



***NAMCOR***

**ANNUAL REPORT 2019/20**





# ANNUAL REPORT 2019 / 2020

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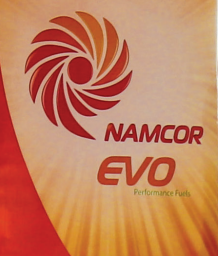




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# CHAIRPERSON'S REPORT

On behalf of the Board of Directors of the National Petroleum Corporation of Namibia (NAMCOR), it gives me great pleasure to present the annual report for the period 01 April 2019 to 31 March 2020.

The operating business environment during the period under review was a rather challenging one, characterised by a recession, which saw a downward trend in the price of raw materials, as well as a drought. The President declared a State of Emergency on account of the severe drought. Monetary policy was accommodative to support growth under favourable inflation conditions, with inflation standing at around 4.5% during the reporting period.

After a number of deliberations between the Board and Management on the company's proposed 5-year strategy, the 2019/2020 - 2023/2024 Strategic Plan was finalised and approved by the shareholder, the Government of the Republic of Namibia. The strategy has four broad focus areas, namely Ensuring Supply, Operational Excellence, Digital Enablement and Harnessing the Potential of Exploration & Production. For the purposes of this report, I will restrict my focus to two of the four pillars, specifically Ensuring Supply and Harnessing the Potential of Exploration & Production. These two pillars speak directly to the company's core business focus areas of upstream and downstream operations.

## Ensuring Supply

Under Ensuring Supply, we are geared to ensuring the interests of the shareholder pertaining to security of supply through the effective management and utilisation of the National Oil Storage Facility (NOSF) at Walvis Bay. The facility will provide storage capacity to the equivalent of about two (2) weeks of Namibia's national consumption to ensure that the country does not run dry of oil in the event of unforeseen eventualities. As a result, the lack of storage capacity at the harbour town of Walvis Bay, which has been a key setback for the business, will become a thing of the past. The facility will also be used for our commercial stocks.

The Namibia Competition Commission rejected NAMCOR's application to regain the 50% fuel import mandate, on grounds of anti-competitive behaviour. This development sent us back to the drawing board to deliberate on how we can still make use of the facility at a minimum of a breakeven or a profit.

In a first for Namibia, the company entered the fuel retail sector with the opening of its Hosea Kutako International Airport (HKIA) site. This was followed by the Hanover site at the town of Ongwediva, while more sites at strategic points around the country have been earned. I am confident that

these will offset the losses we would have suffered as a result of the 50% import mandate.

## Harnessing the Potential of Exploration & Production

Under upstream operations, NAMCOR actively works towards ensuring quick petroleum discovery. The company aggressively promotes Namibia as an attractive hydrocarbon destination internationally. It also adds value to petroleum exploration blocks awarded to it by undertaking strategic regional basin studies. These specialised studies are key in equipping the company and potential investors with geological and geophysical analysis of the exploration assets, which are essential for exploration decisions.

The Upstream team is also working around the clock to acquire a petroleum producing asset beyond Namibian borders, as a means of ensuring future sustainability for the Group.

## Concluding Remarks

As a caring corporate citizen, NAMCOR made contributions to the value of more than N\$1 million to various social causes around the country in line with various national development blueprints and NamCode, to which NAMCOR subscribes. Projects supported included social causes related to education, environment and community upliftment.

I remain upbeat about the company's future performance across the entire business chain. NAMCOR has penetrated the export markets of Botswana and Zambia for clean fuels. We are seeing increased sales as well as increased enquiries from these two countries and other regional markets. Our competitive advantage of being the national oil company attracts substantial interest from international majors, who would like to be associated with it. I am confident that this will aid our agenda of acquiring oil producing assets.

Engelhardt Kongoro  
**CHAIRPERSON**







# MANAGING DIRECTOR'S REPORT

## Dear Shareholder & Stakeholders,

I am pleased to present the 2019/2020 Annual Report of the National Petroleum Corporation of Namibia (NAMCOR).

NAMCOR started the 2019/2020 financial year on a high note by aggressively putting into action the 2020-2024 Integrated Strategic Business Plan (ISBP), which focuses on two principle pillars, namely Ensuring Supply for Namibia and Harnessing the Potential of Exploration and Production. The two themes are further reinforced and delivered through a multitude of strategies centred on two enabler themes, namely Digital Enablement and Operational and Organisational Excellence. The ISBP is premised on strategies that aim to deliver shareholder value in a manner that is sustainable and in line with NAMCOR's mandate.

Despite persistent global economic challenges and contractions in the local economy, the company continues to operate and sustain its business model.

Revenue from petroleum products and data sales continues to increase year on year. During the period under review, the Group recorded a total revenue of N\$1.07 billion compared to N\$773 million in the previous financial year, an increase of 38%.

The financial position of the Group is on an upward trajectory, whereas the Group's total assets increased by 28% from N\$1 billion in the previous financial year to N\$1.29 billion in the current financial year. The increases are attributable to asset acquisitions, investments in retail service stations and the purchase of inventory in anticipation of the commissioning of the National Bulk Storage Facility that NAMCOR has been mandated to manage and operate.

During the financial year, the downstream segment saw an increase of 76% in the debtors' book, from N\$218 million to N\$385 million. This in turn increased the allowance for impairment on trade receivables by N\$75 million, which has been recognised in the Statement of Comprehensive Income. Significant efforts and internal control measures approved by the Board have been put in place to avoid the recurrence of similar losses. The Board was fundamental in driving these measures, which include the development and implementation of a Debtors Recovery Plan, repayment plans and annual risk assessments on our customers.

The Group recorded a slight increase in cash and cash equivalent balances despite a high outflow to meet capital projects' needs.

The total operating expenses from business activities have increased by 32%. These costs were amplified by the impairment charge on trade receivables and the IFRS16 initial recognition adjustments for finance leases relating to retail service station contracts. Cost containment strategies have been put in place to monitor, manage and maintain costs going forward.

Despite satisfactory performance on the revenue and total assets, the Group reported a loss of N\$94 million for the year. The losses incurred by the Group are mainly attributable to low margins derived from high cost of sales, increases in the allowance for impairment of trade receivables amounting to N\$75 million, day one losses on the adoption of the new accounting standard IFRS16 Leases of N\$20 million and other impairments.

During the last quarter of the financial year, an already badly bruised Namibian economy was dealt a further blow, with the advent of the COVID-19 pandemic. In the downstream sector, global petroleum products demand and sales declined significantly at the back of international travel restrictions, thereby contracting private consumption, causing narrowed domestic expenditure.

The effects on the NAMCOR business were felt almost immediately, specifically on domestic demand for petroleum products in the country, primarily reflected in a marked decline in business activity, particularly in the mining, construction and transport industries. The market started showing a major oversupply and the Namibian BFP dropped significantly. This has had a massive impact on industry, which at the time had already procured product for March in January/February 2020. The regulated fuel prices on which we base our selling prices and derive margins also declined.

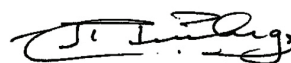
The impact of COVID-19 created a need for the development of a product procurement procedure manual for NAMCOR. Despite these and other challenges, the effects of the pandemic on the NAMCOR business environment were receded by the Board and management's resilience and swift response in activating the company's business continuity management plans, which served as a compass guide to respond to economic shocks of the pandemic, thereby safeguarding business continuity and the company's sustainability.

To date, NAMCOR operates six (6) retail service stations, with an additional five (5) currently under construction. The retail network expansion strategy envisages having in place 33 service stations at strategic locations across the country by 2024.

NAMCOR faces an existential threat, in that it relies heavily on the fuel levy subsidy to service its operational requirements. It is against this background that the company decided to pursue an ambitious retail expansion strategy, primarily because, relative to the downstream commercial segment, the downstream retail segment offers higher margins, which presents NAMCOR with an opportunity to increase the company's profitability and deliver financial sustainability in the medium to long term.

NAMCOR takes its role as a commercial public enterprise very seriously. The shareholder and shareholder representatives have made it abundantly clear that all commercial public enterprises must aim to ensure sustainable long-term value creation in support of Namibia's economic development. Calls for NAMCOR to wean itself of the fuel levy subsidy mean that it can no longer be business as usual.

Immanuel Mulunga  
**MANAGING DIRECTOR**











## GOVERNANCE AND REPORTING STRUCTURES

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
- ❖ Research

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

# BOARD OF DIRECTORS



**Engelhardt Kongoro**  
Chairperson



**Lorenta Harases**  
Director



**Anna Libana**  
Vice-Chairperson



**Dr. Roger Swarts**  
Director



**Barbara Dreyer-Omoregie**  
Director



**Onni-Ndangi lithete**  
Director

# 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 Kröhne**  
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 specifically under the auspices of the Ministry of Mines and Energy (MME).

The Board comprises six (6) non-executive directors and one (1) executive director. The non-executive directors are:

- ❖ Engelhardt Kongoro (Chairperson) – appointed in February 2019
- ❖ Anna Libana (Vice-Chairperson) – reappointed in October 2016
- ❖ Barbara Dreyer-Omoregie (Director) – appointed in October 2016
- ❖ Lorenta Harases (Director) – appointed in October 2016
- ❖ Dr. Roger Swart (Director) – appointed in October 2016
- ❖ Onni-Ndangi lithete (Director) – appointed in February 2019

The Chairperson is responsible for leading the Board and facilitating its effective functioning. The Chairperson is non-executive and independent, with his independence being confirmed through assessment. The roles of the Chairperson and Managing Director are separate and distinct. The number and stature of the directors also ensure that the principle is adequately preserved when applied to the decision-making process of the Board as a body.

The Managing Director attends Board meetings as an ex officio member responsible for the day-to-day management of NAMCOR in accordance with the delegation of authority and strategic directions given by the Board. It is the responsibility of the Board to oversee the activities of Management in carrying out these delegated duties.

## Core Responsibilities of the Board

The Board is responsible for the strategic direction and control of the company by ensuring that decisions and actions taken are based on the values that support good corporate governance. The Board serves as the focal point and custodian of corporate governance at NAMCOR. The protocol and responsibilities for exercising the leadership role of the board are outlined in the Board Charter. It provides a clear approach on how the Board of Directors is expected to conduct itself.

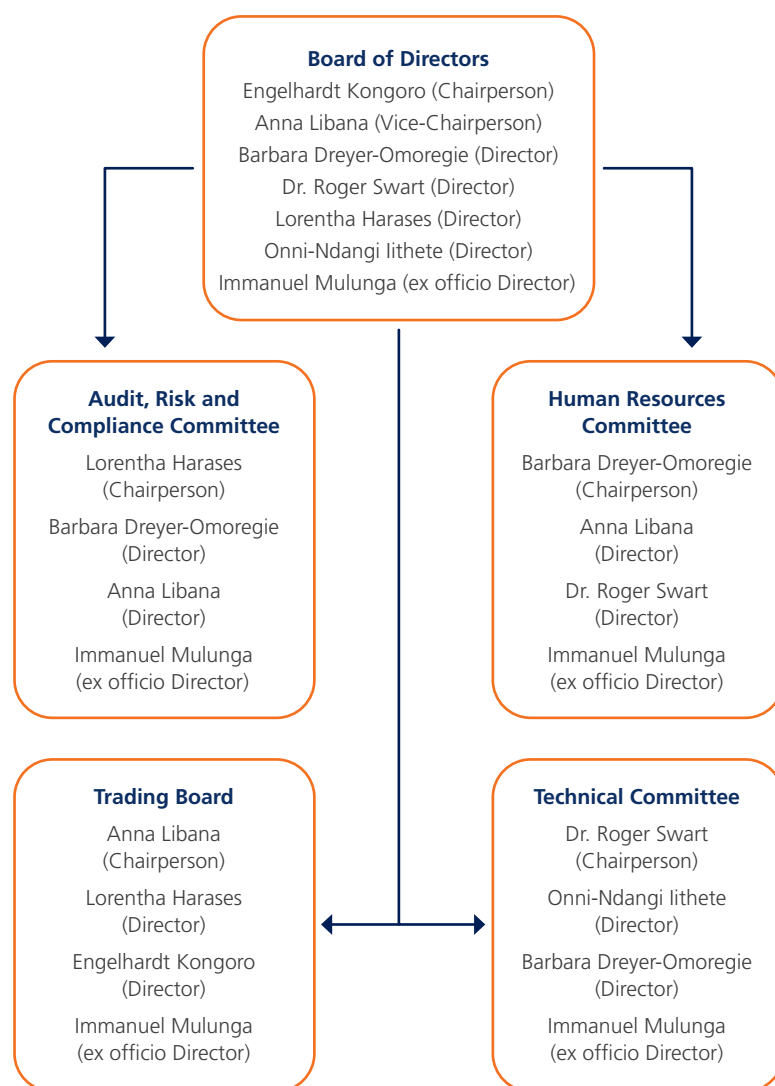
The Board subscribes to principles of good corporate governance as outlined in Kings Reports IV and III, the Corporate Governance Code for Namibia (NamCode), the Companies Act, Act No. 28 of 2004, and its Companies Administrative Regulations, the Public Enterprises Governance Amendment Act, Act No. 8 of 2015, the directives issued under the Public Enterprises Governance Act, Act No.1 of 2019 and other legislative regulatory governance and relevant rules, as amended from time to time. These are underpinned by sound ethical foundations through effective leadership, oversight and management accountability.

The NAMCOR Board established four (4) key committees to assist it with its governance and oversight functions. The committees are as follows:

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

Each committee has a clear charter, setting out its role, responsibilities and delegated authority from the Board. The charters clearly define the proceedings for the Board and committees and the procedures for Management to submit documentation in order for the Board to make informed decisions. The Board and committee charters are reviewed on a regular basis and updated to remain relevant to the business of the organisation and the industry in which it operates.

## Board Governance Structure



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

**Table 1: Board and committee meetings during the financial year 2019/2020**

Board of Directors (including Extraordinary meetings)	Audit, Risk & Compliance Committee (including Extraordinary meetings)	Human Resources Committee (including Extraordinary meetings)	Technical Committee	Trading Board	Annual General Meeting
10	4	6	4	5	1

## 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 that particular area.

### 1. *Audit, Risk and Compliance Committee (ARCC)*

Members: Lorentha Harases (Chairperson), Anna Libana, Barbara Dreyer-Omoregie, Immanuel Mulunga

#### Duties & responsibilities

- Oversee the integrity of the financial statements of the company
- Oversee the performance of the company's internal audit function and independent auditors
- Oversee compliance by the company with legal and regulatory requirements
- Ensure the implementation of the risk management policy, and design the compliance risk management framework
- Review and approve company policies and procedures at the ARCC Policy Review Sessions
- Ensure 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

### 2. *Human Resources Committee*

Members: Barbara Dreyer-Omoregie (Chairperson), Anna Libana, Dr. Roger Swart, Immanuel Mulunga

#### Duties & responsibilities

- Oversee remuneration and human resources related matters and policies

### 3. *Technical Committee*

Members: Dr. Roger Swart (Chairperson), Barbara Dreyer-Omoregie, Onni-Ndangi lithete, Immanuel Mulunga

#### Duties & responsibilities

- Provide a forum for discussing technical issues pertaining to exploration and production and the Kudu Gas Project and to make relevant recommendations to the Board

### 4. *Trading & Distribution Board ('Trading Board')*

Members: Anna Libana (Chairperson), Lorentha Harases, Engelhardt Kongoro, Immanuel Mulunga

#### Duties & responsibilities

- Stewardship of the Trading and Distribution Company and support to the NAMCOR Board in discharging such duties, as guided by specific Terms of Reference related to trading and distribution issues and the principles of NamCode

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
  - The 50% importation mandate
  - The retail project
- ❖ Overseeing the functional review process and approving the new organisational structure
- ❖ Development of the five-year Strategic Plan and Business Plan
- ❖ Providing strategic direction on exploring opportunities to grow the downstream market share and profit
- ❖ Providing strategic direction on the development and operation of the downstream infrastructure
- ❖ Progress reports on the implementation of IT projects
- ❖ Risk management reports for its consideration, including review of key risks and responses
- ❖ Progress reports on company debtors and the debt management process
- ❖ Ensuring the implementation of enablers for the 50% importation mandate
- ❖ Ensuring the review, development and implementation of company policies and procedures
- ❖ Ensuring improvement in safety, health and quality procedures
- ❖ Embedding a high performance culture
- ❖ Ensuring that good governance processes are established
- ❖ Approval of the revival of NAMCOR Exploration and Production Pty Ltd to ensure that the company is operational and that its operations are separate from downstream operations
- ❖ Providing strategic direction on the acquisition of blocks
- ❖ Overseeing the implementation of upstream activities
- ❖ Providing guidance in managing risks
- ❖ Holding accountability for compliance with applicable legislation
- ❖ Ensuring that remuneration and employment principles and practices are aligned to the company policies, the Labour Act, Act No. 11 of 2007, and directives from the Ministry of Public Enterprises
- ❖ Consideration and approval of salary increases



# RISK AND COMPLIANCE MANAGEMENT

## NAMCOR's Risk Philosophy and Governance Structures

NAMCOR's risk management framework is based on the COSO principles and guidelines. The company's enterprise risk management framework enhances the risk management process both at strategic and business operational levels.

The NAMCOR Board of Directors is responsible for the governance of risk. The Audit, Risk and Compliance Committee, in its capacity as a Board committee, is tasked with assisting the Board in carrying out its risk management responsibilities. The responsibility for implementing risk management processes is delegated to all the business units and monitoring of risk management processes is centralised to the Corporate Governance Department.

The Corporate Governance Department ensures that NAMCOR's strategic and operational risks and their identified treatment strategies are monitored on an on-going basis and reported to Executive Management and the Audit, Risk and Compliance Committee on a quarterly basis.

## Key Focus Areas for the 2019/2020 Financial Year

Enterprise risk management (ERM) at NAMCOR aims to ensure that Executive Management, Management and staff members understand the risks and opportunities that are inherent to the organisation's business model and operational activities. The ERM process assists Management to select appropriate strategies to manage risks and to ensure that Management decisions are risk based.

NAMCOR's ERM process advanced considerably during the reporting period, when the organisation's enterprise risk management framework/approach was widely implemented. Annual departmental risk identification exercises were carried out in the reporting period. The results of these risk assessments were reported to EXCO and subsequently to the Audit, Risk and Compliance Committee, providing a comprehensive picture of the high risks facing NAMCOR.

## Risk Appetite Statement (RAS)

During the 2019/2020 financial year, NAMCOR developed its risk appetite and tolerance statement, which articulates the company's philosophy and approach to the management of its key risks, defines specific qualitative statements and quantitative parameters, guides decision-making and ensures appropriate governance around risk-taking for NAMCOR and its subsidiaries. Overall, NAMCOR has a balanced approach to its risk appetite

aligned to its strategic objectives. It is acknowledged that NAMCOR may at times undertake activities that inherently carry greater risks. As a result, NAMCOR's risk appetite will often be different at an activity level compared to an enterprise-wide level.

Furthermore, NAMCOR's risk appetite statement guides how much risk the organisation is willing to seek or accept to achieve its objectives. NAMCOR recognises that it needs to take risks, both in carrying out its ordinary business and to achieve the priorities set out in the 2019/2020 - 2023/2024 Strategic Plan. Good risk management ensures that well-informed decisions are made and that associated risks are understood. It also provides control and a high level of due diligence consistent with NAMCOR's responsibilities in managing public money.

NAMCOR recognises that effective risk management considers not only threats, but also opportunities. Therefore, NAMCOR'S approach to risk is to seek the right opportunities and, where possible, minimise threats. By encouraging managed risk taking, and considering all of the available options, NAMCOR seeks a balance between caution and innovation.

NAMCOR's approach is to minimise its exposure to risks relating to its compliance, environment, culture and people, while accepting predetermined acceptable levels of risk in pursuit of its vision and strategic goals. It recognises that its appetite for risk varies according to the activity undertaken. Risks are accepted subject to a good understanding of the potential benefits and adverse impacts before proceeding. Unacceptable risks are mitigated through control measures, as required.

## Strategic Risk Register

During the 2019/2020 reporting period, NAMCOR updated its strategic risk register to align it with its five-year Strategic Plan (2019/2020 - 2023/2024). The register identifies the strategic risks within NAMCOR, and a draft register was tabled to the Board's Audit, Risk and Compliance Committee for consideration. The purpose of the risk register is to ensure that the most significant risks that have a substantial effect on the performance of the company are identified and effectively managed. Furthermore, the risk register is used as a tool to assure the Board that Management is aware of risks inherent to its business model and employs mitigation measures aimed at reducing their impact on the business.

## Business Continuity Policy and Plans

NAMCOR's business continuity management (BCM) policy and plans have been developed and approved by the Board of Directors. During the 2019/2020 financial year, one business continuity recovery simulation exercise was successfully concluded at Head Office, covering NAMCOR's critical business processes and/or assets. In addition, upon the outbreak of the COVID-19 pandemic, NAMCOR activated its BCM policy and plans to ensure business continued with minimum disruptions. Additional actions were adopted to monitor critical operations during the lockdown period.



# UPSTREAM EXPLORATION

The primary function of the Group's Exploration and Production (E&P) Company is to act as a vehicle for participation in the oil and gas industry on behalf of the Government of the Republic of Namibia. Amendments to the Petroleum Exploration and Production Act, Act No. 2 of 1991, empower NAMCOR to transition from a mere minority stakeholder to a significant player in the exploration of oil and gas in Namibia.

Hence, the company has acquired Petroleum Exploration Licences (PELs) with working interests. This provides the Group with opportunities to meaningfully participate in oil and gas exploration activities in Namibia and to be able to influence the exploration agenda.

The income streams for the Upstream Exploration Department are derived from:

- 1) Licensing of upstream technical data
- 2) Cash considerations from farming-out participation interests in Petroleum Exploration Licences
- 3) Recent disinvestment of shares in oil and gas assets acquired through farm-out of exploration assets

In response to the company's objectives, the Upstream Exploration Department embarked on reviewing and updating its strategy with the view of aligning it to the new corporate strategy. Medium to long-term strategic guidelines were identified:

- ❖ Decoupling of the NAMCOR E&P Company from NAMCOR Holdings
- ❖ On decoupling NAMCOR Exploration and Production (Pty) Ltd, ensure that "NAMCOR achieve revenue from data licensing amounting to N\$10 million"
- ❖ Secure at least one (1) Petroleum Exploration Licence (PEL)

## Key Achievements 2019/2020

- ❖ Decoupling of the NAMCOR Exploration and Production Company from NAMCOR Holdings
  - During the year under review, the E&P Company was officially decoupled from NAMCOR Holdings to allow the national oil company to operate as an authentic oil and gas company. NAMCOR in turn holds 100% of the shares in NAMCOR Exploration and Production (Pty) Ltd (NAMCOR E&P).
  - The memorandum and articles of association record that the key objective of NAMCOR E&P is "to engage in the gas, oil, petroleum and other related industries, including reconnaissance, exploration, research and production operations, and all objects ancillary thereto."

- NAMCOR E&P's business model aims at viable, long-term sustainability and revenue streams. E&P will achieve this through its resources, such as exploration and production assets, invested funds and a highly skilled team of geoscientists and engineers.
- NAMCOR E&P comprises the Upstream Exploration Department and the Upstream Development and Production Department.

### ❖ Financial performance

- The disinvestment of 50% of NAMCOR shares equivalent to a 3% share in Serica Energy plc, which was acquired through farming-down 85% of the interest in blocks 2512A, 2513A, 2513B and 2612A (part) in the Lüderitz basin and PEL 47, was successfully completed. The shares were worth N\$62,568,249.97. An amount of N\$1,564,206.25 was paid as commission to the broker and N\$61,004,043 was received as the net amount after deduction of commission costs.
- Completed farm-out deal for PEL 86 and 89 to ExxonMobil acquiring 85% of NAMCOR's equity interest in both Petroleum Exploration Licences for a cash consideration of N\$29.8 million.
- The revenue generated from licensing upstream technical amounts increased to N\$36,721,647.80 against a budget of N\$15 million.

### ❖ Block/asset acquisition

- NAMCOR was granted the operatorship for PEL 79 in partnership with Giraffe Energy in November 2019. NAMCOR took over operatorship from Windfire Petroleum, and its participation interest changed from 10% to 67%, while Giraffe Energy holds the remaining 33%.

In addition, NAMCOR also holds exploration rights in the Petroleum Exploration Licences listed in Table 2.

**Table 2: Petroleum Exploration Licences in which NAMCOR has a working interest**

Licence Blocks	Shareholding	Status
Block 2714A (PEL 72)	<ul style="list-style-type: none"> <li>• NAMCOR 67% (operator)</li> <li>• Quiver 33%</li> </ul>	Data room open to potential farm-in partners
Block 2714B (PEL 67)	<ul style="list-style-type: none"> <li>• NAMCOR 67% (operator)</li> <li>• Quiver 33%</li> </ul>	Data room open to potential farm-in partners
Block 2815 & 2915 (PEL 79)	<ul style="list-style-type: none"> <li>• NAMCOR 67% (operator)</li> <li>• Giraffe 33%</li> </ul>	Data room open to potential farm-in partners
Block 2914A (PEL 85)	<ul style="list-style-type: none"> <li>• NAMCOR 30%</li> <li>• Korres 15%</li> <li>• Rhino Resources 55% (operator)</li> </ul>	NAMCOR is still seeking a farm-in partner for 20% of the working interest



The Group also holds an average of 10% carried interest in a Petroleum Exploration Licence awarded to about 98% of oil and gas companies in Namibia. The map of Namibia in Figure 1 shows current licensed acreage offshore and onshore. Licence blocks with a NAMCOR working interest are orange and licence blocks with carried interest are yellow.

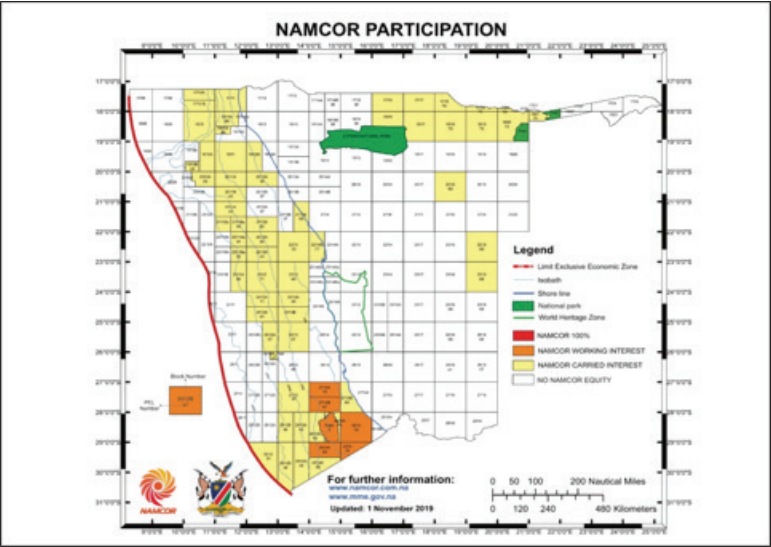


Figure 1: NAMCOR’s participation interest in onshore and offshore blocks 2019

### E&P In-house Projects

Project	Objective	Status
Syn-rift Play Study	To identify Syn-rift plays for offshore Namibia using selected regional data	100% completed for the Orange Basin, final technical report underway
Sequence Stratigraphy Project	Aimed at conducting detailed mapping of plays, trap identification for prospects and leads, and developing in-house regional time-calibrated stratigraphy that can be extended to adjacent basins along the Namibian margin	Completion planned for Q3 2021
Poro-perm Relationship Study from Reservoir Rocks Offshore Namibia	To develop a porosity-permeability relationship for clastic and carbonate rock reservoirs that will be used to assign permeability and porosity values, which may be required to calculate volumetric to be used for prospects ranking	70% executed

### Conclusion

The Upstream Exploration Department has achieved a Total revenue N\$36,721,647.80 vs N\$15 million budget for the 2019/2020 financial year. This is 145% of the budgeted amount.

NAMCOR is strategically positioned and adequately skilled to undertake appropriate technical studies to further assess the petroleum prospectivity of the licence blocks where it deems fit to acquire a working interest. Exploration assets with working interest will add value to NAMCOR’s asset base as they can be farmed-down to generate revenue and secure partners with the financial capacity to drill wells in Namibia for hydrocarbon discovery.

### Kudu Gas Field

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

Whereas the partnership determined that the upstream project was viable for the resized KPS, without the necessary Government support in place, it concluded that the Kudu Development Project (KDP) is not bankable because debt capital is needed to finance the CAPEX.

The upstream and downstream parties finalised a joint Government Support Request, which was submitted to the office of the Minister of Mines and Energy on 2 November 2018. On 14 November 2018, the upstream and downstream parties received the Minister’s response, stating that the Government is not in a position to provide the requested termination guarantees.

On 31 August 2018, NAMCOR received a substantive funding proposal from a major financial institution which would have covered a large portion of NAMCOR’s CAPEX requirements. This funding proposal could not be progressed, however, following the Minister’s rejection of the Government Support Request.

The Minister’s rejection of the Government Support Request has effectively rendered the current gas-to-power project impossible to implement.

The upstream partnership is now considering alternative monetisation options for the Kudu Gas Project. 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 minimise cash outflows while the project is being reconfigured.

# UPSTREAM DEVELOPMENT AND PRODUCTION

The Upstream Development and Production Department is a new division mandated to locate and acquire profitable commercial oil and gas assets in line with NAMCOR's strategy of becoming financially independent.

The Department had three objectives for the 2019/2020 financial year, namely:

- ❖ Finalisation of the Scouting Strategy and Acquisition Framework documents;
- ❖ Conducting scouting, screening and due diligence on identified assets; and
- ❖ Dilution of 39% equity in the Kudu Gas Field offshore Namibia. NAMCOR holds a 44% non-operated working equity of the Kudu Gas Field offshore Namibia.

## New Ventures Scouting Strategy

A scouting strategy to support the acquisition of prospective assets has been completed and is awaiting Board approval. The scouting strategy sets out the minimum target criteria for potential assets, scouting guidelines and the approach to efficiently identify and pursue potential profitable assets.

## Upstream Asset Acquisition Policy

The draft Asset Acquisition Policy will be completed in the first quarter of the 2021 financial year. The policy will provide a methodological foundation and framework for sustainably growing NAMCOR's hydrocarbon Exploration and Production asset portfolio by:

- ❖ Setting out economic metrics, yardsticks and profitability indicators to form the basis of evaluation of the scouted upstream assets proposed for NAMCOR's acquisition;
- ❖ Serving as a guideline on how the evaluation of scouted acquisition targets should be executed prior to investment decision in order to maximise NAMCOR's profitability; and
- ❖ Establishing the best practice workflow for due diligence and compiling key information pertinent to best practice due diligence reviews.

## Scouting, Screening and Due Diligence of Production Opportunities

### Active scouting and screening

The Department initiated active scouting of assets in August 2019. To date, we have screened 27 oil and gas assets comprising of three (3) in Oman, two (2) in Indonesia, seven (7) in Nigeria, and fifteen (15) in the USA. In addition, we have reviewed five acquisition opportunities in Angola belonging to ACREP-Exploracao Petrolifera SA.

### Due diligence evaluation of ACREP assets

NAMCOR, in collaboration with TRACS International, has carried out a detailed due diligence review of the Angolan asset portfolio held by ACREP-Exploracao Petrolifera SA (ACREP) in order to support a possible acquisition by NAMCOR of a part of or the entire portfolio. The ACREP asset portfolio comprises of three (3) offshore blocks and one (1) onshore block. Two (2) of the offshore fields are mature fields in the late-life production stage, while the other two (2) are in the development phase. The onshore block is an exploration discovery under appraisal.

The due diligence review revealed that the ACREP asset portfolio comprises of severely unbalanced and high-cost, late-life fields with significant decommissioning liabilities. It was determined that the fields could not provide sustainable and stable production over the medium term and hence no revenue stream to fund the investments for the planned new developments. Therefore, the due diligence concluded that the ACREP asset portfolio does not fit NAMCOR's strategic objective of acquiring stable and sustainable production assets, and hence a recommendation not to pursue these assets was made.

### Unsolicited approaches

Unsolicited letters of interest to participate in producing fields were communicated to Serica Energy plc and BW Energy.

- ❖ December 2019: NAMCOR submitted an Expression of Interest (Eoi) to Serica Energy plc (Serica) for possible acquisition of equity in Serica's North Sea portfolio that comprises of the Bruce, Keith and Rhum fields. However, Serica expressed that they are not willing to divest in this portfolio, but indicated interest in joint-acquisition of production assets with NAMCOR, for which a memorandum of understanding (MoU) has been executed.
- ❖ December 2019: NAMCOR submitted an Eoi to BW Energy for possible acquisition of equity equivalent to 1,500 boepd (barrel of oil equivalent per day) production in the Dussafu portfolio in Gabon. BW Energy expressed that their current strategy is to not divest in the Dussafu field, but indicated interest in joint-acquisition of production assets with NAMCOR, for which an MoU has been executed.

### ***Participation in the upcoming Nigerian licensing round***

NAMCOR has been following the recent developments and planned activities in West Africa with keen interest, and a possible venture opportunity has been identified in Nigeria. We learnt that the Nigerian Ministry of Petroleum would offer 57 fields under the Marginal Field Licensing Round. These fields are known to have discoveries but remain undeveloped.

The official announcement and guidelines for the farm-out and operation of marginal fields is only expected to be published in June 2020.

## **Kudu Gas Field**

### ***Overview***

The Kudu Gas Field is located in the northern Orange Basin, 130 km offshore, comprising two (2) separate gas accumulations. It is situated in Production Licence 003 ('PL003'), which has an area of 4,567 km<sup>2</sup> and the field water depth is approximately 170 m. The Kudu-1 Well, which resulted in the discovery of gas, was drilled in 1974 by a joint venture comprising of Chevron Oil, Regent Petroleum and SOEKOR (Pty) Ltd (the former national oil company of South Africa). The field was delineated by seven subsequent wells.

Kudu Gas Field contains 1.5 trillion cubic feet of recoverable gas resources. This is a highly significant gas volume and is anomalous by international standards in remaining undeveloped.

### ***Current status***

At present, NAMCOR and its shareholder, the Government of the Republic of Namibia, own 44% of the Kudu Gas Field, while BW Kudu owns the remaining 56%.

NAMCOR has signed a Heads of Term agreement with BW Kudu to sell a further 39% interest in the licence. Once completed, NAMCOR will limit future liabilities on the Kudu Gas Field and decrease or eliminate recurrent cash outflows. A farm-out agreement to formalise the sale of interest is anticipated to be completed in the first quarter of the 2021 financial year.

Both parties remain committed to finding a viable commercial development solution for Kudu. This new equity arrangement in the Kudu asset aims to boost the operator's effort in the process of developing alternative commercialisation options beyond the previously agreed gas-to-power project, while shielding NAMCOR from near-future cash outflows, but guaranteeing long-term post-first commercial operations revenues to NAMCOR.





# INFORMATION AND COMMUNICATION TECHNOLOGY (ICT)

ICT is essential in the management of data, transactions, information and knowledge necessary to sustain NAMCOR's operations, thereby contributing to the company's growth.

## Summary of Key Achievements

This Annual Report documents the Information and Communication Technology (ICT) Department's performance over the 2019/2020 financial year, as related to the objectives of NAMCOR's Strategic Plan and the ICT Department's Strategic Plan.

## Initiatives in Support of Corporation Goals

The ICT Department identified key initiatives to be implemented in the 2019/2020 financial year, in support of NAMCOR's business ventures. Below is a summary of each, as well as the status thereof.

### *Initiative 1: Scoping for Bulk Storage Facility Commissioning Requirements*

A key focus area for implementation during the reporting period was to determine requirements for information and business system functionality at the National Oil Storage Facility (NOSF). The ICT Department formed a task group to focus on requirements for the new Bulk Storage Facility at Walvis Bay. Several interactions were initiated with vendors of the various facility components to determine process, system and infrastructure requirements to successfully commission the NOSF.

Key questions relating to the above include:

- ❖ Systems in place with regards to automatic tank gauging, gantry loading and automation
- ❖ Current Terminal Management and requirements for integration with the current financial system

The outcome of the engagements highlighted the following requirements:

- ❖ Upgrading of the existing Tank Vision system to professional version
- ❖ Procurement of a Terminal Vision Terminal Management system and related integration module to interface with the current and future systems

### *Initiative 2: IT Governance Programme Improvements*

The ICT Department went through an audit of the effectiveness of internal controls during the 2019/2020 financial year. The following audit reports were produced, which highlight several IT risks and compliance issues:

- ❖ IT Governance Follow-up Report (April 2019)
- ❖ Security Assessment Report (April 2019)
- ❖ IT General Controls Report (April 2019)

In response to the findings, a project was initiated to embed COBIT 5 management processes in order to address the findings in the audit reports as well as improve IT governance. The scope of the project aims to develop process models for each of the processes, develop key artefacts (inputs/outputs) for each of the processes, as well as operationalise the improved processes by December 2019:

- ❖ APO12 – Manage Risk
- ❖ BAI06 – Manage Change
- ❖ DSS05 – Manage Security Services

The following outlines the achievements under the COBIT 5 process implementation project:

- ❖ Drafting of operational policies and procedures
- ❖ IT Risk Identification and Analysis Procedures
- ❖ Risk Management Procedures
- ❖ Risk Assessment Procedures
- ❖ Incident Response Procedures
- ❖ Inventory Management Procedure (Information Asset/Information Classification)
- ❖ Information Security Policy
- ❖ Change Management Procedures
- ❖ Change Management Policy

The ICT Department will continually incorporate recommendations into ongoing IT Audit Mitigation Work Plans to reduce identified risks.

### *Initiative 3: Information Security Management Programme*

This ongoing programme aims to implement various controls to improve the maturity of our cyber security posture. This involves setting up strategies, frameworks, policies, procedures and practices to mitigate risk, as identified by the Audit, Risk and Compliance Committee. For the financial year under review, the following has been completed:

- ❖ Drafting of Information and Cyber Security policies
- ❖ Review of the governing framework and programme, inclusive of solutions to mitigate threats
- ❖ Source and employ an Information Security Officer

- ❖ Include requirements for information security in daily operations of ICT Department – based on a business risk approach, to establish, implement, operate, monitor, review, maintain and improve information security and reduce NAMCOR's exposure to risks
- ❖ Rollout of various solutions as part of identified audit mitigation programme, including the following which have been deployed and which are in various stages of configuration:

Solution	Purpose
Securicom IMSS anti-spam solution	To provide transport layer encryption for outgoing emails
Encryption	To encrypt endpoints and removable storage media
Data loss prevention	To improve detection, monitoring, and prevention of loss or theft of data and information
Qualys Vulnerability and Patch Management	To monitor and remediate threats and vulnerabilities to infrastructure assets according to business risk
Ataata Security Awareness Training Portal	To promote and develop security awareness among staff

## ICT Plans

- ❖ Strengthen project management, change management and speed of delivery of strategic projects and initiatives, to ensure that we deliver on set project goals and targets
- ❖ Strengthen overall early-on stakeholder engagement to attain business buy-in and ownership of delivered solutions
- ❖ Improve business continuity capabilities to mitigate effects of current and future operational challenges

## Conclusion

The ICT Department is committed to delivering on all organisational and strategic objectives as a reliable strategic business partner. The ICT Department will continue to collaborate with business and proactively manage demand growth, while simultaneously identifying unexploited savings opportunities.



# DOWNSTREAM SALES AND MARKETING

The 2019/2020 commercial business performance was characterised by unique sales patterns that depicted a highly competitive market and struggling economy. Most potential customers are tied up in long-term contracts, which makes it difficult to acquire their business. However, for the period under review, we achieved combined fuel sales volumes of 73% against total budget projections. Comparing our actual fuel sales for the same period with the 2018/2019 financial year, the business improved the fuel sales volumes by 30,053,814 litres, which constitutes a 26% increase.

While NAMCOR Heavy Fuel Oil (HFO) sales dropped due to the overall market declining by about 16% compared to the previous year, diesel sales showed tremendous growth, particularly in the export, mining and bunkering markets. Diesel exports to Botswana have shown a steady increase since November 2019, as a result of diesel sales to Botswana Oil Limited and other smaller fuel distributing companies based in Botswana. On the local front, diesel 50 ppm sales volumes increased due to the acquisition of the Swakop Uranium Husab Mine fuel supply business and local sales through Bachmus Oil and other new converted prospects.

It is worth noting that even though the business lost two key accounts – Eco Fuel and Shared Petroleum – and despite the introduction of alternative energy sources, NAMCOR achieved fuel sales volumes of 73% against the total budget. The logistical challenges that Botswana importers faced on the South African side, as well as product rationing by some oil marketing companies, worked in our favour, as such companies switched to the Namibian supply route. However, it is evident that competitive rivalry in the market is becoming increasingly aggressive, thereby creating a huge squeeze on margins.

The rollout of retail projects suffered immensely due to lack of funding and the slow execution pace of contractors. Sales held on steadily but showed great potential to improve towards year-end. The sporadic operational glitches which dogged performance at commissioning were finally resolved, which created stability in site operations. The steady decline in our gross profit margins in the last quarter of the financial year was a result of the decline in Brent crude oil prices from an average USD65 per barrel to USD20 per barrel, causing a decline in average selling prices.

## Product Sales: 01 April 2019 to 31 March 2020

Table 3 shows that we achieved 73% of the budget target during the period April 2019 to March 2020.

**Table 3: Product sales by month for 01 April 2019 – 31 March 2020**

	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	YTD Total
<b>Budget</b>	5,461,100	5,887,582	7,503,132	12,502,093	12,037,579	14,070,967	15,380,011	16,074,987	17,605,118	17,605,068	17,805,218	17,805,268	159,738,123
<b>Actual</b>	5,669,450	6,422,623	6,724,164	5,786,072	5,810,550	8,097,905	10,143,691	9,986,344	16,120,863	12,853,882	15,536,570	13,719,153	116,871,267
<b>Variance</b>	208,350	535,041	(778,968)	(6,716,021)	(6,227,029)	(5,973,062)	(5,236,320)	(6,088,643)	(1,484,255)	(4,751,186)	(2,268,648)	(4,086,115)	(42,866,856)
<b>% Achieved</b>	104%	109%	90%	46%	48%	58%	66%	62%	92%	73%	87%	77%	73%
<b>% Under / Over Achieved</b>	4%	9%	-10%	-54%	-52%	-42%	-34%	-38%	-8%	-27%	-13%	-23%	-27%

**Table 4: Sales by product type for 01 April 2019 – 31 March 2020**

Product	Standard Budgeted Volume	Actual Volume	Variance (Standard B-Surplus / (Deficit))	% of Budget Under / Over Achieved	% of Budget Achieved
ADO 50ppm	159,738,125	116,881,824	(42,856,301)	-27%	73%
ADO 500ppm	84,064,892	84,205,532	140,640	4%	104%
HFO	33,042,925	21,154,408	(11,888,517)	-36%	64%
ULP 95	31,424,724	10,647,658	(20,777,066)	-66%	34%
Jet A1	10,500,000	322,120	(10,177,880)	-97%	3%
Lubricants	705,584	552,106	(153,478)	-22%	78%

- ❖ Overall, the business achieved 73% of the budgeted volumes for the 2019/2020 financial year, with an over-performance of 4% in ADO 50ppm sales. ADO and lubricants registered the highest growth compared to the 2018/2019 financial year due to growth in bunkering, mining and export sales.
- ❖ HFO sales slowed down, closing off at 64% against plan, largely due to the reduced offtake from Vivo Energy, which occasionally sources product directly from suppliers, and NamPower not consuming HFO and sourcing electricity from Eskom. The HFO market dropped by 16%, which had a negative impact on total volumes.
- ❖ ULP sales were low for the period due to the loss of the Eco Fuel account, which went delinquent, and the fact that retail sites are still at the rollout stage.
- ❖ Jet A1 volumes budgeted for 10.5 million litres were not realised because the airport joint venture was not realised.
- ❖ Overall lubricants sales closed off at 78%, which is a huge increase of 654% compared to the 2018/2019 financial year, brought about by the Husab Mine business.

## Export and Bunker Sales

- ❖ Export sales to Botswana for the period under review amounted to 11.5 million litres.
- ❖ Bunker sales for the period amounted to 18.2 million litres.

**Table 5: Bunker sales and exports for 01 April 2019 – 31 March 2020**

Bunker Sales		
Product	Client	Amount (in litres)
HFO & Diesel	Monjasa	1,500,531
HFO & Diesel	Bachmus Oil	16,753,459
Total		18,253,990
Export Sales		
Product	Client	Amount (in litres)
Diesel	Muzila	1,032,833
Diesel	Botswana Oil	9,260,653
Diesel	Petrohyper	815,861
Diesel	Skybridge	427,492
Total		11,536,839

## Key Challenges

- ❖ The inability to source product at a cheaper rate from offshore suppliers makes export prices uncompetitive.
- ❖ Limited stock of key lubricants besides the Pro Oil supplied to Husab Mine.

## Retail Business

Retail sales showed a steady performance, particularly for the Hanover site, with an average of 177,000 litres of fuel per month and with significant potential for growth. Shop sales for the same period averaged N\$298,000 per month. This is quite encouraging for a 6-month-old site.

Hosea Kutako sales are still showing an average of 89,000 litres per month. However, after the recent sign-on of car rental companies, volumes are expected to start picking up in the new financial year. Shop turnover for the period averaged N\$230,000 per month.

## Rollout of Projects

During the period under review, project rollout was hampered by three key factors:

1. Lack of funding
2. Delayed issuing of licences by MME
3. Poor contractor management

Although the Otjiwarongo and Otavi projects are nearing completion, there is concern that contractors take too long to complete projects.

The Engineering team needs to tighten project management controls.

Contractor management continued to show shortcomings during the period under review. The Hanover service station suffered numerous service interruptions due to equipment failure, which was a result of poor contractor workmanship.



## The Way Forward

### *Project delivery*

- ❖ Strict adherence to project management framework guidelines by Engineering team.
- ❖ Review competence levels of all contractors and suspend use of services of incompetent contractors.
- ❖ Effectively implement penalty system for incompetent contractors.

### *Network rollout*

- ❖ Take a more aggressive stance on competitor site takeovers. Funds allowing, this strategy represents quicker network expansion.
- ❖ Identify operators who already hold retail licences.
- ❖ Identify project developers who are willing to fund the bulk of the retail project so that the NAMCOR portion remains small.
- ❖ Strict adherence to set project timelines (Gantt Chart).

### *Commercial sales*

- ❖ Supply and Logistics to scout for favourable prices on fuel imports to enable the business to achieve better margins.
- ❖ Continue to aggressively follow up on prospects.
- ❖ Firm up on team incentive programme to improve sales drive.
- ❖ Work closely with Supply and Logistics to improve operational efficiency.
- ❖ Provide demand forecasts to aid optimal product imports.
- ❖ Continue to work on the debtors book according to the Debt Recovery Plan.

## ENGINEERING AND TECHNICAL SERVICES

The Engineering and Technical Services Department is responsible for formulating the strategy of the Engineering and Technical Services function in alignment with the company's corporate strategy. It is tasked with ensuring the availability of appropriate work facilities and related infrastructure as well as the successful execution of all engineering projects, which are predominantly downstream. Key activities include engineering services, project management, contract management, strategic land acquisitions, infrastructure development, upgrading and maintenance of assets.

The Department directs, develops and oversees the implementation of operational plans such as the Land Master Plan, the Infrastructure Development Plan, and upgrading and maintenance of infrastructure, such as buildings, depots, retail service stations and commercial sites.

The Department had three (3) strategic focus areas for the 2019/2020 financial year:

- ❖ Deliver seven (7) retail service stations
- ❖ Develop and implement the NOSF maintenance plan
- ❖ Manage the construction of the external firefighting system for the oil industry in Walvis Bay

The Department successfully commissioned and handed over the Hanover and HKIA retail service stations, which are now fully operational.

Additionally, sites were handed over to contractors for the construction of NAMCOR dealer operated sites, specifically DJ Truckport at Otjiwarongo, Ekuku and Outapi retail service stations. Invitations for bids to construct the envisaged Karasburg and Mariental retail service stations were advertised, but had to be cancelled due to the poor response rate. The Department commissioned and handed over a commercial site at Namport's new container terminal.

The NOSF maintenance tender was advertised and evaluated, but there was little response from bidders. In addition, the Department on behalf of MME was mandated to manage the construction of the firefighting system for the oil industry in Walvis Bay, as well as the construction of two (2) new pipelines between NOSF and the oil industry in Walvis Bay. These are significant projects for the NOSF to become operational.

The Department has embarked on reducing site visit frequency in line with containment of operating expenses.



## Challenges

There were delays in the completion of the Otavi and Windhoek Otjomuise sites due to a combination of factors. Delayed payments for the Otavi site affected the contractor's cash flow and the timelines of the project. The delay in the commencement of construction work on the Windhoek Otjomuise site was largely due to a slowdown in the approval of the plans by the City of Windhoek. As a result, the contractor could not commence with site establishment and construction. The responses to the Mariental and Karasburg retail bid advertisements were poor. Therefore, the process was cancelled and deferred for recommencement in the 2020/2021 financial year. Construction of an external firefighting system at Walvis Bay was also advertised, but again bidders were non-responsive and the process had to be cancelled and will be re-advertised in the new financial year.

## Successes

Construction of DJ Truckport in Otjiwarongo has started and progress was recorded at 70%. The completion, commissioning and handover of the site is expected by late July 2020. The contractor for the Otjomuise retail service station was also appointed for the construction of Ekuku retail service station in Oshakati. The progress to date is 11% and the project is expected to be completed by the end of November 2020.

A contractor was appointed for the Outapi retail site, and completion, commissioning and handover is envisaged for 31 July 2020.

The Otavi retail site project is continuing, with progress at 90% and completion, commissioning and handover expected to take place during June 2020.

The above projects are expected to increase the sales volumes of the company and overall revenue.

The Department anticipates commissioning and successfully handing over seven (7) retail service station sites by the end of the financial year 2020/2021, as well as appointing a maintenance contractor for the National Oil Storage Facility.

In light of project overruns from one financial year to the next, it is important that feasibility studies, preliminary and detailed designs are concluded in the previous financial year in order for construction to commence in April every year and the project to be completed in the same financial year.

It is also imperative for the retail budget to make provisions for green fields for sites that fall within the same financial year, to allow for the work to be expedited instead of having to wait for a new financial year or approval for reallocation.

## Conclusion

The Department's goals and operational activities are aligned with those of the company and tie into the Integrated Strategic Business Plan (ISBP). The Department continues to play a vital role in business continuity by ensuring that retail and commercial sites are designed and constructed to international standards in order to guarantee a secure supply of petroleum products. The Department actively engages relevant Departments for service delivery to ensure that the strategic objectives are achieved. Availability of funds is imperative for the successful execution of the various capital projects and maintenance of assets as the Department's core function.

# HUMAN CAPITAL

Employee satisfaction is of essential importance to the Human Capital (HR) Department. Therefore, a strong focus on our employees is in the best interest of our clients and shareholder. Especially against the background of on-going digitalisation in the workplace, a company's efforts and strategy in the field of human resources take on a new and crucial importance. We need a fresh perspective on the challenges that lie ahead. Even today, some 50% of global technological knowledge is already out-dated after 18 months. Whole business models will transform at the same rapid pace, and human resource departments are required to help with this transformation. We hope to drive a change in perspective by increasingly setting our sights on digital training and internal career mobility.

The HR strategy follows our business strategy, which is also shaped by change. In just a few years, digital natives – i.e. those who grew up using the latest means and methods of digital communication – will represent the majority of the workforce. This requires us to develop a new approach to collaboration across generations. However, focusing narrowly on hypermodern concerns would limit us just as much as ignoring the latest trends.

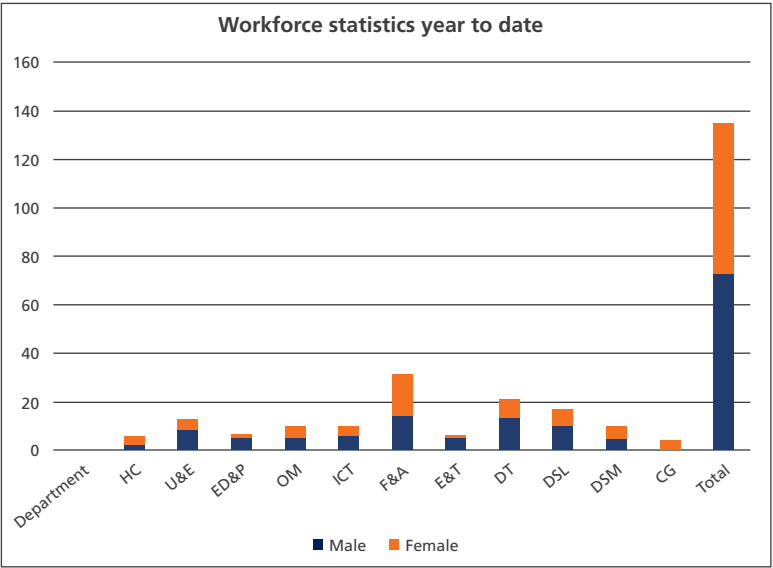
The report clearly outlines what we have achieved in the 2019/2020 financial year with regard to our corporate culture, diversity and inclusion, career and development opportunities, change management and collaboration with our social partners and employee representatives based on trust and fairness.

## Staff Complement

At the end of the reporting period, NAMCOR had 135 employees (see Figure 2), excluding temporary employees and interns. In line with our commitment to building future talent, NAMCOR hired 15 temporary employees in 2019/2020. At the end of the reporting period, NAMCOR had 15 temporary employees and 5 interns.

Figure 2: NAMCOR workforce

	Male	Female	Male %	Female %
Department				
HC	2	4	33%	67%
U&E	8	5	35%	38%
ED&P	5	2	71%	29%
OM	5	5	50%	50%
ICT	6	4	60%	40%
F&A	14	17	44%	53%
E&T	5	1	83%	17%
DT	13	8	62%	38%
DSL	10	7	59%	41%
DSM	5	5	50%	50%
CG	0	4	0%	80%
Total	73	62	53%	45%



## Fostering Leadership

NAMCOR's Discipline of Execution (DOE) model, values, and beliefs define what we expect from our leaders, providing a shared view of the capabilities which are vital to leading employees and ensuring business success in line with the corporate strategy and culture. These frameworks provide the foundation for our approach to developing leaders through a range of flagship programmes such as the Executive Management Programme (EDP), Senior Management Programme (SMDP) and Management Programme (MDP). During the reporting period, all supervisors at B and C level

attended a supervisory course facilitated by the Namibian Institute of Public Administration and Management (NIPAM).

### Digitalising Learning at NAMCOR

As part of a wider commitment to digitalisation, there has been significant progress in the 2019/2020 financial year to ensure that our employees have a more engaging experience when it comes to access to learning. In this respect, it has been critical to provide accessibility of learning across the company, and investment in a new e-learning portal during the reporting period enabled us to completely change the experience for employees.

### Employee Training and Development

NAMCOR implemented appropriate training and development interventions during the year under review to enhance organisational effectiveness and operational safety. Out of the total staff complement of 135 full-time employees, each employee attended at least one (1) intervention, which translates into 100% participation. NAMCOR invested over N\$1.5 million in employee training and development during the period under review.

### Affirmative Action

Diversity in terms of gender, nationality, culture, different capacities, sexual orientation, age and professional profile contributes to the company's results. It is for this reason, and to promote equal opportunities, that our policies respect people and their diversity. The Affirmative Action Committee (AAC) established an action plan with targets up to the year 2020 in five (5) working lines: different abilities, gender, age, cultural diversity, flexibility and work-life balance.

### Functional Review/Reorganisation

Amid implementing its strategy, the company had 155 employees as of 31 March 2020 – an increase of 35 employees, or 10.2%, year-on-year. The company calculates its employee figures on a full-time equivalent (FTE) basis, meaning it includes part-time employees. The number of employees increased due to the anticipated takeover or management of the National Oil Storage Facility (NOSF) on behalf of the Government.

### Employee Movement

Recruitment and staff turnover are essential indicators of employee movement. During the period under review, NAMCOR recruited 35 new employees to fill vacant positions. Three (3) employees voluntarily terminated their employment with NAMCOR, while seven (7) employees were promoted as a measure of staff retention.

The voluntary staff turnover rate was 2.2% in 2019/2020 (2018/2019: 1.9%). The slight increase of 0.3 percentage points is primarily due to employees joining the private sector.

**Table 6: Employee movement during the 2019/2020 financial year**

Termination	Numbers	% of the Workforce
Resignations	3	2.22%
Deaths	0	0.00%
Dismissals/Terminations	2	1.48%
Early retirement	0	0.00%
Normal retirement	0	0.00%
Desertions	0	0.00%
Retirement on ill-health	0	0.00%
Voluntary separation on redundancy conditions	0	0.00%

### Employee Relations

NAMCOR values a strong employer-employee relationship and ensured effective engagement with the Namibia Public Workers Union (NAPWU) during the reporting period. Consequently, employee relations continue to be characterised by industrial peace. Not a single workday was lost to strike action. This speaks well of the efforts and leadership of Management and the efficacy of communication and engagement between the company and NAPWU.

### Employee Engagement

NAMCOR values employee engagement as an important element to deliver superior performance and gain a competitive advantage. During the period under review, NAMCOR conducted various engagement sessions with staff members, such as a strategy review, functional reviews, policy reviews, performance and assessments, salaries and benefits, industrial relationship management, as well as team building sessions and various employee wellness workshops and activities through the Human Capital Department and NAMCOR's social club.

# SAFETY, SECURITY, HEALTH, ENVIRONMENT AND QUALITY (SSHEQ)

The protection of workers, contractors and visitors against injuries, diseases and sickness remains a key moral obligation of NAMCOR. The SSHEQ Division is also responsible for the safeguarding of company assets to ensure sustainability and curb loss that arises from various human behaviours.

Protection of the environmental space where we conduct our business remains a priority to ensure that we do not harm the biodiversity and respect the community’s wellbeing as neighbours, as well as to ensure environmental compliance with statutory regulations.

The year under review was a difficult year that required prioritising the most critical SSHEQ projects. However, as time went by, all challenges were faced and plans were made to overcome these obstacles.

In the mix, loss of containment resulting in soil pollution occurred at HFO Depot and Otjiwarongo Depot. These incidents were investigated and measures were put in place to prevent a reoccurrence. The Ministry of Mines and Energy was duly informed in writing, in particular the Chief Petroleum Inspector.

## Notable Incidents

In a severe traffic accident, involving a NAMCOR employee and a Van der Walt Transport employee, a vehicle leased to NAMCOR by Avis Fleet Services overturned. The Van der Walt Transport employee sustained injuries, but the NAMCOR employee was unharmed. The accident occurred in December 2019.

The year started with many challenges. Among these was the failure of our CCTV system at Head Office due to technical defects, which exposed assets to the risk of theft, vandalism and sabotage.

In another incident, the electronic security access control at Head Office crashed and as a result, many employees, customers and visitors were unable to access the building.

SSHEQ managed to secure funds by convincing Management, and the access control project was completed successfully and safely.

The ISOMETRIX system crashed and became dormant, but funds were mobilised to revive the system, enabling the project to commence.

Financial resources were mobilised by SSHEQ to upgrade the CCTV system. The project was compiled swiftly and a service provider was secured. While the project was not without challenges, it was nonetheless successfully and safely completed.

Despite the odds, we managed to roll out SSHEQ IMS manuals by means of a road show, which introduced the compliance tools to all our teams on various sites. As employees became familiar with the templates and procedures of the system, it is good to note that development of the manual seems to be paying off. Employees are abiding by the processes and are conducting their activities in a safe manner, which curbs the number of incidents and accidents.

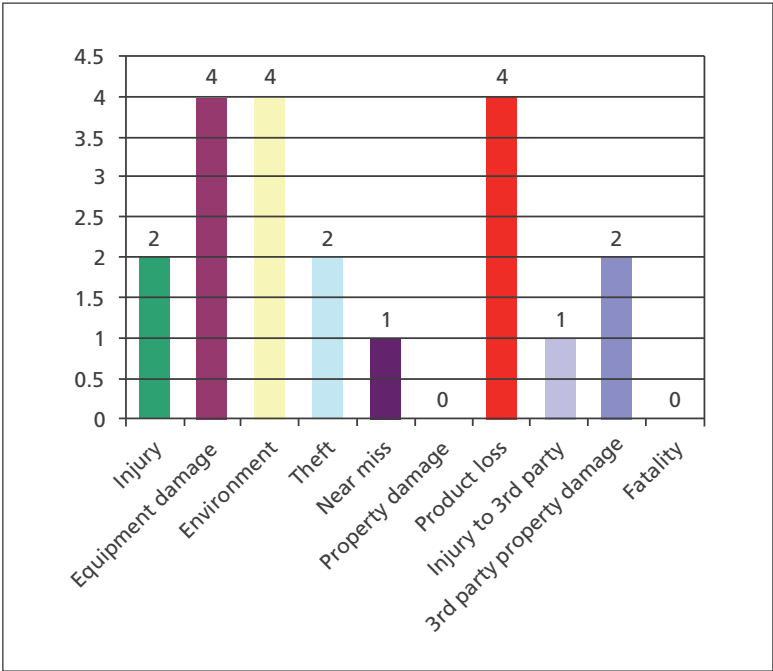
During the period under review, SSHEQ awareness and training was conducted. Selected employees attended the “Permit to Work and Gas Testing” course, and Safety Reps attended fire extinguisher and First Aid training courses.

A Drugs and Alcohol Policy was compiled for the ARCC’s approval. It was approved and is currently being implemented.

The SSHEQ Retail Operational Procedure was submitted to EXCO for review and approval.

## Incident and Accident Statistics

Figure 3: Incident/Accident Statistics for the 2019/2020 financial year









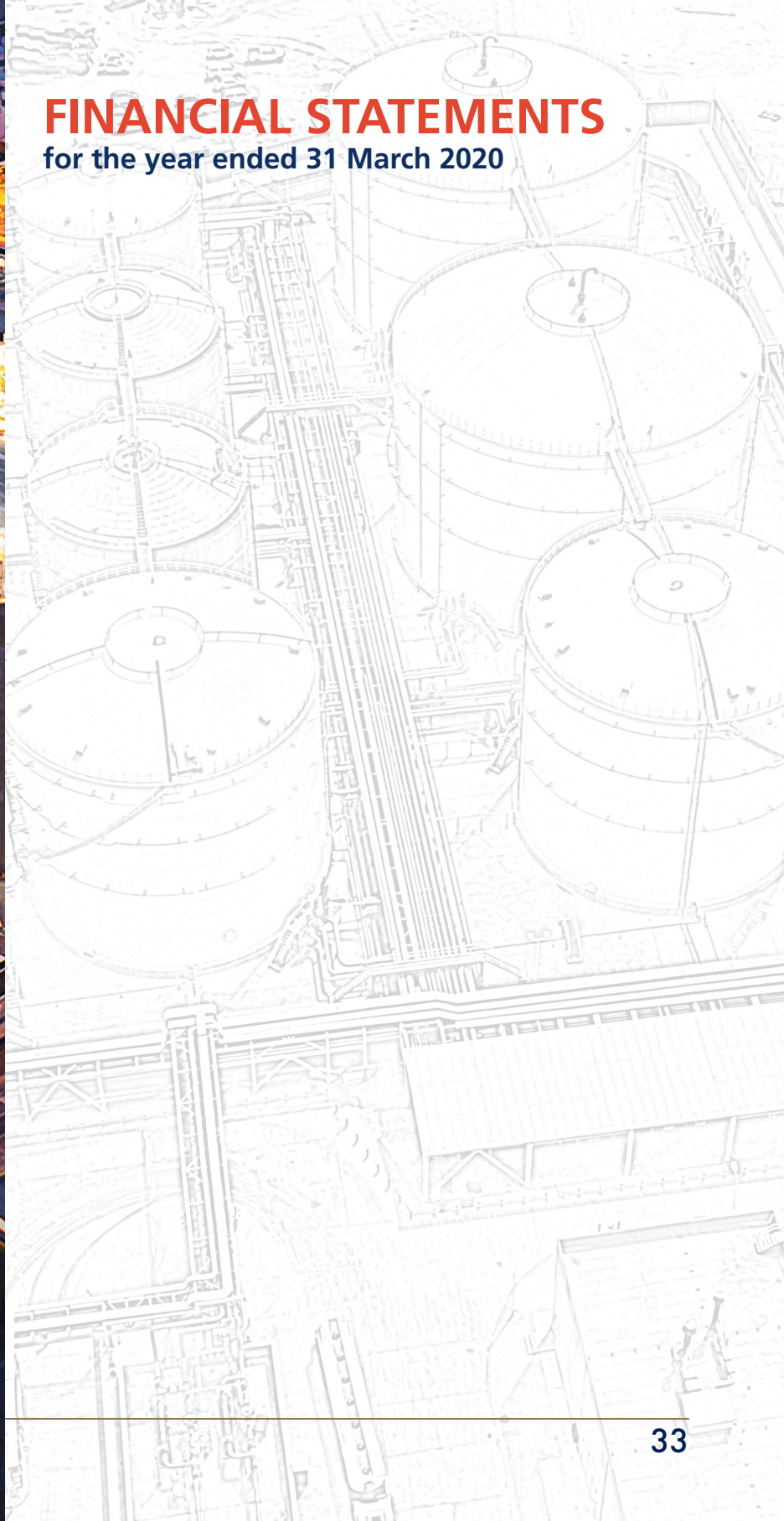






# FINANCIAL STATEMENTS

for the year ended 31 March 2020



National Petroleum Corporation of Namibia (Proprietary) Limited  
(Registration number 164/67)  
Consolidated and Separate Annual Financial Statements  
for the year ended 31 March 2020



# National Petroleum Corporation of Namibia (Proprietary) Limited

(Registration number 164/67)

Consolidated and Separate Annual Financial Statements for the year ended 31 March 2020

## Index

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

	Page
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## National Petroleum Corporation of Namibia (Proprietary) Limited

(Registration number 164/67)

Consolidated and Separate Annual Financial Statements for the year ended 31 March 2020

### Directors' Responsibilities and Approval

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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 2020 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 07 July 2021 and were signed on its behalf by:



Director



Director

# National Petroleum Corporation of Namibia (Proprietary) Limited

(Registration number 164/67)

Consolidated and Separate Annual Financial Statements for the year ended 31 March 2020

## Independent Auditor's Report

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# Grand Namibia

## Chartered Accountants & Auditors

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

### Opinion

We have audited the consolidated and separate financial statements of National Petroleum Corporation of Namibia (Proprietary) Limited and its subsidiaries ("the Group") set out on pages 39 to 110, which comprise the consolidated and separate statement of financial position as at 31 March 2020, the consolidated and separate statement of profit or loss and other comprehensive income, the consolidated and separate statement of changes in equity and the consolidated and separate statement of cash flows for the year then ended, and the notes to the consolidated and separate financial statements, including a summary of significant accounting policies and the directors' report.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the Group as at 31 March 2020, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act of Namibia.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are independent of the **National Petroleum Corporation of Namibia (Proprietary) Limited** in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants (Revised July 2016)*, parts 1 and 3 of the International Ethics Standards Board for Accountants *International Code of Ethics for Professional Accountants (including International Independence Standards) (Revised July 2018)* and other independence requirements applicable to performing audits of financial statements in Namibia. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other matter

We did not attend the inventory count at year end due to full lockdown regulations imposed by the Government of Namibia effective from 28 March 2020 to 17 April 2020. We performed inventory roll back procedures to confirm the existence and completeness of inventory recorded as at 31 March 2020.

### Other information

The directors are responsible for the other information. The other information comprises the annual report which is expected to be made available to us after the date of this auditor's report. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

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

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

### Responsibilities of the directors for the consolidated and separate financial statements

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

# National Petroleum Corporation of Namibia (Proprietary) Limited

(Registration number 164/67)

Consolidated and Separate Annual Financial Statements for the year ended 31 March 2020

## Independent Auditor's Report

### Responsibilities of the directors for the consolidated and separate financial statements (continued)

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 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 or Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, 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 or Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the business's activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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



**Grand Namibia**

Registered Accountants and Auditors

Chartered Accountants (Namibia)

Per R Theron

Partner

Place: Windhoek

Date: 16 July 2021

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Resident Partners: Richard Theron (Managing Partner) | Ronald N Beukes | Petrus T Nghipandulwa



# National Petroleum Corporation of Namibia (Proprietary) Limited

(Registration number 164/67)

Consolidated and Separate Annual Financial Statements for the year ended 31 March 2020

## Directors' Report

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The directors submit their report for the year ended 31 March 2020.

### 1. Incorporation

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

### 2. Review of activities

#### Main business and operation

National Petroleum Corporation of Namibia (Pty) Ltd (NAMCOR) is the national oil company of Namibia, with the mission of creating value for all its stakeholders across the oil and gas value chain. 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 licences.

The Group consists of NAMCOR Petroleum Trading & Distribution (Pty) Ltd, which delivers value in the downstream sector, through the sale of various petroleum products to different segments of the market, among them Government, parastatals and the private sector, which includes mining, construction, transport and others.

The Group has recently entered the Downstream retail sector and is currently rolling out several service stations at strategic locations around the country. The Group has also been designated as the operator of the National Oil Storage Facility and Jetty at Walvis Bay, which is aimed at improving Namibia's security of supply of petroleum products.

NAMCOR Exploration and Production (Pty) Ltd's main activities are to engage in gas, oil, petroleum and other related industries, including reconnaissance exploration, research and production operations and all objects ancillary thereto and operates principally in Namibia.

In addition, the Group owns Brak Property Development 35 (Pty) Ltd Namibia and Brak Property Development 36 (Pty) Ltd which have interest in the property holding industry. However the entities are currently dormant.

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 2020, the Group made an operating loss of N\$137 243 936 (2019: N\$67 896 351).

The losses incurred by the Group in the 2020 financial year are attributable to an increase in the allowance for impairment of trade receivables amounting to N\$74 842 771, day one losses on the adoption of the new accounting standard IFRS16 of N\$20 495 145 and the impairment of the income tax receivable amounting to N\$4 225 964.

The losses incurred by the Company in the 2020 financial year are attributable to impairment of loans to Group companies amounting to N\$24 551 134 and foreign exchange losses on the translation of Kudu project expenses amounting to N\$7 168 738.

The Group's financial statements reflect that the total assets exceed the total liabilities by N\$574 362 823 (2019: N\$679 856 225). The Company's financial statements reflect that the total assets exceed the total liabilities by N\$549 745 604 (2019: N\$562 881 738). The Group's financial statements reflect that the current assets exceed the current liabilities by N\$137 897 646 (2019: N\$303 331 729). 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\$432 732 202 (2019: N\$382 330 469). 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, and has access to sufficient borrowing facilities to meet all foreseeable cash requirements. The Group receives a levy of 7.6 cents per litre from National Energy Fund as approved by the Cabinet resolution of 2010 to cater for the expenditures.

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.

# National Petroleum Corporation of Namibia (Proprietary) Limited

(Registration number 164/67)

Consolidated and Separate Annual Financial Statements for the year ended 31 March 2020

## Directors' Report

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### 4. Events after the reporting period

On 27 March 2019, the directors resolved to revive NAMCOR Exploration and Production Company from being a dormant entity to a fully functional subsidiary of the National Petroleum Corporation of Namibia (Pty) Ltd. The revival of NAMCOR Exploration and Production (Pty) Ltd was implemented in the 2021 financial year effective 1 April 2020.

On the 1 March 2021, the Ministry of Mines and Energy officially handed over to the National Petroleum Corporation of Namibia (Pty) Ltd, the Company, to manage and operate the National Oil Storage Facility in Walvis Bay. All future operations and the realisation of assets and liabilities of the facility will be accounted for under NAMCOR Petroleum Trading and Distribution (Pty) Ltd, the subsidiary.

### 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 (2019: nil).

### 7. Directorate

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

Name	Changes
Engelhardt Kongoro (Chairperson)	End of term 10 August 2020
Anna Simanekeni Libana (Vice Chairperson)	End of term 10 August 2020
Lorentha Harases	End of term 10 August 2020
Roger Swart	End of term 10 August 2020
Barbara Nicolene Dreyer-Omoregie	End of term 10 August 2020
Jennifer Comalie (Chairperson)	Appointed 10 August 2020
Timoteus Ekandjo (Vice Chairperson)	Appointed 10 August 2020
Immanuel Mulunga (Managing Director)	Re-appointed 01 October 2020
Engelhardt Kongoro	Appointed 10 August 2020
Florentia Amuenje	Appointed 10 August 2020
Ndapwilapo Shimutwiken	Appointed 10 August 2020 and resigned 20 November 2020
Onno-Ndangi lithete	Re-appointed 10 August 2020
Tersia //Gowases	Appointed 10 August 2020

### 8. Secretary

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

<b>Business address</b>	Petroleum House 1 Aviation Road Windhoek
<b>Postal address</b>	Private Bag 13196 Windhoek Namibia 9

### 9. Shareholder

The Company's shareholder is the Government of the Republic of Namibia.

# National Petroleum Corporation of Namibia (Proprietary) Limited

(Registration number 164/67)

Consolidated and Separate Annual Financial Statements for the year ended 31 March 2020

## Directors' Report

---

### 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 and Distribution (Pty) Ltd	Namibia
NAMCOR Exploration and Production (Pty) Ltd	Namibia

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

#### Road Fund Administration Act

In the previous financial years, the entity 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 Road Fund Administration Act. The non-compliance with the Road Fund Administration Act quantified amounts to N\$13 293 829 (2019:N\$ 14 803 803.77) including interest. This amount has been provided for in the financial statements.

#### Petroleum Products and Energy Act

In the previous financial years, the entity 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\$15 280 031 (2019: N\$17 009 998.85). This amount has been provided for in the financial statements.

### 12. Auditor

Grand Namibia Chartered Accountants and Auditors continued in office as auditors in accordance with section 287(1) 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 2020

## Statement of Financial Position as at 31 March 2020

		Group			Company		
		2020	2019	2018	2020	2019	2018
	Note(s)	N\$	Restated N\$	Restated N\$	N\$	Restated N\$	Restated N\$
<b>Assets</b>							
<b>Non-Current Assets</b>							
Property, plant and equipment	4	354 034 620	286 905 471	225 676 257	82 989 297	86 607 849	84 854 238
Right-of-use assets	5	22 372 841	-	-	717 078	-	-
Intangible assets	6	134 914	220 107	255 604	134 914	220 107	255 604
Investments in subsidiaries	7	-	-	-	100	100	100
Other financial assets	8	54 951 246	134 367 484	66 198 435	54 951 246	134 367 484	66 198 435
Net investment in the lease	9	35 455 292	-	-	-	-	-
Deferred tax asset	10	136 445 357	87 348 670	77 311 579	-	-	-
		<b>603 394 270</b>	<b>508 841 732</b>	<b>369 441 875</b>	<b>138 792 635</b>	<b>221 195 540</b>	<b>151 308 377</b>
<b>Current Assets</b>							
Inventories	12	107 052 980	58 106 737	34 427 781	-	-	-
Loans to Group companies	11	-	-	-	273 927 923	176 831 439	154 228 912
Trade and other receivables	13	337 598 370	215 282 638	180 942 582	32 269 422	45 033 649	36 573 348
Net investment in the lease	9	141 952	-	-	-	-	-
Current tax receivable	34	5 461 404	9 687 368	9 687 368	5 461 404	5 461 404	5 461 404
Contractual assets	35	22 017 581	-	-	22 017 581	-	-
Cash and cash equivalents	14	218 929 969	216 034 243	388 530 275	175 193 280	188 739 340	270 960 619
		<b>691 202 256</b>	<b>499 110 986</b>	<b>613 588 006</b>	<b>508 869 610</b>	<b>416 065 832</b>	<b>467 224 283</b>
<b>Total Assets</b>		<b>1 294 596 526</b>	<b>1 007 952 718</b>	<b>983 029 881</b>	<b>647 662 245</b>	<b>637 261 372</b>	<b>618 532 660</b>
<b>Equity and Liabilities</b>							
<b>Equity</b>							
Share capital	15	10 000 000	10 000 000	10 000 000	10 000 000	10 000 000	10 000 000
Kudu shareholder reserves	40	117 918 563	117 918 563	117 918 563	117 918 563	117 918 563	117 918 563
Reserves	16	101 430 905	165 593 932	121 035 089	64 905 261	121 349 708	70 769 542
Retained income		345 013 355	386 343 730	431 991 786	356 921 780	313 613 467	363 165 234
		<b>574 362 823</b>	<b>679 856 225</b>	<b>680 945 438</b>	<b>549 745 604</b>	<b>562 881 738</b>	<b>561 853 339</b>
<b>Liabilities</b>							
<b>Non-Current Liabilities</b>							
Non-current portion - loans from shareholder	17	75 577 470	81 990 855	88 029 892	-	-	-
Non-current portion - borrowings	18	45 448 982	23 758 805	28 996 152	13 348 352	16 748 412	19 711 470
Finance lease liabilities	5	34 965 381	-	-	135 035	-	-
Deferred income	19	2 641 414	2 671 717	2 702 020	-	-	-
Deferred tax liability	10	8 295 846	23 895 859	10 935 406	8 295 846	23 895 859	10 935 406
		<b>166 929 093</b>	<b>132 317 236</b>	<b>130 663 470</b>	<b>21 779 233</b>	<b>40 644 271</b>	<b>30 646 876</b>
<b>Current Liabilities</b>							
Current portion - loans from shareholder	17	6 413 385	6 039 037	5 699 607	-	-	-
Current portion - borrowings	18	9 669 445	5 240 329	6 664 157	3 393 592	3 015 875	2 792 127
Finance lease liabilities	5	3 773 793	-	-	645 968	-	-
Deferred income	19	30 303	30 303	30 303	-	-	-
Trade and other payables	20	454 084 531	145 450 914	139 354 461	50 353 526	25 157 762	17 624 185
Current tax payable	21	11 249 832	-	-	11 249 832	-	-
Provisions	22	38 661 408	39 018 674	19 672 445	6 886 073	5 561 726	5 616 133
Bank overdraft	14	29 421 913	-	-	3 608 417	-	-
		<b>553 304 610</b>	<b>195 779 257</b>	<b>171 420 973</b>	<b>76 137 408</b>	<b>33 735 363</b>	<b>26 032 445</b>
<b>Total Liabilities</b>		<b>720 233 703</b>	<b>328 096 493</b>	<b>302 084 443</b>	<b>97 916 641</b>	<b>74 379 634</b>	<b>56 679 321</b>
<b>Total Equity and Liabilities</b>		<b>1 294 596 526</b>	<b>1 007 952 718</b>	<b>983 029 881</b>	<b>647 662 245</b>	<b>637 261 372</b>	<b>618 532 660</b>



# National Petroleum Corporation of Namibia (Proprietary) Limited

(Registration number 164/67)

Consolidated and Separate Annual Financial Statements for the year ended 31 March 2020

## Statements of Profit or Loss and Other Comprehensive Income

	Note(s)	Group		Company	
		2020 N\$	2019 N\$	2020 N\$	2019 N\$
Revenue	23	1 066 564 810	773 278 902	36 935 143	21 995 682
Cost of sales	24	(1 035 929 806)	(696 153 203)	-	-
<b>Gross profit</b>		<b>30 635 004</b>	<b>77 125 699</b>	<b>36 935 143</b>	<b>21 995 682</b>
Other income	25	93 247 354	31 582 012	58 212 138	30 016 160
Government grants	26	86 793 375	87 919 474	86 793 375	87 919 474
Distribution costs	27	(16 776 429)	(8 862 646)	(5 303 799)	(5 137 893)
Administrative expenses	27	(212 178 066)	(196 244 577)	(152 011 278)	(158 093 002)
Impairment losses on financial and contractual assets	27	(75 074 629)	(14 819 555)	(24 546 994)	(36 792 338)
Other operating expenses		(43 890 545)	(44 596 758)	(14 118 646)	7 550 538
<b>Operating loss</b>	27	<b>(137 243 936)</b>	<b>(67 896 351)</b>	<b>(14 040 061)</b>	<b>(52 541 379)</b>
Finance income	29	8 050 584	14 721 181	5 882 327	9 366 682
Finance costs	30	(14 067 538)	(6 879 239)	(1 452 976)	(1 617 606)
<b>Loss before taxation</b>		<b>(143 260 890)</b>	<b>(60 054 409)</b>	<b>(9 610 710)</b>	<b>(44 792 303)</b>
Taxation	31	49 096 687	10 037 091	-	-
<b>Loss for the year</b>		<b>(94 164 203)</b>	<b>(50 017 318)</b>	<b>(9 610 710)</b>	<b>(44 792 303)</b>
<b>Other comprehensive income</b>					
<b>Items that will not be reclassified to profit or loss</b>					
Gains / (losses) on property revaluation	4	(2 151 329)	(10 479 375)	5 567 250	(4 458 050)
Financial assets at fair value through other comprehensive income		(14 894 889)	68 184 873	(14 894 889)	68 184 873
Income tax relating to items that will not be reclassified subsequent to profit or loss		5 953 165	(12 960 453)	5 953 165	(12 960 453)
<b>Total items that will not be reclassified to profit or loss</b>		<b>(11 093 053)</b>	<b>44 745 045</b>	<b>(3 374 474)</b>	<b>50 766 370</b>
<b>Other comprehensive income for the year net of taxation</b>		<b>(11 093 053)</b>	<b>44 745 045</b>	<b>(3 374 474)</b>	<b>50 766 370</b>
<b>Total comprehensive (loss) / income for the year</b>		<b>(105 257 256)</b>	<b>(5 272 273)</b>	<b>(12 985 184)</b>	<b>5 974 067</b>

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## Statement of Changes in Equity

	Share capital	GC24 reserve	Revaluation reserve	Fair value adjustment financial assets through OCI	Kudu shareholder reserves	Other NDR	Total reserves	Retained income	Total equity
	N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$
<b>Group</b>									
<b>Restated* Balance at 01 April 2018</b>	<b>10 000 000</b>	<b>-</b>	<b>70 387 429</b>	<b>48 883 585</b>	<b>117 918 563</b>	<b>1 764 076</b>	<b>248 953 653</b>	<b>431 991 782</b>	<b>680 945 435</b>
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
<b>Total changes</b>	<b>-</b>	<b>(43 224)</b>	<b>(10 479 375)</b>	<b>55 252 460</b>	<b>-</b>	<b>-</b>	<b>44 729 861</b>	<b>(50 017 318)</b>	<b>(5 287 457)</b>
IFRS 9 - Transitional Adjustment	-	(640)	-	-	-	-	(640)	4 198 887	4 198 247
Reclassification of GC24 reserves	-	(170 379)	-	-	-	-	(170 379)	170 379	-
<b>Restated* Balance at 01 April 2019</b>	<b>10 000 000</b>	<b>(214 243)</b>	<b>59 908 055</b>	<b>104 136 044</b>	<b>117 918 563</b>	<b>1 764 076</b>	<b>283 512 495</b>	<b>386 343 730</b>	<b>679 856 225</b>
Loss for the year	-	-	-	-	-	-	-	(94 164 203)	(94 164 203)
Other comprehensive income	-	(149 935)	(2 151 329)	(8 299 321)	-	-	(10 600 585)	-	(10 600 585)
<b>Total changes</b>	<b>-</b>	<b>(149 935)</b>	<b>(2 151 329)</b>	<b>(8 299 321)</b>	<b>-</b>	<b>-</b>	<b>(10 600 585)</b>	<b>(94 164 203)</b>	<b>(104 764 788)</b>
Other movements	-	-	-	-	-	-	-	(86 190)	(86 190)
Reclassification	-	-	-	(52 920 018)	-	-	(52 920 018)	52 920 018	-
<b>Balance at 31 March 2020</b>	<b>10 000 000</b>	<b>(364 178)</b>	<b>57 756 726</b>	<b>42 916 685</b>	<b>117 918 564</b>	<b>1 764 076</b>	<b>219 991 873</b>	<b>345 013 355</b>	<b>575 005 247</b>
Note(s)	15		16	16					
<b>Company</b>									
<b>Restated* Balance at 01 April 2018</b>	<b>10 000 000</b>	<b>-</b>	<b>20 121 882</b>	<b>48 883 585</b>	<b>117 918 563</b>	<b>1 764 075</b>	<b>188 688 105</b>	<b>363 165 234</b>	<b>561 853 339</b>
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
<b>Total changes</b>	<b>-</b>	<b>(43 224)</b>	<b>(4 458 050)</b>	<b>55 252 460</b>	<b>-</b>	<b>-</b>	<b>50 751 186</b>	<b>(44 792 303)</b>	<b>5 958 883</b>
IFRS 9 - Transitional adjustment	-	(640)	-	-	-	-	(640)	(4 929 843)	(4 930 483)
Reclassification of GC24 reserves	-	(170 379)	-	-	-	-	(170 379)	170 379	-
<b>Restated* Balance at 01 April 2019</b>	<b>10 000 000</b>	<b>(214 243)</b>	<b>15 663 933</b>	<b>104 136 045</b>	<b>117 918 563</b>	<b>1 764 075</b>	<b>239 268 272</b>	<b>313 613 467</b>	<b>562 881 739</b>
Loss for the year	-	-	-	-	-	-	-	(9 610 710)	(9 610 710)
Other comprehensive income	-	(149 935)	5 567 250	(8 941 724)	-	-	(3 524 409)	-	(3 524 409)
<b>Total changes</b>	<b>-</b>	<b>(149 935)</b>	<b>5 567 250</b>	<b>(8 941 724)</b>	<b>-</b>	<b>-</b>	<b>(3 524 409)</b>	<b>(9 610 710)</b>	<b>(13 135 119)</b>
Reclassification	-	-	-	(52 919 023)	-	-	(52 919 023)	52 919 023	-
<b>Balance at 31 March 2020</b>	<b>10 000 000</b>	<b>(364 178)</b>	<b>21 231 082</b>	<b>42 275 298</b>	<b>117 918 563</b>	<b>1 764 075</b>	<b>182 824 840</b>	<b>356 921 780</b>	<b>549 746 620</b>
Note(s)	15		16	16					

# National Petroleum Corporation of Namibia (Proprietary) Limited

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## Statement of Cash Flows

		Group		Company	
	Note(s)	2020 N\$	2019 N\$	2020 N\$	2019 N\$
<b>Cash flows from operating activities</b>					
Cash receipts from customers		1 033 985 558	874 036 804	104 400 637	145 530 860
Cash paid to suppliers and employees		(1 019 669 530)	(988 110 198)	(81 911 206)	(188 449 996)
Cash generated from / (used in) operations	33	14 316 028	(114 073 394)	22 489 431	(42 919 136)
Interest received		8 050 584	14 721 181	5 882 327	9 366 682
Finance costs		(17 628 321)	(10 378 172)	(1 354 647)	(1 491 786)
<b>Net cash from operating activities</b>		<b>4 738 291</b>	<b>(109 730 385)</b>	<b>27 017 111</b>	<b>(35 044 240)</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment	4	(132 250 900)	(77 869 278)	(2 748 804)	(4 632 573)
Proceeds from sale of property, plant and equipment	4	12 071	376 384	12 071	7 024
Repayment of loans to Group companies		-	-	18 736 079	15 676 247
Proceeds from disposal of equity investment		61 004 044	-	61 004 044	-
Loans advanced to Group companies		-	-	(140 378 209)	(82 613 309)
<b>Net cash from investing activities</b>		<b>(71 234 785)</b>	<b>(77 492 894)</b>	<b>(63 374 819)</b>	<b>(71 562 611)</b>
<b>Cash flows from financing activities</b>					
Repayment of borrowings		(7 880 706)	(6 661 175)	(3 022 343)	(2 739 310)
Loans raised		34 000 000	-	-	-
Repayment of loan from shareholder		(6 039 038)	(5 699 607)	-	-
Payment of lease liabilities		(2 972 136)	-	(720 895)	-
<b>Net cash from financing activities</b>		<b>17 108 120</b>	<b>(12 360 782)</b>	<b>(3 743 238)</b>	<b>(2 739 310)</b>
<b>Total cash movement for the year</b>		<b>(49 388 374)</b>	<b>(199 584 061)</b>	<b>(40 100 946)</b>	<b>(109 346 161)</b>
Cash at the beginning of the year		216 034 243	388 530 275	188 739 340	270 960 619
Effect of exchange rate changes on cash and cash equivalents held		22 937 930	27 195 522	22 937 930	27 195 522
Effect of loss allowance on cash and cash equivalents		(75 743)	(107 493)	8 539	(70 640)
<b>Total cash at end of the year</b>	14	<b>189 508 056</b>	<b>216 034 243</b>	<b>171 584 863</b>	<b>188 739 340</b>



# National Petroleum Corporation of Namibia (Proprietary) Limited

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## Significant Accounting Policies

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### 1. Basis of preparation

The Group and separate financial statements of National Petroleum Corporation of Namibia (Pty) Ltd have been prepared in accordance with the International Financial Reporting Standards and the requirements of the Companies Act of Namibia.

They are presented in Namibian Dollar.

#### 1.1 Significant accounting policies

The financial statements have been prepared on the historical basis except for owner occupied property which is measured at revalued amounts and financial instruments measured at fair value.

The accounting policies have been consistently applied except for changes in accounting policy described in note 3.1 IFRS 16 leases in the notes to financial statements.

#### 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 at 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 Solely 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 and Company 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 and Company monitors financial assets measured at amortised cost or fair value through other comprehensive income that is 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 and Company'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.

# National Petroleum Corporation of Namibia (Proprietary) Limited

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## Significant Accounting Policies

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

#### Significant increase in credit risk

As explained in the Group and Company's significant accounting policies, expected credit losses (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.

#### Loans and receivables

The Group and Company 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 and Company 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 and Company follows the guidance of IFRS 9 to determine when financial assets at fair value through other comprehensive income (FVTOCI) are impaired. This determination requires significant judgement. In making this judgement, 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 is determined for the Group. 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 27.

#### 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 and Company 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, right-of-use assets and leasehold improvements 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 and Company 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 and Company 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. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and use the incremental borrowing rate as the discount rate in order to calculate the present value of those cash flows.

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## Significant Accounting Policies

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

#### 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 the related party is able to pay the loan amount when demanded.

#### Fair value estimation

The Group and Company 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 the amortised cost.

#### 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 Company.

#### Related parties

The Group and Company follows the guidance of IAS 24 to determine who qualifies as a related party. This determination requires significant judgement. In making this judgement, the Group and Company 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.



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## Significant Accounting Policies

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

#### Discount rate for IFRS 16 leases

The Group and Company used the incremental borrowing rate to discount all its finance leases (lessee) as the interest rate implicit in the lease is not readily determinable. The Company's incremental borrowing rate have been determined based on the current Company's asset-based finance loan with Bank Windhoek. These rates have been used to calculate an initial IFRS 16 lease liability at transition under the modified approach.

The use of blanked rate across all leases is deemed appropriate after taking into account the following:

#### *Security*

The incremental borrowing rates used are both based on the secured loans with the banks. The underlying assets (land and buildings) acquired have been used as the security for the loans advanced. With regards to the finance leases for which NAMCOR Group is the lessee, there is no security explicitly stated in the agreements. However, in theory the risk of default is mitigated for the lessor as they have the right to reclaim the underlying asset itself. With the right-of-use asset effectively being pledged as collateral against the risk of default, this is a secured lending arrangement and could reduce the credit spread charged by the lender.

If the entities have to borrow to acquire the land for constructing the service stations, the purchase price will be equivalent to the required loan.

#### *Term*

The lease terms differ from contract to contract. The Group's significant leases are those of leasing land where the service stations have been constructed. The lease terms range between 15 to 30 years which is close to an average commercial mortgage bond term. The interest rate that an entity would have to incur to obtain a loan to acquire land will not significantly differ from the existing bond rate (Standard Bank 9%). Although the loan for the existing loan is repayable over a period of 5 years compared to the average lease term of 15 to 30 years, the Trading entity's rate has historically ranged between 7% and 9%. This is also considering the previous Standard Bank loan which was advanced for 8 years. The use of the incremental borrowing rate is therefore justifiable in this regard and the term does not appear to have a significant effect on the risk determination.

#### *Economic environment and currency*

All the leases entered are with local lessors and are subject to the same economic factors. A change in one of the key variable economic factors will affect the lessee or lessor's decision in identifying the appropriate rate that would yield desirable returns. Moreover, all the contractual payments are denominated in the Namibian dollar currency. A change in a variable that would affect the currency will affect all the lease contracts.

#### Judgement in discounting the lessor's contractual cash flows

The Group applied the market rate to discount the contractual cash flows associated with the finance lease arrangement for the Hosea Kutako Service Station. The interest rate implicit in the lease calculation of the contract revealed a negative interest rate implicit in the lease. The negative interest rate is due to the fact that the monthly contracted rental amount for the lease of land is less than the capital investment made on the project.

Management is of the view that the use of a negative rate to discount the Hosea Kutako Service Station contractual cash flows is not appropriate because it does not reflect the objective which is to reflect how the entire contract is priced. The main objective of investing in a service station is to ensure supply of the petroleum products and generate income through the sale of the petroleum products and not entirely to earn rental income from operating the service station. The accounting standard is not specific in terms of how the negative rate should be accounted for. In the absence of clear guidance in the accounting standard, management has resolved to use the entity's market rate to discount the cash flows from the lessor's perspective. This achieves a faithful and relevant representation of the transaction in terms of the conceptual framework.

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## Significant Accounting Policies

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

#### Key sources of estimation uncertainty

##### Calculation of loss allowance

When measuring ECL the Group and Company 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 and Company holds for its own use or for rental to others and which are expected to be used for more than one year.

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

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

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 Company and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the year in which they are incurred.

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.

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 and Company. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

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## Significant Accounting Policies

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

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
Leasehold improvements	Straight line	Shorter of lease term and economic life

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, by the Group. This 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 recognised 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

Intangible assets of the Company 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

In the Company 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.



# National Petroleum Corporation of Namibia (Proprietary) Limited

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## Significant Accounting Policies

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### 1.6 Financial instruments

Financial instruments held by the Group and Company are classified in accordance with the provisions of IFRS 9 Financial instruments.

Broadly, the classification possibilities, which are adopted by the Group and Company, as applicable, are as follows:

Financial assets which are equity instruments:

- Designated as at fair value through other comprehensive income.

Financial assets which are debt instruments:

- Amortised cost.

Financial liabilities:

- Amortised cost.

Note 39 Financial instruments and risk management presents the financial instruments held by the Group and Company based on their specific classifications.

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

#### Loans receivable at amortised cost

##### Classification

Loans to Group companies (note 11) 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 Company becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the loan initially, minus principal repayments adjusted for any loss allowance.

##### Significant increase in credit risk

In assessing whether the credit risk on a loan has increased significantly since initial recognition, the Group and Company 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 and Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward- looking macro-economic factors that is available without undue cost or effort. Forward-looking information considered includes the forecasted gross domestic product and consideration of the correlation between Gross Domestic Product and historical losses.

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 and Company 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.

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### 1.6 Financial instruments (continued)

#### Definition of default

For purposes of internal credit risk management, the Group considers 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 and Company 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.

#### 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 and Company 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 and Company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, and vice versa.

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 27).

#### Credit risk

Details of credit risk related to loans receivable are included in the specific notes and the financial instruments and risk management (note 39).

#### 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 13).

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 and Company's business model is to collect the contractual cash flows on trade and other receivables.

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### 1.6 Financial instruments (continued)

#### Recognition and measurement

Trade and other receivables are recognised when the Group and Company 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.

#### 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 closing rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in other income.

Details of foreign currency risk exposure and the management thereof are provided in the financial instruments and risk management (note 39).

#### Impairment

The Group and Company 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 and Company 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.

#### Measurement and recognition of expected credit losses

The Group and Company 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 shows significantly different loss patterns for different customer segments. The loss allowance is calculated based on the segregated customers at the Group level. Details of the loss allowance are presented in note 13.

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 27).

#### Write off policy

The Group and Company 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 (note 13) and the financial instruments and risk management (note 39).



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### 1.6 Financial instruments (continued)

#### 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 and Company 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 fair value adjustment financial assets through other comprehensive income reserve.

Dividends received on equity investments are recognised in profit or loss when the Group and Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

##### 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 closing 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 39).

##### 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.

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### 1.6 Financial instruments (continued)

#### 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 20), 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 and Company 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 30).

Trade and other payables expose the Group and Company to liquidity risk and possibly to interest rate risk. Refer to note 39 for details of risk exposure and management thereof.

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

When trade payables are denominated in a foreign currency, the carrying amount of the payables is determined in the foreign currency. The carrying amount is then translated to the Namibia Dollar equivalent using the closing 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 25).

Details of foreign currency risk exposure and the management thereof are provided in the financial instruments and risk management note (note 39).

##### Derecognition

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

#### Cash and cash equivalents

Cash and cash equivalents are stated at carrying amount which is deemed to be amortised cost.

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### 1.6 Financial instruments (continued)

#### 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 and Company 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 and Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

##### Financial liabilities

The Group and Company derecognises financial liabilities when, and only when, the Group obligations are discharged, cancelled or 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 and Company 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.



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### 1.7 Tax

#### Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability in the Group and Company annual financial statements. 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 in the Group and Company 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 in the Group and Company 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, and 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.

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### 1.8 Leases

#### Group and Company as lessee

The Group and Company assesses whether a contract is or contains a lease, at inception of the contract. The Group and Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group and Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group and Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group and Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group and Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group and Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group and Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the Property, plant and equipment policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Other expenses" in profit or loss.

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### 1.8 Leases (continued)

#### Group and Company as lessee (continued)

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group and Company has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Group and Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

#### Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its properties and leasehold improvements. The Group also rents equipment to retailers necessary for the operation of the business of fuel service stations and convenience stores.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

When a contract includes both lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.

### 1.9 Inventories

The Group measures inventories 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.

### 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.

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### 1.10 Impairment of assets (continued)

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.

### 1.13 Provisions and contingencies

A provision is a liability of uncertain timing or amount.

Provisions are recognised when:

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

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

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

Provisions are not recognised for future operating losses.

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

A constructive obligation to restructure arises only when an entity:

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



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### 1.13 Provisions and contingencies (continued)

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

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

Contingent assets and liabilities are not recognised.

### 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.

### 1.15 Revenue from contracts with customers

The Group recognises revenue from the following major sources:

- Sale of petroleum products
- Storage and handling services
- Data licensing
- 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 the Basic Fuel 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's 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, consumers 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.

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### 1.15 Revenue from contracts with customers (continued)

#### Sale of petroleum products (continued)

Petroleum products are physical goods and a customer obtains 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 fulfilment 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 is considered as 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.

Handling services are provided when inventory is deposited and when inventory is withdrawn. Storage activities result 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.

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## Significant Accounting Policies

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### 1.15 Revenue from contracts with customers (continued)

#### Data licensing – Sales-based royalty (continued)

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 licences. For in-house licences, the quotation indicates the data being licensed as well as the rate/price for the data.

#### Administrative services

The Group and Company 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 Group and Company measures progress towards complete satisfaction of the performance obligation to transfer the distinct services in the series to customers 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.

### 1.17 Borrowing costs

Borrowing costs of the Group 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.

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## Significant Accounting Policies

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### 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.

In circumstances where the Group and Company receive or pay an amount in foreign currency in advance of a transaction, the transaction date for purposes of determining the exchange rate to use on initial recognition of the related asset, income or expense is the date on which the Group initially recognised the non-monetary item arising on payment or receipt of the advance consideration.

If there are multiple payments or receipts in advance, the Group determines a date of transaction for each payment or receipt of advance consideration.

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

### 1.20 Exploration, production and 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 in the Group and Company financial statements.

#### *Pre-licence costs*

Costs incurred prior to the award of oil and gas licences, concessions and other exploration rights are expensed in the statement of profit and loss and comprehensive income.



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## Significant Accounting Policies

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### 1.20 Exploration, production and evaluation assets (continued)

#### *Exploration and evaluation (E&E)*

The Group and Company adopts the 'successful efforts'-method of accounting for exploration and evaluation costs in accordance with IFRS 6. Costs incurred during the 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 reserve. The costs that are incurred, but do not meet the above-mentioned criteria, are recognised 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 capitalised 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 has opted to expense the exploration and evaluation costs until it is sufficiently certain that economic benefits will flow to the entity.

#### *Licence blocks*

Licences 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 licence 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-recognises the carrying value of the asset attributable to the proportion given up, and then recognises 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 recognises 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 carries 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's 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 and Company conducts petroleum and natural gas exploration and production activities jointly with other ventures, which 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 and Company'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 28.

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## Notes to the Consolidated and Separate Annual Financial Statements

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### 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.

#### Implementation of IFRS 16 Leases

The Group and Company applied IFRS 16 for the first time. The nature and effect of the changes as a result of the adoption of these new accounting standards are described in note 3. There were several other new and amendments to standards and interpretations which are applicable for the first time in 2020, but they are either not relevant or do not have an impact on the annual financial statements of the Group and Company.

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a lease, SIC-15 Operating leases- incentives and SIC-27 Evaluating the substance of transactions involving the legal form of a lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. IFRS 16 is only effective for years beginning on or after 1 January 2019.

IFRS 16 Leases is a new standard which replaces IAS 17 Leases, and introduces a single lessee accounting model. The main changes arising from the issue of IFRS 16 which are likely to impact the company are as follows:

Company as lessee:

- Lessees are required to recognise a right-of-use asset and a lease liability for all leases, except short term leases or leases where the underlying asset has a low value, which are expensed on a straight line or other systematic basis.
- The cost of the right-of-use asset includes, where appropriate, the initial amount of the lease liability; lease payments made prior to commencement of the lease less incentives received; initial direct costs of the lessee; and an estimate for any provision for dismantling, restoration and removal related to the underlying asset.
- The lease liability takes into consideration, where appropriate, fixed and variable lease payments; residual value guarantees to be made by the lessee; exercise price of purchase options; and payments of penalties for terminating the lease.
- The right-of-use asset is subsequently measured on the cost model at cost less accumulated depreciation and impairment and adjusted for any re-measurement of the lease liability. However, right-of-use assets are measured at fair value when they meet the definition of investment property and all other investment property is accounted for on the fair value model. If a right-of-use asset relates to a class of property, plant and equipment which is measured on the revaluation model, then that right-of-use asset may be measured on the revaluation model.
- The lease liability is subsequently increased by interest, reduced by lease payments and re-measured for reassessments or modifications.
- Re-measurements of lease liabilities are affected against right-of-use assets, unless the assets have been reduced to nil, in which case further adjustments are recognised in profit or loss.
- The lease liability is re-measured by discounting revised payments at a revised rate when there is a change in the lease term or a change in the assessment of an option to purchase the underlying asset.
- The lease liability is re-measured by discounting revised lease payments at the original discount rate when there is a change in the amounts expected to be paid in a residual value guarantee or when there is a change in future payments because of a change in index or rate used to determine those payments.
- Certain lease modifications are accounted for as separate leases. When lease modifications which decrease the scope of the lease are not required to be accounted for as separate leases, then the lessee re-measures the lease liability by decreasing the carrying amount of the right of lease asset to reflect the full or partial termination of the lease. Any gain or loss relating to the full or partial termination of the lease is recognised in profit or loss. For all other lease modifications which are not required to be accounted for as separate leases, the lessee re-measures the lease liability by making a corresponding adjustment to the right-of-use asset.
- Right-of-use assets and lease liabilities should be presented separately from other assets and liabilities. If not, then the line item in which they are included must be disclosed. This does not apply to right-of-use assets meeting the definition of investment property which must be presented within investment property. IFRS 16 contains different disclosure requirements compared to IAS 17 leases.

The scope of IFRS 16 includes leases of all assets, with certain exceptions. A lease is defined as a contract, or part contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of low-value assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).

Lessees will be required to remeasure the lease liability upon the occurrence of certain events. The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

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## Notes to the Consolidated and Separate Annual Financial Statements

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

#### Implementation of IFRS 16 Leases (continued)

A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach.

The effective date of the standard is for years beginning on or after 01 January 2019.

The Company expects to adopt the standard for the first time in the 2020 separate and consolidated annual financial statements.

#### Impact of initial application of IFRS 16 Leases

In the current year, the Group and Company has applied IFRS 16 (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low-value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in note 3. The impact of the adoption of IFRS 16 on the Group and Company's consolidated financial statements is described below.

The date of initial application of IFRS 16 for the Group and Company is 1 January 2019.

The Group has applied IFRS 16 using the cumulative catch-up approach which:

- requires the Group to recognise the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application.
- does not permit restatement of comparatives, which remained presented under IAS 17 and IFRIC 4.

#### *(a) Impact of the new definition of a lease*

The Group and Company has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those contracts entered or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

The Group and Company applies the definition of a lease and related guidance set out in IFRS 16 to all contracts entered into or changed on or after 1 January 2019. In preparation for the first-time application of IFRS 16, the Group and Company has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Group and Company.

#### *b) Impact on Lessee Accounting*

##### *(i) Former operating leases*

IFRS 16 changes how the Group and Company accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Applying IFRS 16 for all leases (except as noted below), the Group and Company:

Recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;

Recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss;

Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated statement of cash flows.

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## Notes to the Consolidated and Separate Annual Financial Statements

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

#### Impact of initial application of IFRS 16 Leases (continued)

Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities, whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses, generally on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as tablets and personal computers, small items of office furniture and telephones), the Group and Company has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'other expenses' in profit or loss.

The Group and Company has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying IAS 17:

- The Group and Company has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Group and Company has adjusted the right-of-use assets at the date of initial application by the amount of provision for onerous leases recognised under IAS 37 in the statement of financial position immediately before the date of initial application as an alternative to performing an impairment review.
- The Group and Company has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- The Group and Company has excluded initial direct costs from the measurement of the right-of-use assets at the date of initial application.
- The Group and Company has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

#### (ii) Former finance leases

The main differences between IFRS 16 and IAS 17 with respect to contracts formerly classified as finance leases is the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. This change did not have a material effect on the Group's consolidated financial statements.

#### (c) Impact on lessor accounting

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and accounts for those two types of leases differently.

However, IFRS 16 has changed and expanded the disclosures required, in particular with regard to how a lessor manages the risks arising from its residual interest in leased assets.

Under IFRS 16, an intermediate lessor accounts for the head lease and the sub-lease as two separate contracts. The intermediate lessor is required to classify the sub-lease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset, as was the case under IAS 17).

Because of this change, the Group has reclassified certain of its sub-lease agreements as finance leases. Refer to note 37.

#### (d) Financial impact of the initial application of IFRS 16

The lessee's incremental borrowing rate applied to lease liabilities recognised in the statement of financial position on 1 April 2019 is 7.5%.



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### 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:

Standard/ interpretation:	Effective date: Years beginning on or after	Expected impact:
• Amendments to IFRS 11 Joint Arrangements: Annual Improvements to IFRS 2015 - 2017 cycle	01 January 2019	No impact
• Amendments to IAS 12 Income Taxes: Annual Improvements to IFRS 2015 - 2017 cycle	01 January 2019	No impact
• Amendments to IAS 23 Borrowing Costs: Annual Improvements to IFRS 2015 - 2017 cycle	01 January 2019	No impact
• IFRS 16 Leases	01 January 2019	The impact of the standard is set out in note 2 Changes in accounting policy and note 3.3.

#### 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.

Standard/ interpretation:	Effective date: Years beginning on or after	Expected impact:
• COVID-19 Related Rent Concessions: Amendment to IFRS 16	01 June 2020	Not material
• Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7	01 January 2020	Not material
• Presentation of Financial Statements: Disclosure initiative	01 January 2020	Not material

#### 3.3 Impact of IFRS 16 implementation

Group	01 April 2019	31 March 2020
Right-of-use asset	27 950 037	22 372 841
Lease liability	27 950 037	38 739 174
Depreciation on right-of-use asset	-	4 611 204
Finance cost	-	2 926 939
Company	01 April 2019	31 March 2020
Right-of-use asset	1 501 898	717 078
Lease liability	1 501 898	781 004
Depreciation on right-of-use asset	-	784 820
Finance cost	-	88 590

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### 4. Property, plant and equipment

Group	2020			2019		
	Cost or revaluation	Accumulated depreciation	Carrying value / impairment	Cost or revaluation	Accumulated depreciation	Carrying value / impairment
Land and buildings	177 523 626	(7 896 580)	169 627 046	179 169 204	(3 050 736)	176 118 468
Motor vehicles	3 330 079	(2 501 256)	828 823	2 779 182	(2 213 585)	565 597
Office, electronic, storage tanks and mechanical equipment	107 000 218	(42 715 914)	64 284 304	52 452 051	(31 448 243)	21 003 808
Leasehold improvements	35 875 284	(7 474 884)	28 400 400	25 315 851	(2 644 940)	22 670 911
Work in progress	113 707 783	(22 813 736)	90 894 047	89 613 938	(23 067 251)	66 546 687
<b>Total</b>	<b>437 436 990</b>	<b>(83 402 370)</b>	<b>354 034 620</b>	<b>349 330 226</b>	<b>(62 424 755)</b>	<b>286 905 471</b>

Company	2020			2019		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Land and buildings	74 739 584	(4 879 584)	69 860 000	72 702 230	(1 937 285)	70 764 945
Motor vehicles	2 281 037	(1 542 786)	738 251	1 730 140	(1 332 847)	397 293
Office, electronic, storage tanks and mechanical equipment	33 794 942	(23 318 372)	10 476 570	31 546 469	(18 298 441)	13 248 028
Leasehold improvements	2 129 364	(214 888)	1 914 476	-	-	-
Work in progress	-	-	-	2 197 583	-	2 197 583
<b>Total</b>	<b>112 944 927</b>	<b>(29 955 630)</b>	<b>82 989 297</b>	<b>108 176 422</b>	<b>(21 568 573)</b>	<b>86 607 849</b>

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### Notes to the Consolidated and Separate Annual Financial Statements

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

##### Reconciliation of property, plant and equipment - Group - 2020

	Opening balance	Additions	Borrowing costs capitalised	Disposals	Transfers	Revaluations	Other changes, movements	Depreciation	Impairment loss	Closing balance
Land and buildings	176 118 468	513 823	-	-	4 016 823	(7 402 550)	(253 513)	(5 056 398)	1 690 393	169 627 046
Motor vehicles	565 597	550 897	-	-	-	-	-	(287 671)	-	828 823
Office, electronic, storage tanks and mechanical equipment	21 003 808	53 013 106	-	(16 719)	1 552 701	-	(7 003)	(11 261 589)	-	64 284 304
Leasehold improvements	22 670 911	3 044 458	-	-	48 975 350	-	(41 460 374)	(4 829 945)	-	28 400 400
Work in progress	66 546 687	75 128 615	3 659 113	-	(54 543 959)	-	103 602	-	-	90 894 047
	<b>286 905 471</b>	<b>132 250 899</b>	<b>3 659 113</b>	<b>(16 719)</b>	<b>915</b>	<b>(7 402 550)</b>	<b>(41 617 288)</b>	<b>(21 435 603)</b>	<b>1 690 393</b>	<b>354 034 620</b>

A significant portion of other movements of N\$41 460 374 relates to transfers of lease hold improvements in respect of the service stations that have been leased to the dealers operating the Hosea Kutako and Hanover Service Stations. The costs have been accounted for in accordance with the IFRS 16 requirements.

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

	Opening balance	Additions	Borrowing costs capitalised	Disposals	Transfers	Revaluations	Other movements	Depreciation	Impairment loss	Closing balance
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 tanks 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
	<b>225 676 257</b>	<b>77 869 282</b>	<b>3 624 753</b>	<b>(679 035)</b>	<b>-</b>	<b>(10 479 375)</b>	<b>(4 248 873)</b>	<b>(11 235 967)</b>	<b>6 378 429</b>	<b>286 905 471</b>

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

#### Reconciliation of property, plant and equipment - Company - 2020

	Opening balance	Additions	Disposals	Transfers	Revaluations	Depreciation	Impairment loss	Closing balance
Land and buildings	70 764 945	-	-	-	811 030	(1 715 975)	-	69 860 000
Motor vehicles	397 293	550 898	-	-	-	(209 940)	-	738 251
Office, electronic, storage tanks and mechanical equipment	13 248 028	2 143 361	(16 719)	122 720	-	(5 013 849)	(7 019)	10 476 570
Leasehold improvements	-	-	-	2 129 365	-	(214 889)	-	1 914 476
Work in progress	2 197 583	54 545	-	(2 252 085)	-	-	-	-
	<b>86 607 849</b>	<b>2 748 804</b>	<b>(16 719)</b>	<b>-</b>	<b>811 030</b>	<b>(7 154 653)</b>	<b>(7 019)</b>	<b>82 989 297</b>

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

	Opening balance	Additions	Disposals	Transfers	Revaluations	Depreciation	Impairment loss	Closing balance
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 tanks and mechanical equipment	11 624 840	3 308 210	(21 486)	2 671 080	-	(4 334 616)	-	13 248 028
Capital - Work in progress	3 544 297	1 324 366	-	(2 671 080)	-	-	-	2 197 583
	<b>84 854 238</b>	<b>4 632 576</b>	<b>(21 486)</b>	<b>-</b>	<b>(4 458 050)</b>	<b>(6 249 208)</b>	<b>7 849 779</b>	<b>86 607 849</b>



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	Group		Company	
	2020	2019 Restated *	2020	2019 Restated *
	N\$	N\$	N\$	N\$
<b>4. Property, plant and equipment (continued)</b>				
<b>Pledged as security</b>				
The following properties have been pledged as security:				
<b>Land and buildings Erf 1055 Otjiwarongo</b>	23 560 000	23 560 000	-	-
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.				
<b>Land and buildings Erf 8521 Windhoek</b>	47 723 363	70 764 945	47 723 363	70 764 945
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 Comprehensive Insurance Policy for an amount of N\$79 800 000.				
<b>Land Erf 35 Windhoek</b>	10 300 000	10 300 000	-	-
<b>Land Erf 36 Windhoek</b>	11 347 000	11 347 000	-	-
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.				
	<b>92 930 363</b>	<b>115 971 945</b>	<b>47 723 363</b>	<b>70 764 945</b>

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### 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 2020 amounts to N\$4 175 845. No borrowing costs were capitalised to this project for the year ended 31 March 2020. 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 2020 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 2020 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 2020 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 2020, 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 2020 is nil, therefore the carrying amount of N\$9 602 289 and borrowing cost of N\$621 632 are 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 2020 amounts to N\$7 884 446. Borrowing costs of N\$181 873 were capitalised to this project for the year ended 31 March 2020. 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 2020, 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 2020 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.

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	2020	2019 Restated *	2020	2019 Restated *
	N\$	N\$	N\$	N\$

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

#### Revaluations

Land and buildings consist 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

Portion 73 of Otjitasu No.19

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:

#### Cost

Land	26 431 781	22 711 811	1 028 919	1 028 919
Buildings	89 229 108	89 229 108	68 507 417	68 507 417
<b>Accumulated depreciation</b>				
Buildings	(13 474 268)	(11 824 237)	(10 744 792)	(10 744 792)
<b>Accumulated impairment</b>				
Land	(287 520)	(287 250)	-	-
Buildings	-	-	-	-

<b>101 899 101</b>	<b>99 829 432</b>	<b>58 791 544</b>	<b>58 791 544</b>
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	2020	2019 Restated *	2020	2019 Restated *
	N\$	N\$	N\$	N\$
<b>4. Property, plant and equipment (continued)</b>				
<b>Measurement of fair values</b>				
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.				
<b>Land and buildings</b>				
Balance as at 01 April	151 346 790	156 453 018	70 764 945	69 110 000
Additions/transfers	3 527 802	59 500	-	-
Depreciation	(5 056 398)	(2 366 132)	(1 715 974)	(1 736 784)
Impairment loss	1 690 393	7 679 779	-	7 849 779
<b>(Losses) / gains included in other comprehensive income</b>				
Change in fair value	9 755 933	(10 479 375)	811 029	(4 458 050)
	<b>161 264 520</b>	<b>151 346 790</b>	<b>69 860 000</b>	<b>70 764 945</b>

### Valuation technique

#### Erf 1055 Otjiwarongo

Cost approach: The valuation technique 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 capitalisation 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, Erf 4796 Ondangwa and Portion 73 of Otjitasu No.19

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.

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## Notes to the Consolidated and Separate Annual Financial Statements

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### 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/(decreased); or
- Industrialisation/development in surrounding location increased/(decreased); or
- Demand for property increased/(decreased).

#### Income capitalisation method of valuation

The estimated fair value will increase/(decrease) if:

- The age of the building was higher/(lower)
- The remaining useful life of the building were higher/(lower)
- The square metres were higher/(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 capitalisation 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 property, plant and equipment during the current year.



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	Group		Company	
	2020	2019 Restated *	2020	2019 Restated *
	N\$	N\$	N\$	N\$

### 5. Leases (Group as lessee)

#### Right-of-use assets

Group	Land and buildings N\$	Motor vehicles N\$	Storage equipment N\$	Total N\$
<b>Cost</b>				
At 01 April 2019	14 374 039	832 458	12 743 540	27 950 037
Additions	12 218 108	1 725 841	-	13 943 949
Sub-lease derecognition	(15 253 122)	(231 779)	-	(15 484 901)
<b>Accumulated depreciation</b>				
At 01 April 2019	-	-	(34 192)	(34 192)
Charge for the year	(1 117 052)	(461 004)	(2 998 957)	(4 577 013)
Sub-lease derecognition	520 065	54 895	-	574 960
	<b>10 742 038</b>	<b>1 920 411</b>	<b>9 710 391</b>	<b>22 372 840</b>
<b>Company</b>				
	Land and buildings N\$	Motor vehicles N\$	Equipment N\$	Total N\$
<b>Cost</b>				
At 01 April 2019	-	-	1 501 899	1 501 899
<b>Accumulated depreciation</b>				
At 01 April 2019	-	-	(34 192)	(34 192)
Charge for the year	-	-	(750 629)	(750 629)
	<b>-</b>	<b>-</b>	<b>717 078</b>	<b>717 078</b>

The Group leases several assets including land, buildings, motor vehicles and storage equipment. The average lease term is 10 years. The land leased assets are in respect of sites where service stations have been constructed. Motor vehicles are used in facilitation of transporting the Company's related administration. The storage equipment is used to store the products of the Company's Walvis Bay depot as well as hosting other oil companies.

#### Amounts recognised in profit and loss

Interest expense on lease liabilities	2 926 939	-	88 590	-
Depreciation expense on right-of-use assets	4 611 204	-	784 820	-
Expense relating to short-term leases	728 290	-	522 158	-
Expense relating to leases of low-value assets	60 256	-	60 256	-
Variable lease payments not included in the measurement of lease Liabilities included in operating expenses	-	-	-	-
Expense relating to variable lease payments not included in the measurement of the lease liability	1 108 120	-	773 774	-
Income from subleasing right-of-use assets	-	-	-	-

At 31 March 2020, the Group is committed to N\$ nil for short-term leases.

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	Group		Company	
	2020	2019 Restated *	2020	2019 Restated *
	N\$	N\$	N\$	N\$

### 5. Leases (Group as lessee) (continued)

Some of the property leases in which the Group is the lessee contain variable lease payment terms that are linked to sales generated from the leased properties. Variable payment terms are used to link rental payments to property cash flows and reduce fixed cost. The breakdown of lease payments for these properties is as follows.

Fixed payments	5 899 074	-	809 485	-
Variable payments	1 108 120	-	773 774	-
	<b>7 007 194</b>	<b>-</b>	<b>1 583 259</b>	<b>-</b>

Overall the variable payments constitute up to 16% of the Group's entire lease payments. The Group expects this ratio to remain constant in future years. The variable payments depend on sales and consequently on the overall economic development over the next few years. Taking into account the development of sales expected over the next years, variable rent expenses are expected to continue to present a similar proportion of sales in future years.

The total cash outflow for leases amounts to N\$7.1 million.

On 24 March 2020, subsidiary NAMCOR Petroleum Trading and Distribution entered into a 15-year lease to rent property, which had not commenced by the year-end and as a result, a lease liability and right-of-use asset has not been recognised at 31 March 2020. The aggregate future cash outflows to which the Group is exposed in respect of this contract is:

Fixed payments of N\$8 970 000 inclusive of VAT in advance, for the next 10 years with no escalation rate and N\$780 000 per year thereafter, plus annual escalation equal to the consumer price index.

There are no extensions or terminations on the lease.

### Finance lease liabilities

The maturity analysis of lease liabilities is as follows:

Year 1	6 246 366	-	683 085	-
Year 2	5 816 372	-	135 036	-
Year 3	5 620 876	-	-	-
Year 4	5 715 964	-	-	-
Year 5	2 347 446	-	-	-
Onwards	67 825 571	-	-	-
Less unearned finance income	(54 833 419)	-	(37 118)	-
	<b>38 739 174</b>	<b>-</b>	<b>781 003</b>	<b>-</b>
Non-current liabilities	34 965 381	-	135 035	-
Current liabilities	3 773 793	-	645 968	-
	<b>38 739 174</b>	<b>-</b>	<b>781 003</b>	<b>-</b>

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

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### 6. Intangible assets

Group	2020			2019		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Intangible assets	255 604	(120 690)	134 914	255 604	(35 497)	220 107

Company	2020			2019		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Intangible assets	255 604	(120 690)	134 914	255 604	(35 497)	220 107

#### Reconciliation of intangible assets - Group - 2020

	Opening balance	Amortisation	Closing balance
Intangible assets	220 107	(85 193)	134 914

#### Reconciliation of intangible assets - Group - 2019

	Opening balance	Amortisation	Closing balance
Intangible assets	255 604	(35 497)	220 107

#### Reconciliation of intangible assets - Company - 2020

	Opening balance	Amortisation	Closing balance
Intangible assets	220 107	(85 193)	134 914

#### Reconciliation of intangible assets - Company - 2019

	Opening balance	Amortisation	Closing balance
Intangible assets	255 604	(35 497)	220 107

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	Group		Company	
	2020	2019 Restated *	2020	2019 Restated *
	N\$	N\$	N\$	N\$

### 7. Investments in subsidiaries

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

Name of company	2020	2019
<b>Cost</b>		
NAMCOR Petroleum Trading and Distribution (Pty) Ltd	100	100
NAMCOR Exploration and Production (Pty) Ltd	160 000	160 000
<b>Accumulated impairment</b>		
NAMCOR Exploration and Production (Pty) Ltd	(160 000)	(160 000)
<b>Carrying amount</b>	<b>100</b>	<b>100</b>

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 owns 100% of the shares.

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

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	Group		Company	
	2020	2019 Restated *	2020	2019 Restated *
	N\$	N\$	N\$	N\$
<b>8. Other financial assets</b>				
<b>At fair value through other comprehensive income - designated</b>				
Government Bond GC24	2 576 589	2 726 524	2 576 589	2 726 524
<b>At fair value through other comprehensive income - designated</b>				
Serica Energy plc				
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\$.				
	52 374 657	131 640 960	52 374 657	131 640 960
<b>Total other financial assets</b>	<b>54 951 246</b>	<b>134 367 484</b>	<b>54 951 246</b>	<b>134 367 484</b>
<b>Non-current assets</b>				
Financial assets: Fair value through other comprehensive income	2 576 589	2 726 524	2 576 589	2 726 524
Investment equity instrument	52 374 657	131 640 960	52 374 657	131 640 960
	<b>54 951 246</b>	<b>134 367 484</b>	<b>54 951 246</b>	<b>134 367 484</b>
<b>Fair value hierarchy of investment equity instrument</b>				
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.				
<b>Level 1</b>				
Listed shares	52 374 657	131 640 960	52 374 657	131 640 960
<b>Reconciliation of movement</b>				
Opening balance	131 640 960	63 428 047	131 640 960	63 428 047
Fair value gain/(loss)	(18 928 541)	54 403 991	(18 928 541)	54 403 991
Unrealised exchange gain/(loss)	3 743 370	13 808 922	3 743 370	13 808 922
Disposal	(64 081 132)	-	(64 081 132)	-
<b>Closing balance</b>	<b>52 374 657</b>	<b>131 640 960</b>	<b>52 374 657</b>	<b>131 640 960</b>
Fair value hierarchy of financial assets at fair value through other comprehensive income.				
For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements.				
Level 1 represents those assets which are measured using unadjusted quoted prices for identical assets.				
<b>Level 1</b>				
Listed bond	2 576 589	2 726 524	2 576 589	2 726 524
<b>Reconciliation of movement</b>				
Fair value at the beginning of the year	2 726 524	2 770 388	2 726 524	2 770 388
Class 2	-	-	-	-
Fair value gain/(loss)	(150 388)	(35 632)	(150 388)	(35 632)
Loss allowance - Initial adoption of IFRS 16	(640)	(640)	(640)	(640)
Loss allowance	(7 591)	(7 592)	(7 591)	(7 592)
Difference	8 684	-	8 684	-
	<b>2 576 589</b>	<b>2 726 524</b>	<b>2 576 589</b>	<b>2 726 524</b>



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	2020	2019	2020	2019
		Restated *		Restated *
	N\$	N\$	N\$	N\$
<b>9. Net investment in lease</b>				
<b>Amounts receivable under finance lease</b>				
Year 1	918 042	-	-	-
Year 2	991 486	-	-	-
Year 3	1 070 804	-	-	-
Year 4	1 156 469	-	-	-
Year 5	1 248 986	-	-	-
Onwards	40 669 779	-	-	-
Unguaranteed residual values	-	-	-	-
Total undiscounted amounts receivable	46 055 566	-	-	-
Gross investment in the leases	46 055 566	-	-	-
Less: Unearned finance income	(10 458 322)	-	-	-
<b>Net investment in the lease</b>	<b>35 597 244</b>	<b>-</b>	<b>-</b>	<b>-</b>
Non-current assets	35 455 292	-	-	-
Current assets	141 952	-	-	-
	<b>35 597 244</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Undiscounted lease payments analysed as:</b>				
Recoverable after 12 months	45 137 523	-	-	-
Recoverable within 12 months	918 042	-	-	-
<b>Closing balance</b>	<b>46 055 565</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net investment in lease analysed as:</b>				
Recoverable after 12 months	35 455 292	-	-	-
Recoverable within 12 months	141 952	-	-	-
	<b>35 597 244</b>	<b>-</b>	<b>-</b>	<b>-</b>

During the year, the finance lease receivables increased due to the Group entering into retail dealer arrangements.

The Group entered into finance leasing arrangements as a lessor for certain properties, leasehold improvements and store equipment to its retailers. The properties, leasehold improvement and equipment are necessary for the operation of the business of fuel service stations and convenience stores. The average term of finance leases entered into is 20 years.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in Namibia Dollar. Residual value risk on equipment under lease is not significant.

The following table presents the amounts included in profit or loss.

Selling (profit)/loss for finance leases	20 495 145	-	-	-
Finance income recognised on net investment in the leases	356 232	-	-	-
Income relating to variable lease payments not included in the net investment in finance leases	(604 748)	-	-	-

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	2019	2018	2019	2018
		Restated *		Restated *
	N\$	N\$	N\$	N\$

### 9. Net investment in lease (continued)

The market interest rate of 9% per annum and the interest rate implicit in the lease of 1.23% has been used to discount the contractual amounts for Hosea Kutako and Hanover Service Stations, respectively.

The directors of the Group estimate the loss allowance on finance lease receivables at the end of the reporting period at an amount equal to lifetime ECL. None of the finance lease receivables at the end of the reporting period is past due, and taking into account the historical default experience and the future prospects of the industries in which the lessees operate, together with the value of collateral held over these finance lease receivables, the directors of the Group consider that no finance lease receivable is impaired.

### 10. Deferred tax

#### Deferred tax asset

Accelerated capital allowances for tax purposes	(9 838 548)	(13 715 305)	(8 621 221)	(10 702 647)
Allowance for impairment - trade receivables	1 820 953	10 721 604	6 452	45 176
Deferred income	1 194 795	912 769	-	-
Right-of-use asset	4 454 233	-	20 456	-
Tax losses available for set off against future taxable income	180 803 973	237 239 688	166 897 256	158 368 294
Tax losses not utilised to create a deferred tax asset	(69 072 895)	(193 771 465)	(215 852 796)	(193 771 465)
Provisions	8 988 495	-	-	-
Unrealised foreign exchange	(2 408 730)	(9 459 066)	(7 527 281)	(9 459 066)
Accumulated costs on Kudu Gas Project deductible on commencement of production	21 114 830	56 110 834	65 983 844	56 110 834
Prepayments	(611 749)	(690 389)	(906 710)	(591 126)
<b>Total deferred tax asset</b>	<b>136 445 357</b>	<b>87 348 670</b>	<b>-</b>	<b>-</b>

#### Deferred tax liability

Deferred tax liability - prior year	(23 895 859)	(10 935 406)	-	(10 935 406)
Current year charge in other comprehensive income	5 953 165	(12 960 453)	-	(12 960 453)
Transferred to tax payable	9 646 848	-	-	-
<b>Total deferred tax liability</b>	<b>(8 295 846)</b>	<b>(23 895 859)</b>	<b>-</b>	<b>(23 895 859)</b>

#### 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 exist 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.

As part of National Petroleum Corporation of Namibia (Pty) Ltd's five-year strategic business plan, NAMCOR Petroleum Trading and Distribution (Pty) Ltd is embarking on an aggressive rollout to construct 33 retail sites. The strategy to expand into the retail fuel market segment will result in additional capital expenditure in the current and future financial years, with resultant increased tax deductions and increased taxable income.

In the assessment of the deferred tax asset, management incorporated the impact of this strategy. Management has estimated that the revenue expected from the retail sites will result in the entity generating taxable profits that will utilise the unused assessed loss.

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	Group		Company	
	2020	2019 Restated *	2020	2019 Restated *
	N\$	N\$	N\$	N\$
<b>11. Loans to Group companies</b>				
<b>Subsidiaries</b>				
NAMCOR Exploration and Production (Pty) Ltd The loan is unsecured, interest free and repayable on demand.	-	-	108 948	81 914
Brak Property Development 35 (Pty) Ltd The loan is unsecured, interest free and repayable on demand.	-	-	223 966	84 481
Brak Property Development 36 (Pty) Ltd The loan is unsecured, interest free and repayable on demand.	-	-	288 082	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 Namibia.	-	-	342 287 337	220 957 386
Impairment of loans to subsidiaries	-	-	(68 980 410)	(44 374 765)
	-	-	<b>273 927 923</b>	<b>176 831 439</b>
<b>Split between non-current and current portions</b>				
Non-current assets		-	-	-
Current assets	-		273 927 923	- 176 831 439
	-	-	<b>273 927 923</b>	<b>176 831 439</b>
<b>12. Inventories</b>				
Finished goods	107 052 980	58 106 737	-	-
Write down of inventories recognised as an expense	2 748 585	1 741 769	-	-

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	Group		Company	
	2020	2019	2020	2019
		Restated *		Restated *
	N\$	N\$	N\$	N\$
<b>13. Trade and other receivables</b>				
<b>Financial instruments:</b>				
Trade receivables	412 494 060	265 923 103	1 442 197	15 890 002
Loss allowance on trade receivables	(193 504 158)	(118 661 386)	(26 885)	(188 232)
Trade receivables at amortised cost	218 989 902	147 261 717	1 415 312	15 701 770
Other receivables	24 946 981	18 518 576	17 284 548	15 180 150
Other receivables - loss allowance	(8 527)	-	-	-
<b>Non-financial instruments:</b>				
Value added tax	58 264 555	35 331 425	11 687 865	14 428 930
Impairment on value added taxation	(2 180 081)	(3 754 180)	(956 251)	(2 530 350)
NEF receivable	15 671 951	15 671 951	-	-
Prepaid expenses	4 574 274	2 253 149	2 837 948	2 253 149
Export fuel tax receivable	17 339 315	-	-	-
<b>Total trade and other receivables</b>	<b>337 598 370</b>	<b>215 282 638</b>	<b>32 269 422</b>	<b>45 033 649</b>
<b>Split between non-current and current portions</b>				
Current assets	337 598 370	215 282 638	32 269 422	45 033 649
<b>Categorisation of trade and other receivables</b>				
Trade and other receivables are categorised as follows in accordance with IFRS 9 Financial instruments:				
At amortised cost	243 928 355	165 780 293	18 699 860	30 881 920
Non-financial instruments	93 670 015	49 502 345	13 569 562	14 151 729
	<b>337 598 370</b>	<b>215 282 638</b>	<b>32 269 422</b>	<b>45 033 649</b>
<b>Exposure to credit risk</b>				
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.				
<b>Reconciliation of provision for impairment of trade and other receivables</b>				
Opening balance - IAS 39	118 750 298	165 121 067	253 498	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)	-	-
(Reversal of)/provision for impairment	(74 998 885)	64 888 340	9 886	131 032
	<b>43 751 413</b>	<b>118 820 919</b>	<b>263 384</b>	<b>324 119</b>

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	Group		Company	
	2020	2019 Restated *	2020	2019 Restated *
	N\$	N\$	N\$	N\$
<b>14. Cash and cash equivalents</b>				
Cash and cash equivalents consist of:				
Cash on hand	12 895	12 945	3 000	3 050
Bank balances	200 838 254	191 496 555	156 990 276	164 211 547
Short-term deposits	18 262 085	24 524 743	18 262 085	24 524 743
Bank overdraft	(29 421 913)	-	(3 608 417)	-
Loss allowance on cash and cash equivalents	(183 266)	-	(62 081)	-
	<b>189 508 055</b>	<b>216 034 243</b>	<b>171 584 863</b>	<b>188 739 340</b>
Current assets	218 929 969	216 034 243	175 193 280	188 739 340
Current liabilities	(29 421 913)	-	(3 608 417)	-
	<b>189 508 056</b>	<b>216 034 243</b>	<b>171 584 863</b>	<b>188 739 340</b>
Cash and cash equivalents held by the entity that are not available for use by the Group	7 499 953	18 920 593	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% (2019: 7.25%).				
Bank Windhoek holds a limited cession of N\$7 499 953 (2019: N\$7 499 953) 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\$ nil (2019: N\$11 411 000) to cover guarantees issued.				
<b>15. Share capital</b>				
<b>Authorised</b>				
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.				
<b>Issued</b>				
10 000 000 Ordinary shares of N\$1 each	10 000 000	10 000 000	10 000 000	10 000 000
<b>16. Revaluation reserve</b>				
The revaluation reserve relates to the revaluation of property.				
Opening balance	59 908 055	70 387 428	15 663 933	20 121 882
Revaluation of property	(2 151 329)	(10 479 375)	5 567 149	(4 457 949)
<b>Closing balance</b>	<b>57 756 726</b>	<b>59 908 055</b>	<b>21 231 082</b>	<b>15 663 933</b>



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	2020	2019	2020	2019
		Restated *		Restated *
	N\$	N\$	N\$	N\$
<b>17. Loans from shareholders</b>				
<b>Ministry of Mines and Energy</b>	(51 513 778)	(53 200 000)	-	-
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.	(30 477 077)	(34 829 892)	-	-
NAMCOR Petroleum Trading and Distribution (Pty) Ltd received funds amounting to N\$50 million on 01 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 01 April 2016.				
<b>Split between non-current and current portions</b>				
Non-current liabilities	(75 577 470)	(81 990 855)	-	-
Current liabilities	(6 413 385)	(6 039 037)	-	-
	<b>(81 990 855)</b>	<b>(88 029 892)</b>	<b>-</b>	<b>-</b>

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	2020	2019 Restated *	2020	2019 Restated *
	N\$	N\$	N\$	N\$
<b>18. Borrowings</b>				
<b>Held at amortised cost</b>				
<b>Secured</b>				
<b>Bank Windhoek</b>	16 741 943	19 764 287	16 741 944	19 764 287
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.				
<b>Nedbank Namibia</b>	31 347 702	-	-	-
The secured loan is a commercial loan and bears interest at a prime lending rate less 7.75% per annum. The loan is repayable in 61 monthly instalments. Proceeds from the agreement for the supply of Fuel and lubricants and the operation and maintenance of bulk storage and dispensing equipment and fuel management systems between Swakopmund Uranium (Pty) Ltd and NAMCOR Petroleum Trading and Distribution (Pty) Ltd have been pledged as security in respect of the N\$34 000 000 term loan facility. bution (Pty) Ltd have been pledged as security in respect of the N\$34 000 000 term loan facility.				
<b>Standard Bank Namibia</b>	-	126 368	-	-
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.				
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.				
<b>Split between non-current and current portions</b>				
Non-current liabilities	45 448 982	23 758 805	13 348 352	16 748 412
Current liabilities	9 669 445	5 240 329	3 393 592	3 015 875
	<b>55 118 427</b>	<b>28 999 134</b>	<b>16 741 944</b>	<b>19 764 287</b>

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	2020	2019 Restated *	2020	2019 Restated *
	N\$	N\$	N\$	N\$

### 19. Deferred income

The Company entered into a 99 year lease agreement with Hammerhead Investments (Pty) Ltd on 01 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.

#### Hammerhead Investments lease

At 01 April	2 702 020	2 732 323	-	-
Released into the income statement	(30 303)	(30 303)	-	-
	<b>2 671 717</b>	<b>2 702 020</b>	<b>-</b>	<b>-</b>
Non-current liabilities	2 641 414	2 671 717	-	-
Current liabilities	30 303	30 303	-	-
	<b>2 671 717</b>	<b>2 702 020</b>	<b>-</b>	<b>-</b>

### 20. Trade and other payables

#### Financial instruments:

Trade payables	328 066 311	105 952 906	7 931 894	5 300 635
Other payables	2 274 947	698 675	1 184 035	487 152
Levies	15 922 067	17 640 853	-	-
Accruals	107 821 206	21 158 480	41 237 597	19 369 975
	<b>454 084 531</b>	<b>145 450 914</b>	<b>50 353 526</b>	<b>25 157 762</b>

#### Exposure to currency risk

Refer to note 39 Financial instruments and financial risk management for details of currency risk management for trade payables.

#### Exposure to liquidity risk

Refer to note 39 Financial instruments and financial risk management for details of liquidity risk exposure and management.

#### Exposure to interest rate risk

Refer to note 39 Financial instruments and financial risk management for details of interest rate risk management for trade and other payables.

### 21. Current tax payable

#### Reconciliation of current taxation paid during the year

Charge to the statement of comprehensive income	9 646 848	-	9 646 848	-
Foreign exchange loss	1 602 984	-	1 602 984	-
<b>Current tax payable</b>	<b>11 249 832</b>	<b>-</b>	<b>11 249 832</b>	<b>-</b>

The current tax payable relates to the 19% capital charge on the disposal of 3 000 000 shares in Serica Energy plc, a foreign company incorporated in England and Wales.

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	2020	2019 Restated *	2020	2019 Restated *
	N\$	N\$	N\$	N\$

### 22. Provisions

#### Reconciliation of provisions - Group - 2020

	Opening balance	Additions	Payments / utilisation	Reversed during the year	Closing balance
Provision for bonuses	302 419	216 270	-	-	518 689
Provision for leave pay	6 902 452	2 854 297	(1 051 542)	-	8 705 207
Provision for levies payable	31 813 803	3 965 838	(7 205 782)	-	28 573 859
Provision for decommissioning	-	-	-	863 653	863 653
	<b>39 018 674</b>	<b>7 036 405</b>	<b>(8 257 324)</b>	<b>863 653</b>	<b>38 661 408</b>

#### Reconciliation of provisions - Group - 2019

	Opening balance	Additions	Payments / utilisation	Closing balance
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)	-
	<b>19 672 445</b>	<b>21 575 910</b>	<b>(2 229 681)</b>	<b>39 018 674</b>

#### Reconciliation of provisions - Company - 2020

	Opening balance	Additions	Payments / utilisation	Closing balance
Provision for bonuses	182 504	88 750	-	271 254
Provision for leave pay	5 379 222	1 670 659	(435 062)	6 614 819
	<b>5 561 726</b>	<b>1 759 409</b>	<b>(435 062)</b>	<b>6 886 073</b>

#### Reconciliation of provisions - Company - 2019

	Opening balance	Additions	Payments / utilisation	Closing balance
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)	-
	<b>5 616 133</b>	<b>1 808 762</b>	<b>(1 863 169)</b>	<b>5 561 726</b>

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2020	2019 Restated *	2020	2019 Restated *
N\$	N\$	N\$	N\$

### 22. Provisions (continued)

#### Bonus provision

The provision for bonuses is for employees who qualify in terms of their employment contracts. The provision consists 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

In the previous financial years, the entity 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 Road Fund Administration Act. The non-compliance with the Road Fund Administration Act quantified amounts to N\$13 293 829 (2019: N\$14 803 803.77), including interest. This amount has been provided for in the financial statements.

##### Petroleum Products and Energy Act

In the previous financial years, the entity 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\$15 280 031 (2019: N\$17 009 998.85), including interest. This amount has been provided for in the financial statements.

##### Provision for decommissioning

The Group enters into bulk fuel supply agreements to provide petroleum products to customers. Some agreements require that NAMCOR Trading installs storage equipment for petroleum products at customers' premises. The Group has a constructive obligation of decommissioning and restoring the environment where the equipment has been installed. The provision has been raised based on the estimated costs of restoring the environment and has been discounted using the average rate of the borrowings as at reporting date.



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	Group		Company	
	2020	2019	2020	2019
		Restated *		Restated *
	N\$	N\$	N\$	N\$
<b>23. Revenue</b>				
<b>Revenue from contracts with customers</b>				
Sale of petroleum products	1 024 706 944	747 212 071	-	-
Storage and handling fees	4 922 723	4 071 150	-	-
Data licensing	36 721 648	21 812 097	36 721 648	21 812 097
Administration services	213 495	183 584	213 495	183 584
	<b>1 066 564 810</b>	<b>773 278 902</b>	<b>36 935 143</b>	<b>21 995 681</b>
<b>Disaggregation of revenue from contracts with customers</b>				
The Group disaggregates revenue from customers as follows:				
<b>Timing of revenue recognition</b>				
Revenue recognised at a point in time	1 062 952 965	770 203 079	36 845 248	21 906 896
Revenue recognised over time	3 611 845	3 075 823	89 895	88 785
<b>Total revenue from contracts with customers</b>	<b>1 066 564 810</b>	<b>773 278 902</b>	<b>36 935 143</b>	<b>21 995 681</b>
<b>24. Cost of sales</b>				
Cost of petroleum products sold	1 035 929 806	696 153 203	-	-
<b>25. Other income</b>				
Convenience store income	574 404	-	-	-
Farm-out proceeds	29 849 776	-	29 849 776	-
Foreign exchange gains	24 331 753	29 710 551	24 331 753	29 714 516
COVID-19 slate relief income	15 784 600	-	-	-
Other rental income	30 303	30 303	-	-
Recoveries	14 888 742	-	-	-
Road and rail subsidy	846 467	1 535 549	-	-
Dealer deposit income	2 600 000	-	-	-
Sundry income	3 863 250	119 518	3 558 343	119 518
VET levy income	478 059	186 091	472 266	182 126
	<b>93 247 354</b>	<b>31 582 012</b>	<b>58 212 138</b>	<b>30 016 160</b>
<b>26. Government grants</b>				
Fuel levy income	86 793 375	87 919 474	86 793 375	87 919 474

The Company receives 7.6 cents per litre of the National Energy Fund. The fuel levy is reserved as a compensation for expenses or losses already incurred for the purpose of giving immediate financial support to the Group.

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	Group		Company	
	2020	2019	2020	2019
		Restated *		Restated *
	N\$	N\$	N\$	N\$
<b>27. Operating (loss)/profit</b>				
Operating loss for the year is stated after charging (crediting) the following:				
<b>Distribution costs</b>				
Advertising	5 241 304	5 132 257	5 195 820	5 073 475
Management fee	9 655 176	2 954 056	-	-
Motor vehicle expenses	418 872	601 487	107 979	64 418
Other distribution costs	1 461 077	174 846	-	-
	<b>16 776 429</b>	<b>8 862 646</b>	<b>5 303 799</b>	<b>5 137 893</b>
<b>Other operating expenses</b>				
Impairments - income tax receivables	4 225 964	-	-	-
Day 1 gain/loss on IFRS 16	20 495 145	-	-	-
Other operating expenses	267 701	52 370 013	4 000	56 146
Prior year adjustments	4 792 552	41 139	5 463	207 710
Foreign exchange	7 168 738	35 384	7 168 738	35 384
Revaluation loss on PPE	4 763 230	(7 849 778)	4 763 230	(7 849 778)
Loss on sale of financial assets	2 177 215	-	2 177 215	-
	<b>43 890 545</b>	<b>44 596 758</b>	<b>14 118 646</b>	<b>(7 550 538)</b>
<b>Impairment losses on financial and contractual assets</b>				
Trade receivables	74 842 771	(24 971 141)	(161 348)	180 392
Loans to Group companies	-	36 661 306	24 545 647	36 661 306
Other receivables	231 858	3 129 391	162 695	(49 360)
	<b>75 074 629</b>	<b>14 819 556</b>	<b>24 546 994</b>	<b>36 792 338</b>
<b>Administrative expenses</b>				
Employee costs	83 631 377	66 982 708	58 648 146	50 064 825
Training	6 691 361	2 903 733	6 300 362	2 768 285
Professional fees	17 602 395	13 027 115	12 798 591	9 584 100
Depreciation	24 440 931	11 127 570	8 025 464	6 284 702
Internal audit fees	1 755 336	1 236 800	1 755 336	1 236 800
External audit fees	2 303 640	2 392 667	1 488 607	1 252 485
Consumables	282 854	-	-	-
Insurance	825 320	361 188	361 451	361 188
Rental charges	913 483	1 065 388	-	-
Repairs and maintenance	4 812 519	4 493 335	1 428 345	2 220 459
Travel expenses	4 357 473	3 710 755	3 441 950	3 001 925
Municipal charges	4 179 221	3 355 381	2 608 923	2 356 600
Computer expenses	11 687 276	6 933 855	11 236 399	6 913 424
Directors' remuneration	1 579 461	1 199 800	1 304 497	1 020 654
Legal fees	1 994 919	1 235 023	1 493 342	581 147
Exploration costs	4 445 290	6 776 192	4 445 290	6 776 192
Kudu project expenses	20 230 687	47 192 222	20 230 687	47 192 222
Leasing charges	2 913 532	6 178 854	2 913 532	3 427 380
Other	19 291 443	16 071 992	13 493 656	13 050 613
	<b>212 178 066</b>	<b>196 244 578</b>	<b>152 011 278</b>	<b>158 093 001</b>

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	Group		Company	
	2020	2019 Restated *	2020	2019 Restated *
	N\$	N\$	N\$	N\$

### 28. 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.

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

Consultancy support	207 740	198 662	207 740	198 662
Drilling	379	256 554	379	256 554
Floating production system (FPS)	-	1 177 439	-	1 177 439
General and administration expenditure	9 894 967	14 226 245	9 894 967	14 226 245
Insurance	1 594 146	1 513 254	1 594 146	1 513 254
Kudu activities to FID	90 105	9 823 524	90 105	9 823 524
Licence fee obligation	3 151 344	3 057 829	3 151 344	3 057 829
Other expenses	475 263	(645 862)	475 263	(645 862)
Subsurface modelling	248 347	2 487 223	248 347	2 487 223
Training	425 574	438 860	425 574	438 860
	<b>16 087 865</b>	<b>32 533 728</b>	<b>16 087 865</b>	<b>32 533 728</b>

### 29. Finance income

#### Interest income

Cash and cash equivalents	6 772 863	12 341 767	5 822 334	9 301 036
Finance lease receivables	356 232	-	-	-
Interest charged on trade receivables	861 496	2 313 768	-	-
Staff loans	59 993	65 646	59 993	65 646

#### Total interest revenue

<b>8 050 584</b>	<b>14 721 181</b>	<b>5 882 327</b>	<b>9 366 682</b>
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### 30. Finance costs

Finance leases	2 926 939	-	88 590	-
Bank overdraft	3 416 126	-	-	-
Long-term borrowings	10 834 150	10 503 992	1 364 386	1 617 606
Less: borrowing costs capitalised	(3 659 113)	(3 624 753)	-	-
Other interest paid	549 436	-	-	-

#### Total finance costs

<b>14 067 538</b>	<b>6 879 239</b>	<b>1 452 976</b>	<b>1 617 606</b>
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Capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation was 8.74%.

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	Group		Company	
	2020	2019	2020	2019
		Restated *		Restated *
	N\$	N\$	N\$	N\$
<b>31. Taxation</b>				
<b>Major components of the tax income</b>				
<b>Deferred</b>				
Current year charge	(49 096 687)	(10 037 091)	-	-
<b>Reconciliation of the tax expense</b>				
Reconciliation between applicable tax rate and average effective tax rate				
Applicable tax rate	32.00 %	32.00 %	32.00 %	32.00 %
Exempt income	- %	0.36 %	- %	0.61 %
Tax loss used	- %	8.36 %	- %	(26.15)%
Capital gains tax	- %	25.10 %	- %	(68.49)%
Non-deductible expenses deemed capital in nature	13.52 %	- %	14.00 %	- %
Non-deductible impairment losses	81.10 %	- %	82.10 %	- %
Disallowable charges	- %	1.45 %	- %	- %
Current year losses in subsidiaries	- %	0.01 %	- %	- %
IFRS day 1 loss	(4.15)%	- %	- %	- %
COVID-19 relief receipt from MME	33.20%	- %	- %	- %
Depreciation of leasehold improvements	(0.94)%	- %	- %	- %
Fuel levy and income not taxable	(290.10)%	- %	(290.10)%	- %
Non-deductible capital expenditure - legal and professional fees	4.62 %	- %	4.62 %	- %
Loss on disposal of financial assets	7.28 %	- %	7.28 %	- %
Prior year deferred tax recognised in OCI	(6.06)%	- %	(6.06)%	- %
Exempt dividends	(1.64)%	- %	(1.64)%	- %
Unrecognised deferred tax asset	157.83 %	- %	157.83 %	- %
Prior year (under)/over provision	(0.95)%	- %	- %	- %
Non-deductible finance costs	(0.84)%	- %	- %	- %
Non-deductible fines and penalties	0.08 %	- %	- %	- %
Other	- %	(0.80)%	- %	- %
Recognised in equity	- %	(42.33)%	- %	62.71 %
	<b>(5.04)%</b>	<b>24.15 %</b>	<b>- %</b>	<b>- %</b>
Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax asset has been recognised	642 144 537	767 842 458	215 852 796	494 877 864
<b>32. Auditors' remuneration</b>				
Fees	2 330 675	2 422 317	1 488 607	1 252 486

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	Group		Company	
	2020	2019	2020	2019
		Restated *		Restated *
	N\$	N\$	N\$	N\$
<b>33. Cash (used in)/generated from operations</b>				
Loss before taxation	(143 260 890)	(60 054 409)	(9 610 710)	(44 792 303)
<b>Adjustments for:</b>				
Depreciation and amortisation of property, plant and equipment	21 520 795	11 271 461	7 239 843	6 284 702
Depreciation of right-of-use assets	4 612 004	-	785 620	-
(Profit)/Loss on sale of right-of-use assets	(5 793)	-	-	-
(Profit)/Loss on sale of property, plant and equipment	499 648	302 652	4 648	14 461
Other property, plant and equipment movements	404 912	4 248 874	-	-
Interest income	(7 694 352)	(14 721 181)	(5 882 327)	(9 366 682)
Finance income on net investment in lease	(356 232)	-	-	-
Finance costs	11 130 859	6 753 419	1 354 647	1 491 786
Finance costs on lease liability	2 926 939	-	88 590	-
Impairment of inventories	2 748 585	1 741 769	-	-
Impairment of property, plant and equipment	3 072 838	(6 378 429)	4 763 230	(7 849 778)
Impairment of loans to Group companies	-	-	24 545 646	36 638 462
Impairment of value added taxation	(1 574 099)	-	(1 574 099)	-
Impairment of trade receivables	74 842 771	64 922 368	(161 348)	180 392
Impairment of other receivables	156 115	12 706	171 234	(2 626)
Impairment of cash and cash equivalents	75 743	(90 979)	(8 539)	(46 734)
Unrealised (gain)/loss on foreign exchange	(998 484)	-	(998 484)	-
Operating accruals	42 937 654	16 275 908	41 237 597	18 329 486
Movement in provision for leave pay	2 854 297	2 429 786	1 670 659	1 778 078
Movement in provision for bonus	216 269	45 990	88 750	30 685
Movement in provision for decommissioning liability	(484 816)	-	-	-
Non-cash operating expenses movement in provision for non-compliance with laws and regulations	-	19 100 135	-	-
Bad debts written off	-	119 555 465	-	22 844
Unrealised gain/(loss) on foreign exchange (trade debtors)	-	(2 345 829)	-	(2 345 829)
Unrealised gain/(loss) on foreign exchange (cash and cash equivalents)	(22 937 930)	(27 195 522)	(22 937 930)	(27 195 522)
Unrealised gain/(loss) on foreign exchange (trade creditors)	9 538 462	128 689	9 538 462	128 689
Data licensing	(22 017 581)	-	(22 017 581)	-
Other non-cash operating expenses	4 792 552	41 139	5 463	207 710
COVID-19 slate relief income	(15 784 600)	-	-	-
Impairment of income tax receivable	4 225 964	-	-	-
Sundry income - past cost reimbursements	(3 472 495)	-	(3 472 495)	-
Proceeds from insurance claims	(304 865)	-	-	-
Day 1 loss IFRS 16	20 495 145	-	-	-
Other non-cash items	1 989 915	-	1 271 538	-
Deferred income	(30 303)	(30 303)	-	-
<b>Changes in working capital:</b>				
Inventories	(51 694 827)	(25 420 725)	-	-
Trade and other receivables	(190 964 678)	(212 064 536)	18 799 417	(3 431 480)
Trade and other payables	269 799 522	(10 372 161)	(21 977 338)	(11 132 308)
Provisions	(2 943 016)	(2 229 681)	(435 062)	(1 863 169)
	<b>14 316 028</b>	<b>(114 073 394)</b>	<b>22 489 431</b>	<b>(42 919 136)</b>



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## Notes to the Consolidated and Separate Annual Financial Statements

	Group		Company			
	2020	2019 Restated *	2020	2019 Restated *		
	N\$	N\$	N\$	N\$		
<b>34. Tax receivable</b>						
Balance at the beginning of the year	9 687 368	9 687 368	5 461 404	5 461 404		
Impairment of tax receivable	(4 225 964)	-	-	-		
	<b>5 461 404</b>	<b>9 687 368</b>	<b>5 461 404</b>	<b>5 461 404</b>		
<b>35. Contractual assets</b>						
The contractual assets relate to the accrual in respect of data licensing.	22 017 581	-	22 017 581	-		
<b>36. Changes in liabilities arising from financing activities</b>						
<b>Reconciliation of liabilities arising from financing activities - Group - 2020</b>						
	<b>Opening balance</b>	<b>Repayments</b>	<b>New loans raised</b>	<b>Fair value changes</b>	<b>New leases</b>	<b>Closing balance</b>
Borrowings	28 999 134	(7 880 707)	33 609 000	-	391 000	55 118 427
Loan from shareholders	93 729 499	(11 738 644)	-	-	-	81 990 855
	<b>122 728 633</b>	<b>(19 619 351)</b>	<b>33 609 000</b>	<b>-</b>	<b>391 000</b>	<b>137 109 282</b>
<b>Total liabilities from financing activities</b>	<b>122 728 633</b>	<b>(19 619 351)</b>	<b>33 609 000</b>	<b>-</b>	<b>391 000</b>	<b>137 109 282</b>
<b>Reconciliation of liabilities arising from financing activities - Group - 2019</b>						
	<b>Opening balance</b>	<b>Repayments</b>	<b>New loans raised</b>	<b>Fair value changes</b>	<b>New leases</b>	<b>Closing balance</b>
Borrowings	35 660 309	(6 661 175)	-	-	-	28 999 134
Loan from shareholders	88 029 892	(5 699 607)	-	-	-	88 029 892
	<b>123 690 201</b>	<b>(12 360 782)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>117 029 026</b>
<b>Total liabilities from financing activities</b>	<b>123 690 201</b>	<b>(12 360 782)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>117 029 026</b>
<b>Reconciliation of liabilities arising from financing activities - Company - 2020</b>						
	<b>Opening balance</b>	<b>Repayments</b>	<b>New loans raised</b>	<b>Fair value changes</b>	<b>New leases</b>	<b>Closing balance</b>
Borrowings	19 764 287	(3 022 343)	-	-	-	16 741 944
Loan from shareholders	-	-	-	-	781 003	781 003
	<b>19 764 287</b>	<b>(3 022 343)</b>	<b>-</b>	<b>-</b>	<b>781 003</b>	<b>17 522 947</b>
<b>Total liabilities from financing activities</b>	<b>19 764 287</b>	<b>(3 022 343)</b>	<b>-</b>	<b>-</b>	<b>781 003</b>	<b>17 522 947</b>
<b>Reconciliation of liabilities arising from financing activities - Company - 2019</b>						
	<b>Opening balance</b>	<b>Repayments</b>	<b>New loans raised</b>	<b>Fair value changes</b>		<b>Closing balance</b>
Borrowings	22 503 597	(2 739 310)	-	-		19 764 287
	<b>22 503 597</b>	<b>(2 739 310)</b>	<b>-</b>	<b>-</b>		<b>19 764 287</b>
<b>Total liabilities from financing activities</b>	<b>22 503 597</b>	<b>(2 739 310)</b>	<b>-</b>	<b>-</b>		<b>19 764 287</b>

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	Group		Company	
	2020	2019 Restated *	2020	2019 Restated *
	N\$	N\$	N\$	N\$

### 37. Commitments and guarantees

#### Guarantees

The Group 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 2020 is N\$800 000 (2019: N\$800 000).

The Group 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 2020 is N\$6 800 000 (2019: N\$6 800 000).

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 2020 is N\$22 821 280 (2019: N\$22 821 280).

During the current financial year, the Group took out a non-negotiable performance guarantee issued by Standard Bank Namibia to Swakop Uranium (Pty) Ltd which covers 10% of the estimated annual contract amounting to N\$5 772 000. The guarantee has a validity period of one year and is reviewed and renewed on a yearly basis.

#### Capital expenditure commitments

Capital expenditure approved	269 722 414	305 996 994	38 679 009	27 211 418
Commitments in respect of contracts placed	62 584 265	179 704 137	-	-

The Group has an approved capital expenditure budget amounting to N\$224.4 million for the 2020 financial year. N\$132.3 of the approved expenditure has been earmarked for the roll-out of the retail network. The Group intends to construct and acquire retail outlets, targeting strategic locations countrywide. The remaining amount relates to the upgrade of infrastructure at existing depots as well as installation of storage tanks and pumps at customer sites.

The capital expenditure in respect of the roll-out of retail service stations will be financed through debt, and the remainder through equity.

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	Group		Company	
	2020	2019	2020	2019
		Restated *		Restated *
	N\$	N\$	N\$	N\$
<b>38. Related parties</b>				
<b>Relationships</b>				
Ultimate holding company			Government of the Republic of Namibia	
Directors			Refer to directors' report	
State owned enterprises			Refer to significant accounting policies	
Subsidiaries			Refer to note 7	
<b>Related party balances</b>				
<b>Long-term loans - Owning (to)/by related parties</b>				
Ministry of Mines and Energy	-	-	(117 918 563)	(117 918 563)
National Petroleum Trading and Distribution (Pty) Ltd	-	-	342 848 353	176 831 440
<b>Trade receivables</b>				
TransNamib Holdings (Pty) Ltd	10 316 639	3 940 497	-	-
Namibia Ports Authority (Pty) Ltd	2 921 177	1 614 477	-	-
Road Fund Administration	-	133 520	-	-
Roads Contractor Company	13 561 180	17 215 197	-	-
Roads Contractor Company projects cash account	(6 853)	-	-	-
<b>Trade payables</b>				
Namibia Ports Authority (Pty) Ltd	283 833	266 369	-	-
Telecom Namibia Limited	17 063	74 095	-	-
TransNamib Holdings (Pty) Ltd	335 722	726 354	-	-
<b>Related party transactions</b>				
<b>Interest paid to related parties</b>				
National Energy Fund	3 609 633	4 553 371	-	-
<b>Levies received from related parties</b>				
Ministry of Mines and Energy	-	87 919 474	-	87 919 474
<b>Sales to related parties</b>				
Namibia Ports Authority (Pty) Ltd	16 818 065	23 137 564	-	-
Roads Contractor Company (Pty) Ltd	-	1 614	-	-
TransNamib Holdings (Pty) Ltd	22 708 697	38 504 401	-	-
Namibia Power Corporation	31 623 257	-	-	-
<b>Compensation to directors and other key management</b>				
Salaries	1 848 306	1 848 306	1 848 306	1 848 306
Directors' fees	1 579 461	1 112 800	1 304 497	933 654
Expense allowances	-	236 947	-	236 947
	<b>3 427 767</b>	<b>3 198 053</b>	<b>3 152 803</b>	<b>3 018 907</b>

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## Notes to the Consolidated and Separate Annual Financial Statements

### 39. Financial instruments and risk management

#### Categories of financial instruments

#### Categories of financial assets

#### Group - 2020

	Note(s)	Amortised cost
Trade and other receivables	13	243 928 355
Cash and cash equivalents	14	218 929 969
Contractual assets		22 017 587
		<b>484 875 911</b>

#### Group - 2019

	Note(s)	Amortised cost
Trade and other payables	13	165 780 293
Cash and cash equivalents	14	216 034 243
		<b>381 814 536</b>

#### Company - 2020

	Note(s)	Amortised cost
Loans to Group companies	11	273 927 923
Trade and other receivables	13	18 699 860
Cash and cash equivalents	14	175 193 280
		<b>467 821 063</b>

#### Company - 2019

	Note(s)	Amortised cost
Loans to Group companies	11	176 831 440
Trade and other receivables	13	30 881 920
Cash and cash equivalents	14	188 739 340
		<b>396 452 700</b>

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

#### Categories of financial liabilities

##### Group - 2020

	Note(s)	Amortised cost
Trade and other payables	20	454 084 531
Loans from shareholders		81 990 855
Borrowings	18	55 118 427
Bank overdraft	14	25 813 496
		<b>617 007 309</b>

##### Group - 2019

	Note(s)	Amortised cost
Trade and other payables	20	145 450 914
Loans from shareholders		88 029 892
Borrowings	18	28 999 134
		<b>262 479 940</b>

##### Company - 2020

	Note(s)	Amortised cost
Trade and other payables	20	50 353 527
Borrowings	18	16 741 944
Bank overdraft	14	3 608 417
		<b>70 703 888</b>

##### Company - 2019

	Note(s)	Amortised cost
Trade and other payables	20	25 157 761
Borrowings	18	19 764 287
		<b>44 922 048</b>



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	Group		Company	
	2020	2019 Restated *	2020	2019 Restated *
	N\$	N\$	N\$	N\$

### 39. 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 shareholders 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 were as follows:

Loans from Group companies		-	-	-	-
Loans from shareholders	17	81 990 855	88 029 892	-	-
Borrowings	18	55 118 427	28 999 134	16 741 944	19 764 287
Trade and other payables	20	454 084 531	145 450 914	50 353 527	25 157 761
<b>Total borrowings</b>		<b>591 193 813</b>	<b>262 479 940</b>	<b>67 095 471</b>	<b>44 922 048</b>
Cash and cash equivalents	14	(189 508 055)	(216 034 243)	(171 584 862)	(188 739 340)
<b>Net borrowings</b>		<b>401 685 758</b>	<b>46 445 697</b>	<b>(104 489 391)</b>	<b>(143 817 292)</b>
Equity		574 362 825	680 703 765	549 828 027	562 881 734
Gearing ratio		70 %	29 %	(19)%	(6)%

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### 39. 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		2020			2019		
		Gross carrying amount	Credit loss allowance	Amortised cost	Gross carrying amount	Credit loss allowance	Amortised cost
Loans to Group companies	11	-	-	-	-	-	-
Net investment in lease		35 597 244	-	35 597 244	-	-	-
Trade and other receivables	13	260 043 841	(956 251)	259 087 590	165 780 293	(3 754 180)	162 026 113
Cash and cash equivalents	14	219 113 234	-	219 113 234	216 034 243	-	216 034 243
		<b>514 754 319</b>	<b>(956 251)</b>	<b>513 798 068</b>	<b>381 814 536</b>	<b>(3 754 180)</b>	<b>378 060 356</b>

Company		2020			2019		
		Gross carrying amount	Credit loss allowance	Amortised cost	Gross carrying amount	Credit loss allowance	Amortised cost
Loans to Group companies	11	342 620 252	(68 692 329)	273 927 923	221 039 299	(44 207 860)	176 831 439
Trade and other receivables	13	18 699 860	(956 251)	17 743 609	30 881 920	(2 530 350)	28 351 570
Cash and cash equivalents	14	175 255 361	-	175 255 361	188 739 340	-	188 739 340
		<b>536 575 473</b>	<b>(69 648 580)</b>	<b>466 926 893</b>	<b>440 660 559</b>	<b>(46 738 210)</b>	<b>393 922 349</b>

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## Notes to the Consolidated and Separate Annual Financial Statements

### 39. 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 2020

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Loans from shareholders	6 413 385	6 826 242	23 402 869	45 348 359
Borrowings	-	12 691 006	32 757 977	-
Trade and other payables	443 063 475	-	-	-
Bank overdraft	29 421 913	-	-	-
	<b>478 898 773</b>	<b>19 517 248</b>	<b>56 160 846</b>	<b>45 348 359</b>

##### 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	-	-	-
	<b>156 730 280</b>	<b>11 973 345</b>	<b>27 938 673</b>	<b>186 753 204</b>

#### Company

##### At 31 March 2020

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	3 393 592	3 505 928	9 842 424	-
Trade and other payables	50 278 258	-	-	-
Bank overdraft	3 608 417	-	-	-
	<b>57 280 267</b>	<b>3 505 928</b>	<b>9 842 424</b>	<b>-</b>

##### 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	-	-	-
	<b>28 173 637</b>	<b>3 242 475</b>	<b>11 317 439</b>	<b>120 107 061</b>

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	Group		Company	
	2020	2019 Restated *	2020	2019 Restated *
	N\$	N\$	N\$	N\$

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

#### 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 foreign currency denominated trade receivables; foreign currency denominated bank balances and foreign currency denominated trade payables.

At 31 March 2020, if the currency had weakened/strengthened by 10% against the foreign currencies with all other variables held constant, Company and Group post- tax profit for the year would have been N\$1 943 773 (2019: N\$12 136 686) lower/higher and N\$10 943 773 (2019: N\$11 942 326) lower/higher, mainly as a result of foreign exchange gains on the translation of foreign currency denominated trade receivables and contractual assets, respectively.

#### Exposure in Namibia Dollar

The net carrying amounts, in Namibia Dollar, of the various exposures, are denominated in the following currencies. The amounts have been presented in Namibia Dollar by converting the foreign currency amounts at the closing rate at the reporting date:

#### US Dollar exposure:

##### Current assets:

Trade and other receivables	13	4 956 089	15 847 459	4 956 089	15 847 459
Cash and cash equivalents	14	121 826 737	121 781 086	121 826 737	121 781 086
Contractual assets		22 017 581	-	22 017 581	-

##### Current liabilities:

Trade and other payables	20	(39 362 675)	(16 261 690)	(39 362 675)	(16 261 690)
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#### Net US Dollar exposure

<b>109 437 732</b>	<b>121 366 855</b>	<b>109 437 732</b>	<b>121 366 855</b>
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#### Euro exposure:

##### Current liabilities:

Trade and other payables	20	-	(1 943 593)	-	-
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#### Net Euro exposure

<b>-</b>	<b>(1 943 593)</b>	<b>-</b>	<b>-</b>
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		Group		Company	
		2020	2019	2020	2019
			Restated *		Restated *
		N\$	N\$	N\$	N\$
<b>39. Financial instruments and risk management (continued)</b>					
<b>Foreign currency risk (continued)</b>					
<b>GBP exposure:</b>					
<b>Non-current assets:</b>					
Other financial assets	8	52 374 657	131 640 960	52 374 657	131 640 960
<b>Net GBP exposure</b>		<b>52 374 657</b>	<b>131 640 960</b>	<b>52 374 657</b>	<b>131 640 960</b>
<b>Net exposure to foreign currency in Namibia Dollar</b>		<b>161 812 389</b>	<b>251 064 222</b>	<b>161 812 389</b>	<b>253 007 815</b>
<b>Exposure in foreign currency amounts</b>					
The net carrying amounts, in foreign currency of the above exposure was as follows:					
<b>US Dollar exposure</b>					
<b>Current assets:</b>					
Trade and other receivables	13	282 451	1 109 184	282 451	1 109 184
Cash and cash equivalents	14	6 943 000	8 523 611	6 943 000	8 523 611
Contractual assets		1 254 799	-	1 254 799	-
<b>Current liabilities:</b>					
Trade and other payables	20	(2 193 701)	(1 113 433)	(2 193 701)	(1 113 433)
<b>Net US Dollar exposure</b>		<b>6 286 549</b>	<b>8 519 362</b>	<b>6 286 549</b>	<b>8 519 362</b>
<b>Euro exposure</b>					
<b>Current liabilities:</b>					
Trade and other payables	20	-	(130 221)	(130 221)	-
<b>Net Euro exposure</b>		<b>-</b>	<b>(130 221)</b>	<b>(130 221)</b>	<b>-</b>

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		Group		Company	
		2020	2019	2020	2019
			Restated *		Restated *
		N\$	N\$	N\$	N\$
<b>39. Financial instruments and risk management (continued)</b>					
<b>Foreign currency risk (continued)</b>					
<b>GBP exposure:</b>					
<b>Non-current assets:</b>					
Other financial assets	8	2 402 507	7 066 074	2 402 507	7 066 074
<b>Net GBP exposure</b>		<b>2 402 507</b>	<b>7 066 074</b>	<b>2 402 507</b>	<b>7 066 074</b>
<b>Exchange rates</b>					
<b>USD</b>					
Buying		17.547	14.288	17.547	14.288
Selling		17.944	14.605	17.944	14.605
<b>GBP</b>					
Buying		21.800	18.630	21.800	18.630
<b>Euro</b>					
Selling		-	14.925	-	-
<b>Interest rate risk</b>					
The Group's interest rate risk arises from long-term borrowings and bank overdraft. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. During 2020 and 2019, 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:					
<b>Financial instrument</b>					
<b>Variable rate instrument</b>					
Financial assets		200 838 255	191 533 458	156 990 276	164 211 547
Financial liabilities		(23 770 725)	(28 999 133)	(16 741 944)	(19 764 286)
<b>Fixed rate instrument</b>					
Financial assets		20 838 674	54 643 798	20 838 674	27 321 888
Financial liabilities		(51 513 778)	(62 774 277)	-	-



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### 40. Restatement

The Group and Company's financial statements have been restated for the effect of Kudu loan classification.

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 01 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. The target date of 17 July 2017 has since lapsed and to date, the economic production has not materialised.

The loan repayment date is dependent upon the first economic production of the Kudu Project. The production date is unknown to both parties and is beyond their control. The loan has been classified as equity in terms of the accounting standard that governs the presentation of financial instruments, as the occurrence of a variable is highly or almost impossible and shall be classified as equity instruments. The effects of the restatement are as follows:

#### Group - 31 March 2019 and 31 March 2018

	As reported N\$	As restated N\$
<b>Statement of financial position</b>		
<b>Equity</b>		
Kudu shareholder reserves	-	117 918 563
<b>Non-current liabilities</b>		
Loan from shareholder	117 918 563	-

#### Company - 31 March 2019 and 31 March 2018

	As reported N\$	As restated N\$
<b>Statement of financial position</b>		
<b>Equity</b>		
Kudu shareholder reserves	-	117 918 563
<b>Non-current liabilities</b>		
Loan from shareholder	117 918 563	-

## This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

## This image shows a full page of white paper with horizontal blue or grey ruling lines. The lines are evenly spaced and run across the width of the page, leaving small margins at the top and bottom. There are no vertical margin lines, text, or other markings on the page.



