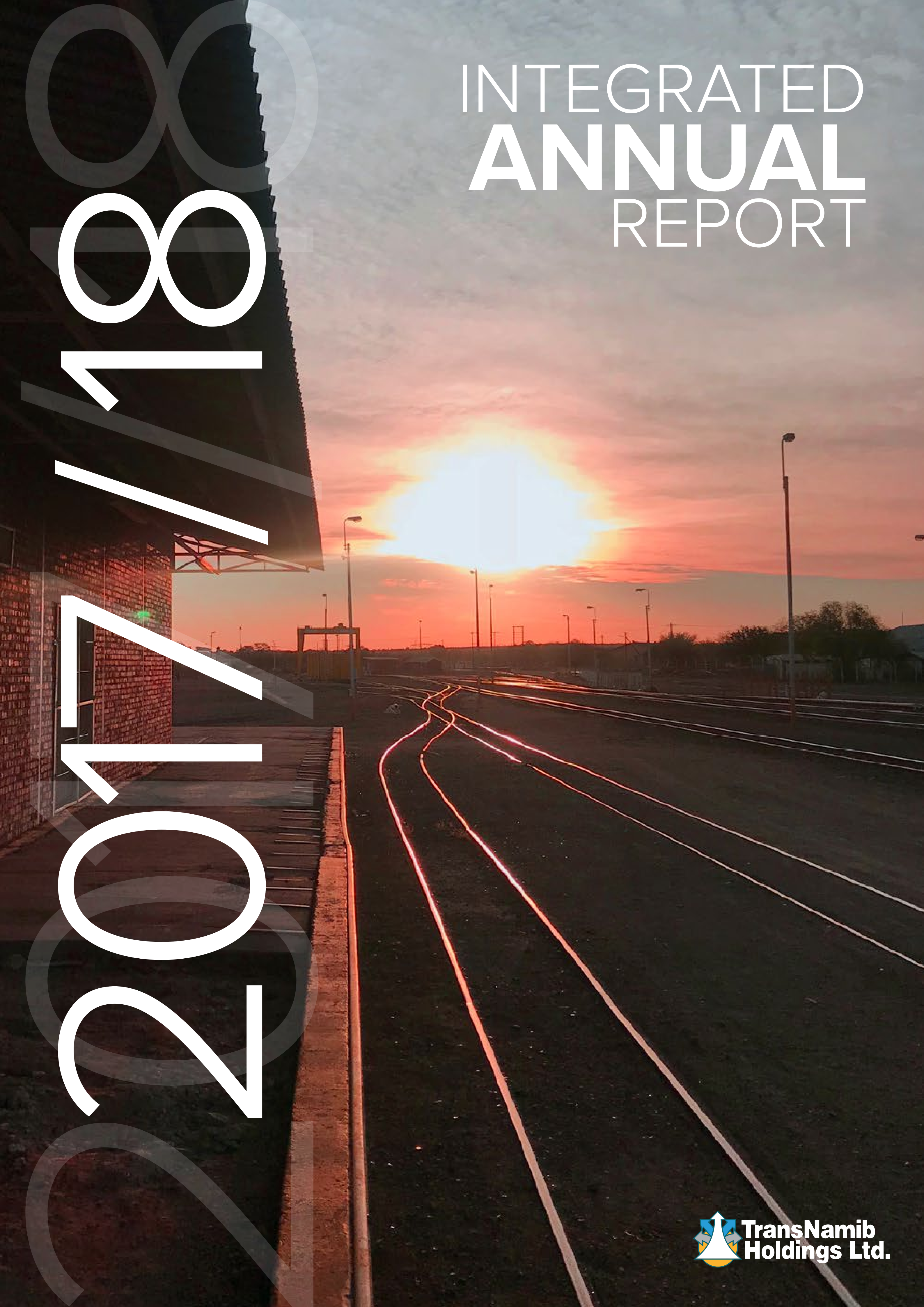

INTEGRATED ANNUAL REPORT

2017/18

TransNamib Holdings Ltd.

REPORTING APPROACH

The TransNamib 2018 integrated annual report seeks to provide stakeholders with a basis for assessing the Company's ability to create and sustain value in order to ensure short, medium and long-term viability within the context of its financial, social and environmental performance as well as evaluating risks and opportunities for the period 1 April 2017 to 31 March 2018.

The annual integrated reporting process is guided by the principles of the Namibia Corporate Governance Code (NamCode) which states that "Integrated reports - are now considered a best practice and therefore applicable to Namibian entities" and that such entities (including state-owned enterprises) "prepare an integrated report every year that conveys adequate information about the social, economic and environmental impact of the Company on the community in which it operates."

The leadership of TransNamib furthermore acknowledges the fact that full integration is an evolving process, and that, as stated in the NamCode, "entities will require time to master the application thereof over time".

TransNamib's five year (2018-2023) Integrated Strategic Business Plan (ISBP) is currently in the process of being finalized and will direct the Company's growth and development going forward. Performance will be tracked against the four key perspectives of learning and growth, internal business processes, customer perspective, and financial perspective.
Once finally approved, these vital aspects of integrated reporting can be strengthened through comparing the progress and outputs made against the four key perspectives and the specific key performance areas and indicators.

The previous report covered the corresponding period for the 2016/17 financial year.

OUR VISION FOR THE FUTURE

RAIL SERVICE – AN INTEGRAL ELEMENT OF THE LOGISTICS HUB

Logistics is one of the principle pillars of socio-economic development in Namibia, and supports the national goal to become a "logistics nation" by 2025 as articulated in the Fifth National Development Plan (NDP 5), the National Logistics Master Plan, 2016 and the Integrated Transport Master Plan (ITMP, 2014).

For us this means delivering a safer and more reliable railway with greater capacity and efficiency than ever before. We envision a railway that connects more industries, goods and people to more places within and beyond the borders of Namibia, with a solid, future-proof foundation for future growth in the Namibian economy.

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1 ABOUT TRANSNAMIB

WHO WE ARE

TransNamib Holdings Ltd serves as the sole State-owned national transport logistics provider in Namibia – a leader in provision of rail and road transport solutions within and across the border of the country.

"TransNamib" was established in accordance with the National Transportation Service Holding Company Act 28 of 1998. It is the successor of the former TransNamib Ltd. All shares in TransNamib are owned by the Government of the Republic of Namibia, which also exercises non-regulatory control through the appointment of the Company's directors.

The Government of the Republic of Namibia currently exercises oversight and control through the Ministry of Works and Transport and the Ministry of Public Enterprises in terms of good corporate governance principles.

With its headquarters in Windhoek, the Company serves both Namibian and regional markets and has a vast range of commercial depots in all key towns in Namibia. It also serves as a railway link between South Africa and Namibia and provides an intermodal link to other neighbouring countries through our railheads.

TransNamib promotes developmental initiatives to carry maximum freight task movement on various corridors and strategic locations in the Southern African Development Community (SADC) region, especially in supporting land-locked countries and provision of linkages to harbours for countries such as Botswana, Zambia and Zimbabwe.

Our experience in all the industries we serve and our specialisation in the movement of bulk cargo, among other service, makes us one of the most affordable and safe logistics service providers in the nation.

We are confident that with the continuous support and trust of our clients coupled with enhanced efficiency and service delivery, we will meet their expectations. Our custom-tailored services and dedication to keeping the costs low for end users helps us to provide logistics solutions that align well with our clients' requirements.

OUR MANDATE & ROLE

We are duly mandated by TransNamib's Memorandum and Articles of Association, which describes the primary business and objectives with which the Company are tasked to execute, being:

- "To provide and promote, either by itself or through any subsidiary Company, transport services in Namibia or elsewhere by managing, developing and utilizing the resources and assets at its disposal.
- To manage and develop, either by itself or through any subsidiary Company, immovable property, including such property as may be transferred to it by virtue of section 14(1)(a) of the National Transport Service Holding Company Act, 1998 (Act No. 28 of 1998).
- To conduct, either by itself or through any subsidiary Company, and with the consent of the Shareholder Minister, any other business, on a commercial basis."

In exercising our role, we will strive to provide the best possible service to all sectors of the economy, all businesses nationwide and our passengers who rely on the railway.

OUR VISION, MISSION AND CORE VALUES

Vision

To transport Namibia's success

Mission

At TransNamib we are committed to:

- Being the leading provider of rail and road transport solutions through a passion for excellence and striving for integration within Southern Africa.
- Continually driving our customers' perceptions of value.
- Offering our shareholders fair return by reducing operational costs whilst increasing revenue.
- Investing, recruiting, developing and retaining our human capital and rewarding excellent performance.
- Creating a safe working environment for all our stakeholders.

Core Values

- Passion for excellence
- Integrity
- Value creation
- Teamwork
- Commitment
- Dedication
- Discipline
- Safety

WHAT WE DO

Our core business lies in the transportation of bulk and containerised freight, utilizing (more) rail and (less) road transport, carefully tailored to customers' requirements in different industries such as mining, fuel, agriculture, building and container sectors across the country and beyond.

TransNamib's services are both outbound (Namibian businesses moving products to markets) and inbound (bringing products to Namibian markets).

Shifting rail-friendly freight off roads and onto rail reduces logistic costs; impacts positively on the road network and has many indirect benefits for the country.

Transporting bulk commodities by rail remains the strength of TransNamib with passenger service completing the Company's social responsibility toward the Namibian economy and country.

We have the experience and expertise to convey any bulk freight in an efficient and cost-effective manner whatever the customer's specific needs may be.

The Company has the benefit of a long-standing track record in handling bulk cargo and tailor-made solutions for vast requirements.

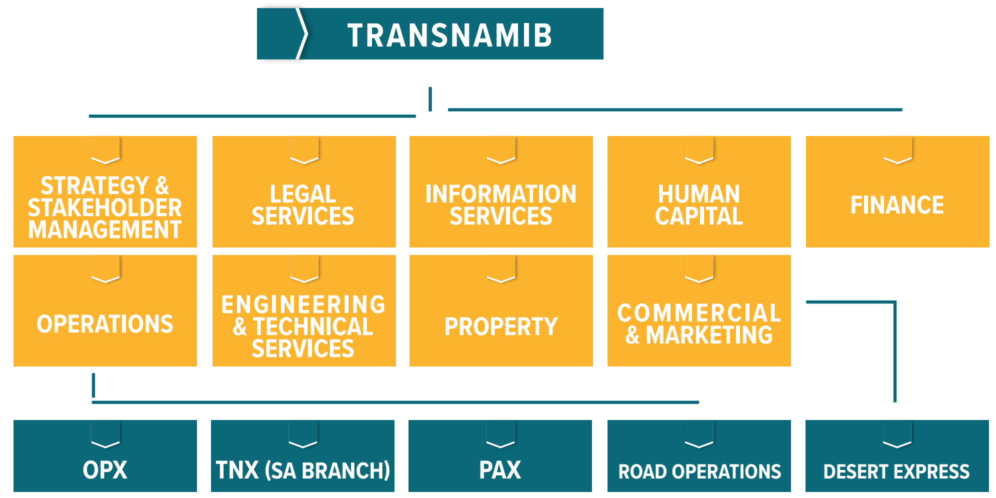
In addition, TransNamib provides warehousing and siding storage facilities across the country.

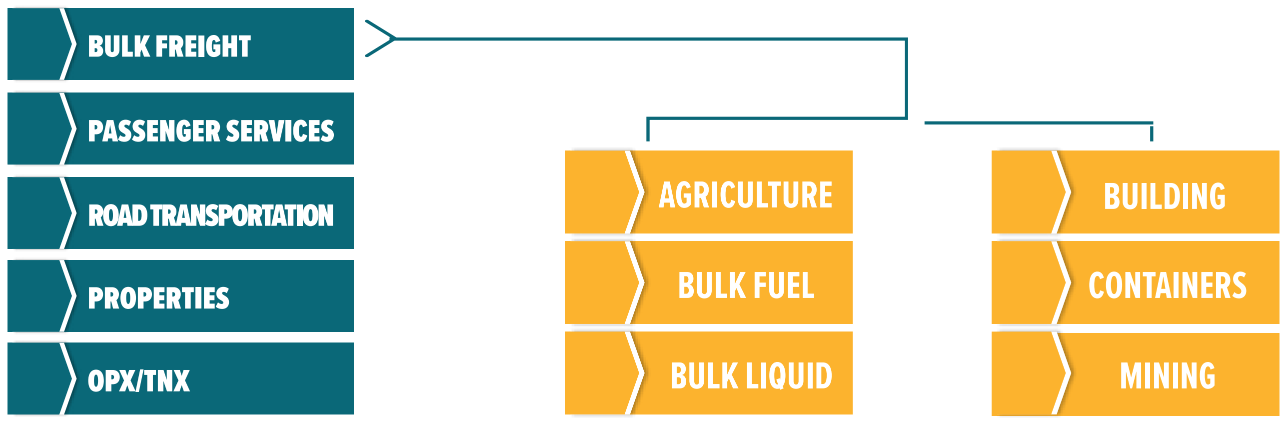
Commercial and Marketing focuses on primarily meeting the needs of its existing customers as well as seeking opportunities for expansion into new markets. TransNamib's customers are principally large mining, manufacturing, agricultural, industrial, retail and energy contributors to the Namibian economy. TransNamib services these key sectors of the Namibian economy with bulk freight on rail, primarily being bulk fuel, bulk liquid, mining, agriculture, building material and containers.

Operations, the largest of the three operating departments, is responsible to operate a rail network across Namibia which transports bulk and containerised freight. The railway network and rail services provide strategic links between mines, production hubs, distribution centres and ports; and connect with the over-border railways of the region.

Engineering and Technical Services provides maintenance and refurbishment services of rolling stock for the safe movement of passengers and bulk goods by both rail and road and is integral to TransNamib achieving optimal use of equipment in conducting its core business.

Our Support Processes
TransNamib's core business is underpinned by the support process provided by Head Office/ Support Services and Commercial Sales and Marketing.





WHERE WE OPERATE

With its headquarters in Windhoek, TransNamib serves both Namibian and regional markets and has a vast range of commercial depots in all key towns in Namibia as well as a support office in Upington, South Africa for cross border services.

Our railway lines cover 2,682 kilometres countrywide, and stretch from the South (South African border) to the northern part of our country (Angolan border) and from the central part of the country to the coastal towns of Swakopmund, Walvis Bay and Lüderitz.

On the eastern and north- eastern side, the railway line stretches up to Gobabis and Grootfontein, respectively, providing an interconnection to neighbouring countries via the Trans-Zambezi, Trans-Kunene and Trans-Kalahari highways.

ASSOCIATES

GPT-TransNamib Concrete Sleepers (Pty) Ltd

GPT-TransNamib Concrete Sleepers (Pty) Ltd is a joint venture between TransNamib Holdings Ltd and GPT Concrete Sleepers (Pty) Ltd for the supply of concrete sleepers for use on the railway network in Namibia.

GPT enjoys a longstanding experience and presence in Africa and is the only manufacturer and supplier of concrete sleepers with the manufacturing plant based at Tsumeb, north of Namibia.
TransNamib Holdings Limited has a 50% equity shareholding with equivalent voting power in GPT-TransNamib Concrete.

Concrete sleepers have a lower lifecycle cost compared to other alternatives for the same application and it allows track owners to operate higher axle load trains at a higher speed and thus improve the profitability for the track operators. Namibia's approximately 2,682 km rail network constitutes a mixture of steel and concrete sleepers.

ASSOCIATES

Namibia Rail Construction (Pty) Ltd

Namibia Rail Construction is a joint venture between TransNamib Holdings Ltd and D&M Rail Construction (Pty) Ltd with the objective to build local capacity for the maintenance, rehabilitation and construction of railway infrastructure in Namibia, thereby supporting national development objectives of the transport sector and maximising synergies between the private and public sectors. TransNamib Holdings Limited has a 51% equity shareholding with equivalent voting power in Namibia Rail Construction (Pty) Ltd.

The Company's principal place of business is in Windhoek, Namibia. D&M Rail Construction has its roots in the founding of D&M Tracks in 1994 to service the railway infrastructure maintenance needs of the Namibian Ports Authority and private siding owners in Namibia.

Today, D&M Rail Construction has established itself as the leading railway infrastructure company in Namibia, successfully completing major projects for the private sector, as well as the Namibian Government. A total of 100% of D&M Rail is owned by previously disadvantaged Namibians.

Swakopmund Station Hotel (Pty) Ltd

TransNamib Holdings Limited has a 50% equity shareholding with equivalent voting power in Swakopmund Station Hotel (Pty) Ltd.
The Swakopmund Hotel and Entertainment Centre is built in and around the old Station Building in Swakopmund and dates back to 1901. After extensive renovations, it has been restored to its former Victorian glory and has been opened as one of the towns premier hotel's since the end of 1994.

MILESTONES

The Ohorongo Cement depot and warehouse was opened at Ondangwa railway station.

Internships and job attachment opportunities afforded to 11 trainees in the Information Communication Technology (ICT), Engineering and Technical Services departments.

Improvement in the gross profit margin.

The new Henning Crusher private railway siding in Tsumeb was commissioned.

Four of TransNamib owned locomotives were repaired and reintroduced into the pool resulting in fewer leased locomotives required.

Availability of coaches increased to 97% against a target of 93%; RTCs increased to 96.8% from a target of 93%; and the availability of locomotives increased to 80.7% from 77.93% in the previous year.

An average of 91% success rate was achieved in the supply of wagons, up from 88% in the previous year.

The total freight revenue amounted to N$476 million, showing a +2% improvement compared to the previous year.

Feasibility studies are being conducted for the establishment of commuter trains on sections Windhoek – Hosea Kutako International Airport, Windhoek – Okahandja, Windhoek – Katutura.

Implementation of the Integrated Train Plan (ITP) has significantly improved daily operations.

The six new Model C23 General Electric locomotives and 90 acid tankers (wagons) acquired in the previous year were commissioned and incorporated into the operations.

A Memorandum of Understanding (MoU) was signed with the Namibia Training Authority (NTA) and the Windhoek Vocational Training Centre (WVTC) for apprentices to be recruited as part of a Work Integrated Learning program.

The Aus – Lüderitz line was rehabilitated and handed over to TransNamib.

Good progress is being made on the rehabilitation and upgrade of the Kranzberg – Tsumeb line.

Capital expenditure for the year under review totalled N$1 102 000 million.

Improvements made to the Company's ICT infrastructure have ensured the high availability of systems with no major incidences recorded.

OUR VALUE PROPOSITION

TransNamib's assets include

HUMAN CAPITAL
Employs **1,216** permanent staff and **53** contract workers.

ASSETS
Property, plant and equipment N$2.3 billion.

FREIGHT RAIL
2,682 km railway. There are currently **1,533** wagons, **49** coaches and a total fleet of **79** locomotives (**36** are staged, leaving **43** active locomotives) in the TransNamib fleet.

ENGINEERING
17 Engineering depots

Value Deployed

FINANCIAL CAPITAL
Share capital **N$277** million, Non-current liabilities **N$1.70** billion Cash generated from operating activities, **N$69** million

INTELLECTUAL CAPITAL
Custodian of the country's freight railway infrastructure and technology (logistics hub).

STAKEHOLDER RELATIONSHIP CAPITAL
Employees, Customers, Suppliers, Government and regulators, Funders, Organised labour, Communities, Pensioners

2 LEADERSHIP AND CORPORATE GOVERNANCE REPORT

CHAIRPERSON'S STATEMENT

I am privileged to have led our Board through the first two years of TransNamib's operations and to have, together with my fellow Board colleagues, overseen the initial development of the five-year (2017 -2022) Integrated Strategic Business Plan (ISBP) aimed at repositioning TransNamib as the preferred logistics provider in Namibia by the year 2022.

The architecture and design of the ISBP has been put in place with the building blocks taking shape for the next phase, being the implementation process, set to commence once approved by the Government of the Republic of Namibia's. The performance of the ISBP will be tracked against the outcomes of the key performance areas relating to the four key perspectives of: learning and growth; internal business processes; customer perspective; and financial.
Meanwhile, the year under review presented the company with many achievements which we can be proud of despite a suite of persistent challenges.

These are listed under the milestones and described in more detail throughout the report. The strained domestic economy was hardly conducive to growth prospects in the logistics business and in particular the rail sub-sector. The economy contracted marginally in 2017 following positive growth in 2016. This contraction is attributed to declines in key growth driving sectors such as the construction, wholesale and retail trade, manufacturing, and utility sectors, among others.

Slow performance will be reflected in the transport sector for as long as performance of these sectors remains subdued which will directly impact the core business and major revenue of TransNamib, being the transportation by rail of bulk cargo. Other key sectors such as mining and agriculture have, encouragingly, maintained positive momentum with the mining and quarrying sector recording significant growth of 18.7, 25.8 and 11.3 percent in the first, second and third quarters of 2017 respectively compared with declines in both the first, second and third quarters of 2016. Strong growth in agriculture and forestry sector in the first three quarters of 2017 resulting from strong growth in crop farming subsector attributable to good rainfalls which boosted an increase in crop farming particularly for cereal production were also recorded.

Positive growth in the mining and agriculture sector during the year under review has sustained the company with the total revenue for the year under review amounting to N$469 million, which is an improvement of +2% compared to the previous year. The positive performance is mainly attributable to the increased bulk freight transportation of mining and agriculture commodities.

Corporate Governance and Leadership
It was indeed a pleasure to have hosted our newly appointed Minister of Works and Transport, Hon. John Mutorwa at TransNamib and to have our new CEO provide an overview of the Company's operations soon after his appointment in the position.

Among a host of variables, strong leadership will be the driving force behind successful implementation of the ISBP and I have no doubt that under the visionary leadership of Hon. Mutorwa, TransNamib will be elevated to the status it deserves as being an integral element of the logistics hub in Namibia and the SADC region as a whole.

I am equally confident that our new CEO, who holds a B.Comm degree and a Master's in Business Administration and has 25 years commercial experience in the fields of telecommunications, land and sea transportation, will be a driving force behind the implementation of the ISBP going forward. Prior to joining TransNamib, he was the chief executive officer of the Walvis Bay Corridor Group, where he was instrumental in developing the corridor concept not only in Namibia but also in Africa and the world over.

Rail services –
An Integral Element of the Logistics Hub

Logistics is one of the principle pillars of socio-economic development in Namibia, and supports the national goal to become a "logistics nation" by 2025 as articulated in the Fifth National Development Plan (NDP 5), the National Logistics Master Plan, 2016 and the Integrated Transport Master Plan (ITMP, 2014).

In responding to the predictions and detailed future image of Namibia as an international and regional logistics hub, we need to move beyond our challenges and take full advantage of the numerous opportunities presented. Competitive infrastructure is the backbone of our economic development, and one of our key value propositions to investors has always been the quality of Namibia's physical infrastructure.

Strategic Objectives and Outcomes

Our corporate Balanced Scorecard will provide a suitable framework for reporting and monitoring the performance of our four key strategic objectives which include: inspiring and accountable leadership and corporate governance; breakthrough financial performance; trustworthy customer experience; and organisational excellence.

Moving beyond our challenges to reach our destination

The four strategic objectives, initiatives and outcomes are geared towards moving beyond the challenges facing TransNamib. This will require restructuring the balance sheet and sourcing secure funding to become self-sustainable and profitable. In order to provide excellent, reliable rail services and a viable value proposition of the road-to-rail strategy for its key and potential customers, TransNamib will require a revival, renewal and modernisation of its current asset base. It has the capacity to transport 3 million tons of freight cargo annually. Extensive capital investment will be required to move TransNamib forward over the next few years to realise our expansive ISBP as there has been a lack of re-investment into new rolling stock and equipment in the past. The goal is to reach 2.5 million tons per annum with the existing rolling stock and transporting 3.2 million tons per annum by 2022 by adding 16 new locomotives and 147 new wagons.

To become the preferred logistics provider, the railway network needs to be effectively expanded, upgraded and maintained in order to grow in line with the country's economic development and industrialisation goals. From an internal business perspective, business processes need to be streamlined and efficiency enhanced. A strong focus must also be placed on good corporate governance and risk management systems. Organisational excellence can only be created through a culture of high performance and efficient railway business. This will require extensive change management, total business re-engineering of all its processes and an effective performance management system. This will be accompanied by a revamp of governance and risk management protocols as well as skills development.

Our valued customers have shown remarkable support for the company and for this we are extremely grateful. It gives me great pleasure to report that our service delivery recorded an average of 91% which is a tremendous improvement from 88% recorded in the previous year. Q1 and Q3 reported exceptionally high rates (94% and 95% respectively).

These figures clearly indicate the capability TransNamib has to provide an efficient and excellent service given sufficient resources. Added emphasis will be placed on further strengthening and maintaining the strong and beneficial relationships we enjoy with our customers and partners in the coming year and beyond. We also look forward to executing the road-to-rail strategy as part of the ISBP and, in so doing, broaden our customer base through enhanced efficiency and service delivery.

Rail Safety

Rail safety is one of our key operational priorities, with the safety of our people and the public always being a priority. It is important that the company proactively engaging in strong safety awareness campaigns with our employees, motorists, farmers, communities along the railway and other key stakeholders.

In conclusion, I would like to thank our shareholders, especially the Ministry of Works and Transport, for their continued support. To our Board members, I would like to acknowledge the contribution they have made around key strategic decisions that we needed to make this year and their contribution to the performance of the Board's committees, which plays a key role in the governance of TransNamib.

The Shareholder is well informed and is well committed towards improving and alleviating the company's predicament. We are therefore collectively working with the Shareholder on how to improve and reposition TransNamib to move bulk freight in an adequate and sustainable way. Likewise, our management and staff at every level of the company are to be thanked for their remarkable resilience.
This has sustained TransNamib. We look forward to embarking upon a new journey ahead and to embracing the challenges in a positive spirit of unity and teamwork to the better good of our company, our people our society and our economy.

CHIEF EXECUTIVE OFFICER'S REPORT

While my tenure as Chief Executive Officer only started during the last two months of this financial year, I had the distinct advantage and good fortune to have worked in the transport and logistics sector for the past 17 years of my career. This exclude the initial stint of my career at TransNamib 24 years ago for a very short period of time.

It was well evident during my first two months joining the company that there has been a significant gap in the Management of the company with no substantive CEO for more than 3 years.

I'm proud to be given the task to develop the railways in Namibia and re-establish our market share for transportation while creating such value for our nation in reducing the cost of logistics in the country. Our focus now, going forward for TransNamib is on growing and developing our own markets.

With our operating model and this family of dedicated railroaders in place at the company, it is time to leverage the strength of this company like never before.

In 2017/8, TransNamib faced down a year in which stubbornly low commodity prices, tepid economic growth and a rolling stock deficit tested the resilience and efficiency of our operating model. The additional leased locomotives as well as the six new locomotives was added to our fleet to support the operational improvement in the company.

As a company, we are significantly behind in various aspects such as maintenance backlog on our assets, limited investment in infrastructure and facilities, old technology and historical business processes which in some respect are dated more than 20 years old.

Significant gaps can be found at different levels of the organisation in terms of people, equipment and rolling stock and this is further contributing to the under delivery of service provision to our customers and delaying growth for the company. We remain challenged operationally with most of our rolling stock dating back to more than 50 years old and therefore creating non-reliability of service rendering to our customers on a continuous basis. This therefore leads to the fact that the company cannot realize the various business opportunities on its doorstep.

ISBP

In order to plan for the future growth of the company, significant time has been spent to develop and Integrated Strategic Plan (ISBP) for next five (5) years. With the company's significant financial challenges in the short term and it is important that we find short term, medium term and long term solutions which will turnaround the company's financial position.
The current ISBP is still under review and it expected that the plan will be approved by the Board of Directors during the next financial year.

Further to this it is important that a proper action plan be then developed to ensure a thorough implementation of the ISBP.

The Human Element

The company finds itself within a very difficult position where at support services level there is very limited staff with more than 15 years of experience.

This is as a result of no external appointments for the past seven years. Further what contributed to this, is also the Voluntary Early Retirement offer to all employees qualifying for early retirement where 27 employees accepted the offer during October 2017 to March 2018.

From a train operations perspective there has been continuous mandatory training programs which has allowed a basic level of transition of staff through on the job training programs. For this category of staff members, we need to produce more staff members in a quicker phase to ensure we grow and develop enough staff as the company will grow in the short to medium term.

From an engineering perspective we need to recruit more technical staff members and ensure that we grow a sufficient pool of staff for the medium to long term requirements of the company. With respect to the management and supervisory support it must be noted that there are significant gaps within all the departments and it will require significant time and investment to build up capacity in the short and medium term to ensure growth in the short to medium term and overall capacity within the company. It is therefore important that we utilize the current gaps within the organizational structure to streamline our structure to support the future business of TransNamib.

Training and development is very critical for the company that is why the MoU that we have signed with Namibia Training Authority is an important milestone to use this strategic partnership to re build our traineeship programs at a technical level. TransNamib continued to offer Apprenticeship programs in the trades such as Diesel Electric Fitter, Motor Mechanic & Electrical General and internal training programs for Carriage and Wagons, Track Welding and Telecom & Radio within this reporting period. For the current financial year, the Company had a total intake of 37 apprentices and trainees.

Financial Perspective

The company remains within in a serious financial challenge as it is still running on an operational loss of more than N$ 15 million per month. Within the short term we therefore have to make sure that we optimize our resources more to reduce the current operational loss. This include as to how we should match the new business opportunities to current operational capacity in terms of the rolling stock and human resources.

Engineering Perspective

The current locomotives consist of a combination of new locomotives, old locomotives and leased locomotives from Transnet. The new locomotives are being used for the specific Dundee Precious Metal allocated project which is running at a very good level, but could still be optimized better.

The old locomotives as well as the leased locomotives are providing the capacity for the other routes and ways are being developed together with Marketing and Operations as to how better utilize and optimize the locomotives.

Other rolling stock such as wagons depends on the type of business that we acquire through our business development initiatives. It is however important that we define a proper short, medium and long term plan for the acquisition of new rolling stock to support business growth in line with our core business of handling cargo by rail. These options include refurbished locomotives, remanufacture locomotives or buying new locomotives.

Operating Our Business

Our current rail operations are doing satisfactory, but can improve with better communication and coordination with the Engineering and Marketing departments. These objectives are to find a better way to optimize the resources from a technical and human resources perspective. There is also a backlog of operations and non operational services due to the financial limitations of TransNamib where service providers are not getting paid in time and therefore delivery is delayed.

The limitation of funding also does not allow for the purchasing of some critical spare parts especially from the road sector perspective. The current road fleet has been cut down significantly due to a lack of maintenance and funding and only critical support by road is provided.

Although the company find itself in a difficult financial situation together with other serious challenges with respect to resources, the opportunity exists that the company can be turned around. Overall within the company, the positive spirit amongst staff provides a very good platform for growth of the company. Within the short term we need to find financial stability within the company and initiate growth through business opportunities that can create immediate financial returns.

Outlook for the Company

Notwithstanding the current challenges and turbulent waters that we have found ourselves during the past financial year, the future provides a lot of opportunities for TransNamib through transportation by rail. There is however a need for a stronger project management approach in growing the rail business of TransNamib. It is for this reason why we need to get the confidence back in rail transportation in order to focus on our road to rail strategy in the future.

CORPORATE GOVERNANCE, COMPLIANCE AND ASSURANCE

TransNamib's overarching governance objective is to ensure that a governance framework is put in place to safeguard the sustainability of the organisation.

The above-mentioned objective includes ensuring compliance to the Public Enterprises Governance Act (2006 as amended) which in essence means the adoption of good governance principles relating to transparency in financial and business reporting and procurement.

Our integrated annual report has been externally assured through the audited annual financial statement for the 2017/2018 financial year and the qualified audit opinion by our external auditors, Grand Namibia.

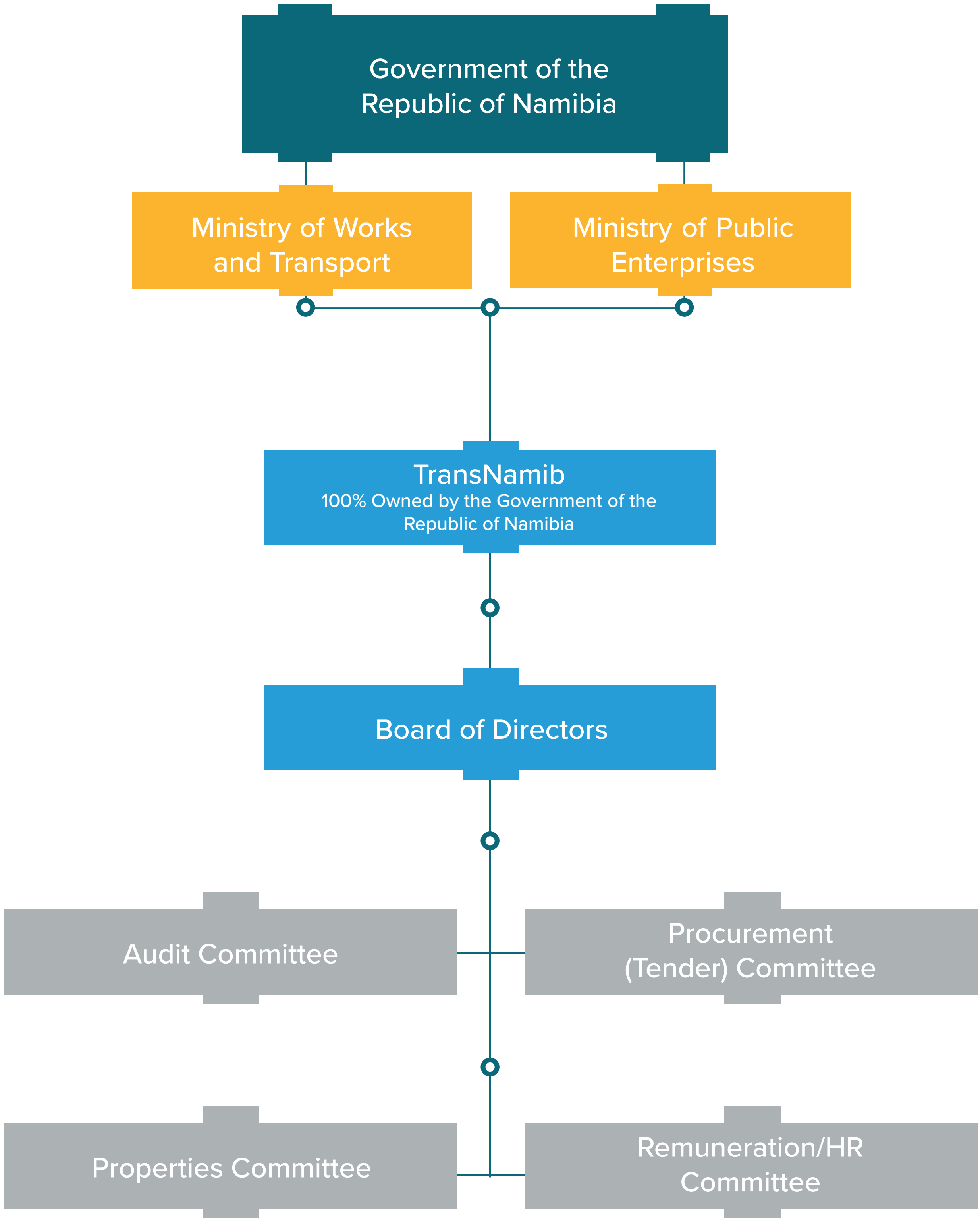
Moving forward and in line with the ISBP, the transformed TransNamib will ensure that:

- Good governance safeguards are in place:
    - Terms of Reference for the Board of Directors.
    - Terms of Reference for Board Committees.

- Due financial management process is followed:
    - Annual Business Plan (and budget) is submitted 90 days before the end of the Financial Year.
    - Internal financial controls (and internal auditor) are in place.

- Results reporting is timely and transparent:
    - Audited Financial Statements are submitted within six months of financial year end.
    - Board issues statement on the performance against annual targets.

- Company policies are updated to be easily accessible.


Government of the Republic of Namibia
Ministry of Works and Transport
Ministry of Public Enterprises
TransNamib
100% Owned by the Government of the Republic of Namibia
Board of Directors
Audit Committee
Procurement (Tender) Committee
Properties Committee
Remuneration/HR Committee

BOARD OF DIRECTORS

Mr Paul Smit
CHAIRPERSON

Ms Elize Angula
VICE CHAIRPERSON

Ms Dantagos Naomi Jimmy- Melani
MEMBER

Dr Michael Ochurub
MEMBER

Mr Wiseman Molatzi
MEMBER

ROLE OF THE BOARD

The Chairperson, Mr. Paul Smit, is responsible for the effective leadership of the Board. The TransNamib Board of Directors is responsible for effective leadership of the company in order to maintain business sustainability based on TransNamib's core values of integrity, transparency, innovation, teamwork, discipline, accountability and safety.

- The Board is committed to sound governance and considers the application of sound corporate governance structures, policies and practices as pivotal to ensuring that TransNamib acts in a responsible and transparent manner from an economic, social and environmental perspective and creates sustainable value and benefits for its stakeholders.
- The Board also supports stakeholder engagement and communication strategies that support transparent, understandable and reciprocal communication and is committed to maintaining sound relationships with its identified key stakeholder groups. The Board is ultimately responsible for risk management and the Company's system of internal controls, which are designed to mitigate material strategic and operational risks.
- The Board also reviews and approves the delegation of authority to management in specified matters and those matters reserved for Board decision-making on a regular basis. The duties of the Board include monitoring and reviewing the implementation of the business plan within the approved budget and with due cognizance of the associated business risks, and that these actions are performed in accordance with work plans that are reviewed and approved on an annual basis to ensure compliance.

COMPANY SECRETARIAT FUNCTION

The Company Secretary acts as the primary point of contact between the Board of Directors and the Company, and provides professional advice on corporate governance principles and the requirements of the Companies Act.

Moreover, the Company Secretary is responsible for developing systems and processes to enable the Board of Directors to discharge its functions efficiently and effectively.

The Company Secretary prepares Annual Work Plans for the Board of Directors and its Committees in conjunction with the Chairpersons of the respective Committees. These Annual Work Plans are approved by the Board for implementation.

In consultation with the Chairperson, the Company Secretary ensures that the contents of the Board agenda are relevant to the Board of Directors' decision-making and that the Board of Directors' resolutions are communicated throughout the Company in a timely and appropriate manner.

The Company Secretary is the gatekeeper of good corporate governance.

BOARD COMPOSITION

TransNamib's Memorandum and Articles of Association provides that there shall not be less than three non-executive directors.

Independent Non-Executive Directors
The independent non-executive directors have diverse skills, experience and backgrounds. They are principally free from any business relationship that could hamper their objectivity or judgement in terms of the business and activities of the Company.

All the independent non-executive directors have unrestricted access to information, documents, records and property of the Company in the interest of fulfilling their responsibilities.

The independent non-executive directors contribute a variety of skills, business acumen, independent judgement and experience on various issues, including strategy, corporate governance, performance and general leadership, whilst the executive management provide an operational understanding of the Company.

Board Committees
The Board has established Board Committees tasked with enhancing the Board's effectiveness in key areas of the Board's duties and responsibilities.

The Board is assisted in its responsibility to identify, oversee and manage economic, environmental and social risk and opportunities by Audit, Human Resources, Properties and Procurement (tender) sub-committees.

Schedule of Directors' Attendance at Board and Committee Meetings (including Special Meetings)

Names	Board	Audit Committee	Properties Committee	HR/ Remuneration Committee	Procurement Committee
Mr. P. Smit (chairman)	9	-	4	4	-
Mrs. E. Angula (deputy chair)	11	4	4	-	-
Dr. M. Ochurub	11	2	-	4	4
Mr. W.P. Molatzi	9	1	-	3	3
Mrs. D. N. Jimmy-Melani*	7	2	3	-	2

* Not invited to meetings and company business for the period Oct 2017 – Mar 2018

The Board is well informed about procedures pertaining to and decisions made by the Board Committees. All Directors are non-executive Directors.

Audit Committee
The Chairperson of the Audit Committee is an independent non-executive Director and does not serve as the Chairperson of the Board. External auditors have unrestricted access to the Audit Committee, which ensures that their independence is not impaired.

Members of the Audit Committee:
Ms. Dantagos Jimmy-Melani (Chairperson)
Ms. Elize Angula (Member)
Mr. Wiseman Molatzi (Member)

Properties Committee
This Committee is responsible for making recommendations to the Board regarding TransNamib's properties.

Members of the Properties Committee:
Ms. Elize Angula (Chairperson)
Ms. Dantagos Jimmy-Melani (Member)
Mr. Paul Smit (Member)

Procurement (Tender) Committee
This Committee is responsible for making recommendations to the Board regarding TransNamib's procurement and tenders.

Members of the Procurement (Tender) Committee:
Mr. Wiseman Molatzi (Chairperson)
Dr. Michael Ochurub (Member)
Ms. Dantagos Jimmy-Melani (Member)

DIRECTORS' EMOLUMENTS – NON-EXECUTIVES

Directors' emoluments
Non-executive

Figures in Namibia Dollar thousand

Names	2017 Directors' fees	2018 Directors' fees
Mr. P. Smit (chairman)	N$222	N$214
Mrs. E. Angula (deputy chair)	N$188	N$181
Dr. M. Ochurub	N$182	N$197
Mr. W.P. Molatzi	N$158	N$170
Mrs. D. N. Jimmy-Melani*	N$188	N$174
Mrs. J. Daun	N$30	
Total	**N$968**	**N$936**

* Not invited to meetings and company business for the period Oct 2017 – Mar 2018

EXECUTIVE MANAGEMENT

Mr Johny M. Smith
Chief Executive Officer

The Board is responsible for appointing the Chief Executive Officer, whose role is separate from that of the Chairperson and/or Directors, but who is responsible for appointing the Executive Management.

The Chief Executive Officer, Mr. Johny Smith, together with Executive Management, is responsible for formulating and implementing strategies and policies, day-to-day operational management, establishing best management practices, functional standards, risk management, internal control systems and legal compliance, amongst others.

As its primary function, the Board is responsible to determine the Company's strategic direction and to exercise prudent control over the Company and its affairs.
This is in line with the Articles of Association, through which the management and control of the business of the company vest with the directors.

As per the approved Board Charter, the Board will be responsible to appoint the Chief Executive Officer and General Managers (EXCO) and ensure proper process of performance management and succession planning in respect of these positions. The Board, via the Remuneration Committee, will provide input regarding all senior management appointments, remuneration and succession plans; and recommends the appointment of the Chief Executive Officer and other EXCO members to the Board.

The day-to-day management of the Company will be the responsibility of management, led by the Chief Executive Officer, in accordance with the directions of the Board, executing such powers and functions as the directors may from time to time determine or delegate as mandated by the Articles of Association of the Company.

The powers and functions of the Chief Executive Officer shall further be to compile and submit budgets and propose Company strategies to the directors.

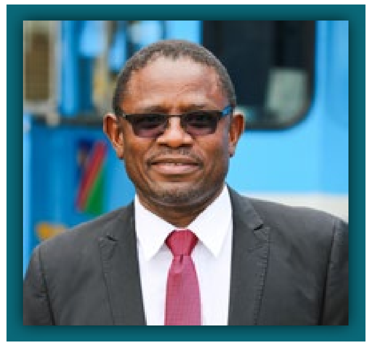
The Executive Finance is responsible for the financial management of the Company and all aspects relating to financial strategy, due and proper preparation of financial statements as per International Financial Reporting Standard (IFRS) requirements, due and proper financial reporting.

Mr David Daniel
Executive: Properties (Acting)

Mr Webster Gonzo
Executive: Human Capital

Mr Hippy Tjivikua
Executive: Strategy & Stakeholder Management

Mr Michael Feldmann
Executive: Operations



Mr Ferdinand Ganaseb
Executive: Engineering and Technical Services

Mr Zebby Mukungu
Executive: Commercial and Marketing (Acting)

Mr Willie Nandi
Executive: ICT (Acting)

Mr Michael Gotore
Executive: Finance

STAKEHOLDER ENGAGEMENT

TransNamib's stakeholders are those individuals or groups of individuals or organisations that can affect or be affected by TransNamib's actions, objectives and policies (legal, financial and operational); as well as those who are likely to directly influence the Company's performance.

One of the main objectives of engaging with our stakeholders, listening to their views and addressing their concerns, is to build confidence and trust in the leadership of TransNamib.
At the same time, the dialogue imparts knowledge and provides an impetus for our sustainable actions. Because we aim to pinpoint the diverse expectations of our stakeholders as accurately as possible, discuss them and address them, we continue to refine our tools for ascertaining and integrating these expectations.

We have a broad range of internal and external stakeholders who have a material interest in TransNamib or are affected by it.

They include our main shareholder, employees, private and business customers, investors, policy makers and regulators, local and regional government, suppliers, the general public, organised labour, the media, interest groups and the industry public.

RISK MANAGEMENT

The Board has overall responsibility for monitoring risk management and internal controls, and recognises the importance of identifying and actively monitoring the full range of financial and non-financial risks.

Day-to-day management of risk lies with executive management. Their duty includes the ongoing identification, assessment and mitigation of risks, as well as the design, implementation and evaluation of the internal risk management process.

The impacts and mitigation plans associated with the top risk areas that influence organisational sustainability and value creation are:

RISK NAME	MITIGATING ACTION PLANS TO FURTHER ADDRESS THE RESIDUAL RISK EXPOSURE
Business performance	• Investigate the need for business process re-engineering/redesign to support the strategy. • Prioritisation of budgets and communicate prioritisation efforts/ decisions. • Evaluate the current procurement activities to improve efficiency and service delivery. • Finalise the communication protocol policy. • Re-evaluate the current organisational structure to support the strategy. • Develop and implement process KPIs for all key processes in the value chain to improve efficiency and service delivery. • Intensify cost control initiatives and incentives to third-parties to improve cash flow. • Assess and implement drastic measures that supports the strategy.
Human capital	• Perform and finalise skills audit to identify gaps and to ensure optimal utilisation of the workforce. • Align the manpower plan with the current strategic plan. • Development of a Performance Management Systems (PMS). • Explore industry specific career development programs. • To actively participate in a Railway school proposed by Southern African Railway Association (SARA). • Adapt/ update current employment contracts to align with operational needs. • Re-introduce a monthly employees relation platform through the team brief. • Circulation of the internal and external monthly/quarterly publication to stakeholders. • Improve and enforce induction training for all new appointments.
Investment risk	• Quarterly feedback to the shareholder on the conditions of the railway network and infrastructure as well as the required funding to bring the railway network up to prescribed standard. • Revisit the TransNamib establishing Act and analyse the maintenance requirements to address the current concerns around the railway network. • Implement additional preventative controls to reduce future damage/ deterioration of the railway network. • Define, implement and enforce expected return on investment against actual performance.

RISK MANAGEMENT

RISK NAME	MITIGATING ACTION PLANS TO FURTHER ADDRESS THE RESIDUAL RISK EXPOSURE
Health, Safety and Environment (HSE) requirements	• Investigate and introduce first aid training for relevant employees. • Investigate and introduce organisation-wide Health, Safety and Environment awareness training. • Incorporate Health, Safety and Environment factors into investment decisions and procurement. • Review and update the current Health, Safety and Environment policy.
Approval of the business plan by Shareholder	• Seek shareholder ratification of the business plan in principle.
Customer focus	• Investigate, develop and implement a plan for customer diversification. • Develop and implement a retention strategy for current key customers. • Develop and implement a Customer Service Charter. • Perform customer satisfaction survey and competitive analysis. • Develop and implement incentive-based structure for sales department. • Investigate the possibility to streamline the customer base. • Appoint key account managers for the sales department.
Corporate Governance	• Re-emphasise the importance of corporate governance principles through training and awareness sessions. • Review and consider all regulations, policies and procedures to seek balance between compliance and operational effectiveness. • Monitor and enforce the updated regulations, policies and procedures. • Seek approval and implement the anonymous whistle blowing/ hotline program managed by externally entity. • Seek approval of corporate governance policies and procedures and report back to board on the status.
Lack of equipment, rolling stock, and infrastructure	• Design standards/ codes of practice monitored, updated and understood to recognise the potential effect of ageing equipment, rolling stock and infrastructure. • Review defective reporting system. • Enforce compliance with maintenance management plans to avoid repeat work and subsequent increased stress and reaction of locomotives to downtime.
Stakeholder management / partnership	• Implement formal structured interaction with clients. • Enforce the Stakeholder Interaction Plan. • Evaluate and implement current Public Relations initiatives and decisions. taken (implement social media platforms) as well as identifying additional platforms to engage the public. • Develop an intranet platform to engage employees. • Adapt/align performance to current capabilities.

RISK MANAGEMENT

RISK NAME	MITIGATING ACTION PLANS TO FURTHER ADDRESS THE RESIDUAL RISK EXPOSURE
Information, Communication and Technology (ICT) systems to support operations	• Investigate viability and implementation of signalling systems. • Investigate and implement a file management system. • Develop and implement a 3-5-year ICT strategy/plan.
Property management	• Improve tenant installation and management approach (credit assessment, inspections and signed contracts). • Develop a strategy for the property function. • Ensure delivery and compliance with the signed SLA of the outsourced property management services provider. • Quarterly feedback on all property being occupied/ leased.
Financial management	• Develop and implement pricing guidelines that are fair, market-related, incentivised, flexible and transparent. • Develop and implement a corporate model supporting the strategy. • Explore regional (SADC) business opportunities to increase revenue. • Engage the Government (shareholder) for potential legislation amendments that incentivise the used of rail transportation. • Investigate and implement rigour cost centre management i.e. monthly variance analysis and consequence management. • Investigate and implement a real-time billing system that is interfaced with the accounting system (SAP). • Improve and enforce turnaround time on the resolving exceptions from the billing system (TRACCS).
Procurement requirements	• Review, update and implement specific and clear procurement guidelines/ criteria (including realignment of guidelines to the Public Procurement Act). • Seek approval and implement the amended code of conduct and business ethics policy. • Conduct organisational wide procurement awareness sessions and training. • Conduct an assessment to ascertain which of the current customers do not have valid SLA's in place and rectify and implement supplier performance evaluation process. • Conduct an assessment to identify additional suppliers to diversify current • supplier mix.

3 FINANCIAL PERFORMANCE **OVERVIEW**

KEY ACHIEVEMENTS

- The company concluded the fixed assets register (FAR) purification project during the year. The project involved physical verification of all major assets, in particular under the categories of land and buildings and rolling stock and the revaluation of the Investment Properties and Land and Buildings
- With the successful completion of the project, the company's accounting practices on Investment Properties and Land and Buildings are now in full compliance with the International Financial Reporting Standards.
- The value of Investment Properties increased from N$40 million (2017) to N$1.2 billion
- The value of Land and Buildings increased from N$237 million (2017) to N$1.2 billion
- The project sets the foundation for the elimination of all audit qualifications going into the future
- The company took advantage of the Receiver of Revenue's Tax Amnesty during the year and received partial waivers of past penalties and interest previously levied on overdue tax. The net benefit of this was a reversal on the accruals amounting to N$138 million
- Operating expenses (excluding the impact of the impairment of investment properties and property, plant and equipment) reduced by 1% to N$793 million (2017: N$803 million) mainly due to savings on locomotives lease arrangements
- With the revaluation of properties, the company managed to resolve the technical insolvency challenge

KEY CHALLENGES

- Working capital challenges continued to negatively impact maintenance activities of rolling stock rail infrastructure
- High employee cost to revenue ratio - 81% of revenue (2017 – 84%)
- The refurbishment of the Desert Express Train that was planned for the year could not be undertaken

KEY FOCUS AREAS

- Increase rolling stock capacity and reliability.
- Revamping the Desert Express Train
- Modernization of the engineering workshops
- Technical skills development

An operating loss before interest (excluding Government subsidies and grants, interest and investment income) of N$324 million was recorded during the year under review (2017: N$343 million). After accounting for interest, investment income and government grants, the company reported a profit of N$1.2 billion compared to a loss of N$226 million achieved in 2017.
The valuation of Properties was completed. Financial records has been updated with fair value gain of N$1.2 billion. This resulted to the net profit of N$1 billion compared to the loss of N$226 million in 2017

The operational challenges that have plagued the company over the past years remained, being:

- Insufficient funding to maintain the railway infrastructure
- Poor state of the old railway lines hampering operations
- Persistent working capital challenges
- Lack of re-investment into new rolling stock and equipment over a long period

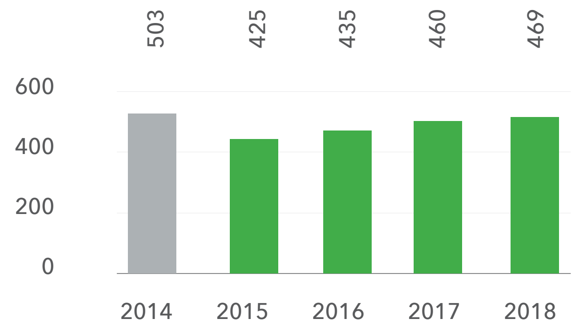
TransNamib management and the Board are committed to resolving these challenges and have developed an Integrated Strategic Business Plan with a key focus on mitigating the negative impact of the constraints identified in the short-term and creating a sustainable customer-centric company in the long-term. This is in recognition that, as the sole bulk rail transport operator in Namibia, TransNamib plays an important role in the achievement of the country's economic aspirations. This is possible only when there is adequate and reliable equipment available, including rolling stock. The company is in the process to streamline its operations, increase its customer focus and invest in reliable equipment.

Operating revenue increased by 2% from N$460 million (2017) to N$469 million (2018). This marks a third consecutive revenue increase recorded in the last five (5) years and creates a strong foundation for further improvements as the company has now stopped the decline experienced over the last decade.

Volumes transported for the period were 1% lower than prior year despite the increase in revenue.

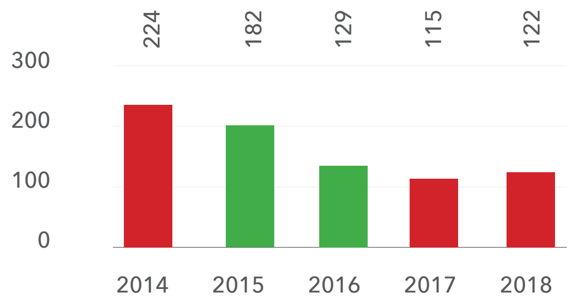
Five Year Financial Highlights

Revenue (N$'000)



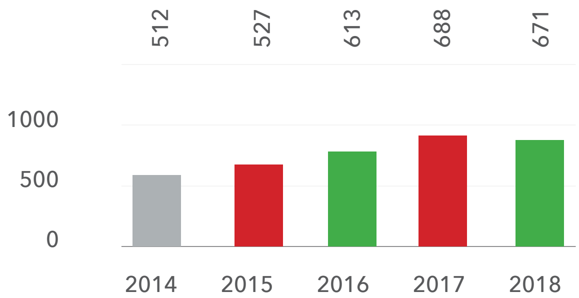
2% increase in revenue continues the trend of nominal increases in revenue since 2015.

Cost of fuel and lubricants (N$'000)



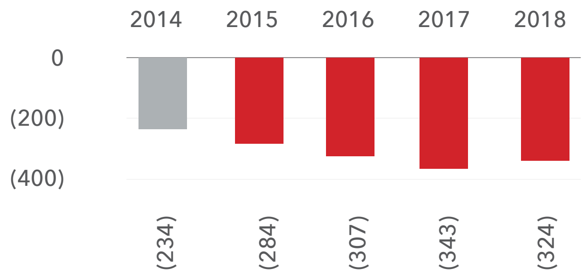
Cost of fuel and lubricants increased during the year driven by increases in fuel prices

Other Operating Cost (N$'000)



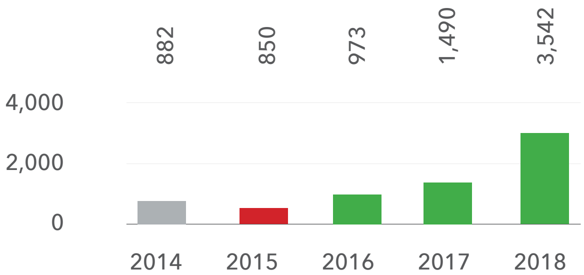
3% reduction in other operating costs benefiting from the reduction in loco leases

Operating loss (N$'000)



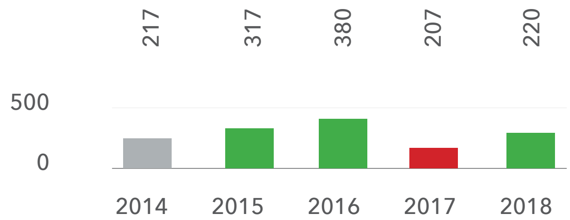
Operating losses before government subsidies, investment income and interest continue to be experienced

Non-Current Assets (N$'000)



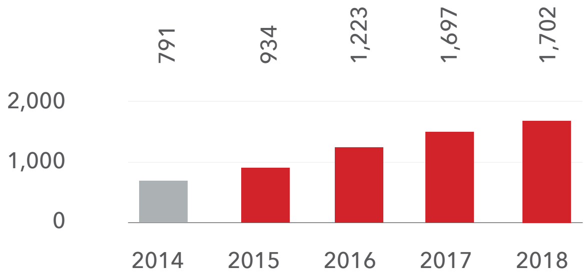
138% increase
Revaluation of L&B and IP

Current Assets (N$'000)



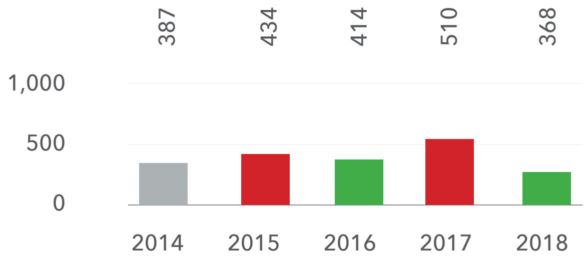
6% Increase
Increase in inventories and Cash and Bank

Non-Current Liabilities (N$'000)



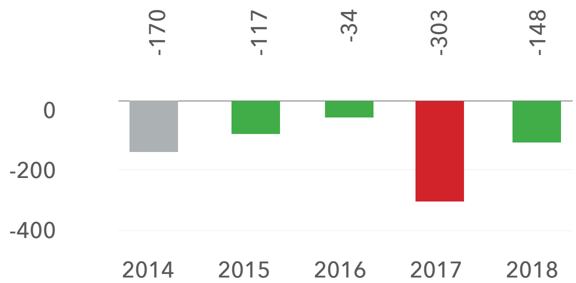
Increase in Non-Current Liabilities represented by increase in PRMA liability

Current Liabilities (N$'000)



28% decrease Current liabilities decreased as a result of the reduction in TAX liabilities due to waivers of penalties and interest

Working Capital (N$'000)



Negative working capital reflecting the difficult liquidity situation facing the company

The company incurred N$52 million (N$68 million in 2017) in locomotives rentals. Going forward, the company has taken steps to terminate the locomotives lease arrangement with Transnet.

Operating expenses decreased by 3% to N$ 671 million compared to N$688 million incurred in 2017. Major cost decreases were experienced as follows:

- **Employee costs (N$381 million)** – high head count. The process of right-sizing started with the voluntary exit packages being offered to RSA personnel. Thereafter early retirement offers were extended to qualifying Namibia based employees in non-core areas and support services. A total of 63 employees accepted the offer at a total cost of N$24 million.
- **Locomotives leases (N$52 million)** – Loco leases, charged at N$17,000 per day per loco, added to the cost burden and exceeded budget. 7 leased locomotives remaining at year end were taken out of use in May 2018.
- **Repairs and maintenance costs (N$42 million)** – Efforts to priorities key maintenance spares were pursued in consultation with Engineering, though the chronic cash challenges made it difficult to make meaningful progress.
- **Security (N$22 million)** – security costs remain high, though there is a reduction in ad-hoc security services costs after the introduction of additional controls to curb abuse. Security costs exceeded budget by 68% and thus remain an area of concern and focus.
- **Utilities (N$38 million)** – utility costs remain a major overhead and show an increase of 5% over prior year cost incurred.

The Government' remains committed to the sustainability of TransNamib and recognises the role of rail transportation in achieving the country's economic growth ambitions.
The company received funding support for operational purposes from the shareholder. This amount brought about significant relief to the company's cash flow challenges during the period under review.The company received Government subsidies amounting to N$233 million (2017 – N$584 million). These were applied towards working capital needs and improving the company's liquidity.
Attention continues to be given to the quality of credit and recoverability of the company's debts as part of improving working capital management. Improved credit control and collection methods resulted in further improvements in the debtors' days outstanding reducing from 54 days to 47 days.

Net cash generated from operating activities improved from a negative N$97 million in 2017 to a positive N$70 million in 2018.

No Funds has been received from Government under financing activities compared to N$455 million in 2017.

Looking Ahead

The conclusion of the company's Integrated Strategic Business Plan (ISBP) during the year has created a collective foundation for the future and a basis upon which the allocation of the available scarce resources can be based. TransNamib recognises that its cost containment ambitions will be met through a combination of activities, key of which is the reduction in head-count. This will be one of the priority activities in the short-term.

The company also remains committed to investing in areas that improve available capacity and reliability of its equipment. This is regarded as a critical factor in achieving and maintaining an improved customer service and in turn, improved financial performance. The company will thus require significant funding, either from the shareholder or other financing partners in the execution of its ISBP.

4 BUSINESS PERFORMANCE **OVERVIEW**

COMMERCIAL AND MARKETING SERVICES

Our drive for customer-value proposition distinguishes us from our peers and this is a cherished dream we will jealously guard at all times.

KEY ACHIEVEMENTS

- Signing of the Rail Transport Agreement with Ohorongo Cement.
- Opening of the Ohorongo Cement depot and warehouse at Ondangwa railway station.
- Implementation of annual rates adjustment.
- Commissioning of the new Henning Crusher private railway siding in Tsumeb.
- Customer Golf Day event.

KEY CHALLENGES

- Economic downturn in key economic sectors.
- Increased competition from road operators.
- Inability to fill empty legs/backloads due to uncompetitive pricing.

KEY FOCUS AREAS

- Prioritisation of high yield sectors and customers.
- Implementation of the Marketing Strategy and Plan.

The Commercial and Marketing department plays a key role in promoting and marketing the organisation and delivering value to customers. Ours is a relentless effort to grow existing business from existing customers, increasing our market share through aggressive and targeted sales, tapping into new markets, benchmarking with leaders in the region and beyond as well as positioning TransNamib as a reputable railway operator.

The following are the functionalities of our department:

- Sales and Marketing.
- Business Development and Market Research.

The Sales and Marketing division is mostly responsible for sales and managing clients whilst Business Development and Market Research is responsible for new businesses initiatives and the administration of tariffs.

BUSINESS OVERVIEW

The Company's overall performance during the period under review was good in comparison to the previous year.

The department continues to play a pivotal role with its daily and weekly revenue and volume dashboards, setting the tone for the company's overall reviews and readjustments on set targets.

Total Operating Revenue
The total operating revenue for the year under review was N$469 million, which translates to a 13% deficit against a budgeted figure of N$538 million. However, in comparison with the previous year, there is an increase of 2% in revenue. The slight increase in freight revenue is mainly attributed to the good performance in the mining, agriculture and bulk fuel sectors.

Despite declining freight volumes at both national and regional levels (approximately 1,428,833 tons compared to 1,444,389 tons the previous year), the revenue performance is relatively resilient mainly on account of a combination of three factors. First, the tariff escalations were successfully completed and implemented in time for the commencement of the financial year. Second, transported cargo travelled relatively longer corridors (3,005,577 km compared to the previous year of 2,886,494 km) thus higher absolute transport values. Last, the Take-or-Pay Rail Transport Agreement with DPMT partly shielded the revenue of the organization during the period when the DPMT Sulphuric Acid Plant went into maintenance shut-down.

Tonnages Transported
The total freight volume moved during the FY 2018 was 1,428,833 and represents a decrease of 1.30% when compared to a similar period in the last financial year.

Overall, the transportation of bulk fuel and building materials followed closely by bulk liquid remains the biggest contributor to the freight volumes.

Freight revenue
The total freight revenue for the year under review amounted to N$439 million, showing a 0,4% improvement compared to the previous year.

The positive performance is attributed to a number of factors such as:

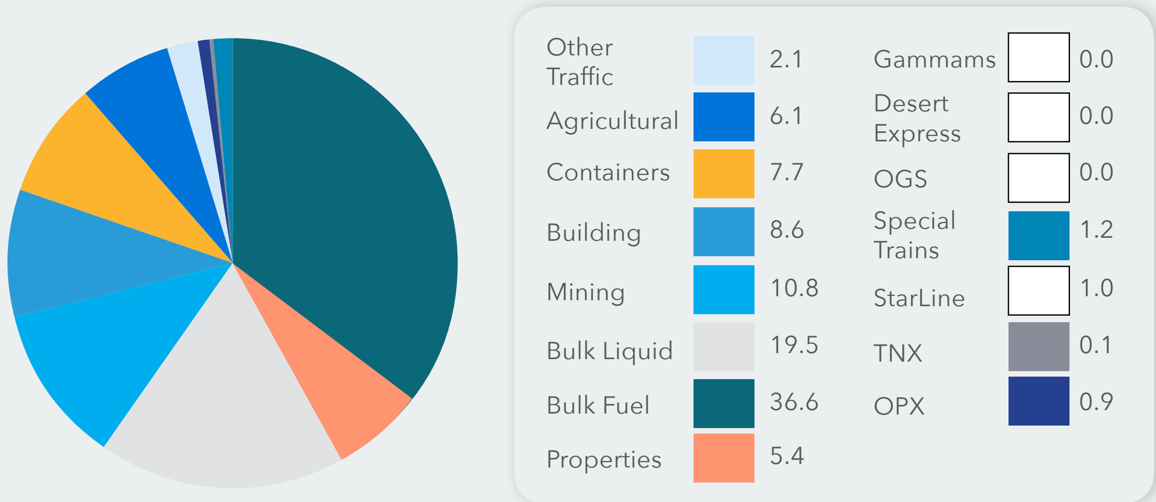
- Mining: increased copper concentrate volumes, coal, and marble
- Agriculture: wheat, milk transportation and stock feed
- Bulk Fuel: improved and quick turnaround of tankers, new fuel depots at Ondangwa
- Bulk Liquid: increased acid trains from Tsumeb to Arandis and from Walvis Bay to Arandis.

The negative performance of most of the sectors is due to the downturn in the regional and domestic economy. The economy is currently plagued by lower commodity prices and a slump in the construction sector.

The Bulk Fuel sector is considered one of TransNamib's main sources of revenue. Over the years there has been an upswing in fuel prices and levies which has affected the performance of this sector. The fuel sector remains one of the few sectors that TransNamib can concentrate on and invest resources in order to capture market share. TransNamib is currently transporting approximately 60% of the fuel from Walvis Bay to the hinterland while the other volumes are carried by road haulers.

As a commodity that is regulated by the Ministry of Mines and Energy, fuel has an advantage since there aren't any price wars in the market. TransNamib as a bulk transporter will therefore always benefit from the pricing structure.

Percentage of Different Sources of Revenue Contributions in %



Passenger Services
The ongoing train delays, late departures and arrivals and en-route failures all contribute to the declining numbers on our StarLine Passenger Services, leaving passengers to opt for faster modes of transport such as mini-busses and private sedan vehicles.

The Desert Express, Namibia's luxurious unique train offering, which provides overnight weekend excursions, has not been operating for some time due to overdue electrical and air-conditioning repairs and refurbishment. This negatively affected the overall performance of this sector and Desert Express in particular.

Opportunities
Current market conditions demand that we work differently, hence the need for TransNamib to re-invent itself and create smarter, more efficient service designs that are not only affordable to the market but are light-weight on investments and offer sufficient flexibility to accommodate continuous shifting trading patterns and supply chain innovations.

The development of the Botswana, Zambia and Zimbabwe Dry Ports and the on-going NamPort Container Terminal extension will avail an opportunity for cross border business to our neighbouring SADC countries. This is positioned to have a positive impact on our revenue generation.

The following business opportunities have been identified:

- Transportation of clinker and cement for the envisaged Cheetah Cement Plant near Otjiwarongo envisaged in early 2018 and Iron Ore mining projects in the Dordabis and Rehoboth areas, respectively. These combined opportunities could deliver an excess of 2.4 million tons per annum by 2020, doubling TransNamib's current business.
- Cross-border opportunities to tap into the manganese mining sector of the Northern Cape area in South Africa (utilising the Trans-Oranje Corridor) for export via the port of Lüderitz.
- Zambian Copper-belt cargo opportunities.
- The Trans Kalahari Railway initiative, a joint project between Namibia and Botswana, will link Namibia's railway network to Botswana's coal mining area. Once completed, the project is envisioned to promote TransNamib in the regional railway business.
- Namibia is currently busy with the conceptual development of an international logistics hub that seeks to position Namibia as a strategic centre offering integrated and competitive logistics solutions to enhance trade between Africa and the rest of the world. This demand-pull initiative carries vast opportunities for TransNamib.

About our Customers
The loyalty of our customers towards rail utilisation has far reaching benefits and untapped opportunities which need to be harnessed.

Increased customer engagement and development of mutually beneficial business relationships, and tailor-made project managed approaches are essential for our future success.

Looking Ahead

The current demand from customers for cargo to be transported by rail exceeds TransNamib's current performance.

Focus will therefore be placed on meeting the requirements of its existing customers and growing its existing customer base.

Our strategic intent will be for bulk freight on rail, focusing on strength of pure rail transport or station to station transport, with the possibility of third-party service providers to cater for the last-mile deliveries.

A project management team will be ideal for our future handling of key strategic projects to realise them on time and in full.

OPERATIONS

KEY ACHIEVEMENTS

- Part of the existing locomotive fleet were repaired and re-introduced into the pool / system while the number of leased locomotives was gradually reduced with a minimum disruption/effect of the service.
- Implementation of the National Operations Control Centre (NOCC) continued.
- An average of 91% success rate achieved in supply of wagons, up from 88% in the previous year.
- Although the new acid tankers and GE locomotives arrived in Namibia in the previous financial year, the Sulphuric Acid Project was fully implemented and achieved.
- The loss making operations of TNX was closed down.

KEY CHALLENGES

- Constraints in customer service delivery relating mainly to cargo handling and delivery equipment at various stations.
- Down times or temporary closing of railway sections during derailments due to ageing recovery equipment.
- Cross point inefficiencies due to late departures of trains.
- Economic downturns and low commodity prices had an effect on customers, with lower volumes transported from mining, building and construction industries.
- Decrease in market share of road transport.

KEY FOCUS AREAS

- Emphasis on the core business of bulk rail freight & improving customer service – special focus on DMPT and the fuel industry.
- Increase in operational efficiency levels to SADC standards with emphasis on train driver efficiencies at cross over points and wagon turn-around times.
- Increasing rail safety for both internal and external stakeholders.

TransNamib's overall performance is measured by the efficiency of the business activities within the Operations Department; thus, the operations are the face of the company to the outside.

The Operations Department is tasked with overseeing the essential administrative, transportation and logistical activities that enable the day-to-day functioning of the Company. In addition, the department is responsible for running the core businesses in such a way so as to achieve the Company's business objectives and efficiently deliver goods and services to our customers.

The Operations Department concentrates on four key functions, namely:

- Train operations (bulk freight and containers).
- Road operations (road contracts and rail auxiliary services).
- Service Delivery (Overnight Parcel Express [OPX]).
- Passenger Services (on selected routes).

Our operations in Upington, South Africa, complement our cross-border rail operations for the effective movements of freight along the Trans-Oranje Corridor.

In terms of locomotive kilometers travelled, a total of approximately 3,005,577 km (compared to the previous year of 2,886,494 km, which is a 4% annual increase) was travelled during the reporting year, carrying approximately 1,428,833 tons compared to 1,444,389 tons the previous year. Although locos travelled 4% further compared to the previous year, slightly less tons (1%) were transported.

BUSINESS OVERVIEW

The trend of continuously supplying additional TransNamib owned locomotives to the available pool of 43 gained momentum whilst the number of leased locomotives from Transnet was gradually reduced.

All South African operations closed down in 2015 in order to focus on our core business. As a result, the contract with a third-party service provider of the TransNamib parcel Express (TNX) brand in South Africa was terminated.

Overnight Parcel Express (OPX) services and volumes from South Africa came to an almost complete standstill. In order to achieve further efficiencies, the South African Service was terminated. Only Upington (as the station outside Namibia) remained operational with our personnel in order to fulfil the cross-border agreements, in line with the bi-lateral agreement between Namibia and South Africa.

With regards to the Rail Transport Agreement (RTA) with Dundee Precious Metals Tsumeb (DPMT), the newly acquired 90 acid tankers and the 6 GE locomotives arrived in Namibia during the previous financial year.

The acid tankers were subsequently successfully commissioned and incorporated into the operation. Conversely, the GE locomotives (which arrived in January 2017) were only commissioned during the first quarter of the reporting period.

The National Operations Control Centre (NOCC) has increased the efficiency and effectiveness of the central region. Further improvements were completed and the Integrated Train Plan (ITP) was established and utilised for operations, which has tremendously improved with the efficiency of daily operations.

Train Operations
TransNamib's strategic advantage and strength lies in focusing on rail-friendly freight, which is defined as the movement of high-density and bulk commodities over long distances where flow densities provide economies of scale, thereby lowering unit costs for our customers.

Locomotive availability improved due to the injection of additional repaired locomotive that were introduced into service.

Operational Efficiency Performance
Overall performance throughout 2017/18 was characterised by unreliable and ageing infrastructure and rolling stock that had a negative impact on operations similarly to past years' experience.

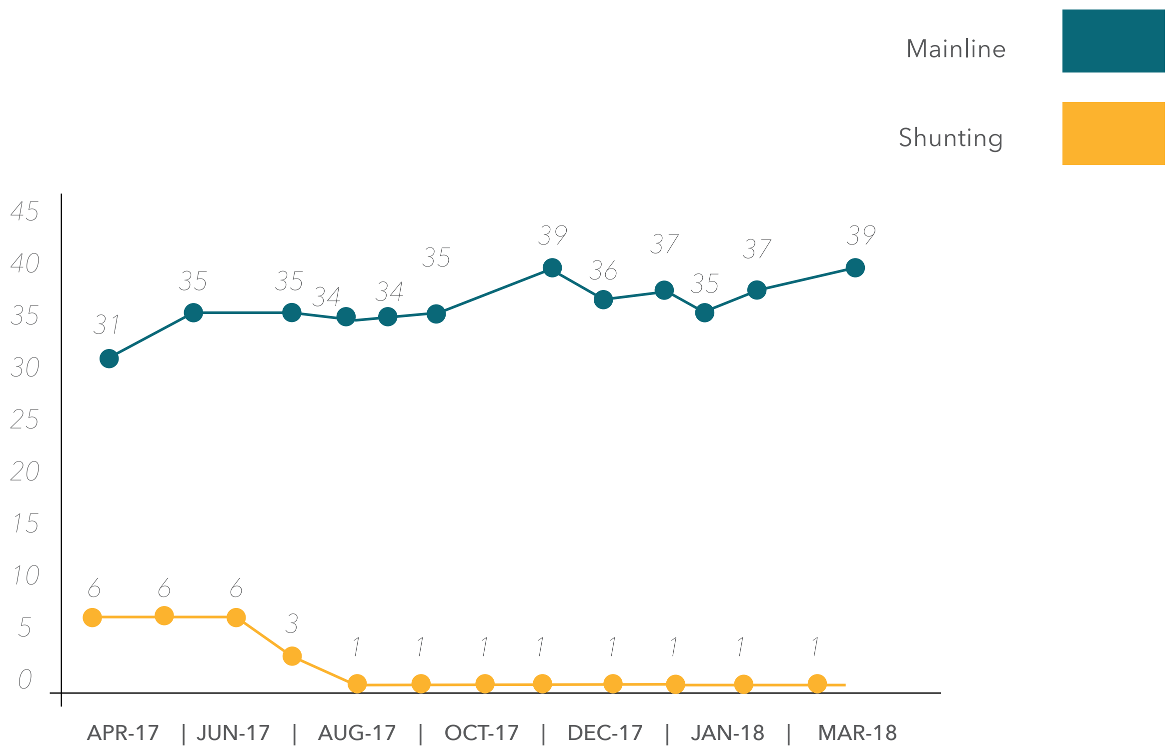
In terms of our performance regarding on time-arrivals of trains, trains arrived 24% on-time on average against the targeted minimum of 75%. On-time departures, however, averaged 54% (an improvement of 6% compared to 48% the previous year). This improvement was largely attributed to the improved availability of locomotives.

With the introduction of more reliable locomotives into our operations, the failures rates reduced from 212 to 199 compared to the previous year on 3,005,577 km and 2,886,494 km travelled, respectively. The benchmark is 3 failures per 100,000 km. We experienced 6,6 locomotive failures per 100,000 km, which is a slight improvement from the 7,3 per 100,000 km the previous year.

The wash-aways which we experienced in the Erongo and Karas region, during the raining season caused elongated temporary closures of mainlines, resulting in downtimes on those sections.

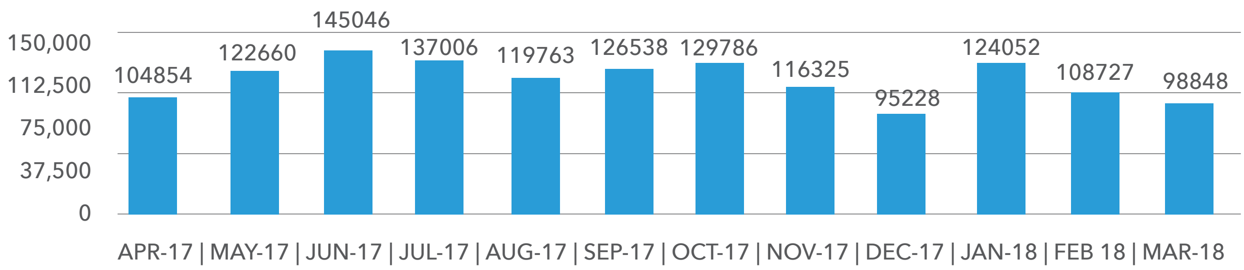
The continued severe speed restrictions and the subsequent slow wagon turnaround times aggravated the late train departures.

Availability of Locomotives

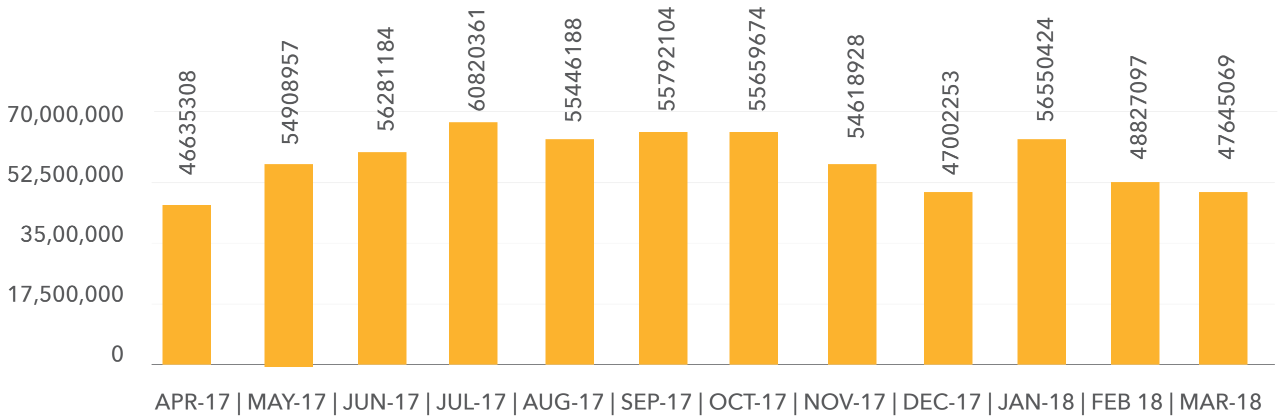


Mainline Loco represent the Locomotives which are utilised on the main line between town while **Shunting Loco** represent that locomotives which are allocated for shunting in the various towns only and are not allowed on the open main line.

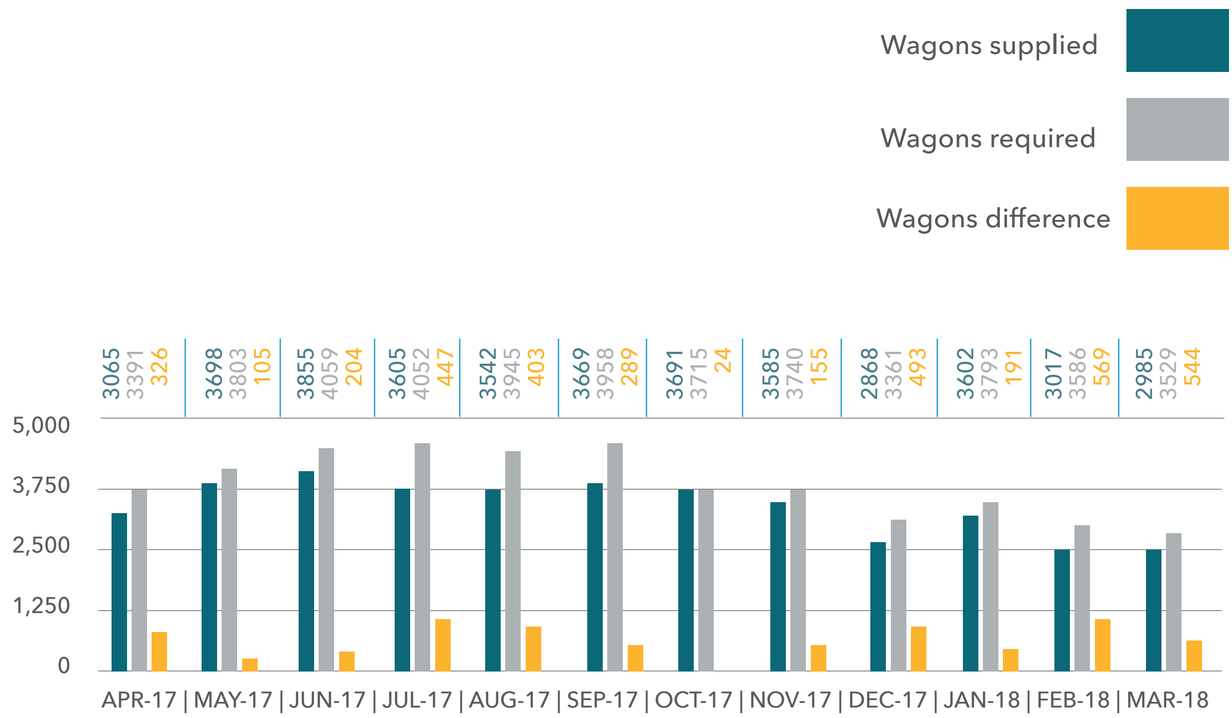
Monthly Tonnage Moved



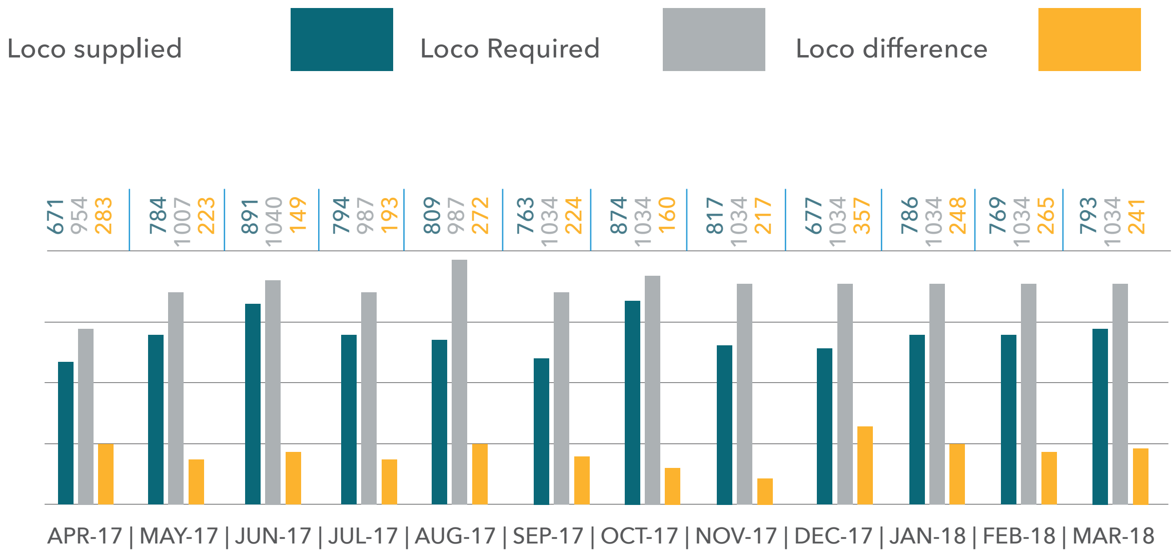
Actual Rail Net Ton Kilometer



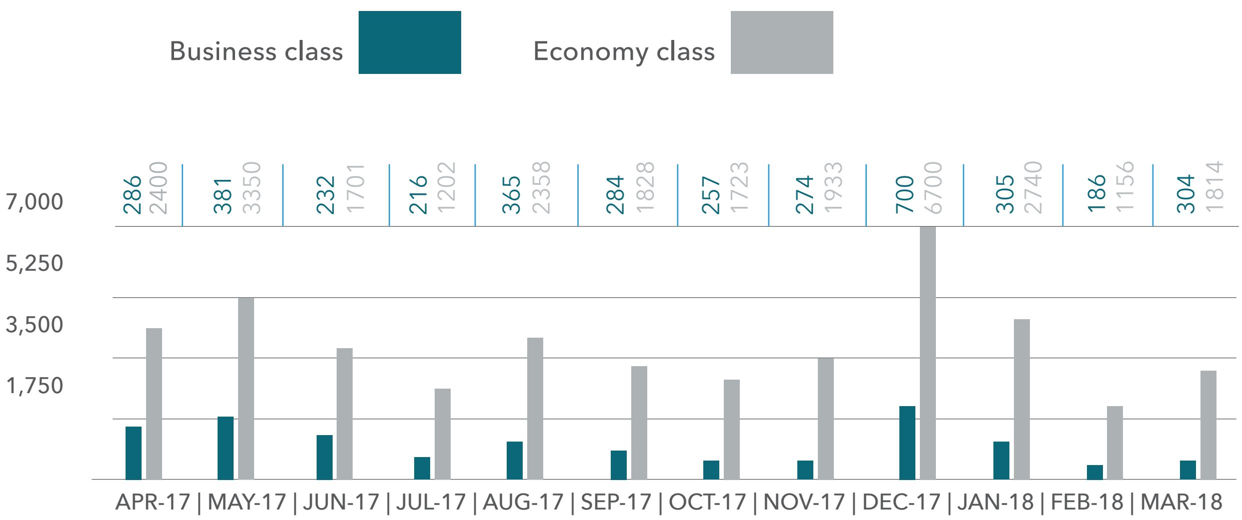
Wagons



Locomotives



Passenger Service (PAX)



Operational Constraints

The various factors that have hampered operations for a number of years unfortunately remain and continue to have a serious negative impact on the overall Company's ability to go about its business; locomotive failures, challenges with shunting and cross-point working, and personnel issues - especially the ageing staff - are just some examples.

The embargo on new recruitment and speed restrictions result in train delays and late arrivals, which means that the Company's ability to deliver on its promises to its customers are compromised. Although improvements were achieved, these gains are then hampered by the reduced efficiency in others fields (e.g. failing equipment).

Additional factors, such as the worsening condition of the cargo handling and transport equipment and machinery (e.g. forklifts, reach stackers and trucks), ongoing problems with the ICT system and the fact that the National Operational Command Centre (NOCC) is not yet fully implemented has further constrained the operations in general.

Road Operations

Road Operations consist of two main divisions, namely the road contracts (fuel and milk clients) and the auxiliary services for rail operations which are mainly container delivery and collection services. The remaining contracts are under extreme pressure and future prospects are a concern.

Service Delivery

The ageing delivery and off-loading equipment further contributed to the reduction in service capabilities of the Company. The OPX / TNX volumes and revenue decreased further compared to the previous year.

In order to improve the situation, two new reach stackers were acquired for Windhoek whilst two reach stackers were relocated from Windhoek to both Otjiwarongo and Tsumeb.

One of the measurements of service delivery (calculated by taking the average wagons supplied versus wagons demanded by the customers) recorded an average of 91 % which is a tremendous improvement from 88% recorded the previous year. Q1 and Q3 reported exceptionally high rates (94% and 95% respectively). These figures clearly illustrate that new wagon procurement needs to be prioritised.

Passenger Services

Rail Passenger Transport on the sections between Keetmanshoop and Windhoek, as well as the Walvis Bay and Windhoek on the Starline Passenger Service Coach, recorded a total of 32,696 tickets sold, reflecting a negative growth of 24.7% in passenger numbers transported compared to a total of 43,435 tickets sold during the previous year. The main reason for this decline in overall numbers is the reduction in frequency of the service offered and consequently the reduction in times per week a passenger service is offered on the various routes. Although the total number decreased, the utilisation of the service when it was offered increased.

The holiday periods during May and the Festive season traditionally account for the rise in ticket sales amounting to 11,587. Due to its affordability, most passengers travel economy class (88.4%) with the business class (11.6%) accommodating the remaining passengers. This made up the bulk of the numbers and ensured that TransNamib is offering a service which is indeed required.

Opportunities

We are optimistic that there will be growth in the number of passengers using our trains once the Aus-Lüderitz line re-opens and the Kranzberg-Tsumeb line is rehabilitated and opened for passenger services. Opportunities exist for adjusting trains schedules and operating procedures

Looking Ahead

Significant challenges still remain, though a positive momentum has been created. The consolidation of new processes improved TransNamib's overall operational efficiency and effectiveness. (e.g. rescheduling the train schedule and thus increasing the equipment utilisation figures). It is envisaged that the implementation of the ISBP will be accomplished by focusing on our core business of moving bulk freight and we are optimistic for the future.

ENGINEERING AND TECHNICAL SERVICES

KEY ACHIEVEMENTS

- 93.82% availability of wagons against the target of 93%
- 97.00% availability of coaches against the target of 93%
- 96.80% availability of RTCs against the target of 93%
- 80.70% availability of locomotives against 77.93 recorded the previous year
- Acquisition and delivery of new equipment
  - 6x C23EMP GE Locomotives were commissioned during Q1 of 2017/18
  - 2x 45-ton Reach Stackers were commissioned during Q1 of 2017/18
  - 1x Tamping Machine was delivered
  - 1x Wheel Profile Cutter was delivered, yet, to be installed
  - 2x accident damaged locomotives were repaired and returned from African Rail & Traction Services

KEY CHALLENGES

- Inadequate, unreliable and aged rolling stock
- Financial constraints
- Ageing rail infrastructure
- Lack of enabling IT/Technology systems
- Shortage of equipment to conduct maintenance
- Ageing wagon and locomotive fleet currently deployed
- Inadequate rolling stock to address market demand
- Lack of technical (engineering) skills in the Company – moratorium on external recruitment
- Lack of adequate staff for technical training and development
- Ageing workforce

KEY FOCUS AREAS

- New rolling stock capacity in the form of locomotives, wagons, tankers, maintenance fleet, equipment and machinery will be required to meet the long term demand forecast plan
- Financial investment in order to revive staged locomotives
- Conversion from vacuum brakes to air-brake systems on wagons
- Improvement of Safety and Environment standards in workshops and depots
- Operational Excellence: Service/Process Re-engineering
  - * Operational Command Centre
  - * Lean Operation and a Culture of First-Time-Right
  - * Workshop Modernization
- Enabling Technology
  - * Trains Control / Signalling Systems
  - * Communication systems upgrading
- Training of technical personnel, i.e. plate layers, track welders

We aim to be more effective and efficient in all the Engineering related work we do, which includes maintenance and repairs, rehabilitation and/or upgrades.

The Engineering and Technical Services Department is responsible for the upkeep, repairs and maintenance of the locomotives, rolling stock, cargo handling equipment, vehicles, machinery, workshops and the rail infrastructure in compliance with the required technical and certification standards in order to ensure that passengers and freight move safely, mainly on rail.

There are currently 1,533 wagons, 49 coaches and a total fleet of 79 locomotives (36 are staged, leaving 43 active locomotives) making up the TransNamib fleet.

The railway network has over 2,682 kilometres of track, 17 depots for permanent way maintenance teams, 178 bridges and 5801 culverts and about 723 level crossings. Since trains run 24 hours a day, 365 days a year, the maintenance and engineering works that we carry out to ensure a safe and reliable rail network for passengers will always cause some disruption.

BUSINESS OVERVIEW

The Engineering Department has been grappling with some challenging obstacles in order to ensure that operations at TransNamib remain tenable. The greatest of these was ensuring that there was locomotive capacity, without which the Company would not be able to service its customers.

TransNamib leased 20 locomotives and purchased 10 refurbished locomotives in 2015/16 from Transnet Engineering in order to increase locomotive capacity. The view was that an increase in the number of operational locomotives would increase the Company's volumes. Unfortunately, during the two years of the lease agreement, volumes did not increase, whereas kilometres travelled and litres of fuel burned remained the same.

It was against this background that TransNamib concluded that many, if not all, of the leased locos could be returned to Transnet Engineering without seemingly affecting the tonnages that TransNamib transports.

Value is created for Engineering by supporting TransNamib in achieving its mandate to lower the cost of doing business in Namibia. This is achieved primarily by providing technical support to our operations.

On-going Projects and Opportunities

Projects which commenced in the past and have not yet been completed and/or handed over include:

- Complete the heavy repairs on the Kranzberg-Tsumeb section.
- Feasibility studies for the establishment of commuter trains on sections Windhoek-Hosea Kutako International Airport, Windhoek-Okahandja, Windhoek-Rehoboth and Windhoek-Katutura are underway. Feasibility studies on the Windhoek-Katutura section is at an advanced stage.
- Re-engineering Project on the Chinese SDD-6 Locomotive at Transnet Workshops in South Africa. This project was completed during Q2 of the financial year. The locomotive returned to Namibia for testing prior to commissioning. The testing has been stopped due to some technical challenges which Transnet is busy resolving.
- Remanufacturing of 22 GE and 11 SDD staged locomotives will commence as soon as the Shareholder grants approval to proceed with the project.
- Conversion of 50 acid tankers purchased from RSA into Rail Fuel Tankers.
- Heavy repairs of the Kranzberg-Tsumeb line. Repairs have been progressing well since the project commenced in December 2012 up until the end of the FY 2017/2018, with the following progress being notable:

ACTIVITY	SECTION		TOTAL (KM)
	Kranzberg - Otjiwarongo (km)	Otjiwarongo - Tsumeb (km)	
Upgrading (48 kg/m rails on P2 concrete sleepers)	8.2	30.05	**38.25**
Partial Upgrade (old 30 kg/m rails on P2 concrete sleepers)	52.81	105.87	**158.68**
Partial Upgrade of loops	0	4.58	**4.58**
Rehabilitation	167.9	2.5	**170.4**
TOTAL	**228.91**	**143**	**371.91**

- Aus-Lüderitz line was completed by Klebber and Associates Consulting Engineers and handed over to TransNamib in January 2018. Testing of the rehabilitated railway line from Aus will be performed by commissioning a train carrying heavy objects to ascertain the durability of the railway line up to the harbour. The primary objective of the rehabilitation of the Aus-Lüderitz railway line is to provide an adequate rail connection between Lüderitz port and the southern part of Namibia and bordering countries.

Future Anticipated Projects
Projects which have been planned and budgeted for in the future include:

Rolling Stock and Equipment
- Acquire new locomotives and rolling stock.
- Acquire additional motor vehicles and cargo-handling equipment.
- Refurbish the Desert Express train: the electrical system, plumbing and air-con systems to be fully replaced.
- Install and commission wheel profile machine in the locomotive workshop.
- Repair and upgrade overhead cranes in the Locomotive workshop.
- Repair and upgrade overhead cranes in the Carriage and Wagons depot.
- Replace mobile jacks in the Carriage and Wagons depot.

Railway Infrastructure Maintenance
- Complete the upgrade on the Walvis Bay- Kranzberg section.
- Upgrading of Sandverhaar-Buchholzbrunn section by the Ministry of Works and Transport will be started during 2019/2020 financial year. This is very critical as this section is the weakest link for the transportation of manganese from the Northern Cape to the port of Lüderitz.

Telecom and Electrical
- Upgrade the existing trains control system (signalling).
- Replace the Windhoek PABX system.
- Replace the Otjiwarongo PABX system.

Engineering and Business Projects
- Reviving and staffing of the Research and Development Division.

Workshop Modernisation and Upgrading
- Modernise the Windhoek depot and carriage and wagon workshop.
- Establish a Locomotives depot in Lüderitz due to anticipated increased traffic from the Northern Cape.
- Establish a Carriage and Wagons depot in Lüderitz due to anticipated increased traffic from the Northern Cape.

Looking ahead
The maintenance, service and repair of rolling stock will form part of the existing TransNamib operations, with the refurbishment (or remanufacturing) of existing rolling stock forming a critical part in the future strategy. The benefits of the ongoing and future projects will be the supply of reliable rolling stock, safe passage of trains on our railway infrastructure and ultimately the increase in volumes transported.

The Department has realised that, in order to improve the maintenance of locomotives, there is also a need to replace or upgrade the old and outdated overhead cranes at the Windhoek Diesel Depot. This is currently ongoing.

To increase rolling stock availability TransNamib will endeavour to appoint sufficient technical staff to maintain and repair rolling stock on a 24/7 basis. The Windhoek, Walvis Bay, Tsumeb and Keetmanshoop Locomotive Maintenance workshops will be modernised in order to promote business efficiency through the procurement of modern equipment, thus ensuring that assets are kept at their optimal levels. This is due to the fact that all the currently operational workshops were built in the 60s and 70s and, as a result, TransNamib does not have the right equipment and outlook to service modern rolling stock.

The Department will adequately staff Walvis Bay, Tsumeb and Keetmanshoop depots with qualified DE Fitters in order to increase capacity, in addition to the current ensemble of Technical Supervisors.

INFORMATION AND COMMUNICATION TECHNOLOGY

KEY ACHIEVEMENTS

- Servers running the Microsoft Windows Server operating system were upgraded from Windows Server 2008 to Windows Server 2012.
- The E-mail server was upgraded from Microsoft Exchange 2010 to Microsoft Exchange 2013.

KEY CHALLENGES

- The risks of cyberattacks, especially ransomware, will remain a concern going forward.
- TransNamib continues to rely on the legacy TRACCS system which is running on old hardware, at great risk.

KEY FOCUS AREAS

- ICT Infrastructure – Upgrading of Microsoft Windows Server, desktop operating systems and software to ensure they remain current as part of the upgrade of network infrastructure.
- Information Systems – The SAP ERP system is TransNamib's main information system and any other system must be able to integrate with SAP. The legacy system, TRACCS will be retired and replaced with a suitable system.
- Business Process Alignment – The organisation commits to continuously review business process and ensure that systems are aligned with current processes.
- Business Intelligence – Implementation of a business intelligence solution to facilitate management access to quality information through reports and dashboards.
- Signalling and Communications – A modern signalling and communication system will facilitate safer and more reliable operations.

PERFORMANCE OVERVIEW

Despite an increase in cyberattacks and cybersecurity risks around the world, TransNamib managed to ensure that none of its systems were compromised during the period under review.

This was achieved by securing the network traffic through a firewall and e-mail filter as well as end-user device security, using anti-virus software, ensuring that systems are upgraded to more secure versions and regularly updating all devices and servers.

The Information and Communication Technology department's role in the success of TransNamib is to:

- Manage the organisation's hardware, software and network infrastructure.
- Ensure information security and availability.
- Guide, plan and manage the organisation's investment in Information Technology.

ICT plays a key role in ensuring operational efficiency, customer service and revenue collection.

Looking ahead

TransNamib ICT will align its various functions in accordance with the ISBP, which is currently being finalised. Our network requires implementation that can cater for the standards required to operate an efficient rail infrastructure, along with the flexibility to allow additional services.

Overall, ICT will endeavour to ensure that the network is easily manageable to the benefit of all users and be cost effective to meet the objectives of the business.

PROPERTIES

The Properties Department is an integral part of TransNamib's Business as stipulated in the National Transport Services Holding Company Act 28 of 1998, as amended by the State-owned Enterprises Governance Act 2 of 2006 (amended and renamed the Public Enterprises Governance Act by Act 8 of 2015). The Department has the potential of playing a major role in revenue generation for the Company.

KEY ACHIEVEMENTS

- The revaluation of the portfolio.
- Differentiation between core and non-core properties.

KEY CHALLENGES

- Lack of Real Estate Management System for effective property administration.
- Lack of maintenance funding to finance the planned and/or preventative maintenance.
- Stiff tenant competition due to economic down-turn.

KEY FOCUS AREAS

- Management and administration of commercial properties to optimise revenue generation.
- Obtain approvals for development proposals in order to generate much needed income required to improve the condition of other properties and to fund other vital operational costs.
- Disposing of low revenue generating properties to raise funds for investment in high potential properties and reduce municipal service costs incurred in these properties.
- Surveying and/or rezoning all land and subdividing it in order to unlock value and generate rental income at market related rates.
- Upgrading of existing buildings to acceptable standards in order to attract high potential tenants.
- Effecting optimal utilisation of operational properties in order to capitalise on surplus space for rental income.
- Continue to utilise modern technological measures such as Independent meter reading devices to control utility consumption and reduce costs incurred by tenants.

BUSINESS OVERVIEW

TransNamib had its portfolio valued at N$2.4 billion as at 31 March 2018, thus a increasing the valuation from the N$237 million that was reflected in the balance sheet for FY2017. The next step in the process is to evaluate all the registered properties with the final output being incorporated into the property strategy.

After the Property valuation was conducted in 2017, it emerged that TransNamib's property is the second largest property portfolio in the country after the Government of Namibia.

Our property footprint spans the entire country and we maintain presence in almost every town or village, and in commercial and communal farmland across Namibia.
Our properties fall into various categories, namely, commercial, industrial, operational and residential.

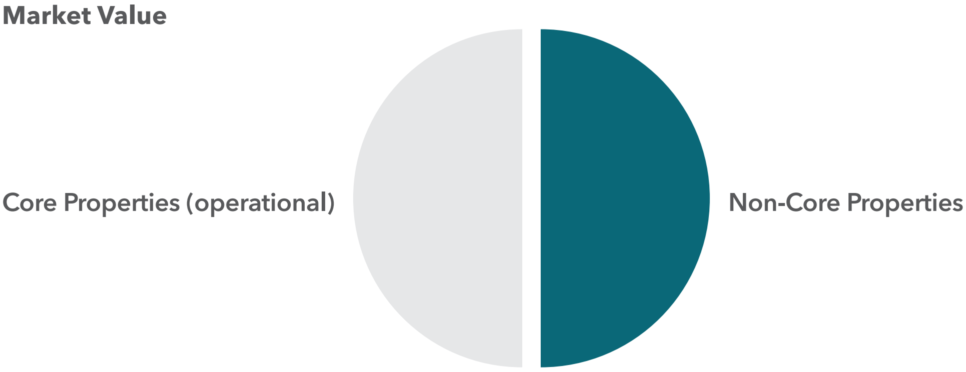
These properties, with exception of operational properties, generate revenue amounting to approximately N$ 30 million per annum, in its current condition.

The number of properties remained the same (387) during the period under review, with no new acquisitions or alienation of properties made.

Summary Property Valuations

PROPERTY DESCRIPTION	MARKET VALUE N$' MILLIONS
Core Properties (operational)	1,220.41
Non-Core Properties	1225,81
TOTAL	**2446,22**

Core vs Non-Core Properties Market Value



Key Projects

Development of Okahandja property
The Department intends to develop our property within Okahandja, and Architects will be engaged to propose concepts for the area in and around the railway station.

The railway line currently divides the town, with only two crossings being bridge-crossings of the line while the rest are level crossings.

We are acutely aware that this will have a positive impact on rail safety issues as the town grows, in that pedestrians will be able to access the central business district of the town crossing the rail lines using an overhead bridge.

The state hospital is also in close proximity to the station. It is therefore logical to interconnect the two sides of the town with safe railway line crossings.

The station building itself is a heritage building and therefore the building will be restored keeping its original design.

Otavi and Omaruru Stations Buildings Renovation
The renovations of the Otavi and Omaruru Stations buildings were earmarked for routine maintenance and upgrades.

These projects were not completed but Bills of Quantity were completed to establish the cost of the project. The projects are expected to be rolled out in the next financial year.

Portion 8 of Farm Ujams
This property in the northern industrial area of Windhoek was earmarked for light industrial development.

The land clearing part of this process was completed and a proper planning and layout of the Portion will be done.

Looking Ahead
From the inception of the Property Department, to-date, we have focused our attention to solving all property-related issues.

Going forward we intend to alter focus on property management, especially in terms of improving our property management skills, using a fully-fledged property management system.

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OKAHANDJA

5 SUSTAINABILITY PERFORMANCE **REVIEW**

Our railway lines are the economic arteries of our country and it is our duty to keep them safe and reliable for all sectors of our economy and our people who depend on them.

To meet the challenge of keeping our railway lines safe and reliable for all sectors of our economy, to remain cost-effective and deliver for our customers, we need a diverse workforce with innovative ideas and creative solutions and a corporate culture where our staff members can perform to their best ability. Evidence tells us that engaged employees are essential to creating a culture of high performance – particularly around safety. The better the engagement, the more likely that employees will increase their discretionary efforts, and ultimately contribute to delivering enhanced services.

We will also strive towards delivering a safer, more accessible and improved service for our customers and passengers.

Our 2,682 km of rail infrastructure passes through both urban and rural areas (rail corridors) and we furthermore have land holdings including those associated with our maintenance depots, engineering works and offices. We are committed to managing our land sustainably, enhancing ecological diversity where we can, and increasing its economic and social value.

HUMAN CAPITAL

We see TransNamib as a high performance learning organisation led by its Human Capital towards the immediate future and beyond.

Human Capital plays a critical role in TransNamib as one of the Company's key strategic catalysts, thus the requirement to employ people with a high level of skills and professionalism would assist in moving the Human Resources profession towards a stronger customer focus that plays a more strategic role.

KEY ACHIEVEMENTS

- Appointment of new Chief Executive Officer.
- Recruitment of 16 trainees under the apprenticeship and traineeship programs
- Internship and job attachment opportunities provided to six Namibia University of Science and technology (NUST) students and three Namibian Institute of Mining and Technology (NIMT) trainees.
- Voluntary early retirement.
- Continued review of company policies and procedures.
- Implementation of TransNamib ISBP, including the re-deployment exercise.
- Streamlining of TransNamib business to ensure retention of skilled employees across the Company's core business units.

KEY CHALLENGES

- Shortage of technical skills in the company due to a lack of training and development as well as skills transfer programs.
- Low staff morale and poor organisational performance culture, as a result of uncertainty regarding company strategic direction.
- The ageing workforce remains one of the major debilitating effects of low staff morale.
- Absence of a performance management System (PMS) to enhance employee's performance/productivity.

KEY FOCUS AREAS

- Finalise an organisational re-alignment/restructuring plan in alignment with the ISBP.
- Implementation of Change Management Programs/Culture Change interventions.
- Development and implementation of a Performance Management System (PMS).
- Development and implementation of Remuneration and Rewards policy.
- Development and implementation of Career and Succession plans.
- Design and Development of Skills Audit in order to determine training needs analysis and individual job matching.
- Implementation of Self-Development Schemes and the introduction of developmental programs.
- Establishment of scarcity allowances for technical skills.

PERFORMANCE REVIEW

The Company's overall ability to deliver quality services effectively and efficiently continues to be affected by financial constraints, a lack of technical expertise, limited training and development opportunities and the Company's ageing workforce. Of major concern to Human Capital is the current prevailing low staff morale and organisational culture. Our goal is to address this through the implementation of an intensive change management process to be embarked upon as part of the rollout of the ISBP.

Notwithstanding a myriad of constraints, the Human Capital department continued to assist the Company in achieving its strategic goals by;

- Managing and retaining current human capital under trying conditions.
- Ensuring that the knowledge and skills of the organization`s human capital is enhanced through specific mandatory training and development interventions.
- Implementing targeted organizational development interventions in to improve efficiency and expand productivity.
- Ensuring and fostering healthy and positive relations between the employer and employees. The above-mentioned strategic objective would be achieved through the provision of correct procedures when dealing with grievances, disciplinary cases and disputes involving Company employees.

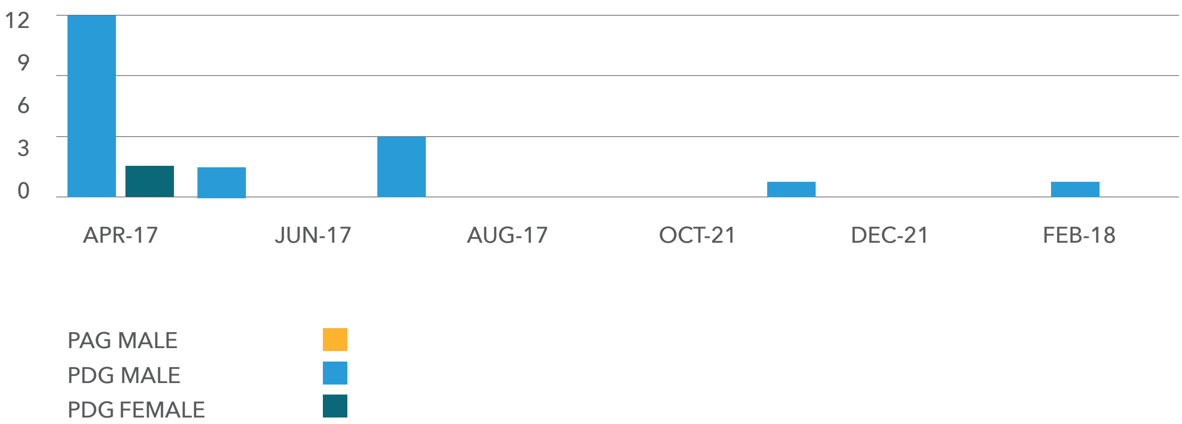
Human Resource Services

During the period under review, 6 employees were appointed in substantive positions. In addition to the above permanent appointments, 15 apprentices were recruited in the Electrical, Diesel Electric Fitter, Carriage & Wagon Fitting, Radio & Telecom and Motor Mechanic trades, bringing the total number of appointments during the reporting period to 21.

Recruitment for 2017/2018

	APR 17	MAY 17	JUN17	JUL17	AUG17	SEP17	OCT17	NOV17	DEC17	JAN18	FEB18	MAR18
PAG MALE												
PDG MALE	12	2		3				1			1	
PAG FEMALE												
PDG FEMALE	2											
	14	2	0	3	0	0	0	1	0	0	1	0

Recruitment per Gender: April 2017 to March 2018



Head Count and Staff Turnover

The total head count as at 31 March 2018 stood at 1,216 compared to 1,361 in the previous year.

During the period under review, there were a total of 166 exits from the Company due to early and normal retirements (43), deceased cases (three), dismissals (15), terminations of contracts (four), voluntary resignations (23), voluntary retrenchments (77), and one permanent disability case.:

- As a result of the financial situation, the Company decided to place a moratorium on external recruitment and also to cease replacement of employees leaving the services of the Company.

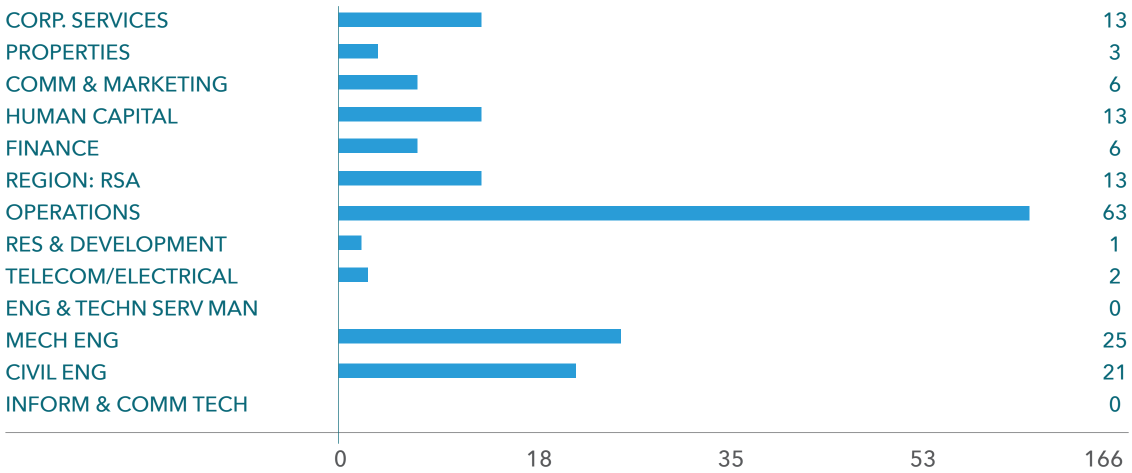
Staff Turnover per Department/Division FY 2017/18

The year under review saw a high turnover in terms of exits, which was compounded by the Voluntary Early Retirement Process as approved by the Board of Directors. The offer under this provision was extended to all employees qualifying for early retirements. In order to ensure financial sustainability of the process, the Board further directed that the process be staggered over a six months period, from October 2017 to March 2018.

During that same period (October 2017 to March 2018), **63** employees accepted the offer while **33** declined. The total financial implication related to this exercise was ***N$23,855,488.13.***

The Graph below illustrates the overall exists per department, including voluntary retirement.

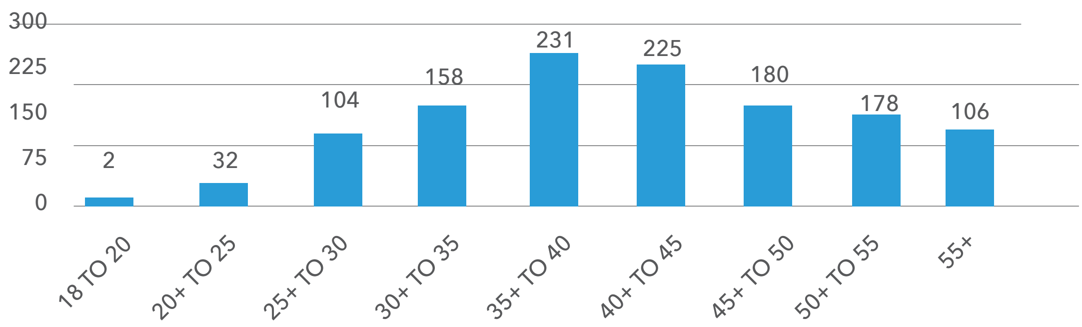
Exits per Department
April 2017-March 2018



Staff Age Profile as at March 2018

AGE	NUMBER	PERCENTAGE
GROUP	PER CATEGORY	PER CATEGORY
18 TO 20	2	0.2
20+ TO 25	32	2.6
25+ TO 30	104	8.6
30+ TO 35	158	13.0
35+ TO 40	231	19.0
40+ TO 45	225	18.5
45+ TO 50	180	14.8
50+ TO 55	178	14.6
55+	106	8.7
	1,216	

TransNamib Holdings Limited
Age Profile: March 2018



Training and Development
The key priority for Training and Development is to ensure that employees are equipped with the relevant skills needed to efficiently carry out their responsibilities and ultimately contribute to the achievement of the Company`s business objectives.

A detailed requirement of all skilled staff has formed part of the human capital recruitment and skills development strategy.

Lack of resources has continued to pose a serious challenge, inhibiting training officers from fulfilling their responsibilities. Amongst the critically required resources are a training truck, vehicles, overhead projectors, lap tops, consumable training materials and equipment.

The Training and Development section has a young and dedicated team of training staff who are willing to work amidst the myriads of constraints. With the necessary support, such vibrant staff members will go a long way in contributing to the Company's strategic objectives.

Statutory Training
Similar to the preceding financial year, mandatory functional training for Road Transport drivers, Train Operations crew members and Apprenticeship/Traineeship programmes for various trades in Engineering and Technical Services, continued.

Mandatory Training

Mandatory training continued to take place during the period under review. The following mandatory training took place and involved 110 Operations staff as illustrated in the Table below:

COURSE	TARGET GROUP	TOTAL TRAINED
Train Drivers Refresher course	Train Drivers	12
Train Driver Assistants Refresher course	Train Driver Assistants	16
Shunters Refresher course	Shunters	18
Leading Shunter refresher course	Leading Shunters	14
Foreman Shunter refresher course	Foreman Shunters	4
Control Clerk refresher course	Operations Control Clerks	5
Train Planner refresher course	Train Planners	11
Shed man refresher course	Shed man	5
Shed attendant refresher course	Shed Attendant	5
Defensive Driving Dangerous Goods Training 16 Module & Fire-fighting	Heavy Duty Drivers	8
Defensive Driving Dangerous Goods Training 16 Module & Fire-fighting	Depot Supervisors	9
Defensive Driving Dangerous Goods Training 16 Module & Fire-fighting	Station Masters	3

COURSE	TARGET GROUP	NO OF TRAINEES
Train Drivers Refresher course	Train Drivers	68
Shed man course	Shed men	8
Train Driver Assistant	RT Drivers	32
Dangerous Goods Refresher course	Facilitators	6
TOTAL DELEGATES		**114**

In spite of the financial constraints, TransNamib honoured the Memoranda of Agreements with both NUST and Namibian Institute of Mining and Technology (NIMT), by giving internships and job attachment opportunities to selected students/trainees. Eight students from NUST and three trainees from NIMT were afforded internships and job attachment opportunities in the IT and the Engineering and Technical Services departments respectively.

TransNamib Human Capital has also continued to partner with relevant functional and technical associates to provide the processes and services required to manage their staff and fulfil their mandates.

In March 2018, TransNamib signed an agreement with NTA and WVTC, through which apprentices would be recruited on a Work Integrated Learning program.

Organisational Development
The Organisational Development (OD) section conducted a skills audit involving 249 supervisory positions from C1 to C4 job categories as well as individual profiling of about 51 B band (B1 – B4) positions from the Operations department.

Additional OD interventions undertaken included the handling of job evaluation and grading grievances from the Commercial & Marketing and Operations departments.

The aforementioned intervention was conducted with a view to determining whether the current skills meet the efficacy required for the implementation of the envisaged ISBP. In addition, the OD section created a database for organisational structures and job descriptions.

Industrial Relations
TransNamib has Industrial Relations policies and procedures in place that ensure a fair and correct conclusion of all cases. Where relevant, counselling was provided.

Looking ahead
The main objective remains to make a desired turn-around for the Company in order to become a profitable railway service operator providing customers with excellent services. The implemented organisational re-design will eventually result in the restructuring of the current reporting structures and reorganising the existing employee base across the business units.

This process is set to take shape as part of the five-year ISBP which is expected to be rolled out as from the next reporting period.

CORPORATE SOCIAL INVESTMENT

Our investment in the education sector
As one of the leading providers of apprenticeship and other vocational and education training within the corporate world, TransNamib has the responsibility to help shape the skills agenda as stipulated in one of the pillars of the Harambee Prosperity Plan (HPP). It is therefore the Company's intention to take a pro-active approach in aligning our training to the needs of the Namibian industry.

The above-mentioned statement bears testimony of TransNamib's resolve to not only provide training exclusively for the Company, but to contribute to the overall alleviation of skills deficit in the country at large.

In addition to the apprenticeship and vocational training provided, TransNamib has for the past five years supported schools through participation in career fares where young people are encouraged to pursue careers and apprenticeships which reflect the demands of the Namibian society.

TransNamib spends on average N$3,45 million per annum on apprentices' remuneration, while tuition, training material and examination fees cost the Company about N$ 180,000 per annum. Other costs include instructors/trainees` remuneration, which averages circa N$2,8 million.

Looking ahead
During the coming years, we will continue to:

- Work towards our goal to be a national example of best practice in community investment.
- Invest in community and charitable partnerships that support our strategies on land management, economic regeneration, employee engagement, future workforce skills, environmental protection and safety.
- Work with specific communities surrounding significant infrastructure investments to maximise entrepreneurial, social enterprise and renaissance of the area.
- Work through routes and in specific communities on relevant local issues.
- Develop community partnerships that support sustainable development behavior.
- Support and collaborate with our employees to maximise the awareness of established community projects.
- Work with partners to help employees and communities stay safe.
- Engage with the wider rail industry to leverage support for community partnerships.

APPRENTICESHIP/TRAINEESHIP PROGRAMS

TransNamib continued to offer Apprenticeship programs in the trades such as Diesel Electric Fitter, Motor Mechanic & Electrical General and internal training programs for Carriage and Wagons, Track Welding, Platelayer and Telecom & Radio within this reporting period.

As part of its efforts to alleviate skills deficit in the Company as well as to contribute to the National Technical & Vocational Educational and Training (TVET) agenda, TransNamib recruited 64 apprentices through the Work-Integrated Learning program. The WIL program, which is funded by NTA, was made possible through a tripartite agreement signed among TransNamib, NTA and WVTC.

As at 31 December 2018, the Company had an intake of 104 apprentices and trainees, which include 40 modular apprentices and 64 CBET apprentices, as illustrated by the Table below:

APPRENTICE PROGRAM	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
DE Fitter	18	3	1	**22**
Motor Mechanic	18	0	3	**21**
Electrician	15	3	0	**18**
Electronics	19	4	0	**23**
Examiner & Repairer	0	2	2	**4**
Platelayer	11	0	0	**11**
Track Welder	5	0	0	**5**

The Table below illustrates the annual intake of apprentices and trainees per respective trades:

APPRENTICE PROGRAM	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
DE Fitter	5	4	2	**11**
Motor Mechanic	0	4	1	**5**
Electrician	4	3	3	**10**
Pupil Technician	4	3	0	**7**
Examiner & Repairer	2	2	0	**4**
VM Trade Hand	1	0	3	**4**
TOTAL	**16**	**16**	**9**	**41**

Job Attachments/Internships

During the period under review, eleven students from NUST continued to do their six months internship program at TransNamib, of which five were at IT, four at Human Capital, one at Engineering and one at Corporate Communications.

SAFETY, HEALTH, ENVIRONMENT

Background
The Safety, Health and Loss Control Division falls under the Properties Department and has as its function to ensure the safety, health and loss control of the Company's human resources and assets, both moveable and immoveable. TransNamib commits itself to the principles of the Health and Safety Regulations, and educates and trains its employees and safety representatives in various forms of Health, Safety and Environmental controls.

Overview
The overall level of safety standards is presently a concern, with health hazards and potential risks visible during operational hours. The ethics of employees in the workplace often leads to detrimental incidents and actions due to reduced training of workplace safety representatives over the last couple of years. The cost cutting exercises have led to a shortage of relevant information provided to the workers as proper training, coaching, mentoring and induction no longer takes place as regularly as they are supposed to. However, the Division is in the process of putting certain measures in place to strengthen our function and to ensure that training takes place on a regular basis.

Environmental Protection and Compliance

Compliance Certificate
TransNamib has sufficiently submitted environmental scoping and has obtained an Environmental Clearance Certificate for a three-year period, from 2014 to 2017.

The company is in the process of developing a monitoring and evaluation plan for evaluating the performance of transporting dangerous goods, which also includes targets for improvements.

Environmental Clearance Certificate
The process of the renewal of the Environmental Clearance Certificate has commenced and is currently in process.

Fire Appliance Services
The monitoring and servicing of all fire appliances is ongoing.

Looking Ahead
The aim of Health, Safety and Loss Control is to reduce the number of accidents and incidents. In the coming years we will therefore focus on the following initiatives:

- Develop a Health and Safety Management Plan.
- Review and upgrade the operational systems with new and modernised systems in order to reduce accidents.
- The high number of accidents at level crossings will be addressed through public education and awareness campaigns.
- Damage of TransNamib infrastructure and equipment will be controlled through the implementation of effective security systems.
- Bush encroachment remains a concern and needs continuous intervention.
- Stringent compliance with National Environmental Management policies and all regulations and authorities by implementing the policies.
- Rehabilitation work at scenes of railway accidents need action planning for rehabilitation. The Health and Safety Section to provide safety induction training in order to reduce the lost time injuries significantly.

6 ANNUAL FINANCIAL STATEMENTS

TransNamib Holdings Limited

(Registration number 99/114)
Annual Financial Statements for the year ended 31 March 2018

General Information

Country of incorporation and domicile	Namibia
Nature of business and principal activities	Providing and promoting of transport services in Namibia or elsewhere by managing, developing and utilising the resources and assets at its disposal.
Registered office	Corner of Bahnhof and Independence Avenue Windhoek Namibia
Business address	Corner of Bahnhof and Independence Avenue Windhoek Namibia
Postal address	P O Box 13204 Windhoek Namibia
Bankers	First National Bank of Namibia Ltd
Auditors	Grand Namibia Registered Accountants and Auditors Chartered Accountants (Namibia)
Secretary	Mrs E C Taylor-Tjaronda

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TransNamib Holdings Limited

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Directors' Responsibilities and Approval

The directors are required in terms of the Companies Act 28 of 2004 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 company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

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

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company 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 company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company 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 company's cash flow forecast for the year to 31 March 2019 and, in light of this review and the current financial position, they are satisfied that the company 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 company's annual financial statements. The annual financial statements have been examined by the company's external auditors and their report is presented on pages 83 – 85.

The annual financial statements set out on pages 86 – 119, which have been prepared on the going concern basis, were approved by the board of directors and were signed on their behalf by:

Approval of financial statements

ADV. SIGRID TJIJOROKISA | **MS. JOSEPHINE SHIKONGO**

TransNamib Holdings Limited
(Registration number 99/114)
Annual Financial Statements for the year ended 31 March 2018

Directors' Report

The directors have pleasure in submitting their report on the annual financial statements of TransNamib Holdings Limited for the year ended 31 March 2018.

1. Review of financial results and activities

The annual financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act 28 of 2004. The accounting policies have been applied consistently compared to the prior year.

The company recorded a profit after tax for the year ended 31 March 2018 of N$ 2, 223, 841

Company revenue increased by 2% from N$459,719 in the prior year to N$468,515 for the year ended 31 March 2018

2. Share capital

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

3. Directorate

The directors in office at the date of this report are as follows:

Directors	Appointment date	Term ended	Designation
Adv S. Tjijorokisa (Chairperson)	07 February 2019		Non-executive Independent
G. Michaels (Deputy Chairperson)	07 February 2019		Non-executive Independent
J. Shikongo	07 February 2019		Non-executive Independent
V. Mberema	07 February 2019		Non-executive Independent
Dr. M. Ochurub (Re-appointment)	07 February 2019	06 February 2019	Non-executive Independent
O. Kaveru	07 February 2019		Non-executive Independent
P. Smit		06 February 2019	Non-executive Independent
E. Angula		06 February 2019	Non-executive Independent
D. N. Jimmy-Melani		06 February 2019	Non-executive Independent
W. P. Molatzi		06 February 2019	Non-executive Independent

4. Events after the reporting period

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

Directors' Report (Continued)

5. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities,contingent obligations and commitments will occur in the ordinary course of business. The ability of the company to continue as a going concern is dependent on a number of factors. The most significant of these is that the directors will procure funding from the Government of the Republic of Namibia (GRN) or other sources for the ongoing operations and that the Government will subordinate the repayment of its loan referred to in note 18 of these annual financial statements. The Company developed an Integrated Strategic Business Plan (ISBP) whose objective is to return the business to profitability and thereby guaranteeing its operational sustainability. The ISBP received the GRN's approval in December 2018 and thus it is expected that the Company will continue to receive its shareholder's support. These conditions indicate a material uncertainty on the ability of the Company to continue as a going concern.

6. Secretary

Mrs E C Taylor-Tjaronda.

7. Auditors

Grand Namibia contined in office as auditors for the company for 2018 in accordance with the Companies Act 28 of 2004.

Independent Auditor's Report

To the shareholder of TransNamib Holdings Limited

Qualified opinion

We have audited the annual financial statements of TransNamib Holdings Limited set out on pages 86 – 119, which comprise the statement of financial position as at 31 March 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the annual financial statements, including a summary of significant accounting policiesand the directors' report.

In our opinion, except for the possible effect of the matter described in the basis for qualified opinion section of our report, the annual financial statements present fairly, in all material respects, the financial position of TransNamib Holdings Limited as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act 28 of 2004.

Basis for qualified opinion

Impact of Prior Year Qualifications on Opening balances

We have qualified the previous year audit opinion on the following bases:
• Land and buildings were not sufficiently componentised resulting in a possible misstatement of depreciation and related items.
• Investment Properties were not carried at its fair value.
• Prior to the split of investment properties and property, plant and equipment fair value movements were recorded to other comprehensive income rather than though profit and loss.
• Due to the limitations of the Company's fixed assets register in the prior years, audit could not satisfy itself with regards to the completeness and existence of its property, plant and equipment.
• The Company did not review the useful lives of its property, plant and equipment in the prior year, as required by IAS 16.

The Company has during the year under review revalued its land, buildings and investment properties as well as performed a physical verification exercise on its material classes of property, plant and equipment. The adjustments that emanated from these exercises were made only in the current financial year and no retrospective adjustments were made to the financial statements. Our opinion on the current period is also qualified because of the possible effects, which we could not quantify, of these matters on the comparability of the current period period's figures and the corresponding figures.

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 Annual Financial Statements section of our report. We are independent of the Company in accordance with the independence requirements applicable to performing audits of financial statements in Namibia which is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We have fulfilled our other ethical responsibilities in accordance with the ethical requirements applicable to performing audits in Namibia. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Material uncertainty related to going concern

We draw attention to note 5 and 34 in the Directors' Report and the annual financial statements respectively, which states events or conditions, along with other matters that indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Emphasis of matter

Investments in property joint ventures

We draw attention to note 5 to the annual financial statements, which discloses investments in joint ventures. The note indicates that Transnamib has investments in property joint ventures namely Fixtures (Pty) Limited and Bahnhof Square Development (Pty) Ltd. However, the true nature of the contractual agreements for these interests were not yet finalised as at year end hence their respective operations have not been disclosed in the annual financial statements as at 31 March 2018 as required by the International Financial Reporting Standards. Our opinion is not modified in respect of this matter.

Independent Auditor's Report (Continued)

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. Key audit matters are selected from the matters communicated with those charged with governance, but are not intended to represent all matters that were discussed with them. Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole. Our opinion on the financial statements is not modified with respect to any of the key audit matters described below, and we do not express an opinion on these individual matters

Valuation of Property, plant and Equipment and Investment Properties

The Company’s land and buildings and investment properties set out in note 3 and 4 to the annual financial statements were subjected to revaluation by an expert valuer during the year under review. The determination of fair values for the land, buildings and investment properties requires significant judgment to be exercised by the valuator. As a result of this and the fact that the items subjected to revaluation represents a material amount of the Company’s total assets, we have identified the valuation of land, buildings and investment properties as a significant risk requiring special audit consideration.

To respond to this significant audit risk, we performed audit procedures which included the following:

- We have evaluated the competence, capabilities and objectivity of the expert valuator contracted by TransNamib Holdings Ltd.
- We engaged directly with the valuator to obtain an understanding of the valuation models used and the key assumptions made by them for the valuation exercise.
- We have reviewed the valuation models and its appropriateness as well as assessed the inputs in the model against independently verifiable market data.
- We have tested all calculations of the valuator for arithmetical accuracy.
- We have reviewed the annual financial statements to ensure adequate disclosure has been made in this regard.

Other information

The directors are responsible for the other information. The other information comprises, the director’s report, required by statute, the detailed income statement and the Integrated Annual Report which we obtained prior to the date of this auditor’s report. The other information does not include the annual financial statements and our auditor’s report thereon.

Our opinion on the annual 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 annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor’s report, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Qualified Opinion above, we were unable to obtain sufficient and appropriate audit evidence about the carrying amounts of the Company’s property, plant and equipment and its investment properties as at 31 March 2017, and the related elements in the statement of comprehensive income and statement of changes in equity and statement of cash flows for the year then ended. Accordingly, we were unable to conclude whether or not the other information is materially misstated with respect to these matters.

Responsibilities of the directors for the Annual Financial Statements

The directors are responsible for the preparation and fair presentation of the annual financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act 28 of 2004, and for such internal control as the directors determine is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the directors are responsible for assessing 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 Company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report (Continued)

Auditor's responsibilities for the audit of the Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the annual 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 International Standards on Auditing 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 annual financial statements.

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

- Identify and assess the risks of material misstatement of the annual 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.
- 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 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 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 annual 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 company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Grand Namibia

Grand Namibia
Registered Accountants and Auditors
Chartered Accountants (Namibia)
R N Beukes
Partner
Windhoek

29 March 2019

TransNamib Holdings Limited

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Statement of Financial Position as at 31 March 2018

Figures in Namibia Dollar thousand	Note(s)	2018	2017
Assets			
Non-Current Assets			
Property, plant and equipment	3	2,309,168	1,430,597
Investment property	4	1,220,406	39,652
Investments in associates	5	12,861	19,547
		3,542,435	**1,489,796**
Current Assets			
Inventories	10	85,323	53,990
Trade and other receivables	11	104,302	137,851
Other financial assets	7	7,070	6,536
Cash and cash equivalents	12	22,952	8,166
		219,647	**206,543**
Total Assets		**3,762,082**	**1,696,339**
Equity and Liabilities			
Equity			
Share capital	13	277,266	277,266
Reserves		1,310,104	283,442
Retained income		104,381	(1,070,793)
		1,691,751	**(510,085)**
Liabilities			
Non-Current Liabilities			
Retirement benefit obligation	8	514,885	483,862
Deferred income	20	776,959	802,517
Loan from Government of Namibia	18	410,355	410,355
		1,702,199	**1,696,734**
Current Liabilities			
Trade and other payables	19	257,874	234,468
Other financial liabilities	15	2,129	2,540
Finance lease liabilities	16	882	11,398
Provisions	17	96,018	207,797
Bank overdraft	12	11,229	53,487
		368,132	**509,690**
Total Liabilities		**2,070,331**	**2,206,424**
Total Equity and Liabilities		**3,762,082**	**1,696,339**

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Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 March 2018

Figures in Namibia Dollar thousand	Note(s)	2018	2017
Revenue	21	468,515	459,719
Other operating income	22	405,855	120,144
Fuel, oil and lubricants		(121,903)	(114,561)
Employee costs		(381,450)	(387,887)
Repairs and maintenance		(41,927)	(50,143)
Operating lease charges		(73,721)	(91,641)
Depreciation, amortization and impairment		(67,267)	(52,075)
Other operating expenses		(194,811)	(106,605)
Operating loss	23	**(6,709)**	**(223,049)**
Investment income	24	3,667	4,521
Finance costs	25	(14,002)	(14,703)
Income from equity accounted investments		5,314	7,344
Fair value gains on investment properties		1,186,904	-
Profit (loss) for the year		**1,175,174**	**(225,887)**
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Gains on property revaluation		1,048,667	-
Other comprehensive income for the year net of taxation		**1,048,667**	**-**
Total comprehensive income (loss) for the year		**2,223,841**	**(225,887)**

TransNamib Holdings Limited

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Statement of Changes in Equity for the year ended 31 March 2018

Figures in Namibia Dollar thousand	Share capital	Revaluation reserve	Other NDR	Total reserves	Retained income	Total equity
Balance at 1 April 2016	**277,266**	**254,237**	**40,000**	**294,237**	**(855,701)**	**(284,198)**
Loss for the year	-	-	-	-	(225,887)	(225,887)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive Loss for the year	**-**	**-**	**-**	**-**	**(225,887)**	**(225,887)**
Transfer of realised revaluation surplus directly to equity	-	(10,795)	-	(10,795)	10,795	-
Balance at 1 April 2017	**277,266**	**243,442**	**40,000**	**283,442**	**(1,070,793)**	**(510,085)**
Profit for the year	-	-	-	-	1,175,174	1,175,174
Other comprehensive income	-	1,048,667	-	1,048,667	-	1,048,667
Total comprehensive income for the year	**-**	**1,048,667**	**-**	**1,048,667**	**1,175,174**	**2,223,841**
Other movements	-	(22,005)	-	(22,005)	-	(22,005)
Balance at 31 March 2018	**277,266**	**1,270,104**	**40,000**	**1,310,104**	**104,381**	**1,691,751**
Note(s)	13	14				

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Statement of Cash Flows for the year ended 31 March 2018

Figures in Namibia Dollar thousand	Note(s)	2018	2017
Cash flows from operating activities			
Cash receipts from customers		882,361	603,943
Cash paid to suppliers and employees		(802,419)	(686,042)
Cash generated from/(used in) operations	27	79,942	(82,099)
Interest income		3,667	4,521
Finance costs		(14,002)	(14,703)
Net cash from operating activities		**69,607**	**(92,281)**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(1,102)	(473,603)
Sale of property, plant and equipment	3	-	551
Sale (purchase) of financial assets		(534)	2,500
Net cash from investing activities		**(1,636)**	**(470,522)**
Cash flows from financing activities			
Repayment of other financial liabilities		(411)	453,559
Finance lease payments		(10,516)	(10,823)
Net cash from financing activities		**(10,927)**	**442,736**
Total cash movement for the year		**57,044**	**(120,067)**
Cash at the beginning of the year		(45,321)	74,746
Total cash at end of the year	12	**11,723**	**(45,321)**

Accounting Policies

1. Significant accounting policies

The principal accounting policies applied in the preparation of these annual financial statements are set out below.

1.1 Basis of preparation

The annual financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these annual financial statements and the Companies Act 28 of 2004.

The annual financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Namibia Dollars.

These accounting policies are consistent with the previous period.

1.2 Significant judgements and sources of estimation uncertainty

The preparation of annual financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Key sources of estimation uncertainty

Trade receivables

The company assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the company makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from the financial asset.

The company assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the company makes judgement as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from the financial asset.

Fair value estimation

The fair value of financial instruments trade in active markets (such as trading and available for sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the company is the current bid price.

the carrying value less impairment provision of trade receivable and payable are assumed to approximate their fair value. 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 company for similar financial instruments.

Impairment testing

The company reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. When such indicators exist, management determine the recoverable amount by performing value in use and fair value calculations. These calculations require the use of estimates and assumptions. When it is not possible to determine the recoverable amount for an individual asset, management assesses the recoverable amount for the cash generating unit to which the asset belongs.

Accounting Policies

1. Significant accounting policies (continued)

Useful lives of property, plant and equipment

Management assess the appropriateness of the useful lives of property, plant and equipment at the end of each reporting period. The useful lives of motor vehicles, furniture and computer equipment are determined based on company replacement policies for the various assets. Individual assets within these classes, which have a significant carrying amount are assessed separately to consider whether replacement will be necessary outside of normal replacement parameters. The useful life of manufacturing equipment is assessed annually based on factors including wear and tear, technological obsolescence and usage requirements.

When the estimated useful life of an asset differs from previous estimates, the change is applied prospectively in the determination of the depreciation charge.

Provisions

Provisions are inherently based on assumptions and estimates using the best information available. Additional disclosure of these estimates of provisions are included in note 17.

1.3 Investment property

Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the investment property will flow to the enterprise, and the cost of the investment property can be measured reliably.

Investment property is initially recognised at cost and subsequently at fair value. Transaction costs are included in the initial measurement.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

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

The carrying value less impairment provision of trade receivable and payable are assumed to approximate their fair value. 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 company for similar financial instruments.

1.4 Property, plant and equipment

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

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the company, and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the company and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the year in which they are incurred.

Property, plant and equipment other than land and buildings is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses.

Land and buildings are subsequently stated at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Accounting Policies

1. Significant accounting policies (continued)

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting year.

Any increase in an asset’s carrying amount, as a result of a revaluation, is recognised in other comprehensive income and accumulated in the revaluation reserve in equity. The increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the company. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

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

Item	Depreciation method	Average useful life
Buildings	Straight line	10 - 50 years
Plant and machinery	Straight line	5 - 10 years
Furniture and fixtures	Straight line	5 - 10 years
Motor vehicles	Straight line	3 - 10 years
Office equipment	Straight line	5 - 10 years
IT equipment	Straight line	5 - 10 years
Computer software	Straight line	5 - 10 years
Rolling stock	Straight line	10 - 40 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively 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.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

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.

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

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

Accounting Policies

1. Significant accounting policies (continued)

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

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

Item	**Useful life**
Computer software	5 years

1.6 Investments in joint ventures

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. A joint arrangement is either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Joint operations

The company recognises the following in relation to its interests in a joint operation:
- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly

1.7 Investments in associates

An associate is an entity over which the group has significant influence and which is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. it generally accompanies a shareholding of between 20% and 50% of the voting rights.

Investments in associates are 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, investments in associates are carried in the Statement of Financial position at cost adjusted for post-acquisition changes in the group's share of net assets of the associate, less any impairment losses.

The company's share of post-acquisition profit or loss is recognised in profit or loss, and its share of movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. Losses in an associate in excess of the group's interest in that associate, including any other unsecured receivables, are recognised only to the extent that the group has incurred a legal or constructive obligation to make payments on behalf of the associate.

Any goodwill on acquisition of an associate is included in the carrying amount of the investment, however, a gain on acquisition is recognised immediately in profit or loss.

Profits or losses on transactions between the group and an associate are eliminated to the extent of the group's interest therein. unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the company.

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

Accounting Policies

1. Significant accounting policies (continued)

1.8 Financial instruments

Classification

The company classifies financial assets and financial liabilities into the following categories:
- Loans and receivables
- Available-for-sale financial assets
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

Initial recognition and measurement

Financial instruments are recognised initially when the company becomes a party to the contractual provisions of the instruments.

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Available-for-sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses.

Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in equity until the asset is disposed of or determined to be impaired. Interest on available-for-sale financial assets calculated using the effective interest method is recognised in profit or loss as part of other income. Dividends received on available-for-sale equity instruments are recognised in profit or loss as part of other income when the company's right to receive payment is established.

Changes in fair value of available-for-sale financial assets denominated in a foreign currency are analysed between translation differences resulting from changes in amortised cost and other changes in the carrying amount. Translation differences on monetary items are recognised in profit or loss, while translation differences on non-monetary items are recognised in other comprehensive income and accumulated in equity.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Derecognition

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

Accounting Policies

1. Significant accounting policies (continued)

Impairment of financial assets

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

For amounts due to the company, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity as a reclassification adjustment to other comprehensive income and recognised in profit or loss.

Impairment losses are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in profit or loss except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

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

Loans to (from) group companies

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

Loans to group companies are classified as loans and receivables.

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

Loans to shareholders, directors, managers and employees

These financial assets are classified as loans and receivables.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

Accounting Policies

1. Significant accounting policies (continued)

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

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 company's accounting policy for borrowing costs.

Held to maturity

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

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

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

1.9 Tax

Current tax assets and liabilities

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

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

Accounting Policies

1. Significant accounting policies (continued)

Deferred tax assets and liabilities

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

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

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

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

Tax expenses

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

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

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

1.10 Leases

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

Finance leases - lessor

The company recognises finance lease receivables in the statement of financial position.

Finance income is recognised based on a pattern reflecting a constant periodic rate of return on the company’s net investment in the finance lease.

Finance leases – lessee

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

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

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

Accounting Policies

1. Significant accounting policies (continued)

Operating leases - lessor

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

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

Income for leases is disclosed under revenue in profit or loss.

Operating leases – lessee

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

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

1.11 Inventories

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

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

The cost of inventories 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.

1.12 Impairment of assets

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

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

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

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

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

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

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

Accounting Policies

1. Significant accounting policies (continued)

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

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

1.13 Share capital and equity

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

1.14 Employee benefits

Short-term employee benefits

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

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

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

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the company's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Accounting Policies

1. Significant accounting policies (continued)

Defined benefit plans

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

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

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

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

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

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the company is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In profit or loss, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

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 company 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.

Provisions are not recognised for future operating losses.

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

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

Accounting Policies

1. Significant accounting policies (continued)

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 29.

1.16 Government grants

Government grants are recognised when there is reasonable assurance that:
- the company will comply with the conditions attaching to them; and
- the grants will be received.

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable.

Government grants related to assets, including non-monetary grants at fair value, are presented in the statement of financial position by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

Grants related to income are presented as a credit in the profit or loss (separately).

Repayment of a grant related to income is applied first against any un-amortised deferred credit set up in respect of the grant. To the extent that the repayment exceeds any such deferred credit, or where no deferred credit exists, the repayment is recognised immediately as an expense.

Repayment of a grant related to an asset is recorded by increasing the carrying amount of the asset or reducing the deferred income balance by the amount repayable. The cumulative additional depreciation that would have been recognised to date as an expense in the absence of the grant is recognised immediately as an expense.

1.17 Revenue

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company;
- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

Service revenue is recognised by reference to the stage of completion of the transaction at the end of the reporting period. Stage of completion is determined by .

Contract revenue comprises:
- the initial amount of revenue agreed in the contract; and
- variations in contract work, claims and incentive payments:

Accounting Policies

1. Significant accounting policies (continued)

- to the extent that it is probable that they will result in revenue; and
- they are capable of being reliably measured.

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

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

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

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

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

1.18 Turnover

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

1.19 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

- expenditures for the asset have occurred;
- borrowing costs have been incurred, and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Notes to the Annual Financial Statements

Figures in Namibia Dollar thousand	2018	2017

2. New Standards and Interpretations

2.1 Standards and interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 1 April 2018 or later periods:

Standard/ Interpretation:	**Effective date: Years beginning on or after**	**Expected impact:**
• Insurance Contracts	1 January 2021	Unlikely there will be a material impact
• IFRS 16 Leases	1 January 2019	Impact is currently being assessed
• IFRS 9 Financial Instruments	1 January 2018	Impact is currently being assessed
• IFRS 15 Revenue from Contracts with Customers	1 January 2018	Impact is currently being assessed

Notes to the Annual Financial Statements

Figures in Namibia Dollar thousand

3. Property, plant and equipment

	2018			2017		
	Cost or revaluation	**Accumulated depreciation**	**Carrying value**	**Cost or revaluation**	**Accumulated depreciation**	**Carrying value**
Land	683,264	-	683,264	3,496	-	3,496
Buildings	597,403	(54,860)	542,543	281,416	(47,386)	234,030
Furniture and fixtures	4,908	(4,454)	454	4,908	(4,236)	672
Motor vehicles	51,901	(41,051)	10,850	51,901	(37,834)	14,067
Office equipment	44,854	(13,569)	31,285	44,852	(10,874)	33,978
IT equipment	29,275	(21,725)	7,550	28,706	(20,930)	7,776
Perway	82,460	(22,230)	60,230	81,928	(19,689)	62,239
Rolling stock	1,209,115	(242,877)	966,238	1,286,206	(218,621)	1,067,585
Capital under construction	6,754	-	6,754	6,754	-	6,754
Total	**2,709,934**	**(400,766)**	**2,309,168**	**1,790,167**	**(359,570)**	**1,430,597**

Reconciliation of property, plant and equipment - 2018

	Opening balance	**Additions**	**Impairments**	**Revaluations**	**Depreciation**	**Total**
Land	3,496	-	(2,159)	681,927	-	683,264
Buildings	234,030	-	(51,304)	366,740	(6,923)	542,543
Furniture and fixtures	672	-	-	-	(218)	454
Motor vehicles	14,067	-	-	-	(3,217)	10,850
Office equipment	33,978	-	-	-	(2,693)	31,285
IT equipment	7,776	569	-	-	(795)	7,550
Perway	62,239	533	-	-	(2,542)	60,230
Rolling stock	1,067,585	-	(50,467)	-	(50,880)	966,238
Capital under construction	6,754	-	-	-	-	6,754
	1,430,597	**1,102**	**(103,930)**	**1,048,667**	**(67,268)**	**2,309,168**

Notes to the Annual Financial Statements

Figures in Namibia Dollar thousand	2018	2017

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	3,496	-	-	-	-	3,496
Buildings	240,017	-	-	-	(5,987)	234,030
Furniture and fixtures	793	321	-	-	(442)	672
Motor vehicles	14,427	3,454	-	-	(3,814)	14,067
Office equipment	10,541	25,678	-	-	(2,241)	33,978
IT equipment	8,444	256	-	-	(924)	7,776
Perway	62,357	2,386	-	-	(2,504)	62,239
Rolling stock	555,856	534,953	(1,431)	13,435	(35,228)	1,067,585
Capital under construction	21,677	(1,488)	-	(13,435)	-	6,754
	917,608	**565,560**	**(1,431)**	**-**	**(51,140)**	**1,430,597**

Revaluations

The company's land and buildings are stated at revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and accumulated impairment losses.

The fair value measurements as at 31 March 2018 were performed by Mr Jurie Scholtz of Property Valuations Namibia. Property Valuations Namibia, independent valuers are not related to the company. Mr Jurie Scholtz is a members of the Institute of Valuers and they have the appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations.

Registers with details of land and buildings are available for inspection by shareholders or their duly authorised representatives at the registered office of the company.

4. Investment property

	2018			2017		
	Cost / Valuation	**Accumulated depreciation**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation**	**Carrying value**
Investment property	1,220,406	-	1,220,406	47,146	(7,494)	39,652

Reconciliation of investment property - 2018

	Opening balance	Impairments	Fair value adjustments	Total
Investment property	39,652	(6,150)	1,186,904	1,220,406

Reconciliation of investment property - 2017

	Opening balance	Depreciation	Total
Investment property	40,587	(935)	39,652

Registers with details of land and buildings are available for inspection by shareholders or their duly authorised representatives at the registered office of the company.

Notes to the Annual Financial Statements

Figures in Namibia Dollar thousand	2018	2017

4. Investment property (continued)

Details of valuation

The effective date of the revaluations was 31 March 2018. Revaluations were performed by an independent valuer, Mr Jurie Scholtz, of Property Valuations Namibia. Mr Jurie Scholtz is not connected to the company and has recent experience in location and category of the investment property being valued.

The valuation was based on open market value for existing use.

Amounts recognised in profit and loss for the year

Cumulative change in fair value recognised in profit (loss) on revaluation of investment property	1,186,904	-

5. Investments in associates

Investment in associates

The following table lists all of the associates in the company:

Name of company	Held by	% ownership interest 2018	% ownership interest 2017	Carrying amount 2018	Carrying amount 2017
GPT - Transnamib Concrete Sleepers (Pty)		50.00 %	50.00 %	9,620	16,116
Namibia Rail Construction (Pty) Ltd		51.00 %	51.00 %	3,241	3,431
Swakopmund Station Hotel (Pty) Ltd		50.00 %	50.00 %	-	-
				12,861	19,547

Transnamib Holdings Limited has a 50% equity shareholding with equivalent voting power in Swakopmund Station Hotel (Pty) Ltd. The company has discontinued recognising its share of the losses of Swakopmund Station Hotel (Pty) Ltd as it has no obligation for the losses of the associates beyond its initial investment and an extension thereof by means of a loan. Swakopmund Station Hotel (Pty) Ltd principal place of business is in Swakopmund.

Summarised financial information of associates

2018

Summarised statement of comprehensive income	Revenue	Depreciation and amortisation	Interest income	Interest expense	Tax expense	Profit (loss) from operations
GPT-Transnamib Concrete Sleepers (Pty) Ltd	57,528	(3,876)	-	-	(1,970)	10,713
Swakopmund Station Hotel (Pty) Ltd	74,466	(5,001)	2,390	-	-	(8,299)
Namibia Rail Construction (Pty) Ltd	31,726	(1)	206	(5,054)	(1,445)	(372)
	163,720	**(8,878)**	**2,596**	**(5,054)**	**(3,415)**	**2,042**

Notes to the Annual Financial Statements

Figures in Namibia Dollar thousand	2018	2017

5. Investments in associates (continued)

Summarised statement of comprehensive income	Total comprehensive income
GPT-Transnamib Concrete Sleepers (Pty) Ltd	10,713
Swakopmund Station Hotel (Pty) Ltd	(8,299)
Namibia Rail Construction (Pty) Ltd	(372)
	2,042

Summarised statement of financial position

Assets	Non-current assets	Cash and cash equivalents	Other current assets	Total current assets	Total assets
GPT-Transnamib Concrete Sleepers (Pty) Ltd	24,090	11,434	3,174	14,608	38,698
Swakopmund Station Hotel (Pty) Ltd	57,646	6,186	3,432	9,618	67,264
Namibia Rail Construction (Pty) Ltd	101	2,109	10,802	12,911	13,012
	81,837	**19,729**	**17,408**	**37,137**	**118,974**

Liabilities	Non-current financial liabilities*	Total non-current liabilities	Current financial liabilities*	Other current liabilities	Total current liabilities	Total liabilities
GPT-Transnamib Concrete Sleepers (Pty) Ltd	3,175	3,175	16,578	-	16,578	19,753
Swakopmund Station Hotel (Pty) Ltd	79,707	79,707	-	33,682	33,682	113,389
Namibia Rail Construction (Pty) Ltd	(1,283)	(1,283)	-	13,052	13,052	11,769
	81,599	**81,599**	**16,578**	**46,734**	**63,312**	**144,911**

*Current and non-current financial liabilities are expressed in the table above, excluding trade and other payables and provisions. Trade and other payables and provisions are included in other non-current liabilities and other current liabilities.

Reconciliation of movement in investments associates	Investment at beginning of 2018	Share of profit	Dividends received from associates	Investment at end of 2018
GPT-Transnamib Concrete Sleepers (Pty) Ltd	16,116	5,504	(12,000)	9,620
Namibia Rail Construction (Pty) Ltd	3,431	(190)	-	3,241
	19,547	**5,314**	**(12,000)**	**12,861**

2017

Summarised statement of comprehensive income	Revenue	Depreciation and amortisation	Interest income	Interest expense	Tax expense	Profit (loss) from operations
GPT-Transnamib Concrete Sleepers (Pty) Ltd	62,188	(4,796)	-	-	(1,982)	11,112
Swakopmund Station Hotel (Pty) Ltd	88,674	(4,726)	358	(10,645)	-	(2,531)
Namibia Rail Construction (Pty) Ltd	19,370	-	-	-	-	3,501
	170,232	**(9,522)**	**358**	**(10,645)**	**(1,982)**	**12,082**

Notes to the Annual Financial Statements

Figures in Namibia Dollar thousand	2018	2017

5. Investments in associates (continued)

Summarised statement of comprehensive income	Total comprehensive income
GPT-Transnamib Concrete Sleepers (Pty) Ltd	11,112
Swakopmund Station Hotel (Pty) Ltd	(2,531)
Namibia Rail Construction (Pty) Ltd	3,501
	12,082

Summarised statement of financial position

Assets	Non-current assets	Cash and cash equivalents	Other current assets	Total current assets	Total assets
GPT-Transnamib Concrete Sleepers (Pty) Ltd	23,166	2,291	33,324	35,615	58,781
Swakopmund Station Hotel (Pty) Ltd	61,462	10,894	5,639	16,533	77,995
Namibia Rail Construction (Pty) Ltd	186	(234)	8,342	8,108	8,294
	84,814	**12,951**	**47,305**	**60,256**	**145,070**

Liabilities	Non-current financial liabilities*	Total non-current liabilities	Current financial liabilities*	Other current liabilities	Total current liabilities	Total liabilities
GPT-Transnamib Concrete Sleepers (Pty) Ltd	3,400	3,400	8,999	14,151	23,150	26,550
Swakopmund Station Hotel (Pty) Ltd	14,074	14,074	93,530	8,217	101,747	115,821
Namibia Rail Construction (Pty) Ltd	1,506	1,506	-	891	891	2,397
	18,980	**18,980**	**102,529**	**23,259**	**125,788**	**144,768**

*Current and non-current financial liabilities are expressed in the table above, excluding trade and other payables and provisions.

Reconciliation of movement in investments in associates	Investment at beginning of 2017	Dividends received from associates	Share of profit	Investment at end of 2017
GPT-Transnamib Concrete Sleepers (Pty) Ltd	13,060	(2,500)	5,556	16,116
Namibia Rail Construction (Pty) Ltd	1,643	-	1,788	3,431
	14,703	**(2,500)**	**7,344**	**19,547**

6. Investments in joint ventures

Transnamib Holdings Limited has interest in property joint ventures whose validity and contractual arrangements have not yet been clarified and approved by the shareholder as at year end. No disclosures have been made in the annual financial statements in as far as their operations are concerned. The properties that are subject to these arrangements are carried and disclosed as property plant and equipment or investment properties as appropriate. Below are the entities with the respective Transnamib percentage interest and the lease period for the properties to be developed:

Fixtures (Pty) Ltd - 22%, with lease periods of 50 - 99 years

Bahnhof Square Development (Pty) Ltd - 51%, with lease period of 50 years.

Notes to the Annual Financial Statements

Figures in Namibia Dollar thousand	2018	2017

7. Other financial assets

At fair value through profit or loss - designated

Unit Trust - IJG Security (Pty) Ltd	7,070	6,536

Current assets

Designated as at FV through profit (loss)	7,070	6,536

The company has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

8. Retirement benefits obligation

Post retirement medical benefit plan

The defined benefit plan, to which 70% (2017: 70%) belong, consists of the Post Retirement Medical Assistance program.

Carrying value

Present value of the defined benefit obligation-wholly unfunded	(514,885)	(483,862)

Movements for the year

Opening balance	483,862	439,630
Benefits paid	(15,805)	(13,296)
Net expense recognised in profit or loss	46,828	57,528
	514,885	**483,862**

Net expense recognised in profit or loss

Current service cost	12,885	14,136
Interest cost	47,650	43,392
Actuarial loss	(13,707)	-
	46,828	**57,528**

Key assumptions used

Assumptions used on last valuation:.

Discount rates used	9.60 %	10.00 %
Expected rate of return on assets	8.20 %	8.50 %

Post retirement benefit plan

It is the policy of the company to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The total group contribution to such schemes	35,990	29,257

Notes to the Annual Financial Statements

Figures in Namibia Dollar thousand	2018	2017

9. Deferred tax

Deferred tax liability

Property plant and equipment	(285,955)	(230,162)
Owner occupied- Revaluation	(173,614)	-
Other	(2,631)	(8)
Consumables	(28,307)	(17,359)
Unrecognised deferred tax	(428,275)	(617,728)
Total deferred tax liability	**(918,782)**	**(865,257)**

Deferred tax asset

Liabilities for health care benefits accrued	162,930	154,836
Other provisions	6,437	10,754
Tax losses available for set off against future taxable income	740,948	690,885
Provisions for doubtful debts	8,467	8,782
Deferred tax balance from temporary differences other than unused tax losses	918,782	865,257
Total deferred tax asset	**918,782**	**865,257**

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

Deferred tax liability	(918,782)	(865,257)
Deferred tax asset	918,782	865,257
Total net deferred tax asset	**-**	**-**

10. Inventories

Consumable stores	85,323	53,990

11. Trade and other receivables

Trade receivables	128,193	134,641
Prepayments	8,223	39,157
Other receivables	3,164	644
Provision for impairment on trade receivables	(35,278)	(36,591)
	104,302	**137,851**

Split between non-current and current portions

Current assets	104,302	137,851

Credit quality of trade and other receivables

As of 31 March 2018, trade and other receivables of N$ 35,278,355 (2017: N$ 36,591,127) were impaired and provided for are prepayments and deposits.

Notes to the Annual Financial Statements

Figures in Namibia Dollar thousand	2018	2017

11. Trade and other receivables (continued)

Trade and other receivables past due but not impaired

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

30 days	8,546	14,331
60 days	1,440	4,468
90 days	50,027	50,459

Trade and other receivables impaired

As of 31 March 2018, trade and other receivables of N$2 315 462 882 35,278,355 (2017: N$ 36,591,127) were impaired and provided for.

12. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	336	321
Bank balances	22,616	7,845
Bank overdraft	(11,229)	(53,487)
	11,723	**(45,321)**
Current assets	22,952	8,166
Current liabilities	(11,229)	(53,487)
	11,723	**(45,321)**
Cash and cash equivalents held by the entity that are not available for use by the company.	2,129	2,540

Standard Bank Namibia
- Ceded comprehensive cover
- Guarantee of N$ 1 520 000

First National Bank of Namibia
-Written guarantee of N$ 11 765 000 held by First National Bank of Namibia

Loan balances are as follows:
- Loan agreement dated 02/03/2010 of N$ 20 000 000
- F30 dated 01/11/2012
- Cession of debts dated 22/07/2013.

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

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

Credit rating		
Bank Windhoek (A1 + Moody's credit rating)	1,343	101
Standard Bank Limited (BBB + Fitch credit rating)	317	209
First National Bank (AA + Fitch credit rating)	19,395	4,613
IJG (No credit rating)	7,070	6,536
Nedbank (AA + Fitch credit rating)	2,115	5
	30,240	**11,464**

Notes to the Annual Financial Statements

Figures in Namibia Dollar thousand	2018	2017

13. Share capital

Authorised		
1 000 000 000 ordinary shares N$ 1 each	1,000,000	1,000,000
Issued		
277 266 030 Ordinary shares of N$ 1 each	277,266	277,266

14. Revaluation reserve

The revaluation reserve relates to the revaluation of the land and building. A portion of the revaluation is released on a yearly basis to retained income being the depreciation on the revaluation of the building.

Opening balance	243,442	254,237
Gains on land and building revaluation	1,026,662	-
Release of the depreciation on revaluation to the income statement	-	(10,795)
	1,270,104	**243,442**

15. Other financial liabilities

Held at amortised cost		
Government of Namibia These funds are held for special project administered on behalf of the Government (refer to note 11)	2,129	2,540
Current liabilities		
At amortised cost	2,129	2,540

16. Finance lease liabilities

Minimum lease payments due		
- within one year	882	12,350
	882	12,350
less: future finance charges	-	(952)
Present value of minimum lease payments	**882**	**11,398**
Present value of minimum lease payments due		
- within one year	882	11,398

It is company policy to lease certain motor vehicles and equipment under finance leases.

The average lease term was 5 years and the average effective borrowing rate was 10% (2017: 10%)

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The company's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note .

Notes to the Annual Financial Statements

Figures in Namibia Dollar thousand	2018	2017

17. Provisions

Reconciliation of provisions - 2018

	Opening balance	Additions	Utilised during the year	Total
Other provisions	49,573	44,898	(36,842)	57,629
Provision for interest and penalties on Import VAT	24,002	43,586	(42,910)	24,678
Provision for penalties and interest - PAYE and VAT	134,222	90,824	(211,335)	13,711
	207,797	**179,308**	**(291,087)**	**96,018**

Reconciliation of provisions - 2017

	Opening balance	Additions	Utilised during the year	Total
Other provisions	41,665	41,911	(34,003)	49,573
Provisions for interest and penalties on Import VAT	53,048	-	(29,046)	24,002
Provision for penalties and interest - PAYE and VAT	67,806	132,768	(66,352)	134,222
	162,519	**174,679**	**(129,401)**	**207,797**

The provisions are not discounted to present value as they are deemed that the time value of money will not be material.

Provision for penalties and interest - PAYE and VAT
The provision arose from the expected penalties and interest to be paid to the Receiver of Revenue for late submission and payment of PAYE and VAT.

Other provisions
Includes provision for obsolete stock, employee compensation (ECA), and goods in transit insurance claims from customers.

Provision for interest and penalties on Import VAT
The provision arose from expected penalties and interest relating to Import Value Added Tax.

18. Loan from Government of Namibia

In November 2005 the Government of the Republic of Namibia entered into a Concessional loan agreement with the Peoples Republic of China whereby a loan to the amount of 250,000,000 Chinese Yuan was made available by the Import Export Bank of China to the Government of Namibia to purchase railway equipment. This loan has been lent to Transnamib by the Government for purchase of railway equipment during 2007.

The loan is denominated in namibia Dollars, but Transnamib carried the foreign exchange risk, until September 2010 when loan between the Government and the Peoples Republic of China was settled by the Government of Namibia. interest of 3% was levied on the amount of the foreign balance, at which point the balance was Translated ninto namibian Dollars at the same interest rate.

During the financial year 2012/2013, Government of the Republic of Namibia (GRN) provided financial assistance to Transnamib to finance its operations amounting to N$53,601,464 such as payment of salaries and settlement of creditors. in the financial year 2013/2014, the Government of the Republic of Namibia (GRN) provided financial assistance totalling N$28,000,000 to Transnamib to finance payroll. the accummulated balance of this financial assistance as per government correspondence received is repayable hence its inclusion as loan.

	2018	2017
Chinese loan	328,754	328,754
Government of Namibia	81,601	81,601
	410,355	**410,355**

Notes to the Annual Financial Statements

Figures in Namibia Dollar thousand	2018	2017

19. Trade and other payables

Trade payables	177,081	131,805
Amounts due to related parties	4,936	5,766
Accrued bonus	425	431
VAT	22,373	58,837
Employee vendors	(7)	16
Accrued expenses	35,424	16,317
Accrued leave	16,575	20,145
Outgoing cheques	4	256
Other payables	1,063	895
	257,874	**234,468**

20. Deferred income

The company entered into a shareholders agreement with GPT Infrastructure Ltd (GPT) and Dorros Investment Number Twenty Two (Pty) Ltd for the establishment of GPT- Transnamib Concrete Sleeper (Pty) Ltd. In terms of the agreement the company owns 50% of the issued share capital while the other parties hold the rest. Each shareholder was required to inject start up capital into the new business. Since the company's liquidity was not favourable, the government paid the contribution of TNHL. This amount of N$ 25,000,0000 accounted for as deferred income in the statement of financial position.

During 2012 other government loans were confirmed to be subsidies by the Ministry of Finance. N$ 83,900,000 was transfered to deferred income being a grant related to assets while the remaining N$ 14,209,283 was recorded in profit and lossbeing a grant related to income.

During 2017, the company paid N$ 447,310,335 for the aquisition of locomotives from GE, acid rail tankers from China Railway, tampering machine, reachstarkers and vehicles. The funds were paid directly to the suppliers by the Government of the Republic of Namibia (Capital grant).

Non-current liabilities	776,959	802,517
Current liabilities	-	-
	776,959	**802,517**

21. Revenue

Rendering of services	438,556	436,804
Rental income	29,959	22,915
	468,515	**459,719**

22. Other operating income

Commissions received	-	1,226
Bad debts recovered	4,516	-
Government grants	261,057	151,277
Other sundry income	1,158	(703)
Fines and penalties	138,009	(32,710)
Other income	1,115	1,054
	405,855	**120,144**

23. Operating profit (loss)

Operating loss for the year is stated after charging (crediting) the following, amongst others:

Auditor's remuneration - external		
Audit fees	707	597

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Figures in Namibia Dollar thousand	2018	2017
23. Operating profit (loss) (continued)		
Remuneration, other than to employees		
Consulting and professional services	14,643	9,984
Depreciation and amortisation		
Depreciation of investment property on the cost model	-	936
Depreciation of property, plant and equipment	67,268	51,140
Total depreciation and amortisation	**67,268**	**52,076**
Other		
Other operating gains (losses)	-	(1,600)
24. Investment income		
Interest income		
From investments in financial assets:		
Investments	1,718	2,008
Trade debtors	1,949	2,513
Total interest income	**3,667**	**4,521**
25. Finance costs		
Interest paid long term loans	4,752	4,222
Interest on Government loans	9,251	9,600
Other interest paid	(1)	881
Total finance costs	**14,002**	**14,703**
26. Taxation		
Reconciliation of the tax expense		
Reconciliation between accounting profit and tax expense.		
Accounting profit	1,175,174	(225,887)
Tax at the applicable tax rate of 32% (2017: 32%)	376,056	(72,283)
Made up as follows:		
Permanent differences	(390,129)	(168,899)
Deferred tax-current period	14,073	-
Unutilised tax loss	-	241,182
	-	**-**

The estimated tax loss available for set off against future taxable income is N$2 315 462 882 (2017: N$2 159 015 587).

Notes to the Annual Financial Statements

Figures in Namibia Dollar thousand	2018	2017

27. Cash generated from/(used in) operations

Profit before taxation	1,175,174	(225,887)
Adjustments for:		
Depreciation and amortisation	67,268	52,076
Income from equity accounted investments	(5,314)	(7,344)
Finance costs	14,002	14,703
Fair value gains	(1,186,904)	-
Movements in retirement benefit assets and liabilities	31,023	44,232
Movements in provisions	(111,779)	45,278
Other non-cash items	-	(548)
Movement in Investment Properties	6,150	-
Movement in land and buildings	90,258	-
Changes in working capital:		
Inventories	(31,333)	531
Trade and other receivables	33,549	(108)
Trade and other payables	23,406	8,889
Deferred income	(25,558)	(13,921)
	79,942	**(82,099)**

28. Commitments

Authorised capital expenditure

Budgeted/ Not yet contracted for and authorised by directors	428,851	308,048

Operating leases – as lessee (expense)

Minimum lease payments due		
- within one year	882	11,398

29. Contingencies

- Contingent guarantee amounting to N$ 11 765 000 is held by First National Bank of Namibia Ltd.

- One guarantee of N$ 1 520 000 in favour of the Department of Finance, Customs & Excise are held by Standard Bank of Namibia Ltd.

30. Related parties

Relationships	
Interest in Associates and Joint ventures	Refer to note 5
Shareholder	The Government of the Republic of Namibia
Directors	Refer to the Directors' Report

Related party balances

Loan accounts - Owing (to) by related parties		
Government of the Republic of Namibia	(410,355)	(410,355)

Related party transactions

Funds received from related parties		
Funds from the Government of the Republic of Namibia	261,057	197,010
Compensation to directors		
Short-term employee benefits	936	968

Notes to the Annual Financial Statements

Figures in Namibia Dollar thousand	2018	2017

31. Directors' emoluments

Non-executive

2018

	Directors' fees	Total
Dr. M. Ochurub	197	197
P. Smit	214	214
E. Angula	181	181
D. N. Jimmy-Melani	174	174
W. P. Molatzi	170	170
	936	**936**

2017

	Directors' fees	Total
Dr. M. Ochurub	182	182
Jantjie Daun	30	30
P. Smit	222	222
E. Angula	188	188
D. N. Jimmy-Melani	188	188
W. P. Molatzi	158	158
	968	**968**

32. Reclassification of prior year

For better presentation we have reclassified some items in the statement of profit and loss and other comprehensive income.

The effect of these reclassifications were:

Statement of profit and loss and other comprehensive income		
Decrease in cost of sales	-	(125,428)
Decrease in other operating expenses	-	(598,901)
Increase in fuel, oil and lubricants	-	724,329

33. Risk management

Capital risk management

The company's objectives when managing capital are to safeguard the company'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 company consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes 15 & 16 cash and cash equivalents disclosed in note 12, and equity as disclosed in the statement of financial position.

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

Financial risk management

The company'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.

Notes to the Annual Financial Statements

Figures in Namibia Dollar thousand	2018	2017

33. Risk management (continued)

Liquidity risk

The company's risk to liquidity is a result of the funds available to cover future commitments. The company manages liquidity risk through an ongoing review of future commitments and credit facilities.

At 31 March 2018	Less than 1 year	Over 5 years
Finance lease liabilities	882	-
Government loan	-	410,355
Trade and other payables	140,289	-
Bank overdraft	11,546	-
Other financial liabilities	2,129	-

At 31 March 2017	Less than 1 year	Over 5 years
Finance lease nliabilities	11,398	-
Government loan	-	410,355
Trade and other payables	140,289	-
Bank Overdraft	53,487	-
Other financial liabilities	2,540	-

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The company only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

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

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

Financial instrument	2018	2017
Trade and other receivables	96,079	140,351
Cash and cash equivalents	23,269	8,135

The company is exposed to a number of guarantees for the overdraft facilities.

34. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities,contingent obligations and commitments will occur in the ordinary course of business.The ability of the company to continue as a going concern is dependent on a number of factors. The most significant of these is that the directors will procure funding from the Government of the Republic of Namibia (GRN) or other sources for the ongoing operations and that the Government will subordinate the repayment of its loan referred to in note 17 of these annual financial statements. The Company developed an Integrated Strategic Business Plan (ISBP) whose objective is to return the business to profitability and thereby guaranteeing its operational sustainability. The ISBP received the GRN's approval in December 2018 and thus it is expected that the Company will continue to receive its shareholder's support. These conditions indicate a material uncertainty on the ability of the Company to continue as a going concern.

TransNamib Holdings Limited

(Registration number 99/114)
Annual Financial Statements for the year ended 31 March 2018

Detailed Income Statement

Figures in Namibia Dollar thousand	Note(s)	2018	2017
Revenue			
Rendering of services		438,556	436,804
Rental income		29,959	22,915
	21	**468,515**	**459,719**
Other operating income			
Commissions received		-	1,226
Bad debts recovered		4,516	-
Government grants		261,057	151,277
Scrap sales		1,158	(703)
Fines and penalties recovered		138,009	(32,710)
Other income		1,115	1,054
	22	**405,855**	**120,144**
Expenses (Refer to page 43)		**(881,079)**	**(802,912)**
Operating loss	23	**(6,709)**	**(223,049)**
Investment income	24	3,667	4,521
Finance costs	25	(14,002)	(14,703)
Income from equity accounted investments		5,314	7,344
Other non-operating gains (losses)			
Fair value gains		1,186,904	-
Profit (loss) for the year		**1,175,174**	**(225,887)**

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

TransNamib Holdings Limited

(Registration number 99/114)
Annual Financial Statements for the year ended 31 March 2018

Detailed Income Statement

Figures in Namibia Dollar thousand	Note(s)	2018	2017
Other operating expenses			
Advertising		(215)	(715)
Auditors remuneration - external auditors	23	(707)	(597)
Bad debts		(3,203)	(1,161)
Bank charges		(523)	(952)
Cleaning		(1)	(33)
Commission paid		(47)	(70)
Computer expenses		(4,046)	(3,886)
Consulting and professional fees		(7,094)	(8,247)
Depreciation		(67,268)	(52,076)
Donations		-	(189)
Employee costs		(381,450)	(387,887)
Entertainment		(67)	(206)
Fuel, oil and lubricants		(121,903)	(114,561)
Impairment on Investment Properties and Property, plant and equipment		(88,075)	-
Insurance		(4,959)	(6,479)
Lease rentals on operating lease		(73,721)	(91,641)
Legal expenses		(7,549)	(1,737)
Levies		(3,260)	(3,184)
Licences		(6,809)	(7,553)
Loss on exchange rate		(9)	-
Municipal expenses		(38,016)	(36,233)
Other expenses		(692)	(197)
Postage		(26)	(87)
Printing and stationery		(493)	(1,415)
Protective clothing		(1,716)	(913)
Recruitement		(29)	(53)
Repairs and maintenance		(41,927)	(50,143)
Security		(21,350)	(23,263)
Subscriptions		(750)	(1,431)
Telephone and fax		(1,009)	(1,087)
Training		(477)	(601)
Travel		(3,688)	(6,315)
		(881,079)	**(802,912)**

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

ABBREVIATIONS

CRM	: Customer Relationship Management
DPMT	: Dundee Precious Metals Tsumeb
FY	: Financial Year
ICT	: Information Communication Technology
ISBP	: Integrated Strategic Business Plan
NIMT	: Namibia Institute of Mining and Technology
NUST	: Namibia University of Science and Technology
NOCC	: National Operations Control Centre
OPX	: Overnight Parcel Express
PAG	: Previously Advantaged Group
PDG	: Previously Disdvantaged Group
Q1	: (First) Quarter
Q2	: (Second) Quarter
Q3	: (Third) Quarter
SADC	: Southern African Development Community
SARSR	: South African Railway Safety Regulator
TST	: Tolerance Safety Target
TNHL	: TransNamib Holdings Ltd
TRACCS	: TransNamib Revenue and Accounting Customer Care System
TNX	: TransNamib Express
WVTC	: Windhoek Vocational Training Centre

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