NAMWATER

FIGHTING THE EFFECTS OF DROUGHT

NAMWATER

Namibia Water Corporation Ltd

INTEGRATED ANNUAL REPORT
2018/19

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About this Integrated **Annual Report**

In light of our long-standing commitment to uphold good corporate governance, transparency and accountability, this annual report is NamWater's Integrated Annual Report for the 2018/19 financial period.

To all our stakeholders who have an interest in NamWater, the report provides an overview of our governance, strategy, performance and activities, aimed at generating long-term value for Namibians across the length and breadth of the country. NamWater strives to improve the quality of information available to stakeholders and an integrated report is a more efficient approach to corporate reporting.

As such, the report provides insight regarding the resources NamWater uses, the relationships and risks inherent in the running of our business, and explains how NamWater interacts with the external environment and available resources to create value over time.

Embarking on a journey of integrated thinking, NamWater will strive to improve continuously in the use of integrated reporting. The report itself is prepared in accordance with the International Integrated Reporting Council's (IIRC) framework and guidelines and provides a concise and honest assessment of our performance for the financial period 01 April 2018 to 31 March 2019, focusing on material issues that impact on our business.

The principle of materiality has been applied in determining the content and extent of disclosure in this Integrated Annual Report.

Reporting Principles

This report is compiled and presented considering the requirements of the Namibia Water Corporation Act 12 of 1997 (as amended), the Namibia Code of Good Governance Principles for Namibia 2014 (NAMCODE) and the International Integrated Reporting Council's (IIRC) International Integrated Reporting Framework (2013). NamWater has implemented these codes as far as practicable and seeks to improve on them continuously.

Approvals and Assurance

In accordance with the Public Enterprises Governance Amendment Act (Act 8 of 2015), read together with the Companies Act (Act 28 of 2004) as amended, the consolidated annual financial statements were audited by the Corporation's independent external auditors, Ernst and Young Namibia.

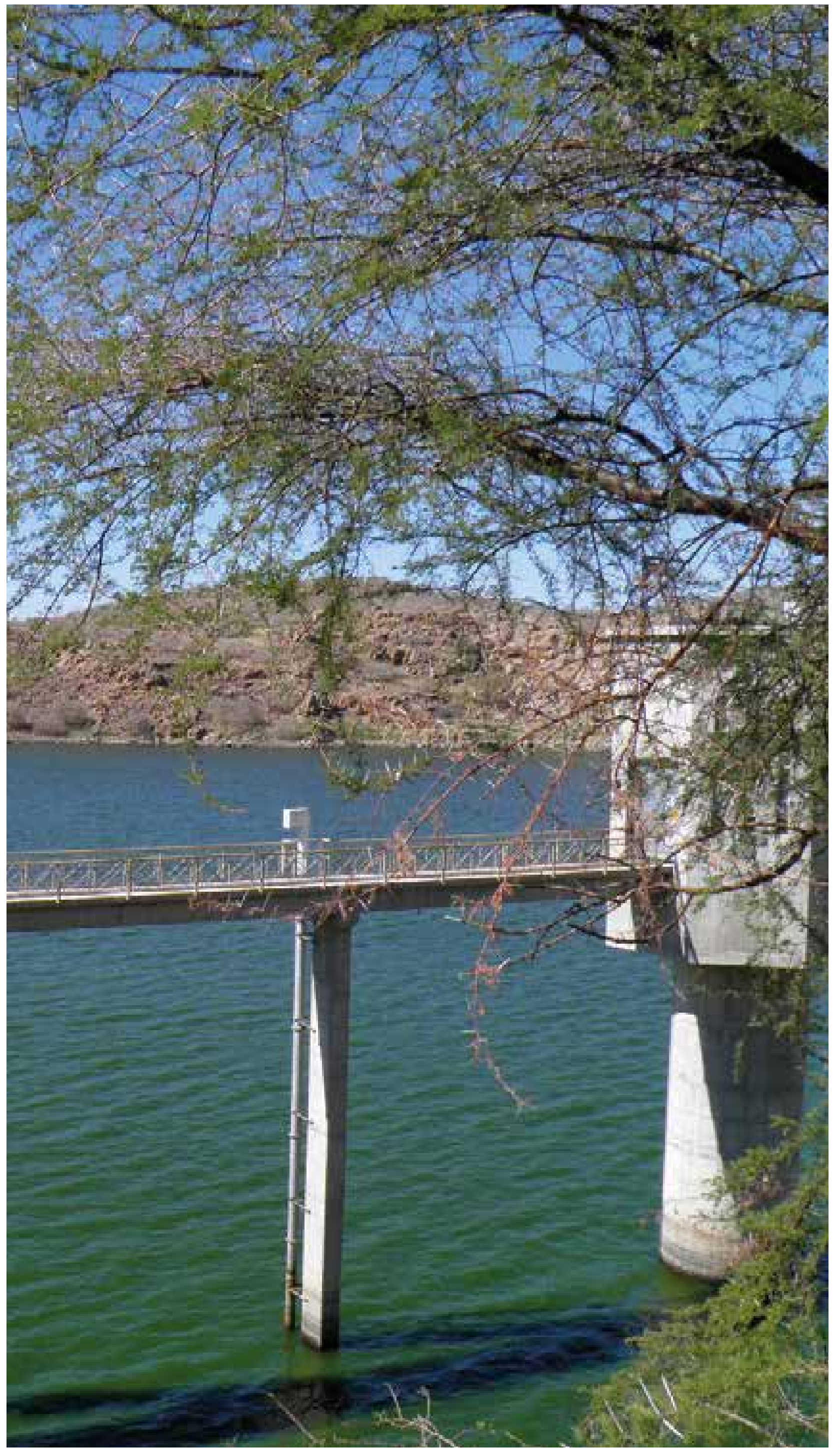
Approval by the Board

The responsibility for ensuring the integrity of the integrated annual report lies with the Board of Directors, assisted in turn by the Audit and Risk Committee and the Executive Management.

Subsequent Events

Since 2013, Namibia has been affected by drought conditions with low rainfall in most of the northern parts of the country, as well as certain pockets in other areas. Following the 2018/19 low rainfall season, the President of the Republic of Namibia, H.E. Hon. Hage G. Geingob, declared the drought a national disaster on 6 May 2019.

Although the declaration of a national disaster took place after the closing of the financial year (as at 31 March 2019), it had a material effect on NamWater's activities, and as such, actions taken to alleviate water scarcity problems across the country as a direct result of the declaration of a national disaster, are included in this report.



Swakoppoort Dam

About **NamWater**

Our Mandate

We shall provide quality water and all related services to the satisfaction of all stakeholders, taking cognisance of the environment, the issue of scarcity and also the dependency of all on water.

Our Vision

Water for all, forever.

Our Strategic Values

We serve NamWater's interest first.
We are performance driven.
We are different.
We embrace diversity.
We build on our synergies.
We are disciplined.
We are accountable.

What We Do

NamWater is Namibia's bulk supplier of water and water-related services to industries, Government institutions, municipalities, local authorities and commercial entities such as mines. NamWater also supplies water into secondary rural pipelines serving communities through the Division of Water Supply and Sanitation Coordination within the Regional Councils, as per delegation from the Department of Water Affairs and Forestry of the Ministry of Agriculture Water and Forestry.

In terms of Article 100 of the Namibian Constitution, land, water and natural resources belong to the State. As custodian of the natural water resources of Namibia, it is the Government's responsibility to provide water as a basic human need and enabler for development. The mandate to execute Government's responsibility and policy is embedded in NamWater's reason for existence. NamWater is, therefore, the commercialised water entity with the Government of Namibia as the sole shareholder, represented by the Board of Directors.

The Corporation strives to provide its customers with a reliable supply of good quality water at affordable rates and to recover the full cost of water supply to be able to do so.

It is the duty of the Board of Directors to ensure that NamWater utilises the scarce water resources in the best interests of Namibia and the Namibian people.

Our Six **Capitals**

All companies and institutions depend on various forms of capital or resources for the execution of their operations or business. In this Integrated Annual Report, the reporting capitals or pillars comprise the financial, operations, intellectual property, human resource, social and relationship, and natural resource environments.

The capitals are resources of value that are increased, decreased or transformed through the activities and outputs of the Corporation, and are thus not fixed over time: there is a constant flow between and within the capitals as they evolve. For the purpose of this report, the capitals are categorised and described as follows:

Financial capital

Financial capital is the pool of funds available to the Corporation for use in the provision of services – supplying quality water at affordable prices – and obtained through financing mechanisms such as debt, equity or grants, or generated through operations or investments as discussed in the financial statements.

Operational capital

Operational capital refers to the 'manufactured' physical objects, such as infrastructural items, that are available to the Corporation for use in the provision of our services to Namibians.

Intellectual capital

Intellectual capital is the Corporation's knowledge-based intangibles which includes intellectual property, such as patents, copyrights, software, rights and licenses, as well as tacit knowledge, systems, procedures and protocols.

Human resource capital

Human resource capital refers to NamWater's people and their competencies, capabilities and experience. It also includes their motivation to innovate; their alignment with and support for the Corporation's governance framework, risk management approach and ethical values; their ability to understand, develop and implement NamWater's strategy; their loyalties and motivations for improving processes, goods and services; as well as their ability to lead, manage and collaborate.

Social and relationship capital

Social and relationship capital refers to the Corporation's relationships with key stakeholders, within and between communities, groups of stakeholders and other networks, and the ability to share information to enhance individual and collective well-being.

Natural resource capital

Natural resource capital refers to all renewable and non-renewable environmental resources and processes that provide goods or services that support the past, current or future prosperity of the Corporation. It includes air, water, land, minerals and forests, as well as biodiversity and ecosystem health.

NamWater's **Governance Structure**

SHAREHOLDER: GOVERNMENT OF THE REPUBLIC OF NAMIBIA AS REPRESENTED BY THE MINISTER OF AGRICULTURE, WATER AND FORESTRY

HON. ALPHEUS !NARUSEB

Minister of Agriculture, Water and Forestry

BOARD OF DIRECTORS

CHIEF EXECUTIVE OFFICER

Board of **Directors**

Mr Thaddeus Maswahu, Chairperson

Mr Maswahu was initially appointed on the Board in April 2014 as a director and reappointed in 2017, at that time also as Chairperson of the Board. He holds academic qualifications in Marketing and served as a Marketing Executive in various Namibian companies, with the latest portfolio held being the Marketing Executive at Standard Bank Namibia Ltd until 2015, when he went into private business. He is currently a Namibian entrepreneur, particularly with interests in the fuel retail sector.

Dr Anna Matros-Goreses, Deputy Chairperson

Dr Matros-Goreses was initially appointed on the Board in April 2014 and reappointed in 2017, at which time she was also appointed as Deputy Chairperson of the Board. During the second term she has also served as the Chairperson of the Audit Committee. She holds a PhD in Science Management specialising in Economic Regulation of Water Pricing. She is currently employed as the Director of the Project Services Unit at the Namibia University of Science and Technology. She has worked in the water sector before moving to the academic sector.

Mr Michael Gaweseb

Mr Gaweseb was initially appointed on the Board in 2014 and reappointed in March 2017, and is now serving in the Board Strategy Committee. He holds academic qualifications in the areas of Consumer Rights and currently serves on the Consumer Rights Protection Trust. He is a well-known community rights activist in Namibia and has previously held various positions in the Namibian public sector.

Ms Hilde Jesaja

Ms Jesaja was initially appointed on the Board in 2014 and reappointed in March 2017, now serving in the Board Remuneration and HR Committee. She holds academic qualifications in the areas of public administration and has served in various positions in the local authority governance structures, having previously served as the Mayor of Otjiwarongo. She is currently employed in the Ministry of Home Affairs in Otjiwarongo and also serves as a Councillor in the Otjiwarongo Town Council.

Ms Viviane Kinyaga

Ms Kinyaga was appointed on the Board in March 2017, and serves as a member of the Board Strategy Committee. She holds a MSc in Integrated Water Resources Management and is currently employed at the Benquela Current Commission Secretariat. She was previously the Executive Director of the Desert Research Foundation of Namibia.

Dr Postrick Mushendami

Dr Mushendami was appointed on the Board in March 2017, and has served as the Chairperson of the Remuneration and Human Resources Committee, as well as being a member of the Board Audit Committee. He holds a PhD in Economics and is currently employed as the Deputy Director at the Macro Models and Financial Stability Department at the Bank of Namibia.

Mr Shikongo Haihambo

Mr Haihambo was appointed on the Board in March 2017, and serves as the Chairperson of the Board Strategy Committee, as well as being a member of the Board Audit Committee. He holds academic qualifications in the areas of Business Management and Strategy and is currently working as a private Consultant mainly in the areas of strategy. Mr Haihambo has previously worked as the Acting Statistician General, as well as the Deputy CEO: Operations at Millennium Challenge Account, amongst other roles.

Mr Joshua Razikua Kaumbi

Mr Kaumbi was appointed on the Board in March 2017, and serves as a member of the Board Remuneration and Human Resources Committee and the Board Audit Committee. He holds academic qualifications in Political Science and Law, and is an admitted legal practitioner. Mr Kaumbi is currently employed as Chief Legal Adviser at the Namibia University of Science and Technology and has previously practiced law in private practice as the principal of JR Kaumbi Incorporated.

Ms Laura Ashipala

Ms Ashipala was appointed on the Board in March 2017, and serves as a member of the Board Remuneration and Human Resources Committee. She holds an MSC academic qualifications in Water Resources Management and Engineering and has previously served in the Department of Water Affairs. She is currently employed as a Water Scientist at the Department of Infrastructure and Technical Services in the City of Windhoek.

Ms Aino Nsinano

Ms Nsinano was appointed on the Board in March 2017 as an employee representative in line with the NamWater Act provisions, and serves as a member of the Board, as well as on the Board Strategy Committee. She holds academic qualifications in Finance and Management and is currently employed as the Head Financial Accounting in NamWater.

NamWater's
Executive Team

Abraham Nehemia

CHIEF EXECUTIVE OFFICER

Fernando Somaeb

CHIEF FINANCIAL OFFICER

Kadiva Hamutumwa

CHIEF STRATEGY AND NEW BUSINESS DEVELOPMENT

Etheldreda Nandi

CHIEF INTERNAL AUDITOR

Dr Kaliki Kambanda

CHIEF WATER SUPPLY NORTH

Dr Eino Mvula

CHIEF WATER SUPPLY CENTRAL

Coenie Koegelenberg

CHIEF WATER SUPPLY COASTAL

Andries Kok

ACTING CHIEF WATER SUPPLY SOUTH

The day-to-day duties of NamWater are overseen by a passionate group of fully committed individuals, who ensure that the Corporation fulfils its mandate and vision to provide water for all, forever.

NamWater's Executive Team is very focused on striking a balance between achieving the Corporation's mission and doing so in a responsible manner, given the currently challenging economic climate and recurring droughts.

As a commercial bulk water provider, equilibrium is sought between NamWater's objectives, providing water for the nation, and ensuring that the Corporation is run in adherence with sound financial practices that will guarantee sustainability.

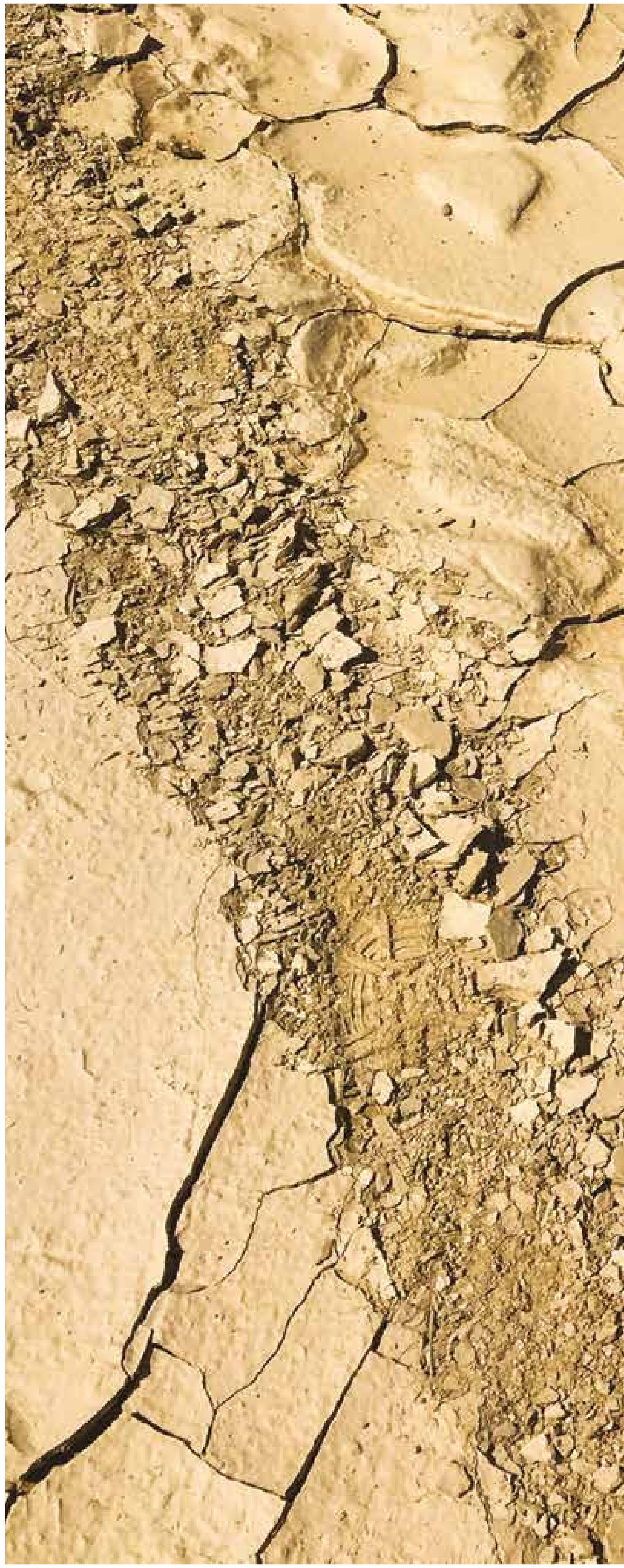
It is imperative that NamWater does not financially overburden the Namibian Government as its sole stakeholder, and at the same time building public trust as a long-term sufficient supplier and distributor of affordable, quality water.

Hanjörg Drews

HEAD: PROGRAMME MANAGEMENT

Onni-Ndangi Iithete

HEAD: LEGAL SERVICES AND COMPANY SECRETARY



Report by the **Chairperson**

It is indeed a pleasure to present NamWater's 2018/19 Integrated Annual Report, reflecting a year that has been characterised by severe challenges due to the effects of the recurring drought situation experienced in Namibia, and continuing economic pressure.

This Integrated Annual Report, reporting on the period from 1 April 2018 to 31 March 2019, encapsulates the performance of NamWater in line with the objectives and targets set in its Five-Year Strategic Plan.

In line with integrated reporting principles, the report not only focuses on past performance and how the Corporation created value for its stakeholders during the reporting period, but it also conveys how it will continue to create value in the short-, medium- and long-term.

NamWater remains one of the key water sector institutions making it possible for municipalities to provide water services to Namibians.

In this regard, NamWater's accountability to the Ministry of Agriculture Water and Forestry and other stakeholders, remains critical. The Corporation continues to play a strategic role through the consistent implementation of its mandate and good performance, which cumulatively adds value to the Government's developmental priority of promoting and achieving sustainable livelihoods in our country.

Economic Environment

According to the Bank of Namibia, the domestic economy in 2017 contracted by 0.9 per cent and projected an estimated mild contraction of 0.1 per cent in 2018, compared with a positive growth of 0.6 per cent experienced 2016.

Furthermore, the domestic economy is projected to contract by 1.7 per cent in 2019 before recovering to a positive growth of 0.8 per cent in 2020 and 1.2 per cent in 2021.

The central bank noted that the expected deep contraction during 2019 will be in line with the devastating drought experienced in 2018/2019 and the anticipated contraction in major sectors such as diamond mining, wholesale and retail trade. The construction sector is expected to continue to contract, which will impact on overall growth during the next few years.

Over the next few years, production in the mining sector is expected to decline further, driven by a reduction in diamond output due to the fact that most diamond mines are already operating close to their full capacities. The uranium sector growth is also expected to slow in 2019 to 3.6 per cent due to large stockpiles of uranium reserves around the world, while one of the Namibian mines, Langer Heinrich mine, has been put into care and maintenance. In addition, erratic rainfall experiences in 2018/19 may continue to negatively affect the performance of the agriculture sector in 2019 and beyond.

Overall, Namibians are experiencing tough economic times, which is set to continue for at least another year, before a slow recovery is expected in 2021.

The Effects of the Economic Recession on NamWater's Operations

NamWater, like all other players in the Namibian economy, has been affected by the various forces and situations affecting the economy as a whole. The impact on the economy has been very challenging for our suppliers, who to a large extent had to cut on stock holdings, insist on deposits and guarantees, and enforce payment terms in order to survive.

Additionally, the bulk of our customers, including mines and local government players, have not been spared by the economic downturn.

The volume of water supplied to mines stagnated, whilst payment from Government departments slowed down. This has, as a result, required sharper attention in terms of credit management during a difficult economic climate.

Thaddeus Maswahu

NamWater Board Chairperson

Drought Declared a National Disaster

The announcement by His Excellency President Hage G. Geingob on 6 May 2019 that the drought affecting Namibia had been declared a national disaster, had a material effect on NamWater, as its teams had to focus almost exclusively on drought relief projects. Government made N$550 million available for emergency measures which was eventually augmented by donors and supporters.

NamWater as the key entity responsible for the supply of water to both humans and livestock throughout the country, and therefore undertook to curb the effects of the drought by drilling boreholes in many drought-affected areas and by supplying water through natural earth canals.

We commend the Chief Executive Officer and his team for their excellent work done under extremely difficult and time-constrained conditions. Further in the report, more details will be provided on specific actions taken to provide relief and prevent many animals from dying.

Roundtable Discussion on Water-supply Demand

Subsequent to the closing of the financial period under review, in July 2019, global and local experts converged in Windhoek for a roundtable discussion on financing water projects, with the aim of making public-private partnerships work for efficient water supply.

At the event, Mr Percy Misika, Executive Director of the Ministry of Agriculture, Water and Forestry, revealed that NamWater needed N$12.7 billion over the next five years to develop new water schemes and to rehabilitate aging water-related infrastructures in Namibia. Of the nearly N$13 billion needed, NamWater has been able to secure only N$2.3 billion.

Mr Misika also indicated that Government will investigate the feasibility of establishing a water scarcity fund, which will preserve funds for emergencies related to drought, among others. He also indicated that establishing the strategic alliances needed to address the financial constraints facing the water sector through Public Private Partnerships is one of the possible financing strategic options which may assist in achieving the objectives of Fifth National Development Plan (NDP 5).

NamWater faces ongoing challenges in providing water to all Namibians in a drought-prone-low-population-density-yet-vast country such as Namibia. As we look forward to the next two decades in water supply, the necessity of "thinking outside the box" – as NamWater CEO Abraham Nehemia said during a presentation at the roundtable event – has never been as critically important as it is now.

While we have for a very long time known that the Central Area of Namibia will require a new water source, it is during the next few years that a strategic decision has to be made about which of the two main alternative sources of water will have to be implemented.

Beginning of a New Era

This report marks the beginning of reporting by the management team presided over by the new CEO, Mr Abraham Nehemia. This indeed marks the beginning of a new era in the career of a dedicated Namibian who has devoted most of his working life to the water sector.

The Board of Directors would equally like to give a word of appreciation to Dr. Vaino Shivute for having been at the helm of NamWater for more than 15 years. His valuable contribution to the water sector will always be remembered.

In Conclusion

I wish to express, on behalf of the Board of Directors and the management team, a word of appreciation to the Minister of Agriculture, Water and Forestry, Hon. Alpheus !Naruseb, the Deputy Minister, Hon. Anna Shiwedah, and the Executive Director, Mr Percy Misika, for their unwavering support and strategic guidance. Needless to say, their continuous encouragement is vital in enabling NamWater to execute its mandate.

I would like to thank my fellow Board members, management and employees for their efforts during the past financial year. Our customers are also appreciated for their loyalty.

NamWater will continue to strive towards being a company of excellence within the water industry

THADDEUS MASWAHU
NamWater Board Chairperson
15 November 2019

Protecting Value through Effective **Corporate Governance**

Corporate Governance Report

NamWater is governed by a Board of Directors, appointed by the Minister of Agriculture, Water and Forestry.

The Board's role is ensuring good corporate governance, which is vital for the organisation to ensure compliance with laws and legislative frameworks. Corporate governance further ensures that the board is accountable to its shareholders and exercises the necessary transparency. Therefore, the Board has ultimate accountability for the Corporation's strategy and oversight of the business and it reports to the Corporation's shareholders.

The Corporation seeks to add value by addressing the need for our shareholder, while growing and ensuring the profitability of our business.

NamWater's mandate is to become an operating, diversified company providing quality water and related services to the satisfaction of all stakeholders while simultaneously taking cognisance of environmental issues such as our dependency on water and its scarcity.

The Board, committees, executives and employees of NamWater are devoted to achieving the highest standards in corporate governance, corporate responsibility, risk management and social responsibility. The Board of Directors is responsible to the company's stakeholders for the oversight and implementation of governance, in the conduct of business.

Code of Ethics

NamWater is committed to operating in accordance with the highest standards of professional and business ethics, and to developing a community of directors and employees with the highest ethical values. Some of the best practices which the directors, management and employees commit themselves to are the following:

- Compliance with legislative and regulatory provisions;
- The protection of human life by following edge safety, health and environment practices;
- Treating all employees and stakeholders with respect;
- Not discriminating against any person;
- Providing employees with equality of opportunity, based on merit;
- Ensuring that the quality of life of stakeholders is maintained by seeking to improve, rather than adversely affect the environment;
- Upholding the integrity of all stakeholders;
- Respecting the cultural background of stakeholders;
- Avoiding all potential conflicts of interest by being transparent in the declaration of all interests;
- Only using company resources for the benefit of the company and its stakeholders; and
- Providing all employees with the opportunity to grow and advance.

Application of the Provisions of NAMCODE (2014) and the King IV Report on Corporate Governance 2016

The Board of Directors confirms that the company has, during the year under review, applied the provision of the NAMCODE (2014) to the King (IV) Report on Corporate Governance 2016.

Attendance of Meetings

The table below depicts the attendance of the Board members of all meeting held during the reporting period.

Table 1: Board of Directors Attendance of Meetings

DIRECTOR'S NAME	BOARD MEETINGS	AUDIT MEETINGS	REMUNERATION & HR MEETINGS	STRATEGY MEETINGS	SCHEME VISITS	AD HOC MEETINGS
Mr T Maswahu (Chairperson) (B)	13	-	5	-	5	3
Dr A Matros-Goreses (Deputy Chairperson) (A)	19	4	-	-	1	-
Mr S Haihambo (A)/(S)	9	4	-	3	4	5
Ms H Jesaja (B)	9	-	6	-	3	8
Mr J Kaumbi (A)/(B)	15	5	6	-	5	3
Ms V Kinyaga (S)	8	-	-	3	1	1
Ms L Ashipala (B)	12	-	6	-	4	3
Mr M Gaweseb (S)	12	-	-	4	5	6
Dr P Mushendami (A)	15	5	6	-	2	6
Ms A Nsinano (S)	17	-	-	4	3	3

(A) Audit Committee member

(B) Remuneration and Human Resources Committee member

(S) Strategy Committee member

Ad hoc Committee meetings constitute of the CEO search committee meetings, the Hardap Farmers meeting and the Calueque vists.

Board Composition and Attendance

The Board consisted of the following directors during the year under review:

- Mr T Maswahu - Chairperson
- Dr A Matros-Goreses - Deputy Chairperson
- Mr S Haihambo - Non-executive Director
- Ms L Ashipala - Non-executive Director
- Mr JR Kaumbi - Non-executive Director
- Dr P Mushendami - Non-executive Director
- Ms V Kinyaga - Non-executive Director
- Mr M Gaweseb - Non-executive Director
- Ms A Nsinano - Executive Director
- Ms H Jesaja - Non-executive Director

In terms of the Board gender profile, males and females are equally represented.

Operations of the Board

The Board sets strategic objectives, policies, agrees on performance criteria and delegates the planning and implementation (within relevant risk parameters) of policies to management. Achievements and conformance with agreed parameters is monitored through performance reports and budget updates.

Matters reserved for the Board

The Board reserves the approval of certain matters for itself. These matters include, but are not restricted to the following:

- Approval of financial statements;
- Annual capital and operational expenditure plan;
- Major capital projects;
- Major changes to the organisational structure; and
- Approval of the Annual Business Plan and 5-Year Strategic Plan.

Training and Updating the Knowledge of the Directors

Directors are supplied with the information necessary to discharge their responsibilities as members of the Board and, in certain instances, as members of Board sub-committees.

All directors have access to independent, professional advice courtesy through the office of the Company Secretary. The Company Secretary is responsible for providing the Chairman and the directors, individually and collectively, with advice on corporate governance and compliance with legislation. The Company Secretary is not a director of the company and maintains an independent and arm's length relationship with the Board and the Executives.

The company is committed to providing continued professional development training opportunities to its directors and officers.

The Board's functioning is set out by its guiding principles as encapsulated in a Board Charter and sub-committee charters. These serve as terms of reference for the Board and the committees' work. This was reviewed by the Board and the sub-committees during this financial year.

Board Committees

Audit And Risk Committee

Dr A Matros-Goreses (Non-executive Director) was the Chairperson of the Audit and Risk Committee during the period under review. She, together with Mr JR Kaumbi (Non-executive Director), Dr P Mushendami (Non-executive Director) and M. S Haihambo (Non-executive Director) were the members of the Audit and Risk Committee for the year under review.

The responsibilities of the Audit and Risk Committee, which are set out in the terms of reference, include but are not limited to the following:

- Reviewing of the effectiveness of internal controls, which include internal financial control and business risk management;
- Evaluation of the effectiveness of external auditors and the approval of all fees paid to the external auditors;
- Reviewing the financial statements;
- Reviewing the audit findings;
- Ensuring that risk and control processes are relevant and are effectively communicated in the company;
- Ensuring that risk assessments are regularly conducted to identify emerging risks and changes in risks;
- Enhancing NamWater's risk management framework of prudent and effective control;
- Enabling risk to be assessed and managed in a manner that is appropriate to the evolving structure and needs of the Corporation;
- Communicating the risk management strategy to all employees, to ensure that it is incorporated into the language and culture of NamWater; and
- Reassuring the Corporation that appropriate steps have been taken to manage risk and to minimise the effect of losses on the company.

Remuneration and Human Resources Committee

The members of the remuneration and human resources committee were Dr P Mushendami (Chairperson), Mr JR Kaumbi (Non-executive Director), Ms L Ashipala (Non-executive Director), Mr T Maswahu (Non-executive Director) and Ms H Jesaja (Non-executive Director).

The terms of reference of the Remuneration and Human Resources Committee include, but is not limited to the following:

- Ensuring that senior management's and the Chief Executive Officer's remuneration is in line with the guidelines of the Ministry of Public Enterprises' remuneration guidelines;
- In consultation with management, ensuring that employees receive market-related remuneration.
- Ensuring that remuneration practices reward productivity and each employee's contribution to the improvement of the company's results; and
- Ensuring that the Corporation puts in place effective talent management practices aimed at a competitive workforce.

Strategy Committee

The members of the Strategy Committee were Mr S Haihambo (Chairperson), Mr M Gaweseb (Non-executive Director), Ms V Kinyaga (Non-executive Director), Ms A Nsinano (Executive Director).

The Strategy Committee is tasked with:

- assisting the Board in fulfilling its oversight responsibilities relating to the medium- and long-term strategic direction and development of the Corporation, and
- provides advice and expertise so that the strategic options may be explored fully before being tabled at Board meetings for deliberation and approval.

Statutory Provision of Board Fees Paid to Individual Directors during the Financial Year 2018/19

In terms of the Public Enterprises Governance Act the Board may, in consultation with the Minister of Agriculture, Water and Forestry, determine the Board fees payable in respect of the Chairperson and other directors of the Corporation.

The shareholding Minister confirmed that NamWater employees and civil servants are also entitled to Board fees, provided that they put in leave when they come to Board meetings. The same is applicable to Board members in the employ of the State.

Payment in the Upper Quartile: the directors' remuneration is as follows:

Table 2: Board of Directors Fees

	SITTING FEES	
	BOARD	SUB-COMMITTEES
Chairperson	N$10,580.00	N$5,137.00
Director	N$5,980.00	N$3,505.75
	RETAINER	
	BOARD	SUB-COMMITTEES
Chairperson	N$6,387.42	N$3,103.75
Director	N$5,217.75	N$2,001.75

Relations with Stakeholders

NamWater has continued to provide dialogue with stakeholders, business analysts/advisers and all other stakeholders. The shareholding Minister (i.e. the Minister of Agriculture Water and Forestry) presides over the Annual General Meeting at the end of every year, during which the Minister is presented with a report on the Corporation's results for the preceding financial year, as well as other important activities that the Corporation is involved with.

Charter

The Board's functioning is shaped by its guiding principles which are encapsulated in a Board Charter and various Subcommittee charters, which in effect serve as terms of reference for the work that the Board and committees do.

Company Secretary

The Company Secretary oversees the portfolio of the secretariat and plays a critical legal and governance advisory role to the Board in terms of risk and compliance management. The Company Secretary attends all Board and committee meetings as the role is pivotal in entrenching good corporate governance.

The Board as a whole and individual directors have access to the Company Secretary, who is charged with the task of providing guidance on how members should discharge their duties and responsibilities in the best interests of the entity.

The Company Secretary continues to oversee the preparation and coordination of the induction and ongoing training of Board members.

Internal Audit

Internal Audit is an independent co-sourced assurance function. It is to ensure that in line with the good governance mechanisms, the Audit Committee and the management assurance on the appropriateness and effectiveness of internal controls are upheld.

The Audit Committee, in executing its internal control oversight roles establishes an Internal Audit function. The roles and responsibilities as well as reporting relationships between the Internal Audit Division and the Audit Committee are governed by the Internal Audit Charter, a document which has been approved by the Audit Committee. Duties and responsibilities of the Internal Audit function, in its role of fulfilling its mandate, are defined in the Internal Audit Charter as follows, but are not limited to:

Duties and responsibilities of the Internal Audit function, in its role of fulfilling its mandate and as defined in the Internal Audit Charter are as follows, but not limited to:

- Assessing the adequacy and effectiveness of the process of risk identification and management;
- Overseeing the operation of the Corporation's corporate governance processes
- Assess the adequacy and effectiveness of the systems of financial, operational and management controls; and
- Assessing the extent to which assets are accounted for and safeguarded.

Internal Audit pursues a risk-based approach in the process of planning and executing internal audits.

As of November 2017, the NamWater Internal Audit unit entered into a co-sourcing agreement with an outside service provider for the purpose of providing internal audit assurance services.

Under the co-sourcing arrangement, the in-house Internal Audit team and the contracted internal auditors from the consulting firm plan and carry out internal audit activities as a single team.

All members providing internal audit services are members of the Institute of Internal Auditors and abide by the Standards for the Professional Practice of Internal Auditing and to the profession's Code of Ethics.

Enterprise-wide Risk Management

Enterprise Risk Management functions within the corporation are still in the infancy stage, and such activities currently reside under the Internal Audit Division. Risk Management functions that are currently performed by the Internal Audit division are limited to those activities that will not bring the internal audit function into conflict with operational activities.

The Internal Audit Division reports on its activities to the Board Audit Committee on a quarterly basis.

Report by the **Chief Executive Officer**

Abraham Nehemia
Chief Executive Officer

It gives me great pleasure to introduce the NamWater Integrated Report for the year ended 31 March 2019. It was an honour to take over the reins from Dr Vaino Shivute, who has masterfully steered NamWater since 2004 until his retirement at the end of December 2018. Dr Shivute built a solid foundation which we are most grateful for and it is now with enthusiasm that I aim to take the Corporation to the next level.

Effects of Drought on our Operation

Namibians have become accustomed to living and working in a country with an exceptionally hot and dry climate and erratic rainfall. The country has experienced recurring drought conditions since 2013.

However, the extreme drought experienced in the 2018/19 rainfall season seriously challenged the whole country and the Corporation specifically. With less than 50 per cent of the average seasonal rainfall, the groundwater sources supplying the coastal towns, the central areas of Namibia, including the capital city, and the canal system supplying northern Namibia, could not adequately meet the water demand.

As a result of the severe drought, the continuous supply of water to most of our customers became increasingly more challenging. In some cases, we had to apply water restrictions to avoid catastrophic situations. In other instances, we had to use different means to ensure that our customers received water, albeit in reduced quantities.

When the President of Namibia, H.E. Dr Hage G. Geingob, declared a state of emergency in May 2019, NamWater was ready to action emergency measures to save animals' lives, mainly by drilling boreholes in many drought affected areas and by supplying water through natural earth canals. The water from the canals is not purified, hence is only meant for livestock and not human consumption. In record time we achieved the following:

Olushandja to Uuvudhiya

NamWater rehabilitated the 130-km long earth canal, which entailed major civil works compared to the other canal rehabilitation works, which started at the southern wall of the Olushandja Dam. NamWater used its own internal resources to rehabilitate it and remedied this section in a record time of 60 days. Water was pumped to Uuvudhiya from the Olushandja Dam at a rate of 1,100 m^3 per hour.

Uuvudhiya to Oponono

NamWater extended the excavation and rehabilitation of the Olushandja-Uuvudhiya earth canal by rehabilitating 40 km of natural earth canal from Uuvudhiya to Oponono. This work commenced on 15 August 2019 and was completed on 6 September 2019.

However, the water did not reach Oponono due to various challenges, such as the ground sloping uphill in certain areas, thereby prohibiting the flow of water.

NamWater started the rehabilitation of the section between Uuvudhiya and Oponono for the second time on 14 October 2019. At the time of going to print, the NamWater construction team was working at Eengombe village, and had covered 15 km from Uuvudhiya with both excavation work and improved water flow. If all goes according to plan, the excavation works to facilitate the pumping of water up to Oponono Lake is expected to be completed by the end of 2019.

Oshikuku-Elim Constituency

NamWater also completed a 15 km-long earth canal between Oshikuku and Elim. Work was also completed in record time: it started on 2 September 2019 and was completed on 2 October 2019.

Other Areas

Other areas where NamWater has been fighting the adverse effects of drought are as follows:

- Rehabilitation and replacement of seven production boreholes at Khoichab, Grünau and Aus Water Supply Area in the //Karas Region.
- Replacement of one borehole, rehabilitation of seven boreholes and test pumping of one borehole at the Kavango Water Supply Area (WWS).
- Rehabilitation of two production boreholes, replacement of two production boreholes at Oshivelo WSS and rehabilitation of one production borehole at the Namutoni WSS.

- Rehabilitation of seven production boreholes and replacement of one borehole at Otjiwarongo WSS, and rehabilitation of one production borehole and replacement of one production borehole at the Berg Aukas WSS.
- Replacement of four production boreholes at Okombahe, Spitzkoppe and Tubussis WSS.
- Replacement of one borehole at Opuwo and rehabilitation and test pumping of one borehole at Omanduu wellfield at the Opuwo WSS.
- Rehabilitation and test pumping of seven boreholes in the surroundings of Omitara settlement.

NamWater has clearly demonstrated its resilience by ending the year successfully and helped Namibians in the worst-affected drought areas to keep their animals alive.

Supported by the Board of Directors and executive management that provided focused leadership and decision-making during this period, the plans, strategic initiatives, programmes and projects we delivered during the year yielded positive results — an achievement NamWater is proud of.

Financial Performance

The Corporation recorded a net profit after tax for the year ended 31 March 2019 of N$29 million compared with a net profit after tax for the prior year of N$138 million. The decrease in profitability is mainly driven by the decrease in volumes sold to the City of Windhoek during the reporting year, the increase in depreciation due to the revaluation of assets, as well as the late approval of tariffs.

The Corporation's cash flows from operating activities increased by 7 per cent from N$353 million in the prior year to N$378 million for the reporting period. The increase in cash flows is due to interest received from investments, as well as tariff approvals.

The Corporation's revenue is slightly above budget as a result of the increased water tariffs in the Khomas and the Cuvelai areas, primarily driven by the oil spill that resulted in more volumes being sold to the City of Windhoek. Further, the imposition of the blended tariff to the local authorities at the coast also contributed water sales being more than the budgeted sales.

From an cost point of view, there was some increased spending realised in certain areas. These include depreciation expenses as a result of the revaluation exercise embarked upon. The key drivers for the expenses increase include:

- Employment costs of N$2million;
- Depreciation expense of N$158 million;
- Utilities of N$26 million; and
- Provision for bad debts: N$33 million.

Factors impacting NamWater's Cash Flow Position

Electricity remains the key cost driver for the Corporation. The demand for electricity continued to increase on a country-level as result of mining activity and demand from our water supply schemes.

A tariff decrease of 2.5 per cent was announced by the energy regulator, the Electricity Control Board, that would help to reduce price pressure on electricity. It is, however, a strategic priority for NamWater to reduce our electricity cost.

As the Corporation recovers its cost of water supply through an approved tariff by the Cabinet, NamWater experienced a decrease in its operating and capital budget after a 5 per cent tariff was approved.

The Corporation's tariff submission was at a 9 per cent. The approval of the 5 per cent across the board was granted by Cabinet and affected from 01 July 2019.

The provision of bulk water supply comes at a great cost and as a Corporation, NamWater is not in a position to cover the entire capital requirements in order to establish the required water supply infrastructure throughout the country. As such NamWater places high priority in sourcing funding.

Additionally, the Corporation is looking at avenues to continue to improve collection in terms of the debt collection plan.

Through the establishment of the Cabinet Committee on Water Supply Security, the Government has invested N$2,3 billion aimed at developing emergency water supply infrastructure that will cater for the growing demand for water supply. This fund is managed through the Technical Committee of Experts.

The Government also honoured part of the committed funds for the budgetary allocation made towards payment of the loan on the Neckartal Dam. The Corporation is in engagement with the Ministry of Finance to recover the outstanding loan amount.

Water Supplied

In the reporting year, the volumes of potable water sold decreased by 1.2 per cent compared with the previous financial year, while revenue derived from the sale of potable water increased by 4.3 per cent.

Furthermore, although the Corporation sold 2.9 per cent less irrigation water over the same period, revenue from the sale of irrigation water increased by 2.4 per cent. This was due to the tariff increase on irrigation water.

Overall, these changes resulted in an increase of 4.3 per cent in total revenue when compared with the previous period. The increase in sales revenue is mainly attributed to an increase in annual tariff increment.

The Coastal Region was the largest supply area by volume, comprising about 36.8 per cent of the Corporation's supply volumes.

The Coastal Region also contributed the highest revenues, accounting for about 36.8 per cent of total revenues, followed closely by the Central Region with 30.9 per cent.

Retention of Skills

The challenge to attract and retain adequate skills within the company continues to hamper the corporation's ability to carry out its mandate. Again, as in previous years, a number of senior personnel with valuable experience left NamWater. In addition to these experienced cadres, the Corporation also lost young graduates, especially in the technical fields, to entities in the public and private sectors.

The retention of critical skills is essential for NamWater's future and in the coming years it will be a high-priority focus for the Human Resources department.

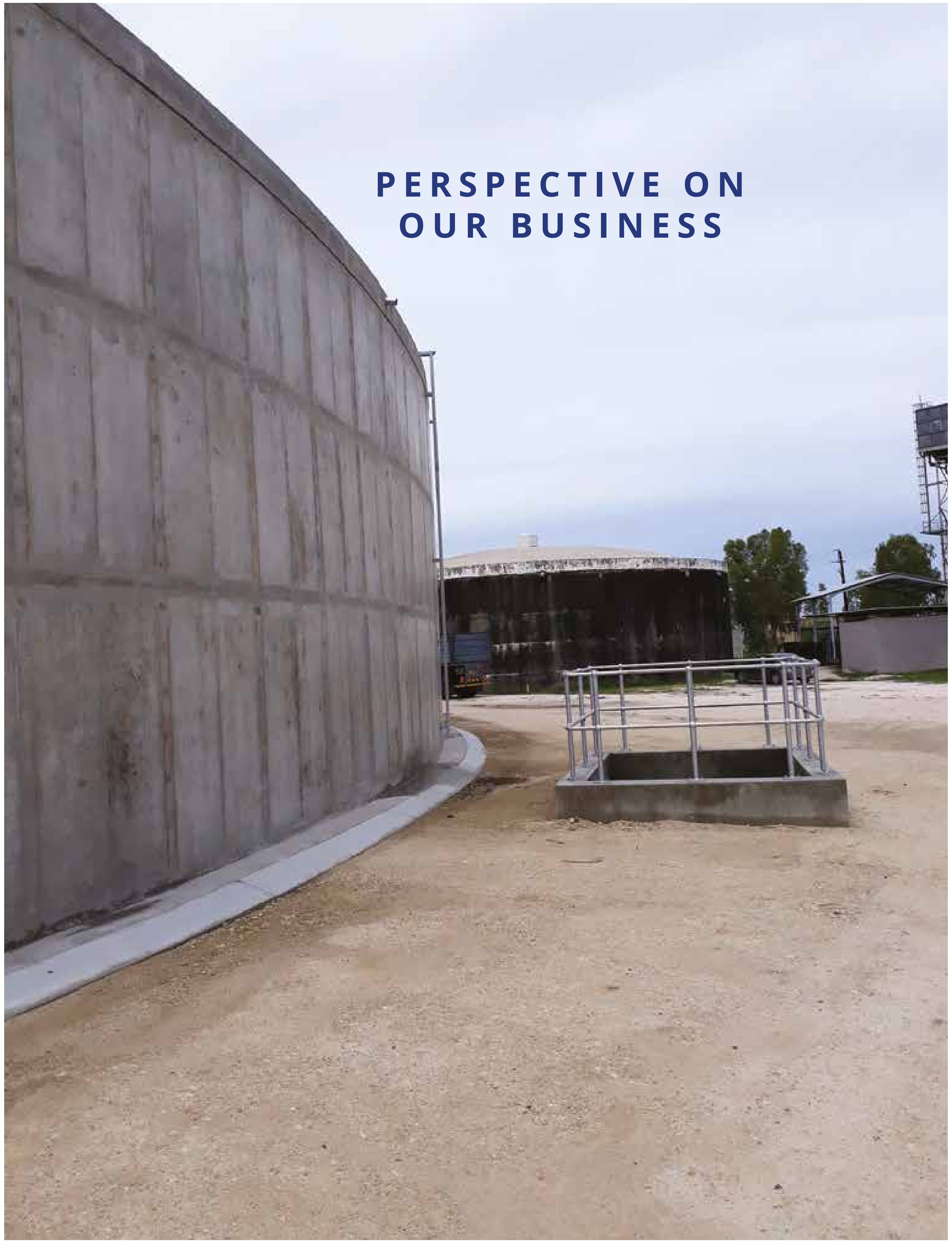
In Conclusion

I wish to extend a word of appreciation to the Board of Directors, under the leadership of Mr Thaddius Maswahu, for its valuable guidance during the year under review.

I also want to thank our customers for their patronage and continued support.

Lastly, I would like to say a warm "thank you" to my management team and staff for their dedication, loyalty and hard work. Amidst a challenging external environment, all staff members resolutely focused their attention on the reason for our existence, namely to make quality water accessible at affordable prices to all Namibians.

ABRAHAM NEHEMIA
Chief Executive Officer
15 November 2019



Construction at Ondangwa site.

Perspective on **Our Business**

LEGISLATIVE ENVIRONMENT

As a Public Enterprise, NamWater is subject to a wide range of laws, policies and regulations which determine the Corporation's operations. . The key pieces of legislation which affected the Corporation during the period under review were the following:

Public Enterprises Governance Act (Act 8 of 2019)

The Public Enterprises Governance Act (Act 1 of 2019) replaced the State-Owned Enterprises Governance Act (Act 2 of 2006) and was gazetted on 17 May 2019. It sets out the new blueprint for regulating all Public Enterprises (PEs). The issue of classification of the PEs came under the spotlight during the period under review and it was resolved that NamWater remains a Tier 3 PE reporting to its Shareholding Minister in the Ministry of Agriculture, Water and Forestry at the present time.

Public Procurement Act (Act 15 of 2015)

During the preceding review period it became clear that the Corporation had to align its operations to the new procurement regime as prescribed in the above legislation. Various activities are ongoing in order to facilitate the implementation of this Act. The Procurement Committee has come to play an important role in the making of recommendations during the procurement process.

Water Resources Management Act (Act 11 of 2013)

While the Water Act (Act 54 of 1956) remained in force during the period under review, pending the implementation of the Water Resources Management Act (Act 11 of 2013), it is important to note that the development of the new piece of legislation continued to dominate the discussions within the Corporation, with the aim being to ensure that NamWater is ready for the eventual implementation of the Act. Throughout the period under review, the authorities responsible for the formulation of regulations under the new Act continued to update the Corporation on developments around the new Act, as the full implementation of this Act will have a material effect on NamWater's operations, especially with the appointment of the various statutory bodies such as the Regulator. In terms of compliance, follow-up on issues affecting water regulation is critical.

Water Quality Standards and Guidelines Under the Water Resources Management Act (Act 11 of 2013)

One of the key areas to be affected by the implementation of the new Act is the formulation and introduction of new water quality standards and guidelines which will eventually become an annexure to the new Water Resources Management Act. While the full implementation of such standards and guidelines may still be done sometime in the future, it is important that the Corporation – which is probably the entity most affected by these new regulations – prepares itself for future requirements under the new water-quality regime. There is a full awareness among the NamWater team that the introduction of the new water-quality standards and guidelines will mean 'business unusual' for the Corporation and therefore it is important to be prepared for these changes in our laws.

Environmental Management Act (Act 7 of 2007)

The nature of water supplied by NamWater dictates that care is taken to ensure that compliance with relevant environmental laws and regulations are adhered to. For this purpose, the Environmental Management Act stands out as the main Act in ensuring that the country's natural resources are adequately protected. We believe that NamWater is leading in the best practice of operating in line with that Act, by ensuring that relevant authorisations for new schemes are obtained. The Corporation aspires to be a model in complying with this important piece of legislation.

OVERVIEW OF OUR OPERATIONS

NamWater's mandate is to supply water of acceptable quality in adequate quantities to the Namibian nation. This means that our operations are spread across the country, covering the length and breadth of the Namibian landscape. This in itself presents a challenge to the Corporation in that often it is expected that water supply solutions are designed and provided for communities living far away from water resources. NamWater utilises innovative technologies to be able to supply various communities, which vary in complexity and cost.

Maintenance of our infrastructure is an integral part of the strategic posture of the Corporation's ongoing work. The total external expenditure on maintenance for the period under review was N$39.1 million against a budget of N$58.4 million, which is N$19.3 million below the expected budget expenditure.

THE PROCESS OF SUPPLYING WATER

NamWater operates on a cost recovery basis; therefore, the Corporation has to recover money spent in the process of supplying water and the construction of new water infrastructure or schemes and the further maintenance of the same.

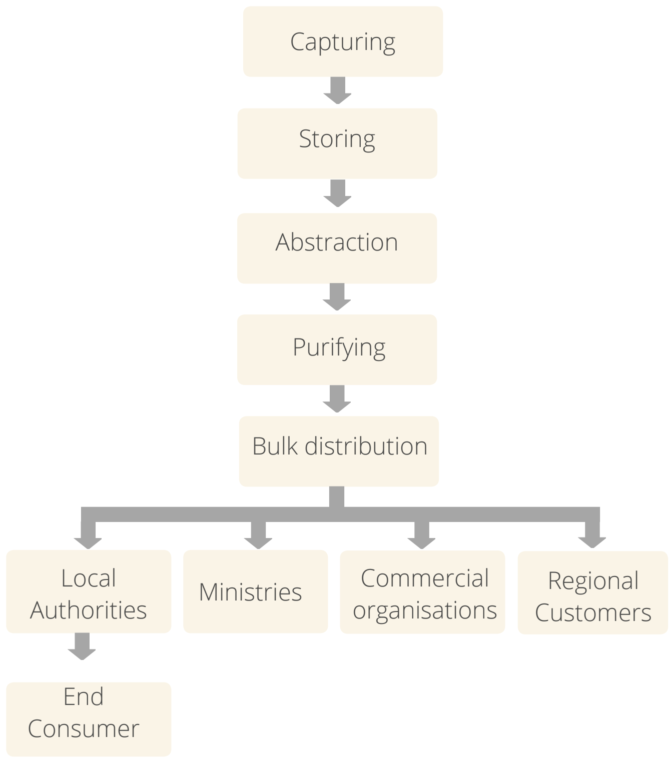
The process of supplying water is a costly exercise. NamWater's infrastructure, which consists of dams, reservoirs, water pipes, purification plants etc., is not only expensive to build, but also to maintain. Laying a one kilometre long water pipeline can easily cost N$5 million. One of the biggest challenges facing the Corporation is in fact that many of our people do not live where water is found. This means that NamWater has to construct and lay down pipelines covering long distances to take water to the people.

The transportation of water to the remote areas of our country, which are often inaccessible, requires electricity, which is one of the highest cost factors on the company expenses. The tariffs increment, which NamWater is granted by the Cabinet of the Republic of Namibia, does not always cover the true costs of the water supply. We strive to manage with the limited resources at our disposal to keep the water flowing, whilst also maintaining the aging infrastructure. Considering all of these factors, it is a remarkable achievement that the average NamWater water tariff is circa 1.5 cents per litre, which is about 1,000 times cheaper than the similar bottled product in the marketplace.

NAMWATER PRODUCTS

NamWater products are raw or untreated water, and potable or treated water. The NamWater supply chain consists of capturing, storing, abstraction, purification and distribution to customers.

Figure 1: Water Supply Chain



NAMWATER CUSTOMERS

The primary objective of NamWater is to supply water in bulk to bulk customers. These bulk customers are:

- Municipalities/local authorities;
- Commercial entities such as mines;
- Government institutions;
- Regional councils;
- Town councils;
- Village councils; and
- Industries.

Municipalities/Local Authorities

NamWater supply to 50 of the country's 55 local authorities. The remaining five had historically developed their own supply systems at the time NamWater was established. Other towns in this category include those which historically developed into mining towns where mining companies developed their own water supply infrastructure.

Mines and other Industries/Companies

The Corporation supplies 33 per cent of the water to the mines in Namibia. This task is often not so easy, as the Corporation has to balance the needs of these mines with the sustainability of the resources available. In this regard, NamWater takes into account the principles underlined in the Water Supply and Sanitation Policy, which ranks the supply needs for human consumption higher than the needs presented by industrial processes. The Corporation continues to work with the mines to streamline their needs. NamWater remains the supplier of choice to other industrial customers too, such as the various processing plants that are in constant need of large quantities of water, for example.

Retail Customers

While the Corporation's mandate does not involve supplying to individual customers per se, it has become difficult to ignore their demands when they live in proximity to its pipelines and schemes. The number of individual customers supplied directly by the Corporation has risen from 839 in 2006 to 48,438 in 2019. This situation requires constant solutions in the areas of customer service and efficiency in resource allocation. The growth in peri-urban settlements has also introduced a need for the extension of services.

Government Ministries and Other Agencies

This customer segment is major and it stands apart from local authorities. Some examples are health facilities at border posts, for instance. The need for Government services in remote areas often requires that water-supply solutions are introduced where human settlement is limited and costly interventions are the only way to provide access. While the Corporation has received great support from Central Government to set up such schemes, difficulties are experienced with perennial late payment of bills by some of these agencies. As new settlements and growth points have proliferated across the country, demands on water supplies have increased and the Corporation, along with the Regional Councils, are responsible for the management of these needs that are constantly arising.

Individual Customers and Rural Communities

Although NamWater's primary objective is to supply bulk water, the Corporation has been supplying water to individual customers and to rural communities.

Annually, NamWater supplies 82 million m^3 of treated water to Namibia with the following customers being the biggest:

Table 3: NamWater's Biggest Customers compared with rest of Namibia's Water Consumption

Biggest Customers	**Annual Consumption (m³)**	**Annual Consumption (%)**
Mines	13,138,186	16.26%
City of Windhoek	10,407,942	12.83%
Walvis Bay	6,512,500	8.03%
Swakopmund	4,673,272	5.76%
Ongwediva	1,246,519	1.54%
Rest of Namibia	45,094,073	55.59%
TOTAL	**81,120,492**	**100.00%**
Namibia: Treated	81,120,492	60.93%
Namibia: Irrigation	52,013,245	39.07%
TOTAL	**133,133,737**	**100.00%**

Stakeholder Engagement

NAMWATER SUPPLIERS

The Corporation requires a steady contingent of suppliers of various goods and services, which serve as an input into the water supply delivery process. These suppliers range from specialised services of a technical and financial nature to those that involve the basic commodities used for abstraction, purification and conveyance of water.

The constant challenge is how to source these services at reasonable cost, while taking into account the relevant legislation, such as the Affirmative Action (Employment) Act and the new procurement regime. Our overall concern remains the development of a procurement system that will be open to all suppliers without ever compromising on the quality of goods and services supplied.

OVERVIEW OF OUR OPERATIONAL STRUCTURE

NamWater's business model is based on four business units that cut across the entire Namibian landscape.

The Corporation's operations are decentralised with Chief Water Supply within the business units overseeing the strategic and operational planning of the business unit. This model ensures that the customers' water supply needs are met on time. Additionally, the Corporation has support services within the business units to ensure effective service delivery.

The four business units are:

- Business Unit North (North West and North East)
- Business Unit South
- Business Unit Central, and
- Business Unit Coastal.

Supporting the five Chiefs Water Supply, are the following:

- Chief Strategy and Business Development, and
- Chief Financial Officer.

FACTORS IMPACTING ON OUR VALUE CREATION

NamWater values the importance of positive engagement and collaboration with all stakeholders within the water sector in order to support the development of the industry across the country. As water plays a pivotal role towards economic development, it is important that all players within the sector understand the importance and scarcity of the commodity.

To this end NamWater has over the period under review created platforms for engagement with its stakeholders both at local and central government level. This also included key customers such as the mines.

Going forward, NamWater is in the process of redesigning its stakeholder engagement approach in order to increase the engagement platforms at different levels, as well as enhance the awareness of water supply. This has been placed as a high priority within our strategic framework through the design of a Corporate Stakeholder Engagement Plan, as well as at the level of every department within the Corporation.

During the period under review a key focus went towards developing the required change management frameworks within the Corporation in order to manage change effectively. Being a business with high levels of variety, it is only befitting to ensure that change is managed well to create buy-in through stakeholder engagement.

Our Shareholder

The Government of the Republic of Namibia is NamWater's sole shareholder and remains a key stakeholder in the supply of water in bulk to the Namibian nation. The role of the shareholder in this context is exercised by the Minister of Agriculture, Water and Forestry, as the line minister to whom the Corporation is answerable. Without the support of the shareholder – from whom the Corporation inherited most of its assets – the supply of water to a country like Namibia would be impossible.

NamWater's unique nature was highlighted by the fact that as part of the exercise by the new Ministry of Public Enterprise to categorise various public enterprises, the Corporation is one of the few public enterprises which was left in the direct supervision of its line ministry. Naturally, it remains one of the most important strategic goals to maintain a sound relationship between the Corporation and its stakeholders.

Our Employees

Despite major advances in technology in the last few years, water supply remains a highly labour intensive business that requires highly skilled and dedicated human resources. During the period under review, the Corporation employed 898 employees in total, of whom 610 were full-time employees, complemented by 288 contract employees.

Our employee demographic reflects an ageing workforce that is highly skilled, assisted largely by a contingent of young graduates and recruits with less experience. In order to remain geared for the operational activities that must be done to discharge its mandate, the Corporation has adopted an aggressive training philosophy, in terms of which NamWater exposes its workforce to continuous on-the-job training, including practical training and theoretical training through management development programmes. The Corporation also facilitates basic literacy training for unskilled and semi-skilled employees, offered at its Human Resources Development Centre (HRDC) located in Okahandja.

Our Customers

While the Corporation's mandate points specifically to bulk water supply, the needs on the ground have increasingly changed the nature of NamWater's customers, with the spread ranging from mainly bulk customers to also including a large number of individual customers. This major shift in focus has posed a significant customer management challenge that must be addressed. Without customers, there would be no need for the Corporation and, therefore, they remain a key stakeholder in the business of water supply.

During the period under review, in the face of uncertainty regarding the security of water supply, some customers have questioned NamWater's relevance as the bulk water supplier for the country. Our position is that this debate ought to be discussed to its logical conclusion at appropriate fora in order to ensure that there is no ambiguity about the reason for the Corporation's existence.

Our Suppliers

NamWater requires a contingent of suppliers of various goods and services which serve as input into the process of supplying water. The nature of these supplies range from specialised services and technical, financial and other supplies, whose services come at a considerable cost, to supplies of basic commodities used for the abstraction, purification, storage and conveyance of water.

A key challenge remains how to source these services at a reasonable cost, while taking into account Government policies such as the Affirmative Action (Employment) Act, among others. The Corporation is currently busy with the process of developing a procurement system that remains as open as possible to all suppliers, including those from previously disadvantaged population groups, without compromising on the quality of goods and services supplied.

Our Strategy and **2018/19 Performance**

DELIVERING VALUE THROUGH OUR STRATEGY

During the reporting year, NamWater steered its operations and activities according to its Corporate Strategic Map, following five Corporate Strategic Themes, as depicted on the next page.

The NamWater Value Proposition

From a global position, high performance organisations face challenges with strategy implementation and the six most common global challenges are:

1. Improving organisational capabilities to drive better business results and inspire innovation;
2. Overcoming critical shortages of talent;
3. Getting organisations aligned and making them more agile;
4. Cost management and strengthening process improvement to mitigate risk;
5. Leveraging differences to make a difference; and
6. Building strong organisational culture to drive performance.

These global strategic challenges were also experienced by NamWater during the financial year. By acknowledging shortfalls in terms of the above, the Corporation continuously endeavoured to build solid strategic platforms that would drive improvement with strategy execution through:

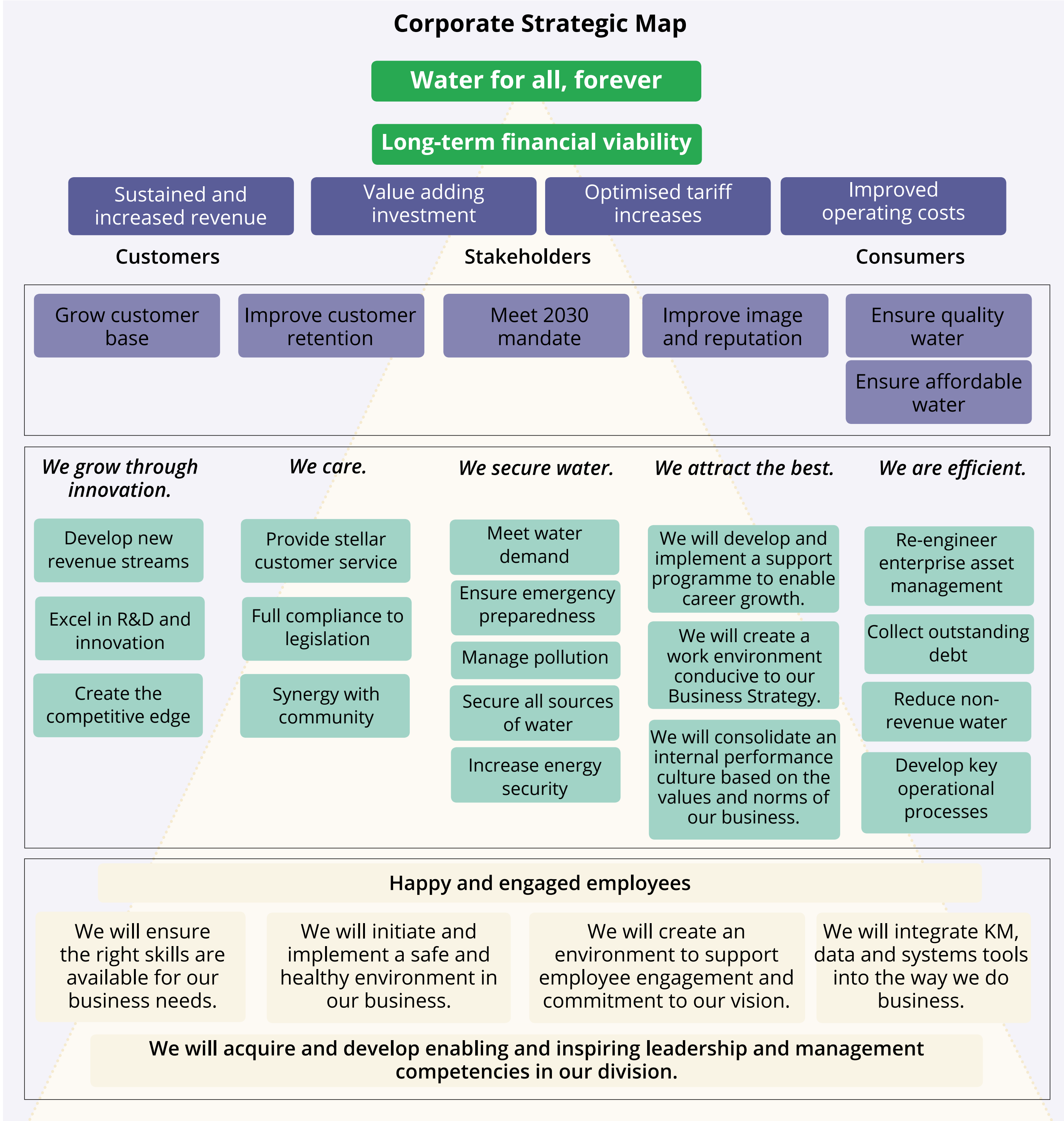
- Developing leadership for strategy execution.
- Focusing on strategic risk management and to provide the necessary strategy management infrastructure.

During its annual strategic review, the Corporation tested and adapted its strategic plan to ensure strategic focus. Furthermore, a process of organisational alignment commenced to ensure strategic alignment from senior management level to the lowest operational level.

Only when the full workforce is properly aligned and strategic focus is created, it is believed that the company would be in a position to effectively address the mentioned strategic challenges towards its Vision of **Water for all, forever**.

NamWater Corporate Strategic Map

NamWater's Corporate Strategic Map depicts strategic objectives that have been identified for the corporate strategy for the 2015-2019 period. The Corporate Strategic Map serves as a focal point for strategy execution.



Alignment to Vision 2030

NamWater's Strategic Plan is aligned to Vision 2030, and guided by the principles outlined in the National Development Plan (NDP5), as well as the Harambee Prosperity Plan. In implementing the Strategic Plan, NamWater will ensure that progress made is shared with the shareholder and other relevant stakeholders.

The Corporate Strategy consists of six themes which are contained in the strategic plan. NamWater's strategic map consisted of 34 strategic objectives, each of which is aimed at improving performance behaviour and monitoring required by the Corporation to maintain high performance standards.

The Corporation has also adopted the Balanced Scorecard as a performance measurement tool for implementing the strategic plan. Each objective, therefore, has a clear framework that outlines the objectives, measures, targets and required plan of action or initiative.

This strategic map describes the process of value creation through a series of cause-and effect linkages among the objectives outlined in the four Balanced Scorecard perspectives. The ultimate goal is to create long-term value for both shareholders and stakeholders.

Organisational value is created by satisfying a customer value proposition. Internal processes create and deliver the value that satisfies customers, and also contribute to the financial perspective's objectives. Value to our customers is created through performance improvements driven by intangible assets, people, technology and culture, which create value to our customers and shareholders.

Based on our strategy management philosophy, the corporate strategic map was cascaded to all functional departments through a well-crafted methodology. This means that each department has a clear divisional plan, which is linked to the corporate plan outlining each unique contribution to achieve our Vision. This process is key in our implementation plan and allows for easy reviews to track progress in each unit toward our strategic vision.

Strategic Themes

Strategic theme 1: We attract the best

This theme highlights and captures the importance and role of NamWater's employees. The intent and purpose of this theme expresses the crucial need of having a strong and motivated workforce and the imperative to employ highly qualified individuals who share our mandate and mission. Using the shared responsibility concept in assignments, initiatives and projects, staff will become engaged and active participants in creating their futures as well as that of the Corporation, whilst at the same time building their competencies, skills and abilities that are necessary for their development.

Strategic theme 2: We grow through innovation

NamWater promotes creativity and a spirit of innovation among its employees. This mindset is geared at finding new ways of executing business processes to assist the Corporation to grow its mandate. It allows for the exploring of areas of business diversification into new products and markets.

Strategic theme 3: We care

We constantly strive to anticipate customer needs and provide solutions that are relevant prior to them even initiating such requests. This requires constant research and observation, as well as consideration of additional expectations our customers could have. In this respect we aim to create a 'wow' effect in our customer experiences.

Strategic theme 4: We secure water

NamWater remains the primary supplier of (bulk) water within Namibia. This requires that it maintains access to and secures all available sources of water within the country. NamWater has an intimate understanding of our customers' current and future demands. Through this understanding, adequate resources are mobilised to develop and operate water supply infrastructure to purify and transfer water to customers. The best environmental practices for managing the sources of water are implemented to ensure future sustainability.

Strategic theme 5: We are efficient

At NamWater, we fully appreciate the importance of water being affordable. We are aware that providing water without due regard to cost is not sustainable. It is not only our duty, but also our mandate to ensure that water remains affordable to the people of our country. We will ensure that our business processes remain efficient. Where efficiencies in cost are enabled, effectiveness in the delivery of adequate water supply is bound to follow.

The NamWater strategy consist of 34 strategic objectives and 48 strategic initiatives. Of these 48 strategic initiatives, 39 have been prioritised for immediate action and are currently in the process of execution.

Performance on NamWater's Strategy

Strategic performance is continuously tracked through strategy objective behaviour measured against set targets, as well progress with the implementation of prioritised strategic initiatives.

Summary of progress with Strategic Initiatives

During the year under review, tracking precise progress per strategic initiative and expressing it as a percentage of progress proved to be challenging. This was due to the fact that the Corporation was in a transitional process of streamlining the corporate strategy for an implementation period of two years.

Status with strategic initiatives were expressed in colour coding, which is a Balanced Scorecard best practice. For reporting purposes, the following colour coding is used.

Performance indicator guidelines	Colour Code
On target for the quarter	
At risk	
Attention required	
Not started yet	

During the period under review, NamWater achieved the following performance against strategic initiatives:

Table 4: Progress with Strategic Initiatives

Number of Strategic Initiatives	Progress															
	Attention required				At risk				On target				Not started			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
48	12	14	21	19	12	13	8	7	15	11	11	16	9	10	8	9
% progress	25%	29%	44%	39%	25%	27%	17%	15%	31%	23%	23%	33%	19%	21%	17%	19%

The graph below depicts the status with execution of strategic initiatives or projects.

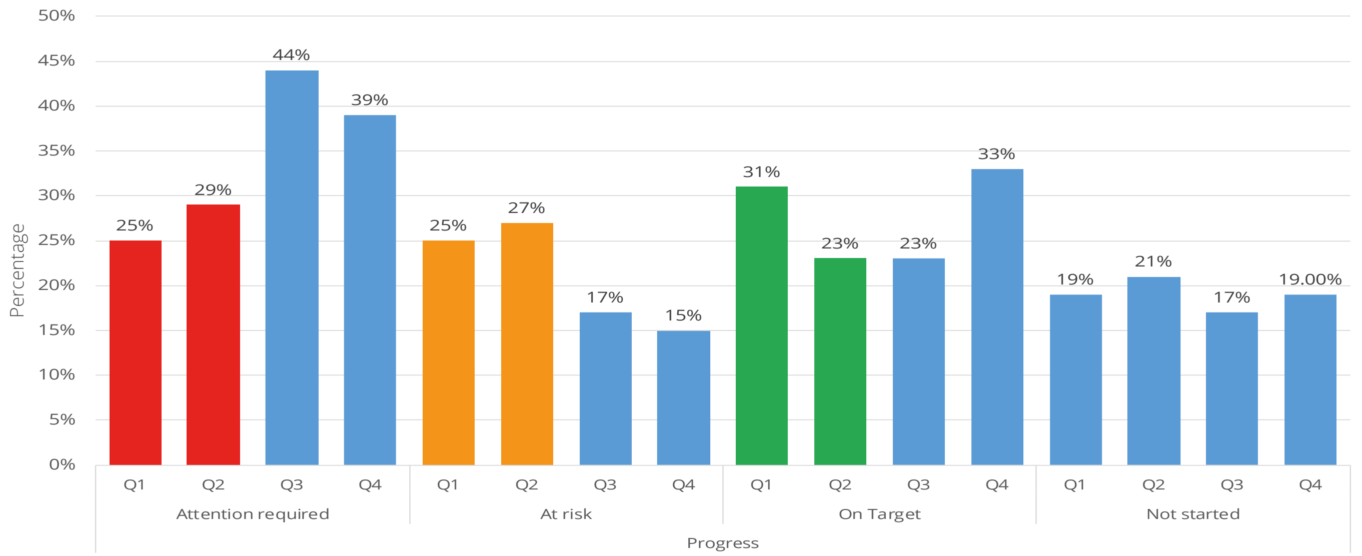
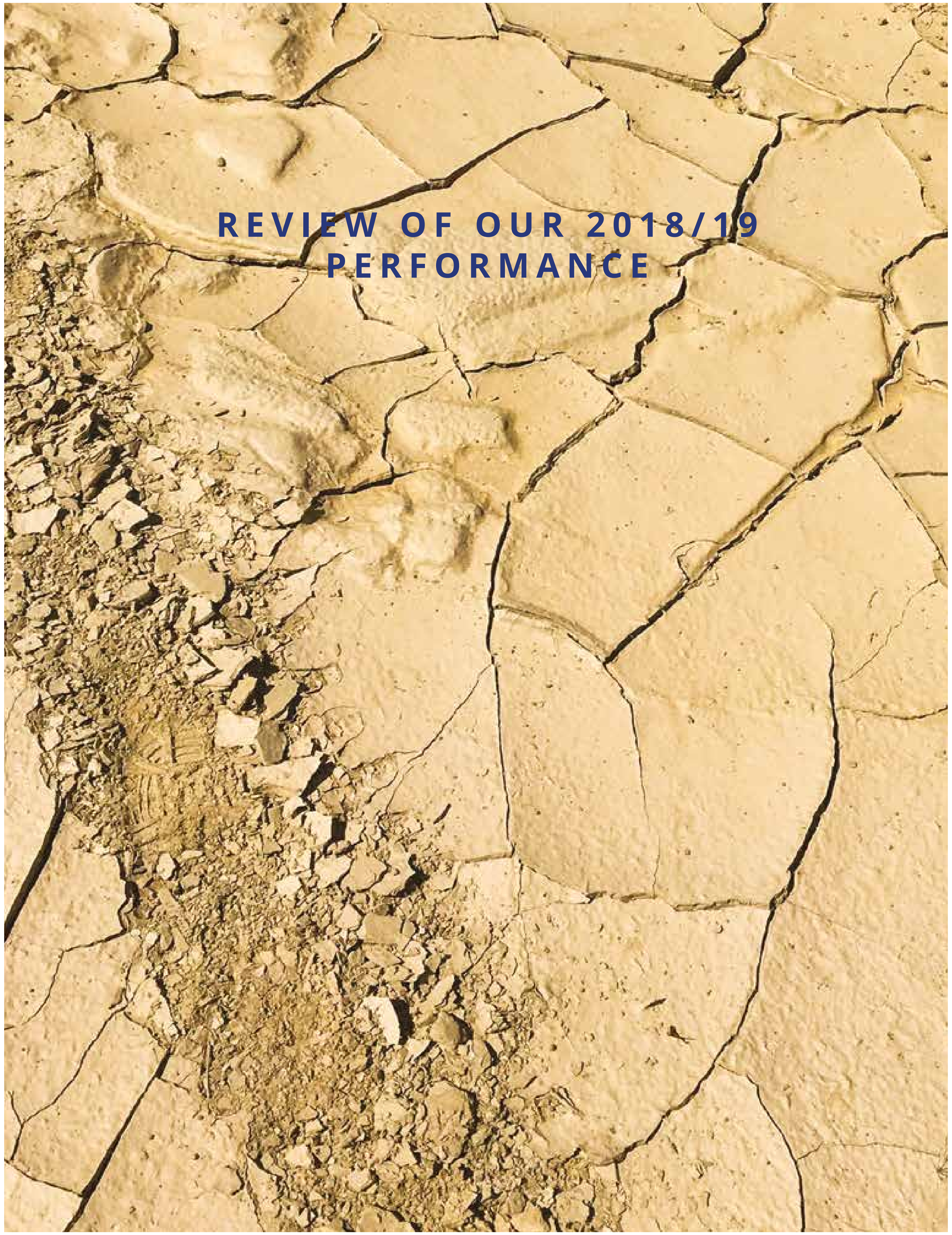


Figure 2: Progress with Execution of Strategic Initiatives

The execution rate for projects was impacted upon because of re-advertisement of a number of projects based on the availability of service providers and or inefficient number quoted. The newly enacted procurement system was also introduced and the company had to realign towards the new procedures which impacted on project execution time.

As NamWater strives to be a learning organisation at all times, the Corporation embarked upon an improvement initiative in terms of its strategy management process. The objective was to identify areas of ineffective strategy implementation and develop effective monitoring and evaluation frameworks. To this end a review of the 2015-2019 strategy took place with the aim of streamlining and reducing the areas of focus so as to prioritise key areas.



Review: Financial **Activities**

As a commercialised entity, the volume of water sold directly impacts on NamWater's financial situation.

Water Sold and Revenue Generated

During the reporting year, the volume of potable water sold decreased by 1.2 per cent compared with the previous financial year, while revenue derived from the sale of potable water increased by 4.3 per cent.

Further, although the Corporation sold 2.9 per cent less irrigation water, revenue from the sale of irrigation water increased by 2.4 per cent.

Overall, these changes resulted in an increase of 4.3 per cent in total revenue, compared to the previous period. The increase in sales revenue is mainly attributed to an increase in the annual tariff increment.

The Central Region was the largest supply area by volume, comprising about 33 per cent of the Corporation's supply volumes. The central region also contributed the highest revenues, accounting for about 40 per cent of total revenues, followed closely by the Northern Area with 28 per cent.

WATER SOLD IN TOTAL - VOLUME AND VALUE

Table 5: Comparison of Volume of Water Sold (m^3): 2017/18 and 2018/19

Description	FY 2018/19	FY 2017/18	Variation
Potable Water	81,120,492	90,513,262	-9,392,769
Irrigation Water	52,013,245	54,826,022	-2,812,776
Total	**133,133,737**	**145,339,284**	**-12,205,546**

Table 6: Comparison of Revenue from Water Sold (N$'000): 2017/18 and 2018/19

Description	FY 2018/19	FY 2017/18	Variation
Potable Water	1,135,332	1,197,642	-62,310
Irrigation Water	16,124	15,748	376
Total	**1,151,456**	**1,213,390**	**-61,934**

WATER SOLD PER REGION - VOLUME AND VALUE

Table 7: Water Supply by Volume (m³): 2018/19

Business Unit Region	Sales	%
Central	26,769,762	33.0%
North	24,336,147	30.0%
Coastal	20,685,725	25.5%
South	9,328,858	11.5%
Total	**81,120,492**	**100%**

Figure 3: Water Supply by Volume

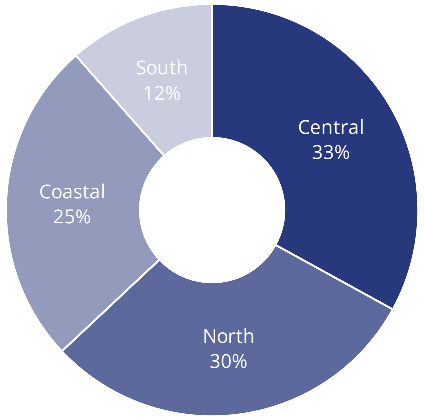
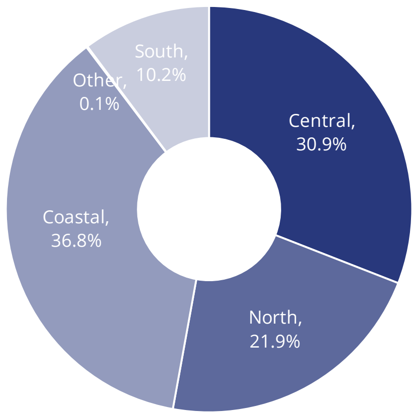


Table 8: Water Supply by Revenue (N$'000): 2018/19

Business Unit Region	Sales	%
Central	502,591	30.9%
North	356,116	21.9%
Coastal	598,093	36.8%
South	165,826	10.2%
Others	2,017	0.1%
Total	**1,624,645**	**100%**

Figure 4: Water Supply by Value



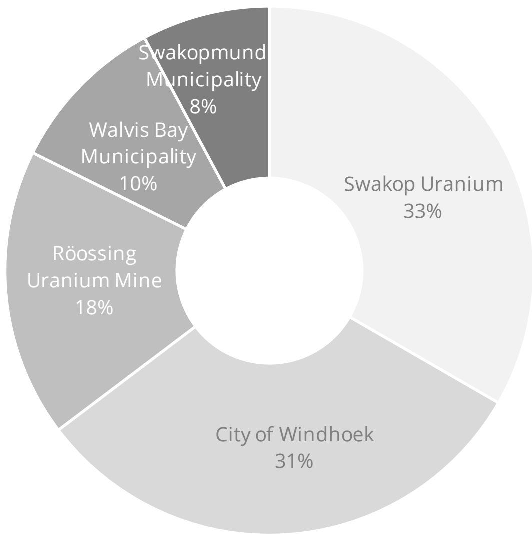
Revenue from Top Five Customers

NamWater's top five customers account for over 40 per cent of the Corporation's total revenue. These top customers, listed in order of contribution to NamWater's total revenue, are shown in the table below:

Table 9: NamWater's top five contributors to revenue

Customer	Amount in N$	% of total revenue
Swakop Uranium	368,677,531	17%
City of Windhoek	348,026,340	16%
Rössing Uranium Mine	197,799,742	9%
Walvis Bay Municipality	102,038,772	5%
Swakopmund Municipality	88,358,309	4%

Figure 5: NamWater's Top Five Customers



Cash Flow

During the reporting period, the Corporation generated N$378 million from operations, compared to N$353 million during the previous financial year.

The cash generated from investing activities amounts to N$286 million compared to N$762 million in the previous financial year, while the net cash from financing activities totalled to N$110 million during the period, compared with N$469 million during the previous financial year.

Importantly, as we look at the sustainability of water supply infrastructure, it is clear that the amount needed for the refurbishment of infrastructure over the next few years will exceed the amount generated internally from cash-flows.

The Corporation will continue to explore possibilities for additional capital grants from the central government (through negotiations with the Line Minister) in order to improve the capacity to access external loans to execute the required capital projects.

Debtors

The economic headwinds experienced in the country has not isolated NamWater, as the average collection rate of the Corporation has been firming at 76 per cent for the year ended 31 March 2019 compared with 75 per cent in the prior year.

The debtors increased from N$840 million in the previous reporting year to N$933 million in the current one, averaging an increase of 11 per cent. The increase in debtors were primarily informed by specific customer specific events over and above the tariff increases. The net trade debtors, however, increased by 68 per cent to N$312 million. The increase is primarily caused by the changes in the valuation model applied due to the introduction of the IFRS 9 methodology to valuate these financial assets.

Efforts to continue improve the collection rates from customers continued during the reporting year. These included the transition of local authorities to bulk prepaid systems, among others. It is envisaged that the Government would consider reviewing mechanisms to improve the management of local authorities, as these pose a financial-sustainability risk to the longevity of the Corporation.

Suppliers

The Corporation continued to service debts to its suppliers within the agreed credit terms. A significant portion of the Corporation's expenditure is made up of energy-related expenses payable to utility companies. The top ten suppliers (in terms of N$ value) for the period under review are captured in the table below.

Table 10: Top ten suppliers to NamWater, for the financial year ending March 2019

Nr.	Supplier	Nature of the product supplied	Amount (N$)
1	Orano Mining Namibia (Pty) Ltd	Desalinated Water	440,636,987
2	NamPower	Electricity	182,324,439
3	Erongo Red (Pty) Ltd	Electricity	81,394,115
4	Receiver of Revenue	Payment of Income Tax & PAYE	73,902,930
5	Cenored	Electricity	45,962,389
6	Nored Electricity (Pty) Ltd	Electricity	37,108,254
7	Aqua Services & Engineering	Water Treatment Chemicals	34,643,381
8	Naco Engineering Namibia (Pty) Ltd	Contracting Services	14,402,345
9	Valco Sales & Service	Pipes & Fittings	14,426,377
10	Oshakati Premier Electric	Electricity	13,923,274
Total			**938,724,495**

As is evident, a significant portion of the Corporation's expenditure is made up of energy-related expenses payable to utility companies.

Investment

The Corporation continues to find value in investing some surplus funds in interest bearing instruments, in order to maximise potential returns on funding required for water supply infrastructure development. The net income earned by the Corporation on its investments indicates consistently higher performance against the monthly Consumer Price Index (CPI).

Taxation

Due to the nature of the infrastructure of the Corporation, the Corporation's effective tax rate will almost be above the corporate tax rate. Without large infrastructure replacements, the Corporation will be liable for tax, even in the years that the Corporation made losses. The Corporation has not yet managed to get the legislation put in place for tax exemption. As at 31 March 2019, the Corporation had a total of N$1 billion in deferred taxation and was liable to pay N$32 million in corporate tax.

Tariffs

The approval of tariffs at adequate levels and on time remains a key success factor for the Corporation. NamWater's target is that longer term tariffs will be approved at sustainable levels, taking cognisance of the capital development programme, which is key in transitioning NamWater from the current aged infrastructure.

The tariffs for the year were implemented on 1 November 2018 (in the previous year the new tariffs were implemented on 1 June 2017) owing to the late approval of tariffs by Cabinet. Although the increase of 11 per cent was approved, full cost recovery is not achieved as the tariffs do not cover the full cost of replacing water supply infrastructure.

INFRASTRUCTURAL PROJECTS

Pipeline between Wlotzkasbaken and Swakopmund in construction.

Review: Infrastructural **Projects**

Water and wastewater systems are vital to any nation's public health, protecting the environment, and supporting economic activities. However, many of Namibia's drinking water and wastewater infrastructure are at, or near, the end of their useful life.

Thus, continuous maintenance, replacement and/or upgrading of the deteriorating water infrastructure is a vital part of NamWater's operational activities. This requires thoughtful, comprehensive and systematic planning to undertake water-infrastructure improvement projects, rather than launching projects arbitrarily.

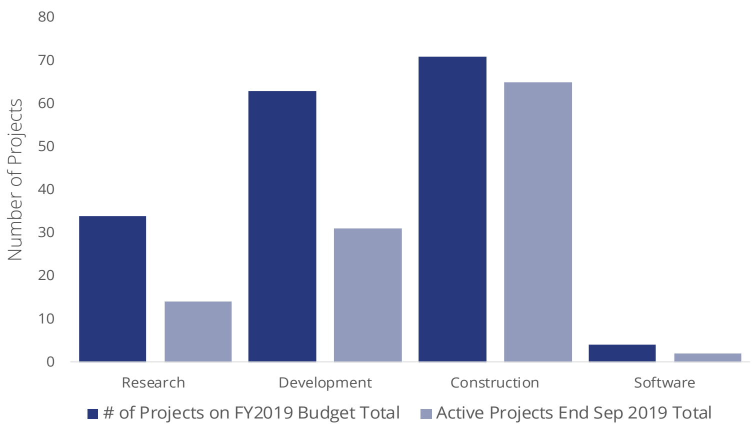
To ensure that the Corporation's current service remains sustainable and able to support the economic development of the country, NamWater executed a number of water infrastructure projects during the reporting year. This report focuses on projects that have been executed with a value above N$10 million.

The Corporation executes its projects based on different phases being the research, development and construction phases. During the period under review the following number of projects were on the capital development plan:

Aussenkehr Town New Scheme

The civil works for a river abstraction pump station, raw-water and clear water pipelines, water treatment plant, base and intermediate pump stations, intermediate reservoir and operators housing were finalised during FY2018. Final design and installation of the mechanical and electrical works commenced in FY2018 and was completed in FY2019. The capital cost of the entire works amounts to N$86.7 million.

Figure 6: Infrastructural Projects Total and Active: 2018/19



Kombat Scheme Upgrade

The Kombat boreholes abstract water from the disused Kombat mine and are an important water source for the Central Area of Namibia, particularly during times of drought when surface water sources cannot fully meet the demand of the area. The boreholes fed into an old steel line, which had reached the end of its life. The construction of a new 1.75 kilometre long pipeline section between the boreholes and booster pump station at Kombat was therefore necessary and construction commenced during FY2018. The work was completed early in FY2019 at a total capital cost N$14.6 million.

Neckartal Dam in construction.

Rössing Reservoirs Rehabilitation

Two of the three ground reservoirs developed by Rössing Uranium to supply Arandis with water were leaking and needed refurbishment. This refurbishment work commenced in FY2018 and was completed early in FY2019 at a total capital cost amounting to N$12.7 million.

Rundu Extension

Rapid population growth and a subsequent increase in water demand required that the supply scheme at Rundu had to be extended. This will involve increased abstraction, conveyance, treatment and storage capacity. As a first step, the construction of two reservoirs with 6,000 m^3 and 12,000 m^3 capacity at Rundu and N'Karapamwe, respectively as well as the installation of bulk prepaid water meters, was undertaken. During FY2018 the 12,000 m^3 reservoir at N'karapamwe and the prepaid water meter system was finalised at a capital cost of N$32.6 million. The 6,000 m^3 reservoir as well as refurbishment work on existing reservoirs at Rundu was completed during FY2019 at cost of N$21.3 million.

Projects of significance which were under design or construction during the review period included:

Berg Aukas Power Supply Upgrade

Similar to the situation with the Kombat mine, groundwater from the Berg Aukas mine is an important water source during times when surface water sources cannot fully meet the water demand of the Central Area of Namibia.

The pumping installations at the mine are subject to power-supply fluctuations which affect the reliability of supply from this source. During FY2019, considerable data on power quality was collected under various operating conditions of the pump station and suppliers of voltage regulation equipment were requested to undertake designs and costing of this equipment. Procurement and installation of this equipment is to take place in FY2020.

Calueque Pump Station Upgrade

A new pump station to supply water to the Calueque-Oshakati canal is a matter of urgency. A temporary power supply to this pump station was completed in FY2019, with commissioning of the pump station planned during FY2020.

Eenhana Storage Extension

The demand of Eenhana Town has grown over the years and the existing bulk clearwater storage is inadequate. A new 5,000 m^3 concrete reservoir must be constructed. During FY2019, a contractor to undertake this work was procured and construction has commenced. The estimated cost of this reservoir amounts to N$14.3 million.

Eenhana Water Treatment

A contractor was appointed in FY2019 to design and construct a defluoridation plant to treat borehole water to a potable standard. The plant is expected to be installed in FY2020.

Olushandja Dam

Construction of Wlotzkasbaken-Swakopmund pipeline.

Construction of a new reservoir at Hardap Dam.

Kalkfeld Extension

Construction of a pipeline connecting boreholes on farm Rodenhof to the ground reservoir at Kalkfeld is nearly complete. The bulk power supply to these boreholes, as well as the installation and connection of the boreholes, was completed in FY2019. The estimated capital cost amounts to N$12 million. Commissioning of the new scheme will be undertaken during FY2020.

Kalkrand Upgrade

Replacement of a 10-kilometre long portion of the pipeline between the boreholes in the Fish River and the terminal elevated tank in Kalkrand has become necessary due to frequent pipe breaks. Construction commenced during FY2019 and will continue into FY2020. The cost is estimated at N$11.8 million.

Katjinakatji Water Supply

Water supply to this settlement is inadequate and NamWater was requested by the Kavango Regional Council to improve the situation. After some preliminary planning and hydrogeological work, six boreholes were drilled and pump tested near the settlement in FY2018. Adequate amounts of water were found; however, it was of poor quality. Installation of selected boreholes of better quality is planned for FY2020, with the intention being to bring relief to the inhabitants there.

Kombat Power Supply Upgrade

Similar to the situation with the Berg Aukas mine, the pumping installations at the Kombat mine are subject to power supply fluctuations which affect the reliability of supply from this source. After collection of data on power quality under various operating conditions of the pump station, suppliers of voltage regulation equipment were requested to undertake designs and costing of this equipment. Procurement and installation of this equipment is set to take place in FY2020.

Kuiseb Collector 2-Schwarzekuppe-Swakopmund Pipeline Replacement

In order to ensure continued water supply to Walvis Bay and Swakopmund from the wellfields in the lower Kuiseb River, the entire pipeline from the Collector 2 Reservoir in the Kuiseb to the Base Reservoirs at Swakopmund needs to be replaced. Laying of the highest priority pipeline sections commenced in FY2018, continued during FY2019 and will be completed in FY2020. The total estimated cost for this work is N$73.4 million. Thereafter, replacing the next highest priority sections will commence in FY2020.

Kuiseb Delta New Scheme

During the 2011 floods, several boreholes in the Dorob South Aquifer of the Kuiseb River were covered with sand and mud and had to be replaced. Furthermore, recent groundwater modelling has indicated that more water can be abstracted from the Dorob South Area. Drilling of additional and replacement boreholes was completed in FY2018. In FY2019, this was followed by an assessment of the yields of the new boreholes and planning work on which boreholes need to be incorporated into the new scheme. In FY2020, this will be followed by the preliminary design of and Environmental Impact Assessment for a new scheme connecting these boreholes to the Mile 7 reservoir.

Von Bach Dam.

Construction of Swakopmund-Langer Heinrich mine pipeline.

Ogongo-Oshakati Pipeline Replacement
The pipeline bringing water from the Ogongo Water Treatment Plant to the rural area between the plant and Oshakati has reached the end of its economic life and needs to be replaced. Preliminary design and environmental work was undertaken and environmental clearance obtained. The sizing of the line was finalised in FY2019 and construction can now commence in FY2020.

Ogongo Purification Plant Upgrade
To ensure the security of water supply to the Omusati and Oshana regions, design and construction work on the upgrade to this plant continued. The civil work and the first commissioning of the MandE work on the raw-water pump station was completed in FY2019. The design of the coagulant dosing systems was in progress during FY2019. The lime dosing system was installed in FY2019 with commissioning to take place in FY2020. The online instrumentation for the chlorination system is being procured for installation in FY2020. One of the six sand filters was changed to automatic backwash and successfully commissioned. The other five filters are planned to be converted similarly in FY2020. Refurbishment of the clarifiers was also completed in FY2019. The total cost of the upgrades is estimated at N$29.8 million.

Omdel Long Term Utilisation Phase 5
To improve the operational efficiency of the scheme, the outdated borehole installations will be upgraded and equipped with a remote monitoring and control system at an estimated cost of N$10.9 million. Work continued during FY2019 with the installation of new pipework, flow meters, switchboards, instrumentation and telemetry. In FY2020 some pumps will be replaced to deliver the latest recommended abstraction rates.

Oshakati Purification Plant Extension
The demand on the Oshakati Purification Plant has reached its design capacity and the plant needs to be extended. The tender for the appointment of a consultant to undertake the concept design, preliminary design, final design and tender preparation for extending the plant was compiled in FY2019. The design will commence in FY2020 at an estimated cost of N$20 million.

Outapi Storage Extension
The town of Outapi has been growing rapidly over the past few years. As a result, the available clear water storage capacity became insufficient and had to be extended. The construction of a new 5,000 m^3 ground-level concrete reservoir continued during FY2019 at an estimated capital cost of N$17.8 million, but could not be completed due to challenges faced by the contractor. Completion is expected early in FY2020.

Pump Stations Critical Upgrades
The mechanical and electrical equipment at 48 pump stations has reached the end of its economic life and needs to be replaced. Work on the Oshakati transfer pump station was completed. Design and installation work continued in FY2019 on the following pump stations: Olushandja, Ombalantu, Oshakati, Oshakati-Ondangwa old, Onayena, Otjihase and Koichab-Lüderitz. This project is expected to continue over several years at an estimated cost of N$108.9 million.

Prepaid Meter Installations
Preliminary designs commenced in FY2019 for bulk pre-paid water meter installations at Berseba, Bukalo, Gibeon, Keetmanshoop, Khorixas, Maltahöhe, Okakarara, Otavi, Stampriet, Tses and Witvlei. Construction is planned to commence in FY2020.

Rundu Incline and Tower Pumps Capacity Upgrade
The water demand of Rundu Town and suburbs has reached the end of supply capacity of the bulk water scheme. Measures to increase the water supply capacity have been identified and involve upgrades to the raw-water pumping system from the Kavango River to the two treatment sites at Rundu and N'karapamwe respectively. During FY2019, most MandE equipment was procured and installation is to be completed in FY2020.

Swakopmund Base Reservoir Rehabilitation
The contractor for the refurbishment work was appointed and the site handed over in FY2019. Rehabilitation is expected to be completed in FY2020 at an estimated cost of N$10.5 million.

Swakopmund-Rössing Upgrade
Replacement of all aged MandE pumping equipment at the four pump stations to reinstate the production capacity of the scheme to 7.5 Mm3/a continued during FY2019. All pumps and electrical motors have been replaced, and VSDs and harmonic filters were installed. Isolator panels at the harmonic filters are to be installed in FY2020. Installation of non-return valves and isolation valves is completed, but manholes must still be rehabilitated. Painting of the pump stations will be done in FY2020.

Von Bach Dam Sluices and Other Equipment
The mechanical and electrical equipment at the dam wall was found to require rehabilitation and replacement. During FY2018, all pipework and valves in the abstraction structure and interconnection manhole were replaced. Furthermore, the corrosion protection, replacement of cables and rehabilitation of bearings of one sluice gate was completed. Work on the second sluice gate was completed during FY2019 with one bearing to be replaced early in FY2020. The overall cost is estimated at N$38.5 million.

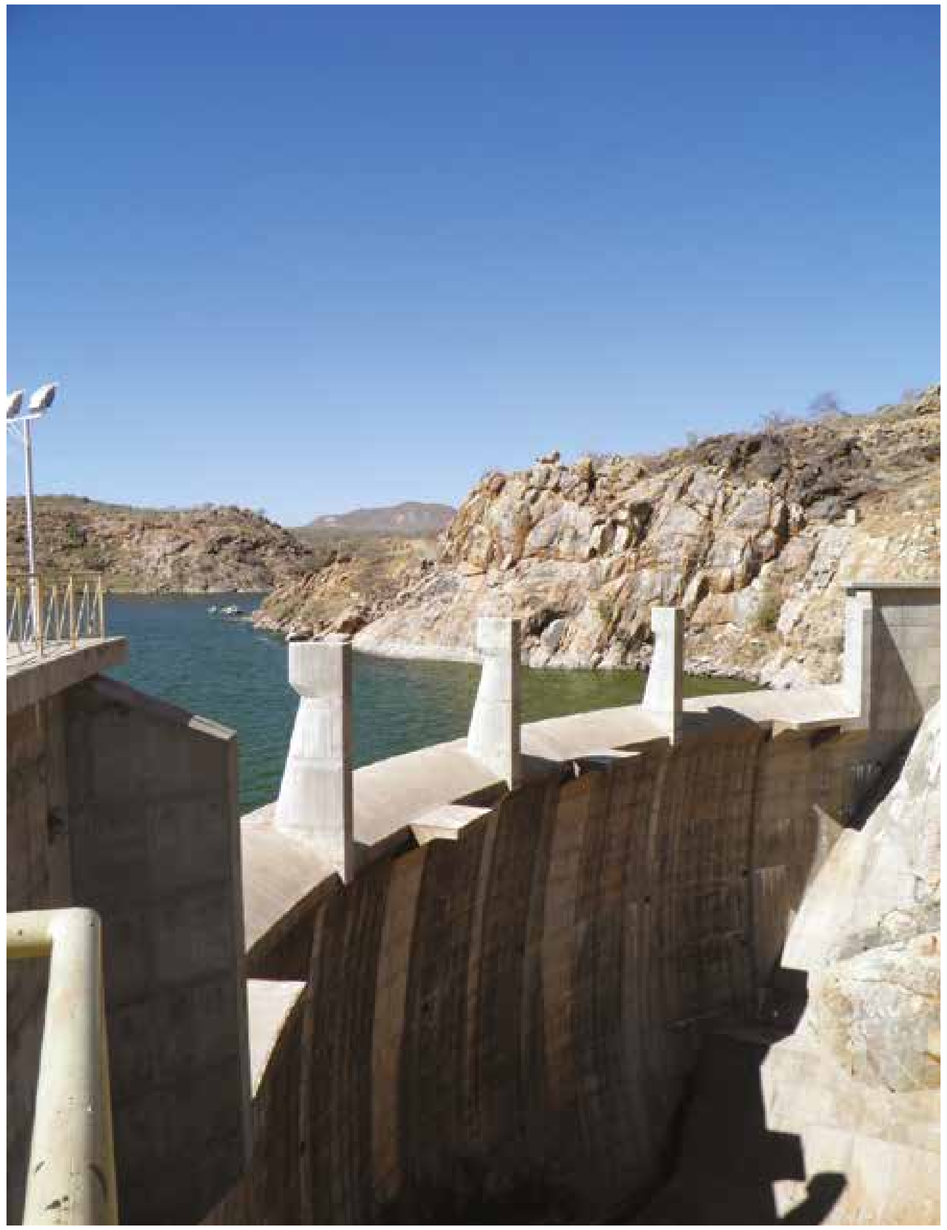
Planning and investigation projects of significance which were under execution and/or completed during the review period:

Braunfels-Khorixas Pipeline Replacement
A consultant was appointed in FY2019 to undertake a planning investigation into water demands, groundwater sources, pipeline adequacy and need for possible replacement. The work will be completed in FY2020.

Buinja Scheme Extension
Planning work on extending this scheme commenced during FY2018 and was completed in FY2019. The report recommends drilling four additional boreholes and rehabilitation of existing borehole WW25536, installing a 490 m^3 ground reservoir, and a 155 m^3 transfer tower for boosting the water pressure into the reticulation system at an estimated cost of N$17.5 million.

Central Area Medium Term Supply Alternatives
Consultants were appointed in FY2019 to investigate water sources which can be developed to supply the Central Area in the medium term, until such time as a long-term source and associated infrastructure is developed. The final draft report of Phase 1 of the study has been completed. Phase 2 is expected to be completed in FY2020.

Central Coast Desalination Plant
A feasibility study undertaken by engineering consultants on bringing desalinated water to the coastal and central areas commenced in FY2019 after the financing agreement between KfW and the Namibian Government/NamWater was concluded. The study is scheduled to be completed in FY2020.



Swakoppoort Dam

Central North Master Water Plan Update
The financing agreement between KfW and the Namibian Government was drawn up in FY2019. Once the agreement is signed and tender documents have been prepared, a consultant will be appointed in FY2020.

Kapako Scheme Upgrade and Extension
A consultant was appointed in FY2019 to undertake a development proposal tasked with investigating water demands, scheme component adequacy and, where necessary, make proposals for the upgrading and extending of the scheme. The work commenced in FY2019 and will be completed in FY2020.

Kayengona Water Supply
A consultant was appointed in FY2019 to prepare a development proposal with the request to investigate and determine the cost of several sources to bring water into the area. During FY2019, the situation assessment and water demand analyses were done. The various water supply options are to be investigated and costed in FY2020.

Karasburg Water Supply Extension
Additional sources are required to ensure adequate water supply to the town. During FY2018, a geohydrological study was undertaken to identify target areas for drilling of boreholes. This was followed up with further planning work and a draft report was completed in FY2019, to be finalised in FY2020.

Karibib New Reservoir
The planning work on the sizing of a new reservoir to ensure two-day clearwater storage for the town was finalised during FY2019. It recommends the construction of a new 2,800 m^3 concrete ground reservoir at an estimated cost of N$9.4 million.

Mamono Upgrade
The planning investigation including a water demand and infrastructure sufficiency analysis, followed by proposals and establishing the associated cost to fund the upgrade. The scheme commenced in FY2019 and will be finalised during FY2020.

Nei-Neis – Uis Upgrade
A development proposal for the augmentation of the groundwater sources and upgrading of the scheme control system was undertaken. The resulting report proposes that water demand management in town be instituted to address losses and wastage. Moreover, it recommends that existing boreholes be rehabilitated and new boreholes installed and connected to the existing scheme, water treatment and effluent disposal be done, and that the existing control and telemetry system be upgraded. The report is to be finalised in FY2020.

Olushandja Purification Plant Replacement
A consultant was appointed in FY2019 to carry out a condition and sufficiency assessment of the water treatment plant and to make proposals for the possible replacement of the plant. The first draft report was delivered in FY2019 and will be finalised during FY2020.

Omafo-Eenhana Extension
A consultant was appointed in FY2019 to undertake planning work investigating the water demand and supply situation regarding consumers supplied from the scheme. Various options to bring additional water into the area will be investigated. The first draft report was completed in FY2019 and will be finalised during FY2020.

Omafo-Omungwelume Scheme Upgrade
A consultant was appointed in FY2019 to compile a development proposal, including water demand analyses and projections, evaluation of adequacy of scheme components and proposals to upgrade the scheme. Work commenced during FY2019 and will be finalised during FY2020.

Omakango-Onambutu Scheme Upgrade
A consultant was appointed in FY2019 to investigate the water demands and determine the pipeline adequacy. Proposals for scheme upgrades were to be made and cost. The first draft report was completed in FY2019 and will be finalised in FY2020.

Opuwo Scheme Extension
A consultant was appointed in FY2019 to investigate water demands and determine the condition and sufficiency of the scheme, followed by proposals to extend and upgrade the scheme. Due to challenges experienced, the contract was cancelled and no further work was done.

Ovitoto Extension
A consultant was appointed in FY2019 to investigate additional groundwater sources and an extension of the scheme. The draft report was received in FY2019 and commented on for completion in FY2020.

Pilot Desalination Plant with Renewable Energy
Grant funding has been received from the Adaptation Fund to proceed with pilot plant studies at Bethanie and Grünau. Two desalination plants driven by wind and solar are to be established with testing following thereafter. Engineering consultants were appointed in FY2019 to undertake concept-, preliminary- and final designs. In FY2019, concept designs were developed and various options costed out. The preliminary and final designs, as well as the environmental impact assessment, are to be completed in FY2020.

Von Bach-Windhoek Brakwater Reservoir
A consultant was appointed during FY2019 to size an envisaged groundwater reservoir to the north of Windhoek. Working is ongoing and is scheduled to be completed in FY2020.

Waterberg Water Supply Optimisation
The need to make better use of the available sources to the Waterberg supply area requires a planning investigation to determine ways to optimise the use of these sources. This investigation continued and was concluded in FY2019.

Ruacana Tailrace Emergency Water Supply
An investigation into supplying water to the Central North areas from the Kunene River at Ruacana commenced during FY2018. The purpose is to determine the infrastructure required and the cost thereof to continue supply, should supply from Calueque be disrupted. The planning was expected to be completed during FY2019, but due to challenges with the consultant, the contract will be cancelled.

Sambiu Upgrade
Work on a development proposal for upgrading the water supply scheme was to be completed by a consultant in FY2019. Due to challenges with the consultant, the contract will be cancelled.

Neckartal Dam in construction.

OPERATIONAL CAPITAL

Review: Our Water **Supply Operations**

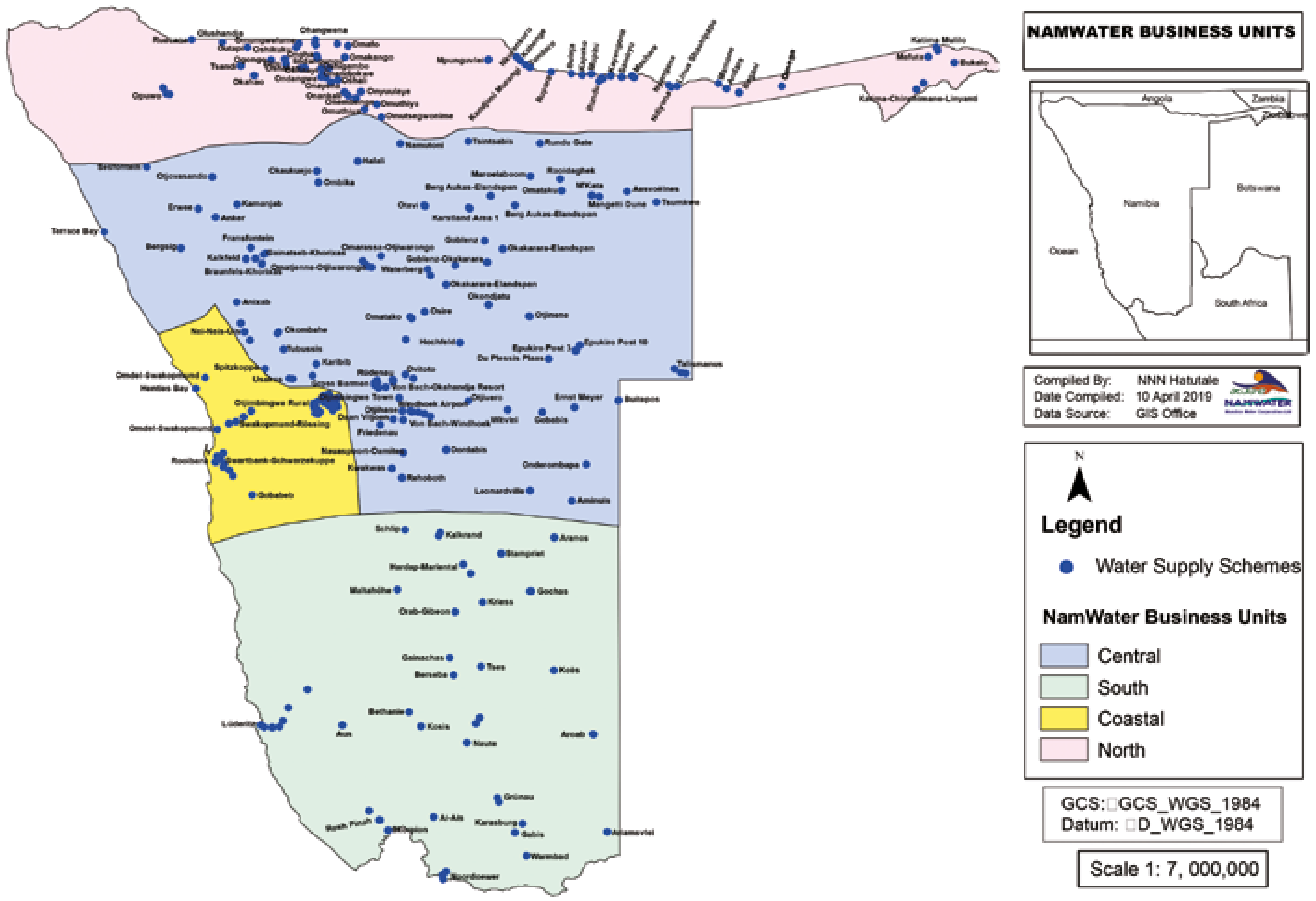
NamWater is responsible for the supply of bulk water to municipalities, village councils and local authorities, as well as mines and individual customers that are growing in demand. The demand for water supply has grown exponentially over time with the increased urbanisation, industrial development and requirements for access to water supply in all parts of the country.

As the nation develops, the demand creates a strain on all water sources, both under and above ground. It is therefore important to enhance the efficiency of our operations.

WATER SUPPLY OPERATIONAL AREAS

NamWater's operational areas are divided into four business units, namely Business Unit Central, North, South and Coastal, as depicted below.

Figure 7: NamWater's Business Units



Business Unit Central includes all Water Supply Schemes (WSS) from Terrace Bay in the west to Tsumkwe in the east, and from Tsinstabis in the north to Leonardville in the south. It is head-quartered in Okahandja and the water supply schemes are distributed in Khomas, Otjozondjupa, Omaheke, partly in Oshikoto, partly in the Kunene and partly in the Erongo Region.

Business Unit North includes all WSS in the Zambezi, Kavango East, Kavango West, Oshana, Oshikoto, Omusati and Kunene regions. Its head-quarters is in Oshakati, which is in the Cuvelai East area.

Business Unit South spans from Schlip to the east and west and south of Namibia as depicted in the figure below. The main office is situated in Keetmanshoop. Water supply schemes in the south are distributed in a radius of 300 to 400 kilometres around Keetmanshoop.

Business Unit Coastal is situated on the west coast of Namibia, extending from the Ugab River in the north to the Kuiseb River in the south and Rössing to east. The coastal water supply system is regarded as an integrated system with shared sources and infrastructure.

WATER SUPPLY SOURCES AND CUSTOMERS

The table below depicts the water supply sources and customers.

Table 11: Water Supply Sources and Customers

Types of Supply	BU Central	BU Coastal	BU North	BU South
Total # of Schemes (Irrigation Water)	2	0	4	2
Total # of Schemes (Potable Water)	87	4	85	3
Categories of Clients	**BU Central**	**BU Coastal**	**BU North**	**BU South**
# of Schemes supplying to Municipalities	4	3	0	2
# of Schemes supplying to Town Councils	6	0	17	3
# of Schemes supplying to Village Councils	6	0	10	10
# of Schemes supplying to Settlements	37	1	8	10
# of Schemes supplying to Mines	4	1	0	3
# of Schemes supplying to NWR	9	0	0	1
# of Schemes supplying to Border Posts	2	0	6	1
# of Schemes supplying to Individuals	4	0	80	0
Sources of Supply	**BU Central**	**BU Coastal**	**BU North**	**BU South**
# of Schemes supplying from Dams	7	0	0	4
# of Schemes supplying from Boreholes	63	3	16	21
# of Schemes supplying from Rivers	0	0	13	5
# of Schemes supplying from Desalination Plants	0	1	0	0

Table 12: Water Supply Sources: Other Relevant Data

Other Relevant data	BU Central	BU Coastal	BU North	BU South
# of Boreholes	297	110	31	94
# of Reservoirs	129	15	75	64
Distance of Pipelines (km)	4,262	420	1,346 (bulk) + 5,445 (rural reticulation)	550

MEETING WATER DEMAND

The demand for water continues to increase over time with various areas of the country under suppressed demand. During the period under review, NamWater produced 89,400,147 m^3 of water for domestic use and 53,254,935 m^3 for irrigation.

This is a 1.2 per cent decrease compared to the previous year. The table below depicts the variation in water production for domestic and irrigation use during the period under review. The production of potable water reduced due to the reduction in the sales of volumes of water to the City of Windhoek.

During the period under review the Central area of Namibia and Central Northern areas received the biggest supply as compared to the Coastal and Southern area. This is highly dependent on the increasing demand for water within these areas.

Table 13: Water Demand by Type (M³): 2017/18 & 2018/19

Description	FY 2018/19	FY 2017/18	Variation M³	% Variation
Potable Water (m^3)	89,400,147	90,513,262	-1,113,115	-1.2%
Irrigation Water (m^3)	53,254,935	54,826,022	-1,571,087	-2.9%
Total	**142,655,082**	**145,339,284**	**-2,684,202**	**-1.8%**

Table 14: Water Demand by Region (M³): 2017/18 & 2018/19

Business Unit	Sales M³	%
Central	29,627,973	33%
North	26,796,486	30%
Coastal	22,059,474	25%
South	10,871,214	12%
Total	**89,400,147**	**100%**

INFRASTRUCTURE REFURBISHMENT

Despite the fact that the infrastructure within the business units is aging as most of them were built over 30 years ago, the number of water supply interruptions remains relatively low. NamWater has implemented a project that is aimed at re-engineering enterprise asset management with an aim to improve the management of physical assets.

NamWater currently utilises the SAP Plant Maintenance (PM) module as the Computerised Maintenance Management System (CMMS) for enterprise asset management. The Plant Maintenance module assists in the planning and execution of key activities which include inspection, notifications, corrective and preventive maintenance and repairs.

The Enterprise Asset Management (EAM) team is currently updating and improving the CMMS in line with NamWater's vision to improve the availability and reliability of water supply infrastructure through proactive maintenance, based on a maintenance policy and strategy.

Maintenance of NamWater's infrastructure is an integral part of the strategic posture of the Corporation's ongoing work. The total external expenditure on maintenance for the reporting period was N$39.1 million against a budget of N$58.5 million.

During the period under review, two major maintenance projects which EAM attended to namely:

The Von Bach Dam Refurbishment

Scheduled maintenance work had to be done on the Von Bach Dam which entailed the repair of mechanical components of the dam, including the sluice gate and cranes. The maintenance work also included the restoration of electrical components, as well as the civil structure. The estimated total cost of the project is N$39 million.

The Otjituo Pipeline

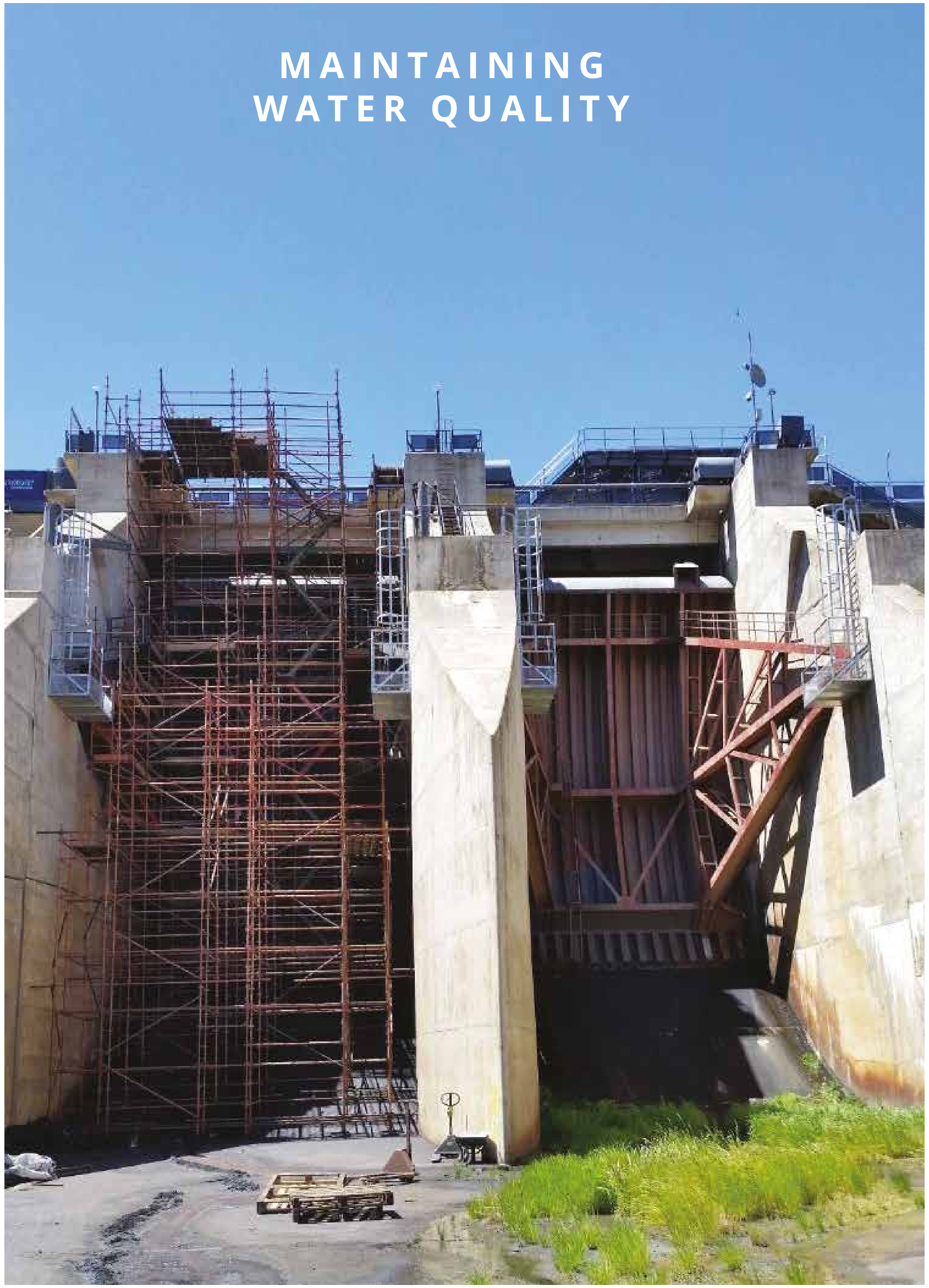
This work became necessary due to the poor condition of the pipeline, which had high water losses resulting in an undesired high rate of non-revenue water. The rehabilitation work entailed the replacement of old and malfunctioning air and scour valves. The work also entailed the rehabilitation of manholes, grading of access roads and de-bushing. The estimated total cost of the project is N$2.5 million. In terms of the impact of the project, there were 64 pipe breaks reported and repaired on this pipeline during the previous reporting year. After the repairs, there has been a drastic reduction in pipe repairs, with only two pipe repairs called out during the reporting period. The pipeline rehabilitation has also resulted in significant reductions in operational costs and non-revenue water.

Other maintenance projects done (and their progress status) are listed below.

(Above and below) Refurbishing work done on Von Bach Dam wall.

Table 15: Other Maintenance Projects Done: 2018/19

Area	Description	Cost	Status
Karas	Raw Water Pump Repairs	N$2.4 million	65%
Karas	Skorpion Pump Refurbishment	N$3.4 million	85%
Khomas	Gobabis Borehole Reinstallation	N$0.8 million	100%
Khomas	Von Bach Dam Refurbishment	N$39 million	100%
Khomas	Swakoppoort Dam Pump Refurbishment	N$0.6 million	85%
Brandberg	Goblenz Reservoir New Pipework Installation	N$48,569.00	100%
Brandberg	Otjituuo - Central Reservoir Pipeline Refurbishment	N$2.5 million	100%
Brandberg	Gen-Set Acquisition for Terrace Bay	N$2.5 million	100%
Cuvelai	Calueque Pump Refurbishment	N$2.8 million	100%
Cuvelai	Ogongo Million Pump Installation	N$1.5 million	100%



Von Bach Dam gates.

NATURAL RESOURCES CAPITAL

Review: Maintaining **Water Quality**

NamWater utilises the Namibian Guidelines for the Evaluation of Drinking Water for Human Consumption with regards to the Physical, Chemical and Bacteriological Water Quality Standards, which is based on the World Health Organisation (WHO) standards.

In this document, Group A water is defined as water of an excellent quality, Group B as water of good quality, and Group C as water with a low health risk.

Due to the costs of removal of some inorganic determinants, NamWater strives to provide at least Group B water in terms of physical water quality, and Group A water in terms of bacteriological and chemical water quality.

To this end, 2,620 bacteriological water samples were analysed during the reporting year. Of these samples, 147 or 5.61 per cent of samples did not meet targets with respect to bacteriological parameters. Where bacteriological analyses provided results other than Group A, action was immediately taken to ensure the supply of safe drinking water.

Regarding the pollution of the Swakoppoort Dam, the deteriorating water quality of the Swakoppoort dam is well known to NamWater. Due to continuous development within the Upper Swakoppoort catchment area that is influenced by both Okahandja's and Windhoek's industrial activities, the water quality of this dam continues to worsen. This dam is a major supply source to cities like Windhoek, Okahandja and Karibib, as well as the Navachab mine.

Presently, the major problem that threatens the use of the Swakoppoort Dam water, is the high algae content within the dam. This high algae content can lead to a bad smell and taste in the final water, difficulties in plant operations (due to filter clogging), and possible toxicity when the algae bursts.

DAM LEVELS

The water content of the dams on the 3 April 2018 and on 25 March 2019 is tabled on page 57.

The total volume of water in the dams across the country was 93.861Mm^3 less than the 2017/18 period, mainly as a result of the below average rainfall during the last two rainy seasons.

For the three-dams system — that is, the Omatako, Swakoppoort and Von Bach dams — that supply the City of Windhoek and online users, the water content of these dams was 13.0 per cent lower (20.213 Mm^3 less) than at the beginning of April last year. The contribution by the citizens and industries in Windhoek to achieve a 1.0 per cent saving on top of the Demand Management Strategy objective of 10 per cent has helped tremendously to ensure a continuous supply of water.

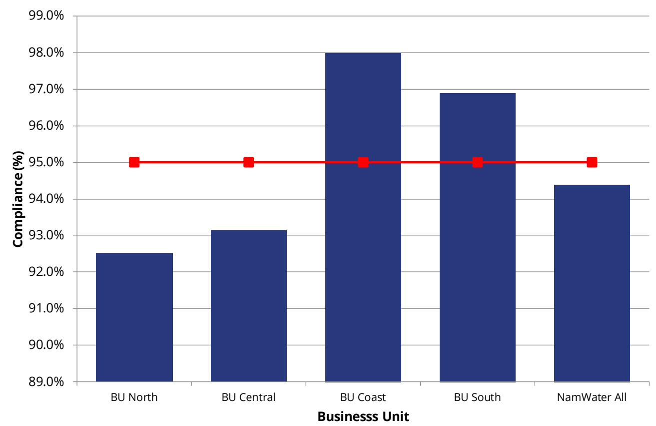


Figure 8: Water Quality Compliance

16.835

MILLION CUBIC METRE WATER
LOST DUE TO EVAPORATION

From the three dams, 16.835 Mm³ of water was lost during the year under review, due to evaporation.

Swakoppoort Dam

The dams in the southern part of Namibia have 72.810 Mm³ less water in March 2019 compared to the beginning of April 2018, while the dams in the Gobabis were 5.7 per cent lower. Compared to April 2018, the Olushandja Dam has 6.531 Mm³ less water in March 2019, while the Omaruru Delta and Omatjene dams have been empty for the past year.

The charts that are shown in the Appendix 1 depict a clearer picture of the inflows, abstractions and evaporation that are taking place at individual dams.

Table 16: Volume and Percentage content of the dams

Dam	Dam Volume (Mm³) 03/04/2018	Dam Content (%) 03/04/2018	Dam Volume (Mm³) 25/03/2019	Dam Content (%) 25/03/2019
Swakoppoort	23.342	36.8	10.700	16.9
*Von Bach	25.065	52.7	21.726	45.7
Omatako	4.336	10.0	0.104	0.2
Sub total Central	**52.743**	**34.1**	**32.530**	**21.1**
Friedenau	1.823	27.1	1.904	28.3
Goreangab	3.658	101.0	3.630	100.2
Sub total Windhoek	**5.481**	**53.0**	**5.534**	**53.5**
Sub total CAN	**58.224**	**35.3**	**38.064**	**23.1**
Otjivero Main	1.002	10.2	0.372	3.8
Otjivero Silt	0.000	0.0	0.000	0.0
Tilda Viljoen	0.418	34.2	0.051	4.2
Daan Viljoen	0.104	24.2	0.009	2.1
Sub total Gobabis	**1.524**	**7.9**	**0.432**	**2.2**
Hardap	136.829	46.4	75.624	25.7
Naute	59.395	71.1	80.857	96.7
Oanob	23.048	66.8	18.094	52.4
Dreihuk	1.251	8.1	0.138	0.9
Bondels	0.000	0.0	0.000	0.0
Sub total South	**220.523**	**51.4**	**147.713**	**40.7**
Calueque	104.496	22.0	111.228	23.4
Olushandja	12.765	30.2	6.234	14.7
Sub total North	**117.261**	**22.5**	**117.462**	**22.6**
Omaruru Delta	0.000	0.0	0.000	0.0
Omatjene	0.000	0.0	0.000	0.0
Sub total Other	**0.000**	**0.0**	**0.000**	**0.0**
Total	**397.532**	**33.9**	**303.671**	**25.9**

*Von Bach has a new Full Supply Capacity from 48.56 to 47.525 Mm³ since 18/04/2017

LEVEL OF RISK: SUPPLY AND DEMAND PROJECTIONS

The water supply and demand projections from all sources are based on the norm that available water reserves should be adequate to supply water for a period that will bridge two rainy seasons, i.e. no augmentation of the sources before April 2021. It is important to note that the security of water supply for the medium term, i.e. longer than 5 years, is not addressed in the period under review.

To add value to this outlook, schemes which are affected by compromised or insufficient infrastructure, are also identified and mitigation measures to address the risks are reported on.

All information is based on data as on 30 April 2019 which is taken as the end of the 2018/2019 raining season, while the dam depletion analysis is dated 1 May 2019.

It has to be noted that security of water supply to local authorities who are responsible for the management of their own water supply is not addressed in this Outlook i.e. Grootfontein, Tsumeb, Outjo, Omaruru, Koës and Oranjemund. The local authority of Nkurenkuru may also be included since they unilaterally terminated the main supply from NamWater.

In terms of security of water supply, the term hydrological drought is used which has the following meaning: *"Hydrological drought usually occurs following periods of extended precipitation shortfalls that impact water supply (i.e. stream flow, dam and lake levels, ground water) potentially resulting in significant societal impacts. Because regions are interconnected by hydrologic systems, the impact of meteorological drought may extend well beyond the borders of the precipitation-deficient area."*

For the period under review the following low, medium to high risk areas have been identified and various mitigation measures have been implemented to manage the security of supply.

LOW RISK

Business Unit Central: Khomas region

From a source perspective, it is projected that the security of water supply for all demand centres is sufficient for the review period, excluding the following areas:

WINDHOEK

The 3-dam system, consisting of the Von Bach, Swakoppoort and Omatako dams, has to be regarded as a single source. Currently the levels of these dams supplemented by water supply from Kombat and Berg Aukas Mines and the Windhoek Boreholes are sufficient to bridge the next two raining seasons (April 2021) for water supply to Windhoek and all other users' dependant on the 3-dam system within the Khomas Region on condition that water management measures are successfully implemented.

Mitigation measures

A combined public water savings campaign between NamWater and the City of Windhoek has been launched to reduce water demand by 15 per cent based on the normal demand for Windhoek as calculated by the City of Windhoek. Medium term water supply measures study proposes direct potable reclamation and mobilising more water from the karst in the next three to four years.

In conclusion, the security of water supply can be regarded as a low risk over the short term, but a medium risk in the long term within Windhoek.

Business Unit Central: Otjozondjupa region

From a source perspective, it is projected that the security of water supply for all demand centres is sufficient for the review period, excluding the following areas:

OKAHANDJA, OKAKARARA AND EASTERN OTJOZONDJUPA RURAL AREA

For the purpose of this report, the 3-dam system, namely Von Bach, Swakoppoort and Omatako dams, have to be regarded as a single source. It is clear that the levels of these dams are sufficient to bridge the next two rainy seasons for water supply to Okahandja, Okakarara, eastern Otjozondjupa rural area and all other users' defendant on the 3-dam system within the Otjozondjupa Region on condition that water management measures are successfully implemented.

Bondels Dam

Since insufficient inflow was received during the 2018/19 raining season, these three dams is expected to ran dry just after the 2021 raining season. This long-term risk in water security is mainly caused by:
(i) the deferred investment in the development of new sources, and
(ii) variability of inflow into the dams.

Mitigation measures

The combined public water savings campaign between NamWater and the respective local authorities is required to reduce demand and losses.

In conclusion, the security of water supply can be regarded as a low risk.

KALKFELD

Phase 1 and 2 of the project to augment water supply to Kalkfeld was successfully commissioned i.e. boreholes on Farm Otjimbonde (10 kilometres west of Kalkfeld) and Rodenhof (20 kilometres north of Kalkfeld).

Business Unit Coast: Omdel Aquifer

The Department of Water Affairs and Forestry reduced the permitted abstraction rate from this aquifer from 9 Mm^3/annum to 4.6 Mm^3/annum as from 1 November 2013 and to 3 Mm^3/a as from 18 March 2016 for a period of two years.

Based on an update of the Omdel Ground Water Model completed in June 2017, a revised application for 4.6 Mm^3/a was approved on condition that it is updated on a two-yearly basis.

Therefore, the demand from the mining industry will continue to be supplied from an alternative source, i.e. desalination. Due to the magnitude of the domestic demand within the local authorities of Henties Bay, Swakopmund and Arandis, desalinated water will now have to replace the deficit created by the reduced permitted abstraction. The blended water tariff was approved by Cabinet and gazetted on 1 June 2017.

The negotiations related to the increase in the supply capacity of the Areva (now Orano) Desalination Plant and with the relevant customers have commenced, although not concluded.

In conclusion, although the security of water supply can be regarded as good, the limited yield from the Omdel aquifer will be perceived as a negative economic impact by the domestic water user due to the higher cost of water resulting from the desalination plant.

Mitigation measures

NamWater is in the process of discussing the blended water tariff with the local authorities and the Erongo Water Forum with the objective of implementing them as soon as agreement is reached.

Wlotzkasbaken-Swakopmund 1200NB pipe GRP underground.

MEDIUM RISK

Business Unit North: Omusati Region

All NamWater customers in this region are supplied with water from the Kunene River via the Calueque Dam. Due to increasing high growth in demand in this region, it is foreseen that the availability of water from wells and boreholes used for livestock will be less. Therefore, users in the rural areas will be more dependent on piped water for stock drinking, which will put the water schemes under stress due to the higher demand. However, the production capacity of the water treatment plant at Olushandja is insufficient to support the development of the Omusati Region.

Mitigation measures
NamWater embarked on a planning project to assess the refurbishment and extension of the Olushandja Water Treatment Plant. In conclusion, the security of water supply can be regarded as a medium risk.

OUTAPI
The source from which Outapi is supplied with water is adequate for the review period. However, the production capacity of the water treatment plant at Outapi is insufficient to support the development of Outapi.

Mitigation measures
NamWater embarked on an implementation project to extend the capacity of the Outapi Water Treatment Plant.

In conclusion, the security of water supply can be regarded as a medium risk until the plant has been commissioned.

Business Unit North: Oshana Region

All NamWater customers in this region are supplied with water from the Kunene River via the Calueque Dam. Due to high growth in demand in this region, it is foreseen that the availability of water from the wells and boreholes used for livestock will be less. Therefore, users in the rural areas will be more dependent on piped water for stock drinking, which will put the water schemes under stress due to the higher demand.

OSHAKATI
The source from which the Oshana region is supplied with water is adequate for the review period. However, the production capacity of the water treatment plant at Oshakati is insufficient to support the development in the Oshana region.

Mitigation measures
During the period under review, NamWater approved the recommendations of a planning report to establish a second water treatment plant at Oshakati to increase the available treated water for the Oshana, Ohangwena and Oshikoto regions.

In conclusion, the security of water supply can be regarded as a medium risk.

Business Unit North: Oshikoto Region

All NamWater customers in this region are supplied with water from the Kunene River via the Calueque Dam. Due to the abnormally high growth in demand in this region, it is foreseen that the availability of water from wells and boreholes used for livestock will be less. Therefore users in the rural areas will be more dependent on piped water for stock drinking, which will put the water schemes under stress due to the higher demand.

During periods of drought, such as in 2017 and 2019, it became very clear that for unknown reasons the ends of the rural distribution schemes are experiencing low security of supply. One of the reasons is that demand could have increased during the drought, or that the level of losses or non-revenue water is high.

Mitigation measures
During the period under review investigations commenced to increase water supply from the Ohangwena II and Oshivelo aquifers to alleviate this shortage of water. It is also planned to update the Bulk Water Master Plan for this area that may give direction to further infrastructure development.

In conclusion, the security of water supply can be regarded as a medium risk.

Business Unit Central: Ovitoto

This area has experienced a water shortage for a period of time, but more related to inadequate sources and not necessarily a drought. Alternative sources of supply have to be considered in order to ensure sustainability of supply.

Mitigation measures
NamWater embarked on a planning project to investigate additional groundwater sources to improve water security to Ovitoto.

In conclusion, the security of water supply can be regarded as a medium risk.

Business Unit Coastal: Erongo Region

KARIBIB AND OTJIMBINGWE
Due to insufficient water resources in the Swakoppoort Dam and in the Swakop River respectively, NamWater commissioned the Karibib–Otjimbingwe pipeline in mitigation, although the project has its own shortcomings.

Business Unit Coast: Kuiseb

In order to estimate the available groundwater resources in the Kuiseb aquifer, NamWater developed a groundwater numerical flow model in 2017. The results of the model indicate that 9,5Mm^3/a can be sustained for a period of ten years, while a volume of 11.4Mm^3/a during short periods of high demand is possible. However, on account of prolonged periods of no recharge the aquifer exhibits declining water levels and without a recharge event in the next five years, the aquifer is at risk of not being able to sustain planned utilisation levels.

Mitigation measures
Annual model updates aimed at assessing the aquifer's response to the current stress are planned, alongside increased monitoring of both quantity and quality trends.

Business Unit South

ARIAMSVLEI
This area has experienced a water shortage for a significant period of time mainly related to inadequate sources and not necessarily a drought. However, any drought will worsen the situation. Additional boreholes were tested during 2015 to augment supply and are due to be connected to the scheme. Despite these additional boreholes, it is expected that due to variable rainfall, the security of water supply can be regarded as a medium risk.

Mitigation measures
TransNamib approved an application by NamWater to rent unused boreholes to augment water supply to Ariamsvlei.
In conclusion, the security of water supply can be regarded as a medium risk

AROAB
This area has experienced a water shortage for a significant period of time related to inadequate sources and not necessarily a drought. However, any drought will worsen the situation. Additional boreholes are available and planned for installation to augment supply. Despite these additional boreholes, the security of water supply can be regarded as a medium risk.

Mitigation measures
NamWater completed a development proposal to augment water supply to Aroab. The recommendation was approved to connect a previously drilled borehole to the scheme to be followed by a second borehole when required.

In conclusion, the security of water supply can be regarded as a medium risk.

Friedenau Dam near Okahandja.

(Above and right) Construction of the Swakopmund-Langer Heinrich mine pipeline.

HIGH RISK

Business Unit Coastal: Erongo Region

UIS
Due to inadequate water resources in view of no recharge events in the Omaruru basin, in 2017 NamWater drilled extra boreholes in mitigation of the situation. These boreholes are yet to be connected to the existing scheme.

Business Unit North: Kavango East Region

RUNDU
The source from which Rundu is supplied with water is adequate for the review period. However, the demand from Rundu has exceeded the supply capacity of the Rundu and Nkarapamwe schemes. In addition, there is a significant discrepancy between the volume of water bought from NamWater and water sold to end users by the Rundu Town Council. This symptom signals significant water losses for various reasons within the reticulation system of the local authority, which aggravates the low security of water supply.

A pre-paid bulk water system was commissioned for Rundu Town Council.

Mitigation measures
A water demand study for Rundu has been completed as input to the preliminary design of the extension to the scheme. Before the implementation of the project is recommended, the challenge will be to secure land and financing for the project. In the meantime, a project is underway to pump more raw-water from the river to both Rundu and Nkarapamwe, and also to increase the treatment capacity at both sites. This will improve the situation over the short term. Over the medium-term and long term, however, the very high risk remains until the supply capacity has been increased and the management of water services by the Rundu Town Council has improved.

NamWater commissioned a bulk pre-payment system to manage the risk of debt.

In conclusion, the security of water supply can be regarded as a very high risk.

Business Unit South

GRÜNAU
This area has experienced a water shortage for a significant period of time, mainly related to inadequate sources and not necessarily a drought. However, any drought will worsen the situation. Additional boreholes were tested during 2015 to augment supply, but the outcome will not improve the security of supply and the risk will continue to be high.

Mitigation measures
NamWater completed a development proposal to augment water supply to Grünau from previously drilled boreholes. However, the available sources are not adequate to fully reduce the water stress risk.

In conclusion, the security of water supply can be regarded as a high risk.

KARASBURG
Karasburg is supplied with a combination of production boreholes of which five are situated at the Bondels Dam, one at Dreihuk Dam and three in the town itself. The Dreihuk Dam did not receive sufficient inflow during the 2017/2018 raining season to bridge two rainy seasons. However, water supply form local boreholes may bridge the two rainy seasons. The losses in the reticulation system managed by the Karasburg Village Council are of concern, which aggravate the water stress situation. Therefore, water supply to Karasburg will continue to be a challenge and an improvement in water management must be pursued.

Mitigation measures
The planning of the Amas-Karasburg project was shelved. The yield of the ground water source on Farm Amas, circa 25 kilometres north east of the town, is not adequate to motivate the high capital investment. An investigation into ground water sources further afield is in progress.

In conclusion, the security of water supply can be regarded as a high risk.

NamWater's head quarter building in Windhoek.

INTELLECTUAL CAPITAL

Review: Research and **Innovation Projects**

Corroded pumps of the Nei-Neis water supply scheme


Sample of corroded steel pipe of the Otjimbingwe pipeline and a section of a corroded pipe spraying water on the Otjimbingwe pipeline

The Research and Development (R&D) department was created in 2015, with the purpose of managing and directing the Corporation's research and development programmes; to develop and implement research and development procedures and techniques; to evaluate the potential and practicality of products, materials, processes and services.

The R&D department is centred on three operational processes, namely:

- Innovation processes;
- R&D management processes; and
- Networks and partnerships management processes.

The R&D department initiates and where necessary collaborates to execute targeted research and development and innovation-focus projects. 'R&D-focused projects' refer to projects that are undertaken in a systemic manner to increase the bank of scientific knowledge needed in order for NamWater to improve existing products and procedures and understand phenomena which could lead to the development of new products, technology and procedures.

The ***'Innovation-focused projects'*** refers to research projects that involve the testing of new ideas, products, methods, technology and processes to come up with effective and efficient solutions regarding the delivery of water supply to the consumers.

It should be noted that, the R&D department does not focus on formative research that occurs before a programme or project is designed and implemented, or while a programme or project is being conducted/designed, for example environmental assessment, feasibility studies, or any assessment intended to improve the design or implementation of a programme or project.

The Draft R&D Policy 2018 and Guidelines 2018 guide the execution of the R&D- and Innovation-focused projects.

All intellectual property (IP) arising from internal R&D and innovation-focused projects such as testing or piloting remains the sole property of NamWater. IP arising from collaborative R&D and innovation-focus projects will be jointly owned or governed by the provisions contemplated in an agreement entered into by the concerned parties in the fulfilment of the specific projects. Notwithstanding the above, parties may be required to sign a non-disclosure agreement for specific activities.

For the financial year under review, the following are the research and innovation projects that were either completed or are still ongoing in the R&D department:

NamWater desalination task team members visit to Platforma solar de Almeria, Spain during a four-day visit on training with solar energy.

R&D-FOCUSED PROJECTS

DEVELOPMENT OF A GENERIC GUIDELINE FOR MATERIAL SELECTION: NEI-NEIS WATER SUPPLY SCHEME

The aim of the research project was to investigate the causes of premature failure of the newly installed pumps at the Nei-Neis due to corrosion and develop a generic guideline to be used by technical persons when selecting steel material to process different type of water quality supplied by NamWater.

This was a collaborative investigation with the Department of Mining and Mineral Process Engineering, Namibia University of Science and Technology.

NAMWATER OTJIMBINGWE RURAL WATER SUPPLY PIPELINE SCHEME FAILURE INVESTIGATION

The aim of the research project was to determine the root causes of the corrosion of the recently installed Otjimbingwe pipeline, focusing on both the quality of water being processed and the quality of the pipeline material used. This was a collaborative investigation with the Department of Mining and Mineral Process Engineering at the Namibia University of Science and Technology.

INNOVATION-FOCUSED PROJECTS

PILOTING OF REVERSE OSMOSIS MEMBRANE TECHNOLOGY

This project entails the piloting of reverse osmosis membrane technology powered by Renewable Energy (Solar PV and Wind) at the Grünau and Bethanie areas in //Karas Region.

To adapt to the effects of climate change and variability, NamWater submitted an innovative project proposal to the Adaptation Fund (AF) titled *"**Pilot Rural Desalination Plants Using Renewable Power And Membrane Technology**"* to improve the quality of groundwater supplied to the Grünau and Bethanie areas.

NamWater Desalination task team members on a visit to the Areva Desalination Plant.

Testing and developed mechanical system on the Calueque-Oshakati canal

(Above and right) Testing and developed mechanical system on the Nkarapamwe Water Treatment Plant

The project involves the construction of desalination plants using renewable energy and membrane technology for a period of four years.

The rationale of the proposed project is that Namibian depends heavily on groundwater and in certain areas the water quality will continue to deteriorate due to climate change, which will increase the concentration of calcium, chlorides, bicarbonates, fluoride and sulphates to make the water unsuitable for human consumption.

Therefore, to enhance our adaptive capacity, the above-mentioned technology is proposed for implementation by NamWater to remove the concerning water quality parameters.

The project has three objectives:

- Acquire knowledge and skills on how to effectively and efficiently desalinate poor quality groundwater on a small scale using reverse osmosis and hybrid renewable energy technology that can be applied to improve the resilience of rural communities against climate change.
- Positively impact the lives of vulnerable individuals and communities at the two project sites, by supplying good quality water, raising awareness of the effects of climate change, promoting judicious use of water and explaining the need for water tariffs.
- Communicate the acquired knowledge and skills to stakeholders in the water supply sector, thereby promoting the mainstreaming of such small scale desalination technology and systems in the country.

The AF externally funds the project. The AF is a funding organisation based in the United States of America which assists vulnerable communities in developing countries to build resilience and adapt to the effects of climate change.

It was established under the Kyoto Protocol of the UN Framework Convention on Climate Change, and since 2010 has committed US$438 million in 67 countries to climate adaptation and resilience activities.

The pilot project is still ongoing and the design of the plants and renewable energy is currently being completed. In the 2021 financial year, the R&D department will report on the physical infrastructure construction progress.

DEVELOPMENT OF A MECHANICAL SYSTEM TO REMOVE AQUATIC WEED IN CALUEQUE-OSHAKATI CANAL

The aim of the research project was to develop a mechanical system to remove aquatic weed in the Calueque-Oshakati Canal and improve the flow of water to the treatment plants.

This was a collaborative investigation with the Faculty of Engineering and Information Technology at the University of Namibia.

The concept is currently in the testing phases with improvements likely. The images above depict the concept developed by the engineering students, who also welded the structure.

TESTING EFFECTIVENESS OF SELF-CLEANING FILTERS

This project entails testing the effectiveness of self-cleaning filters to remove impurities in raw-water treated at N'karapamwe Water Treatment Plant in Rundu.

The aim of the research project is to investigate the effectiveness of the self-cleaning filters in removing impurities from river water.

This is an internal piloting project that was executed by the R&D and ASS departments over a period of 12 months.

If the self-cleaning filters are found to be successful, recommendations will be made to the Water Supply divisions to consider the replacement of the sand filters currently being used with the self-cleaning filters.

HUMAN RESOURCES

Some of NamWater's employees in Windhoek.

HUMAN CAPITAL

Review: Human **Resources Activities**

ENABLING OUR PEOPLE

The operations of the Corporation are entirely dependent on the efforts of its employees. It is these men and women who tirelessly and usually under difficult circumstances go the extra mile to ensure water is supplied to the Namibian nation.

NamWater continuously strives to be an employer of choice. In order to execute its mandate, NamWater is conscious of the fact that its employees are the key drivers to organisational effectiveness. It is therefore important to ensure that the organisation is geared towards enhancing employee performance through sound talent management and employee wellness practices.

WORKFORCE PROFILE

Despite major advances in technology in the last few years, water supply remains a highly labour intensive business that requires highly skilled and dedicated human resources.

NamWater's total workforce for the year that ended in March 2019 amounted to 898 employees, of whom 610 are employed on a permanent basis and 288 on a non-permanent basis.

The Corporation's permanent workforce represents 68 per cent of the total workforce in 2019 and 2018, and has in fact reduced from 70 per cent in 2017, 72 per cent in 2016, 74 per cent in 2015 and 2014 respectively. The non-permanent employees represent 32 per cent of the total workforce in 2019 and 2018 versus the 30 per cent in 2017, 28 per cent in 2016, 26 per cent in 2015 and 2014 respectively.

NamWater staff, at Dr Vaino Shivute's birthday celebration event, Windhoek.

The ratio of men to women continues to be in tilted in favour of men, with men making up 73 per cent of the staff complement in the reporting year, versus 75 per cent in the previous financial year.

NamWater has 610 permanent employees of which 280 employees are within the skilled and managerial category. 28 per cent of these employees are women. A number of vacancies were filled during the reporting year: For the first time, the number of vacancies filled by internal candidates outpaced those from external candidates. 23 employees were promoted into advertised vacancies, whilst 19 external candidates were appointed.

HUMAN RESOURCES METRICS

Human Resource metrics are essential measures that quantify the impact of employee programmes and human resources processes in order to measure the success or failure of human resources initiatives. With these metrics NamWater is able to track its effectiveness in so far as human resources management is concerned.

Turnover Rate

Despite the loss of critical skills due to attrition, NamWater experienced a low turnover rate. The staff turnover rate for the reporting period is 0.49 per cent. A total of 30 employees left NamWater through 14 resignations, 11 retirements and 5 deaths.

Staff Movements

A total of 42 permanent employees were hired, while 26 employees were promoted to higher positions. Eleven employees were transferred within the Corporation.

Gross Absence Rate

The average absenteeism rate is at 125.

Age Distribution

NamWater has an ageing workforce that is leaving the Corporation mostly due to retirement. The age distribution is depicted in the graph below. The Corporation's age profile characteristic is increasingly becoming more 'Millennial' or Generation X, while the majority who can be regarded as 'Baby Boomers' are retiring. This has had an impact on the loss of skilled employees.

Length of Service Distribution

Employees remain in NamWater's employ for long periods of time. The average length of service during the period under review was approximately 15 years for permanent employees.

DIVERSITY MANAGEMENT

NamWater is a relevant employer in terms of the Affirmative Action (Employment) Act, 1998 (Act 29 of 1998). The Corporation adopted an affirmative action policy that facilitates the implementation of the Affirmative Action (Employment) Act, 1998 (Act 29 of 1998) in order to redress imbalances in the workplace, arising from the discriminatory socio-economic dispensation which had previously existed in Namibia.

The affirmative action policy provides for the establishment of an Affirmative Action Committee. The Affirmative Action Committee, inter alia, is tasked with the responsibility of developing and co-ordinating the implementation of the Corporate Affirmative Action Plan. The constitution of the Affirmative Action Committee represents the three designated groups.

Figure 9: Employee Turnover Rate (number): 2018/19

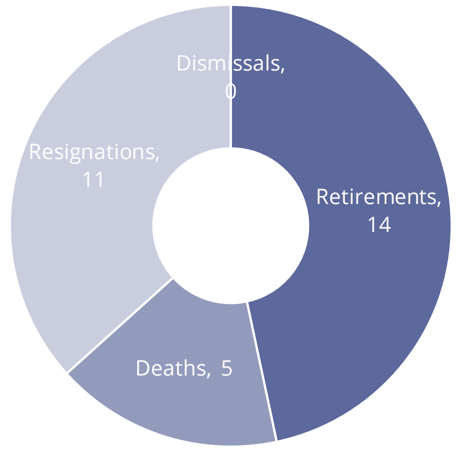


Figure 10: Staff Movement (number): 2018/19

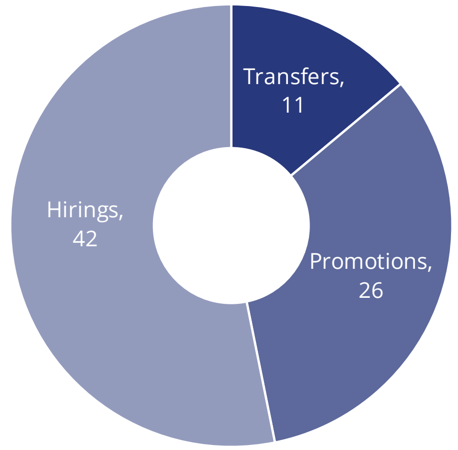
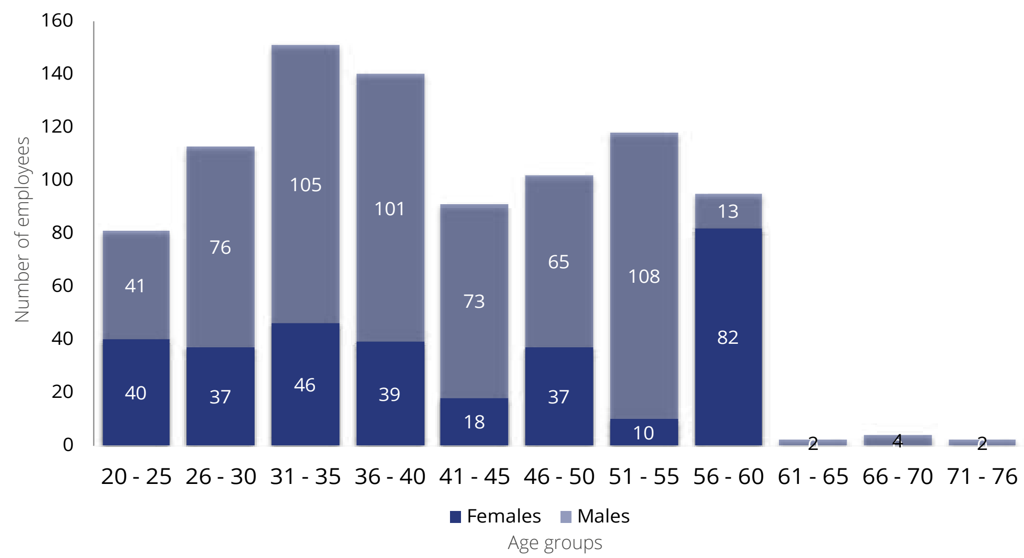


Figure 11: Employee Age Distribution by Gender (number): 2018/19



In addition, NamWater appointed a senior official with the title Head: Employee Services, as the custodian of affirmative action. The Head: Employee Services and a representative of the recognised trade union attend selection interviews to foster employment equity.

It is apparent from the Human Resources audit that the current demographic profile of the NamWater workforce is skewed and needs to be improved. Numerical goals have been set to increase the representation of the three designated groups, particularly in the job categories of middle management, specialised/skills/senior supervisory and skilled employees.

The envisaged total increases for the designated group job categories over the financial periods 2016/17 to 2018/19 are five men and 20 women respectively.

Previously Disadvantaged employees represents 97 per cent of the total workforce, whilst the previously advantaged group represents 3 per cent.

NamWater employees, Windhoek.

The Procurement Team.

New employee induction.

The HR Strategy team's four-day induction programme for NamWater new employees and bursary students in their final year.

NamWater staff in Okahandja, at the year-end function, Gross Barmen.

Female employees

Gender representation remains a challenge for the Corporation. A slight increase in the total number of females (permanent basis) during the period under review should, however, be noted.

Compared with the workforce profile of the previous reporting year, more females were either appointed or promoted in the following categories:

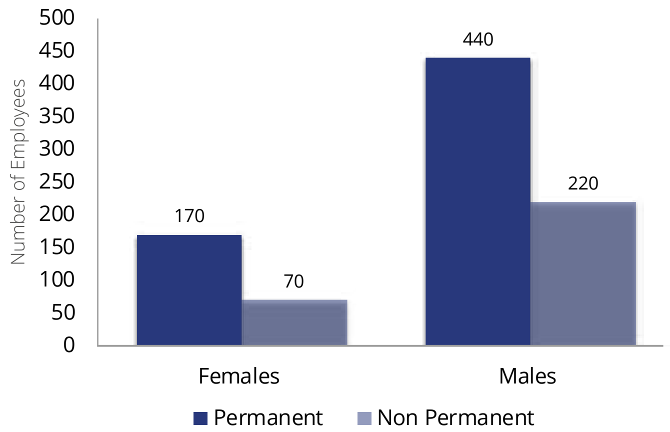
- *Senior Supervisory* category increased with two,
- *Skilled* category with three, and
- *Semi-skilled* category with five respectively.

Persons with Disabilities

The total number of persons living with disabilities in the employ of NamWater as at the end of March 2019 is five: one male in the ***Semi-skilled*** category, one male who was recently promoted from the ***Middle Management*** category to the ***Senior Management*** category, as well as three women in the ***Semi-skilled*** category.

The Corporation will continue to systematically redress the under-representation of designated groups, especially that of women, through natural attrition and new opportunities to ensure that equity is achieved in the workplace.

Figure 12: Permanent and Non-permanent Employees by Gender (number): 2018/19



Employees by Gender and Type

NamWater netball team that participated in the Public Enterprises Sports & Fun Day at the Jan Wilkens Stadium in Walvis Bay.

Dr Vaino Shivute, participating in the Public Enterprises Sports & Fun Day.

Engineering workshop staff.

One of NamWater's bursary student who completed his BSc in Chemistry, with NamWater staff.

LABOUR RELATIONS

NamWater's objective is to promote a high quality workforce and collaborative relationships between employees, management and the Namibia Public Workers' Union (NAPWU).

NamWater provides guidance, training and recommendations on managing under-performance. The Corporation conducts disciplinary hearings, and resolves complaints at the lowest level, as well as Union negotiations. This is aimed at enhancing labour relations within the Corporation.

A major challenge that the HR team experienced within the industrial relations (IR) process, is the reluctance of senior officials to chair disciplinary hearings.

During the period under review, on request from the team and in order to improve the IR process, a critical strategic initiative was carried out in the form of training for all managers on the topic of *'How to Chair Disciplinary Hearing'*.

The training was initiated to ensure that the full management cadre is equipped in handling grievances. Fifty managers have received this training initiative.

Furthermore, as part of stakeholder engagement, IR briefings to explain the grievance and disciplinary policy and procedures were held in the regions throughout the course of the reporting period.

EMPLOYEE WELLNESS AND STAFF CARE PROGRAMME

NamWater aims to develop and implement a comprehensive wellness intervention and staff care programme with the intent to promote and improve the well-being and morale of all NamWater employees.

The Corporation engages in the coordination and production of wellness initiatives, such as HIV/AIDS management programmes through the NHP medical aid provider, stress management, smoking cessation, balanced nutrition, diabetes education, as well as weight management to assist employees in becoming and remaining healthy.

The Employee Wellness Framework and Policy were reviewed during the reporting period. The following wellness interventions took place during this period:

1. Wellness Days, in collaboration with the NHP Wellness Team, were held on 9 August 2018 at Von Bach Dam and on 10 August 2018 at the NamWater Head Office. Additionally, a Blood Donation Clinic was held on 22 August 2018 and on 5 November 2018, both also at the Head Office.
2. An employee in one of the regions was confirmed as having tuberculosis (TB), and was promptly enrolled in a treatment programme. TB specialists and officials from the Ministry of Health and Social Services performed a TB detection screening on 19 October 2018. No new cases were reported.
3. NamWater Head Office commemorated World Aids Day on 5 December 2018. A motivational speaker and an industrial drama group were invited to inform employees about HIV/AIDS.
4. The Employee Assistance Programme assisted various employees with medical conditions and counselling on a daily basis.

TRAINING AND DEVELOPMENT

NamWater recognises the importance of applying strategic human resources planning for business improvement purposes and for the achievement of its goals through a talent management framework.

NamWater Bursary Scheme

Through its bursary programme NamWater recruits young professionals and develops them into professionals who will add value to the Corporation. One student obtained a scholarship to do his Masters in Electrical Engineering, while another Finance and Accounting student finalised her articles at Deloitte and is now a qualified Chartered Accountant.

During the period under review, a total of thirty students across various disciplines were in the NamWater bursary programme. Of the 30 students, eight students had successfully completed their studies and have been appointed into the Graduate Development Programme. Amongst the 30 bursary students, three students are NamWater permanent employees who were awarded bursaries to upgrade their qualifications.

During the period under review, new bursaries were provided to 26 students at various institutions of higher learning. Of the 26 students, 11 pursued their studies at the Namibia University of Science and Technology (NUST); eleven went to various universities in South Africa, and four attended the University of Namibia.

Graduate Development Programme (GDP)

During the reporting year, NamWater had 22 graduates within various departments throughout the organisation. All graduates have structured development plans which are aligned to the key performance areas of the positions they are being groomed for.

Job Attachment and Internship

As part of its social responsibility efforts, NamWater provides practical attachment to students that require work/integrated learning as part of their qualification requirements or those that have completed their studies and are in need of practical experience in order to secure employment in the market.

In the reporting period, NamWater provided job attachment opportunities to 46 students in different disciplines. The practical attachment/job attachment period varies between two weeks to 12 months per student.

Training Interventions and Staff Development

NamWater continuously invests in the development of its employees to ensure that they are capacitated to face the demands of the ever-changing environment while delivering its mandate.

During the period under review, 84 training interventions were carried out for employees across all levels in the organisation to the cost of N$3.3 million. These interventions were delivered either as short courses, conferences, seminars and online training.

Succession Management

Given its ageing workforce, it is a strategic priority to NamWater to develop an effective leadership pipeline through a succession management programme. During the period under review, the Corporation identified the imminent retirees within the next five years and developed succession programmes for internal employees around these positions.

Twenty senior management positions were identified. Potential successors underwent a programme that consisted of identifying talent and potential via psychometric assessment, developing individual development plans, intensive on-the-job training and shadowing. The Corporation continues to identify critical positions that will be taken through the succession management programme to ensure a talent pool of potential successors is available at all times.

NamWater received a CESA Engineering Excellence Award for the rehabilitation of the Von Bach Dam.

Hon. Alpheus !Naruseb visit to Von Bach Dam, after his appointment as Minister of Agriculture, Water and Forestry.

Vocational training

The Corporation's Human Resources Development Centre (HRDC) continues to attract much interest from high school graduates and school leavers across the country who are interested in acquiring trade-related skills.

Since its inception, the HRDC has gradually established itself as a centre of excellence in vocational training, and is currently the only vocational training centre in the country to provide training in Water Care.

During the period under review, the HRDC has seen an increase in the demand for the services offered by the centre.

As such, the Corporation has expanded the physical facilities of the centre to meet the high demand of those who wish to receive training at the centre. Accommodation facilities are currently being constructed to provide for these students.

Apart from Water Care, the following trades are also offered at the HRDC:

- Diesel Mechanics
- Bricklaying and Plastering
- Electrical and General
- Plumbing and Pipe-fitting
- Joinery and Carpentry
- Office Management.

The courses are all in compliance with the set standards of the Namibia Training Authority (NTA), with which NamWater has signed three Service Level Agreements (SLA).

KEY HEALTH AND SAFETY STATISTICS

Six employees were injured in six separate incidents (Injuries on Duty) that were received and investigated during the year under review. No subcontractors were injured on NamWater premises during the year under review. Two incidents were categorised as serious, two as moderate and two as minor.

In terms of future outlook of the OHS function, NamWater envisages establishing and entrenching a SAFETY FIRST culture in its operations. Most notably, the company envisages a ISO45001 certification.

As an important facet in terms of achieving this objective, the Corporation has raised and is continuing to raise the safety awareness levels throughout the company by consistently disseminating a weekly safety topic to all employees. Chief Officers, Heads of Departments, Managers and Supervisors also discuss weekly safety topics with employees that report to them to ensure that awareness is consistently raised.

OCCUPATIONAL HEALTH AND SAFETY (OHS)

In terms of Regulation 6 (1) of the Regulations relating to the health and safety of employees at work, Government notice no. 156 of 1997, the Auxiliary Services (Risk and Safety) department has a legal responsibility to monitor and evaluate NamWater's compliance with its safety policy, together with the Labour Act and the (safety) regulations.

A major initiative started during the period under review was the Hazard Identification and Risk Assessment (HIRA) that was done on site at 90 per cent of all premises owned by NamWater countrywide. A Hazard Identification and Risk Assessment (HIRA) is a necessary element which enables Safety Officers to fulfil their legal duties. The purpose of this exercise was to inform NamWater on its safety compliance and to help the Corporation address any shortcomings.

The HIRA exercise was consequently executed from 7 June 2018 until 14 December 2018. The report entailed an assessment of the 20 elements which are relevant to NamWater Operations. Not less than 102 NamWater workplaces or premises had been visited or inspected and 108 HIRA reports where compiled and disseminated. The HIRA exercise covered all four Business Units, as well as the NamWater Head Office, HRDC and the two mobile construction teams.

NamWater has made positive progress by carrying out a HIRA for all business units, and establishing an OHS Project Plan in 2018. NamWater also reviewed and disseminated the company's Health and Safety Policy Statement, as well as nominated and trained 38 health and safety representatives (SHE Reps).

The objective was to cultivate grounds for the Corporation's favourable compliance with the Ministry's compliance rating system and selected OHS key priority areas, thereby providing a working environment that is in compliance with the Act and Company Policies. This, in turn, will result in a working environment that is conducive to the safety and health of all.

The HIRA reports, when recommendations are implemented, will ensure compliance with OHS requirements. The HIRA is perceived as the foundation or building block towards achieving a SAFETY FIRST corporate culture within NamWater. NamWater will concentrate on addressing the Hazards and Risk that were identified during the next financial period.

COMMUNITY RELATIONS

NamWater netball team that participated in the Public Enterprises Sports & Fun Day at the Jan Wilkens Stadium in Walvis Bay.

SOCIAL AND RELATIONSHIP CAPITAL

Review: Community **Relations Activities**

Corporate social responsibility is an integral part of our company culture. As a responsible corporation, we respect the interests of our stakeholders — our shareholder, employees, customers, suppliers, teaming partners, and the wider community — and we actively seek opportunities both to improve the environment and to contribute to the well-being of the communities in which we do business.

Our Corporate Social Responsibility report (accessible from our website www.namwater.com.na) describes our impacts in the areas of environment, workplace, marketplace, and society, also known as the areas of corporate social responsibility.

We continue to apply our people, processes and technologies to accelerate solving some of our country's challenges to effect a positive impact on these four areas.

Our sustainability and ecosystem services are key components of our innovation strategy and are just one way NamWater delivers a better service by providing meaningful and impactful solutions to the customers.

Furthermore, the Corporation is committed to protecting its employees and communities and preserving the natural environment for current and future generations. To do so, NamWater works daily to become an environmentally sustainable company and an institution that supports the marketplace, the workplace and the society.

For this purpose, and besides the challenge posted by the current drought, NamWater has spent close to N$500,000 during the year under review to assist with projects meant for community upliftment and the creation of awareness about the environment during World Water Day celebration, World Wetlands and International Day of Forests.

In addition, NamWater pays special attention to communicating with its stakeholders, ensuring that such strategic partners receive the information they need.

As a result of this strategic drive to increase NamWater's footprint among its partners, the Corporation has participated in various trade fairs and expositions across the country, such as the Ongwediva Trade Fair and the Okakarara Exposition.

The Corporation continues to invest in education and training. The Human Resources Training Centre (HRDC), which is located at NamWater's premises outside Okahandja, trains young Namibians in various trades, such as bricklaying and diesel mechanics and graduations are held each year, marking the end of three years of training.

Additionally, the company prides itself in the service it renders to its customers through NamWater employees.

CELEBRATING 20 YEARS OF OPERATIONS

NamWater started its operations on 01 April 1998. Twenty years later, 01 April 2018 marked the two decades since the Corporation commenced the business of supplying potable and irrigation water to Namibians.

NamWater hosted a nationwide celebration of its achievement by showcasing videos of twenty years of operations, celebrating individual employees' skills and giving out information about the challenges overcome over the years, and how the Corporation plans to move forward.

NamWater reflected on its accomplishments during this two-decade period.

MANAGING OUR REPUTATION

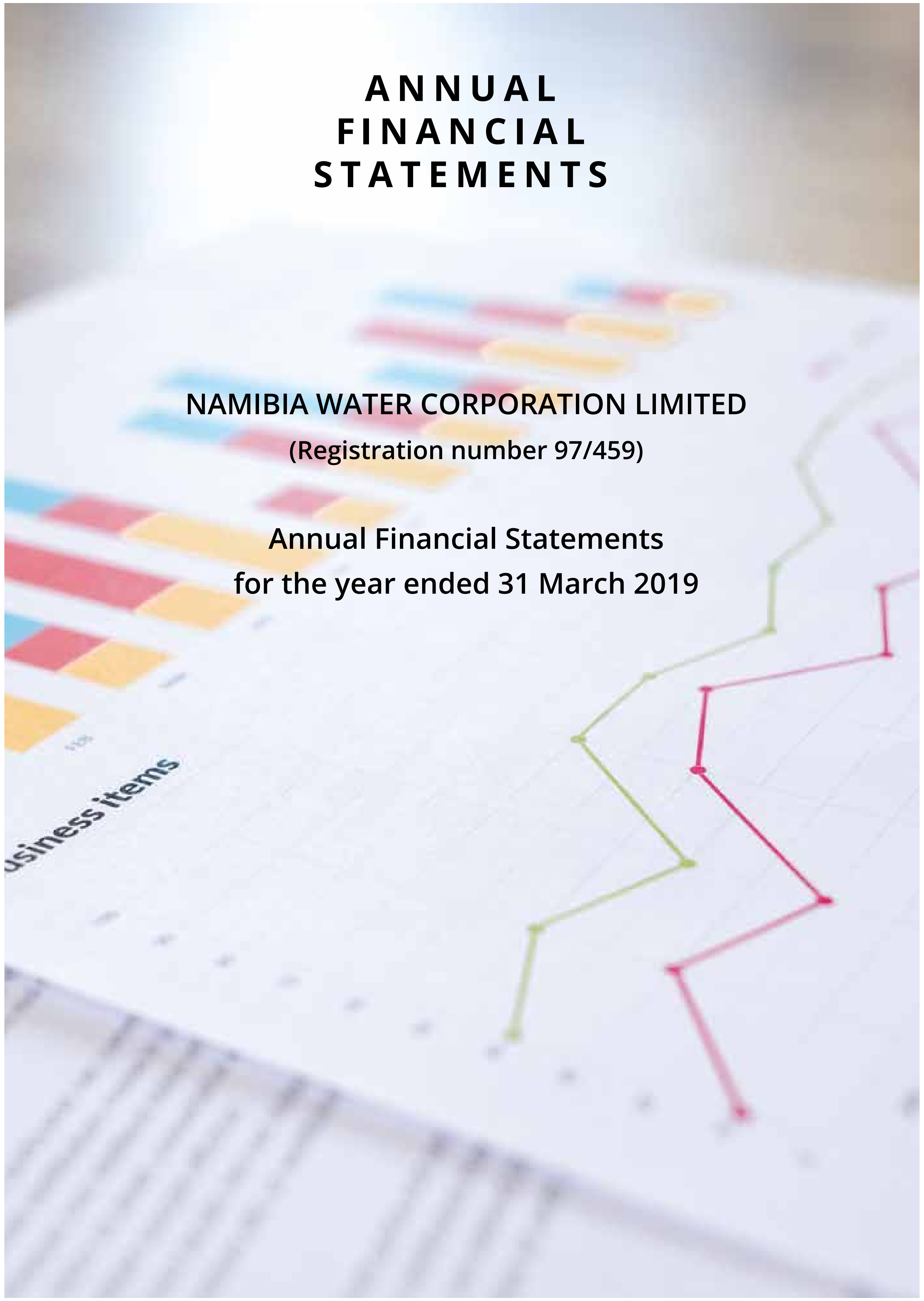
During the reporting year, NamWater maintained a strong focus on improving communication with our stakeholders, with particular emphasis on ensuring that our stakeholders receive the information they need.

As part of our strategic drive to increase NamWater's footprint, we participated in various trade fairs and expos across the county. Our drive to strengthen communication with our stakeholders was underpinned by improved collaboration between the different departments within NamWater.

CELEBRATING INTERNATIONAL WATER-THEMED DAYS

The United Nations has designated 2 February, 21 March and 22 March each year as World Wetlands Day, International Day of Forests and World Water day respectively.

In Namibia, global water resources, forest and wetlands are intertwined. It is against this background that Namibia jointly commemorated these three international days under the theme *"Climate Change affects wetlands, water and us – Leave No One Behind"* on 15 March 2019 at the Oanob Dam in the Hardap Region. In doing so NamWater was able to raise awareness on wetlands, forests and water resources.



ANNUAL FINANCIAL STATEMENTS

NAMIBIA WATER CORPORATION LIMITED
(Registration number 97/459)

Annual Financial Statements for the year ended 31 March 2019

General Information

Country of incorporation and domicile	Namibia
Nature of business and principal activities	Bulk water supply
Directors	T Maswahu Dr A Matros-Goreses L Ashipala Dr P Mushendami A S R Nsinano S Haihambo J R Kaumbi H Jesaya V Kinyaga M Gaweseb
Registered office	176 Iscor Street Northern Industrial Area Windhoek Namibia 9000
Business address	176 Iscor Street Northern Industrial Area Windhoek Namibia
Postal address	Private Bag 13389 Windhoek Namibia
Bankers	First National Bank of Namibia Ltd
Auditors	Ernst & Young Cnr Otto Nitzsche & Maritz Street Box 1857 Windhoek
Secretary	O Iithete

Index

The reports and statements set out below comprise the annual financial statements presented to the shareholder.

Audit Committee's Report

1. Members of the Audit Committee

The committee is satisfied that the members thereof have the required knowledge and experience as set out in the Namibia Water Corporation Act.

The committee has approved a selection criteria for identifying field experts as and when required, in order to augment their skills with specialist issues.These experts shall operate on an advisory role without holding any membership status in the committee.

2. Meetings held by the Audit Committee

The audit committee performs the duties laid upon it by the Namibia Water Corporation Act by holding meetings with the key role players on a regular basis and by the unrestricted access granted to the external and internal auditors.

3. External auditor

The audit committee has nominated Ernst & Young as the independent auditor and Danica Van Wyk as the designated partner, who is a registered independent auditor, for appointment of the 2019 audit.

The committee satisfied itself through enquiry that the external auditors are independent as defined by the Namibia Water Corporation Act and as per the standards stipulated by the auditing profession. Requisite assurance was sought and provided by the Namibia Water Corporation Act that internal governance processes within the firm support and demonstrate the claim to independence.

The audit committee in consultation with executive management, agreed to the terms of the engagement. The audit fee for the external audit has been considered and approved taking into consideration such factors as the timing of the audit, the extent of the work required and the scope.

Unless impracticable, the audit committee resolved not to utilise the external auditors for providing other non-audit services.

4. Annual Financial Statements

Following the review of the annual financial statements, the audit committee recommend board approval thereof.

5. Accounting practices and internal control

The audit committee on a continuous basis, with the assistance of the internal audit department reviews the system of internal controls within the Corporation to ensure that it is adequate to manage the business of the Corporation. The audit committee is not aware of any material breaches in the internal control system that occurred during the financial year under review.

On behalf of the audit committee.

Dr A. Matros-Goreses
Director

Windhoek

Directors' Responsibilities and Approval

The directors are required in terms of the Namibia Water Corporation Act 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 Corporation 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 and the Companies Act. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and the Companies Act of Namibia and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Corporation 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 Corporation and all employees are required to maintain the highest ethical standards in ensuring the Corporation's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Corporation is on identifying, assessing, managing and monitoring all known forms of risk across the Corporation. While operating risk cannot be fully eliminated, the Corporation 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 Corporation's cash flow forecast for the year to 31 March 2020 and, in the light of this review and the current financial position, they are satisfied that the Corporation has or has access to adequate resources to continue in operational existence for the foreseeable future.

T Maswahu
Chairperson: Board of Directors
Date: 15 November 2019

Dr A. Matros-Goreses
Director
Date: 15 November 2019

Building a better working world

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF NAMIBIA WATER CORPORATION LIMITED

Opinion

We have audited the annual financial statements of Namibia Water Corporation Limited ('the corporation') set out on pages 93 to 158, which comprise the directors' report, the statement of financial position as at 31 March 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the annual financial statements, including a summary of significant accounting policies.

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of Namibia Water Corporation Limited as at 31 March 2019, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting and the requirements of the Companies Act of Namibia.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual financial statements of the current period. These matters were addressed in the context of our audit of the annual financial statements, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the annual financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the annual financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying annual financial statements.

Key Audit Matter	How the matter was addressed in the audit
Revenue recognition – Impact of the application of IFRS 15 The new standard, IFRS 15, which prescribes the accounting treatment for revenue, became effective in the current year. The Corporation applied the modified retrospective transition method which recognises the cumulative effect of applying the new revenue standard upon transition directly in equity on 1 April 2018. The application of IFRS 15 introduced significant	The following procedures were performed among others: • We evaluated the assessments performed by management with regard to the probability of collection, by comparing their assessment to evidence obtained, such as cash flow forecasts,

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Key Audit Matter	How the matter was addressed in the audit
judgements and estimates in the recognition and measurement of revenue. A large number of the Corporations' customers do not settle their outstanding debts within the agreed payment terms. Management completed a detailed assessment of the collectability of revenue for these customers to determine whether revenue can be recognised under the model prescribed by IFRS 15. The assessment required significant judgements in respect of the probability of collection of revenue. Accordingly, revenue recognition is considered a key audit matter and is disclosed in note 18 of the annual financial statements. Details of the significant judgements made in relation to revenue recognition is disclosed in note 1.13.	history of payment patterns and defaults; • With the support of an internal accounting specialist, we assessed the revenue recognition policies applied through comparison with relevant accounting standards and industry practice, including the policy of not recognising revenue where it is not probable that cash will be received. • We assessed the disclosure requirements in relation to significant judgements and estimates set out in IFRS 15 and IAS 1.
Recoverability of debtors - Expected credit Losses (ECL) IFRS 9: Financial Instruments became effective at the beginning of the current year. The Corporation applied IFRS 9 using a modified retrospective approach, with an adjustment to retained earnings and other reserves on 1 April 2018. Comparative periods have not been restated. The requirement to determine the ECL is applicable to all financial assets at amortised cost. ECL represents management's best estimate of the losses expected to be incurred at reporting date. The ECL allowances are significant in the context of the annual financial statements due to their magnitude as well as the estimation uncertainty and significant level of judgement inherent in determining the value of the allowances. The estimation uncertainty is heightened due to the ongoing subdued growth in the Namibia economy and the further uncertainty in the wider African economies. A significant portion of the Corporation's debtors do not settle their debts on time, which contributes to the uncertainty on whether these debts would be recoverable. The inclusion of the Rural water scheme also increased the credit risk exposure for the Corporation. Accordingly, impairment of debtors (application of the ECL) is considered a key audit matter and is disclosed in note 9 of the annual financial statements. Details of the significant judgements made in relation to the impairment of debtors is disclosed in note 3 (iii).	The following audit procedures were performed amongst others: • With the support of our internal accounting specialists, we evaluated the customer debt provisioning accounting policies and assessed the ECL methodologies applied and compared these to the requirements of IFRS 9. • We evaluated the debtor segmentation made by management based on the credit risk of debtors and compared it to the impairment allocated to each segment debtor. • We inspected invoices and payments received of a sample of debtors to determine the accuracy of information that management used as inputs in their assessment. • We assessed the disclosures made by the Corporation in the notes to the annual financial statements compared to the requirements of IFRS 7 in respect of the initial application of IFRS 9.

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Other Information

The directors are responsible for the other information. The other information comprises the general information on page 85, the index on page 86, the audit committee report on page 87, the director's responsibilities and approval on page 88 and detailed income statement on page 159 which was obtained prior to the date of this report, and the Annual Report for the year ended 31 March 2019 which is expected to be made available to us after the date of this report. The other information does not include the annual financial statements and our auditor's report thereon. Our opinion on the annual financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, 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 Annual Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with 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 annual 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 annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the corporation'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 corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the corporation to cease to continue as a going concern.

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- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ernst & Young

Ernst & Young
Partner - Danica van Wyk
Registered Accountants and Auditors
Chartered Accountant (Namibia)

Windhoek

31 January 2020

Directors' Report

The directors have pleasure in submitting their report on the annual financial statements for the corporation for the year ended 31 March 2019.

This report forms part of the audited annual financial statements.

1. Main business and operations

In terms of Section 5(a) of the Namibia Water Corporation Act, the primary business is to carry out efficiently, and in the best interest of the Republic of Namibia, bulk water supply to customers, in sufficient quantities, of a quality suitable for the consumers' purposes, and by cost-effective, environmentally sound and sustainable means. NamWater supplies water in bulk to industries, municipalities, Government ministries, and individual consumers on a full cost recovery basis.

There has been no material changes to the nature of the Corporation's business from the prior year.

2019	**Contribution to turnover**
Local & regional councils and ministries	54,00 %
Mining customers	33,00 %
Domestic customers	9,00 %
Private businesses	4,00 %
	100,00 %

2018	**Contribution to turnover**
Local & regional councils and ministries	46,00 %
Mining customers	33,00 %
Domestic customers	18,00 %
Private businesses	3,00 %
	100,00 %

2. Review of financial results and activities

The annual financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Namibia Water Corporation Act. The accounting policies have been applied consistently compared to the prior year, except for the adoption of new or revised accounting standards as set out in note 3 to the annual financial statements.

The Corporation recorded a net profit after tax for the year ended 31 March 2019 of N$ 29 063 252. This represented a decrease of 79% from the net profit after tax of the prior year of N$138 072 444. The decrease in profitability is mainly driven by the decreased volumes sold to the City of Windhoek during the 2018/2019 financial year, the increase in depreciation due to revaluation of assets as well as the late approval of tarrifs.

The Corporation's cash flows from operating activities increased by 7% from N$353 004 536 in the prior year to N$ 378 035 519 for the year ended 31 March 2019. The increase in cashflows are due to interest received from investments.

3. Share capital

	2019	2018
Authorised	Number of shares	
Ordinary shares	1 000 000 000	1 000 000 000

	2019	2018	2019	2018
Issued	N$	N$	Number of shares	
Ordinary shares	959 054 444	959 054 444	959 054 444	959 054 444

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

Directors' Report

4. Dividends

The Corporation'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.

Given the current state of the infrastructure, the board of directors believe that it would be more appropriate for the Corporation to conserve cash and maintain adequate debt headroom to ensure that the Corporation is best placed to withstand any urgent investments in infrastructure replacement as a result of unforeseen failures. Therefore the board of directors has resolved not to declare a dividend for the financial year ended 31 March 2019 (2018 - N$0.00).

5. Directors

T Maswahu	Chairperson	Non-executive Independent
Dr A Matros-Goreses		Non-executive Independent
L Ashipala		Non-executive Independent
Dr P Mushendami		Non-executive Independent
A S R Nsinano		Executive
S Haihambo		Non-executive Independent
J R Kaumbi		Non-executive Independent
H Jesaya		Non-executive Independent
V Kinyaga		Non-executive Independent
M Gaweseb		Non-executive Independent

There were no change in directors during the 2019 financial year.

The Board of directors constituted 3 committees to support their oversight role as directors. Adhoc committee meetings were also held to discuss special issues requiring different skills sets from those constituting the board committees. The 3 committees are the Board Audit Committee, the Board Strategy Committee and the Board Human Resources and Remuneration Committee. The composition of the Committees is shown in the table below. Each of the committee has clearly defined terms of reference, mandates and responsibilities, in respect of matters delegated thereto by the Board. The Board retains full accountability for decisions and actions of the committees

The following table shows the meetings of the Board and Board Committees and their attendance during the financial period:

	Board Meetings	Audit Committee	HR & Remuneration Committee	Strategy Committee	Scheme Visits	Adhoc Meetings
T Maswahu (B)	13	-	5	-	5	3
Dr A Matros-Goreses (A)	19	4	-	-	1	-
S Haihambo (A) / (S)	9	4	-	3	4	5
H Jesaja (B)	9	-	6	-	3	8
J R Kaumbi (A) / (B)	15	5	6	-	5	3
V Kinyaga (S)	8	-	-	3	1	1
L Ashipala (B)	12	-	6	-	4	3
M Gaweseb (S)	12	-	-	4	5	6
Dr P Mushendami (A)	15	5	6	-	2	6
A S R Nsinano (S)	17	-	-	4	3	3

(A) Audit Committee member

(B) HR & Remuneration Committee memberr

(S) Strategy Committee member

Adhoc committee meetings constitute of the CEO search committee meetings, the Hardap Farmers meeting and the Calueque visits.

Directors' Report

6. Directors' interests in contracts

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

7. Property, plant and equipment

There was no change in the nature of the property, plant and equipment of the Corporation or in the policy regarding their use.

At 31 March 2019 the Corporation's net investment in property, plant and equipment amounted to N$5 644 352 257 (2018: N$ 5 073 157 844), of which N$129 318 727 (2018: N$ 394 347 733) was added in the current year. Refer to note 4 of the annual financial statements for further details.

The Corporation has commitments in respect of contracts placed for capital expenditure to the amount of N$545 501 142 (2018: N$ 227 342 498). These commitments have been approved by the board of directors of the Corporation. Refer to note 30 of the annual financial statements for further details.

8. Borrowing powers

In terms of the Memorandum of Incorporation, the borrowing powers of the Corporation are unlimited. However, all borrowings by the Corporation are subject to ministerial approval, where such borrowing will result in encumbrance of assets of the Corporation that exceed N$10,000,000. As at 31 March 2019, the Corporation's borrowings totalled N$ 451 516 920 (2018: N$ 607 629 275). A total of N$ 243 million is backed by a sovereign government guarantee issued in favour of Rand Merchant Bank. Refer to note 13 of the annual financial statements for further details. In addition to the committed loans, the Corporation still has an approved unutilised facility of N$ 901 212 000 (2018: N$ 901 212 000). Payment guarantees were issued in favour of Areva of N$44,472,000 (2018: N$ 50,680,000) and Nampower of N$1 333 443. The full amount of this payment guarantee is backed by prepayments and payment guarantees from the Corporation`s customers refer to Note 30.

9. Events after the reporting period

In May 2019 the corporation was rated by Fitch Ratings BB+ with a negative outlook.

In the previous financial year there were plans to transfer a number of pipelines and schemes managed by the Directorate of Rural Water Supply and Sanitation Coordination of the Ministry of Agriculture, Water and Forestry to NamWater. However, the Ministry of Agriculture, Water and Forestry recently decentralised the function of the Directorate of Rural Water Supply and Sanitation Coordination for management in the regions.

The Corporation with the assistance of it's shareholder, The Ministry of Agriculture Water and Forestry commenced with the transfer process of the Neckartal Dam during the year. It is anticipated to conclude the transfer during the 2019/2020 financial year. The asset would be treated as a donation by the Government to Namwater.

10. Going concern

The directors believe that the Corporation has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the Corporation is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the Corporation. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the Corporation.

11. Litigation statement

The Corporation becomes involved from time to time in various claims and lawsuits incidental to the ordinary course of business. The Corporation is not currently involved in any such claims or lawsuits, which individually or in the aggregate, are expected to have a material adverse effect on the business or its assets.

12. Auditors

Ernst & Young Chartered Accountants (Namibia) continued as auditors for the Corporation for 2019. Their term of office expires at the end of the 2019 financial year.

Directors' Report

13. Secretary

The company secretary is Mr. O Iithete.

Business address

176 Iscor Street
Windhoek
Namibia

14. Date of authorisation for issue of financial statements

The annual financial statements have been authorised for issue by the directors on Friday, 15 November 2019. No authority was given to anyone to amend the annual financial statements after the date of issue.

15. Provision for and collection from doubtful debtors

Efforts to manage the municipal debtors continued during the period, with the signing of repayment agreements with some of the customers, and entering into prepaid metering arrangements with the other customers. The board believes that all doubtful debtors are fully provided for in the annual financial statements, and there is no additional costs that will result from balances in the current financial year.

16. Neckartal Dam

During the 2017 financial year the Corporation advanced the Government of the Republic of Namibia a total amount of N$ 600 million towards the construction of the Neckartal Dam Project. The advance was funded from cashflow from operations to the value of N$ 200 million and remainder N$ 400 million from a bridge facility arranged with Rand Merchant Bank. The bridge facility has since been converted into a long term loan. The government through it's line ministry has to date made a total repayment of N$ 156 239 884 towards the long term loan. The balance of the long term loan at year end was N$ 243 745 587. Also, the government through it's line ministry is in the process of transferring the Neckartal Dam to the Corporation.

17. Vote of thanks

Thanks and appreciation are extended to our shareholder, staff, suppliers and customers for their continued support of the Corporation.

Statement of Financial Position as at 31 March 2019

	Note(s)	2019 N$	2018 N$
Assets			
Non-Current Assets			
Property, plant and equipment	4	5 644 352 257	5 073 157 844
Intangible assets	5	177 875 873	201 230 222
Other receivables	9	243 745 587	200 000 000
Other financial assets	8	116 577 175	78 806 812
		6 182 550 892	**5 553 194 878**
Current Assets			
Inventories	7	7 531 697	7 493 819
Other financial assets: Fair value through profit or loss	8	45 984 250	43 025 805
Trade receivables	9	311 630 955	185 455 887
Other receivables	9	96 848 819	259 511 647
Other financial assets: At Amortised Cost	8	666 837 762	376 789 733
Cash and cash equivalents	10	244 468 995	262 899 249
		1 373 302 478	**1 135 176 140**
Total Assets		**7 555 853 370**	**6 688 371 018**
Equity and Liabilities			
Equity			
Share capital	11	959 054 444	959 054 444
Non distributable reserves	12	2 211 506 211	1 842 853 316
Retained income		1 431 291 735	1 079 384 011
		4 601 852 390	**3 881 291 771**
Liabilities			
Non-Current Liabilities			
Post retirement medical obligation	14	158 480 000	189 980 210
Deferred income	15	603 742 514	589 427 823
Deferred tax	6	1 363 858 952	1 082 440 440
Severance pay obligation	14	42 122 000	42 514 001
Long term loans	13	443 745 587	200 000 000
		2 611 949 053	**2 104 362 474**
Current Liabilities			
Trade and other payables	17	245 679 407	237 476 698
Long term loan: Short term portion	13	7 771 333	7 771 333
Short term bridge facility	13	-	399 857 942
Deferred income	15	41 627 943	40 277 010
Current tax payable	23	46 973 244	17 333 790
		342 051 927	**702 716 773**
Total Liabilities		**2 954 000 980**	**2 807 079 247**
Total Equity and Liabilities		**7 555 853 370**	**6 688 371 018**

Statement of Profit or Loss and Other Comprehensive Income

	Note(s)	2019 N$	2018 N$
Revenue	18	1 624 645 449	1 575 339 067
Cost of sales	27	(360 899 554)	(356 336 207)
Gross profit		**1 263 745 895**	**1 219 002 860**
Other operating income	28	92 519 330	81 199 393
Movement in credit loss allowances	19	(90 380 306)	-
Other operating expenses	41	(1 292 252 002)	(1 139 828 169)
Operating (loss)/surplus	19	**(26 367 083)**	**160 374 084**
Interest income	20	95 146 240	61 910 113
Interest paid	21	(54 068 478)	(36 738 669)
Profit before taxation		**14 710 679**	**185 545 528**
Taxation	16	14 352 573	(47 473 084)
Profit/(Loss) for the year		**29 063 252**	**138 072 444**
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Actuarial gain/(losses) on defined benefit liability - Severance Pay	14	4 980 563	(3 395 000)
Actuarial gain/losses on defined benefit liability - Post Retirement Medical Aid	14	54 664 436	-
Tax related to actuarial gains/losses on defined benefit plans	16	(19 086 400)	1 086 400
Revaluation of Assets	4	856 604 059	-
Tax related to revaluation of assets		(274 113 299)	-
Total items that will not be reclassified to profit or (loss)		**623 049 359**	**(2 308 600)**
Other comprehensive income for the year net of taxation		**623 049 359**	**(2 308 600)**
Total comprehensive profit for the year		**652 112 611**	**135 763 844**

Statement of Change in Equity

	Share capital N$	Revaluation reserves N$	Asset replacement reserves N$	Total reserves N$	Retained income N$	Total equity N$
Balance at 01 April 2017	**959 054 444**	**1 941 195 113**	**10 033 634**	**1 951 228 747**	**835 244 736**	**3 745 527 927**
Profit for the year	-	-	-	-	138 072 444	138 072 444
Other comprehensive income	-	-	-	-	(2 308 600)	(2 308 600)
Total other comprehensive income for the year	**-**	**-**	**-**	**-**	**135 763 844**	**135 763 844**
Revaluation reserve released to retained income	-	(108 375 431)	-	(108 375 431)	108 375 431	-
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**(108 375 431)**	**-**	**(108 375 431)**	**108 375 431**	**-**
Balance at 01 April 2018	**959 054 444**	**1 832 819 682**	**10 033 634**	**1 842 853 316**	**1 079 384 011**	**3 881 291 771**
IFRS Implementation adjustment	-	-	-	-	100 658 878	100 658 878
Deferred tax on bad debt provision prior year	-	-	-	-	(32 210 871)	(32 210 871)
Restated Balance at 01 April 2018	**-**	**-**	**-**	**-**	**1 147 832 018**	**3 949 739 778**
Profit/Loss for the year	-	-	-	-	29 063 252	29 063 252
Other comprehensive income	-	582 490 760	-	582 490 760	40 558 599	623 049 359
Revaluation reserve released to retained income	-	(213 837 866)	-	(213 837 866)	213 837 866	-
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**368 652 894**	**-**	**368 652 894**	**283 459 717**	**652 112 611**
Balance at 31 March 2019	**959 054 444**	**2 201 472 577**	**10 033 634**	**2 211 506 211**	**1 431 291 735**	**4 601 852 390**
Note(s)	11	12				

Statement of Cash Flows

	Note(s)	2019 N$	2018 N$
Cash flows from operating activities			
Cash generated from operations	22	339 879 764	343 495 922
Interest received		92 224 233	46 247 283
Finance costs		(54 068 478)	(36 738 669)
Net cash from operating activities		**378 035 519**	**353 004 536**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(129 318 727)	(394 347 733)
Proceeds on sale of property, plant and equipment	4	1 317 397	185 515
Repayment/(Contribution) to Neckartal Dam		140 000 000	(400 000 000)
Sale/(Purchases) of intangible assets	5	(202 286)	(290 012)
Sale / (Purchase) of financial assets	8	(297 923 858)	31 954 561
Net cash from investing activities		**(286 127 474)**	**(762 497 668)**
Cash flows from financing activities			
Repayment of RMB Loan		(156 112 355)	-
Short term bridge facility		-	399 857 942
Contributions by Government and customers	15	11 347 567	12 578 200
Refund from drought relief fund	15	34 426 490	57 093 019
Net cash from financing activities		**(110 338 298)**	**469 529 161**
Total cash and cash equivalents movement for the year		**(18 430 253)**	**60 036 029**
Cash and cash equivalents at the beginning of the year		262 899 249	202 863 220
Total cash and cash equivalents at end of the year	10	**244 468 996**	**262 899 249**

Accounting Policies

Corporate information

Namibia Water Corporation Limited is a public limited company incorporated and domiciled in Namibia.

The annual financial statements for the year ended 31 March 2019 were authorised for issue in accordance with a resolution
of the directors.

1. Significant accounting policies

The annual financial statements have been prepared in accordance with International Financial Reporting Standards. The annual financial statements have been prepared on the historic cost basis, and incorporate the principal accounting policies set out below. The functional and presentation currency is Namibia Dollars.

These accounting policies are consistent with the previous period, except where otherwise stated.

1.1 Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing the performance of the operating segments has been identified as the Management Executive Committee (EXCO). An operating segment is a component of the Corporation that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Corporations' other components. An operating segment's results are reviewed regularly by EXCO to make decisions about resources to be allocated to the segment and assess performance, and for which separate financial information is available.

The basis of segmental reporting has been set out in note 2.

1.2 Significant judgments and sources of estimation uncertainty

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

Trade and other receivables

The Corporation assesses its trade receivables for impairment at the end of each reporting period. The impairment for Individual domestic consumer trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. Impairment for bulk consumer trade receivables is calculated on a case by case basis, based on historical payment patterns by the customers.

Accounting Policies

1.2 Significant judgments and sources of estimation uncertainty (continued)

Fair value measurement

The Corporation measures financial instruments such as financial assets through profit and loss, and non-financial assets such as property, plant and equipment, at fair value at each reporting date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the following notes:

-Disclosures for valuation methods, significant estimates and assumptions - Notes 4, 8 and 13

-Quantitative disclosures of fair value measurement hierarchy - Note 35

-Property, plant and equipment under revaluation model - Note 4

-Financial instruments (including those carried at amortised cost) - Note 8, 9, 13, 17

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements assumes that transactions are taking place in a active market. In the absence of the latter it would assume that it would be based on the next advantageous market. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Corporation uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the annual financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

-Level 1 — Quoted market prices in active markets for identical assets or liabilities that the entity can access at measurement date.

-Level 2 — Inputs other than quoted market prices included within level 1 that are observable for the asset or liability either directly or indirectly.

-Level 3 — Inputs that are unobservable for the asset or liability.

For assets and liabilities that are recognised in the annual financial statements on a recurring basis, management determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the quoted market prices that is significant to the fair value measurement as a whole) at the end of each reporting period. The management committee consists of Chief Executive Officer, General Manager: Finance, the General Manager: Corporate Services and the Four Business Unit Chiefs for water supply. External valuers are involved for valuation of significant assets, such as properties. Involvement of external valuers is decided upon annually by management after discussion with and approval by the Corporation’s Audit Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management decides, after discussions with the Corporation’s external valuers, which valuation techniques and inputs to use for each case.

Accounting Policies

1.2 Significant judgments and sources of estimation uncertainty (continued)

At each reporting date, the management committee analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Corporation’s accounting policies. For this analysis, management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. Management, in conjunction with the Corporation’s external valuers, also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable. On an interim basis, the Management and the Corporation’s external valuers present the valuation results to the Audit Committee and the Corporation’s independent auditors. This includes a discussion of the major assumptions used in the valuations. The Corporation engaged an independent valuation specialist to assess the fair values as at 31 March 2019. For water schemes a valuation methodology based on replacement valuation was used, as there is a lack of comparable market data because of the nature of the assets. Land & buildings were valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of property. Refer to note 4 for detailed estimation criteria for Land and buildings. On an annual basis, the Corporation assesses whether the variables influencing the fair value of assets have changed materially. Where such change is noted, a decision to do a new revaluation will be done. A new valuation will be done after seven years from the date of any full revaluation. A period of 7 years is considered appropriate due to the nature of water infrastructure.

For the purpose of fair value disclosures, the Corporation has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability.

Post retirement medical aid & Severance pay obligation

Post retirement defined benefits are provided for certain existing and former employees. Actuarial valuations which are performed by external valuers are based on assumptions which include employee turnover, mortality rates, the discount rate, healthcare inflation costs and rates of increase in compensation costs.

Severance pay provision in line with the current interpretation of the provisions of the Labour Act are provided for certain existing employees. Assumptions on termination dates, discount rates and future salary increments were done based on currently available information, to compute the liability.

1.3 Property, plant and equipment

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

- it is probable that future economic benefits associated with the item will flow to the Corporation; and
- the cost of the item can be measured reliably.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. When a component of property, plant and equipment is replaced, the replacement cost is capitalised as part of the carrying amount of the property, plant and equipment, provided that the recognition criteria are met. The remaining carrying amount of the replaced part is derecognised at that stage.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment (other than land, buildings and water schemes) is subsequently measured at cost less accumulated depreciation and any impairment losses.

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

Accounting Policies

1.3 Property, plant and equipment (continued)

A revaluation surplus is recorded in Other Comprehensive Income and credited to the asset revaluation reserve in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit or loss. A revaluation deficit is recognised profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

An annual transfer from the asset revaluation reserve to retained earnings is made for the net of tax difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost.

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

Property, plant and equipment in the course of construction which is for production, supply or administrative purposes (accounted for as assets under construction) is carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Corporation's accounting policy. Such Property, plant and equipment is reclassified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

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

Item	Average useful life
Buildings	50 years
Construction equipment	5 years
Furniture and fixtures	10 years
Motor vehicles	4 years
Operational equipment	5 years
Water schemes	10 to 50 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for 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 period is recognised in profit or loss.

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

The asset class for water schemes is composed of a number of subclasses that have different useful lives, hence the large range of useful lives. The shorter end of the range is composed of mainly mechanical components whilst the longer end is composed of civil components.

Refer to note 4 for the carrying amounts of Property, plant and equipment.

The residual value of an asset is the estimated amount that the Corporation would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

1.4 Intangible assets

Intangible assets are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses.

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

Gains and losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is de-recognised. Amortisation is included in operating expenses.

Accounting Policies

1.4 Intangible assets (continued)

Following initial recognition, of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annuallyAmortisation is provided to write down the intangible assets, on a straight line basis, as follows:

Item	Useful life
Computer software	3 to 5 years
Electricity supply points	3 to 30 years

The length of the amortisation period for electricity supply points is influenced by the length of the electricity contract agreement with the supplier.

Refer to note 5 for carrying amount of intangible assets.

1.5 Financial instruments - comparative period 31 March 2018

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Classification

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

- Financial assets at fair value through profit or loss. Refer to note 8
- Held-to-maturity investment. Refer to note 8
- Loans and receivables. Refer to note 9 and 10
- Financial liabilities at fair value through profit or loss
- Financial liabilities measured at amortised cost. Refer to note 13 and note 17.

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition.

Initial recognition and measurement

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

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

Financial instruments are measured initially at fair value.

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

Regular way purchases of financial assets are accounted for at trade date.

Financial instruments at fair value through profit or loss include financial instruments classified as held for trading and financial instruments designated upon initial recognition at fair value through profit or loss.

Transaction costs on financial instruments at fair value through Profit or loss, are recognised in the Profit or loss.

Accounting Policies

1.5 Financial instruments - comparative period 31 March 2018 (continued)

Subsequent measurement

Financial instruments at fair value through profit or loss are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in profit or loss for the period. Such instruments include endowment policies. The entity has elected to present such instruments as fair value through profit or loss because the underlying contracts with the financial institutions shows that the returns are of an interest nature.

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

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

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

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (I.e. removed from the Corporation's statement of financial position when:

- The rights to receive cash flows from the asset have expired, or
- The Corporation has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement, and either (a) the Corporation has transferred substantially all the risks and rewards of the asset, but has not transferred control of the asset (b) The Corporation has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Corporation derecognises financial liabilities when, and only when, the Corporation's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Corporation establishes fair value by using valuation techniques. These include the use of recent arm’s length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Accounting Policies

1.5 Financial instruments - comparative period 31 March 2018 (continued)

Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Impairment of financial assets

At each reporting date the Corporation assesses all financial assets to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

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

Impairment losses are recognised in profit or loss.

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

Where financial assets are impaired , the amount of the loss is recognised in profit or loss within operating expenses.

Reversals of impairment losses are recognised in profit or loss with operating income limited to the carrying amount of financial asset.

Financial instruments at fair value through profit or loss

Financial assets and liabilities at fair value through profit and loss are carried in the statement of financial position at fair value with net changes in fair value presented as investment income in profit or loss. Refer to note 8 and note 13. Listed bonds are included in this class.

Trade and other receivables

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

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

Trade and other receivables are classified as loans and receivables at amortised cost.

Trade and other payables

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

Accounting Policies

1.5 Financial instruments - comparative period 31 March 2018 (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value. Cash and cash equivalents are measured at amortised cost.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Corporation's accounting policy for borrowing costs.

Held to maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Corporation has positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortised cost using EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition, and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance income in the statement of profit or loss and other comprehensive income. The losses arising from impairment are recognised in profit or loss as finance costs. Refer to note 8. Refer to Note 3 for the IFRS 9 policy effective from 01 April 2018.

1.6 Tax

Current tax assets and liabilities

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

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

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which is not a business combination and 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 which is not a business combination and, affects neither accounting profit nor taxable profit (tax loss).

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred tax relates to the same taxable entity and the same taxable authority.

Accounting Policies

1.6 Tax (continued)

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in the Statement of Profit or Loss and Other Comprehensive Income 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.

Tax effect of all items presented in other comprehensive income are presented on the face of the other comprehensive income section of the statement of profit or loss and other comprehensive income.

Value added taxation

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

1.7 Leases

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

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement coveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Operating leases - lessor

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

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

1.8 Inventories

Inventories are measured at the lower of cost and net realisable value on the first-in-first-out basis.

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

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

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

1.9 Impairment of non-financial assets

The Corporation 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 Corporation estimates the recoverable amount of the asset. An asset's recoverable amount is the higher of an asset's or cash generating units (CGU) fair value less costs of disposal and its value is use.

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

Accounting Policies

1.9 Impairment of non-financial assets (continued)

- tests intangible assets 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.

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.

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, however, if this is exhausted, the impairment loss would be recognised in profit or loss.

1.10 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 year in which they are declared.

1.11 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (benefits expected to be settled before 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 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, and a reliable estimate of the obligation can be made.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. The expense is recognised in the period in which the service is rendered. The liability is recognised to the extent that contributions are outstanding and where the liability is not expected to be settled within 12 months after the end of the reporting period, it shall be discounted.

Defined benefit plans

The Corporation operates a defined benefit post-employment medical aid and a severance pay benefit plan which requires contributions to be made to a separately administered fund. The funds have no assets. The cost of providing the benefit under the defined benefit plan is determined using the projected unit credit method.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability, are recognised immediately in the Statement of Financial Position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of; the date of the plan amendment or Curtailment and the date that the Corporation recognises related restructuring cost

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Corporation recognises the following changes in the net defined benefit obligation under administration expenses in the Statement of Profit or Loss and Other Comprehensive Income; service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements and net interest expense or income.

Reliance is placed on expert valuation.

Accounting Policies

1.12 Government grants

Government grants are recognised when there is reasonable assurance that:

- the Corporation 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. The Corporation releases the deferred income into the profit and loss over the related assets financed from the government grant.

Grants related to income are presented as a credit in the Statement of Profit or Loss and Other Comprehensive Income.

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.

Government grants received are recognised in the Statement of Cashflows as cash flows from financing activities due to he fact that a liability (deferred income) is raised for such grants when they are received, and is amortised over the life of the infrastructure that is created utilising such grant funding.

1.13 Revenue

In the prior year the Corporation applied IAS 18 to recognise revenue as per below policy. Revenue from the sale of water to the customers is recognised based on the customer meter readings which keeps track of water supply utilised by customers and when all the following conditions have been satisfied:

- the Corporation has transferred to the buyer the significant risks and rewards of ownership of the goods; once water is pumped through a customer metering device
- the Corporation retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; once water is pumped through a customer metering device
- the amount of revenue can be measured reliably; utilising the meter readings and tarriffs per cubic meter.
- it is probable that the economic benefits associated with the transaction will flow to the Corporation through funds that will be received from the customer; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

Interest is recognised, in the Statement of Profit or Loss and Other Comprehensive Income, using the effective interest rate method.

Revenue on assets donated from customers is recognised in other income in the profit or loss to match the depreciation of the assets per annum. The Corporation adopted the application of IFRS 15 to recognise revenue in the current year.

Revenue from sale of water is recognised at the point in time of when control of the asset is transferred to the customer, generally delivery of the water is at the point of bulk meter. The normal credit terms are 30 days from invoice.

There are no separate performance obligations other than the supply of water. The transaction price is fixed.

Significant financing component

Accounting Policies

1.13 Revenue (continued)

The Corporation receives advance payments fom customers for sale of water. The length of time is limited to a month. Given that the water purchased is less than a month. The Corporation applies the practical expedient for short-term advances received from customers. That is the promised amount of the consideration not adjusted for the effects of a significant financing component if the period between the transfer of the promised goods or service is payment one year or less.

Non-cash consideration

The Corporation does not allow non-cash consideration for water services.

Variable consideration

The Corporation does not allow variable consideration for water services.

Contract assets

The Corporation does not have any contract assets as there are no conditional performance considerations to be fullfilled after the water was supplied.

Contract Liabilities

The Corporation does not have any contract liabilities as there are no conditional performance obligations to be fullfilled.

Collectability of Revenue

Revenue may only be recognised if it is believed at the time of sale that the revenue is likely to be recovered from the customer. The recoverability requirement is not considered to have been met in contracts who have a poor payment history and for which the entity does not have the ability to manage the credit risk. The entity accounts for revenue from these contracts on a cash (rather than accrual) basis. Where the recoverability requirement is met, revenue is recognised on an accrual basis. Management applied significant judgement in determinig whether the recoverability requirement has been met. The application of this judgement did not have a material impact on the revenue recognised in the current year.

1.14 Interest Income

Included in investment income is a total of N$ 32 852 978 (2018: N$ 16 143 453) which is not yet realised. On some investments the actual interest realised will depend on the interest rates at the time of requesting for a payout of the investment income generated. The directors do not believe that the amounts disclosed as investment income earned will materially differ from the amounts that will be received by the Corporation.

1.15 Borrowing costs

Borrowing costs consist of interest and other costs that the Corporation incurs in connection with the borrowing of funds.

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.

Accounting Policies

1.15 Borrowing costs (continued)

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

1.16 Deferred income

There are instances where customers fund the construction of their infrastructure by paying for all the costs incurred for the establishment of the infrastructure. At the end of the construction period, the assets are transferred to NamWater. The donations are accounted for as follows:

- the fair value of the assets donated is reflected as assets.
- the assets are depreciated according to the NamWater policy on similar asset classes.
- an amount equal to the fair value of the asset is recognised as income in Other Income in the Statement of Profit or Loss and Other Comprehensive Income in the year that the asset is available for use.

The Corporation signs a water supply agreement with the respective customers which stipulates the obligations of each party regarding the future utilisation, and the repairs and maintenance of the respective assets.

The cash in flows creating deferred income, are recognised in the Statement of Cash flows as cash flows from financing activities.

1.17 Asset Replacement Reserve

In order to reserve funds for the replacement of infrastructure, the Corporation is compelled to allocate internally generated profits after tax into a funded replacement reserve account. These funds are included in non-distributable reserves in the Statement of Financial Position. The funds so allocated are utilised by the Corporation to fund the acquisition and construction of new infrastructure.

Notes to the Annual Financial Statements

2. Segmental information

The current year's reportable segments are operating segments which are identified on both a geographic and product basis.

Segmental Information

The Corporation has five reportable segments, as described below, which are the Corporation's core geographical areas of operation. The operating areas are managed separately. Each of the strategic geographical areas are reviewed by the Board through the Corporation`s internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Corporation's reportable segments:

Reportable Segment	Products and services
North	Treated and irrigation water
Central	Treated water
South	Treated and irrigation water
Coastal	Treated, desalination water
Other	Support services

Segmental revenue and results

The EXCO assesses the performance of the operating segments based on the measure of profit/loss. This measure excludes the effects of non-recurring expenditure from the operating segments such as restructuring costs, legal expenses and impairments when the impairment is the result of an isolated, non-recurring event. The measure also excludes the effects of unrealised gains/losses on financial instruments. Interest income and expenditure are not allocated to operating segments, as this type of activity is driven by the central treasury function. This measure is consistent with all prior periods which are presented.

All sales are made to external local customers. The Corporation does not have intersegmental revenue.

The segment information provided to the EXCO is presented below. The information presented includes a reconciliation of the current year's profit/loss to net profit after tax.

Notes to the Annual Financial Statements

Figures in Namibian Dollars

2. Segmental information (continued)

2019

	Revenue			Separately disclosable items			
	Total segment revenue	Revenue from external customers	Profit & Loss for period	Depreciation and amortisation	Interest revenue	Interest expense	Taxation
North	356 116 519	356 116 519	205 184 445	(97 405 001)	-	-	-
Central	502 591 484	502 591 484	278 064 651	(201 721 699)	-	-	-
Coastal	598 093 127	598 093 127	206 629 680	(91 393 513)	-	-	-
South	165 826 859	165 826 859	83 259 438	(36 488 317)	-	-	-
Other	2 017 459	2 017 459	(361 851 465)	(10 645 302)	95 146 240	(54 068 478)	14 352 573
Total	**1 624 645 448**	**1 624 645 448**	**411 286 749**	**(437 653 832)**	**95 146 240**	**(54 068 478)**	**14 352 573**
Profit for the year			**29 063 252**				

Profit for the year is derived from adding the separately disclosable items to the prift and loss for the period.

2018

	Revenue			Separately disclosable items				
	Total segment revenue	Revenue from external customers	Profit & Loss for period	Depreciation and amortisation	Interest revenue	Interest expense	Impairment of loss	Taxation
North	309 284 270	309 284 270	164 846 275	(67 506 199)	-	-	-	-
Central	495 802 507	495 802 507	286 474 771	(118 055 286)	-	-	-	-
Coastal	612 611 472	612 611 472	206 687 388	(65 485 958)	-	-	-	-
South	154 341 360	154 341 360	83 478 155	(20 166 451)	-	-	-	-
Other	3 299 458	3 299 458	(305 030 783)	(9 250 042)	61 910 113	(32 300 306)	(56 149)	(47 473 084)
Total	**1 575 339 067**	**1 575 339 067**	**436 455 806**	**(280 463 936)**	**61 910 113**	**(32 300 306)**	**(56 149)**	**(47 473 084)**
Profit for the year			**138 072 444**					

Reclassification of prior year segment disclosure.

In prior year the coastal segment was not separately disclosed but rather the information relationg to this segment was included in "other". In the current year we have reclassified this to present it separately as it's own segment and excluded it from the "other" segment for better disclosure.

Analysis of revenue by product/service

Refer to note 18 for the revenue analysis per product type.

Information about customers

Included in revenue, is revenue from individual customers which each represent more than 10% of the total revenue.

Notes to the Annual Financial Statements

Figures in Namibian Dollars

2. Segmental information (continued)

Analysis of revenue by product/service

Refer to note 18 for the revenue analysis per product type.

Information about customers

Included in revenue, is revenue from individual customer which each represent more than 10% of the total revenue.

	Segment	2019		2018	
		%	N$	%	N$
Municipality of Windhoek	Central	17	348 026 340	17	352 219 000
Swakop Uranium	South	18	368 677 531	16	325 534 318
Total		**35**	**716 703 871**	**33**	**677 753 318**

Segment assets and liabilities

The amounts provided to the EXCO with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

Total assets reflects all non-current assets.

The amounts provided to the EXCO with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segments.

The current year interest-bearing liabilities, post retirement benefit liabilities and deferred tax are not considered to be segment liabilities but are rather managed by the treasury function. All items that cannot be traced to a spefic segment due to their nature are grouped as reconciling items.

The table below provides information on segment assets and liabilities as well as a reconciliation to total assets and liabilities as per the statement of financial position:

Notes to the Annual Financial Statements

Figures in Namibian Dollars

2. Segmental information (continued)

2019

	Non-current assets	Trade receivables	Total assets	Total liabilities
North	1 029 622 209	165 002 754	1 194 624 963	23 205 318
Central	2 091 795 459	104 186 369	2 195 981 828	542 204
Coastal	1 074 993 589	42 363 424	1 117 357 013	52 344 796
South	1 462 975 174	105 297 675	1 568 272 849	354 717 571
Other	279 418 875	235 375 139	514 794 014	214 560 568
Total	**5 938 805 306**	**652 225 361**	**6 591 030 667**	**645 370 457**
Reconciling items				
Bank, cash & investments / Unallocated liabilities	-	-	957 291 005	245 679 407
Current Tax Payable	-	-	-	46 973 244
Inventory	-	-	7 531 698	-
Deferred tax	-	-	-	1 363 858 952
Interest bearing liabilities	-	-	-	451 516 920
Post retirement and severance pay obligations	-	-	-	200 602 000
Total as per statement of financial position	**-**	**-**	**7 555 853 370**	**2 954 000 980**

Reclassification of prior year segment disclosure

In the prior year the coastal segment was not separately disclosed but rather the information relating to this segment was included in “other”. In the current year we have reclassified this to present it separately as it’s own segment and excluded it from the “other” segment for better disclosure.

Notes to the Annual Financial Statements

Figures in Namibian Dollars

2. Segmental information (continued)

2018

	Non-current assets	Trade receivables	Total assets	Total liabilities
North	944 711 510	81 713 504	1 026 425 014	18 252 050
Central	1 988 032 854	42 309 697	2 030 342 551	2 040 690
South	773 703 488	40 498 416	814 201 904	52 708 364
Coastal	1 291 762 906	54 121 681	1 345 884 587	382 744 882
Other	554 984 120	226 324 243	835 430 044	152 102 028
Total	**5 553 194 878**	**444 967 541**	**6 052 284 100**	**607 848 014**
Reconciling items				
Bank, cash & investments / Unallocated liabilities	-	-	682 714 780	277 753 707
Inventory	-	-	7 493 819	-
Deferred tax	-	-	-	1 081 354 040
Interest bearing liabilities	-	-	-	607 629 275
Post retirement and severance pay obligations	-	-	-	232 494 211
Total as per statement of financial position	**-**	**-**	**6 742 492 699**	**2 807 079 247**

Geographical information

The Corporation only has local customers All revenue, assets and liabilities are attributable to local customers.

The segment of assets and liabilities was restated for the 2018 financial year to include the coastal segment.

Notes to the Annual Financial Statements

Figures in Namibian Dollars	**2019**	**2018**
Unallocated assets		
Inventories	7 053 329	6 506 061
Other financial assets	829 399 187	498 213 668
Current tax receivable	-	752 127
Cash and cash equivalents	244 468 995	262 899 249
	1 080 921 511	**768 371 105**
Unallocated liabilities		
Trade and other payables	258 382 396	249 016 603

Significant judgments and estimates used in determining segments

The Corporation's reportable segments are strategic business units within the Corporation. The areas are generally managed separately from each other, and within each geographic operating region, have generally similar customers. With the exception of the South region, which supplies some of its water from a desalination plant, the sources of water are generally similar across all the regions, with the Northern region having a larger percentage of its water supplied from surface water (rivers and dams).

Although the operating regions meet most of the aggregation criteria, management decided to report on the geographical areas as operating regions, because decisions by the EXCO are mainly done based on the operating regions, and the managers responsible for running these operating regions report separately to the EXCO.

3. New Standards and Interpretations

3.1 Standards and interpretations not yet effective and not adopted in the current year

IFRS 16 - Leases

IFRS 16 replaces IAS 17 and applies (is effective) for annual reporting periods beginning on or after 1 January 2019. It aims to improve representation of lessee' assets and liabilities as well as increasing transparency of lessees' financial obligation and leasing activities.

Notes to the Annual Financial Statements

3. New Standards and Interpretations (continued)

Where previously a lease was defined as an agreement whereby the payment or series of payments resulted in (created) the right to use an asset for an agreed period of time, under IFRIS 16 it is defined as a contract or part of a contract, that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Thus under IFRS 16, leases are accounted for based on a 'right-of-use model' where at the commencement date, a lessee has a financial obligation to make lease payments to the lessor for its right to use the underlying asset during the lease term while the lessor conveys that right to use the underlying asset at the commencement of the lease, which is the time when it makes the underlying asset available for use by the lessee.

IFRS 16 prescribes a **single model of accounting for every lease for the lessees** where a lessee does not need to classify the lease at its inception and determine whether it's finance or operating, rather they need to recognize a **right-of-use asset** and corresponding **liability** in its statement of financial position for **all the leases;** The asset shall be depreciated and a liability amortized over the lease term.

There is however a recognition exemption whereby the lessee may elect to not apply the above requirements to short term leases and leases for which the underlying asset is of low value.

Also, Under IFRS 16, rental or lease payments must be split to account for a lease element and a service element separately, mostly as an expense through profit or loss.

The corporation does not have any ***sale-and-leaseback*** arrangements in place and there were no ***modification*** or ***reassessment*** in place, hence the implications of these aspects of IFRS 16 are not considered for the assessment.

Lease agreements where the corporation is a lessor

The lessor's accounting remains largely unchanged from IAS 17. As such, the corporation will continue to classify leases as either finance leases or operating leases in line with IFRS 16.

IFRS 16 therefore does not have significant impact on the accounting for leases where the corporation is the **lessor**.

Application of IFRS 16 on Lease agreement where the corporation is a lessee

Short-term leases: The corporation applied the recognition exemption instead of recognition requirements of IFRS 16 to its Leases of Machinery and Properties as these leases meet the definition of a short term lease as per IFRS 16 due to the lease periods of 12 months or less at the commencement date.

Machinery is leased only in the event of breakdowns or emergencies for periods not exceeding 3 months, while Property leases are for office space leased for periods of up to 12 months renewable before the end of the 12 months.

The corporation accounts for payments associated to these leases as an expense on straight line basis and shall continue to do so due to the short duration of such agreements.

Long-term lease agreements:

The corporation further has Long-term lease agreements for Printers. These are classified as long-term as the lease period is 36 months.

Through this agreement, the Lessor (Nashua) grants the corporation right of use over the Equipment for the said period in exchange for a fixed monthly rental charge of N$2,729.71. The equipment however remains the property of the Lessor during the entire period of the lease.

Based on its salient aspects the agreement meets the definition of a lease in terms of IFRS 16 and therefore needs to be accounted according to the requirements IFRS 16. The corporation therefore need to recognise a right-to-use asset and a corresponding liability in respect of the lease agreements for the printers.

Transition:

Lessees and lessors are not, upon transition, required to reassess whether an existing contract contains a lease. i.e. if an entity concluded under IAS 17 Leases that the contract is not a lease, an entity does not have to reassess the contract in accordance with IFRS 16.

Notes to the Annual Financial Statements

3. New Standards and Interpretations (continued)

There are two approaches for transition accounting.

Full retrospective approach:

Retrospectively apply the new standard to each prior reporting period presented as required by IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Under this transition approach, entities need to adjust equity at the beginning of the earliest comparative period presented.

Modified retrospective approach:

The lessee does not restate comparative information. Consequently, the date of initial application is the first day of the annual reporting period in which a lessee first applies the requirements of the new leases standard. At the date of initial application of the new leases standard, lessees recognise the cumulative effect of initial application as an adjustment to the opening balance of retained earnings at the date of initial application

Under this approach, lessees with leases previously classified as operating leases should recognise:

A lease liability, measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application.

Right-of-use-asset at the date of initial application. The lessee shall choose to measure the right-of-use asset (on a lease by lease basis) at the carrying amount as if IFRS 16 had been applied since the commencement date of a lease using a discount rate based on the lessee's incremental borrowing rate at the date of initial application or an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments recognised immediately before the date of initial application.

The corporation does not have leases which are classified as a finance lease therefore the implications of leases previously classified as finance leases are not considered.

Also, the corporation does not foresee that IFRS 16 will have a material impact on periods commencing on or after the effective date as its operating leases previously classified as operating leases are not material.

3.2 Standards and interpretations not yet effective and not adopted in the current year

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The interpretation requires an entity to:

- determine whether uncertain tax positions are assessed separateley or as a group; and
- assess whether it is probable that a tax authority will acccept an uncertain tax treatment used, or proposed to be used, by an entity in it's income tax filings:
- If yes, the entity should determine it's accounting tax position consistently with tha treatment used or planned to be used in it's income tax fillings.
- If no, the entity should reflect the effect of uncertainty in determining it's accounting tax position.

The inerpretation is effective for annual periods begining on or after 1 January 2019. entities can apply the interpretation with either full retrospective application or modified retrospective application without restatement of comparatives retropectively or prospectively.

Notes to the Annual Financial Statements

3. New Standards and Interpretations (continued)

The Corporation do not anticipate that the application of the amendments in the future will ahve an impact on the Corporations financial statements.

3.3 Standards and interpretations effective and adopted in the current year

The following standards and interpretations have been published and have been included as disclosure areas from 31 March 2019.

IFRS 9 Financial Instruments

In the current year, the Corporation has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for the annual period that begins on or after 1 April 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives. The Corporation has elected not to restate comparatives in respect of the classification and measurement of financial instruments.

Additionally, the Corporation adopted consequential amendments to IFRS 9 Financial Instruments: Disclosures.

IFRS 9 introduced new requirements for:

1) The classification and measurement of financial assets and financial liabilities,

2) Impairment of financial assets, and

3) General hedge accounting.

Details of these new requirements as well as their impact on the Corporation's financial statements are described below. The Corporation has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. The date of initial application (i.e. the date on which the Corporation has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 April 2018. Accordingly, the Corporation has applied the requirements of IFRS 9 to instruments that continue to be recognised as at 1 April 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018.

(a) Classification and measurement of financial assets

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

• debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;

• debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);

• all other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL)

Namwater Business Model

The objective of the entity's business model is to hold assets only to collect cash flows, or to collect cash flows to sell ("the Business Model test"), and

The contractual cash flows of an asset give rise to payments on specified dates that are soley payments of principal and interest ("SPPI") on the pricipal amount oustanding ("the SPPI test").

The directors of the Corporation reviewed and assessed the Corporation's existing financial assets as at 1 April 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had no impact on the Corporation's financial assets as regards their classification and measurement as outlined below:

Notes to the Annual Financial Statements

3. New Standards and Interpretations (continued)

Financial instruments	**Business Model**	**IFRS 9 Measurement**	**IAS 39 Measurement**
Endowment policies.	Not held for contractual cash flows which are SPPI	Fair Value through profit and loss	Fair value through profit and loss
Short term deposits	Collect contractual cash flows which represents SPPI	Amortised cost	Amortised cost
Sinking fund for bond redemption	Collect contractual cash flows which represents SPPI	Amortised cost	Amortised cost
Trade receivables	Collect contractual cash flows which represents SPPI	Amortised cost	Amortised cost
Other receivables	Collect contractual cash flows which represents SPPI	Amortised cost	Amortised cost
Bonds	Collect contractual cash flows which represents SPPI	Amortised cost	Amortised cost
Trade and other payables	Collect contractual cash flows which represents SPPI	Amortised cost	Amortised cost

(b) Impairment of financial assets

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

Specifically, IFRS 9 requires the Corporation to recognise a loss allowance for expected credit losses on:

(1) Debt investments measured subsequently at amortised cost or at FVTOCI;

(2) Lease receivables;

(3) Trade receivables and contract assets; and

(4) Financial guarantee contracts to which the impairment requirements of IFRS 9 apply.

In particular, IFRS 9 requires the Corporation to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition. However, if the credit risk on a financial instrument has not increased significantly since initial recognition, the Corporation is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances. The reconciliation between the ending provision for impairment in accordance with IAS 39 and the provision in accordance with IAS 37 (for the financial guarantee contracts) to the opening loss allowance determined in accordance with IFRS 9 for the above financial instruments on 1 April 2018 is disclosed in their respective notes.

(c) Classification and measurement of financial liabilities

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

Notes to the Annual Financial Statements

3. New Standards and Interpretations (continued)

(d) Disclosures in relation to the initial application of IFRS 9

There were no financial assets or financial liabilities whose classification has changed as a result of applying IFRS 9.

(e) Impact of initial application of IFRS 9 on financial performance

The application of IFRS 9 has had no impact on the cash flows of the Corporation. Refer to Note 9 for full disclosure.

Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised in the Corporation's statement of financial position when the Corporation becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.

Classification

The classification of financial assets is dependent on the 'business model' test and 'contractual cash flow' test to determine whether they are measured at fair value or amortized cost.

The classification of financial liabilities under IFRS 9 remain broadly the same as in IAS 39.

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

•the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

• the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

• the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

• the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Subsequent measurement

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets as outlined below:

Notes to the Annual Financial Statements

3. New Standards and Interpretations (continued)

Financial instruments	Business Model	FRS 9 Measurement
Endowment policies	Not held for contractual cash flows which are SPPI	Fair Value through profit and loss
Short term deposits	Collect contractual cash flows which represents SPPI	Amortised cost
Sinking fund for bond redemption	Collect contractual cash flows which represents SPPI	Amortised cost
Trade receivables	Collect contractual cash flows which represents SPPI	Amortised cost
Other receivables	Collect contractual cash flows which represents SPPI	Amortised cost

All financial liabilities are measured subsequently at amortised cost using the effective interest method.

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income/expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts/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) excluding expected credit losses, through the expected life of the financial instrument, or, where appropriate, a shorter period, to the gross carrying amount of the financial instrument on initial recognition.

The amortised cost of a financial instruments is the amount at which the financial instruments is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset. Interest income is recognised in profit or loss and is included in the "interest income" line item (note 20).

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in note 35.

(iii) Impairment of financial assets

The Corporation recognises a loss allowance for expected credit losses on investments in debt instruments that are 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 financial instrument.

The Corporation always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Corporation's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Notes to the Annual Financial Statements

3. New Standards and Interpretations (continued)

For all other financial instruments, the Corporation recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Corporation measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

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

(iv) 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 for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Corporation's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Corporation in accordance with the contract and all the cash flows that the Corporation expects to receive, discounted at the original effective interest rate.

The Corporation recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial instruments

The Corporation derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. The difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Corporation derecognises financial liabilities when, and only when, the Corporation's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Definition of default

Default is defined as a customer that fails to honour the agreed commitments in quantitive and timeous terms.

Write-off is the point in time that the customer has been declared insolvent and liquidated.

The impact of this standard has been implemented refer to Note 9 for full disclosure.

IFRS 15 Revenue from Contracts with Customers

In the current year, the Corporation has applied IFRS 15 Revenue from Contracts with Customers (as amended in April 2016) which is effective for an annual period that begins on or after 01 January 2018. IFRS 15 introduced a 5 step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific senarios. Details of the new requirements as well as their impact on the Corporations financial statements are described below.

The Corporation has applied IFRS 15 in accordance with the modified retrospective transitional approach. The modified retrospective transitional approach requires to recognise the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of retained earnings at the date of initial application. The Corporation did not have any contracts that were not completed at the date of initial application, hence no adjustment was made for cumulative effects of initially applying IFRS 15.

Notes to the Annual Financial Statements

3. New Standards and Interpretations (continued)

IFRS 15 uses the terms "contract asset" and "contract liability" to describe what might more commonly be known as accrued revenue and deferred revenue, however the Standard does not prohibit an entity from using alternative descriptions in the statement of financial position

The Corporations accounting policies for its revenue streams are disclosed in detail in note 1.

The Corportion is in the business of selling bulk water. Revenue from customers are recognised when control of the goods are transferred to the customer at an amount that reflects the consideration to which the Corporation expects to be entitled to in exhange for those goods.

Revenue from the sale of water is recognised at the point when control of the asset is transferred to the customer, the metering points.

4. Property, plant and equipment

	2019			2018		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Buildings	285 269 190	(65 841 406)	219 427 784	225 701 582	(59 747 765)	165 953 817
Construction Equipment	60 934 651	(44 264 291)	16 670 360	56 091 853	(38 269 302)	17 822 551
Furniture and fixtures	37 209 741	(33 606 882)	3 602 859	34 969 171	(32 413 019)	2 556 152
Motor vehicles	124 483 432	(79 570 984)	44 912 448	109 429 018	(72 082 162)	37 346 856
Operational equipment	25 510 942	(20 384 829)	5 126 113	24 245 352	(18 989 043)	5 256 309
Water schemes	6 733 583 833	(2 229 844 572)	4 503 739 261	5 843 990 633	(1 842 821 227)	4 001 169 406
Assets under construction	850 873 432	-	850 873 432	843 052 753	-	843 052 753
Total	**8 117 865 221**	**(2 473 512 964)**	**5 644 352 257**	**7 137 480 362**	**(2 064 322 518)**	**5 073 157 844**

Notes to the Annual Financial Statements

Figures in Namibian Dollars

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Transfers	Revaluations	Depreciation on transfers and retirements	Depreciation	Total
Buildings	165 953 817	2 840 380	-	-	56 727 228	-	(6 093 641)	219 427 784
Construction equipment	17 822 551	4 856 848	-	-	-	-	(6 009 039)	16 670 360
Furniture and fixtures	2 556 152	2 341 608	(101 038)	-	-	74 158	(1 268 021)	3 602 859
Motor vehicles	37 346 856	19 358 502	(4 304 088)	-	-	4 049 105	(11 537 927)	44 912 448
Operational equipment	5 256 309	1 388 949	(123 360)	-	-	87 152	(1 482 937)	5 126 113
Water schemes	4 001 169 406	10 562 488	(995 392)	80 149 273	799 876 831	682 286	(387 705 631)	4 503 739 261
Assets under construction	843 052 753	87 969 952	-	(80 149 273)	-	-	-	850 873 432
	5 073 157 844	**129 318 727**	**(5 523 878)**	**-**	**856 604 059**	**4 892 701**	**(414 097 196)**	**5 644 352 257**

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Buildings	169 960 172	625 437	-	-	(4 631 792)	-	165 953 817
Construction equipment	20 955 211	2 781 515	(6 434)	49 839	(5 957 580)	-	17 822 551
Furniture and fixtures	2 679 708	1 261 226	(2)	-	(1 384 780)	-	2 556 152
Motor vehicles	33 505 324	13 000 240	-	-	(9 158 708)	-	37 346 856
Operational equipment	5 947 688	750 395	(55)	3 418	(1 445 137)	-	5 256 309
Water schemes	4 187 014 517	13 764 255	(241 658)	34 299 717	(233 667 425)	-	4 001 169 406
Assets under construction	515 692 137	362 164 665	-	(34 747 900)	-	(56 149)	843 052 753
	4 935 754 757	**394 347 733**	**(248 149)**	**(394 926)**	**(256 245 422)**	**(56 149)**	**5 073 157 844**

Notes to the Annual Financial Statements

	2019 N$	2018 N$

4. Property, plant and equipment (continued)

Pledged as security

All the Property, plant and equipment are free of any encumbrances.

Transfers between asset categories

A number of transfers were done between asset categories. The transfers were to capitalise assets that were under construction in the previous year, and which were completed in the current year.

Capitalised expenditure

	2019 N$	2018 N$
Addition to capital work in progress	87 969 952	362 164 736
Transferred to fixed assets	(80 149 273)	(34 747 900)

Work in progress is capitalised when expenditures are incurred to create fixed assets. Once the assets are ready for use, they are transferred from Assets under construction to the respective asset classes. An amount of N$ 200 000 000 incurred for the construction of the Neckartal Dam was accounted for as an addition to work in progress in the previous financial year.

Compensation received for losses on property, plant and equipment – included in operating profit.

	2019 N$	2018 N$
Computer equipment and Vehicles	529 637	418 474

During the financial year, the Corporation received insurance compensation for damage to some of its assets. The damaged equipment were decommissioned.

Notes to the Annual Financial Statements

	2019 N$	2018 N$

4. Property, plant and equipment (continued)

Revaluations

The Corporation endevours to value its property plant and equipment every 7 years. Previous valuations were performed on different classes of assets on the 1st of April 2012, 1st April 2013 and 1st April 2014. A revaluation on buildings and water schemes was performed in the current financial year. The revaluations were performed by Messers Lund Consulting Engineers and Property Valuations Namibia. The organisation is not connected to the Corporation and has recent experience in the location and category of the Water Supply Infrastructure being valued.

The valuation was based on the open market value for existing use for the land and buildings, and for water supply infrastructure was based on the replacement cost.

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

	2019 N$	2018 N$
Buildings	82 556 821	82 206 261
Water schemes	1 269 047 016	1 255 408 993

Fair value of the revalued assets was determined using the market comparable method for land and buildings and replacement cost for water supply infrastructure. This means that valuations performed by the valuer are based on active market prices, significantly adjusted for difference in the nature, location or condition of the specific property. As at the date of the revaluation, fair values of the revalued assets were based on valuation performed by Mr. Pierewiet (Sworn Valuer) of Messrs Pierewiet Wilders Valuations.

Significant unobservable valuation input: Price per square meter N$ 100 to N$ 5 668.

Water Schemes:

Casing - UPVC - N$ 385 per square meter

Mild Steel - N$ 1 000 per meter

Gravel pack material - N$ 3 305 per cubic meter

Concrete 30MPA/19mm - N$ 2 500 per cubic meter

Significant increase / (decreases) in estimated price per square meter in isolation would result in a significantly higher (lower) fair value.

Please refer to Note 37 for the sensitivity analysis performed on the note items.

Other information

In prior years the government constructed water supply infrastructure and donated this to the Corporation. Some of the donated water supply infrastructure is dedicated to supply water to rural communities.

For further information on capital expenditure commitments, refer to note 30.

For further additional fair value information, refer to note 35.

Proceeds of N$ 1 317 397 (2018: N$ 185 515) were received from the disposal of assets with a carrying value of N$ 416 018 (2018: N$ 248 149).

All the assets owned by the Corporation were assessed for impairment per IAS 36, refer to note 29 for impairment of assets.

Details of properties

Notes to the Annual Financial Statements

	2019 N$	2018 N$

4. Property, plant and equipment (continued)

A register containing the information required by the Companies Act is available for inspection at the registered office of the Corporation.

5. Intangible assets

	2019			2018		
	Cost N$	Accumulated amortisation N$	Carrying value N$	Cost N$	Accumulated amortisation N$	Carrying value N$
Computer software	18 461 876	(17 961 650)	500 226	18 310 020	(17 289 360)	1 020 660
Electricity Supply points	255 404 817	(78 029 170)	177 375 647	255 404 817	(55 195 255)	200 209 562
Total	**273 866 693**	**(95 990 820)**	**177 875 873**	**273 714 837**	**(72 484 615)**	**201 230 222**

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Amortisation	Total
Computer software	1 020 660	202 286	(722 720)	500 226
Electricity Supply points	200 209 562	-	(22 833 915)	177 375 647
	201 230 222	**202 286**	**(23 556 635)**	**177 875 873**

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Transfers	Amortisation	Total
Computer software	1 393 276	290 012	394 926	(1 057 554)	1 020 660
Electricity Supply Points	223 370 522	-	-	(23 160 960)	200 209 562
	224 763 798	**290 012**	**394 926**	**(24 218 514)**	**201 230 222**

Pledged as security

All intangible assets are free of encumbrances.

Other information

Computer software is replaced once it has reached the end of it's useful life.

Electricity Supply Points have a remaining useful life of 7 years.

Contractual commitments

There are no commitments to purchase any new intangible assets.

Notes to the Annual Financial Statements

	2019 N$	2018 N$
6. Deferred tax		
Deferred tax (liability)/asset		
Liabilities for health care benefits accrued	62 619 943	72 831 783
Endowment policies	(85 133 112)	(76 686 374)
Inventory	(2 212 877)	(2 353 834)
Provision for bonuses	-	6 059 723
Doubtful debt allowance	170 506 613	149 009 413
Revaluation of Property plant and equipment	(1 422 467 309)	(1 148 354 010)
Revaluation of Property, plant & equipment released to retained income	(28 308 028)	3 902 111
Income received in advance	(9 051 724)	(9 011 895)
Property, plant and equipment	(47 477 832)	(75 502 731)
Assessed loss utilised	(2 334 626)	(2 334 626)
Total deferred tax liability	**(1 363 858 952)**	**(1 082 440 440)**

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	(1 363 858 952)	(1 082 440 440)

Reconciliation of deferred tax asset / (liability)

At beginning of year	(1 082 440 440)	(1 054 139 674)
Deferred taxation through Other Comprehensive Income		
IFRS 9 prior year adjustment	(32 210 139)	-
	-	-
Deferred taxation through profit or loss		
Income received in advance	-	8 671
Assessed loss utilised	-	(5 206 582)
Liabilities for health care benefits accrued	(10 211 840)	5 441 627
Investment income accrued	(8 446 738)	(4 840 945)
Inventory	140 957	(823 621)
Provision for doubtful debts	21 497 200	27 721 841
Property, plant and equipment	28 024 899	(60 563 591)
Provision for bonuses	(6 059 723)	6 059 723
Insurance claims prepaid	(39 829)	-
Income on realised fixed term deposits	-	3 902 111
Revaluation of PPE	(274 113 299)	-
	(1 363 858 952)	**(1 082 440 440)**

7. Inventories

Spare parts and consumables	7 531 697	7 493 819

Inventory is free of any encumbrances. Total inventories is measured at the lower of cost and net realisable value.

8. Other financial assets

At fair value through profit or loss

Investments	45 984 250	43 025 805

The amount is comprised of N$ 45 984 250 (2018: N$ 43 025 805) in endowment policies.

Notes to the Annual Financial Statements

	2019 N$	2018 N$
8. Other financial assets (continued)		
Amortised Cost		
Other financial asset	666 837 762	376 789 733

The investment is a short term deposit of N$ 246 757 952 held in a 48hr investment facility, with nominal interest rate of 7.35%, N$100 million short term deposit, with interest rate 8.42% matuing 01 May 2019, N$ 50 million short term deposit, with interest rate 8.52% maturing on 13 December 2019, N$ 100 million short term deposit, with interest rate of 8.25% maturing 05 May 2019 and N$ 150 million short term deposit with interest of 8.55% maturing on 13 December 2019. The total investments includes interest accrued on the above investments. A total of N$ N$ 500 million (2018: N$ 274 million) reinvestments were made during the year.

Other financial assets-current	**712 822 012**	**419 815 538**
Non-current assets		
Amortised Cost - Sinking Fund	116 577 175	78 806 812

The non-current held to maturity investments comprise of an investment in a sinking fund held with Standard Bank Namibia to redeem the bonds at muturity. (refer to note 13).

Current assets		
At fair value through profit or loss	45 984 250	43 025 805
Amortised Cost	666 837 762	376 789 733
	712 822 012	**419 815 538**
Total other financial assets	**829 399 187**	**498 622 350**

Notes to the Annual Financial Statements

	2019 N$	2018 N$
8. Other financial assets (continued)		
Fair value information		
Reconciliation of financial assets held at fair value through profit and loss		
Opening balance	43 025 805	103 392 507
Investment income unrealised	2 922 008	2 525 406
Investment income realised	36 437	408 682
Disinvestments during the year	-	(63 300 790)
	45 984 250	**43 025 805**
Reconciliation of financial assets at Amortised cost		
Opening balance	376 789 733	379 508 332
Investment during the year	1 020 921 854	800 342 419
Interest income unrealised	20 079 808	6 456 920
Interest income realised	24 758 533	26 775 926
Disinvestments during the year	(775 712 166)	(836 293 864)
	666 837 762	**376 789 733**
Other Financial Assets at Amortised cost: Long term		
Opening balance	78 806 812	44 741 984
Investment during the year	27 919 200	27 919 200
Interest income unrealised	9 851 163	6 145 628
	116 577 175	**78 806 812**
Sales/Purchases of Investments		
Disinvestments during the year: Financial Assets held at Fair Value	-	63 300 790
Disinvestments during the year: Financial Assets at amortised cost	775 712 166	836 293 864
Investments during the year: Financial Assets at amortised cost	(1 020 921 852)	(800 342 419)
Additional Investments in Sinking Fund	(37 770 362)	(34 064 828)
Investment Income: Financial Assets at Amortised cost	(44 838 343)	(33 232 846)
	(327 818 391)	**31 954 561**

Financial assets at fair value through profit or loss are recognised at fair value, which is equal to their carrying amounts at the date of reporting.

The amortised cost investments are recognised at cost plus investment income earned and are both current and non-current in nature. The short term held to maturity investments comprise of fixed term deposits held at a term not exceeding 12 months. The non-current held to maturity investments comprise of an investment in a sinking fund held with Standard Bank to redeem the bonds at muturity. (refer to note 13).

Reconciliation of financial assets

Financial assets at fair value through profit or loss are denominated in the following currencies:

	2019 N$	2018 N$
Namibian dollar	45 984 250	43 025 805

Financial assets at amortised cost are denominated in the following currencies:

	2019 N$	2018 N$
Namibian dollar	666 837 762	376 789 733
Sinking fund - Standard Bank Namibia - Namibian Dollar	116 577 175	78 806 812

Notes to the Annual Financial Statements

8. Other financial assets (continued)

Credit quality of other financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information and forward looking information about counterpart and industry default rates. With regards to the investments, only investments in the money market, with products that guarantee the capital balance invested are allowed per the investment policy. The investments in these institutions must be investment grade.

9. Trade and other receivables

	2019 N$	2018 N$
Trade receivables	933 578 858	840 795 546
Allowance Account	(622 026 752)	(676 176 634)
Value added tax	-	20 803 647
Subsistence & Travel advances	78 849	33 335
Other receivables	340 594 406	459 511 647
	652 225 361	**644 967 541**

Other Receivables

Included in other receivables is an amount of N$ 287 271 981 advanced to the government relating to the Neckartal Dam of which N$ 43 526 394 short term and N$ 243 745 587 long term, as well as interest of N$ 30 388 970 refundable on that advance. Other receivables also include an amount of N$ 31 130 679 relating to other government projects. These amounts are underwritten to be paid by the Namibian Government which reduces the risk of default.

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past due nor impaired can be assessed by reference to historical and forward looking payment performance and default rates. The credit quality of customers is assessed and regularly monitored by the debtor's committee. Bulk water sales are covered by performance agreements.

The overall allowance account improved from prior year as a result of the improvement in the credit quality of debtors due to improved payment terms and collection rate ona significant base of customer segment. The improvement in credit quality reduces the overall credit risk.

None of the financial assets that are fully performing have been renegotiated during the last year.

Fair value of trade and other receivables

Management assessed that the fair values of trade and other receivables approximate their carrying amounts largely due to the short term maturities of these instruments.

Notes to the Annual Financial Statements

	2019 N$	2018 N$

9. Trade and other receivables (continued)

Trade and other receivables impaired

The amount of the provision was N$ (622 026 752) as at 31 March 2019 (2018: N$ 676 176 634).

All the amounts that are past due have been provided for in the 2019 and 2018 financial year.

The ageing of trade and other receivables are as follows:

	2019	2018
Trade receivables: Unrelated parties		
Current	135 504 015	91 604 538
31 - 60 days	5 250 742	152 834 035
61 - 120 days	23 015 005	25 143 555
Above 121 days	397 359 840	168 416 191
Total unrelated party receivables	561 129 602	437 998 319
Trade receivables: Related parties	-	-
Current	196 460 717	74 014 180
31-60 Days	1 963 570	11 870 154
61 - 120 days	17 043 424	39 038 325
Above 121 days	156 981 545	277 874 568
Total related party receivables	372 449 256	402 797 227
Total Trade receivables	**933 578 858**	**840 795 546**

	2019	2018
Total trade receivables		
Current	331 964 732	165 618 726
Past due 31 - 60 days	7 206 672	164 704 189
Past due 61 - 120 days	40 335 552	64 181 879
Past due 121 days and above	554 071 902	446 290 752
	933 578 858	**840 795 546**

2019 Disclosure	**Current**	**31-60 days**	**61-120 days**	**<121 days**	**Total**
Trade receivables	331 964 732	7 206 672	40 335 552	554 071 902	933 578 858
ECL loss	(24 619 298)	(3 000 000)	(40 335 552)	(554 071 902)	(622 026 752)
ECL rate %	8	38	100	100	67
	307 345 434	**4 206 672**	**-**	**-**	**311 552 106**

2018 Disclosure	**Current**	**31-60 days**	**61-120 days**	**<121 days**	**Total**
Trade receivables	165 618 726	164 704 189	64 181 879	446 290 752	840 795 546
ECL loss	(999 814)	(164 704 189)	(64 181 879)	(446 290 752)	(676 176 634)
ECL rate %	1	100	100	100	80
	164 618 913	**-**	**-**	**-**	**164 618 912**

	2019	2018
Trade Receivables		
Due but not Impaired	331 964 732	164 618 910
Due and Impaired	7 206 672	165 704 005
Past due and Impaired	594 407 454	510 472 631
	933 578 858	**840 795 546**

The carrying amount of trade receivables are denominated in the following currencies:

	2019	2018
Namibian Dollar	933 578 585	840 795 546

Notes to the Annual Financial Statements

	2019 N$	2018 N$

9. Trade and other receivables (continued)

Reconciliation of provision for impairment of trade and other receivables

	2019	2018
Opening balance	676 176 634	576 257 753
Adjustment of opening balance: IFRS 9 adoption in respect of expected credit loss	(100 658 878)	-
Revised subtotal	575 517 756	-
Provision for impairment	35 773 726	56 966 085
Amounts written off	(43 871 310)	-
Interest provision	54 606 580	42 952 796
	622 026 752	**676 176 634**

	2019	2018
IFRS 9 adoption adjustment in respect of the expected credit loss		
Prior period provision under IAS 39: 01 April 2018	676 176 634	-
Prior period provision under IFRS 9: 01 April 2018	(575 517 756)	-
	100 658 878	**-**

The valuations of receivables under IAS 39 looked at the credit quality through the application of the aging receivables category to arrive at the provision. Under IFRS 9 historic collection rates were applied and adjusted for forward looking factors to arrive at the fair value of the financial assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Corporation does not hold any collateral as security. Included in related party trade receivables is an amount of N$263 725 052 relating to Local Authorities and Regional Councils which according to management has the higest risk of defaulting. However, repayment agreements have been entered into with these customers. Also included in trade receivables is an amount of N$130 690 433 owed by private consumers, rural water supply and legal dormant accounts which also carries a relatively high risk of defaulting. The amounts are fully provided for.

Trade receivables include amounts owing from related parties. Trade receivables are non-secured and interest bearing on a 60 day term.

Other receivables include study loans given to employees and other sundry receivables. The receivables are non-secured and non-interest bearing with no repayment terms.

Subsistence & Travel advances relate to travel advances for which employees have not yet submitted proof of travel. The advances are non-secured, and non-interest bearing with no repayment terms.

The impact of IFRS 9 on the different classification instruments

The Corporation uses the provision matrix to calculate the ECL's for trade receivables. The provision rates are calculated based on the collection rate per customer segment. The valuation of receivables approach applied under IAS 39 looked at the credit quality of the receivable to ensure amortised cost is correctly applied. To arrive at the valuation of financial asset, the aging of the receivables categories was applied. Under IFRS 9, the provision matrix applied looks at the historic default rate updated and changed with forward looking aspects with reference to performance of sectors of these customers. The payment policy requires customers to pay within 30 days from invoice based on normal terms. In terms of IAS 39 provision was based on 100% of customers which did not comply with those payment terms. In terms of IFRS 9, the ECL model, the provision matrix would not include all these customers.

The assessment of the correlation between the historical observed default rates, forecast economic conditions and ECL's is significant estimate. The amount of ECL's is sensitive to changes in circumstances and of forecast economic conditions. The Corporation historical credit loss experience and forecasts economic conditions may also not be representitive of the customer's actual default in the future. This information about the ECL's on the Corporations trade receivables is disclosed further in note 9.

Notes to the Annual Financial Statements

	2019 N$	2018 N$

9. Trade and other receivables (continued)

Financial Instruments	IAS 39 Measurement Category	IAS 39 Carrying Amount	IFRS 9 Measurement Category	IFRS 9 Carrying Amount
Endowment Policies	Fair value through profit and loss	43 025 805	Fair value through profit and loss	43 025 805
Short term deposits	Amortised Cost	376 789 733	Amortised Cost	376 789 733
Sinking Fund for bond redemption	Amortised Cost	78 806 812	Amortised Cost	78 806 812
Trade Receivables	Amortised Cost	164 618 912	Amortised Cost	265 277 790
Other Receivables	Amortised Cost	459 511 647	Amortised Cost	459 511 647
Bonds	Amortised Cost	207 771 333	Amortised Cost	207 771 333
Trade and other payables	Amortised Cost	237 476 698	Amortised Cost	237 476 698
Cash and cash equivalents	Amortised Cost	262 899 249	Amortised Cost	262 899 249
		1 830 900 189		**1 931 559 067**

Assumptions and judgements used to calculate the expected credit loss

The sectors of the Corporations customers that are supplied with bulk water include, mining customer, local authorities private businesses and individuals. In arriving at the estimated credit losses the Corporation considered at looking at the historic collection rate of these customers for the past three years and the following assumptions were factored to arrive at the credit losses balance.

Forward looking factors considered

Namibian GDP growth rate as given this key indicator used to verify the country's growth rate.

International Uranium prices were used as a key determinant of the viability of the mining activities and the customer's ability to repay.

Reconciliation of the trade receivables

Trade Receivables IAS 39	164 618 912
IFRS 9 Valuation adjustment	100 658 878
Trade receivables IFRS 9	**265 277 790**

10. Cash and cash equivalents

Cash and cash equivalents relate to money on hand and deposits held with banking institutions. The avarage interest rate earned on deposits with banking institutions in call and current accounts avaraged 4.45% p.a. (2018: 4.15%).

	2019 N$	2018 N$
Cash on hand	62 985	48 196
Bank balances	244 406 010	262 851 053
	244 468 995	**262 899 249**
The total amount of undrawn facilities available for future operating activities and commitments	901 212 000	901 212 000

11. Share capital

	2019 N$	2018 N$
Authorised		
1 000 000 000 Ordinary shares of N$1 each	1 000 000 000	1 000 000 000
Issued		
959,054,444 ordinary shares of N$ 1 each	959 054 444	959 054 444

Notes to the Annual Financial Statements

12. Non distributable reserves

Revaluation reserves equal to the depreciation net of tax on the revalued portion of assets is released directly into Retained Income.

	2019 N$	2018 N$
Opening balance	1 832 819 682	1 941 195 113
Revaluation Reserve	582 490 761	-
Revaluation reserve released into retained income	(213 837 866)	(108 375 431)
Revaluation reserves	2 201 472 577	1 832 819 682
Asset replacement reserve	10 033 634	10 033 634
	2 211 506 211	**1 842 853 316**

The Asset Replacement reserve relate to money set aside for the future replacement of fixed assets. As guided by the Namibia Water Corporation Act, the Corporation can capitalise part of it's profits as may be deemed necessary into a capital relacement reserve for future replacement of it's assets.

13. Financial liabilities at amortised cost

	2019 N$	2018 N$
Held at amortised cost		
Loan: RMB The loan is repayable over 5 years at an interest rate of prime less 1.65%, currently 8.85% payable monthly. The Corporation has paid more in the current year and is not expected to make a payment in the next 12 months.	243 745 587	399 857 942
Held at amortised cost		
Bonds issued On 24 April 2015 NWC020 of N$94 million and NWC022 of N$106 million were issued. The bonds are unsecured, and have fixed coupon rates of 9.05% and 9.57% respectively payable semi-annually and are maturing on 24 April 2020 and 24 April 2022 respectively. The bonds are denominated in Namibian Dollars. This is the first two tranches of NamWater's Medium Term Note Programme (MTNP) aimed at funding water supply infrastructure. The MTNP is listed on the Namibian Stock Exchange with a total facility of N$1 billion. The bonds have an effective interest rate of 9.26% and 9.80%.	207 771 333	207 771 333
	451 516 920	**607 629 275**
Non-current liabilities		
Longterm Portion	443 745 587	200 000 000
Current liabilities		
Amortised Cost	-	399 857 942
Short term portion at amortised cost	7 771 333	7 771 333
	7 771 333	**407 629 275**
	451 516 920	**607 629 275**

The fair value of the loan approximates the carrying amount.

Notes to the Annual Financial Statements

	2019 N$	2018 N$
14. Retirement benefits		
14.1 Post Employment Medical Aid obligation		

The Corporation has an obligation to continue to fund 50% of the employees' contribution to Medical Aid after employment. The liability is actuarially calculated on an annual basis. The employees are free to join their medical aid service provider of choice, whilst the Corporation utilises one of the medical aid funds to benchmark the level of contributions to the fund.

The plan is a post employment medical benefit plan, and was closed in September 2010 to new members joining the Corporation.

Reliance is placed on expert valuation, NMG Actuarial Consultants.

	2019 N$	2018 N$
Carrying value		
Present value of the defined benefit obligation-not funded	(158 480 000)	(189 980 210)
Net expense recognised in Profit or loss		
Service cost	6 524 000	6 408 000
Interest cost	19 857 000	17 711 000
	26 381 000	**24 119 000**
Opening Balance		
Present value of the defined benefit obligation-not funded	(189 980 210)	(169 162 126)
Movements for the year		
Contribution to retired employees	3 216 774	3 300 916
Net expense recognised in Profit or loss	(26 381 000)	(24 119 000)
	(23 164 226)	**(20 818 084)**
Net acturial gain recognised in other comprehensive income		
Actuarial gain through OCI	54 664 346	-
Closing Balance		
Present value of the defined benefit obligation-not funded	(158 480 090)	(189 980 210)

Notes to the Annual Financial Statements

14. Retirement benefits (continued)

Key assumptions used

Assumptions used on last valuation on Sunday, 31 March 2019.

	2019 N$	2018 N$
Normal retirement age (years)	60	60
Medical aid inflation rate	8,52 %	9,53 %
Discount rate	10,62 %	10,52 %

	PA(90)-2 N$	PA(90) N$
Sensitivity analysis to mortality rates		
Change in accrued liability	4 595 920	(4 278 960)
Change in current service cost - year following	182 672	(176 148)
Change in interest cost - year following	555 996	(536 139)
Decrease/ (increase) in liability	**5 334 588**	**(4 991 247)**

The actual mortality experience of the current employees and the continuation members will materially affect the actual cost. Should the actual cost be higher than that assumed in the valuation, the cost of subsidies will decrease. Likewise, should the actual mortality be lower than that assumed the cost will be greater than expected.

	-1% decrease N$	+1% increase N$
Sensitivity to medical aid inflation		
Change in total accrued liability	(20 760 880)	25 515 280
Change in current service cost - year following	(900 312)	1 109 080
Change in interest cost - year following	(2 740 266)	3 375 690
(Decrease)/ increase in liability	**(24 401 458)**	**30 000 050**

The cost of subsidy after retirement is dependent on the increase in the contributions to the medial aid scheme before and after retirement. The rate at which these contributions increase will thus have direct effect on the liability of future retirees. Management believes a realistic assumption on medical aid inflation is a change of 1%

Sensitivity to discount rate	**-1% decrease N$**	**+1% increase N$**
Change in total accrued liability	2 507 760	(1 996 920)
Change in current service cost-year following	554 540	(6 524 000)
Change in interest cost- year following	1 687 845	(1 429 704)
	4 750 145	**(9 950 624)**

The variable having the greatest effect on the liability is the real discount rate, i.e. the discount rate net of health care cost inflation. Even small changes to this assumption have a relatively large impact on the liabilities. Management believes that the realistic assumption on medical aid discount rate is a change of 1%.

Notes to the Annual Financial Statements

	2019 N$	2018 N$

14. Retirement benefits (continued)

14.2 Severance pay obligation

In terms of the current interpretation of the provisions of the Labour Act, there is a requirement for the Corporation to provide for the payment for all permanent staff members who will part with the Corporation at the age of 65 years. An actuarial valuation was done to determine the fair value of the liability. Assumptions used are as per the last valuation performed on 31 March 2018.

	2019 N$	2018 N$
Carrying value		
Present value of defined benefit obligation - not funded	42 122 000	42 514 001
Net expense recognised in Statement of profit or loss		
Service cost	1 952 000	1 840 001
Interest cost	3 187 000	3 322 000
	5 139 000	**5 162 001**
Movement for the year		
Opening balance	42 514 001	42 932 000
Net expense recognised in Profit or loss	5 139 000	5 162 001
Actual Severance Payment	(550 438)	-
Actuarial (gain)/loss	(4 980 563)	3 395 000
Expected Payments	-	(8 975 000)
	42 122 000	**42 514 001**

	-1% decrease N$	+1% increase N$
Sensitivity to salary inflation		
Change in liability	(2 338 362)	2 585 565
Change in service cost plus interest cost	(352 022)	398 530
(Decrease)/increase in liability	**(2 690 384)**	**2 984 095**

The effect of a 1% increase and decrease in the salary inflation assumption on the contractual liability and the annual expense is shown in the table above. Management believes that it is a realistic assumption to expect a change in salary inflation of 1%.

Sensitivity to discount rate	-1% Decrease N$	+1% Increase N$
Change in liability	2 649 571	(2 356 975)
Change in service cost plus interest cost	36 035	(49 190)
Increase/ (decrease) in liability	**2 685 606**	**(2 406 165)**

Valuation assumptions	2019	2018
Salary inflation	6,80%	6,80%
Consumer price index	5,80%	5,80%

Notes to the Annual Financial Statements

15. Deferred income

	2019 N$	2018 N$
Non-current liabilities	603 742 514	589 427 823
Current liabilities	41 627 943	40 277 010
	645 370 457	**629 704 833**

The Corporation received revenue from external sources for capital projects as listed below:

	2019 N$	2018 N$
Summary of deferred income		
Swakopmund - Langer Heinrich Upgrade	92 357	114 149
Rossing - Valencia	266 105	266 105
Finkenstein Water Supply	81 959	99 283
Langer Heinrich Water Supply	55 821 320	57 195 145
Aus Scheme Extension	17 875	22 861
Ondobe Pipeline	335 177	355 668
Skorpion Mine Water Supply	48 605 739	50 421 103
Opuwo Treatment Plant	1 771 646	1 943 434
Klein Manasse	734 139	774 067
Ogongo Oshakati Canal Rehabilitation	13 297 678	13 297 678
Andara Water Supply	231 882	251 838
Ndiyona Water Supply	974 236	997 542
Ogongo Agricultural College Pumpstation	152 686	156 091
Mpunguvlei Pipeline	343 798	344 417
Rosh Pinah pipeline upgrade	911 131	1 140 333
Calueque Pump Station upgrade	406 839	406 839
Oshikango Pipeline Reroute	265 607	273 988
Oanob - Oamites Water Supply	83 000	83 000
Swakop South Water Supply	162 839 449	183 426 873
Outapi road crossings	208 449	224 555
Rural water supply infrastructure	227 782 520	158 020 030
Kalkveld extension & upgrade	1 459 807	1 459 807
GTZ Transboundary vehicle	-	135 500
Vioolsdrift / Noordoewer dam study	375 411	375 411
NTA/GIZ Heavy Operator Training	3 343 291	3 673 717
Swakopmund-Rossing Upgrade	118 599	136 634
Omdel-Swakopmund Pipeline Replacement	135 845 847	141 230 565
Aussenkehr New Town Scheme	350 000	350 000
Unicef Water Tankers	12 265 100	12 129 600
Shamvhura-Shamangorwa Rural Water Scheme	5 217 319	-
Farm Hoffnung Boreholes	377 245	398 600
Water Security Project	(35 336 002)	-
Cuvecom Project	3 097 701	-
Eenhana Water Treatment Plant Project	1 295 055	-
Dessert Research Foundation Project	1 737 492	-
Less: Transfer to current portion of deferred income	(41 627 943)	(40 277 010)
	603 742 514	**589 427 823**
Reconciliation of deferred income		
Opening balance	629 704 833	647 118 353
Transfer to capital redemption	(30 108 432)	(29 991 720)
Contribution from government and customers	39 643 809	12 578 200
Other Projects	6 130 248	-
	645 370 458	**629 704 833**

Notes to the Annual Financial Statements

	2019 N$	2018 N$

15. Deferred income (continued)

The amount of N$ 30 108 432 (2018:N$ 29 991 720) is included in Capital redemption in Other Operating Income (refer to note 28). The full balance of Capital redemptions includes amounts that are direct payments from customers, not going through the Deferred Income account.

16. Taxation

Major components of the tax expense through Statement of Profit or Loss

	2019 N$	2018 N$
Current		
Local income tax - current period	10 552 353	19 172 318
Deferred		
Originating and reversing temporary differences	(24 904 926)	23 094 184
Assessed loss	-	5 206 582
	(14 352 573)	**47 473 084**

	2019 N$	2018 N$
Major components of tax expense through Statement of Other Comprehensive Income		
Current		
Local income tax - current period	19 086 400	(1 086 400)
Deferred		
Revaluation of property, plant & equipment	274 113 299	-
	293 199 699	**(1 086 400)**

Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

	2019 N$	2018 N$
Accounting profit/(loss)	14 710 679	185 545 528
Tax at the applicable tax rate of 32% (2018: 32%)	4 707 417	59 374 569
Exempted income	(20 035 239)	(14 619 617)
Disallowed expenditure	975 249	1 631 732
Portion recognised in OCI	-	1 086 400
	(14 352 573)	**47 473 084**

The corporate tax rate remained unchanged in the current year at 32% (2018:32%).

17. Trade and other payables

	2019 N$	2018 N$
Trade payables	23 941 465	24 381 585
Amounts received in advance	-	1 215 773
Value added tax	19 865 025	-
Payroll control accounts	(101 252)	(101 258)
Other payables	19 823 394	28 304 420
Accrued leave pay	45 857 236	37 968 621
Accrued bonus	3 771 709	22 334 464
Year end accruals	132 521 830	123 373 091
	245 679 407	**237 476 696**

Notes to the Annual Financial Statements

17. Trade and other payables (continued)

The carrying amounts of trade and other payables are denominated in the following currencies:

	2019 N$	2018 N$
Namibian dollar	245 679 407	237 476 696

Trade payables and year end accruals comprise of amounts accrued for services provided by suppliers. The amounts are due for payment 30 days from the date of the supplier statements. Other payables to third parties are pension funds, retirement funds and provision for retention creditors.

Accrued leave pay relates to the cumulative number of leave days owed to employees. Each employee accrues 2.5 days of leave per month of service.

Accrued bonus relates to a provision for bonus payable to employees. The 13th cheque is equivalent to 69% of an employee's monthly package, and payable in November of each year.

18. Revenue

	2019 N$	2018 N$
Water sales - Treated water	1 135 332 812	1 066 343 250
Water sales - Desalinated water	440 636 981	465 237 194
Interest received on overdue trade receivables	2 994 094	4 552 133
Water sales - Untreated water	29 557 456	23 458 412
Water sales - Irrigation water	16 124 106	15 748 078
	1 624 645 449	**1 575 339 067**

19. Operating Profit/(Loss)

Operating profit for the year is stated after accounting for the following:

	2019 N$	2018 N$
(Loss)/Profit on sale of property, plant and equipment	686 251	(62 634)
Amortisation of intangible assets	23 556 635	24 218 584
Depreciation on property, plant and equipment	414 097 196	256 245 352
Employee costs	303 927 864	305 421 102
Amount expensed in respect of retirement benefit plans:	55 832 814	50 829 249
- Defined contribution funds	24 314 314	21 581 249
- Defined benefit funds	31 518 500	29 248 000
Impairment of assets: Water Schemes (refer to note 29)	-	56 149
Provision for expected credit losses		
Current year provision for allowance account	90 380 306	-
Audit fees	762 619	112 000

20. Interest Income

	2019 N$	2018 N$
Interest from investments held at amortised cost (note 8)	54 689 503	39 378 474
Interest refund from Government	30 388 970	13 137 424
Endowment policy earnings: unrealised fair value gain	2 922 007	2 525 406
Bank Interest	7 145 760	6 868 809
Total interest income	**95 146 240**	**61 910 113**

Notes to the Annual Financial Statements

	2019 N$	2018 N$
21. Interest Paid		
Borrowings	51 410 712	32 300 306
Inland Revenue	2 657 766	4 438 363
	54 068 478	**36 738 669**
22. Cash generated from operations		
Profit/(Loss) before taxation	14 710 679	185 545 528
Adjustments for:		
Depreciation of property, plant & equipment (refer to note 4)	414 097 196	256 245 780
Profit/(Loss) on sale of assets	(686 251)	62 634
Amortisation of intangible assets (refer to note 5)	23 556 635	24 218 514
Impairment of assets	-	56 149
Fair value adjustment not realised	(2 922 007)	(2 525 406)
Interest income (refer to note 20)	(92 224 233)	(46 247 283)
Unrealised interest income	(29 930 971)	-
Interest Paid	54 068 478	36 738 669
Movements in retirement benefit liabilities less payments processed (refer to note 14)	27 752 788	17 005 086
Capital Redemption (Refer to note 15)	(30 108 432)	(29 991 720)
Changes in working capital:		
(Increase)/decrease Inventories	(37 878)	(2 573 817)
(Increase)/decrease Trade receivables	(25 516 190)	(75 564 732)
(Increase)/decrease Other receivables	(21 082 759)	(7 220 592)
Increase/(decrease) Trade and other payables	8 202 709	(12 252 888)
	339 879 764	**343 495 922**
23. Current Tax Payable		
Balance at beginning of the year	(17 333 790)	752 128
Current tax for the year recognised in profit or loss	(10 553 054)	(19 172 318)
Current tax for the year recognised in OCI	(19 086 400)	1 086 400
Balance at end of the year	**(46 973 244)**	**(17 333 790)**

24. Financial assets by category

The categories for financial instruments are listed below:

2019

	Amortised Cost N$	Fair value through profit or loss - Mandatory N$	Total N$
Other financial assets	783 414 937	45 984 250	829 399 187
Other receivables	340 594 406	-	340 594 406
Trade receivables	311 552 106	-	311 552 106
Cash and cash equivalents	244 468 995	-	244 468 995
	1 680 030 444	**45 984 250**	**1 726 014 694**

Notes to the Annual Financial Statements

	2019 N$	2018 N$

24. Financial assets by category (continued)

2018

	Loans and receivables N$	Fair value through profit or loss N$	Held to maturity investments N$	Total N$
Other financial assets	-	43 025 805	455 596 545	498 622 350
Other receivables	459 511 647	-	-	459 511 647
Trade receivables	164 618 912	-	-	164 618 912
Cash and cash equivalents	262 899 249	-	-	262 899 249
	887 029 808	**43 025 805**	**455 596 545**	**1 385 652 158**

25. Capital work in progress

Capital work in progress comprise a number of infrastructure creation projects that were not yet completed at the end of the financial year. A total of N$ 87 969 952 (2018: N$ 362 164 665) was added to work in progress (refer to note 4), whilst N$ 80 149 273 (2018: N$ 34 747 900 was transferred to fixed assets and intangible assets after completion of the work(refer to note 4).

The projects included here are at various stages of completion.

26. Financial liabilities by category

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

2019

	Financial liabilities at amortised cost N$	Total N$
Trade and other payables	156 463 295	156 463 295
Long term loans	451 516 920	451 516 920
	607 980 215	**607 980 215**

2018

	Financial liabilities at amortised cost N$	Total N$
Trade and other payables	147 754 676	147 754 676
Long term loans	207 771 333	207 771 333
Bank overdraft	399 857 942	399 857 942
	755 383 951	**755 383 951**

27. Cost of sales

	2019 N$	2018 N$
Sale of goods		
Purchase of desalinated water	360 899 554	356 336 207

Notes to the Annual Financial Statements

	2019 N$	2018 N$
28. Other operating income		
Profit/(loss) on sale of assets	686 251	(62 634)
Rental income	3 779 841	3 917 396
Insurance proceeds	529 637	418 474
Capital redemption	31 620 039	31 101 143
Human Resource Development Centre, Laboratory services and other income	55 903 562	45 825 014
	92 519 330	**81 199 393**

29. Impairment of assets

	2019 N$	2018 N$
Material impairment losses recognised		
Property, plant and equipment	-	56 149

Boreholes constructed and capitalised as assets under construction did not bear any water, and as a result, they were scrapped from the assets. The boreholes have a nil recoverable amount, as they will be abandoned and will not be utilised in the future. The impairment loss was recognised in the Statement of Profit or Loss and Other Comprehensive Income under operating expenses. The recoverable amount was based on value in use, which is nil as there are no future cashflows expected from the boreholes to present value.

The boreholes have no other use other for the abstraction of water. Given that the only use of the boreholes is for water abstraction, and that there is no water in the boreholes, management estimated the recoverable amount to be N$ 0.

There is very little impact on the reportable segments, as the assets will not generate future income. Nor did they generate income in prior year.

30. Commitments and guarantees

Authorised capital expenditure

	2019 N$	2018 N$
Already contracted for but not provided for		
• Property, plant and equipment	545 501 142	227 342 498
Not yet contracted for but authorised by directors	114 950 458	115 032 502

This committed expenditure relates to water supply infrastructure and will be financed by available bank facilities, retained profits, mortgage facilities, existing cash resources, and funds internally generated.

Operating leases – as lessor (income)

	2019 N$	2018 N$
Minimum lease payments due		
- within one year	5 674 418	5 880 984
- in second to fifth year inclusive	25 368 675	27 270 672
	31 043 093	**33 151 656**

Lease rentals increase on an annual basis with inflation, for all the houses that are located in urban areas. Management considers houses individually that are located in communal or remote areas to escalate their rentals.

Payment guarantees were issued in favor of the corporation towards the desalinated water purchases. Guarantees in favor of Namwater comprised of the following:

	2019 N$	2018 N$
Payment Guarantees from Customers		
Rossing	12 551 181	14 736 218

Notes to the Annual Financial Statements

31. Related parties

Members of key management	Abraham Nehemia - Chief Executive Officer Kadiva Hamutumwa- Chief Strategy Officer and New Business Development Fernando Somaeb - Chief Financial Officer Andries Kok - Acting Chief Water Supply South Coenrad Koegelenberg - Chief Water Supply Coastal Kaliki Kambanda - Chief Water Supply North Eino Mvula - Chief Water Supply Central Aino-Sylvia Nsinano- Executive Director

Related party balances

	2019 N$	2018 N$
Amounts included in Trade and other receivables regarding related parties		
Ministries	42 095 316	32 409 761
Towns and Village councils	216 765 245	228 201 172
Municipalities	89 912 721	97 401 148
Namibia Wildlife Resorts Ltd	2 260 798	894 800
Roads Construction Company Ltd	662 246	578 331
UNAM	1 351 391	144 038
Namibia Airports Company	468 104	200 461
Other related parties	18 933 435	42 967 516

Related parties of N$ 11 568 735 (2018: N$ 260 529 099) were provided for as likely not to be collectable at the end of the financial year.

	2019 N$	2018 N$
Amounts included in Trade and other payables regarding related parties		
Erongo Red	(679 494)	(6 532 719)
Cenored	(2 025 660)	(1 437 911)
Nored Electricity (Pty) Ltd	(47 942)	(2 486 632)
Telecom	(105 104)	(9 523)
NamPower	(78 034)	-
Municipalities	(382 622)	(104 661)
Towns and VIllage councils	(115 044)	(292 112)

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured, and accrue interest at prime lending rate. Settlement of the balances outstanding occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. The impairment on the receivables is shown above. The assessment for impairment is undertaken each financial year, through examining the financial position of the related party and the market in which the related party operates.

Notes to the Annual Financial Statements

	2019 N$	2018 N$

31. Related parties (continued)

Related party transactions

	2019 N$	2018 N$
Sales to related parties		
Ministries	(68 035 744)	(39 417 414)
Town and village councils	(357 919 202)	(255 709 365)
Municipalities	(680 527 318)	(612 481 207)
Namibia Wildlife Resorts Ltd	(7 850 194)	(5 740 319)
Roads Construction Company Ltd	(9 518)	(67 717)
Namport	(1 163 826)	(2 708 500)
Namibia Airports Company	(3 320 937)	(2 844 631)
Roads Authority	(39 508)	(50 314)
NamPower	(154 779)	(45 040)
Cenored	(138 888)	(2 186 333)
Purchases from related parties		
Erongo Red	81 394 116	90 074 183
Cenored	45 962 390	29 343 739
Nored Electricity (Pty) Ltd	37 108 255	36 283 000
Telecom	2 859 233	3 067 868
NamPower	182 324 439	154 050 999
Municipalities	10 577 288	7 275 352
Road Fund Administration	1 979 012	106 281
Nampost	3 285 884	2 955 510
Oshakati Premier (Pty) Ltd	13 923 275	10 956 818
Advances (to)/from related parties		
Loan advanced to government	243 745 587	413 137 424
Refund from drought relief fund	34 426 490	57 093 019
Compensation to key management		
Short-term employee benefits	8 625 902	6 413 913
Post-employment benefits - Pension - Defined contribution plan	771 753	597 446
	9 397 655	**7 011 359**

Nature of relationships

The above entities are considered related parties because of the significant influence that the shareholder has on these entities through the shareholders ownership or ability to direct.

Notes to the Annual Financial Statements

	2019 N$	2018 N$

32. Directors' emoluments

A total of N$ 3 712 831 (2018: N$3 469 032) was paid to the directors during the year.

Non-executive & Executive (fees & expenses)

2019

	Directors' fees N$	Committees fees N$	Retainer fees N$	Directors expenses N$	Total N$
T Maswahu	281 047	28 575	140 551	36 515	486 688
Dr A Matros-Goreses	137 940	47 783	135 646	23 479	344 848
L Ashipala	148 611	28 575	119 835	25 778	322 799
Dr P Mushendami	178 125	80 790	170 783	29 677	459 375
A S R Nsinano	196 519	21 266	119 835	30 705	368 325
S Haihambo	119 308	49 511	170 963	22 006	361 788
J R Kaumbi	185 405	42 863	153 300	31 877	413 445
H Jesaya	165 933	36 704	119 835	49 235	371 707
V Kinyaga	68 854	14 288	117 690	16 547	217 379
M Gawaseb	212 098	19 050	119 835	15 494	366 477
	1 693 840	**369 405**	**1 368 273**	**281 313**	**3 712 831**

2018

	Directors' fees N$	Committees fees N$	Retainer fees N$	Directors' expenses N$	Total N$
T Maswahu	392 768	14 023	95 496	16 880	519 167
Dr A Matros-Goreses	173 277	20 693	93 651	13 347	300 968
L Ashipala	212 152	21 035	82 631	19 562	335 380
Dr P Mushendami	173 263	41 615	113 668	18 895	347 441
A S R Nsinano	230 084	14 023	82 631	14 925	341 663
S Haihambo	203 178	31 249	113 668	19 825	367 920
J R Kaumbi	212 151	28 046	102 648	19 825	362 670
H Jesaya	170 257	17 529	82 631	57 218	327 635
V Kinyaga	158 275	14 023	82 631	6 928	261 857
M Gaweseb	197 430	14 023	82 631	10 247	304 331
	2 122 835	**216 259**	**932 286**	**197 652**	**3 469 032**

33. Drought relief fund pledge

During the 2017 financial year, the corporation paid to the Ministry of Agriculture Water and Forestry an amount of N$ 235,000,000. The money was utilised for emergency works required to mitigate the drought effect on water supply in Central Areas of Namibia (CAN).

To date Government refunded the Corporation a total of N$ 110 785 797 of which N$ 6 685 270 was received after year end and included in deferred income.

	2019 N$	2018 N$
The amount contributed to the drought relief was accounted for as follows:		
Balance refunded during the current financial year	34 426 490	57 093 019

34. Cash flow statement reclassification

An amount relating to unrealised fair value gain was wrongfully included in the line "Interest Received" in the statement of cash flows. The amount relates to a non cash revenue amount and hence should not have been included in interest revenue.

Notes to the Annual Financial Statements

		2019 N$	2018 N$

35. Contingent Liability

The Corporation is subject to the Income Tax Act No 24 of 1981 obliging it to pay taxes. The income tax act makes provision to charge penalties for underestimation of income tax. During the current year the Corporation was exposed to penalties to the value of N$ 52 386 190 made up primarily of tax underestimation. It is the intention of the Corporation to participate in the current tax amnesty available to request the Receiver of Revenue to waive these penalties. The receipts of the amnesty is highly probable as the Corporation fulfils the criteria of being considered, as all taxes are up to date.

36. Risk management

Capital risk management

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

The capital structure of the Corporation consists of debt, which includes the borrowings disclosed in note 13, cash and cash equivalents disclosed in note 10, and equity as disclosed in the statement of financial position.

In order to maintain or adjust the capital structure, the Corporation may adjust the amount of dividends paid to shareholder, return capital to shareholder, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Corporation monitors capital on the basis of the debt: equity ratio.

This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total equity is represented in the statement of financial position.

The Corporation's strategy is to maintain a debt: equity ratio of lower than 50%.

There are no externally imposed capital requirements.

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

The debt: equity ratio at 2019 and 2018 respectively were as follows:

	Note	2019 N$	2018 N$
Total borrowings			
Short term bridge facility	13	-	399 857 942
Loans	13	451 516 920	207 771 333
Post employment benefit and severance pay obligation	14	200 602 000	232 494 211
Other current liabilities	17	245 679 407	237 476 698
		897 798 327	**1 077 600 184**
Less: Cash and cash equivalents	10	244 468 995	262 899 249
Net debt		653 329 332	814 700 935
Total equity		4 601 852 390	3 881 291 771
Total capital		**5 255 181 722**	**4 695 992 706**
Gearing ratio		12 %	17 %

Notes to the Annual Financial Statements

	2019 N$	2018 N$

36. Risk management (continued)

Financial risk management

The Corporation’s activities expose it to a variety of financial risks: market risk (fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

The Corporation's board of directors have the overall responsibility for the development and enforcement of a risk management process. The risk management process is managed by the Audit Committee, which is a subcommittee of the board. Activities of the Audit Committee are reported to the full Board for ratification.

The Corporation’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Corporation’s financial performance. Risk management is carried out by the Finance Department under policies approved by the board of directors. Corporate finance identifies and evaluates financial risks in close co-operation with the Corporation’s operating units. The board of directors provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Corporate Finance Department maintains flexibility in funding by maintaining availability under committed credit lines.

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations associated with financial liabilities as they fall due. The Corporation's approach to liquidity risk management is to always have adequate liquidity to meet obligations as they fall due. This is achieved through maintaining adequate cash resources, as well as lines of credit with the Corporation's bankers. In addition to that, a close relationship is maintained with the central government in order to ensure that the central government funds the activities of the Corporation which are not economically viable.

Cash flow forecasts are prepared and borrowing facilities maintained to cover the short term operational cash flows. In addition to this, the Corporation's cash investments adequate to meet all annual operational costs are maintained in investment instruments which can be called on short notice. With regards to the bonds issued by the Corporation, the board has approved the establishment of a sinking fund, into which the Corporation will periodically save funds which will be used to redeem the bonds at the end of their term.

The table below analyses the Corporation’s financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 31 March 2019	Less than 1 year N$	Between 1 and 2 years N$	Between 2 and 5 years N$
Unsecured bonds in issue	7 771 333	102 535 200	136 432 600
Trade and other payables	245 679 407	-	-
RMB Bank Loan	-	147 771 333	126 341 943

At 31 March 2018	Less than 1 year N$	Between 1 and 2 years N$	Between 2 and 5 years N$
Unsecured bonds in issue	7 771 333	94 000 000	106 000 000

Notes to the Annual Financial Statements

	2019 N$	2018 N$

36. Risk management (continued)

Interest rate risk

As the Corporation has significant interest-bearing assets and liabilities, the Corporation's income and operating cash flows are substantially affected by changes in market interest rates.

The Corporation's interest rate risk arises from long-term borrowings and money market investments held with financial institutions. During 2019 and 2018, the Corporation's borrowings were denominated in the Namibia Dollar. The Corporation settled its variable interest rate loans, and replaced the amount with fixed interest rate bonds.

The Corporation analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Corporation calculates the impact on profit and loss of a defined interest rate shift.

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year
Fixed term deposits 12 months	8,00 %	666 837 762
Cash in current banking institutions	4,45 %	244 468 995
Listed bonds	9,33 %	207 771 333

Fair value interest rate risk

Financial instrument	Current interest rate	Due in less than a year
Endowment policies	6,09 %	45 984 250

At the reporting date, the interest rate profile of the Corporation's interest bearing financial instruments was as follows:

Ratio of fixed interest rate financial instruments	%	%
Financial assets	61	61
Financial liabilities	100	100
Variable rate instruments		
Financial assets	162 561 425	121 423 935
Financial liabilities	-	

A sensitivity analysis to a change in interest rates has been performed based on the exposure to interest rates at the reporting date. For floating rate investments, the analysis is prepared assuming the amount of the investment outstanding at the reporting date was outstanding for the whole year. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonable possible change in interest rates. The sensitivity analysis assumes that all other variables remain constant and has been prepared on the same basis for the prior year.

If interest rates had been 100 basis points higher/ lower and all other variables were held constant, the Corporation's profit for the year ended 31 March 2019 would decrease / increase by N$ 6 075 000 (2018: N$ 10 125 060)

Notes to the Annual Financial Statements

	2019 N$	2018 N$

36. Risk management (continued)

Credit risk

Credit risk is the risk that counter party will not meet its obligations under a financial instrument or customer contract leading to financial risk. The Corporation is exposed to this risk in cash deposits, cash equivalents and trade debtors.

The Corporation only deposits cash with major financial institutions with high quality credit standing and limits exposure to any one counter-party to a maximum of 30%.

Trade receivables are dominated (77%) by local and regional authorities and government ministries. Management evaluate credit risk relating to customers on an ongoing basis. Such evaluation mainly focuses on historical payment history of the customers, assisted by continuous meetings with the major debtors to get updated information about the customers. Whilst there are no credit limits set for customers in the above category, exposure to the customers is managed through a 60 days credit term policy. The utilisation of credit terms is regularly monitored, and reviewed in a management Debtors Committee.

A number of the customers had exceeded their credit limit. In addition to reviewing all other available information, management believes all those customers who had exceeded their credit limits, and the other information available also pointed to doubt in the collectability of the amounts owed, were fully provided for during the financial period.

Generally no collateral if held by the corporation to support future payments by the customers. For the desalinated water, the Corporation holds prepayments and payment guarantees as follows: (1) a prepayment for electricity charges equal to 1.5 times the month's invoice (2) a bank guarantee equal to 2 times the month's invoice and (3) a prepayment equal to 2 times the monthly invoice for the capacity and output payment.

The corporation believes that all the financial assets that are neither past due nor impaired is of such a good quality that the amounts will be collected in full on their due dates.

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

Financial instrument			
Fair value through profit and loss	8	45 984 250	43 025 805
Trade receivables	9	311 552 106	164 618 912
Held to maturity investments	8	666 837 762	376 789 733
Cash and cash equivalents	10	244 468 995	262 899 249

The maximum exposure to credit risk for trade receivables by type of customer is:		
Treated water consumers		
Local & regional councils and government ministries	289 972 544	260 610 934
Mines	84 485 965	61 317 651
Domestic rural	400 364 105	268 405 291
Industries	26 016 482	33 700 182
Sundry debtors	132 739 762	216 761 488
	933 578 858	**840 795 546**

The above balances are shown before impairments.

The following table shows the total number of active customers over the years:

Number of years	**Number of customers**	
0 - 4 years	21 934	18 410
5 - 10 years	15 866	15 866
> 10 years	10 638	10 638
	48 438	**44 914**

Notes to the Annual Financial Statements

	2019 N$	2018 N$

36. Risk management (continued)

The Corporation holds collateral for desalinated water customers. This collateral is required to support early payments that are required to the desalinated water supplier. The Corporation also has to issued collateral to the supplier.

The credit quality of customers whose balances are not yet past their due date nor impaired is considered of a high quality.

	2019	2018
Prepayment	28 442 882	28 442 882
Bank guarantees	29 118 487	29 118 487
Subtotal	57 561 369	57 561 369
Less: Bank guarantees in favour of Orano	(44 472 000)	(50 680 000)
	13 089 369	**6 881 369**

Foreign exchange risk

The effect of foreign exchange risk is very limited as the Corporation has very limited transactions in foreign currencies with the exception of purchases of some pieces of spare parts, plant and equipment. At year end, the Corporation did not have any material balances in foreign currencies.

Price risk

The Corporation is indirectly exposed to equity securities price risk because of investments held by the Corporation and classified on the statement of financial position as at fair value through profit or loss. The Corporation is not exposed to commodity price risk. To manage its price risk arising from investments, the Corporation has only invested in capital protected investments which protects the initial capital amounts. On a periodic basis, the interest earned on these investments is divested and reinvested, in order to qualify for capital protection. Diversification of the portfolio is done in accordance with the 30% limit exposure to any one financial institution, set by the Corporation. All investments are done through financial institutions, in order to also increase the expertise of the parties involved in investment decisions.

No sensitivity analysis was done on the price risk as the Corporation does not deal directly in any equity instruments.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Corporation's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Corporation's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risk are controlled and managed accordingly. The Corporation maintains an adequate cash buffer to be able to continue trading in any financial year, should any group of customers with similar characteristic not be able to honour their commitments to the Corporation. This amount for the year ended 31 March 2019 was set at N$ 226 million (2018: N$ 226 million).

Notes to the Annual Financial Statements

	2019 N$	2018 N$

37. Fair value information

Fair value hierarchy

The table below analyses assets and liabilities measured at fair value. The different levels are defined as follows:

Level 1: Quoted market prices in active markets for identical assets or liabilities that the corporation can access at measurement date.

Level 2: Inputs other than quoted market prices included in level 1 that are observable for the asset or liability either directly or indirectly.

Level 3: Inputs that are unobservable for the asset or liability.

Levels of fair value measurements

Level 1

Recurring fair value measurements

Assets	Note(s)	2019	2018
Financial assets designated at amortised cost	8		
Endowment policies		45 984 250	43 025 805
Total		**45 984 250**	**43 025 805**

Level 2

Recurring fair value measurements

Liabilities	Note(s)	2019	2018
Financial liabilities measured at amortised cost	39&13		
Bonds issued		(207 771 333)	(207 771 333)
Short term bridge facility		-	(399 857 942)
Bank Loan: RMB		(243 745 587)	-
Total financial liabilities measured at amortised cost		**(451 516 920)**	**(607 629 275)**
Total		**(451 516 920)**	**(607 629 275)**

Endowment policies are valued utilising the indices for the portfolios where the funds are invested. Fair value of quoted investments in the portfolio is valued with reference to quoted market prices.

Level 3

Recurring fair value measurements

Assets

Liabilities	Note(s)	2019	2018
Buildings and Water Schemes		4 723 167 045	4 167 123 294
		-	-

Notes to the Annual Financial Statements

	2019 N$	2018 N$

. **Fair value information (continued)**

Details of the Corporations property, plant and equipment and information about the fair value hierachy as at 31 March 2019

	2019 N$	2018 N$
Buildings Level 3	56 727 228	-
Water Schemes Level 3	799 876 831	-
	856 604 059	**-**

Sensitivity Analysis

If the price per square meter decreases by 10% from N$ 5 668 to N$ 5 101, the building valuation would have decreased to N$ 51 054 505. If the price per square meter increase by 10% from N$ 5 668 to N$ 6 234, the building valuation would have increased to N$ 62 399 950.

If the replacement cost per cubic meter decreases by 10% from N$ 120 to N$ 108, the replacement cost of the water schemes, reservoirs would have decreased to N$ 237 137 220. For pipelines, the replacement cost would have decreased to N$ 449 600 000. If the price per cubic meter increase by 10% from N$ 120 to N$ 132 the replacement cost would have increased to N$ 289 834 380 for reservoirs and N$ 618 200 000 for pipelines.

Total	**856 604 059**	**-**

Property Plant and Equipment

Please refer to accounting policy in 1.2 and note 4 for information about the valuation techniques and inputs used to derive the PPE valuation.

38. Employee Costs

	2019 N$	2018 N$
Salaries	303 927 864	283 839 853
Contribution to defined contribution plan	24 314 314	21 581 249
	328 242 178	**305 421 102**

As at 31 March 2019, the corporation employed 898 (2018:887) permanent employees.

39. Short Term Bridge Facility

During the prior year financing was obtained through a short term bridge facility of N$ 400 000 000 for the construction of the Neckertal Dam during the current year. During the current year the short term bridge facility was reconstructed to a long term loan repayable over five years in equal installments.

40. IFRS 16

The Corporation has assessed the impact of IFRS 16 and will apply the modified prospective transition approach. Although it is concluded that after the assessment the impact is not material to warrant extensive disclosure for the financial year under review. The value of equipment identified under the application of the IFRS 16 is leases of photocopiers which can be concluded as below materiality as it is deemed as low value item.

41. Operating Expenses

Operating expenses for the year includes the following expenses:

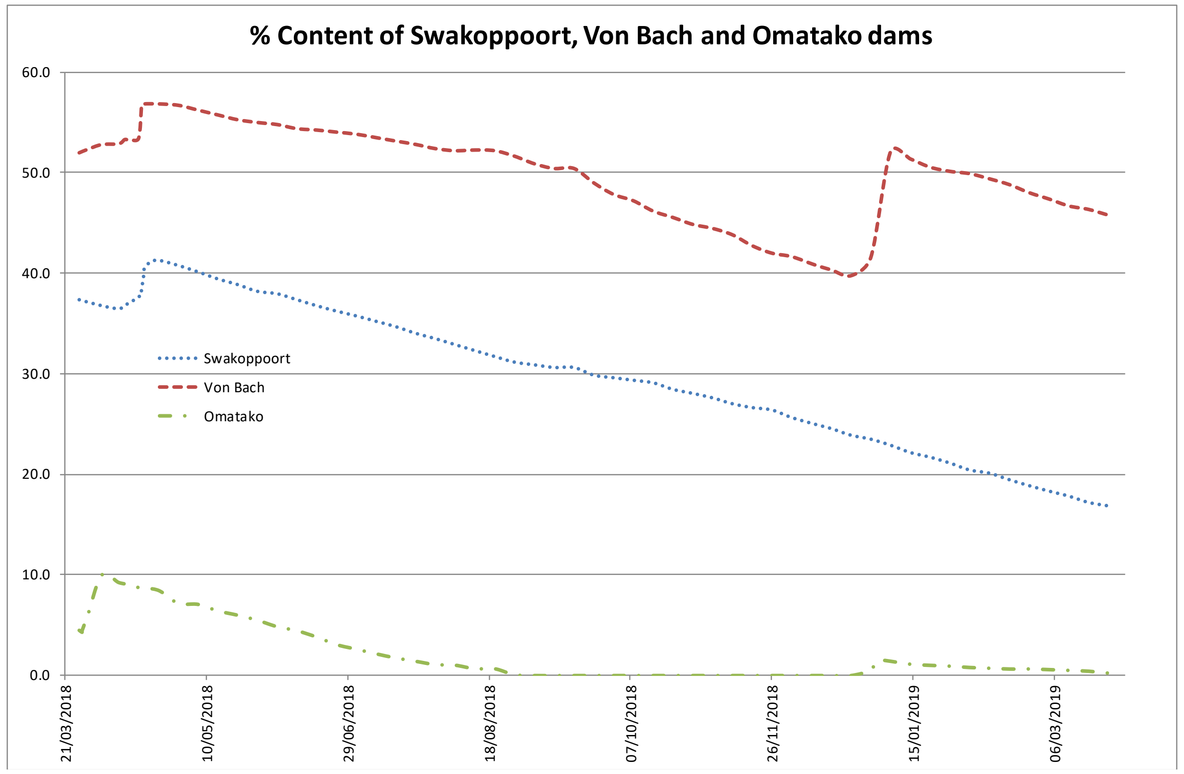
	2019 N$	2018 N$
Depreciation and Amortisation	437 653 831	280 463 936
Employee Costs	328 242 178	305 421 102
Utilities	322 536 323	296 489 983
Repairs and Maintenance	39 069 653	56 814 310
	1 127 501 985	**939 189 331**

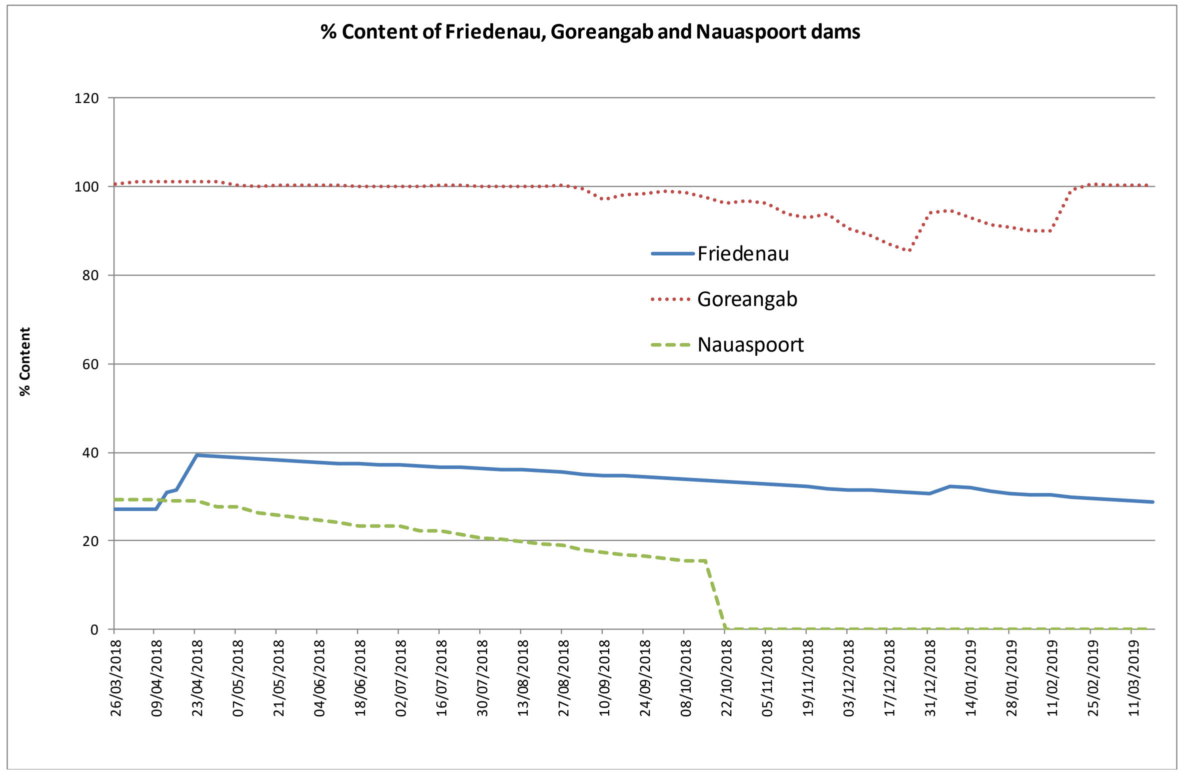
Detailed Income Statement

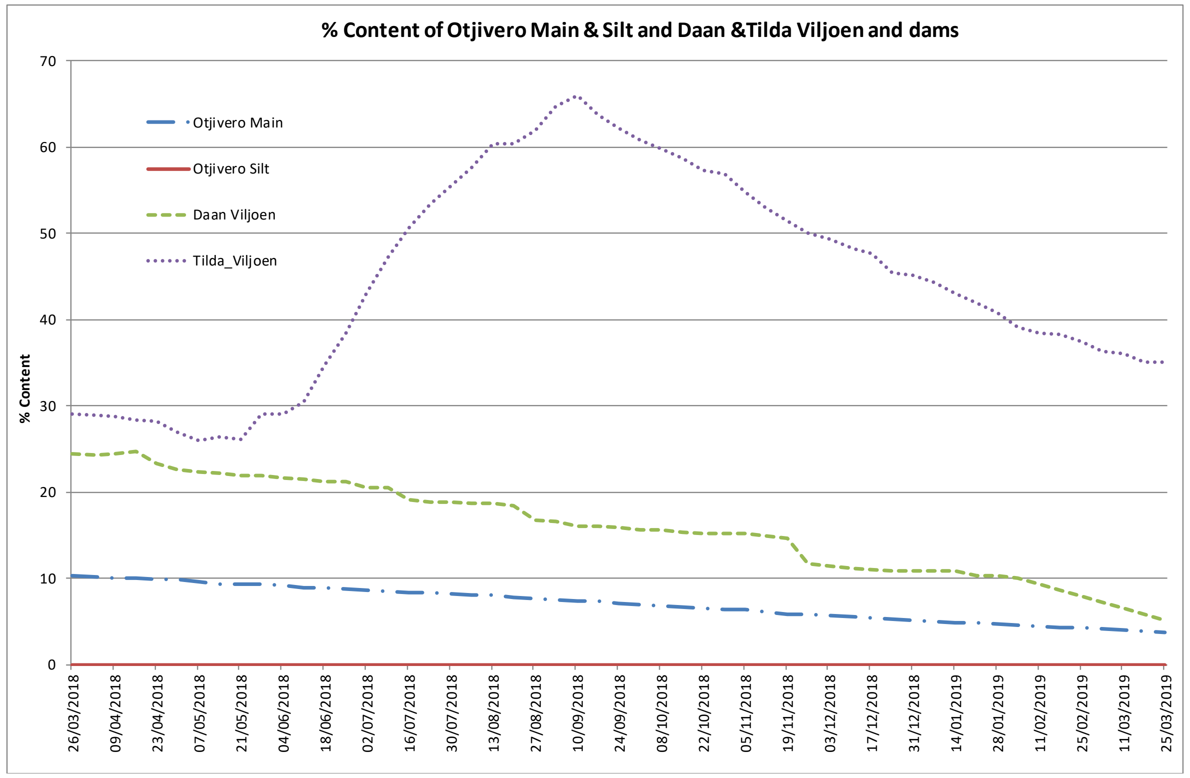
	Note(s)	2019 N$	2018 N$
Revenue			
Water sales - Treated Water		1 135 332 812	1 066 343 250
Water sales - desalinated water		440 636 981	465 237 194
Interest received - debtors		2 994 094	4 552 133
Water sales - Untreated water		29 557 456	23 458 412
Water sales - Irrigation water		16 124 106	15 748 078
	18	**1 624 645 449**	**1 575 339 067**
Cost of sales			
Purchases - Desalinated water		(360 899 554)	(356 336 207)
Gross profit		**1 263 745 895**	**1 219 002 860**
Other operating income			
Other rental income		3 779 841	3 917 396
Insurance proceeds		529 637	418 474
Capital redemption		31 620 039	31 101 143
HRDC, Laboratory and other income		55 903 562	45 825 014
Interest received		95 146 240	61 910 113
Profit on sale of assets		686 251	(62 634)
	28	**187 665 570**	**143 109 506**
Other operating expenses			
Advertising and community outreach		(2 029 815)	(1 106 985)
Amortisation		(23 556 635)	(24 218 584)
Auditors remuneration - external auditors	19	(762 619)	(112 000)
Bad debts		(90 380 306)	(56 995 695)
Bank charges		(1 982 997)	(2 043 279)
Consulting and contractor fees		(6 823 304)	(3 104 559)
Depreciation		(414 097 196)	(256 245 352)
Employee costs		(328 242 178)	(305 421 102)
Fleet services		(32 778 326)	(28 052 611)
Materials and supplies		(38 509 871)	(36 160 468)
Directors fees (excluding expenses)		(3 431 470)	(3 271 375)
Entertainment & refreshments		(2 428 272)	(1 329 776)
Travel subsistence and accommodation		(11 913 986)	(7 069 372)
Legal expenses		(678 858)	(401 968)
Courier services		(1 637 841)	(1 361 762)
Post employment benefits		(31 519 969)	(29 281 001)
Recoupment of internal charges & project costs capitalised		(2 873 652)	(3 974 853)
Insurance		(4 595 308)	(6 222 512)
IT expenses		-	(56 149)
Utilities		(322 916 951)	(296 489 983)
Training courses		(3 001 906)	(1 059 593)
Printing and stationery		(2 336 090)	(2 538 355)
Property charges		(1 482 125)	(1 379 278)
Repairs and maintenance		(39 069 653)	(56 814 310)
Security		(6 404 926)	(6 417 249)
Subscriptions		(5 094 093)	(4 520 079)
Miscellaneous expenses		(4 083 961)	(4 179 919)
		(1 382 632 308)	**(1 139 828 169)**
Operating profit (loss)	19	**68 779 157**	**222 284 197**
Finance costs	21	(54 068 478)	(36 738 669)
Profit (loss) before taxation		**14 710 679**	**185 545 528**
Taxation	16	14 352 573	(47 473 084)
Profit (loss) for the year		**29 063 252**	**138 072 444**

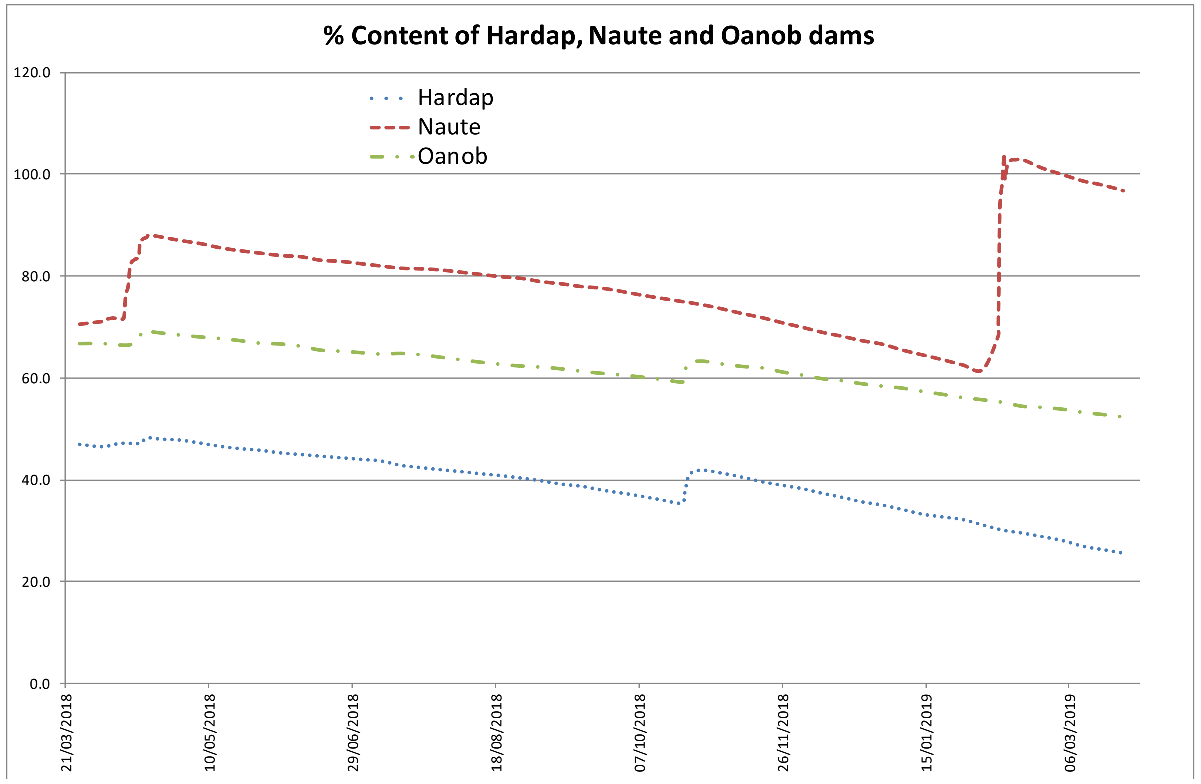
The supplementary information presented does not form part of the annual financial statements and is unaudited.

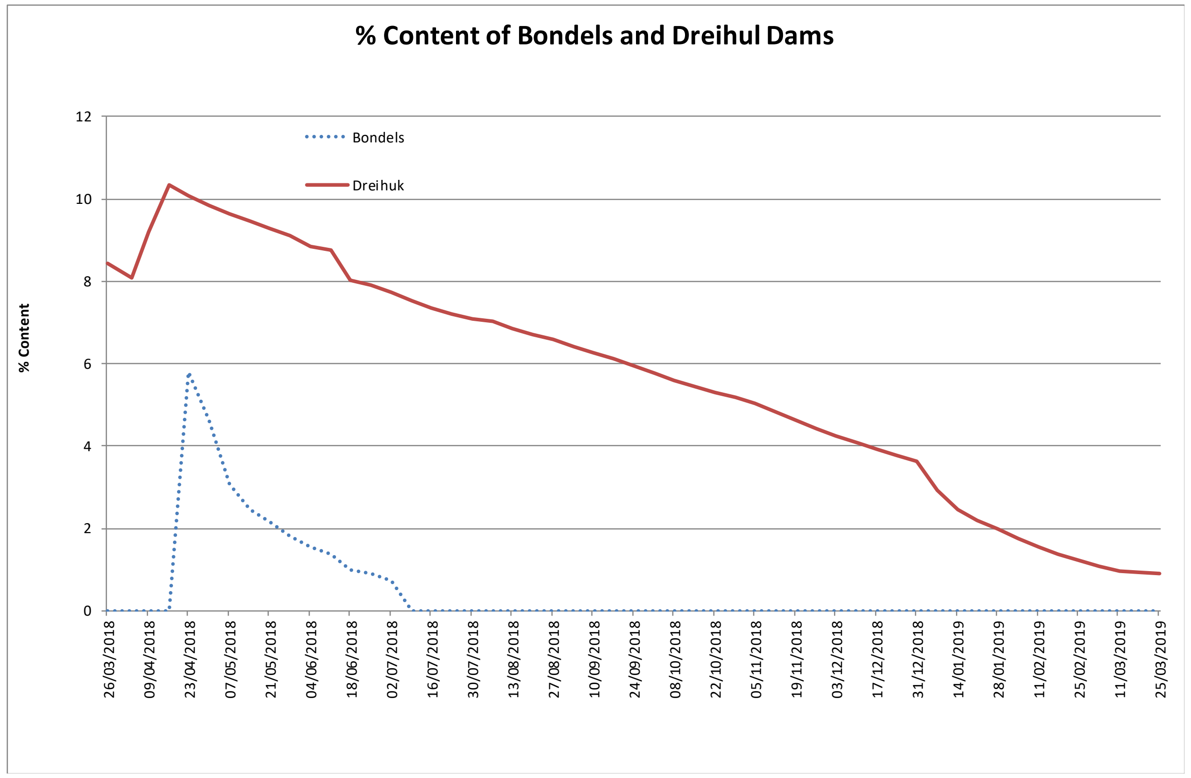
Appendix A
Dam Levels







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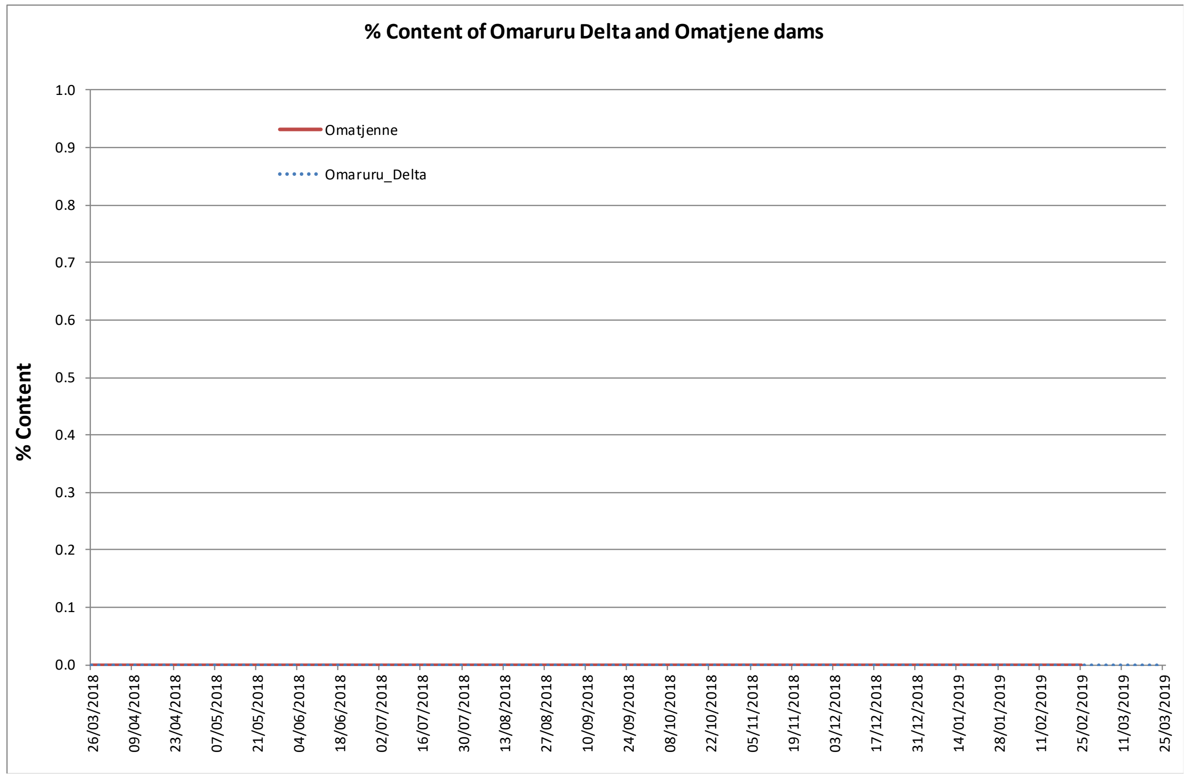
Bondels
Dreihuk
% Content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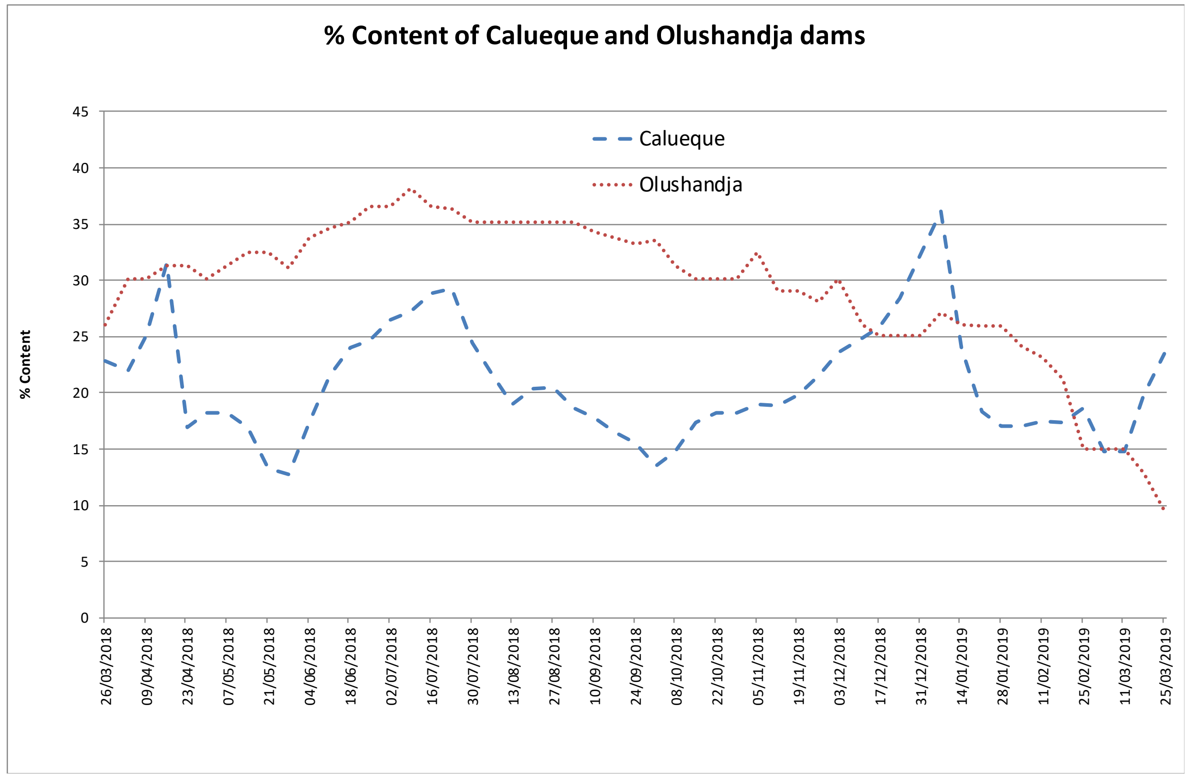
Omatjenne
Omaruru_Delta
% Content


% Content of Calueque and Olushandja dams
Calueque
Olushandja
% Content

Notes

Notes

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