
Entities with no external credit rating*	999,146	438,689	999,146	438,689
Nedbank Namibia Limited F1+	182,715	484,289	182,715	484,289
Old Mutual F2	2	249,454	2	249,454
Sanlam Namibia AA	-	337,296	-	337,296
Development Bank of Namibia BB (Fitch credit rating)	33,000	-	33,000	-
Capricon AA (Global Credit Rating)	703,383	-	703,383	-
First National Bank AA (zaf)	145,022	376,552	145,022	376,552
	6,465,215	**5,802,956**	**6,465,215**	**5,802,956**

* The counterparties without credit ratings comprise Arysteq, Pointbreak and also Namibia Bond ETF instrument). The risk of defaulting is minimal due to internal credit risk control measures.

Credit quality of other financial assets - at amortised cost
Loans and advances are issued to individuals with no external credit ratings. ITC check is done on each applicant before the loan is issued.
The credit quality of loans and advances can be assessed by reference to historical information about counterparty default rates.

Loans and advances

Gross	411,857	372,928	-	-
Less provision for impairment	(14,596)	(13,903)	-	-
	397,261	**359,025**	-	-

Impairment allowance on loans and advances

Opening balance	13,903	10,826	-	-
Additional provision raised during the current year	6,519	12,365	-	-
Utilised during the year (previous provision)	(5,826)	(9,288)	-	-
	14,596	**13,903**	-	-

Refer to note 3 for detailed information on credit risk management, credit quality, assumptions and estimates

The Group performed a detailed assessment of impairment allowance during the year. Actual historic write-off losses and wider credit risk associated with lending to pensioners, corporate employees and other smart-card holders were considered and impairment allowance was adjusted accordingly.

Notes to the Annual Financial Statements

	Group		Company	
	2020 N$ '000	2019 N$ '000	2020 N$ '000	2019 N$ '000

11. Financial assets by category

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

	Group 2020 N$ '000	Group 2019 N$ '000	Company 2020 N$ '000	Company 2019 N$ '000
At amortised cost				
Loans to Group companies	-	-	619,865	211,525
Other instruments	397,261	359,025	-	-
Trade and other receivables (excluding VAT)	108,481	97,544	108,273	97,276
	505,742	**456,569**	**728,138**	**308,801**
At fair value through other comprehensive income				
Quoted investments and Bonds	4,196,093	3,165,654	4,196,093	3,165,654
At fair value through profit and loss				
Fixed term deposits, call accounts and money market instruments	2,269,122	2,637,302	2,269,122	2,637,302
	6,465,215	**5,802,956**	**6,465,215**	**5,802,956**
At amortised cost				
Loans and receivables	397,261	359,025	-	-
Cash and cash equivalents	112,845	106,802	107,482	98,907
Total other financial assets	**510,106**	**465,827**	**107,482**	**98,907**

12. Inventories

	Group 2020 N$ '000	Group 2019 N$ '000	Company 2020 N$ '000	Company 2019 N$ '000
Goods for resale	1,469	2,376	1,469	2,376
Stamps	3,456	2,968	3,456	2,968
Stationery	6,434	5,403	6,434	5,403
Other inventories (Smartcards, philately new range)	743	3,288	743	3,288
	12,102	**14,035**	**12,102**	**14,035**

13. Trade and other receivables

	Group 2020 N$ '000	Group 2019 N$ '000	Company 2020 N$ '000	Company 2019 N$ '000
Trade receivables	60,999	44,113	60,999	44,113
Employee loans	1,763	2,760	1,763	2,760
Prepayments (mobile products, licences and insurance fees)	23,875	29,380	23,741	29,185
Other receivables (Agency fees etc)	21,844	21,291	21,770	21,218
	108,481	**97,544**	**108,273**	**97,276**

The credit quality of trade and other receivables can be assessed by reference to external credit ratings (if available) and a combination of information of historical information about counterparty default rates and forward looking information available.

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	Group		Company	
	2020 N$ '000	**2019** N$ '000	**2020** N$ '000	**2019** N$ '000

13. Trade and other receivables (continued)

Trade receivables

	Group 2020	Group 2019	Company 2020	Company 2019
Counterparties in their respective categories				
State owned entities	3,506	16,007	3,506	16,007
Government of the Republic of Namibia	33,596	11,717	33,596	11,717
Corporate clients	19,076	15,459	19,076	15,459
Private individuals	4,821	930	4,821	930
	60,999	**44,113**	**60,999**	**44,113**
Trade and other receivables				
Gross	152,403	133,208	152,195	132,940
Less provision for impairment	(43,922)	(35,664)	(43,922)	(35,664)
	108,481	**97,544**	**108,273**	**97,276**
Impairment allowance on trade and other receivables				
Opening balance	35,664	33,452	35,664	33,452
Impairment adjustment increase / (decrease) for the year	8,258	2,212	8,258	2,212
	43,922	**35,664**	**43,922**	**35,664**

Refer to note 3 for detailed information on credit risk management, credit quality, assumptions and estimates

The Group performed a detailed assessment of impairment allowance during the year. Provision matrix was reviewed based on actual write-offs and available forward looking information and impairment allowance was adjusted accordingly.

	Group		Company	
	2020 N$ '000	**2019** N$ '000	**2020** N$ '000	**2019** N$ '000

14. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	15,214	30,813	15,206	30,805
Bank balances	97,631	75,989	92,276	68,102
	112,845	**106,802**	**107,482**	**98,907**

The company has undrawn bank overdraft facilities of N$ 54 million (2019: N$ 14 million) applicable to all current accounts. The overdraft facilities are unsecured. There are specific covenants attached to the facility with which Namibia Post Limited needs to comply.

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

The credit quality of cash at bank, excluding cash on hand can be assessed by reference to external credit ratings (if available) and to a combination of historical information about counterparty default rates and forward looking information available.

Credit rating				
Bank Windhoek Limited (AA) Global credit rating	5,284	7,723	-	-
Standard Bank Namibia Limited (AA+)	92,183	68,011	92,183	68,011
Nedbank Namibia (A1+)	71	164	-	-
First National Bank Namibia (AA+)	93	91	93	91
	97,631	**75,989**	**92,276**	**68,102**

15. Share capital

Authorised				
50,000,000 Ordinary shares	50,000	50,000	50,000	50,000
Issued				
5,075,000 Ordinary shares	5,075	5,075	5,075	5,075

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	Group		Company	
	2020 N$ '000	2019 N$ '000	2020 N$ '000	2019 N$ '000
16. Other financial liabilities				
Held at amortised cost				
Kreditanstalt Fur Wiederaufbau loan (KfW)	396,834	53,498	396,834	53,498
The loan is issued in Euros and is repayable in half yearly instalments of 15,000 euros which commenced on 30 June 2015. The initial amount borrowed was 883,767 Euros, a further loan amount of 6,070,000 Euros was subsequently borrowed, payable from June 2023 to June 2027 at an instalment of 151,000 euros and 152,000 Euros from June 2023 at 4% interest rate. A new loan was received in the local currency during the current financial year. The loan amount of N$ 325 million bears interest at 7.3% and is repayable over 10 years, with a 3 year grace period for the capital portion. The new loan is guaranteed by the government of the Republic of Namibia.				
Development Bank of Namibia (DBN)	30,433	30,451	-	-
The loan bears interest of 8% and is repayable over a period of 5 years including 4 months grace period on interest. Capital portion will be repaid as a bullet payment on last day of the 5th year. There is no surety.				
Bank Windhoek	-	67,149	-	-
The loan bears Interest at the nominal annual Prime Interest Rate (10.50% at present) plus 0.50% and is repayable over a period of 5 years (60 months) with a balloon payment of the outstanding amount in month 60, with a refinancing option for another 5 years. The loan is being withdrawn in tranches and the full loan amount of N$ 200 million was withdrawn by 30 September 2019. The loan was secured with a GC24 bond.				
Agence Française de Développement (AFD)	235,720		235,720	-
The loan bears Interest at 7.46% and is repayable over a period of 10 years , with a 3 year grace period for the capital portion. The loan is secured with GC27 bonds.				
	662,987	**151,098**	**632,554**	**53,498**

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	Group		Company	
	2020 N$ '000	**2019** N$ '000	**2020** N$ '000	**2019** N$ '000

16. Other financial liabilities (continued)

Non-current liabilities				
At amortised cost	622,864	145,891	622,864	52,974
Current liabilities				
At amortised cost	40,123	5,207	9,690	524
	662,987	**151,098**	**632,554**	**53,498**

	Kreditanstalt fur Wieder aufbau 2020 N$ '000	**Kreditanstalt fur Wieder aufbau 2019 N$ '000**	**Kreditanstalt fur Wieder aufbau 2020 N$ '000**	**Kreditanstalt fur Wieder aufbau 2019 N$ '000**
Opening balance	53,498	53,367	53,498	53,367
Interest expense	19,628	968	19,628	968
Foreign exchange (gain) / loss	9,626	462	9,626	462
Receipts	325,020	-	325,020	-
Payments	(10,938)	(1,299)	(10,938)	(1,299)
	396,834	**53,498**	**396,834**	**53,498**

17. Post employment benefits

Medical benefit - (defined benefit plan)

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

The plan is a final post employment medical benefit plan.

Carrying value

Present value of the defined benefit obligation - wholly unfunded	(10,732)	(11,926)	(10,732)	(11,926)

Movements for the year

Opening balance	(11,926)	(12,278)	(11,926)	(12,278)
Benefits paid	998	953	998	953
Actuarial gain	1,430	637	1,430	637
Net expense recognised in profit or loss	(1,234)	(1,238)	(1,234)	(1,238)
	(10,732)	**(11,926)**	**(10,732)**	**(11,926)**

Net expense recognised in the statement of profit or loss and other comprehensive income

Current service cost	(79)	(106)	(79)	(106)
Interest cost	(1,155)	(1,132)	(1,155)	(1,132)
Actuarial gain	1,430	637	1,430	637
	196	**(601)**	**196**	**(601)**

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	Group		Company	
	2020 N$ '000	**2019** N$ '000	**2020** N$ '000	**2019** N$ '000

17. Post employment benefits (continued)

Key assumptions used

Assumptions used on last valuation on 30 September 2020.

Average retirement age	58	58	58	58
Discount rates used	12.69%	9.99%	12.69%	9.99%
Health care cost inflation	8.84%	7.44%	8.84%	7.44%

Pension Fund - (defined contribution)

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

The Napotel Pension Fund converted from a defined benefit plan to defined contribution plan with effect from 1 October 1997. A statutory actuarial valuation was carried out as at 30 September 2020, which indicate that the fund was in a sound financial position.

Sensitivity Analysis

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

In order to illustrate the sensitivity of our results to changes in certain key variables, we have recalculated the liabilities using the following assumptions:
20 % increase/ decrease in the assumed level of mortality;
1 % increase/ decrease in the Medical Aid inflation

Mortality

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

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

Balance of liability with change in assumption:

20% decrease in mortality rate	11,629	12,991	11,629	12,991
Valuation assumption	10,732	11,926	10,732	11,926
20% increase in mortality rate	10,008	11,077	10,008	11,077

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	Group 2020 N$ '000	Group 2019 N$ '000	Company 2020 N$ '000	Company 2019 N$ '000

17. Post employment benefits (continued)

Medical Aid inflation

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

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

Balance of liability with change in	Group 2020 N$ '000	Group 2019 N$ '000	Company 2020 N$ '000	Company 2019 N$ '000
1% decrease in medical aid	9,885	10,873	9,885	10,873
Valuation assumption	10,732	11,926	10,732	11,926
1% decrease in valuation	11,698	13,146	11,698	13,146

18. Savings bank investors

Composition of savings bank investors	Group 2020 N$ '000	Group 2019 N$ '000	Company 2020 N$ '000	Company 2019 N$ '000
Savings accounts	647,194	604,541	647,194	604,541
Save as you earn	30,285	20,333	30,285	20,333
Fixed term deposits	5,066,323	5,045,976	5,396,375	5,056,851
Call and notice accounts	186,867	132,993	186,867	132,993
Mychoice accounts	11,391	21,471	11,391	21,471
	5,942,060	**5,825,314**	**6,272,112**	**5,836,189**

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

	Group 2020 N$ '000	Group 2019 N$ '000	Company 2020 N$ '000	Company 2019 N$ '000
Non current portion	688,870	722,622	688,870	722,622
Current portion	5,253,190	5,102,692	5,583,242	5,113,567
	5,942,060	**5,825,314**	**6,272,112**	**5,836,189**

19. Lease Liabilities

Group

	01-Oct-19 IFRS 16 Adjustment	**Current year Additions**	**Interest expense**	**Cash payments**	**Balance at 30 September 2020**
Property	7,807	8,267	1,007	(4,164)	12,917
Motor vehicles	35,065	10,472	3,144	(18,295)	30,386
Total	**42,872**	**18,739**	**4,151**	**(22,459)**	**43,303**

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	Group		Company	
	2020 N$ '000	**2019** N$ '000	**2020** N$ '000	**2019** N$ '000

19. Lease Liabilities (Continued)

Company

	01-Oct-19 IFRS 16 Adjustment	Current year Additions	Interest expense	Cash payments	Balance at 30 September 2020
Property	7,807	8,267	1,007	(4,164)	12,917
Motor vehicles	35,065	10,472	3,144	(18,295)	30,386
Total	**42,872**	**18,739**	**4,151**	**(22,459)**	**43,303**

Maturity analysis of lease liabilities

	Group 2020	Group 2019	Company 2020	Company 2019
Within 1 year	5,411	-	5,411	-
From 1 to 5 years	37,892	-	37,892	-
Total	**43,303**		**43,303**	

Amounts recognised in the income statement relating to leases

The following are the amounts recognised in the profit or loss:

Depreciation charge for the right-of-use assets

	Group 2020	Group 2019	Company 2020	Company 2019
Property	3,791	-	3,791	-
Motor vehicles	17,990	-	17,990	-
Total depreciation charge for the right-of-use assets	21,781		21,781	
Interest expense on lease liabilities (included in finance cost)	4,150	-	4,150	-
Expense relating to short-term leases (included in cost of sales)	1,688	-	1,688	-
Expense relating to short-term leases (included in operating expenses)	35,983	-	35,983	-
Total expenses related to leases	**63,602**	-	**63,602**	-

20. Trade and other payables

	Group 2020	Group 2019	Company 2020	Company 2019
Trade payables	43,564	23,276	38,004	17,632
Amounts received in advance	6,703	5,343	6,367	5,247
VAT	2,767	2,629	2,478	2,345
Telecom- telephone payments	328	348	328	348
Provisions and Accruals	28,630	32,627	23,660	28,238
Deposits received	128,608	121,517	128,608	121,517
Other payables	19,681	24,437	19,823	24,062
	230,282	**210,177**	**219,268**	**199,389**

	Group		Company	
	2020 N$ '000	**2019** N$ '000	**2020** N$ '000	**2019** N$ '000

20. Trade and other payables (Continued)

The carrying amount of trade and other payables excluding VAT and amounts received in advance approximates their fair values because they are short term in nature.

21. Financial liabilities

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

	Group 2020	Group 2019	Company 2020	Company 2019
Financial liabilities at amortised cost				
Other financial liabilities	662,987	151,098	632,554	53,498
Trade and other payables (excluding VAT payable)	227,515	202,205	216,790	191,797
Savings bank investors	5,942,060	5,825,314	6,272,112	5,836,189
Lease liabilities	43,303	-	43,303	-
	6,875,865	**6,178,617**	**7,164,759**	**6,081,484**

22. Deferred tax

	Group 2020	Group 2019	Company 2020	Company 2019
Deferred tax liability				
Property plant and equipment	(25,121)	(9,165)	(28,719)	(12,201)
Fair value adjustments	(29,009)	(12,097)	(29,009)	(12,097)
Terminal dues	(1,802)	(1,215)	(1,802)	(1,215)
Stock - Consumables	(1,845)	(1,729)	(1,845)	(1,729)
Prepayments and other deferred tax liabilities	(1,476)	(581)	(1,432)	(581)
Total deferred tax liability	**(59,253)**	**(24,787)**	**(62,807)**	**(27,823)**
Deferred tax asset				
Retirement benefit obligation	3,542	3,816	3,434	3,816
Provisions	22,271	17,542	18,197	17,542
Deferred tax balance from temporary differences other than unused tax losses	25,813	21,358	21,631	21,358
Income received in advance	2,037	2,587	2,037	2,587
	27,850	23,945	23,668	23,945
Other deferred tax (unrealised foreign) exchange, loans etc.	45,753	18,030	45,753	18,030
Total deferred tax asset, net of valuation allowance recognised	**73,603**	**41,975**	**69,421**	**41,975**

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

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	Group		Company	
	2020 N$ '000	**2019** N$ '000	**2020** N$ '000	**2019** N$ '000

22. Deferred tax (continued)

	Group 2020	Group 2019	Company 2020	Company 2019
Deferred tax liability	**(59,253)**	**(24,787)**	**(62,807)**	**(27,823)**
Deferred taxation liability to be recovered after more than 12 months	(59,253)	(24,787)	(62,807)	(27,823)
Deferred tax asset	***69,421***	**41,975**	***69,421***	**41,975**
Deferred taxation asset to be recovered after more than 12 months	69,421	41,975	69,421	41,975
Total net deferred tax asset	**10,168**	**17,188**	**6,614**	**14,152**

Reconciliation of deferred tax asset / (liability)

	Group 2020	Group 2019	Company 2020	Company 2019
At the beginning of year	17,188	29,166	14,152	27,027
Temporary differences on terminal dues and parcel credits	(587)	1,643	(587)	1,643
Temporary differences on income received in advance	358	(1,566)	358	(1,566)
Originating temporary differences on tangible fixed assets	(3,138)	(3,200)	(3,766)	(6,237)
Originating / (Reversing) temporary differences on Post retirement obligation	(492)	(454)	(382)	(454)
Temporary differences on fair value adjustments	(15,763)	(22,182)	(15,763)	(22,182)
Originating temporary differences on provisions	(1,265)	(699)	(1,265)	(699)
Originating temporary differences on stock - consumables	(116)	(557)	(116)	(557)
Temporary differences on prepayments	169	599	169	599
Other deferred tax (unrealised forex, workmen compensation, etc.)	13,814	14,438	13,814	16,578
	10,168	**17,188**	**6,614**	**14,152**

23. Current tax receivable / (payable)

Current tax receivable

	Group 2020	Group 2019	Company 2020	Company 2019
Current tax receivable	15,161	14,145	14,936	14,936

Reconciliation for current tax receivable / (payable):

	Group 2020	Group 2019	Company 2020	Company 2019
Opening balance	14,145	11,742	14,936	12,871
Current tax for the year	(7,381)	(9,791)	-	-
Provisional tax payment - 2020	8,397	12,194	-	2,065
	15,161	**14,145**	**14,936**	**14,936**

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	Group		Company	
	2020 N$ '000	**2019** N$ '000	**2020** N$ '000	**2019** N$ '000
23. Current tax receivable / (payable) - (Continued)				
Balance of provision for taxation consists of:				
2018	12,712	12,712	13,503	13,503
2019	1,433	1,433	1,433	1,433
2020	1,016	-	-	-
	15,161	**14,145**	**14,936**	**14,936**
24. Revenue				
Revenue from contracts with customers				
Philately stamps revenue	533	2,833	533	2,833
Mail revenue	129,950	146,348	129,950	146,348
Agency commission	28,265	28,485	28,265	28,485
Logistics services	136,154	126,234	136,154	126,234
Savings bank fees	65,180	65,438	65,180	65,438
Other	2,889	2,700	2,889	2,700
Total revenue recognised at a point in time	**362,971**	**372,038**	**362,971**	**372,038**
Interest and similar income				
Interest on investments	508,412	415,227	508,412	415,227
Interest on loan advances	81,600	82,597	-	-
Total Interest	**590,012**	**497,824**	**508,412**	**415,227**
Total revenue	**952,983**	**869,862**	**871,383**	**787,265**
25. Cost of sales				
Cost of sales	450,205	450,520	465,028	444,334
26. Other income				
Profit on sale of assets and liabilities	15	23	14	18
Recoveries	2,196	1,922	-	-
Other income	1,106	9,074	1,111	2,224
Profit (loss) on exchange differences	(2,979)	730	(2,979)	(2,426)
	338	**11,749**	**(1,854)**	**-184**
27. Investment Income				
Dividends received	11,161	9,802	14,161	19,802
Interest received	1,738	4,972	38,373	20,992
	12,899	**14,774**	**52,534**	**40,794**

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	Group		Company	
	2020 N$ '000	**2019** N$ '000	**2020** N$ '000	**2019** N$ '000

28. Operating profit (loss)

Operating profit / loss for the year is stated after charging the following, amongst others:

	Group 2020 N$ '000	Group 2019 N$ '000	Company 2020 N$ '000	Company 2019 N$ '000
Auditor's remuneration - external				
Audit fees	2,846	1,836	2,342	1,543
	2,846	**1,836**	**2,342**	**1,543**
Remuneration, other than to employees				
Consulting and professional services	13,380	10,411	9,273	9,766
Leases				
Short-term lease charges				
Premises	39,027	28,890	37,671	27,916
Contingent rentals on operating leases				
Premises	-	9,521	-	9,521
Total operating lease charges	**39,027**	**38,411**	**37,671**	**37,437**
Depreciation and amortisation				
Depreciation of property, plant and equipment	10,852	8,316	10,363	7,927
Depreciation - right-of-use assets	21,781	-	21,781	-
Amortisation of intangible assets	10,957	5,836	10,784	5,664
Total depreciation and amortisation	**43,590**	**14,152**	**42,929**	**13,591**
Expenses by nature				
Employee costs	263,149	251,062	245,121	236,285
Operating lease charges	37,339	38,330	35,983	37,437
Depreciation, amortisation and impairment	43,590	14,152	42,929	13,591
Advertising	6,559	9,198	5,634	5,623
IT expenses	10,705	17,282	10,705	17,687
Security	10,490	7,991	10,490	7,991
Municipal expenses	2,915	2,920	2,915	2,920
Consulting and professional fees	13,380	10,411	9,273	9,766
Bad debts	10,010	10,841	10,010	3,427
Telephone and fax	13,461	12,048	13,331	11,993
Commission paid	7,839	5,419	5,391	5,419
Other expenses	58,990	47,462	46,114	40,407
	478,427	**427,116**	**437,894**	**392,546**

Notes to the Annual Financial Statements

	Group		Company	
	2020 N$ '000	**2019** N$ '000	**2020** N$ '000	**2019** N$ '000
29. Depreciation, amortisation and impairment losses				
Depreciation				
Property, plant and equipment (PPE)	10,852	8,316	10,363	7,927
Depreciation				
Right-of-use assets	21,781	-	21,781	-
Amortisation				
Intangible assets	10,957	5,836	10,784	5,664
Total depreciation, amortisation and impairment				
Depreciation (PPE)	10,852	8,316	10,363	7,927
Depreciation - Right-of-use assets	21,781	-	21,781	-
Amortisation	10,957	5,836	10,784	5,664
	43,590	**14,152**	**42,929**	**13,591**
30. Finance costs				
Non-current borrowings	29,683	1,021	29,683	1,021
Interest on lease liabilities	4,150	-	4,150	-
Total finance costs	**33,833**	**1,021**	**33,833**	**1,021**
31. Income tax expense				
Major components of the income tax expense				
Current				
Local income tax - current year	7,381	9,791	-	-
Deferred				
Current year	(10,357)	(10,747)	(9,839)	(9,850)
Arising from prior year adjustments	1,156	1,363	1,156	1,363
	(9,201)	**(9,384)**	**(8,683)**	**(8,487)**
	(1,820)	**407**	**(8,683)**	**(8,487)**
Reconciliation of the income tax expense				
Accounting profit	6,461	13,726	(14,692)	(10,026)
Tax at the applicable tax rate of 32% (2019: 32%)	2,068	4,392	(4,701)	(3,208)

Namibia Post Limited
Annual Financial Statements for the year ended 30 September 2020

Notes to the Annual Financial Statements

	Group		Company	
	2020 N$ '000	**2019** N$ '000	**2020** N$ '000	**2019** N$ '000
31. Income tax expense (Continued)				
Tax effect of adjustments on taxable income				
Net Permanent differences	(5,044)	(5,348)	(5,138)	(6,642)
Prior year adjustments	1,156	1,363	1,156	1,363
	(1,820)	**407**	**(8,683)**	**(8,487)**

32. Income tax expense (other comprehensive income)

Major components of the income tax expense

	Group 2020 N$ '000	Group 2019 N$ '000	Company 2020 N$ '000	Company 2019 N$ '000
Current relating to other comprehensive income				
Local income tax - current year	-	-	-	-
Deferred relating to other comprehensive income / (loss)				
Current year	16,221	21,363	16,221	21,363
Reconciliation of the income tax expense				
Reconciliation between other comprehensive income and tax expense				
Other comprehensive income / (loss)	50,690	66,760	50,690	66,760
Tax at the applicable tax rate of 32% (2019: 32%)	16,221	21,363	16,221	21,363
Tax effect of adjustments on taxable other comprehensive income	**16,221**	**21,363**	**16,221**	**21,363**

33. Tax (paid) refunded

	Group 2020 N$ '000	Group 2019 N$ '000	Company 2020 N$ '000	Company 2019 N$ '000
Balance at the beginning of the year	14,145	11,742	14,936	12,871
Prior year adjustment	-	-	-	-
Current tax for the year recognised in profit or (loss)	(7,381)	(9,791)	-	-
Balance at end of the year	(15,161)	(14,145)	(14,936)	(14,936)
	(8,397)	**(12,194)**	**-**	**(2,065)**

Notes to the Annual Financial Statements

	Group		Company	
	2020 N$ '000	**2019** N$ '000	**2020** N$ '000	**2019** N$ '000
34. Cash generated from operations				
Profit (loss) before taxation and fair value	7,891	14,363	(13,262)	(9,389)
Adjustments for:				
Depreciation and amortisation	43,590	14,152	42,929	13,591
Dividend income	(11,161)	(9,802)	(14,161)	(19,802)
Interest received - investment	(1,830)	(4,972)	(38,226)	(20,992)
Finance costs	33,833	1,021	33,833	1,021
Foreign exchange differences	6,240	2,594	6,240	2,594
Movements in retirement benefit assets and liabilities	(1,194)	(352)	(1,194)	(352)
Other non - cash items	-	-	-	-
Equity accounting	293	4,040	-	-
Changes in working capital:				
Inventories	1,934	(4,459)	1,933	(4,459)
Trade and other receivables	(7,549)	(14,788)	(7,609)	(14,796)
Trade and other payables	22,308	13,083	22,071	8,142
	94,354	**14,880**	**32,556**	**(44,442)**

35. Commitments

Authorised capital expenditure

Already contracted for but not

	Group 2020	Group 2019	Company 2020	Company 2019
Commitments in respect of contracts placed	-	660	-	660
Not yet contracted for and authorised by directors	23,433	18,567	23,433	18,567

Guarantees

	Group 2020	Group 2019	Company 2020	Company 2019
Ministry of Finance	20	70	20	70
Avon and Justine	1,500	150	1,500	150
Roads Authority	690	690	690	690
Puma Energy	1,500	1,500	1,500	1,500

Namibia Post Limited
Annual Financial Statements for the year ended 30 September 2020

Notes to the Annual Financial Statements

36. Related parties

Relationships

Ultimate shareholder	Government of the Republic of Namibia
Holding company	Namibia Post and Telecom Holdings Limited
Subsidiary	NamPost Financial Brokers (Pty) Ltd, Refer to note 7
Joint arrangements	SmartSwitch Namibia (Pty)Ltd, Refer to note 8
NamPost directors	Refer to directors' report on page 94
Directors (Nampost Financial Brokers (Pty) Ltd)	Mr Festus F Hangula Mr James A Cumming Ms Jennifer J Comalie
Fellow Subsidiaries	Telecom Namibia Limited Mobile Telecommunications Limited
Key members of management	Festus Hangula (Chief Executive Officer: Namibia Post Limited) Patrick Gardiner (Chief Executive Officer: NamPost Financial Brokers (Pty) Ltd) Batsirai Pfigirai (Executive: Finance) Jorn Schnoor (Executive: Information Technology) Sonia Bergh (Executive: Human Resources) Jennifer Comalie (Executive: Financial Services) resigned 15 September 2020 Berlindi van Eck (Executive: Marketing) Eldorette Harmse (Executive: Legal, Compliance and Governance) Bennie Jakobs (Executive: Retail Channels) Kgomotso Hochobeb (Executive: Internal Audit) Deon Claasen (Executive: Enterprise Risk Management) Michael Feldmann (Executive: Mail and Logistics)

Notes to the Annual Financial Statements

	Group		Company	
	2020 N$ '000	2019 N$ '000	2020 N$ '000	2019 N$ '000
36. Related parties (continued)				
Related party balances				
Receivable from related parties				
Mobile Telecommunications Limited	728	343	728	343
Telecom Namibia Limited	1,608	2,511	1,608	2,511
Namibia Post and Telecom Holdings Limited	1	-	1	-
Payable to related parties				
Mobile Telecommunications Limited	18,049	2,017	18,049	2,017
Telecom Namibia Limited	274	-	274	-
SmartSwitch Namibia (Pty) Ltd	2,429	5,337	2,429	5,337
NamPost Financial Brokers (Pty) Ltd	-	-	18,950	10,875
Loans to related parties				
NamPost Financial Brokers (Pty) Ltd	-	-	619,865	211,525
Related party transactions				
Sales of goods / services				
Telecom Namibia Limited	7,912	7,198	7,912	7,198
Namibia Post and Telecom Holdings Limited	2	2	2	2
Mobile Telecommunications Limited	4,699	11,733	4,699	11,733
NamPost Financial Brokers (Pty) Ltd	-	-	620,261	359
SmartSwitch Namibia (Pty) Ltd	3,371	10,972	3,371	10,972
Hollard Life Namibia Ltd	13,846	18,111	13,846	18,111
Purchases of goods / services				
Namibia Post and Telecom Holdings Limited	25,121	34,705	25,121	34,705
Mobile Telecommunications Limited	316,490	327,632	316,490	327,632
Telecom Namibia Limited	3,504	3,507	3,504	3,507
SmartSwitch Namibia (Pty) Ltd	19,822	19,206	19,822	19,206
NamPost Financial Brokers (Pty) Ltd	-	-	-	720
Directors' emoluments				
Evangelina N Hamunyela	201	214	201	214
Perien J Boer	150	150	150	150
Muronga Haingura	154	173	154	173
Israel U D Kalenga	122	142	122	142
James A Cumming	235	272	156	176
Compensation: Key management				
Short -term employee benefits	**23,482**	**22,695**	**20,770**	**20,119**

Namibia Post Limited
Annual Financial Statements for the year ended 30 September 2020

Detailed Income Statement

	Notes	Group 2020 N$ '000	Group 2019 N$ '000	Company 2020 N$ '000	Company 2019 N$ '000
Revenue					
Philately stamps revenue		533	2,833	533	2,833
Mail revenue		129,950	146,348	129,950	146,348
Agency commission		28,265	28,485	28,265	28,485
Courier services		136,154	126,234	136,154	126,234
Interest on loan advances		81,600	82,597	-	-
Savings bank investments		508,412	415,227	508,412	415,227
Savings bank fees		65,180	65,438	65,180	65,438
Other revenue		2,889	2,700	2,889	2,700
		952,983	**869,862**	**871,383**	**787,265**
Cost of sales					
Opening stock		(14,035)	(9,576)	(14,035)	(9,576)
Purchases		(448,272)	(454,979)	(463,095)	(448,793)
Closing stock		12,102	14,035	12,102	14,035
	25	**(450,205)**	**(450,520)**	**(465,028)**	**(444,334)**
Gross profit		**502,778**	**419,342**	**406,355**	**342,931**
Other operating income (loss)					
Bad debts recovered		2,196	1,902	-	-
Other income		1,106	2,293	1,112	2,224
Profit / (loss) on exchange differences		(2,979)	(2,426)	(2,979)	(2,426)
Profit / (loss) on sale of assets and liabilities		15	18	14	18
Other operating income (loss)	26	**338**	**1,787**	**(1,853)**	**(184)**
Expenses (Refer to page 160)		**(478,427)**	**(427,116)**	**(437,894)**	**(392,546)**
Operating profit/ (loss)	28	**24,689**	**(5,987)**	**(33,392)**	**(49,799)**
Investment income	27	12,899	14,774	52,534	40,794
Finance costs	30	(33,833)	(1,021)	(33,833)	(1,021)
Income from equity accounted investments		2,707	5,960	-	-
Profit/ (loss) before taxation		**6,462**	**13,727**	**(14,691)**	**(10,026)**
Taxation		1,820	(407)	8,683	8,487
Profit/ (loss) for the year		**8,282**	**13,319**	**(6,008)**	**(1,539)**

The supplementary information presented does not form part of the annual financial statements and is unaudited.

Detailed Income Statement

	Notes	Group 2020 N$ '000	Group 2019 N$ '000	Company 2020 N$ '000	Company 2019 N$ '000
Other operating expenses					
Selling and distribution expenses					
Commission paid		(7,839)	(7,667)	(5,391)	(5,420)
Motor vehicle expenses		(370)	(3,119)	(321)	(3,074)
Postage		(581)	(561)	(206)	(86)
		(8,790)	(11,347)	(5,918)	(8,580)
Marketing expenses					
Advertising		(6,559)	(6,253)	(5,634)	(5,623)
General and administrative expenses					
Auditors remuneration - external auditors	28	(2,846)	(1,836)	(2,342)	(1,543)
Bank charges		(2,853)	(1,835)	(2,833)	(1,806)
Computer expenses		(2,657)	(1,674)	-	-
Depreciation		(10,852)	(8,316)	(10,363)	(7,927)
Employee costs		(262,570)	(253,628)	(244,542)	(236,194)
Insurance		(4,094)	(3,170)	(4,020)	(3,088)
IT expenses		(10,705)	(18,057)	(10,705)	(17,687)
Lease rentals on operating lease		(37,339)	(38,715)	(35,983)	(37,437)
Municipal expenses		(2,915)	(2,920)	(2,915)	(2,920)
Printing and stationery		(1,232)	(1,350)	(1,098)	(1,248)
Telephone and fax		(13,461)	(12,104)	(13,331)	(11,993)
		(351,524)	(343,605)	(328,132)	(321,843)
Maintenance expenses					
Repairs and maintenance		(2,483)	(2,649)	(2,483)	(2,646)

The supplementary information presented does not form part of the annual financial statements and is unaudited.

Namibia Post Limited
Annual Financial Statements for the year ended 30 September 2020

Detailed Income Statement

	Notes	Group 2020 N$ '000	Group 2019 N$ '000	Company 2020 N$ '000	Company 2019 N$ '000
Other operating expenses					
Amortisation		(10,957)	(5,836)	(10,784)	(5,664)
Depreciation - right-of-use assets		(21,781)	-	(21,781)	-
Bad debts		(10,010)	(3,427)	(10,010)	(3,427)
Cleaning		(1,479)	(1,306)	(1,433)	(1,285)
Consulting and professional fees		(13,380)	(10,411)	(9,273)	(9,766)
Legal fees		(974)	(297)	(513)	(297)
Entertainment		(1,207)	(1,724)	(1,200)	(1,094)
HIV/ Aids expenses		(622)	(663)	(622)	(663)
Recruitment fees		(579)	(91)	(579)	(91)
Impairment of loans		(7,603)	(7,415)	-	-
Mass distance charges		(393)	(355)	(393)	(355)
Corporate communication		(216)	(450)	(216)	(444)
Safe custody fees		9	(74)	9	(74)
Fines and penalties		(9)	(20)	(9)	(20)
Security		(11,658)	(1,062)	(11,658)	(1,062)
Staff welfare		(646)	(684)	(569)	(624)
Subscriptions		(12,041)	(4,226)	(12,041)	(4,226)
Training		(1,103)	(1,786)	(826)	(1,553)
Travel - local		(674)	(638)	(657)	(617)
Travel - overseas		(11)	(58)	(11)	(58)
Other expenses		(13,737)	(22,739)	(13,161)	(22,534)
		(109,071)	(63,262)	(95,727)	(53,854)
		(478,427)	**(427,116)**	**(437,894)**	**(392,546)**

The supplementary information presented does not form part of the annual financial statements and is unaudited.

ABOUT THIS REPORT

Audience and purpose

The aim of our integrated reporting is to provide our primary shareholder with information to make a more informed assessment of the value of NamPost. We seek to articulate how we create value for all our stakeholders through our context, position, business model, governance and risk management.

Reporting in a time of crisis

This report illuminates the implications for NamPost of the COVID-19 pandemic and resulting regulations. These have been addressed throughout the report in terms of ethical leadership, human capital, and organisational performance. We address how we have structured crisis oversight and communication to all our stakeholders.

Scope and boundary

The report covers the period 1 October 2019 to 30 September 2020. This report encompasses the activities of the Group, as defined on page 18.

Frameworks and assurance

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

- The International Integrated Reporting Council's Integrated Reporting Framework
- Companies Act (Act 28 of 2004) (Companies Act)
- NamCode
- NamPost ERM Framework
- King III
- King IV

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

Materiality

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

Forward-looking statements

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

Approval of the integrated annual report

The NamPost Board, supported by BARC, is ultimately responsible for the integrity and completeness of the report. We confirm that the 2020 report addresses all material aspects of the company, and fairly represents the Group's performance.

GLOSSARY

Abbreviation	Term
AFD	Agence Française de Développement
AGM	Annual general meeting
ALCO	Asset and Liability Management Committee
ATM	automated teller machine
BARC	Board Audit and Risk Committee
BIPA	Business and Intellectual Property Authority
BIC	Board Investment Committee
CDS	Customs Declaration System
CEO	Chief Executive Officer
CRAN	Communications Regulatory Authority of Namibia
ERM	Enterprise Risk Management
GDP	gross domestic product
GIPF	Government Institutions Pension Fund
HRCC	Human Resources and Compensation Committee
I-ACT	Integrity, Accountability, Caring, Teamwork (NamPost Values)
ICT	Information and Communications Technology
IPS	International Postal System
ITIL	Information Technology Infrastructure Library
KfW	Kreditanstalt für Wiederaufbau
King III	King III Report on Corporate Governance for South Africa 2009
King IV	King Report on Corporate Governance™ for South Africa, 2016
NAMFISA	Namibia Financial Institutions Supervisory Authority
NamPost	Namibia Post Ltd
NPTH	Namibia Post and Telecom Holdings Ltd
NSB	NamPost Savings Bank
PAT	profit after tax
PBT	profit before tax
PCI-DSS	Payment Card Industry Data Security Standards
PO boxes	post office boxes
PMO	Project Management Office
PostFin	NamPost Financial Brokers (Pty) Ltd
ROE	return on equity
ROI	return on investment
SSN	SmartSwitch Namibia (Pty) Ltd
TMS	Transport Management Software
TRG	Technology Risk Governance
USO	Universal Service Obligation
VAT	value added tax

CONTACT INFORMATION

Nature of business and principal activities

Supply of postal services, courier services and financial services

Holding company

Namibia Post and Telecom Holdings Ltd

Company registration number: 92/284

Country of incorporation and domicile Namibia

Business address and registered office

175 Independence Avenue, Windhoek, Namibia

Tel: (+264) 61 201 3911

info@nampost.com.na

Postal address

PO Box 287, Windhoek, Namibia

Company Secretary

EC Harmse

Bankers

Bank Windhoek Ltd

Standard Bank of Namibia Ltd

Auditors

PricewaterhouseCoopers

Registered Accountants and Auditors

Chartered Accountants (Namibia)

nampost®

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