NAMZINC (PROPRIETARY) LIMITED

(Incorporated in Namibia)
Company Registration number 98/226
AUDITED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 March 2019

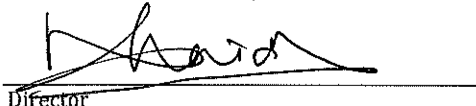
NAMZINC (PROPRIETARY) LIMITED
Company Registration number 98/226

GENERAL INFORMATION

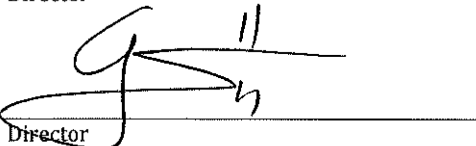
Country of incorporation and domicile	Namibia	
Nature of business and principal activities	Owns and operates a Zinc refinery.	
Directors	KK Rajagopal* D Naidoo** I Simataa*** GRA Kumar*	*Indian **South African ***Namibian
Registered office	24 Orban Street Klein Windhoek Windhoek	
Postal address	PO Box 30 Windhoek	
Ultimate holding company	Vedanta Resources Limited	
Holding company	100% held subsidiary of Skorpion Zinc (Proprietary) Limited	
Bankers	First National Bank of Namibia Limited Standard Bank Namibia Limited	
Auditors	Ernst & Young Namibia	
Company registration number	98/226	
Preparer of annual financial statements	The annual financial statements have been prepared under the supervision of Emma Laubscher CA (SA) (Head of Financial Reporting).	
Published	30 April 2019	

Directors' approval of the annual financial statements

The annual financial statements set out on pages 6 to 41 were approved by the board of directors on 30 April 2019 and are signed on its behalf by;



Director



Director

NAMZINC (PROPRIETARY) LIMITED
Company Registration number 98/226

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NAMZINC (PROPRIETARY) LIMITED

Opinion

We have audited the financial statements of Namzinc (Proprietary) Limited set out on pages 6 to 41, which comprise the directors' report, the statement of financial position as at 31 March 2019, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the independence requirements applicable to performing audits in Namibia which is consistent with the International Ethics and Standards Board for Accountants' Code of Ethics for Professional Accountants (Part A and B). 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.

Other information

The directors are responsible for the other information. The other information comprises the general information and the directors' approval on page 2. The other information does not include the financial statements and our auditor's report thereon. Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

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Auditor's responsibilities for the audit of the financial statements

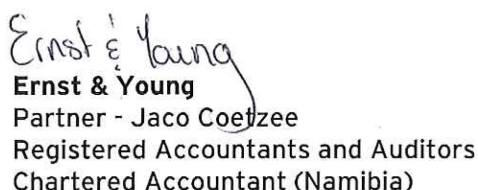
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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 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 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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.



Ernst & Young
Partner - Jaco Coetzee
Registered Accountants and Auditors
Chartered Accountant (Namibia)

Windhoek

Date: 02 May 2019

NAMZINC (PROPRIETARY) LIMITED
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REPORT OF THE DIRECTORS

The Directors have pleasure in submitting the annual financial statements of the company for the year ended 31 March 2019.

Nature of business and history

The company owns and operates a zinc refinery. The ore bought from Skorpion Mining Company (Proprietary) Limited is processed and refined to produce special high grade zinc. The zinc is exported either by sea via Lüderitz or by road to South Africa. The company has been granted Export Processing Zone status by the Namibian Government and is, therefore, exempt from paying taxes. The company has received dispensation to sell a limited portion of production to the Southern African Customs Union market.

The results of the company are fully set out in the attached financial statements.

The authorised share capital of 4 000 (2018: 4 000) and issued share capital of 100 (2018: 100) ordinary shares.

STATEMENT OF RESPONSIBILITY

The directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information. The auditors are responsible to report on the fair presentation of the financial statements and their report appears on pages 4 to 5. The financial statements have been prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of Namibia.

The directors are also responsible for the company's system of internal financial controls. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements and to adequately safeguard, verify and maintain accountability of assets, and to prevent, and detect misstatement and loss. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures, and systems has occurred during the period under review.

The directors are satisfied that the company has access to adequate resources to remain a going concern for the foreseeable future. The company's annual financial statements on pages 6 to 41 have therefore been prepared on a going concern basis.

The company's annual financial statements were approved by the board of directors and signed on its behalf by directors on page 2.

NAMZINC (PROPRIETARY) LIMITED
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STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

N$ '000	Notes	31 March 2019	31 March 2018
Intangible assets	5	**8 890**	8 733
Property, plant and equipment	6	**863 959**	737 267
Other non-financial assets		**-**	184
Loans to group companies	21	**668 129**	-
Total non-current assets		**1 540 978**	746 184
Amounts owed by group companies	21	**3 154 039**	3 349 298
Inventories	7	**371 334**	381 778
Trade and other receivables	8	**153 214**	152 005
Cash and cash equivalents	9	**1 002 912**	572 989
Total current assets		**4 681 499**	4 456 070
Total assets		**6 222 477**	5 202 254
Equity			
Share capital	13	**1**	1
Retained earnings		**2 724 607**	2 574 747
Equity		**2 724 608**	2 574 748
Environmental restoration provision	11	**6 570**	5 132
Decommissioning provision	11	**304 221**	237 683
Total non-current liabilities		**310 791**	242 815
Trade and other payables	10	**2 489 293**	1 769 406
Amounts owed to group companies	21	**697 785**	615 285
Total current liabilities		**3 187 078**	2 384 691
Total liabilities		**3 497 869**	2 627 506
Total Equity and Liabilities		**6 222 477**	5 202 254

NAMZINC (PROPRIETARY) LIMITED
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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2019

N$ '000	Notes	31 March 2019	31 March 2018
Total revenue	15	**2 599 946**	3 596 704
Cost of sales		**(2 450 077)**	(2 079 769)
Gross profit		**149 869**	1 516 935
Other income		**21 311**	18 474
Selling and distribution costs		**(76 092)**	(64 288)
Administrative expenses		**(136 755)**	(199 235)
Operating profit	16	**(41 667)**	1 271 886
Finance income	18.1	**222 688**	35 152
Finance costs	18.2	**(31 161)**	(134 792)
Net finance income/ (costs)		**191 527**	(99 640)
Profit before tax		**149 860**	1 172 246
Income tax expense	19	**-**	-
Profit for the year		**149 860**	1 172 246
Other comprehensive income		-	-
Total comprehensive income for the year		**149 860**	1 172 246

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STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2019

N$ '000		Share capital	Retained earnings	Total equity
Opening balance at 1 April 2018		**1**	**2 574 747**	**2 574 748**
Profit for the year		**-**	**149 860**	**149 860**
Other comprehensive income		**-**	**-**	**-**
Total comprehensive income for the year		**-**	**149 860**	**149 860**
Balance at 31 March 2019		**1**	**2 724 607**	**2 724 608**
	Note	13		

N$ '000		Share capital	Retained earnings	Total equity
Opening balance at 1 April 2017		1	1 402 501	1 402 502
Profit for the year		-	1 172 246	1 172 246
Other comprehensive income		-	-	-
Total comprehensive income for the year		-	1 172 246	1 172 246
Balance at 31 March 2018		1	2 574 747	2 574 748
	Note	13		

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STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2019

N$ '000	Notes	31 March 2019	31 March 2018
Cash flows from operationing activities			
Cash inflows from operations	20	**1 536 658**	1 756 749
Finance income	18.1	**89 317**	35 152
Finance costs	18.2	**(1 711)**	(1 035)
Net cash inflows from operating activities		**1 624 264**	1 790 866
Cash flows from investing activities			
Purchases of property, plant and equipment		**(148 528)**	(65 197)
Additions to intangible assets		**(23)**	(338)
Proceeds on sale of tangible assets		**1**	338
Net cash outflows from investing activities		**(148 550)**	(65 197)
Cash flows from financing activities			
Advances to group loans and borrowings		**(1 128 291)**	(1 811 781)
Proceeds from group companies		**82 500**	-
Contribution to rehabilitation fund		**-**	-
Net cash outflows from financing activities		**(1 045 791)**	(1 811 781)
Net increase/(decrease) in cash and cash equivalents		**429 923**	(86 112)
Cash and cash equivalents at the start of the year	9	**572 989**	659 101
Cash and cash equivalents at the end of the year	9	**1 002 912**	572 989

Namzinc (Proprietary) Limited
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Notes to the annual financial statements
For the year ended 31 March 2019

1. Basis of preparation

The financial statements provide information about the financial position, results of operations and changes in financial position of the company. These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The financial statements have been prepared on a historical cost basis. The financial statements are presented in Namibian Dollars (N$) and all values are rounded to the nearest thousand (N$ '000), except where otherwise indicated.

1.1 Foreign currency transactions

The company's financial statements are presented in N$, which is also the entity's functional currency. The company does not have any foreign operations.

Transactions in foreign currencies are initially recorded at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. All differences are taken to the statement of profit or loss and other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2. Significant accounting judgements, estimates and assumptions

In the preparation of the financial statements, management is required to make estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates, which may be material to the financial statements within the next financial period.

Significant areas of accounting judgements, estimates and assumptions include:
• Useful economic life of assets;
• Ore resources estimates;
• Impairment of assets (note 6);
• Restoration, rehabilitation and environmental costs provisions (note 11);
• Valuation of financial instruments; and
• Sulphide conversion

2.1 Ore resources estimates

Ore reserves and mineral resource estimates are estimates of the amount of ore that can be economically and legally extracted from the company's mining properties. Such reserves and mineral resource estimates and changes to these may impact the company's reported financial position and results, in the following way:
• The carrying value of exploration and evaluation assets, mine properties, property, plant and equipment, and goodwill may be affected due to changes in estimated future cash flows.
• Depreciation and amortisation charges in the statement of profit or loss and other comprehensive income may change where such charges are determined using the UOP method, or where the useful life of the related assets change.
• Capitalised stripping costs recognised in the statement of financial position, as either part of mine properties or inventory or charged to profit or loss, may change due to changes in stripping ratios.
• Provisions for rehabilitation and environmental provisions may change where reserve estimate changes affect expectations about when such activities will occur and the associated cost of these activities.
• The recognition and carrying value of deferred income tax assets may change due to changes in the judgements regarding the existence of such assets and in estimates of the likely recovery of such assets.

The company estimates its ore reserves and mineral resources (Life of Mine (LOM) plan) annually based on information compiled by appropriately qualified persons relating to the geological and technical data on the size, depth, shape and grade of the ore body and suitable production techniques and recovery rates. Such an analysis requires complex geological judgements to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements and production costs, along with geological assumptions and judgements made in estimating the size and grade of the ore body.

2.2 Valuation of financial instruments
The valuation of derivative financial instruments is based on the market situation at the reporting date. The value of the derivative instruments fluctuates on a daily basis and the actual amounts realised may differ materially from the value at the statement of financial position date.

2.3 Sulphide conversion
Namzinc (Proprietary) Limited has one significant capital project currently ongoing, namely the Sulphide Conversion project. The sulphide conversion project is a project which allows for the conversion of the current refinery to treat both sulphide and oxide ore in order to extract the final zinc metal.

During the 2015 financial year, management made an assessment as to whether the sulphide conversion project is economically viable and based on this assessment commenced capitalisation and revised the estimated useful lives of the assets and the timing of the decommissioning and rehabilitation expense accordingly.

The financial statements have been prepared on the assumption that the refinery conversion will be approved, however no final decision has been made as to whether the refinery conversion will materialise. If the decision to discontinue the refinery conversion had been made before the approval of the 2019 financial statement of the company it would have had the following impact on the financial results of Namzinc (Pty) Ltd as at 31 March 2019:
- Property, plant and equipment which would have been used in the refinery conversion and therefore depreciated over Gamsberg units of production of 1.8million metric tons over a period of 12 years will have accelerated depreciation of N$ 562 million going forward.
- Capital work in progress directly related to the refinery conversion of N$ 173 million will have to be impaired assuming a zero recoverable amount.
- The decommissioning and restoration liability will have to be increased with N$ 158 million to reflect the fair value of the provision as at the reporting date.

3. Changes in accounting policies and disclosures

3.1 New and amended standards and interpretations
The company applied IFRS 15 and IFRS 9 for the first time from 1 April 2018. The nature and effect of these changes as a result of the adoption of these new standards are described below. Other than the changes described below, the accounting policies adopted are consistent with those of the previous financial year.

Several other amendments and interpretations applied for the first time in 2019, but did not have an impact on the consolidated financial statements of the company and, hence, have not been disclosed. The company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

3.1.1 IFRS 15 Revenue from contracts with customers
IFRS 15 and its related amendments supersede IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations. It applies to all revenue arising from contracts with its customers and became effective for annual periods beginning on or after 1 January 2018. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. It requires revenue to be recognised when (or as) control of a good or service transfers to a customer at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires enhanced and extensive disclosures about revenue to help investors better understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

The company has adopted the modified transitional approach as permitted by the standard under which the comparative financial information is not restated. The accounting changes required by the standard do not have a material effect on the company financial statements and no transitional adjustment is recognised in retained earnings at 1 April 2018.

The effect of adopting IFRS 15 is set out below.

3. Changes in accounting policies and disclosures (continued)
3.1 New and amended standards and interpretations (continued)
3.1.1 IFRS 15 Revenue from contracts with customers (continued)

Overall impact
The company's revenue from contracts with customers comprises the sale of Zinc ingots. The company undertook a comprehensive analysis of the impact of the new revenue standard based on a review of the contractual terms of its principal revenue streams with the primary focus being to understand whether the timing and amount of revenue recognised could differ under IFRS 15. For the company's goods not sold under CIF or CIP Incoterms (see "Freight/shipping services" commentary below for further discussion), the nature and timing of satisfaction of the performance obligations, and, hence, the amount and timing of revenue recognised under IFRS 15, is the same as that under IAS 18.

There were some differences noted in relation to the CIF/CIP arrangements mainly resulting in some reclassifications and impact on presentation – refer below for further discussion. See Note below for the company's IFRS 15 revenue recognition accounting policies.

Impact on statement of profit or loss and other comprehensive income
There were no changes identified with respect to the timing of revenue recognition in relation to goods, as control transfers to customers at the date of shipment for CIF, the date it arrives at the port of destination warehouse for CIP, and in limited cases for local sales DAP where control is transferred at the customer's premises. All terms are consistent with the point in time when risks and rewards passed under IAS 18. There were some reclassification changes arising from goods sales that have provisional pricing terms (see 'provisionally priced commodity sales' below for further discussion). However, there has been a change in the amount of revenue recognised for some goods sales sold under CIF/CIP Incoterms where the company provides freight/shipping services. This is because these services are now considered to represent separate performance obligations which are satisfied at a different point in time from the goods. Therefore, some of the transaction price that was previously all allocated to the goods under IAS 18 is now required to be allocated to these new performance obligations under IFRS 15 (see "Freight/shipping services" commentary below for further discussion). This freight/shipping revenue has been disclosed separately.

Provisionally priced commodity sales
The company has products which are provisionally priced at the date revenue is recognised. Revenue in respect of such contracts are recognised when control passes to the customer and is measured at the amount the entity expects to be entitled – being the estimate of the price expected to be received at the end of the measurement period. Post transfer of control of goods, subsequent movements in provisional pricing are accounted for in accordance with IRFS 9 "Financial Instruments" rather than IFRS 15 and therefore the IFRS 15 rules on variable consideration do not apply. These 'provisional pricing' adjustments i.e. the consideration received post transfer of control has been included in total revenue from operations on the face of the Consolidated Statement of Profit and loss. The accounting for revenue under IFRS 15 does not, therefore, represent a substantive change from the company's previous practice for recognising revenue from sales to customers.

Under IFRS 15, the accounting for this revenue will remain unchanged in that revenue will be recognised when control passes according to the trade terms and will be measured at the amount to which the company expects to be entitled. This will be the estimate of the price expected to be received at the end of the QP, i.e. the forward price. It will be the impact of the requirements of IFRS 9 that will lead to a change to the company's accounting (refer to the IFRS 9 discussion further below). The company will now present such movements after the date of sale in profit or loss as 'Fair value gains/losses' and there will be no impact on the disclosures relating to revenue from contracts with customers.

Freight/shipping services
The majority of the company's goods sales are sold under CIF/CIP Incoterms, whereby the company is responsible for providing freight/shipping services after the date that it transfers control of the goods to the customer. Under IAS 18, freight/shipping services were not accounted for as separate services. Instead, all of the revenue relating to the sale was recognised at the date of loading and presented as goods revenue. Under IFRS 15, it has been concluded that the provision of these services represents separate performance obligations and the company acts as principal (see Note 15 for a discussion on the significant judgements relating to the principal versus agent assessment for these services).

3. Changes in accounting policies and disclosures (continued)
3.1 New and amended standards and interpretations (continued)
3.1.1 IFRS 15 Revenue from contracts with customers (continued)

As a result, under IFRS 15, a portion of the transaction price is now required to be allocated to these performance obligations and will be recognised over time, on a gross basis, as the services are provided. In some instances, the company receives a portion of the transaction price in cash for each shipment at or near the date of shipment under a provisional invoice. Given this, a portion of the transaction price relating to these freight/shipping services is received in advance of the company providing these services. Such amounts have been recognised as a contract liability upon receipt under IFRS 15 and are then recognised as revenue over time as the services are provided (see Note 15 for further discussion on contract liabilities).

Given the nature of the company's commodity shipping profile, most of these services are completed in the same reporting period that control of the underlying goods passes to the customer with only a very small percentage of shipments subject to these Incoterms being on the water over a reporting period end. The accounting changes required by the standard do not have a material effect on the company financial statements and no transitional adjustment is recognised in retained earnings at 1 April 2018.

3.1.2 IFRS 9 Financial Instruments
IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The company has applied IFRS 9 retrospectively, with the initial application date of 1 April 2018. There were no material impacts on the comparative balances other the reclassification of the gain/loss on provisionally priced trade receivables. There was no impact on hedging as the company does not apply hedge accounting.

The effects of adopting IFRS 9 are set out below

(a) Classification and measurement
Under IFRS 9, there is a change in the classification and measurement requirements relating to financial assets. Previously, there were four categories of financial assets: loans and receivables, fair value through profit or loss, held to maturity and available for sale. Under IFRS 9, financial assets are either classified as amortised cost, fair value through profit or loss or fair value through other comprehensive income.

For debt instruments, the classification is based on two criteria: the company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' (SPPI) on the principal amount outstanding. A financial asset can only be measured at amortised cost if both of the following are satisfied:
- Business model: the objective of the business model is to hold the financial asset for the collection of the contractual cash flows.
- Contractual cash flows: the contractual cash flows under the instrument relate solely to payments of principal and interest.

The assessment of the company's business model was made as of the date of initial application, 1 April 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 April 2018. The assessment of whether contractual cash flows on debt instruments are SPPI was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of IFRS 9 did not have a significant impact on the company.

Financial assets
The company continued measuring at fair value all financial assets previously held at fair value under IAS 39. The following are the changes in the classification of the company's financial assets:
- Trade receivables (not subject to provisional pricing), Other current financial assets (i.e., Other receivables) previously classified as Loans and receivables: these were assessed as being held to collect contractual cash flows and give rise to cash flows representing SPPI. These are now classified and measured as Debt instruments at amortised cost.

3. Changes in accounting policies and disclosures (continued)
3.1 New and amended standards and interpretations (continued)
3.1.2 IFRS 9 Financial Instruments (continued)

• Trade receivables (subject to provisional pricing) and Quotational period derivatives: prior to the adoption of IFRS 9, the exposure of provisionally priced sales to commodity price movements over the QP, previously led to embedded derivatives (QP derivatives) being which was included in trade receivables and not accounted for separately. Under IFRS 9, embedded derivatives should not be separated from financial assets and therefore the accounting remains unchanged. Instead, the exposure of the trade receivable to future commodity price movements will cause the trade receivable to fail the SPPI test. Therefore, the entire receivable is now required to be measured at fair value through profit or loss, with subsequent changes in fair value recognised in the statement of profit or loss and other comprehensive income each period until final settlement. The company previously presented such fair value changes in Revenue but will now present them as 'fair value gains/losses'. There was no impact on the statement of financial performance and the statement of profit or loss and other comprehensive income arising from this change. In addition the company has assessed the impact of fair value gain and loss relating to provisionally priced invoices for the current and prior financial year and have no impact to be

In summary, upon the adoption of IFRS 9, the company had the following required or elected reclassifications for financial assets:

At 31 March 2019 there were no outstanding receivables subject to provisional pricing (2018: N$ nil).

There is no impact on presentation and disclosure as a result of the adoption of IFRS 9. There is no material effect on the statement of profit or loss and other comprehensive income for year ended 31 March 2018 due to the adoption of IFRS 9.

Financial liabilities
The company has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the company's financial liabilities.

Other impacts
The change did not have material impact on the company's statement of cash flows.

(b) Impairment
The adoption of IFRS 9 has changed the company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the company to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets in the scope of IFRS 15.

As all of the company's trade receivables (not subject to provisional pricing) and other current receivables which the company measures at amortised cost are short term (i.e., less than 12 months) and the company's credit rating and risk management policies in place, the change to a forward-looking ECL approach did not have a material impact on the amounts recognised in the financial

(c) Hedge accounting
The company has elected to adopt the new general hedge accounting model in IFRS 9. However, the changes introduced by IFRS 9 relating to hedge accounting currently have no impact, as the company does not apply hedge accounting.

4. Summary of significant accounting policies

4.1 Financial instruments — initial recognition and subsequent measurement

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. The company's financial instruments consist of investments, trade and other receivables, loans payable and trade and other payables.

4.1.1 Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through OCI, or fair value through profit or loss.

The classification of financial assets at initial recognition that are debt instruments depends on the financial asset's contractual cash flow characteristics and the company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the company has applied the practical expedient, the company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the company has applied the practical expedient for contracts that have a maturity of one year or less, are measured at the transaction price determined under IFRS 15. Refer to the revenue recognition accounting policy in Note 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

The company measures financial assets at amortised cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective 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.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Interest received is recognised as part of finance income in the statement of profit or loss and other comprehensive income. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The company's financial assets at amortised cost include trade receivables (not subject to provisional pricing) and other receivables. Refer below to 'Financial assets at fair value through profit or loss' for a discussion of trade receivables (subject to provisional pricing).

4. Summary of significant accounting policies (continued)
4.1 Financial instruments — initial recognition and subsequent measurement (continued)
4.1.1 Financial assets (continued)

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading, e.g., derivative instruments, financial assets designated upon initial recognition at fair value through profit or loss, e.g., debt or equity instruments, or financial assets mandatorily required to be measured at fair value, i.e., where they fail the SPPI test. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that do not pass the SPPI test are required to be classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

A derivative embedded in a hybrid contract with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

As IFRS 9 now has the SPPI test for financial assets, the requirements relating to the separation of embedded derivatives is no longer needed for financial assets. An embedded derivative will often make a financial asset fail the SPPI test thereby requiring the instrument to be measured at fair value through profit or loss in its entirety. This is applicable to the company's trade receivables (subject to provisional pricing). These receivables relate to sales contracts where the selling price is determined after delivery to the customer, based on the market price at the relevant QP stipulated in the contract. This exposure to the commodity price causes such trade receivables to fail the SPPI test. As a result, these receivables are measured at fair value through profit or loss from the date of recognition of the corresponding sale, with subsequent movements being recognised in 'fair value gains/losses on provisionally priced trade receivables' in the statement of profit or loss and other comprehensive income.

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

- The rights to receive cash flows from the asset have expired; or
- The company 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 company has transferred substantially all the risks and rewards of the asset, or (b) the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the company could be required to repay.

Impairment of financial assets
The company recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the company expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other enhancements that are integral to the contractual terms.

4. Summary of significant accounting policies (continued)
4.1 Financial instruments — initial recognition and subsequent measurement (continued)
4.1.1 Financial assets (continued)
Impairment of financial assets (continued)

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables (not subject to provisional pricing) and other receivables due in less than 12 months, the company applies the simplified approach in calculating ECLs, as permitted by IFRS 9. Therefore, the company does not track changes in credit risk, but instead, recognises a loss allowance based on the financial asset's lifetime ECL at each reporting date. For any other financial assets carried at amortised cost (which are due in more than 12 months), the ECL is based on the 12-month ECL. The 12-month ECL is the proportion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the company's historical experience and informed credit assessment including forward-looking information.

The company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the company may also consider a financial asset to be in default when internal or external information indicates that the company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows and usually occurs when past due for more than one year and not subject to enforcement activity.

At each reporting date, the company assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

4.1.2 Financial liabilities
Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The company's financial liabilities include trade and other payables and loans and borrowings including bank overdrafts.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

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

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss and other comprehensive income.

Loans and borrowings and trade and other payables
After initial recognition, interest-bearing loans and borrowings and trade and other payables are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the liabilities are derecognised, as well as through the EIR amortisation process.

4. Summary of significant accounting policies (continued)
4.1 Financial instruments — initial recognition and subsequent measurement (continued)
4.1.2 Financial liabilities (continued)
Loans and borrowings and trade and other payables (continued)

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 costs in the statement of profit or loss and other comprehensive income.

This category generally applies to interest-bearing loans and borrowings and trade and other payables. For more information, refer to Note 10.

Derecognition
A financial liability is derecognised when the associated obligation is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss and other comprehensive income.

4.1.3. Offsetting of financial instruments
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.

4.1.4. Cash and cash equivalents
Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, but exclude any restricted cash. Restricted cash, such as the rehabilitation trust, is not available for use by the company and therefore is not considered highly liquid.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

4.2 Current versus non-current classification

The company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:
• Expected to be realised or intended to be sold or consumed in normal operating cycle;
• Held primarily for the purpose of trading;
• Expected to be realised within 12 months after the reporting period; or
• Cash or cash equivalent, unless restricted from being exchanged or used, to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current.
A liability is current when either:
• It is expected to be settled in the normal operating cycle;
• It is held primarily for the purpose of trading;
• It is due to be settled within 12 months after the reporting period; or
• There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

5. Intangible Assets

N$ '000	**IT Software**
Cost	
At 1 April 2018	**20 981**
Additions	**23**
Transfers	**695**
At 31 March 2019	**21 699**
Accumulated amortisation and impairment	
At 1 April 2018	**12 248**
Charge for the year	**480**
Transfers	**81**
At 31 March 2019	**12 809**
Net book value At 31 March 2019	**8 890**
Cost	
At 1 April 2017	20 643
Additions	338
Transfers	-
At 31 March 2018	20 981
Accumulated amortisation and impairment	
At 1 April 2017	11 871
Charge for the year	377
Transfers	-
At 31 March 2018	12 248
Net book value At 31 March 2018	8 733

Intangible assets consist mainly of software licences relating to the SAP enterprise system. These assets are considered to have a finite useful life and as such are amortised over the life of the mine.

6. Property, plant and equipment

N$ '000	Mining properties and leases	Land and buildings	Plant and equipment	Work in progress	Decommissioning and restoration cost	Total
Cost						
At 1 April 2018	**204 747**	**794 288**	**3 202 828**	**197 999**	**167 612**	**4 567 474**
Additions	**-**	**-**	**114 220**	**34 308**	**-**	**148 528**
Transfers	**-**	**-**	**16 692**	**(16 692)**	**-**	**-**
Transfer to intangible assets	**-**	**-**	**(695)**	**-**	**-**	**(695)**
Disposals	**-**	**-**	**(953)**	**-**	**-**	**(953)**
Re-estimation – non cash flow	**-**	**-**	**-**	**-**	**38 526**	**38 526**
At 31 March 2019	**204 747**	**794 288**	**3 332 092**	**215 615**	**206 138**	**4 752 880**
Accumulated depreciation						
At 1 April 2018	**188 562**	**685 050**	**2 850 826**	**-**	**105 769**	**3 830 207**
Charge for the year	**-**	**3 435**	**56 047**	**-**	**-**	**59 482**
Transfer to intangible assets	**-**	**-**	**(81)**	**-**	**-**	**(81)**
Disposals	**-**	**-**	**(687)**	**-**	**-**	**(687)**
At 31 March 2019	**188 562**	**688 485**	**2 906 105**	**-**	**105 769**	**3 888 921**
Net book value At 31 March 2019	**16 185**	**105 803**	**425 987**	**215 615**	**100 369**	**863 959**

6. Property, plant and equipment (continued)

N$ '000	Mining properties and leases	Land and buildings	Plant and equipment	Work in progress	Decommissioning and restoration cost	Total
Cost						
At 1 April 2017	204 747	794 288	3 137 227	200 592	234 783	4 571 637
Additions	-	-	4 164	61 033	-	65 197
Transfers	-	-	63 626	(63 626)	-	-
Disposals	-	-	(2 189)	-	-	(2 189)
Re-estimation – non cash flow	-	-	-	-	(67 171)	(67 171)
At 31 March 2018	204 747	794 288	3 202 828	197 999	167 612	4 567 474
Accumulated depreciation						
At 1 April 2017	188 562	680 437	2 825 151	-	105 769	3 799 919
Charge for the year	-	4 613	27 525	-	-	32 138
Disposals	-	-	(1 850)	-	-	(1 850)
At 31 March 2018	188 562	685 050	2 850 826	-	105 769	3 830 207
Net book value At 31 March 2018	16 185	109 238	352 002	197 999	61 843	737 267

Details of the company's freehold and leasehold land and buildings is maintained at the registered office of the company and are available for inspection by members or their duly authorised representatives.

Mining properties and leases (Nampower assets) with a net book value of N$10 480 978 (2018: N$10 810 200), were capitalised in accordance with IAS 17 and IFRIC 4. The finance lease was settled in the 2006 financial year.

6.1 Property, plant and equipment - accounting policy

Assets under construction

Assets in the course of construction are capitalised in the assets under construction account. At the point when an asset is capable of operating in the manner intended by management, the cost of construction is transferred to the appropriate category of property, plant and equipment. Costs (net of income) associated with the commissioning of an asset and any obligatory decommissioning costs are capitalised until the period of commissioning has been completed and the asset is ready for its intended use.

Other property, plant and equipment

The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, and any directly attributable costs of bringing an asset to working condition and location for its intended use. It also includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. All other expenses on existing property, plant and equipment, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the income statement for the period during which such expenses are incurred.

Gains and losses on disposal of an item of property, plant and equipment computed as the difference between the net disposal proceeds and the carrying amount of the asset is included in the income statement when the asset is derecognised. Major inspection and overhaul expenditure is capitalised, if the recognition criteria are met.

Depreciation and amortisation

Mining properties and other assets in the course of development or construction, freehold land and goodwill are not depreciated or amortised.

Mining properties and plant and equipment are depreciated down to their residual values with reference to the expected units of production using the life of mine method based on proven and probable reserves. Depreciation is charged on new mining ventures from the date that the mining property is capable of commercial production. When there is little likelihood of a mineral right being exploited, or the value of the exploitable mineral right has diminished below cost, a write-down to the recoverable amount is charged to profit or loss.

6. Property, plant and equipment (continued)
6.1 Property, plant and equipment - accounting policy (continued)
Depreciation and Amortisation (continued)

Buildings, vehicles, furniture and fittings and computer equipment are depreciated down to their estimated residual values at varying rates, on the straight-line basis over their estimated useful lives or the life of mine whichever is shorter. Estimated useful lives are as follows:

	Depreciation rate
Vehicles	4 years
Computer equipment	3 years
Furniture and fittings	10 years

Residual values and useful economic lives are reviewed at least annually, with the effect of any changes in estimate accounted for on a prospective basis.

Impairment of property, plant and equipment and intangible assets excluding goodwill
At each reporting period end, the company reviews the carrying amounts of its Property, plant and equipment and inProperty, plant and equipment assets to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. An inProperty, plant and equipment asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

The following cash generating unit ("CGU") has been identified:
- Mining activities
 - Skorpion Project

The recoverable amounts of the CGU's are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates, exchange rates and expected changes to commodity prices. Management estimates discount rates using pre-tax rates that reflect current market conditions of the time value of money and the risks specifically associated with the CGU's. Growth rates are based on industry growth forecasts. Changes in commodity prices are based on past practices and expectations of future changes in the market.

Key assumptions used in impairment calculations are:

	31 March 2019	31 March 2018
- Foreign exchange rate (USD)	**14.04**	12.47
- Average Zinc price (USD/t)	**2 611**	3 112

All figures stated above are in real terms.

At 31 March 2019, no impairment was necessary related to the Skorpion Project (2018: Nil).

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment is recognised immediately as an expense.

Where an impairment subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment is recognised as income immediately.

6.2 Exploration Costs - accounting policy
Exploration and evaluation expenditure is expensed when incurred.

6. Property, plant and equipment (continued)

6.3 Borrowing costs

Borrowing cost includes interest expense as per effective interest rate (EIR) and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

Borrowing costs directly relating to the acquisition, construction or production of a qualifying capital project under construction are capitalised and added to the project cost during construction until such time that the assets are substantially ready for their intended use which is when they are capable of commercial production. Where funds are borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where surplus funds are available out of money borrowed specifically to finance a project, the income generated from such short-term investments is also capitalised to reduce the total capitalised borrowing cost.

All other borrowing costs are recognised in the income statement in the period in which they are incurred. Capitalisation of interest on borrowings related to construction or development projects is ceased when substantially all the activities that are necessary to make the assets ready for their intended use are complete or when delays occur outside of the normal course of business.

EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial liability or a shorter period, where appropriate, to the amortised cost of a financial liability. When calculating the effective interest rate, the company estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options).

6.4 Tangible Assets - Significant accounting judgements, estimates and assumptions

Residual Values

Property, plant and equipment is depreciated over their useful lives taking into account residual values where appropriate. The actual lives of the assets and residuals are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, life-of-mine plan and maintenance programmes are taken into account. Residual value assessments take into account issues such as future market conditions, the remaining life of the asset and projected disposal values.

Life of mine

Estimated economically recoverable reserves are used in determining the depreciation and/or amortisation of mine-specific assets. This results in a depreciation/amortisation charge proportional to the depletion of the anticipated remaining life-of-mine production. The life of each item, which is assessed at least annually, has regard to both its physical life limitations and present assessments of economically recoverable reserves of the mine property at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. The calculation of the units of production rate of depreciation/amortisation could be impacted to the extent that actual production in the future is different from current forecast production based on economically recoverable reserves, or if future capital expenditure estimates change. Changes to economically recoverable reserves could arise due to changes in the factors or assumptions used in estimating reserves, including:

- The effect on economically recoverable reserves of differences between actual commodity prices and commodity price assumptions
- Unforeseen operational issues

Changes in estimates are accounted for prospectively.

7. Inventories

N$ ‘000	**31 March 2019**	31 March 2018
Work-in-progress	**195 267**	169 093
Consumable stock	**171 081**	208 127
Finished products	**4 986**	4 558
Total	**371 334**	381 778

7. Inventories (continued)

Consumable stock is carried after a provision for obsolescence has been made as follows:

Movement in provision for slow moving stocks

N$ '000	**31 March 2019**	31 March 2018
Opening balance	**55 754**	54 233
(Decrease)/increase	**(1 405)**	1 521
Closing balance	**54 349**	**55 754**

The slow moving stock provision has been estimated based on the age of consumables and their rate of movement.

7.1 Inventories - accounting policy

Inventory and work-in-progress are valued at the lower of cost and net realisable value. The production cost of inventory includes an appropriate proportion of depreciation and production overheads. Cost is determined on the following bases:

- raw materials and consumables are valued at cost on a weighted average basis;
- finished products are valued at raw material cost, labour cost and a proportion of manufacturing overhead expenses; and
- finished products and are valued at average cost.

Significant estimates and assumptions

Net realisable value tests are performed at each reporting date and represent the estimated future sales price of the product the entity expects to realise when the product is processed and sold, less estimated costs to complete production and bring the product to sale.

8. Trade and other receivables

N$ '000	**31 March 2019**	31 March 2018
Trade receivables	**111 183**	115 184
Prepayments and accrued income	**13 555**	17 292
Other debtors	**63 766**	46 869
Value Added Tax	**1 499**	1 595
Provision for expected credit losses	**(36 789)**	(28 935)
Closing balance	**153 214**	152 005

Trade receivables are non-interest-bearing and are generally on terms of 30 to 90 days. Payment is due from customers on receipt of the provisional invoice and the bill of lading and is generally paid within 5 days of the customer receiving the documentation, which reduces the initial receivable recognised under IFRS 15.

The fair value of trade and other receivables is not materially different to the carrying values presented.

N$ '000	**31 March 2019**	31 March 2018
Trade receivables with the following values are past their due date:		
Within one month	**106 738**	40 150
Between 1 to 2 months	**4 443**	54 006
Between 2 to 3 months	**1**	20 296
Greater than 3 months	**1**	732
	111 183	115 184

Impairment of trade and other receivables

No provision for expected credit losses has been raised in respect of trade debtors. Expected credit losses related only to other debtors.

8. Trade and other receivables (continued)

Movement in provision for expected credit losses

N$ '000	**31 March 2019**	31 March 2018
Opening balance	**28 935**	20 122
Increase / (decrease)	**7 854**	8 813
Closing balance	**36 789**	28 935

9. Cash and cash equivalents

N$ '000	**31 March 2019**	31 March 2018
Short term deposits	**524 115**	524 154
Cash at bank	**478 783**	48 821
Petty cash	**14**	14
Closing balance	**1 002 912**	572 989

Bank balances and cash are denominated as follows:

Local currency	**854 644**	93 760
Foreign currency	**148 268**	479 229
	1 002 912	572 989

The average interest rates earned on cash balances and short-term deposits during the year were as follows:

	%	%
Local currency	5.28	5.62
Foreign currency	0.38	0.94

9.1 Cash and cash equivalents - accounting policy

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the company, and earn interest at the respective short-term deposit rates.

The company deposits cash surpluses only with major banks of high-quality credit standing.

At 31 March 2019, the company had R80.3 million of undrawn overdraft facilities available in respect of which all conditions precedent had been met.

10. Trade and other payables

N$ '000	**31 March 2019**	31 March 2018
Trade creditors	**107 975**	48 620
Contract liabilities (a)	**290 280**	6 385
Amounts owed to group companies	**1 973 703**	1 584 871
Statutory and salary accruals	**57 753**	45 598
Other creditors	**2 429**	6 909
Accruals	**57 153**	77 024
	2 489 293	1 769 406

The fair value of trade and other payables is not materially different to the carrying values presented. The average credit period is 30 days.

(a) The movement in contract liabilities from one period to the next depends on the value of deferred revenue relating to freight/shipping services that are still in the process of being provided at period end. If the ship has sailed at the period end then the shipping costs have been incurred. As there is no margin charged on shipping services and revenue on shipping cost is recognised at a net basis in accordance with IFRS 15 the contract liability will be nil for that shipment as the costs will net off the revenue. If however the terms of the contract are CIP and the ship has not sailed the shipping cost have not been incurred and thus cannot be netted off the revenue already received for the shipping services.

10. Trade and other payables (continued)

(b) Amounts owed to group companies relates to amounts owed to Skorpion Mining Company (Proprietary) Limited for ore purchases.

At 31 March 2019 all goods had been shipped and therefore the contract liability was nil.

Amounts owed to group companies are disclosed in note 21, related party transactions.

11. Provisions

N$ ‘000	Environmental restoration	Decommissioning	Total
At 1 April 2018	**5 132**	**237 683**	**242 815**
Unwinding of discount	**622**	**28 828**	**29 450**
Re-estimation – non-cash flow	**816**	**37 710**	**38 526**
At 31 March 2019	**6 570**	**304 221**	**310 791**

N$ ‘000	Environmental restoration	Decommissioning	Total
At 1 April 2017	6 005	278 137	284 142
Unwinding of discount	546	25 297	25 843
Re-estimation – non-cash flow	(1 419)	(65 751)	(67 170)
At 31 March 2018	5 132	237 683	242 815

11.1 Provisions - accounting policy

Provisions are recognised when the company' has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss and other comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as part of finance costs in the statement of profit or loss and other comprehensive income.

Environmental restoration

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the development or ongoing production of a mine or oil fields. Such costs, discounted to net present value, are provided for and a corresponding amount is capitalised at the start of each project, as soon as the obligation to incur such costs arises. These costs are charged to the income statement over the life of the operation through the depreciation of the asset and the unwinding of the discount on the provision. The cost estimates are reviewed periodically and are adjusted to reflect known developments which may have an impact on the cost estimates or life of operations. The cost of the related asset is adjusted for changes in the provision due to factors such as updated cost estimates, changes to lives of operations, new disturbance and revisions to discount rates. The adjusted cost of the asset is depreciated prospectively over the lives of the assets to which they relate. The unwinding of the discount is shown as a finance cost in the income statement.

Costs for restoration of subsequent site damage which is caused on an ongoing basis during production are provided for at their net present value and charged to the income statement as extraction progresses. Where the costs of site restoration are not anticipated to be material, they are expensed as incurred.

The provisions for restoration, rehabilitation and environmental liabilities represent the management’s best estimate of the costs which will be incurred in the future to meet the company’s obligations under existing Namibian law and the terms of the company’s mining and other licences and contractual arrangements. The current estimate was discounted at a rate of 9.66% (2018: 9.99%), and become payable on closure of refinery expected to be incurred within the next 11 years.

11. Provisions (continued)
11.1 Provisions - accounting policy (continued)
Environmental restoration (continued)

The Group recognises the full cost of site restoration as a liability when the obligation to rectify environmental damage arises. An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the development or ongoing production from a producing field.

Decommissioning
Provision is made for the present value of costs relating to the decommissioning of plant or other site preparation work. Estimates are based upon costs that are regularly reviewed and adjusted as appropriate for new circumstances. The current estimate was discounted at a rate of 9.66% (2018: 9.99%), and become payable on closure refinery expected to be incurred within the next 11 years.

12. Capital management

For the purpose of the company's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders of the parent. The primary objective of the company's capital management is to ensure the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and, with cognisance of forecast future market conditions and structuring, to maintain an optimal capital structure to reduce the cost of capital.

In order to achieve this overall objective, the company's capital management, amongst other things, aims to ensure that it meets financial covenants attached to its interest-bearing loans and borrowings that form part of its capital structure requirements. Breaches in the financial covenants would permit the bank to immediately call interest-bearing loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowings in the current or prior period.

The company manages its capital structure and makes adjustments to it, in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the company adjusts the dividend payment to shareholders. No changes were made in the objectives, policies or processes during the years ended 31 March 2019 and 31 March 2018.

The company monitors capital using a gearing ratio, which is net debt divided by the aggregate of equity and net debt. The company includes in its net debt, interest-bearing loans and borrowings, trade and other payables, less cash and short-term deposits.

N$ '000	**31 March 2019**	31 March 2018
Accounts payable, contract liabilities and accrued liabilities	**515 590**	176 792
Less cash and short-term deposits	**(1002 912)**	(572 989)
Net debt	**(487 322)**	(396 197)
Equity	**2 724 608**	2 574 748
Capital and net debt	**2 237 286**	2 178 551
Gearing ratio	**-22%**	-18%

13. Share capital

	Number of shares	**31 March 2019 N$ '000**	31 March 2018 N$ '000
Authorised:			
Ordinary shares of N$1 each	**4 000**	**4**	4
Issued:			
Ordinary shares of N$1 each	**100**	**1**	1

The remaining unissued shares are under the control of the directors until the Annual General Meeting.

14. Financial Instruments

14.1 Fair Values

Carrying value versus fair value
All non current liabilities carrying amounts are a reasonable approximation of fair value.

Management assessed that the fair values of cash and short-term deposits, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. Trade receivables subject to provisional pricing are already carried at fair value.

Fair value hierarchy

The fair value of the financial instruments is included at 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. Management of the company have assessed that the fair values of cash and cash equivalents, trade receivables (not subject to provisional pricing), trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The following methods and assumptions were used to estimate the fair values:
• Fair values of the company's interest-bearing borrowings and loans are determined by using discounted cash flow models that use discount rates that reflect the issuer's borrowing rate as at the end of the reporting period.

The company uses the following hierarchy for determining and disclosing the fair value of financial instruments which are measured at fair value by valuation technique:
· Level 1 - Unadjusted quoted prices for financial assets and financial liabilities traded in an active market for identical financial assets or financial liabilities.
· Level 2 - Inputs other than quoted prices included in level 1 that are observable for the financial asset or financial liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
· Level 3 - Inputs for the financial asset or financial liability that are not based on observable market data.
All financial instruments measured at fair value use Level 2 valuation techniques in both years.

There have been no transfers between fair value levels during the reporting period.

Categories of financial instruments
The folling is a summary of the classification of financial instruments. The table shows the category under IAS 39 and the change under IFRS 9.

As at 31 March 2019

N$ '000	IAS 39 carrying value	IFRS 9 measurement category: Fair value through profit or loss	Amortised cost	Fair Value through OCI
IAS 39 measurement category				
Loans and receivables				
Loans to group companies	**668 129**	**-**	**668 129**	**-**
Amounts due by group companies	**3 154 039**	**-**	**3 154 039**	**-**
		-	**3 822 168**	**-**
Amortised cost				
Trade and other receivables	**153 214**	**-**	**153 214**	**-**
Trade and other payables	**(2 489 293)**	**-**	**(2 489 293)**	**-**
Amounts owed to group companies	**(697 785)**	**-**	**(697 785)**	**-**
		-	**(3 033 864)**	**-**
Other				
Cash and cash equivalents	**1 002 912**			
Other non financial assets	**1 244 183**			
Property, plant and equipment and intangible assets	**872 849**			
Inventories	**371 334**			
Other non financial liabilities	**(310 791)**			
Environmental restoration provision	**(6 570)**			
Decommissioning provision	**(304 221)**			
Total Equity	**(2 724 608)**			

14. Financial Instruments (continued)
14.1 Fair Values (continued)
Categories of financial instruments (continued)

As at 31 March 2018		IFRS 9 measurement category		
N$ '000 IAS 39 measurement category	**IAS 39 carrying value**	**Fair value through profit or loss**	**Amortised cost**	**Fair Value through OCI**
Loans and receivables				
Amounts due by group companies	-	-	-	-
	3 349 298	-	**3 349 298**	-
Amortised cost		-	**3 349 298**	-
Trade and other receivables				
Trade and other payables	**152 005**	-	**152 005**	-
Amounts owed to group companies	**(1 769 406)**	-	**(1 769 406)**	-
	(615 285)	-	**(615 285)**	-
		-	**(2 232 686)**	-
Other				
Cash and cash equivalents	**572 989**			
Other non financial assets	**1 127 962**			
Property, plant and equipment and intangible assets	**746 000**			
Other non financial assets	**184**			
Inventories	**381 778**			
Other non financial liabilities	**(242 815)**			
Environmental restoration provision	**(5 132)**			
Decommissioning provision	**(237 683)**			
Total Equity	**(2 574 748)**			

Accounting policy - fair value measurement

The company measures financial instruments, such as provisionally priced trade receivables, at fair value at each reporting date. Also, from time to time, the fair values of non-financial assets and liabilities are required to be determined, e.g., when the entity acquires a business, or where an entity measures the recoverable amount of an asset or CGU at fair value less costs of disposal.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

• In the principal market for the asset or liability
• In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

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. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 Share based payments, leasing transactions that are within the scope of lAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in lAS 2 Inventories or value in use in lAS 36 Impairment of Assets.

The company 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 financial statements are categorised within the fair value hierarchy.

14. Financial Instruments (continued)
14.1 Fair Values (continued)
Accounting policy - fair value measurement (continued)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Significant estimates and assumptions
When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, they are measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

When the fair values of non-financial assets/CGUs need to be determined, e.g., for the purposes of calculating FVLCD for impairment testing purposes, they are measured using valuation techniques including the DCF model.

The company's principal financial liabilities, comprise accounts payable, bank loans and overdrafts and debentures. The main purpose of these financial instruments is to manage short-term cash flow and raise finance for the company's capital expenditure programme. The company's principal financial assets and provisionally priced trade receivables, comprise trade and other receivables and cash and short-term deposits that arise directly from its operations.

Risk exposures and responses
The company manages its exposure to key financial risks in accordance with its financial risk management policy. The objective of the policy is to support the delivery of the company's financial targets while protecting future financial security. The main risks that could adversely affect the company's financial assets, liabilities or future cash flows are market risks comprising: commodity price risk, cash flow interest rate risk and foreign currency risk; liquidity risk; and credit risk. Management reviews and agrees policies for managing each of these risks that are summarised below.

14.2 Market risk
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks: commodity price risk, interest rate risk and foreign currency risk. Financial instruments affected by market risk include loans and borrowings, deposits, trade receivables, trade payables, accrued liabilities and derivative financial instruments.

The sensitivity analyses in the following sections relate to the positions as at 31 March 2019 and 2018, respectively.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed-to floating interest rates on the debt and derivatives, and the proportion of financial instruments in foreign currencies are all constant. The sensitivity analyses are intended to illustrate the sensitivity to changes in market variables on the company's financial instruments and show the impact on profit or loss and shareholders' equity, where applicable.

The analyses exclude the impact of movements in market variables on the carrying value of provisions.

The following assumptions have been made in calculating the sensitivity analyses:

• The statement of financial position sensitivity relates to derivatives and foreign currency-denominated trade receivables.
• The sensitivity of the relevant profit before tax item and/or equity is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 March 2019 and 31 March 2018.
• The impact on equity is the same as the impact on profit before tax.

Commodity price risk

The company is exposed to the risk of fluctuations in prevailing market commodity prices of mineral products it produces which is mainly zinc (goods), which it sells into global markets. The market prices of the metals are the key drivers of the company's capacity to generate cash flow. The company is predominantly an unhedged producer to provide its shareholders with exposure to changes in the market price of metals. The company's policy is to manage these risks through the use of contract-based prices with customers. Most customer contracts are based on the average LME (London Metal Exchange) price in the month of shipment plus a premium.

14. Financial Instruments (continued)
14.2 Market risk (continued)
Commodity price risk (continued)

Sales are invoiced at the agreed LME price between the company and the customer. No changes to the agreed LME price are made between the provisional and final invoice. Changes to the invoice relate only to the quantity and quality of the goods after testing once the product is received by the customer. If the results of the tests are significantly different to the test carried out by the company a third test is then carried out by an independent laboratory before the invoice is finalised.

- Commodity price sesitivity

The table below summarises the impact on profit before tax for changes in commodity prices on the fair value of trade receivables (subject to provisional pricing).

The analysis is based on the assumption that the Zinc LME price moves 5% with all other variables held constant. Reasonably possible movements in commodity prices were determined based on a review of the last two years' historical prices and economic forecasters' expectations.

N$ '000	**Effect on profit before tax for the year ended 31 March 2019 increase/(decrease)**	Effect on profit before tax for the year ended 31 March 2018 increase/(decrease)
Increase/(Decrease) in the Zinc LME price		
+5% interest rate	**5 559**	5 759
-5% interest rate	**(5 559)**	(5 759)

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company's exposure to the risk of changes in market interest rates relates primarily to the company's long-term debt obligations with floating interest rates.

- Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans affected, based on the last two years' historical rates and economic forecasters' expectations of the company's profit before tax through the impact on floating rate borrowings and cash and cash equivalents (with all other variables held constant).

N$ '000	**Effect on profit before tax for the year ended 31 March 2019 increase/(decrease)**	Effect on profit before tax for the year ended 31 March 2018 increase/(decrease)
Increase/(Decrease) in interest rate		
+10% interest rate	**2 945**	2 584
-10% interest rate	**(2 945)**	(2 584)

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The company's exposure to the risk of changes in foreign exchange rates relates primarily to the company's operating activities (when revenues or expenses are denominated in currencies other than N$) and foreign denominated interest bearing borrowings. All sales are invoiced in USD. Revenues collected in USD are paid into a USD denominated bank account and is only converted to N$ as and when funds are needed.

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14. Financial Instruments (continued)
14.2 Market risk (continued)

- Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange rate, with all other variables held constant, of the company's profit before tax due to changes in the carrying value of monetary assets and liabilities at reporting date:

N$ '000	**Effect on profit before tax for the year ended 31 March 2019**	Effect on profit before tax for the year ended 31 March 2018
Increase/(Decrease) in foreign exchange rate		
+10% US$ to the N$	**147 993**	79 341
-10% US$ to the N$	**(147 993)**	(79 341)
+10% INR to the N$	**-**	-
-10% INR to the N$	**-**	-
+10% EUR to N$	**-**	-
-10% EUR to N$	**-**	-

The company is exposed to mainly US Dollar currency. The company's policy is not to hedge such exposures as hedging is not deemed appropriate. The exposure of the company's financial assets and liabilities to currency risk is as follows:

N$ '000	**31 March 2019**	31 March 2018
Financial assets		
US$	**1 642 842**	852 776
N$	**2 667 322**	3 221 516
GBP	**-**	-
Total financial assets	**4 310 164**	4 074 292

N$ '000	**31 March 2019**	31 March 2018
Financial Liabilities		
US$	**162 913**	59 363
INR	**-**	
EUR	**-**	
N$	**3 024 165**	2 325 328
Total financial liabilities	**3 187 078**	**2 384 691**

14.3 Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The company monitors its risk of a shortage of funds by monitoring its debt rating and the maturity dates of existing debt and other payables.

The company ensures that there are sufficient committed loan facilities in order to meet short-term business requirements, after taking into account cash flows from operations and the company's holding of cash and cash equivalents, as well as any distribution restrictions that exist.

At 31 March 2019, the company had R80.3 million of undrawn overdraft facilities available in respect of which all conditions precedent had been met.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

N$ '000	On demand	< 1 year	1 - 2 years	2 - 5 years	>5 years	Total
At 31 March 2019						
Group company loans	**-**	**697 785**	**-**	**-**	**-**	**697 785**
Trade and other payables*	**-**	**2 199 013**	**-**	**-**	**-**	**2 199 013**
	-	**2 896 798**	**-**	**-**	**-**	**2 896 798**

N$ '000	On demand	< 1 year	1 - 2 years	2 - 5 years	>5 years	Total
At 31 March 2018						
Group company loans	-	615 285	-	-	-	615 285
Trade and other payables*	-	1 763 021	-	-	-	1 763 021
	-	2 378 306	-	-	-	2 378 306

* This excludes contract liabilities as they are not financial liabilities.

14.4 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The company trades only with recognised creditworthy third parties. It is the company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures, which are based on an extensive credit rating scorecard, short-term liquidity and financial position. Individual credit limits are defined in accordance with this assessment. In addition, outstanding receivable balances are regularly monitored on an ongoing basis, with the result that the company's exposure to credit-impaired balances and bad debts is not significant.

At 31 March 2019, the accounts receivable balance made up only 25 customers (2018: 19 customers). There are four customers (2018: three customer) with a balance greater than N$10 million accounting for just over 61% (2018: 77%) of total accounts receivable.

An impairment analysis is performed at each reporting date to measure expected credit losses. There were no expected credit losses arising from trade receivables at 31 March 2019 (2018: nil). The only expected credit loss relates to other receivables with respect to rental income received on a building on site leased to a number of store owners.

With respect to credit risk arising from the other financial assets of the company, which comprise cash and short term deposits the company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The company limits its counterparty credit risk on these assets by dealing only with financial institutions of high credit standing.

Credit risk from balances with banks and financial institutions is managed by the company's treasury department in accordance with the company's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the company's management on an regular basis, and may be updated throughout the year subject to appropriate approval. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

15. Revenue from contracts with customers

N$ '000	**31 March 2019**	31 March 2018
Type of goods		
Zinc Ingots	**2 584 099**	3 570 471
Sulphuric Acid	**1 095**	-
Freight/Shipping services	**14 752**	26 233
Total revenue from contracts with customers	**2 599 946**	3 596 704

All revenue from Zinc Ingots and Sulphuric Acid is recognised at a point in time when control transfers and revenue from freight/shipping services is recognised over time as the services are provided.

15.1 Revenue from contracts with customers - accounting policy

The company is principally engaged in the business of producing Zinc and in some instances, provides freight/shipping services. Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer which usually is on delivery of the goods to the shipping agent at an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. Revenue is recognised net of discounts, volume rebates, outgoing sales taxes/ goods and service tax and other indirect taxes excluding excise duty. Revenues from sale of by-products are included in revenue.

Revenue from freight and insurance services is recognised over the period during which services are rendered.

15.2 Contract balances

15.2.1 Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. The company does not have any contract assets as performance and a right to consideration occurs within a short period of time and all rights to consideration are unconditional.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

15.2.2 Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the company performs under the contract.

15.3 Sales

For most sales, the enforceable contract is each purchase order, which is an individual, short-term contract.

For the company's sales not sold under CIF,CIP or DAP Incoterms, the performance obligations are the delivery of the goods. Most of the company's sales are sold under CIF and CIP Incoterms, whereby control of the goods transfers once the goods are transferred on to the ship or delivered to the warehouse at the port of origin, however the company is also responsible for providing freight/shipping services to the port of destination. In these situations, the freight/shipping services also represent separate performance obligations.

A portion of the company's sales of goods allow for price adjustments based on the average market price over the relevant quotational period stipulated in the contract. These are referred to as provisional pricing arrangements and are such that the selling price for goods is based on prevailing spot prices on a specified future date after shipment to the customer. Adjustments to the sales price occur based on movements in quoted market prices up to the end of the quotational period. The period between provisional invoicing and the end of the quotational period can be between one and three months.

15. Revenue from contracts with customers (continued)
15.3 Sales (continued)

Revenue is recognised when control passes to the customer, which occurs at a point in time when the goods are physically transferred onto a vessel, train, conveyor or other delivery mechanism. The revenue is measured at the amount to which the company expects to be entitled, being the estimate of the price expected to be received at the end of the quotational period, i.e., the forward price, and a corresponding trade receivable is recognised. For those arrangements where the company is responsible for delivering the goods to the customer or port of destination, a portion of the transaction price is allocated to the separate freight/shipping services provided.

For these provisional pricing arrangements, any future changes that occur over the quotational period are embedded within the provisionally priced trade receivables and are, therefore, within the scope of IFRS 9 and not within the scope of IFRS 15. Given the exposure to the commodity price, these provisionally priced trade receivables will fail the cash flow characteristics test within IFRS 9 and will be required to be measured at fair value through profit or loss up from initial recognition and until the date of settlement. These subsequent changes in fair value are recognised in the statement of profit or loss and other comprehensive income each period and presented separately from revenue from contracts with customers as part of 'Fair value gains/losses on provisionally priced trade receivables'. Changes in fair value over, and until the end of, the quotational period, are estimated by reference to updated forward market prices for the metals as well as taking into account relevant other fair value considerations as set out in IFRS 13, including interest rate and credit risk adjustments.

As noted above, as the enforceable contract for most arrangements is the purchase order, the transaction price is determined at the date of each sale (i.e., for each separate contract) and, therefore, there is no future variability within scope of IFRS 15 and no further remaining performance obligations under those contracts.

15.4 Freight/shipping services
As noted above, a proportion of the company's goods sales are sold under CIF/CIP Incoterms, whereby the company is responsible for providing freight/shipping services (as principal) after the date that the company transfers control of the goods to its customers. The company, therefore, has separate performance obligations for freight/shipping services which are provided solely to facilitate sale of the commodities it produces.

Delivered at Place (DAP) is where control of the goods passes when the product is delivered to the agreed destination. For arrangements which have these Incoterms, the only performance obligations are the provision of the product at the point where control passes.

For CIF and CIP arrangements, the transaction price (as determined above) is allocated to the goods and freight/shipping services using the relative stand-alone selling price method. Under these arrangements, a portion of consideration may be received from the customer in cash at, or around, the date of shipment under a provisional invoice. Therefore, some of the upfront consideration that relates to the freight/shipping services yet to be provided, is deferred. It is then recognised as revenue over time using an output method (being days of shipping/transportation elapsed) to measure progress towards complete satisfaction of the service as this best represents the company's performance. This is on the basis that the customer simultaneously receives and consumes the benefits provided by the company as the services are being provided. The costs associated with these freight/shipping services are also recognised over the same period of time as incurred.

Payment for part of the freight/shipping costs may occur in advance of the services being provided (and is therefore recognised as a contract liability). The final portion is paid once the services have been completed. The period of time between receipt of these upfront amounts and the satisfaction of the freight/shipping services is usually no more than one month. Given the quantum of these amounts and the short time frame between receipt of cash and satisfaction of the performance obligation, the company has applied the practical expedient to not adjust the promised consideration for the effects of a significant financing component as the period between the transfer of the promised good or service to a customer and when the customer pays for that good or service is one year or less.

15.5 Significant judgements, estimates and assumptions
Identification of the enforceable contract
For all goods sales, while there are master services agreements with key customers that set out the general terms and conditions governing any sales that occur, they do not contain any minimum volumes, i.e., the customer is not required to buy any concentrate. The customer is only obliged to purchase goods when it places a purchase order for each shipment. Also, there are no terms which link separate purchase orders. For example, there are no rebates or discounts provided if a customer buys more than a specified amount each year, and there are no penalties that impact overall sales during a period. Therefore, for these arrangements, the enforceable contract has been determined to be each purchase order.

15. Revenue from contracts with customers (continued)
15.5 Significant judgements, estimates and assumptions (continued)

Identification of performance obligations for arrangements subject to CIF/CIP Incoterms

The majority of the company's goods sales subject to CIF/CIP Incoterms, whereby the company is responsible for providing freight/shipping services. The freight/shipping services are a promise to transfer services in the future and are part of the negotiated exchange between the company and the customer. The company determined that both the goods and the freight/shipping services are capable of being distinct as the customer can benefit from both products on their own. The company also determined that the promises to transfer the goods and the freight/shipping services are distinct within the context of the contract. The goods and the freight/shipping services are not inputs to a combined item in the contract. The company is not providing a significant integration service, because the presence of the goods and the freight/shipping services together in this contract do not result in any additional or combined functionality and neither the goods nor the freight/shipping services modify or customise the other. In addition, the goods and the freight/shipping services are not highly interdependent or highly interrelated, because the company would be able to transfer the goods even if the customer did not want the freight/shipping services. Consequently, the company allocated a portion of the transaction price to the goods and the freight/shipping services based on relative stand-alone selling prices.

Principal versus agent considerations – freight/shipping services
As noted above, in some arrangements subject to CIF/CIP Incoterms, the company is responsible for providing freight/shipping services. While the company does not actually provide nor operate the vessels, trucks or trains, the company has determined that it is principal in these arrangements because it has concluded it controls the specified services before they are provided to the customer. This is on the basis that the company obtains control of a right to freight/shipping services after entering into the contract with the customer, but before those services are provided to the customer. The terms of the company's contract with the service provider give the company the ability to direct the service provider to provide the specified services on the company's behalf.

In addition, the company has concluded that the following indicators provide evidence that it controls the freight/shipping services before they are provided to the customer:
• The company is primarily responsible for fulfilling the promise to provide freight/shipping services. Although the company has hired a service provider to perform the services promised to the customer, it is the company itself that is responsible for ensuring that the services are performed and are acceptable to the customer (i.e., the company is responsible for fulfilment of the promise in the contract, regardless of whether the company performs the services itself or engages a third-party service provider to perform the services).
• The company has discretion in setting the price for the services to the customer as this is negotiated directly with the customer.

Application of the variable consideration constraint
For the company's long-term contracts that are subject to market-based prices, i.e., there is variable consideration, the company has assessed that at contract inception, this variable consideration will generally be significantly constrained. This is on the basis that the ultimate price they will receive will depend on a range of factors that are highly susceptible to factors outside the company's influence and include:
• Actions of third parties: the exact date that each shipment occurs (this is relevant because this is the date the market price is determined, or for provisionally priced sales, the date from which the QP commences)
• Volatile commodity market: the price to be received in the future is then based on market-based prices for highly liquid commodities.

The company's estimates of variable consideration and any disclosures provided in relation to the allocation of that variable consideration to unsatisfied performance obligations, are immaterial. In addition, the company applies the variable consideration allocation exception when allocating the future consideration to future performance obligations.

Determining the timing of satisfaction of freight/shipping services
The company concluded that revenue for freight/shipping services is to be recognised over time because the customer simultaneously receives and consumes the benefits provided by the company. The fact that another entity would not need to re-perform the freight/shipping services that the company has provided to date demonstrates that the customer simultaneously receives and consumes the benefits of the company's performance as it performs. The company determined that the input method is the best method for measuring progress of the freight/shipping services because there is a direct relationship between the company's effort (i.e., time elapsed) and the transfer of service to the customer. The company recognises revenue on the basis of the time elapsed relative to the total expected time to complete the service.

16. Operating profit is calculated after (charging)/crediting:

N$ '000	**31 March 2019**	31 March 2018
Related party recoveries from Skorpion Mining Company		
- administration fee	**68 324**	49 388
- recovery staff costs	**-**	63 682
Rental income	**1 526**	1 511
Loss on sale of fixed assets	**(265)**	-
Depreciation of property, plant and equipment	**(59 482)**	(32 138)
Amortisation of intangible assets	**(480)**	(377)
Employee costs	**(234 253)**	(225 726)
Share based payment expense	**(1 360)**	(948)
Rentals under operating leases	**(3 700)**	(1 448)
Auditors' remuneration	**(2 417)**	(3 261)
Impairment of intercompany loan	**(655 422)**	(44 578)
Decrease/(increase) in obsolesce provision	**1 405**	(1 521)
Provision for doubtful debts	**(7 854)**	8 813
Net foreign exchange losses	**25 591**	(63 190)

17. Key management compensation

N$ '000	**31 March 2019**	31 March 2018
The remuneration of key management personnel during the year was as follows:		
Directors		
- managerial services	**3 690**	2 380
- medical and pension	**224**	345
Other key management		
- short-term benefits	**8 900**	10 216
- medical and pension	**655**	1 007

* The company does not compensate directors for their participation in board activities

18. Net finance income

N$ '000	**31 March 2019**	31 March 2018
18.1 Finance income		
Foreign exchange gains on balances held in foreign currencies	**133 371**	-
Finance income on bank deposits	**9 299**	35 152
Interest received on loans to group companies	**80 018**	-
	222 688	35 152
18.2 Finance costs		
Unwinding of discount on provisions	**29 450**	25 843
Foreign exchange losses on balances held in foreign currencies	**-**	107 914
Interest on overdrafts	**1 711**	1 035
	31 161	134 792
Net finance income / (expense)	**191 527**	(99 641)

19. Income tax

The company has been granted Export Processing Zone status and is, therefore, exempt from paying income taxes.

19.1 VAT

Revenues, expenses, assets and liabilities are recognised net of the amount of VAT except:
• Where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
• When receivables and payables are stated with the amount of VAT included
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.

20. Cash flow analysis

a) Reconciliation of profit before tax to cash inflows from operations

N$ '000	**31 March 2019**	31 March 2018
Profit before tax	**149 860**	1 172 246
Depreciation and amortisation	**59 962**	32 515
Impairment of loan	**655 422**	44 577
Net finance (income)/costs	**(191 527)**	99 641
Foreign exchange loss/(gain)	**133 371**	(107 914)
Loss on disposal of property plant and equipment	**264**	-
Decrease in inventories	**10 628**	138 286
Increase in operating debtors	**(1 209)**	(101 688)
Increase in operating creditors	**719 887**	479 086
Cash inflows from operations	**1 536 658**	1 756 749

21. Related party transactions

The company's holding company is Skorpion Zinc (Proprietary) Limited who is in turn owned by THL Zinc Namibia Holdings (Proprietary) Limited and is also incorporated in Namibia.

The ultimate holding company is Vedanta Resources Ltd incorporated in the United Kingdom which in turn is controlled by Mr. Anil Agarwal and persons closely related to him.

During the year, the company entered into the following trading transactions with related parties.

	Purchase of goods and services		**Recoveries**	
	2019	2018	**2019**	2018
	N$'000	N$'000	**N$'000**	N$'000
Skorpion Mining Company (Proprietary) Limited	**390 015**	524 610	**(68 324)**	(113 067)
Vedanta Resources Ltd Group				
- Black Mountain Mining (Pty) Ltd	**35 735**	24 235	**-**	(7 600)
Total	**425 750**	548 845	**(68 324)**	(120 667)

21. Related party transactions (continued)

	Interest received/(paid)		Amounts due to related parties		Amounts due from related parties	
	2019	2018	**2019**	2018	**2019**	2018
	N$'000	N$'000	**N$'000**	N$'000	**N$'000**	N$'000
Non - Current						
Black Mountain Mining (Proprietary) Limited			**-**	-	**668 129**	-
			-	-	**668 129**	-
Current						
Black Mountain Mining (Proprietary) Limited	**65 971**	17 158	**3 384**	-	**-**	787 158
Skorpion Zinc (Proprietary) Limited	**-**	-	**560 278**	558 427	**-**	-
Vedanta Lisheen Holdings Limited	**(1 711)**	(1 040)	**134 069**	56 858	**-**	-
Monte Cello BV	**619**	583	**-**	-	**30 802**	28 595
THL Zinc Limited	**13 387**	10 964	**-**	-	**708 760**	513 370
THL Zinc Namibia Holdings (Proprietary) Limited	**-**	-	**-**	-	**12 625**	12 625
Skorpion Mining Company (Proprietary) Limited	**-**	-	**1 973 703**	1 592 614	**4 740 778**	3 692 128
Vedanta Resources Ltd	**-**	-	**-**	-	**1 074**	-
Sesa Sterlite Corporate	**-**	-	**54**	-	**-**	-
Impairment of loan	**-**	-	**-**	-	**(2 340 000)**	(1 684 578)
	78 266	27 665	**2 671 488**	2 207 899	**3 154 039**	3 349 298

The loan to THL Zinc (Namibia) Holdings (Pty) Ltd is unsecured; interest free and no terms of repayment have been set.
The loans to THL Zinc (Mauritius) Ltd and Monte Cello BV are for a period of 1 year and carry interest at rates of 2.2% and 2.25 % respectively.
The loan to Black Mountain Mining (Pty) Ltd is for a period of 2.5 years and carries interest at rate of 9.5%.
The loan from Vedanta Lisheen Holdings Ltd is for a period of 1 year and carries interest at a rate of 2% per annum.

During the current year, management has reassessed the recoverability of the loan to Skorpion Mining Company. As a result of Skorpion Mining Company's financial performance and current results management took the decision to maintain the provision on loan to Skorpion Mining at N$2 340 000 (2018: N$1 684 578), this being the Directors' estimate of the amount that may not be repaid given the facts in evidence at the reporting date. The Directors of both companies are aware of this situation and are currently reviewing alternatives to ensure that Skorpion Mining Company returns to profitability. Once that has been resolved the impairment will be reassessed.

22. Operating leases

At 31 March 2019, the company had outstanding commitments under non-cancellable operating leases.

N$ '000	**31 March 2019**	31 March 2018
Expiry date:		
Within one year	**1 894**	2 982
Two to five years	**-**	856
	1 894	3 838

23. Capital commitments

N$ '000	**31 March 2019**	31 March 2018
Contracted but not provided	**23 183**	32 049
Authorised but not yet contracted	**2 289 000**	2 289 000
	2 312 183	2 321 049

These commitments will be funded from both internal cash resources and project finance.

24. Guarantees and contingent liabilities

N$ ‘000

Guarantees issued:	Maturity	Nature	Guarantor	31 March 2019	31 March 2018
Customs and Excise Bond	Open ended	SACU sales bond	FNB	3200	3 200
Namibian Ports Authority	Upon payment or cancellation	Surety on default	FNB	1064	1 064
NamPower (Proprietary) Limited - RoshSkor	Upon payment or cancellation	Surety on default	FNB	91	91
NamPower (Proprietary) Limited	Upon payment or cancellation	Surety on default	FNB	18	18
RoshSkor Township (Proprietary) Limited	Upon payment or cancellation	Surety on default	FNB	1 159	1 159

25. Dividend declaration

There has been no dividend declared or paid during the current financial year.

26. Material events after year-end

The directors are not aware of any fact or circumstances which occurred between the date of the financial statements and the date of this report which might influence an assessment of the group’s company’s state of affairs.

27. Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the company’s financial statements that the company reasonably expects will have an impact on its disclosures, financial position or performance when applied at a future date, are disclosed below. The company intends to adopt these standards when they become effective. Of the other standards and interpretations that are issued, but not yet effective, as these are not expected to impact the company, they have not been listed.

New/Revised International Financial Reporting Standards		Effective for annual periods beginning on or after
IFRS 16	**Leases** IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17.	1 January 2019
IFRIC Interpretation 23	**Taxation** The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.	1 January 2019
Definition of a Business - Amendments to IFRS 3	**Business combinations** The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. They also clarify that a business can exist without including all of the inputs and processes needed to create outputs.	1 January 2020

28. Standards issued but not yet effective (continued)

New/Revised International Financial Reporting Standards		Effective for annual periods beginning on or after
Definition of Material - Amendments to IAS 1 and IAS 8	**IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors** Aligning the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'	1 January 2020
Plan Amendment, Curtailment or Settlement - Amendments to IAS 19	**Employee Benefits** The amendments to IAS 19 Employee Benefits address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period.	1 January 2019