2018 ANNUAL REPORT

NamPower

Powering the Nation and beyond

CONTENTS

THEME

NamPower employees are synonymous with the success of the company. They are the reason the company has since its inception, consistently delivered on its mandate. The theme for this years' Annual Report, "Consistent and incremental strides towards improved local generation capacity and maintaining a secure supply of electricity in Namibia", mirrors the motto NamPower employees live by. A company is only as great as its employees, therefore through this report, we recognise and celebrate the men and women of NamPower, the not-always-seen green army, whose collective efforts make NamPower the great company that it is today.

ABOUT THIS REPORT

The report includes an overview of NamPower's strategy and business model, the principal risks we face and our operations. Information on our human capital and all matters relating to sustainability are additionally reported on, followed by the consolidated financial statements for the financial year ended 30 June 2018.

ASSURANCE

The Board, with the support of the Audit and Risk Committee, is ultimately responsible for NamPower's system of internal controls which is designed to identify, evaluate, manage and provide reasonable assurance against material misstatement and loss.

The consolidated Annual Financial Statements from pages 90 to 199 were audited by Deloitte & Touche and Grand Namibia.

HIGHLIGHTS OF THE YEAR

Amongst a host of achievements, NamPower regards the following as notable:

- NamPower was fully able to secure security of electricity supply to the nation at all times during the period under review, with no major transmission system disturbances experienced.
- An overall power transmission system and availability of 99.87% was recorded during the period under review.
- A strong financial position and investment grade rating were maintained.
- An additional 190 km of transmission lines built resulting in a total length of transmission network of 11,673 km.
- There were a 135 projects in progress with a combined value of N$ 3.59 billion.
- A number of transmission projects, to the value of approximately N$ 391 million were completed.
- 50 MW from Independent Power Producers (IPPs) was connected to the grid.
- A profit, after tax, of more than N$ 1.2 billion was made.
- Investment income increased by 15% from N$ 673 million to N$ 772 million.
- The average customer restoration time after a power interruption (CAIDI) decreased from 4.18 to 3.05 minutes of loss of supply when compared to the previous reporting period.
- The Fibre Optic Commercialisation project is in the implementation phase.
- High levels of availability of services, local area network and wide area network (99.98%) were recorded by iServ.
- More than 800 employees benefited from various learning and development programmes.
- 253 students and trainees were provided with bursaries at an estimated cost of N$ 10.3 million.
- An investment of N$ 4.2 million in various corporate social investment programmes was made.
- Formulation of the 2018 to 2023 strategic plan which sets the tone of the generation agenda for the strengthening of transmission infrastructure.

OUR BUSINESS MODEL AND THE VALUE WE CREATE

NamPower acknowledges the responsibility of being a catalyst in the development of a vibrant economy, an empowered society and a protected environment, as driven by Vision 2030, the Fifth National Development Plan (NDP5) and the Harambee Prosperity Plan (HPP).

NamPower is an essential part of the energy value chain, energising and enhancing the value of the national grid that it manages and provides electricity to all sectors of the Namibian economy and its people. NamPower is an integrator in terms of interconnection with other power utilities in the Southern African Development Community (SADC) region, and an optimiser in terms of extending the deployment of technologies or equipment into the distribution network. In so doing, NamPower is an enabler of human, intellectual, social and relationship capital run on the principles of good governance and ethical values.

Social and relationship capital is enhanced through the company's corporate social investment programmes, with substantial investments made in this regard over the years.

Being keenly aware of the national resources placed in its trust to create lasting returns and developmental impact for the nation, NamPower implements and manages all projects in a socio- economically and environmentally sustainable manner.

The economic returns include generation and transmission infrastructure of a high quality which provides all sectors of the economy and its citizens with reliable, safe and secure sources of energy.

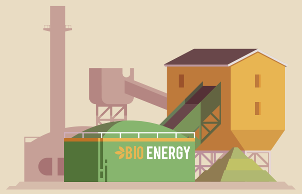
OUR BUSINESS MODEL

1 GENERATION

RENEWABLE GENERATION


Water/Hydro

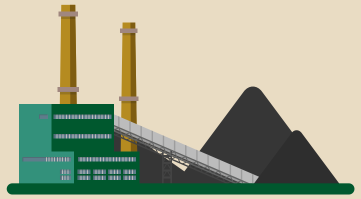

Solar

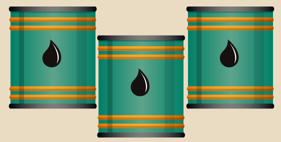


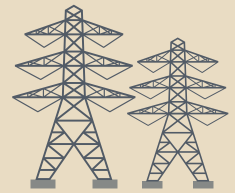
Biomass


Wind

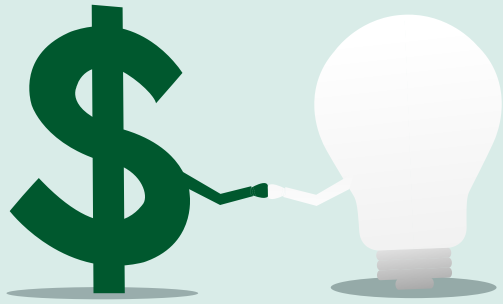
NON - RENEWABLE GENERATION


Thermal


Diesel/HFO


Imports

2 ENERGY TRADING



4 TRANSMISSION

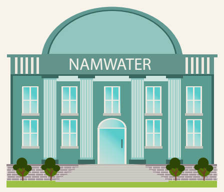
High Voltage Transmission Lines

NamPower Substations

3 DISTRIBUTION CUSTOMERS


REDs/Municipalities


Mines



NamWater

5 CUSTOMERS/END USERS

Hospitals


Industries


Farms


Schools


Residential/Commercial

ABOUT US

NamPower is Namibia's national power utility and has, since its establishment on 1 July 1996, consistently remained a mainstay of the nation's economy.

As a public enterprise, NamPower adheres to the legal and regulatory framework provided for in the State-owned Enterprises Governance Act (Act No. 3 of 2006) as amended, the Companies Act (Act No. 28 of 2004), the Electricity Act (Act No.4 of 2007) and all other legislation applicable to its business. The overall strategic direction and governance of NamPower is the responsibility of the Board of Directors.

The strategic direction NamPower is pursuing aims to enhance its mission "to provide for the energy needs of our customers, fulfil the aspirations of our staff and satisfy the expectations of our stakeholders" through the provision of quality and reliable products and services at a reasonable cost in a sustainable manner.

OUR CORE BUSINESS

NamPower's core business is generation, transmission and energy trading, the latter of which takes place within the Southern African Power Pool (SAPP), the largest multilateral energy platform on the African continent. NamPower supplies bulk electricity to the Regional Electricity Distributors (REDs), Mines, the Namibia Water Corporation Ltd (NamWater), Farms and Local Authorities (where REDs are not operational) throughout Namibia.

The key role players in the Electricity Supply Industry (ESI) are the Ministry of Mines and Energy (MME) as custodian of Namibia's energy sector; the Electricity Control Board (ECB) as the regulator of the ESI; NamPower, as Namibia's electricity utility, and the REDs and some Local Authorities as the country's distribution licensees across the country. A number of Independent Power Producers (IPPs) have recently come on board as generators of renewable energy.

OUR INFRASTRUCTURE

Generation

NamPower owns and operates three power stations with the combined installed capacity of 489.50 MW. These power stations are the main sources of local power generation capacity in the country:

347 MW
Ruacana hydro-electric power station in the Kunene Region

120 MW
Van Eck coal-fired power station outside of Windhoek

22.5 MW
Anixas diesel-powered power station at Walvis Bay

Transmission

NamPower owns a world-class transmission system and a network of 66 kV to 400 kV of overhead lines spanning a distance of more than 11,673 km, one of the longest of its kind in the world. The national grid has been designed and largely built by Namibians.

In addition to these lines, Transmission's asset base includes one hundred and forty nine 66 kV – 400 kV transmission substations, 3,615 MVA of transformer capacity, ninety four 11 kV – 33 kV distribution substations and specialised HVDC and SVC devices.

Energy Trading

The robust Energy Trading Platform system enables successful trading activities such as load forecasting, market scheduling, energy and financial settlement as well as reporting, all with a high degree of accuracy.

National Control Centre

The 'pulse' of NamPower – the National Control Centre, situated in Windhoek - operates on a 24-hour basis to ensure system availability and is responsible for real-time operation and management of the utility's generation, transmission and distribution system.

OUR PEOPLE

NamPower has a dedicated staff complement of 978 permanent and 108 contract employees who embody excellence and commitment and who, through their collective skills and knowledge, form part of the nation's infrastructural backbone. The work of these Namibian men and women, including an experienced senior management team, is overseen by a Board of Directors actively involved in the enforcement of best practice corporate governance and other business principles.

OUR MANDATE

NamPower's mandate is to generate, transmit, supply and trade in electricity and to a limited extent, distribute electricity.

OUR VISION

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

OUR MISSION

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

VALUES

NamPower's values express the Company's aspiration to achieve high ethical standards in its operations, to build a culture of teamwork that will bring out the best in each individual, to focus on serving its customers, and to prioritise the safety of staff and the public at all times.

Integrity
We strive to be honest in everything we do and are determined to adhere to ethical business principles and good corporate governance at all times.

Health, Safety and Environment
We will create and uphold a safe working environment in all our activities. We shall respect our environment in all our dealings and protect both the physical and human environment at all times.

Empowerment
Every employee has the opportunity to be trained and developed, and to apply that knowledge in the workplace. We welcome feedback from all stakeholders and seek to learn from all situations.

Teamwork
NamPower consists of a workforce with diverse skills and different levels of knowledge and experience. We value everyone's contribution to our collective effort as we strive to work together for the good of the company and the country.

Customer Focus
We value our customers and commit to serving them timeously and diligently with customer service and satisfaction as our focus and our aim.

Accountability
We accept responsibility for our respective roles and pledge to conduct ourselves in a manner that is consistent with the positions and responsibilities entrusted to us.

CONSOLIDATED KEY STATISTICS

The Group recorded the following key statistics over the past three years:

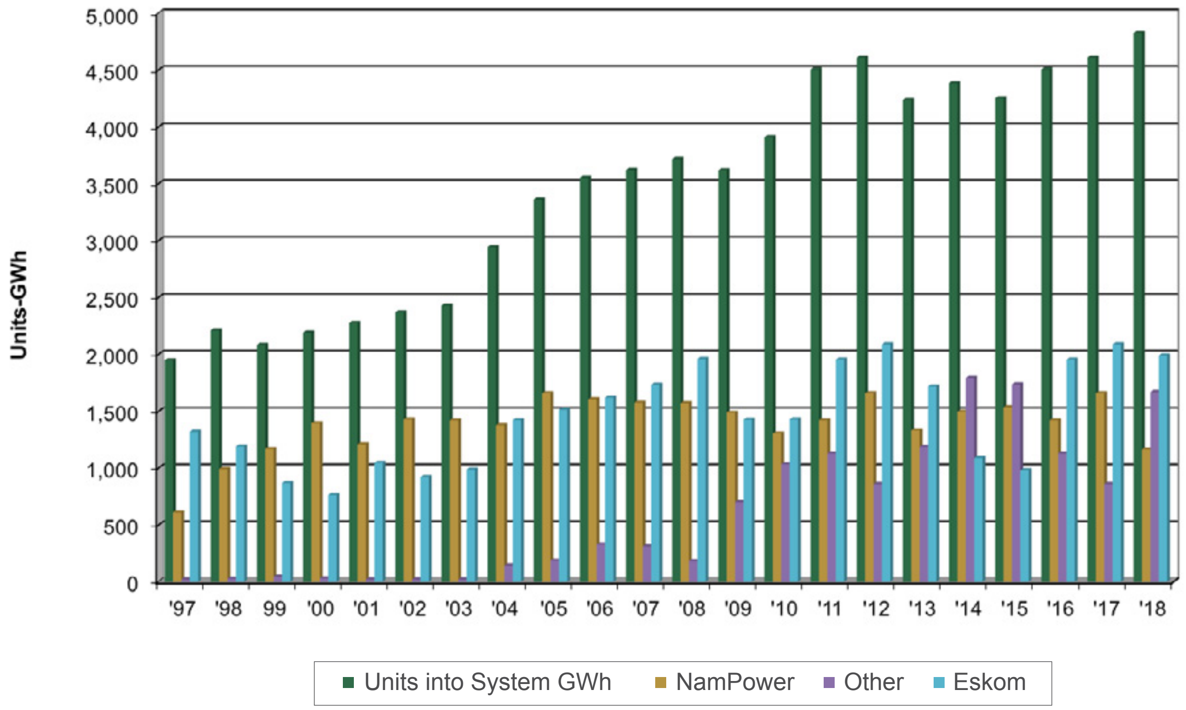
	2018	2017 Restated*	2016 Restated*
1. Total revenue (N$'000)	**6,594,816**	5,920,719	5,146,576
2. Taxation (N$'000)	**(522,247)**	(406,929)	1,786,841
3. Capital Expenditure (N$'000)	**663,140**	752,880	503,799
Property, plant and equipment	**656,393**	724,545	503,109
Intangible assets	**6,747**	28,335	690
4. Coal Cost Per Ton (N$)	**2,011**	1,955	1,587
5. Average Price per unit sold (Cents)	**166.9**	153.2	134.6
6. Number of electricity customers	**2,879**	2,880	2,871
7. System Maximum (Hourly demand) (MW)			
- Excluding Skorpion	**602**	631	608
- Including Skorpion	**639**	677	667
8. Units into System (GWh)	**4,826**	**4,610**	**4,506**
NamPower (Pty) Ltd	**1,165**	1,660	1,421
ZESCO	**361**	334	334
Eskom	**1,991**	2,090	1,956
ZESA	**-**	-	55
ZPC	**357**	348	349
EDM	**-**	3	23
Aggreko	**-**	-	301
STEM	**828**	136	55
Omburu Sun Energy (Pty) Ltd (Innosun)	**12**	12	12
REFITs	**112**	28	-
9. Units sold (GWh)	**4,285**	**4,157**	**4,008**
Customers in Namibia	**3,585**	3,454	3,324
Skorpion Zinc mine	**444**	471	440
Orange River	**142**	132	145
Exports	**114**	100	99
10. Installed Capacity (MW)	**790**	**790**	**790**
- Ruacana	**347**	347	347
- Van Eck	**120**	120	120
- Interconnector	**300**	300	300
- Anixas	**22.5**	22.5	22.5
11. Transmission Lines			
- 400 kV (km)	**1,179**	988	988
- 350 kV (km)	**953**	953	953
- 330 kV (km)	**522**	522	522
- 220 kV (km)	**3,207**	3,206	3,206
- 132 kV (km)	**2,263**	2,258	2,257
- 66 kV (km)	**3,549**	3,556	3,555
12. Distribution Lines			
- 33 kV (km)	**11,682**	11,659	11,654
- 22 kV (km)	**4,980**	4,976	4,945
- 19 kV (SWER) (km)	**4,600**	4,560	4,396
- 11kV (km)	**1,128**	1,127	1,119
13. Employees	**1,086**	1,079	1,041

Abbreviations:

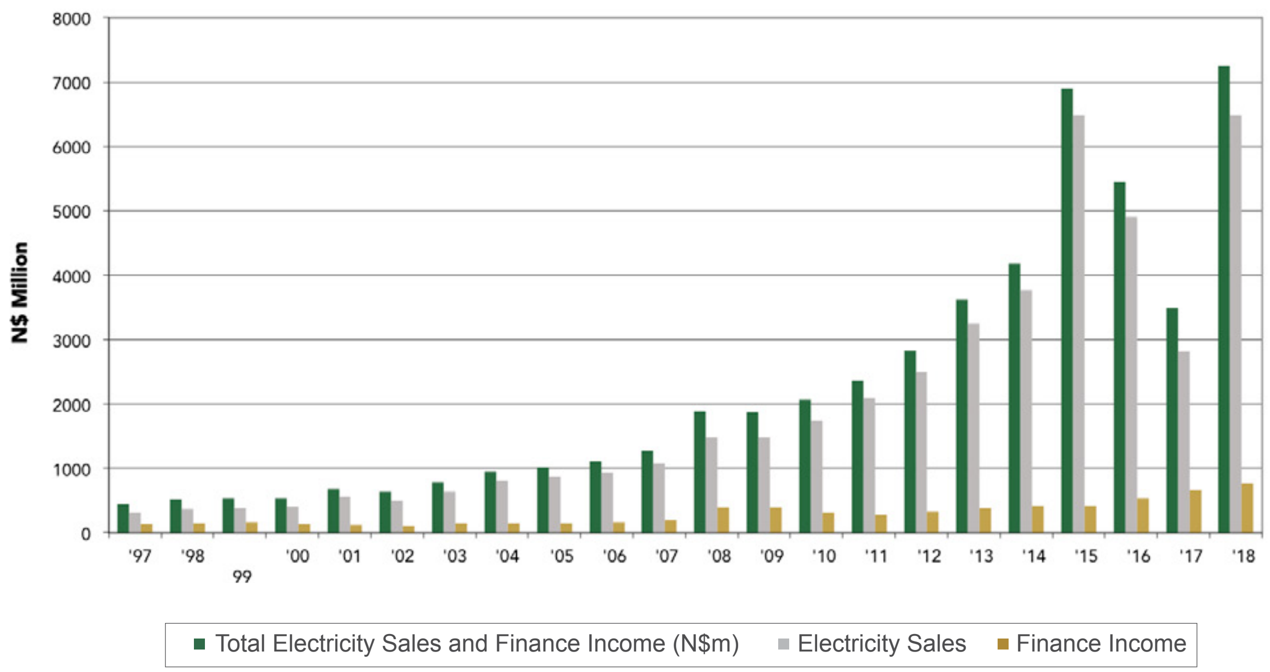
AU$	Australian Dollar
EDM	Electricidade de Mozambique
EUR	Euro
FV	Fair Value
GBP	Great British Pound
GWh	Gigawatt hour
Km	Kilometre
kV	Kilovolts
MME	Ministry of Mines and Energy
MTC	Mobile Telecommunications
MW	Megawatt
NNF	Namibia Nature Foundation
N$	Namibian Dollar
REFITs	Renewable Energy Feed-in Tariffs
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
ZPC	Zimbabwe Power Company

* Certain amounts shown here do not correspond to the 2016 and 2017 financial years due to an error and reflect adjustments made, refer to note 30 and note 31.

UNITS INTO SYSTEM

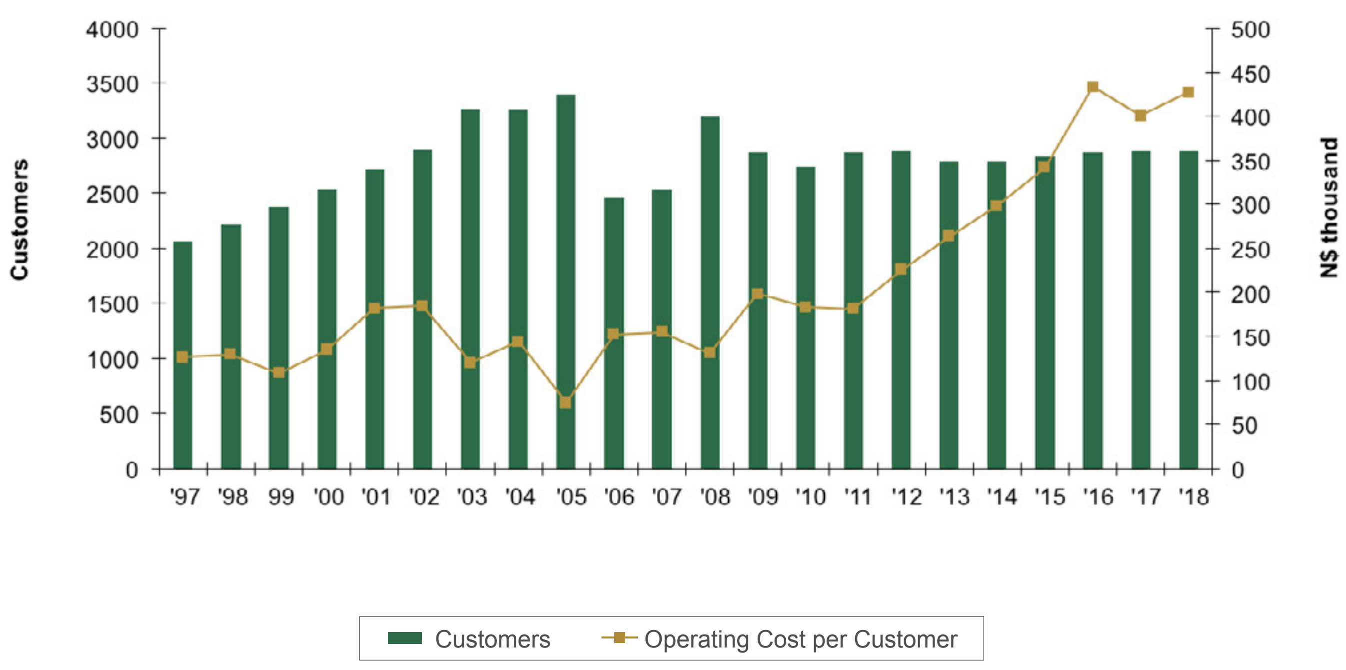


ELECTRICITY SALES AND FINANCE INCOME

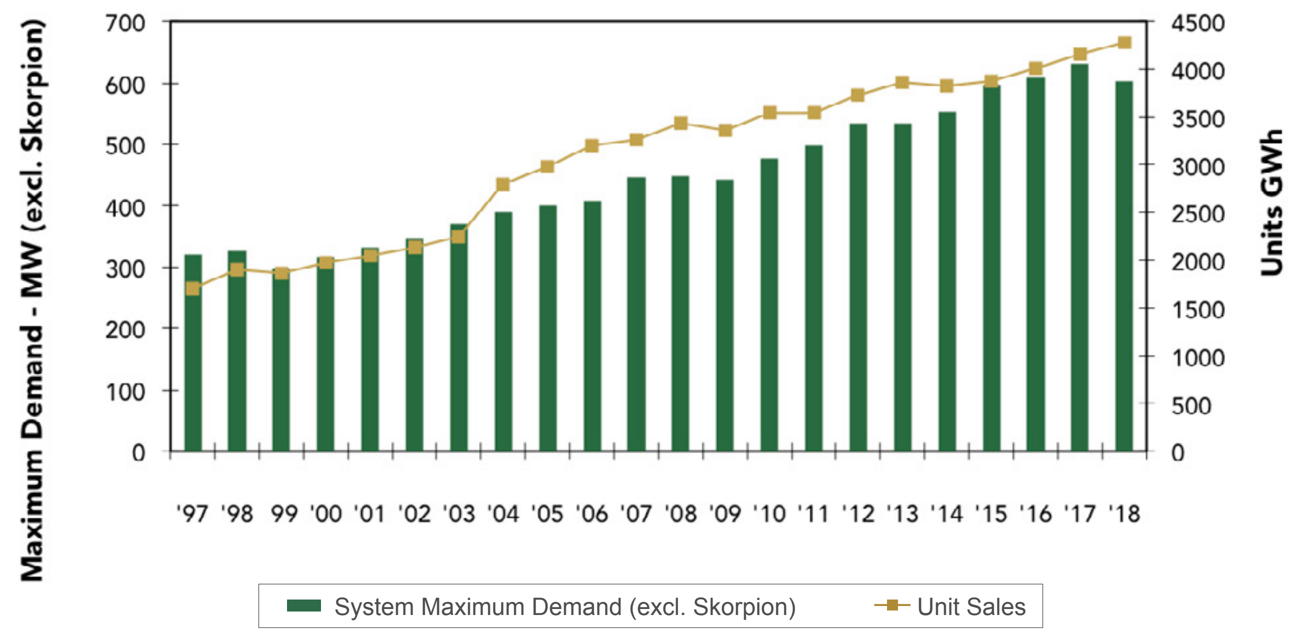


CONSOLIDATED KEY STATISTICS (continued)

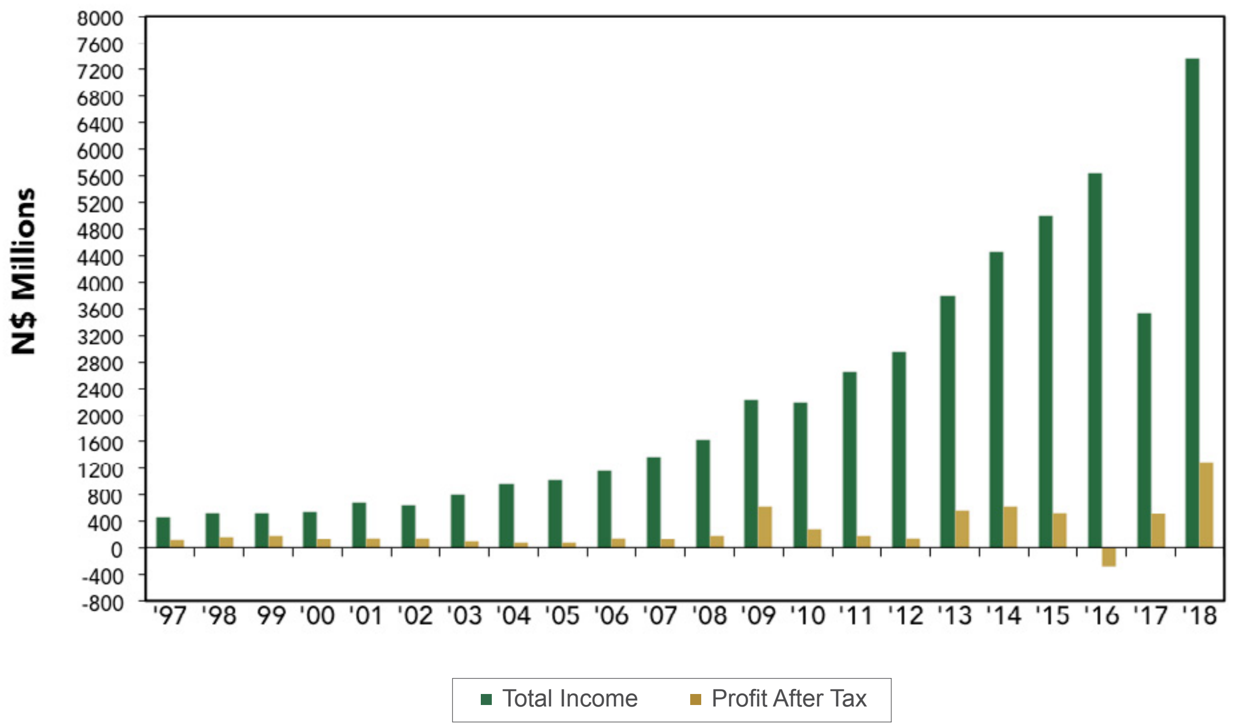
CUSTOMERS AND OPERATING COST PER CUSTOMER



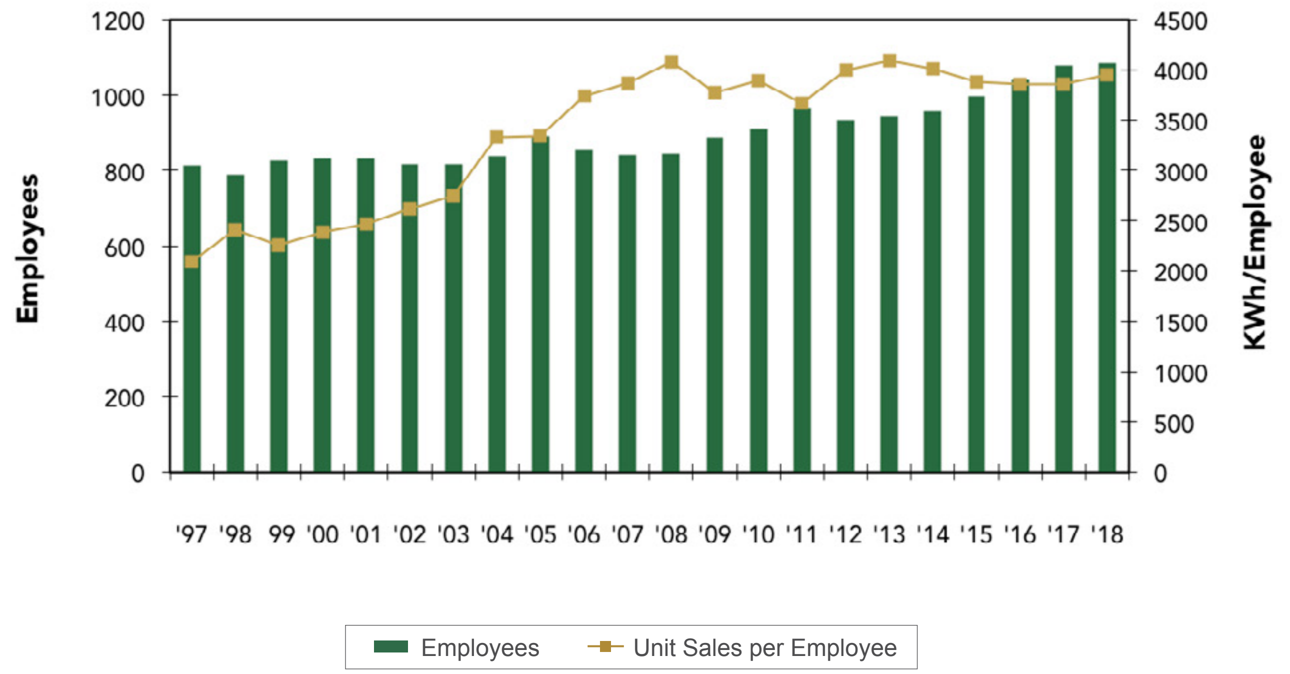
SYSTEM MAXIMUM DEMAND (EXCL. SKOPRION) AND UNIT SALES



TOTAL INCOME AND PROFIT AFTER TAX (N$ MILLION)

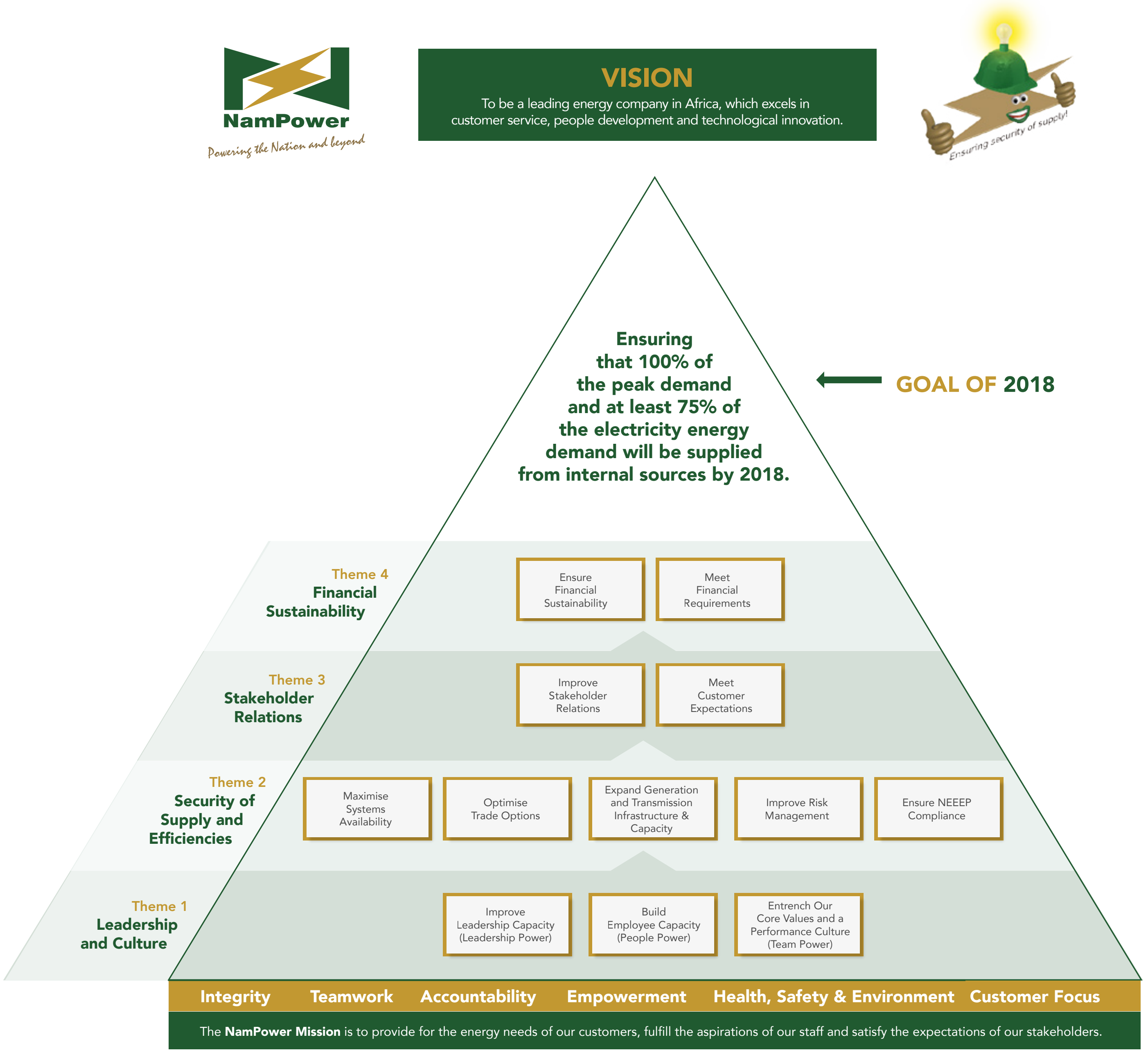


EMPLOYEE PERFORMANCE



STRATEGIC OVERVIEW

NAMPOWER STATEGY MAP 2014 - 2018

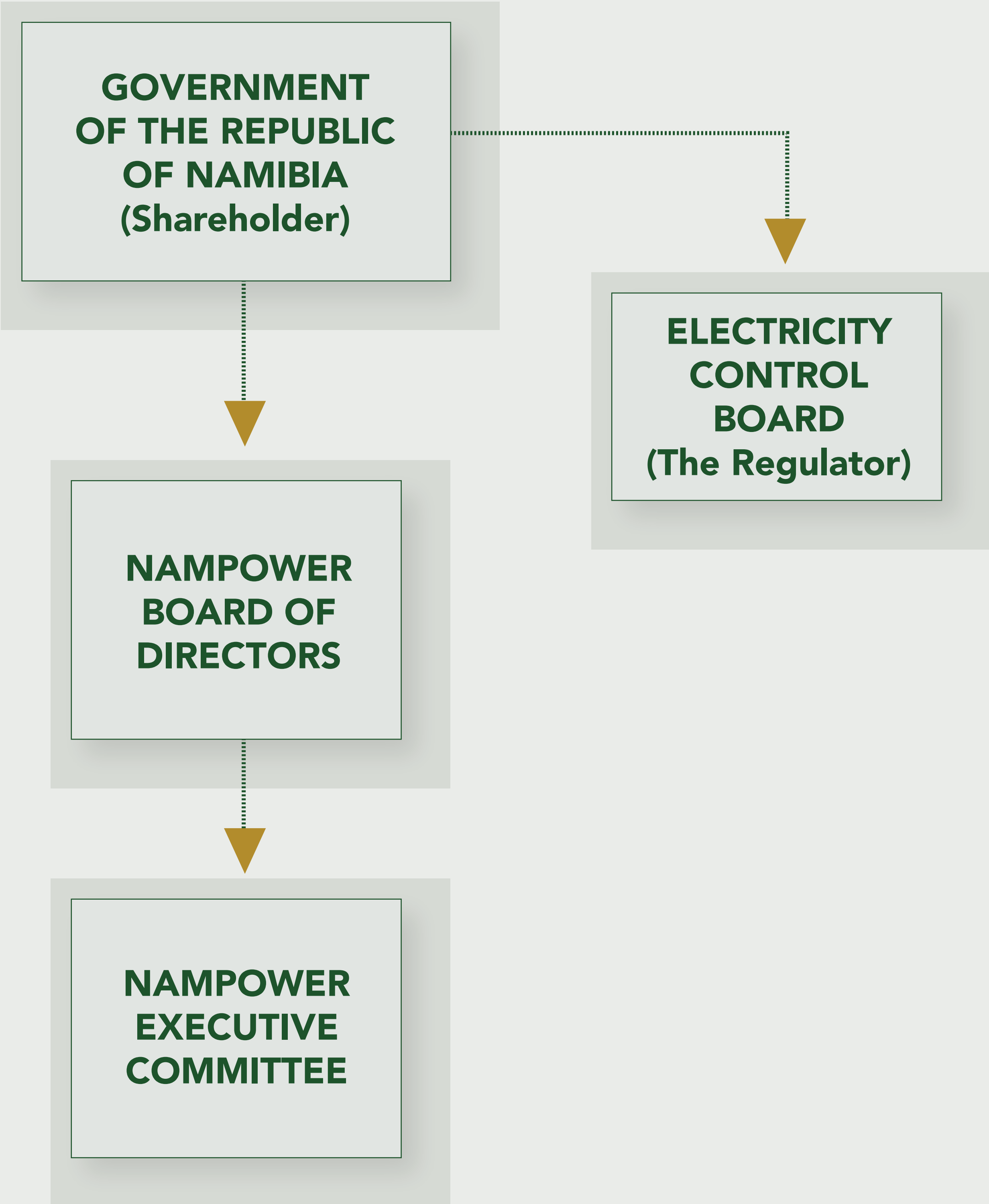


Four key themes underpin NamPower's 2014 – 2018 Strategic Plan as illustrated in the strategy map above. These themes are supported by specific strategic objectives, measures and initiatives which were set in order to guide NamPower towards fulfilling its goal of "Ensuring that 100% of the peak demand and at least 75% of the electricity energy demand will be supplied from internal (Namibian) sources by 2018". This goal is aligned with the 1998 White Paper on Energy Policy, which was, until recently, the ruling expression of the Government's policy on energy. The Energy White Paper has since been replaced by the National Energy Policy.

NamPower completed the fifth and final year of its five-year Corporate Strategy and Business Plan (2014 – 2018) on 30 June 2018 and consequently NamPower's management, in close collaboration with the Board of Directors, are in the process of developing a new five-year Corporate Strategy and Business Plan (2019 – 2023) that is guided by our vision and mission statement. Furthermore, the new NamPower strategic plan will be aligned to policy direction and the National Integrated Resource Plan (NIRP), whilst also considering trends in the electricity market and changes in customer behaviour. Our aim is to deliver sustainable security of supply and a least cost tariff path that will support economic growth and maintain the business' financial sustainabiliy. We will always consider the implications of our decisions and actions on our stakeholders, the economy and the environment.

In driving the strategic plan to be developed, NamPower's business units will in the coming year develop business plans and key initiatives aligned to the strategic goals set out by the organisational strategy. NamPower will implement the goals set out in its strategic plan through each of its business units and their respective business plans.

GOVERNANCE STRUCTURE



CORPORATE STRUCTURE

Hon. Tom K Alweendo
Minister of Mines and Energy

Hon. Kornelia Shilunga
Deputy Minister of Mines and Energy

Mr. Simeon Negumbo
Permanent Secretary of Mines and Energy

BOARD OF DIRECTORS

Ms. Kaunapaua Ndilula
(Chairperson)
MBA – Stellenbosch University, South Africa
M.A. Development Economics (Massachusetts, USA)

Holding two masters degrees and with diverse experience in business management, strategy formulation and execution, Ms Ndilula's more than 20 years of experience holds significant value to the NamPower Board. As founder of the BFS group of companies, she serves as Managing Director. Her institutional development capacity will come in handy in steering the NamPower Board into a sustainable future.

Mr. Daniel Motinga
(Deputy Chairperson)
M.A. Economics
University of East Anglia, Norwich, United Kingdom

Renowned economist and researcher, Mr Motinga forms an integral part of the NamPower Board. Publishing research in various fields as well as steering the direction of many organisations as a respected manager and trustee for over 20 years, his vast experience in economics, social policy and sector reform, gives him unique insight into the important role NamPower has on the nation and its industries. He has served as a consulting economist for the banking industry and is currently a Senior Relationship Manager for RMB Namibia.

Dr. Detlof von Oertzen
(Director)
PHD – Physics (High Energy Nuclear Physics), University of Cape Town, South Africa. Advanced MBA – Finance University of Adelaide, Australia

An independent technical and management consultant in the energy and radiation sectors, Dr von Oertzen has extensive experience in the electricity and finance sectors. His career which spans over more than 25 years, has laid the foundation for his in-depth understanding and expertise in the fields of energy, the environment and radiation protection thereby enabling collaboration with international, regional and local entities such as the World Bank, United Nations Development Programme, International Atomic Energy Agency, the Ministry of Mines and Energy, the Electricity Control Board and many other regional authorities and regulators.

Ms. Sara Katiti
(Director)
Masters in Development Finance, University of Stellenbosch, South Africa

The broad exposure of Ms Katiti's career has given her experience in resource management, business development, operational strategic formulations, financial and technology management and various other fields of business. Ms Katiti brings with her a wealth of experience, having held various senior positions in Namibia's corporate sector.

Ms. Anna Matebele
(Director)
Masters - Commercial and Financial Law,
Kings College London, United Kingdom

An experienced lawyer in the corporate world for the past 15 years, whose areas of specialty has focused on regulation within financial services, ICT and the road sector. Ms Matebele has served in various executive positions throughout her career providing strategic direction on governance and legal issues. Ms Matebele brings with her vast Board experience from the past 10 years in both the private sector and state-owned enterprises.

Mr. Andreas Kanime
(Director)
MBA – University of KwaZulu Natal, South Africa

Andrew Kanime has operated at an executive level for the past 12 years and has extensive corporate human resources management and business leadership experience in the telecommunication, broadcasting, transport, banking, electricity and educational sectors. His corporate experience is complimented by his uniquely combined set of academic qualifications in the fields of business administration, accounting, finance, human resources and public management. He brings to the NamPower Board humility and a unique skills set, compounded by 8 years of direct corporate governance experience, having held several positions of trust in Namibia.

Mr. Kahenge S. Haulofu
(Managing Director)
Advanced Management Program, Harvard Business School (Boston, USA),
B.Sc. Degree in Civil Engineering, Tampere University of Technology, Finland

A qualified Civil Engineer with 20 years of experience in the electricity industry, Mr Haulofu has been the Managing Director of NamPower since July 2016. He has served in various leadership and managerial positions at NamPower prior to his appointment as Managing Director. As a dedicated NamPower employee, he has overseen the implementation of various transmission and generation projects.

Prior to joining NamPower, Mr Haulofu was involved in strategic national water infrastructure projects such as the construction of the water canals in the northern regions of Namibia.

EXECUTIVE COMMITTEE

Back row:
Bertholdt Mbuere (Divisional Manager, Energy Trading),
Isac Tjombonde (Chief Officer, Corporate Services),
Braam Vermeulen (Divisional Manager, Transmission),
Reiner Jagau (Chief Officer, Power Systems Development),
Christo Bezuidenhoudt (Senior Manager, Internal Audit).

Front row:
Lucia Hiveluah (Head NamPower Foundation),
Rinus Carstens (Acting Divisional Manager, Generation),
Kahenge Simson Haulofu (Managing Director),
Selma Shaanika (Acting Chief Officer, Finance),
Gerson Rukata (Acting Chief Officer, Technical).

LEADERSHIP REPORT

"Security of supply remains a priority and the strategic plan concluded by the Board is geared to ensuring reliable supply of power, whilst improving local generation capacity. The Board is committed to ensure that the necessary capacity is established to execute the targets set, especially in improving local generation capacity and optimising our transmission infrastructure. Thus, the new strategy is intended to be cognisant of developments in technology and to remain robust and responsive to take advantage of technology advancements as they unfold over the strategy period."

MS. KAUNAPAUA NDILULA
Chairperson

I am delighted to present the 2018 NamPower Annual Report under the theme "Consistent and incremental strides towards improved local generation capacity and maintaining a secure supply of electricity for Namibia".

Whilst the focus of this report is the past year, there is merit in providing a reflective analyis on the past five years, as June 2018 also marks the end of the past five year strategic plan.

Our increased infrastructure capacity, a strict maintenance regime, together with an efficient energy trading business and a dedicated workforce has enabled NamPower to fulfil its mandate.

NamPower's transmission network, providing electricity across the vast Namibian landscape, has during the period under review, built an additional 190 km of transmission lines, resulting in a total length of a transmission network of 11,673 km. Local generation capacity has increased through the refurbishment and upgrade of existing plants, as well as through facilitation and collaboration with the private sector to deliver renewable capacity to the grid.

At the same time, NamPower continued to maintain a strong financial position and investment grade rating over the years, with a rating of AA+Zaf affirmed during the period under review. This was made possible through prudent business decisions.

Notable achievements made during the past five year period include:

- The improvement of existing generation plants such as the completion of the Ruacana Turbine Runners Replacement Project in 2016, which saw the station's installed capacity increase from 332 MW to 347 MW.
- Further development and improvement of the transmission system and network of 66 kV to 400 kV overhead lines and substations to accommodate the growing electricity demand in the country.
- The commissioning of the Walvisbay Substation at N$ 597 million.
- The integration of renewable energy into the grid through the Renewable Energy Feed-In Tariff (REFIT) programme as well as other renewable energy projects developed by Independent Power Producers.
- The significant investment into the rural electrification programme which is executed in partnership with the Ministry of Mines and Energy.
- Contributing to the socio-economic development of the country through investing in communities countrywide.

Ensuring that our business operates in a transparent, ethical and accountable manner remained a critical aspect of our business as it creates strong and sustainable value for our shareholder and promotes the wellbeing of the company over the long-term. The Board strives to ensure that its corporate governance practices provide for the effective stewardship of the company, guided by a Board Charter to ensure we are keeping up with the highest standards.

The Board is fully aware that even a well-run institution such as NamPower faces specific risks and challenges. Risk management therefore forms a vital part of our strategic focus, with strategic risks managed and monitored at Board as well as Executive level.

During the period under review, we have done far more than simply harness the power of our infrastructure. We have also renewed our efforts to harness the power of our people and shall continuously strive towards being an employer of choice in pursuit of our mission "To provide for the energy needs of our customers, fulfil the aspirations of our staff and satisfy the expectations of our stakeholders". The fact that more than half of the workforce have been in the company's employment for more than a decade is a good indication of a highly conducive work environment.

NamPower's dedicated women and men go beyond the call of duty to ensure a continuous supply of electricity to the nation. It is especially pleasing to note that there were no major transmission system disturbances experienced during the year under review. Where there were power interruptions, the average customer restoration time decreased from a mere 4.18 to 3.05 minutes with an overall power transmission system availability of 99.87% recorded. Likewise, plant availability for the power stations recorded an above average performance of 95.30% against a target of 92% for the year under review (bearing in mind that this is influenced by the Kunene River flow to the Ruacana Power Station).

These impressive results were achieved through a track record of operational effeciency and excellence, displayed by the dedicated team of men and women at NamPower. Trading options were also optimised during the period under review, with smart import optimisation having allowed NamPower to reduce on USA dollar denominated supply options, which are relatively expensive.

As an integral part of society, we also have a responsibility to invest in the communities in which we operate. To this effect, through its Foundation, NamPower invested over N$ 4.2 million in various corporate social investment programmes during the period under review. NamPower continues to make significant investments in providing educational opportunities to young Namibians, and has during the period under review invested an amount of N$10.3 million.

Moreover, in line with our ethos, NamPower takes responsibility for the environmental outcomes of its activities and outputs, as these affect society as a whole. A detailed account of the various programs in place is included in the Sustainability Report.

In preparation for our new five-year strategic plan, the period under review was important to establish the gaps and reposition the building blocks for a new five-year (2019 – 2023) Corporate Strategy and Business Plan.

We have consulted our primary stakeholders, including our shareholder, to engage and gauge their input into our plans for the next five years. In our effort to remain relevant, we made deliberate efforts through a series of planning, engagements and consultations to define our generation mix which will serve as the basis of the new five-year generation strategic goals.

Moving forward, the Board recognises that the new strategic plan needs to be responsive to the transition in the energy sector, while at the same time continuing to provide reliable, sustainable electricity at cost reflective tariffs to the nation, with reduced dependency on electricity imports.

The fuel mix is becoming greener, spurred by a confluence of government policy, customer demand and technological innovation. Continued improvements in energy efficiency have begun to bend the demand curve, with energy demand predicted to grow at a slower pace. Day demand is more and more supressed mainly due to solar PV (roof-top, embedded and grid-connected). Although Namibia has experienced an increasing peak (average annual increase of 2%) and energy demand (average annual increase of 4%) over the past five years, going forward we expect the overall growth rate in demand to be lower than that of the past five years mainly due to customers investing in self-generation and a lower growth in the Gross Domestic Product (GDP).

With the shift in the market model, towards a modified single buyer market model, an increased number of market participants is envisaged, which will significantly increase the market complexity. A closer collaboration between stakeholders in the market is therefore needed to manage this increased complexity.

Security of supply remains a priority and the strategic plan concluded by the Board is geared to ensuring reliable supply of power, whilst improving local generation capacity. The Board is committed to ensure that the necessary capacity is established to execute the targets set, especially in improving local generation capacity and optimising our transmission infrastructure. Thus, the new strategy is intended to be cognisant of developments in technology and to remain robust and responsive to take advantage of technology advancements as they unfold over the strategy period.

A significantly improved generation capacity is a key objective of our new strategy. Whilst the realisation of these projections might not all conclude during our term, we would have laid the foundation and started some, whilst some are to be realised in future.

Given an improvement in the financial position and hence performance of the company over the past two financial years (see details on the financial performance of the company on page 74), the Board together with the Management team is confident that the new strategic plan will deliver a competitive and demand-responsive company. Our aim with the new plan is to pursue the best strategies to achieve our objectives.

Innovation, business development and leveraging new technologies, will be a key enabler for NamPower to attract top talent and remain an employer of choice that will provide opportunities for career growth in an environment that tends to have a skills shortage despite the transforming business landscape. NamPower will place additional emphasis on developing its future leaders through succession planning, effective recruitment and building the capacity of the plan so as to create an organisational capacity to deliver the strategic plan and build a pipeline for future leadership and ensuring business continuity.

Reflecting on our solid and reliable performance for more than two decades and the period under review in the electricity supply industry, I can confidently say that this is one of the most exciting times to be part of our local energy industry, pioneering new and innovative solutions for our customers and the nation. As we forge ahead, drawing upon our collective capabilities and the expertise of our people, I am confident that we will play a leading role in the energy economy for many more decades to come.

Appreciation and Conclusion

Against the backdrop of achievements, opportunities and challenges, I would like to, on behalf of the Board of Directors, thank the government and all our key stakeholders for their continued support, without which the delivery of the company's mandate would be a tough call.

I would further like to express our gratitude towards Honourable Obeth Kandjoze, whose term as Minister of Mines and Energy ended in February this year.

In the same vein, we welcome our new minister, Honourable Tom Alweendo and we look forward to working with him and his team in realising our new strategic plan.

To the NamPower Executive Team and the staff, your hard work is commendable and we the Board will continue to rely on your commitment.

K Ndilula
Chairperson

MR. KAHENGE S. HAULOFU
Managing Director

"I want to acknowledge the contribution of all of our people, and to commend their hard work and commitment for making each year a success."

Electricity is a fundamental input to, and constitutes the critical infrastructure of the Namibian economy, which is largely built on a reliable supply of electricity.

The almost linear relationship between electricity and development, which is only further enhanced by the inexorable progress of technology, underpins society as we have come to know it today. Stable and secure electricity is therefore imperative for national governments, both for basic household needs and for industrial progress and overall economic growth.

The challenge however, is to keep the supply system stable, thus making business as usual not an option in the power sector.

Users in commercial and industrial environments expect a power supply system reliability of at least 99%, and as highlighted in the Chairperson's statement, NamPower excelled in this regard with an overall power transmission system and availability of 99.87% recorded during the period under review.

Reflecting on the performance of all areas of our business, I can certainly report that favourable and steady progress has been made during the year under review. Although as in any business NamPower had challenges and risks, these were mitigated through responsive enterprise risk management and proactive leadership.

The gross profit margin increased to 49% compared to 47% achieved in 2017, mainly driven by an increase in revenue. The cost of electricity increased by 9% from N$ 3.1 billion to N$ 3.4 billion for the period under review.

The total energy generated by the Ruacana Hydro Power Station and sent out in the FY 2017/2018 amounted to 1,144 GWh, which is significantly below the annual average of 1,500 GWh. The rainfall experienced during the period under review was lower on average than the prior year and consequently there was a decrease in the dispatch of the local cheaper generation from the Ruacana Power Station.

Maximum demand (including Skorpion) decreased from 677 MW achieved in June 2017 to 639 MW in June 2018, representing a decrease of 6%. The decrease in maximum demand is attributed to a decrease in production in the mining sector and a struggling economy. Renewable energy solutions such a solar water heating and installation of roof top solar photovoltaics have also contributed to the lower demand. Namibia saw a stable growth of peak demand for power, from 614 MW in 2013 to 677 MW in 2017.

Infrastructural Development

A number of projects aimed at enhancing the efficiency of current generation capacity, expanding NamPower's transmission network, the integration of Renewable Energy plants, as well as ensuring that the infrastructure is well operated and maintained are in progress.

Transmission projects to the value of approximately N$391 million were commissioned during the year, among which are ten of the fourteen REFIT projects. In total, there were 135 projects in progress with a combined value of N$ 3.59 billion. These, as well as projects in progress are reported in detail under "Our Operations".

Going forward, NamPower will leverage its unrivalled transmission coverage of the country to its advantage in exploring and developing new opportunities and revenue streams in Namibia and the Southern African Power Pool (SAPP) region. Multiple line strengthening projects are planned, the largest of which include the Auas – Gerus 400 kV, the Auas – Kokerboom 400 kV and the Obib to South Africa (Oranjemond) 400 kV lines. These projects will provide numerous benefits to Namibia's national power grid.

Accommodating Renewable Electricity Generation

The integration of renewable energy into the grid through the REFIT programme as well as other renewable energy projects by IPPs who were not part of the REFIT programme, was successfully implemented. Various IPPs positively contributed to increased generation capacity in the country, with generation capacity of 50 MW added to the grid during the period under review.

NamPower embraces the principle of increasing renewable energy technologies as part of the energy supply mix in Namibia. During the period under review, the NamPower Board recommended the development of a 33 MW Wind Power project, 40 MW PV Power Project and a 40 MW Biomass Power Project. The business cases for these projects support key objectives as set out in the National Energy Policy, the NIRP and the HPP.

Our committment to increase local generation supports Government's objectives to develop multiple renewable energy projects that will in the near future provide Namibia with low cost green energy in alignment with the NIRP.

Customer Service and Consumer Participation

NamPower will work to support the energy efficiency of all stakeholders in the value chain, and our long-term success will be critically dependent on the way we continue to work with our stakeholders and our customers. The promise we made last year to focus on enhanced service delivery has borne fruit and is clearly evidenced in high and consistent levels of system reliability and excellent customer power restoration times.

In further striving for operational excellence, the implementation of a new contingency planning strategy will allow for improved preparation for situations when major lines (such as the 400 kV and 220 kV transmission lines), critical transformers, and power stations are unavailable due to the requisite preventative maintenance.

Transformation

As the electricity market in Southern Africa and Namibia continues to transform, a need for NamPower to increase customer focus to respond to the changing customer needs and explore new opportunities for growth in a changing market environment is crucial. One of our main aims is to create flexibility in the electricity system, so it can adapt to the ever-changing needs in the energy sector, address changing customer expectations, consider what areas of the future energy value chain will deliver maximum benefits to the shareholder, and pursue a diverse mix of energy including renewables and storage.

We also support Government policies that encourage increased participation from energy users and will continue to explore and deliver solutions that have tangible benefits for our customers and for the wider community.

Our Human Capital

Great emphasis is placed on investing in our people through adopting sound human resource practices, implementation of training and development programs, wellness programs, and the execution of an efficient peformance management system. During the period under review, over half of the staff complement received relevant learning and development opportunities.

One of the aspects requiring additional focus in the coming year and beyond will be the representation of women in both management and specialised/senior supervisory employment categories. Various initiatives on advancing gender equity are under consideration, with a target of 30% (from 20% in the FY 2017/2018) by the end of the three-year Affirmative Action (AA) Plan, in 2019.

Appreciation and Thanks

I would like to thank the Board of Directors for their positive engagement and support. I would also like to thank our regulator, the ECB for their feedback which helps us achieve our shared goals of providing value to our electricity consumers.

I would further like to acknowledge the contribution of all of our staff members, and to commend their hard work and commitment to making each year a success. Their hard work ensures that the electricity network, market and infrastructure meet the needs of our customers and of the communities we serve. We look forward to good progress in making even bigger strides and recording a solid performance in 2019.

K S. Haulofu
Managing Director

CORPORATE GOVERNANCE AND RISK MANAGEMENT

The Board conforms to the highest standards of corporate governance, and is guided by a Board Charter which has been developed to assist the Board and its committees in the exercise of their responsibilities. The Charter is reviewed annually and revised when necessary.

The key responsibility of the Board, as described in the Charter, is to guide NamPower in pursuit of its purpose. Directors are required to exercise care, diligence, and sound business judgement at all times, and to act in a responsible and ethical manner in alignment and accordance with the laws of Namibia, best practices of corporate governance, the reasonable interests of the company's stakeholders, and responsible citizenship.

The Board requires a formal strategic planning process for the development and approval of strategic plans presented annually by management, and monitors the company's performance against these plans.

Managing our Risks

Risk Management

NamPower's risk management framework is based on the ISO 31000: 2018 Risk Management Principles and Guidelines. Risk management forms part of our strategic focus, adding value through risk optimisation, by identifying threats and opportunities.

Strategic risks are tracked and reported on at Executive level as well as at Board level, through the Board Audit and Risk Management Committee, on a quarterly basis. NamPower has committed itself to improving risk management within the organisation through risk-based decision making. The process has been enhanced by the executive management's involvement and commitment, through the identification and mitigation of Business Unit risks.

The benefits of improved risk management are being felt at both operational and strategic levels in terms of proactive risk analysis and implementing risk mitigating actions. NamPower seeks to continuously improve risk management as it forms an integral part of its Corporate Scorecard, which is used to measure the entity's annual performance.

Achievements

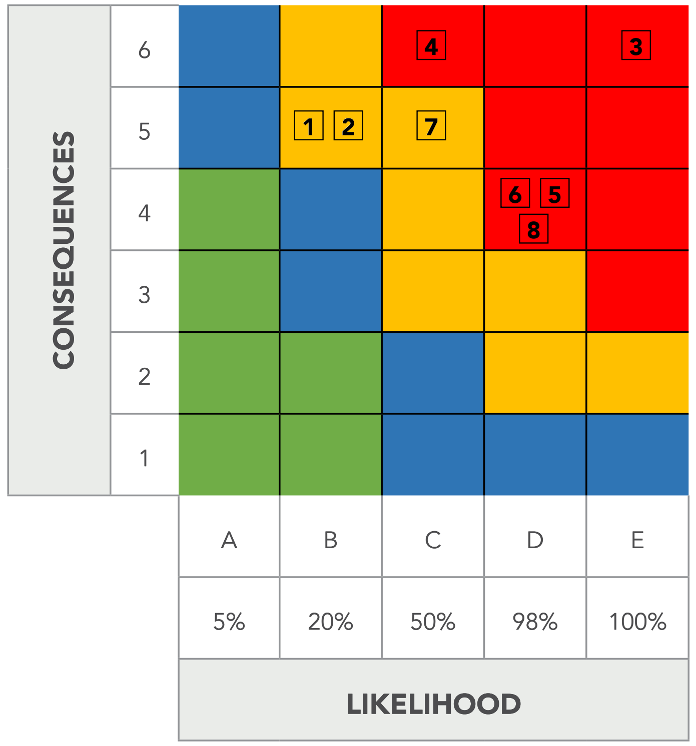
The utility has noticed significant improvement in project risk management, as it involved both internal and external stakeholders in assessing, analysing and evaluating risks before the commencement of projects. This is aimed at identifying and implementing risk mitigating actions that can have both a negative and a positive impact to the project. This process is also aimed at improving communication and aligning NamPower's risk management process to the operations of service providers, external consultants as well as other key stakeholders.

Future Outlook for Risk Management

It has been reported worldwide that identity theft, especially of companies, is on the increase. NamPower is not immune to this type of theft/fraud and therefore it is critical for the company to continue strengthening its operating systems and for the public and service providers to be vigilant and not to be caught off guard and become victims of such fraudulent activities.

Corporate Risk Status

Below is a risk matrix as at June 2018 representing the top strategic risks as identified. These risks are recorded and tracked through the Corporate Risk Register as well as the Governance Risk and Compliance system.



High Level Strategic Risks

1. High cost of electricity supply (customer defection).
2. Cost/accessibility and security of funding.
3. Inability to meet the current electricity demand with existing local generation and transmission infrastructure.
4. Non-implementation of generation capital projects.
5. Change in regulatory framework (Modified Single Buyer Model).
6. Slow implementation of Business Continuity Management (BCM).
7. Lack of project risk registers.
8. Limited capacity and skills.

STAKEHOLDER MANAGEMENT AND ENGAGEMENT

NamPower values the importance of collaboration with all electricity sector stakeholders to support the development of the industry, accelerate electrification towards universal access, develop new products and services and deliver our project portfolio.

Going forward, NamPower will therefore redesign its approach to stakeholder engagement. This approach will include the introduction of new and frequent platforms of collaboration. Implementing this new approach to stakeholder engagement will be critical to the achievement of NamPower's vision.

BUSINESS
Financial Institutions, Investors (local and international), Namibia Chamber of Commerce and Industry

KEY CUSTOMERS
Industrial, mining, commercial, REDs, municipalities, town councils, farmers (where no REDs operate), NamWater

CIVIL SOCIETY
NGOs, Namibia Nature Foundation, Universities, Technicons, Research Institutions, General public

ORGANISED LABOUR
Representative Union body

MEDIA
Namibian, African and International

SUPPLIERS
Capacity expansion suppliers, fuel suppliers, original equipment manufacturers, other suppliers of goods and services, Independent Power Producers (IPPs)

GOVERNMENT
Public Enterprises, Ministry of Mines and Energy, Ministry of Finance, Ministry of Environment and Tourism, Ministry of Trade and Industry, Ministry of Labour, Ministry of Public Enterprises, Other Government Ministries and Agencies

EMPLOYEES/BOARD OF DIRECTORS
Employees, Exco, Board

INTERNATIONAL/ REGIONAL RELATIONS
Multilateral institutions, Donor funding agencies, Cooperation agreements, Southern African Power Pool (SAPP)

REGULATOR
Electricity Control Board (ECB)

INDUSTRY
Associations and industry experts

OUR OPERATIONS

NamPower takes great pride in the regular maintenance and operations of its power stations, substations and transmission lines, which form key elements in the delivery of its mandate to supply secure and reliable electricity to the country.

NamPower continues to plan and develop new generation and transmission infrastructure in order to accommodate the growing electricity demand in the country.

The company also manages and maintains the distribution networks in areas not incorporated into the existing REDs.

DEMAND AND SUPPLY

System Demand

A new maximum demand of 639 MW (without Skorpion Zinc Mine) was registered on 22 August 2017 while a new maximum demand of 695 MW (with Skorpion Zinc Mine) was registered on 07 August 2017.

This shows an increase of 1.27% in the system's maximum demand when compared to the previous record of 631 MW, registered on 21 June 2017.

It was also observed that, due to requirements for regional South to North trading with ZESCO, a summer peak demand phenomenon of 653 MW (without Skorpion Zinc Mine, as illustrated in the Table below) and 717 MW (with Skorpion Zinc Mine) was observed on 09 November 2017.

System Minimum and Maximum Demand (excluding Skorpion Zinc Mine)

01:00 Monday - 00:00 Friday	
Week Day Maximum	653 MW
Week Day Minimum	276 MW
01:00 Saturday - 00:00 Sunday	
Weekend Maximum	622 MW
Weekend Minimum	316 MW

PERFORMANCE OF GENERATION AND TRANSMISSION INFRASTRUCTURE

Generation Performance

NamPower's current fleet of power stations:

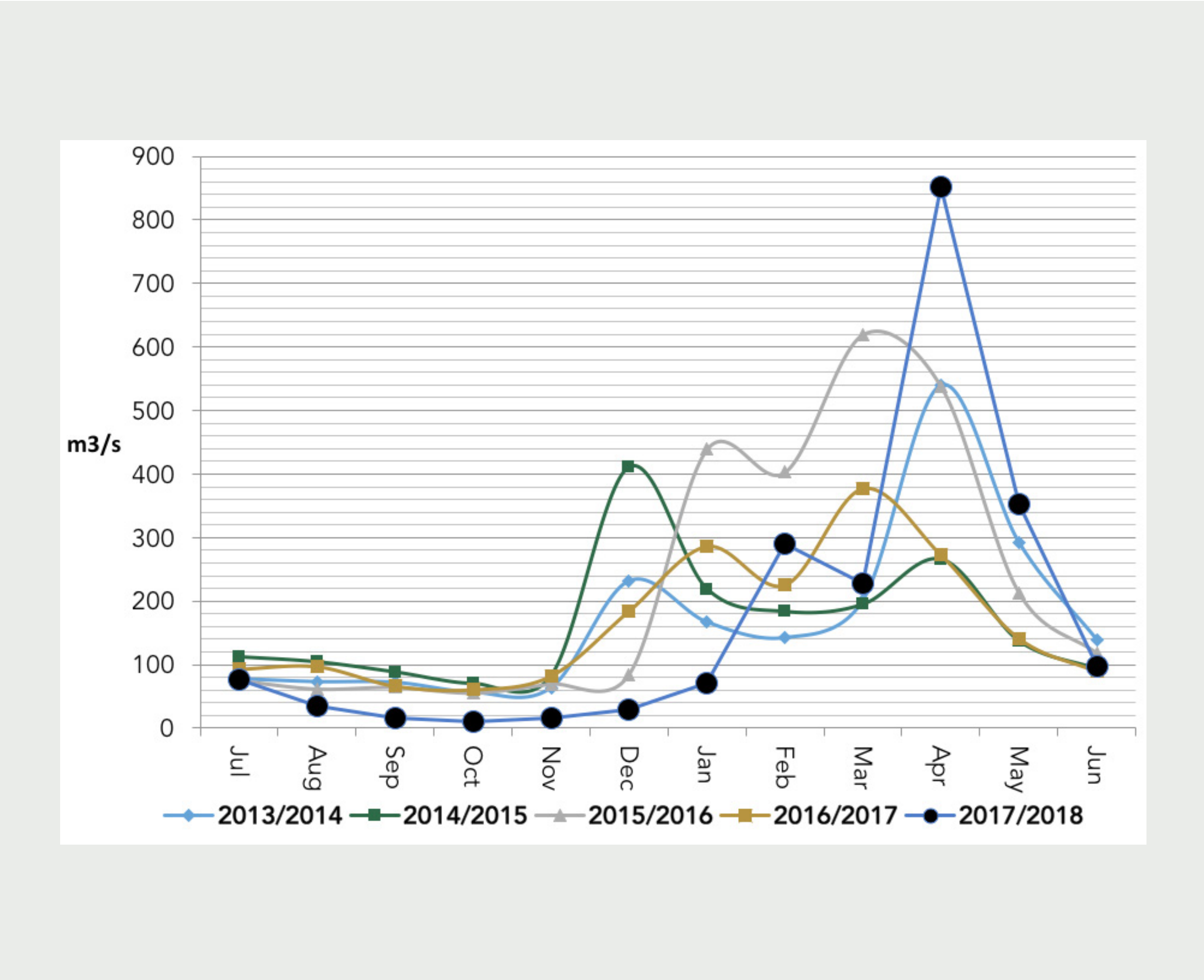
Name	Type	Installed Capacity	Operating Regime
Ruacana Power Station	Run-of-the-river Hydro	347 MW	Flexible
Van Eck Power Station	Coal	120 MW	Emergency Stand-by
Anixas Power Station	Diesel/Heavy Fuel Oil	22.5 MW	Emergency Stand-by

OUR OPERATIONS (continued)

Ruacana Power Station

Ruacana Power Station is the largest power station in Namibia by installed capacity (347 MW) and continues to be a major contributor to meeting Namibia's energy demand as well as ensuring a reasonable average electricity price. NamPower recognises the critical role of Ruacana Power Station as it offsets the amount of power imported during the past financial year by more than 27%.

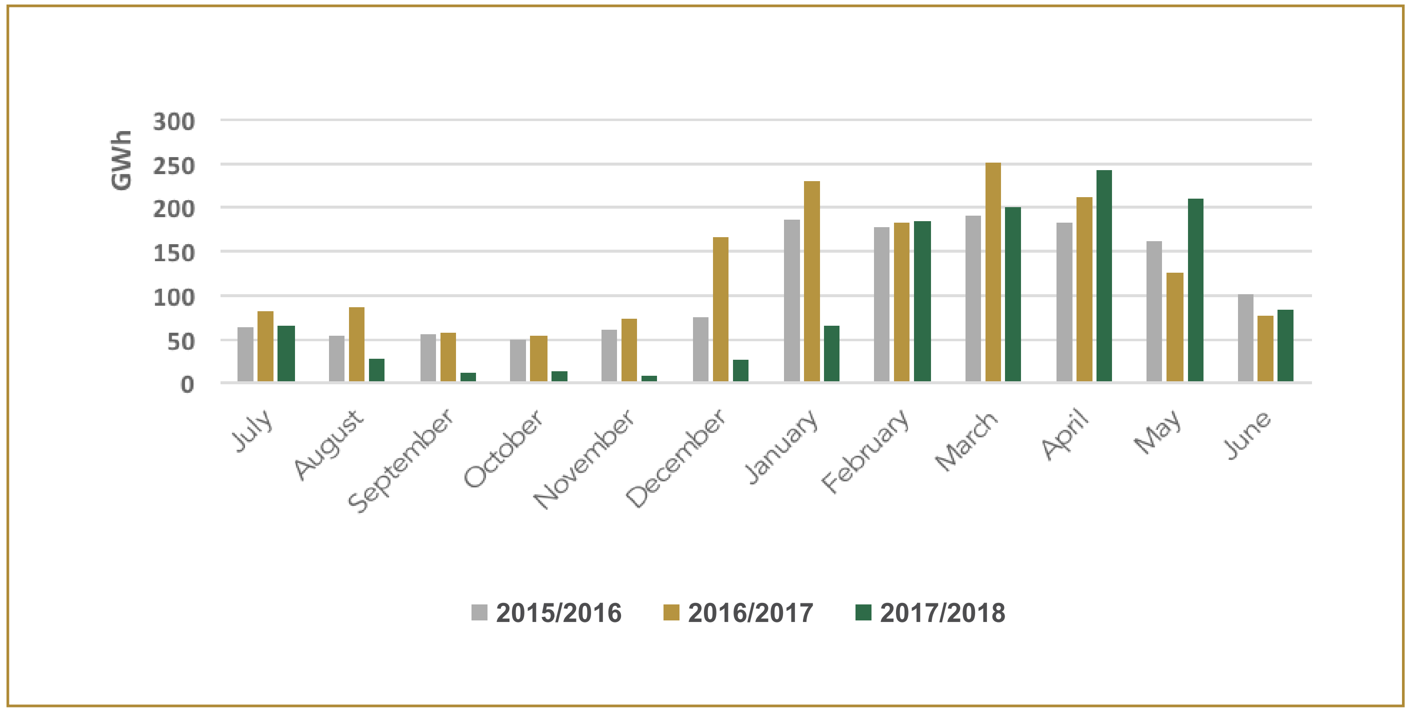
As a run-of-the-river power station, the operations of Ruacana Power Station vary according to the Kunene River flow. A significantly lower than average river flow was observed during the 2017/2018 financial year when compared to the past five years. The Figure below shows the average river flow recorded at Ruacana since the 2013/2014 financial year.



Average Kunene River Flow Since the FY 2013/2014

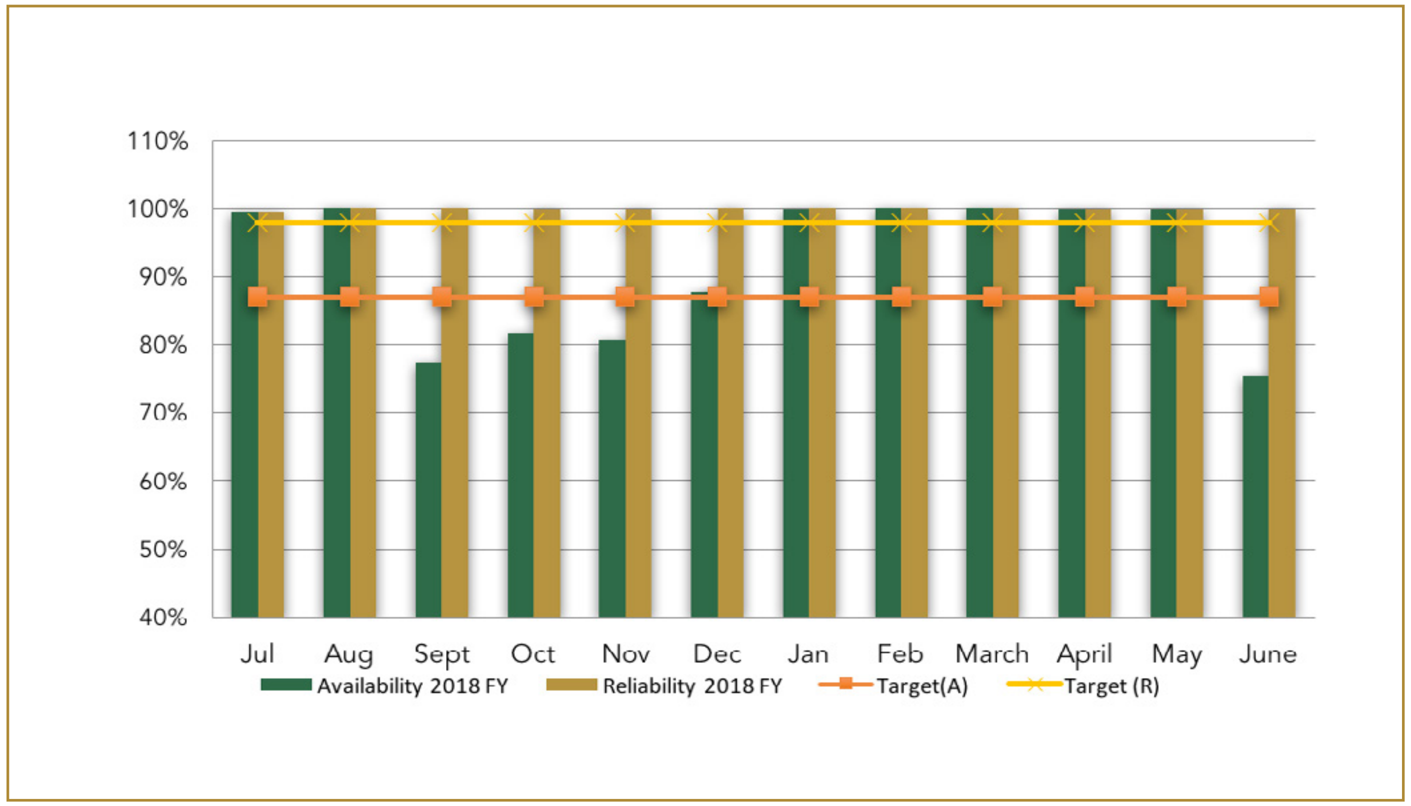
NamPower optimises the dispatch of Ruacana Power Station in order to maximise the energy generated from the available river flow. This is accomplished by operating the power station at base-load during times of high river flows and as a mid-merit/peaking plant during the remainder of the year when the river flow subsides. The Figure below shows the energy generated and sent out from Ruacana Power Station during the past three financial years. The energy generated and sent out during the FY 2017/2018 amounted to 1,144 GWh, which is significantly below the annual average of 1,500 GWh.

Energy Sent Out at Ruacana



Continuous improvements to the Operation and Maintenance (O&M) regime of Ruacana Power Station is key to attaining high values of availability and reliability of the generating units, which measure the power station's overall performance. The Figure below shows the availability and reliability of Ruacana Power Station for the FY 2017/2018.

Availability and Reliability FY 2017/2018



Anixas Power Station

Anixas Power Station continues to play a critical role as a stand-by emergency power station at the coastal town of Walvis Bay. It is fuelled by Light Fuel Oil (Diesel) during cold start-up, and a switch-over is made to more economical Heavy Fuel Oil (HFO) after the fuel pre-treatment system and diesel engines have warmed-up.

Van Eck Power Station

The Van Eck Power Station is a coal-fired power station, situated in Windhoek, with an installed capacity of 120 MW, consisting of 4 x 30 MW units. The station is mainly operated as a standby power station due to its ageing infrastructure and the high cost of fuel. Although all units can be operated in generation mode, units 1 and 2 can also be operated in SCO (Synchronous Condenser) mode to serve as a backup to the Auas SVC (Static VAR Compensator). The power station is still undergoing refurbishment and the refurbishment project is currently in its final stages. Units 2,3 and 4 are currently able to operate at their minimum loads of 11 MW at various times to support and stabilise the Namibian Transmission Network.

Transmission System Performance

It has become imperative in the current competitive economic environment for utilities to accurately measure the performance of their networks. The Institute of Electrical and Electronic Engineers (IEEE) 1366 – 1998 standard, is a widely accepted international guide which stipulates that the required reporting indices reflect electrical transmission's system performance.

The reliability reporting indices as indicated in the Table below are based on the duration and frequency of supply interruptions experienced by an average consumer. The primary system performance parameters measured are the customer average interruption duration index (CAIDI) and the system average interruption duration index (SAIDI).

Transmission System Performance data

Financial Year	Unscheduled System Minute Losses (USML) (minutes)	Unscheduled System Minute Losses (USML) (minutes)	System Average Interruption Duration Index (SAIDI) (minutes)	System Reliability (SAIFI) (interruption/ customer)	Average restoration time (CAIDI) (minutes)
2016/2017	47.78	36.99	0.74	0.18	4.18
2017/2018	27.15	28.69	0.49	0.18	3.05

It can be concluded from the transmission system performance during the FY 2017/2018 and the corresponding score as per the transmission Key Performance Indicators (KPIs) depicted above, that the system reliability performance of 99.87% was above the set target of 99.50%, as illustrated by the fact that the average NamPower customer experienced less than one interruption (0.18) over the review period.

A revised engagement plan for key stakeholders, including the ECB and the REDs, has been implemented. This plan encourages prompt communication by NamPower Transmission to its stakeholders, informing them about contingency plans undertaken during times when the network is considered vulnerable.

The average customer restoration time after a power interruption decreased from 4.18 to 3.05 minutes of loss of supply when compared to the previous reporting period. This can be attributed to the concerted effort of NamPower personnel when attending to the restoration of power supply to affected customers. The overall power transmission system availability was 99.87% during the period under review.

Transmission Connections

During the year under review NamPower received applications for new connections and upgrades, from various parts of the country, the majority of which were from the Erongo region.

Net-metering

Net-metering studies have been undertaken in order to determine how many rooftop solar systems can be integrated into NamPower network. The net-metering capacities for Aussenkehr, Blumfelde, Mariental, Noordoewer and Aranos have been studied to determine the technical limitations for integration of rooftop solar systems.

Studies are ongoing to confirm the net-metering capability of other areas in the NamPower distribution network.

MAINTAINING OUR INFRASTRUCTURE

Generation

Power Station Maintenance

Each power station in NamPower's fleet has a unique maintenance strategy, tailor-made according to its individual generation technology. Most of the routine and annual maintenance at NamPower's power stations is carried out in-house. Routine maintenance on critical equipment is scheduled automatically by state-of-the-art automation systems. Unscheduled maintenance during break downs is attended to by standby staff on a 24-hour basis.

Transmission

Transmission Maintenance Strategy

NamPower is in the process of implementing a transmission asset care centre. The objective of this centre is to ensure that grid-connected assets are maintained over the remainder of their expected life in accordance with International Standards of Asset Management as defined in PASS 55: 2008/ ISO 55 000. This is achievable through:

- Ensuring effective access to technical information which will support improved labour productivity and more effective maintenance.
- Continuously reviewing and refining asset care plans in order to improve asset reliability and availability at an optimum maintenance cost.
- Implementation of work management processes which will enable control over all maintenance activities ensuring a faster response time, better utilisation of resources, and improved standards of maintenance work.
- Optimising the management of transmission asset spare parts through quantifying and proposing revised stock levels.
- Standardisation of equipment according to set specifications.

Line Maintenance

A number of new methods continue to be implemented in order to optimise the existing line management strategy. These methods focused on simplifying the tracking of line inspections and standardising the format of reporting, thus providing useful information for line maintenance planning. Other initiatives implemented include the provision of training in bush clearing and herbicide application.

Live line maintenance on the Southern 400 kV transmission lines, which entailed focusing efforts on addressing the most critical faults was successfully completed.

The procurement for stay-anchor refurbishment on one of the major 220 kV lines commenced during the period under review and will continue into the new financial year.

Substation Maintenance

An initiative to identify key substation equipment for replacement, especially at the older substations, was launched. Due to the fast-paced nature of technological change, spare parts and technical support for older equipment are in many cases no longer available. This is a continuous programme to ensure continuity of supply and the maintainability of substations.

OUR OPERATIONS (continued)

PROJECTS

The implementation of new projects is vital in order to accommodate the growing electricity demand in the country.

A number of new capital expenditure and operational projects were planned for execution during the year under review. The projects were aimed at expanding NamPower's generation and transmission infrastructure.

PROJECTS COMMISSIONED DURING THE YEAR UNDER REVIEW

The following projects as listed in the table below, funded by NamPower, IPPs and customers, were completed during the year under review.

Project Name	Type	Date Commissioned
Ombepo Wind at Lüderitz	REFIT / PV	09/09/2017
Shiyambi 33 kV interim supply	Client	25/09/2017
Ejuva PV1 at Gobabis	REFIT / PV	27/09/2017
Ejuva PV2 at Gobabis	REFIT / PV	27/09/2017
Khan Filter bank	Transmission Master Plan Project	06/12/2017
Momentous PV at Keetmanshoop	REFIT / PV	27/11/2017
Alcon PV at Aussenkehr	REFIT / PV	19/11/2017
Neckartal Weir and Dam substation (interim)	Client	02/12/2017
Whale Rock Phase	Client	09/12/2017
Sargberg 132/33 kV, 10 MVA Substation: Otavi 33 kV supply	Client	19/04/2018
Otjikoto Substation 220 kV Reactor	Transmission Master Plan Project	19/04/2018
Camelthorn PV at Outapi	REFIT / PV	03/06/2018

Connecting the Renewable Energy Feed-in Tariff (REFIT) Projects

NamPower successfully implemented the integration of the IPPs on the NamPower network under the REFIT programme (a programme under which NamPower has concluded PPAs with 14 local renewable energy IPPs, each to generate 5 MW). To date, 10 of the 14 REFIT projects have been successfully commissioned, of which six were completed during the FY 2017/2018. The completion of the remaining four is expected during the FY 2018/2019.

Shiyambi Interim Supply

To facilitate provision for increased demand to the Green Schemes around Cuito area, an emergency 132/33 kV substation was constructed and commissioned in September 2017 with the final Shiyambi substation requirements considered.

Sargberg 132/33 kV Substation Construction

The construction of the Sargberg 132/33 kV, 10 MVA Substation supplying Cenored (Otavi) has been completed and was commissioned in April 2018. The 33 kV feeder for Otavi was energised on 19 April 2018. The Ohorongo feeder is not yet completed due to shortage of materials. The outstanding works are expected to be completed by 30 November 2018.

Otjikoto 220 kV Busbar Reactor

A 400 kV busbar reactor at Otjikoto Substation was commissioned in April 2018. This reactor is currently energised at 220 kV and will assist with voltage control at Otjikoto. In future this reactor will operate at 400 kV once the 400 kV link from Otjikoto to Omatando will be operated at 400 kV.

Other major achievements for the year under review include:

- New Kunene – Omatando 400 kV line in the north of the country technically completed but not yet energised due to the delay in procurement of the substations.
- Rollout of the new Quality of Supply (QOS) Monitoring System has been completed. The QOS Customer Portal allows customers access to their QOS data for their respective supply points.

PROJECTS PLANNED FOR AND IN PROGRESS DURING THE YEAR

Generation

Refurbishment of the Van Eck Power Station

All four units at the Van Eck Power Station have undergone refurbishment which started in 2013. The scope of the work was based on findings during a Black and Veatch (B & V) study of 2012, which was funded by the United States Agency for International Development (USAID). The study proposed refurbishment activities which would result in a useful lifetime extension of the power station by another five to ten years. However, after certain components were opened up for detailed inspection, a number of additional items were found to be in poor condition and in need of a major overhaul. This caused a substantial increase in the project timeline and original scope of work.

The project is now nearing its final stages, with Units 2, 3 and 4 operating at various times on their minimum loads of ±11 MW each in order to support and stabilise the Namibian Transmission Network. Unit 1 still needs to be hot-commissioned in generation mode as it has been used primarily in Synchronous Condenser Operating (SCO) mode thus far to facilitate avoidance of dangerous resonance conditions.

Delays experienced to date on the project can be mostly attributed to the ageing infrastructure of the power station. Obsolete parts are the main challenge of returning the power station to reliable operation. Reverse-engineering of critical parts/equipment is sometimes required, which ultimately leads to longer outages since design, manufacturing (by foreign companies), testing, installation, and commissioning thereof all take a considerable amount of time. Further delays can be attributed to the unavailability of sufficient coal stock as the promulgation of the new Public Procurement Act (Act 15 of 2015) has brought along new challenges in the timely sourcing of steam coal for the power station.

The problems experienced to date are however constantly being mitigated and new solutions being sought in order to complete the project by the end of June 2019.

37 MW Hardap PV Project

In March 2017 NamPower awarded the tender for the execution of the Power Purchase Agreement for the 37 MW Hardap Solar PV Power Plant to the Alten Renewable Energy Consortium. The site of the project is located adjacent to the Hardap transmission station near Mariental and the Commercial Operations Date (COD) was achieved in October 2018.

NamPower's contribution to its 19% shareholding has been the provision of the site, Environmental Impact Assessment (EIA), geotechnical and topographical studies as well as the required transmission connection facilities at Hardap substation. NamPower has as such procured and is currently constructing the 66 kV transmission interconnection facility at site.

Transmission

The following Figure provides a high level overview of the transmission projects in progress as well as their planned total expenditure in N$ million. In total there were 135 projects in progress with a combined value of N$ 3.59 billion.

Overview of major Transmission Projects in progress at the end of FY 2017/2018

	Number of Projects	Total Cost (N$ million)
Capital Projects	101	N$3,336
Operating Projects	34	N$258

OUR OPERATIONS (continued)

The major projects in progress include:

- Kunene 400 kV Substation construction.
- Omatando Substation 400/132 kV extension.
- Masivi 132 kV Switching Station and SVC and Shiyambi 132/66 kV substation construction.
- Ohama 132/66/33 kV Substation Development (near Ombalantu).
- Hippo 132 kV Switching Station and 330/132/22 kV Coupling Transformer replacements.
- Khurub – Aussenkehr 132 kV line construction and substation upgrades.
- Procurement of 2 x 20 MVA mobile substations.

Kunene – Omatando 400(330)/132 kV Project

A central infeed into the high growth area in Northern Namibia has been initiated as part of the Transmission Master Plan. A 400 kV line from Kunene to Omatando has already been completed. Unfortunately, this power line will not be supplying any load pending the construction of the Kunene and Omatando substations at each end of the power line. The latter projects are currently still under development.

Ohama 132/66/33 kV Substation Development (near Ombalantu)

Progress continued on the transfer of load from the Ruacana - Calueque – Baobab 66 kV network to the Omatando – Ruacana 132 kV system, which will make additional supply capacity available at Calueque for water pumping purposes. Though procurement of sites in communal areas and the associated environmental clearance is time intensive, the project is progressing well, ensuring that water supply to the Northern Area will not be compromised.

Hippo 132kV Switching Station and 330/132/22kV Supply

The construction of a new breaker-and-a-half 132 kV switching station is nearing completion and will be commissioned by August 2018. The two 80 MVA, 330/132/22 kV transformers have already been procured, and the procurement process for the 330 kV cables and associated works as well as the Gas-Insulated Switchgear (GIS) to 330 kV EHV (Extra-High Voltage) cable interface to connect Hippo to Ruacana substation is at an advanced stage.

Khurub - Aussenkehr 132 kV Line Construction

The project to build a new 132 kV line from Khurub (near Noordoewer) to Aussenkehr, to provide for the increased demand requirements from the grape producing schemes at Aussenkehr on the Orange River, has been initiated.

Fibre Optic Commercialisation

NamPower is engaged in implementing the Fibre Optic Commercialisation project. This project is aimed at creating a framework under which NamPower's fibre optic assets can be utilised for the benefit of Namibia and the Southern African region at large, including the SAPP, whilst at the same time furthering commercial viability for the company.

Demand Side Management

1mLED Campaign

NamPower launched its 1mLED Campaign, as part of the Short Term Critical Supply Programme (STCS) in August 2016, under which a number of short to medium term initiatives, including Demand Side Management, are being implemented to address power supply shortages until a base-load power station is commissioned.

The Campaign was undertaken to reduce electricity usage in residential areas during peak times, which are 06:00 – 09:00 in the morning and 18:00 - 21:00 in the evening by replacing approximately one million incandescent bulbs with Light Emitting Diode (LED) bulbs at no cost. The campaign was officially rolled-out in September 2016 and successfully completed on 23 June 2017.

The consultant appointed for Measurement & Verification (M&V) confirmed 181,955 LED bulb lighting installations through an audit process carried out between January 2017 and May 2017. The audited installations translated to energy savings amounting to 2.5 MW at the time, equating to 3.3 GWh during week-day evening peaks.

PLANNED SHORT AND LONG-TERM PROJECTS

Generation

At the end of April 2018 several business cases for were submitted to the NamPower Board for their final approval. These business cases align and support the key objectives set out in the NDP 5, the National Energy Policy, the NIRP and the HPP.

The company will be looking into Wind, Solar PV, Biomass and firm power supplies to augment local generation capacity.

TRANSMISSION

The Transmission Master Plan is a five-year plan, reviewed annually (latest update 2018 – 2022), which describes the planned development of the Namibian electricity transmission system. It presents an overview of all aspects and relevant facts required by management to make decisions with regard to the future of the country's electricity transmission system, including the transmission infrastructure options, timing of initiatives and the relevant financial implications.

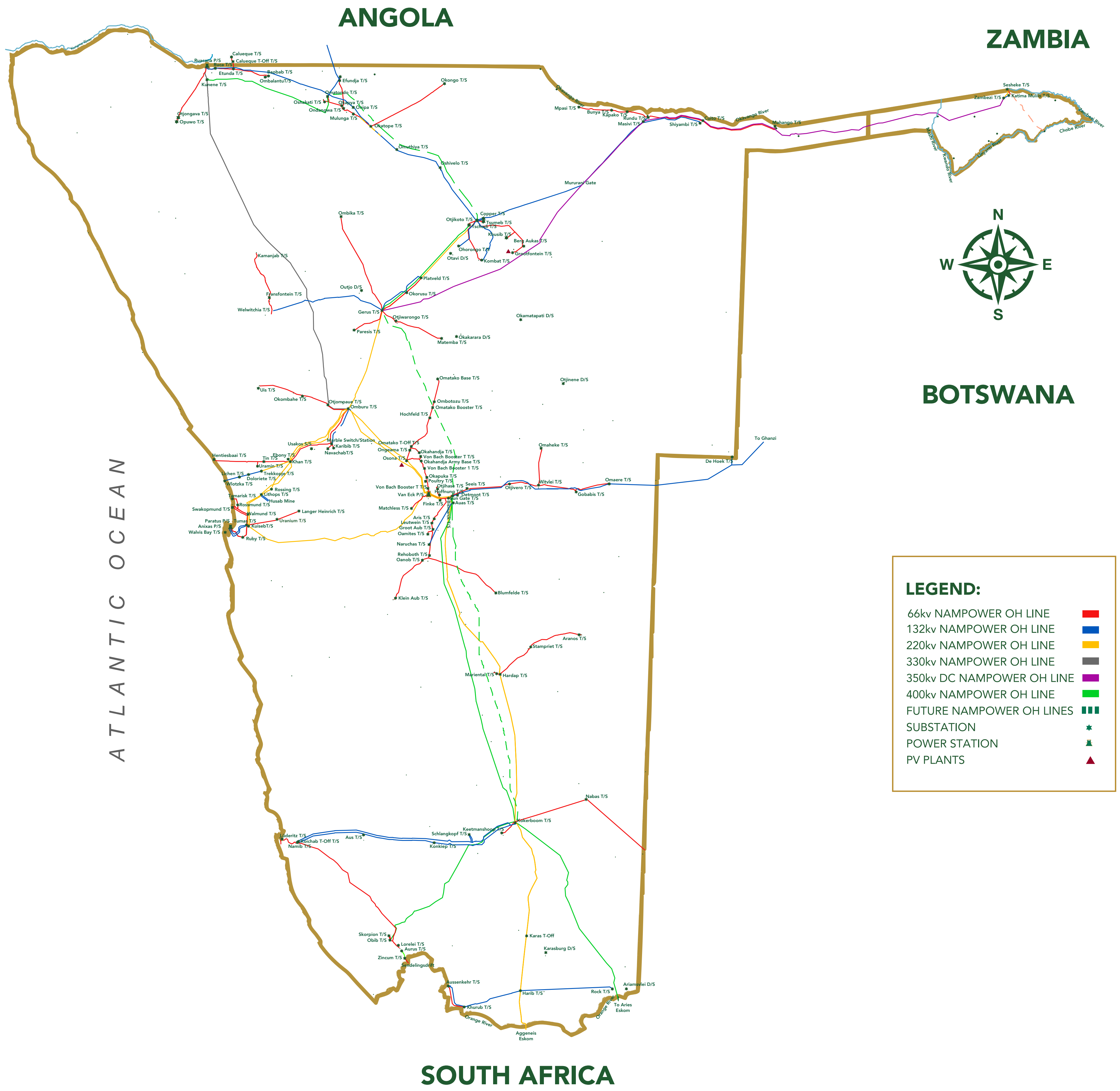
The Plan makes provision for large transmission backbone developments across the country, and is updated on an annual basis to ensure that the company maintains pace with the evolving electricity needs of the country, and that network expansions are executed accordingly.

In particular, it serves as the major planning tool of the Transmission Division to guide the transmission network expansion.

NAMPOWER TRANSMISSION MASTER PLAN

Project Name	Expected completion / commissioning dates				
	2018	2019	2020	2021	2022
Hippo 132 kV substation construction (commissioning planned for end August 2018)					
Ruacana 330/132 kV development including installation of 330 kV Extra High Voltage (EHV) cable to Hippo Substation					
Ohama 132/66/33 kV Substation construction					
Kunene 400 kV and Omatando 400/132 kV substations construction					
Omatando 132/66 kV transformers upgrade to 40 MVA					
Masivi and Shiyambi substations construction					
Auas – Gerus 400 kV line construction					
Brakwater 20 MVA Substation construction					
Khurub-Aussenkehr 132 kV line construction and substation upgrade					
2nd Auas – Kokerboom 400 kV line construction					
2nd Namibia – South Africa 400 kV line construction (Obib – Oranjemond 400 kV interconnector line)					

The following map illustrates the existing and future NamPower network as well as future Master Plan network (which will achieve a 400 kV backbone ring network):


ANGOLA
ZAMBIA
BOTSWANA
SOUTH AFRICA
ATLANTIC OCEAN
N
W
E
S
LEGEND:
66kv NAMPOWER OH LINE
132kv NAMPOWER OH LINE
220kv NAMPOWER OH LINE
330kv NAMPOWER OH LINE
350kv DC NAMPOWER OH LINE
400kv NAMPOWER OH LINE
FUTURE NAMPOWER OH LINES
SUBSTATION
POWER STATION
PV PLANTS

ENERGY TRADING

Namibia forms part of the South African Power Pool (SAPP), an electricity power pool formed in 1995 consisting of 16 member utilities in 12 countries, each represented by their respective electric power utilities as organised through SADC. The member countries are Angola, Botswana, the Democratic Republic of the Congo, Lesotho, Malawi, Mozambique, Namibia, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe. The SAPP aims to facilitate the development of a competitive electricity market within SADC. This saw the introduction of a Short-Term Energy Market in 2001, the establishment of the day-ahead market (DAM) in 2009, and live trading in the Intra-Day Market (IDM) in 2015 followed by Forward Physical Monthly (FPM) and Forward Physical Weekly (FPW) in 2016.

The power pool recorded an installed capacity of 67,190 MW in 2017, with the majority of its generation mix made up of coal power stations (responsible for 61.4%), followed by hydro (21%). The remainder is made up of various generation mixes, such as nuclear, Open Cycle Gas Turbines (OCGT) and renewable energy. The operating capacity stands at 60,719 MW. Given peak demand (including reserves) of 55,009 MW, this leaves a regional capacity surplus of 5,710 MW.

Currently the SADC region sits with an over-capacity and all utilities within SADC are commissioning new generation plants. Up to 30,646 MW of regional generation capacity is planned to be commissioned between now and 2022, according to the SAPP reports. Overall, utilities within the SAPP have committed to increase generation capacity by an expected 48.7% by 2022, providing ample reserves and surplus capacity within the region.

SAPP competitive market trades contributed 24% with bilateral trades contributing 76% in 2017/2018, 11.3% and 88.7% recorded in 2016/2017 respectively. A total of 1,910,384 MWh was matched with 1,883,179 MWh or 99% being traded on the market in 2017/2018. DAM contributed highest trade volumes share with 72% followed by IDM with 16%, FPM-W with 9% and FPM-M with 3%.

The average yearly DAM market clearing price for 2016/2017 was 7.23USc/kWh compared to 4.89USc/kWh recorded in 2017/2018. Generally DAM market clearing prices are becoming lower and lower year by year.

The demand for electricity fluctuates throughout the day and as such proper planning is required to ensure that there is a balance between supply and demand. NamPower's Energy Trading Division ensures that the country's electricity demand is met at all times. The focus is always on optimising the energy supply mix through demand forecasting, integrated resource planning, energy budgeting, energy trading activities, energy reconciliation, energy financial settlement, and the negotiation and management of Power Purchase Agreements (PPAs).

During the period under review NamPower commissioned 40 MW of REFIT capacity which contributed 9% of energy to locally generated energy, compared to only 2% in the previous year. Although the amount of energy commissioned increased, the percentage of imports from neighbouring countries also increased compared to the previous year due to low river flows recorded at Ruacana during the year under review. This resulted in imports increasing from 63% in the previous year to 73%.

Purchases from the SAPP market also increased from 6% to 28%. Only two of the three of NamPower's generation plants, the Ruacana and Van Eck power stations, were dispatched while the third plant, the Anixas Power Station, was on standby for emergency. The dispatch regime for Van Eck Power Station was, however, not maximised due to the on-going refurbishment works of the plant.

NamPower also sources energy from the Innosun PV plant, the first IPP to be commissioned in Namibia. This is a non-firm supply agreement with InnoSun Energy (local IPP). The available capacity varies, though up to 4.5 MW is available during sunny periods.

REVIEW OF IMPORTS

NamPower continues to supplement its energy requirements with imports from sister utilities in the SAPP region. The availability and accessibility of surplus power from the region helps NamPower to maintain an affordable and secured power supply to its customers.

The demand-supply balance in the region has changed significantly over the past decade due to a number of reasons including climate change and economic slow-down. Countries in the region are however focusing on developing domestic power generation capacity to close the forecasted gap between the supply and demand and NamPower is no exception.

A number of import agreements will be expiring in 2020 and the company is gearing itself to ensure that more local generation plants are brought on line to cover the anticipated gap that will be experienced.

Eskom

NamPower and Eskom signed a firm PPA in March 2017, which became effective on 1 April 2017 for a duration of five years. As per the agreement, NamPower gets a firm power supply of 200 MW and supplements its requirements by sourcing additional power of up to 300 MW on the DAM.

ZESCO

During the year under review, NamPower received firm supply of 39 MW from ZESCO (the national utility of Zambia) until end January 2018. The capacity increased thereafter to the contracted 50 MW after the Force Majeure declared by ZESCO in 2015 due to drought was lifted.

Following the outage of the Gerus Substation as a result of fire, NamPower continued to receive the firm power supply through Zimbabwe (ZESA) to South Africa (ESKOM) and then to Namibia. The performance of this agreement has been reliable throughout the year and continues to be, except during periods when there are transmission constraints in regional transmission networks.

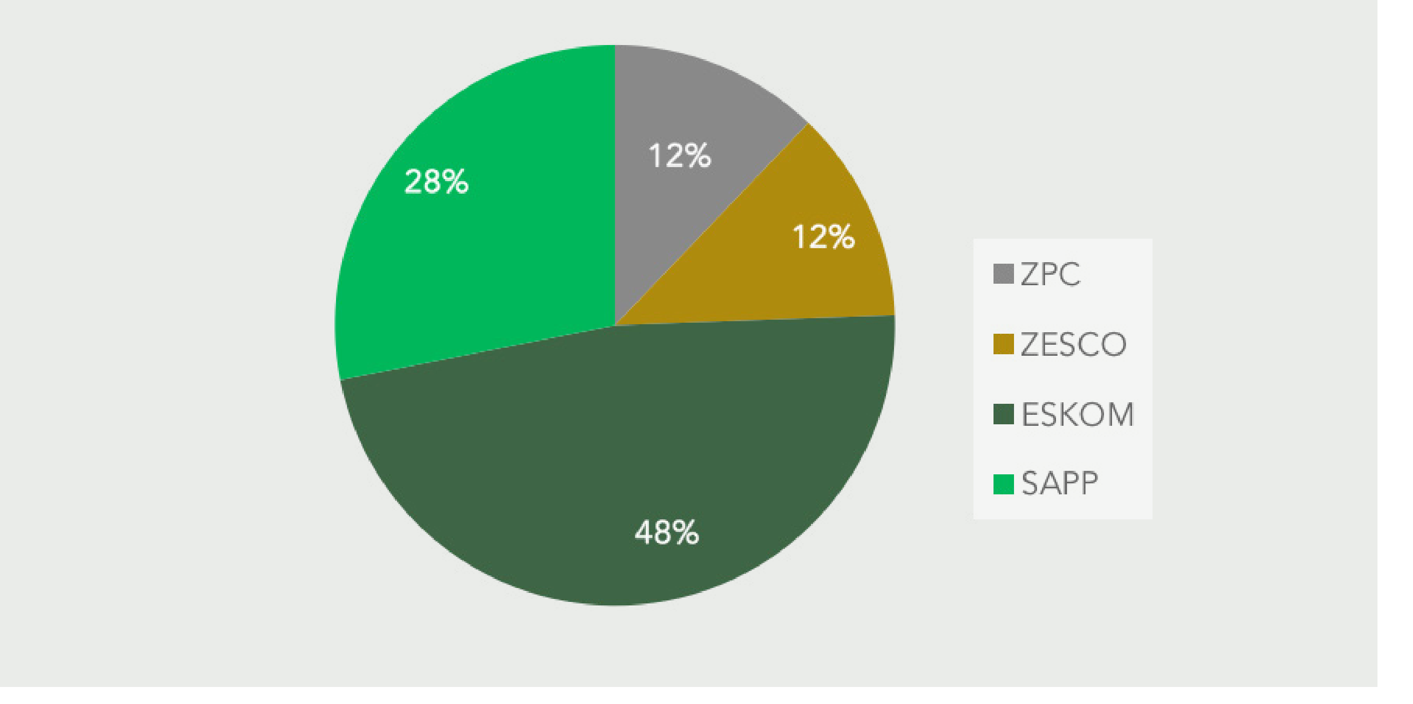
Zimbabwe Power Company (ZPC)

ZPC, a subsidiary of ZESA (the national utility of Zimbabwe) continued supplying NamPower with 80 MW firm power, which is dispatched based on the Load Factor of 50%. This is a source based supply, stemming from the Kariba Hydro power plant.

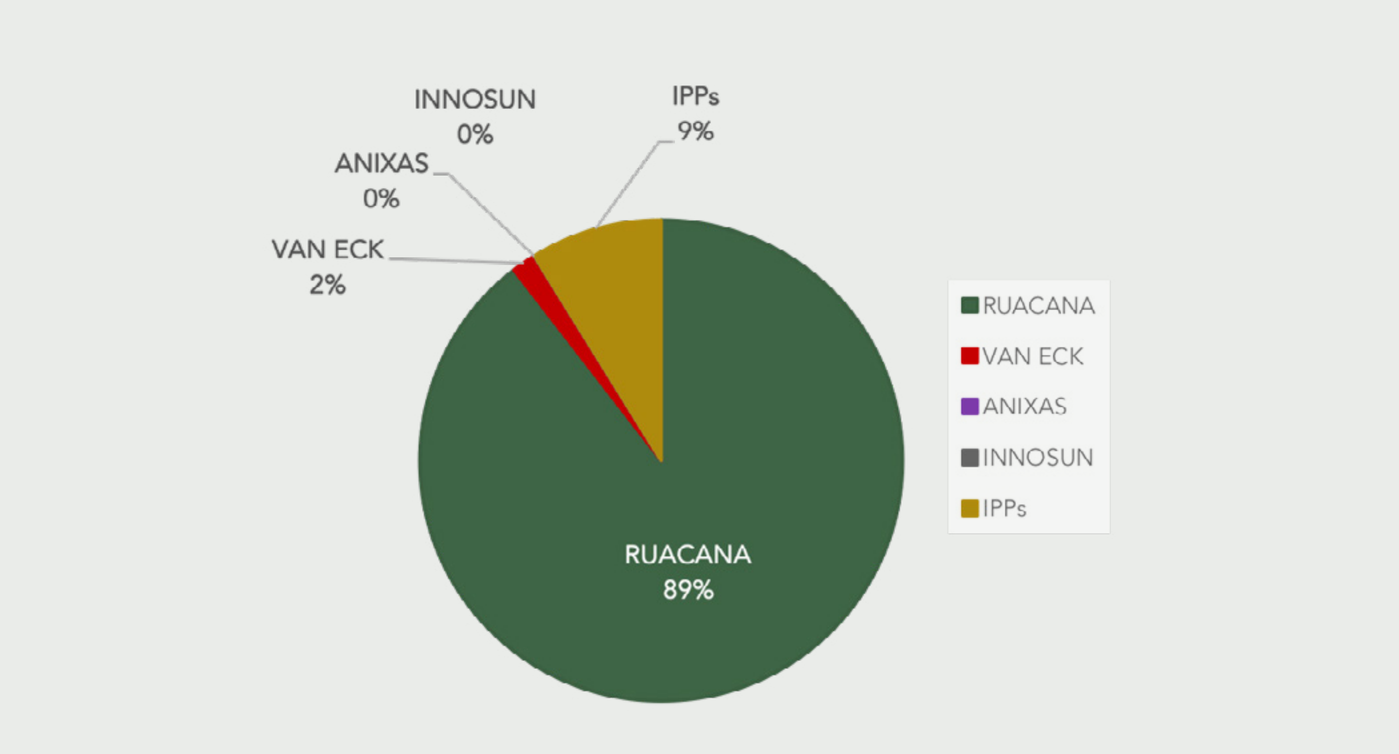
DAM

During the period under review, DAM sales increased to 18% compared to 6% during the previous financial year.

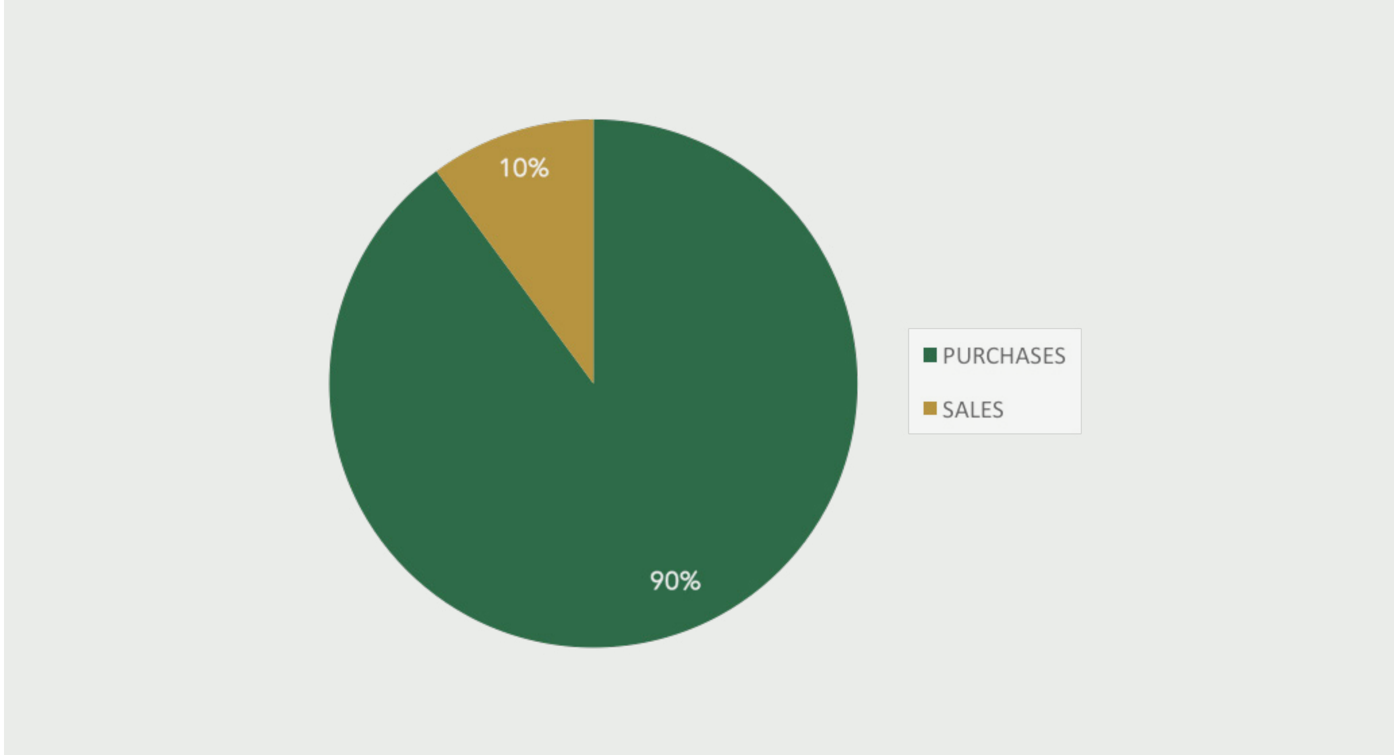
Energy Imports (excluding Skorpion) Composition for the Period July 2017 to June 2018



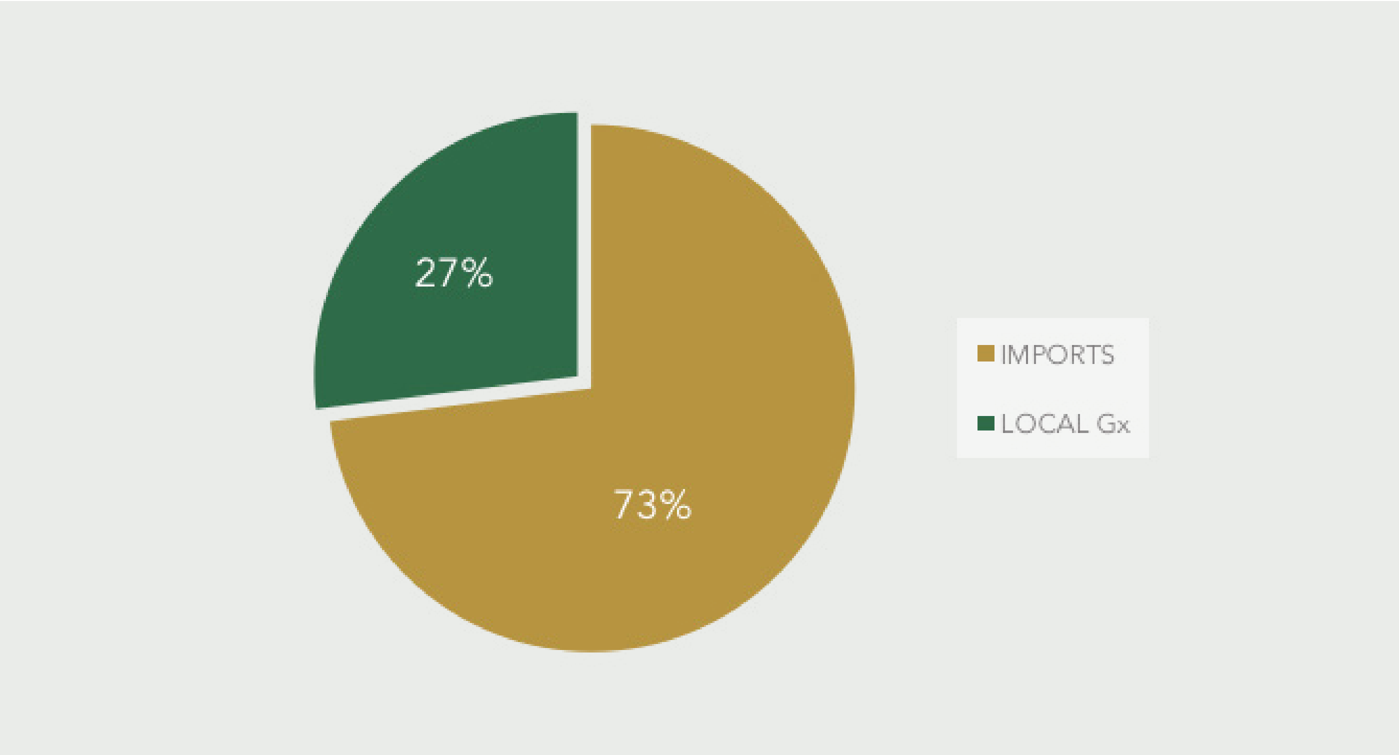
Local Generation Composition



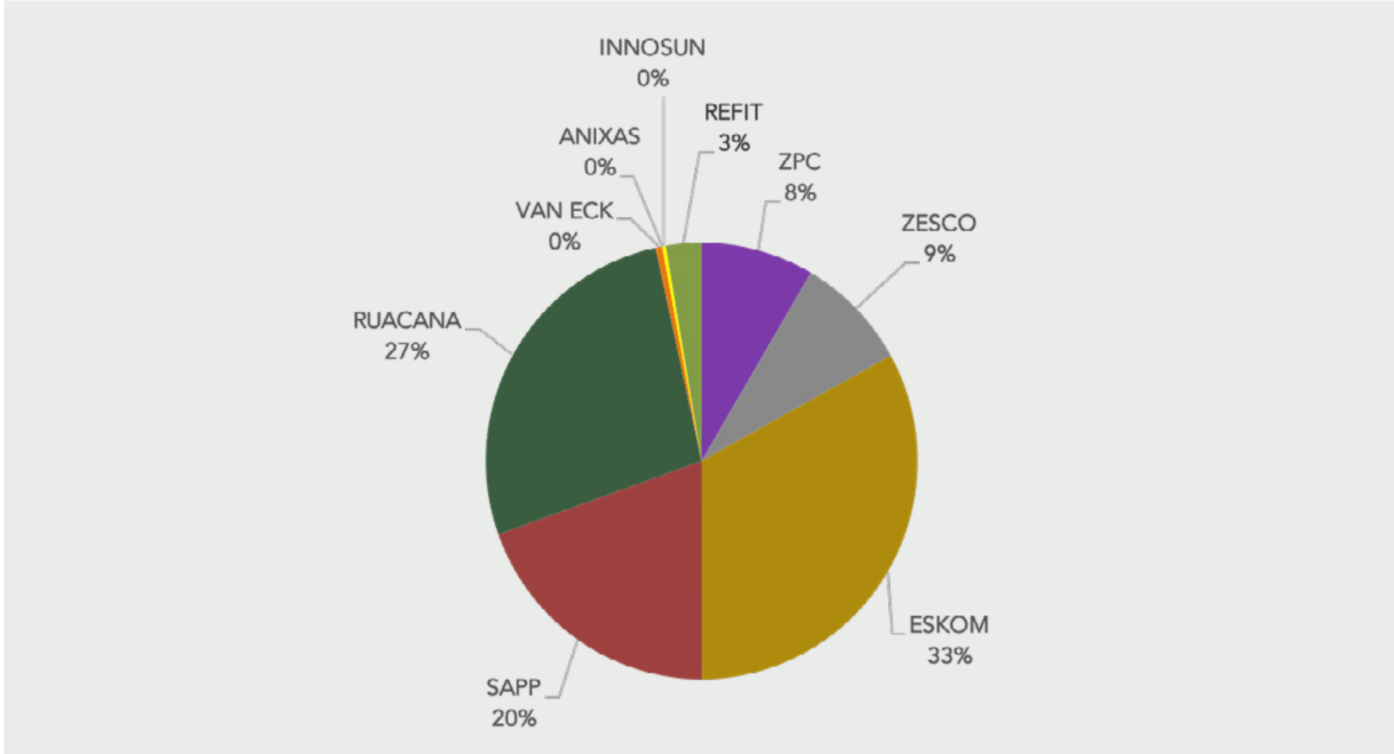
SAPP Market - Sales vs Purchases



Imports vs Local Generation



Total Contribution/Supply Sources



OUR OPERATIONS (continued)

OPERATIONAL EFFICIENCY

In addition to having a very strong operating track record and excellent capabilities in designing, operating and maintaining high-voltage transmission lines and supporting infrastructure; a highly skilled workforce and adherence to sustainable practices, operational efficiency remains one of NamPower's core strengths.

NamPower understands the link between innovation and efficiency, which underpins operational excellence, and as a result continues to leverage technology, processes and systems to best effect and in the interests of its stakeholders.

Demonstration of some of the initiatives and projects being implemented to achieve operational excellence are fully described under the headings Information Services (iServ) and the International Organisation for Standardisation (ISO) Integrated Management System in this section.

INFORMATION SERVICES

The NamPower IT Services (iServ) once more recorded high levels of availability for services, local area network and wide area network (99.98%) during the period under review.

Local Area Network	99.50%
Wide Area Network	98.04%
Services	99.98%

The Figure above indicates that most of the downtime recorded was due to power outages at remote sites and scheduled down time.

The process of rolling out Windows 10 with Office 2016 is well underway with minor challenges being experienced. As a move toward the cloud, mail services were joined with Microsoft's cloud-based mail offering. Five test users were moved using Microsoft Office 365.

iServ has engaged in a technology solution investigation to find a faster and less costly communication solution for the WAN links. This path led to software defined networks. The test phase was completed and a solution was identified. From a business continuity perspective:

- the core network was replaced with the latest in technology.
- the backup solution and recovery methods for the virtual server environment were replaced with a solution that makes use of snapshots to provide a faster and more accurate recovery.

In the next financial year, the following is planned:

- To replace the multi-functional peripheral devices.
- The edge network replacement project will be completed and take advantage of the newly implemented core network technology.
- The virtual environment hosting servers will be replaced with a solution that will take NamPower closer to the envisaged future cloud computing solution.
- The investigation of solutions to move NamPower's ERP system into an in-memory architecture will start during the FY 2018/19.
- The full implementation of the software defined networks solution will be completed.

SAP ERP Business Applications

SAP is the ERP system that NamPower utilises for managing all business processes, enabling operational excellence and innovation. All SAP ERP systems were patched to EHP7 level 18 during the period under review, in order to introduce the latest system corrections and security enhancements. The business intelligence platform, SAP Business Objects BI Suite, was upgraded to version 4.2 for better analytics, reports and data discovery capability. SAP Success Factors Performance and Goals, a cloud based innovation product, was acquired as part of an initiative to improve the Performance Management System (PMS).

In the next financial year iServ will focus on the following improvements:

- Advance Meter Infrastructure (AMI) by implementing the Meter Data Management System and enhancing the integration between remote meter reading and billing.
- Better financial control for capital projects and cash flow forecast by implementing Portfolio and Project Management, Fund Management, and Treasury Cash Liquidity Management.
- Acquiring a Business Process Suite for digital transformation of case-based business processes such as talent management and procurement processes.

ISO INTEGRATED MANAGEMENT SYSTEM

In a drive to achieve operational excellence, NamPower is in the process of implementing international standards requirements to adequately and effectively address Safety, Health, Environment and Quality.

To this end, the following International Standards are in the process of being implemented:

- ISO 14001:2015 – Environmental Management System.
- ISO 45001: 2018 - Occupational Health and Safety Management System (published on 12 April 2018). ISO 9001: 2015 - Quality Management System.

As part of the certification journey the NamPower Board of Directors approved the Safety, Health, Environment and Quality Management (SHEQ) Policy Statement, replacing the Safety, Health, Environment and Wellness (SHEW) Policy Statement of 2010.

Through the new policy statement, NamPower commits to the following:

- To ensure compliance in all its operations in accordance with applicable legal and other relevant requirements.
- To develop, implement, maintain and continuously improve Safety, Occupational Health, Environmental, Wellness and Quality Management Systems.
- To ensure reliable assets by implementing the Asset Management System.
- To pro-actively identify, evaluate and mitigate environmental aspects and impacts, hazards and risks associated with operations and activities.
- To continuously monitor, measure, analyse, and evaluate the effectiveness of the SHEQ Management System.
- To use the SHEQ Policy Statement as a framework to set business and operational objectives and targets.

All NamPower stakeholders, including employees, are expected to commit and adhere to the policy statement by, among others, attending SHEQ Management System programmes as and when required; taking responsibility and being accountable for their own health and safety as well as that of others in the workplace; identifying and reporting potential hazards/environmental aspects/impacts and risks to relevant NamPower representatives; and adhering to all SHEQ Management System requirements, policies, standards and applicable legal and other requirements.

Furthermore, to ensure compliance with international standards, a considerable number of Strategic High Level Procedures had to be put in place. The bulk of the work that needs to be executed forms part of process management and resources are limited. This includes High Level Procedures, Operational Procedures, Hazard Identification and Risks Assessment, Aspects and Impacts Registers and Safe Working Procedures. The documentation of procedures will assist NamPower to improve its operations by consistently providing quality service, create an audit trail and preserve organisational memory.

OUR HUMAN CAPITAL

NamPower continuously strives to be an employer of choice and the best company to work for. NamPower's agenda plays a significant role in the achievement of its strategic objectives and is linked to the company's mission, "To provide for the energy needs for our customers, fulfil the aspirations of our staff and satisfy the expectations of our stakeholders". Our employees are the key drivers of our organisational success. We therefore need to take stock of how our people influenced the performance of the organisation and the footprint they made in creating organisational value.

Demographics and Diversity

Demographics and diversity information help to determine the pace at which the number of employees is increasing or decreasing. It also outlines the pace at which NamPower is addressing gender and diversity related matters.

Our staff complement as illustrated in the Table below stood at 1,086 and grew by less than 1% during the reporting period. This growth is associated with the appointments for employment related to staff development and experiential learning. The employees on fixed term contracts include different short-term employment contracts, internship and job attachments for students, and vocational trainees. NamPower provides employment opportunities for students and graduates to enable them to obtain relevant experience either for permanent employment or as part of experiential learning.

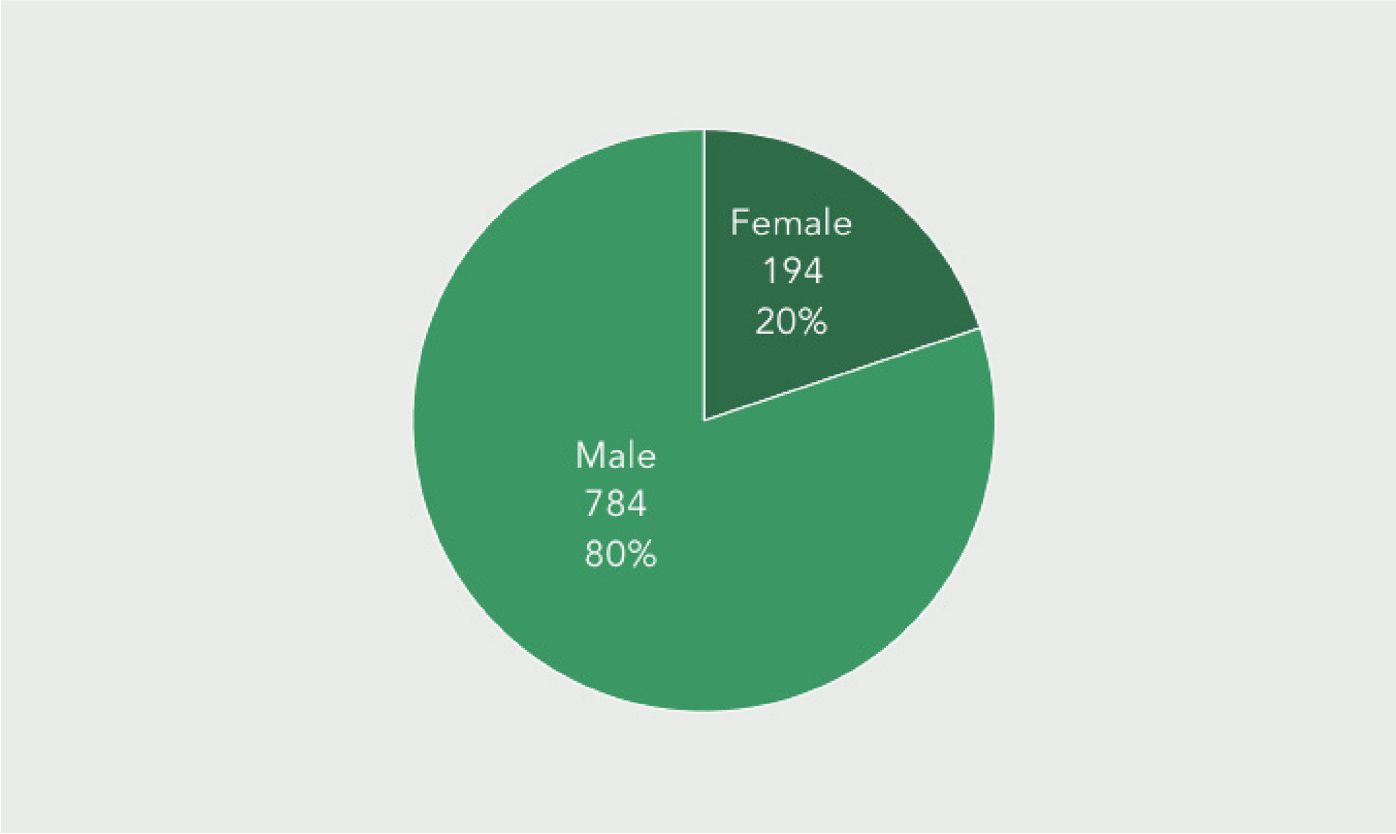
	2014	2015	2016	2017	2018
Number of Permanent Employees	890	913	939	938	978
Number of Employees on Contract	66	85	102	137	108
Total Number of Employees	**956**	**998**	**1,041**	**1,075**	**1,086**

Gender representation remains a challenge for the company. The representation of women stands at 20%, as illustrated on page 63. NamPower has several objectives aimed at increasing gender representation and bringing about gender equity especially in both management and specialised/senior supervisory employment categories. These objectives include: increasing female representation to 30% by the end of the three-year Affirmative Action (AA) Plan (in 2019) and increasing women in management (senior and middle management) specialised and senior supervisory roles by 27%. During the period under review, the representation of women in middle management and specialised/senior supervisory roles stood at 23% and 22% respectively. There has been slight progress in achieving these AA measures. NamPower is considering different actions and interventions on how to advance gender equity to achieve its targets.

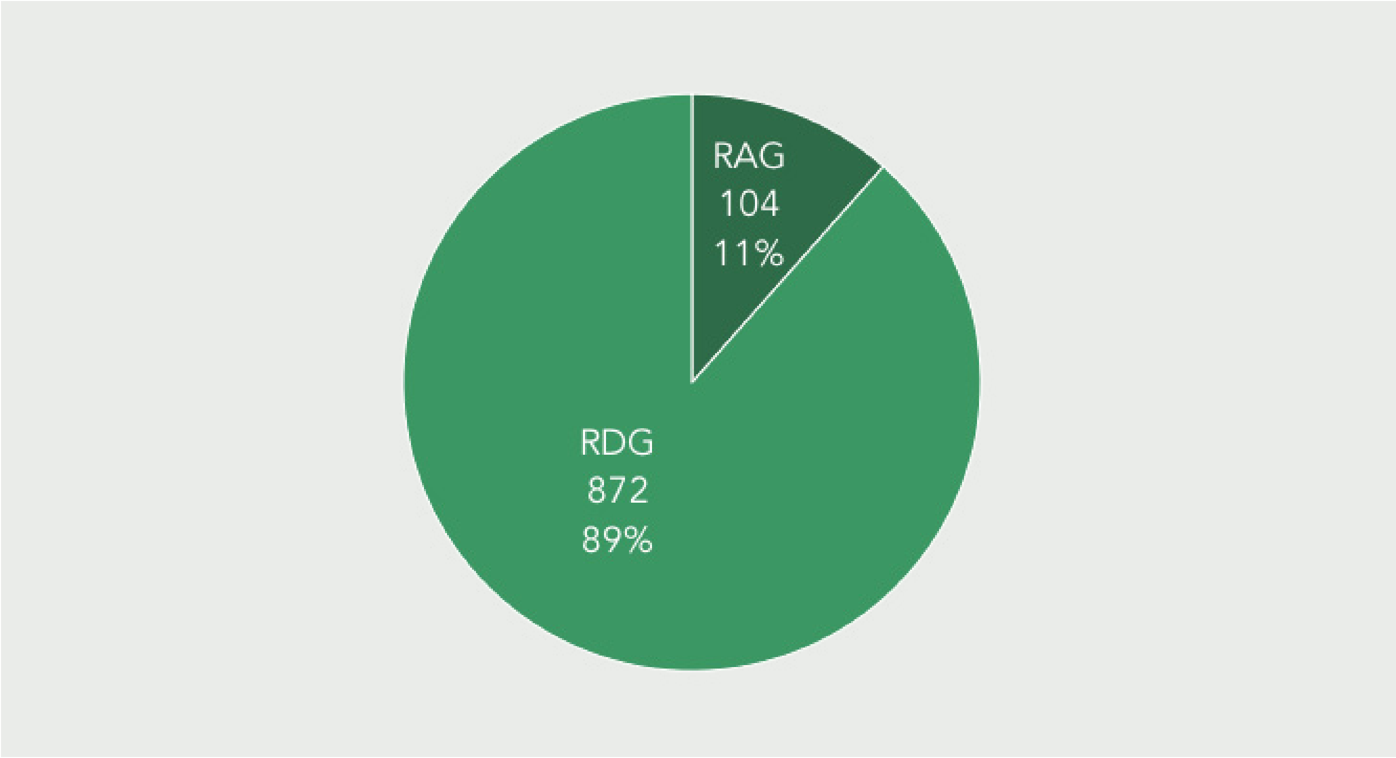
NamPower has been achieving its AA set targets in terms of the breakdown (AA designated groups) of employees' diversity and people with disabilities. Racially disadvantaged groups represent 89% of the workforce as illustrated below. In an attempt to address the challenge regarding the employment of people with disabilities, NamPower set itself an objective to provide development opportunities for people with disabilities by providing at least two bursaries per year to students with disabilities for the duration of the current AA Plan. The Company has been consistent in meeting this objective.

Gender and Diversity Distribution

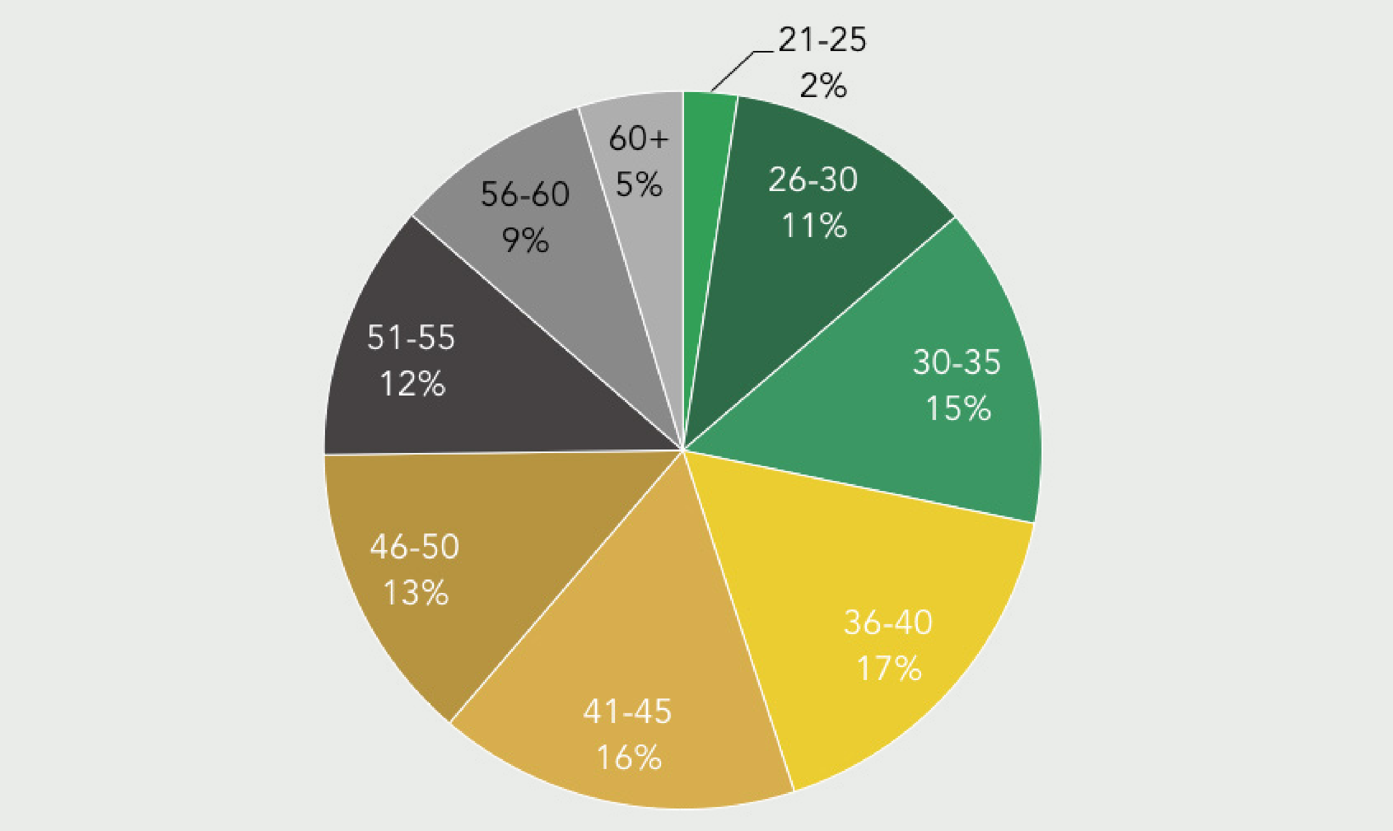
Gender



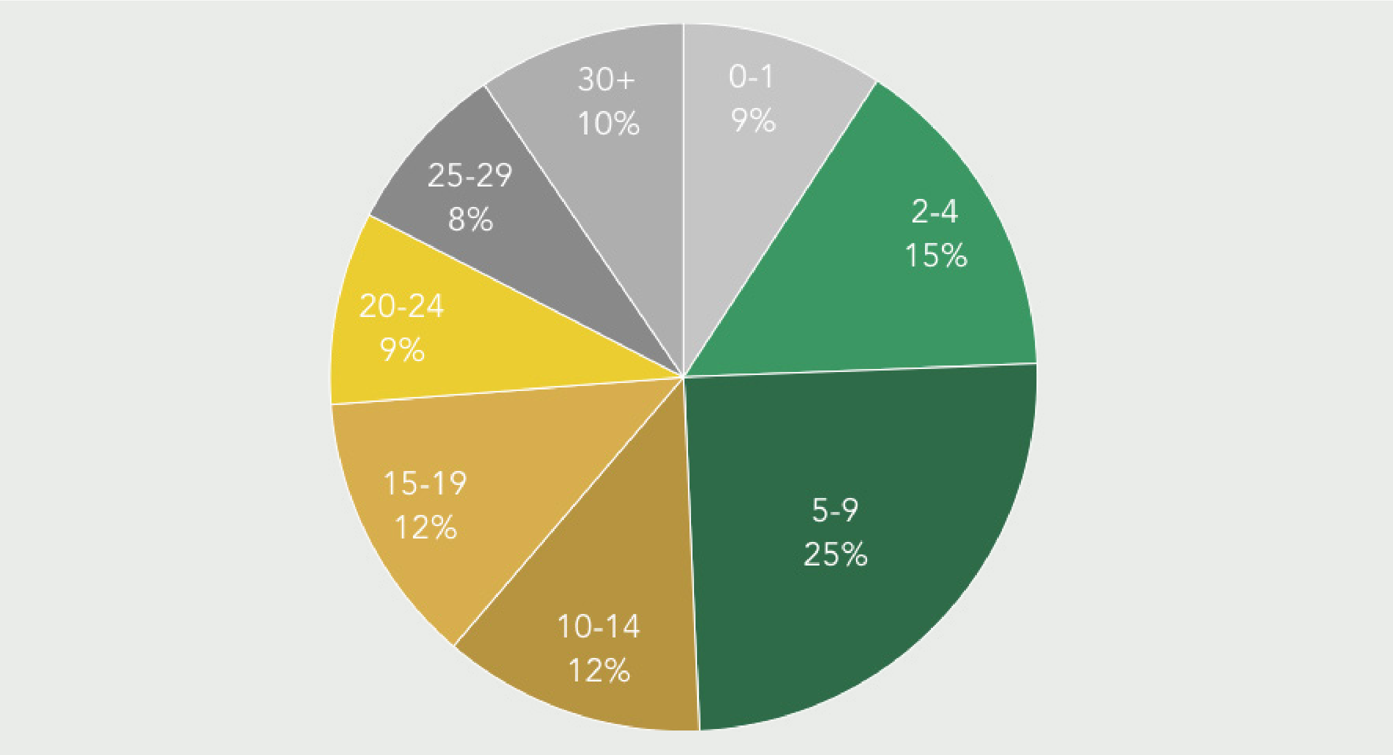
Diversity



Distribution of Staff by Age Range



Distribution of Staff by Length of Service (in-years)



Human Resource Metrics

Human Resource metrics are important measures to quantify the impact of employee programmes and Human Resource processes and to measure the success (or failure) of Human Resource initiatives. With these metrics NamPower is able to track year-to year-trends and changes in Human Resource service delivery.

The vacancy rate stands at between 6 and 8% while the labour turnover rate stands at 5.60% respectively. The disciplinary frequency rate is 2.45% considering 28 cases that were reported during the period under review. The Absence Frequency rate and Gross Absence rate due to sick leave remain way below 1%. All the ratios are within acceptable limits.

Leadership Development Programme

NamPower has embarked upon the project to develop the leadership capacity of its managers. This intervention is aimed at ensuring that NamPower is enabled to deliver on its mandate, build a high-performance organisation and meet the country's expectation of energy self-sufficiency and affordable security of supply within the shortest possible time. As a result, a key action point that was undertaken during the period under review was to undertake a psychometric assessment and evaluation of employees in leadership positions, to determine a holistic picture of everyone's current reality and future potential and to identify both individual and team areas of development so as to ensure that leaders are capacitated at both an individual and team level to effectively drive the company's strategic agenda. While this project is gaining momentum, it is long term, with the outcome only to be reaped in years to come.

Talent Management and Succession

NamPower recognises the importance of applying strategic human resource planning for business improvement purposes and for the achievement of its goals through talent management. During the period under review, a guiding framework for talent management was compiled. This framework helps to define important terminologies, and outlines the scope, principles and management arrangements for talent management in the company. Furthermore, a toolkit consisting of forms, criteria guidelines to use for talent identification, tracking, monitoring and reporting was also drafted.

Regarding succession management, all identified business units' lists of critical positions were refined and updated. The number of critical positions in the company has been trimmed to sixty five. To clearly assess developmental gaps among identified successors, an activity to identify and develop clear job competencies from the job descriptions - and verifying these with various managers - was undertaken and is still underway. The developed competencies will be used to identify gaps among potential candidates against core job competencies of critical positions.

Employee Relations

NamPower maintains healthy and positive relations between itself and employees regarding the Company/ Union relationship (Mineworkers Union of Namibia). There is a mutual agreement between the Company and MUN managed through a Recognition Agreement. Issues that affect both the employer and employees are negotiated between the parties, as governed both by the Recognition Agreement and the Labour Act. The parties engaged each other to progress substantive negotiations for the FY 2018/19. The dispute declared during the previous year was solved amicably and no reportable labour unrest or serious grievances were recorded during the period under review.

Learning and Development

As a responsible employer, NamPower continues to provide learning and development opportunities for its employees. The company has embarked upon the recognition of prior learning process for its employees, a process which was endorsed by the Namibia Training Authority (NTA). During the period under review about 800 employees received different learning and development opportunities. Statutory training opportunities were provided internally in courses such as Class A First Aid Training, Basic Life Support Training, Defensive Driving course, Power Cloud and File Plan, Introduction to Business Continuity, Assessors' Programme and Peer Educator Training. In addition to the statutory training, employees also attended leadership development programmes and technical training courses related to their fields of work.

Recognition of Prior Learning (RPL)

- NTA has endorsed the NamPower RPL internal process and has requested to liaise with the Education, Training and Development (ETD) Section of NamPower on the formal and external RPL process.
- Approximately 60 Operation Managers / Supervisors have been trained as Assessors.
- The ETD Section managed to submit proof of training and expects to receive an amount of N$ 3.8 million back from the NTA in Vocational Education and Training (VET) Levies.

ABRIDGED SUSTAINABILITY REPORT

CORPORATE SOCIAL INVESTMENT

NamPower prides itself in being committed to ploughing back into the communities within which it operates and continues to go above and beyond its mandate to contribute towards the socio-economic development of Namibia through its Foundation. The NamPower Foundation, entirely funded by the utility, is its social investment vehicle which empowers communities around the country in four areas, namely: education; community development; capacity and skills development and health and social welfare.

The Foundation invested over N$ 1.6 million in two of its flagship projects during the period under review. The Medic Rush Project, an annual initiative of the Hochland 154 Round Table, was funded to the tune of N$ 399,400. The initiative takes medical professionals to communities in remote areas around the country to render free medical and health care services, including specialist care with referrals to the nearest hospital where necessary. The medical interventions targeted the settlements north of Tsumeb during the year under review. The second flagship programme, which the Foundation has been supporting since 2011 is Disability Sport Namibia, which received over N$ 1.2 million for its development programmes for 2018.

The Foundation also invests in social partnership programmes, and during the period under review, over N$ 1.5 million was invested in schools, kindergartens, and community development projects by providing an array of goods and services such as fencing, infrastructure rehabilitation, stationery, and irrigation systems, among others.

NamPower Bursary Scheme

NamPower remains committed to providing educational opportunities to young Namibians not only for its own human resource planning purposes, but also to address the shortage of skills especially in education (for Mathematics and Science), vocational trades such as electrical general and fitting and turning, and in different disciplines of engineering. During the period under review, NamPower supported 253 students and trainees, through different bursary schemes and scholarships, to an estimated cost of N$ 10.3 million. The majority of the students are studying at local institutions of higher education, including vocational training centres. The Table below depicts the number of bursaries and study grants extended to external and internal beneficiaries:

Beneficiary	Female	Male	Total
Dependants Bursaries	103	65	168
External Bursaries	30	43	73
Employee Study Grants	3	9	12
Total	**136**	**117**	**253**

Vocational Training:

- Forty-one (41) bursaries were awarded for vocational training at the NamPower Vocational Training Centre this year.
- A NamPower Trainee who represented Namibia at the WorldSkills Abu Dhabi 2017 Competition, the world's greatest skills competition which took place in Abu Dhabi from 15 – 17 October 2017, now proudly represents Africa on the WorldSkills Champions Trust.

EMPOWERMENT

NamPower's Commitment to NEEEP

NamPower as a responsible corporate citizen continues to uplift and capacitate Previously Disadvantaged Namibian owned businesses through its procurement activities. The NamPower Equitable Economic Empowerment Policy (NEEEP) is under review in order to align it to the Public Procurement Act, 2015. The exertion of the NEEEP was therefore temporarily suspended during the period under review. Full execution of the NEEEP initiative can greatly contribute to the Government's developmental plans as contained in the NDP5 and HPP, particularly on the goal of achieving an inclusive, sustainable and equitable economic growth. The plan will further address goal 10 of the UNDP Sustainable Development Goals (SDGs) which focus on inequalities.

SAFETY, HEALTH, ENVIRONMENT AND WELLNESS (SHEW)

NamPower deems it crucial to uphold and safeguard the safety, health and wellness of its employees and the environment within which it operates. The SHE section presents various in-house training courses based on the clients' (internal) needs. The Section also conducts induction for various stakeholders of the company when they visit or before they start carrying out work for the company. Below is a summary of the activities that were carried out in various areas during the period under review:

Safety

Selected staff members were trained on SHE aspects and were appointed as SHE representatives focusing on loss prevention at different fronts in the company. Furthermore, emergency preparedness and evacuation awareness sessions were held countrywide, while Emergency Preparedness Plans were developed for most workplaces. About 465 hazard identification and risk assessment cards were conducted to ensure that hazards and risks are identified, evaluated and controlled prior to and during the execution of tasks. SHEW audits were conducted throughout the Company by Safety Officers with many becoming more aware of their responsibility in terms of SHEW. The drafting of SHE Plans and Method Statements, which is coordinated by a Safety Officer throughout the company, is ongoing.

In the next financial year NamPower intends to prioritise the implementation of SHEW audit findings and corrective actions, to make sure employees undergo annual medical examinations as they visit high risk areas to carry out their work. NamPower will also ensure that all in-house SHE training courses are registered under the Approved Inspection Authority.

Health

Annual Medicals and Medical Disability Evaluations

NamPower continues to invest in the wellbeing of its employees and invests greatly in medical care programmes/initiatives for its employees. The three-yearly medical examinations programme was carried out during the month of August 2017. Two medical disability evaluations and one medical tribunal were conducted.

Through constant wellness follow-ups, education and awareness, the company recorded a number of new diabetic, cholesterol and high blood pressure cases. These cases are being treated and monitored.

Environment

Environmental Impact Assessments

A number of environmental impact assessments were conducted to enable the company to apply for environmental clearance certificates with MET for various development projects in NamPower. Some of the environmental impact assessments were performed by independent consultants whilst others were performed by the NamPower Environmental Section for existing substations and power lines. Environmental Management plans, which include scoping and operational plans, were submitted to the MET as part of the application for environmental clearance certificates. A number of renewals of environmental clearance certificates were received.

Stakeholders Engagement

NamPower continues to have regular engagements with relevant stakeholders and authorities such as the Ministries of Mines and Energy, Public Enterprises, Environment and Tourism, Agriculture Water and Foresty, Labour, as well as the Namibia Nature Foundation (NNF).

Plans are underway to regularly engage other key stakeholders such as customers, suppliers of goods and services, financial institutions and other funding agencies.

Environmental Inspections/Audits

NamPower conducted environmental audits on a number of projects to determine if contractors complied with the Environmental Clearance Certificates issued by the MET as per the Environmental Management Act, Act 7 of 2007, and the Environmental Impact Assessment Regulations. Regular inspections are also conducted to determine if there are any deviations.

The following sites/projects were inspected: Gobabis Substation, Kokerboom Substation, Hippo Substation, Kunene-Omatando 400 kV line, Ohama substation platform, Sarberg Substation, Otjikoto Substation, Lithops Substation, Hardap Substation, Trekopje Substation, Baobab Substation, Kunene-Omatando 400 KV Transmission Line, Kokerboom Substation, Aussenkehr Substation and Ruacana Auxiliary PV.

Environmental inspections were also conducted at Brakwater and Van Eck power stations. The inspections focused on waste management, hazardous substance use and handling, and spill management. The non-conformances observed were mainly the use of chemicals without a material safety data sheet; expired chemicals; improper waste management and soil contamination due to chemical spillages. Environmental inspection reports detailing the non-conformances and recommended corrective actions were compiled and sent to respective area supervisors for implementation.

Waste Management

Proper waste management is of utmost importance for any company, as it prevents hazardous materials from contaminating the environment as well as safeguards the health of employees and communities. Great improvements have been recorded in terms of waste management particularly at the Van Eck Power Station. The waste segregation and disposal practices, as well as the awareness of employees, have improved greatly. The draft for the NamPower waste management procedure is currently under review by various stakeholders. The document is aimed at standardising waste management practices at NamPower.

Polychlorinated Biphenyls (PCB) Project

PCBs were commonly used as insulation in electrical equipment such as transformers, capacitors, current transformers and voltage transformers. PCBs are harmful to human health and to the environment. All PCBs were banned by the Stockholm Convention in 2004 to which Namibia is a signatory. NamPower, with the assistance of the Africa Institute is currently phasing out PCBs, with the completion of the phase planned for the year 2025 as per the Stockholm Convention.

Environmental Health

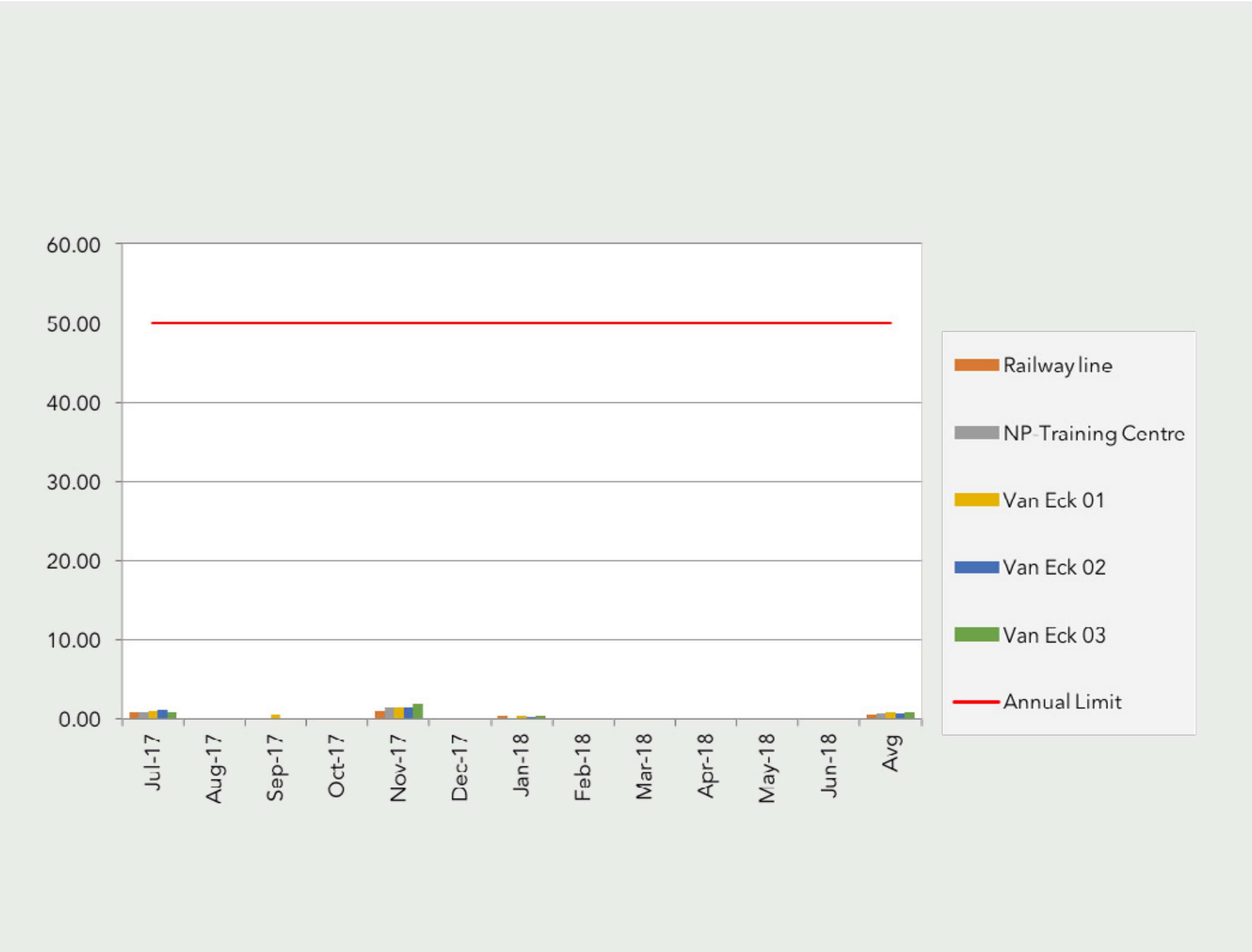
Air Quality

NamPower has an ongoing air quality monitoring programme in place to assess the impact of the Van Eck coal-powered station on the ambient air quality. In 2015 Airshed Planning Professionals was appointed to carry out a baseline air quality study at the power station. At the end of the study it was recommended that a monitoring station for sulphur dioxide and particulate matter (PM10 and PM2.5) concentrations be established downwind (directly west) of the power station. This was informed by predominant wind directions as well as the simulated areas impacted due to the power station operations. Two exceedances (PM10) against the air quality standards daily limit of 75 mg/m3 were recorded in May 2018.

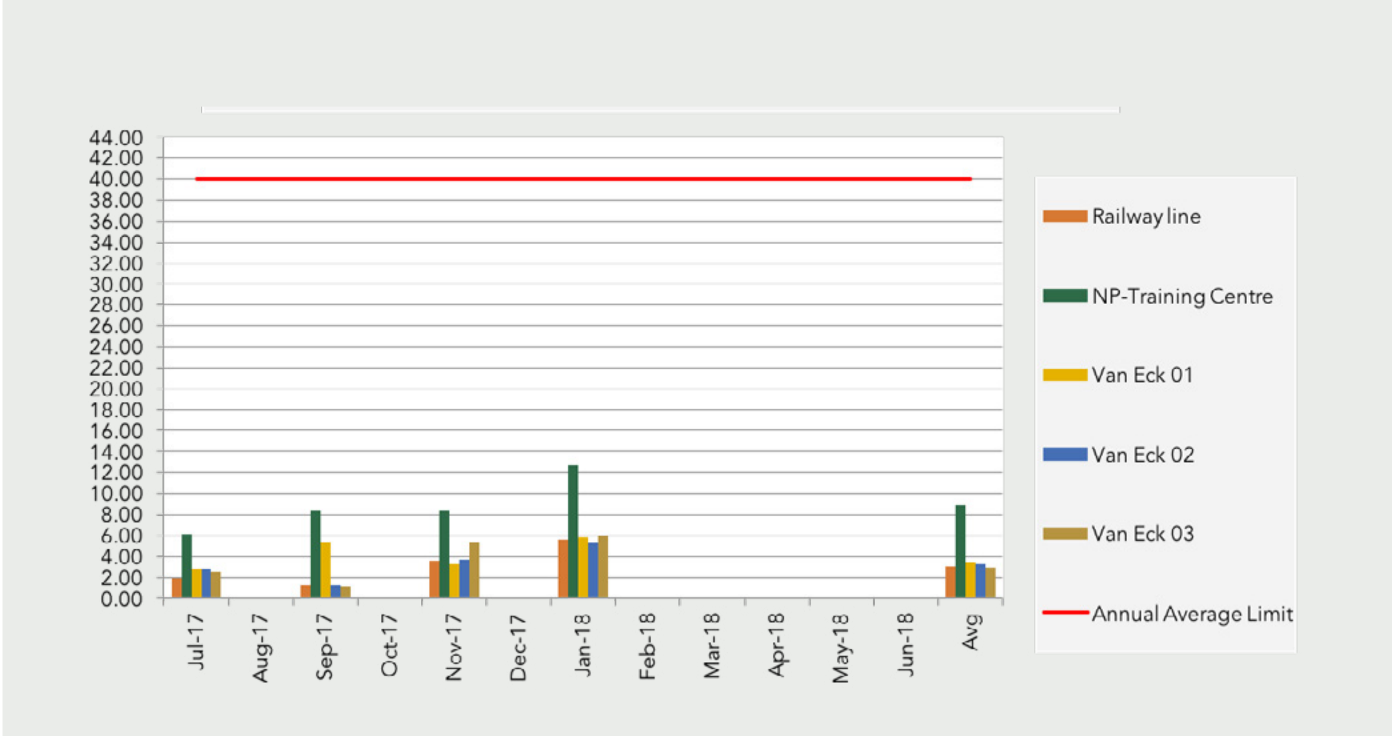
Passive or diffusive sampling relies on the unassisted molecular diffusion of gaseous agents (analytes) through a diffusive surface onto an absorbent. During the period under review, thirty-five passive/diffusive samplers were placed at various sampling sites around the power station to monitor for sulphur dioxide (SO2) and nitrogen dioxide (NO2). Results obtained from the laboratory were compared against the National Ambient Air Quality Standards and no exceedance in the two pollutants has been noted.

Namibia has neither ambient air quality guidelines or standards, nor emission limits for industrial processes. Reference is therefore made to the South African National Ambient Air Quality Standards (SA NAAQS) since it is regarded as having representative indicators for Namibia due to the similar environmental, social and economic characteristics between the two countries.

Sulphur Dioxide Concentrations in ug/m3 : 2017-2018 (plotted against the annual limit of 50 mg/m3)



Nitrogen Oxide Concentration in ug/m3 : 2017-2018 (plotted against the annual limit of 40 mg/m3)



Water Quality

The surface water quality programme for Van Eck Power Station, Brakwater Depot and Ruacana Power Station is ongoing. The monitoring programme was recommended by Knight Piesold at the end of the water study in 2015.

The water quality of the Kunene River is still good compared to the two other monitoring areas (Brakwater and Van Eck). Renewal of the effluent discharge permit from the Ministry of Agriculture, Water and Forestry for the Ruacana Hydro Power Station was placed on hold until NamPower is able to provide a work plan to rectify the current practice of discharging raw effluent back into the Kunene River. Discharging of untreated waste water into the river is a concern as the river system is a shared watercourse with the possibility of people located downstream of the power using the water for human consumption.

Occupational Hygiene Monitoring

- Asbestos fibre monitoring was performed at Paratus Power and Ruacana power stations, as well at the Lüderitz transmission station during the period under review.
- Collection and analysis of cable trench covers for asbestos was carried out. The cable trench covers that contain asbestos material will have to be removed and replaced.
- Illumination surveys were conducted at Van Eck Power Station to establish the lux levels.
- Inhalable dust (coal dust) sampling was carried out at Van Eck Power Station. Analysis results were obtained from the laboratory and feedback sessions were held with relevant employees.
- Plans for the removal of all material containing asbestos at Ruacana Power Station are ongoing. A site inspection was conducted at Ruacana Power Station in January 2018 by three asbestos removal companies who are Approved Inspection Authorities (AIA).
- Occupational hygiene awareness sessions focusing more on asbestos exposure, water and air pollution were conducted at Ruacana Power Station, Tsumeb, Ongwediva and Otjiwarongo depots.
- NamPower purchased the SV277 noise monitoring unit that will be used to assess noise exposure at various NamPower sites.

Wellness

The Wellness Section addressed diverse health and wellness topics to raise awareness within the company. A refresher course was also conducted for peer educators, who have an important role to play in promoting wellness activities and campaigns in the Company.

The Section continues to provide psycho-social support, counselling and referral services to employees and during the period under review, a total of 22 employees were attended to in this regard. Since various personal and organisational issues affect employees' attendance and performance in the workplace, the need has been identified for a comprehensive Employee Assistance Programme.

NamPower employees continue to support and partake in regular blood donation clinics conducted by the Namibia Blood Transfusion Services onsite. A total of 150 blood units were collected during the period under review, which can potentially save 384 lives.

FINANCIAL PERFORMANCE
OVERVIEW

FINANCIAL PERFORMANCE OVERVIEW

NamPower's financial performance for the 2018 financial year exceeded expectations despite the prevailing challenging economic situation in the country.

Group revenue has increased by 11% (2017: 18%) from N$ 5.9 billion in the prior year to N$ 6.6 billion for the year under review. The performance was primarily driven by the tariff increase of 8% and a growth in unit sales volume.

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 that was included in the 2014 financial year tariff at 2.54 cents/kWh. The year under review did not include the LRMC Levy. In line with the directives of the Electricity Control Board, the LRMC Levy is ring-fenced in the books of the company and can only be utilised with the specific approval of the Regulator. It is thus included in the deferred revenue and as at the reporting date it amounted to N$ 127 million.

Electricity sales volumes increased by 3% (2016: 4%) from 4,157 GWh achieved in the prior year to 4,285 GWh in the FY 2018. Maximum demand (including Skorpion Zinc Mine) decreased from 677 MW achieved in June 2017 to 639 MW in June 2018 representing a decrease of 6%. The decrease in maximum demand is attributed to a decrease in production in the mining Sector and a challenging economic environment. Renewable sources of energy such as solar water heating and installation of roof top solar photovoltaics have also contributed to the lower demand.

During the 2016 financial year NamPower concluded 14 new Power Purchase Agreements (PPA) with Independent Power Producers (IPPs) - 5 MW each in the renewable energy sector under the Renewable Energy Feed-In Tariffs (REFIT). Ten out of these fourteen (14) REFITs are operational and supplying NamPower with energy. The remaining REFITs will come on board during the course of the next financial year. NamPower has purchased an amount of N$ 171 million (2017: N$ 61 million) of power from these power producers during the year under review. The cost of electricity increased by 9% from N$ 3.1 billion achieved in prior year to N$ 3.4 billion for the year under review. Under the REFIT PPA contracts, NamPower purchased power at N$ 1.37/kWh (solar) and N$ 1.08 kWh (wind), which is adjusted annually on each IPP's anniversary with the Namibian CPI. The rainfall experienced during the year was lower on average than the prior year and consequently there was a decrease in dispatch of the local cheaper generation from NamPower's hydro power station at Ruacana.

NamPower continues to rely on regional trading partners to meet the country's energy demand. Of the total 4,826 GWh units of electricity into the Namibian system during the year under review, 73% (2017: 63%) was imported from the region. IPPs contributed 3% of total energy generated during the financial year.

Other income for the Group decreased by 76% from N$ 93 million to N$ 23 million during the period under review. Included in other income are income from the fibre optics rentals and property rentals. The Government grant accrued income of N$ 7 million (2017: N$ 7 million) is also included in other income. In 2010, the shareholder, the Government of the Republic of Namibia made a commitment to subsidise N$ 250 million towards the construction of the Anixas emergency diesel power station in Walvis Bay. Of this grant, N$ 46.1 million has been recognised as income and the remainder N$ 203.9 million will be recognised on a systematic basis over the useful life of the power plant.

Other operating expenses increased by 7% during the year under review. Repair and maintenance of transmission networks and the power stations remain a core activity of the company to ensure that assets remain reliable in delivering power to the nation. The Company incurred expenses of N$ 80 million in repairs and maintenance on transmission networks. These activities will continue to have a material impact on the Company's operating expenses.

Investment income for the year increased by 15% (2017: 24%) from N$ 673 million to N$ 772 million for the period under review. Namibia's prime interest rate remained constant at 10.5% for the FY 2017/2018. The increase in the average investments held and the fact that there was no exceptional expenditure on capital infrastructure during the period under review resulted in increase in investment income. The next few years are expected to be characterised by major capital outlays primarily in the areas of expanding generation capacity and upgrading the transmission backbone system from 220 kV system to 400 kV system; investment income is expected to decrease correspondingly.

It is NamPower's policy to hedge committed foreign exposure. Changes in the market conditions, particularly in the exchange rate of the Namibia Dollar against the major trading currencies, (USD, Euro and British Pound) impacted profitability as follows:

- Net fair value loss on derivatives and foreign loans of N$ 65 million (2017: N$ 127 million).
- Net fair value gain on embedded derivatives on Power Sale Agreements and Power Purchase Agreements of N$ 21 million (2017: N$ 195 million gain).
- Fair value gain on firm commitments N$ 3 million (2017: Nil).
- Net foreign exchange gain N$ 5 million (2017: N$ 16 million loss).

The Group made a profit before tax of N$ 1.7 billion compared to N$ 1.5 billion of 2017 financial year. This turnaround was primarily due to the increase in revenue and finance income received. Depreciation charge for the year amounting to N$ 869 million (2017: N$ 789 million) was recognised in arriving at the profit before tax. NamPower was liable for N$ 607 million (2017: N$ 434 million) current tax for the year under review. Group profit after tax amounted to N$ 1.2 billion compared to N$ 1.1 billion achieved during the prior year.

Cash generated from operating activities increased from N$ 1.6 billion during the prior year to N$ 1.9 billion. This improvement is attributed to delays in the company's procurement activities. Capital expenditure for the Group amounted to N$ 656 million (2017: N$ 725 million) for the year under review. Debtors days have also increased from 58.7 days in the FY 2016/2017 to 65.8 days in the current year which is indicative of the prevailing tough economic conditions. Total assets for the Group increased to N$ 32.1 billion from N$ 30.9 billion of the prior year.

NamPower as a national utility remains focused on its national mandate, that of ensuring security of supply. Thus, Nampower places strong emphasis on availability, reliability and affordable electricity to promote economic growth and improve the living standards of the country's citizens.

The next few years are expected to be characterised by major capital outlays primarily in the areas of expanding generation capacity and upgrading the transmission backbone system from 220 kV system to 400 kV system and investment income is expected to decrease correspondingly.

Our shareholder, the Government of the Republic of Namibia continues to render its support to NamPower, without which delivery of our mandate would be constrained. NamPower supports Namibia's blueprint to become an industrialised country by the year 2030. The NDP5 and the HPP set out clear targets that must be achieved emphasising the availability, reliability and affordability of power supply as some of the game changers promoting economic growth and improving citizens' standards of living.

ANNUAL FINANCIAL STATEMENTS

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation and fair presentation of the consolidated and company Annual Financial Statements ("Financial Statements") of Namibia Power Corporation (Proprietary) Limited, comprising the Statements of Financial Position at 30 June 2018, and the Statements of Profit or Loss and Other Comprehensive Income, Changes in Equity and Cash Flows for the year then ended, and the Notes to the Financial Statements, which include a summary of significant accounting policies and other explanatory notes, and the Directors' Report, in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of Namibia.

The Directors are also responsible for such internal control as the directors determine as necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The Directors have made an assessment of the ability of the Group and Company, to continue as going concerns and have no reason to believe that the businesses will not be going concerns in the year ahead.

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

Approval of Consolidated and Separate Annual Financial Statements

The Consolidated and Separate Financial Statements of Namibia Power Corporation (Proprietary) Limited, as identified in the first paragraph, were approved by the Board of Directors on 22 November 2018 and signed by:

Ms K Ndilula Chairperson	**Mr K S Haulofu** Managing Director

VALUE ADDED STATEMENT
for the year ended 30 June 2018

	CONSOLIDATED				COMPANY			
	2018		2017 Restated*		2018		2017 Restated*	
	N$'000	%	N$'000	%	N$'000	%	N$'000	%
VALUE ADDED								
Turnover	**6,594,816**		5,920,719		**6,594,816**		5,920,719	
Less: Cost of primary energy, materials and services	**3,850,262**		3,628,479		**3,850,262**		3,628,479	
Value added by operations	**2,744,554**	**77.56**	2,292,240	74.95	**2,744,554**	**77.25**	2,292,240	74.80
Interest and sundry income	**794,175**	**22.44**	766,225	25.05	**808,208**	**22.75**	772,075	25.20
	3,538,729	**100.00**	3,058,465	100.00	**3,552,762**	**100.00**	3,064,315	100.00
VALUE DISTRIBUTED								
To remunerate employees	**768,311**	**21.71**	669,553	21.89	**768,311**	**21.63**	669,553	21.85
To providers of debt	**193,419**	**5.47**	215,093	7.03	**193,419**	**5.44**	215,093	7.02
Taxation	**606,714**	**17.14**	433,611	14.18	**606,714**	**17.08**	433,611	14.15
	1,568,444	**44.32**	1,318,257	43.10	**1,568,444**	**44.15**	1,318,257	43.02
VALUE RETAINED								
To maintain and develop operations	**1,970,285**	**55.68**	1,740,208	56.90	**1,984,318**	**55.85**	1,746,058	56.92
	3,538,729	**100.00**	3,058,465	100.00	**3,552,762**	**100.00**	3,064,315	100.00

* Certain amounts shown here do not correspond to the 2017 financial statements due to an error and reflect adjustments made, refer to note 30 and note 31.

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT (for JSE* purposes)

To the member of Namibia Power Corporation (Proprietary) Limited

Opinion

We have audited the consolidated financial statements of Namibia Power Corporation (Proprietary) Limited and its subsidiaries ("the Group") set out on pages 96 to 199, which comprise the statement of financial position as at 30 June 2018 and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2018 and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the independence requirements applicable to performing audits of financial statements in Namibia which is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We have fulfilled our other ethical responsibilities in accordance with the ethical requirements applicable to performing audits in Namibia. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

The key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon and we do not provide a separate opinion on this matter.

*JSE - Johannesburg Stock Exchange

Key audit matter	How the matter was addressed in the audit
Valuation of embedded derivatives	
The Group enters into agreements to purchase and supply electricity, known as Power Purchase Agreements (PPA) and Power Sale Agreements (PSA). Revenue from these contracts is linked to United States Dollars and United States production price indices which give rise to embedded derivatives. At year-end, the carrying amount of the embedded derivative assets and liabilities was nil (2017: N$319 thousand) and N$108 million (2017: N$128 million) respectively. The valuation of the embedded derivatives is complex and the assumptions used in the valuation are subjective. The contracted electricity price used to value the derivatives is based on a combination of factors over the contract 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 the embedded derivatives take into account the inherent uncertainty relating to the future cash flows of the embedded derivatives, such as liquidity, model risk and other economic factors as disclosed in note 29.8 of the consolidated financial statements. The volatility of the variables impacting embedded derivatives have a significant impact on the financial position and performance of the Group.	To address the key audit matter, we performed the following audit procedures: Tested the design and implementation of the key controls around the valuation of the embedded derivatives; Our derivatives specialists performed the following procedures: • Reviewed and challenged the appropriateness of the valuation model; • Assessed the inputs in the model against independently verifiable market data; • Challenged the key assumptions used in the valuation model; • Reviewed the provisions of the PPA and PSA to assess the appropriateness of the valuation assumptions applied; and • Reperformed the calculations of the models to ensure accuracy of the valuations. The audit team performed the following procedures: • Agreed the information used in the valuation of the derivatives to the source documents, i.e. contracts and invoices; • Compared the recalculated derivatives amount to the general ledger and investigated any differences; and • Assessed the adequacy of related disclosures in the consolidated financial statements in line with IFRS 7: Financial Instruments: Disclosure requirements.

Other Information

The directors are responsible for the other information. The other information comprises the Chairperson's statement, Managing Director's report, strategic overview, operational reviews, business overview, sustainability report, financial performance overview, corporate structure, the value added statement and the directors' report. The other information does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Deloitte & Touche

Deloitte & Touche
Registered Accountants and Auditors
Chartered Accountants (Namibia)

Per: E. Tjipuka
Partner
Windhoek
7 December 2018

ICAN practice number: 9407

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Partners: E Tjipuka (Managing Partner) | RH McDonald | H de Bruin | J Cronjé | A Akayombokwa | AT Matenda | G Brand* | J Nghikevali | M Harrison*
*Director

Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited

INDEPENDENT AUDITOR'S REPORT
(for compliance with the joint audit arrangement)

To the member of Namibia Power Corporation (Proprietary) Limited

Opinion

We have audited the consolidated and separate financial statements of Namibia Power Corporation (Proprietary) Limited and its subsidiaries ("the Group") set out on pages 90 to 199, which comprise the statements of financial position as at 30 June 2018 and the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies and the director's report.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group as at 30 June 2018 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 ("IFRS") and the requirements of the Companies Act of Namibia.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the Group in accordance with the independence requirements applicable to performing audits of financial statements in Namibia which is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We have fulfilled our other ethical responsibilities in accordance with the ethical requirements applicable to performing audits in Namibia. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

The key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the consolidated and separate financial statements of the current period. This matter was addressed in the context of our audit of the consolidated and separate financial statements as a whole and in forming our opinion thereon and we do not provide a separate opinion on this matter.

Key audit matter	How the matter was addressed in the audit
Valuation of embedded derivatives	
The Group enters into agreements to purchase and supply electricity, known as Power Purchase Agreements (PPA) and Power Sale Agreements (PSA). Revenue from these contracts is linked to United States Dollars and United States production price indices which give rise to embedded derivatives. At year-end, the carrying amount of the embedded derivative assets and liabilities was nil (2017: N$319 thousand) and N$107 million (2017: N$128 million) respectively. The valuation of the embedded derivatives is complex and the assumptions used in the valuation are subjective. The contracted electricity price used to value the derivatives is based on a combination of factors over the contract period. Forecast sales volumes are based on the most likely future sales volumes which have been back-tested against historic volumes.	To address the key audit matter, we performed the following audit procedures: Tested the design and implementation of the key controls around the valuation of the embedded derivatives; Our derivatives specialists performed the following procedures: • Reviewed and challenged the appropriateness of the valuation model; • Assessed the inputs in the model against independently verifiable market data; • Challenged the key assumptions used in the valuation model;

Key audit matter	How the matter was addressed in the audit
Valuation of embedded derivatives	
The fair value of the embedded derivatives take into account the inherent uncertainty relating to the future cash flows of the embedded derivatives, such as liquidity, model risk and other economic factors as disclosed in note 29.8 of the consolidated financial statements. The volatility of the variables impacting embedded derivatives have a significant impact on the financial position and performance of the Group.	• Reviewed the provisions of the PPA and PSA to assess the appropriateness of the valuation assumptions applied; and • Reperformed the calculations of the models to ensure accuracy of the valuations. The audit team performed the following procedures: • Agreed the information used in the valuation of the derivatives to the source documents, i.e. contracts and invoices; • Compared the recalculated derivatives amount to the general ledger and investigated any differences; and • Assessed the adequacy of related disclosures in the consolidated financial statements in line with IFRS 7: Financial Instruments: Disclosure requirements.

Other Information

The directors are responsible for the other information. The other information comprises the Chairperson's statement, Managing Director's report, strategic overview, operational reviews, business overview, sustainability report, financial performance overview, corporate structure and the value added statement. The other information does not include the consolidated and separate financial statements, directors' report and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Namibia and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Deloitte + Touche

Deloitte & Touche
Registered Accountants and Auditors
Chartered Accountants (Namibia)

E. Tjipuka
Partner
Windhoek
7 December 2018

Deloitte Building
Maerua Mall Complex
Jan Jonker Road
PO Box 47
Windhoek
Namibia

ICAN practice number: 9407

Partners: E Tijipuka (Managing Partner) | RH McDonald | H de Bruin | J Cronjé | A Akayombokwa | AT Matenda | G Brand* | J Nghikevali | M Harrison*
*Director

Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited

Grand Namibia

Grand Namibia
Registered Accountants and Auditors
Chartered Accountants (Namibia)

R. Beukes
Partner
Windhoek
7 December 2018

9 Axali Doeseb Street,
P.O. Box 24304,
Windhoek
Namibia

ICAN practice number: 9424

Partners: R Theron (Managing Partner) | R Beukes

DIRECTORS' REPORT

The Directors have pleasure in presenting their report for the year ended 30 June 2018.

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 Consolidated and Company for the year under review are set out in the Statement of Profit or Loss and Other Comprehensive Income.

Units into the system and sold:

	CONSOLIDATED AND COMPANY	
	2018 GWh	2017 GWh
Ruacana Hydro Power Station	**1,144**	1,593
Van Eck Power Station	**21**	66
Anixas Power Station	**0.15**	0.33
Eskom	**1,991**	2,090
ZESCO	**361**	334
EDM	**-**	3
ZPC	**357**	348
STEM	**828**	136
Omburu Sun Energy (Pty) Ltd (Innosun)	**12**	12
REFITs	**112**	28
Total units into system	**4,826**	4,610
To customers in Namibia	**3,585**	3,454
Exports	**114**	100
Orange River^	**142**	132
To Skorpion Zinc Mine^	**444**	471
Total units sold	**4,285**	4,157

^ Orange River and Skorpion Zinc Mine are customers situated in the Republic of Namibia but are supplied directly by Eskom via a back to back agreement whereby Eskom bills NamPower for the units consumed by Orange River and Skorpion Zinc Mine, then NamPower bills them for those units sold by Eskom.

Transmission losses	**11.2%**	9.8%

Growth

During the year under review there was an increase of 3.8% in GWh units sold to customers in Namibia (2017: increase of 3.9%). The power not generated by the Company during the year under review increased by 711 GWh units (2017: decrease of 134 GWh units).

3. Subsidiaries and Associates

Relevant information is disclosed in note 7 to the financial statements.

4. Auditors

Deloitte & Touche (Namibia) and Grand Namibia have been appointed as auditors with effect from 08 December 2016.

5. Capital Expenditure

The expenditure on property, plant and equipment during the financial year amounted to: Consolidated N$656.3 million (2017: N$724.5 million). The expenditure on intangible assets during the financial year amounted to: Consolidated N$6.7 million (2017: N$28.3 million).

This expenditure is mainly attributable to:

5.1 Electrification:

- Aussenkehr Supply Z (New River Pump Station)
- Rural Eletrification MV Line Ramble
- Warmbad/Karas 22kV Ohead Line upgrade 33kV
- Brakwater, Dobra, 11kV Overhead Line
- Plot 68 Brakwater
- EIB MV Line Panduleni and Taadhiya PS
- EIB MV Line Eengwena Elao & Onehapi
- NamWater Aussenkehr 1
- NamWater Aussenkehr 2
- NamWater Aussenkehr 3

5.2 Substation Development:

- Transmission Connection Hardap Solar PV
- Ohorongo 5MV PV Plant Sargberg Substation
- Lithops Substation 20MWA
- 132/66kV Baobab Substation
- Husab Power Supply
- Sekelduin Substation
- Aris 66/11kV Substation
- Omatando Substation
- Gerus S/S: Otjikoto 220kV Feeder
- MPD: 330/132 kV Hippo Substation
- Ruacana 330kV: Transformers replacement
- Brakwater 2-MVA Substation
- Wlotzka Substation: Install gutters & downpipes
- Gobabis S/S: Entrance Upgrade

5.3 Refurbishment and Upgrading:

- Van Eck Power Station - Rehabilitation
- Ruacana Auxiliary Solar PV Power Project
- Ruacana - Unit Supply & Fast Transfer Facility
- Ruacana emergency dewatering Pump

5.4 Transmission System:

- Kunene - Omatando 400kV Transmission Line
- Kunene 330kV Transmission Station
- Recloser automation project
- Auas SVC Control system upgrade
- Bokomo Temp Supply 6 MVA
- Transmission Masterplan: Masivi-Siyambi Project
- Install 66kV Section Link on Uis Line
- External: Energy Feed-In Tariff Program
- Khurub-Aussenkehr Strengthening Phase 3
- Aussenkehr S/S: Strengthening Phase 2
- Energy Feed-In Tariff Programme

5.5 Power Station Development:

- Anixas Power Station - Walvis Bay
- Van Eck Power Station - Borehole development

5.6 Intangible Assets:

- Network Triangle (V/E, NCB, NPC)
- Technical Upgrade - Energy Trading System

6. Shareholder

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

7. 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 consolidated annual financial statements, that would affect the operations of the Group or the results of those operations significantly.

On 22 November 2018, the directors declared a dividend amounting to N$60.7 million in respect of the year under review.

8. 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 Public Enterprises Governance Act 2 of 2006. Management has and continues to engage the Public Enterprises Ministry 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 of Namibia and its internal governance procedures in directing and managing the business. Certain exceptions as provided within the Public Enterprises Governance Act 2 of 2006 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 Act does not apply to the subsidiaries and associates, but only to the Company.

8.1 Directorate

Ms Kaunapaua Ndilula	Chairperson
Mr Kahenge S Haulofu	Managing Director
Mr Daniel Motinga	Deputy Chairperson
Ms Sara Katiti	
Dr Detlof von Oertzen	
Mr Andreas Kanime	
Ms Anna Matebele	

8.2 Board Committees

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

8.2.1 Audit and Risk Management Committee

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

Mr Daniel Motinga	Chairperson
Ms Sara Katiti	
Ms Anna Matebele	

8.2.2 Remuneration and Nomination Committee

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

Mr Andreas Kanime	Chairperson
Mr Daniel Motinga	
Ms Anna Matebele	

8.2.3 Board Tender Committee

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

Ms Sara Katiti	Chairperson
Ms Kaunapaua Ndilula	
Dr Detlof von Oertzen	

8.2.4 Investment Committee

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

Dr Detlof von Oertzen	Chairperson
Ms Kaunapaua Ndilula	
Mr Andreas Kanime	

DIRECTORS' REPORT (continued)

8.3 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:	**10**	**7**	**4**	**3**	**4**
Attendance:					
Ms Kaunapaua Ndilula **(Board Chairperson)**	10	N/A	N/A	2	4
Mr Daniel Motinga **(Audit Chairperson)**	10	6	4	N/A	N/A
Ms Sara Katiti **(Board Tender Chairperson)**	10	7	N/A	3	N/A
Dr Detlof von Oertzen **(Investment Chairperson)**	10	N/A	N/A	2	4
Mr Andreas Kanime **(REMCO Chairperson)**	9	N/A	4	N/A	3
Ms Anna Matebele	8	6	4	N/A	N/A

* N/A: Not a member of applicable committee

9. Secretary

Ms S Mavulu held office as Company Secretary for the year under review. The business and postal addresses are shown on page 201.

10. Going Concern

The Directors have made an assessment of the ability of the Group and Company to continue as a going concern in the foreseeable future 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 has continued to adopt the going-concern basis in preparing the financial statements.

11. Registered Address

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

STATEMENTS OF FINANCIAL POSITION

as at 30 June 2018

	NOTE	CONSOLIDATED 2018 N$'000	CONSOLIDATED 2017 N$'000 Restated*	CONSOLIDATED 01 July 2016 N$'000 Restated*	COMPANY 2018 N$'000	COMPANY 2017 N$'000 Restated*	COMPANY 01 July 2016 N$'000 Restated*
Assets							
Total non-current assets		**22,305,357**	22,985,596	22,952,082	**21,922,281**	22,584,191	22,551,716
Property, plant and equipment	6	**20,801,717**	21,041,341	21,168,861	**20,801,717**	21,022,926	21,150,271
Investment properties	8	**17,269**	19,691	18,429	**17,269**	19,691	18,429
Intangible assets	9	**29,384**	29,350	2,908	**29,384**	29,350	2,908
Interest in subsidiaries	7.1	**-**	-	-	**5,002**	9,244	9,244
Investment in associates	7.2	**609,357**	565,466	564,252	**221,279**	173,232	173,232
Investments	11	**788,136**	1,261,372	977,789	**788,136**	1,261,372	977,789
Derivative assets	21.1	**43,059**	58,715	203,235	**43,059**	58,715	203,235
Loans receivable	10	**16,435**	9,661	16,608	**16,435**	9,661	16,608
Total current assets		**9,747,238**	7,883,717	7,281,121	**9,747,238**	7,883,717	7,281,121
Inventories	12	**247,367**	279,159	309,878	**247,367**	279,159	309,878
Trade and other receivables	13	**1,729,693**	1,322,653	1,113,051	**1,729,693**	1,322,653	1,113,051
Current tax receivable		**-**	4,079	4,079	**-**	4,079	4,079
Investments	11	**5,455,551**	4,404,320	4,139,474	**5,455,551**	4,404,320	4,139,474
Cash and cash equivalents	14	**2,310,120**	1,868,999	1,707,589	**2,310,120**	1,868,999	1,707,589
Loans receivable	10	**4,507**	4,507	7,050	**4,507**	4,507	7,050
Total assets		**32,052,595**	30,869,313	30,233,203	**31,669,519**	30,467,908	29,832,837
Equity							
Total equity attributable to equity holders		**20,867,270**	19,611,122	18,527,673	**20,477,802**	19,210,097	18,127,792
Issued share capital	16.2	**165,000**	165,000	165,000	**165,000**	165,000	165,000
Share premium	16.3	**900,000**	900,000	900,000	**900,000**	900,000	900,000
Reserve fund		**1,693,649**	1,633,716	1,574,721	**1,693,649**	1,633,716	1,574,721
Development fund		**6,290,174**	5,094,092	4,069,750	**6,125,092**	4,917,453	3,894,255
Capital revaluation reserve		**11,717,163**	11,717,163	11,717,163	**11,492,777**	11,492,777	11,492,777
Strategic inventory revaluation reserve		**99,880**	99,880	99,880	**99,880**	99,880	99,880
Available for sale fair value adjustment reserve		**1,404**	1,271	1,159	**1,404**	1,271	1,159
Total equity		**20,867,270**	19,611,122	18,527,673	**20,477,802**	19,210,097	18,127,792
Liabilities							
Total non-current liabilities		**9,655,356**	9,926,086	10,513,528	**9,655,352**	9,919,321	10,506,660
Interest bearing loans and borrowings	17	**1,824,439**	2,029,120	2,384,431	**1,824,439**	2,029,120	2,384,431
Deferred revenue liabilities	18	**1,085,585**	1,033,561	1,019,226	**1,085,585**	1,033,561	1,019,226
Employee benefits	22	**317,391**	324,536	291,590	**317,391**	324,536	291,590
Retention creditors	20.3	**26,744**	29,432	18,692	**26,744**	29,432	18,692
Derivative liabilities	21.2	**107,486**	131,261	394,734	**107,486**	131,261	394,734
Deferred tax liabilities	19	**6,293,711**	6,378,176	6,404,855	**6,293,707**	6,371,411	6,397,987
Total current liabilities		**1,529,969**	1,332,105	1,192,002	**1,536,364**	1,338,490	1,198,385
Trade and other payables	20	**1,133,296**	867,614	789,678	**1,133,303**	867,611	789,677
Loans due to subsidiaries	7.1	**-**	-	-	**6,388**	6,388	6,384
Current tax payable		**51,491**	96,300	25,303	**51,491**	96,300	25,303
Interest bearing loans and borrowings	17	**207,433**	230,109	237,939	**207,433**	230,109	237,939
Deferred revenue liabilities	18	**137,749**	138,082	139,082	**137,749**	138,082	139,082
Total liabilities		**11,185,325**	11,258,191	11,705,530	**11,191,716**	11,257,811	11,705,045
Total equity and liabilities		**32,052,595**	30,869,313	30,233,203	**31,669,519**	30,467,908	29,832,837

* Certain amounts shown here do not correspond to the 2017 financial statements due to an error and reflect adjustments made, refer to note 30 and note 31.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2018

	NOTE	CONSOLIDATED 2018 N$'000	CONSOLIDATED 2017 N$'000 Restated*	COMPANY 2018 N$'000	COMPANY 2017 N$'000 Restated*
Revenue	25	**6,594,816**	5,920,719	**6,594,816**	5,920,719
Cost of Electricity		**(3,394,812)**	(3,128,420)	**(3,394,812)**	(3,128,420)
Gross profit		**3,200,004**	2,792,299	**3,200,004**	2,792,299
Foreign exchange gains		**226,262**	188,231	**226,262**	188,231
Foreign exchange losses		**(221,319)**	(204,198)	**(221,319)**	(204,198)
Amortisation	9	**(6,714)**	(1,893)	**(6,714)**	(1,893)
Depreciation	6	**(868,853)**	(789,352)	**(868,722)**	(789,178)
Reversal of impairment in associate	7.2	**48,047**	-	**48,047**	-
Reversal of impairment in investment	11	**2,156**	-	**2,156**	-
Other operating expenditure		**(1,228,704)**	(1,153,645)	**(1,228,704)**	(1,153,645)
Other income	25.1	**22,590**	92,785	**36,623**	98,635
Profit before net fair value adjustments and net finance income		**1,173,469**	924,227	**1,187,633**	930,251
Fair value loss on derivatives and foreign loans through profit or loss		**(65,272)**	(127,386)	**(65,272)**	(127,386)
Fair value gain on swaps		**28,209**	38,823	**28,209**	38,823
Fair value loss on embedded derivatives - Power Sales Agreement (PSA)		**(319)**	(57,476)	**(319)**	(57,476)
Fair value gain on embedded derivatives - Power Purchase Agreement (PPA)		**20,855**	252,680	**20,855**	252,680
Fair value gain on firm commitments		**3,095**	-	**3,095**	-
Profit before net finance income		**1,160,037**	1,030,868	**1,174,201**	1,036,892
Net finance income		**578,166**	458,347	**578,166**	458,347
Finance income	24	**771,585**	673,440	**771,585**	673,440
Finance costs	24	**(193,419)**	(215,093)	**(193,419)**	(215,093)
Share of (loss)/profit of associates, net of tax^	7.2	**(3,719)**	7,468	**-**	-
Profit before taxation	26	**1,734,484**	1,496,683	**1,752,367**	1,495,239
Taxation	15	**(508,098)**	(408,853)	**(514,861)**	(408,957)
Profit for the year		**1,226,386**	1,087,830	**1,237,506**	1,086,282
Other comprehensive income					
Items that will never be reclassified to profit or loss					
Remeasurements of employee benefits	22.1.4, 22.2.4	**44,215**	(6,013)	**44,215**	(6,013)
Share of other comprehensive income of associates, net of taxation		**(437)**	(404)	**-**	-
Related tax	15	**(14,149)**	1,924	**(14,149)**	1,924
		29,629	(4,493)	**30,066**	(4,089)
Items that are or may be reclassified to profit or loss					
Net change in fair value of available-for-sale financial assets	15	**133**	112	**133**	112
		133	112	**133**	112
Other comprehensive income/(loss) for the year,net of taxation	15	**29,762**	(4,381)	**30,199**	(3,977)
Total comprehensive income for the year		**1,256,148**	1,083,449	**1,267,705**	1,082,305

* Certain amounts shown here do not correspond to the 2017 financial statements due to an error and reflect adjustments made, refer to note 30 and note 31.

^ The share of profit of associates, net of tax do not correspond to the 2017 financial statements as a result of the share of other comprehensive income of associates, net of taxation amounting to N$404 thousand which was not available in the prior year, but now added in the share of profit of associates. Also refer to note 7.2.

STATEMENTS OF CHANGES IN EQUITY
for the year ended 30 June 2018

CONSOLIDATED	Issued Share Capital N$'000	Share Premium N$'000	Reserve Fund N$'000	Development Fund N$'000	Capital Revaluation Reserve N$'000	Strategic Inventory Revaluation Reserve N$'000	Available for Sale Fair Value Adjustment Reserve N$'000	Retained Earnings N$'000	Total Equity N$'000
Balance at 1 July 2017	**165,000**	**900,000**	**1,633,716**	**5,094,092**	**11,717,163**	**99,880**	**1,271**	**-**	**19,611,122**
Total comprehensive income for the year									
Profit for the year	-	-	-	-	-	-	-	1,226,386	1,226,386
Other comprehensive income									
Total other comprehensive income	-	-	-	-	-	-	133	29,629	29,762
Total comprehensive income for the year	-	-	-	-	-	-	133	1,256,015	1,256,148
Allocation from retained income	-	-	59,933	1,196,082	-	-	-	(1,256,015)	-
Transfer to reserve fund	-	-	59,933	-	-	-	-	(59,933)	-
Funds for capital expenditure requirements	-	-	-	1,196,082	-	-	-	(1,196,082)	-
Balance at 30 June 2018	**165,000**	**900,000**	**1,693,649**	**6,290,174**	**11,717,163**	**99,880**	**1,404**	**-**	**20,867,270**
CONSOLIDATED									
Balance at 1 July 2016	165,000	900,000	1,574,721	4,127,007	11,717,163	99,880	1,159	-	18,584,930
Adjustment of correction of error* (Note 31)	-	-	-	-	-	-	-	(57,257)	(57,257)
Allocation from retained income	-	-	-	(57,257)	-	-	-	57,257	-
Transfer to reserve fund	-	-	-	-	-	-	-	-	-
Funds for capital expenditure requirements	-	-	-	(57,257)	-	-	-	57,257	-
Balance at 1 July 2016 (restated)	165,000	900,000	1,574,721	4,069,750	11,717,163	99,880	1,159	-	18,527,673
Total comprehensive income for the year									
Profit for the year	-	-	-	-	-	-	-	1,087,830	1,087,830
Other comprehensive income									
Total other comprehensive income^	-	-	-	-	-	-	112	(4,493)	(4,381)
Total comprehensive income for the year	-	-	-	-	-	-	112	1,083,337	1,083,449
Allocation from retained income	-	-	58,995	1,024,342	-	-	-	(1,083,337)	-
Transfer to reserve fund	-	-	58,995	-	-	-	-	(58,995)	-
Funds for capital expenditure requirements	-	-	-	1,024,342	-	-	-	(1,024,342)	-
Balance at 30 June 2017	165,000	900,000	1,633,716	5,094,092	11,717,163	99,880	1,271	-	19,611,122

* Certain amounts shown here do not correspond to the 2017 financial statements due to an error and reflect adjustments made, refer to note 30 and note 31.

^ The share of profit of associates, net of tax do not correspond to the 2017 financial statements as a result of the share of other comprehensive income of associates, net of taxation amounting to N$404 thousand which was not available in the prior year, but now added in the share of profit of associates. Also refer to note 7.2.

STATEMENTS OF CHANGES IN EQUITY
for the year ended 30 June 2018

COMPANY	Issued Share Capital N$'000	Share Premium N$'000	Reserve Fund N$'000	Development Fund N$'000	Capital Revaluation Reserve N$'000	Strategic Inventory Revaluation Reserve N$'000	Available for Sale Fair Value Adjustment Reserve N$'000	Retained Earnings N$'000	Total Equity N$'000
Balance at 1 July 2017	**165,000**	**900,000**	**1,633,716**	**4,917,453**	**11,492,777**	**99,880**	**1,271**	**-**	**19,210,097**
Total comprehensive income for the year									
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,237,506**	**1,237,506**
Other comprehensive income									
Total other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**133**	**30,066**	**30,199**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**133**	**1,267,572**	**1,267,705**
Allocation from retained income	**-**	**-**	**59,933**	**1,207,639**	**-**	**-**	**-**	**(1,267,572)**	**-**
Transfer to reserve fund	**-**	**-**	**59,933**	**-**	**-**	**-**	**-**	**(59,933)**	**-**
Funds for capital expenditure requirements	**-**	**-**	**-**	**1,207,639**	**-**	**-**	**-**	**(1,207,639)**	**-**
Balance at 30 June 2018	**165,000**	**900,000**	**1,693,649**	**6,125,092**	**11,492,777**	**99,880**	**1,404**	**-**	**20,477,802**

COMPANY	Issued Share Capital N$'000	Share Premium N$'000	Reserve Fund N$'000	Development Fund N$'000	Capital Revaluation Reserve N$'000	Strategic Inventory Revaluation Reserve N$'000	Available for Sale Fair Value Adjustment Reserve N$'000	Retained Earnings N$'000	Total Equity N$'000
Balance at 1 July 2016	165,000	900,000	1,574,721	3,951,512	11,492,777	99,880	1,159	-	18,185,049
Adjustment of correction of error* (Note 31)	-	-	-	-	-	-	-	(57,257)	(57,257)
Allocation from retained income	-	-	-	(57,257)	-	-	-	57,257	-
Transfer to reserve fund	-	-	-	-	-	-	-	-	-
Funds for capital expenditure requirements	-	-	-	(57,257)	-	-	-	57,257	-
Balance at 1 July 2016 (restated)	165,000	900,000	1,574,721	3,894,255	11,492,777	99,880	1,159	-	18,127,792
Total comprehensive income for the year									
Profit for the year	-	-	-	-	-	-	-	1,086,282	1,086,282
Other comprehensive income									
Total other comprehensive income	-	-	-	-	-	-	112	(4,089)	(3,977)
Total comprehensive income for the year	-	-	-	-	-	-	112	1,082,193	1,082,305
Allocation from retained income	-	-	58,995	1,023,198	-	-	-	(1,082,193)	-
Transfer to reserve fund	-	-	58,995	-	-	-	-	(58,995)	-
Funds for capital expenditure requirements	-	-	-	1,023,198	-	-	-	(1,023,198)	-
Balance at 30 June 2017	165,000	900,000	1,633,716	4,917,453	11,492,777	99,880	1,271	-	19,210,097

* Certain amounts shown here do not correspond to the 2017 financial statements due to an error and reflect adjustments made, refer to note 30 and note 31.

STATEMENTS OF CASH FLOWS
for the year ended 30 June 2018

	NOTE	CONSOLIDATED 2018 N$'000	CONSOLIDATED 2017 N$'000 Restated*	COMPANY 2018 N$'000	COMPANY 2017 N$'000 Restated*
Cash flows from operating activities					
Cash receipts from customers		**6,186,319**	6,361,161	**6,186,319**	6,355,311
Cash paid to suppliers and employees		**(4,257,470)**	(4,763,210)	**(4,256,676)**	(4,757,361)
Cash generated from operations	A	**1,928,849**	1,597,951	**1,929,643**	1,597,950
Interest received	C	**110,968**	82,886	**110,968**	82,886
Taxation paid	B	**(647,443)**	(362,614)	**(647,443)**	(362,614)
Net cash from operating activities		**1,392,374**	1,318,223	**1,393,168**	1,318,222
Cash flows from investing activities					
Proceeds from the sale of property, plant and equipment		**1,399**	-	**1,399**	-
Acquisitions of intangible assets	9	**(6,747)**	(28,335)	**(6,747)**	(28,335)
Extension and replacement of property, plant and equipment to maintain operations	E	**(656,393)**	(724,545)	**(657,118)**	(724,545)
Interest received	C	**500,207**	437,343	**500,207**	437,343
Dividend received		**59**	54	**59**	5,904
Increase in loans to subsidiaries		**-**	-	**(69)**	-
Decrease in investment in associate	7.2	**-**	5,850	**-**	-
Decrease/(increase) in investments		**473,368**	(283,471)	**473,368**	(283,471)
Increase in short term investments		**(1,051,230)**	(264,846)	**(1,051,230)**	(264,846)
(Increase)/decrease in loans receivable		**(6,774)**	9,490	**(6,774)**	9,490
Net cash used in investing activities		**(746,111)**	(848,461)	**(746,905)**	(848,460)
Cash flows from financing activities					
Interest paid	D	**(131,514)**	(153,856)	**(131,514)**	(153,856)
Repayment of interest bearing loans and borrowings		**(94,698)**	(169,901)	**(94,698)**	(169,901)
Net cash used in financing activities		**(226,212)**	(323,757)	**(226,212)**	(323,757)
Net increase in cash and cash equivalents		**420,051**	146,005	**420,051**	146,005
Cash and cash equivalents at 1 July		**1,868,999**	1,707,589	**1,868,999**	1,707,589
Effect of exchange rate fluctuations on cash held		**21,070**	15,405	**21,070**	15,405
Cash and cash equivalents at 30 June	14	**2,310,120**	1,868,999	**2,310,120**	1,868,999

* Certain amounts shown here do not correspond to the 2017 financial statements due to an error and reflect adjustments made, refer to note 30 and note 31.

NOTES TO THE STATEMENTS OF CASH FLOWS
for the year ended 30 June 2018

	NOTE	CONSOLIDATED 2018 N$'000	CONSOLIDATED 2017 N$'000 Restated*	COMPANY 2018 N$'000	COMPANY 2017 N$'000 Restated*
A. CASH GENERATED FROM OPERATIONS					
Profit before net finance income		**1,160,037**	1,030,868	**1,174,201**	1,036,892
Adjustments for:					
- Dividend received		**(59)**	(54)	**(59)**	(5,904)
- Interest capitalised on loan		**(2,080)**	(2,404)	**(2,080)**	(2,404)
- Movement in swap valuations		**(14,110)**	(4,466)	**(14,110)**	(4,466)
- Effect of exchange rate fluctuations on cash held		**(21,070)**	(15,405)	**(21,070)**	(15,405)
- Fair value movements of financial liabilities at fair value through profit or loss		**(17,964)**	(76,396)	**(17,964)**	(76,396)
- Fair value movements on derivative contracts		**15,511**	76,251	**15,511**	76,251
- Fair value movements on firm commitments		**(3,095)**	-	**(3,095)**	-
- Fair value movements on embedded derivative - Power Purchase Agreement (PPA)		**(20,855)**	(252,680)	**(20,855)**	(252,680)
- Fair value movements on embedded derivative - Power Sales Agreement (PSA)		**319**	57,476	**319**	57,476
- Coal survey adjustment	12	**7,923**	(744)	**7,923**	(744)
- Fair value movements on investment properties		**2,422**	(1,262)	**2,422**	(1,262)
- Impairment loss on trade and other receivables	13	**352,402**	258,532	**352,402**	258,532
- Depreciation on property, plant and equipment		**868,853**	789,353	**868,722**	789,178
- Reversal of impairment of investment in associate		**(48,047)**	-	**(48,047)**	-
- Amortisation on intangible assets	9	**6,713**	1,893	**6,713**	1,893
- Increase in employee benefits provision		**44,215**	(6,013)	**44,215**	(6,013)
- Strategic inventory items issued		**20,969**	36,787	**20,969**	36,787
- Transfer to intangible assets	9	**6,196**	25,922	**6,196**	25,922
- Reclassification from investments to interest bearing loans and borrowings		**-**	(18,000)	**-**	(18,000)
- Government grant recognised in income		**(333)**	(1,000)	**(333)**	(1,000)
- Movement in deferred revenue liability		**52,024**	14,335	**52,024**	14,335
- Gain on disposal of subsidiary	7.1	**-**	-	**(13,249)**	-
- Movement in non-current retention creditors		**(2,687)**	10,740	**(2,687)**	10,740
- Gain on realisation of property, plant and equipment		**(1,399)**	-	**(1,399)**	-
- Movement in loans to subsidiaries		**-**	4	**-**	4
- Employee benefits - defined benefit obligation	22.2.1 22.2.2	**6,376**	4,203	**6,376**	4,203
- (Decrease)/increase in employee benefits		**(13,521)**	28,743	**(13,521)**	28,743
Operating profit before working capital changes		**2,398,740**	1,956,683	**2,399,524**	1,956,682
Decrease in inventories	12	**23,869**	31,463	**23,869**	31,463
Increase in trade and other receivables	13	**(759,442)**	(468,134)	**(759,442)**	(468,134)
Increase in trade payables		**265,682**	77,939	**265,692**	77,939
		1,928,849	1,597,951	**1,929,643**	1,597,950

* Certain amounts shown here do not correspond to the 2017 financial statements due to an error and reflect adjustments made, refer to note 30 and note 31.

	NOTE	CONSOLIDATED 2018 N$'000	CONSOLIDATED 2017 N$'000 Restated*	COMPANY 2018 N$'000	COMPANY 2017 N$'000 Restated*
B. TAXATION PAID					
Amount due to the Receiver of Revenue at beginning of year		**(92,220)**	(21,223)	**(92,220)**	(21,223)
Taxation payable		**(606,714)**	(433,611)	**(606,714)**	(433,611)
Taxation paid		**647,443**	362,614	**647,443**	362,614
Amount due to the Receiver of Revenue at end of year		**(51,491)**	(92,220)	**(51,491)**	(92,220)

* Certain amounts shown here do not correspond to the 2017 financial statements due to an error and reflect adjustments made, refer to note 31.

	NOTE	CONSOLIDATED 2018 N$'000	CONSOLIDATED 2017 N$'000 Restated*	COMPANY 2018 N$'000	COMPANY 2017 N$'000 Restated*
C. INTEREST RECEIVED FROM OPERATING AND INVESTING ACTIVITIES					
Interest received from operating activities		**110,968**	82,886	**110,968**	82,886
Interest received from investing activities		**500,207**	437,343	**500,207**	437,343
Accrued interest received		**160,410**	153,211	**160,410**	153,211
	24	**771,585**	673,440	**771,585**	673,440
D. INTEREST PAID					
Interest paid		**(131,514)**	(153,856)	**(131,514)**	(153,856)
Accrued interest paid		**(61,905)**	(61,237)	**(61,905)**	(61,237)
	24	**(193,419)**	(215,093)	**(193,419)**	(215,093)
E. EXTENSION AND REPLACEMENT OF PROPERTY, PLANT AND EQUIPMENT					
Additions - Non-cash	7.1	**-**	-	**17,560**	-
Additions - Cash		**656,393**	724,545	**657,118**	724,545
Total additions	6	**656,393**	724,545	**674,678**	724,545

1. REPORTING ENTITY

Namibia Power Corporation (Proprietary) Limited is the holding company of the Group and is incorporated and domiciled in Namibia. The financial statements for the year ended 30 June 2018 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 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 financial statements.

(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;
- 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 financial statements are presented in Namibia Dollars (N$), which is the Group's functional and presentation currency and are rounded to the nearest thousand.

(d) Measurement of fair values

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

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2:** inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- **Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

Note 6 - revaluation of property, plant and equipment and impairment of assets;
Note 8 - valuation of investment property; and
Note 29 - 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

These financial statements incorporate the financial statements of the Company, its subsidiaries and associates.

(a) Basis of consolidation (continued)

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 Group has significant influence, but not control, over the financial and operating policies. The financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases.

The Group's share of its associates post-acquisition profits or losses is recognised within 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 these financial statements. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the enterprise. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

(b) Property, plant and equipment

(i) Owned assets

Property, plant and equipment is initially recognised at cost. Cost includes any costs directly attributable to bringing the asset to the location and condition necessary to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Subsequently property, plant and equipment is measured at revalued amounts being its fair value at the date of the revaluation less any subsequent accumulated depreciation (see below) and subsequent accumulated impairment losses (see accounting policy 3 (e)).

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate components of property, plant and equipment. Plant and equipment is revalued at the estimated replacement cost thereof as adjusted in relation to the remaining useful lives of these assets. Property is revalued to its fair value. Valuations of property, plant and equipment are determined from market-based evidence by appraisals undertaken by professional valuers. Revaluations are performed every three years, effective 1 July 2018 (previously five years) such that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date.

Any revaluation increase arising on the revaluation of such property, plant and equipment is recognised in other comprehensive income and presented in equity in the capital revaluation reserve, except to the extent that it reverses a revaluation decrease for the same assets previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in the carrying amount as a result of a revaluation is recognised in profit or loss. The decrease is recognised in other comprehensive income only to reduce any credit balance existing in the revaluation reserve. On the subsequent sale or retirement of an item of revalued property, plant and equipment, the attributable revaluation surplus remaining in the capital revaluation reserve is transferred directly to retained earnings.

The market value of property is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair

(i) Owned assets (continued)

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.

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

Category

• Power Stations	
- Ruacana Power Station - Plant	50 - 120 years
- Van Eck Power Station - Plant	10 - 35 years
- Paratus Power Station - Plant	10 - 35 years
- Anixas Power Station - Plant	10 - 35 years
• Transmission System	8 - 60 years
• Machinery and Equipment	3 - 35 years
• Buildings	23 - 50 years
• Aircraft Fleet	10 - 35 years

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

(ii) Subsequent costs

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in profit or loss as incurred.

(iii) Strategic inventory

Spare parts and servicing equipment are usually carried as inventory and recognised in profit or loss as consumed. However, major spare parts, stand-by equipment and servicing equipment qualify as property, plant and equipment when an entity expects to use them during more than one period. This asset class is accounted for in terms of the accounting policy for property, plant and equipment and is revalued every three years, effective 1 July 2018.

Items such as spare parts, stand-by equipment and servicing equipment are recognised as property, plant and equipment if they meet the definition of property, plant and equipment, otherwise they are classified as inventories in accordance with IAS 2, Inventories.

The Group 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.

(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.

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 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.

The gain or loss arising from the derecognition of an intangible asset shall be determined as the difference between the net disposal proceeds and the carrying amount of the asset. It shall be recognised in profit or loss when the asset is derecognised. Gains shall not be classified as revenue.

(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 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 or its cash generating unit, 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 of disposal and value in

(i) Non-financial assets (continued)

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.

See accounting policy 3 (b)(i) for revaluation model.

Reversals of impairment

In respect of non-financial assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(ii) Non-derivative financial assets

A financial asset not classified as at fair value through profit or loss including an interest in an equity accounted investee 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.

Financial assets measured at amortised cost

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.

Available-for-sale financial assets

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.

Equity-accounted investees

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

(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.

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

(iii) Reversals of impairment (continued)

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. If there is a need for site restoration, a provision for site restoration will be recognised.

(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. All other borrowing costs are expensed.

(i) Financial instruments

(i) Initial recognition

The Group initially recognises loans and receivables and deposits on the date when they are originated. All other finacial assets and liabilities are initially recognised on the trade date.

(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.

(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-tomaturity 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 29).

(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 directly 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.

Fair value which is determined for disclosure purposes is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. The carrying value of short-term non-derivative financial instruments is assumed as the fair value due to the short-term nature of the instruments. In respect of the liability component of convertible notes,

(ix) Non-derivative financial liabilities (continued)

the market rate of interest is determined by reference to similar liabilities that do not have a conversion option.

(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.

Derivative financial instruments are recognised initially at fair value, directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivative financial instruments are measured at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

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.

(xi) Hedging (continued)

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 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.

(iii) Transfers of assets from customers

The transfers of assets from customers comprise of assets constructed by customers as well as assets constructed by the Group on behalf of customers (see note 3n).

Assets constructed by customers

The Group recognises assets transferred by customers as an item of property, plant and equipment in accordance with IAS 16 at the fair value of the asset transferred on the date of transfer. The fair value of the asset transferred is recognised in revenue in accordance with IFRIC 18 - Transfers of Assets from Customers.

Assets constructed by the Group

Upfront capital contributions by customers for the construction of assets are initially recognised in debtors and assets under construction while the construction of the asset is in progress. Once the asset is complete, it is transferred to Property, Plant and Equipment in accordance with IAS 16. The credit for the upfront capital contribution is initially recognised in deferred revenue, once the construction of the asset is complete the deferred revenue is recognised in revenue in accordance with 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

(m) Taxation (continued)

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, Short Term Energy Market (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.

(ii) Service revenue

Service revenue comprises of service charges, transfers of assets from customers and rental charges. Revenue is recognised when the service is performed.

(iii) Capital Contribution

A capital contribution is payable by the customer to the Group on signing of the Power Supply Agreement (PSA) for the customer's connection to the Group's electricity network system. The customer shall pay an amount as stated in the PSA as a contribution towards the capital costs to be incurred to make the power supply available to the customer. Capital costs are paid according to the project progress payments schedule in the PSA.

The full capital contribution received from the customer is recognised as revenue once the customer is connected to the network, and is receiving electricity. If the customer is connected, but the project is not 100% completed then revenue is recognised on a percentage completion basis, if 80% of the total project cost is incurred in accordance with IAS 18 Revenue.

(iv) 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, and 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

(p) Employee benefits (continued)

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 South African zero coupon government bond as at 30 June 2018.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest) are recognised immediately in other comprehensive income (OCI). The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or to the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iv) Other long-term employee benefits

(i) Severance pay retirement benefits

The Group recognises an obligation for statutory severance benefits, in accordance with the Namibia Labour Act 2007. The liability is discounted to account for the present value of the future benefits payable on resignation or retirement of employees on reaching the age of 65. The cost of providing the benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. The movement for the year including actuarial gains and losses is recognised in profit or loss in the year in which it occurs. The discount rate is the yield of the South African zero coupon government bond as at 30 June 2018.

4. SIGNIFICANT JUDGEMENTS

The preparation of these financial statements in conformity with International Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are included in the following notes:

Note 29.4 - allowance for doubtful debts; and
Note 29.8 - valuation of embedded derivatives.

5. STANDARDS AND INTERPRETATIONS ISSUED AND NOT YET EFFECTIVE FOR THE YEAR ENDED 30 JUNE 2018.

At the date of authorisation of the financial statements of the Group for the year ended 30 June 2018, the following Standards and Interpretations which affects the Group and Company were in issue but not yet effective:

STANDARD	EFFECTIVE DATE*
Amendments to IAS 40: Transfers of Investment Property	Annual periods beginning on or after 1 January 2018
IFRS 9: Financial instruments	Annual periods beginning on or after 1 January 2018
IFRS 15: Revenue from contracts with customers	Annual periods beginning on or after 1 January 2018
IFRS 16: Leases	Annual periods beginning on or after 1 January 2019
^IFRIC 22: Foreign Currency Transactions and Advance Consideration	Annual periods beginning on or after 1 January 2018
^IFRIC 23: Uncertainty over Income Tax Treatments	Annual periods beginning on or after 1 January 2019

^IFRIC: International Financial Reporting Interpretations Committee

* All standards will be adopted at their effective date.

Only the standards not yet effective which are relevant to the Group's operations, are listed.

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

Amendments to IAS 40: Transfers of Investment Property

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that the situations listed in IAS 40 are not exhaustive and that a change in use is possible for properties under construction.The amendments are not expected to have a significant impact on the consolidated financial statements.

IFRS 9: Financial Instruments

The final IFRS 9 Financial Instruments Standard replaces earlier versions of IFRS 9 and completes the IASB'S project to replace IAS 39 financial Instruments: Recognition and Measurement.

The standard will include changes in the measurement basis of the Group's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model, which is expected to increase the provision for bad debts recognised in the Group.

Management has proposed a matrix to determine the provision for doubtful debts (expected credit losses) for future financial periods. Based on the new proposed matrix in terms of IFRS 9, the impact on retained earnings as at 1 July 2018 will be a reduction of N$94.5 million.

IFRS 15: Revenue from Contracts with Customers

This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 18 Transfer of assets from customers and SIC-31 Revenue - Barter of Transactions Involving Advertising Services.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over a time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

This new standard will most likely have a significant impact on the Group, which will include a possible change in the timing of when revenue is recognised and the amount of revenue recognised. Management is in the process of determining the expected impact on the financial statements for 30 June 2019.

IFRS 16: Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 determining whether an arrangement contains a lease, SIC-15 Operating leases – incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

Lessee Accounting

IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying IAS 7 Statement of Cash Flows.

Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease.

IFRS 16 contains disclosure requirements for lessees. Lessees will need to apply judgement in deciding on the information to disclose to meet the objective of providing a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the lessee.

Lessor Accounting

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

IFRS 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk.

IFRS 15: Revenue from Contracts with Customers (continued)

Lessor Accounting (continued)

The Group is currently in the process of evaluating the detailed requirements of the standard to assess the impact on the financial statements.

IFRIC 22: Foreign Currency Transactions and Advance Consideration

IFRIC 22 addresses how to determine the date of transaction for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the reognition of a non-monetary asset or non-monetary liability

The interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration. The standard will not have a significant impact on the consolidated financial statements.

IFRIC 23: Uncertainty over Income Tax Treatments

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

The interpretation requires an entity to determine whether uncertain tax positions are assessed separately or as a group (depending on which approach gives a better prediction of the resolution of the uncertainty), and assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings.

If it is probable a tax authority will accept the treatment, the entity should determine its accounting tax position consisistently with the tax traetment used or planned to be used in its income tax filings. Otherwise, the entity should reflect the effect of uncertaintity in determining its accounting tax position by estimating the tax payable (receivable), using either the most likely amount or the expected value method.

The standard will not have a significant impact on the consolidated financial statements.

	Cost/ Valuation N$'000	Accumulated depreciation N$'000	Accumulated impairment N$'000	Carrying amount N$'000
CONSOLIDATED				
2018				
Ruacana Power Station	**6,401,432**	**(1,142,994)**	**-**	**5,258,438**
Van Eck Power Station	**1,943,864**	**(614,198)**	**(26)**	**1,329,640**
Paratus Power station	**34,579**	**(31,949)**	**(2,630)**	**-**
Anixas Power station	**535,522**	**(70,812)**	**(6,526)**	**458,184**
Transmission systems	**15,630,579**	**(3,082,566)**	**(873,308)**	**11,674,705**
Aircraft fleet	**54,738**	**(13,624)**	**(6,866)**	**34,248**
Machinery and equipment	**520,448**	**(431,841)**	**-**	**88,607**
Land and buildings	**451,035**	**(64,693)**	**(14,197)**	**372,145**
Assets under construction	**1,272,186**	**-**	**-**	**1,272,186**
Strategic inventory	**315,199**	**(1,636)**	**-**	**313,563**
Total	**27,159,583**	**(5,454,313)**	**(903,553)**	**20,801,717**
2017				
Ruacana Power Station	6,399,633	(959,290)	-	5,440,343
Van Eck Power Station	1,943,845	(433,559)	(26)	1,510,260
Paratus Power station	34,579	(31,949)	(2,630)	-
Anixas Power station	535,502	(56,704)	(6,526)	472,273
Transmission systems	15,618,949	(2,643,151)	(873,308)	12,102,490
Aircraft fleet	54,738	(11,664)	(6,866)	36,208
Machinery and equipment	489,889	(393,813)	-	96,076
Land and buildings	448,448	(53,694)	(14,197)	380,557
Assets under construction	714,902	-	-	714,902
Strategic inventory	289,868	(1,636)	-	288,232
Total	26,530,354	(4,585,460)	(903,553)	21,041,341
COMPANY				
2018				
Ruacana Power Station	**6,401,432**	**(1,142,994)**	**-**	**5,258,438**
Van Eck Power Station	**1,943,864**	**(614,198)**	**(26)**	**1,329,640**
Paratus Power station	**34,579**	**(31,949)**	**(2,630)**	**-**
Anixas Power station	**535,522**	**(70,812)**	**(6,526)**	**458,184**
Transmission systems	**15,630,453**	**(3,082,442)**	**(873,308)**	**11,674,703**
Aircraft fleet	**54,738**	**(13,623)**	**(6,866)**	**34,249**
Machinery and equipment	**517,950**	**(429,341)**	**-**	**88,609**
Land and buildings	**449,683**	**(63,340)**	**(14,197)**	**372,146**
Assets under construction	**1,272,186**	**-**	**-**	**1,272,186**
Strategic inventory	**315,198**	**(1,636)**	**-**	**313,562**
Total	**27,155,605**	**(5,450,335)**	**(903,553)**	**20,801,717**
2017				
Ruacana Power Station	6,399,633	(959,290)	-	5,440,343
Van Eck Power Station	1,943,845	(433,559)	(26)	1,510,260
Paratus Power station	34,579	(31,949)	(2,630)	-
Anixas Power station	535,502	(56,704)	(6,526)	472,272
Transmission systems	15,618,823	(2,643,026)	(873,308)	12,102,489
Aircraft fleet	54,738	(11,663)	(6,866)	36,209
Machinery and equipment	487,391	(391,313)	-	96,078
Land and buildings	428,811	(52,472)	(14,197)	362,141
Assets under construction	714,902	-	-	714,902
Strategic inventory	289,868	(1,636)	-	288,232
Total	26,508,091	(4,581,612)	(903,553)	21,022,926

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2018

6. 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	Transmission Systems N$'000	Aircraft Fleet N$'000	Machinery and Equipment N$'000	Land and Buildings N$'000	Assets Under Construction N$'000	Strategic Inventory N$'000	Total N$'000
CONSOLIDATED											
2018											
Carrying amount at 1 July 2017	**5,440,343**	**1,510,260**	**-**	**472,272**	**12,102,490**	**36,208**	**96,076**	**380,557**	**714,902**	**288,232**	**21,041,341**
- At cost/valuation	6,399,633	1,943,845	34,579	535,502	15,618,949	54,738	489,889	448,448	714,902	289,868	26,530,354
- Accumulated impairment	-	(26)	(2,630)	(6,526)	(873,308)	(6,866)	-	(14,197)	-	-	(903,553)
- Accumulated depreciation	(959,290)	(433,559)	(31,949)	(56,704)	(2,643,151)	(11,664)	(393,813)	(53,694)	-	(1,636)	(4,585,460)
Additions	-	-	-	-	-	-	22,231	1,656	586,206	46,300	656,393
Assets under construction completed	1,799	19	-	20	11,630	-	14,523	931	(28,922)	-	-
Strategic inventory items issued	-	-	-	-	-	-	-	-	-	(20,969)	(20,969)
Transfer to intangible assets	-	-	-	-	-	-	(6,195)	-	-	-	(6,195)
Depreciation for the year	(183,704)	(180,639)	-	(14,108)	(439,415)	(1,960)	(38,028)	(10,999)	-	-	(868,853)
Carrying amount at 30 June 2018	**5,258,438**	**1,329,640**	**-**	**458,184**	**11,674,705**	**34,248**	**88,607**	**372,145**	**1,272,186**	**313,563**	**20,801,717**
- At cost/valuation	6,401,432	1,943,864	34,579	535,522	15,630,579	54,738	520,448	451,035	1,272,186	315,199	27,159,583
- Accumulated impairment	-	(26)	(2,630)	(6,526)	(873,308)	(6,866)	-	(14,197)	-	-	(903,553)
- Accumulated depreciation	(1,142,994)	(614,198)	(31,949)	(70,812)	(3,082,566)	(13,624)	(431,841)	(64,693)	-	(1,636)	(5,454,313)
CONSOLIDATED											
2017											
Carrying amount at 1 July 2016	**5,447,133**	**1,319,779**	**1,287**	**486,380**	**12,007,228**	**38,361**	**66,359**	**388,850**	**1,116,829**	**296,655**	**21,168,862**
- At cost/valuation	6,261,907	1,603,889	34,579	535,503	15,094,660	54,738	422,330	445,795	1,116,829	298,291	25,868,521
- Accumulated impairment	-	(26)	(2,630)	(6,526)	(873,308)	(6,866)	-	(14,197)	-	-	(903,553)
- Accumulated depreciation	(814,774)	(284,084)	(30,662)	(42,597)	(2,214,124)	(9,511)	(355,971)	(42,748)	-	(1,636)	(3,796,107)
Reclassifications	(3)	(3)	-	(1)	262	-	(331)	73	-	-	(3)
- At cost/valuation	(3)	(3)	-	(1)	262	-	(331)	73	-	-	(3)
- Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-
Additions	-	-	-	-	9	-	67,285	-	628,887	28,364	724,545
Assets under construction completed	137,729	339,959	-	-	524,019	-	26,527	2,580	(1,030,814)	-	-
Strategic inventory items issued	-	-	-	-	-	-	-	-	-	(36,787)	(36,787)
Transfer to intangible assets	-	-	-	-	-	-	(25,922)	-	-	-	(25,922)
Depreciation for the year	(144,516)	(149,475)	(1,287)	(14,107)	(429,027)	(2,153)	(37,842)	(10,946)	-	-	(789,353)
Carrying amount at 30 June 2017	**5,440,343**	**1,510,260**	**-**	**472,272**	**12,102,490**	**36,208**	**96,076**	**380,557**	**714,902**	**288,232**	**21,041,341**
- At cost/valuation	6,399,633	1,943,845	34,579	535,502	15,618,949	54,738	489,889	448,448	714,902	289,868	26,530,354
- Accumulated impairment	-	(26)	(2,630)	(6,526)	(873,308)	(6,866)	-	(14,197)	-	-	(903,553)
- Accumulated depreciation	(959,290)	(433,559)	(31,949)	(56,704)	(2,643,151)	(11,664)	(393,813)	(53,694)	-	(1,636)	(4,585,460)

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2018

6. 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	Transmission Systems N$'000	Aircraft Fleet N$'000	Machinery and Equipment N$'000	Land and Buildings N$'000	Assets Under Construction N$'000	Strategic Inventory N$'000	Total N$'000
COMPANY											
2018											
Carrying amount at 1 July 2017	5,440,343	1,510,260	-	472,272	12,102,489	36,209	96,078	362,141	714,902	288,232	21,022,926
- At cost/valuation	6,399,633	1,943,845	34,579	535,502	15,618,823	54,738	487,391	428,811	714,902	289,868	26,508,091
- Accumulated impairment	-	(26)	(2,630)	(6,526)	(873,308)	(6,866)	-	(14,197)		-	(903,553)
- Accumulated depreciation	(959,290)	(433,559)	(31,949)	(56,704)	(2,643,026)	(11,663)	(391,313)	(52,472)	-	(1,636)	(4,581,612)
Additions	-	-	-	-	-	-	22,231	19,941	586,206	46,300	674,678
Assets under construction completed	1,799	19	-	20	11,630	-	14,523	931	(28,922)	-	-
Strategic inventory items issued	-	-	-	-	-	-	-	-	-	(20,969)	(20,969)
Transfer to intangible assets	-	-	-	-	-	-	(6,195)	-	-	-	(6,195)
Depreciation for the year	(183,704)	(180,639)	-	(14,108)	(439,416)	(1,960)	(38,028)	(10,868)	-	-	(868,723)
Carrying amount at 30 June 2018	5,258,438	1,329,640	-	458,184	11,674,703	34,249	88,609	372,146	1,272,186	313,562	20,801,717
- At cost/valuation	6,401,432	1,943,864	34,579	535,522	15,630,453	54,738	517,950	449,683	1,272,186	315,198	27,155,605
- Accumulated impairment	-	(26)	(2,630)	(6,526)	(873,308)	(6,866)	-	(14,197)	-	-	(903,553)
- Accumulated depreciation	(1,142,994)	(614,198)	(31,949)	(70,812)	(3,082,442)	(13,623)	(429,341)	(63,340)	-	(1,636)	(5,450,335)
COMPANY											
2017											
Carrying amount at 1 July 2016	5,447,133	1,319,779	1,285	486,380	12,007,228	38,362	66,361	370,259	1,116,829	296,655	21,150,271
- At cost/valuation	6,261,907	1,603,889	34,579	535,503	15,094,533	54,738	419,832	426,158	1,116,829	298,291	25,846,259
- Accumulated impairment	-	(26)	(2,630)	(6,526)	(873,308)	(6,866)	-	(14,197)	-	-	(903,553)
- Accumulated depreciation	(814,774)	(284,084)	(30,664)	(42,597)	(2,213,997)	(9,510)	(353,471)	(41,701)	-	(1,636)	(3,792,434)
Reclassifications	(3)	(3)	-	(1)	262	-	(331)	73	-	-	(3)
- At cost/valuation	(3)	(3)	-	(1)	262	-	(331)	73	-	-	(3)
- Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-
Additions	-	-	-	-	9	-	67,285	-	628,887	28,364	724,545
Assets under construction completed	137,729	339,959	-	-	524,019	-	26,527	2,580	(1,030,814)	-	-
Strategic inventory items issued	-	-	-	-	-	-	-	-	-	(36,787)	(36,787)
Transfer to intangible assets	-	-	-	-	-	-	(25,922)	-	-	-	(25,922)
Depreciation for the year	(144,516)	(149,475)	(1,285)	(14,107)	(429,029)	(2,153)	(37,842)	(10,771)	-	-	(789,178)
Carrying amount at 30 June 2017	5,440,343	1,510,260	-	472,272	12,102,489	36,209	96,078	362,141	714,902	288,232	21,022,926
- At cost/valuation	6,399,633	1,943,845	34,579	535,502	15,618,823	54,738	487,391	428,811	714,902	289,868	26,508,091
- Accumulated impairment	-	(26)	(2,630)	(6,526)	(873,308)	(6,866)	-	(14,197)	-	-	(903,553)
- Accumulated depreciation	(959,290)	(433,559)	(31,949)	(56,704)	(2,643,026)	(11,663)	(391,313)	(52,472)	-	(1,636)	(4,581,612)

6. PROPERTY, PLANT AND EQUIPMENT (continued)

6.1 Assets under construction

CONSOLIDATED AND COMPANY

	Power Stations N$'000	Transmission Systems N$'000	Machinery and Equipment N$'000	Land and Buildings N$'000	Total N$'000
2018					
Opening balance	**7,636**	**688,663**	**9,486**	**9,117**	**714,902**
Additions	**11,675**	**568,447**	**5,799**	**285**	**586,206**
Property, plant and equipment capitalised	**(1,838)**	**(11,630)**	**(14,523)**	**(931)**	**(28,922)**
Closing balance	**17,473**	**1,245,480**	**762**	**8,471**	**1,272,186**
2017					
Opening balance	354,325	620,708	132,078	9,718	1,116,829
Reclassification	97,478	10,960	(103,494)	(4,944)	-
Additions	44,872	569,662	7,429	6,924	628,887
Property, plant and equipment capitalised	(489,039)	(512,667)	(26,527)	(2,581)	(1,030,814)
Closing balance	7,636	688,663	9,486	9,117	714,902

6.2 Land and buildings (owner-occupied properties)

The revaluation of land and buildings were performed externally effective 1 July 2015 by independent valuer, Nadia van der Smit of Gert Hamman Property Valuers CC. Gert Hamman Property Valuers CC is not connected to the Group. 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.

6.3 Transmission Systems

A number of distribution lines and transmission substations are erected on or are under construction on land which does not belong to the Company. Occupational rights are secured by agreements between the owners and Namibia Power Corporation (Proprietary) Limited. Servitudes in favour of Namibia Power Corporation (Proprietary) Limited in respect of these occupational rights are registered with the registrar of deeds and are available at the Company's premises for inspection.

6.4 Ruacana Power Station

The Ruacana Power Station is erected on land in the Kunene region for which occupational rights were obtained. The Diversion Weir is erected in Angola and acts as water storage for Ruacana Power Station.

6.5 Valuation of power stations, transmission system and aircraft fleet

The power stations, transmission systems and aircraft fleet were revalued externally effective 1 July 2015 by independent valuers, namely Mott MacDonald South Africa, on the basis of their replacement value as adjusted for the remaining useful lives of the assets.

The replacement value of the Ruacana and Van Eck Power stations and the Transmission systems increased significantly mainly due to an increase in gross capacity, life extension and uprate projects undertaken and the

6.5 Valuation of power stations, transmission system and aircraft fleet (continued)

siginificant weakening of the Namibia Dollar (N$) against the United States Dollar (US$).

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

6.6 Reconciliation of the carrying amount

Cost

The carrying amount that would have been recognised had the assets been measured under the cost model, for each revalued class of property, plant and equipment is not disclosed because it is impracticable. The Group's core assets have always been carried at the revalued amount before the implementation of IFRS and the historical values were not seperately disclosed and are therefore not available.

6.7 Reconciliation of the revaluation surplus

	CONSOLIDATED	COMPANY	CONSOLIDATED	COMPANY
2018	Capital Revaluation Reserve (net of tax) N$'000	Capital Revaluation Reserve (net of tax) N$'000	Strategic Inventory Revaluation Reserve N$'000	Strategic Inventory Revaluation Reserve N$'000
Opening balance at 1 July 2017	**(11,717,163)**	**(11,492,779)**	**(99,880)**	**(99,880)**
Change for the period	-	-	-	-
Revaluation	-	-	-	-
Reversal of previous revaluations	-	-	-	-
Tax rate change on previous revaluation recognised in other comprehensive income	-	-	-	-
Closing balance at 30 June 2018	**(11,717,163)**	**(11,492,779)**	**(99,880)**	**(99,880)**
2017				
Opening balance at 1 July 2016	(11,717,163)	(11,492,779)	(99,880)	(99,880)
Change for the period	-	-	-	-
Revaluation	-	-	-	-
Reversal of previous revaluations	-	-	-	-
Tax rate change on previous revaluation recognised in other comprehensive income	-	-	-	-
Closing balance at 30 June 2017	(11,717,163)	(11,492,779)	(99,880)	(99,880)

The distribution of the balance to the shareholder is only available on retirement or sale of the asset.

6. PROPERTY, PLANT AND EQUIPMENT (continued)

6.8 Measurement of fair value:

(i) Fair value hierarchy

The fair value measurements for the land and buildings have been categorised as Level 3 fair values based on the inputs to the valuation techniques used.

The fair value measurements of the power stations, transmission systems and strategic inventory have been categorised as Level 2 fair values based on observable market sales data.

The fair value measurements for the aircraft fleet have been categorised as Level 1 fair values based on the market price in active markets for similar assets.

(ii) Level 3 fair values

Reconciliation of Level 3 fair values

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

Land and buildings	CONSOLIDATED 2018 N$'000	CONSOLIDATED 2017 N$'000	COMPANY 2018 N$'000	COMPANY 2017 N$'000
Opening balance 1 July	**380,557**	388,850	**362,141**	370,260
Additions and reclassification from property, plant and equipment	**2,587**	2,653	**20,872**	2,652
Depreciation	**(10,999)**	(10,946)	**(10,868)**	(10,771)
Loss included in other comprehensive income				
- Changes in fair value (unrealised)	**-**	-	**-**	-
Closing balance 30 June	**372,145**	380,557	**372,145**	362,141

(iii) Transfers between levels

There were no transfers between the fair value hierarchy levels.

(iv) Valuation techniques and significant observable and unobservable inputs used

The table found on pages 128 - 129 shows the valuation techniques used in measuring Level 1, Level 2 and Level 3 fair values, as well as the significant inputs used.

6.8 Measurement of fair value (continued)

Sensitivity analysis for land and buildings categorised into Level 3 of the fair value hierarchy:

A slight increase in the depreciated factor would result in a significant decrease in the fair value of the buildings, and a slight increase in the estimated construction costs would result in a significant increase in the fair value of the buildings, and vice versa.

Valuation processes

For recurring and non-recurring fair value measurements categorised within Level 3 of the fair value hierarchy, the Group uses the valuation processes to decide its valuation policies and procedures and analyse changes in fair value measurements from period to period.

The Group's fair value methodology and the governance over its models includes a number of controls and other procedures to ensure appropriate safeguards are in place to ensure its quality and adequacy. The responsibility of ongoing measurement resides with the business divisions. Once submitted, fair value estimates are also reviewed and challenged by Chief Financial officer (CFO).

The CFO validates fair value estimates by:

- Benchmarking prices against observable market prices or other independent sources
- Evaluating and validating input parameters
- Verifying third party sources (micro or macro economy input)
- Understanding the valuation methodologies and sources of inputs and verifying their suitability for IFRS reporting requirements

Impairment loss

No impairment loss on property, plant and equipment was recognised during the 2018 financial year.

6.9 Fair value of the assets

A detailed assessment to ascertain the fair value of the assets cannot be performed on an annual basis due to the effort that would be required to perform such an exercise.

The Group's frequency of revaluation of 3 years is in line with the industry practice of 3 to 5 years. The Group believes that the carrying amount of its property, plant and equipment does not materially differ from the fair value.

NOTES TO THE FINANCIAL STATEMENTS
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PROPERTY, PLANT AND EQUIPMENT ITEM	LEVEL	VALUATION TECHNIQUE	DESCRIPTION OF VALUATION TECHNIQUE	OBSERVABLE INPUTS	SIGNIFICANT UNOBSERVABLE INPUTS OF LEVEL 3 ITEM	INTER-RELATIONSHIP BETWEEN KEY UNOBSERVABLE INPUTS AND FAIR VALUE MEASUREMENT
Power stations	2	Depreciated replacement cost (DRC) method	The DRC method requires that, for each asset under consideration, a value be obtained for a modern equivalent asset (MEA), that being an asset that can reasonably provide like-for-like benefits of the asset under consideration, which are subsequently depreciated (on a straight line basis (SLB) in accordance with NamPower's existing policy) to match the remaining life of the asset under consideration.	Market prices, exchange rates, discounted rate	Not applicable	Not applicable
Transmission systems	2	Depreciated replacement cost (DRC) method	The DRC method requires that, for each asset under consideration, a value be obtained for a modern equivalent asset (MEA), that being an asset that can reasonably provide like-for-like benefits of the asset under consideration, which are subsequently depreciated (on a straight line basis (SLB) in accordance with NamPower's existing policy) to match the remaining life of the asset under consideration.	Market prices, exchange rates, discounted rate	Not applicable	Not applicable
Aircraft fleet	2	Market comparable prices	The fair value of the aircraft fleet was determined through consideration of the published aircraft bluebook as well as consideration of prevailing prices for identical aircraft fleet of a similar age and operating hours (both for the engines and airframes) on the international market.	Market prices	Not applicable	Not applicable
Land and buildings	3	Depreciated cost approach	This method determines the present market value of the subject property by estimating the present cost of replacing the building(s) by estimating the total amount of accrued depreciation from all causes, namely physical deterioration, functional obsolescence and external obsolescence, subtracting the accrued depreciation from the present replacement costs, estimating the value of minor improvements and adding the site value to the depreciated cost of the building(s).	Not applicable	Expected market rental growth (5 - 8%)	The estimated fair value would increase (decrease) if:
					Risk adjusted discount rates (8 - 10%)	• expected market rental growth was higher (lower); • the risk-adjusted discount rate was lower (higher).
					Expected vacancy rate (Commercial: 2 - 8%)	• void periods were shorter (longer); • the occupancy rate was higher (lower);
					Expected vacancy rate (Residential: 2 - 3%)	• rent-free periods were shorter (longer).
Strategic inventory	2	Depreciated replacement cost (DRC) method	The DRC method requires that, for each asset under consideration, a value be obtained for a modern equivalent asset (MEA), that being an asset that can reasonably provide like-for-like benefits of the asset under consideration, which are subsequently depreciated (on a straight line basis (SLB).	Market prices, exchange rates	Not applicable	Not applicable

7. INTERESTS IN SUBSIDIARIES AND ASSOCIATES

7.1 Subsidiary companies

Name Directly held	Nature of Operation	Country of Incorporation	Date of Incorporation	Issued Share Capital N$	Percentage Holding 2018 %	Percentage Holding 2017 %	Shares at Cost 2018 N$'000	Shares at Cost 2017 N$'000	Total Investment 2018 N$'000	Total Investment 2017 N$'000
Capricorn Power Supply (Pty) Ltd	Dormant	Republic of Namibia	25/02/1999	**2,500**	**100**	100	**2**	2	**2**	2
Less: impairment of investment	-		-	**-**	**-**	**-**	**(2)**	(2)	**(2)**	(2)
Premier Electric (Pty) Ltd	Dormant	Republic of Namibia	31/10/2000	**2,500**	**100**	100	**5,000**	5,000	**5,000**	5,000
Okaomba Investment (Pty) Ltd	Property holding	Republic of Namibia	01/03/2000	**100**	**100**	100	**-**	944	**-**	944
							5,000	5,944	**5,000**	5,944

	Due by subsidiaries 2018 N$'000	Due by subsidiaries 2017 N$'000
Loans due from:		
Premier Electric (Pty) Ltd	**2**	2
Okaomba Investment (Pty) Ltd	**-**	3,298
	2	3,300
Total interest in subsidiaries (shares at cost plus loans from subsidiaries)	**5,002**	9,244

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

	2018 N$'000	2017 N$'000
Loans payable to:		
Premier Electric (Pty) Ltd	**(6,388)**	(6,388)

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.
There are no restrictions on the ability of subsidiaries to access assets and settle liabilities.
Trade and other receivables/payables to the subsidiaries and associates are disclosed in note 27.

Directors' valuation
The Directors valued the investments in unlisted equities and determined it to be equal to the carrying value of the investment.

Disposal of a subsidiary
On 19 March 2018, the Group disposed of Okaomba Investment (Pty) Ltd and the property was transferred to Namibia Power Corporation (Proprietary) Limited.

Analysis of assets and liabilities over which control was lost	COMPANY 2018 N$'000
Non-current assets	
Investment in subsidiary	944
Loan to subsidiary	3,367
Net assets disposed of	4,311
Gain on disposal of subsidiary	
Consideration received	17,560
Net assets disposed of	(4,311)
Non-controlling interests	-
Gain on disposal	13,249

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2018

7. INTERESTS IN SUBSIDIARIES AND ASSOCIATES (continued)

	CONSOLIDATED		COMPANY	
	2018 N$'000	2017 N$'000	**2018 N$'000**	2017 N$'000
7.2 Associates				
Carrying amount of associates				
Carrying amount at beginning of year	**565,466**	564,252	**173,232**	173,232
Reversal of accumulated impairment of investment in Cenored	**48,047**	-	**48,047**	-
Equity accounted earnings*	**(3,719)**	7,468	**-**	-
Share of other comprehensive income of associates, net of taxation	**(437)**	(404)	**-**	-
Dividend received	**-**	(5,850)	**-**	-
	609,357	565,466	**221,279**	173,232

* Equity accounted earnings for the financial year 2017 was N$7.1 million before disclosing the share of other comprehensive income of associates, net of taxation seperately which was not available in the prior year.

Post-acquisition reserves	**2018 N$'000**	2017 N$'000
Retained earnings	**152,179**	156,335
Share of opening retained earnings	**156,335**	155,121
Dividends declared	**-**	(5,850)
Share of current year income	**(4,156)**	7,064
Non-distributable reserves	**457,178**	409,131
Share of opening revaluation and development reserve	**409,131**	409,131
Share of current year movements	**48,047**	-
	609,357	565,466

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2018

7. INTERESTS IN SUBSIDIARIES AND ASSOCIATES (continued)

7.3 The summarised financial statements of Nored Electricity (Pty) Ltd are as follows:

	2018 N$'000	2017 N$'000
Statement of financial position	**Unaudited**	**Unaudited**
Non current assets	**1,318,051**	1,253,316
Current assets	**347,957**	281,030
Non current liabilities	**(644,158)**	(558,424)
Current liabilities	**(283,148)**	(159,058)
	738,702	816,864
Statement of comprehensive income		
Revenue	**1,031,587**	911,585
Expenditure	**(1,041,203)**	(901,626)
Dividend paid	**-**	-
Profit before taxation	**(9,616)**	9,959
Taxation	**(800)**	(3,187)
Profit from continuing operations for the year	**(10,416)**	6,772
Other comprehensive income	**-**	-
Total comprehensive income	**(10,416)**	6,772

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

7.4 The summarised financial statements of Central-North Electricity Distribution Company (Pty) Ltd (Cenored) are as follows:

	2018 N$'000	2017 N$'000	2017 N$'000
Statement of financial position	**Unaudited**	**Audited**	**Unaudited**
Non current assets	**623,454**	564,599	683,026
Current assets	**194,854**	187,613	137,337
Non current liabilities	**(87,363)**	(167,594)	(250,223)
Current liabilities	**(317,972)**	(178,484)	(87,015)
	412,973	406,134	483,125

7. INTERESTS IN SUBSIDIARIES AND ASSOCIATES (continued)

7.4 The summarised financial statements of Central-North Electricity Distribution Company (Pty) Ltd (Cenored) are as follows (continued)

	2018 N$'000	2017 N$'000	2017 N$'000
Statement of comprehensive income	**Unaudited**	**Audited**	**Unaudited**
Revenue	**607,306**	576,025	606,680
Expenditure	**(597,105)**	(546,730)	(588,515)
Dividend paid	**-**	(5,850)	(5,850)
Profit before taxation	**10,201**	23,445	12,315
Taxation	**(2,393)**	(23,623)	-
Profit from continuing operations for the year	**7,808**	(178)	12,315
Other comprehensive income	**(969)**	(897)	-
Total comprehensive income	**6,839**	(1,075)	12,315

* The comparative figures have been restated to reflect the figures as per the audited financial statements, which was not available in the prior year.

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 associates.

7.5 The associates are engaged in the supply and distribution of electricity in the northern regions and the central-north regions of Namibia. The Regional Electricity Distributors (REDS) have taken over the distribution function of the Company and is strategic to the entity's activities.

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

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

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

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

8. INVESTMENT PROPERTIES

	CONSOLIDATED		COMPANY	
	2018 N$'000	2017 N$'000	**2018 N$'000**	2017 N$'000
Opening balance	**19,691**	18,429	**19,691**	18,429
Fair value adjustment	**(2,422)**	1,262	**(2,422)**	1,262
Transfer to land and buildings	**-**	-	**-**	-
Closing balance	**17,269**	19,691	**17,269**	19,691

Investment properties comprise a number of commercial properties that are leased to third parties and vacant land held for capital appreciation. Included in investment properties is Erf number 6321 (a portion of Erf number 5627), Ongwediva that is being rented to a third party under operating lease. No contingent rentals are charged.

Rental income and direct operating expenses relating to the investment properties are disclosed in note 26.

There are no restrictions on the realisability of investment property or the remittance of income and proceeds of the disposal of investment property.

(a) Measurement of fair value

(i) Fair value hierarchy

During June 2018 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$17.2 million (2017: N$19.7 million) has been categorised as a Level 3 fair value based on the inputs to the valuation method used.

(ii) Level 3 fair value

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

	CONSOLIDATED 2018	CONSOLIDATED 2017	COMPANY 2018	COMPANY 2017
Opening balance	**19,691**	18,429	**19,691**	18,429
Additions and reclassification from property, plant and equipment	**-**	-	**-**	-
Gain included in 'other income'				
- Changes in fair value (unrealised)	**(2,422)**	1,262	**(2,422)**	1,262
Closing balance	**17,269**	19,691	**17,269**	19,691

8. INVESTMENT PROPERTIES (continued)

Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement	Sensitivity
Income Capitalisation Method:			
The 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.	• Expected market rental growth: Commercial and residential properties (0-4%) • Void periods (Commercial properties average 1 months and residential properties average 1 month after the end of each lease)	The estimated fair value would increase (decrease) if: • expected market rental growth was higher (lower); • void periods were shorter (longer);	A slight increase in the capitalisation rate used would result a significant decrease in fair value, and vice versa. A significant increase in the market rent used would result in a significant increase in fair value, and vice versa.
Direct Sales Comparison Method:			
This valuation technique was used in determining the fair values of the residential properties which are classified as investment property. The method calculates the market value by comparing the property's characteristics with those of comparable properties which have recently sold in similar transactions.	• Occupancy rate (Commercial: 95% and Residential: 98%) • Rent-free periods (Nill) • Risk-adjusted discount rates: Commercial and residential properties (4%)	• the occupancy rate was higher (lower); • rent-free periods were shorter (longer); or • the risk-adjusted discount rate was 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.

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9. INTANGIBLE ASSETS

Computer software	CONSOLIDATED 2018 N$'000	CONSOLIDATED 2017 N$'000	COMPANY 2018 N$'000	COMPANY 2017 N$'000
Opening carrying amount - 1 July	**29,350**	2,908	**29,350**	2,908
- At cost	**102,471**	74,136	**102,471**	74,136
- Accumulated amortisation and accumulated impairment	**(73,121)**	(71,228)	**(73,121)**	(71,228)
Additions	**551**	2,413	**551**	2,413
Transfer from property, plant and equipment	**6,196**	25,922	**6,196**	25,922
Amortisation	**(6,713)**	(1,893)	**(6,713)**	(1,893)
Closing carrying amount - 30 June	**29,384**	29,350	**29,384**	29,350
- At cost	**109,218**	102,471	**109,218**	102,471
- Accumulated amortisation and accumulated impairment	**(79,834)**	(73,121)	**(79,834)**	(73,121)

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

No intangible assets were pledged as securities for liabilities.

No intangible assets were impaired.

Included in the carrying amount of computer software at 30 June 2018 is an amount of N$5.7 million related to the Computer Network Triangle with a remaining amortisation period of 4 years 11 months.

10. LOANS RECEIVABLE

	CONSOLIDATED		COMPANY	
	2018 N$'000	2017 N$'000	**2018 N$'000**	2017 N$'000
Employee loans	**1,662**	2,042	**1,662**	2,042
Loan to City of Windhoek	**9,463**	12,126	**9,463**	12,126
Loan to the Alten Solar Power (Hardap) Pty Ltd	**9,817**	-	**9,817**	-
	20,942	14,168	**20,942**	14,168
Less: Instalments receivable within one year transferred to current assets.	**(4,507)**	(4,507)	**(4,507)**	(4,507)
	16,435	9,661	**16,435**	9,661

There are no loans receivables that are past due but not impaired.

Employee loans comprise of:

Employee study loans.

Employee study loans are interest-free and repayable over the duration of the study period.

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%.

Loan to the Alten Solar Power (Hardap) Pty Ltd

The company appoved a loan to Alten Solar Power (Pty) Ltd amounting to N$9.8 million for the construction of the transmission connection facilities for 37MW Solar Photovoltaic Power Plant. Interest on the loan is charged at 16% p.a. compounded daily. The interest is capitalised monthly with one final loan capital and interest repayment at maturity on 31 December 2034.

The Group's exposure to credit, currency and interest rate risks related to loans receivable is disclosed in note 29.

The carrying amount of loans receivables approximates its fair value.

11. INVESTMENTS

	CONSOLIDATED		COMPANY	
	2018 N$'000	2017 N$'000	**2018 N$'000**	2017 N$'000
Non-current investments	**788,136**	1,261,372	**788,136**	1,261,372
Held-to-maturity debt instruments at amortised cost	**752,721**	1,238,296	**752,721**	1,238,296
Investment in unlisted equities				
Erongored (Pty) Ltd	**25,232**	23,076	**25,232**	23,076
- Cost	**25,232**	25,232	**25,232**	25,232
- Accumulated impairment	**-**	(2,156)	**-**	(2,156)
Westcor (Pty) Ltd	**-**	-	**-**	-
- Cost	**-**	642	**-**	642
- Accumulated impairment	**-**	(642)	**-**	(642)
Alten Solar Power (Hardap) Pty Ltd	**10,183**	-	**10,183**	-
- Cost	**10,183**	-	**10,183**	-
Current investments	**5,455,551**	4,404,320	**5,455,551**	4,404,320
Available-for-sale:				
- listed equity	**1,769**	1,636	**1,769**	1,636
Financial assets at fair value through profit or loss:				
- collective investment schemes	**1,600,594**	1,107,684	**1,600,594**	1,107,684
Fixed deposits at amortised cost	**3,853,188**	3,295,000	**3,853,188**	3,295,000
Total investments	**6,243,687**	5,665,692	**6,243,687**	5,665,692

Held to maturity investments with a carrying value of N$57.1 million (2017: N$51.5 million) have been encumbered and act as security for long-term loans (refer note 17.1.4).

The Group's exposure to credit, currency and interest rate risks related to investments is disclosed in note 29.

12. INVENTORIES

	CONSOLIDATED		COMPANY	
	2018 N$'000	2017 N$'000	**2018 N$'000**	2017 N$'000
Maintenance spares and consumables	**226,872**	224,247	**226,872**	224,247
Fuel and coal	**20,495**	55,676	**20,495**	55,676
Obsolete stock recognised in profit or loss	**-**	(764)	**-**	(764)
	247,367	279,159	**247,367**	279,159

No inventory was pledged as security.

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

Inventory amounting to N$49.7 million (2017: N$115.9 million) was recognised as an expense in profit or loss.

13. TRADE AND OTHER RECEIVABLES

	CONSOLIDATED		COMPANY	
	2018 N$'000	2017 N$'000	**2018 N$'000**	2017 N$'000
Trade receivables	**1,342,752**	949,241	**1,342,752**	949,241
- Gross receivables	**1,695,154**	1,207,773	**1,695,154**	1,207,773
- Allowance for impairment losses	**(352,402)**	(258,532)	**(352,402)**	(258,532)
External project receivables	**-**	188,701	**-**	188,701
Prepayments	**3,456**	28,100	**3,456**	28,100
Project and other advances	**758**	456	**758**	456
Other receivables	**221,065**	1,903	**221,065**	1,903
Accrued interest	**161,662**	154,252	**161,662**	154,252
	1,729,693	1,322,653	**1,729,693**	1,322,653

An impairment loss of N$93.9 million (2017: N$3.3 million) in respect of trade receivables was recognised in profit or loss.

A reconciliation of the allowance for impairment losses are disclosed in note 29.4.4.

The fair value of trade receivables disclosed above, discounted at the prime rate is N$1.4 billion.

The Group's exposure to credit and currency risks related to trade and other receivables are disclosed in note 29.

13. TRADE AND OTHER RECEIVABLES (continued)

Related party receivables

Included in trade and other receivables are amounts due from related parties for Group and Company. These have been disclosed in note 27.

14. CASH AND CASH EQUIVALENTS

	CONSOLIDATED		COMPANY	
	2018 N$'000	2017 N$'000	**2018 N$'000**	2017 N$'000
Cash and cash equivalents consist of:				
Cash on hand	**73**	54	**73**	54
Bank balances	**565,053**	420,059	**565,053**	420,059
Short term deposits	**1,744,994**	1,448,886	**1,744,994**	1,448,886
	2,310,120	1,868,999	**2,310,120**	1,868,999

All the cash and cash equivalents are available for use by the Group.

The Group's exposure to credit, currency and interest rate risks related to cash and cash equivalents is disclosed in note 29.

The carrying amount of cash and cash equivalents approximates its fair value.

15. TAXATION

	CONSOLIDATED		COMPANY	
	2018 N$'000	2017 N$'000 Restated*	**2018 N$'000**	2017 N$'000 Restated*
Namibian Company Tax				
Current taxation	**585,371**	433,611	**585,371**	433,611
Current taxation - prior period adjustment	**21,342**	-	**21,342**	-
Deferred taxation	**(98,615)**	(24,758)	**(91,852)**	(24,654)
Taxation recognised in profit or loss	**508,098**	408,853	**514,861**	408,957
Tax rate change on previous revaluation recognised in other comprehensive income	**-**	-	**-**	-
Taxation recognised in other comprehensive income	**14,149**	(1,924)	**14,149**	(1,924)
Total taxation	**522,247**	406,929	**529,010**	407,033
Tax rate reconciliation	**%**	%	**%**	%
Standard Tax Rate	**32.00**	32.00	**32.00**	32.00
Adjusted for:				
Kudu Project	**0.14**	0.24	**0.14**	0.24
Social Responsibility	**0.08**	0.20	**0.08**	0.20
Donations	**-**	0.13	**-**	0.13
Other Items not deductible for tax purposes	**(1.03)**	0.12	**(1.04)**	0.12
Government Grant	**(0.14)**	(1.45)	**(0.14)**	(1.46)
Other Exempt income	**(0.96)**	(0.16)	**(0.90)**	(0.13)
Effect of tax rate change	**-**	-	**-**	-
Prior period adjustment	**2.13**	(0.25)	**2.12**	(0.25)
Manufacturing deduction	**(2.92)**	(3.51)	**(2.89)**	(3.51)
Effective tax rate	**29.30**	27.32	**29.38**	27.35

* Certain amounts shown here do not correspond to the 2017 financial statements due to an error and reflect adjustments made, refer to note 31.

Taxation recognised in other comprehensive income

	CONSOLIDATED			COMPANY		
2018	Before tax	Tax expense (benefit)	Net of tax	Before tax	Tax expense (benefit)	Net of tax
Remeasurements of employee benefits	**(43,778)**	**14,149**	**(29,629)**	**(44,215)**	**14,149**	**(30,066)**
Available-for-sale financial assets	**(133)**	**-**	**(133)**	**(133)**	**-**	**(133)**
	(43,911)	**14,149**	**(29,762)**	**(44,348)**	**14,149**	**(30,199)**

15. TAXATION (continued)

Taxation recognised in other comprehensive income (continued)

	CONSOLIDATED			COMPANY		
2017	Before tax	Tax expense (benefit)	Net of tax	Before tax	Tax expense (benefit)	Net of tax
Remeasurements of employee benefits^	6,417	(1,924)	4,493	6,013	(1,924)	4,089
Available-for-sale financial assets	(112)	-	(112)	(112)	-	(112)
	6,305	(1,924)	4,381	5,901	(1,924)	3,977

^ The share of profit of associates, net of tax do not correspond to the 2017 financial statements as a result of the share of other comprehensive income of associates, net of taxation amounting to N$404 thousand which was not available in the prior year, but now added in the share of profit of associates. Also refer to note 7.2.

16. SHARE CAPITAL AND RESERVES

	CONSOLIDATED		COMPANY	
	2018 N$'000	2017 N$'000	**2018 N$'000**	2017 N$'000
16.1 Authorised				
365 000 000 ordinary shares at N$1	**365,000**	365,000	**365,000**	365,000
16.2 Issued share capital				
165 000 000 (2017: 165 000 000) ordinary shares at N$1	**165,000**	165,000	**165,000**	165,000

The unissued share capital is under the control of the Government of the Republic of Namibia, represented by the Ministry of Mines and Energy, as the sole shareholder.

	CONSOLIDATED		COMPANY	
16.3 Share premium				
Share premium arising on shares issued	**900,000**	900,000	**900,000**	900,000

100 000 000 ordinary shares of N$1 each and share premium of N$9.

(2017: 100 000 000 ordinary shares of N$1 each and share premium of N$9.)

Holders of the ordinary shares are entitled to dividends whenever dividends to ordinary shareholders are declared and are entitled to one vote per share at general meetings of the Company.

16.4 Capital revaluation reserve

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

16.5 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.

16.6 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.

NOTES TO THE FINANCIAL STATEMENTS
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17. INTEREST BEARING LOANS AND BORROWINGS (CONSOLIDATED AND COMPANY)

Terms and conditions of outstanding loans were as follows:

17.1	Interest Bearing Borrowings	Currency	Coupon interest rate	Effective interest rate	Year of maturity	30 JUNE 2018 Carrying amount N$'000	30 JUNE 2018 Face value N$'000	30 JUNE 2017 Carrying amount N$'000	30 JUNE 2017 Face value N$'000
17.1.1	Agence Francaise de Development *	EUR	3.00%	9.39%	2019	9,423	3,878	14,891	6,464
17.1.2	European Investment Bank - loan I *	EUR	3.81%	13.89%	2018	-	-	62,856	27,311
17.1.3	African Development Bank *	ZAR	Jibar6m+.50	10.30%	2018	-	-	4,203	4,203
17.1.4	Development Bank of Southern Africa ^	ZAR	9.82%	9.82%	2022	80,000	80,000	80,000	80,000
17.1.5	European Investment Bank - loan II *	GBP	3.00%	7.62%	2021	108,547	94,436	128,174	115,948
17.1.6	NMP20N Bonds issued - Caprivi Link Interconnector[1^]	ZAR	9.35%	9.35%	2020	482,000	482,000	482,000	482,000
17.1.7	Development Bank of Namibia[1]	NAD	Prime less 4.5%	Prime less 4.5%	2024	31,321	31,321	35,519	35,519
17.1.8	NMP19N Bonds issued - Ruacana 4th unit[1]	NAD	10.00%	10.00%	2019	250,000	250,000	250,000	250,000
17.1.9	European Investment Bank - loan III[1]	ZAR	9.26%	9.26%	2029	252,827	252,827	274,812	274,812
17.1.10	Agence Francaise de Development II[1]	ZAR	6.10%	6.10%	2027	209,559	209,559	231,618	231,618
17.1.11	KFW Bankengruppe I[1]	ZAR	5.29%	5.29%	2020	97,825	97,825	146,738	146,738
17.1.12	KFW Bankengruppe II[1]	ZAR	6.98%	6.98%	2021	133,170	133,170	171,218	171,218
17.1.13	KFW Bankengruppe III[1]	ZAR	8.26%	8.26%	2027	377,200	377,200	377,200	377,200
						2,031,872	2,012,216	2,259,229	2,203,031
	Less: Installments payable within one year transferred to current liabilities					207,433	201,815	230,109	192,425
						1,824,439	1,810,401	2,029,120	2,010,606

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

^ The loan is secured by a pledge of investments (zero coupon bonds) with a carrying value of N$57.1 million (2017: N$51.5 million) and a nominal value of N$80 million.

- The zero coupon bond is issued at 10.52% (NACS) with a maturity value of ZAR 80 million on 15 October 2021.

[1] The loans are unsecured with a fair value of N$43 million.

1^ The carrying amount of the NMP20N Bond is reduced by the reclassification from non-current investments due to the Group subscribing to its own bond at inception.

Refer to note 29.1 (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 29.

Defaults and breaches

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

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2018

18. DEFERRED REVENUE LIABILITIES

	CONSOLIDATED			COMPANY		
	2018 N$'000	2017 N$'000 Restated*	2016 N$'000 Restated*	**2018 N$'000**	2017 N$'000 Restated*	2016 N$'000 Restated*
Non-current liability						
Deferred revenue government grant: generation assets	**197,024**	204,167	211,310	**197,024**	204,167	211,310
Interest rate subsidy - EIB Loan III	**19,243**	22,992	26,407	**19,243**	22,992	26,407
Transfers of assets from customers	**869,318**	806,402	781,509	**869,318**	806,402	781,509
	1,085,585	1,033,561	1,019,226	**1,085,585**	1,033,561	1,019,226
Current liability						
Short-term portion Interest rate subsidy - EIB Loan III	**3,749**	4,082	5,082	**3,749**	4,082	5,082
Short-term portion: generation assets	**6,857**	6,857	6,857	**6,857**	6,857	6,857
Deferred revenue: Long-run marginal cost	**127,143**	127,143	127,143	**127,143**	127,143	127,143
	137,749	138,082	139,082	**137,749**	138,082	139,082

* Certain amounts shown here do not correspond to the 2017 financial statements due to an error and reflect adjustments made, refer to note 30.

18.1 Deferred revenue - Government Grants

18.1.1 Government Grant - generation assets

Reconciliation of deferred revenue - Government Grant

	CONSOLIDATED 2018	CONSOLIDATED 2017	COMPANY 2018	COMPANY 2017
Opening balance	**211,023**	218,166	**211,023**	218,166
Recognised in profit or loss	**(7,143)**	(7,143)	**(7,143)**	(7,143)
Closing balance	**203,880**	211,023	**203,880**	211,023

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 2013 financial year. The grant was received to subsidise the construction of Anixas Powerstation, the 22.5 megawatt (MW) emergency power plant at Walvis Bay to serve as a back-up energy supply to prevent power outages that may be experienced during peak hours. Of this grant N$7.1 million (2017: N$7.1 million) was recognised as income during the current year while the N$203.8 million (2017: N$211.0 million) represents deferred income and will be recognised on a systematic basis over the useful life of the power plant.

18.2 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$4.1 million (2017: N$4.4 million) was recognised as income during the current year whilst the remaining N$22.9 million (2017: N$27.1 million) represents deferred income and will be recognised over the remaining period of the loan of 20 years.

18.3 Deferred revenue: Transfers of assets from customers

Transfers of assets from customers include upfront payments received from Transmission customers 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 upgrade or the construction of the assets are completed.

18.4 Deferred revenue: Long-run marginal cost

The Long-run marginal cost of 1.46 cents/kWh amounting to Nill (2017: Nill) was received during the year under review. No Long-run marginal cost levy was approved by the Electricity Control Board (ECB) for the current financial year. The Long-run marginal cost was introduced by the ECB during the 2012 financial year until the 2014 financial year and should be ring-fenced within the Company and reserved as deferred revenue which may only be utilised with the approval of the ECB.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2018

19. DEFERRED TAX LIABILITIES

	CONSOLIDATED			COMPANY		
	2018 N$'000	2017 N$'000 Restated*	2016 N$'000 Restated*	**2018 N$'000**	2017 N$'000 Restated*	2016 N$'000 Restated*
Balance at the beginning of the year	**6,378,176**	6,404,855	4,464,985	**6,371,411**	6,397,987	4,461,827
Current charge recognised in profit or loss	**(98,615)**	(24,755)	(77,859)	**(91,853)**	(24,652)	(79,947)
Current year	**(98,615)**	(24,755)	(77,859)	**(91,853)**	(24,652)	(79,947)
Prior year adjustment	**-**	(1,839)	-	**-**	(1,839)	-
Temporary differences	**(98,615)**	(81,918)	9,638	**(91,853)**	(81,815)	10,769
Effect of change in tax rate	**-**	-	(28,496)	**-**	-	(31,715)
Calculated tax loss	**-**	59,002	(59,002)	**-**	59,002	(59,002)
Tax rate change on previous revaluation recognised in other comprehensive income	**-**	-	(104,450)	**-**	-	(103,493)
Current charge recognised in other comprehensive income	**14,149**	(1,924)	2,122,179	**14,149**	(1,924)	2,119,600
Balance at end of year	**6,293,711**	6,378,176	6,404,855	**6,293,707**	6,371,411	6,397,987
The balance comprises:						
Calculated tax loss	**-**	-	(59,002)	**-**	-	(59,002)
Property, plant and equipment	**6,355,449**	6,477,905	6,524,292	**6,355,445**	6,471,140	6,517,424
Intangible assets	**9,037**	8,242	1,104	**9,037**	8,242	1,104
Investment properties	**3,397**	4,172	2,811	**3,397**	4,172	2,811
Prepayments	**258**	1,099	7,634	**258**	1,099	7,634
Inventories	**72,599**	71,543	70,890	**72,599**	71,543	70,890
Interest accrued	**31,040**	24,868	43,016	**31,040**	24,868	43,016
Severance pay liability	**(16,275)**	(15,249)	(16,015)	**(16,275)**	(15,249)	(16,015)
Fair value swaps, loans and unrealised foreign exchange losses	**(28,539)**	(46,948)	12,208	**(28,539)**	(46,948)	12,208
Strategic inventory	**15,475**	9,735	18,937	**15,475**	9,735	18,937
Post-retirement medical benefit	**(73,065)**	(90,527)	(73,229)	**(73,065)**	(90,527)	(73,229)
Power purchase and power sales agreement-embedded derivative	**(34,396)**	(40,967)	(105,658)	**(34,396)**	(40,967)	(105,658)
Provisions and advanced payments	**(41,269)**	(25,697)	(22,133)	**(41,269)**	(25,697)	(22,133)
	6,293,711	6,378,176	6,404,855	**6,293,707**	6,371,411	6,397,987

* Certain amounts shown here do not correspond to the 2017 financial statements due to an error and reflect adjustments made, refer to note 31.

20. TRADE AND OTHER PAYABLES

	CONSOLIDATED 2018 N$'000	CONSOLIDATED 2017 N$'000	COMPANY 2018 N$'000	COMPANY 2017 N$'000
Trade payables	**944,144**	721,908	**944,151**	721,905
Leave and bonus accruals	**122,239**	72,235	**122,239**	72,235
Swap and loan interest payable	**61,905**	64,339	**61,905**	64,339
Retention creditors	**5,008**	9,132	**5,008**	9,132
	1,133,296	867,614	**1,133,303**	867,611

The Group's exposure to liquidity and currency risks related to trade and other payables are disclosed in note 29.

The carrying amount of trade and other payables approximates its fair value.

20.1 Leave and bonus accruals

The Group accrues for leave pay and bonuses for all employees. The value of the accrual at 30 June 2018 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.

20.2 Related party payables

Trade and other payables due to related parties have been disclosed in note 27.

20.3 Retention creditors

	CONSOLIDATED 2018 N$'000	CONSOLIDATED 2017 N$'000	COMPANY 2018 N$'000	COMPANY 2017 N$'000
Non-current	**26,744**	29,432	**26,744**	29,432
Current (included in trade payables)	**5,008**	9,132	**5,008**	9,132
	31,752	38,564	**31,752**	38,564

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

21. DERIVATIVES

	CONSOLIDATED 2018 N$'000	CONSOLIDATED 2017 N$'000	COMPANY 2018 N$'000	COMPANY 2017 N$'000
21.1 Derivative assets				
Forward exchange contract assets	**16,990**	-	**16,990**	-
Interest rate and cross-currency swaps	**20,258**	55,679	**20,258**	55,679
Valuation firm commitments	**5,811**	2,717	**5,811**	2,717
Embedded derivatives - Power Purchase/Sale Agreements (PPA/PSA)	**-**	319	**-**	319
	43,059	58,715	**43,059**	58,715
21.2 Derivative liabilities				
Forward exchange contract liabilities	**-**	2,920	**-**	2,920
Embedded derivatives - Power Purchase/Sale Agreements (PPA/PSA)	**107,486**	128,341	**107,486**	128,341
	107,486	131,261	**107,486**	131,261

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 17 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.

22. EMPLOYEE BENEFITS

	CONSOLIDATED		COMPANY	
	2018 N$'000	2017 N$'000	**2018 N$'000**	2017 N$'000
Post-retirement medical benefits	**266,531**	276,884	**266,531**	276,884
Severance pay liability	**50,860**	47,652	**50,860**	47,652
	317,391	324,536	**317,391**	324,536

22.1 Post-retirement medical benefits

22.1.1 Actuarial assumptions

The Group makes contributions to two defined benefit plans that provide medical benefits for current employees. The Group makes contributions to three defined benefit plans that provide medical benefits for pensioners. The benefit plans are provided by Namibia Medical Care (NMC), which is administered by Methealth Namibia Administrators.

The present value of the provision at 30 June 2018, as determined by an actuarial valuation, was N$266.5 million (2017: N$276.9 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$111.0 million (2017: N$103.7 million) in contributions to the defined benefit plans in 2019.

Liability for defined benefit obligations

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

	2018	2017	**2018**	2017
Discount rate at 30 June (%)	**10.54**	10.46	**10.54**	10.46
Medical cost trend rate (%)	**8.89**	9.37	**8.89**	9.37

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.

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22. EMPLOYEE BENEFITS (continued)

	CONSOLIDATED		COMPANY	
	2018 N$'000	2017 N$'000	**2018 N$'000**	2017 N$'000
22.1.1 Actuarial assumptions (continued)				
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	**269,196**	279,653	**269,196**	279,653
1% decrease in medical cost trend	**(263,866)**	(274,115)	**(263,866)**	(274,115)
22.1.2 Movements in the net liability for defined benefit obligations recognised in the statement of financial position				
Net liability for defined obligations as at 1 July	**276,884**	241,543	**276,884**	241,543
Interest cost	**28,697**	22,913	**28,697**	22,913
Current service costs	**9,086**	7,115	**9,086**	7,115
Benefits paid	**(5,014)**	(4,203)	**(5,014)**	(4,203)
Actuarial loss/(gain) on obligation:	**-**	-	**-**	-
- Financial assumptions	**(25,113)**	(23,225)	**(25,113)**	(23,225)
- Other sources	**(18,009)**	32,741	**(18,009)**	32,741
Net liability for defined obligations as at 30 June	**266,531**	276,884	**266,531**	276,884
Should the current service and interest rate cost trend increase or decrease by 1% the effect would be as follows:				
1% increase in current service + interest rate cost trend	**38,161**	30,328	**38,161**	30,328
1% decrease in current service + interest rate cost trend	**(37,405)**	(29,728)	**(37,405)**	(29,728)

22. EMPLOYEE BENEFITS (continued)

	CONSOLIDATED 2018 N$'000	CONSOLIDATED 2017 N$'000	COMPANY 2018 N$'000	COMPANY 2017 N$'000
22.1.3 Expense recognised in profit or loss				
Current service costs	**9,086**	7,115	**9,086**	7,115
Interest cost	**28,697**	22,913	**28,697**	22,913
	37,783	30,028	**37,783**	30,028
The expense is included in the administrative expenses in profit or loss.				
22.1.4 Expense recognised in other comprehensive income				
Remeasurements of post-retirement medical benefits (actuarial loss)	**(42,685)**	9,920	**(43,122)**	9,516
	(42,685)	9,920	**(43,122)**	9,516
22.2 Severance pay liability				
Present value of net obligations	**50,860**	47,652	**50,860**	47,652
Present value of unfunded obligations	**50,860**	47,652	**50,860**	47,652
Recognised liability for defined benefit obligations	**50,860**	47,652	**50,860**	47,652
Severance pay liability is recognised for employees retiring on reaching the age of 65 years.				
22.2.1 Liability for severance pay obligations				
The following were the principal actuarial assumptions at the reporting date:				
Discount rate at 30 June (%)	**9.20**	8.67	**9.20**	8.67
Salary inflation rate at 30 June (%)	**7.24**	7.05	**7.24**	7.05
Investment return at 30 June	**9.20**	8.67	**9.20**	8.67
Should the salary inflation rate increase or decrease by 1% the severance pay liability would be as follows:				
1% increase in salary inflation rate	**51,369**	48,129	**51,369**	48,129
1% decrease in salary inflation rate	**(50,351)**	(47,175)	**(50,351)**	(47,175)

22. EMPLOYEE BENEFITS (continued)

	CONSOLIDATED 2018 N$'000	CONSOLIDATED 2017 N$'000	COMPANY 2018 N$'000	COMPANY 2017 N$'000
22.2.2 Movements in the net liability for defined benefit obligations recognised in the Group and Company statements of financial position				
Net liability for defined obligations as at 1 July	**47,652**	50,047	**47,652**	50,047
`Interest cost	**4,131**	4,604	**4,131**	4,604
Current service costs	**1,532**	1,647	**1,532**	1,647
Benefits paid	**(1,362)**	(5,143)	**(1,362)**	(5,143)
Actuarial loss/(gain) on obligation:	**-**	-	**-**	-
- Financial assumptions	**(1,217)**	(2,615)	**(1,217)**	(2,615)
- Other sources	**124**	(888)	**124**	(888)
Net liability for defined obligations as at 30 June	**50,860**	47,652	**50,860**	47,652
Should the current service and interest rate cost trend increase or decrease by 1% the effect would be as follows:				
1% increase in current service + interest rate cost trend	**5,720**	6,314	**5,720**	6,314
1% decrease in current service + interest rate cost trend	**(5,606)**	(6,188)	**(5,606)**	(6,188)
22.2.3 Expense recognised in the Group and Company statements of comprehensive income				
Current service costs	**1,532**	1,647	**1,532**	1,647
Interest on obligation	**4,131**	4,604	**4,131**	4,604
	5,663	6,251	**5,663**	6,251
The expense is included in the administrative expenses in profit or loss.				
22.2.4 Expense recognised in other comprehensive income				
Actuarial gain/(loss) on obligation	**(1,093)**	(3,503)	**(1,093)**	(3,503)
	(1,093)	(3,503)	**(1,093)**	(3,503)

23. CAPITAL COMMITMENTS

	CONSOLIDATED		COMPANY	
	2018 N$'000	2017 N$'000	**2018 N$'000**	2017 N$'000
Projects for Capital Expenditure				
Approved by Board of Directors	**6,352,169**	8,658,982	**6,352,169**	8,658,982
Less: Expenditure to 30 June	**(1,627,925)**	(2,230,765)	**(1,627,925)**	(2,230,765)
Amount still to be expended	**4,724,244**	6,428,217	**4,724,244**	6,428,217
Amounts contracted at year end	**35,106**	4,927	**35,106**	4,927
	35,106	4,927	**35,106**	4,927

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.

24. NET FINANCING INCOME

Recognised in profit or loss

	CONSOLIDATED		COMPANY	
	2018 N$'000	2017 N$'000	**2018 N$'000**	2017 N$'000
Interest income on:	**771,585**	673,440	**771,585**	673,440
- Financial assets at amortised cost	**648,699**	585,264	**648,699**	585,264
- Financial assets at fair value through profit or loss	**122,886**	88,176	**122,886**	88,176
Interest costs on:	**(193,419)**	(215,093)	**(193,419)**	(215,093)
- Financial liabilities designated at fair value through profit or loss	**(107,964)**	(123,928)	**(107,964)**	(123,928)
- Financial liabilities held for trading	**(11,881)**	(17,904)	**(11,881)**	(17,904)
- Financial liabilities at amortised cost	**(73,574)**	(73,261)	**(73,574)**	(73,261)
	578,166	458,347	**578,166**	458,347

25. REVENUE

	CONSOLIDATED		COMPANY	
	2018 N$'000	2017 N$'000 Restated*	**2018 N$'000**	2017 N$'000 Restated*
Revenue comprises:				
- Sales of electricity	**6,434,867**	5,703,407	**6,434,867**	5,703,407
- Extension charges	**61,973**	68,069	**61,973**	68,069
- STEM sales	**48,901**	34,699	**48,901**	34,699
- Transfer of assets from customers - Capital contributions by customers	**49,075**	114,544	**49,075**	114,544
	6,594,816	5,920,719	**6,594,816**	5,920,719

* Certain amounts shown here do not correspond to the 2017 financial statements due to an error and reflect adjustments made, refer to note 30.

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.

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

		CONSOLIDATED		COMPANY	
25.1	**Other income comprises of:**	**2018 N$'000**	2017 N$'000	**2018 N$'000**	2017 N$'000
	- Government grant	**7,143**	57,143	**7,143**	57,143
	- Grant funding other	**661**	621	**661**	621
	- Gain on disposal of subsidiary	**8,422**	-	**13,249**	-
	- Sundry income	**6,364**	35,021	**15,570**	40,871
		22,590	92,785	**36,623**	98,635

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

26. (LOSS)/PROFIT BEFORE TAXATION

	CONSOLIDATED		COMPANY	
	2018 N$'000	2017 N$'000	**2018 N$'000**	2017 N$'000
Profit before taxation is stated after charging/(crediting):				
Directors' emoluments paid by Company				
fees for services as directors	**5,580**	5,132	**5,580**	5,132
- paid to non-executive directors	**1,858**	1,659	**1,858**	1,659
- paid to executive directors	**3,722**	3,473	**3,722**	3,473
- other services	**-**	-	**-**	-
Auditors' remuneration				
- audit fee	**4,046**	3,089	**4,046**	3,089
Depreciation of property, plant and equipment	**868,853**	789,353	**868,722**	789,178
Amortisation of intangible asset	**6,714**	1,893	**6,714**	1,893
Remuneration other than to employees for	**7,165**	15,757	**7,165**	15,757
- managerial services	**1,308**	9,260	**1,308**	9,260
- technical services	**4,484**	2,854	**4,484**	2,854
- other professional services	**1,373**	3,643	**1,373**	3,643
Research and development expenditure	**7,686**	11,352	**7,686**	11,352
Movement in allowance for impairment losses	**93,870**	4,200	**93,870**	4,200
Bad debts recovered	**-**	(25)	**-**	(25)
Contribution to Social Responsibility Programs	**4,266**	9,377	**4,266**	9,377
Gain on disposal of property, plant and equipment	**(1,399)**	(177)	**(1,399)**	(177)
Staff costs	**768,311**	669,553	**768,311**	669,553
Salaries and wages	**710,245**	615,691	**710,245**	615,691
Company contribution: Provident Fund	**57,963**	53,892	**57,963**	53,892
Others	**103**	(30)	**103**	(30)
Severance Pay	**4,301**	1,108	**4,301**	1,108
- Liability	**5,663**	6,251	**5,663**	6,251
- Benefits paid	**(1,362)**	(5,143)	**(1,362)**	(5,143)

26. (LOSS)/PROFIT BEFORE TAXATION (continued)

	CONSOLIDATED		COMPANY	
	2018 N$'000	2017 N$'000	**2018 N$'000**	2017 N$'000
Post-retirement medical benefit	**37,783**	30,028	**37,783**	30,028
Foreign exchange gains on trade payables/receivables, bank balances and loans payable	**(226,262)**	(188,231)	**(226,262)**	(188,231)
- realised	**(90,776)**	(64,347)	**(90,776)**	(64,347)
- unrealised	**(135,486)**	(123,884)	**(135,486)**	(123,884)
Foreign exchange losses on trade payables/receivables, bank balances and loans payable	**221,319**	204,198	**221,319**	204,198
- realised	**147,241**	141,551	**147,241**	141,551
- unrealised	**74,078**	62,647	**74,078**	62,647
IAS 39 Fair value adjustments	**13,433**	(106,641)	**13,433**	(106,641)
- derivative contracts	**32,326**	87,043	**32,326**	87,043
- foreign denominated loans	**1,642**	1,520	**1,642**	1,520
- Unrealised (gain)/loss on embedded derivative Power Purchase Agreement (PPA) and Power Sales Agreement (PSA)	**(20,535)**	(195,204)	**(20,535)**	(195,204)
Government grants recognised in profit or loss	**(7,143)**	(57,143)	**(7,143)**	(57,143)
Income generating Investment Property				
- rental income	**(4,608)**	(4,292)	**(4,608)**	(4,292)
- direct operating expenses	**551**	500	**551**	500
Non-income generating Investment Property				
- direct operating expenses	**70**	62	**70**	62
Fair value adjustment on investment properties	**2,422**	(1,262)	**2,422**	(1,262)

27. RELATED PARTIES

	CONSOLIDATED		COMPANY	
	2018 N$'000	2017 N$'000	**2018 N$'000**	2017 N$'000

Identity of related parties

The Company has related party relationships with its subsidiaries (see note 7.1), associates (see note 7.2) and key management personnel. Key management personnel comprise directors and executive management.

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

The Directors are listed in the Directors' Report on page 91.

Transactions with key management personnel

The key management personnel compensations are as follows:

	CONSOLIDATED		COMPANY	
	2018 N$'000	2017 N$'000	**2018 N$'000**	2017 N$'000
Short-term employee benefits	**18,463**	17,337	**18,463**	17,337
Post-retirement employment benefits	**2,009**	1,890	**2,009**	1,890
Other long-term employment benefits	**203**	181	**203**	181
	20,675	19,408	**20,675**	19,408

Total remuneration is included in 'staff costs' (see note 26)

Directors' emoluments are disclosed in note 26.

During the year the Company, in the ordinary course of business, entered into various sale and purchase transactions with its Shareholder, associates, fellow government owned entities and subsidiaries.

Shareholder

Transactions with the Shareholder (The Government of the Republic of Namibia) refer note 18.1.

27. RELATED PARTIES (continued)

	CONSOLIDATED		COMPANY	
	2018 N$'000	2017 N$'000	**2018 N$'000**	2017 N$'000
Investments				
Erongored (Pty) Ltd	**916,868**	810,991	**916,868**	810,991
- Electricity sales	**818,672**	718,910	**818,672**	718,910
- Service level agreement and technical support	**40**	109	**40**	109
- Capital contribution received	**87,269**	81,106	**87,269**	81,106
- Municipal services	**38**	17	**38**	17
- Guarantees received	**10,849**	10,849	**10,849**	10,849
Associates				
Cenored (Pty) Ltd	**191,290**	171,079	**424,618**	379,754
- Electricity sales	**191,118**	170,885	**424,236**	379,324
- Service level agreement and technical support	**172**	194	**382**	430
Nored Electricity (Pty) Ltd	**235,137**	205,498	**705,483**	616,556
- Electricity sales	**226,918**	198,888	**680,822**	596,724
- Rental income	**40**	37	**121**	110
- Service level agreement and technical support	**35**	44	**105**	133
- Capital contribution received	**8,144**	6,529	**24,435**	19,589
Municipal services from related parties	**6,369**	6,856	**18,963**	17,358
- Nored Electricity (Pty) Ltd	**6,184**	2,740	**18,553**	8,222
- Cenored (Pty) Ltd	**185**	4,116	**410**	9,136
Guarantees received	**5,111**	4,778	**12,955**	12,159
- Cenored (Pty) Ltd	**3,048**	2,788	**6,766**	5,970
- Nored Electricity (Pty) Ltd	**2,063**	1,990	**6,189**	6,189

Fellow government owned entities

The individually significant sales transactions with fellow government owned entities are listed below:

	CONSOLIDATED		COMPANY	
	2018 N$'000	2017 N$'000	**2018 N$'000**	2017 N$'000
Electricity Sales	**1,828,146**	1,646,038	**1,828,146**	1,646,038
- Namibia Water Corporation	**145,586**	126,776	**145,586**	126,776
- City of Windhoek	**1,478,857**	1,338,544	**1,478,857**	1,338,544
- Namdeb Diamond Corporation (Pty) Ltd	**203,703**	180,718	**203,703**	180,718

27. RELATED PARTIES (continued)

	CONSOLIDATED		COMPANY	
	2018 N$'000	2017 N$'000	**2018 N$'000**	2017 N$'000
Subsidiary				
Okaomba Investment (Pty) Ltd	**-**	-	**95**	220
- Rent paid	**-**	-	**95**	220
Related party balances				
Due from / (due to)				
Investments	**163,089**	77,258	**163,089**	77,258
- Erongored (Pty) Ltd	**163,093**	77,258	**163,093**	77,258
- Erongored (Pty) Ltd	**(4)**	-	**(4)**	-
Associate	**75,157**	42,603	**199,292**	110,121
- Cenored (Pty) Ltd	**33,584**	22,690	**74,548**	50,366
- Cenored (Pty) Ltd	**(15)**	(13)	**(32)**	(29)
- Nored Electricity (Pty) Ltd	**41,678**	19,957	**125,045**	59,878
- Nored Electricity (Pty) Ltd	**(90)**	(31)	**(269)**	(94)
Fellow government owned entities	**396,529**	174,330	**396,529**	174,330
- Namdeb Diamond Corporation (Pty) Ltd	**22,368**	20,502	**22,368**	20,502
- City of Windhoek	**351,760**	139,716	**351,760**	139,716
- Namibia Water Corporation (Pty) Ltd	**22,401**	14,112	**22,401**	14,112
Guarantees received	**16,751**	16,751	**16,751**	16,751
- Namdeb Diamond Corporation (Pty) Ltd	**16,446**	16,446	**16,446**	16,446
- Namibia Water Corporation (Pty) Ltd	**305**	305	**305**	305

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.

28. 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. The fund is administered by Retirement Funds Solutions Namibia (Pty) Ltd and is valued annually. The last valuation of the fund was as at 30 June 2017, which indicated that the fund is financially sound.

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$58.0 million (2017: N$53.8 million).

The Company's contribution paid to the Fund for the key management amounted to N$2.0 million (2017: N$1.9 million).

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2018

29. FINANCIAL INSTRUMENTS

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

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

CONSOLIDATED		CARRYING AMOUNT			CARRYING AMOUNT				FAIR VALUE			
2018 **in thousands of Namibia Dollar**	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	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value												
Listed equity	11	-	-	-	1,769	-	-	1,769	1,769	-	-	1,769
Collective investment schemes	11	-	-	-	-	1,600,594	-	1,600,594	-	1,600,594	-	1,600,594
Derivative financial assets	21.1	-	43,059	-	-	-	-	43,059	-	43,059	-	43,059
		-	43,059	-	1,769	1,600,594	-	1,645,422	1,769	1,643,653	-	1,645,422
Financial assets not measured at fair value												
Loans and receivables	10	20,942	-	-	-	-	-	20,942	-	-	-	-
Non-current investments	11	-	-	752,721	35,415	-	-	788,136	-	-	-	-
Fixed deposits at amortised cost	11	3,853,188	-	-	-	-	-	3,853,188	-	-	-	-
Cash and cash equivalents	14	2,310,120	-	-	-	-	-	2,310,120	-	-	-	-
Trade and other receivables^	13	1,504,414	-	-	-	-	-	1,504,414	-	-	-	-
		7,688,664	-	752,721	35,415	-	-	8,476,800	-	-	-	-
Financial liabilities measured at fair value												
					-		-					
Interest bearing loans and borrowings	17	-	-	-	-	(87,310)	-	(87,310)	-	(87,310)	-	(87,310)
Derivative financial liabilities	21.2	-	(107,486)	-	-	-	-	(107,486)	-	-	(107,486)	(107,486)
		-	(107,486)	-	-	(87,310)	-	(194,796)	-	(87,310)	(107,486)	(194,796)
Financial liabilities not measured at fair value												
Interest bearing loans and borrowings	17	-	-	-	-	-	(1,944,562)	(1,944,562)	-	-	-	-
Trade and other payables*	20	-	-	-	-	-	(1,011,057)	(1,011,057)	-	-	-	-
Non-current retention creditors	20.3	-	-	-	-	-	(26,744)	(26,744)	-	-	-	-
		-	-	-	-	-	(2,982,363)	(2,982,363)	-	-	-	-

* Accrued expenses of N$122.2 million (2017: N$72.2 million) that are not financial liabilities are not included.
^ Project and other advances and prepayments of N$225.2 million (2017: N$30.4 million) that are not financial assets are not included.

There have been no transfers between the fair value hierarchy levels (2017: no transfers).
The table above analyses financial instruments carried at fair value as the amounts are a reasonable approximation of fair value.

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).

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2018

29. FINANCIAL INSTRUMENTS (continued)

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

CONSOLIDATED		CARRYING AMOUNT			CARRYING AMOUNT				FAIR VALUE			
2017 in thousands of Namibia Dollar	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	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value												
Listed equity	11	-	-	-	1,636	-	-	1,636	1,636	-	-	1,636
Collective investment schemes	11	-	-	-	-	1,107,683	-	1,107,683	-	1,107,683	-	1,107,683
Derivative financial assets	21.1	-	58,715	-	-	-	-	58,715	-	55,679	3,036	58,715
		-	58,715	-	1,636	1,107,683	-	1,168,034	1,636	1,163,362	3,036	1,168,034
Financial assets not measured at fair value												
Loans and receivables	10	14,168	-	-	-	-	-	14,168	-	-	-	-
Non-current investments	11	-	-	1,238,296	23,076	-	-	1,261,372	-	-	-	-
Fixed deposits at amortised cost	11	3,295,000	-	-	-	-	-	3,295,000	-	-	-	-
Cash and cash equivalents	14	1,868,999	-	-	-	-	-	1,868,999	-	-	-	-
Trade and other receivables^	13	1,103,493	-	-	-	-	-	1,103,493	-	-	-	-
		6,281,660	-	1,238,296	23,076	-	-	7,543,032	-	-	-	-
Financial liabilities measured at fair value												
Interest bearing loans and borrowings	17	-	-	-	-	(117,155)	-	(117,155)	-	(117,155)	-	(117,155)
Derivative financial liabilities	21.2	-	(131,261)	-	-	-	-	(131,261)	-	-	(131,261)	(131,261)
		-	(131,261)	-	-	(117,155)	-	(248,416)	-	(117,155)	(131,261)	(248,416)
Financial liabilities not measured at fair value												
Interest bearing loans and borrowings	17	-	-	-	-	-	(2,142,074)	(2,142,074)	-	-	-	-
Trade and other payables*	20	-	-	-	-	-	(795,381)	(795,381)	-	-	-	-
Non-current retention creditors	20.3	-	-	-	-	-	(29,432)	(29,432)	-	-	-	-
		-	-	-	-	-	(2,966,887)	(2,966,887)	-	-	-	-

* Accrued expenses of N$72.2 million (2016: N$ 66.0 million) that are not financial liabilities are not included.
^ Project and other advances and prepayments of N$30.4 million (2016: N$37.5 million) that are not financial assets are not included.

There have been no transfers between the fair value hierarchy levels (2016: no transfers).
The table above analyses financial instruments carried at fair value as the amounts are a reasonable approximation of fair value.

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).

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2018

29. FINANCIAL INSTRUMENTS (continued)

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

COMPANY

2018 in thousands of Namibia Dollar		CARRYING AMOUNT			CARRYING AMOUNT				FAIR VALUE			
	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	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value												
Listed equity	11	-	-	-	1,769	-	-	1,769	1,769	-	-	1,769
Collective investment schemes	11	-	-	-	-	1,600,594	-	1,600,594	-	1,600,594	-	1,600,594
Derivative financial assets	21.1	-	43,059	-	-	-	-	43,059	-	43,059	-	43,059
		-	43,059	-	1,769	1,600,594	-	1,645,422	1,769	1,643,653	-	1,645,422
Financial assets not measured at fair value												
Loans and receivables	10	20,942	-	-	-	-	-	20,942	-	-	-	-
Non-current investments	11	-	-	752,721	35,415	-	-	788,136	-	-	-	-
Fixed deposits at amortised cost	11	3,853,188	-	-	-	-	-	3,853,188	-	-	-	-
Cash and cash equivalents	14	2,310,120	-	-	-	-	-	2,310,120	-	-	-	-
Trade and other receivables^	13	1,504,414	-	-	-	-	-	1,504,414	-	-	-	-
Interest in subsidiaries	7.1	5,002	-	-	-	-	-	5,002	-	-	-	-
		7,693,666	-	752,721	35,415	-	-	8,481,802	-	-	-	-
Financial liabilities measured at fair value												
Interest bearing loans and borrowings	17	-	-	-	-	(87,310)	-	(87,310)	-	(87,310)	-	(87,310)
Derivative financial liabilities	21.2	-	(107,486)	-	-	-	-	(107,486)	-	-	(107,486)	(107,486)
		-	(107,486)	-	-	(87,310)	-	(194,796)	-	(87,310)	(107,486)	(194,796)
Financial liabilities not measured at fair value												
Interest bearing loans and borrowings	17	-	-	-	-	-	(1,944,562)	(1,944,562)	-	-	-	-
Trade and other payables*	20	-	-	-	-	-	(1,011,063)	(1,011,063)	-	-	-	-
Loans due to subsidiaries	7.1	-	-	-	-	-	(6,388)	(6,388)	-	-	-	-
Non-current retention creditors	20.3	-	-	-	-	-	(26,744)	(26,744)	-	-	-	-
		-	-	-	-	-	(2,988,757)	(2,988,757)	-	-	-	-

* Accrued expenses of N$122.2 million (2017: N$72.2 million) that are not financial liabilities are not included.
^ Project and other advances and prepayments of N$225.2 million (2017: N$30.4 million) that are not financial assets are not included.
There have been no transfers between the fair value hierarchy levels (2017: no transfers).
The table above analyses financial instruments carried at fair value as the amounts are a reasonable approximation of fair value.

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).

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for the year ended 30 June 2018

29. FINANCIAL INSTRUMENTS (continued)

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

COMPANY		CARRYING AMOUNT			CARRYING AMOUNT				FAIR VALUE			
2017 in thousands of Namibia Dollar	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	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value												
Listed equity	11	-	-	-	1,636	-	-	1,636	1,636	-	-	1,636
Collective investment schemes	11	-	-	-	-	1,107,683	-	1,107,683	-	1,107,683	-	1,107,683
Derivative financial assets	21.1	-	58,715	-	-	-	-	58,715	-	55,679	3,036	58,715
		-	58,715	-	1,636	1,107,683	-	1,168,034	1,636	1,163,362	3,036	1,168,034
Financial assets not measured at fair value												
Loans receivable	10	14,168	-	-	-	-	-	14,168	-	-	-	-
Non-current investments	11	-	-	1,238,296	23,076	-	-	1,261,372	-	-	-	-
Fixed deposits at amortised cost	11	3,295,000	-	-	-	-	-	3,295,000	-	-	-	-
Cash and cash equivalents	14	1,868,999	-	-	-	-	-	1,868,999	-	-	-	-
Trade and other receivables^	13	1,103,493	-	-	-	-	-	1,103,493	-	-	-	-
Interest in subsidiaries	7.1	9,244	-	-	-	-	-	9,244	-	-	-	-
		6,290,904	-	1,238,296	23,076	-	-	7,552,276	-	-	-	-
Financial liabilities measured at fair value												
Interest bearing loans and borrowings	17	-	-	-	-	(117,155)	-	(117,155)	-	(117,155)	-	(117,155)
Derivative financial liabilities	21.2	-	(131,261)	-	-	-	-	(131,261)	-	-	(131,261)	(131,261)
		-	(131,261)	-	-	(117,155)	-	(248,416)	-	(117,155)	(131,261)	(248,416)
Financial liabilities not measured at fair value												
Interest bearing loans and borrowings	17	-	-	-	-	-	(2,142,074)	(2,142,074)	-	-	-	-
Trade and other payables*	20	-	-	-	-	-	(795,376)	(795,376)	-	-	-	-
Loans due to subsidiaries	7.1	-	-	-	-	-	(6,388)	(6,388)	-	-	-	-
Non-current retention creditors	20.3	-	-	-	-	-	(29,432)	(29,432)	-	-	-	-
		-	-	-	-	-	(2,973,270)	(2,973,270)	-	-	-	-

* Accrued expenses of N$72.2 million (2016: N$ 66.0 million) that are not financial liabilities are not included.
^ Project and other advances and prepayments of N$30.4 million (2016: N$37.5 million) that are not financial assets are not included.
There have been no transfers between the fair value hierarchy levels (2016: no transfers).
The table above analyses financial instruments carried at fair value as the amounts are a reasonable approximation of fair value.

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).

29. FINANCIAL INSTRUMENTS (continued)

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

	CONSOLIDATED AND COMPANY	
A reconciliation has been performed for fair value measurements in level 3 of the fair value hierarchy as follows:	**2018 N$'000**	2017 N$'000
Embedded derivative liabilities		
Carrying value at beginning of the year	**(131,261)**	(394,734)
Net fair value loss on embedded derivatives and forward exchange contracts recognised in profit or loss	**23,775**	263,473
Carrying value at end of the year	**(107,486)**	(131,261)
Embedded derivative assets		
Carrying value at beginning of the year	**3,036**	60,512
Net fair value gain/(loss) on embedded derivatives recognised in profit or loss	**(3,036)**	(57,476)
Carrying value at end of the year	**-**	3,036

Refer to note 29.6.3 for a sensitivity analysis disclosing the effect of fair value changes that would result if one or more of the inputs were to change.

[1] Embedded derivative assets of Nil (2017: N$319 thousand) were measured at fair value based on Level 2 inputs to the valuation techniques.

The following table gives information about how the fair values of the financial assets and financial liabilities categorised into Level 2 and Level 3 of the fair value hierarchy were determined:

Financial assets/ financial liabilities	Fair value hierarchy	Valuation technique(s) and key input(s)	Relationship of unobservable inputs to fair value
Collective investment schemes	Level 2	The valuation model is based on the Net Asset Values (NAV) of the individual funds as quoted in the active markets. i.e. quoted prices	Not applicable
Derivative financial assets and Derivative financial liabilities	Level 2 & Level 3	Discounted cash flow: The valuation model considers the present value of expected future cash flows discounted using a risk adjusted discount rate for both ZAR and USD. The expected cash flows is determined by considering the possible scenario of forecast revenue. i.e. interest rates, inflation rates and exchange rates.	The estimated fair value of the purchase agreements will increase/ (decrease) with an indirect correlation of the above-mentioned sensitivities, while there is a direct correlation in the fair value of the sales agreement with an increase/ (decrease) of the sensitivities.
Interest bearing loans and borrowings	Level 2	Discounted cash flow - The valuation model considers the present value of future expected cashflows discounted at an applicable discount rate. i.e. from zero coupon curves at the end of the reporting period.	Not applicable

29. FINANCIAL INSTRUMENTS (continued)

29.1.1 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) Held-to-maturity
- Securities
Fair value is based on quoted market prices at the reporting date without any deduction for transaction costs.

(b) Available-for-sale
- Collective investment
Fair value is based on quoted market prices at the reporting date without any deduction for transaction costs.

(c) Held-for-trading
- Derivatives
The fair values are based on current market movements at year end.

29.2 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.

29.3 Credit risk

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

Counterparty risk is the risk that a counterparty is unable to meet its financial and/or contractual obligations during the period of a transaction. Delivery or settlement risk is the risk that a counterparty does not deliver on its contractual commitment on maturity date (including the settlement of money and delivery of securities).

The recoverability of a financial asset which is neither past due nor impaired is assessed, taking into account its financial position, past experience and other factors. The Group believes that the amounts of instruments held at 30 June 2018 are still recoverable.

The carrying amount of financial assets represents the maximum credit exposure. The potential concentration of credit risk consists mainly of loans and receivables, trade and other receivables and the investment portfolio.

29.3.1 Management of credit risk

Financial instruments are managed by the treasury function. Processes are in place to identify, measure, monitor, control and report credit risk. The objective of NamPower's credit risk management framework is firstly to protect cash and investments and, secondly to protect and maximise the rate of return of financial market instruments.

29. FINANCIAL INSTRUMENTS (continued)

Responsibility and governance

The Asset and Liability Committee (ALCO), manages counterparty credit risk, which arises from the treasury activities in the financial markets. This committee is chaired by the Managing Director and reports on a quarterly basis to the Investment Committee. The activities of the ALCO committee are guided by the terms of reference that are updated and approved by the Investment Committee.

The terms of reference set out the minimum acceptable standards to be adhered to by those responsible for credit-related transactions within the treasury section. The terms of reference are aligned to the Exco credit risk governance standards and are supplemented by appropriate policies and procedures.

The ALCO committee:

- assesses the credit quality of counterparties and types of instruments used;
- recommends credit limits to the Investment Committee;
- ensures that transactions with counterparties are supported by trading agreements, where applicable; and
- approves methodologies used for the management of counterparty exposure.

The management of credit risk is governed by the following policies:

Trading in financial instruments is conducted and entered into with selected counterparties after credit limits have been authorised. Individual risk limits are set based on internal and external ratings in line with limits set by the Board. All credit limits are approved by the Investment Committee. The use of credit limits is regularly monitored.

Minimum credit-rating requirements for financial institutions are maintained to assess the risk categories by rating class and to ascertain the probability of default inherent in each rating class. Approved concentration risk parameters 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.

29.4 Exposure to credit risk

The Group limits its counterparty exposures from its loans and receivables, trade and other receivables and investment portfolio by only dealing with individuals and corporate entities of a high quality credit standing. Therefore management does not expect any counterparty to fail to meet its obligations.

29. FINANCIAL INSTRUMENTS (continued)

29.4 Exposure to Credit Risk (continued)

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

		CONSOLIDATED		COMPANY	
		2018 N$'000	2017 N$'000	**2018 N$'000**	2017 N$'000
Current investments	29.1 & 11	**5,455,551**	4,404,319	**5,455,551**	4,404,319
Non-current investments	29.1 & 11	**788,136**	1,261,372	**788,136**	1,261,372
Loans receivables	29.1 & 10	**20,942**	14,168	**20,942**	14,168
Trade and other receivables	29.1 & 13	**1,504,414**	1,103,493	**1,504,414**	1,103,493
Cash and cash equivalents	29.1 & 14	**2,310,120**	1,868,999	**2,310,120**	1,868,999
Derivative assets	29.1 & 21.1	**43,059**	58,715	**43,059**	58,715
Interest in subsidiaries	29.1 & 7.1	**-**	-	**5,002**	9,244
		10,122,222	8,711,066	**10,127,224**	8,720,310

29.4.1 Financial income and expenses

	CONSOLIDATED 2018	2017	COMPANY 2018	2017
Recognised in profit or loss				
Net gains and (losses) on financial assets and liabilities through profit or loss				
Realised Swap losses (FVTPL)	**(65,272)**	(127,386)	**(65,272)**	(127,386)
Realised Swap profits (FVTPL)	**29,851**	40,342	**29,851**	40,342
Loss from Swaps currency valuation (FVTPL)	**(30,250)**	(40,739)	**(30,250)**	(40,739)
Gain from Swaps currency valuation (FVTPL)	**68,125**	127,928	**68,125**	127,928
Unrealised foreign exchange gains/ (losses) on forward exchange contracts	**23,005**	10,868	**23,005**	10,868
Realised foreign exchange losses (FVTPL)	**(147,241)**	(141,551)	**(147,241)**	(141,551)
Realised foreign exchange gains (FVTPL)	**90,776**	64,347	**90,776**	64,347
Realised exchange rate (loss)/gain on foreign loans (FVTPL)	**(1,642)**	(1,519)	**(1,642)**	(1,519)
Fair value adjustment on embedded derivative- Power Purchases Agreement (Held for trading asset)	**20,855**	252,680	**20,855**	252,680
Fair value adjustment on embedded derivative- Power Sales Agreement (Held for trading liability)	**(319)**	(57,476)	**(319)**	(57,476)
Unrealised foreign exchange (losses)/ gains	**3,624**	(36,821)	**3,624**	(36,821)
Recognised in other comprehensive income				
Net change in fair value of available-for-sale financial asset	**(133)**	(112)	**(133)**	(112)

* FVTPL - Fair value through profit or loss

29. FINANCIAL INSTRUMENTS (continued)

29.4.2 Guarantees

The Group's policy is to provide financial guarantees only to wholly-owned subsidiaries. As at 30 June 2018 no guarantee was outstanding.

NamPower employee home loans

Suretyship for N$41.0 million (2017: N$39.0 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.

29.4.3 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 spread across different industries and geographical areas. The main classes of electricity receivables are cross-border, large power users and small power users. Key large power users comprise mainly Namibian municipalities, town councils, village councils, regional councils, mining customers and regional electricity distributors (REDs).

The Audit and Risk Management Committee has established a credit policy under which each electricity customer's payment terms and conditions are offered.

The Group requires a security deposit equivalent to three (3) months estimated consumption in respect of all new customers before they are energised and the electricity is supplied with an exception to the Regional Distributors whereby they have to provide security deposit that is equal to one (1) month estimated consumption.

Electricity supply agreements are entered into with cross border customers who comprise utility companies of neighbouring countries. These customers are required to provide security deposit equivalent to the value of three month's estimated consumption. Refer note 29.4.4.

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.

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 2018 was N$352.4 million (2017: N$258.5 million) (refer note 29.4.4). The enhancement of credit control strategies and monitoring of payment levels of all trade receivables continue to receive management attention.

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for the year ended 30 June 2018

29. FINANCIAL INSTRUMENTS (continued)

The maximum exposure to credit risk for trade receivables at the reporting date by geographic area:

	CONSOLIDATED		COMPANY	
	2018 N$'000 Carrying amount	2017 N$'000 Carrying amount	**2018 N$'000 Carrying amount**	2017 N$'000 Carrying amount
Domestic- Namibia	**1,473,224**	1,045,358	**1,473,224**	1,045,358
Regional Exports/ Cross border customers	**31,190**	58,135	**31,190**	58,135
	1,504,414	1,103,493	**1,504,414**	1,103,493
The maximum exposure to credit risk for trade and other receivables at the reporting date by type of customer was:				
Distributors	**862,242**	536,337	**862,242**	536,337
Mining	**240,203**	164,324	**240,203**	164,324
End-user customers	**106,152**	156,852	**106,152**	156,852
Other trade receivables	**295,817**	245,980	**295,817**	245,980
	1,504,414	1,103,493	**1,504,414**	1,103,493
Concentration of credit risk that arises from the Group's receivables in relation to categories of the customers by percentage of total receivables from customers is:				
	2018	2017	**2018**	2017
	%	%	**%**	%
Distributors	**57**	49	**57**	49
Mining	**16**	15	**16**	15
End-user customers	**7**	14	**7**	14
Other trade receivables	**20**	22	**20**	22
	100	100	**100**	100

29. FINANCIAL INSTRUMENTS (continued)

29.4.3 Trade and other receivables (continued)

The aging of trade receivables not impaired at the reporting date for Group and Company are as follows:

	CONSOLIDATED	
	2018 N$'000 Nett	2017 N$'000 Nett
0-30 days	**840,657**	758,629
Past 30 days	**264,412**	70,736
Past 120 days	**226,023**	150,192
More than one year	**173,322**	123,936
	1,504,414	1,103,493

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.

29.4.4 Impairment losses

	CONSOLIDATED AND COMPANY		CONSOLIDATED AND COMPANY	
	2018 N$'000 Gross	**2018 N$'000 Impairment**	2017 N$'000 Gross	2017 N$'000 Impairment
0-30 days	**859,114**	**18,457**	759,340	711
Past 30 days	**297,973**	**33,561**	89,101	18,364
Past 120 days	**443,545**	**217,522**	314,868	164,677
More than one year	**256,184**	**82,862**	198,716	74,780
	1,856,816	**352,402**	1,362,025	258,532

The above impairment losses are based on individual impairments.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2018

29. FINANCIAL INSTRUMENTS (continued)

29.4.4 Impairment losses (continued)

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

	CONSOLIDATED AND COMPANY	
	2018 N$'000	2017 N$'000
Balance 1 July	**258,532**	255,226
- Impairment loss recognised	**93,870**	4,200
- Impairment utilised	**-**	(894)
Balance at 30 June	**352,402**	258,532

The Company 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.

A further impairment loss of N$236.7 million relates to Rede Nacional De Electricidade (RNT), the Angolan electricity distributor. RNT is struggling to pay as a result of the adverse market conditions in Angola which has affected the Angolan market heavily.

Valuation assumptions

The Group assesses its trade and other receivables for impairment at each balance sheet date. In determining whether an impairment loss should be recorded in the profit or loss, the Group makes judgements as to whether there is observable data indicating an expected decrease in the estimated future cash flows from the financial asset.

Based on past experience, the Group has little prospects of collecting debts which are outstanding for more than 120 days. An allowance was raised 100% for these debtors.

29. FINANCIAL INSTRUMENTS (continued)

29.4.4 Impairment losses (continued)

	CONSOLIDATED AND COMPANY	
	2018 N$'000	2017 N$'000
Security relating to trade receivables		
The security held against trade receivables for the Group and Company comprises bank guarantees and cash deposits. The estimate of the fair value of the security is:		
(a) Cash deposits		
Electricity receivables security deposit - Cash		
Domestic Namibia	**25,516**	25,136
Regional Exports/Cross-Border customers	**368**	368
(b) Bank Guarantees		
Domestic - Namibia	**289,135**	167,237
Cross-Border customers	**58**	58

29.4.5 Cash and cash equivalents

The Group held cash and cash equivalents of N$2.3 billion at 30 June 2018 (2017: N$1.9 billion). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated for long-term issuer default rating (IDR) as BB+ and national long-term rating AA+(zaf), based on Fitch ratings.

29.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

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.

29. FINANCIAL INSTRUMENTS (continued)

29.5.1 Contractual Cash Flows

The tables below indicate the contractual undiscounted cash flows of the Group and Company's financial liabilities on the basis of their earliest possible contractual maturity. The cash flows of the Group's and Company's financial liabilities are indicated on a gross undiscounted basis. The cash flows for derivatives are presented as net cash flows.

2018 **CONSOLIDATED**	**Carrying amount**	**Total contractual cash flows**	**Contractual cash flows 1 year or less**	**Contractual cash flows 1- 5 years**	**Contractual cash flows 5 years and more**
	N$ '000	**N$ '000**	**N$ '000**	**N$ '000**	**N$ '000**
Non-derivative financial liabilities					
Secured long term loans					
- GBP fixed rate loan	**(108,547)**	**(110,818)**	**(27,677)**	**(83,141)**	**-**
- EUR floating rate loan	**(9,423)**	**(9,657)**	**(6,529)**	**(3,128)**	**-**
- ZAR denominated loans	**(1,632,580)**	**(2,222,057)**	**(310,779)**	**(1,383,984)**	**(527,294)**
- NAD denominated loans	**(281,321)**	**(324,016)**	**(31,086)**	**(286,844)**	**(6,086)**
Non current retention creditors	**(26,744)**	**(26,744)**	**-**	**(26,744)**	**-**
Trade and other payables	**(1,011,057)**	**(1,011,057)**	**(1,011,057)**	**-**	**-**
Derivative financial liabilities					
- Interest rate swaps and cross currency interest rate swaps used for hedging	**-**	**9,069**	**2,704**	**6,365**	**-**
2017					
Non-derivative financial liabilities					
Secured long term loans					
- GBP fixed rate loan	(128,174)	(131,139)	(26,223)	(104,916)	-
- EUR floating rate loan	(77,747)	(78,267)	(69,217)	(9,050)	-
- ZAR denominated loans	(1,767,788)	(2,507,549)	(285,492)	(1,484,299)	(737,758)
- NAD denominated loans	(285,519)	(355,150)	(31,134)	(311,844)	(12,172)
Non-current retention creditors	(29,432)	(29,432)	-	(29,432)	-
Trade and other payables	(795,381)	(795,381)	(795,381)	-	-
Derivative financial liabilities					
- Interest rate swaps and cross-currency interest rate swaps used for hedging	-	33,972	31,414	2,558	-

29. FINANCIAL INSTRUMENTS (continued)

29.5.1 Contractual Cash Flows (continued)

2018 COMPANY	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 and more N$ '000
Non-derivative financial liabilities					
Secured long term loans					
- GBP fixed rate loan	**(108,547)**	**(110,818)**	**(27,677)**	**(83,141)**	**-**
- EUR floating rate loan	**(9,423)**	**(9,657)**	**(6,529)**	**(3,128)**	**-**
- ZAR denominated loans	**(1,632,580)**	**(2,222,057)**	**(310,779)**	**(1,383,984)**	**(527,294)**
- NAD denominated loans	**(281,321)**	**(324,016)**	**(31,086)**	**(286,844)**	**(6,086)**
Non-current retention creditors	**(26,744)**	**(26,744)**	**-**	**(26,744)**	**-**
Trade and other payables	**(1,011,063)**	**(1,011,063)**	**(1,011,063)**	**-**	**-**
Loans due to subsidiaries	**(6,388)**	**(6,388)**	**(6,388)**	**-**	**-**
Derivative financial liabilities					
- Interest rate swaps and cross-currency interest rate swaps used for hedging	**-**	**9,069**	**2,704**	**6,365**	**-**
2017					
Non-derivative financial liabilities					
Secured long term loans					
- GBP fixed rate loan	(128,174)	(131,139)	(26,223)	(104,916)	-
- EUR floating rate loan	(77,747)	(78,267)	(69,217)	(9,050)	-
- ZAR denominated loans	(1,767,788)	(2,507,549)	(285,492)	(1,484,299)	(737,758)
- NAD denominated loans	(285,519)	(355,150)	(31,134)	(311,844)	(12,172)
Non-current retention creditors	(29,432)	(29,432)	-	(29,432)	-
Trade and other payables	(795,381)	(795,381)	(795,381)	-	-
Loans due to subsidiaries	(6,388)	(6,388)	(6,388)	-	-
Derivative financial liabilities					
- Interest rate swaps and cross currency interest rate swaps used for hedging	-	33,972	31,414	2,558	-

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29. FINANCIAL INSTRUMENTS (continued)

29.5.2 Derivative financial instruments

Derivative financial instruments are used as a means of reducing exposure to fluctuations in foreign exchange rates and interest rates. Whilst these financial instruments are subject to the risk of market rates changing subsequent to acquisition, such changes would generally be offset by opposite effects on the items being hedged.

Valuation assumptions

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contracts is their quoted market price at the reporting date, being the present value of the quoted forward price.

The fair value of forward exchange contracts is based on their quoted price, if available. If a quoted price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

Fair values of interest rate swaps reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate

The principal or contract amount of derivative financial instruments were:

	CONSOLIDATED AND COMPANY	
	2018 N$'000	2017 N$'000
Net interest rate and cross currency swaps	**20,258**	55,679
Forward exchange contracts	**245,923**	383,270

29.5.3 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:

General banking facilities	**192,500**	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 2018 was 10.5%.

29. FINANCIAL INSTRUMENTS (continued)

29.6 Market risk

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

A significant part of the market risk encountered arises from financial instruments that are managed within the treasury function of the company or from contracts containing embedded derivatives

Financial instruments managed by the treasury function

The treasury section is responsible for managing market risk within the risk management framework approved by Exco and the board. The overall authority for the management of market risks within the treasury section is vested in the Asset and Liability Committee (ALCO) which reports quarterly to the Investment committee and the Audit and Risk Management Committee.

Embedded derivatives

The Company entered into a number of agreements for the purchase and supply of electricity, where the revenue or expenditure from these contracts is based on foreign currency rates (mainly USD) or foreign production price indices. This gives rise to embedded derivatives that require separation as a result of the different characteristics of the embedded derivative and the host contract. The contractual periods vary from 3 years up to a maximum of 10 years. Certain of these contracts are currently being renegotiated.

The net impact on profit or loss of changes in the fair value of the embedded derivatives for the Group and Company is a fair value gain of N$20.5 million (2017: N$195.2 million gain). At 30 June 2018 the embedded derivative asset amounted to Nil (2017: N$319 thousand) for the Group and Company. The embedded derivative liability at 30 June 2018 was N$107.5 million (2017: N$128.3 million) for the Group and Company.

The valuation methods and inputs are discussed in note 29.8. Risks arising from these contracts are discussed under the relevant risk areas as follows:

- interest rate risk (refer note 29.6.1)
- currency risk (refer note 29.6.2)
- other price risk (refer note 29.6.3)

Electricity purchases and sales contracts that contain embedded derivatives are considered for economic hedging. Economic hedging in respect of foreign currency exposure resulting from these embedded derivatives takes place on a short-term basis.

29.6.1 Interest rate risk

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.

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29. FINANCIAL INSTRUMENTS (continued)

29.6.1 Interest rate risk (continued)

At the reporting date the interest rate profile of the Group's interest bearing financial instruments was:

	CONSOLIDATED		COMPANY	
	Carrying amount N$'000	Carrying amount N$'000	**Carrying amount N$'000**	Carrying amount N$'000
Variable rate financial instruments				
Financial assets	**1,600,594**	1,107,683	**1,600,594**	1,107,683
Financial liabilities	**(31,321)**	(35,519)	**(31,321)**	(35,519)
	1,569,273	1,072,164	**1,569,273**	1,072,164
Fixed rate financial instruments				
Financial assets	**8,476,800**	7,543,032	**8,481,801**	7,552,275
Financial liabilities	**(2,000,551)**	(2,223,710)	**(2,000,551)**	(2,223,710)
	6,476,249	5,319,322	**6,481,250**	5,328,565

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 2017.

29. FINANCIAL INSTRUMENTS (continued)

29.6.1 Interest rate risk (continued)

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

	CONSOLIDATED		COMPANY	
CONSOLIDATED AND COMPANY	**Equity 100 bp increase**	Equity 100 bp decrease	**Equity 100 bp increase**	Equity 100 bp decrease
30 June 2018				
Variable rate instruments				
Interest rate swap				
-DBN				
NAD Curve	**(213)**	213	**(313)**	313
30 June 2017				
Variable rate instruments				
Interest rate swap				
-DBN				
NAD Curve	**(242)**	242	**(355)**	355

29.6.2 Currency risk

The Group is exposed to currency risk as a result of the following transactions which are denominated in a currency other than Namibia Dollar as a result of: purchases of equipment, consulting fees and borrowings. The currencies which primarily give rise to currency risk are GBP, USD, 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.

29. FINANCIAL INSTRUMENTS (continued)

29.6.2 Currency risk (continued)

CONSOLIDATED

The currency position at 30 June 2018 is set below

in thousands of Namibia Dollar	N$	ZAR	US$	Euro	GBP	BWP	Total
Assets							
Other financial assets	26,069	-	16,990	-	-	-	43,059
Loans receivable	20,942	-	-	-	-	-	20,942
Trade and other receivables	1,233,991	-	270,423	-	-	-	1,504,414
Investments	5,674,610	569,077	-	-	-	-	6,243,687
Cash and cash equivalents	418,054	1,744,994	147,015	12	45	-	2,310,120
	7,373,666	2,314,071	434,428	12	45	-	10,122,222
Liabilities							
Interest bearing loans and borrowings	(281,321)	(1,632,581)	-	(9,423)	(108,547)	-	(2,031,872)
Other financial liabilities	-	-	(107,486)	-	-	-	(107,486)
Trade and other payables	(638,342)	(261,432)	(107,767)	(1,561)	(33)	(1,922)	(1,011,057)
Non current retention creditors	(26,744)	-	-	-	-	-	(26,744)
	(946,407)	(1,894,013)	(215,253)	(10,984)	(108,580)	(1,922)	(3,177,159)
Gross statement of financial position exposure	6,427,259	420,058	219,175	(10,972)	(108,535)	(1,922)	6,945,063
Next year's forecast sales	6,356,925	-	415,686	-	-	-	6,772,611
Next year's forecast purchases	(391,148)	(1,927,565)	(1,359,883)	-	-	-	(3,678,596)
Gross exposure	12,393,036	(1,507,507)	(725,022)	(10,972)	(108,535)	(1,922)	10,039,078
Foreign exchange contracts	-	-	16,987	-	-	-	16,987
Net exposure	12,393,036	(1,507,507)	(708,035)	(10,972)	(108,535)	(1,922)	10,056,065

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

Currency translation rates:	**30 June 2018**
1 SA Rand	N$1.0
1 US Dollar	N$13.7
1 Euro	N$16.0
1 GBP	N$18.0
1 BWP	N$1.3

29. FINANCIAL INSTRUMENTS (continued)

29.6.2 Currency risk (continued)

CONSOLIDATED

The currency position at 30 June 2017 is set below

in thousands of Namibia Dollar	N$	ZAR	US$	Euro	GBP	Total
Assets						
Other financial assets	58,715	-	-	-	-	58,715
Loans receivable	14,168	-	-	-	-	14,168
Trade and other receivables	831,321	-	272,172	-	-	1,103,493
Investments	5,357,548	308,144	-	-	-	5,665,692
Cash and cash equivalents	303,983	1,449,083	115,866	37	30	1,868,999
	6,565,735	1,757,227	388,038	37	30	8,711,067
Liabilities						
Interest bearing loans and borrowings	(285,519)	(1,767,789)	-	(77,747)	(128,174)	(2,259,229)
Other financial liabilities	-	-	(131,294)	33	-	(131,261)
Trade and other payables	(490,315)	(241,941)	(63,628)	503	-	(795,381)
Non current retention creditors	(25,329)	-	-	(4,103)	-	(29,432)
	(801,163)	(2,009,730)	(194,922)	(81,314)	(128,174)	(3,215,303)
Gross statement of financial position exposure	5,764,572	(252,503)	193,116	(81,277)	(128,144)	5,495,763
Next year's forecast sales	6,520,174	-	-	-	-	6,520,174
Next year's forecast purchases	(245,476)	(1,973,692)	(1,238,507)	-	-	(3,457,675)
Gross exposure	12,039,271	(2,226,195)	(1,045,391)	(81,277)	(128,144)	8,558,262
Foreign exchange contracts	-	-	(2,952)	33	-	(2,919)
Net exposure	12,039,271	(2,226,195)	(1,048,343)	(81,244)	(128,144)	8,555,343

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

Currency translation rates:	**30 June 2017**
1 SA Rand	N$1.0
1 US Dollar	N$13.1
1 Euro	N$14.9
1 GBP	N$17.0

29. FINANCIAL INSTRUMENTS (continued)

29.6.2 Currency risk (continued)

COMPANY

The currency position at 30 June 2018 is set below

in thousands of Namibia Dollar	N$	ZAR	US$	Euro	GBP	BWP	Total
Assets							
Other financial assets	**26,069**	**-**	**16,990**	**-**	**-**	**-**	**43,059**
Loans receivable	**20,942**	**-**	**-**	**-**	**-**	**-**	**20,942**
Trade and other receivables	**1,233,991**	**-**	**270,423**	**-**	**-**	**-**	**1,504,414**
Investments	**5,674,610**	**569,077**	**-**	**-**	**-**	**-**	**6,243,687**
Cash and cash equivalents	**418,054**	**1,744,994**	**147,015**	**12**	**45**	**-**	**2,310,120**
Interest in subsidiaries	**5,002**	**-**	**-**	**-**	**-**	**-**	**5,002**
	7,378,668	**2,314,071**	**434,428**	**12**	**45**	**-**	**10,127,224**
Liabilities							
Interest bearing loans and borrowings	**(281,321)**	**(1,632,581)**	**-**	**(9,423)**	**(108,547)**	**-**	**(2,031,872)**
Other financial liabilities	**-**	**-**	**(107,486)**	**-**	**-**	**-**	**(107,486)**
Trade and other payables	**(638,348)**	**(261,432)**	**(107,767)**	**(1,561)**	**(33)**	**(1,922)**	**(1,011,063)**
Non current retention creditors	**(26,744)**	**-**	**-**	**-**	**-**	**-**	**(26,744)**
Loans due to subsidiaries	**(6,388)**	**-**	**-**	**-**	**-**	**-**	**(6,388)**
	(952,801)	**(1,894,013)**	**(215,253)**	**(10,984)**	**(108,580)**	**(1,922)**	**(3,183,553)**
Gross statement of financial position exposure	**6,425,867**	**420,058**	**219,175**	**(10,972)**	**(108,535)**	**(1,922)**	**6,943,671**
Next year's forecast sales	**6,356,925**	**-**	**415,686**	**-**	**-**	**-**	**6,772,611**
Next year's forecast purchases	**(391,148)**	**(1,927,565)**	**(1,359,883)**	**-**	**-**	**-**	**(3,678,596)**
Gross exposure	**12,391,644**	**(1,507,507)**	**(725,022)**	**(10,972)**	**(108,535)**	**(1,922)**	**10,037,686**
Foreign exchange contracts	**-**	**-**	**16,987**	**-**	**-**	**-**	**16,987**
Net exposure	**12,391,644**	**(1,507,507)**	**(708,035)**	**(10,972)**	**(108,535)**	**(1,922)**	**10,054,673**

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

Currency translation rates:	**30 June 2018**
1 SA Rand	N$1.0
1 US Dollar	N$13.7
1 Euro	N$16.0
1 GBP	N$18.0
1 BWP	N$1.3

29. FINANCIAL INSTRUMENTS (continued)

29.6.2 Currency risk (continued)

COMPANY

The currency position at 30 June 2017 is set below

in thousands of Namibia Dollar	N$	ZAR	US$	Euro	GBP	Total
Assets						
Other financial assets	58,715	-	-	-	-	58,715
Loans receivable	14,168	-	-	-	-	14,168
Trade and other receivables	831,321	-	272,172	-	-	1,103,493
Investments	5,357,548	308,144	-	-	-	5,665,692
Cash and cash equivalents	303,983	1,449,083	115,866	37	30	1,868,999
Interest in subsidiaries	9,244	-	-	-	-	9,244
	6,574,979	1,757,227	388,038	37	30	8,720,311
Liabilities						
Interest bearing loans and borrowings	(285,519)	(1,767,789)	-	(77,747)	(128,174)	(2,259,229)
Other financial liabilities	-	-	(131,294)	33	-	(131,261)
Trade payables and other payables	(490,310)	(241,941)	(63,628)	503	-	(795,376)
Non current retention creditors	(25,329)	-	-	(4,103)	-	(29,432)
Loans due to subsidiaries	(6,388)	-	-	-	-	(6,388)
	(807,546)	(2,009,730)	(194,922)	(81,314)	(128,174)	(3,221,686)
Gross statement of financial position exposure	5,767,432	(252,503)	193,116	(81,277)	(128,144)	5,498,625
Next year's forecast sales	6,520,174	-	-	-	-	6,520,174
Next year's forecast purchases	(245,476)	(1,973,692)	(1,238,507)	-	-	(3,457,675)
Gross exposure	12,042,130	(2,226,195)	(1,045,391)	(81,277)	(128,144)	8,561,124
Foreign exchange contracts	-	-	(2,952)	33	-	(2,918)
Net exposure	12,042,130	(2,226,195)	(1,048,343)	(81,244)	(128,144)	8,558,206

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

Currency translation rates:	**30 June 2017**
1 SA Rand	N$1.0
1 US Dollar	N$13.1
1 Euro	N$14.9
1 GBP	N$17.0

29. FINANCIAL INSTRUMENTS (continued)

29.6.2 Currency risk (continued)

Sensitivity analysis

A strengthening of the N$ against the following currencies at 30 June 2018 would have increased/(decreased) profit or loss and equity 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 2017.

	CONSOLIDATED AND COMPANY		CONSOLIDATED AND COMPANY	
	2018 Equity N$'000	2017 Equity N$'000	**2018 Profit or (Loss) N$'000**	2017 Profit or (Loss) N$'000
US Dollar (10 percent strengthening)	**53,593**	70,505	**78,813**	103,684
Euro (10 percent strengthening)	**(746)**	(5,524)	**(1,097)**	(8,123)
GBP (10 percent strengthening)	**(7,380)**	(8,714)	**(10,854)**	(12,815)
BWP (10 percent strengthening)	**(131)**	-	**(192)**	-

A weakening of the N$ against the following currencies at 30 June 2018 would have increased/(decreased) profit or loss and equity 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 2017.

	2018 Equity N$'000	2017 Equity N$'000	2018 Profit or (Loss) N$'000	2017 Profit or (Loss) N$'000
US Dollar (10 percent weakening)	**(53,593)**	(70,505)	**(78,813)**	(103,684)
Euro (10 percent weakening)	**746**	5,524	**1,097**	8,123
GBP (10 percent weakening)	**7,380**	8,714	**10,854**	12,815
BWP (10 percent strengthening)	**131**	-	**192**	-

29.6.3 Other price risk

Inflation price risk arises from embedded derivatives as discussed under note 29.8. 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:

29. FINANCIAL INSTRUMENTS (continued)

29.6.3 Other price risk (continued)

	CONSOLIDATED AND COMPANY		CONSOLIDATED AND COMPANY	
	2018 Equity N$'000	2017 Equity N$'000	**2018 Profit or (Loss) N$'000**	2017 Profit or (Loss) N$'000
United States PPI				
1% increase	**(2,303)**	(6,061)	**(3,437)**	(9,046)
1% decrease	**2,299**	6,015	**3,432**	8,977

29.7 Capital management

The Group 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.

The Group manages the following as capital:

	2018 Equity N$'000	2017 Equity N$'000	**2018 Profit or (Loss) N$'000**	2017 Profit or (Loss) N$'000
Ordinary share capital	**1,065,000**	1,065,000	**1,065,000**	1,065,000
Reserve fund	**1,693,649**	1,633,716	**1,693,649**	1,633,716
Development fund	**6,290,174**	5,094,092	**6,125,092**	4,917,453
Debt	**4,891,614**	4,880,015	**4,898,009**	4,886,400
	13,940,437	12,672,823	**13,781,750**	12,502,569

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 8.37 (2017: 5.42), debt to EBITDA of -3.28 (2017: -2.90) and a debt equity ratio of 9:91 (2017: 10:90).

29. FINANCIAL INSTRUMENTS (continued)

29.7 Capital management (continued)

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 long-term issuer default rating (IDR) at BB+ and national long-term rating at AA+(zaf). The outlooks on the long-term ratings are stable.

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.

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.

29.8 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

The Group 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 2018

Input	**Unit**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
NAD/USD	USD per NAD	13.76	14.42	15.20	15.79	16.64	17.59
ZAR discount factor		0.99	0.92	0.85	0.79	0.73	0.67
United States PPI	Year-on-year (%)	0.90%	0.01	0.19%	0.37%	0.39%	0.00%

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2018

30. PRIOR PERIOD ERROR

An adjustment was made in respect of accounting for capital contributions from customers. The Group recognised assets transferred by customers as an item of property, plant and equipment in accordance with IAS 16 – Property, Plant and Equipment. The capital contributions made by customers relating to the assets capitalised were not recognised as revenue when the assets were capitalised. In terms of IAS 18 – Revenue, the capital contributions from customers should have been recognised as revenue upon capitalization of the projects.

The correction of the error results in adjustments as follows:

		CONSOLIDATED		COMPANY	
		2017 N$'000	2016 N$'000	2017 N$'000	2016 N$'000
30.1 Statements of financial position					
Non-current liabilities					
Deferred revenue liabilities - as previously reported		1,289,015	1,159,810	1,289,015	1,159,810
Prior period error		(255,454)	(140,584)	(255,454)	(140,584)
Deferred revenue liabilities - restated		1,033,561	1,019,226	1,033,561	1,019,226
30.2 Statements of profit or loss and other comprehensive income					
Revenue - as previously reported		5,805,849	-	5,805,849	-
Prior period error		114,870	-	114,870	-
Revenue - restated		5,920,719	-	5,920,719	-
30.3 Statements of changes in equity					
Development Fund - as previously reported		5,068,300	4,127,007	4,891,672	3,951,512
Prior period error	**31.3**	255,454	140,584	255,454	140,584
Development Fund - restated		5,323,764	4,267,591	5,147,126	4,092,096
30.4 Statements of cashflows					
Cash generated from operations					
Profit before taxation and interest and before share of profits from associates - as previously reported		915,998		922,022	
Prior period error - revenue		114,870		114,870	
Profit before taxation and interest and before share of profits from associates - restated		1,030,868		1,036,892	

The capital contributions are not taxable as they are of a capital nature and the Group also obtained a tax ruling from the tax authorities to that effect. Therefore, there are no tax consequences on the prior period error.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2018

31. PRIOR PERIOD ERROR

An adjustment was made in respect of capital allowances previously claimed on assets transferred by customers. The Group claimed wear and tear on assets transferred by customers inspite of not having incurred the cost in acquiring the assets as in accordance with Income Tax Act 24 of 1981 Section 17(1)(e).

The impact of the error is set out below:

		CONSOLIDATED		COMPANY	
		2017 N$'000	2016 N$'000	2017 N$'000	2016 N$'000
31.1 Statements of financial position					
Non current liabilities					
Deferred tax liabilities - as previously reported		6,218,114	6,232,317	6,211,350	6,225,449
Prior period error		160,061	172,538	160,061	172,538
Deferred tax liabilities - restated		6,378,175	6,404,855	6,371,411	6,397,987
Current liabilities					
Current tax payable - as previously reported		26,688	-	26,688	-
Prior period error		69,612	25,303	69,612	25,303
Current tax payable - restated		96,300	25,303	96,300	25,303
31.2 Statements of profit or loss and other comprehensive income					
Increase in tax expense		(31,832)	-	(31,832)	-
Decrease in profit		(31,832)	-	(31,832)	-
31.3 Statements of changes in equity					
Development Fund - as previously reported		5,068,311	4,127,007	4,891,672	3,951,512
Prior period error - contribution by customers	**30.3**	255,454	140,584	255,454	140,584
Prior period error - tax		(229,673)	(197,841)	(229,673)	(197,841)
Development Fund - restated		5,094,092	4,069,750	4,917,453	3,894,255

32. SEGMENT REPORTING

Business unit segments

Reportable segments are determined based on the internal management reports provided quarterly to the Executive Committee (EXCO). The Group has three reportable segments, as described below, which are the Group's core business units. The core business units offer different services, and are managed separately because they require different expertise and marketing strategies. For each of the strategic business units, the Executive Committee (EXCO) 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.

32.1 Information about reportable business units

	GENERATION		TRANSMISSION		OTHER		TOTAL	
Amounts in N$'000	**2018**	2017	**2018**	2017 Restated*	**2018**	2017 Restated*	**2018**	2017 Restated*
Total revenues	**1,000,769**	683,471	**7,498,815**	7,158,939	**3,970,007**	3,684,346	**12,469,591**	11,526,756
Intersegment revenue	**(1,000,769)**	(683,471)	**(1,557,997)**	(1,874,386)	**(3,316,010)**	(3,048,180)	**(5,874,775)**	(5,606,037)
Total segment revenue**	**-**	-	**5,940,818**	5,284,553	**653,997**	636,166	**6,594,816**	5,920,719
Interest income	**-**	-	**91,783**	63,714	**679,802**	609,726	**771,585**	673,440
Interest expense	**(36,287)**	(38,943)	**(138,867)**	(148,920)	**(18,265)**	(27,230)	**(193,419)**	(215,093)
Depreciation and amortisation	**(382,232)**	(313,741)	**(440,724)**	(428,171)	**(52,611)**	(47,441)	**(875,567)**	(789,352)
Staff costs	**(166,853)**	(149,432)	**(474,533)**	(242,399)	**(126,925)**	(277,722)	**(768,311)**	(669,553)
Post retirement medical benefit	**(7,957)**	(6,393)	**(23,588)**	(11,469)	**(6,238)**	(12,166)	**(37,783)**	(30,028)
Foreign exchange gains on trade payables/receivables, bank balances and loans payable	**-**	-	**-**	-	**226,262**	188,231	**226,262**	188,231
Foreign exchange losses on trade payables/receivables, bank balances and loans payable	**-**	-	**-**	-	**(221,319)**	(142,458)	**(221,319)**	(142,458)
Segment result (before tax)	**681,189**	651,362	**(4,962,179)**	(4,139,663)	**6,015,474**	4,984,984	**1,734,484**	1,496,683

32.2 Geographical information on the Group's revenue from customers by geographical area are:

	CONSOLIDATED AND COMPANY	
Amounts in N$'000	**2018**	2017 Restated*
Domestic - Namibia	**6,305,212**	5,667,181
Regional exports/Cross-border customers	**289,604**	253,538
	6,594,816	5,920,719

32.3 Information about major customers

Included in total segment revenue arising from the sale of electricity, extension charges, STEM sales and contribution by customers of N$6.6 billion (2017: N$5.9 billion) (see note 32.1 above) are revenues of approximately N$3.0 billion (2017: N$ 2.6 billion) which arose from electricity sales to the Group's three largest customers. No other single customers contributed 10% or more to the Group's revenue for both 2018 and 2017 financial years.

* Certain amounts shown here do not correspond to the 2017 financial statements due to an error and reflect adjustments made, refer to note 30.

** An amount of N$3.7 billion was reclassified from Other business segment to Transmission business segment to better reflect the respective segment revenues.

33. Contingent liability

The Group is currently engaging with the Namibian tax authorities regarding potential tax obligations arising from differences in tax opinions which resulted in the way certain transactions were treated for tax purposes.

The possible exposure cannot be quantified until the tax authorities have made a pronouncement on the matter.

ABBREVIATIONS

AMD......... Asset Maintenance Division
BMI .... Body Mass Index
CAPEX .... Capital Expenditure Budget
CPB .... Central Procurement Board
CSP .... Concentrated Solar Power
DAM......... Day-Ahead Market
DNI .... Direct Normal Irradiance
DSCR ...... Debt Service Coverage Ratio
DSM......... Demand Side Management
DSN .... Disability Sport Namibia
EBITDA.... Earnings Before Interest, Tax, Depreciation and Amortisation
ECB .... Electricity Control Board
EDM......... Electricidade de Mozambique
eDRM ...... Electronic Documents and Records Management
EIA........... Environmental Impact Assessment
EIB........... European Investment Bank
EIS........... Environmental Information Service
EMP......... Environmental Management Plan
EPC .... Engineering, Procurement, Construction
ERM......... Environmental Resource Management
ESM......... Environmental Sound Management
ETD .... Education, Training and Development
FSA .... Fuel Supply Agreement
GDP......... Gross Domestic Product
GHI .... Global Horizontal Irradiance
GX............Generation
HIRA........ Hazard Identification and Risk Assessment
HPP .... Harambee Prosperity Plan
HVDC ...... High Voltage Direct Current
IAEA......... International Atomic Energy Agency
ICDL .... International Computer Driver's Licence
IPP........... Independent Power Producer
KPA.......... Key Performance Area
KPI........... Key Performance Indicator
kV .... Kilovolt
LED.......... Light Emitting Diode
LTIFR....... Lost Time Injury Frequency Rate
MET......... Ministry of Environment and Tourism
MME .... Ministry of Mines and Energy
MoHSS .... Ministry of Health and Social Services
MW .... Megawatt
NAMAF .... Namibian Association of Medical Aid Funds
NNF .... Namibia Nature Foundation
NTA.......... Namibia Training Authority
NDP .... National Development Plan
NEEEP .... NamPower Equitable Economic Empowerment Policy
NIRP .... National Integrated Resource Plan
NMD .... Notified Maximum Demand
NNF .... Namibia Nature Foundation
NTA.......... Namibia Training Authority
OPEX....... Operating Expenditure Budget
OCGT ...... Open Cycle Gas Turbines
PCBs .... Polychlorinated Biphenyls
PDN .... Previously Disadvantaged Namibians
PDPs .... Personal Development Plans
PDR .... Plan-Do-Review
PIV........... Penstock Inlet Valve
PJTC........ Permanent Joint Technical Commission
PM .... Performance Management
POP .... Persistent Organic Pollutants
PPA.......... Power Purchase Agreement
PPU .... Procurement Policy Unit
PSA.......... Power Supply Agreement
PSC .... Power Systems Constructions
PTM&C .... Protection, Telecommunication, Metering and Control
PV............ Photovoltaic
REDs .... Regional Electricity Distributors
REFIT ...... Renewable Energy Feed-In Tariff
RMC .... Records Management Compliance
SADC....... Southern African Development Community
SAIEA...... Southern African Institute of Environment Assessment
SAPP....... Southern African Power Pool
SHEW...... Safety Health Environment and Wellness
SSP .... System Security Planning
WAN .... Wide Area Network
UNDP ...... United Nations Development Programme
ZLI .... Zambezi Link Inter-connector
ZESCO .... Zambia Electricity Supply Corporation
ZPC .... Zimbabwe Power Corporation

CORPORATE INFORMATION

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