ANNUAL REPORT 2014

NamPower

Powering the Nation and beyond

VISION

To be a leading energy company in Africa, which excels in customer service, people development and technological innovation.

MISSION

To provide for the energy needs of our customers, fulfill the aspirations of our staff and satisfy the expectations of our stakeholders.

GROUP VALUES

- Customer Focus
- Teamwork
- Accountability
- Integrity
- Employee Empowerment
- Safety, Health, Environment and Wellness (SHEW)

WE ARE COMMITTED TO...

- Providing value added service to our customers
- Having technically reliable, modern and state of-the-art technology and equipment
- Adhering to safety measures in all our operations
- Appropriate development strategies
- Making electricity available to most households in Namibia
- Having a proactive workforce


KRONES

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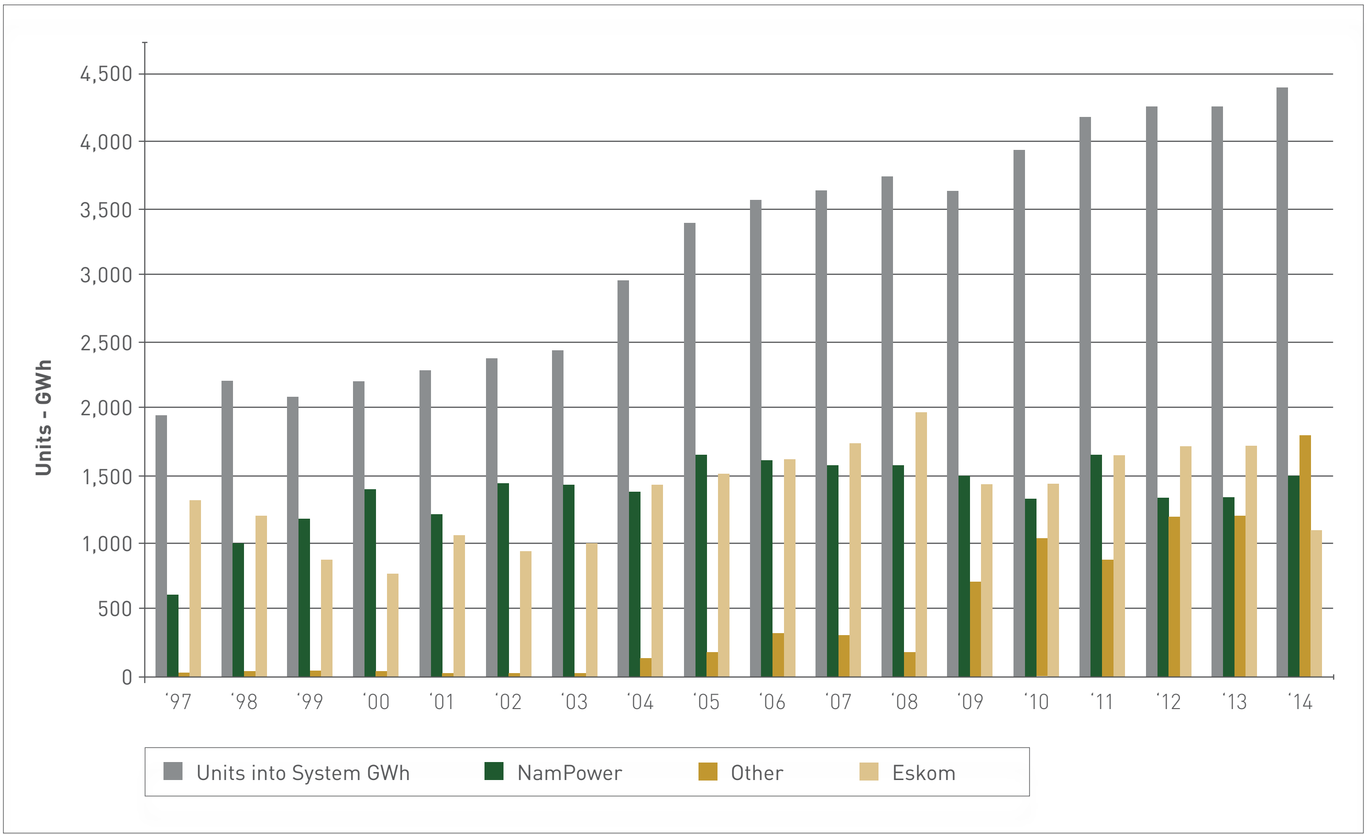
GROUP KEY STATISTICS

		2014	2013	2012
1.	Total revenue (N$'000)	**3,967,840**	3,305,641	2,555,559
2.	Taxation (N$'000)	**(141,250)**	37,956	(76,135)
3.	Capital Expenditure (N$'000)	**738,126**	395,216	346,519
	- Property, plant and equipment	**737,563**	394,029	346,455
	- Intangible assets	**563**	1,187	64
4.	Coal Cost - Per Ton (N$)	**1,517**	1,517	1,244
5.	Average Price per unit sold (Cents)	**109.5**	96.7	77.3
6.	Number of electricity customers	**2,792**	2,788	2,752
7.	System Maximum (Hourly demand) (MW)			
	- Excluding Skorpion	**554**	534	534
	- Including Skorpion	**629**	614	614
8.	Units into System (GWh) - including Skorpion	**4,384**	4,238	4,162
	NamPower (Pty) Ltd	**1,498**	1,331	1,643
	ZESCO	**420**	389	378
	Eskom	**1,091**	1,718	1,645
	ZESA	**962**	781	496
	Aggreko	**413**	19	-
9.	Units sold (GWh)	**3,831**	3,861	3,726
	Customers in Namibia	**3,031**	2,986	2,840
	Skorpion Zinc mine	**571**	647	662
	Orange River	**145**	139	133
	Exports	**84**	89	91
10.	Installed Capacity (MW)	**1,087**	1,087	1,099
	- Ruacana	**332**	332	332
	- Van Eck	**120**	120	120
	- Interconnector	**600**	600	600
	- Anixas	**23**	23	23
	- Paratus	**12**	12	24
11.	Transmission Lines			
	- 400 kV (km)	**987**	987	987
	- 350 kV (km)	**953**	953	953
	- 330 kV (km)	**522**	522	522
	- 220 kV (km)	**2,910**	2,910	2,910
	- 132 kV (km)	**2,142**	2,141	2,113
	- 66 kV (km)	**3,608**	3,605	3,605
12.	Distribution Lines			
	- 33 kV (km)	**11,510**	11,475	11,432
	- 22 kV (km)	**4,891**	4,875	4,817
	- 19 kV (SWER) (km)	**4,392**	4,378	4,372
	- 11 kV (km)	**1,151**	1,149	1,146
13.	Employees	**956**	941	931

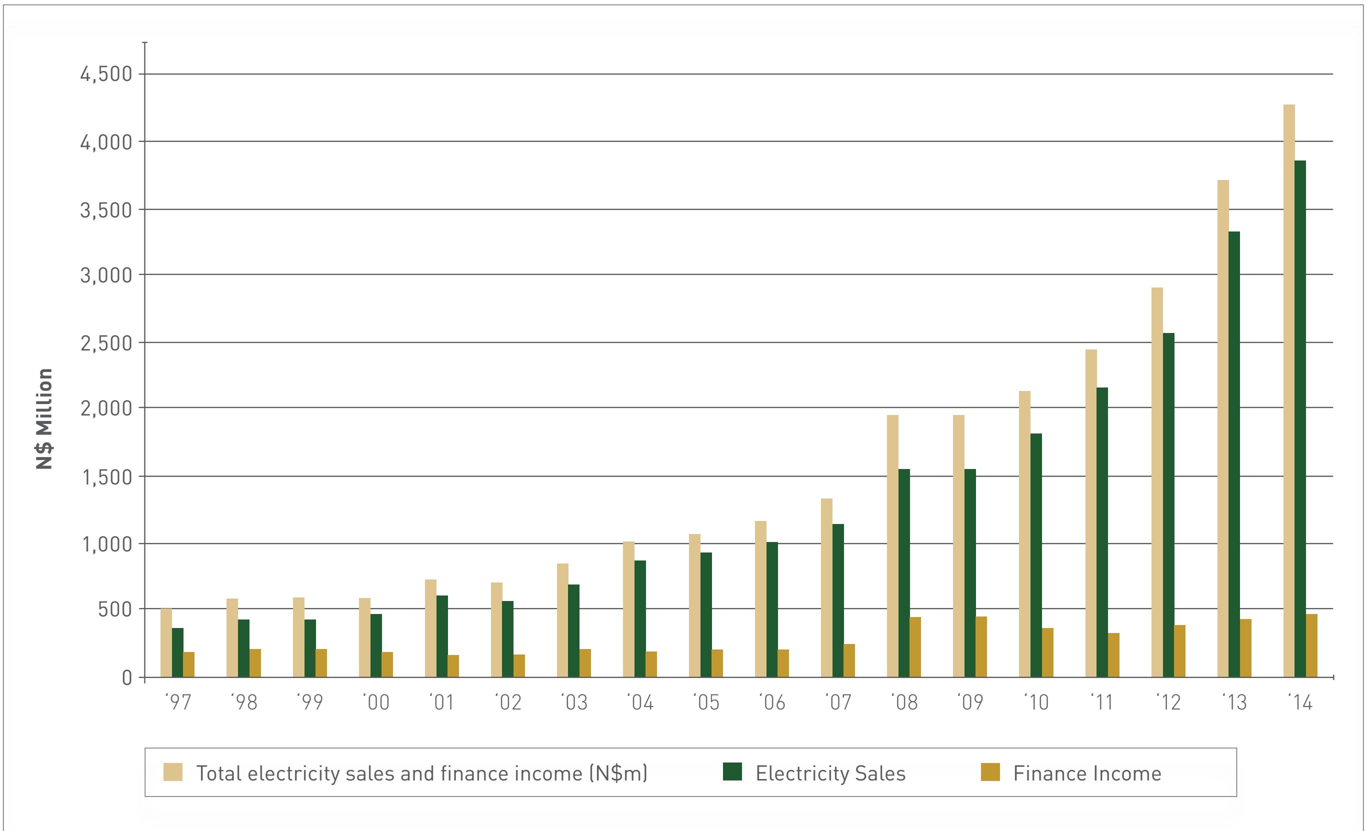
Abbreviations:

AU$: Australian Dollar
EDM: Electricidade de Mozambique
EUR: Euro
FV: Fair Value
GBP: Great British Pound
GWh: Gigawatt hour
Km: Kilometre
kV: Kilovolts
MME: Ministry of Mines and Energy
MTC: Mobile Telecommunications
MW: Megawatt
NNF: Namibia Nature Foundation
N$: Namibia Dollar
OCI: Other comprehensive income
P+L: Profit or loss
SEK: Swedish Krona
SOCI: Statement of comprehensive income
SOCIE: Statement of changes in equity
SOFP: Statement of financial position
STEM: Short Term Energy Market
SWER: Single Wire Earth Return
US$: United States Dollar
ZAR: South African Rand
ZESA: Zimbabwe Electricity Supply Authority
ZESCO: Zambia Electricity Supply Corporation

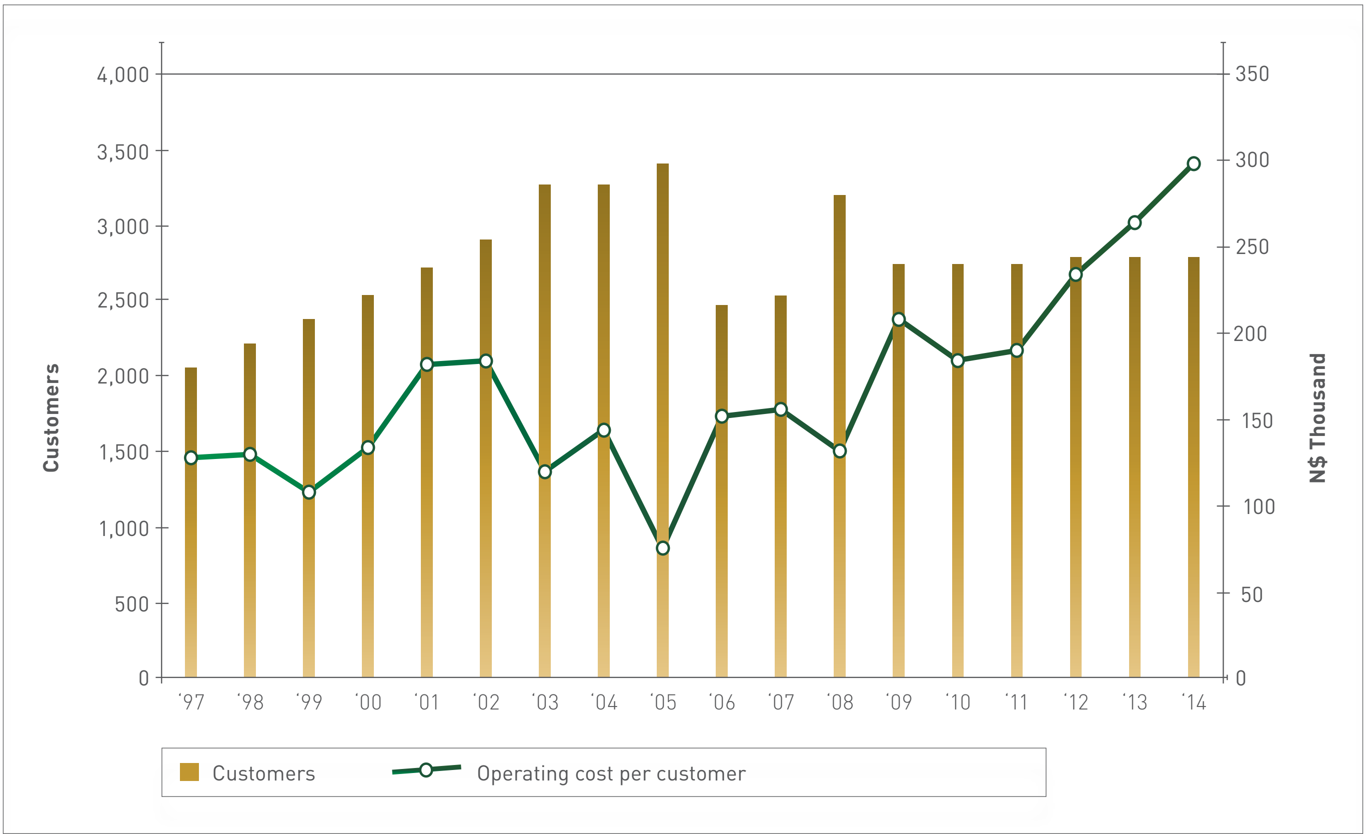
UNITS INTO SYSTEM



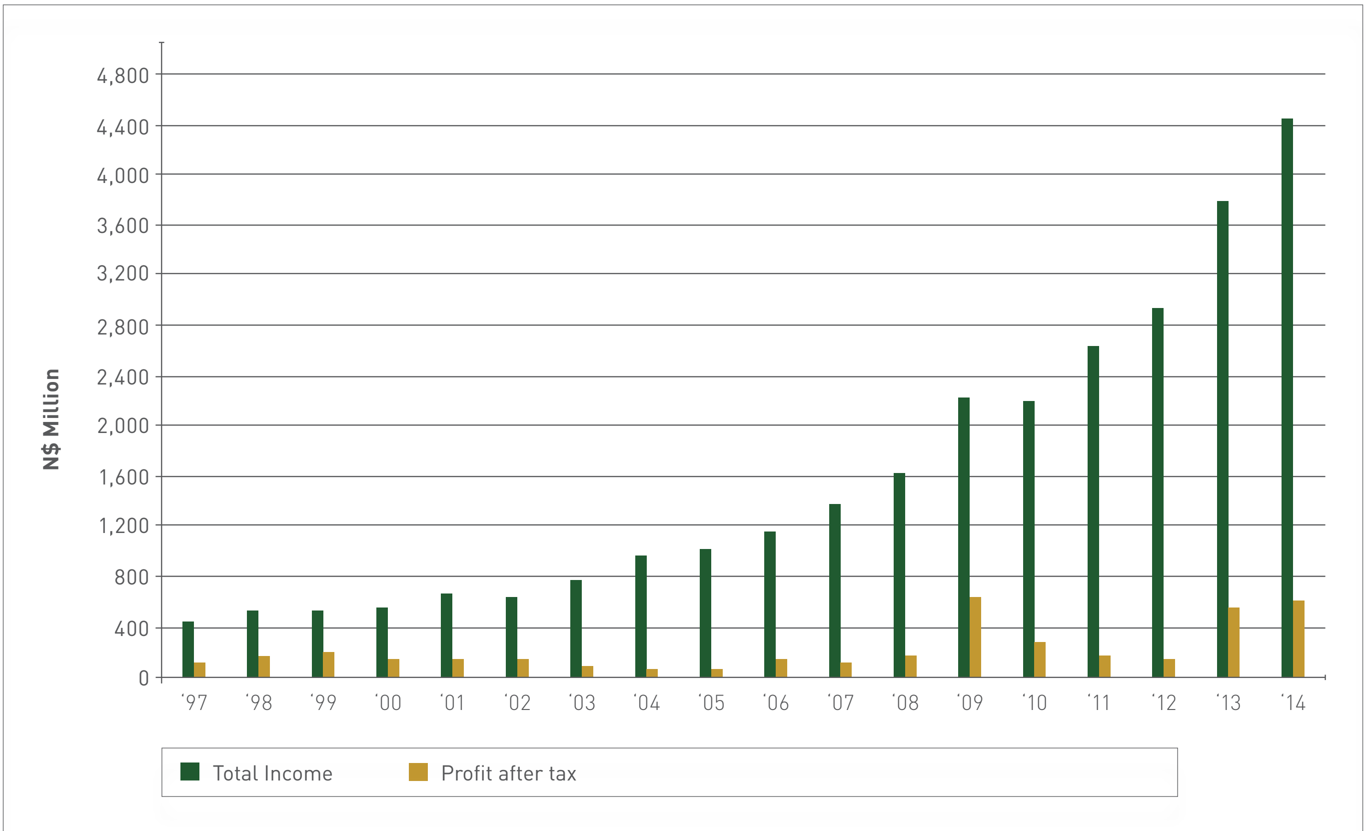
ELECTRICITY SALES AND FINANCE INCOME



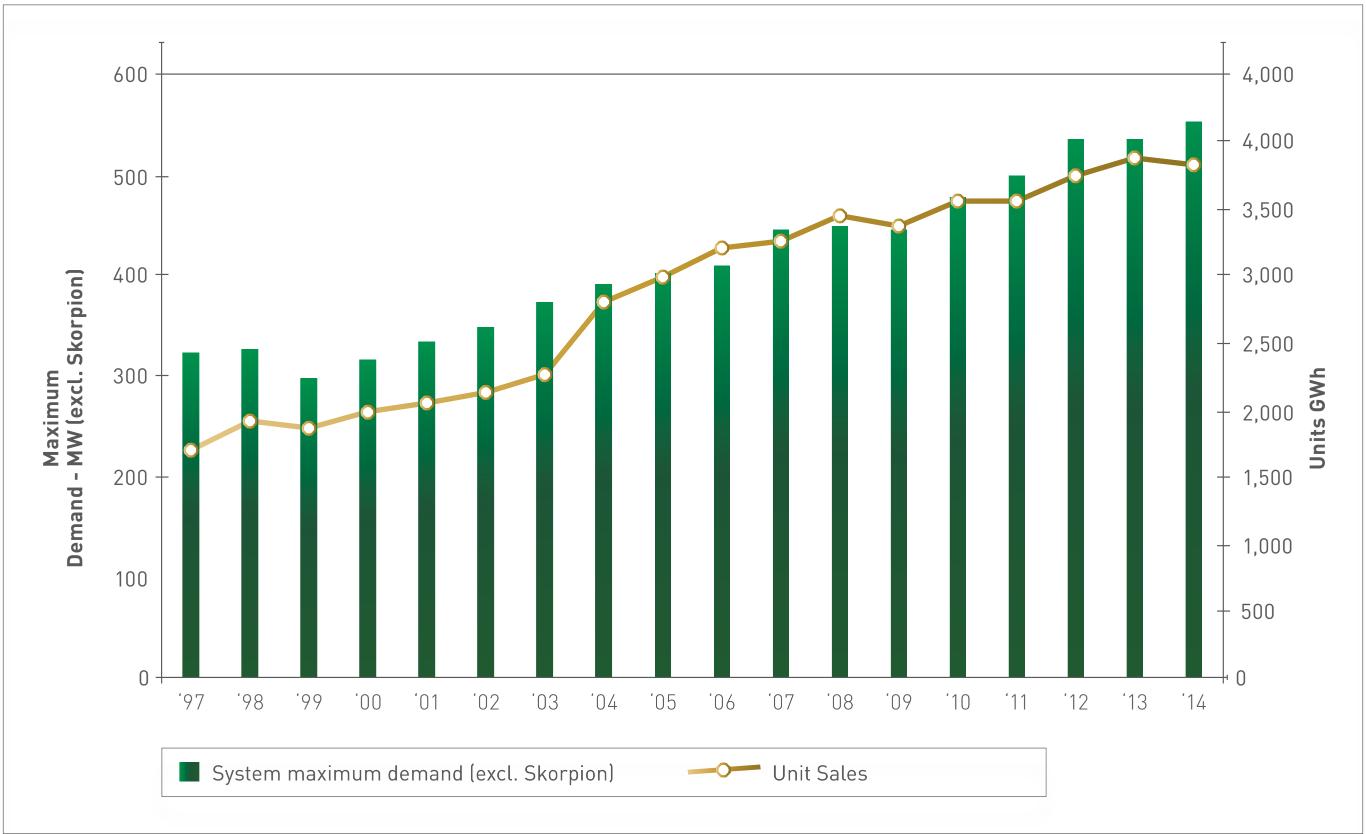
CUSTOMERS AND OPERATING COST PER CUSTOMER



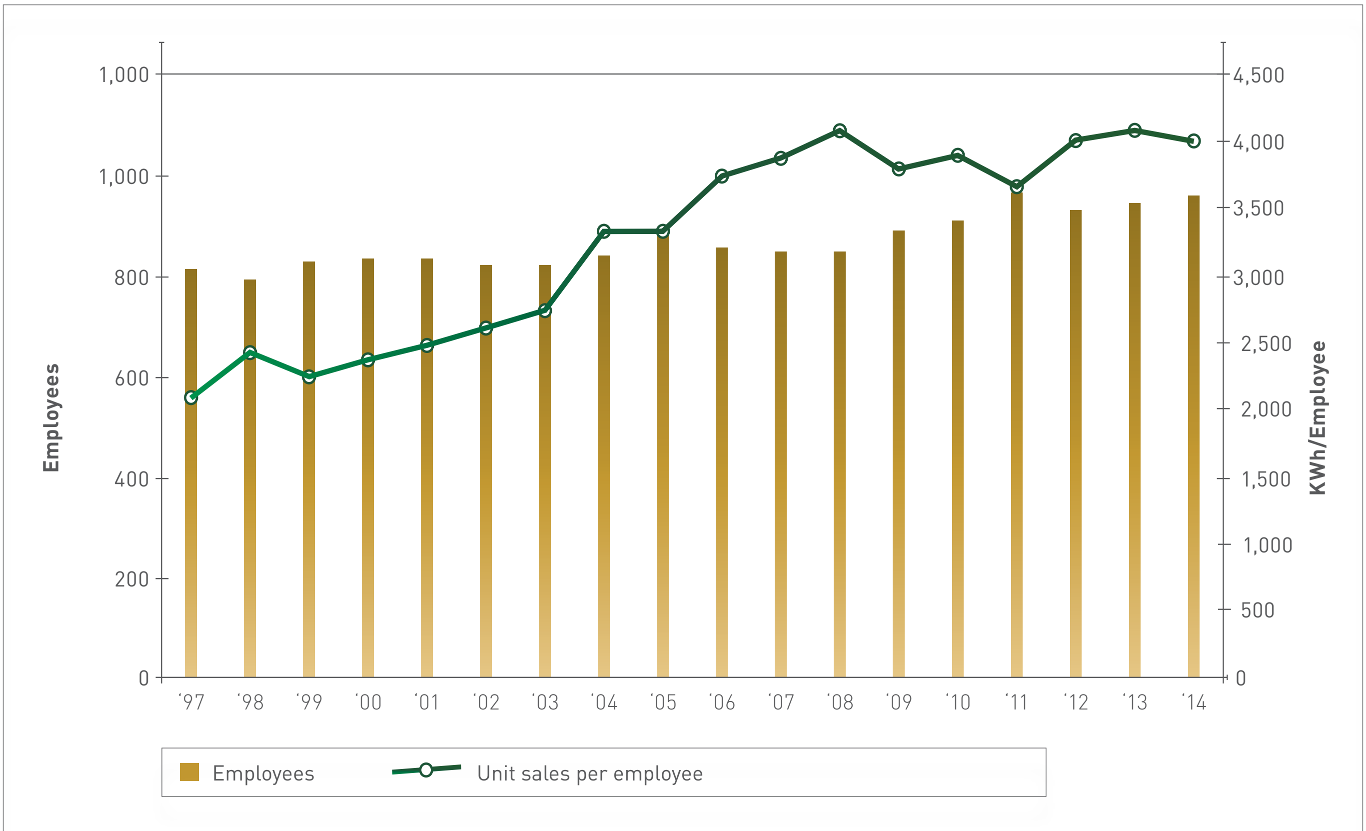
TOTAL INCOME AND PROFIT AFTER TAX (N$ MILLION)



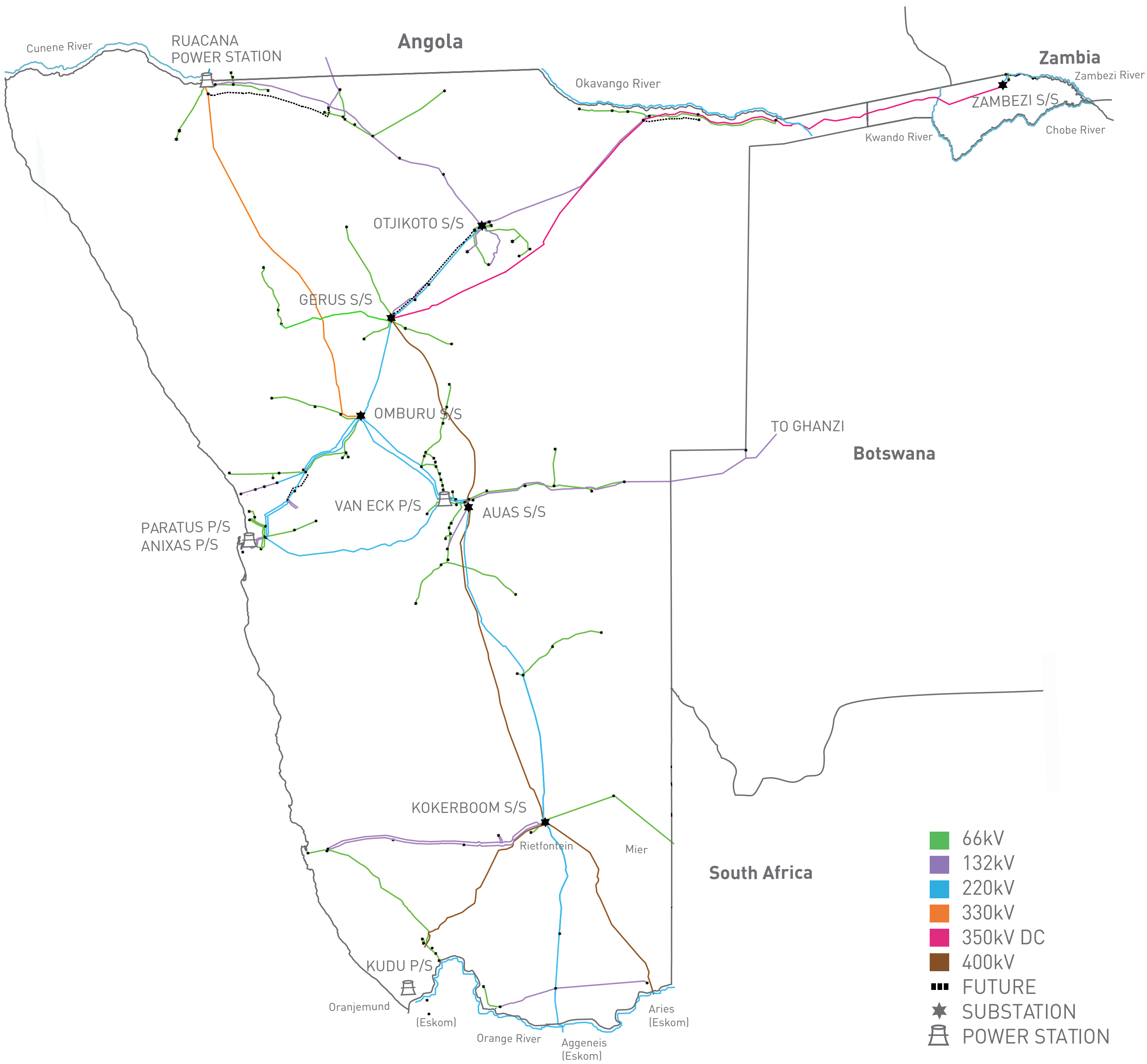
SYSTEM MAXIMUM DEMAND (EXCL. SKORPION) AND UNIT SALES



EMPLOYEE PERFORMANCE



TRANSMISSION
MAP



CORPORATE STRUCTURE: **MINISTRY OF MINES AND ENERGY**

HON. I KATALI
MINISTER OF MINES AND ENERGY

HON. W ISAACKS
DEPUTY MINISTER OF MINES AND ENERGY

MR. K KAHUURE
PERMANENT SECRETARY OF MINES AND ENERGY

CORPORATE STRUCTURE: **BOARD OF DIRECTORS**

MS. MARIA NAKALE
CHAIRPERSON

ADV. WERNER BOESAK

MS. SELMA-PENNA UTONIH

MS. PATTY KARUAIHE-MARTIN

MR. PENDA KIIYALA

MR. PEDRO MARITZ

MR. PAULINUS ILONGA SHILAMBA
MANAGING DIRECTOR

CORPORATE STRUCTURE: **NAMPOWER EXECUTIVE MANAGEMENT COMMITTEE**

MR. PAULINUS ILONGA SHILAMBA
MANAGING DIRECTOR

MS. HANRI JACOBS
CHIEF OFFICER: FINANCE, TREASURY AND PROPERTY MANAGEMENT

MR. O'BRIEN HEKANDJO
CHIEF OFFICER: TECHNICAL SERVICES

MS. MONICA NASHANDI
DIVISIONAL MANAGER: STRATEGY, COMMUNICATION AND ELECTRIFICATION

MR. REINER JAGAU
CHIEF OFFICER: POWER SYSTEM DEVELOPMENT

MR. ISAC TJOMBONDE
CHIEF OFFICER: CORPORATE SERVICES

CHAIRPERSON'S **REPORT**

INTRODUCTION

As a vital engine of Namibia's socio-economic growth and in support of national development objectives, NamPower has once again during the year under review lived up to its mandate of ensuring security of power supply to the country, despite the prevailing regional and local power supply shortages which have necessitated load shedding and curtailment of supply elsewhere in the region. Continuing to "keep the lights on" at home has once again been a challenge this year; one which we are proud to have overcome, mainly through proactive trading of electricity, wise investment decisions, effective deployment of our human, technical and financial resources, and the continued support of our shareholder, the Government, principally through the Ministry of Mines and Energy.

The challenge is ongoing, and our passion and purpose in continuing to meet it, is driven by NamPower's commitment to the development of Namibia's economy and society. The pace of economic growth is closely linked to energy consumption, and therefore the pace at which NamPower can build and sustain infrastructure adequately to both meet and promote demand is important.

Namibia's healthy recent rates of economic expansion have stretched NamPower's resources to their maximum. The Company's average annual growth in demand is closely aligned with Namibia's Integrated Resource Plan which assumes an annual growth rate of 4.25% for the period between 2011 and 2031.

While proud of the fact that we once again avoided load shedding in the period under review, this record will continue to be severely tested, especially in the period from 2016 until such time as the Kudu Power project comes on board. To help ensure security of supply, various initiatives under the short-term critical supply program, such as the Demand Side Management project, are being implemented. This project includes an ongoing energy savings campaign, through which NamPower continues to solicit the support of all consumers in saving energy by applying the energy savings tips and advice given through the media and other forums.

COST REFLECTIVITY

Large-scale investment will be required to fund various capital-intensive generation and transmission projects for Namibia to become self-reliant in meeting its electricity needs, decrease import dependency, and maintain a sound platform for energy-intensive industrialisation. To support such investment, electricity tariffs in Namibia, in line with those throughout SADC, will thus continue to rise at a rate faster than inflation over the next few years. This is consistent with the principle stated in Government's White Paper on Energy Policy of 1998 that tariffs should reflect the long run marginal cost of supply.

In keeping with this trajectory, the approved effective tariff adjustment for the year 2013/2014, effective 1 July 2013, was 13%. In addition to supporting the rollout of new capacity, such increases will enable NamPower to build up sufficient reserves to protect Namibian consumers from price shocks in the future, for instance when new power stations are commissioned.

THE BALANCE OF SECURITY OF SUPPLY

Balancing demand and supply in a country like Namibia which is not yet self-sufficient in its generating capacity is a continuous challenge. New power stations need to be built or PPAs entered into to address both current and future supply deficiencies. Wherever commissioned around the globe, power stations are not only expensive but also slow to build: even excluding all the various impact assessments and analyses that must come beforehand, lead times for base-load plants vary between 2.5 and 6 years, depending on type. Investment decisions are based on assumptions and demand projections available at a particular point in time, and like any attempt to predict the future, are inherently fallible. Between planning and implementation new step loads come on stream, while others, particularly mines in the case of Namibia, may close down or be mothballed because of weakening commodity prices. NamPower devotes intensive effort to ongoing modelling, including various sensitivity runs, to navigate this inherently dynamic context and protect not only its own institutional viability but also the interests of end users who will ultimately fund new developments over time through tariffs.

The touchstone of NamPower's strategy for increasing domestic generation to meet organic demand growth and reduce import dependency remains the Kudu gas-to-electricity project now nearing Final Investment Decision. In addition, the company may also consider investment on a minority basis in a scalable private-public partnership project to provide up to 250MW of heavy fuel or gas-fired modular capacity, as may prove necessary or prudent in maintaining the overall balance of supply and demand.

FITCH RATING

During the year under review, Fitch Ratings affirmed NamPower's Long-Term foreign currency Issuer Default Rating (IDR) at 'BBB-' and Short-Term IDR at 'F3'. Fitch also affirmed NamPower's National Long-Term rating at 'AA-(zaf)' and its Short-Term rating at 'F1+(zaf)'. Moreover, Fitch's Outlooks on the Long-Term ratings remain set at "Stable". These affirmations reflect the ongoing alignment of NamPower's ratings with those assigned by Fitch to Namibian sovereign debt (BBB-/Stable). Under Fitch's parent and subsidiary rating linkage methodology, NamPower has strong legal, operational and strategic links with the state of Namibia, including direct government guarantees for part of NamPower's debt.

Until the Kudu project comes on stream around 2018, NamPower will continue to import an increasing amount of electricity to satisfy demand. Therefore, Fitch expects NamPower's operating margins to decrease due to the higher costs of imports compared to domestically-generated hydro power, as the full impact of this import price premium is unlikely to be passed on to customers. Fitch expects these decreased short-term margins, combined with the costs of commissioning KuduPower, to materially weaken NamPower's credit ratios until that trend is naturally reversed in the years following such commissioning.

LEADERSHIP'S KEY FOCUS AREAS

The board and executive management have proactively focussed NamPower's attention on the key priorities and related risks in its business at this vital stage, with the following agenda items prominent among those addressed during the year under review:

- Strategy, including the Corporate Strategy and Business Plan for 2014–2018;
- General performance and risks, including safety, board and sub-committee evaluations, key business risks, and shareholder reporting;
- Generation sustainability, including maintenance issues;
- Security of supply, including IPPs;
- Energy efficiency;
- Stakeholder management;
- Financial sustainability;
- NamPower's environmental footprint;
- Transformation, including employment equity and job creation;
- Black Economic Empowerment (BEE) programs;
- Generation and transmission expansion programs.

Of these, addressing the security-of-supply balance and maintaining NamPower's financial sustainability ranked highest in importance, as reflected in the following board actions during 2013/14 worthy of note:

- Decision to proceed with implementation of KuduPower, in line with cabinet directives;
- Approval of short term critical supply program;
- Approval of NamPower transmission Master Plan;
- Granting of mandate to renegotiate PPAs with neighbouring power utilities.

CHAIRPERSON'S **REPORT** (continued)

STRATEGY GOING FORWARD

As Chairperson of the Board, I have since my appointment in April 2013 had the privilege of working closely with my fellow board members and executive management in crafting a new five year strategy and business plan for the Company.

The strategic plan is a dynamic, evolving document and provides a road map toward attainment of its overriding, ambitious strategic goal of ensuring that 100% of the nation's peak electricity demand and at least 75% of its total electricity demand will be supplied from internal sources by 2018.

This strategic goal is fully aligned with, and puts NamPower at the forefront of, Namibia's broader energy policy.

Uppermost in our minds as we forge ahead with implementation of our five-year strategy will be the huge responsibility NamPower has, and the significant contribution energy can and must make, towards fulfilment of the nation's socio-economic objectives. We want to see every sector of Namibia's economy, and all of its people, prosper through access to energy available from our country's own resources.

Considering that actual supply from domestic sources has been hovering around 41% for a number of years, with the balance of 59% (excluding Skorpion) having to be imported, security of supply is thus chief among NamPower's key challenges. As already noted, meeting that challenge will require investments in infrastructure (both generation and transmission) unprecedented in Namibia's history; and the physical implementation of projects as well as the funding thereof will test the Company's resources and capabilities to the limit.

I am confident that we will prove to be up to this challenge and others that arise in the ordinary course during the coming year and beyond, and will together take the Company forward, in fulfilment of NamPower's mandate and the trust placed in us by the Government of Namibia and its people.

ECONOMIC REVIEW

Global Economic Outlook

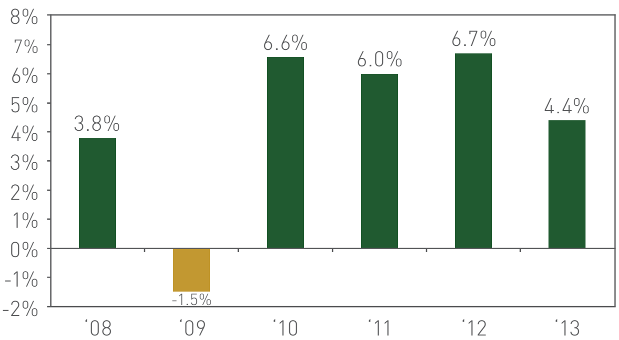
The global economic outlook remains moderately positive, albeit with continuing downside risks. Major central banks have kept monetary policy broadly accommodative to growth. The IMF forecasts that 2014 global economic growth will climb to 3.4% from 3.2% in 2013, increasing to 4.0% in 2015; however this is expected to be a multi-speed recovery. Europe, one of Namibia's largest trading partners, has been in recession but is expected to return to positive growth in 2014 and 2015.

South Africa, Namibia's second largest export market, is also experiencing slow growth due to, among other things, labour unrest in the mining sector, but other countries within the SADC region are showing signs of healthier expansion. China, a major consumer of raw materials globally, is expected to see growth slow from 7.7% in 2013 to 7.4% in 2014 and 7.1% in 2015. The United States of America remains on the road to recovery, with projected growth rising from 1.9% in 2013 to 2.8% in 2014 and 3.0% in 2015.

Domestic Growth

The Namibian economy continued to perform satisfactorily over the past year, outstripping most of its major trading partners. For the calendar year ended 2013, Namibia's Gross Domestic Product (GDP) grew by a provisionally estimated 4.4%, lower than the GDP growth of 6.7% recorded in 2012 and 6.0% in 2011 but consistent with longer-term historical trajectories. This performance was underpinned by growth in the manufacturing, construction and service sectors of the economy, whilst the mining sector, a major consumer of electricity, declined by 1.2% during 2013 after a strong performance in 2012.

GDP Growth 2008-2013



Source: NSA

Namibian electricity consumption is strongly correlated to GDP growth, a fact evidenced by the decline in consumption following the 2008 global financial crisis, when international demand and prices of commodities fell. It has rebounded since 2010, and as the global economic recovery becomes more entrenched, demand for raw materials is expected to increase further, leading in turn to expanded mining activity. Mines are significant users of electricity; and thus we expect local energy demand to increase in tandem with international economic growth. Moreover, as Namibia continues to push toward diversification into beneficiation and manufacturing, we may expect long-term growth in these sectors to assume increasing importance as well, especially inasmuch as NamPower is able to ensure the stable platform of domestically-generated supply projected from 2018 onwards.

International Trade

Namibia's economy remains an open one, which promises long-term benefits but presents near-term challenges as well. For example, during the first quarter of 2014, the trade deficit increased significantly, certain aspects of which remain a concern to the Bank of Namibia. The latest trade figures for April 2014 underline Namibia's dependence on five key exports: mineral ores, fish, diamonds, copper and motor vehicles, which together accounted for over 70% of Namibia's merchandise exports. The importance of minerals is likely to further increase with the commissioning of three major new mines in the coming years. Export markets in the same month were dominated by Switzerland, South Africa, the USA and Angola while Export Processing Zones were the fifth most important export destination accounting for 68.2% of all Namibian outgoing trade during the month. These statistics underline Namibia's general dependence on the state of the world economy.

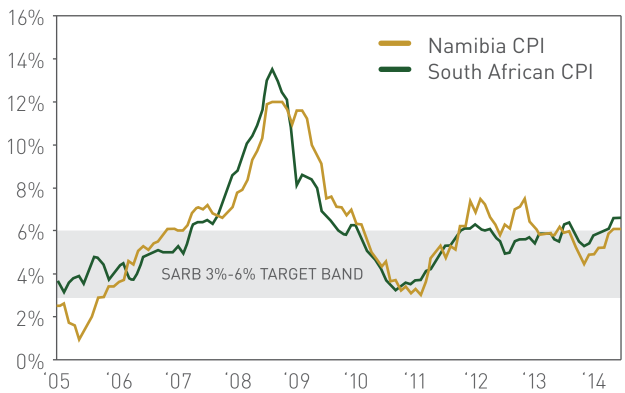
Private Sector Credit Extension

Credit extension growth by Namibian banks and other credit institutions to the private sector remains resilient, indicating robust underlying growth and confidence within the economy. The Bank of Namibia noted that the annual growth rate in domestic private sector credit increased to 15.8% in April 2014 compared to 14.3% in December 2013. Growth in private sector credit resulted from higher demand by both individuals and businesses. The rise in household credit largely reflected strong growth in instalment credit and overdraft loans. We are thus expecting electricity demand to remain robust as businesses continue to invest and expand production to meet local consumer and export demand for their goods.

Inflation

In the period under review, annual CPI (Consumer Price Index) inflation first fell from a high of 6.2% in June 2013 to 4.4% in November before rising again to 6.1% in June 2014. The significant devaluation of the Namibia Dollar exerted additional upward pressure on inflation due to more expensive imports. Due to the Namibia Dollar's continued pegging to the South African Rand, monetary developments in South Africa weigh heavily on Namibia, and the South African monetary authorities have not succeeded in maintaining consumer inflation within their target band of between 3% - 6% due to cost-push inflation factors. In Namibia, electricity has a weighting of 3.1% in the overall inflation basket, meaning that the 13.2% tariff increase implemented by the Electricity Control Board just after the end of the year under review will have a direct inflationary impact of 0.5%, and a likely secondary impact also as suppliers pass on increased costs to consumers.

Namibia CPI and South African CPI (% change y-o-y)



Source: NSA and Stats SA

Economic Outlook

Looking ahead, Namibian economic growth should remain relatively healthy, supported by a recovering global economy. The downside risks to emerging markets such as Namibia include the current low levels of mineral prices, especially uranium, upon which the health of the local mining sector, viewed

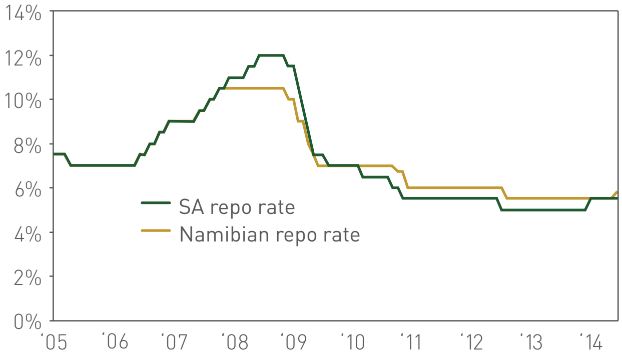
CHAIRPERSON'S **REPORT** (continued)

as a whole, is increasingly dependent. Uranium prices have continued to soften until recently when it languished at US$36 per pound compared to US$75 per pound prior to the Fukushima accident in March 2011. Nonetheless, at least three major mines are currently under construction in Namibia: Swakop Uranium Mine, which is due for completion by the end of 2015; Otjikoto Gold Mine, due for completion in the fourth quarter of 2014; and Tschudi Copper Mine, due for completion in the second quarter of 2015. These three mines will have the potential to significantly boost Namibia's GDP and exports. Continued Government infrastructure spending, not only in such growth nodes as Walvis Bay but also on projects like the Neckartal Dam, will provide a further stimulus to economic expansion in general and electricity consumption in particular.

Interest Rates

Globally, the current low interest rate environment has begun to reverse as some of the world's main central banks have started with the tapering of their asset purchase programs. Bond yields are rising, making it more expensive for governments and corporations to borrow funds. The Bank of Namibia raised interest rates, from 5.5% to 5.75%, in June 2014, the first such uptick in seven years, as reflected in the chart below. Although a small adjustment, this move sends a signal to consumers and businesses that the end of the prolonged low interest rate environment is in sight; ultimately, the impacts are likely to be felt throughout Namibia's economy.

South African and Namibian Repo Rate



Source: Bank of Namibia, SARB

Should rising rates or other, external, factors indeed materially inhibit economic growth, demand for electricity should moderate accordingly. In addition, regional electricity bottlenecks could themselves become a near-term threat to economic growth within the SADC region, especially in countries such as Namibia, that are net importers of electricity. Much of the region, including Namibia, relies on purchases from Eskom in South Africa. However, pre-existing electricity shortages in South Africa combined with further delay in completion of that country's bellwether but already belated R105 billion Medupi power station, could undermine local and regional security of supply, with accompanying negative economic consequences.

All this being said, the fundamental fact remains that the global economy continues on an upward trajectory, and demand for consumer goods, and the raw materials used in their manufacture, is thus likely to accelerate. As a result, we expect the Namibian economy to continue to perform well over the coming year.

BOARD OPERATIONS

During the year under review, Advocate Werner Boesak was appointed as a new board member (on 1 January 2014), replacing Advocate Gerson Narib whose term ended at the end of December 2013. In addition, Ms Patty Karuaihe-Martin was appointed as a new board member on 1 January 2014, replacing Mr Jochen Roeber whose term ended at the end of December 2013. The departure of the two colleagues, who diligently committed themselves to the activities of the Company, is a significant loss to NamPower, but we were fortunate to be joined by two equally competent professionals. I wish those who have left us the best in their future endeavours and welcome my new team members to the NamPower family.

CHAIRPERSON'S **REPORT** (continued)

ABRIDGED SUSTAINABILITY REPORTING

INTRODUCTION

Our sustainability strategies stem from NamPower's corporate values and its stated corporate vision, namely "to be a leading energy company in Africa, which excels in customer service, people development and technological innovation". These strategies are founded on the three key principles of environmental stewardship, social responsibility, and shareholder value (achieved through the pursuit of, among other things, sound corporate governance principles, efficient business processes, and healthy human resources management).

Environmental Impact

NamPower is guided by the National Environmental Management Act no 7 of 2007 and the Environmental Impact Assessments Regulations which officially came into effect on 6 February 2012. This Act and its Regulations provide the guidelines for sustainable environmental practices to be adhered to by all companies and individuals operating within the country. Consistent with this framework, and also consistent with applicable World Bank and Equator Principle guidelines and criteria, during the year under review the Company conducted environmental impact assessments with respect to the following capital projects:

1. Ujams sub station
2. Naruchas 66kV lines
3. Omutheya sub station
4. Khomas sub station
5. Mulunga sub station
6. Gerus Electrode line operational EMP
7. Zambezi Electrode line operational EMP
8. 350HVDC Operational EMP
9. Van Eck - Omburu vegetation management
10. Aranos Retic power lines
11. Gerus Otjikoto 220kV vegetation management
12. Auas – Omaere 132kV vegetation management
13. Sesheke – Zambezi 123kV and 66kV lines vegetation management
14. Auas sub station vegetation management

Environmental Inspections/Scoping

During 2013/14 NamPower also carried out 44 environmental inspections of which 11 were on projects under construction and 33 to investigate potential pollution and hazardous substances at Brakwater, Van Eck, Ruacana, and Gerus. Though some minor non-conformances were identified, there were no major issues. Seven scoping reports were submitted to the Environmental Commissioner for approval, and 12 environmental clearance certificates were received.

Waste Management

A waste management audit was conducted for Brakwater and the Van Eck Power Station, and as a consequence waste oil and dirty oil were removed by a company licensed for this purpose by the Ministry of Mines and Energy.

Environmental Networking

NamPower remains an active participant in the National Biodiversity Working Group, the National Climate Change Committee, and the Southern Africa Power Pool Environmental Sub Committee.

Polychlorinated Biphenyls

The Stockholm Convention to which Namibia is a signatory has declared Polychlorinated Biphenyls (PCBs) as a Persistent Organic Pollutant. NamPower during the year under review undertook an extensive audit of equipment and inputs for PCB content, with a view to complete phase-out during calendar 2015.

Safety, Health, Environment and Wellness (SHEW)

Safety, health, environment and wellness are important to the success of NamPower's operations. In 2013/14, for the first time, employee performance agreements included SHEW audits as a key performance metric, meaning that employees are expected to implement the company's SHEW programs in their workplaces. The inaugural audits were successful, and it is anticipated that they will become embedded in the organizational performance culture going forward.

NamPower continued to monitor its safety, wellness and health indexes throughout the year. Seven lost time injuries were reported during the year under review. 36 Feedback sessions on the monthly wellness and health topics presented to employees were conducted through the Company's peer educator network. High quality medical care continued to be provided to employees at both the Ruacana and Van Eck in-house clinics.

Renewable Energy

NamPower fully recognises the importance to society of environmentally sustainable operations. To this end NamPower has created a Renewable Energy section and launched a Renewable Energy Policy aimed at sourcing at least 10% of our energy mix from renewables other than hydro. As an initial step NamPower has, in collaboration with its line Ministry and the Electricity Control Board, been designated to manage a tender for 30MW of solar PV to be provided by an independent power producer (IPP), as part of a broader program to commission 94MWs of IPP-generated power through a mix of solar and wind technologies.

Energy conservation initiatives during the year under review included the following:

- Tsumkwe PV/Diesel Hybrid (200kW of PV) plant.
- Net-metering (64 kW) PV system at NamPower's head office in Windhoek.
- Additional net-metering (103kW) for NamPower's IT infrastructure.
- Sourcing of DFI funds for a feasibility study to investigate the utilization of biomass in the form of invader bush as well as CSP (Concentrated Solar Power) for power generation, possibly in a hybrid mix.
- 26kW tracking CPV (Concentrated Solar PV) installation by Soitec at Usib Primary School (Rehoboth), providing NamPower with data and operational experience with respect to the latest renewable technologies.

CHAIRPERSON'S **REPORT** (continued)

Corporate Social Investment

Established in 2009, the NamPower Foundation is the vehicle through which NamPower channels its Corporate Social Investment (CSI) initiatives. The Foundation's social investment spend is divided among its flagship projects, social partnership projects and other community initiatives. The following are key areas of focus for our CSI funding: education, community development, health and social welfare, capacity and skills development, job creation and entrepreneurship development. The Foundation invests in community projects which demonstrate the capacity to be sustainable in the long term and have a meaningful and visible impact. Below are some key CSI projects funded by the NamPower Foundation during the year under review:

- NamPower National Science Fair
  The NamPower National Science Fair, held annually, is the Foundation's flagship project. The primary objective of the Fair is to facilitate improved learner performance, especially in mathematics and science, thus encouraging further studies and research in these fields. During 2013/14, over N$1.6 million was spent on the Science Fair alone.

- Spelquizbee
  The Foundation funded this increasingly popular spelling and general quiz competition for the second year running. This is a national project of which the spelling competition is aimed at nurturing spelling skills (thus aiding reading and learning), while the quiz focuses on increasing students' understanding and interest in various fields of study.

- Powercare
  This program allows NamPower staff to volunteer their skills and talents in the service of others, particularly the less privileged members of our society. The staff's focus remains investment in pre-primary education. During the year under review various activities such as soup sales and braais were organised to collect funds for the chosen kindergartens in the Karas Region. NamPower continues to honour its commitment of matching the value of donations collected by staff on a 1:1 ratio.

- Medic Rush
  The NamPower Foundation has been in partnership with Roundtable 154's project, Medic Rush, through which private doctors and other health care practitioners offer free medication to the less privileged in the remote areas of Namibia. During the year under review, the focus was on Kalkrand and surrounding settlements, where four temporary clinics were established. About 20 medical staff and 15 volunteers participated in the program which targeted over 1,000 patients.

- Disability Sport Namibia (DSN)
  The NamPower Foundation sponsored this sport management body to the tune of N$750 000 during the year under review. This funding facilitated the execution of various sports development programs of the DSN and enabled athletes to participate in the 2013 International Paralympic Committee world championships in France.

All in all, the NamPower Foundation funded approximately N$6 million worth of CSI projects during the year under review.

Our Suppliers

The finalisation of the revised NamPower Black Economic Empowerment (BEE) policy reached an advanced stage by the end of the year under review, awaiting approval by the NamPower Board of Directors at its first quarterly meeting of the new financial year. In a quest to enhance empowerment of our people through procurement, the new policy, to be known as the NamPower Equitable Economic Empowerment Policy (NEEEP), encompasses the following main elements:

- To ensure measurable progress in implementation, NEEEP shall form part of the Corporate Scorecard of NamPower, and also part of the Performance Agreements with all employees including management, starting in 2014/2015.
- In the award of contracts through tendering, NEEEP preference shall account for a materially higher percentage in scoring such tenders than under the old BEE policy.
- NamPower shall reserve tenders below a certain amount for the exclusive participation of enterprises owned by previously disadvantaged Namibians.
- Tenders below a certain value may be exempted from submitting a tender bond as security.
- Enterprises shall be evaluated based on the NEEEP Scorecard which shall take into consideration not only ownership but also the size of an enterprise, its balance sheet, and the value of the services or goods to be procured –meaning, among other things, that SMEs and larger enterprises shall no longer be evaluated by an inflexible "one size fits all" standard.
- Progress on the implementation of NEEEP shall be audited annually.
- NamPower shall report its overall spend in relation to NEEEP in future Annual Financial Statements.

Following approval of NEEEP by the board, NamPower shall embark upon a series of seminars aimed at educating potential tenderers on the new policy, and to clarify NEEEP's interaction with the Company's other existing policies with respect to tenders and procurement. NamPower intends further to increase the participation of previously disadvantaged Namibians in its business by listing their enterprises as preferred NamPower service providers. Through all these measures it is also hoped that established local and international enterprises will break new ground in forging skills-transferring relationships with suitable BEE partners.

Our Customers

Customer service and satisfaction remain top priorities for NamPower, to be pursued at all levels: from face-to-face interaction with individual clients up through the basic architecture of a reliable and responsive power system meeting the nation's needs. The building blocks of such a dynamic system can be summarised as follows:

Firstly, new assets are designed and commissioned to cater for natural load growth, capacity for new step loads, and integration of new generating plant as well as to cater for wheeling of energy through NamPower's transmission network. In order to stand the test of time, these assets are designed in accordance with international best-practice norms, supplemented by the unique requirements imposed by Namibia's harsh weather conditions, especially along the country's coasts. Because of these non-standard characteristics, specialised power system studies are performed on the Namibian power grid to ensure the dynamic stability of the system at all times.

Secondly, real-time monitoring and control of the power system is required 24 hours a day, 7 days a week. This is to ensure safe and reliable operation within the Namibian Grid Code requirements in order to meet quality of supply criteria. Such real-time monitoring is performed by trained and dedicated staff at NamPower's National Control Centre. Thirdly, apart from condition-based monitoring of important assets, first line maintenance and routine inspections are performed by district personnel to detect any anomalies so that corrective maintenance actions may be performed in time. Scheduled maintenance is also carried out on all assets by specialised personnel to ensure the long term viability and reliability of the different power system components.

Although serious breakdowns are rare, a major factor influencing the sustainability and reliability of power lines is the effect of human activity in the forms of vandalism and theft of sections of power line structures leading to structural failure. This can cause prolonged power outages to affected areas. Breakdowns or outages are attended to by dedicated personnel working around the clock to restore power supply to customers within the shortest possible time whilst adhering to health and safety requirements.

Our People

NamPower continued during the year under review to do all it can to support and nurture its employees, both in furtherance of its business competitiveness and objectives and because it is the right thing to do. From a strategic human resources perspective, it has been crucial for NamPower to find and retain talented employees to carry out the very complex, far-ranging tasks that comprise our mandate. The Company has thus instituted ongoing processes aimed at advancing the competencies, skills and capabilities of our employees. These include, among others, individualised performance management, through jointly-developed agreements and other instruments; employee engagement, ensuring that our staff are both rationally and emotionally engaged with their work and committed to stay in the Company and perform; and talent and succession management, which includes quality hiring, succession planning, leadership promotion and employee development through the HR forum. Organisational culture issues such as change, ethics and values were also among NamPower's priorities that were addressed during 2013/14. Other human resource metrics such as labour turnover, safety, health and wellness remain well within nationally and internationally accepted standards.

Our Economy

NamPower has played a vital, continuing role in the growth of Namibia's economy since national Independence was achieved in 1990. In line with Namibia's 4th Development Plan, the company has positioned and established itself as amongst the most reliable sources of energy generation and transmission on the African continent, helping Namibia become an attractive destination for foreign direct investment. NamPower is committed to investing in new power plants and associated transmission lines which will further stimulate economic growth for many years to come.

CHAIRPERSON'S **REPORT** (continued)

Chief among these investments is of course the Kudu-gas-to-power project, where the downstream portion alone (the KuduPower combined cycle gas turbine plant) is expected to create around 1500 jobs during construction and about 70 full time positions during operation. Further direct and indirect economic spin-offs will be realised in the form of housing, new and improved local and regional infrastructure, and the increased utilization of the Lüderitz harbour.

No less important have been NamPower's efforts, which continued during the year under review, to broaden the foundations of GDP growth through rural electrification and other efforts to expand power supply to Namibia's less-developed areas, thus stimulating the SME sector predominant in these areas as well as educational and social development, both of which feed back into greater economic productivity and demand.

Governance Structure

NamPower has long set the standard for corporate governance among state-owned enterprises in Namibia; and continues to treat this responsibility with the same seriousness and commitment as it brings to the job of powering the nation. The governance hierarchy begins at the top with the Ministry of Mines and Energy as representative of the Company's sole shareholder, the Government; then comes the board of directors, appointed by the shareholder, with directors further dividing a portion of their responsibilities among themselves through four committees established to assist the board (audit and risk; remuneration and nomination; investment; and tender board); and finally senior management, under the supervision of and accountable to the board.

The board is the highest body with fiduciary responsibilities to the Company, and through regular meetings, monitoring of management, and stakeholder engagement discharges the key functions of overall strategic direction and control; setting and regularly re-examining and modulating as necessary the Company's vision, values and broad trajectory; appointing, delegating authority to, and holding the Managing Director accountable for his/her performance, ensuring the integrity of the annual financial statements and integrated report; faithfully discharging through its constituent members both its own responsibilities and those of its committees; and setting by example and by faithful, rigorous supervision the ethical tone for the Company's operations, cognisant at all times of such operations' impact on internal and external stakeholders, the economy, the environment, society, sustainability, and the Namibian nation as a whole.

Integrated Risk Management

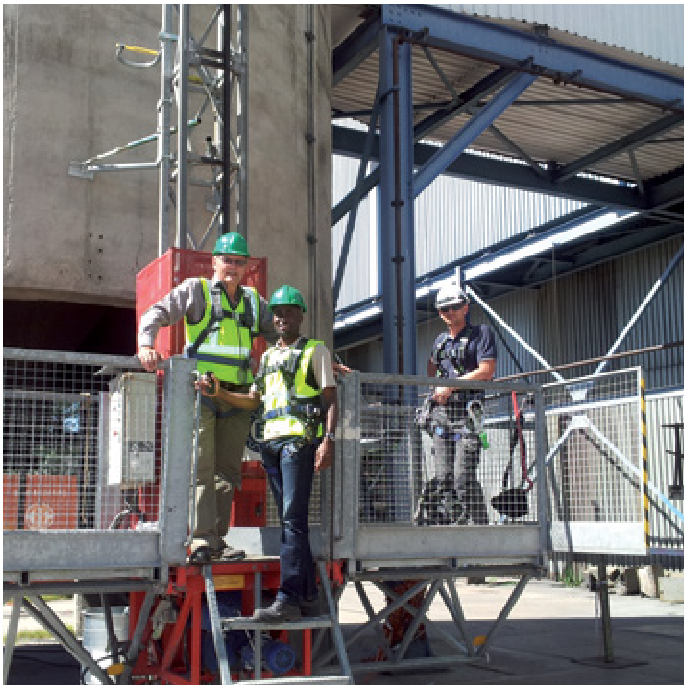
The Company has adopted a five year enterprise-wide Risk Management Framework, to run concurrently with the Corporate Strategy and Business Plan 2014 – 2018. Business Continuity Policy and Business Continuity Plans (BCP) have been developed to address the issues of disaster preparedness and recovery. Head office and business unit BCPs are now in place. Furthermore, a desk-top simulation exercise was conducted with all the business units, responsible people and command centres identified. In addition, the company has carried out a Risk Maturity Assessment and Risk Appetite exercises to ensure buy-in from all employees.

The corporate Risk Register is updated every quarter and submitted to the Board for further perusal.

APPRECIATION AND CONCLUSION

On behalf of the board of directors, I wish to acknowledge and thank our shareholder, the Government of the Republic of Namibia, and all our stakeholders for their continued and unwavering support. I further want to extend our gratitude to our dedicated team of employees who recommit themselves daily to the path we have embarked on together, and whose tireless efforts ensure that electricity is available for the nation when needed. The many challenges we faced during 2013/14 made us a stronger team.

CHAIRPERSON'S **REPORT** (continued)



MANAGING DIRECTOR'S REPORT

INTRODUCTION

NamPower is Namibia's national power utility and an important part of the broader regional electricity complex, founded on good corporate governance, solid business principles, and a large and well managed asset base. It is a creditworthy, profitable enterprise with an investment grade rating (by Fitch) of BBB- (int) and AA- (zaf). Key to its good reputation and success are a skilled and dedicated workforce and good relationships with stakeholders.

POWER SUPPLY SITUATION AND OUTLOOK

The power supply situation will remain constrained until the commissioning of a new base load power station, projected for 2018: the 800MW Combined Cycle Gas Turbine Kudu gas-to-power project which remains a strategic investment for Namibia, not only in ensuring security of supply but also in catalysing commercialisation of Namibia's unexploited oil and gas potential.

The company is proud of the fact that, in the face of an overall supply deficit, it has consistently been able to meet the electricity needs of all sectors of the economy at a cost that has continued to foster overall economic growth in Namibia.

Namibia's power supply prospects must be viewed over a horizon divided into three main parts, namely:

- The period from 2014 to 2015 - this will remain a challenge, yet a manageable one as NamPower has put various Short-Term Critical Supply (STCS) programs in place, and therefore no serious power supply disruptions are expected during this period. The various initiatives under the STCS program include the refurbishment of generation plants (Van Eck and Ruacana); import arrangements with neighbouring power utilities and PPA negotiations with IPPs; finalisation of the IPP tender for procurement of 30MW of renewables; and demand side management initiatives including the free distribution of 1 million domestic LED bulbs, subsidised installation of 20,000 domestic solar water heaters, and demand reduction agreements and accords with large customers to gain access to their standby generators.

- The period from 2016 to 2017 - this will see more serious power supply deficits mainly because of new step loads and expiry of a number of existing PPAs, which need to be re-negotiated or possibly extended. To ensure security of power supply during this period, the various initiatives under the STCS program will be expanded, and in addition it is expected that the 250MW public-private partnership (PPP) power plant in the Erongo Region will have been commissioned. The plant will be developed through a Special Purpose Vehicle (SPV) in which NamPower will hold up to 30 percent equity. The plant will operate in base-load mode in 2016 and 2017, and in mid-merit/peaking and standby mode in 2018 and beyond.

- The period 2018 and beyond - this will see the Kudu base-load power project in operation, making Namibia a net exporter of electricity. This period will also witness power tariff stability, compared to the years running up to Kudu during which electricity tariffs are expected to rise sharply at an average rate of approximately 15 percent per annum.

STRATEGY ANALYSIS

The end of our 2013 Financial Year marked the end of our 2008-2013 five-year strategic business plan, which focused on six headline themes, namely: security of supply; financial viability and sustainability; effective stakeholder relations; optimisation of resources, leadership and culture; and positive socio-economic and environmental impact.

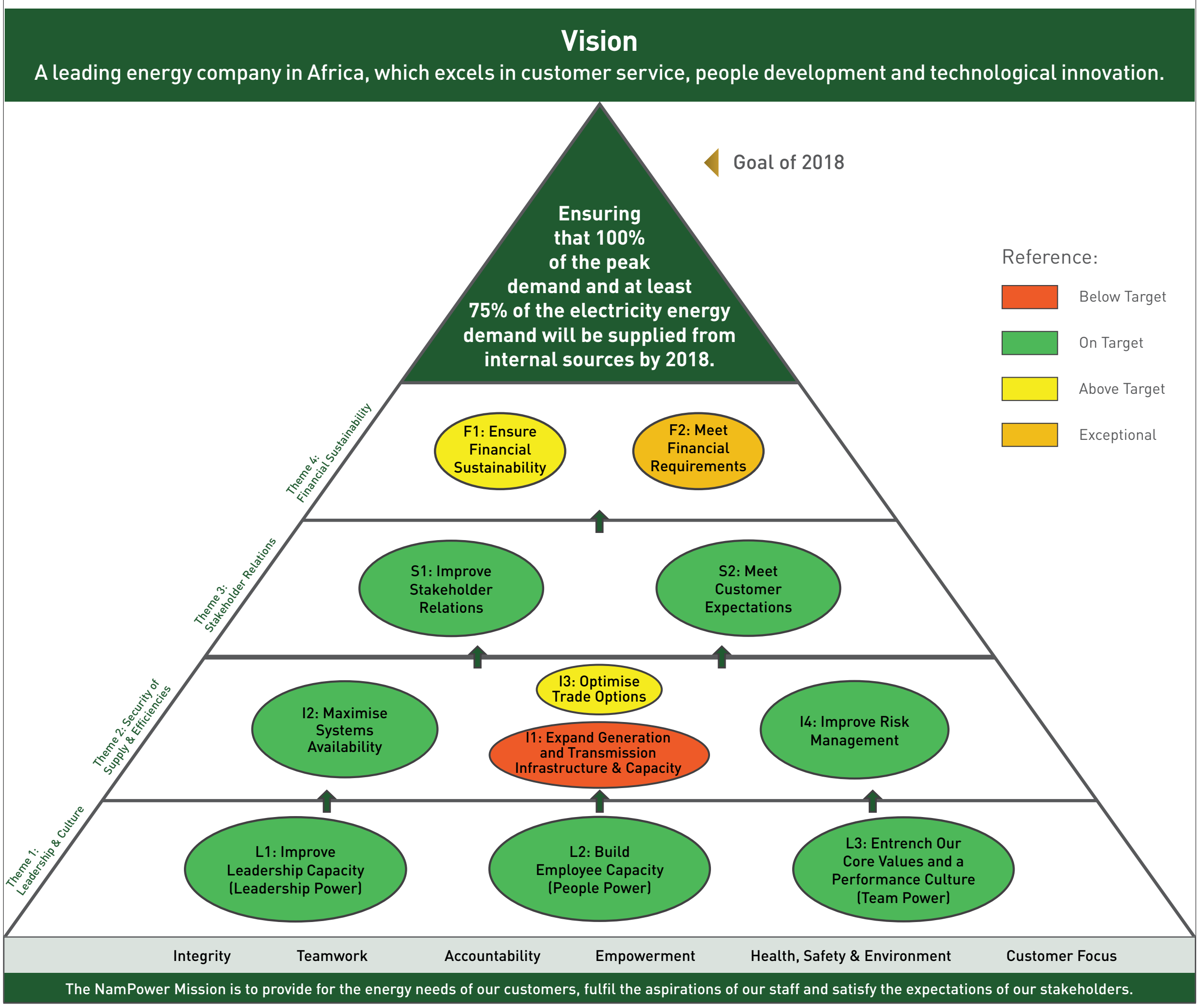
With the targets of the last five-year plan having largely been met, we are now in the process of launching a new strategic blueprint to guide us through to 2018.

NamPower's mission "to provide for the energy needs of our customers, fulfil the aspirations of our staff and satisfy the expectations of our stakeholders" has prompted a focus on four strategic pillars that now underlie our new five year (2014 - 2018) strategy and business plan to:

- Develop our leadership and culture;
- Ensure security of supply and efficiency;
- Build and improve stakeholder relations;
- Ensure financial sustainability.

For each of these strategic pillars, a number of objectives have been developed, together with measures by which progress can be monitored.

NAMPOWER STRATEGY MAP
2013 - 2014



MANAGING DIRECTOR'S **REPORT** (continued)

Key challenges to be overcome over the five year plan period include:

- Security of supply – this is at the top of NamPower's key challenges;
- Network expansion and strengthening – major investment in financial, technical and human resource capacity is required to be able to supply an increasing demand;
- Financial sustainability – major funding is required to enable NamPower to execute the planned new generation and transmission projects;
- Stakeholder relations – good working relationships with NamPower's main stakeholders are crucial if a stable and sustainable future is to be secured;
- Leadership – strong, consistent leadership at board and executive management level is essential for the strategy to be implemented with wisdom and insight.

The single biggest challenge that NamPower is called upon to address is the country's energy policy goal of supplying 100% of peak demand and 75% of total demand from local resources. This strategic goal aligns NamPower with Namibia's energy policy.

Key deliverables to be achieved by the year 2018 include:

- No load shedding throughout the planning period;
- Erongo 250MW power station to be up and running;
- Kudu Gas power station to be operational and Namibia to be a net exporter of electricity;
- Completion of Van Eck power station rehabilitation, supplying 90MW base-load to Namibia;
- Increase of Ruacana hydro power station installed capacity to 347MW;
- A 50MW hybrid solar/biomass power station to be up and running;
- A number of solar and wind IPP generation plants to be commissioned;
- The national transmission backbone to be upgraded to 400kV and more than 700 km of transmission lines to be commissioned;
- At least N$100 million to be spent on rural electrification and more communities and public institutions to be connected to the national grid in rural areas;
- NamPower's current Fitch rating to be maintained throughout the plan period;
- The Performance Management System to be perfected and operating well.

2013/14 OPERATIONAL HIGHLIGHTS AND CHALLENGES

Highlights

- At N$4.0 billion, total revenue increased by 20%.
- Total assets increased to N$23.0 billion from N$22.2 billion.
- Investment income increased by 9% to N$416 million from N$381 million.
- Total system energy demand at 3,831GWh was materially unchanged.
- No load shedding.

Challenges

- New high maximum demand of 553.55MW (excluding Skorpion Zinc Mine).
- The direct cost of supply (generation, transmission, distribution and imports) went up by 30%, driving average cost to 56.4c/kWh, against an average selling price of 103.6c/kWh (which was 22% higher).
- Reliance on imports (average 59% - excluding Skorpion).
- Regional transmission congestion (especially in Zambia and South Africa).
- Aging power supply infrastructure and associated higher maintenance costs.
- Absence of supply guarantees from Eskom.
- Difficulties in accommodating IPPs without Government guarantees.

MANAGING DIRECTOR'S **REPORT** (continued)

MAINTAINING SUPPLY

Our long record of providing a consistent and reliable supply of electricity is a heritage which we will uphold as far as humanly possible, despite the challenges presented by a growing regional supply-demand imbalance and by the related, imminent termination of several longstanding power purchase agreements with several neighbouring countries.

I am confident that with guidance and continued support from our line Ministry, coupled with the wisdom and effective leadership of our board, we will build on our strongest asset - our highly skilled and committed workforce – to meet and exceed the expectations of our key stakeholders and the nation at large.

FINANCIAL PERFORMANCE

Against the tide of power supply challenges and increased electricity import costs, NamPower delivered yet another solid financial performance during the year under review. Electricity sales volumes, which had grown during the preceding year, were essentially flat at 3,831GWh (2013: 3,861GWh). The lag is attributable to reduction in bulk water pumping, a focus on efficiency in domestic mining operations as a result of decreased commodity prices, and increased customer use of renewable sources of energy such as solar water heating and installation of rooftop solar photovoltaics. NamPower continues to encourage such supplemental use of renewables. Maximum demand increased to 629MW compared to 614MW registered in June 2013.

Group revenue increased by 20% (2013: 29%) from the prior financial year, driven primarily by a July 2013 tariff increase of 13%, higher customer contributions, and electricity exports on the Short Term Energy Market (STEM) during times of excess internal supply. In 2013, the Ministry of Mines and Energy introduced a Long Run Marginal Cost (LRMC) levy to avoid future price shocks to the Namibian consumer. Included in the 2013/2014 tariff increase was a LRMC levy of 2.54 cents/kWh (2013: 1.46 cents/kWh). In line with directives of the Electricity Control Board, the LRMC levy is ring-fenced on the books of the company and can only be utilised with the specific approval of the Regulator. It is thus included in the Company's deferred revenue account.

Despite the increase in revenue, gross margins fell from 50% in 2013 to 46%, indicative of the high cost of electricity intake, especially imports. NamPower continues to rely on regional trading partners to meet the bulk of the country's energy demand. Of the total 4,384GWh units of electricity into the Namibian system during the year under review, 66% (2013: 69%) was imported, notwithstanding the improved rainfall which resulted in higher Kunene River flows and a consequent increase in the dispatch of local generation capacity. The cost of electricity increased by 30% from N$1.7 billion to N$2.2 billion, an improvement over the 48% increase during the previous financial year but a figure still far in excess of inflation. Both unit cost hikes for imports of energy and the depreciation of the Namibia dollar against the United States dollar (USD) - in which much of the regional trade is denominated - were largely responsible; and these trends beyond NamPower's control seem unlikely to abate in coming years, providing strong justification for the push by both the Company and the Government for a new domestic base load power station with sufficient capacity to meet the country's prevailing and projected energy demand.

Other income for the Group decreased by 35.5% (2013: increase of 60%) from N$97 million to N$65 million, attributable entirely to a lowering of accrued Government grant income from N$71.8 million in 2013 to N$35.7 million this year. Van Eck power station is being rehabilitated and did not run during the year under review, hence the reduction in the Government grant figure. In 2008, NamPower's shareholder, the Government of the Republic of Namibia, committed N$360 million to a multi-year energy subsidy, of which N$311.1 million has now been utilised and the remainder of N$48.9 million is expected to be utilised in 2014/15. The grant is recognised as income on a systematic basis as the electricity generation expenditure is incurred at various NamPower thermal power stations. In 2010 the Government made a further commitment for a subsidy amounting to N$250 million towards the construction of an emergency diesel power station, Anixas in Walvis Bay. Of this grant, N$17.5 million has to date been recognised as income and the remaining N$232.4 million will be recognised on a systematic basis over the useful life of that plant.

The country's blueprint for Namibia to become an industrialised country by 2030, the Fourth National

MANAGING DIRECTOR'S **REPORT** (continued)

Development Plan (NDP4), sets out clear targets that must be met, emphasising the development of power generation facilities and broader access to electricity in order to promote economic growth. Pending the commissioning of a new base load plant in 2018, NamPower thus seeks to extract more from its existing infrastructure, and to this end made significant investments in 2013/14 in demand side management initiatives, repair and maintenance of transmission networks, rehabilitation of the Van Eck Power station and upgrading of Ruacana units 1,2 and 3. These activities, while effective, resulted in a 25% operating expense increase during the year under review, compared to the 13% increase experienced in the previous financial year.

Investment income grew by 9% (2013: 13%) to N$416 million from N$381 million in the prior financial year. As interest rates remained unchanged until the last month of the financial year, the improved returns were driven mainly by an increase in the average size of investments held.

Investment income is likely to decrease significantly in the coming years as a result of the major capital expenditure now on the drawing boards. Preparatory work on the development of the Kudu gas-to-power project has reached an advanced stage, and NamPower expects to reach financial close by the end of the 2015 financial year. In order to integrate this new generation capacity as well as overall demand growth, NamPower is also initiating an upgrade of transmission infrastructure which is expected to cost N$1 billion per year over the next 4-5 years. Finally, NamPower is pursuing the prospective development of a power plant of up to 250MW, either gas or HFO, to bridge the medium to long term power gap and ensure security of supply. It is envisaged that a PPP approach will be adopted in order to tap the private sector's innovation, expertise and financial resources. The plant will be designed to complement Kudu, operating as a base load plant prior to commissioning of Kudu and as a mid-merit/peaking plant thereafter.

Group profit before tax for the year under review increased by 44% (2013: 133%) to N$773 million. Included in this figure is the depreciation charge for the year, amounting to N$530 million (2013: N$512 million). Changes in broader market conditions, especially the depreciation of the Namibia dollar against the major trading currencies (USD, Euro and British Pound) impacted profitability as follows:

- Net fair value loss on derivatives and foreign loans of N$95 million (2013: N$67 million);
- Net fair value gain on embedded derivatives of N$27 million (2013: loss N$211 million);
- Net fair value loss on firm commitments of N$10 million (2013: gain N$9 million); and
- Net foreign exchange gains N$139 million (2013: N$168 million).

Net cash generated from operating activities increased by 2% from 2012/13. Capital expenditure for the Group amounted to N$738.1 million (2013: N$395.2 million). Total assets increased to N$23 billion from the N$22.2 billion recorded at the close of the preceding financial year. Interest bearing loans and borrowings amounting to N$145 million (2013:N$269 million) were repaid.

TECHNICAL PERFORMANCE

Transmission System Performance

Transmission operations during the year under review were maintained at the very high levels of technical excellence which NamPower has become known for, through innovation, customer focus and proactive management. Despite the broader regional context of supply shortages and service interruption threats, no system blackouts were experienced in Namibia.

The performance of the Transmission System can be best assessed by the following Key Performance Indicators:

- **Unscheduled System Minute Losses (USML):** This is an indication of the unserved energy due to system faults (i.e., excluding planned outages).

- **Customer Average Interruption Duration Index (CAIDI):** This is a measure of the average time (in minutes) it takes to restore supply to a customer.

Table 1 below shows the average system performance for the year under review (2014) in comparison to the preceding year.

Table 1

TRANSMISSION SYSTEM PERFORMANCE		
	2013	2014
No. of Interruptions (Avrg)	28.67	31.25
USML (minutes)	17.14	17.90
SSML (minutes)	42.76	47.18
SAIDI (minutes)	0.50	0.57
SAIFI (inter/customer)	0.25	0.27
CAIDI (minutes)	1.90	2.26

The higher number of system interruptions reflects the materially increased rainfall in Namibia as compared with the year before. This meteorological change also accounts for the slight increase in the USML and CAIDI figures. Nevertheless, these figures remain well within the range of superior performance.

Transmission System Expansion

The Transmission Master Plan 2012 project was launched late in that year with the objective of mapping out transmission infrastructure requirements up through 2032. It aims on a rolling basis to give a clear direction to the next five year period, while considering the five year period after that as "probable" and the subsequent ten year period as "possible".

The major projects listed in Table 2 were identified for the period 2014-2018:

Table 2

2014-2018 MAJOR TRANSMISSION PROJECTS	
Major Projects (2014 - 2018)	Year To Be Completed
Rundu Cuito 132kV strengthening	2015/2016
Kunene Omatando 400kV (operated at 330kV)	2015/2016
Otjikoto Gerus 400kV (operated at 220kV)	2014/2015
Auas Gerus 400kV	2016/2017
West Coast strengthening, Walvis bay upgrade, Kuiseb upgrade	2014/2015
Kudu Transmission Integration	2017/2018
Backbone developments for strengthened Eskom integration or Kudu deep connection	2018/2019

Within this broader framework the following Transmission System upgrades were advanced during the year under review:

- A new twin circuit 220kV transmission line from Walmund to Lithops was commissioned. This line forms part of the strengthening of the System in the coastal area, predominantly catering for new uranium mines and increased demand at Walvis Bay;
- The existing transmission line from Osona to the Von Bach Booster Station was replaced by a higher capacity (66kV) line, as both increased power transfer capacity and supply to the new Namib Poultry plant was required, with the Osona Booster Station also being upgraded as part of this project;
- Responding to a needed upgrade to 132kV at Rehoboth, the Naruchas substation was constructed instead after it was determined that no space for expansion at Rehoboth was available;
- As part of the Husab Mine power supply project, a new 2 x 132kV transmission line running from Lithops to Husab was commissioned;
- In response to a request from NamPower's distributor client NORED for an increase in supply capacity to the Omuthiya area of about 3MVA at 22kV, a new substation was developed at that location;
- A new substation providing 11kV 2.5MVA power supply was commissioned to accommodate the new Sungate development next to Hosea Kutako International Airport;
- Following successful negotiations with the Erongo regional electricity distributor on an increased supply capacity to Walvis Bay, an investment decision was taken to upgrade the main Kuiseb GIS substation from 66 to 132kV, construct two 132kV lines from Kuiseb to Walvis Bay, and build a new 132/11kV GIS substation at Walvis Bay. All requisite environmental clearances were procured and implementation of the project commenced.

In addition, the SERGI fire protection system was successfully installed at the following:

– Obib (400/66kV - 160MVA) Transformers 1 and 2;

– Lüderitz (66/11kV - 10MVA) Transformer 1;

– Naruchas (132/66kV - 25MVA) sub station;

– Omuthiya (132/22kV - 10MVA) sub station.

Transmission and Distribution line growth

Table 3 indicates the growth in national transmission and distribution lines from 2011 onwards, the overwhelming majority of which have been developed by NamPower:

Engineering Projects

Smart Grid

NamPower continued during the year under review the process of upgrading the national power grid to "smart grid" status. This entails ensuring that the grid is technologically advanced and can be utilized for diverse functions such as information sharing, automated decision-making based on real-time information, self-restoration, faster reaction, and smarter-than-human intervention.

Fibre Optic Usage

NamPower, Telecom Namibia and Mobile Telecommunications Limited (MTC) continued to be parties to agreements whereby NamPower leases some of its fibre optic infrastructure to these two telecommunications service providers. As part of these agreements, the signatories are committed to consolidating their efforts when establishing new fibre optic routes in Namibia. Beyond their commercial benefits for NamPower, the agreements have made an important contribution to the evolution of Namibia's ICT sector.

ENERGY TRADING

ESKOM Supplemental Agreement

During the year under review an extension of the supplemental supply Agreement between NamPower and Eskom was signed, and will be effective until March 2015. Although the extension

Table 3

TRANSMISSION AND DISTRIBUTION LINE GROWTH (2011-2014)					
	2011	2012	2012	2013	2014
		NamPower owned	Group (incl REDS and privately owned lines)	Group (incl REDS and privately owned lines)	Group (incl REDS and privately owned lines)
Transmission Lines					
- 400kV (km)	988	987	987	987	987
- 350kV (km)	-	953	953	953	953
- 330kV (km)	521	522	522	522	522
- 220kV (km)	2 800	2 911	2 911	2 910	2 910
- 132kV (km)	2 092	2 113	2 113	2 141	2 142
- 66kV (km)	3 648	3 596	3 605	3 605	3 608
Distribution Lines					
- 33kV (km)	11 305	6 012	11 432	11 475	11 510
- 22kV (km)	4 724	1 551	4 817	4 875	4 891
- 19kV (SWER) (km)	4 329	3 716	4 372	4 378	4 392
- 11kV (km)	1 092	733	1 146	1 149	1 151

has augmented short-term security of supply, it unavoidably yielded Eskom a right of termination should NamPower exceed specified import energy values, as well as a further right of supply curtailment in the event there is load shedding in South Africa. These new conditions highlight both the pressures on the regional power complex as a whole and the consequent urgency of NamPower's moves to institute alternatives to its historical reliance on imports.

ZESCO Power Supply Agreement

NamPower continued during 2013/14 to receive a firm contractual supply of 50MW from Zambia's national utility ZESCO through the Caprivi Link Interconnector. Performance and deliveries under this agreement have been reliable to date except during periods of transmission constraints. Negotiations between ZESCO and NamPower for an additional Power Purchase Agreement (PPA) to supply NamPower from 2015 for the following 12-15 years were progressed during the year under review. The preferred proposed PPA would embody a NamPower-tailored supply profile of 247GWh per year, increasing after the envisaged future commissioning in 2016/17 of the ZIZABONA transmission project. That project, which continues to be advanced through its preparatory stages, entails the development, financing, construction and operation of new extra high-voltage transmission facilities in Zimbabwe, Zambia, Botswana and Namibia, with a view to facilitating the establishment of a 'western transmission corridor' within the Southern Africa Power Pool.

ZESA Power Supply Agreement

The Power Supply Agreement between Zimbabwe's national utility ZESA and NamPower continued to provide a firm supply of 150MW, as well as additional power of about 100MW during off-peak periods. Supply has been reliable and continuous except when there have been wheeling constraints. As this agreement expires in February 2015, NamPower has, as in Zambia, engaged its Zimbabwean counterparts in negotiations for a new PPA going forward, building upon ZESA's generation expansion plans, which negotiations had made satisfactory progress by the close of the year under review.

Mozambique Power Supply

NamPower started receiving electricity 16 hours a day, 6 days a week, under a tripartite Agreement between NamPower, Mozambique's national utility EDM, and the Mozambican IPP Aggreko for the supply of 90MW from Aggreko's gas-to-power project. This interim arrangement, while operating successfully, is scheduled to terminate in August 2015. NamPower also initiated separate PPA negotiations with EDM in pursuit of 80-100MW of base load mid-merit power.

Renewable Energy -- Small IPPs

NamPower initiated moves during the year under review to establish protocols under which output from small domestic IPPs (less than 5MW) could be accommodated on the grid. Such plants could contribute to national energy supply, but generally not to capacity.

Supplemental Mid-Merit Power Plant

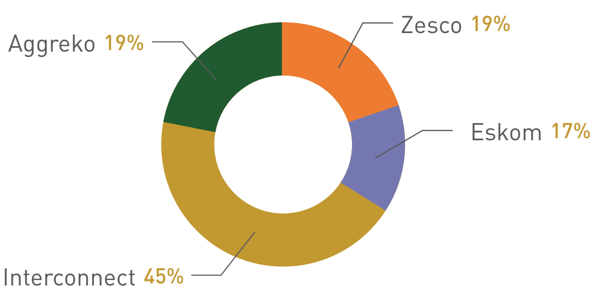
As already noted above, a 250MW gas or heavy fuel oil mid-merit plant, developed on a PPP basis and initially bridging the supply gap before Kudu comes onstream, is one of the deliverables under NamPower's 2014-2018 strategic plan. During the year under review NamPower engaged KPMG to gauge the market for private sector participation in this project. It is envisaged that the implementation process will move ahead in calendar 2015, bearing in mind the target date of 2016 for plant commissioning.

Southern Africa Power Pool (SAPP)

NamPower maintained its participation in SAPP during the year under review, and continues to view that network as an asset for the region that will prove its worth in full over the long term. At present, SAPP remains an important tool for inter-utility coordination and sharing of best practice, and, of course, the site of a regional electronic platform for power trading that can only grow in efficiency, volume and significance over time. Necessarily, the near-term gap between burgeoning demand and lagging supply within the community of SAPP nations has for the moment rendered that trading and platform secondary, as utilities scramble to cover immediate shortages and excess capacity is a rarity. In Namibia, as elsewhere, this fact was reflected in minimal use of the SAPP Day Ahead Market during 2013/14. Eventually, however, with major new generation sources coming on stream and with virtually all SAPP countries investing substantially in interconnectors and other upgrades to transmission systems, this trend can be expected to reverse and a broader, deeper trading market can be expected to emerge.

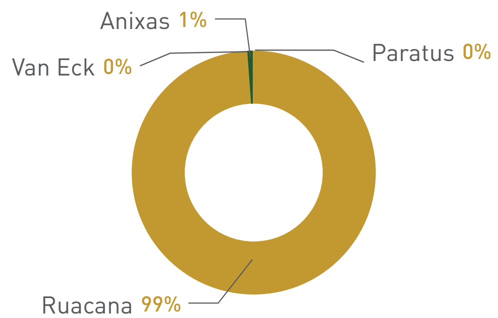
Schematic Power Supply Summary for FY14

IMPORTS Figure 1



Total Imports (excluding Skorpion) for the period
July 2013 to June 2014

LOCAL GX Figure 2

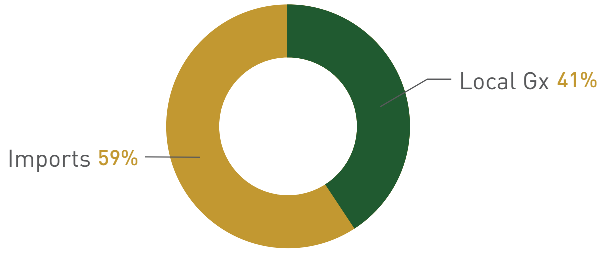


Total Local Generation for the period
July 2013 to June 2014

MANAGING DIRECTOR'S **REPORT** (continued)

LOCAL GX VS IMPORTS

Figure 3



Imports vs Local Generation (excluding Skorpion) for the period July 2013 to June 2014

RURAL ELECTRIFICATION

During the year under review, N$20 million was budgeted by NamPower for rural electrification, manifesting our commitment to this, one of Government's long-term strategic objectives pursuant to Vision 2030. As in previous years, 70% of the budget was allocated to areas where REDs are operative, with the resulting infrastructure being donated by NamPower to these REDs. The balance of 30% was allocated to areas without REDs, and the consequent infrastructure capitalised on the Company's balance sheet. This equation stems from the fact that there is greater demand for rural electrification in the former areas, as most public institutions (the Government's main focus in truly remote communities) have by now already been electrified. The 30% spend in the latter areas, therefore, has mostly gone toward construction of backbone power lines. NamPower follows a region-based approach in order to ensure fair distribution of its overall rural electrification budget.

Apart from the funds made available from NamPower's own balance sheet, a separate rural electrification budget funded from the European Investment Bank (EIB) was drawn down as well.

In total, the rural electrification spend for 2013/14 was as follows:

Region	Expenditure
Ohangwena	N$2,920,322
Ohangwena (EIB-funded)	N$4,487,215
Zambezi	N$3,114,521
Oshikoto	N$1,098,450
Omaheke	N$5,961,734
Omusati	N$2,248,936
Oshana	N$919,384
Khomas	N$275,540
Kavango	N$883,725

MANAGING DIRECTOR'S **REPORT** (continued)

GENERATION

Kudu Gas-to-Power Plant

The 800MW (nominal) Combined Cycle Gas Turbine (CCGT) Kudu Power Station to be constructed 25km north of Oranjemund in the Karas Region of Namibia will be the single largest power generation facility in Namibia, and the first F class CCGT power plant in southern Africa.

Satisfactory progress during the year under review toward Final Investment Decision was maintained. A Joint Development Agreement was signed with the Copperbelt Energy Corporation (CEC) of Zambia for CEC to take up between 20% and 30% of KuduPower's equity. Tenders were issued and evaluated to source an additional strategic investor for the available 19-29% equity balance remaining after accounting for NamPower's committed 51%. Further tenders and evaluations were concluded with respect to the Mandated Lead Arranger and O&M contractor roles. Other notable milestones included the following:

1. Power Export Agreement negotiations with CEC reached an advanced stage.

2. The draft Power Purchase Agreement between NamPower and KuduPower was completed.

3. Six bids for the Engineering, Procurement and Construction (EPC) contract were received and evaluated, with final negotiations with the preferred bidder targeted before the end of calendar year 2014 (a timeframe comparable to that for formal engagement of the competitively-selected O&M contractor).

4. NamPower tested the availability of market appetite for funding the downstream project, and expects to complete appointment of the Mandated Lead Arranger to source such funding shortly.

According to the integrated Kudu gas-to-power project implementation schedule, Final Investment Decision is expected during the first quarter of calendar year 2015, with construction expected to commence towards the third quarter of that year and commercial operation projected for the second quarter of calendar year 2018.

Baynes Hydro Power Project

As reported in previous years, the project is financially and technically viable, robust with regard to different sensitivities tested, and supported in principle by the Governments of both Namibia and Angola. Core environmental studies have been completed and accepted by the Project Joint Technical Committee (PJTC) representing both nations, and the contracted environmental consultant is currently busy with the Strategic Environmental Study of Associated Infrastructure, which addresses transmission lines, roads, runways and telecommunications. The PJTC is simultaneously working on a draft country-to-country agreement laying out the model for project development and addressing establishment of a Cunene River Authority, which would be required to regulate upstream water usage.

Should the two sovereign Governments decide ultimately to proceed, the estimated total project cost would be US$1.3 billion, including environmental mitigation costs, but excluding the cost of the associated infrastructure specified above. NamPower is hopeful that the matter will be further clarified during the course of the new financial year.

Rehabilitation of Van Eck Power Station

The Van Eck rehabilitation project proceeded on budget and on schedule during the year under review, pointing toward successful re-commissioning of all four generation units, and consequent availability of the full plant for commercial operation, before the end of calendar year 2014. Training of staff to enable them to operate the new control system and modified boilers will also take place during the commissioning phase of the units.

Paratus/ANIXAS Diesel Generator Power Station

Paratus Plant

All four governors and the rotor of Generator No. 1 were repaired, and the station restored to full standby mode. A Safety Health and Environment audit was completed at the end of FY14, resulting in a rating of "exceptional".

ANIXAS Plant

This plant too was restored to 100% availability and reliability, with a Safety Health and Environment rating of "exceptional", by the end of FY14, following major work to replace exhaust and intake silencer steel structures.

MANAGING DIRECTOR'S **REPORT** (continued)

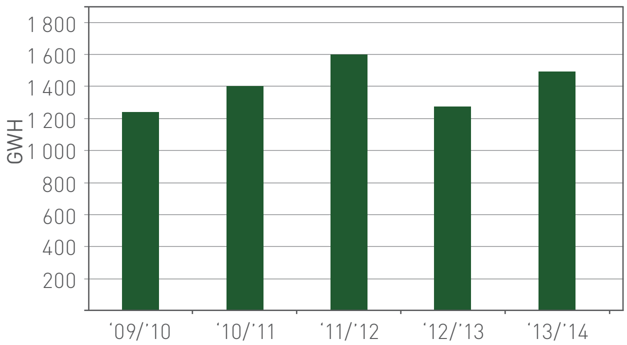
Ruacana Power Station

The energy generated at Ruacana Power Station increased by 17.2% from the preceding financial year due to a 40% increase in the observed river flow. The river flow pattern also changed slightly, with a peak observed between April and May, roughly two months later than the norm. As can be deduced from Figure 4, the total flow lagged from that observed in 2011/12, but was above the median for the past five years. Figure 4, especially when considered together with Figure 2, also illustrates just how much the fate of domestic power generation is at present tied to meteorological factors wholly beyond Namibia's control. This fact will be modulated, but not fundamentally altered, when Cunene river flows are better regulated following rehabilitation in coming years of the Gove and Matala dams over the Angolan border, which should result in consistently higher electricity yields from Ruacana.

The plant's availability and reliability exceeded targets for the year under review, and should improve further in the coming year due to the runner replacement and turbine refurbishment project which began in June 2014 and which holds the promise of increased power output of 5 MW at each of Ruacana's three units, as well as improved efficiency and reduced vibration due to cavitation in the draft tube. Such cavitation occurred in the past due to imperfect runner designs which have now been remedied.

Figure 4

RUACANA ENERGY INTO SYSTEM



MANAGING DIRECTOR'S **REPORT** (continued)

RENEWABLE ENERGY PROJECTS

Independent Power Producers (IPPs)

NamPower continued during the year under review to negotiate Power Purchase Agreements and Transmission Connection Agreements with Diaz Power (wind power generation of 44MW at Lüderitz) and GreeNam Solar (PV of a combined 20 MW). A special steering committee chaired by the Permanent Secretary of Mines and Energy, and with representatives from the ECB, NamPower and the Renewable Energy & Energy Efficiency Institute of the Polytechnic of Namibia, was formed to oversee the development of all renewable energy projects feeding power into the grid.

Nationally, the Ministry of Mines and Energy has now instituted its Renewable Energy Procurement Mechanism requiring tendering for all renewables projects larger than 5MW in size. NamPower expects to acquire an additional 30MW of IPP capacity (through three projects of 10MW each) via this tendering route in the near future. Pre-qualification tenders were issued in FY14 with the final tender to be released once agreement between the short-listed tenderers and Government on underlying policy issues has been reached.

The C-Bend Bush-to-Energy IPP biomass project, which has a Power Purchase Agreement with NamPower in place, encountered technical difficulties. NamPower committed resources to assist in helping this 250kW concept plant fulfil its ultimate potential.

Off-grid

NamPower provided technical advice and supervision in support of expansion of the Tsumkwe PV/diesel hybrid plant; and following success in this endeavour other, comparable projects are being investigated. At the first of these, a new PV plant in Gam, NamPower will provide the same inputs and support as it did at Tsumkwe.

Net-metering

NamPower continued to investigate new generation methods and lead by example. Two test solar projects, in Windhoek (64kW fixed PV) and Usib (26kW tracking CPV) respectively, have now been completed, providing the Company with data and direct operational experience of the latest technologies. Further know-how in this field will be gained when, as planned for 2014/15, NamPower "solarizes" two of its residential premises in Okahandja and Rehoboth.

Biomass and CSP Feasibility Study

A Biomass pre-feasibility study grant funded by KfW of Germany was completed, and demonstrates that it is technically feasible to build 10-20MW plants utilising invader bush as a fuel source. NamPower now seeks to capitalise on this by investigating the building of a hybridized power plant combining biomass with solar to increase output and improve plant performance. Full feasibility studies for both a biomass and a CSP power plant will soon commence. Initially the studies will be done separately, but ultimately the hybridisation of both plants will be investigated.

Demand Side Management

NamPower's DSM program, consisting of the roll-out of 1 Million LEDs and 20000 solar water heaters, as well as the utilisation of embedded generation facilities and application of other demand reduction measures by large customers, was approved and will soon be implemented. All tenders to support the program were issued and most evaluations concluded during the year under review.

CORPORATE SERVICES

Human Resources Management

In an era where human capital is regarded as the most important asset of any corporation, NamPower is proud of its longstanding record as a leading employer in Namibia, with a tradition of utmost commitment to the professional and personal growth of its workforce. That tradition was sustained during the year under review.

Employee Profile and Affirmative Action

As reflected in Table 4, the NamPower family grew to 956 total staff at the end of FY14. This figure includes 66 fixed-term contract employees, among whom were the participants in our (two-year) Graduate Development Program and (one-year) Artisan Development Program.

Table 4

STAFF COMPLEMENT 2010-2014

JOB CATEGORY	2010	2011	2012	2013	2014
Number of Permanent Employees	845	888	887	892	890
Number of Temporary Employees	65	78	44	52	66
Total Number of Employees	910	966	931	944	956

NamPower received its annual Affirmative Action Compliance Certificate from the Employment Equity Commissioner (EEC). Within the framework of the relevant EEC classifications and criteria, table 5 provides a snapshot of the Company's workforce.

Performance Management

The performance management scorecard continued to play an increasingly important role in Company operations, with the average score obtained during 2013/14 translating to "good/ strong on target performance" under the scoring matrix. Given the scope of challenges faced by the entire organization in the face of increased local and regional power supply/demand pressures, these results were encouraging. To maximize the integrity and utility of the scorecard, the performance management system is validated, moderated and verified on an annual basis, with individual employees being rewarded on the basis of the final, validated performance scores.

Performance evaluation has been integrated into the SAP (software) system, facilitating optimal responsiveness and timeliness. Recognizing that performance management itself is a process that needs to be modulated continuously, the Company during FY14 conducted a thorough review which resulted in several recommendations for improvement, now in the process of being implemented.

Table 5

EMPLOYMENT EQUITY

	RACIALLY DISADVANTAGED		RACIALLY ADVANTAGED		PERSONS WITH DISABILITIES		TOTAL
JOB CATEGORY	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN	
Senior Management	6	0	3	0	0	0	9
Middle Management	16	9	10	0	0	0	35
Supervisory	49	25	47	4	0	0	125
Skilled	195	77	43	18	1	2	336
Semi Skilled	167	10	2	0	0	1	180
Unskilled	176	29	0	0	0	0	205
SUB-TOTAL	609	150	105	22	1	3	890
CASUAL	35	26	2	2	0	0	66
TOTAL	644	176	107	24	2	3	956

MANAGING DIRECTOR'S **REPORT** (continued)

Employee engagement

Among the key components of managers' performance scorecards is the level of employee engagement/satisfaction among those under their supervision. As another means of measuring this critical variable for corporate success, NamPower participates annually in such independent surveys as Deloitte's "Best Company to Work For". During the year under review, NamPower achieved a rating of 3.73 on Deloitte's 5-point rating scale, equating to "very positive or excellent". The Company views this as both an achievement and an opportunity to do better.

Talent and Succession Management

NamPower instituted an intensive talent and succession management program under the auspices of the HR Forum, a committee of senior leadership chaired by the Managing Director. The program has so far focused on the identification and shadowing of critical positions within the Company, on ensuring that talent development is a central component of corporate performance scorecards, on exchange programs for capacity-building, and on specific succession planning for certain vital functions.

Staff Turnover

Relevant benchmarks consider 6% and below to be a healthy annual staff turnover percentage for an organization such as NamPower. As reflected in Table 6 below, during the year under review the figure at NamPower was 4.87% - which though higher than the preceding years is still within the aforementioned range, and in fact reflects an improvement over 2012/13 in the "voluntary turnover" category which is under the Company's control.

Table 6

STAFF TURNOVER 2011-2014			
TURNOVER (VOLUNTARY/INVOLUNTARY)			
	2011/2012	2012/2013	2013/2014
INVOLUNTARY	17	15	21
VOLUNTARY	15	28	23
TOTAL SEPARATIONS	32	43	44
TOTAL HEADCOUNT	931	944	956
INVOLUNTARY %	1.83%	1.59%	2.20%
VOLUNTARY %	1.61%	2.97%	2.40%
% TOTAL T/O	3.44%	4.56%	4.60%

Education, Training and Development

NamPower is committed to fulfilling the aspirations of its workforce for professional development through education, training and development. During the year under review, the Company allowed a substantial proportion of employees time off from normal duties to attend training, conferences and workshops on a variety of technical and managerial topics designed to take those employees to the next level of competency and opportunity.

Outside its immediate workforce, and as a service to the nation at large (and young Namibians of promise in particular), NamPower continued its unparalleled bursary program, for tuition at leading institutions in the fields of both academic and vocational study. During the year under review, NamPower offered 15 new vocational bursaries (bringing the total number outstanding to 29) as well as 43 academic bursaries (bringing that total number to 155). 50% of bursary recipients are women. NamPower's expenditure on such bursaries reached N$8 million during FY14.

Safety, Health and Environment

Especially given the hazards inherent in power sector operations, NamPower has long prioritized safety, health, environment and wellness (SHEW) programs. As highlighted in the Chairperson's report, during the year under review these programs were further boosted by inclusion for the first time of SHEW protocols and criteria in employee performance agreements, monitoring and auditing. This will embed SHEW even more deeply into the Company's institutional culture. NamPower was blessed to go another year without any workplace-related fatalities, and its lost time injuries remained within the norm. Employees continued to benefit from the very high standards of medical care offered at our Ruacana and Van Eck clinics.

INFORMATION SERVICES (ISERV)

During 2013/14, the Company replaced its entire blade server system, and adopted the world-recognised Information Technology Infrastructure Library framework for IT service management, completing the processes of request fulfilment and problem, change and incident management in terms of that framework. In addition, a thorough review of IT policies was conducted, leading to adoption of new policies in the following important areas: information services usage/access; passwords;

backup and recovery; and computer equipment replacement.

From a disaster recovery perspective, NamPower implemented, and regularly tests, systems that will ensure adequate redundancy should a disaster event occur. Like many others across the globe, NamPower had to proactively address, contain and ultimately eliminate the Heartbleed Bug insinuated into its networks. There were no systems crashes, with the IT services, local area network and wide area network uptime for the year recorded at 99.22% (and with most of the downtime due to power outages at remote sites).

CONCLUSION

NamPower's reality places us on the African continent with all its challenges and opportunities; our vision is to realize those opportunities, on behalf both of ourselves and of the people of Namibia, through leadership in the energy sector. The key sources of such leadership must be customer focus, tapping the full potential of our people, and innovation. Only high levels of achievement in these three focus areas will enable NamPower to navigate the challenges successfully and attain our vision.

In turn, our internal values of integrity, accountability, empowerment, sustainability and ethical conduct in all that we do - these must and will continue to sustain us through the whole range of operating circumstances, and ensure that we remain true to the values which we have inherited from those who preceded us at NamPower, and which we hold in trust for those who will come after us.

ACKNOWLEDGEMENTS

I would like to acknowledge the leadership and support provided by our line Ministry, the Ministry of Mines and Energy, and by our chief regulator the Electricity Control Board (ECB). Our special thanks to the Honourable Minister Katali, and our heartfelt condolences to the family of his Deputy, the Honourable Willem Isaacks, who tragically passed shortly after the conclusion of the year under review. We are grateful for the past service of Siseho Simasiku who concluded his term as Chief Executive Officer, ECB during FY14, and look forward to a constructive working relationship with his successor, Ms Foibe Namene.

To our diligent, dedicated board of directors and especially our Chairperson Maria Nakale, I offer the strongest tribute I know: It is not only an honour but also a pleasure to work with you in pursuit of goals and aspirations for our Company and country that we know you value just as highly as we do.

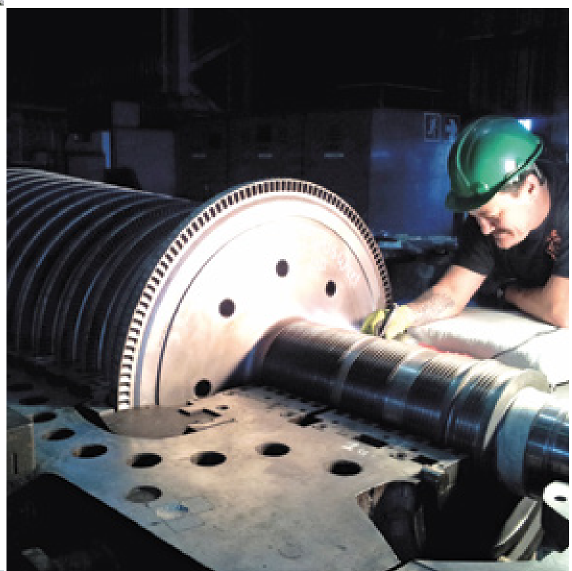
Congratulations to Ms Hanri Jacobs who has been appointed as our new Chief Officer, Finance; and thanks to her predecessor, Mr Michael Gotore, who we wish all the best in his future endeavours.

A sincere word of appreciation to our customers, partners, and other stakeholders, who are valued fellow travellers on the journey we are on toward a stronger, energy-independent Namibia.

Finally, and above all, I wish to thank our 1,000 employees, whose talent, skill and commitment will make all the difference as we build the bridge to a sustainable future. We have a clear strategy in place – its realisation will now depend more than ever on your drive and energy. I know you will prove equal to the task.

CONTENTS

FINANCIAL STATEMENTS




BROWN B

VALUE ADDED STATEMENT

for the year ended 30 June 2014

	GROUP				COMPANY			
	2014		2013		2014		2013	
	N$'000	%	N$'000	%	N$'000	%	N$'000	%
VALUE ADDED								
Turnover	3,967,840		3,305,641		3,967,840		3,305,641	
Less: Cost of primary energy, materials and services	2,882,508		2,268,327		2,882,438		2,268,257	
Value added by operations	1,085,332	69.41	1,037,314	68.43	1,085,402	69.29	1,037,384	68.43
Interest and sundry income	478,268	30.59	478,513	31.57	481,150	30.71	478,513	31.57
	1,563,600	100.00	1,515,827	100.00	1,566,552	100.00	1,515,897	100.00
VALUE DISTRIBUTED								
To remunerate employees	500,231	31.99	460,182	30.36	500,231	31.93	460,182	30.00
To providers of debt	244,318	15.63	261,765	17.27	244,318	15.60	261,765	17.00
Taxation paid	156,562	10.01	(35,131)	(2.32)	156,792	10.01	(35,090)	(2.00)
	901,111	57.63	686,816	45.31	901,341	57.54	686,857	45.00
VALUE RETAINED								
To maintain and develop operations	662,489	42.37	829,011	54.69	665,211	42.46	829,040	55.00
	1,563,600	100.00	1,515,827	100.00	1,566,552	100.00	1,515,897	100.00

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for the preparation and fair presentation of the consolidated and separate annual financial statements of Namibia Power Corporation (Proprietary) Limited, comprising the statements of financial position at 30 June 2014, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report, in accordance with International Financial Reporting Standards, in the manner required by 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 the 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 have made an assessment of the ability of the Group and the Company, to continue as going concerns and have no reason to believe the businesses will not be going concerns in the year ahead.

The auditor is responsible for reporting on whether the consolidated and separate annual financial statements are fairly presented in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of Namibia.

Approval of consolidated and separate annual financial statements

The consolidated and separate annual financial statements of Namibia Power Corporation (Proprietary) Limited, as identified in the first paragraph, were approved by the board of directors on 21 November 2014 and signed by:

MMN NAKALE
CHAIRPERSON

PI SHILAMBA
MANAGING DIRECTOR

To the member of Namibia Power Corporation (Proprietary) Limited

We have audited the consolidated and separate annual financial statements of Namibia Power Corporation (Proprietary) Limited, which comprise the consolidated and separate statements of financial position at 30 June 2014, and the consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 45 to 132.

Directors' Responsibility for the Financial Statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Namibian Companies Act, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of Namibia Power Corporation (Proprietary) Limited at 30 June 2014, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Namibian Companies Act.

KPMG

KPMG
Registered Accountants and Auditors
Chartered Accountants (Namibia)
Robert Grant
Partner

Windhoek, 21 November 2014
30 Schanzen Road, Klein Windhoek, Windhoek, Namibia

The directors have pleasure in presenting their report for the year ended 30 June 2014.

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 subsidiaries and associates comprise:

- The provision of technical, management and other related services;
- The sale and distribution of electricity and
- Property investment.

2. Operating Results

The operating results of the Group and Company for the year under review are set out in the Statements of Comprehensive Income.

Units into the system and sold:	GROUP AND COMPANY	
	2014 GWh	2013 GWh
Ruacana Hydro Power Station	1,485	1,272
Van Eck Power Station	-	41
Anixas Power Station	13	18
Eskom	1,091	1,718
ZESCO	420	389
ZESA	962	781
Aggreko	413	19
Total units into system	**4,384**	4,238
To customers in Namibia	3,031	2,986
Exports	84	89
Orange River	145	139
To Skorpion Zinc Mine^	571	647
Total units sold	**3,831**	3,861

^Skorpion Zinc Mine is a customer situated in the Republic of Namibia but is supplied directly by Eskom via a back to back agreement whereby Eskom bills NamPower for the units consumed by Skorpion, then NamPower bills Skorpion for those units sold by Eskom.

Transmission losses	14.4%	9.7%

Growth

During the year under review there was an increase of 1.5% in units sold to customers in Namibia excluding Skorpion (2013: increase of 5.1%). The power imported by the Company during the year under review decreased by 21 million units (2013: increase of 388 million units).

3. Dividend

No dividend was declared in respect of the year under review and the prior year.

4. Subsidiaries and Associates

Relevant information is disclosed in note 8 to the financial statements.

5. Capital Expenditure

The expenditure on property, plant and equipment during the financial year amounted to: Group and Company N$737.5 million (2013: N$394.0 million). The expenditure on intangible assets during the financial year amounted to: Group and Company N$563 thousand (2013: N$1.2 million).

This expenditure is mainly attributable to:

5.1 Electrification:

- Omaheke Region: Sewarage Omitara
- Naute Irrigation Project
- Omaheke: 33kV Line Donkerbos
- Southern Region: Pre-paid Meters
- Seeis Police Station
- New Recloser: Neu Loore
- New Recloser: Croxley
- New Recloser: Netso
- Electrification: x3 Villages-Oshikoto Region
- Electrification: x3 Villages-Omusati Region

5.2 Substation Development:

- Walvis Bay 132kV
- Husab Power Supply
- Kunene 330kV
- Omatando
- Groot Aub
- Poultry
- Khurub
- Osona In-Out
- Indoor S/S: SERGI Trfr Protection
- Omutiya
- Baobab
- Efundja

5.3 Refurbishment and Upgrading:

- Van Eck Power Station - Rehabilitation
- Ruacana Power Station Units 1-3: Vibration Monitors
- Ruacana Power Station: Upgrade PIV
- Ruacana Power Station: Upgrade Turbine Runners

5.4 Transmission System:

- Northern Transmission Master Plan
- Otjikoto-Oshakati: Fibre Optical Retrofit
- Onuno-Ondangwa : 132kV Line
- 400kV Gerus-Otjikoto Line
- Tx Kudu Integration
- Northern S/S: NP LAN and Communications Network

5.5 Power Station Development:

- Anixas Power Station-Walvis Bay
- Ruacana Power Station-Unit No.4

6. Foreign Assets

The valuation of the diversion weir situated in Angola amounted to N$47.0 million based on replacement value. NamPower had granted a N$3.7 million loan in respect of the Gove dam to the Angolan authorities. The recovery of this loan depended on the rehabilitation of the Gove dam by the Angolan Authorities and the implementation of the principles embodied in the 1969 agreement.

The assets and the loan granted are currently reflected in the company's books at nil carrying amount. These assets and the loan were initially recognised in the books of NamPower and then subsequently impaired to nil during the 2003 financial year.

7. Shareholder

The Government of the Republic of Namibia is the sole shareholder of the Company.

8. Subsequent events

The directors are not aware of any matter or circumstance arising since the end of the financial year, not otherwise dealt with in the report or Group annual financial statements, that would affect the operations of the Group or the results of those operations significantly.

9. Corporate Governance

NamPower is committed to achieving high standards of corporate governance. The Board has developed self–governance principles over the years which are applied transparently and consistently. The Board also recognises that compliance with legislation is an important component of good governance. In this regard, the directors are satisfied with actions that management has taken to ensure compliance with all relevant legislation. Full compliance has not been practically possible with respect to certain provisions of the State-Owned Enterprises Governance (SOEG) Act of 2006. Management has and continues to engage the SOEG Council with the aim of achieving full compliance. The discussions are aimed at ensuring that full compliance does not negate achievements already attained prior to the Act becoming effective.

The Group continues to apply and comply with the provisions of the Companies Act and its internal governance procedures in directing and managing the business. Certain exceptions as provided within the SOEG Act were also processed. The matters dealt with through the Company's internal governance procedures and subject to the board's approval include development and implementation of the Company's strategic and financial plan, determination and approval of the remuneration of the board and senior management and management of the Company's investment portfolio. The SOEG Act does not apply to the subsidiaries and associates, but only to the Company.

9.1 Directorate

MMN Nakale	Chairperson
PI Shilamba	Managing Director
G Narib	Term ended: 31 December 2013
PA Kiiyala	
PJ Maritz	
SP Utonih	
EJ Roeber	Term ended: 31 December 2013
Adv. AW Boesak	Appointed: 1 January 2014
P Karuaihe-Martin	Appointed: 1 January 2014

9.2 Board Committees

In conformity with Corporate Governance principles, NamPower has the following Board Committees:

9.2.1 Audit and Risk Management Committee

The members of the Audit and Risk Management Committee for the year under review were:

P Karuaihe-Martin	Chairperson; appointed 1 January 2014
SP Utonih	
Adv. AW Boesak	Appointed: 1 January 2014
G Narib	Until 31 December 2013
EJ Roeber	Until 31 December 2013

9.2.2 Remuneration and Nomination Committee

The members of the Remuneration and Nomination Committee for the year under review were:

PJ Maritz	Chairman
PI Shilamba	Managing Director
PA Kiiyala	
SP Utonih	
EJ Roeber	Until 31 December 2013

9.2.3 Board Tender Committee

The members of the Board Tender Committee for the year under review were:

G Narib	Chairman until 31 December 2013
Adv. AW Boesak	Chairman; appointed 1 January 2014
PJ Maritz	
SP Utonih	

9.2.4 Investment Committee

The members of the Investment Committee for the year under review were:

PA Kiiyala	Chairman
P Karuaihe-Martin	
SP Utonih	
EJ Roeber	Until 31 December 2013

9.3 Board and board committee meetings

Board of Directors	Board	Audit and Risk Management Committee	Remuneration and Nomination Committee	Board Tender Committee	Investment Committee
Meetings held:	15	5	5	6	2
Attendance:					
MMN Nakale	14	n/a	n/a	n/a	n/a
PI Shilamba	10	n/a	5	n/a	n/a
G Narib	7	1	n/a	3	n/a
PA Kiiyala	14	n/a	5	n/a	2
PJ Maritz	12	n/a	5	5	n/a
SP Utonih	12	2	5	3	2
EJ Roeber	8	2	1	n/a	1
Adv. AW Boesak	7	3	n/a	3	n/a
P Karuaihe-Martin	6	3	n/a	n/a	0

10. Secretary

Ms S Mavulu held office as Company Secretary for the year under review. The business and postal addresses are shown on page 133.

11. Going Concern

The directors have made an assessment of the ability of the Company and its subsidiaries to continue as a going concern in the foreseeable future and are satisfied that they have access to adequate resources and facilities to be able to continue operations for the foreseeable future. Accordingly the board have continued to adopt the going-concern basis in preparing the financial statements.

12. Registered address

Namibia Power Corporation (Proprietary) Limited
(Reg no 2051)
NamPower Centre
15 Luther Street
PO Box 2864
WINDHOEK
Namibia

STATEMENTS OF FINANCIAL POSITION

at 30 June 2014

	NOTE	GROUP 2014 N$'000	GROUP 2013 N$'000	COMPANY 2014 N$'000	COMPANY 2013 N$'000
Assets					
Total non-current assets		17,216,037	16,723,620	16,899,247	16,415,029
Property, plant and equipment	7	15,015,385	14,846,516	15,004,615	14,835,676
Investment properties	9	14,369	12,832	14,369	12,832
Intangible assets	10	4,217	6,511	4,217	6,511
Interest in subsidiaries	8.1	-	-	8,005	7,377
Investment in associates	8.2	487,257	478,360	173,232	173,232
Investments	12	1,440,521	1,168,130	1,440,521	1,168,130
Derivative assets	22.1	228,034	181,130	228,034	181,130
Loans receivable	11	26,254	30,141	26,254	30,141
Total current assets		5,851,890	5,493,234	5,851,890	5,493,234
Inventories	13	217,606	216,506	217,606	216,506
Trade and other receivables	14	918,478	710,859	918,478	710,859
Investments	12	3,100,982	2,870,302	3,100,982	2,870,302
Cash and cash equivalents	15	1,607,774	1,657,592	1,607,774	1,657,592
Loans receivable	11	7,050	37,975	7,050	37,975
Total assets		23,067,927	22,216,854	22,751,137	21,908,263
Equity					
Total equity attributable to equity holders		13,262,833	12,677,168	12,942,823	12,365,583
Issued share capital	17.2	165,000	165,000	165,000	165,000
Share premium	17.3	900,000	900,000	900,000	900,000
Reserve fund		1,469,280	1,418,302	1,469,280	1,418,302
Development fund		3,553,453	3,019,141	3,449,129	2,923,242
Capital revaluation reserve	17.4	7,110,050	7,110,050	6,894,364	6,894,364
Strategic inventory revaluation reserve	17.5	63,856	63,856	63,856	63,856
Available for sale fair value adjustment reserve	17.6	1,194	819	1,194	819
Total equity		13,262,833	12,677,168	12,942,823	12,365,583
Liabilities					
Total non-current liabilities		8,084,303	8,065,582	8,081,137	8,062,186
Interest bearing loans and borrowings	18	2,441,563	2,617,714	2,441,563	2,617,714
Deferred revenue liabilities	19	689,924	720,181	689,924	720,181
Employee benefits	23	268,865	201,614	268,865	201,614
Retention creditors	21.3	21,432	9,522	21,432	9,522
Derivative liabilities	22.2	273,113	268,395	273,113	268,395
Deferred tax liabilities	20	4,389,406	4,248,156	4,386,240	4,244,760
Total current liabilities		1,720,791	1,474,104	1,727,177	1,480,494
Trade and other payables	21	1,283,330	1,100,220	1,283,332	1,100,226
Loans due to subsidiaries	8.1	-	-	6,384	6,384
Interest bearing loans and borrowings	18	230,792	218,896	230,792	218,896
Deferred revenue liabilities	19	206,669	154,988	206,669	154,988
Total liabilities		9,805,094	9,539,686	9,808,314	9,542,680
Total equity and liabilities		23,067,927	22,216,854	22,751,137	21,908,263

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2014

	NOTE	GROUP 2014 N$'000	GROUP Restated 2013 N$'000	COMPANY 2014 N$'000	COMPANY Restated 2013 N$'000
Continuing operations					
Revenue	26	**3,967,840**	3,305,641	**3,967,840**	3,305,641
Cost of Electricity		**(2,160,553)**	(1,658,658)	**(2,160,553)**	(1,658,658)
Gross profit		**1,807,287**	1,646,983	**1,807,287**	1,646,983
Foreign exchange gains		**424,066**	382,901	**424,066**	382,901
Foreign exchange losses		**(284,758)**	(214,904)	**(284,758)**	(214,904)
Depreciation and amortisation	7, 10	**(529,553)**	(512,471)	**(529,483)**	(512,401)
Other operating expenditure		**(831,942)**	(725,377)	**(831,942)**	(725,377)
Other income	26.1	**62,564**	97,046	**65,446**	97,046
Operating profit before net fair value adjustments and net finance income		**647,664**	674,178	**650,616**	674,248
Fair value loss on derivatives and foreign loans through profit or loss		**(94,640)**	(67,237)	**(94,640)**	(67,237)
Fair value gain/(loss) on embedded derivatives-Power Sales Agreement (PSA)		**36,520**	(72,948)	**36,520**	(72,948)
Fair value loss on embedded derivatives-Power Purchase Agreement (PPA)		**(9,387)**	(138,167)	**(9,387)**	(138,167)
Fair value gain/(loss) on firm commitments		**10,251**	(9,720)	**10,251**	(9,720)
Operating profit before net finance income		**590,408**	386,106	**593,360**	386,176
Net finance income		**171,386**	119,702	**171,386**	119,702
Finance income	25	**415,704**	381,467	**415,704**	381,467
Finance costs	25	**(244,318)**	(261,765)	**(244,318)**	(261,765)
Share of profit of associates net of tax	8.2	**11,147**	30,256	**-**	-
Profit before taxation	27	**772,941**	536,064	**764,746**	505,878
Taxation	16	**(156,562)**	35,131	**(156,792)**	35,090
Profit for the year from continuing operations		**616,379**	571,195	**607,954**	540,968
Profit attributable to:					
Owners of the Company		**616,379**	571,195	**607,954**	540,968
Other comprehensive income					
Items that will never be reclassified to profit or loss					
Remeasurements of post retirement medical benefits		**(46,401)**	(8,562)	**(46,401)**	(8,562)
Related tax	16	**15,312**	2,825	**15,312**	2,825
		(31,089)	(5,737)	**(31,089)**	(5,737)
Items that are or may be reclassified to profit or loss					
Net change in fair value of available-for-sale financial assets		**375**	283	**375**	283
		375	283	**375**	283
Other comprehensive income for the year, net of taxation		**(30,714)**	(5,454)	**(30,714)**	(5,454)
Total comprehensive income for the year		**585,665**	565,741	**577,240**	535,514
Total comprehensive income attributable to:					
Owners of the Company		**585,665**	565,741	**577,240**	535,514

STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 June 2014

	Share Capital N$'000	Share Premium N$'000	Reserve Fund N$'000
GROUP			
Balance at 1 July 2013	165,000	900,000	1,418,302
Total comprehensive income for the year			
Profit for the year	-	-	-
Other comprehensive income			
Total other comprehensive income	-	-	-
Total comprehensive income for the year	-	-	-
Allocation from retained income	-	-	50,978
Transfer to reserve fund	-	-	50,978
Funds for capital expenditure requirements	-	-	-
Balance at 30 June 2014	165,000	900,000	1,469,280
GROUP			
Balance at 1 July 2012	165,000	900,000	1,369,093
Total comprehensive income for the year			
Profit for the year restated	-	-	-
Other comprehensive income			
Total other comprehensive income	-	-	-
Total comprehensive income for the year	-	-	-
Allocation from retained income	-	-	49,209
Transfer to reserve fund	-	-	49,209
Funds for capital expenditure requirements	-	-	-
Balance at 30 June 2013	165,000	900,000	1,418,302

Development Fund N$'000	Capital Revaluation Reserve N$'000	Strategic Inventory Revaluation Reserve N$'000	Available For Sale Fair Value Adjustment Reserve N$'000	Retained Earnings N$'000	Total Equity N$'000
3,019,141	**7,110,050**	**63,856**	**819**	**-**	**12,677,168**
-	**-**	**-**	**-**	**616,379**	**616,379**
-	**-**	**-**	**375**	**(31,089)**	**(30,714)**
-	**-**	**-**	**375**	**585,290**	**585,665**
534,312	**-**	**-**	**-**	**(585,290)**	**-**
-	**-**	**-**	**-**	**(50,978)**	**-**
534,312	**-**	**-**	**-**	**(534,312)**	**-**
3,553,453	**7,110,050**	**63,856**	**1,194**	**-**	**13,262,833**
2,502,892	7,110,050	63,856	536	-	12,111,427
-	-	-	-	571,195	571,195
-	-	-	283	(5,737)	(5,454)
-	-	-	283	565,458	565,741
516,249	-	-	-	(565,458)	-
-	-	-	-	(49,209)	-
516,249	-	-	-	(516,249)	-
3,019,141	7,110,050	63,856	819	-	12,677,168

STATEMENTS OF CHANGES IN EQUITY (continued)

for the year ended 30 June 2014

	Share Capital N$'000	Share Premium N$'000	Reserve Fund N$'000
COMPANY			
Balance at 1 July 2013	165,000	900,000	1,418,302
Total comprehensive income for the year			
Profit for the year	-	-	-
Other comprehensive income			
Total other comprehensive income	-	-	-
Total comprehensive income for the year	-	-	-
Allocation from retained income	-	-	50,978
Transfer to reserve fund	-	-	50,978
Funds for capital expenditure requirements	-	-	-
Balance at 30 June 2014	165,000	900,000	1,469,280
COMPANY			
Balance at 1 July 2012	165,000	900,000	1,369,093
Total comprehensive income for the year			
Profit for the year restated	-	-	-
Other comprehensive income			
Total other comprehensive income	-	-	-
Total comprehensive income for the year	-	-	-
Allocation from retained income	-	-	49,209
Transfer to reserve fund	-	-	49,209
Funds for capital expenditure requirements	-	-	-
Balance at 30 June 2013	165,000	900,000	1,418,302

Development Fund N$'000	Capital Revaluation Reserve N$'000	Strategic Inventory Revaluation Reserve N$'000	Available For Sale Fair Value Adjustment Reserve N$'000	Retained Earnings N$'000	Total Equity N$'000
2,923,242	**6,894,364**	**63,856**	**819**	**-**	**12,365,583**
-	-	-	-	607,954	607,954
-	-	-	375	(31,089)	(30,714)
-	-	-	375	576,865	577,240
525,887	-	-	-	(576,865)	-
-	-	-	-	(50,978)	-
525,887	-	-	-	(525,887)	-
3,449,129	**6,894,364**	**63,856**	**1,194**	**-**	**12,942,823**
2,437,220	6,894,364	63,856	536	-	11,830,069
-	-	-	-	540,968	540,968
-	-	-	283	(5,737)	(5,454)
-	-	-	283	535,231	535,514
486,022	-	-	-	(535,231)	-
-	-	-	-	(49,209)	-
486,022	-	-	-	(486,022)	-
2,923,242	6,894,364	63,856	819	-	12,365,583

STATEMENTS OF CASH FLOWS

for the year ended 30 June 2014

	NOTE	GROUP 2014 N$'000	GROUP 2013 N$'000	COMPANY 2014 N$'000	COMPANY 2013 N$'000
Cash flows from operating activities					
Cash receipts from customers		4,250,846	3,470,547	4,250,846	3,470,547
Cash paid to suppliers and employees		(3,108,263)	(2,317,749)	(3,107,635)	(2,317,749)
Cash generated from operations	A	1,142,583	1,152,798	1,143,211	1,152,798
Increase in retention creditors		11,910	1,239	11,910	1,239
Interest received		305,038	294,411	305,038	294,411
Interest paid		(162,047)	(177,067)	(162,047)	(177,067)
Net cash from operating activities		1,297,484	1,271,381	1,298,112	1,271,381
Cash flows from investing activities					
Proceeds from the sale of property, plant and equipment		1,540	1,605	1,540	1,605
Acquisitions of intangible assets	10	(563)	(1,187)	(563)	(1,187)
Extension and replacement of property, plant and equipment to maintain operations	7	(737,563)	(394,029)	(737,563)	(394,029)
Dividend received		2,250	1,701	2,250	1,701
Government grant received		-	10,000	-	10,000
Increase in loans to subsidiaries		-	-	(628)	-
(Increase)/decrease in investments		(272,017)	59,626	(272,017)	59,626
Increase in short term investments		(230,680)	(392,401)	(230,680)	(392,401)
Decrease in loans receivable		34,812	76,759	34,812	76,759
Net cash used in investing activities		(1,202,221)	(637,926)	(1,202,849)	(637,926)
Cash flows from financing activities					
Repayment of interest bearing loans and borrowings		(145,081)	(268,522)	(145,081)	(268,522)
Net cash used in financing activities		(145,081)	(268,522)	(145,081)	(268,522)
Net (decrease)/increase in cash and cash equivalents		(38,907)	367,783	(38,907)	367,783
Cash and cash equivalents at 1 July		1,657,592	1,292,659	1,657,592	1,292,659
Effect of exchange rate fluctuations on cash held		(10,911)	(2,850)	(10,911)	(2,850)
Cash and cash equivalents at 30 June	15	1,607,774	1,657,592	1,607,774	1,657,592

for the year ended 30 June 2014

	GROUP		COMPANY	
	2014 N$'000	2013 N$'000	2014 N$'000	2013 N$'000
A. CASH GENERATED FROM OPERATIONS				
Profit before taxation and interest and before share of profits from associates	544,007	377,544	546,959	377,614
Adjustments for:				
- Dividend received	-	(1,701)	(2,250)	(1,701)
- Net accrued interest	26,044	(203)	26,044	(203)
- Fair value movements of financial liabilities at fair value through profit or loss	(16,823)	98,403	(16,823)	98,403
- Fair value movements on derivative contracts	(4,802)	(121,517)	(4,802)	(121,517)
- Fair value movements on firm commitments	(10,251)	9,720	(10,251)	9,720
- Fair value movements on embedded derivative - Power Purchase Agreement (PPA)	9,387	138,167	9,387	138,167
- Fair value movements on embedded derivative - Power Sales Agreement (PSA)	(36,520)	72,948	(36,520)	72,948
- Coal survey adjustment	-	3,226	-	3,226
- Fair value movements on investment properties	(1,224)	(1,759)	(1,224)	(1,759)
- Depreciation on property, plant and equipment	526,696	509,184	526,626	509,114
- Amortisation on intangible assets	2,857	3,287	2,857	3,287
- Strategic inventory items issued	40,892	48,362	40,892	48,362
- Government grant recognised in income	51,681	(28,114)	51,681	(28,114)
- Movement in deferred revenue liability	(30,256)	(5,203)	(30,256)	(5,203)
- Transfer to transmission systems	(102)	-	(102)	-
- Transfer to intangible assets	554	-	554	-
- Employee benefits - defined benefit obligation	2,384	2,534	2,384	2,534
- Increase in provisions	64,867	32,964	64,867	32,964
- (Gain)/loss on realisation of property, plant and equipment	(1,200)	(1,344)	(1,200)	(1,344)
Operating profit before working capital changes	1,168,191	1,136,498	1,168,823	1,136,498
Increase in inventories	(1,100)	(68,665)	(1,100)	(68,665)
Increase in trade and other receivables	(207,619)	(79,849)	(207,619)	(79,849)
Increase in trade payables	183,111	164,814	183,107	164,814
	1,142,583	1,152,798	1,143,211	1,152,798

1. REPORTING ENTITY

Namibia Power Corporation (Proprietary) Limited is the holding company of the Group and is incorporated and domiciled in Namibia. The consolidated financial statements for the year ended 30 June 2014 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

2. BASIS OF PREPARATION

(a) Statement of compliance

The separate and consolidated 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 accounting policies set out below have been applied consistently to all periods presented in these consolidated and separate financial statements, except as disclosed in note 5.

The accounting policies have been applied consistently by all Group entities.

(b) Basis of measurement

The financial statements are prepared on the historical cost basis, except for the following material items in the statement of financial position:

- derivative financial instruments;
- non-derivative financial instruments;
- available-for-sale financial assets;
- financial assets and financial liabilities at fair value through profit or loss;
- property, plant and equipment and
- investment properties which are measured at fair value.

(c) Functional and presentation currency

These consolidated and separate financial statements are presented in Namibia Dollars (N$), which is the Company's functional and presentation currency and are rounded to the nearest thousand.

(d) Use of estimates and judgements

The preparation of the separate and consolidated 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 7 - revaluation of property, plant and equipment;

Note 9 - valuation of investment property;

Note 13 - inventories;

Note 23 - employee benefits and

Note 30 - valuation of financial instruments - loans and derivatives.

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.

(d) Use of estimates and judgements (continued)

Measurement of fair values (continued)

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 made in measuring fair values is included in the following notes:

Note 9 - valuation of investment property and

Note 30 - valuation of financial instruments - loans and derivatives.

(e) 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).

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 assess performance, and for which separate financial information is available.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company, its subsidiaries and associates. The Company measures its investments in subsidiaries and associates at cost less accumulated impairment in its separate financial statements.

(i) Subsidiaries

Subsidiaries are those entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

Loss of control

Upon loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of any equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(ii) Investments in equity-accounted investees

Associates

Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies. The consolidated 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 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 other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associates.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated 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.

(iv) Business combinations

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Acquisition related costs are recognised in profit or loss as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date, which is the date

(a) Basis of consolidation (continued)

(iv) Business combinations (continued)

that control is transferred to the Group. The excess of the cost of acquisition over fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in profit or loss as a bargain purchase gain.

(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 less accumulated depreciation (see below) and accumulated impairment losses (see accounting policy 3 (e)).

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 market value. Valuations of property, plant and equipment are determined from market-based evidence by appraisals undertaken by professional valuers. Revaluations are performed every five years such that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date. Between formal valuations, the revalued amounts are reassessed at each reporting date by professional valuers.

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 arising on the revaluation of such property, plant and equipment is recognised in other comprehensive income, but recognised in profit or loss to the extent that it exceeds the balance, if any, held in the capital revaluation reserve relating to a previous revaluation of that asset. 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.

(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) Stategic 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. This asset class is accounted for in terms of the accounting policy for property, plant and equipment and is revalued every five years.

(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 as the 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, to its residual value.

Leased assets are depreciated over the shorter of the lease term and their useful lives if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Land and assets under construction are not depreciated.

(b) Property, plant and equipment (continued)

(v) Depreciation (continued)

The estimated useful lives for the current and comparative periods are as follows:

Category

- Power Stations
  - Ruacana Power Station (Plant and Civil Works) 1 - 120 years
  - Van Eck Power Station 1 - 35 years
  - Paratus Power Station - Plant 1 - 35 years
  - Anixas Power Station - Plant 1 - 35 years
- Transmission System 8 - 60 year
- Machinery and Equipment 1 - 35 years
- Buildings 23 - 50 years

The depreciation methods, useful lives and residual values are reassessed annually.

Strategic Inventory

The Company depreciates strategic inventory if the stock is unique and specific to items of property, plant and equipment. The strategic inventory 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. Interchangeable strategic inventory items that can be used at more than one asset are not depreciated.

Disposal

Gains or losses are determined by comparing proceeds with the carrying amount. The gains or losses are included in profit or loss.

(vi) 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) Research and development costs

Expenditure on research activities, undertaken with the prospect of gaining new technical or scientific knowledge and understanding, is recognised in profit or loss as an expense when incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the costs of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in profit or loss as an expense when incurred. Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses (see accounting policy 3(e)).

Costs that are directly associated with development of identifiable and unique software products controlled by the Group and that it will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets and amortised as below. Costs include employee costs incurred as a result of developing software and an appropriate portion of relevant overheads.

(ii) 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.

(iii) 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.

(iv) Amortisation

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of the intangible assets unless such lives are indefinite. 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.

(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

(d) Investment properties (continued)

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 intented 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.

(e) Impairment of assets

(i) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories, deferred tax assets 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 to sell 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:

- first to reduce the carrying amount of any goodwill allocated to the cash-generating units,
- and then to reduce the carrying amounts of other assets in the cash-generating unit (group of cash-generating units) on a pro rata basis.

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.

(ii) Financial assets

A financial asset not classified as at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occured after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The recoverable amount of the Group's investment in held-to-maturity securities and loans and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short maturity are not discounted.

When a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised in other comprehensive income is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

(iii) Reversals of impairment

An impairment loss in respect of a held-to-maturity security or loans and receivables carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

(e) Impairment of assets (continued)

(iii) Reversals of impairment (continued)

An impairment loss in respect of an investment in an equity instrument classified as available-for-sale is reversed through other comprehensive income. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.

(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) 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.

(i) Decommissioning

The Group recognises decommissioning obligations raised only on notification to the Electricity Control Board of a planned decommissioning. When a decommissioning notification is given by the Group five years prior to the plant decommissioning, the decommissioning plan is approved and consequently the arising of the obligation. No decommissioning notifications have been given by the Group to date and therefore no provision for decommissioning has been raised.

(ii) Site restoration

The Group has no legal or constructive obligation to restore contaminated land or related expenses and thus recognised no provision for site restoration.

(h) Capitalisation of borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised up to the date that the asset is substantially completed. The capitalisation rates applied are the weighted averages of the borrowing costs applicable to the borrowings of the respective entities in the Group unless an asset is financed by a specific loan, in which case the specific rate is used.

(i) Financial Instruments

(i) Initial recognition

Financial instruments are recognised when, and only when, the Group becomes party to the contractual provisions of the particular instrument at trade date. The Group recognises loans and receivables and deposits, on the date that it originated.

(ii) Derecognition

A financial asset is derecognised when, and only when:

- The contractual rights to the cash flows arising from the financial asset have expired or been forfeited by the Group; or
- The Group transfers the financial asset including substantially all risks and rewards of ownership of the asset; or
- The Group transfers the financial asset, neither retaining nor transferring substantially all risks and rewards of ownership of the asset, but no longer retains control of the asset. Any interest in the transferred financial assets that is created or retained is recognised as a separate asset or liability.

The difference between the carrying amount of a financial asset (or part thereof) derecognised and consideration received, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

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.

(i) Financial Instruments (continued)

(iii) 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.

(iv) Held-to-maturity investments

If the Group has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses. Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years. Held-to-maturity investments comprise Namibian government bonds and treasury bills, Namibian commercial banks bonds and South African zero coupon bonds. Held-to-maturity investments are classified as investments on the statement of financial position.

(v) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other categories of financial assets. The Group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets.

The Group initially recognise the financial asset at fair value plus transaction cost that are directly attributable to the acquisition of the financial asset. Subsequent to initial recognition, they are measured at fair value and changes therein,other than impairment losses (see note 3(e)) and foreign currency differences on available-for-sale monetary items, are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the cumulative gain or loss in equity is reclassified to profit or loss. Available-for-sale financial assets comprise investments in listed equity. Available-for-sale financial assets are classified as investments on the statement of financial position.

(vi) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market, such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise cash and cash equivalents, trade and other receivables and other loans and receivables. Cash and cash equivalents comprises cash balances, call and fixed deposits with original maturities of three months or less.

(vii) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

(viii) Financial assets and financial liabilities at fair value through profit or loss

A financial asset or financial liability is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial assets and financial liabilities are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets and financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss (see note 30).

(ix) Non-derivative financial liabilities

Other financial liabilities comprises 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 attributable transaction costs. The NAD and ZAR denominated loans, subsequent to initial recognition, such financial liabilities are measured at amortised cost using the effective interest method. The foreign denominated loans (GBP and EURO), subsequent to initial recognition, such financial liabilities are measured at fair value through profit or loss.

(x) 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. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes.

(i) Financial Instruments (continued)

(x) Derivative financial instruments (continued)

Derivative financial instruments are recognised initially at fair value, 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.

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 and then discounting the cash flows by using the relevant interest rate curve and only then is the net present value of the cash flows converted at the relevant Namibia dollar/foreign currency spot rate to the reporting currency.

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: electricity tariff or other revenue or expenditure is based on the foreign currency.

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.

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.

(xi) 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.

(j) Foreign currency transactions

Transactions in foreign currencies of Group entities are translated to Namibia dollars (N$) at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Namibia dollars (N$) at the exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to Namibia dollars (N$) at the exchange rates ruling at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction. Foreign

(j) Foreign currency transactions (continued)

exchange differences arising on translation are recognised in profit or loss, except for the following differences which are recognised in other comprehensive income arising on the retranslation of:

- available-for-sale equity investments (except on impairment in which case foreign currency diffrences that have been recognised in other comprehensive income are reclassified to profit or loss).

(k) Deferred income

(i) Government grants

Government grants are recognised initially as deferred income 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 income 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.

(ii) Payments received in advance

Payments received in advance consists mainly of upfront capital contributions for the construction of assets. Upfront capital contributions are recognised in profit or loss when all performance obligations have been performed by the Group e.g. when the customer is energised (see accounting policy 3(n)).

(iii) Transfers of assets from 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 initially recognised as deferred revenue and recognised as income in profit or loss over the useful life of the asset transferred in accordance with IFRIC 18.

(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. Deferred tax assets are reduced to the extent that it is no longer probable and the related tax benefit will be realised.

(n) Revenue

(i) Electricity Sales

Revenue comprises electricity sales, STEM sales, Paratus contribution, extension charges and contributions received or receivable excluding value added tax. Paratus contribution comprises of a monthly contribution by the municipality of Walvis Bay as per take over contract of the Enclave. Electricity revenue is recognised when the electricity is consumed by the customer.

Capital contribution constitutes cash transferred by a customer to the Company for the construction of power supply.

(ii) Finance income

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, increases in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognised in profit or loss and gains on hedged items that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

(o) Finance expenses

Finance expenses comprise interest expense on borrowings, decreases in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, losses on hedging instruments that are recognised in profit or loss and losses on hedged items that are recognised in profit or loss. 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. Foreign currency gains and losses are reported on a net basis and recognised in profit or loss.

(p) Employee benefits

(i) Short-term employee benefits

The cost of all short term employee benefits is recognised in profit or loss during the period in which the employee renders the related service.

The accruals for employee entitlements to leave and bonuses represent the amount which the Group has a present obligation to pay as a result of employees' 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 186 South African government bond as at 31 May 2014.

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 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 benefits

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

(p) Employee benefits (continued)

(iv) Other long-term employee benefits (continued)

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 186 South African government bond as at 31 May 2014.

4. DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The more important assumptions, which include the following, are obtained either with reference to the contractual provisions of the relevant contracts or from independent market sources where appropriate:

- spot and forward foreign currency exchange rates;
- forecast sales volume purchases;
- spot and forward consumer and foreign production price indices (PPI's);
- spot and forward electricity prices and
- liquidity, model risk and other economic factors.

(i) Property, plant and equipment

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 (ie an exit price). 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.

(ii) Investment property

An external, independent valuer, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's investment property portfolio annually. The fair values are based on market values, being the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date (ie an exit price).

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows then is applied to the net annual cash flows to arrive at the property valuation.

(iii) Investments in equity and debt securities

The fair value of financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets is determined by reference to their quoted closing bid price at the reporting date. The fair value of held-to-maturity investments is determined for disclosure purposes only. The investments in unlisted equity are measured at cost.

(iv) Trade and other receivables

The fair value of both foreign and local denominated trade and other receivables are estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. The carrying value of trade and other receivables is assumed as the fair value due to the short-term nature of the instruments.

(v) Derivatives

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.

(vi) Non-derivative financial liabilities

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-

4. DETERMINATION OF FAIR VALUES (continued)

(vi) Non-derivative financial liabilities (continued)

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.

5. CHANGES IN ACCOUNTING POLICIES

Except for the changes below, the Group has consistently applied the accounting policies above to all periods presented in these consolidated financial statements.

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 July 2014.

- IFRS 12 Disclosure of Interest in Other Entities
- IFRS 13 Fair Value Measurement
- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)
- IAS 19 Employee Benefits (2011)

The nature and effects of the changes are explained below.

Disclosure of interests in other entities

As a result of IFRS 12, the Group has expanded its diclosures about its interests in equity-accounted investees (see Note 8).

Fair value measurement

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7. As a result, the Group has included additional disclosures in this regard.

In accordance with the transitional provisions of IFRS 13, the Group has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Group's assets and liabilities carried at fair value (see notes 7, 9 & 30.9).

Presentation of items of OCI

As a result of the amendments to IAS 1, the Group has modified the presentation of items of OCI in its statement of profit or loss and OCI, to present separately items that would be reclassified to profit or loss from those that would never be. Comparative information has been re-presented accordingly.

5. CHANGES IN ACCOUNTING POLICIES (continued)

Post-employment defined benefit plans

As a result of IAS 19 (2011), the Group has changed its accounting policy with respect to the basis for determining the income or expense related to its post-employment defined benefit plans.

Under IAS 19 (2011), 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 periods to the then-net defined benefit 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. Consequently, the net interest on the net defined liability (asset) now comprises: interest cost on the defined benefit obligation, interest income on plan assets, and interest on the effect on the asset ceiling. Previously, the Group determined interest income on plan assets based on their long-term rate of expected return.

The quantitative impact of the change is set out below.

Summary of quantitative impacts

The following table summarise the impacts of the above changes on the Group's comprehensive income. The impact relates to the changes related to the defined benefit plans.

Consolidated statement of profit or loss and OCI

	Impact of changes in accounting policies	
	Defined benefit plan 2014 N$'000	Defined benefit plan 2013 N$'000
For the year ended 30 June		
Revenue	-	-
Cost of sales	-	-
Other operating expenditure	46,401	8,562
Finance cost	-	-
Taxation	(15,312)	(2,825)
Profit	31,089	5,737
Defined benefit plan remeasurements/ Defined benefit plan actuarial losses	(46,401)	(8,562)
Tax on items that will never be reclassified to profit or loss	15,312	2,825
Other comprehensive income, net of tax	(31,089)	(5,737)
Total comprehensive income	-	-

There has been no impact on the Group's financial position and cash flows.

6. STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

At the date of authorisation of the financial statements of NamPower (Pty) Ltd and the Group for the year ended 30 June 2014, the following Standards and Interpretations which affects the Group and Company were in issue but not yet effective:

Standards/Interpretations not early adopted	*Effective date**
Amendments to IAS 32: Offsetting Financial Assets and Financial Liabilities	Annual periods beginning on or after 1 January 2014
Amendments to IAS 36: Recoverable Amount Disclosures for Non-Financial Assets	Annual periods beginning on or after 1 January 2014
Amendments to IAS 39: Novation of Derivatives and Continuation of Hedge Accounting	Annual periods beginning on or after 1 January 2014
IFRS 9: Financial instruments (2010), IFRS 9 Financial instruments (2009)	Annual periods beginning on or after 1 January 2018
Amendments to IFRS 10, IFRS 12 and IAS 27: Investment Entities	Annual periods beginning on or after 1 January 2014
IFRIC 21: Levies	Annual periods beginning on or after 1 January 2014

* 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.

6. STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE (continued)

The directors are of the opinion that the impact of the application of the standards will be as follows:

Amendments to IAS 32: Offsetting Financial Assets and Financial Liabilities

This amendment will be adopted by NamPower for the first time for its financial reporting period ending 30 June 2015. This amendment provides clarity on the application of the offsetting criteria listed in the current standard. The amendment is not expected to have a significant impact on the Group's financial statements.

Amendments to IAS 36: Recoverable Amount Disclosures for Non-Financial Assets

The amendments reverse the unintended requirement in IFRS 13 Fair Value Measurement to disclose the recoverable amount of every cash-generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. Under the amendments, the recoverable amount is required to be disclosed only when an impairment loss has been recognised or reversed. The amendment is not expected to have an impact on the Group's financial statements.

Amendments to IAS 39: Novation of Derivatives and Continuation of Hedge Accounting

IAS 39 Financial Instruments: Recognition and Measurement requires an entity to discontinue hedge accounting if the derivative hedging instrument is novated to a clearing counter-party, unless the hedging instrument is being replaced as part of the entity's original documented hedging strategy.

The amendments add a limited exception to IAS 39, to provide relief from discounting an existing hedging relationship, when a novation was not contemplated in the original hedging documentation meets specific criteria. The Group does not apply hedge accounting as the derivatives are used for economic hedging. The amendment is not expected to have an impact on the Group's financial statements.

IFRS 9: Financial instruments (2009)

IFRS 9 (2009) introduces new requirements for the classification and measurements of the financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. Embedded derivatives are no longer separated from hybrid contracts that have a financial asset host. The company expects to adopt the standard for the first time in the 2019 annual finacial statements. The impact on the financial statement for 30 June 2019 cannot be reasonably estimated as at 30 June 2014.

IFRS 9: Financial Instruments (2010)

IFRS 9 (2010), the classification and measurement requirements of financial liabilities are the same as per IAS 39, except for the following two aspects:

- Fair value changes for financial liabilities (other than financial guarantees and loan commitments) designated at fair value through profit or loss, that are attributable to the changes in the credit risk of the liability will be presented in other comprehensive income. The remaining amount of the fair value change is recognised in profit or loss. However, if this requirement creates or enlarges an accounting mismatch in profit or loss, then the whole fair value change is presented in profit or loss. The determination as to whether such presentation would create or enlarge an accounting mismatch is made on initial recognition and is not subsequently reassessed.

- Under IFRS 9 (2010) derivative liabilities that are linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured, are measured at fair value.

IFRS 9 (2010) incorporates, the guidance in IAS 39 dealing with fair value measurement and accounting for derivatives embedded in a host contract that is not a financial asset, as well as the requirements of IFRIC 9 "Reassessment of Embedded Derivatives". The company expects to adopt the standard for the first time in the 2019 annual finacial statements. The impact on the financial statement for 30 June 2019 cannot be reasonably estimated as at 30 June 2014.

IFRIC 21: Levies

Levies have become more common in recent years, with governments in a number of jurisdictions introducing levies to raise additional income. Current practice on how to account for these levies is mixed. IFRIC 21 provides guidance on accounting for levies in accordance with IAS 37 Provisions, Contingent Liabilities and Assets. A National Energy Fund (NEF) Levy on electricity sales of 4.35% was included in the 18.28% tariff increase granted for 2012 financial year. In 2013, the Ministry of Mines and Energy introduced a Long Run Marginal Cost (LRMC) Levy to avoid future price shocks to the Namibian consumer. Included in the 2013/2014 tariff increase is a LRMC levy of 2.54 cents/kWh (2013- 1.46 cents/kWh). The amendment is not expected to have a significant impact on the Group's financial statements.

7. PROPERTY, PLANT AND EQUIPMENT

	Revalued/cost N$'000	Accumulated depreciation N$'000	Accumulated impairment N$'000	Carrying amount N$'000
GROUP				
2014				
Ruacana Power Station	**2,273,009**	**(625,307)**	**-**	**1,647,702**
Van Eck Power Station	**275,112**	**(109,937)**	**-**	**165,175**
Paratus Power Station	**61,345**	**(23,474)**	**(2,406)**	**35,465**
Anixas Power Station	**261,719**	**(21,935)**	**-**	**239,784**
Transmission Systems	**13,451,736**	**(1,448,022)**	**(511,308)**	**11,492,406**
Machinery and Equipment	**407,471**	**(289,471)**	**(6,866)**	**111,134**
Land and Buildings	**311,250**	**(24,817)**	**(4,691)**	**281,742**
Assets under Construction	**707,062**	**-**	**-**	**707,062**
Strategic Inventory	**336,551**	**(1,636)**	**-**	**334,915**
Total	**18,085,255**	**(2,544,599)**	**(525,271)**	**15,015,385**
2013				
Ruacana Power Station	2,267,141	(560,698)	-	1,706,443
Van Eck Power Station	275,112	(82,444)	-	192,668
Paratus Power Station	61,345	(17,600)	(2,406)	41,339
Anixas Power Station	261,677	(14,622)	-	247,055
Transmission Systems	13,134,191	(1,074,359)	(511,308)	11,548,524
Machinery and Equipment	369,242	(253,789)	(6,866)	108,587
Land and Buildings	298,534	(18,237)	(4,691)	275,606
Assets under Construction	381,628	-	-	381,628
Strategic Inventory	346,302	(1,636)	-	344,666
Total	17,395,172	(2,023,385)	(525,271)	14,846,516
COMPANY				
2014				
Ruacana Power Station	**2,273,009**	**(625,307)**	**-**	**1,647,702**
Van Eck Power Station	**275,112**	**(109,937)**	**-**	**165,175**
Paratus Power Station	**61,345**	**(23,474)**	**(2,406)**	**35,465**
Anixas Power Station	**261,719**	**(21,935)**	**-**	**239,784**
Transmission Systems	**13,451,609**	**(1,447,895)**	**(511,308)**	**11,492,406**
Machinery and Equipment	**404,973**	**(286,973)**	**(6,866)**	**111,134**
Land and Buildings	**299,673**	**(24,010)**	**(4,691)**	**270,972**
Assets under Construction	**707,062**	**-**	**-**	**707,062**
Strategic Inventory	**336,551**	**(1,636)**	**-**	**334,915**
Total	**18,071,053**	**(2,541,167)**	**(525,271)**	**15,004,615**
2013				
Ruacana Power Station	2,267,141	(560,698)	-	1,706,443
Van Eck Power Station	275,112	(82,444)	-	192,668
Paratus Power Station	61,345	(17,600)	(2,406)	41,339
Anixas Power Station	261,677	(14,622)	-	247,055
Transmission Systems	13,134,064	(1,074,232)	(511,308)	11,548,524
Machinery and Equipment	366,744	(251,291)	(6,866)	108,587
Land and Buildings	286,957	(17,500)	(4,691)	264,766
Assets under Construction	381,628	-	-	381,628
Strategic Inventory	346,302	(1,636)	-	344,666
Total	17,380,970	(2,020,023)	(525,271)	14,835,676

7. PROPERTY, PLANT AND EQUIPMENT (continued)

GROUP	Ruacana Power Station N$'000	Van Eck Power Station N$'000	Paratus Power Station N$'000	Anixas Power Station N$'000
2014				
Carrying amount at 1 July 2013	1,706,443	192,668	41,339	247,055
- At cost/valuation	2,267,141	275,112	61,345	261,677
- Accumulated impairment	-	-	(2,406)	-
- Accumulated depreciation	(560,698)	(82,444)	(17,600)	(14,622)
Additions	-	-	-	-
Assets under construction completed	5,868	-	-	42
Strategic inventory items issued	-	-	-	-
Transfer to intangible assets	-	-	-	-
Transfer to investment property	-	-	-	-
Transfer from investment property	-	-	-	-
Transfer to transmission system	-	-	-	-
Disposals	-	-	-	-
- At cost/valuation	-	-	-	-
- Accumulated depreciation	-	-	-	-
Depreciation for the year	(64,609)	(27,493)	(5,874)	(7,313)
Carrying amount at 30 June 2014	1,647,702	165,175	35,465	239,784
- At cost/valuation	2,273,009	275,112	61,345	261,719
- Accumulated impairment	-	-	(2,406)	-
- Accumulated depreciation	(625,307)	(109,937)	(23,474)	(21,935)

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 was 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 seperately disclosed and are therefore not available.

Transmission Systems N$'000	Machinery and Equipment N$'000	Land and Buildings N$'000	Assets under Construction N$'000	Strategic Inventory N$'000	Total N$'000
11,548,524	108,587	275,606	381,628	344,666	14,846,516
13,134,191	369,242	298,534	381,628	346,302	17,395,172
(511,308)	(6,866)	(4,691)	-	-	(525,271)
(1,074,359)	(253,789)	(18,237)	-	(1,636)	(2,023,385)
2,041	37,902	248	666,231	31,141	737,563
315,402	6,371	13,114	(340,797)	-	-
-	-	-	-	(40,892)	(40,892)
-	(554)	-	-	-	(554)
-	-	(951)	-	-	(951)
-	-	638	-	-	638
102	-	-	-	-	102
-	(80)	(260)	-	-	(340)
-	(5,490)	(333)	-	-	(5,823)
-	5,410	73	-	-	5,483
(373,663)	(41,092)	(6,653)	-	-	(526,697)
11,492,406	111,134	281,742	707,062	334,915	15,015,385
13,451,736	407,471	311,250	707,062	336,551	18,085,255
(511,308)	(6,866)	(4,691)	-	-	(525,271)
(1,448,022)	(289,471)	(24,817)	-	(1,636)	(2,544,599)

7. PROPERTY, PLANT AND EQUIPMENT (continued)

	Ruacana Power Station N$'000	Van Eck Power Station N$'000	Paratus Power Station N$'000	Anixas Power Station N$'000
GROUP				
2013				
Carrying amount at 1 July 2012	1,757,643	220,087	47,213	254,368
- At cost/valuation	2,254,164	275,040	61,345	261,677
- Accumulated impairment	-	-	(2,406)	-
- Accumulated depreciation	(496,521)	(54,953)	(11,726)	(7,309)
Additions	-	72	-	-
Assets under construction completed	12,977	-	-	-
Strategic inventory items issued	-	-	-	-
Transfer to intangible assets	-	-	-	-
Transfer to investment property	-	-	-	-
Disposals	-	-	-	-
- At cost/valuation	-	-	-	-
- Accumulated depreciation	-	-	-	-
Depreciation for the year	(64,177)	(27,491)	(5,874)	(7,313)
Carrying amount at 30 June 2013	1,706,443	192,668	41,339	247,055
- At cost/valuation	2,267,141	275,112	61,345	261,677
- Accumulated impairment	-	-	(2,406)	-
- Accumulated depreciation	(560,698)	(82,444)	(17,600)	(14,622)

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 was 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 seperately disclosed and are therefore not available.

Transmission Systems N$'000	Machinery and Equipment N$'000	Land and Buildings N$'000	Assets under Construction N$'000	Strategic Inventory N$'000	Total N$'000
11,859,594	95,900	269,199	167,020	340,054	15,011,078
13,080,404	332,182	285,775	167,020	341,690	17,059,297
(511,308)	(6,866)	(4,691)	-	-	(525,271)
(709,502)	(229,416)	(11,885)	-	(1,636)	(1,522,948)
13,055	28,326	-	299,602	52,974	394,029
40,732	18,111	13,174	(84,994)	-	-
-	-	-	-	(48,362)	(48,362)
-	(370)	-	-	-	(370)
-	-	(415)	-	-	(415)
-	(260)	-	-	-	(260)
-	(9,007)	-	-	-	(9,007)
-	8,747	-	-	-	8,747
(364,857)	(33,120)	(6,352)	-	-	(509,184)
11,548,524	108,587	275,606	381,628	344,666	14,846,516
13,134,191	369,242	298,534	381,628	346,302	17,395,172
(511,308)	(6,866)	(4,691)	-	-	(525,271)
(1,074,359)	(253,789)	(18,237)	-	(1,636)	(2,023,385)

7. PROPERTY, PLANT AND EQUIPMENT (continued)

	Ruacana Power Station N$'000	Van Eck Power Station N$'000	Paratus Power Station N$'000	Anixas Power Station N$'000
COMPANY				
2014				
Carrying amount at 1 July 2013	1,706,443	192,668	41,339	247,055
- At cost/valuation	2,267,141	275,112	61,345	261,677
- Accumulated impairment	-	-	(2,406)	-
- Accumulated depreciation	(560,698)	(82,444)	(17,600)	(14,622)
Additions	-	-	-	-
Assets under construction completed	5,868	-	-	42
Strategic inventory items issued	-	-	-	-
Transfer to intangible assets	-	-	-	-
Transfer to investment property	-	-	-	-
Transfer from investment property	-	-	-	-
Transfer to transmission system	-	-	-	-
Disposals	-	-	-	-
- At cost/valuation	-	-	-	-
- Accumulated depreciation	-	-	-	-
Depreciation for the year	(64,609)	(27,493)	(5,874)	(7,313)
Carrying amount at 30 June 2014	1,647,702	165,175	35,465	239,784
- At cost/valuation	2,273,009	275,112	61,345	261,719
- Accumulated impairment	-	-	(2,406)	-
- Accumulated depreciation	(625,307)	(109,937)	(23,474)	(21,935)

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 was not disclosed because it is impracticable. The Company's core assets have always been carried at the revalued amount before the implementation of IFRS and the historical values were not seperately disclosed and are therefore not available.

Transmission Systems N$'000	Machinery and Equipment N$'000	Land and Buildings N$'000	Assets under Construction N$'000	Strategic Inventory N$'000	Total N$'000
11,548,524	108,587	264,766	381,628	344,666	14,835,676
13,134,064	366,744	286,957	381,628	346,302	17,380,970
(511,308)	(6,866)	(4,691)	-	-	(525,271)
(1,074,232)	(251,291)	(17,500)	-	(1,636)	(2,020,023)
2,041	37,902	248	666,231	31,141	737,563
315,402	6,371	13,114	(340,797)	-	-
-	-	-	-	(40,892)	(40,892)
-	(554)	-	-	-	(554)
-	-	(951)	-	-	(951)
-	-	638	-	-	638
102	-	-	-	-	102
-	(80)	(260)	-	-	(340)
-	(5,490)	(333)	-	-	(5,823)
-	5,410	73	-	-	5,483
(373,663)	(41,092)	(6,583)	-	-	(526,627)
11,492,406	111,134	270,972	707,062	334,915	15,004,615
13,451,609	404,973	299,673	707,062	336,551	18,071,053
(511,308)	(6,866)	(4,691)	-	-	(525,271)
(1,447,895)	(286,973)	(24,010)	-	(1,636)	(2,541,167)

7. PROPERTY, PLANT AND EQUIPMENT (continued)

COMPANY	Ruacana Power Station N$'000	Van Eck Power Station N$'000	Paratus Power Station N$'000	Anixas Power Station N$'000
2013				
Carrying amount at 1 July 2012	1,757,643	220,087	47,213	254,368
- At cost/valuation	2,254,164	275,040	61,345	261,677
- Accumulated impairment	-	-	(2,406)	-
- Accumulated depreciation	(496,521)	(54,953)	(11,726)	(7,309)
Additions	-	72	-	-
Assets under construction completed	12,977	-	-	-
Strategic inventory items issued	-	-	-	-
Transfer to intangible assets	-	-	-	-
Transfer to investment property	-	-	-	-
Disposals	-	-	-	-
- At cost/valuation	-	-	-	-
- Accumulated depreciation	-	-	-	-
Depreciation for the year	(64,177)	(27,491)	(5,874)	(7,313)
Carrying amount at 30 June 2013	1,706,443	192,668	41,339	247,055
- At cost/valuation	2,267,141	275,112	61,345	261,677
- Accumulated impairment	-	-	(2,406)	-
- Accumulated depreciation	(560,698)	(82,444)	(17,600)	(14,622)

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 was not disclosed because it is impracticable. The Company's core assets have always been carried at the revalued amount before the implementation of IFRS and the historical values were not seperately disclosed and are therefore not available.

Transmission Systems N$'000	Machinery and Equipment N$'000	Land and Buildings N$'000	Assets under Construction N$'000	Strategic Inventory N$'000	Total N$'000
11,859,594	95,900	258,289	167,020	340,054	15,000,168
13,080,277	329,684	274,198	167,020	341,690	17,045,095
(511,308)	(6,866)	(4,691)	-	-	(525,271)
(709,375)	(226,918)	(11,218)	-	(1,636)	(1,519,656)
13,055	28,326	-	299,602	52,974	394,029
40,732	18,111	13,174	(84,994)	-	-
-	-	-	-	(48,362)	(48,362)
-	(370)	-	-	-	(370)
-	-	(415)	-	-	(415)
-	(260)	-	-	-	(260)
-	(9,007))	-	-	-	(9,007)
-	8,747	-	-	-	8,747
(364,857)	(33,120)	(6,282)	-	-	(509,114)
11,548,524	108,587	264,766	381,628	344,666	14,835,676
13,134,064	366,744	286,957	381,628	346,302	17,380,970
(511,308)	(6,866)	(4,691)	-	-	(525,271)
(1,074,232)	(251,291)	(17,500)	-	(1,636)	(2,020,023)

7. PROPERTY, PLANT AND EQUIPMENT (continued)

7.1 Assets under construction

GROUP AND COMPANY	Power Stations N$'000	Transmission Systems N$'000	Machinery and Equipment N$'000	Land and Buildings N$'000	Total N$'000
2014					
Opening balance	**57,055**	**273,918**	**32,992**	**17,663**	**381,628**
Additions	**165,444**	**446,512**	**40,780**	**13,495**	**666,231**
Property, plant and equipment capitalised	**(5,910)**	**(315,402)**	**(6,371)**	**(13,114)**	**(340,797)**
Closing balance	**216,589**	**405,028**	**67,401**	**18,044**	**707,062**
2013					
Opening balance	14,085	117,099	17,629	18,207	167,020
Additions	55,947	197,551	33,474	12,630	299,602
Property, plant and equipment capitalised	(12,977)	(40,732)	(18,111)	(13,174)	(84,994)
Closing balance	57,055	273,918	32,992	17,663	381,628

7.2 Land and buildings (owner-occupied properties)

Land and buildings were revalued externally effective 1 July 2010 by independent valuers, Gert Hamman Property Valuers CC. The valuations were performed on the basis of replacement value where no ready market exists or market value as estimated by sworn appraisers.

Details of properties registered in the Company's name are available for inspection at the registered office of the Company.

Houses at Ruacana township are erected on land in the Kunene region for which occupational rights were obtained. Occupational rights means the Company has ownership of the building but not of the land. Permission to occupy (PTO) agreements are available at the Company's premises for inspection.

Unobservable inputs are not disclosed as the revaluation was performed in 2010 and were not provided then. These inputs will be provided in future revaluations and disclosed as such.

7.3 Transmission Systems

A number of distribution and 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 at the Company's premises for inspection.

7.4 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.

7.5 Valuation of power stations, transmission system and machinery and equipment

The power stations, transmission systems and machinery and equipment were revalued externally effective 1 July 2010 by independent valuers namely, Merz and McLellan South Africa, on the basis of their replacement value as adjusted for the remaining useful lives of the assets.

Assumptions used:

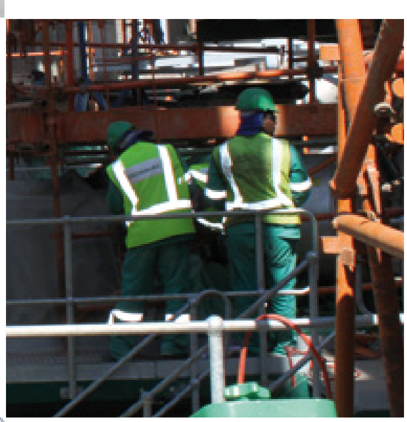
- plant parameters and costs for modern equivalent assets (MEAs), based on valuator's in-house databases;
- total output from an MEA, using either the same or an alternative technology, equivalent to the particular Nampower power station;
- efficiency of an MEA as currently available on the international market;
- plant life, which varied depending on technology and

7. PROPERTY, PLANT AND EQUIPMENT (continued)

7.5 Valuation of power stations, transmission system and machinery and equipment (continued)

- construction financing costs factors for each type of power station.

The valuators have extensive experience in the valuation of generation, transmission and distribution assets.



8. INTERESTS IN SUBSIDIARIES AND ASSOCIATES

8.1 Subsidiary companies

Name	Nature of operation	Country of incorporation	Date of incorporation
Directly held			
Capricorn Power Supply (Pty) Ltd	Dormant	Republic of Namibia	25/02/1999
Less: impairment of investment	-		-
Premier Electric (Pty) Ltd	Service company	Republic of Namibia	31/10/2000
Okaomba Investment (Pty) Ltd	Property holding	Republic of Namibia	01/03/2000

Loans due from:

Premier Electric (Pty) Ltd
Okaomba Investment (Pty) Ltd

Total interest in subsidiaries (shares at cost plus loans from subsidiaries)

Loans due from subsidiaries are non-interest bearing, unsecured and do not have fixed terms of repayment.

Loans payable to:

Premier Electric (Pty) Ltd

Loans payable to subsidiaries are non-interest bearing, unsecured and do not have fixed terms of repayment.

There are no restrictions on the ability of subsidiaries to transfer funds to the Company in the form of cash dividends or to repay loans or advances.

Trade and other receivables/payables to the subsidiaries and associates are disclosed in note 28.

Issued Share Capital N$	Percentage holding 2014 %	Percentage holding 2013 %	Shares at Cost 2014 N$'000	Shares at Cost 2013 N$'000	Total Investment 2014 N$'000	Total Investment 2013 N$'000
2,500	100	100	2	2	2	2
-	-	-	(2)	(2)	(2)	(2)
2,500	100	100	5,000	5,000	5,000	5,000
100	100	100	944	944	944	944
			5,944	5,944	5,944	5,944

Due by subsidiaries 2014 N$'000	Due by subsidiaries 2013 N$'000
2	2
2,059	1,431
2,061	1,433
8,005	7,377
(6,384)	(6,384)

8. INTERESTS IN SUBSIDIARIES AND ASSOCIATES (continued)

8.2 Associates

	GROUP 2014 N$'000	GROUP 2013 N$'000	COMPANY 2014 N$'000	COMPANY 2013 N$'000
Carrying amount of associates				
Carrying amount at beginning of year	478,360	448,104	173,232	173,232
Equity accounted earnings	11,147	30,256	-	-
Dividend received	(2,250)	-	-	-
	487,257	478,360	173,232	173,232
Post-acquisition reserves				
Retained earnings	78,126	69,229		
Share of opening retained earnings	69,229	38,973		
Dividends declared	(2,250)	-		
Share of current year income	11,147	30,256		
Non-distributable reserves	409,131	409,131		
Share of opening revaluation and development reserve	409,131	409,131		
	487,257	478,360		

The Group holds a 33.33% equity interest in Nored Electricity (Pty) Ltd but has less than 33.33% of the voting rights. The Group has performed an assessment and determined that it does not have control over the relevant activities but still exhibits significant influence over the associate.

The Group holds a 45.05% equity interest in Central-North Electricity Distribution Company (Pty) Ltd (Cenored) but has less than 45.05% of the voting rights. The Group has performed an assessment and determined that it does not have control over the relevant activities but still exhibits significant influence over the associate.

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.

8. INTERESTS IN SUBSIDIARIES AND ASSOCIATES (continued)

8.2 Associates (continued)

	GROUP	
	2014 N$'000	2013 N$'000
The summarised financial statements of the associate companies are as follows:		
Consolidated statements of financial position		
Non current assets	1,508,848	1,475,722
Current assets	348,263	252,229
Non current liabilities	(383,930)	(365,976)
Current liabilities	(268,445)	(180,365)
	1,204,736	1,181,610
Consolidated statements of comprehensive income		
Revenue	976,322	839,738
Expenditure	(945,608)	(797,747)
Profit before taxation	30,714	41,991
Taxation	(3,642)	8,555
Profit for the year	27,072	50,546
Consolidated statements of cash flows		
Cash generated in operating activities	123,776	98,551
Cash utilised in investing activities	(104,579)	(77,057)
Cash generated from financing activities	18,868	4,163
Net cash flows	38,065	25,657

The Company's associates are all incorporated in the Republic of Namibia which is also the principle place of business.

The Company has no obligation to recognise contingent liabilities of its subsidiaries and associates.

There are no restrictions on the ability of associates to transfer funds to the Company in the form of cash dividends.

None of the Company's associates are publicly listed entities and consequentially do not have published price quotations.

9. INVESTMENT PROPERTIES

	GROUP		COMPANY	
	2014 N$'000	2013 N$'000	2014 N$'000	2013 N$'000
Opening balance	12,832	10,657	12,832	10,657
Fair value adjustment	1,224	1,759	1,224	1,759
Transfer from land and buildings	951	416	951	416
Transfer to land and buildings	(638)	-	(638)	-
Closing balance	14,369	12,832	14,369	12,832

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 27.

(a) Measurement of fair value

(i) Fair value hierarchy

During June 2014 the fair value of all investment properties was determined by an independent qualified property valuer (Pierewiet Wilders Valuations) 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$14.4 million (2013: N$12.8 million) has been categorised as a Level 3 fair value based on the inputs to the valuation method used.

(i) Level 3 fair value

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values.

	GROUP 2014 N$'000	GROUP 2013 N$'000	COMPANY 2014 N$'000	COMPANY 2013 N$'000
Opening balance	12,832	10,657	12,832	10,657
Additions and reclassification from property, plant and equipment	313	416	313	416
Gain included in 'other income'				
- Changes in fair value (unrealised)	1,224	1,759	1,224	1,759
Closing balance	14,369	12,832	14,369	12,832

9. 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
Income Capitalisation Method: The commercial properties' fair values were based on this valuation technique which involves the determining of 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. *Direct Sales Comparison Method:* This valuation technique was used in determining the fair values of the residential properties which are classified as investment property. The method calculates the market value by comparing the property's characteristics with those of comparable properties which have recently sold in similar transactions.	• Expected market rental growth: Commercial and residential properties (8-10%) • Void periods (Commercial properties average 2 months and residential properties average 1 month after the end of each lease) • Occupancy rate (Commercial: 80% and Residential: 95%) • Rent-free periods (Nill) • Risk-adjusted discount rates: Commercial and residential properties (12-14%)	The estimated fair value would increase (decrease) if: • expected market rental growth were higher (lower); • void periods were shorter (longer); • the occupancy rate were higher (lower); • rent-free periods were shorter (longer); or • 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.

10. INTANGIBLE ASSETS

	GROUP		COMPANY	
	2014 N$'000	2013 N$'000	2014 N$'000	2013 N$'000
Computer software				
Opening carrying amount - 1 July	6,511	8,242	6,511	8,242
- At cost	71,206	69,650	71,206	69,650
- At accumulated amortisation and accumulated impairment	(64,695)	(61,408)	(64,695)	(61,408)
Additions	563	1,186	563	1,186
Impairment	-	-	-	-
Transfer from property, plant and equipment	-	370	-	370
Amortisation	(2,857)	(3,287)	(2,857)	(3,287)
Closing carrying amount - 30 June	4,217	6,511	4,217	6,511
- At cost	71,769	71,206	71,769	71,206
- At accumulated amortisation and accumulated impairment	(67,552)	(64,695)	(67,552)	(64,695)

No intangible assets were acquired by way of a government grant.

Included in the carrying amount of computer software at 30 June 2014 is an amount of N$1.4 million related to a geographical information system (GIS Smallworld) with a remaining amortisation period of 2 years 8 months.

11. LOANS RECEIVABLE

	GROUP		COMPANY	
	2014 N$'000	2013 N$'000	2014 N$'000	2013 N$'000
Employee loans	1,544	1,606	1,544	1,606
Loan to ZESA Holdings (Pvt) Ltd	-	30,148	-	30,148
Loan to Angolan authorities	3,670	3,670	3,670	3,670
Impairment of loan to Angolan authorities	(3,670)	(3,670)	(3,670)	(3,670)
Loan to Ohorongo Cement (Pty) Ltd	12,079	14,622	12,079	14,622
Loan to City of Windhoek	19,681	21,740	19,681	21,740
	33,304	68,116	33,304	68,116
Less: Instalments receivable within one year transferred to current assets.	(7,050)	(37,975)	(7,050)	(37,975)
	26,254	30,141	26,254	30,141

Employee loans comprise of:

Employee study loans and computer loans.
Employee study loans are interest free and repayable over the duration of the study period.
Computer loans are repayable over 3 years bearing interest of 5% per annum.

Loan to Zimbabwe Electricity Supply Authority Holdings (Pvt) Ltd (ZESA)

During the 2007 financial year, the Company signed a Power Purchase Agreement with the Zimbabwe Electricity Transmission Company (Pvt) Ltd (a subsidiary of ZESA). Under the agreement it was agreed that the Company would assist its counterparty to the agreement with financing the refurbishment of the Hwange Power Station, a coal fired power station situated in South-West Zimbabwe.

The NamPower board ear-marked an amount of U$40 million for the refurbishment. NamPower contracted Lahmeyer International, an international consulting firm together with NamPower staff to oversee the refurbishment process on site at the power station. The loan advanced bears interest at LIBOR 6-months plus 1%.

As from 1 July 2010, and until 30 November 2013, a fixed monthly payment in the amount of USD800 000 is being deducted by NamPower from the capacity payment due to ZETDC as the monthly loan repayment instalment due to NamPower by ZESA. The monthly instalment is recalculated on 1 January and 1 July each year. The loan has been fully utilised.

The loan was repaid during the period under review.

Loan to Ohorongo Cement (Pty) Ltd

The Company approved a loan to Ohorongo Cement (Pty) Ltd amounting to N$22.2 million for the additional capital contribution for the power supply to Ohorongo Cement factory. The loan was advanced in two phases in the form of project pre-financing by Nampower during the construction of the supply to Ohorongo Cement (Pty) Ltd as follows:
* Phase 1 - Temporary Supply (4 MVA) - N$10.7 million
* Phase 2 - Main Supply (25 MVA) - N$11.5 million

The loan is repayable by monthly instalments over a period of ten years at a variable interest rate of prime less 2%.

Loan to the City of Windhoek

The Company approved a loan to the City of Windhoek amounting to N$24.8 million for the upgrade of the power supply infrastructure at Van Eck Coupling Transformer 2. The loan is payable by monthly instalments over a period of ten years at a variable interest rate of prime plus 2%.

There was no movement in impairment loss on loans receivable.

The Group's exposure to credit, currency and interest rate risks related to loans receivable is disclosed in note 30.

12. INVESTMENTS

	GROUP		COMPANY	
	2014 N$'000	2013 N$'000	2014 N$'000	2012 N$'000
Non-current investments	1,440,521	1,168,130	1,440,521	1,168,130
Held-to-maturity debt instruments at amortised cost	1,417,445	1,145,054	1,417,445	1,145,054
Investment in unlisted equities				
Erongored (Pty) Ltd	23,076	23,076	23,076	23,076
- Cost	25,232	25,232	25,232	25,232
- Accumulated impairment	(2,156)	(2,156)	(2,156)	(2,156)
Westcor (Pty) Ltd	-	-	-	-
- Cost	642	642	642	642
- Accumulated impairment	(642)	(642)	(642)	(642)
Current investments	3,100,982	2,870,302	3,100,982	2,870,302
Available-for-sale:				
- listed equity	979	979	979	979
Financial assets at fair value through profit or loss				
- collective investment schemes	1,820,003	1,539,575	1,820,003	1,539,575
Fixed deposits at amortised cost	1,280,000	1,329,748	1,280,000	1,329,748
Total investments	4,541,503	4,038,432	4,541,503	4,038,432

Held to maturity investments with a carrying value of N$92.7 million (2013: N$83.5 million) have been encumbered and act as security for long-term loans (refer note 18.1.5).

The Group's exposure to credit, currency and interest rate risks related to investments is disclosed in note 30.

13. INVENTORIES

	GROUP		COMPANY	
	2014 N$'000	2013 N$'000	2014 N$'000	2013 N$'000
Maintenance spares and consumables	108,186	102,696	108,186	102,696
Fuel and coal	109,533	113,827	109,533	113,827
Obsolete stock recognised in profit or loss	(113)	(17)	(113)	(17)
	217,606	216,506	217,606	216,506

No inventory was pledged as security.

There are no items of inventory that are stated at net realisable value.

Inventory amounting to N$11.8 million (2013: N$11.0 million) was recognised as an expense in profit or loss.

14. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2014 N$'000	2013 N$'000	2014 N$'000	2013 N$'000
Trade receivables	623,027	462,838	623,027	462,838
- Gross receivables	641,824	480,722	641,824	480,722
- Allowance for impairment losses	(18,797)	(17,884)	(18,797)	(17,884)
External project receivables	160,723	142,640	160,723	142,640
Prepayments	32,432	26,493	32,432	26,493
Project and other advances	731	523	731	523
Other receivables	18,518	19,213	18,518	19,213
Accrued interest	83,047	59,152	83,047	59,152
	918,478	710,859	918,478	710,859

An impairment loss of N$913 thousand (2013: N$194 thousand gain) in respect of trade receivables was recognised in profit or loss.

The Group's exposure to credit and currency risks related to trade and other receivables are disclosed in note 30.

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 28.

15. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2014 N$'000	2013 N$'000	2014 N$'000	2013 N$'000
Cash and cash equivalents consist of:				
Cash on hand	38	63	38	63
Bank balances	277,558	172,235	277,558	172,235
Short term deposits	1,330,178	1,485,294	1,330,178	1,485,294
	1,607,774	1,657,592	1,607,774	1,657,592

The Group's exposure to credit, currency and interest rate risks related to cash and cash equivalents is disclosed in note 30.

16. TAXATION

	GROUP 2014 N$'000	GROUP Restated 2013 N$'000	COMPANY 2014 N$'000	COMPANY Restated 2013 N$'000
Namibian company tax				
Deferred taxation	156,562	(15,598)	156,792	(15,557)
Prior year charge	-	(19,533)	-	(19,533)
Taxation recognised in profit or loss	156,562	(35,131)	156,792	(35,090)
Taxation recognised in other comprehensive income	(15,312)	(2,825)	(15,312)	(2,825)
Total taxation	141,250	(37,956)	141,480	(37,915)
Tax rate reconciliation	%	%	%	%
Standard Tax Rate	33.00	33.00	33.00	33.00
Adjusted for:				
Items not deductible for tax purposes	2.14	1.70	2.16	1.80
Exempt income	(9.32)	(8.40)	(9.04)	(6.93)
Manufacturing deduction	(5.56)	-	(5.62)	-
Effect of tax rate change	-	(23.39)	-	(24.79)
Prior year charge	-	3.64	-	3.86
Effective tax rate	20.26	6.55	20.50	6.94

Taxation recognised in other comprehensive income	GROUP Before tax	GROUP Tax expense (benefit)	GROUP Net of tax	COMPANY Before tax	COMPANY Tax expense (benefit)	COMPANY Net of tax
2014						
Remeasurements of post retirement medical benefits	46,401	(15,312)	31,089	46,401	(15,312)	31,089
Available-for-sale financial assets	(375)	-	(375)	(375)	-	(375)
	46,026	(15,312)	30,714	46,026	(15,312)	30,714
2013-Restated						
Remeasurements of post retirement medical benefits	8,562	(2,825)	5,737	8,562	(2,825)	5,737
Available-for-sale financial assets	(283)	-	(283)	(283)	-	(283)
	8,279	(2,825)	5,454	8,279	(2,825)	5,454

17. SHARE CAPITAL AND RESERVES

	GROUP		COMPANY	
	2014 N$'000	2013 N$'000	2014 N$'000	2013 N$'000
17.1 Authorised				
365 000 000 ordinary shares at N$1	**365,000**	365,000	**365,000**	365,000
17.2 Issued share capital				
165 000 000 (2013: 165 000 000) ordinary shares at N$1	**165,000**	165,000	**165,000**	165,000
17.3 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

(2013: 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.

17.4 Capital revaluation reserve

The revaluation reserve relates to the revaluation of property, plant and equipment.

There are no restrictions on the distribution of the balance of the capital revaluation reserve to the shareholders.

17.5 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.

17.6 Available for sale fair value adjustment reserve

The reserve consists of all fair value movements relating to financial instruments classified as available-for-sale. The fair value adjustment relates to 25 249 shares held in Sanlam Ltd.

18. INTEREST BEARING LOANS AND BORROWINGS (GROUP AND COMPANY)

Terms and conditions of outstanding loans were as follows:

18.1 Interest bearing borrowings

	Currency	Coupon interest rate	Effective interest rate	Year of maturity	30 June 2014 Carrying amount N$'000	30 June 2014 Face value N$'000	30 June 2013 Carrying amount N$'000	30 June 2013 Face value N$'000
18.1.1 Agence Francaise de Development *	EUR	3.00%	9.39%	2019	32,708	14,221	34,393	16,807
18.1.2 European Investment Bank - loan I *	EUR	3.81%	13.89%	2018	244,502	104,717	270,336	129,022
18.1.3 AB Svensk Exportkrediet *	ZAR	7.62%	7.62%	2015	8,026	8,026	16,051	16,051
18.1.4 African Development Bank *	ZAR	Jibar6m+.50	10.30%	2018	16,811	16,811	21,014	21,014
18.1.5 Development Bank of Southern Africa ^	ZAR	9.82%	9.82%	2022	150,000	150,000	150,000	150,000
18.1.6 European Investment Bank - loan II *	GBP	3.00%	7.62%	2021	206,110	177,559	196,040	196,934
18.1.7 NMP20N Bonds issued - Caprivi Link Interconnector[1]	ZAR	9.35%	9.35%	2020	500,000	500,000	500,000	500,000
18.1.8 Development Bank of Namibia[1]	NAD	Prime less 4.5%	Prime less 4.5%	2024	46,798	46,798	50,371	50,371
18.1.9 NMP19N Bonds issued - Ruacana 4th unit[1]	NAD	10.00%	10.00%	2019	250,000	250,000	250,000	250,000
18.1.10 European Investment Bank - loan III[1]	ZAR	9.26%	9.26%	2029	340,767	340,767	362,752	362,752
18.1.11 Agence Francaise de Development II[1]	ZAR	6.10%	6.10%	2027	297,794	297,794	319,853	319,853
18.1.12 KFW Bankengruppe[1]	ZAR	5.29%	5.29%	2020	293,475	293,475	342,388	342,388
18.1.13 KFW Bankengruppe[2]	ZAR	6.98%	6.98%	2021	285,364	285,364	323,412	323,412
					2,672,355	2,485,532	2,836,610	2,678,604
Less: Instalments payable within one year transferred to current liabilities					230,792	187,810	218,896	186,752
					2,441,563	2,297,722	2,617,714	2,491,852

* The loans are guaranteed by the Government of the Republic of Namibia.

^ The loan is secured by a pledge of investments with a carrying value of N$92.7 million and a nominal value of N$150 million.

[1] The loans are unsecured.

Refer to note 30.1 (classification of financial instrument classes into IAS 39 categories).

The Group's exposure to liquidity and currency risks related to interest bearing loans and borrowings is disclosed in note 30.

19. DEFERRED REVENUE LIABILITIES

	GROUP		COMPANY	
	2014 N$'000	2013 N$'000	2014 N$'000	2013 N$'000
Non-current liability				
Deferred revenue government grant: generation assets	225,595	232,738	225,595	232,738
NamZinc (Pty) Ltd	6,238	14,554	6,238	14,554
Deferred revenue: Transfer of assets from customers	422,187	430,404	422,187	430,404
Interest rate subsidy - EIB Loan III	35,904	42,485	35,904	42,485
	689,924	720,181	689,924	720,181
Current liability				
Deferred revenue government grant: generation expenditure	48,898	77,460	48,898	77,460
Short-term portion NamZinc (Pty) Ltd	8,317	8,317	8,317	8,317
Short-term portion Deferred revenue: Transfer of assets from customers	10,039	10,039	10,039	10,039
Short-term portion Interest rate subsidy - EIB Loan III	5,415	4,249	5,415	4,249
Short-term portion: generation assets	6,857	6,857	6,857	6,857
Deferred revenue: Long-run marginal cost	127,143	48,066	127,143	48,066
	206,669	154,988	206,669	154,988

19.1 Deferred revenue - NamZinc (Pty) Ltd

The Company received N$80 million in respect of extension fees in terms of the electricity supply contract between the Company and Skorpion Zinc Corporation. In terms of the contract the extension fees were due and payable over a 14 year period. The entire amount was received during the 2006 financial year when only 4 years had lapsed. The amount is being recognised over the remaining 10 year period since 2006 in terms of the agreement with Skorpion Zinc Corporation.

19.2 Deferred revenue - Government Grants

19.2.1 Government Grant - generation expenditure

Reconciliation of deferred revenue - Government grant

	Group 2014	Group 2013	Company 2014	Company 2013
Opening balance	77,460	142,156	77,460	142,156
Recognised in profit or loss	(28,562)	(64,696)	(28,562)	(64,696)
Closing balance	48,898	77,460	48,898	77,460

In 2008, the shareholder, the Government of the Republic of Namibia committed N$360.0 million in energy subsidy over a period of three years. The full grant amount was received by August 2010. To date N$311.1 million of this amount has been utilised. Of this grant N$28.6 million (2013: N$64.7 million) was recognised as income during the current year while the N$48.9 million (2013: N$77.5 million) represents deferred income and will be recognised on a systematic basis over the periods in which the entity recognises the related costs in profit or loss as electricity generation expenditure is incurred. The grant is classified as a current liability, due to the fact that the Company does not have an unconditional right to defer payment.

There are no unfulfilled conditions and other contingencies attached to the Government grant.

19. DEFERRED REVENUE LIABILITIES (continued)

19.2 Deferred revenue - Government Grants (continued)

19.2.2 Government Grant - generation assets

	GROUP		COMPANY	
	2014 N$'000	2013 N$'000	2014 N$'000	2013 N$'000
Reconciliation of deferred revenue - Government grant				
Opening balance	239,595	236,690	239,595	236,690
New grant	-	10,000	-	10,000
Recognised in profit or loss	(7,143)	(7,095)	(7,143)	(7,095)
Closing balance	232,452	239,595	232,452	239,595

No government grant was received during the year under review. The final portion of N$10 million of the full grant amount was received during the previous financial year. The grant was received to subsidise the construction of 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$7.1 million (2013: N$7.1 million) was recognised as income during the current year while the N$232.4 million (2013: N$239.6 million) represents deferred income and will be recognised on a systematic basis over the useful life of the power plant.

19.3 Interest rate subsidy - EIB Loan III

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$5.4 million (2013: N$4.2 million) was recognised as income during the current year whilst the remaining N$41.3 million (2013: N$46.7 million) represents deferred income and will be recognised over the period of the loan of 20 years.

19.4 Deferred revenue: Transfers of assets from customers

A donation of items of property, plant and equipment with a fair value of N$2.0 million (2013: N$13.0 million) was received from customers. The items comprise N$436.9 million transmission assets from Areva Resources Namibia and N$32.1 million distribution assets from distribution customers. The donation will be recognised as income over the useful life of the donated assets. N$10.2 million (2013: N$10.0 million) was recognised as income during the current year.

19.5 Deferred revenue: Long-run marginal cost

The Long-run marginal cost of 1.46 cents/kWh amounting to N$127.1 million (2013: N$48.1 million) was received during the year under review. The Long-run marginal cost was introduced by the Electricity Control Board (ECB) and should be ring-fenced within the Company and reserved as deferred revenue which may only be utilized with the approval of the Electricity Control Board (ECB).

20. DEFERRED TAX LIABILITIES

	GROUP		COMPANY	
	2014 N$'000	Restated 2013 N$'000	2014 N$'000	Restated 2013 N$'000
Balance at the beginning of the year	4,248,156	4,286,112	4,244,760	4,282,675
Current charge recognised in profit or loss	156,562	(35,131)	156,792	(35,090)
Current charge recognised in other comprehensive income	(15,312)	(2,825)	(15,312)	(2,825)
Current year	141,250	(37,956)	141,480	(37,915)
Temporary differences	(51,017)	(64,263)	(50,787)	(64,222)
Calculated tax loss utilised to reduce liability	192,267	171,227	192,267	171,227
Effect of change in tax rate	-	(125,387)	-	(125,387)
Prior year charge	-	(19,533)	-	(19,533)
Balance at end of year	4,389,406	4,248,156	4,386,240	4,244,760
The balance comprises:				
Calculated tax loss	(11,155)	(213,208)	(11,155)	(213,208)
Property, plant and equipment	4,520,151	4,554,371	4,516,985	4,550,975
Intangible asset	(132)	1,881	(132)	1,881
Investment property	2,463	2,059	2,463	2,059
Prepayments	8,923	8,743	8,923	8,743
Inventory	35,693	33,913	35,693	33,913
Interest accrued	33,329	29,682	33,329	29,682
Severance pay liability	(16,086)	(14,563)	(16,086)	(14,563)
Fair value swaps, loans and unrealised foreign exchange losses	(34,529)	(32,351)	(34,529)	(32,351)
Strategic inventory	10,956	16,639	10,956	16,639
Post retirement medical benefit	(72,639)	(51,969)	(72,639)	(51,969)
Power purchase and power sales agreement- embedded derivative	(69,257)	(78,211)	(69,257)	(78,211)
Provisions and advance payments	(18,311)	(20,135)	(18,311)	(20,135)
Effect of change in tax rate	-	11,305	-	11,305
	4,389,406	4,248,156	4,386,240	4,244,760
Deferred tax asset	(221,977)	(410,437)	(221,977)	(410,437)
Deferred tax liability	4,611,383	4,658,593	4,608,217	4,655,197
	4,389,406	4,248,156	4,386,240	4,244,760

A deferred tax asset amounting to N$11.1 million (2013: N$213.2 million) relating to unused tax losses has been recognised as it is probable that future taxable profits will be available against which the unused tax losses can be used.

21. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2014 N$'000	2013 N$'000	2014 N$'000	2013 N$'000
Trade payables	1,154,854	968,951	1,154,856	968,957
Leave and bonus accruals	61,633	62,730	61,633	62,730
Swap and loan interest payable	62,263	64,429	62,263	64,429
Retention creditors	4,580	4,110	4,580	4,110
	1,283,330	1,100,220	1,283,332	1,100,226

The Group's exposure to liquidity and currency risks related to trade and other payables are disclosed in note 30.

21.1 Leave and bonus accruals

The Group accrues for leave pay and bonuses for all employees. The value of the accrual at 30 June 2014 was 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.

21.2 Related party payables

Trade and other payables due to related parties have been disclosed in note 28.

21.3 Retention creditors

	2014 N$'000	2013 N$'000	2014 N$'000	2013 N$'000
Non-Current	21,432	9,522	21,432	9,522
Current (included in trade payables)	4,580	4,110	4,580	4,110
	26,012	13,632	26,012	13,632

This represents retentions held by the Company in respect of defect clauses in contracts with suppliers.

22. DERIVATIVES

22.1 Derivative assets

	GROUP		COMPANY	
	2014 N$'000	2013 N$'000	2014 N$'000	2013 N$'000
Forward exchange contract assets	-	27,368	-	27,368
Interest rate and cross currency swaps	172,901	135,149	172,901	135,149
Embedded Derivatives - Power Purchase/Sale Agreements (PPA/PSA)	55,133	18,613	55,133	18,613
	228,034	181,130	228,034	181,130

22.2 Derivative liabilities

	GROUP		COMPANY	
	2014 N$'000	2013 N$'000	2014 N$'000	2013 N$'000
Forward exchange contract liabilities	13,870	-	13,870	-
Firm commitments	1,194	11,445	1,194	11,445
Interest rate and cross currency swaps	-	8,289	-	8,289
Embedded Derivatives - Power Purchase/Sale Agreements (PPA/PSA)	258,049	248,661	258,049	248,661
	273,113	268,395	273,113	268,395

The Company 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.

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 18 for the hedged loan repayment dates.

The electricity purchase and selling price in terms of the PPA and PSA with ZETCO and Namzinc (Pty) Ltd 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.

The electricity purchase price in terms of the PPA with Aggreko, an Independent Power Producer (IPP) in Mozambique, is linked to the movement of the US Dollar currency and the gas fuel charge which is linked to the US Producer Price Index (PPI). The US PPI gives rise to an inflation-linked embedded derivative in respect of this agreement.

23. EMPLOYEE BENEFITS

	GROUP		COMPANY	
	2014 N$'000	2013 N$'000	2014 N$'000	2013 N$'000
Post Retirement Medical Benefits	220,119	157,483	220,119	157,483
Severance pay liability	48,746	44,131	48,746	44,131
	268,865	201,614	268,865	201,614

23.1 Post Retirement Medical Benefits

23.1.1 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.

The present value of the provision at 30 June 2014, as determined by an actuarial valuation, was N$220.1 million (2013: N$157.5 million). This actuarial valuation was performed by Jacques Malan Consultants and Actuaries. The liability is expected to be settled over 20 years.

The Group expects to pay N$86.3 million (2013: N$80.7 million) in contributions to the defined benefit plans in 2014.

Liability for defined benefit obligations

The following were the principal actuarial assumptions at the reporting date:

Discount rate at 30 June (%)	9.64	9.78	9.64	9.78
Medical cost trend rate (%)	9.15	7.78	9.15	7.78

Assumptions regarding future mortality have been based on published statistics and mortality tables. Mortality for pre-retirement has been based on the SA 85-90 mortality table and the PA (90) ultimate mortality table was used for post-retirement benefits.

The current longevities underlying the values of the defined medical benefit liability at the reporting date were as follows:

Longevity (years) at age 65				
Males	14.6	14.6	14.6	14.6
Females	18.4	18.4	18.4	18.4

Should the medical cost trend increase or decrease by 1% the defined medical benefit liability would be as follows:

1% increase in medical cost trend	222,320	159,058	222,320	159,058
1% decrease in medical cost trend	(217,918)	(155,908)	(217,918)	(155,908)

23. EMPLOYEE BENEFITS (continued)

23.1.2 Movements in the net liability for defined benefit obligations recognised in the statement of financial position

	GROUP		COMPANY	
	2014 N$'000	2013 N$'000	2014 N$'000	2013 N$'000
Net liability for defined obligations as at 1 July	157,483	136,120	157,483	136,120
Interest cost	15,285	11,400	15,285	11,400
Current service costs	6,784	6,243	6,784	6,243
Benefits paid	(2,384)	(2,326)	(2,384)	(2,326)
Actuarial loss/(gain) on obligation				
- Financial assumptions	51,365	5,516	51,365	5,516
- Other sources	(8,414)	530	(8,414)	530
Net liability for defined obligations as at 30 June	220,119	157,483	220,119	157,483

Should the current service and interest rate cost trend increase or decrease by 1% the effect would be as follows:

	GROUP 2014	GROUP 2013	COMPANY 2014	COMPANY 2013
1% increase in current service + interest rate cost trend	22,290	17,819	22,290	17,819
1% decrease in current service + interest rate cost trend	(21,848)	(17,467)	(21,848)	(17,467)

23.1.3 Expense recognised in profit or loss

	GROUP 2014	GROUP 2013	COMPANY 2014	COMPANY 2013
Current service costs	6,784	6,243	6,784	6,243
Interest cost	15,285	11,400	15,285	11,400
	22,069	17,643	22,069	17,643

The expense is included in the administrative expenses in profit or loss.

23.1.4 Expense recognised in other comprehensive income

	GROUP 2014	GROUP 2013	COMPANY 2014	COMPANY 2013
Remeasurements of post-retirement medical benefits (actuarial loss)	42,951	6,046	42,951	6,046
	42,951	6,046	42,951	6,046

23.2 Severance pay liability

	GROUP 2014	GROUP 2013	COMPANY 2014	COMPANY 2013
Present value of net obligations	48,746	44,131	48,746	44,131
Present value of unfunded obligations	48,746	44,131	48,746	44,131
Recognised liability for defined benefit obligations	48,746	44,131	48,746	44,131

Severance pay liability is recognised for employees retiring on reaching the age of 65 years.

23.2.1 Liability for severance pay obligations

The following were the principal actuarial assumptions at the reporting date:

	GROUP 2014	GROUP 2013	COMPANY 2014	COMPANY 2013
Discount rate at 30 June (%)	8.50	7.81	8.50	7.81
Salary inflation rate at 30 June (%)	7.79	6.81	7.79	6.81

23. EMPLOYEE BENEFITS (continued)

23.2 Severance pay liability (continued)

23.2.2 Movements in the net liability for defined benefit obligations recognised in the Group and Company statements of financial position

	GROUP		COMPANY	
	2014 N$'000	2013 N$'000	2014 N$'000	2013 N$'000
Net liability for defined obligations as at 1 July	44,131	37,624	44,131	37,624
Interest cost	1,549	1,358	1,549	1,358
Current service costs	3,447	3,153	3,447	3,153
Benefits paid	(3,831)	(520)	(3,831)	(520)
Actuarial loss on obligation				
- Financial assumptions	667	1,894	667	1,894
- Other sources	2,783	622	2,783	622
Net liability for defined obligations as at 30 June	48,746	44,131	48,746	44,131

23.2.3 Expense recognised in the Group and Company statements of comprehensive income

Current service costs	3,447	3,153	3,447	3,153
Interest on obligation	1,549	1,358	1,549	1,358
	4,996	4,511	4,996	4,511

The expense is included in the administrative expenses in profit or loss.

23.2.4 Expense recognised in other comprehensive income

Actuarial loss on obligation	3,450	2,516	3,450	2,516
	3,450	2,516	3,450	2,516

24. CAPITAL COMMITMENTS

Projects for Capital Expenditure

	GROUP		COMPANY	
	2014 N$'000	2013 N$'000	2014 N$'000	2013 N$'000
Approved by Board of Directors	618,482	1,064,888	618,482	1,064,888
Less: Expenditure to 30 June	(262,450)	(713,210)	(262,450)	(713,210)
Amount still to be expended	356,032	351,678	356,032	351,678
Amounts contracted at year end	20,484	22,438	20,484	22,438
	20,484	22,438	20,484	22,438

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.

25. NET FINANCING INCOME

Recognised in profit or loss

	GROUP		COMPANY	
	2014 N$'000	2013 N$'000	2014 N$'000	2013 N$'000
Interest income on:	415,704	381,467	415,704	381,467
-Financial assets at amortised cost	309,402	325,111	309,402	325,111
-Financial assets at fair value through profit or loss	106,302	56,356	106,302	56,356
Interest costs on:	(244,318)	(261,765)	(244,318)	(261,765)
-Financial liabilities designated at fair value through profit or loss	(129,384)	(141,260)	(129,384)	(141,260)
-Financial liabilities held for trading	(35,014)	(40,568)	(35,014)	(40,568)
-Financial liabilities at amortised cost	(79,920)	(79,937)	(79,920)	(79,937)
	171,386	119,702	171,386	119,702

26. REVENUE

Revenue comprises

	GROUP		COMPANY	
	2014 N$'000	2013 N$'000	2014 N$'000	2013 N$'000
- Sales of electricity	3,580,355	3,138,863	3,580,355	3,138,863
- Extension charges	62,126	59,688	62,126	59,688
- STEM sales	185,904	102,239	185,904	102,239
- Contribution Paratus	-	325	-	325
- Contributions by customers	139,455	4,526	139,455	4,526
	3,967,840	3,305,641	3,967,840	3,305,641

Sales of electricity relates to income derived from maximum demand charges paid by large power users, units sold at cents/kWh and income derived from the monthly basic charge payable by all power users.

Extension charges relates to income derived from monthly rental as per contract of each power user.

STEM sales: Electricity sales on the short term energy market to other South African Power Pool (SAPP) utilities.

Paratus contribution comprises of a monthly contribution by the municipality of Walvis Bay as per take over contract of the Enclave.

Contributions made by customers towards the costs to be incurred to make a power supply available to the customer.

26.1 Other income comprises of:

	GROUP 2014	GROUP 2013	COMPANY 2014	COMPANY 2013
- Government grant	35,705	71,790	35,705	71,790
- Grant funding by customers	10,479	10,438	10,479	10,438
- Sundry income	16,380	14,818	16,380	14,818
	62,564	97,046	62,564	97,046

Sundry income include rent received, discount received, scrap sales and the sale of tender documents.

27. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging/(crediting)

	GROUP		COMPANY	
	2014 N$'000	2013 N$'000	2014 N$'000	2013 N$'000
Directors' emoluments paid by Company				
fees for services as directors	3,582	3,323	3,582	3,323
- paid to non-executive directors	599	423	599	423
- paid to executive directors	2,983	2,900	2,983	2,900
Auditors' remuneration				
- audit fee	1,700	1,370	1,700	1,370
Depreciation of property, plant and equipment	526,697	509,184	526,626	509,114
Amortisation of intangible asset	2,857	3,287	2,857	3,287
Remuneration other than to employees for	11,794	12,819	11,794	12,819
- managerial services	3,961	1,536	3,961	1,536
- technical services	4,963	7,695	4,963	7,695
- other professional services	2,870	3,588	2,870	3,588
Research and development expenditure	37,774	8,842	37,774	8,842
Movement in allowance for impairment losses	913	-	913	-
Bad debts recovered	(44)	(56)	(44)	(56)
Contribution to Social Responsibility Programs	7,071	8,654	7,071	8,654
Gain on disposal of property, plant and equipment	(1,200)	(1,375)	(1,200)	(1,375)
Staff costs	500,231	460,182	500,231	460,182
Salaries and wages	459,514	424,565	459,514	424,565
Housing subsidies	-	1	-	1
Company contribution: Provident Fund	40,842	36,502	40,842	36,502
Others	(125)	(886)	(125)	(886)
Severance Pay	1,165	4,075	1,165	4,075
- Liability	4,996	4,511	4,996	4,511
- Benefits paid	(3,831)	(436)	(3,831)	(436)
Post retirement medical benefit	22,069	17,643	22,069	17,643
Foreign exchange gains on foreign exchange contracts				
- unrealised	-	(25,272)	-	(25,272)
Foreign exchange losses on foreign exchange contracts				
- unrealised	30,986	10,327	30,986	10,327
Foreign exchange gains on trade payables/receivables, bank balances and loans payable	(228,930)	(107,837)	(228,930)	(107,837)
- realised	(151,199)	(60,433)	(151,199)	(60,433)
- unrealised	(77,731)	(47,404)	(77,731)	(47,404)
Foreign exchange losses on trade payables/receivables, bank balances and loans payable	172,327	61,559	172,327	61,559
- realised	146,515	50,164	146,515	50,164
- unrealised	25,812	11,395	25,812	11,395

27. PROFIT BEFORE TAXATION (continued)

	GROUP		COMPANY	
	2014 N$'000	2013 N$'000	2014 N$'000	2013 N$'000
IAS 39 Fair value adjustments	(44,357)	184,110	(44,357)	184,110
- derivative contracts	(46,041)	(96,855)	(46,041)	(96,855)
- foreign denominated loans	28,817	69,849	28,817	69,849
- Unrealised (gain)/loss on embedded derivative Power Purchase Agreement (PPA) and Power Sales Agreement (PSA)	(27,133)	211,116	(27,133)	211,116
Government grants recognised in profit or loss	(35,705)	(71,790)	(35,705)	(71,790)
Income generating Investment Property				
- rental income	(3,942)	(4,176)	(3,942)	(4,176)
- direct operating expenses	172	1,167	172	1,167
Non-income generating Investment Property				
- direct operating expenses	50	49	50	49
Fair value adjustment on investment properties	(1,225)	(1,760)	(1,225)	(1,760)

28. RELATED PARTIES

Identity of related parties

The Company has related party relationships with its subsidiaries (see note 8.1), associates (see note 8.2) and key management personnel. Key management personnel comprise directors and executive management.

The Government of the Republic of Namibia is the sole shareholder.

The directors are listed in the directors' report on page 47.

Transactions with key management personnel

The key management personnel compensations are as follows:

	GROUP		COMPANY	
	2014 N$'000	2013 N$'000	2014 N$'000	2013 N$'000
Short-term employee benefits	10,680	10,327	10,680	10,327
Post-retirement employment benefits	1,174	1,189	1,174	1,189
Other long-term employment benefits	104	105	104	105
	11,958	11,621	11,958	11,621

Total remuneration is included in 'staff costs' (see note 27)
Directors' emoluments are disclosed in note 27.

28. RELATED PARTIES (continued)

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.

	GROUP		COMPANY	
	2014 N$'000	2013 N$'000	2014 N$'000	2013 N$'000
Shareholder				
Transactions with the Shareholder (The Government of the Republic of Namibia) refer note 19.2.				
Associates				
Cenored (Pty) Ltd	99,986	86,021	221,944	190,945
- Electricity sales	99,646	85,508	221,190	189,806
- Service level agreement and technical support	340	513	754	1,139
Nored Electricity (Pty) Ltd	120,603	97,621	361,845	292,893
- Electricity sales	120,419	97,382	361,294	292,174
- Rental income	31	30	93	89
- Service level agreement and technical support	153	210	458	630
Municipal services from related parties	1,427	1,549	3,403	4,594
- Nored Electricity (Pty) Ltd	302	1,481	906	4,443
- Cenored (Pty) Ltd	1,125	68	2,497	151
Guarantees received	4,607	4,606	11,836	11,834
- Nored Electricity (Pty) Ltd	2,063	2,063	6,189	6,189
- Cenored (Pty) Ltd	2,544	2,543	5,647	5,645
Fellow government owned entities				
The individually significant sales transactions with fellow government owned entities are listed below:				
Electricity Sales	248,190	211,762	248,190	211,762
- Namibia Water Corporation	103,387	96,132	103,387	96,132
- Namibian Broadcasting Corporation (Pty) Ltd	1,750	1,417	1,750	1,417
- Namdeb Diamond Corporation (Pty) Ltd	130,404	104,290	130,404	104,290
- Namibia Airports Company Ltd	6,329	5,658	6,329	5,658
- Namibia Post & Telecom Holdings	6,320	4,265	6,320	4,265
Subsidiary				
Okaomba (Pty) Ltd	-	-	103	284
- Rent paid	-	-	103	284
Fellow government owned entities				
Other individually significant transactions with fellow government owned entities are listed below:				
Telecommunication, Transport services & related services	5,426	6,977	5,426	6,977
- Namibia Post & Telecom Holdings	2,299	4,752	2,299	4,752
- Air Namibia (Pty) Ltd	-	3	-	3
- Namibia Water Corporation (Pty) Ltd	30	85	30	85
- Namibia Airports Company	128	109	128	109
- Road Fund Administrators	1,468	1,578	1,468	1,578
- Social Security Commission	1,501	450	1,501	450

28. RELATED PARTIES (continued)

	GROUP		COMPANY	
	2014 N$'000	2013 N$'000	2014 N$'000	2013 N$'000
Related party balances				
Due from / (due to)				
Associates	**25,484**	21,369	**67,979**	56,274
- Cenored (Pty) Ltd	**11,877**	10,046	**26,363**	22,300
- Cenored (Pty) Ltd	**(1,014)**	-	**(2,250)**	-
- Nored Electricity (Pty) Ltd	**14,621**	11,508	**43,866**	34,528
- Nored Electricity (Pty) Ltd	**-**	(185)	**-**	(554)
Fellow government owned entities	**31,147**	27,328	**31,147**	27,328
- Namibia Post & Telecom Holdings	**785**	419	**785**	419
- TransNamib (Pty) Ltd	**123**	54	**123**	54
- Namdeb Diamond Corporation (Pty) Ltd	**16,744**	17,119	**16,744**	17,119
- Namibia Water Corporation (Pty) Ltd	**12,754**	9,156	**12,754**	9,156
- Namibia Airports Company (Pty) Ltd	**487**	435	**487**	435
- Namibian Broadcasting Corporation (Pty) Ltd	**184**	111	**184**	111
- Roads Authority	**70**	34	**70**	34
Guarantees received	**20,939**	21,625	**20,939**	21,625
- Namibia Post & Telecom Holdings	**657**	581	**657**	581
- TransNamib (Pty) Ltd	**8**	73	**8**	73
- Namdeb Diamond Corporation (Pty) Ltd	**16,446**	16,925	**16,446**	16,925
- Namibia Water Corporation (Pty) Ltd	**3,743**	3,961	**3,743**	3,961
- Namibia Airports Company (Pty) Ltd	**2**	2	**2**	2
- Namibian Broadcasting Corporation (Pty) Ltd	**72**	72	**72**	72
- Roads Authority	**11**	11	**11**	11

The Company 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.

Goods and services are bought from and sold to related parties on an arm's length basis at market-related prices.

29. EMPLOYEE INFORMATION

Retirement benefits

The policy of the Company 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.

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$40.8 million (2013: N$36.5 million).

The Company's contribution paid to the Fund for the key management amounted to N$1.2 million (2013: N$1.2 million).

30. FINANCIAL INSTRUMENTS

30.1 Classification of the statement of financial position classes into IAS 39 categories

The values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position are as follows:

	Reference notes	Loans and receivables	Held-for-trading	Held-to-maturity	Available-for-sale	Designated / Fair value through profit or loss	Other financial liabilities at amortised cost	Total
GROUP								
2014								
Financial Assets								
Non-current investments	12	-	-	1,417,445	23,076	-	-	1,440,521
Derivative assets	22.1	-	228,034	-	-	-	-	228,034
Loans receivable	11	33,304	-	-	-	-	-	33,304
Trade and other receivables	14	885,315	-	-	-	-	-	885,315
Current investments	12	1,280,000	-	-	979	1,820,003	-	3,100,982
Cash and cash equivalents	15	1,607,774	-	-	-	-	-	1,607,774
		3,806,393	228,034	1,417,445	24,055	1,820,003	-	7,295,930
Financial liabilities								
Non-current interest bearing loans and borrowings	18	-	-	-	-	(401,686)	(2,039,877)	(2,441,563)
Derivative liabilities	22.2	-	(273,113)	-	-	-	-	(273,113)
Non-current retention creditors	21.3	-	-	-	-	-	(21,432)	(21,432)
Trade payables	21	-	-	-	-	-	(1,221,697)	(1,221,697)
Current interest bearing loans and borrowings	18	-	-	-	-	(81,635)	(149,157)	(230,792)
		-	(273,113)	-	-	(483,321)	(3,432,163)	(4,188,597)
2013								
Financial Assets								
Non-current investments	12	-	-	1,145,054	23,076	-	-	1,168,130
Derivative assets	22.1	-	181,130	-	-	-	-	181,130
Loans receivable	11	68,116	-	-	-	-	-	68,116
Trade and other receivables	14	683,844	-	-	-	-	-	683,843
Current investments	12	1,329,748	-	-	979	1,539,575	-	2,870,302
Cash and cash equivalents	15	1,657,592	-	-	-	-	-	1,657,592
		3,739,299	181,130	1,145,054	24,055	1,539,575	-	6,629,113
Financial liabilities								
Non-current interest bearing loans and borrowings	18	-	-	-	-	(431,030)	(2,186,684)	(2,617,714)
Derivative liabilities	22.2	-	(268,395)	-	-	-	-	(268,395)
Non-current retention creditors	21.3	-	-	-	-	-	(9,522)	(9,522)
Trade payables	21	-	-	-	-	-	(1,037,496)	(1,037,496)
Current interest bearing loans and borrowings	18	-	-	-	-	(69,739)	(149,157)	(218,896)
		-	(268,395)	-	-	(500,769)	(3,382,859)	(4,152,023)

30. FINANCIAL INSTRUMENTS (continued)

30.1 Classification of the statement of financial position classes into IAS 39 categories (continued)

The values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position are as follows:

	Reference notes	Loans and receivables	Held-for-trading	Held-to-maturity	Available-for-sale	Designated / Fair value through profit or loss	Other financial liabilities at amortised cost	Total
COMPANY								
2014								
Financial Assets								
Non-current investments	12	-	-	1,417,445	23,076	-	-	1,440,521
Derivative assets	22.1	-	228,034	-	-	-	-	228,034
Loans receivable	11	33,304	-	-	-	-	-	33,304
Trade and other receivables	14	885,315	-	-	-	-	-	885,315
Current investments	12	1,280,000	-	-	979	1,820,003	-	3,100,982
Cash and cash equivalents	15	1,607,774	-	-	-	-	-	1,607,774
Interest in subsidiaries	8.1	2,061	-	-	5, 944	-	-	8,005
		3,808,454	228,034	1,417,445	29,999	1,820,003	-	7,303,935
Financial liabilities								
Non-current interest bearing loans and borrowings	18	-	-	-	-	(401,686)	(2,039,877)	(2,441,563)
Derivative liabilities	22.2	-	(273,113)	-	-	-	-	(273,113)
Non-current retention creditors	21.3	-	-	-	-	-	(21,432)	(21,432)
Trade payables	21	-	-	-	-	-	(1,221,699)	(1,221,699)
Current interest bearing loans and borrowings	18	-	-	-	-	(81,635)	(149,157)	(230,792)
Loans due to subsidiaries	8.1	-	-	-	-	-	(6,384)	(6,384)
		-	(273,113)	-	-	(483,321)	(3,438,549)	(4,194,983)
2013								
Financial Assets								
Non-current investments	12	-	-	1,145,054	23,076	-	-	1,168,130
Derivative assets	22.1	-	181,130	-	-	-	-	181,130
Loans receivable	11	68,116	-	-	-	-	-	68,116
Trade and other receivables	14	683,844	-	-	-	-	-	683,843
Current investments	12	1,329,748	-	-	979	1,539,575	-	2,870,302
Cash and cash equivalents	15	1,657,592	-	-	-	-	-	1,657,592
Interest in subsidiaries	8.1	1, 433	-	-	5, 944	-	-	7,377
		3,740,733	181,130	1,145,054	29,999	1,539,575	-	6,636,490
Financial liabilities								
Non-current interest bearing loans and borrowings	18	-	-	-	-	(431,030)	(2,186,684)	(2,617,714)
Derivative liabilities	22.2	-	(268,395)	-	-	-	-	(268,395)
Non-current retention creditors	21.3	-	-	-	-	-	(9,522)	(9,522)
Trade payables	21	-	-	-	-	-	(1,037,496)	(1,037,496)
Current interest bearing loans and borrowings	18	-	-	-	-	(69,739)	(149,157)	(218,896)
Loans due to subsidiaries	8.1	-	-	-	-	-	(6,384)	(6,384)
		-	(268,395)	-	-	(500,769)	(3,389,243)	(4,158,407)

30. FINANCIAL INSTRUMENTS (continued)

30.2 Financial risk management

Overview

The Group and Company has 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.

30.3 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 2014 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.

30.3.1 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.

30. FINANCIAL INSTRUMENTS (continued)

30.3.1 Management of credit risk (continued)

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 concentrating risk parameters and collateral management procedures 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.

30.4 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:

		GROUP		COMPANY	
		2014 N$'000	2013 N$'000	2014 N$'000	2013 N$'000
Current investments	12	1,280,000	1,329,748	1,280,000	1,329,748
Non-current investments	12	1,417,445	1,145,054	1,417,445	1,145,054
Loans receivables	11	33,304	68,116	33,304	68,116
Loans from subsidiaries	8.1	-	-	2,061	1,433
Trade and other receivables	14	885,315	683,843	885,315	683,843
Cash and cash equivalents	15	1,607,774	1,657,592	1,607,774	1,657,592
Derivative assets	22.1	228,034	181,130	228,034	181,130
		5,451,872	5,065,483	5,453,933	5,066,916

30. FINANCIAL INSTRUMENTS (continued)

30.4.1 Financial income and expenses

	GROUP		COMPANY	
	2014 N$'000	2013 N$'000	2014 N$'000	2013 N$'000
Recognised in profit or loss				
Net gains and (losses) on financial assets and liabilities through profit or loss				
Realised Swap losses (FVTPL)	(57,013)	(62,103)	(57,013)	(62,103)
Realised Swap profits (FVTPL)	103,053	158,958	103,053	158,958
Loss from Swaps currency valuation (FVTPL)	(90,261)	(143,017)	(90,261)	(143,017)
Gain from Swaps currency valuation (FVTPL)	64,008	73,678	64,008	73,678
Unrealised foreign exchange losses on forward exchange contracts	(30,986)	(10,327)	(30,986)	(10,327)
Unrealised foreign exchange gain on forward exchange contracts	-	25,272	-	25,272
Realised foreign exchange losses (FVTPL)	(146,515)	(50,164)	(146,515)	(50,164)
Realised foreign exchange gain (FVTPL)	151,199	60,433	151,199	60,433
Realised exchange rate loss on foreign loans (FVTPL)	(2,565)	(510)	(2,565)	(510)
Fair value adjustment on embedded derivative - Power Purchases Agreement (Held for trading asset)	(9,387)	(138,167)	(9,387)	(138,167)
Fair value adjustment on embedded derivative - Power Sales Agreement (Held for trading liability)	36,520	(72,948)	36,520	(72,948)
Unrealised foreign exchange gain	77,731	47,404	77,731	47,404
Recognised in other comprehensive income				
Net change in fair value of available-for-sale financial asset	(375)	283	(375)	283

* FVTPL - Fair value through profit or loss

30.4.2 Guarantees

The Group's policy is to provide financial guarantees only to wholly-owned subsidiaries. As at 30 June 2014 no guarantee was outstanding.

NamPower employee home loans

Suretyship for N$30.2 million (2013: N$24.9 million) to three local banks (Bank Windhoek, First National Bank and Standard Bank) for all employees who are on the NamPower housing scheme and have attained financing from the aforementioned financial institutions. Such suretyship is limited to the original loan amount attained by each employee and excludes any additional financing for improvements or upgrades.

30.4.3 Trade and other receivables

(a) Trade receivables

Credit risk with respect to trade and other receivables is limited due to the large number of customers comprising the Group's customer base and their dispersion 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, and mining customers.

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 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 30.4.4.

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.

30. FINANCIAL INSTRUMENTS (continued)

30.4.3 Trade and other receivables (continued)

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. Non-payment will result in disconnection of supply. The legal collection process is pursued thereafter.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

The decision to impair overdue amounts is assessed on the probability of recovery based on the customer's credit risk profile.

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 NamPower 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.

The total cumulative allowance for impairment for electricity receivables at 30 June 2014 was N$18.8 million (2013: N$17.9 million) (refer note 30.4.4). The enhancement of credit control strategies and monitoring of payment levels of all trade receivables continue to receive management attention.

	GROUP		COMPANY	
	2014 N$'000 Carrying amount	2013 N$'000 Carrying amount	2014 N$'000 Carrying amount	2013 N$'000 Carrying amount
The maximum exposure to credit risk for trade receivables at the reporting date by geographic area:				
Domestic- Namibia	507,092	453,138	507,092	453,138
Regional Exports/Cross border customers	115,935	9,700	115,935	9,700
	623,027	462,838	623,027	462,838
The maximum exposure to credit risk for trade and other receivables at the reporting date by type of customer was:				
Distributors	322,736	289,154	322,736	289,154
Mining	117,065	76,974	117,065	76,974
End-user customers	77,702	60,069	77,702	60,069
Other trade receivables	105,524	36,641	105,524	36,641
	623,027	462,838	623,027	462,838
Concentration of credit risk that arises from the Group's receivables in relation to industry categories of the customers by percentage of total receivables from customers is:	2014 %	2013 %	2014 %	2013 %
Distributors	52	62	52	62
Mining	19	17	19	17
End-user customers	12	13	12	13
Other trade receivables	17	8	17	8
	100	100	100	100

30. FINANCIAL INSTRUMENTS (continued)

30.4.3 Trade and other receivables (continued)

Aging of trade receivables past due but not impaired at the reporting date for Group and Company are as follows:

	GROUP and COMPANY	
	2014 N$'000	2013 N$'000
	Gross	Gross
Not past due	614,320	435,079
Past due 0-30 days	2,746	1,145
Past due 31-120 days	1,606	(341)
More than one year	4,355	26,955
	623,027	462,838

Trade receivables past due but not impaired are receivables where contractual payment terms are past due but the Group believes that impairment is not required based on the historical payment trend of the respective customers and the stage of collection of amounts owed to the Group. The Group believes that unimpaired amounts that are past due are still recoverable.

Included in more than one year trade receivables are capital contributions of N$5.3 million (2013: N$29.8 million) that are only recognised as revenue when all performance obligations have been performed eg. when the customer is energised and the remainder is held as a liability under trade payables.

30.4.4 Impairment losses

	GROUP and COMPANY		GROUP and COMPANY	
	2014 N$'000	2014 N$'000	2013 N$'000	2013 N$'000
	Gross	Impairment	Gross	Impairment
Not past due	877,846	254	646,372	103
Past due 0-30 days	3,515	213	1,954	337
Past due 31-120 days	2,418	807	1,744	926
More than one year	20,335	17,523	51,658	16,518
	904,114	18,797	701,728	17,884

The movement in the allowance for impairment in respect of trade and other receivables during the year was as folows:

	GROUP and COMPANY	
	2014 N$'000	2013 N$'000
Balance 1 July	17,884	18,078
- Impairment loss recognised	913	-
- Impairment utilised	-	(194)
Balance at 30 June	18,797	17,884

30. FINANCIAL INSTRUMENTS (continued)

30.4.4 Impairment losses (Group and Company) (continued)

NamPower establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. This allowance consists of a specific loss component that relates to individual exposures.

An impairment loss of N$12.4 million relates to a customer that was struggling to pay during 2006. The customer arranged for a deferred payment scheme through the court. Due to further financial difficulties the customer suspended the payments through this scheme. The customer was handed over to the lawyers for collection of the outstanding amount.

The remainder of the impairment loss at 30 June 2014 to several customers who have been struggling to pay and have indicated that they will not be able to pay their outstanding balances. Electricity supply to these customers has been suspended.

There was no indication of impairment of investments at reporting date.

Security relating to trade receivables

	GROUP and COMPANY	
	2014 N$'000	2013 N$'000
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	36,518	13,188
Regional Exports/Cross Border customers	398	486
(b) Bank Guarantees		
Domestic - Namibia	119,777	111,115
Cross border customers	58	58

30.5 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.

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:

- project 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.

30. FINANCIAL INSTRUMENTS (continued)

30.5.1 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.

	Carrying amount N$ '000	Total contractual cash flows N$ '000	Contractual cash flows 1 year or less N$ '000	Contractual cash flows 1- 5 years N$ '000	Contractual cash flows 5 years or more N$ '000
GROUP					
2014					
Non-derivative financial liabilities					
Secured long term loans					
- GBP fixed rate loan	(206,110)	(222,593)	(27,801)	(111,266)	(83,526)
- EUR floating rate loan	(277,210)	(282,557)	(69,644)	(210,068)	(2,845)
- ZAR denominated loans	(1,892,236)	(2,851,477)	(289,452)	(1,115,644)	(1,446,381)
- NAD denominated loans	(296,798)	(446,936)	(30,924)	(123,697)	(292,315)
Non-current retention creditors	(21,432)	(21,432)	-	(21,432)	-
Trade and other payables	(1,221,697)	(1,221,697)	(1,221,697)	-	-
Derivative financial liabilities					
- Interest rate swaps and cross currency interest rate swaps used for hedging	-	110,938	20,271	84,201	6,466
2013					
Non-derivative financial liabilities					
Secured long term loans					
- GBP fixed rate loan	(196,040)	(210,548)	(23,385)	(93,552)	(93,611)
- EUR floating rate loan	(304,729)	(316,712)	(63,148)	(245,681)	(7,883)
- ZAR denominated loans	(2,035,469)	(3,150,504)	(299,027)	(1,164,851)	(1,686,626)
- NAD denominated loans	(300,371)	(477,860)	(30,924)	(123,697)	(323,239)
Non-current retention creditors	(9,522)	(9,522)	-	(9,522)	-
Trade and other payables	(1,037,490)	(1,037,490)	(1,037,490)	-	-
Derivative financial liabilities					
- Interest rate swaps and cross currency interest rate swaps used for hedging	(8,289)	51,959	5,169	56,689	(9,899)

30. FINANCIAL INSTRUMENTS (continued)

30.5.1 Contractual cash flows (continued)

	Carrying amount N$ '000	Total contractual cash flows N$ '000	Contractual cash flows 1 year or less N$ '000	Contractual cash flows 1- 5 years N$ '000	Contractual cash flows 5 years or more N$ '000
COMPANY					
2014					
Non-derivative financial liabilities					
Secured long term loans					
- GBP fixed rate loan	(206,110)	(222,593)	(27,801)	(111,266)	(83,526)
- EUR floating rate loan	(277,210)	(282,557)	(69,644)	(210,068)	(2,845)
- ZAR denominated loans	(1,892,236)	(2,851,477)	(289,452)	(1,115,644)	(1,446,381)
- NAD denominated loans	(296,798)	(446,936)	(30,924)	(123,697)	(292,315)
Non-current retention creditors	(21,432)	(21,432)	-	(21,432)	-
Trade and other payables	(1,221,699)	(1,221,699)	(1,221,699)	-	-
Loans due to subsidiaries	(6,384)	(6,384)	(6,384)	-	-
Derivative financial liabilities					
- Interest rate swaps and cross currency interest rate swaps used for hedging	-	110,938	20,271	84,201	6,466
2013					
Non-derivative financial liabilities					
Secured long term loans					
- GBP fixed rate loan	(196,040)	(210,548)	(23,385)	(93,552)	(93,611)
- EUR floating rate loan	(304,729)	(316,712)	(63,148)	(245,681)	(7,883)
- ZAR denominated loans	(2,035,469)	(3,150,504)	(299,027)	(1,164,851)	(1,686,626)
- NAD denominated loans	(300,371)	(477,860)	(30,924)	(123,697)	(323,239)
Non-current retention creditors	(9,522)	(9,522)	-	(9,522)	-
Trade and other payables	(1,037,496)	(1,037,496)	(1,037,496)	-	-
Loans due to subsidiaries	(6,384)	(6,384)	(6,384)	-	-
Derivative financial liabilities					
- Interest rate swaps and cross currency interest rate swaps used for hedging	(8,289)	51,959	5,169	56,689	(9,899)

30. FINANCIAL INSTRUMENTS (continued)

30.5.2 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.

The principal or contract amount of derivative financial instruments were:

	GROUP and COMPANY	
	2014 N$'000	2013 N$'000
Net interest rate and cross currency swaps	172,901	135,149
Forward exchange contracts	1,102,927	509,868

For a more detailed breakdown refer to note 22.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

30.5.3 Primary sources of funding and unused facilities

The primary sources to meet NamPower'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:

	2014 N$'000	2013 N$'000
General banking facilities	363,500	363,500

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 2014 was 9.75%.

30.6 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 that are managed within the treasury function of the company or from contracts containing embedded derivatives.

30. FINANCIAL INSTRUMENTS (continued)

30.6 Market risk (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

NamPower 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 gain of N$27.1 million (2013: N$211.1 million loss). At 30 June 2014 the embedded derivative asset amounted to N$55.1 million (2013: N$18.6 million) for the Group and Company. The embedded derivative liability at 30 June 2014 was N$258.0 million (2013: N$248.7 million) for the Group and Company.

The valuation methods and inputs are discussed in note 30.6. Risks arising from these contracts are discussed under the relevant risk areas as follows:

- interest rate risk (refer note 30.6.1)
- currency risk (refer note 30.6.2)
- other price risk (refer note 30.6.3)

Electricity 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.

30.6.1 Interest rate 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. 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.

30. FINANCIAL INSTRUMENTS (continued)

30.6.1 Interest rate risk (continued)

	GROUP		COMPANY	
At the reporting date the interest rate profile of the Group's interest bearing financial instruments was:	2014 N$'000 Carrying amount	2013 N$'000 Carrying amount	2014 N$'000 Carrying amount	2013 N$'000 Carrying amount
Variable rate financial instruments				
Financial assets	-	-	-	-
Financial liabilities	(46,798)	(50,371)	(46,798)	(50,371)
	(46,798)	(50,371)	(46,798)	(50,371)
Fixed rate financial instruments				
Financial assets	7,295,930	6,629,113	7,303,935	6,636,490
Financial liabilities	(4,203,432)	(4,383,272)	(4,148,185)	(4,389,662)
	3,092,498	2,245,841	3,155,750	2,246,828

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.

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 2013.

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit or loss by the amounts shown below:

GROUP AND COMPANY	Equity 100 bp increase	Equity 100 bp decrease	Profit or (loss) 100 bp increase	Profit or (loss) 100 bp decrease
30 June 2014				
Variable rate instruments				
Interest rate swap				
-DBN				
NAD Curve	(314)	314	(468)	468
30 June 2013				
Variable rate instruments				
Interest rate swap				
-DBN				
NAD Curve	(332)	332	(504)	504

30. FINANCIAL INSTRUMENTS (continued)

30.6.2 Currency risk

The Company 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, EURO and SEK.

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 Company generally adopts a policy to hedge its foreign currency commitments where possible. The company 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.

30. FINANCIAL INSTRUMENTS (continued)

30.6.2 Currency risk (continued)

GROUP

The currency position at 30 June 2014 is set below

in thousands of Namibia Dollar	N$	ZAR	US$	Euro	GBP	SEK	Total
Assets							
Other financial assets	-	-	55,133	172,901	-	-	228,034
Loans receivable	33,304	-	-	-	-	-	33,304
Trade and other receivables	792,029	-	126,449	-	-	-	918,478
Investments	2,565,777	1,975,726	-	-	-	-	4,541,503
Cash and cash equivalents	17,169	1,330,375	260,123	57	50	-	1,607,774
	3,408,279	3,306,101	441,705	172,958	50	-	7,329,093
Liabilities							
Interest bearing loans and borrowings	(296,798)	(1,892,237)	-	(277,210)	(206,110)	-	(2,672,355)
Other financial liabilities	-	-	(269,968)	(3,144)	-	-	(273,112)
Trade and other payables	(985,417)	(49,520)	(181,218)	(5,532)	(10)	-	(1,221,697)
Non-current retention creditors	(20,722)	(710)	-	-	-	-	(21,432)
	(1,302,937)	(1,942,467)	(451,186)	(285,886)	(206,120)	-	(4,188,596)
Gross statement of financial position exposure	2,105,342	1,363,634	(9,481)	(112,928)	(206,070)	-	3,140,497
Next year's forecast sales	4,316,408	-	-	-	-	-	4,316,408
Next year's forecast purchases	-	(460,077)	(2,105,461)	-	-	-	(2,565,538)
Gross exposure	6,421,750	903,557	(2,114,942)	(112,928)	(206,070)	-	4,891,367
Foreign exchange contracts	-	-	1,029,908	58,003	-	-	1,087,911
Net exposure	6,421,750	903,557	(1,085,034)	(54,925)	(206,070)	-	5,979,278

The estimated sales and purchases include transactions for the next 12 months.

Currency translation rates :	**30 June 2014**				
1 SA Rand	N$ 1.0	1 Euro	N$ 14.5	1 US Dollar	N$ 10.6
1 SEK	N$ 0.6	1 GBP	N$ 18.1		

The currency position at 30 June 2013 is set below

in thousands of Namibia Dollar	N$	ZAR	US$	Euro	GBP	SEK	Total
Assets							
Other financial assets	-	-	44,455	136,090	-	585	181,130
Loans receivable	37,968	-	30,148	-	-	-	68,116
Trade and other receivables	701,159	-	9,700	-	-	-	710,859
Investments	2,325,002	1,653,682	59,748	-	-	-	4,038,432
Cash and cash equivalents	61,030	1,485,491	111,004	32	35	-	1,657,592
	3,125,159	3,139,173	255,055	136,122	35	585	6,656,129
Liabilities							
Interest bearing loans and borrowings	(300,371)	(2,035,470)	-	(304,729)	(196,040)	-	(2,836,610)
Other financial liabilities	-	-	(248,662)	(17,100)	-	(2,633)	(268,395)
Trade and other payables	(802,046)	(120,411)	(115,039)	-	-	-	(1,037,496)
Non-current retention creditors	(9,286)	-	-	(236)	-	-	(9,522)
	(1,111,703)	(2,155,881)	(363,701)	(322,065)	(196,040)	(2,633)	(4,152,023)
Gross statement of financial position exposure	2,013,456	983,292	(108,646)	(185,943)	(196,005)	(2,048)	2,504,106
Next year's forecast sales	3,878,499	-	-	-	-	-	3,878,499
Next year's forecast purchases	-	(613,708)	(1,404,772)	-	-	-	(2,018,480)
Gross exposure	5,891,955	369,584	(1,513,418)	(185,943)	(196,005)	(2,048)	4,364,125
Foreign exchange contracts	-	-	505,082	18,386	-	13,768	537,236
Net exposure	5,891,955	369,584	(1,008,336)	(167,557)	(196,005)	11,720	4,901,361

The estimated sales and purchases include transactions for the next 12 months.

Currency translation rates :	**30 June 2013**				
1 SA Rand	N$ 1.0	1 Euro	N$ 13.0	1 US Dollar	N$ 10.0
1 SEK	N$ 0.7	1 GBP	N$ 15.2		

30. FINANCIAL INSTRUMENTS (continued)

30.6.2 Currency risk (continued)

COMPANY

The currency position at 30 June 2014 is set below

in thousands of Namibia Dollar	N$	ZAR	US$	Euro	GBP	SEK	Total
Assets							
Other financial assets	-	-	55,133	172,901	-	-	228,034
Loans receivable	33,304	-	-	-	-	-	33,304
Trade and other receivables	792,029	-	126,449	-	-	-	918,478
Investments	2,565,777	1,975,726	-	-	-	-	4,541,503
Cash and cash equivalents	17,169	1,330,375	260,123	57	50	-	1,607,774
	3,408,279	3,306,101	441,705	172,958	50	-	7,329,093
Liabilities							
Interest bearing loans and borrowings	(296,798)	(1,892,237)	-	(277,210)	(206,110)	-	(2,672,355)
Other financial liabilities	-	-	(269,968)	(3,144)	-	-	(273,112)
Trade and other payables	(985,419)	(49,520)	(181,218)	(5,532)	(10)	-	(1,221,699)
Non-current retention creditors	(20,722)	(710)	-	-	-	-	(21,432)
Loans due to subsidiary	(6,384)	-	-	-	-	-	(6,384)
	(1,309,323)	(1,942,467)	(451,186)	(285,886)	(206,120)	-	(4,194,982)
Gross statement of financial position exposure	2,098,956	1,363,634	(9,481)	(112,928)	(206,070)	-	3,134,111
Next year's forecast sales	4,316,408	-	-	-	-	-	4,316,408
Next year's forecast purchases	-	(460,077)	(2,105,461)	-	-	-	(2,565,538)
Gross exposure	6,415,364	903,557	(2,114,942)	(112,928)	(206,070)	-	4,884,981
Foreign exchange contracts	-	-	1,029,908	58,003	-	-	1,087,911
Net exposure	6,415,364	903,557	(1,085,034)	(54,925)	(206,070)	-	5,972,892

The estimated sales and purchases include transactions for the next 12 months.

Currency translation rates :	**30 June 2014**				
1 SA Rand	N$ 1.0	1 Euro	N$ 14.5	1 US Dollar	N$ 10.6
1 SEK	N$ 0.6	1 GBP	N$ 18.1		

The currency position at 30 June 2013 is set below

in thousands of Namibia Dollar	N$	ZAR	US$	Euro	GBP	SEK	Total
Assets							
Other financial assets	-	-	44,455	136,090	-	585	181,130
Loans receivable	37,968	-	30,148	-	-	-	68,116
Trade and other receivables	701,159	-	9,700	-	-	-	710,859
Investments	2,325,002	1,653,682	59,748	-	-	-	4,038,432
Cash and cash equivalents	61,030	1,485,491	111,004	32	35	-	1,657,592
	3,125,159	3,139,173	255,055	136,122	35	585	6,656,129
Liabilities							
Interest bearing loans and borrowings	(300,371)	(2,035,470)	-	(304,729)	(196,040)	-	(2,836,610)
Other financial liabilities	-	-	(248,662)	(17,100)	-	(2,633)	(268,395)
Trade and other payables	(802,046)	(120,411)	(115,039)	-	-	-	(1,037,496)
Non-current retention creditors	(9,286)	-	-	(236)	-	-	(9,522)
Loans due to subsidiary	(6,384)	-	-	-	-	-	(6,384)
	(1,118,087)	(2,155,881)	(363,701)	(322,065)	(196,040)	(2,633)	(4,158,407)
Gross statement of financial position exposure	2,007,072	983,292	(108,646)	(185,943)	(196,005)	(2,048)	2,497,722
Next year's forecast sales	3,878,499	-	-	-	-	-	3,878,499
Next year's forecast purchases	-	(613,708)	(1,404,772)	-	-	-	(2,018,480)
Gross exposure	5,885,571	369,584	(1,513,417)	(185,943)	(196,005)	(2,048)	4,357,741
Foreign exchange contracts	-	-	505,082	18,386	-	13,768	537,236
Net exposure	5,885,571	369,584	(1,008,336)	(167,557)	(196,005)	11,720	4,894,977

The estimated sales and purchases include transactions for the next 12 months.

Currency translation rates :	**30 June 2013**				
1 SA Rand	N$ 1.0	1 Euro	N$ 13.0	1 US Dollar	N$ 10.0
1 SEK	N$ 0.7	1 GBP	N$ 15.2		

30. FINANCIAL INSTRUMENTS (continued)

30.6.2 Currency risk (continued)

Sensitivity analysis

A strengthening of the N$ against the following currencies at 30 June 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 2013.

	GROUP and COMPANY			
	2014 Equity N$'000	2013 Equity N$'000	2014 Profit or (loss) N$'000	2013 Profit or (loss) N$'000
US Dollar (10 percent strengthening)	94,830	87,694	141,537	132,869
Euro (10 percent strengthening)	(18,940)	(20,110)	(28,269)	(30,470)
GBP (10 percent strengthening)	(13,807)	(12,936)	(20,607)	(19,601)

A weakening of the N$ against the following currencies at 30 June 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 2013.

US Dollar (10 percent weakening)	(94,830)	(87,694)	(141,537)	(132,869)
Euro (10 percent weakening)	18,940	20,110	28,269	30,470
GBP (10 percent weakening)	13,807	12,936	20,607	19,601

30.6.3 Other price risk

Inflation price risk arises from embedded derivatives as discussed under note 30.8. The risk arises from movements in the United States production price index (PPI). Equity price risk arises from available-for-sale financial instruments. The risk arises from movements in the share price of the equity investment.

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 equity and on profit or loss is:

30. FINANCIAL INSTRUMENTS (continued)

30.6.3 Other price risk (continued)

	GROUP and COMPANY			
	2014 Equity N$'000	2013 Equity N$'000	2014 Profit or (loss) N$'000	2013 Profit or (loss) N$'000
United States PPI				
1% increase	(23,148)	(22,908)	(34,550)	(34,709)
1% decrease	22,525	22,469	33,619	34,044

30.7 Capital management

Nampower manages the total shareholders' equity and debt as capital. Capital consists of ordinary share capital, development fund reserve and longterm debt. 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.

	GROUP		COMPANY	
	2014 N$'000	2013 N$'000	2014 N$'000	2013 N$'000
The Group manages the following as capital:				
Ordinary share capital	1,065,000	1,065,000	1,065,000	1,065,000
Development fund reserve	3,553,453	3,019,141	3,449,129	2,923,242
Longterm debt	2,672,355	2,836,610	2,672,355	2,836,610
	7,290,808	6,920,751	7,186,484	6,824,851

The major items that impact the capital of Nampower 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 Company is adequately capitalised through debt and equity management.

NamPower Treasury is tasked with the duties of managing the Company's short-term and long term capital requirements. The treasury department 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 4.72, debt to EBITDA of -3.38 and a debt equity ratio of 17:83. These covenants are used for forecasted financial planning to ensure and manage the loan conditions set. The Company also maintains a credit rating as affirmed by Fitch for foreign currency long-term as BBB- and national long-term rating AA-(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 Nampower is based on historical cost and depreciated replacement cost for Generation and Transmission assets respectively.

30. FINANCIAL INSTRUMENTS (continued)

30.7 Capital management (continued)

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 NamPower.

There were no changes to NamPower's approach to capital management during the financial year.

30.8 Critical accounting estimates and judgements

Estimates and judgements are evaluated continually and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Embedded derivatives

NamPower has entered into a number of agreements to supply and purchase electricity to electricity-intensive industries where the revenue from these contracts is linked to foreign currency rates (only USD) and United State's production price indices that give rise to embedded derivatives.

The embedded derivatives have been divided into three categories:

- Commodity and/or foreign currency derivatives;
- Foreign currency or interest rate derivatives;
- Production price and foreign currency derivatives.

Valuation

The fair value of embedded derivatives is determined by using a forward electricity price curve.

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 2014

Input	Unit	2014	2015	2016	2017	2018	2019
NAD/USD	USD per NAD	10.66	11.34	12.08	12.81	13.52	14.28
ZAR discount factor		1.00	0.93	0.87	0.80	0.74	0.68
United States PPI	Year-on-year (%)	3.46%	2.39%	3.18%	3.14%	3.23%	3.27%

30. FINANCIAL INSTRUMENTS (continued)

30.9 Fair values

The fair values of the financial assets and liabilities, together with the carrying amounts shown in the statement of financial position are as follows

		2014		2013	
	Reference notes	Carrying amount	Fair value	Carrying amount	Fair value
GROUP					
in thousands of Namibia Dollar					
Assets carried at fair value					
Current investments	12	1,820,982	1,820,982	1,540,554	1,540,554
Derivative assets	22.1	228,034	228,034	181,130	181,130
		2,049,016	2,049,016	1,721,684	1,721,684
Assets carried at amortised cost					
Loans and receivables	11	33,304	33,304	68,116	68,116
Non-current investments	12	1,417,445	1,417,445	1,145,054	1,145,054
Current investments	12	1,280,000	1,280,000	1,329,748	1,329,748
Cash and cash equivalents	15	1,607,774	1,607,774	1,657,592	1,657,592
Trade and other receivables	14	885,315	885,315	683,843	683,843
		5,223,838	5,223,838	4,884,353	4,884,353
Liabilities carried at fair value					
Derivative liabilities	22.2	(273,113)	(273,113)	(268,395)	(268,395)
Current interest bearing loans and borrowings	18	(230,792)	(230,792)	(218,896)	(218,896)
Non-current interest bearing loans and borrowings	18	(2,441,563)	(2,441,563)	(2,617,714)	(2,617,714)
		(2,945,468)	(2,945,468)	(3,105,005)	(3,105,005)
Liabilities carried at amortised cost					
Trade and other payables	21	(1,221,697)	(1,221,697)	(1,037,490)	(1,037,490)
		(1,221,697)	(1,221,697)	(1,037,490)	(1,037,490)
COMPANY					
Assets carried at fair value					
Current investments	12	1,820,982	1,820,982	1,540,554	1,540,554
Derivative assets	22.1	228,034	228,034	181,130	181,130
		2,049,016	2,049,016	1,721,684	1,721,684
Assets carried at amortised cost					
Loans and receivables	11	33,304	33,304	68,116	68,116
Non-current investments	12	1,417,445	1,417,445	1,145,054	1,145,054
Current investments	12	1,280,000	1,280,000	1,329,748	1,329,748
Cash and cash equivalents	15	1,607,774	1,607,774	1,657,592	1,657,592
Trade and other receivables	14	885,315	885,315	683,843	683,843
		5,223,838	5,223,838	4,884,353	4,884,353
Liabilities carried at fair value					
Derivative liabilities	22.2	(273,113)	(273,113)	(268,395)	(268,395)
Current interest bearing loans and borrowings	18	(230,792)	(230,792)	(218,896)	(218,896)
Non-current interest bearing loans and borrowings	18	(2,441,563)	(2,441,563)	(2,617,714)	(2,617,714)
		(2,945,468)	(2,945,468)	(3,105,005)	(3,105,005)
Liabilities carried at amortised cost					
Loans due to subsidiary	8.1	(6,384)	(6,384)	(6,384)	(6,384)
Trade and other payables	21	(1,221,699)	(1,221,699)	(1,037,496)	(1,037,496)
		(1,228,084)	(1,228,084)	(1,043,880)	(1,043,880)

There are no unrecognised fair value gains or losses with respect to financial instruments.

30. FINANCIAL INSTRUMENTS (continued)

30.9 Fair values (continued)

Fair value hierarchy for Group and Company

The table below analyses financial instruments carried at fair value, by using the valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: 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).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

in thousands of Namibia Dollar	Reference notes	Level 1	Level 2	Level 3	Total
30 June 2014					
Assets carried at fair value					
Current investments	12	979	1,820,003	-	1,820,982
Derivative financial assets	22.1	-	172,901	55,133	228,034
		979	1,992,904	55,133	2,049,016
Assets disclosed at fair value					
Loans and receivables	11	-	-	33,304	33,304
Non-current investments	12	-	-	1,417,445	1,417,445
Current investments	12	-	-	1,280,000	1,280,000
Cash and cash equivalents	15	-	-	1,607,774	1,607,774
Trade and other receivables	14	-	-	885,315	885,315
		-	-	5,223,838	5,223,838
Liabilities carried at fair value					
Interest bearing loans and borrowings	18	-	(2,672,355)	-	(2,672,355)
Derivative financial liabilities	22.2	-	(15,063)	(258,049)	(273,112)
		-	(2,687,418)	(258,049)	(2,945,467)
Liabilities disclosed at fair value					
Loans due to subsidiary*	8.1	-	-	(6,384)	(6,384)
Trade and other payables	21	-	-	(1,221,699)	(1,221,699)
		-	-	(1,228,083)	(1,228,083)
30 June 2013					
Assets carried at fair value					
Current investments	12	979	1,539,575	-	1,540,554
Derivative financial assets	22.1	-	162,517	18,613	181,130
		979	1,702,092	18,613	1,721,684
Assets disclosed at fair value					
Loans and receivables	11	-	-	68,116	68,116
Non-current investments	12	-	-	1,145,054	1,145,054
Current investments	12	-	-	1,329,748	1,329,748
Cash and cash equivalents	15	-	-	1,657,592	1,657,592
Trade and other receivables	14	-	-	683,843	683,843
		-	-	4,884,353	4,884,353
Liabilities carried at fair value					
Interest bearing loans and borrowings	18	-	(2,836,610)	-	(2,836,610)
Derivative financial liabilities	22.2	-	(19,734)	(248,661)	(268,395)
		-	(2,856,344)	(248,661)	(3,105,005)
Liabilities disclosed at fair value					
Loans due to subsidiary*	8.1	-	-	(6,384)	(6,384)
Trade and other payables	21	-	-	(1,037,496)	(1,037,496)
		-	-	(1,043,880)	(1,043,880)

* The loans due to subsidiary are not applicable to the Group.
There have been no transfers between the fair value hierarchy levels (2013: no transfers).

30. FINANCIAL INSTRUMENTS (continued)

30.9 Fair values (continued)

A reconciliation has been performed for fair value measurements in level 3 of the fair value hierarchy as follows:

	2014 N$'000	2013 N$'000
Embedded derivative liabilities		
Carrying value at beginning of the year	(248,661)	(110,494)
Net fair value loss on embedded derivatives recognised in profit or loss	(9,388)	(138,167)
Carrying value at end of the year	(258,049)	(248,661)
Embedded derivative assets		
Carrying value at beginning of the year	18,613	91,561
Net fair value gain/(loss)on embedded derivatives recognised in profit or loss	36,520	(72,948)
Carrying value at end of the year	55,133	18,613

Refer to note 30.6.3 for a sensitivity analysis disclosing the effect of fair value changes that would result if one or more of the inputs were to change.

30.9.1 Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of the financial instruments reflected in the fair value hierarchy table above.

(a) Securities

Fair value is based on quoted market prices at the reporting date without any deduction for transaction costs.

(b) Collective investment

Fair value is based on quoted market prices at the reporting date without any deduction for transaction costs.

(c) Derivatives

The fair values are based on current market movements at year end.

(d) Interest bearing loans and borrowings

Fair value is the present value of future cashflows. Refer note 18.

30.10 Defaults and breaches

There were no defaults or breaches of the loan agreements during the current and prior year.

31. SEGMENT REPORTING

Business unit segments

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. For each of the strategic business units, the Board reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

Generation: Supply of energy
Transmission: Transmission of energy
Other Support Services, including Energy Trading: Short, medium and long term planning and management of energy and Power Systems Development responsible for development of supply sources of energy

Support services includes Distribution of energy, Corporate Services, Finance and the Office of the Managing Director.

Information about reportable business units

	Generation		Transmission		Other		Total	
Amounts in N$'000	**2014 N$'000**	2013 N$'000	**2014 N$'000**	2013 N$'000	**2014 N$'000**	2013 N$'000	**2014 N$'000**	2013 N$'000
Total revenues	**520,847**	593,561	**2,159,665**	1,718,244	**7,150,908**	5,494,022	**9,831,420**	7,805,827
Intersegment revenue	**(520,847)**	(593,561)	**(1,257,615)**	(1,170,046)	**(4,085,118)**	(2,736,579)	**(5,863,580)**	(4,500,186)
Total Segment revenue	**-**	-	**902,050**	548,198	**3,065,790**	2,757,443	**3,967,840**	3,305,641
Interest Income	**-**	-	**4,081**	3,445	**411,623**	378,022	**415,704**	381,467
Interest expense	**-**	-	**(129,384)**	(141,260)	**(114,934)**	(120,506)	**(244,318)**	(261,765)
Depreciation & amortisation	**(107,963)**	(107,736)	**(378,033)**	(369,279)	**(43,557)**	(35,456)	**(529,553)**	(512,471)
Staff costs	**(101,892)**	(111,494)	**(178,042)**	(173,957)	**(220,297)**	(174,730)	**(500,231)**	(460,182)
Post retirement medical benefit	**(10,738)**	(1,391)	**(17,180)**	(2,297)	**5,849**	(2,358)	**(22,069)**	(6,046)
Foreign exchange gains on trade payables/receivables, bank balances and loans payable	**-**	-	**-**	-	**228,930**	107,837	**228,930**	107,837
Foreign exchange losses on trade payables/receivables, bank balances and loans payable	**-**	-	**-**	-	**(172,327)**	(61,559)	**(172,327)**	(61,559)
Segment result (before tax)	**(197,474)**	(244,028)	**2,737,520**	2,061,111	**(1,767,105)**	(1,281,020)	**772,941**	536,064

31. SEGMENT REPORTING (continued)

Reconciliation of reportable segment revenues, profit or loss, assets and liabilities and other material items

	2014 N$'000	2013 N$'000
Revenues		
Total revenue for reportable segments	9,831,420	7,805,827
Other income	62,564	97,046
Elimination of intersegment revenue	(5,863,580)	(4,500,186)
	4,030,404	3,402,687
Profit or loss		
Total profit or loss	772,941	536,064
Other profit	-	-
Elimination of intersegment profits	-	-
Total profit before income tax	772,941	536,064

Other material items 2014

in thousands Namibia Dollar	Reportable segment totals	Adjustments	Totals
Finance income	415,704	-	415,704
Finance expense	(244,318)	-	(244,318)
Depreciation and amortisation	(529,553)	-	(529,553)
Staff costs	(500,231)	-	(500,231)
Post retirement medical benefit	(22,069)	-	(22,069)
Foreign exchange gains on trade payables/receivables, bank balances and loans payable	228,930	-	228,930
Foreign exchange losses on trade payables/receivables, bank balances and loans payable	(172,327)	-	(172,327)

Other material items 2013

in thousands Namibia Dollar	Reportable segment totals	Adjustments	Totals
Finance income	381,467	-	381,467
Finance expense	(261,765)	-	(261,765)
Depreciation and amortisation	(512,471)	-	(512,471)
Staff costs	(460,182)	-	(460,182)
Post retirement medical benefit	(6,046)	-	(6,046)
Foreign exchange gains on trade payables/receivables, bank balances and loans payable	107,837	-	107,837
Foreign exchange losses on trade payables/receivables, bank balances and loans payable	(61,559)	-	(61,559)

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