MOTRACO

COMPANHIA DE TRANSMISSÃO
DE MOÇAMBIQUE, S.A.

ANNUAL
REPORT 2022

MOTRACO

COMPANHIA DE TRANSMISSÃO DE MOÇAMBIQUE, S.A.

ANNUAL REPORT 2022

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Shareholders
Fiscal Commitee
Board of Directors
General Manager
Executive Secretary
Operational Engineer
Finance & Administration
Administration Officer

VISION

To be the preferred partner in power transmission interconnectivity in Southern Africa.

MISSION

MOTRACO will provide reliable power transmission and associated services to its business partners whilst ensuring an acceptable return to its shareholders.

VALUES STATEMENT

MOTRACO is committed to the highest ethical and professional conduct, protection of the environment and social responsibility.

Vusi Gama
Chairman

Alberto Banze
Director

Patrick Mathunjwa
Director

Trevor Myburgh
Director

Sara Mazoio
Director

Thomas Tshikalange
Director

Adérito de Sousa
General Manager

Financial Performance Data

For the year ended 31st December 2022

Key Statistic in USD 'Millions 2022

	2022	2021	2020	2019	2018
Total Revenues (as invoiced)	**305.95**	300.80	269.59	311.8	295.0
Energy Revenue	**276.07**	275.87	243.32	286.6	269.6
Wheeling Revenue	**29.45**	24.04	24.45	24.8	24.0
Other revenues	**0.43**	0.89	1.82	0.4	0.5
Operating expenses	**11.35**	11.45	10.42	11.4	11.1
Employment costs	**0.81**	0.54	0.49	0.6	0.6
Financial costs	**0.78**	0.16	3.14	5.9	5.8
Corporate Tax	**2.46**	2.15	2.67	2.7	2.2
Net profit	**16.04**	12.88	12.92	12.1	10.9
Cash generated from operations	**27.23**	22.21	18.47	19.3	17.8
Cash and cash equivalents	**38.68**	43.49	40.19	33.2	30.5
Total assets	**104.13**	114.47	116.02	111.9	111.2
Total liabilities	**25.78**	22.16	24.44	24.4	26.9
Capital and Reserves	**78.35**	92.31	91.43	87.5	84.4

Ratio Analysis

	2022	2021	2020	2019	2018
Current ratio	**2.53**	3.14	2.46	2.5	2.1
Quick ratio	**2.51**	3.12	2.44	2.4	2.0
Debt / Asset (%)	**22.67**	19.36	20.74	21.0	24.1
Debt / Equity ratio	**0.33**	0.24	0.27	0.3	0.3
Debt service coverage ratio - DSCR	**-**	-	-	6.1	4.4
Return on total assets (%)	**16.26**	13.13	13.44	12.7	11.8
Total Asset turn over	**2.94**	2.65	2.32	2.8	2.6
Return on Equity (%) - ROE	**20.47**	32.60	32.72	30.7	27.5

Directors' Report

MOTRACO – Companhia de Transmissão de Moçambique, S.A. is a limited liability company incorporated in Mozambique on 16 October 1998.

MOTRACO continues to play a critical role in the Mozambican and Eswatini economies through maintaining a reliable transmission network that transports electricity to the Mozal Aluminium Smelter, EDM for further distribution to other industries and customers in Maputo and Southern Mozambique and to Eswatini Electricity Company for further distribution to industries and customers in Eswatini. During the 2022 financial year, MOTRACO continued to build on the successes of previous years. Highlights and challenges experienced during the reporting period are set out below.

Highlights

- 4th Transformer and its associated bay established in the Maputo Substation to increase its redundancy in power supply to Mozal;
- Continued substation operating and first-line maintenance performed by EEC and EDM at Edwaleni II and Maputo substations respectively;
- Continued focus and increase in business allocated to local suppliers;
- Dividends declared to shareholders for the 13th consecutive year;
- MOTRACO continues to be ranked highly in the Mozambican Top100 companies in Mozambique survey; and
- High customer satisfaction.

Challenges

- Aging Infrastructure increasing the risk of failure;
- The effects of adverse weather conditions continue to compromise the integrity of the network resulting in soil erosion in some parts of the Transmission Infrastructure;
- Lack of skilled resources to respond to network emergencies on the Mozambique and Eswatini network.

Health and Safety

MOTRACO has kept an outstanding safety record with no disabling injuries recorded since its inception.
To ensure safety during emergency conditions a risk management program that consists of safety inspections, audits and emergency preparedness is in place to minimize the risk of injury to people or damage to the equipment involved during operations.

Emergency restoration plans and all other relevant information required during emergency conditions that may occur at the MOTRACO substations are in place, thereby minimizing the outage time.

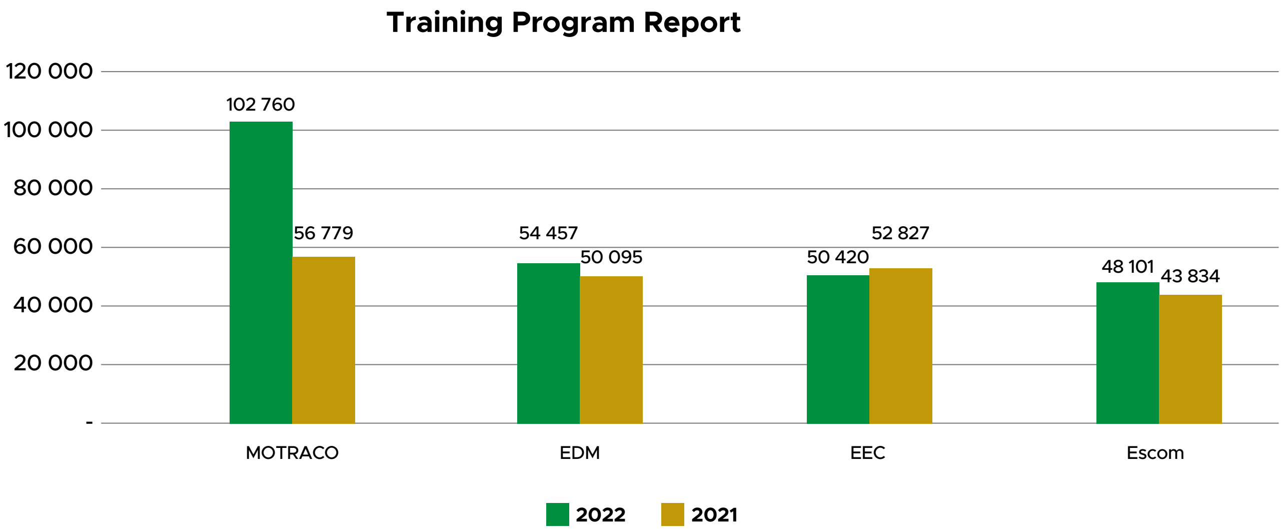
Human Capital

The quality and commitment of employees and partners in maintaining MOTRACO's record are key to the company. Therefore, MOTRACO continues to invest in developing employees and partners through training. The following table, indicates all training that was funded by MOTRACO, highlighting the training that was done in 2022.

Training Report

		2022	2021
MOTRACO	Nr of students	10	7
	Amount USD	102,760	56,779
EDM	Nr of students	100	100
	Amount USD	54,457	50,095
EEC	Nr of students	10	187
	Amount USD	50,420	52,827
Eskom	Nr of students	149	125
	Amount USD	48,101	43,834

Graphically, the annual amount spent in USD is as follows:



Governance

The Board of Directors of MOTRACO plays an active oversight role in the business of MOTRACO. Due to the limited employee complement of MOTRACO, the Board has contracted external parties to provide internal audit and risk advisory services to the company. A work plan is agreed upon yearly in advance, and reports are considered and actioned.

Conflict of Interests

The MOTRACO board prevents conflicts of interest and is obliged to make full disclosure of any personal financial interests, and those of persons related to them, in contracts or other matters in which MOTRACO has a material interest or which are to be considered at a board meeting. Where a potential conflict of interest exists, the such board member is required to recuse themselves from the relevant discussions. Disclosures of other directorships and related shareholdings are tabled annually, and at the commencement of each board meeting, all directors of MOTRACO are required to declare any conflict of interest regarding matters on the agenda.

Change in Board Membership

Mr. Vusi Gama was appointed as Chairman of the Board of Directors for 3 years replacing Mr. Trevor Myburgh. In the same fiscal year, Mr. Feliciano Massingue resigned as a member of the Board of Directors of Motraco representing EDM and Mr. Alberto Banze was appointed as the new Board Director member from July 2022.

The board met as follows:

	Date of meeting			
	31 March 2022	1 July 2022	30 September 2022	9 December 2022
Feliciano Massingue (Mozambique)	✓	✓		
Vusi Gama (Eswatini)	✓	✓	✓	✓
Thomas Tshikalange (South Africa)	✓	✓	✓	✓
Trevor Leon Myburgh (South Africa)	✓	✓	✓	✓
Sara Mazoio (Mozambique)	✓	✓	✓	✓
Patrick Mathunjwa (Eswatini)	✓	✓	✓	✓
Alberto Banze (Mozambique)			✓	✓

Financial Performance

MOTRACO continues to perform well financially with revenues from the transportation of energy. For 2022, the revenues increased by 22.24% due to the positive impact of the USA all commodities PPI Index, increasing to US$ 29.50 million (2021: 24.47US$ million).

MOTRACO continues to focus on realising costs and other efficiencies where possible. Profit after tax increased to US$15.42 million (2021: US$12.88 million) resulting in earnings per share of US$39.05 (2021: US$32.60).

Technical performance

The high reliability of the MOTRACO system was again recorded for the continuous supply of electricity to MOTRACO customers in quantity and quality.

Besides the fact that there were two isolators failures during the year, the performance was positively impacted as a result of the preventive and corrective maintenance work undertaken during the year.
The training of EDM and EEC technicians in the field of secondary plant and high voltage operations continues to ensure that MOTRACO has competent staff for the operation and maintenance of the substations.

Customer services

The table below summarises the energy wheeled for the three customers from MOTRACO's network in 2022 compared to 2021.

Customer	Energy consumption MWh		Maximum Demand MW	
	2022	2021	2022	2021
Mozal	**8,214,914.27**	8,126,186.22	**969.38**	965.81
EDM	**908,929.46**	731,994.85	**382.03**	345.55
EEC	**590,881.47**	686,323.11	**146.64**	169.78

Social Responsibility

MOTRACO aims to become an effective operator in the region and it contemplates investing in the development of human capital from the primary level to provide the skills base at an early age. In addition to education, Motraco has also focused on healthcare sponsorship in Mozambique and across the border.

In 2022, Motraco continued to sponsor the construction and finalizing of a Maternity Hospital in the Namaacha District. This project was expected to be completed in 2021, but due to the improvements done on the original project, it was extended and delivered to the Government of Mozambique in 2022, providing a much-needed maternity facility in the Namaacha district.

In the education sector, in 2022 Motraco financed the construction of a Home Economics Laboratory Block at Luhhumaneni Primary School situated on the outskirts of the Hhohho region in Nkomazi Eswatini and the project is expected to be completed in 2023.

Environment

MOTRACO endeavours to promote environmental preservation while facilitating development in operating areas. The transmission line traverses different undulating terrain between the sources and the loads. Bush clearing within the servitude of the transmission line can potentially cause soil erosion if not done correctly. MOTRACO has over the years maintained enough vegetation under the line to prevent soil erosion and where shrubs and trees are cut, it is done in such a way that would not decimate the roots thus allowing new shoots to grow from the stem. The company continues to maintain the line route in mountainous areas to mitigate the effects of soil erosion and also to maintain the integrity of the structures. The company recognizes that it has to cohabit with other stakeholders and therefore it is important to contribute to environmental preservation.

Future prospects

The company's main source of revenue is from the provision of energy transportation services over its power infrastructure. These revenues increase in accordance with USA All Commodities PPI.

Due to the current limitation on available generation in the Southern African region, the potential expansion of current customers and new opportunities which have been identified in Mozambique are unlikely to materialize in the short term. New generation opportunities within Mozambique are being pursued by various developers. MOTRACO aims to play an important role in wheeling this energy to Southern Africa. These opportunities are however only likely to materialize in the medium to long term.

Conclusion

MOTRACO's success over the past year and continued success can be attributed to the dedication of all of its stakeholders including its customers. I wish to thank all of these and the MOTRACO employees and Board of Directors for their dedication and their continued support in ensuring that MOTRACO continues to deliver on its mandate.

Vusi Gama
Chairman of the Board of Directors

Director Responsibility Statement

The Directors are responsible for the preparation and fair presentation of the financial statements MOTRACO - Companhia de Transmissão de Moçambique SA, comprising the statement of financial position as at 31st December 2022, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards (IFRS).

The financial statements have been audited by the independent accounting firm KPMG Auditores e Consultores, SA., which was given unrestricted access to all financial records and related data, including minutes of meetings of shareholders, the board of directors, and committees of the board. The Directors believe that all representations made to the independent auditors during their audit were valid and appropriate. The report of the independent auditors is presented on pages 12 to 13.

The financial statements have been prepared in accordance with IFRS. They are based on appropriate accounting policies which have been consistently applied and are supported by reasonable and prudent judgements and estimates. The going concern basis has been adopted in preparing the financial statements. The Directors have no reason to believe that the company will not be a going concern in the foreseeable future based on forecasts and available cash resources.

The Directors are also responsible for the company's system of internal controls. These are designed to provide reasonable but not absolute assurance as to the reliability of the financial statements and to adequately safeguard, verify and maintain accountability of assets. These controls are monitored throughout the company by management. Processes are in place to monitor internal controls, identify material breakdowns, and implement timely corrective action.

Approval of annual financial statements

The financial statements of MOTRACO-Companhia de Transmissão de Mocambique, SA as identified in the first paragraph, were approved by the Board of Directors on 24th March 2023 and are signed on its behalf by:

Director

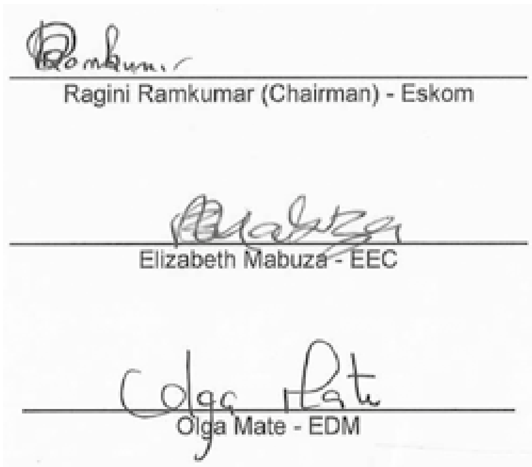
Chairman

Report of the Fiscal Committee of Motraco SA to the Shareholders on the Financial Statements for the year ended 31 December 2022

In accordance with the applicable legal and statutory requirements, we hereby present to the shareholders a report of our findings from the review performed by us of MOTRACO - Companhia de Transmissão de Moçambique S.A and our opinion on the company's financial statements for the financial year ended at 31st December 2022.

We have reviewed, to the extent that we considered necessary in the circumstances, the company's activities in our capacity as the Fiscal Committee, having studied minutes of proceedings of the directors' meetings, verified management reports and accounting records. We received full cooperation from management for all services and information requested by us.
We have relied extensively upon the work and reports of the external auditors in fulfilling our obligations and in formulating our opinion and concurring with their opinion as detailed in the Independent Auditor's Report.

In our opinion, the Financial Statements, which were prepared in accordance with the accounting policies described in the notes to the Financial Statements of the company, fairly represent the financial position of MOTRACO – Companhia de Transmissão de Moçambique, S.A as of 31st December 2022 and the results of its operations and cash flows for the year ended at 31st December 2022.



Report of the Independent Auditors

To the Shareholders of
MOTRACO - COMPANHIA DE TRANSMISSÃO DE MOÇAMBIQUE, S.A.

Opinion

We have audited the financial statements of MOTRACO-Companhia de Transmissão de Moçambique. S.A (the Company) set out on pages 14 to 44, which comprise the Statement of Financial Position as of 31 December 2022, the Statement of comprehensive income the statement of changes in equity, and statement of cash flows for the period then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of MOTRACO-Companhia de Tranmissão de Mocambique. S.A. as of 31 December 2022, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Mozambique, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The directors are responsible for the other information. The other information comprises the Directors report and Report of the Fiscal committee and the Director's Responsibility Statement. The other information does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company and to cease operations or have no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the director'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

KPMG, Registered Audit Firm, 04/SCA/OCAM/2014
Represented by:

Abel Jone Guaiaguaia, 04/CA/OCAM/2012
Partner
16 June 2023

MOTRACO

Statement of Comprehensive Income

For the year ended 31 December 2022 (expressed in usd)

	Notes	2022	2021
Revenue	6	29,449,696	24,038,321
Operating costs	7	(12,160,657)	(11,991,080)
Other income	8	425,616	886,236
Operation profit		**17,714,655**	**12,933,477**
Finance income	9	2,125,908	2,247,999
Finance cost	9	(1,343,199)	(156,489)
Net Finance cost	9	**782,709**	**2,091,510**
Profit before tax		18,497,364	15,024,987
Income tax expense	10	(3,072,575)	(2,147,205)
Profit of the year		**15,424,789**	**12,877,782**
Earnings per share (basic and diluted)	11	39.05	32.60

Statement of Financial Position

For the year ended 31 December 2022 (Expressed in USD)

	Notes	2022	2021
ASSETS			
Non-current assets			
		38,855,106	**44,820,764**
Property, plant and equipment	12	38,836,089	44,792,480
Intangible asset	13	19,017	28,284
Current assets		**65,415,717**	**69,649,575**
Inventory	14	502,407	525,064
Trade and other receivables	15	26,238,126	25,552,813
Income tax Receivable	10.4	-	80,236
Cash and cash equivalents	16	38,675,184	43,491,462
TOTAL ASSETS			
		104,270,823	**114,470,339**
EQUITY AND LIABILITIES			
Equity		**77,734,395**	**92,309,606**
Share capital	17	39,500,000	39,500,000
Legal Reserves	18	7,887,611	7,243,722
Retained income		30,346,784	45,565,884
Current liabilities		**26,536,428**	**22,160,733**
Trade and other payables	19		
		25,229,307	22,160,733
Income tax payable	10.4	1,307,121	-
TOTAL EQUITY AND LIABILITIES		**104,270,823**	**114,470,339**

Statement of Changes in Equity

For the year ended 31 December 2022 (Expressed in USD)

	Share capital	Reserves	Retained earnings	Total
Balance as at 01 January 2021	**39,500,000**	**6,597,534**	**45,334,290**	**91,431,824**
Profit of the year	-	-	12,877,782	12,877,782
Legal reserves	-	646,188	(646,188)	-
Dividends declared	-	-	(12,000,000)	(12,000,000)
Balance as at 31 December 2021	**39,500,000**	**7,243,722**	**45,565,884**	**92,309,606**
Profit of the year 2021	-	-	15,424,789	15,424,789
Legal reserves	-	643,889	(643,889)	-
Dividends declared	-	-	(30,000,000)	(30,000,000)
Balance as at 31 December 2022	**39,500,000**	**7,887,611**	**30,346,784**	**77,734,395**

Statement of Cash Flows

For the year ended 31 December 2022 (Expressed in USD)

	2022	2021
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	**18,497,364**	**15,024,987**
Adjustments in:		
Depreciation	7,806,000	7,303,816
Amortization	9,267	4,638
Reduction in ECL on trade and other receivables	(197,251)	(365,409)
Net finance costs	(782,709)	(2,091,510)
Cash generated before working capital changes	**25,332,671**	**19,876,522**
Decrease/(increase) in inventory	22,657	(40,635)
Increase / (decrease) in trade and other receivables	(488,062)	1,823,940
Increase / (decrease) / in trade and other payables	3,068,574	(1,906,139)
Cash generated from operations	**27,935,840**	**19,753,688**
Income tax paid	(1,685,218)	(1,705,831)
Interest received	860,192	404,569
Interest paid	(163,901)	(12,073)
Net cash flow from operating activities	**26,946,913**	**18,440,353**
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(1,849,609)	(4,212,195)
Acquisition of intangible assets	-	(32,922)
Net cash flow from investing activities	**(1,849,609)**	**(4,245,117)**
CASH FLOW FROM FINANCING ACTIVITIES		
Dividends paid	(30,000,000)	(12,000,000)
Net cash flow from financing activities	**(30,000,000)**	**(12,000,000)**
Net (decrease)/ Increase in cash and cash equivalents	**(4,902,696)**	**2,195,236**
Effect of movements in exchange rate on cash balances	**86,418**	**1,101,440**
Cash and Cash equivalents at the beginning of the year	**43,491,462**	**40,194,786**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**38,675,184**	**43,491,462**

Notes to the Financial Statements

For the year ended 31 December 2022 (Expressed in USD)

1. REPORTING ENTITY

MOTRACO – Companhia de Transmissão de Moçambique, S.A. is a limited liability company registered in the Republic of Mozambique. The company's registered office is Edificio JAT number 420, Avendido 25 de Setembro, Maputo, Mozambique.

2. BASIS OF PREPARATION AND MEASUREMENT

The financial statements have been prepared in accordance with International Financial Reporting Standzards (IFRS). The financial statements were authorized for issue by the board of directors on 24 March 2023.

3. FUNCTIONAL AND PRESENTATION CURRENCY

The financial statements are prepared in US Dollars which is MOTRACO's functional currency.

4. USE OF JUDGEMENTS AND ESTIMATES

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

4.1. Judgements

4.1.1. Measurement of expected credit losses on trade and other receivables

The company uses a provision matrix to calculate Expected Credit Losses (ECLs) for trade receivables. The loss allowances for trade receivables recognized by the Company at the reporting date are based on the assumptions about the risk of default and expected loss rates. These assumptions are based on history, existing market conditions as well as forward-looking information at the end of each reporting period.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

The assessment of the correlation between historical observation loss rates, forecast economic condition and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual loss in the future.

5. SIGNIFICANT ACCOUNTING POLICIES

The company has consistently applied the following accounting policies to the periods presented in these financial statements.

a) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at the foreign exchange rate ruling at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the foreign exchange rate ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into functional currency exchange rates ruling at the dates the fair values were determined.

currency differences are generally recognized in profit or loss. Non-monetary items that are measured based on the historical cost in a foreign currency are translated to the functional currency using the exchange rate of the date of the transaction.

b) **Financial instruments**

Financial assets

i. **Recognition and measurement**

Trade receivables and debt securities issued are initially recognised when they originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at Fair Value True Profit and Loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

ii. **Classification and subsequent measurement**

On initial recognition, a financial asset is classified as measured at amortised cost; Fair Value of Other Comprehensive Income (FVOCI) -debt investment; FVOCI - equity investment; or FVTPL.

Financial assets are not reclassified subsequently to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- it is contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in Other Comprehensive Income (OCI). This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost, at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial asset - Business model assessment:

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated-e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods. The reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

The assessment of whether contractual cash flows are solely payments of principal and interest.

For the purposes of this assessment. 'Principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs) as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the sole payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual amount a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest {which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets - Subsequent measurement gains and losses

Financial assets at amortised cost
These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial assets at FVTPL
These assets are subsequently measured at fair value. Net gains and losses. Including any interest or dividend income, are recognised in profit or loss.

Equity investments at FVOCI
These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial liabilities - Classification, subsequent measurement, gains, and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

i. Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flow from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

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

Offsetting

Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts, and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

c) Impairment

i. Financial instruments and contract assets

The Company recognises loss allowances for Expected Credit Losses (ECLs) on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCL; and
- contract assets (as defined in IFRS 15).

The Company measured loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of a default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment and including forward-looking information. The Company assumes that the risk on a financial asset has increased significantly it is more than 30 days past due.

Non-derivative financial assets

Financial instruments and contract assets

The Company considers a financial asset to be in default when:

- the borrowers are unlikely to pay their credit obligations to the Company in full, without recourse by the Company actions such as realising (if any is held);
- the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible12 months after the reporting date (or a shorter period of the expected of the instrument is less than 12 months). The Company uses the simplified impairment approach.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk

Measurement of ECL

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

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

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

d) Property, plant and equipment

<u>Recognition and measurement</u>

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

The cost of self-constructed assets includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in a manner intended by management. This cost includes the cost of materials, site preparation and restoration, delivery and handling, installation, commissioning, direct labour and an appropriate proportion of overheads.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the company.

Depreciation

Depreciation is calculated to write off the cost of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognized in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the company will obtain ownership at the end of the lease term. The land is not depreciated.

The estimated useful lives for the current and prior years are as follows:

Computer equipment	3 – 5 years
Furniture and fittings	5 years
Motor vehicles	5 years
Transmission network	25 years
Buildings	25 years

The assets residual values, useful lives and methods of depreciation are reviewed at each financial year-end and adjusted prospectively if appropriate.

e) Intangible assets

Intangible assets that are acquired by the company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment loss.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

Amortisation

Amortisation is calculated to write off the cost of the intangible assets less their estimated residual values using the straight-line method over their estimated useful life and is generally recognised in the profit or loss.

The estimated useful lives and the current and comparative years are as follows: Software 3years.

f) Revenue from contracts with customers

MOTRACO has applied IFRS 15 Revenue from Contracts with Customers (as amended in April 2016) which is effective for annual periods that begin on or after 1 January 2018. IFRS 15 introduced a 5-step approach to revenue recognition.

This standard combine, enhances and replaces specific guidance on recognizing revenue with a single standard. It defines a new five-step model to recognize revenue from customer contracts. The Company undertook a review of the main types of commercial arrangements used with customers under this model and has concluded that the application of IFRS 15 has no impact on the financial position and/or financial performance of the company.

The revenue is accounted for only when all of the following criteria are met:

1) The parties to the contract have approved the contract (in writing, as a business practice) and are committed to perform their respective obligations;
2) The entity can identify each party's rights regarding the goods or services to be transferred;
3) The entity can identify the payment terms for the goods or services to be transferred;
4) The contract has commercial substance (i.e. the risk, timing, or amount of the entity's future cash flows is expected to change as a result of the contract); and
5) It is probable that the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether the collectability of an amount of consideration is probable, an entity shall consider only the customer's ability and intention to pay that amount of consideration when it is due. The amount of consideration to which the entity will be entitled may be less than the price stated in the contract if the consideration is variable because the entity may offer the customer a price concession.

Wheeling revenue

Wheeling revenue is recognized on a monthly basis through the completion of the performance obligation, measured by energy consumption.

Where the company acts as an agent the revenue recognized is the net amount of the commission made by the company

g) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service provided. Prepaid contributions are recognized as an asset to the extent that a refund or a reduction in future payment is available.

Contributions to the Instituto Nacional de Segurança Social – INSS (National Social Security Fund), a defined contribution scheme administrated by the State, which all Mozambican companies are, by law, obliged to contribute to, are based on a percentage of salaries and are expensed in the period in which they are due.

h) Finance income and finance costs

The company's finance income and finance costs comprise:

- Interest income;
- Interest expense;
- The foreign currency gain or loss on financial assets and financial liabilities

Interest income is recognized in profit or loss as it accrues using the effective interest method. Interest expense is recognized in profit or loss as it accrues using the effective interest rate.

Effective interest rate

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or the amortised cost of the financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

i) Provisions

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance cost.

j) Dividends

Dividends are recognized as a liability in the period in which they are declared.

k) Contingencies

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the probability of any outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but is disclosed when an inflow of economic benefits is probable.

l) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

m) Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

i. Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. The current tax also includes any tax arising from dividends. Current tax assets and liabilities are offset only if certain criteria are met.

ii. Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences in the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Company. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if the following criteria is met:

- the entity has a legally enforceable right to set off current tax liabilities and assets; and the deferred tax liabilities and assets relate to income taxes levied by the same tax authority on either:
- the same taxable entity; or different taxable entities, but these entities intend to settle current tax liabilities and assets on a net basis, or their tax assets and liabilities will be realised simultaneously for each future period in which these differences reverse.

n) Inventories

Inventories are measured at the lower cost and net realizable value. The cost of inventories is based on the weighted average cost principle.

o) Fair valuation

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the company has access at that date. The fair value of a liability reflects its non-performance risk

A number of the Company accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price — i.e. the fair value of the consideration given or received. However, If the Company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price.

Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

p) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Cash Generating Units (CGUs).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro-rata basis

6. REVENUE

	2022	2021
Wheeling charges	29,340,112	23,963,213
Fiber Optic Lease Income	109,584	75,108
	29,449,696	**24,038,321**

7. OPERATING COSTS

	2022	2021
Depreciation	7,806,001	7,303,816
Amortization	9,267	4,638
Operating and maintenance costs	1,624,108	1,475,076
Insurance	725,956	1,088,832
Staff costs	540,455	536,759
Concession fees	388,300	359,630
Control services and telecommunications	227,338	243,823
Marketing and social responsibility	30,675	141,045
Training and development	251,777	206,671
Management fees	72,000	72,000
Cleaning and Security	70,381	38,184
Consultancy fees	93,550	22,799
Telephones and Internet	26,869	20,202
Travel and subsistence	52,258	15,011
Contributions to INSS	15,813	13,623
Other operating costs	225,910	448,969
	12,160,657	**11,991,080**

8. OTHER INCOME

	2022	2021
Eskom contribution & other operational income	425,173	433,472
Revearsal of provision & Scrap sold	444	452,764
	425,616	**886,236**

9. NET FINANCE COSTS

	2022	2021
Finance income		
Interest income from investments	860,191	404,569
Foreign exchange gains (a)	1,265,717	1,843,430
	2,125,908	**2,247,999**
Finance costs		
Interest paid	(150,832)	-
Foreign exchange losses (a)	(1,179,298)	(144,416)
Other finance costs	(13,069)	(12,073)
	(1,343,199)	**(156,489)**
Net finance income	**782,709**	**2,091,510**

9 NET FINANCE COSTS

a) Exchange gains and losses mainly arise from trade payables that the entity has with Eskom Holdings Limited and receivables from Mozal SA that are denominated in South African Rands and Bank accounts that are denominated in currencies other than the USD. The trade receivable with EDM is denominated in MZM and also gives rise to exchange differences.

10. INCOME TAX EXPENSE

10.1 Mozambique Tax Benefits

Under the terms of the foreign investment project authorization as contained in Decree 14/98 and the internal resolution nº 4/98 dated 31st March 1998, the Government of Mozambique has granted the company income tax and complementary taxes exemption in Mozambique, valid for five fiscal years starting from the commencement of operation of the energy transmission lines. This benefit expired in the financial year ended 31st December 2004. Under the terms of the same foreign investment project authorization, upon the expiration of the benefit above, the rate of income tax and complementary tax would be reduced by 65% for an additional period of ten fiscal years. This benefit expired in the financial year ended 31st December 2014. Starting from the year 2015, the company benefits from a 50% reduction in the tax rate for the next 10 years.

Following is a reconciliation of the effective tax rate for the year:

		2022		2021
Current year tax charge as per statement of comprehensive income		3,072,575		2,147,205
Reconciliation of effective tax rate				
Profit before tax		18,497,364		15,024,987
Income tax using the domestic corporate tax rate	32%	5,919,157	32%	4,807,996
Effect of tax rate reduction on CPI	(16%)	(2,959,578)	(16%)	(2,403,998)
Effect of disallowed expenses	1%	112,996	(-2%)	(256,793)
	17%	**3,072,575**	**14%**	**2,147,205**

The tax authorities in Mozambique have the right to review the tax situation of the Company for a period of up to 5 years, which may result in adjustments due to a different interpretation and/or noncompliance with the applicable legislation, namely, Corporate Taxation (IRPC), Employee Taxation (IRPS) and Value Added Tax.

The Directors believe that MOTRACO has duly fulfilled all tax obligations. Any corrections to the tax base declared as a result of these reviews are not expected to have a significant effect on the financial statements.

10.2 South Africa

The financial statements have been prepared on the basis that the company does not have taxable income in South Africa. MOTRACO is however registered as a VAT vendor in South Africa.

10.3 Eswatini

The financial statements have been prepared on the basis that the company does not have taxable income in Eswatini.

10.4 Income tax (payable) receivable

	2022	2021
Opening balance	80,236	521,610
Tax payment during the year	1,685,218	1,705,831
Income tax expense	(3,072,575)	(2,147,205)
	(1,307,121)	**80,236**

11. EARNINGS PER SHARE

The calculation of basic earnings per share at 31st December 2022 was based on the profit attributable to ordinary class A shareholders of USD 15,424,789 (2021: USD 12,877,783) and the weighted average number of ordinary class A shares in issue and outstanding during the year ended 31st December 2022 of 395,000 (2021: 395,000), as follows:

	2022	2021
Profit attributable to ordinary Class A shareholders	15,424,789	12,877,783
Weighted average number of ordinary Class A shares at 31st December	395,000	395,000
	395,000	**395,000**
Issued Class A ordinary shares at 1st January		
Basic earnings per share	**39.05**	**32.60**

Diluted earnings per share were the same as basic earnings per share, since no potential dilutive financial instruments existed during the year.

12. NON-CURRENT ASSETS

2022	Opening Balance	Additions	Transfers	Closing Balance
Cost				
Land and buildings	1,517,186	491,196	-	2,008,382
Motor Vehicles	80,620	-	-	80,620
Computer Equipment	311,002	15,693	-	326,695
Furniture and fittings	184,779	55,725	-	240,504
Transmission Network	161,347,006	227,994	-	161,575,000
Work in Progress	1,396,836	1,059,001	-	2,455,837
	164,837,429	**1,849,609**	-	**166,687,038**
Accumulated Depreciation				
Land and buildings	425,064	29,052	-	454,116
Motor Vehicles	29,918	17,246	-	47,164
Computer Equipment	272,996	-	-	272,996
furniture and fittings	130,171	47,626	-	177,797
Transmission Network	119,186,800	7,712,076	-	126,898,876
	120,044,949	**7,806,001**	-	**127,850,949**
Carrying amount at 31 December 2022	**44,792,480**			**38,836,089**

12. NON-CURRENT ASSETS (CONTINUED)

2022	Opening Balance	Additions	Disposals	Transfers	Closing Balance
Cost					
Land and buildings	1,517,186	-	-	-	1,517,186
Motor Vehicles	80,620	-	-	-	80,620
Computer Equipment	292,462	-	-	18,540	311,002
furniture and fittings	184,695	-	-	84	184,779
Transmission Network	154,423,955	-	-	6,923,051	161,347,006
Work in Progress	4,126,316	4,212,195		(6,941,675)	1,396,836
	160,625,234	**4,212,195**	-	-	**164,837,429**
Accumulated Depreciation					
Land and buildings	399,726	25,338	-	-	425,064
Motor Vehicles	12,949	16,969	-	-	29,918
Computer Equipment	252,084	20,912	-	-	272,996
Furniture and fittings	94,582	35,589	-	-	130,171
Transmission Network	111,981,790	7,205,010	-	-	119,186,800
	112,741,131	**7,303,818**			**120,044,949**
Carrying Amount at 31 December 2021	**47,884,103**				**44,792,480**

13. INTANGIBLE ASSETS

2022	Opening Balance	Additions	Transfers	Transfers	Closing Balance
Cost					
Software	32,922	-	-	-	32,922
	32,922	-	-	-	32,922
Accumulated Amortization					
Software	4,638				13,905
	4,638	9,267	-	-	13,905
Carrying Amount at 31 December 2022	**28,284**	**9,267**	-	-	**19,017**

Intangible Assets

2021	Opening Balance	Additions	Transfers	Transfers	Closing Balance
Cost					
Software		32,922	-	-	32,922
		32,922	-	-	32,922
Accumulated Amortization					
Software		4,638			4,638
		4,638	-	-	**4,638**
Carrying Amount at 31 December 2021		**28,224**	-	-	**28,224**

14. INVENTORY

	2022	2021
Spare parts	502,407	525,064
	502,407	**525,064**

15. TRADE AND OTHER RECEIVABLES

	2022	2021
Mozal energy supply	22,567,551	22,078,627
Mozal wheeling charge	1,755,051	1,435,321
EDM wheeling charge	1,427,168	1,992,887
EEC wheeling charge	225,074	197,307
Fiber Optic Lease income	46,117	-
	26,020,961	25,704,142
Less allowance for impairment (15.1)	(-59,536)	(-256,787)
	25,961,425	**25,447,355**
Other receivables	276,701	105,458
	26,238,126	**25,552,813**

15.1 Allowance for Impairment

The average credit period is 10 days. Interest of Libor plus 5% at close on the last business day before billing day is charged on outstanding receivables of more than 120 days.

The Company measures the loss allowance for trade receivables as an amount equal to lifetime expected credit losses (ECL). The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtors current financial position, adjusted for factors that are specific to the debtor and to the general economic condition in the country.

The allowance for Impairment reconciles as follows:

	2022	2021
Opening balance	256,878	622,196
Decrease/ increase	(197,251)	(365,409)
Closing balance	**59,536**	**256,787**

2022

Days	**Current**	**< 5**	**<6 - 10>**	**<11 - 15>**	**15 - 19**	
Expected credit	**0.05%**	**0.25%**	**0.50%**	**0.75%**	**1%**	**Total**
Mozal	24,322,602	-	-	-	-	24,322,602
EEC	225,074	-	-	-	-	225,074
Gross carrying amount	**24,547,676**	-	-	-	-	**24,547,676**

Days	**Currently**	**< 20 - 40>**	**<41 - 60>**	**<41 - 60>**	**<61 - 120>**	
Expected credit	**14.00%**	**17%**	**21%**	**46%**	**100%**	**Total**
EDM	544,621	-	-	-	882,547	1,427,168
Fiber Optic Leasing	10,122	6,823	3,523	-	25,649	46,117
	554,743	6,823	3.523	-	**908,196**	**1,473,285**
Total	**25,102,419**	-	-	-	**908,196**	**26,020,961**

15.1 Allowance for Impairment (Continued)

2021

Days	**Current**	**< 5**	**<6 - 10>**	**<11 - 15>**	**15 - 19**	
Expected credit	**0.05%**	**0.25%**	**0.50%**	**0.75%**	**1%**	**Total**
Mozal	23,513,948	-	-	-	-	23,513,948
EEC	197,303	-	-	-	-	197,303
Gross carrying amount	**23,711,255**	-	-	-	-	**23,711,255**

Days	**Currently**	**< 20 - 40>**	**<41 - 60>**	**<41 - 60>**	**<61 - 120>**	
Expected credit	**14.00%**	**17%**	**21%**	**46%**	**100%**	**Total**
EDM	1,882,887	110,000	-	-	-	1,992,887
	1,882,887	110,000	-	-	-	1,992,887
Total expected credit	**25,594,142**					**27,704,142**

The impairment rates used in the model were obtained based on the calculation of the standard expected rate based on historical information, adjusted to inflation. For EDM, management adjusted the rate increasing the parameter from 5% to 10% after 20 outstanding days, based on information of the Mozambican Economy where EDM operates.

On 31st December 2022 the gross trade receivable were USD 26,093,402 (2021: USD 25,447,355) and the allowance for impairment was USD 59,536 (2021: USD 256,787).

16. CASH AND CASH EQUIVALENTS

	2022	**2021**
Bank accounts	38,674,736	43,491,413
Cash	448	49
	38,675,184	**43,491,462**

17. SHARE CAPITAL

Authorized and issued share capital

	% Holding	**2022**	**% Holding**	**2021**
Eswatini Electricity Company	33.333%	13,166,666	33.333%	13,166,667
Eskom Holding SOC Limited	33.333%	13,166,666	33.333%	13,166,667
Electricidade de Moçambique	33.333%	13,166,666	33.333%	13,166,667
	100%	**39,500,000**	**100%**	**39,500,000**

Share capital consists of 395 000 Class A ordinary shares. The total number of shares at the beginning of the year is the same as per 31st December 2022 and is equally held by the three shareholders, i.e., Eskom, EDM and EEC. The shares are not listed on any stock exchange.

18. LEGAL RESERVES

Legal reserve

		2022	**2021**
	(a)	7 887 611	7 243 722
		7 887 611	**7 243 722**

Nature and purpose of the reserves

(a) In terms of the Commercial Code of the Republic of Mozambique, the Company has to transfer 5% of annual profits, up to a limit of 20% of Share Capital to a Legal Reserve. This reserve is not distributable and can only be used for capitalization or to cover losses, after exhausting all other reserves.

19. TRADE AND OTHER PAYABLES

	2022	2021
Trade payable (Eskom)	22,533,503	22,044,710
VAT payable	62,537	(111,902)
Other taxes payable	1,421,102	17,294
Other trade payables	1,212,165	210,630
	25,229,307	**22,160,733**

20. CAPITAL MANAGEMENT

	2022	2021
Trade and other payables (Note 19)	25,229,307	22,160,733
Less cash and cash equivalents (Note 16)	(38,675,184)	(43,491,462)
Net debt	**(13,445,877)**	**(21,330,729)**
Equity	**77,734,395**	**92,309,606**
Equity and net debt	**64,288,518**	**70,978,877**
Gearing ratio	**(20.91%)**	**(30.05%)**

The primary objective of the company's capital management is to ensure that the company maintains a healthy capital ratio in order to support its business and meet all the requirements of loan repayments.

No changes were made in the objectives, policies or processes during the year (2021: no changes).

The company monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. The company's policy is to keep the gearing ratio at a maximum level of 65%. The company includes within net debt, interest-bearing loans and borrowings, trade and other payables, less cash and cash equivalents. Equity includes equity attributable to the equity holders of the parent less the unrealized reserves.

The gearing ratio of (20.91)% (2021: (30.05)%) indicates that the company has the ability to borrow more should funds be required to support investment in the future.

21. FAIR VALUE

At the reporting date, the recorded values of the company's cash and cash equivalents, trade and other receivables and trade and other payables approximate their fair values due to the relatively short periods to maturity.

	Carrying amount		Fair value	
	2022	2021	2022	2021
Financial assets	**Level 2**	**Level 2**	**Level 2**	**Level 2**
Cash and short-term deposits	38,675,184	43,491,462	38,675,184	43,491,462
Trade and other receivables	26,238,126	25,552,813	26,238,126	25,552,813
Financial liabilities				
Trade and other payables	25,229,307	22,160,733	25,229,307	22,160,733

The carrying amount of the financial instruments is equal to the fair value due to the short-term nature of the financial instruments.

22. RELATED PARTIES

MOTRACO's related parties are its shareholders, namely Eskom, EDM and EEC, each holding 33.33% of MOTRACO's share capital.

22.1 Transactions with Eskom Holdings SOC Limited

The purchases from Eskom relate to the cost of electricity that is sold at cost including wheeling charges to Mozal. The volume of transactions with Eskom Holdings SOC Limited during the year are shown in the table below.

	2022	2021
Purchase of electricity	276,073,322	275,868,948
Operating and maintenance services	21,060,608	17,223,853
Telecommunications services	372,556	440,842
Control services	83,628	93,616
	143,710	150,207
	297,733,824	**293,777,466**

With respect to purchases of electricity for onward sale to Mozal SA, MOTRACO is acting as an agent; hence the revenue from sales of energy to Mozal is netted off against the purchase of energy from Eskom.

22.2 Revenue from Electricidade de Moçambique, E.P (EDM) and Eswatini Electricity Company (EEC)

	2022	2021
Wheeling charges EDM	5,187,102	4,147,465
Wheeling charges EEC	3,092,401	2,591,895
	8,279,503	**6,985,057**

22.3 Balances with related parties at 31st December 2022 as follow:

- EDM – Debit balance of USD 1,427,168 (2021: USD 1,992,887)
- EEC – Debit balance of USD 225,074 (2021: USD 197,307)
- Eskom – Credit balance of USD 22,533,503 (2021: USD 22,044,710).

22.4 The compensation of key management personnel of the Company is short-term employee benefits amounting to USD 195,000 (2021: 140,697).

They are also entitled to a defined contribution benefit of 4% paid to a social security post-employment pension fund.

23. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES

The Company has exposure to the following risks arising from the financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors assumes overall responsibility for the establishment and oversight of the Company's risk management framework. The entity has established a fiscal committee, which is responsible for developing and monitoring the entity's risk management policies. The committee reports to the Board.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are being progressively reviewed and improved to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Fiscal Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

i. Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

ii. Currency risk

The Company incurs currency risks as a result of financial assets and financial liabilities in foreign currencies. The currencies giving rise to the currency risk in which the Company deals are Mozambican Meticais (MZN) and South African Rands (ZAR). The company has exposure to the Mozambique Meticais and South Africa Rands resulting from the purchase of energy and some bank accounts that are in meticais and in South African Rand. The company is exposed to fluctuations in the exchange rates,

The Company purchases foreign currency when rates are considered favourable in order to settle foreign currency denominated liabilities.

ii. Currency risk (Continued)

Below are the Company's currency risk-sensitive financial instruments as of the reporting date:

	2022	2021
Carrying amounts		
Exposure to MZM		
Bank balances	5,944,120	3,309,817
Trade Payables	(2,551,080)	(116,022)
Net MZM exposure	**3,393,040**	**3,193,795**
Exposure to ZAR		
Bank balances	**296,530**	**203,627**
Trade payables	(22,533,503)	(22,044,710)
Net ZAR exposure	**(22,236,970)**	**(21,841,083)**

The following significant exchange rates applied during the year:

	2022	2021
Average rates		
MZN	**63.85**	65.51
ZAR	**16,37**	15,85
Spot rates		
USD	**63.87**	63.83
ZAR	**17,03**	15.93

A 10% (strengthening)/weakening of the USD against the MZN will have an impact of +/-USD 339,304 (2021: USD 319,379) on the income statement.

A 10% strengthening/(weakening) of the USD against the ZAR will have an impact of USD 2,223,697 (2021: USD 2,184,108) on the income statement.

iii. Interest rate risk

The Company is exposed to interest rate changes on its borrowings. Management ensures that its borrowings are at market-related best rates. At the reporting date, the interest rate profile of the Company's interest-bearing financial instruments was as follows.

	2022	2021
Carrying amounts		
Variable rate instruments		
Cash and cash equivalents	**24,732,709**	**23,821,262**
	24,732,709	**23,821,262**

If interest rates increase by 10% interest this will have a positive impact of USD 123,663 (2021: USD 119,106) on profit before tax 2022.

If interest rates decrease by 10% interest this will have a negative impact of USD 123,663 (2021: USD 119,106) on profit before tax 2022.

iv. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The risk arises from possible mismatches between the amount and timing of the collection of financial assets and the settlement of financial liabilities. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Liquidity risk is managed through cash flow projections to ensure that there are sufficient funds available for short-term and long-term commitments. Bank facilities are used to manage this risk. The Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

As at 31 December 2022	Carrying amount	One year	2 – 5 years	Over 5 years
Trade Payables	**25,229,307**	**25,229,307**	-	-
	25,229,307	**25,229,307**	-	-
As at 31 December 2021	Carrying amount	One year	2 – 5 years	**Over 5 years**
Trade Payables	22,160,733	22,160,733	-	-
	22,160,733	**22,160,733**	-	-

As at 31 December 2022 the Company has amounts that are payable within one year of USD 25,229.307 (31 December 2021: USD 22,160,733). The Company has trade and other receivables of USD 26,093,402 (31 December 2021: USD 25,552,813) and cash and cash equivalents of USD 38,675,184 (31 December 2021: USD 43,491,462) and these are expected to cover the Company's short-term payables.

i. Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers, cash and bank balances.

Management has a credit policy in place and exposure to credit risk is monitored on an ongoing basis. Customers credit worthiness assessment is performed at least once a year or whenever required. Management is currently treating this as a priority focus area. The maximum exposure to credit risks is represented by the carrying amount of each financial asset in the statement of financial position.

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Company's customer base, including the default risk of the industry and the country, in which customers operate, have less of an influence on credit risk.

The Company establishes an allowance for impairment that represents its expected credit losses in respect of trade and other receivables. The company uses a simplified approach to come up with the allowance for impairment.

The maximum exposure to credit risk at the reporting date was:

	2022	2021
Trade and other receivables	**26,297,662**	25,809,600
Cash and cash equivalents	**38,675,184**	43,491,462
	64,972,846	69,300,875

24. COMMITMENTS AND CONTINGENCIES

24.1. Lawsuits

As a result of the tax review on the accounting records from 2014 to 2017, through Notification Nº 204/DAF-531T/2019 dated 28 June 2019, the Company was notified to pay USD 5,849,335 (359,558,016 Meticais). The company replied to the notification in January 2021 supported by explanatory documentation and waits for the response of the Tax Authority.

In January 2022, a second notification was received, MOTRACO response having been received where the company engaged a legal firm (CGA) and responded by the 07th of the same month. There have been no developments in the case the date of signing the financial statements Management is of the opinion that the outcome of this process will be favourable to the company.

24.2. Liabilities arising from interpretation of tax legislation.

The fiscal authorities have the right to review the company's fiscal obligations during a period of 5 years. From that review if any could be resulting eventual tax revisions due to different interpretations and/or in compliance with fiscal law namely Corporate Income Tax Personal Tax and Value Added Tax which are not possible to foresee.

25. NEW STANDARDS, AMENDMENTS AND INTERPRETATION

A number of new standards are effective for annual periods beginning after 1 January 2022, and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

A. Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences - e.g., leases and decommissioning liabilities. The amendments apply for annual reporting periods beginning on or after 1 January 2023. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

The Company accounts for deferred tax on leases and decommissioning liabilities applying the 'Integrally linked' approach, resulting in a similar outcome to the amendments, except that the deferred tax asset or liability is recognised on a net basis.

B. Classification of Liabilities as current or non-current (Amendments to IAS 1)

The amendments, as issued in 2020, aim to clarify the requirements for determining whether a liability is current or non-current, and apply for annual reporting periods beginning on or after 1 January 2023. However, the IASB has subsequently proposed further amendments to IAS 1 and the deferral of the effective date of the 2020 amendments to no earlier than 1 January 2024. Due to these ongoing developments, the Company is unable to determine the impact of these amendments on the consolidated financial statements in the period of initial application. The Company closely monitoring the developments.

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