# NAMCOR

# ANNUAL REPORT 2018/19

# ANNUAL REPORT 2018 / 2019

# CONTENTS

# CHAIRPERSON'S REPORT

## Setting a Clear Strategic Focus

**The Board dedicated its finest efforts towards ensuring a clear strategic focus for the Group, by overseeing the compilation of a new five year strategy for the Group covering the 2020 to 2025 period. Once approved, the new strategy will have four broad focus areas namely Ensuring Supply, Operational Excellence, Digital Enablement and Harnessing the Potential of Exploration & Production. This followed the time lapse of the company's previous strategy, which covered the 2013-2017 period.**

The strategy necessitated a review of the corporate structure with the view of positioning the company to optimally respond to its strategic goals and mandate. These include the eminent management of the Walvis Bay National Oil Storage Facility (NOSF) as well as the reinstatement of the 50% import mandate to mention just but a few. Consequently, additional vacancies and realignment of some existing staff members took place.

On the upstream side, NAMCOR is evolving from being a predominant minority shareholder in petroleum exploration blocks to having blocks of its own. The company currently has four blocks in which it has a majority equity.

## Challenging Performance

The Group's performance was undermined by key developments that relate to its growth agenda. These include the ruling by the Namibia Competition Commission against the reinstatement of the 50% fuel import mandate on account of it being anti-competitive. We had applied to the commission to be exempted from the provisions of the Competition Act. That application was made in respect of a proposed decision by the Minister of Mines & Energy to require 50% of all petroleum imports to be reserved for NAMCOR. It would have further required wholesalers to purchase 50% of their requirements from the national oil company.

The continued deferment of the handover date of the National Oil Storage Facility (NOSF) by Government to NAMCOR has also had it share to the challenge. The deferment is largely attributed to the facility not being completely ready for operations.

The Group also resolved to discontinue the Kudu Gas to Power Project after the shareholder made it clear that it was neither in a position to provide the company with a support package nor guarantees needed for the commencement of this project.

## New & Additional Board Members

I cannot overemphasize the role of the Board as the chief custodian of good corporate governance. I was appointed as Chairman of the Board in February 2019, replacing former Chairman Patrick Kauta who resigned. Onni-Ndangi Iithete was also appointed as an additional member of the Board during the same period.

I believe we both bring a wealth of a unique combination of skills and experiences in the oil, financial and legal sectors.

## Corporate Social Responsibility

The Group contributed a combined amount of N$1 million to different projects across the education, health and community upliftment focus areas. These areas directly or indirectly support the National Development Plan 3, Harambee Prosperity Plan, the Sustainable Development Goals (SDGs) of the United Nations - which put an emphasis on eradicating poverty and improving lives. In addition to supporting the Sustainable Development Goals.

Beneficiaries included some of the country's most vulnerable communities such as the San at Tsumkwe where educational material to the tune of about N$250 000 where donated to the primary and secondary schools at the settlements as well as the Teachers Resources Centre.

## Outlook

The wider penetration of fuel retail sector remains high on NAMCOR's growth agenda. We are vigorously engaging various financial institutions for the funding of this strategic priority.

I expect Government through the Ministry of Mines & Energy to award us the mandate to run and manage the National Oil Fuel Facility (NOSF). Storage costs and the lack of storage will be something of past while the company will host be in a position to generate revenues from hosting other oil companies at the facility.

I express appreciation to fellow Directors, Management and the entire staff community for their collective and individual contributions to the NAMCOR agenda during the period under review. I would like to single out the shareholder, without whose support NAMCOR would not be a going concern.

Engelhardt Kongoro
**CHAIRPERSON**

# MANAGING DIRECTOR'S REPORT

**DEAR SHAREHOLDER & STAKEHOLDERS**

I am pleased to provide the Shareholder and stakeholders with NAMCOR's 2018/19 Annual Report.

The group's financial position for the year reflects a continuous increase in income generating assets and revenues. Total assets have increased from N$983 million in the 2017/18 financial year to N$1 billion at the end of the financial year. The increase is attributed to an aggressive capital expansion strategy focusing on retail service stations, upgrading of existing infrastructure, investments in property and equipment and appreciation in the value of equity instruments.

Revenue from petroleum products and royalties from data sales reflects an upward trend. The group recorded a total revenue of N$773 million, an increase of 27% compared to the previous financial year. Increase in the market share coupled with NAMCOR's position as the market leader in the supply of heavy fuel oil contributed to an upward trend in revenues.

Despite good performance on assets and revenue, the group reported a decrease in cash and cash equivalents from N$389 million in the previous financial year to N$216 million. This was due to the utilization of own equity to fund capital projects amounting to N$58 million. We will continue to carefully control our costs and investment levels, as we invest in profitable commercial opportunities for growth and sustainability.

Operating expenditure increased by 3% during the year under review from N$256 million to N$264 million. Cost containment measures and prioritization of cash generating activities remains a priority as evident in the small upward trend of operating expenses.

Although the group continues as a going concern, it has made a loss of N$50 million (2018: N$60 million). The loss incurred is attributable to an increase in the impairment allowance for debtors amounting to N$64 million. Current economic conditions as well as the implementation of the new accounting standard (IFRS 9), specifically on the Impairement assesment of debtors contributed to a higher impairment allowance for the financial year under review. Management has subsequently tightened controls on credit sales to reduce its debtor's book exposure.

Mr. Immanuel Mulunga
**MANAGING DIRECTOR**


SHELL
DRAUGEN
BLOKK 6407/9

# GOVERNANCE, LEGAL, RISK AND COMPLIANCE

The Governance Department, guided by its growth focus, service areas, departmental and strategic projects, provides the following on-going services to the Board of Directors and the business with its different departments:

- Governance and Company Secretarial;
- Contract Management;
- Legal Support;
- Risk and Compliance; and
- Research initiatives.

The provision of the above services is to ensure that good corporate governance is enhanced and promoted, to manage enterprise-wide risk and compliance to avoid negative consequences, provide sound legal advice to the benefit of the business, and institute legal proceedings timeously against errand debtors. Legal support to core and supporting departments, as well as contract management are a continuous process.

# COMPOSITION OF THE BOARD AND ITS COMMITTEES

**Dr Roger Swarts**
Director

**Barbara Dreyer-Omoregie**
Director

**Anna Libana**
Vice-Chairperson

**Onni-Ndangi Lithete**
Director

**Lorentha Harases**
Director

**Engelhardt Kongoro**
Chairperson

# EXECUTIVE MANAGEMENT

**Immanuel Mulunga**
Managing Director

**Bonifatius Konjore**
Executive ICT

**Davis Maphosa**
Acting Executive Sales & Marketing

**Jennifer Hamukwaya**
Executive Finance & Administration

**Manfriedt Muundjua**
Executive Upstream Development & Production

**Maryke Khrone**
Executive Human Capital

**Nestor Sheefeni**
Executive Engineering & Technical Services

**Vicky Sibeya**
Executive Upstream Exploration

**Rynier Du-Preez**
Executive Supply & Logistics

**Damoline Muruko**
Executive Corporate Governance

## Board Composition

NAMCOR is governed by a Board of Directors which is appointed by the Shareholder, more particularly under the auspices of the Ministry of Mines and Energy.

**The Board comprises six Non-Executive Directors and one Executive Director namely:**

- Engelhardt Kongoro (Chairperson) – appointed in February 2019
- Anna Libana (Vice-Chairperson) – reappointed in October 2016
- Barbara Dreyer (Director) – appointed in October 2016
- Lorentha Harases (Director) - appointed in October 2016
- Dr Roger Swart (Director) – appointed in October 2016
- Onni Ndangi Iithete (Director) - appointed in February 2019

The previous Chairman, Patrick Kauta resigned in September 2018.

The Board is responsible for the strategic direction and control of the Company by ensuring that decisions and actions taken are based on values that support good corporate governance.

The Board subscribes to principles of good corporate governance as outlined in King Reports IV, III, the Corporate Governance Code for Namibia (Namcode), the Companies Act, 28 of 2004 and its Companies Administrative Regulations, the Public Enterprises Governance Amendment Act, 8 of 2015, the Directives issued under the MOPE Act, and other legislative regulatory governance and relevant rules, as amended from time to time.

**The NAMCOR Board established four key Committees to assist it with its governance and oversight functions. The Committees are as follows:**

- Audit, Risk and Compliance Board Committee;
- Technical Board Committee;
- Human Resources Board Committee; and
- Trading Board Committee.

Currently NAMCOR reports to both the Ministry of Mines and Energy and the Ministry of Public Enterprises.

## Board and Committee meetings during the Financial Year 2018-2019

| Board meetings including Extraordinary | Audit, Risk and Compliance Committee meetings including Extraordinary | Human Resources Committee meetings including Extraordinary | Technical Committee | Trading Board |
|---|---|---|---|---|
| 13 | 4 | 6 | 3 | 3 |

## Board Committees

The Board delegates its powers and authorities to the committees to ensure operational efficiency and that specific issues which require expertise are dealt with by members who are experts in the specific area of expertise.

## Audit, Risk and Compliance Committee

| Members – Lorentha Harases (Chairperson), Anna Libana, Barbara Dreyer, Immanuel Mulunga |
|---|
| **Duties/Responsibilities: The Audit, Risk and Compliance Committee is created by the Board to assist the Board's oversight of:**<br>• The integrity of the financial statements of the company;<br>• The performance of the company's internal audit function and independent auditors;<br>• Oversees compliance by the company with legal and regulatory requirements;<br>• Ensures the implementation of the risk management policy, and design of the compliance risk management framework;<br>• Reviews and approves Company Policies and Procedures at the ARCC Policy Review Sessions;<br>• Ensures that Information Technology adheres to good governance principles and systems and that the related Information Technology Charter, international control framework and policies are established and implemented throughout the company. |

## Human Resources Committee

| Members – Barbara Dreyer (Chairperson), Anna Libana, Dr Roger Swart, Immanuel Mulunga |
| --- |
| **Duties/Responsibilities: The Human Resources Committee is created by the Board to assist the Board's oversight of:**<br><br>• Remuneration and human resources-related matters and policies. |

## Technical Committee

| Members – Dr Roger Swart (Chairperson), Barbara Dreyer Omoregie, Onni Ndangi Iithete, Immanuel Mulunga |
| --- |
| **Duties/Responsibilities:**<br><br>• Provides a forum for discussing technical issues pertaining to exploration and production, as well as the Kudu Gas Project and makes relevant recommendations to the Board for consideration. |

## Trading Board

| Members – Anna Libana (Chairperson), Lorentha Harases, Engelhardt Kongoro, Immanuel Mulunga |
| --- |
| **Duties/Responsibilities:**<br><br>• The Trading and Distribution Board (Trading Board) is responsible for the stewardship of the Trading and Distribution Company and supports the Board of NAMCOR in discharging such duties. The Committee is guided by a specific Terms of Reference related to trading and distribution issues and observes the principles of the NamCode in the execution thereof. |

During the Financial Year the Board and its Committees focused their attention on:

- Overseeing the implementation of the company's strategic projects;
  - The bulk fuel storage facilities(NOSFP;
  - 50% importation mandate; and
  - Retail projects.
- Overseeing the functional review process and approving the new organisational structure;
- Development of the five (5) year Strategic and Business Plan;
- Providing strategic direction on exploring opportunities to grow downstream market share and profit;
- Providing strategic direction on the development and operation of the downstream infrastructure;
- Received progress reports on implementation of the IT projects;
- Received risk management reports for its consideration, including the review of key risks and responses;
- Received progress reports on company debtors and debt management processes;
- Ensured the implementation of enablers for the 50% importation mandate;
- Ensured that the hosting process followed a clear transparency process and ensured regular communications with various stakeholders within Government. The Process has reached the final stage, as final approval from Ministry finance is still outstanding before final sub mission to cabinet.
- Focused on getting NAMCOR prepared to take over the management of NOSF, by ensuring the right staff has been recruited and trained, In consultation with MME make recommendations for alterations and improve on Facilities commercial viability.
- Conducted a detailed risk assessment of the facility to ensure that NAMCOR full knowledge of the shortcomings, and noncompliance standard as set in Industry and to enable NAMCOR to mitigate these risk.
- Ensuring the review, development and implementation of the company policies and procedures;
- Ensured improvement in safety, health and quality procedures;
- Embedded a high-performance culture;
- Ensuring the good governance processes are established;
- Approved the revival of the NAMCOR Exploration and Production Pty Ltd to ensure that the company was operational, and its operations are separate from downstream operations;
- Provide strategic direction on acquisition of blocks;

- Overseeing the implementation of upstream activities;
- Provided guidance in managing risks;
- Held accountability for compliance with applicable legislation;
- Ensured that remuneration and employment principles and practices are aligned to company policies, the Labour Act and the directives from the Ministry of Public Enterprises; and
- Considered and approved salary increases.

## Contractual Support Services to Core and Supporting Departments

The Corporate Governance Department provides of legal advice and contractual support and services to NAMCOR and its Subsidiaries' core departments (Exploration and Production and Commercial Business Unit) and supporting departments in a streamlined and efficient manner.

## Risk Management

NAMCOR's risk management function allows it to coordinate risk management activities and provide advice to decision makers. The Board is responsible for the governance of risk, and has delegated the execution of risk related deliverables to theAudit, Risk and Compliance Committee.The responsibility for implementing risk management processes is devolved to allbusiness units while the monitoring of risk management processes is delegated to the Corporate Governance Department.

NAMCOR is committed to improve risk management processes and has developed a Risk Management Frameworks based on COSO principles. In addition, NAMCOR maintained a Risk Strategic Register to minimise threats and enhance opportunities for the company, which was created in line with its five-year strategic plan. The strategic risk evaluations are deliberated at EXCO and escalated to the Board level through the Board's Audit, Risk and Compliance Committee.

## Strategic Risk Register

On-going risk assessment underpins the operational activities for NAMCOR and its subsidiaries. In the 2018/2019 Financial Year, NAMCOR identified and developed a strategic risk register with the assistance of PwC in October 2018. The strategic risk register outlines key risks to NAMCOR's plans and provides future mitigation that the company should employ to avoid, minimise or transfer the risks that are not desirable.

# UPSTREAM DEPARTMENT

## Exploration License Activities

The Exploration and Production Act 1991 was amended and promulgated, with the partial intention to position NAMCOR as a meaningful participant in the exploration of oil and gas in Namibia, and not just a minority one. Hence, the Group managed to apply, negotiate and finally award Petroleum Exploration Licences in offshore Namibia under its operatorship.

NAMCOR has equity in more than 98% of issued Exploration Petroleum Licences in Namibia with an average 10% carried interest. The map below shows current holders licence of acreage licenses offshore and onshore Namibia (Figure 1).

**Table 1:** Petroleum Exploration Licence where NAMCOR has a working interest

| Blocks | Partners | Status |
|---|---|---|
| Blocks 1711 | • NAMCOR 100% (operator) | Signed farm-out agreement with ExxonMobil to acquire 85% interest in the block. |
| Blocks 1811A | • NAMCOR 100% (operator) | Signed farm-out agreement with ExxonMobil to acquire 85% interest in the block. |
| Blocks 1714 A & B | • NAMCOR 67% (operator)<br>• Quiver 33% | Data room open to potential farm-in partners. |
| Blocks 2914 A | • NAMCOR 30%<br>• Korres 15%<br>• Rhino Resources (55%) (operator) | NAMCOR still seeking a farm-in partner for 20% working interest. |

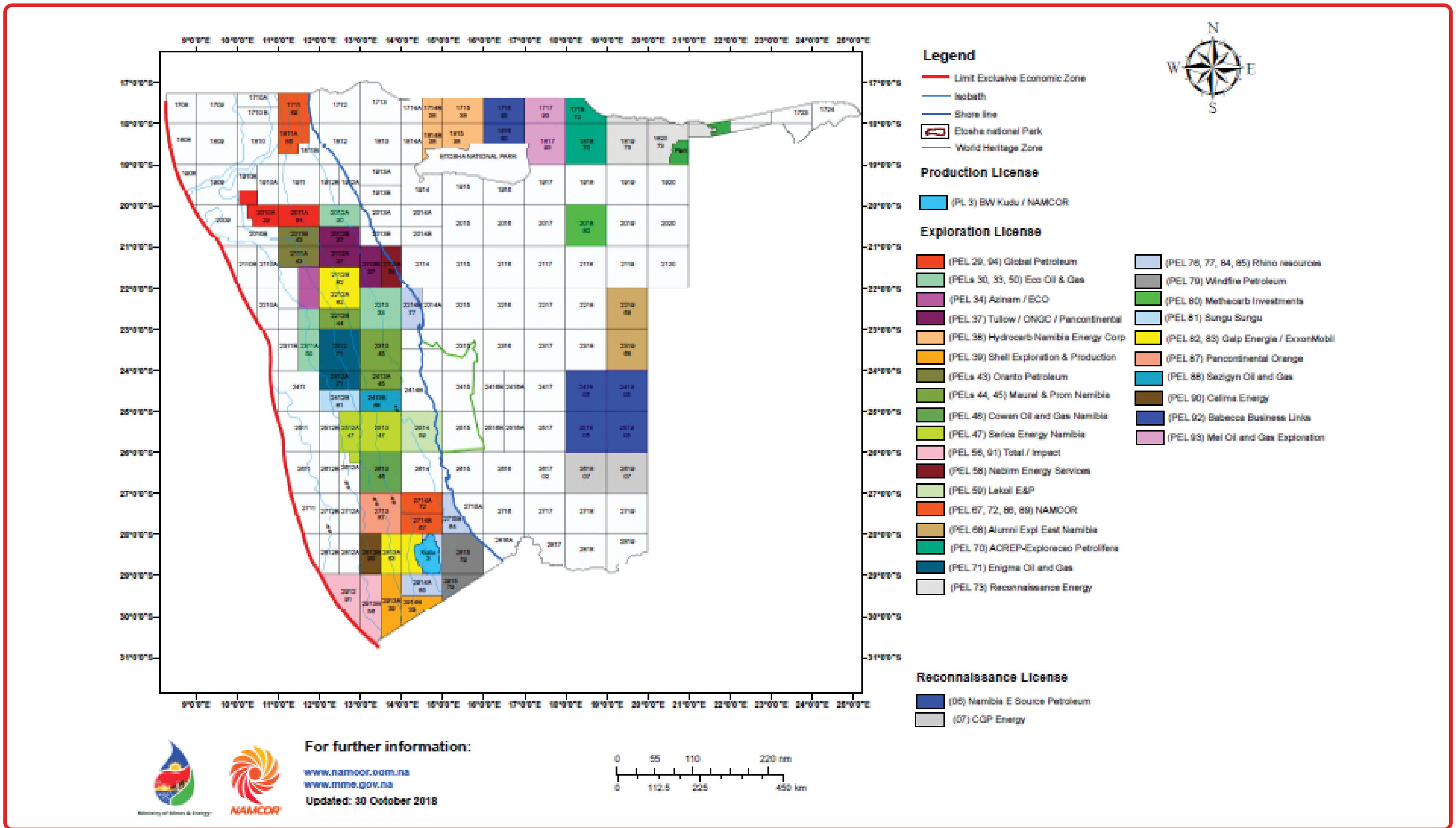



**Figure 1:** Hydrocarbon Licence Map for Namibia

## DATA SALES

Data sales were driven by two primary factors, namely the decline in the oil price from U$78 to U$62 per barrel between July 2018 and June 2019 as well as the fluctuating exchange rate of the Namibian dollar against the U.S dollar from 13 to 15. Additionally, the failure of the recently drilled wells in the Walvis Basin, may have negatively affected potential data sales. Nonetheless, the Group took the challenge of aggressively promoting and marketing Namibia's hydrocarbon potential. This subsequently resulted in an 155% over achievement of the Group's Data sales target of N$15 million. Hence, data sales revenue recorded at the end of the 2018-2019 Financial Year stood at N$23 309 281.10.

## KUDU GAS

NAMCOR and its shareholder (Government of the Republic of Namibia) currently owns 44% of a proven offshore gas field containing 1.5 Trillion Cubic feet of recoverable gas resource. This is a highly significant gas volume and is anomalous by international standards in remaining undeveloped.

In April 2018 the Kudu license partnership, comprising NAMCOR and BW Kudu,resolved to rework the Front-End Engineering Design (FEED) study and economics based on the reduced size of the Kudu Power Station (KPS) and reduced gas volumes. As a consequence, the gas sales period increased from 15 years to 25 years.

The specifics of the FEED work that was undertaken following the resizing of the Kudu Development Plan are summarized below:

- a simplified design process with less onerous gas delivery specifications (relevant to all cases);
- investigating alternative smaller sized FPS vessels and the optimisation of potential FPS conversions from BWO fleet (BW Vessel "Athena" was considered the primary candidate);
- resizing of the pipeline;
- reassess the subsea production systems (SPS) costs and suitability; and
- undertake a high level review of feasibility of alternative gas sources such as CNG and FLNG.

Below are the details and scale of the previous and now resized Kudu Development Plan.

| Description | KPS Units | |
|---|---|---|
| | 885 MW | 475 MW |
| General | 2 train KPS | Single train KPS |
| Pipeline | 18" export pipeline | 12" export pipeline |
| Gas Export | 108 MMscfd | 70 MMscfd |
| Number of Wells | 2 + 1 wells | 2 wells |
| Total capital expenditure (with Floating Production System but excluding finance costs) | USD 1,473 million | USD 997 million |

Whilst the partnership determined that the upstream project was viable for a resized KPS, without the necessary government support in place, the Kudu Project was determined to be not bankable as debt was required to finance the capital expenditures.

The Upstream (NAMCOR and BW Kudu) and Downstream (NamPower and KuduPower) parties finalized a joint Government Support Request which was submitted to the Minister's office on 2 November 2018. On the 14 November 2018 the Upstream and Downstream Parties received the Minister's response, stating that Government was not in a position to afford the provision of the requested termination guarantees.

On the 31 August 2018, NAMCOR received a substantive funding proposal from a major financial institution which would have covered a large portion of NAMCOR's capital expenditure requirements. This funding proposal could not be progressed following the Minister's unfavourable response for a Government Support Package.

The Minister's position on the Government Support Request effectively rendered the current gas to power project impossible to implement.

The upstream partnership is now considering alternative monetization options for the Kudu gas. These options will only be advanced once the Project Development Agreement with NamPower has been terminated. NAMCOR will also commence a farm-out process to reduce its participation interest in the project in order to minimize cash outflows whilst the project is being reconfigured.

Given the positive aspects of monetizing the Kudu gas, efforts to develop an alternative market must be accelerated. In particular the following benefits will accrue to NAMCOR and the industry as the whole:

- Significant contribution to NAMCOR's revenue in the medium to long term
- Catalyst for the manpower upskilling of the workforce in upstream operations
- from a macroeconomic perspective the proceeds from the Kudu gas would make positive contributions to security of energy supply, bolster the balance of payments and reserve levels, create significant growth, create job opportunities and introduce improved price predictability for local energy supply

## Prospect Inventory (PI) Project

The main objective of the Prospect Inventory (PI) project was to evaluate the prospectivity of the Orange Basin, (Figure 3). In order to deliver quality products, external professional support from AGR TRACS was sought to provide quality control services and technical guidance in the execution of some specialised tasks within this project.

| Objectives | Deliverables | Current Status |
|---|---|---|
| To identify and rank prospects in the Orange Basin, using the conventional play assessment method and all the components of the petroleum system, while gaining skills in sub-disciplines within the G&G environment. | • A saleable technical report was produced. | 100% Executed |
| | • Presentation of work done at HGB-PEGSB / AAPG Conference of 2019. | 70% Executed |

The Orange Basin PI Project is 100% done. The E&P departments have now completed the prospect reviews, evaluation, volumetrics, and prospect risking with the final report expected end July 2019. In addition, a presentation on work done will be presented at the HGB-PEGSB /AAPG Conference in London.

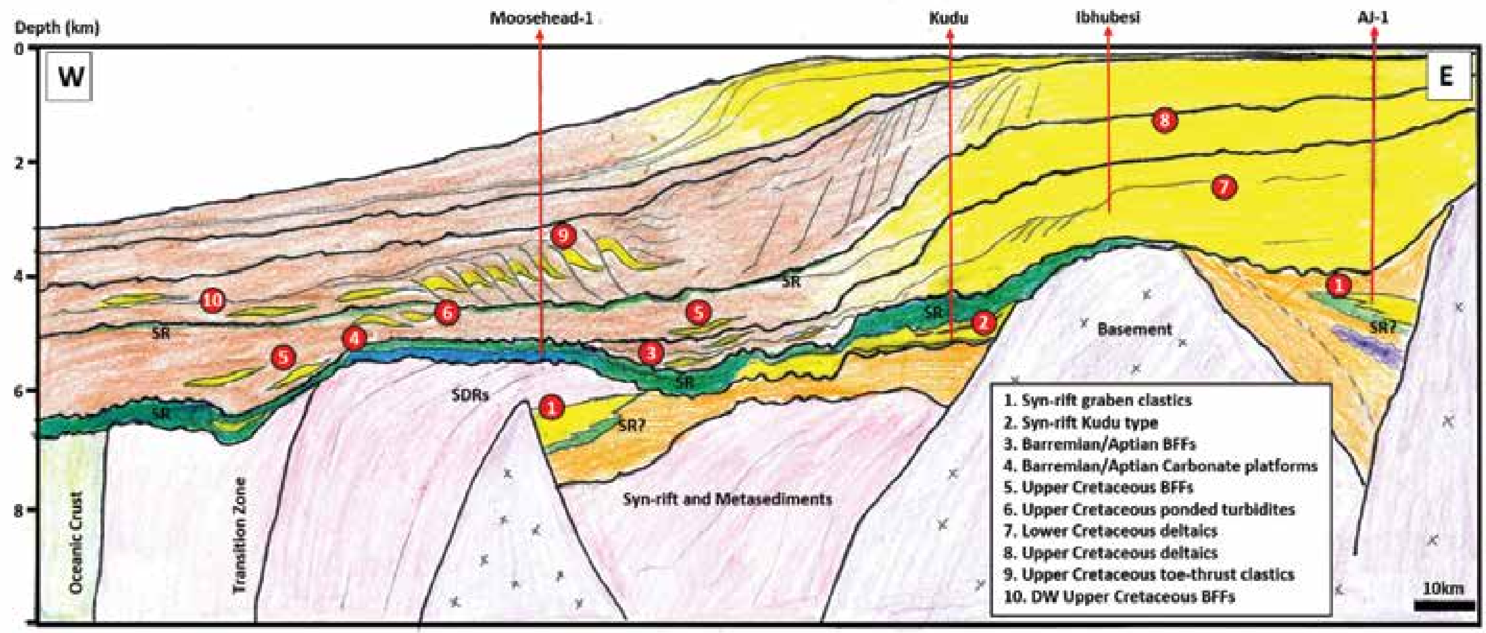



**Figure 3:** Schematic diagram of expected exploration plays in the Orange Basin (modified after Shell 2016)

## Benefits of PI projects

- Promotion of the hydrocarbon potential of Namibia
- Adding values to the data
- Enhance exploration activities
- Increased prospectivity in Namibian Basins

## Resources

- Petrel software, IP software and GIS
- NAMCOR E & P team

The Orange Basin PI Project is 80% done, Well log analysis and chronostratigraphic has been completed, and Seismic structural mapping is 90% done. The Geological and Geophysical interpretation for this project was completed and it audited (quality control) by AGR. Thus, team is busy incorporating AGR recommendations into the interpretation project which is scheduled to be completed end of July 2018. Consequently, volumetric calculations and prospect ranking will commence in July 2018.

## Conclusions

NAMCOR is strategically positioned and adequately skilled to undertake appropriate technical studies to further assess the petroleum prospectivity of any block and identify new leads and prospects to positively advance petroleum exploration in Namibia. This a vital investment for NAMCOR which mighty generate future revenue for the company. Active participation in licence blocks will provide NAMCOR with an opportunity to meaningful participant in exploration for oil & gas in Namibia as per the mandate in the Petroleum (Exploration and Production) Act of 1991 and realize its commercial role in the hydrocarbon industry of Namibia.

The main revenue source for the Exploration & Production department is from exploration data sales, which stem from multi-client agreements NAMCOR entered into with some of the world's leading Geophysical Service Companies.

The Orange Basin PI Project is 80% done. Well log analysis and chronostratigraphic has been completed, while seismic structural mapping is 90% done. The Geological and Geophysical interpretation for this project was completed, and recommendations are currently being incorporated.

# ENGINEERING AND TECHNICAL SERVICES

An outline of the various types of projects undertaken by the Business Support Unit and the progress made on each one is provided as follows:

## Land Masterplan Update

The Business Support and Property Management Department has prioritised specific projects to be implemented at the following towns:

- Ondangwa;
- Gobabis; and
- Windhoek.

## Acquisition of Land

## Windhoek Land

NAMCOR acquired two industrial stands (35 & 36) at Shali Industrial Park at Brakwater, with a total area of 12 381 square metres. The transaction was finalised and the transfer of shares into NAMCOR's name.

Construction of Inland Depots have been identified at Windhoek, Gobabis and Ondangwa

## Ondangwa bulk fuel storage facility

Burmeister & Partners Consulting Engineers (Pty) Ltd was appointed to carry out the design, tender documentation and site supervision for the construction of the Bulk Fuel Storage and Handling Facility at Ondangwa. Detail designs are 100% completed, while the Environmental Impact Assessment (EIA) study has also been completed. The Environment Clearance Certificate was issued by the Environmental Commissioner.

NAMCOR awaits to secure funding through PPP for the construction phase.

## Windhoek bulk fuel storage facility

Om'kumoh Consulting Engineers CC was appointed to carry out the design, tender documentation and site supervision for the construction of the Bulk Fuel Storage and Handling Facility (Depot) for Windhoek. The preliminary designs have been completed and the consultant is currently busy with the detail designs for the facility which are 85% complete. The EIA study was completed and submitted to Environmental Commissioner, upon which the Environmental Clearance Certificate was issued by the Environmental Commissioner.

## Gobabis bulk fuel storage facility

Conselect Engineering Consulting Engineers CC was appointed to carry out the design, tender documentation and site supervision for the construction of the Bulk Fuel Storage and Handling Facility at Gobabis. The detail designs are 100% complete. The EIA study has been completed and was submitted to Environmental Commissioner, after which the Environment Clearance Certificate was received.

NAMCOR aims to secure funding through PPP for the construction phase.

Update on National Oil Storage Facilities Project at Walvis Bay

| | |
|---|---|
| Employer Representative: | Om'kumoh-Aij Joint Venture |
| Contractor: | CRB Joint Venture |
| Commencement Date: | 09 January 2015 |
| Completion Date (Original): | 09 April 2017 |
| Completion Date (Revised): | 02 December 2018 |
| Contract Period: | 818 Days (+ EOT = 1240 Days) |
| Extension of Contract Price VAT Included: | N$ 3,699,297,000.00 |
| Contract Amount for Works: | N$ 3,216,780,000.00 |
| Contractual Work Valued to Date Excluding VAT: | N$ 3,008,777,345.40 |

## Construction

Overall work progress to date is 93.53% Funding for construction of Bulk Fuel Inland Depots in Windhoek, Ondangwa and Gobabis will be done through Public Private Partnerships arrangements.

NAMCOR appointed Burmeister & Partners as Transaction Advisor for this project until the successful handover of the infrastructure at the termination of the PPP agreement.

The project status is currently at a Prefeasibility Phase. A Project Concept Note was prepared and signed off by the MD. An application for the registration of the Development of Petroleum Infrastructure in terms of Section 16 of Part 3 of the Public Private Partnership Act, 2017 (the PPP Act) was submitted to the Director of PPP Unit at Ministry of Finance for approval. A presentation was made to the Board on the PPP options available. The Board is expected to make a ruling on the matter in due course.

## Development and Preparation of Site-Specific Operational Procedures and Manuals for Petroleum Terminals in Walvis Bay

Namibia Petroleum Industry Consultancy Agent CC was appointed to develop and prepare site-specific operation procedures & manuals for the National Oil Storage Facilities in Walvis Bay. This was followed by the compilation of draft Operational Procedures & Manual, which is currently under review.

## Refurbishment of JBS Facilities in Walvis Bay

SEAL Consulting Engineers was appointed to carry out the design, tender documentation and site supervision for the refurbishment of the JBS facilities. The design and tender documentation were completed, which followed the advertising of a tender for the refurbishments. The Procurement Committee deliberated on the submissions made soon after the closure of the tender. No contractor could be appointed for this work, due to the exceeded budgeted amount.

The Procurement Committee recommended to the MD for the tender to be cancelled and re-advertised during the new financial year when adequate funds are available. Alternatively, if the Board virements funds to this budget vote during this financial year, NAMCOR can go ahead and appoint the lowest bidder, and commence with the work and finalise the job in the new financial year.

## Refurbishment of HFO Facilities

SEAL Consulting Engineers was appointed to carry out the design, tender documentation and site supervision for the refurbishment of the HFO Facilities, currently being leased from Namport. The design and tender document were completed, and the tender was advertised. After deliberations on the bids were received, the Procurement Committee identified a successful bidder and made a recommendation to for the said bidder to be awarded the job. Notice of the outcome of the process was communicated to all bidders, both successful and unsuccessful in terms of the Procurement Act.

## Policies

The following policies were developed by Business Support & Property Management Department, we are still waiting for Board approval to implement these policies.

1. Fleet Management Policy and Procedure – Approved by ARCC to be submitted to Board for approval

2. Facility Maintenance policy and Strategy - Approved by ARCC to be submitted to Board for approval.

# INFORMATION COMMUNICATION TECHNOLOGY

ICT is essential in the management of data, transactions, information and knowledge necessary to sustain NAMCOR's operations, thereby contributing to its growth. This is in support of the corporation's growth strategies, namely:

- ❖ Grow our net income to become a self-sustaining, commercial State-owned Enterprise.

## Key Achievements

This Annual Report documents the Information Technology Department's performance over the 2018-2019 Financial Year, as related to NAMCOR's Strategic Plan Objectives and the ICT Department's Strategic Plan.

## ICT Department Strategy Formulation

In response to the overall company objectives, the ICT Department has embarked on reviewing and updating the Department's strategy, to align with the newly created Corporate Strategy, focusing on the following objectives:

- ❖ Modernisation of the ICT Department's capabilities in terms of people, processes and technology, to enable the requirements of the Commercial Business and Exploration, and Production Units;
- ❖ Simplify and enhance our internal management structures and systems to provide operational efficiencies and create tangible value; and
- ❖ Set up fit-for-purpose Management Systems to meet requirements for digital enablement.

## ICT Department Functional Review

Towards the last quarter of the Financial Year, the ICT Department has conducted an assessment of the resource requirements to support the strategic and operational objectives set out by business. This culminated in the development of an organisational design that focusses on delivering value to the business and addresses all functional and compliance objectives through the addition of roles to manage and oversee Governance, Risk and Cybersecurity programme implementations.

## Information Security Management

The Department has undergone several assessments to determine the maturity level of our Governance and Information Security Programme. The results from the assessments were taken into consideration to formulate a Risk Treatment Plan of which the following have been successfully implemented:

## E-Mail Security and Archiving (Anti-SPAM Solution)

- ❖ Internet Mail Spam Solution – scans and filters all incoming and outgoing mails based on policies.

## Firewall Protection Features

- ❖ Provides Intrusion Prevention Functionality to prevent malicious content from entering the NAMCOR network;
- ❖ Malware Detection – Searches for malware and removes them; and
- ❖ Web Content Filtering – Filters content to and from the internet based on created policies.

## Network Segregation

- ❖ Zones have been configured for segregating various internal NAMCOR networks from the internet, including separate networks for domain and guest users.

## NAMCOR User Access Protection

- ❖ A review of all information assets has been completed and access is granted based on applicable functions and roles; and
- ❖ Folder and file permissions are set up according to strict user and group access rights.

## Risk Reduction

The availability of quality ICT services is paramount to the continued success of operations. Availability can be impacted by both scheduled and unscheduled downtime. The ICT Department has gone to great lengths to improve business continuity capabilities that meet Recovery Point Objectives, as defined in NAMCOR's Business Continuity and Disaster Recovery Plans.

- ❖ This is achieved through periodic validation and testing of Backup and Disaster Recovery Plans;
- ❖ Adding redundancy for depot network and communication lines; and
- ❖ Adding the services of a secondary internet service provider to ensure the availability of services in the event of a disaster.

## Conclusion

In order to deliver quality service, the ICT Department will continue to collaborate with business and proactively manage demand growth while simultaneously identifying unexploited savings opportunities. In summary, the ICT Department will be geared towards supporting and enabling the corporation's strategy and achieving its business goals.

# COMMERCIAL BUSINESS UNIT

NAMCOR operates in the petroleum downstream sector through participation in fuel tenders in line with its strategy of building an integrated oil company that can compete on an equal footing with other industry players. It is important to note that, although NAMCOR is wholly owned by the Government of the Republic of Namibia, it is equally required to comply with the same legislation as all other industry players.

The transportation, storage, marketing and distribution of petroleum products (petrol and diesel) are controlled by the Government of the Republic of Namibia through the following legislation:

- ❖ Petroleum Products and Energy Act, 1990 (Act 13 of 1990);
- ❖ Petroleum Products and Energy Amendment Act, 1994 (Act 29 of 1994);
- ❖ Petroleum Products and Energy Amendment Act, 2000; and
- ❖ Petroleum Products Regulations, 2000.

Below are some of the high level achievements attained during the Financial Year 2018-2019:

## Bulk Storage Facilities

Petroleum is a strategic commodity for any country and Namibia is heavily dependent on refined fuels for providing energy in industrial activities such as transport, electricity generation, road construction and mining. In light of this there is a need to have enablers, namely storage facilities, from which the different sectors of the economy can be serviced.

## Otjiwarongo Depot

NAMCOR owns and operates the Otjiwarongo Bulk Fuel Depot. This storage facility, and future such developments, will be for commercial as well as strategic fuel supplies in order to ensure that all Namibians have access to fuel. The Otjiwarongo Depot is a world-class facility with state of the art facility withHealth, Safety, Security and Environmental (HSSE) standards. . The Depot is fully automated and provides the functionality for NAMCOR to view storage tank levels and all transactions from its Head Office in Windhoek.

## Keetmanshoop Depot

NAMCOR holds a 25% equity stake in the Keetmanshoop Depot and supplies customers from that area. NAMCOR owns a smaller commercial bulk fuels depot at Mariental to serve customers in the surrounding areas. As with other NAMCOR facilities, this Depot complies with internationally accepted SANS standards. Additionally, land has been acquired in Gobabis for the construction of a bulk fuel storage depot and NAMCOR has acquired land in other strategic towns, being Ondangwa and Windhoek, for the same purpose.

## Walvis Bay Joint Bunkering Services

NAMPORT awarded the lease of its Joint Bunkering Services (JBS) and Heavy Fuel Oil (HFO) facilities to NAMCOR and REM Trading. REM Trading is the operator at both facilities on behalf of NAMCOR for the petroleum industry.

The Government bulk fuel storage terminal in Walvis Bay which is being constructed by a consortium of companies headed by China Harbour Engineering Company (CHEC), a Beijing-based infrastructure company and local consulting engineers Om'kumoh Consulting Engineers, is nearing completion. The facility will have a 75-million litre capacity of combined fuels. The company will be the owner and operator of the facility upon completion. This will give NAMCOR the much-needed strategic advantage of having a bulk fuel terminal at the coast.

These facilities will reduce NAMCOR's current reliance on other Oil Marketing Companies (OMCs) for the storage and handling of fuels in Windhoek, Ondangwa, and Walvis Bay. Furthermore, once these depots are completed, NAMCOR will be able to provide storage capacity to the other OMCs which currently have limited storage capacity. This in turn will result in additional revenue for NAMCOR through storage and handling fees to be charged.

## Retail Business

NAMCOR's retail strategy remains one of the main priorities in the short- and medium term. The construction of three retail sites commenced in the Financial Year 2018-2019 with the completion of Hannover in Ongwediva and the HKIA site at the end of March 2019.

Construction at the Otavi Retail Site commenced late in the Financial year 2018-2019 and is scheduled for completion in August 2019.

The Retail Visual Identity (RVI) project was completed successfully. This has seen a complete overhaul of the NAMCOR brand to support NAMCOR's retail strategy, through the introduction of a new brand in the Namibian market to compete with the more established brands of the other OMCs. The completed two sites have been branded accordingly with NAMCOR receiving positive response from the general public.

Additionally, NAMCOR will be rolling out a new franchise named the Deli Express Convenience Store at all its prestige Retail Sites with the support of major distributors with whom agreements have already been signed.

## Commerical Business (B2B)

NAMCOR's main source of revenue is generated through the sales of petroleum products to various customers in the various market sectors. Performance with regards to fuels and lubricants sales for the Financial Year 2018-2019 were as follows:

1. **Fuels**
   NAMCOR achieved 83% of its sales volumes targets for the Financial Year 2018-2019 while achieving 2% more than the budgeted gross profit margin for the same period due to high margin products sold during the period. The reduction in sales volumes can be attributed to the decline in export volumes in the last quarter of the financial year as well as a market decline in Heavy Fuel of about 34%. This is due to the decrease in bunkering activities and alternative energy sources introduced in the market. It is worth mentioning that Langer Heinrich Uranium Mine was put on care and maintenance due to reduction in uranium prices which resulted in a huge reduction is HFO volumes.

2. **Lubricants**
   NAMCOR markets and distributes its own NAMCOR branded automotive lubricants and greases as well as automotive and industrial greases in conjunction with Sasol Oil Ltd. Additionally, NAMCOR markets ENI products sourced locally as well as Hyrax lubricants. The lubricants are intended for different sectors such as mining, agriculture, marine, construction, manufacturing, retail and commercial road transport.

   NAMCOR achieved 48% of its lubricant sales targets for the Financial Year 2018-2019.

## Future Prospects

1. **Commercial Business (B2B)**
   A number of prospects both for fuels and lubricants were identified and will be pursued during the Financial Year 2019-2020 to achieve the set revenue targets.

   **Swakopmund Uranium Mine (Husab)**
   NAMCOR was successfully awarded the fuels and bulk lubricants supply tender by Swakop Uranium - Husab Mine. Husab's estimated consumption is 4 million litres of Diesel 50 ppm and 80 000 litres of Combined Lubricants per month. These volumes will result in a significant increase in revenue for NAMCOR. Supplies will commence in the second quarter of the financial year.

2. **Management of the National Oil Storage Facility (NOSF)**
   NAMCOR will be managing the NOSF during the Financial Year 2019-2020. Various critical positions have been identified for NAMCOR to successfully operate the facility which are in the process of being filled within the first two quarters of the financial year.
   A tender was placed in local print media to invite appropriate and prospective firms to express interest to be hosted at the NSOF and to provide NAMCOR with commissioning fuel stock for the requisite testing required for the commissioning of the NSOF. This will greatly reduce our current challenge with financing of the stock, and would contribute significantly to stock rotation and vessel rotation.

3. **Retail Roll-Out Strategy**
   The company intends to construct and/or acquire retail outlets in the coming financial period, targeting strategic locations countrywide. Board approval has already been received for three new sites namely Mariental, Otjomuise and Otjiwarongo. A further five retail sites are budgeted for in the Financial Year 2019-2020.

   The appointment of a Dealer for the HKIA Retail Site is envisaged for completion during quarter one of the Financial Year 2019-2020 with the site becoming fully operational in the second quarter. This will be NAMCOR's flagship site.

## Challenges

1. Delays in the execution of tenders by the Central Procurement Board with regards to Fuel Transportation Services and the Term Deal for Heavy Fuel Oil negatively affect NAMCOR in its operations. CPB has however been engaged with regards to these matters and tenders are expected to be issued within the second quarter of the Financial Year 2019-2020.

2. Additional resources are needed in the sales and marketing department to aggressively market the petroleum products to achieve the sales and revenue targets. It is expected that the functional review process currently ongoing, will address these challenges.

# HUMAN CAPITAL

Our service philosophy is guided by the goals and priorities of the company's Strategic Plan: Promise and Prominence. The Human Capital Department is committed to working with the business units in attracting and retaining a top-talented and diverse workforce. To achieve these objectives, the Department provides a full range of support services, programmes and resources in the areas of employee benefits, compensation, compliance, employee relations, recognition, talent management and professional development training programmes.

The human resources staff is committed to creating a high-performance, diverse and inclusive workforce. Equally important is consistently recognising the skills and capabilities of our employees. Therefore, we provide regular learning and development opportunities, enabling staff to maintain and increase their skills and capabilities.

Human resources also launched several strategic initiatives during the reporting period, many of which were focused on employee engagement and performance management, as well as the ultimate 'employee experience' at NAMCOR.

## Winning with People

With unprecedented change happening externally, we are acting in several areas to ensure we are more agile, digitally focused and networked. Our DOEs programme is empowering our management with an owner's mind-set and gives them the licence to take greater responsibility. Through DOEs we are already seeing higher levels of empowerment, collaboration, experimentation and increased speed in decision-making.

To develop the capabilities, skills and leadership which support new ways of working, we are investing in continuous, 'always-on' learning programmes. We are particularly focused on digital capabilities. To develop purpose-led and future-fit leaders, we launched team building activities that were well received by all staff. The team building activities were developed in collaboration with thought leaders and groups of young leadership teams. The DOEs recognise the need for leaders to embrace both the inner and outer aspects of leadership. The 'outer game' is what leaders need to do to succeed while; the 'inner game' is about their inner purpose which guides their behaviour and actions.

## Improving Employee Experience

The company's HR information system is, a modern HR portal that offers numerous related tools and services. It provides all NAMCOR employees across the country with fast, easy, round-the-clock access. Users can personalise pages, which are clearly structured, and access content with just a few clicks.

The updated portal led to a noticeable and quantifiable increase in efficiency. Following on this, the company is preparing to implement the HR enterprise resource planning system, PEOPLE-SAGE. This cloud-based IT platform will support the majority of the company's HR services in a single, user-friendly system while integrating data sources from the entire company. It will provide real-time information and analyse people-related data such as new hires and employee development.

## Strategic Priority

The Department prioritised the employment process, performance management and compliance with regulatory changes during the period under review. Job descriptions were updated, and specific training and programmes were developed to emphasise the importance of making work meaningful where employees are valued, and teamwork is celebrated.

Without question, during the 2018/2019 the human resources team strategically created several innovative solutions and services that were responsive to NAMCOR's needs and regulatory requirements that were consistent with human resource best practices. In essence, the key critical Human Resources Polices are being reviewed.

## Creating Value for Employees

Our ambition is to deliver excellent value to our customers, which requires high quality staff members to deliver on this. As the competition over talent is intensifying day by day, recruiting, retaining and engaging the best professionals puts high demands on all organisations. We at NAMCOR are committed to build a positive and empowering workplace and fostering an excellent employee experience.

The changing world around us places a high demand on us to make sure we attract and retain the competences we need to deliver on our strategy. We believe that building an excellent employee experience, encouraging a curiosity-based learning culture, having diversity and inclusion as integral parts of our values, and being an ethical forerunner, are important parts of the equation.

By creating sustainable value for our employees today, we can also be an employer of choice in the future. As some of the oil and gas companies merge or are pulling out more companies become technology-based companies and as our industry digitises faster than ever, the need for new skills is constant and the competition over talent increases.

To achieve our  goal of becoming our customers' first choice for the oil and gas industry in Namibia, the company needs expertise with deep knowledge of IT and the latest technologies, together with an understanding of specific industry and customer needs. Knowledge of digitisation, local market environments, and legislation and regulations are also important parameters for our clients. The continuous renewal of our company calls for new competences and skills, which means we have the dual task of reskilling and up-skilling our current employees, as well as recruiting new talent. We believe that by creating sustainable value for our employees today, we can also be an employer of choice in the future. Our main efforts in creating value for employees are grounded in our work with employee experience and equal opportunities. Through our ambitious efforts, we have the possibility of attracting, retaining and developing the very best talent and creating an environment where everyone can utilise their strengths.

## HR – Driving the Agenda for Employee Value Creation

NAMCOR's Human Resources function is responsible for developing companywide people practices. The NAMCOR Human Resources (HR) Policy serves as the overall framework for our people practices and applies to all employees and operations across the country. This policy supports and respects the principles set out in the United Nations Universal Declaration of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work.

## Equal Opportunities

We want our culture to be inclusive, promoting gender balance and respecting the contribution of all employees regardless of gender, age, race, disability or sexual orientation – as set out in our Selection and Recruitment Policy. A truly eclectic mix of people is fundamental in creating an inspirational workplace, helping to build our competitiveness and future innovations. Diversity and inclusion are critical components for creating great everyday experiences and making our customers competitive. To grasp future opportunities, we need to continuously develop our culture, attitudes and structures and foster an environment of open thinking and contrasting perspectives.

Inclusion is a key driver for employee engagement and hence a positive driver for customer experience. Our commitment to diversity and inclusion is business critical, and part of NAMCOR's global operating plan. Our Code of Conduct Policy and our Human Resource Policy both outline the principles for diversity and inclusion.

## Placing the Right Experts in the Right Places

Internal mobility plays a vital role for NAMCOR in retaining expertise, experience and talent by enabling employees to pursue individual career goals. It contributes to operational stability and business performance, as well as helping to mitigate succession risk. Career mobility also supports the company's redeployment strategy amid its ongoing reorganisation. In accordance with the Recruitment and Selection Policy, all open positions are advertised to internal staff first and exclusively for at least one week before any external candidates can be sought.

Recruiting the right experts to the right posts is the key for achieving our business goals, which is why this is given considerable attention. During the selection and recruitment process, all candidates are given equal treatment irrespective of sex or other circumstances. But as it is increasingly challenging to find the right staff, our search was expanded to multiple channels. In addition to working with the Employment Service Bureau of Namibia, we collaborate with business units and take part in job and recruitment fairs in Namibia.

We have also set up our own recruitment database to find new staff quickly and efficiently. Recruitment and selection were enhanced with different psychological tests and in-depth interviews. Through continuous training and education, we provide for employee development, and by extension for an internal pool of staff. The high level of qualifications enables our staff to take advantage of internal vacancies and find opportunities and challenges in new areas of work within the group.

Our attractiveness as an employer is improving across different age groups. At NAMCOR, we do not hire people to fill a vacancy, but we hire people for a career. NAMCOR employees have the unique opportunity to make work meaningful and impact people's lives, helping them move forward. This is at the core of our Employee Value Proposition (EVP). NAMCOR aims to attract agile and adaptable people who are capable of effectively dealing with, and responding to, rapidly changing circumstances and whose values and beliefs match our own. We have a policy of hiring and promoting the best person for the job, based on proven performance and potential assessment. Internships also prove to be a valuable source of talent. During the priod under review, we provided internships to eight students throughout the group. Although we regularly attract new leaders from outside NAMCOR to bring in new expertise and experience when required, we continue to focus on developing our own employees to fill leadership roles internally.

## On-Boarding and Induction

All new employees follow a formal induction programme in the first few months which helps them to become successful in their new role as quickly as possible. The programme covers our ambitions, strategy, values, culture, history, and corporate policies, as well as targeted job-related information. NAMCOR tracks the effectiveness of the induction programmes by measuring awareness of our values and policies, time to productivity, and other success metrics. Immediately after the induction period, an individual development plan is drawn up.

## Performance Management

We undertake regular business and performance reviews, and also facilitate joint sessions between middle-management and Exectutive team on a quarterly basis. The sessions provide constructive, future-focused conversations while at the same time allowing middle management to receive feedback and coaching. The dialogue and goals set in these DOE meetings are Meaningful, Aspirational and Progress-based (MAP). They do not just focus on numbers and output, but also on people's development areas and ambitions, and are meant to empower employees rather than 'rate' them. NAMCOR HR supports people in developing and practicing techniques and skills and receive and apply ongoing feedback and coaching. Our Great Conversations also provide the input for Reward & Recognition and Learning & Development.

## Affirmative Action

In compliance with the Affirmative Action Act, Act 29 of 1998, NAMCOR successfully attained affirmative action compliance for the 2018-2019 Financial Year. The number of female employees rose from 6% of the workforce to 48%. More effort needs to be made to attract disabled people into our employment as current levels are below 2% and have been so for a long time.

## Staff Turnover

Only 1.9% of staff turnover were experienced at Namcor. Employee turnover continued to reflect high employee retention levels. All employee climate surveys support the fact that the majority of employees are satisfied with their jobs. Many, as is typical of all employees however, said they would do with more in remuneration.

| Termination | Numbers | As % of the workforce |
|---|---|---|
| Resignations | 2 | 1.90% |
| Death | 0 | 0.00% |
| Dismissal/Terminations | 0 | 0.00% |
| Early Retirements | 0 | 0.00% |
| Normal Retirements | 0 | 0.00% |
| Desertions | 0 | 0.00% |
| Retirements on ill-Health | 0 | 0.00% |
| Voluntary Separation on Redundancy Conditions | 0 | 0.00% |

## Employee Relations

Maintaining good industrial relations through regular meetings with the trade unions was a crucial factor in the company's success during the year under review, to which all involved parties contributed with mutually agreed solutions that were applied to various internal problems that arose. Consequently, the employee relations climate continues to be characterised by industrial peace. No single workday was lost due to strike action by employees during the Financial Year. This speaks well of the efforts of management leadership and the efficacy of communication and engagement between the company and the union.

## Occupational Health and Safety

The health and safety of our employees is one of our top priorities. The main indicators of the level of staff health and safety are the number of accidents and the number of days taken as sick leave per employee. In the 2018-2019 Financial Year no employee died as a result of a workplace accident or work-related illness. Equally impressive was our overall compliance to health and safety standards in the workplace.

# SAFETY, HEALTH, ENVIRONMENT AND QUALITY (SHEQ)

The key function of the SHEQ Division is to ensure that all minimum requirements of the Labour Act and regulations and codes of practice relating to the health and safety of employees in the workplace are complied with and implemented. Minimising incidents and near misses, enhancing the security of personnel and assets, as well as the protection of the environment, are crucial elements that contribute to NAMCOR's overall objective of being a self-sustainable commercial entity.

## Key Highlights

During the period under review, the following activities and performance targets have been initiated and executed:

## SHEQ Integrated Management System (IMS)

- The full SHEQ documentation suite of 28 procedures and a SHEQ Manual were authorised and approved by the Executive Committee and the Managing Director;

- Sessions were held with HR, Business Support and Commercial Business Units to update the objectives, targets and action plans that need to be actioned in order to reduce/limit risk exposure; and

- The SHEQ IMS Project is now 100% complete.

## ISOMETRIX System

- To date, ten (10) Isometrix system users have been trained and ten (10) additional users will be trained on the system for the 2019-2020 period.

## SHEQ Functional Review

- The SHEQ Division presented its proposed structure to EXCO and other NAMCOR Management members in order to streamline its activities and discharge its mandate sufficiently and effectively; and

- The SHEQ Manager was appointed and assumed duty in the period under review.

## Training and Inductions

The SHEQ Division coordinated the following training courses as part of its strategic planning and legal requirements compliance:

- The Environmental Coordinator attended Occupational Health & Safety Workshop from
- The Acting SHEQ Manager attended Risk Management Training;
- Defensive Driving was facilitated in conjunction with Shell Namibia and Ministry of Mines and Energy (MME);
- SHEQ Manager: Attended SHEQ Masterclass (Oil and Gas);
- First Aid Level A Training, representative across all Departments; and
- SHEQ Representatives were trained, cross-cutting across all Departments.

## Servicing of Fire Extinguishers

- All fire-fighting equipment at all NAMCOR sites, including headquarters, were serviced during the period under review.

## First Aid boxes / kits contents replenishment

All First Aid boxes/kits company-wide were refilled in line with legal requirements.

## Personal Protective Equipment (PPE) Order

- Annual PPE for identified personnel was purchased, branded with the NAMCOR logo and distributed to all employees as identified per risk assessment;
- Monitoring and review
- A Bulk Fuel Transporter SHEQ Audit Tool was compiled and is currently under implementation;
- A preliminary SHEQ Audit was carried out on Bulk Fuel Transporter Unitrans;
- The Alcohol and Drug Policy was drafted for presentation to the ARCC.
- Environmental performance and Monitoring

## Security

- Upgrade and replacement of current CCTV system at headquarters has commenced.

## Incident Statistics

- 29 incidents were recorded for the period.

Figures 3 and 4 below indicate a summary of all incidents during the period under review.

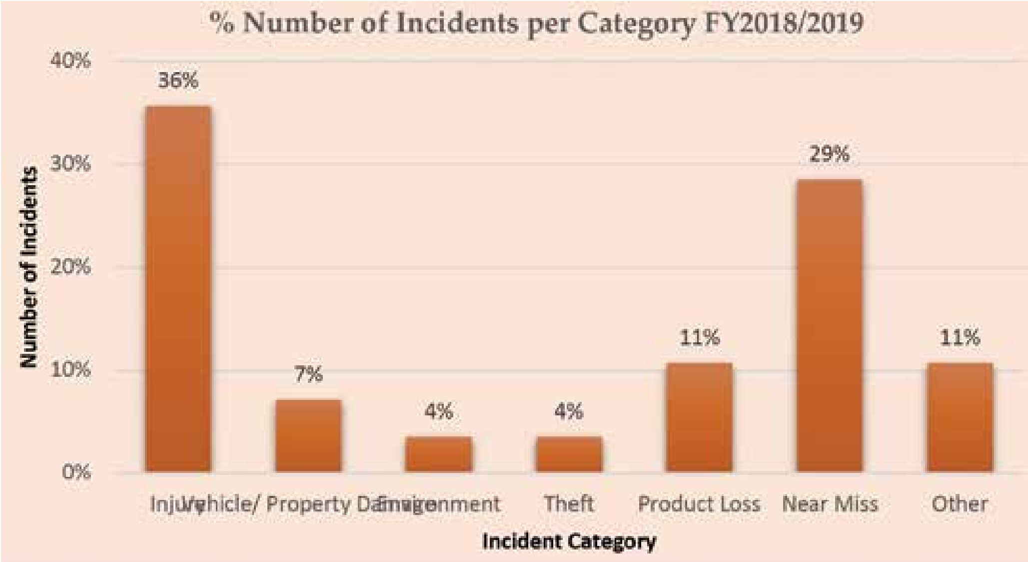



**Figure 3:** The number of incidents per category for FY 2018-2019

Most incidents were due to the injury of employees, while environmental and theft incident categories recorded the least number of incidents.

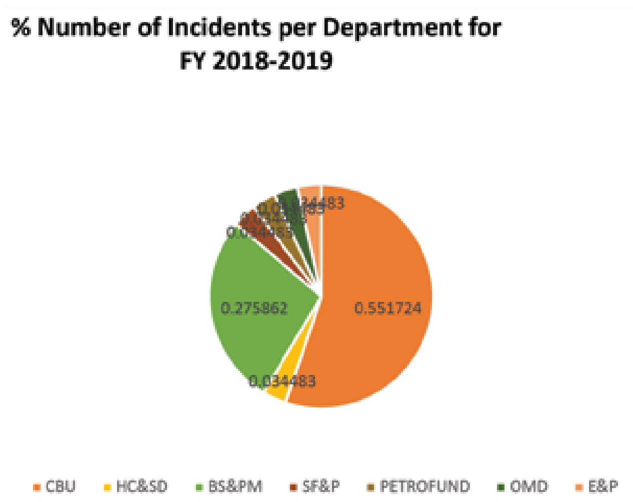



**Figure 4:** The percentage number of incidents per department for FY2018-2019

The Commercial Business Unit (CBU) recorded the highest number of incidents, which may be attributed to site operations complexity. Human Capital & Strategic Development (HC&SD), Strategic Finance & Procurement (SF&P), Exploration & Production (E&P) jointly, and Petrofund, recorded the least incidents.

Figure 5 below shows the number of incidents for the financial period under review in comparison to the number of incidents of previous financial years.

The number of incidents have increased significantly throughout the Financial Years 2015 through to 2019. This could perhaps be explained by better reporting of incidents, especially from the depots, following the implementation of the Incident Reporting and Investigation Procedure SHEQ PRO 10.

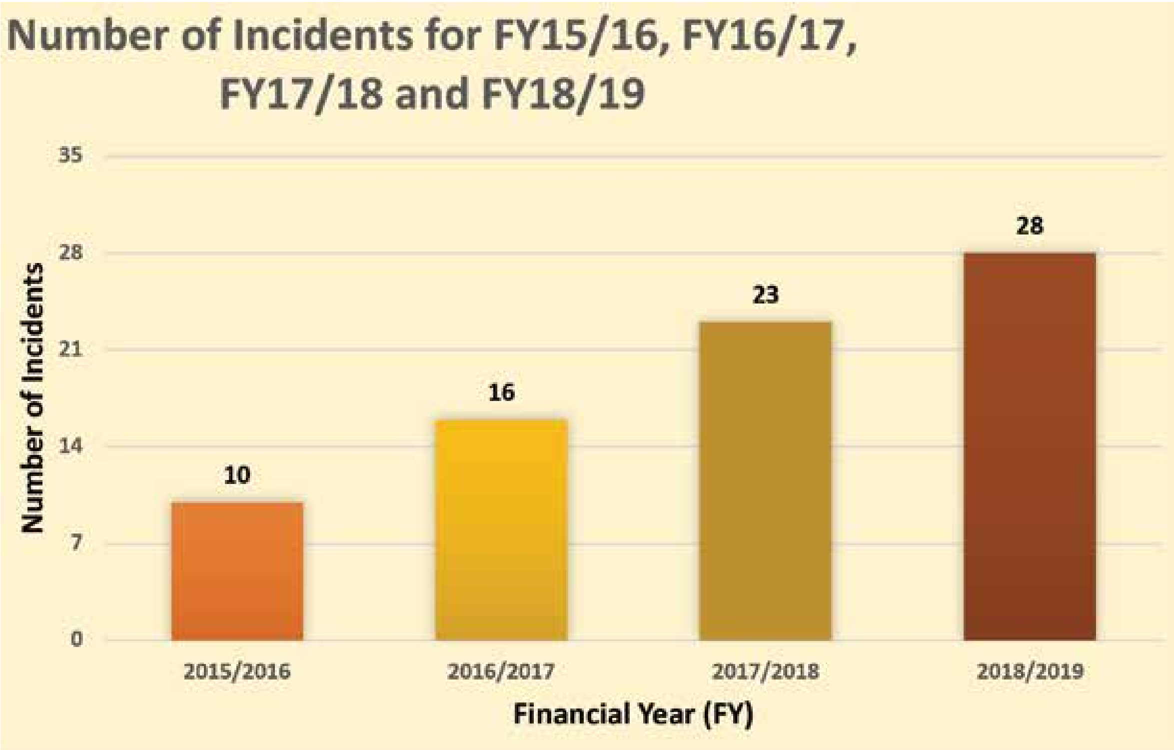



**Figure 5:** The number of incidents for FY2015-2016, FY2016-2017, FY2017-2018 and FY2018-2019

## Challenges

### Incidents

- ❖ Management involvement in the prevention of accident recurrences is still minimal; and
- ❖ The synergy of SHEQ Culture among employees is facing resistance to change.

### SHEQ Division Complement and Structure

- ❖ The SHEQ staff complement is not at its full capacity to implement its mandate; and
- ❖ The proposed SHEQ structure, which is aimed at maximising the Division's effectiveness, is yet to be approved by the Board, as by the end of the period under review.

### Isometrix

- ❖ The Software System has crashed and data can no longer be entered into or retrieved.

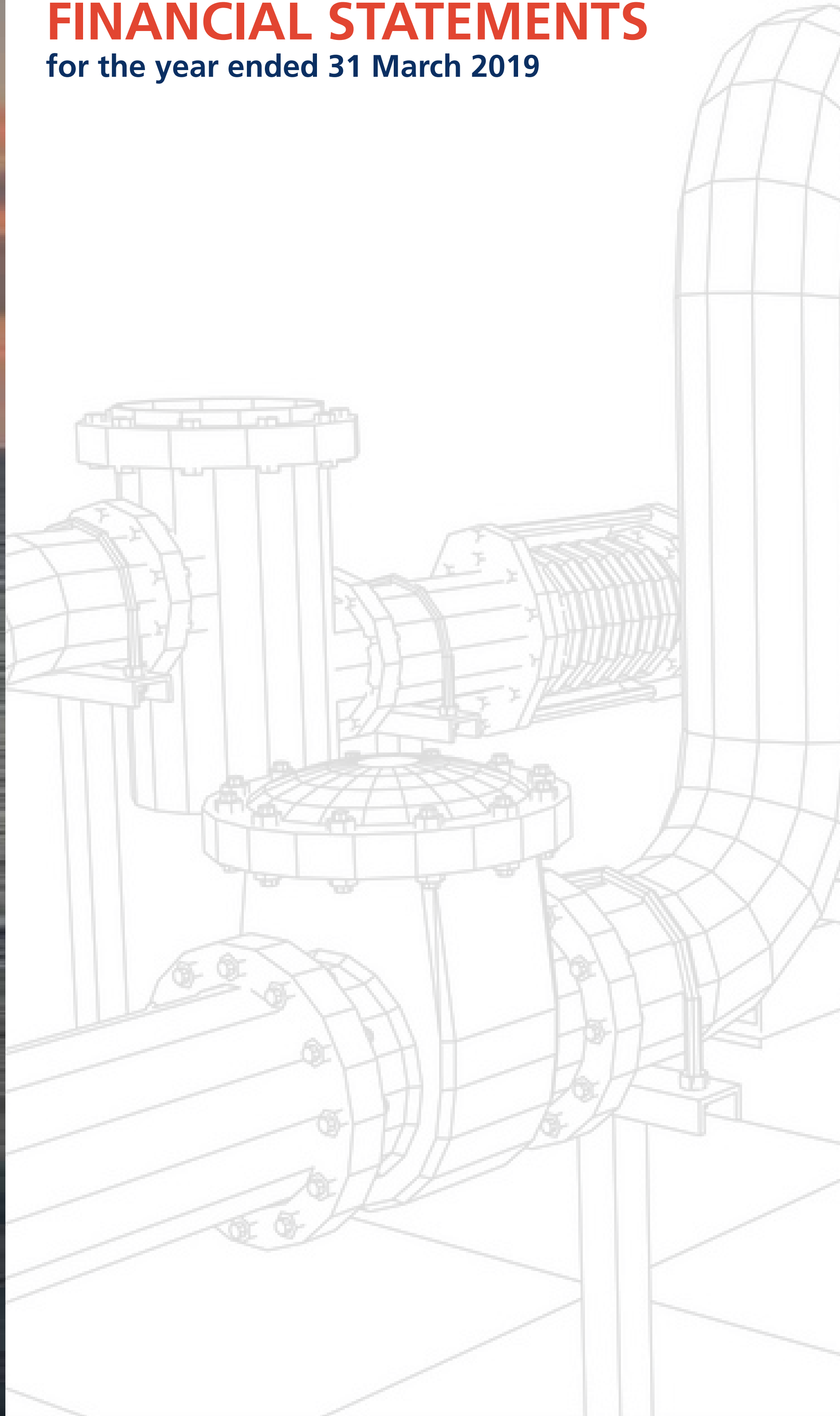
## Future Prospects

- ❖ Environmental measuring and monitoring company-wide;
- ❖ Certification to ISO14001, ISO9001, ISO 29001 and OHSAS18001/ ISO45001 by 2021;
- ❖ Creation of a SHEQ Department in line with oil and gas best practice worldwide; and
- ❖ The full implementation of the SHEQ Integrated Management System envisioned for the 2019/2020 will enhance the company SHEQ culture.

## Conclusion

The IMS Project was finally concluded and this puts the company in a better position towards SHEQ compliance. The fact that no fatal accidents were recorded during the period under review is a noble SHEQ achievement for all employees, visitors and contractors. The Division will however strive to reduce injuries and near-misses in the future through awareness.

# FINANCIAL STATEMENTS
for the year ended 31 March 2019



National Petroleum Corporation of Namibia (Proprietary) Limited
(Registration number 164/67)
Consolidated and Separate Annual Financial Statements
for the year ended 31 March 2019

## Index

The reports and statements set out below comprise the consolidated and separate annual financial statements presented to the shareholder:

# National Petroleum Corporation of Namibia (Proprietary) Limited

(Registration number 164/67)
Consolidated And Separate Annual Financial Statements for the year ended 31 March 2019

## Directors' Responsibilities and Approval

The directors are responsible for the preparation and fair presentation of the group and company financial statements of National Petroleum Corporation of Namibia (Proprietary) Limited, comprising the statements of financial position at 31 March 2019 and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, a summary of significant accounting policies and the notes to the financial statements, and the directors' report, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Namibia.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the ability of the group and company to continue as going concerns and have no reason to believe that the businesses will not be going concerns in the year ahead.

The auditor is responsible for reporting on whether the financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of annual financial statements

The annual financial statements of National Petroleum Corporation of Namibia (Proprietary) Limited, as identified in the first paragraph, were approved by the board on 06 August 2020 and were signed on its behalf by:

**Director**

**Director**

# Independent Auditor's Report

**To the shareholder of National Petroleum Corporation of Namibia (Proprietary) Limited**

**Opinion**

We have audited the consolidated and separate annual financial statements of National Petroleum Corporation of Namibia (Proprietary) Limited set out on pages 9 to 69, which comprise the statement of financial position as at 31 March 2019, 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 consolidated and separate annual financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate annual financial statements present fairly, in all material respects, the financial position of National Petroleum Corporation of Namibia (Proprietary) Limited as at 31 March 2019, 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 of Namibia.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated and separate annual financial statements section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B) (IESBA Code) and other independence requirements applicable to performing audits of consolidated and separate annual financial statements in Namibia. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other 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 opinion.

## Independent Auditor's Report

**Other information**

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act of Namibia of Namibia, which we obtained prior to the date of this report. Other information does not include the consolidated and separate annual financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate 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 consolidated and separate 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 consolidated and separate 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, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the directors for the Consolidated And Separate Annual Financial Statements**

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

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

## Independent Auditor's Report

**Auditor's responsibilities for the audit of the Consolidated And Separate Annual Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 consolidated and separate 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 consolidated and separate 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 group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate 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 group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate annual financial statements, including the disclosures, and whether the consolidated and separate 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.

Grand Namibia

**Grand Namibia**
**Registered Accountants and Auditors**
**Chartered Accountants (Namibia)**

**Per: Richard Theron**
**Partner**
**Windhoek**
**Date: 17 August 2020**

# National Petroleum Corporation of Namibia (Proprietary) Limited

(Registration number 164/67)
Consolidated And Separate Annual Financial Statements for the year ended 31 March 2019

## Directors' Report

The directors submit their report for the year ended 31 March 2019.

### 1. Incorporation

The company was incorporated in Namibia on 06 November 1967 and obtained its certificate to commence business on the same day.

### 2. Review Activities

**Main business and operation**

National Petroleum Corporation of Namibia (Proprietary) Limited is a company domiciled in Namibia. The Group and Company are engaged in ensuring the optimum exploitation of Namibia's petroleum resources and meaningful Namibian participation in resulting business developments in petroleum related exploration activities. The Group and Company also act as advisors to the Ministry of Mines and Energy and assist them in monitoring the exploration activities of licenses.

The operating results and state of affairs of the Group and Company are fully set out in the attached financial statements.

### 3. Going concern

We draw your attention to the fact that for the year ended 31 March 2019, the group made an operating loss of N$ 67 896 351 (2018: Restated N$ 77 751 616). The company made an operating loss of N$ 52 541 379 (2018: Restated N$ 32 329 030). The losses incurred by the group in the 2019 financial year are attributable to an increase in the allowance for impairment of trade receivables amounting to N$ 64 937 701 and provision for export levies amounting to N$ 19 100 135. The losses incurred by the company in the 2019 financial year are attributable to impairments of loan to group companies amounting to N$ 36 646 936.

The group’s financial statements reflect that the total assets exceed the total liabilities by N$ 561 937 662 (2018: Restated N$ 563 026 875). The company’s financial statements reflect that the total assets exceed the total liabilities by N$ 444 963 175 (2018 Restated: N$ 443 934 776). The group’s financial statements reflect that the current assets exceed the current liabilities by N$ 303 331 729 (2018: N$ 442 167 033). The group is technically solvent and in a net current asset position. The company’s financial statements reflect that the current assets exceed the current liabilities by N$ 382 330 470 (2018: N$ 441 191 838). The company is technically solvent and in a net current asset position.

The group and company financial statements have been prepared based on 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 business.

The directors have satisfied themselves that the group and company is in a sound financial position, has access to sufficient borrowing facilities to meet all foreseeable cash requirements.

The directors are not aware of any other material changes that may adversely affect the group and company. The directors are also not aware of any material non - compliance with statutory or regulatory requirements or of any pending changes to the legislation, which may affect the group and company other than the one disclosed in note 11.

### 4. Events after the reporting period

Since 31 December 2019, the consequences of the COVID-19 outspread have adversely affected the supply and demand for the group’s primary products and therefore, its operating results have been negatively impacted. Combined with disruptions in the group’s supply chain due to movement restrictions, the company has experienced a decrease in revenue for the period 1 January 2020 to 30 June 2020. While it is reasonably possible that the virus could have a negative effect on the results of operations, the specific impact is not readily determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

### 5. Share capital

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

### 6. Dividends

No dividends were declared or paid to the shareholder during the year (2018: nil).

# Directors' Report

**7. Directorate**

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

| Name | Changes |
|---|---|
| Patrick Kauta (Chairperson) | Resigned 17 October 2018 |
| Engelhardt Kongoro (Chairperson) | Appointed 1 February 2019 |
| Onno-Ndangi Lithete | Appointed 1 February 2019 |
| Anna Simanekeni Libana (Deputy Chairperson) | - |
| Immanuel Mulunga (Managing Director) | - |
| Lorentha Harases | - |
| Roger Swart | - |
| Barbara Nicolene Dreyer-Omoregie | - |

**8. Secretary**

The secretary of the company is Ms. Damoline Muruko of:

**Business address**

Petroleum House
1 Aviation Road
Windhoek

**Postal address**

Private Bag 13196
Windhoek
Namibia

**9. Shareholder**

The company's shareholder is the Government of the Republic Of Namibia.

**10. Investments in subsidiaries**

| Name of subsidiary | Country of incorporation |
|---|---|
| Brak Property Development 35 (Pty) Ltd Namibia | Namibia |
| Brak Property Development 36 (Pty) Ltd Namibia | Namibia |
| Namcor Petroleum Trading & Distribution (Pty) Ltd | Namibia |
| Namcor Exploration and Production (Pty) Ltd | Namibia |

**11. Non-compliance with laws and regulations**

Road Fund Administration Act
During the period under review, the company's subsidiary, NAMCOR Petroleum Trading and Distribution (Pty) Ltd sold petroleum products to locally registered companies with the assumption that these products will be exported. As a result, there were no levies charged on these volumes. The practice is not in line with the requirements of the Road Fund Administration Act. The non-compliance with the Road Fund Administration Act quantified to N$ 14 803 803.77 (2018: N$ 5 804 864.56) including interest. This amount has been provided for in the financial statements.

Petroleum Products and Energy Act
During the period under review, the company's subsidiary, NAMCOR Petroleum Trading and Distribution (Pty) Ltd sold petroleum products to locally registered companies with the assumption that these products will be exported. As a result, there were no levies charged on these volumes. This practice is not in line with the requirements of the Petroleum Products and Energy Act. The non-compliance with the Petroleum Products and Energy Act quantified amounts to N$ 17 009 998.85 (2018: N$ 6 908 803.39). This amount has been provided for in the financial statements.

## National Petroleum Corporation of Namibia (Proprietary) Limited

(Registration number 164/67)
Consolidated And Separate Annual Financial Statements for the year ended 31 March 2019

## Directors' Report

**12. Auditor**

On the 22nd of May 2019, Grand Namibia Chartered Accountants and Auditors was appointed as the Independent external auditors of the company in accordance with section 285 of the Companies Act of Namibia.

**13. Registered Office**

Petroleum House
1 Aviation Road
Windhoek

## National Petroleum Corporation of Namibia (Proprietary) Limited

(Registration number 164/67)
Consolidated And Separate Annual Financial Statements for the year ended 31 March 2019

# Statement of Financial Position as at 31 March 2019

| | | Group | | | Company | | |
|---|---|---|---|---|---|---|---|
| | Note(s) | 2019 N$ | 2018 Restated * N$ | 2017 Restated * N$ | 2019 N$ | 2018 Restated * N$ | 2017 Restated * N$ |
| **Assets** | | | | | | | |
| **Non-Current Assets** | | | | | | | |
| Property, plant and equipment | 4 | 286 905 471 | 225 676 257 | 191 875 773 | 86 607 849 | 84 854 238 | 86 315 894 |
| Intangible assets | 5 | 220 107 | 255 604 | - | 220 107 | 255 604 | - |
| Investments in subsidiaries | 6 | - | - | - | 100 | 100 | 100 |
| Other financial assets | 7 | 134 367 484 | 66 198 435 | 26 605 864 | 134 367 484 | 66 198 435 | 26 605 864 |
| Deferred tax asset | 8 | 87 348 670 | 77 311 579 | 71 480 736 | - | - | - |
| | | **508 841 732** | **369 441 875** | **289 962 373** | **221 195 540** | **151 308 377** | **112 921 858** |
| **Current Assets** | | | | | | | |
| Loans to group companies | 9 | - | - | - | 176 831 439 | 154 228 912 | 134 508 291 |
| Inventories | 10 | 58 106 737 | 34 427 781 | 45 204 614 | - | - | - |
| Trade and other receivables | 11 | 215 282 638 | 180 942 582 | 165 184 351 | 45 033 649 | 36 573 348 | 64 608 990 |
| Current tax receivable | | 9 687 368 | 9 687 368 | 9 687 368 | 5 461 404 | 5 461 404 | 5 461 404 |
| Cash and cash equivalents | 12 | 216 034 243 | 388 530 275 | 453 464 143 | 188 739 340 | 270 960 619 | 303 737 229 |
| | | **499 110 986** | **613 588 006** | **673 540 476** | **416 065 832** | **467 224 283** | **508 315 914** |
| **Total Assets** | | **1 007 952 718** | **983 029 881** | **963 502 849** | **637 261 372** | **618 532 660** | **621 237 772** |
| **Equity and Liabilities** | | | | | | | |
| **Equity** | | | | | | | |
| Share capital | 13 | 10 000 000 | 10 000 000 | 10 000 000 | 10 000 000 | 10 000 000 | 10 000 000 |
| Reserves | 14 | 165 593 932 | 121 035 089 | 81 475 371 | 121 349 708 | 70 769 542 | 33 675 527 |
| Retained income | 15 | 386 343 730 | 431 991 786 | 491 670 509 | 313 613 467 | 363 165 234 | 384 988 448 |
| | | **561 937 662** | **563 026 875** | **583 145 880** | **444 963 175** | **443 934 776** | **428 663 975** |
| **Liabilities** | | | | | | | |
| **Non-Current Liabilities** | | | | | | | |
| Non-current portion - loans from shareholder | 16 | 199 909 418 | 205 948 455 | 209 277 441 | 117 918 563 | 117 918 563 | 117 918 563 |
| Non-current portion - borrowings | 17 | 23 758 805 | 28 996 152 | 25 512 473 | 16 748 412 | 19 711 470 | 22 497 135 |
| Deferred income | 18 | 2 671 717 | 2 702 020 | 2 732 323 | - | - | - |
| Deferred tax liability | 8 | 23 895 859 | 10 935 406 | 3 939 191 | 23 895 859 | 10 935 406 | 3 939 191 |
| | | **250 235 799** | **248 582 033** | **241 461 428** | **158 562 834** | **148 565 439** | **144 354 889** |
| **Current Liabilities** | | | | | | | |
| Current portion - loans from shareholder | 16 | 6 039 037 | 5 699 607 | 2 400 000 | - | - | - |
| Current portion - borrowings | 17 | 5 240 329 | 6 664 157 | 4 639 864 | 3 015 875 | 2 792 127 | 2 584 308 |
| Deferred income | 18 | 30 303 | 30 303 | 25 529 356 | - | - | 25 499 053 |
| Trade and other payables | 19 | 145 450 914 | 139 354 461 | 97 929 257 | 25 157 762 | 17 624 185 | 13 895 969 |
| Provisions | 20 | 39 018 674 | 19 672 445 | 8 397 064 | 5 561 726 | 5 616 133 | 6 239 578 |
| | | **195 779 257** | **171 420 973** | **138 895 541** | **33 735 363** | **26 032 445** | **48 218 908** |
| **Total Liabilities** | | **446 015 056** | **420 003 006** | **380 356 969** | **192 298 197** | **174 597 884** | **192 573 797** |
| **Total Equity and Liabilities** | | **1 007 952 718** | **983 029 881** | **963 502 849** | **637 261 372** | **618 532 660** | **621 237 772** |

# National Petroleum Corporation of Namibia (Proprietary) Limited

(Registration number 164/67)
Consolidated And Separate Annual Financial Statements for the year ended 31 March 2019

## Statements of Profit or Loss and Other Comprehensive Income

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note(s) | 2019<br>N$ | 2018<br>Restated *<br>N$ | 2019<br>N$ | 2018<br>Restated *<br>N$ |
| Revenue | 21 | 773 278 902 | 610 827 033 | 21 995 682 | 12 403 485 |
| Cost of sales | 22 | (696 153 203) | (559 044 477) | - | - |
| **Gross profit** | | **77 125 699** | **51 782 556** | **21 995 682** | **12 403 485** |
| Other income | 23 | 119 501 486 | 126 640 969 | 117 935 634 | 124 347 205 |
| Other operating expenses | | (264 523 536) | (256 175 141) | (192 472 695) | (169 079 720) |
| **Operating loss** | 24 | **(67 896 351)** | **(77 751 616)** | **(52 541 379)** | **(32 329 030)** |
| Finance income | 26 | 14 721 181 | 21 241 882 | 9 366 682 | 12 307 950 |
| Finance costs | 27 | (6 879 239) | (8 999 831) | (1 617 606) | (1 802 134) |
| **Loss before taxation** | | **(60 054 409)** | **(65 509 565)** | **(44 792 303)** | **(21 823 214)** |
| Taxation | 28 | 10 037 091 | 5 830 842 | - | - |
| **Loss for the year** | | **(50 017 318)** | **(59 678 723)** | **(44 792 303)** | **(21 823 214)** |
| **Other comprehensive income:** | | | | | |
| **Items that will not be reclassified to profit or loss:** | | | | | |
| Gains / (losses) on property revaluation | 4 | (10 479 375) | 7 791 504 | (4 458 050) | 5 325 801 |
| Financial assets at fair value through other comprehensive income | | 68 184 873 | 38 764 429 | 68 184 873 | 38 764 429 |
| Income tax relating to items that will not be reclassified subsequently to profit or loss | | (12 960 453) | (6 996 215) | (12 960 453) | (6 996 215) |
| **Total items that will not be reclassified to profit or loss** | | **44 745 045** | **39 559 718** | **50 766 370** | **37 094 015** |
| **Other comprehensive income for the year net of taxation** | | **44 745 045** | **39 559 718** | **50 766 370** | **37 094 015** |
| **Total comprehensive income / (loss) for the year** | | **(5 272 273)** | **(20 119 005)** | **5 974 067** | **15 270 801** |

## National Petroleum Corporation of Namibia (Proprietary) Limited

(Registration number 164/67)
Consolidated And Separate Annual Financial Statements for the year ended 31 March 2019

## Statement of Changes in Equity

| | Share capital | GC24 reserve | Revaluation reserve | Fair value adjustment financial assets through OCI | Other NDR | Total reserves | Retained income | Total equity |
|---|---|---|---|---|---|---|---|---|
| | N$ | N$ | N$ | N$ | N$ | N$ | N$ | N$ |
| **Group** | | | | | | | | |
| **Restated* Balance at 01 April 2017** | **10 000 000** | **-** | **62 595 924** | **17 115 371** | **1 764 076** | **81 475 371** | **491 670 509** | **583 145 880** |
| Loss for the year | - | - | - | - | - | - | (59 678 723) | (59 678 723) |
| Other comprehensive income | - | - | 7 791 504 | 31 768 214 | - | 39 559 718 | - | 39 559 718 |
| **Total changes** | **-** | **-** | **7 791 504** | **31 768 214** | **-** | **39 559 718** | **(59 678 723)** | **(20 119 005)** |
| **Balance at 01 April 2018** | **10 000 000** | **-** | **70 387 428** | **48 883 585** | **1 764 076** | **121 035 089** | **431 991 782** | **563 026 871** |
| Loss for the year | - | - | - | - | - | - | (50 017 318) | (50 017 318) |
| Other comprehensive income | - | (43 224) | (10 479 375) | 55 252 460 | - | 44 729 861 | - | 44 729 861 |
| **Total changes** | **-** | **(43 224)** | **(10 479 375)** | **55 252 460** | **-** | **44 729 861** | **(50 017 318)** | **(5 287 457)** |
| IFRS 9- Transitional Adjustment | - | (640) | - | - | - | (640) | 4 198 887 | 4 198 247 |
| Reclassification of GC24 reserves | - | (170 379) | - | - | - | (170 379) | 170 379 | - |
| **Balance at 31 March 2019** | **10 000 000** | **(214 243)** | **59 908 055** | **104 136 044** | **1 764 076** | **165 593 932** | **386 343 730** | **561 937 662** |
| Note(s) | 13 | | 14 | 14 | | | | |
| **Company** | | | | | | | | |
| **Restated* Balance at 01 April 2017** | **10 000 000** | **-** | **14 796 081** | **17 115 371** | **1 764 075** | **33 675 527** | **384 988 448** | **428 663 975** |
| Loss for the year | - | - | - | - | - | - | (21 823 214) | (21 823 214) |
| Other comprehensive income | - | - | 5 325 801 | 31 768 214 | - | 37 094 015 | - | 37 094 015 |
| **Total changes** | **-** | **-** | **5 325 801** | **31 768 214** | **-** | **37 094 015** | **(21 823 214)** | **15 270 801** |
| **Balance at 01 April 2018** | **10 000 000** | **-** | **20 121 882** | **48 883 585** | **1 764 075** | **70 769 542** | **363 165 234** | **443 934 776** |
| Loss for the year | - | - | - | - | - | - | (44 792 303) | (44 792 303) |
| Other comprehensive income | - | (43 224) | (4 458 050) | (55 252 460) | - | (50 751 186) | - | (50 751 186) |
| **Total changes** | **-** | **(43 224)** | **(4 458 050)** | **(55 252 460)** | **-** | **(50 751 186)** | **(44 792 303)** | **(95 543 489)** |
| IFRS 9 - Transitional adjustment | - | (640) | - | - | - | (640) | (4 929 843) | (4 930 483) |
| Reclassification of GC24 reserves | - | (170 379) | - | - | - | (170 379) | 170 379 | - |
| **Balance at 31 March 2019** | **10 000 000** | **(214 243)** | **15 663 933** | **104 136 044** | **1 764 075** | **121 349 708** | **313 613 467** | **444 963 175** |
| Note(s) | 13 | | 14 | 14 | | | | |

# National Petroleum Corporation of Namibia (Proprietary) Limited

(Registration number 164/67)
Consolidated And Separate Annual Financial Statements for the year ended 31 March 2019

## Statements of Cash Flows

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note(s) | 2019 N$ | 2018 Restated * N$ | 2019 N$ | 2018 Restated * N$ |
| **Cash flows from operating activities** | | | | | |
| Cash receipts from customers | | 874 036 804 | 839 590 175 | 145 530 860 | 167 726 192 |
| Cash paid to suppliers and employees | | (988 110 198) | (838 648 234) | (188 449 996) | (160 370 401) |
| Cash (used in) / generated from operations | 30 | (114 073 394) | 941 941 | (42 919 136) | 7 355 791 |
| Interest received | | 14 721 181 | 21 241 882 | 9 366 682 | 12 307 950 |
| Finance costs | | (10 378 172) | (8 054 512) | (1 491 786) | (1 802 134) |
| **Net cash from operating activities** | | **(109 730 385)** | **14 129 311** | **(35 044 240)** | **17 861 607** |
| **Cash flows from investing activities** | | | | | |
| Purchase of property, plant and equipment | 4 | (77 869 278) | (62 752 700) | (4 632 573) | (8 044 872) |
| Proceeds from sale of property, plant and equipment | 4 | 376 384 | 345 670 | 7 024 | 345 670 |
| Purchase of intangible assets | 5 | - | (255 604) | - | (255 604) |
| Repayment of loans to group companies | | - | - | (82 613 309) | (36 500 226) |
| Loans advanced to group companies | | - | - | 15 676 247 | 16 736 594 |
| **Net cash from investing activities** | | **(77 492 894)** | **(62 662 634)** | **(71 562 611)** | **(27 718 438)** |
| **Cash flows from financing activities** | | | | | |
| Repayment of borrowings | | (6 661 175) | (5 069 252) | (2 739 310) | (2 577 846) |
| New loans raised | | - | 11 410 640 | - | - |
| Repayment of loans from shareholders | | (5 699 607) | (2 400 000) | - | - |
| **Net cash from financing activities** | | **(12 360 782)** | **3 941 388** | **(2 739 310)** | **(2 577 846)** |
| **Total cash movement for the year** | | **(199 584 061)** | **(44 591 935)** | **(109 346 161)** | **(12 434 677)** |
| Cash at the beginning of the year | | 388 530 275 | 453 464 143 | 270 960 619 | 303 737 229 |
| Effect of reclassification of financial asset through profit or loss on cash and cash equivalents | | - | (2 714 581) | - | (2 714 581) |
| Effect of exchange rate changes on cash and cash equivalents held | | 27 195 522 | (17 627 352) | 27 195 522 | (17 627 352) |
| Effect of loss allowance on cash and cash equivalents | | (107 493) | - | (70 640) | - |
| **Total cash at end of the year** | 12 | **216 034 243** | **388 530 275** | **188 739 340** | **270 960 619** |

# Significant Accounting Policies

**1. Significant accounting policies**

The financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Namibia. They have been prepared on the historical cost basis except for owner occupied property which is measured at revalued amounts and financial instruments measured at fair value, and incorporate the principal accounting policies set out below. They are presented in Namibia Dollar.

These accounting policies are consistent with the previous period.

**1.1 Consolidation**

**Basis of consolidation**

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

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

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

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

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

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

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

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

**1.2 Significant judgements and sources of estimation uncertainty**

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

**Business model assessment**

Classification and measurement of financial assets depends on the results of the Soley Payments of Principal and interest (SPPI) and the business model test (please see financial assets sections of the group's significant accounting policies. The group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The group monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

**Significant increase in credit risk**

As explained in the group's significant accounting policies, expected credit loss (ECL) are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the group takes into account qualitative and quantitative reasonable and supportable forward-looking information.



## Significant Accounting Policies

**1.2 Significant judgements and sources of estimation uncertainty (continued)**

**Loans and receivables**

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

**Financial assets at fair value through other comprehensive income (FVTOCI)**

The group follows the guidance of IFRS 9 to determine when financial assets at fair value through other comprehensive income (FVTOCI) is impaired. This determination requires significant judgment. In making this judgment, the group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

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

An allowance to write down stock to the lower of cost or net realisable value. Management has made estimates on the selling price and direct costs to sell on certain inventory items. The write down is included in the operating profit note.

**Taxation**

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

**Revaluation of land and buildings**

The group measures land and buildings at revalued amounts with changes in fair value being recognised in other comprehensive income.

**Useful lives and residual values**

Plant and equipment are depreciated over their useful lives taking into account residual values where appropriate. The useful lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing useful lives, factors such as technological innovation and the number of years the assets are expected to be available for use within the group are taken into account. Residual value assessments take into account issues such as future market conditions, the remaining life of the asset and projected disposal values.

**Impairment of property, plant and equipment**

The group assesses property, plant and equipment for impairment, if there is a reason to believe that impairment may be necessary. Factors taken into consideration in reaching such a decision include the economic viability of the asset itself and where it is a component of a larger economic unit, the viability of the unit itself. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

**Impairment of value added taxation**

The group made the judgement to impair value added taxation input claims not submitted to the Receiver of Inland Revenue, but that were recognised in the group's financial records as an asset. A difference exists between the group's financial records and the Receiver of Inland Revenue's records due to unreconciled value added tax input claims. The group at reporting date is unable to substantiate the valued added tax input claims that were unclaimed in terms of the statutory requirements. The value added taxation balance net of the impairment represents the estimated future cash flows from statutory requirements.

## Significant Accounting Policies

**1.2 Significant judgements and sources of estimation uncertainty (continued)**

**Impairment of investment in subsidiaries**

The company assesses its investment in subsidiaries 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 a financial asset.

**Impairment of loans to group**

The company assesses its loans to group companies 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 a financial asset.

**Fair value estimation**

The group uses judgement in selecting an appropriate valuation technique not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. Financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates.

**Provisions**

For provisions, estimates are made of legal or constructive obligations resulting in the raising of provisions, and the expected date of probable outflow of economic benefits to assess whether the provision should be discounted.

**Fuel levy**

The company still receives 7.6 cents per litre of the NEF fuel levy. The NEF is a directorate within the Ministry of Mines and Energy which forms part of the Government of Namibia. The question is whether in terms of the Cabinet decision, the Government was acting in its capacity as shareholder or not. The Government was not acting in its capacity as shareholder hence the nature of the levy takes the form of a Government grant and is accounted for and disclosed in terms of the requirements of IAS 20.The fuel levy is received as a compensation for expenses or losses already incurred for the purpose of giving immediate financial support to the Group.

**Related parties**

The group follows the guidance of IAS 24 to determine who qualifies as a related party. This determination requires significant judgment. In making this judgment, the group considered the three spheres of government (namely executive, legislative and judiciary). Each organ is responsible for a different function of the government. The legislative branch is responsible for making laws, which are implemented by the executive and interpreted by the judiciary branch. All three spheres of the government are constitutionally independent and therefore it cannot be assumed that public entities are related parties merely by the fact that the entities are part of government. Municipalities are therefore not related parties by virtue of their dealings with National Petroleum Corporation of Namibia (Pty) Ltd. Where entities in different spheres have a relationship, the relationship is assessed in terms of IAS 24. The group has concluded that all state-owned companies established by the legislative branch of Government would be related parties per the definition of related party as the entities would be in the same group with the State as the principal shareholder. This would therefore essentially mean entities Governed by the State-owned enterprise Act are related parties because they are all controlled by the state.

Ministry departments and agencies that fall under the same Ministry are considered to be related parties. Ministry departments and agencies that fall outside the control of the respective Ministry are not considered to be related parties. We consider the departments and agencies that fall under the same Ministry to be related parties due to the control exerted by the Minister on all these departments and agencies including National Petroleum Corporation of Namibia (Pty) Ltd. As other line Ministers do not have individual accountability apart from the Public enterprises Minister for National Petroleum Corporation of Namibia, we consider that agencies and departments that form part of other line Ministries, do not meet the definition of related party because there is no control, joint control and significant influence exerted by other line Ministries over National Petroleum Corporation of Namibia (Pty) Ltd.

# National Petroleum Corporation of Namibia (Proprietary) Limited

(Registration number 164/67)
Consolidated And Separate Annual Financial Statements for the year ended 31 March 2019

## Significant Accounting Policies

**1.2 Significant judgements and sources of estimation uncertainty (continued)**

**Key sources of estimation uncertainty**

**Calculation of loss allowance**

When measuring ECL the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

**1.3 Property, plant and equipment**

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

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 group, 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 group 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.

Land and buildings are carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Land is not depreciated.

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 period.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

Other items of property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying of the asset and the net amount restated to the revalued amount of the asset.

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.

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

## Significant Accounting Policies

**1.3 Property, plant and equipment (continued)**

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 group. 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 | 50 years |
| Motor vehicles | Straight line | 5 years |
| Office, storage and mechanical equipment | Straight line | 10 to 15 years |
| Electronic equipment | Straight line | 3 to 5 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.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in profit or loss in the current period. The decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation reserve in respect of that asset.

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

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

**Assets under construction**

Assets under construction are measured at cost, which is assumed equal to fair value. These includes costs of materials and direct labour and any cost incurred in bringing it to its present location and condition for the intended use.

During the period of construction or assembling of the asset, depreciation is not charged. The assets are assessed for impairment if there is a reason to believe that impairment may be necessary. Impairment losses are recognized immediately in profit or loss.

When the asset is ready for use, it is reclassified and transferred to its appropriate category of Property, plant and equipment.

**1.4 Intangible assets**

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

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

| Item | Useful life |
| --- | --- |
| Software | 3 Years |

**1.5 Investments in subsidiaries**

**Company consolidated and separate annual financial statements**.

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

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

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



## Significant Accounting Policies

### 1.6 Financial instruments

Financial instruments held by the group are classified in accordance with the provisions of IFRS 9 Financial Instruments.

Broadly, the classification possibilities, which are adopted by the group, as applicable, are as follows:

Financial assets which are equity instruments:

- Mandatorily at fair value through profit or loss; or
- Designated as at fair value through other comprehensive income. (This designation is not available to equity instruments which are held for trading or which are contingent consideration in a business combination).

Financial assets which are debt instruments:

- Amortised cost. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows); or
- Fair value through other comprehensive income. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is achieved by both collecting contractual cash flows and selling the instruments); or
- Mandatorily at fair value through profit or loss. (This classification automatically applies to all debt instruments which do not qualify as at amortised cost or at fair value through other comprehensive income); or
- Designated at fair value through profit or loss. (This classification option can only be applied when it eliminates or significantly reduces an accounting mismatch).

Derivatives which are not part of a hedging relationship:

- Mandatorily at fair value through profit or loss.

Financial liabilities:

- Amortised cost; or
- Mandatorily at fair value through profit or loss. (This applies to contingent consideration in a business combination or to liabilities which are held for trading); or
- Designated at fair value through profit or loss. (This classification option can be applied when it eliminates or significantly reduces an accounting mismatch; the liability forms part of a group of financial instruments managed on a fair value basis; or it forms part of a contract containing an embedded derivative and the entire contract is designated as at fair value through profit or loss).

Note 35 Financial instruments and risk management presents the financial instruments held by the group based on their specific classifications.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the group are presented below:

**Loans receivable at amortised cost**

**Classification**

Loans to group companies (note 9) are classified as financial assets subsequently measured at amortised cost.

They have been classified in this manner because the contractual terms of these loans give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the group's business model is to collect the contractual cash flows on these loans.

**Recognition and measurement**

Loans receivable are recognised when the group becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the loan initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

## Significant Accounting Policies

**Financial instruments (continued)**

**Application of the effective interest method**

Interest income is calculated using the effective interest method, and is included in profit or loss in finance income (note 26).

The application of the effective interest method to calculate interest income on a loan receivable is dependent on the credit risk of the loan as follows:

- The effective interest rate is applied to the gross carrying amount of the loan, provided the loan is not credit impaired. The gross carrying amount is the amortised cost before adjusting for a loss allowance.
- If a loan is purchased or originated as credit-impaired, then a credit-adjusted effective interest rate is applied to the amortised cost in the determination of interest. This treatment does not change over the life of the loan, even if it is no longer credit-impaired.
- If a loan was not purchased or originally credit-impaired, but it has subsequently become credit-impaired, then the effective interest rate is applied to the amortised cost of the loan in the determination of interest. If, in subsequent periods, the loan is no longer credit impaired, then the interest calculation reverts to applying the effective interest rate to the gross carrying amount.

**Significant increase in credit risk**

In assessing whether the credit risk on a loan has increased significantly since initial recognition, the group compares the risk of a default occurring on the loan as at the reporting date with the risk of a default occurring as at the date of initial recognition.

The group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the counterparties operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information.

Irrespective of the outcome of the above assessment, the credit risk on a loan is always presumed to have increased significantly since initial recognition if the contractual payments are more than 30 days past due, unless the group has reasonable and supportable information that demonstrates otherwise.

By contrast, if a loan is assessed to have a low credit risk at the reporting date, then it is assumed that the credit risk on the loan has not increased significantly since initial recognition.

The group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increases in credit risk before the amount becomes past due.

**Definition of default**

For purposes of internal credit risk management purposes, the group consider that a default event has occurred if there is either a breach of financial covenants by the counterparty, or if internal or external information indicates that the counterparty is unlikely to pay its creditors in full (without taking collateral into account).

Irrespective of the above analysis, the group considers that default has occurred when a loan instalment is more than 90 days past due unless there is reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

**Write off policy**

The group writes off a loan when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Loans written off may still be subject to enforcement activities under the group recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

**Measurement and recognition of expected credit losses**

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default.

The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. The exposure at default is the gross carrying amount of the loan at the reporting date.

Lifetime ECL is measured on a collective basis in cases where evidence of significant increases in credit risk are not yet available at the individual instrument level. Loans are then grouped in such a manner that they share similar credit risk characteristics, such as nature of the loan, external credit ratings (if available), industry of counterparty etc.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the group measures the loss allowance at an amount equal to 12 month ECL at the current reporting date, and vice versa.



# Significant Accounting Policies

**Financial instruments (continued)**

An impairment gain or loss is recognised for all loans in profit or loss with a corresponding adjustment to their carrying amount through a loss allowance account. The impairment loss is included in other operating expenses in profit or loss as a movement in credit loss allowance (note 24).

**Credit risk**

Details of credit risk related to loans receivable are included in the specific notes and the financial instruments and risk management (note 35).

**Derecognition**

Refer to the "derecognition" section of the accounting policy for the policies and processes related to derecognition.

Any gains or losses arising on the derecognition of a loan receivable is included in profit or loss in derecognition gains (losses) on financial assets at amortised cost.

**Trade and other receivables**

**Classification**

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost (note 11).

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the group's business model is to collect the contractual cash flows on trade and other receivables.

**Recognition and measurement**

Trade and other receivables are recognised when the group becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

**Application of the effective interest method**

For receivables which contain a significant financing component, interest income is calculated using the effective interest method, and is included in profit or loss in finance income (note 26).

The application of the effective interest method to calculate interest income on trade receivables is dependent on the credit risk of the receivable as follows:

- The effective interest rate is applied to the gross carrying amount of the receivable, provided the receivable is not credit impaired. The gross carrying amount is the amortised cost before adjusting for a loss allowance.
- If a receivable is a purchased or originated as credit-impaired, then a credit-adjusted effective interest rate is applied to the amortised cost in the determination of interest. This treatment does not change over the life of the receivable, even if it is no longer credit-impaired.
- If a receivable was not purchased or originally credit-impaired, but it has subsequently become credit-impaired, then the effective interest rate is applied to the amortised cost of the receivable in the determination of interest. If, in subsequent periods, the receivable is no longer credit impaired, then the interest calculation reverts to applying the effective interest rate to the gross carrying amount.

**Trade and other receivables denominated in foreign currencies**

When trade and other receivables are denominated in a foreign currency, the carrying amount of the receivables are determined in the foreign currency. The carrying amount is then translated to the Namibia Dollar equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in other operating gains (losses).

Details of foreign currency risk exposure and the management thereof are provided in the financial instruments and risk management (note 35).

**Impairment**

The group recognises a loss allowance for expected credit losses on trade and other receivables, excluding VAT and prepayments. The amount of expected credit losses is updated at each reporting date.

The group measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

## Significant Accounting Policies

**Financial instruments (continued)**

**Measurement and recognition of expected credit losses**

The group makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate.

The customer base is widespread and does not show significantly different loss patterns for different customer segments. The loss allowance is calculated on a collective basis for all trade and other receivables in totality. Details of the loss allowance is presented in note 11.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is included in other operating expenses in profit or loss as a movement in credit loss allowance (note 24).

**Write off policy**

The group writes off a receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Receivables written off may still be subject to enforcement activities under the group recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

**Credit risk**

Details of credit risk are included in the trade and other receivables in (note 11) and the financial instruments and risk management in (note 35).

**Derecognition**

Refer to the derecognition section of the accounting policy for the policies and processes related to derecognition.

Any gains or losses arising on the derecognition of trade and other receivables is included in profit or loss in the derecognition gains (losses) on financial assets at amortised cost line item.

**Investments in equity instruments**

**Classification**

Investments in equity instruments are presented in note 7. They are classified as financial assets through comprehensive income (FVTOCI). As an exception to this classification, the group may make an irrevocable election, on an instrument by instrument basis, and on initial recognition, to designate certain investments in equity instruments as at fair value through other comprehensive income.

The designation as at fair value through other comprehensive income is never made on investments which are either held for trading or contingent consideration in a business combination.

**Recognition and measurement**

Investments in equity instruments are recognised when the group becomes a party to the contractual provisions of the instrument. The investments are measured, at initial recognition, at fair value. Transaction costs are added to the initial carrying amount for those investments which have been designated as at fair value through other comprehensive income. All other transaction costs are recognised in profit or loss.

Investments in equity instruments are subsequently measured at fair value with changes in fair value recognised in other comprehensive income (and accumulated in equity in the reserve for valuation of investments).

Fair value gains or losses recognised on investments at fair value through other comprehensive income (note 7).

Dividends received on equity investments are recognised in profit or loss when the group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. No dividends were received during the reporting period.

**Investments denominated in foreign currencies**

When an investment in an equity instrument is denominated in a foreign currency, the fair value of the investment is determined in the foreign currency. The fair value is then translated to the Namibia Dollar equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in other comprehensive income as part of the fair value adjustment for investments which are classified as at fair value through other comprehensive income. Foreign exchange gains or losses arising on investments at fair value through other comprehensive income are recognised in other comprehensive income and accumulated in equity in the reserve for valuation of investments.

Details of foreign currency risk exposure and the management thereof are provided in the financial instruments and risk management (note 35).



## Significant Accounting Policies

**Financial instruments (continued)**

**Impairment**

Investments in equity instruments are not subject to impairment provisions.

**Derecognition**

Refer to the derecognition section of the accounting policy for the policies and processes related to derecognition.

The gains or losses which accumulated in equity in the reserve for valuation of investments for equity investments at fair value through other comprehensive income are not reclassified to profit or loss on derecognition. Instead, the cumulative amount is transferred directly to retained earnings.

**Borrowings and loans from related parties**

**Classification**

These include loans from banks as well as government entities and are recognised initially at fair value plus direct transaction costs and subsequently measured at amortised cost.

Borrowings are classified as financial liabilities measured at amortised cost.

**Derecognition**

Refer to the derecognition section of the accounting policy for the policies and processes related to derecognition.

**Trade and other payables**

**Classification**

Trade and other payables (note 19), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

**Recognition and measurement**

They are recognised when the group becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs (note 27).

Trade and other payables expose the group to liquidity risk and possibly to interest rate risk. Refer to note 35 for details of risk exposure and management thereof.

## Significant Accounting Policies

**Financial instruments (continued)**

**Trade and other payables denominated in foreign currencies**

When trade payables are denominated in a foreign currency, the carrying amount of the payables are determined in the foreign currency. The carrying amount is then translated to the Namibia Dollar equivalent using the closing spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in the other income (note 23).

Details of foreign currency risk exposure and the management thereof are provided in the financial instruments and risk management note (note 35).

**Derecognition**

Refer to the "derecognition" section of the accounting policy for the policies and processes related to derecognition.

**Financial guarantee contracts**

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the group are initially measured at their fair values and, if not designated as at FVTPL and do not arise from a transfer of a financial asset, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the revenue recognition policies.

Refer to note  for details of financial guarantee contracts.

**Cash and cash equivalents**

Cash and cash equivalents are stated at carrying amount which is deemed to be fair value.

**Bank overdrafts**

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

**Derecognition**

**Financial assets**

The group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the group retains substantially all the risks and rewards of ownership of a transferred financial asset, the group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

**Financial liabilities**

The group derecognises financial liabilities when, and only when, the group obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

**Reclassification**

**Financial assets**

The group only reclassifies affected financial assets if there is a change in the business model for managing financial assets. If a reclassification is necessary, it is applied prospectively from the reclassification date. Any previously stated gains, losses or interest are not restated.

The reclassification date is the beginning of the first reporting period following the change in business model which necessitates a reclassification.

**Financial liabilities**

Financial liabilities are not reclassified.



## Significant Accounting Policies

**1.7 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.

**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 transaction or event which is recognised, in the same or a different period, directly in equity, 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.

**1.8 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.

**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.

**1.9 Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of inventory is accounted for on a weighted average 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 inventory also includes normal evaporation losses.

## Significant Accounting Policies

**1.10 Impairment of assets**

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

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

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

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

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

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

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

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

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

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

**1.11 Share capital and equity**

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

Ordinary shares are classified as equity.

**1.12 Employee benefits**

**Defined contribution plans**

The Group contributes to a defined contribution plan. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.



## Significant Accounting Policies

### 1.13 Provisions and contingencies

Provisions are recognised when:

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

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

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

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.

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 33.

### 1.14 Government grants

Government grants are recognised when there is reasonable assurance that:

- the group will comply with the conditions attached 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.

## Significant Accounting Policies

**1.15 Revenue from contracts with customers**

The group recognises revenue from the following major sources:

- Sale of petroleum products; and
- Storage and handling services
- Data licencing
- Administration services

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

**Sale of petroleum products**

The Group sells petroleum products to the wholesale market and directly to customers through its own retail, agents and outlets owned by other companies.

The Group supplies petroleum products including automotive diesel oils, unleaded petrol, jet A1 fuel, heavy fuel oils and lubricants. For such petroleum products, because a customer obtains control when a customer takes physical possession of the goods, revenue is recognised at the point in time that the goods are delivered or collected by the customer. Revenue is measured at the consideration promised in a contract with the customer, less discounts, rebates and adjustments for slate under or over recoveries.

The Group sells its regulated petroleum products in accordance with Basic Fuels Price (BFP) for these products. The BFP is the official formula prescribed by the Ministry of Mines and Energy of the Republic of Namibia from time to time and used to determine the prices of regulated petroleum products sold in the Namibian Market. It is determined in order to represent the realistic, market-related costs of importing a substantial portion of Namibia liquid fuels requirements, and it is therefore deemed that such supplies are sourced from overseas refining centres capable of meeting Namibia's requirements in terms of both product quality and sustained supply considerations.

The BFP of petrol, diesel and illuminating paraffin is calculated on a daily basis. This daily calculated BFP is either higher or lower than the BFP reflected in the fuel price structures at that time. If the daily BFP is higher than the BFP in the fuel prices, a unit under recovery is realised on that day. When the BFP is lower than the BFP in the price structures, an over recovery is realised on that day. An under recovery means that fuel consumers are paying too little for product on that day, whilst in an over recovery situation, consumer are paying too much for product on that day. These calculations are done for each day in the fuel price review period and an average for the fuel price review period is calculated. The volumes sold locally in that month multiply this monthly unit over/under recovery and the cumulative over/under recovery is recorded on a Cumulative over/under recovery account (referred to as the "Slate Account"). A Slate levy is applicable on fuels to finance the balance in the Slate account when the Slate is in a negative balance.

Included in the BFP is the prevailing slate unit over/under recovery. The slate over/under recovery as explained above is considered a variable consideration as it may result in refunds or price concessions with the National Energy Fund. The Slate over/under recovery per litre is a component of the BFP. The National Energy Fund adjusts the variable consideration for each respective period. The Group using the expected value method therefore adjusts the variable consideration in determining the transaction price.

Petroleum products are physical goods and customer obtain control over petroleum products through physical possession, either when the customer collects or when the petroleum products are delivered to the customer.

The Group also supplies petroleum products in agency arrangements and vendor managed inventory arrangements. The performance obligations in these arrangements remains the supply of petroleum products. The difference with the other arrangements is that the Group supplies in bulk to the premises of an agent in an agency arrangement and to a customer in a vendor managed arrangement. The inventory remains in the control of the Group and control transfers as petroleum products are dispensed. Vendor managed inventory arrangements include promises of services that are considered fulfilments activities as it pertains to the sale of petroleum products.

The transportation of the petroleum products to the customer is considered a fulfilment activity instead of a service. The installation of equipment at customer sites falls into the scope of IAS 16 and are considered costs incurred in fulfilling a contract with a customer within the scope of another Standard.

**Storage and handling services**

The Group provides storage and handling services to other oil companies at storage facilities controlled by the entity.

The obligation to provide services relating to the handling of tenant’s petroleum products is considered to be distinct on its own as the customer can benefit from it with other resources that are readily available and it is separately identifiable from other promises in the contract. The obligation to provide services relating to the storage of tenant’s petroleum products is considered to be distinct on its own as the customer can benefit from it with other resources that are readily available and it is separately identifiable from other promises in the contract.

For the handling performance obligation, revenue is measured at a point in time. For the storage performance obligation, revenue is measured by applying the practical expedient for measuring progress towards complete satisfaction of a performance obligation based on right to invoice. Revenue is measured by estimating the stand-alone selling price using a combination of methods, which includes an adjusted market assessment approach and an expected cost plus margin approach.



## Significant Accounting Policies

**Revenue from contracts with customers (continued)**

Handling services are provided when inventory is deposited and when inventory is withdrawn. Storage activities results in customers simultaneously receiving and consuming the benefits provided by the Group as it performs. The Group has the right to invoice based on throughput volumes for the month. The Group applies the practical expedient for measuring progress towards complete satisfaction of a performance obligation based on right to invoice. Revenue is measured by estimating the stand-alone selling price using a combination of methods, which includes an adjusted market assessment approach and an expected cost plus margin approach.

**Data licensing – sales based royalty**

The Company is the custodian of all the Namibian exploration and production data; therefore the Company is required to provide these data to any potential investor and maintain the data standard. The Company is also mandated to receive the data through the Ministry of Mines and Energy of the Republic of Namibia, to maintain, store, interpret, evaluate, add value, and provide the petroleum data to investors.

The Company licenses data, including seismic data, gravity and magnetic data, borehole related data and technical reports. The data licensing sales based royalty is recognised when a customer sub licenses the data to a third party customer that is given the right to use the information, which is the point in time when the third party customer has the information made available to them. The Company recognises revenue for a sales-based or usage-based royalty promised in exchange for a licence of intellectual property only when (or as) the later of the following events occurs:

a) the subsequent sale or usage occurs; and

b) the performance obligation to which some or all of the sales-based or usage-based royalty has been allocated has been satisfied (or partially satisfied).

Revenue is measured at the consideration promised in a contract with the customer less discounts, rebates and other items.

The Company enters into agreements with multi-client seismic vendors (customers). These multi-client seismic vendor agreements stipulate that multi-client seismic vendors have the right to perform geophysical and geological surveys over the territorial waters of Namibia, including, data acquisition, data processing and interpretation thereof and the right to market, sell and license this data to third parties. The Company receives a share of the proceeds per the revenue sharing arrangement in each respective multi-client seismic vendor agreement and recognises the consideration as a sales based royalty on the Company's intellectual property..

The Company licenses data directly to customers through the Exploration & Production department. Customers who request a quotation from the Company for the data that they require initiate the in-house licenses. For in-house licenses, the quotation indicates the data being licensed as well as the rate/price for the data.

**Administrative services**

The Group provides administrative services including financial, human resources and administrative services to Petroleum Training and Education (Petrofund). The services are a series of distinct services as they are substantially the same and have a similar pattern of transfer to the customer. The same services are provided continuously on a monthly and annual basis and the customer simultaneously receives and consumes the benefits provided by the Group as it performs, and revenue is recognised over time. Revenue is measured by estimating the stand-alone selling price using a combination of methods, which includes an adjusted market assessment approach and an expected cost-plus margin approach.

The administrative services are a series of distinct services as they are substantially the same and have a similar pattern of transfer to the customer. The Company measures progress towards complete satisfaction of the performance obligation to transfer the distinct services in the series to customer on a monthly basis.

### 1.16 Cost of sales

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

## Significant Accounting Policies

### 1.17 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.

Capitalising borrowing costs directly attributable to the acquisition, construction or production of assets measured at fair value is not required. The entity has however chosen not to apply this exemption and has elected to capitalise borrowing costs to qualifying assets measured at fair value.

### 1.18 Translation of foreign currencies

**Foreign currency transactions**

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

At the end of the reporting period:

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

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

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

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

### 1.19 Finance costs

Finance costs comprises of interest expenses on borrowings. Interest expense is recognised as it accrues, using the effective interest method.



## Significant Accounting Policies

### 1.20 Exploration, production & evaluation Assets

IFRS 6 'Exploration for and Evaluation of Mineral Resources' requires exploration and evaluation assets to be classified as tangible or intangible according to the nature of the assets.

***Pre-licence costs***

Costs incurred prior to the award of oil and gas licenses, concessions and other exploration rights are expensed in the Statement of Comprehensive Income.

***Exploration and Evaluation (E&E)***

The entity adopts the 'successful efforts'-method of accounting for exploration and evaluation costs in accordance with IFRS 6.Costs incurred during evaluation and exploration phase are partially capitalised and matched against the future revenue from the successful projects. Costs capitalised are those that are directly related (or lead directly to) the discovery, acquisition, and development of a specific discrete mineral reserves. The costs that are incurred, but do not meet the above-mentioned criteria, are recognized in the statement of comprehensive income as expenses in the period they were incurred.

Exploration and Evaluation costs are recognised in the balance sheet provided they meet the definition of an asset as defined in the conceptual framework. The economic benefits are considered available through commercial exploitation of hydrocarbon reserves or sales of exploration findings or further development rights. It is difficult for an entity to demonstrate that the recovery of exploration expenditure is probable. Costs incurred after the technical feasibility and commercial viability are demonstrable are not within the scope of IFRS 6 and are capitalized only if the costs are necessary to bring the resource to commercial production. Due to the difficulty experienced in proving the probability for future economic benefits for the past and current existing projects. Management has always been prudent and have opted to expense the exploration and evaluation costs until it is sufficiently certain that economic benefits will flow to the entity.

***License blocks***

Licenses and training costs are generally recognised as an asset provided they meet the definition of an asset as defined in the conceptual framework. Control is deemed to exist by virtue of the fact that the group has the right to explore in the specified blocks as a result of the license acquired. The economic benefits are considered available through commercial exploitation of hydrocarbon reserves or sales of exploration findings or further development rights. Where discovery at the respective licence blocks is yet to materialise, the probability of future economic benefit cannot be demonstrated and as a result the related expenses are recognised in the Statement of Comprehensive Income.

***Farm outs***

Where there are proven reserves associated with the property, the farm-in is accounted for in accordance with the principles of IAS 16. The farm out is viewed as an economic event, as the farmor has relinquished its interest in part of the asset in return for the farmee delivering a developed asset in the future. There is sufficient information for there to be a reliable estimate of fair value of both the asset surrendered and the commitment given to pay cash in the future.

The farmor de-recognise the carrying value of the asset attributable to the proportion given up, and then recognise the 'new' asset to be received at the expected value of the work to be performed by the farmee. After also recording any cash received as part of the transaction, a gain or loss is recognised in the income statement. The asset to be received is normally recognised as an intangible asset or 'other receivable'. When the asset is constructed, it is transferred to property, plant and equipment. The value of the asset to be received will be assessed based on the underlying farm out agreement expected level of expenditure to be incurred on the project (based on the overall budget approved by all participants in the field development).

If there are no proven reserves, the mineral asset is still in the exploration or evaluation stage. The asset would still be subject to IFRS 6 Exploration for and evaluation of mineral resources rather than IAS 16. The reliable measurement test in IAS 16 for non-cash exchanges may not be met. Neither IFRS 6 nor IFRS 11 gives specific guidance on the appropriate accounting for farm outs.

Several approaches have been developed in practice by farmors. Management recognise only any cash payments received and does not recognise any consideration in respect of the value of the work to be performed by the farmee and instead carry the remaining interest at the previous cost of the full interest reduced by the amount of any cash consideration received for entering the agreement. The effect will be that there is no gain recognised on the disposal unless the cash consideration received exceeds the carrying value of the entire asset held. Management approach is known to be prevalent industry practice.

### 1.21 Joint operation

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have the rights to the assets and obligations for the liabilities, relating to the arrangement. The Group conducts petroleum and natural gas exploration and production activities jointly with other venture's who each have direct ownership in and jointly control the operations of the ventures. These are classified as jointly controlled operations and the financial statements reflect the Group's share of assets and liabilities in such activities. Income from the sale or use of the Group's share of the output of jointly controlled operations, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transaction will flow to/from the Group and their amount can be measured reliably. Full details of the group's working interests in those petroleum and natural gas exploration and production activities classified as joint operations are disclosed in note 25.

# Notes to the Consolidated and Separate Annual Financial Statements

**2. Changes in accounting policy**

The consolidated and separate annual financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year except for the adoption of the following new or revised standards.

**Application of IFRS 9 Financial Instruments**

In the current year, the group has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRSs. IFRS 9 replaces IAS 39 Financial Instruments and introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) impairment for financial assets and 3) general hedge accounting. Details of these new requirements as well as their impact on the group's financial statements are described below.

The group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

**Classification and measurement of financial assets**

The date of initial application (i.e. the date on which the group has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 01 April 2018. Accordingly, the group has applied the requirements of IFRS 9 to instruments that have not been derecognised as at 01 April 2018 and has not applied the requirements to instruments that have already been derecognised as at 01 April 2018. Comparatives in relation to instruments that have not been derecognised as at 01 April 2018 have not been restated. Instead, cumulative adjustments to retained earnings have been recognised in retained earnings as at 01 April 2018.

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The measurement requirements are summarised below:

The directors reviewed and assessed the group's existing financial assets as at 01 April 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the group's financial assets as regards to their classification and measurement:

| Financial Instrument | Original measurement category under IAS 39 | New measurement category under IFRS 9 |
|---|---|---|
| **Financial Assets** | | |
| Loans to group companies | Loans and receivables | Financial assets at amortised cost |
| Trade receivables | Loans and receivables | Financial assets at amortised cost |
| Other receivables | Loans and receivables | Financial assets at amortised cost |
| Available for sale financial assets | Available for sale investment | Financial asset at FVTOCI |
| Other financial asset-government bond GC24 | Held to maturity investments | Financial asset at FVTOCI |
| Cash and cash equivalents | Loans and receivables | Financial assets at amortised cost |
| **Financial Liabilities** | | |
| Trade and other payables | Financial liabilities at amortised cost | Financial liabilities at amortised cost |
| Long term loans | Financial liabilities at amortised cost | Financial liabilities at amortised cost |



## Notes to the Consolidated and Separate Annual Financial Statements

**2. Changes in accounting policy (continued)**

**Impairment of financial assets**

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires the group to recognise a loss allowance for expected credit losses on debt investments subsequently measured at amortised cost or at fair value through other comprehensive income, lease receivables, contract assets and loan commitments and financial guarantee contracts to which the impairment requirements of IFRS 9 apply. In particular, IFRS 9 requires the group to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. On the other hand, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the group is required to measure the loss allowance for that financial instrument at an amount equal to 12 months expected credit losses. IFRS 9 also provides a simplified approach for measuring the loss allowance at an amount equal to lifetime expected credit losses for trade receivables, contract assets and lease receivables in certain circumstances.

As at 01 April 2018, the directors reviewed and assessed the group's existing financial assets, amounts due from customers and financial guarantee contracts for impairment using reasonable and supportable information that was available without undue cost or effort in accordance with the requirements of IFRS 9 to determine the credit risk of the respective items at the date they were initially recognised, and compared that to the credit risk as at 01 April 2017 and 01 April 2018.The result of the assessment is as follows:

| Financial instrument - Group | Original measurement category under IAS 39 | New measurement category under IFRS 9 | Original carrying amount under IAS 39 | (Additional)/ reduction in loss allowance recognised under IFRS 9 in Retained Earnings | New carrying amount under IFRS 9 |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Trade receivables | Loans and receivables | Financial assets at amortised cost | 137 336 607 | (8 240 078) | 129 096 528 |
| Other receivables | Loans and receivables | Financial assets at amortised cost | 925 080 | (76 205) | 848 875 |
| **Other financial assets** | | | | | |
| Government bond GC24 | Held to maturity investments | Financial assets at FVTOCI | 2 770 388 | 640 | 2 769 748 |
| Cash and cash equivalents | Loans and receivables | Financial assets at amortised cost | 388 530 275 | (198 502) | 388 331 773 |
| **Financial liabilities** | | | | | |
| Trade and other payables | Financial liabilities at amortised cost | Financial liabilities at amortised cost | (139 354 461) | - | (139 354 461) |
| Long term loans | Financial liabilities at amortised cost | Financial liabilities at amortised cost | 247 308 370 | - | 247 308 370 |

# Notes to the Consolidated and Separate Annual Financial Statements

**2. Changes in accounting policy (continued)**

| Financial instrument - Company | Original measurement category under IAS 39 | New measurement category under IFRS 9 | Original carrying amount under IAS 39 | (Additional)/ reduction in loss allowance recognised under IFRS 9 in Retained Earnings | New carrying amount under IFRS 9 |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Loans to group companies | Loans and receivables | Financial assets at amortised cost | 154 228 913 | (7 711 446) | 146 517 467 |
| Trade receivables | Loans and receivables | Financial assets at amortised cost | 20 886 461 | 2 928 650 | 23 815 112 |
| Other receivables | Loans and receivables | Financial assets at amortised cost | 812 985 | (67 892) | 745 093 |
| **Other financial assets** | | | | | |
| Government bond GC24 | Held to maturity investments | Financial assets at FVTOCI | 2 770 388 | (640) | 2 769 748 |
| Cash and cash equivalents | Loans and receivables | Financial assets at amortised cost | 270 960 619 | (117 355) | 270 843 265 |
| **Financial liabilities** | | | | | |
| Trade and other payables | Financial liabilities at amortised cost | Financial liabilities at amortised cost | (17 624 185) | - | 17 624 185 |
| Long term loans | Financial liabilities at amortised cost | Financial liabilities at amortised cost | (140 422 160) | - | (140 422 160) |

**Classification and measurement of financial liabilities**

One major change introduced by IFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer.

Specifically, IFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss, but are instead transferred to retained earnings when the financial liability is derecognised. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL was presented in profit or loss.

The application of IFRS 9 has had no impact on the classification and measurement of the Group's financial liabilities.

The results are shown in the table above.

## National Petroleum Corporation of Namibia (Proprietary) Limited

(Registration number 164/67)
Consolidated And Separate Annual Financial Statements for the year ended 31 March 2019

# Notes to the Consolidated and Separate Annual Financial Statements

**2. Changes in accounting policy (continued)**

**Application of IFRS 15 Revenue from contracts with customers**

In the current year, the group has applied IFRS 15 Revenue from Contracts with Customers (as amended in April 2016) which is effective for an annual period that begins on or after 1 January 2018. IFRS 15 introduced a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Details of the new requirements as well as their impact on the group's financial statements are described below.

The group has applied IFRS 15 in accordance with the fully retrospective transitional approach without using the practical expedients for completed contracts in IFRS 15:C5(a), and (b), or for modified contracts in IFRS 15:C5(c) but using the expedient in IFRS 15:C5(d) allowing both non-disclosure of the amount of the transaction price allocated to the remaining performance obligations, and an explanation of when it expects to recognise that amount as revenue for all reporting periods presented before the date of initial application, i.e. 1 January 2018.

IFRS 15 uses the terms 'contract asset' and 'contract liability' to describe what might more commonly be known as 'accrued revenue' and 'deferred revenue', however, the Standard does not prohibit an entity from using alternative descriptions in the statement of financial position. The group has adopted the terminology used in IFRS 15 to describe such balances. The term deferred income is used in respect of the lease balances that are disclosed in note 18 and are not within the scope of IFRS 15.

The group's accounting policies for its revenue streams are disclosed in detail in note 1. Apart from providing more extensive disclosures for the group's revenue transactions, the application of IFRS 15 has not had a significant impact on the financial position and/or financial performance of the group. The amount of adjustment for each financial statement line item affected by the application of IFRS 15 is illustrated below.

| **Impact on profit/(loss) for the year** | **2018 (Restated)** |
|---|---|
| **Revenue** | |
| Increase due to recognising revenue from contracts with customers (1) | 3 609 437 |
| **Other income** | |
| (Decrease) due to contract with customers presented as revenue (2) | (3 609 437) |
| **Changes in taxation** | - |
| **Changes in profit or loss** | **-** |

**Impact on assets, liabilities and equity as at 1 April 2017***

The adoption of IFRS 15 has no impact on line items in the Statement of Financial Position.

**Impact on assets, liabilities and equity as at 31 March 2018***

The adoption of IFRS 15 has no impact on line items in the Statement of Financial Position.

(1) In identifying contracts with customers there were contracts identified that was previously not accounted for as revenue. These contracts are in the scope of IFRS 15 and this has resulted in changes in the presentation and disclosure of revenue from these contracts.

(2) Revenue from contracts with customers was previously accounted for as other income

**Impact of adopting IFRS 15 for the first time**

| **Financial year** | **Revenue under IFRS 15** | **IAS 18** | **Net profit/retained earnings impact** |
|---|---|---|---|
| FY 2018 | 12 403 485 | 10 949 389 | 1 454 096 |
| **Total** | **12 403 485** | **10 949 389** | **1 454 096** |

**Revenue**

The Company derives its revenue from contracts with customers for the transfer of goods and services over time and at a point in time in the following major product and service lines.

## Notes to the Consolidated and Separate Annual Financial Statements

**2. Changes in accounting policy (continued)**

| **Disaggregation of revenue** | **2019** | **2018 (Restated)** |
|---|---|---|
| Data licensing: Existing / Reprocessed | 13 450 885 | 6 903 166 |
| Data licensing: New seismic | 8 361 212 | 5 146 975 |
| Financial services | 9 655 | 9 311 |
| Human resource management services | 2 485 | 2 397 |
| Information & communication technology services | 2 605 | 2 512 |
| Administration, vehicle maintenance and cleaning services | 6 058 | 5 842 |
| Tender fees | 67 981 | 65 553 |
| Leasing | 94 800 | 267 729 |
| | **21 995 681** | **12 403 485** |

**Timing of revenue**

| | **2019** | **2018 (Restated)** |
|---|---|---|
| Revenue recognised at a point in time | 21 906 896 | 12 317 871 |
| Revenue recognised over time | 88 785 | 85 614 |
| | **21 995 681** | **12 403 485** |

The Company recognises revenue based on the following five-step model: Step 1 Identify the contract with a customer:

Step 2 Identify the performance obligations in the contract

Step 3 Determine the transaction price

Step 4 Allocate the transaction price to the performance obligations

Step 5 Recognise revenue when each performance obligation is satisfied

The Company licenses data, including seismic data, gravity and magnetic data, borehole related data and technical reports. The data licensing sales based royalty is recognised when a customer sub licenses the data to a third party customer that is given the right to use the information, which is the point in time when the third party customer has the information made available to them. The Company recognises revenue for a sales-based or usage-based royalty promised in exchange for a licence of intellectual property only when (or as) the later of the following events occurs:

a) the subsequent sale or usage occurs; and

b) the performance obligation to which some or all of the sales-based or usage-based royalty has been allocated has been satisfied (or partially satisfied).



# Notes to the Consolidated and Separate Annual Financial Statements

## 3. New Standards and Interpretations

### 3.1 Standards and interpretations effective and adopted in the current year

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

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers

**IFRS 9 Financial Instruments**

On 24 July 2014, the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, under IAS 39 all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss, whereas under IFRS 9 these fair value changes are generally presented as the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI, and the remaining amount of change in the fair value is presented in profit or loss.

The changes will include changes in the measurements bases of the group's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model.

The effective date of the standard is for years beginning on or after 1 January 2018.

The group adopted the standard for the first time in the 2019 annual financial statements.

**Impairment of financial assets**

IFRS 9 requires the group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The group assessed each trade and loan receivable and its probability of recovery. The assessment was reviewed and deemed reasonable. The expected credit losses were raised in accordance with the assessment made.

**IFRS 15 Revenue from Contracts with Customers**

IFRS 15 supersedes IAS 11 Construction contracts; IAS 18 Revenue; IFRIC 13 Customer Loyalty Programmes; IFRIC 15 Agreements for the construction of Real Estate; IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when the revenue is recognised.

The effective date of the standard is for years beginning on or after 1 January 2018.

The company adopted the standard for the first time in the 2019 annual financial statements.

**Impact of application of IFRS 15 Revenue from Contracts with Customers**

In the current year, the Group as applied IFRS 15 Revenue from Contracts with Customers (as amended in April 2016) which is effective for an annual period that begins on or after 1 January 2018. IFRS 15 introduced a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Details of the new requirements as well as their impact on the Group's financial statements are described below.

The Group as applied IFRS 15 in accordance with the fully retrospective transitional approach without using the practical expedients for completed contracts in IFRS 15:C5(a), and (b), or for modified contracts in IFRS 15:C5(c) but using the expedient in IFRS 15:C5(d) allowing both non-disclosure of the amount of the transaction price allocated to the remaining performance obligations, and an explanation of when it expects to recognise that amount as revenue for all reporting periods presented before the date of initial application, i.e. 1 January 2018.

IFRS 15 uses the terms 'contract asset' and 'contract liability' to describe what might more commonly be known as 'accrued revenue'.

## Notes to the Consolidated and Separate Annual Financial Statements

**3. New Standards and Interpretations (continued)**

'Deferred revenue', however, the Standard does not prohibit an entity from using alternative descriptions in the statement of financial position. The Group has adopted the terminology used in IFRS 15 to describe such balances. The term deferred income is used in respect of the government grant and lease balances that are disclosed in note 20 and are not within the scope of IFRS 15.

The Group's accounting policies for its revenue streams are disclosed in detail in note 1. Apart from providing more extensive disclosures for the Group's revenue transactions, the application of IFRS 15 has not had a significant impact on the financial position and/or financial performance of the Group.

**Liabilities from contracts with customers**

The Group has no liabilities from contracts with customers.

**Group**

| **Impact on profit/(loss) for the year** | **2018 (Restated)** |
|---|---|
| **Revenue** | |
| Increase due to recognising revenue from contracts with customers (1) | 3 353 477 |
| **Other income** | |
| (Decrease) due to contract with customers presented as revenue (2) | (3 353 477) |
| **Changes in taxation** | - |
| **Changes in profit or loss** | - |

**Company**

| **Impact on profit/(loss) for the year** | **2018 (Restated)** |
|---|---|
| **Revenue** | |
| Increase due to recognising revenue from contracts with customers (1) | 353 343 |
| **Other income** | |
| (Decrease) due to contract with customers presented as revenue (2) | (353 343) |
| **Changes in taxation** | - |
| **Changes in profit or loss** | - |

**Impact on assets, liabilities and equity as at 1 April 2017***

The adoption of IFRS 15 has no impact on line items in the Statement of Financial Position.

**Impact on assets, liabilities and equity as at 31 March 2018***

The adoption of IFRS 15 has no impact on line items in the Statement of Financial Position.

(1) In identifying contracts with customers there were contracts identified that was previously not accounted for as revenue. These contracts are in the scope of IFRS 15 and this has resulted in changes in the presentation and disclosure of revenue from these contracts.

(2) Revenue from contracts with customers was previously accounted for as other income.



## Notes to the Consolidated and Separate Annual Financial Statements

**3. New Standards and Interpretations (continued)**

**3.2 Standards and interpretations not yet effective**

The group has chosen not to early adopt the following standards and interpretations, relevant to the existing factors of the company, which have been published and are mandatory for the group's accounting periods beginning on or after 1 April 2019 or later periods. These new/revised standards and interpretations may have an impact on the future financial statements.

- IFRS 16 Leases

**IFRS 16 Leases**

IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ("lessee") and the supplier ("lessor").

IFRS 16 replaces the previous leases standard, IAS 17 Leases, and the related interpretations. IFRS 16 has one model for leases which will result in almost all leases being recognised on the statement of financial position. No significant changes have been included for the lessors.

The standard is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted only if the entity also adopts IFRS 15. The transitional requirements are different for lessees and lessors.

The group expects to adopt the standard for the first time in the 2020 annual financial statements.

The directors have not yet assessed the impact of the standard on the financial statements.

## Notes to the Consolidated and Separate Annual Financial Statements

### 4. Property, plant and equipment

Group

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Cost or revaluation | Accumulated depreciation | Carrying value | Cost or revaluation | Accumulated depreciation | Carrying value |
| Land and buildings | 179 169 204 | (3 050 736) | 176 118 468 | 193 257 721 | (12 034 702) | 181 223 019 |
| Motor vehicles | 2 779 182 | (2 213 585) | 565 597 | 2 779 182 | (1 876 970) | 902 212 |
| Office, electronic, storage and mechanical equipment | 52 452 051 | (31 448 243) | 21 003 808 | 44 197 749 | (25 097 106) | 19 100 643 |
| Leasehold improvements | 25 315 851 | (2 644 940) | 22 670 911 | - | - | - |
| Work in progress | 89 613 938 | (23 067 251) | 66 546 687 | 46 800 358 | (22 349 975) | 24 450 383 |
| **Total** | **349 330 226** | **(62 424 755)** | **286 905 471** | **287 035 010** | **(61 358 753)** | **225 676 257** |

Company

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Cost or revaluation | Accumulated depreciation | Carrying value | Cost or revaluation | Accumulated depreciation | Carrying value |
| Land and buildings | 72 702 230 | (1 937 285) | 70 764 945 | 80 381 997 | (11 271 997) | 69 110 000 |
| Motor vehicles | 1 730 140 | (1 332 847) | 397 293 | 1 730 140 | (1 155 039) | 575 101 |
| Office, electronic, storage and mechanical equipment | 31 546 469 | (18 298 441) | 13 248 028 | 25 615 573 | (13 990 733) | 11 624 840 |
| Work in progress | 2 197 583 | - | 2 197 583 | 3 544 297 | - | 3 544 297 |
| **Total** | **108 176 422** | **(21 568 573)** | **86 607 849** | **111 272 007** | **(26 417 769)** | **84 854 238** |

## Notes to the Consolidated and Separate Annual Financial Statements

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

**Reconciliation of property, plant and equipment - Group - 2019**

| | Opening balance | Additions | Borrowing costs capitalised | Disposals | Transfers | Revaluations | Other changes, movements | Depreciation | Impairment loss | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Land and buildings | 181 223 019 | - | - | - | 59 500 | (10 479 375) | 1 677 | (2 366 131) | 7 679 778 | 176 118 468 |
| Motor vehicles | 902 212 | - | - | - | - | - | - | (336 615) | - | 565 597 |
| Office, electronic, storage and mechanical equipment | 19 100 643 | 3 308 242 | - | (679 035) | 5 839 398 | - | (93 086) | (5 888 281) | (584 073) | 21 003 808 |
| Leasehold improvements | - | - | - | - | 25 315 851 | - | - | (2 644 940) | - | 22 670 911 |
| Work in progress | 24 450 383 | 74 561 040 | 3 624 753 | - | (31 214 749) | - | (4 157 464) | - | (717 276) | 66 546 687 |
| | **225 676 257** | **77 869 282** | **3 624 753** | **(679 035)** | **-** | **(10 479 375)** | **(4 248 873)** | **(11 235 967)** | **6 378 429** | **286 905 471** |

**Reconciliation of property, plant and equipment - Group - 2018**

| | Opening balance | Additions | Borrowing costs capitalised | Disposals | Transfers | Revaluations | Other movements | Depreciation | Impairment loss | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Land and buildings | 160 788 780 | 23 004 864 | - | - | 268 400 | 7 791 504 | - | (1 799 093) | (8 831 436) | 181 223 019 |
| Motor vehicles | 632 990 | 703 880 | - | (1) | - | - | - | (434 657) | - | 902 212 |
| Office, electronic, storage and mechanical equipment | 17 432 283 | 4 109 680 | - | (326 905) | 2 457 672 | - | - | (4 543 984) | (28 103) | 19 100 643 |
| Work in progress | 13 021 720 | 34 934 276 | 1 633 789 | - | (2 726 072) | - | (63 355) | - | (22 349 975) | 24 450 383 |
| | **191 875 773** | **62 752 700** | **1 633 789** | **(326 906)** | **-** | **7 791 504** | **(63 355)** | **(6 777 734)** | **(31 209 514)** | **225 676 257** |

## Notes to the Consolidated and Separate Annual Financial Statements

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

**Reconciliation of property, plant and equipment - Company - 2019**

| | Opening balance | Additions | Disposals | Transfers | Revaluations | Depreciation | Impairment loss | Total |
|---|---|---|---|---|---|---|---|---|
| Land and buildings | 69 110 000 | - | - | - | (4 458 050) | (1 736 784) | 7 849 779 | 70 764 945 |
| Motor vehicles | 575 101 | - | - | - | - | (177 808) | - | 397 293 |
| Office, electronic, storage and mechanical equipment | 11 624 840 | 3 308 210 | (21 486) | 2 671 080 | - | (4 334 616) | - | 13 248 028 |
| Work in progress | 3 544 297 | 1 324 366 | - | (2 671 080) | - | - | - | 2 197 583 |
| | **84 854 238** | **4 632 576** | **(21 486)** | **-** | **(4 458 050)** | **(6 249 208)** | **7 849 779** | **86 607 849** |

**Reconciliation of property, plant and equipment - Company - 2018**

| | Opening balance | Additions | Disposals | Revaluations | Depreciation | Impairment loss | Total |
|---|---|---|---|---|---|---|---|
| Land and buildings | 74 650 000 | - | - | 5 325 801 | (1 223 519) | (9 642 282) | 69 110 000 |
| Motor vehicles | 299 077 | 516 491 | (1) | - | (240 466) | - | 575 101 |
| Office, electronic, storage and mechanical equipment | 11 366 817 | 3 984 085 | (322 939) | - | (3 382 419) | (20 704) | 11 624 840 |
| Capital - Work in progress | - | 3 544 297 | - | - | - | - | 3 544 297 |
| | **86 315 894** | **8 044 873** | **(322 940)** | **5 325 801** | **(4 846 404)** | **(9 662 986)** | **84 854 238** |



## Notes to the Consolidated and Separate Annual Financial Statements

| | Group | | Company | |
|---|---|---|---|---|
| | 2019<br>N$ | 2018<br>Restated *<br>N$ | 2019<br>N$ | 2018<br>Restated *<br>N$ |

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

**Pledged as security**

The following properties have been pledged as security:

| | Group 2019 N$ | Group 2018 Restated * N$ | Company 2019 N$ | Company 2018 Restated * N$ |
|---|---|---|---|---|
| **Land and Buildings Erf 1055 Otjiwarongo**<br>The property has been pledged as security in respect of a mortgage loan of N$ 18 500 000. The group also ceded to the bank the Material Damage Policy for the full replacement value of the property as well as all rentals payable in terms of any present or future lease contracts entered in respect of the property. | 23 560 000 | 23 050 000 | - | - |
| **Land and Buildings Erf 8521 Windhoek**<br>The property has been pledged as security in respect of a first and second mortgage loan of N$ 14 000 000 and N$ 40 000 000 respectively owing to Bank Windhoek. The group also ceded to the bank, the Fire Policy for an amount of N$ 79 210 000. | 70 764 945 | 69 110 000 | 70 764 945 | 69 110 000 |
| **Land Erf 35 Windhoek** | 10 300 000 | 11 800 000 | - | - |
| **Land Erf 36 Windhoek**<br>Erven 35 and 36 in Windhoek, which are held by the subsidiaries Brak Property Development 35 (Pty) Ltd and Brak Property Development 36 (Pty) Ltd respectively, have been mortgaged and pledged as security in respect of the N$ 11 410 640 term loan facility that the subsidiary, Namcor Petroleum Trading and Distribution (Pty) Ltd has with Standard Bank of Namibia. Brak Property Development 35 (Pty) Ltd and Brak Property Development 36 (Pty) Ltd have additionally ceded to the bank their respective rights and title in the respective properties and to the rents arising or which may arise in respect of the mortgaged properties. Namcor Petroleum Trading and Distribution (Pty) Ltd has also pledged the shares held in Brak Property Development 35 (Pty) Ltd and Brak Property Development 36 (Pty) Ltd to the bank. The National Petroleum Corporation of Namibia (Pty) Ltd has subordinated its loan to Namcor Petroleum Trading and Distribution (Pty) Ltd in favour of Standard Bank of Namibia Limited. | 11 347 000 | 12 970 000 | - | - |
| | **115 971 945** | **116 930 000** | **70 764 945** | **69 110 000** |

## Notes to the Consolidated and Separate Annual Financial Statements

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

**Impairment of assets under construction**

**Gobabis depot**

The group has incurred costs relating to the preliminary designs for the envisioned fuel depot to be constructed on Erven 1315, 1316 and 1317 in Gobabis. The depot is estimated to cost N$ 51.3 million to construct. The total cost incurred up to the financial year ended 31 March 2019, amounts to N$ 4 175 845. No borrowing costs were capitalised to this project for the year ended 31 March 2019. The project has been put on hold until viable funding is made available to finance and complete the construction of the depot. A lack of funds has brought into question the viability of the project and this is an impairment indicator. As at 31 March 2019 the probability of future economic benefits is therefore brought into question.

The carrying amount of Gobabis depot is based on its actual cost incurred in line with IAS 16 Property Plant and Equipment. The asset is not expected to be brought into use in the foreseeable future due to a lack of funding. As the assets related to the project are not expected to be brought into use by the entity at the time of this assessment, projected cash inflows are nil, hence the value in use is nil.

Based on the assessment of the recoverable amount, the recoverable amount of Gobabis depot as at 31 March 2019 is nil, therefore the carrying amount of N$ 4 175 845 including borrowing cost of N$ 143 675 is fully impaired. The carrying amount was fully impaired in the 2018 financial year and no further costs have been incurred in the 2019 financial year.

**Ondangwa depot**

The group has incurred costs relating to the preliminary designs for the envisioned fuel depot to be constructed on Erven 4282, 4283, 4284 and 4796 in Ondangwa. The depot is estimated to cost N$ 110.5 million to construct. The total cost incurred up to the financial year ended 31 March 2019, amounts to N$ 9 602 289. Borrowing costs of N$ 621 632 were capitalised to this project for the year ended 31 March 2018. The project has been put on hold until viable funding is made available to finance and complete the construction of the depot. A lack of funds has brought into question the viability of the project and this is an impairment indicator. As at 31 March 2019, the probability of future economic benefits is therefore brought into question.

The carrying amount of Ondangwa depot is based on its actual cost incurred in line with IAS 16 Property Plant and Equipment. The asset is not expected to be brought into use in the foreseeable future due to a lack of funding. As the assets related to the project are not expected to be brought into use by the entity at the time of this assessment, projected cash inflows are nil, hence the value in use is nil.

Based on the assessment of the recoverable amount, the recoverable amount of Ondangwa depot as at 31 March 2019 is nil therefore the carrying amount of N$ 9 602 289 and borrowing cost of N$ 621 632 is fully impaired. An impairment loss of N$ 10 223 921 was recognised in the 2018 financial year.

**Windhoek depot**

The group has incurred costs relating to the preliminary designs for the envisioned fuel depot to be constructed on Erven 35 and 36 in Windhoek. Title deeds on the erven are held by the subsidiaries Brak Property Development 35 (Pty) Limited and Brak Property Development 36 (Pty) Ltd respectively. The depot is estimated to cost N$ 163.4 million to construct. The total cost incurred up to the financial year ended 31 March 2019 amounts to N$ 7 884 446. Borrowing costs of N$ 181 873 were capitalised to this project for the year ended 31 March 2019. The project has been put on hold until viable funding is made available to finance and complete the construction of the depot. A lack of funds has brought into question the viability of the project and this is an impairment indicator. As at 31 March 2019, the probability of future economic benefits is therefore brought into question.

The carrying amount of Windhoek depot is based on its actual cost incurred in line with IAS 16 Property Plant and Equipment. The asset is not expected to be brought into use in the foreseeable future due to a lack of funding. As the assets related to the project are not expected to be brought into use by the entity at the time of this assessment, projected cash inflows are nil, hence the value in use is nil.

Based on the assessment of the recoverable amount the recoverable amount of Windhoek depot as at 31 March 2019 is nil therefore the carrying amount of N$ 7 884 446 including borrowing costs of N$ 181 873 is fully impaired. An impairment loss of N$ 8 066 319 was recognised in the 2018 financial year.



## Notes to the Consolidated and Separate Annual Financial Statements

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

**Revaluations**

Land and Buildings consists of the following property:

**Company:**

Erf 8521 Windhoek

**Group:**

Erf 1055 Otjiwarongo
Erf 2590 Walvis Bay
Erf 2570 Walvis Bay
Erf 2889 Walvis Bay
Erf 1315 Gobabis
Erf 1316 Gobabis
Erf 1317 Gobabis
Erf 4782 Ondangwa
Erf 4783 Ondangwa
Erf 4784 Ondangwa
Erf 4796 Ondangwa
Erf 8521 Windhoek
Erf 35 Windhoek
Erf 36 Windhoek

The effective date for the revaluations of all the above properties was 31 March 2019. The valuations were performed by an independent valuator, Mr. PJ Scholtz of Property Valuations Namibia. Property Valuations Namibia is not connected to the group.

Land and buildings are revalued 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 period.

The valuation was performed based on active market prices, adjusted for any difference in nature, location or condition of the specific property.

The carrying value of the revalued assets under the cost model would have been:

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 N$ | 2018 Restated * N$ | 2019 N$ | 2018 Restated * N$ |
| **Cost** | | | | |
| Land | 22 711 811 | 22 711 811 | 1 028 919 | 1 028 919 |
| Buildings | 89 438 009 | 89 438 009 | 68 507 417 | 68 507 417 |
| **Accumulated depreciation** | | | | |
| Buildings | (11 824 237) | (14 119 797) | (10 744 792) | (10 744 792) |
| **Accumulated impairment** | | | | |
| Land | (22 391 378) | (117 520) | - | - |
| Buildings | (9 803 425) | (9 803 425) | (9 803 425) | (9 803 425) |
| | **68 130 780** | **88 109 078** | **48 988 119** | **48 988 119** |

## Notes to the Consolidated and Separate Annual Financial Statements

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 | 2018 Restated * | 2019 | 2018 Restated * |
| | N$ | N$ | N$ | N$ |

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

**Measurement of fair values**

The fair value measurement of land and buildings has been categorised as a Level 3 fair value based on the inputs to the valuation technique used as set out below.

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values.

| | | | | |
|---|---|---|---|---|
| **Land and Buildings** | | | | |
| Balance as at 1 April | 156 453 018 | 160 788 780 | 69 110 000 | 74 650 000 |
| Additions/transfers | 59 500 | 23 273 264 | - | - |
| Depreciation | (2 366 132) | (1 799 093) | (1 736 784) | (1 223 519) |
| Impairment loss | 7 679 779 | (8 831 436) | 7 849 779 | (9 642 282) |
| **(Losses)/ gains included in other comprehensive income** | | | | |
| Change in fair value | (10 479 375) | 7 791 504 | (4 458 050) | 5 325 801 |
| | **151 346 790** | **181 223 019** | **70 764 945** | **69 110 000** |

**Valuation technique**

**Erf 1055 Otjiwarongo**

Cost approach: The valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset, often referred to as current replacement cost. In addition to the cost approach, the market approach is used for the portion consisting of land.

**Erf 2590 Walvis Bay, Erf 2570 Walvis Bay and Erf 2889 Walvis Bay**

Market approach: The valuation technique uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities or a group of assets and liabilities, such as a business.

**Erf 8521 Windhoek**

For the building portion:
Income capitalization method of valuation: This method concerns the determination of the gross income by making use of market income of comparable properties, actual turnover and projected turnover, from which operational expenses are deducted to determine a possible net income of the subject property.

For the land portion:
Market approach: The valuation technique uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities or a group of assets and liabilities, such as a business.

**Erf 35 and Erf 36 Windhoek**

For the land portion:
Market approach: The valuation technique uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities or a group of assets and liabilities, such as a business.

**Erf 1315 Gobabis, Erf 1316 Gobabis, Erf 1317 Gobabis, Erf 4782 Ondangwa, Erf 4783 Ondangwa, Erf 4784 Ondangwa and Erf 4796 Ondangwa**

Market approach: The valuation technique uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities or a group of assets and liabilities, such as a business.

Interrelationship between key observable inputs and fair value measurements.



## Notes to the Consolidated and Separate Annual Financial Statements

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

**Cost approach**

The estimated fair value would increase/ (decrease) if:
- The remaining useful life of property were higher/(lower); or
- The physical condition of the property were higher/(lower); or
- Potential occupancy rates were higher/(lower); or
- The specialised nature of structures and installations were lower/(higher).

**Market approach**

The estimated fair value would increase/ (decrease) if:
- Property prices at locations increased/ (decrease); or
- Industrialisation/development in surrounding location increased/(decreased); or
- Demand for property increased/(decreased).

**Income Capitalization Method of Valuation**

The estimated fair value will increase/ (decrease) if:
- The age of building was higher/lower
- The remaining useful life of building were higher/lower
- The square metres were higher or lower

**Significant unobservable inputs**

**Cost approach**
- Expected useful lives
- Physical condition of property
- Occupancy rates
- Effects of specialised nature of structures and installations

**Market approach**
- Location property prices
- Levels of industrialisation and development of location
- Market demand for the type of property

**Income Capitalization Method of Valuation**
- Estimated rental value
- Expected useful lives
- Price per square metre

**Change in useful lives of property, plant and equipment**

The group reviews the estimated useful lives of property, plant and equipment at the end of each reporting period.

There were no changes to the useful lives of the property, plant and equipment during the current year.

## Notes to the Consolidated and Separate Annual Financial Statements

### 5. Intangible assets

| Group | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Cost | Accumulated amortisation | Carrying value | Cost | Accumulated amortisation | Carrying value |
| Intangible assets | 255 604 | (35 497) | 220 107 | 255 604 | - | 255 604 |

| Company | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Cost | Accumulated amortisation | Carrying value | Cost | Accumulated amortisation | Carrying value |
| Intangible assets | 255 604 | (35 497) | 220 107 | 255 604 | - | 255 604 |

**Reconciliation of intangible assets - Group - 2019**

| | Opening balance | Transfers | Total |
|---|---|---|---|
| Intangible assets | 255 604 | (35 497) | 220 107 |

**Reconciliation of intangible assets - Group - 2018**

| | Opening balance | Additions | Total |
|---|---|---|---|
| Intangible assets | - | 255 604 | 255 604 |

**Reconciliation of intangible assets - Company - 2019**

| | Opening balance | Transfers | Total |
|---|---|---|---|
| Intangible assets | 255 604 | (35 497) | 220 107 |

**Reconciliation of intangible assets - Company - 2018**

| | Opening balance | Additions | Total |
|---|---|---|---|
| Intangible assets | - | 255 604 | 255 604 |

### 6. Investments in subsidiaries

The following table lists the entities which are controlled by the group, either directly or indirectly through subsidiaries.

| **Name of company** | **Carrying amount 2019** | **Carrying amount 2018** |
|---|---|---|
| Namcor Petroleum Trading and Distribution (Pty) Ltd | 100 | 100 |
| Namcor Exploration and Production (Pty) Ltd | 160 000 | 160 000 |
| Sonam Petroleum Company (Pty) Ltd | - | 160 000 |
| **Accumulated impairment** | | |
| Namcor Exploration and Production (Pty) Ltd | (160 000) | (160 000) |
| Sonam Petroleum Company (Pty) Ltd | - | (160 000) |
| | **100** | **100** |

The group indirectly controls Brak Property Development 35 (Pty) Ltd and Brak Property Development 36 (Pty) Ltd through its subsidiary NAMCOR Petroleum Trading and Distribution (Pty) Ltd which acquired 100% shareholding during the current financial year.

All the subsidiaries are incorporated in Namibia and are 100% owned.

## National Petroleum Corporation of Namibia (Proprietary) Limited

(Registration number 164/67)
Consolidated And Separate Annual Financial Statements for the year ended 31 March 2019

# Notes to the Consolidated and Separate Annual Financial Statements

| | Group | | Company | |
|---|---|---|---|---|
| | 2019<br>N$ | 2018<br>Restated *<br>N$ | 2019<br>N$ | 2018<br>Restated *<br>N$ |
| **7. Other financial assets** | | | | |
| **At fair value through other comprehensive income** | | | | |
| Government Bond GC24 | 2 726 524 | 2 770 388 | 2 726 524 | 2 770 388 |
| **Investment equity instrument through other comprehensive income** | | | | |
| **Serica Energy Plc** | 131 640 960 | 63 428 047 | 131 640 960 | 63 428 047 |
| Serica Energy Plc is a foreign company incorporated in England and Wales. The shares are listed on the London Stock Exchange and denominated in US$. | | | | |
| **Total other financial assets** | **134 367 484** | **66 198 435** | **134 367 484** | **66 198 435** |
| **Non-current assets** | | | | |
| Financial assets: Fair value through other comprehensive income | 2 726 524 | 2 770 388 | 2 726 524 | 2 770 388 |
| Investment equity instrument | 131 640 960 | 63 428 047 | 131 640 960 | 63 428 047 |
| | **134 367 484** | **66 198 435** | **134 367 484** | **66 198 435** |

**Fair value hierarchy of investment equity instrument**

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements.

Level 1 represents those assets which are measured using unadjusted quoted prices for identical assets.

| | | | | |
|---|---|---|---|---|
| **Level 1** | | | | |
| Listed Shares | 131 640 960 | 63 428 047 | 31 640 960 | 63 428 047 |
| **Reconciliation of movement** | | | | |
| Fair value at the beginning of the year | 63 428 047 | 26 605 864 | 63 428 047 | 26 605 864 |
| Fair value gain | 54 403 991 | 38 764 429 | 54 403 991 | 38 764 429 |
| Unrealised exchange gain / (loss) | 13 808 922 | (1 942 246) | 13 808 922 | (1 942 246) |
| | **131 640 960** | **63 428 047** | **131 640 960** | **63 428 047** |

Fair value hierachy of financial assets at fair value through other comprehensive income.

For financial assets recognisedf at fair value, disclosure is required of a fairvalue hierachy which reflects the significance of the inputs used to make the measurements.

Level 1 represents those assets which are measured using unadjsuted quoted prices for identical assets.

| | | | | |
|---|---|---|---|---|
| **Level 1** | | | | |
| Listed bond | 2 726 524 | 2 770 388 | 2 726 524 | 2 770 388 |
| **Reconciliation of movement** | | | | |
| Fair value at the beginning of the year | 2 770 388 | - | 2 770 388 | - |
| Reclassification from cash and cash equivalents | - | 2 714 582 | - | 2 714 582 |
| Fair value (loss) / gain | (35 632) | 55 806 | (35 632) | 55 806 |
| Loss allowance- Initial adoption of IFRS 9 | (640) | - | (640) | - |
| Loss allowance | (7 592) | - | (7 592) | - |
| | **2 726 524** | **2 770 388** | **2 726 524** | **2 770 388** |

# Notes to the Consolidated and Separate Annual Financial Statements

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 N$ | 2018 Restated * N$ | 2019 N$ | 2018 Restated * N$ |

## 8. Deferred tax

**Deferred tax asset**

| | | | | |
|---|---|---|---|---|
| Accelerated capital allowances for tax purposes | (13 715 305) | (11 259 848) | (10 702 647) | (7 468 808) |
| Allowance for impairment - trade receivables | 10 721 604 | - | 45 176 | - |
| Deferred income | 912 769 | 1 040 048 | - | - |
| Tax losses available for set off against future taxable income | 237 239 688 | 80 150 097 | 158 368 294 | - |
| Tax losses not utilised to create a deferred tax asset | (193 771 465) | (36 745 478) | (193 771 465) | (36 745 478) |
| Provisions | - | - | - | - |
| Unrealised foreign exchange | (9 459 066) | 6 387 281 | (9 459 066) | 6 387 281 |
| Accumulated costs on Kudu Gas Project deductible on commencement of production | 56 110 834 | 38 102 907 | 56 110 834 | 38 102 907 |
| Prepayments | (690 389) | (363 428) | (591 126) | (275 902) |
| **Total deferred tax asset** | **87 348 670** | **77 311 579** | **-** | **-** |

**Deferred tax liability**

| | | | | |
|---|---|---|---|---|
| Deferred tax Liability- Prior year not recognised | (10 935 406) | (3 939 191) | (10 935 406) | (3 939 191) |
| Current year charge in other Comprehensive Income | (12 960 453) | (6 996 215) | (12 960 453) | (6 996 215) |
| **Total deferred tax liability** | **(23 895 859)** | **(10 935 406)** | **(23 895 859)** | **(10 935 406)** |

**Recognition of deferred tax asset**

The group has recognised a deferred tax asset on calculated tax losses of its subsidiary as sufficient support and evidence exists at the date of the annual financial statements, based on analysis of once off items included in prior year losses and future profit forecasts prepared by management, that future taxable profits will be available to utilise these tax losses.

The company has not recognised a deferred tax asset arising from the unutilised tax losses. Insufficient support and evidence exists at the date of the annual financial statements for the recognition of the deferred tax asset. Analysis indicates that the company will not earn sufficient future taxable profits to utilise these tax losses. A significant portion of the company's income is the levy received from National Energy Fund, which is not taxable.

A subsidiary won a fuel supply tender of significant value. In the assessment of the deferred tax asset, management incorporated the impact of this contract. Management has estimated that the revenue expected from this contract will result in the group generating taxable profits that will utilise the unused assessed loss.

## 9. Loans to group companies

**Subsidiaries**

| | | | | |
|---|---|---|---|---|
| **NAMCOR Exploration and Production (Pty) Ltd** The loans is unsecured, interest free and repayable on demand. | - | - | 81 914 | 40 229 |
| **Sonam Petroleum Company (Pty) Ltd** The loan is unsecured, interest free and repayable on demand. | - | - | - | 22 844 |
| **Brak Property Development 35 (Pty) Ltd** The loan is unsecured, interest free and repayable on demand. | - | - | 84 481 | - |
| **Brak Property Development 36 (Pty) Ltd** The loan is unsecured, interest free and repayable on demand. | - | - | 82 423 | - |
| **Namcor Petroleum Trading and Distribution (Pty) Ltd** The loan is unsecured, interest free and repayable on demand. National Petroleum Corporation of Namibia (Pty) Ltd has subordinated its loan in favour of Standard Bank of Namibia. | - | - | 220 957 386 | 154 228 912 |
| Impairment of loans to subsidiaries | - | - | (44 374 764) | (63 073) |
| | **-** | **-** | **176 831 440** | **154 228 912** |

## National Petroleum Corporation of Namibia (Proprietary) Limited

(Registration number 164/67)
Consolidated And Separate Annual Financial Statements for the year ended 31 March 2019

## Notes to the Consolidated and Separate Annual Financial Statements

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | **2018 Restated *** | **2019** | **2018 Restated *** |
| | **N$** | **N$** | **N$** | **N$** |

**9. Loans to group companies (continued)**

**Split between non-current and current portions**

| | | | | |
|---|---|---|---|---|
| Current assets | - | - | 176 831 440 | 154 228 912 |

**10. Inventories**

| | | | | |
|---|---|---|---|---|
| Finished goods | 58 106 737 | 34 427 781 | - | - |
| Write down of inventories recognised as a expense | 1 741 769 | 25 238 | - | - |

**11. Trade and other receivables**

| | | | | |
|---|---|---|---|---|
| **Financial instruments:** | | | | |
| Trade receivables | 265 923 103 | 302 457 692 | 15 890 002 | 25 012 137 |
| Loss allowance on trade receivables | (118 661 386) | (165 121 067) | (188 232) | (2 936 490) |
| Trade receivables at amortised cost | 147 261 717 | 137 336 625 | 15 701 770 | 22 075 647 |
| Other receivables | 18 518 576 | 5 690 879 | 15 180 150 | 5 085 979 |
| **Non-financial instruments:** | | | | |
| VAT | 35 331 425 | 25 643 537 | 14 428 930 | 11 588 302 |
| Impairment on value added taxation | (3 754 180) | (3 754 180) | (2 530 350) | (3 530 350) |
| NEF receivable | 15 671 951 | 15 671 951 | - | - |
| Prepaid expenses | 2 253 149 | 353 770 | 2 253 149 | 353 770 |
| **Total trade and other receivables** | **215 282 638** | **180 942 582** | **45 033 649** | **35 573 348** |

**Split between non-current and current portions**

| | | | | |
|---|---|---|---|---|
| Current assets | 215 282 638 | 180 942 582 | 45 033 649 | 36 573 348 |

**Categorisation of trade and other receivables**

Trade and other receivables are categorised as follows in accordance with IFRS 9 Financial Instruments:

| | | | | |
|---|---|---|---|---|
| At amortised cost | 181 452 244 | 157 510 287 | 30 881 920 | 25 972 458 |
| Non-financial instruments | 33 830 394 | 22 243 127 | 14 151 729 | 8 411 722 |
| | **215 282 638** | **179 753 414** | **45 033 649** | **34 384 180** |

**Exposure to credit risk**

Trade receivables inherently expose the group to credit risk, being the risk that the group will incur financial loss if customers fail to make payments as they fall due.

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

| | | | | |
|---|---|---|---|---|
| Opening balance - IAS 39 | 165 121 067 | 141 991 872 | 2 936 490 | - |
| Adjustment to the opening balance | 12 713 669 | - | - | - |
| Initial adoption - loss allowance | (4 280 030) | - | (2 743 403) | - |
| Bad debts written off during the year | (119 622 127) | (150 959) | - | - |
| (Reversal of) / provision for impairment | 64 888 340 | 23 280 154 | 131 032 | 2 936 490 |
| | **118 820 919** | **165 121 067** | **324 119** | **2 936 490** |

# Notes to the Consolidated and Separate Annual Financial Statements

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 N$ | 2018 Restated * N$ | 2019 N$ | 2018 Restated * N$ |

### 12. Cash and cash equivalents

Cash and cash equivalents consist of:

| | | | | |
|---|---|---|---|---|
| Cash on hand | 12 945 | 17 783 | 3 050 | 3 000 |
| Bank balances | 191 496 555 | 270 922 104 | 164 211 547 | 153 367 231 |
| Short-term deposits | 24 524 743 | 117 590 388 | 24 524 743 | 117 590 388 |
| | **216 034 243** | **388 530 275** | **188 739 340** | **270 960 619** |
| Cash and cash equivalents held by the entity that are not available for use by the group. | 18 920 593 | 19 994 626 | 7 499 953 | 7 499 953 |

The short-term deposits mature at periods between 3 to 6 months and carry interest at an average rate of 7.25% (2018: 7.25%).

Bank Windhoek holds a limited cession of N$7 499 953 (2018: N$7 449 953) to cover guarantees issues as well as a limited cession over all Bank Windhoek investment accounts for N$150 000 000 to cover the mortgage loans owing to Bank Windhoek.

Standard Bank Namibia holds a limited cession of N$11 411 000 (2018: N$11 411 400) to cover guarantees issued.

### 13. Share capital

| | | | | |
|---|---|---|---|---|
| **Authorised** | | | | |
| 10 000 000 Ordinary shares of N$1 each | 10 000 000 | 10 000 000 | 10 000 000 | 10 000 000 |

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company. All shares rank equally with regards to the company's residual assets.

| | | | | |
|---|---|---|---|---|
| **Issued** | | | | |
| 10 000 000 Ordinary shares of N$1 each | 10 000 000 | 10 000 000 | 10 000 000 | 10 000 000 |

### 14. Revaluation reserve

The revaluation reserve relates to the revaluation of property.

| | | | | |
|---|---|---|---|---|
| Opening Balance | 70 387 428 | 62 595 924 | 20 121 882 | 14 796 081 |
| Revaluation of property | (10 479 375) | 7 791 504 | (4 457 949) | 5 325 801 |
| Transfer to retained earnings | - | - | - | - |
| | **59 908 055** | **70 387 428** | **15 663 933** | **20 121 882** |

### 15. Retained income

Namcor Petroleum Trading and Distribution (Pty) Ltd received funds amounting to N$ 50 000 000 on 1 April 2016 pertaining to a loan agreement entered into with the Ministry of Mines and Energy through the National Energy Fund. The loan is unsecured and bears interest at 2.5%. The loan is not repayable in its first two years apart from a monthly interest charge of N$ 104 167. Thereafter the loan is repayable in 96 instalments of N$ 575 192. The loan has been granted at a below a market interest rate. The fair value of the financial liability at recognition in terms of IFRS 9 was N$ 33 609 375. The market rate used to determine the fair value of the financial liability at recognition was the yield to maturity rate of Government Bond GC25 which was 10.29% on 1 April 2016.

The difference between the actual proceeds and the fair value of the liability at recognition is equity in nature as the company assessed that the Government agencies involved were acting in their capacity as the shareholder.

The assessment took into account the following factors:
- The National Energy Fund has not provided below market interest rates to other oil and gas sector public enterprises and/or non-Government private and public companies.
- The below market rate offered by the National Energy Fund to the company was not in the normal course of business.
- The funding was received for downstream activities, but there are no specific conditions attached to the funding relating to company's operating activities. The loan agreement contains no explicit clause requiring the return of unutilised funds to the Government other than the repayment of the loan. The time value of money is in effect the economic contribution.

The equity contribution was recognised directly in retained earnings.

# National Petroleum Corporation of Namibia (Proprietary) Limited

(Registration number 164/67)
Consolidated And Separate Annual Financial Statements for the year ended 31 March 2019

## Notes to the Consolidated and Separate Annual Financial Statements

| | Group | | Company | |
|---|---|---|---|---|
| | 2019<br>N$ | 2018<br>Restated *<br>N$ | 2019<br>N$ | 2018<br>Restated *<br>N$ |

### 16. Loans from shareholders

| | | | | |
|---|---|---|---|---|
| **Ministry of Mines and Energy** | (117 918 563) | (117 918 563) | (117 918 563) | (117 918 563) |

The loan was granted by the Ministry of Mines and Energy for the funding of the Kudu Project. The loan is repayable in monthly instalments from the first day of economical production or 1 July 2017, whichever is the later, and will bear interest at 2.5%. The interest will accrue from the first day of economic production or 1 July 2017, whichever is later.

| | | | | |
|---|---|---|---|---|
| **Ministry of Mines and Energy** | (53 200 000) | (55 600 000) | - | - |

The loan is unsecured and bears interest at prime lending rate less 3%. The loan is repayable in 338 monthly instalments of N$ 200 000 each.

| | | | | |
|---|---|---|---|---|
| **Ministry of Mines and Energy** | (34 829 892) | (38 129 499) | - | - |

Namcor Petroleum Trading and Distribution (Pty) Ltd received funds amounting to N$ 50 million on 1 April 2016 pertaining to a loan agreement entered into with the Ministry of Mines and Energy through the National Energy Fund. The loan is unsecured and bears interest at 2.5%. The loan is not repayable in its first two years apart from a monthly interest charge of N$ 104 167. Thereafter the loan is repayable in 96 instalments of N$ 575 192. The loan has been granted at a below a market interest rate. The fair value of the financial liability at recognition in terms of IAS 39 was N$ 33 609 375. The market rate used to determine the fair value of the financial liability at recognition was the yield to maturity rate of Government Bond GC25 which was 10.29% on 1 April 2016.

| | | | | |
|---|---|---|---|---|
| | **(205 948 455)** | **(211 648 062)** | **(117 918 563)** | **(117 918 563)** |

**Split between non-current and current portions**

| | | | | |
|---|---|---|---|---|
| Non-current liabilities | (199 909 418) | (205 948 455) | (117 918 563) | (117 918 563) |
| Current liabilities | (6 039 037) | (5 699 607) | - | - |
| | **(205 948 455)** | **(211 648 062)** | **(117 918 563)** | **(117 918 563)** |

## Notes to the Consolidated and Separate Annual Financial Statements

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 N$ | 2018 Restated * N$ | 2019 N$ | 2018 Restated * N$ |
| **17. Borrowings** | | | | |
| **Held at amortised cost** | | | | |
| **Bank Windhoek** | 19 764 287 | 22 503 597 | 19 764 287 | 22 503 597 |
| The Bank Windhoek loan bears interest at the prime lending rate less 3% (2018: 7.5%) per annum and is secured by a first and second mortgage bond over Erf 8521 Windhoek. Bank Windhoek also holds a limited cession over all Bank Windhoek investment accounts for N$ 150 000 000. The loan is repayable in 96 monthly installments of N$ 365 101 (2018: N$ 365 101) each. | | | | |
| **Standard Bank of Namibia** | 126 368 | 2 181 924 | - | - |
| The secured loan is a commercial property bond and bears interest at the prime lending rate less 1.5% per annum. The loan is repayable in 96 monthly installments of N$ 171 296 each. | | | | |
| **Standard Bank of Namibia** | 9 108 479 | 10 974 788 | - | - |
| Interest is accrued per annum which is the aggregate of the margin at 3.75% and three months JIBAR currently at 7.125%. The loan is repayable in 20 JIBAR linked quarterly installments. Erven 35 and 36 in Windhoek, which are held by the subsidiaries Brak Property Development 35 (Pty) Ltd and Brak Property Development 36 (Pty) Ltd respectively, have been mortgaged and pledged as security in respect of the N$ 11 410 640 term loan facility that the subsidiary, Namcor Petroleum Trading and Distribution (Pty) Ltd has with Standard Bank of Namibia. Brak Property Development 35 (Pty) Ltd and Brak Property Development 36 (Pty) Ltd have additionally ceded to the bank their respective rights and title in the respective properties and to the rents arising or which may arise in respect of the mortgaged properties. Namcor Petroleum Trading and Distribution (Pty) Ltd has also pledged the shares held in Brak Property Development 35 (Pty) Ltd and Brak Property Development 36 (Pty) Ltd to the bank. The National Petroleum Corporation of Namibia (Pty) Ltd has subordinated its loan to Namcor Petroleum Trading and Distribution (Pty) Ltd in favour of Standard Bank of Namibia Limited. | | | | |
| | **28 999 134** | **35 660 309** | **19 764 287** | **22 503 597** |
| **Split between non-current and current portions** | | | | |
| Non-current liabilities | 23 758 805 | 28 996 152 | 16 748 412 | 19 711 470 |
| Current liabilities | 5 240 329 | 6 664 157 | 3 015 875 | 2 792 127 |
| | **28 999 134** | **35 660 309** | **19 764 287** | **22 503 597** |



## Notes to the Consolidated and Separate Annual Financial Statements

| | Group | | Company | |
|---|---|---|---|---|
| | 2019<br>N$ | 2018<br>Restated *<br>N$ | 2019<br>N$ | 2018<br>Restated *<br>N$ |

### 18. Deferred income

The company entered into a 99 year lease agreement with Hammerhead Investments (Pty) Ltd on 1 June 2009. The full rent amounting to N$ 3 000 000 in respect of the lease was paid in advance upon commencement of the lease. Deferred income was recognised and is released to profit or loss through the passage of time and use of the property

| | Group 2019 N$ | Group 2018 Restated * N$ | Company 2019 N$ | Company 2018 Restated * N$ |
|---|---|---|---|---|
| **Hammerhead Investments lease** | | | | |
| At 1 April | 2 732 323 | 2 762 626 | - | - |
| Released into the income statement | (30 303) | (30 303) | - | - |
| | **2 702 020** | **2 732 323** | **-** | **-** |
| Non-current liabilities | 2 671 717 | 2 702 020 | - | - |
| Current liabilities | 30 303 | 30 303 | - | - |
| | **2 702 020** | **2 732 323** | **-** | **-** |

### 19. Trade and other payables

| | Group 2019 N$ | Group 2018 Restated * N$ | Company 2019 N$ | Company 2018 Restated * N$ |
|---|---|---|---|---|
| **Financial instruments:** | | | | |
| Trade payables | 105 952 906 | 121 060 630 | 5 300 635 | 15 600 047 |
| Other payables | 698 675 | 2 452 906 | 487 152 | 983 649 |
| Levies | 17 640 853 | 11 759 483 | - | - |
| Accruals | 21 158 480 | 4 081 442 | 19 369 975 | 1 040 489 |
| | **145 450 914** | **139 354 461** | **25 157 762** | **17 624 185** |

**Exposure to currency risk**

Refer to note 35 Financial instruments and financial risk management for details of currency risk management for trade payables.

**Exposure to liquidity risk**

Refer to note 35 Financial instruments and financial risk management for details of liquidity risk exposure and management.

**Exposure to interest rate risk**

Refer to note 35 Financial instruments and financial risk management for details of interest rate risk management for trade and other payables.

# Notes to the Consolidated and Separate Annual Financial Statements

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 N$ | 2018 Restated * N$ | 2019 N$ | 2018 Restated * N$ |

## 20. Provisions

**Reconciliation of provisions - Group - 2019**

| | Opening balance | Additional provisions recognised | Reductions arising from payments / utilisation of the provision | Total |
|---|---|---|---|---|
| Provision for bonuses | 256 430 | 45 989 | - | 302 419 |
| Provision for leave pay | 5 208 200 | 2 429 786 | (735 534) | 6 902 452 |
| Provision for levies payable | 12 713 668 | 19 100 135 | - | 31 813 803 |
| Provision for legal dispute | 1 494 147 | - | (1 494 147) | - |
| | **19 672 445** | **21 575 910** | **(2 229 681)** | **39 018 674** |

**Reconciliation of provisions - Group - 2018**

| | Opening balance | Additional provisions recognised | Reductions arising from payments / utilisation of the provision | Total |
|---|---|---|---|---|
| Provision for bonuses | 4 410 335 | (137 605) | (4 016 300) | 256 430 |
| Provision for leave pay | 3 986 729 | 1 906 577 | (685 106) | 5 208 200 |
| Provision for levies payable | - | 12 713 668 | - | 12 713 668 |
| Provision for legal dispute | - | 1 494 147 | - | 1 494 147 |
| | **8 397 064** | **15 976 787** | **(4 701 406)** | **19 672 445** |

**Reconciliation of provisions - Company - 2019**

| | Opening balance | Additional provisions recognised | Reductions arising from payments / utilisation of the provision | Total |
|---|---|---|---|---|
| Provision for bonuses | 151 820 | 30 684 | - | 182 504 |
| Provision for leave pay | 3 970 166 | 1 778 078 | (369 022) | 5 379 222 |
| Provision for legal dispute | 1 494 147 | - | (1 494 147) | - |
| | **5 616 133** | **1 808 762** | **(1 863 169)** | **5 561 726** |

**Reconciliation of provisions - Company - 2018**

| | Opening balance | Additional provisions recognised | Reductions arising from payments / utilisation of the provision | Total |
|---|---|---|---|---|
| Provision for bonuses | 3 456 030 | (118 802) | (3 185 408) | 151 820 |
| Provision for leave pay | 2 783 548 | 1 537 662 | (351 044) | 3 970 166 |
| Provision for legal dispute | - | 1 494 147 | - | 1 494 147 |
| | **6 239 578** | **2 913 007** | **(3 536 452)** | **5 616 133** |



# Notes to the Consolidated and Separate Annual Financial Statements

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 N$ | 2018 Restated * N$ | 2019 N$ | 2018 Restated * N$ |

### 20. Provisions (continued)

**Bonus Provision**

The provision for bonus is for employees who qualify in terms of their employment contracts. The provision consist of both 13th cheque bonuses and performance bonuses.

**Provision for leave pay**

The group has a constructive obligation of paying a maximum of 45 leave days as result of past service provided by an employee when the employee leaves the employment of the company.

**Provision for levies payable**

Road Fund Administration Act

During the period under review, the company's subsidiary, NAMCOR Petroleum Trading and Distribution (Pty) Ltd sold petroleum products to locally registered companies with the assumption that these products will be exported. As a result, there were no levies charged on these volumes. The practice is not in line with the requirements of the Road Fund Administration Act. The non-compliance with the Road Fund Administration Act quantified to N$ 14 803 803.77 (2018: N$ 5 804 864.56) including interest. This amount has been provided for in the financial statements.

Petroleum Products and Energy Act

During the period under review, the company's subsidiary, NAMCOR Petroleum Trading and Distribution (Pty) Ltd sold petroleum products to locally registered companies with the assumption that these products will be exported. As a result, there were no levies charged on these volumes. This practice is not in line with the requirements of the Petroleum Products and Energy Act. The non-compliance with the Petroleum Products and Energy Act quantified amounts to N$ 17 009 998.85 (2018: N$ 6 908 803.39). This amount has been provided for in the financial statements.

### 21. Revenue

| **Revenue from contracts with customers** | | | | |
|---|---|---|---|---|
| Unleaded petrol | 122 082 105 | 84 730 845 | - | - |
| Automotive diesel oils | 432 307 418 | 311 244 299 | - | - |
| Heavy fuel oils | 189 757 105 | 193 361 611 | - | - |
| Jet A1 fuels | 424 206 | 2 869 537 | - | - |
| Lubricants | 2 641 236 | 2 906 483 | - | - |
| Storage and handling fees | 4 071 151 | 3 310 773 | - | - |
| Data licensing: Existing/ Reprocessed | 13 450 885 | 6 903 166 | 13 450 885 | 6 903 166 |
| Data licensing: New seismic | 8 361 212 | 5 146 975 | 8 361 212 | 5 146 975 |
| Financial services | 9 655 | 9 311 | 9 655 | 9 311 |
| Human resource management services | 2 485 | 2 397 | 2 485 | 2 397 |
| Information & communication technology services | 2 605 | 2 512 | 2 605 | 2 512 |
| Administration, vehicle maintenance and cleaning services | 6 058 | 5 842 | 6 058 | 5 842 |
| Leasing | 67 981 | 65 553 | 67 981 | 65 553 |
| Tender fee | 94 800 | 267 729 | 94 800 | 267 729 |
| | **773 278 902** | **610 827 033** | **21 995 681** | **12 403 485** |

**Disaggregation of revenue from contracts with customers**

The group disaggregates revenue from customers as follows:

**Timing of revenue recognition**

| | | | | |
|---|---|---|---|---|
| Revenue recognised at a point in time | 770 203 079 | 608 928 487 | 21 906 896 | 12 317 871 |
| Revenue recognised over time | 3 075 823 | 1 898 546 | 88 785 | 85 614 |
| **Total revenue from contracts with customers** | **773 278 902** | **610 827 033** | **21 995 681** | **12 403 485** |

### 22. Cost of sales

| | | | | |
|---|---|---|---|---|
| Cost of petroleum products sold | 696 153 203 | 559 044 477 | - | - |

## Notes to the Consolidated and Separate Annual Financial Statements

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 N$ | 2018 Restated * N$ | 2019 N$ | 2018 Restated * N$ |

### 23. Other operating income

| | | | | |
|---|---|---|---|---|
| Kudu income | - | 9 026 124 | - | 9 026 124 |
| Other rental income | 30 303 | 56 922 | - | - |
| VET levy income | 182 126 | 255 959 | 182 126 | 255 959 |
| Foreign exchange gains | 29 714 516 | - | 29 714 516 | - |
| Government grants | 89 455 023 | 116 671 146 | 87 919 474 | 114 769 220 |
| Sundry income | 119 518 | 630 818 | 119 518 | 295 902 |
| | **119 501 486** | **126 640 969** | **117 935 634** | **124 347 205** |

### 24. Operating (loss) /profit

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

| | | | | |
|---|---|---|---|---|
| **Remuneration, other than to employees** | | | | |
| Professional services | 12 239 690 | 16 118 366 | 8 796 675 | 7 358 740 |
| | | | | |
| **Operating lease charges** | | | | |
| Premises | 3 069 776 | 2 926 584 | - | - |
| Motor vehicles | 304 617 | 242 345 | - | - |
| Equipment | 3 427 380 | 3 020 393 | 3 427 380 | 3 020 393 |
| Outsourced transport services | 5 645 550 | 8 772 554 | - | - |
| | **12 447 323** | **14 961 876** | **3 427 380** | **3 020 393** |
| | | | | |
| (Profit)/ loss on sale of property, plant and equipment | 302 652 | (18 766) | 14 461 | (22 730) |
| Receiver of Revenue penalties and interest | 47 421 | 1 929 | 13 531 | 447 |
| Inventory written off | 1 741 769 | 25 238 | - | - |
| Slate (income) / expenses | (13 063 719) | (9 507 388) | - | - |
| Impairment of value added tax | - | 1 034 437 | - | 1 034 437 |
| Impairment of property, plant and equipment | (6 548 429) | 31 209 513 | (7 849 778) | 9 662 985 |
| Impairment of loans to group companies | 36 480 031 | - | 36 661 306 | 43 010 |
| Impairment on trade and other receivables | 64 922 368 | 23 129 195 | 180 392 | 2 936 490 |
| Unrealised foreign exchange loss/ (gain) | (30 098 105) | 19 960 254 | (30 098 105) | 19 960 254 |
| Realised foreign exchange gain | (24 947) | 6 899 | (24 947) | 6 899 |
| Depreciation on property, plant and equipment | 11 475 284 | 6 777 736 | 6 249 208 | 4 846 404 |
| Employee costs | 66 483 607 | 62 323 342 | 50 170 613 | 46 577 303 |
| Legal fees | 1 290 399 | 3 455 126 | 636 524 | 3 172 553 |
| Non-executive Directors' fees and allowances | 1 111 957 | 1 139 448 | 1 020 654 | 988 495 |
| Fair value gain on financial asset through profit or loss | - | (55 806) | - | (55 806) |

### 25. Joint operations

The holding company has 44% interest in a joint arrangement called the Kudu Gas to Power Project Field Partnership which was set up as a partnership together with BWK KUDU Limited to develop the Kudu Gas Field located offshore Republic of Namibia. The principal place of business of the joint operation is in Namibia. The joint venture agreements in relation to the Kudu Gas to Power Project Field require unanimous consent from all parties for all relevant activities. The two partners have direct rights to the assets of the partnership and are jointly and severally liable for the liabilities incurred by the partnership. This entity is therefore classified as a joint operation and the group recognises its direct right to the jointly held assets, liabilities, revenues and expenses.

## Notes to the Consolidated and Separate Annual Financial Statements

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 N$ | 2018 Restated * N$ | 2019 N$ | 2018 Restated * N$ |

### 25. Joint operations (continued)

The table below details the expenses incurred on the Kudu Gas to Power Project:

| | 2019 | 2018 | 2019 | 2018 |
|---|---|---|---|---|
| Consultancy support | 198 662 | 1 922 368 | 198 662 | 1 922 368 |
| Drilling | 256 554 | - | 256 554 | - |
| FPS | 1 177 439 | - | 1 177 439 | - |
| General and admin expenditure | 14 226 245 | 9 632 413 | 14 226 245 | 9 632 413 |
| Insurance | 1 513 254 | 1 076 615 | 1 513 254 | 1 076 615 |
| Kudu activities to FID | 9 823 524 | 463 337 | 9 823 524 | 463 337 |
| Licence fee obligation | 3 057 829 | 1 221 050 | 3 057 829 | 1 221 050 |
| Other | (645 862) | 338 566 | (645 862) | 338 566 |
| Subsurface modelling | 2 487 223 | - | 2 487 223 | - |
| Training | 438 860 | 317 837 | 438 860 | 317 837 |
| | **32 533 728** | **14 972 186** | **32 533 728** | **14 972 186** |

### 26. Finance income

| | 2019 | 2018 | 2019 | 2018 |
|---|---|---|---|---|
| **Interest revenue** | | | | |
| Cash and cash equivalents | 12 341 767 | 19 719 134 | 9 301 036 | 12 254 694 |
| Interest charged on trade receivables | 2 313 768 | 1 469 492 | - | - |
| Staff loans | 65 646 | 53 256 | 65 646 | 53 256 |
| **Total interest revenue** | **14 721 181** | **21 241 882** | **9 366 682** | **12 307 950** |

### 27. Finance costs

| | 2019 | 2018 | 2019 | 2018 |
|---|---|---|---|---|
| Long term borrowings | 10 503 992 | 10 633 620 | 1 617 606 | 1 802 134 |
| Less: borrowing costs capitalised | (3 624 753) | (1 633 789) | - | - |
| **Total finance costs** | **6 879 239** | **8 999 831** | **1 617 606** | **1 802 134** |

Capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation was 8.74%.

### 28. Taxation

**Major components of the tax (income) expense**

| | 2019 | 2018 | 2019 | 2018 |
|---|---|---|---|---|
| **Deferred** | | | | |
| Deferred tax | (10 037 091) | (5 830 842) | - | - |

**Reconciliation of the tax expense**

Reconciliation between applicable tax rate and average effective tax rate.

| | 2019 | 2018 | 2019 | 2018 |
|---|---|---|---|---|
| Applicable tax rate | 32.00 % | 32.00 % | 32.00 % | 32.00 % |
| Non-deductible expenses deemed capital in nature | 0.36 % | (0.48)% | 0.61 % | (1.20)% |
| Non-deductible impairment losses | 8.36 % | (11.23)% | (26.15)% | (1.63)% |
| Unrecognised deferred tax asset | 25.10 % | (67.23)% | (68.49)% | (189.72)% |
| Non-deductible finance costs | 1.45 % | (1.94)% | - % | - % |
| Non-deductible fines and penalties | 0.01 % | (0.01)% | - % | (0.03)% |
| Non-deductible donations | - % | (0.07)% | - % | - % |
| Fair value gains not taxable | (0.80)% | 1.08 % | - % | - % |
| Fuel levy and income not taxable | (42.33)% | 56.90 % | 62.71 % | 160.58 % |
| | **24.15 %** | **9.01 %** | **- %** | **- %** |
| Estimated tax loss available for set off against future taxable income | 767 842 458 | 646 798 419 | 494 877 864 | 396 329 366 |

## Notes to the Consolidated and Separate Annual Financial Statements

| | Group | | Company | |
|---|---|---|---|---|
| | 2019<br>N$ | 2018<br>Restated *<br>N$ | 2019<br>N$ | 2018<br>Restated *<br>N$ |

### 29. Auditors' remuneration

| | | | | |
|---|---|---|---|---|
| Fees | 2 422 317 | 1 005 309 | 1 252 486 | 616 547 |

### 30. Cash generated from/(used in) operations

| | | | | |
|---|---|---|---|---|
| (Loss) profit before taxation | (60 054 409) | (65 509 565) | (44 792 303) | (21 823 214) |
| **Adjustments for:** | | | | |
| Depreciation and amortisation | 11 271 461 | 6 777 734 | 6 284 702 | 4 846 404 |
| (Profit) / Loss on sale of property, plant and equipment | 302 652 | (18 766) | 14 461 | (22 730) |
| Other property, plant and equipment movements | 4 248 874 | 63 355 | - | - |
| Adjustment for non-cash flow fair value adjustment on Standard Bank loan | - | (833 415) | - | - |
| Interest income | (14 721 181) | (21 241 882) | (9 366 682) | (12 307 950) |
| Finance costs | 6 753 419 | 8 999 831 | 1 491 786 | 1 802 134 |
| Fair value gain on financial assets through profit and loss | - | (55 806) | - | (55 806) |
| Impairment of inventories | 1 741 769 | 25 238 | - | - |
| Impairment of property, plant and equipment | (6 378 429) | 31 209 513 | (7 849 778) | 9 662 988 |
| Impairment of loans to group companies | - | - | 36 638 462 | 43 010 |
| Impairment of value added taxation | - | 1 034 438 | - | 1 034 438 |
| Impairment of trade receivables | 64 922 368 | 23 129 195 | 180 392 | 2 936 490 |
| Impairment of other receivables | 12 706 | - | (2 626) | - |
| Impairment of cash and cash equivalents | (90 979) | - | (46 734) | - |
| Unrealised (gain) / loss on foreign exchange | - | - | - | 19 960 254 |
| Operating accruals | 16 275 908 | (5 706 673) | 18 329 486 | 764 728 |
| Movement in provision for leave pay | 2 429 786 | 1 906 577 | 1 778 078 | 1 537 663 |
| Movement in provision for bonus | 45 990 | (137 605) | 30 685 | (118 802) |
| Movement in provision for legal disputes | - | 1 494 147 | - | 1 494 147 |
| Non-cash operating expenses movement in provision for non-compliance with laws and regulations | 19 100 135 | 12 505 183 | - | - |
| Bad debts written off | 119 555 465 | - | 22 844 | - |
| Unrealised gain / (loss) on foreign exchange (trade debtors) | (2 345 829) | 560 445 | (2 345 829) | - |
| Unrealised gain / (loss) on foreign exchange (cash and cash equivalents) | (27 195 522) | 17 627 352 | (27 195 522) | - |
| Unrealised gain / (loss) on foreign exchange (trade creditors) | 128 689 | (169 790) | 128 689 | - |
| Unrealised gain / (loss) on foreign exchange (Serica) | - | 1 942 246 | - | - |
| IFRS adjustments | - | - | - | (1 285 521) |
| Other non-cash operating expenses | 41 139 | - | 207 710 | - |
| Deffered income | (30 303) | (30 303) | - | - |
| **Changes in working capital:** | | | | |
| Inventories | (25 420 725) | 10 751 595 | - | - |
| Trade and other receivables | (212 064 536) | (40 482 311) | (3 431 480) | 24 608 392 |
| Trade and other payables | (10 372 161) | 47 301 668 | (11 132 308) | 3 133 273 |
| Deferred income | - | (25 499 053) | - | (25 499 053) |
| Provisions | (2 229 681) | (4 701 407) | (1 863 169) | (3 536 453) |
| | **(114 073 394)** | **941 941** | **(42 919 136)** | **7 174 392** |



## Notes to the Consolidated and Separate Annual Financial Statements

### 31. Changes in liabilities arising from financing activities

**Reconciliation of liabilities arising from financing activities - Group - 2019**

| | Opening balance | Repayments | New loans raised | Fair value changes | Closing balance |
|---|---|---|---|---|---|
| Borrowings | 35 660 309 | (6 661 175) | - | - | 28 999 134 |
| Loan from shareholder | 211 648 062 | (5 699 607) | - | - | 211 648 062 |
| | **247 308 371** | **(12 360 782)** | **-** | **-** | **240 647 196** |
| **Total liabilities from financing activities** | **247 308 371** | **(12 360 782)** | **-** | **-** | **240 647 196** |

**Reconciliation of liabilities arising from financing activities - Group - 2018**

| | Opening balance | Repayments | New loans raised | Fair value changes | Closing balance |
|---|---|---|---|---|---|
| Borrowings | 30 152 336 | (5 069 252) | 11 410 640 | (833 415) | 35 660 309 |
| Loan from shareholder | 211 677 440 | (2 400 000) | - | 2 370 622 | 211 648 062 |
| | **241 829 776** | **(7 469 252)** | **11 410 640** | **1 537 207** | **247 308 371** |
| **Total liabilities from financing activities** | **241 829 776** | **(7 469 252)** | **11 410 640** | **1 537 207** | **247 308 371** |

**Reconciliation of liabilities arising from financing activities - Company - 2019**

| | Opening balance | Repayments | New loans raised | Fair value changes | Closing balance |
|---|---|---|---|---|---|
| Borrowings | 22 503 597 | (2 739 310) | - | - | 19 764 287 |
| Loan from shareholder | 117 918 563 | - | - | - | 117 918 563 |
| | **140 422 160** | **(2 739 310)** | **-** | **-** | **137 682 850** |
| **Total liabilities from financing activities** | **140 422 160** | **(2 739 310)** | **-** | **-** | **137 682 850** |

**Reconciliation of liabilities arising from financing activities - Company - 2018**

| | Opening balance | Repayments | New loans raised | Fair value changes | Closing balance |
|---|---|---|---|---|---|
| Borrowings | 25 081 443 | (2 577 846) | - | - | 22 503 597 |
| Loan from shareholder | 117 918 563 | - | - | - | 117 918 563 |
| | **143 000 006** | **(2 577 846)** | **-** | **-** | **140 422 160** |
| **Total liabilities from financing activities** | **143 000 006** | **(2 577 846)** | **-** | **-** | **140 422 160** |

# Notes to the Consolidated and Separate Annual Financial Statements

| | Group | | Company | |
|---|---|---|---|---|
| | 2019<br>N$ | 2018<br>Restated *<br>N$ | 2019<br>N$ | 2018<br>Restated *<br>N$ |

**32. Commitments**

**Guarantees**

The company has provided security for financial guarantees issued by Bank Windhoek on behalf of the subsidiary company in favour of Sasol Oil (Pty) Ltd Registration number 1981/007622/07. The value as at 31 March 2019 is N$ 800 000 (2018: N$ 800 000).

The company has provided security for financial guarantees issued by Bank Windhoek on behalf of its subsidiary company in favour of the Ministry of Finance for import VAT. The Ministry of Finance required this security as the subsidiary company had significant monthly imports when it had the fuel import mandate. The value as at 31 March 2019 is N$ 6 500 000 (2018: N$ 6 500 000).

Namcor Petroleum Trading and Distribution (Proprietary) Limited has provided security for financial guarantees issued by Standard Bank Namibia on behalf of the company in favour of Brak Property Development 36 (Pty) Ltd Registration number 2012/0053. The value as at 31 March 2019 is N$ 11 411 000 (2018: N$ 11 411 000).

**Operating leases – as lessee**

The group has entered into commercial leases on motor vehicles, office equipment and outsourced transport services. These leases have an average life of between three and five years with no option included in the lease contracts. The group has also entered into commercial leases for property, with an average life of one year. There are no restrictions placed upon the company by entering into these leases. Future minimum lease payable on non-cancellable operating leases are shown below:

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

| | | | | |
|---|---|---|---|---|
| **Minimum lease payments due on non-cancellable operating leases** | | | | |
| - within one year | 4 806 772 | 5 898 223 | 1 267 465 | 2 358 916 |
| - in second to fifth year inclusive | 10 437 771 | 11 705 236 | 770 854 | 2 038 319 |
| - later than five years | 2 182 728 | 2 182 728 | - | - |
| | **17 427 271** | **19 786 187** | **2 038 319** | **4 397 235** |

**Capital expenditure commitments**

| | | | | |
|---|---|---|---|---|
| Capital Expenditure as approved | 149 480 098 | 149 480 098 | 21 043 703 | 21 043 703 |

**33. Contingencies**

During the reporting period, Namcor Petroleum Trading and Distribution (Pty) Ltd and Hannover CC entered into contractual negotiations for a Retail Dealer Agreement and Lease Agreement for the Hannover Service Station. During negotiations, the parties reached a deadlock on certain terms of the lease agreement. Whilst negotiations were ongoing Namcor Petroleum Trading and Distribution (Pty) Ltd constructed the Service Station in Hannover Ongwediva to the value of N$ 25 548 192.60.

Namcor Petroleum Trading and Distribution (Pty) Ltd approached an external legal counsel to assist with negotiations. In the negotiations, Namcor Petroleum Trading and Distribution (Pty) Ltd stated its intentions to proceed with instituting an action for undue enrichment in the sum of N$ 25 548 192.60 if the negotiations fail. After several deliberations, the parties agreed on the terms of the Retail Dealer Agreement and the Lease Agreement. The terms were duly executed on the 17th September 2019. As a result, no legal action or claim was subsequently instituted.



## Notes to the Consolidated and Separate Annual Financial Statements

| | Group | | Company | |
|---|---|---|---|---|
| | 2019<br>N$ | 2018<br>Restated *<br>N$ | 2019<br>N$ | 2018<br>Restated *<br>N$ |

### 34. Related parties

**Relationships**

| | |
|---|---|
| Ultimate shareholder | Government of the Republic of Namibia |
| Directors | Refer to directors report |
| State owend enterprises | Refer to the significant judgements note |
| Subsidiaries | Refer to note 6 |

**Related party balances**

| | Group 2019 N$ | Group 2018 Restated * N$ | Company 2019 N$ | Company 2018 Restated * N$ |
|---|---|---|---|---|
| **Loan accounts - Owing by related parties** | | | | |
| Namcor Petroleum Trading and Distribution (Proprietary) Limited | - | - | - | 154 228 912 |
| **Long term loans - Owing to related parties** | | | | |
| Ministry of Mines and Energy | - | (117 918 563) | (117 918 563) | (117 918 563) |
| National Energy Fund | - | (93 729 499) | - | - |
| Namcor Petroleum Trading and Distribution (Proprietary) Limited | - | - | 176 831 440 | - |
| **Trade receivables** | | | | |
| Transnamib Holdings (Pty) Ltd | 3 940 497 | - | - | - |
| Namibia Ports Authority (Pty) Ltd | 1 614 477 | - | - | - |
| Road Fund Administration | 133 520 | 247 | - | - |
| Road Construction Company | 17 215 197 | 15 946 593 | - | - |
| **Trade payables** | | | | |
| Namibia Ports Authority (Pty) Ltd | 266 369 | - | - | - |
| Telecom Namibia Limited | 74 095 | 7 004 | - | - |
| Transnamib Holdings (Pty) Ltd | 726 354 | 550 074 | - | - |

**Related party transactions**

| | Group 2019 N$ | Group 2018 Restated * N$ | Company 2019 N$ | Company 2018 Restated * N$ |
|---|---|---|---|---|
| **Interest paid to related parties** | | | | |
| National Energy Fund | 4 553 371 | 7 936 205 | - | - |
| **Levies received from related parties** | | | | |
| Ministry of Mines and Energy | 87 919 474 | 89 270 167 | 87 919 474 | 89 270 167 |
| **Sales to related parties** | | | | |
| Namibia Ports Authority (Pty) Ltd | 23 137 564 | 20 334 757 | - | - |
| Road Contractor Company (Pty) Ltd | 1 614 | 322 942 | - | - |
| Transnamib Holdings (Pty) Ltd | 38 504 401 | 8 870 642 | - | - |
| **Compensation to directors and other key management** | | | | |
| Salaries | 1 848 306 | 1 750 516 | 1 848 306 | 1 750 516 |
| Directors' fees | 1 112 800 | 1 049 451 | 933 654 | 898 498 |
| Expense allowance | 236 947 | 268 105 | 236 947 | 268 105 |
| | **3 198 053** | **3 068 072** | **3 018 907** | **2 917 119** |

## Notes to the Consolidated and Separate Annual Financial Statements

**35. Financial instruments and risk management**

**Categories of financial instruments**

**Categories of financial assets**

**Group - 2019**

| | Note(s) | Amortised cost | Total |
|---|---|---|---|
| Trade and other receivables | 11 | 165 780 293 | 165 780 293 |
| Cash and cash equivalents | 12 | 216 034 243 | 216 034 243 |
| | | **381 814 536** | **381 814 536** |

**Group - 2018**

| | Note(s) | Amortised cost | Total |
|---|---|---|---|
| Trade and other receivables | 11 | 143 027 504 | 143 027 504 |
| Cash and cash equivalents | 12 | 388 530 275 | 388 530 275 |
| | | **531 557 779** | **531 557 779** |

**Company - 2019**

| | Note(s) | Amortised cost | Total |
|---|---|---|---|
| Loans to group companies | 9 | 176 831 440 | 176 831 440 |
| Trade and other receivables | 11 | 30 881 920 | 30 881 920 |
| Cash and cash equivalents | 12 | 188 739 340 | 188 739 340 |
| | | **396 452 700** | **396 452 700** |

**Company - 2018**

| | Note(s) | Amortised cost | Total |
|---|---|---|---|
| Loans to group companies | 9 | 154 228 912 | 154 228 912 |
| Trade and other receivables | 11 | 27 161 626 | 27 161 626 |
| Cash and cash equivalents | 12 | 270 960 619 | 270 960 619 |
| | | **452 351 157** | **452 351 157** |

National Petroleum Corporation of Namibia (Proprietary) Limited
(Registration number 164/67)
Consolidated And Separate Annual Financial Statements for the year ended 31 March 2019

## Notes to the Consolidated and Separate Annual Financial Statements

**35. Financial instruments and risk management (continued)**

**Categories of financial liabilities**

**Group - 2019**

| | Note(s) | Amortised cost | Total |
|---|---|---|---|
| Trade and other payables | 19 | 145 450 914 | 145 450 914 |
| Loans from shareholders | 16 | 205 948 455 | 205 948 455 |
| Borrowings | 17 | 28 999 134 | 28 999 134 |
| | | **380 398 503** | **380 398 503** |

**Group - 2018**

| | Note(s) | Amortised cost | Total |
|---|---|---|---|
| Trade and other payables | 19 | 139 354 462 | 139 354 462 |
| Loans from shareholders | 16 | 211 648 062 | 211 648 062 |
| Borrowings | 17 | 35 660 309 | 35 660 309 |
| | | **386 662 833** | **386 662 833** |

**Company - 2019**

| | Note(s) | Amortised cost | Total |
|---|---|---|---|
| Trade and other payables | 19 | 25 157 761 | 25 157 761 |
| Loans from shareholder | 16 | 117 918 563 | 117 918 563 |
| Borrowings | 17 | 19 764 287 | 19 764 287 |
| | | **162 840 611** | **162 840 611** |

**Company - 2018**

| | Note(s) | Amortised cost | Total |
|---|---|---|---|
| Trade and other payables | 19 | 17 624 185 | 17 624 185 |
| Loans from shareholder | 16 | 117 918 563 | 117 918 563 |
| Borrowings | 17 | 22 503 597 | 22 503 597 |
| | | **158 046 345** | **158 046 345** |

## Notes to the Consolidated and Separate Annual Financial Statements

**35. Financial instruments and risk management (continued)**

**Capital risk management**

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

The capital structure of the group consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes 7 and 17, cash and cash equivalents disclosed in note 12, and equity as disclosed in the statements of financial position.

The group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by capital. The group's strategy is to maintain a gearing ratio below 100%. The group includes within net debt, interest bearing loans, trade and other payables, less cash and cash equivalents.

There are no externally imposed capital requirements.

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

The capital structure and gearing ratio of the group at the reporting date was as follows:

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2019 N$ | 2018 Restated * N$ | 2019 N$ | 2018 Restated * N$ |
| Loans from shareholders | 16 | 205 948 455 | 5 699 607 | 117 918 563 | 117 918 563 |
| Borrowings | 17 | 28 999 134 | 35 660 309 | 19 764 287 | 22 503 597 |
| Trade and other payables | 19 | 145 450 914 | 139 354 462 | 25 157 761 | 17 624 185 |
| **Total borrowings** | | **380 398 503** | **180 714 378** | **162 840 611** | **158 046 345** |
| Cash and cash equivalents | 12 | (216 034 243) | (388 530 275) | (188 739 340) | (270 960 619) |
| **Net borrowings** | | **164 364 260** | **(207 815 897)** | **(25 898 729)** | **(112 914 274)** |
| Equity | | 561 937 657 | 561 881 430 | 444 963 172 | 443 934 776 |
| Gearing ratio | | 29 % | (37)% | (6)% | (25)% |



### 35. Financial instruments and risk management (continued)

**Financial risk management**

**Overview**

The group is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk (currency risk, interest rate risk and price risk).

The board has overall responsibility for the establishment and oversight of the group's risk management framework.

**Credit risk**

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Credit risk is managed on a group basis.

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 counterparty.

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.

The maximum exposure to credit risk is presented in the table below:

| Group | | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|---|
| | | Gross carrying amount | Credit loss allowance | Amortised cost | Gross carrying amount | Credit loss allowance | Amortised cost |
| Trade and other receivables | 11 | 165 780 293 | (3 754 180) | 162 026 113 | 143 027 504 | (3 754 180) | 139 273 324 |
| Cash and cash equivalents | 12 | 216 034 243 | - | 216 034 243 | 388 530 275 | - | 388 530 275 |
| | | **381 814 536** | **(3 754 180)** | **378 060 356** | **531 557 779** | **(3 754 180)** | **527 803 599** |

| Company | | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|---|
| | | Gross carrying amount | Credit loss allowance | Amortised cost | Gross carrying amount | Credit loss allowance | Amortised cost |
| Loans to group companies | 9 | 221 039 299 | (44 207 860) | 176 831 439 | 154 228 912 | - | 154 228 912 |
| Trade and other receivables | 11 | 30 881 920 | (2 530 350) | 28 351 570 | 27 161 626 | (2 530 350) | 24 631 276 |
| Cash and cash equivalents | 12 | 188 739 340 | - | 188 739 340 | 270 960 619 | - | 270 960 619 |
| | | **440 660 559** | **(46 738 210)** | **393 922 349** | **452 351 157** | **(2 530 350)** | **449 820 807** |

## Notes to the Consolidated and Separate Annual Financial Statements

**35. Financial instruments and risk management (continued)**

**Liquidity risk**

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to manage liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

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

The group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted.

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

**Group**

| At 31 March 2019 | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
|---|---|---|---|---|
| Loans from shareholders | 6 039 037 | 6 413 385 | 21 891 549 | 174 601 484 |
| Borrowings | 5 240 329 | 5 559 960 | 6 047 124 | 12 151 720 |
| Trade and other payables | 145 450 914 | - | - | - |
| | **156 730 280** | **11 973 345** | **27 938 673** | **186 753 204** |

| At 31 March 2018 | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
|---|---|---|---|---|
| Loans from shareholders | 5 699 607 | 6 039 038 | 20 521 197 | 179 388 220 |
| Borrowings | 6 664 157 | 5 215 233 | 17 580 468 | 6 200 452 |
| Trade and other payables | 139 354 463 | - | - | - |
| | **151 718 227** | **11 254 271** | **38 101 665** | **185 588 672** |

**Company**

| At 31 March 2019 | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
|---|---|---|---|---|
| Loans from shareholders | - | - | - | 117 918 563 |
| Borrowings | 3 015 875 | 3 242 475 | 11 317 439 | 2 188 498 |
| Trade and other payables | 25 157 762 | - | - | - |
| | **28 173 637** | **3 242 475** | **11 317 439** | **120 107 061** |

| At 31 March 2018 | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
|---|---|---|---|---|
| Loans from shareholders | - | - | - | 117 918 563 |
| Borrowings | 2 792 127 | 3 008 887 | 10 502 131 | 6 200 452 |
| Trade and other payables | 17 624 185 | - | - | - |
| | **20 416 312** | **3 008 887** | **10 502 131** | **124 119 015** |

**Foreign currency risk**

The group does not hedge foreign exchange fluctuations.

The group undertakes transactions denominated in foreign currencies and hence the exposures to exchange rate fluctuations arise. The balances that are exposed to foreign currency fluctuations are investments classified as available-for-sale, certain US dollar denominated trade receivables; US dollar denominated bank balances and US dollar denominated trade payables.

At 31 March 2019, if the currency had weakened/strengthened by 10% against the US dollar with all other variables held constant, company and group post-tax profit for the year would have been N$ 12 186 466 (2018: N$ 20 285 207) and N$ 25 350 562 (2018: N$ 20 086 556) higher, mainly as a result of foreign exchange gains on the translation of US dollar denominated trade receivables, financial assets at fair value through profit or loss, debt securities classified as available-for-sale and foreign exchange losses or gains on translation of US dollar denominated borrowings.



## Notes to the Consolidated and Separate Annual Financial Statements

| | Group | | Company | |
|---|---|---|---|---|
| | 2019<br>N$ | 2018<br>Restated *<br>N$ | 2019<br>N$ | 2018<br>Restated *<br>N$ |

**35. Financial instruments and risk management (continued)**

**Interest rate risk**

The group's interest rate risk arises from long-term borrowings and bank balances. Borrowings issued at variable rates expose the group to cash flow interest rate risk. During 2019 and 2018, the group's borrowings at variable rates were denominated in Namibia Dollar.

At the reporting date the interest rate profile of the group's interest bearing financial instruments was:

| | | | | |
|---|---|---|---|---|
| **Financial instrument** | | | | |
| **Variable rate instrument** | | | | |
| Financial assets | 191 533 458 | 270 922 104 | 164 211 547 | 153 367 231 |
| Financial liabilities | (28 999 133) | (35 660 308) | (19 764 286) | (22 503 597) |
| **Fixed rate instrument** | | | | |
| Financial assets | 54 643 798 | 120 360 776 | 27 321 888 | 120 360 776 |
| Financial liabilities | (62 774 277) | (38 129 499) | - | - |

**36. Restatement**

The Group and Company's financial statements have been restated for the effect of certain adjustments that were made to some classes of transactions and account balances in the company's and NAMCOR Petroleum and Trading (Pty) Ltd financial statements.

**Revenue**

***Data Sales Licensing***

The errors emanate from the fact that revenue was recorded in the incorrect period in financial years 2017 and 2018. The root cause of the error is that the data licenses where granted to third parties at different transaction dates compared to the transaction date for the revenue recognised in the company financials. The practice during the previous financial years was to record revenue when the Company invoiced the vendor.

***Levies***

The NAMOR Petroleum Trading and petroleum (Pty) Ltd revenue and cost of sales was adjusted for the effect of the levies. The Company had erroneously reported its 2018 revenue and cost of sales. The errors emanate from the fact that revenue was overstated in prior years due to levies collected on behalf of other entities being included in the revenue and cost of sales figures. Company was acting as an agent in collecting the levies and should not have recognised the levies as revenue nor cost of sales.

***Deferred Tax Liability- Serica Shares***

The Company owns Shares in Serica Energy Plc, a foreign company incorporated in England and Wales. The shares are listed on the London Stock Exchange. The shares are designated at Fair value Through Other Comprehensive Income as per the IFRS9 provisions. During the 2019 financial year, it was confirmed that the shares are subject to a capital gain tax of 19% in a foreign country upon disposal. There was no Deferred tax liability recognised in the past to account for the tax implications of disposing off shares. As a result, the financial statements were restated for the effect thereof.

## Notes to the Consolidated and Separate Annual Financial Statements

**36. Restatement (continued)**

The effects of the restatement are as follows:

| **Group - 31 March 2018** | **As reported N$** | **As restated N$** |
|---|---|---|
| **Statement of Comprehensive Income** | | |
| Revenue | 734 333 744 | 610 827 033 |
| Cost of sales | (685 355 224) | (559 044 477) |
| **Other Comprehensive income** | | |
| Items that will be reclassified to profit or loss: | (38 764 429) | - |
| Items that will not be reclassified to profit or loss: | (5 325 800) | (37 094 014) |
| **Statement of Financial Position** | | |
| **Current assets** | | |
| Trade receivables | 179 753 414 | 180 939 214 |
| **Equity** | | |
| Reserves | (81 704 947) | (70 769 542) |
| Retained earnings | (430 802 615) | (431 903 367) |
| **Non-Current liabilities** | | |
| Deferred tax Liability | - | (10 935 406) |
| **Statement of Cash Flows** | | |
| Cash receipts from customers | 839 590 177 | 711 318 598 |
| Cash paid to suppliers and employees | (838 645 232) | (710 376 653) |

| **Company - 31 March 2018** | **As reported N$** | **As restated N$** |
|---|---|---|
| **Statement of Comprehensive Income** | | |
| Revenue | 10 949 389 | 12 403 485 |
| **Other Comprehensive income** | | |
| Items that will be reclassified to profit or loss | (38 764 429) | - |
| Items that will not be reclassified to profit or loss | (5 325 800) | (37 094 014) |
| **Statement of Financial Position** | | |
| **Current assets** | | |
| Trade receivables | 35 384 180 | 36 484 932 |
| **Equity** | | |
| Reserves | (81 704 947) | (70 769 542) |
| Retained earnings | (361 976 067) | (363 076 819) |
| **Non- current liabilities** | | |
| Deferred tax Liability | - | (10 935 406) |

# NOTES

# NOTES

# NOTES