



REPUBLIC OF NAMIBIA



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
TOWN COUNCIL OF OSHAKATI
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022**

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REPUBLIC OF NAMIBIA



TO THE HONOURABLE SPEAKER OF THE NATIONAL ASSEMBLY

I have the honour to submit herewith my report on the accounts of the Town Council of Oshakati for the financial year ended 30 June 2022, in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honourable Minister of Finance in terms of Section 27(1) of the State Finance Act, 1991, (Act 31 of 1991) to be laid upon the Table of the National Assembly in terms of Section 27(4) of the Act.

A handwritten signature in black ink, appearing to read 'Junias Etuna Kandjeke'.

JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

WINDHOEK, November 2024

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
OSHAKATI TOWN COUNCIL GROUP
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022**

1. QUALIFIED OPINION

I have audited the financial statements of the Town Council of Oshakati for the financial year ended 30 June 2022. These financial statements comprise the statement of financial position, statement of profit or loss, statement of comparisons, statements of changes in equity, statement of cash flow and notes to the annual financial statements for the year then ended, and a summary of significant accounting policies.

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Town Council of Oshakati as at 30 June 2022 its financial performance and its cash flows for the year then ended in accordance with the International Public Sector Accounting Standards (IPSAS).

2. BASIS FOR QUALIFIED OPINION

I conducted my audit in accordance with International Standards for Supreme Audit Institutions. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the entity in accordance with the code of ethics for Supreme Audit Institutions together with the ethical requirements that are relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the code of ethics.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion. A qualified audit opinion is being expressed due to the following:

2.1 Separation of land and buildings

IPSAS 17 paragraph 74 states that *Land and buildings are separable assets and are accounted for separately, even when they are acquired together... Land has an unlimited useful life and therefore is not depreciated. Buildings have a limited useful life and therefore are depreciable assets.* The auditors confirmed that the Council has Buildings with a total cost of N\$ 76 022 789, however no land value was disclosed in the financial statements.

3. KEY AUDIT MATTERS

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. I have nothing to report in this regard.

4. OTHER INFORMATION

Management is responsible for the other information. My opinion on the financial statements does not cover the other information and, accordingly, I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is

materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

5. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (IPSAS) and for such internal control as management determines it 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, management is responsible for assessing the entity'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 management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible of overseeing the entity's financial reporting process.

6. AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE FINANCIAL STATEMENTS

My 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 my report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs), 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 the International Standards for Supreme Audit Institutions, I exercise professional scepticism throughout the audit, I 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 my 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 controls.
- 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 Entity's internal control.
- Evaluate the appropriateness of accounting policies uses and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's 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 Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial

statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the Entity 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.
- I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit. I also provide those charged with governance with a statement that I 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 my independence, and where applicable, related safeguards.

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

7. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

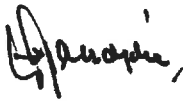
The accounts were submitted later than required by the Accounting Officer to the Auditor-General in terms of Section 87(1) Local Authority Act 23 of 1992.

I draw attention to the uncertainty related to the operating license of Oshakati Premier Electric as it is not the direct holder of the licence.

8. ACKNOWLEDGEMENT

The co-operation and assistance by management and staff of the Oshakati Town Council during the audit is appreciated.

WINDHOEK, November 2024


JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

9. General Information

Country of incorporation and domicile:

Namibia

Nature of business and principal activities:

Municipal Services

Mayoral committee:

Councillors

Cllr Hango Leonard (Mayor)

Cllr Elifas P

Cllr Mutota Hofeni

Cllr Mutumbulwa Maria Cllr Frans Ruusa M

Cllr Ndaamohamba Jerobeam Cllr Imene Martha T

Grading of local authority:

Part II of Schedule 1 of Local Authorities Act 23 of 1992

Management team:

Namwandi T M (Chief Executive Officer) Anguku Erastus

Thomas Helena Nuumbosho (General Manger: Finance, Fixed Assets and IT)

Negongo Tomas Ndeshipanda Metumo

Kapolo Kornelius K.

Muma Tunomukwathi

Registered office:

Town Council of Oshakati

Private Bag 5530

Oshakati

Namibia

9000

Business address:

Civic Center

Erf 906 Sam Nuyoma Road

Oshakati

Namibia

Postal address:

Private Bag 5530

Oshakati

Namibia

9000

Auditors:

Auditor - General of Namibia

10. Accounting Officer's Responsibilities and Approval

The Accounting Officer is required by the Local Authority Act, No 23 of 1992, to maintain adequate accounting records and is responsible for the content and integrity of the group annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the group annual financial statements fairly present the state of affairs of the Council as at the end of the financial year and the results of its operations and cash flows for the period then ended. The Office of the Auditors General is engaged to express an independent opinion on the group annual financial statements and was given unrestricted access to all financial records and related data.

The group annual financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS) including any interpretations, guidelines and directives issued by the International Public Sector Accounting Standards Board.

The group annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

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

The Accounting Officer has reviewed the Council's cash flow forecast for the year to 30 June 2023 and, in the light of this review and the current financial position, the members are satisfied that the group has or has access to adequate resources to continue in operational existence for the foreseeable future.

The group annual financial statements set out on pages 4 to 54, which have been prepared on the going concern basis, were approved on 27 October 2023 and were signed by:

Approval of financial statements

Namwandi T M
Accounting Officer (CEO)

Helena N. Thomas
**General Manager: Finance, Fixed Asset and
Information Technology**

**THE TOWN COUNCIL OF OSHAKATI GROUP
CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR
ENDED 30 JUNE**

	Note	Group		Town Council	
		2022	2021	2022	2021
		N\$	N\$	N\$	N\$
Revenue					
Revenue from non-exchange transactions		39 664 474	34 737 829	39 678 416	34 750 961
Taxation revenue					
Property rates	2	26 136 906	24 990 829	26 197 978	25 051 901
Transfer revenue					
Transfers from GRN and other government entities	3	13 480 438	9 699 060	13 480 438	9 699 060
Fines, penalties and levies		47 130	47 940	-	-
Revenue from exchange transactions		313 203 220	290 904 955	127 841 673	112 372 434
Service charges	4	259 915 219	247 282 958	78 578 374	72 091 686
Rendering of services		20 871 276	15 374 807	20 871 276	15 374 807
Rental of facilities and equipment	5	5 074 360	4 491 136	5 074 360	4 491 136
Interest received (trading)	6	8 203 623	7 360 404	8 881 616	8 385 212
Licences and permits		-	147 587	-	147 587
Miscellaneous other revenue		1 255 038	1 300 957	1 255 476	1 301 395
Surcharges received		-	-	7 291 779	6 332 623
Other income	7	11 320 959	10 171 408	1 863 654	1 418 273
Interest received - investment	8	5 114 751	3 859 224	4 025 138	2 829 715
Fair value adjustments		1 447 994	916 474	-	-
Total revenue		352 867 694	325 642 784	167 520 089	147 123 395
Expenses		365 537 309	324 623 933	193 834 948	164 791 450
Bulk purchases	9	135 978 095	132 710 114	24 772 924	26 241 453
Employee costs	10	82 316 239	74 877 172	52 084 256	44 739 133
Remuneration of councilors		483 092	483 092	483 092	483 092
Town planning expenses		1 605 084	14 130	1 605 084	14 130
Depreciation and amortisation expense	11	57 653 113	53 984 227	47 408 321	47 381 539
Repairs and maintenance	12	12 155 610	10 095 465	9 571 083	8 291 279
Contracted services		4 414 065	3 878 447	4 414 065	3 878 447
Debt impairment	13	16 984 586	13 630 244	16 984 586	12 780 287
General Expenses	14	53 977 139	34 846 722	36 511 537	20 982 090
Interest paid		(29 714)	104 320	-	-
(Deficit) surplus before taxation		(12 669 615)	1 018 851	(26 314 859)	(17 668 055)
Taxation	16	3 483 943	5 686 537	-	-
Deficit for the year		(16 153 558)	(4 667 686)	(26 314 859)	(17 668 055)

THE TOWN COUNCIL OF OSHAKATI GROUP
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE

	Note	Group		Town Council	
		2022	2021	2022	2021
		N\$	N\$	N\$	N\$
Assets					
Current Assets					
		277 585 150	218 873 560	186 604 285	138 239 547
Cash and cash equivalents	18	162 851 154	156 491 055	84 117 093	84 347 402
Customer debtors	19	36 665 964	34 206 116	16 553 092	16 618 767
Prepayments		117 262	190 677	117 262	190 677
VAT receivable		18 603 159	13 281 724	18 603 159	13 281 724
Receivables from exchange transactions	19	17 128 341	6 044 596	36 956 550	22 093 436
Current tax receivable		3 183 309	992 690	-	-
Inventories	20	39 035 961	7 666 702	30 257 129	1 707 541
Non-Current Assets					
		759 011 461	790 975 053	557 780 567	592 442 030
Property, plant and equipment	22	754 676 973	777 990 820	547 984 751	572 491 594
Intangible assets	23	1 538 672	33 797	-	-
Investments in controlled entities	24	100	100	100	100
Loans to subsidiary	21	-	-	7 000 000	7 000 000
Long term receivables from exchange transactions		2 795 716	12 950 336	2 795 716	12 950 336
Total Assets		1 036 596 611	1 009 848 613	744 384 852	730 681 577
Liabilities					
Current Liabilities					
		75 515 726	51 042 901	48 749 952	26 754 956
Bank overdraft		-	452 748	-	452 748
Payables under exchange transactions	26	71 865 364	48 499 688	46 916 326	26 302 208
Leases (group as lessee)	27	300 448	271 277	-	-
Other financial liabilities	28	8 615	58 895	-	-
Taxes and transfers payable	29	2 062 693	229 042	1 833 626	-
VAT payable		1 278 606	1 531 251	-	-
Non-Current Liabilities					
		50 983 440	50 924 522	-	-
Leases (group as lessee)	27	197 411	204 448	-	-
Deferred tax	25	50 786 029	50 720 074	-	-

THE TOWN COUNCIL OF OSHAKATI GROUP
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE
(continued)

	Note	Group		Town Council	
		2022	2021	2022	2021
		N\$	'N\$	N\$	N\$
Total Liabilities		126 499 166	101 967 423	48 749 952	26 754 956
Net Assets		910 097 445	907 881 190	695 634 900	703 926 621
Reserves					
Revaluation reserve		105 026 108	105 026 108	-	-
Housing Funds	30	43 024 524	41 839 759	43 024 524	41 839 759
Accumulated surplus		761 776 813	761 015 323	652 687 052	662 086 862
Total Net Assets/Equity		909 827 445	907 881 190	695 711 576	703 926 621

ANNEXURE C

**THE TOWN COUNCIL OF OSHAKATI GROUP
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE**

Group	Revaluation Reserves	Housing funds	Total Reserves	Accumulated Surplus/ (deficit)	Total assets/equity
Note	N\$	N\$	N\$	N\$	N\$
Balance at 1 July 2020	42 910 804	40 972 661	83 883 465	765 683 009	849 566 474
Changes in net assets/equity	62 115 304	-	62 115 304	-	62 115 304
Net income (losses) recognised directly in net assets/equity	62 115 304	-	62 115 304	-	62 115 304
Surplus for the year	0	-	-	(4 667 686)	4 667 686
Total recognised income and expenses for the year	62 115 304	-	62 115 304	(4 667 686)	57 447 618
Interest on the fund	-	867 098	867 098	-	867 098
Total changes	62 115 304	867 098	62 982 402	(4 667 686)	58 314 716
Opening balance as previously reported	105 026 108	41 839 759	146 865 867	761 015 323	907 881 190
Adjustments:					
Prior year adjustments	-	-	-	16 915 048	16 915 048
Balance at 1 July 2021 as restated*	105 026 108	41 839 759	146 865 867	777 930 371	924 796 238
Changes in net assets/equity	-	-	-	(16 153 558)	(16 153 558)
Interest from funds	-	1 184 765	1 184 765	-	1 184 765
Total changes	-	1 184 765	1 184 765	(16 153 558)	(14 968 793)
Balance at 30 June 2022	105 026 108	43 024 524	148 050 632	761 776 813	909 827 445

ANNEXURE C

**THE TOWN COUNCIL OF OSHAKATI GROUP
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE**

	Revaluation n Reserves	Housing funds	Total Reserves	Accumulated surplus	Total net assets/ equity
Note	N\$	N\$	N\$	N\$	N\$
Town Council					
Balance at 1 July 2020	-	40 972 661	40 972 661	679 754 917	720 727 578
Changes in net assets/equity Surplus for the year	-	-	-	(17 668 055)	(17 668 055)
Interest on the fund	-	867 098	867 098	-	867 098
Total changes	-	867 098	867 098	(17 668 055)	(16 800 957)
Opening balance as previously reported	-	41 839 759	41 839 759	662 086 862	703 926 621
Adjustments					
Prior year adjustments	-	-	-	16 915 048	16 915 048
Balance at 1 July 2021 as restated*	-	41 839 759	41 839 759	679 001 910	720 841 669
Changes in net assets/equity Surplus for the year	-	-	-	(26 314 859)	(26 314 859)
Interest on the fund	-	1 184 765	1 184 765	-	1 184 765
Total changes	-	1 184 765	1 184 765	(26 314 859)	(25 130 094)
Balance at 30 June 2022	-	43 024 524	43 024 524	652 687 051	695 711 575

30

ANNEXURE D

THE TOWN COUNCIL OF OSHAKATI GROUP
CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 JUNE

	Note	Group		Town Council	
		2022	2021	2022	2021
		N\$	N\$	N\$	N\$
Cash flows from operating activities		39 553 557	54 403 481	22 738 437	34 347 259
Deficit		(16 153 558)	(4 667 686)	(26 314 859)	(17 668 055)
Adjustments for:					
Depreciation and amortisation expense		57 653 113	53 984 227	47 408 321	47 381 539
Fair value adjustments		(1 447 994)	(916 474)	-	-
Finance costs - Finance leases		(30 507)	80 267	-	-
Debt impairment		16 984 586	13 630 244	16 984 586	12 780 287
Movement in tax receivable and payable		(2 190 619)	288 353	-	-
PPE reclassifications		(854 960)	1 006 695	-	-
Changes in working capital:					
Inventories		(3 576 987)	140 152	(757 316)	(152 721)
Receivables from exchange transactions		(11 083 745)	18 638 028	(14 863 114)	172 729
Debt impairment		(19 444 434)	(13 630 244)	(16 918 911)	(13 731 378)
Prepayments		73 415	(6 587 622)	73 415	(6 587 622)
Payables under exchange transactions		23 365 676	(13 669 030)	20 614 124	7 806 202
VAT		(5 574 080)	5 877 529	(5 321 435)	4 346 278
Taxes and transfers payable (non - exchange)		1 833 651	229 042	1 833 626	-
Cash flows from investing activities		(35 735 919)	(19 582 184)	(25 590 401)	(12 315 800)
Purchase of property, plant and equipment	22	(45 766 323)	(22 575 602)	(35 745 021)	(13 615 454)
Proceeds from sale of property, plant and equipment	22	-	538 254	-	-
Purchase of other intangible assets	23	(1 572 210)	239 136	-	-
Movement in investments (incl. Controlled entities, JVs & Associates)	24	-	(100)	-	-

ANNEXURE D

THE TOWN COUNCIL OF OSHAKATI GROUP
CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 JUNE
(continued)

	Note	Group		Town Council	
		2022	2021	2022	2021
		N\$	N\$	N\$	N\$
Proceeds from sale of financial assets		1 447 994	916 474	-	-
Long term receivables from exchange transactions		10 154 620	1 299 654	10 154 620	1 299 654
Cash flows from financing activities		2 725 209	(32 214 279)	3 074 402	(31 362 986)
Repayment of other financial liabilities		(50 280)	(579 554)	-	-
Finance lease payments		(298 913)	(271 739)	-	-
Other cash movements		1 889 637	(32 230 084)	1 889 637	(32 230 084)
Movement in housing funds		1 184 765	867 098	1 184 765	867 098
Net increase/(decrease) in cash and cash equivalents		6 542 847	2 607 018	222 438	(9 331 527)
Cash and cash equivalents at the beginning of the year		156 038 307	153 431 289	83 894 654	93 226 181
Cash and cash equivalents at the end of the year	18	162 581 154	156 038 307	84 117 092	83 894 654

**THE TOWN COUNCIL OF OSHAKATI
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022**

	Approved Budget	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	N\$	N\$	N\$	N\$	
Town Council Revenue					
Revenue from non-exchange transactions					
Taxation revenue	41 596 240	41 596 240	39 678 416	(1 917 824)	
Property rates	30 126 840	30 126 840	26 197 978	(3 928 862)	R1
Transfers from other government entities	11 469 400	11 469 400	13 480 438	2 011 038	R2
Revenue from exchange transactions	136 881 553	136 881 553	127 841 673	(9 039 880)	
Service charges	81 466 202	81 466 202	78 578 374	(2 887 828)	R3
Renting of services	27 427 171	27 427 171	20 871 276	(6 555 895)	R4
Rental of facilities and equipment	5 084 744	5 084 744	5 074 360	(10 384)	R5
Interest received (trading)	6 345 145	6 345 145	8 881 616	2 536 471	R6
Miscellaneous other revenue	1 325 000	1 325 000	1 255 476	(69 524)	R7
Royalties received	7 843 879	7 843 879	7 291 779	(552 100)	R8
Other income	1 517 117	1 517 117	1 863 654	346 537	R9
Interest received - investment	5 872 295	5 872 295	4 025 138	(1 847 157)	R10
Total revenue	178 477 793	178 477 793	167 520 089	(10 957 704)	

**THE TOWN COUNCIL OF OSHAKATI
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE**

	Approved Budget	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	N\$	N\$	N\$	N\$	
Town Council					
Expenditure	(128 915 513)	(128 915 513)	(193 834 948)	(64 919 435)	
Bulk purchases	(26 400 000)	(26 400 000)	(24 772 924)	1 627 076	R11
Employee costs	(46 884 211)	(46 884 211)	(52 084 256)	(5 200 045)	R12
Remuneration of councillors	(724 638)	(724 638)	(483 092)	241 546	R13
Town planning expenses	(50 000)	(50 000)	(1 605 084)	(1 555 084)	R14
Depreciation and amortisation - expense	-	-	(47 408 321)	(47 408 321)	R15
Repairs and maintenance	(12 978 000)	(12 978 000)	(9 571 083)	3 406 917	R16
Contracted Services	(5 200 000)	(5 200 000)	(4 414 065)	785 935	R17
Debt impairment	-	-	(16 984 586)	(16 984 586)	R18
General Expenses	(36 678 664)	(36 678 664)	(36 511 537)	167 127	R19
Deficit before taxation	49 562 280	49 562 280	(26 314 859)	(75 877 139)	

Note: Council is not required to prepare and publish Budgets for Financial Position and Cash flow, thus exempted in terms of IPSAS 24.5, from preparing the Statement of Comparison of the Budget and Actual Amounts for those statement in.

- R1 - Property rates could not be realised per the budget due sale of land that was not fully realised
- R2 - More GRN subsidy received than the allocated subsidy for the year
- R3 - Less revenue collection on sewer connection fees and water disconnection and reconnection fees
- R4 - Sale of erven not fully realised as per the budget estimate due to administration processes
- R5 - Less revenue collection on house, flats & plot rental

**THE TOWN COUNCIL OF OSHAKATI
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE
YEAR ENDED 30 JUNE (continued)**

- R6 - More interest was received due to increase in customers' debts during COVID-19 in the prior years
- R7 - Other revenue could not be relied because there was less demand for those services
- R8 - less royalties received from OPE than the budget estimate, revenue is based on the units sold by OPE
- R9 - Under budget provision
- R10 - Funds in the investments accounts were used up for capital projects at extension 11 & 12
- R11 - less consumption for the Town than the estimated consumption
- R12 - Proposed adjustments for Councillors allowances was not approved by the line ministry
- R13 - There was a halt in the budget spending given the cash flow at hand
- R14 - The expenses turned to be less than the budget amount after procurement was done
- R15 & R18 - No budget provision made for non-cash items
- R16 & R19 - There was a halt in the budget spending given the cash flow at hand
- R17 - Less spending on the contracted services

**THE TOWN COUNCIL OF OSHAKATI
NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022**

1. Presentation of Group Annual Financial Statements

The group annual financial statements have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS), issued by the International Public Sector Accounting Standards Board and accordance with Section 87 (1) of the Local Authority Act, No 23 of 1992.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these group annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These group annual financial statements are presented in Namibian Namibia Dollar, which is the functional currency of the Council.

1.2 Interests in other entities

Consolidated financial statements

Consolidated financial statements are the group annual financial statements of an economic Council in which the assets, liabilities, net assets/equity, revenue, expenses and cash flows of the controlling entity and its controlled entities are presented as those of a single economic entity.

Control: An entity controls another entity when the entity is exposed, or has rights, to variable benefits from its involvement with the other entity and has the ability to affect the nature or amount of those benefits through its power over the other entity.

A controlled entity is an entity that is controlled by another entity.

A controlling entity is an entity that controls one or more entities.

An economic entity is a controlling entity and its controlled entities.

A non-controlling interest is the net assets/equity in a controlling entity not attributable, directly or indirectly, to a controlling entity.

Power consists of existing rights that give the current ability to direct the relevant activities of another entity.

Benefits are the advantages an entity obtains from its involvement with other entities. Benefits may be financial or non- financial. The actual impact of an entity's involvement with another entity can have positive or negative aspects.

**THE TOWN COUNCIL OF OSHAKATI
NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022**

1.2 Interests in other entities (continued)

Binding arrangement: For the purposes of this Standard, a binding arrangement is an arrangement that confers enforceable rights and obligations on the parties to it as if it were in the form of a contract. It includes rights from contracts or other legal rights.

A decision-maker is an entity with decision-making rights that is either a principal or an agent for other parties. An investment entity is an entity that:

- obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services;
- has the purpose of investing funds solely for returns from capital appreciation, investment revenue, or both; and
- measures and evaluates the performance of substantially all of its investments on a fair value basis.

Protective rights are rights designed to protect the interest of the party holding those rights without giving that party power over the entity to which those rights relate.

Relevant activities: For the purpose of this Standard, relevant activities are activities of the potentially controlled entity that significantly affect the nature or amount of the benefits that an entity receives from its involvement with that other entity.

Removal rights are rights to deprive the decision maker of its decision making authority.

Presentation of consolidated financial statements

The entity as controlling entity presents consolidated financial statements.

The entity as controlling entity does not present consolidated financial statements, due to it meeting all of the following conditions:

- it is itself a controlled entity and the information needs of users are met by its controlling entity's consolidated financial statements, and, in the case of a partially owned controlled entity, all its other owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the entity not presenting consolidated financial statements;
- its debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets);
- it did not file, nor is it in the process of filing, its group annual financial statements with a securities commission or other regulatory organization for the purpose of issuing any class of instruments in a public market; and

**THE TOWN COUNCIL OF OSHAKATI
NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022**

1.2 Interests in other entities (continued)

- It is ultimate or any intermediate controlling entity produces group annual financial statements that are available for public use and comply with International Public Sector Accounting Standards (IPSASs), in which controlled entities are consolidated or are measured at fair value through surplus or deficit in accordance with this Standard.

The entity as controlling entity that is an investment entity does not present consolidated financial statements, if it is required to measure all of its controlled entities at fair value through surplus or deficit.

Control

The entity determines whether it is a controlling entity by assessing whether it controls the other entity. The entity controls another entity when it is exposed, or has rights, to variable benefits from its involvement with the other entity and has the ability to affect the nature and amount of those benefits through its power over the other entity.

The entity controls another entity if the entity has all three of the following elements of control:

- power over the other entity;
- exposure, or rights, to variable benefits from its involvement with the other entity; and
- the ability to use its power over the other entity to affect the nature or amount of the benefits from its involvement with the other entity.

The entity considers all facts and circumstances when assessing whether it controls another entity. The entity reassess whether it controls another entity if facts and circumstances indicate that there are changes to one or more of the three elements of control.

The entity with decision-making rights determines whether it is a principal or an agent. The entity also determines whether another entity with decision-making rights is acting as an agent for the entity. An agent is a party primarily engaged to act on behalf and for the benefit of another party or parties (the principal(s)) and therefore does not control the other entity when it exercises its decision-making authority. Thus, sometimes a principal's power may be held and exercisable by an agent, but on behalf of the principal.

Accounting requirements

The entity as controlling entity prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances.

**THE TOWN COUNCIL OF OSHAKATI
NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022**

1.2 Interests in other entities (continued)

Consolidation of a controlled entity begins from the date the entity obtains control of the other entity and ceases when the entity loses control of the other entity.

Consolidation procedures

Consolidated financial statements:

- combine like items of assets, liabilities, net assets/equity, revenue, expenses and cash flows of the controlling entity with those of its controlled entities.
- offset (eliminate) the carrying amount of the controlling entity's investment in each controlled entity and the controlling entity's portion of net assets/equity of each controlled entity.

1.2 Interests in other entities (continued)

- eliminate in full intra-economic entity assets, liabilities, net assets/equity, revenue, expenses and cash flows relating to transactions between entities of the economic entity (surpluses or deficits resulting from intra-economic entity transactions that are recognized in assets, such as inventory and fixed assets, are eliminated in full). Intra economic entity losses may indicate an impairment that requires recognition in the consolidated financial statements.

Uniform accounting policies

If a member of the economic entity uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that member's group annual financial statements in preparing the consolidated financial statements to ensure conformity with the economic entity's accounting policies.

Measurement

The entity includes the revenue and expenses of a controlled entity in the consolidated financial statements from the date it gains control until the date when the entity ceases to control the controlled entity. Revenue and expenses of the controlled entity are based on the amounts of the assets and liabilities recognized in the consolidated financial statements at the acquisition date.

**THE TOWN COUNCIL OF OSHAKATI
NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022**

1.2 Interests in other entities (continued)

Potential voting rights

When potential voting rights, or other derivatives containing potential voting rights, exist, the proportion of surplus or deficit and changes in net assets/equity allocated to the controlling entity and non-controlling interests in preparing consolidated financial statements is determined solely on the basis of existing ownership interests and does not reflect the possible exercise or conversion of potential voting rights and other derivatives. When the entity has, in substance, an existing ownership interest as a result of a transaction that currently gives the entity access to the benefits associated with an ownership interest, the proportion allocated to the controlling entity and non-controlling interests in preparing consolidated financial statements is determined by taking into account the eventual exercise of those potential voting rights and other derivatives that currently give the entity access to the benefits.

Reporting dates

The financial statements of the Council as controlling entity and its controlled entities used in the preparation of the consolidated financial statements are prepared as at the same reporting date. When the end of the reporting period of the controlling entity is different from that of a controlled entity, the controlling entity either:

- obtains, for consolidation purposes, additional financial information as of the same date as the group annual financial statements of the controlling entity; or
- uses the most recent group annual financial statements of the controlled entity at the time of preparing the consolidation, adjusted for the effects of significant transactions or events that occur between the date of those group annual financial statements and the date of the consolidated financial statements. .

Non-controlling interests

The Council as controlling entity presents non-controlling interests in the consolidated statement of financial position within net assets/equity, separately from the net assets/equity of the owners of the controlling entity.

The entity attributes the surplus or deficit and each gain or loss recognized directly in net assets/equity to the owners of the controlling entity and to the non-controlling interests. The entity also attributes the total amount recognized in the statement of changes in net assets/equity to the owners of the controlling entity and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

**THE TOWN COUNCIL OF OSHAKATI
NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022**

1.2 Interests in other entities (continued)

If a controlled entity has outstanding cumulative preference shares that are classified as equity instruments and are held by non-controlling interests, the entity computes its share of surplus or deficit after adjusting for the dividends on such shares, whether or not such dividends have been declared.

When the proportion of the net assets/equity held by non-controlling interests changes, the entity adjusts the carrying amounts of the controlling and non-controlling interests to reflect the changes in their relative interests in the controlled entity. The entity recognizes directly in net assets/equity any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received, and attribute it to the owners of the controlling entity.

Loss of control

When the Council as controlling entity loses control of a controlled entity, the controlling Council:

- derecognises the assets and liabilities of the former controlled entity from the consolidated statement of financial position;
- recognises any investment retained in the former controlled entity and subsequently accounts for it and for any amounts owed by or to the former controlled entity in accordance with relevant IPSASs. That retained interest is remeasured. The remeasured value at the date that control is lost is regarded as the fair value on initial recognition of a financial asset in accordance with IPSAS 41 or the cost on initial recognition of an investment in an associate or joint venture, if applicable; and
- recognises the gain or loss associated with the loss of control attributable to the former controlling interest.

The Council as controlling entity might lose control of a controlled entity in two or more arrangements (transactions). However, sometimes circumstances indicate that the multiple arrangements should be accounted for as a single transaction. In determining whether to account for the arrangements as a single transaction, the entity as controlling entity considers all the terms and conditions of the arrangements and their economic effects.

When the Council as controlling entity loses control of a controlled entity, it:

- Derecognize:
 - the assets (including any goodwill) and liabilities of the controlled entity at their carrying amounts at the date when control is lost; and
 - the carrying amount of any non-controlling interests in the former controlled entity at the date when control is lost (including any gain or loss recognized directly in net assets/equity attributable to them).

**THE TOWN COUNCIL OF OSHAKATI
NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022**

1.2 Interests in other entities (continued)

- Recognize:
 - the fair value of the consideration received, if any, from the transaction, event or circumstances that resulted in the loss of control;
 - if the transaction, event or circumstances that resulted in the loss of control involves a distribution of shares of the controlled entity to owners in their capacity as owners, that distribution; and
 - any investment retained in the former controlled entity at its fair value at the date when control is lost.
- Transfer directly to accumulated surplus/deficit, if required by other IPSASs, the amounts recognized directly in net assets/equity in relation to the controlled entity.
- Recognize any resulting difference as a gain or loss in surplus or deficit attributable to the controlling entity

When the Council as controlling entity loses control of a controlled entity, the Council as controlling entity accounts for all amounts previously recognized directly in net assets/equity in relation to that controlled entity on the same basis as would be required if the controlling entity had directly disposed of the related assets or liabilities. If a revaluation surplus previously recognized directly in net assets/equity would be transferred directly to accumulated surplus/deficit on the disposal of the asset, the entity as controlling entity transfers the revaluation surplus directly to accumulated surplus/deficit when it loses control of the controlled entity.

When the Council as controlling entity loses control of a controlled entity that does not contain an operation, as a result of a transaction involving an associate or a joint venture that is accounted for using the equity method, the entity as controlling entity determines the gain or loss. The gain or loss resulting from the transaction is recognized in the entity as controlling entity's surplus or deficit only to the extent of the unrelated investors' interests in that associate or joint venture. The remaining part of the gain is eliminated against the carrying amount of the investment in that associate or joint venture. In addition, if the entity as controlling entity retains an investment in the former controlled entity and the former controlled entity is now an associate or a joint venture that is accounted for using the equity method, the entity as controlling entity recognizes the part of the gain or loss resulting from the remeasurement at fair value of the investment retained in that former controlled entity in its surplus or deficit only to the extent of the unrelated investors' interests in the new associate or joint venture. The remaining part of that gain is eliminated against the carrying amount of the investment retained in the former controlled entity. If the entity as controlling entity retains an investment in the former controlled entity that is now accounted for in accordance with IPSAS 41, the part of the gain or loss resulting from the remeasurement at fair value of the investment retained in the former controlled entity is recognized in full in the entity as controlling entity's surplus or deficit.

**THE TOWN COUNCIL OF OSHAKATI
NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022**

1.3 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by the Council, which represents an increase in net assets, other than increases relating to contributions from owners.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the Council satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the Council.

When, as a result of a non-exchange transaction, the Oshakati Town Council recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Transfers

Apart from Services in kind, which are not recognised, the Oshakati Town Council recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The Oshakati Town Council recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

**THE TOWN COUNCIL OF OSHAKATI
NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022**

1.3 Revenue from non-exchange transactions (continued)

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the Oshakati Town Council.

Where the Oshakati Town Council collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Bequests

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the Oshakati Town Council, and the fair value of the assets can be measured reliably.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the Oshakati Town Council and the fair value of the assets can be measured reliably.

Services in-kind

Services in-kind are not recognised.

Concessionary loans received

A concessionary loan is a loan granted to or received by a property, plant and equipment on terms that are not market related.

1.4 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

**THE TOWN COUNCIL OF OSHAKATI
NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022**

1.4 Revenue from exchange transactions (continued)

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

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

Sale of goods

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

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

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the economic entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

**THE TOWN COUNCIL OF OSHAKATI
NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022**

1.4 Revenue from exchange transactions (continued)

Service Charges are levied in terms of the approved tariffs

Electricity

The company provides electricity to the Oshakati district through vendors. Income is derived from prepaid and postpaid sales of electricity to customers.

Revenue is recognised at a point in time for the sale of electricity.

For prepaid and postpaid sales, revenue is recognised when the electricity was sold and the performance obligation was met, being at the point that the customer purchase the electricity. Payment is due immediately at the point the customer purchases the electricity, or within 30 days for postpaid customers with active meters in their household or business. A receivable is recognised for these customers. No financing element is recognised as the payment terms are within 30 days.

Deferred revenue

Deferred income recognised in the Statement of Financial Position and Statement of Profit or Loss and Other Comprehensive Income comprises prepaid electricity units that has not been consumed by the customer at reporting date. It is based on management's best estimate made from monthly consumer consumption patterns of prepaid electricity. The application of the practical expedient is by default as the entity will have the legal right to the consideration of the customer regardless

Water

Service Charges relating to water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been taken. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meter shave been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Revenue from the sale of water prepaid meter cards are recognised at the point of sale. Revenue from the prepaid water sales are recognised based on an estimate of the prepaid service consumed as at the reporting date.

**THE TOWN COUNCIL OF OSHAKATI
NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022**

1.4 Revenue from exchange transactions (continued)

Refuse

Service Charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to all properties that have improvements. Tariffs are determined per category of property usage, and are levied based on the number of bins on each property.

Sewerage

Service Charges relating to sewerage for residential properties are recognised on a monthly basis in arrears by applying the approved tariff to all properties. Tariffs are levied based on the extent and / or zoning of each property. All other properties are levied based on the water consumption, using the tariffs approved by Council, and are levied monthly.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the Oshakati Town Council, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the Oshakati town council's right to receive payment has been established.

1.5 Tax

**THE TOWN COUNCIL OF OSHAKATI
NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022**

1.6 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the economic entity, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value. The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

**THE TOWN COUNCIL OF OSHAKATI
NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022**

1.6 Investment property (continued)

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

1.7 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one reporting period.

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

- it is probable that future economic benefits or service potential associated with the item will flow to the Oshakati Town Council; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or assets, or a combination of assets and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for Electrical infrastructure which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

**THE TOWN COUNCIL OF OSHAKATI
NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022**

1.7 Property, plant and equipment (continued)

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

When electrical infrastructure is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

Distribution equipment, street and traffic lights and such related infrastructure is carried at a revalued amount, being the fair value at the date of revaluation. Distribution and infrastructure equipment are revalued at the estimated replacement value thereof, as adjusted in relation to the remaining useful lives of these assets.

Any increase in an asset's carrying amount, as a result of a revaluation, is recognised in other comprehensive income and accumulated in the revaluation reserve in equity. The increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in profit or loss in the current year. The decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation reserve in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in the revaluation reserve in equity.

The revaluation reserve related to a specific item of property, plant and equipment is transferred directly to retained income when the asset is derecognised.

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

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

Item	Average useful life
Buildings	20 - 50
Leasehold property	20 - 50
Plant and machinery	5 - 10
Furniture and fixtures	5 - 10
Motor vehicles	5 - 10
Office equipment	5 - 10
IT equipment	3 - 5
Computer software	3 - 5

**THE TOWN COUNCIL OF OSHAKATI
NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022**

1.7 Property, plant and equipment (continued)

Infrastructure

• Electricity and related	5 - 60
• Other	15-60
Community	10 - 50
Tools and loose gear	5
Wastewater network	20 -50
Water network	20 - 50

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

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

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

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

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use or disposal of the asset.

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

Transitional provision

The economic entity previously applied IPSAS 33 (2020), therefore the initial measurement of an item of property, plant and equipment acquired in an exchange of assets transaction shall be applied prospectively only to future transactions.

**THE TOWN COUNCIL OF OSHAKATI
NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022**

1.7 Property, plant and equipment (continued)

The economic entity used the transitional provision in IPSAS 17 (2001) which provide entities with a period of up to five years to recognise all property, plant and equipment and make the associated measurement and disclosure from the date of its first application.

A economic entity shall apply amendments to all revaluations recognized in annual periods beginning on or after the date of initial application of that amendment and in the immediately preceding annual period.

1.8 Leases

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

Finance leases - lessor

The economic entity recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

**THE TOWN COUNCIL OF OSHAKATI
NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022**

1.9 Leases (continued)

Operating leases - lessor

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

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

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

Exception to above is lease of property, in which case, group chose early adoption of IPSAS 43.

Right-of-use assets

Right-of-use assets are presented as a separate line item on the Statement of Financial Position. Lease payments included in the measurement of the lease liability comprise the following:

- the initial amount of the corresponding lease liability;
- any lease payments made at or before the commencement date; \ddot{Y} any initial direct costs incurred;
- any estimated costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, when the company incurs an obligation to do so, unless these costs are incurred to produce inventories; and
- less any lease incentives received.

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

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. However, if a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

Depreciation starts at the commencement date of a lease.

For right-of-use assets which are depreciated over their useful lives, the useful lives are determined consistently with items of the same class of property, plant and equipment. Refer to the accounting policy for property, plant and equipment for details of useful lives.

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

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

Lease liability in relation to right-of-use asset

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

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

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

- there has been a change to the lease term, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change in the assessment of whether the company will exercise a purchase, termination or extension option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change to the lease payments due to a change in an index or a rate, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- there has been a change in expected payment under a residual value guarantee, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate;
- a lease contract has been modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised payments using a revised discount rate.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of use asset, or is recognised in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

**THE TOWN COUNCIL OF OSHAKATI
NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022**

1.10 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the economic entity or from other rights and obligations.

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

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

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date. Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	5 - 20 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

**THE TOWN COUNCIL OF OSHAKATI
NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022**

1.11 Impairment of cash-generating assets

Cash-generating assets are those assets held by the economic entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use. Useful life is either:

- (a) the period of time over which an asset is expected to be used by the economic entity; or
- (b) the number of production or similar units expected to be obtained from the asset by the economic entity.

**THE TOWN COUNCIL OF OSHAKATI
NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022**

1.11 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the economic entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

1.12 Financial instruments

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

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

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.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

**THE TOWN COUNCIL OF OSHAKATI
NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022**

1.12 Financial instruments (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of IPSAS on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favorable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

**THE TOWN COUNCIL OF OSHAKATI
NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022**

1.12 Financial instruments (continued)

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions. Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

**THE TOWN COUNCIL OF OSHAKATI
NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022**

1.12 Financial instruments (continued)

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
- non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
- financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The Council has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Loans to subsidiaries	Financial asset measured at amortised cost
Trade and receivables	Financial asset measured at amortised cost
Build Together receivables	Financial asset measured at amortised cost
Housing Fund receivables	Financial asset measured at fair value
Cash and cash equivalents	Financial asset measured at fair value

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Housing fund	Financial liability measured at amortised cost
Build Together fund	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at amortised cost
Trade and other payables	Financial liability measured at amortised cost

The entity has the following types of residual interests (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

**THE TOWN COUNCIL OF OSHAKATI
NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022**

1.12 Financial instruments (continued)

Class	Category
Investments in controlled entities	Measured at cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of IPSAS on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

**THE TOWN COUNCIL OF OSHAKATI
NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022**

1.12 Financial instruments (continued)

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an economic entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

**THE TOWN COUNCIL OF OSHAKATI
NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022**

1.13 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the economic entity incurs to acquire the asset on the reporting date.

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

1.14 Provisions and contingencies

Provisions are recognised when:

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

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

**THE TOWN COUNCIL OF OSHAKATI
NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022**

1.14 Provisions and contingencies (continued)

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

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised. Provisions are not recognised for future operating deficits.

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.10 and 1.11.

**THE TOWN COUNCIL OF OSHAKATI
NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022**

1.14 Provisions and contingencies (continued)

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
- a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
- an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of IPSAS on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.15 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 28 of 2000). Loans from national and provincial government used to finance housing selling schemes undertaken by the Oshakati Town Council were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing

Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Minister of Urban and Rural Development.

ANNEXURE E

THE TOWN COUNCIL OF OSHAKATI NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

1.16 Employee benefits

Employee benefits are all forms of consideration given by the Council in exchange for service rendered by employees or for the termination of employment.

Short-Term Employee Benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled wholly before twelve months after the end of the reporting period in which the employees render the related service.

Recognition and Measurement

When an employee has rendered service to the Council during an accounting period, the Council recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Council recognizes that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund.
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

Short-Term Paid Absences

The Council recognizes the expected cost of short-term employee benefits in the form of paid absences as follows:

- in the case of accumulating paid absences, when the employees render service that increases their entitlement to future paid absences; and
- in the case of non-accumulating paid absences, when the absences occur.

The Council measures the expected cost of accumulating paid absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period.

Bonus Plans

The Council recognizes the expected cost of bonus payments when, and only when:

- the Council has a present legal or constructive obligation to make such payments as a result of past events; and

- a reliable estimate of the obligation can be made.

**THE TOWN COUNCIL OF OSHAKATI
NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022**

1.16 Employee benefits (continued)

A present obligation exists when, and only when, the Council has no realistic alternative but to make the payments.

Post-employment Benefits - Distinction between Defined Contribution Plans and Defined Benefit Plans

Post-employment Benefits - Defined Contribution Plans

Post-employment benefits are employee benefits (other than termination benefits and short-term employee benefits) that are payable after the completion of employment.

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Recognition and Measurement

When an employee has rendered service to the entity during a period, the entity recognizes the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the end of the reporting period, the entity recognizes that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

When contributions to a defined contribution plan are not expected to be settled wholly before twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money.

Termination Benefits

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept an offer of benefits in exchange for the termination of employment.

**THE TOWN COUNCIL OF OSHAKATI
NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022**

1.16 Employee benefits (continued)

Recognition

The entity recognizes a liability and expense for termination benefits at the earlier of the following dates:

- when the entity can no longer withdraw the offer of those benefits; and
- when the entity recognizes costs for a restructuring that is within the scope of IPSAS 19 and involves the payment of termination benefits.

Measurement

The entity measures termination benefits on initial recognition, and measures and recognizes subsequent changes, in accordance with the nature of the employee benefit, provided that if the termination benefits are an enhancement to post-employment benefits, the entity applies the requirements for post-employment benefits. Otherwise:

- if the termination benefits are expected to be settled wholly before twelve months after the end of the reporting period in which the termination benefit is recognized, the entity applies the requirements for short-term employee benefits.
- if the termination benefits are not expected to be settled wholly before twelve months after the end of the reporting period, the entity applies the requirements for other long-term employee benefits.

1.17 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.18 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

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

**THE TOWN COUNCIL OF OSHAKATI
NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022**

1.18 Related parties (continued)

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the Council, including those charged with the governance of the economic entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Council.

The Council is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the Council to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the Council is exempt from the disclosures in accordance with the above, the Council discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its Council.

1.19 Budget information

Economic Entity are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by economic entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a modified cash basis and presented by economic classification linked to performance outcome objectives.

**THE TOWN COUNCIL OF OSHAKATI
NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022**

1.20 Significant judgements and sources of estimation uncertainty

In preparing the group annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the group annual financial statements and related disclosures. 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 group annual financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

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

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Available-for-sale financial assets

The Council follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the Council evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

**THE TOWN COUNCIL OF OSHAKATI
NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022**

1.20 Significant judgements and sources of estimation uncertainty (continued)

Taxation

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

Useful lives of waste and water network and other assets

Management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post-retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

Effective interest rate

The economic entity uses the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition. Council provides full impairment for outstanding debtors with age from 120 days and older.

1.21 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

**THE TOWN COUNCIL OF OSHAKATI
NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022**

1.22 Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all deficits of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.23 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.24 Going concern assumption

These group annual financial statements have been prepared based on the expectation that the economic entity will continue to operate as a going concern for at least the next 12 months.

1.25 Contributed capital

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

1.26 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.27 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.28 Irregular expenditure

Irregular expenditure as defined as expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation.

**THE TOWN COUNCIL OF OSHAKATI
NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022**

1.29 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.30 Transitional exemptions and provisions

As the entity adopted the accrual basis IPSASs for the first time Sunday, 1 July 2018, it has made use of the transitional exemptions in the past. The entity's annual financial statements are not fully compliant with all accrual basis IPSASs.

As the entity adopted the accrual basis IPSASs for the first time on Sunday, 1 July 2018 and is making use of the transitional exemptions, details regarding the progress in fully adopting the accrual basis IPSASs, are stated below.

Affecting fair presentation transitional exemptions utilised

IPSAS 5: Borrowing Costs

IPSAS 9: Revenue from Exchange Transactions IPSAS 12: Inventories

IPSAS 13: Leases

IPSAS 16: Investment Property

IPSAS 17: Property, Plant and Equipment

IPSAS 19: Provisions, Contingent Liabilities and Contingent Assets IPSAS 20: Related Party Disclosures

IPSAS 23: Revenue from Non-Exchange Transactions (Taxes and Transfers) IPSAS 27: Agriculture

IPSAS 29: Financial Instruments: Recognition and Measurement IPSAS 31: Intangible Assets

IPSAS 32: Service Concession Arrangements: Grantor IPSAS 35: Consolidated Financial Statements

IPSAS 36: Investments in Associates and Joint Ventures IPSAS 39: Employee Benefits

IPSAS 40: Public Sector Combinations IPSAS 41: Financial Instruments IPSAS 42: Social benefits

The Council is unable to assert compliance with accrual basis IPSASs:

Not affecting fair presentation transitional exemptions utilised

IPSAS 1: Presentation of Financial Statements IPSAS 5: Borrowing Costs

**THE TOWN COUNCIL OF OSHAKATI
NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022**

1.30 Transitional exemptions and provisions (continued)

IPSAS 31: Intangible Assets IPSAS 39: Employee Benefits

IPSAS Adopted fully

IPSAS 2: Cash Flow Statements

IPSAS 3: Accounting Policies, Changes in Accounting Estimates and Errors IPSAS 5: Borrowing Costs

IPSAS 9: Revenue from Exchange Transactions IPSAS 14: Events After the Reporting Date

IPSAS 23: Revenue from Non-Exchange Transactions (Taxes and Transfers) IPSAS 35: Consolidated Financial Statements

IPSAS 38: Disclosure of Interests in Other Entities IPSAS 39: Employee Benefits.

Exemption from disclosure requirements in IPSASs during the period of transition

To the extent that the entity takes advantage of the exemption that provides a three year relief period to not recognize and/or measure items, it is not required to apply any associated presentation and/or disclosure requirements related to such items as required in IPSAS 1, IPSAS 18 and/or the applicable IPSASs until such time as the exemptions that provided the relief have expired and/or when the relevant items have been recognized and/or measured in accordance with the applicable IPSASs (whichever is earlier).

THE TOWN COUNCIL OF OSHAKATI
NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE

	Group		Town Council	
	2021	2022	2021	2022
	N\$	N\$	N\$	N\$
2. Property rates				
Rates received				
Property rates - All	26 136 906	24 990 829	26 197 978	25 051 901
3. Transfers from GRN and other government entities	13 480 438	9 699 060	13 480 438	9 699 060
Road Fund Authority	3 886 298	4 699 060	3 886 298	4 699 060
Government grant - MURD	9 594 140	5 000 000	9 594 140	5 000 000
4. Service charges	259 915 219	247 282 958	78 578 374	72 091 686
Sale of electricity	181 449 898	175 298 195	-	-
Sale of water	55 871 458	50 431 899	55 970 748	50 521 613
Sewerage and sanitation charges	7 849 949	7 075 645	7 856 367	7 083 955
Refuse removal	14 743 914	14 477 219	14 751 259	14 486 118
5. Rental and facilities and equipment	5 074 360	4 491 136	5 074 360	4 491 136
Rental income - third party	5 065 995	4 487 173	5 065 995	4 487 173
Rental of equipment	8 365	3 963	8 365	3 963
6. Interest received (trading)	8 203 623	7 360 404	8 881 616	8 385 212
Interest received (trading)	7 936 616	6 810 212	7 936 616	6 810 212
Interest received Oshakati Premier Electric	267 007	550 192	945 000	1 575 000
7. Other income	11 320 959	10 171 408	1 863 654	1 418 273
Clearance certificates	5 296 833	4 610 651	62 923	57 589
Building plans fees	4 355 791	4 096 539	368 275	564 984
Compliance certificate	276 015	668 518	40 136	-
Surplus banked	1 901	-	1 901	-
Fitness certificate fees	755 488	760 623	755 488	760 623
Bus Terminal Loading Fees	36 535	-	36 535	-
Fire certificate	880	-	880	-
Sundry	597 516	35 077	597 516	35 077

THE TOWN COUNCIL OF OSHAKATI
NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE

	Group		Town Council	
	2021	2022	2021	2022
	N\$	N\$	N\$	N\$
8. Interest received - investment	5 114 751	3 859 224	4 025 138	2 829 715
Bank	5 111 540	3 856 976	4 021 927	2 827 467
Loans to managers and employees	3 211	2 248	3 211	2 248
9. Bulk purchases	135 978 095	132 710 114	24 772 924	26 241 453
Electricity	111 205 171	106 468 661	-	-
Water	24 772 924	26 241 453	24 772 924	26 241 453
10. Employee related costs	82 316 239	74 877 172	52 084 256	44 739 133
Basic	25 103 769	23 753 373	23 445 209	22 564 548
Bonus	25 683 739	23 361 974	3 240 884	-
Medical aid - company contributions	7 273 808	6 699 586	4 384 721	3 870 086
Workmen's Compensation Fund	111 359	113 552	111 359	113 552
Social Security contributions	171 613	155 264	100 144	94 064
Leave pay provision charge	3 636 480	495 021	3 636 480	411 904
Short term benefit 1	413 941	444 348	-	-
Stand by Allowance	201 120	178 000	144 000	131 500
Short term benefit 3	562 003	-	-	-
Service termination costs	152 560	166 912	152 560	166 912
Defined contribution plans	6 458 370	6 225 483	4 321 422	4 102 908
Travel, motor car, accommodation, subsistence and other allowances	393 591	252 667	393 591	252 667
Overtime payments	2 544 863	2 152 845	2 544 863	2 152 845
Acting allowances	39 844	119 845	39 844	119 845
Transport allowance (bus coupons)	778 104	744 720	778 104	744 720
Car allowance	736 264	628 351	736 264	628 351
Housing benefits and allowances	7 933 583	7 720 635	7 933 583	7 720 635
Holiday Bonus	-	1 573 796	-	1 573 796
Cellphone allowance	121 228	90 800	121 228	90 800

THE TOWN COUNCIL OF OSHAKATI
NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE

	Group		Town Council	
	2021	2022	2021	2022
	N\$	N\$	N\$	N\$
11. Depreciation and amortisation expense	57 653 113	53 984 227	47 408 321	47 381 539
Property, plant and equipment	57 585 778	53 984 227	47 408 321	47 381 539
Intangible assets	67 335	-	-	-
12. Repairs and maintenance	12 155 610	10 095 465	9 571 083	8 291 279
Repairs and maintenance - deductible	11 829 610	9 871 209	9 245 083	8 067 023
Land fill and Repairs and maintenance - Dumpsite	326 000	224 256	326 000	224 256
13. Debt impairment	16 984 586	13 630 244	16 984 586	12 780 287
Debt impairment	-	849 957	-	-
Contributions to debt impairment provision	16 984 586	12 780 287	16 984 586	12 780 287
14. General expenses	53 977 139	34 846 722	36 511 537	20 982 090
Advertising	515 986	280 995	368 343	181 103
Auditors remuneration	324 000	346 700	-	-
Bank charges	1 265 046	1 025 880	1 048 442	841 428
Cleaning	556 857	228 383	381 111	29 347
Commission paid	2 704 474	2 457 445	-	-
Computer expenses	2 034 768	565 728	1 988 956	526 927
Consulting and professional fees	526 354	402 876	480 665	344 624
Consumables	207 055	153 257	207 055	153 257
Donations	248 884	428 649	27 370	54 625
Entertainment	222 728	371 348	201 366	278 740
Council general expenses	-	24 873	-	24 873
Hire	150 341	38 860	77 930	12 600
Insurance	1 289 082	1 501 501	906 468	1 006 821
Conferences and seminars	597 966	77 946	-	-

THE TOWN COUNCIL OF OSHAKATI
NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE

	Group		Town Council	
	2021	2022	2021	2022
	N\$	N\$	N\$	N\$
14. General expenses (continued)				
Firefighting and emergencies general expenses	17 942	34 200	18 380	34 638
IT expenses	39 978	805 581	39 978	805 581
Laboratory tests expenses	80 440	-	80 440	-
Lease rentals on operating lease	537 718	111 168	76 390	111 168
Marketing	154 899	928 280	-	69 400
Horticulture	55 267	43 972	55 267	43 972
Levies	1 309 899	1 252 595	1 309 899	1 252 595
Magazines, books and periodicals	243 237	1 800	243 237	1 800
Motor vehicle expenses	765 160	1 217 168	4 260	626 363
Pest control	13 857	11 625	13 857	11 625
Fuel and oil	1 631 822	1 207 472	1 631 822	1 207 472
Postage and courier	72 966	276 716	64 691	272 431
Printing and stationery	1 128 383	1 302 025	821 881	835 388
Promotions	925 830	195 697	144 783	195 697
Protective clothing	242 742	135 164	108 465	111 534
Relocation of informal settlers and related costs	11 716 373	4 433 806	11 716 373	4 433 806
Strategic planning activities	783 578	-	783 578	-
Royalties and license fees	267 007	630 180	-	-
Security (Guarding of municipal property)	2 505 957	2 778 547	2 084 300	2 398 579
Staff welfare	159 346	233 412	-	-
Subscriptions and membership fees	159 054	185 294	108 832	143 602
Telephone and fax	1 404 075	1 260 911	350 700	381 189
Transport and freight	48 297	44 675	-	-
Training	744 860	138 394	337 628	53 340
Travel - local	1 233 807	403 687	-	-
Refuse	-	154 174	-	154 174
Electricity	3 987 520	3 696 984	3 987 520	3 696 984
Water	578 841	514 328	-	-
Uniforms	71 490	200 304	71 490	200 304
Tourism development	75 076	110 308	75 076	110 308
Tools and equipment expense	209 402	110 351	107 558	85 688
Disease control expense	46 894	200 507	46 894	200 507

THE TOWN COUNCIL OF OSHAKATI
NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE

	Group		Town Council	
	2021	2022	2021	2022
	N\$	N\$	N\$	N\$
14. General expenses (continued)				
General valuation roll expenses	147 381	-	147 381	-
Licence fees	2 768 303	2 655 906	2 365	7 330
LDC committee expenses	1 140 074	1 383 323	169 364	52 680
Animal control	11 968	-	11 968	-
Billing charges	257 170	-	257 170	-
Pond treatment expenses	253 140	-	253 140	-
Free connection expenses	5 240 858	-	5 240 858	-
Team building expenses	79 410	131 608	378 323	-
Sports and recreation expenses	2 223 577	152 119	79 963	29 590
15. Fair value adjustments				
Other financial assets				
Other financial assets (Designated as at FV through P&L)	1 447 994	916 474	-	-
16. Taxation				
Major components of the tax expense				
Current				
Local income tax - current period	3 483 943	5 686 537	-	-
Reconciliation of the tax expense				
Reconciliation between accounting surplus and tax expense.				
Accounting deficit	(12 669 615)	1 018 851	(26 314 859)	(17 668 055)

THE TOWN COUNCIL OF OSHAKATI
NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE

	Group		Town Council	
	2021	2022	2021	2022
	N\$	N\$	N\$	N\$
17. Cash and cash equivalents	162 581 154	156 038 307	84 117 093	83 894 654
Cash and cash equivalents consist of:				
Cash on hand	950	950	-	-
Bank balances	25 193 698	29 052 393	3 703 750	2 275 448
Short-term deposits	95 559 410	92 058 610	80 413 343	82 071 954
Other cash and cash equivalents	41 827 096	35 379 102	-	-
Bank overdraft	-	(452 748)	-	(452 748)
Current assets	162 581 154	156 491 055	80 413 343	84 347 402
Current liabilities	-	(452 748)	-	(452 748)
	162 581 154	156 038 307	80 413 343	83 894 654
18. Consumer debtors	36 665 964	34 206 116	16 553 092	16 618 767
Gross balances	111 028 736	91 584 302	85 838 699	68 919 788
Less: Allowance for impairment	(74 362 772)	(57 378 186)	(69 285 607)	(52 301 021)
Balance at beginning of the year	(57 378 186)	(43 747 942)	(52 301 021)	(39 520 734)
Contributions to allowance	(16 984 586)	(13 630 244)	(16 984 586)	(12 780 287)
19. Receivables from exchange transactions	17 128 341	6 044 596	36 956 550	22 093 436
Trade debtors	(16 419)	(16 359)	-	-
Employee costs in advance	486 825	539 640	2 000	3 333
Prepayments (if immaterial)	420 222	161 244	-	-
Deposits	25 000	25 000	-	-
Related party receivables (OPC)	1 709 687	2 118 147	22 505 686	19 230 574
Housing debtors	12 604 049	13 356 086	12 604 049	13 356 086
Corporate wear debtors	132 379	109 750	132 379	109 750

THE TOWN COUNCIL OF OSHAKATI
NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE

	Group		Town Council	
	2021	2022	2021	2022
	N\$	N\$	N\$	N\$
19. Receivables from exchange transactions				
RFA - Other debtors	-	205 292	-	205 292
Less Long Term Portion of Debtors	-	(12 376 973)	-	(12 376 973)
Other debtors	1 712 436	1 565 374	1 712 436	1 565 374
Reclassified balance	54 162	357 395	-	-
20. Inventories	39 035 961	7 666 702	282 257 129	1 707 541
Finished goods	11 243 689	7 666 702	2 464 857	1 707 541
Unsold erven	27 792 272	-	279 792 272	-
21. Loans to (from) economic entities				
Controlled entities				
Loan to Oshakati Premier Electric (Pty) Ltd	-	-	7 000 000	7 000 000

The loan has no repayment period and interest rate a fixed interest rate of 13.5% per annum.

**THE TOWN COUNCIL OF OSHAKATI
NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE**

22. Property, plant and equipment Group	2022			2021		
	N\$	Accumulated Carrying value and impairment N\$	Carrying amount N\$	N\$	Accumulated Carrying value and impairment N\$	Carrying amount N\$
Land	1 228 758	-	1 228 758	1 228 758	-	1 228 758
Buildings	209 942 000	(119 919 868)	90 022 132	220 224 083	(108 013 417)	112 210 666
Furniture and fixtures	4 055 721	(2 717 695)	1 338 026	3 764 584	(2 621 226)	1 143 358
Motor vehicles	31 143 245	(21 208 852)	9 934 393	27 578 383	(19 336 604)	8 241 779
Office equipment	664 197	(641 813)	22 384	671 930	(639 351)	32 579
IT equipment	9 860 085	(6 308 922)	3 551 163	6 878 317	(5 737 721)	1 140 596
Right-of-use of asset	443 827	-	443 827	372 585	-	372 585
Infrastructure	1 054 071 087	(431 684 645)	622 386 442	1 042 278 973	(405 626 919)	636 652 054
Community	13 614 322	(9 171 305)	4 443 017	13 846 967	(8 770 194)	5 076 773
Other property, plant and equipment	5 403 144	(4 857 397)	545 747	5 092 289	(4 810 567)	281 722
Asset under construction	20 200 172	-	20 200 172	11 154 655	-	11 154 655
Communication equipment	636 146	(435 294)	200 852	620 517	(231 466)	389 051
Tools and loose gear	2 111 547	(1 828 163)	283 384	1 836 441	(1 770 197)	66 244
Total	1 353 374 251	(598 773 954)	754 600 297	1 335 548 482	(557 557 662)	777 990 820

**THE TOWN COUNCIL OF OSHAKATI
NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE**

22. Property, plant and equipment (continued)

	2022		2021	
	Cost /Valuation N\$	Accumulated Carrying value and impairment N\$	Cost /Valuation N\$	Accumulated Carrying value and impairment N\$
Buildings	195 942 657	(119 919 868)	206 559 875	(108 013 417)
Furniture and fixtures	2 130 187	(1 525 944)	1 828 316	(1 534 084)
Motor vehicles	21 010 367	(15 824 412)	18 526 613	(14 547 382)
Office equipment	664 197	(641 813)	671 930	(639 351)
IT equipment	2 856 831	(2 360 082)	2 638 520	(2 198 115)
Infrastructure	740 387 648	(295 291 025)	735 078 573	(277 759 590)
Plant and Machinery	13 614 322	(9 171 305)	13 846 967	(8 770 194)
Other property, plant and equipment	5 403 144	(4 857 397)	5 092 289	(4 810 567)
Asset under construction	15 567 244	-	6 521 211	-
	997 576 597	(449 591 846)	990 764 294	(418 272 700)
				572 491 594

**THE TOWN COUNCIL OF OSHAKATI
NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE**

22. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Group - 2022

	Opening balance		Additions		Transfers		Other changes movements		Depreciation		Total
	N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$	
Land	1 228 758	-	-	-	-	-	-	-	-	-	1 228 758
Buildings	112 210 666	259 825	(1 528 315)	(12 699 025)	(8 221 019)	(8 221 019)					90 022 132
Furniture and fixtures	1 143 358	505 360	(23 091)	(2 323)	(285 278)	(285 278)					1 338 026
Motor vehicles	8 241 779	2 483 755	1 081 108	(3)	(1 872 246)	(1 872 246)					9 934 393
Office equipment	32 579	-	-	(103)	(10 092)	(10 092)					22 384
IT equipment	1 140 596	2 884 157	161 481	(49 044)	(586 027)	(586 027)					3 551 163
Right-of-use of asset	372 585	-	-	271 598	(200 356)	(200 356)					443 827
Infrastructure	636 652 054	29 534 501	1 189 935	-	(44 913 372)	(44 913 372)					622 463 118
Community	5 076 773	422 776	-	(7 184)	(1 049 348)	(1 049 348)					4 443 017
Other property, plant and equipment	281 722	358 215	21 249	(9 149)	(106 290)	(106 290)					545 747
Asset under construction	11 154 655	9 046 033	-	(516)	-	-					20 200 172
Communication equipment	389 051	-	15 626	-	(203 825)	(203 825)					200 852
Tools and loose gear	66 244	271 701	3 404	-	(57 965)	(57 965)					283 384
	777 990 820	45 766 323	921 397	(12 495 749)	(57 505 818)	(57 505 818)					754 676 973

**THE TOWN COUNCIL OF OSHAKATI
NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE**

22. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Group - 2021

	Opening balance	Additions	Disposal	Transfers	Revaluatio ns	Other changes, movement s	Depreciation	Total
	N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$
Land	1 228 758	-	-	-	-	-	-	1 228 758
Buildings	116 031 613	4 341 062	-	1 028 610	-	-	(9 190 619)	112 210 666
Furniture and fixtures	1 016 786	351 378	-	24 114	-	-	(248 920)	1 143 358
Motor vehicles	9 941 451	-	-	-	-	-	(1 699 672)	8 241 779
Office equipment	40 156	7 714	-	-	-	-	(15 291)	32 579
IT equipment	1 253 348	(21 754)	-	326 830	-	-	(417 828)	1 140 596
Right-of-use of asset	676 328	-	-	-	-	(46 598)	(257 145)	372 585
Infrastructure	570 521 608	11 122 011	(538 254)	4 344 842	91 346 035	-	(40 144 188)	636 652 054
Community	5 430 206	655 407	-	-	-	-	(1 008 840)	5 076 773
Other property, plant and equipment	1 133 561	-	-	-	-	-	(851 839)	281 722
Asset under construction	11 167 522	5 711 529	-	(5 724 396)	-	-	-	11 154 655
Communication equipment	187 999	391 299	-	-	-	-	(190 247)	389 051
Tools and loose gear	205 195	16 956	-	-	-	-	(155 907)	66 244
	718 834 531	22 575 602	(538 254)	0	91 346 035	(46 598)	(54 180 496)	777 990 820

**THE TOWN COUNCIL OF OSHAKATI
NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE**

22. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Controlling entity - 2022

	Opening balance	Additions	Transfer	Other changes, movements	Depreciation	Total
	N\$	N\$	N\$	N\$	N\$	N\$
Buildings	546 458	-	(1 603 625)	(12 699 025)	(8 221 019)	76 022 789
Furniture and fixtures	294 232	489 506	-	(2 323)	(177 172)	604 243
Motor vehicles	3 979 231	2 483 755	-	(5)	(1 277 026)	5 185 955
Office equipment	32 579	-	-	(103)	(10 092)	22 384
IT equipment	440 405	306 962	(21 283)	(49 044)	(180 291)	496 749
Infrastructure	457 318 983	22 637 774	1 603 624	-	(36 387 082)	445 173 299
Plant and Machinery	5 076 773	422 776	-	(7 184)	(1 049 348)	4 443 017
Other property, plant and equipment	281 722	358 215	21 249	(9 149)	(106 290)	545 747
Asset found	6 521 211	9 046 033	-	-	-	15 567 244
	572 491 594	35 745 021	(35)	(12 766 833)	(47 408 320)	548 061 427

Other adjustments comprises of adjustments to assets to expense items which erroneously capitalised in prior years

THE TOWN COUNCIL OF OSHAKATI
NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE

22. Property, plant and equipment (continued)

**Reconciliation of property, plant and equipment -
Controlling entity - 2021**

	Opening balance	Additions	Depreciation	Total
	N\$	N\$	N\$	N\$
Buildings	102 425 489	5 311 588	(9 190 619)	98 546 458
Furniture and fixtures	290 440	153 907	(150 115)	294 232
Motor vehicles	4 921 292	-	(942 061)	3 979 231
Office equipment	40 156	7 714	(15 291)	32 579
IT equipment	580 715	88 651	(228 961)	440 405
Infrastructure	485 905 148	7 038 756	(35 624 921)	457 318 983
Plant and Machinery	5 430 206	655 407	(1 008 840)	5 076 773
Other property, plant and equipment	1 133 561	-	(851 839)	281 722
Asset found	6 161 780	359 431	-	6 521 211
	606 888 787	13 615 454	(48 012 647)	572 491 594

**THE TOWN COUNCIL OF OSHAKATI
NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE**

23. Intangible assets	2022		2021	
	Cost/ Valuation	Accumulated amortisation and impairment	Carrying value	Cost / Valuation
Group	N\$	N\$	N\$	N\$
Computer software, other	5 271 332	(3 732 660)	1 538 672	3 699 122
				(3 665 325)
				33 797
Reconciliation of intangible assets - Group - 2022				
	Opening balance	Additions	Transfers	Total
Computer software, other	N\$ 33 797	N\$ 1 572 210	N\$ (67 335)	N\$ 1 538 672
Reconciliation of intangible assets - Group - 2021				
	Opening balance	Additions	Amortisation	Total
Computer software, other	N\$ 741 360	N\$ (239 136)	N\$ (468 427)	N\$ 33 797

**THE TOWN COUNCIL OF OSHAKATI
NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE**

24. Interests in other entities - Investments in controlled entities

Determination of ownership interest	Economic entity %		Controlling entity %		Economic entity		Entity controlling	
	Ownership interest 2022	ownership interest 2021	Owner ship interest 2022	hip interest 2023	Carrying amount 2021	Carrying amount 2022	Carrying amount 2021	Carrying amount 2022
Oshakati Premier Electric (Pty) Limited	-	-	100%	100%	-	-	100	100
Oshakati Premier Electric (Pty) Limited	100%	100%	-	-	100	100	-	-
					100	100	100	100

Consolidation of Oshakati Premier Electric (Pty)'s subsidiary (sub-subsiidiary of OTC), was done as council in agreement with OPE directors decision not to consolidate. OPE directors considers it to be unpractical and of little value to the company.

THE TOWN COUNCIL OF OSHAKATI
NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE

	Group		Town Council	
	2021	2022	2021	2022
	N\$	N\$	N\$	N\$
25. Deferred tax				
Deferred tax liability				
Other deferred tax liability	(54 897 311)	(53 935 700)	-	-
Deferred tax liability				
Other deferred tax asset	4 111 282	3 215 626	-	-

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

Deferred tax liability	(54 897 311)	(53 935 700)	-	-
Deferred tax asset	4 111 282	3 215 626	-	-
Total net deferred tax liability	(50 786 029)	(50 720 074)	-	-

Reconciliation of deferred tax asset \ (liability)

At beginning of year	(50 720 074)	(20 482 642)	-	-
Originating / (reversing) temporary difference on revaluation of fixed assets	-	(29 230 732)	-	-
Originating / (reversing) temporary difference on income and expenses	(65 955)	(1 006 700)	-	-
	(50 786 029)	(50 720 074)	-	-

26. Payables under exchange transactions

	71 865 364	48 499 688	46 916 326	26 302 208
Trade payables	39 885 625	20 996 367	27 515 733	12 169 618
Retention payable	1 593 221	642 357	1 493 344	599 497
Employee benefits payable	3 553 188	5 231 563	-	-
Accrued leave pay	15 271 256	10 364 186	10 657 397	6 178 337
Accrued bonus	1 311 118	1 108 266	-	-
Provision for severance	733 180	499 503	-	-
Consumer Deposits received	8 348 111	5 434 068	7 249 852	4 251 529
Other payables	1 169 665	1 120 151	-	-
Sundry creditors	-	3 103 227	-	3 103 227

THE TOWN COUNCIL OF OSHAKATI
NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE

	Group		Town Council	
	2021	2022	2021	2022
	N\$	N\$	N\$	N\$
27. Leases (group as lessee)				
The group leases a building for use in the business operations of the subsidiary. The average lease term is 6 years (2021: 6 years).				
The net carrying amounts of right-of-use assets				
The carrying amounts of right-of-use assets are included in note 28. Depreciation expense recognised on each class of right-of-use assets are included in the deficit, this amounted to N\$200 356 (2021: N\$257 145).				
Lease expense and lease liabilities				
Interest expense on lease liabilities is recognised in the deficit amounts to N\$49 449 (2021: N\$46 673). The maturity analysis of lease liabilities is as follows:				
Minimum lease payments due				
- within one year	328 804	298 913	-	-
- in second to fifth year inclusive	202 544	210 435	-	-
	531 348	509 348	-	-
less: future finance charges	(33 489)	(33 622)	-	-
Present value of minimum lease payments	497 859	475 726	-	-
Present value of minimum lease payments due				
- within one year	197 411	204 449	-	-
- in second to fifth year inclusive	300 448	271 277	-	-
	497 859	475 726	-	-
Non-current liabilities	197 411	204 448	-	-
Current liabilities	300 448	271 277	-	-
	497 859	475 725	-	-
28. Other financial liabilities				
At amortised cost				
Bank loan	8 615	58 895	-	-
The loan is payable in 60 equal monthly instalments. The interest is charged at 7.5% (2021: 7.50%).				
Current liabilities				
At amortised cost	8 615	58 895	-	-

THE TOWN COUNCIL OF OSHAKATI
NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE

	Group		Town Council	
	2021	2022	2021	2022
	N\$	N\$	N\$	N\$
29. Taxes and transfers payable (non-exchange)	2 062 693	229 042	1 833 626	-
Unallocated receipts	1 833 626	-	1 833 626	-
Suspense	229 067	229 042	-	-

30. Housing Funds

Housing funds consists of Build Together and a Housing Development fund. The original funds were provided by central government. These two funds are administered by the council on a revolving basis.

Build together and housing fund	43 024 524	41 839 759	43 024 524	41 839 759
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31. Tax paid

Balance at beginning of the year	992 690	1 281 043	-	-
Current tax for the year recognised in surplus or deficit	(3 483 943)	(5 686 537)	-	-
Balance at end of the year	(3 183 309)	(992 690)	-	-
	(5 674 562)	(5 398 184)	-	-

Movement in investments (incl. Controlled entities, JVs & Associate)

Fair value of assets acquired

Costs directly attributable to the acquisition	-	100	-	-
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Consideration paid

Cash	-	(100)	-	-
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Net cash outflow on acquisition

Cash consideration paid	-	(100)	-	-
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THE TOWN COUNCIL OF OSHAKATI
NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE

32. Councilors' and management emoluments

Councilors

	2022	
	Emoluments	Town Council Total
Hango Leonard	89 500	89 500
Elifas P	77 437	77 437
Mutota Hofeni	80 733	80 733
Mutumbulwa Maria	67 167	67 167
Frans Ruusa M	67 620	67 620
Ndaamohamba Jerobeam	65 020	65 020
Imene Martha T	65 020	65 020
	512 497	512 497
	2021	
	Emoluments	Total
	N\$	N\$
Hango Leonard	52 208	52 208
Elifas P	44 892	44 892
Mutota Hofeni	47 094	47 094
Mutumbulwa Maria	39 181	39 181
Frans Ruusa M	39 181	39 181
Ndaamohamba Jerobeam	37 674	37 674
Imene Martha T	37 674	37 674
Shilunga Onesimus	33 639	33 639
Hamunjela Ndamononghenda	32 170	32 170
Israel Loise	27 986	27 986
Kamwanka Eeelu Gabriel	27 104	27 104
Iiyambo Angelus Negumbo	37 524	37 524
Tobias Linus	26 910	26 910
Shimbulu Katrina	28 188	28 188
	511 425	511 425

* Other benefits comprise travel allowance and medical benefits

THE TOWN COUNCIL OF OSHAKATI
NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE

Management

	2022	
	Remuneration	Total
	N\$	N\$
Namwandi T M	1 118 527	1 118 527
Anguku Erastus	900 163	900 163
Thomas Helena Nuumbosho	1 034 501	1 034 501
Negongo Tomas Ndeshipanda Metumo	896 227	896 227
Others	1 731 628	1 731 628
	5 681 046	5 681 046

	2021	
	Emoluments	Total
	N\$	N\$
Namwandi T M	179 253	179 253
Anguku Erastus	890 889	890 889
Thomas Helena Nuumbosho	1 024 993	1 024 993
Negongo Tomas Ndeshipanda Metumo	890 277	890 277
Others	1 734 617	1 734 617
	4 720 029	4 720 029

33. Prior-year adjustments

Presented below are those material items contained in the statement of financial position, and net asset statement that have been affected by prior-year adjustments;

- The N\$12 766 832 prior period adjustments comprises of adjustments to assets to expense items which erroneously capitalised in prior years;
- The N\$2 560 955 relates to correction on customer accounts;
- The N\$27 792 272 relates to recording of unsold erven which were not recorded in prior years.

34. Going concern

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

35. Events after the reporting date

The Council and management are not aware of significant event that may have occurred between the reporting date and the date of this report that might have a material impact on the financial position and performance of the town council.