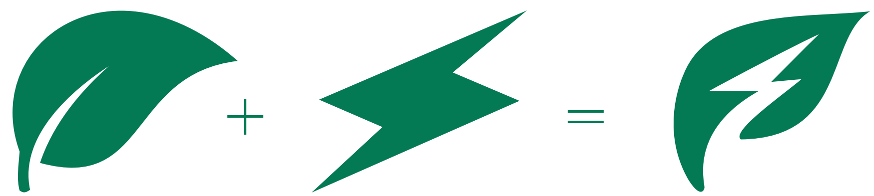
NamPower
Powering the Nation and beyond

INTEGRATED ANNUAL REPORT 2023

OUR THEME

HARNESSING OUR ENERGY FOR FUTURE SUSTAINABILITY

NamPower's 2023 Integrated Annual Report centres around the theme of "Harnessing Our Energy for Future Sustainability". The report highlights NamPower's dedication to achieving environmental and financial sustainability while ensuring a dependable and sustainable energy supply for Namibia. With a strong focus on renewable energy sources, energy efficiency, and minimising environmental impact, the report showcases NamPower's initiatives, accomplishments, and ongoing projects in transitioning towards a greener energy landscape. Moreover, the report emphasises NamPower's commitment to financial sustainability, showcasing its responsible financial management and ability to meet Namibia's electricity needs in a sustainable manner. By intertwining environmental and financial sustainability, NamPower strives to reinforce its role as a responsible electricity provider and a catalyst for the sustainable development of Namibia.



NAMPOWER, plays a crucial role in providing electricity and energy services to the people of Namibia. Sustaining the "needs of the present while preserving the ability of future generations to meet their own needs" is a fundamental principle of sustainable development.

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INTRODUCTION

ABOUT OUR REPORT

NamPower's 2023 Integrated Annual Report is a comprehensive account of our ongoing efforts to create and preserve value for our stakeholders. As an important communication tool for our principal shareholder, the Government of the Republic of Namibia, and other key stakeholders, the report presents accurate, relevant, and transparent information about our progress in value creation. With a focus on sustainability, growth, and making a positive impact, we aim to share our story with utmost clarity and transparency. The report showcases our commitment to sustainable development and highlights our current achievements and planned strategic initiatives in delivering reliable and environmentally responsible energy solutions.

GLOSSARY OF ICONS USED THROUGHOUT THIS REPORT

OUR STRATEGIC PILLARS

- Unlocking the value of electricity sector collaboration
- Ensuring the security of supply
- Optimising financial sustainability
- Driving organisational and operational excellence

OUR CAPITALS

The resources and relationships on which we depend can be described as different forms of "capital stock" – the assets we need to protect and enhance to achieve our strategic objectives.

- Financial capital
- Social and relationship capital
- Intellectual capital
- Human capital
- Manufactured capital
- Natural capital

OUR KEY STAKEHOLDERS

- Employees and union representative body
- Regulator (Electricity Control Board)
- Government
- Customers
- Media
- Suppliers and service providers
- International/regional relations (Southern African Power Pool)
- Financiers and development finance institutions

WE CARE ABOUT

- Customer Focus
- Integrity
- Teamwork
- Accountability
- Empowerment
- Safety, health, and environment

INTEGRATED THINKING

NamPower's third Integrated Annual Report reflects our commitment to embedding integrated thinking and reporting as an ongoing process. This commitment, initiated in the 2020/2021 financial year, promotes good governance and disclosure practices and recognises the interdependencies between the capitals we utilise or impact. We acknowledge the inherent trade-offs associated with our strategic choices.

Our commitment to transparent reporting encompasses both the value created and preserved, as well as the value eroded. By comprehending the intricate dynamics between these elements, we aim to enhance our ability to deliver sustained value for all stakeholders across the short, medium, and long term.

REPORT BOUNDARY, SCOPE, AND FRAMEWORK

This report presents NamPower's performance for the year ended 30 June 2023. In determining the material matters to report on, we have considered the top risks and opportunities derived from our operating context and stakeholder relationships.

Our reporting process adheres to the principles and requirements outlined in the International Financial Reporting Standards (IFRS), the International Integrated Reporting Council's Framework, the Corporate Governance Code for Namibia (NamCode), the Companies Act, 2004 (Act 28 of 2004), and the Report on Corporate Governance for South Africa 2016 (King IV).

EVOLVING MARKET ESG EXPECTATIONS

In the dynamic landscape of ESG reporting, frameworks and standards are evolving swiftly under the guidance of organisations like the International Sustainability Standards Board (ISSB). This response is fuelled by a growing interest in how companies tackle sustainability challenges and the heightened expectations for transparent disclosure of pertinent information and data pertaining to responsible business activities. NamPower's disclosure of ESG performance is primarily intended for the attention of the Board and the Executive Management Committee (Exco), with a detailed report available on pages 28 to 32.

MATERIALITY

This report focuses on matters that we identified as having the most significant material impact on our capacity to create value and fulfil our core purpose across the short, medium, and long terms.

An independently facilitated materiality process was conducted to assess these value-creating issues, which informs the content and structure of this report. Through discussions, we explored the significant risks, opportunities, and impacts associated with our activities in the short-term (less than 12 months), medium-term (two to five years), and long-term (beyond five years).

Our approach to managing these material matters is reflected in our operating context (refer to page 56), the material interests of our stakeholders (refer to page 58), and the principal risks facing the organisation (refer to page 61).

TARGET AUDIENCE

This report has been primarily prepared for the principal shareholder, the Government of the Republic of Namibia, as well as for current and prospective investors to aid in their assessments of capital allocation. Additionally, it aims to provide valuable insights to regulatory authorities in Namibia to inform their assessments of our performance.

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements regarding NamPower's future performance and prospects. These statements are based on our judgements and expectations at the time of preparing this report. However, it is important to acknowledge that numerous risks, uncertainties, and other significant factors may cause actual outcomes that differ to differ materially from our expectations. These factors may include circumstances that could adversely impact our business and financial performance.

BOARD OF DIRECTORS RESPONSIBILITY STATEMENT

NamPower's Board of Directors (Board) acknowledges its responsibility to uphold the integrity of the Integrated Annual Report. The Board has applied its collective expertise to the preparation and presentation of the report, believing that it addresses all material matters and offers a balanced view of NamPower's strategy and its impact on value creation in the short, medium, and long term.

The Board is confident that the report adequately addresses NamPower's use of capitals, its effects on these capitals, and the reciprocal relationship between the availability of these capitals and the organisation's strategy and business model. We, as the Board, confirm that this Integrated Annual Report was prepared in accordance with the International Integrated Reporting Framework. The report, which remains the ultimate responsibility of the Board, is prepared and collated under the supervision of executive management and is submitted to the Audit and Risk Management Committee, which, having reviewed the contents, recommends it to the Board for approval.

The Board, supported by the Audit and Risk Management Committee, bears ultimate responsibility for NamPower's system of internal controls, which is designed to identify, evaluate, manage, and provide reasonable assurance against material misstatement and loss.

The consolidated Annual Financial Statements on pages 114 to 239 were audited by our external auditors, PricewaterhouseCoopers. The Integrated Annual Report was issued on 23 February 2024.

M. Mbombo

Acting Chairperson of the Board

K.S. Haulofu

Managing Director

S. Hornung

Audit and Risk Management Committee (Board Committee)

NAMPOWER'S COMMITMENT TO THE UN SDGs

NamPower voluntarily endorses the United Nations Sustainable Development Goals (UN SDGs) and is committed to making a positive contribution towards their achievement by supporting Namibia's Fifth National Development Plan (NDP5), the Harambee Prosperity Plan II, and by implementing our strategic initiatives. Through these efforts, we aim to support and sustain the value that the Electricity Supply Industry (ESI) contributes to the Namibian economy and the well-being of its people in a sustainable manner.

NamPower's contribution to the UN SDGs is described under the respective goals below:

1 NO POVERTY

- Increased access to electricity for populations living in rural and peri-urban areas to enhance productive capacity through social and economic activities
- Supporting national development plans focused on reducing poverty through corporate social investments
- Adopting a localised procurement strategy to encourage greater participation of previously disadvantaged Namibian's (PDN's)
- Generating thousands of direct and indirect job opportunities, particularly in economically underserved communities
- Fulfilling tax obligations, encompassing corporate income tax, value- added tax on purchases, import and export duties, and payroll taxes

3 GOOD HEALTH AND WELL-BEING

- Mitigating and managing national and global health risks
- Cultivating a zero harm culture to safeguard the well-being of our employees and third-party contractors
- Promoting consumer education on safe electricity usage
- Implementing well established safety, health and wellness programmes and initiatives
- Offering free medical aid benefits provided to staff members
- Providing pension benefits through the NamPower Provident Fund

4 QUALITY EDUCATION

- Providing access to vocational education at NamPower's Vocational Training Centre
- Providing bursaries to the youth of Namibia in various fields of study
- Investing in staff development and training, including leadership development programmes

5 GENDER EQUALITY

- Implementing an Affirmative Action Policy and Recruitment and Selection Policy
- Proactively working towards improved gender representation within the organisation by fostering equal employment opportunities and specifically targeting women for promotions, bursaries, and scholarships

6 CLEAN WATER AND SANITATION

- Improving access by Namibian communities to clean water through our CSI initiatives
- Monitoring of water pollution administered through the available legislative instruments
- Register groundwater boreholes used by NamPower in areas without access to water supply from the national water utility, town councils or municipalities, with strict adherence to permit conditions as prescribed by the Ministry of Agriculture, Water and Land Reform (MAWLR)

7 AFFORDABLE AND CLEAN ENERGY

- The Ruacana Hydro Power Station, as the primary local generation source, provides the most cost-effective renewable energy solution in the country
- The inauguration of the Omburu PV Plant during 2022 has contributed an additional 20 MW of clean and renewable energy to the national grid
- Several other renewable energy projects are currently at various stages of implementation
- Upholding environmental laws and actively exploring sustainable energy initiatives

8 DECENT WORK AND ECONOMIC GROWTH

- NamPower provides employment to more than 1,000 employees
- Fostered a positive working environment with competitive remuneration packages and favourable conditions of service

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

- Namibia benefits from a state-of-the-art and highly reliable nationwide electricity infrastructure
- NamPower's "The Grid Online" fibre optic broadband service provides valuable additional telecommunications bandwidth, supporting the country's connectivity needs

15 LIFE ON LAND

- NamPower has implemented policies such as the Environmental Policy and Safety Policy to safeguard the well-being of communities and the flora and fauna surrounding its infrastructure
- Projects undergo Environmental Impact Assessments (EIA) in accordance with the Environmental Management Act No.7 of 2007 and the supporting regulations
- Environmental Management plans are developed to address concerns and incorporate mitigation measures, ensuring minimal impacts on communities and customers

17 PARTNERSHIPS FOR THE GOALS

- NamPower actively collaborates with a diverse range of stakeholders to work towards achieving the SDGs and national development goals

V2030

02. OUR BUSINESS

OUR MANDATE

NamPower, as the national state-owned power utility, serves as a driving force behind Namibia's socio-economic development. Our core mandate is the provision of bulk electricity supply to all sectors of the economy and the population, particularly in areas where Regional Electricity Distributors (REDs) have not yet been established or where municipalities are not able to provide distribution services.

As a commercial, Public Enterprises, NamPower operates under the oversight of the Ministry of Finance and Public Enterprises (MFPE) in adherence to the provisions of the Public Enterprises Governance Act 1 of 2019 ("PEGA Act"). We also maintain reporting obligations to the Ministry of Mines and Energy, which holds the authority for establishing policy in the country's ESI.

According to the Electricity Act 4 of 2007, NamPower's mandate covers the entire electricity value chain, encompassing generation, transmission, distribution, supply, and trading. This includes facilitating electricity imports and exports, enabling us to fulfil our role within the dynamic regulatory and market environment.

By diligently executing our Integrated Strategic Business Plan (ISBP 2020 – 2025), NamPower remains committed to ensuring a reliable and sustainable electricity supply. Our unwavering focus on reliability and sustainability is the cornerstone of our operations, reflecting our dedication to meeting the energy needs of Namibia.

VISION AND MISSION

NamPower's vision and mission statements are supported by four strategic pillars (refer to page 15) guiding our strategic direction and behaviour. NamPower is committed to upholding its existing vision and mission statements while actively pursuing these strategic pillars. These pillars play a crucial role in shaping NamPower's strategic approach and ensuring alignment with its overarching vision and mission.

Vision – "To be the leading electricity solutions provider of choice in SADC."
Mission – "To provide innovative electricity solutions, in an evolving market, which satisfy the needs of our customers, fulfil the aspirations of our staff and, the expectations of our stakeholders in a competitive, sustainable and environmentally friendly manner."

CORE VALUES

NamPower is committed to upholding high ethical standards while fulfilling its mandate. The organisation places a strong emphasis on fostering a culture of teamwork that brings out the best in each individual. Serving customers with excellence and prioritising the safety and well-being of its staff and the public are core principles that NamPower deeply values.

WE CARE ABOUT:

- Customer Focus
- Integrity
- Teamwork
- Accountability
- Empowerment
- Safety, health, and environment

CODE OF CONDUCT

NamPower's Code of Conduct and Conflict of Interest Policy are the guiding principles that underscore our unwavering commitment to integrity. These foundational documents define our responsibilities towards colleagues, stakeholders, and shareholders, providing a transparent framework for decision-making. Within this framework, our policy serves multiple vital purposes:

Firstly, it establishes ethical parameters that steer our decision-making processes, underscoring our dedicated commitment to upholding principles of good governance. Secondly, our unwavering ethical stance drives sustainable performance and cultivates trust with our stakeholders, forming a solid foundation for long-term success. Lastly, the Code of Conduct stands as the bedrock of our ethical culture, not only directing behaviour but also encouraging the reporting of unethical conduct while seamlessly aligning with our other policies.

Our values are enshrined within this Code, reflecting our aspirations of embracing ethical standards, promoting teamwork, prioritising customer service, and placing paramount importance on safety, health, and environmental consciousness. NamPower's employees embody these values, fostering a high-performance culture that wholeheartedly recognises individual contributions.

OUR PERFORMANCE ACCORDING TO THE CAPITALS FOR 2023

FINANCIAL CAPITAL

TOTAL ASSETS FOR THE GROUP

N$49.2 billion

FY 2022: N$49.8 billion

INVESTMENT INCOME

N$713.4 million

FY 2022: N$551.8 million

GROUP REVENUE

N$7.2 billion

FY 2022: N$6.5 billion

IMPORTS

58.2%

FY 2022: 71.2%

MAXIMUM DEMAND

633 MW

FY 2022 638 MW

COST OF ELECTRICITY DECREASED BY

0.85%

FROM N$5.1 billion TO N$5.0 billion

NET LOSS (BEFORE INTEREST AND TAX)

N$2.1 billion

FROM A NET LOSS OF N$2.3 billion

NET CASH GENERATED

N$567.5 million

FY2022: N$278.6 million

DEBTORS' COLLECTION DAYS

76 days

FY2022: 77 DAYS

SOCIAL AND RELATIONSHIP CAPITAL

RURAL ELECTRIFICATION

N$42.8 million

LOCALISED PREFERENTIAL PROCUREMENT

N$305 million

FY2022: N$139 million

INVESTMENT IN CSI

N$8.5 million

INVESTMENT IN 80 ACADEMIC BURSARIES

N$5.6 million

FY2022: N$5.1 million

MANUFACTURED CAPITAL

TOTAL ASSETS UNDER CONSTRUCTION

N$2.02 billion

FY 2022: N$1.66 billion

ELECTRICITY GENERATED

33.3% out of 4,267 GWh

FY 2022: 19.9% OUT OF 4,097 GWh

CONTRIBUTION BY IPPs
Units into the system

8.5%

ADDITIONAL TRANSMISSION LINES

66 KM

RUACANA POWER STATION OUTPUT

1,323 GWh

FY 2022: 780 GWh

HUMAN CAPITAL

HEADCOUNT

1,077

FY 2022: 1,134

EMPLOYEE COSTS

N$911.3 million

FY 2022: 992.5 million

OVERALL COMPANY PERFORMANCE

2.68 OUT OF 4

FY2022: 2.16 out of 4

STAFF DEVELOPMENT AND TRAINING

N$3.2 million

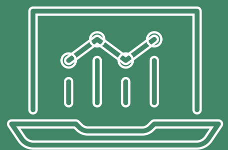
FEMALE REPRESENTATION

26%

LOST TIME INJURY RATE (LTIR)

0.89% across all business units

NATURAL CAPITAL



OPERATIONAL ENVIRONMENTAL CLEARANCE CERTIFICATES (ECCs) ACQUIRED

13

ECC APPLICATIONS FOR INFRASTRUCTURE PROJECTS AND DISTRIBUTION LINES

55

OUR FOUR STRATEGIC PILLARS

HOW WE DELIVER ON OUR VISION AND MISSION

Our vision, "To be the leading electricity solutions provider of choice in the SADC region," drives our efforts to deliver on our Integrated Strategic Business Plan (ISBP) for the period 2020-2025. **The ISBP is supported by four strategic pillars as illustrated below.**

These strategic pillars serve as the foundation for our decision-making and the execution of our overall strategy. They are carefully designed to create value for our stakeholders in the short, medium, and long term.

In our ISBP, we recognise the contributions from all operational areas within our Company towards achieving our strategic objectives over the next two years. The targets outlined in the ISBP undergo annual review, considering market factors, relevant information, and our Company's operational performance.

As we present this integrated annual report, we demonstrate our commitment to aligning our vision, strategy, and operations, thereby providing a comprehensive view of our sustainable business performance and the value we create for our stakeholders.

Vision: "To be the leading electricity solutions provider of choice in SADC."

Mission: "To provide innovative electricity solutions, in an evolving market, which satisfy the needs of our customers, fulfil the aspirations of our staff, and the expectations of our stakeholders in a competitive, sustainable and environmentally friendly manner."

Strategic Pillars and Objectives

ENSURING SECURITY OF SUPPLY

- Optimally expand generation capacity
- Optimally expand transmission capacity
- Leverage regional trading opportunities
- Ensure least-cost electricity supply mix

UNLOCKING THE VALUE OF ELECTRICITY SECTOR COLLABORATION

- Support the development of the electricity industry and the economy
- Develop new products and services (solutions)
- Support the acceleration of electrification

OPTIMISING FINANCIAL SUSTAINABILITY

- Increase sales/revenue (growth)
- Ensure sound liquidity
- Grow shareholder value
- Maintain profitability

DRIVING ORGANISATIONAL AND OPERATIONAL EXCELLENCE

- Develop additional capabilities to meet the competitive market requirements
- Achieve and retain top employer status
- Build an ethical, engaging and high-performing culture

Values: Customer focus; Integrity; Teamwork; Accountability; Empowerment; Safety, Health, Environment

STRATEGIC GOALS THAT WILL DRIVE AND GUIDE THE FOUR STRATEGIC PILLARS

NamPower will **"Ensure security of supply"** by ensuring a least-cost electricity supply mix, optimally expanding the transmission network, expanding generation, and leveraging regional trading opportunities.

NamPower will **"Unlock the value of electricity sector collaboration"** by supporting the development of the electricity industry and economy, supporting the acceleration of electrification, and developing new products and services.

NamPower will **"Optimise financial sustainability"** by increasing sales/revenue, ensuring sound liquidity, growing shareholder value, optimising operational cost and efficiencies, and maintaining profitability.

Lastly, NamPower will **"Drive organisational and operational excellence"** by building an ethical, engaging, and high-performance culture, achieving and retaining top employer status, and developing additional capabilities to meet new market requirements. New digital technologies and capabilities are key enablers to improved NamPower's performance and competitiveness.

UNDERSTANDING OUR BUSINESS

WHAT WE DO

NamPower remains committed to delivering innovative electricity solutions in an ever-evolving market. Our focus is on meeting the diverse needs of our customers, fulfilling the aspirations of our staff, and exceeding the expectations of our stakeholders. We strive to do so in a competitive, sustainable, and environmentally friendly manner.

Our integrated annual report provides a comprehensive overview of our installed generation capacity, highlighting the significance of each source in our energy portfolio. By leveraging these diverse sources, we aim to optimise efficiency, enhance reliability, and minimise environmental impact, ultimately delivering long-term value to our stakeholders and communities.

Outlined in the table below are NamPower's main sources of installed generation capacity:

Power Station Name	Generation source	Installed capacity	Operating regime
Ruacana Power Station	Run-of-the- River Hydropower	347 MW	Variable
Van Eck Power Station	Thermal	120 MW	Emergency standby
Anixas Power Station	Diesel/Heavy Fuel Oil	22.5 MW	Emergency standby
Omburu Solar Photovoltaic (PV) Power Station	Renewable Energy	20.0 MW	Variable

NamPower relies not only on locally generated electricity, but also imports additional power through the SAPP via its Energy Trading System to supplement supply and meet demand. The volume of electricity imports is contingent upon the availability of local generation. Currently, NamPower imports 60% to 70% of its energy requirement on average.

Over the years, NamPower has increased Namibia's local generation capacity by refurbishing and upgrading its existing power plants and forging partnerships with the private sector to deliver renewable energy capacity to the grid.

Rapid advancements in solar photovoltaic (PV), wind, biomass, and battery storage technologies offer NamPower the opportunity to diversify the local generation mix, reduce dependency on electricity imports, and establish a sustainable and cost-effective supply mix for Namibia's economy. The Omburu 20 MW PV Power Station, NamPower's first fully owned and operated renewable energy project (inaugurated during 2022), serves as an exemplary demonstration of the capabilities of such technologies.

As part of NamPower's endeavours to adapt to prevailing market dynamics and realign its position, the utility is actively pursuing its planned capital generation and transmission expansion plans and projects. These strategic initiatives, identified in the ISBP, aim to support NamPower's mandate and continue powering the nation. For detailed information regarding these projects, please refer to pages 87 to 95 of this report.

TRANSMISSION SYSTEM

NamPower takes pride in owning a world-class transmission system comprising an extensive network of overhead lines ranging from 66 kV to 400 kV, spanning an extensive distance of 11,756 km. This national grid is a testament to Namibia's capabilities, as Namibian professionals have predominantly designed and constructed it.

To ensure an efficient, reliable, and effective network with minimal disruptions, NamPower consistently invests in strengthening and maintaining the national grid. These ongoing investments ensure an efficient, reliable, and effective network with minimal disruptions.

NamPower has developed a Transmission Master Plan, a strategic blueprint that outlines significant backbone developments for the transmission system across the country. This plan undergoes annual updates to keep pace with the nation's evolving electricity demands and to ensure security of supply.

As part of its mandate, NamPower prioritises planning, developing, and maintaining its generation and transmission infrastructure. These infrastructure components are pivotal to the smooth operations of the Company. Furthermore, NamPower remains committed to providing distribution and rural electrification infrastructure, fulfilling its responsibility to serve all sectors of society and contribute to the nation's development.

GENERATION CAPACITY

- Four power stations
- Total installed capacity of 509.5 MW
- Variable and emergency standby

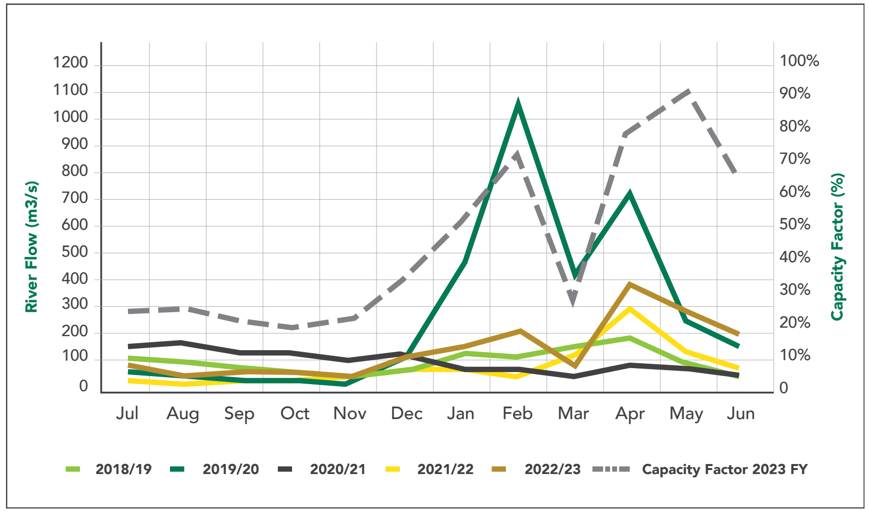
NETWORK CAPACITY

- 11,756 km of high and medium-voltage transmission lines
- 22,930 km low voltage distribution lines

RUACANA POWER STATION

The operation of Ruacana Power Station was primarily characterised by a mid-merit peaking during the year under review, with one exception. This exceptional period occurred between April 2023 and May 2023 when the Kunene River flow was substantial enough to support the base-load operation. Similar to previous years, the middle-lower Kunene River catchment area experienced late rains, as illustrated in the figure below. Consequently, the capacity factor varied throughout the year, reaching its peak in May 2023, and averaging an overall capacity factor of 44% for the entire year.

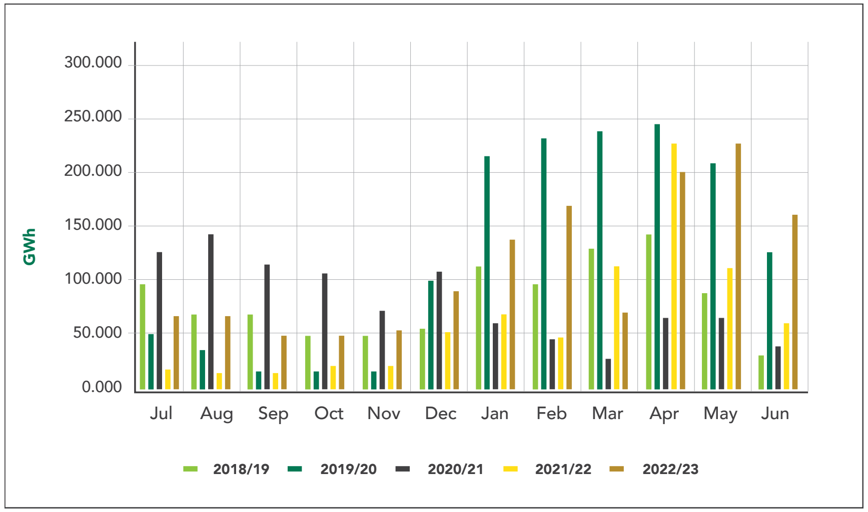
Kunene monthly average river flow



The Ruacana Power Station's generating units have consistently achieved high levels of availability and reliability. The energy generated and dispatched during the year reached an impressive 1,323 GWh than the budgeted amount of 1,200 GWh. This marked a substantial improvement compared to the previous year, with the lowest recorded output in the past ten years being recorded at 780 GWh. The notable increase can be attributed to a more favourable rainfall season during the year under review as compared to less favourable conditions during 2022, as well as the sustained high performance of the power station in terms of both availability and reliability.

The figure below shows the energy generated and dispatched from Ruacana Power Station during the reporting year as compared to the past five years.

Energy generated and dispatched from Ruacana



ANIXAS POWER STATION

The Anixas Power Station, with a capacity of 22.5 MW, is situated at the coastal town of Walvis Bay and continues to serve as a vital standby emergency power station within NamPower's generation fleet. This power station complies with rigorous international standards, ensuring the generation of a safe and reliable electricity supply. It has received ISO 9001: 2015 certification for its Quality Management System (QMS) from Bureau Veritas Namibia, affirming its compliance with industry best practices.

Due to energy constraints, the Anixas Power Station frequently operates during peak periods when imported power from the SAPP is insufficient. Its excellent reliability is demonstrated by its consistent ability to supply electricity at full capacity whenever required.

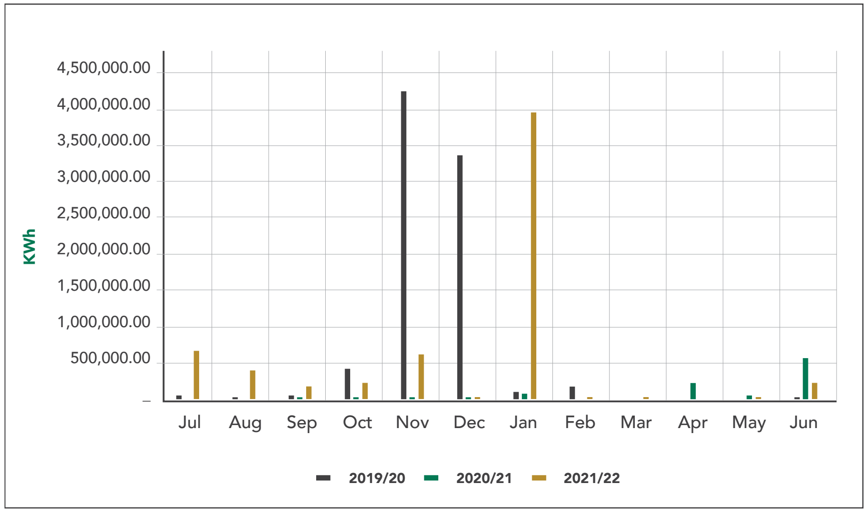
As part of NamPower's expansion in new generation facilities, Anixas II, a new project described under the status of our generation projects, is being constructed to add 50 MW of quick-start power generation. The combined capacity of Anixas and Anixas II will play a critical role as emergency and backup generation capacity, particularly for PV power plants during cloud-covering conditions. This backup role can be effectively managed in coordination with weather forecasting programmes.

During the review period, a significant amount of energy, totalling 6,725,067.00 kWh, was dispatched to meet energy demands, marking an increase from the previous year's 2,482,767.00 kWh.

A pivotal shift occurred as we transitioned from conventional heavy fuel oil (HFO) to the more environmentally friendly Very Low Sulphur Fuel Oil (VLSFO). This change was driven by evolving fuel technologies and the obsolescence of HFO. This strategic consumption allowed for seamless integration of VLSFO into a more sustainable and cleaner form of energy production.

The Anixas Power Station, along with the Anixas II project, collectively bolsters NamPower's capacity to ensure a stable and reliable electricity supply, particularly in challenging circumstances.

Units sent out



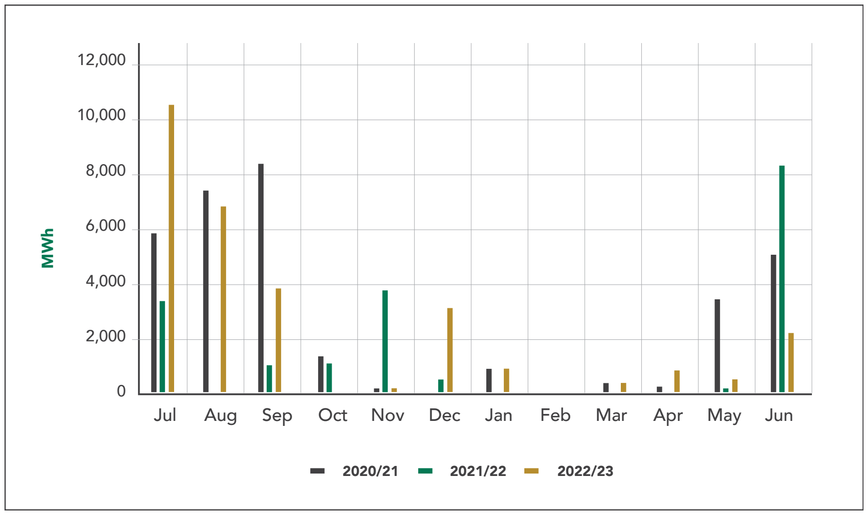
VAN ECK POWER STATION

Van Eck Power Station, a coal-thermal plant, continues to serve as NamPower's standby station, with an installed capacity of 120 MW (4 units of 30 MW per unit). Due to the aging infrastructure, the available capacity is limited to 96 MW (24 MW per unit) with one unit always operated in Synchronous Condenser Mode (SCO Mode). The figure below indicates that the station has been required to run mainly during the winter season due to the increased electricity demand during said season.

Operating primarily as an emergency standby power station, Van Eck generates electricity solely during specific scenarios. These include situations where the tariff is lower than the cost of energy available in the market, during planned outages of backbone transmission lines, or in response to emergencies.

The total amount of energy dispatched during the reporting period amounted to 29 GWh, representing a significant increase of 66% compared to a decline of 55% in the previous year (17 GWh). The increase in production is primarily attributed to an increased need to supplement the demand for electricity during the winter period and due to continued loadshedding by Eskom in South Africa.

Units sent out

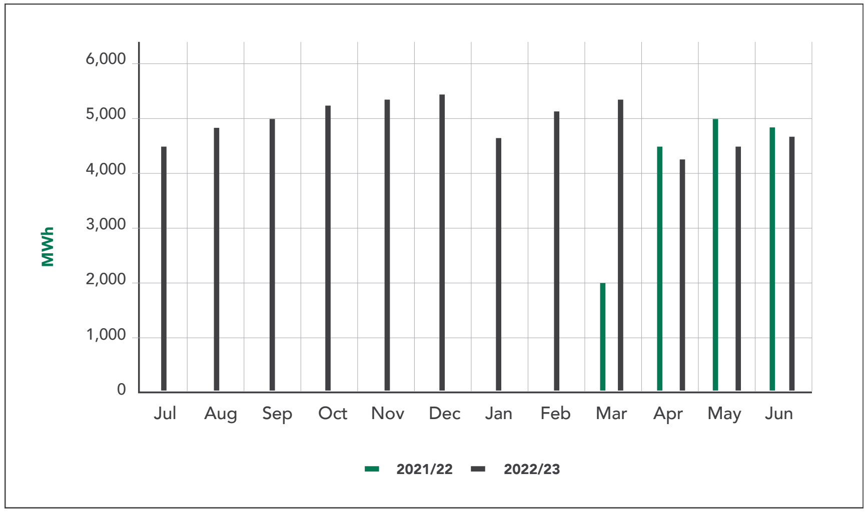


OMBURU POWER STATION

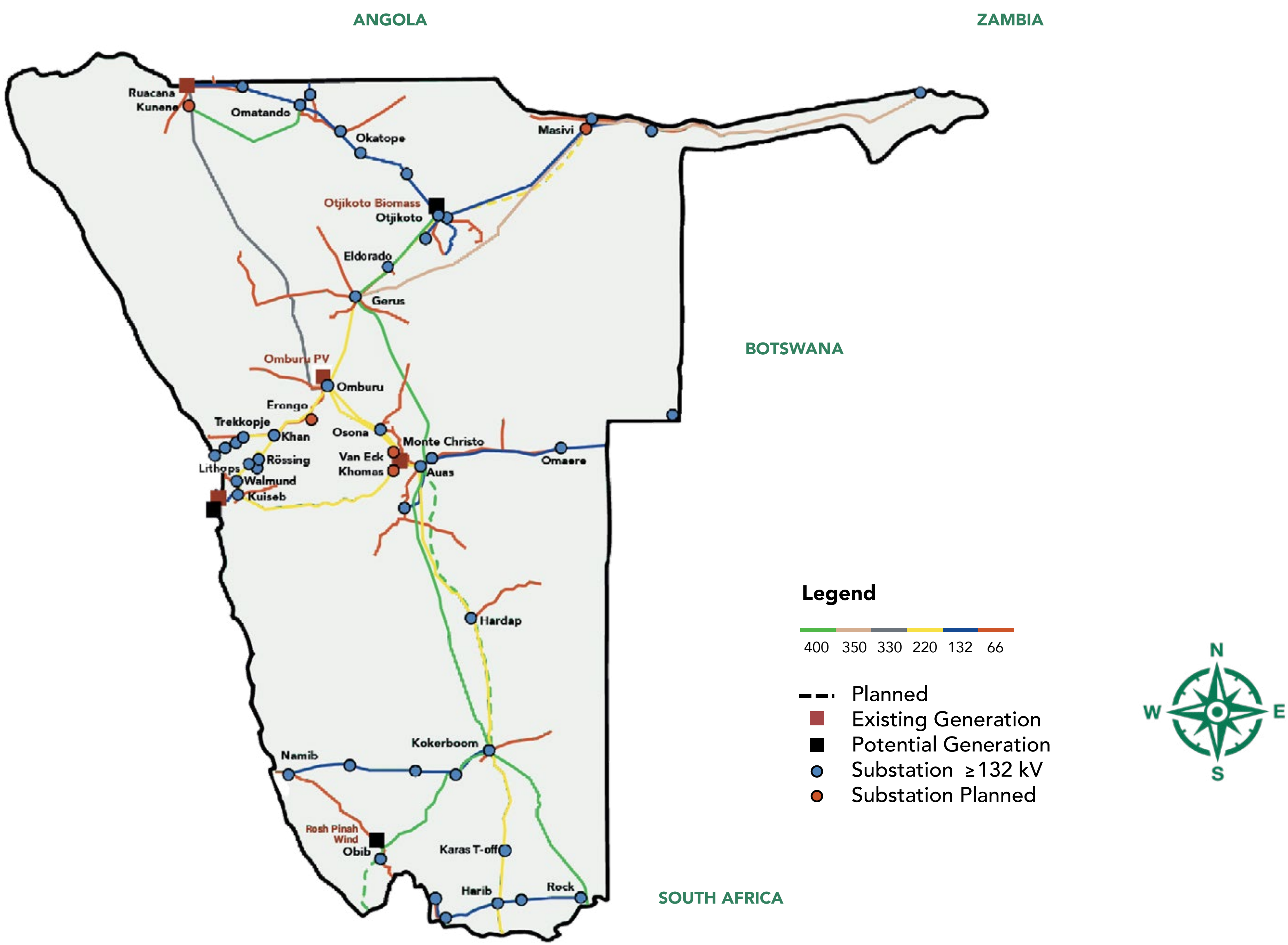
The Omburu PV Power Station, with a capacity of 20 MW, represents NamPower's most recent addition to its expanding portfolio of renewable energy generation projects. It is located 12 km southeast of Omaruru in Namibia's Erongo region, encompassing an area of 42 hectares.

NamPower, as the developer and owner of the customer (LRMC) - funded project, spearheaded the project's construction, which commenced in 2021, and culminated in achieving its commercial operations date on 29 March 2022. An outstanding feature of this initiative is its annual contribution of 61 GWh of clean energy to the grid. The Omburu PV Power Station is extremely reliable, with a plant availability rate of 99.57%.

Units sent out



TRANSMISSION AND GENERATION STATIONS AND LINES MAP



SYSTEM DEMAND

A peak demand of 632 MW/h (excluding Skorpion Mine) was recorded, which is slightly lower than the previous record of 637 MW/h. This represents a noticeable year-on-year decrease of 0.8% in the system's maximum demand.

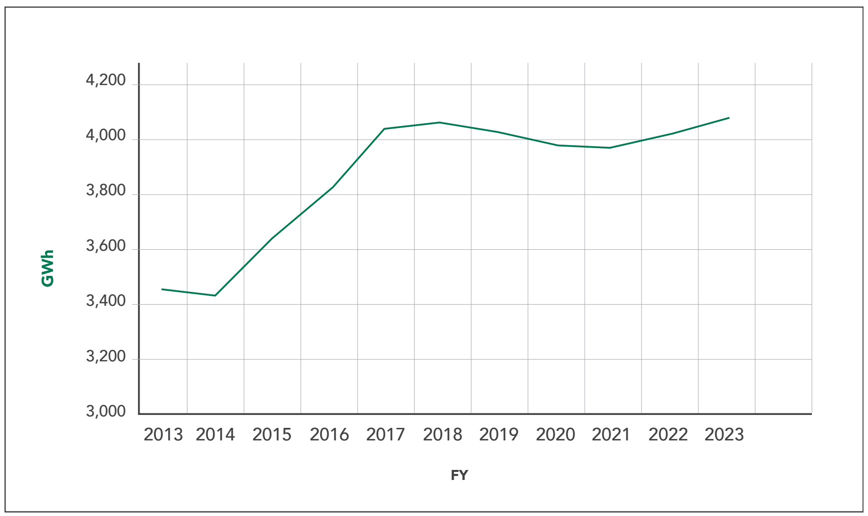
System minimum and maximum demands

01:00 Monday - 00:00 Friday	
Weekday maximum	632.549
Weekday minimum	235.539
01:00 Saturday - 00:00 Sunday	
Weekend maximum	592.825
Weekend minimum	317.571

GROWTH IN ENERGY CONSUMPTION

Following a reduction in energy demand due to the economic downturn and the impact of COVID-19 between the 2018 to 2021 financial years, NamPower has recorded minimal growth in **energy consumption** over the past two financial years. This growth indicates natural **demand growth** rather than significant economic activities.

Total national energy consumption increased in the 2022 financial year by 1.5%, rising from 3,925 GWh in 2021 to 3,983 GWh. This was followed by a growth of 1.8% during the period under review, to 4,055 GWh. Based on the annual energy forecast exercise, a significant energy consumption growth of 6.5% to 4,319 GWh is forecasted in the next (2024) financial year.

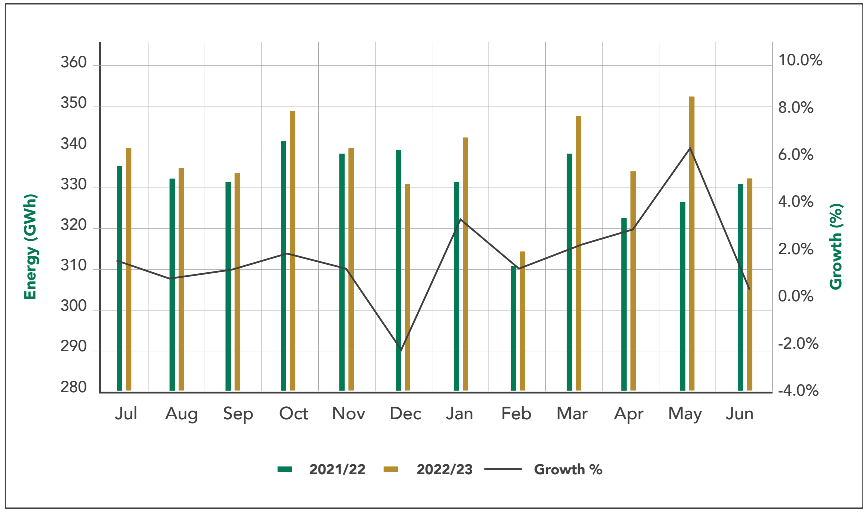


MONTHLY ENERGY DEMAND COMPARED TO THE PREVIOUS FINANCIAL YEAR

During the year under review, NamPower recorded positive energy demand growth for all months except December 2022. The overall growth of 1.81%, increasing from 3,983 GWh in 2022 to 4,055GWh in 2023, can be attributed to natural demand growth. This suggests the absence or limited connection of new significant demand contributors (step loads) to the grid.

Demand and consumption have become more stable compared to the volatile consumption experienced in the 2020 and 2021 financial years, mainly due to the impact of COVID-19 during the aforementioned periods. The highest monthly energy consumption in the year 2023, reaching 352 GWh, was recorded in the fourth quarter (Q4) of the year, specifically in May 2023.

2022 vs 2023



Key figures on energy consumption and supply for the year under review in comparison to the prior year:

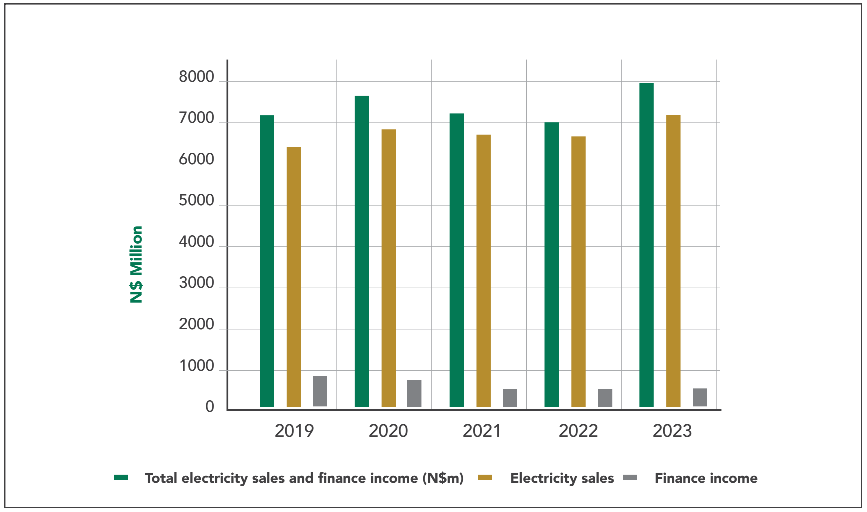
Key figures	2023	2022
Energy Consumption	4,055 GWh	3,983 GWh
Local Supply	41%	29%
Imports	58.2%	71.2%
Additional Renewable Energy Capacity (including IPPs)	5 MW	20 MW

CONSOLIDATED KEY STATISTICS

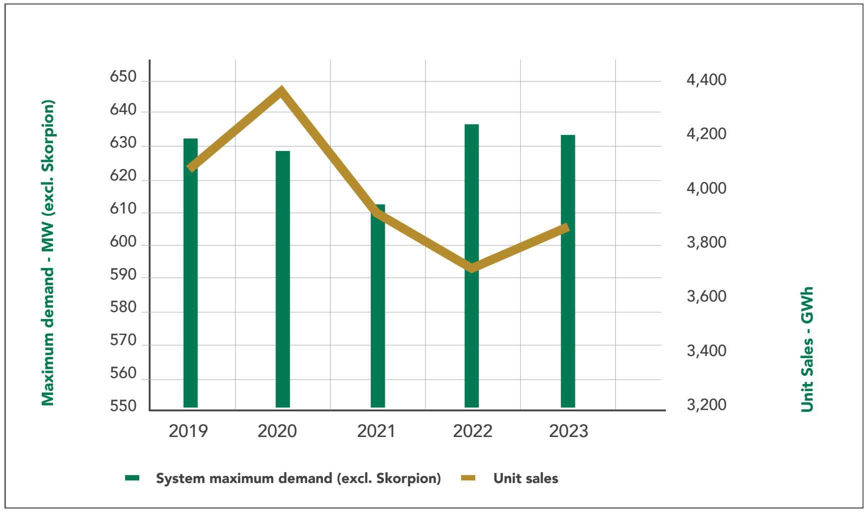
		2023	2022
1.	Total revenue (N$'000)	**7,208,687**	6,481,507
2.	Taxation (N$'000)	**524,033**	(1,292,542)
3.	Capital Expenditure (N$'000)	**1,640,807**	1,199,860
	Property, plant, and equipment	**1,634,346**	1,196,918
	Intangible assets	**6,461**	2,942
4.	Coal Cost Per Ton (N$)	**2,227**	1,726
5.	Average Price per unit sold (Cents/kWh)	**185.3**	175.6
6.	Number of electricity customers	**3,002**	2,972
7.	System Maximum (Hourly demand) (MW)		
	- Excluding Skorpion	**632**	637
	- Including Skorpion	**633**	638
8.	Units into System (GWh)	**4,267.4**	4,097
	NamPower (Pty) Ltd	**1,419**	816
	ZESCO	**1,478**	1,018
	Eskom	**466**	1,253
	ZPC	**330**	390
	BPC	**0.4**	-
	SAPP Market	**210**	256
	REFIT IPPs and Other IPPs	**364**	364
9.	Units sold (GWh)	**3,856**	3,701
	Customers in Namibia	**3,530**	3,405
	Orange River	**128**	127
	Exports	**198**	169

		2023	2022
10.	Installed Generation Capacity (MW)	**509.5**	509.5
	- Ruacana Power Station	**347**	347
	- Van Eck Power Station	**120**	120
	- Anixas Power Station	**22.5**	22.5
	- Omburu PV Power Station	**20**	20
11.	Installed Transmission Capacity (MW)		
	- Zambezi Link Interconnector	**300**	300
	- 400 kV Interconnector	**600**	600
12.	Transmission Lines		
	- 400 kV (km)	**1,179**	1,179
	- 350 kV (km)	**953**	953
	- 330 kV (km)	**522**	522
	- 220 kV (km)	**3,207**	3,207
	- 132 kV (km)	**2,308**	2,264
	- 66 kV (km)	**3,587**	3,565
13.	Distribution Lines		
	- 33 kV (km)	**12,208**	12,112
	- 22 kV (km)	**4,947**	4,941
	- 19 kV (SWER) (km)	**4,629**	4,611
	- 11kV (km)	**1,146**	1,145
14.	Employees	**1,077**	1,134

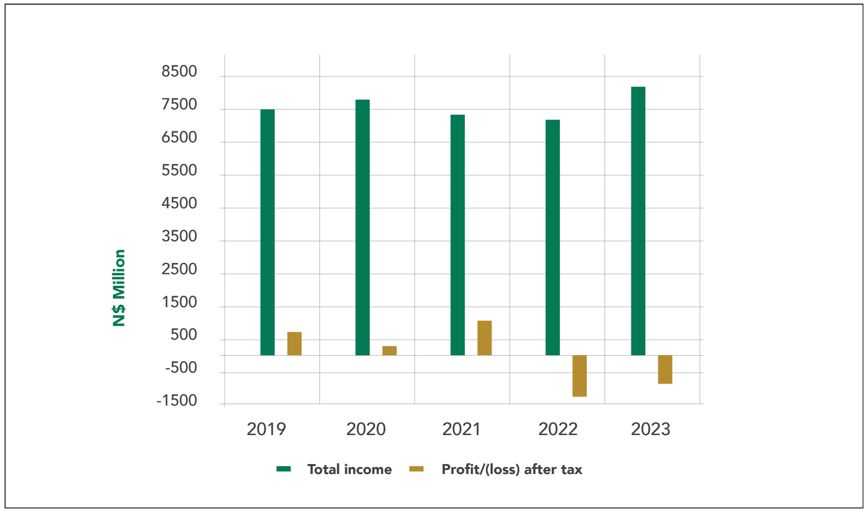
Electricity sales and finance income



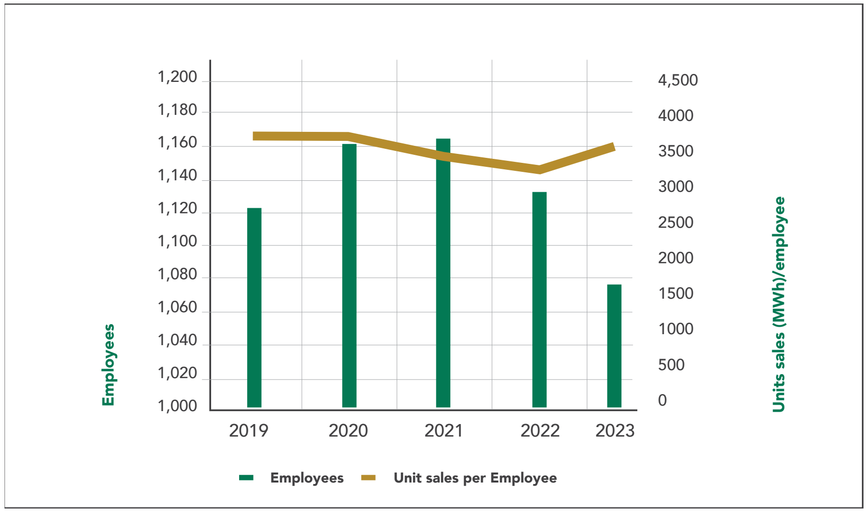
System maximum demand (excl. Skorpion) and unit sales



Total income and profit/(loss) after tax (N$ million)



Employee performance



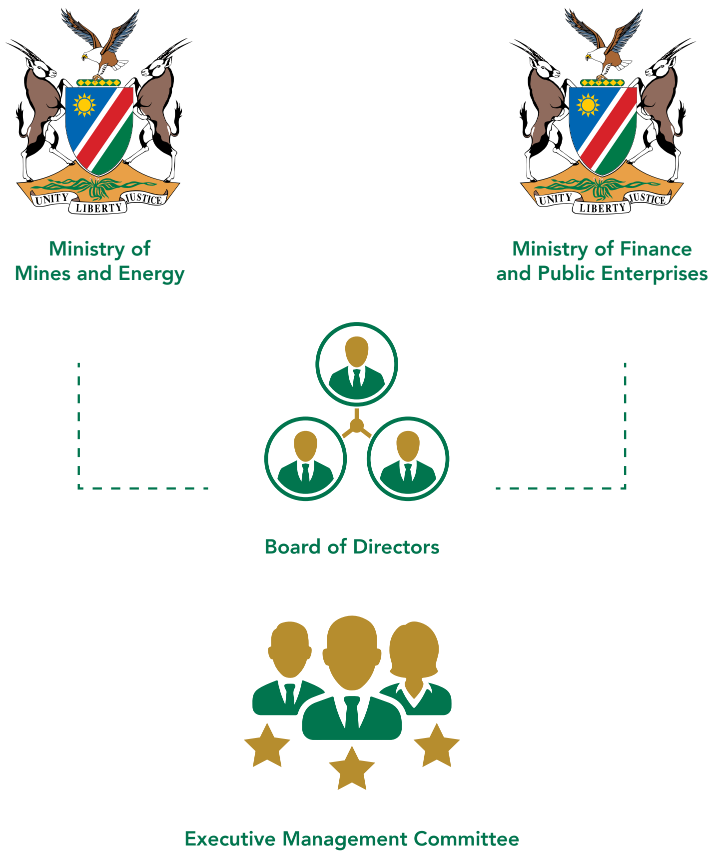
HOW WE ARE MANAGED

NamPower operates under the oversight of two fundamental entities: the Ministry of Finance and Public Enterprises, which represents the shareholder, and the Electricity Control Board of Namibia (ECB), the regulatory authority. These entities play crucial roles in providing guidance, supervision, and governance to NamPower.

The Ministry of Finance and Public Enterprises appoints a Board of Directors to oversee the operations of NamPower. The Board of Directors is responsible for ensuring that NamPower adheres to its strategic objectives and effectively fulfils its mandate.

This reporting structure ensures clear lines of communication and accountability between NamPower, the Ministry of Finance and Public Enterprises, and the appointed Board of Directors, facilitating effective oversight and strategic decision-making.

The reporting structures within NamPower are depicted below:



OUR BUSINESS MODEL
– HOW WE CREATE VALUE

NamPower recognises its crucial role as a catalyst for fostering a dynamic economy, empowering society, and safeguarding the environment, in line with the guiding principles of Vision 2030, NDP5, and the HPP2.

With the understanding that it is entrusted with national resources, NamPower is committed to generating lasting returns and facilitating impactful development for the nation. To achieve this, NamPower diligently implements and manages all socio-economically and environmentally sustainable projects.

The economic benefits of NamPower's endeavours encompass establishing and maintaining high-quality generation and transmission infrastructure. These infrastructure investments ensure that all sectors of the economy and the nation's citizens can access reliable, safe, and secure energy sources, thereby supporting their growth and development.

Financial capital
Revenue used to provide electricity to all consumers in Namibia

Funding sources

The provision of electricity is funded primarily by electricity sales:
- N$ 7.2 billion in electricity sales (2022: N$6.5 billion) (Units sold GWh 3,856, 2022: 3,701)
- Additional revenue generated from the returns on our investments in interest bearing instruments and interest charged on overdue accounts increased by 29.3%, from N$551.8 million in the previous year, to N$713.4 million during the reporting period
- No funding was raised from financiers for capital projects during the year

Manufactured capital
The infrastructure used (our power stations, transmission, and distribution networks, supplemented by IPP capacity) to provide electricity to all consumers in Namibia
- 11,756 km transmission lines (2022: 11,690 km)
- 22,930 km distribution lines (2022: 22,809 km)
- NamPower generation installed capacity: 509.5 MW (2022: 509.5 MW) (units into system GWh 4,267, 2022: 4,097)
- The NamPower GridOnline fibre service offering

Human capital
The productivity, skills and experience of our employees and key service providers
- Experienced board and leadership team
- 1,077 employees across Namibia

Social and relationship capital
The quality of the relationships with our various stakeholders and the investment made in our corporate social responsibility programmes that enhance the quality of lives
- Quality relationships with stakeholders including Government and Regulator, employees, service providers, the public and the media
- Corporate social investments made in education, health and social welfare, capacity and skills development, and community development
- Rural electrification and Peri-urban development programmes
- Set aside procurement activities for local suppliers

Intellectual capital
The intangible assets that sustain our ability to provide our products and services
- Governance framework
- Strategy
- Effective internal management systems
- Robust information systems (IS)
- Strong NamPower brand

Natural capital
The renewable and non-renewable natural resources we draw on in delivering our products and services
- 4,267 GWh electricity into system
- 20,223 cubic metres water utilised
- 31,722 tonnes coal consumed
- Renewable energy projects in development: solar, wind
- 14 Power Purchase Agreements (PPAs) concluded with IPPs in renewable energy under the Renewable Energy Feed-in Tariffs (REFIT) programme

1. GENERATION

Renewable Generation
Non-Renewable
Generation

2. ENERGY TRADING

3. TRANSMISSION

High Voltage Transmission Lines
NamPower Substations

4. DISTRIBUTION

RED/Municipalities
Mines
NamWater

5. CUSTOMERS

Hospitals
Industries
Farms
Schools
Residential/Commercial

Financial capital
Revenue used to provide electricity to all consumers in Namibia
- The adjusted EBITDA margin improved from -1.88% to 9.23% for the year (from loss N$121.8 million: 2022 to N$665.4 million profit).
- Current ratio of 2.9 (2022: 2.9)
- Increase of 3.6% in GWh units sold to customers in Namibia (2022: increase of 0.5%)
- Total asset base decreased to N$49.2 billion (2022: N$49.8 billion)
- Cost of electricity decreased by 0.85%, from N$5.1 billion last year to N$5.0 billion
- Capital expenditure increased to N$1.6 billion (2022: N$1.2 billion)
- N$3.9 billion committed to the generation and transmission projects in the 2024 financial year

Manufactured capital
The infrastructure used (our power stations, transmission, and distribution networks, supplemented by IPP capacity) to provide electricity to all consumers in Namibia.
- Well maintained infrastructure
- No load-shedding or power outages
- Additional 66 km transmission lines and 121 km additional distribution lines constructed
- Upgraded IT infrastructure
- The GridOnline and fibre optics rentals generated additional revenue of N$15.5 million (2022: N$15.3 million)

Human capital
The productivity, skills and experience of our employees and key service providers
- N$911.3 million paid in salaries and benefits, down from N$992.5 million in the previous year)
- N$3.2 million invested in training provided to more than 50% of its employees

Social and relationship capital
The quality of the relationships with our various stakeholders and the investment made in our corporate social responsibility programmes that enhance the quality of lives
- Areas supported through the NamPower Foundation are education, health and social welfare, capacity and skills development, community development, and flagship projects: N$8.5 million
- N$5.6 million invested in developing national talent capacity through bursaries
- N$8.5 million invested in developing vocational training skills
- N$42.8 million invested in the rural electrification and peri-urban electrification programmes
- N$772.1 million paid in various taxes
- N$305 million spent on localised preferential procurement 25% of goods and services were procured locally, exceeding the target of 10% for the year

Intellectual capital
The intangible assets that sustain our ability to provide our products and services
- Good corporate governance practices, sound reputation as a credible and trustworthy utility
- Enhanced operational efficiencies through improved IS systems and processes, through the implementation of SAP HANA (High-performance ANalytic Appliance)

Natural capital
The renewable and non-renewable natural resources we draw on in delivering our products and services
NamPower Projects
- Omburu 20 MW Solar PV Project inaugurated
- Rosh Pinah 40 MW Wind Power Project
- Otjikoto 40 MW Biomass Power Project

IPP Projects
- Khan 20 MW Solar PV IPP Project
- Lüderitz 50 MW Wind IPP Project
- 14 REFIT and other IPPs were operational and generated 364 GWh (2022: 364 GWh)

COST DRIVERS

Our primary cost drivers are:

- **Cost of electricity:** 70% of revenue direct costs of generation of own generation, cost of electricity purchases and imports
- **Employment costs:** 13% of revenue employee salaries, benefits, and bonuses
- **Material costs:** 1% of revenue cost of materials used in repair and maintenance of infrastructure
- **External services:** 6% of revenue costs of services of external contractors for maintenance, security, cleaning, consulting, business improvement project and other services
- **Other fixed costs:** 4% of revenue post-retirement benefits costs, bursary expenses, accommodation, social responsibility, insurance and other costs

TOP RISKS

- Non collectability of revenue
- Change in regulation
- Ruacana output
- High cost of energy mix

OUR KEY STAKEHOLDERS

- Employees and union representative body
- Regulator (Electricity Control Board)
- Government
- Customers
- Media
- Suppliers and service providers
- International/regional relations (Southern African Power Pool)
- Financiers and development finance institutions

SENSITIVITY ANALYSIS

Value distributed by NamPower

Revenue	billion	7.2
Income from investments	million	713.4
Total wealth created	billion	2.2
Employees (salaries, wages, and other benefits)	million	911.3
Reinvested in the Group to maintain and develop operations	billion	1.6
Depreciation, amortisation, and impairment loss	billion	1.7
Total wealth retained	billion	2.2
Deferred taxation	billion	10.6
Total wealth distributed	million	950

03.
SUSTAINABILITY

BASIC POLICY ON SUSTAINABILITY

The country's long-term development framework is Namibia's Vision 2030, established in 2004. The Fifth National Development Plan (NDP5) from 2017 to 2022 implements this vision and aligns it with global and regional frameworks, including the Sustainable Development Goals (SDGs). Anchored in sustainable development principles, NDP5 focuses on four interconnected pillars: economic progression, social transformation, environmental sustainability, and good governance. The theme "Working Together Towards Prosperity" emphasises the importance of partnerships in national development, aligning with the 2030 Agenda's pillars: people, prosperity, planet, peace, and partnership.

Our business's sustainability is driven by the 2030 Agenda, national development plans, and the Renewable Energy Policy. Our commitment is to achieve 70% of Namibia's energy from renewable sources by 2030, significantly contributing to our goal of reaching 80% self-sufficiency in the medium term.

As a responsible corporate citizen, we integrate environmental, social, and economic objectives into all our core business activities. We are conscious of the potential impact of our actions on the environment and society.

Our mission is to provide innovative electricity solutions in an evolving market while fulfilling our customer's needs, meeting our staff's aspirations, and exceeding our stakeholders' expectations. We aspire to be the leading electricity solutions provider in the SADC region, focusing on competitiveness, sustainability, reliability, and environmental responsibility. In the coming year, we will advance initiatives to enhance our corporate value and integrate Environmental, Social, and Governance (ESG) factors into our operational value chain.

Increasingly, stakeholders evaluate companies based on responsible business practices, with a focus on ESG considerations. We firmly believe that strong ESG performance correlates with investor value. As responsible business practices evolve and reporting standards develop, we remain committed to adapting our reporting practices to align with international best practices in presenting accurate ESG performance and data.

OUR SUSTAINABILITY COMMITMENTS

ENVIRONMENTAL	SOCIAL	GOVERNANCE
Our commitment to responsible environmental practices: Our approach to responsible environmental practices is founded on the Constitution of the Republic of Namibia and international laws and agreements that Namibia is a signatory to, as well as national development policies and regulations supported by NamPower's in-house policies and procedures. (See pages 32 to 33 for disclosures)	**Our commitment to our key stakeholders:** Employees and union representative body Regulator (Electricity Control Board) Government Customers Media Suppliers and service providers International/regional relations (Southern African Power Pool) Financiers and development finance institutions We believe that through the investment made in our human capital and the five core areas of our corporate social investment programmes (education, health and social welfare, community development, capacity and skills development, job creation and entrepreneurship development) we will contribute to building a healthier, empowered, informed, and prosperous society in support of long-term sustainability. (See page 34 for disclosures)	**Our commitment to good corporate governance and ethical leadership:** We believe that good corporate governance is fundamental to the success, sustainability, and legitimacy of our Group. Our Group Governance Framework drives top-down governance and our organisational ethics and values set the standards for our corporate governance. Our strategy is supported by sound risk management principles and processes. (See page 34 for disclosures)

ENVIRONMENT

NamPower's climate change and renewable energy initiatives are guided by the National Climate Change Policy (NCCP) for Namibia. The NCCP serves as a legal framework addressing the impacts of climate change, vulnerable populations, and Namibia's adaptive capacity, while also promoting sustainable energy and exploration of low-carbon development. Despite not being a significant greenhouse gas contributor, Namibia still faces the adverse effects of climate change. The policy recognises Namibia's vulnerability and the risks associated with climate change. It seeks to provide a response tailored to local, regional, and national conditions, effectively mitigating and adapting to climate change.

Other Government policies aimed at implementing the 2015 Paris climate agreements are:

- National Policy on Climate Change for Namibia (2010
- Namibia's Updated Nationally Determined Contribution (2021)
- The Paris Agreement (2016)
- National Integrated Resources Plan (2016)
- National Energy Policy (2017)
- National Renewable Energy Policy (2017)
- Rural Electrification Master Plan (2010)
- National Independent Power Producer (IPP) Policy

NamPower's Group Environmental Policy outlines the Group's environmental action programmes and action plans formulated every year.

NamPower is dedicated to upholding the Group's SHEQ policy statement by conducting strict Environmental Impact Assessments (EIA) for projects in accordance with the Environmental Management Act No.7 of 2007 and supporting regulations. Identifying and consulting with interested and affected parties during the EIA process to address concerns is a priority and takes place at an early stage.

To minimise the impact on communities and customers, NamPower develops comprehensive Environmental Management Plans (EMPs) with effective mitigation measures, implemented throughout project implementation and operation phases.

An environmentalist plays a crucial role in ensuring the seamless execution of EMPs and compliance with legal requirements through regular site inspections and overseeing implementation.

NamPower's commitment to environmental excellence is reinforced by the Safety, Health, Environment, and Wellness (SHEW) department, which conducts thorough audits on projects to align actions with environmental policies and legal obligations. Complaint registers at project sites facilitate prompt addressing of concerns raised by communities or interested parties, ensuring that appropriate feedback or corrective actions are taken.

During the Environmental Impact Assessment (EIA) process, we strongly emphasise adhering to the provisions outlined in the Environmental Management Act No. 7 of 2007 and its accompanying regulations from February 2012. These legal frameworks provide the foundation for our responsible environmental practices.

It is important to note that all projects must undergo an EIA before commencing, with the EIA and Environmental Management Plan (EMP) documents being compulsory bidding prerequisites. In the recent period, we conducted audits on several projects, resulting in an average score of 74.8% in the SHEW audit assessments. This demonstrates our commitment to maintaining high safety and environmental compliance standards throughout our project portfolio.

OUR RESPONSE TO THE CHALLENGES POSED BY CLIMATE CHANGE

Power utilities in Southern Africa acknowledge the adverse effects of climate change on water resources and energy generation. In response, the SAPP has undertaken a climate change vulnerability study. This study aims to support member utilities in developing their own mitigation plans. NamPower is actively involved in this effort through its representation on the climate change task team, responsible for ensuring project adherence to the terms of reference (TOR). The overarching goal of this project is to assess the short, medium, and long-term impacts of climate change and climate variability on infrastructure of SAPP member utilities. It also seeks to propose adaptation measures to ensure the sustainability of these utilities' infrastructure.

A noteworthy achievement was the approval of NamPower's inaugural Climate Change Procedure in May 2023, outlining strategies for mitigating and adapting to climate change effects.

The Procedure is supported by NamPower's ISBP 2020 – 2025, whereby NamPower is actively pursuing a transition towards a cleaner and more sustainable electricity generation mix. This strategic shift involves substantial investments in renewable energy technologies such as solar photovoltaic (PV), wind, and biomass. These investments align with Namibia's revised Nationally Determined Contributions (NDCs) targets submitted to United National Framework Convention on Climate Change (UNFCCC) in 2021, reflecting the nation's commitment to combat climate change.

A notable accomplishment in this endeavour is the successful construction and commissioning of the 20 MW Omburu Solar PV project during the previous reporting period. Additionally, NamPower has ambitious plans for more than 100 MW of renewable generation projects, encompassing wind, battery energy storage system, solar installations, and biomass. Comprehensive information about these projects is provided on pages 87 to 91 of our report, demonstrating our dedication to a sustainable energy future and environmental responsibility.

SUSTAINABILITY OF RESOURCE/BIODIVERSITY AND LAND USE

ELECTRICITY/CARBON EFFICIENCIES

Energy conservation is vital to NamPower as it promotes sustainability, reduces operational costs, and ensures a stable energy supply for customers. By encouraging efficient energy use through targeted awareness campaigns, we can minimise environmental impact and contribute to a reliable and sustainable energy infrastructure.

WATER USAGE

The Directorate of Water Resources Management (DWRM) is responsible for developing and managing the country's water resources. DWRM is required to recommend ways to successfully manage the current water resources (surface or groundwater) to ensure sustainable use and protection against acts that may cause degradation. Water pollution monitoring is administered through the following available legislative instruments: the Water Act of 1956 (Act 54 of 1956) and the Water Resources Management Act of 2013 (Act 11 of 2013).

Surface water quality is monitored quarterly at Van Eck Power Station, Brakwater Depot, and Ruacana Power Station. The monitoring is done to assess the impact of NamPower's operations on the water quality around the surrounding water sources/resources.

The Ruacana Power Station Wastewater treatment plant constructed in September 2021) ensures that domestic wastewater is treated before being released into the natural environment.

NamPower uses groundwater (via groundwater boreholes) in areas with no access to water supply from the national water utility, town councils, or municipalities. The boreholes are registered with the Ministry of Agriculture, Water and Land Reform (MAWLR), and we ensure compliance to permit conditions.

SOCIAL

NamPower has been a catalyst of socio-economic development for more than two decades. The Company has provided consistency and reliability of power supply to the nation, protecting the environment, uplifting marginalised communities, providing excellent customer service, striving to meet its stakeholders' expectations, and fulfilling its staff's aspirations.

Value is created throughout the entire value chain of its operations. As one of the largest employers in the country, direct employment is provided to more than 1,000 employees and, indirectly, to thousands of citizens employed by suppliers of goods and services. In addition, our local procurement investment continues to support previously marginalised local businesses.

We have stringent safety measures to protect our employees, contractors, and suppliers from harm and several programmes to promote a healthy workforce. We positively impact the lives of local communities throughout Namibia through several corporate social investment programmes and continue to invest in improving the lives of rural communities by investing in rural electrification projects, described on pages 37 to 38 and on pages 105 to 109.

We enjoy mutually constructive relationships and shared values with our stakeholders, conscious of the collective contribution to sustainable socio-economic growth in the country for the future.

GOVERNANCE

Our commitment to good corporate governance and ethical leadership is described under the section on Governance and Leadership on page 45. Good corporate governance is fundamental to the company's success, sustainability, and legitimacy. Our Governance Policies and Framework drives top-down governance, and our organisational ethics and values set the standards for our corporate governance. Our ISBP 2020 – 2025 is supported by sound risk management principles and processes.

Our strategies, plans, and actions aim to manage risks and realise opportunities across NamPower's entire value chain, from our customers to our company operations and suppliers. With sustainability as a guiding principle and business strategy, we are generating positive outcomes for all of our stakeholders.

SUSTAINABILITY FIGURES AND DISCLOSURES

Environment	2023	Location of disclosure
Environmental audit results (overall average % score out of 100%)	83%	110
Energy mix (installed capacity local generation):		22
Run-of-the river hydro	347 MW	
Coal	120 MW	
Diesel/heavy fuel oil	22.5 MW	
Renewable energy	20.0 MW	
Social		
Employees		101
Number of employees, 30 June 2023	1,077	
Job creation: Salaries, wages, and other benefits (N$ million)	911.3	
Average age (number)	41	
Staff turnover, % of permanent employees	5	
Female employees, %	27.5	
Staff satisfaction rate (%)	66.40%	
Industrial action (number)	None	
Retention rate (%)	95%	
Unionised workforce (MUN) (No.)	525	
Investments in employee skills development (N$ million)	3.2	
Affirmative Action compliance (certificate)	awarded	
Skills for the future (Number of employees trained)	949	
External customer satisfaction survey (%)	78%	
Health and safety		108
Fatalities (NamPower) (number)	0	
Fatalities (Contractors) (number)	0	
Lost time injury frequency rate (%)	0.89%	
Health initiatives	several	
Community development		
Corporate social investment (CSI) (N$ million)	8.5	23
External bursaries awarded (number)	11	33
Economic contribution – NEEEP: Localised preferential procurement (million)	N$305 million	36

Governance	2023	Location of disclosure
Board composition		44
Board diversity		48
Board competence		48
Board independence		48
Remuneration (N$ million)		114
Conflicts of interest (% of Board members)	None	45
Tax paid: Pay-as-you-earn, value-added tax, and withholding taxes on interest related to foreign loans (N$ million)	772	

Delivering on our mission "to provide innovative electricity solutions, in an evolving market, which satisfy the needs of our customers, fulfil the aspirations of our staff, and the expectations of our stakeholders in a competitive, sustainable and environmentally friendly manner" enables us to boldly strive towards responsibly and sustainably being the leading electricity solutions provider of choice in SADC. We will advance initiatives in the coming year aimed at improving our corporate value and integrating ESG into the value chain of our operations.

CREATING VALUE FOR AN INCLUSIVE SOCIETY

For the past thirteen years, NamPower has made significant investments, totalling more than N$68.5 million in several corporate social investment programmes across the economy.

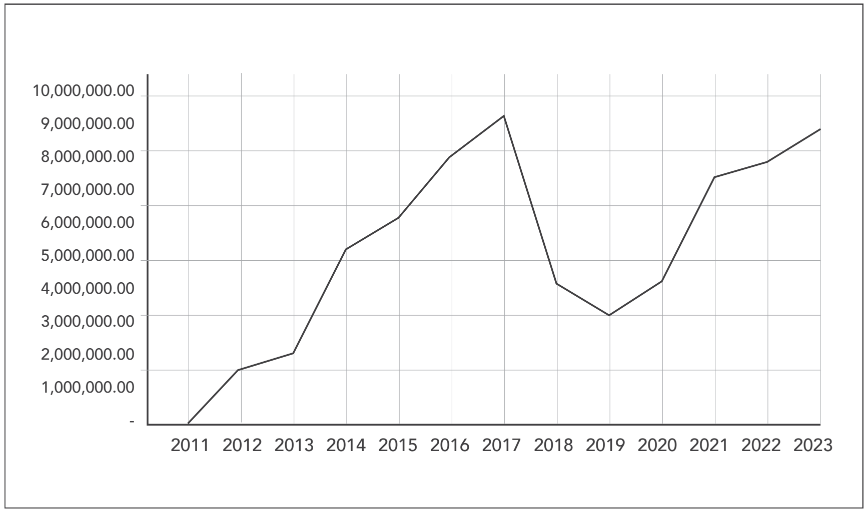
NamPower remains steadfast in its commitment to sustainable development, despite recent economic and social challenges. Our innovative and impactful social interventions aim to improve the lives of Namibians, leveraging our resources and expertise for maximum effect.

The NamPower Foundation aligns with specific Sustainable Development Goals (SDGs) and complements the Government's efforts outlined in the NDP5, focusing on addressing areas of greatest need through strategic social investments.

Through our corporate social investment programmes, NamPower directly contributes to communities in four key areas: education, community development, health and social welfare, and capacity and skills development. This report outlines our initiatives and their positive impact on the communities we serve. Moreover, our contributions extend beyond direct investments, as we create jobs, upskill the local workforce, pay taxes, and generate local business opportunities.

As we continue on our sustainability journey, NamPower remains dedicated to making a meaningful difference in the lives of Namibians and contributing to the overall prosperity and development of the nation.

The graph below provides an indication of the investment made by NamPower from 2011 up until the year ending 30 June 2023.



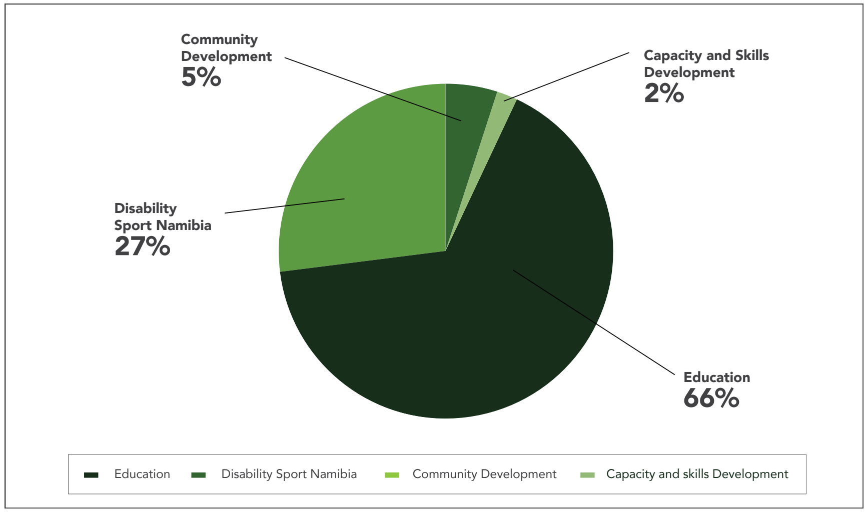
We believe that, through the substantial investments we've made in our human capital and communities, we will contribute to building a healthier, empowered, informed, and prosperous society in support of long term sustainability.

NAMPOWER'S CORPORATE SOCIAL INVESTMENT PROJECTS FOR 2023

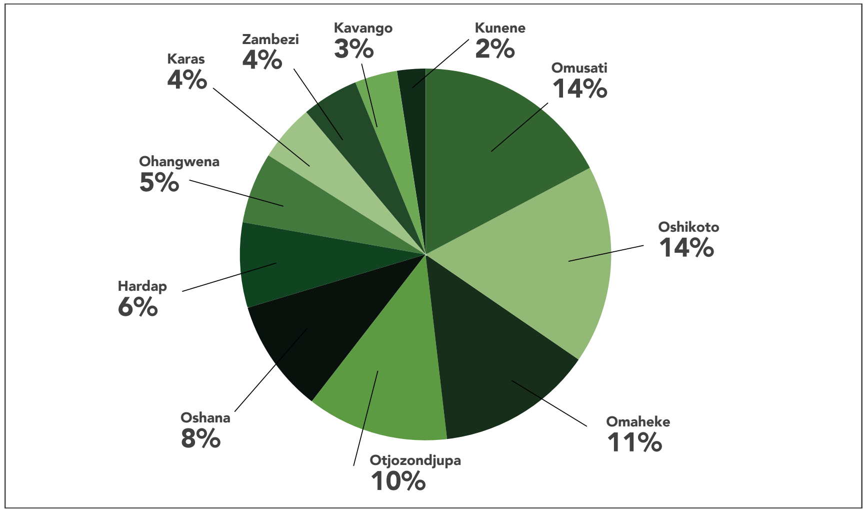
NamPower's Social Investment projects are divided into two categories, namely the Social Partnership Projects and the Flagship Projects. The Flagship Projects involve long-term relations and receive continuous support, while the Social Partnership Projects consist of sustainable once-off donations.

Of the total amount of N$8.45 million invested during the period under review, 66% (N$5.63 million) was invested in the education sector, followed by 27% allocated to Disability Sport Namibia (N$2.3 million), 5% in Community Development (N$396,800), and 2% in Capacity Skills Development (N$2%).

Investments made in CSI programmes during the 2023 financial year are depicted in the graph below:



Investments made per region during the 2023 financial year are depicted in the graph below:



EDUCATION

Investment for 2023: N$5.63 million

NamPower is actively committed to empowering citizens to join the workforce by equipping them with essential education, knowledge, and skills. NamPower Foundation aims to ensure that all learners have access to equitable and inclusive education that prepares them for higher education opportunities.

Education is a foundational driver of development, and no nation can attain sustainable economic development without substantial investments in its human capital. Education improves the overall quality of life, leads to widespread social benefits for individuals and society, and plays a crucial role in fostering economic and social advancement while enhancing income distribution.

We have undertaken a range of impactful initiatives and projects aimed at supporting education in various regions of Namibia. These initiatives include:

- Constructing ablution facilities at Natangwe Uugwanga Junior Primary school in the Oshikoto Region
- Donating hostel lockers to J.R Camm Primary School in Aranos, Hardap Region
- Sponsoring garden tools for Mbilajwe and Kakiramupepo Primary Schools, Zambezi Region
- Donating hostel beds and mattresses to several schools in collaboration with the Ministry of Education, Arts and Culture
- Erecting fencing at Otjerunda Combined School, Kunene Region
- Erecting fencing at Ewanifo Combined School, Ohangwena Region
- Providing learners desks, chairs and fencing at Ondeitotela Combined School, Omusati Region
- Donating poultry-related items to support a project at Omuulukila Combined School,
  Omusati Region
- Constructing fencing at Elamba Combined School, Omusati Region
- Erecting fencing at Ondumetana Primary School, Oshikoto Region
- Erecting fencing at Okelemba Combined School, Ohangwena Region
- Renovating a computer laboratory at C. Heuva Secondary School, Omaheke Region

COMMUNITY DEVELOPMENT

Investment for 2023: N$396,800

NamPower firmly believes that the value it contributes to community development will, over the medium to long-term, foster self-sufficiency, promote sustainability, alleviate poverty, and enhance food security.

Throughout the year, NamPower Foundation has extended support to several communities across various regions, with a specific focus on improving their quality of life by providing opportunities to initiate income-generating projects.

These include:

- Solar water pump provided to the Mahahe Gardening Project, Kavango East
- Construction of a greenhouse at the Centre for Strategic Innovation in Okakarara, Otjozondjupa region

CAPACITY AND SKILLS DEVELOPMENT

Investment for 2023: N$156,960

NamPower is committed to promoting transformation through capacity and skills development, while fostering innovation, creativity, and entrepreneurship to bolster the country's economy and generate employment opportunities, especially for young apprentices.

Capacity building and skills development serve as crucial pillars for sustainable development, empowering community members to prosper by strengthening their skills, instincts, abilities, processes, and resources, enabling them to adapt and thrive in a rapidly changing world. Moreover, providing sufficient resources and essential skills equips community members to engage in entrepreneurship which, in turn, leads to the recruitment of fellow community members and a reduction in unemployment.

NamPower has invested in the following initiatives to further these objectives:

- Support for the Namibian Women in Engineering (NAMWIE) in its 2023 activities, including STEM Workshops and World Engineering Day
- Sponsorship for Ozombu Rural Development, an organisation facilitating vocational training courses for school dropouts through Cosdec, in Otjiwarongo

OUR FLAGSHIP PROJECT

NamPower's steadfast commitment to fostering social inclusion and creating lasting value remains unswerving. We prioritise projects that align with our vision, distinguishing them in two categories: Flagship Projects, which enjoy our sustained support over the long term, and Social Partnership Projects, which receive one-time contributions.

A standout flagship project is Disability Sports Namibia (DSN). NamPower's partnership with DSN has deep roots, dating back to our inaugural year of support. Since our first engagement, we have continued to invest in DSN, steadily expanding our commitment year by year.

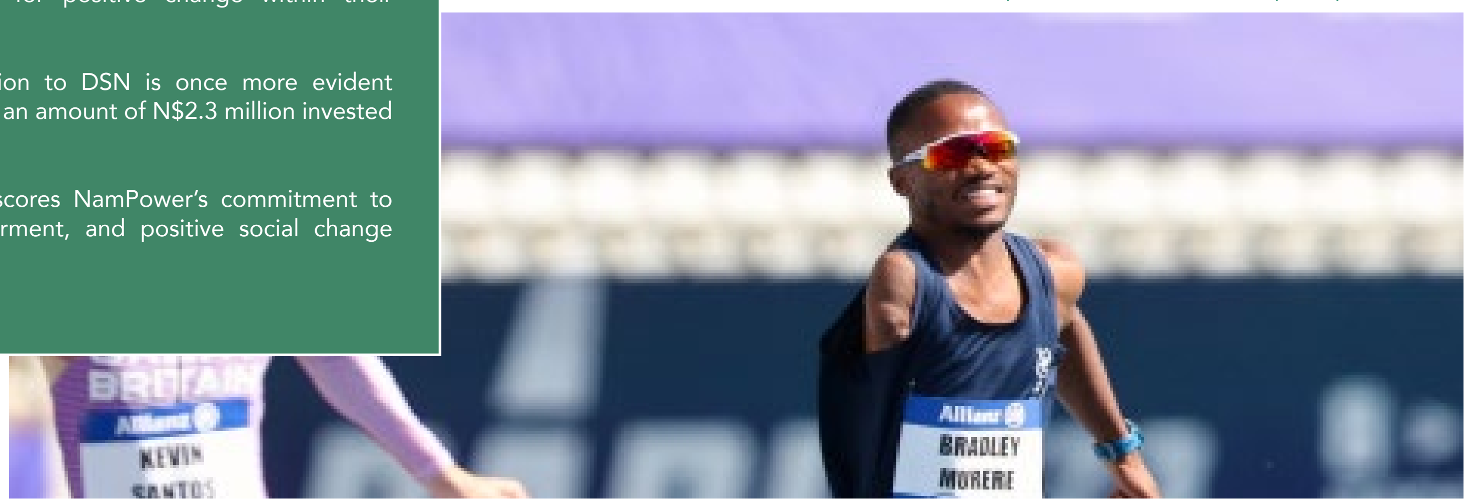
DSN comprises the Namibia Paralympic Committee (NPC), Special Olympics Namibia, and the Namibian National Association of the Deaf, collectively dedicated to providing sports opportunities for individuals living with disabilities. This commitment resonates strongly with NamPower's mission to promote inclusivity and empowerment. By consistently supporting DSN, NamPower aims to empower persons with disabilities through sports, a field often overlooked in mainstream athletics. Sports contribute to physical well-being and nurture essential social skills, bolster self-confidence, foster independence, and inspire individuals to become catalysts for positive change within their communities.

NamPower's unwavering dedication to DSN is once more evident during the year under review, with an amount of N$2.3 million invested towards DSN's 2023 activities.

This enduring partnership underscores NamPower's commitment to championing inclusivity, empowerment, and positive social change within our society.

Lahja Ishitile and her Guide Sem Shimanda during the Paris 2023 World Para Athletics final of the 400m T11 Women. She finished 2nd position and that was the first medal won for Team Namibia during the Championship.

Bradley Murere T47 Men in action during his long jump at the Paris 2023 World Championship



Bradley Murere T47 Men 100m in action at the Paris 2023 World Para Athletics Championship.

LOOKING AHEAD TO 2024 AND BEYOND

The NamPower Foundation has outlined plans to extend support to 14 projects nationwide in the upcoming 2023/2024 financial year. The initiatives encompass a range of activities, including fencing, drilling of boreholes, construction of ablution facilities, construction of school hostels, construction of a science laboratory, and refurbishment of schools' infrastructure.

These projects underline NamPower Foundation's commitment to enhancing community wellbeing and promoting sustainable development throughout the country.

SUPPORTING INCLUSIVE PROCUREMENT AND BUILDING LOCAL SUPPLY CHAINS

NamPower is dedicated to promoting inclusive procurement principles and fostering the growth of local supply chains that support businesses with a recognised previously disadvantaged (PDN) compliant status. Our Equitable Economic Empowerment Policy (NEEEP) serves as a guiding framework, ensuring that our approach to inclusive procurement actively encourages the participation of PDNs in our business operations. By adhering to these principles, we strive to contribute to advancing and economically empowering previously disadvantaged individuals and businesses within our communities.

N$305 million on localised preferential procurement, up from N$234 million in the previous year

FIVE CORE NEEEP EMPOWERMENT PILLARS

The NEEEP principles are underpinned by five core empowerment pillars, to foster inclusive procurement and local supply chains by:

1. Ownership/shareholding: Economic empowerment, aiming to create sustainable shared value that promotes economic growth and enhances the quality of life of PDNs
2. Management control and employment equity: The representation of PDNs on the board and in the top management structure of the bidding entities
3. Human resources and skills development: A percentage of gross wages, including the VET levy, is dedicated to training, thereby investing in the development of essential skills
4. Entrepreneur development: Empowerment and skills transfer play a crucial role in contributing to national developmental programmes, particularly in ensuring that expertise in conducting large and complex projects is transferred to Namibian PDN entities
5. Community investment: Focusing on supporting the social upliftment of communities living in areas where projects will be developed

A holistic approach to governance, sustainability, and collaboration reinforces the NEEEP empowerment pillars. In terms of governance, the focus is on implementing a fair and transparent sourcing process while offering support to new suppliers striving to meet NEEEP standards.

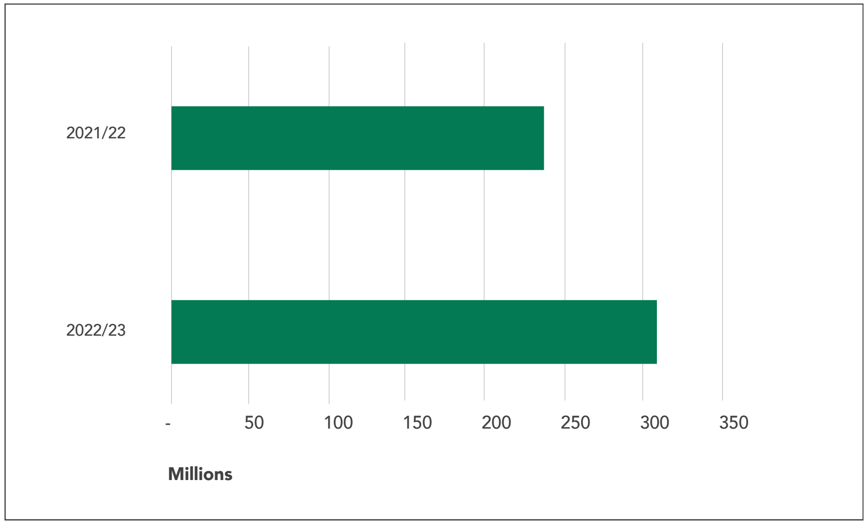
Sustainability takes a medium to long-term perspective, emphasising enduring viability over short-term compliance goals. A collaborative spirit permeates NamPower's approach, fostering an inclusive procurement environment by partnering with stakeholders, including major suppliers, local communities, government bodies, industry stakeholders, and development institutions. This approach ensures a comprehensive and integrated strategy to achieve economic empowerment and sustainable growth.

This multifaceted strategy encapsulates sound governance practices, long-term sustainability objectives, and collaborative partnerships, collectively working to advance NamPower's goals of economic empowerment and equitable participation while fostering enduring growth and development within the broader community.

OUR PERFORMANCE FOR 2023

NamPower remains steadfast in promoting the integration of NEEEP across all facets of its procurement practices. This commitment was underscored by including defined scoring criteria aligned with NEEEP in the bidding process.
In cases where strict adherence to these requirements proves challenging, a proactive approach is endorsed. This involves encouraging joint ventures and the allocation of sub-contracts within intricate projects to previously disadvantaged entities wholly owned by Namibian stakeholders.

Total Income and Profit/(loss) after Tax (N$ million)



PDN participation increased to N$305 million as of 30 June 2023, up from N$234 million in the previous year, representing a growth of N$71 million (30%). This increase was primarily attributed to specific procurement activities carried out through Open National Bidding (ONB), mainly on Ohama, Masivi and Siyambi substations.

The Anixas II Firm Power Project stands out as a significant contributor to local content and set -aside works.

The EPC contractor for the Anixas II Firm Power Project is committed to achieving the local content target. This commitment signifies a genuine dedication to supporting the socio-economic development of the region in which the project is undertaken, while also ensuring the project's success through the effective utilisation of local resources for long term sustainability.

We are especially proud of the fact that all tasks that demanded a semi-skilled and unskilled labour force were exclusively carried out by Namibian workers.

The following table provides a summary of the reporting performed by the EPC Contractor during the execution of the contract.

	Amount (N$) excl. VAT	% Of EPC contract price
EPC Contract	1,259,673,176	100%
Total local content and PDN guarantee	190,611.339	15%
Actual local content and PDN spent to date	51,489,171	27%

As part of the scoring criteria during bid evaluations, bidders have the opportunity to commit a specific percentage of their contract value to address training needs and community investment initiatives. A breakdown of NEEEP pledges balance for the year is provided below:

Kunene-Omatando contract-NEEEP pledges balance (N$)			
	Pledge amount	Honoured	Pledge balance
2% NEEEP Pledge training	6,370,051	1,762,737	4,607,313
3% NEEEP Pledge community investments	9,555,076	8,310,914	1,244,162

LOOKING TO 2024 AND BEYOND

As NamPower continues to invest significantly in several transmission and generation projects, considerable opportunities arise to actively participate in socio-economic development initiatives through its procurement processes. Key priorities in this endeavour will continue to be the transfer of skills to local individuals and the provision of set-aside opportunities for 100% Namibian entities.

04. GOVERNANCE AND LEADERSHIP

ACTING CHAIRPERSON'S STATEMENT

NamPower actively supports Namibia's industrialisation goals for 2030 through initiatives such as expanding power generation and improving electricity access to drive economic growth and enhance citizens' living standards. In alignment with our ISBP 2020-2025, NamPower is advancing critical capital projects to bolster supply security and risk diversification.

NamPower's 2023 Integrated Annual Report is centred on the theme of "harnessing our energy for future sustainability". This report underscores our company's governance, operational, and financial management proficiency, and our commitment to meeting Namibia's electricity needs sustainably.

SIGNS OF ECONOMIC RECOVERY

The global economy is currently characterised by uncertainty due to geopolitical tensions, high inflation, and rising interest rates. This uncertainty stems from the aftermath of the recent COVID-19 pandemic and financial sector pressures. According to global economic risks reports, participants ranked societal and economic risks as the most immediate concerns, while environmental risks are projected to dominate over the next decade.

Notwithstanding the challenging global environment, the domestic economy built up further growth momentum during 2022, after a prolonged recession since 2016. Growth in the economy accelerated to 4.6 percent in 2022 from 3.5 percent in 2021. The higher economic growth mainly emanated from improved economic activity across all industries but was most distinct within the primary industry.

Although there are signs of an economic upturn, much more substantial growth is needed to achieve full economic recovery and sustainable development, to bring the economy back to pre-2016 levels.

A TRANSFORMING ELECTRICITY INDUSTRY

The electricity industry is undergoing transformative changes, with a substantial focus on renewable energy sources and promising developments both locally and in the Southern African Development Community (SADC) region. Recent examples include Namibia's participation in the Accelerated Partnership for Renewables in Africa (APRA) and the signing of a special Memorandum of Understanding with the European Union under the EU Emission Trading Scheme (ETS), which allows for less stringent carbon-based tariffs from the EU in exchange for adhering to eco-friendly standards.

The introduction of the Modified Single-Buyer Market (MSB) Model has prompted NamPower to adapt and strategise accordingly. This framework has ushered in significant changes in Namibia's electricity sector, compelling NamPower to adjust its strategies and operations. NamPower now engages in bilateral transactions and electricity exports by new participants and plays a pivotal role as the Supplier of Last Resort while championing new supply sources. Despite the challenges presented by the MSB, NamPower acknowledges that unexpected developments have reshaped the operating context and that there exists a need for substantial capital resources to invest in future generation and transmission infrastructure.

UPHOLDING STRONG GOVERNANCE PRINCIPLES

NamPower is dedicated to upholding robust governance principles as a cornerstone of its operations. Grounded in a blend of voluntary and mandatory best practice guidelines and frameworks, the company ensures compliance with local statutes and guidelines, such as NamCode, PEGA, and the Electricity Act. The Board provides essential guidance, overseeing governance practices aligned with the company's strategic objectives, fostering a culture of integrity and professionalism.

In line with the NamCode guidelines, the Board underwent a comprehensive evaluation during October and November 2022. Conducted by an external service provider, the assessment focused on competencies, information flow, meeting dynamics, and strategic decision-making. Results were highly positive, highlighting strong performance by the Board, individual directors, and committees. The evaluation produced valuable recommendations, leading to the development of a concise improvement plan to enhance overall effectiveness and governance practices.

The commitment extends beyond mere regulatory requirements, embracing a proactive approach to adopting best practices voluntarily. NamPower places a strong emphasis on ethical conduct, with a focus on delivering long-term value to shareholders and stakeholders. Compliance is assured through regular audits and internal controls, while a commitment to continuous improvement ensures the company stays abreast of evolving governance standards.

This governance framework is strategically aligned with NamPower's mission and values, contributing to sustainable development and instilling confidence in stakeholders.

FINANCIAL PERFORMANCE

NamPower's financial performance for the year ending in June 2023 has seen remarkable improvement compared to the preceding year. This upturn can be largely attributed to the enhanced output from the Ruacana Power Station. It instils confidence that with better regulation of water resources in the Kunene Basin, further positive results can be achieved. However, to reduce reliance on Ruacana's output, diversification is imperative.

Moreover, NamPower has adopted several key cost containment, reduction, and debt collection strategies that have all significantly contributed to our financial performance and improvement. An enhanced contribution from investments has also been noted, though this is expected to taper off as increased capital outlays in respect of expansion in generation capacity are expected in the coming years.

OUR COMMITMENT TO A SUSTAINABLE ENERGY INDUSTRY

Our vision and mission underpin our positioning, striving to be the leading and most innovative solutions provider in the region. While the size of our market may be relatively small compared to our neighbours, we are committed to being at the forefront of sustainable energy solutions in the region. We acknowledge the global shift toward renewable energy resources, such as solar, wind, and biomass, to address concerns about climate change and the environmental impacts of traditional energy sources.

We are deeply committed to advancing sustainability and upholding the principles of environmental, social and governance (ESG) aspects. We adhere to frameworks governing our role and conduct in fulfilling our social responsibility sustainably, aiming to make a lasting impact on communities and our economy.

GOING FORWARD

Since its establishment, NamPower has been instrumental in driving Namibia's development, mainly through the steadfast provision of reliable electricity. This commitment aligns with the overarching goals of the nation, encapsulated in Vision 2030, National Development Goals, and Harambee Prosperity Plans. Vision 2030 envisions the transformation of Namibia into an industrialised, globally competitive nation with equal opportunities, sustained growth, and an enhanced quality of life for all citizens. NamPower recognises the gravity of its role in fulfilling this vision and understands that a dependable and secure electricity supply is integral to accomplishing national development plans. The dedication to meeting this responsibility underscores NamPower's pivotal contribution to Namibia's socio-economic progress.

Our stakeholders should anticipate NamPower's continued fulfilment of this commitment in a responsible manner. We are dedicated to containing the tariff trajectory as much as possible to foster investments and support national economic growth. Our commitment to the nation's development and electricity supply security remains unwavering, evidenced by total electricity sales of N$6.5 billion at the close of the financial year while N$2.4 billion was committed to the development of generation and transmission projects and the asset base increased to N$50 billion, all while the cost of electricity decreased by 0.85%, clearly proving NamPower's continued growth in capacity of supply adequately meeting Namibia's demand for electricity.

APPRECIATION

In conclusion, on behalf of the Board of Directors, I would like to extend my appreciation and thanks to the outgoing Chairperson of the Board, Mr Daniel Motinga, who provided steadfast leadership during his tenure until end of September 2023. Through his astute leadership, he always emphasised that all governance structures focus on the strategic objectives of the company, with the ultimate goal of ensuring NamPower's long-term sustainability.

I further express my sincere gratitude to my esteemed colleagues on the Board for their thoughtful and dedicated guidance during these challenging times. The Managing Director and the Executive Committee, guided by the Board's collaborative leadership, adeptly navigated a complex landscape.

My heartfelt appreciation extends to the dedicated employees of NamPower who consistently contribute their invaluable energy to advance the company's medium to long-term strategic objectives.

On behalf of NamPower, I extend our profound gratitude to our valued clients, the shareholders, and all stakeholders for their unwavering support. Together, we look forward to overcoming challenges and achieving continued success in the journey ahead.

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Martha Mbombo
Acting Chairperson

CORPORATE GOVERNANCE FOR SUSTAINED VALUE CREATION

NamPower is committed to the highest standards of governance, business integrity, ethical conduct and professionalism and recognises that these principles underpin its ability to deliver long-term value to the shareholder and stakeholders.

The NamPower Board is primarily responsible to establish and proactively implement good corporate governance principles within NamPower.

In accordance with the powers as set out in the Public Enterprises Governance Act, 2019, the Minister of Finance and Public Enterprises appointed a diverse and experienced Board who have, throughout their tenure, ensured leadership by striving to ensure NamPower implements its strategic objectives through the delivery of growth and value to its stakeholders. The Board consists of six independent non-executive directors, which provide oversight and strategic direction to NamPower.

The governance foundation of NamPower is based on a combination of voluntary and compulsory guidelines founded on the principles and practices of the King Code of Corporate Governance for South Africa 2016 (King IV), the Corporate Governance Code for Namibia (NamCode), the Public Enterprises Governance Act, (Act No.1 of 2019) (PEGA), the NamPower Memorandum and Articles of Association, and the Companies Act, (Act No. 28 of 2004). The principles as contained in these voluntary and compulsory guidelines underpins NamPower's governance framework and ensures that the Board is adequately guided on processes and procedures that NamPower must adhere to, to meet its strategic objectives. In addition, it guides the Board, its senior management, the shareholder, and other stakeholders in its interactions with NamPower.

The Board exercises its leadership by ensuring that NamPower achieves an ethical culture, is managed in accordance with sound governance principles, and that it meets its mandate through compliance with the PEGA, the Companies Act, the Electricity Act, (Act No. 4 of 2007), relevant legislation binding to its operations, appropriate and relevant non-binding industry codes, and NamPower's internal policies and control systems. The Board is satisfied that it fulfilled its fiduciary duties and obligations during the past financial year.

OUR GOVERNANCE PHILOSOPHY

Effective corporate governance is fundamental to our business's success, sustainability, and legitimacy. Our principles, frameworks, and risk management practices guide decision-making, ensuring alignment with our purpose, vision, mission, values, and objectives. Through the exercise of good governance principles, the Board, senior management, and all staff collectively understand their respective roles, which fosters accountability throughout the organisation, promoting transparency, integrity, and ethical conduct. Our governance structure facilitates efficient management and continuous improvement to adapt to the evolving business landscape and regulatory environment, ensuring ethical and responsible corporate behaviour.

Governance Structures – drives top-down governance, facilitating devolution of responsibility:

- Risk Policy Suite – implementation of a comprehensive risk management framework, which incorporates risk identification, risk measurement and assessment, risk mitigation, risk reporting and risk governance in line with the NamPower Risk Management Framework
- Delegation of Authority Framework – ensures that clear, specific, and traceable authority is assigned to appropriate persons through delegation and sub- delegation
- Three Lines of Assurance – establishes clear accountability and ownership for risk management, the control environment and required mitigating actions

GOVERNANCE STRUCTURES

BOARD	EXCO	CODE OF CONDUCT	LEGAL AND COMPLIANCE	AUDIT AND RISK
Our independent Board governs, directs, and has effective control over the Company	Our Executive Committee (ExCo) manages the day-to-day running of the business in line with the tone of governance set by the Board	Our revised Code of Conduct and Conflict of Interest Policy is the overarching guide informing our decisions and guiding our behaviour	This function assesses the legal risks facing the Company and mitigates these by ensuring effective policies, procedures, and contracts are in place	Internal and external audit assesses the extent to which controls are working to ensure compliance and manage business risks

GOVERNANCE OF COMPLIANCE

NamPower, as a corporate entity operating in the Electricity Supply Industry, is subject to numerous laws and regulations that govern its operations. Following the implementation of the Modified Single Buyer Model, the Board set strategic objectives to ensure the Company evolves in order to remain relevant and competitive in the ever-changing regulatory landscape. Moreover, NamPower is committed to upholding compliance with the laws, regulations, codes, and internal policies and procedures governing our business. To ensure effective compliance management, the Company implemented a Compliance Management Framework which establishes, evaluates and maintains an effective compliance management system within the organisation.

No new material compliance breaches were noted during the year under review, thus reiterating our resolve to monitor, track and audit compliance.

REGULATORY COMPLIANCE

The Board recognises that compliance with legislation is essential for good governance. With governance at its core, the Board, primarily through its Audit and Risk Committee, oversees the Company's compliance risk management by ensuring adequate reporting through active management of information flow and enforcing accountability, thus providing the Board and all stakeholders with the required assurance. The directors are satisfied with the actions taken by management to ensure compliance with all relevant legislation.

NamPower continues to apply and comply with all relevant legislation applicable to it, which include the provisions of the Companies Act, the Electricity Act, the Labour Act (Act 11 of 2007) and its internal governance policies and procedures in directing and managing the business. The matters dealt with through the Company's internal governance procedures and subject to the Board's approval include the development and implementation of the ISBP and Annual Business and Financial Plans. The Minister of Finance and Public Enterprises has not declared any of the NamPower subsidiaries and associates, specifically Regional Electricity Distributors, as Public Enterprises in terms of the Public Enterprises Governance Act 1 of 2019. Thus, the Public Enterprises Governance Act 1 of 2019 does not apply to the subsidiaries and associates, but only to the Company.

ROLE AND RESPONSIBILITY OF THE BOARD

The Board is responsible for the strategic direction and overriding control over the Company. The Board serves as the focal point for governance within the organisation, through the support of its various committees. The Board guides management in formulating the corporate strategy, setting targets, and developing plans, while being mindful of the impact of the business on its stakeholders, its financial performance, and the environment. The Board also sets the tone for ethical and effective leadership.

The Board discharges its responsibilities and control of NamPower as per the provisions of the PEGA, the NamPower Board Charter, and the Memorandum and Articles of Association. The Board Charter serves as a guide to the Board in performing its functions and outlines its role, responsibility, and procedural conduct and practices regarding Board matters. The Board uses its meetings to discharge its fiduciary duty, governance, and regulatory obligations.

The Board deals with several matters exclusively. These entail, amongst others, the approval of NamPower's Annual Financial Statements; the five-year ISBP and the Annual Business and Financial Plan - which include the correlating budget and cash flow forecasts; the annual capital expenditure budget. In addition, it ensures that the Company's performance management framework correlates to the strategic objectives the Company has set, which enables the shareholder and other stakeholders to assess and evaluate the performance of the Company, the Board, the Managing Director, and employees. The Board also approves any significant changes to management and control structures; material investments or disposals; and the Group's overall risk management strategy.

The Board always ensures that its work plan and those of its committees are aligned with the responsibilities set out in the Board Charter.

The Board is committed to ensuring that sound governance principles are fully integrated into all aspects of the business.

BOARD PERFORMANCE ASSESSMENT

During the period under review, the Board conducted a comprehensive evaluation to assess various competencies of Board members, the flow of information, the dynamics of Board meetings, the Board's relationship with ExCo, the quality of Board oversight and decision-making, and the Board's role in strategic decision-making. This is in line with King IV recommendations, which suggest that a Board evaluation be conducted every second year. During October and November 2022 an external service provider conducted an independent board evaluation for the 2022/23 financial year.

The evaluation served as a reflective and enlightening process, allowing the Board to recognise its current framework, strengths, weaknesses, and opportunities for enhancing its functioning and performance.

The evaluation produced highly positive results regarding the overall performance of the Board, individual directors, and Board committees. Furthermore, it generated several recommendations to improve the Board's effectiveness and overall performance, aligned with best practices in corporate governance. A Board improvement plan has been developed to monitor progress in addressing areas that require improvement.

GOVERNANCE LEADERSHIP AND REINFORCING AN ETHICAL CULTURE

Under the strategic pillar "Driving organisational and operational excellence", a strategic goal was set to build an ethical, engaging, and high-performance culture by aligning strategy implementation with change in behaviour, to transform the NamPower corporate culture.

The Board acknowledges that NamPower exists only with the permission of its stakeholders and that its values form a solid foundation on which the entire organisation conducts itself. The Board and management set the tone and provide clear direction for ethical conduct in the organisation. As a values-based organisation, the Board is committed to the highest standards of integrity and ethics in all its activities. Various Codes of Good Governance, including the NamCode, clearly define the Board's role, emphasising effective leadership established on an ethical foundation.

NamPower's Code of Conduct and Conflict of Interest policy was reviewed and approved in June 2021. Following this approval, NamPower engaged the Ethics Institute to conduct an ethics opportunity and risk assessment of the Company. This assessment involved an independent survey to gauge the ethical culture and behaviours within NamPower and the perceptions of how ethics is managed. During the period under review, all employees were invited to participate in the survey, sharing their perspectives on the current state of ethics within NamPower and their expectations regarding ethical treatment. The results of this survey were presented to the Board of Directors, who bear the ultimate responsibility for governance pertaining to ethics within the organisation.

Looking ahead to the next financial year, NamPower will focus on developing an ethics strategy and management plan in collaboration with the Ethics Institute. NamPower also has a culture transformation program in place to deliver a high-performance culture, in line with the NamPower strategic objectives.

Training on ethics was conducted to the Board and Senior Management by the Ethics Institute during the period under review. Focus group sessions on the management of ethics was also conducted with identified employees within the organisation.

In alignment with the Ethics Management plan initiatives, NamPower has launched the Fraud and Ethics Hotline, which will be managed by Deloitte. The primary purpose of this hotline is to enable individuals to report any ethical concerns through appropriate channels provided by NamPower, ensuring a safe reporting environment free from concerns regarding victimisation or occupational detriment.

These ethical concerns include, but are not limited to:

- Fraud, Corruption whether actual, real, or attempted or planned or any other irregularities
- Failure to comply with a legal obligation
- Dangers to health, safety, and the environment
- Disclosures related to the miscarriage of justice
- Conflict of interest
- Procurement irregularities for personal gain
- Any other ethical concerns

Through the launch of our hotline, all NamPower stakeholders are encouraged to report any ethical concerns. To provide the assurance that stakeholders require in respect of confidentiality, the hotline is managed by an independent service provider. To date no disciplinary action has been taken against any employee as the reporting is still in its infancy. The key themes about the complaints are in relation to recruitment practices.

CORPORATE SUSTAINABILITY

This Integrated Annual Report contains a detailed Sustainability Report (on pages 28 to 38), which illustrates a clear commitment by the NamPower Board of Directors to ensure that the Board's agenda and decision-making is ESG conscious. Sustainability is also a standing agenda item in the Audit and Risk Committee agenda, where it has oversight of safety, health, environment, social and financial sustainability matters. The above approach adopted by the Board is to ensure that the Company remains resilient and agile to adapt to material sustainability issues, thus ultimately measuring NamPower's impact on all its stakeholders. During the period under review there have been no major environmental management concerns with a significant risk exposure that required the attention of the Board of Directors, in line with the approved Risk Management Framework.

INFORMATION TECHNOLOGY GOVERNANCE

The Board has assumed the responsibility for IT Governance by setting the direction for how technology and information should be approached and addressed in NamPower.

The Audit and Risk Management Committee is mandated by the Board to provide direct oversight responsibility for the effective execution of IT Governance within NamPower. During the period under review, the Committee implemented the reporting process of IT Governance on a quarterly basis.

REMUNERATION PRACTICES FOR DIRECTORS AND EXECUTIVES

NON-EXECUTIVE DIRECTORS

Non-executive directors' remuneration is in line with the directives as issued in terms of the Public Enterprises and Governance Act (Government Gazette No. 6572: Directives in relation to remuneration levels for Chief Executive Officers and Senior Managers and Annual Fees and Sitting Allowances for Board Members). NamPower is classified as a tier 3 commercial enterprise.

Director	Remuneration
Mr Daniel Motinga	N$ 327 233.03
Ms Martha Mbombo	N$ 293 497.38
Ms Silke Hornung	N$ 360 362.91
Dr Detlof von Oertzen	N$ 349 416.70
Mr Clive Kavendjii	N$ 283 888.20
Mr Evat Kandongo	N$ 393 613.49

GOVERNANCE ACTIVITIES FOR THE YEAR – KEY ISSUES DEALT WITH BY THE BOARD IN THE REPORTING PERIOD

- Combined Assurance Framework
- Delegation of Authority Policy
- Data Classification Policy
- IT Disaster Recovery Policy
- CSI Policy
- Employee Wellness Policy
- Approval of Annual Business and Financial Plan and correlating budget
- Approval of the Audited Financial Statements
- Annual General Meeting – approval of the Audited Financial Statements

The key focus areas that received the attention of the Board during the year are described in the table below:

Strategic Pillar	Key focus area	Governance outcome
Driving Organisational and Operational Excellence	Review of the conditions of employment and organisational structure	To have a structure that is aligned to the strategy and fit for purpose and to reduce the employment cost
Optimising Financial Sustainability	Voluntary early retirement incentive programme	Reduction of the workforce and payroll
Ensuring Security of Supply	Substantial investments in capital projects and a well maintained infrastructure	Secured power supply
Optimising Financial Sustainability	NamPower 2020 – 2025 ISBP and capital investment plan	Secure capital project financing

BOARD AND BOARD COMMITTEE MEETINGS

Directorate	
Mr Daniel Motinga	Chairperson (retired 30 September 2023)
Mr Kahenge S Haulofu	Managing Director
Ms Martha Mbombo	Deputy Chairperson
Dr Detlof von Oertzen	Member
Mr Laurence Kavendjii	Member
Ms Silke Hornung	Member
Mr Evat Kandongo	Member

BOARD COMMITTEE MEETINGS

Board of Directors	Board	Audit and Risk Management Committee	Remuneration and Nomination Committee	Board Procurement Committee	Investment Committee
Meetings held:	6	6	4	4	4
Attendance					
Mr Daniel Motinga	5	N/A	4	4	N/A
Dr Detlof von Oertzen	5	N/A	4	N/A	4
Ms Martha Mbombo	6	N/A	4	4	N/A
Ms Silke Hornung	6	6	N/A	N/A	4
Mr Evat Kandongo	6	6	N/A	N/A	4
Mr Clive Kavendjii	6	4	N/A	4	N/A

BOARD

Meets six times a year
Chairperson: Daniel Motinga (retired 30 September 2023)

The Board is responsible for the strategic direction and overriding control of the company. It guides management in formulating the corporate strategy, setting targets, and developing plans to realise the targets.

The Board also sets the tone for ethical and effective leadership

BOARD COMMITTEES

AUDIT AND RISK MANAGEMENT COMMITTEE

Meets six times a year
Chairperson: Ms Silke Hornung

Members:
- Mr Laurence Kavendjii
- Mr Evat Kandongo

Mandate
- Oversee the quality and integrity of NamPower's integrated and financial reporting
- Provide assurance to the Board regarding risk management
- Review and assess the integrity of internal controls
- Oversee compliance with legal and regulatory requirements
- Oversee the qualification, independence, and effectiveness of the internal and external audit functions
- Ensure effective corporate governance
- To monitor compliance and provide reasonable assurance regarding the quality, integrity, and reliability of compliance risk management
- Ensure that the manner in which NamPower governs social and ethics performance promotes an ethical culture
- Oversee the implementation of ethics
- Oversee the implementation of IT Governance

Key focus areas for the year
- Reviewed Finance related policies
- Evaluated the financial reports presented
- Approved the external audit plan
- Considered feedback on the implementation of IT Governance, institutionalisation of ethics in NamPower, and property portfolio management
- Discussed internal audit reports presented
- Discussed and recommended the budget and audited financial statements for approval
- Considered the payment of a dividend to the shareholder
- Ensured the application of combined assurance in the audit and risk functions
- Discussed the inclusion of ESG in the Integrated report

REMUNERATION AND NOMINATION COMMITTEE

Meets four times a year
Chairperson: Ms Martha Mbombo

Members:
- Mr Daniel Motinga
- Dr Detlof von Oertzen

Mandate
- Make recommendations to the Board on the optimal structure, appointment of staff, and recruitment process
- Oversee the development and implementation of the human capital development plan
- Consider executive appointment and make recommendations to the Board
- Ensure the development and upgrading, as necessary, of an effective performance management system and monitor its implementation
- Review conditions of service and provide a channel of communication between the Board and management on remuneration matters
- Oversee and manage the performance of the Board and its Committees

Key focus areas for the year
- Received feedback on the performance of employees
- Reviewed human capital policies
- Commissioned the review of the conditions of employment and organisational structure

BOARD PROCUREMENT COMMITTEE

Meets four times a year
Chairperson: Mr Laurence Kavendjii

Members:
- Ms Martha Mbombo
- Mr Daniel Motinga

Mandate
- Consider and recommend the approval of the Annual Procurement Plan to the Board and ensure that it is in accordance with the NamPower budget
- Consider a quarterly report of all procurement activities conducted
- Monitor NamPower's compliance to the NamPower preferential procurement requirements (NEEEP Policy) and the Codes of Good Practice as issued under the Public Procurement Act of 2015
- Receive and consider strategic generation and transmission project reports to ensure compliance to the project timelines as set out in the NamPower ISBP 2020 – 2025 and Annual Business and Financial Plan

Key focus areas for the year
- Approved the Annual Procurement Plan
- Considered and guided management in terms of strategic generation and transmission implementation projects
- Noted feedback on the progress on the implementation of transmission projects
- Provide guidance in the improvement of the NEEEP implementation

INVESTMENT COMMITTEE

Meets four times a year
Chairperson: Dr Detlof von Oertzen

Members:
- Mr Evat Kandongo
- Ms Silke Hornung

Mandate
- Set and review NamPower's investment policies and strategies
- Establish and maintain investment and borrowing strategies
- Set criteria and targets for investment portfolio returns and evaluate performance against NamPower performance benchmarks
- Evaluate and recommend to the Board approval of new loans required for the overall corporate funding requirements
- Review and recommend banking facilities

Key focus areas for the year
- Considered the investment reports submitted
- Reviewed Investment related policies and recommended for approval

OUR INTERNAL CONTROL SYSTEM

The Board is responsible for NamPower's Internal Control System and is accountable for reviewing its effectiveness. The Board of Directors establishes the Internal Audit function and operates independently within NamPower. Its responsibilities are defined by the Audit and Risk Management Committee of the Board of Directors as part of its oversight function. Our internal control system is supported by a robust control environment, a dynamic risk management process, and control activities that are guided by policies and procedures, ensuring that necessary actions are taken to address risks and facilitate the achievement of NamPower objectives.

Internal Audit provides objective assurance and consulting services that support NamPower in accomplishing its objectives through a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

INTERNAL AUDIT CHARTER

The NamPower Internal Audit Charter is approved by the Audit and Risk Management Committee (ARMC) and sets out the purpose, scope, authority, responsibilities, and status of the Internal Audit function within NamPower. It provides all relevant stakeholders with a comprehensive overview and framework of the Internal Audit function.

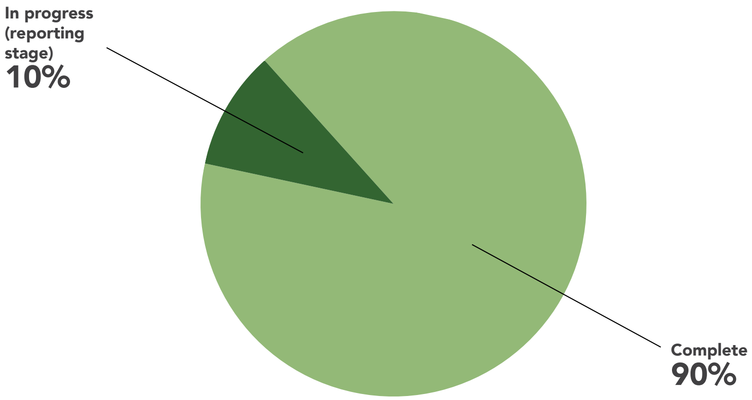
In fulfilling its responsibilities, the Internal Audit function is guided by the NamPower Internal Audit Procedure Manual, The Institute of Internal Auditors Mandatory Guidance, the Definition of Internal Auditing, the Code of Ethics, and the Standards for the Professional Practice of Internal Auditing (standards).

INTERNAL AUDIT PLAN

Audits are derived from the Annual Risk-Based Internal Audit Plan, which is approved by ARMC . The Audit Plan is developed based on NamPower's Risk Register, in consultation with Management and ARMC members. During the period under review, emerging risks and ad-hoc audits are considered as needed. Additionally, Internal Audit reports on progress against the approved Internal Audit Plan to ARMC on a quarterly basis, presenting audit performance dashboards and detailed audit reports.

OUR 2023 PERFORMANCE

A total of twenty audits, comprising eight new audits and 12 follow-up audits, were approved by the ARMC during the year under review. At the end of the financial year, 90% of the planned audits were completed, as depicted in the chart below. New risks and activities emerged, necessitating adjustments to the audit plan and preventing its full execution.



Audits completed during the period included:

- Capital Project Management Process
- Disaster Recovery Plan
- Optimisation of generation units via procurement of emergency energy
- Procurement Process Compliance Review
- Bursaries Process Review
- Credit Card Compliance Review
- Debt Collection

All audit findings are reported to both Management and the ARMC, with corrective actions agreed upon by Management on how to resolve the identified issues. Furthermore, Internal Audit independently monitors the implementation of these agreed corrective actions and provides quarterly status reports to ARMC. Management is committed to resolving the outstanding findings to strengthen the control environment.

Internal Audit launched a fraud hotline in July 2023, to assist NamPower in combating criminal, corrupt, and unethical activities, while fostering an ethical, engaging, and high-performance culture.

LOOKING TO 2024 AND BEYOND

Internal Audit is committed to a proactive approach in providing assurance and consulting services commensurate with the maturity of the internal control environment. New audit engagements for the 2024 financial year will focus on a balance of 75% assurance and 25% consulting activities. We aim to enhance efficiency by leveraging technology, such as TeamMate+ audit software, to expedite the provision of assurance. This includes automating the audit findings tracking process to monitor, track, and report outstanding findings efficiently.

Moreover, we will implement a combined assurance programme to streamline and consolidate the assurance provided to management and the Board. The combined assurance programme will reduce duplications in audit coverage and identify and close assurance gaps.

OUR LEADERSHIP

BOARD OF DIRECTORS

Term of appointment: 1 October 2020 to 30 September 2023

MR DANIEL MOTINGA (CHAIRPERSON)

M.A. Economics, University of East Anglia, Norwich, United Kingdom

Date of appointment to the Board:
(Reappointed: 1 October 2020)

Tenure:
Six years

Committee assignment: Remuneration and Nomination Committee member; Procurement Committee member

Mr Motinga is a highly esteemed economist and researcher, playing a crucial role on the NamPower Board. With a distinguished career spanning over 20 years, he has made significant contributions as a respected manager and trustee, shaping the direction of numerous organisations. His expertise in economics, social policy, and sector reform provides invaluable insights into the vital role NamPower plays in the nation and its industries. In addition to his board responsibilities, Mr Motinga has served as a consulting economist for the banking industry. Currently, he holds the position of Head of Public Sector Banking at RMB Namibia, further showcasing his depth of experience and knowledge in the field.

MS MARTHA MBOMBO (DEPUTY CHAIRPERSON)

Master of Business Leadership (MBL), UNISA, South Africa

Date of appointment to the Board:
1 October 2020

Tenure:
Two years and eight months

Committee assignment:
Remuneration and Nomination Committee (Chairperson); Procurement Committee member

Ms Mbombo is an accomplished Human Resources Practitioner with extensive expertise. She holds multiple degrees, including a Master's in Business Leadership, a Bachelor's in Business Administration, and a Master's in Health Personnel Education. Ms Mbombo began her career in Human Resources and Administration within various Government ministries. Currently, she serves as a Deputy Executive Director in the Ministry of Gender Equality, Poverty Eradication, and Social Welfare, located in the Office of the President.

DR DETLOF VON OERTZEN

PhD – Physics (High Energy Nuclear Physics), University of Cape Town, South Africa.

MBA (Advanced) – Finance University of Adelaide, Australia

Date of appointment to the Board:
(Reappointed: 1 October 2020)

Tenure:
Six years

Committee assignment:
Investment Committee (Chairperson); Remuneration and Nomination Committee member

Dr von Oertzen is a distinguished scientific and technical consultant specialising in the energy, environment, and radiation protection domains. With over 30 years of experience, his career has provided him with a solid foundation of skills and expertise. He has actively collaborated with renowned international, regional, and local energy and electricity stakeholders, including esteemed organisations such as the World Bank, United Nations Development Programme, and International Atomic Energy Agency. Additionally, he has engaged closely with ministerial and regulatory authorities responsible for energy at both local and regional levels.

MR LAURENCE C. KAVENDJII

LLB and B. Juris, UNAM, Namibia

Date of appointment to the Board:
1 October 2020

Tenure:
Two years and eight months

Committee assignment:
Procurement Committee (Chairperson); Audit and Risk Management Committee member

Mr Kavendjii is a highly accomplished legal practitioner admitted to both the High and Supreme Courts of Namibia. He holds two degrees from the University of Namibia. Mr Kavendjii commenced his legal career at Nate Ndauendapo and Associates, gaining valuable experience. Simultaneously, he served as a full-time lecturer in the Law Faculty at the University of Namibia from 2001 to 2012. In 2004, while still lecturing at UNAM, Mr Kavendjii co-founded Kangueehi and Kavendjii Incorporated. Currently, he serves as the President of the Law Society of Namibia, demonstrating his esteemed reputation within the legal profession. Furthermore, Mr Kavendjii is a respected member of the Namibia Law Association.

MS SILKE HORNUNG

CA (Nam) and ACMA / CGMA,
University of Pretoria, South Africa

Date of appointment to the Board:
1 October 2020

Tenure:
Two years and eight months

Committee assignment:
Audit and Risk Management Committee (Chairperson); Investment Committee member

Ms Hornung is a registered Chartered Accountant with vast experience and expertise in accounting and finance. She began her career with Deloitte while also lecturing part-time at the former Polytechnic of Namibia and Damelin College in Walvisbay. She later gained international experience with Deloitte. Returning to Namibia, she joined Bidvest Namibia, assuming diverse roles in the finance business unit for several years. She then joined Pointbreak Wealth Management as Senior Wealth Manager before establishing her own consulting firm.

MR EVAT KANDONGO

B.Sc. Civil Engineering (Pr. Eng.),
Tampere University of Technology, Finland

Date of appointment to the Board:
1 October 2020

Tenure:
Two years and eight months

Committee assignment:
Audit and Risk Management Committee member; Investment Committee member

Mr Kandongo is a registered Professional Civil Engineer with a career that began in the private sector and later expanded to include positions in the City of Windhoek and other organisations. In 2001, he became Associate Director at Stewart Scott Namibia. Mr Kandongo serves as the CEO and majority shareholder of Consulting Services Africa, where he actively participates in various energy-related projects with a specific emphasis on renewable energy. Additionally, he holds the position of trustee for the University of Namibia's Engineering Fund.

EXECUTIVE MANAGEMENT COMMITTEE (EXCO)

MR KAHENGE S. HAULOFU

Managing Director

Mr Kahenge Simson Haulofu holds a B.Sc. Degree (Honours) in Civil Engineering from the Tampere University of Technology in Finland and is a graduate of the Advanced Management Programme of Harvard Business School in Boston, USA. He is registered as a professional engineer with the Engineering Council of Namibia.

He joined NamPower in 1998 as Manager: Construction of Projects and Civil Assets, before he was appointed as General Manager: Engineering Services Department, and subsequently General Manager: Power Generation Department. With his extensive experience in generation and transmission, Mr Haulofu has successfully overseen the implementation of various significant transmission and generation projects locally and regionally.

MR FRITZ C JACOBS

Chief Operating Officer

Mr Fritz Jacobs holds a B.Sc. Eng. (Elec) and M.Sc. Eng. (Elec) from the University of Cape Town, South Africa. He is registered as a Pr. Eng. (professional engineer) and also holds the designation of FCIS (Chartered Business Administrator). Mr Jacobs has many years of corporate and private sector experience, ranging from consulting engineering, strategy, project and contract management, governance and business executive leadership in the electricity, telecommunications (ICT), mining, and the construction environment.

MR GERSON G. RUKATA

Executive: Generation

Mr Gerson Rukata is a Mechanical Engineer and holds a B.Eng. Degree (Honours) in Agricultural (Mechanical) Engineering from Cranfield University in England. With a 24-year tenure at NamPower, he has acquired extensive experience and expertise.

During his initial two years at NamPower, Mr Rukata played a crucial role in the RSA 400kV Transmission Interconnector Project. Following this, he dedicated six years to maintaining transmission and distribution infrastructure, ensuring their smooth operation. Over the past 17 years, he has focused on developing electricity power generation projects, gaining invaluable knowledge and experience.

MR BRAAM VERMEULEN

Executive: Transmission

Mr Braam Vermeulen is a Professional Electrical Engineer, registered with the Engineering Council of Namibia. He holds a B.Eng. Degree in Electrical Engineering from the University of Stellenbosch in South Africa. During his 35 years as a self-driven professional engineer, Mr Vermeulen has gained extensive knowledge and experience in the Electrical Supply Industry (ESI) and other engineering disciplines. He currently leads all transmission grid activities, including system planning, system security, system operation/maintenance, and transmission grid master planning and implementation.

2 5

31 – 40 years **1**
41 – 50 years **2**
51 – 61 years **4**

MS KANDALI IYAMBO

Executive: Modified Single Buyer (MSB)

Ms Kandali Iyambo is a seasoned professional in the regional and local electricity supply industry. Ms. Kandali Iyambo' s extensive experience in the electricity industry spans energy trading, Power Purchase Agreement negotiations, financial modelling, electricity system operation, corporate governance, transparency, and value-based organisation. With a Master's in Electrical Engineering (M-Tech), an MBA, and a B-Juris degree, she brings a wealth of knowledge to her directorships in multiple companies, providing strategic oversight in both large and small business organisations.

MR MICHAEL GOTORE

Chief Financial Officer

Mr Michael Gotore is a Chartered Accountant with a strong educational background. He holds an Honours Degree in Accounting, a Post Graduate Diploma in Applied Accountancy from the University of Zimbabwe, and a Master of Science Degree in Leadership and Change Management from Leeds Metropolitan University. With over 22 years of experience, he has worked in various sectors, including audit, investment banking, asset management, and financial management.

MS SELMA AMBUNDA

Executive: Human Capital

Ms Selma Ambunda is an accomplished professional with dual Master's Degrees. She holds a Master's Degree in Business Administration from the Australia Institute of Business and another in Human Resource Development from the University of South Africa. Additionally, she is a graduate of the Management Development Programme from the University of Stellenbosch and a member of the South Africa Board for People Practice. With over 16 years of experience, Ms Ambunda has established herself as a seasoned human resources executive.

05. OUR OPERATING CONTEXT AND STRATEGY

MANAGING DIRECTOR'S REPORT

INTRODUCTION

I am pleased to present to you the Managing Director's report, highlighting our achievements, challenges, and the strategic outlook for NamPower in the coming year and beyond. As mentioned in the Chairperson's statement, the theme "Harnessing Our Energy for Future Sustainability" encapsulates our commitment to judiciously leverage energy resources for present and future generations. This theme aligns with NamPower's mission to enhance domestic energy production, improve energy self-sufficiency, and adopt strategies for continued financial sustainability, contributing to enduring socio-economic and environmental benefits.

OVERVIEW OF OUR PERFORMANCE FOR THE YEAR

In the face of not-so-distant challenges which arose from the COVID-19 pandemic, the escalating commodity prices and currency fluctuations, NamPower has exhibited resilience and agility. Despite these hurdles, we remain steadfast in fulfilling our mandate, ensuring security of supply to the nation, particularly during demanding periods such as the one concluded on 30 June 2023.

Our cumulative corporate performance at the end of the 4th quarter achieved a commendable rating of 2.68 out of 4, marking a notable improvement of 0.52 compared to the 2.16 out of 4 rating achieved in the 2021/2022 financial year.

A significant accomplishment has been our gradual increase in own electricity output, as a result limiting imports to 58.2% of our total energy requirements. This achievement is attributed to enhanced generation output from the Ruacana Power Station (from 780 GWh in the previous year, to 1,323 GWh during the year under review) underscores our commitment to domestic energy production and contributes to our financial sustainability. Generation and transmission infrastructure and energy supply during the year have proven to be resilient and reliable, primarily due to high priority placed on continuous maintenance of these assets and the dedication of our highly skilled technical team.

Our transmission and distribution infrastructure consisting of 11,756 km of high and medium-voltage transmission lines, and 22,930 km low voltage distribution lines across the country have also proven exceptionally reliable, leading to a year without major prolonged disruptions. This reliability significantly contributed to our bottom line.

Aligned with our financial sustainability objectives are our key strategies such as: cost containment, reduction, and efficient debt collection which have propelled our financial performance. The impressive 11.2% increase in Group revenue is testimony of our efforts to maximise sales from all energy sources. This growth is attributed the tariff adjustments and increased sales volume.

NamPower continues to implement the Modified Single-Buyer (MSB) Market Model in line with the regulatory framework and through its Integrated Strategic Business Plan, emphasizing collaboration and innovation. The plan addresses the evolving energy sector, anticipating increased complexity. Despite a decline in local energy market interest, there is a surge in exporting locally produced energy, which requires responsible transition. NamPower, in collaboration with the government, remains committed to renewable energy projects and regional collaboration for enhanced energy security, while taking cognisance of the utmost requirement to maintain grid stability. Events like this aim to foster understanding of market intricacies, limitations, and opportunities, affirming NamPower's critical role in ensuring a resilient energy supply, as the supplier of last resort.

OUR ENERGY MIX

While Namibia's primary energy need is a baseload plant, I firmly believe that NamPower's renewable energy projects, constituting 150MW and 70MW, will have a positive impact in the short to medium term. Prioritising affordability and reliability in our energy mix, the Rosh Pinah 70 MW PV Project exemplifies our commitment, to achieve a maximum export capacity of 70 MWe and an estimated annual energy production of 214 GWh with 97% availability over 25 years. Similarly, the Otjikoto 40 MW Biomass Power Project, using encroacher bush woodchips, is expected to serve as a dispatchable baseload option, enhancing supply security and fostering the biomass fuel supply chain industry in Namibia. These initiatives, alongside projects like the 20 MW Khan Solar PV project and the 50 MW Wind IPP Power Plant project, align with global trends while safeguarding national priorities and energy security during the transition to renewable sources, particularly solar, known for its cost-effectiveness.

OUR PEOPLE, OUR PRIDE

Our employees have once again demonstrated their resilience and dedication in serving NamPower and the nation amidst a challenging environment. They are the driving force behind NamPower's organisational and operational excellence, going beyond the call of duty to ensure the security of the country's power supply. Sustained high productivity, combined with a good customer satisfaction rating (78%), an impressive attraction rate (96% of all organizational positions filled), a commendable retention rate (95%), and a minimal staff turnover rate (5%) collectively affirm NamPower's status as an employer of choice, a source of pride for us. Additionally, achieving 100% readiness in critical positions, surpassing the 70% target, showcases NamPower's robust bench strength.

Recognising the significance of professional growth, we understand that opportunities for advancement are crucial for promoting employee well-being. Consequently, we've consistently focused on training initiatives to enhance employee retention, skill development, and talent attraction.

NamPower remains dedicated to enhancing the representation of women within the organisation, fostering equal employment opportunities, actively promoting females for promotions, bursaries, and scholarships.

We are proud of the collective achievements made as a power utility to encourage innovation within the organisation, empower local entrepreneurship, create sustainable solutions, and generate economic opportunities. Moreover, we continue to meet the needs of our stakeholders and communicate transparently about the company's goals, achievements, and challenges.

Our Safety, Health, Environment, and Wellness (SHEW) Policy sets the framework for us to proactively prevent injuries, environmental harm, and production disruptions while adhering to Namibian legislation, SAPP guidelines, and international best practices. We continue to strive for excellence in SHEW. As a result, our operations were compliant with occupational health, safety, and environmental regulations. We achieved a lost-time injury rate (LTIR), with a yearly LTIR of 0.89 across all business units.

DISTRIBUTION OF VALUE CREATED

In the past year, NamPower has consistently fostered shared value through substantial investments in infrastructure, personnel, systems, and the overall development of Namibia. Despite the considerable cost involved, we have maintained the excellence of our generation and transmission infrastructure, ensuring the nation's security of supply with an uninterrupted flow of power. Our commitment to shared value is evident in the investment of a) N$3.2 million in staff skills development; b) fostering employment opportunities through initiatives like the N$15.5 million Artisan Development Programme and c) N$5.6 million for external bursaries.

In addition, NamPower and the Ministry of Mines and Energy (MME) actively contributed to rural electrification aligned with government objectives. Our commitment to rural electrification is underscored by completing seven projects within the review period totalling over N$48 million, with eight more currently under construction and seven undergoing bid evaluations.

Our practices, including environmental stewardship, technology transfer, and transparent governance, reinforce shared value, benefiting NamPower and its communities. This strategic approach aligns with the nation's economic development strategy and underscores our ongoing commitment to holistic progress and sustainability.

NAVIGATING A RAPIDLY EVOLVING MACROECONOMIC LANDSCAPE

Considering the rapidly evolving macroeconomic landscape in the electricity supply industry, especially over the past year or two, we find ourselves amid our five-year strategic plan. Given the dynamic market conditions, it prompts us to reflect on our 2020 – 2025 ISBP and whether the strategic plan adequately considers these macroeconomic elements, some of which pose material risks. The need for open discussions and breakaway sessions becomes evident, providing a platform to assess the strategy's alignment with the new market dynamics. As we navigate these challenges, we must consolidate our insights, debate critical issues, and chart a course that ensures the strategy aligns with the evolving landscape.

Furthermore, the macroeconomic discussions emphasise the importance of balancing our focus on energy generation with the pressing need for infrastructure development, particularly in transmission. NamPower is strategically positioned to undertake this crucial task. However, securing shareholder support is imperative to overcome the significant constraints within our system.

As we continue to make significant investments in generation projects, the magnitude of future investments in transmission and infrastructure development poses constraints. Striking a balance between our responsibility for electrification and maintaining economic viability is a challenge that necessitates thoughtful consideration and strategic adjustments. Furthermore, as we progress, we must assess and adjust our strategies to ensure a stable and affordable energy mix, considering economic and environmental factors. This approach becomes increasingly vital as the global energy landscape evolves and sustainability goals have gained prominence.

LOOKING AHEAD

We commit to continuous improvement in all aspects of our operations. Collaboration with stakeholders, including government agencies, remains essential to address challenges collectively.

The term "kaizen," representing the Japanese philosophy of continuous improvement, aligns seamlessly with NamPower's commitment to excellence. Embracing kaizen principles, NamPower pursues ongoing enhancements in operational efficiency, infrastructure reliability, and sustainable practices, ensuring a dynamic and continuously improving energy landscape for the benefit of Namibia's present and future generations.

In conclusion, NamPower remains dedicated to providing a reliable and sustainable power supply to support Namibia's growth. While we acknowledge the uncertainties ahead, our commitment to sound financial practices remains steadfast. We are resolute in managing expenses efficiently, investing in strategic projects, and maintaining financial discipline. A secure and reliable power supply is essential for promoting economic growth and enhancing the quality of life for our citizens. NamPower remains firmly committed to our role as a responsible, forward-thinking power utility company as we move ahead. We appreciate the ongoing support of our shareholder and stakeholders and remain committed to navigating the evolving energy landscape with resilience and innovation.

Our unwavering commitment to financial sustainability extends beyond a corporate mantra; it is a vital enabler of Namibia's industrialisation drive.

ACKNOWLEDGEMENTS

In closing, we thank our esteemed Board, including our Chairperson, Mr Motinga for his governance-focused leadership, our executive management, and dedicated employees for their unwavering support during the year. Their commitment has been integral to NamPower's achievements, and all their efforts position us to face the future with resilience and innovation.

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K.S. Haulofu
Managing Director

OPERATING CONTEXT

THE EXTERNAL ENVIRONMENT

During the period under review, Namibia and the broader SADC region have emerged as focal points for various reasons:

Oil and Gas Discoveries: Namibia has witnessed significant discoveries in the oil and gas sector, contributing to the growing prominence of the region.

Electricity Generation Deficit: The deficit in electricity generation and supply across the region has drawn considerable attention and underscores the need for medium and long-term strategic solutions.

Green Hydrogen Opportunities: The emerging green hydrogen sector is offering substantial growth opportunities, further adding to the region's attractiveness. As the largest player in Namibia's Electricity Supply Industry (ESI), NamPower is uniquely positioned to capitalise on these opportunities. Our role as the "Supplier of Last Resort" within the Modified Single Buyer (MSB) Framework requires us to remodel our regional interconnectivity to ensure security of supply and promote regional energy trade from new generation sources. The evolving market landscape is evidenced by the consideration of over 1,263 MW from eligible sellers being considered for power exports into the SAPP.

Additionally, the net-metering space, covering installations up to 500 kVA, has experienced substantial growth, with installations reaching over 70 MW. This emerging market segment demands a comprehensive assessment of its impact on our business strategy, as grid stability is of utmost importance to ensure security of supply.

To further enhance security of supply, NamPower and the Ministry of Mines and Energy have engaged in consultations aimed at expediting additional generation capacity. This collaborative effort is expected to result in increased local capacity and a diversified energy supply mix.

NamPower remains vigilant in monitoring the penetration of renewables throughout the Namibian electricity network. This vigilance is critical due to the impact of demand level variations/intermittency on managing emergency power supply adequacy, especially in the face of increasingly variable load patterns.

Moreover, we have observed improvements in the output from the Ruacana Power Station. NamPower is actively engaged with our northern neighbours in Angola to optimise the utilisation and beneficiation of the water resource in the Kunene Basin, with the primary objective of regulating water release for improved predictability of power output and improving the reliability of water supply to the communities and the ecosystem. Given the constantly changing operating landscape, it is imperative to recognise that numerous factors continue to exert their influence on our operating context. We re-emphasise the significance of the following key market developments, as they are posed to play a central role in shaping the trajectory of our business in the future.

EMERGING ENERGY RUSH

NamPower's pivotal role as the reliable "Supplier of Last Resort" has gained increasing prominence, driven by a renewed regional emphasis on energy sufficiency. This is complemented by rapid advancements in renewable technologies and a surge in private sector interest in participating in the ESI. Notably, most prospective new power generators express a strong desire to have NamPower participate alongside them or serve as the primary off-taker for their power, providing essential anchoring to new generation projects.

Namibia's mining sector, NamPower's most extensive customer base, has emerged as a central focus in the nation's pursuit of socio-economic development for a sustainable future. This thriving industry presents NamPower with a significant opportunity to play a crucial role within the evolving operational landscape while catering to the growing energy demands of this sector.

NamPower recognises the importance of maintaining a robust financial position to remain agile and responsive to the evolving market dynamics. This financial strength ensures the organisation's ability to meet the ever-increasing energy demands and allows it to actively participate in various market segments. NamPower's multifaceted role as a reliable energy supplier, particularly to the expanding mining sector, underscores its commitment to powering Namibia's progress while fostering economic sustainability.

GREEN ENERGY AND GREEN HYDROGEN

NamPower remains committed to collaborating with the Government to ensure a strategic position in the emerging green hydrogen energy space. As soon as data becomes available, NamPower will closely examine the energy supply profile generated by the green hydrogen project. This analysis will enable NamPower to assess how this source fits into the supply mix and determine scheduling and dispatch strategies.

The envisaged capacity for the green hydrogen project remains significant, ranging from 5,000 to 7,000 MW of renewable energy. Ensuring a viable off-take of power remains critical for our business as we navigate the evolving energy landscape.

EVOLVING MSB MARKET AND IMPACT ON THE ESI

The introduction of the Modified Single-Buyer Market Model (MSB) in the ESI has reshaped the local electricity landscape, leading to a slow-down/decline in demand. Several factors have contributed to this shift, including the allure of exporting energy to neighbouring countries, the evolving regulations, economic considerations, and the maturity of the local market. These developments have presented challenges for industry stakeholders, necessitating a strategic approach to balance local market commitments with export opportunities while ensuring regional energy security.

In response to these dynamics, NamPower and other key players are actively re-evaluating their roles and strategies to effectively navigate the implications of the MSB and changing market conditions. The MSB approvals for exports, contestable customers, and eligible sellers are steadily increasing. Licenses for the local market are contingent on converting renewable plant capacity, typically based on 30% of the annual energy consumption of the contestable or eligible sellers.

NamPower is proactively engaging with the Regulator to redefine its position within the evolving MSB market. A key emphasis remains the importance of all ESI participants maintaining up-to-date information on renewable energy penetration in their designated areas to facilitate sharing pertinent market insights, while at the same time ensuring that the risks associated with the penetration of variable renewables are contained.

NamPower is committed to prioritising core business investments, ensuring long-term sustainability and profitability in this dynamic energy landscape.

BAYNES HYDRO PROJECT AND WATER FLOW IN THE KUNENE RIVER

While we have observed a positive trend in the output from the Ruacana Hydro Power Station, we remain cautious as to the predictability of the river flow in the Kunene Basin. This variability underscores the ongoing need for engagements with key stakeholders, as managing the water resources in this basin is of mutual interest to both Namibia and Angola.

Our commitment to regional collaboration and mutual understanding remains steadfast, as these factors are pivotal in ensuring the sustainable and equitable utilisation of this water resource by both countries.

Furthermore, we are pleased to report that the development of the Baynes Hydro project is gaining momentum. Key milestones have been achieved through collaborative efforts among the involved parties. This large generation project holds the promise of substantial benefits for Namibia and Angola, ranging from increased energy generation capacity to enhanced economic development and regional cooperation.

REGIONAL POWER SHORTAGES

We acknowledge the commendable efforts made by our fellow regional ESI players to improve the generation capacities in our respective countries. A sufficient supply of electricity across the region holds the potential to facilitate increased trade between countries. Consequently, it is imperative for all member utilities to carefully assess their domestic supply requirements and how these may impact regional trade dynamics. However, shortages in meeting demand will hamper the much-needed stimulus of economic growth and activities. Nevertheless, any shortfalls in meeting the growing electricity demand pose a significant obstacle to the much-needed stimulation of economic growth and related activities. To promote regional trade effectively, it is crucial to integrate generation capacity with key transmission interconnectors. This synergy ensures the seamless flow of power across borders and reinforces the foundation for mutually beneficial regional trade.

REGIONAL ELECTRICITY SUPPLY COSTS

Bilateral Power Supply Agreements with ZESCO (180 MW), ESKOM (100 MW) and ZPC (80 MW) remain active, each with its specific duration. These agreements supplement our supply mix as we continue to invest in additional generation sources and capacity. NamPower is committed to upholding the sustainability of our supply options, aiming to mitigate the impact on local market tariffs in the medium- to long-term.

SIGNIFICANT OIL AND GAS DISCOVERIES

Namibia anticipates the growth of its oil and gas industry following the announcement of various significant discoveries. These discoveries in the upstream will drive downstream investments and related industry developments, which in turn are expected to drive additional investments in electricity infrastructure. Namibia is well-prepared to harness the potential of these oil and gas findings, ensuring both development and value addition, while also paving the way for a gradual transition to sustainable green energy sources in the long term.

MARKET VOLATILITY AND ITS IMPACT ON NAMPOWER

The unpredictability of interest rates and foreign currency fluctuations significantly affects NamPower's capital investment programme and investment returns, given the scale and significance of our core business investments. Our Treasury Unit remains dedicated to closely monitoring trends in foreign exchange rates and interest rates, enabling us to optimise our capacity to secure funding for projects while ensuring favourable returns on our investments.

As a credit rated entity, NamPower will continue undertaking major core business investments to fulfil our mandate. Consequently, we maintain a vigilant watch on interest rate trends, as these dynamics directly impact our borrowing capacity.

LEGISLATIVE ENVIRONMENT

The legislative environment has undergone changes, notably with the amendment of the Public Procurement Act. At NamPower, we place a high premium on responsible procurement practices and standards. It is imperative for us to maintain a state of agility, responsiveness, effectiveness, and efficiency, all aimed at the continuous growth of shareholder value and to procure goods and service timeously for our operations. Lastly, we find ourselves entering a new and dynamic phase within the ESI. The evolving macroeconomic factors highlighted above are expected to reshape the Namibian economy and our ESI market. NamPower is committed to maintaining resilience and fulfilling our mandate, aligned with the Government's aspirations for sustainable socio-economic growth.

STAKEHOLDER ENGAGEMENT

OUR STAKEHOLDERS

NamPower remains committed to nurturing solid partnerships and collaboration with stakeholders across the electricity sector. Through joint efforts, we can navigate the evolving landscape, seize emerging opportunities, and collectively contribute to the industry's sustainable growth.

Our stakeholder engagement strategy and plan are focused on ensuring that we, as far as possible, meet the expectations of our stakeholders and in doing so, make a meaningful and measurable impact across our key stakeholder groups. NamPower's underlying corporate communication objective is factual, accurate, consistent, and timely reporting, based on the principles of transparency, accountability, and integrity.

The table on the next page provides a brief review of our key stakeholder groups, their priority concerns/interests and how we address these based on our ongoing engagements with them.

CUSTOMER PERCEPTION SURVEY – HOW WE FARED

NamPower has, within a rapidly evolving electricity sector, recognised the importance of adopting a customer-centric approach to stakeholder management. Thus, in 2022, NamPower undertook an external customer perception survey to gather insights from our key stakeholders across the four strategic pillars of our 2020 - 2025 ISBP, which are instrumental in guiding NamPower toward its strategic objectives and shaping the NamPower of the future. The survey was a follow-up to similar exercises conducted in 2020 and 2017.

Across various stakeholder and customer segments, there is a consensus favouring a positive perception of NamPower, culminating in an overall stakeholder satisfaction mean score of 88%. This score significantly improved from the 82% recorded in the 2020 survey. The factors contributing to this positive rating encompass trust in NamPower's leadership, the assurance of reliable energy supply, transparent billing processes, stable stakeholder relationships, and substantial contributions to the nation's development.

Our primary objective for 2024 and beyond will continue to remain focused on sustaining existing satisfaction levels, addressing areas where satisfaction may be lower, and to remain steadfast in achieving our goals and overcoming challenges. The key to securing ongoing support and commitment lies in engaging with stakeholders at the right time, understanding their expectations, and managing them effectively.

Recognising that positive, trust-based relationships with stakeholders and business partners are at the core of fostering innovation and enhancing effectiveness and efficiency, NamPower is committed to consistently strengthening these connections.

KEY STAKEHOLDER GROUPS AND WHY THEY ARE IMPORTANT TO US		STAKEHOLDERS' PRIORITY CONCERNS/INTERESTS IN 2023	HOW WE ADDRESSED THEIR CONCERNS / INTERESTS IN 2023
	Employees and Union Representative Body Our 983 permanent employees and 94 employees on short-term employment contract provide the skills and labour investment that directly determine company success 525 employees are members of the bargaining unit and are represented by the Mineworkers Union of Namibia (MUN)	• Competitive remuneration for union members and those not in the bargaining unit • Job security and satisfaction • Employee wellness, health, and safety • Recognition and rewards • Retirement planning • Career development • Conducive corporate culture • Company performance	• Engaging the union on projects and the financial status of the Company • Recognition Agreement • Fulltime Shop Steward Agreement • Wage negotiations • Employment contracts • Staff development and training • Ongoing occupational health surveillance, health and wellness initiatives and the employee assistance programme providing counselling and support • Regular communication to staff • Several employees received awards in various categories as part of the ongoing Employee Recognition Programme • Engagement with pension trustees in relation to NamPower pension fund performance • Ongoing succession management and skills transfers for positions deemed critical/vital for NamPower. From a total of 49 crucial positions, 35 positions have ready-now successors • Climate survey conducted in June 2022 yielded an attraction index of 67% and an engagement index of 66% • Company performance improved from 2.16 out of 4 to 2.68 out of 4 as at year-end
	Regulator (ECB) The Electricity Control Board enforces regulatory and policy frameworks to which NamPower abides	• Strategic intent • Security of supply • Electricity pricing and tariffs • Projects and strategic decisions • Compliance with laws and regulations	• Courtesy visits held • Feedback on queries • Regular briefings and meetings held • Tariff meetings held with ECB and other stakeholders • Regulatory information is shared across all functional areas of the business
	Government As a commercial Public Enterprises, NamPower is accountable to the Ministry of Finance and Public Enterprises (MFPE) and Ministry of Mines and Energy (MME). Government informs our operations through national legislation and policy	• Compliance with corporate governance principles • Strategic intent • Security of supply • Contribution to the socio-economic development of the country • Enhanced public finances by tax • payments • Financial performance	• Project meetings with MME • Quarterly reports • MFPE procurement issues
	Customers Through the purchase of our products and services, we generate revenue. Thus, customer relationship and retention are key	• Ease of doing business: payment methods • Security of supply • Electricity cost/tariff • Electronic distribution customers application process interface and other services • Power outage notifications • Compensation regarding construction of Powerlines through customer's properties • Access to the Grid connected distribution system remains challenging due to high costs, long distribution lines and small loads	• Reduction of cost of electricity by promoting cheaper renewable energy options • Implementation of electronic application system and interface to other services such as application process stage monitoring, billing viewing, and planned outage notifications • Stakeholder engagement meetings • Negotiation process regarding servitude registration and compensation • Established new innovative technologically advanced solutions that meet the needs of modern consumers

KEY STAKEHOLDER GROUPS AND WHY THEY ARE IMPORTANT TO US		STAKEHOLDERS' PRIORITY CONCERNS/INTERESTS IN 2023	HOW WE ADDRESSED THEIR CONCERNS / INTERESTS IN 2023
	Media The media is a critical role player in keeping stakeholders/public informed of the ESI industry, NamPower operations and projects	• Updates on transmission and generation projects • Electricity supply situation in the country • Debt collection situation and plan • Power purchase agreements and electricity security • Corporate social investment programmes • Timeous responses to information queries	• Media briefings were held • Media conferences • Media releases and project updates disseminated to media • Timeous responses to media queries
	Suppliers and service providers Suppliers provide goods and services needed to enable us to conduct NamPower's operations effectively	• Tender opportunities • Understanding the procurement process • Long lead-time in the conclusion of the evaluation process • Disruptions in the global supply chain causing long lead times • Constant increase in commodity market prices due to COVID-19 and other market factors	• Bid clarification meetings • Bidder's debriefing exercises • Encouraging Bid Evaluators to conclude the evaluation process in a shorter period
	International / regional relations (SAPP) Multilateral energy platform in Africa in which NamPower trades	• Trade/ power purchase agreements • Collaboration • Security of supply • New products and services	• Monthly SAPP sub-committee meetings • Annual SAPP MANCO conference • Participation in the yearly Traders forum • Stakeholder engagement with Independent Power Producers • Stakeholder engagements with mines
	Financiers and Development Finance Institutions NamPower relies on its relationship with investors to build, maintain and enhance confidence in NamPower as a reputable and investment grade institution	• NamPower historical performance • Financial position and forecasts • Prospective projects with associated funding requirements • NamPower integrated strategic business plans with corresponding capital investment plan	• Ongoing engagements with development finance institutions and other commercial banks • Integrated annual reports • Annual financial statements • NamPower 2020 – 2025 ISBP and capital investment plan

MATERIAL RISKS AND OPPORTUNITIES

NamPower recognises its fundamental duty to proficiently manage risks, which is the bedrock for safeguarding its assets and liabilities. This dedication ensures the well-being of its employees and the broader community, shielding against potential losses, reducing uncertainty in pursuing its goals and objectives, and capitalising on opportunities to realise its visionary aspirations.

NamPower acknowledges that it cannot eliminate specific risks in the operating context beyond its direct control. The company has, however, proactively instituted a comprehensive strategy, offering a well-structured, systematic, and focused approach to navigating the ever-changing operational landscape. This adaptability empowers the organisation to effectively address emerging risks and promptly respond to evolving challenges while remaining steadfastly aligned with its overarching mission and vision, demonstrating remarkable adaptability and resilience.

ENTERPRISE RISK MANAGEMENT APPROACH AND PROCESS

Our Enterprise Risk Management (ERM) approach bridges our strategy and risks, promoting transparency and evidence-based decision-making. We actively monitor external changes that could impact our strategy and operations, while nine principal risks are identified in our corporate risk register.

Our risk function offers specialised expertise and comprehensive support services, adhering to the ISO 31000:2018 framework and addressing all material risks. Throughout the year, ERM has played a crucial role in value creation, guiding decision-making, goal achievement, and performance improvement across our organisation. ERM is fully integrated into our business operations at all levels.

RISK MATURITY AND CULTURE ASSESSMENT

The Risk Management Section has, in May 2023, sourced the expertise from the Institute of Risk Management South Africa (IRMSA) in May 2023 to conduct a risk maturity and culture assessment for NamPower as per its five-year Risk and Resilience Plan.

The survey has been completed and provided a clear prospective of the approach and culture towards risk management within the organisation. It furthermore highlighted key focus areas of improvement to enable us to move from a top-down risk approach to a risk intelligent approach.

A workshop has been scheduled in August 2023 to present the detailed findings to the Board and ExCo, and an action plan will be developed, implemented, and monitored, with quarterly reports provided to ARMC.

The key deliverables of this project will be to effectively integrate the combined assurance model between risk, strategy, compliance, and assurance. Furthermore, roles and responsibilities regarding effective risk management will be embedded at all levels of the organisation, as well as in all management processes and decision making. Benchmarks and maturity assessments will be completed periodically.

RISK MANAGEMENT POLICY

The Risk Management Policy has been reviewed to incorporate the risk appetite as well as the policy statement and will be submitted to the ARMC for deliberation and recommendation to the Board for approval. The policy sets out the primary goal of the risk management process, being, to cultivate an integrated and effective risk management culture. This culture entails identifying, analysing, and managing all risks in accordance with NamPower's defined risk appetite and tolerance levels. The ultimate aim is to attain an optimal risk-to-reward balance for NamPower and its stakeholders.

DISASTER RECOVERY PLAN

The Disaster Recovery Plan has been reviewed by the Risk Management Section in collaboration with iServ, IA, Transmission, Generation, and MSB business units to ensure that all Information Technology systems, including Scada, are documented as part of the disaster recovery plan and will be submitted to the ARMC for deliberation and recommendation to the Board for approval.

Similarly, Deloitte has been appointed to assist with the IT disaster recovery testing, with an inception meeting scheduled for 6 September 2023. This will provide the necessary assurance to the Board and ExCo with regards to IT systems continuity.

NamPower's unwavering commitment to risk management continues to serve as the cornerstone for sustainable growth and success in a dynamic environment.

NAMPOWER'S KEY STRATEGIC RISKS

The strategic risks outlined below could affect the achievement of NamPower's 2020 – 2025 strategic objectives. We have assessed these risks in line with our risk appetite and tolerance levels. Furthermore, we have diligently tracked the implementation of risk treatment plans throughout the year, aligning with NamPower's governance principles.

These risks are detailed on the following page as follows:

Strategic pillars		
	Ensuring security of supply	
	Unlocking the value of electricity sector collaboration	
	Optimising financial sustainability	
	Driving organisational and operational excellence	
Risks outside Appetite and Tolerance Levels		
Relevant strategic pillar(s)		Mitigation actions
1,2,3	Non-collectability of revenue	Finalise the implementation of the prepaid meters/system as per Cabinet resolution (go-live)
1,2,3	Change in regulation risks	Develop a transmission business case to provide storage solution as ancillary services Explore collaboration avenues with stakeholders
1,2,3	Ruacana output risk	Renewable energy projects being implemented to de-risk and mitigate against reliance on Ruacana Power Station Finalise the hydrological study to inform the river regulation levels
2,3	High cost of energy mix	Develop large-scale renewables to benefit from economies of scale as part of the new build programme
Risks outside Appetite but within Tolerance Levels		
1,3,4	Public Procurement Act risk	Perform continuous monitoring to ensure adherence to the Public Procurement Act
1,2,3	Insufficient own generation	Build own power plants relying on local energy sources
Risks within Appetite Levels		
1,2,3	Low workforce morale and productivity risk	Implement a visible ethical leadership, work ethics and communication programme
2,4	Rapid developing technologies risks	Develop a focused research and development strategy around leveraging innovation and opportunities specific to technology
2,4	Cybersecurity risk	Implementing a Cybersecurity framework/policy that will guide the Company on how to address the risk of cybersecurity

OPPORTUNITY RISKS

Summary of opportunities	Risk response strategy
Rapidly developing technologies specifically within the energy space, creating opportunities for innovation and creative strategies – hydro, solar, wind, storage, and the transmission wires business	• Wiremax (more flow on Tx assets), maximise utilisation of transmission assets • Fast track the battery energy storage project
Exploit decarbonising efforts of industrialised countries	• Establish an agile and lean subsidiary that leverages these new opportunities in collaboration with other investors • Cost structure to compete with private sector and prevent corporate structures, benefits, policies, and procedures currently incapacitating NamPower • Risk – Reward to go together
NamPower has a world class wires business and has capacity to increase transmission capabilities	• Enter into an agreement with SADC countries to utilise the current Tx infrastructure to export electricity in the region • Continuous upgrades and expansion of the transmission network to meet the expected demand
Electricity supply in peri-urban areas on top of rural electrification projects	• Expanding the footprint of electricity supply to peri-urban areas • Increasing NamPower's brand and reputation in the energy • market
The National Integrated Resource Plan (NIRP) presents the opportunity to the ESI in the medium to long-term allowing for NamPower to pursue their vision and mandate effectively	• Maximise on projects as identified or confirmed in the NIRP as also identified in the IRP to ensure we deliver on the mission and vision of NP

OUR PERFORMANCE IN 2023

In accordance with the five-year Risk and Resilience Rolling Plan, NamPower made notable progress amid a challenging operational landscape during the period under review.

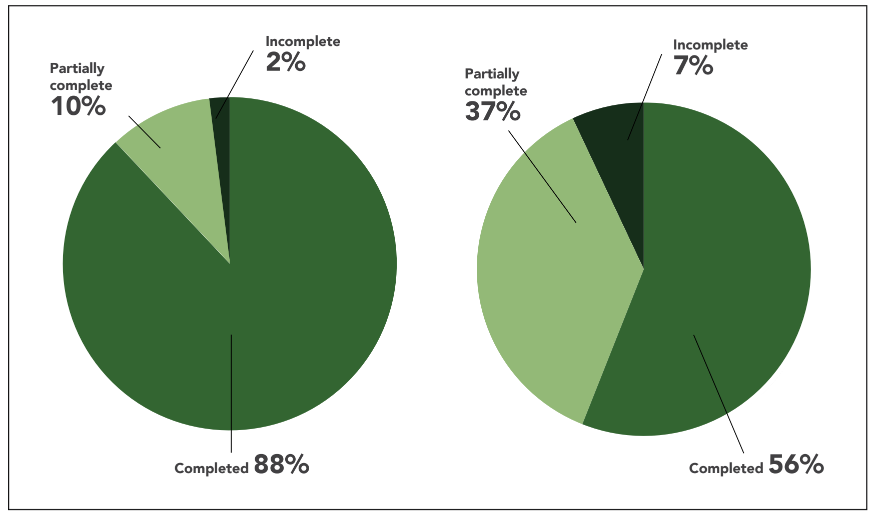
With respect to the Risk Management Plan, out of 50 key deliverables, 44 (88%) were completed, while 5 (10%) were partially completed and 1 (2%) remained incomplete.

As for the Business Resilience Plan, out of 41 key deliverables, 23 (56%) were completed, 15 (37%) were partially completed, and 3 (7%) remained incomplete.

OVERVIEW OF OUR RISK MANAGEMENT PERFORMANCE FOR 2023

Risk Management Plan

Business Resilience Plan



DETAILED KEY RISK DELIVERABLES

ERM element risk policies, standards, and guidelines	Key deliverables
Consistent, well understood and enforced policies, standards, and methodologies	• Assurance on risk compliance and effectiveness through three lines of defence (implementation of audit findings) • Revised governing documents communicated and included in the training and awareness material (change management)
Systematic procedures to anticipate and respond to emerging risks	• Risk environment-scanning and reporting capability (emerging risks) • Predictive risk identification capability and tools leading to the identification of emerging and black-swan type risks (incident analysis, key risk indicators and scenario planning)
Well defined risk appetite statements and tolerance parameters	• Risk appetite statement/framework set, reviewed, and approved annually by the Board. Implementing company-wide appetite and tolerance parameters
Integrated appetite statements and tolerance parameters when reviewing/ developing strategic and business objectives	• Embed appetite and tolerance in strategy, business planning and capital allocation • Include appetite and tolerance in risk monitoring and reporting
Robust and coherent Board and ExCo governance and structures to direct and oversee an effective risk management capability.	• Appropriate terms of reference/charters for governing committees • Board and EXCO risk assessment workshops.
Analysis of risk events as part of a systematic process of risk learning	• Investigation of materialised risks and changes in priority risk profiles • Monitoring, analysing, and learning from incidents • Standardised job profiles for roles in risk management • Execute and report on second line of defence as part of the combined assurance model
Risk culture within the organisation	• Effective integration of the combined assurance model between risk, strategy, compliance, and assurance • Embedded roles and responsibilities at all levels regarding effective risk management • Embedded risk management in all management processes and decision making • Benchmarks and maturity assessments completed periodically.
Timely reporting of credible, intelligible, and comprehensive risk profile to Board/ executive management	• Compliance to risk disclosure requirements from NamCode on Corporate Governance, Companies Act and the shareholder • Report to NamPower risk governance structures as per secretariat meeting schedule • Regular analysis of risks that materialised and monitoring of changes in risk profile • Reporting of risk in the integrated annual report, and performance report, and to the Shareholder through the NamPower risk governance committees
Effective risk controls	• Regular testing of controls and treatments (treatment plans) • Embedding results from independent audit reports on effectiveness of controls into the risk profiles • Integration with the risk-based audit plan
Risk-adjusted performance measurement and performance incentives	• Integrate risk management with the NamPower performance management system • Develop well defined KPIs substantiating performance incentives
Stakeholder management	• Networking with internal and external risk fraternities and practitioners • Deliver in-house Corporate Risk Management training capability (as per strategy) • Training and talent management strategy to ensure sufficient skills and resources

DETAILED KEY RESILIENCE DELIVERABLES

Corporate resilience element	Key deliverables
Policy framework, definition of roles and responsibilities	• NamPower Risk and Resilience Policy • NamPower Risk and Resilience Plan • Site Risk and Resilience Plan (updated annually)
Standards, processes, procedures, guidelines, templates	• Business Continuity Management Standard Procedure • Disaster Management Standard Procedure • Incident Command Standard • Company-wide Emergency Recovery and Response Plan template review
Governance	• Establishment of Resilience Teams and sub-committees
Internal governance reporting	• Corporate Risk and Resilience Report to Exco and Board ARC (quarterly) • NamPower Integrated Annual Report inputs
Business Continuity Management	• BCM strategic Business Impact Analysis undertaken at Business Unit (BU) level • Execution of BU BCM priorities (high priority plans) • Establish priority 1 disaster plans as per the Head office BCP
Disaster Management	• Establish site plans as per BU BCP per site

FUTURE OUTLOOK TO 2024 AND BEYOND

The risk maturity and culture survey has highlighted several areas of improvement, which include:

- Acquiring a risk management information system to facilitate the integration and aggregation of risk information across departments
- Develop continuity plans for risks that fall outside the acceptable appetite and tolerance levels. This demonstrates leadership's confidence in having response plans in place should a risk materialise. The plans will be rigorously tested to ensure the organisations resilience in responding effectively to any incident
- Conducting a review of risk governance documents to ensure that NamPower, across the entire organisation, shares a common understanding of risk concepts
- Effectively integrating, aggregating, and synthesising risk information to ensure that risk response strategies clearly articulate the board's decisions regarding appetite breaches.

Our primary focus in 2024 will be on addressing these identified areas to enhance our risk maturity. Given the rapidly evolving developments in the global and local ESI, it is crucial for NamPower to stay abreast of these developments and assess their potential impact on our operations and projects while capitalising on the opportunities they may present.

NamPower will also continue to execute the deliverables outlined in the five-year Risk and Resilience Rolling Plan.

06. OUR OPERATING PERFORMANCE AGAINST STRATEGY

DELIVERING ON OUR INTEGRATED STRATEGIC BUSINESS PLAN 2020 – 2025

The Board drives the strategy and sets performance and future expectations to ensure long-term sustainability and value creation.

OUR PERFORMANCE IN 2023

Guided by its mission to "Empower the Nation and Beyond," NamPower has achieved a remarkable 27-year track record in fulfilling this purpose. It has effectively energised Namibia's economy, enhancing the well-being of its citizens and actively contributing to the attainment of objectives outlined in the National Development Plan 5 (NDP5) and the Harambee Prosperity Plan II (HPP 2).

NamPower's commitment to driving economic growth and enhancing the well-being of our citizens underpins our strategic objectives, ensuring alignment of specific targets throughout the organisation. Our strategic planning sessions serve as a platform for introspection into our capacity to fulfil our mission, mandate, and core values while reviewing the phased approach employed to attain these milestones.

Following the endorsement of the Board and subsequent approval by our line Minister, the ISBP 2020 – 2025 was implemented across both business units and corporate levels. Our performance evaluation process is dedicated to appraising and rating our achievements against predetermined targets. This assessment identifies potential obstacles that might impede the successful execution of our strategies, prompting the formulation of corrective measures to enhance our performance.

NamPower recently concluded its corporate-level performance reviews for the 4th quarter, entailing a comprehensive analysis of the advancements made towards our set targets and strategic objectives. This scrutiny informs the development of strategies to optimise organisational performance, thereby improving the quality of our service delivery.

Our cumulative corporate performance up to the end of the 4th quarter has earned a commendable rating of 2.68 out of 4. This accomplishment reflects a significant improvement of 0.52 compared to rating of 2.16 out of 4 achieved in the 2021/2022 financial year.

This improvement can be attributed to positive advancements in key performance indicators (KPIs), including EBITDA (% of turnover), which rose from -1.29% (below target) to an exceptional 10.00%, and DSCR, which increased from 0.50 times (below target) to an exceptional 4.41 times, among others. However, the company also faced challenges in meeting certain KPIs. These include debtors days, which stood at 76 days compared to the target of 75 days, a customer satisfaction rating of 78% against a target of 80%, and an Average Cost of the Energy Mix Supply per cent per kWh of 132.23c/kWh, exceeding the target of 127.92c/kWh.

Going forward, we have formulated a corporate scorecard tailored to the 2023/2024 financial year. This scorecard builds upon the foundational targets set for this period, incorporates projected targets, and a comprehensive outline of strategic initiatives designed to realise our established objectives. As a pivotal instrument, this scorecard will provide invaluable strategic guidance, setting the stage for NamPower's forthcoming performance management endeavours within a dynamic economic landscape."

Our integrated approach allows us to address both present and future challenges effectively. By staying true to our commitment to sustainability, we look forward to building a brighter, more prosperous future for Namibia and its people.

The table below highlights NamPower's Corporate Performance for the 2022/2023 financial year:

Our strategic pillars	Our strategic objectives	Key performance indicator	Target for the year (2023)	Performance for the year (2023)
SP.1: ENSURING SECURITY OF SUPPLY	Optimally expand generation capacity	% Completion of generation projects infeasibility (milestones)	75%	92%
		New generation MW (IPP)	20 MW	29%
		New generation in execution MW (NamPower)	85%	97.5%
	Optimally expand transmission capacity	New transmission lines constructed (km) to optimise the Grid (S-curve)	257 km	142 km
		Completion of transmission substation projects (S-curve)	620 MVA	1039MVA
	Leverage regional trading opportunities	Total profitable annual net exports (kWh) export growth regionally) (%)	1.5%	196%
	Ensure a least-cost electricity supply mix	Average cost of the energy mix supply (cents per kWh)	127.92c/kWh	132.23c/kWh
SP.2: UNLOCKING THE VALUE OF ELECTRICITY SECTOR COLLABORATION	Support the development of the electricity industry and the economy	Number of ESI initiatives	2	5
		Locally produced goods and services (% of APP spending)	20%	42%
	Develop new products and services (solutions)	% Customer satisfaction	80%	78%
		Number of new products and services introduced into the market	1	3
	Support the acceleration of electrification	Electrification investment (including corporate social investment) (% of EBITDA)	10%	46%
		Completion of rural electrification projects as per project milestones	75%	90%
	Increase unit sales	Sales growth (%) (GWh)	0.36%	1.00%
	Ensure sound liquidity	Current ratio (%)	2 times	2.75
		Debtors Days	75 days	76 days

Our strategic pillars	Our strategic objectives	Key performance indicator	Target for the year (2023)	Performance for the year (2023)
SP.3: OPTIMISING FINANCIAL		DSCR (times)	1.5 times	4.41 times
sustainability	Grow shareholder value	Return on net assets (RONA) (%)	0.10%	1.46%
	Maintain profitability	EBITDA (% turnover)	0.63%	10%
	Develop additional capabilities to meet the new market requirements	% Of new capabilities developed that are aligned to the new market requirements	75%	78%
		Development of approved strategic and critical positions, with ready-now backups	80%	86%
SP.4: DRIVING ORGANISATIONAL AND OPERATIONAL EXCELLENCE	Achieve and retain top employer status	Employer status rating	75%	66%
	Build an ethical, engaging, and high performing Culture	% of employees trained annually	50%	78%
		Training and development cost as a % of labour cost	1.00%	2.7%

Legend:

Exceptional | Above target | On target | Below target

NamPower remains dedicated to delivering sustainable security of supply and upholding a least-cost tariff structure that supports economic growth while ensuring our financial sustainability. As a responsible corporate entity, we recognise our duty to consider the broader impact of our operations on the environment, society, and the economy. Our Integrated Strategic Business Plan (ISBP) for 2020-2025 is thoughtfully designed to create value in the short, medium, and long term.

We are committed to striking a balance among our strategic objectives, thus contributing to a sustainable future for all stakeholders. This commitment aligns with our core mission of providing reliable and affordable electricity to our valued customers. As we progress with our ISBP, we aim to meet the evolving needs of the communities we serve while making significant strides toward sustainable development and responsible energy practices.

SP.1: ENSURING SECURITY OF SUPPLY

OPTIMALLY EXPAND OUR GENERATION CAPACITY

NamPower faces significant challenges in relying on the Southern African Power Pool (SAPP) for 70% of our electricity supply. This dependence is costly and exposes us to foreign exchange risks, primarily due to the denomination in US dollars for these imports. Moreover, the SAPP region is on the verge of a power crisis as demand outpaces supply. To address these issues, NamPower must invest N$15.0 billion in new power plants and transmission lines over the next three years.

The rise of renewable energy sources and the imperative to transition to green energy have heightened competitive pressures. Customers now have options like self-supply and grid defection, while market deregulation through the Single Buyer Market Model has opened doors to Independent Power Producers (IPPs). NamPower's strategic objective is to boost local generation capacity, primarily with mega solar PV and wind renewables, to ensure supply security through least cost options. Namibia boasts excellent solar and wind resources, making these technologies cost-effective and environmentally friendly. In this respect, NamPower is planning to implement 300 MW distributed Solar PV plants (with BESS) and 300 MW Wind Plants in collaboration with IPPs over the coming years.

Additionally, we aim to cooperate with the various Green Hydrogen (GH2) projects currently under development in the country, which are expected to generate 3-5 GW in three years. However, integrating GH2 presents challenges; thus, we are exploring Voltage Source Converter High Voltage Direct Current (VSC HVDC) technology to address them.

This endeavour presents a significant opportunity for our employees to engage in cutting-edge, high-tech projects, some of which have not been proven anywhere in the world. It also marks the establishment of an entirely new GH2 industry in the country, offering substantial growth potential.

Namibia has numerous power supply options, but our low population density and vast distances between load centres and generation sites pose challenges. We aim to expand our generation capacity to meet 80% of future load demand locally, reduce import dependence, and increase renewable energy's share to 70% by 2030.

The National Integrated Resource Plan (NIRP) is our blueprint for achieving these goals, focusing on cost-effective renewable resources, base-load generation, and storage solutions. Meanwhile, NamPower is developing the Integrated Systems Plan (ISP) and Variable Renewable Energy (VRE) to inform ministerial determinations and the Generation and Transmission master plan. The plan serves as our blueprint for achieving these goals, focusing on cost-effective renewable sources, base-load generation, and storage solutions.

In the short to medium term, we will establish roadmaps and decision trees for various projects and work closely with the Government to increase renewable energy share, reduce imports, and minimise environmental impact, but also balance the resultant high intermittency with dispatchable options of/from biomass and Gas-to-Power energy sources.

The Minister of Mines and Energy initiated the development of 250 MW of power generation in October 2018, with 180 MW allocated to NamPower, including 130 MW for renewables. An additional 70 MW for wind and solar PV projects was been allocated to IPPs, in line with COP27 commitments.

The 20 MW Omburu Solar PV project was commissioned in March 2022, and the 50 MW Anixas II power plant is nearing completion.

Market liberalisation has attracted private sector investments in solar and wind, bringing 300 MW of PV and 200 MW of wind power to the national grid. These developments support a more sustainable and environmentally friendly Namibian economy, enhancing our resilience in the SAPP.

The projects constituting the 180 MW allocated to NamPower include:

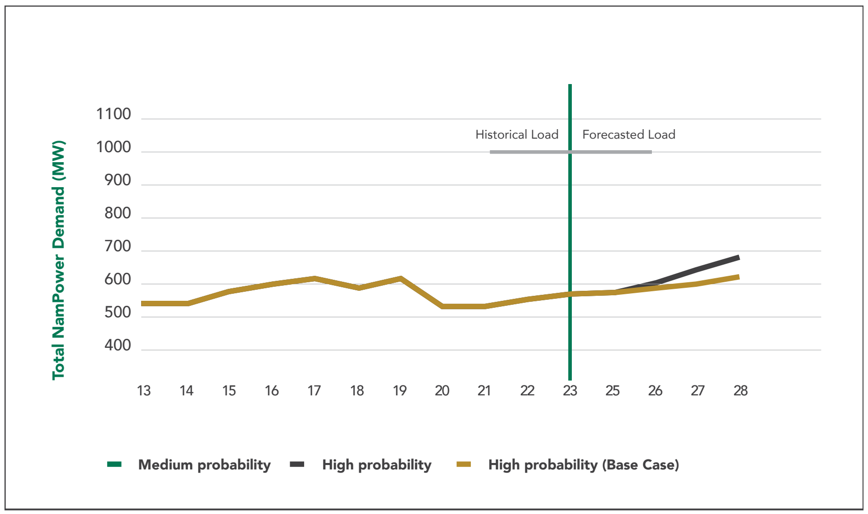
- 20 MW Omburu Solar PV Project – commercial operations date took place end March 2022
- 70 MW Rosh Pinah Solar PV Power Project – prequalification tender closes on 08 September 2023
- 40 MW Otjikoto Biomass Power Project – EPC tender is in the market and closes on 17 November 2023, whereas the Fuel Supply Tender is currently being evaluated
- 50 MW (Firm) Anixas II Power Station – the commercial operations date is planned for end May 2024

The 70 MW allocated to IPPs consists of two projects: the 50 MW Lüderitz Wind Power Project awarded in May 2023 and thus far its implementation activities are progressing according to plan, whereas the 20 MW Khan Solar PV Project was awarded in March 2022 and its construction activities are somewhat progressing slowly.

These projects will significantly contribute to achieving NamPower's strategic objective of meeting 80% of future load demand while promoting sustainability and reducing import dependency. The graph below indicates the maximum demand load forecast from 2023 to 2028 (including system losses) compared to historical load data.

Please refer to the subsequent pages for a comprehensive update on the status of these projects and their contribution to NamPower's long-term goals.

Namibian Electricity Load Forecast 2023 - 2028 (Including system losses)



STATUS OF OUR GENERATION PROJECTS

NamPower Projects

- Omburu 20 MW PV Project
- Omburu 50 MW/50 MWh MW Battery Energy Storage System (BESS) Project
- Rosh Pinah 70 MW PV Project
- 50 MW (Firm) Anixas II HFO Power Station
- Otjikoto 40 MW Biomass Power Project

IPP Projects

- Khan 20 MW Solar PV IPP Project
- 50 MW Wind IPP Project (at Lüderitz)

OMBURU 50 MW/50 MWH BATTERY ENERGY STORAGE SYSTEM (BESS) PROJECT – SECOND STAGE – FINANCIAL PART BID EVALUATIONS

Location: Omburu Substation, 12 km south-east from the town of Omaruru in the Erongo Region	**Estimated project cost:** 20 million EUR

The BESS, which will receive 20 million EUR in grant funding from the KfW Development Bank, will be the first of its kind in Namibia and a flagship project not only in Southern Africa but also across the entire African continent. In December 2021, a Tripartite Grant Funding Agreement of EUR 20 million was signed between NamPower, the National Planning Commission, and KfW.

The process of procuring the Engineering, Procurement and Construction (EPC) contractor involves a two-stage bidding process, which includes the First Stage (Technical) and Second Stage (Updated Technical and Financial Part). The evaluation of bids for the First Stage was concluded on 28 April 2023, while the evaluation of the Second Stage commenced on 17 July 2023 and was finalised on 8 September 2023.

Once commissioned, the BESS will be utilised for the following use cases:

- Improve grid resilience through ancillary services by mitigating adverse fluctuations of the power output, voltage, and frequency from renewable generation sources.
- Reduce the overall NamPower tariff through energy arbitrage and provision of emergency energy.
- Address and support the renewable energy uptake onto the grid by reducing the overall grid intermittency.

Looking ahead to 2024 and beyond

The appointment of the EPC Contractor for the project is scheduled for October 2023, and construction activities are scheduled to commence in December 2023. The Commercial Operation Date (COD) is anticipated to occur in the third quarter (Q3) of 2025.

ROSH PINAH 70 MW PV PROJECT – PREQUALIFICATION BIDDING PROCESS IN PROGRESS

Location: Approximately 33 km north of Rosh Pinah in the //Karas Region	**Estimated project cost:** N$1.1 billion

This project replaces the discontinued 40 MW Rosh Pinah Wind Project due to lower-than-anticipated wind resources at the Rosh Pinah site.

The Rosh Pinah 70MW PV Project will have a maximum export capacity (MEC) of 70 MWe and an estimated annual energy production of 214 GWh, including losses and plant availability. The plant is required to maintain 97% availability with a guaranteed lifetime of 25 years.

This project aims to reduce the overall NamPower tariff to end-customers by introducing cost-effective "new-build" renewable energy into the Namibian grid. It aligns with renewable energy commitments outlined in the Renewable Energy and National Energy Policies. Additionally, it allows for the potential addition of a BESS once market prices become more favourable and is designed to be battery energy storage ready.

Most of the project costs will be financed through a concessional loan agreement with KfW, with NamPower funding approximately 20% of the project costs from its balance sheet.

The EPC contractor will be procured through open international advertised bidding in two phases: Phase I, the Prequalification Process, and Phase II, the Bidding Process. The Prequalification Process commenced on 5 July 2023, with a closing date of 8 September 2023. The process of evaluating and subsequent shortlisting of applicants is expected to be finalised in October 2023.

Looking ahead to 2024 and beyond

The bidding process is scheduled to commence in November 2023, with a closing date targeted for April 2024. Subsequently, the evaluation process will commence. The appointment of the EPC Contractor for the project is anticipated in July 2024, and construction works are planned for commencement in August 2024. The COD is projected for the fourth quarter (Q4) of 2025.

ANIXAS II 50 MW (FIRM) HFO POWER STATION

Location: Walvis Bay in the Erongo Region	**Estimated project cost:** N$1.27 billion

The 50 MW Anixas II Power Station is developed to provide backup power and operating reserve to help stabilise the grid due to the intermittency of renewable energy sources, and to help off-set emergency energy from Eskom/SAPP. The power station will make use of Internal Combustion Reciprocating Engine (ICRE) technology, using either liquid fuels (Very Low Sulphur Fuel Oil (VLSFO) or diesel (DFO)), or gaseous fuel (natural gas) once it becomes available in Walvis Bay.

The Environmental Clearance Certificate for the power station was issued by MEFT and the Generation Licence approval was obtained from the ECB during 2021. The bidding process for the EPC of the power station was then successfully concluded and a contract signed with FK Namibia Joint Venture (JV) on 4 March 2022 with Contract Effectiveness on 4 May 2022. Designs have been completed and construction activities are at an advanced stage with the main equipment delivered to site.

Looking ahead to 2024 and beyond

Commissioning activities are expected to start early 2024 whilst the commercial operations date is projected for May 2024. After taking-over, the two years defects notification period will commence.

OTJIKOTO 40 MW BIOMASS POWER PROJECT

Location: 15 km west of Tsumeb town in the Oshikoto region	**Estimated project cost:** N$2.440 billion

The project entails the development of a 40 MW Biomass Power Station utilising encroacher bush woodchips as the primary fuel source. The Biomass Power Station will serve as a dispatchable baseload generation option, enhancing the security of supply for customers while also fostering the growth of the biomass fuel supply chain industry in Namibia. Moreover, it will create employment opportunities, facilitate skills development, promote local economic growth, and improve the agricultural carrying capacity in areas where the encroacher bush has been harvested.

Substantial progress has been made during the year, including the successful securing of a €26.5 million grant from the Mitigation Action Facility. This grant aims to mitigate the impact of the high-power station capital expenditure and support capacity building and research in the fuel supply harvesting and aftercare. The procurement process for the long-term fuel suppliers and an EPC Contractor was concluded. However, the respective award could not be finalised due to non-responsive bids from long-term fuel suppliers and the expiration of the EPC bidder's bid validity.

The project's financier, Agence Française de Développement (AFD), has completed due diligence and received approval for the Loan Agreement from the AFD Board. Negotiations on the Loan Agreement between AFD and NamPower have also been successfully concluded.

Looking ahead to 2024 and beyond

Following the expiration of the validity of the EPC bids, the technical specifications and requirements for the power station were revised to reduce the EPC cost and its impact on the electricity tariff. Given the significant exposure to foreign currency and inflation risks, NamPower will seek additional Government support to offset the impact of the power station's capital expenditure on electricity tariffs to the Namibian electricity consumers. The procurement process for the EPC Contractor will be reissued to the market in August 2023 and is expected to be finalised by February 2024. The Final Investment Decision (FID) is anticipated in March 2024, contingent upon the outcome of the key development activities, including finalising loan agreements with AFD, finalising grant fund agreements with the Mitigation Action Facility, and determining prices through the procurement of the EPC Contractor and the fuel suppliers. Construction of the power station should commence in the second quarter (Q2) of 2024 after a positive FID. Commercial operations for the power station are expected to begin in the second quarter (Q2) of 2026.

KHAN 20 MW SOLAR PV IPP PROJECT

Location: 45 km south-west of Usakos town in the Erongo region	**Estimated project cost:** N$300 million

NamPower has awarded the bid and entered into both a Power Purchase Agreement (PPA) and a Transmission Connection Agreement (TCA) for the development of a 20 MW Solar PV Power Plant with ANIREP Aussenkjer Solar One Namibia (AASON). This selection was made through an open, transparent, competitive bidding process. AASON secured financing from the Development Bank of Namibia (DBN), and the PPA became effective in March 2022.

Construction work began in March 2022 but was paused temporarily due to financial limitations. HopSol, the EPC Contractor, is preparing to remobilise and recommence construction activities in September 2023. Furthermore, the procurement process for crucial long-lead equipment, such as solar panels, inverters, trackers, and medium-voltage equipment, has been completed.

Looking ahead to 2024 and beyond

Construction activities are set to resume in September 2023 upon the arrival of solar panels, tracker systems, and other materials currently in the shipping phase. This project is expected to have a significant socio-economic impact, benefiting not only the Erongo Region but the entire country. It aims to provide electricity to around 18,500 households, generate employment for up to 300 individuals during the peak construction phase, and attract investments totalling approximately N$300 million. The power plant remains on schedule to commence commercial operations in 2024.

LÜDERITZ 50 MW WIND IPP PROJECT

Location: Near Lüderitz in the Karas Region	**Estimated project cost:** N$1.40 billion

After completing the procurement process for the development of the 50 MW Wind Power Plant in January 2023, NamPower awarded the Bid to CERIM Lüderitz Energy with a base tariff of N$0.8785 and a Fixed Annual Escalation Rate (FAER) of 0.5%. In April 2023, the PPA and Transmission Connection Agreement were signed, paving the way for developing the wind power plant and associated transmission infrastructure. Subsequent development activities include securing financing, obtaining a Generation Licence from the Electricity Control Board (ECB), transferring Environmental Clearance Certificate (ECC) from NamPower to CERIM Lüderitz Energy through the Ministry of Environment, Forestry and Tourism (MEFT), finalising negotiations on the Land Lease Agreement (LLA), conducting detailed transmission studies and appointing an EPC Contractor. These activities have commenced and are currently in progress. CERIM Lüderitz Energy aims to achieve financial close by January 2024 and targets the COD by July 2025.

Looking ahead to 2024 and beyond

CERIM Lüderitz Energy will maintain its momentum in implementing development activities, prioritising tasks such as, negotiating and securing project financing, negotiating, and finalising the Land Lease Agreement (LLA), conducting comprehensive transmission studies, appointing an EPC Contractor, obtaining a Generation Licence from the ECB and facilitating the transfer of the ECC, among other crucial steps.

The 50 MW Wind IPP Power Project will generate a significant socio-economic impact, including creating job opportunities for approximately 300 individuals during the peak construction phase and injecting investments totalling up to N$1.4 billion into the Namibian economy.

OPTIMALLY EXPAND OUR TRANSMISSION CAPACITY

STATUS OF OUR TRANSMISSION PROJECTS

Transmission System

NamPower takes pride in its ownership of a world-class transmission system, which includes a robust network of overhead lines spanning 11,756 km, ranging from 66 kV to 400 kV. This national grid is a testament to Namibian expertise, as it has been designed and built primarily by local professionals.

Distribution System

NamPower's low voltage distribution lines span 22,930 km, ranging from 11 kV to 33 kV

To ensure the continued excellence of the national grid, NamPower remains committed to ongoing investments to strengthen and maintain its infrastructure. These investments are crucial in preserving the superior condition of the network, enabling it to operate efficiently, reliably, and effectively with minimal disruptions.

Network capacity:

- 11,756 km of high and medium-voltage transmission lines
- 22,930 km low voltage distribution lines

The NamPower Transmission Master Plan is a comprehensive study that covers the period from 2021 to 2025. It describes the expansion plans for the transmission network grid and identifies the new development requirements for the next five years. The plan is updated annually to ensure that NamPower maintains pace with the evolving electricity needs of the country.

The Plan involves the construction of new transmission lines, new substations, and the upgrading of existing transmission infrastructure. New infrastructure is necessary to address current limitations in internal supply, accommodate future load growth, integrate upcoming generation plants, and facilitate potential transmission of electric power through the grid to the SAPP region.

NamPower remains committed to prioritising the planning, development and maintenance of its generation and transmission infrastructure, which are vital to its operations. Additionally, providing distribution and rural electrification infrastructure is crucial to fulfilling NamPower's mandate.

NAMPOWER'S LINE DESIGN TEAM

Our commitment to enhancing operational efficiency and reducing our dependency on external consultants has resulted in significant cost savings through the recent establishment of NamPower's Line Design Team. The multitude of benefits offered by the team are outlined below:

1. **Cost efficiency** – This team reduces our reliance on expensive external consultants, leading to significant cost savings while maintaining high-quality standards.
2. **Faster project turnaround** – Our in-house team can respond swiftly to project requirements, eliminating delays associated with external consultants and ensuring faster project completion and respond quicker to emergencies or grid improvements.
3. **Tailored expertise** – We can harness the collective knowledge and experience of our employees and align our designs with NamPower's unique needs and objectives. This ensures optimal performance and eliminates the need to pay for intellectual property as we own the design.
4. **Enhanced quality control** – Maintaining control over the design process enables rigorous quality control measures and adherence to industry best practices and technical advancements.
5. **Knowledge retention** – We capture and retain valuable knowledge and experience within NamPower, reducing our reliance on external consultants over time.
6. **Flexibility and adaptability** – Our in-house team can quickly adapt to industry changes and technological advancements. This flexibility is vital in a constantly evolving energy landscape, ensuring long-term competitiveness and resilience.

Our team has effectively designed the 400 kV Obib Oranjemond project, currently in bidding process, and the 132 kV line from Kuiseb–Sekelduin, presently under construction. Furthermore, our team is actively engaged in the design of two 132 kV lines from Namib–Diaz and Cerim metering stations..

Our in-house Line Design Team offers substantial cost savings, enhances project efficiency, upholds quality standards, and cultivates a valuable knowledge base within NamPower, making it a valuable asset for NamPower

Please refer to the following sections for more detailed information on the status of projects within the Transmission Master Plan and customer-funded projects. Some of these projects are currently under construction, in the bidding process or planning phases.

400 KV AUAS – GERUS TRANSMISSION LINE PROJECT

Estimated project cost:
N$868 million

Construction of the 290 km long 400 kV Auas – Gerus transmission line commenced in May 2021 and will support the Auas–Van Eck–Omburu 220 kV network (providing for contingencies, the benefit of improved losses and improved network stability) and strengthen the network to Gerus Substation near Otjiwarongo. This will enable NamPower to accommodate increased electricity transfer and wheeling via the Gerus–Zambezi High Voltage Direct Current (HVDC) link.

The 290 km line will run from Auas Substation near Dordabis to Gerus Substation near Otjiwarongo and is part of NamPower's investment in expanding its 400 kV transmission infrastructure backbone.

The construction of the line and the extension of both the Auas and Gerus Substations to accommodate the new line were completed soon after the post-reporting period (in July 2023). Currently, protection testing is being carried out, and the line is expected to be energised from the Gerus side on 29 September 2023.

Expected commissioning date:
29 September 2023

400 KV AUAS – KOKERBOOM TRANSMISSION LINE PROJECT

This project aims to support the system reliability between Auas and Kokerboom. Additional benefits include improved network stability and redundancy and improved dynamic stability. The project will also enable increased electricity transfer and wheeling from south to north and north to south.

This project is deferred as part of financial prioritisation. However, substation works related to this project at Auas Substation is being executed together with Auas – Gerus Substation work at Auas to avoid outages related costs during commissioning. The Environmental Clearance Certificate (ECC) for the line construction has been issued.

330 (400) KV KUNENE AND OMATANDO SUBSTATIONS PROJECT

Estimated project cost:
N$741 million

Construction of these substations is currently in full swing. Additionally, the 400 kV line from the Kunene Substation site to the 400 kV Omatando Substation site has been completed. To enable the commercial operation of this line, substations must be built at each end, one at Kunene near Ruacana and another at Omatando near Ongwediva.

The civil works and mechanical installations for these substations were completed, and reactors were manufactured and installed in September 2022. Construction of both substations has been completed, and the focus is now on testing the protection, automation, and control systems as well as the tie-in of Omburu Ruacana 330 kV. Some delays in commissioning occurred due to late material deliveries, resulting in the commissioning date revised to 6 October 2023.

Expected commissioning date:
6 October 2023

400 KV OBIB – ORANJEMOND TRANSMISSION LINE PROJECT

Estimated project cost:
N$1.2 billion

The NamPower Line Design Team has completed the 90 km line design, and the bids for conductors and OPGW have been awarded. The manufacturing of conductor and OPGW, along with factory acceptance testing, has been completed and is currently in the shipping phase. The line design was executed by the team.

The bid for line construction has closed and is currently under evaluation. However, the bid for substation works has been cancelled and the scope is currently under revision before being issued to the market. An Engineering, Procurement, and Construction (ECC) for this project has been issued, and an aerial survey has been conducted. The bidding document for the line construction is scheduled to be advertised in March 2023.

Expected commissioning date:
December 2024

220 KV OTJIKOTO – MASIVI TRANSMISSION LINE PROJECT

This project is deferred as part of financial prioritisation. The EIA process is underway.

220/66 KV ELDORADO SUBSTATION CONSTRUCTION

Location:
Approx. 70 km from the town of Otjiwarongo

Estimated project cost:
N$120 million

Construction of the Eldorado Substation has been completed, with the new 66 kV, 15 km line constructed and connected to the B2 Gold Mine and the national grid. The substation was energised in October 2022 and taken over by NamPower

132/66 KV SEKELDUIN SUBSTATION DEVELOPMENT

Location:
On the outskirts of Swakopmund (next to B2 road)

Estimated project cost:
N$320 million

The civil work contractor completed works in March 2023. Transformers were delivered soon after the reporting period (in August 2023). The procurement process for HV equipment was completed, and the Mixed Technology Switchgear contract was awarded to Actom. The design for the 132 kV lines from Kuiseb to Sekelduin was completed by the NamPower line design team. Furthermore, the contract for the construction of the 132kV lines was awarded to Clydon Namibia, which commenced the necessary works. The line towers have subsequently been procured and delivered to the Kuiseb substation.

Expected commissioning date: June 2024.

220/66 KV KHOMAS SUBSTATION DEVELOPMENT

Location:
Otjomuise, Windhoek

Estimated project cost:
N$340 million

Land for the substation has been secured through resolution with the City of Windhoek, marking a significant milestone. The design phase for the substation is well advanced, with the design already completed. Efforts are currently focused on preparing the bidding documents for the substation EPC. Additionally, the power transformers have been procured with delivery expected in October 2023.

Expected commissioning date:
2025

220/66 KV ERONGO SUBSTATION DEVELOPMENT

Location:
20 km from Karibib

Estimated project cost:
N$170 million

The substation design is currently in progress and is on track for completion by mid-September 2023. Long lead items such as power transformers, have been procured and are presently in transit. Plans are in place to advertise the bid for substation construction in October 2023. The land for this substation has been acquired, and the EIA process is complete. We are now awaiting the issuance of the ECC, which will pave the way for the commencement of the substation design.

Expected commissioning date:
2025

NEW 220/132 KV MASIVI SUBSTATION PROJECT

Location: Approx. 15 km from the town of Rundu	**Estimated project cost:** N$330 million

The contract for civil work commenced in March 2021 and is still under execution. However, progress has been hindered primarily due to material delivery delays. The civil construction work was completed in June 2023, with the focus now on mechanical and electrical works.

The specifications for the Static Synchronous Compensator (STATCOM) have been finalised, and the bid for STATCOM construction was advertised in July 2023. The project is currently in its second round of bidding as the process was cancelled in the first round due to the absence of suitable bidders.

Expected commissioning date:
December 2024

NEW 132/66/33 KV SHIYAMBI SUBSTATION PROJECT

Location: Approx. 90 km east of the town of Rundu	**Estimated project cost:** N$81 million

The contract for civil work commenced in March 2021, and progress has been primarily hindered by material delivery delays. The anticipated completion date for the works is now April 2024. NamPower PSC has assumed responsibility for the substation's mechanical and electrical works and is currently engaged in these activities.

Expected commissioning date:
April 2024

TRANSMISSION SYSTEM PERFORMANCE STATISTICS

NamPower continued its strong track record of ensuring the country's electricity supply reliability, maintaining an impressive 99.87% system availability during the period under review. Furthermore, our commitment of ensuring security of supply remained unwavering, with no instances of load shedding or total system blackouts experienced during the year.

A detailed analysis of the results for the period under review reveals exceptional system reliability (SAIFI), with the average NamPower customer experiencing fewer than one interruption per customer (0.21). Additionally, the assessment indicates that the average restoration time per interrupted customer (CAIDI) met our target, with transmission customers enduring an average, endured 2.51 minutes of loss of power – an improvement from 3.78 minutes recorded in the previous year.

However, it is worth noting that the System Average Interruption Duration Index (SAIDI) exceeded the set target. This outcome primarily stems from the diligent efforts of NamPower employees in promptly restoring power supply to affected customers.

TRANSMISSION SYSTEM PERFORMANCE

In the current competitive economic environment, it is crucial for utilities to accurately measure the performance of their networks. The reliability reporting indices outlined in the table below are determined by considering duration and frequency of supply interruptions encountered by an average consumer on the NamPower network.

Transmission system performance data 2022/2023

Measure	Outcome	Rating
USML (minutes)	27.39	Exceptional
SSML (minutes)	30.58	Above Target
SAIDI (minutes)	0.51	Above Target
SAIFI (interruption/customer) (units) (minutes)	0.21	Exceptional
CAIDI (minutes)	2.51	Exceptional
Availability (%)	99.868%	Exceptional

OPERATIONAL HIGHLIGHTS

The operational highlights for the period under review were as follows:

- The successful commissioning of two major load centres, namely the Brakwater 66/11 kV (20 MVA) Substation and the Eldorado 220/66 kV (40 MVA) Substation. The Eldorado substation is expected to provide power to the B2Gold Mine, which has operated off the grid since its establishment. Meanwhile, the Brakwater substation is designed to supply the northern electricity to the northern outskirts of Windhoek.
- Additionally, the successful commissioning of the new 45 km Khurub – Aussenkehr 1/132 kV line.

TRANSMISSION SYSTEM DISTURBANCES

Two major system disturbances on the NamPower grid were recorded during the period under review.

The first major system disturbance occurred on 1 July 2022, when there was a loss of infeed from the Zambezi Link Interconnector (ZLI) while the Kokerboom – Aries 1 400 kV line was scheduled out of service for maintenance. This disturbance resulted in a load loss of 272 MW on the NamPower system.

The second major system disturbance occurred on 5 October 2022, when the Auas - Kokerboom 1,400 kV line tripped due to veld fires. This disturbance resulted in a load loss of 422 MW on the NamPower network.

The operational lowlight in this review period was the recurring incidences of copper earthing straps theft from power supply equipment. Multiple substations, including Mulunga, Baobab, Ruca, Namib, Aranos, Detmont, Okapya, Lithops, Marble, Walmund and Kalkrand, were affected. All stolen copper straps at the affected substations were promptly replaced, albeit necessitating unscheduled power outages.

To address security concerns, NamPower initiated the installation of a 24-hour substation camera surveillance system at key substations, aiming to deter unauthorised access.

TRANSMISSION SYSTEM INCIDENCES

One system incidence was reported in the period under review.

- On 1 September 2022, the Omburu – Khan 2 line tripped on both sides at 13:34. Subsequent onsite inspection revealed that Pylon 282 had toppled due to vandalism, with stay wires being deliberately cut.

This incident underscored the importance of raising awareness campaigns about the risks associated with tampering with electricity infrastructure. In response, NamPower officially launched a safety campaign, and a national safety initiative involving all electricity industry stakeholders will further enhance NamPower's safety efforts.

LOOKING AHEAD TO 2024 AND BEYOND

The System Operations section will maintain its focus on reducing unscheduled system minutes downtime on the transmission system. Special emphasis will therefore be placed on training the National Control workforce for this purpose.

LEVERAGING REGIONAL TRADING OPPORTUNITIES

NamPower, as a Southern Africa Power Pool (SAPP) member, remains committed to optimising its energy mix through strategic market participation. This is achieved by buying and selling electricity within the SAPP markets. The transmission of energy across the two interconnectors connecting Namibia to Zambia and South Africa enables these trades to occur under both bilateral agreements and spot SAPP market.

These market transactions, whether for NamPower's consumption or exports, are crucial in among SAPP operating members sharing the resources. NamPower envisions a future where it becomes a net exporter rather than a net importer. This shift is expected to materialise with the implementation of planned projects in the future.

By actively participating in the SAPP markets and leveraging interconnectors, NamPower demonstrates its commitment to optimising its energy operations and positioning itself as a reliable regional energy supplier. In some areas, the SADC region experienced supply shortages with severe weather conditions such as drought. During the period under review, NamPower managed to export 164 GWh to the SAPP Market which is an increase from 55 GWh of 2022.

ENSURE A LEAST-COST ENERGY SUPPLY MIX

The increase in generation from Ruacana Power Station did not have a significant impact on the production cost, primarily due to the escalation in the costs associated with the USD-based PPAs. During the period under review, the average exchange rate held steady at USD/NAD 17.86, surpassing the projected rate of USD/NAD 16. Consequently, NamPower was unable to attain its annual production cost target of Namibia cents (N$c) 127.93/kWh.

OUR 2023 PERFORMANCE

IMPLEMENTATION OF THE MODIFIED SINGLE BUYER (MSB) MARKET

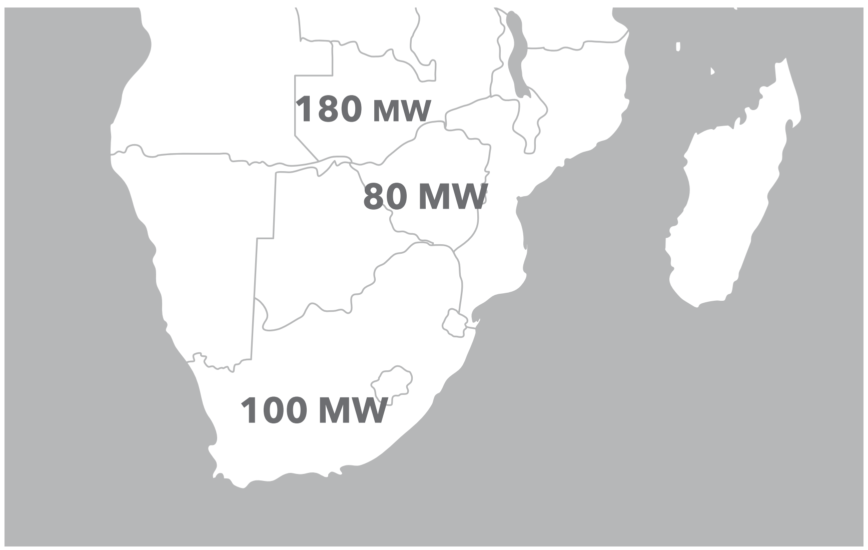
The MSB market registered its first operational transaction since its establishment in September 2019. The Namibia Poultry Industry Solar Plant, an embedded generator, achieved its COD on 26 May 2023. It operates under an interim Market Participant Agreements while finalising market agreements. As of June 2023, the MSB office has received applications indicating a total expected supply of 310 MW by IPPs within the next two to three years.

Furthermore, alongside eligible sellers planning to supply local customers, several applications from eligible sellers to export power to the SAPP have been submitted. While many of these projects are in their early planning stages, and some may not reach COD, they collectively account for 2,282MW (thermal and renewable energy sources) from various sources earmarked for export to the SAPP. The underlying reasons driving this interest in exporting rather than supplying local customers has yet to be analysed. However, it is presumed that most potential local customers are in the mining industry, which typically has a shorter lifespan compared to the expected 25-year lifespan of a generation facility.

ENERGY IMPORTS BY GEOGRAPHY

NamPower, as a member of SAPP, actively participates in coordinating electricity supply operations and engaging in trade within the SADC region. To ensure a consistent supply of electricity, NamPower supplements its energy needs by sourcing electricity from the region through both long-term power purchase agreements (PPAs) and short-term trading markets offered by SAPP. Presently, NamPower has established power purchase agreements (PPAs) with three sister utilities:

100 MW with ESKOM (South Africa)	180 MW with ZESCO (Zambia)	80 MW with ZPC (Zimbabwe)

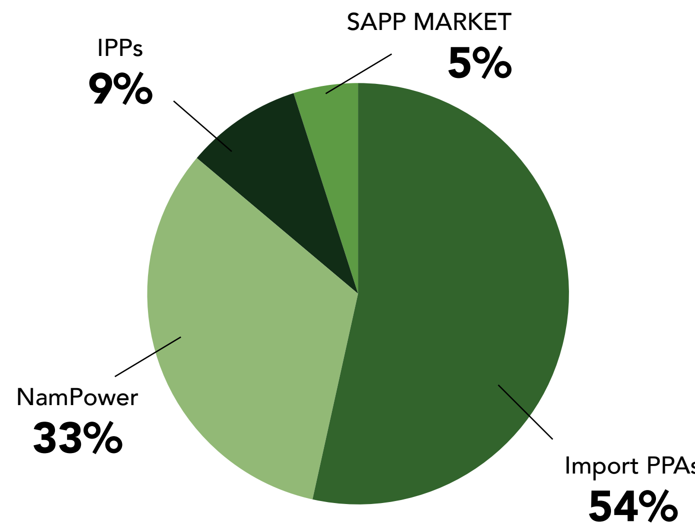


SUPPORTING THE DEVELOPMENT OF THE ELECTRICITY INDUSTRY AND THE ECONOMY

SUPPLIERS' CONTRIBUTION

Namibian's largest power generator, the Ruacana Hydro Power Plant, has recently experienced a notable increase in its annual output. In 2022, it generated approximately 781 GWh, but this figure surged by 69% to reach 1,323 GWh during the period under review. This substantial increase in output is reflected in the NamPower Generation contribution to the total power supply, which increased from 20% in 2022 to 32%, while the dependence on imported energy decreased by 12% falling from 71% in 2022 to 59% by the end of the 2023 financial year.

The annual output of the Ruacana Hydro Power Plant has exhibited increased volatility, suggesting significant shifts in rainfall patterns in the Ruacana water source areas.



MSB MARKET

Consistent with international standards within the Electricity Supply Industry, NamPower remains committed to supporting the implementation of the MSB market. NamPower assumes multiple roles in this initiative, serving as the Market Operator, System Operator, and fulfilling its mandate as the supplier of last resort. Several key components of the MSB market are already in place, including the formulation of market agreements, establishment of registration procedures, and creation of relevant forms for market participants. Additionally, plans are in motion to develop electronic systems next year. These systems will play a vital role in facilitating the phased rollout of the MSB Market.

LOOKING AHEAD TO 2024 AND BEYOND

NamPower has successfully implemented several projects outlined in the ISBP 2020 – 2025, and numerous others are currently in various stages of development, as detailed on pages 86 to 91.

Looking ahead beyond 2023, NamPower will be guided by the strategic directives provided by the Government, as outlined in the NIRP, NDP5 and the HPPII. Additionally, NamPower is in the final stages of preparing its ISP. The ISP's primary objective is to align investments identified through the Transmission Master Plan, generation projects, and energy trading opportunities. This alignment aims to secure a supply portfolio that is both cost-effective and sustainable, the development of the MSB market, and national demand considerations.

NamPower is also committed to minimising unscheduled system minutes losses in the transmission network, thereby ensuring high reliability and security of supply. Moreover, NamPower is actively exploring various local energy sources to reduce energy imports. These endeavours will involve exploring different generation options from local energy sources that are economically and environmentally sustainable.

SP.2: UNLOCKING THE VALUE OF ELECTRICITY SECTOR COLLABORATION

Namibia's electricity sector and the broader Southern African Development Community (SADC) region are undergoing a significant evolution. This transformation will lead to a substantial increase in the number of market players within the industry. IPPs are entering the SAPP market, offering consumers a wider array of electricity supply options. Moreover, an increasing number of consumers are evolving into "prosumers," actively generating electricity through solar PV systems while contributing surplus energy to the grid.

This influx of market participants brings about increased complexity within the electricity market. To effectively manage this complexity, fostering closer collaboration among all stakeholders is imperative. NamPower recognises the importance of collaboration and actively engages with all electricity sector stakeholders. By working together, we can support industry development, accelerate electrification efforts in the SADC region, foster the creation of innovative products and services, and successfully deliver on our project profile.

SUPPORTING THE DEVELOPMENT OF THE ELECTRICITY INDUSTRY AND THE ECONOMY

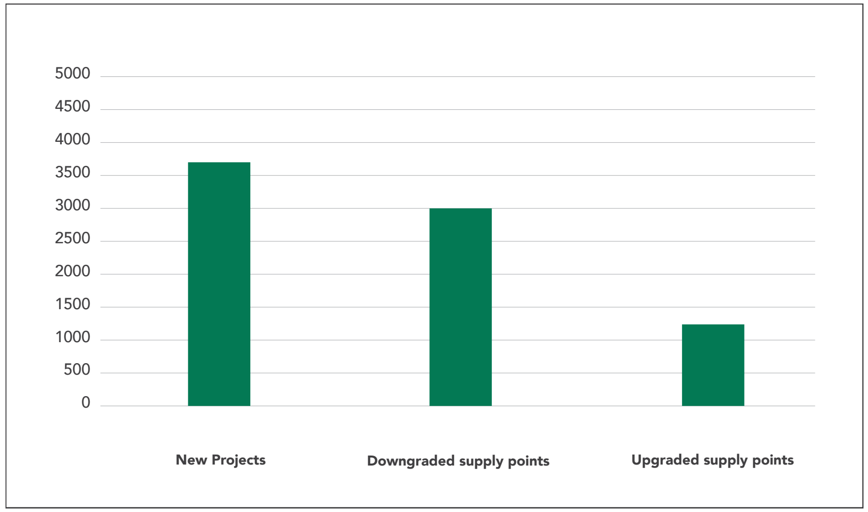
OUR 2022 – 2023 PERFORMANCE

NamPower's distribution efforts continue to expand the electricity network in Namibia within our licensed area. Despite 17 customers applying for electricity capacity downgrades totalling 2,989 kVA, we have added new supply points totalling 47 and equivalent to 3,697 kVA while also upgrading the supply points of nine customers to a combined 1,241 kVA, as detailed in the table and graphs below. This has resulted in a net increase in power demand equivalent to 1,949 kVA. These new supply points represent the initiation of new economic activities that contribute to economic development in various ways.

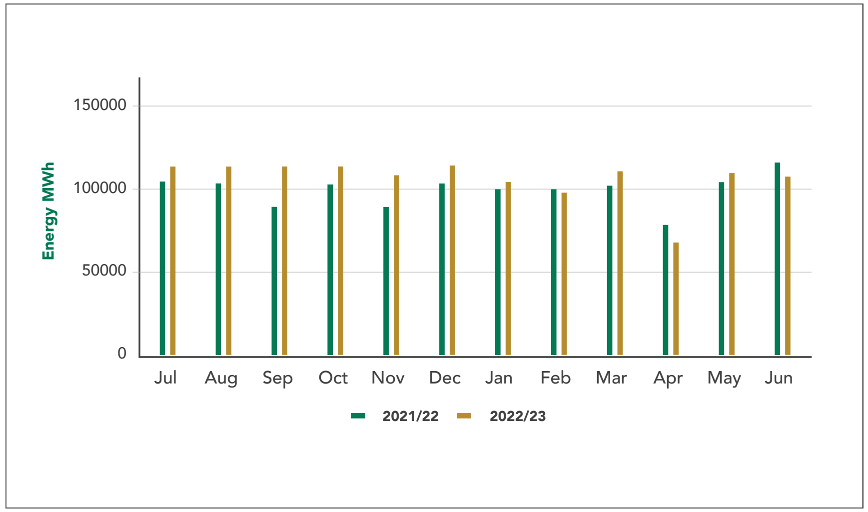
New distribution projects, downgraded and upgraded supply points, and total kVA.

	New distribution projects	Downgraded supply points	Upgraded supply points
Total quantity	47	17	9
Total kVA	3,697	2,989	1,241

No. of new projects, upgrades/downgrades on Dx networks



Total kVA



DEVELOPING NEW PRODUCTS AND SERVICES (SOLUTIONS) TO OUR CUSTOMERS

OUR 2023 PERFORMANCE

The Transmission Master Plan is built on three pillars: (1) load/ demand growth, (2) generation integration, and (3) regional interconnectivity, and is supported by the Grid Code that requires the transmission business unit to provide an annual network expansion plan, indicating the significant capital investment planned to ensure system stability and reliability. Numerous customer- related studies were therefore conducted during the year to integrate distribution, transmission and generation customers and cater for future load growth, generation, and wheeling opportunities.

The outcome of the studies revealed that due to the high capital costs, long-lead times and sometimes slow procurement processes, some customers indicated a preference for more affordable and quicker solutions.

UPDATE ON EXISTING PROJECTS

- Rosh Pinah Zinc Mine 18.5 MVA supply: The customer initially chose to build a new dedicated 66 kV line from Obib Substation to Zincum Substation. While the project is under implementation, it has been temporarily halted by Rosh Pinah Zinc Mine
- Okahandja Army Base Substation upgrade to 10 MVA: This is a long-term supply project, serving Osona Village and nearby customers, commenced in early 2023
- Diaz Wind Power 44 MW IPP: This IPP will supply energy to NamPower. Although a Transmission Connection Agreement has been signed, the project has not commenced by the end of 2022

NEW PROJECTS

- NamPower Mpasi Substation 5 MVA supply – commissioned 19 March 2023
- NamPower Omaheke Substation 5 MVA supply – commissioned 7 June 2023

NETWORK PROTECTION

In addition to the above projects, over 30 new network protection settings were completed, including those of major projects, such as:

- Gerus Substation – 40 MVA/ 220/66/22 kV transformer 1
- Otjikoto Substation – 40 MVA 220/66/22kV transformer 2
- Omburu Substation – 400 kV 100 MVAr line reactor 1
- Masivi Substation – 132 kV Otjikoto feeder
- Masivi Substation – 132 kV Rundu feeder
- Walmund Substation – 220 kV Kuiseb feeder
- Omburu Substation – 330 kV Ruacana feeder
- Auas Substation – 400 kV Gerus feeder 1
- Auas Substation – 400 kV Gerus Line reactor 1
- Kunene Substation – 330 kV Omatando feeder 1
- Kunene Substation – 330 kV Busbar and line reactors

REVISED PROTECTION SETTINGS

Several protection settings were effectively revised and provided in response to requests from Network Operations, Protection Telecommunication Metering and Control (PTM&C) and Modified Single Buyer (MSB). Some of these requests were made for emergency operations. The received requests for revisions encompassed the following:

- Van Eck Substation – 66 kV Brakwater feeder
- Otjikoto Substation – 132 kV Rundu feeder
- Von Bach Booster – 66/11 kV transformer 1
- Omburu Substation – 100 MVAr 330 kV Ruacana line reactor
- Van Eck Substation – 220 kV Kuiseb feeder 1
- Anixas Power Station – Generators 1-3 settings revision

FAULT INVESTIGATIONS

Fault investigations were conducted within the network, and remedial measures were provided to safeguard the network against future interruptions. Some of the major fault investigations during the year included the following:

- Auas Substation – 400 kV Kokerboom feeder (partial system blackout)
- Otjikoto Substation – 220 kV Buszone trip
- Osona Substation – 220 kV Van Eck feeder 1 trip
- Witvlei Substation – 66 kV Omaheke feeder1 trip

LOOKING AHEAD TO 2024 AND BEYOND

NamPower's Transmission Business Unit, particularly System Security and Planning section will continuously conduct power system studies (customer related, network protection and special studies) to satisfy internal and external customer requests and to ensure network compliance to Grid code requirements.

ENSURING EFFICIENT CUSTOMER CONNECTIONS TO NAMPOWER'S NETWORK

OUR 2023 PERFORMANCE

Network Operations collaborates closely with Distribution and Rural Electrification in regions lacking a functional Regional Electricity Distributor (RED). Together, they work to facilitate efficient customer connection points. Operators appointed for this task undergo specialised training, including theoretical and practical aspects, provided by the High Voltage Regulations and Training (HVR&T) subsection within Network Operations. This training ensures the smooth and effective connection of customers to NamPower's network.

As NamPower's first line of maintenance, Network Operations proactively addresses network breakdowns, conducts thorough line and substation inspections, and performs regular maintenance tasks. Several projects were successfully implemented during the year under review to enhance customer service, including increasing power capacity and expanding customer connections to NamPower's network. These initiatives contribute significantly to developing a reliable and accessible power supply for our valued customers.

- Mpasi Substation Transformer Upgrade to 5 MVA – Mpasi Substation supplies Rupara and Mpungu-Vleiin in the area. The project cost was N$9 million, and the work was executed in-house by Transmission
- Omaheke Substation Transformer Upgrade to 5 MVA. The Omaheke Substation supplies Otjinene and Drimiopsis in the area. The project cost was N$11 million, and the work was executed in-house by Transmission

Network Operations regularly engages with customers, including technical meetings with REDs. These meetings provide valuable opportunities for direct customer interactions, enabling feedback and suggestions for service enhancement.

Significant industry challenges, such as copper theft, are addressed by collectively sharing strategic ideas during these meetings. This collaboration has fostered a positive working relationship between NamPower and REDs. These engagements strengthen customer relationships, address concerns, and drive continuous service improvement, contributing to efficient and reliable electricity operations across the network.

ANNUAL MAINTENANCE OF HVDC AND FACTS DEVICES

Annual maintenance of High-voltage Direct Current (HVDC) and Flexible Alternating Current Transmission System Devices (FACTS) is essential to enhance their reliability and availability. During the year under review, this maintenance was conducted successfully during the following periods:

- Filter bank annual maintenance: 28 February 2023
- Auas Static Var Compensator (SVC) annual maintenance: 8 to 12 May 2023
- HVDC: 13 to 27 April 2023
- Omburu SVC annual maintenance: 22 and 23 May 2023

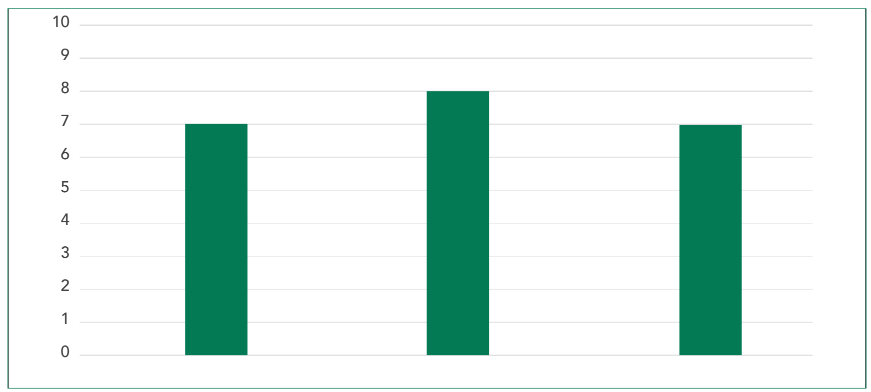
AVAILABILITY OF HVDC AND FACTS DEVICES

The SVCs, as well as the Zambezi Link Interconnector HVDC link, continue to be an integral part of the NamPower transmission network. As can be seen in the table below, there has a been a slight improvement in the annual percentage availability of all HVDC & FACTS devices.

Percentage availability of HVDC and FACTS devices

Name of HVDC/FACTS device	Percentage availability 2023	Percentage availability 2022
Omburu SVC	99.70%	99.68%
Auas SVC	99.96%	99.95%
Zambezi Link Interconnector	99.69%	99.68%

Energy imports over the Zambezi Link Interconnector: 2022/2023



Energy imports over the ZLI 2022/2023

The energy imports over the ZLI totalled 1396204.271 MWh during the year, representing a 14.1% increase in comparison to the previous financial year. This is equivalent to transmitting 159.4MW continuously over the link.

HVDC AND FACTS PROJECTS

The following projects are currently being undertaken under HVDC and FACTS

- The Omburu SVC Upgrade project is at 96% completion and is expected to be closed within the 2024 financial year This project involves upgrading the ageing SVC equipment at Omburu Substation, originally installed in 1989 to enhance asset reliability
- The HVDC Thermal Cameras project is currently 70% complete and is also scheduled to close within the current financial year. Its primary aim is to install thermal cameras within HVDC buildings, enhancing the safety of HVDC equipment by mitigating the potential fire hazards associated with elevated temperatures
- All 13 REFIT projects have been completed, with Unisun PV being the final project to achieve grid compliance in November 2022. These projects involved commissioning solar PV plants contributing to local electricity generation capacity. The project will be officially closed during the 2024 financial year.
- The construction project for full earth electrode stations at Zambezi and Gerus has commenced. This initiative aims to enhance the power import/export capacity of the HVDC system while reducing power losses over the HVDC line, thus lowering associated costs for NamPower. Earth resistivity measurements were completed in August 2023, and design reviews are expected to be completed in the upcoming financial year, with construction activities to commence soon thereafter.

LOOKING AHEAD TO 2024 AND BEYOND

Network Operations will provide necessary support to other core business sections to ensure a continuous power supply. We are also in the process of executing the remaining transformer upgrade project at Kombat Substation. Additionally, several operational projects are currently in progress, aimed at enhancing the efficiency and performance of Network Operations. These projects include:

- An ongoing project focused on power line servitude vegetation management, involving bush clearing and herbicide application. This initiative offers numerous benefits, including ensuring clean servitudes that enable easy access for inspections, line maintenance, and addressing breakdowns. We have successfully cleared several power lines through this effort.
- Projects aimed at repairing the entrance roads to substations, ensuring they are suitable for heavy-duty vehicles such as low-bed trucks and cranes during maintenance and upgrade outages.
- Line and substation refurbishment projects targeting specific sections of lines and substations as part of preventative maintenance measures and to address unexpected system breakdowns caused by ageing components.

These initiatives are designed to improve the overall operation of Network Operations, making it run more smoothly and enhancing performance.

INNOVATIVE INFORMATION COMMUNICATION TECHNOLOGY SOLUTIONS

In today's digital age, we recognise that ICT solutions are pivotal in ensuring the reliability, efficiency, and security of power generation, transmission, and distribution. NamPower remains at the forefront of cutting-edge technology and continues to implement several strategic initiatives for delivering uninterrupted and sustainable services to our customers.

IT GOVERNANCE

In alignment with IT Governance, and to uphold compliance standards, the following policies and procedures have been approved by the Executive Committee or the Board:

- Data Classification Policy
- NamPower Records Information Management Strategy
- NamPower Guidelines for Disposal of Transitory Records
- Procedure for Electronic Documents and Records Management
- Procedure for Information, Documents, and Records Retention and Disposal

Compliance and auditing initiative:

- Internal audit of PowerCloud
- ISO Certification audit, focusing on document management at Anixas Power Station
- Procurement Document Audit for Ruacana Power Station

INFORMATION TECHNOLOGY SERVICES

During the year under review, NamPower Information Services (iServ) managed high availability of the Local Area Network (LAN) and systems services throughout the review period.

Local Area Network	99.35%
Services	99.97%

The minimal duration of IT services downtime was due to scheduled maintenance for system and network upgrades and fibre maintenance on the link to Ruacana.

OUR 2023 PERFORMANCE

INNOVATIVE TECHNOLOGIES TO MANAGE CYBER RISK

The global landscape of cybersecurity threats within the power sector is undergoing rapid evolution, marked by increased frequency and sophistication of attacks, often leveraging readily available malware and tools. At NamPower, we remain steadfast in our commitment to safeguarding our critical infrastructure and ensuring the uninterrupted, secure operation of our systems.

During the year under review, significant strides were made to enhance the security of our internal information technology network. This was achieved by implementing a network access control system, fortifying our defences against potential threats.

Addressing the growing concern of email spoofing, where external sources impersonated NamPower, the ICT team implemented a comprehensive domain-based Message Authentication, Reporting and Conformance (DMARC) solution to prevent future instances of such deceptive communications.

The escalating frequency of cyber-attacks targeting software application vulnerabilities reached a point where manual patching of the entire application spectrum became unmanageable. To address this challenge, NamPower introduced a patch management system, Qualys, which has successfully facilitated the installation of more than 75,000 patches.

In 2022, the Cybersecurity Assessment project was initiated and subsequently completed. This effort culminated in creating a cybersecurity tactical roadmap, providing a strategic guide for the Company's journey toward achieving a mature cybersecurity governance. Simultaneously, we addressed the end-of-life status of our core storage systems by replacing them with the latest technology, ensuring a fully redundant solution.

To assess our cybersecurity posture objectively, we engaged reputable third-party companies to conduct three external and one internal vulnerability scan. Minor issues identified were promptly rectified, classifying our cybersecurity risk level as "low".

NamPower remains committed to proactively addressing cybersecurity challenges, adapting to evolving threats, and continually enhancing our defences to protect our critical infrastructure and the interests of our stakeholders.

INFORMATION TECHNOLOGY DISASTER RECOVERY TESTING

NamPower has appointed Deloitte to assist with the IT disaster recovery testing, commencing with an inception meeting set for 6 September 2023.

This project is planned to span over four weeks and will be carried out in four distinct phases. The ultimate objective is to evaluate the effectiveness of the existing disaster recovery processes, conduct realistic testing simulations, compile a comprehensive report on the testing results, and formulate recommendations based on the outcomes of the disaster recovery tests conducted.

> *The IT Disaster Recovery Testing Project is a proactive and strategic move by NamPower to strengthen its IT infrastructure, ensure business continuity, and continuously improve its disaster recovery processes.*

ENGINEERING DOCUMENT MANAGEMENT

NamPower engaged DataCentrix to oversee the design and deployment of OpenText Extended ECM for Engineering (xECM4Eng), a specialised business solution designed for engineering project teams, contractors, and vendors. This system facilitates seamless collaboration on document-intensive processes.

The implementation process commenced in the first quarter of the 2023 financial year and will extend into the upcoming financial year. To ensure compatibility and eliminate potential issues, an essential step involved upgrading the OpenText Enterprise Content Management System to Version 22.2. This upgrade was executed successfully, ensuring smooth integration with xECM4Eng Version 22.2.

DEVELOPMENT OF NEW PRODUCTS AND SERVICES (SOLUTIONS)

Corporate Dashboard development

The Corporate Dashboard Project is a strategic initiative focused on constructing diverse dashboards and reports to provide comprehensive insights into the organisation's performance across multiple tiers. This will be achieved using Business Intelligence (BI) tools, specifically Microsoft Power BI.

The developmental phase, a crucial stage involving the creation of numerous data sources linked to essential areas such as Human Capital, Finance, Fleet, Transmission, and Generation operational key matrices, has been completed. The project is currently in the stabilisation phase, marked by the delivery of the first set of dashboards for HR, Finance, and Fleet. The remaining components concerning Transmission and Generation will be finalised during the first quarter of the upcoming financial year.

Meter Data Management System (MDMS) GridStream AIM by Landis+Gyr system

The iServ Division dedicated much time to implementing the technical installation of the MDMS system, which was completed during the year under review. However, the commissioning of the MDMS, initially scheduled for completion during the year, has been delayed due to additional technical integration challenges between SAP AMI and the GridStream AIM system. It is anticipated that these integration issues will be resolved in the first quarter of the new financial year.

Furthermore, the following projects were completed:

- **SAP Fiori Innovation Apps for Purchase Requisition:** This function involves transitioning from using release codes for approving requisitions to implementing flexible workflows that route requisitions to responsible employees based on cost objects. This model has significantly improved cost control and streamlined the user experience for approvals.
- **SAP Fiori Apps for Inventory Management:** This feature, implemented through the project, includes embedded analytics for essential information and tasks relevant to inventory management. The application rollout encompasses inventory turnover metrics, supply chain efficiency, the Goods Movement Analysis application, slow-moving and dead stock analysis, overdue or stock-in-transit materials monitoring, and requisition and purchaser order tracking.

LOOKING AHEAD TO 2024 AND BEYOND

- The ISv 5 project, as per NamPower's ISBP (which focuses on implementing Advanced Meter Infrastructure (SAP AMI, MDM) and Pre-Payment System Installation), was initiated during the year under review. This project will be executed in phases, commencing with small powers users (supply points with a capacity of 75 kVA or less), followed by large power users (supply points equal to or larger than 100 kVA). The project will transition all distribution customers to a pre-payment system by July 2025. The project's implementation is bolstered by advancements in modern technology, which will facilitate account management for distribution customers and NamPower.
- We are implementing the SAP Smart Prepayment solution for transmission customers, allowing them to buy electricity in advance, with NamPower deducting the supply value from their prepaid balance. This utilises our existing SAP IS-Utilities billing solution and approved tariff structures, leading to operational efficiency, improved revenue collection, controlled debt recovery, and reduced bad debt risk for NamPower. It also offers customers better control over usage, cost savings, and increased transparency, enhancing overall satisfaction.
- Enhancing the cybersecurity governance maturity levels to protect critical infrastructure, maintain service reliability, safeguard data, reduce financial risks, uphold reputation, and meet regulatory obligations, as well as mitigating the ever-evolving cyber threats that pose potential risks to NamPower.

THE GRIDONLINE

The expansion of NamPower's internal brand, The GridOnline, which is focused on providing wholesale managed data transmission services, has significantly boosted revenue and growth for NamPower. During the year under review, The GridOnline has successfully secured eight new contracts for client data transmission services, resulting in a noteworthy monthly revenue of N$1,007,550 (equivalent to an annual amount of N$12,090,600, excluding VAT).

This accomplishment is particularly significant because the infrastructure employed for this purpose was primarily established to meet NamPower's internal operational requirements and mandates.

By efficiently utilising NamPower's existing spare fibre optic network, The GridOnline generates revenue that can be strategically allocated to support various initiatives, demonstrating NamPower's commitment to optimising assets for both its organisational needs and broader commercial opportunities.

NAMPOWER AND THE GRIDONLINE'S COLLABORATION WITH CEB (FIBERNET) CO LTD AS WHOLESALE REGIONAL TELECOMMUNICATION SERVICE PROVIDERS

A NamPower delegation visited the CEB (Fibernet) Co Ltd in Ebene, Mauritius, from 25 – 27 April 2023. CEB Fibernet is a wholly owned subsidiary of the Central Electricity Board (CEB), established in October 2016. Their network plays a crucial role in Mauritius, serving as a second national fibre optics backbone, connecting CEB substations across the island and linking to submarine cable stations for international connectivity. This network complements the existing fibre infrastructure from telecommunications operators in Mauritius, contributing to the Government's goal of providing affordable, reliable, resilient, and accessible broadband services to all ICT operators.

Similarly, NamPower, being declared dominant in the data transmission industry by CRAN, also provides Namibia with a second national fibre optic backbone which connects to NamPower substations and connectivity to the submarine cables.

From left: Technical Head of Fibernet - Mr Leevraj Neermul, Corporate Legal Advisor - Mr Victor Gabriel, Senior Manager: Engineering Services - Mr Leandro Kapolo, Senior Engineer: Telecommunication and Control - Mr Helgo Muller, Executive: Human Capital - Ms Selma Ambunda, Officer in charge of Fibernet - Mr Vikram Ramgolam, Executive: Transmission - Mr Braam Vermeulen and Engineer: Telecommunication and Control - Ms Victoria Shivute.

During the visit, the team had the opportunity to explore CEB Fibernet's DWDM optical transmission centre and their operation centre (NOC) in Vacoas, where they engaged with CEB staff from various departments. It's noteworthy that NamPower and CEB share similarities in their operations, such as the production, generation, transmission, and distribution of electricity, as well as recent ventures into the fibre industry. The team had productive discussions with Mr Vikram Ramgolam, the Officer in Charge of Fibernet Ltd, and Mr Leevraj Neermul, the Technical Head. Additionally, the delegation met with representatives from the Information and Communication Technologies Authority (ICTA) and officials from the Ministry of Energy and Public Utilities.

As a result of this visit, the CEB Fibernet and NamPower GridOnline teams have identified several areas for potential collaboration. These include sharing best practices in technical operations, enhancing team capacity, exploring regional and international network interworking, and considerable corridor interconnectivity between the east and west networks.

FIBRE GAP CLOSURES AND NETWORK HIGHLIGHTS

NamPower systematically addresses gaps in its optic fibre network to enhance connectivity for regional offices and substations. This effort has led to significant benefits, including improved monitoring and operations across its substations and increased interest from commercial clients in The GridOnline. Key achievements include fibre connectivity to the Paratus Armada Data Centre, WACS and Equiano cable landing station.

The ongoing implementation of IP Transit (IPT) by NamPower, enabled by fibre connectivity to landing stations, aims to boost the flexibility and capabilities of NamPower's cloud-based IT services while potentially reducing NamPower's internet expenses.

NamPower's state-of-the-art terrestrial fibre optic network, utilising DWDM technology, is crucial in handling increased data traffic within and beyond Namibia's borders. The GridOnline's contributions to the Namibian ICT sector have led to reduced per-bitrate pricing for data backhauling, earning recognition from CRAN.

TRI-PARTITE DARK FIBRE LEASE AGREEMENT

The tri-partite dark fibre lease agreement, which concluded at the end of May 2022, marked the termination of NamPower's previous dark fibre leases with Telecom Namibia and MTC. By leveraging the capabilities within The GridOnline's commercial service portfolio, both of these entities can seamlessly migrate to the unified platform used by NamPower's broader clientele for our commercial data transmission services. This integration promotes efficient infrastructure sharing and maximises the optimal utilisation of our valuable assets.

LOOKING AHEAD AND BEYOND

As a declared dominant player in the ICT sector's data transmission infrastructure, NamPower will continue to share and provide capacity to the ICT sector. This commitment aims to foster a competitive and inclusive ICT landscape, promoting connectivity and technological advancement in Namibia while supporting business opportunities and economic growth within the sector. By strategically expanding its customer base, NamPower is poised to advance the communication data transmission sector, lowering nationwide per-bitrate costs, and creating additional revenue streams, while strengthening its industry impact.

METER DATA MANAGEMENT SYSTEM AND IMPLEMENTATION OF PRE-PAYMENT SYSTEM FOR TRANSMISSION AND DISTRIBUTION

NamPower has acquired the Grid Stream AIM system by Landis+Gyr for their Meter Data Management System (MDMS). Implementation of MDMS has commenced, with commissioning scheduled by the end of 2023. This system will enhance meter-to-cash processes, providing real-time visibility and automated validation capabilities for meter management.

Additionally, NamPower is in the process of implementing the SAP Smart Prepayment system, which will integrate with SAP, SCADA, and breaker or recloser systems to enable customer disconnections and reconnections.

NamPower is modifying specific transmission and distribution stations for remote monitoring and control from National Control, a necessary step for the upcoming prepayment system implementation, covering both distribution and transmission customers. Manual tests have been conducted on selected customer points to assess system functionalities. The NamPower Prepaid System is expected to be launched on the 1 November 2023, starting with selected customers tests before a wider rollout to more customers.

This pioneering project involves integrating various functionalities and inputs from Tariffs, Metering, iServ, Network Operations, Distribution, System Operations, and SCADA, making it the first of its kind.

ACCELERATING ELECTRIFICATION TO RURAL AREAS OF NAMIBIA

RURAL ELECTRIFICATION (RE)

NamPower plays a pivotal role in advancing rural electrification in alignment with Government objectives. This initiative is at the heart of the nation's economic development strategy, extending electricity infrastructure to remote rural areas to improve socio-economic well-being and stimulate local economic growth.

The National Electrification Policy solidifies the Government's unwavering commitment to spearhead and bolster nationwide electrification, guided by fundamental principles embraced by all stakeholders.

The Ministry of Mines and Energy's (MME) rural electrification programme takes the lead in providing grid-based electricity infrastructure to connect Government assets in rural regions, benefiting households and essential service points.

NamPower, in harmony with its electrification strategies and those of Regional Councils, identifies, implements, and funds projects utilising internal resources and grants from the European Investment Bank. Assets resulting from these endeavours are subsequently entrusted to the relevant distribution licensee for operation and maintenance within their respective areas of responsibility.

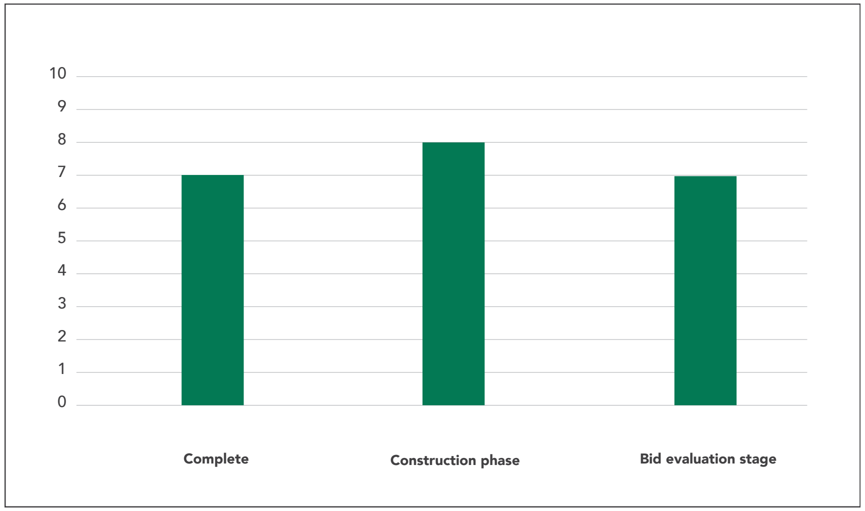
NAMPOWER FUNDED PROJECTS

The bar chart below provides a summary of NamPower-funded projects, with seven projects completed, eight currently under construction, and seven in the bid evaluation stage.

The highlight of the rural electrification projects this year is the completion and energisation of the Olukupa Rural Electrification Project in the Nehale LyaMpingana Constituency of the Oshikoto Region at a cost of N$14 million. A more detailed description of this project follows in this report.

Number of NamPower funded RE projects completed, in progress, and at bid evaluation stage – 2022/2023

Number of NamPower funded RE projects completed, in progress and at Bid evaluation stage



NAMPOWER FUNDED PROJECTS COMPLETED AND ENERGISED

Seven projects were completed and energised during the 2022-2023 financial year as depicted in the map below at a total cost of N$48,858,338 million.

Government educational institutions are the paramount reasons why rural electrification projects are initiated, a total of 15 Government institutions composing of schools, clinics etc. benefitted from electrification projects. Furthermore, households in the vicinity of such Government institutions also benefited, the distribution of beneficiaries of completed projects is indicated in the pie chart below.

Region:
Omusati

Localities:
Amaamwa gwaShaanika, Ouma and Ondeipanda Edward

Completion date:
Project is completed and energised on 8 December 2022 and Project completed and energised on 8 November 2022

Project value:
N$3,038,727 and 2,832,868

Beneficiaries:
1 kindergarten, 30 shops, and 2 schools and 1 school

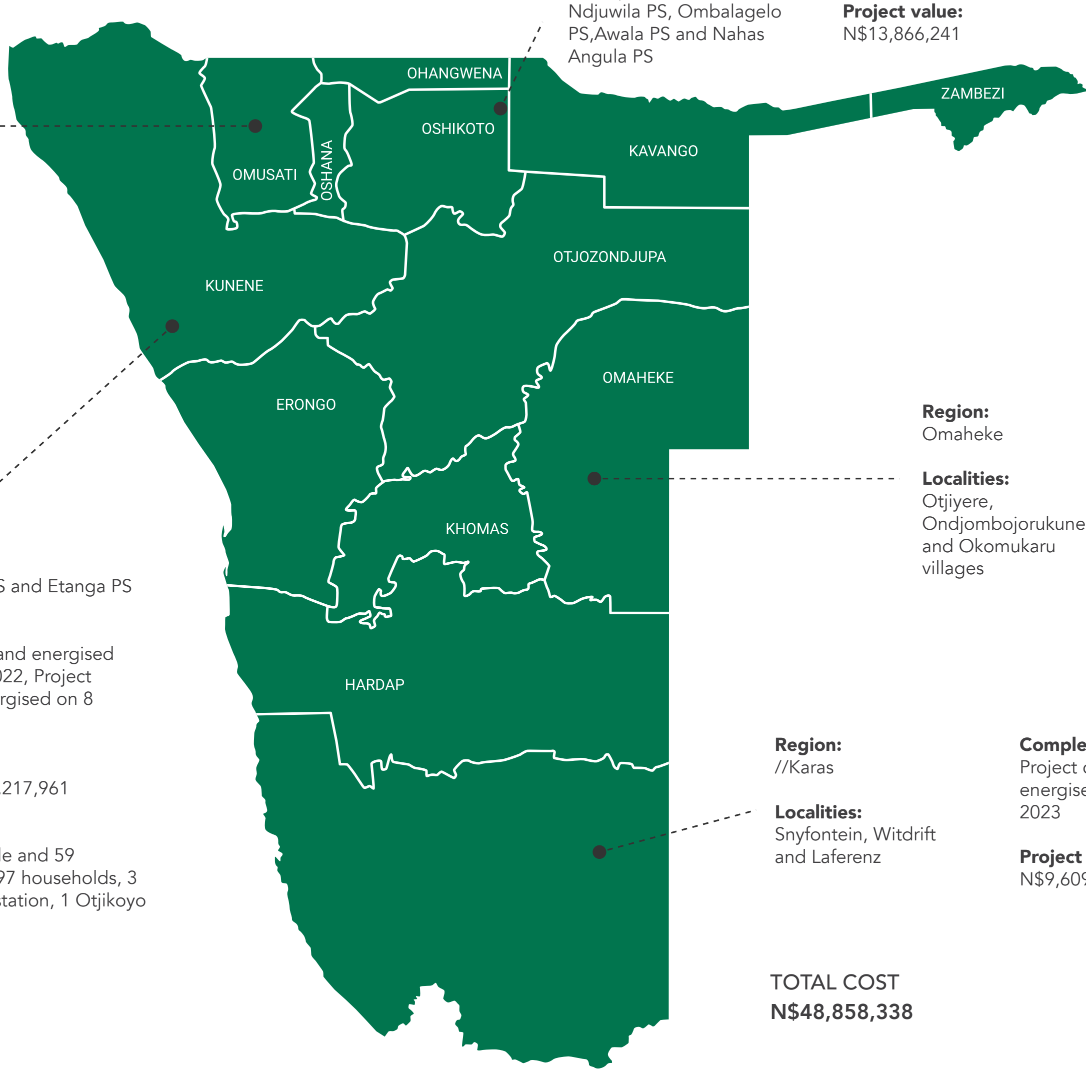
Region:
Oshikoto

Localities:
Olukupa CS, Oomanya PS, Ndjuwila PS, Ombalagelo PS,Awala PS and Nahas Angula PS

Completion date:
Project is completed and energised on 22 November 2022

Project value:
N$13,866,241

Beneficiaries:
6 schools, 7 shops, 2 teacher's residences, 1 clinic, 1 church, 1 borehole and a children's hostel



Region:
Kunene

Localities:
De Riet, Otjikoyo PS and Etanga PS

Completion date:
Project completed and energised on 15 December 2022, Project completed and energised on 8 March 2023

Project value:
N$3,612,106 and 7,217,961

Beneficiaries:
1 school, 1 bore hole and 59 houses, 2 Schools, 97 households, 3 borehole, 1 police station, 1 Otjikoyo clinic and 1tower

Region:
Omaheke

Localities:
Otjiyere, Ondjombojorukune and Okomukaru villages

Completion date:
Project completed and energised on 9 January 2023

Project value:
N$8,681,000

Beneficiaries:
Community

Region:
//Karas

Localities:
Snyfontein, Witdrift and Laferenz

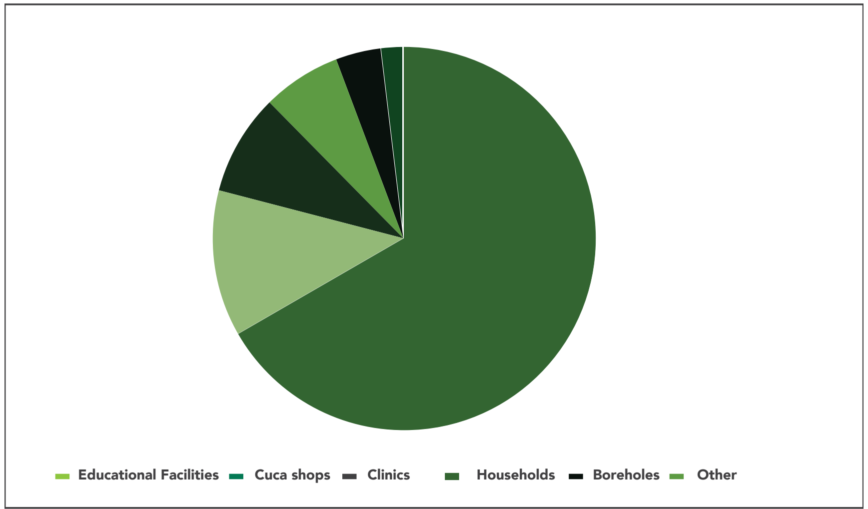
Completion date:
Project completed and energised on 8 March 2023

Project value:
N$9,609,435

Beneficiaries:
Snyfontein: 1 school, 1 kindergarten, 2 boreholes Witdrift and Lafrence: 33 households and 2 boreholes

TOTAL COST
N$48,858,338

Distribution of beneficiaries of NamPower funded projects completed 2022/2023



ENERGISATION OF THE OLUKUPA RURAL ELECTRIFICATION PROJECT

NamPower is proud to report the completion and the energisation of the Olukupa Rural Electrification Project situated in the Nehale LyaMpingana Constituency of the Oshikoto Region. This endeavour marks a significant milestone in our commitment to rural electrification in Namibia, with a commendable investment of N$13.9 million.

The project was inaugurated by the Deputy Minister of Mines and Energy, Hon. Kornelia Shilunga on 22 November 2022, along with our esteemed stakeholders including traditional and regional authorities and, most importantly, the grateful beneficiaries.

The electrical infrastructure installed for Olukupa includes a 10 km 33 kV medium voltage overhead line, a medium to low voltage transformer, a 2 km low voltage overhead aerial bundled conductor (ABC) line, and 1 km of underground low voltage cables.

Beneficiaries of the Olukupa Rural Electrification project extended to Government Institutions include:

- Olukupa Combined School, encompassing classrooms, teachers' residences, and the school hostel.
- Olukupa Clinic
- Provision has also been made for the connection of the Ministry of Agriculture, Water and Land Reform
- Additionally, provision has been made for borehole connections

Community Focal Points:

- Olukupa Anglican Church
- Olukupa Growth Point, with provision for connecting local business establishments. Several businesses that submitted applications to NORED have already been connected

Other localities that were provided electricity under this project include:

- Oomanya Primary School in Eengodi Constituency
- Nahas Angula Primary School and Awala Primary School, and Localities in Onyaanya Constituency
- Ombalagelo and Ndjuwila Primary Schools in Omuntele Constituency

NamPower remains dedicated to collaborating with the Government of Namibia in extending electricity infrastructure to rural areas, fulfilling our social responsibility philosophy and the brand promise of "powering the nation and beyond."

NAMPOWER FUNDED PROJECTS AT EXECUTION PHASE

The bulk of the projects from the 2022 – 2023 financial year are still in progress and are currently at different stages of execution, as outlined in the table below.

#	Region	Locality	Project value (N$)	Project status
1	//Khairas	Jakkalsdraai village	3,098,159	Construction of project 90% completed
		Kutenhoas	2,614,144	Bid evaluation completed and in the process of being awarded
		Kutenhoas	2,614,144	Bid evaluation completed and in the process of being awarded
2	Hardap	Swartdam village	3,032,651	Construction of project 90% completed
		August Dam and Kruiss villages	3,172,222	Construction of project 50% completed
		Maltahohe Informal Settlement Ext 1	3,338,651	Bid evaluation completed and in the process of being awarded
		Farm Naris, VieiVeld B, Steynsdraai and Schlip Auction Venue villages	19,621,206	Construction of project 80% completed
		Klein Aub	3,220,925	Bid evaluation completed and in the process of being awarded
3	Omaheke	Goreses village	3,213,648	Construction of project 72% completed.
		Ozorongondo (phase 2)	1,999,940	Bid evaluation completed and in the process of being awarded
		Okatumba Gate	3,083,681	Bid evaluation completed and in the process of being awarded
		Ezorongondo	8,705,744	Construction of project 61% completed
4	Ohangwena	Oshikango Ext 1 and 7 (Peri-urban)	8,175,022	Construction of project 75% completed
5	Oshikoto	Hedimbi	4,950,492	Bid evaluation completed and in the process of being awarded
6	Kavango West	Mbore	3,827,953	Construction of project 90% completed. 100% completion expected end September 2023
TOTAL VALUE			**74,668,582**	

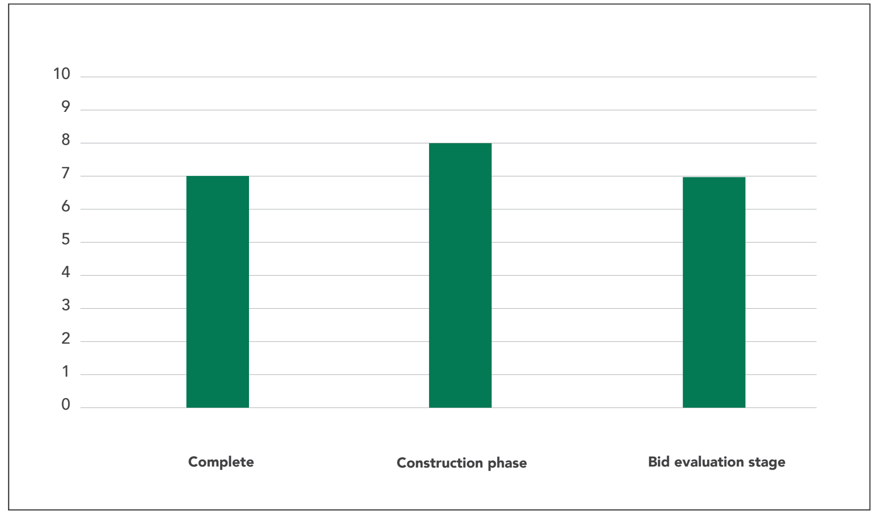
MINISTRY OF MINES AND ENERGY FUNDED PROJECTS AT CONSTRUCTION AND BID EVALUATION STAGES

NamPower also manages renewable energy projects on behalf of the Ministry of Mines and Energy (MME), which provides the necessary funding. Once these projects are completed, a total of 34 schools across various regions in Namibia will reap the benefits. The regions involved in this initiative are highlighted in the graph below.

#	Region	Localities	Project value (N$)	Remarks
1	Ohangwena	Eexwa Primary School	6,137,200	Construction of project completed
		Haixuxwa Primary School		
		Okanaimbula Primary School		
		Onamihonga Primary School		
		Onehanga Primary School		
		Oshitutuma Combined school		
		Omuuni CS,	6,900,984	Construction of project 80 % completed
		Shatiwa PS,		
		Udeiko Haufiku PS		
		Shiweda PS		
		Okadidiya PS		
2	Zambezi	Mukorofu PS,	3,272,700	Construction of project completed
		Namiyundu CS, and		
		Nankuntwe CS		
3	Kavango East	Shadimbungu JP, Kavitji JP,	5,924,300	Bid evaluation is completed
		Dumushi JP, Ncorosa JP, Alloys		
		Hashipara JP and Tam-Tam JP		
		Shamakuvi JP	5,500,703	Construction of project at 25%
		Shividi JP		
		Mashi JP		
		Shayirungu JP		
		Shamambungu JP		
		Pikinini JP,		
		Shamburu JP		
		Shinunga JP		

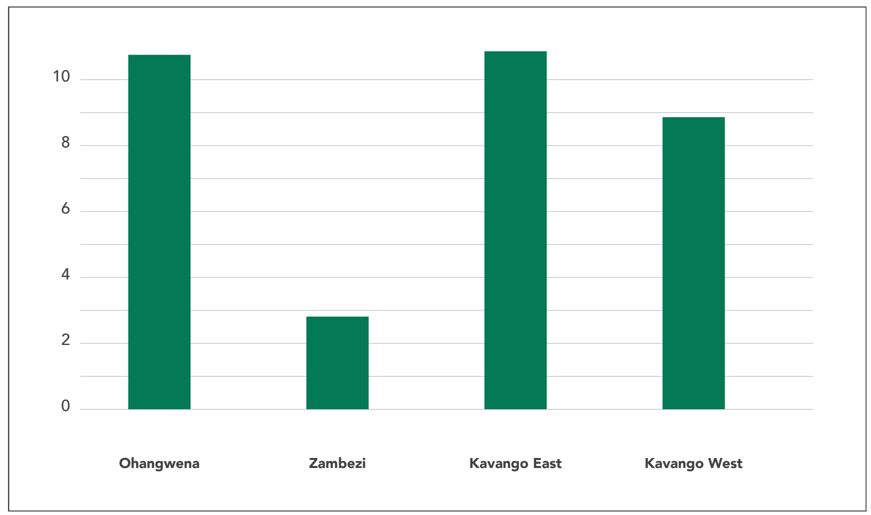
#	Region	Localities	Project value (N$)	Remarks
4	Kavango West	Mukekete	9,000,000	Construction completed and project energised on 15 February 2023
		PS,Mpotomutalala		
		PS,Kandumbu PS, Suni PS		
		Nairenge PS		
		Katjinakatji Constituency office		
		Sava PS,	10,751,757	Construction of project 100 % completed
		Nandingwa PS		
		Wiwi PS,		
		Hema PS		
TOTAL VALUE			47,487,646	

Summary of the progress of MME funded projects



The majority of the MME funded projects, totalling eight, were still in the construction phase as at the end of the 2022 – 2023 financial year.

Number of schools in the regions benefitting from MME funded projects



The majority of the 34 schools set to benefit from MME-funded projects are located in the Kavango East and Ohangwena regions. These regions are recognised for their higher concentration of Government institutions lacking access to electricity.

SP.3: OPTIMISING FINANCIAL SUSTAINABILITY FINANCIAL

FINANCIAL PERFORMANCE OVERVIEW

NamPower's commitment to financial sustainability aligns with our role as a critical player in Namibia's energy landscape. As we navigate the ever-evolving electricity sector, we understand that our financial health is not just a corporate concern but a vital component of national well-being. Our strategic alignment with the Government and the Regulator in shaping regulatory changes and tariff structures underscores our dedication to ensuring the electricity sector's fiscal robustness.

To achieve these goals, we are charting a course that maintains our financial stability and enhances our competitive edge in the dynamic energy market. This strategy centres on delivering customer-centric solutions that inspire trust and confidence. By responding to the unique needs of our customers, we not only boost our revenue but also bolster our shareholders' value, secure liquidity, and optimise profitability. In essence, financial sustainability is a multifaceted commitment that involves managing costs and ensuring all stakeholders' satisfaction.

The recent challenges stemming from the COVID-19 pandemic, unpredictable weather patterns, rising commodity prices, and currency fluctuations have tested our resilience. However, NamPower remains steadfast in fulfilling its mandate. Even during challenging periods like the one ended on 30 June 2023, we have provided uninterrupted electricity services to our nation. The severe power shortages in the region, exacerbated by drought conditions in neighbouring countries, have emphasised the critical nature of supply security, and we are unwavering in our commitment to meeting this demand.

Growing revenue

Group revenue for the financial year under review increased with 11.2% from N$6.5 billion to N$7.2 billion (2022: 1.0% reduction). This is primarily driven by the tariff increase of 7.3% and the increase in sales volume of 4.2% (2022: 5.2% decrease) from 3,701 GWh to 3,856 GWh.

Maximum demand slightly decreased from 633 MW compared to 638 MW achieved in June 2022. In 2013, the Government introduced the LRMC Levy to establish a financial reserve to shield Namibian consumers from significant future price increases. Initially, this levy was included in the 2013 financial year tariff at 2.54 cents/kWh. Like the preceding financial period, no LRMC Levy was included in the tariff for the year under review. To comply with the directives of the Regulator, the LRMC Levy is ring-fenced in the Group's financial records and invested in a separate interest-bearing account, effective from 1 July 2018. These funds, totalling N$290 million as at the reporting date, can only be accessed with explicit approval from the Regulator and are accounted for as deferred revenue.

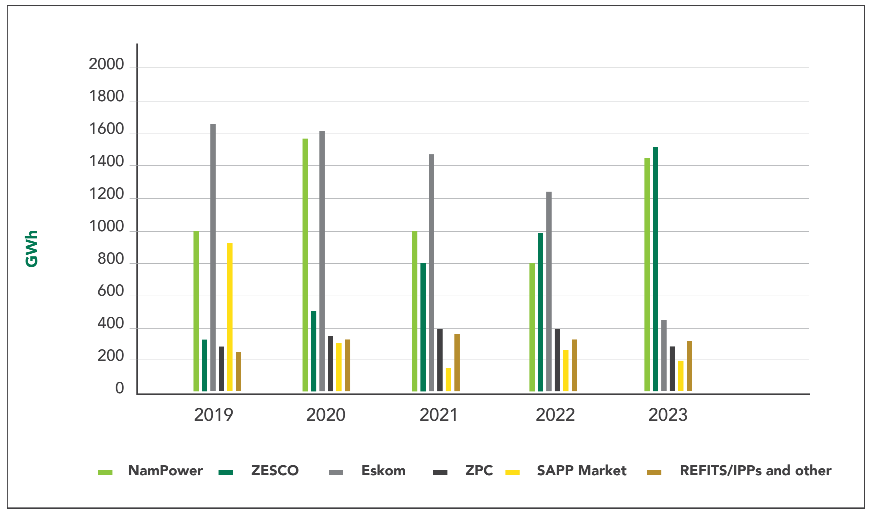
During the year under review, the Regulator allowed for the utilisation of N$10 million (2022: N$157 million) to subsidise the construction of the NamPower 20 MW Omburu Solar Power Station. The total amount of the levy utilised on the construction of the Omburu Solar Power Station is N$342 million (against the total capitalised cost of N$372 million).

No LRMC Levy was allocated to subsidise the fuel costs of NamPower's thermal generation plants in 2023, compared to N$32 million allocated to subsidise the fuel cost of Van Eck and Anixas Power Stations for the 2022 financial year, as provided for by the Regulator in the tariff award for the same period.

Improved local generation output

One significant achievement has been our reduction in reliance on imported electricity. Thanks to enhanced generation capacity from the Ruacana Power Station, we have managed to limit imports to 58.2% of our total energy requirements. This achievement highlights our dedication to domestic energy production whenever possible and furthers our financial sustainability by reducing import costs.

Units into the System (GWh)



The cost of electricity decreased by 0.85% (2022: 13.9% increase), dropping from N$5.1 billion incurred in the previous financial year to N$5.0 billion for the year under review. This cost reduction can be directly attributed to the improved generation output of the Ruacana Power Station that generated 1,323 GWh compared to the previous year's 781 GWh. This boost was made possible by an increase in the average water flow in the Kunene River catchment area, surging from 78 cumecs in the prior year to 140 cumecs during the year under review. As a result, NamPower's contribution to units into the system rose to 33.3%, a significant increase from the previous year's 19.9%.

This was a welcome relief, especially since the significant driver of the electricity cost is the imported electricity, mainly due to the depreciation of the Namibia Dollar against the United States Dollar, in which some major import contracts are denominated.
Of the total 4,267 GWh units of electricity into the Namibian system during the year under review, 58.2% (2022: 71.2%) was imported from the region.

During the review period, IPPs contributed 8.5% of the total units into the system, down from 8.9% in the previous year. NamPower concluded 14 new PPA's of 5 MW each with IPPs in the renewable energy sector under the Renewable Energy Feed-In Tariffs (REFIT) during the 2016 financial year. All fourteen REFITs are operational and contributed 183.1 GWh to the total electricity into the system, up from 181.7 GWh in 2022. NamPower, through these PPAs purchases power at an inception tariff of N$1.37/kWh (solar) and N$1.08 kWh (wind), adjusted annually on 1 July based on the Namibian Consumer Price Index (CPI).

Government support

Other income for the Group amounted to N$177.7 million, compared to N$85.4 million in the previous year, including revenue from fibre optics rentals (N$15.5 million) and property rentals (N$3.1 million). The Government, as the sole shareholder, pledged N$250 million for the construction of the Anixas Emergency Diesel Power Station in Walvis Bay in 2010. So far, N$90.4 million has been recognised as income, with the remaining N$159.6 million scheduled for systematic recognition over the power plant's useful life. Additionally, N$8.9 million in accrued income related to this grant was recognised during the year under review.

Furthermore, the Government allocated N$100 million from the National Energy Fund (NEF) as part of NamPower energy revenue requirement for the 2023 financial year to ease the impact of high tariffs and provide relief to customers. The full amount of this grant was received and is included in other income during the year under review.

In 2020, the Regulator approved an amount of N$342.0 million to be utilised from the LRMC towards the cost of the construction of a 20 MW Solar Power Station, Omburu PV Plant. The funds are claimed when the Group incurs costs on construction. To date, the full N$342.0 million has been claimed and received during the construction of the power station. The construction of the power plant was completed, and the power plant has been supplying power since April 2022. Of these funds, N$13.3 million (2022: N$3.3 million) was recognised as income during the current year, while N$325.4 million (2022: N$328.5) represents deferred income and will be recognised on a systematic basis over the useful life of the power plant.

Managing costs

The Board and management have adopted key strategies in line with our financial sustainability objectives. Cost containment, reduction, and efficient debt collection have been central to our financial performance improvement. These strategies have borne fruit, evident in our financial performance for the year.

Employee costs for the year amounted to N$911.3 million, marking an 8.2% reduction compared to the previous year's N$992.5 million, which had seen a 0.41% decrease. Employees received an average cost of living adjustment of 4.5%. The head count decreased by 5.0% from 1,134 to 1,077 at the end of the financial year reflecting the Group's resolve to contain costs through efficient staff management. This decrease in head count accounted for the decrease in employee costs.

NamPower is executing projects to strengthen the transmission network and its interconnection with neighbouring countries. One of these projects involves creating infrastructure through capital contributions to Eskom for the 2nd interconnector. This expenditure is charged to the statement of profit or loss as part of Other operating expenses. Other operating expenses for the year, including contributions to Eskom, increased by 25.2%, from N$620.7 million in the preceding year to N$777.4 million for the year under review. Also included in other operating expenses is expenditure pertaining to the upkeep and maintenance of transmission networks and power stations of the Group, ensuring the ongoing reliability of assets in the delivery of power to the nation. Costs associated with these activities amounted to N$86.9 million, compared to N$74.1 million in 2022.

Debt collection

The Group's debt collection initiatives produced mixed results. While some customers brought their overdue accounts up to date, we observed a deterioration in other customer segments. In the year under review, the Group recognised a net impairment gain on financial assets totalling N$21.8 million in the statement of profit or loss. This marks a significant improvement compared to the N$32.8 million loss reported in 2022. The improvement resulted from a partial reversal of impairment losses (expected credit loss) on trade receivables and other financial assets. The expected credit loss considers the potential effects of the challenging economic situation prevailing in the country and the residual impact of COVID-19 on businesses that may result in delayed settlement of accounts by some customers.

Depreciation

Depreciation and amortisation for the year amounted to N$1.7 billion (2021/2022: N$1.4 billion) driven by an increase in the value of revalued assets i.e., power stations, transmission systems, aircraft, and land and buildings, as well as new additions to the asset base, as at 30 June 2022.

Managing foreign exchange risks

Some of the Group's transactions are exposed to the movements in foreign exchange rates. It is our policy to hedge committed foreign exposure. Changes in the market conditions, particularly in the exchange rate of the Namibia Dollar against the major trading currencies, (US Dollar, Euro, and British Pound) impacted profitability resulting in a net fair value and foreign exchange loss on financial instruments of N$1.0 billion (2022: N$797.3 million loss), made up of the following:

- Net fair value loss on derivatives and foreign loans of Nil (2022: N$4.8 million loss)
- Net fair value loss on embedded derivatives on Power Purchase Agreements of N$936.4 million (2022: N$1.0 billion)
- Fair value loss on firm commitments N$1.7 million (2022: N$687 thousand)
- Net foreign exchange loss of N$ 64.8 million (2022: N$215.0 million gain)

Improved contribution from investments

Investment income for the year increased by 29.3% (2022: 8.1% decrease) from N$551.8 million to N$713.4 million for the period under review. Namibia prime rate of interest increased by 300 basis points during the year under review, thus positively impacting the returns on investments.

The next few years are expected to be characterised by major capital outlays mainly in respect of expanding generation capacity and upgrading the transmission backbone system described earlier. Investment income is thus expected to decrease correspondingly despite the increases in investment yields anticipated over the same period.

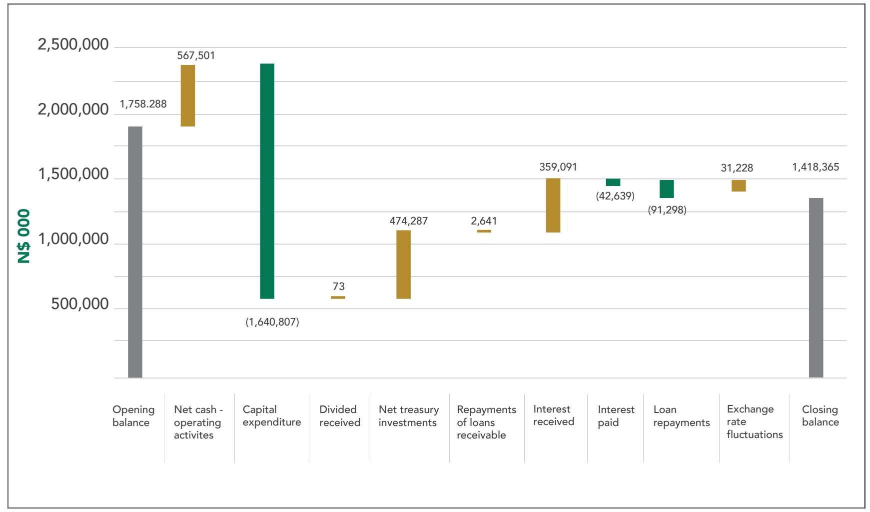
As a result of the combined effects of the cost of electricity, the net fair value loss on embedded derivatives on Power Purchase Agreements and increase in operating expenses, the Group made a loss before interest and tax amounting to N$2.1 billion compared to a loss of N$2.3 billion recorded in the previous year. Notably, no tax liability was incurred this year due to assessed tax losses. After factoring in the deferred tax effects, the tax credit to the profit or loss amounted to N$525.2 million, in contrast to the N$590.2 million credit recorded in the previous financial year. Consequently, the Group reported a post-tax loss of N$880.6 million compared to a post-tax loss of N$1.2 billion in the preceding year.

In honouring its responsibility as a good corporate citizen, the Group made the following tax remittances to the authorities:

Description	2023 N$'000	2022 N$'000
Pay as You Earn	168,251	211,743
Value Added Tax	601,286	632,777
Withholding taxes on interest on foreign loans	2,530	3,417
Total	**772,067**	**847,937**

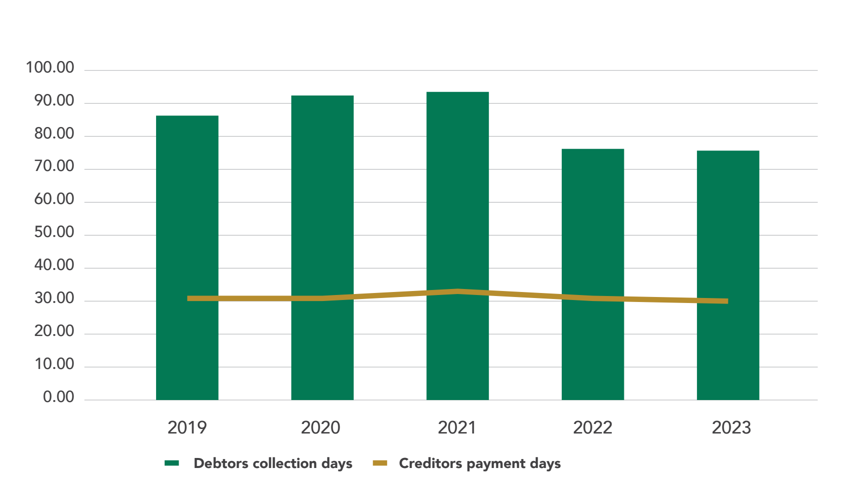
Improvement in cash generation from operating activities

Cash flow analysis

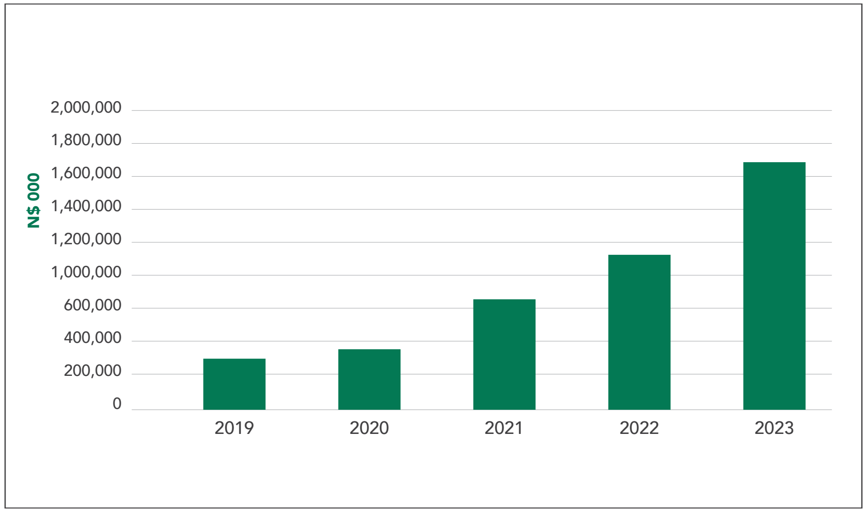


The operational cash flow showed an improvement, transitioning from a negative N$278.6 million in the previous year to a positive N$567.5 million. This turnaround is primarily attributed to the improvement in the collection of revenue from our customers. In our ongoing commitment to supporting our customers, we have actively engaged with them to explore mutually beneficial solutions for clearing outstanding debts. NamPower acknowledges the financial challenges posed by the country's economic situation and the enduring impact of the COVID-19 pandemic on businesses. Despite the initial difficulties in realising the desired outcomes, it is noteworthy that we have achieved a reduction in debtors' collection days, moving from 76.50 days to 75.98 days during the reporting period. We continue to pride ourselves in our ability to effect payments to service providers within just over 30 days.

Debtors and creditors days



Capital expenditure



The improvement in the collection rate from customers discussed earlier, resulted in a positive cash flow from operations being available to meet debt service obligations. As a result, the Group has complied with all the financial covenants under the various financing contracts, and in particular the Debt Service Coverage Ratio (DSCR) as at the reporting date.

Investments in core operations

Capital expenditure for the year under review totalled N$1.6 billion, showing an increase from N$1.2 billion in the preceding year. Anticipated projects and their progress suggest that the Group will continue reporting substantially higher capital expenditure than prior periods. These projects encompass generation and transmission infrastructure and align with the approved ISBP 2020 – 2025.

Total assets for the Group decreased to N$49.2 billion from N$49.8 billion, mainly as a result of the desktop revaluation of the aircraft fleet, generation, strategic inventory and transmission networks, which resulted in a net decrease in the value of property, plant and equipment by N$43.9 million.

Our Funding Plan

In line with our ISBP 2020 – 2025, NamPower is advancing its key capital projects to enhance security of supply and risk diversification. These projects are at various stages of implementation as reported on in more detail earlier.

Outstanding short and long-term interest-bearing debt amounts to N$438 million (2022: N$531 million). Our existing loans include DBN, EIB 3, AFD 2, and KFW 3, with debt service obligations of N$128 million expected in the 2024 financial year. We plan to meet these repayments from internal resources.

With a capital investment programme valued in excess of N$10 billion over the next four years, we are actively engaging several development funding institutions to bridge the funding gap and have received approval from relevant Ministries for market engagement. Our funding programme which has been ongoing since July 2019, has progressed well despite challenges such as COVID-19, low electricity demand, and currency volatility.

At the same time plans are underway to register an appropriate funding programme on the Namibian Stock Exchange (NSX). The successful conclusion of these initiatives will result in an increased level of debt being carried on NamPower's statement of financial position.

Approximately N$4.8 billion has been allocated in our capital/infrastructure projects budget for generation projects, with N$2.5 billion planned for cash outflow in the 2024 financial year. Similarly, N$5.2 billion has been allocated to transmission projects over the next four years, with N$1.4 billion allocated in the 2024 financial year. Regarding distribution projects, NamPower remains committed to electrifying underserved communities, with around N$135 million earmarked for distribution projects in the next financial year. In addition to capital projects, we have allocated N$59 million for Direct Asset Purchases (DAP) in the 2024 financial year.

NamPower continues to seek independent credit ratings to enhance its debt raising initiatives. In its ratings review report issued in February 2023, Fitch affirmed NamPower's rating at BB-/Stable, constrained by the Namibian sovereign under Fitch's Government-Related Entities (GRE) Rating Criteria and Parent and Subsidiary Rating Linkage (PSL). NamPower received a 'bbb-' Standalone Credit Profile (SCP) that reflects its monopolistic position in energy trading and transmission in Namibia, with a strong financial profile. In its report, Fitch indicated that it expects a weakening of NamPower's financial profile in the medium term, driven by high reliance on imports in the short term and a significant capex programme that will drive negative free cash flow (FCF) in the next few years.

Funding our capital development projects underscores our commitment to maintaining and expanding NamPower's infrastructure while ensuring financial sustainability.

LOOKING AHEAD TO 2024 AND BEYOND

In the forthcoming fiscal year, we anticipate a 6.9% rise in electricity demand, supported by an appropriate electricity tariff adjustment aimed at meeting necessary cost increases. The cost of electricity is expected to surge by 12.8% compared to the year under review. We intend to continue utilising our contracted import agreements to supplement local generation. Consequently, our gross profit margin is predicted to be within the similar range experienced in the current financial year.

Operating project costs, which include critical infrastructure maintenance and anticipated milestone payments to Eskom for the 2nd interconnector during financial year 2024 (amounting to N$247 million), are expected to increase by 10.8%. Our projected investment income is anticipated to decrease by 4.2%, mainly due to the allocation of funds towards capital projects. We anticipate the Bank of Namibia to continue raising the repo rate to manage inflation risk. As a result, we have budgeted for a higher average yield than that achieved during the financial year 2023, to determine the investment income budget for the upcoming year.

Furthermore, in the coming year, we will address working capital challenges caused by delayed payments from some customers and strengthen our debt collection plan.

SP.4: DRIVING ORGANISATIONAL AND OPERATIONAL EXCELLENCE

HUMAN CAPITAL

NamPower will "Drive organisational and operational excellence" by building an ethical, engaging, and high-performance culture, in order to achieve top employer status, developing additional capabilities and technologies to meet new market requirements, and driving innovation and new business opportunities.

INVESTING IN OUR PEOPLE

We have been advancing our five-year workforce plan as part of our ISBP 2020 – 2025 through ensuring that we achieve our strategic objectives, key performance indicators and initiatives in a cost-effective manner as projected.

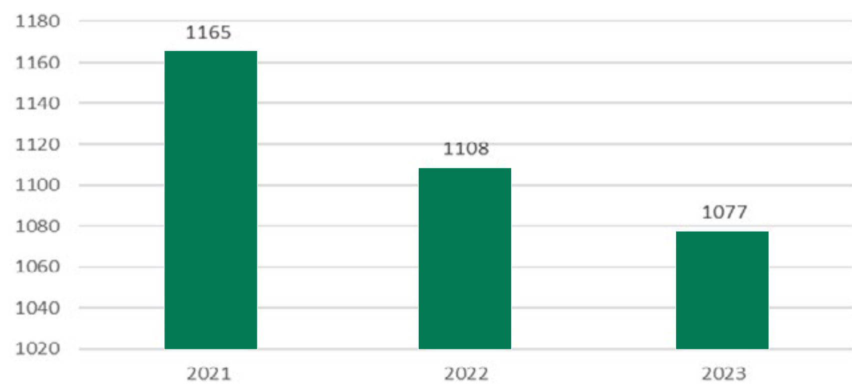
Our employees will play a pivotal role in bringing these achievements to fruition through their collaboration, confidence, innovation, and creativity. We have adopted a focused approach to recruiting, developing, engaging, rewarding, and recognising our employees throughout the organisation.

Our employee profile:

Permanent employees	983
Average Age	41
Permanent employee turnover	5%
Female employees	27.5%

Our workforce consists of 983 permanent employees (2022: 991) and 94 employees on short-term employment contract (2022: 117). Permanent employees constitute 91% of our workforce, while short-term contract employees account for 9%.

Number of Employees



EMPLOYEE CLIMATE SURVEY

The results of an internal employee climate survey conducted in June 2022 have been instrumental in improving employee engagement, fostering a high-performance culture, and encouraging us to strive for excellence continually. The survey yielded an attraction index of 67% and an engagement index of 66%.

A motivated and engaged workforce is fundamental to the success of our organisation, and the survey results have provided valuable insights to enhance our approach to staff fulfilment. By valuing the feedback and aspirations of our employees, we are committed to creating an environment that supports their growth, development, and job satisfaction. As we move forward, we will continue to prioritise our employee's well-being and professional development, ensuring that NamPower remains an employer of choice, where our employees can thrive and actively contribute to our collective success.

To further build on these efforts, the employee survey will be conducted biannually, allowing us ample time to develop, implement, and evaluate the effectiveness of initiatives based on the recent survey. The next survey is scheduled for the 2024 financial year.

OUR 2023 PERFORMANCE

Our focus during the year under review centred on implementing several strategic initiatives outlined in the five-year workforce plan, aligning with NamPower's 2020 – 2025 ISBP and strategic objectives. We continued our longstanding tradition of assessing employee engagement in their work. While our employee engagement index showed a slight decrease compared to the previous assessment, we maintain confidence that our employees remain dedicated to their work. We made concerted efforts to keep them engaged, boost morale, and provide a safe and healthy work environment conducive to optimal performance.

During the period under review we reviewed our organisational structure and employment conditions to ensure alignment with our corporate strategy and industry best practice. While there is room for improvement in both areas, the reviews confirmed that NamPower's organisational structure is aligned with the 2020 – 2025 ISBP and that our employment conditions remain in line with industry best practices. We also introduced incentives to encourage employee commitment to their roles.

NamPower promotes a balanced approach, combining results achievement with effective risk management, enhancing overall performance, and ensuring long-term sustainability. This approach involves defining risk parameters and incorporating risk targets into performance goals and metrics, rather than concentrating solely on conventional performance indicators, we incentivise employees to meet targets and exceed expectations while considering their contributions to risk mitigation efforts.

NamPower measures its performance annually at the corporate, business unit, and individual levels. Notably, our overall corporate performance score improved, rising from 2.16 out of 4 in the previous year to a year-end achievement of 2.68. This score reflects excellent performance and successful execution of the strategic initiatives outlined in the 2020 – 2025 ISBP.

OUR EMPLOYEE VALUE PROPOSITION

Attracting and retaining the right employees with the necessary skills both for the present and the future remains a fundamental priority for NamPower. This is particularly crucial in light of the dynamic nature of the electricity supply industry and the agility required to adapt to rapid change. Our commitment to upskilling our employees, coupled with an appealing value proposition (as described in the illustration below) ensures that we can successfully attract and retain the most suitable employees.

Creating value through our people

INPUTS	ACTIVITIES	OUTPUTS	OUTCOMES	IMPACT
• Compensation and benefits • Right attraction and retention • Training and development • Leadership development • Employee Support	• Workforce planning • Attraction and retention • Performance management • Reward and recognition • Capacity development • Talent management • Employees health, safety and wellness • Organisational development and design • Change management	• Leadership and workforce capability • Employee support embedded • Improved service delivery • Leadership talent strengthened • High performance culture entrenched	• High retention rate • Engaged employees • Low labour turnover • Low absenteeism rate • High performance • High competency level • Talent pool of future leaders	• Productivity - corporate performance score of 2.68 out of 4 (2022: 2.16 out of 4) • Loss before net income of N$1.9 billion (after tax) • Internal satisfaction rate of 66.40% (from 2022 survey) • High retention rate – 95% (2023) • Low staff turnover 5%

Consistently high productivity, an attraction rate of 96% (of all positions in the organisational structure filled), a high retention rate (95%) and a staff turnover rate of 5% clearly correlates with NamPower being an employer of choice, an achievement we can be especially proud of. In addition, 100% of critical positions have ready-now back-ups against a target of 70%, a good indication of NamPower's bench strength.

STAFF TURNOVER

Year	Turnover %
2019	0.6
2020	0.9
2021	1.8
2022	6.9
2023	5.0

Diversity is a cornerstone of our success, and we are committed to achieving greater diversity within our workforce. To maintain transparency, we have adopted a practice of internally and externally advertising vacant positions. In alignment with our internal recruitment standards, we strive for efficiency with an average placement duration target of 60 days for internal recruitment and 90 days for external recruitment. Out of a total of 109 vacancies filled, 66% were filled by our rich pool of internal talent, reflecting their enthusiasm to advance their careers within NamPower.

To ensure a strong alignment of potential with skills, we have successfully recruited individuals for specialised roles by thoroughly assessing their abilities, aptitudes, personalities, and interests.

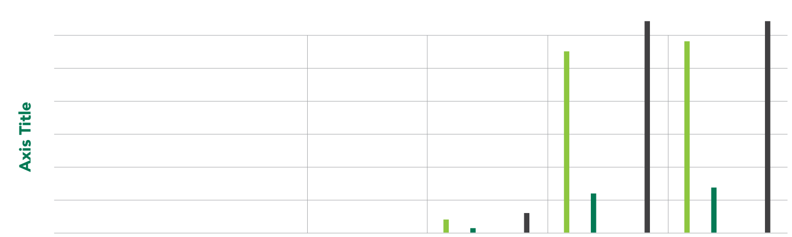
NamPower remains dedicated to attracting and retaining talented individuals from a diverse pool within Namibia who share our commitment to our organisational purpose.

DIVERSITY AND INCLUSION

NamPower is dedicated to achieving greater gender inclusion and diversity. They have received their annual affirmative action compliance certificate and formed a new Affirmative Action Consultative Committee (AACC) representing designated groups. A gender mainstreaming study sponsored by Agence Française de Développement (AFD) has informed their diversity and inclusion strategies, leading to the creation of a Gender Equality, Equity, Diversity, and Inclusion Policy. NamPower is committed to driving positive changes in these areas for the future.

GENDER REPRESENTATION

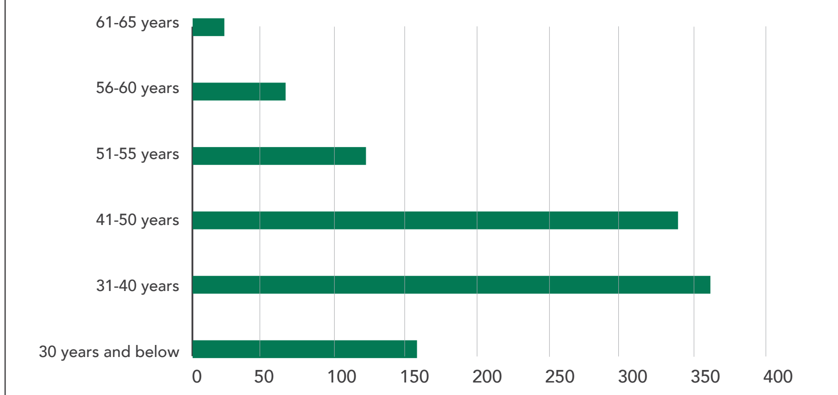
NamPower remains committed to increasing the representation of women in the organisation by creating equal employment opportunities and targeting females for promotions, bursaries, and scholarships. Gender representation stands at 27.5% for females, an increase of 3.5% from the last year's reporting (2022). 0.6% of the Executive Committee and 7.8% of management are women. The percentage of employees with disabilities is 0.5% of the total workforce.



	Executive	Management	Non-Management	Total
Men	5	62	709	776
Women	2	22	271	295
Disability	0	0	6	6
Total	7	84	986	1,077

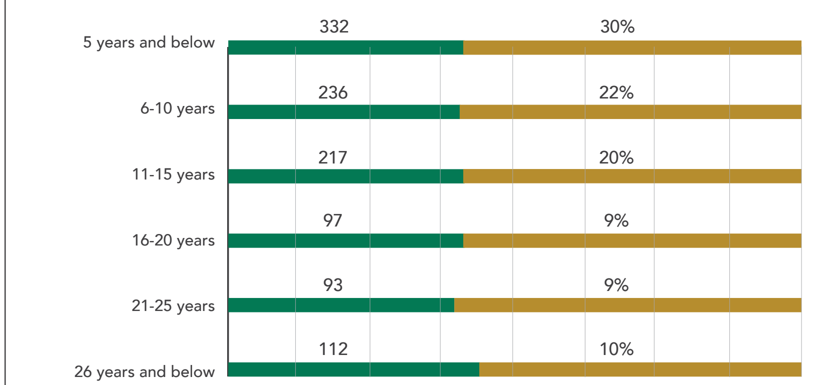
BREAKDOWN BY AGE

The Company's workforce age distribution ranges from 21 to 64 years with an average age of 41 years. Seventy-nine percent (79%) (855) employees are either 50 years of age or below, an indication of a mid-age workforce. Only 21% (222) of employees are between the age of 51 and 64 years.



WORKFORCE TENURE

Our workforce exhibits a wide range of tenure, spanning from one month to 43 years. Within our dedicated team, 52% (558) of employees have contributed their skills and expertise to the company for ten years or less, while 48% (519) have demonstrated their commitment and loyalty over a period of between 11 and 43 years. This blend of experience and longevity fuels our organisational resilience and positions us as a trusted partner in the ESI.



EMPLOYEE RECOGNITION PROGRAMME (ERP)

NamPower is committed to cultivating a culture of appreciation and recognising the exceptional work of its employees. Through the NamPower Employee Recognition Programme (ERP), launched on our intranet in 2021, employees are acknowledged in four categories: improved customer service, innovative process ideas, productivity enhancements, and cost reductions or revenue improvements.

In the period under review, 26 employees received nominations for recognition in these categories, as illustrated below:

- Improved customer service: Twenty nominations
- Innovative process ideas: One nomination
- Productivity enhancements: Two nominations
- Cost reductions and revenue improvements: Three nominations

LOOKING AHEAD TO 2024 AND BEYOND

We are currently experiencing an unprecedented shift in employee expectations. As we look ahead to 2024 and beyond, our Human Capital recognises the need to redefine its value proposition and transform how it contributes value. NamPower is committed to various strategic initiatives that will be pivotal in cultivating a thriving and engaged workforce, fostering innovation, and ensuring long-term organisational success.

These initiatives include:

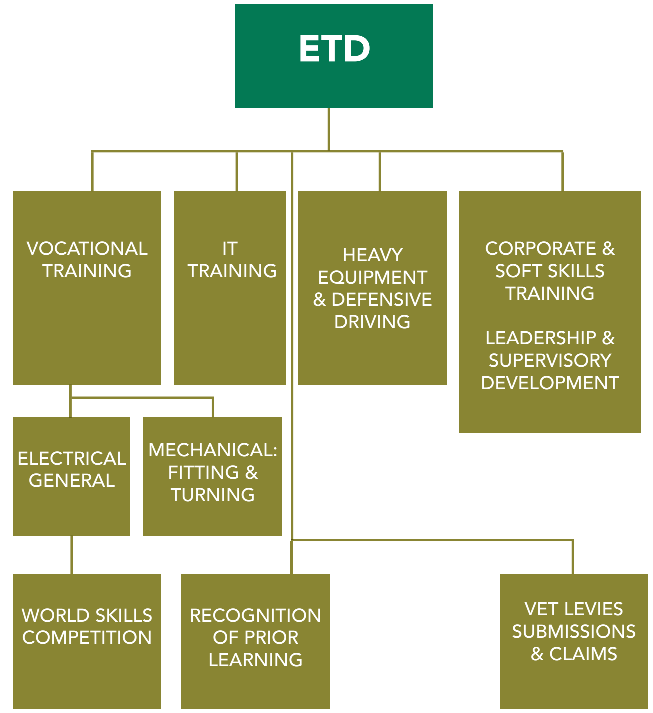
- Continuous learning and upskilling: Acknowledging the rapid pace of technological advancements, we emphasise the importance of continuous learning and skill acquisition for our employees.
- Evolution of performance management: We are evolving our performance management practices fostering a culture of coaching, growth, and agility among our employees.
- Leadership development and succession: We nurture talent and build a robust leadership pipeline to meet future organisational needs.
- Employee wellbeing and mental health: Recognising the significance of employee wellbeing, we prioritise initiatives promoting physical and mental health within our employees.
- Leveraging HR analytics: We embrace analytics and data-driven decision-making to enhance our HR processes and drive informed actions.

These strategic endeavours will enable us to adapt to the evolving landscape, meet employee expectations, and position NamPower for sustained success in the years to come.

DEVELOPING ADDITIONAL CAPABILITIES TO MEET THE COMPETITIVE MARKET REQUIREMENTS

Enhancing our human capital strategy to meet the dynamic requirements of the competitive market remains a pivotal aspect of our organisational focus in alignment with national development objectives and the NIRP.

The Education Training, and Development (ETD) unit, functioning under the Human Capital business unit, plays a central role in this endeavour. The structured framework and functions of the ETD are illustrated below:



Our steadfast commitment to fostering a culture of continuous learning and skill enhancement enables us to maintain agility and adaptability in response to the evolving business landscape. This strategic approach positions us for sustained success and growth as we embrace the opportunities and challenges of the future.

OUR 2023 PERFORMANCE

NamPower invested approximately N$3.2 million (2022: N$5.7 million) in our people during the year through new learning and development initiatives, divided into the following categories:

E-LEARNING PLATFORM AND GENERAL EMPLOYEE SKILLS DEVELOPMENT

844 employees trained at a total cost of N$1.2 million

- 195 employees attended various soft skills courses via the NamPower eLearning platform.
- N$1.2 million was spent on training 649 employees in areas such as heavy equipment operations for machinery such as truck mounted cranes, forklifting training, and Bobcat/Skit Steet training, as well as other mandatory and core training.

LEADERSHIP DEVELOPMENT TRAINING PROJECT

109 employees trained and sponsored at a total cost of N$1.4 million

The leadership development project was concluded during the year under review, with a breakdown provided below of the number of employees trained and sponsored under the various categories of the programme.

Leadership development programme categories	Number of employees
Supervisory skills	19
Management development programme	19
Senior management development programme	11
Executive development programme	5
Finance for non-financial managers	11
Coaching and mentoring for leaders	4
Emotional intelligence	40

ETD TRAINING

During the year under review, special attention was given to identifying new capabilities for new markets and the identification of skills gaps in various business units and sections as outlined in the table below.

60% of corporate ETD plans have been implemented at a total cost of N$630,000

Business unit/section	Type of training
Various sections	Skills audits
Van Eck Power Station	RPL assessments conducted
New markets	Training needs for new capacities for new markets identified

THE NAMPOWER VOCATIONAL TRAINING CENTRE (NPVTC)

Namibia's Vision 2030 aims to transform the economy into an industrialised and knowledge-based one, requiring an efficient Vocational Education and Training (VET) system for equipping youth with market-relevant skills. The NPVTC, part of the Education, Training, and Development (ETD) unit since 1985, coordinates accredited in-house training and contributes to youth development through two vocational courses in Electrical and Mechanical maintenance.

However, limited employment opportunities hinder new entrants in the labour market due to a lack of industry innovation and reliance on saturated traditional sectors. Investing in technical vocational training, as emphasised in NDP5, becomes crucial to break this cycle.

Technical and vocational education and training (TVET) covers various occupational fields, production, services, and livelihoods. It occurs at secondary, post-secondary, and tertiary levels, encompassing work-based learning and professional development. TVET also promotes literacy, numeracy, transversal, and citizenship skills.

To up-skill and recognise employees who have formal qualifications but extensive experience, NPVTC assesses skills through Recognition of Prior Learning (RPL). Successful candidates receive certificates equating to Grade 10 qualifications, enabling them to compete for relevant positions.

To ensure that artisan graduates meet the industry's demands, NPVTC expanded its curriculum to incorporate NamPower-specific skills, including solar and wind energy and programming and building automation. This enhancement has elevated NamPower's Vocational Training Curriculum to an international standard. NPVTC set up building automation and electrical installation panels for practical training in one workshop, providing trainees with real-world experience.

NATIONAL AND INTERNATIONAL WORLDSKILLS COMPETITION

Since 2015, NamPower trainees have consistently excelled in a variety of vocational fields at both African and International WorldSkills Competitions. WorldSkills is a global organisation that promotes skills excellence and development through collaboration between industry, Government, and educational institutions. It features over 45 skills and operates in more than 75 member countries.

In 2022, NamPower trainee Antonio Hilzebecher achieved the Gold Prize in the Electrical Installation category at the WorldSkills Africa Swakopmund Competition, representing Namibia. He then had the honour of representing Namibia at the 46th WorldSkills Competition in Austria later that year.

Looking ahead, the Namibia National Skills Competition is scheduled for September 2023 in Ongwediva. Notably, three NamPower trainees have qualified to compete in the Electrical Installation category, vying for top honours against trainees from various Vocational Training Centres nationwide. Of particular pride is the participation of Maria Sibolile, the first female NamPower trainee to compete in this category at the national level.

NAMPOWER BURSARY SCHEME

NamPower recognises education as one of the most crucial investments, as it supports our national objectives and fosters the development of a knowledge-based economy. By prioritising education, we lay the foundation for a skilled and innovative workforce to drive growth and progress across various sectors. This commitment to investing in education aligns with our vision of contributing to a thriving and sustainable future for Namibia.

Throughout the years, the NamPower bursary scheme has made significant investments, providing millions of dollars in educational bursaries for students. During the year under review, NamPower invested a total amount of N$5.6 million (2022: N$5.1 million) for 80 academic bursaries as illustrated in the table below. The vocational training bursary holders undergo training at the NamPower Training Centre.

Category	# Active Students	Amount committed for 2023 (N$ million)
Vocational Bursaries	29	N$ 1.1
External Bursaries	51	N$4.5
Total	**80**	**N$5.6**

NB: The total number of bursaries depicted in table above include new and existing bursaries.

A total of 26 bursaries consisting of 11 academic bursaries and 15 vocational bursaries, were awarded during the year.

The 11 students received bursaries to study in the fields of:

- Electrical Engineering (x2)
- Mechanical Engineering (x2)
- Risk Management
- Quantity Surveying
- Computer Science specialising in cyber security
- Industrial Engineering

Of the 11 bursaries awarded, two were awarded to people with disabilities (one female and one male), to pursue studies in Accounting and Law.

The 15 vocational training bursaries were awarded to ten trainees for obtaining a National Certificate in Electrical General (Artisan), and five were awarded to trainees for obtaining a National Certificate in Fitting and Turning (Artisan) at NamPower's Vocational Training Centre in Windhoek.

In addition, an amount of approximately N$15.5 million was set aside for the Artisan Development Programme (on the job training) for NamPower vocational graduates as part of work-integrated learning for the NamPower Vocational Training Centre in collaboration with the Technical Business Units of NamPower.

IDENTIFYING SKILLS REQUIRED FOR THE CHANGING MARKET

During the period under review we undertook a comprehensive process that included skills audits, benchmarking exercises, and interviews across various sections within NamPower. The goal was to evaluate the skills needed to adapt to the evolving electricity supply industry market. Through these efforts, we've identified critical areas that require immediate attention to align with the industry's changing demands as outlined below.

TRANSMISSION BUSINESS UNIT

- Green hydrogen technologies
- Smart grid and off-grid technologies
- ArcGIS training to obtain a better understanding of latest software for new markets
- Automated integration of IPPs on the grid
- Advanced telecommunications
- Power quality and system stability
- Renewable energy
- High voltage training station (training tool)

GENERATION PROJECTS

- Simulations for power stations and substations
- Solar photo-voltaic software training
- Biomass – modelling for project financing

SECURITY SECTION & ISERV

- Cybersecurity and cybercrimes in the electricity supply industry
- Corporate intelligence information
- Emerging technologies in electricity security and organised crimes

LOOKING AHEAD TO 2024 AND BEYOND

Our primary focus for the coming year and beyond lies in re-skilling and upskilling our employees in response to the outcome of the skills audits and benchmarking exercises conducted.

Additionally, we will continue to actively engage the Namibian Green Hydrogen Research Institute to establish training partnerships for a range of training programmes related to green hydrogen and decarbonisation processes.

PROVIDING A SAFE AND HEALTHY ENVIRONMENT FOR OUR WORKFORCE

As a responsible corporate citizen, NamPower is committed to ensuring the safety, health and well- being of all its employees, contractors and visitors and protecting the community and the natural environment in which it operates.

The NamPower Board of Directors and Management recognise:

- The right of all employees to operate in a safe work environment in which safety, health, environmental and wellness risks, and impacts are identified and minimised or eliminated
- The joint responsibility of owning health and safety in the workplace and in work-related tasks or activities
- The importance of educating the communities within which NamPower operates concerning appropriate health and safety measures when dealing with electricity

Several strategic initiatives have been implemented during the year, as described below.

SAFETY, HEALTH, ENVIRONMENTAL AND WELLNESS POLICY AND PROGRAMMES

Our Safety, Health, Environment and Wellness Policy guides our efforts to provide a safe and healthy environment for our workforce, focusing on the following principles:

- NamPower shall be proactive in its approach to health, safety, environment, and wellness to prevent injuries, damages to the environment, loss of life, or network/production downtime. NamPower's safety, health, environmental and wellness policies and procedures will be based on the following:
  - Compliance with relevant Namibian legislation
  - South African Power Pool (SAPP) guidelines
  - International best practice, standards, and guidelines, where relevant

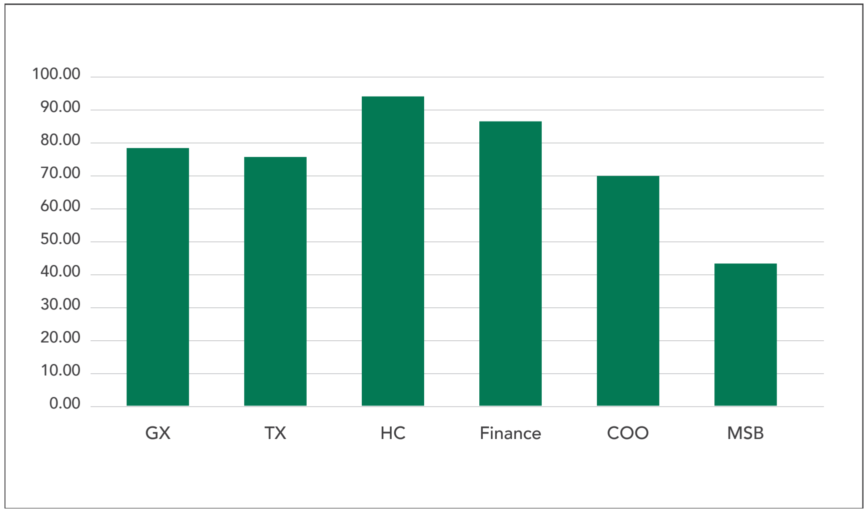
The Company has set itself the following objectives for its SHEW programme:

- All NamPower employees, contractors, service providers and visitors on site shall adhere to NamPower's safety, health, environmental and wellness Policies, Standards and Procedures
- Implementing safety, health, environmental and wellness policies, procedures, and programmes will minimise risks and losses
- Compulsory induction will be given to all new employees, contractors, service providers and visitors prior to commencement of work on site
- Mandatory safety training will be provided to all management and employees and the identification of employee appropriate training shall be included in each individual's personal development plan (PDP)
- Risk assessments will be conducted for all activities to ensure risks are managed proactively and mitigation measures put in place to lower or eliminate risks
- Health education as well as environmental and wellness information sessions will be provided to employees as part of creating awareness
- Employee occupational health will be monitored by means of medical surveillances (i.e. pre-employment, transfer, annual and exit medicals)
- First Aid training, environmental awareness, basic safety and health, and basic firefighting training courses are compulsory for all employees
- Wellness Champions and SHE Representatives nominated by peers to assist Wellness and Safety interventions companywide
- Compliance with NamPower's SHEW policies and procedures will be strictly enforced
- Compliance will be monitored through site/project inspections and SHEW audits

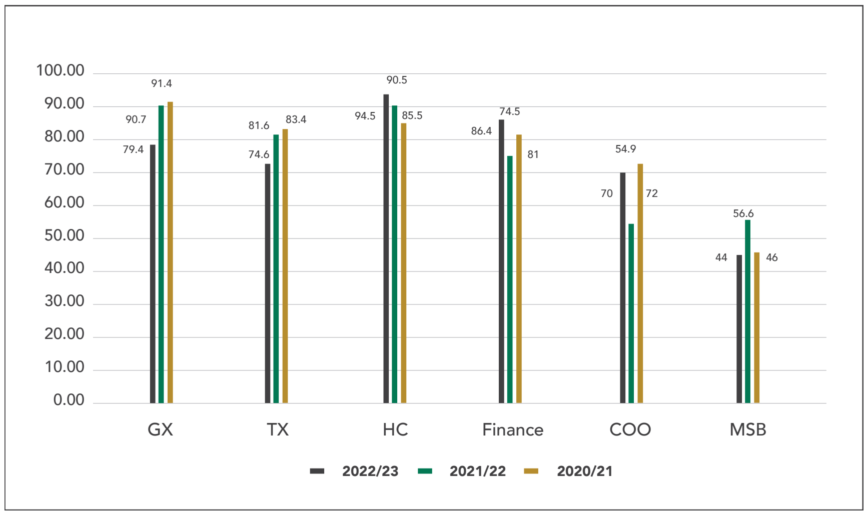
SAFETY

Our operations are subject to regulatory and licence conditions surrounding occupational health, safety, and environmental compliance. We have an effective safety strategy and use the lost-time injury rate (LTIR) to assess our safety performance and the number of fatalities among employees and contractors and monitor our percentage of legal compliance. LTIR is a proportional representation of lost time injuries per 200,000 working hours over 12 months. The LTIR for the year across all business units was 0.89.

Lost time injury rate (LTIR) for the year



BU SHEW Performance 2020 - 2023



FATALITIES: 0 NAMPOWER AND 0 CONTRACTOR **TARGET:** ZERO
2 NAMPOWER MAJOR VEHICLE INCIDENT(S) ON DUTY **TARGET:** ZERO
LTIFR 0.89 (2023: 0.05) **TARGET:** LESS THAN 0.44
LOST-TIME INJURIES: 10 NAMPOWER AND 0 CONTRACTOR'S **TARGET:** ZERO

In addition to ensuring compliance with statutory requirements, we continue to pursue safety initiatives and manage our activities to reduce the number of injuries. This includes training and awareness interventions, proactive risk assessments, and active management of areas requiring improvement.

"PASOP! STAY SAFE" CAMPAIGN

During the year, NamPower undertook a focused initiative called the "Pasop! Stay Safe" campaign, specifically designed to tackle the rising concern of infrastructure development near powerlines and to raise public awareness about electricity hazards.

The campaign seeks to educate communities about the potential dangers associated with electricity and foster a safety culture. It emphasises the need for caution and respect when dealing with electrical infrastructure, as accidents from accidental contact with live powerlines continue to occur. Through this initiative, NamPower seeks to empower the public with essential safety information and promote vigilance, ultimately preventing accidents and injuries related to electrical hazards.

As an integral part of our commitment to safety, the "Pasop! Stay Safe" campaign exemplifies NamPower's dedication to ensuring public safety and a secure environment for all. By collaborating with the communities we serve, we strive to create a culture of safety that enhances the quality of life while ensuring a reliable and responsible supply of electricity across Namibia.

NamPower places safety as a priority, valuing the well-being of employees, customers, and communities.

Furthermore, NamPower joined the rest of the world in celebrating the World Day for Safety and Health at Work under the theme "A safe and healthy working environment is a fundamental principle and right at work". This initiative was aimed at educating employees on the employer and employee's duty in ensuring a safe and healthy work environment which does not impede on employee wellbeing.

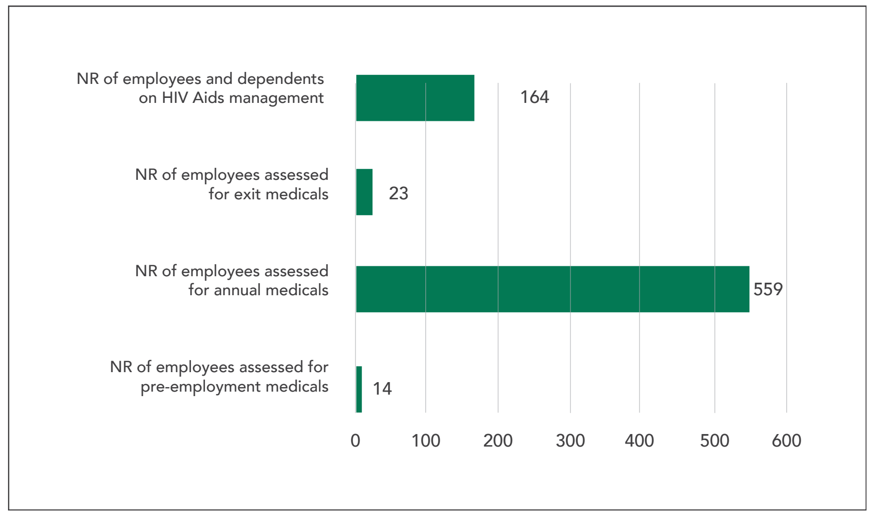
EMPLOYEE HEALTH AND WELLNESS

NamPower values its employees as its most valuable collective asset and is dedicated to promoting their health and well-being. Proactive, preventative, and curative programmes are in place to create a safe and supportive work environment. Initiatives include ongoing occupational health surveillance, health and wellness awareness, and the Employee Assistance Programme, providing counselling and support.

The company's focus on employee well-being aims to ensure a satisfied, productive, and thriving workforce.

Occupational health data inclusive of surveillances for the year is shown in the graph below.

Occupational Health 01 July 2022-30 June 2023



In response to the ongoing COVID-19 pandemic, breath alcohol testing was suspended in 2020 as a precautionary measure. Recognising the critical importance of maintaining safety, performance, and productivity, breath alcohol testing resumed on 28 November 2022. This decision was made in collaboration with Namibia Breweries Limited (NBL) as part of a concerted effort to cultivate a safer, stronger, and sober workforce.

NamPower, in its commitment to employee well-being, also embarked on a campaign aimed at educating, engaging, and empowering its workforce in mental health matters. This comprehensive campaign was launched in July, including a range of activities designed to foster connection, stimulate conversations, and build courage around mental health topics within the NamPower community.

The campaign began with a #Step Forward for Mental Health Challenge, where employees tracked their daily steps for 21 days, and winners were recognised for their high step counts. This initiative received positive feedback, with participants reporting improved focus, energy, motivation, and workplace engagement.

The #In Your Corner mental health campaign expanded to include awareness sessions, targeting 400 employees at regional district offices, power stations, and the Brakwater depot. These sessions aimed to reduce mental health stigma by educating participants about various aspects of mental health, including definitions, causes, indicators, myths, and stigmas. The sessions also highlighted personal and workplace factors contributing to poor mental health. Moreover, the campaign emphasised the availability of support and counselling services within NamPower, such as the Employee Assistance Programme and external resources.

Participants in the Step Forward challenge

PSYCHOSOCIAL SUPPORT

During the reporting period, 35 employees received counselling and psychosocial support. Among them, the majority were male (33), while two were female. The primary issues addressed included:

- Mental health concerns (11 cases)
- Trauma and loss (nine cases)
- Organisational-related issues (seven cases)

Additionally, three employees were provided with rehabilitation assistance in accordance with NamPower's Substance Abuse and Dependence Management policy.

NamPower recognises the interdependence between its activities and the environment. The company acquired 13 operational Environmental Clearance Certificates (ECCs) during the year under review and submitted 55 ECC applications for infrastructure projects, including distribution lines in multiple regions.

ENVIRONMENTAL MANAGEMENT

NamPower recognises the interdependence between its activities and the environment. The company acquired 13 operational Environmental Clearance Certificates (ECCs) during the year under review and submitted 55 ECC applications for infrastructure projects, including distribution lines in multiple regions.

Compliance remains a priority, leading NamPower to undergo Electricity Control Board Technical audits assessing environmental and safety compliance as per licensing conditions. Environmental concerns were addressed through bioremediation at six sites and ongoing occupational hygiene monitoring to meet environmental health standards.

NamPower is embarking on a comprehensive and forward-thinking initiative to safeguard its critical infrastructure and minimise any potential environmental risks that can cause a disruption to vital components such as transformers at NamPower substations that, if malfunctioning, can disrupt the power supply leading to service interruptions and costly repairs. NamPower will thus, as an ongoing initiative, construct secondary bund walls at all substations where required, thereby enhancing the resilience of its infrastructure.

NamPower has made substantial progress in this vital endeavour in the past year. The successful construction of secondary bund walls at the Nabas, Mpasi, and Aris substations is a testament to our dedication to safety and environmental stewardship. As we continue to implement these upgrades and extend them to other identified substations, NamPower reaffirms its commitment to delivering reliable electricity while safeguarding the environment.

NamPower acknowledges the significant health risks associated with asbestos-containing materials. In the past year, we took decisive action by safely removing and disposing of approximately 24 tons of asbestos-containing material at specialised hazardous disposal facilities, incurring a cost of N$2.3 million. Furthermore, we launched a project to remove 5.7 tons of asbestos-containing materials from various company facilities.

NamPower actively engaged in global environmental events, participating in World Clean-up Day and World Environment Day to promote environmental awareness and responsibility.

WORLD CLEAN-UP DAY

On 19 September 2022, NamPower marked World Cleanup Day by hosting an awareness campaign for Eros Primary School students. The event aimed to educate students about the importance of the 3 R's (reduce, reuse, recycle) in waste management and promote a positive attitude towards waste management through creativity. Competitions were held, with prizes awarded for the best entries and recycling bins were donated to the school to promote the recycling initiative.

WINNERS OF THE WASTE COMPETITION WITH THEIR CREATIONS

World Environment Day Celebrations

World Environment Day at NamPower's Brakwater depot was celebrated under the theme "Beat Plastic Pollution." The event featured an awareness session and a clean-up campaign. Employees were encouraged to combat plastic pollution by adopting practices such as reusing and recycling plastic items, switching from plastic shopping bags to reusable ones, and opting for reusable water bottles instead of disposable plastic ones. Employees were presented with gifts of reusable shopping bags and metal water bottles.

WORLD ENVIRONMENT DAY CLEAN-UP CAMPAIGN AT BRAKWATER

In the past year, we achieved several notable outcomes in Safety, Health, Environment, and Wellness (SHEW). These achievements include:

- Successfully conducted our annual in-house medical surveillances, ensuring compliance with the Labour Act and prioritising employee health
- Updated various SHEW-related policies and procedures to align them with current NamPower operations and industry best practices
- Revamped the NamPower ambulance and registered it with the Ministry of Health and Social Services, enhancing our emergency response capabilities
- Our Senior Occupational Health Nurse obtained a First Aid Course Instructor certification, further strengthening our internal capabilities
- Developed an internal first-aid training manual, approved by the Ministry of Health and Social Services approved
- Procured equipment for our occupational health clinics and conducted in-house medical surveillance
- Approval of our Employee Wellness Policy to support the well-being of our employees
- The number of employees registered in the NamPower HIV programme remained stable at 154 throughout the year
- Initiated a Mental Health Awareness campaign to address this critical aspect of well-being
- Revising our Employee Assistance Programme to serve our employees better
- Ongoing SHEW awareness initiatives covered topics of concern, lessons learned from incidents, and changes in NamPower's operations, aligning with best practices
- Obtained 34 ECCs from 55 applications submitted to the Ministry of Environment, Forestry, and Tourism (MEFT)
- Conducted on-site awareness sessions, including one with a snake catcher, to enhance employee safety and knowledge
- Collaborated with Occulus and Torga Optical to provide on-site eye clinics, promoting eye health among our staff
- Completed the bid evaluation process for an external SHEW audit to assess NamPower's compliance with ISO 45001 and ISO 14001 standards

These accomplishments reflect our commitment to safety, health, environmental responsibility, and the well-being of our employees.

LOOKING AHEAD TO 2024 AND BEYOND

In the coming year and beyond, our key focus areas will include:

- Conducting information sessions on SHEW legal liability for our management team to enhance their understanding of legal responsibilities
- Sustaining our efforts to encourage safety performance, aiming for zero fatalities, and further reducing our Lost Time Injury Frequency Rate (LTIFR)
- Continuously providing a safe and healthier work environment to prioritise the well-being of all stakeholders, protect the environment, and minimise pollution
- Oversee an external gap audit to evaluate NamPower's compliance with ISO 45001 and ISO 14001 standards
- Allocating resources for a SHEW data management system that will capture, store, and analyse SHEW data, including incident reporting, audit management, document control, and regulatory compliance
- Expanding the delegation of SHEW duties to supervisors and line managers in accordance with the Labour Act, (Act No. 6 of 1992) and providing legal liability training to ensure they fully understand their responsibilities
- Continuing the development and assessment of Environmental Aspects and Impacts Registers in line with ISO 14001:2015 to identify, evaluate, and mitigate environmental impacts associated with our operations
- Developing and implementing EMPs for older infrastructure, such as power lines and transmission stations, that predate the Environmental Management Act (Act No. 7 of 2007). This will involve applying for Environmental Clearance Certificates (ECCs) and monitoring their performance
- Continuing to roll out SHEW awareness initiatives to promote a culture of safety, health, environmental responsibility, and well-being among our employees

ADOPTING INTERNATIONAL BEST PRACTICE AND HIGH STANDARDS OF SERVICE DELIVERY AND OPERATIONAL EXCELLENCE

INTERNATIONAL ORGANISATION FOR STANDARDISATION (ISO)

NamPower is committed to delivering high levels of service excellence, and as part of this commitment, we have adopted the ISO 9001 certification, a globally recognised system for quality management standards.

By achieving this prestigious certification, our existing and potential customers can trust that the Anixas Power Station team, provides uncompromised quality service delivery and operational excellence.

To obtain ISO 9001 certification, NamPower has diligently built and implemented a Quality Management System in alignment with the International Standard's requirements. The certification process involves an audit by a registered Certification Body, evaluating our operations and performance against the ISO 9001 standard. This dedicated effort reflects our commitment to improving our operations and customer service.

Embracing ISO 9001 underscores NamPower's unwavering dedication to exceptional service delivery, operational excellence, and the ultimate satisfaction of our valued customers. We remain committed to upholding these high standards throughout our operations, ensuring a positive and reliable experience for all stakeholders.

Hence, NamPower is adopting a phased approach towards ISO certification, in line with the ISBP (2020 – 2025). Currently, our focus is on Generation, specifically the Anixas and Ruacana Power Stations. ISO certification allows NamPower to benchmark our operations, maintain overall performance to international standards, and consistently strive for continuous improvement in service delivery and operational excellence.

THE RECERTIFICATION OF ANIXAS POWER STATION

Anixas Power Station received ISO 9001:2015 Quality Management System (QMS) certification in January 2022 from Bureau Veritas Namibia, Pty (Ltd), an accredited international certification body.

This certification demonstrates not only the power station's commitment to meet certification requirements and operating in accordance with international standards, but also our dedication to providing a safe, reliable, high-quality electricity supply.

Continuous monitoring of voltage frequencies, dips, harmonics, and load factors further enhances the operational efficiency and reliability of Anixas Power Station's electricity supply. With ISO certification, the power station can benchmark its operations, maintenance, and overall performance against international standards, facilitating a culture of continuous improvement.

Nevertheless, it is important to note that certification remains valid for three years. In September 2022, we conducted an annual external surveillance audit to uphold the quality standards in the operations and maintenance of Anixas Power Station. Non-conformities identified were addressed and resolved during this audit, while recommendations for further improvements were diligently implemented.

RUACANA POWER STATION

Ruacana Power Station is on track to achieve ISO 9001 certification. Our dedicated team is currently actively working to ensure the implementation of all requirements and the enhancement of operations. This process commenced with a comprehensive gap audit, which assessed the current status and identified areas that require attention. We are now drafting the necessary documentation and implementing best practices to fulfil the certification requirements.

GENERAL

Apart from training in the requirements for achieving ISO 9001(Quality Management System) certification, continuous training in all aspects of the business is also provided to ensure that our staff are equipped to perform their duties with care and confidence.

Management has conducted comprehensive reviews at both power stations to assess the effectiveness of the Quality Management System. This proactive approach ensures the consistent quality of power supply, operational excellence, and superior customer service by addressing any identified shortcomings and continuously striving for improvement.

LOOKING AHEAD TO 2024 AND BEYOND

Anixas Power Station

The certification body will conduct an annual external surveillance audit in October 2023 to verify the maintenance and continuous improvement of ISO 9001 (Quality Standards) certification requirements at Anixas Power Station. The results of this second surveillance audit following certification will serve as the basis for determining Anixas Power Station's eligibility for the re-certification audit scheduled for October 2024.

Ruacana Power Station

It is expected that Stage 1 of the external audit for the Ruacana Power Station will take place within the 2024 financial year. The outcomes of this audit will yield valuable insights into Ruacana's preparedness for the certification audit scheduled for the 2025 financial year.

07. ANNUAL FINANCIAL STATEMENTS

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for the preparation and fair presentation of the consolidated and separate annual financial statements ("Financial Statements") of Namibia Power Corporation (Proprietary) Limited, comprising the statements of financial position at 30 June 2023, and the statements of profit or loss and other 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, and the directors' report, in accordance with International Financial Reporting Standards (IFRS), and the requirements of the Companies Act of Namibia.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management. The directors of the Group and Company are responsible for the controls over, and the security of the website and, where applicable, for establishing and controlling the process for electronically distributing the integrated annual report and other financial information to shareholders.

The auditor is responsible for reporting on whether the consolidated and separate financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of consolidated and separate annual financial statements

The consolidated and separate financial statements of Namibia Power Corporation (Proprietary) Limited, as identified in the first paragraph, were approved by the board of directors on 30 November 2023 and signed by:

M MBOMBO
Acting Chairperson

KS HAULOFU
Managing Director

S HORNUNG
Audit & Risk Management
Committee (Board Committee)

VALUE ADDED STATEMENT
FOR THE YEAR ENDED 30 JUNE 2023

	CONSOLIDATED AND COMPANY			
		2023		2022 - Restated
	N$'000	%	N$'000	%
VALUE ADDED				
Turnover	**7,208,687**		6,481,507	
Less: Cost of primary energy, materials and services	**5,852,550**		5,513,998	
Value added by operations	**1,356,137**	**60.35**	967,509	60.29
Interest and sundry income	**891,101**	**39.65**	637,158	39.71
	2,247,238	**100.00**	1,604,667	100.00
VALUE DISTRIBUTED				
To remunerate employees	**911,378**	**40.56**	992,546	61.85
To providers of debt	**38,624**	**1.72**	48,305	3.01
	950,002	**42.28**	1,040,851	64.86
VALUE RETAINED				
To maintain and develop operations	**1,297,236**	**57.72**	563,816	35.14
	2,247,238	**100.00**	1,604,667	100.00

INDEPENDENT AUDITOR'S REPORT

To the Member of Namibia Power Corporation (Proprietary) Limited

OUR QUALIFIED OPINION

In our opinion, except for the effect and possible effects of the matters described in the Basis for qualified opinion section of our report, the financial statements present fairly, in all material respects, the consolidated and separate financial position of Namibia Power Corporation (Proprietary) Limited (the Company) and its subsidiary (together the Group) as at 30 June 2023, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Namibia.

What we have audited

Namibia Power Corporation (Proprietary) Limited's consolidated and separate financial statements set out on pages 119 to 239 comprise:

- the directors' report for the year ended 30 June 2023;
- the consolidated and separate statements of financial position as at 30 June 2023;
- the consolidated and separate statements of profit or loss and other comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

BASIS FOR QUALIFIED OPINION

Namibia Power Corporation (Proprietary) Limited's investments in its equity-accounted associates, Nored Electricity (Proprietary) Limited and Central-North Electricity Distribution Company (Proprietary) Limited are carried at a total value of N$991,502,000 in the consolidated statement of financial position as at 30 June 2023. Namibia Power Corporation (Proprietary) Limited's share of loss of associates of N$17,883,000 and its share of other comprehensive income of associates of N$185,812,000 are included in the consolidated statement of comprehensive income for the year then ended. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of Namibia Power Corporation (Proprietary) Limited's investment in Nored Electricity (Proprietary) Limited as at 30 June 2023 and Namibia Power Corporation (Proprietary) Limited's share of this associate's profit and other comprehensive income for the year then ended in the consolidated financial statements of the Group, as well as the related deferred tax impacts, because audited financial statements of Nored Electricity (Proprietary) Limited were not available at that date. Consequently, we were unable to determine whether any adjustments to these amounts were necessary. Our audit opinion on the financial statements for the period ended 30 June 2022 was similarly modified, and as a result, our opinion on the current period's financial statements is also modified because of the effect of this matter on the comparability of the current period's figures and the corresponding figures.

Furthermore, the share of other comprehensive income of associates for the current year includes an amount of N$185,812,000 that relates to cumulative revaluation gains on the property, plant and equipment of Central-North Electricity Distribution Company (Proprietary) Limited that arose during the 2023 and multiple prior financial years. These revaluations were processed prospectively in the current year financial statements of the Group. However, a portion of the revaluation gains relate to prior periods, which should have been retrospectively corrected and disclosed as a prior period error in the current year financial statements in accordance with International Accounting Standard ("IAS") 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. However, we are unable to determine the quantum of such adjustments needed in the absence of revaluation assessments being performed in the preceding years. This matter results in misstatements with respect to the amounts included in the current and prior year share of other comprehensive income of associates, the investment in the associate, the movement in the capital revaluation reserve, related deferred tax balances as well as omitted disclosures with respect to the prior period errors. It was not practicable to quantify the exact impact of all the misstatements noted on the consolidated financial statements. Our audit opinion on the financial statements for the period ended 30 June 2022 was modified with respect to the fact that different accounting policies were applied at the Group compared to the associate with respect to the measurement of property, plant and equipment. Our opinion on the current period's financial statements is also modified because of the effect of this matter on the comparability of the current period's figures and the corresponding figures.

Furthermore, the share of other comprehensive income of associates for the comparative period includes an amount of N$204,773,000 that relates to cumulative revaluation gains on the property, plant and equipment of Nored Electricity (Proprietary) Limited that arose during the 2017 to 2021 financial years. These revaluations for all these financial years were processed in the 2022 comparative period in the financial statements of the Group based on the completion of the financial statements for Nored Electricity (Proprietary) Limited for the 2017 to 2021 financial years during the 2022 comparative period. These revaluations should have been retrospectively corrected and disclosed as a prior period error in the 2022 prior year financial statements in accordance with International Accounting Standard ("IAS") 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. Our audit opinion on the financial statements for the period ended 30 June 2022 was modified accordingly. Our opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures.

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

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

Independence

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

OTHER INFORMATION

The directors are responsible for the other information. The other information obtained at the date of this auditor's report comprises the information included in the document titled "NamPower Annual Financial Statements 2023". The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, 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 CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

PricewaterhouseCoopers

PricewaterhouseCoopers
Registered Accountants and Auditors
Chartered Accountants (Namibia)
Per: Samuel Ndahangwapo
Partner
Windhoek
Date: 07 December 2023

DIRECTORS' REPORT

The directors have pleasure in presenting their report for the year ended 30 June 2023.

1. PRINCIPAL ACTIVITIES

The Company is responsible for generation, transmission, energy trading and to a lesser extent the distribution of electricity in Namibia.

The activities of the associates comprise:

- The provision of technical, management and other related services; and
- The sale and distribution of electricity; and

2. OPERATING RESULTS

The operating results of the Group and Company for the year under review are set out in the Statement of Profit or Loss and Other Comprehensive Income.

Units into the system and sold:	CONSOLIDATED AND COMPANY	
	2023	2022
	GWh	GWh
Ruacana Hydro Power Station	1,323	781
Van Eck Power Station	30	18
Anixas Power Station	6	2
Omburu PV Power Station	60	14.56
Eskom	466	1,253
ZESCO	1,478	1,018
BPC	0.4	-
ZPC	330	390
SAPP Market	210	256
REFITs	364	364
Total units into system	**4,267.4**	**4,097**
To customers in Namibia	3,530	3,405
Exports	198	169
Orange River^	128	127
Total units sold	**3,856**	**3,701**

^ Orange River and Skorpion Zinc Mine are customers situated in the Republic of Namibia but are supplied directly by Eskom via a back to back agreement whereby Eskom bills NamPower for the units consumed by Orange River and Skorpion Zinc Mine, then NamPower bills the customers for those units sold by Eskom. Refer to note 25 for the judgements around the recognition of this revenue.

Transmission losses	12.6%	12.8%

Growth

During the year under review there was a increase of 0.5% in GWh units sold to customers in Namibia (2022: increase of 0.5%). The power imported by the Company during the year under review increased by 3.0% (2022: increase of 3.0%).

3. SUBSIDIARIES AND ASSOCIATES

Relevant information is disclosed in note 7 to the financial statements.

4. AUDITORS

PricewaterhouseCoopers Namibia (PwC) was re-appointed as auditors with effect from 30 June 2023 for a contract term of three (3) years.

5. CAPITAL EXPENDITURE

The expenditure on property, plant and equipment during the financial year amounted to N$1.6 billion (2022: N$1.2 billion). The expenditure on intangible assets during the financial year amounted to N$6.5 million (2022: N$2.9 million).

This expenditure is mainly attributable to:

5.1 Electrification:

- Plot 205 Noordoever (Increase Supply)
- Southern Region Pre-Paid Meters
- EIB MV Line Eengwena Elao & Onehapi
- NP: Otjiyere, Ondjombo Okamaruru Maheke
- Brakwater, Dobra, 11kV Overhead Line
- Driomiposis Settlement 1

5.2 Substation Development:

- Zambezi Substationn: 1 x 40MVA 220/66/22kV Transformer
- Omaheke Substation Transformer upgrade
- Various Substations - PLC replacement
- Externally funded: Lithops Substation 20MVA
- Kokerboom Substaion: 3 x 100MVAr 400kV Shunt Reactors
- Kuiseb Substation: Construct Wall and Roof

5.3 Refurbishment and Upgrading:

- Van Eck Power Station: Rehabilitation
- Ruacana Power Station - Replacement Station Transformers 1&2
- Ruacana Power Station: PABX at Power Station
- Anixas Power Station: Walvis Bay

5.4 Transmission System Development:

- 220kV Walmund - Kuiseb 1 feeder - Protection
- TXMP: 132/66kV Ohama Substation, Ex Boab
- TXMP: Auas-Gerus 400kV Line
- Zambezi TX: Trfr 11 Circuit Breaker Replacement
- Transmission Connection Hardap Solar PV
- TXMP: Khurub-Aussenkehr Strength Phase 4
- Otjikoto TX: Replace Trfr 2 66kV Circuit
- Substation: Bay Processor & RTU Upgrade

5.5 Power Station Development:

- Lüderitz Wind Power Plant
- FIRM Power Project
- Otjikoto Biomass Power Station
- Rosh Pinah Wind 40 MW Power Plant

5.6 Intangible Assets:

- Engineering Drawing Management
- Advance Cyber Security System
- SAP Process Orchestration

6. SHAREHOLDER

The Government of the Republic of Namibia is the sole shareholder of the Company.

7. SHARE CAPITAL

7.1 Authorised

365 000 000 ordinary shares at N$1

7.2 Issued share capital

165 000 000 (2022: 165 000 000) ordinary shares at N$1

8. SUBSEQUENT EVENTS

On 30 November 2023, the directors declared a dividend amounting to Nil (2022: Nil) in respect of the year under review.

9. SECRETARY

Ms E. Tuneeko held office as Company Secretary for the year under review. The business and postal addresses are shown on page 241.

10. GOING CONCERN

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

The directors have considered the prevailing weak economic condition on the going concern of the entity. In performing this assessment management performed cash flow projections for the next five (5) years and are comfortable that the use of the going concern basis of accounting is appropriate for these periods. The Group and Company maintained its credit rating for the period under review. The Company complied with all its debt covenants for the year under review. The directors have satisfied themselves that the Group and Company have adequate financial resources to continue in operational existence for the foreseeable future. The directors, therefore believe there is no reason for the business not to continue as a going concern in the financial year ahead.

11. REGISTERED ADDRESS

Namibia Power Corporation (Proprietary) Limited
(Reg no 2051)
NamPower Centre
15 Luther Street
PO Box 2864
WINDHOEK
Namibia

12. APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements were approved and authorised for issue by the directors on 30 November 2023.

STATEMENTS OF FINANCIAL POSITION AT 30 JUNE 2023

	Note	CONSOLIDATED			COMPANY		
		2023	2022	01 July 2021	2023	2022	01 July 2021
		N$'000	N$'000	N$'000	N$'000	N$'000	N$'000
			* Restated	* Restated		* Restated	* Restated
Assets							
Total non-current assets		**39,912,752**	40,907,962	34,209,966	**39,142,529**	40,305,152	33,823,275
Property, plant and equipment	6	**37,627,345**	37,651,243	31,949,871	**37,627,345**	37,651,243	31,949,871
Investment properties	8	**22,578**	18,473	17,048	**22,578**	18,473	17,048
Intangible assets	9	**18,783**	20,138	29,356	**18,783**	20,138	29,356
Investment in associates	7.2	**991,502**	824,089	607,970	**221,279**	221,279	221,279
Investments	11	**1,232,366**	2,373,659	1,587,554	**1,232,366**	2,373,659	1,587,554
Loans receivable	10	**20,178**	20,360	18,167	**20,178**	20,360	18,167
Total current assets		**9,299,247**	8,860,942	10,958,701	**9,299,247**	8,860,942	10,958,701
Inventories	12	**136,914**	86,063	114,246	**136,914**	86,063	114,246
Trade and other receivables	13	**1,262,971**	1,591,145	1,089,299	**1,262,971**	1,591,145	1,089,299
Current tax receivable		**33,780**	33,780	33,780	**33,780**	33,780	33,780
Investments	11	**6,397,183**	5,340,527	7,370,908	**6,397,183**	5,340,527	7,370,908
Derivative assets	21.1	**50,033**	51,139	571,306	**50,033**	51,139	571,306
Cash and cash equivalents	14	**1,418,366**	1,758,288	1,779,162	**1,418,366**	1,758,288	1,779,162
Total assets		**49,211,999**	49,768,904	45,168,667	**48,441,776**	49,166,094	44,781,976
Equity							
Total equity attributable to equity holders		**33,396,708**	34,044,236	31,052,291	**32,629,979**	33,445,085	30,669,259
Issued share capital	16.2	**165,000**	165,000	165,000	**165,000**	165,000	165,000
Share premium	16.3	**900,000**	900,000	900,000	**900,000**	900,000	900,000
Reserve fund	16.4	**1,752,080**	1,816,305	1,865,798	**1,752,080**	1,816,305	1,865,798
Development fund	16.5	**5,906,630**	6,690,561	7,857,619	**5,754,872**	6,520,569	7,698,973
Capital revaluation reserve	16.6	**24,523,165**	24,273,809	20,138,921	**23,908,194**	23,844,650	19,914,535
Strategic inventory revaluation reserve	16.7	**59,733**	153,157	102,847	**59,733**	153,157	102,847
Investment valuation reserve	16.8	**90,100**	45,404	22,106	**90,100**	45,404	22,106
Total equity		**33,396,708**	34,044,236	31,052,291	**32,629,979**	33,445,085	30,669,259
Liabilities							
Total non-current liabilities		**12,553,678**	12,668,695	11,849,222	**12,550,176**	12,665,028	11,845,555
Interest bearing loans and borrowings	17	**336,672**	6,792	516,164	**336,672**	6,792	516,164
Deferred revenue liabilities	18	**1,237,790**	1,098,564	1,108,904	**1,237,790**	1,098,564	1,108,904
Employee benefit provisions	22	**241,673**	277,441	293,960	**241,673**	277,441	293,960
Retention creditors	20.4	**56,449**	80,772	17,610	**56,449**	80,772	17,610
Deferred tax liabilities	19	**10,681,094**	11,205,126	9,912,584	**10,677,592**	11,201,459	9,908,917
Total current liabilities		**3,261,613**	3,055,973	2,267,154	**3,261,621**	3,055,981	2,267,162
Trade and other payables	20	**1,087,843**	1,410,650	1,286,382	**1,087,851**	1,410,658	1,286,390
Derivative liabilities	21.2	**1,381,047**	442,883	-	**1,381,047**	442,883	-
Interest bearing loans and borrowings	17	**100,944**	523,721	244,610	**100,944**	523,721	244,610
Deferred revenue liabilities	18	**691,779**	678,719	736,162	**691,779**	678,719	736,162
Total liabilities		**15,815,291**	15,724,668	14,116,376	**15,811,797**	15,721,009	14,112,717
Total equity and liabilities		**49,211,999**	49,768,904	45,168,667	**48,441,776**	49,166,094	44,781,976

* Certain amounts shown here do not correspond to the 2021 and 2022 financial statements due to errors and reclassifications and reflect adjustments made, refer to note 31.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2023

		CONSOLIDATED		COMPANY	
		2023	2022	2023	2022
		N$'000	N$'000	N$'000	N$'000
	Note		* Restated		* Restated
Revenue	25	7,208,687	6,481,507	7,208,687	6,481,507
Other income	25	177,663	85,385	177,663	85,385
Cost of Electricity	26 (a)	(5,032,172)	(5,075,449)	(5,032,172)	(5,075,449)
Employee costs	26 (d)	(911,378)	(992,546)	(911,378)	(992,546)
Depreciation and amortisation	26 (b)	(1,747,049)	(1,390,026)	(1,747,049)	(1,390,026)
Other expenses	26 (e)	(777,379)	(620,711)	(777,379)	(620,711)
Net impairment gain/(loss) on financial assets	26 (c)	21,828	(32,834)	21,828	(32,834)
Net fair value and foreign exchange loss on financial instruments	26 (f)	(1,002,993)	(797,254)	(1,002,993)	(797,254)
Loss before net finance income		(2,062,793)	(2,341,928)	(2,062,793)	(2,341,928)
Finance income – net		674,814	503,468	674,814	503,468
Finance income	24	713,438	551,773	713,438	551,773
Finance costs	24	(38,624)	(48,305)	(38,624)	(48,305)
Share of (loss)/profit of associates, net of taxation	7.2	(17,883)	11,346	-	-
Loss before taxation		(1,405,862)	(1,827,114)	(1,387,979)	(1,838,460)
Taxation	15	525,247	590,188	525,247	590,188
		(880,615)	(1,236,926)	(862,732)	(1,248,272)
Other comprehensive income					
Items that will never be reclassified to profit or loss					
Revaluation of property, plant and equipment	15	93,447	5,779,581	93,447	5,779,581
Revaluation of strategic inventory	15	(137,388)	73,985	(137,388)	73,985
Net change in fair value of listed equity instruments	15	138	(215)	138	(215)
Net change in fair value of debt instruments	15	(8,451)	10,607	(8,451)	10,607
Net change in fair value of unlisted equity	15	53,009	12,906	53,009	12,906
Remeasurements of employee benefit provisions	22.3	48,249	29,965	48,249	29,965
Share of other comprehensive income of associates, net of taxation	15	185,296	204,773	-	-
Related tax	15	(1,214)	(1,882,730)	(1,379)	(1,882,730)
		233,086	4,228,873	47,625	4,024,099
Other comprehensive income for the year, net of taxation	15	233,086	4,228,873	47,625	4,024,099
Total comprehensive income for the year		(647,529)	2,991,947	(815,107)	2,775,827

* Certain amounts shown here do not correspond to the 2022 financial statements due to errors and reflect adjustments made, refer to note 31.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2023

CONSOLIDATED	Note	Issued Share Capital N$'000	Share Premium N$'000	Reserve Fund N$'000	Development Fund N$'000	Capital Revaluation Reserve N$'000	Strategic Inventory Revaluation Reserve N$'000	Investment Valuation Reserve N$'000	Retained Earnings N$'000	Total Equity N$'000
Balance at 1 July 2022	16	165,000	900,000	1,816,305	6,690,561	24,273,809	153,157	45,404	-	34,044,236
Total comprehensive income for the year										
Loss for the year		-	-	-	-	-	-	-	(880,615)	(880,615)
Other comprehensive income										
Revaluation of property plant and equipment, net of taxation	15	-	-	-	-	63,544	-	-	-	63,544
Revaluation of strategic inventory	15	-	-	-	-	-	(93,424)	-	-	(93,424)
Net changes in fair value of listed, unlisted equity and debt instruments	15	-	-	-	-	-	-	44,696	-	44,696
Share of other comprehensive income of associates, net of taxation		-	-	-	-	185,812	-	-	(351)	185,461
Remeasurements of employee benefit provisions, net of taxation	15	-	-	-	-	-	-	-	32,810	32,810
Total other comprehensive income		-	-	-	-	249,356	(93,424)	44,696	32,459	233,087
Total comprehensive income for the year		-	-	-	-	249,356	(93,424)	44,696	(848,156)	(647,528)
Allocation from retained income		-	-	(64,225)	(783,931)	-	-	-	848,156	-
Transfer to reserve fund	16.4	-	-	(64,225)	-	-	-	-	64,225	-
Funds for capital expenditure requirements	16.5	-	-	-	(783,931)	-	-	-	783,931	-
Balance at 30 June 2023		165,000	900,000	1,752,080	5,906,630	24,523,165	59,733	90,100	-	33,396,708

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)

CONSOLIDATED	Note	Issued Share Capital N$'000	Share Premium N$'000	Reserve Fund N$'000	Development Fund N$'000	Capital Revaluation Reserve N$'000	Strategic Inventory Revaluation Reserve N$'000	Investment Valuation Reserve N$'000	Retained Earnings N$'000	Total Equity N$'000
Balance at 1 July 2021 (as previously reported)	**16**	**165,000**	**900,000**	**1,865,798**	**7,978,090**	**20,138,921**	**102,847**	**22,106**	**-**	**31,172,762**
Adjustment of correction of error	**31**	-	-	-	-	-	-	-	(120,471)	(120,471)
Allocation from retained income		-	-	-	(120,471)	-	-	-	120,471	-
Transfer to reserve fund		-	-	-	-	-	-	-	-	-
Funds for capital expenditure requirements		-	-	-	(120,471)	-	-	-	120,471	-
Balance at 1 July 2021 (restated)	**16**	**165,000**	**900,000**	**1,865,798**	**7,857,619**	**20,138,921**	**102,847**	**22,106**	**-**	**31,052,291**
Total comprehensive income for the year										
Adjustment of correction of errors		-	-	-	-	-	-	-	(24,536)	(24,536)
Loss for the year		-	-	-	-	-	-	-	(1,212,391)	(1,212,391)
Other comprehensive income										
Revaluation of property plant and equipment, net of taxation	**15**	-	-	-	-	3,930,115	-	-	-	3,930,115
Revaluation of strategic inventory	**15**	-	-	-	-	-	50,310	-	-	50,310
Net changes in fair value of listed, unlisted equity and debt instruments	**15**	-	-	-	-	-	-	23,298	-	23,298
Share of other comprehensive income of associates, net of taxation		-	-	-	-	204,773	-	-	-	204,773
Remeasurements of employee benefit provisions, net of taxation	**15**	-	-	-	-	-	-	-	20,376	20,376
Total other comprehensive income		**-**	**-**	**-**	**-**	**4,134,888**	**50,310**	**23,298**	**20,376**	**4,228,872**
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**4,134,888**	**50,310**	**23,298**	**(1,216,551)**	**2,991,945**
Allocation from retained income		**-**	**-**	**(49,493)**	**(1,167,058)**	**-**	**-**	**-**	**1,216,551**	**-**
Transfer to reserve fund	**16.4**	-	-	(49,493)	-	-	-	-	49,493	-
Funds for capital expenditure requirements	**16.5**	-	-	-	(1,167,058)	-	-	-	1,167,058	-
Balance at 30 June 2022		**165,000**	**900,000**	**1,816,305**	**6,690,561**	**24,273,809**	**153,157**	**45,404**	**-**	**34,044,236**

* Certain amounts shown here do not correspond to the 2021 and 2022 financial statements due to errors and reflect adjustments made, refer to note 31.

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)

COMPANY	Note	Issued Share Capital N$'000	Share Premium N$'000	Reserve Fund N$'000	Development Fund N$'000	Capital Revaluation Reserve N$'000	Strategic Inventory Revaluation Reserve N$'000	Investment Valuation Reserve N$'000	Retained Earnings N$'000	Total Equity N$'000
Balance at 1 July 2022	**16**	**165,000**	**900,000**	**1,816,305**	**6,520,569**	**23,844,650**	**153,157**	**45,404**	**-**	**33,445,085**
Total comprehensive income for the year										
Loss for the year		-	-	-	-	-	-	-	(862,732)	(862,732)
Other comprehensive income										
Revaluation of property plant and equipment, net of tax	15	-	-	-	-	63,544	-	-	-	63,544
Revaluation of strategic inventory	15	-	-	-	-	-	(93,424)	-	-	(93,424)
Net changes in fair value of listed , unlisted equity and debt instruments	15	-	-	-	-	-	-	44,696	-	44,696
Remeasurements of employee benefit provisions, net of taxation	15	-	-	-	-	-	-	-	32,810	32,810
Total other comprehensive income		-	-	-	-	63,544	(93,424)	44,696	32,810	47,625
Total comprehensive income for the year		-	-	-	-	63,544	(93,424)	44,696	(829,922)	(815,106)
Allocation from retained income		-	-	(64,225)	(765,697)	-	-	-	829,922	-
Transfer to reserve fund	16.4	-	-	(64,225)	-	-	-	-	64,225	-
Funds for capital expenditure requirements	16.5	-	-	-	(765,697)	-	-	-	765,697	-
Balance at 30 June 2023		**165,000**	**900,000**	**1,752,080**	**5,754,872**	**23,908,194**	**59,733**	**90,100**	**-**	**32,629,979**

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)

COMPANY	Note	Issued Share Capital N$'000	Reserve Premium N$'000	Development Fund N$'000	Capital Fund N$'000	Strategic Revaluation Reserve N$'000	Investment Inventory Revaluation Reserve N$'000	Retained Valuation Reserve N$'000	Total Earnings N$'000	Equity N$'000
Balance at 1 July 2021 (as previously reported)		**165,000**	**900,000**	**1,865,798**	**7,819,444**	**19,914,535**	**102,847**	**22,106**	**-**	**30,789,730**
Adjustment of correction of error	31	-	-	-	-	-	-	-	(120,471)	(120,471)
Allocation from retained income		-	-	-	(120,471)	-	-	-	120,471	-
Transfer to reserve fund		-	-	-	-	-	-	-	-	-
Funds for capital expenditure requirements		-	-	-	(120,471)	-	-	-	120,471	-
Balance at 1 July 2021 (restated)	16	**165,000**	**900,000**	**1,865,798**	**7,698,973**	**19,914,535**	**102,847**	**22,106**	**-**	**30,669,259**
Total comprehensive income for the year										
Adjustment of correction of errors	31	-	-	-	-	-	-	-	(24,536)	(24,536)
Loss for the year		-	-	-	-	-	-	-	(1,223,737)	(1,223,737)
Other comprehensive income										
Revaluation of property plant and equipment, net of tax	15	-	-	-	-	3,930,115	-	-	-	3,930,115
Revaluation of strategic inventory	15	-	-	-	-	-	50,310	-	-	50,310
Net changes in fair value of listed, unlisted equity and debt instruments	15	-	-	-	-	-	-	23,298	-	23,298
Remeasurements of employee benefit provisions, net of taxation	15	-	-	-	-	-	-	-	20,376	20,376
Total other comprehensive income		**-**	**-**	**-**	**-**	**3,930,115**	**50,310**	**23,298**	**20,376**	**4,024,099**
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**3,930,115**	**50,310**	**23,298**	**(1,227,897)**	**2,775,826**
Allocation from retained income		**-**	**-**	**(49,493)**	**(1,178,404)**	**-**	**-**	**-**	**1,227,897**	**-**
Transfer to reserve fund	16.4	-	-	(49,493)	-	-	-	-	49,493	-
Funds for capital expenditure requirements	16.5	-	-	-	(1,178,404)	-	-	-	1,178,404	-
Balance at 30 June 2022		**165,000**	**900,000**	**1,816,305**	**6,520,569**	**23,844,650**	**153,157**	**45,404**	**-**	**33,445,085**

* Certain amounts shown here do not correspond to the 2021 and 2022 financial statements due to errors and reflect adjustments made, refer to note 31.

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2023

		CONSOLIDATED		COMPANY	
		2023	2022	2023	2022
		N$'000	N$'000	N$'000	N$'000
	Note		* Restated		* Restated
Cash flows from operating activities					
Cash receipts from customers	30 (h)	7,390,185	6,064,929	7,390,185	6,064,929
Cash paid to suppliers and employees		(6,901,252)	(6,415,152)	(6,901,251)	(6,415,152)
Cash generated/(utilised) by operations	30 (a)	488,933	(350,223)	488,934	(350,223)
Interest received	30 (c)	78,568	71,612	78,568	71,612
Net cash from / (used in) operating activities		567,501	(278,611)	567,502	(278,611)
Cash flows from investing activities					
Proceeds from the sale of property, plant and equipment	26	-	2,911	-	2,911
Acquisitions of intangible assets	9.	(6,461)	(2,942)	(6,461)	(2,942)
Extension and replacement of property, plant and equipment to maintain operations	6.	(1,634,346)	(1,196,918)	(1,634,346)	(1,196,918)
Interest received	30 (c)	359,091	336,040	359,091	336,040
Dividend received	26	73	67	73	67
Proceeds from collective investment schemes		515,000	396,000	515,000	396,000
Proceeds from fixed deposits and treasury bills		1,922,525	3,117,066	1,922,525	3,117,066
Proceeds from money market funds		295,000	325,000	295,000	325,000
Payments for collective investment schemes		-	(60,000)	-	(60,000)
Payments for fixed deposits and treasury bills		(2,258,238)	(2,243,111)	(2,258,238)	(2,243,111)
Payments for money market funds		-	(100,000)	-	(100,000)
Proceeds from loans receivable	30 (j)	2,641	2,425	2,641	2,425
Net cash (used in) / from investing activities		(804,715)	576,538	(804,715)	576,538
Cash flows from financing activities					
Interest paid	30 (d)	(42,639)	(55,340)	(42,639)	(55,340)
Repayments	30 (i)	(91,298)	(212,072)	(91,298)	(212,072)
Net cash used in financing activities		(133,937)	(267,412)	(133,937)	(267,412)
Net (drecrease) / increase in cash and cash equivalents		(371,151)	30,515	(371,150)	30,515
Cash and cash equivalents at 1 July		1,758,288	1,779,162	1,758,288	1,779,162
Effect of exchange rate fluctuations on cash held		31,228	(51,389)	31,228	(51,389)
Cash and cash equivalents at 30 June	14.	1,418,366	1,758,288	1,418,366	1,758,288

* Certain amounts shown here do not correspond to the 2022 financial statements due to reclassifications and reflect adjustments made, refer to note 31.

1. REPORTING ENTITY

Namibia Power Corporation (Proprietary) Limited is the holding company of the Group and is incorporated and domiciled in Namibia. The financial statements for the year ended 30 June 2023 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

2. BASIS OF PREPARATION

(a) Compliance with IFRS

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations issued by the International Accounting Standards Board (IASB) and the requirements of the Namibian Companies Act. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(b) Basis of measurement

The financial statements are prepared on the historical cost basis, except for the following items which are measured at fair value:

- derivative financial instruments;
- financial assets and financial liabilities at fair value through profit or loss;
- financial assets at fair value through other comprehensive income;
- property, plant and equipment excluding machinery and equipment and
- investment properties which are measured at fair value.

(c) Functional and presentation currency

These financial statements are presented in Namibia Dollars (N$), which is the Group's functional and presentation currency and are rounded to the nearest thousand.

(d) Materiality

NamPower defines material information as those which are expected to potentially influence decisions that the primary users of general-purpose financial statements make on the basis of the financial statements of NamPower if such information is omitted, misstated or it is obscuring the provision of financial information about NamPower. The identification of material information concentrates on both quantitative and qualitative matters that have the potential to impact the company's ability to deliver on its strategy.

(e) Measurement of fair values

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

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

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

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

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

Further information about the assumptions and inputs made in measuring fair values are included in the following notes:

Note 6 - revaluation of property, plant and equipment and impairment of assets;
Note 8 - valuation of investment property and
Note 11 - investments;
Note 29 - valuation of financial instruments - loans and derivatives.

(f) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments has been identified as the Executive Committee (EXCO). EXCO, which has been identified as being the Managing Director, the Chief Operating Officer, the Chief Financial Officer, the Executive: Generation, the Executive: Modified Single Buyer, the Executive: Human Capital and the Executive: Transmission.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's results are reviewed regularly by EXCO to make decisions about resources to be allocated to the segment and to assess the performance of the segment, for which separate financial information is available.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

These financial statements incorporate the financial statements of the Company and its associates. The Company measures its investments in associates at cost less accumulated impairment losses in its separate financial statements.

(i) Investments in equity-accounted investees

Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases.

The Group's share of its associates post-acquisition profits or losses is recognised within the share of profit of equity-accounted investees, and its share of post-acquisition movement in reserve is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any payables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associates. The Group assesses on an annual basis whether there is any indication that an associate may be impaired. Where such an indication exist, the carrying amount of the interest in associate is tested for impairment by comparing its recoverable amount with the carrying amount.

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing these financial statements. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the enterprise. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

(b) Property, plant and equipment

(i) Owned assets

Property, plant and equipment is initially recognised at cost. Cost includes any costs directly attributable to bringing the asset to the location and condition necessary to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Subsequently property, plant and equipment is measured at revalued amounts being its fair value at the date of the revaluation less any subsequent accumulated depreciation (see below) and subsequent accumulated impairment losses (see accounting policy 3 (e)), except for machinery and equipment which is measured at cost less accumulated depreciation.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate components of property, plant and equipment. Plant and equipment is revalued at the estimated replacement cost thereof as adjusted in relation to the remaining useful lives of these assets. Property is revalued to its fair value. Valuations of property, plant and equipment are determined from market-based evidence by appraisals undertaken by professional valuers. The Group performs independent external revaluations every three years, and independent desktop revaluations in between to ensure that the carrying amount does not differ significantly from the fair value. Variables used in the desktop revaluation are both international and local indices to determine the replacement cost for the various asset classes. The valuators consider the trends in replacement costs for the desktop revaluation to arrive at a cost price adjustment to determine the replacement cost of the assets for the period under review.

Any revaluation increase arising on the revaluation of such property, plant and equipment is recognised in other comprehensive income and presented in equity in the capital revaluation reserve, except to the extent that it reverses a revaluation decrease for the same assets previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in the carrying amount as a result of a revaluation is recognised in profit or loss. The decrease is recognized in other comprehensive income only to reduce any credit balance existing in the revaluation reserve. On the subsequent sale or retirement of an item of revalued property, plant and equipment, the attributable revaluation surplus remaining in the capital revaluation reserve is transferred directly to retained earnings.

The market value of property is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value of items of plant and equipment, is based on the market approach and cost approaches using market prices for similar items when available and depreciated replacement cost when appropriate.

Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence. Machinery and equipment are stated at cost less accumulated depreciation and accumulated impairment.

The estimated useful lives for the current and comparative periods are as follows:

Category

- Power Stations
  - Ruacana Power Station: Plant 1 - 50 years
  - Ruacana Power Station: Civils 45 - 100 years
  - Van Eck Power Station: Plant 10 - 35 years
  - Anixas Power Station: Plant 10 - 35 years
  - Omburu PV Station: Plant 1 - 25 years
- Transmission and Distribution Systems: 8 - 60 years
- Machinery and Equipment: 3 - 35 years
- Buildings: 23 - 50 years
- Aircraft fleet: 10 - 35 years

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The depreciation methods, useful lives and residual values are reassessed annually.

(ii) Subsequent costs

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in profit or loss as incurred.

(iii) Strategic inventory

Spare parts and servicing equipment are usually carried as inventory and recognised in profit or loss as consumed. However, major spare parts, stand-by equipment and servicing equipment qualify as property, plant and equipment when an entity expects to use them during more than one period. Stand-by equipment relates to parts kept on hand to ensure the uninterrupted operation of production equipment if there is an unexpected breakdown or equipment failure. Depreciation starts immediately when they are available for use. Spare parts are regularly replaced, usually as part of a general replacement programme. Depreciation commences when the asset has been installed and is capable of being used. This asset class is accounted for in terms of the accounting policy for property, plant and equipment and is revalued every three years with such sufficiency that the amount does not differ materially from that which would be determined using fair values at the reporting date.

Items such as spare parts, stand-by equipment and servicing equipment are recognised as property, plant and equipment if they meet the definition of property, plant and equipment, otherwise they are classified as inventories in accordance with IAS 2, Inventories.

(iv) Assets under construction

Assets under construction are measured at cost which is assumed to be equal to fair value. This includes costs of materials and direct labour and any cost incurred in bringing it to its present location and condition for their intended use, the cost of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Materials used in the construction of property, plant and equipment are valued at weighted average cost.

Assets under construction are not revalued as the cost of construction is assumed to be at fair value.

(v) Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, limited to its residual value. The Group depreciates stand-by equipment. Stand-by equipment is depreciated at the same rate as the main item of property, plant and equipment as these assets will be simultaneously retired with the main asset.

The useful life of spare parts and servicing equipment classified as property, plant and equipment commences when they are put into use, rather than when they are acquired. Spare parts and servicing equipment are depreciated over the period starting when it is brought into service and continuing over the shorter of its useful life and the remaining expected useful life of the main asset.

Land and assets under construction are not depreciated.

(vi) Disposal

Gains or losses are determined by comparing proceeds with the carrying amount. The gains or losses are included in profit or loss.

(vii) Reclassification to investment property

If an owner-occupied property becomes an investment property that will be carried at fair value, any difference at that date between the carrying amount of the property in accordance with IAS 16 and its fair value is treated in the same way as a revaluation in accordance with IAS 16.

(c) Intangible assets

(i) Computer software

Acquired computer software is capitalised on the basis of costs incurred to acquire and bring to use a specific software. These costs are amortised over their estimated useful lives. If software is integral to the functionality of related equipment, then it is capitalised as part of the equipment.

(ii) Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(iii) Amortisation

Acquired computer software is carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of the intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful life for the current and comparative periods is as follows:

- Computer software 5 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Investment properties

Investment properties are properties held to earn rental income and/or for capital appreciation purposes but not for sale in the ordinary course of business, use in production or supply of goods or services or for administrative purposes. Investment properties are measured initially at cost and subsequently at fair value with any change therein recognised in profit or loss. Cost includes expenditure that is directly attributable to acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour and other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Any gain or loss on disposal of an investment property calculated as the difference between net proceeds from disposal and the carrying amount of the item, is recognised in profit or loss. When an investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

When the use of the investment property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Rental income earned on investment properties are recognised on a straight line basis over the lease term.

(e) Impairment of assets

Non-financial assets

The carrying amounts of the Group's non-financial assets or its cash generating unit, other than inventories and investment properties are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Calculation of recoverable amount

The recoverable amount of non-financial assets is the greater of their fair value less cost of disposal and value in use. In assessing value in use, the estimated future cash flows are 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 cash generating unit (CGU). For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. All impairment losses, except for property, plant and equipment accounted for under the revaluation model, are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to the assets in terms of the apportionment method depending on the carrying amount of that specific assets.
See accounting policy 3 (b)(i) for revaluation model.

Reversals of impairment

In respect of non-financial assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(f) Inventories

Fuel, coal, maintenance spares and consumable stores are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated cost necessary to make the sale. The cost of inventories comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition and is determined using the weighted average cost method.

(g) Trade and other receivables

Trade receivables are amounts due from customers for the supply of electricity and are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognised at fair value. They are subsequently measured at amortised cost using the effective interest method, less loss allowance. See note 13 for further information about the Group's accounting for trade receivables and note 29.4.3 for a description of the Group's impairment policies. Payment terms vary between customer classes as per the Group's credit policy. Interest is charged at a market related rate on balances in arrears.

Other receivables are amounts that generally arise from transactions outside the usual operating activities of the Group and are recognised initially at the amount of consideration. They are subsequently measured at amortised cost less loss allowance.

(h) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually settled on 30 day terms.

Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. The carrying amount of trade and other payables approximates their fair value. Trade payables are non-interest-bearing and are normally settled on 30–60 day terms.

(i) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will occur to settle the obligation, and where a reliable estimate can be made of the amount of the obligation.

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 increase in the provision due to the passage of time is recognised as finance cost. Provisions are not recognised for future operating losses. The only provisions that the Group has are employee benefit provisions. Refer to accounting policy (p).

(j) Financial Instruments

Initial recognition

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to the fair value of financial assets or deducted from the fair value of financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Interest bearing loans and borrowings, loans and receivables, corporate bonds, fixed deposits, cash and cash equivalents and trade and other receivables that meet the following conditions are measured subsequently at amortised cost:

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

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

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

The Group subsequently measures all other financial assets at fair value through profit or loss (FVTPL).

However, the Group may make the following irrevocable election at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal and interest repayments, plus interest calculated using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI.

For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in finance income in note 24.

(ii) Debt instruments classified as at FVTOCI

The inflation linked bonds held by the Group are classified as at FVTOCI. These bonds are denominated in Namibia Dollars (N$) and linked to the Namibian CPI, thus there is no leverage. The inflation linked bonds are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of these inflation linked bonds as a result of impairment gains or losses and interest income calculated using the effective interest method are recognised in profit or loss. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these inflation linked bonds had been measured at amortised cost. All other changes in the carrying amount of these inflation linked bonds are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve.

(iii) Equity instruments designated as at FVTOCI

On initial recognition, the Group made an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

The Group elected to classify irrevocably its non-listed equity investments as measured at FVTOCI as it intends to hold these investments for the foreseeable future.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not to be reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in other income.

The Group has designated all investments in equity instruments that are not held for trading as at FVTOCI on initial application of IFRS 9.

(iv) Financial assets at FVTPL

Collective investment schemes, money market funds and derivative financial assets (mandatorily measured), that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria (see above) are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset.

(v) Cash and cash equivalents

Cash and cash equivalents are stated at cost which approximates fair value due to the short - term nature of these instruments. For the purposes of the statement of cash flows, cash and cash equivalents comprise cash balances, including call accounts.

(vi) Foreign exchange gains and losses on financial assets

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically;

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss.
- for debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss. Other exchange differences are recognised in other comprehensive income in the investments revaluation reserve;
- for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss and
- for equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the investments revaluation reserve.

(vii) Finance income

Finance income comprises interest receivable on loans, trade receivables and income from financial market investments.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Finance income is calculated by applying the effective interest rate method to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortised cost of the financial asset before adjusting for any expected credit loss allowance). Finance income on credit-impaired financial assets is calculated by applying the effective interest rate to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses). Interest income is recognised as it accrues using the effective interest method in profit or loss.

The Group has chosen to present interest received on financial assets held for cash management purposes as operating cash flows and interest received on other financial assets as investing cash flows because they are returns on the Group's investments.

(viii) Impairment of financial assets

The Group recognises a loss allowance for expected credit losses (ECL) on investments in debt instruments that are measured at amortised cost or at FVTOCI. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix for some of the portfolios and loss rate approach for the rest. The provision matrix approach is a calculation of the lifetime expected credit loss applying relevant loss rates to the trade receivables ageing bucket. The resultant loss rates are calibrated based on historical credit loss experience, taking into account both the time value of money and previous write-offs recoveries. The loss rate approach uses historical credit loss experience in order to estimate the 12-month expected credit losses or the lifetime expected credit losses on the financial assets. Both approaches are applied with reference to past default experience of the debtor with time value of money losses taken into account through the analysis of default experience by assessing the time taken to collect trade receivables. Adjustments are made for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

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

Impairment loss is reversed to the extent that it does not exceed what the carrying amount of the financial asset would have been had the impairment not been recognised.

Reversal of impairment losses are recognised in profit or loss except for equity investments at FVTOCI which are recognised in other comprehensive income.

Significant increase in credit risk

The Group assesses the significant increase in credit risk of the investments and loans receivables on an ongoing basis throughout each reporting period and keeping abreast of the latest developments in various industries to determine major key risk factors that could have adverse effect on underlying assets and their credit rating. The Group considers available reasonable and supportive forwarding-looking information.

Especially the following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the financial institutions' ability to meet its obligations
- actual or expected significant changes in the operating results of the financial institutions
- significant increases in credit risk on other financial instruments of the financial institutions

The Group considers the following macroeconomic information in its model:

- market interest rates and
- growth rates

Fund fact sheets are also analysed and reviewed on a quarterly basis, with specific attention to risk profile and asset allocation of each individual fund and thereby ensuring compliance with overall NamPower Investment Policy Statement.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on investments and loans receivables has increased significantly since initial recognition when contractual payments are more than thirty (30) days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low probability of default in terms of the Group's investment policy statement and risk appetite.

The Group considers a financial asset to have low probability of default when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Trade receivables subject to impairment are monitored to assess whether they have been subject to a significant increase in credit risk after initial recognition. There will be a significant increase in credit risk when:

- payments are more than 90 days past due;
- a significant qualitative event has occurred.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than (ninety) 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

a. (a) significant financial difficulty of the customer, issuer or the borrower;
b. (b) a breach of contract, such as a default or past due event;
c. (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
d. (d) it is becoming probable that the customer or borrower will enter bankruptcy or other financial reorganisation; or
e. (e) the disappearance of an active market for that financial asset because of financial difficulties.

Where it is assessed that a counterparty's credit risk has increased significantly from its initial low risk designation, the related asset is moved from stage 1 to stage 2.

Where the counterparty is assessed to be credit-impaired, the related asset is disclosed in stage 3.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The expected credit loss methodology remained consistent from those applied previously. The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting dates plus any interest earned up to the date of default for interest bearing debt instruments. For accounts receivable, the exposure includes the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve.

(ix) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

In addition, on derecognition of an investment in a debt instrument classified at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to treasury income in profit or loss.

In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

(xi) Equity instruments

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

(xii) Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is designated at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near future; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated at FVTPL

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

(xiii) Non-derivative financial liabilities

These financial liabilities comprise of loans and borrowings, trade and other payables and retention creditors.

Loans payable to subsidiaries are measured at amortised cost.

Non-derivative financial liabilities are recognised initially at fair value less directly attributable transaction costs. The loans, subsequent to initial recognition, are measured at amortised cost using the effective interest method.

Fair value which is determined for disclosure purposes is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. The carrying value of short-term non-derivative financial instruments is assumed as the fair value due to the short-term nature of the instruments. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option.

(xiv) Offset

Financial assets and liabilities are offset against each other only when a legally enforceable right exists to set off the recognised amounts, and the Group intends to either settle on a net basis, or to realise the assets and settle the liability simultaneously.

(xv) Foreign exchange gains and losses on financial liabilities

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These exchange gains and losses are recognised in profit or loss.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at spot rate at the reporting date.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(xvi) Derecognition of financial liabilities

A financial liability is derecognised when, and only when:

- The liability is extinguished, that is, when the obligation specified in the contract is discharged,
- cancelled;
- or has expired.

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

(xvii) Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities which includes forward exchange contracts, interest rate and cross currency swaps. In accordance with its investment policy, the Group does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are recognised initially at fair value, directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivative financial instruments are measured at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contracts is their quoted market price at the reporting date, being the present value of the quoted forward price.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as financial liability. Derivatives are not offset in the financial statements unless the Group has both the legal right and intention to offset.

(xviii) Embedded derivatives

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract, with the effect that some of the cash flows of the combined instrument vary in a way similar to those of a standalone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, or other variable.

The hybrid contract is the entire contract and the host contract is the main body of the contract excluding the embedded derivative.

An embedded derivative is separated from the host contract and accounted for as a derivative if:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and
- the combined instrument is not measured at fair value with changes in fair value recognised in profit or loss.

The determination of the value of the host contract of a hybrid electricity contract (which includes an embedded derivative) is based on the standard electricity tariff specified in the contract and where no standard tariff is specified, the tariff that would normally apply to such a customer.

The changes in fair value are included in net fair value gain/ (loss) on embedded derivatives in profit or loss. The impact of the fair value gains or losses is taken into account in the calculation of current and deferred taxation.

Embedded derivatives that are not separated are effectively accounted for as part of the hybrid instrument. The value at initial recognition is adjusted for cash flows since inception. The value of the embedded derivatives which involve a foreign currency is first determined by calculating the future cash flows, converting the cash flows to the reporting currency at the relevant Namibia dollar/foreign currency forward rate and then discounting the cash flows by using the relevant interest rate curve.

The fair value of the embedded derivative is determined on the basis of its terms and conditions. If this is not possible, then the value of the embedded derivative is determined by fair valuing the whole contract and deducting from it the fair value of the host contract. If the Group is unable to determine the fair value of the embedded derivative using this method then the entire hybrid contract is designated as at fair value through profit or loss.

Where there is no active market for the embedded derivatives, valuation techniques are used to ascertain their fair values. Financial models are developed incorporating valuation methods, formulae and assumptions. The valuation methods include the following:

- forwards rates, CPI indexes and commodity indexes.

The fair value of embedded derivatives is adjusted, where applicable, to take into account the inherent uncertainty relating to the future cash flows of embedded derivatives such as liquidity, model risk and other economic factors.

An embedded derivative is presented as a non-current asset or non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative is more than twelve (12) months and is not expected to be realised or settled within twelve (12) months

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(xix) Hedging

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. The Group designates certain derivatives as a hedge of the exposure in the fair value of recognised assets or liabilities or unrecognised firm commitments.

Economic hedging

The Group does not apply hedge accounting as the derivatives are used for economic hedging. Changes in fair value of these derivative instruments are recognised in profit or loss.

(k) Deferred revenue

(i) Government grants

Government grants are recognised initially as deferred revenue at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. Government grants received relating to the creation of electricity assets are included in non- current liabilities as deferred revenue and are credited to profit or loss on a systematic basis over the useful lives of the assets. Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the same periods in which the expenses are recognised.

Assets constructed by customers

The Group recognises assets transferred by customers as an item of property, plant and equipment in accordance with IAS 16 at the fair value of the asset transferred on the date of transfer. The fair value of the asset transferred is recognised in deferred revenue in accordance with IFRS 15 revenue from contracts with customers over the shorter of the power supply agreement (PSA) contract term, or the useful life of the asset.

Assets constructed by the Group

Capital contributions by customers for the construction of assets are initially recognised in deferred revenue - capital contributions received while the construction of the asset is in progress. Once the asset is complete, it is transferred to Property, Plant and Equipment in accordance with IAS 16. The deferred revenue is recognised in revenue in accordance with IFRS 15 over the shorter of the power supply agreement (PSA) contract term, or the useful life of the asset.

Financing component

Income recognised as capital contribution are for funds utilised in the construction of the asset or the assets transferred by the customer in order to connect and supply the electricity to the customer. Although the construction of the asset and the supply of power are not two distinct performance agreements, the income derived as assets transferred by the customer or as a result of capital contribution towards the construction of the assets is not discounted during the construction period as the funds received from customers are deemed as typical within the industry as per IFRS 15 paragraph BC233(c).

The primary purpose of those payment terms is to provide the customer with assurance that the entity will complete its obligations satisfactorily under the contract, rather than to provide financing to the customer or the entity.

(l) Appropriation of Funds

The Group is dependent upon funds generated internally and the raising of long-term loans for the financing of its fixed and working capital requirements. Therefore, the Group is compelled to apply funds derived from its activities after provision for taxation, as follows:

- Reserve Fund - to be utilised to fund costs associated with potential energy crises. The Board of Directors have decided that the current level of funding is adequate. The Fund is credited with interest earned, after deduction of income tax, on the monthly balance. The interest earned is calculated on the outstanding balance of the reserve fund at a monthly average interest rate earned on the current account.
- Development Fund - to be utilised for the total or partial financing of capital works and extensions to power stations, transmission and distribution networks. The annual profit after the interest allocation to the reserve fund is transferred to this fund.
- Share Capital - Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

(m) Taxation

Tax expense comprises current and deferred tax. Taxation is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income, in which case it is recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using the tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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. The following temporary differences are not provided for: taxable temporary differences arising from the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries and associates to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and it is the Group's intention to settle on a net basis or to realise their tax assets and settle their tax liabilities simultaneously. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred tax assets are reduced to the extent that it is no longer probable and the related tax benefit will be realised.

(n) Revenue

Revenue comprises of electricity sales, SAPP market sales, capital contributions by customers and associated services. Most customers pay for electricity after consumption and have 30 days to pay, except for capital contributions.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. Tariffs and service charges are agreed upfront with the customer. Revenue is adjusted for the fair value of non-cash consideration received, and for upfront capital contributions advanced by customers.

The Group recognises revenue when (or as) the Group transfers control of a product or service to a customer.

(i) Electricity Sales

The Group supplies units of electricity to users. Revenue is recognised over time as electricity is consumed by the customer. Performance obligation is settled when electricity is supplied to the customer. Some customers prepay for electricity.

(ii) Services

Service revenue comprises of basic charges. The basic charge covers the monthly administrative costs, which is basically the cost for meter readings and monthly invoicing and account queries. These charges are part of the monthly bill to the customer and revenue is recognised as and when the service is performed.

(iii) Capital Contributions

Transfers of assets constructed by the customers

The transfers of assets from customers comprise of assets constructed by customer and transferred to the Group, as well as capital/cash contributions made by customers towards assets constructed by the Group. The Power Supply Agreements (PSA) state that assets will be transferred or contribution will be made in order to connect the customer to the Group's electricity network system. Connections relating to electricity purchasing customers where there is a material right are allocated to deferred income when the customer is connected to the electricity network. The deferred income is recognised in profit or loss within revenue on a straight-line basis over the shorter of the useful life and the term of the power supply agreement.

Capital contributions where the construction of assets is funded by external parties on behalf of the customer are initially recognised in deferred revenue - capital contributions received while the construction of the asset is in progress. Once the asset is complete, it is transferred to the beneficiary and a receivable recognised for the costs incurred. The Group is guaranteed a refund as these projects are pre-approved.

Capital contributions made by the customer towards assets constructed by the Group

Capital contributions by customers for the construction of assets are initially recognised in deferred revenue as they represents a contract liability. Costs incurred associated to the assets are capitalised as assets under construction. Once the asset is complete, it is transferred to property, plant and equipment.

In Power Supply agreements where there is an ongoing obligation on the Group to provide services and electricity to the customer, the deferred revenue is recognised in profit or loss within revenue on a straight-line basis over the shorter of the useful life and the term of the power supply agreement.

Measurement and recognition

The Group recognises assets transferred by customers as an item of property, plant and equipment at the fair value of the asset transferred on the date of transfer. The fair value of the asset transferred is recognised as deferred revenue as it represents a contract liability.

The value of the capital contribution is included in the determination of the transaction price, and in the PSA contracts as there are subsequently, ongoing obligations on NamPower to connect the customer to the network. Thus, the deferred revenue is recognised when the performance obligations are satisfied, i.e. over the shorter of the PSA contract term, or the useful life of the asset.

(iv) SAPP market Sales

Energy sold through energy trading markets. Energy is sold via Southern Africa Power Pool (SAPP) and not to a specific utility. Revenue is recognised when the customer uses power.

(v) Maximum demand

This charge covers the cost of the transmission network, the operations and maintenance on the distribution network. The Group is required to be in a position to supply anytime the notified maximum demand to the customers. The Maximum demand charge is the highest load/maximum demand supplied/incurred during a billing month or any consecutive period. Revenue is recognised over time as and when the customer is connected to the grid.

(vi) Extension charges

Extension covers the operations and maintenance of the transmission network and other charges to distribution customers. Revenue is recognised over time when the customer is connected to the grid.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(vii) Network charges

Network charges covers the cost to access the Group's transmission network and revenue is recognised over time when the customer is connected to the grid.

(viii) Losses charges

Losses sales recovers the cost of transmission losses previously part of electricity sales, which is energy lost when transporting over transmission i.e. units into the system less units sold = transmission losses. Revenue is recognised over time as and when the customer is connected to the grid.

(ix) Reliability charges

Reliability sales recovers the cost of being the supplier of last resort previously part of electricity sales. These includes like ancillary services (spinning and quick reserve/network stability, voltage regulation, black start, etc.), long term planning, market operator costs, etc. Revenue is recognised over time as and when the customer is connected to the grid.

(x) Other income

Other income comprises non-electricity associated income usually of small value and once off transactions. Other income is recognised at a point in time, when the service is performed.

(o) Finance expenses

Finance expenses comprise interest expense on borrowings, interest and fees payable on debt securities, interest resulting from derivatives held for risk management and interest from the unwinding of discount on liabilities. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

(p) Employee benefit provisions

(i) Short-term employee benefit provisions

The cost of all short term employee benefit provisions is recognised in profit or loss during the period in which the employee renders the related service.

The accruals for employee entitlements to annual leave and bonuses represent the amount which the Group has a present obligation to pay as a result of employee services provided to the reporting date. The accruals have been calculated at undiscounted amounts based on current wage and salary rates.

(ii) Retirement Benefits

The Group contributes to a defined contribution plan. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(iii) Post-Retirement Medical Benefits

The Group subsidises part of the contributions by retired employees to the medical aid fund. An obligation is recognised for the present value of post-retirement medical benefits.

The net obligation in respect of defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods that benefit is discounted to determine its present value, and any unrecognised past service costs and the fair value of any plan assets are deducted. The calculation is done by a qualified actuary using the projected unit credit method. The discount rate is the yield of the South African zero coupon government bond as at 30 June 2023.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest) are recognised immediately in other comprehensive income (OCI). The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or to the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iv) Other long-term employee benefit provisions

Severance Pay Retirement Benefits

The Group recognises an obligation for statutory severance benefits, in accordance with the Namibia Labour Act 2007. The liability is discounted to account for the present value of the future benefits payable on resignation or retirement of employees on reaching the age of 65. The cost of providing the benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. The movement for the year including actuarial gains and losses is recognised in profit or loss in the year in which it occurs. The discount rate is the yield of the South African zero coupon government bond as at 30 June 2023.

4. SIGNIFICANT JUDGEMENTS AND ESTIMATES

The preparation of these financial statements in conformity with International Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are included in the following notes:

Note 6 - Revaluation of property, plant and equipment

The Group performs an independent external revaluation every three years and an annual independent desktop revaluation to ensure that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date. In estimating the fair value of property, plant and equipment, the Group uses market-observable data to the extent that it is available (see note 6). The Group engages third party qualified valuers to perform the valuation. Management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the valuation model.

Further information on the carrying amounts of property, plant and equipment and the sensitivity of those amounts to changes in unobservable inputs are provided in note 6.8.

Note 30.4 - Expected credit losses

When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

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 macro-economic forecasts. Further information on the loss allowance are provided in note 13.

Note 21.2 - Embedded derivatives

NamPower has entered into two (2) power purchase agreements (PPAs) with ZESCO Limited. The first is a 100MW 10 year contract which commenced in February 2020 and the second is a 80MW 5 year contract which commenced in April 2022. The contracts are both denominated in United States Dollars (USD) and both energy tariffs escalate with the United States Producer Price Index (US PPI).

The embedded derivative comprises the following categories:

- Foreign currency embedded derivative due to the PPA being denominated in USD
- Inflation-linked embedded derivative due to the tariff escalation being based on US PPI

Valuation techniques are used to determine the fair value as there is no active market for embedded derivatives.

The future foreign cash flows are estimated and converted into local reporting currency at the relevant foreign currency forward rates. This was done at the inception date of each PPA and is repeated for each valuation date. The net differences in the future cash flows, between the valuation and inception dates, are then discounted by using the relevant interest rate curve, to determine the valuation amount. The input assumptions pertinent to the valuation are obtained either with reference to the contractual provisions of the relevant PPA or from independent market sources where appropriate. The only significant unobservable input is the US PPI.

Forecast sales volumes are based on average historical energy usage and contractual minimums as stipulated in the PPAs.

The ZESCO Power Purchase Agreements ("PPAs") do not meet any of the indicators in IFRS 9 par 2.6 or IAS 32 par 9 to imply that the contract is being settled net in cash or another financial instrument or by exchanging financial instruments. Even though NamPower did sell excess units of electricity during the 2023 financial year, this is due to periods of lower than expected demand, as opposed to being a consequence of specifically net-settling purchases made under the PPAs, or other similar contracts. NamPower does not sell the excess units linked to a specific contract. Instead, NamPower sells excess units on a portfolio basis. NamPower does not profit from entering into these contracts to sell excess energy, and therefore, there is no short-term profit making objective. Therefore the own use exemption has been met.

The following assumptions were used for the valuation of embedded derivatives and are regarded as the best estimates by the Group:

Input	Units	2024	2025	2026	2027	2028
US CPI	Year-on-year (%)	2.49%	2.38%	2.45%	2.52%	2.61%
United States PPI - ZESCO 100MW	Year-on-year (%)	2.46%	2.34%	2.42%	2.49%	2.58%
United States PPI - ZESCO 80MW	Year-on-year (%)	2.45%	2.34%	2.41%	2.49%	2.58%
NAD/USD	NAD per USD	19.592	20.419	21.530	22.773	24.290
United States interest rates	Annual effective %	5.30%	4.74%	4.32%	4.04%	3.85%
Rand interest rates	Annual effective %	8.69%	8.60%	8.54%	8.63%	8.81%

5. STANDARDS AND INTERPRETATIONS

5.1 New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2023 reporting periods and have not been early adopted by the Group.

These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

5.2 Standards and interpretations issued and not yet effective for the year ended 30 June 2023

At the date of authorisation of the financial statements of the Group for the year ended 30 June 2023, the following Standards and Interpretations which affects the Group and Company were in issue but not yet effective:

Standard	Effective date
Amendment to IAS 1 - Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current	Annual periods beginning on or after 1 January 2023
Amendment to IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors'	Annual periods beginning on or after 1 January 2023
Amendments to IAS 12 - Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	Annual periods beginning on or after 1 January 2023
Amendments to IAS 16 - Property, Plant and Equipment: Proceeds before Intended Use	Annual periods beginning on or after 1 January 2022
Amendments to IAS 37 - Provisions, Contingent Liabilities and Contingent Assets on Onerous Contracts (Cost of Fulfilling a Contract)	Annual periods beginning on or after 1 January 2022
Amendment to IFRS 3 - Business combinations	Annual reporting periods beginning on or after 1 January 2022
Annual improvements cycle 2018 - 2020	Annual reporting periods beginning on or after 1 January 2022
IFRS 17, 'Insurance contracts'	Annual periods beginning on or after 1 January 2023

- All standards will be adopted at their effective date.

Only the standards not yet effective which are relevant to the Group's operations, are listed.

The directors are of the opinion that the impact of the application of the standards will be as follows:

Amendment to IAS 1 - Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current

The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by expectations of the entity or events after the reporting date. The amendment will not have a significant impact on the Group's consolidated financial statements. The guidance on this amendment will be applied for future financial periods.

Amendment to IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors

The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish changes in accounting policies from changes in accounting estimates. The Group is currently assessing the impact of the amendment.

Amendments to IAS 12 - Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences. The Group is currently assessing the impact of the amendment.

Amendments to IAS 16 - Property, Plant and Equipment: Proceeds before Intended Use

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. An entity should recognises the proceeds from selling such items and the cost of producing those items in profit or loss. The Group is currently assessing the impact of the amendment.

Amendments to IAS 37 - Provisions, Contingent Liabilities and Contingent Assets on Onerous Contracts (Cost of Fulfilling a Contract)

The amendment clarifies which costs an entity includes in assessing whether a contract will be loss-making. This assessment is made by considering unavoidable costs, which are the lower of the net cost of exiting the contract and the costs to fulfil the contract. The amendment clarifies the meaning of 'costs to fulfil a contract'. Under the amendment, costs to fulfil a contract include incremental costs and the allocation of other costs that relate directly to fulfilling the contract. The Group will have to evaluate the detailed requirements of the amendment to assess the impact on the financial statements.

Amendment to IFRS 3 - Business combinations

The Board has updated IFRS 3, 'Business combinations', to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination.

STANDARDS AND INTERPRETATIONS (CONTINUED)

In addition, the Board added a new exception in IFRS 3 for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', or IFRIC 21, 'Levies', rather than the 2018 Conceptual Framework.

The Board has also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date. The guidance on this amendment will be applied for future financial periods.
Annual improvements cycle 2018 -2020 These amendments include minor changes to:

- IFRS 1, 'First time adoption of IFRS' has been amended for a subsidiary that becomes a first-time adopter after its parent. The subsidiary may elect to measure cumulative translation differences for foreign operations using the amounts reported by the parent at the date of the parent's transition to IFRS."
- IFRS 9, 'Financial Instruments' has been amended to include only those costs or fees paid between the borrower and the lender in the calculation of "the 10% test" for derecognition of a financial liability. Fees paid to third parties are excluded from this calculation.
- IFRS 16, 'Leases', amendment to the Illustrative Example 13 that accompanies IFRS 16 to remove the illustration of payments from the lessor relating to leasehold improvements. The amendment intends to remove any potential confusion about the treatment of lease incentives.

IFRS 17, 'Insurance contracts

The IASB issued IFRS 17, 'Insurance contracts', and thereby started a new epoch of accounting for insurers. Whereas the current standard, IFRS 4, allows insurers to use their local GAAP, IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements. For insurers, the transition to IFRS 17 will have an impact on financial statements and on key performance indicators.

Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period. Aside from this general model, the standard provides, as a simplification, the premium allocation approach. This simplified approach is applicable for certain types of contract, including those with a coverage period of one year or less.

For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. As a consequence, the fair value changes are not recognised in profit or loss in the period in which they occur but over the remaining life of the contract.

The Group is currently assessing the impact of the amendment.

The Group will need to consider whether the accounting policies are still appropriate under the revised Framework.

6. PROPERTY, PLANT AND EQUIPMENT

	Cost/Valuation	Accumulated depreciation	Carrying amount
	N$'000	N$'000	N$'000
2023			
Ruacana power station	**7,973,226**	**(513,495)**	**7,459,731**
Van Eck power station	**1,282,933**	**(127,923)**	**1,155,010**
Anixas power station	**574,695**	**(27,033)**	**547,662**
Omburu PV station	**377,189**	**(13,825)**	**363,364**
Transmission and distribution systems	**25,558,822**	**(969,710)**	**24,589,112**
Aircraft fleet	**78,743**	**(3,608)**	**75,135**
Machinery and equipment	**234,640**	**(70,191)**	**164,449**
Land and buildings	**424,027**	**(13,448)**	**410,579**
Assets under construction	**2,015,320**	**-**	**2,015,320**
Strategic inventory	**846,983**	**-**	**846,983**
Total	**39,366,578**	**(1,739,233)**	**37,627,345**
2022			
Ruacana power station	8,005,484	(360,984)	7,644,500
Van Eck power station	1,389,808	(111,512)	1,278,296
Anixas power station	540,314	(21,435)	518,879
Omburu PV station	361,018	(1,146)	359,872
Transmission and distribution systems	25,661,566	(795,442)	24,866,124
Aircraft fleet	61,122	(2,872)	58,250
Machinery and equipment	226,978	(63,392)	163,586
Land and buildings	384,020	(13,279)	370,741
Assets under construction	1,659,116	-	1,659,116
Strategic inventory	731,879	-	731,879
Total	**39,021,305**	**(1,370,062)**	**37,651,243**

PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Note	Ruacana Power Station	Van Eck Power Station	Anixas Power Station	Omburu PV Station	Transmission and Distribution Systems	Aircraft Fleet	Machinery and Equipment	Land and Buildings	Assets under Construction	Strategic Inventory	Total
		N$'000	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000
CONSOLIDATED AND COMPANY												
2023												
Carrying amount at 1 July 2022		7,644,500	1,278,296	518,879	359,872	24,866,124	58,250	163,586	370,741	1,659,116	731,879	37,651,243
- At cost/valuation		8,005,484	1,389,808	540,314	361,018	25,661,566	61,122	226,978	384,020	1,659,116	731,879	39,021,305
- Accumulated depreciation		(360,984)	(111,512)	(21,435)	(1,146)	(795,442)	(2,872)	(63,392)	(13,279)	-	-	(1,370,062)
Additions		-	12	-	-	-	-	56,551	14	1,163,156	420,267	1,640,000
Assets under construction completed		1,717	5,030	51,187	10,628	877,022	-	20,156	8,987	(974,727)	-	-
Strategic inventory items issued		-	-	-	-	-	-	-	-	167,775	(167,775)	-
Transfer to intangible assets	9	-	-	-	-	-	-	(5,653)	-	-	-	(5,653)
Assets transferred from customers		-	-	-	-	124,929	-	-	-	-	-	124,929
Revaluation		327,009	(405)	4,629	6,689	(309,253)	20,493	-	44,285	-	(137,388)	(43,941)
Disposals		-	-	-	-	-	-	-	-	-	-	-
- At cost/valuation		-	-	-	-	-	-	-	-	-	-	-
- Accumulated depreciation		-	-	-	-	-	-	-	-	-	-	-
Depreciation for the year		(513,495)	(127,923)	(27,033)	(13,825)	(969,710)	(3,608)	(70,191)	(13,448)	-	-	(1,739,233)
Carrying amount at 30 June 2023		7,459,731	1,155,010	547,662	363,364	24,589,112	75,135	164,449	410,579	2,015,320	846,983	37,627,345
- At cost/valuation [1]		7,973,226	1,282,933	574,695	377,189	25,558,822	78,743	234,640	424,027	2,015,320	846,983	39,366,578
- Accumulated depreciation [1]		(513,495)	(127,923)	(27,033)	(13,825)	(969,710)	(3,608)	(70,191)	(13,448)	-	-	(1,739,233)

[1] Accumulated depreciation at 01 July 2022 were reversed against the cost during the 2023 financial year.

PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Note	Ruacana Power Station	Van Eck Power Station	Anixas Power Station	Omburu PV Station	Transmission and Distribution Systems	Aircraft Fleet	Machinery and Equipment	Land and Buildings	Assets under Construction	Strategic Inventory	Total
		N$'000	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000
CONSOLIDATED AND COMPANY												
2022												
Carrying amount at 1 July 2021		**6,621,241**	**1,226,516**	**483,799**	**-**	**21,330,737**	**52,935**	**181,123**	**380,776**	**1,006,125**	**666,619**	**31,949,871**
- At cost/valuation		6,840,592	1,334,297	502,314	-	21,892,282	56,670	228,582	400,286	1,006,125	666,619	32,927,767
- Accumulated impairment		-	-	-	-	(104,544)	-	-	(6,790)	-	-	(111,334)
- Accumulated depreciation		(219,351)	(107,781)	(18,515)	-	(457,001)	(3,735)	(47,459)	(12,720)	-	-	(866,562)
Additions		-	-	-	-	-	-	52,146	-	1,041,428	103,344	1,196,918
Assets under construction completed		796	-	1,970	361,018	128,335	-	3,951	4,436	(500,506)	-	-
Strategic inventory items issued		-	-	-	-	-	-	-	-	112,069	(112,069)	-
Transfer to investment property	8	-	-	-	-	-	-	-	(1,192)	-	-	(1,192)
Transfer to intangible assets	9	-	-	-	-	-	-	(2,305)	-	-	-	(2,305)
Assets transferred from customers		-	-	-	-	32,384	-	-	-	-	-	32,384
Revaluation		1,383,447	163,292	54,545	-	4,170,110	8,187	-	-	-	73,985	5,853,566
Disposals		-	-	-	-	-	-	(133)	-	-	-	(133)
- At cost/valuation		-	-	-	-	-	-	(7,937)	-	-	-	(7,937)
- Accumulated depreciation		-	-	-	-	-	-	7,804	-	-	-	7,804
Depreciation for the year		(360,984)	(111,512)	(21,435)	(1,146)	(795,442)	(2,872)	(71,196)	(13,279)	-	-	(1,377,866)
Carrying amount at 30 June 2022		**7,644,500**	**1,278,296**	**518,879**	**359,872**	**24,866,124**	**58,250**	**163,586**	**370,741**	**1,659,116**	**731,879**	**37,651,243**
- At cost/valuation [1]		8,005,484	1,389,808	540,314	361,018	25,661,566	61,122	226,978	384,020	1,659,116	731,879	39,021,305
- Accumulated depreciation [1]		(360,984)	(111,512)	(21,435)	(1,146)	(795,442)	(2,872)	(63,392)	(13,279)	-	-	(1,370,062)

[1] Accumulated depreciation at 01 July 2021 were reversed against the cost during the 2022 financial year.

PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

6.1 Assets under construction

CONSOLIDATED AND COMPANY	Power Stations N$'000	Transmission and Distribution systems N$'000	Machinery and equipment N$'000	Land and buildings N$'000	Total N$'000
2023					
Opening balance	**267,112**	**1,351,150**	**29,009**	**11,845**	**1,659,116**
Additions	**493,573**	**816,898**	**14,412**	**6,048**	**1,330,931**
Assets under construction completed	**(68,564)**	**(877,021)**	**(20,155)**	**(8,987)**	**(974,727)**
Closing balance	**692,121**	**1,291,027**	**23,266**	**8,906**	**2,015,320**
2022					
Opening balance	283,025	698,862	13,881	10,357	1,006,125
Additions	347,871	780,623	19,079	5,924	1,153,497
Assets under construction completed	(363,784)	(128,335)	(3,951)	(4,436)	(500,506)
Closing balance	**267,112**	**1,351,150**	**29,009**	**11,845**	**1,659,116**

6.2 Land and buildings (owner-occupied properties)

The revaluation of land and buildings were performed externally effective 30 June 2023 by independent valuer, Kamau Town Planning and Development Specialist. Kamau Town Planning and Development Specialist is not connected to the Group.

The valuations were performed on the basis of one of the methods mentioned below:

- Replacement value where no ready market exists or market value as estimated by sworn appraisers;
- Investment method of valuation which is based on the hypothesis that capital value will be a function of rental value.
- Direct Comparable Approach comparing the subject properties characteristics with those of comparable properties which have recently sold in similar transactions.

Details of properties registered in the Company's name are available for inspection at the registered office of the Company.

6.3 Transmission and Distribution Systems

A number of distribution lines and transmission substations are erected on or are under construction on land which does not belong to the Company. Occupational rights are secured by agreements between the owners and Namibia Power Corporation (Proprietary) Limited. Servitudes in favour of Namibia Power Corporation (Proprietary) Limited in respect of these occupational rights are registered with the registrar of deeds and are available for inspection at the Company's premises.

6.4 Ruacana Power Station

The Ruacana Power Station is erected on land in the Kunene region for which occupational rights were obtained. The Diversion Weir is erected in Angola and acts as water storage for Ruacana Power Station.

PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

6.5 Valuation of power stations, transmission and distribution systems and aircraft fleet

The Group performs an independent external revaluation every three years, and an independent desktop revaluation in between to ensure that the carrying amount does not differ significantly from the fair value.

A desktop revaluation was performed effective 30 June 2023 and 30 June 2022 for the power stations, transmission and distribution systems, strategic inventory and aircraft fleet by independent valuers namely, MPAMOT Africa Pty Ltd, based on external independent input and on the basis of the replacement value as adjusted for the remaining useful lives of the assets. The valuators are not connected to the Group and have extensive experience in the valuation of generation, transmission and distribution assets.

The replacement value of the Power stations increased mainly due to increases in labour and transport costs, consumer price index (CPI), life extension and uprate projects undertaken. Accordingly, the degradation of the N$ against the US$ is considered to be the primary reason for the increase.

The decrease in the replacement value of the Transmission systems are attributed to the relatively modest increase in the present day replacement cost as the increase driven by inflation of labour and installation cost is absorbed by the decrease in commodity prices (LME). Because indexation is applied on the present day replacement cost of the prior year, the yielding depreciating replacement cost estimate may fluctuate above or below the prior year's DRC estimate.

Compared to the prior year which was broadly characterised by notable price increases largely across the entire spectrum of materials and equipment given the impact of the COVID-19 pandemic, rises in energy prices and unrest in Europe/Ukrainere similar increases were not observed for the 2023 valuation and in respect of many areas, there were downward corrections given the more recent slowdown in global manufacturing indexes etc.

The valuators derived the annual price change for 2023 for the various components of each asset class by analysing the corresponding regional and international price indices. Then the overall cost price adjustment for each asset class was calculated by applying a weighting to the individual component's price change and calculating an overall weighted price change average. From a general and qualitative point of view the Group deems the approach used as feasible and found no indications that the assumptions were unreasonable. The price changes per asset class were then applied by the Group to the replacement costs in the desktop valuation of the power generation and distribution and transmission assets.

6.6 Valuation of strategic inventory

A desktop revaluation was performed for the strategic inventory as at 30 June 2023 by independent valuers namely, MPAMOT Africa Pty Ltd, on the basis of their replacement value to ensure that the carrying amount does not differ significantly from the fair value. The valuators are not connected to the Group.

Escalations are applied based on relevant indices for the individual equipment types. The items in strategic inventory are broken down into the escalation categories i.e. CPI – Electrical Components, Conductor Steel Core (ACSR), transformer, switchgear, copper conductors and cables, tower, insulator, fittings and poles. These escalation categories are created to account for specific asset types and their makeup. The Steel and Engineering Industries Federation of Southern Africa (SEIFSA) indices are used to account for such market fluctuations as these track the prices of commodities and other indicators used in adjusting for pricing over time.

6.7 Reconciliation of the carrying amount

Cost

The carrying amount that would have been recognised had the assets been measured under the cost model, for each revalued class of property, plant and equipment is not disclosed because it is impracticable. The Group's core assets have always been carried at the revalued amount before the implementation of IFRS and the historical values were not separately disclosed and are therefore not available.

PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

6.8 Reconciliation of the revaluation surplus

	Consolidated	Company	Consolidated	Company
	Capital Revaluation Reserve (net of tax) N$'000	Capital Revaluation Reserve (net of tax) N$'000	Strategic Inventory Revaluation Reserve N$'000	Strategic Inventory Revaluation Reserve N$'000
Opening balance at 1 July 2022	**(24,120,881)**	**(23,896,495)**	**(153,157)**	**(153,157)**
Change for the period	(63,544)	(63,544)	93,424	93,424
Revaluation	(63,544)	(63,544)	93,424	93,424
Closing balance at 30 June 2023	**(24,184,425)**	**(23,960,039)**	**(59,733)**	**(59,733)**
Opening balance at 1 July 2021	**(20,140,456)**	**(19,916,070)**	**(102,848)**	**(102,848)**
Change for the period	(3,980,425)	(3,980,425)	(50,310)	(50,310)
Revaluation	(3,980,425)	(3,980,425)	(50,310)	(50,310)
Closing balance at 30 June 2022	**(24,120,881)**	**(23,896,495)**	**(153,158)**	**(153,158)**

The distribution of the balance to the shareholder is only available on retirement or sale of the asset.

6.9 Measurement of fair value:

(i) Fair value hierarchy

The fair value measurements for the land and buildings have been categorised as Level 3 fair values based on the inputs to the valuation techniques used.

The fair value measurements of the power stations, transmission systems and strategic inventory have been categorised as Level 3 fair values based on based on significant unobservable data.

The fair value measurements for the aircraft fleet have been categorised as Level 2 fair values based on the market price in active markets for similar assets.

PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(ii) Level 3 fair values

Reconciliation of Level 3 fair values

The following table shows a reconciliation from the opening balances to the closing balances for level 3 fair values.

Consolidated and Company	**2023 N$'000**	**2022 N$'000**
Power stations, transmission and distribution systems and strategic inventory		
Opening balance 1 July	**35,417,568**	**30,346,930**
Additions and reclassification from property, plant and equipment	1,323,017	515,778
Depreciation	(1,651,986)	(1,290,519)
Loss included in other comprehensive income		
- Changes in fair value (unrealised)	(108,720)	5,845,379
Closing balance 30 June	**34,979,880**	**35,417,568**
(ii) Level 3 fair values (continued)		
Land and buildings		
Opening balance 1 July	**370,741**	**380,776**
Additions and reclassification from property, plant and equipment	9,001	3,244
Depreciation	(13,448)	(13,279)
Loss included in other comprehensive income		
- Changes in fair value (unrealised)	44,285	-
Closing balance 30 June	**410,581**	**370,741**

(iii) Transfers between levels

There were no transfers between the fair value hierarchy levels.

(iv) Valuation techniques and significant observable and unobservable inputs used

There are no changes in the valuation techniques used for the period under review.

PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The following table shows the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant inputs used.

Property, plant and equipment item	Level	Valuation technique	Valuation: The description of valuation technique	Observable inputs	Significant unobservable inputs of level 3 item	Inter-relationship between key unobservable inputs and fair value measurement
Power stations	3	Depreciated replacement cost (DRC) method	Desktop valuation: The DRC method requires that, for each asset under consideration, a value be obtained for a modern equivalent asset (MEA), that being an asset that can reasonably provide like-for-like benefits of the asset under consideration, which are subsequently depreciated (on a straight line basis (SLB) in accordance with NamPower's existing policy) to match the remaining life of the asset under consideration.	Not applicable	The replacement costs are based on a combination of the escalation of historical costs, observed trends in prices for new generation plants and proprietary 3rd party software.	Increases in the cost of supply (equipment, materials, labour, etc) will increase the fair value and vice versa.
					Furthermore, the following was considered: - Material costs - Asset age and assigned useful life - Historical performance and planned future use - Financing costs - Discount rate - NamPower's weighted average cost of capital (WACC) - Exchange rates - Relevant published indices and commodity prices	A decrease in the assigned useful life will result in a reduced fair value measurement.
Transmission and distribution systems	3	Depreciated replacement cost (DRC) method	Desktop valuation: The DRC method requires that, for each asset under consideration, a value be obtained for a modern equivalent asset (MEA), that being an asset that can reasonably provide like-for-like benefits of the asset under consideration, which are subsequently depreciated (on a straight line basis (SLB) in accordance with NamPower's existing policy) to match the remaining life of the asset under consideration.	Not applicable	The following were considered: - Ancillary costs - Labour costs - Material costs - Ex. Works pricing - Depreciation - Probable remnant lives	An increase in labour and materials costs would result in an increase in the fair value and vice versa.
			The MEA approach is used where the equipment is broken down into the following major components: - Overhead lines; - Switchgear; - Transformers; - Reactive compensation equipment; and - Control and Communications equipment. The approach revaluates each asset individually based on the age of the asset and consequently the probable remnant life to apply the straight line depreciation method.		- Useful lives policies - Maximum lives of equipment types - Namibian Network Assessment Register (NENA) database for the distribution assets - Exchange rates	A decrease in maximum lives results in a decrease in fair value and vice versa.

PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(iv) Valuation techniques and significant observable and unobservable inputs used (continued)

Property, plant and equipment item	Level	Valuation technique	Description of valuation technique		Significant unobservable inputs of level 3 item	Inter-relationship between key unobservable inputs and fair value measurement
Aircraft fleet	2	Market comparable prices	The fair value of the aircraft fleet was determined through consideration of the published aircraft bluebook as well as consideration of prevailing prices for similar aircraft fleet of a similar age and operating hours (both for the engines and airframes) on the international market.	Market prices	Not applicable	Not applicable
Land and buildings	3	Depreciated cost approach	This method determines the present market value of the subject property by estimating the present cost of replacing the building(s) by estimating the total amount of accrued depreciation from all causes, namely physical deterioration, functional obsolescence and external obsolescence, subtracting the accrued depreciation from the present replacement costs, estimating the value of minor improvements and adding the site value to the depreciated cost of the building(s).	Not applicable	Capitalisation rate 11-12% (2022: 11.5%) Expected market rental growth 6-11% (2022: 2-3%)	The estimated fair value would increase (decrease) if:
Land and buildings	3	Investment method	This method is based on the hypothesis that capital value will be a function of rental value.	Not applicable	Risk adjusted discount rates 5-12% (2022: 7-12%)	• expected market rental growth was higher (lower); • the risk-adjusted discount rate was lower (higher).
Land and buildings	3	Direct Comparable Approach	Compares the subject properties characteristics with those of comparable properties which have recently sold in similar transactions.	Not applicable	Expected vacancy rate 10% (2022: 5-8%)	• void periods were shorter (longer); • the occupancy rate was higher (lower);
Land and buildings	3	Replacement value method	The market value is estimated by sworn appraisers where no ready market exists.	Not applicable	Expenses 20% (2022: 22%)	• rent-free periods were shorter (longer).
Strategic inventory	3	Replacement cost (RC) method	This method determines the present market value. Management's expert derived the annual price change for the strategic inventory by applying escalations for the individual equipment type and market movements based on indices relevant to that asset grouping.	Not applicable	The replacement costs for the equipment is based on costs from purchases and are indexed from this date to obtain the current market rate. - Cost Price Adjustment (CPA) formulas - Respective indices - Consumer price index (CPI)	In increase in labour and materials costs would result in an increase in the fair value and vice versa. An increase in commodity price would result in an increase in fair value.

Sensitivity analysis for property, plant and equipment categorised into Level 3 of the fair value hierarchy:

The higher the capitalisation rate and expected vacancy rate, the lower the fair value of the land and buildings, and vice versa.
The higher the rental growth rate, the higher the fair value of the land and buildings, and vice versa.
An increase in the US$ and equipment cost and a decrease or increase in labour cost would result in a slight increase in the fair value of the power stations and a significant decrease in the fair value of the transmission and distribution systems.
An decrease in the US$ and equipment cost and a decrease or increase in labour cost would result in a slight decrease in the fair value of the power stations and a significant decrease in the fair value of the transmission and distribution systems.

PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	2023		2022	
	1% increase in US$ and Equipment cost		1% increase in US$ and Equipment cost	
	- 1% Labour cost	+ 1% Labour cost	- 1% Labour cost	+ 1% Labour cost
Ruacana power station	7,478,776	7,498,724	7,765,135	7,796,196
Van Eck power station	1,156,441	1,157,945	1,296,669	1,300,671
Anixas power station	549,183	550,982	524,638	526,889
Distribution lines	761,349	765,164	580,078	582,599
Transmission lines	30,357,695	30,543,023	17,201,347	17,294,095
Transmission substations	6,892,848	6,921,597	6,938,384	6,963,814
Strategic inventory	847,085	847,194	727,677	730,286
	1% decrease in US$ and Equipment cost		1% decrease in US$ and Equipment cost	
	- 1% Labour cost	+ 1% Labour cost	- 1% Labour cost	+ 1% Labour cost
Ruacana power station	7,420,736	7,440,684	7,495,046	7,525,327
Van Eck power station	1,152,078	1,153,582	1,256,112	1,260,035
Anixas power station	544,344	546,143	510,940	513,158
Distribution lines	751,738	755,553	572,103	574,625
Transmission lines	30,032,963	30,218,291	17,002,717	17,095,465
Transmission substations	6,798,767	6,827,516	6,890,146	6,915,576
Strategic inventory	846,772	846,881	715,627	718,232

For recurring and non-recurring fair value measurements categorised within Level 3 of the fair value hierarchy, the Group uses the valuation processes to decide its valuation policies and procedures and analyse changes in fair value measurements from period to period. The Finance Business Unit has set up a valuation committee, which is headed up by the Chief Financial Officer of the group to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The valuation committee works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

The Group's fair value methodology and the governance over its models includes a number of controls and other procedures to ensure appropriate safeguards are in place to ensure its quality and adequacy. The responsibility of ongoing measurement resides with the business divisions. Once submitted, fair value estimates are also reviewed and challenged by the Chief Financial officer (CFO).

The CFO validates fair value estimates by:

- Benchmarking prices against observable market prices or other independent sources
- Evaluating and validating input parameters
- Verifying third party sources (micro or macro economy input)
- Understanding the valuation methodologies and sources of inputs and verifying their suitability for IFRS reporting requirements

Land and Buildings

The valuation committee challenged the inputs and assumptions used by the sworn appraiser on the valuation of a significant property. Based on the review and outcome of the inputs of the valuation for reasonableness, the valuation committee resolved to adjust the valuation of the property to N$189.7 million.

PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

6.10 Fair value of the assets

A detailed assessment to ascertain the fair value of the assets cannot be performed on an annual basis due to the effort that would be required to perform such an exercise.

The Group's frequency of revaluation of three (3) years is in line with the industry practice of 3 to 5 years. The Group believes that the carrying amount of its property, plant and equipment does not materially differ from the fair value.

7. INTERESTS IN SUBSIDIARIES AND ASSOCIATES

7.1 Subsidiary companies

	Nature of operation	Country of incorporation	Date of incorporation	Issued Share Capital	Percentage holding		Shares at Cost		Total Investment	
					2023	2022	2023	2022	2023	2022
				N$'000	%	%	N$'000	N$'000	N$'000	N$'000
Name										
Directly held										
* Capricorn Power Supply (Pty) Ltd	Dormant	Republic of Namibia	25/02/1999	**2.5**	**100**	100	**2**	2	**2**	2
Less: accumulated impairment of investment	-		-	**-**	**-**	-	**(2)**	(2)	**(2)**	(2)
							-	-	**-**	-

* The subsidiary is dormant and thus not considered for consolidation purposes.

Director's valuation

The Directors valued the investments in unlisted equities and determined it to be equal to the carrying value of the investment.

INTERESTS IN SUBSIDIARIES AND ASSOCIATES (CONTINUED)

7.2 Associates

	CONSOLIDATED		COMPANY	
	2023	2022	2023	2022
	N$'000	N$'000	N$'000	N$'000
Carrying amount of associates				
Carrying amount at beginning of year	**824,089**	607,970	**221,279**	221,279
Equity accounted earnings	**(17,883)**	11,346	**-**	-
Share of other comprehensive income of associates - gain on property valuation, net of tax	**185,812**	204,773	**-**	-
Share of other comprehensive income of associates - remeasurement of employee benefits	**(516)**	-	**-**	-
	991,502	824,089	**221,279**	221,279
Post-acquisition reserves				
Retained earnings	**534,324**	366,911		
Share of opening retained earnings	**366,911**	150,792		
Share of current year income	**167,413**	216,119		
Non-distributable reserves	**457,178**	457,178		
Share of opening revaluation and development reserve	**457,178**	457,178		
	991,502	824,089		

INTERESTS IN SUBSIDIARIES AND ASSOCIATES (CONTINUED)

7.3 The summarised unaudited financial statements of Nored Electricity (Pty) Ltd are as follows:

	CONSOLIDATED	
	2023	**2022**
	N$'000	**N$'000**
Statement of financial position		
Non current assets	**2,719,919**	2,491,363
Current assets	**233,941**	246,136
Non current liabilities	**(1,026,970)**	(923,426)
Current liabilities	**(542,948)**	(477,332)
	1,383,942	1,336,741
Statement of comprehensive income		
Revenue	**1,298,347**	1,110,272
Expenditure	**(1,291,751)**	(1,122,477)
Profit/(loss) before taxation	**6,596**	(12,205)
Profit/(loss) from continuing operations for the year	**6,596**	(12,205)
Total comprehensive income/(loss)	**6,596**	(12,205)

The Company holds a 33.33% equity interest in Nored Electricity (Pty) Ltd but has less than 33.33% of the voting rights. The Company has the right to appoint two of the six directors. The Company has performed an assessment and determined that it does not have control over the relevant activities but still exhibits significant influence over the associate.

INTERESTS IN SUBSIDIARIES AND ASSOCIATES (CONTINUED)

7.4 The summarised unaudited financial statements of Central-North Electricity Distribution Company (Pty) Ltd (Cenored) are as follows:

	CONSOLIDATED	
Statement of financial position	**2023 N$'000**	**2022 N$'000**
Non current assets	**645,223**	675,220
Current assets	**210,851**	188,562
Non current liabilities	**(215,522)**	(217,494)
Current liabilities	**(165,408)**	(159,397)
	475,144	486,891
Statement of comprehensive income		
Revenue	**692,758**	647,302
Expenditure	**(677,619)**	(616,040)
Profit before taxation	**15,139**	31,262
Taxation	**(25)**	-
Profit from continuing operations for the year	**15,114**	31,262
Other comprehensive income	**(54)**	-
Total comprehensive income	**15,060**	31,262

The Company holds a 45.0% equity interest in Central-North Electricity Distribution Company (Pty) Ltd (Cenored) but has less than 45.0% of the voting rights. The Company has the right to appoint two of the eight directors. The Company has performed an assessment and determined that it does not have control over the relevant activities but still exhibits significant influence over the associate.

7.5 Information about the associates

The Associates are engaged in the supply and distribution of electricity in the northern regions and the central-north regions of Namibia. The Regional Electricity Distributors (REDS) have taken over the distribution function of the Company and is strategic to the entity's activities.

There are no restrictions on the ability of associates to transfer funds to the Group in the form of cash dividends.
The Group's associates are all incorporated in the Republic of Namibia which is also the principle place of business.
None of the Group's associates are publicly listed entities and consequentially do not have published price quotations.
The Group has no obligation which gives rise to the need to recognise contingent liabilities of its subsidiaries and associates.
The Group holds no other interest in associates.

8. INVESTMENT PROPERTIES

	CONSOLIDATED		COMPANY	
	2023	2022	2023	2022
	N$'000	N$'000	N$'000	N$'000
Opening balance	**18,473**	17,048	**18,473**	17,048
Fair value adjustment	**4,105**	233	**4,105**	233
Transfer from land and buildings	**-**	1,192	**-**	1,192
Closing balance	**22,578**	18,473	**22,578**	18,473

Investment properties comprise a number of commercial properties that are leased to third parties and vacant land held for capital appreciation. Included in investment properties is Erf number 6321 (a portion of Erf number 5627), Ongwediva that is being rented to a third party under operating lease. No contingent rentals are charged.

Rental income and direct operating expenses relating to the investment properties are disclosed in note 26.

There are no contractual obligation to purchase, construct, develop, repair and maintain investment property.

There are no restrictions on the realisability of investment property or the remittance of income and proceeds of the disposal of investment property.

(a) Measurement of fair value

(i) Fair value hierarchy

The fair value of all investment properties was determined as at 30 June 2023 by an independent qualified property valuer, Kamau Town Planning and Development Specialist who has extensive experience in the Namibian property market. The fair value of the Group's investment property portfolio is provided annually by independent valuers.

The fair value measurement for investment property of N$22.6 million (2022: N$18.5 million) has been categorised as a Level 3 fair value based on the inputs to the valuation method used.

(ii) Level 3 fair value

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values.

Opening balance	**18,473**	17,048	**18,473**	17,048
Additions and reclassification from property, plant and equipment	**-**	1,192	**-**	1,192
Gain included in 'other income'				
- Changes in fair value (unrealised)	**4,105**	233	**4,105**	233
Closing balance	**22,578**	18,473	**22,578**	18,473

INVESTMENT PROPERTIES (CONTINUED)

Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement	Sensitivity
Income Capitalisation Method:		The estimated fair value would increase (decrease) if:	
The commercial properties' fair values were based on this valuation technique which involves determining the net income of the property that will be capitalised at a rate sought by prudent investors to determine the capitalised value of the subject property.	• Capitalisation rate remain unchanged for commercial and residential properties at 11.5% (2022: 11.5%)	• expected capitalisation rate were higher (lower);	A slight increase in the capitalisation rate used would result a significant decrease in fair value, and vice versa.
Direct Sales Comparison Method:			
This valuation technique was used in determining the fair values of the residential properties which are classified as investment property.	• Expected market rental growth: Commercial and residential properties 6-11% (2022: 2-3%)	• expected market rental growth were higher (lower);	A significant increase in the market rent used would result in a significant increase in fair value, and vice versa.
The method calculates the market value by comparing the property's characteristics with those of comparable properties which have recently sold in similar transactions.	• Void periods (Commercial properties average 1 months and residential properties average 1 month after the end of each lease)	• void periods were shorter (longer);	
	• Occupancy rate - Commercial: 100% (2022: 100%) and Residential: 88% (2022: 85%)	• the occupancy rate were higher (lower);	
	• Rent-free periods (Nil)	• rent-free periods were shorter (longer); or	
	• Risk-adjusted discount rates: Commercial and residential properties 5-12% (2022: 7-12%)	• the risk-adjusted discount rate were lower (higher).	

Details of the properties registered in the Group and Company's name are available for inspection at the registered office of the Group.

9. INTANGIBLE ASSETS

	CONSOLIDATED		COMPANY	
	2023	2022	2023	2022
	N$'000	N$'000	N$'000	N$'000
Computer software - purchased				
Opening carrying amount - 1 July	**20,138**	29,356	**20,138**	29,356
- At cost	**136,590**	133,648	**136,590**	133,648
- Accumulated amortisation and accumulated impairment	**(116,452)**	(104,292)	**(116,452)**	(104,292)
Additions	**808**	637	**808**	637
Transfer from property, plant and equipment (purchased software)	**5,653**	2,305	**5,653**	2,305
Amortisation	**(7,816)**	(12,160)	**(7,816)**	(12,160)
Closing carrying amount - 30 June	**18,783**	20,138	**18,783**	20,138
- At cost	**143,051**	136,590	**143,051**	136,590
- Accumulated amortisation and accumulated impairment	**(124,268)**	(116,452)	**(124,268)**	(116,452)

No intangible assets were acquired by way of a government grant.
No intangible assets were pledged as securities for liabilities.
No intangible assets were impaired.

Included in the carrying amount of computer software at 30 June 2023 is an amount of N$2.0 million related to SAP Portfolio and Project Management with a remaining amortisation period of 5 years.

10. LOANS RECEIVABLE

	CONSOLIDATED		COMPANY	
	2023	2022	2023	2022
	N$'000	N$'000	N$'000	N$'000
Employee loans	**3,454**	2,842	**3,454**	2,842
Loan to the Alten Solar Power (Hardap) Pty Ltd	**16,761**	17,559	**16,761**	17,559
- Expected credit losses	**(37)**	(41)	**(37)**	(41)
	20,178	20,360	**20,178**	20,360

The fair value amount of the loans receivable for Alten Solar Power (Hardap) Pty Ltd amount to N$14.4 million (2022: N$15.9 million).

The fair value was based on a rate of 13.4% (2022: 14.5%) for the Alten Solar Power (Hardap) Pty Ltd.

Employee loans comprise of:

Employee study loans.

Employee study loans are interest free and repayable over the duration of the study period.

Employee study loans were not fair valued as the amount is considered to be insignificant.

Loan to the Alten Solar Power (Hardap) Pty Ltd

The Company approved a loan to Alten Solar Power (Pty) Ltd amounting to N$9.8 million for the construction of the transmission connection facilities for 37MW Solar Photovoltaic Power Plant. Interest on the loan is charged at 16% p.a. compounded daily. The interest is capitalised monthly with one final loan capital and interest repayment at maturity on 31 December 2043.

The Group's exposure to credit, currency and interest rate risks related to loans receivable is disclosed in note 29.

11. INVESTMENTS

	CONSOLIDATED		COMPANY	
	2023	2022	2023	2022
	N$'000	N$'000	N$'000	N$'000
Non-current investments	**1,232,366**	2,373,659	**1,232,366**	2,373,659
Debt instruments and fixed deposits at amortised cost	**1,032,604**	2,229,022	**1,032,604**	2,229,022
- Expected credit losses	**(1,890)**	(3,567)	**(1,890)**	(3,567)
Inflation linked bonds: FVTOCI - designated	**91,112**	90,670	**91,112**	90,670
- Expected credit losses	**(240)**	(237)	**(240)**	(237)
Investment in unlisted equities: FVTOCI - designated	**110,780**	57,771	**110,780**	57,771
Erongored (Pty) Ltd	**69,675**	29,202	**69,675**	29,202
Alten Solar Power (Hardap) Pty Ltd	**41,105**	28,569	**41,105**	28,569
Current investments	**6,397,182**	5,340,527	**6,397,183**	5,340,527
- Listed equity: Sanlam shares FVTOCI - designated	**1,473**	1,335	**1,473**	1,335
Inflation linked bonds: FVTOCI - designated	**2,049**	44,908	**2,049**	44,908
- Expected credit losses	**-**	(38)	**-**	(38)
Financial assets mandatorily measured at FVTPL				
- collective investment schemes	**1,721,160**	2,083,683	**1,721,160**	2,083,683
Debt instruments, fixed deposits and treasury bills at amortised cost	**2,925,578**	1,296,637	**2,925,578**	1,296,637
- Expected credit losses	**(3,013)**	(1,832)	**(3,013)**	(1,832)
Money market funds mandatorily measured at FVTPL	**1,750,148**	1,915,834	**1,750,148**	1,915,834
- Expected credit losses	**(212)**	-	**(212)**	-
Total investments	**7,629,549**	7,714,186	**7,629,549**	7,714,186

The fair value amount of the debt instruments measured at amortised cost approximate N$1.7 billion (2022: N$1.7 billion).
The fair value amount of the fixed deposits measured at amortised cost approximate N$2.2 billion (2022: N$1.8 billion).
The fair value amount of the treasury bills measured at amortised cost approximate N$163.4 million (2022: N$98.4 million).

The Group elected to classify irrevocably its listed and unlisted equity investments as measured at FVTOCI as it intends to hold these investments for long-term strategic reasons. Dividends of Nil (2022: Nil) were received from these unlisted investments for the period under review. The current and non-current investments split were determined based on the underlying maturity dates.

INVESTMENTS (CONTINUED)

(i) Level 3 fair value

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values.

	Equity investments - unlisted investments
Balance at 1 July 2022	57,771
Total gains or losses:	
– in other comprehensive income	53,009
Balance at 30 June 2023	110,780

There were no disposals for the year under review.

Valuation technique and significant unobservable inputs
The following table shows the valuation technique used in measuring the fair value of unlisted equity instruments, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Relationship and sensitivity of unobservable inputs to fair value
Discounted cash flow method: This approach utilises forecasts and budgets prepared by management.	Projected revenues and expenses.	A significant increase in the revenues would result in a significant increase in fair value, and vice versa. A significant increase in the expenses would result in a significant decrease in fair value, and vice versa.
	Cost of equity determined using a Capital Asset Pricing Model.	The higher the cost of equity, the lower the fair value and vice versa.
	Small stock premium used to adjust the cost of equity.	The higher the small stock premium, the higher the cost of equity and consequently the lower the fair value and vice versa.
	Specific risk premium used to adjust the cost of equity.	The higher the specific risk premium, the higher the cost of equity and consequently the lower the fair value and vice versa.

The sensitivity of the unlisted investments to an increase or decrease in the principal assumptions are:

Sensitivity analysis	CONSOLIDATED AND COMPANY		CONSOLIDATED AND COMPANY	
	2023		2022	
	Increase	Decrease	Increase	Decrease
	N$'000	N$'000	N$'000	N$'000
Erongored (Pty) Ltd:				
1% change in discount rate	**65,838**	73,943	**27,632**	30,962
1% change in growth rate	**71,662**	67,876	**30,049**	28,444
Alten Solar Power (Hardap) Pty Ltd:				
1% change in cost of equity	**38,034**	44,572	**26,535**	30,869

The Group's exposure to credit, currency and interest rate risks related to investments is disclosed in note 29.

12. INVENTORIES

	CONSOLIDATED		COMPANY	
	2023	2022	2023	2022
	N$'000	N$'000	N$'000	N$'000
Maintenance spares and consumables	**29,005**	25,574	**29,005**	25,574
Fuel and coal	**140,409**	60,489	**140,409**	60,489
Obsolete stock recognised in profit or loss	**(32,500)**	-	**(32,500)**	-
	136,914	86,063	**136,914**	86,063

No inventory was pledged as security.
There are no items of inventory that are stated at net realisable value.
Inventory amounting to N$9.2 million (2022: N$7.2 million) was recognised in profit or loss.

13. TRADE AND OTHER RECEIVABLES

		* Restated		* Restated
Financial instruments:				
Trade receivables at amortised cost	**1,124,575**	1,275,454	**1,124,575**	1,275,454
- Gross receivables	**1,802,899**	1,984,397	**1,802,899**	1,984,397
- expected credit losses	**(678,324)**	(708,943)	**(678,324)**	(708,943)
Non-financial instruments:				
Prepayments	**137,266**	271,857	**137,266**	271,857
Project and other advances	**1,115**	1,004	**1,115**	1,004
Receiver of Revenue - VAT Refund	**-**	9,239	**-**	9,239
Other receivables	**15**	33,591	**15**	33,591
Total trade and other receivables	**1,262,971**	1,591,145	**1,262,971**	1,591,145

* Certain amounts shown here do not correspond to the 2022 financial statements due to errors and reflect adjustments made, refer to note 31.

13.1 Categorisation of trade and other receivables

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

At amortised cost	**1,124,575**	1,275,454	**1,124,575**	1,275,454
Non-financial instruments	**138,395**	306,452	**138,395**	315,691
	1,262,970	1,581,906	**1,262,970**	1,591,145

Expected credit losses (ECL) of N$21.5 million - reversed (2022: N$34.1 million - raised) in respect of trade receivables were recognised in profit or loss.

TRADE AND OTHER RECEIVABLES (CONTINUED)

The carrying amount of the trade receivables disclosed above approximates its fair value due to its short-term nature. In addition, the carrying amounts do not include a significant financing component.

The Group's exposure to credit and currency risks related to trade and other receivables are disclosed in note 29.

Related party receivables

Included in trade and other receivables are amounts due from related parties for Group and Company. These have been disclosed in note 27.

The average credit period on sales of supply is 90 days. Namibian Prime Interest rate is charged on outstanding trade receivables that are more than 30 days past due.

The Group has well-established credit control procedures that monitors activity on customer accounts and allow for remedial action should the customer not comply with payment terms. These procedures include an internal collection process, follow up with the customer either telephonically or in person, negotiations of mutually acceptable payment arrangements and the issue of a notice of disconnection of supply and letters of demand. Non-payment can result in disconnection of supply and the customer's account being closed.

The following collection strategies are currently in operation with varying levels of success:

- Contacting of customers
- Disconnections
- Use of debt collectors
- Payment arrangements
- Automated notices and letters of demand

Progress on the collection process is reviewed on a regular basis and if it is evident that the amount will not be recovered, it is recommended for write-off in terms of the group policy. The process of recovery continues unless it is confirmed that there is no prospect of recovery or the costs of such action will exceed the benefits to be derived.

Customers are grouped in different categories namely Category A to E according to their size of demand, geographic location of the customer (cross borders), characteristics and types. The categorisation of customers are based on the generic or unique individual contracts of supply as follows:

- Category A customers (electricity transmission): these are time of use customers located within the Namibian borders which are connected to the Group transmission system, and includes redistributors, commercial, industrial and mining customers.
- Category B customers (electricity cross borders): these are customers located outside the Namibian borders that are connected to the NamPower transmission system.
- Category C customers (electricity distribution): comprise of customers within Namibian borders other than category A, B, D and E, these customers include commercial, industrial, farms and plots outside town boundaries where there are no regional electricity distributors.
- Category D customers (electricity distribution Government departments/ agents): comprise of Ministries, offices and agencies of the Government of the Republic of Namibia, Village Councils and Regional Councils within Namibia and outside town boundaries where there are no regional electricity distributors.

Payment terms of the above customers are between 20 and 30 days from date of invoice.

Category A to D customers i.e. electricity customers and tenants of the group properties are required to provide security equivalent to between one and three months' consumption before any supply of service is made available on signing of the agreement.

- Category E customers (other receivables): these are customers for services other than electricity and include employees, tenants of the group properties and customers of the other related electricity services. No security is held in respect of these balances except for tenants of the group properties and no interest has been charged on overdue balances.

The Expected Credit Losses for Categories A to D is calculated using the Provision Matrix Approach. The following macro-economic factors were used as independent variables for the regression analysis:

- Gross Domestic Product Annual Growth Rate;
- Prime lending interest rate and
- Inflation rate (CPI)

As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer base.

Certain regional and local authorities and government agencies continued to fall into arrears during the course of the financial year. The timely collection of revenue from these customers remain a challenge. These customers debts are monitored on a regular basis and receive ongoing management attention. Interventions pursued included entering into repayment arrangements and approaching relevant stakeholders to assist with resolving the growing debt.

Category E customers and some customers in Category A and C are assessed individually and expected credit loss based on the individual customer history.

TRADE AND OTHER RECEIVABLES (CONTINUED)

30 June 2023	Impairment Analysis: Trade receivables – days past due				
	Not past due N$'000	30 days past due N$'000	60 days past due N$'000	90 days past due N$'000	Total N$'000
Collectively assessed for impairment: Category A Customers - Electricity transmission customers [1]					
Expected credit loss rate (%)	8.19%	37.56%	61.91%	88.20%	
Net carrying amount at default [2]	413,221	95,364	100,428	406,284	1,015,297
Loss allowance	33,831	35,818	62,178	358,362	490,189
Individually assessed for impairment: Category A Customers - Electricity transmission customers					
Expected credit loss rate (%)	100.00%	100.00%	100.00%	100.00%	
Net carrying amount at default [2]	-	-	-	25,195	25,195
Loss allowance	-	-	-	25,195	25,195
Collectively assessed for impairment: Category B Customers - Electricity cross border customers					
Expected credit loss rate (%)	43.90%	65.61%	78.14%	84.26%	
Net carrying amount at default [2]	10,964	8,382	0.6	-	19,347
Loss allowance	4,813	5,500	0.5	-	10,313
Collectively assessed for impairment: Category C Customers - Electricity distribution customers					
Expected credit loss rate (%)	1.23%	22.59%	41.84%	80.66%	
Net carrying amount at default [2]	14,921	1,130	1,378	806	18,235
Loss allowance	183	255	577	650	1,665
Individually assessed for impairment: Category C Customers - Electricity distribution customers					
Expected credit loss rate (%)	100.00%	100.00%	100.00%	100.00%	
Net carrying amount at default [2]	-	-	2	4,004	4,006
Loss allowance	-	-	2	4,004	4,006
Collectively assessed for impairment: Category D Customers - Government departments/ agents electricity customers					
Expected credit loss rate (%)	8.22%	47.29%	65.55%	95.53%	
Net carrying amount at default [2]	31,519	12,329	10,506	126,112	180,466
Loss allowance	2,590	5,830	6,886	120,470	135,777
Individually assessed for impairment: Category E Customers - Sundry					
Expected credit loss rate (%)	2.59%	86.21%	23.68%	7.66%	
Estimated total gross carrying amount at default	60,103	507	240	119,193	180,043
Loss allowance	1,555	437	57	9,130	11,178
Total loss allowance	42,972	47,841	69,700	517,811	678,324

[1] For category A, C and D customers we noted high loss rates for current balances but based on management's assessment it is still appropriate to recognise revenue. It is still probable that the Group will collect the consideration.

[2] The Net carrying amount at default balance is the Trade Receivables Balance minus the corresponding Value Added Tax "VAT", the sum of the security deposits (cash and adjusted bank guarantees) and debtors with credit balances.

TRADE AND OTHER RECEIVABLES (CONTINUED)

30 June 2022	Impairment Analysis: Trade receivables – days past due				
	Not past due	30 days past due	60 days past due	90 days past due	Not past due
	N$'000	N$'000	N$'000	N$'000	N$'000
Collectively assessed for impairment: Category A Customers - Electricity transmission customers [1]					
Expected credit loss rate (%)	1.76%	7.55%	15.00%	90.10%	
Gross carrying amount at default	374,843	99,967	83,908	269,600	828,318
Loss allowance	6,605	7,543	12,586	242,901	269,635
Collectively assessed for impairment: Category B Customers - Electricity cross border customers					
Expected credit loss rate (%)	69.72%	69.72%	69.72%	69.72%	
Gross carrying amount at default	24,546	21,644	22,103	418,651	486,944
Loss allowance	17,114	15,092	15,411	291,903	339,520
Collectively assessed for impairment: Category C Customers - Electricity distribution customers					
Expected credit loss rate (%)	26.36%	26.36%	26.36%	26.36%	
Gross carrying amount at default	12,669	2,264	494.45	4,755	20,182
Loss allowance	3,340	597	130	1,253	5,320
Collectively assessed for impairment: Category D Customers - Government departments/ agents electricity customers					
Expected credit loss rate (%)	65.51%	65.51%	65.51%	65.51%	
Gross carrying amount at default	22,463	6,225	4,481	95,282	128,451
Loss allowance	14,716	4,078	2,935	62,420	84,149
Individually assessed for impairment: Category E Customers - Sundry					
Expected credit loss rate (%)	0.83%	81.07%	99.44%	5.51%	
Estimated total gross carrying amount at default	63,111	515	444	162,116	226,186
Loss allowance	526	418	442	8,933	10,319
Total loss allowance	42,301	27,728	31,504	607,410	708,943

TRADE AND OTHER RECEIVABLES (CONTINUED)

The loss allowance for trade and other receivables reconciles to the opening loss allowance for that provision as follows:	Category A	Category B	Category C	Category D	Category E	Total
	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000
Reconciliation of movements in allowance for impairment						
Opening loss allowance as at 01 July 2021	**212,816**	**345,309**	**25,778**	**86,628**	**4,698**	**675,229**
(Decrease)/increase in loss allowance recognised in profit loss during the year	56,819	(5,789)	(20,265)	(2,479)	5,836	34,122
Receivables written off during the year as uncollectible	-	-	(192)	-	(216)	(408)
Opening loss allowance as at 01 July 2022	**269,635**	**339,520**	**5,321**	**84,149**	**10,318**	**708,943**
Increase/(decrease) in loss allowance recognised in profit loss during the year	220,593	(320,377)	25,632	51,627	1,019	(21,506)
Receivables written off during the year as uncollectible	-	(8,830)	(125)	-	(158)	(9,112)
Closing loss allowance as at 30 June 2023	**490,228**	**10,313**	**30,828**	**135,776**	**11,179**	**678,324**

14. CASH AND CASH EQUIVALENTS

	CONSOLIDATED		COMPANY	
	2023	2022	2023	2022
	N$'000	N$'000	N$'000	N$'000
Cash and cash equivalents consist of:				
Cash on hand	**31**	62	**31**	62
Call account - Long run marginal cost1	**290,259**	309,849	**290,259**	309,849
Bank balances	**380,552**	831,083	**380,552**	831,083
Short term deposits2	**747,524**	617,294	**747,524**	617,294
	1,418,366	1,758,288	**1,418,366**	1,758,288

[1] The Long run marginal cost (LRMC) call account is restricted and may only be utilised with the approval of the Electricity Control Board (ECB). These funds are generally classified as available for use within the Group.

[2] Deposits at notice include call accounts. There are no restrictions on the funds which are managed according to the Group's investment policy statement.

The Group's exposure to credit, currency and interest rate risks related to cash and cash equivalents is disclosed in note 29.

The carrying amounts of cash and cash equivalents approximate its fair values, due to its liquid and short-term nature.

15. TAXATION

	CONSOLIDATED		COMPANY	
	2023	2022	2023	2022
	N$'000	N$'000	N$'000	N$'000
Namibian company tax				
Deferred taxation	**(525,247)**	(590,188)	**(525,247)**	(590,188)
Taxation recognised in profit or loss	**(525,247)**	(590,188)	**(525,247)**	(590,188)
Taxation recognised in other comprehensive income	**1,213**	1,882,730	**1,379**	1,882,730
Total taxation	**(524,034)**	1,292,542	**(523,868)**	1,292,542
Tax rate reconciliation	**%**	%	**%**	%
Standard Tax Rate	**32.00**	32.00	**32.00**	32.00
Adjusted for:				
Social Responsibility	**(0.18)**	(0.14)	**(0.18)**	(0.14)
Donations	**(0.01)**	-	**(0.01)**	-
Other Items not deductible for tax purposes				
Legal fees not allowed for tax purposes	**-**	(0.01)	**-**	(0.01)
Research cost	**(0.01)**	-	**(0.01)**	-
Investment Properties	**0.08**	-	**0.08**	-
Short term insurance	**(0.03)**	(0.05)	**(0.03)**	(0.05)
Government grant	**2.55**	0.79	**2.55**	0.79
Capital contributions by customers	**1.79**	1.79	**1.79**	1.79
Deferred tax on assets with no tax values	**(5.13)**	(1.87)	**(5.13)**	(1.87)
Gains & losses on non-current financial instruments	**0.16**	0.04	**0.16**	0.04
Prior year charge	**3.03**	-	**3.03**	-
Effective tax rate	**34.26**	32.54	**34.26**	32.54

15. TAXATION (CONTINUED)

Taxation recognised in other comprehensive income

	CONSOLIDATED			COMPANY		
		Tax expense			Tax expense	
2023	**Before tax**	**(benefit)**	**Net of tax**	**Before tax**	**(benefit)**	**Net of tax**
Remeasurements of employee benefit provisions	**(48,249)**	**15,440**	**(32,809)**	**(48,249)**	**15,440**	**(32,810)**
Share of other comprehensive income of associates	**(185,296)**	**-**	**(185,296)**	**-**	**-**	**-**
Valuation of listed equity instruments	**(138)**	**-**	**(138)**	**(138)**	**-**	**(138)**
Valuation of debt-instruments	**8,451**	**-**	**8,451**	**8,451**	**-**	**8,451**
Valuation of unlisted equity instruments	**(53,009)**	**-**	**(53,009)**	**(53,009)**	**-**	**(53,009)**
Revaluation of property, plant and equipment	**(93,447)**	**29,903**	**(63,544)**	**(93,447)**	**29,903**	**(63,544)**
Revaluation of strategic inventory	**137,388**	**(43,964)**	**93,424**	**137,388**	**(43,964)**	**93,424**
	(234,300)	**1,213**	**(233,086)**	**(49,003)**	**1,379**	**(47,625)**
2022						
Remeasurements of employee benefit provisions	(29,965)	9,589	(20,376)	(29,965)	9,589	(20,376)
Share of other comprehensive income of associates	(204,773)	-	(204,773)	-	-	-
Valuation of listed equity instruments	215	-	215	215	-	215
Valuation of debt-instruments	(10,607)	-	(10,607)	(10,607)	-	(10,607)
Valuation of unlisted equity instruments	(12,907)	-	(12,907)	(12,907)	-	(12,907)
Revaluation of property, plant and equipment	(5,779,581)	1,849,466	(3,930,115)	(5,779,581)	1,849,466	(3,930,115)
Revaluation of strategic inventory	(73,985)	23,675	(50,310)	(73,985)	23,675	(50,310)
	(6,111,603)	1,882,730	(4,228,873)	(5,906,829)	1,882,730	(4,024,099)

16. SHARE CAPITAL AND RESERVES

	CONSOLIDATED		COMPANY	
	2023	2022	2023	2022
	N$'000	N$'000	N$'000	N$'000
16.1 Authorised				
365 000 000 ordinary shares at N$1	365,000	365,000	365,000	365,000
16.2 Issued and fully paid share capital				
165 000 000 (2022: 165 000 000) ordinary shares at N$1	165,000	165,000	165,000	165,000

The unissued share capital is under the control of the Government of the Republic of Namibia, represented by the Ministry of Mines and Energy, as the sole shareholder.

16.3 Share premium				
Share premium arising on shares issued	900,000	900,000	900,000	900,000

100 000 000 Ordinary shares of N$1 each and share premium of N$9.

(2022: 100 000 000 Ordinary shares of N$1 each and share premium of N$9.)

Holders of the ordinary shares are entitled to dividends whenever dividends to ordinary shareholders are declared and are entitled to one vote per share at general meetings of the Company.

16.4 Reserve Fund

The reserve fund is utilised to fund costs associated with potential energy crises. There are no restrictions on the distribution of the balance to the shareholders.

16.5 Development Fund

The development fund is utilised for the total or partial financing of capital works and extensions to power stations, transmission and distribution networks. There are no restrictions on the distribution of the balance to the shareholders.

16.6 Capital revaluation reserve

The revaluation reserve relates to the increments and decrements on the revaluation of property, plant and equipment. There are no restrictions on the distribution of the balance to the shareholders.

16.7 Strategic inventory revaluation reserve

The revaluation reserve relates to the revaluation of strategic inventory items. The revaluation is performed in line with the Group's property, plant and equipment policy. There are no restrictions on the distribution of the balance to the shareholders.

16.8 Investment valuation reserve

The reserve consists of all fair value movements relating to financial instruments classified as listed and unlisted equity.

The fair value adjustment relates to 25 249 shares held in Sanlam Ltd, 57 shares held in Alten Solar Power (Hardap) Pty Ltd and 1 267 500 shares held in Erongored (Pty) Ltd.

There are no restrictions on the distribution of the balance to the shareholders.

17. INTEREST BEARING LOANS AND BORROWINGS (CONSOLIDATED AND COMPANY)

Terms and conditions of outstanding loans were as follows:

17.1 Interest bearing borrowings	Currency	Coupon interest rate	Effective interest rate	Year of maturity	30 June 2023 Carrying amount N$'000	30 June 2023 Face value N$'000	30 June 2022 Carrying amount N$'000	30 June 2022 Face value N$'000
17.1.1 Development Bank of Namibia [1]	NAD	**Prime less 4.5%**	**Prime less 4.5%**	2024	**5,888**	**5,888**	12,878	12,878
17.1.2 European Investment Bank - loan III [1]	ZAR	**9.26%**	**9.26%**	2029	**146,762**	**142,902**	169,340	164,887
17.1.3 Agence Francaise de Development II [1]	ZAR	**6.10%**	**6.10%**	2027	**101,913**	**99,265**	124,560	121,324
17.1.4 KFW Bankengruppe III [1]	ZAR	**8.26%**	**8.26%**	2027	**183,053**	**178,702**	223,735	218,414
					437,616	**426,757**	530,513	517,503
Less: Instalments payable within one year transferred to current liabilities					**100,944**	**90,086**	523,721	510,711
					336,672	**336,671**	6,792	6,792

[1] The loans are unsecured.

Refer to note 29.1 (classification of financial instrument classes into IFRS 9 categories).

The Group's exposure to liquidity and currency risks related to interest bearing loans and borrowings is disclosed in note 29.

Debt covenants

The Group has met all the debt covenant ratio requirements as at 30 June 2023.

The ratios below are calculated based on/aligned to the definitions as per loan agreements with lenders.

Ratios

	Agreement requirement	2023	2022
Debt Service Coverage (12 months)	Above 1.3	9.12	0.87
Two-year average debt service coverage ratio	Above 1.4	4.99	1.25
Debt to total debt and equity ratio	Below 65%	1.29%	1.53%
Net debt to EBITDA ratio	Below 4	-11.91	-383.13

Defaults and breaches

There were no defaults or breaches of the loan agreements during the year under review.

Loan covenants prescribe for certain key financial ratios to be met. During the prior year, the Company reported a Debt Service Coverage Ratio (DSCR) of [1.01/1.16x], and thus did not fulfil the minimum DSCR of 1.3x as per the covenants. Due to this breach of the covenant clause in the prior year, the lenders were entitled to request for immediate repayment of the outstanding loan amount of N$517.6 million or consider a waiver. The lenders had not requested early repayment of the loan as of the date when the 2022 financial statements were approved by the Board of Directors. Management has negotiated a waiver with the Lenders for the loan condition not to trigger an Event of Default and for the current loan conditions to remain unchanged.

The outstanding balance was presented as a current liability at 30 June 2022.

18. DEFERRED REVENUE LIABILITIES

	Notes	CONSOLIDATED 2023 N$'000	CONSOLIDATED 2022 N$'000	COMPANY 2023 N$'000	COMPANY 2022 N$'000
Non-current liability					
Deferred revenue government grant: generation assets	18.1	**152,702**	161,567	**152,702**	161,567
Transfers of assets from customers	18.3	**268,817**	254,965	**268,817**	254,965
Interest rate subsidy - EIB Loan III	18.2	**5,498**	7,581	**5,498**	7,581
Deferred revenue: Capital contributions received	18.4	**810,773**	674,451	**810,773**	674,451
		1,237,790	1,098,564	**1,237,790**	1,098,564
Current liability					
Interest rate subsidy - EIB Loan III	18.2	**2,083**	2,416	**2,083**	2,416
Deferred revenue government grant: generation assets	18.1	**6,857**	6,857	**6,857**	6,857
Deferred revenue: Long-run marginal cost	18.5	**290,259**	309,849	**290,259**	309,849
Transfers of assets from customers	18.3	**67,137**	31,055	**67,137**	31,055
Deferred revenue: Omburu PV	18.6	**325,443**	328,542	**325,443**	328,542
		691,779	678,719	**691,779**	678,719

18.1 Deferred revenue - government grants

18.1.1 Government grant - generation assets

Reconciliation of deferred revenue - government grant

Opening balance	**168,424**	177,288	**168,424**	177,288
Recognised in profit or loss	**(8,864)**	(8,864)	**(8,864)**	(8,864)
Closing balance	**159,560**	168,424	**159,560**	168,424

The grant of N$250.0 million was received to subsidise the construction of Anixas Powerstation, the 22.5 megawatt (MW) emergency power plant at Walvis Bay to serve as a back-up energy supply to prevent power black outs that may be experienced during peak hours. Of this grant N$8.9 million (2022: N$8.9 million) was recognised as income during the current year while the N$159.6 million (2022: N$168.4 million) represents deferred income and will be recognised on a systematic basis over the useful life of the power plant.

The Group will continue to operate and maintain the Anixas Powerstation.
There was no unfulfilled conditions and other contingencies attached to the Government grant.

DEFERRED REVENUE LIABILITIES (CONTINUED)

18.2 Interest rate subsidy - EIB Loan III

Reconciliation of deferred revenue - Interest rate subsidy

	CONSOLIDATED		COMPANY	
	2023	2022	2023	2022
	N$'000	N$'000	N$'000	N$'000
Opening balance	**9,997**	12,746	**9,997**	12,746
Recognised in profit or loss	**(2,416)**	(2,749)	**(2,416)**	(2,749)
Closing balance	**7,581**	9,997	**7,581**	9,997

An interest rate subsidy of N$65.9 million was received during the financial year ended 30 June 2010. EU-Africa Infrastructure Trust Fund ("ITF") approved, inter alia, the provision of an interest rate subsidy for an amount of €5 million (five million euros), equivalent to N$65.9 million to enable EIB to make available finance to NamPower at reduced interest rates. The parties have agreed that the interest rate subsidy be applied upfront in order to reduce the interest payable. Of this grant N$2.4 million (2022: N$2.7 million) was recognised as income during the current year whilst the remaining N$7.6 million (2022: N$10.0 million) represents deferred income and will be recognised over the period of the loan of 20 years.

18.3 Transfers of assets from customers

transfers of assets from customers comprise of assets constructed by customer and transferred to the group, as well as capital/cash contributions made by customers towards assets constructed by the Group. The Power Supply Agreements (PSA) state that assets will be transferred or contribution will be made in order to connect the customer to the Group's electricity network system.

Opening balance	**286,020**	286,020	**286,020**	259,047
Additions in the current period	**124,929**	119,845	**124,929**	119,845
Recognised in profit or loss	**(74,995)**	(92,872)	**(74,995)**	(92,872)
Closing balance	**335,954**	286,020	**335,954**	286,020
Current	**67,137**	31,055	**67,137**	31,055
Non-current	**268,817**	254,965	**268,817**	254,965
	335,954	286,020	**335,954**	286,020

Transfers of assets from customers increased by N$ 124.9 million as a result of assets constructed and transferred to the group in respect of new customer contracts. The increase in 2022 was mainly due to customer funded assets constructed by the Group.

The Group expects that 20% (N$67.1 million) of the unsatisfied performance obligations as of 30 June 2023 will be recognised as revenue during the next reporting period. The remaining 80% (N$269 million) will be recognised in the financial periods from 2024 onwards.

DEFERRED REVENUE LIABILITIES (CONTINUED)

18.4 Deferred revenue: Capital contributions received

Capital contributions received include upfront payments received from Transmission customers for the construction of assets. The credit for the upfront capital contribution is initially recognised in deferred revenue, once the construction of the asset is complete, the deferred revenue is recognised in revenue in accordance with IFRS 15 over the period of the Power Supply Agreement (PSA) or the useful life of the asset whichever is shorter.

	CONSOLIDATED		COMPANY	
	2023	2022	2023	2022
	N$'000	N$'000	N$'000	N$'000
Opening balance	**674,451**	725,513	**674,451**	725,513
Payments received	**174,059**	45,679	**174,059**	45,679
Transfers to capital contributions	**-**	(87,460)	**-**	(87,460)
Project costs incurred	**(37,737)**	(9,280)	**(37,737)**	(9,280)
Closing balance	**810,773**	674,451	**810,773**	674,451

Capital contributions received from customers increased by N$ 174.1 million mainly as a result of contributions in respect of new customer contracts. The decrease in 2022 was mainly due to transfer of completed customer funded assets to deferred revenue: Transfers of assets from customers.

The Group expects that 17% (N$136.3 million) of the unsatisfied performance obligations as of 30 June 2023 will be recognised as transfers of assets from customers during the next reporting period. The remaining 83% (N$674.5 million) will be recognised in the financial periods from 2024 onwards.

18.5 Deferred revenue: Long-run marginal cost

In 2013, the Electricity Control Board introduced the long-run marginal cost (LRMC) levy to create a reserve for use in avoiding significant future price shocks to the Namibian consumer. In line with the directives of the Regulator, the Electricity Control Board, the LRMC levy is ring-fenced within the Company and invested in a separate interest bearing account effective 1 July 2018. These funds can only be utilised with the specific approval of the Regulator. The year under review included N$32.4 million (2022: N$50.0 million) of the LRMC utilised as fuel cost subsidy for the Van Eck and Anixas Powerstations in respect of the 2022 financial year.

Opening balance	**309,849**	495,483	**309,849**	495,483
Interest received	**23,020**	21,238	**23,020**	21,238
LRMC utilised - Van Eck and Anixas Powerstations fuel cost subsidy	**(32,435)**	(50,000)	**(32,435)**	(50,000)
LRMC utilised-Subsidy to Omburu PV	**(10,175)**	(156,872)	**(10,175)**	(156,872)
Closing balance	**290,259**	309,849	**290,259**	309,849

DEFERRED REVENUE LIABILITIES (CONTINUED)

18.6 Deferred revenue: Omburu PV

The Group constructed a 20MW PV plant which was commissioned during the year under review. The Electricity Control Board approved an amount of N$342.0 million to be utilised from the LRMC towards the cost of the construction. The funds will be claimed as and when the Group incur the cost of construction. During the year under review, N$10.2 million (2022: N$156.9 million) was withdrawn from the LRMC fund with the approval of the ECB. Of these funds N$13.3 million (2022: N$3.3 million) was recognised as income during the current year while the N$325.4 million (2022: N$328.5 million) represents deferred income and will be recognised on a systematic basis over the useful life of the power plant. The last tranche of this grant was received in the 2023 financial year.

	CONSOLIDATED		COMPANY	
	2023	2022	2023	2022
	N$'000	N$'000	N$'000	N$'000
Opening balance	**328,542**	174,989	**328,542**	174,989
Recognised in profit or loss	**(13,274)**	(3,319)	**(13,274)**	(3,319)
Received from LRMC	**10,175**	156,872	**10,175**	156,872
Closing balance	**325,443**	328,542	**325,443**	328,542

19. DEFERRED TAX LIABILITIES

	CONSOLIDATED		COMPANY	
	2023	**2022**	**2023**	**2022**
	N$'000	**N$'000**	**N$'000**	**N$'000**
Balance at the beginning of the year	**11,205,126**	9,912,584	**11,201,459**	9,908,917
Current charge recognised in profit or loss	**(603,872)**	(624,025)	**(603,872)**	(624,025)
Current year (loss)/profit	**(603,872)**	(624,025)	**(603,872)**	(624,025)
Temporary differences	**(502,695)**	(483,686)	**(502,695)**	(483,686)
Unused tax loss	**(101,177)**	(140,339)	**(101,177)**	(140,339)
Timing differences for current period recognised through profit/loss - additions with no tax value	**78,626**	33,837	**78,626**	33,837
Current charge recognised in other comprehensive income	**1,214**	1,882,730	**1,379**	1,882,730
Balance at end of year	**10,681,094**	11,205,126	**10,677,592**	11,201,459
The balance comprises:				
Deferred tax liabilities	**11,704,638**	11,829,966	**11,701,136**	11,826,299
Deferred tax assets	**(1,023,544)**	(624,840)	**(1,023,544)**	(624,840)
Total net deferred tax liability/asset	**10,681,094**	11,205,126	**10,677,592**	11,201,459
Deferred tax liabilities:				
Deferred tax liabilities to be recovered after more than 12 months	**11,691,372**	11,824,028	**11,687,870**	11,820,361
Deferred tax liability to be recovered within 12 months	**13,266**	5,938	**13,266**	5,938
	11,704,638	11,829,966	**11,701,136**	11,826,299
Deferred tax assets:				
Deferred tax assets to be recovered after more than 12 months	**(1,023,544)**	(624,840)	**(1,023,544)**	(624,840)
	(1,023,544)	(624,840)	**(1,023,544)**	(624,840)
Property, plant and equipment	**11,358,780**	11,530,200	**11,355,278**	11,526,533
Strategic inventory	**271,035**	234,201	**271,035**	234,201
Inventory write off	**(10,400)**	-	**(10,400)**	-
Prepayments	**13,266**	5,938	**13,266**	5,938
Inventories	**4,637**	6,447	**4,637**	6,447
Unused tax loss	**(241,516)**	(140,339)	**(241,516)**	(140,339)
Expected credit losses on investments	**(1,714)**	(1,815)	**(1,714)**	(1,815)
Severance pay liability	**(13,449)**	(18,033)	**(13,449)**	(18,033)
Fair value swaps, loans and unrealised foreign exchange losses	**56,920**	53,180	**56,920**	53,180
Retention creditors	**(36,238)**	(26,648)	**(36,238)**	(26,648)
Post retirement medical benefit	**(63,887)**	(70,748)	**(63,887)**	(70,748)
Power purchase and power sales agreement- embedded derivative	**(441,210)**	(141,554)	**(441,210)**	(141,554)
Provisions and advance payments	**(60,146)**	(63,530)	**(60,146)**	(63,530)
Trade receivables	**(154,984)**	(162,173)	**(154,984)**	(162,173)
	10,681,094	11,205,126	**10,677,592**	11,201,459

DEFERRED TAX LIABILITIES (CONTINUED)

Movements - Deferred tax assets	Property, plant and equipment N$'000	Employee benefits N$'000	Embedded derivative N$'000	Provisions N$'000	Trade receivable N$'000	Other N$'000	Total N$'000
At 1 July 2021	**-**	**(94,067)**	-	**(59,863)**	**(155,224)**	**(43,024)**	**(352,178)**
(Charged)/credited							
- to profit or loss	**-**	**-**	-	(3,667)	(6,949)	(267,332)	(277,947)
- to other comprehensive income	-	5,286	-	-	-	-	5,286
At 1 July 2022	**-**	**(88,781)**	-	**(63,530)**	**(162,173)**	**(310,356)**	**(624,840)**
(Charged)/credited							
- to profit or loss	**-**	**-**	-	**3,384**	**7,189**	**(420,722)**	**(410,149)**
- to other comprehensive income	**-**	**11,446**	-	**-**	**-**	**-**	**11,445**
At 30 June 2023	**-**	**(77,336)**	-	**(60,146)**	**(154,984)**	**(731,078)**	**(1,023,544)**

Movements - Deferred tax liabilities

	Property, plant and equipment N$'000	Employee benefits N$'000	Embedded derivative N$'000	Provisions N$'000	Trade receivable N$'000	Other N$'000	Total N$'000
At 1 July 2021	**10,068,111**	**-**	**180,577**	**-**	**-**	**12,407**	**10,261,095**
(Charged)/credited							
- to profit or loss	-	-	-	-	-	106,781	106,781
- to other comprehensive income	1,458,422	-	-	-	-	-	1,458,422
At 1 July 2022	**11,526,533**	**-**	**180,577**	**-**	**-**	**119,188**	**11,826,298**
(Charged)/credited							
- to profit or loss	**-**	**-**	**-**	**-**	**-**	**46,093**	**46,093**
- to other comprehensive income	**(171,255)**	**-**	**-**	**-**	**-**	**-**	**(171,255)**
At 30 June 2023	**11,355,278**	**-**	**180,577**	**-**	**-**	**165,281**	**11,701,136**

20. TRADE AND OTHER PAYABLES

	CONSOLIDATED			COMPANY		
	2023	2022	2021	2023	2022	2021
	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000
		Restated	Restated		Restated	Restated
Financial instruments:						
Trade payables *	**794,842**	1,249,986	1,095,980	**794,850**	1,249,994	1,095,988
Value Added Tax *	**74,908**	-	23,995	**74,908**	-	23,995
Retention creditors	**56,795**	2,505	556	**56,795**	2,505	556
Non-financial instruments:						
Leave and bonus accruals	**161,298**	158,159	165,851	**161,298**	158,159	165,851
Total trade and other payables	**1,087,843**	1,410,650	1,286,382	**1,087,851**	1,410,658	1,286,390

20.1 Categorisation of trade and other payables

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

At amortised cost	**926,545**	1,252,491	1,120,531	**926,553**	1,252,499	1,120,539
Non-financial instruments	**161,298**	158,159	165,851	**161,298**	158,159	165,851
	1,087,843	1,410,650	1,286,382	**1,087,851**	1,410,658	1,286,390

* Certain amounts shown here do not correspond to the 2020 and 2021 financial statements due to reclassifications and reflect adjustments made, refer to note 31.

The Group's exposure to liquidity and currency risks related to trade and other payables are disclosed in note 29.

The carrying amounts of trade and other payables approximate its fair values, due to their short-term nature.

TRADE AND OTHER PAYABLES (CONTINUED)

20.2 Leave and bonus accruals

The Group accrues for leave pay and bonuses for all employees. The values at 30 June 2023 for leave accruals were N$141.6 million (2022: N$138.1 million) and bonus accruals were N$19.7 million (2022: N$20.1 million) and were determined by reference to the leave days accrued and proportionate annual bonus accrual. The bonus accrual is expected to be utilised within the following financial year.

20.3 Related party payables

Trade and other payables due to related parties have been disclosed in note 27.

20.4 Retention creditors

	CONSOLIDATED		COMPANY	
	2023	2022	2023	2022
	N$'000	N$'000	N$'000	N$'000
Non-Current	**56,449**	80,772	**56,449**	80,772
Current (included in trade payables)	**56,795**	2,505	**56,795**	2,505
	113,244	83,277	**113,244**	83,277

This represents retentions held by the Company in respect of defect clauses in contracts with suppliers.

21. DERIVATIVES

21.1 Derivative assets

Forward exchange contract assets	**50,033**	51,139	**50,033**	51,139
	50,033	51,139	**50,033**	51,139

21.2 Derivative liabilities

Valuation firm commitments	**2,265**	527	**2,265**	527
Current: Embedded derivative - Power Purchase Agreement (PPA)	**1,378,782**	442,356	**1,378,782**	442,356
	1,381,047	442,883	**1,381,047**	442,883

The Group hedges its risk to interest rate and currency risks in terms of the foreign loans by entering into interest rate and cross currency swaps. Changes in the fair value of the swaps that are designated and qualify as fair value hedges are recorded in the profit or loss component of the statement of comprehensive income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

DERIVATIVES (CONTINUED)

The swap agreements have been entered into with Standard Bank Limited. The cross currency swaps are denominated in NAD, EUR and GBP.

The swap agreements have termination days ranging from 20 June 2018 to 15 September 2022. Refer to note 17 for the hedged loan repayment dates.

The electricity purchase price in terms of the Power Purchase Agreement (PPA) with ZESCO is linked to the movements of the US Dollar currency and the US Producer Price Index. The variables above give rise to foreign currency and inflation-linked embedded derivatives.

Valuation

The fair value of embedded derivatives is determined by using a forward electricity price curve.

The key driver for the significant increase in the liability is attributed to the depreciation in the exchange rate NAD:USD. The higher forecasted US PPI index is an additional factor which contributed to the increased liability for the 100MW contract.

Valuation assumptions

The contracted electricity price used to value embedded derivatives is based on a combination of factors in the table below over the contracted period.

Forecast sales volumes are based on the most likely future sales volumes which have been back-tested against historic volumes.

The fair value of embedded derivatives takes into account the inherent uncertainty relating to the future cash flows of embedded derivatives, such as liquidity, model risk and other economic factors.

The following valuation assumptions for the future electricity price curve discussed above for the valuation of embedded derivatives were used and are regarded as the best estimates by the board:

		Year ended 30 June 2023				
Input	**Unit**	**30-Jun-24**	**30-Jun-25**	**30-Jun-26**	**30-Jun-27**	**30-Jun-28**
US CPI	% YOY	2.49%	2.38%	2.45%	2.52%	2.61%
US PPI - ZESCO 100MW	% YOY	2.46%	2.34%	2.42%	2.49%	2.58%
US PPI - ZESCO 80MW	% YOY	2.45%	2.34%	2.41%	2.49%	2.58%
USD:ZAR	rate	19.592	20.419	21.530	22.773	24.290
US Interest Rate	%	5.30%	4.74%	4.32%	4.04%	3.85%
SA Interest Rate	%	8.69%	8.60%	8.54%	8.63%	8.81%

22. EMPLOYEE BENEFIT PROVISIONS

	CONSOLIDATED		COMPANY	
	2023	2022	2023	2022
	N$'000	N$'000	N$'000	N$'000
Post Retirement Medical Benefits	**199,646**	221,089	**199,646**	221,089
Severance pay liability	**42,027**	56,352	**42,027**	56,352
	241,673	277,441	**241,673**	277,441

22.1 Post Retirement Medical Benefits

22.1.1 Actuarial assumptions

The Group makes contributions to two defined benefit plans that provide medical benefits for current employees. The Group makes contributions to three defined benefit plans that provide medical benefits for pensioners. The benefit plans are provided by Namibia Medical Care (NMC), which is administered by Methealth Namibia Administrators.

In terms of the conditions of employment for employees appointed before 1 August 2004, the post retirement medical benefits is an arrangement where the Group subsidises either a proportion or the full amount of the medical aid scheme contributions under Namibia Medical Care ("NMC") of qualifying retired employees and their eligible dependents. Such individuals are referred to as medical scheme continuation members and include members who have continued membership after retirement or the death in service of the principal member.

Responsibility for governance of the defined benefit plans lies with the Group.

The present value of the provision at 30 June 2023, as determined by an actuarial valuation, was N$199.6 million (2022: N$221.1 million). This actuarial valuation was performed by ZAQ Consultants and Actuaries Namibia. The defined benefit obligation was calculated using the projected unit credit method. Under the Projected Unit Credit method, the present value of benefits that will accrue to employees in respect of the next year of service after the valuation date is calculated and this is called the current service cost. The liability is expected to be settled over 15 years.

The defined medical benefit liability is unfunded. No dedicated assets had been set aside to meet this liability.

The Group expects to pay N$172.7 million (2022: N$157.9 million) in contributions to the defined benefit plans in 2024.

EMPLOYEE BENEFIT PROVISIONS (CONTINUED)

Membership data

The table below provides a summary of details for the members.

	CONSOLIDATED		COMPANY	
	2023	2022	2023	2022
	N$'000	N$'000	N$'000	N$'000
Current (in service) employees				
Number of active employees	**303**	320	**303**	320
Subsidy weighted average age	**55.7**	54.4	**55.7**	54.4
Subsidy weighted average past service	**28.5**	27.1	**28.5**	27.1
Average monthly subsidy payable during retirement (N$)	**4,200**	4,460	**4,200**	4,460
Continuation members (pensioners)				
Number of continuation members	**144**	147	**144**	147
Subsidy weighted average age	**70.5**	70.4	**70.5**	70.4
Average monthly subsidy (N$)	**4,650**	4,230	**4,650**	4,230
Liability for defined benefit obligations				
The following were the principal actuarial assumptions at the reporting date:				
Discount rate at 30 June (%)	**13.37**	13.09	**13.37**	13.09
Medical cost trend rate (%)	**9.37**	10.09	**9.37**	10.09
Consumer price inflation (%)	**7.87**	8.59	**7.87**	8.59
Net effective discount rate	**3.66**	2.73	**3.66**	2.73

EMPLOYEE BENEFIT PROVISIONS (CONTINUED)

Discount rate

The nominal and real zero yield curves as at 30 June 2023, supplied by the Johannesburg Stock Exchange (JSE) were used to determine the discount rate and consumer price inflation. These yield curves were used because there is not a deep market in government bonds in the Republic of Namibia. To determine the discount rate to use, the implied duration obtained was used to match it with a point on the yield curve.

The implied duration used to value the liabilities was calculated to be 13.4 (2022: 15.3) years.

The net effective discount rate is based on the relationship between the (yield curve based) discount rate for the relevant duration and the (yield curve based) medical aid inflation for the relevant duration.

Medical aid Inflation

The underlying future rate of consumer price index inflation (CPI inflation) was derived from the point on the yield curve which matches the implied duration of the liability. The assumed rate of medical aid inflation was set as the calculated value of CPI plus 1.5%.

Namibia has experienced high healthcare cost inflation in recent years. The annualised compound rates of increase for the last ten years show that registered medical schemes contribution inflation outstripped general CPI by almost 3% year on year. The Group does not believe that these increases are sustainable and have assumed that medical aid contribution inflation would outstrip general inflation by 1.5% per annum over the foreseeable future.

Mortality Rates

Assumptions regarding future mortality have been based on published statistics and mortality tables. Mortality before retirement has been based on the SA 85-90 mortality tables and mortality post-employment has been based on the PA (90) ultimate mortality tables. These are the most commonly used tables in the industry.

The current longevities underlying the values of the defined medical benefit liability at the reporting date were as follows:

Consolidated and Company

	CONSOLIDATED AND COMPANY	
Longevity (years) at age 65	**2023**	**2022**
Males	**11.2**	11.2
Females	**16.1**	16.1

EMPLOYEE BENEFIT PROVISIONS (CONTINUED)

Spouses and Dependents

The marital status of members who are currently married were assumed to remain the same up to retirement. It was also assumed that 90% of all single male and female employees would be married at retirement with no dependent children. Where necessary it was assumed that female spouses would be 5 years younger than their male spouses at retirement.

Comparison with preceding valuation

Membership changes			
Changes to in service membership as at the valuation dates:	**30-06-2023 Valuation**	**30-06-2022 Valuation**	**% Change**
Number of active employees	**303**	320	-5.3%
Subsidy weighted average age	**55.70**	54.40	2.5%
Subsidy weighted average age	**28.45**	27.10	5.0%
Average monthly subsidy (N$)	**4,200**	4,460	-5.8%
Changes to continuation membership (pensioners' membership) as at the valuation dates:			
Number of principal members	**144**	147	-2.0%
Subsidy weighted average age	**70.46**	70.41	0.1%
Average monthly subsidy (N$)	**4,650**	4,230	9.9%
Changes in the valuation assumptions as at the valuation dates:			
Financial variable			
Discount rate	**13.37%**	13.09%	2.1%
Consumer price inflation	**7.87%**	8.59%	-8.4%
Medical aid Inflation	**9.37%**	10.09%	-7.2%
Net effective discount rate	**3.66%**	2.73%	34.1%

EMPLOYEE BENEFIT PROVISIONS (CONTINUED)

22.1.2 Movements in the net liability for defined benefit obligations recognised in the statement of financial position

	CONSOLIDATED		COMPANY	
	2023	2022	2023	2022
	N$'000	N$'000	N$'000	N$'000
Net liability for defined obligations as at 1 July	**221,089**	226,644	**221,089**	226,644
Interest cost	**28,992**	27,266	**28,992**	27,266
Current service costs	**4,658**	4,559	**4,658**	4,559
Benefits paid				
- Employer	**(1,046)**	(1,001)	**(1,046)**	(1,001)
- Continuation members	**(5,798)**	(5,400)	**(5,798)**	(5,400)
Remeasurements				
- Gain from economic assumptions	**(25,543)**	(2,189)	**(25,543)**	(2,189)
- (Gain)/loss from experience	**(22,706)**	(28,790)	**(22,706)**	(28,790)
Net liability for defined obligations as at 30 June	**199,646**	221,089	**199,646**	221,089

The main reasons for the actuarial gain can be attributed to the following factors:

Over the past year interest rates, bond yields and inflation figures have changed. These changes caused the net effective discount rate to increase which resulted in a decrease in the liability of around N$25.5 million.

The actual increase of the subsidies to the medical aid over the past year turned out to be less than expected. Along with this, many members also changed to less expensive schemes, which resulted in a decrease in the overall subsidies. This resulted in a decrease in liability of around N$14.7 million.

There have been some changes in membership data and other experience items during the year under review. There has been a decrease of 5% in the number of in-service members and a decrease of 2.0% in the number of continuation members. Along with this, some of the continuation members also changed to less expensive schemes and other smaller changes resulted in a decrease in the liability of N$8.0 million.

EMPLOYEE BENEFIT PROVISIONS (CONTINUED)

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions are:

Discount rate	-1% discount rate		+1% discount rate	
	2023	2022	2023	2022
Defined benefit obligation	**224,704**	252,786	**178,718**	195,045
Service cost	**4,173**	5,558	**3,047**	3,936
Interest cost	**27,760**	30,688	**25,520**	27,462
Medical aid inflation / Consumer Price Inflation (CPI)	-1% medical aid inflation		+1% medical aid inflation	
	2023	2022	2023	2022
Defined benefit obligation	**177,839**	194,180	**225,451**	253,417
Service cost	**3,026**	3,913	**4,192**	5,576
Interest cost	**23,624**	25,398	**30,106**	33,310
Mortality rate	-20% mortality rate		+20% mortality rate	
	2023	2022	2023	2022
Defined benefit obligation	**216,634**	241,868	**185,694**	204,200
Service cost	**3,891**	5,145	**3,270**	4,256
Interest cost	**28,857**	31,713	**24,735**	26,783

Risk exposure

Through its post retirement medical benefit plan, the Group is exposed to a number of risks, the most significant of which are detailed below:

Discount rate

The value of the liability is directly dependent on the discount rate, as a change in discount rate will result in the liabilities being discounted more or less than the current assumed value.

Medical aid inflation

The cost of the subsidy after retirement is dependent on the increase in the contributions to the medical aid scheme before and after retirement. The rate at which these contributions increase will thus have a direct effect on the liability of future retirees.

Consumer Price Inflation (CPI)

The value of the liability is directly dependent on the rate of CPI, as the level at which the liabilities grow are directly linked to CPI.

Mortality rate

Deviations from the assumed level of mortality experience of the current employees and the continuation members (pensioners) will have a large impact on the actual cost to the Group. If the actual rate of mortality turns out higher than the rates assumed in the valuation basis, the cost to the Group in the form of subsidies will reduce and vice versa.

EMPLOYEE BENEFIT PROVISIONS (CONTINUED)

The total liability for key management is given below.

	CONSOLIDATED		COMPANY	
	2023	**2022**	**2023**	**2022**
	N$'000	**N$'000**	**N$'000**	**N$'000**
Key Management	**2,552**	2,623	**2,552**	2,623

Expected maturity analysis of the post retirement medical benefits:

Within one year	**8,424**	7,932	**8,424**	7,932
Between 1 - 5 years	**36,230**	34,966	**36,230**	34,966
More than 5 years	**154,992**	178,191	**154,992**	178,191
Total	**199,646**	221,089	**199,646**	221,089

22.1.3 Expense recognised in profit or loss

Current service costs	**4,658**	4,559	**4,658**	4,559
Interest cost	**28,992**	27,266	**28,992**	27,266
	33,650	31,825	**33,650**	31,825

The expense is included in the administrative expenses in profit or loss.

22.2 Severance pay liability

Present value of net obligations	**42,027**	56,352	**42,027**	56,352
Present value of unfunded obligations	**42,027**	56,352	**42,027**	56,352
Recognised liability for defined benefit obligations	**42,027**	56,352	**42,027**	56,352

Severance pay liability is recognised for employees retiring on reaching the age of 65 years or die while in employment.

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

The employer must pay severance pay to an employee who has completed 12 months of continuous service, if the employee:

- is retrenched;
- dies while employed; or
- resigns or retires on reaching the age of 65 years

EMPLOYEE BENEFIT PROVISIONS (CONTINUED)

Severance pay must be an amount equal to at least one week's remuneration for each year of continuous service with the employer. Allowing for retrenchments is very company dependent and therefore not provided for in the valuation.

The Group expects to pay N$1.8 million (2022: N$4.8 million) in contributions to this plan in 2024.

Membership data

The table below provides a summary of details for the members.

	CONSOLIDATED		COMPANY	
	2023	2022	2023	2022
	N$'000	N$'000	N$'000	N$'000
Current employees	**1,107**	1,126	**1,107**	1,126
Average annual salary (N$)	**599,462**	601,114	**599,462**	601,114
Salary weighted average past service (Years)	**14.52**	14.20	**14.52**	14.20

22.2.1 Liability for severance pay obligations

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

Discount rate at 30 June (%)	**10.79**	11.27	**10.79**	11.27
Salary inflation rate at 30 June (%)	**6.90**	9.00	**6.90**	9.00
Net effective discount rate	**3.64**	2.08	**3.64**	2.08

Discount rate

The nominal and real zero yield curves as at 30 June 2023, supplied by the Johannesburg Stock Exchange (JSE) were used to determine the discount rate and consumer price inflation. These yield curves were used because there is not a deep market in government bonds in Namibia. To determine the discount rate to use, the implied duration obtained was used to match it with a point on the yield curve.

The implied duration used was calculated to be 6.12 (2022: 7.38) years.

The net effective discount rate is based on the relationship between the (yield curve based) discount rate for the relevant duration and the (yield curve based) salary inflation for the relevant duration.

Salary inflation

The underlying future rate of consumer price index inflation (CPI inflation) was derived from the point on the yield curve which matches the implied duration of the liability. The assumed rate of salary inflation was set as the calculated value of CPI plus 1%.

EMPLOYEE BENEFIT PROVISIONS (CONTINUED)

Mortality rates

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry.

The current longevities underlying the values of the severance pay liability at the reporting date were as follows:

	Longevity (years) at age 65	Longevity (years) at age 60
Males	**11.20**	**15.28**
Females	**16.12**	**19.12**

The sensitivity of the severance pay obligation to changes in the weighted principal assumption is:

Discount rate	-1% discount rate		+1% discount rate	
	2023	2022	2023	2022
Severance pay obligation	**44,424**	60,503	**39,843**	52,650
Service cost	**1,645**	2,549	**1,445**	2,128
Interest cost	**4,292**	6,279	**4,617**	6,513
Normal salary inflation	-1% normal salary inflation		+1% normal salary inflation	
	2023	2022	2023	2022
Severance pay obligation	**39,747**	52,545	**44,491**	60,553
Service cost	**1,441**	2,122	**1,648**	2,552
Interest cost	**4,215**	5,970	**4,738**	6,897
Mortality rate	-20% mortality rate		+20% mortality rate	
	2023	2022	2023	2022
Severance pay obligation	**40,611**	53,778	**43,416**	58,827
Service cost	**1,438**	2,129	**1,638**	2,509
Interest cost	**4,322**	6,123	**4,608**	6,685

The severance pay liability is 100% unfunded. No dedicated assets had been set aside to meet this liability in the future.

EMPLOYEE BENEFIT PROVISIONS (CONTINUED)

Risk exposure

Through its post retirement medical benefit plan, the Group is exposed to a number of risks, the most significant of which are detailed below:

Discount rate

The cost of the long service awards is dependent on the rate at which the future benefit payments are discounted at. This discount rate therefore has a direct effect on the level of the liabilities

Normal salary inflation

The cost of the long service awards is dependent on the increase in the annual salaries paid to employees. The rate at which salaries increase will thus have a direct effect on the liability.

Mortality rate

Deviations from the assumed level of mortality experience of the current employees will have a large impact on the actual cost to the Group. If the actual rate of mortality turns out higher than the rates assumed in the valuation basis, the cost to the Group will reduce and vice versa.

22.2.2 Movements in the net liability for defined benefit obligations recognised in the Group and Company statements of financial position

	CONSOLIDATED		COMPANY	
	2023	2022	2023	2022
	N$'000	N$'000	N$'000	N$'000
Net liability for defined obligations as at 1 July	**56,352**	67,316	**56,352**	67,316
Interest cost	**6,410**	5,396	**6,410**	5,396
Current service costs	**2,323**	2,643	**2,323**	2,643
Benefits paid	**(4,800)**	(20,017)	**(4,800)**	(20,017)
Actuarial loss/(gain) on obligation:				
- Financial assumptions	**(8,529)**	(1,200)	**(8,529)**	(1,200)
- Loss/(gain) from experience	**(9,729)**	2,214	**(9,729)**	2,214
Net liability for defined obligations as at 30 June	**42,027**	56,352	**42,027**	56,352

The main reasons for the actuarial loss can be attributed to the following factors:

Over the past year interest rates, bond yields and inflation figures changed significantly. This caused the net effective discount rate to increase. The net result was a higher net effective discount rate than expected and hence an overall decrease in the liability of around N$4.1 million.

Over the past year, it was expected that the salary of the members would increase by 9%, but the actual increase for the members was less than that. This resulted in a decrease in the liability of around N$4.4 million.

EMPLOYEE BENEFIT PROVISIONS (CONTINUED)

Some changes were also made to update the model used in the previous valuation. In the previous report, an assumption was made about the NRA for employees. By request from the Company, this assumption was changed to use the actual ages for when the employees are estimated to leave the Company, as was provided by the Company. The net effect of this was a decrease in the liability of around N$5.9 million.

Over the past year, there were various changes in membership data. This included a reduction in total members, as well as a reduction in members who receive benefits of both death and retirement. Of the members who are eligible for both death and retirement benefits, some of those who withdrew, were younger than 65 and hence did not receive benefits. This, along with some other smaller assumption changes, resulted in a decrease in liability of around N$3.8 million.

Expected maturity analysis of the severance pay liability:

	CONSOLIDATED		COMPANY	
	2023	2022	2023	2022
	N$'000	N$'000	N$'000	N$'000
Within one year	**2,838**	1,270	**2,838**	1,270
Between 1 - 5 years	**19,042**	23,774	**19,042**	23,774
More than 5 years	**20,147**	31,308	**20,147**	31,308
Total	**42,027**	56,352	**42,027**	56,352

22.2.3 Expense recognised in the Group and Company statements of profit or loss

Current service costs	**2,323**	2,643	**2,323**	2,643
Interest on obligation	**6,410**	5,396	**6,410**	5,396
	8,733	8,039	**8,733**	8,039

The expense is included in the administrative expenses in profit or loss.

22.3 Actuarial (gain)/loss recognised in other comprehensive income

Remeasurements of post-retirement medical benefits - actuarial gain	**(48,249)**	(30,979)	**(48,249)**	(30,979)
Remeasurements of severance pay liability - actuarial loss	**-**	1,014	**-**	1,014
	(48,249)	(29,965)	**(48,249)**	(29,965)

Actuarial gain recognised in profit or loss

Remeasurements of severance pay liability - actuarial gain	**(18,258)**	-	**(18,258)**	-

23. CAPITAL COMMITMENTS

Projects for Capital Expenditure

	CONSOLIDATED		COMPANY	
	2023	2022	2023	2022
	N$'000	N$'000	N$'000	N$'000
Approved by Board of Directors	**12,521,135**	13,002,390	**12,521,135**	13,002,390
Less: Expenditure to 30 June	**(1,306,207)**	(2,218,759)	**(1,306,207)**	(2,218,759)
Amount still to be expended	**11,214,928**	10,783,631	**11,214,928**	10,783,631
Amounts contracted for year end	**719,941**	1,324,546	**719,941**	1,324,546
	719,941	1,324,546	**719,941**	1,324,546

The capital expenditure will be financed by internally generated funds and non-refundable capital contributions by customers, the Government of the Republic of Namibia and providers of debt.

The contractual commitments relate to property, plant and equipment.

24. NET FINANCING INCOME

Recognised in profit or loss

Interest income on:	**713,438**	551,773	**713,438**	551,773
- Financial assets at amortised cost	**391,150**	286,205	**391,150**	286,205
- Financial assets at fair value through profit or loss	**322,288**	265,568	**322,288**	265,568
Interest costs on:	**(38,624)**	(48,305)	**(38,624)**	(48,305)
- Financial liabilities mandatorily measured at fair value through profit or loss	**(116)**	(205)	**(116)**	(205)
- Financial liabilities at amortised cost	**(38,508)**	(48,100)	**(38,508)**	(48,100)
	674,814	503,468	**674,814**	503,468

25. REVENUE AND OTHER INCOME

The Group derives its revenue from Power Supply Agreements with customers for the consumption of electricity and other services over time and at a point in time. This is consistent with the revenue information that is disclosed for each reportable segment under IFRS 8 Operating Segments (see note 33).

Disaggregation of revenue - Per performance obligation

	CONSOLIDATED		COMPANY	
	2023	2022	2023	2022
	N$'000	N$'000	N$'000	N$'000
		* Restated		* Restated
Revenue Comprises				
Over time				
- Sales of electricity	**4,224,075**	3,831,815	**4,224,075**	3,831,815
- Services	**35,130**	33,917	**35,130**	33,917
- SAPP market sales	**170,131**	51,317	**170,131**	51,317
- Transfer of assets from customers - Capital contributions by customers	**83,177**	95,863	**83,177**	95,863
- Maximum demand	**966,333**	907,244	**966,333**	907,244
- Network charges	**842,115**	776,415	**842,115**	776,415
- Reliability Charges	**366,089**	335,606	**366,089**	335,606
- Losses Charges	**409,795**	345,770	**409,795**	345,770
- Other	**111,842**	103,560	**111,842**	103,560
	7,208,687	6,481,507	**7,208,687**	6,481,507

Per customer type- Revenue Comprises

	CONSOLIDATED 2023	CONSOLIDATED 2022	COMPANY 2023	COMPANY 2022
Transmission customers				
- Sales of electricity	**3,827,952**	3,476,520	**3,827,952**	3,476,520
- Services	**13,738**	12,991	**13,738**	12,991
- Maximum demand	**800,490**	744,982	**800,490**	744,982
- Network charges	**841,886**	776,211	**841,886**	776,211
- Reliability Charges	**366,089**	335,606	**366,089**	335,606
- Losses Charges	**409,795**	345,770	**409,795**	345,770
- Other charges	**73,124**	66,532	**73,124**	66,532
- Transfer of assets from customers - Capital contributions by customers	**83,174**	95,863	**83,174**	95,863
	6,416,248	5,854,475	**6,416,248**	5,854,475
Support services customers				
- Sales of electricity	**384,883**	344,678	**384,883**	344,678
- Sales of electricity - prepaid	**11,241**	10,617	**11,241**	10,617
- Services	**21,391**	20,926	**21,391**	20,926
- Maximum demand	**165,843**	187,667	**165,843**	162,262
- Network charges	**229**	204	**229**	204
- SAPP market sales	**170,131**	51,317	**170,131**	51,317
- Other charges	**38,721**	37,028	**38,721**	37,028
	792,439	627,032	**792,439**	627,032
	7,208,687	6,481,507	**7,208,687**	6,481,507

* Certain amounts shown here do not correspond to the 2022 financial statements due to reclassifications and reflect adjustments made, refer to note 31.

REVENUE AND OTHER INCOME (CONTINUED)

Units sold at cents/kWh and income derived from the monthly basic charge payable by all power users.

SAPP market sales: Electricity sales on the short term energy market to other Southern African Power Pool (SAPP) utilities.

Contributions made by customers towards the costs to be incurred to make a power supply available to the customer.

As a practical expedient, the Group will not disclose the information as required by paragraph 120 for a performance obligation since either of the following conditions is met for all revenue streams except for capital contributions by customers:

a. the performance obligation is part of a contract that has an original expected duration of one year or less; or
b. the entity recognises revenue from the satisfaction of the performance obligation in accordance with paragraph B16 of IFRS 15.

Judgements

The Group acts as Principal in the arrangement whereby Eskom directly supplies electricity to Orange River customers. The Group is primarily responsible for fulfilling the contract for the supply of electricity to customers on the banks of the Orange River.

The key judgements are as follows:

Customers on the banks of the Orange river are customers of NamPower, therefore the Group can be seen as subcontracting Eskom to supply electricity to these customers on the Group's behalf. The performance obligation for the supply of electricity lies with the Group.

	CONSOLIDATED		COMPANY	
	2023	2022	2023	2022
	N$'000	N$'000	N$'000	N$'000
Other income comprises of:				
- Government grant	**122,139**	44,620	**122,139**	44,620
- Grant funding other	**525**	491	**525**	491
- Fibre optic lease revenue	**15,578**	15,259	**15,578**	15,259
- Sundry income	**39,420**	25,015	**39,420**	25,015
	177,663	85,385	**177,663**	85,385

Government grant comprises of N$19.9 million (2022: N$12.2 million) accrued in respect of generation asset and N$100.0 million from NEF (2022: N$32.4 million - LRMC) in respect of fuel cost of Van Eck and Anixas Power Stations that was included in the 2023 approved tariffs. The NEF and LRMC were allowed as part of NamPower's generation revenue to mitigate the impact of the high tariff and provide relief to customers.

Fibre optic lease revenue comprises revenue received from fibre optic leasing arrangements with reference to the service level agreements with the counterparties in respect of managed services and dark fibre leases. Sundry income includes rent received, scrap sales and license renewal of electrical contractors.

26. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging/(crediting):

		CONSOLIDATED		COMPANY	
		2023	2022	2023	2022
		N$'000	N$'000	N$'000	N$'000
	Dividends received from listed equity designated through OCI	**(73)**	(67)	**(73)**	(67)
	Gain on disposal of property, plant and equipment	**-**	(2,779)	**-**	(2,779)
(a)	**Cost of Electricity**	**5,032,172**	5,075,449	**5,032,172**	5,075,449
	- Imports [1]	**4,475,626**	4,554,624	**4,475,626**	4,554,624
	- Local	**55,667**	42,456	**55,667**	42,456
	- REFIT IPPs and other IPPs [1]	**500,880**	478,369	**500,880**	478,369
	[1] Comparative figures have been restated due to a classification error.				
(b)	**Depreciation and amortisation**	**1,747,049**	1,390,026	**1,747,049**	1,390,026
(c)	**Movement in expected credit losses**	**(21,828)**	32,834	**(21,828)**	32,834
	- Loans and receivables	**(4)**	(608)	**(4)**	(608)
	- Investments	**(318)**	(680)	**(318)**	(680)
	- Trade receivables	**(21,506)**	34,122	**(21,506)**	34,122
(d)	**Employee cost**	**911,378**	992,546	**911,378**	992,546
	Salaries and wages	**808,705**	918,722	**808,705**	918,722
	Company contribution: Provident Fund	**102,673**	73,824	**102,673**	73,824
(e)	**Other expenses**	**777,379**	620,711	**777,379**	620,711
	Directors' emoluments paid by Company for services as directors	**6,594**	7,646	**6,594**	7,646
	- paid to non-executive directors	**2,008**	2,085	**2,008**	2,085
	- paid to executive directors	**4,586**	5,561	**4,586**	5,561
	Auditors' remuneration				
	- audit services	**4,875**	4,540	**4,875**	4,540
	Consultancy fees	**26,164**	12,965	**26,163**	12,965
	- managerial services	**262**	137	**262**	137
	- technical services	**3,150**	1,561	**3,150**	1,561
	- other professional services	**22,752**	11,267	**22,752**	11,267
	Marketing expenses	**294**	-	**294**	-
	Maintenance and repairs	**285,567**	259,046	**285,567**	259,046
	Eskom 400kV Connection	**259,943**	169,508	**259,943**	169,508
	Travel and accommodation	**35,483**	30,692	**35,483**	30,692
	Municipal levies	**16,888**	15,961	**16,888**	15,961
	Social responsibility	**21,604**	22,702	**21,604**	22,702
	Insurance cost	**20,369**	20,310	**20,369**	20,310
	Sundry expenses	**24,611**	7,573	**24,611**	7,573
	Fines and penalties	**43**	102	**43**	102
	Post Retirement Benefit	**45,976**	46,214	**45,976**	46,214
	Administrative expenses	**7,889**	6,483	**7,889**	6,483
	Other expenses	**21,079**	16,969	**21,079**	16,969

PROFIT BEFORE TAXATION (CONTINUED)

Financial income and expenses - Recognised in profit or loss

		CONSOLIDATED		COMPANY	
		2023	2022	2023	2022
		N$'000	N$'000	N$'000	N$'000
(f)	**Net fair value and foreign exchange loss/(gain) on financial instruments**	**1,002,993**	797,254	**1,002,993**	797,254
	Foreign exchange loss/(gain) on financial assets and liabilities	**64,829**	(214,996)	**64,829**	(214,996)
	IFRS 9 Fair value adjustments	**938,163**	1,012,249	**938,163**	1,012,249
	- Net loss/(gain) on derivative contracts	-	4,822	-	4,822
	- Valuation on foreign denominated loans (unrealised)	-	80	-	80
	- Unrealised loss on embedded derivative Power Purchase Agreement (PPA)	**936,425**	1,006,661	**936,425**	1,006,661
	- Fair value loss on firm commitments	**1,738**	687	**1,738**	687

Recognised in other comprehensive income

Net change in fair value of listed and unlisted equity	**(53,147)**	(12,691)	**(53,147)**	(12,691)
* FVTPL - Fair value through profit or loss				
Government grants recognised in profit or loss	**(122,139)**	(44,618)	**(122,139)**	(44,618)
Income generating Investment Property				
- rental income	**(3,119)**	(2,816)	**(3,119)**	(2,816)
- direct operating expenses	**435**	490	**435**	490
Non-income generating Investment Property				
- direct operating expenses	**103**	94	**103**	94
Proceeds from the sale of property, plant and equipment	-	2,911	-	2,911
Fair value adjustment on investment properties	**(4,105)**	(233)	**(4,105)**	(233)

27. RELATED PARTIES

Identity of related parties

The Group has related party relationships with its subsidiaries (see note 7.1), associates (see note 7.2) and key management personnel. Key management personnel comprise directors and executive management.

The Government of the Republic of Namibia is the sole shareholder and ultimate controlling party.

Transactions with key management personnel

The key management personnel compensations are as follows:

	CONSOLIDATED		COMPANY	
	2023	2022	2023	2022
	N$'000	N$'000	N$'000	N$'000
Short-term employee benefits	**18,959**	18,832	**18,959**	18,832
Post-retirement employment benefits	**852**	797	**852**	797
Other long-term employment benefits	**2,664**	1,524	**2,664**	1,524
	22,475	21,153	**22,475**	21,153

Total remuneration is included in 'staff costs' (see note 26)

Directors' emoluments are disclosed in note 26.

During the year the Company, in the ordinary course of business, entered into various sale and purchase transactions with its Shareholder, associates, fellow government owned entities and subsidiaries.

Shareholder

Transactions with the Shareholder (The Government of the Republic of Namibia) refer note 18.1 and note 25.

Sales				
Investments				
Erongored (Pty) Ltd	**960,900**	870,885	**960,900**	870,885
- Electricity sales	**949,754**	859,843	**949,754**	859,843
- Service level agreement and technical support	**9**	17	**9**	17
- Capital contribution received	**106**	-	**106**	-
- Municipal services	**31**	25	**31**	25
- Guarantees received	**11,000**	11,000	**11,000**	11,000

RELATED PARTIES (CONTINUED)

	CONSOLIDATED		COMPANY	
	2023	2022	2023	2022
Investments	N$'000	N$'000	N$'000	N$'000
Alten Solar Power (Hardap) Pty Ltd	**104,208**	99,768	**104,208**	99,768
- Electricity sales	**1,445**	1,340	**1,445**	1,340
- Electricity purchases	**102,763**	98,429	**102,763**	98,429
Associates [1]				
Cenored (Pty) Ltd	**483,722**	432,234	**483,722**	432,234
- Electricity sales	**483,421**	432,150	**483,421**	432,150
- Service level agreement and technical support	**301**	84	**301**	84
Nored Electricity (Pty) Ltd	**875,227**	761,584	**875,227**	761,584
- Electricity sales	**874,891**	761,432	**874,891**	761,432
- Rental income	**336**	136	**336**	136
- Service level agreement and technical support	**-**	16	**-**	16
Municipal services from related parties	**5,280**	3,710	**5,280**	3,710
- Nored Electricity (Pty) Ltd	**4,287**	2,924	**4,287**	2,924
- Cenored (Pty) Ltd	**993**	786	**993**	786

Fellow government owned entities [2]

The individually significant sales transactions with fellow government owned entities are listed below:

Electricity Sales	**2,074,310**	1,895,819	**2,074,310**	1,895,819
- Namibia Water Corporation	**58,275**	164,952	**58,275**	164,952
- City of Windhoek	**1,687,312**	1,438,946	**1,687,312**	1,438,946
- Namdeb Diamond Corporation (Pty) Ltd	**212,747**	188,088	**212,747**	188,088
- Rehoboth Municipality	**66,410**	61,337	**66,410**	61,337
- Mariental Municipality	**49,566**	42,496	**49,566**	42,496

RELATED PARTIES (CONTINUED)

Related party balances from electricity sales and other purchases

Due from / (due to)

	CONSOLIDATED		COMPANY	
	2023	2022	2023	2022
	N$'000	N$'000	N$'000	N$'000
Investments	**97,385**	86,619	**97,385**	86,619
- Erongored (Pty) Ltd	**97,388**	86,619	**97,388**	86,619
- Erongored (Pty) Ltd	**(3)**	-	**(3)**	-
Associates [1]	**458,337**	358,929	**458,337**	358,929
- Cenored (Pty) Ltd	**47,781**	63,854	**47,781**	63,854
- Cenored (Pty) Ltd	**(54)**	(46)	**(54)**	(46)
- Nored Electricity (Pty) Ltd	**411,680**	295,375	**411,680**	295,375
- Nored Electricity (Pty) Ltd	**(1,070)**	(254)	**(1,070)**	(254)
Fellow government owned entities [2]	**567,120**	594,361	**567,120**	594,361
- Namdeb Diamond Corporation (Pty) Ltd	**30,997**	26,115	**30,997**	26,115
- City of Windhoek	**247,020**	310,862	**247,020**	310,862
- Namibia Water Corporation (Pty) Ltd	**(23,338)**	16,992	**(23,338)**	16,992
- Rehoboth Municipality	**187,908**	156,090	**187,908**	156,090
- Mariental Municipality	**124,533**	84,302	**124,533**	84,302
Guarantees received	**17,978**	15,431	**17,978**	15,431
- Cenored (Pty) Ltd [1]	**2,219**	-	**2,219**	-
- Nored Electricity (Pty) Ltd [1]	**6,205**	6,205	**6,205**	6,205
- Namdeb Diamond Corporation (Pty) Ltd	**4,041**	4,032	**4,041**	4,032
- Namibia Water Corporation (Pty) Ltd	**5,513**	5,194	**5,513**	5,194

[1] Certain amounts shown here do not correspond to the 2022 financial statements and reflect adjustments made, refer to note 31.

[2] Comparative figures of the fellow government owned entities have been restated to include more significant transactions.

For terms and conditions relating to balances from electricity sales and other purchases refer to note 3 (g) and note 3 (h) of the accounting policies.

Related party balances from loans payable to:

Fellow government owned entities				
- Development Bank of Namibia	**(5,888)**	(12,878)	**(5,888)**	(12,878)

For terms and conditions of the balances payable to fellow government owned entities and to the subsidiary, refer to note 17 and note 7.2 respectively.

The Group does not have any significant commitments with its related parties.

During the year under review there were no write offs against the bad debt provision for the related parties.

28. NAMPOWER PROVIDENT FUND

Retirement benefits

The policy of the Group is to provide retirement benefits for its employees.

The NamPower Provident Fund is a defined contribution fund governed by the Pension Fund Act, and is for all its employees except for those who do not qualify in terms of the rules of the fund. Of the employees, 98% are members of the fund. The fund is administered by Retirement Funds Solutions Namibia (Pty) Ltd and is valued annually. The last valuation of the fund was performed as at 30 June 2023, which indicated that the fund is in a sound financial position.

Contributions to the fund are based on a percentage of salaries and are expensed in the period in which they are paid. The Company's contribution to the Fund amounted to N$103.0 million (2022: N$74 million).

The Company's contribution paid to the Fund for the key management amounted to N$2.7 million (2022: N$1.5 million).

29. FINANCIAL INSTRUMENTS

29.1 Classes and categories of financial instruments and their fair values

The following table combines information about:

- classes of financial instruments based on their nature and characteristics;
- the carrying amounts of financial instruments;
- fair values of financial instruments (except financial instruments when carrying amount approximates their fair value); and
- fair value hierarchy levels of financial assets and financial liabilities for which fair value was disclosed.

Fair value hierarchy levels 1 to 3 are based on the degree to which the fair value is observable:

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

FINANCIAL INSTRUMENTS (CONTINUED)

The fair values of the financial assets and liabilities, together with the carrying amounts shown in the statement of financial position are as follows:

29.1 CONSOLIDATED AND COMPANY

2023		Carrying value				
		Financial assets				
in thousands of Namibia Dollar	Reference notes	FVTPL – designated	FVTPL – mandatorily measured	FVTOCI	FVTOCI – designated	Amortised cost
Financial assets						
Listed equity	**11**	**-**	**-**	**-**	**1,473**	**-**
Collective investment schemes	**11**	**-**	**1,721,160**	**-**	**-**	**-**
Derivative financial assets	**21.1**	**-**	**50,033**	**-**	**-**	**-**
Loans and receivables	**10**		**-**	**-**	**-**	**20,178**
Inflation linked bonds	**11**	**-**	**-**	**-**	**93,161**	**-**
Unlisted equity	**11**	**-**	**-**	**-**	**110,780**	**-**
Debt instruments, fixed deposits and treasury bills	**11**	**-**	**-**	**-**	**-**	**3,958,182**
Money market funds	**11**	**-**	**1,750,148**	**-**	**-**	**-**
Cash and cash equivalents	**14**	**-**	**-**	**-**	**-**	**1,418,366**
Trade and other receivables1	**13**	**-**	**-**	**-**	**-**	**1,124,575**
		-	**3,521,341**	**-**	**205,414**	**6,521,301**
Financial liabilities						
Derivative financial liabilities	**21.2**	**-**	**-**	**-**	**-**	**-**
Interest bearing loans and borrowings	**17**	**-**	**-**	**-**	**-**	**-**
Trade and other payables2	**20.1**	**-**	**-**	**-**	**-**	**-**
Non-current retention creditors	**20.4**	**-**	**-**	**-**	**-**	**-**
		-	**-**	**-**	**-**	**-**

Financial instruments at amortised cost approximate fair value as the terms of the instruments are either short term or market related excluding loans and receivables. As such the related fair values have not been disclosed in accordance with the IFRS 7. 29 (a) exemption. The fair value of the loans and receivables are disclosed in note 10.

There have been no transfers between the fair value hierarchy levels (2022: no transfers).

[1] Project and other advances and prepayments of N$479.9 million (2022: N$306.5 million) that are not financial assets are not included.

[2] Accrued expenses of N$161.3 million (2022: N$158.2 million) that are not financial liabilities are not included.

The table above analyses financial instruments carried at fair value as the amounts are a reasonable approximation of fair value.

Carrying value				Fair value			
Financial liabilities				Level			
FVTPL – designated	FVTPL – mandatorily measured	Amortised cost	Total	1	2	3	Total
-	-	-	1,473	1,473	-	-	1,473
-	-	-	1,721,160	-	1,721,160	-	1,721,160
-	-	-	50,033	-	50,033	-	50,033
-	-	-	20,178	-	-	-	-
-	-	-	93,161	-	91,112	-	91,112
-	-	-	110,780	-	-	110,780	110,780
-	-	-	3,958,182	-	-	-	-
-	-	-	1,750,148	-	1,750,148	-	1,750,148
-	-	-	1,418,366	-	-	-	-
-	-	-	1,124,575	-	-	-	-
-	-	-	10,248,056	1,473	3,612,453	110,780	3,724,706
-	(1,381,047)	-	(1,381,047)	-	-	(1,381,047)	(1,381,047)
-	-	(437,616)	(437,616)	-	-	-	-
-	-	(926,545)	(926,545)	-	-	-	-
-	-	(56,449)	(56,449)	-	-	-	-
-	(1,381,047)	(1,420,610)	(2,801,657)	-	-	(1,381,047)	(1,381,047)

FINANCIAL INSTRUMENTS (CONTINUED)

29.1 CONSOLIDATED AND COMPANY

2022		Carrying value				
		Financial assets				
in thousands of Namibia Dollar	**Reference notes**	**FVTPL – designated**	**FVTPL – mandatorily measured**	**FVTOCI**	**FVTOCI – designated**	**Amortised cost**
Financial assets						
Listed equity	11	-	-	-	1,335	-
Collective investment schemes	11	-	2,083,683	-	-	-
Derivative financial assets	21.1	-	51,139	-	-	-
Loans and receivables	10		-	-	-	20,360
Inflation linked bonds	11	-	-	-	135,578	-
Unlisted equity	11	-	-	-	57,771	-
Debt instruments, fixed deposits and treasury bills	11	-	-	-	-	3,525,660
Money market funds	11	-	1,915,834	-	-	-
Cash and cash equivalents	14	-	-	-	-	1,758,288
Trade and other receivables[1]	13	-	-	-	-	1,275,454
		-	**4,050,656**	**-**	**194,684**	**6,579,762**
Financial liabilities						
Derivative financial liabilities	21.2	-	-	-	-	-
Interest bearing loans and borrowings	17	-	-	-	-	-
Trade and other payables[2]	20.1	-	-	-	-	-
Non-current retention creditors	20.4	-	-	-	-	-
		-	**-**	**-**	**-**	**-**

* Certain amounts shown here do not correspond to the 2022 financial statements due to reclassifications and reflect adjustments made, refer to note 31.

Financial instruments at amortised cost approximate fair value as the terms of the instruments are either short term or market related excluding loans and receivables. As such the related fair values have not been disclosed in accordance with the IFRS 7. 29 (a) exemption. The fair value of the loans and receivables are disclosed in note 10.

There have been no transfers between the fair value hierarchy levels (2021: no transfers).

[1] Project and other advances and prepayments of N$306.5 million (2021: N$196.7 million) that are not financial assets are not included.

[2] Accrued expenses of N$158.2 million (2021: N$165.9 million) that are not financial liabilities are not included.

The table above analyses financial instruments carried at fair value as the amounts are a reasonable approximation of fair value.

Carrying value				Fair value			
Financial liabilities				Level			
FVTPL – designated	FVTPL – mandatorily measured	Amortised cost	Total	1	2	3	Total
-	-	-	1,335	1,335	-	-	1,335
-	-	-	2,083,683	-	2,083,683	-	2,083,683
-	-	-	51,139	-	51,139	-	51,139
-	-	-	20,360	-	-	-	-
-	-	-	135,578	-	90,670	-	90,670
-	-	-	57,771	-	-	57,771	57,771
-	-	-	3,525,660	-	-	-	-
-	-	-	1,915,834	-	1,915,834	-	1,915,834
-	-	-	1,758,288	-	-	-	-
-	-	-	1,275,454	-	-	-	-
-	**-**	**-**	**10,825,102**	**1,335**	**4,141,326**	**57,771**	**4,200,432**
-	(442,883)	-	(442,883)	-	-	(442,883)	(442,883)
-	-	(530,513)	(530,513)	-	-	-	-
-	-	(1,252,499)	(1,252,499)	-	-	-	-
-	-	(80,772)	(80,772)	-	-	-	-
-	**(442,883)**	**(1,863,784)**	**(2,306,667)**	**-**	**-**	**(442,883)**	**(442,883)**

FINANCIAL INSTRUMENTS (CONTINUED)

29.1 Classes and categories of financial instruments and their fair values (continued)

	CONSOLIDATED AND COMPANY	
A reconciliation has been performed for fair value measurements in level 3 of the fair value hierarchy as follows:	2023	2022
	N$'000	N$'000
Embedded derivative liabilities		
Carrying value at beginning of the year	**(442,883)**	-
Net fair value unrealised loss on embedded derivatives recognised in profit or loss	**(938,164)**	(442,883)
Carrying value at end of the year	**(1,381,047)**	(442,883)
Unlisted equity		
Carrying value at beginning of the year	**57,771**	44,864
Net fair value gain on unlisted equities through OCI	**53,010**	12,907
Carrying value at end of the year	**110,781**	57,771

Refer to note 29.6.3 and note 11 for a sensitivity analysis disclosing the effect of fair value changes that would result if one or more of the inputs were to change.

FINANCIAL INSTRUMENTS (CONTINUED)

The following table gives information about how the fair values of the financial assets and financial liabilities categorised into Level 2 and Level 3 of the fair value hierarchy were determined:

Financial assets/ financial liabilities	Fair value hierarchy	Valuation technique(s) and key input(s)	Relationship of unobservable inputs to fair value
Collective investment schemes	Level 2	The valuation model is based on the Net Asset Values (NAV) of the individual funds as quoted in the active markets. i.e. quoted prices	Not applicable
Money market funds	Level 2	The valuation model is based on the interest rates as quoted in the active markets of the individual funds as derived from the fair market values and interest rates of the underlying instruments within the funds. i.e. quoted interest rates.	Not applicable
Derivative financial assets and derivative financial liabilities	Level 2 & Level 3	Discounted cash flow: The valuation model considers the present value of expected future cash flows discounted using a risk adjusted discount rate for both ZAR and USD. The expected cash flows is determined by considering the possible scenario of forecast revenue. i.e. interest rates, inflation rates and exchange rates.	The estimated fair value of the purchase agreements will increase/(decrease) with an indirect correlation of the above-mentioned sensitivities, while there is a direct correlation in the fair value of the sales agreement with an increase/(decrease) of the sensitivities.
Inflation link bonds	Level 2	The valuation model considers the rate of inflation to adjust the fixed income security.	Not applicable
Unlisted equity	Level 3	Discounted cash flow method: This approach utilises forecasts and budgets prepared by management.	A significant increase in the revenues would result in a significant increase in fair value, and vice versa. A significant increase in the expenses would result in a significant decrease in fair value, and vice versa. The higher the cost of equity, the lower the fair value and vice versa. The higher the small stock premium, the higher the cost of equity and consequently the lower the fair value and vice versa. The higher the specific risk premium, the higher the cost of equity and consequently the lower the fair value and vice versa.

The fair values are based on current market movements at year end.

FINANCIAL INSTRUMENTS (CONTINUED)

29.2 Financial risk management

Overview

- The Group and Company have exposure to the following risks from its use of financial instruments:
- credit risk;
- liquidity risk and
- market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group and Company's management of capital. Further quantitative disclosures are included throughout the Group and Company financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established an Audit and Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Group's Risk Management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, 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 Group Audit and Risk Management Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit and Risk Management Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Management Committee.

29.3 Credit risk

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

Counterparty risk is the risk that a counterparty is unable to meet its financial and/or contractual obligations during the period of a transaction. Delivery or settlement risk is the risk that a counterparty does not deliver on its contractual commitment on maturity date (including the settlement of money and delivery of securities).

The recoverability of a financial asset which is neither past due nor impaired is assessed, taking into account its financial position, past experience and other factors. The Group believes that the amounts of instruments held at 30 June 2023 are still recoverable.

The carrying amount of financial assets represents the maximum credit exposure. The potential concentration of credit risk consists mainly of loans and receivables, trade and other receivables and the investment portfolio.

29.3.1 Management of credit risk

Financial instruments are managed by the treasury function. Processes are in place to identify, measure, monitor, control and report credit risk. The objective of NamPower's credit risk management framework is firstly to protect cash and investments and, secondly to protect and maximise the rate of return of financial market instruments.

Responsibility and governance

The Asset and Liability Committee (ALCO), manages counterparty credit risk which arises from the treasury activities in the financial markets. This committee is chaired by the Managing Director and reports on a quarterly basis to the Investment Committee. The activities of the ALCO committee are guided by the terms of reference that are updated and approved by the Investment Committee.

The terms of reference set out the minimum acceptable standards to be adhered to by those responsible for credit-related transactions within the treasury section. The terms of reference are aligned to the Exco credit risk governance standards and are supplemented by appropriate policies and procedures.

The ALCO committee:

- assesses the credit quality of counterparties and types of instruments used;
- recommends credit limits to the Investment Committee;
- ensures that transactions with counterparties are supported by trading agreements, where applicable; and
- approves methodologies used for the management of counterparty exposure.

The management of credit risk is governed by the following policies:

Trading in financial instruments is conducted and entered into with selected counterparties after credit limits have been authorised. Individual risk limits are set based on internal and external ratings in line with limits set by the Board. All credit limits are approved by the Investment Committee. The use of credit limits is regularly monitored.

Minimum credit-rating requirements for financial institutions are maintained to assess the risk categories by rating class and to ascertain the probability of default inherent in each rating class. Approved concentration risk parameters are in place.

Concentration of credit risk is managed by setting credit risk limits at a counterparty-specific level. Concentration credit risk limits are used as second tier limits in relation to counterparty credit limits.

There has been no change to the manner in which the Goup's credit risks are managed and measured.

FINANCIAL INSTRUMENTS (CONTINUED)

29.4 Exposure to credit risk

The Group limits its counterparty exposures from its loans and receivables, trade and other receivables and investment portfolio by only dealing with individuals and corporate entities of a high quality credit standing. Therefore management does not expect any counterparty to fail to meet its obligations.

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

	CONSOLIDATED		COMPANY	
	2023	2022	2023	2022
	N$'000	N$'000	N$'000	N$'000
Inflation linked bonds	**93,161**	135,578	**93,161**	135,578
Unlisted equity	**110,780**	57,771	**110,780**	57,771
Listed equity: Sanlam shares	**1,473**	1,335	**1,473**	1,335
Collective investment schemes	**1,721,160**	2,083,683	**1,721,160**	2,083,683
Debt instruments, fixed deposits and treasury bills	**3,958,182**	3,525,660	**3,958,182**	3,525,660
Money market funds	**1,750,148**	1,915,834	**1,750,148**	1,915,834
Loans receivables	**20,178**	20,360	**20,178**	20,360
Trade and other receivables	**1,124,575**	1,275,454	**1,124,575**	1,275,454
Cash and cash equivalents	**1,418,366**	1,758,288	**1,418,366**	1,758,288
Forward exchange contract assets and interest rate and cross currency swaps	**50,033**	51,139	**50,033**	51,139
	10,248,057	10,825,102	**10,248,056**	10,825,102

There has been no change to the Group's exposure to credit risks.

FINANCIAL INSTRUMENTS (CONTINUED)

The tables below detail the credit quality of the Group's financial assets:

Company internal credit rating as at 30 June 2023	External credit rating	12-month or lifetime ECL?	Expected credit loss rate	Gross carrying amount
				N$'000
High	AAA	12-month ECL	0.000%	1,473
	AA	12-month ECL	0.004%	1,382,376
	AA	N/A	0.000%	670,842
	A	12-month ECL	0.011%	1,335,596
Moderate	BBB	-	-	-
	BB	12-month ECL	0.058%	974,322
	B	12-month ECL	0.573%	4,577,891
	N/A	N/A	0.183%	20,178
	N/A	N/A	0.000%	160,813
Low	CCC		-	-
	CC		-	-
	C		-	-
Credit Impaired	D		-	-
				9,123,491

Company internal credit rating as at 30 June 2022	External credit rating	12-month or lifetime ECL?	Expected credit loss rate	Gross carrying amount
				N$'000
High	AAA	12-month ECL	0.000%	1,335
	AA	12-month ECL	0.005%	1,599,771
	AA	N/A	0.000%	1,140,995
	A	12-month ECL	0.013%	1,722,119
Moderate	BBB	-	-	-
	BB	12-month ECL	0.029%	967,435
	B	12-month ECL	0.451%	3,988,733
	N/A	N/A	0.202%	20,360
	N/A	N/A	0.000%	108,910
Low	CCC		-	-
	CC		-	-
	C		-	-
Credit Impaired	D		-	-
				9,549,658

* Refer to note 13 for the trade receivables risk profile disclosure.

29.4.1 Guarantees

The Group's policy is to provide financial guarantees only to wholly-owned subsidiaries. As at 30 June 2023 no guarantee was outstanding.

NamPower employee home loans

Suretyship for N$79.6 million (2022: N$75.3 million) to four local banks (Bank Windhoek Limited, First National Bank Namibia and Standard Bank Namibia) for all employees who are on the Company's housing scheme and have attained financing from the aforementioned financial institutions. The Group collects the monthly instalments of the employee home loans and settles it directly with the financial institutions. Such suretyship is limited to the original loan amount attained by each employee and excludes any additional financing for improvements or upgrades. The Group assesses the risk of the suretyship annually.

The financial guarantee is insignificant.

29.4.2 Trade and other receivables

(a) Trade receivables

Credit risk with respect to trade and other receivables is high due to the large number of customers comprising the Group's customer base and their spread across different industries and geographical areas. The main classes of electricity receivables are cross border, large power users and small power users. Key large power users comprise mainly Namibian municipalities, town councils, village councils, regional councils, mining customers and regional electricity distributors (REDs).

The Audit and Risk Management Committee has established a credit policy under which each electricity customer's payment terms and conditions are offered.

The Group requires a security deposit equivalent to three (3) months estimated consumption in respect of all new customers before they are energised and the electricity is supplied with an exception to the Regional Distributors, Local Authorities, Regional Councils, Government Departments and Namibia Water Corporation transmission supply points whereby they have to provide security deposit that is equal to one (1) month estimated consumption.

Electricity supply agreements are entered into with cross border customers who comprise utility companies of neighbouring countries. These customers are required to provide security deposit equivalent to the value of three month's estimated consumption. Refer note 29.4.3.

The level of security is reviewed when a customer defaults on their payment obligation or requires additional electricity supply capacity in which case they are required to either provide security or increase their existing security to an amount equivalent to three months' of estimated future consumption before supply will commence.

Payment terms vary between customer classes as per the Group's credit policy. Interest is charged at a market related rate on balances in arrears.

The Group has well-established credit control procedures that monitor activity on customer accounts and allow for remedial action should the customer not comply with payment terms. These procedures include an internal collection process, follow up with the customer either telephonically or in person, negotiations of mutually acceptable payment arrangements and the issue of letters of demand and notice of disconnection of supply.

The Group writes off a trade receivable when there is no reasonable expectations of recovering the contractual cash flows on a financial asset in its entirety or a portion thereof. Progress on the collection process is reviewed on a regular basis and if it is evident that the amount will not be recovered, it is recommended for write-off in terms of the Group's policy and delegation of authority. The process of recovery continues unless it is confirmed that there is no prospect of recovery or the costs of such action will exceed the benefits to be derived. Amounts written off are determined after taking into account the value of the security held. Trade receivables written off at 30 June 2023 amounted to N$9.1 million (2022: N$409 thousand).

The total cumulative expected credit losses for electricity receivables at 30 June 2023 was N$678.3 million (2022: N$708.9 million) (refer note 29.4.3). The enhancement of credit control strategies and monitoring of payment levels of all trade receivables continue to receive management attention.

FINANCIAL INSTRUMENTS (CONTINUED)

The maximum exposure to credit risk for trade receivables at the reporting date by geographic area:

	CONSOLIDATED		COMPANY	
	2023	2022	2023	2022
	N$'000	N$'000	N$'000	N$'000
	Carrying amount	Carrying amount	Carrying amount	Carrying amount
Domestic- Namibia	**1,079,227**	1,119,660	**1,079,227**	1,119,660
Regional Exports/ Cross border customers	**45,348**	155,794	**45,348**	155,794
	1,124,575	1,275,454	**1,124,575**	1,275,454
The maximum exposure to credit risk for trade and other receivables at the reporting date by type of customer was:				
Distributors	**659,331**	836,726	**659,331**	836,726
Mining	**186,967**	153,596	**186,967**	153,596
End-user customers	**111,333**	68,690	**111,333**	68,690
Other trade receivables	**166,944**	216,442	**166,944**	216,442
	1,124,575	1,275,454	**1,124,575**	1,275,454
Concentration of credit risk that arises from the Group's receivables in relation to categories of the customers by percentage of total receivables from customers is:				
	%	%	**%**	%
Distributors	**59**	66	**59**	66
Mining	**17**	12	**17**	12
End-user customers	**10**	5	**10**	5
Other trade receivables	**14**	17	**14**	17
	100	100	**100**	100

	2023	2023	2022	2022
	N$'000	N$'000	N$'000	N$'000
	Gross	Expected credit losses	Gross	Expected credit losses
CONSOLIDATED AND COMPANY				
29.4.3 Expected credit losses				
Not past due	**771,288**	42,972	**719,312**	42,301
30 days past due	**135,601**	47,841	**144,936**	27,728
60 days past due	**131,764**	69,700	**124,628**	31,504
90 days past due	**764,246**	517,811	**995,521**	607,410
	1,802,899	678,324	**1,984,397**	708,943

Refer to note 13 for a reconciliation of the expected credit losses for the trade receivables.

FINANCIAL INSTRUMENTS (CONTINUED)

The Group uses a combination of two approaches, namely the Provision Matrix approach and the loss rate approach.

Reversal in Expected credit losses of N$21 million is as a result of Rede Nacional De Electricidade (RNT), the Angolan electricity distributor settling the arrears at 30 June 2022 during the financial year under review.

Expected credit losses of N$310.9 million (2022: N$214.4 million) relates to the Municipality of Rehoboth, Municipality of Mariental, Municipality Gobabis, Karasburg Town Council, Aranos Town Council and Maltahohe Village Council. These municipalities and town council continue to fall into arrears during the financial year under review. These municipalities and town council accounts are monitored on an ongoing basis and remain a high priority focus area. The Group has entered into payment arrangements with the municipalities and town council and work closely with the stakeholders to resolve the challenges that have given rise to these municipalities' and town council debt.

Expected credit losses of N$187.1 million (2022: N$55.9 million) relates to the Northern Regional Electricity Distribution (Pty) Ltd (Nored). Nored continues to fall into arrears during the financial year under review and the accounts is monitored on an ongoing basis and remain a high priority focus area. The Group has entered into a payment arrangement with Nored.

Expected credit losses of N$25.2 million (2022: N$21.5 million) relates to the Congo Namibia (Pty) Ltd. Congo Namibia (Pty) Ltd bulk supply to Kombat Mine, did not make any payment since July 2018 and continues to fall into arrears during the financial year under review and the accounts is monitored on an ongoing basis and remain a high priority focus area. Power Supply Agreement with Congo Namibia (Pty) Ltd was terminated and Cenored (Pty) Ltd took over effective 01 July 2022.

The remainder of the expected credit losses at 30 June 2023 is attributable to several customers.

Valuation assumptions

The Group assesses its trade and other receivables' probability of default and loss given default at each balance sheet date, based on historical data using a provision matrix for Category A to D customers and loss rate approach for Category E customers.

The Group applies the simplified approach in measuring the loss allowance which uses a lifetime expected loss allowance. The Group recognises an impairment gain or loss in profit or loss for its trade and other receivable with a corresponding adjustment to other comprehensive income.

	CONSOLIDATED AND COMPANY	
	2023	2022
	N$'000	N$'000
Security relating to trade receivables		
The security held against trade receivables for the Group and Company comprises bank guarantees and cash deposits. The estimate of the fair value of the security is:		
(a) Cash deposits		
Electricity receivables security deposit -Cash		
Domestic Namibia	**38,658**	32,343
Regional Exports/Cross Border customers	**316**	316
	38,974	32,659
(b) Bank Guarantees		
Domestic- Namibia	**405,952**	357,372
Cross Border customers	**35**	35
Guarantees - Eskom	**908**	908
	406,895	358,315

Impairment of financial assets

For the purposes of impairment assessment:

- Cash and cash equivalents are considered to have low probability of default as the counterparties to these investments have an Investment grade rating.
- Loans receivables are considered to have low probability of default. Alten is considered low risk as NamPower signed a power purchased agreement with the company.
- The bonds, fixed deposits, treasury bills and money markets are considered to have low probability of default as the counterparties to these investments have an Investment grade rating.

Accordingly, for the purpose of impairment assessment for these financial assets, the loss allowance is measured at an amount equal to 12-month ECL.

In determining the expected credit losses for these assets, the Group assessed the exposure at default for each Individual asset and applied a loss given default rate based on the Basel Framework. The probability of default for the financial institutions was derived from the Standard and Poor's (S&P) Annual Global Corporate Default and Rating Transition Study, while that for Namibia was obtained from the S&P Annual Sovereign Default and Rating Transition Study. This is following publicly available credit ratings of the various institutions that was obtained from the Bloomberg Financial Services software. For the loans receivable the probability of default and loss given default of the Republic of Namibia was used.

FINANCIAL INSTRUMENTS (CONTINUED)

The Directors found the use of publicly available data to be fair and accurate as this is objective and easily verifiable.

Furthermore, the Group considered forward-looking information on macro-economic factors, by calibrating the probability of default on annual historical inflation and GDP growth rates using regression analysis. There are no statistically significant relationships between the macro-economic factors and the probability of default, and accordingly the default rates are not adjusted for forward-looking information.

There has been no change to the Group's estimation techniques or significant assumptions during the current reporting period in assessing the loss allowance for these financial assets.

The following table shows the movement in expected credit losses that has been recognised for the respective financial assets:

	12-month expected credit losses						
	Stage 1						
	Bonds	Fixed deposits	Money Market Funds	Treasury bills	Subtotal	Alten Solar Power (Hardap) Pty Ltd	Total
	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000
Balance as at 1 July 2021	3,182	2,722	-	450	6,354	649	7,003
Increase in loss allowance arising from new financial assets recognised in the year	848	1,916	-	168	2,932	-	2,932
Decrease in loss allowance arising from derecognition of new financial assets in the year	(531)	(2,527)	-	(554)	(3,612)	(608)	(4,220)
Balance as at 30 June 2022	**3,499**	**2,111**	**-**	**64**	**5,674**	**41**	**5,715**
Increase in loss allowance arising from new financial assets recognised in the year	195	5,095	643	25	5,958	-	5,958
Decrease in loss allowance arising from derecognition of new financial assets in the year	(1,190)	(4,636)	(431)	(19)	(6,276)	(4)	(6,280)
Balance as at 30 June 2023	**2,504**	**2,570**	**212**	**70**	**5,356**	**37**	**5,393**

The ratings are performed per financial institution. Included in the above ratings are money market instruments and bonds. The remaining investments are held with credible institutions.

29.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity 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 Group's reputation.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

FINANCIAL INSTRUMENTS (CONTINUED)

The management of liquidity and funding risk is vested with the treasury section in accordance with practices and limits set by Exco and the board. The Group's liquidity and funding management process includes:

- projected cash flows and considering the cash required by the Group and optimising the short-term liquidity;
- monitoring financial liquidity ratios;
- maintaining a diverse range of funding sources with adequate back-up facilities, managing the concentration and profile of debt maturities and
- maintaining liquidity and funding contingency plans.

There has been no change to the Group's exposure to liquidity risks or the manner in which these risks are managed and measured.

29.5.1 Contractual Cash Flows

The tables below indicate the contractual undiscounted cash flows of the Group and Company's financial liabilities on the basis of their earliest possible contractual maturity. The cash flows of the Group's and Company's financial liabilities are indicated on a gross undiscounted basis. The cash flows for derivatives are presented as net cash flows.

2023 **Consolidated and Company**	Carrying amount	Total contractual cash flows	Less than 6 months	6 - 12 months	Contractual cash flows 1- 5 years	Contractual cash flows 5 years and more
	N$ '000	N$ '000	N$ '000	N$ '000	N$ '000	N$ '000
Non-derivative financial liabilities						
Secured long term loans:						
- ZAR denominated loans	**(431,727)**	**(527,294)**	**(60,592)**	**(58,622)**	**(372,049)**	**(36,031)**
- NAD denominated loans	**(5,888)**	**(6,330)**	**-**	**(6,330)**	**-**	**-**
Non-current retention creditors	**(56,449)**	**(56,449)**	**-**	**-**	**(56,449)**	**-**
Trade and other payables	**(926,545)**	**(926,545)**	**-**	**(926,545)**	**-**	**-**
2022						
Non-derivative financial liabilities						
Secured long term loans:						
- ZAR denominated loans	(517,635)	(653,819)	(64,299)	(589,520)	-	-
- NAD denominated loans	(12,878)	(13,429)	-	(6,086)	(7,343)	-
Non-current retention creditors	(80,772)	(80,772)	-	-	(80,772)	-
Trade and other payables *	(1,252,499)	(1,252,499)	-	(1,252,499)	-	-

* Certain amounts shown here do not correspond to the 2022 financial statements due to reclassifications and reflect adjustments made, refer to note 31.

FINANCIAL INSTRUMENTS (CONTINUED)

29.5.2 Derivative financial instruments

Derivative financial instruments are used as a means of reducing exposure to fluctuations in foreign exchange rates and interest rates. Whilst these financial instruments are subject to the risk of market rates changing subsequent to acquisition, such changes would generally be offset by opposite effects on the items being hedged.

Valuation assumptions

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contracts is their quoted market price at the reporting date, being the present value of the quoted forward price.

The fair value of forward exchange contracts is based on their quoted price, if available. If a quoted price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

Fair values of interest rate swaps reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

The principal or contract amount of derivative financial instruments were:

	CONSOLIDATED AND COMPANY	
	2023	2022
	N$'000	N$'000
Forward exchange contracts	**889,586**	1,023,153
	889,586	1,023,153

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

29.5.3 Primary sources of funding and unused facilities

The primary sources to meet the Group's liquidity requirements are revenue, cash inflows from maturing financial assets purchased, funds committed by government, local debt issued in the market as well as foreign debt. To supplement these liquidity sources under stress conditions, overdraft facilities with commercial banks are in place as indicated below:

	CONSOLIDATED AND COMPANY	
	2023	2022
	N$'000	N$'000
General banking facilities	**192,500**	192,500
	192,500	192,500

The overdraft facilities, if utilised are repayable strictly on demand and will be charged at the prevailing bank's prime lending rate from time to time. The prime lending rate of the commercial banks at 30 June 2023 was 11.5%.

The Group holds the following pre-approved facilities at various financial institutions to facilitate the operations:

SB VAF fleet cards	**1,100**	1,100
FEC	**100,000**	100,000
Derivative	**350,000**	350,000
	451,100	451,100

29.6 Market risk

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

A significant part of the market risk encountered arises from financial instruments and equity that are managed within the treasury function of the Company or from contracts containing embedded derivatives.

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

FINANCIAL INSTRUMENTS (CONTINUED)

Financial instruments managed by the treasury function

The treasury section is responsible for managing market risk within the risk management framework approved by Exco and the board. The overall authority for the management of market risks within the treasury section is vested in the Asset and Liability Committee (ALCO) which reports quarterly to the Investment committee and the Audit and Risk Management Committee.

Embedded derivatives

The Company entered into a number of agreements for the purchase and supply of electricity, where the revenue or expenditure from these contracts is based on foreign currency rates (mainly USD) or foreign production price indices. This gives rise to embedded derivatives that require separation as a result of the different characteristics of the embedded derivative and the host contract. The contractual periods vary from 3 years up to a maximum of 10 years. Certain of these contracts are currently being renegotiated.

The net impact on profit or loss of changes in the fair value of the embedded derivatives for the Group and Company is a fair value loss of N$936.4 million (2022: N$1.0 billion loss). The embedded derivative liability at 30 June 2023 was N$1.4 billion (2022: N$442.3 million liability) for the Group and Company.

The valuation methods and inputs are discussed in note 29.6. Risks arising from these contracts are discussed under the relevant risk areas as follows:

- interest rate risk (refer to note 29.6.1)
- currency risk (refer to note 29.6.2)
- other price risk (refer to note 29.6.3)

Electricity purchases and sales contracts that contain embedded derivatives are considered for economic hedging. Economic hedging in respect of foreign currency exposure resulting from these embedded derivatives takes place on a short-term basis.

29.6.1 Interest rate risk

The Group hedges its risk to interest rate risks in terms of the foreign loans by entering into interest rate swaps. Changes in the fair value of the swaps that are designated and qualify as fair value hedges are recorded in the profit or loss component of the statement of comprehensive income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Interest rate risk is the risk that the Group's financial position may be adversely affected as a result of changes in interest rate levels, yield curves and spreads.

The Group's interest rate risk arises mainly from long-term borrowings and other financial assets. Long-term borrowings and debt securities are issued at both fixed rates and floating rates and expose the Group to fair value interest rate risk.

The Group generally adopts a policy that its exposure to interest rates is on a fixed rate basis. Swaps have been used to convert the interest on floating rates to a fixed rate basis.

The Group adopts a policy of ensuring that its exposure to changes in interest rates on borrowings is hedged economically. This is achieved by entering into interest rate swaps.

FINANCIAL INSTRUMENTS (CONTINUED)

At the reporting date the interest rate profile of the Group's interest bearing financial instruments was:

			CONSOLIDATED		COMPANY	
	Reference	Variable and fixed	2023 Carrying amount	2022 Carrying amount	2023 Carrying amount	2022 Carrying amount
	note	rate	N$ '000	N$ '000	N$ '000	N$ '000
Variable rate financial instruments						
Financial assets						
Collective investment schemes	11		**1,721,160**	2,083,683	**1,721,160**	2,083,683
Financial liabilities						
Development Bank of Namibia	17.1.1	Prime less 4.5%	**(5,888)**	(12,878)	**(5,888)**	(12,878)
			1,715,272	2,070,805	**1,715,272**	2,070,805
Fixed rate financial instruments						
Financial assets						
Loans and receivables	10		**20,178**	20,360	**20,178**	20,360
Non-current investments	11		**1,232,366**	2,373,659	**1,232,366**	2,373,659
Fixed deposits and Treasury bills at amortised cost	11		**3,958,182**	3,525,660	**3,958,182**	3,525,660
Money market funds	11		**1,750,148**	1,915,834	**1,750,148**	1,915,834
Cash and cash equivalents	14		**1,418,366**	1,758,288	**1,418,366**	1,758,288
Trade and other receivables	13		**1,124,575**	1,275,454	**1,124,575**	1,275,454
Financial liabilities	17		**(431,728)**	(517,635)	**(431,728)**	(517,635)
			9,072,087	10,351,620	**9,072,087**	10,351,620

Cash flow sensitivity analysis

The Group analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined interest rate shifts. For each simulation, the same interest rate shift is used for all currencies.

FINANCIAL INSTRUMENTS (CONTINUED)

The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The calculation excludes borrowing costs capitalised in terms of the Group's accounting policy. The analysis is performed on the same basis as for 2022.

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit or loss and equity by the amounts shown below:

Consolidated and Company	**Equity**	**Equity**	**Profit or (loss)**	**Profit or (loss)**
	100 bp increase	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
30 June 2023				
Variable rate instruments				
Interest rate swap				
- DBN				
NAD Curve	**(40)**	**40**	**(59)**	**59**
Fixed deposits	**-**	**-**	**256**	**(256)**
Variable rate notes	**-**	**-**	**685**	**(685)**
30 June 2022				
Variable rate instruments				
Interest rate swap				
- DBN				
NAD Curve	(88)	88	(129)	129
Fixed deposits	-	-	276	(276)
Variable rate notes	-	-	404	(404)

A change of 500 basis points in interest rates at the reporting date would have increased/(decreased) profit or loss and equity by the amounts shown below:

Consolidated and Company	**Equity**	**Equity**	**Profit or (loss)**	**Profit or (loss)**
	500 bp increase	**500 bp decrease**	**500 bp increase**	**500 bp decrease**
30 June 2023				
Collective Investment Schemes	-	-	85,092	(85,092)
30 June 2022				
Collective Investment Schemes	-	-	103,508	(103,508)

FINANCIAL INSTRUMENTS (CONTINUED)

The effects of the cross currency interest rate swaps on the group's financial position and performance are as follows:

Cross Currency Interest Rate Swaps	**CONSOLIDATED AND COMPANY**	
	2023	**2022**
Hedge Ratio	1:1	1:1
Change in fair value of Outstanding hedging Instruments since 1st July	-	(5,781)
Change in fair value of Hedged item used to determine the Hedge Effectiveness	-	5,781
Weighted Average Hedged Rate for the Year	0.0%	7.2%

29.6.2 Currency risk

The Group is exposed to currency risk as a result of the following transactions which are denominated in a currency other than Namibia Dollar as a result of: purchases of equipment, consulting fees and borrowings. The currencies which primarily give rise to currency risk are GBP, USD and EURO.

The loans denominated in foreign currency have been fully hedged using currency swaps that mature on the same date as the loans are due for repayment.

With respect to all other transactions denominated in currencies other than the Namibia Dollar and/or the South African Rand, the Group generally adopts a policy to hedge its foreign currency commitments where possible. The Group is also exposed to foreign currency movements with regards to certain regional Power Purchase Agreements (PPAs) and Power Sales Agreements (PSA) which are hedged for the duration of the agreement and reviewed on a continuous basis.

Recognised assets and liabilities

Changes in the fair value of forward exchange contracts that economically hedge monetary assets and liabilities in foreign currencies and for which no hedge accounting can be applied are recognised in profit or loss.

Due to the fact that no hedge effectiveness test is performed all fair value movements on the currency and interest rate swaps are recognised in profit or loss as part of net financing costs.

FINANCIAL INSTRUMENTS (CONTINUED)

Consolidated

The currency position at 30 June 2023 is set below

in thousands of Namibia Dollar	Reference notes	N$	ZAR	US$	Euro	GBP	Total
Assets							
Derivative assets	21.1	-	-	50,033	-	-	50,033
Loans receivable	10	20,178	-	-	-	-	20,178
Trade and other receivables	13	1,072,031	-	52,545	-	-	1,124,575
Investments	11	6,289,063	973,424	367,062	-	-	7,629,549
Cash and cash equivalents	14	451,232	803,634	163,389	52	59	1,418,366
		7,832,504	1,777,058	633,028	52	59	10,242,701
Liabilities							
Interest bearing loans and borrowings	17	(5,889)	(431,727)	-	-	-	(437,616)
Derivative liabilities	21.2	-	-	(1,379,108)	(1,939)	-	(1,381,047)
Trade and other payables	20.1	(316,168)	(355,203)	(255,174)	-	-	(926,545)
Non current retention creditors	20.4	(56,449)	-	-	-	-	(56,449)
		(378,506)	(786,930)	(1,634,282)	(1,939)	-	(2,801,657)
Gross statement of financial position exposure		7,453,998	990,128	(1,001,254)	(1,887)	59	7,441,044
Next year's forecast sales		8,130,671	-	-	-	-	8,130,671
Next year's forecast purchases		(616,216)	(2,284,752)	(3,279,195)	-	-	(6,180,163)
Gross exposure		14,968,453	(1,294,624)	(4,280,447)	(1,887)	59	9,391,552
Foreign exchange contracts [1]		-	-	50,033	-	-	50,033
Net exposure		14,968,453	(1,294,624)	(4,230,416)	(1,887)	59	9,441,585

The estimated sales and purchases include transactions for the next 12 months.

[1] The Group had forward exchange contracts outstanding at 30 June 2023 to the value of USD47 million at an average rate of USD/NAD 17.6.

Currency translation rates :	30 June 2023
1 SA Rand	N$1.0
1 US Dollar	N$18.7
1 Euro	N$20.4
1 GBP	N$23.7

FINANCIAL INSTRUMENTS (CONTINUED)

Consolidated

The currency position at 30 June 2022 - Restated is set below

in thousands of Namibia Dollar	Reference notes	N$	ZAR	US$	Euro	GBP	Total
Assets							
Derivative assets	21.1	-	-	51,139	-	-	51,139
Loans receivable	10	20,360	-	-	-	-	20,360
Trade and other receivables	13	790,057	-	485,397	-	-	1,275,454
Investments	11	6,383,076	1,331,110	-	-	-	7,714,186
Cash and cash equivalents	14	670,902	678,588	408,716	32	50	1,758,288
		7,864,395	2,009,698	945,252	32	50	10,819,427
Liabilities							
Interest bearing loans and borrowings	17	(12,878)	(517,635)	-	-	-	(530,513)
Derivative liabilities	21.2	-	-	(442,516)	(367)	-	(442,883)
Trade and other payables *	20.1	(766,987)	(221,962)	(262,679)	(863)	-	(1,252,491)
Non current retention creditors	20.4	(80,772)	-	-	-	-	(80,772)
		(860,637)	(739,597)	(705,195)	(1,230)	-	(2,306,659)
Gross statement of financial position exposure		7,003,758	1,270,101	240,057	(1,198)	50	8,512,768
Next year's forecast sales		7,016,986	-	-	-	-	7,016,986
Next year's forecast purchases		(549,293)	(1,469,913)	(2,732,029)	-	-	(4,751,235)
Gross exposure		13,471,451	(199,812)	(2,491,972)	(1,198)	50	10,778,519
Foreign exchange contracts 1		-	-	51,139	-	-	51,139
Net exposure		13,471,451	(199,812)	(2,440,833)	(1,198)	50	10,829,658

* Certain amounts shown here do not correspond to the 2022 financial statements due to reclassifications and reflect adjustments made, refer to note 31

The estimated sales and purchases include transactions for the next 12 months.

[1] The Group had forward exchange contracts outstanding at 30 June 2022 to the value of USD62 million at an average rate of USD/NAD 15.3.

Currency translation rates :	30 June 2022
1 SA Rand	N$1.0
1 US Dollar	N$16.2
1 Euro	N$16.9
1 GBP	N$19.7

FINANCIAL INSTRUMENTS (CONTINUED)

Company

The currency position at 30 June 2023 is set below

in thousands of Namibia Dollar	Reference notes	N$	ZAR	US$	Euro	GBP	Total
Assets							
Derivative assets	21.1	-	-	50,033	-	-	50,033
Loans receivable	10	20,178	-	-	-	-	20,178
Trade and other receivables	13	1,072,031	-	52,544	-	-	1,124,575
Investments	11	6,289,063	973,424	367,062	-	-	7,629,549
Cash and cash equivalents	14	451,232	803,634	163,389	52	59	1,418,366
		7,832,504	1,777,058	633,028	52	59	10,242,701
Liabilities							
Interest bearing loans and borrowings	17	(5,889)	(431,727)	-	-	-	(437,616)
Derivative liabilities	21.2	-	-	(1,379,108)	(1,939)	-	(1,381,047)
Trade and other payables	20.1	(316,176)	(355,203)	(255,174)	-	-	(926,553)
Non current retention creditors	20.4	(56,449)	-	-	-	-	(56,449)
		(378,514)	(786,930)	(1,634,282)	(1,939)	-	(2,801,665)
Gross statement of financial position exposure		7,453,990	990,128	(1,001,254)	(1,887)	59	7,441,036
Next year's forecast sales		8,130,671	-	-	-	-	8,130,671
Next year's forecast purchases		(616,216)	(2,284,752)	(3,279,195)	-	-	(6,180,163)
Gross exposure		14,968,445	(1,294,624)	(4,280,449)	(1,887)	59	9,391,544
Foreign exchange contracts 1		-	-	50,033	-	-	50,033
Net exposure		14,968,445	(1,294,624)	(4,230,416)	(1,887)	59	9,441,577

The estimated sales and purchases include transactions for the next 12 months.

[1] The Group had forward exchange contracts outstanding at 30 June 2023 to the value of USD47 million at an average rate of USD/NAD 17.6.

Currency translation rates :	30 June 2023
1 SA Rand	N$1.0
1 US Dollar	N$18.7
1 Euro	N$20.4
1 GBP	N$23.7

FINANCIAL INSTRUMENTS (CONTINUED)

Company

The currency position at 30 June 2022 - Restated is set below

in thousands of Namibia Dollar	Reference notes	N$	ZAR	US$	Euro	GBP	Total
Assets							
Derivative assets	21.1	-	-	51,139	-	-	51,139
Loans receivable	10	20,360	-	-	-	-	20,360
Trade and other receivables	13	790,057	-	485,397	-	-	1,275,454
Investments	11	6,383,076	1,331,110	-	-	-	7,714,186
Cash and cash equivalents	14	670,902	678,588	408,716	32	50	1,758,288
		7,864,395	2,009,698	945,252	32	50	10,819,427
Liabilities							
Interest bearing loans and borrowings	17	(12,878)	(517,635)	-	-	-	(530,513)
Derivative liabilities	21.2	-	-	(442,516)	(367)	-	(442,883)
Trade payables and other payables *	20.1	(766,995)	(221,962)	(262,679)	(863)	-	(1,252,499)
Non current retention creditors	20.4	(80,772)	-	-	-	-	(80,772)
		(860,645)	(739,597)	(705,195)	(1,230)	-	(2,306,667)
Gross statement of financial position exposure		7,003,750	1,270,101	240,057	(1,198)	50	8,512,759
Next year's forecast sales		7,016,986	-	-	-	-	7,016,986
Next year's forecast purchases		(549,293)	(1,469,913)	(2,732,029)	-	-	(4,751,235)
Gross exposure		13,471,443	(199,812)	(2,491,972)	(1,198)	50	10,778,511
Foreign exchange contracts [1]		-	-	51,139	-	-	51,139
Net exposure		13,471,443	(199,812)	(2,440,833)	(1,198)	50	10,829,650

* Certain amounts shown here do not correspond to the 2022 financial statements due to reclassifications and reflect adjustments made, refer to note 31.

The estimated sales and purchases include transactions for the next 12 months.

[1] The Group had forward exchange contracts outstanding at 30 June 2022 to the value of USD62 million at an average rate of USD/NAD 15.3

Currency translation rates :	30 June 2022
1 SA Rand	N$1.0
1 US Dollar	N$16.2
1 Euro	N$16.9
1 GBP	N$19.7

FINANCIAL INSTRUMENTS (CONTINUED)

Sensitivity analysis

A strengthening of the N$ against the following currencies at 30 June 2023 would have increased/(decreased) profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as for 2022.

	CONSOLIDATED		COMPANY	
	2023	2022	2023	2022
	N$'000	N$'000	N$'000	N$'000
US Dollar (10 percent strengthening)	**1,253,462**	1,402,847	**1,253,462**	1,402,847
Euro (10 percent strengthening)	**5**	(83)	**5**	(83)
GBP (10 percent strengthening)	**6**	5	**6**	5

A weakening of the N$ against the following currencies at 30 June 2023 would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2022.

US Dollar (10 percent weakening)	**(1,253,462)**	(1,402,847)	**(1,253,462)**	(1,402,847)
Euro (10 percent weakening)	**(5)**	83	**(5)**	83
GBP (10 percent weakening)	**(6)**	(5)	**(6)**	(5)

29.6.3 Other price risk

Inflation price risk arises from embedded derivatives as discussed under note 21.2. The risk arises from movements in the United States production price index (PPI). The Group's exposure to equity securities price risk arises from the equity investment held by the Group and classified in the statement of financial position as at fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL designated). The Group's equity investment consists of Sanlam shares. The collective investment scheme at FVTPL is also exposed to price risk. The risk arises from movements in the share price of the equity investment and income fund.

ALCO is monitoring the exposure to price risk on a quarterly basis.

FINANCIAL INSTRUMENTS (CONTINUED)

The following is the sensitivity analysis of the change in the value of the embedded derivatives (relating to customised pricing agreements) as a result of changes in the United States PPI. This analysis has been performed on the same basis as the prior year. The analysis assumes that all other variables remain constant and the possible impact on profit or loss is:

	CONSOLIDATED AND COMPANY	
	2023 Profit or (Loss) N$'000	2022 Profit or (Loss) N$'000
United States PPI		
1% increase	**(280,094)**	(274,783)
1% decrease	**318,566**	291,305

The following is the sensitivity analysis of the change in the value of the collective investment schemes as a result of changes in the unit prices. This analysis has been performed on the same basis as the prior year. The analysis assumes that all other variables remain constant and the possible impact on profit or loss is:

Unit price		
5% increase	**85,092**	103,508
5% decrease	**(85,092)**	(103,508)

The following is the sensitivity analysis of the change in the value of the Sanlam shares as a result of changes in share price. This analysis has been performed on the same basis as the prior year. The analysis assumes that all other variables remain constant and the possible impact on equity and on profit or loss is:

	CONSOLIDATED		COMPANY	
Share price	2023 Equity N$'000	2022 Equity N$'000	2023 Profit or (Loss) N$'000	2022 Profit or (Loss) N$'000
5% increase	**50**	45	**74**	67
5% decrease	**(50)**	(45)	**(74)**	(67)

29.7 Capital management

The Group manages the total shareholders' equity and debt as capital. Capital consists of ordinary share capital, development fund, reserve fund and debt. The Group manages capital with due care, skill, prudence and diligence with the objective of ensuring capital preservation and providing liquidity in order to meet financial obligations. The Group's investments are diversified to minimise risks through an asset allocation strategy. The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital and the level of dividends to ordinary shareholders.

The Group manages the following as capital:

Ordinary share capital	**1,065,000**	1,065,000	**1,065,000**	1,065,000
Reserve fund	**1,752,080**	1,816,305	**1,752,080**	1,816,305
Development fund	**5,906,630**	6,835,568	**5,754,872**	6,665,576
Debt	**5,134,197**	4,365,296	**5,134,205**	4,365,304
	13,857,907	14,082,169	**13,706,157**	13,912,185

FINANCIAL INSTRUMENTS (CONTINUED)

The major items that impact the capital include:

- the revenue received from electricity sales which is a function of price and sales volumes and the cost of funding the business;
- the cost of operating the electricity business;
- the cost of expanding the business to ensure that capacity growth is in line with electricity sales demand (funding and additional depreciation);
- interest paid;
- taxation and
- dividends.

The Board has the responsibility to ensure that the Group is adequately capitalised through debt and equity management.

The NamPower treasury section, within the Finance business unit is tasked with the duties of managing the Group's short-term and long term capital requirements. The treasury section fulfils these functions within the framework that has been approved by the NamPower Board of Directors consisting of and not limited to an overall treasury policy, a hedging policy and investment policy.

Under NamPower's current debt portfolio consisting of local and foreign denominated loans, certain covenants are imposed on NamPower's capital requirements. These covenants being a minimum debt service cover ratio of 1.4, debt to EBITDA of a maximum of 4 and a maximum debt equity ratio of 65:35. The Company maintained the required covenants for the year under review as follows: debt service cover ratio of 9.1 (2022: 0.87), debt to EBITDA of -11.9 (2022: -383.1) and a debt equity ratio of 1.3% (2022: 1.5%). These covenants are used for forecasted financial planning to ensure and manage the loan conditions set. The Group also maintains a credit rating as affirmed by Fitch for foreign currency long-term as BB and national long-term rating AAA(zaf).

The tariff increases for the electricity business is subject to the process laid down by the Electricity Control Board (ECB). The current regulatory framework applicable to the Group is based on historical cost and depreciated replacement cost for Generation and Transmission assets respectively.

The electricity business is currently in a major expansion phase. There is national consensus that the capital expansion programme continues. The funding related to new generating, transmitting and other capacity is envisaged to be obtained from cash generated by the business, shareholder support and funds borrowed on the local and overseas markets. The adequacy of price increases allowed by the regulator and the level and timing of shareholder support are key factors in the sustainability of the Group.

There were no changes to the Group's approach to capital management during the financial year.

FINANCIAL INSTRUMENTS (CONTINUED)

29.8 Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where the group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

The following table presents the recognised financial instruments that are offset, or subject to enforceable master netting arrangements. The column 'net amount' shows the impact on the Group's statement of financial position if the set-off rights were exercised.

	Effects of offsetting on the statement of financial position		
CONSOLIDATED AND COMPANY	Gross amounts	Gross amounts set off in the balance sheet	Net amounts presented in the balance sheet
	N$'000	N$'000	N$'000
2023			
Financial liabilities			
Interest bearing loans and borrowings	**437,616**	**-**	**437,616**
Total	**437,616**	**-**	**437,616**
2022			
Financial liabilities			
Interest bearing loans and borrowings	**530,513**	**-**	**530,513**
Total	530,513	-	530,513

30. NOTES TO THE STATEMENTS OF CASH FLOWS

30 (a) CASH (UTILISED)/GENERATED BY OPERATIONS

	Notes	CONSOLIDATED 2023 N$'000	CONSOLIDATED 2022 N$'000 *Restated	COMPANY 2023 N$'000	COMPANY 2022 N$'000 *Restated
(Loss)/profit before net finance income		**(2,062,793)**	(2,341,928)	**(2,062,793)**	(2,341,928)
Adjustments for:					
- Dividend received from listed and unlisted investment	26.	**(73)**	(67)	**(73)**	(67)
- Interest capitalised		**-**	(2,471)	**-**	(2,471)
- Net movement in currency swap valuations on interest bearing loans and borrowings	26 (f)	**-**	(5,739)	**-**	(5,739)
- Effect of exchange rate fluctuations on cash held		**(31,229)**	51,389	**(31,229)**	51,389
- Fair value gain on interest bearing loans and borrowings		**-**	80	**-**	80
- Movement in interest rate and cross currency swaps	26 (f)	**-**	5,781	**-**	5,781
- Fair value (gain)/loss on firm commitments	26 (f)	**1,738**	687	**1,738**	687
- Fair value movements on embedded derivative - Power Purchase Agreement (PPA)	26 (f)	**936,425**	1,006,661	**936,425**	1,006,661
- Coal valuation		**14,514**	(5,428)	**14,514**	(5,428)
- Fair value movements on investment properties	26.	**(4,105)**	(233)	**(4,105)**	(233)
- Movement in expected credit loss on trade and other receivables	13.	**(21,506)**	34,122	**(21,506)**	34,122
- Movement in expected credit loss on investments	11.	**(322)**	(680)	**(322)**	(680)
- Movement in expected credit loss on loans receivable	10.	**4**	(608)	**4**	(608)
- Depreciation on property, plant and equipment	6.	**1,739,233**	1,377,866	**1,739,233**	1,377,866
- Fair value movements on investments		**(71,311)**	(22,581)	**(71,311)**	(22,581)
- Amortisation on intangible assets	9.	**7,816**	12,160	**7,816**	12,160
- Deferred revenue recognised in income	18.	**(97,133)**	(8,863)	**(97,133)**	(8,863)
- Gain on disposal of property, plant and equipment	26.	**-**	(2,779)	**-**	(2,779)
- Transfer to transmission system	6.	**-**	(32,384)	**-**	(32,384)
Cash flows generated from operations		**411,258**	64,985	**411,258**	64,985
Changes in working capital:					
Movement in accrued interest payable		**-**	(7,035)	**-**	(7,035)
Fair value movements on forward exchange contracts	21.1	**1,106**	(50,078)	**1,106**	(50,078)
Movement in non-current retention creditors	20.4	**(24,323)**	63,161	**(24,323)**	63,161
Movement in deferred revenue liability	30 (f)	**126,908**	(58,920)	**126,908**	(58,920)
Movement in employee benefit obligations	22.	**-**	29,965	**-**	29,965
- Employee benefits paid - defined benefit obligation	22.1.2 & 22.2.2	**4,800**	20,017	**4,800**	20,017
- Movement in employee benefits	22.1.2 & 22.2.2	**7,681**	(36,536)	**7,681**	(36,536)
Transfer to intangible assets	9.	**-**	2,305	**-**	2,305
Movement in inventories	12.	**(65,365)**	33,611	**(65,365)**	33,611
Movement in trade and other receivables	30 (e)	**349,680**	(535,968)	**349,680**	(535,968)
Movement in trade payables	30 (g)	**(322,812)**	124,270	**(322,812)**	124,270
		488,933	(350,223)	**488,933**	(350,223)

* Certain amounts shown here do not correspond to the 2022 financial statements due to reclassifications and reflect adjustments made, refer to note 31.

NOTES TO THE STATEMENTS OF CASH FLOWS (CONTINUED)

	Notes	CONSOLIDATED 2023 N$'000	CONSOLIDATED 2022 N$'000	COMPANY 2023 N$'000	COMPANY 2022 N$'000
30 (b) TAXATION PAID					
Amount (due)/from to the Receiver of Revenue at beginning of year		**33,780**	33,780	**33,780**	33,780
Amount due to the Receiver of Revenue at end of year		**33,780**	33,780	**33,780**	33,780
30 (c) INTEREST RECEIVED FROM OPERATING AND INVESTING ACTIVITIES					
Interest received from operations and customers		**78,568**	71,612	**78,568**	71,612
Interest received from investments		**359,091**	336,040	**359,091**	336,040
Fair value movements on investments		**7,440**	-	**7,440**	-
Reinvested interest		**255,438**	189,283	**255,438**	189,283
Accrued interest		**12,901**	(45,162)	**12,901**	(45,162)
Finance income	24.	**713,438**	551,773	**713,438**	551,773
30 (d) INTEREST PAID					
Interest paid		**(42,639)**	(55,340)	**(42,639)**	(55,340)
Accrued interest		**4,015**	7,035	**4,015**	7,035
Finance cost	24.	**(38,624)**	(48,305)	**(38,624)**	(48,305)
30 (e) TRADE AND OTHER RECEIVABLES					
Movement in trade and other receivables		**(328,174)**	501,846	**(328,174)**	501,846
Impairment loss on trade and other receivables		**(21,506)**	34,122	**(21,506)**	34,122
		(349,680)	535,968	**(349,680)**	535,968
30 (f) DEFERRED REVENUE LIABILITY					
Movement in deferred revenue liability		**152,286**	(67,783)	**152,286**	(67,783)
Transfers of assets from customers		**(124,929)**	-	**(124,929)**	-
Interest rate subsidy - EIB Loan III		**2,416**	-	**2,416**	-
Deferred revenue recognised in income		**97,133**	8,863	**97,133**	8,863
		126,906	(58,920)	**126,906**	(58,920)

NOTES TO THE STATEMENTS OF CASH FLOWS (CONTINUED)

	Notes	CONSOLIDATED 2023 N$'000	CONSOLIDATED 2022 N$'000	COMPANY 2023 N$'000	COMPANY 2022 N$'000
30 (g) TRADE AND OTHER PAYABLES					
Movement in trade and other payables		**(322,812)**	124,272	**(322,812)**	124,270
		(322,812)	124,272	**(322,812)**	124,270
30 (h) CASH RECEIPTS FROM CUSTOMERS					
Electricity sales		**7,208,687**	6,506,042	**7,208,687**	6,481,507
Movement in gross trade receivables		**181,498**	(416,578)	**181,498**	(416,578)
		7,390,185	6,089,464	**7,390,185**	6,064,929
30 (i) INTEREST BEARING LOANS AND BORROWINGS					
Balance at 1 July		**530,513**	760,774	**530,513**	760,774
Cashflows		**(91,298)**	(212,072)	**(91,298)**	(212,072)
Net swap valuations		**-**	(5,739)	**-**	(5,739)
Interest capitalised on loan		**553**	493	**553**	493
Accrued interest		**(2,153)**	(13,023)	**(2,153)**	(13,023)
Fair value gain on interest bearing loans and borrowings		**-**	80	**-**	80
Balance at 30 June		**437,615**	530,513	**437,615**	530,513
30 (j) LOANS RECEIVABLE					
Repayment of loans receivable		**2,641**	2,425	**2,641**	2,425
		2,641	2,425	**2,641**	2,425

30 (k) The Group held cash and cash equivalents of N$1.4 billion at 30 June 2023 (2022: N$1.8 billion). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated for foreign currency long-term as BB and national long-term rating AAA(zaf), based on Fitch ratings.

31. PRIOR PERIOD RESTATEMENT

31.1 Billing Error

(i) The Group discovered that certain bulk supply customers were erroneously overbilled from 2012 until 2022 financial years due to incorrect meter readings. As a result, the Group's retained earnings and tax liabilities were overstated and trade and other payable were understated in the prior periods.

In terms of the customer power supply agreements the Group has a contractual obligation to adjust the customer accounts in the event of incorrect billing due to error in meter readings. Accordingly, the Group adjusted the affected customer's account balances and recognised trade and other payables in respect of the credit customer accounts balances.

Statements of Financial Position

		CONSOLIDATED AND COMPANY		
Statement of financial position at 30 June 2022 (extract)	**Reference**	**Previously reported N$'000**	**Impact of changes N$'000**	**Restated N$'000**
Total current assets				
Trade and other receivables		1,581,906	9,239	1,591,145
Equity				
Total equity attributable to equity holders				
Development fund	(i)	6,665,576	(145,007)	6,520,569
Liabilities				
Total current liabilities				
Trade and other payables	(i)	1,256,412	154,246	1,410,658
Statement of financial position at 30 June 2021 (extract)				
Equity				
Total equity attributable to equity holders				
Development fund	(i)	7,819,444	(120,471)	7,698,973
Liabilities				
Total current liabilities				
Trade and other payables	(i)	1,165,919	120,471	1,286,390

PRIOR PERIOD RESTATEMENT (CONTINUED)

Statements of profit or loss and other comprehensive income for the year ended 30 June 2022

		CONSOLIDATED AND COMPANY		
	Reference	Previously reported N$'000	Impact of changes N$'000	Restated N$'000
Revenue	(i)	6,506,042	(24,535)	6,481,507
Loss before net finance income		**(2,317,393)**	**(24,535)**	**(2,341,928)**
Loss before taxation		**(1,813,925)**	**(24,535)**	**(1,838,460)**
Loss for the year		**(1,223,737)**	**(24,535)**	**(1,248,272)**
Other comprehensive income				
Other comprehensive income for the year, net of taxation		**4,024,099**	**-**	**4,024,099**
Total comprehensive income for the year		**2,800,362**	**(24,535)**	**2,775,827**

PRIOR PERIOD RESTATEMENT (CONTINUED)

Statement of cash flow for the year ended 30 June 2022 The impact on the statements of cash flow is summarised below:

		CONSOLIDATED AND COMPANY		
	Reference	Previously reported N$'000	Impact of changes N$'000	Restated N$'000
Cash flows from operating activities				
Cash receipts from customers	(i)	6,089,464	(24,535)	6,064,929
Cash paid to suppliers and employees	(i)	(6,439,687)	24,535	(6,415,152)
Cash (utilised)/generated by operations		(350,223)	-	(350,223)
Interest received		71,612	-	71,612
Net cash from operating activities		**(278,611)**	**-**	**(278,611)**
Cash flows from investing activities				
Proceeds from the sale of property, plant and equipment		2,911	-	2,911
Acquisitions of intangible assets		(2,942)	-	(2,942)
Extension and replacement of property, plant and equipment to maintain operations		(1,196,918)	-	(1,196,918)
Interest received		336,040	-	336,040
Dividend received		67	-	67
Proceeds from collective investment schemes		396,000	-	396,000
Proceeds from fixed deposits and treasury bills		3,117,066	-	3,117,066
Proceeds from money market funds		325,000	-	325,000
Payments for collective investment schemes		(60,000)	-	(60,000)
Payments for fixed deposits and treasury bills		(2,243,111)	-	(2,243,111)
Payments for money market funds		(100,000)	-	(100,000)
Proceeds from loans receivable		2,425	-	2,425
Net cash used in investing activities		**576,538**	**-**	**576,538**
Cash flows from financing activities				
Interest paid		(55,340)	-	(55,340)
Repayments		(212,072)	-	(212,072)
Net cash used in financing activities		**(267,412)**	**-**	**(267,412)**
Net increase in cash and cash equivalents		30,515	-	30,515
Cash and cash equivalents at 1 July		1,779,162	-	1,779,162
Effect of exchange rate fluctuations on cash held		(51,389)	-	(51,389)
Cash and cash equivalents at 30 June		**1,758,288**	**-**	**1,758,288**

PRIOR PERIOD RESTATEMENT (CONTINUED)

Note to the statement of cash flow

		CONSOLIDATED AND COMPANY		
	Reference	Previously reported N$'000	Impact of changes N$'000	Restated N$'000
CASH (UTILISED)/GENERATED BY OPERATIONS				
(Loss)/profit before net finance income	(i)	(2,317,393)	(24,535)	(2,341,928)
Adjustments for:				
- Dividend received from unlisted investments		(67)	-	(67)
- Interest capitalised / reinvested interest		(2,471)	-	(2,471)
- Net movement in currency swap valuations on interest bearing loans and borrowings		(5,739)	-	(5,739)
- Effect of exchange rate fluctuations on cash held		51,389	-	51,389
- Fair value gain on interest bearing loans and borrowings		80	-	80
- Movement in interest rate and cross currency swaps		5,781	-	5,781
- Fair value (gain)/loss on firm commitments		687	-	687
- Fair value movements on embedded derivative - Power Purchase Agreement (PPA)		1,006,661	-	1,006,661
- Coal valuation		(5,428)	-	(5,428)
- Fair value movements on investment properties		(233)	-	(233)
- Movement in expected credit loss on trade and other receivables		34,122	-	34,122
- Movement in expected credit loss on investments		(680)	-	(680)
- Movement in expected credit loss on loans receivable		(608)	-	(608)
- Depreciation on property, plant and equipment		1,377,866	-	1,377,866
- Fair value movements on investments		(22,581)	-	(22,581)
- Amortisation on intangible assets		12,160	-	12,160
- Deferred revenue recognised in income		(8,863)	-	(8,863)
- Gain on disposal of property, plant and equipment		(2,779)	-	(2,779)
- Transfer to transmission system		(32,384)	-	(32,384)
Cash flows generated from operations		89,520	(24,535)	64,985

PRIOR PERIOD RESTATEMENT (CONTINUED)

		CONSOLIDATED AND COMPANY		
	Reference	Previously reported N$'000	Impact of changes N$'000	Restated N$'000
Changes in working capital:				
Movement in accrued interest payable		(7,035)	-	(7,035)
Fair value movements on forward exchange contracts		(50,078)	-	(50,078)
Movement in non-current retention creditors		63,161	-	63,161
Movement in deferred revenue liability		(58,920)	-	(58,920)
Movement in employee benefit obligations		29,965	-	29,965
- Employee benefits paid - defined benefit obligation		20,017	-	20,017
- Movement in employee benefits		(36,536)	-	(36,536)
Transfer to intangible assets		2,305	-	2,305
Movement in inventories		33,611	-	33,611
Movement in trade and other receivables		(526,730)	(9,238)	(535,968)
Movement in trade payables	(i)	90,497	33,773	124,270
		(350,223)	-	(350,223)

31.2 Related parties - Associates

An adjustment was made in respect of the consolidated figures due to an error in percentages applied. The figures were previously disclosed at equity interest percentage.

30 June 2022 (extract)	Reference	CONSOLIDATED AND COMPANY Previously reported N$'000	Impact of changes N$'000	Restated N$'000
Sales				
Associates				
Cenored (Pty) Ltd		194,505	237,729	432,234
- Electricity sales		194,467	237,683	432,150
- Service level agreement and technical support		38	46	84
Nored Electricity (Pty) Ltd		253,835	507,749	761,584
- Electricity sales		253,785	507,647	761,432
- Rental income		45	91	136
- Service level agreement and technical support		5	11	16
Municipal services from related parties		1,329	2,381	3,710
- Nored Electricity (Pty) Ltd		975	1,949	2,924
- Cenored (Pty) Ltd		354	432	786
Related party balances from electricity sales and other purchases				
Due from / (due to)				
Associates		127,076	231,853	358,929
- Cenored (Pty) Ltd		28,734	35,120	63,854
- Cenored (Pty) Ltd		(21)	(25)	(46)
- Nored Electricity (Pty) Ltd		98,448	196,927	295,375
- Nored Electricity (Pty) Ltd		(85)	(169)	(254)
Guarantees received				
- Nored Electricity (Pty) Ltd		2,068	4,137	6,205

32. CONTINGENT LIABILITY

Litigation is in process against the Group relating to a dispute with a customer which is suing the Group for a breach of contract. The Group's lawyers have advised that they do not consider that the claim has merit and there is reasonable to good prospects of success in having the claim dismissed. The possible total loss has been estimated at N$336.0 million.

No provision has been made in the period under review as the Group does not consider that there is any probable loss.

33. SEGMENT REPORTING

Business unit segments
Reportable segments are determined based on the internal management reports provided quarterly to the Executive Committee (EXCO). The Group has three reportable segments, as described below, which are the Group's core business units. The core business units offer different services, and are managed separately because they require different expertise and marketing strategies.

The measure of profit/(loss) used by EXCO is profit/(loss) before tax.
The following summary describes the operations in each of the Group's reportable segments:
Generation: Supply of energy
Transmission: Transmission of energy
Support Services, including Energy Trading and Power Systems Development:
Energy Trading is responsible for the short, medium and long term planning and management of energy. Power Systems Development is responsible for the development of supply sources of energy. Other support services include Distribution of energy, Corporate Services, Finance and the Office of the Managing Director.

33.1 Information about reportable business units

	Generation		Transmission		Support Services		Total	
Amounts in N$'000	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Total revenues - restated	**591,276**	554,647	**7,178,885**	6,648,531	**5,434,119**	4,891,769	**13,204,280**	12,094,949
Intersegment revenue - restated	**(591,276)**	(554,647)	**(617,627)**	(794,056)	**(4,786,690)**	(4,264,738)	**(5,995,593)**	(5,613,442)
Revenue from external customers - restated	**-**	-	**6,561,258**	5,854,474	**647,429**	627,031	**7,208,687**	6,481,507
Cost of electricity	**-**	-	**-**	-	**(5,032,172)**	(5,075,449)	**(5,032,172)**	(5,075,449)
Interest Income	**-**	-	**62,179**	62,166	**651,259**	489,607	**713,438**	551,773
Interest expense	**-**	(664)	**(38,624)**	(54,676)	**-**	7,035	**(38,624)**	(48,305)
Depreciation & amortisation	**(684,724)**	(497,708)	**(857,262)**	(716,877)	**(205,064)**	(175,441)	**(1,747,049)**	(1,390,026)
Staff costs	**(188,303)**	(197,197)	**(359,617)**	(370,971)	**(363,456)**	(424,378)	**(911,378)**	(992,546)
Post retirement medical benefit (interest cost)	**(6,295)**	(5,953)	**(13,210)**	(12,494)	**(14,145)**	(13,378)	**(33,650)**	(31,825)
Foreign exchange gains on trade payables/ receivables, bank balances and loans payable	**-**	-	**-**	-	**464,262**	352,387	**464,262**	352,387
Foreign exchange losses on trade payables/ receivables, bank balances and loans payable	**-**	-	**-**	-	**(529,092)**	(137,391)	**(529,092)**	(137,391)
Share of loss of associates, net of taxation	**-**	-	**-**	-	**(17,883)**	11,346	**(17,883)**	11,346
Segment result (before tax)	**879,430**	765,135	**(4,769,170)**	(4,206,677)	**2,483,878**	1,638,963	**(1,405,862)**	(1,802,579)
Taxation	**-**	-	**-**	-	**525,247**	590,188	**525,247**	590,188

SEGMENT REPORTING
(CONTINUED)

33.2 Geographical information on the Group's revenue from customers by geographical area are:

	CONSOLIDATED AND COMPANY	
	2023 N$'000	**2022 N$'000 * Restated**
Domestic- Namibia	**6,896,470**	6,144,021
Regional Exports/ Cross border customers		
Angola	**80,408**	194,781
Botswana	**49,507**	80,524
South Africa	**12,171**	10,864
SAPP Market	**170,131**	51,317
	7,208,687	6,481,507

33.3 Information about major customers

Included in total segment revenue arising from the sale of electricity, extension charges, SAPP market sales and contribution by customers of N$7.2 billion (2022: N$6.5 billion) (see note 33.1 above) are revenues of approximately N$3.4 billion (2022: N$3.0 billion) which arose from electricity sales to the Group's three largest customers. No other single customers contributed 10% or more to the Group's revenue for both 2023 and 2022 financial years.

08.
CONTACT US

ADMINISTRATION

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