NAMIBIA POST LIMITED

ANNUAL REPORT

2005

NAM POST

We deliver more

Vision, Mission and Values

Vision

NamPost shall be the communication, financial and courier services company of choice, striving to blue-chip status by 2010.

Mission

- NamPost serves all echelons of the Namibian population with communic-tion, courier and affordable financial services.
- Through our country-wide presence, we are able to meet the needs of our customers within close proximity of their own home.
- We will ensure a work environment that is conducive to high performance in which our employees can feel valued and cared for.
- We employ state-of-the-art technology and business systems to ensure fast and reliable delivery of information, parcels and mail.
- We build on this strength to become the de facto customer-interface for various organisations.
- We are committed to become a truly Namibian financial powerhouse addressing the finance and investment needs of Namibians.
- NamPost will soon be the benchmark for a growing, cost-effective service provider whilst fulfilling its Shareholders' mandate.

Values

- Integrity
- Care
- Commitment
- Accountability
- Teamwork
- Mutual respect

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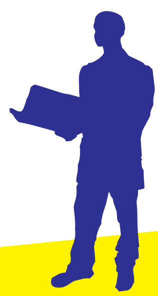


CHAIRMAN

Sebby Kankondi

Chairman's Report

Overview

For 2003/4, I reported that NamPost was in the midst of a financial turnaround. I am pleased to report that this turnaround has not only continued throughout the 2004/5 financial year and beyond but has, indeed, exceeded our expectations. Profits have grown consistently during the entire reporting period, and both the company's balance sheet and cash position have strengthened considerably. We believe that this solid turnaround is sustainable and clearly shows that NamPost has been restored to its former status of being amongst the foremost postal services providers in Africa. The Board's 2004 decision to intervene in the business has been vindicated.

Strategy

NamPost has made Customer Service its principal business strategy. This is being achieved by means of clearly defined interventions in the areas of employee recruitment, training and development, performance management and business process re-engineering. A second key strategy is financial sustainability. To continue providing its services to the public, NamPost must be profitable. This means that each line of business must be self-sustaining, as must the company as a whole. An important yardstick in this regard is the achievement of an annual rate of return, on shareholders' equity, of 12% or more.

To support these key strategies, various initiatives have been identified and are being rigorously implemented. These initiatives have to contribute to one or more of the following key criteria:

- Broadening the Revenue Base
- Limiting Operational Expenditure
- Creating Operational and Commercial Efficiencies
- Expanding the Customer Base
- Developing new Product and Service Lines

Chairman's Report

Corporate Governance

NamPost views corporate governance in a serious light. Our mandate is to manage public assets on behalf of the nation. To this end, appropriate governance structures, policies, procedures and processes have been established at all levels of the company hierarchy to ensure transparency and fairness in all company endeavours. More importantly, these governance structures are active, and the policies and procedures are consistently implemented. Key organizational structures involved in the maintenance of good corporate governance in the company include

- the Board,
- the Board Audit Committee,
- the Board Remuneration Committee,
- the Tender Committee, and
- the Asset and Liability Management Committee.

A comprehensive Procurement Policy applies, and all procurement decisions have to conform to this policy. Additionally, NamPost has a Human Resources Policy which embeds non-discriminatory, fair and equitable employment procedures and practices, and an Investment Policy in terms of which the company invests its funds. This latter policy is actively administered by the Asset and Liability Management Committee.

The Future

NamPost is firmly on the high road to the future. Our core business has been stabilised to serve as the foundation for future innovation and growth. Consolidation of existing business lines will continue, whilst simultaneously seeking new opportunities. With our renewed focus on customer service, employee development and financial sustainability, we are confident that we will be able to transform NamPost into one of the best performing service providers in Namibia.

Acknowledgements

I would like to thank our Shareholder – the Government of Namibia – for its consistent support. Appreciation also goes to my fellow Board members for their support, guidance and invaluable contributions towards realising our strategic objectives. My most sincere gratitude goes to the Management and Staff of NamPost for their dedication and hard work. Due to our collective efforts, NamPost is now stronger than it has ever been.

We are therefore submitting this Annual Report to our Shareholder and the public with pride and pleasure.

Sebby Kankondi
CHAIRMAN

CHIEF EXECUTIVE OFFICER

Sakaria H. Nghikembua

CEO's review

Introduction

I am pleased to present this review of operations for Nampost for the financial year 2004/5, which covers the period 1 October 2004 to 30 September 2005.

Financial Highlights

NamPost experienced its best financial year ever since commercialisation in 1992. Performance during the reporting period represents the acceleration of a turn-around process started during financial year 2003/4. As detailed financial statements appear elsewhere in this Annual Report, I will merely highlight the key indicators here:

- Core revenue grew by 21% year-on-year, from N$149.5 million in FY 2003/4 to N$180.5 million in FY 2004/5.
- Net Savings Bank income grew by 39% year-on-year, fromN$ 25.5 million in FY 2003/4 to N$35.4 million in FY 2004/5.
- Profit before tax for the year is N$16.9 million, compared to a loss before tax of N$3.3 million in FY 2003/4. This represents a turn-around in profit before tax of N$ 20.2 million or 612%.
- Profit after tax is N$9.3 million compared to a loss after tax of N$1.7 million in FY 2003/4 – representing a turn-around of N$11 million or 647%.
- We have achieved a rate of return on shareholders' equity of 28%, compared to a target, in terms of our Performance Agreement with our shareholder, of 12%.
- Total company assets grew by 47% and net assets by 103%.
- Cash and cash equivalents rose from N$6.1 million at 30 September 2004 to N$ 22.4 million at 30 September 2005 – representing an increase of 267%.

Operational Highlights

Philately

Five (5) new stamps were issued in the period February 2005 to August 2005, namely:

- Centenary of the Rotary Club
- New President of Namibia
- Sunbirds of Namibia
- Plants with Medicinal Value
- Crop Production in Namibia

The most popular of these Stamp Issues was the New President of Namibia.

New Stamp Issues planned for 2006 are:

- Sea Gulls of Namibia
- Dolphins of Namibia
- Perennial Rivers of Namibia
- Traditional Men in Namibia
- Centenary of the Railway in Namibia

In 2006 and beyond, we will continue to research interesting stamp themes, as well as explore ways of growing our philately customer base in new markets – particularly in Asia.

Marketing and Communications

The corporate communications function was revived and consolidated. NamPost's employee newsletter, Dispatch, is now routinely published every second month. Additionally, current stories and notice of events within and affecting the company are distributed to all employees through electronic mail.

The Department also conceptualised and implemented a corporate advertising campaign aimed at informing our customers and the public at large of our activities, as well as the various products and services we offer. This campaign is being conducted in both the printed and electronic media in Namibia. In 2006, the campaign will retain its current focus but also incorporate advertising and awareness-creation of NamPost's new Smart Card product.

Emphasis will continue to be laid on customer relationship management. In early 2006, a series of customer satisfaction surveys will be conducted to accurately determine customer needs. These surveys will assist us in re-orienting our services to the needs of our current and future customers.

CEO's review

Finance

Efforts to improve financial controls and reporting continued, with specific focus on the following areas:

Cash Flow
Tight control over cash flow was maintained, and the positive cash-flow position achieved during 2003/4 was strengthened. Cash-flow planning and review are done on a daily basis.

Debtors Management
The management of debtors improved. Several initiatives to ensure an efficient and effective debtor management system were implemented. Debtors have been assigned to responsible officers within NamPost, and targets have been set for debts aging. In addition, two debt collectors have been appointed to deal with debt that has become difficult to recover. This focus on effective debtors' management will continue.

Control of Expenditure
Operational expenditure is analyzed and monitored on a continuous basis. As appropriate, immediate corrective action is taken. As a result of these efforts, NamPost was able to generate more revenue in FY 2004/5 while maintaining the same operational cost base as in FY 2003/4.

International Financial Reporting Standards (IFRS)
NamPost has adopted the new International Financial Reporting Standards (IFRS) as from 1 October 2005. The financial results for the year to 30 September 2006 will thus be the first to be reported in accordance with the new financial reporting standards.

Human Resources

Several initiatives were started during the year under review. These include centralisation of the payroll for contract employees, conceptualisation and development of a performance management system, a review of human resources policies and procedures, and a review of job descriptions and grading across job levels in the company. Many of these initiatives will be finalized during FY 2005/6. Emphasis was laid on the training and development of employees, the training budget having been tripled in FY 2005/6 to lend further impetus to this initiative. A review of the organizational structure was started, and is scheduled for completion during the first half of FY 2005/6. The objective of this review is to ensure adequate focus on the company's key strategic objectives. Several smaller initiatives, aimed at improving human resources efficiencies, have also been implemented. In 2006, human resources priorities would be to finalise both major and minor initiatives launched during 2005. When all these initiatives are completed, they will have the effect of substantially improving employee morale - thus sharpening focus on our key twin deliverables of customer service and financial sustainability.

Information Technology

A number of key projects have been completed, namely:

- Winfreight-SAP interface: This is the interface between our Courier (Winfreight) financial module and SAP. This interface is necessary to avoid the manual recapturing of financial data from Winfreight to SAP.
- Overdrawn Account Monitor: A mechanism was developed to monitor movements on overdrawn savings accounts. This enables management to take immediate corrective action and stem fraud on savings books at off-line branches. As a result, overdrawn balances on savings books have reduced significantly. With the implementation of the Smart Card in 2006, the problem of overdrawn accounts will be completely eliminated.
- Expansion of Wide Area Network (WAN): During 2005, 27 post offices were added to the 45 already on our Wide Area Network. The remainder of the 120 post offices were linked to the network via modem dial-up.

The following projects will be implemented during 2006:

- Smart Card
- Upgrade of Riposte (Counter System) to Web Riposte Essential
- Pre-paid Phone Cards Virtual Vouchers
- Active Directory
- Rebuilding of the NamPost Domain
- Least Cost Routing for NamPost

Internal Audit

Despite a shortage of staff, the Internal Audit Department intensified audit inspections at post offices across the country, recording significant progress. Administrative errors have decreased markedly at most post offices, and priority attention was devoted to post offices identified as being in need thereof.

In addition to audit and inspectorate functions, the department introduced enterprise-wide risk management. Business risks were identified at both departmental and corporate levels. These risks are actively managed on an ongoing basis, and progress made is reported regularly to NamPost's executive management and the Board Audit Committee.

In 2006, departmental vacancies will be filled to enhance capacity. More attention will be devoted to financial controls and procedures at post offices, particularly those lacking administrative capacity and skills.

Agency Services

Two key areas were scrutinised: the pre-paid airtime market and third-party payment services. Despite intense competition in the market, we broadened our retailer base for pre-paid phone cards from 350 to 600 – representing a growth of 71.4%. This phenomenal achievement is largely ascribed to

- prompt delivery of phone cards to our customers;
- our extensive network of post offices;
- strategic alliances with retailers, and
- competitive pricing.

With regard to third-party payment services, the following key customers were signed up: the Municipality of Keetmanshoop, new electricity distribution company CENORED, the Motor Vehicle Accident Fund and Mobile Telecommunications Company (MTC).

These areas will continue to be priorities in 2006. Furthermore, business development activities in the company will be synchronized through a revised organizational structure.

Savings Bank

NamPost Savings Bank recorded another good year. The portfolio of investments by individuals grew by 11.1% to a new record high of N$324.4 million. Altogether 15 000 new savings accounts were opened during the year under review. In an effort to improve the quality of service, we embarked on the ambitious project of introducing Smart Cards to replace savings books. This project will be completed early in 2006. Our key objective is to provide affordable financial services to all Namibians. The introduction of the Smart Card will contribute immensely to realizing this objective. Additionally, we have decided not to increase our withdrawal and deposit fees for the 2005/6 financial year, and to increase our service fees conservatively in future.

Treasury Services

The Treasury Department experienced an exceptional year. Revenue exceeded budget by 165%, while profit before tax exceeded budget by 169%. The corporate portfolio of investments grew by 126% over the previous financial year. These outstanding results were achieved through strategic marketing of our treasury services to corporates, regional and local authorities and private businesses. More emphasis will be laid on expanding the portfolio, on client service, on personal marketing and on employee development in the department in 2006.

CEO's review

Mail Services

Mail is our core business. While individual mail is no longer as attractive as it used to be, corporate mail continued to increase during the reporting period. We have achieved significant growth in bulk mail, and have increasingly assumed responsibility for managing the mail and mailing functions on behalf of our corporate clients through our computerised and automated Hybrid Mail Centre system. The benefits from our investment in this system have been enormous - ensuring not only that our Mail Services remained profitable but also that mail remained the biggest contributor to company profitability during the review period.

Courier Services

Courier was the only loss-making unit in our total business during the period under review. However, because of special efforts to improve customer service and to tighten up operational and financial controls, the financial loss has been reduced by over 20% compared with the previous financial year. A host of controls and personnel changes have been introduced – preparing the way for a complete turn-around in both financial and service levels in the next twenty-four (24) months.

Post Offices

The Post Offices business has performed remarkably well. In addition to delivering an excellent profit, the number of loss-making post offices was reduced from 40 as at 30 September 2004 to 25 on 30 September 2005. This represents a 37.5% improvement. Efforts were intensified to transform the Northern Business Region into a profitable one - a feat successfully accomplished for the first time ever in the history of NamPost. Plans are in place to ensure that this graduation to profitability is sustained. In addition, a rigorous scheme was implemented to increase the number of post-office mail boxes rented out to customers.

Conclusion

Compiling this report has been a pleasure. The business is on a strong rebound. All business lines have registered vigorous growth, with clear indications that this rebound will be sustained. Given the various strategic initiatives under way, a clear business plan and a remarkable desire amongst employees to lift the company to greater heights, I am confident that NamPost will continue to go from strength to strength and deliver pleasing results for many years to come.

I thank the NamPost Board Members for their support and guidance, and all employees for their hard work and dedication.

Sakaria H. Nghikembua
CHIEF EXECUTIVE OFFICER

BOARD OF DIRECTORS

From left to right

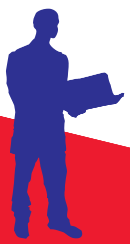
Mrs Ndahafa Nambira
Mr Johannes !Gawaxab
Mr Sebby Kankondi (Chairman)
Mr Sackey Aipinge (Deputy Chairman)
Mrs Nangula Hamutenya

EXECUTIVE COMMITTEE

From left to right

Sitting:
Mr Benjamin Jakobs
Mrs Hannelie Maasdorp
Mr Sakaria H. Nghikembua
Ms Sonia Bergh
Mr Patrick Gardiner

Standing:
Mr Johann van Rensburg
Mr Alfons Hannibal
Mr Herman Smith
Mr Herman Roux
Mr Clement Dunaiski
Mr Norman Cloete



Annual Financial Statements

Statement of Directors' responsibilities

for the year ended 30 September 2005

1. The directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information. The auditors are responsible to report on the fair presentation of the financial statements. The financial statements have been prepared in accordance with Namibian Statements of Generally Accepted Accounting Practice and in the manner required by the Namibian Companies Act, 1973.

2. The directors are also responsible for the company's system of internal financial controls. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of assets and to prevent and detect misstatements and loss. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the period under review.

3. The financial statements have been prepared on the going concern basis, since the directors have every reason to believe that the company has adequate resources in place to continue in operation for the foreseeable future.

The financial statements set out on pages 21 to 42 were approved and authorised for issue by the board of directors on 23 January 2006 and are signed on their behalf by:

....
Director

....
Director

Report of the independent auditors to the member of Namibia Post Limited

We have audited the annual financial statements of Namibia Post Limited set out on pages 21 to 42 for the year ended 30 September 2005. These financial statements are the responsibility of the directors of the company. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with statements of Namibian Auditing Standards. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement. An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

Audit opinion

In our opinion, the financial statements fairly present, in all material respects, the financial position of the company at 30 September 2005 and the results of its operations and cash flows for the year then ended in accordance with Namibian Statements of Generally Accepted Accounting Practice, and in the manner required by the Namibian Companies Act, 1973.

PricewaterhouseCoopers

PRICEWATERHOUSECOOPERS
CHARTERED ACCOUNTANTS (NAMIBIA)

31 January 2006

Directors' report

for the year ended 30 September 2005

1. The directors present their annual report, which forms part of the audited financial statements of the company for the year ended 30 September 2005.

General review

2. There were no changes in the nature of the company's business during the year under review. The current business operation of the company is the supply of postal services and savings bank services throughout Namibia, provision of courier services, as well as providing banking services through Nampost Savings Bank. The company's performance for the year is summarised by means of the following indicators:

	2005		2004	
	%	N$	%	N$
Change in revenue	20.71%	30 961	-1.6%	(2 477)
Change in direct operating expenses	20.83%	31 629	-4.9%	(7 747)
Change in other expenses	-22.53%	(6 122)	6.1%	1 570
Change in net finance costs	0.71%	193	-1.1%	(294)
Change in profit/ (loss) before taxation	607.92%	20 256	-60.4%	(5 075)
Net cash flow generated by/ (utilised in) operating activities	- -	17 324	- -	6 821
Return on shareholders' equity	27.9%	- -	-10.2%	- -

Events subsequent to balance sheet date

3. No matter that is material to the financial affairs of the company has occurred between 30 September 2005 and the date of approval of the annual financial statements.

Financial results and dividends

4. Full details of the financial results of the company are disclosed in the income statement and the notes thereto.

5. No dividend has been declared for the period under review (2004: N$ Nil). Dividends of N$2 million were declared after year-end.

Directors’ report

for the year ended 30 September 2005

Share capital

6. The authorised and issued share capital have remained unchanged during the year under review.

Directors and secretaries

7. The following were directors of the company during the year:

   SI Kankondi
   SN Aipinge
   J !Gawaxab
   NH Hamutenya
   N Nambira

8. The secretary of the company is N. Cloete, whose business and postal addresses are:

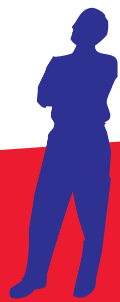
Business:	Postal:
Room 219 C, Post Office Building	PO Box 287
Cnr. Independence & Daniel Munamava streets	Windhoek
Windhoek	

Holding company

9. The company is a wholly-owned subsidiary of Namibia Post and Telecom Holdings Limited, a company registered in the Republic of Namibia.

Auditors

10. PricewaterhouseCoopers will continue in office in accordance with Section 270(2) of the Namibian Companies Act.



Balance sheet

at 30 September 2005

	Notes	2005 N$ '000	2004 N$ '000
ASSETS			
Non-current assets		**517 809**	246 705
Property, plant and equipment	2	**12 549**	15 087
Investment in associate	3	**11 750**	- -
Available-for-sale investments	4	**493 510**	230 776
Deferred tax asset	12	**- -**	842
Current assets		**197 193**	239 780
Inventories	5	**9 441**	8 078
Receivables and prepayments	6	**20 902**	17 395
Available-for-sale investments - short-term	4	**143 410**	202 919
Current tax asset	15	**1 039**	1 672
Cash and cash equivalents	7	**22 401**	9 716
Total assets		**715 002**	486 485
EQUITY AND LIABILITIES			
Capital and Reserves		**33 440**	16 514
Share capital	8	**5 075**	5 075
Fair value reserve	9	**7 585**	- -
Retained earnings		**20 780**	11 439
Non-current liabilities		**15 457**	16 392
Post-retirement benefits	29	**12 414**	10 841
Interest-bearing borrowings	10	**1 804**	5 551
Deferred tax liability	12	**1 239**	- -
Current liabilities		**666 105**	453 579
Trade and other payables	13	**44 722**	33 713
Current portion of interest bearing borrowings	10	**5 770**	4 995
Savings Bank investors		**595 613**	411 244
Repurchase agreement	14	**20 000**	- -
Bank overdraft	7.3	**- -**	3 627
Total liabilities		**681 562**	469 971
Total equity and liabilities		**715 002**	486 485

Income statement

for the year ended 30 September 2005

	Notes	2005 N$ '000	2004 N$ '000
Revenue	1.14, 16	**180 490**	149 529
Cost of sales		**(73 811)**	(46 554)
Gross profit		**106 679**	102 975
Other income		**42 565**	27 570
Net operating income from Savings Bank		**35 438**	25 543
Other operating income		**7 127**	2 027
Expenses		**(130 680)**	(132 430)
Other operating expenses		**(109 630)**	(105 258)
Administrative expenses		**(21 050)**	(27 172)
Operating profit/ (loss)	18	**18 564**	(1 885)
Net finance costs	19	**(1 640)**	(1 447)
Net profit/ (loss) before taxation		**16 924**	(3 332)
Taxation	20	**(7 583)**	1 641
Net profit/ (loss) for the year		**9 341**	(1 691)

Statement of changes in equity

for the year ended 30 September 2005

	Notes	2005 N$ '000	2004 N$ '000
Share capital			
Total issued share capital at beginning and end of year	8	**5 075**	5 075
Fair value reserve			
Opening balance		**- -**	- -
Revaluation of available-for-sale investments	9	**7 585**	- -
Closing balance		**7 585**	- -
Retained earnings			
At the beginning of the year		**11 439**	13 130
Net profit/ (loss) for the year		**9 341**	(1 691)
Dividends paid		**- -**	- -
At the end of the year		**20 780**	11 439

Cash flow statement

for the year ended 30 September 2005

	Notes	2005 N$ '000	2004 N$ '000
Cash flow from operating activities			
Cash receipts from customers and investments		**27 526**	81 653
Cash paid to suppliers, employees and investors		**(17)**	(71 180)
Cash flows (utilised in)/ generated from operations	21	**27 509**	10 473
Interest received	18	**359**	589
Interest paid	19	**(1 640)**	(1 447)
Taxation paid	22	**(10 625)**	(3 532)
Taxation refund	22	**1 672**	689
Dividends received		**49**	49
Dividends paid		**- -**	- -
Net cash flow generated from operating activities		**17 324**	6 821
Cash flow from investing activities			
Acquisition of property, plant and equipment	2	**(6 370)**	(2 984)
Proceeds on disposal of property, plant and equipment		**80**	973
Acquisition of investment in associate	3	**(4 000)**	- -
Net cash flow utilised in investing activities		**(10 290)**	(2 011)
Cash flow from financing activities			
Repayment of interest-bearing borrowings		**(2 972)**	(6 518)
Loan to associate	3	**(7 750)**	- -
Proceeds from repurchase agreement		**20 000**	- -
Increase in amounts owing by holding company		**- -**	- -
Net cash flow generated from/ (utilised in) financing activities		**9 278**	(6 518)
Net change in cash and cash equivalents		**16 312**	(1 708)
Cash and cash equivalents			
at the beginning of the year		**6 089**	7 797
at the end of the year	7	**22 401**	6 089

Notes to the financial statements

for the year ended 30 September 2005

Accounting policies

1.1 Basis of preparation

The financial statements have been prepared in accordance with Namibian Statements of Generally Accepted Accounting Practice. The financial statements have been prepared under the historical cost convention as modified by the revaluation of available-for-sale investment securities, financial assets, and financial liabilities held for trading.

1.2 Property, plant and equipment

All property, plant and equipment is stated at cost less accumulated depreciation.

Depreciation is calculated on the straight-line method to write off the cost of each asset to its residual value over its estimated useful life as follows:

- Furniture and Fittings	10 years
- Other equipment	5 - 10 years
- Computer equipment	3 years
- Globus and Riposte Systems	5 years
- Motor vehicles	3 - 5 years

Capital work-in-progress is not depreciated.

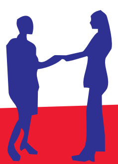
Repairs and maintenance are generally charged to expenses during the financial period in which they are incurred.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

1.3 Impairment of assets

Non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.



1.4 Investments

The company classifies its investments in marketable debt and equity securities and investments in unlisted equity securities into the following categories: trading, held-to-maturity, and available-for-sale. The classification is dependent on the purpose in acquiring the investments. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as trading investments and included in current assets. For the purpose of these financial statements, short term is defined as three months. During the period the company did not hold any investments in this category.

Investments with fixed maturity that management has the intent and ability to hold to maturity are classified as held-to-maturity, and are included in non-current assets, except for maturities 12 months before balance sheet date, which are classified as current assets.

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale. These are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets.

Purchases and sales of investments are recognised on the trade date, which is the date the company commits to purchase or sell the asset. Costs of purchase include transaction costs.

Trading and available-for-sale investments are subsequently carried at fair value, while held-to-maturity investments are carried at amortised cost using the effective interest rate method. Trading and available-for-sale investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, are carried at cost.

Available-for-sale investments, principally comprising marketable equity securities, are fair-valued annually at the close of business at year-end date. For investments traded in active markets, fair value is determined by reference to Stock Exchange quote bid prices. For other investments, fair value is estimated by reference to the current market value of similar instruments or by reference to the discounted cash flows of the underlying net assets.

Available-for-sale investments are classified as non-current assets, unless they are expected to be realised within twelve months of the balance sheet date, or unless they will need to be sold to raise operating capital.

Gains and losses arising from changes in the fair value of both trading and available-for-sale investments are included in equity in the period in which they arise.

1.5 Investment in associates

Associates are entities over which the company generally has between 20% and 50% of the voting rights, or over which the company has significant influence but which it does not control. Investments in associates are accounted for using the cost method of accounting in the company's books. Under the cost method, the company records its investment in the investee at cost. The investor recognises income only to the extent that it receives distributions from the accumulated net profits of the investee arising subsequent to the date of acquisition by the investor. Distributions received in excess of such profits are considered a recovery of investment and are recorded as a reduction of the cost of the investment. The investment is impaired in terms of note 1.3.

1.6 Leases

Leases of property, plant and equipment where the company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the current value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by ways of penalty is recognised as an expense in the period in which termination takes place.

1.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

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

1.9 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the balance sheet, bank overdrafts are included in borrowings in current liabilities.

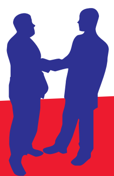
1.10 Borrowings

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective interest rate method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings.

1.11 Deferred tax

Deferred tax assets and liabilities are determined, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used in the determination of deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available, against which the temporary differences can be utilised.



1.12 Trade payables

Trade payables are carried at the 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.

1.13 Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of the obligation can be made.

Where the company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain.

1.14 Revenue recognition

Revenue comprises the invoiced value for sale of goods and services net of value-added tax, rebates and discounts. Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer.

Revenue arising from rendering of services is based on the stage of completion determined by reference to services performed to date as a percentage of total services to be performed. Interest income is recognised on a time proportion basis. Dividend income is recognised when the right to receive payment is established.

1.15 Dividends

Dividends are recorded in the company's financial statements in the period in which they are declared by the board of directors.

1.16 Financial instruments

(i) Financial risk factors

In the normal course of its operations, the company is exposed to currency, interest rate, liquidity and credit risk. The company manages these risks as follows:

Foreign currency risk
Foreign currency risk is created due to the influence of exchange rate fluctuations. The company has a policy not to take out cover on outstanding foreign currency transactions.

Interest rate risk
As part of managing interest rate exposure, interest rate characteristics of new borrowings and the refinancing of existing borrowings are positioned according to the expected movement in interest rates.

Credit risk
The company has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. The company 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.

Liquidity risk
Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the company aims at maintaining flexibility in funding by keeping committed credit lines available. The bank overdraft facility negotiated by the company amounted to N$10 million (2004: N$10 million) at year-end date.

(ii) Fair value estimation

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

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

1.17 Pension fund arrangements

Current contributions to the defined contribution pension fund, operated for group employees, are charged against income as incurred.

1.18 Other post retirement obligations

The company continues to pay two thirds of total contributions towards the medical scheme when an employee retires, becomes redundant or disabled. The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age. The expected costs of these benefits are accrued over the period of employment, using accounting methodology similar to that for defined benefit pension plans. Valuations of these obligations are carried out by independent qualified actuaries.

Notes to the balance sheet

2. Property, plant and equipment

	Furniture, fittings and other equipment N$'000	Work-in-progress N$'000	Computer equipment N$'000	Motor vehicles N$'000	Total N$'000
2.1 30 September 2005					
Opening net carrying value	2 508	1 315	11 033	231	15 087
Additions	1 530	1 927	1 459	1 454	6 370
Disposals	(43)	- -	(40)	(33)	(116)
Depreciation charge	(1 062)	- -	(7 465)	(273)	(8 800)
Depreciation on disposals	21	- -	40	33	94
Impairment	- -	- -	(86)	- -	(86)
Closing carrying value	**2 954**	**3 242**	**4 941**	**1 412**	**12 549**
Cost	11 518	3 242	48 917	2 754	66 431
Accumulated depreciation	(8 564)	- -	(43 976)	(1 342)	(53 882)
Net carrying value	2 954	3 242	4 941	1 412	12 549
2.2 30 September 2004					
Opening net carrying value	3 148	- -	17 542	1 301	21 991
Additions	309	1 315	1 360	- -	2 984
Disposals	(496)	- -	(79)	(1 933)	(2 508)
Depreciation charge	(927)	- -	(7 805)	(362)	(9 094)
Depreciation on disposals	474	- -	15	1 225	1 714
Closing carrying value	**2 508**	**1 315**	**11 033**	**231**	**15 087**
Cost	10 031	1 315	47 584	1 333	60,263
Accumulated depreciation	(7 523)	- -	(36 551)	(1 102)	(45,176)
Net carrying value	2 508	1 315	11 033	231	15 087

2.3 Assets under lease agreements included above:

	2005 N$ '000	2004 N$ '000
Computer equipment		
Cost	**14 447**	14 467
Accumulated depreciation	**(13 866)**	(11 236)
Closing carrying amount	**581**	3 231

2.4 The following property, plant and equipment serve as security for borrowings (refer to note 10):

Nature of property, plant and equipment	*Nature of security*	*Book value* *N$ '000*	*N$ '000*
Computer equipment	Quincap Finance lease	**159**	1 536
Computer equipment	Standard Bank finance lease and loan	**1 002**	4 018
Motor vehicles	Instalment sale agreement	**1 406**	138

for the year ended 30 September 2005

		2005 N$ '000	2004 N$ '000
3.	**Investment in associate**		
	Beginning of the year	- -	- -
	Acquisition of associate	4 000	- -
	Loan to associate	7 750	- -
	Balance at end of the year	11 750	- -

The company purchased 50% of Smart Switch Namibia (Pty) Ltd, a company incorporated in Namibia. As at the end of the financial year, the company had not yet commenced operations.

		2005 N$ '000	2004 N$ '000
4.	**Available-for-sale investments**		
4.1	**Listed investments**	380	327
	Opening balance	327	94
	Additions	- -	191
	Fair value gain	53	42
	The listed investment comprises of shares in the following companies:		
	Sanlam Limited - 12 434 (2004: 12 434) shares	117	136
	Old Mutual Plc - 14 400 (2004: 14 400) shares	263	191
		380	327
4.2	**Unit trusts**	69	69
	Opening balance	69	54
	Fair value gain	- -	15
4.3	**Treasury investments**		
	Government stock and treasury bills	578 342	345 449
	Short term deposits and funds at call with banks and building societies.	58 129	77 073
	Interest accrued on investments	- -	10 777
		636 471	433 299
	Total available-for-sale investments	636 920	433 695
	The maturity of these investments are analysed as follows:		
	Current investments - not later than 1 year	143 410	202 919
	Non-current investments	493 510	230 776
	Later than 1 year and not later than 5 years	493 510	29 927
	Later than 5 years	- -	200 849

		2005 N$ '000	2004 N$ '000
5.	**Inventories**		
	Stamps	1 123	1 062
	Stationery	1 962	1 734
	Goods for resale	6 447	4 817
	Documents of value	195	384
	Other stock	443	453
	Impairment for damaged inventories	(729)	(372)
	Total inventories	9 441	8 078

Inventories included above, are stated at net realisable value.

Goods for resale comprise vault items. Documents of value comprise philately items, value cards, telephone cards, postal orders and postal stationery. Other stock comprise of uniforms.

for the year ended 30 September 2005

		2005 N$ '000	2004 N$ '000
6.	**Receivables and prepayments**		
6.1	**Trade receivables**		
	Agency fees receivables	**2 676**	1 210
	Courier debtors	**7 492**	12 065
	Government ministries	**1 500**	1 939
	International debtors	**5 383**	8 045
	Mail debtors	**3 428**	2 634
	Philately debtors	**208**	174
		20 687	26 067
	Less: Provision for impairment of receivables	**(4 370)**	(9 971)
		16 317	16 096
6.2	**Other receivables**		
	Accrued income	**32**	23
	Clearing accounts	**1 442**	- -
	Receiver of Revenue - VAT	**- -**	155
	Staff loans	**2 376**	1 183
	Sundry debtors	**147**	293
	Due from group entities	**560**	6
	Deposits and prepayments	**666**	601
		5 223	2 261
	Less: Provision for impairment of other receivables	**(638)**	(962)
		4 585	1 299
	Total receivables and prepayments	**20 902**	17 395
7.	**Cash and cash equivalents**		
	Bank balances	**20 659**	6 830
	Cash on hand	**1 742**	2 886
		22 401	9 716

For the purpose of the cash flow statement the year-end cash and cash equivalents comprise the following:

		2005 N$ '000	2004 N$ '000
7.1	**Cash and bank balances**	**22 401**	9 716
7.2	**Bank overdraft (refer to note 7.3)**	**- -**	(3 627)
	Total cash and cash equivalents	**22 401**	6 089
7.3	**Bank overdraft**		
	Bank overdraft	**- -**	3 627

The company has a bank overdraft facility of N$10,000,000 (2004: N$10,000,000) applicable to all the current accounts on an aggregate balance.

		2005 N$ '000	2004 N$ '000
8.	**Share capital**		
	Authorised		
	Ordinary shares of 50,000,000 (2004: 50,000,000) at N$1 each	**50 000**	50 000
	Issued		
	Ordinary shares of 5,075,000 (2004: 5,075,000) at N$1 each	**5 075**	5 075

for the year ended 30 September 2005

		2005 N$ '000	2004 N$ '000
9.	**Fair value reserve**		
	During the year, the company reclassified its investments in government bonds, treasury bills and other deposits and funds in institutions to available-for-sale investments. These investments are currently measured at fair value through equity. The investments were previously classified as held-to-maturity and recognised at amortised cost.		
	Fair value adjustment	**11 669**	- -
	Deferred tax	**(4 084)**	- -
		7 585	- -
10.	**Interest-bearing borrowings**		
10.1	***Loan***		
10.1.1	**Standard Bank**	**493**	2 909
	Total amount outstanding	**2 845**	5 046
	Short-term portion (disclosed under current)	**(2 352)**	(2 137)
	At year-end the average interest rate was 8.1% (2004: 8.28%) and is repayable in half yearly instalments of N$1,253,860 (2003: N$1,253,860). Secured by: Suretyship for N$13,303,200 (2004: N$13,303,200) by Namibia Post and Telecom Holdings Ltd and computer equipment (Refer note 2).		
10.2	***Finance lease agreements***		
10.2.1	**Quincap finance lease**	**- -**	482
	Total amount outstanding	**502**	1 695
	Short-term portion (disclosed under current)	**(502)**	(1 213)
	The lease bears interest at prime less 2% (2004: prime less 2%) and is repayable in half yearly instalments of N$ 502,028 (2003: N$966,859). Secured by: Computer equipment (Refer note 2).		
10.2.2	**Standard Bank finance lease**	**359**	2 121
	Total amount outstanding	**2 073**	3 678
	Short-term portion (disclosed under current)	**(1 714)**	(1 557)
	At year-end the average interest rate was 8.1% (2004: 8.28%) and is repayable in half yearly instalments of N$913,839 (2003: N$913,839). Secured by: Suretyship for N$9,696,800 (2004: N$9,696,800) by Namibia Post and Telecom Holdings Ltd and computer equipment (Refer note 2).		
10.3	***Instalment sale agreement***		
10.3.1	**Instalment sale agreement**	**952**	39
	Total amount outstanding	**2 154**	127
	Short-term portion (disclosed under current)	**(1 202)**	(88)
	The loan bears interest at prime less 2.25% (2004:prime less 2.25%) and is repayable in monthly instalments of N$35,896 (2004: N$8,065). Secured by: Motor Vehicles (Refer note 2).		
	Total non-current interest bearing borrowings	**1 804**	5 551
10.4	**Maturity of non-current borrowings (excluding finance lease liabilities):**		
	Not later than 1 year	**3 554**	2 225
	Later than 1 year and not later than 5 years	**1 445**	2 948
		4 999	5 173

		2005 N$ '000	2004 N$ '000
10.	**Interest-bearing borrowings (continued)**		
10.5	**Reconciliation between the total of minimum lease payments and the present value of finance leases included above:**		
	Not later than 1 year	**1 965**	2 770
	Later than 1 year and not later than 5 years	**749**	2 603
		2 714	5 373
	Less: Deferred finance costs	**(139)**	(469)
	Present value	**2 575**	(469)
10.6	**Interest rate exposure**		
	The interest rate exposure of borrowings is as follows:		
	At fixed rates	**4 918**	8 724
	At floating rates	**2 656**	1 822
		7 574	10 546

11. Fair value of financial instruments

At 30 September 2005, the carrying amounts of cash and short-term deposits, trade accounts receivable, trade accounts payable, accrued expenses and current interest-bearing borrowings approximated fair values due to the short-term maturities of these assets and liabilities.

The carrying value of non-current interest-bearing borrowings approximates fair value due to the fact that the underlying interest rate is linked to the Namibian prime rate and is equivalent to prevailing market interest rates. Settlement costs are expected to be immaterial.

	Financial instruments			
	2005		2004	
	Carrying value N$ '000	Fair value N$ '000	N$ '000	N$ '000
Held-to-maturity investments	**- -**	**- -**	433 299	443 102
Available-for-sale investments	**623 951**	**636 920**	- -	- -
Trade and other receivables	**20 902**	**20 902**	17 389	17 389
Cash and cash equivalents	**22 401**	**22 401**	6 089	6 089
Trade and other liabilities	**44 722**	**44 722**	33 712	33 712
Borrowings	**7574**	**7574**	10 546	10 546

12. Deferred tax liability/ (asset)

Deferred income taxes are calculated on all temporary differences under the liability method using a tax rate of 35% (2004: 35%).

The movement on the deferred income tax account is as follows:

	2005 N$ '000	2004 N$ '000
At beginning of year	**(842)**	2 659
Fair value adjustment	**4 084**	- -
Income statement charge	**(2 003)**	(3 501)
At end of year	**1 239**	(842)

for the year ended 30 September 2005

12. Deferred tax (asset)/ liability (continued)

Deferred tax (asset)/ liability may be analysed as follows:

	2005 N$ '000	2004 N$ '000
Fair value adjustment	**4 084**	- -
Capital allowances	**2 310**	4 334
Retirement benefits obligation	**(4 345)**	(3 794)
Provision for doubtful debt	**(1 100)**	(1 492)
Finance lease liability	**(901)**	(1 881)
Income received in advance	**205**	210
Unrealised foreign exchange differences	**(350)**	(191)
Unrealised income	**1 336**	1 972
	1 239	(842)

13. Trade and other payables

	2005 N$ '000	2004 N$ '000
Trade payables	**9 952**	7 026
Revenue received in advance	**3 625**	473
Agency creditors	**13 946**	12 935
Money held on behalf of public	**1 926**	2 618
Other payables	**15 273**	10 661
Other accruals	**2 647**	391
Salary related accruals	**9 122**	5 556
Payables - Fellow subsidiaries	**- -**	1 228
Receiver of Revenue - VAT	**659**	
Sundry payables	**1 216**	706
Suspense and clearing accounts	**1 629**	2 780
	44 722	33 713

14. Repurchase agreement

	2005 N$ '000	2004 N$ '000
Bank Windhoek repurchase agreement	**20 000**	- -

Government bonds valued at N$20 million have been pledged as collateral for the liability. The bonds will be repurchased on 26 October 2005 at a value of N$20.132 million

15. Current tax asset

	2005 N$ '000	2004 N$ '000
Opening balance	**(1 672)**	(689)
Charge to the income statement	**9 586**	1 860
Tax refund	**1 672**	689
Tax payments	**(10 625)**	(3 532)
Closing balance	**(1 039)**	(1 672)

Notes to the income statement

16. Revenue

Revenue comprises of gross receipts from postal business, international dues, money transfer services, agency fees, philately sales, courier services and sales of flexi, tango and telephone cards.

Revenue earned is split between the classes as follows:

	2005 N$ '000	2004 N$ '000
Postal business	**73 705**	65 891
International dues	**8 890**	8 306
Agency fees	**5 840**	4 924
Philately sales	**6 394**	4 997
Courier services revenue	**21 304**	22 469
Telecard, flexicards, tango cards and MTC vouchers	**64 357**	42 942
	180 490	149 529

for the year ended 30 September 2005

		2005 N$ '000	2004 N$ '000
17.	**Significant item**		
	A reconciliation adjustment was made to reflect the correct Savings Bank investors' balance.		
	Gross effect	**(607)**	228
	Tax effect	**212**	(80)
	Net effect	**(395)**	148
18.	**Operating profit/ (loss)**		
18.1	*The following items have been charged in arriving at operating profit/(loss) for the year:*		
	Administration fees RSA	**34**	42
	Auditors' remuneration	**527**	538
	Audit fees	**362**	284
	Other services	**165**	254
	Depreciation (a detailed breakdown is presented in note 2.)	**8 802**	9 094
	Directors' remuneration: non-executive directors		
	For services as directors	**214**	184
	Consultancy fees	**1 315**	1 575
	Loss on disposal of property, plant and equipment	**- -**	- -
	Rental under operating leases	**17 286**	16 019
	Land and buildings	**10 287**	9 778
	Motor vehicle	**5 349**	4 739
	Other fixed assets	**1 650**	1 502
	Salaries and wages (refer to note 23.)	**72 749**	67 285
18.2	*The following items have been credited in arriving at operating profit/(loss) for the year:*		
	Dividend received - Listed investments	**49**	49
	Interest received	**359**	589
	Fair value adjustment of available-for-sale investments	**53**	248
	Foreign exchange (gain)/ loss	**(105)**	496
	Realised	**367**	1 413
	Unrealised	**(472)**	(917)
	Profit on disposal of property, plant and equipment	**58**	179
	Profit on sales of available-for-sale investments	**5 871**	393
	Savings Bank net income	**35 438**	25 543
	Interest income from held-to-maturity investments	**- -**	36 914
	Interest income from available-for-sale investments	**62 370**	- -
	Other income	**5 885**	4 774
	Interest expense	**(32 817)**	(16 145)

for the year ended 30 September 2005

		2005 N$ '000	2004 N$ '000
19.	**Net finance costs**		
	Interest expense		
	Bank overdraft	**28**	183
	Creditors	**- -**	3
	Finance lease agreements	**526**	710
	Instalment sale agreements	**146**	35
	Loans	**106**	516
	Repurchase agreements	**834**	- -
	Total net finance costs	**1 640**	1 447
20.	**Taxation**		
20.1	Namibian normal tax		
	Current tax	**9 586**	1 860
20.2	Deferred tax		
	Current year	**(2 003)**	(3 501)
		7 583	(1 641)
20.3	**Reconciliation of taxation on the company's profit/ (loss) before tax with the tax charge in the income statement:**		
	Operating profit/ (loss)	**16 924**	(3 332)
	Tax thereon at the normal tax rate of 35%	**5 923**	(1 166)
	Adjusted for:		
	Income not subject to tax	**(2)**	(103)
	Expenses not deductible for tax purposes	**1 662**	93
	Prior period adjustment - deferred tax	**- -**	(464)
		7 583	(1 640)

Notes to the cash flow statement

		2005 N$ '000	2004 N$ '000
21.	**Cash generated from operations**		
	Reconciliation of profit/ (loss) before tax to cash generated from operations:		
	Net profit/ (loss) before taxation	**16 924**	(3 332)
	Adjusted for:		
	Depreciation	**8 800**	9 094
	Dividends received	**(49)**	(49)
	Fair value adjustment	**(53)**	(248)
	Interest received	**(359)**	(589)
	Finance expense	**1 640**	1 447
	Impairment of property, plant and equipment	**86**	- -
	Profit on sale of property, plant and equipment	**(58)**	(179)
	Provision for post-retirement benefits	**1 573**	1 256
	Changes in working capital:		
	Increase in trade and other receivables	**(3 507)**	(3 727)
	(Increase)/ decrease in inventory	**(1 363)**	3 445
	Decrease/ (increase) in trade and other payables	**11 009**	(4 683)
	Increase in Savings Bank investments	**(191 503)**	(90 654)
	Increase in Savings Bank investors	**184 369**	98 692
	Cash (utilised in)/ generated from operations	**27 509**	10 473

		2005 N$ '000	2004 N$ '000
22.	**Reconciliation of tax paid during the year**		
	Charge to the income statement	**7 583**	(1 641)
	Adjustment for deferred tax	**2 003**	3 501
	Refund made	**1 672**	689
	Movement in taxation liability	**(633)**	983
	Payments made	**10 625**	3 532

Other notes

		2005 N$ '000	2004 N$ '000
23.	**Staff and retirement benefit costs**		
	Number of current employees	**733**	715
	Salaries and wages	**59 916**	55 392
	Social security	**196**	202
	Pension costs	**5 661**	5 546
	Medical aid contributions	**5 403**	4 889
	Post-retirement benefits	**1 573**	1 256
		72 749	67 285

24. Related party transactions

The company is wholly-owned by Namibia Post and Telecom Holdings Limited (incorporated in the Republic of Namibia). Telecom Namibia Limited and Mobile Telecommunications Limited are fellow subsidiaries of the company.

		2005 N$ '000	2004 N$ '000
24.1	**The following transactions were carried out with related parties:**		
	Sales of goods / services		
	Telecom Namibia Limited	**2 177**	1 979
	Purchases of goods / services		
	Namibia Post and Telecom Holdings Limited	**13 058**	10 536
	Mobile Telecommunications Limited	**28 739**	12 140
	Telecom Namibia Limited	**25 108**	19 398
24.2	**Outstanding balances arising from the purchases and sales of goods**		
	Receivable from related parties:		
	Namibia Post and Telecom Holdings Limited	**2**	4
24.3	**Outstanding balances arising from the purchases and sales of goods**		
	Payable to related parties:		
	Mobile Telecommunications Limited	**2 951**	1 698
	Telecom Namibia Limited	**5 024**	3 671

24.4 Directors' remuneration

Directors' remuneration is disclosed in note 18.

25. Contingent liabilities

The company is a defendant in various legal actions. In the opinion of the directors, after taking appropriate legal advice, the outcome of such actions might give rise to losses amounting to the total amounts claimed plus legal costs not exceeding N$212,663 (2004: N$754,193).

		2005 N$ '000	2004 N$ '000
27.	**Operating lease commitments**		
	The future aggregate minimum lease payments under non-cancellable operating leases are as follows:		
	Up to one year	**3 659**	1 924
	1 to 5 years	**1 323**	3 370
	Longer than 5 years	**31**	- -
	Total future minimum operating lease payments	**5 013**	5 294

Notes to the financial statements
continued

for the year ended 30 September 2005

27. Commitments

27.1 Capital commitments

Commitments in respect of contracts placed amounts to N$958,395 (2004: N$1,346,837). Capital commitment approved by the Board of Directors, but not yet ordered amounts to N$3,664,939. It is intended to finance capital expenditure from working capital generated within the company and loans.

	2005 N$ '000	2004 N$ '000
27.2 Guarantees		
The company has issued the following guarantees		
Telecom	**3 350**	- -
Ministry of Finance	**20**	

28. Pension fund

At the financial year-end, all the permanent employees of the company were members of the Napotel Pension Fund, a defined contribution fund, governed by the Pension Fund Act. Employees' contributions amount to 7% of basic salary and the company's contribution amounts to 16% of basic salary.
The Napotel Pension Fund converted from a defined benefit plan to a defined contribution plan with effect 1 October 1997. An actuarial valuation was carried out at 16 August 2004 for the year ended 30 September 2003, which indicated that the fund was in a sound financial position.

29. Post-retirement benefits

The company provides post retirement benefits by way of a medical aid scheme.

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

	2005 N$ '000	2004 N$ '000
Reconciliation of liability recognised on the balance sheet		
Present value of unfunded liability	**12 414**	10 841
A reconciliation showing the movements during the year in the net liability recognised in the balance sheet:		
Opening balance	**10 841**	9 585
Current Service Cost	**687**	548
Interest cost	**1 126**	1 138
Actuarial gain	**- -**	(224)
Benefit payments	**(240)**	(206)
Net liability in the balance sheet	**12 414**	10 841
The amounts recognised in the income statement are as follows:		
Current Service Cost	**687**	548
Interest cost	**1 126**	1 138
Actuarial gain	**- -**	(224)
Miscellaneous items	**(240)**	(206)
Total	**1 573**	1 256
Principal actuarial assumptions at the balance sheet date:		
Health care cost inflation	**6.5%**	8.5%
Discount rate	**8.5%**	10.5%
CPI Inflation	**4.5%**	7.0%
Normal retirement age	**60**	60
Expected average retirement age	**59**	59

30. Loan agreements

During the year, the company secured financing arrangement to assist with the investment in Smart Switch Namibia (Pty) Ltd not exceeding Euro 883,767. The financing was obtained from KfW, Frankfurt am Main through the shareholder.
No amounts have yet been received from the shareholder.

NOTES

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Namibia