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15 September 2025

Dear Website Users

RE: NOTICE REGARDING PRIOR WEBSITE-PUBLISHED ANNUAL REPORT WHICH INCLUDED PWC AUDITED ANNUAL FINANCIAL STATEMENT (AFS).

For clarity and to avoid any potential confusion, please note the following:

1. *Publication of prior AFS*: Annual Financial Statements relating to the financial years ended 30 June 2021, 30 June 2022 and 30 June 2023 were published on this website on 17 December 2021, 9 March 2023 and 21 June 2024 respectively.
2. *Audit report status:* Although those website-published documents included an audit report, that audit report had not been issued and signed by PricewaterhouseCoopers (PwC) as at the date(s) of the earlier publication.
3. *Reliance*: The versions of the AFS previously published on the website should therefore not be relied upon for any purpose.
4. *Publication of audited AFS*: The audited AFS, being the PwC-signed versions for the financial years ended 30 June 2021 to 30 June 2023, which differ from the earlier website-published versions, have now been published on this website as of 15 September 2025 and are the authoritative audited statements.

If you require copies of the PwC-signed audited AFS or have any questions, kindly download it on the website under **media**, then **annual report** or via the link https://cenored.com.na/annual-reports/. Alternatively, you may contact Mr. Chali Matengu, Corporate Communications and Marketing on +264 67 314100 or cmatengu@cenored.com.na

Yours Sincerely,

OFFICE OF THE CEO
CENORED (PTY) LTD
15 SEP 2025
P.O BOX 560, OTJIWARONGO
c/o Hank Williams Str & Frans Indongo Road
Tel: 067-304 700 | Fax: 067-304 781
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Fessor Mbango
CHIEF EXECUTIVE OFFICER

Central-North Electricity Distribution Company (Pty) Ltd
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2021

General Information

Country of incorporation and domicile	Namibia
Nature of business and principal activities	To establish a business and infrastructure to distribute electricity in the central north region of Namibia
Directors	A Barlow B Kasete (Alternate) BA Liebenberg (Alternate) E Katjiku F Kamati JA /Urib K Damaseb (Alternate) K Sinvula M E Shinyemba (Alternate) M Matyayi (Chairperson) P K Iyambo (Deputy Chairperson) V Gabriel
Registered office	344 Independence Avenue Windhoek Namibia
Business address	Erf 1523 Dr Frans Indongo Street Otjiwarongo Namibia
Postal address	P O Box 560 Otjiwarongo Namibia
Bankers	First National Bank Namibia Bank Windhoek Limited Standard Bank Namibia
Preparer	The annual financial statements were internally compiled by: Paulina P Kampungu CA (Nam) (SA)
Shareholder with significant influence	Namibia Power Corporation Incorporated in Namibia
Auditor	PricewaterhouseCoopers Registered Accountants and Auditors Chartered Accountants (Namibia)

Contents

Directors' Responsibilities and Approval

The directors are required in terms of the Companies Act of Namibia to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the economic interest as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditor is engaged to express an independent opinion on the annual financial statements.

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

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the economic interest and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the economic interest and all employees are required to maintain the highest ethical standards in ensuring the economic interest's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the economic interest is on identifying, assessing, managing and monitoring all known forms of risk across the economic interest. While operating risk cannot be fully eliminated, the economic interest endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the economic interest's cash flow forecast for the year to 30 June 2022 and, in light of this review and the current financial position, they are satisfied that the economic interest has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditor is responsible for independently auditing and reporting on the economic interest's annual financial statements. The annual financial statements have been examined by the economic interest's external auditor and their report is presented on pages 4 to 6.

The annual financial statements set out on pages 9 to 72, which have been prepared on the going concern basis, were authorised and approved by the board of directors on 11 July 2022 and were signed on their behalf by:

Director	**Director**

Independent auditor's report

To the Members of Central-North Electricity Distribution Company (Pty) Ltd

Our opinion

In our opinion, the economic interest and separate financial statements present fairly, in all material respects, the economic interest and separate financial position of Central-North Electricity Distribution Company (Pty) Ltd (the Company) and its Joint venture (together the Economic interest) as at 30 June 2021, and its economic interest and separate financial performance and its economic interest and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Namibia.

What we have audited

Central-North Electricity Distribution Company (Pty) Ltd's economic interest and separate financial statements set out on pages 7 to 72 comprise:

- the directors' report for the year ended 30 June 2021;
- the economic interest and separate statements of financial position as at 30 June 2021;
- the economic interest and separate statements of profit or loss and other comprehensive income for the year then ended;
- the economic interest and separate statements of changes in equity for the year then ended;
- the economic interest and separate statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the economic interest and separate financial statements* section of our report.

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

Independence

We are independent of the Economic interest in accordance with the International Ethics Standards Board for Accountants *International Code of Ethics for Professional Accountants (including International Independence Standard)* (Code of Conduct) and other independence requirements applicable to performing audits of financial statements in Namibia. We have fulfilled our other ethical responsibilities in accordance with the Code of Conduct and in accordance with other ethical requirements applicable to performing audits in Namibia.

PricewaterhouseCoopers , Registered Auditors, 344 Independence Avenue, Windhoek, P O Box 1571, Windhoek, Namibia Practice Number 9406, T:+ 264 (61) 284 1000, F: +264 (61) 284 1001, www.pwc.com.na

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Central-North Electricity Distribution Company (Pty) Ltd annual financial statements for the year ended 30 June 2021". The other information does not include the economic interest or the separate financial statements and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the economic interest and separate financial statements

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

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

Auditor's responsibilities for the audit of the economic interest and separate financial statements

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

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

- Identify and assess the risks of material misstatement of the economic interest and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Economic interest's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Economic interest's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the economic interest and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Economic interest and / or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the economic interest and separate financial statements, including the disclosures, and whether the economic interest and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the economic interest to express an opinion on the economic interest financial statements. We are responsible for the direction, supervision and performance of the economic interest audit. We remain solely responsible for our audit opinion.

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

PricewaterhouseCoopers

PricewaterhouseCoopers
Registered Accountants and Auditors
Chartered Accountants (Namibia)

Per: Samuel N Ndahangwapo
Partner

Windhoek

Date: 15 July 2022

Directors' Report

The directors have pleasure in submitting their report on the annual financial statements of Central-North Electricity Distribution Company (Pty) Ltd and the economic interest for the year ended 30 June 2021.

1. Incorporation

The company was incorporated on 6 March 2003 and obtained its certificate to commence business on the same day.

2. Nature of business

The Company is engaged to establish a business and infrastructure to distribute electricity in the central north region of Namibia.

There have been no material changes to the nature of the economic interest's business from the prior year.

3. Review of financial results and activities

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

Full details of the financial position, results of operations and cash flows of the economic interest are set out in these consolidated annual financial statements.

4. Share capital

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

5. Dividends

The company's dividend policy is to consider an interim and a final dividend in respect of each financial year. At its discretion, the board of directors may consider a special dividend, where appropriate. Depending on the perceived need to retain funds for expansion or operating purposes, the board of directors may pass on the payment of dividends.

The board of directors do not recommend the declaration of a dividend for the year (2020: N$ 4,000,000.00)

6. Directorate

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

Directors	Nationality	Changes
A Barlow	Namibian	
B Kasete (Alternate)	Namibian	
BA Liebenberg (Alternate)	Namibian	Appointed 1 May 2020
E Katjiku	Namibian	
F Kamati	Namibian	Appointed 1 August 2021
I David	Namibian	Appointed 1 April 2021, resigned 30 June 2021
JA /Urib	Namibian	
K Damaseb (Alternate)	Namibian	
K Sinvula	Namibian	Appointed 1 May 2020
L Shetekela	Namibian	Resigned 1 May 2020
M E Shinyemba (Alternate)	Namibian	
M Matyayi (Chairperson)	Namibian	
P K Iyambo (Deputy Chairperson)	Namibian	Appointed 1 August 2018
V Gabriel	Namibian	

7. Directors' interests in contracts

During the financial year, no contracts were entered into which directors or officers of the economic interest had an interest and which significantly affected the business of the economic interest.

Directors' Report

8. Interests in joint arrangements

Details of material interests in joint arrangements are presented in the annual financial statements in notes 6.

The interest of the economic interest in the profits and losses of its joint arrangements for the year ended 30 June 2021 are as follows:

	2021 N$ '000	2020 N$ '000
Joint ventures		
Total profits before income tax	(4,883)	(5,320)

There were no significant acquisitions or divestitures during the year ended 30 June 2021.

9. Events after the reporting period

The directors are not aware of any material event, other than COVID-19 which occurred after the reporting date and up to the date of this report. Refer to going concern paragraph below for the details.

10. Going concern

The directors have made an assessment of the ability of the Economic interest and Company to continue as a going concern in the foreseeable future.

The directors have considered the impact of COVID-19 pandemic on the going concern of the entity. In performing this assessment management performed a cashflow projection for the next 12 months and are comfortable that the use of the going concern baisis of accounting is appropriate for these period. The Economic interest and Company met all its loan commitments for the period under review. The directors have satisfied themselves that the Economic interest and Company has adequate financial resources to continue in operational existence for the foreseeable future. The directors, therefore believe there is no reason for the business not to continue as a going concern in the financial year ahead.

Overall growth in electricity demand was not realised during the year under review, and this is attributable to the economic downturns coupled with the impact of the COVID-19 pandemic. This resulted in the reduction of energy consumption by 3%. Collections from customers has become more erratic to ensure business continuity. The impact of COVID-19 on CENORED's business and financial results has not been significant and based on our experience to date we expect this to remain the case.

The company will continue to follow various government policies and regulations published from time to time and, in parallel, will do its utmost best to continue operations in the best and safest way possible without jeopardising the health and safety of staff members.

11. Secretary

The company had no secretary for the financial year.

In accordance with our responsibilities in terms of sections of section 283(3) of the Companies Act, we report that PricewaterhouseCoopers Tax and Advisory Services (Pty) Ltd has performed certain accounting and secretarial duties for the company.

12. Auditors

PricewaterhouseCoopers continued in office as auditors for the company, in accordance with section 278(3) of the Companies Act of Namibia.

13. Acknowledgements

Thanks and appreciation are extended to all of our shareholders, staff, suppliers and consumers for their continued support of the economic interest.

Central-North Electricity Distribution Company (Pty) Ltd

Statement of Financial Position as at 30 June 2021

		Economic interest		Company	
	Note(s)	2021 N$ '000	2020 N$ '000	2021 N$ '000	2020 N$ '000
Assets					
Non-Current Assets					
Property, plant and equipment	3	598,660	593,212	598,660	593,212
Right-of-use assets	4	4,342	6,995	4,342	6,995
Intangible assets	5	7,767	8,413	7,767	8,413
Investments in joint ventures	6	-	-	80	80
Loans to related parties	7	24,781	28,033	24,781	28,033
Trade and other receivables	9	31,726	36,720	31,726	36,720
		667,276	**673,373**	**667,356**	**673,453**
Current Assets					
Inventories	8	22,561	19,314	22,561	19,314
Trade and other receivables	9	59,519	64,803	59,519	64,803
Cash and cash equivalents	10	76,725	76,174	76,725	76,174
		158,805	**160,291**	**158,805**	**160,291**
Total Assets		**826,081**	**833,664**	**826,161**	**833,744**
Equity and Liabilities					
Equity					
Share capital	11	279,656	279,656	279,656	279,656
Retained income		175,866	159,169	175,946	159,249
		455,522	**438,825**	**455,602**	**438,905**
Liabilities					
Non-Current Liabilities					
Borrowings	12	38,574	54,734	38,574	54,734
Finance lease liabilities	4	2,916	3,300	2,916	3,300
Retirement benefit obligation	13	5,760	4,706	5,760	4,706
Deferred income	14	82,817	68,863	82,817	68,863
Deferred tax	15	53,374	50,480	53,374	50,480
Other financial liabilities	16	4,440	8,177	4,440	8,177
Severance pay obligation	17	1,351	1,147	1,351	1,147
		189,232	**191,407**	**189,232**	**191,407**
Current Liabilities					
Trade and other payables	18	71,270	117,831	71,270	117,831
Borrowings	12	16,045	15,642	16,045	15,642
Finance lease liabilities	4	1,048	3,598	1,048	3,598
Deferred income	14	34,509	20,112	34,509	20,112
Other financial liabilities	16	3,659	4,897	3,659	4,897
Bank overdraft	10	54,796	41,352	54,796	41,352
		181,327	**203,432**	**181,327**	**203,432**
Total Liabilities		**370,559**	**394,839**	**370,559**	**394,839**
Total Equity and Liabilities		**826,081**	**833,664**	**826,161**	**833,744**

Statements of Profit or Loss and Other Comprehensive Income

		Economic interest		Company	
	Note(s)	2021 N$ '000	2020 N$ '000	2021 N$ '000	2020 N$ '000
Revenue	19	590,093	606,121	590,093	606,121
Cost of sales	20	(377,400)	(408,362)	(377,400)	(408,362)
Gross profit		**212,693**	**197,759**	**212,693**	**197,759**
Other operating income	21	15,298	12,305	15,298	12,305
Other operating gains (losses)	22	(64)	348	16	428
Operating expenses	26	(208,258)	(218,130)	(208,258)	(218,130)
Operating profit (loss)	26	**19,669**	**(7,718)**	**19,749**	**(7,638)**
Investment income	23	9,235	10,084	9,235	10,084
Finance costs	24	(7,944)	(12,170)	(7,944)	(12,170)
Profit (loss) before taxation		**20,960**	**(9,804)**	**21,040**	**(9,724)**
Taxation	25	(3,351)	(278)	(3,351)	(278)
Profit (loss) for the year		**17,609**	**(10,082)**	**17,689**	**(10,002)**
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Remeasurements on net defined benefit liability/asset		(1,424)	(1,082)	(1,424)	(1,082)
Income tax relating to items that will not be reclassified		456	346	456	346
Total items that will not be reclassified to profit or loss		**(968)**	**(736)**	**(968)**	**(736)**
Other comprehensive income for the year net of taxation		**(968)**	**(736)**	**(968)**	**(736)**
Total comprehensive income (loss) for the year		**16,641**	**(10,818)**	**16,721**	**(10,738)**

Central-North Electricity Distribution Company (Pty) Ltd

Annual Financial Statements for the year ended 30 June 2021

Statements of Changes in Equity

	Share capital N$ '000	Share premium N$ '000	Total share capital N$ '000	Retained income N$ '000	Total equity N$ '000
Economic interest					
Balance at 1 July 2019	**54**	**279,602**	**279,656**	**173,987**	**453,643**
Loss for the year	-	-	-	(10,082)	(10,082)
Other comprehensive income	-	-	-	(736)	(736)
Total comprehensive Loss for the year	**-**	**-**	**-**	**(10,818)**	**(10,818)**
Dividends	-	-	-	(4,000)	(4,000)
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**-**	**-**	**(4,000)**	**(4,000)**
Balance at 1 July 2020	**54**	**279,602**	**279,656**	**159,243**	**438,899**
Profit for the year	-	-	-	17,591	17,591
Other comprehensive income	-	-	-	(968)	(968)
Total comprehensive income for the year	**-**	**-**	**-**	**16,623**	**16,623**
Balance at 30 June 2021	**54**	**279,602**	**279,656**	**175,866**	**455,522**
Note(s)	11	11	11		
Company					
Balance at 1 July 2019	**54**	**279,602**	**279,656**	**173,987**	**453,643**
Loss for the year	-	-	-	(10,002)	(10,002)
Other comprehensive income	-	-	-	(736)	(736)
Total comprehensive Loss for the year	**-**	**-**	**-**	**(10,738)**	**(10,738)**
Dividends	-	-	-	(4,000)	(4,000)
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**-**	**-**	**(4,000)**	**(4,000)**
Balance at 1 July 2020	**54**	**279,602**	**279,656**	**159,243**	**438,899**
Profit for the year	-	-	-	17,671	17,671
Other comprehensive income	-	-	-	(968)	(968)
Total comprehensive income for the year	**-**	**-**	**-**	**16,703**	**16,703**
Balance at 30 June 2021	**54**	**279,602**	**279,656**	**175,946**	**455,602**
Note(s)	11	11	11		

Central-North Electricity Distribution Company (Pty) Ltd
Annual Financial Statements for the year ended 30 June 2021

Statements of Cash Flows

		Economic interest		Company	
	Note(s)	2021 N$ '000	2020 N$ '000	2021 N$ '000	2020 N$ '000
Cash flows from operating activities					
Cash receipts from customers		648,002	606,739	648,002	608,739
Cash paid to suppliers and employees		(617,037)	(521,317)	(617,037)	(523,317)
Cash generated from operations	27	30,965	85,422	30,965	85,422
Interest income	23	9,235	10,084	9,235	10,084
Finance costs	24	(7,944)	(12,170)	(7,944)	(12,170)
Net cash from operating activities		**32,256**	**83,336**	**32,256**	**83,336**
Cash flows from investing activities					
Purchase of property, plant and equipment	3	(23,963)	(36,939)	(23,963)	(36,936)
Sale of property, plant and equipment	3	214	539	214	539
Purchase of intangible assets	5	(725)	(537)	(725)	(537)
Loans to related parties repaid		2,991	3,453	2,991	3,453
Net cash from investing activities		**(21,483)**	**(33,481)**	**(21,483)**	**(33,481)**
Cash flows from financing activities					
Repayment of borrowings		(15,757)	(17,193)	(15,757)	(17,193)
Repayment of other financial liabilities		(4,975)	(5,280)	(4,975)	(5,280)
Payment of lease liabilities		(2,934)	(3,052)	(2,934)	(3,052)
Dividends paid	33	-	(4,000)	-	(4,000)
Net cash from financing activities		**(23,666)**	**(29,525)**	**(23,666)**	**(29,525)**
Total cash movement for the year		**(12,893)**	**20,330**	**(12,893)**	**20,330**
Cash at the beginning of the year		34,822	14,492	34,822	14,492
Total cash at end of the year	10	**21,929**	**34,822**	**21,929**	**34,822**

Accounting Policies

1. Significant accounting policies

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

1.1 Basis of preparation

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

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

These accounting policies are consistent with the previous period.

1.2 Consolidation

1.3 Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. A joint arrangement is either a joint operation or a joint venture.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Joint ventures

An interest in a joint venture is accounted for using the equity method, except when the investment is classified as held-for-sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, interests in joint ventures are carried in the statement of financial position at cost adjusted for post acquisition changes in the company's share of net assets of the joint venture, less any impairment losses.

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

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

Profits or losses on transactions between the economic interest and a joint venture are eliminated to the extent of the economic interest's interest therein. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the economic interest.

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

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty

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

Critical judgements in applying accounting policies

Management did not make critical judgements in the application of accounting policies, apart from those involving estimations, which would significantly affect the financial statements.

Key sources of estimation uncertainty

Impairment of financial assets

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The economic interest uses judgements in making these assumptions and selecting the inputs to the impairment calculation, based on the economic interest's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, refer to the individual notes addressing financial assets.

Allowance for slow moving, damaged and obsolete inventory

Management assesses whether inventory is impaired by comparing its cost to its estimated net realisable value. Where an impairment is necessary, inventory items are written down to net realisable value. The write down is included in cost of sales.

A general allowance for stock loss of 5% is made on the closing balance of inventory. Any stock item that is physically identified as damaged is written off when discovered.

Fair value estimation

A number of the Economic interest's accounting policies and disclosures require the measurement of fair values, both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the economic interest uses market observable data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Economic interest recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Impairment testing

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

Residual values and useful lives

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Management assess the appropriateness of the useful lives and residual values of property, plant and equipment at the end of each reporting period. The useful lives of motor vehicles, furniture and fittings and computer equipment are determined based on group replacement policies for these asset classes. The useful lives and residual values for other asset classes are assessed annually based on factors including wear and tear, technological obsolescence and usage requirements.

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

Provisions

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

Extended terms of payment

During the current and prior years, a number of customers have been converted from conventional to prepaid, and prepaid meters have been installed. Most of these customers still have outstanding balance which will be decreased over time with 50% of the amount of prepaid electricity the customer buys. Due to this arrangement, the inflow of cash or cash equivalents is deferred, therefore the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

Assumptions used deriving the fair value adjustment are as follows:

An interest rate equal to prime is used. The payment per month was calculated by using the total debt payment for converted customers for the month of June 2021 assuming that this is a reflection of the debt payment for converted customers over the payment period. The period was derived by diving the total debt outstanding in respect of converted customers by the expected monthly payments as above.

Taxation

Judgements is required in determining the provision for income taxes due to the complexity legislation. There are many transactions and calculations which the ultimate tax determination is uncertain during the ordinary course of business. the company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcomes of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determinations is made.

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

Revenue recognition for prepaid electricity

Income from prepaid electricity is accounted for when units are consumed. Management uses estimated consumption per customer per day to determine the amount purchased by customers but not yet consumed at year end, 30 June 2021. The calculation revealed that 26.37% (2020: 30.12%) of prepaid units at the end of 30 June 2021 have not yet been consumed.

Provision for post retirement medical aid benefits

Post retirement medical aid provision is based on actuarial data by independent actuaries (ZAQ) using the Projected Unit Credit Method. The discount rate used is based on nominal and real zero curves as at 30 June 2021 supplied by JSE to determine the discount rate. A provision is raised in the current year. All actuarial gains and losses are recognised in full.

Leases

Determination of the appropriate rate to discount the lease payments

1.4 Significant judgements and sources of estimation uncertainty (continued)

The economic interest measures the lease liability at the present value of the lease payments that are not paid at commencement date, discounted by using the incremental borrowing rate of 12.0%. The incremental borrowing rate is defined as the rate of interest that the lessee would have to pay to borrow over a similar term and with a similar security in funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The rate is used, because the rate implicit in the lease cannot be accurately and readily determined. Furthermore, the economic has external borrowings at a reputable financial institution at this rate.

1.5 Property, plant and equipment

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

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

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

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

Property, plant and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses, except for land which is stated at cost less any accumulated impairment losses.

Work in progress is measured at cost less accumulated impairment losses.

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

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

Item	Depreciation method	Average useful life
Land	Not depreciated	
Buildings	Straight line	50 years
Furniture and fixtures	Straight line	10-15 years
Motor vehicles	Straight line	10-15 years
Office equipment	Straight line	15 years
IT Equipment	Straight line	5 years
Network assets	Straight line	8-60 years
Photovoltaic Solar Plant	Straight line	5-50 years
Leasehold improvements	Straight line	20 years
Work in Progress	Not depreciated	

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

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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

Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

1.6 Intangible assets

An intangible asset is recognised when:
- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

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

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

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of the intangible asset. Refer to note 26.

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

Item	**Useful life**
Licences	23 years
Computer software	5-10 years

1.7 Investments in joint ventures

Investments in joint ventures are carried at carried at cost less any accumulated impairment losses. This excludes investments which are held for sale and are consequently accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Accounting Policies

1.8 Financial instruments

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

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

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

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

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

Note 31 Financial instruments and risk management presents the financial instruments held by the economic interest based on their specific classifications.

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

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

Loans receivable at amortised cost

Classification

Loans to group companies (note 7), are classified as financial assets subsequently measured at amortised cost.

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

Recognition and measurement

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

They are subsequently measured at amortised cost.

Accounting Policies

1.8 Financial instruments (continued)

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

Application of the effective interest method

Interest income is calculated using the effective interest method, and is included in profit or loss in investment revenue (note 23).

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

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

Impairment

The economic interest recognises a loss allowance for expected credit losses on all loans receivable measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective loans.

The economic interest measures the loss allowance at an amount equal to lifetime expected credit losses (lifetime ECL) when there has been a significant increase in credit risk since initial recognition. If the credit risk on a loan has not increased significantly since initial recognition, then the loss allowance for that loan is measured at 12 month expected credit losses (12 month ECL).

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a loan. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a loan that are possible within 12 months after the reporting date.

In order to assess whether to apply lifetime ECL or 12 month ECL, in other words, whether or not there has been a significant increase in credit risk since initial recognition, the economic interest considers whether there has been a significant increase in the risk of a default occurring since initial recognition rather than at evidence of a loan being credit impaired at the reporting date or of an actual default occurring.

Significant increase in credit risk

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

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

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

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

Accounting Policies

1.8 Financial instruments (continued)

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

Definition of default

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

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

Write off policy

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

Measurement and recognition of expected credit losses

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

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

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

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

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

An impairment gain or loss is recognised for all loans in profit or loss with a corresponding adjustment to their carrying amount through a loss allowance account. The impairment loss is included in operating expenses in profit or loss as a movement in credit loss allowance (note 26).

Credit risk

Details of credit risk related to loans receivable are included in the specific notes and the financial instruments and risk management (note 31).

Derecognition

Any gains or losses arising on the derecognition of a loan receivable is included in profit or loss in derecognition gains (losses) on financial assets at amortised cost (note 26).

Trade and other receivables

Classification

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost (note 9).

1.8 Financial instruments (continued)

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

Recognition and measurement

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

They are subsequently measured at amortised cost.

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

Application of the effective interest method

For receivables which contain a significant financing component, interest income is calculated using the effective interest method, and is included in profit or loss in investment revenue (note 23).

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

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

Impairment

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

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

Measurement and recognition of expected credit losses

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

The customer base is widespread and does not show significantly different loss patterns for different customer segments. The loss allowance is calculated on a collective basis for all trade and other receivables in totality. Details of the provision matrix is presented in note 9.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is included in operating expenses in profit or loss as a movement in credit loss allowance (note 26).

Write off policy

Accounting Policies

1.8 Financial instruments (continued)

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

Credit risk

Details of credit risk are included in the trade and other receivables note (note 9) and the financial instruments and risk management note (note 31).

Derecognition

Any gains or losses arising on the derecognition of trade and other receivables is included in profit or loss in the derecognition gains (losses) on financial assets at amortised cost line item (note 26).

Borrowings

Classification

Borrowings (note 12) are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

Borrowings and loans from related parties are recognised when the economic interest becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

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

Interest expense, calculated on the effective interest method, is included in profit or loss in finance costs (note 24.)

Borrowings expose the economic interest to liquidity risk and interest rate risk. Refer to note 31 for details of risk exposure and management thereof.

Derecognition

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

Trade and other payables

Classification

Trade and other payables (note 18), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

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

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

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

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs (note 24).

Accounting Policies

1.8 Financial instruments (continued)

Trade and other payables expose the economic interest to liquidity risk and possibly to interest rate risk. Refer to note 31 for details of risk exposure and management thereof.

Derecognition

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits that are subject to an insignificant risk of changes in their fair value, and are used by the Economic interest in the management of its short-term obligations.

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

Bank overdrafts

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

Derecognition

Financial assets

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

Financial liabilities

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

Reclassification

Financial assets

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

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

Financial liabilities

Financial liabilities are not reclassified.

1.9 Tax

Current tax assets and liabilities

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

1.9 Tax (continued)

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

Deferred tax assets and liabilities

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

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

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

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

Tax expenses

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

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

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

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

1.10 Leases

The economic interest assesses whether a contract is, or contains a lease, at the inception of the contract.

A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

In order to assess whether a contract is, or contains a lease, management determine whether the asset under consideration is "identified", which means that the asset is either explicitly or implicitly specified in the contract and that the supplier does not have a substantial right of substitution throughout the period of use. Once management has concluded that the contract deals with an identified asset, the right to control the use thereof is considered. To this end, control over the use of an identified asset only exists when the economic interest has the right to substantially all of the economic benefits from the use of the asset as well as the right to direct the use of the asset.

Economic Interest as lessee

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the economic interest is a lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these the economic interest recognises the lease payments as an operating lease on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Details of leasing arrangements where the economic interest is a lessee are presented in note 4 Leases (economic interest as lessee).

Lease liability

Accounting Policies

1.10 Leases (continued)

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

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

- fixed lease payments, including in-substance fixed payments, less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the economic interest under residual value guarantees;
- the exercise price of purchase options, if the economic interest is reasonably certain to exercise the option;
- lease payments in an optional renewal period if the economic interest is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease, if the lease term reflects the exercise of an option to terminate the lease.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability (or right-of-use asset). The related payments are recognised as an expense in the period incurred and are included in operating expenses (note 4).

The lease liability is presented as a separate line item on the Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. Interest charged on the lease liability is included in finance costs (note 24).

The economic interest remeasure the lease liability (and makes a corresponding adjustment to the related right-of-use asset) when:

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

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

Right-of-use assets

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

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

Accounting Policies

1.10 Leases (continued)

Right-of-use assets are depreciated over the shorter period of lease term and use life of underlying asset.

If a lease transfers ownership of the underlying asset to the lessee by the end of the lease or the cost of the right-of-use asset reflects that the economic interest expects to exercise a purchase option, the related right-of-use asset is depreciated from commencement date to the end of the useful life of the underlying asset. Otherwise, the lessee shall depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or end of lease term.

Depreciation starts at the commencement date of a lease.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses

For right-of-use assets which are depreciated over their useful lives, the useful lives are presented in the following table:

Item	Depreciation method	Average useful life
Buildings	Straight line	5 years
Motor vehicles	Straight line	5 years
Office equipment	Straight line	3 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate. Each part of a right-of-use asset with a cost that is significant in relation to the total cost of the asset is depreciated separately.

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

The economic interest applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the Property, Plant and Equipment' policy.

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

Economic Interest as lessor

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

When the economic interest is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the economic interest applies the exemption described previously, then it classifies the sub-lease as an operating lease.

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

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated by applying IFRS 15.

Operating leases

Lease payments from operating leases are recognised on a straight-line basis over the term of the relevant lease. Operating lease income is included in other operating income (note 21).

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

Accounting Policies

1.11 Inventories

Inventories are measured at the lower of cost and net realisable value using weighted average cost formula.

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

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

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are used, the carrying amount of those inventories are recognised as an expense in the period in which the related inventory is used. 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, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Inventories includes a "right to returned goods asset" which represents the economic interest right to recover products from customers where customers exercise their right of return under the economic interest returns policy. The economic interest uses its accumulated historical experience to estimate the number of returns on a portfolio level using the expected value method. A corresponding adjustment is recognised against cost of sales.

1.12 Impairment of assets

The economic interest 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 economic interest estimates the recoverable amount of the asset.

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

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

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

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

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

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

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

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

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

Accounting Policies

1.13 Share capital and equity

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

Ordinary shares are recognised at par value and classified as 'share capital' in equity. Any amounts received from the issue of shares in excess of par value is classified as 'share premium' in equity. Dividends are recognised as a liability in the economic interest in which they are declared.

All issued shares are fully paid up.

Accounting Policies

1.14 Employee benefits

Short-term employee benefits

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

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

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

Defined contribution plans

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

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

Defined benefit plans

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

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

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

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

To the extent that, at the beginning of the financial year, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in profit or loss over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

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

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

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

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

1.15 Provisions and contingencies

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

Accounting Policies

1.15 Provisions and contingencies (continued)

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

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

Provisions are not recognised for future operating losses.

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

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

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

Contingent assets and contingent liabilities are not recognised.

1.16 Government grants

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

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

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

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

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

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

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

1.17 Revenue from contracts with customers

The economic interest recognises revenue net discount, third party levies, value-added tax and commission payable to third party vendors.

Accounting Policies

1.17 Revenue from contracts with customers (continued)

Interest is recognized in profit and loss using the effective interest rate method.

The economic interest recognises revenue from the following major sources:
- Units sold
- Basic, network and capacity charges
- Prepaid revenue
- Revenue from network contributions
- Revenue from new connections (Transfer of assets from customers)

Units sold

Units sold represents the energy charged to post-paid customers and the associated maximum demand. Units sold is a variable charge depending on the actual consumption of the customer. Maximum demand is a partially variable charge with a minimum amount based on 70% of the notified demand of the supply point applicable to the individual customers.

The economic interest has contracts in place with its post-paid customers which states the rights and obligations that are enforceable against the parties. The contracts are entered into with customers before the customer are energised or given access to electricity. The contracts for the supply of electricity are for an indefinite period, however, the customers have the right to apply for disconnection or termination of contract at any point in time.

The performance obligation that arise from the contract is the supply of post-paid electricity. The supply of electricity is not in the control of the customer until the customer actually consumes the electricity and receives the benefit. Electricity is therefore the distinct good that is promised to the customer in the contract.

The economic interest's electricity tariffs governs the measurement of the transaction price for the contracts. The tariffs are approved annually by the regulator, The Electricity Control Board (ECB). Once approved, the tariffs are communicated to the customers through advertising in at least two national newspapers. The approved tariff document establishes the payment terms for the related services provided, this allows the economic interest to determine the transaction price.

There is no significant finance component as payments of amounts due to the economic interest are payable within 12 months.

The tariff charges split the transaction price into the different components of revenue, however, the single performance obligation remains the supply of electricity. The transaction price is allocated to the performance obligation through the economic interest's monthly invoicing. Revenue is recognised when electricity is consumed and the customers are invoiced.

The performance obligation of supplying electricity to post-paid customers is satisfied over time.

Basic, network and capacity charges

Network and services charges are fixed charges that has the purpose of covering administrative costs associated with power supply. Capacity charge is a fixed charge relating to the size of the power supply that is made available to the customer.

The economic interest has contracts in place with its post-paid customers which states the rights and obligations that are enforceable against the parties. The contracts are entered into with the customers before the customers are energised or given access to the electricity. The contracts for the supply of electricity are for an indefinite period, however, the customers have the right to apply for disconnection or termination at any point in time.

The performance obligation that arise from the contract is the supply of post-paid electricity. The supply of electricity is not in the control of the customer until the customer consumes the electricity and receives the benefit. Electricity is therefore the distinct good that is promised to the customer in the contract.

The economic interest's electricity tariffs governs the measurement of the transaction price for the contracts. The tariffs are approved annually by the regulator, The Electricity Control Board (ECB). Once approved, the tariffs are communicated to the customers through advertising in at least two national newspapers. The approved tariff document establishes the payment terms for the related services provided, this allows the economic interest to determine the transaction price.

There's no significant finance component as payments are due to the economic interest are payable within 12 months.

Accounting Policies

1.17 Revenue from contracts with customers (continued)

The tariff charges split the transaction price into the different components of revenue, however, the single performance obligation remains the supply of electricity. The transaction price is allocated to the performance obligation through the economic interest's monthly invoicing process. Revenue is recognised when electricity is consumed and the customers are invoiced.

The performance obligation of supplying electricity to post-paid customers is satisfied over time.

Prepaid revenue

Prepaid revenue is the sale of electricity to prepaid customers. Prepaid customers buys electricity in advance in the form of units. The units bought are loaded onto a metering system installed at the premises of the customer which monitors the consumption of the units.

The economic interest has contracts in place with its post-paid customers which states the rights and obligations that are enforceable against the parties. The contracts are entered into with customers before the customer is given access to electricity. The contracts for the supply of electricity are for an indefinite period, however, the customers have the right to apply for disconnection or termination of contract at any point in time.

The performance obligation that arise from the contract is the supply of prepaid electricity. Even though the units are purchased in advance, the customer only receives the benefit when they consumer the electricity.

The economic interest's electricity tariffs governs the measurement of the transaction price for the contracts. The tariffs are approved annually by the regulator, The Electricity Control Board (ECB). Once approved, the tariffs are communicated to the customers through advertising in at least two national newspapers. The approved tariff document establishes the payment terms for the related services provided, this allows the economic interest to determine the transaction price.

The transaction price is allocated to the performance obligation when the customer purchase prepaid electricity and an invoice is issued. Revenue from prepaid electricity is therefore recognised when the customer purchases the units. At year end, a calculation is made to determine what percentage of the prepaid units were not used at the revenue relating to these units are reversed and recognized as deferred income. This allows the recognition of revenue to be limited to the extend to which the customer has consumed the electricity.

The performance obligation of supplying prepaid electricity is therefore satisfied over time.

Revenue from network contributions

This relates to revenue from network contributions for customers that have been taken over from NamPower. These category of customers are know as Ex-NamPower customers.

The economic interest has contracts in place for the customers which states the rights and obligations that are enforceable against the parties. The contracts are for the supply of electricity for an initial period of 10 years but will continue to be in force unless the customer re-negotiate for another contract for the supply of electricity.

The performance obligation that arise from the contract is the supply of electricity. The supply of electricity is not in the control of the customer until the customer consumes the electricity and receives the benefit. Electricity is therefore the distinct good that is promised to the customer in the contract.

The transaction price applicable to each customer is stipulated in the contract.

The transaction price is allocated to the performance obligation through the group's monthly invoicing process. Revenue is recognised when electricity is consumed and the customers are invoiced. Revenue from network contributions is recognised based on the price stipulated in the contract.

The performance obligation of supplying electricity to post-paid customers is satisfied over time.

Accounting Policies

1.17 Revenue from contracts with customers (continued)

Transfers of assets from customers

The transfers of assets from customers comprise of assets constructed by customers as well as assets constructed by the group on behalf of customers

The economic interest recognises assets transferred by customers as an item of property, plant and equipment in accordance with IAS 16 at the fair value of the asset transferred on the date of transfer. The fair value of the asset transferred is recognised as deferred income in accordance with IFRS 15.

The credit is recognised in deferred income, once the construction of the asset is completed, the deferred revenue is subject to amortization to the income statement. The measurement of revenue from the transfer of assets from customers is the shorter of the contract duration and the useful life of the asset. The contracts for the supply of electricity are for an indefinite period, so the economic interest's policy is to amortise the deferred revenue for a period of 10 years. The period of 10 years is considered reasonable given the technological advancements of the network assets.

The connection services are combined with the supply of electricity resulting in a single performance obligation. The connection fees revenue will therefore follow the same pattern of revenue recognition as that of the supply of electricity.

1.18 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.

Contract costs comprise:
- costs that relate directly to the specific contract;
- costs that are attributable to contract activity in general and can be allocated to the contract; and
- such other costs as are specifically chargeable to the customer under the terms of the contract.

Cost of sales is reduced by the amount recognised in inventory as a "right to returned goods asset" which represents the economic interest right to recover products from customers where customers exercise their right of return under the economic interest returns policy.

1.19 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:
- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

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

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

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

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

Accounting Policies

1.20 Deferred income other than government grants

Deferred income other than government grants refers to payment received in advance for new connections.

Payments received in advance comprise mainly of upfront capital contributions for the construction of network assets. These payments are included in current liabilities as different income and are credited to profit or loss when the project is completed.

Transfer of assets from customers

When the company receives from a customer a transfer of an item of property, plant and equipment (mainly network assets), the company assess whether the transferred item meets the definition of an asset. If the company concludes that the definition of an asset is met, it shall recognise the transferred asset as an item of property, plant and equipment in accordance with IAS 16.

The credit is recognised as deferred income and released to profit or loss over a period no longer than the useful life of the transferred asset. The economic interest's policy is to amortise deferred income to the income statement over a period of 10 years.

1.21 Dividend distribution

Dividends distribution to the shareholders is recognised as a liability in the annual financial statements in the period in which the dividends are approved by the directors of the company.

Notes to the Annual Financial Statements

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Covid - 19 - Related Rent Concessions - Amendment to IFRS 16

The Covid-19 pandemic has resulted in an amendment to IFRS 16 Leases. Lessees may elect not to assess whether a rent concession that meets the conditions in paragraph 46B is a lease modification. If this election is applied, then any change in lease payments must be accounted for in the same way as a change would be accounted for it it were not a lease modification. This practical expedient only applies to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payment affects only payments originally due on or before 30 June 2021 and
- there is no substantive change to other terms and conditions of the lease.

The effective date of the amendment is for years beginning on or after 1 June 2020.

The economic interest has adopted the amendment for the first time in the 2021 annual financial statements.

The impact of the amendment is not material.

Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7

Temporary exceptions have been created by the IASB concerning the application of specific hedge accounting requirements as a result of the interest rate benchmark reform. These exceptions apply only to those hedging relationships which are directly affected by the reform, being those where the reform gives rise to uncertainties about:

(a) the interest rate benchmark (contractually or non-contractually specified) designated as a hedged risk; and/or

(b) the timing or the amount of interest rate benchmark -based cash flows of the hedged item or of the hedging instrument.

The exceptions are as follows:

(a) When determining whether a forecast transaction is highly probable, it shall be assumed that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the reform.

(b) When assessing the economic relationship between the hedged item and the hedging instrument, entities shall, in their prospective assessments, assume that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the reform.

(c) Entities applying IAS 39 for hedge accounting are not required to undertake the IAS 39 retrospective assessment for hedging relationships directly affected by the reform.

(d) For hedges of a non-contractually specified benchmark component of interest rate risk, an entity shall apply the separately identifiable requirement only at inception of such hedging relationships.

Entities shall cease applying the exceptions when the uncertainty arising from the reform is no longer present or when the hedging relationship is discontinued.

The effective date of the amendment is for years beginning on or after 1 January 2020.

The economic interest has adopted the amendment for the first time in the 2021 annual financial statements.

The impact of the amendment is not material.

Definition of a business - Amendments to IFRS 3

The amendment:

- confirmed that a business must include inputs and a processes, and clarified that the process must be substantive and that the inputs and process must together significantly contribute to creating outputs.
- narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and

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

- added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

The effective date of the amendment is for years beginning on or after 1 January 2020.

The economic interest has adopted the amendment for the first time in the 2021 annual financial statements.

The impact of the amendment is not material.

Presentation of Financial Statements: Disclosure initiative

The amendment clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.

The effective date of the amendment is for years beginning on or after 1 January 2020.

The economic interest has adopted the amendment for the first time in the 2021 annual financial statements.

The impact of the amendment is not material.

Accounting Policies, Changes in Accounting Estimates and Errors: Disclosure initiative

The amendment clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.

The effective date of the amendment is for years beginning on or after 1 January 2020.

The economic interest has adopted the amendment for the first time in the 2021 annual financial statements.

The impact of the amendment is not material.

2.2 Standards and interpretations not yet effective

The economic interest has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the economic interest's accounting periods beginning on or after 1 July 2021 or later periods:

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

If a parent loses control of a subsidiary which does not contain a business, as a result of a transaction with an associate or joint venture, then the gain or loss on the loss of control is recognised in the parents' profit or loss only to the extent of the unrelated investors' interest in the associate or joint venture. The remaining gain or loss is eliminated against the carrying amount of the investment in the associate or joint venture. The same treatment is followed for the measurement to fair value of any remaining investment which is itself an associate or joint venture. If the remaining investment is accounted for in terms of IFRS 9, then the measurement to fair value of that interest is recognised in full in the parents' profit or loss.

The effective date of the amendment is to be determined by the IASB.

It is unlikely that the amendment will have a material impact on the economic interest's annual financial statements.

Classification of Liabilities as Current or Non-Current - Amendment to IAS 1

The amendment changes the requirements to classify a liability as current or non-current. If an entity has the right at the end of the reporting period, to defer settlement of a liability for at least twelve months after the reporting period, then the liability is classified as non-current.

If this right is subject to conditions imposed on the entity, then the right only exists, if, at the end of the reporting period, the entity has complied with those conditions.

In addition, the classification is not affected by the likelihood that the entity will exercise its right to defer settlement. Therefore, if the right exists, the liability is classified as non-current even if management intends or expects to settle the liability within twelve months of the reporting period. Additional disclosures would be required in such circumstances.

The effective date of the amendment is for years beginning on or after 1 January 2022.

The economic interest expects to adopt the amendment for the first time in the 2023 annual financial statements.

It is unlikely that the amendment will have a material impact on the economic interest's annual financial statements.

3. Property, plant and equipment

Economic interest	2021			2020		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Buildings	70,986	(9,527)	61,459	70,934	(8,121)	62,813
Work in progress	17,827	-	17,827	2,772	-	2,772
Land	10,460	-	10,460	10,460	-	10,460
Photovoltaic Solar Plant	41,855	(13,228)	28,627	41,855	(9,980)	31,875
Furniture and fittings	24,485	(10,995)	13,490	23,632	(9,499)	14,133
Motor vehicles	37,748	(19,935)	17,813	35,183	(17,389)	17,794
Office equipment	4,623	(2,503)	2,120	4,546	(2,188)	2,358
IT equipment	11,635	(8,231)	3,404	11,361	(7,701)	3,660
Leasehold improvements	1,636	(1,372)	264	1,636	(1,354)	282
Network assets	634,849	(191,653)	443,196	619,906	(172,841)	447,065
Total	**856,104**	**(257,444)**	**598,660**	**822,285**	**(229,073)**	**593,212**

Company	2021			2020		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Buildings	70,986	(9,527)	61,459	70,934	(8,121)	62,813
Work in progress	17,827	-	17,827	2,772	-	2,772
Land	10,460	-	10,460	10,460	-	10,460
Photovoltaic Solar Plant	41,855	(13,228)	28,627	41,855	(9,980)	31,875
Furniture and fixtures	24,485	(10,995)	13,490	23,632	(9,499)	14,133
Motor vehicles	37,748	(19,935)	17,813	35,183	(17,389)	17,794
Office equipment	4,623	(2,503)	2,120	4,546	(2,188)	2,358
IT equipment	11,635	(8,231)	3,404	11,361	(7,701)	3,660
Leasehold improvements	1,636	(1,372)	264	1,636	(1,354)	282
Network assets	634,849	(191,653)	443,196	619,906	(172,841)	447,065
Total	**856,104**	**(257,444)**	**598,660**	**822,285**	**(229,073)**	**593,212**

Reconciliation of property, plant and equipment - N$ '000 - Economic interest - 2021

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Buildings	62,813	-	-	52	(1,406)	61,459
Work in progress	2,772	19,661	-	(4,606)	-	17,827
Land	10,460	-	-	-	-	10,460
Photovoltaic Solar Plant	31,875	-	-	-	(3,248)	28,627
Furniture and fixtures	14,133	882	(8)	-	(1,517)	13,490
Motor vehicles	17,794	2,932	(139)	-	(2,774)	17,813
Office equipment	2,358	85	(3)	-	(320)	2,120
IT equipment	3,660	476	(48)	-	(684)	3,404
Leasehold improvements	282	-	-	-	(18)	264
Network assets	447,065	10,389	-	4,554	(18,812)	443,196
	593,212	**34,425**	**(198)**	**-**	**(28,779)**	**598,660**

Reconciliation of property, plant and equipment - N$ '000 - Economic interest - 2020

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Buildings	64,219	-	-	-	(1,406)	62,813
Work in progress	17,889	32,129	-	(47,246)	-	2,772
Land	10,460	-	-	-	-	10,460
Photovoltaic Solar Plant	35,243	-	-	-	(3,368)	31,875
Furniture and fixtures	12,129	3,196	(17)	226	(1,401)	14,133
Motor vehicles	20,452	-	(60)	-	(2,598)	17,794
Office equipment	2,535	134	-	-	(311)	2,358
IT equipment	3,357	1,010	(62)	-	(645)	3,660
Leasehold improvements	220	71	-	7	(16)	282
Network assets	417,712	396	28	46,795	(17,866)	447,065
	584,216	**36,936**	**(111)**	**(218)**	**(27,611)**	**593,212**

Notes to the Annual Financial Statements

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - N$ '000 - Company - 2021

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Buildings	62,813	52	-	-	(1,406)	61,459
Work in progress	2,772	19,661	-	(4,606)	-	17,827
Land	10,460	-	-	-	-	10,460
Photovoltaic Solar Plant	31,875	-	-	-	(3,248)	28,627
Furniture and fixtures	14,133	882	(8)	-	(1,517)	13,490
Motor vehicles	17,794	2,932	(139)	-	(2,774)	17,813
Office equipment	2,358	85	(3)	-	(320)	2,120
IT equipment	3,660	476	(48)	-	(684)	3,404
Leasehold improvements	282	-	-	-	(18)	264
Network assets	447,065	10,337	-	4,606	(18,812)	443,196
	593,212	**34,425**	**(198)**	**-**	**(28,779)**	**598,660**

Reconciliation of property, plant and equipment - N$ '000 - Company - 2020

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Buildings	64,219	-	-	-	(1,406)	62,813
Work in progress	17,889	32,129	-	(47,246)	-	2,772
Land	10,460	-	-	-	-	10,460
Photovoltaic Solar Plant	35,243	-	-	-	(3,368)	31,875
Furniture and fixtures	12,129	3,196	(17)	226	(1,401)	14,133
Motor vehicles	20,452	-	(60)	-	(2,598)	17,794
Office equipment	2,535	134	-	-	(311)	2,358
IT equipment	3,357	1,010	(62)	-	(645)	3,660
Leasehold improvements	220	71	-	7	(16)	282
Network assets	417,712	396	28	46,795	(17,866)	447,065
	584,216	**36,936**	**(111)**	**(218)**	**(27,611)**	**593,212**

Property, plant and equipment encumbered as security

The following assets have been encumbered as security for the secured other financial liabilities & long-term borrowings 12 & 16:

Land and buildings - N$'000 Economic interest & Company	21,718	32,087	21,718	32,087
Motor Vehicles - N$'000 Economic interest & Company	4,112	1,512	4,112	1,512

A register containing the information required by paragraph 22 (3) of Schedule 4 of Companies Act is available for inspection at the registered office of the company and its respective subsidiaries.

4. Right-of-use assets

The economic interest leases the following assets:

- Vehicle Full Maintenance lease from Avis Fleet Namibia for the letting of vehicles and for the provision of normal service and repairs and maintenance. The duration of the lease is 5 years. There is no option for CENORED to purchase the vehicles..
- Office space from Namibia Development Corporation (NDC), the office space is situated at Khorixas SME Park. The lease period is 5 years. There is an option to extend the lease contract.
- Office equipment (photocopiers and franking machines) are leased from Konica Minolta and Schoemans Office Systems (Pty) Ltd. The lease period is 3 years. There is no option to extend the lease contract..

Details pertaining to leasing arrangements, where the economic interest is lessee are presented below:

Net carrying amounts of right-of-use assets

The carrying amounts of right-of-use assets are as follows:

Buildings	448	611	448	611
Motor vehicles	3,381	5,538	3,381	5,538
Office equipment	513	846	513	846

Notes to the Annual Financial Statements

	Economic interest		Company	
	2021 N$ '000	2020 N$ '000	2021 N$ '000	2020 N$ '000
4. Right-of-use assets (continued)				
	4,342	**6,995**	**4,342**	**6,995**

Additions to right-of-use assets

	Economic interest 2021	Economic interest 2020	Company 2021	Company 2020
Buildings	-	774	-	774
Motor vehicles	964	7,964	964	7,964
Office equipment	89	1,214	89	1,214
	1,053	**9,952**	**1,053**	**9,952**

Depreciation recognised on right-of-use assets

Depreciation recognised on each class of right-of-use assets, is presented below. It includes depreciation which has been expensed in the total depreciation charge in profit or loss (note 26).

	Economic interest 2021	Economic interest 2020	Company 2021	Company 2020
Right-of-use assets	3,144	2,957	3,144	2,957

Other disclosures

	Economic interest 2021	Economic interest 2020	Company 2021	Company 2020
Interest expense on lease liabilities	566	901	566	901

	Economic interest		Company	
	2021 N$ '000	2020 N$ '000	2021 N$ '000	2020 N$ '000

4. Right-of-use assets (continued)

Right-of-use assets reconciliation N$ '000 - Economic interest and Company

2021	**Opening balance**	**Additions**	**Disposals**	**Depreciation**	**Total**
Buildings	611	-	-	(163)	448
Motor vehicles	5,538	964	-	(2,559)	3,943
Office equipment	846	89	(562)	(422)	(49)
	6,995	**1,053**	**(562)**	**(3,144)**	**4,342**

2020	**Opening balance**	**Additions**	**Disposals**	**Depreciation**	**Total**
Buildings	-	774	-	(163)	611
Motor vehicles	-	7,964	-	(2,426)	5,538
Office equipment	-	1,214	-	(368)	846
	-	**9,952**	**-**	**(2,957)**	**6,995**

Finance lease liabilities

The maturity analysis of lease liabilities is as follows:

- within one year	2,077	4,339	2,077	4,339
- in second to fifth year inclusive	1,665	4,263	1,665	4,263
- later than five years	924	-	924	-
	4,666	8,662	4,666	8,662
Less: future finance charges	(702)	(1,764)	(702)	(1,764)
Present value of minimum lease payments	**3,964**	**6,898**	**3,964**	**6,898**
Present value of minimum lease payments				
- within one year	1,048	3,598	1,048	3,598
- in second to fifth year inclusive	2,916	3,300	2,916	3,300
	3,964	**6,898**	**3,964**	**6,898**
Non-current liabilities	2,916	3,300	2,916	3,300
Current liabilities	1,048	3,598	1,048	3,598
	3,964	**6,898**	**3,964**	**6,898**

The average lease term was 3 - 5 years and the average effective borrowing rate was 12%.

Exposure to liquidity risk

Refer to note 31 Financial instruments and risk management for the details of liquidity risk exposure and management.

Exposure to currency risk

Namibia Dollar amount				
Namibia Dollar	3,964	6,898	3,964	6,898

Covid 19 related rent concessions

The economic interest did not benefit from any Covid-19 related rent concessions during current financial year..

Notes to the Annual Financial Statements

5. Intangible assets

Economic interest	2021			2020		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Licenses	16,705	(11,982)	4,723	16,513	(11,153)	5,360
Computer software, other	16,911	(13,867)	3,044	16,378	(13,325)	3,053
Total	**33,616**	**(25,849)**	**7,767**	**32,891**	**(24,478)**	**8,413**

Company	2021			2020		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Licenses	16,705	(11,982)	4,723	16,513	(11,153)	5,360
Computer software, other	16,911	(13,867)	3,044	16,378	(13,325)	3,053
Total	**33,616**	**(25,849)**	**7,767**	**32,891**	**(24,478)**	**8,413**

Reconciliation of intangible assets N$ '000 - Economic interest - 2021

	Opening balance	Additions	Amortisation	Total
Licenses	5,360	-	(637)	4,723
Computer software, other	3,053	725	(734)	3,044
	8,413	**725**	**(1,371)**	**7,767**

Reconciliation of intangible assets N$ '000 - Economic interest- 2020

	Opening balance	Additions	Amortisation	Total
Licenses	5,996	-	(636)	5,360
Computer software, other	3,058	537	(542)	3,053
	9,054	**537**	**(1,178)**	**8,413**

Reconciliation of intangible assets N$ '000 - Company - 2021

	Opening balance	Additions	Amortisation	Total
Licenses	5,360	-	(637)	4,723
Computer software, other	3,053	725	(734)	3,044
	8,413	**725**	**(1,371)**	**7,767**

Reconciliation of intangible assets N$ '000 - Company - 2020

	Opening balance	Additions	Amortisation	Total
Licenses	5,996	-	(636)	5,360
Computer software, other	3,058	537	(542)	3,053
	9,054	**537**	**(1,178)**	**8,413**

Individually material intangible assets

Electricity Supply & Distribution licences This licences are issued by the Electricity Control Board for supply and distribution of electricity to consumers within the area of operations. The remaining amortisation period is 9 years.	4,723	5,360	4,723	5,360
SAP Software This is an ERP used for effective business operations. The remaining amortisation period is 8 years.	737	815	737	815
	5,460	**6,175**	**5,460**	**6,175**

6. Investment in joint ventures

Joint ventures

Company

Name of company	Held by	% ownership interest 2021	% ownership interest 2020	Carrying amount 2021	Carrying amount 2020
Cenored-Okahandja Electricity (Pty) Ltd		40.00 %	40.00 %	80	80

Significant judgments: Joint control and arrangement

Through the shareholder agreement, CENORED has 3 seats on the board of Cenored-Okahandja Electricity (Pty) Ltd and participates in all significant financial and operating decisions. The decisions are made unanimously by the board directors. The econimic interest has therefore determined that it has joint control over this entity, even though it only holds 40% of the voting rights. Given that Cenored-Okahandja Electricity (Pty) Ltd is a company (hence a separate vehicle), the joint arrangement is assessed as Joint venture.

Nature and risk of the joint venture

The joint venture is engaged in the supply and distribution of electricity in the town of Okahandja Municipality and its surroundings.

The joint venture is owned by CENORED (40%) and Okahandja Municipality (60%) and it has been in operation since the 30 June 2017 financial year.

Cenored-Okahandja Electricity (Pty) Ltd has accumulated losses of N$ 107,259,684 as at 30 June 2021 and the company's total liabilities exceeds the assets by N$ 107,059,684 at the same date.

These conditions give rise to material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The shareholders have signed agreements to subordinate their debts and offer financial support to ensure that the joint venture continue in operation for the foreseeable future.

Summarised financial information of material joint ventures

Summarised Statement of Profit or Loss and Other Comprehensive Income	Cenored - Okahandja Electricity (Pty) Ltd	
	2021	2020
Revenue	99,686	104,918
Depreciation and amortisation	(4,837)	(4,795)
Interest income	178	551
Other income and expenses	(91,660)	(97,068)
Interest expense	(8,250)	(8,926)
Profit (loss) before tax	(4,883)	(5,320)
Profit (loss) from continuing operations	(4,883)	(5,320)
Total comprehensive income	(4,883)	(5,320)

Summarised Statement of Financial Position	Cenored-Okahandja Electricity (Pty) Ltd	
	2021	2020
Assets		
Non-current	31,284	34,935
Current		
Other current assets	14,847	15,678
Total current assets	14,847	15,678
Liabilities		
Non-current		

Notes to the Annual Financial Statements

6. Investment in joint ventures (continued)

Non-current financial liabilities	76,101	80,320
Total non-current liabilities	76,101	80,320
Current		
Current financial liabilities	469	837
Other current liabilities	76,620	71,636
Total current liabilities	77,089	72,473
Total net assets	(107,059)	(102,180)

Unrecognised losses

The net losses from the joint venture is unrecognised.

Notes to the Annual Financial Statements

		Economic interest		Company	
		2021 N$ '000	2020 N$ '000	2021 N$ '000	2020 N$ '000
7. Loans to group companies					
Joint ventures	Basis of accounting				
Cenored-Okahandja Electricity (Pty) Ltd - On-lending loan The loan is unsecured and attracts interest at prime lending rate. The loan is for a period of 10 years.	Amortised cost	12,145	13,728	12,145	13,728
Cenored-Okahandja Electricity (Pty) Ltd - NEF Loan The loan is unsecured and attracts interest at prime lending rate. The loan is for a period of 10 years.	Amortised cost	12,636	14,305	12,636	14,305
		24,781	**28,033**	**24,781**	**28,033**
Split between non-current and current portions					
Non-current assets		24,781	28,033	24,781	28,033

Exposure to credit risk

Loans receivable inherently expose the economic interest to credit risk, being the risk that the economic interest will incur financial loss if counterparts fail to make payments as they fall due.

Loans receivable are subject to the impairment provisions of IFRS 9 Financial Instruments, which requires a loss allowance to be recognised for all exposures to credit risk. The loss allowance for group loans receivable is calculated based on twelve month expected losses if the credit risk has not increased significantly since initial recognition. In cases where the credit risk has increased significantly since initial recognition, the loss allowance is calculated based on lifetime expected credit losses. The loss allowance is updated to either twelve month or lifetime expected credit losses at each reporting date based on changes in the credit risk since initial recognition. If a loan is considered to have a low credit risk at the reporting date, then it is assumed that the credit risk has not increased significantly since initial recognition. On the other hand, if a loan is in arrears more than 90 days, then it is assumed that there has been a significant increase in credit risk since initial recognition.

In determining the amount of expected credit losses, the economic interest has taken into account any historic default experience, the financial positions of the counterparts as well as the future prospects in the industries in which the counterparts operate.

The maximum exposure to credit risk is the gross carrying amount of the loans as presented below. The economic interest does not hold collateral or other credit enhancements against group loans receivable.

Notes to the Annual Financial Statements

. Loans to group companies (continued)

redit loss allowances

he following tables set out the carrying amount, loss allowance and measurement basis of expected credit losses for group loans receivable by credit rating grade:

conomic interest & Company - 2021

nstrument	Basis of loss allowance	Gross amount	Allowance	Amortised cost
oans to joint ventures				
Cenored-Okahandja Electricity (Pty) Ltd - On-lending loan	12m ECL	13,197	(1,052)	12,145
Cenored-Okahandja Electricity (Pty) Ltd - NEF loan	12m ECL	13,733	(1,097)	12,636
Cenored-Okahandja Electricity (Pty) Ltd - Irredeemable loan	12m ECL	13,920	(13,920)	-
		40,850	**(16,069)**	**24,781**

otal credit loss allowances

oans to joint ventures	40,850	(16,069)	24,781
	40,850	**(16,069)**	**24,781**

Economic interest & Company - 2020

nstrument	Basis of loss allowance	Gross amount	Allowance	Amortised cost
oans to joint ventures				
Cenored-Okahandja Electricity (Pty) Ltd - On-lending loan	12m ECL	14,920	(1,192)	13,728
Cenored-Okahandja Electricity (Pty) Ltd - NEF loan	12m ECL	15,523	(1,218)	14,305
Cenored-Okahandja Electricity (Pty) Ltd - Irredeemable loan	12m ECL	13,920	(13,920)	-
		44,363	**(16,330)**	**28,033**

Notes to the Annual Financial Statements

7. Loans to group companies (continued)

Total credit loss allowances

Loans to joint ventures	44,363	(16,330)	28,033
	44,363	**(16,330)**	**28,033**

Reconciliation of loss allowances

The following tables show the movement in the loss allowances for loans receivable. The movement in the gross carrying amounts of the loans are also presented in order to assist in the explanation of movements in the loss allowance.

Loans to related parties: Loss allowance measured at 12 month ECL:

Changes due to investments recognised at the beginning of the reporting period:				
Opening balance	16,330	5,143	16,330	5,143
Impairment loss/(reversal) for the year	(261)	11,187	(261)	11,187
Closing balance	**16,069**	**16,330**	**16,069**	**16,330**

Exposure to currency risk

The group is not exposed to currency risk as all Loans to joint ventures are denominated in Namibia Dollar.

Loans to joint ventures

The net carrying amounts, in Namibia Dollar, of loans to joint ventures, are denominated in the following currencies. The amounts have been presented in Namibia Dollar by converting the foreign currency amount at the closing rate at the reporting date.

Namibia Dollar amount				
Namibia Dollar	24,781	28,033	24,781	28,033

Notes to the Annual Financial Statements

	Economic interest		Company	
	2021 N$ '000	2020 N$ '000	2021 N$ '000	2020 N$ '000

8. Inventories

Consumables	25,711	20,319	25,711	20,319
	25,711	20,319	25,711	20,319
Provision for obsolescence	(3,150)	(1,005)	(3,150)	(1,005)
	22,561	**19,314**	**22,561**	**19,314**

A general allowance of 5% has been made on the closing balance of the inventory at year end.

A specific provision of N$ 1,990,000 has been made in respect of inventory that has been approved for a write off by the Board of Directors after year end; The inventory listings have been finalized for the financial year and a inventory write down provision has therefore been made.

9. Trade and other receivables

Financial instruments:				
Trade receivables	77,887	77,680	77,887	77,680
Trade receivables - related parties	42,270	39,514	42,270	39,514
Trade receivables at amortised cost	120,157	117,194	120,157	117,194
Impairment of other receivable: Cenored-Okahandja Pty Ltd	(7,544)	-	(7,544)	-
Provision for doubtful debts	(25,353)	(20,728)	(25,353)	(20,728)
Other receivables	2,272	4,361	2,272	4,361
Non-financial instruments:				
VAT	1,626	609	1,626	609
Deposits	87	87	87	87
Total trade and other receivables	**91,245**	**101,523**	**91,245**	**101,523**

Split between non-current and current portions

Non-current assets	31,726	36,720	31,726	36,720
Current assets	59,519	64,803	59,519	64,803
	91,245	**101,523**	**91,245**	**101,523**

Categorisation of trade and other receivables

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

At amortised cost	89,532	100,914	89,532	100,914
Non-financial instruments	1,713	609	1,713	609
	91,245	**101,523**	**91,245**	**101,523**

Trade and other receivables pledged as security

Refer to note 12 for details regarding trade and other receivables pledged as security.

Exposure to credit risk

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

The economic interest uses an allowance matrix to measure the ECLs of trade receivables from the customers, which comprise a very large number of small balances. The group measures the loss allowance for trade receivables by applying both the simplified and general approach.

The loss rates are calculated using a "roll rate" method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated on a global basis as the customers has common credit risk characteristics - geographical region, age of customer relationship and type of service offered.

9. Trade and other receivables (continued)

The economic interest does not require collateral in respect of trade and other receivables. The company does not have trade receivables for which no loss allowance is recognised because of the collateral.

The average credit period on trade receivables is 66 days (2020: 62 days). Interest is charged on outstanding trade receivables at 15% per annum.

A loss allowance is recognised for all trade receivables, in accordance with IFRS 9 Financial Instruments, and is monitored at the end of each reporting period. In addition to the loss allowance, trade receivables are written off when there is no reasonable expectation of recovery.

The estimation techniques explained have been applied for the first time in the current financial period, as a result of the adoption of IFRS 9. Trade receivables were previously impaired only when there was objective evidence that the asset was impaired.

Impairment losses on trade and other receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

The economic interest's historical credit loss experience does not show significantly different loss patterns for different customer segments. The provision for credit losses is therefore based on past due status without disaggregating into further risk profiles. The loss allowance provision is determined as follows:

The loss allowance provision is determined as follows:

Economic interest	2021	2021	2020	2020
	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)
Expected credit loss rate:				
Current past due: 4.56% (2020: 5.17%)	41,351	(1,886)	43,916	(2,272)
<30 days past due: 17.38% (2020: 21.77%)	9,375	(1,630)	13,710	(2,985)
<60 days past due: 33.66% (2020: 42.75%)	4,666	(1,571)	6,773	(2,895)
<90 days past due: 58.51% (2020: 73.18%)	5,369	(3,141)	2,627	(1,922)
120 + days past due: 100% (2020: 100%)	17,126	(17,126)	10,654	(10,654)
Total	**77,887**	**(25,354)**	**77,680**	**(20,728)**

Company	2021	2021	2020	2020
	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)
Expected credit loss rate:				
Current past due: 4.56% (2020: 5.17%)	41,351	(1,886)	43,916	(2,272)
<30 days past due: 17.38% (2020: 21.77%)	9,375	(1,630)	13,710	(2,985)
<60 days past due: 33.66% (2020: 42.75%)	4,666	(1,571)	6,773	(2,895)
<90 days past due: 58.51% (2020: 73.18%)	5,369	(3,141)	2,627	(1,922)
120 + days past due: 100% (2020: 100%)	17,126	(17,126)	10,654	(10,654)
Total	**77,887**	**(25,354)**	**77,680**	**(20,728)**

The loss rates are based on actual credit loss experience over the past three years. These rates are multiplied by scalar factors to reflect differences between the economic conditions during the period over which the historical data has been collected, current conditions and the group's view of the economic conditions over the expected useful lives of the receivables.

The scalar factors are based on the actual and forecast Gross Domestic Product, nominal, Local Currency Unit rates of 4.3%.

Notes to the Annual Financial Statements

	Economic interest		Company	
	2021 N$ '000	2020 N$ '000	2021 N$ '000	2020 N$ '000

9. Trade and other receivables (continued)

Reconciliation of loss allowances

The following table shows the movement in the loss allowance for lease receivables:

Opening balance	20,728	18,348	20,728	18,348
Provision raised in the current year	4,626	2,380	4,626	2,380
Closing balance	**25,354**	**20,728**	**25,354**	**20,728**

Exposure to currency risk

There have been no significant changes in the foreign currency risk management policies and processes since the prior reporting period.

The net carrying amounts, in Namibia Dollar, of trade and other receivables, excluding non-financial instruments, are denominated in the following currencies. The amounts have been presented in Namibia Dollar by converting the foreign currency amount at the closing rate at the reporting date.

Namibia Dollar Amount				
Namibia Dollar	89,532	100,827	89,532	100,827

Fair value of trade and other receivables

The fair value of trade and other receivables approximates their carrying amounts.

10. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	33	60	33	60
Bank balances	28,788	24,407	28,788	24,407
Short-term deposits	47,904	51,707	47,904	51,707
Bank overdraft	(54,796)	(41,352)	(54,796)	(41,352)
	21,929	**34,822**	**21,929**	**34,822**
Current assets	76,725	76,174	76,725	76,174
Current liabilities	(54,796)	(41,352)	(54,796)	(41,352)
	21,929	**34,822**	**21,929**	**34,822**

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

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

Credit rating				
Bank Windhoek Limited (AA)	4,317	4,537	4,317	4,537
Standard Bank Namibia Limited	27,639	22,931	27,639	22,931
First National Bank Namibia Limited (AA)	(15,495)	1,353	(15,495)	1,353
Namibia Post Savings Bank (Refer to below)	5,435	5,940	5,435	5,940
	21,896	**34,761**	**21,896**	**34,761**

Even though Namibia Post Savings Bank (NamPost) is not rated it has no history of default and the deposits made with NamPost are guaranteed by the Government of the Republic of Namibia.

<u>**Facilities available**</u>:

Standard Bank Namibia

	Economic interest		Company	
	2021 N$ '000	2020 N$ '000	2021 N$ '000	2020 N$ '000

10. Cash and cash equivalents (continued)

Total facility available is the medium term loan with account number 041591275 for N$ 2,950,000.00

Total facility available is the medium term loan with account number 60003037079 for N$ 16,000,000.00

First National Bank of Namibia

Details of total facilities and the date of review thereof are as follows:

- Direct Short-Term Overdraft Facility - N$ 49,000,000.00 @ 5.5%
- Direct Short-Term Overdraft Facility - N$ 19,000,000.00 @ 6.5%
- Long-Term Loan Facility (CPF) - N$ 2,255,840.30
- Long-Term Loan Facility (CFP) - N$ 6,981,397.56
- Revolving Wesbank Facility - N$ 15,500,000.00
- Direct Short-Term Facility (Fleet) - N$ 650,000.00

Date of review: 25/11/2021

Cash and cash equivalents pledged as collateral

Total financial assets pledged as collateral for Standard Bank Namibia Limited Loan	6,478	6,478	6,478	6,478

Exposure to currency risk

Namibia Dollar amount				
Namibia Dollar	21,929	34,822	21,929	34,822

11. Share capital

Authorised				
60,000 Ordinary shares of N$ 1 each	60,000	60,000	60,000	60,000
Reconciliation of number of shares issued:				
Reported as at 1 July 2020	53,686	53,686	53,686	53,686

6,134 unissued ordinary shares are under the control of the directors in terms of a resolution of members passed at the last annual general meeting. This authority remains in force until the next annual general meeting.

Issued				
Ordinary	54	54	54	54
Share premium	279,602	279,602	279,602	279,602
	279,656	**279,656**	**279,656**	**279,656**

Notes to the Annual Financial Statements

	Economic interest		Company	
	2021 N$ '000	2020 N$ '000	2021 N$ '000	2020 N$ '000
12. Borrowings				
Held at amortised cost				
Secured				
First National Bank Limited Loans This loan is repayable on a monthly basis at an interest rate of 7% (2020: 8%), instalment amount is N$ 177,432.06 (2020: N$ 179,889.08). The last payment date will on 1 June 2025. The loan is secured by the CENORED office buildings in Okakarara, Otavi and Tsumeb.	9,237	10,660	9,237	10,660
Bank Windhoek Limited Loan This loan is repayable on a monthly basis at an interest 8.5% (2020: 8.75%), instalment amount is N$ 138,980.20 (2020: N$ 140,214). The last payment date will be on 1 August 2028. The loan is secured by CENORED office buildings in Okahandja.	9,012	9,865	9,012	9,865
Standard Bank Namibia Limited Loan The loan is repayable on a monthly basis at an interest rate of 6.5% per annum (2020: 6.5%) the instalment amount is N$ 58,273.97 (2020: N$ 58,476.70) with the last payment date being 30 September 2022.	800	1,400	800	1,400
Standard Bank Namibia Limited Loan This is a revolving fund with an average monthly instalment amount of N$ 446,096.09. The interest rate is set at 6.75%. This loan was repaid during the current financial year.	-	3,111	-	3,111
Unsecured				
Bank Windhoek Limited Loan This loan is repayable on a monthly basis with an instalment of N$ 203,354 (2019: N$ 206,913) at an interest rate of 7.5% per annum (2020: 8.5%). The last payment date will be 1 September 2021. The loan is for electrification.	402	2,699	402	2,699
National Energy Fund This loan is repayable monthly at an interest rate of 2.5% per annum (2020: 2.5%), instalment is N$ 684,640 (2020: N$ 684,640) with a grace period of 2 years, and its repayable over a period of 10 years with a last repayment date of 1 May 2025.	34,846	42,092	34,846	42,092
Local authorities' loan compensation and transitional surcharges The company is obliged to pay cash to the local authorities per month of N$ 89,292 (2020: N$ 89,292) in respect of loan compensation surcharges until loans are repaid or when the licence issued to the company expire in 2028. The interest rate is fixed at 11.5%.	322	549	322	549
	54,619	**70,376**	**54,619**	**70,376**
Split between non-current and current portions				
Non-current liabilities	38,574	54,734	38,574	54,734
Current liabilities	16,045	15,642	16,045	15,642
	54,619	**70,376**	**54,619**	**70,376**

The above loans are secured as follows:

Bank Windhoek Limited Loans

The following Commercial Mortgage Bonds over Erf 2525 Otjiwarongo:

- First N$ 13,500,000
- Second N$ 4,500,000
- Third N$ 9,150,000

	Economic interest		Company	
	2021 N$ '000	2020 N$ '000	2021 N$ '000	2020 N$ '000

12. Borrowings (continued)

Registered Commercial Mortgage Bond for N$ 5,100,000 over Erf 2614, Otjiwarongo

Registered Commercial Mortgage Bond for N$ 11,000,000 over Erf 64, Okahandja

Standard Bank Limited Loans

Pledge of call deposit, account number 58 911 356 9 held dated 02/10/2012, the collateral value - N$ 1,637,800, the balance in the call account as at 30 June 2020 - N$ 2,097,789.11.

Pledge of notice deposit, account number 58 911 357 7 held dated 02/10/2012, the collateral value - N$ 4,840,278, the balance in the call account as at 30 June 2020 - N$ 6,227,464.09.

First National Bank Limited Loans

- First Bond N$ 850,000 over Erf 1145 (a portion of Erf 31) Okakakara measuring 1,815 square meters - Held Valuation N$ 1400,000 dated 09/04/2019 done by Simson Angula- Held
  Extended at 60% = N$ 840,000
  Fire Cover N$ 4,000,00 expiry date 01/04/2020, NASRIA included (C&IN)- Held
- First Bond N$ 10,950,000 over Erf 582 (a portion of Erf 540) Extension No. 4 Tsumeb measuring 2001 square meters and over Erf 583 (a portion of Erf 540) Extension No. 4 Tsumeb measuring 2,000 square metres - Held.
  Valuation N$ 8,100,000 dated 15/05/2019 done by Simson Angula - Held
  Extended at 60% = N$ 4,860,000
  Fire Cover N$ 19,965,000 expiry dated 01/04/2020, NASRIA included (C&IN) - Held
- First Bond N$ 3,550,000 over Erf 563 (a portion of Erf 235), Otavi measuring 1,530 square meters - Held
  Valuation N$ 1,150,000 dated 04/04/2019 done by Simson Angula - Held
  Extended at 60% = N$ 2,568,000
  Fire Cover N$ 6,655,000 expiry dated 01/04/2020, NASRIA included (C&IN) - Held
- Loan agreement for N$ 10,941,277 dated 28/07/2016 - Held
- Loan agreement for N$ 3,523,723 dated 28/07/2016 - Held
- Cession and Pledge of Credit balance N$ 40,000,000 dated 28/07/2016:

  Over DDA Account no. 62 091 792 012, Pledged Amount: N$ 31,270,000

  Over DDA Account no. 62 250 633 693, Pledged Amount: N$ 5,650,000

  Over DDA Account no.62 097 521 209, Pledged Amount: N$ 3,080,000
- Form 30 (d) dated 19/03/2012 - Held

Refer to note 31&32 Financial instruments and financial risk management for the fair value of borrowings.

Exposure to liquidity risk

Refer to note 31 Financial instruments and financial risk management for details of liquidity risk exposure and management.

Exposure to currency risk

Namibia Dollar amount				
Namibia Dollar	54,619	70,376	54,619	70,376

Exposure to interest rate risk

Refer to note 31 for details of interest rate risk management for investments in borrowings.

13. Retirement benefits

Defined benefit structure

Notes to the Annual Financial Statements

	Economic interest		Company	
	2021 N$ '000	2020 N$ '000	2021 N$ '000	2020 N$ '000

13. Retirement benefits (continued)

Employees and pensioners of the organization participates in a defined benefit plan that provides medical benefits. The benefit plans are provided by Namibia Medical Care (NMC), which is administered by Methealth Namibia Administrators.

The post-employment medical aid subsidy policy valued can be summarised as follows:

- Only members that choose to retire between 55 and 59 years are eligible to receive post-employment medical aid benefits. All in-service members will be eligible to take up this benefit once they reach the age of 55.
- The benefit is equal to 100% of the principle members' contribution for the first 10 years post early retirement. Subsidies of dependents will not be paid during retirement. There is one pensioner who will receive subsidies for a period of 15 years.
- Should the pensioner die prior to the 10 years being completed the benefit payments will terminate.

Dependent subsidies will not be paid after the death of a principal member either whole in service or during retirement.

Actuarial assumptions

The actuarial valuation was performed by ZAQ Consultants and Actuaries Namibia.

The defined benefit obligation was calculated using the projected unit credit method at the valuation date and the projected annual expense in the year following the valuation date.

The expected value of each employee and their spouse' future medical aid subsidies is projected by allowing for future medical inflation. The calculated values are than discounted at the assumed interest rate to the present date of valuation. Mortalities, retirement and withdraws from the service have been considered in the calculation.

The accrued liability is determined on the basis that each employee's medical aid benefit accrues uniformly over the working life of an employee up until retirement. The current policy for awarding medical aid subsidies is expected to remain unchanged in the future.

All active members on the medical aid will remain on the medical aid once they retire. All active members will remain on the same medical aid option upon retirement.

As at valuation date, the medical aid liability of the organization was unfunded. No dedicated assets had been set aside to meet this liability.

The normal retirement age for all active employees was assumed to be 60 years.

Mortality before retirement has been based on the SA 85-90 mortality tables. Mortality post-retirement has been based on the PA (90) ultimate mortality tables.. No explicit assumption was made about additional mortality or health care costs due to AIDS.

The number of employees entitled to receive post-employment medical aid subsidies were 189 (2020: 192).

Carrying value

Present value of the defined benefit obligation-wholly unfunded	(5,760)	(4,706)	(5,760)	(4,706)

Expected maturity analysis for retirement benefit obligation				
Within one year	933	-	933	-
1 - 2 years	970	-	970	-
2- 5 years	3,077	-	3,077	-
> 5 years	780	-	780	-
	5,760	**-**	**5,760**	**-**

Comparative figures for the expected maturity analysis are not available.

Accrued contractual liability				
Current (in service) members	1,209	851	1,209	851
Continuation members (pensioners)	4,551	3,855	4,551	3,855
	5,760	**4,706**	**5,760**	**4,706**

Notes to the Annual Financial Statements

	Economic interest		Company	
	2021 N$ '000	2020 N$ '000	2021 N$ '000	2020 N$ '000

13. Retirement benefits (continued)

Movements for the year

Opening balance	(4,706)	(4,040)	(4,706)	(4,040)
Benefits paid	831	830	831	830
Actuarial gains or losses	(1,424)	(1,082)	(1,424)	(1,082)
Net expense recognised in profit or loss	(461)	(414)	(461)	(414)
	(5,760)	**(4,706)**	**(5,760)**	**(4,706)**

Net expense recognised in profit or loss

Current service cost	(88)	(100)	(88)	(100)
Interest cost	(373)	(314)	(373)	(314)
	(461)	**(414)**	**(461)**	**(414)**

Liability for defined benefit obligations

The following were the principal actuarial assumptions at the reporting date:

Discount rates	8.31 %	8.57 %	8.31 %	8.57 %
Consumer price inflation	5.37 %	4.13 %	5.37 %	4.13 %
Medical aid contribution inflation	7.12 %	5.88 %	7.12 %	5.88 %
Net effective discount rate	1.11 %	2.54 %	1.11 %	2.54 %

Risks

Risks related to post-retirement benefits include:

- Risks from adverse discount rate movements;
- Risks related to future changes in the regulation of the benefit;
- Inflation risk;
- Risks from changes in mortality rates.

Sensitivity analysis - mortality rate

Deviation from the assumed level of mortality experience of the current employees and the continuation members (pensioners) will have an impact on the actual cost to the organisation. An effect of a 20% increase or decrease in assumed level of mortality is as follows:

Mortality rate	**2021 -20% Increase**	**2021 - 20% Decrease**	**2020 -20% Increase**	**2020 -20% Decrease**
Total accrued liability	5,666	5,856	4,625	4,790
Interest cost	441	457	366	381
Service cost	115	121	86	91
	6,222	**6,434**	**5,077**	**5,262**

Sensitivity analysis - medical aid inflation

The cost of the subsidy after retirement is dependent on the increase in contributions to the medical aid scheme before and after retirement. An effect of a 1% per annum increase or decrease is as follows:

Medical aid inflation	**2021 - 1% Increase**	**2021 - 1% Decrease**	**2020 -1% Increase**	**2020 -1% Decrease**
Total accrued liability	6,098	5,458	4,715	4,698
Interest cost	478	423	374	372
Service cost	139	100	89	87
	6,715	**5,981**	**5,178**	**5,157**

Notes to the Annual Financial Statements

	Economic interest		Company	
	2021 N$ '000	2020 N$ '000	2021 N$ '000	202(N$ '0(

14. Deferred income

Non-current liabilities	82,817	68,863	82,817	68,863
Current liabilities	34,509	20,112	34,509	20,112
	117,326	**88,975**	**117,326**	**88,975**

The Otavi upgrade grant was funded by Ministry of Mines and Energy (MME) through the National Energy Fund (NEF) partly towards the construction of Sargberg substation and a for 20 km dedicated supply line from Sargberg to Otavi.

There are no unfulfilled conditions related to the Otavi government grant assistance received

Prepaid electricity represents the value of electricity units that have been purchased by customers but not yet consumed at year end 30 June 2021.

New connections is income from customer connections which is treated as deferred income and anortized over a period of 10 years.

Consist of the following:

Prepaid electricity	3,411	3,666	3,411	3,666
New connections	46,071	18,591	46,071	18,591
Otavi upgrade - government grant	7,274	8,184	7,274	8,184
Donated network assets	60,570	58,534	60,570	58,534
	117,326	**88,975**	**117,326**	**88,975**

Reconciliation - 2021	**Prepaid electricity**	**New connections**	**Otavi upgrade - Government Grant**	**Donated network assets**	**Total**
Opening balance	3,666	18,591	8,184	58,534	88,975
Releases to the income statement	(3,666)	(6,023)	(910)	(8,426)	(19,025)
Additions	3,411	33,503	-	10,462	47,376
Subtotal	3,411	46,071	7,274	60,570	117,326
	3,411	**46,071**	**7,274**	**60,570**	**117,326**

Reconciliation - 2020	**Prepaid electricity**	**New connections**	**Otavi Upgrade - Government Grant**	**Donated network assets**	**Total**
Opening balance	2,705	12,888	9,093	65,697	90,383
Releases to the income statement	(2,705)	(1,005)	(909)	(7,163)	(11,782)
Additions	3,666	3,888	-	-	7,554
Transferred	-	2,820	-	-	2,820
Subtotal	3,666	18,591	8,184	58,534	88,975
	3,666	**18,591**	**8,184**	**58,534**	**88,975**

15. Deferred tax

Deferred tax liability

Accelerated capital allowances for tax purposes	(135,023)	(130,236)	(135,023)	(13
Licence intangible assets	(2,274)	(2,210)	(2,274)	(

Notes to the Annual Financial Statements

	Economic interest		Company	
	2021 N$ '000	2020 N$ '000	2021 N$ '000	2020 N$ '000
15. Deferred tax (continued)				
Right-of-use assets	(1,390)	(2,239)	(1,390)	(2,239)
Total deferred tax liability	**(138,687)**	**(134,685)**	**(138,687)**	**(134,685)**
Deferred tax asset				
Provisions	12,655	10,286	12,655	10,286
Other deferred tax asset	1,609	6,876	1,609	6,876
Deferred tax relating to assessed losses	59,281	66,697	59,281	66,697
Deferred tax balance from temporary differences other than unused tax losses	73,545	83,859	73,545	83,859
Local authorities asset compensation	103	176	103	176
	73,648	84,035	73,648	84,035
Income received in advance	11,665	170	11,665	170
Total deferred tax asset, net of valuation allowance recognised	**85,313**	**84,205**	**85,313**	**84,205**

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

Deferred tax liability	(138,687)	(134,685)	(138,687)	(134,685)
Deferred tax asset	85,313	84,205	85,313	84,205
Total net deferred tax liability	**(53,374)**	**(50,480)**	**(53,374)**	**(50,480)**

Reconciliation of deferred tax asset / (liability)

At beginning of year	(50,480)	(50,547)	(50,480)	(50,547)
Increases (decrease) in tax loss available for set off against future taxable income - gross of valuation allowance	(2,894)	67	(2,894)	67
	(53,374)	**(50,480)**	**(53,374)**	**(50,480)**

The above deferred tax liability and asset as disclosed above will be recovered after more than 12 months.

16. Other financial liabilities

Minimum lease payments				
-within one year	4,279	5,960	4,279	5,960
-in second to fifth year inclusive	5,425	10,055	5,425	10,055
	9,704	16,015	9,704	16,015
	(1,605)	(2,941)	(1,605)	(2,941)
Present value of minimum lease payments due	**8,099**	**13,074**	**8,099**	**13,074**
Present value of minimum lease payments				
- within one year	3,659	4,897	3,659	4,897
- in second to fifth year inclusive	4,440	8,177	4,440	8,177
	8,099	**13,074**	**8,099**	**13,074**
Non-current liabilities	3,659	8,177	3,659	8,177
Current liabilities	4,440	4,897	4,440	4,897
	8,099	**13,074**	**8,099**	**13,074**

It is economic interest's policy to purchase assets using finance from financial institutions.

The average lease term was 5-10 years and the average effective borrowing rate was 7.75% (2020: 7.75%).

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

Notes to the Annual Financial Statements

	Economic interest		Company	
	2021 N$ '000	2020 N$ '000	2021 N$ '000	2020 N$ '000

16. Other financial liabilities (continued)

The economic interest's obligation are secured by the asset acquired via the hire purchase agreement. Refer note 3

Market risk

The carrying amounts of other financial liabilities are denominated in the following currencies.

Namibia Dollar	8,100	13,074	8,100	13,074

For details of sensitivity of exposures to market risk related to other financial liabilities, as well as liquidity risk refer to note 31

17. Severance pay obligation

Severance pay obligation is recognised for employees retiring on reaching the age of 65.

Severance pay is defined as follows in accordance with the Namibian Labour Act:

The employer must pay severance pay to an employee which has completed 12 months of continuous service, if the employee, is retrenched, dies while employed or resigns on reaching retirement.

Reconciliation				
Opening balance	1,147	767	1,147	767
Movement for the year	204	380	204	380
Closing balance	**1,351**	**1,147**	**1,351**	**1,147**

Key assumptions

The key assumptions in determining the severance pay obligation are:

- A discount rate of 7.5% per annum; and
- A salary inflation rate of 4.3% per annum.

The severance pay is unfunded; therefore there are no funding arrangements as well as expected contributions in the next annual reporting period.

Cash outflows occur when employees die while employed, or retires on reaching the retirement age of 65 years.

The timing and the amount of the outflow is uncertain.

The average age of employees is 40 years and the withdrawal expectation is estimated to be 23.83%..

Notes to the Annual Financial Statements

	Economic interest		Company	
	2021 N$ '000	2020 N$ '000	2021 N$ '000	2020 N$ '000

18. Trade and other payables

	2021	2020	2021	2020
Financial instruments:				
Trade payables	53,725	103,093	53,725	103,093
Local Authority surcharges payables	422	356	422	356
Accrued leave pay	11,811	10,812	11,811	10,812
Accrued bonus	3,102	2,646	3,102	2,646
Other payables	2,140	609	2,140	609
	71,270	**117,831**	**71,270**	**117,831**
Non-financial instruments:				
Deposits received	70	315	70	315

Reconciliation

	2021	2020	2021	2020
Accrued leave pay				
Opening balance	10,812	10,094	10,812	10,094
Movement for the year	999	718	999	718
Closing balance	**11,811**	**10,812**	**11,811**	**10,812**
Accrued bonus				
Opening balance	2,646	2,411	2,646	2,411
Movement for the year	456	235	456	235
Closing balance	**3,102**	**2,646**	**3,102**	**2,646**

Exposure to currency risk

The net carrying amounts, in Namibia Dollar, of trade and other payables, excluding non-financial instruments, are denominated in the following currencies. The amounts have been presented in Namibia Dollar by converting the foreign currency amount at the closing rate at the reporting date.

	2021	2020	2021	2020
Namibia Dollar Amount				
Namibia Dollar	71,200	117,831	71,200	117,831

Exposure to liquidity risk

Refer to note 31 Financial instruments and financial risk management for details of liquidity risk exposure and management.

Exposure to interest rate risk

Refer to note 31 Financial instruments and financial risk management for details of interest rate risk management for trade and other payables.

Fair value of trade and other payables

The fair value of trade and other payables approximates their carrying amounts.

Notes to the Annual Financial Statements

	Economic interest		Company	
	2021 N$ '000	2020 N$ '000	2021 N$ '000	2020 N$ '000

19. Revenue

Revenue from contracts with customers				
Units sold	581,030	597,122	581,030	597,122
Rendering of services	9,063	8,999	9,063	8,999
	590,093	**606,121**	**590,093**	**606,121**

Disaggregation of revenue from contracts with customers

The economic interest disaggregate revenue from customers as follows:

Sale of electricity				
Units sold	307,641	326,793	307,641	326,793
Basic, network and capacity charges	116,388	118,680	116,388	118,680
Prepaid units sold	157,001	151,649	157,001	151,649
	581,030	**597,122**	**581,030**	**597,122**
Rendering of services				
Revenue from network contributions	6,495	7,105	6,495	7,105
New connections	2,568	1,894	2,568	1,894
	9,063	**8,999**	**9,063**	**8,999**
Total revenue from contracts with customers	**590,093**	**606,121**	**590,093**	**606,121**

Timing of revenue recognition

Over time				
Units sold	(307,641)	(326,793)	(307,641)	(326,793)
Basic, network and capacity charges	(116,388)	(118,680)	(116,388)	(118,680)
Prepaid revenue	(157,001)	(151,649)	(157,001)	(151,649)
Revenue from network contributions	(6,495)	(7,105)	(6,495)	(7,105)
New connections	(2,568)	(1,894)	(2,568)	(1,894)
	(590,093)	**(606,121)**	**(590,093)**	**(606,121)**

Transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the reporting date

There are no unsatisfied or partially unsatisfied performance obligations at the end of the reporting date.

20. Cost of sales

Units sold	362,040	379,338	362,040	379,338
Reticulation	12,516	26,525	12,516	26,525
Other items	2,844	2,499	2,844	2,499
	377,400	**408,362**	**377,400**	**408,362**

21. Other operating income

Administration and management fees received	1,796	1,658	1,796	1,658
Rental of equipment	40	4	40	4
Other rental income	521	474	521	474
Bad debts recovered	342	-	342	-
Income from insurance	520	-	520	-
NTA levy rebate	19	478	19	478
Other income	3,553	1,166	3,553	1,166
Income from donated assets	8,426	8,425	8,426	8,425
Re-connection fees	77	66	77	66
Income from auction	4	5	4	5
Provision for inventory write down	-	29	-	29
	15,298	**12,305**	**15,298**	**12,305**

Notes to the Annual Financial Statements

	Note	Economic interest 2021 N$ '000	Economic interest 2020 N$ '000	Company 2021 N$ '000	Company 2020 N$ '000
22. Other operating gains (losses)					
Gains (losses) on disposals, scrapings and settlements					
Property, plant and equipment	3	16	428	16	428
Impairment gains (losses)					
Investments in joint ventures	6	(80)	(80)	-	-
Total other operating gains (losses)		**(64)**	**348**	**16**	**428**
23. Investment revenue					
Interest income					
Investments in financial assets:					
Bank		1,704	2,262	1,704	2,262
Trade and other receivables		2,974	3,697	2,974	3,697
Loans to related parties		4,557	4,125	4,557	4,125
Total interest income		**9,235**	**10,084**	**9,235**	**10,084**
24. Finance costs					
Non-current borrowings		3,638	6,162	3,638	6,162
Trade and other payables		1,329	1,975	1,329	1,975
Finance leases		566	901	566	901
Current borrowings		2,411	3,132	2,411	3,132
Total finance costs		**7,944**	**12,170**	**7,944**	**12,170**
25. Taxation					
Major components of the tax expense					
Deferred					
Originating and reversing temporary differences		3,351	278	3,351	278
Reconciliation of the tax expense					
Reconciliation between accounting profit and tax expense.					
Accounting profit		20,960	(9,804)	21,040	(9,724)
Tax at the applicable tax rate of 32% (2020: 32%)		6,707	(3,137)	6,733	(3,112)
Tax effect of adjustments on taxable income					
Net permanent differences		574	2,098	574	2,073
Prior period adjustment - deferred tax		(3,930)	1,317	(3,955)	1,317
		3,351	**278**	**3,352**	**278**
26. Operating profit (loss)					
Operating profit (loss) for the year is stated after charging (crediting) the following, amongst others:					
Auditor's remuneration - external					
Audit fees		687	905	687	905
Secretarial services		192	4	192	4
		879	**909**	**879**	**909**
Remuneration, other than to employees					
Consulting and professional services		2,699	2,975	2,699	2,975

Notes to the Annual Financial Statements

	Economic interest		Company	
	2021 N$ '000	2020 N$ '000	2021 N$ '000	2020 N$ '000

26. Operating profit (loss) (continued)

Employee costs

Salaries, wages, bonuses and other benefits	93,855	95,161	93,855	95,161
Pension fund contributions	9,638	9,588	9,638	9,588
Overtime	6,019	5,958	6,019	5,958
Total employee costs	**109,512**	**110,707**	**109,512**	**110,707**

Leases

Operating lease charges				
Premises	798	770	798	770
Motor vehicles	-	(2,777)	-	(2,777)
Equipment	62	53	62	53
	860	**(1,954)**	**860**	**(1,954)**

Depreciation and amortisation				
Depreciation of property, plant and equipment	28,779	27,611	28,779	27,611
Depreciation of right-of-use assets	3,144	2,957	3,144	2,957
Amortisation of intangible assets	1,370	1,178	1,370	1,178
Total depreciation and amortisation	**33,293**	**31,746**	**33,293**	**31,746**

Expenses by nature

The total cost of sales, selling and distribution expenses, marketing expenses, general and administrative expenses, research and development expenses, maintenance expenses and other operating expenses are analysed by nature as follows:

Cost of sales	377,400	408,362	377,400	408,362
Employee costs	109,512	110,707	109,512	110,707
Operating lease charges	860	(1,954)	860	(1,954)
Depreciation and amortisation	33,293	31,746	33,293	31,746
Other expenses	26,121	33,513	26,121	33,513
Impairment losses on financial assets - related parties	7,283	11,187	7,283	11,187
Telephone and data	4,751	4,630	4,751	4,630
Loss on inventory write down	2,171	-	2,171	-
Repairs and maintenance	4,447	4,951	4,447	4,951
Security	4,183	4,270	4,183	4,270
Computer license	4,246	4,059	4,246	4,059
Bad debts	4,575	8,460	4,575	8,460
Commission paid	6,816	6,561	6,816	6,561
	585,658	**626,492**	**585,658**	**626,492**

27. Cash generated from operations

Profit (loss) before taxation	20,960	(9,804)	21,040	(9,724)
Adjustments for:				
Depreciation and amortisation	33,293	31,746	33,293	31,746
Net (loss) profit on disposal of property, plant and equipment	(16)	(428)	(16)	(428)
Interest income	(9,235)	(10,084)	(9,235)	(10,084)
Finance costs	7,944	12,170	7,944	12,170
Movement in provision for doubtful debts	4,625	2,380	4,625	2,380
Impairments of loans from related parties	261	11,187	261	11,187
Movements in retirement benefit assets and liabilities	370	666	370	666
Other non-cash items	(1,175)	(1,000)	(1,255)	(1,080)
Movement in provision for severance pay obligation	204	380	204	380
Transfer from work-in-progress to income statement	-	218	-	218
Impairment of related party receivables	7,544	-	7,544	-
Loss on inventory write down	2,170	-	2,170	-
Changes in working capital:				

Notes to the Annual Financial Statements

	Economic interest		Company	
	2021 N$ '000	2020 N$ '000	2021 N$ '000	2020 N$ '000
27. Impairment of assets (continued)				
Inventories	(5,417)	796	(5,417)	796
Trade and other receivables	(1,891)	238	(1,891)	238
Trade and other payables	(46,561)	48,365	(46,561)	48,365
Deferred income	17,889	(1,408)	17,889	(1,408)
	30,965	**85,422**	**30,965**	**85,422**

28. Commitments

Authorised capital expenditure

Not yet contracted for but authorised by the board of directors	53,916	33,173	53,916	33,173

The capital expenditure will be financed by internally generated funds and nonrefundable capital contributions by customers, the Government of the Republic of Namibia.

29. Related parties

Relationships	
Shareholder with significant influence	Namibia Power Corporation - incorporated in Namibia
Joint ventures	Cenored-Okahandja Electricity (Pty) Ltd
Shareholders	Otjiwarongo Municipality Grootfontein Municipality Outjo Municipality Khorixas Town Council Tsumeb Municipality Okakarara Town Council Otavi Village Council Kamanjab Village Council Otjozondjupa Regional Council Oshikoto Regional Council Kunene Regional Council
Members of key management	A Kahimunu (Executive: Finance & Commercial Services) E Mudjanima (Executive: Human Capital & Corporate Services) G Awaseb (Executive: Network Operations) S Wayiti (Executive: Network Engineering & Expansion) R Kahimise (Chief Executive Officer)
Directors	Refer to Directors Report

Ultimate parent/shareholder

NamPower holds a 45% equity in CENORED but has less than 45% of the voting rights. NamPower has the right to appoint 3 of the 8 directors. The Economic interest has performed an assessment and determined that NamPower does not have control over the relevant activities but exhibist significant influence over the Economic interest.

Related party balances

Refer to note 7 for balance relating to Loans to related parties.

Amounts included in Trade receivable regarding related parties				
Tsumeb Municipality	400	509	400	509
Outjo Municipality	1,768	1,056	1,768	1,056
Otavi Village Council	142	130	142	130
Okakarara Town Council	37	41	37	41
Otjozondjupa Regional Council	2,083	126	2,083	126
Oshikoto Regional Council	16	52	16	52
Khorixas Town Council	19	21	19	21
Grootfontein Municipality	344	333	344	333
Otjiwarongo Municipality	237	316	237	316
Kunene Regional Council	38	42	38	42
Kamanjab Village Council	27	-	27	-

Notes to the Annual Financial Statements

	Group		Company	
	2021 N$ '000	2020 N$ '000	2021 N$ '000	2020 N$ '000
29. Related parties (continued)				
	5,111	**2,626**	**5,111**	**2,626**
Amounts included in Trade payables regarding related parties				
Otjiwarongo Municipality	(1,205)	(58)	(1,205)	(58)
Namibia Power Corporation	(38,713)	(85,118)	(38,713)	(85,118)
Tsumeb Municipality	(865)	(789)	(865)	(789)
Grootfontein Municipality	(1,163)	(1,073)	(1,163)	(1,073)
Khorixas Town Council	(88)	(80)	(88)	(80)
Otavi Village Council	(117)	(111)	(117)	(111)
Outjo Municipality	(209)	(397)	(209)	(397)
Okakarara Town Council	(77)	(70)	(77)	(70)
Kunene Regional Council	(23)	(15)	(23)	(15)
Oshikoto Regional Council	(6)	(5)	(6)	(5)
	(42,466)	**(87,716)**	**(42,466)**	**(87,716)**

Related party trade receivables are subject to normal business terms and conditions.

Related party transactions

	Group 2021	Group 2020	Company 2021	Company 2020
Electricity purchases from related parties				
Namibia Power Corporation	338,280	355,539	338,280	355,539
Electricity sales to related parties				
Tsumeb Municipality	(8,194)	(6,167)	(8,194)	(6,167)
Outjo Municipality	(2,433)	(3,090)	(2,433)	(3,090)
Grootfontein Municipality	(4,036)	(2,895)	(4,036)	(2,895)
Otjiwarongo Municipality	(1,495)	(1,726)	(1,495)	(1,726)
Otavi Village Council	(896)	(675)	(896)	(675)
Okakarara Town Council	(507)	(513)	(507)	(513)
Oshikoto Regional Council	(101)	(261)	(101)	(261)
Khorixas Town Council	(609)	(233)	(609)	(233)
Kamanjab Village Council	(170)	(191)	(170)	(191)
Kunene Regional Council	(387)	(464)	(387)	(464)
Otjozondjupa Regional Council	(1,843)	(1,414)	(1,843)	(1,414)
	(20,671)	**(17,629)**	**(20,671)**	**(17,629)**
Interest paid to related parties				
Namibia Power Corporation	1,329	1,975	1,329	1,975
Local authority surcharges paid to related parties				
Tsumeb Municipality	5,424	5,500	5,424	5,500
Outjo Municipality	1,315	1,342	1,315	1,342
Grootfontein Municipality	7,073	7,027	7,073	7,027
Kamanjab Village Council	172	178	172	178
Otjiwarongo Municipality	7,363	7,283	7,363	7,283
Otavi Village Council	667	671	667	671
Okakarara Town Council	513	428	513	428
Khorixas Town Council	544	556	544	556
Otjozondjupa Regional Council	518	521	518	521
Kunene Regional Council	111	100	111	100
Oshikoto Regional Council	32	31	32	31
	23,732	**23,637**	**23,732**	**23,637**
Interest received from related parties				
Cenored-Okahandja Electricity (Pty) Ltd	(4,557)	(4,125)	(4,557)	(4,125)
Management fees received from related parties				
Cenored-Okahandja Electricity (Pty) Ltd	(1,796)	(1,658)	(1,796)	(1,658)

Notes to the Annual Financial Statements

	Group		Company	
	2021 N$ '000	2020 N$ '000	2021 N$ '000	2020 N$ '000

29. Related parties (continued)

Compensation to directors and other key management

Short-term employee benefits	9,308	11,235	9,308	11,235

30. Directors' emoluments

Non-executive

2021

	Directors' fees	Total
A Barlow	175	175
E Katjiku	225	225
I David	39	39
JA /Urib	195	195
K Sinvula	200	200
L Shetekela	127	127
M Matyayi (Chairperson)	186	186
PK Iyambo (Deputy Chairperson)	186	186
V Gabriel	218	218
	1,551	**1,551**

2020

	Directors' fees	Total
A Barlow	178	178
A Haimene	193	193
E Katjiku	237	237
I !Howoseb	143	143
JA /Urib	186	186
K Sinvula	13	13
L Shetekela	214	214
M Matyayi (Chairperson)	14	14
P K Iyambo (Deputy Chairperson)	190	190
V Gabriel	238	238
	1,606	**1,606**

Notes to the Annual Financial Statements

31. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

Econimic interest & Company - 2021

	Note(s)	Amortised cost	Total	Fair value
Loans to related parties	7	24,781	24,781	24,781
Trade and other receivables	9	89,532	89,532	89,532
Cash and cash equivalents	10	76,725	76,725	76,725
		191,038	**191,038**	**191,038**

Economic interest & Company - 2020

	Note(s)	Amortised cost	Total	Fair value
Loans to related parties	7	28,033	28,033	28,033
Trade and other receivables	9	100,827	100,827	100,827
Cash and cash equivalents	10	76,174	76,174	76,174
		205,034	**205,034**	**205,034**

Categories of financial liabilities

Economic interest & Company - 2021

	Note(s)	Amortised cost	Leases	Total	Fair value
Trade and other payables	18	71,200	-	71,200	71,200
Borrowings	12	54,619	-	54,619	54,619
Finance lease liabilities		-	3,964	3,964	3,964
Bank overdraft	10	53,982	-	53,982	53,982
Other financial liabilities		8,099	-	8,099	8,099
Deferred income		117,326	-	117,326	117,326
		305,226	**3,964**	**309,190**	**309,190**

Economic interest & Company - 2020

	Note(s)	Amortised cost	Leases	Total	Fair value
Trade and other payables	18	117,516	-	117,516	117,516
Borrowings	12	70,376	-	70,376	70,376
Finance lease liabilities		-	6,898	6,898	6,898
Bank overdraft	10	41,280	-	41,280	41,280
Other financial liabilities		13,074	-	13,074	13,074
Deffered income		117,326	-	117,326	117,326
		359,572	**6,898**	**366,470**	**366,470**

Pre tax gains and losses on financial instruments

Gains and losses on financial assets

Economic interest & Company - 2021

	Note(s)	Amortised cost	Total
Recognised in profit or loss:			
Interest income	23	9,235	9,235

Economic interest & Company - 2020

	Note(s)	Amortised cost	Total

Notes to the Annual Financial Statements

31. Financial instruments and risk management (continued)

Recognised in profit or loss:			
Interest income	23	10,084	10,084

Gains and losses on financial liabilities

Economic interest & Company - 2021

	Note(s)	Amortised cost	Leases	Total
Recognised in profit or loss:				
Finance costs	24	(7,378)	(566)	(7,944)

Economic interest & Company - 2020

	Note(s)	Amortised cost	Leases	Total
Recognised in profit or loss:				
Finance costs	24	(11,269)	(901)	(12,170)

Capital risk management

The economic interest's objective when managing capital (which includes share capital, borrowings, working capital and cash and cash equivalents) is to maintain a flexible capital structure that reduces the cost of capital to an acceptable level of risk and to safeguard the economic interest's ability to continue as a going concern while taking advantage of strategic opportunities in order to maximise stakeholder returns sustainably.

The economic interest manages capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain the capital structure, the economic interest may adjust the amount of dividends paid to the shareholder, return capital to the shareholder, repurchase shares currently issued, issue new shares, issue new debt, issue new debt to replace existing debt with different characteristics and/or sell assets to reduce debt.

The economic interest monitors capital utilising a number of measures, including the gearing ratio. The gearing ratio is calculated as net borrowings (total borrowings less cash) divided by shareholders' equity.

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

Borrowings	12	54,619	70,376	54,619	70,376
Finance lease liabilities		3,964	6,898	3,964	6,898
Trade and other payables	18	71,270	117,831	71,270	117,831
Other financial liabilities		8,099	13,074	8,099	13,074
Total borrowings		**137,952**	**208,179**	**137,952**	**208,179**
Cash and cash equivalents	10	(21,929)	(34,796)	(21,929)	(34,796)
Net borrowings		**116,023**	**173,383**	**116,023**	**173,383**
Equity		455,538	438,828	455,618	438,908
Gearing ratio		25 %	40 %	25 %	40 %

Financial risk management

Overview

The economic interest is exposed to the following risks from its use of financial instruments:
- Credit risk;
- Liquidity risk; and
- Market risk (interest rate risk).

The board of directors has overall responsibility for the establishment and oversight of the economic interest's risk management framework. The board has established the risk committee, which is responsible for developing and monitoring the economic interest's risk management policies. The committee reports quarterly to the board of directors on its activities.

	Economic interest		Company	
	2021 N$ '000	2020 N$ '000	2021 N$ '000	2020 N$ '000

31. Financial instruments and risk management (continued)

The economic interest's risk management policies are established to identify and analyse the risks faced by the economic interest, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the economic interest's activities.

The economic interest audit committee oversees how management monitors compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the economic interest. The audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee and the risk committee.

Credit risk

Credit risk is the risk of financial loss to the economic interest if a customer or counterpart to a financial instrument fails to meet its contractual obligations.

The economic interest is exposed to credit risk on loans receivable, trade and other receivables, cash and cash equivalents financial guarantees.

Credit risk for exposures other than those arising on cash and cash equivalents, are managed by making use of credit approvals, limits and monitoring. The economic interest only deals with reputable counterparts with consistent payment histories. Sufficient collateral or guarantees are also obtained when necessary. Each counterpart is analysed individually for creditworthiness before terms and conditions are offered. The analysis involves making use of information submitted by the counterparts as well as external bureau data (where available). Counterpart credit limits are in place and are reviewed and approved by credit management committees. The exposure to credit risk and the creditworthiness of counterparts is continuously monitored.

In order to calculate credit loss allowances, management determine whether the loss allowances should be calculated on a 12 month or on a lifetime expected credit loss basis. This determination depends on whether there has been a significant increase in the credit risk since initial recognition. If there has been a significant increase in credit risk, then the loss allowance is calculated based on lifetime expected credit losses. If not, then the loss allowance is based on 12 month expected credit losses. This determination is made at the end of each financial period. Thus the basis of the loss allowance for a specific financial asset could change year on year.

Loans to related parties

Management applied the 3-stage general impairment model to calculate the impairment loss. The probability of default (PD) is multiplied by the loss given default (LGD) than by the exposure at default (EAD) to determine the expected credit loss allowance (ECL). The following assumptions were applied in determining the loss given default:

- The assessment of the loss given default is based on historical data adjusted by forward-looking information. Management has considered historical payment, current conditions and forecast of future business growth as well as economic conditions.
- In terms of the cash flow projection over the remaining lifespan of the JV, management is confident that the JV will be in position to meets its financial obligations in terms of the three loans. Hence, a weighting of 60% was estimated as a reasonable base.
- A conservative 5% weighting was allocated towards the upside. This is attributable to the fact that given the current low economic conditions in the country, the growth in consumption is expected to remain constant. In addition, Okahandja JV has defaulted historically on the loan repayments.
- A fair 35% was allocated towards the downside of the base on the historical defaults, budget variance and gearing ratio. The cash flow of the JV is managed on a day to day basis to avoid any deviations from the forecast. Economic conditions may hinder cash flow which is already tight and hence 35% probability of not fulfilling the payments accordingly.

There are no externally imposed capital requirements.

The carrying amount of financial assets represent maximum credit exposure.

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

Notes to the Annual Financial Statements

	Economic interest		Company	
	2021 N$ '000	2020 N$ '000	2021 N$ '000	2020 N$ '000

1. Financial instruments and risk management (continued)

Economic interest

	Note	2021 Gross carrying amount	2021 Credit loss allowance	2021 Amortised cost / fair value	2020 Gross carrying amount	2020 Credit loss allowance	2020 Amortised cost / fair value
Loans to related parties	7	40,850	(16,069)	24,781	44,363	(16,330)	28,033
Trade and other receivables	9	124,142	(32,897)	91,245	101,528	(20,728)	80,800
Cash and cash equivalents	10	76,725	-	76,725	76,174	-	76,174
		241,717	**(48,966)**	**192,751**	**222,065**	**(37,058)**	**185,007**

Company

	Note	2021 Gross carrying amount	2021 Credit loss allowance	2021 Amortised cost / fair value	2020 Gross carrying amount	2020 Credit loss allowance	2020 Amortised cost / fair value
Loans to related parties	7	40,850	(16,069)	24,781	44,363	(16,330)	28,033
Trade and other receivables	9	124,142	(32,897)	91,245	101,528	(20,728)	80,800
Cash and cash equivalents	10	76,725	-	76,725	76,174	-	76,174
		241,717	**(48,966)**	**192,751**	**222,065**	**(37,058)**	**185,007**

Refer to Trade and other receivables note 9 and Loans to related parties note 7 for further disclosure.

Notes to the Annual Financial Statements

	Economic interest		Company	
	2021 N$ '000	2020 N$ '000	2021 N$ '000	2020 N$ '000

31. Financial instruments and risk management (continued)

Liquidity risk

The economic interest manages its liquidity risk by effectively managing its working capital, capital expenditure and cash flows. The financing requirements are met through a mixture of cash generated from operations and long and short term borrowings. Committed borrowing facilities are available for meeting liquidity requirements and deposits are held at central banking institutions.

There have been no significant changes in the liquidity risk management policies and processes since the prior reporting period.

The maturity profile of contractual cash flows of non-derivative financial liabilities, and financial assets held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts.

Economic interest & Company- 2021

		Less than 1 year	1 to 2 years	2 to 5 years	Total	Carrying amount
Non-current liabilities						
Borrowings	12	-	-	38,574	38,574	38,574
Finance lease liabilities	4	-	2,916	-	2,916	2,916
Other financial liabilities	16	-	4,440	-	4,440	4,440
Current liabilities						
Trade and other payables	18	68,797	-	-	68,797	71,200
Borrowings	12	16,045	-	-	16,045	16,045
Finance lease liabilities	4	1,048	-	-	1,048	1,048
Bank overdraft	10	54,796	-	-	54,796	54,796
Other financial liabilities	16	3,659	-	-	3,659	3,659
		144,345	**7,356**	**38,574**	**190,275**	**192,678**

Economic interest & Company - 2020

		Less than 1 year	2 to 5 years	Over 5 years	Total	Carrying amount
Non-current liabilities						
Borrowings	12	-	47,825	6,909	54,734	54,734
Finance lease liabilities	16	-	3,300	-	3,300	3,300
Other financial liabilities	16	-	8,177	-	8,177	8,177
Current liabilities						
Trade and other payables		117,831	-	-	117,831	117,516
Borrowings	12	15,642	-	-	15,642	15,642
Finance lease liabilities	16	3,598	-	-	3,598	3,598
Bank overdraft	10	41,352	-	-	41,352	41,352
Other financial liabilities	16	4,897	-	-	4,897	4,897
		183,320	**59,302**	**6,909**	**249,531**	**249,216**

Interest rate risk

Fluctuations in interest rates impact on the value of investments and financing activities, giving rise to interest rate risk.

The debt of the economic interest is comprised of different instruments, which bear interest at either fixed or floating interest rates. The ratio of fixed and floating rate instruments in the loan portfolio is monitored and managed, by incurring either variable rate bank loans or fixed rate bonds as necessary. Interest rates on all borrowings compare favourably with those rates available in the market.

The economic interest policy with regards to financial assets, is to invest cash at floating rates of interest and to maintain cash reserves in short-term investments in order to maintain liquidity, while also achieving a satisfactory return for shareholders.

Notes to the Annual Financial Statements

	Economic interest		Company	
	2021 N$ '000	2020 N$ '000	2021 N$ '000	2020 N$ '000

31. Financial instruments and risk management (continued)

There have been no significant changes in the interest rate risk management policies and processes since the prior reporting period.

The scenarios are for liabilities and assets that represent the major interest-bearing positions. The following are the impacts of the simulations performed on post-tax profits:

A 1% shift in interest-bearing liabilities would be a maximum increase of N$ 627,000 (2020: N$ 835,000) or decrease of N$ 627,000 (2020: N$ 835,000), respectively. The simulation is done on an annual basis to verify that the maximum loss potential is within the limit given by management.

A 1% shift in interest bearing assets would be a maximum increase of N$ 247,800 (2020: N$ 280,000) or decrease of N$ 247,800 (2020: N$ 280,000), respectively. The simulation is done on an annual basis to verify that the maximum loss potential is within the limit given by management.

Interest rate profile

The interest rate profile of interest bearing financial instruments at the end of the reporting period was as follows:

	Note	Average effective interest rate		Carrying amount	
Economic interest		2021	2020	2021	2020
Assets					
Loans to group companies	7	7.75 %	7.75 %	24,781	28,033
Trade and other receivables	9	- %	- %	39,270	36,720
				64,051	**64,753**
Liabilities					
Borrowings	12	7.75 %	7.75 %	54,619	70,376
Finance lease liabilities		12.00 %	12.00 %	3,964	6,898
Other financial liabilities		7.75 %	7.75 %	8,100	13,074
				66,683	**90,348**
Assets					
Trade and other receivables	9	- %	- %	59,511	64,803
Cash and cash equivalents	10	- %	- %	76,725	76,174
				136,236	**140,977**
Liabilities					
Trade and other payables	18	- %	- %	68,750	117,806
Bank overdraft	10	- %	- %	54,796	41,352
				123,546	**159,158**

Interest rate sensitivity analysis

The following sensitivity analysis has been prepared using a sensitivity rate which is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. All other variables remain constant. The sensitivity analysis includes only financial instruments exposed to interest rate risk which were recognised at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

2021 N$ '000
2020 N$ '000

31. Financial instruments and risk management (continued)

Economic interest

	2021	2021	2020	2020
Increase or decrease in rate	Increase	Decrease	Increase	Decrease
Impact on profit or loss:				
Cash and cash equivalents	767	(767)	762	(762)
Borrowings	(546)	546	(704)	704
Other financial liabilities	(81)	81	(131)	131
Bank overdraft	(547)	547	(414)	414
Finance lease liabilities	(40)	40	(73)	73
	(447)	**447**	**(560)**	**560**

Company

	2021	2021	2020	2020
Increase or decrease in rate	Increase	Decrease	Increase	Decrease
Impact on profit or loss:				
Cash and cash equivalents	767	(767)	762	(762)
Borrowings	(546)	546	(704)	704
Other financial liabilities	(81)	81	(131)	131
Bank overdraft	(547)	547	(414)	414
Finance lease liabilities	(40)	40	(73)	73
	(447)	**447**	**(560)**	**560**

Price risk

The economic interest does not have any investments in equity securities and is this not exposed to price risk.

32. Changes in liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities - Economic interest & Company - 2021

	Opening balance	Other non-cash movements	Total non-cash movements	Cash flows	Closing balance
Borrowings	70,376	-	-	(15,757)	54,619
Other financial liabilities	13,074	-	-	(4,975)	8,099
Severance pay obligation	1,147	204	204	-	1,351
Other payables	609	1,531	1,531	-	2,140
Finance lease liabilities	6,898	-	-	(2,934)	3,964
	92,104	**1,735**	**1,735**	**(23,666)**	**70,173**
Total liabilities from financing activities	**92,104**	**1,735**	**1,735**	**(23,666)**	**70,173**

Reconciliation of liabilities arising from financing activities - Economic interest & Company - 2020

	Opening balance	New leases	Other non-cash movements	Total non-cash movements	Cash flows	Closing balance
Borrowings	87,569	-	-	-	(17,193)	70,376
Other financial liabilities	18,354	-	-	-	(5,280)	13,074
Severance pay obligation	767	-	380	380	-	1,147
Other payables	204	-	405	405	-	609
Finance lease liabilities	-	9,952	-	9,952	(3,054)	6,898
	106,894	**9,952**	**785**	**10,737**	**(25,527)**	**92,104**
Total liabilities from financing activities	**106,894**	**9,952**	**785**	**10,737**	**(25,527)**	**92,104**

Notes to the Annual Financial Statements

32. Changes in liabilities arising from financing activities (continued)

Reconciliation of liabilities arising from financing activities - Company - 2021

	Opening balance	Other non-cash movements	Total non-cash movements	Cash flows	Closing balance
Borrowings	70,376	-	-	(15,757)	54,619
Other financial liabilities	13,074	-	-	(4,975)	8,099
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	92,104	**1,735**	**1,735**	**(23,666)**	**70,173**
Total liabilities from financing activities	**92,104**	**1,735**	**1,735**	**(23,666)**	**70,173**

Reconciliation of liabilities arising from financing activities - Company - 2020

	Opening balance	New leases	Other non-cash movements	Total non-cash movements	Cash flows	Closing balance
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Other financial liabilities	18,354	-	-	-	(5,280)	13,074
Severance pay obligation	767	-	380	380	-	1,147
Other payables	204	-	405	405	-	609
Finance lease liabilities	-	9,952	-	9,952	(3,054)	6,898
	106,894	**9,952**	**785**	**10,737**	**(25,527)**	**92,104**
Total liabilities from financing activities	**106,894**	**9,952**	**785**	**10,737**	**(25,527)**	**92,104**

33. Dividends paid

Dividends	-	(4,000)	-	(4,000)

34. Contingencies

The economic interest is having an arbitration case at the Ministry of Labour, Industrial Relations and Employment Creation, in respect of a claim for unfair dismissal on an employee.

The case is still not finalized as at year end and the outcome is not in control of the entity.

The estimated value of the claim is N$ 750,000. The present value of the claim cannot be determined as the timing of the settlement of the case is uncertain as at year end. .

There is no possibility of claiming this amount from a third party resulting in reimbursement.

Detailed Statement of Profit or loss and other Comprehensive income

		Economic interest		Company	
	Note(s)	2021 N$ '000	2020 N$ '000	2021 N$ '000	2020 N$ '000
Revenue					
Sale of units		581,030	597,122	581,030	597,122
Rendering of services		9,063	8,999	9,063	8,999
	19	**590,093**	**606,121**	**590,093**	**606,121**
Cost of sales					
Opening stock		(20,319)	(21,144)	(20,319)	(21,144)
Purchases		(382,792)	(407,537)	(382,792)	(407,537)
Closing stock		25,711	20,319	25,711	20,319
		(377,400)	**(408,362)**	**(377,400)**	**(408,362)**
Gross profit		**212,693**	**197,759**	**212,693**	**197,759**
Other operating income					
Administration and management fees received		1,796	1,658	1,796	1,658
Fees earned		40	4	40	4
Other rental income		521	474	521	474
Bad debts reversal		342	-	342	-
Income from insurance		520	-	520	-
NTA levy rebate		19	478	19	478
Other income		3,553	1,166	3,553	1,166
Deferred income amortised - donated assets		8,426	8,425	8,426	8,425
Re-connection income		77	66	77	66
Income from auctioned items		4	5	4	5
Gain on inventory provision		-	29	-	29
	21	**15,298**	**12,305**	**15,298**	**12,305**
Other operating gains (losses)					
Gains on disposal of assets or settlement of liabilities		16	428	16	428
Fair value losses		(80)	(80)	-	-
	22	**(64)**	**348**	**16**	**428**
Expenses (Refer to page 74)		**(208,258)**	**(218,130)**	**(208,258)**	**(218,130)**
Operating profit (loss)	26	**19,669**	**(7,718)**	**19,749**	**(7,638)**
Investment income	23	9,235	10,084	9,235	10,084
Finance costs	24	(7,944)	(12,170)	(7,944)	(12,170)
Profit (loss) before taxation		**20,960**	**(9,804)**	**21,040**	**(9,724)**
Taxation	25	(3,351)	(278)	(3,351)	(278)
Profit (loss) for the year		**17,609**	**(10,082)**	**17,689**	**(10,002)**

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

Detailed Statement of Profit or loss and other Comprehensive income

	Note(s)	Group 2021 N$ '000	Group 2020 N$ '000	Company 2021 N$ '000	Company 2020 N$ '000
Other operating expenses					
Advertising		(326)	(549)	(326)	(549)
Amortisation		(1,370)	(1,178)	(1,370)	(1,178)
Auditors remuneration - external auditors	26	(879)	(909)	(879)	(909)
Bad debts		(4,575)	(8,460)	(4,575)	(8,460)
Bank charges		(1,365)	(1,223)	(1,365)	(1,223)
Cleaning		(340)	(449)	(340)	(449)
Commission paid		(6,816)	(6,561)	(6,816)	(6,561)
Computer licences		(4,246)	(4,059)	(4,246)	(4,059)
Consulting and professional fees		(2,483)	(2,758)	(2,483)	(2,758)
Legal fees		(216)	(217)	(216)	(217)
Consumables		(23)	(76)	(23)	(76)
Debt collection		(147)	(34)	(147)	(34)
Delivery expenses		(250)	(254)	(250)	(254)
Depreciation		(31,923)	(30,568)	(31,923)	(30,568)
Employee costs		(109,512)	(110,707)	(109,512)	(110,707)
Entertainment		(172)	(891)	(172)	(891)
Loss on inventory write down/provision		(2,171)	(140)	(2,171)	(140)
Motor vehicle licences		(592)	(532)	(592)	(532)
Impairment of related party loan receivables		(7,283)	(11,187)	(7,283)	(11,187)
Meals and accommodation		(1,475)	(2,311)	(1,475)	(2,311)
Loss on inventory pricing adjustment		(63)	(18)	(63)	(18)
Recruitment and bursary related costs		(380)	(1,176)	(380)	(1,176)
VAT claim adjustments		8	-	8	-
Covid-19 related expense		(120)	(563)	(120)	(563)
Insurance		(2,711)	(3,019)	(2,711)	(3,019)
Lease rentals on operating lease		(860)	1,954	(860)	1,954
Levies		(208)	(214)	(208)	(214)
Medical expenses		(5)	(12)	(5)	(12)
Motor vehicle expenses		(3,107)	(3,537)	(3,107)	(3,537)
Municipal expenses		(2,405)	(2,592)	(2,405)	(2,592)
Other expenses		(992)	(998)	(992)	(998)
Postage		(96)	(47)	(96)	(47)
Printing and stationery		(528)	(628)	(528)	(628)
Promotions		(258)	(424)	(258)	(424)
Protective clothing		(341)	(955)	(341)	(955)
Repairs and maintenance		(4,447)	(4,951)	(4,447)	(4,951)
Security		(4,183)	(4,270)	(4,183)	(4,270)
Staff welfare		-	(45)	-	(45)
Subscriptions		(29)	(110)	(29)	(110)
Telephone and data		(4,751)	(4,630)	(4,751)	(4,630)
Training		(273)	(1,253)	(273)	(1,253)
Transport claims		(2,338)	(3,151)	(2,338)	(3,151)
Travel & subsistence allowances		(3,501)	(4,095)	(3,501)	(4,095)
Strategy implementation		(506)	(333)	(506)	(333)
		(208,258)	**(218,130)**	**(208,258)**	**(218,130)**

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