


NAMCOR

EXPLORING & FUELLING NAMIBIA

# Annual Report

15/16





NAMCOR
EXPLORING & FUELLING NAMIBIA

# CONTENT



Annual Report 15/16

# Glossary of Terms

The oil and gas industry is divided into two major components: upstream and downstream operations.

Upstream sector refers to the search for and the recovery and production of crude oil and natural gas, also known as the exploration and production (E&P) sector. The upstream sector includes the search for potential underground or underwater oil and gas fields, drilling of exploratory wells, and subsequently drilling and operating the wells that recover and bring the crude oil and/or raw natural gas to the surface.

Downstream sector refers to the selling and distribution of natural gas and products derived from crude oil. Such products include liquefied petroleum gas (LPG), gasoline or petrol, jet fuel, diesel oil, other fuel oils, asphalt and petroleum coke. This sector includes petroleum product distribution, retail outlets and natural gas distribution companies.

## Industry partners

| | |
|---|---|
| Azinam | www.azinam.com |
| Chariot Oil and Gas | www.chariotoilandgas.com |
| CGG | www.cgg.com |
| CIECO Exploration and Production | www.cieco.co.uk |
| Common Wealth Secretariat | www.thecommonwealth.org |
| Eco Oil and Gas | www.ecooilandgas.com |
| ERCL | www.ercl.com |
| Geological Survey of Namibia | www.gsn.gov.na |
| ION GXT | www.iongeo.com |
| Impact Oil and Gas | www.impactoilandgas.com |
| IHS | www.ihs.com |
| Maurel and Prom | www.maureletprom.fr |
| Ministry of Mines and Energy | www.mme.gov.na |
| Murphy Oil and Gas | www.murphyoilcorp.com |
| NamPower | www.nampower.com.na |
| NAMCOR (The National Petroleum Corporation of Namibia) | www.nampower.com.na |
| PGS | www.pgs.com |
| Serica Energy | www.serica-energy.com |
| Schlumberger | www.slb.com |
| Shell | www.shell.com |
| SpectrumGeo | www.spectrumgeo.com |
| TGS | www.tgs.com |

| Word or Phrases | Meaning |
|---|---|
| Bcf | Billion Standard Cubic Feet |
| BG | British Gas |
| Board | NAMCOR Board of Directors |
| DBSA | Development Bank of Southern Africa |
| DST | Drill Stem Test |
| ESA | Early Start Agreement |
| FC | Financial Close |
| FID | Final Investment Decision as set out in the PDA |
| FPS | Floating Production and Storage facility |
| GIIP | Gas Initially In Place |
| GRN | Government of the Republic of Namibia |
| IDC | Industrial Development Corporation, South Africa |
| IFC | International Finance Corporation |
| IOC | International Oil Company |
| ITT | Invitation to Tender |
| KDP | Kudu Development Project |
| PDA | Project Development Agreement is the agreement entered in to between the Upstream Parties and Downstream Parties |
| Subsea EPIC | Subsea Engineering, Procurement, Installation and Commissioning of the subsea works including the pipeline |

# Chairperson's Report

**"I remain upbeat about NAMCOR's potential position in the next five years. The company can become a N$5 billion company and among the top three parastatals."**

The market conditions of the oil and gas industry in which the company operates were less volatile for the financial year compared to prior years. The depreciation in the local currency and the fact that the 50% import mandate has still not been re-instated had an adverse impact on the financial results of the company. Despite these challenging market conditions, NAMCOR delivered healthy financial results and continues to create value for its stakeholders.

This is primarily attributed to speedy yet well thought strategic interventions, which include huge Heavy Fuel Oil (HFO) sales, data sales, a successful hedging plan, enhanced credit policy, cost cutting measures, improvement of corporate governance and investing in people. Through dedicated efforts, NAMCOR's interest in the hydrocarbon exploration licenses increased from 85% in the previous reporting period to 97% during the period under review.

Given that our role as the board is to ensure that NAMCOR strategy creates value for our shareholder, we prioritized upstream operations, improving profitability of the downstream operations, ensuring we create capability to be able to operate the national Bulk Fuel Storage Facility in Walvis Bay and to optimize financial governance of the hydrocarbon sector.

NAMCOR signaled readiness to play its part in the implementation of the Kudu Gas to Power Project. The company submitted a Deed of Assignment to the Minister of Mines & Energy to allow BW Offshore to enter the Kudu Gas license as a 56% equity holder. The 800 MW project not only has the potential of catering for all of Namibia's power needs, but will enable the country to become an exporter of power to regional markets.

NAMCOR also submitted a business case to the Minister to re-instate the 50% fuel importation mandate, which it lost in early 2011. The reasons why this mandate has been invoked have been mitigated and a plan submitted to clearly de-risk oil price volatility and currency fluctuations.

Learning and development is at the core of NAMCOR. We encourage our employees to take responsibility for their own learning and development. We have also grown our total staff compliment from 38 in 2012 to more than 100 motivated and committed employees in 2016. This growth in our employee numbers is out of sync with the employee to revenue ratio at this stage but it was a deliberate decision to create the necessary capacity and capability needed to further increase competitiveness and take advantage of opportunities offered by the Kudu-gas-to-power project, the 50% import mandate and the operatorship of the Walvis Bay Bulk Storage Facility.

**N$29,760**
Onyaanya Circuit Digital Copier.

**N$30,000**
Otjiwarongo Municipality Clean Up Campaign.

To ensure sound corporate governance, we have established a new governance function underpinned by compliance, risk, legal and corporate secretarial. A new risk management framework including a Business Continuity Plan and Disaster Recovery Plan has been rolled out. The company is now in a position to manage, monitor and report on the key risks that can impact on its ability to deliver its strategy. Our management systems, organizational structures, policies, code of conduct, board and committee charters together form a system of internal control that governs how we conduct the business and manage NAMCOR.

NAMCOR is on the brink of transformation. As we look to the future, it is vital that the work of the Board is aligned with the strategy of the company. We need to ask the question whether we are talking about the right things and adding value as the Board.

I remain upbeat about NAMCOR's potential position in the next five years. The company can become a N$5 billion company and among the top three parastatals. This largely hinges on the relevant support and successful implementation of key economically strategic projects for Namibia, which I alluded to earlier. These include the Kudu Gas to Power Project, the 50% mandate and the operation and management of the envisaged Bulk Fuel Storage facility.

I would like to thank all NAMCOR stakeholders on behalf of the NAMCOR Board of Directors for their continued support during the year. Equally important, I wish to thank my fellow directors, Executive Management of NAMCOR and all its employees for their hard work and commitment to the company.

Mr. Johannes !Gawaxab
CHAIRPERSON

# Managing Director's Report

The 2015/16 reporting period was a particularly challenging one for NAMCOR and the industry. However, the company's performance certainly demonstrates that it is a resilient and sound business.

NAMCOR made a total of N$140 million profits during the 2015/16 reporting period and boasts cash reserves of well over N$400 million. The 2015/16 profits are attributed to a combination of factors such as the fuel levy income, foreign exchange gains of N$21 million, improvements in debt collection and doubtful debt in the amount of N$18 million, amongst others.

Furthermore, a N$142 million grant from the Ministry of Mines & Energy for the Kudu Gas Project was received of which a N$76 million was recognized as per the accounting standards in the statement of profit or loss. These factors have significantly contributed to the company's favourable financial position. As the Chairperson remarked, a decline in international oil prices made the financial year a challenging one for NAMCOR and the entire oil and gas industry. Major oil companies have had to downgrade the value of their reserves and scale down their exploration and production activities worldwide, thereby negatively affecting exploration activities in the country. Revenue from the sale of petroleum products and data sales decreased by 5% and 44%, respectively.

Despite these challenges, we were able to increase product volumes on the sale Heavy Fuel Oil (HFO). Overall, the group made N$140 million in profits after tax, a substantial recovery from the prior year loss of N$66 million, mainly due to foreign exchange gains, reversals of doubtful debt provisions and the recognition of the government grant. Operating expenses slightly decreased in the current year and the financial position remains strong.

Total assets increased year on year by N$218 million to N$876 million at the end of the financial year. In addition, the cash generated from operating activities has increased to N$205 million from N$28 million in the previous financial year.

The company is reviewing its brand with the view of strategically positioning itself to enter the fuel retail market, with the first ever fully owned Namibian NAMCOR branded service stations. As part of its tireless efforts to ever strengthen its competitiveness, the national oil company acquired land at Gobabis for the purpose of setting up storage facilities. Plans are underway to acquire land for the same purpose in Ondangwa, Windhoek and Lüderitz.

The company continued to play its corporate social responsibility role through contributions education, environmental and community upliftment.

Mr Immanuel Mulunga
MANAGING DIRECTOR

## Board of Directors

1

2

3

4

5

6


**1** MR JOHANNES !GAWAXAB
Chairperson

**2** MS ALLY ANGULA
Vice-Chairperson

**3** IMMANUEL MULUNGA
Managing Director

**4** MR GOTTLIEB AMANYANGA
Board Member

**5** MS MERCELINE GEISES
Board Member

**6** MS ANNA LIBANA
Board Member

## Managing Team


**1** IMMANUEL MULUNGA
Managing Director

**2** BONIFATIUS KONJORE
Executive: ICT

**3** SYLVANUS SAKARIA
Acting Executive: Human Capital & Strategic Capital Development

**4** DAMOLINE MURUKO
Executive: Corporate Governance

**5** VICTORIA SIBEYA
Acting Executive: Exploration & Production

**6** NESTOR SHEEFENI
Executive: Business Support, Property Management & Projects

**7** LUDWIG KAPINGANA
Executive: Commercial Business Unit

**8**JENNIFER HAMUKWAYA
Acting Executive Strategic Finance & Procurement.

## GOVERNANCE

The National Petroleum Corporation of Namibia (Pty) Ltd "NAMCOR" and its subsidiaries are governed by a Board of Directors appointed by the Minister of Mines and Energy and it recognizes that good Corporate Governance is vital to the Organisation to ensure compliance with laws and legislative frameworks, and for accountability and transparency to its stakeholders. The Board is thus responsible for strategic direction and control of the Organisation by ensuring that decisions and actions taken are based on values underpinning good governance.

The NAMCOR Board of Directors (the Board) strives to promote the highest standards of corporate governance by subscribing to the principles of good corporate governance as outlined in King III, The Corporate Governance Code for Namibia (NAMCODE), the Companies Act 28 of 2004, Public Enterprises Governance Amendment Act 8 of 2015 and other legislative, regulatory, governance and relevant rules meant to enhance good corporate governance. These include maintenance of governance structures, processes and practices that the Board of Directors use to direct and manage operations of NAMCOR Group, with the aim of ensuring proper accountability by the Board to the shareholders and other stakeholders.

NAMCOR is thus committed to good corporate governance and ensures stringent adherence to all policies, legislations and procedures as well as compliance with the NAMCODE, Public Enterprises Governance Amendment Act 8 of 2015 and the Companies Act and other applicable legislation and principles.

## COMPOSITION OF THE BOARD

The Board is composed of five non-executive members appointed on 1 October 2013 until September 2016. The Managing Director, who is an ex officio member was appointed on 1 October 2015.

| | | |
|---|---|---|
| **Audit Risk and Compliance Committee**<br><br>Mrs. Ally Angula (Chairperson)<br>Mr. Johannes !Gawaxab (Director)<br>Mrs. Merceline Geises (Director) | **Board**<br>Mr. Johannes Gawaxab (Chairperson)<br>Mrs. Ally Angula (Vice-Chairperson)<br>Mr. Gottlieb Amanyanga (Director)<br>Mrs. Anna Libana (Director)<br>Mrs. Merceline Geises (Director) | **Trading Board**<br>Mrs. Ally Angula (Chairperson)<br>Mrs. Anna Libana (Director)<br>Mrs. Merceline Geises (Director) |
| **Human Resources Committee**<br>Mrs. Anna Libana (Chairperson)<br>Mrs. Merceline Geises (Director)<br>Mr. Gottlieb Amanyanga (Director) | **Technical Committee**<br>Mr. Gottlieb Amanyanga (Chairperson)<br>Mrs. Merceline Geises (Director)<br>Mrs. Anna Libana (Director) | **Tender Board Committee**<br>Mrs. Merceline Geises (Chairperson)<br>Mrs. Ally Angula (Director)<br>Mr. Gottlieb Amanyanga (Director) |
| | **Kudu Committee**<br>Mr. Gottlieb Amanyanga (Chairperson)<br>Mr. Johannes !Gawaxab (Director)<br>Mrs. Ally Angula (Director) | |

### Performance Management

The Board has entered into performance agreements and governance agreements with the Ministry of Mines and Energy. The Managing Director entered into an appropriate performance agreement with the Board.

These agreements set out the expected key performance areas for the Board and the Managing Director respectively. Under these agreements, the Minister of Mines and Energy assesses the Board's performance each year, the Board assesses the Managing Director's performance on an annual basis.

### Board Training and Development

As part of NAMCOR's continuous education, training and development for board members on matters relevant to the Company, suitable training opportunities were organised and members attended training as listed below:

Mr. Johannes !Gawaxab (Chairperson) was trained at the Institute of Directors in London on Chairing the Board in May 2015 and the Director's Role in Leading the Organisation.

Mr. Gottlieb Amanyanga and Mrs. Anna Libana attended a Training and Development Program: Chairing the Board and providing Leadership at SOEs in Namibia offered by Eljota Investments on 29 June 2015 -1 July 2015.

## Activities and attendance of the Board and Board Committees

### Board (Holding Board)

The Board held eight meetings during the year, of which four were Extraordinary Board meetings, and were attended by board members as indicated below:

### 1. Ordinary and Extra-Ordinary Board Meetings:

√ Present  x Not present

| Date | J. !Gawaxab | A. Angula | M. Geises | A.Libana | G. Amanyanga | I.Mulunga (MD) | L.Kapingana (Acting MD) |
|---|---|---|---|---|---|---|---|
| 7 April '15 | √ | x | √ | √ | √ | x | √ |
| 9 May '15 | x | √ | √ | √ | √ | x | √ |
| 30 June '15 | √ | √ | √ | √ | √ | x | √ |
| 24 August '15 | √ | √ | x | √ | √ | x | √ |
| 28 September '15 | √ | √ | √ | √ | √ | x | √ |
| 1 December '15 | √ | √ | √ | √ | √ | x | √ |
| 21 February '16 | √ | √ | √ | √ | √ | √ | √ |
| 15 March '16 | √ | √ | √ | √ | √ | √ | √ |

## ANNUAL GENERAL MEETING (AGM)

### Attendance of AGM Meeting

The Board held one AGM during the year, which was attended by board members and Minister of Mines and Energy, Honourable Obeth Kandjoze as indicated below:

√ Present  x Not present

| Date | Hon. Obeth Kandjoze | J. !Gawaxab | A. Angula | M. Geises | A.Libana | G. Amanyanga | L.Kapingana (Acting MD) |
|---|---|---|---|---|---|---|---|
| 7 December '15 | √ | √ | x | √ | √ | √ | √ |

## Audit, Risk and Compliance Committee (ARCC)

The Audit, Risk and Compliance Committee is comprised of three independent non-executive directors and operates and is guided by a Charter and the NAMCODE. The committee is responsible for assisting the board in discharging its responsibility of risk, financial and compliance management within NAMCOR. The Committee oversees the key information technology risk exposure and the effective management thereof.

Both Internal and External auditors attend the Audit, Risk and Compliance Committee meetings and report the results of work directed by the committee as well as any other matters of concern.

The Committee held eight meetings during the year, one meeting was special Board Committee meeting, and were attended by Board Committee members as indicated below:

√ Present x Not present

| Date | A. Angula | M. Geises | J. !Gawaxab | L. Kapingana (Acting MD) | I.Mulunga (MD) |
|---|---|---|---|---|---|
| 1 April '15 | √ | √ | √ | x | x |
| 10 June '15 | √ | √ | √ | x | x |
| 25 June '15 | √ | √ | √ | x | x |
| 3 September '15 | √ | x | √ | √ | x |
| 5 October '15 | √ | √ | x | √ | √ |
| 23 November '15 | √ | √ | x | √ | √ |
| 29 February '16 | √ | √ | √ | √ | √ |
| 15 April '16 | √ | √ | √ | √ | √ |

## Human Resources Board Committee (HRBC)

The Human Resources Committee is comprised of independent non-executive directors and operates and is guided by a Charter and the NAMCODE. The committee recommends to the Board the remuneration and human resources policies, taking into account applicable policies and frameworks, the Public Enterprises Governance Amendment Act and its Directives as amended from time to time.

The Committee held five meetings during the year, and were attended by Board Committee members as indicated below:

√ Present x Not present

| Date | G. Amanyanga | M. Geises | A.Libana | L. Kapingana (Acting MD) | I.Mulunga (MD) |
|---|---|---|---|---|---|
| 13 May '15 | √ | √ | √ | √ | x |
| 9 July '15 | √ | √ | √ | √ | x |
| 3 September '15 | √ | √ | √ | √ | x |

| | | | | | |
|---|---|---|---|---|---|
| 18 November '15 | √ | √ | √ | √ | √ |
| 23 February '16 | √ | √ | √ | √ | √ |

## Trading and Distribution Board Committee (TDBC)

The Trading and Distribution Board comprises independent non-executive directors responsible for the stewardship of the trading company and operates and is guided by a Charter and the NAMCODE. The committee is established by the Board of NAMCOR to assist it in discharging its duties relating to trading and distribution issues.

The Board held four meetings during the year, and were attended by Board Committee members as indicated below:

√ Present x Not present

| Date | A.Libana | A. Angula | M. Geises | L. Kapingana (Acting MD) | I.Mulunga (MD) |
|---|---|---|---|---|---|
| 11 June '15 | x | x | √ | √ | x |
| 5 October '15 | x | √ | √ | √ | √ |
| 23 November '15 | √ | √ | √ | √ | √ |
| 4 March '16 | √ | √ | x | √ | √ |

## Technical Board Committee (TBC)

The Trading and Distribution Board comprised of independent non-executive directors explicitly responsible for the stewardship of the Trading Company and operates and is guided by a Charter and the NAMCODE. The committee is established by the Board of NAMCOR to assist it in discharging its duties relating to trading and distribution issues.

The Committee held four meetings during the year, and were attended by Board Committee members as indicated below:

√ Present x Not present

| Date | A.Libana | M. Geises | G. Amanyanga | L. Kapingana (Acting MD) | I.Mulunga (MD) |
|---|---|---|---|---|---|
| 28 May '15 | √ | √ | √ | √ | x |
| 23 September '15 | x | √ | √ | √ | x |
| 16 November '15 | √ | √ | √ | x | √ |
| 24 February '16 | √ | √ | √ | x | √ |

## KUDU Board Committee (KBC)

The Kudu Board Committee is established by the Board of NAMCOR as an ad-hoc committee to assist it in discharging its duties relating to the Kudu Project. The Kudu Committee is responsible for the Kudu Project in respect to considering the waivers of recruitment and procurement processes on a case by case basis and with due regard to the Kudu Project deadlines. The committee's life will run to an end on completion of the Kudu Project.

The Committee held two meetings during the year; one meeting was a special Board Committee meeting. Board Committee members attended meetings as indicated below:

√ Present x Not present

| Date | A. Angula | G. Amanyanga | J. !Gawaxab | L. Kapingana (Acting MD) | I.Mulunga (MD) |
|---|---|---|---|---|---|
| 18 May '15 | √ | √ | √ | √ | x |
| 4 August '15 | √ | √ | √ | √ | x |

### Tender Board Committee (TBC)

The Tender Board Committee is established by the Board of NAMCOR to assist it in discharging its duties relating to tendering. The Tender Committee is responsible for reviewing tenders, expressions of interest, certificates of exemption or other means of procurement in excess of NAMCOR management's procurement threshold.

The Committee held two meetings during the year; one meeting was a special Board Committee meeting. Board Committee members attended meetings as indicated below:

√ Present x Not present

| Date | A. Angula | G. Amanyanga | M. Geises | L. Kapingana (Acting MD) | I.Mulunga (MD) |
|---|---|---|---|---|---|
| 8 July '15 | √ | √ | √ | √ | x |
| 20 November '15 | √ | √ | √ | x | √ |

During the year under review, all Statutory Records were updated as prescribed by the Companies Act. In addition, NAMCOR amended its Memorandum of Articles and its Articles of Association by Special Resolution in terms of section 67 (1) to reflect the provisions of the Companies Act 28 of 2004, the Public Enterprises Governance Amendment Act and the NAMCODE.

## MANDATE CORPORATE GOVERNANCE DEPARTMENT

**The Governance Department is mandated to develop optimal Governance arrangements to enable NAMCOR to effectively deliver its new strategy by:**

1. providing Legal Advisory Support and Board Secretarial Services to the Business;
2. ensuring that the quality of Board meetings are optimized through effective planning and structuring of Board and Committee meetings;
3. steering the legal strategy for various strategic Projects to ensure success and implementation thereof such as the Kudu, 50% Importation Mandate, NAMCOR Sonangol Crude off take project, JOA implementation Strategy, Bulk storage;
4. developing and implementing Governance and Legal Frameworks that governs the operations of NAMCOR through the drafting and implementing NAMCOR's Governance, industry and statutory frameworks, tools and guidelines, i.e implementation of compliance and risk management frameworks and tools.
5. facilitating the transformation of NAMCOR into an integrated Commercial Entity (entails the drafting of the NAMCOR Bill, establishment and rationalization of subsidiary Companies such as the Exploration and Production Company Co, NAMCOR Petroleum Trading and Distribution Company and others).

### Development of Governance Frameworks

During the period under review, NAMCOR developed and implemented the overall governance framework. The items below were developed, reviewed and implemented:

1. NAMCODE – adopted as NAMCOR's overall Governance framework
2. Risk Management Framework and Risk Register
3. Board and Committee Charters

## COMPLIANCE RISK MANAGEMENT

NAMCOR`s compliance function is responsible for the compliance strategy of the company and oversees the effective implementation of its compliance risk management policy.

### Governance audit and compliance gaps implementation roadmap

A governance audit was conducted to establish the extent of compliance across the business and the outcome of the audit indicated that NAMCOR was generally in compliance with the principles of good corporate governance and applicable legislation.

Below is the outcome of the corporate governance audit during the FY 2015/16 and sets the application of the 75 corporate governance principles by NAMCOR as recommended by *the* NAMCODE:

| Principle # | Principle | Applied/ Partially Applied/ Not Applied | Application of the principle or applicable explanation |
|---|---|---|---|
| BOARD OF DIRECTORS | | | |
| 1.1 | The Board should provide effective leadership based on an ethical foundation | Applied | NAMCOR has an explicit set of values that plays a key role in shaping the culture of NAMCOR and its client-facing brands. Ethics involves applying the values to shape decisions and actions. Although the explicit values describe the core of the ethical behavior, they are not exhaustive of all the ethical norms that guide the behavior. NAMCOR also subscribes to those generally accepted norms of conduct that find application in society as a whole.<br>NAMCOR has further developed a Business Conduct, Ethics and Conflict of Interest Policy. The policy is currently under review. |
| 1.2 | The Board should ensure that the company is and is seen to be a responsible corporate citizen | Applied | When engaging with stakeholders, NAMCOR respects their rights and dignity. NAMCOR is committed to improve the material wellbeing of societies in which it operates by designing sustainable products and introducing sustainable services that will fulfil their needs. Careful consideration is given to the utilisation of energy and water resources and to ensure an effective contribution to sustain the environment for the future. NAMCOR has further developed a Corporate Social Responsibility Policy. |

| | | | |
|---|---|---|---|
| 1.3 | The Board should ensure that the company's ethics are managed | Applied | NAMCOR has developed a Business Conduct, Ethics and Conflict of Interest Policy for the Group and is a values-based organisation. |
| 2.1 | The Board should act as the focal point for and custodian of corporate governance | Applied | NAMCOR's Board has a charter that ensures the roles, responsibilities and accountability of the Board are documented. The Board is further supported by committees that have delegated responsibility to assist the Board in specific matters. The Committees report to the Board at every Board meeting. |
| 2.2 | The Board should appreciate that strategy, risk, performance and sustainability are inseparable. | Applied | NAMCOR's Board has strongly endorsed the strategy for the company's strategic planning session that takes place once every year. The NAMCOR Board has ensured the implementation of risk and sustainability frameworks. |
| 2.3 | The Board should provide effective leadership based on an ethical foundation | Applied | Same as principle 1.1 above, therefore refer to principle 1.1 above. |
| 2.4 | The Board should ensure that the company is and is seen to be a responsible corporate citizen | Applied | Same as principle 1.2 above, therefore refer to principle 1.2 above. |
| 2.5 | The Board should ensure that the company's ethics are managed effectively | Applied | Same as principle 1.3 above, therefore refer to principle 1.3 above |
| 2.6 | The Board should ensure that the company has an effective and independent audit committee | Applied | The Audit, Risk and Compliance Committee (ARCC) has terms of reference that have been approved by the Board. The ARCC meets quarterly and reports to the Board at every Board meeting. The ARCC is properly constituted with independent non-Executive Directors, one of which is the Chairperson of the Committee. |
| 2.7 | The Board should be responsible for the governance of risk | Applied | The Board is assisted by the Audit, Risk and Compliance Committee (ARCC), the Executive Committee, the Management and the Risk and Compliance Officer in discharging its duties for managing risk. |
| 2.8 | The Board should be responsible for information technology (IT) governance | Applied | The Board is assisted by the Audit, Risk & Compliance Committee (ARCC) in discharging its duties for managing the governance of Information Technology (IT). In order to ensure proper governance and risk management of this key business function, the Executive Committee established the IT Steering Committee (ITSC) tasked with overseeing all of the company's IT governance and the company's IT strategy. The chairperson of the ITSC is the Executive: ITC, who also |

| | | | |
|---|---|---|---|
| | | | sits on the Executive Committee. All NAMCOR's IT governance issues are reported to the Audit, Risk, and Compliance Committee through the ITSC.<br>NAMCOR has further developed the IT Governance Steering Committee Charter (draft), Acceptable Use Policy (draft), Administrative Rights Policy (draft), Asset Disposal Policy (draft), ICT Technical Staff Code of Conduct Policy (draft), Information Security Management Policy (draft), Information & Records Management Filing Policy (draft) and Mobile Device Policy (draft). |
| 2.9 | The Board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards | Applied | The Board has ensured that a Business Conduct, Ethics and Conflict of Interest Policy has been implemented. |
| 2.10 | The Board should ensure that there is an effective risk-based internal audit | Applied | The Board has outsourced the Internal Audit Function (GIA) to PwC, for a three-year period, which complies with the standards as set by the Institute of Internal Auditors for the Professional Practice of Internal Auditing and Code of Ethics. The internal audit methodology includes a risk-based approach. |
| 2.11 | The Board should appreciate that stakeholders' perceptions affect the company's reputation | Applied | NAMCOR's stakeholders are defined as any group or individual that can affect the company's operations, or be affected by the company's operations. These stakeholders include but are not limited to customers, employees, shareholders, investors, analysts, suppliers of goods and services, regulators, the community, industry associations, intermediaries, trustees, educational institutions, academia, tenants, the media, government and unions. The values bind the brands together and ensure consistency in interactions with all stakeholders. Stakeholders are treated fairly and NAMCOR strives to enhance and develop products, services and communication channels to meet their expectations. In doing this, NAMCOR keeps abreast of all developments in markets, improves and update the knowledge and understanding of its industries on an on-going basis, and applies its own unique entrepreneurial skills to grow and be successful. |
| 2.12 | The Board should ensure the integrity of the company's integrated report | Applied | The annual integrated report is reviewed by the Audit, Risk and Compliance Committee (ARRC) and recommended for approval by the Board. |

| | | | |
|---|---|---|---|
| 2.13 | The Board should report on the effectiveness of the company's system of internal controls | Applied | The Board is assisted by the Audit, Risk and Compliance Committee (ARCC) in reporting on the effectiveness of the company's system of internal control which is done annually and a note is included in the annual financial statements.<br>A Combined Assurance model has been implemented; namely outsourced internal audit function and external audit providers. |
| 2.14 | The Board and its directors should act in the best interests of the company | Applied | The Board and its committees have documented terms of reference which include the fiduciary duties to always act in the best interest of the company. |
| 2.15 | The Board should consider turnaround mechanisms as soon as the company is financially distressed. | Applied | The Board monitors the solvency and liquidity of the company on a regular basis. |
| 2.16 | The Board should elect a Chairperson of the Board who is an independent non-Executive Director. The Managing Director of the company should not also fulfil the role of Chairperson of the Board | Applied | An independent non-Executive Chairperson has been appointed. The roles of the Chairperson and the Managing Director (MD) are separate. |
| 2.17 | The Board should appoint the Managing Director and establish a framework for the delegation of authority | Applied | The Board appointed the Managing Director and provides input into senior management appointments. The role and function of the MD is formalised and the Board evaluates the performance of the MD annually.<br>A delegation of authority framework is in place and is currently being reviewed by the Executive Committee. |
| 2.18 | The Board should comprise a balance of power, with a majority of non-Executive Directors. The majority of non-Executive Directors should be independent | Applied | The majority of Board members, with the exception of the MD, are independent non-Executive Directors |
| 2.19 | Directors should be appointed through a formal process | Partially Applied | Directors are currently nominated through a formal process as per the provisions of the Public Enterprises Governance Amendment Act, 2015 (Act No. 11 of 2015). |

| | | | |
|---|---|---|---|
| 2.20 | The induction, ongoing training and development of Directors should be conducted through formal processes | Applied | An induction programme is in place for new Directors, which provides them with information on the group's strategy and operations as well as sets out their responsibilities as directors. |
| 2.21 | The Board should be assisted by a competent, suitably qualified and experienced company secretary | Applied | The Board is currently being assisted by a suitably qualified and experienced company secretary. |
| 2.22 | The evaluation of the Board, its Committees and the individual Directors should be performed every year | Partially Applied | The annual appraisal process of the Board, Committees and individual Directors has not been conducted annually and was awaiting the finalisation of the Board Governance and Performance Agreements detailing Key Performance Agreements |
| 2.23 | The Board should delegate certain functions to well-structured committees but without abdicating its own responsibilities | Applied | The Board has established committees to assist the Board in its responsibilities and the roles and responsibilities are documented in each of the committees' Terms of Reference. |
| 2.24 | A governance framework should be agreed between the group and its subsidiary Boards | Partially Applied | The activities and mandate of the subsidiary company are reported to the main Board through the Chairperson of the Trading Board. All subsidiaries apply the policies and procedures of the holding company but no specific governance framework has been agreed between the group and its subsidiaries. The Trading Board however has a separate Board Charter detailing its mandate, responsibilities and scope. |
| 2.25 | Companies should remunerate Directors and Executives fairly and responsibly | Applied | The Ministry of Public Enterprises and NAMCOR's Human Resource Board Committee is in place and assists the Board in ensuring the Group's remuneration policy is aligned with the strategy. The Board and the HR Board Committee reviews and approves the remuneration of the Executive directors and Senior Management as per the Directives on the remuneration of the Directors and Senior Managers of NAMCOR. |
| 2.26 | Companies should disclose the remuneration of each individual Director and certain Senior Executives | Not Applied | Disclosure of the remuneration of the Executive and non-Executive Directors is not specifically disclosed in the annual report. |

| | | | |
|---|---|---|---|
| 2.27 | Shareholders should approve the company's remuneration policy | Not Applied | The remuneration policy is approved by the Executive Committee, the Human Resources Board Committee, ARCC and ultimately the Board on behalf of the shareholder via a special resolution.<br>NAMCOR does not have a separate Remuneration Policy for the non-Executive Directors and is in the process to develop one as requested by the Minister of Public Enterprises. Currently the Board is remunerated as per the Public Enterprises Remuneration Directives. |

| Principle # | Principle | Applied/ Partially Applied/ Not Applied | Application of the principle or applicable explanation |
|---|---|---|---|
| AUDIT COMMITTEE | | | |
| 3.1 | The Board should ensure that the company has an effective and independent audit committee | Applied | Same as principle 2.6 above, therefore refer to principle 2.6 above. |
| 3.2 | Audit Committee members should be suitably skilled and experienced independent non-Executive Directors | Applied | The Audit, Risk & Compliance Committee (ARCC) is regularly evaluated by the Board, and collectively has a good understanding of integrated reporting, internal financial controls, the external and internal audit process, risk management, sustainability issues, information technology governance and other relevant matters within the group. |
| 3.3 | The Audit Committee should be chaired by an independent non-Executive Director | Applied | The Chairperson of the Audit, Risk & Compliance Committee (ARRC) is an independent non-Executive Director. |
| 3.4 | The Audit Committee should oversee integrated reporting | Applied | The Audit, Risk & Compliance Committee (ARCC) reviews and recommends approval of the integrated report. |
| 3.5 | The Audit Committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities | Applied | The Audit, Risk & Compliance Committee reviews the combined assurance approach. The Risk Management Framework considers assurance according to the three (3) lines of defence – Board of Directors, Internal Audit function and External Audit service providers.<br>PwC has been appointed as the internal audit function and KPMG as the external audit function. |

| | | | |
|---|---|---|---|
| 3.6 | The Audit Committee should satisfy itself of the expertise, resources and experience of the company's finance function | Partially Applied | The Audit, Risk & Compliance Committee (ARCC) does not conduct annual reviews of the expertise, resources and experience of the company's finance function. However, a request for such assessment was made by ARCC and the HR Department is currently finalising the appointment of an independent company to conduct such reviews. |
| 3.7 | The Audit Committee should be responsible for overseeing of internal audit | Applied | The Audit, Risk & Compliance Committee (ARCC) is functionally responsible for the group internal audit function (outsourced for 3 years to PwC). On a quarterly basis the ARCC receives a detailed report on the progress of the internal audit function against its annual risk-based planning. |
| 3.8 | The Audit Committee should be an integral component of the risk management process | Applied | The charter or terms of reference of the Audit, Risk & Compliance Committee (ARRC) and its matrix includes its responsibilities regarding risk management. |
| 3.9 | The Audit Committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process | Applied | The charter of the Audit Committee and its matrix of responsibilities include its accountability regarding the appointment of the external auditor and overseeing the external audit process.<br>KPMG has been appointed as external auditors and reports at every ARCC meeting. |
| 3.10 | The Audit Committee should report to the Board and shareholders on how it has discharged its duties | Partially Applied | The Audit, Risk & Compliance Committee (ARCC) reports to the Board on a quarterly basis on its activities.<br>The Board convenes four meetings per year as outlined in their Charter. |

| Principle # | Principle | Applied/ Partially Applied/ Not Applied | Application of the principle or applicable explanation |
|---|---|---|---|
| THE GOVERNANCE OF RISK | | | |
| 4.1 | The Board should be responsible for the governance of risk | Applied | Same as principle 2.7 above therefore refer to principle 2.7 above. |
| 4.2 | The Board should determine the levels of risk tolerance | Partially Applied | The Board's responsibility for risk governance is expressed in the Board Charter.<br>The Board has approved the NAMCOR Risk Framework and a Risk Register has been developed accordingly. A policy and plan (Risk Strategy) for a system and process of risk management has been developed but the levels of risk tolerance has not been defined yet due to the maturity of the process. The Board will be approached to determine its risk tolerance levels during April 2016. |

| | | | |
|---|---|---|---|
| 4.3 | The Risk Committee or Audit Committee should assist the Board in carrying out its risk responsibilities | Applied | The Board has established the Audit, Risk & Compliance Committee (ARCC) to assist in carrying out the responsibilities. |
| 4.4 | The Board should delegate to management the responsibility to design, implement and monitor the Risk Management Plan | Applied | The Risk Management Framework and Plan has been approved and currently being monitored under the Corporate Governance Department. |
| 4.5 | The Board should ensure that risk assessments are performed on a continual basis | Applied | Risk assessments are embedded in the daily business activities of the company.<br>An update is provided on a quarterly basis to the Audit, Risk and Compliance Committee (ARCC) and other Board committees as appropriate. |
| 4.6 | The Board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks | Applied | The Risk Management Framework has been approved and is supported by a methodology that enables proactive risk management. |
| 4.7 | The Board should ensure that Management considers and implements appropriate risk responses | Applied | Same as 4.6 above and Risk responses have been identified to mitigate risks as outlined under the Risk Management Framework.<br>An update is provided on a quarterly basis to the Audit, Risk, and Compliance Committee and the Executive Committee |
| 4.8 | The Board should ensure continual risk monitoring by management | Applied | Risk management is an integral part of business management. One aspect of the risk management methodology and process includes continuous monitoring. |
| 4.9 | The Board should receive assurance regarding the effectiveness of the risk management process | Applied | Regular reports are provided to the Audit, Risk & Compliance Committee and the outsourced Internal Audit (PwC) performs reviews of the effectiveness of the system of internal controls and risk management. The Board receives these reports on a quarterly basis. |
| 4.10 | The Board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders. | Partially Applied | A risk report, under IT, is included in the annual integrated report. However, in addition to annual disclosures, a more robust process and/or procedure if appropriate, may be put in place to ensure timely, relevant, accurate and accessible risk disclosure to stakeholders. |

| Principle # | Principle | Applied/ Partially Applied/ Not Applied | Application of the principle or applicable explanation |
|---|---|---|---|
| THE GOVERNANCE OF INFORMATION TECHNOLOGY | | | |
| 5.1 | The Board should be responsible for Information Technology (IT) governance | Applied | The Audit, Risk and Compliance Committee (ARCC), the Executive Committee and the IT Steering Committee assist the Board in its responsibilities for information technology governance. |
| 5.2 | IT should be aligned with the performance and sustainability objectives of the company | Applied | An IT Steering Committee has been established to facilitate the alignment of IT and business goals. |
| 5.3 | The Board should delegate to Management the responsibility for the implementation of an IT governance framework. | Applied | The IT Governance Framework includes the supporting of the business strategy and operations, delivering value and manage performance, information security, managing IT risk and compliance, and business continuity management. |
| 5.4 | The Board should monitor and evaluate significant IT investments and expenditure | Applied | ARCC oversees the value delivery of IT and monitors the return on investment from significant IT projects. This is reported via the Executive Committee by the IT Steering Committee. |
| 5.5 | IT should form an integral part of the company's risk management | Applied | IT forms part of the risk management framework. |
| 5.6 | The Board should ensure that information assets are managed effectively | Applied | ARCC and Executive Committee (EXCO) ensures via the IT Steering Committee that there are systems in place for the management of information which should include information security, information management and information privacy. |
| 5.7 | A Risk Committee and Audit Committee should assist the Board in carrying out its IT responsibilities | Applied | The Audit, Risk & Compliance Committee, Executive Committee and the IT Steering Committee assist the Board in carrying out its IT responsibilities. |

| Principle # | Principle | Applied/ Partially Applied/ Not Applied | Application of the principle or applicable explanation |
|---|---|---|---|
| COMPLIANCE WITH LAWS, CODES, RULES AND STANDARDS | | | |
| 6.1 | The Board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards | Applied | Same as principle 2.9 above therefore refer to principle 2.9 above. |
| 6.2 | The Board and each individual Director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the company and its business | Applied | The induction and ongoing training programmes of Directors incorporates an overview of and any changes to applicable laws, rules, codes and standards. |
| 6.3 | Compliance risk should form an integral part of the company's risk management process | Partially Applied | The Compliance Management Framework has been tabled to ARCC and is currently under review.<br>The Frameworks and Polices below are currently being developed to ensure improved compliance management:<br>• Compliance Risk Management Framework;<br>• Compliance Risk Policy;<br>• Compliance Risk Manual;<br>• Compliance Risk Management Plans (CRMPs). |
| 6.4 | The Board should delegate to Management the implementation of an effective compliance framework and processes | Applied | The Governance Department, via its Compliance and Risk Officer, has been mandated to implement the Compliance Risk Management Framework. |

| Principle # | Principle | Applied/ Partially Applied/ Not Applied | Application of the principle or applicable explanation |
|---|---|---|---|
| INTERNAL AUDIT | | | |
| 7.1 | The Board should ensure that there is an effective risk based internal audit | Applied | Same as principle 2.10 above therefore refer to principle 2.10 above. |
| 7.2 | Internal audit should follow a risk-based approach to its plan | Applied | The internal audit plan and approach is informed by the strategy and risks of the company and follows a risk-based approach. Outsourced to PwC |

| | | | |
|---|---|---|---|
| 7.3 | Internal audit should provide a written assessment of the effectiveness of the company's system of internal controls and risk management | Partially Applied | The Internal Audit Function has been outsourced to PwC and its annual Internal Audit Plan has been approved and is currently being implemented. |
| 7.4 | The Audit Committee should be responsible for overseeing internal audit | Applied | Same as principle 3.7 above therefore refer to principle 3.7 above. |
| 7.5 | Internal audit should be strategically positioned to achieve its objectives | Applied | The outsourced internal audit in discharging of its duties, is accountable to the Board and Audit, Risk & Compliance Committee of NAMCOR, which consist of its subsidiaries. The outsourced internal audit function (PwC) reported administratively to the Executive: Strategic Finance of the company during the financial year under review, and also functionally to the Audit, Risk & Compliance Committee (ARCC) Chairperson. The ARCC decides on the outsourced internal function's appointment and removal, and takes joint responsibility for its performance evaluation. |

| Principle # | Principle | Applied/ Partially Applied/ Not Applied | Application of the principle or applicable explanation |
|---|---|---|---|
| GOVERNING STAKEHOLDER RELATIONSHIP | | | |
| 8.1 | The Board should appreciate that stakeholders' perceptions affect a company's reputation | Applied | Same as principle 2.11 above therefore refer to principle 2.11 above. |
| 8.2 | The Board should delegate to Management to proactively deal with stakeholder relationships | Applied | The Communications & Public Relations Division is responsible for implementing strategies and frameworks for stakeholder engagement and management. |
| 8.3 | The Board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company | Applied | NAMCOR has developed a stakeholder engagement strategy. Stakeholders are treated fairly and NAMCOR strives to enhance and develop products, services and communication channels to meet their expectations. In doing this, NAMCOR keeps abreast of all developments in markets, improves and updates the knowledge and understanding of its industries on an ongoing basis, and applies its own unique entrepreneurial skills to grow and be successful. |

| | | | |
|---|---|---|---|
| 8.4 | Companies (will confirm the companies) should ensure the equitable treatment of shareholders | Applied | NAMCOR has developed a Stakeholders Engagement Strategy that ensure the equitable treatment of shareholders and/or stakeholders. |
| 8.5 | Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence | Applied | NAMCOR has engaged with various stakeholders during the period under review in a transparent and effective manner. |
| 8.6 | The Board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible | Applied | Formal dispute resolution and grievance processes have been developed and are implemented. NAMCOR also developed a Grievance Policy for all internal staff matters. |

| Principle # | Principle | Applied/ Partially Applied/ Not Applied | Application of the principle or applicable explanation |
|---|---|---|---|
| INTEGRATED REPORTING AND DISCLOSURE | | | |
| 9.1 | The Board should ensure the integrity of the company's integrated report | Applied | The integrated report (annual report) is reviewed and approved by the Board on recommendation from the Audit, Risk & Compliance Committee (ARCC). |
| 9.2 | Sustainability reporting and disclosure should be integrated with the company's financial reporting | Applied | Sustainability measures are included in the integrated report (annual report) of the annual financial statements. |
| 9.3 | Sustainability reporting and disclosure should be independently assured | Partially Applied | Disclosures are included in the Annual Report, but have not been independently assured. |

## ENTERPRISE WIDE RISK MANAGEMENT

NAMCOR`s risk philosophy recognises that managing risk is an integral part of generating sustainable shareholder value and enhances stakeholder interests. It also recognises that an appropriate balance should be struck between entrepreneurial endeavour and sound risk management practice.

NAMCOR`s Board is ultimately responsible for the end-to-end process of risk management and for assessing its effectiveness. Management is accountable to the board for designing, implementing and monitoring the process and integrating it into the day-to-day activities of the Company. The Board discharges these as per the Company's Risk Management Framework and approved policies which direct the implementation and maintenance of adequate processes for corporate governance, compliance and risk management.

Thus NAMCOR has adopted and implemented a Risk Management Framework to ensure an integrated risk management approach to manage risks across the business.

The purpose of this framework is to formally lay out the standards, policy and guidelines for the establishment, maintenance and monitoring of the system of risk management and internal controls for NAMCOR and its subsidiaries.

The Framework would enable the NAMCOR group to:

The Framework would enable the NAMCOR group to:

- develop a mutual understanding of risk management;
- speak a common language in relation to risk management;
- assess their risks; and
- put corrective action plans in place to manage risk exposure in a consistent manner.

Additionally, a risk assessment was carried out and a Risk Register was developed to monitor risk and mitigate measures and interventions.

## Risk Management Structures

With the Oil and Gas sector in Namibia evolving quickly and playing a key role in the economy of Namibia, NAMCOR and its subsidiaries deems it appropriate to have a risk management structure which encourages communications of perceived risks and possible controls at all levels of the business.

This is particularly important as the nature of risks often differ with the various regions and the controls required may vary. As risk management is not only involved with major corporate risk but also with day to day operational risk management of these risks must be undertaken at all levels.

The following is a diagram explaining NAMCOR's risk infrastructure and who is responsible for risk.

| | |
|---|---|
| Ultimate fiduciary responsibility | NAMCOR Board of Directors |
| | NAMCOR Audit, Risk and Compliance Committee |
| Management responsibility | NAMCOR Executive Management/Risk Committee |
| | NAMCOR Management and staff |

The Board recognises its responsibility for the governance of risk through formal processes which include the total system and process of risk management. Risk Management is regarded as inseparable from the Company's strategic and business processes and is considered fundamental to the on-going success and growth of the company. As such the Board's responsibility is to define the levels of risk that it is willing to accept and the risk parameters in which the Executive Management operates.

The Executive Management at NAMCOR and its subsidiaries has implemented, and is responsible for risk management systems designed to facilitate the effective and efficient operation of the group and its business units. The company understands risk management to be a continuous and developing process which runs through the organisation's strategy and allows for an understanding of significant risks and an appropriate response in the implementation of that strategy. Risk management at NAMCOR and its subsidiaries aims to methodically address all the risks surrounding the organisation's, past, present and particularly future, activities.

The Board of Directors of NAMCOR and its subsidiaries recognises its ownership and responsibility for protecting the organisation, its people, assets and profits against the (adverse) consequences of pure risk, with a view to ensuring that the organisation's business objectives are met.

NAMCOR actively manages the following risk categories as outlined in its Risk Management Framework, namely Strategic Risk, Operational Risk, Financial Risk and Compliance Risk.

## NAMCOR's STRATEGIC TOP RISKS:

| Risk category | Description | Type of risk |
|---|---|---|
| **UPSTREAM DEVELOPMENT** | 1. There are inadequate controls in place to ensure that data collected is not breached or obtained by unauthorized personnel. | Data theft |
| | 2. Data can be lost due to a failure to back up. | Data loss |
| | 3. The IT infrastructure use for E & P projects is outdated and requires replacing. This may hamper the delivery of high quality products (together for purposes of Kudu). | Inadequate IT infrastructure for E&P projects |
| **PROFITABILITY IMPROVEMENT WITHIN EXISTING DISTRIBUTION ACTIVITIES** | 4 Depots use network, which are prone to regular downtime. This affects NAMCOR`s ability to access data in real-time, impacting on sales as data can be manipulated and consequently reducing revenue. | Network disruption at depots |
| **IMPORT MANDATE RE-INSTATEMENT** | 5. The Namibia dollar may depreciate against other currencies which can have a negative impact on NAMCOR`s profitability. Furthermore, the organization does not have the regular hedging tools and skills to mitigate exposure to exchange rates fluctuations. | Exchange rate risk |
| **INVESTMENT IN PEOPLE** | 6. Lack of compliance with Health and Safety regulations may result in employee workplace injuries, illness and accidents. The entity may not be able to achieve its strategic objectives if employees are injured and their health and safety is compromised. | None adherences to Safety, Health, Environmental and Quality practices |
| | 7. The physical facilities to be used for disaster recovery are in place. There is however no normally documented. BCP in place. In an event that business operations are interrupted, employees may have no guidance on the appropriate actions to be taken. There may be a prolonged delay in resuming critical business functions of the entity as a result. | No formally documented Business continuity Plan |
| **CORPORATE GOVERNANCE AND CONTROL** | 8. Activities across departments may not be well coordinated resulting in a waste of resources and information not reaching the required individuals on time. | Lack of management integration |

| | | |
|---|---|---|
| | 9. NAMCOR may not be able to detect fraud on time to allow for corrective action to be taken due to lack of structures suchj as a fraud prevention plan and strategy that outline the organization`s means of combating fraud and corruption. | Fraud may not be prevented, detected and reported in a timely manner |
| | 10. The bureaucratic process of the Organisation takes a long time before implementation. There is a long chain of people to be consulted before implementation takes place. This may be a bottleneck in achieving the strategic priorities as they may not be achieved within the stipulated time frames. | Delayed implementation of planned activities |
| **KUDU GAS PROJECT** | 11. After Tullow pulled out of the project there is a risk that NAMCOR may fail to acquire another partner to take up the 31% stake they abandoned. | Failure to acquire a joint venture partner |
| | 12. Government may also fail to raise funds for their 44% stake. | Government failure to raise funds for 44% stake in Kudu project |

## NAMCOR'S BUSINESS CONTINUITY AND DISASTER RECOVERY PROJECT

NAMCOR has embarked upon a project to implement a comprehensive Business Continuity and Disaster Recovery programme within the NAMCOR group. The project is currently underway and its scope entails the following milestones:

- Business Impact Analysis – entails the identification of critical areas of operations and using the scope of this analysis, conduct systematic business impact analyses for the business units;
- Risk Assessment - the process will take into consideration and categorise the existing threats within the operating environment. The threats will be assessed in terms of impact and likelihood in order to determine the inherent risks;
- Business Continuity Management (BCM) and Disaster Recovery Strategy (DR) – a strategy will be developed to guide how an effective BCM and DR framework will be implemented within NAMCOR;
- Business Continuity Management Policy – details the set-up activities for establishing a business continuity capability and the ongoing management and maintenance requirements;
- Business Continuity Plans – entails a plan for temporary operations and full recovery, covering elements of Business Continuity Management which deal specifically with the resumption of specific tasks necessary to recover critical functions/processes in the event of a disaster, including personnel, essential records, equipment, supplies, work space, communication facilities, work stations and mail services;
- Business Continuity Plan Testing – this involves a desktop walkthrough of the plan(s) with discussions guided by the use of one or more potential scenarios since a BCM capability cannot be considered reliable until it has been exercised, maintained and reviewed.
- Disaster Recovery Policy - this entails the set up activities for establishing a disaster recovery capability and the ongoing management and maintenance requirements;

- Disaster Recovery Plan – Design activities and programmes to return the information technology services, which support the business operations, to an acceptable condition and level of operation;
- DR Test - a disaster recovery test examines each step of a the disaster recovery plan testing if the IT environment can meet its recovery time and point objective as set out in the plan.

## UPSTREAM ACTIVITIES

### Exploration & Production

NAMCOR's main business is to ensure the optimum exploitation of Namibia's petroleum resources and meaningful participation in resulting business developments in petroleum related exploration activities. The company also acts as advisor to the Ministry of Mines and Energy and assists it in monitoring the exploration activities of licensees.

### Promotion

This is an activity that requires the active marketing or promotion of the hydrocarbon potential of the Namibian acreage to local and international oil exploration and production companies.

Having identified prospects and leads with potential for accumulating hydrocarbons and having carried out all necessary petroleum geological and geophysical work required, such acreage is offered to local and international oil companies. In furtherance of the above, the company attends important international oil and gas promotion conferences targeting the oil capitals/centres of the world in order to cover as wide a spectrum of clients as possible.

### Advisory and Regulatory role

The institutional role of NAMCOR is to actively promote the hydrocarbon potential of Namibia. In exercising this role the company is tasked with advising the Ministry of Mines and Energy on policy issues regarding the upstream petroleum industry and monitoring the petroleum activities of oil companies operating within Namibia.

NAMCOR has since independence facilitated the signing of several petroleum agreements with international oil companies. These agreements have been the result of four bidding rounds and an open licensing system which was adopted as an alternative to the bidding rounds.

To date, 48 exploration, 1 production, and 3 reconnaissance licenses have been issued to Namibian and international oil and gas companies. Overall, a total of 32 wells has been drilled offshore Namibia, 15 exploratory wells, 7 appraisal wells in the Kudu gas field/license area have been drilled offshore Namibia and 10 ODP/DSPD wells. Additionally 10 exploration and stratigraphic wells have been drilled onshore. Seismic survey coverage offshore Namibia stands at approximately 150 000 line km of 2D Seismic along with more than 40 423 km² of 3D seismic data acquired by respective acreage operators.

In addition to the wells and seismic data, NAMCOR acquired 28,000 km of aeromagnetic data in 1998 covering the whole of offshore Namibia. This data set has elucidated the structural setting of the Namibian margin, especially when used in conjunction with the regional and high-resolution data from onshore Namibia. As a result of these and numerous other onshore and offshore exploration activities, an extensive geological and geophysical database on petroleum activities within Namibia is in place.

## KUDU GAS FIELD DEVELOPMENT

The Kudu Project is a 'gas to power' development providing natural gas to an 800-1000 MW power station located near Oranjemund in southern Namibia. The Kudu Power Station (KPS), a baseload power station designed, built and operated by KuduPower (51% owned by NamPower), will provide electricity to Namibia with the potential to export excess power to neighbouring countries. NAMCOR's responsibility for the upstream part of the project is progressing well with progress registered in the following areas:

### Final Investment Decision

In terms of the Project Development Agreement (PDA), the final investment decision (FID) was originally scheduled to occur July 2016. However, due to numerous factors - many of them inter-dependant - FID may be further postponed.

Some of the factors that contributed to the rescheduling of the FID included:

- With the current GRN budgetary challenges, NAMCOR has been advised to look for alternative financing toward a portion of its equity.
- Raising of commercial capital for NAMCOR's participating interest share of the kudu project.
- Downstream's subsequent due diligence process.
- Finalisation by the Upstream Partners of the Capex and Opex costs.

A number of key PDA milestones have been achieved by the Upstream Parties during the period under review. Some of the most notable achievements include:

- The completion of the Kudu Gas Field reserve and resource estimates by ERC-Equipoise.
- The selection of the contractor responsible for the FPS.
- The contract with Saipem has been agreed to the fullest extent possible.
- Invitation to Tender (ITT) for the Offshore Survey contract was issued.
- Gas Sales Agreement (GSA) finalisation is at an advanced stage with some outstanding issues, most of the big ticket items depend upon resolution of NAMCOR's participation and Government Support Package (Currency of Gas Price, Tax pass-through, etc.)
- NAMCOR and BW Kudu had successfully concluded a farm-out agreement through which BW Kudu would take a majority 56% equity stake in the Upstream, and would take over the role of Operator.
- Draft Early Start Agreement (ESA) Finalised. It is a document to help the downstream maintain their schedule (or in reality to prevent delays in the schedule). Under the ESA parties will determine downstream risk and cost exposure, in the event that KuduPower abandon the project.
- The recruitment of the Kudu Core Team has been completed.

### Technical Operator - BW Kudu

NAMCOR and BW Kudu had successfully concluded a farm-out agreement through which BW Kudu would take a majority 56% equity stake in the Upstream, and would take over the role of Operator. The farm-out agreement was signed on 14 December 2015.

NAMCOR has made significant progress with BW Kudu. The JOA has been agreed and was signed in April 2016. Outstanding CPs include the signature of the Minister to the Deed of Assignment and Novation of Petroleum Agreement and Petroleum Production Licence and execution of the JOA.

## Independent Reserves Report

ERC- Equipoise has been contracted to generate a competent persons report on the Kudu field reserve. This is required by both upstream and downstream investors to provide confidence and comfort as to the volume of the gas which underpins the viability of the Kudu Project. ERC-Equipoise have finalised their reserves report incorporating feedback from both NAMCOR and NamPower/KuduPower. The finalised unsigned report was issued on 25 March 2016.

A 2016 independent reserves review by ERC Equipoise has indicated a 1C-2C-3C Contingent Resource range within the main reservoir ("K3") of 755-1330-2308 Bscf respectively, with the current economics based on the low estimate of producible reserves of 755Bscf.

## Subsea EPC and FPS Contractors & Update on Drilling, Trees & Control and Offshore Survey Tenders

- We have received Saipem's tender revalidation to end of June 2016.
- The first pass evaluation has been completed and it indicates a reduction of US$38 million or 6% compared to last tender to a total costs of less than US$600 million.
- Cost reduction is driven primarily by further softening in the markets. Major impact of MGO (fuel) price reductions from US$750 to US$450 from last tender translating into lower spread costs despite longer campaign due to longer FPS schedule.
- Overall cost reduced by US$123 million compared to previous Cost estimates.
- Discussions with BW Offshore on the FPS contract have been delayed to allow for the conclusion of the JOA with BW Kudu.

The update with respect to the offshore survey is as follows:

- Invitation to Tender (ITT) for the Offshore Survey contract was issued on 22 March 2016.
- Peritus contract for technical support was signed in early March 2016.

## Subsurface Modelling

NAMCOR has contracted AGR Tracks to undertake a geological modelling of the Kudu field resources for the purpose of optimising well locations, understanding the extent of the basalts (volcanic rocks which were co-deposited with the reservoir rocks) and the resultant impact on reservoir quality, and finally establish the upside potential.

It should not be understood that NAMCOR has any doubt as to the quantity of the gas or the quality of the reservoir. This is been done to enable NAMCOR to gain a better understanding and in the process to assume ownership of the reservoir model.

## MME Funding

An NEF Loan has been secured and transferred to NAMCOR subject to loan conditions, to be used to cover NAMCOR expenses in execution of its duties with respect to the upstream activities required in the Kudu Gas to Power Project.

## Government (GRN) Support Package

Given that NAMCOR's 44% will be funded by GRN as per Cabinet directive of 10 March 2015, we are now in the position to declare that the upstream structure is entirely constituted. However, given the current GRN budgetary challenges, NAMCOR has been advised to look for alternative financing toward a portion of its equity. There is therefore a likelihood that NAMCOR may have to contemplate farming-out a portion of its equity.

NAMCOR would like to advise however, that while a reduction in its equity could alleviate the pressure on GRN, there are a few issues that could arise if this decision proceeds. These are:

- Reduction in revenue due to a lower equity position
- Re-emergence of forex challenges to the downstream if NAMCOR were to take a lower equity position. This will impact on the gas price currency split.
- Requirement for GRN to provide guarantees to NAMCOR could diminish but not be eliminated.

## COMMERCIAL BUSINESS UNIT

NAMCOR remains an active participant in the downstream sector within the petroleum industry. The primary activities include storage as well as distribution and marketing activities, as the company mainly participates in the commercial sectors of the market. This is in line with the company's overall strategy of becoming a fully integrated oil company that will compete with other Oil Marketing Companies for market share.

Although NAMCOR is an entity entirely owned by the Government of the Republic Of Namibia, like any other oil company, it is required to adhere to the following legislation through which the government controls the transportation, storage and selling of petroleum products:

- Petroleum Products and Energy Act of 1990 (Act 13 of 1990)
- Petroleum Product and Energy Act of 1994 (Act 29 of 1994)
- Petroleum Products and Energy Amendment Act of 2000
- Petroleum Products Regulation 2000

## PRIMARY ACTIVITIES

### Downstream

Downstream generally refers to the refining of crude oil, as well as the marketing and distribution of petroleum products derived from this activity. NAMCOR remains active in the sourcing, selling, as well as the distribution of petroleum products.

In line with this, NAMCOR's downstream strategy is to establish and secure strategically located fuels and lubricant distribution networks, as well as sales infrastructure to boost the company's brand and provide world-class service to its Namibian client base.

NAMCOR is committed to grow both the Commercial (B2B) as well as retail fuels and lubricants markets, in all sectors, as well as to explore the export markets the SADC region.

### Supply and Trading

In order to fulfil its mandate "to ensure security of supply" for the country, the main objectives are to secure alternative sources of supply and establish reliable networks with various suppliers. It forms part of the company's long term strategy to establish export markets to contribute revenue through cross-border trade with neighboring countries.

## Logistics and Storage

NAMCOR has over the past few years established and developed bulk fuel storage facilities depots in key locations, from where it services its clients.

The company has successfully refurbished a 650,000 litre capacity storage depot in Otjiwarongo from where it trades a wide range of refined petroleum products (Fuels, Lubes and Paraffin) and from where it services commercial and Government clients.

NAMCOR has bulk storage facilities in Keetmanshoop, which allows for access to the far southern parts of Namibia. It also operates from a depot in Mariental in southern Namibia from where fuels and related products are supplied to smaller settlements such as Stampriet, Gibeon, Maltahohe, Aranos and Gochas amongst other.

NAMCOR intends to construct additional storage facilities in Ondangwa, Katima Mulilo, Windhoek and Gobabis. The Government of the Republic of Namibia is currently constructing a bulk fuel storage facility in Walvis Bay, with a capacity of 75 million litres in total, for the storage of ULP '95, Diesel 50 and 500ppm, HFO as well as Jet Fuel. This facility will be managed and operated by NAMCOR.

Additionally, NAMCOR has accommodation arrangements with other Oil Marketing Companies to store petroleum products. NAMCOR recently took over the management of both the Bulk HFO and Joint Bunkering Storage (JBS) facilities in Walvis Bay, and has started servicing its clients from these facilities.

## Lubricants

NAMCOR in conjunction with SASOL Oil Limited supplies a range of extensive lubricants intended for different market sectors such as mining, construction, agriculture, marine and automotive industries.

These lubricants are guaranteed by the producer to meet the various quality requirements such as:

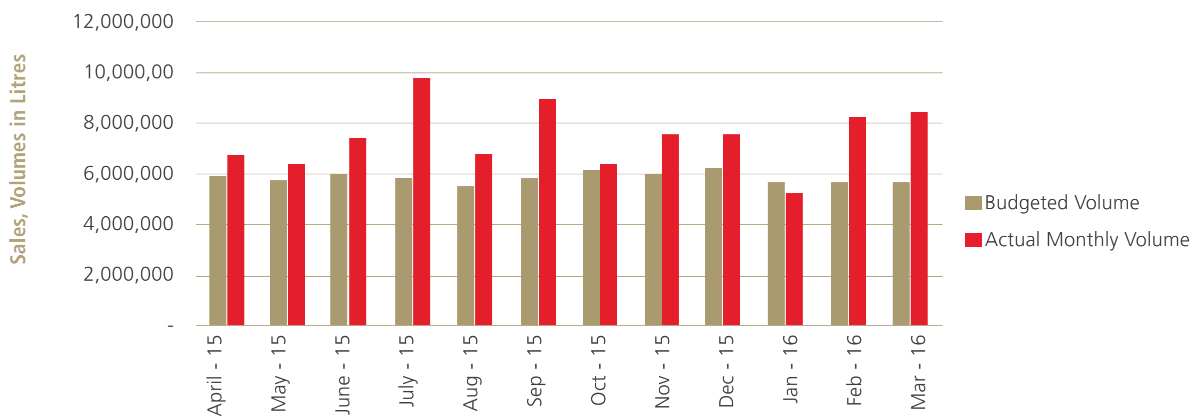
- SABS Mark of Quality ISO 9001:2000
- American Petroleum Institute specifications
- Original Equipment Manufacturers (OEM)

## Sales Volumes and Depot Operations

During 2015/16 FY overall sales volumes exceeded budget targets by 27 percent. Year on year comparisons showed a 32 percent increase in overall sales volumes in 2015/16 financial year compared to 2014/15. Sales in 2014/15 were reported at 63.3 litres and 88.6 million litres for the period under review.

Heavy Fuel Oils sales volumes were at the forefront of the company's sales performance, totaling 53.5 million litres for the year. Actual sales for 500ppm diesel were lower than what was budgeted at 27.3 million litres versus budgeted sales of 36.4 million litres. Sales for ULP95 was budgeted at 9 million litres, actual sales for the year were 7.5 million litres. Lubricants showed the poorest performance. Actual sales for the year were 64K litres, 154K was budgeted for the 2015/16 financial year. NAMCOR plans to increase overall sales volumes by at least 6 percent in the next financial year.

Fuels Monthly Sales Vume - YTD




Depot operations during the year under review, showed better performance than the previous years.

Expenditure remained in line with the budget although some deferred projects account for some savings. Capital expenditure remained moderate; maintenance and repairs at the various depot sites account for most the spending.

During this financial year, NAMCOR managed to finalise the transfer of land ownership of land it acquired in Ondangwa and Gobabis. These acquisitions form part of the company's expansion strategy of its depot network operations as well as NAMCOR's objective to be less dependent on other Oil Marketing Companies for storage and accommodation.

The company will continue to explore land availability in other towns to support this strategy. The Bulk Storage Project currently underway in Walvis Bay is nearing completion of the design phase. The completion date remains last quarter 2017 or alternatively first quarter 2018.

## Retail Business

NAMCOR's retail strategy remains one of the main priorities in the short – medium term strategy. The company intends to construct and or acquire retail outlets in the next financial period, targeting strategic locations country-wide. Plans to construct a common fuel facility at Hosea Kutako International Airport are still in progress, it is foreseen that this project will gather momentum in the 2016/17 financial period.

The Retail Visual Identity (RVI) is under way, the consultants were appointed and have commenced work in this regard. NAMCOR's Retail Visual Identity will play a vital role as it is a key foundation in NAMCOR's retail roll out strategy as it will introduce a new retail brand into the Namibian market to compete with the more established brands of the Oil Marketing Companies (OMC's).

## Import Mandate

NAMCOR has been working diligently to have its import mandate reinstated following its revocation in 2011. Using the outcomes of the report from PwC completed in 2015, recommendations were made to the Board regarding the preferred import option for approval.

Such recommendations were presented to the Minister of Mines and Energy, the next level of interface will be at Cabinet level. NAMCOR will dedicate all efforts in ensuring that the identified enablers are in place to ensure appropriate implementation of this mandate.

## BUSINESS SUPPORT, PROPERTY MANAGEMENT & PROJECTS

### Land Master Plan

NAMCOR submitted applications to purchase land in various towns, and received offers in Ondangwa, Gobabis, Mariental, Luderitz, Keetmanshoop and Windhoek.

### Ondangwa

Transfer for the following erven (4782, 4783, 4784, & 4796) has been concluded and the properties have been registered into NAMCOR's name. Stubenrauch Town Planning Consultant was appointed to consolidate the above properties. The department is busy preparing the ToR's for design, tender documentation, contract management and construction supervision for the appointment of the consulting engineer.

### Gobabis

Transfers for the following erven (1315, 1316 &1317) were concluded and the properties have been registered into NAMCOR's name. Stubenrauch town planning consultant were appointed to consolidate the above properties. The department is busy preparing the ToR's for the design, tender documentation, contract management and construction supervision for the appointment of consulting engineer.

### Mariental

Erven offered by Mariental Municipality are suitable and this was confirmed by Executive: Business Support & Property Management. The cost for two Erven amounts to N$2, 471,455. These are currently on hold as there is no market at the moment.

### Lüderitz

The Land acquisition project is halted until further notice as there are no suitable industrial erven available in the town.

### Keetmanshoop

An application to purchase land for the construction of a Retail Service Station was submitted to the Municipality, a response was received from the municipality, however the land applied for belongs to Ministry of Works and Transport. Further the Municipality has advised us to approach the Ministry of Works. A letter was then sent to the Ministry of Works & Transport to lease or purchase Erf 976 or 975 to NAMCOR. NAMCOR is still waiting for response from Ministry of Works and transport.

### Windhoek

NAMCOR has submitted an application for a long-term lease of erf 17/288 in the Northern Industrial Area of the City of Windhoek and the City has informed NAMCOR that the land in question was reserved for a Public Transport Depot for City of Windhoek.

The department has identified suitable land at Shali Industrial park at Brakwater. The industrial plots are situated next to the B1 highway road with excellent visibility and have access to the railway as per our requirement. The plots are zoned as "heavy industrial" which permits the storage of petroleum products. Furthermore the plots are zoned as bulk 1:1, which means you are allowed to erect a structure up to the Erf boundary.

NAMCOR has agreed to purchase Erf 35 and 36 measuring 5897 sqm and 6484 sqm at Brakwater at a purchase price of N$1825.00 per square meter. The total purchase price amounts to N$ 22,595,325.

## PROPERTY MATTERS

### Walvis Bay

This is on hold pending the completion of the Bulk fuel storage construction.

### Petroleum House Maintenance

A number of renovations were conducted during the period under review. Among other things, these include the replacement of air conditioning chillers. The old wing is still waiting on a contractor to install two chillers which will be completed towards the end of the year.

### Summarised Capital Project 2015/2016

| Project Description | Status | Remark |
|---|---|---|
| Land Master Plan | Implemented - The Second Draft was produced and approved by the Board of Directors | In progress – ongoing |
| Construction 16 New Offices | Not Implemented | |
| Ondangwa Depot | Implemented | Land registered into NAMCOR's name |
| Land Acquisition - Lüderitz | Not Implemented | Halted as there is no suitable land |
| Vehicle acquisition | Implemented | Purchased |

### Conclusion

The Department remains committed to ensuring the success of the Land Master Plan and other related Infrastructural Development Projects.

## HUMAN CAPITAL

### Our People

NAMCOR participated in the Deloitte Best Company to Work for Survey during 2015/2016. The survey was conducted amongst employees of the company and in the small to medium sector.  Our objectives in participating in the survey was to create a world class organisation, become a preferred employer of choice, improve employee morale, engagement and harness the best practices in the human resource field. This ultimate outcome of this intervention is to produce engaged and motivated employees who will contribute to the bottom line of the organisation. We obtained 72% in Best Company to Work for 2015 results, which exceeded our organisational climate target of 65%. This score is a reflection of a healthy organisational climate and the Best Company to Work For is a strategic priority.

### People Investment and Managing Talent

People investment and talent management is one of the key drivers in our business and it focuses on talent attraction, training and development, and succession planning.

Inspired by our vision: To be a world-class petroleum organisation – providing sustainable benefits to all stakeholders, Petrofund and NAMCOR jointly sponsored one female employee to complete her Master of Science in Accounting (Oil and Gas) in the United Kingdom. We further had five employees that have been attached to international oil and gas companies in geology and geoscientist to harness best practices in data management.

Our training and development strategy also focused on obtaining skills in downstream, upstream and across the business by sending our employees to various training and development interventions, granting study assistance and to provide generic training for our employees to address skills gaps and to produce the desired results in the respective areas of our business. We had 75% execution rate in training during the period under review.

We have an approved succession plan and talent strategy and it is work in progress. The plan focuses on the level of readiness of potential employees to fill critical positions internally and to develop a talent pool.

## Creating a Performance Management Culture

NAMCOR embarked on creating a performance management culture in 2014. The performance management process is continuously improved to ensure that employees are measured on robust key performance indicators that will deliver the Company's operating and financial targets. During 2015/2016 employees signed performance agreements. During the period under review the company adopted the 4 Discipline of Execution to accelerate the performance culture and deliver on the desired results. These disciplines will enable employees to focus their finest effort on two goals that will make a significant difference in NAMCOR's vision.

## Leadership Development and Executive Coaching

Our strategic focus areas in training and development for the period under review were to develop our leadership pipeline and capabilities by sending our Leadership Team at middle management and Senior Leadership to the African Leadership Institute to attend the management development programme. This programme is aimed at equipping and developing leaders to transform their organisations and by extension the African continent. The Executive Management Team underwent executive coaching sessions with Pygmillion, which offers unique expertise in organisational leadership and executive coaching. The purpose of the EXCO Leadership coaching sessions was to ensure that EXCO directs, aligns and commits to deliver on the Board's Mandate. Further to the aforementioned, the coaching assisted EXCO to realise that their leadership journey is not contained in job roles but to develop the capacity to proactively and strategically respond to various organisational challenges and to deliver the desired results to shareholders.

## Equity at the Workplace

Employment equity is one of NAMCOR's enablers that delivers on meaningful transformation by ensuring that it adopts fair employment practices with regard to matters such as recruitment, selection, appointment, training, promotion and equitable remuneration more particularly for previously racially disadvantaged people. NAMCOR was awarded the Affirmative Action Certificate during 2015 and it is an indication that NAMCOR complies with the Affirmative Action Employment Act of 1998 and that the planned numerical goals have been obtained. NAMCOR's 3-year numerical plan (2015 – 2017) focuses on increasing technical capabilities, developing and promoting women into management positions. The plan is being monitored and is well on track. The current statistics of the NAMCOR workforce are summarised as follows:

| | |
|---|---|
| Designated group employees | 97.7% |
| Women in the workplace | 45.98% |
| Racially Disadvantaged men | 51.72% |
| Leadership positions represented by female employees | 32% |
| Persons with disabilities in the workplace | 2,3% |
| Non-Namibians in the workplace | 0% |

## INFORMATION COMMUNICATION TECHNOLOGY (ICT) DEPARTMENT

### Introduction

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

- Grow Net Income to become a self-sustaining Commercial SOE
- Lead Kudu to Financial Close (FID)

The ICT Department is aspiring to transform itself into a true service management function by better aligning delivered services with business needs, while simultaneously increasing the productivity of infrastructure operations. Achieving these goals requires more than simply optimising the efficiency of technology silos and individual services — it requires an optimisation approach that looks at the entire infrastructure with a business lens.

The ICT Department has thus embarked on achieving significant milestones for the 2015 -2016 Financial Year, through execution of key initiatives defined under the ICT Strategic Plan for 2015 - 2017. The Department has met and overcome many challenges over this past year, accomplishing a tremendous amount in terms of overall services provided and projects successfully completed. This annual report details but some of the accomplishments and contributions the department has made this past year.

### Mission Statement

The ICT Department mission is to provide the technical infrastructure, information resources, and services that advance NAMCOR's strategic goals; promotes effective and efficient work processes; and supports information decision making and institutional reporting.

### Strategic Imperative – Driven by Business

Recent trends have heightened the urgency for the ICT Department to shift from a traditionally technically-driven department to one that delivers services optimally to its users. It needs to respond to the following aspects:

- Increased scrutiny of IT value, as business executive's focus on IT as a budget area for company financial savings.
- Increased scope of responsibility, as the business' cost per each hour of IT downtime increases.
- Heightened visibility of IT services, as outsourcing offerings mature and third-party providers promise higher service levels.

These new mandates call for going beyond reducing infrastructure costs through consolidation, standardisation, and improved asset management.


CRUSHING
HAZARD
AREA
CRUSHING
HAZARD
AREA
AUX
CRUSHING
HAZARD
AREA
CRUSHING
HAZARD
AREA

### ICT Department's Interpretation of Strategic Objectives

In response to the overall company objectives, the ICT Department has embarked on executing a strategy, focussing on the following important objectives:

- Modernisation of ICT Department's server, networking, storage capabilities.
- Simplifying its internal systems and processes by focusing on operational efficiencies including information systems.
- Setting up Geo Data Management Systems to support and respond to the KUDU Project Final Investment Decision (FID) implementation.

### ICT Department Strategic Plan 2015-2017

The ICT Department Strategic Plan 2015-2017 provides a vision for the Department, in support of the overall NAMCOR objectives. Included among the plan's important strategic goals and objectives, is the implementation of a 3-year comprehensive information technology plan that is aligned with the corporation's overall strategic plan and operational budget.

## A Brief Overview of Activities

### IT Systems Capital Project

In the last Financial Year, ICT Department embarked on a major capital project implementation, aimed at setting the platform for driving value delivered to business. The total costs amounted to N$ 9,420,832, constituted by expenditure on the following deliverables:

### Infrastructure Project Component

This involved the following:

- Replacement of the current server farm, core networking and storage components into a single consolidated hyper-converged intelligent platform.
- Upgrading of Headquarters Network Backbone to 10GB and the endpoint connections to 1GB to provide increased network throughput for faster access to applications and data.
- Procurement of Software Licensing Components to provide the latest software versions to remain current inclusive of a 3-Year Maintenance and Support Contract.
- Being ready for both Commercial Business Unit, Exploration and Production and KUDU technology requirements.

### Disaster Recovery and Business Continuity Site Project Component

This involved the following:

- The establishment of a Disaster Recovery and Business Continuity Site, to enable NAMCOR business to have an effective disaster recovery, failover and business continuity management in place.
- Enabled NAMCOR to have effective data backup, data replication, data recovery capabilities in place to safeguard NAMCOR's data and institutional memory.

### Information Security Management Project Component

This involves implementing an information security management program at NAMCOR.

### Elements of the Program involve:

- Periodically Assessing Risk.
- Documenting an entity-wide Security Management Plan.
- Establishing a security management structure and clearly assigning security responsibilities.
- Implementing effective security-related policies.
- Monitoring the security program's effectiveness and making changes as necessary.

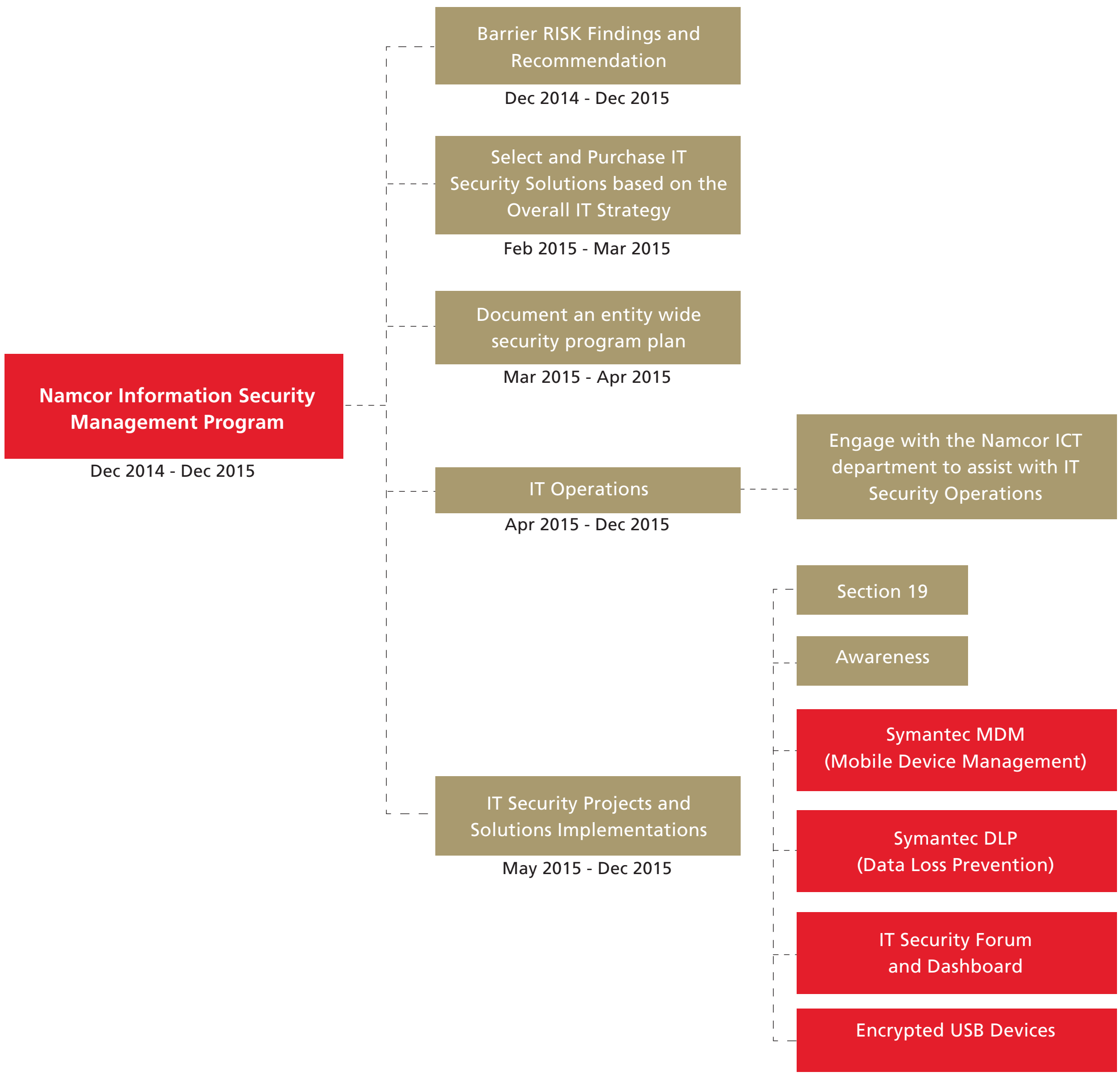
## What has been achieved?

### Infrastructure Project Component

- Vast improvements have been made to the new NAMCOR Production and Disaster Recovery Site allowing effortless business continuality with minimum to zero interference to daily operations.
- The Disaster Recovery Site has the ability to function as an independent and fully functional secondary production site should the primary site be compromised in any way.
- By executing Network optimisation we have successfully increased network speed from 1000MBs to 10000MBs, allowing 10 x faster network speed.
- Increased Virtual environment Hardware capacity enables NAMCOR to host 100 x more Virtual Machines than before.
- Increased Storage Capacity from 2TB to 150TB allowing NAMCOR to store vast amounts of raw data for processing.
- Backup/Restore recovery time enables NAMCOR to recover complete servers. The powerful processing capacity and advanced storage technology reduce the recovery time from hours to a few minutes.

### Information Security Management Project Component

After assessing vulnerabilities that were highlighted as a result of a Risk Assessment Audit, a strategy was formed to mitigate risks to business, in the form of a security management program roadmap.




## Current NAMCOR Information Security Systems Landscape

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

- Internet Mail Spam Solution– filters all incoming and outgoing mails for spam, and removes them.

### Firewall Protection Features

- Intrusion Prevention functionality, to prevent malicious content from entering NAMCOR network.
- Malware Detection – Searches for malware and removes them.
- Web Content Filtering – Filters content to and from the Internet, based on policies set up.

### Network Segregation

- Demilitarised Zone – specifically configured isolated zone, for segregating internal NAMCOR Network from the Internet.
- Local Area Network – internal NAMCOR Network Zone.

## NAMCOR Domain Protection

- Account Access based on applicable function and roles.
- Folder and File Permissions set up according to strict user and group access rights.
- Anti-Virus Software protection for desktop devices.

## Value Proposition

The value derived from the successful completion of this project, can be divided into distinct areas namely:

- **Time to Value**
  The solution enables speedy allocation of resources and application deployment, improving time to market.
- **Performance Improvements**
  The newly implemented infrastructure platform simplifies IT management across all NAMCOR sites (Head Office, Business Continuity Site, remote offices, depots, future drilling and offshore sites) can all be managed from one screen anywhere within the federation.
- **Risk Reduction**
  The availability of quality ICT services is paramount to the continued operations and success of NAMCOR's growth initiatives. The availability of the network can be impacted by both scheduled and unscheduled downtime.

The solution minimises data loss and meets stringent **Recovery Point Objectives**, as defined in NAMCOR's **Business Continuity and Disaster Recovery Plans**, which is currently being developed.

- This is achieved through native data protection, which lowers deployment costs for the disaster recovery site.
- The solution's rapid recovery abilities lowers recovery time, meeting aggressive operational and/or disaster recovery objectives.
- Lastly bandwidth-efficient replication optimises the transfer of data between primary and disaster recovery site.

## Operational Efficiency - squeezing every last dollar

NAMCOR continues to pursue aggressive cost-containment initiatives to improve profitability. While the ICT Department's focus on cost-cutting over the last few years has yielded substantial unit cost reductions, business demand for increased service quality, volume, and functionality has driven total infrastructure spending upward.

- The solution enabled NAMCOR ICT Department to have more control over provisioning resources and deploying applications, thereby improving operational efficiency.
- ICT simplified operations and the integrated data protection enabled the protection of critical information no matter where it is created.
- Maximises efficiency of available bandwidth by reducing the amount of information that needs to traverse the wide area network.

## Business Resiliency — no time for downtime

With increasing reliance on IT-enabled solutions to support core business functions, ICT faces tremendous pressure to improve systems availability and service resilience. With this solution if any failures are detected in the head office production environment, the server resources will automatically be moved to the DR location allowing for business continuity without any noticeable downtime - Server resources will be reassigned to head office, once the engineers have rectified the predicted failure.

## Flexible Technology Portfolio — size without scale

NAMCOR's legacy infrastructure was complex comprising of numerous platforms connected by a network of middleware and point-to-point solutions. Such technology heterogeneity thwarts ICT's ability to rapidly provision new services. With business aspirations for growth, ICT faced pressure to simplify the existing infrastructure while creating a services portfolio that can quickly adapt to changing business and technology conditions. Therefore we implemented a consolidated single hyper-converged intelligent infrastructure platform.

- The solution combines server, storage, and networking services, as well as a complete set of advanced functionality that enables improvements to the management, protection, and performance of infrastructure — all in one solution – resulting in a reduction in complexity compared to the current traditional infrastructure stack.
- By replacing the cluttered infrastructure stack, the proposed solution delivers an equivalent level of functionality and protection, while significantly improving performance and efficiency.

In short, the proposed solution simplifies IT, reducing the operational overheads required.

## Return on Investment

Analysing the return on the allocated IT investment (ROI) was typically more complex than other projects because of the intangible nature of some of the costs and benefits associated with its use.

This difficulty in measurement often leads considerations of ROI in IT to involve issues of the relative effectiveness of ICT decisions for NAMCOR, as well as the appropriateness of various ICT Department projects against stated business objectives.

## Total Cost of Ownership (TCO) Reduction

The solution increases return on investment by eliminating the need to purchase multiple hardware components. Furthermore, integration with the current virtualised environment minimises the training required for operational staff.

- The solution comes with built-in data virtualisation technology, which optimises storage capacity, network bandwidth utilisation, reducing resource requirements.
- The solution is scalable, enabling on-demand expansion, contributing to tangible CAPEX and OPEX savings

## The Way Forward - What is yet to be implemented?

Even though certain technological capabilities exist within the current NAMCOR ICT Department security landscape, more needs to be done to achieve the overall objective of mitigating loss of data, data breaches, leakages, in the form of the following:

- A Data Classification exercise needs to be performed by the business users, to identify public, private and confidential data.

- A Data Loss Prevention Solution for discovery, monitoring and enforcing data prevention and protection is to be implemented in the 1st quarter of the new financial year.
- A Mobile Device Management Solution for managing and securing applications and content on NAMCOR mobile devices.
- It is also envisaged that certain business processes be reviewed and user behaviour be transformed to create a better data security awareness culture within the organisation.

### Conclusion

In order to deliver true, the ICT Department will continue to collaborate with business and proactively manage demand growth while simultaneously identifying unexploited savings opportunities. In summary, through the successful implementation of this project, the ICT Department will be geared towards supporting and enabling the corporation's turn-around strategy and achieving the important goals set out by NAMCOR's Executive.

## HEALTH, SAFETY, ENVIRONMENT AND QUALITY (SHEQ)

### Introduction

The SHEQ key function at NAMCOR is the promotion of health, safety and well-being of employees and to ensure that accidents and near-misses are kept as low as is reasonably practicable. The security of personnel and assets, as well as the protection of the environment are crucial elements that contribute to NAMCOR's overall objective of being a self-sustainable commercial entity.

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

### SHEQ Policies and Procedures

- Waste Management Policy and Plans
- Environmental Policy and Emergency Response Preparedness
- SHEQ Policy statement
- Environmental Charter
- Alcohol and Drug Policy and Procedures

The above policies and procedures were forwarded to ARCC for approval.

## INTEGRATED MANAGEMENT SYSTEM ISO 9001, ISO 14001 AND OHSAS 18001 (IMS)

- Three successful companies were identified and price was successfully negotiated with one of them for the implementation of the IMS project at NAMCOR.
- The IMS project proposal has been forwarded to the EXCO Tender Committee to engage the Board to finalise funding for the project.
- The IMS project is envisaged to be rolled out and implemented in the 2016/2017 financial year.

## MAINTENANCE CONTRACT AGREEMENTS

The following maintenance contracts agreements under SHEQ Division have expired and new contracts agreements are being finalised.

- Security Guards Service Contract
- Electric Fence Maintenance Contract
- CCTV, building alarms, Fire detection, Fire suppression

## TRAINING

### Oil Spills

SHEQ Division successfully trained Depot staff on how to handle and use oil spill kits and material that were procured, to contain minor to medium oil spill on their sites. This training is in line with relevant legislation and the following sites' staff members were trained:

- Langerheinrich Mine
- Join Bunkering Storage Site (JBS)
- Heavy Fuel Oil Site (HFO)
- Otjiwarongo Depot
- Mariental Depot
- Namport Customers Site

The training involved theoretical orientation and practical performance and the safe handling of the oil spillages.

### Permit To Work System

A Permit-to-Work system course was conducted by PROWALCO to equip nine NAMCOR selected employees to issue a permit to work whenever any non-routine and hazardous work is to be carried out at any NAMCOR sites. The employees were selected from SHEQ, Business Support, E&P and LHU Mine. The system has been implemented and more depot-based employees will be trained in this regard.

### Hazards and Effects Management Process Training (Hemp)

The Hazards and Effects Management Process (HEMP), is a process to provide a structured approach to the analysis of safety hazards throughout the life-cycle of an installation. The environmental and health risk assessment processes fulfill a comparable function with respect to environmental and health hazards at all stages of the life cycle.

NAMCOR employees attended this course, which was organised by VIVO Energy Namibia. The employees were selected from SHEQ, CBU, REM contractors and LHU mine. This course will include more CBU staff members next time, in particular those at depots.

## EMPLOYEE WELLNESS ACTIVITIES

### Wellness Screening

SHEQ facilitated the Walvis Bay Corridor Group to conduct confidential, anonymous and voluntary counselling and testing for HIV and general employee biometric wellness screening tests on 01 December 2015 as part of the companies' World AIDS Day Commemorations.

The main objective of the wellness survey was primarily to ensure that individual employees were informed of their wellness status through on-site biometric screening services for lifestyle conditions that are likely to affect individual health and productivity at the workplace and where necessary, advised to seek medical attention for any health conditions which were detected during the wellness screening campaign.

Screening was conducted by wellness assessors (Registered Nurses and HIV Counselling and Testing Certified Testers). Based on the screening results, individuals were referred to health professionals for further diagnoses and treatment services.

The biomedical survey aims at gathering information about employees' knowledge and attitudes, use of preventive measures, health seeking behaviour, perceived risk and measured health indicators of diseases that have the potential to have adverse effects on the human body.

The exercise included Wellness Screening tests for HIV antibodies, Glucose (Sugar levels), Cholesterol, Pulse rate, Blood Pressure and Body Mass Index.

### Cancer Awareness Campaign

All NAMCOR staff members (Head Quarters and Depots) participated in a country-wide cancer campaign to raise awareness about the dangers of this disease and how better to care for self, family and colleagues.

## AUDITS, INSPECTIONS AND RECOMMENDATIONS

### Mariental Depot Firefighting Pump

- A new Fire Booster Pump has been procured from Phoenix Fire and installed. The test run was conducted and the pump is functioning very well.

### Servicing of Fire Fighting Equipment

- The annual servicing of Fire Fighting equipment at the NAMCOR headquarters and depots has been completed and all equipment is in working order.

### NAMCOR Vehicles

- All NAMCOR vehicles were provided a mini fire extinguisher and a first aid kit to cater for first aid injuries while travelling on business trips.

### Incident Statistics

| Incident No: | Classification | Date of Occurrence | Short Description | Corrective Actions Status | Comments |
|---|---|---|---|---|---|
| 1. | Product loss (CBU) | 30/12/2015 | ULP product spilled into the bund wall when inlet gasket burst at Otjiwarongo depot. | Executive and Manager CBU immediately informed. Gasket replaced and contaminated product pumped into separator pit. | Full investigation to determine all causes completed |

| | | | | | |
|---|---|---|---|---|---|
| 2. | Near-miss Incident (CBU) | 19/01/2016 | Rubicon security guard standing on top of truck while it was moving | Truck immediately stopped and security guard taken off shift to be inducted about the depot operations. | All new security guards at the site should be thoroughly inducted to understand the hazards associated with depot operations. |
| 3. | Property damage and product loss (CBU) | 24/01/2016 | Air Eliminator Cylinder at HFO/ RTC side burst due to excessive heat causing between 10-15 litres of HFO to spill on the ground and walls | The technical team was informed and repaired system. Soil contamination was taken care of. | Normal wear and tear caused the burst. |
| 4. | Equipment stolen (FIN) | 22/01/2016 | Lenovo Laptop, model T4315/ SNR9-0003 P513 | Reported incident to Supervisor and Nampol | This case will be released in the new financial year. |
| 5. | Equipment damage (CBU) | 11/02/2016 | A VW Polo rear wheel tire burst outside Karibib | Wheel replaced and incident reported to SHEQ. | Wheel burst caused by penetrating sharp object. |
| 6. | Personal injury (CBU) | 14/10/2015 | Employee injured her eye against the entrance gate | Employee received medical treatment and booked–off for one day. | More induction to focus on job/task analysis and proper planning. |

# DIRECTORS' RESPONSIBILITIES AND APPROVAL

The directors are responsible for the preparation and fair presentation of the group financial statements and financial statements of National Petroleum Corporation of Namibia (Proprietary) Limited, comprising the statements of financial position at 31 March 2016, 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, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, and the directors' report, in accordance with International Financial Reporting Standards, and in the manner required by the Namibian Companies Act.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error. The directors' responsibility also include 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 represented in accordance with the applicable financial reporting framework.

## Approval of annual financial statements

The financial statements of National Petroleum Corporation of Namibia (Proprietary) Limited as identified in the first paragraph, were approved by the board on 30 September 2016 and were signed on it's behalf by:

DIRECTOR

DIRECTOR

# INDEPENDENT AUDITOR'S REPORT

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

We have audited the group financial statements and financial statements of National Petroleum Corporation of Namibia (Proprietary) Limited, which comprise the statements of financial position at 31 March 2016, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 54 to 98.

### Directors' Responsibility for the Annual Financial Statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Namibian Companies Act, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinion

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of National Petroleum Corporation of Namibia (Proprietary) Limited at 31 March 2016, and consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Namibian Companies Act.

KPMG

REGISTERED ACCOUNTANTS AND AUDITORS

Chartered Accountants (Namibia)

Per: Robert Grant

Partner

30 Schanzen Road

Klein Windhoek

Windhoek

Namibia

30 September 2016

# DIRECTORS' REPORT

The directors submit their report for the year ended 31 March 2016.

## 1. Incorporation

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

## 2. Review of activities

**Main business and operations**

National Petroleum Corporation of Namibia (Proprietary) Limited is a company domiciled in Namibia. The Group and Company is 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 licensees.

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

## 3. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the company to continue as a going concern is dependent on a number of factors. Management has made great strides in improving the profitability of the group with specific emphasis on improved gross profit margins and an increase in market-share particularly in the heavy fuels and oils sector.

The market conditions of the oil and gas industry in which the company operates were less volatile for the 31 March 2016 financial year compared to the prior year. The oil price remained stable for the duration of the financial year.

Management improved processes and control around debt collection and credit management resulted in a release in the allowance for doubtful debts for the 31 March 2016 financial year.

Consequently, the directors believe that the company is well placed to manage its business risks successfully.

## 4. Events after the reporting period

NAMCOR Petroleum Trading and Distribution (Proprietary) Limited received funds amounting to N$ 50 million on 1 April 2016 pertaining to a loan agreement entered into with the Ministry of Mines and Energy. The loan is unsecured and bears interest at 2.5%. The loan is not repayable in its first two years. 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 is 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

# DIRECTORS' REPORT

10.29% on 1 April 2016.

The directors are not aware of any matter or circumstance arising since the end of the financial year to the date of authorisation of these financial statements that may have an impact on the annual financial statements.

### 5. Authorised and issued share capital

There were no changes in the authorised or issued share capital of the group during the year under review.

### 6. Dividends

No dividends were declared or paid to shareholder during the year (2015: Nil).

### 7. Directors

The directors of the company during the year and to the date of this report are as follows:

| Name | Changes |
|---|---|
| Johannes !Gawaxab (Chairperson) | - |
| Ally Shaningwa Inedhimbwa Angula (Vice Chairperson) | - |
| Anna Simanekeni Libana | - |
| Gottlieb Nendongo Amanyanga | - |
| Merceline Geises | - |
| Ludwig Kapingana (Acting Managing Director) | Resigned 30 September 2015 |
| Immanuel Mulunga (Managing Director) | Appointed 01 October 2015 |

### 8. Secretary

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

| | |
|---|---|
| **Business address** | Petroleum House,1 Aviation Road, Windhoek |
| **Postal address** | Private Bag 13196, Windhoek, Namibia |

### 9. Shareholder

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

### 10. Auditors

KPMG Namibia continued in office as auditors in accordance with section 278(2) of the Namibian Companies Act.

### 11. Registered office

Petroleum House 1, Aviation Road, Windhoek

# STATEMENTS OF FINANCIAL POSITION

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | | 2016 | 2015 | 2016 | 2015 |
| | Note(s) | N$ | N$ | N$ | N$ |
| **Assets** | | | | | |
| **Non-Current Assets** | | | | | |
| Property, plant and equipment | 3 | 183 889 399 | 132 753 294 | 90 757 023 | 76 018 579 |
| Investments in subsidiaries | 4 | - | - | 320 100 | 780 844 |
| Available-for-sale investment | 7 | 13 802 419 | 3 258 569 | 13 802 419 | 3 258 569 |
| Deferred tax asset | 8 | 79 098 521 | 95 999 149 | - | - |
| | | **276 790 339** | **232 011 012** | **104 879 542** | **80 057 992** |
| **Current Assets** | | | | | |
| Loans to group companies | 5 | - | - | 132 684 137 | 130 589 212 |
| Inventories | 9 | 34 832 353 | 23 103 514 | - | - |
| Current tax receivable | | 9 687 368 | 9 687 368 | 5 461 404 | 5 461 404 |
| Trade and other receivables | 10 | 121 937 234 | 140 044 683 | 38 207 845 | 27 728 680 |
| Cash and cash equivalents | 11 | 432 881 690 | 253 669 917 | 325 556 582 | 204 596 038 |
| | | 599 338 645 | 426 505 482 | 501 909 968 | 368 375 334 |
| **Total Assets** | | **876 128 984** | **658 516 494** | **606 789 510** | **448 433 326** |
| **Equity and Liabilities** | | | | | |
| **Equity** | | | | | |
| Share capital | 13 | 10 000 000 | 10 000 000 | 10 000 000 | 10 000 000 |
| Reserves | | 68 933 624 | 26 521 140 | 23 039 616 | 10 270 264 |
| Retained income | | 432 062 131 | 292 069 775 | 344 804 260 | 243 609 941 |
| | | 510 995 755 | 328 590 915 | 377 843 876 | 263 880 205 |
| **Liabilities** | | | | | |
| **Non-Current Liabilities** | | | | | |
| Loans from shareholder | 6 | 117 918 563 | 117 918 563 | 117 918 563 | 117 918 563 |
| Long term loans | 16 | 88 197 036 | 93 540 593 | 25 126 143 | 27 443 590 |
| | | **206 115 599** | **211 459 156** | **143 044 706** | **145 362 153** |
| **Current Liabilities** | | | | | |
| Loans from group companies | 5 | - | - | 21 237 | 80 535 |
| Long term loans | 16 | 6 792 809 | 6 735 577 | 2 337 253 | 2 280 021 |
| Trade and other payables | 17 | 86 170 798 | 111 730 846 | 17 488 415 | 36 830 412 |
| Deferred income - Kudu Government Grant | 31 | 66 054 023 | - | 66 054 023 | - |
| | | **159 017 630** | **118 466 423** | **85 900 928** | **39 190 968** |
| **Total Liabilities** | | **365 133 229** | **329 925 579** | **228 945 634** | **184 553 121** |
| **Total Equity and Liabilities** | | **876 128 984** | **658 516 494** | **606 789 510** | **448 433 326** |

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | | 2016 | 2015 | 2016 | 2015 |
| | Note(s) | N$ | N$ | N$ | N$ |
| Continuing operations | | | | | |
| Revenue | 19 | 648 260 351 | 696 894 081 | 23 166 523 | 41 182 660 |
| Cost of sales | | (557 549 494) | (628 951 212) | - | - |
| Gross profit | | 90 710 857 | 67 942 869 | 23 166 523 | 41 182 660 |
| Other income | 20 | 186 228 597 | 90 712 984 | 185 691 493 | 90 682 698 |
| Operating expenses | | (130 394 570) | (241 061 686) | (116 775 705) | (164 211 604) |
| Operating profit / (loss) | 21 | 146 544 884 | (82 405 833) | 92 082 311 | (32 346 246) |
| Finance income | 22 | 17 133 019 | 14 597 413 | 11 220 697 | 11 552 841 |
| Finance costs | 23 | (7 452 814) | (7 279 336) | (2 108 689) | (2 038 516) |
| Profit / (loss) before taxation | | 156 225 089 | (75 087 756) | 101 194 319 | (22 831 921) |
| Taxation | 24 | (16 900 628) | 9 417 844 | - | - |
| Profit / (loss) from continuing operations | | 139 324 461 | (65 669 912) | 101 194 319 | (22 831 921) |
| Discontinued operations | | | | | |
| Profit from discontinued operations | | 667 895 | - | - | - |
| Profit / (loss) for the year | | 139 992 356 | (65 669 912) | 101 194 319 | (22 831 921) |
| Other comprehensive income: | | | | | |
| Items that will not be reclassified to profit or loss: | | | | | |
| Revaluation of land and buildings | | 37 375 401 | - | 7 841 395 | - |
| Items that may be reclassified to profit or loss: | | | | | |
| Available-for-sale financial assets adjustments | | 4 927 957 | (955 544) | 4 927 957 | (955 544) |
| FCTR on foreign subsidiary | | 109 125 | - | - | - |
| Total items that may be reclassified to profit or loss | | 5 037 082 | (955 544) | 4 927 957 | (955 544) |
| Other comprehensive income / (loss) for the year net of taxation | | 42 412 483 | (955 544) | 12 769 352 | (955 544) |
| Total comprehensive income / (loss) for the year | | 182 404 839 | (66 625 456) | 113 963 671 | (23 787 465) |

# STATEMENTS OF CHANGES IN EQUITY

| | Share capital | Foreign currency translation reserve | Revaluation reserve | Fair value adjustment assets available-for sale reserve | Non distribu-table reserve | Total reserves | retained Income | Total equity |
|---|---|---|---|---|---|---|---|---|
| | N$ | N$ | N$ | N$ | N$ | N$ | N$ | N$ |
| **Group** | | | | | | | | |
| Balance at 01 April 2014 | 10 000 000 | (109 125) | 24 866 189 | 955 544 | 1 764 076 | 27 476 684 | 357 739 687 | 395 216 371 |
| Loss | - | - | - | - | - | - | (65 669 912) | (65 669 912) |
| Other comprehensive income | - | - | - | (955 544) | - | (955 544) | - | (955 544) |
| Total changes | - | - | - | (955 544) | - | (955 544) | (65 669 912) | (66 625 456) |
| Balance at 01 April 2015 | 10 000 000 | (109 125) | 24 866 190 | - | 1 764 076 | 26 521 141 | 292 069 775 | 328 590 916 |
| Profit | - | - | - | - | - | - | 139 992 356 | 139 992 356 |
| Other comprehensive income | - | 109 125 | 37 375 401 | 4 927 957 | - | 42 412 483 | - | 42 412 483 |
| Total changes | - | 109 125 | 37 375 401 | 4 927 957 | - | 42 412 483 | 139 992 356 | 182 404 839 |
| Balance at 31 March 2016 | 10 000 000 | - | 62 241 591 | 4 927 957 | 1 764 076 | 68 933 624 | 432 062 131 | 510 995 755 |
| Notes | 13 | 14 | 15 | | | | | |
| **Company** | | | | | | | | |
| Balance at 01 April 2014 | 10 000 000 | - | 8 506 189 | 955 544 | 1 764 075 | 11 225 808 | 266 441 862 | 287 667 670 |
| Loss | - | - | - | - | - | - | (22 831 921) | (22 831 921) |
| Other comprehensive income | - | - | - | (955 544) | - | (955 544) | - | (955 544) |
| Total changes | - | - | - | (955 544) | - | (955 544) | (22 831 921) | (23 787 465) |
| Balance at 01 April 2015 | 10 000 000 | - | 8 506 189 | - | 1 764 075 | 10 270 264 | 243 609 941 | 263 880 205 |
| Profit | - | - | - | - | - | - | 101 194 319 | 101 194 319 |
| Other comprehensive income | - | - | 7 841 395 | 4 927 957 | - | 12 769 352 | - | 12 769 352 |
| Total changes | - | - | 7 841 395 | 4 927 957 | - | 12 769 352 | 101 194 319 | 113 963 671 |
| Balance at 31 March 2016 | 10 000 000 | - | 16 347 584 | 4 927 957 | 1 764 075 | 23 039 616 | 344 804 260 | 377 843 876 |
| Notes | 13 | 14 | 15 | | | | | |

# STATEMENTS OF CASH FLOWS

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | | 2016 | 2015 | 2016 | 2015 |
| | Note(s) | N$ | N$ | N$ | N$ |
| **Cash flows from operating activities** | | | | | |
| Cash receipts from customers | | 684 472 458 | 821 740 078 | 198 378 851 | 167 867 518 |
| Cash paid to suppliers and employees | | (488 821 183) | (798 868 414) | (71 718 193) | (140 934 279) |
| Cash generated from operations | 26 | 195 651 275 | 22 871 664 | 126 660 658 | 26 933 239 |
| Interest received | | 17 133 019 | 12 586 955 | 11 220 697 | 11 552 841 |
| Finance costs | | (7 452 814) | (7 279 336) | (2 108 689) | (2 038 516) |
| **Net cash from operating activities** | | **205 331 480** | **28 179 283** | **135 772 666** | **36 447 564** |
| **Cash flows from investing activities** | | | | | |
| Purchase of property, plant and equipment | 3 | (20 833 382) | (8 890 014) | (10 397 684) | (3 606 150) |
| Proceed from sale of property, plant and equipment | 3 | - | 48 549 | - | 22 355 |
| (Increase)/ decrease in loans advanced to group companies | | - | - | (2 094 925) | (51 965 133) |
| **Net cash from investing activities** | | **(20 833 382)** | **(8 841 465)** | **(12 492 609)** | **(55 548 928)** |
| **Cash flows from financing activities** | | | | | |
| Repayment of long-term liabilities | | (5 286 325) | (8 083 736) | (2 260 215) | (2 198 734) |
| (Decrease)/ increase in loans from group companies | | - | - | (59 298) | (50 532) |
| **Net cash from financing activities** | | **(5 286 325)** | **(8 083 736)** | **(2 319 513)** | **(2 249 266)** |
| Total cash movement for the year | | 179 211 773 | 11 254 082 | 120 960 544 | (21 350 630) |
| Cash at the beginning of the year | | 253 669 917 | 242 415 835 | 204 596 038 | 225 946 668 |
| **Total cash at end of the year** | 11 | **432 881 690** | **253 669 917** | **325 556 582** | **204 596 038** |

# SIGNIFICANT ACCOUNTING POLICIES

## 1. Presentation of annual financial statements

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

These accounting policies are consistent with the previous period.

### 1.1 Consolidation

**Basis of consolidation**

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

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

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

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

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

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

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

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

### 1.2 Significant judgements and sources of estimation uncertainty

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

# SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Trade receivables and Loans and receivables**

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

**Available-for-sale financial assets**

The group follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and 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 for stock to write down to the lower of cost and net realisable value. Management have made estimates of the selling price and direct costs to sell on certain inventory items. The write down is included in the operating profit note.

**Taxation**

The group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws. 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 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

# SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

### 1.3 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- It is probable that future economic benefits associated with the item will flow to the company; and
- the cost of the item can be measured reliable.

Property, plant and equipment is initially measured at cost. Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

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.

Any increase in an assets carrying amount, as a result of a revaluation, is recognised to other comprehensive income and accumulated in the revaluation surplus 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.

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.

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

| | |
|---|---|
| - Buildings Straight line | 50 years |
| - Vehicles Straight line | 5 years |
| - Office, electronic and mechanical equipment Straight line | 3 to 10 years |

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

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

# SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

### 1.4 Intangible assets

**Intangible assets acquired separately**

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

**Internally-generated intangible assets – research and development expenditure**

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and use or sell the
- intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

**Intangible assets acquired in a business combination**

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date.

# SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

**Derecognition of intangible assets**

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in the profit or loss when the asset is derecognised.

## 1.5 Investments in subsidiaries

**Company annual financial statements**

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

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

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

## 1.6 Financial instruments

**Classification**

The group classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Available-for-sale financial assets
- Financial liabilities measured at amortised cost

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

**Initial recognition and measurement**

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

The group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a

# SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

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

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

**Subsequent measurement**

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

Available-for-sale financial assets are subsequently measured at fair value.

Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in equity until the asset is disposed of or determined to be impaired.

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

**Derecognition**

A financial asset is derecognised when, and only when:

- The contractual rights to the cash flows arising from the financial asset have expired or been forfeited by the group or company; or
- The group or company transfers the financial asset including substantially all risks and rewards of ownership of the asset; or
- The group or company transfers the financial asset, neither retaining nor transferring substantially all risks and rewards of ownership of the asset, but no longer retains control of the asset. Any interest in the transferred financial assets that is created or retained is recognised as a separate asset or liability.

The difference between the carrying amount of a financial asset (or part thereof) derecognised and consideration received, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

A financial liability is derecognised when, and only when:

- the liability is extinguished, that is, when the obligation specified in the contract is discharged,
- cancelled; or
- has expired.

The difference between the carrying amount of a financial liability (or part thereof) derecognised and consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

# SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Fair value determination**

The fair values of quoted investments are based on current bid prices.

**Impairment of financial assets**

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

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

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

Other impairment losses are recognised in profit or loss.

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

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

Reversal of impairment losses on available-for-sale investments are recognised in other comprehensive income unless if the original impairment was recognised in profit or loss.

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

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

Subsequent recoveries of amounts previously written off are credited against operating expenses.

**Offset**

Financial assets and liabilities are offset against each other only when a legally enforceable right exists to set off the recognised amounts, and the group or company intends to either settle on a net basis, or to realise the assets and settle the liability simultaneously.

# SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Loans to (from) group companies**

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

Loans to group companies are classified as loans and receivables.

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

**Trade and other receivables**

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

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

Trade and other receivables are classified as loans and receivables.

**Trade and other payables**

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

Trade and other payables are classified as financial liabilities measured at amortised cost.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, demand deposits, short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash and cash equivalents are classified as loans and receivables.

**Long term loans**

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

Long term loans are classified as financial liabilities measured at amortised cost.

# SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Available-for-sale investments**

Available-for-sale financial investments include equity investments. Equity investments classified as available for sale are those that are neither classified as held for trading nor designated at fair value through profit or loss.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income. Changes in the carrying amount of available-for-sale financial investments relating to changes in foreign currency rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments, are recognised in profit or loss.

If the investment is determined to be impaired, the cumulative loss is reclassified from the available-for-sale reserve to the statement of comprehensive income in finance costs. Interest earned whilst holding available-for-sale financial investments is reported as interest income using the effective interest rate method.

The group and company evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term is still appropriate. When, in rare circumstances, the group and company is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the group and company may elect to reclassify these financial assets.

Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the group and company has the intent and ability to hold these assets for the foreseeable future or until maturity.

Reclassification to the held to maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate method. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of comprehensive income.

## 1.7 Tax

**Current tax assets and liabilities**

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset. Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

# SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Deferred tax assets and liabilities**

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

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

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

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

**Tax expenses**

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a 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 period or a different period, to comprehensive income.

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

## 1.8 Leases

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

**Operating leases - lessor**

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

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

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

# SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Operating leases – lessee**

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

### 1.9 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventory is accounted for on a weighted average basis.

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

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.The cost of inventory also includes normal evaporation losses.

### 1.10 Impairment of assets

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

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

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

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

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

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

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

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

# SIGNIFICANT ACCOUNTING

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

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

### 1.13 Government grants

Government grants are recognised when there is reasonable assurance that:

- the group will comply with the conditions attaching to them; and
- the grants will be received.

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

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

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

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

Repayment of a grant related to income is applied first against any un-amortised deferred credit set up in respect of the grant.

To the extent that the repayment exceeds any such deferred credit, or where no deferred credit exists, the repayment is recognised immediately as an expense.

Repayment of a grant related to an asset is recorded by increasing the carrying amount of the asset or reduc-

# SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ing the deferred income balance by the amount repayable. The cumulative additional depreciation that would have been recognised to date as an expense in the absence of the grant is recognised immediately as an expense.

### 1.14 Revenue

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

**Sale of goods**

Revenue comprises of sales of petroleum products to local oil companies and data sales, excluding Value Added Taxation.

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable net of returns, trade discounts and volume rebates.

Data sales are recognised to the extent that it is probable that the economic benefits will flow to the group and company and the revenue can be reliably measured, regardless of when the payment is being made. Data sales relate to the sales of seismic data of geological information.

**Other income**

Other income comprise of fuel levy income, license income and exchange gains.

Fuel levy income is recognised to the extent that it is probable that economic benefits will flow to the group and company and the revenue can be measured reliably, regardless of when payment is being made. Fuel levy income is based on the litres sold by petroleum companies, which is declared to the Ministry of Mines and Energy monthly. Fuel levy income is recognised on a monthly basis.

License income is recognised to the extent that it is probable that economic benefits will flow to the group and company and the revenue can be measured reliably, regardless of when payment is being made. This occurs upon signature of the license agreement, which is when payment of the license fee becomes receivable.

**Finance income**

Interest income consists of interest charged on staff loans, trade receivables and interest earned on cash and cash

# SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

### 1.15 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.

The related cost of providing services recognised as revenue in the current period is included in cost of sales.

### 1.16 Translation of foreign currencies

**Foreign currency transactions**

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

At the end of the reporting period:

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

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

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.

**Investments in subsidiaries**

The results and financial position of a foreign operation are translated into the functional currency using the following procedures:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each item of profit or loss are translated at exchange rates at the dates of the trans-

# SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

actions; and

- all resulting exchange differences are recognised to other comprehensive income and accumulated as a separate component of equity.

Exchange differences arising on a monetary item that forms part of a net investment in a foreign operation are recognised initially to other comprehensive income and accumulated in the translation reserve. They are recognised in profit or loss as a reclassification adjustment through to other comprehensive income on disposal of net investment.

The cash flows of a foreign subsidiary are translated at the exchange rates between the functional currency and the foreign currency at the dates of the cash flows.

### 1.17 Finance costs

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

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## 2. New Standards and Interpretations

### 2.1 Standards and interpretations not yet effective

There are new or revised Accounting Standards and Interpretations in issue that are not yet effective as at 31 March 2016.

These include the following Standards and Interpretations that are applicable to the business of the group and company and may have an impact on future financial statements:

**Disclosure Initiative (Amendments to IAS 1)**

The effective date of the amendments to the standard is for the financial years commencing 1 January 2016.

The amendments provide additional guidance on the application of materiality and aggregation when preparing financial statements. The amendments also clarify presentation principals applicable to the order of notes, OCI, equity accounted investees and subtotals presented in the statement of financial position and the statement of profit or loss and other comprehensive income.

The group and company expects to adopt the standard for the first time in the 2017 financial statements.

**IFRS 9 Financial Instruments**

The effective date of the standard is for the financial years commencing 1 January 2018.

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

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

The group and company expect to adopt the standard for the first time in the 2019 annual financial statements.

The group and company are currently in the process of assessing the impact of this standard on the financial statements.

**IFRS 15 Revenue from Contracts with Customers**

The effective date of the standard is for the financial years commencing 1 January 2018.

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

The standard will most likely have a significant impact on the group and company, which will include a possible change in the timing of when revenue is recognised and the amount of revenue recognised. The group and company are currently in the process of assessing the impact of this standard on the financial statements.

The group and company expects to adopt this standard for the first time in the 2017 financial statements.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

**Amendment to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations**

The effective date of the standard is for the financial years commencing 1 January 2016.

The amendment requires business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. Business combination accounting also applies to the acquisition of additional interest in a joint operation while the joint operator retains joint control. The previously held interest in the joint operation will not be remeasured.

The group and company will amend its accounting policy with effect from April 2016 for acquisition of interest in a joint operation. The group and company are currently in the process of assessing the impact of this standard on the financial statements.

**Disclosure Initiative (Amendments to IAS 7)**

The effective date of the standard is for the financial years commencing 1 January 2017.

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The group and company expect to adopt the standard for the first time in the 2018 annual financial statements.

It is unlikely that the standard will have a material impact on the group and company's annual financial statements.

**IFRS 16 Leases**

The effective date of the standard is for the financial years commencing 1 January 2019.

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).

Lessor accounting is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

The group and company expect to adopt the amendment for the first time in the 2020 annual financial statements.

The impact of the new standard is currently being assessed.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

### 3. Property, plant and equipment

| Group | 2016 | | | 2015 | | |
|---|---|---|---|---|---|---|
| | Cost/ Valuation | Accumulated depreciation/ impairment | Carrying value | Cost/ Valuation | Accumulated depreciation/ impairment | Carrying value |
| Land and buildings | 163 912 865 | (1 405 786) | 162 507 079 | 128 966 182 | (10 856 927) | 118 109 255 |
| Work in progress | 4 671 517 | - | 4 671 517 | 4 580 663 | - | 4 580 663 |
| Motor vehicles | 2 279 982 | (1 244 125) | 1 035 857 | 2 068 134 | (830 512) | 1 237 622 |
| Office. electroninc and storage equipment | 35 066 659 | (19 391 713) | 15 674 946 | 24 336 362 | (15 510 608) | 8 825 754 |
| Total | 205 931 023 | (22 041 624) | 183 889 399 | 159 951 341 | (27 198 047) | 132 753 294 |

| Company | 2016 | | | 2015 | | |
|---|---|---|---|---|---|---|
| | Cost/ Valuation | Accumulated depreciation/ impairment | Carrying value | Cost/ Valuation | Accumulated depreciation/ impairment | Carrying value |
| Land and buildings | 78 115 000 | - | 78 115 000 | 79 514 886 | (8 292 788) | 71 222 098 |
| Motor vehicles | 1 418 331 | (888 716) | 529 615 | 1 206 483 | (647 434) | 559 049 |
| Office equipment | 21 799 634 | (10 115 257) | 11 684 377 | 12 299 347 | (8 351 024) | 3 948 323 |
| Work in progress | 428 031 | - | 428 031 | 289 109 | - | 289 109 |
| Total | 101 760 996 | (11 003 973) | 90 757 023 | 93 309 825 | (17 291 246) | 76 018 579 |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

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

Reconciliation of property, plant and equipment - Group - 2016

| | Opening balance | Additions | Transfers | Revaluations | Depreciation | Impairment loss | Total |
|---|---|---|---|---|---|---|---|
| Land and buildings | 118 109 255 | 6 464 144 | 3 336 239 | 37 375 401 | (2 171 670) | (606 290) | 162 507 079 |
| Work in progress | 4 580 663 | 4 382 408 | (4 291 554) | - | - | - | 4 671 517 |
| Motor vehicles | 1 237 622 | 211 847 | - | - | (413 612) | - | 1 035 857 |
| Office, electroninc and storage equipment | 8 825 754 | 9 774 983 | 955 315 | - | (3 881 106) | - | 15 674 946 |
| | 132 753 294 | 20 833 382 | - | 37 375 401 | (6 466 388) | (606 290) | 183 889 399 |

Reconciliation of property, plant and equipment - Group - 2015

| | Opening balance | Additions | Disposals | Transfers | Depreciation | Total |
|---|---|---|---|---|---|---|
| Land and buildings | 110 516 469 | 644 835 | - | 8 914 096 | (1 966 145) | 118 109 255 |
| Work in progress | 7 292 433 | 6 129 287 | - | (8 841 057) | - | 4 580 663 |
| Motor vehicles | 1 170 574 | 402 532 | - | - | (335 484) | 1 237 622 |
| Office, electroninc and storage equipment | 10 471 904 | 1 713 360 | (55 392) | (73 039) | (3 231 079) | 8 825 754 |
| | 129 451 380 | 8 890 014 | (55 392) | - | (5 532 708) | 132 753 294 |

# NOTES TO THE
# ANNUAL FINANCIAL STATEMENTS (CONTINUED)

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

Reconciliation of property, plant and equipment - Company - 2016

| | Opening balance | Additions | Revaluations | Depreciation | Total |
|---|---|---|---|---|---|
| Land and buildings | 71 222 098 | 546 625 | 7 841 395 | (1 495 118) | 78 115 000 |
| Work in progress | 289 109 | 138 922 | - | - | 428 031 |
| Motor vehicles | 559 049 | 211 849 | - | (241 283) | 529 615 |
| Office, electroninc and storage equipment | 3 948 323 | 9 500 288 | - | (1 764 234) | 11 684 377 |
| | 76 018 579 | 10 397 684 | 7 841 395 | (3 500 635) | 90 757 023 |

Reconciliation of property, plant and equipment - Company - 2015

| | Opening balance | Additions | Disposals | Transfers | Depreciation | Total |
|---|---|---|---|---|---|---|
| Land and buildings | 63 634 527 | 46 281 | - | 8 914 096 | (1 372 806) | 71 222 098 |
| Work in progress | 7 292 433 | 1 837 733 | - | (8 841 057) | - | 289 109 |
| Motor vehicles | 762 458 | - | - | - | (203 409) | 559 049 |
| Office, electroninc and storage equipment | 3 436 383 | 1 722 136 | (29 178) | (73 039) | (1 107 979) | 3 948 323 |
| | 75 125 801 | 3 606 150 | (29 178) | - | (2 684 194) | 76 018 579 |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | N$ | N$ | N$ | N$ |

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

**Revaluations**

Land and Buildings consists of the following property:
- Erf 1055 Otjiwarongo
- Erf 2590 Walvis Bay
- Erf 2570 Walvis Bay
- Erf 2889 Walvis Bay
- Erf 8521 Windhoek
- Erfs 4782, 4783, 4784 and 4796 Ondangwa
- Erfs 1315, 1316 and 1317 Gobabis

The effective date of the revaluations of Erf 1055 and Erf 8521 was 29 February 2016, Erf 2590 and Erf 2889 were 16 March 2016 and Erf 2570 was 3 March 2016 and were performed by an independent valuator, Mr PJ Scholtz, of Property Valuations Namibia. Property Valuations Namibia is not connected to the company.

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 | 22 107 293 | 12 853 548 | 424 430 | 424 430 |
| Buildings | 80 056 946 | 79 510 321 | 59 394 754 | 58 848 129 |
| Accumulated depreciation | | | | |
| Buildings | (9 322 869) | (8 690 285) | (7 127 371) | (6 600 633) |
| | 92 841 370 | 83 673 584 | 52 691 813 | 52 671 926 |

**Measurement of fair values**

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

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

| | | | | |
|---|---|---|---|---|
| Land and Buildings | | | | |
| Balance as 1 April | 118 109 255 | 110 516 469 | 71 222 098 | 63 634 527 |
| Additions | 9 800 383 | 9 558 931 | 546 625 | 8 960 377 |
| Depreciation | (2 171 670) | (1 966 145) | (1 495 118) | (1 372 806) |
| Impairment loss | (606 290) | - | - | - |
| (Losses)/ gains included in other comprehensive income | | | | |
| Change in fair value | 37 375 401 | - | 7 841 395 | - |
| | 162 507 079 | 118 109 255 | 78 115 000 | 71 222 098 |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | N$ | N$ | N$ | N$ |

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

**Valuation technique**

**Erf 1055 Otjiwarongo**

Cost approach: The valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset, often referred to as current replacement cost.

**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**

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

**Interrelationship between key observable inputs and fair value measurements**

**Cost approach**

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

- The remaining useful life of property were higher/(lower); or
- The physical condition of the property were higher/(lower); or
- Potential occupancy rates were higher/(lower); or
- The specialised nature of structures and installations were lower/(higher).

**Market approach**

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

- Property prices at locations increased/ (decrease); or
- Industrialisation/development in surrounding location increased/(decreased); or
- Demand for property increased/(decreased).

**Income Capitalization Method of Valuation**

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

- The age of building was higher/lower
- The remaining useful life of building were higher/lower
- The square metres were higher or lower

**Significant unobservable inputs**

**Cost approach**

- Expected useful lives
- Physical condition of property
- Occupancy rates

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | N$ | N$ | N$ | N$ |

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

- Effects of specialised nature of structures and installations

**Market approach**

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

**Income Capitalization Method of Valuation**

- Estimated rental value
- Expected useful lives
- Price per square metre

**Pledged as security**

The following properties have been pledged as security:

| | 2016 Group N$ | 2015 Group N$ | 2016 Company N$ | 2015 Company N$ |
|---|---|---|---|---|
| Land and buildings (Erf 1055) | 22 554 356 | 18 542 000 | - | - |

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.

| | 2016 Group N$ | 2015 Group N$ | 2016 Company N$ | 2015 Company N$ |
|---|---|---|---|---|
| Land and buildings (Erf 8521) | 78 115 000 | 71 222 098 | 78 115 000 | 71 222 098 |

The property has been pledged as security in respect of a first and second mortgage loan of N$ 14 000 000 and N$ 40 000 000 respectively owing to Bank Windhoek. The group also ceded to the bank, the Fire Policy for an amount of N$ 90 783 939.

## 4. Investments in subsidiaries

Company

| Name of company | Issued share capital | % holding 2016 | % holding 2015 | Carrying amount 2016 | Carrying amount 2015 | Carrying amount 2014 |
|---|---|---|---|---|---|---|
| Namcor International Trading | 51 000 | - % | 50.00 % | - | 460 744 | - |
| Namcor Petroleum Trading and Distribution (Pty) Ltd | 100 | 100.00 % | 100.00 % | 100 | 100 | - |
| NAMCOR Exploration and Production (Pty) Ltd | 160 000 | 100.00 % | 100.00 % | 160 000 | 160 000 | - |
| Sonam Petroleum Company (Pty) Ltd | 160 000 | 100.00 % | 100.00 % | 160 000 | 160 000 | - |
| | | | | 320 100 | 780 844 | - |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

| | GROUP 2016 N$ | GROUP 2015 N$ | COMPANY 2016 N$ | COMPANY 2015 N$ |
|---|---|---|---|---|

## 4. Investments in subsidiaries (continued)

The carrying amounts of subsidiaries are shown net of impairment losses.

All subsidiaries except for Namcor International Trading are incorporated in Namibia. Namcor International Trading is incorporated in Mauritius and was liquidated during the year.

## 5. Loans to / (from) group companies

| | GROUP 2016 N$ | GROUP 2015 N$ | COMPANY 2016 N$ | COMPANY 2015 N$ |
|---|---|---|---|---|
| **Subsidiaries** | | | | |
| NAMCOR Exploration and Production (Pty) Ltd | - | - | (826) | (32 040) |
| The loan is unsecured, interest free and repayable on demand. | | | | |
| Sonam Petroleum Company (Pty) Ltd | - | - | (20 411) | (48 495) |
| The loan is unsecured, interest free and repayable on demand. | | | | |
| Namcor International Trading | - | - | - | 207 151 |
| The loan was unsecured, interest free and repayable on demand. | | | | |
| Namcor Petroleum Trading and Distribution (Pty) Ltd | - | - | 132 684 137 | 130 382 061 |
| The loan is unsecured, interest free and repayable on demand. | | | | |
| | - | - | 132 662 900 | 130 508 677 |
| Current assets | - | - | 132 684 137 | 130 589 212 |
| Current liabilities | - | - | (21 237) | (80 535) |
| | - | - | 132 662 900 | 130 508 677 |

## 6. Loans to / (from) shareholder

| | GROUP 2016 N$ | GROUP 2015 N$ | COMPANY 2016 N$ | COMPANY 2015 N$ |
|---|---|---|---|---|
| Ministry of Mines and Energy | (117 918 563) | (117 918 563) | (117 918 563) | (117 918 563) |
| The loan was granted by the Ministry of Mines and Energy for the funding of the Kudu Project. The loan is repayable in monthly installments from the first day of economical production or 1 July 2017, whichever is the later, and will bear interest at 2.5%. The interest will accrue from the first day of economic production or 1 July 2017, whichever is later. | | | | |
| Non-current liabilities | (117 918 563) | (117 918 563) | (117 918 563) | (117 918 563) |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | N$ | N$ | N$ | N$ |

## 7. Available-for-sale investment

| | | | | |
|---|---|---|---|---|
| Serica Energy Plc | 13 802 419 | 3 258 569 | 13 802 419 | 3 258 569 |
| 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$. | | | | |
| **Non-current assets** | | | | |
| Available-for-sale | 13 802 419 | 3 258 569 | 13 802 419 | 3 258 569 |

**Fair value hierarchy of available-for-sale financial assets**

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

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

| | | | | |
|---|---|---|---|---|
| **Level 1** | | | | |
| Listed Shares | 13 802 419 | 3 258 569 | 13 802 419 | 3 258 569 |
| **Reconciliation of movement** | | | | |
| Fair value at the beginning of the year | 3 258 569 | 6 898 920 | 3 258 569 | 6 898 920 |
| Reversal of impairment / (impairment) | 3 058 856 | (3 058 856) | 3 058 856 | (3 058 856) |
| Fair value gain / (loss) | 4 927 957 | (955 544) | 4 927 957 | (955 544) |
| Unrealised exhange gain | 2 557 037 | 374 049 | 2 557 037 | 374 049 |
| | **13 802 419** | **3 258 569** | **13 802 419** | **3 258 569** |

## 8. Deferred tax asset

| | | | | |
|---|---|---|---|---|
| **Deferred tax asset** | | | | |
| Accelerated capital allowances for tax purposes | (12 689 666) | (7 089 884) | - | - |
| Allowance for impairment - trade receivables | 33 225 988 | 38 745 197 | - | - |
| Deferred income | 22 031 030 | 931 671 | - | - |
| Tax losses available for set off against future taxable income | 110 022 849 | 63 412 165 | - | - |
| Tax losses not utilised to create a deferred tax asset | (76 321 212) | - | - | - |
| Allowances | 2 841 514 | - | - | - |
| Prepayments | (11 982) | - | - | - |
| | **79 098 521** | **95 999 149** | **-** | **-** |
| **Reconciliation of deferred tax asset / (liability)** | | | | |
| At beginning of year | 95 999 149 | 86 581 305 | - | - |
| Reduction due to rate change | (2 909 065) | - | - | - |
| Current year charge in profit or loss | (17 670 188) | 14 816 065 | - | - |
| Prior year over / (under) provision | 3 678 625 | (5 398 221) | - | - |
| | **79 098 521** | **95 999 149** | **-** | **-** |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | N$ | N$ | N$ | N$ |

## 8. Deferred tax asset (continued)

**Recognition of deferred tax asset**

The group has recognised a deferred tax asset on calculated tax losses as sufficient support and evidence exists at the date of the annual financial statements, based on analysis of once off items included in prior year losses and future cash flow 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.

## 9. Inventories

| | | | | |
|---|---|---|---|---|
| Finished goods | 34 832 353 | 23 103 514 | - | - |
| Write-down of inventories recognised as an expense | 1 371 774 | 7 487 369 | - | - |

## 10. Trade and other receivables

| | | | | |
|---|---|---|---|---|
| Trade receivables | 229 819 171 | 264 511 881 | 26 440 919 | 20 614 465 |
| Impairment of Trade Receivables | (138 441 617) | (156 546 253) | - | - |
| Value Added Taxation | 13 832 532 | 15 752 076 | 10 741 782 | 7 059 432 |
| Other receivables | 16 712 904 | 14 163 267 | 1 025 144 | 54 783 |
| Customs and levies | 14 244 | 2 089 714 | - | - |
| Guarantees | - | 73 998 | - | - |
| | 121 937 234 | 140 044 683 | 38 207 845 | 27 728 680 |

**Trade and other receivables past due but not impaired**

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

| | | | | |
|---|---|---|---|---|
| 1 month past due | 32 018 154 | 36 378 071 | 7 445 362 | 7 330 676 |
| 2 months past due | 12 456 564 | 9 271 637 | 10 202 143 | - |
| 3 months past due | 5 921 705 | 2 961 974 | 2 235 757 | 2 898 930 |

**Trade and other receivables impaired**

For the year ended 31 March 2016, the trade and other receivables impairment (decreased) / increased by (N$ 18 104 637) and for 2015: N$ 31 387 740.

The amount of the provision was N$ 138 441 617 as of 31 March 2016 (2015: N$ 156 546 253).

The ageing of these receivables impaired is as follows:

| | | | | |
|---|---|---|---|---|
| Current | 138 165 | 892 397 | - | - |
| Past due 31 to 90 days | 341 355 | 2 258 498 | - | - |
| More than 120 days past due | 137 962 098 | 153 395 358 | - | - |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

| | GROUP 2016 N$ | GROUP 2015 N$ | COMPANY 2016 N$ | COMPANY 2015 N$ |
|---|---|---|---|---|
| **10. Trade and other receivables (continued)** | | | | |
| **Reconciliation of provision for impairment of trade and other receivables** | | | | |
| Opening balance | 156 546 253 | 125 158 513 | - | - |
| (Reversal of) / Provision for impairment | (18 104 636) | 31 387 740 | - | - |
| | 138 441 617 | 156 546 253 | - | - |

## 11. Cash and cash equivalents

| | GROUP 2016 N$ | GROUP 2015 N$ | COMPANY 2016 N$ | COMPANY 2015 N$ |
|---|---|---|---|---|
| Cash and cash equivalents consist of: | | | | |
| Cash on hand | 6 886 | 4 000 | 3 000 | 2 000 |
| Bank balances | 397 784 836 | 231 982 785 | 318 053 629 | 204 594 038 |
| Short-term deposits | 35 089 968 | 21 683 132 | 7 499 953 | - |
| | 432 881 690 | 253 669 917 | 325 556 582 | 204 596 038 |
| Cash and cash equivalents held by the entity that are not available for use by the group. | **7 499 953** | **6 928 598** | - | - |

The short-term deposits mature at periods between 3 to 6 months and carry interest at an average rate of 6.90% (2015: 5.70%).
Bank Windhoek holds a limited cession of N$7 449 953 (2015: N$6 928 598) 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.

## 12. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

### Group - 2016

| | Loans and receivables | Available-for-sale | Total |
|---|---|---|---|
| Available-for-sale investment | - | 13 802 419 | 13 802 419 |
| Trade and other receivables | 108 178 703 | - | 108 178 703 |
| Cash and cash equivalents | 432 881 690 | - | 432 881 690 |
| | 541 060 393 | 13 802 419 | 554 862 812 |

### Group - 2015

| | Loans and receivables | Available-for-sale | Total |
|---|---|---|---|
| Available-for-sale investment | - | 3 258 569 | 3 258 569 |
| Trade and other receivables | 124 292 607 | - | 124 292 607 |
| Cash and cash equivalents | 253 665 917 | - | 253 665 917 |
| | 377 958 524 | 3 258 569 | 381 217 093 |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

| | GROUP 2016 N$ | GROUP 2015 N$ | COMPANY 2016 N$ | COMPANY 2015 N$ |
|---|---|---|---|---|

## 12. Financial assets by category (continued)

### Company - 2016

| | Loans and receivables | Available-for-sale | Total |
|---|---|---|---|
| Loans to group companies | 132 684 137 | - | 132 684 137 |
| Available-for-sale investment | - | 13 802 419 | 13 802 419 |
| Trade and other receivables | 26 976 737 | - | 26 976 737 |
| Cash and cash equivalents | 325 556 582 | - | 325 556 582 |
| | **485 217 456** | **13 802 419** | **499 019 875** |

### Company - 2015

| | Loans and receivables | Available-for-sale | Total |
|---|---|---|---|
| Loans to group companies | 130 589 212 | - | 130 589 212 |
| Available-for-sale investment | - | 3 258 569 | 3 258 569 |
| Trade and other receivables | 20 669 248 | - | 20 669 248 |
| Cash and cash equivalents | 204 594 038 | - | 204 594 038 |
| | **355 852 498** | **3 258 569** | **359 111 067** |

## 13. Share capital

| | Group 2016 N$ | Group 2015 N$ | Company 2016 N$ | Company 2015 N$ |
|---|---|---|---|---|
| **Authorised and Issued** | | | | |
| 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.

## 14. Foreign currency translation reserve

Translation reserve relates to exchange differences on consolidation of Namcor Internal Trading, a foreign subsidiary.

| | Group 2016 N$ | Group 2015 N$ | Company 2016 N$ | Company 2015 N$ |
|---|---|---|---|---|
| Opening balance | (109 125) | (109 125) | - | - |
| Disposal of foreign operations | 109 125 | - | - | - |
| Closing balance | - | (109 125) | - | - |

## 15. Revaluation reserve

The revaluation reserve relates to the revaluation of property.

| | Group 2016 N$ | Group 2015 N$ | Company 2016 N$ | Company 2015 N$ |
|---|---|---|---|---|
| Opening balance | 24 866 190 | 24 866 190 | 8 506 189 | 8 506 189 |
| Revaluation of property | 37 375 401 | - | 7 841 395 | - |
| | **62 241 591** | **24 866 190** | **16 347 584** | **8 506 189** |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

| | GROUP 2016 N$ | GROUP 2015 N$ | COMPANY 2016 N$ | COMPANY 2015 N$ |
|---|---|---|---|---|
| **16. Long term loans** | | | | |
| **Held at amortised cost** | | | | |
| Bank Windhoek | 27 463 396 | 29 723 611 | 27 463 396 | 29 723 611 |
| The Bank Windhoek loan bears interest at the prime lending rate less 3%, 2016: 7.75% (2015: 7%) 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 (2015: N$ 355 176) each. | | | | |
| National Energy Fund | 60 400 000 | 61 370 554 | - | - |
| The loan is unsecured and bears interest at prime lending rate less 3%. The loan is repayable in 338 of N$ 200 000 each. | | | | |
| Standard Bank of Namibia | 7 126 449 | 9 182 005 | - | - |
| 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 installments of N$ 171 296 each. | | | | |
| | 94 989 845 | 100 276 170 | 27 463 396 | 29 723 611 |
| **Non-current liabilities** | | | | |
| Non-current portion | 88 197 036 | 93 540 593 | 25 126 143 | 27 443 590 |
| **Current liabilities** | | | | |
| Current portion | 6 792 809 | 6 735 577 | 2 337 253 | 2 280 021 |
| | 94 989 845 | 100 276 170 | 27 463 396 | 29 723 611 |

## 17. Trade and other payables

| | GROUP 2016 N$ | GROUP 2015 N$ | COMPANY 2016 N$ | COMPANY 2015 N$ |
|---|---|---|---|---|
| Trade payables | 56 284 388 | 74 465 258 | 5 921 028 | 24 958 022 |
| Other payables | 13 415 344 | 12 254 354 | 8 043 275 | 9 245 028 |
| Accruals | 12 946 954 | 22 383 872 | - | - |
| Leave pay accrual | 3 524 112 | 2 627 362 | 3 524 112 | 2 627 362 |
| | 86 170 798 | 111 730 846 | 17 488 415 | 36 830 412 |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | N$ | N$ | N$ | N$ |

## 18. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

| Group - 2016 | Financial liabilities at amortised cost | Total |
|---|---|---|
| Loans from shareholders | 117 918 563 | 117 918 563 |
| Long term loans | 94 989 845 | 94 989 845 |
| Trade and other payables | 69 699 732 | 69 699 732 |
| | 282 608 140 | 282 608 140 |

| Group - 2015 | Financial liabilities at amortised cost | Total |
|---|---|---|
| Loans from shareholders | 117 918 563 | 117 918 563 |
| Long term loans | 100 276 170 | 100 276 170 |
| Trade and other payables | 86 719 612 | 86 719 612 |
| | 304 914 345 | 304 914 345 |

| Company - 2016 | Financial liabilities at amortised cost | Total |
|---|---|---|
| Loans from group companies | 21 237 | 21 237 |
| Loans from shareholders | 117 918 563 | 117 918 563 |
| Long term loans | 27 463 396 | 27 463 396 |
| Trade and other payables | 13 964 304 | 13 964 304 |
| | 159 367 500 | 159 367 500 |

| Company - 2015 | Financial liabilities at amortised cost | Total |
|---|---|---|
| Loans from group companies | 80 535 | 80 535 |
| Loans from shareholders | 117 918 563 | 117 918 563 |
| Long term loans | 29 723 611 | 29 723 611 |
| Trade and other payables | 34 203 049 | 34 203 049 |
| | 181 925 758 | 181 925 758 |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | N$ | N$ | N$ | N$ |
| **19. Revenue** | | | | |
| Data Sales | 23 166 523 | 41 182 660 | 23 166 523 | 41 182 660 |
| Petroleum Products | 625 093 828 | 655 711 421 | - | - |
| | 648 260 351 | 696 894 081 | 23 166 523 | 41 182 660 |
| **20. Other income** | | | | |
| Foreign exchange gains | 23 905 851 | 10 253 385 | 24 014 976 | 10 253 385 |
| Sundry income | 718 276 | 86 316 | 72 047 | 56 029 |
| Fuel levy income | 85 658 493 | 80 373 283 | 85 658 493 | 80 373 284 |
| Government grants | 75 945 977 | - | 75 945 977 | - |
| | 186 228 597 | 90 712 984 | 185 691 493 | 90 682 698 |
| **21. Operating profit / (loss)** | | | | |
| Operating profit / (loss) for the year is stated after accounting for the following: | | | | |
| Remuneration, other than to employees, for: | | | | |
| Professional fees | 4 086 493 | 15 874 706 | 2 452 325 | 11 361 402 |
| Operating lease charges | | | | |
| Premises | | | | |
| • Contractual amounts | 1 567 535 | 2 408 449 | 1 519 328 | 1 133 075 |
| Motor vehicles | | | | |
| • Contractual amounts | 101 843 | 118 611 | - | - |
| Equipment | | | | |
| • Contractual amounts | 144 371 | 42 215 | - | - |
| Outsourced transport services | | | | |
| • Contractual amounts | 8 662 236 | 8 551 926 | - | - |
| | 10 475 985 | 11 121 201 | 1 519 328 | 1 133 075 |
| Loss on sale of property, plant and equipment | - | 6 843 | - | 6 843 |
| Receiver of Revenue penalties and interest | 18 715 | 6 925 892 | - | - |
| Inventory written off | 1 371 774 | 7 487 369 | - | - |
| Impairment of property, plant and equipment | 606 290 | - | - | - |
| Slate expenses | 4 485 000 | 16 955 900 | - | - |
| Impairment on trade and other receivables | (18 104 637) | 31 387 740 | - | - |
| (Reversal of) / impairment on available-for-sale asset | (3 058 856) | 3 058 856 | (3 058 856) | 3 058 856 |
| Depreciation on property, plant and equipment | 6 466 388 | 5 532 709 | 3 500 635 | 2 684 194 |
| Employee costs | 55 597 031 | 43 301 871 | 41 730 054 | 43 301 871 |
| Legal fees | 114 683 | 1 436 591 | - | - |
| Directors fees | 1 238 574 | 418 703 | 1 039 043 | 418 703 |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | N$ | N$ | N$ | N$ |
| **22. Finance income** | | | | |
| Interest income | | | | |
| Cash and cash equivalents | 15 005 632 | 12 566 899 | 11 200 220 | 11 532 785 |
| Interest charged on trade receivables | 2 106 910 | 2 010 458 | - | - |
| Staff loans | 20 477 | 20 056 | 20 477 | 20 056 |
| | 17 133 019 | 14 597 413 | 11 220 697 | 11 552 841 |
| **23. Finance costs** | | | | |
| Late payment of tax | - | 15 896 | - | 15 896 |
| Long term borrowings | 7 452 814 | 7 263 440 | 2 108 689 | 2 022 620 |
| | 7 452 814 | 7 279 336 | 2 108 689 | 2 038 516 |
| **24. Taxation** | | | | |
| Major components of the tax expense (income) | | | | |
| Deferred | | | | |
| Current year charge | 17 670 188 | (14 816 065) | - | (3 760 816) |
| Prior year charge | (3 678 625) | 5 398 221 | - | - |
| Change in tax rate | 2 909 065 | - | - | - |
| | 16 900 628 | (9 417 844) | - | (3 760 816) |
| **Reconciliation of the tax expense** | | | | |
| Reconciliation between applicable tax rate and average effective tax rate. | | | | |
| Applicable tax rate | 32.00 % | 33.00 % | 32.00 % | 33.00 % |
| Change in tax rate | 1.86 % | - % | - % | - % |
| Disallowable charges | 0.01 % | 4.00 % | 0.01 % | 5.00 % |
| Fuel levy income not taxable | (17.50)% | (36.00)% | (27.09)% | (118.86)% |
| Unrecognised tax losses | (3.15)% | 18.77 % | 4.92)% | 80.86 % |
| Prior year under-provision | (2.35)% | (7.23)% | - % | - % |
| | 10.87 % | 12.54 % | - % | - % |

No provision has been made for normal income tax as the company has no taxable income for the 2016 tax year. The estimated tax loss available for set off against future taxable income for the group and company is N$ 343 821 402 (2015: N$ 442 196 876) and N$ 194 956 036 (2015: NS 250 038 804), respectively.

## 25. Auditors' remuneration

| | | | | |
|---|---|---|---|---|
| Fees | 599 927 | 466 985 | 276 213 | 279 479 |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | N$ | N$ | N$ | N$ |

## 26. Cash generated from operations

| | | | | |
|---|---|---|---|---|
| Profit / (Loss) before taxation | 156 225 089 | (75 087 756) | 101 194 319 | (22 831 921) |
| Adjustments for: | | | | |
| Depreciation and amortisation | 6 466 388 | 5 532 708 | 3 500 635 | 2 684 194 |
| Loss on sale of assets | - | 6 843 | - | 6 843 |
| Interest received | (17 133 019) | (14 597 413) | (11 220 697) | (11 552 841) |
| Finance costs | 7 452 814 | 7 279 336 | 2 108 689 | 2 038 516 |
| (Reversal of) / impairment of available-for-sale investment | (3 058 856) | 3 058 856 | (3 058 856) | 3 058 856 |
| Impairment of property, plant and equipment | 606 290 | - | - | - |
| Disposal of subsidiary | 777 017 | - | - | - |
| Unrealised (gain)/ loss on foreign exchange | (2 557 037) | (374 049) | (2 557 037) | (374 049) |
| Impairment of inventories | 1 371 774 | 7 487 369 | - | - |
| (Reversal of) / Impairment of trade receivables | (18 104 654) | 31 387 740 | - | - |
| Impairment loss on liquidation of foreign subsidiary | - | - | 460 744 | - |
| Changes in working capital: | | | | |
| Inventories | (13 100 613) | 5 922 648 | - | - |
| Trade and other receivables | 36 212 107 | 35 442 733 | (10 479 165) | 36 002 160 |
| Trade and other payables | (25 560 048) | 16 812 649 | (19 341 997) | 17 901 481 |
| Deferred income - Kudu Government Grant | 66 054 023 | - | 66 054 023 | - |
| | **195 651 275** | **22 871 664** | **126 660 658** | **26 933 239** |

## 27. Commitments

**Guarantees**

The company has provided security for financial guarantees issued by Bank Windhoek on behalf of the company in favour of Sasol Oil (Proprietary) Limited Registration number 1981/007622/07. The value as at 31 March 2016 is N$ 800 000 (2015: N$ 800 000).

The company has provided security for financial guarantees issued by Bank Windhoek on behalf of its subsidiary company in favour of the Ministry of Finance for import VAT. The Ministry of Finance required this security as the subsidiary company had significant monthly imports when it had the fuel import mandate. The value as at 31 March 2016 is N$ 6 500 000 (2015: N$ 6 500 000).

**Operating leases – as lessee**

The group has entered into commercial leases on motor vehicles, office equipment and outsourced transport services. These leases have an average life of between three and five years with no option included in the lease contracts. The group has also entered into commercial leases for property, with an average life of one year. There are no restrictions placed upon the company by entering into these leases. Future minimum lease payable on non-cancellable operating leases as at 31 March 2016 are as follows:

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | N$ | N$ | N$ | N$ |
| **27. Commitments (continued)** | | | | |
| **Minimum lease payments due on non-cancellable operating leases** | | | | |
| - Within one year | 11 948 589 | 11 127 017 | 648 783 | 277 720 |
| - Two to five years | 9 461 958 | 18 033 713 | - | - |
| - More than five years | 6 548 184 | 8 730 912 | - | - |
| | 27 958 731 | 37 891 642 | 648 783 | 277 720 |

## 28. Contingencies

**Legal claim contingency**

Litigation is in the process by the group against several other oil companies for the recovery of amounts owing by these companies. The nature of the claims is that the companies underpaid NAMCOR Petroleum Trading and Distribution (Proprietary) Limited for products supplied during the currency of the company's mandate. In addition the defendants incurred demurrage costs in respect of the excess time used to discharge the quantity of product which costs are also to be recovered through this litigation. The group's lawyers have advised that it is too early to provide an opinion on the success at this point. Should the claim be successful, the estimated amount to be received is N$ 57 628 322.

## 29. Related parties

**Relationships**

| | |
|---|---|
| Shareholder | Government of the Republic of Namibia |
| Subsidiaries | Refer to note 4 |

**Related party balances**

| | GROUP 2016 N$ | GROUP 2015 N$ | COMPANY 2016 N$ | COMPANY 2015 N$ |
|---|---|---|---|---|
| **Loan accounts - Owing (to) by group companies** | | | | |
| NAMCOR Exploration and Production (Proprietary) Limited | - | - | (826) | (32 040) |
| Namcor Petroleum Trading and Distribution (Proprietary) Limited | - | - | 132 684 137 | 130 382 061 |
| Sonam Petroleum Company (Proprietary) Limited | - | - | (20 411) | (48 495) |
| Namcor International Trading | - | - | - | 207 151 |
| **Long term loans - Owing (to) by related parties** | | | | |
| Ministry of Mines and Energy | (117 918 563) | (117 918 563) | (117 918 563) | (117 918 563) |
| National Energy Fund | (60 400 000) | (61 370 554) | - | - |

**Related party transactions**

| | GROUP 2016 N$ | GROUP 2015 N$ | COMPANY 2016 N$ | COMPANY 2015 N$ |
|---|---|---|---|---|
| **Interest paid to (received from) related parties** | | | | |
| National Energy Fund | 4 472 417 | 4 347 309 | - | - |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | | 2016 | 2015 | 2016 | 2015 |
| | | N$ | N$ | N$ | N$ |

## 29. Related parties (continued)

| | | | | |
|---|---|---|---|---|
| **Levies received from related parties** | | | | |
| Ministry of Mines and Energy | 85 658 493 | 80 373 284 | 85 658 493 | 80 373 284 |

| | | | | |
|---|---|---|---|---|
| **Compensation to directors** | | | | |
| Salaries | 1 301 431 | 2 118 443 | 1 301 432 | 2 118 443 |
| Director's fees | 1 238 574 | 418 703 | 1 039 043 | 418 703 |
| Expense allowance | 156 505 | - | 156 506 | - |
| | 2 696 510 | 2 537 146 | 2 496 981 | 2 537 146 |

## 30. Risk management

**Capital risk management**

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

The capital structure of the group consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes 5,6 and 16, cash and cash equivalents disclosed in note 11, and equity as disclosed in the statement of financial position.

The group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total 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 gearing ratio at 2016 and 2015 respectively were as follows:

| | | | | | |
|---|---|---|---|---|---|
| **Total borrowings** | | | | | |
| Shareholder loan | 6 | 117 918 563 | 117 918 563 | 117 918 563 | 117 918 563 |
| Long term loans | 16 | 94 989 845 | 100 276 170 | 27 463 396 | 29 723 611 |
| Trade and other payables | 17 | 86 170 798 | 111 730 846 | 17 488 416 | 36 830 411 |
| | | 299 079 206 | 329 925 579 | 162 870 375 | 184 472 585 |
| Less: Cash and cash equivalents | 11 | 432 881 690 | 253 669 917 | 325 556 582 | 204 596 038 |
| Net debt | | (133 802 484) | 76 255 662 | (162 686 207) | (20 123 453) |
| Capital | | 10 000 000 | 10 000 000 | 10 000 000 | 10 000 000 |
| Total capital | | (123 802 484) | 86 255 662 | (152 686 207) | (10 123 453) |
| | | | | | |
| Gearing ratio | | 108 % | 88 % | 106 % | 199 % |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | N$ | N$ | N$ | N$ |

## 30. Risk management (continued)

**Financial risk management**
Exposure to credit, liquidity and market risk arises in the normal course of the group and company's business.

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

**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 into relevant maturity groupings based on the remaining period at the statement 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 2016 | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
|---|---|---|---|---|
| Long term loans | 7 092 286 | 6 890 079 | 16 513 709 | 15 843 309 |
| Loans from shareholder | 6 847 500 | 49 118 385 | 148 928 335 | 120 529 488 |
| Trade and other payables | 86 170 798 | - | - | - |

| At 31 March 2015 | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
|---|---|---|---|---|
| Long term loans | 11 054 576 | 12 902 188 | 34 547 236 | 109 344 726 |
| Loans from shareholder | - | - | 117 918 563 | - |
| Trade and other payables | 117 730 846 | - | - | - |

Company

| At 31 March 2016 | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
|---|---|---|---|---|
| Long term loans | 4 418 040 | 4 421 388 | 13 264 165 | 15 843 309 |
| Shareholder loan | - | 42 450 885 | 130 005 835 | 35 375 738 |
| Trade and other payables | 17 488 415 | - | - | - |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | N$ | N$ | N$ | N$ |

## 30. Risk management (continued)

| At 31 March 2015 | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
|---|---|---|---|---|
| Long term loans | 2 280 021 | 4 295 633 | 12 886 899 | 20 762 226 |
| Shareholder loan | - | - | 117 918 563 | - |
| Trade and other payables | 36 830 411 | - | - | - |

**Interest rate risk**

The group's interest rate risk arises from long-term borrowings and bank balances. Borrowings issued at variable rates expose the group to cash flow interest rate risk. During 2016 and 2015, the group's borrowings at variable rate were denominated in the Namibia Dollar.

At 31 March 2016, if interest rates on Namibia Dollar-denominated borrowings had been 1 % higher/lower with all other variables held constant, group and company pre-tax profit for the year would have been N$ 3 028 019 (2015: N$ 1 317 106) and N$ 2 905 932 (2015: N$ 1 748 724 ) lower/higher respectively, mainly as a result of higher/lower interest expense on floating rate borrowings and bank balances.

| | | | | |
|---|---|---|---|---|
| **Financial instrument** | | | | |
| **Fixed rate instrument** | | | | |
| Short-term deposits | 35 089 968 | 21 683 132 | 7 499 953 | - |
| **Variable rate instrument** | | | | |
| Bank and cash balances | 397 791 722 | 231 986 785 | 318 056 629 | 204 596 038 |
| Long term loans | (94 989 845) | (100 276 170) | (27 463 396) | (29 723 611) |
| | 337 891 845 | 153 393 747 | 298 093 186 | 174 872 427 |

**Credit risk**

Credit risk is managed on a group basis.

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

Trade receivables comprise a widespread customer base. Management evaluates 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.

# NOTES TO THE
# ANNUAL FINANCIAL STATEMENTS (CONTINUED)

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | N$ | N$ | N$ | N$ |

## 30. Risk management (continued)

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

| Financial instrument | Group - 2016 | Group - 2015 | Company -2016 | Company -2015 |
|---|---|---|---|---|
| Loans to group companies | - | - | 132 684 137 | 130 589 212 |
| Trade and other receivables | 108 178 703 | 124 292 607 | 26 976 737 | 20 669 248 |
| Cash and cash equivalents | 432 881 690 | 253 669 917 | 325 556 581 | 204 596 038 |

The group's 5 most significant customers account for N$ 140 274 461 (2015: N$ 140 341 338) of trade receivables at year end.

The company's most significant loans and receivables were amounts due by subsidiaries of N$ 132 684 137 (2015: N$ 130 589 212).

Foreign exchange risk
The group does not hedge foreign exchange fluctuations.

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

At 31 March 2016, if the currency had weakened/strengthened by 10% against the US dollar with all other variables held constant, group and company pre-tax profit for the year would have been N$ 17 968 389 (2015: N$ 2 355 691) and N$ 17 968 389 (2015: N$ 2 355 691) lower/higher respectively, mainly as a result of foreign exchange gains or losses on translation of US dollar denominated trade receivables, securities classified as available-for-sale, bank balances and trade payables.

**Foreign currency exposure at the end of the reporting period**

| | | | | |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Available-for-sale investment, USD 930 677.96 (2015 : USD 269 682) | 13 802 419 | 3 258 569 | 13 802 419 | 3 258 569 |
| **Current assets** | | | | |
| Trade debtors | 12 437 900 | 6 891 747 | 12 437 900 | 6 891 747 |
| Cash and cash equivalents | 152 667 039 | 28 487 947 | 152 667 039 | 28 487 947 |
| **Liabilities** | | | | |
| Trade and other payables | (925 957) | (18 210 793) | (777 652) | (18 210 793) |
| **Exchange rates used for conversion of foreign items were:** | | | | |
| USD | N$ 14.83 | N$ 12.08 | N$ 14.83 | N$ 12.08 |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | N$ | N$ | N$ | N$ |

## 30. Risk management (continued)

**Price risk**

The group is exposed to equity securities price risk because of its equity investment classified as available for sale. To manage its price risk arising from investments in equity securities, the group monitors the equity price of the investment.

The group is exposed to commodity risk through trading in fuel.
The table below summarises the impact of increases/decreases of the indexes have on the group's post-tax profit for the year and on equity.
The analysis is based on the assumption that the equity indexes have increased/decreased by 5% with all other variables held constant:

**Group and company**

| | Impact on post tax profit in Namibia Dollar | | Impact on other components of equity in Namibia Dollar | |
|---|---|---|---|---|
| Financial instrument | 2016 | 2015 | 2016 | 2015 |
| Available-for-sale investment | 690 121 | - | 690 121 | 162 929 |

## 31. Deferred income - Kudu Government Grant

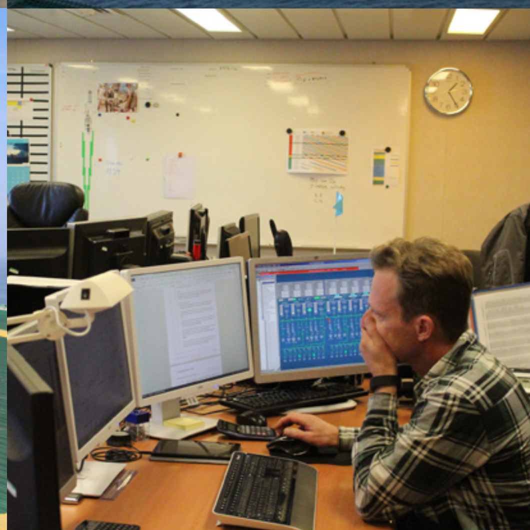
| | | | | |
|---|---|---|---|---|
| At 1 April 2015 | - | - | - | - |
| Received during the year | 142 000 000 | - | 142 000 000 | - |
| Released into the income statement | (75 945 977) | - | (75 945 977) | - |
| **At 31 March 2016** | **66 054 023** | **-** | **66 054 023** | **-** |
| Current | 66 054 023 | - | 66 054 023 | - |

Government grants have been received to defer the Kudu Project Expenses. There are no unfulfilled conditions or contingencies attached to these grants.

The amount recognised in profit or loss in the current year is equal to the expenses incurred in relation to the Kudu Project up to the end of the year with the remainder being deferred for future expenses to be incurred on the Kudu Project.


MAERSK
MAERSK SEALAND










NAMCOR

EXPLORING & FUELLING NAMIBIA

1 Aviation Road, Petroleum House, Windhoek
Private Bag 13196, Windhoek, Namibia

T: +264 61 204 5000
F: +264 61 204 5061
E: uhoveka@namcor.com.na or
nnegumbo@namcor.com.na
www.namcor.com.na



ACKNOWLEDGMENTS
NAMCOR Public Relations Division
Crystal Communications
Willem Very
Kazeshini Advertising
Impact Visuals Architectural Graphics & Photography